



**national
public finance
guarantee**



First Quarter 2018 Operating Supplement

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(1) This report is unaudited.

Safe Harbor Disclosure

This Operating Supplement of MBIA Inc., together with its consolidated subsidiaries, (collectively, “MBIA”, the “Company”, “we”, “us” or “our”) includes statements that are not historical or current facts and are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “believe”, “anticipate”, “project”, “plan”, “expect”, “estimate”, “intend”, “will likely result”, “looking forward”, or “will continue” and similar expressions identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. MBIA cautions readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. We undertake no obligation to publicly correct or update any forward-looking statement if the Company later becomes aware that such result is not likely to be achieved.

The following are some of the general factors that could affect financial performance or could cause actual results to differ materially from estimates contained in or underlying the Company’s forward-looking statements:

- increased credit losses or impairments on public finance obligations that National Public Finance Guarantee Corporation (“National”) insures issued by state, local and territorial governments and finance authorities and other providers of public services, located in the U.S. or abroad, that are experiencing fiscal stress;
- the possibility that loss reserve estimates are not adequate to cover potential claims;
- a disruption in the cash flow from our subsidiaries or an inability to access the capital markets and our exposure to significant fluctuations in liquidity and asset values in the global credit markets as a result of collateral posting requirements;
- our ability to fully implement our strategic plan;
- the possibility that MBIA Insurance Corporation will have inadequate liquidity or resources to timely pay claims as a result of higher than expected losses on certain structured finance transactions or as a result of a delay or failure in collecting expected recoveries, which could lead the New York State Department of Financial Services (“NYSDFS”) to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding under Article 74 of the New York Insurance Law and/or take such other actions as the NYSDFS may deem necessary to protect the interests of MBIA Insurance Corporation’s policyholders;
- deterioration in the economic environment and financial markets in the United States or abroad, real estate market performance, credit spreads, interest rates and foreign currency levels; and
- the effects of changes to governmental regulation, including insurance laws, securities laws, tax laws, legal precedents and accounting rules.

The above factors provide a summary of and are qualified in their entirety by the risk factors discussed under “Risk Factors” in Part I, Item 1A included in the Annual Report on Form 10-K. The Company encourages readers to review these risk factors in their entirety.

National Public Finance Guarantee Corporation and Subsidiaries
GAAP Consolidated Balance Sheets
(in millions except share and per share amounts)

	March 31, 2018	December 31, 2017
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$3,038 and \$3,115)	\$ 2,931	\$ 3,061
Investments carried at fair value	200	175
Investments pledged as collateral, at fair value (amortized cost \$138 and \$129)	133	126
Short-term investments held as available-for-sale, at fair value (amortized cost \$204 and \$142)	204	142
Other investments (includes investments at fair value of \$0 and \$3)	1	5
Total investments	3,469	3,509
Cash and cash equivalents	52	54
Securities purchased under agreements to resell	130	124
Premiums receivable	167	167
Current income taxes	-	90
Deferred acquisition costs	120	127
Insurance loss recoverable	353	322
Receivable for investments sold	22	1
Deferred income taxes, net	28	2
Other assets	42	41
Total assets	\$ 4,383	\$ 4,437
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	\$ 532	\$ 564
Loss and loss adjustment expense reserves	544	503
Securities sold under agreements to repurchase	130	124
Current income taxes	5	-
Payable for investments purchased	55	34
Derivative liabilities	2	2
Other liabilities	19	25
Total liabilities	1,287	1,252
Equity:		
Common stock, par value \$30 per share; authorized, issued and outstanding shares — 500,000	15	15
Additional paid-in capital	2,048	2,062
Retained earnings	1,121	1,145
Accumulated other comprehensive income (loss), net of tax of \$23 and \$20	(88)	(37)
Total equity	3,096	3,185
Total liabilities and equity	\$ 4,383	\$ 4,437

