

BAM

BUILD AMERICA MUTUAL

Quarterly Operating Supplement
June 30, 2013

Build America Mutual Assurance Company

Quarterly Operating Supplement

June 30, 2013

<u>Table of Contents</u>	<u>Page</u>
Cautionary Statement Regarding Forward Looking Statements	2
Company Profile.....	3
Statutory Statements of Assets, Liabilities and Capital and Surplus	4
Claims Paying Resources and Leverage Statistics.....	5
Business Production	6
Gross Par Outstanding by Sector	7
Gross Par Outstanding by State	8
Rating Distribution of Gross Par Outstanding.....	9
Contractual Amortization of Gross Par Outstanding	10
Top 25 U.S. Public Finance Exposures	11
Fixed Income Investment Portfolio	12
Glossary	13

Build America Mutual Assurance Company

Quarterly Operating Supplement

June 30, 2013

CAUTIONARY STATEMENT REGARDING FORWARD LOOKING STATEMENTS

The information contained in this report may contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or referenced in this report which address activities, events or developments which Build America Mutual Assurance Company ("Build America" or "BAM") expects or anticipates will or may occur in the future are forward-looking statements. The words "will," "believe," "intend," "expect," "anticipate," "project," "estimate," "predict" and similar expressions are also intended to identify forward looking statements. These forward looking statements include, among others, statements with respect to Build America's:

- changes in US statutory basis surplus or claims paying resources;
- business strategy;
- financial and operating targets or plans;
- incurred losses and the adequacy of its loss and loss adjustment expense reserves and related reinsurance;
- projections of revenues, income (or loss), earnings (or loss), dividends, market share or other financial forecasts;
- expansion and growth of its business and operations; and
- future capital expenditures.

These statements are based on certain assumptions and analyses made by Build America in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. However, whether actual results and developments will conform with its expectations and predictions is subject to a number of risks and uncertainties that could cause actual results to differ materially from expectations, including:

- claims arising from catastrophic events, such as hurricanes, earthquakes, floods or terrorist attacks;
- the continued availability of capital and financing;
- general economic, market or business conditions;
- business opportunities (or lack thereof) that may be presented to it and pursued;
- competitive forces, including the conduct of other property and casualty insurers and reinsurers;
- changes in domestic or foreign laws or regulations, or their interpretation, applicable to Build America, its competitors or its clients;
- an economic downturn or other economic conditions adversely affecting its financial position;
- recorded loss reserves subsequently proving to have been inadequate;
- actions taken by ratings agencies from time to time, such as financial strength or credit ratings downgrades or placing ratings on negative watch; and
- other factors, most of which are beyond Build America's control.

Consequently, all of the forward looking statements made in this report are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by Build America will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on Build America or its business or operations. Build America assumes no obligation to update publicly any such forward looking statements, whether as a result of new information, future events or otherwise.

Build America Mutual Assurance Company

Quarterly Operating Supplement

June 30, 2013

Company Profile

Build America is a New York domiciled mutual financial guaranty insurance company. The Company was capitalized on July 17, 2012 and received its license to write financial guaranty insurance from the New York State Department of Financial Services (the "Department") and commenced operations on July 20, 2012. As of August 13, 2013, Build America was licensed in forty seven states and the District of Columbia, and can write business in additional jurisdictions under certain conditions. Build America's financial strength and counterparty credit ratings of 'AA/Stable Outlook' were reaffirmed by Standard & Poor's Ratings Services on August 13, 2013.

The first mutual bond insurance company, Build America is owned by and operated for the benefit of the cities, states and other municipal agencies—the municipal issuers—that use the Company's 'AA/Stable Outlook' rated financial guaranty to lower their cost of funding in the U.S. municipal market.

