



**national
public finance
guarantee**



Fourth Quarter 2017 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 (“NYDFS”) 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 NYDFS 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
Statutory Balance Sheets
(in millions)

	<u>December 31, 2017</u>	<u>December 31, 2016</u>
Assets		
Bonds	\$ 3,228	\$ 3,921
Securities purchased under agreements to resell (parent)	124	129
Other invested assets	76	85
Cash and short-term investments	196	178
Receivable for investments sold	1	-
Preferred stock	1	-
Total investments	<u>3,626</u>	<u>4,313</u>
Interest accrued	26	28
Other assets	102	14
Total other assets	<u>128</u>	<u>42</u>
Total admitted assets	<u>\$ 3,754</u>	<u>\$ 4,355</u>
Liabilities		
Unearned premiums	\$ 585	\$ 786
Contingency reserve	594	745
Loss and LAE reserve ⁽¹⁾	227	(98)
Securities sold under agreements to repurchase (parent)	124	129
Payable for investments purchased	34	32
Current taxes payable	-	6
Accrued expenses	14	17
Other liabilities	10	8
Total liabilities	<u>1,588</u>	<u>1,625</u>
Policyholders' Surplus		
Common stock	15	15
Paid-in capital	574	574
Unassigned surplus	1,577	2,141
Total policyholders' surplus	<u>2,166</u>	<u>2,730</u>
Total liabilities and policyholders' surplus	<u>\$ 3,754</u>	<u>\$ 4,355</u>

(1) As of December 31, 2017 and 2016, the discount rates were 3.25% and 3.18%, respectively.

National Public Finance Guarantee Corporation
Statutory Income Statements
(in millions)

	<u>Three Months Ended December 31,</u>		<u>Twelve Months Ended December 31,</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Gross premiums written	\$ 3	\$ 7	\$ 13	\$ 19
Ceded premiums written	-	-	-	-
Net premiums written	3	7	13	19
Underwriting income				
Net premiums earned	60	72	214	275
Losses and LAE incurred	174	17	584	115
Underwriting expenses incurred	14	16	67	61
Net underwriting income (loss)	(128)	39	(437)	99
Investment income				
Net investment income earned	32	28	111	118
Net realized capital gains (losses)	(21)	7	(80)	86
Net investment gain (loss)	11	35	31	204
Other income (expense)				
Non-operating income (expense)	(4)	-	(4)	-
Income (loss) before taxes	(121)	74	(410)	303
Income tax provision (benefit)	(26)	21	(89)	111
Net income (loss)	<u>\$ (95)</u>	<u>\$ 53</u>	<u>\$ (321)</u>	<u>\$ 192</u>

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

Amortization of Gross Par, Gross Debt Service, Net Unearned Premium and Future Premiums

	Ending Gross Par Outstanding	Ending Gross Debt Service Outstanding	Net Unearned Premiums ⁽¹⁾	Expected Future Premium Earnings ⁽¹⁾⁽²⁾	Estimated Cash Receivable ⁽³⁾	Total	Net Cash Premiums Collected and Expected ⁽⁴⁾
4th Qtr. 2017	71,928	133,965	585	-	-	-	4
1st Qtr. 2018	70,294	131,262	572	13	-	13	2
2nd Qtr. 2018	69,223	129,233	562	10	1	11	3
3rd Qtr. 2018	67,092	125,687	544	18	2	20	4
4th Qtr. 2018	65,644	123,258	535	9	3	12	4
2019	60,248	113,649	492	43	12	55	12
2020	55,163	104,476	453	39	12	51	12
2021	50,291	95,848	417	36	12	48	12
2022	46,212	88,297	386	31	11	42	11
2023-2027	27,824	54,668	239	147	52	199	52
2028-2032	14,498	30,499	133	106	45	151	44
2033-2037	6,816	16,317	69	64	35	99	34
2038-2042	3,708	8,698	39	30	26	56	25
2043-2047	1,164	2,303	4	35	15	50	14
2048 and thereafter	-	-	-	4	5	9	2
Total				\$585	\$231	\$816	\$231

(1) Statutory Accounting Basis.

