City of
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ADDITIONAL (VOLUNTARY) DISCLOSURE
RATING AFFIRMED

Dated: August 5, 2016

NOTICE IS HEREBY GIVEN that on July 27, 2016, Standard & Poor's Rating Services ("S&P") affirmed its "AA" rating on Assured Guaranty and Build America Mutual. It also affirmed its "AA-" rating on National Public Finance Guarantee. All three bond insurers were affirmed with a Stable Outlook.

The ratings reports from S&P are related to the following bond issuances:

Assured Guaranty
- 2013 Special Tax Refunding Revenue Bonds (Westlake and Regency Park)

Build America Mutual
- 2015 Refunding Revenue Bonds (Master Lease Program Facilities)
- 2015 Tax Allocation Refunding Bonds, Series A & B

National Public Finance Guarantee
- 1993 Tax Allocation Bonds, Series B
- 1997 Lease Revenue Bonds (ARCO Arena Acquisition)
- 2003 Tax Allocation Revenue Bonds, Series A
- 2005 Tax Allocation Revenue Bonds, Series A

The ratings reports from S&P are attached.

City of Sacramento

Brian Wong
Debt Manager

Attachments:
1) S&P Report – Assured Guaranty Ltd. And Operating Companies
2) S&P Report – Build America Mutual Assurance Co.
3) S&P Report – National Public Finance Guarantee Corp.

S&P Global
Ratings

RatingsDirect®

Assured Guaranty Ltd. And Operating Companies

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Assured Guaranty Ltd. And Operating Companies

Rationale

Counterparty Credit Rating
A/Stable/--

Business Risk Profile

- Strong competitive position built on a well-diversified underwriting strategy and market leadership position
- Experienced management with well defined strategy and a track record of success
- Low insurance industry and country risk assessment

Financial Risk Profile

- Consolidated capital adequacy ratio greater than 1.0x
- High-quality, liquid investment portfolio
- Largest obligor violation
- Strong operating performance due to the long-term earnings power of the U.S public finance business
- Financial flexibility neutral to the rating

Other Factors

- Strong enterprise risk management (ERM)
- Strong liquidity with conservative investment strategy
- All four operating companies core to Assured Guaranty Ltd. (rated as a consolidated group)

Outlook

The stable outlook on Assured Guaranty Ltd. (AGL) and its operating companies (collectively, Assured) reflects S&P Global Ratings' view of the company's strong competitive profile and very strong capital adequacy, as well as its leadership position in the U.S public finance market and flexibility to underwrite business in a broad number of U.S. public finance sectors and global capital markets. We view Assured's ability to maintain capital adequacy of at least 1.0x essential for rating stability.

Downside scenario

We may lower our ratings if Assured exhibits significant volatility in earnings or its capital adequacy falls below 1.0x, and we believe the company will not be able to improve its capital position.

Upside scenario

Based on our view of the insurable new-issue U.S. public finance and global markets, we don't believe the company's competitive position or earnings will dramatically change, so, we don't expect to raise our ratings in the next two years.

Base-Case Scenario

Company-Specific Assumptions

- Capital adequacy ratio greater than 1.0x
- Maintain leadership position in terms of total insured par
- Municipal risk-adjusted pricing (RAP) ratio of at least 4.0%
- Combined ratio below 100%

Company Description

Assured Guaranty Municipal Corp. (AGM), Municipal Assurance Corp. (MAC), and Assured Guaranty Corp. (AGC) are U.S.-based direct primary financial guarantee insurance companies owned by Bermuda-domiciled AGL. AGL is a full-service financial guarantor with a captive reinsurance affiliate, Assured Guaranty Re Ltd. (AG Re) that has also assumed third-party portfolio cessions. AGM insures U.S. public finance issues and global infrastructure transactions. MAC insures only U.S. public finance issues. AGC insures global structured finance transactions and some global infrastructure and public finance issues.

The European business platform is Assured Guaranty (Europe) Ltd. (AGE). We base our ratings on AGE on its close operational and financial ties to its affiliates, including risk-management policies to which the entire group adheres, underwriting support, and strong financial support in the form of quota-share reinsurance, excess-of-loss reinsurance, and net-worth-maintenance agreements. AGE writes business using a co-insurance structure. AGE co-insures municipal and infrastructure transactions with AGM. AGM also issues second-to-pay guarantees to cover AGE's financial guarantees.

Business Risk Profile

Our score for the company's adjusted competitive position is '3' and the industry risk is '2', leading to a business risk profile score of '2'.

Insurance industry and country risk

We believe Assured faces low industry and country risk since it operates predominantly in the U.S. Our view of Assured's very low country risk stems from the U.S. market's higher-income nature, its relatively effective and stable political institutions, sophisticated financial systems, and strong payment culture. We believe its financial guarantee operations are exposed to low industry risks because of high barriers to entry and moderate product risk. The U.S. financial guarantee market's growth prospects and overall institutional framework further support the low industry risk assessment.

Competitive position

Assured has a strong competitive position built on a proven track record of credit discipline and a market leadership position in terms of par insured and premiums written. AGM and MAC write financial guarantees in a broad number of U.S. public finance sectors, giving it the flexibility to capitalize on growth trends and pricing opportunities in one sector while others see less-favorable trends. Although not on the same level of contribution to gross premiums written, the global infrastructure business written by AGM and the global structured finance business written by AGC provide diversification of risk, as well as additional sources of revenue.

In 2015, the company insured $17.3 billion of total gross par, a 32% increase from 2014, with 94% of total gross par being in the U.S. public finance market. The par written in 2014 included a large transaction related to the city of Detroit's emergence from bankruptcy, inflating the total par written. Assured's business volume and pricing were heavily influenced by compressed credit spreads and competition from bond insurers in the U.S. public finance market.

Table 1

Assured Guaranty Ltd. And Operating Companies -- Business Statistics

	--Year ended Dec. 31--				
(Mil. $)	**2015**	**2014**	**2013**	**2012**	**2011**
Net par exposure	358,571	403,729	459,106	519,893	588,048
Net protection and indemnity exposure	536,341	609,622	690,534	782,180	845,665
Adjusted gross premiums written*					
U.S. public finance	124.3	127.8	115.3	165.9	173.0
U.S. asset-backed and other	22.8	24.0	7.1	43.0	59.8
U.S. total	147.1	151.8	122.4	208.9	232.8
International public finance	26.5	7.0	18.3	1.1	2.7
International asset-backed and other	5.5	8.8	-	-	7.2
International total	32.1	15.8	18.3	1.1	9.9
Total adjusted gross premiums written	179.2	167.6	140.7	210.0	242.7
Net premiums written	190.7	119.2	125.3	253.0	126.8

Table 1

Assured Guaranty Ltd. And Operating Companies -- Business Statistics (cont.)

