

Syncora Guarantee Inc.
Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022
With Report of Independent Auditors

Syncora Guarantee Inc.
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December 31, 2023 and 2022

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Report of Independent Auditors

To the Board of Directors of Syncora Guarantee, Inc.

Opinions

We have audited the accompanying statutory basis financial statements of Syncora Guarantee, Inc. (the "Company"), which comprise the statutory statements of admitted assets, liabilities and capital and surplus as of December 31, 2023 and December 31, 2022, and the related statutory statements of operations and changes in capital and surplus, and of cash flows for the years then ended, including the related notes (collectively referred to as the "financial statements").

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the admitted assets, liabilities and capital and surplus of the Company as of December 31, 2023 and December 31, 2022, and the results of its operations and its cash flows for the years then ended, in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services described in Note 5.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company as of December 31, 2023 and December 31, 2022, or the results of its operations or its cash flows for the years then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 5 to the financial statements, the financial statements are prepared by the Company on the basis of the accounting practices prescribed or permitted by the New York State Department of Financial Services, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the statutory basis of accounting described in Note 5 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting practices prescribed or permitted by the New York State Department of Financial Services. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The summary investment schedule, supplemental investment risk interrogatories, reinsurance attestation supplement and reinsurance summary supplement filing for general interrogatory 9 (Part 2) (collectively referred to as the “supplemental schedules”) of the Company as of December 31, 2023 and for the year then ended are presented to comply with the National Association of Insurance Commissioners’ Annual Statement Instructions and Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The supplemental schedules have been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated, in all material respects, in relation to the financial statements taken as a whole.

PricewaterhouseCoopers LLP

New York, NY
May 31, 2024

Syncora Guarantee Inc.
Statements of Admitted Assets, Liabilities and Capital and Surplus
December 31, 2023 and 2022

(U.S. Dollars in thousands, except share amounts)

| | <u>2023</u> | <u>2022</u> |
|---|-------------------|-------------------|
| Admitted Assets | | |
| Bonds, at amortized cost (fair value: \$215,614 and \$191,190) | \$ 215,490 | \$ 192,650 |
| Common stocks, at fair value (cost: \$7,693 and \$7,520) | 10,891 | 9,461 |
| Cash, cash equivalents and short-term investments (fair value: cash \$15,057 and \$8,241; cash equivalents \$41,783 and \$89,982; and short-term investments \$64,981 and \$75,982) | 121,821 | 174,205 |
| Restricted cash, cash equivalents and short-term investments | 11,641 | 1,652 |
| Derivative instruments | 19 | 337 |
| Other invested assets | - | 16 |
| Receivables for securities | <u>1,087</u> | <u>4,622</u> |
| Total cash and invested assets | 360,949 | 382,943 |
| Accrued investment income | 2,759 | 2,800 |
| Premiums receivable | 619 | 713 |
| Other assets | <u>4,057</u> | <u>3,545</u> |
| Total admitted assets | <u>\$ 368,384</u> | <u>\$ 390,001</u> |
| Liabilities and Capital and Surplus | | |
| Liabilities | | |
| Unearned premium revenue, net | \$ 5,772 | \$ 6,945 |
| Losses (loss recoverables) and loss adjustment expenses | 34,949 | (42,862) |
| Mandatory contingency reserve | 5,000 | 5,000 |
| Accounts payable and accrued expenses | 3,194 | 3,225 |
| Current federal income tax | 6,517 | 6,517 |
| Payables to parent, subsidiaries and affiliates | 726 | 1,531 |
| Derivative instruments | 195 | 173 |
| Payable for securities | 4,686 | 4,150 |
| Other liabilities | <u>577</u> | <u>558</u> |
| Total liabilities | <u>61,616</u> | <u>(14,763)</u> |
| Capital and surplus | | |
| Common stock (par value \$7,500 per share; 8,000 shares authorized; 2,000 shares issued and outstanding) | 15,000 | 15,000 |
| Preferred stock - Series B non-cumulative perpetual (1,658 and 1,658 shares held as treasury stock) | 200,000 | 200,000 |
| Unassigned funds | 176,749 | 274,745 |
| Preferred treasury stock | <u>(84,981)</u> | <u>(84,981)</u> |
| Total capital and surplus | <u>306,768</u> | <u>404,764</u> |
| Total liabilities and capital and surplus | <u>\$ 368,384</u> | <u>\$ 390,001</u> |

The accompanying notes to statutory basis financial statements are an integral part of these statements.

Syncora Guarantee Inc.
Statements of Operations and Changes in Capital and Surplus
Years Ended December 31, 2023 and 2022

(U.S. Dollars in thousands)

| | 2023 | 2022 |
|--|-------------|-------------|
| Underwriting | | |
| Net premiums written (see note 8) | \$ 645 | \$ 797 |
| Change in unearned premium revenue | 1,173 | 2,768 |
| Net premiums earned | 1,818 | 3,565 |
| Deductions (benefit) | | |
| Net losses (recoveries on losses) and loss adjustment expenses | 91,414 | 38,434 |
| Other underwriting expenses | 8,609 | 10,571 |
| Total underwriting deductions | 100,023 | 49,005 |
| Net underwriting (losses) | (98,205) | (45,440) |
| Investment Income | | |
| Net investment income, net of investment expenses | | |
| of \$1,347 and \$2,042 | 28,317 | 21,378 |
| Net realized capital (losses), net of income taxes of zero and \$(1,497) | (2,627) | (2,958) |
| Net investment income | 25,690 | 18,420 |
| Other Income | | |
| Other income and fees | 248 | 147 |
| Total other income | 248 | 147 |
| (Loss) income before federal and foreign income tax expense | (72,267) | (26,873) |
| Current federal and foreign income tax expense | - | 88 |
| Net loss | \$ (72,267) | \$ (26,961) |
| Capital and Surplus | | |
| Capital and surplus, December 31, 2022 and 2021 | \$ 404,764 | \$ 741,503 |
| Adjustment to opening surplus (see note 3) | - | (1,561) |
| Capital and surplus January 1, 2023 and 2022 | 404,764 | \$ 739,942 |
| Net loss | (72,267) | (26,961) |
| Net unrealized gain (loss) - other | 3,667 | (7,753) |
| Dividends to stockholders | (29,056) | (301,002) |
| Net unrealized FX on derivatives | (340) | 538 |
| Change in capital and surplus for the year | (97,996) | (335,178) |
| Capital and surplus, end of year | \$ 306,768 | \$ 404,764 |

The accompanying notes to statutory basis financial statements are an integral part of these statements.

Syncora Guarantee Inc.
Statements of Cash Flows
Years Ended December 31, 2023 and 2022