Build America's insured portfolio benefits from a first loss reinsurance treaty with HG Re Ltd. ("HG Re"), a Bermuda domiciled special purpose insurance company. Build America is HG Re's sole primary insurer, and HG Re currently does not assume risks from any other insurers or reinsurers. Under the terms of the first loss reinsurance treaty, HG Re assumes all of Build America's directly insured losses in an amount up to 15% of the par outstanding for each insured obligation. HG Re's obligations under the reinsurance agreement are secured by, and limited to the value of, assets held in trust, which are pledged for the benefit of Build America.

Build America Mutual Assurance Company

Quarterly Operating Supplement

June 30, 2013

Statutory Statements of Assets, Liabilities and Capital and Surplus

(in millions)	(Unaudited)	
	June 30, 2013	December 31, 2012
ADMITTED ASSETS		
Bonds	\$ 465.9	\$ 467.1
Cash, cash equivalents and short-term investments	17.0	21.1
Total cash and invested assets	\$ 482.9	\$ 488.2
Investment income due and accrued	2.7	2.8
Other assets	0.2	0.2
Total admitted assets	<u>\$ 485.8</u>	<u>\$ 491.2</u>
LIABILITIES		
Unearned premiums	\$ 1.2	\$ -
Ceded reinsurance premiums payable	0.8	-
Mandatory contingency reserve	0.3	-
Accrued and payable expenses	6.9	7.5
Total liabilities	<u>\$ 9.2</u>	<u>\$ 7.5</u>
CAPITAL AND SURPLUS		
Surplus notes	\$ 503.0	\$ 503.0
Member surplus contributions	8.2	0.3
Unassigned funds - deficit	(34.6)	(19.6)
Total capital and surplus	<u>\$ 476.6</u>	<u>\$ 483.7</u>
Total liabilities, capital and surplus	<u>\$ 485.8</u>	<u>\$ 491.2</u>

Build America Mutual Assurance Company
Quarterly Operating Supplement
June 30, 2013

Claims Paying Resources and Leverage Statistics

(in millions)

US Statutory Basis

	June 30, 2013	December 31, 2012
Policyholders' surplus	\$ 476.6	\$ 483.7
Contingency reserve	0.3	-
Qualified Statutory Capital	476.9	483.7
Unearned premiums, net of reinsurance	1.2	-
Loss and loss adjustment expense reserves	-	-
First loss reinsurance collateral trusts ⁽¹⁾	100.6	100.3
Claims Paying Resources	\$ 578.7	\$ 584.0

Gross Par Outstanding

Investment Grade ⁽²⁾	\$ 2,125.7	\$ 25.8
Below Investment Grade ("BIG") ⁽²⁾	-	-
Total	\$ 2,125.7	\$ 25.8

Leverage Statistics

Total Gross Par Outstanding		
÷ Total Claims Paying Resources	3.7x	n.m.
BIG Gross Par Outstanding		
÷ Total Claims Paying Resources	-	-

⁽¹⁾ Excludes BAM surplus notes and related accrued interest.

⁽²⁾ Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

Build America Mutual Assurance Company
 Quarterly Operating Supplement
 June 30, 2013

Business Production

(in millions)

Gross Par Written

U.S. Public Finance - New Issue

	Three months ended June 30, 2013	Six months ended June 30, 2013
General Obligations	\$ 1,026.8	\$ 1,557.2
Utilities	217.0	292.3
General Funds	124.8	124.8
Other Public Finance	30.5	30.5
Public Higher Education	5.3	5.3
Total U.S. Public Finance - New Issue	\$ 1,404.4	\$ 2,010.1

U.S. Public Finance - Secondary Market

General Obligations	\$ 18.9	\$ 30.5
Utilities	-	28.5
Transportation	2.5	25.1
General Funds	1.9	5.5
Dedicated Tax	-	1.0
Total U.S. Public Finance - Secondary Market	\$ 23.3	\$ 90.6