National Public Finance Guarantee Corporation and Subsidiaries
GAAP Consolidated Statements of Operations
(in millions)

	<u>Three Months Ended March 31,</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Premiums earned:		
Scheduled premiums earned	\$ 15	\$ 20
Refunding premiums earned	17	21
Premiums earned	32	41
Net investment income	27	31
Fees and reimbursements	1	1
Net gains (losses) on financial instruments at fair value and foreign exchange	(6)	4
Net investment losses related to other-than-temporary impairments	(1)	(2)
Total revenues	53	75
Expenses:		
Losses and loss adjustment	77	11
Amortization of deferred acquisition costs	7	8
Operating	11	17
Total expenses	95	36
Income (loss) before income taxes	(42)	39
Provision (benefit) for income taxes	(9)	12
Net income (loss)	\$ (33)	\$ 27

National Public Finance Guarantee Corporation and Subsidiaries
(dollars in millions)

GAAP Amortization of Gross Par, Gross Debt Service, Gross Unearned Premium and Net Cash Premiums Collected and Expected

	Ending Gross Par Outstanding	Ending Gross Debt Service Outstanding	Gross Unearned Premiums ⁽¹⁾	Expected Future Premiums Earnings ⁽¹⁾⁽²⁾			Total	Net Cash Premiums Collected and Expected ⁽³⁾
				Upfronts	Installments	Accretion		
1st Qtr. 2018	66,536	125,746	534					2
2nd Qtr. 2018	65,541	123,825	521	11	2	1	14	3
3rd Qtr. 2018	63,281	120,209	508	11	2	1	14	4
4th Qtr. 2018	61,886	117,864	496	10	2	1	13	4
2019	56,749	108,696	447	39	10	5	54	12
2020	52,050	100,077	402	36	9	4	49	12
2021	47,445	91,864	361	32	9	4	45	12
2022	43,599	84,681	323	29	9	4	42	11
2023-2027	26,199	52,560	178	107	38	17	162	52
2028-2032	13,760	29,551	92	55	31	12	98	44
2033-2037	6,587	16,000	45	24	23	7	54	34
2038-2042	3,669	8,585	18	11	16	4	31	25
2043-2047	1,164	2,303	4	5	9	3	17	14
2048 and thereafter	-	-	-	1	3	-	4	3
Total				\$371	\$163	\$63	\$597	\$230

(1) Includes financial guarantee and insured derivative premiums.

(2) Actual future premium earnings will differ from the current projection due to refundings.

(3) Represents installment-based future net, undiscounted collections.

Statutory Balance Sheets Summary

	3/31/2018	12/31/2017
Assets:		
Cash and Investments	\$ 3,533	\$ 3,502
Asset Swap Facility with MBIA Inc.	130	124
Other Assets	36	128
Total Assets	\$ 3,699	\$ 3,754
Liabilities:		
Unearned Premiums	554	585
Loss and LAE Reserves ⁽¹⁾	201	227
Contingency Reserve	565	594
Asset Swap Facility with MBIA Inc.	130	124
Other Liabilities	80	58
Total Liabilities	1,530	1,588
Total Policyholders' Surplus	2,169	2,166
Total Liabilities and Policyholders' Surplus	\$ 3,699	\$ 3,754

Claims-Paying Resources

	3/31/2018	12/31/2017
Policyholders' Surplus	\$ 2,169	\$ 2,166
Contingency Reserve	565	594
Statutory Capital	2,734	2,760
Unearned Premiums	554	585
Present Value of Installment Premiums ⁽¹⁾	163	164
Premium Resources ⁽²⁾	717	749
Net Loss and LAE Reserves ⁽¹⁾	201	227
Salvage Reserve	428	387
Gross Loss and LAE Reserves	629	614
Total Claims-Paying Resources	\$ 4,080	\$ 4,123
Net Debt Service Outstanding	\$ 121,712	\$ 129,668
Capital Ratio	45:1	47:1
Claims-Paying Resources Ratio	31:1	33:1

(1) As of March 31, 2018 and December 31, 2017, the discount rate was 3.25%.