(U.S. Dollars in thousands)

| | 2023 | 2022 |
|---|-------------------|-------------------|
| Cash from (used in) Operations | | |
| Premiums collected, net of reinsurance | \$ 758 | \$ 976 |
| Other underwriting expenses paid | (9,041) | (10,933) |
| Net investment income collected | 25,106 | 19,263 |
| Net investment expenses | (1,295) | (2,045) |
| (Losses and loss related payments) loss recoverables, net of recoveries | (13,604) | 46,111 |
| Federal income taxes received (paid) | - | 5,875 |
| Other income and fees | 248 | 147 |
| Net cash provided by (used in) operations | <u>2,172</u> | <u>59,394</u> |
| Cash from Investments | | |
| Proceeds from bonds sold, matured or repaid | 164,215 | 190,973 |
| Proceeds from stocks sold | 7,380 | 30,113 |
| Proceeds from derivatives | - | 4,920 |
| Net gains (losses) on cash, cash equivalents and short-term investments | 598 | (855) |
| Bonds acquired | (181,930) | (145,234) |
| Common stocks acquired | (5,373) | (15,958) |
| Other invested assets | (750) | 96 |
| Net cash (used) provided by investments | <u>(15,860)</u> | <u>64,055</u> |
| Cash from (used in) Financing and Miscellaneous Sources | | |
| Dividends to stockholders | (29,056) | (301,002) |
| Other cash provided (used in) by miscellaneous sources | 349 | (989) |
| Net cash (used in) provided by financing and miscellaneous sources | <u>(28,707)</u> | <u>(301,991)</u> |
| Net change in cash, cash equivalents, restricted cash, restricted cash equivalents, short-term investments and restricted short-term investments | (42,395) | (178,542) |
| Cash, cash equivalents, restricted cash, restricted cash equivalents, short-term investments and restricted short-term investments, beginning of year | <u>175,857</u> | <u>354,399</u> |
| Cash, cash equivalents, restricted cash, restricted cash equivalents, short-term investments and restricted short-term investments, end of year | <u>\$ 133,462</u> | <u>\$ 175,857</u> |
| Supplemental Non-Cash Flow Information | | |
| Change in net payable for securities | <u>\$ (536)</u> | <u>\$ (4,089)</u> |
| Change in net receivable for securities | <u>\$ 3,535</u> | <u>\$ (3,854)</u> |

The accompanying notes to statutory basis financial statements are an integral part of these statements.

Syncora Guarantee Inc.

Notes to Statutory Basis Financial Statements

Years Ended December 31, 2023 and 2022

1. Organization and Business

Syncora Guarantee Inc. ("Syncora Guarantee" or the "Company") is an insurance company domiciled in the State of New York and was licensed to conduct financial guarantee insurance business throughout all 50 of the United States, as well as in the Commonwealth of Puerto Rico, the District of Columbia, and the U.S. Virgin Islands. However, because of the events discussed below, as of December 31, 2023, in 25 states or jurisdictions, the Company's license to conduct insurance business in such states or jurisdictions was suspended, revoked, had an order of impairment placed against it, expired, was voluntarily surrendered by the Company, or the Company agreed to cease writing business in such states or jurisdictions, or Syncora Guarantee opted not to renew its license in such states or jurisdictions. Management anticipates that Syncora Guarantee will be able to continue to collect premiums on existing business in such states or jurisdictions. Additional states or jurisdictions may suspend the Company's license, place an order of impairment against it or, in lieu of a suspension or order, Syncora Guarantee may voluntarily agree to cease writing business and let such licenses expire or opt not to renew its licenses in additional states or jurisdictions.

Prior to January 2008, Syncora Guarantee was primarily engaged in the business of providing (i) credit enhancement on fixed and variable rate debt obligations through the issuance of financial guarantee insurance policies, and (ii) credit protection on specific referenced credits or on pools of specific referenced credits through the issuance of financial guarantee insurance policies covering the obligations under credit default swap ("CDS") contracts issued by trusts established to comply with the New York Insurance Law (the "NYIL"). Syncora Guarantee ceased writing substantially all new business in January of 2008.

Financial guarantee insurance policies obligate the insurer to provide an unconditional and irrevocable guarantee to the holder of a debt obligation of full and timely payment of certain principal and interest when due. In the event of a default under the debt obligation, the insurer has recourse against the issuer and/or any related collateral (which is more common in the case of insured asset-backed obligations or other non-municipal debt) for amounts paid under the terms of the policy. CDS contracts are derivative contracts that offer credit protection relating to a particular security or pools of specified securities. Under the terms of a CDS contract, the seller of credit protection makes a specified payment to the buyer of credit protection upon the occurrence of one or more specified credit events with respect to a referenced security. Credit derivatives typically provide protection to a buyer rather than credit enhancement of a debt security as in traditional financial guarantee insurance.

Through December 29, 2019, Syncora Guarantee was a wholly-owned subsidiary of Syncora Holdings Ltd. On December 30, 2019 Syncora Holdings Ltd, sold Syncora Guarantee to Syncora FinanceCo LLC., (formerly known as Star Insurance Holdings LLC), an entity organized by GoldenTree Asset Management LP.

Closing of Reinsurance Agreement with Assured Guaranty Corp.

On June 1, 2018, Syncora Guarantee closed a reinsurance transaction with Assured Guaranty Corp. ("Assured Guaranty") pursuant to which Assured Guaranty agreed to provide reinsurance, generally on a 100% quota share basis, to Syncora Guarantee of approximately \$12.1 billion of net par outstanding of Syncora Guarantee-insured financial guaranty insurance policies, representing approximately 92% of Syncora Guarantee's outstanding insured exposure. As consideration for the transaction, which also involved a commutation of a small book of business ceded to Syncora Guarantee by an Assured Guaranty affiliate which is included in the par outstanding numbers above, Syncora Guarantee paid approximately \$360 million (which amount includes ceded reserves) and assigned over future installment premium for the reinsured policies. In addition, Syncora Guarantee exercised its option to cede certain debt service reserve fund surety and interest rate swap policies for an additional premium payment of \$2.3 million. In addition, in connection with the reinsurance, Syncora Guarantee entered into an administrative services agreement with Assured Guaranty pursuant to which Assured Guaranty would provide certain administrative services with respect to the reinsured policies, including the obligation to administer and pay claims on behalf of the

Syncora Guarantee Inc.
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Company. The Company entered into with Assured Guaranty a credit agreement and related security agreement, pursuant to which Assured Guaranty agreed to make loans to the Company to fund its claims payments on remediated RMBS. See Note 9 for discussion of reinsurance.

2. Description of Significant Risks and Uncertainties, and Description of Syncora Guarantee's On-Going Strategic Plan

The Company is exposed to significant risks and uncertainties that may materially affect its operations, financial and liquidity position. These relate to, among other things, (i) the potential for future adverse loss and claims development on its insured obligations or salvage and (ii) the amount or timing of anticipated recoveries of salvage on Puerto Rico - related claims payments, and (iii) the performance of Assured Guaranty under the reinsurance and related agreements. These risks and uncertainties are discussed more fully below and could materially and adversely affect the Company's results of operations, financial condition and liquidity.

Description of Significant Risks and Uncertainties Related to Puerto Rico Exposures

Description of Significant Risks and Uncertainties Related to Puerto Rico Exposures

- As of December 31, 2023, the Company has \$106.0 million Puerto Rico-related risk (excluding interest outstanding of \$13.5 million), which includes direct insurance and reinsurance of bond policies, direct investments by the Company solely as a result of remediation transactions and salvage and subrogation rights on the Puerto Rico related claims payments. The risk relates primarily to bonds issued by the Puerto Rico Electric Power Authority ("PREPA") of \$100.0 million (excluding interest outstanding of \$12.1 million) and \$6.0 million of risk related to other obligations of Puerto Rico (excluding interest outstanding of \$1.4 million). As of December 31, 2023, the Company paid approximately \$295.1 million in net claims, representing principal and interest due related to Commonwealth, PREPA and other obligation of Puerto Rico exposures. Given that the Puerto Rico proceedings under PROMESA (as detailed below) may continue for an extended period, the Company may be required to make further material claims payments and therefore further increase the proportion of its assets that are comprised of salvage and subrogation rights. Recoveries relating to these rights and interests could be long-dated, which could have a material adverse effect on the Company's short-term liquidity needs.

On June 30, 2016, President Obama enacted the Puerto Rico Oversight, Management, and Economic Stability Act ("PROMESA"), which provides Puerto Rico and its instrumentalities with both an in-court (Title III) and out-of-court (Title VI) process to restructure debts and bind holdouts. PROMESA provides for the establishment of an Oversight Board, which President Obama appointed on August 31, 2016, with the authority to approve adjustments of debt of Puerto Rico and its instrumentalities, including PREPA. In December 2020, President Trump appointed four new members to the Oversight Board and in January 2021, reappointed three of the prior members of the Oversight Board.

