

BAM

BUILD AMERICA MUTUAL

Quarterly Operating Supplement
June 30, 2016

Build America Mutual Assurance Company

Quarterly Operating Supplement

June 30, 2016

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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 U.S. 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.

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Company Profile

Build America Mutual Assurance Company ("Build America" or the "Company") 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. Build America is also licensed in the District of Columbia and the remaining 49 states. Build America's financial strength and counterparty credit ratings of 'AA/Stable Outlook', from Standard & Poor's Ratings Services, were reaffirmed on July 27, 2016. Build America is not licensed to write financial guaranty insurance in Puerto Rico or any other territory or possession of the United States and it has no exposure to debt issued in Puerto Rico or any other territory or possession of the United States.

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.

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Statutory Statements of Assets, Liabilities and Capital and Surplus

(in millions)	As of June 30, 2016	As of December 31, 2015
ADMITTED ASSETS		
Bonds	\$ 420.2	\$ 418.1
Cash, Cash Equivalents and Short-term Investments	63.3	59.1
Total Cash and Invested Assets	\$ 483.5	\$ 477.2
Investment Income Due and Accrued	2.3	2.2
Other Assets	0.1	0.2
Total Admitted Assets	<u>\$ 485.9</u>	<u>\$ 479.6</u>
LIABILITIES		
Unearned Premiums	\$ 16.1	\$ 12.5
Mandatory Contingency Reserve	17.3	12.4
Payable for Securities Purchased	7.2	-
Accrued and Payable Expenses	12.8	17.4
Total Liabilities	<u>\$ 53.4</u>	<u>\$ 42.3</u>
CAPITAL AND SURPLUS		
Surplus Notes	\$ 503.0	\$ 503.0
Member Surplus Contributions	79.5	62.7
Unassigned Funds - Deficit	(150.0)	(128.4)
Total Capital and Surplus	<u>\$ 432.5</u>	<u>\$ 437.3</u>
Total Liabilities, Capital and Surplus	<u>\$ 485.9</u>	<u>\$ 479.6</u>

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Claims Paying Resources and Leverage Statistics

(in millions)	As of June 30, 2016	As of December 31, 2015
Policyholders' Surplus	\$ 432.5	\$ 437.3
Contingency Reserve	17.3	12.4
Qualified Statutory Capital	\$ 449.8	\$ 449.7
First Loss Reinsurance Collateral Trusts	148.1	136.6
Total Hard Capital	\$ 597.9	\$ 586.3
Unearned Premiums, Net of Reinsurance	16.1	12.5
Loss and Loss Adjustment Expense Reserves	-	-
Present Value of Installment Gross Risk Premiums and Member Surplus Contributions ⁽¹⁾	3.2	2.6
Claims Paying Resources	\$ 617.2	\$ 601.4
<u>Gross Par Outstanding</u>		
Investment Grade ⁽²⁾	\$ 27,780.2	\$ 22,556.0
Below Investment Grade ("BIG") ⁽²⁾	-	-
Total	\$ 27,780.2	\$ 22,556.0

Leverage Statistics

Total Gross Par Outstanding ÷ Total Hard Capital	46.5x	38.5x
BIG Gross Par Outstanding ÷ Total Hard Capital	-	-
Total Gross Par Outstanding ÷ Total Claims Paying Resources	45.0x	37.5x
BIG Gross Par Outstanding ÷ Total Claims Paying Resources	-	-

⁽¹⁾ Represents the present value of future installment risk premiums, gross of reinsurance, and member surplus contributions, discounted at a risk-free rate.