(2) Includes financial guarantee and insured credit derivative related premiums.

U.S. Public Finance Insurance
(primarily National Public Finance Guarantee Corporation)
Investment Portfolio Including Cash and Cash Equivalents
as of March 31, 2018
(dollars in millions)

GAAP Accounting Basis

Investments⁽¹⁾	Market Value	% of Market Value	Amortized Cost	% Book Yield
Fixed-Maturity Securities:				
Long-Term Tax-Exempt ⁽²⁾	\$ 287	9	\$ 261	4.48
Long-Term Taxable	2,776	86	2,914	3.93
Short-Term	164	5	164	1.81
Total Fixed Maturity	3,227	100	\$ 3,339	3.87
Cash and Cash Equivalents	53			
Total Fixed Income Including Cash and Cash Equivalents	3,280			
Investments Carried at Fair Value ⁽³⁾	241			
Other	1			
Total	<u>\$ 3,522</u>			

Fixed Income Portfolio Including Cash and Cash Equivalents

Corporate Obligations	\$ 1,630	50
State and Municipal Bonds	644	20
MBS	376	11
US Treasury	324	10
ABS	250	8
Cash and Cash Equivalents	53	1
Foreign Governments	3	-
Total	<u>\$ 3,280</u>	<u>100</u>

Effective Maturity Profile

Cash and Cash Equivalents	\$ 53	1
≤ 1 yr	397	12
> 1 to 5 yrs	968	30
> 5 to 10 yrs	621	19
> 10 to 15 yrs	103	3
> 15 to 20 yrs	348	11
> 20 yrs	790	24
Total	<u>\$ 3,280</u>	<u>100</u>

Credit Quality Distribution of Long-Term Bonds Rating ⁽⁴⁾

Aaa	\$ 987	32
Aa	459	15
A	610	20
Baa	655	21
BIG	244	8
NR	108	4
Total	<u>\$ 3,063</u>	<u>100</u>

Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 14.04 years
Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 6.61 years

- (1) Includes Asset Swap between National and MBIA Inc. with notional amount of \$130 million; total market value of encumbered assets total \$133 million.
(2) Market value includes \$149 million of Puerto Rico Sales Tax Finance Corporation bonds (insured by National), \$54 million of Puerto Rico Electric Power Authority bonds (uninsured by National or MBIA) and \$2 million of Puerto Rico Highway & Transportation bonds (insured by National).
(3) Includes money market securities.
(4) Ratings are as of the end of the period, as last provided by the rating agencies and may be out-of-date. Ratings are derived using the Moody's Priority Method; where Moody's underlying rating is used, when available, S&P's underlying rating is used if the Moody's underlying rating is not available and an internal underlying rating is used for investments wrapped by an MBIA insurance company if neither Moody's nor S&P's underlying ratings are available.

National Public Finance Guarantee Corporation

Liquidity Position ⁽¹⁾

(in millions)

	1st	2nd	3rd	4th	Year-to-date
2018	Qtr.	Qtr.	Qtr.	Qtr.	
Beginning Cash & Cash Equivalents⁽²⁾	\$ 115				\$ 115
Net Investment Income	23				23
Other	2				2
Total Inflows	25				25
Gross Loss & LAE Payments	70				70
Operating & Other Expenses	11				11
Tax Payments	(46)				(46)
Total Outflows	35				35
Operating Cash Flow	(10)				(10)
Investing Activities	(5)				(5)
Net Cash Flow	(15)				(15)
Ending Cash & Cash Equivalents⁽²⁾	\$ 100				\$ 100
Other Liquid Assets ⁽³⁾	243				243
Ending Liquidity Position	\$ 343				\$ 343