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

(3) Undiscounted.

(4) Represents installment-based future net, undiscounted collections net of amounts to be ceded to reinsurers.

Claims-Paying Resources

	12/31/2017	12/31/2016
Policyholders' Surplus	\$ 2,166	\$ 2,731
Contingency Reserve	594	745
Statutory Capital	2,760	3,476
Unearned Premiums	585	786
Present Value of Installment Premiums ⁽¹⁾	164	187
Premium Resources ⁽²⁾	749	973
Net Loss and LAE Reserves ⁽¹⁾	227	(98)
Salvage Reserve	387	256
Gross Loss and LAE Reserves	614	158
Total Claims-Paying Resources	\$ 4,123	\$ 4,607
Net Debt Service Outstanding	\$ 129,668	\$ 185,099
Capital Ratio	47:1	53:1
Claims-Paying Resources Ratio	33:1	43:1

(1) As of December 31, 2017 and 2016, the discount rate was 3.25% and 3.18%, respectively.

(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 December 31, 2017
(dollars in millions)

Statutory Accounting Basis (Net Admitted)

Investments	Book/ Adjusted Carry Value	% Book Yield	Market Value	% of Market Value
Bonds:				
Long-Term Tax-Exempt ⁽¹⁾	\$ 239	4.35	\$ 244	7
Long-Term Taxable	2,989	3.08	3,010	92
Short-Term	20	1.36	20	1
Total Bonds	3,248	3.17	\$ 3,274	100
Cash and Cash Equivalents	176			
Total Fixed Income Including Cash and Cash Equivalents	3,424			
Securities purchased under agreements to resell ⁽²⁾	124			
Preferred Stock	1			
Other	76			
Total	<u>\$ 3,625</u>			
		% of Book/ Adjusted Carry Value		
Fixed Income Portfolio Including Cash and Cash Equivalents				
Corporate Obligations	\$ 1,282	37		
State and Municipal Bonds	631	19		
US Treasury	607	18		
MBS	445	13		
ABS	247	7		
Cash and Cash Equivalents	176	5		
Perpetual Preferred	33	1		
Foreign Governments	3	-		
Total	<u>\$ 3,424</u>	100		
Effective Maturity Profile of Fixed Income Portfolio				
Cash and Cash Equivalents	\$ 176	5		
≤ 1 yr	170	5		
> 1 to 5 yrs	1,204	35		
> 5 to 10 yrs	613	18		
> 10 to 15 yrs	103	3		
> 15 to 20 yrs	358	11		
> 20 yrs	800	23		
Total	<u>\$ 3,424</u>	100		
Credit Quality Distribution of Long-Term Bonds Rating ⁽³⁾				
Aaa	\$ 1,390	43		
Aa	472	15		
A	698	22		
Baa	306	9		
BIG	285	9		
NR	77	2		
	<u>\$ 3,228</u>	100		
<i>Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 12.86 years</i>				
<i>Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 6.27 years</i>				

(1) Includes \$117 million of Puerto Rico Sales Tax Finance Corporation bonds (insured by National) and \$45 million of Puerto Rico Electric Power Authority bonds (uninsured).

(2) Asset Swap between National and MBIA Inc.

(3) 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 MBIA wrapped investments if neither Moody's nor S&P's underlying ratings are available.

National Public Finance Guarantee Corporation

Liquidity Position ⁽¹⁾

(in millions)

2017	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
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

