

BAM

BUILD AMERICA MUTUAL

Quarterly Operating Supplement
December 31, 2014

Build America Mutual Assurance Company
Quarterly Operating Supplement
December 31, 2014

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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 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 31, 2014. 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)	(Unaudited)	
	<u>December 31, 2014</u>	<u>December 31, 2013</u>
ADMITTED ASSETS		
Bonds	\$ 420.9	\$ 450.0
Cash, Cash Equivalents and Short-term Investments	52.1	33.6
Total Cash and Invested Assets	<u>\$ 473.0</u>	<u>\$ 483.6</u>
Investment Income Due and Accrued	2.6	2.7
Other Assets	0.1	0.2
Total Admitted Assets	<u><u>\$ 475.7</u></u>	<u><u>\$ 486.5</u></u>
LIABILITIES		
Unearned Premiums	\$ 6.5	\$ 3.0
Ceded Reinsurance Premiums Payable	-	2.0
Mandatory Contingency Reserve	4.7	1.1
Payable for Securities Purchased	-	-
Accrued and Payable Expenses	15.7	11.4
Total Liabilities	<u>\$ 26.9</u>	<u>\$ 17.5</u>
CAPITAL AND SURPLUS		
Surplus Notes	\$ 503.0	\$ 503.0
Member Surplus Contributions	33.6	17.3
Unassigned Funds - Deficit	(87.8)	(51.3)
Total Capital and Surplus	<u>\$ 448.8</u>	<u>\$ 469.0</u>
Total Liabilities, Capital and Surplus	<u><u>\$ 475.7</u></u>	<u><u>\$ 486.5</u></u>

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Claims Paying Resources and Leverage Statistics

(in millions)	December 31, 2014	December 31, 2013
Policyholders' Surplus	\$ 448.8	\$ 469.0
Contingency Reserve	4.7	1.1
Qualified Statutory Capital	\$ 453.5	\$ 470.1
First Loss Reinsurance Collateral Trusts	120.0	105.4
Total Hard Capital	\$ 573.5	\$ 575.5
Unearned Premiums, Net of Reinsurance	6.5	3.0
Loss and Loss Adjustment Expense Reserves	-	-
Present Value of Installment Gross Risk Premiums and Member Surplus Contributions ⁽¹⁾	1.4	-
Claims Paying Resources	\$ 581.4	\$ 578.5
 <u>Gross Par Outstanding</u>		
Investment Grade ⁽²⁾	\$ 12,362.5	\$ 4,703.7
Below Investment Grade ("BIG") ⁽²⁾	-	-
Total	\$ 12,362.5	\$ 4,703.7
 <u>Leverage Statistics</u>		
Total Gross Par Outstanding ÷ Total Hard Capital	21.6x	8.2x
BIG Gross Par Outstanding ÷ Total Hard Capital	-	-
Total Gross Par Outstanding ÷ Total Claims Paying Resources	21.3x	8.1x
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.

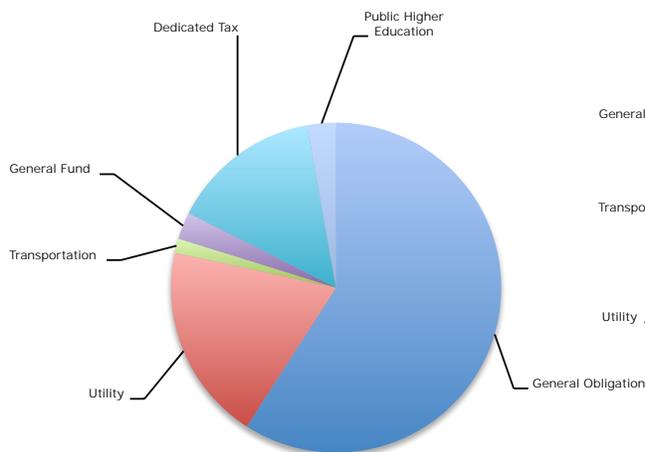
⁽²⁾ Based on internal BAM ratings, which are provided in this Operating Supplement solely to indicate the underlying credit quality of guaranteed obligations based on the view of BAM. BAM credit ratings are subject to revision at any time and do not constitute investment advice.