On May 3, 2017, the Oversight Board filed a petition under Title III on behalf of the Commonwealth. On July 2, 2017, the Oversight Board filed a petition under Title III on behalf of PREPA. The Commonwealth's and PREPA's Title III proceedings increase the risk and uncertainty relating to the ultimate recovery on the Commonwealth's general obligations bonds and of PREPA's power revenue bonds.

On June 14, 2017, the judge overseeing the Title III proceedings entered an order appointing a team of mediators to facilitate confidential settlement negotiations of any issues arising in those

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proceedings. The Company participated in the initial mediation process, which terminated on January 19, 2022.

The Oversight Board certified a revised fiscal plan for PREPA on June 23, 2023 and for the Commonwealth on April 3, 2023.

On July 30, 2018, the Oversight Board announced that it entered into a preliminary restructuring support agreement with the ad hoc group of PREPA bondholders, PREPA and the Commonwealth. This agreement contemplates the exchange of outstanding uninsured PREPA bonds for two classes of new securitization bonds and does not address the treatment of insured PREPA bonds. On April 9, 2019, the Oversight Board, PREPA and the Commonwealth announced that they had reached an agreement in principle for a definitive restructuring support agreement (the “Definitive RSA”) with Assured Guaranty Corp., Assured Guaranty Municipal Corp. and the ad hoc group of PREPA bondholders, which supersedes the July 2018 preliminary restructuring support agreement. On September 9, 2019, the Company became a party to the Definitive RSA pursuant to an Amendment that governs the treatment of bonds held or insured by the Company. In light of the COVID-19 pandemic, the hearing to approve the Definitive RSA was adjourned to a date to be determined. The Oversight Board announced on January 19, 2022, that it remains committed to pursuing the Definitive RSA, although it is also evaluating all alternatives. However, on March 8, 2022, the Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”) announced that it terminated the Definitive RSA stating that the Definitive RSA was “neither feasible nor in the best interests of Puerto Rico” in light of the significantly changed circumstances. Thereafter, the Court entered an order requiring the Oversight Board to (i) disclose by March 18, 2022, whether there is an agreement regarding mediation and (ii) file a plan of adjustment for PREPA, or a detailed plan term sheet, by May 2, 2022 (which was subsequently extended by the Court to June 1, 2022). On March 17, 2022, the Oversight Board disclosed that it has reached an agreement with AAFAF, the Company and certain other creditors regarding engaging in a mediation process to achieve a confirmable PREPA plan of adjustment. On April 8, 2022, the Court entered an order appointing a team of judicial mediators for the PREPA Title III case and directing that the mediation shall terminate on June 1, 2022. The Court subsequently entered several orders extending both of these June 1 deadlines to September 16, 2022 in order to allow the mediation to continue. The Court appointed PREPA mediation process is currently set to terminate on July 31, 2024.

On September 16, 2022, the Oversight Board disclosed that the parties were unable to reach a mediated agreement and it sought to resume litigation of certain disputes whose resolutions can help facilitate plan confirmation. On September 29, 2022, the Court entered an order establishing a litigation schedule for certain disputes focused on the scope of the PREPA bondholders’ liens as well as the bonds’ nonrecourse nature. The Court also directed the Oversight Board to file a plan of adjustment for PREPA by December 1, 2022, as well as a proposed confirmation schedule contemplating a June 2023 confirmation hearing. After receiving certain extensions, on December 16, 2022, the Oversight Board filed a plan of adjustment for PREPA, as well as a corresponding disclosure statement. The PREPA plan of adjustment and disclosure statement were subsequently amended. On March 3, 2023, the Court overruled the various objections filed and entered an order approving the adequacy of the PREPA disclosure statement and solicitation procedures. In addition, the Court scheduled hearings to confirm the PREPA plan of adjustment to commence on July 17, 2023. However, on June 21, 2023, in response to a motion by the Oversight Board disclosing that PREPA’s 2023 fiscal plan will require modifications to the proposed plan of adjustment to reduce the available consideration for creditors, the Court suspended all confirmation related deadlines. On August 25, 2023, the Oversight Board filed a further amended plan of adjustment for PREPA (the “Third Amended Plan”) reflecting the changes to the PREPA 2023 fiscal plan and settlements reached with certain creditors. In light of the significant modifications contained in the Third Amended Plan, the Oversight Board was required to update the disclosure statement and seek approval to resolicit votes from creditors. On October 13, 2023, numerous creditors, including the Company, filed objections to the PREPA disclosure statement. On October 18, 2023, the Company and certain other

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monoline insurers and bondholders who hold or insurer over 49% of the PREPA power revenue bonds entered into a cooperation agreement. Pursuant to the cooperation agreement, the signatories disclosed that they have all independently decided to oppose the Third Amended Plan and they desire to work collaboratively to propose and negotiate potential alternative plans or transactions, as well as opposing the Third Amended Plan. On November 14, 2023, the Court held a hearing and approved the PREPA disclosure statement and solicitation procedures for the Third Amended Plan. On December 18, 2023, the Oversight Board announced that it has reached a settlement with the Official Committee of Unsecured Creditors with respect to confirmation of PREPA's plan of adjustment. On December 29, 2023, the Oversight Board filed a fourth amended plan of adjustment for PREPA (the "Fourth Amended Plan") to incorporate the settlement with the committee. On January 28, 2024, numerous parties, including the Company, filed objections to the Fourth Amended Plan. A hearing to consider confirmation of PREPA's Fourth Amended Plan was held from March 4, 2024 through March 18, 2024, after which the Title III Court took confirmation of the PREPA's Fourth Amended Plan under advisement and did not indicate when it may issue a ruling. On April 29, 2024, several objecting bondholders, including the Company, filed a motion asking the Title III Court to reopen the confirmation trial record to include updated electric load forecasts that were released after the trial's conclusion. Briefing on the motion to reopen is still pending.

In accordance with the Court approved litigation schedule, on September 30, 2022, the Oversight Board filed an amended complaint objecting to and challenging, among other things, the validity, enforceability, and extent of the PREPA bondholders' prepetition security interests, including the PREPA bonds held or insured by the Company. On October 7, 2022, the Court entered an order allowing the Company, as well as certain other monoline insurers and bondholders, to intervene as defendants with full participation rights in the litigation. On October 17, 2022, the defendants, including the Company, collectively filed their answer, affirmative defenses and counterclaims to the amended complaint. In addition, on October 24, 2022, the defendants, including the Company, filed a motion for summary judgment seeking, among other things, declaratory judgment with respect to certain of the claims and counterclaims concerning the recourse, validity and perfection of the defendants' PREPA bonds. Also on October 24, 2022, the Oversight Board filed a motion for summary judgment with respect to its amended complaint and certain of the counterclaims asserted by the Company. On March 22, 2023, the Court issued an opinion granting in part and denying in part each of the summary judgment motions. In particular, the Court found, among other things, that the bondholders (i) only have a secured claim with respect to specific funds set aside for bond repayments, (ii) have no security interest in the trust agreement's "covenants and remedies," and (iii) have an unsecured deficiency claim in the form of an unsecured net revenue claim, which is to be calculated by reference to the value of future net revenues that would have become collateral upon being deposited in the sinking funds and thus payable to the bondholders over the remaining life of the bonds. On June 26, 2023, the Court estimated the bondholders' unsecured deficiency claim at \$2.388 billion as of July 3, 2017. On November 28, 2023, the Court issued an order dismissing the bondholders' remaining counterclaims that were not resolved by the court's prior rulings. Several parties, including the Company, appealed these rulings. Oral arguments before the U.S. Court of Appeals for the First Circuit in the consolidated appeal of the foregoing lien challenge orders occurred on January 29, 2024. After argument, the First Circuit took the matter under advisement.