	--Year ended Dec. 31--				
(Mil. $)	**2015**	**2014**	**2013**	**2012**	**2011**
Gross par written					
U.S. public finance	16,377	12,275	8,671	16,161	15,092
U.S. asset-backed and other	327	418	287	620	1,673
U.S. total	16,703	12,693	8,958	16,781	16,765
International public finance	567	128	391	35	127
International asset-backed and other	65	350	-	-	-
International total	633	478	391	35	127
Total gross par written	17,336	13,171	9,349	16,816	16,892
Net par written	17,336	13,171	9,331	16,816	16,892

*Adjusted gross premiums written include upfront and present value of installment premiums and exclude trade credit.

Assured's municipal RAP for 2015 was 3.85% and was heavily weighted toward the U.S public finance business, which generated a 3.32% RAP for 2015. The quality of this business was in the 'BBB+' to 'A-' range. In fourth-quarter 2015 and first-quarter 2016, its U.S. public finance RAP was above 4% due to pricing improvements that began in mid-2015--as usual, the international public finance business reported a much stronger 15.34% RAP. In the international market, Assured benefits from the lack of direct bond insurer competition.

Table 2

Assured Guaranty Ltd. And Operating Companies -- Portfolio Statistics

	--Year ended Dec. 31--				
(Mil. $)	**2015 % of net par**	**2015 par**	**2014 par**	**2013 par**	**2012 par**
Public finance					
General obligations	35.2	126,255	140,276	155,277	169,985
Utility	12.8	45,936	52,090	56,324	62,116
Tax-backed	16.2	58,062	62,525	66,824	73,787
Hospitals	4.2	15,006	14,848	16,132	17,838
Transportation	6.5	23,454	27,823	30,830	33,799
Colleges and universities	3.3	11,936	13,099	14,071	15,770
Investor-owned utilities	0.3	916	944	991	1,069
Housing	0.6	2,037	2,779	3,386	4,632
Special revenue	-	-	-	-	-
Other	2.3	8,264	7,739	8,345	8,968
Total	81.4	291,866	322,123	352,180	387,966
Domestic asset-backed and corporate finance					
Mortgage-backed securities	1.6	5,704	7,679	11,442	14,631
Home equity loan	0.4	1,363	1,738	2,279	3,196
Auto loan	0.0	0	20	73	150
Other consumer asset-backed	0.6	2,098	2,079	2,125	3,244
Commercial asset-backed	-	-	-	-	-

Table 2

Assured Guaranty Ltd. And Operating Companies -- Portfolio Statistics (cont.)					
	--Year ended Dec. 31--				
(Mil. $)	2015 % of net par	2015 par	2014 par	2013 par	2012 par
Bank/financial institutions	-	-	-	-	-
Other	6.3	22,605	29,654	42,988	53,474
Total	8.9	31,771	41,171	58,907	74,695
International					
Public finance	8.2	29,577	31,359	33,998	37,540
Asset-backed	1.5	5,358	9,077	14,021	19,691
Other	-	-	-	-	-
Total	9.7	34,934	40,436	48,019	57,231
Total net par outstanding	100	358,571	403,730	459,106	519,893

Management and governance

We view Assured's management and corporate strategy as satisfactory. Management's priorities include increasing penetration in the U.S. public finance market, increasing new business in U.S. structured finance and international segments, and assisting in the wind-down of inactive companies. It has made efforts in further achieving these goals with its 2015 acquisition of Radian Asset Assurance Inc. and recent acquisition of CIFG Holdings Inc. (CIFG). The experienced management team demonstrates a strong understanding of the various risks the company faces.

We have not identified any governance deficiencies in our assessment.

Financial Risk Profile

Assured's capital adequacy score is '2' and operating performance score is '3', leading to a financial risk profile score of '2'.

Capital adequacy

Assured's capital adequacy is very strong with a capital adequacy ratio above 1.0x at year-end 2015. Regarding Assured's exposure to issuers in Puerto Rico, in our scenario analysis, we assumed all issuers default on 100% of their debt service for the next four years and that Assured must make claim payments equal to 100% of debt service. Further analysis assumed payments of 15%, 25%, 35%, and 45% on total debt service. Our analysis shows that, without accounting for any other factors, Assured has sufficient capital to absorb the losses at the different claim payment rates and there would be no change in Assured's capital adequacy score. We will continue to monitor events in Puerto Rico and their impact on the group.

For its low commercial mortgage-backed securities (CMBS) exposure, we calculate stress losses outside the model based on Assured's position in the capital structure. We also subtract any applicable deductibles the company may have.

We expect Assured to maintain a capital adequacy ratio greater than 1.0x due to its target capital strategy, refundings, and the scheduled runoff of its insured portfolio--which is greater than the amount of new business being written, allowing the company to deleverage.

As of Dec. 31, 2015, Assured did not comply with the largest obligor test, which weakened the capital adequacy score.

Table 3

Assured Guaranty Ltd. And Operating Companies -- Capital Statistics

	--Year ended Dec. 31--				
(Mil. $)	**2015**	**2014**	**2013**	**2012**	**2011**
Portfolio risk					
Municipal insurance weighted average capital charge (% of average annual debt service)	17.3	15.1	14.6	14.7	15.0
Asset-backed capital charge (% of par)	12.1	12.1	4.5	4.4	4.4
Model capital inputs					
Statutory capital	6,813	6,472	6,136	5,944	5,688
Letters/lines of credit					200
Contingent capital	400	400	400	400	400
Excess of loss reinsurance	360	450	435	435	435
Unearned premiums	3,045	3,299	3,545	3,833	4,036
Loss Reserves	1,043	852	773	512	902
Present value of installment premiums	645	716	858	1,005	1,178
Capital adequacy					
Margin of safety (x)	>1.00	>1.00	>1.00	>1.00	>1.00
Reliance on soft capital (%)	15.3	18.1	14.3	12.3	15.1

Investment risk modifier

Assured's investment portfolio presents low risk because of its liability-driven investment strategy that targets sufficient liquidity to cover unexpected stress in the insured portfolio. Although external asset managers manage the portfolio, Assured is responsible for asset allocation and investment guidelines and has strict risk limits and sublimits by both sector and state that apply to municipal investments. As of Dec. 31, 2015, the $11.4 billion investment portfolio fair value) credit quality was 'AA' and very liquid. It bought a significant portion of the self-insured and all speculative-grade bonds in the investment portfolio as part of its loss-mitigation strategy.