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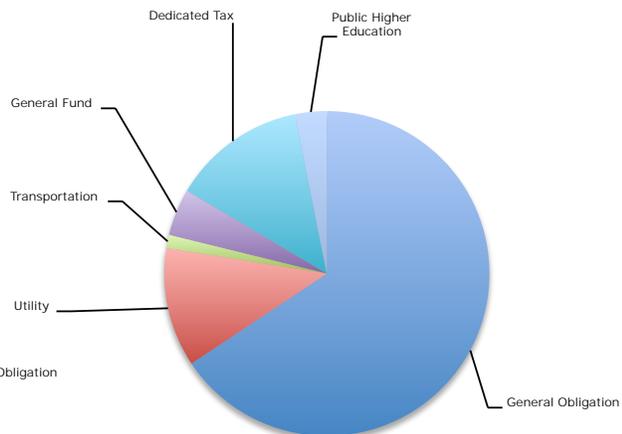
Business Production

(in millions)	Three Months Ended December 31, 2014	Twelve Months Ended December 31, 2014
<i>Gross Par Written</i>		
U.S. Public Finance - New Issue		
General Obligation	\$ 1,425.5	\$ 4,849.3
Utility	475.2	912.9
Dedicated Tax	323.2	938.4
Public Higher Education	69.0	232.3
General Fund	61.1	344.7
Transportation	27.4	83.3
Total U.S. Public Finance - New Issue	\$ 2,381.4	\$ 7,360.9
U.S. Public Finance - Secondary Market		
Dedicated Tax	\$ 41.2	\$ 105.2
General Obligation	38.1	290.9
Transportation	7.6	20.7
General Fund	4.6	20.8
Utility	2.9	16.6
Public Higher Education	0.9	14.8
Total U.S. Public Finance - Secondary Market	\$ 95.3	\$ 469.0
Total Gross Par Written	\$ 2,476.7	\$ 7,829.9
<i>Gross Risk Premiums Written and Member Surplus Contributions Collected</i>		
Gross Risk Premiums Written	\$ 4.8	15.4
Member Surplus Contributions Collected	4.6	16.3
Total Gross Risk Premiums and Member Surplus Contributions Collected	\$ 9.4	\$ 31.7

Gross Par Written
For the Three Months Ended December 31, 2014



Gross Par Written
For the Twelve Months Ended December 31, 2014

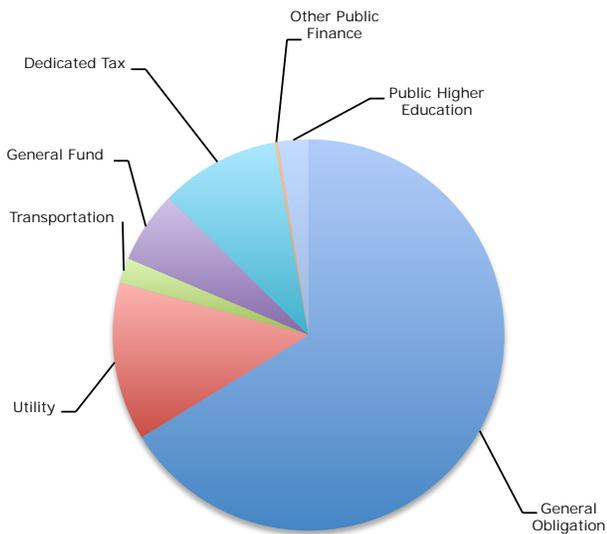


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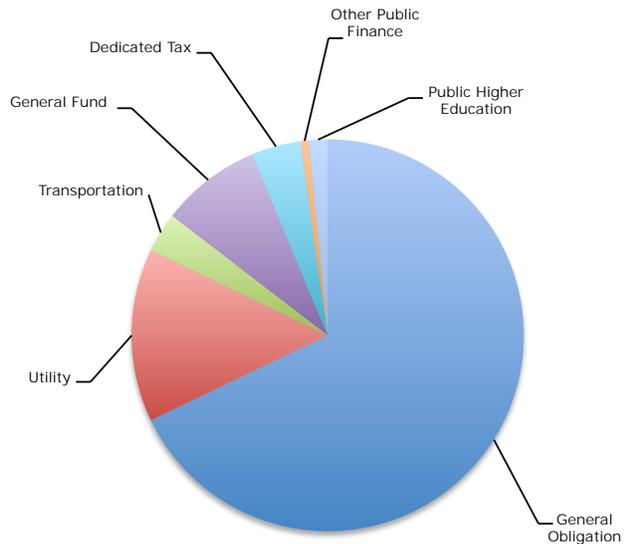
Gross Par Outstanding by Sector