2016	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Cash & Cash Equivalents⁽²⁾	\$ 32	\$ 27	\$ 288	\$ 65	\$ 32
Premiums and Fees	5	2	2	3	12
Net Investment Income	21	32	21	29	103
Other	1	2	2	1	6
Total Inflows	27	36	25	33	121
Gross Loss & LAE Payments	5	2	176	-	183
Operating & Other Expenses	18	14	13	15	60
Tax Payments	-	20	28	31	79
Total Outflows	23	36	217	46	322
Operating Cash Flow	4	-	(192)	(13)	(201)
Financing Activities	-	-	-	(118)	(118)
Investing Activities	(9)	261	(31)	181	402
Net Cash Flow	(5)	261	(223)	50	83
Ending Cash & Cash Equivalents⁽²⁾	\$ 27	\$ 288	\$ 65	\$ 115	\$ 115
Other Liquid Assets ⁽³⁾	317	153	245	251	251
Ending Liquidity Position	\$ 344	\$ 441	\$ 310	\$ 366	\$ 366

(1) Presented on a direct cash flow basis for transactions settled within the reporting periods. Ending Liquidity Position excludes assets that are not readily available for sale such as 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 December 31, 2017

	Par Outstanding ⁽¹⁾		Debt Service Outstanding ⁽¹⁾	
	Gross Amount	%	Gross Amount	%
United States				
California	\$ 14,788	20.6	\$ 30,272	22.6
New York	6,196	8.6	9,070	6.8
New Jersey	4,922	6.8	7,597	5.7
Illinois	4,818	6.7	13,036	9.7
Texas	3,629	5.0	6,037	4.5
Puerto Rico	3,402	4.7	8,188	6.1
Florida	2,940	4.1	3,810	2.8
Massachusetts	2,342	3.3	3,478	2.6
Georgia	2,144	3.0	2,860	2.1
Hawaii	2,018	2.8	4,526	3.4
Subtotal	<u>47,199</u>	<u>65.6</u>	<u>88,874</u>	<u>66.3</u>
Other States & Territories	21,678	30.1	38,459	28.7
Nationally Diversified	3,051	4.3	6,632	5.0
Total	<u>\$ 71,928</u>	<u>100.0</u>	<u>\$ 133,965</u>	<u>100.0</u>

By Bond Type

Outstanding as of December 31, 2017

	Par Outstanding ⁽¹⁾		Debt Service Outstanding ⁽¹⁾	
	Gross Amount	%	Gross Amount	%
Bond Type				
General Obligation ⁽²⁾	\$ 22,948	31.9	\$ 42,798	32.0
Municipal Utilities	11,760	16.3	17,684	13.2
Tax-Backed	12,425	17.3	26,467	19.8
Military Housing	7,318	10.2	16,311	12.2
Transportation	6,949	9.6	15,201	11.4
General Obligation - lease	3,785	5.2	5,134	3.8
Higher Education	2,080	2.9	3,146	2.3
Investor Owned Utilities ⁽³⁾	1,987	2.8	3,111	2.3
Health Care	1,769	2.5	2,592	1.9
Other ⁽⁴⁾	646	0.9	1,123	0.8
Municipal Housing	261	0.4	398	0.3
Total	<u>\$ 71,928</u>	<u>100.0</u>	<u>\$ 133,965</u>	<u>100.0</u>