Operating performance

We view Assured's operating performance as strong as a result of the runoff of its more-volatile legacy structured finance portfolio and the long-term earnings power of its U.S public finance business. Assured typically collects premiums associated with the U.S. public finance business up front and earns them over the life of the underlying transaction, 20 years on average. As of Dec. 31, 2015, its statutory unearned premium reserve totaled $3.0 billion, down from $3.3 billion from a year earlier due to normal run-off and high refundings caused by low interest rates. We expect net earned premiums excluding refundings to continue to decline as the insured portfolio runs off and low new business production.

Table 4

Assured Guaranty Ltd. Operating Companies -- Operating Performance

	--Year ended Dec. 31--				
(%)	**2015**	**2014**	**2013**	**2012**	**2011**
Operating return on equity (AGL)	11.8	8.1	10.2	9.7	12.1
Municipal risk-adjusted pricing ratio	3.9	3.6	4.5	4.5	4.3
Structured risk-adjusted pricing ratio	18.3	12.1	14.5	29.0	14.3
Statutory combined ratio	142.1	54.9	66.1	104.0	22.7
Statutory loss ratio	60.7	(26.9)	0.8	62.0	(27.4)
Statutory expense ratio	81.4	81.8	65.3	42.0	50.1
Statutory return on revenue	39.5	83.5	78.5	50.4	81.0
Insured portfolio speculative grade exposure	4.2	4.5	4.9	4.5	4.8

The volatility in its combined ratio over the past five years has been greatly influenced by the amount of net premiums written in any year and recoveries on its residential mortgage-backed securities (RMBS) transactions and representation and warranty putbacks. But when evaluating its expense component in terms of net premiums earned, the combined ratio still displays variability due to the loss ratio, but the combined ratio, by this measure, is well under 100% as a result of a much lower expense ratio.

Its recent acquisition of CIFG further enhances long-term earnings, adding about $12 million to the statutory unearned premium reserve. Additionally, the insured portfolio assumed by Assured in this transaction does not change the risk profile of its total insured portfolio. Thereby, it presents minimal earnings volatility.

Assured's operating performance could erode due to claim payments from issuers in Puerto Rico that may be greater than reserves. If this occurs, we believe it would be a single-year event since there does not appear to be any other large exposures in its insured portfolio with the same stress levels as Puerto Rico. The annual accretion of discounted reserves would not be of a size to materially affect these metrics.

Table 5

Assured Guaranty Ltd. And Operating Companies -- Financial Statistics

	--Year ended Dec. 31--				
(Mil. $)	**2015**	**2014**	**2013**	**2012**	**2011**
Total assets	11,354	11,195	11,078	11,086	11,271
Cash and invested assets	10,961	10,781	10,635	10,543	10,796
Net premiums earned	664	493	620	725	654
Losses and loss adjustment expense	403	(133)	5	451	(179)
Underwriting expense	218	226	218	178	201
Investment income including gains/(losses)	425	345	416	366	366
Net income	327	625	710	392	1,046

Financial flexibility

Through AGL, the company has a good track record of raising capital, and we view its financial flexibility as neutral to the rating. The operating companies have no preferred stock or external surplus notes outstanding. AGC and AGM each have undrawn contingent capital facilities of $200 million. A portion of reinsurance to third parties is collateralized with high-quality assets held in trust for the benefit of AGM and AGC. Assured also has an excess-of-loss reinsurance agreement covering the U.S. municipal portfolio. We view the likelihood of future capital or liquidity needs at AGL or the operating companies as low.

Other Assessments

Enterprise risk management

Assured's ERM framework is strong, reflecting our positive assessment of its risk management culture, especially its influential chief risk officer who reports directly to the board of directors independent of management, the presence of a robust risk-reporting framework, and well-developed risk tolerance statement. Our favorable opinion of risk controls relating to underwriting risks, surveillance, and loss mitigation reflects the company's structured process for risk identification and monitoring, detailed risk limits and policies, and system of enforcement through well-defined authorities. Our strategic risk assessment of management is positive given its deliberate consideration of risk in its decision-making. We have neutral assessments of emerging risk management and risk models.

Management and Governance

We view Assured's management and corporate strategy as satisfactory. Management's priorities include increasing penetration in the U.S. public finance market, garnering new business in U.S. and global structured finance, and assisting in the winding down inactive companies. Management has been successful in achieving this goal with acquisition of Radian Asset Assurance Inc. in 2015 and recently CIFG. The management team has a long history in the financial guarantee industry and a strong grasp of the various risks the company faces.

We have not identified any governance deficiencies in our assessment.

Liquidity

We view Assured's liquidity as strong as a result of a conservative investment strategy that adequately supports its liquidity needs. As of Dec. 31, 2015, Assured had $559 million in cash and short-term investments. There was no bank line in place. Assured has a limited number of credit default swap contracts with counterparties that require the posting of eligible collateral based on the marked-to-market valuation. Most of the credit support agreements in force to support the credit default swap notional exposures are conservatively capped based on our current ratings on the company.

Table 6

Assured Guaranty Ltd. Operating Companies -- Liquidity Statistics

	--Year ended Dec. 31--				
(%)	2015	2014	2013	2012	2011
Underwriting cash flow ratio	N.M.	418.0	286.8	52.1	426.6
Liquid assets	86.4	93.1	92.8	94.2	95.7
Cash and short-term assets to loss payable ratio	335.0	366.8	652.7	256.8	164.6

N.M.--Not meaningful.

Factors Specific To The Holding Company

Assured Guaranty US Holdings Inc. (Assured Holdings) and its subsidiary, Assured Guaranty Municipal Holdings Inc. (AGMH), are the obligors for all debt and hybrid securities for the consolidated group. The operating performance and debt-service needs of Assured Holdings and AGMH and our 'A-' issuer credit rating on AGL depend on AGC's, AGM's, and AG Re's ability to pay dividends. The projected annual dividend capacities for AGM and AGC in each of the next three years are at least $300 million--far more than the respective holding companies' debt-service needs. AG Re's projected dividend capacity is more than the planned shareholder dividend payments at AGL and could help support debt-service needs at Assured Holdings and AGMH.

Table 7

Assured Guaranty Ltd. -- Financial Statistics

	--Year ended Dec. 31--				
	2015	**2014**	**2013**	**2012**	**2011**
Interest coverage (x)	10.5	8.8	11.5	9.0	9.1
Fixed-charge coverage (x)	8.2	6.8	8.7	7.0	7.2
Debt leverage (%)	14.4	14.3	8.5	8.5	11.8
Financial leverage (%)	24.1	23.8	18.9	19.0	22.9

Note: Data are on a U.S. generally accepted accounting basis.

Accounting Considerations

We view AGL's accounting policies as generally consistent with industry standards and neutral to our ratings. AGL files consolidated statements according to U.S. generally accepted accounting principles (GAAP), whereas AGC, AGM, and MAC file financial statements under statutory accounting principles. AGM and AGC also publish consolidated GAAP financial statements. AG Re files financial statements according to U.S. GAAP.