(in millions)	As of December 31, 2014	As of December 31, 2013
U.S. Public Finance - New Issue		
General Obligation	\$ 7,699.0	\$ 2,992.7
Utility	1,569.4	642.7
Dedicated Tax	1,109.6	191.4
General Fund	696.7	363.6
Public Higher Education	295.9	72.6
Transportation	142.0	59.9
Other Public Finance	30.5	30.4
Total U.S. Public Finance - New Issue	\$ 11,543.1	\$ 4,353.3
U.S. Public Finance - Secondary Market		
General Obligation	\$ 490.1	\$ 199.1
Transportation	115.8	95.1
Dedicated Tax	112.4	1.0
Utility	45.8	29.2
General Fund	39.6	25.0
Public Higher Education	15.7	1.0
Total U.S. Public Finance - Secondary Market	\$ 819.4	\$ 350.4
Total Gross Par Outstanding	\$ 12,362.5	\$ 4,703.7

Gross Par Outstanding
As of December 31, 2014



Gross Par Outstanding
As of December 31, 2013

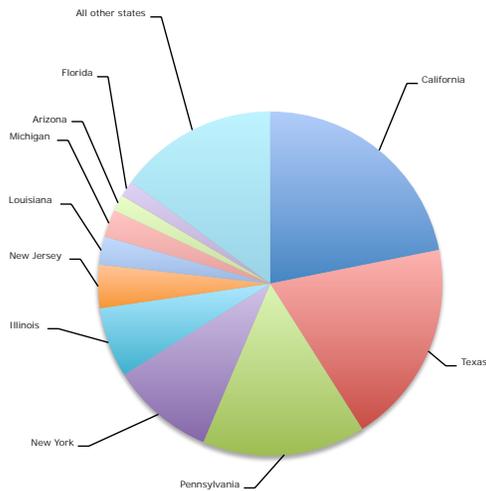


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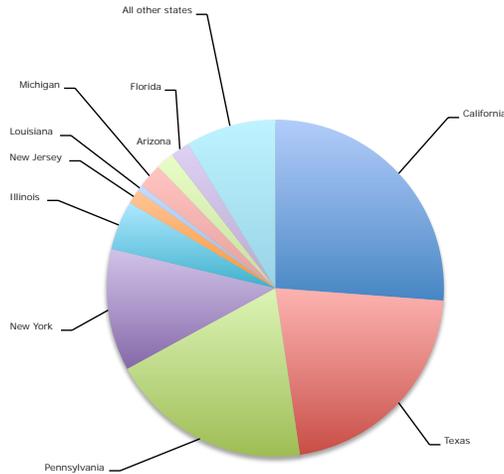
Gross Par Outstanding by State

(in millions)	As of December 31, 2014	% of Total	As of December 31, 2013	% of Total
California	\$ 2,701.9	21.9%	\$ 1,231.6	26.2%
Texas	2,370.2	19.2%	1,010.4	21.5%
Pennsylvania	1,894.2	15.3%	912.0	19.4%
New York	1,207.9	9.8%	550.1	11.7%
Illinois	813.9	6.6%	220.9	4.7%
New Jersey	502.5	4.1%	65.2	1.4%
Louisiana	325.4	2.6%	28.1	0.6%
Michigan	318.3	2.6%	110.4	2.3%
Arizona	191.8	1.6%	81.6	1.7%
Florida	189.6	1.5%	86.3	1.8%
Alabama	189.2	1.5%	70.1	1.5%
Ohio	167.1	1.4%	29.9	0.6%
Indiana	155.8	1.3%	40.8	0.9%
Kansas	126.8	1.0%	30.7	0.7%
Iowa	115.8	0.9%	-	0.0%
Arkansas	115.6	0.9%	-	0.0%
Connecticut	114.4	0.9%	38.1	0.8%
Wisconsin	108.1	0.9%	23.7	0.5%
New Mexico	83.0	0.7%	22.0	0.5%
Oklahoma	82.9	0.7%	48.9	1.0%
Colorado	67.2	0.5%	27.4	0.6%
Massachusetts	63.3	0.5%	29.5	0.6%
South Carolina	62.2	0.5%	12.0	0.3%
Mississippi	56.5	0.5%	-	0.0%
Georgia	54.0	0.4%	-	0.0%
Missouri	48.3	0.4%	-	0.0%
Washington	45.7	0.4%	-	0.0%
Kentucky	41.2	0.3%	-	0.0%
Minnesota	38.2	0.3%	-	0.0%
Tennessee	35.0	0.3%	6.0	0.1%
Virginia	16.8	0.1%	-	0.0%
Hawaii	16.3	0.1%	-	0.0%
Nevada	15.8	0.1%	16.6	0.4%
Rhode Island	10.6	0.1%	8.4	0.2%
South Dakota	7.6	0.1%	-	0.0%
North Carolina	6.4	0.1%	-	0.0%
Oregon	3.0	0.0%	3.0	0.1%
Total Gross Par Outstanding	\$ 12,362.5	100.0%	\$ 4,703.7	100.0%