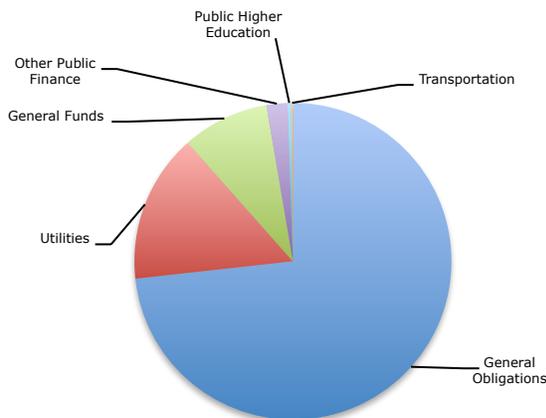
Total Gross Par Written

Total Gross Par Written	\$ 1,427.7	\$ 2,100.7
--------------------------------	-------------------	-------------------

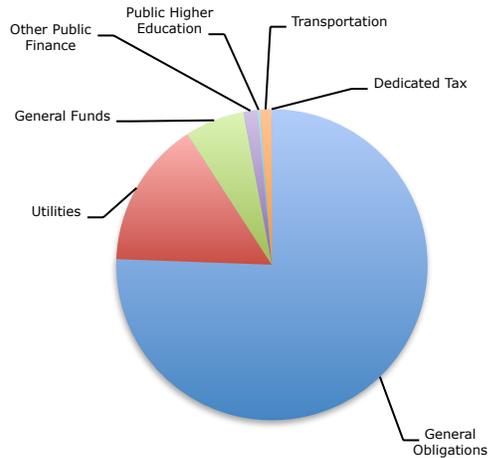
**Gross Risk Premiums and Member Surplus
Contributions Collected**

Gross Risk Premiums Written	\$ 3.4	\$ 5.3
Member Surplus Contributions	4.5	8.0
Total Gross Risk Premiums and Member Surplus Contributions Collected	\$ 7.9	\$ 13.3

**Gross Par Written
For the three months ended June 30, 2013**



**Gross Par Written
For the six months ended June 30, 2013**



Build America Mutual Assurance Company

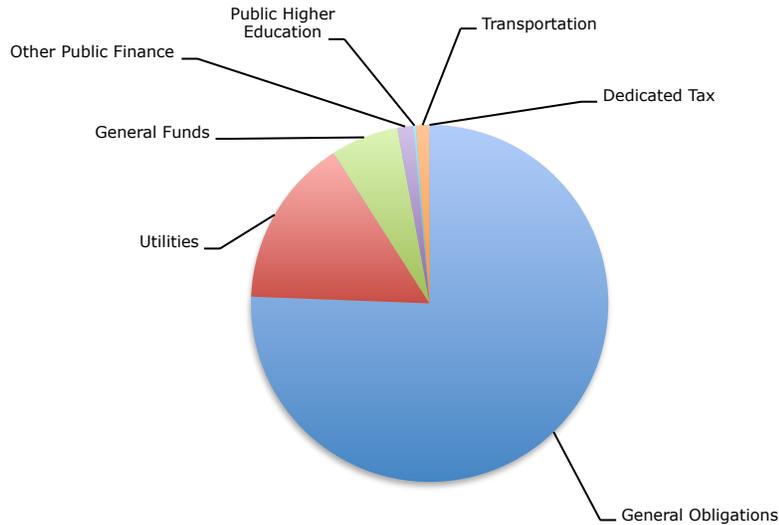
Quarterly Operating Supplement

June 30, 2013

Gross Par Outstanding by Sector

(in millions)	As of
	June 30, 2013
U.S. Public Finance - New Issue	
General Obligations	\$ 1,576.6
Utilities	298.1
General Funds	124.8
Other Public Finance	30.5
Public Higher Education	5.3
Total U.S. Public Finance - New Issue	<u>\$ 2,035.2</u>
U.S. Public Finance - Secondary Market	
General Obligations	\$ 30.5
Utilities	28.4
Transportation	25.1
General Funds	5.5
Dedicated Tax	1.0
Total U.S. Public Finance - Secondary Market	<u>\$ 90.5</u>
Total Gross Par Outstanding	<u><u>\$ 2,125.7</u></u>