	1st	2nd	3rd	4th	Full Year
2017	Qtr.	Qtr.	Qtr.	Qtr.	
Beginning Cash & Cash Equivalents⁽²⁾	\$ 115	\$ 41	\$ 30	\$ 30	\$ 115
Premiums and Fees	2	2	-	-	4
Net Investment Income	23	27	21	26	97
Other	-	-	1	-	1
Total Inflows	25	29	22	26	102
Gross Loss & LAE Payments	26	3	220	3	252
Operating & Other Expenses	21	16	18	19	74
Tax Payments	-	28	-	2	30
Total Outflows	47	47	238	24	356
Operating Cash Flow	(22)	(18)	(216)	2	(254)
Financing Activities	-	-	-	(118)	(118)
Investing Activities	(52)	7	216	201	372
Net Cash Flow	(74)	(11)	-	85	-
Ending Cash & Cash Equivalents⁽²⁾	\$ 41	\$ 30	\$ 30	\$ 115	\$ 115
Other Liquid Assets ⁽³⁾	255	659	396	113	113
Ending Liquidity Position	\$ 296	\$ 689	\$ 426	\$ 228	\$ 228

(1) Presented on a direct cash flow basis for transactions settled within the reporting periods. Liquidity Position excludes assets designated to alternative investment strategy portfolios.

(2) Represents management's view of cash and cash equivalents; will not agree with National's Consolidated GAAP financial results which include other cash & cash equivalents of alternative investment strategies.

(3) Includes other assets with expected maturities of less than 12 months deemed to be liquid but not included in cash and cash equivalents.

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Insured Portfolio Profile
(dollars in millions)

By Geography

Outstanding as of March 31, 2018

	Par Outstanding ⁽¹⁾		Debt Service Outstanding ⁽¹⁾	
	Gross Amount	%	Gross Amount	%
United States				
California	\$ 14,067	21.2	\$ 29,102	23.1
New York	4,864	7.3	7,121	5.7
New Jersey	4,650	7.0	7,222	5.7
Illinois	4,190	6.3	12,115	9.6
Puerto Rico	3,402	5.1	8,118	6.5
Texas	3,169	4.8	5,392	4.3
Florida	2,882	4.3	3,704	3.0
Massachusetts	2,282	3.4	3,316	2.6
Georgia	2,090	3.1	2,772	2.2
Hawaii	1,984	3.0	4,479	3.6
Subtotal	43,580	65.5	83,341	66.3
Other States & Territories	19,939	30.0	35,833	28.5
Nationally Diversified	3,017	4.5	6,572	5.2
Total	\$ 66,536	100.0	\$ 125,746	100.0

By Bond Type

Outstanding as of March 31, 2018

Bond Type	Par Outstanding ⁽¹⁾		Debt Service Outstanding ⁽¹⁾	
	Gross Amount	%	Gross Amount	%
General Obligation ⁽²⁾	\$ 20,694	31.1	\$ 39,533	31.4
Tax-Backed	12,006	18.0	25,755	20.5
Municipal Utilities	11,066	16.6	16,469	13.1
Military Housing	7,301	11.0	16,215	12.9
Transportation	5,783	8.7	13,516	10.7
General Obligation - lease	3,602	5.4	4,876	3.9
Higher Education	1,909	2.9	2,860	2.3
Investor Owned Utilities ⁽³⁾	1,731	2.6	2,784	2.2
Health Care	1,558	2.3	2,258	1.8
Other ⁽⁴⁾	638	1.0	1,100	0.9
Municipal Housing	248	0.4	380	0.3
Total	\$ 66,536	100.0	\$ 125,746	100.0

(1) For exposure classified as Capital Appreciation Bonds (CABs) by the company, gross par reflects the par amount at the time of issuance of the insurance policy, interest accretion on CABs after the issuance of our insurance policy is included in debt service.

(2) Includes general obligation unlimited and limited (property) tax bonds, general fund obligation bonds and pension obligation bonds of states, cities, counties, schools and special districts.