Gross Par Outstanding by State
As of December 31, 2014



Gross Par Outstanding by State
As of December 31, 2013

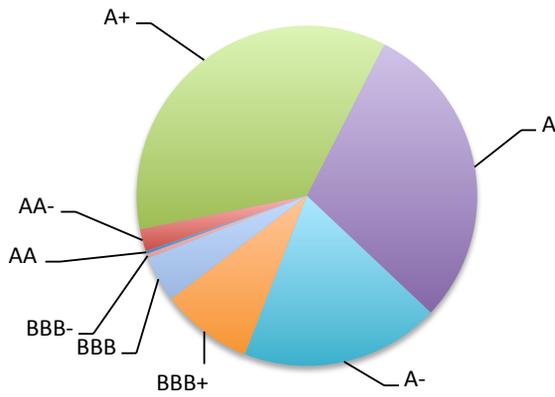


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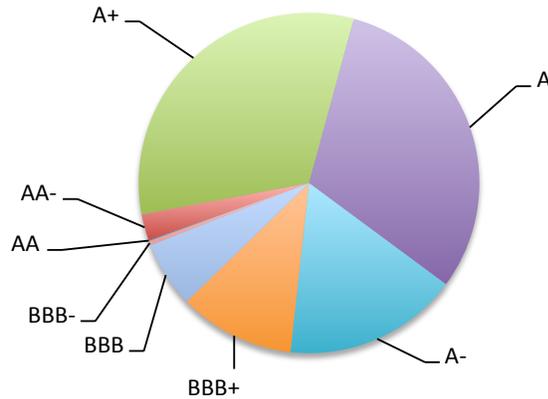
Rating Distribution of Gross Par Outstanding⁽¹⁾

(in millions)	Percentage of Gross Par Outstanding as of December 31, 2014	Percentage of Gross Par Outstanding as of December 31, 2013
AA	0.3%	0.1%
AA-	2.1%	2.5%
A+	35.7%	32.2%
A	29.5%	30.9%
A-	18.9%	16.6%
BBB+	8.7%	11.0%
BBB	4.4%	6.3%
BBB-	0.4%	0.4%
BIG	- %	- %
Total Gross Par Outstanding	100.0%	100.0%
Weighted Average Rating	A	A

Rating Distribution of Gross Par
Outstanding⁽¹⁾
As of December 31, 2014



Rating Distribution of Gross Par
Outstanding⁽¹⁾
As of December 31, 2013



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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 December 31, 2014:		\$ 12,362.5
Year 2015	\$ 353.2	12,009.3
Year 2016	438.6	11,570.7
Year 2017	504.5	11,066.2
Year 2018	<u>549.6</u>	10,516.6
Subtotal	1,845.9	
Years 2019 to 2023	3,030.0	7,486.6
Years 2024 to 2028	2,866.4	4,620.2
Years 2029 to 2033	2,291.6	2,328.6
Year 2034 and thereafter	<u>2,328.6</u>	-
Total	<u><u>\$ 12,362.5</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	Rating ⁽¹⁾	Gross Par Outstanding
New Jersey Transportation Trust Fund Authority, Gas Tax - State	A	\$ 110.0
Shreveport, City of, LA (Caddo Parish), Water & Sewer	A-	109.1
Chicago, City of, IL (Cook County)	A-	103.0
Jersey City, City of, NJ (Hudson County)	A+	103.0
Illinois, State of, IL (State-Wide)	A-	94.4
Chicago Board of Education, IL (Cook County)	A-	90.0
Sweetwater Union HSD, CA (San Diego County)	A+	82.3
Oyster Bay, Town of, NY (Nassau County)	BBB+	81.4
Natomas USD, CA (Sacramento County)	A-	78.7
Twin Rivers USD, CA, (Sacramento & Placer Counties)	A+	77.5
Spring ISD, TX (Harris County)	A+	76.9
Stockton, City of, CA (San Joaquin County), Sewer	A-	69.4
Sweetwater Union High School District Public Financing Authority, CA (San Diego County)	A	67.9
Livonia Public School SD, MI (Wayne County)	A	65.0
Allegheny County Sanitary Authority, PA, (Allegheny County), Sewer Revenue	A	64.8
Plum Borough SD, PA (Allegheny County)	A+	64.7
Genesee, County of, MI (Genesee County), Water	A	64.6
Bethlehem Authority, PA (Lehigh County), Water	BBB+	62.7
Road District No. 1, LA, (St Landry County), Sales Tax - Local	A-	62.5
Des Moines Independent CSD, IA, (Polk and Warren Counties), Sales Tax - State	A	61.9
Coachella Valley USD, CA, (Riverside County)	A-	59.9
Tehachapi Valley Healthcare District, CA (Kern County)	A	57.7
Roosevelt UFSD, NY (Nassau County), NY (Nassau County)	A+	55.6
Sacramento City USD, CA (Sacramento County)	A	55.0
West Deptford, The Township of, NJ (Gloucester County)	A	53.8
Total - Top 25 U.S. Public Finance Exposures		<u>\$ 1,871.8</u>