**Gross Par Outstanding
As of June 30, 2013**



Build America Mutual Assurance Company
Quarterly Operating Supplement
June 30, 2013

Gross Par Outstanding by State

(in millions)	As of June 30, 2013	% of Total
California	\$ 649.9	30.6%
Pennsylvania	589.1	27.7%
Texas	422.5	19.9%
New York	298.5	14.0%
New Jersey	39.4	1.9%
Arizona	27.9	1.3%
Illinois	23.1	1.1%
Nevada	13.5	0.6%
Indiana	13.0	0.6%
Kansas	9.6	0.4%
Wisconsin	7.7	0.4%
Michigan	7.2	0.3%
Massachusetts	6.1	0.3%
Tennessee	6.0	0.3%
Connecticut	5.9	0.3%
Oklahoma	5.3	0.3%
South Carolina	1.0	0.0%
Total Gross Par Outstanding	\$ 2,125.7	100.0%

Build America Mutual Assurance Company

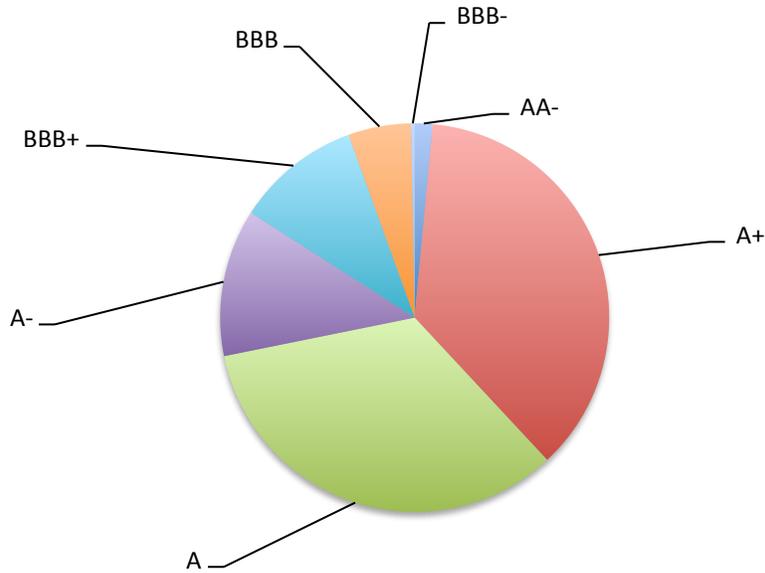
Quarterly Operating Supplement

June 30, 2013

Rating Distribution of Gross Par Outstanding⁽¹⁾

(in millions)	Percentage of Gross Par Outstanding as of June 30, 2013
AA-	1.5%
A+	36.6%
A	33.7%
A-	12.3%
BBB +	10.4%
BBB	5.2%
BBB-	0.3%
Below Investment Grade	- %
Total Gross Par Outstanding	<u>100.0%</u>
Weighted Average Rating	A

**Rating Distribution of Gross Par Outstanding⁽¹⁾
As of June 30, 2013**



⁽¹⁾ Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

Build America Mutual Assurance Company
Quarterly Operating Supplement
June 30, 2013

Contractual Amortization of Gross Par Outstanding⁽¹⁾

(in millions)	<u>Contractual Par Amortization</u>	<u>Ending Gross Par Outstanding</u>
As of June 30, 2013:		\$ 2,125.7
July 1, 2013 to December 31, 2013	\$ 15.9	2,109.7
Year 2014	48.5	2,061.3
Year 2015	63.8	1,997.4
Year 2016	72.1	1,925.3
Year 2017	78.6	1,846.8
Subtotal	<u>278.9</u>	
Years 2018 to 2022	424.0	1,422.8
Years 2023 to 2027	485.7	937.0
Years 2028 to 2032	420.4	516.7
Year 2032 and thereafter	516.7	-
Total	<u><u>\$ 2,125.7</u></u>	

⁽¹⁾ Depicts contractual amortization of existing guaranteed portfolio (principal only) and assumes no unscheduled, advance refundings as of June 30, 2013.