On February 23, 2021, the Oversight Board announced that it entered into a new Plan Support Agreement (the "New PSA") with certain bondholders and monoline insurers, including the Company, which will be incorporated into an amended plan of adjustment for the Commonwealth, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico ("ERS") and the Puerto Rico Public Buildings Authority (the "PBA"). The New PSA was supported by holders of more than \$13 billion of general obligation and PBA bonds, including the Company, Assured Guaranty and National Public Finance Guarantee Corp. The New PSA provides for the treatment of Commonwealth and PBA bonds, including those held or insured by the Company. On July 27, 2021, the Oversight Board filed a sixth amended plan of adjustment (as may be further amended, the "Commonwealth Plan") for the Commonwealth, PBA and ERS, as well as a further amended

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disclosure statement, which incorporated the various settlements. On July 29, 2021, the Court approved the disclosure statement and commencement of solicitation of votes for the Commonwealth Plan, subject to certain modifications. On October 26, 2021, the Commonwealth of Puerto Rico enacted legislation that authorized the issuance of new securities that are contemplated to be issued under the Plan. Hearings to confirm the Commonwealth Plan for the Commonwealth, PBA and ERS were held during November 2021. On January 18, 2022, the Court issued an order confirming the Commonwealth Plan (the “Confirmation Order”), which provides a combination of cash and new bonds in exchange for the bonds held or insured by the Company. On March 15, 2022, the Commonwealth Plan was substantially consummated and became effective. While certain creditors appealed the Confirmation Order to the United States Court of Appeals for the First Circuit, the First Circuit denied the various appeals and affirmed the Confirmation Order.

On May 5, 2021, the Oversight Board, Assured Guaranty and National Public Finance Guarantee Corp. entered into another plan support agreement that provides a framework to restructure the debts of the Puerto Rico Highway and Transportation Authority (“HTA”) and the Puerto Rico Convention Center District Authority (“CCDA”). On July 16, 2021, the Oversight Board announced that Ambac Assurance Corp. and Financial Guaranty Insurance Company have signed joinders to the HTA/CCDA plan support agreement. The Oversight Board filed HTA’s plan of adjustment on May 2, 2022. On June 22, 2022, the Court entered an order approving the disclosure statement for the HTA plan of adjustment and the Oversight Board commenced solicitation of votes for the HTA plan shortly thereafter. On October 12, 2022, the Court entered an order confirming HTA’s plan of adjustment, which governs the treatment of HTA bonds held of insured by the Company. On December 6, 2022, the HTA plan of adjustment was substantially consummated and became effective. On July 12, 2023, the United States Court of Appeals for the First Circuit affirmed the HTA confirmation order and overruled a challenge by certain HTA employees.

Due to the pending PREPA Title III case, the Company may experience further losses on these insured obligations which could have a material adverse effect on the Company’s surplus, liquidity and financial position.

- As of December 31, 2023, in respect of its Puerto Rico-related exposure, the Company has made substantial claim payments and anticipates that it may be requested to make further payments in the period 2024 to 2031 of at least approximately \$88.7 million, followed in later years (in some cases significantly later years) by recoveries of these claims payments. The amount and timing of this salvage and recoveries related to all of these payments are subject to greater uncertainty than the amount and timing of such future claims payments themselves. Pursuant to the Company’s accounting policy and guidance under SSAP, the net present value of estimated claims and recoveries (including salvage and subrogation) are reflected in the Company’s loss reserves (see the Company’s accounting policy on reserves in Note 5). Because of the inherent uncertainty in estimating future claim payments and recoveries, no assurance can be given that the amount or timing of claims payments, related recoveries, or ultimate losses match the Company’s estimates, and such differences could materially and adversely affect the Company’s results of operations, financial condition and liquidity. The Company may also experience significant adverse development on its insured obligations that may place further demands on the Company’s liquidity and financial position. See Note 12 “*Schedule of Insured Financial Obligations with Credit Deterioration*” caption for further discussion.

Description of Other Significant Risks and Uncertainties and Other Matters

- Effective June 1, 2018, the Company entered into with Assured Guaranty (i) a reinsurance agreement, pursuant to which the Company ceded \$12.1 billion of its insured exposure to Assured Guaranty, (ii) an administrative services agreement with Assured Guaranty pursuant to which Assured Guaranty

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provide certain administrative services with respect to the reinsured policies, including reporting and making claims payments, and (iii) a credit agreement and related security agreement, pursuant to which Assured Guaranty agreed to make loans to the Company to fund its claims payments on remediated RMBS. As a result of the reinsurance transaction, the Company is exposed to reinsurance counterparty credit risk that the reinsurer may default in its financial obligations with respect to the terms of reinsurance agreement. This credit risk could cause increased losses and loss reserves and a reduction in reinsurance recoverables. In addition, the failure of Assured Guaranty to perform under the administrative services agreement or the credit agreement could cause a disruption to the Company's insurance operations and could increase operational costs and the Company's liquidity needs. As of December 31, 2023, the insured exposure ceded to Assured Guaranty was approximately \$4.1 billion.

- The Company and its financial position will continue to be subject to risk of global financial and economic conditions, including the impact of the COVID-19 pandemic, that could materially and adversely affect the amount of potential losses (including the timing and amount of potential claims and subsequent recoveries) incurred on transactions it guarantees, the value of its investment portfolio, and otherwise materially and adversely affect the Company. With respect to the Company's investment portfolio, may adversely affect the Company's ability to generate sufficient investment income to fund its future obligations. Issuers or borrowers whose securities or loans the Company insures or holds as well as the Company's counterparties under swaps and other derivative contracts may default on their obligations to the Company due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. Additionally, the underlying assets supporting securities that the Company has guaranteed may deteriorate further, causing these securities to incur losses. At this time, it is not possible to determine the ultimate impact that the global pandemic, and any resulting economic issue, will have on the Company.
- The Financial Conduct Authority of the United Kingdom phase out the London Interbank Offered Rate ("LIBOR") tenors that related to the Company's outstanding exposures. The Company's exposures are now using Secured Overnight Financing Rate ("SOFR"). As of December 31, 2023, the Company has SOFR based gross and net par outstanding insured exposure of \$208.1 million and zero, respectively. An increase in interest rates, the phase out of LIBOR and the difference between LIBOR and SOFR could have an adverse effect on the Company's surplus, liquidity and financial position, although no such impact has been observed from the transition to SOFR thus far.
- Establishment of case basis reserves for unpaid losses and loss adjustment expenses on the Company's in-force business requires the use and exercise of significant judgment and is based on certain assumptions by management, including estimates regarding the likelihood of occurrence, timing and amount of a loss on a guaranteed obligation. Changes in such assumptions could materially adversely affect such reserve estimates, including the amount and timing of any claims. Under certain conditions, many of which are event-driven and outside the control of the Company, these exposures may result in significant increases in claims beyond those assumed in the Company's reserve estimate (that may or may not result in an increase in such loss reserves) in the near to medium term. A material portion of the Company's case basis reserves reflects certain assumptions that affect salvage and reimbursements in the remainder of its insured and reinsured portfolio. Actual experience may, and likely will, differ from those estimates and such difference may be material due to the fact that the ultimate dispositions of claims are subject to the outcome of events that have not yet occurred and, in certain cases, will occur over many years in the future. Examples of these events include changes in the level of interest rates, credit deterioration of guaranteed obligations, recoveries in bankruptcy proceedings, changes in the value of specific assets supporting guaranteed obligations, changes in the level of investment yield and the effects of the COVID-19 pandemic. Both qualitative and quantitative factors are used in making such estimates. From time to time the Company reevaluates all such estimates. Changes in these estimates may be material and may result in material changes in the Company's policyholders' surplus. Any estimate of future costs is subject to the inherent limitation on management's ability to predict the aggregate course of future events. It should, therefore, be expected that the actual emergence of losses

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and claims will vary, perhaps materially, from any estimate. The risk of loss under the Company's guarantees extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed.