The Financial Accounting Standards Board Accounting Standards Codification (ASC) 810 "Consolidation" addresses whether certain legal entities often used in securitization and other structured finance transactions should be included in the consolidated financial statements of any particular interested party. The remediation rights AGC or AGM might gain once an insured structured finance transaction experiences stress may give AGC and AGM power over the most significant activities of the special-purpose entity (SPE). As a result, the assets and liabilities of the insured transaction may be consolidated on Assured's balance sheet. We do not view consolidation of these transactions as indicating different or incremental risk relative to the company's nonconsolidated insurance exposure. From a risk perspective, we assess the guaranteed transactions as a capital charge for capital-adequacy modeling purposes. Because of this, we do not include the debt associated with SPEs in any leverage calculations or fixed-charge coverage ratios.

ASC 815 "Derivatives and Hedging" requires derivatives to be marked to market at each reporting date. In our opinion, this concept, insofar as it relates to the financial guarantee insurance industry, has introduced some earnings volatility that has little bearing on either the likelihood of a potential claim or a bond insurer's intrinsic earnings power. Unlike other financial sectors for which ASC 815 may be more relevant, bond insurers' contracts are not traded, and there is no business intention to trade to realize gains. Therefore, recording a marked-to-market loss because of changing spreads in the marketplace does not make sense from our analytic perspective. Because almost all credit-default swap (CDS) contracts expire without a claim, we usually zero out corresponding marked-to-market positions at maturity. We believe Assured's statutory loss reserves indicate potential claims and, so, are a better representation of the economics of the financial guarantee. We also view our own capital charge evaluations as good indicators of changes to the credit profile of any bond insurers' insured sectors.

ASC 820 "Fair Value Measurements and Disclosures," the valuation of Assured's derivative liabilities, must take into account the market's perception of AGL's nonperformance risk by incorporating the spreads of Assured's CDS. From a ratings perspective, the market's view of Assured's ability to settle its obligations does not relieve it of its obligation to pay on its obligations, and it can't transfer the obligation at the market value. We do not consider any gains taken from the deterioration in Assured's own creditworthiness as economic or real for the purposes of our ratings analysis. We don't factor in any market-based movement unrelated to fundamental credit deterioration when considering capital and earnings.

AGM holds $300 million in surplus notes from AGC. Although their capital positions benefit from the purchase of the notes, we have classified these notes as affiliated bonds with a 100% charge against AGM's surplus. We have adjusted the leverage and return ratios that we use for AGL for the impact of ASC 810, 815, and 820 (see table 7).

Related Criteria And Research

- Group Rating Methodology, Nov. 19, 2013
- Enterprise Risk Management, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Bond Insurance Rating Methodology And Assumptions, Aug. 25, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Ratings Detail (As Of July 27, 2016)	
Assured Guaranty Ltd.	
Counterparty Credit Rating	A/Stable/--
Counterparty Credit Ratings History	
18-Mar-2014	A/Stable/--
30-Nov-2011	A-/Stable/--
27-Sep-2011	A+/Watch Neg/--
08-Aug-2011	A+/Negative/--
Related Entities	
Assured Guaranty (Europe) Ltd.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--

Ratings Detail (As Of July 27, 2016) (cont.)	
Financial Enhancement Rating	
Local Currency	AA/Stable/--
Assured Guaranty (UK) Ltd.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	AA/Stable/--
Financial Enhancement Rating	
Local Currency	AA/Stable/--
Assured Guaranty Corp	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Financial Enhancement Rating	
Local Currency	AA/Stable/--
Assured Guaranty Municipal Corp.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Financial Enhancement Rating	
Local Currency	AA/Stable/--
Assured Guaranty Municipal Holdings Inc.	
Issuer Credit Rating	
Local Currency	A/Stable/--
Junior Subordinated	BBB+
Senior Unsecured	A
Assured Guaranty Re Ltd.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Financial Enhancement Rating	
Local Currency	AA/Stable/--
Assured Guaranty Re Overseas Ltd.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Financial Enhancement Rating	
Local Currency	AA/Stable/--
Assured Guaranty US Holdings Inc	
Issuer Credit Rating	A/Stable/--

Ratings Detail (As Of July 27, 2016) (cont.)	
Municipal Assurance Corp.	
Financial Strength Rating	
Local Currency	AA/Stable/--
Issuer Credit Rating	
Local Currency	AA/Stable/--
Financial Enhancement Rating	
Local Currency	AA/Stable/--
Sutton Capital Trust I	
Preferred Stock	A+
Sutton Capital Trust II	
Preference Stock	A+
Sutton Capital Trust III	
Preferred Stock	A+
Sutton Capital Trust IV	
Preferred Stock	A+
Woodbourne Capital Trust I	
Preferred Stock	A+
Woodbourne Capital Trust II	
Preferred Stock	A+
Woodbourne Capital Trust III	
Preferred Stock	A+
Woodbourne Capital Trust IV	
Preferred Stock	A+

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

S&P Global
Ratings

RatingsDirect®

Build America Mutual Assurance Co.

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Build America Mutual Assurance Co.

Rationale

Financial Strength Rating

Local Currency

AA/Stable/--

Business Risk Profile

- Strong competitive position arising from investor acceptance of the company's financial guarantees and increasing par written
- Senior management with extensive experience in financial guarantee industry
- Low insurance industry and country risk assessment

Financial Risk Profile

- Capital adequacy ratio greater than 1.0x
- Low-risk investment portfolio
- No largest obligor violations
- Strong prospective operating performance
- Financial flexibility neutral to the rating

Other Factors

- Strong enterprise risk management
- Strong prospective liquidity with operating cash-flow improving as business volume rises

Outlook

The outlook on Build America Mutual Assurance Co. (BAM) is stable, reflecting S&P Global Ratings' view that its competitive position will remain strong and operating performance improve, as well as the steady increase in BAM's business volume and continued market acceptance.

Downside scenario

We may lower our rating if BAM's operating performance does not improve and there is not meaningful growth in statutory capital, if demand for financial guarantees offered by BAM falls as shown by a meaningfully lower amount of par insured, or if we believe BAM will not meet our expectations.

Upside scenario

We are unlikely to raise our rating in the next two years. Any upgrade would depend on a significant improvement in BAM's operating performance on an absolute basis and relative to peers.

Base-Case Scenario

Company-Specific Assumptions

- Capital adequacy ratio greater than 1.0x through 2017
- Municipal risk-adjusted pricing (RAP) ratio greater than 4.0% by year-end 2017
- Combined ratio less than 100% by year-end 2017
- Operating return on equity of 3%-4% by year-end 2017

- Return on revenue above 10% by year-end 2017

Company Description

BAM is a New York state-domiciled financial guarantee insurance company only insuring issuers in the U.S. public-finance market. The company is structured as a mutual company owned by the issuers it insures. With the issuance of each policy, in addition to a risk premium, issuers are assessed a members' contribution that helps to build BAM's capital.