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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 For the Twelve Months Ended December 31, 2014
Long-term Investments				
Corporate Obligations	\$ 266.5	\$ 268.1	1.33%	\$ 3.8
U.S. Agency Obligations - MBS	85.9	85.6	2.22%	1.8
U.S. Agency Obligations - Non-MBS	43.7	43.7	0.68%	0.4
U.S. Government Obligations	4.9	5.0	0.45%	0.1
Municipal Obligations	18.5	18.5	2.23%	-
Subtotal Long-term investments	<u>\$ 419.5</u>	<u>\$ 420.9</u>	<u>1.34%</u>	<u>\$ 6.1</u>
Short-term Investments	19.8	19.8	0.12%	0.1
Subtotal Long-term and Short-term Investments	<u>\$ 439.3</u>	<u>\$ 440.7</u>	<u>1.36%</u>	<u>\$ 6.2</u>
Cash Equivalents	15.0	15.0		
Total	<u>\$ 454.3</u>	<u>\$ 455.7</u>		
Investment Expenses				<u>0.6</u>
U.S. Statutory-basis Net Investment Income				<u>\$ 5.6</u>

Rating Distribution of Fixed Income Investment Portfolio
As of December 31, 2014

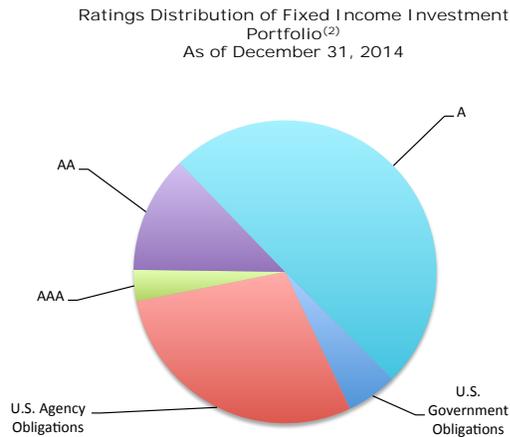
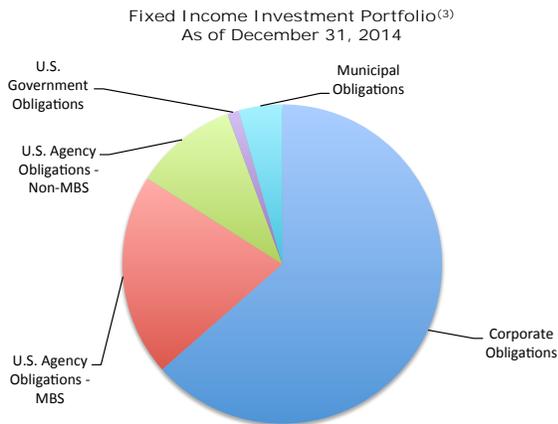
Rating ⁽²⁾	Fair Value	As a % of Investment Portfolio
U.S. Government Obligations	\$ 24.7	5.4%
U.S. Agency Obligations	129.6	28.6%
Cash Equivalents	15.0	3.3%
AAA	5.1	1.1%
AA	56.3	12.4%
A	223.6	49.2%
BBB	-	-
Below Investment Grade	-	-
Not Rated	-	-
Total	<u>\$ 454.3</u>	<u>100.0%</u>

Weighted Average Rating

AA-

Duration of Fixed Income Investment Portfolio

2.43 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 twelve months ended December 31, 2014.

(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.

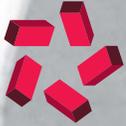
New issue – a bond for which a BAM insurance policy was purchased by the issuer prior to the bond's issuance. New issue bonds are issued and sold in the market with BAM insurance protection in place.

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.



BAMSM

**BUILD AMERICA MUTUAL
ASSURANCE COMPANY**

CORPORATE HEADQUARTERS

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