- The Company has sought, and may in the future seek, the NYDFS's approval of permitted accounting practices and other regulatory relief which have, and if granted may have, a material effect on the Company's policyholders' surplus. Once granted, these permitted accounting practices have been subject to an annual approval or confirmation. No assurance can be given that the NYDFS will continue to grant approval of the Company's past or any future permitted accounting practices or requested regulatory relief. Failure to obtain continuing approval of the past or future permitted accounting practices or requested regulatory relief could have a material adverse effect on the Company's policyholders' surplus. See Note 5 for discussion of permitted accounting practices.
- The Company may request, from time to time, a payment of dividends on its common shares. The Company's ability to pay dividends on its preferred and common shares is subject to risks and uncertainties, including, without limitation, prior regulatory approval by the NYDFS. See Note 15 for further discussion. No assurance can be given as to whether, when or in what amounts the Company may be able to pay any dividends on its preferred and/or common shares. As discussed in Note 15 the Company's ability to pay dividends is subject to regulatory constraints.
- The Company is involved in legal proceedings. Management cannot predict the outcomes of these legal proceedings with certainty. Prosecuting these legal proceedings involves expense and diversion of management's attention and resources from other matters.
- The Company relies upon information technology and systems, including those of third parties, to support a variety of its business processes and activities. In addition, the Company has collected and stored confidential information. The Company's data systems and those of third parties on which it relies may be vulnerable to security breaches from external and internal factors. Problems in, or security breaches of, these systems could result in, among other things, reputational harm, the disclosure or misuse of confidential or proprietary information, inaccurate loss projections, legal costs and regulatory penalties. As the Company's business operations rely on the continuous availability of its computer systems, as well as those of certain third parties, a failure to maintain business continuity in the wake of disruptive events could prevent the timely completion of critical processes across its operations, including, for example, claims processing and investment operations. These failures could result in additional costs, fines and litigation.
- The Company's success substantially depends upon its ability to retain qualified employees and upon the ability of its senior management and other key employees to implement its strategic plan. The Company relies substantially upon the services of its executive team and other key employees. The loss of the services of any of these individuals or other key members of the Company's management team or the inability to hire talented personnel could adversely affect the implementation of its strategic plan or business operations.
- The Company may be unable to execute any or all of the elements of its on-going strategic plan on a timely basis or at all as described below.

Risks related to Strategy

On December 30, 2019, Syncora Holdings Ltd. ("Syncora Holdings") and its subsidiary, Syncora Holdings US Inc. sold their entire ownership interest in Syncora Guarantee to Syncora FinanceCo LLC. ("Syncora FinanceCo"), an entity organized by GoldenTree Asset Management LP ("GoldenTree") on behalf of

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GoldenTree's managed funds and accounts. Upon sale, the Company retained certain of its employees in an effort to provide a smooth transition to its new ownership structure.

Syncora Guarantee's parent, Syncora FinanceCo, is a holding company with no independent operations or assets and is dependent on dividends from Syncora Guarantee, if any, to fund its liquidity needs. Syncora FinanceCo has advised Syncora Guarantee that it may request that Syncora Guarantee pay one or more dividends for this purpose in the future. Syncora Guarantee's ability to pay any dividend would be subject to compliance with applicable legal and other requirements, including any required approval of the NYDFS. On May 20, 2022, Syncora Guarantee paid an extraordinary dividend of \$300 million to Syncora FinanceCo. On August 25, 2023, Syncora Guarantee paid an ordinary dividend of \$26.5 million to Syncora FinanceCo.

Furthermore, Syncora Guarantee continues to pursue certain key strategic initiatives in order to continue to deliver enhanced value (including the potential to declare and pay dividends) to stakeholders. These initiatives include (i) actively and continuously focusing on reducing the Company's retained insured exposures (through their purchase on the open market or otherwise, commutation, defeasance, reinsurance or other restructuring) to minimize potential claim payments, maximize recoveries and mitigate potential losses, some of which may result in a material decrease in our retained exposure, if consummated, which further reduced the Company's net par outstanding significantly, (ii) seeking to realize the maximum value of its assets, and from any other rights and remedies the Company may have, (iii) seeking to novate or, itself or its affiliates, purchase with a view towards novating to Assured Guaranty, the policies reinsured to Assured Guaranty that have not yet been novated to Assured Guaranty as of December 31, 2023, which novation may lead to a change in the credit ratings of the related securities, (iv) further reducing operating expenses and improving operational efficiencies, and (v) the ongoing performance of Assured Guaranty of the services provided by it in respect of the reinsurance agreement and the administrative services agreement.

Any or all of these actions may be outside the ordinary course of the Company's operations or its control and may require consents, approvals or cooperation of third parties, including the NYDFS, and there can be no assurance that any such consents, approvals or cooperation will be obtained on a timely basis or at all. In addition, while the parties agreed to use commercially reasonable efforts to cooperate on novations for three years after the closing date of June 1, 2018, that period ended June 1, 2021.

Risks related to COVID-19

While the COVID-19 pandemic has subsided, it still remains impossible to predict the long-term impact of the pandemic on the global economy, our vendors and our operations. There were severe economic disruptions globally that may continue to be felt for some time. Although the direct impact on the Company from the pandemic has been non-material thus far, there can be no assurance given at this time as to the ultimate impact of COVID-19 on the Company and its operations.

3. Correction of Error

Set forth below is a reconciliation of the total admitted assets, capital and surplus reported in the accompanying Statement of Admitted Assets, Liabilities and Capital and Surplus and Statement of Operations as of December 31, 2022 to the corresponding amount reported in Syncora Guarantee's Annual Statement filed with the regulatory authorities for the year ended December 31, 2022:

- a) During the first quarter of 2020, the Company's investment portfolio turned over to include derivative positions and foreign currencies. These positions were new to the Company's portfolio. The policy of carrying the derivative assets and liabilities at fair value with unrealized gains and losses through surplus was adopted in the March 31, 2020 quarterly statutory filing. Upon settlement, any termination payments or receipts due to the sale or maturity on the derivatives as

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well as foreign currency settlements were not recorded to realized gains or losses for the periods 2020 to 2022, resulting in a misstatement in the following line items.

- b) In the Company's 2022 Annual Statement filed with the regulatory authorities the income tax benefit for net realized capital losses on the statement of income was included in the federal and foreign income tax line when it should have been included in the net realized capital losses line.

| (U.S. Dollars in thousands) | Total Capital and Surplus | Total Admitted Assets |
|---|----------------------------------|------------------------------|
| Balance at December 31, 2021 | \$ 741,503 | \$ 638,057 |
| Adjustments to Capital and Surplus | | |
| (a) Assets | - | (1,561) |
| (a) Net Realized Gains (Losses) | (1,561) | - |
| Total Adjustments to beginning Capital and Surplus | (1,561) | (1,561) |
| Balance at January 1, 2022 | \$ 739,942 | \$ 636,496 |
| | | |
| Balance at December 31, 2022 - As Filed | \$ 402,277 | \$ 387,514 |
| (a) Adjustments to Capital and Surplus - Prior Year | (1,561) | (1,561) |
| Adjustments to Capital and Surplus - Current Year | | |
| (a) Assets | - | 4,048 |
| (a) Net Realized Gains (Losses) | 4,065 | - |
| (a) Net investment income (Losses) | (17) | - |
| (b) Net Realized Gains (Losses) | (1,497) | - |
| (b) Federal Income Taxes | 1,497 | - |
| Total Adjustments to beginning Capital and Surplus | 2,487 | 2,487 |
| Balance at December 31, 2022 - Adjusted | \$ 404,764 | \$ 390,001 |

4. Completion of Restructuring Transactions and Description of the Transactions Comprising the 2009 Master Transaction Agreement

Description of 2016 Restructuring Transactions:

On August 12, 2016, Syncora Holdings US Inc. ("SHI"), a wholly-owned subsidiary of Syncora Holdings ("SHL"), completed, among other things, a surplus note exchange offer and proxy solicitation for the variation of rights to the SHL Preferred Shares, which are part of its restructuring transactions.