Business Risk Profile

We score the company's adjusted competitive position at '3' and the industry risk at '2', leading to a business risk profile score of '2'.

Insurance industry and country risk

We believe BAM faces low industry and country risk since it operates only in the U.S. Our view of BAM's very low country risk stems from the U.S. market's higher-income nature, its relatively effective and stable political institutions, sophisticated financial systems, and strong payment culture. We believe its financial guarantee operations are exposed to low industry risks because of high barriers to entry and moderate product risk. The U.S. financial guarantee market's growth prospects and overall institutional framework further support the low industry risk assessment.

Competitive position

We view BAM's competitive position as strong. Although BAM has a limited operating history, the acceptance of the company's insured wrap by market participants is shown by its number of municipal issues and insured par since inception. In 2015, BAM insured about 38% of total insured U.S. public finance-insured par and across roughly 849 deals. As of Dec. 31, 2015, the composition of the insured portfolio was geographically well diversified. BAM does not have any exposure to issuers in Puerto Rico. Most of its net par exposure is general obligation bonds and principally small school districts. The average credit quality of the insured portfolio is 'A'.

Table 1

Build America Mutual Assurance Co. -- Insured Portfolio Statistics

	--Year ended Dec. 31--			
(Mil. $)	**2015 % of net par**	**2015**	**2014**	**2013**
Public finance				
General obligation	69.9	15,758	8,925	3,580
Utility	13.4	3,033	1,615	672
Tax-backed	11.1	2,496	1,222	192
Hospitals	-	-	-	-
Transportation	2.5	562	258	155
Colleges and universities	2.8	630	312	74
Investor-owned utilities	-	-	-	-
Housing	-	-	-	-

Table 1

Build America Mutual Assurance Co. -- Insured Portfolio Statistics (cont.)

	--Year ended Dec. 31--			
(Mil. $)	**2015 % of net par**	**2015**	**2014**	**2013**
Special revenue	-	-	-	-
Other	0.3	78	30	30
Total	100.0	22,556	12,362	4,704

In 2015, BAM's RAP suffered as a result of tight credit spreads in the U.S. public-finance market, which resulted in a RAP of 2.48%, albeit up from 2.31% in 2014. BAM's RAP calculation includes members' contributions because we view these as a form of premiums. There was a slight rise in pricing in the second half of 2015 and has continued in 2016. For 2016, we expect continued improvement in the company's RAP.

Management and governance

We view BAM's management and governance as satisfactory based on the extensive background of senior management in the U.S. public-finance market and financial guarantee industry, and its well-developed strategic plan. The plan ensures liquidity of BAM's insured paper as the company focuses on small transactions over a large number of issuers. BAM provides market participants significant transparency in its insured portfolio through its website. The legal, credit surveillance, accounting, and actuary teams complement the company's underwriting process since they ensure BAM's risk-taking is acceptable from various legal, operational, and contingent risks that may develop under the long maturity profile of the credit insured portfolio.

We have not identified any governance deficiencies in our assessment.

Financial Risk Profile

BAM's final capital adequacy score is '1' and operating performance score is '3', leading to a financial risk profile score of '2'.

Capital adequacy

BAM's capital is extremely strong with a capital adequacy ratio above 1.0x. The analysis includes a liquidation of the collateralized trust accounts securing the first-loss reinsurance obligations of HG Re Ltd., a Bermuda-based reinsurance company dedicated solely to supporting BAM's claims-paying resources.

Although HG Re is an unrated reinsurer, investment resources used to support BAM are ring-fenced in regulatory trusts that are used to collateralize the reinsurer's claims-paying obligations. Per the reinsurance agreement with HG Re, 60% of premiums (net of appropriate ceding commissions) are diverted directly into a Regulation 114 collateral trust account, collateralizing HG Re's 15% of par-loss reinsurance obligation. At minimum, all assets equal to the unearned premium reserve and loss reserves ceded and $400 million of HG Re's capital are segregated in the Regulation 114 and supplemental trusts.

Table 2

Build America Mutual Assurance Co. -- Capital Statistics

	--Year end Dec. 31--		
	2015	**2014**	**2013**
Portfolio risk			
Municipal insurance weighted average capital charge (% of average annual debt service)	12.96	11.77	11.82
Model capital inputs (mil. $)			
Statutory capital	450	454	470
Letters/lines of credit	-	-	-
Contingent capital	-	-	-
Excess of loss reinsurance	-	-	-
Unearned premiums	12	6	3
Present value of annual premiums	3	1	-
Loss reserves	-	-	-
Supplemental and Regulation 114 Trust balances	137	120	105
Capital adequacy			
Margin of safety (x)	>1.00	>1.00	>1.00
Reliance on soft capital (%)	-	-	-

Investment risk modifier

BAM's investment portfolio is of high quality and liquid, presenting low risk to the financial risk profile. As of Dec. 31, 2015, the investment portfolio totaled $477.2 million, with municipal bonds representing 33% of total investments and U.S. Treasury and agency securities totaling 22%. The average credit quality of fixed-income investments was 'AA-' with corporate bond exposure focused on industrials and highly rated financial institution debt obligations.

Operating performance

Lacking the benefit of a legacy portfolio, BAM's operating performance metrics continue to suffer from the slow ramp-up of its business as a result of the compressed credit spread environment and competition in the financial guarantee market. As a mutual company, BAM's owners are focused on a stable, low-cost source of financial guarantee support rather than a high return on investment. Because a component of the cost of insuring a financial guarantee policy is members' contribution, BAM is effectively issuing equity with the issuance of each policy. Nevertheless, weak operating performance will limit growth in statutory capital, which could affect capital adequacy.

Table 3

Build America Mutual Assurance Co. -- Operating Performance

	--Year end Dec. 31--		
(%)	**2015**	**2014**	**2013**
Operating return on equity	N.M.	N.M.	N.M.
Municipal risk-adjusted pricing ratio	2.5	2.3	3.2
Statutory combined ratio	104.3	188.2	161.0
Statutory loss ratio	0	0	0
Statutory expense ratio	104.3	188.2	161.0

Table 3

Build America Mutual Assurance Co. -- Operating Performance (cont.)

	--Year end Dec. 31--		
(%)	**2015**	**2014**	**2013**
Statutory return on revenue	N.M.	N.M.	N.M.
Insured portfolio speculative grade exposure	0	0	0

N.M.--Not meaningful.