(3) Includes Investor-Owned Utilities, Industrial Development and Pollution Control Revenue Bonds.

(4) Includes certain non-profit enterprises, stadium related financings and student loans.

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Insured Portfolio - 50 Largest Credits
By Gross Par Outstanding as of March 31, 2018
(dollars in millions)

	Obligor Name	State	Internal Rating ⁽¹⁾	Gross Par Outstanding ⁽²⁾	Gross Debt Service Outstanding ⁽²⁾
1	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	bbb1	\$ 1,284	\$ 2,166
2	Oregon School Boards Association General Obligation	OR	aa3	1,266	2,107
3	Puerto Rico Electric Power Authority	PR	d	1,151	1,607
4	Massachusetts General Obligation	MA	a1	1,119	1,419
5	Army Hawaii Family Housing	HI	aa2	1,119	2,339
6	New Jersey Transportation Trust Fund Authority	NJ	bbb1	1,101	1,582
7	Camp Pendleton Quantico Housing Privatization	CA	aa2	1,044	2,249
8	San Diego Family Housing Privatization Military	CA	aa1	968	2,118
9	Ohana Military Communities, LLC	HI	aa3	838	2,104
10	Puerto Rico General Obligation	PR	d	835	1,101
11	Illinois Regional Transportation Authority	IL	aa3	749	1,091
12	City of Chicago Board of Education	IL	bbb3	742	2,002
13	Great River Energy Public Power	MN	a3	739	1,117
14	Puerto Rico Sales Tax Financing Corporation	PR	d	684	4,170
15	Chicago General Obligation	IL	bbb2	682	1,578
16	Atlantic Marine Corps Communities LLC	NC	aa3	653	1,433
17	LCOR Alexandria L.L.C. Federal Lease	VA	bbb1	608	979
18	Great Lakes Water Authority - Sewer System	MI	bbb1	597	770
19	Puerto Rico Highway and Transportation Authority Transportation Revenue	PR	d	558	996
20	Massachusetts Special Obligation Dedicated Tax Hotel/Motel	MA	a2	552	844
21	Navy Mid-Atlantic Family Housing LLC	VA	aa2	545	1,146
22	Illinois Metropolitan Pier & Exposition Authority	IL	bbb2	525	4,511
23	JFK International Air Terminal Airport	NY	bbb3	486	620
24	Alameda Corridor Transportation Authority Port Revenue Bonds	CA	a3	475	1,432
25	Arapahoe County E-470 Toll Road	CO	bbb1	475	2,141
26	New York State Power Authority	NY	aa2	466	829
27	Sacramento County Sanitation District Finance Authority Sewer	CA	a1	444	687
28	City of Houston Combined Utility System Revenue Bonds	TX	a2	423	435
29	Toll Road Investors Partnership II L.P. Dulles Greenway Project	VA	bbb3	406	3,199
30	Navy Southeast	FL	bbb3	406	1,025
31	Houston City Airport System	TX	a1	382	510
32	District of Columbia Sales Tax-Stadium Revenue	DC	bbb1	371	611
33	Santa Clara County Pension Obligation	CA	aa3	358	743
34	Sacramento County Water Financing Authority Water	CA	a2	352	542
35	San Francisco International Airport	CA	a2	345	392
36	New Jersey Economic Development Authority Lease	NJ	bbb1	339	465
37	Fort Drum Family Housing	NY	aa3	335	769
38	Georgia Municipal Electric Authority	GA	a3	318	360
39	Pedernales Electric Cooperative	TX	a2	313	490
40	Atlanta City Water & Sewer	GA	a3	310	382
41	New York City General Obligation	NY	aa3	301	373
42	Oglethorpe Power Corporation	GA	a3	300	549
43	Cincinnati City School District General Obligation	OH	aa3	294	423
44	Central Puget Sound Regional Transit Auth Sales	WA	aa2	293	371
45	San Mateo County Community College District GO	CA	aa1	284	834
46	New York City IDA (Yankees Stadium)	NY	bbb2	283	527
47	Kentucky Municipal Power Agency	KY	bbb1	280	484
48	Pacific Beacon LLC	CA	a1	275	659
49	New York State Lease	NY	a2	272	331
50	Fresno County Pension Obligation	CA	aa3	267	716
	Total			\$ 28,211	\$ 60,333
	Total Portfolio Exposure			\$ 66,536	\$ 125,746
	50 Largest Credits as % of Total Portfolio			42.4%	48.0%