Description of the Transactions Comprising the 2009 MTA:

On July 15, 2009, Syncora Guarantee consummated a Master Transaction Agreement with certain of its financial counterparties to CDS contracts insured by its financial guaranty insurance policies and certain related transactions (hereafter referred to collectively as the "2009 MTA") which, along with approval of the New York State Department of Financial Services ("NYDFS") to apply certain accounting practices in connection with the preparation of Syncora Guarantee's statutory financial statements to certain of the transactions comprising the 2009 MTA, resulted in Syncora Guarantee's return to compliance with its regulatory minimum capital and surplus.

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The 2009 MTA consisted of the following primary components:

- (1) the restructure, effective defeasance or, in-substance, commutation (in whole or in part) of substantially all of the Company's exposure to such CDS contracts, in exchange for which the Company paid the Counterparties consideration comprised of approximately \$1.2 billion in cash, issuance of \$625.0 million surplus notes of the Company and the transfer of common shares of Syncora Holdings Ltd. ("Syncora Holdings"), a Bermuda-based holding company;
- (2) the reinsurance or novation of certain business to a newly formed, wholly-owned insurance subsidiary of the Company, Syncora Capital Assurance Inc. (prior to merger), in which the Company also issued back-up guarantees on such novated guarantees.
- (3) the effective defeasance or, in-substance, commutation, of certain of the Company's exposure to insured residential mortgage backed securities ("RMBS"). See below for further discussion; and
- (4) certain other transactions to remediate loss exposure, which primarily consisted of certain commutations of its other guarantees and assumed reinsurance, and the termination of its office lease agreement.

The 2009 MTA also contains a number of significant restrictive covenants applicable to the Company and Syncora Holdings Ltd. (collectively, the "Syncora MTA Parties"), which remained in effect until the Company's surplus notes were paid in full (see discussion below). These include prohibitions on:

- i. the Syncora MTA Parties entering into a new or amending the existing tax sharing agreement or entering into specified related party transactions (subject to specified exceptions);
- ii. the Company writing new business; incurring indebtedness and other material voluntary obligations (subject in each case to specified exceptions and limitations); merging, consolidating or selling, assigning or transferring or disposing of (including by way of reinsurance, recapture or otherwise) all or any material portion of their respective assets (subject to specified exceptions); and
- iii. the Company making any payments with respect to its short-term or long-term surplus notes except with respect to all such notes on a pro rata basis and on the same terms; paying dividends on or repurchasing, redeeming, exchanging or converting its equity securities (or of any of its direct or indirect parent's equity securities) or making investments (subject to specified exceptions).

Effective Commutation or Defeasance of Syncora Guarantee's Exposure to Insured RMBS Securities (the "RMBS Offer")

In connection with the 2009 MTA, the Company invested in a fund (the "RMBS Fund") that executed certain transactions designed to effectively defease or, in-substance, commute the Company's exposure on certain of its financial guarantee insurance policies written on RMBS. The RMBS Fund purchased certain of such RMBS in return for a trust certificate of an owner trust representing the uninsured cash flows of such RMBS ("Uninsured Cash Flow Certificate") plus a cash payment. In general, the RMBS Fund contributed any such purchased RMBS (and certain of the Company's reimbursement rights) to separate owner trusts in return for certificates representing the cash flows consisting of insurance payments made on the policies insuring such RMBS ("Insurance Cash Flow Certificates"). In return for such investments, the Insurance Cash Flow Certificates were distributed to the Company. The Company will, should the cash flows from the underlying RMBS transaction be sufficient, receive certain reimbursement payments in respect of insurance payments previously made by the Company on such RMBS. The Company also entered into several alternative transactions effectively replicating the economics of the RMBS Offer.

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In addition to the RMBS Offer, as part of its on-going strategic plan, the Company directly purchased certain RMBS that it had insured. Such directly purchased RMBS were exchanged by the Company for Insurance Cash Flow Certificates and Uninsured Cash Flow Certificates using the mechanics described above. The Uninsured Cash Flow Certificate may either be held or resold by the Company.

In connection with the reinsurance transaction as discussed in Note 1, the Company has substantially ceded all of its RMBS exposure to Assured Guaranty.

See “(b)” to the table in Note 5 for a description of the accounting for such effective defeasances or, in-substance, commutations.

5. Summary of Significant Accounting Policies

Accounting Practices

Syncora Guarantee prepares its statutory basis financial statements in accordance with accounting practices prescribed or permitted by the NYDFS. The NYDFS recognizes only statutory accounting practices prescribed or permitted by the State of New York for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under insurance law. The National Association of Insurance Commissioners (“NAIC”) Accounting Practices and Procedures manual (“NAIC SAP”), has been adopted as a component of prescribed or permitted practices by the State of New York. The state has adopted certain prescribed accounting practices that differ with those found in NAIC SAP. The NYDFS has the right to permit other specific practices which deviate from prescribed practices.

Set forth below is a reconciliation of the net income (loss) and capital and surplus (deficit) reported in accordance with NAIC SAP to such amounts reported in the accompanying financial statements prepared in accordance with statutory accounting practices prescribed or permitted by the NYDFS as of and for the years ended December 31, 2023 and 2022.

(U.S. Dollars in thousands)

| Description | Net Income (Loss) | | Capital and Surplus | |
|-----------------------------------|--------------------|--------------------|---------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 |
| NAIC SAP Basis | \$ (107,115) | \$ (2,114) | \$ (401,249) | \$ (413,372) |
| Effect of NY prescribed practices | - | - | - | - |
| Effect of NY permitted practices | | | | |
| (a) | - | - | 535,121 | 684,803 |
| (b) | 34,848 | (24,847) | 172,896 | 133,333 |
| NY Basis | <u>\$ (72,267)</u> | <u>\$ (26,961)</u> | <u>\$ 306,768</u> | <u>\$ 404,764</u> |

Permitted or Prescribed Practices

- a) In connection with the reinsurance agreement with Assured Guaranty Corp., which closed on June 1, 2018 (see Note 1), the NYDFS permitted the Company to set a fixed contingency reserve balance of \$5 million. This fixed reserve balance will not increase through accretion nor decrease through releases. Pursuant to prior approvals granted by the NYDFS in accordance with section 6903 of the New York Insurance Law (“NYIL”), as of December 31, 2023 and December 31, 2022, the Company has de-recognized \$535.1 million and \$684.8 million, respectively, in the aggregate, of contingency reserves on terminated policies, and

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policies on which the Company has established case reserves, whereas under NAIC SAP the Company would still be required to carry such reserves.

- b) The NYDFS granted the Company a permitted practice to de-recognize reserves for unpaid losses, unearned premium reserve and contingency reserves relating to, and expense payments (which are reflected in “Losses incurred” on the Statement of Income) made to effect, certain transactions executed in connection with its continued remediation efforts which effectively defeated or, in-substance, commuted, in whole or in part, the policies relating thereto, whereas under NAIC SAP such reserves would continue to be carried until such time the underlying contracts were legally extinguished and the payments made to effect the transactions would have resulted in the recording of an asset, as such payments were made in exchange for the assignment to the Company or an affiliate of the Company of all rights under the aforementioned policies. As of December 31, 2023 such de-recognized reserves for unpaid losses, unearned premium reserve and contingency reserve aggregated \$155.4 million, \$12.8 million and \$4.7 million, respectively. As of December 31, 2022 such de-recognized reserves for unpaid losses aggregated \$133.1 million.