We believe, however, that as BAM's business volume rises, along with the recent improvement in pricing, its operating performance and profitability will improve. If it maintains the prudent underwriting strategy it has exhibited since inception, we believe it will experience minimal losses. Our expectations of BAM's operating performance are supported by market acceptance of its financial guarantees as shown by the company's share of the total insured U.S. public-finance market and strong trading value of insured bonds. The increase in insured secondary-market transactions should help operating results because these transactions have historically had stronger economics than primary insured transactions.

Table 4

Build America Mutual Assurance Co. -- Financial Statistics

	--Year ended Dec. 31--		
($000s)	**2015**	**2014**	**2013**
Total assets	479,611	475,719	486,529
Cash and invested assets	477,202	473,026	483,666
Net premiums earned	323	159	24
Losses and loss adjustment expense	-	-	-
Underwriting expense	37,040	37,380	33,230
Investment income including gains/(losses)	4,675	5,424	3,903
Net income	(32,041)	(31,796)	(29,303)

Financial flexibility

We view financial flexibility as neutral to the rating. As a mutual insurer, BAM has limited access to the capital markets. This is offset by members' capital contributions that BAM collects with each policy issuance. BAM's surplus notes are owned by HG Holdings Ltd. and HG Re.

Other Assessments

Enterprise risk management

BAM's ERM framework is strong, in our view, with continued enhancements to address the changing risk dynamics of the U.S. public-finance market. Governance and structural limits define the risk categories and underlying risk exposures, which BAM continues to monitor closely for validation as it ramps up. The company runs stress and scenario tests, including an assessment of potentially correlated revenue streams and sensitivities to a variety of concerns at least quarterly. We view the well-established management team with more than 25 years in the municipal bond insurance industry as a strong factor in our ERM assessment. Our view of BAM's ERM reflects a positive assessment of its risk management culture, risk controls, and strategic risk management. This is partially offset by our neutral views of emerging risk management and risk models.

Liquidity

We view BAM's liquidity profile as strong based on the lack of any credit-sensitive liabilities or collateral-posting requirements. We expect its operating cash-flow generation and underwriting cash-flow ratio to improve with the growth in business volume and the low credit-loss profile of the insured portfolio.

Accounting Considerations

We view BAM's accounting policies as generally consistent with industry standards and neutral to the ratings. BAM files financial statements under statutory accounting principles and publishes an operating supplement each quarter.

Related Criteria And Research

- Group Rating Methodology, Nov. 19, 2013
- Enterprise Risk Management, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Bond Insurance Rating Methodology And Assumptions, Aug. 25, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Ratings Detail (As Of July 27, 2016)	
Build America Mutual Assurance Company	
Financial Strength Rating	
Local Currency	AA/Stable/--
Counterparty Credit Rating	
Local Currency	AA/Stable/--
Financial Enhancement Rating	
Local Currency	AA/Stable/--
Holding Company	None
Domicile	New York

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

S&P Global
Ratings

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Table Of Contents

National Public Finance Guarantee Corp.

Rationale

Financial Strength Rating
Local Currency
AA-/Stable/--

- Strong competitive position reflecting an ability to add value to the market and boost premiums written
- Satisfactory management and corporate strategy
- Low insurance industry and country risk assessment

- Capital adequacy ratio greater than 1.0x
- Low-risk investment portfolio
- Largest obligor violation
- Strong operating performance based on a prospective view of favorable operating metrics as its business grows
- Financial flexibility neutral to the rating

Other Assessments

- Adequate enterprise risk management with strong risk controls
- Strong liquidity reflecting highly liquid assets and full coverage of short-term liquidity needs
- Rating adjusted up one notch based on expectation of adding value to the industry with a risk-adjusted pricing ratio and operating performance in line with peers

Factors Specific To The Holding Company

- Our rating on MBIA Inc. reflects its structural subordination to its regulated operating subsidiaries

Outlook

The outlook on National Public Finance Guarantee Corp. is stable reflecting its very strong capital adequacy and prospective strong competitive position. S&P Global Ratings expects National will write business gradually at first and at increasing rates once it gains more visibility in the insured U.S. municipal market.

Downside scenario

We may lower our ratings if the company does not demonstrate sustainable and consistent growth, its capital adequacy deteriorates as a result of earnings or claims volatility, or its municipal risk-adjusted pricing (RAP) ratio is consistently below that of peers.

Upside scenario

We may raise our ratings if National shows successful execution and seasoning of its strategic risk management program and optimization of risk-adjusted returns, as well as a sustainable competitive position relative to peers.

Base-Case Scenario

Company-Specific Assumptions

- Capital adequacy ratio greater than 1.0x
- Municipal RAP ratio above 4.0% by year-end 2017
- Combined ratio less than 100% by year-end 2017
- An increase in par insured year-over-year

Company Description

National is a wholly owned subsidiary of MBIA Inc. and provides financial guarantees to U.S. public finance issuers, with the majority of new business in the general obligation, tax-backed, and revenue bond sectors. In February 2009, separate legal entities were created within MBIA Inc., and National (formerly MBIA Illinois) became a sister company of other MBIA Inc. entities. National had assumed the U.S. public finance book of business previously part of MBIA Insurance Corp. (MBIA Corp.) on a reinsurance cut-through basis.

Business Risk Profile

The score for the company's adjusted competitive position is '3' and industry risk is '2', leading to a business risk profile score of '2'.

Insurance industry and country risk

We believe National faces low industry and country risk since it operates only in the U.S. Our view of National's very low country risk stems from the U.S. market's higher-income nature, its relatively effective and stable political institutions, sophisticated financial systems, and strong payment culture. We believe its financial guarantee operations are exposed to low industry risks because of high barriers to entry and moderate product risk. The U.S. financial guarantee market's growth prospects and overall institutional framework further support the low industry risk assessment.

Table 1

National Public Finance Guarantee Corp. -- Business Statistics	
(Mil. $)	**--Year ended Dec. 31, 2015--**
Net par exposure	156,634
Net protection and indemnity exposure	259,436
Adjusted gross premiums written*	
U.S. public finance	17
U.S. asset-backed and other	-
U.S. total	17
International public finance	
International asset-backed and other	
International total	-
Total adjusted gross premiums written	17
Net premiums written	
Gross par written	
U.S. public finance	597
U.S. asset-backed and other	-
U.S.total	597
International public finance	
International asset-backed and other	
International total	-
Total gross par written	597
Net par written	597

*Includes upfront and present value of installment premiums.

Competitive position

We view National's competitive position as strong, and believe it will continue to grow its premiums written and provide added value to the U.S. public finance market. Its flexibility in writing a variety of sectors allows it to take advantage of arising opportunities. Its new business writings in 2015 showed a positive momentum in total par insured, as well as the number of transactions insured; the trend continues into 2016. National began expanding into the secondary market in the second half of 2015. Its business written was relatively small compared with peers, but we expect National to boost its market share as it continues to expand its writings and gains visibility.