⁽²⁾ Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations, without the benefit of financial guaranty insurance, based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

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Business Production

(in millions)

Gross Par Written

U.S. Public Finance - New Issue

	Three Months Ended June 30, 2016	Six Months Ended June 30, 2016
General Obligation	\$ 2,171.9	\$ 3,349.5
General Fund	318.9	761.0
Utility	309.9	383.3
Dedicated Tax	245.1	509.3
Public Higher Education	23.2	117.3
Transportation	14.7	60.0
Total U.S. Public Finance - New Issue	\$ 3,083.7	\$ 5,180.4

U.S. Public Finance - Secondary Market

General Obligation	\$ 134.9	\$ 151.5
Utility	40.8	65.0
Transportation	35.6	44.6
Public Higher Education	20.6	32.6
Dedicated Tax	13.0	19.3
General Fund	10.7	24.5
Total U.S. Public Finance - Secondary Market	\$ 255.6	\$ 337.5

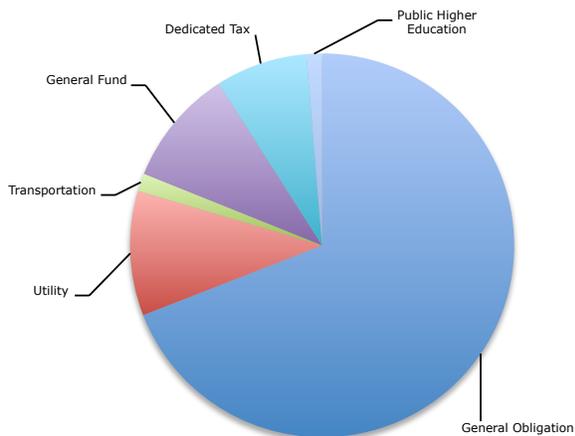
Total Gross Par Written

Total Gross Par Written	\$ 3,339.3	\$ 5,517.9
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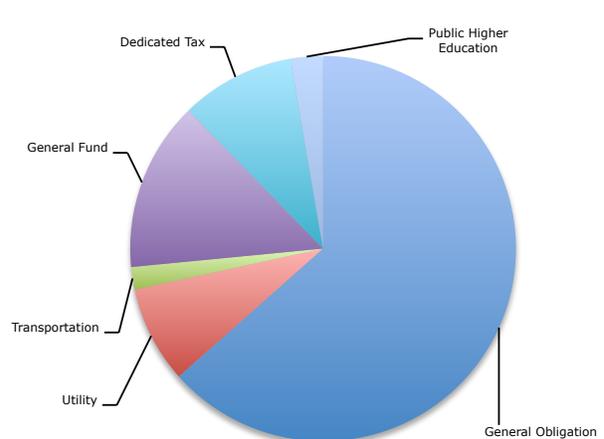
**Gross Risk Premiums Written and Member
Surplus Contributions Collected**

Gross Risk Premiums Written	\$ 8.8	\$ 15.5
Member Surplus Contributions Collected	10.0	16.7
Total Gross Risk Premiums and Member Surplus Contributions Collected	\$ 18.8	\$ 32.2