The Company has obtained confirmation of these permitted practices as of December 31, 2023 and 2022.

Run-off Agreements

In connection with the reinsurance agreement with Assured Guaranty Corp., as discussed in Note 1, the Company sought “run-off” accounting treatment from the NYDFS as permitted under Statements of Statutory Accounting Principles No. 62R, Property and Casualty Reinsurance (“SSAP No. 62R”) “Accounting for the Transfer of Property and Casualty Run-off Agreements”. SSAP No. 62R provides that property and casualty run-off agreements are those reinsurance or retrocession agreements that are intended to transfer essentially all the risks and benefits of a specific line of business or market segment that is no longer actively marketed by the transferring insurer or reinsurer. Under SSAP No. 62R, the accounting treatment for property and casualty run-off agreement must be approved by the domiciliary regulators of the transferring entity and the assuming entity. Assured Guaranty Corp. as assuming insurer, sought the same accounting treatment from its domiciliary regulator, the State of Maryland. Based on the NYDFS review of the reinsurance agreement and the analysis of the Company’s request, in addition to the conditioned approval from the State of Maryland approving Assured Guaranty Corp.’s run-off accounting treatment, the NYDFS approved the Company’s request for run-off accounting treatment.

Use of Estimates

The preparation of financial statements in conformity with accounting practices prescribed or permitted by the NYDFS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities. It also requires disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results may differ from estimates and those differences may be material.

In addition to the permitted practices described above, Syncora Guarantee utilizes the following accounting policies in the preparation of the accompanying financial statements:

Investments

Bonds

Bonds (which consist of bonds and loan-backed securities) with an NAIC designation of 1 or 2 (highest-quality and high-quality) are stated at cost, adjusted for amortization of premium and accretion of discount, which is calculated using the constant yield method. Bonds with an NAIC designation of 3 through 6 (medium quality, low quality, lowest quality and in or near default) are stated at the lower of amortized cost, adjusted for amortization of premium and accretion of discount calculated using the constant yield method, or fair value. The prospective method is used to value loan-backed securities.

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Syncora Guarantee employs a third party investment accounting service provider. Prepayment assumptions for loan-backed securities are obtained from a third party pricing service or determined using Syncora Guarantee's internal estimates.

The following table presents the carrying value of Syncora Guarantee's securities by NAIC designation (excluding exempt money market instruments of \$42.0 million) at December 31, 2023:

(U.S. Dollars in thousands)

| | Bonds | Short-term investments | Cash equivalents | Total |
|--------------------|-------------------|-----------------------------------|-----------------------------|-------------------|
| NAIC designation 1 | \$ 45,676 | \$ 74,536 | \$ - | \$ 120,212 |
| NAIC designation 2 | 7,940 | - | - | 7,940 |
| NAIC designation 3 | 40,709 | - | - | 40,709 |
| NAIC designation 4 | 67,087 | - | - | 67,087 |
| NAIC designation 5 | 16,753 | 10 | - | 16,763 |
| NAIC designation 6 | 37,325 | 1,617 | - | 38,942 |
| | <u>\$ 215,490</u> | <u>\$ 76,163</u> | <u>\$ -</u> | <u>\$ 291,653</u> |

Cash, Cash Equivalents and Short-Term Investments

Cash, cash equivalents and short-term investments include cash on hand, amounts due from banks, money market instruments and commercial paper. Cash equivalents include investments owned whose maturities at the time of acquisition were three months or less. Short-term investments are stated at amortized cost and consist primarily of investments having maturities greater than three months from the date of purchase, but less than one year to maturity. Fair values for such investments approximate carrying value.

Preferred Stocks and Common Stocks

Perpetual preferred stocks with an NAIC designation of P1 and P2 (highest-quality and high-quality) are carried at fair value while perpetual preferred stocks with an NAIC designation of P3 through P6 (medium quality, low quality, lowest quality and in or near default) are carried at the lower of cost or fair value. Redeemable preferred stocks with an NAIC designation of RP1 and RP2 (highest-quality and high quality) are carried at amortized cost while redeemable preferred stocks with an NAIC designation of RP3 through RP6 (medium quality, low quality, lowest quality and in or near default) are carried at the lower of amortized cost or fair value. All common stocks are carried at fair value.

Limited Partnerships and Limited Liability Companies

The Company accounts for its investments in limited partnerships and limited liability companies based on the underlying GAAP equity value.

Derivative Instruments

Derivative instruments are recorded at an estimated fair value with changes in fair value recorded as unrealized gains and losses which are included in "Capital and surplus" on the Statements of Admitted Assets, Liabilities and Capital and Surplus.

Net Investment Income

Net investment income includes interest and dividends received or accrued on investments. It also includes amortization or accretion of any purchase premium or accretion of discount using the constant yield method,

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adjusted prospectively for any change in estimated yield to maturity. Investment income is recognized when earned. Investment income due and accrued that is deemed uncollectible is charged against net investment income in the period such determination is made. Net investment income is reduced by investment expenses. In addition, investment income due and accrued that is greater than 90 days past due is non-admitted and charged directly to capital and surplus.

Realized Investment Gains and Losses and Impairments

Realized investment gains and losses on the sale of investments are determined on the basis of the first-in, first-out method and are included in net income.

The Company conducts a review to identify and evaluate investments that have indications of possible other-than-temporary impairment. An impairment of an investment shall be considered to have occurred if it is probable that the Company will be unable to collect all amounts due according to the contractual terms of the security. If the fair value of the investment is less than the carrying value and the Company determines that the decline in the value of the investment is other-than-temporary, the investment is written down to its fair value and a realized loss is recorded in the Statements of Operations. In addition, for securities that the Company has the intent to sell or the inability or the lack of intent to retain the securities for a period of time sufficient to recover the amortized cost, the securities are written down to fair value and the other-than-temporary impairment charge is recorded as a realized loss in the Statements of Operations.

Premium Revenue Recognition and Reinsurance

Premiums are received either upfront or in installments and are recognized as written when due. Accordingly, future installment premiums are not recognized as receivable until they are due. Once due, installment premiums written are earned ratably over the installment period, generally one to six months, which is consistent with the expiration of the underlying risk or amortization of the underlying insured principal. Upfront premiums written are earned based on the proportion of principal and interest paid during the period, as compared to the total amount of principal and interest to be paid over the contractual life of the insured debt obligation. Reinsurance premiums ceded are earned on a basis consistent with premiums written on a direct basis as discussed above.

In addition, when an insured issue is retired early, is called by the issuer or is in substance paid in advance through a refunding accomplished by placing U.S. Government securities in escrow, any remaining unearned premium revenue is earned at that time, since there is no longer risk to the Company. Also, premiums earned may be accelerated as a result of the Company's remediation transactions, which result in the Company no longer being at risk. Premiums earned by Syncora Guarantee related to these refundings and remediated transactions for the years ended December 31, 2023 and 2022 include \$99 thousand (zero net of reinsurance) and \$9.7 million (\$1.1 million net of reinsurance), respectively, related to accelerations. As premium revenue is recognized there is a corresponding decrease in the unearned premium reserve.

Other Income and Fees

Other income and fees include waiver, consent, termination, and other fees in connection with certain of the Company's insured transactions, in addition to other miscellaneous sources of income. Depending upon the type of fee received, the fee is either earned when services are rendered and the fee is due or deferred and earned over a stipulated period or the life of the related transaction.

Other Underwriting Expenses

Other underwriting expenses primarily include compensation and employee benefits, professional and legal fees, computer related costs, rent and occupancy costs, depreciation and amortization expense, and other general and administrative expenses.