Build America Mutual Assurance Company
Quarterly Operating Supplement
June 30, 2013

Top 25 U.S. Public Finance Exposures

(in millions)

Obligor	Rating⁽¹⁾	Gross Par Outstanding	% of Total Gross Par Outstanding
Plum Borough School District, PA (Allegheny County)	A+	\$ 70.2	3.3%
Tehachapi Valley Healthcare District, CA (Kern County)	A	58.1	2.7%
Hesperia Unified School District, CA (San Bernardino County)	A-	52.7	2.5%
Palmdale School District, CA (Los Angeles County)	A	45.2	2.1%
Niagara Falls Public Water Authority, Ny (Niagara County)	A-	44.5	2.1%
Val Verde Unified School District, CA (Riverside County)	A	40.5	1.9%
Westlands Water District, CA (Fresno County And Kings County), Water	A+	37.6	1.8%
Temucula Valley Unified School District, CA (Riverside County)	A	35.0	1.6%
Sutter Butte Flood Control Agency, CA (Sutter And Butte Counties), Other Fee	A+	30.5	1.4%
Rosedale-Rio Bravo Water Storage District, CA (Kern County), Water	A	29.6	1.4%
Natomas Unified School District, CA (Sacramento County)	BBB+	27.3	1.3%
Greene Township Municipal Authority, PA (Franklin County), Sewer	A	26.9	1.3%
Santa Maria-Bonita School District, CA (Santa Barbara County)	A	25.9	1.2%
Economy Borough Municipal Authority, PA (Beaver County), Sewer	A+	23.2	1.1%
North Harris County Regional Water Authority, TX (Harris County), Water	A	23.1	1.1%
Paterson, City Of, NJ (Passaic County)	BBB	22.5	1.1%
Apple Valley Unified School District, CA (San Bernardino)	A+	21.7	1.0%
Westminster School District, CA (Orange County)	AA-	21.0	1.0%
Cayuga County, NY (Cayuga County)	A+	21.0	1.0%
Triborough Bridge And Tunnel Authority, NY (Multi-County)	A+	20.8	1.0%
Hempstead, Village Of, NY (Nassau County)	A	20.5	1.0%
Rio Grande City Consolidated Independent School District, TX (Starr County)	A-	18.6	0.9%
Bucks County Water And Sewer Authority, PA (Bucks County), Sewer	A	17.7	0.8%
York Suburban School District, PA (York County)	A	17.6	0.8%
Travis County Water Control And Improvement District No. 17, TX (Travis County)	A	17.4	0.8%
Total - Top 25 U.S. Public Finance Exposures		\$ 769.1	36.2%

⁽¹⁾ Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

Build America Mutual Assurance Company
 Quarterly Operating Supplement
 June 30, 2013

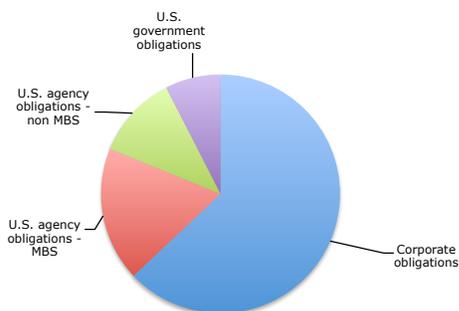
Fixed Income Investment Portfolio
 (in millions)

Investment category	Fair Value	Amortized Cost	U.S. Statutory Basis Yield ⁽¹⁾	Actual U.S. Statutory basis Investment Income	Annualized U.S. Statutory basis Investment Income
				For the six months ended June 30, 2013	For the six months ended June 30, 2013
Long-term investments					
Corporate obligations	\$ 286.0	\$ 293.3	1.22%	\$ 1.9	\$ 3.8
U.S. agency obligations - MBS	82.6	84.8	0.62%	0.4	0.8
U.S. agency obligations - non MBS	52.4	52.8	0.67%	0.2	0.4
U.S. government obligations	34.9	35.0	0.33%	0.1	0.1
Total long-term investments	<u>\$ 455.9</u>	<u>\$ 465.9</u>	<u>1.02%</u>	<u>\$ 2.5</u>	<u>\$ 5.1</u>
Investment expenses				0.4	0.8
U.S. Statutory basis net investment income				<u>\$ 2.1</u>	<u>\$ 4.3</u>