**Gross Par Written
For the Three Months Ended June 30, 2016**



**Gross Par Written
For the Six Months Ended June 30, 2016**

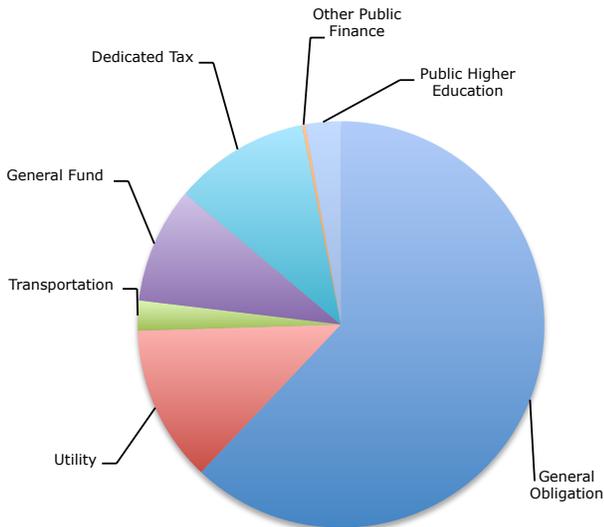


Build America Mutual Assurance Company
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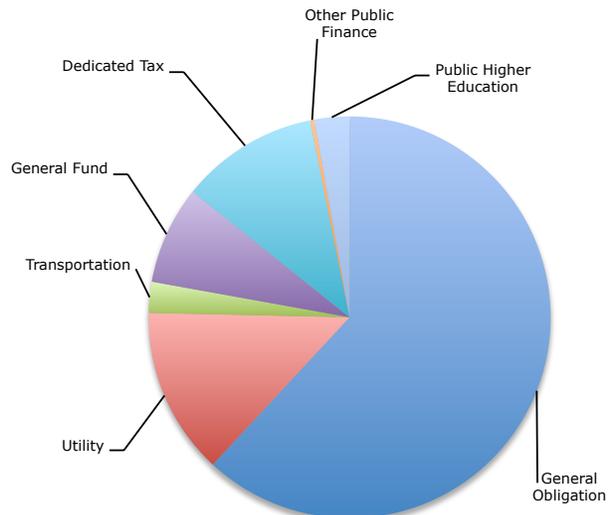
Gross Par Outstanding by Sector

(in millions)	As of June 30, 2016	As of December 31, 2015
U.S. Public Finance - New Issue		
General Obligation	\$ 16,386.6	\$ 13,255.9
Utility	3,229.3	2,866.6
Dedicated Tax	2,858.4	2,382.7
General Fund	2,444.1	1,690.3
Public Higher Education	651.6	536.6
Transportation	368.0	313.5
Other Public Finance	77.5	77.5
Total U.S. Public Finance - New Issue	\$ 26,015.5	\$ 21,123.1
U.S. Public Finance - Secondary Market		
General Obligation	\$ 853.5	\$ 707.7
Transportation	292.7	248.0
Utility	231.3	166.2
Dedicated Tax	140.2	120.9
Public Higher Education	126.4	96.2
General Fund	120.6	93.9
Total U.S. Public Finance - Secondary Market	\$ 1,764.7	\$ 1,432.9
Total Gross Par Outstanding	\$ 27,780.2	\$ 22,556.0

**Gross Par Outstanding
As of June 30, 2016**



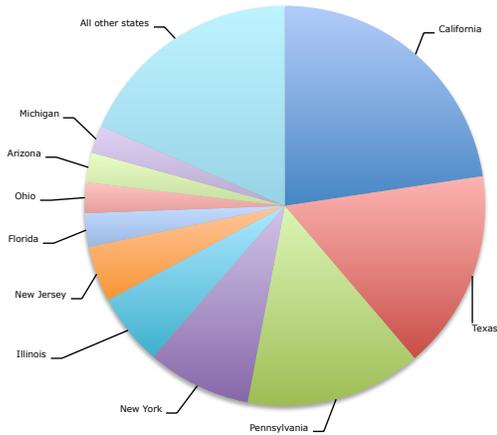
**Gross Par Outstanding
As of December 31, 2015**