(1) Internal ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the Company's view, before giving effect to the guarantee. They are subject to revision at any time and do not constitute investment advice. The Company's rating symbology has a one-to-one correspondence to the ratings symbolologies used by S&P and Moody's (e.g. aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.).

(2) For exposure classified as Capital Appreciation Bonds (CABs) by the company, gross par reflects the par amount at the time of issuance of the insurance policy; interest accretion on CABs after the issuance of our insurance policy is included in debt service.

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
as of March 31, 2018
(dollars in millions)

Credit Quality Distribution⁽¹⁾

	<u>Gross Par Outstanding ⁽²⁾</u>		<u>Gross Debt Service Outstanding ⁽²⁾</u>	
	Amount	%	Amount	%
<u>Public Finance</u>				
AAA	\$ 3,833	5.7%	\$ 6,526	5.2%
AA	25,674	38.6%	45,180	35.9%
A	20,808	31.3%	36,569	29.1%
BBB	10,235	15.4%	20,451	16.3%
<BBB	5,986	9.0%	17,020	13.5%
Total	<u>\$ 66,536</u>	<u>100.0%</u>	<u>\$ 125,746</u>	<u>100.0%</u>

Top 10 Below Investment Grade (BIG) Credits by Gross Par Outstanding⁽¹⁾

<u>Obligor Name</u>	<u>Gross Par Outstanding ⁽²⁾</u>	<u>Gross Debt Service Outstanding ⁽²⁾</u>
1 Puerto Rico Electric Power Authority	\$ 1,151	\$ 1,607
2 Puerto Rico General Obligation	835	1,101
3 City of Chicago Board of Education	742	2,002
4 Puerto Rico Sales Tax Financing Corporation	684	4,170
5 Puerto Rico Highway and Transportation Authority Transportation Revenue	558	996
6 Illinois Metropolitan Pier & Exposition Authority	526	4,511
7 Virgin Islands Public Finance Authority Gross Receipts	193	264
8 Atlantic Marine Corp Communities LLC (Class IV)	144	290
9 Atlantic City Casino Reinvestment Development Authority Parking Fee	139	169
10 Frontier Communications Corporation	139	227
Total Top 10 BIG Outstanding	<u>\$ 5,111</u>	<u>\$ 15,337</u>
Total BIG Outstanding	\$ 5,986	\$ 17,020
Total National Outstanding	\$ 66,536	\$ 125,746
Total Top 10 BIG as % of National	7.7%	12.2%
Total BIG as % of National	9.0%	13.5%
Total BIG as % of National by National ratings	6.8%	8.2%

(1) Ratings are as of the end of the period, as last provided by the rating agencies and may be out-of-date. Ratings are derived using the S&P Priority Method; where S&P's underlying rating is used, when available, Moody's underlying rating is used if the S&P underlying rating is not available and an internal underlying rating is used if neither S&P's nor Moody's underlying ratings are available. For credits where National has insured a credit that was already insured by another bond insurer, the underlying rating used is the higher of the underlying rating of the uninsured credit or the bond insurer's credit rating.

(2) For exposure classified as Capital Appreciation Bonds (CABs) by the company, gross par reflects the par amount at the time of issuance of the insurance policy; interest accretion on CABs after the issuance of our insurance policy is included in debt service.

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