National's substantial existing book of business provides further visibility as legacy insured bond trade in the market.

The insured portfolio is well diversified by sector and geography, and we expect the company to have a more granular portfolio given its single-risk limits. Since National reentered the market in 2015, management has made some key new hires and has put together targeted marketing and new business plans to win more bids and reintroduce the firm to market participants.

Table 2

National Public Finance Guarantee Corp. -- Portfolio Statistics

	--Year ended Dec. 31--					
(Mil $)	% of par 2015	Net par 2015	Net par 2014	Net par 2013	Net par 2012	Net par 2010
Public Finance						
General obligation	43.32	67,857	96,501	122,240	149,864	216,768
Utility	17.35	27,177	38,555	49,157	60,019	82,901
Tax-backed	12.40	19,419	26,654	33,793	42,841	59,122
Hospitals	2.55	3,990	4,990	5,673	7,259	12,775
Transportation	9.43	14,778	20,133	24,131	29,014	46,156
Colleges and universities	5.47	8,567	12,568	15,157	18,577	25,235
Investor-owned utilities	1.05	1,650	1,812	2,147	2,688	6,829
Housing	5.41	8,470	10,088	10,935	12,310	14,626
Special revenue	1.87	2,922	3,996	5,684	5,710	2,144
Other	1.15	1,803	1,952	2,188	2,563	1,999
Total	100	156,634	217,248	271,105	330,845	468,555

Management and corporate strategy

We view National's management and corporate strategy as satisfactory. The management team has successfully resolved all litigation, allowing the company to reenter the market. National made all claims payments and successfully remediated distressed credits while inactive. We believe management has significant knowledge of the municipal market with a history of writing profitable U.S. public finance business. The team has incorporated lessons learned as part of its underwriting guidelines as well as new business selection.

We have not identified any governance deficiencies in our assessment.

Financial Risk Profile

National's final capital adequacy score is '2' and operating performance score is '3', leading to a financial risk profile score of '2'.

Capital adequacy

National's capital adequacy is extremely strong, with a capital adequacy ratio above 1.0x. As a result of elevated refunding and ordinary amortizations, combined with minimal new business written, National is deleveraging its risk exposure at an accelerated rate.

We have analyzed the effect of losses related to exposure to issuers in Puerto Rico. The initial scenario assumed all issuers defaulted on 100% of their debt service in the next four years with National required to make claim payments equal to 100% of debt service. Our analysis also assumed payments of 15%, 25%, 35%, and 45% on total debt service. The analysis indicted that, without accounting for any other factors, with the exception of the 45% claim scenario, National had sufficient capital to absorb the losses at the different claim payment rates and there would be no change in the capital adequacy score. We continue to monitor events in Puerto Rico and their impact on the company.

As of Dec. 31, 2015, National did not comply with the largest obligor test, which weakened the capital adequacy score.

Table 3

National Public Finance Guarantee Corp. -- Capital Statistics

	--Year ended Dec. 31--					
(Mil $)	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Portfolio risk						
Municipal insurance weighted average capital charge (% of average annual debt service)	18.7	17.35	15.88	16.37	16.04	16.05
Model capital inputs						
Statutory capital	3,388	3,266	3,257	3,248	2,809	2,381
Unearned premiums	1,042	1,375	1,678	2,041	2,485	2,873
Loss reserves	(30)	(13)	(87)	(109)	(3)	96
Present value of instalment premiums	197	216	225	217	239	282
Capital adequacy*						
Capital adequacy ratio (x)	>1.00	>1.00	>1.00	>1.00	0.65-0.80	0.65-0.80
Reliance on soft capital (%)	1.6	1.5	2.0	2.5	3.5	1.5

*Capital adequacy results for 2012 and 2011 are based on the release of updated bond insurance criteria on Aug. 25, 2011.

Investment risk modifier

We believe National's investment portfolio presents low risk to its financial risk profile. The portfolio is well diversified, highly liquid, and of high credit quality. The company focuses on fixed income and taxable investments comprising 'AA' average credit quality municipals (32%), corporates (25%), and agency mortgages (24%).

National participates in an asset-swap facility with MBIA Inc., but significantly reduced it to $133 million as of March 31, 2016, from a high of $1.8 billion as of Dec. 31, 2009.

Operating performance

We view National's operating performance as strong stemming from our prospective view that, as the company writes more business in the primary and secondary markets, it will demonstrate favorable operating and risk-adjusted pricing metrics in line with peers. In 2015, National insured $597 million of primary and secondary par after reentering the insured municipal market in third-quarter 2014. While its market share in 2015 is relatively small, National has recently shown positive momentum--in first-quarter 2016, it insured $158 million of par in 19 transactions versus $38.2 million in 2015 with four transactions.

Because National has had a limited amount of net premiums written in recent years, its expense ratio has resulted in a combined ratio that provides minimal analytical value. But when evaluating the expense ratio in terms of net premiums earned, the combined ratio has been well under 100% for the past five years. National typically collects premiums associated with the U.S. public finance business up front and earns them over the life of the underlying transaction, 20 years on average. So evaluating operating performance based on net premiums earned provides better analytical insight for a company like National with a large legacy book of business. We expect its net earned premiums (excluding refundings) to continue declining due to the run-off of the insured portfolio and low new business writings.

If the ultimate losses related to issuers in Puerto Rico are greater than reserves already taken, operating performance may suffer. We believe that, if this occurs, it would be a single-year event since there does not appear to be any other large exposures in the insured portfolio that are experiencing the same stress levels as Puerto Rico. The annual accretion of discounted reserves would not be enough to materially hurt operating performance.

Table 4

National Public Finance Guarantee Corp. -- Operating Performance

	--Year ended Dec. 31--					
(%)	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Operating return on equity (GAAP)	4.90	5.10	4.40	7.60	9.00	10.90
Statutory combined ratio	N.M.	N.M.	N.M.	N.M.	N.M.	70.91
Statutory loss ratio	(2.80)	27.90	18.30	5.53	1.33	14.46
Statutory expense ratio	N.M.	N.M.	N.M.	N.M.	N.M.	56.45
Statutory return on revenue	89.00	68.20	71.20	75.87	88.75	80.44
Insured portfolio speculative-grade exposure	4.00	2.60	1.66	0.85	0.69	0.57

N.M.--Not meaningful.

Financial flexibility

We view financial flexibility as neutral to the rating due to our favorable view of MBIA Inc.'s access to capital and liquidity. We believe the market will look to National as the group's main contributor of funds. In 2015, National paid a $114 million dividend to MBIA Inc.; $228 million was released to MBIA Inc. from the group's tax escrow account, to which National contributes. MBIA Inc. is targeting significant improvements in leverage with annual takedowns.