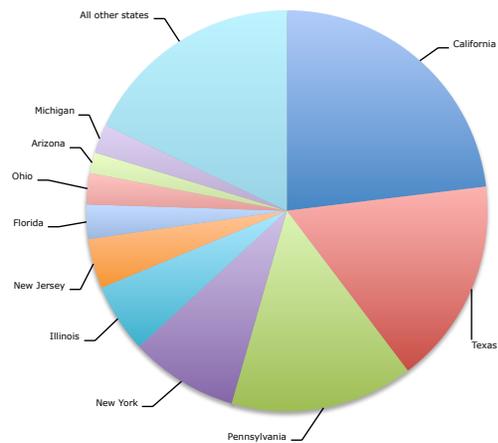
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(in millions)	As of June 30, 2016	% of Total	As of December 31, 2015	% of Total
California	\$ 6,285.4	22.6%	\$ 5,204.2	23.1%
Texas	4,486.4	16.1%	3,751.9	16.6%
Pennsylvania	3,945.5	14.2%	3,323.8	14.7%
New York	2,347.3	8.4%	1,966.6	8.7%
Illinois	1,605.8	5.8%	1,256.7	5.6%
New Jersey	1,250.9	4.5%	902.6	4.0%
Florida	752.9	2.7%	623.7	2.8%
Ohio	683.6	2.5%	568.2	2.5%
Arizona	669.3	2.4%	377.7	1.7%
Michigan	622.2	2.2%	525.3	2.3%
Alabama	542.2	2.0%	411.6	1.8%
Louisiana	475.2	1.7%	440.7	2.0%
Connecticut	460.6	1.7%	353.7	1.6%
Kansas	449.5	1.6%	325.9	1.4%
South Carolina	401.1	1.4%	193.0	0.9%
Indiana	341.7	1.2%	260.2	1.2%
Colorado	266.1	1.0%	229.0	1.0%
Iowa	241.9	0.9%	184.1	0.8%
Wisconsin	214.5	0.8%	193.2	0.9%
Arkansas	200.9	0.7%	167.3	0.7%
Tennessee	177.5	0.6%	170.0	0.7%
Oklahoma	161.1	0.6%	161.1	0.7%
Mississippi	159.6	0.6%	97.7	0.4%
New Mexico	142.9	0.5%	128.7	0.6%
Georgia	123.1	0.4%	83.9	0.4%
Missouri	111.0	0.4%	94.7	0.4%
West Virginia	110.3	0.4%	73.3	0.3%
Kentucky	109.0	0.4%	79.4	0.4%
Washington	85.4	0.3%	85.4	0.4%
Massachusetts	75.4	0.3%	67.7	0.3%
Rhode Island	48.6	0.2%	48.6	0.2%
Minnesota	45.2	0.2%	45.3	0.2%
Utah	40.2	0.1%	31.0	0.1%
North Carolina	28.3	0.1%	20.1	0.1%
North Dakota	24.5	0.1%	24.5	0.1%
Nevada	20.7	0.1%	20.5	0.1%
Maine	19.3	0.1%	19.4	0.1%
Virginia	16.8	0.1%	16.8	0.1%
Hawaii	16.3	0.1%	16.3	0.1%
South Dakota	13.7	0.0%	7.6	0.0%
Oregon	6.7	0.0%	3.0	0.0%
Vermont	1.6	0.0%	1.5	0.0%
Total Gross Par Outstanding	\$ 27,780.2	100%	\$ 22,556.0	100%

**Gross Par Outstanding by State
As of June 30, 2016**



**Gross Par Outstanding by State
As of December 31, 2015**

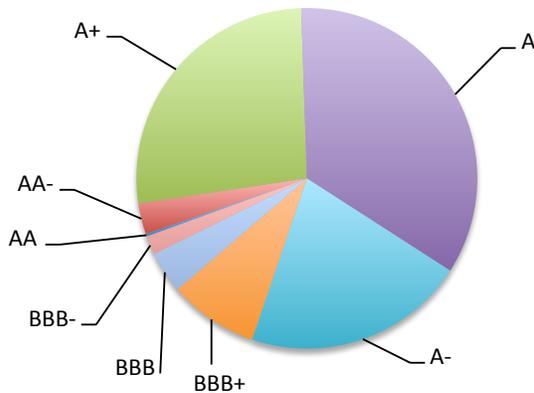


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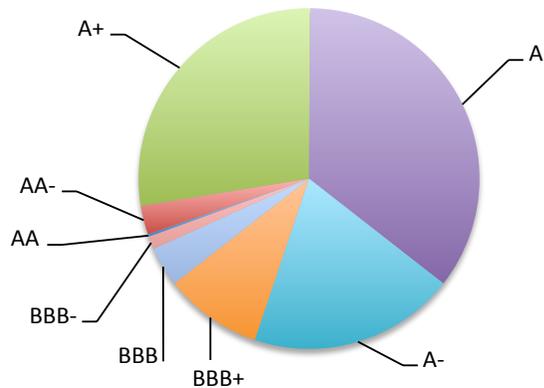
Rating Distribution of Gross Par Outstanding⁽¹⁾