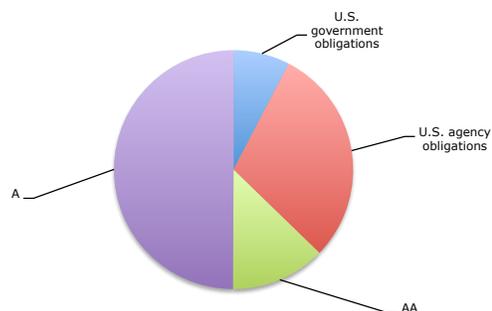
Rating Distribution of Fixed Income Investment Portfolio
 As of June 30, 2013

Rating ⁽²⁾	Fair Value	Investment Portfolio
U.S. government obligations	\$ 34.9	7.7%
U.S. agency obligations	135.0	29.6%
AAA	-	- %
AA	58.4	12.8%
A	227.6	49.9%
BBB	-	- %
Below Investment Grade	-	- %
Not rated	-	- %
Total	<u>\$ 455.9</u>	<u>100.0%</u>
Weighted Average Rating		AA-
Duration of fixed income investment portfolio		3.46 years

Fixed Income Investment Portfolio⁽³⁾
 As of June 30, 2013



Rating Distribution of Fixed Income Investment Portfolio⁽²⁾
 As of June 30, 2013



⁽¹⁾ Represents the annualized ratio of U.S. Statutory basis investment income (gross of investment expenses) to the weighted average U.S. Statutory basis invested asset balance for the six months ended June 30, 2013.

⁽²⁾ Ratings are based on the lower of Standard & Poor's or Moody's rating. Rating distribution is calculated based on fair value.

⁽³⁾ Based on amortized cost.

Build America Mutual Assurance Company

Quarterly Operating Supplement

June 30, 2013

Glossary

Contingency reserve – a mandatory reserve required by New York State Insurance Law and the insurance laws of the other states in which BAM is licensed. The mandatory contingency reserve is a liability established to protect policyholders against the effect of adverse economic developments or cycles or other unforeseen circumstances.

First loss reinsurance collateral trusts – trusts established by HG Re for the benefit of BAM, which are secured by high quality collateral and are available to fund reinsurance claims.

Gross par written – the principal amount of obligations insured during the period, excluding the effect of the First Loss Reinsurance Treaty with HG Re.

New issue – a bond for which a BAM insurance policy was purchased by the issuer prior to the bond's issuance. New issue bonds are issued and sold in the market with BAM insurance protection in place.

Secondary market – a bond that was initially issued in the market without financial guaranty insurance for which a BAM insurance was subsequently purchased by the owner of that bond.

Gross risk premiums written – a fee charged by BAM to insure the contractual principal and interest of a bond.

Member surplus contribution – a fee charged by BAM for the bond issuer to become a member of BAM.

Gross par outstanding – amount of remaining future contractual bond principal insured by BAM.



BAMSM

**BUILD AMERICA MUTUAL
ASSURANCE COMPANY**

CORPORATE HEADQUARTERS

200 Liberty Street, 27th Floor
New York, New York 10281

212.235.2500

800.993.1500

WEST REGION

101 California Street, 29th Floor
San Francisco, California 94111

415.858.1000

FOR MORE INFORMATION CONTACT:

Richard G. Holzinger

Head of Investor Relations

Office: 212.235.2518

Cell: 203.305.8817

rholzinger@buildamerica.com

Betsy Castenir

Head of Corporate Communications

Office: 212.257.6418

Cell: 917.940.2462

bcastenir@buildamerica.com