We do not expect National to face any significant immediate claims payments given its overall high-quality book of business, with about 83% of gross par outstanding at the 'AA' and 'A' level as of Dec. 31, 2015. We believe National has adequate liquidity to cover any near-term claims payments while pursuing remediation.

Table 5

National Public Finance Guarantee Corp. Financial Statistics

	--Year ended Dec. 31--					
(Mil. $)	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**
Total assets	4,676.6	5,142.4	5,340.4	5,726.2	6,656.1	7,290.0
Cash and invested assets	4,635.8	5,087.3	5,266.4	5,646.1	6,594.8	7,221.4
Net premiums earned	349.7	316.4	374.8	439.3	365.8	362.5
Losses and loss adjustment expense	(9.9)	88.2	66.7	24.3	4.9	52.4
Underwriting expense	61.1	49.9	76.2	133.8	60.3	75.2
Investment income including gains/(losses)	113.6	129.9	162.0	286.5	304.8	257.0
Net income	283.8	238.1	256.0	415.5	477.9	408.8

Other Assessments

Enterprise risk management

We view National's ERM framework as adequate with strong risk controls, which has a limiting effect on the adjusted indicative rating on the company. Our view reflects a positive assessment of the company's underwriting, surveillance, and loss mitigation risk controls, which we believe are the material risks. These are partially offset by our neutral view of strategic risk management.

National has risk limits in place for single obligor, sector, and geographic exposure that guide underwriting along with identified emerging risks and feedback from the remediation and surveillance groups. It uses its centralized exposure testing application that integrates internal risk and regulatory limits in monitoring and decision-making with regards to selecting and approving new transactions. It also uses its economic capital model to stress capital under various sector-specific default and severity assumptions.

Management has a new business growth, marketing, and underwriting strategy in place, and we look for evidence of execution of its strategic risk management program and optimization of risk-adjusted returns as it writes new business.

Liquidity

We view National's liquidity as strong, reflecting its highly liquid assets, full coverage of short-term liquidity needs, and lack of any credit-sensitive liabilities or collateral-posting requirements. As of Dec. 31, 2015, it held $379 million in cash and short-term investments. We expect that, as the company writes more business, its cash flow ratios will improve.

Table 6

National Public Finance Guarantee Corp. -- Liquidity Statistics

	--Year ended Dec. 31--					
(%)	2015	2014	2013	2012	2011	2010
Underwriting cash flow ratio	N.M.	N.M.	N.M.	N.M.	N.M.	95.92
Liquid assets	97.4	98.7	94.1	94.0	75.0	100.0
Cash and short-term assets to loss payable ratio	496.5	3,014.0	2,188.1	897.4	858.0	260.9

N.M.--Not meaningful.

Factors Specific To the Holding Company

Our rating on MBIA Inc. reflects its structural subordination to its regulated operating subsidiaries, specifically National. We view National as its principal source of debt-servicing and holding-company expense needs. In addition to National's dividend payments, the continued estimated tax escrow releases related to the tax-sharing agreement also support MBIA Inc.'s liquidity.

Table 7

MBIA Inc. -- Financial Statistics

GAAP basis

	--Year ended Dec. 31--					
	2015	**2014**	**2013**	**2012**	**2011**	**2010**
Fixed-charge coverage (x)	1.9	1.4	N.M.	N.M.	N.M.	N.M.
Financial leverage (%)	30.7	28.5	30.0	30.8	31.7	32.7

N.M.--Not meaningful.

Accounting

We view National's accounting policies as consistent with industry standards and neutral to the rating. The company files financial statements under both generally accepted accounting principles (GAAP) and statutory accounting principles. MBIA Inc. files consolidated statements according to U.S. GAAP.

The Financial Accounting Standards Board Accounting Standards Codification (ASC) 810 "Consolidation" addresses whether certain legal entities often used in securitization and other structured finance transactions should be included in consolidated financial statements of any particular interested party. The remediation rights MBIA Corp. may gain once an insured structured-finance transaction experiences stress may give MBIA Corp. power over the most significant activities of the special-purpose entity (SPE). As a result, assets and liabilities of the insured transaction may be consolidated on MBIA Inc.'s balance sheet. We do not view consolidation of transactions as indicating different or incremental risk relative to the company's nonconsolidated insurance exposure. From a risk perspective, we assess the guaranteed transactions a capital charge for capital adequacy modeling purposes. Because of this, we do not include the debt associated with SPEs in any leverage calculations or fixed-charge coverage ratios.

ASC 944 "Financial Services-Insurance" prescribes loss-reserve practices for financial guarantors. Under that accounting, loss reserves are booked on an expected loss basis to the extent that losses exceed the unearned premium return. We evaluate the strength of the financial guarantors using the financial statements prepared under statutory accounting principles when reserves are booked when a loss is incurred. In addition, we estimate theoretical losses in a severe economic environment, which may be greater than current losses, to evaluate the adequacy of the bond insurer's claims-paying resources.

ASC 820 "Fair Value Measurements and Disclosures," the valuation of MBIA Inc.'s derivative liabilities, must take into account the market's perception of MBIA Corp.'s nonperformance risk by incorporating the spreads of MBIA Corp.'s credit default swap. From a ratings perspective, the market's perception of MBIA Corp.'s ability to settle its obligations does not relieve it of its requirement to pay, and MBIA Corp. cannot transfer the obligation at the market value. We don't consider gains taken from the deterioration in MBIA Inc.'s own creditworthiness are economic or real for the purposes of our ratings analysis. We do not factor in any market-based gyration unrelated to fundamental credit deterioration when considering capital and earnings.

We adjusted the leverage and return ratios we used for MBIA Inc. for the impact of ASC 810 and 820. The theoretical losses mentioned in the discussion of ASC 944 are included in the capital adequacy analysis in the capital adequacy section.

Related Criteria And Research

- Group Rating Methodology, Nov. 19, 2013
- Enterprise Risk Management, May 7, 2013
- Methodology: Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Bond Insurance Rating Methodology And Assumptions, Aug. 25, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

Ratings Detail (As Of July 27, 2016)	
National Public Finance Guarantee Corp.	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Counterparty Credit Rating	
Local Currency	AA-/Stable/--
Financial Enhancement Rating	
Local Currency	AA-/Stable/--
Related Entities	
MBIA Inc.	
Issuer Credit Rating	A-/Stable/--
Senior Unsecured	A-
Municipal Bond Insurance Assn.	
Financial Strength Rating	
Local Currency	AA-/Stable/--
Issuer Credit Rating	
Local Currency	AA-/Stable/--
Holding Company	MBIA Inc.
Domicile	New York

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.