(in millions)	<u>Percentage of Gross Par Outstanding as of June 30, 2016</u>	<u>Percentage of Gross Par Outstanding as of December 31, 2015</u>
AA	0.3%	0.3%
AA-	2.9%	2.7%
A+	26.8%	27.7%
A	34.6%	35.4%
A-	21.1%	19.6%
BBB+	8.5%	9.3%
BBB	4.0%	3.8%
BBB-	1.8%	1.2%
BIG	- %	- %
Total Gross Par Outstanding	<u>100.0%</u>	<u>100.0%</u>
Weighted Average Rating	A	A

**Rating Distribution of Gross Par Outstanding⁽¹⁾
As of June 30, 2016**



**Rating Distribution of Gross Par Outstanding⁽¹⁾
As of December 31, 2015**



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Contractual Amortization of Gross Par Outstanding⁽¹⁾

(in millions)	<u>Contractual Par Amortization</u>	<u>Ending Gross Par Outstanding</u>
As of June 30, 2016:		\$ 27,780.2
July 1, 2016 to December 31, 2016	\$ 458.0	27,322.1
Year 2017	956.6	26,365.5
Year 2018	1,120.8	25,244.7
Year 2019	1,240.9	24,003.9
Year 2020	1,335.3	22,668.6
Subtotal	<u>5,111.6</u>	
Years 2021 to 2025	7,233.8	15,434.8
Years 2026 to 2030	6,509.7	8,925.1
Years 2031 to 2035	4,932.4	3,992.7
Year 2036 and thereafter	3,992.7	-
Total	<u><u>\$ 27,780.2</u></u>	

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

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Top 25 U.S. Public Finance Exposures

(in millions)

Obligor	As of June 30, 2016		
	Rating⁽¹⁾	Gross Par Outstanding	% of Total Gross Par Outstanding
New Brunswick, City of, NJ (Middlesex County)	A	163.6	0.6%
New Jersey, State Of	A-	148.7	0.5%
Monroe County, NY (Monroe County)	A-	125.4	0.5%
Beaver County, PA (Beaver County)	A-	121.0	0.4%
Marysville, City of, OH (Union County), Sewer	A-	116.2	0.4%
Hamden, Town of, CT (New Haven County)	A-	112.5	0.4%
Greenwood SD No. 50, SC (Greenwood County)	A-	111.9	0.4%
New Jersey Transportation Trust Fund Authority, System & Program Bonds, NJ, Gas Tax - State	A-	110.0	0.4%
Elk Grove USD, CA (Sacramento County)	A+	109.9	0.4%
Val Verde USD, CA (Riverside County)	A	105.3	0.4%
Tulsa Airport, OK, (Tulsa County), Airport GARBs	A-	104.8	0.4%
Shreveport, City of, LA (Caddo Parish), Water & Sewer	A-	104.3	0.4%
Sacramento City FA, CA (Sacramento County)	A	103.6	0.4%
Jersey City, City of, NJ (Hudson County)	A+	99.5	0.4%
West Clermont Local SD, OH (Clermont County)	A	99.3	0.4%
Hartford, City of, CT (Hartford County)	A-	98.1	0.4%
Hesperia USD, CA (San Bernardino County)	A-	96.9	0.3%
Illinois, State of, IL (State-Wide)	BBB+	94.4	0.3%
Natomas USD, CA (Sacramento County)	A-	91.7	0.3%
Pennsylvania Turnpike Commission, PA	BBB+	90.5	0.3%
Chicago Board of Education, IL (Cook County)	BBB-	90.0	0.3%
Bayonne, City of, NJ (Hudson County)	A-	89.6	0.3%
Dodge City USD No. 443, KS (Ford County)	A+	85.6	0.3%
Sweetwater Union HSD, CA (San Diego County)	A+	82.2	0.3%
Irvine USD CFD No. 01-1 (South Irvine Communities), CA (Orange County), Special Assessment - Established	A-	81.8	0.3%
Total - Top 25 U.S. Public Finance Exposures		\$ 2,636.8	9.5%