(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 December 31, 2017
(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	\$ 2,213
2	Oregon School Boards Association General Obligation	OR	aa3	1,266	2,107
3	Puerto Rico Electric Power Authority	PR	d	1,151	1,637
4	Massachusetts General Obligation	MA	a1	1,120	1,428
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	974	2,153
9	Chicago General Obligation	IL	bbb2	901	1,929
10	Ohana Military Communities, LLC	HI	aa3	838	2,105
11	Puerto Rico General Obligation	PR	d	835	1,124
12	New York State Thruway Authority	NY	a2	800	1,111
13	City of Chicago Board of Education	IL	bbb3	767	2,029
14	Illinois Regional Transportation Authority	IL	aa3	749	1,107
15	Great River Energy Public Power	MN	a3	739	1,141
16	Puerto Rico Sales Tax Financing Corporation	PR	d	684	4,170
17	Atlantic Marine Corps Communities LLC Lejeune Cherry Point	NC	aa3	654	1,436
18	LCOR Alexandria L.L.C. Federal Lease	VA	bbb1	618	999
19	Great Lakes Water Authority - Sewer System	MI	bbb1	597	889
20	Massachusetts Special Obligation Dedicated Tax Hotel/Motel	MA	a2	575	882
21	Puerto Rico Highway and Transportation Authority Transportation Revenue	PR	d	558	1,010
22	Navy Mid-Atlantic Family Housing LLC	CA	aa2	548	1,164
23	Illinois Metropolitan Pier & Exposition Authority	IL	bbb2	525	4,511
24	JFK International Air Terminal Airport	NY	bbb3	486	620
25	Alameda Corridor Transportation Authority Port Revenue Bonds	CA	a3	475	1,432
26	Arapahoe County E-470 Toll Road	CO	bbb1	475	2,142
27	New York State Power Authority	NY	aa2	466	829
28	City of Houston Combined Utility System Revenue Bonds	TX	a2	450	468
29	Sacramento County Sanitation District Finance Authority Sewer	CA	a1	444	687
30	Toll Road Investors Partnership II L.P. Dulles Greenway Project	VA	bbb3	416	3,285
31	Navy Southeast	FL	bbb3	406	1,025
32	New York City General Obligation	NY	aa3	388	481
33	Houston City Airport System	TX	a1	382	517
34	District of Columbia Sales Tax-Stadium Revenue	DC	bbb1	373	624
35	Santa Clara County Pension Obligation	CA	aa3	358	752
36	Sacramento County Water Financing Authority Water	CA	a2	352	542
37	San Francisco International Airport	CA	a2	345	392
38	Georgia Municipal Electric Authority	GA	a3	342	389
39	New Jersey Economic Development Authority Lease	NJ	bbb1	339	472
40	California General Obligation	CA	a1	338	457
41	Fort Drum Family Housing	NY	aa3	335	775
42	Pedernales Electric Cooperative	TX	a2	313	490
43	Atlanta City Water & Sewer	GA	a3	310	382
44	Central Puget Sound Regional Transit Auth Sales	WA	aa2	301	385
45	Oglethorpe Power Corporation	GA	a3	300	557
46	Cincinnati City School District General Obligation	OH	aa3	294	423
47	Philadelphia City Auth Industrial Dev GO	PA	bbb2	288	450
48	San Mateo County Community College District GO	CA	aa1	284	834
49	New York City IDA (Yankees Stadium)	NY	bbb2	283	535
50	Kentucky Municipal Power Agency	KY	bbb1	280	491
	Total			\$ 29,270	\$ 61,755
	Total Portfolio Exposure			\$ 71,928	\$ 133,965
	50 Largest Credits as % of Total Portfolio			40.7%	46.1%

(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 December 31, 2017
(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	\$ 3,271	4.5%	\$ 5,506	4.1%
AA	28,354	39.4%	48,935	36.5%
A	23,530	32.7%	40,881	30.5%
BBB	10,870	15.1%	21,763	16.2%
<BBB	5,903	8.2%	16,880	12.6%
Total	<u>\$ 71,928</u>	<u>100.0%</u>	<u>\$ 133,965</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	\$ 1,637
2 Puerto Rico General Obligation	835	1,124
3 City of Chicago Board of Education	767	2,029
4 Puerto Rico Sales Tax Financing Corporation	684	4,170
5 Puerto Rico Highway and Transportation Authority Transportation Revenue	558	1,010
6 Illinois Metropolitan Pier & Exposition Authority	526	4,511
7 Virgin Islands Public Finance Authority Gross Receipts	193	264
8 Atlantic City Casino Reinvestment Development Authority Parking Fee	139	169
9 Frontier Communications Corporation	139	228
10 North Las Vegas Water & Sewer	113	172
Total Top 10 BIG Outstanding	<u>\$ 5,105</u>	<u>\$ 15,314</u>
Total BIG Outstanding	\$ 5,903	\$ 16,880
Total National Outstanding	\$ 71,928	\$ 133,965
Total Top 10 BIG as % of National	7.1%	11.4%
Total BIG as % of National	8.2%	12.6%
Total BIG as % of National by National ratings	6.1%	7.4%

(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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