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Fixed Income Investment Portfolio
 (in millions)

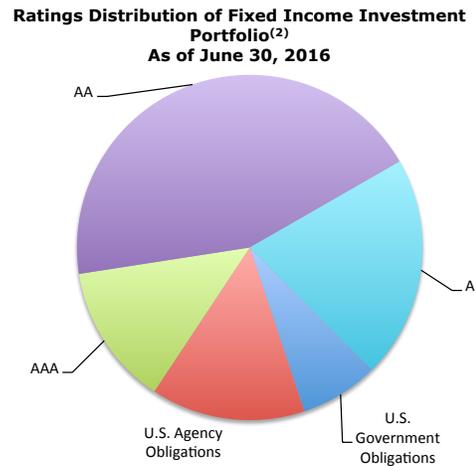
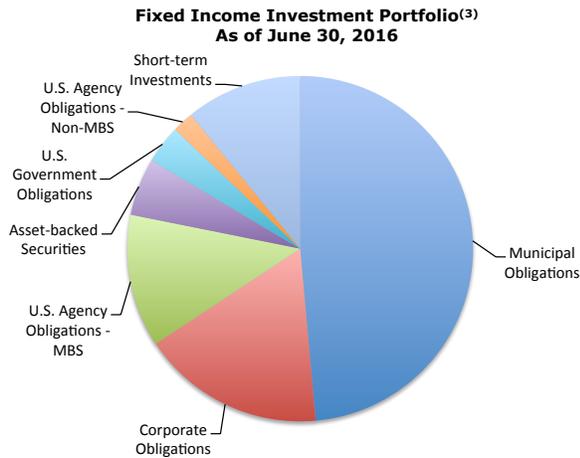
Investment Category	As of June 30, 2016		U.S. Statutory Basis Yield ⁽¹⁾	Actual U.S. Statutory Basis Investment Income For the Six Months Ended June 30, 2016	Annualized U.S. Statutory Basis Investment Income For the Twelve Months Ending December 31, 2016
	Fair Value	Amortized Cost			
Long-term Investments					
Municipal Obligations	\$ 232.8	\$ 227.4	2.05%	\$ 2.0	\$ 4.0
Corporate Obligations	82.2	82.0	1.13%	0.5	1.0
U.S. Agency Obligations - MBS	59.6	58.9	2.09%	0.7	1.4
Asset-backed Securities	25.8	25.5	1.46%	0.2	0.4
U.S. Government Obligations	17.2	16.9	1.26%	0.1	0.2
U.S. Agency Obligations - Non-MBS	9.5	9.5	1.08%	0.1	0.2
Subtotal Long-term investments	\$ 427.1	\$ 420.2	1.72%	\$ 3.6	\$ 7.2
Short-term Investments	52.2	52.2	0.66%	0.1	0.2
Total Fixed Income Investment Portfolio	\$ 479.3	\$ 472.4	1.56%	\$ 3.7	\$ 7.4
Investment Expenses				0.3	0.6
U.S. Statutory-basis Net Investment Income				\$ 3.4	\$ 6.8

Rating Distribution of Fixed Income Investment Portfolio
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Rating ⁽²⁾	Fair Value	As a % of Investment Portfolio
U.S. Government Obligations	\$ 35.4	7.4%
U.S. Agency Obligations	69.2	14.4%
AAA	63.4	13.2%
AA	211.6	44.1%
A	99.7	20.8%
BBB	-	0.0%
Below Investment Grade	-	0.0%
Not Rated	-	0.0%
Total	\$ 479.3	100.0%

Weighted Average Rating AA

Duration of Fixed Income Investment Portfolio 2.5 years



(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, 2016.
 (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 fair value.

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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 a BAM insurance policy for which a BAM insurance policy 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.