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

Mandatory Contingency Reserve

In accordance with NAIC SAP, a statutorily mandated contingency reserve is established net of reinsurance as a liability and is reflected in the Statements of Admitted Assets, Liabilities and Capital and Surplus. This reserve is calculated as the greater of a prescribed percentage applied to insured original principal or 50% of premiums written, net of ceded reinsurance. The prescribed percentage varies by the type of business. Once the reserve is calculated, as described above, it is incrementally recognized in the financial statement over a prescribed time period based on type of business. Reductions in the contingency reserve may be recognized under certain stipulated conditions, subject to the approval of the NYDFS. See above for discussion of permitted and prescribed accounting practices.

Losses and Loss Adjustment Expenses

Reserves for losses and loss adjustment expenses on insured business are established by Syncora Guarantee with respect to a specific policy or contract upon, (i) receipt of a claim notice or when management determines that a claim is probable in the future based on specific credit events that have occurred, and (ii) the amount of the ultimate loss that Syncora Guarantee will incur can be reasonably estimated. The amount of such case basis reserve is based on the net present value of the expected future net cash outflows for loss and loss adjustment expense payments that Syncora Guarantee expects to make, net of expected recoveries under salvage and subrogation rights and the net present value of installment premiums due from the counterparties to such guarantees subsequent to the balance sheet date. The future expected cash outflows are determined using cash flow models to estimate the net present value of the anticipated shortfall between (i) scheduled payments on the insured obligation plus anticipated loss adjustment expenses, and (ii) anticipated cash flow from the collateral supporting the obligation and other anticipated recoveries or cash flows.

A number of quantitative and qualitative factors are considered when determining or assessing the need for a case basis reserve. These factors may include the creditworthiness of the underlying issuer of the insured obligation, whether the obligation is secured or unsecured, the projected cash flow or market value of any assets that collateralize or secure the insured obligation, and the historical and projected loss rates on such assets. Other factors that may affect the actual ultimate loss include the state of the economy, changes in interest rates, rates of inflation and the salvage values of specific collateral, as well as the Company's rights, remedies and defenses. Such factors and management's assessment thereof will be subject to the specific facts and circumstances associated with the specific insured transaction being considered for case reserve establishment. Case basis reserves are generally discounted at a rate reflecting the book yield to maturity on Syncora Guarantee's invested assets at year end. Establishment of such reserves requires the use and exercise of significant judgment by management, including estimates regarding the occurrence, amount, and timing of a loss on an insured obligation. Actual experience may differ from estimates and such difference may be material, due to the fact that the ultimate dispositions of claims are subject to the outcome of events that have not yet occurred. Examples of these events include changes in the level of interest rates, credit deterioration of insured obligations, and changes in the value of specific assets supporting insured obligations. Any estimate of future costs is subject to the inherent limitation on Syncora Guarantee's ability to predict the aggregate course of future events. It should therefore be expected that the actual emergence of losses and loss adjustment expenses will vary, perhaps materially, from any estimate.

Reserves for unpaid losses and loss adjustment expenses in the accompanying Statements of Admitted Assets, Liabilities and Capital and Surplus are reflected net of reinsurance.

See also the discussion of the permitted or prescribed practices in Note 5.(b) to the table above.

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
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Income Taxes

Syncora Guarantee files a consolidated tax return with its parent company Syncora FinanceCo LLC. and certain affiliates. The entities included in the consolidated tax return maintain a tax sharing agreement, whereby the consolidated tax liability is allocated among such entities based on the ratio of their separate return liability to the sum of the separate return liabilities of all such entities. In addition, a complementary method is used which results in reimbursement by profitable entities to loss entities for tax benefits generated by loss entities. Accordingly, the provision for federal income taxes represents Syncora Guarantee's allocated share of tax expense based on income from operations currently taxable and estimated to be payable to the Internal Revenue Service by its parent company. Increases or decreases in certain federal income tax liabilities established in prior years are reflected as adjustments to surplus.

Syncora Guarantee records deferred federal income taxes for temporary differences between the statutory basis and tax basis of assets and liabilities. A net deferred tax asset is recorded only to the extent it is expected to be realized in accordance with the applicable statutory accounting for income taxes. Amounts in excess of such limit are recorded as non-admitted assets. Changes in the admitted deferred tax asset or liability are recorded directly to unassigned surplus. In addition, a valuation allowance is recorded when it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will not be realized. As of December 31, 2023 and 2022, Syncora Guarantee's net deferred tax assets were subject to a full valuation allowance (see Note 13).

Admitted Assets

The assets included in the accompanying Statements of Admitted Assets, Liabilities and Capital and Surplus are stated at values that are prescribed or permitted by the NYDFS. Assets designated as non-admitted are charged directly to unassigned surplus. There were \$0.4 million and \$0.4 million of non-admitted assets charged to unassigned surplus at December 31, 2023 and 2022, respectively. Non-admitted assets as of December 31, 2023 were foreign tax receivables of \$0.4 million. Non-admitted assets as of December 31, 2022 were foreign tax receivables of \$0.4 million.

Going Concern

The Company's management has determined that there are no conditions or events, including subsequent events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern through 12 months of the date of issuance.

6. Investments

In accordance with the NYIL, financial guarantee insurance companies are restricted as to the types of investments they may purchase for their minimum capital and surplus and as to concentration of risk they may accept in one issuer or group of issuers. Bonds, Cash and Cash Equivalents with an amortized cost of \$5.6 million and a fair value of \$5.3 million at December 31, 2023 were on deposit with thirteen states as required by the respective insurance regulatory departments.

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Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

The amortized cost and fair value for bonds as of December 31, 2023 and 2022 are as follows:

(U.S. Dollars in thousands)

| | Cost or Amortized Cost | | Gross Unrealized Gains | | Gross Unrealized Losses | | Fair Value | |
|---|-----------------------------------|-------------------|-----------------------------------|-----------------|------------------------------------|-------------------|-------------------|-------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| U.S. Government and government agencies and authorities | \$ 9,614 | \$ 11,116 | \$ - | \$ 7 | \$ (393) | \$ (608) | \$ 9,221 | \$ 10,515 |
| Non-U.S. Government obligations | - | - | - | - | - | - | - | - |
| Obligations of states, territories and possessions | - | - | - | - | - | - | - | - |
| Obligations of political subdivisions | 64,797 | 1,001 | 1,588 | 289 | - | - | 66,385 | 1,290 |
| Special revenue and assessment obligations of agencies and authorities of government and political subdivisions | 11,904 | 18,562 | 983 | 1,353 | - | - | 12,887 | 19,915 |
| Industrial and miscellaneous obligations | 128,388 | 98,121 | 4,425 | 1,175 | (6,706) | (5,014) | 126,107 | 94,282 |
| Unaffiliated bank loans | 787 | 63,850 | 227 | 1,338 | - | - | 1,014 | 65,188 |
| Total | <u>\$ 215,490</u> | <u>\$ 192,650</u> | <u>\$ 7,223</u> | <u>\$ 4,162</u> | <u>\$ (7,099)</u> | <u>\$ (5,622)</u> | <u>\$ 215,614</u> | <u>\$ 191,190</u> |

The cost and fair value for stocks as of December 31, 2023 and 2022 are as follows:

(U.S. Dollars in thousands)

| | Cost | | Gross Unrealized Gains | | Gross Unrealized Losses | | Fair Value | |
|---|-----------------|-----------------|-----------------------------------|-----------------|------------------------------------|-------------------|-------------------|-----------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Industrial and miscellaneous (unaffiliated) publicly traded | <u>\$ 7,693</u> | <u>\$ 7,520</u> | <u>\$ 4,063</u> | <u>\$ 3,648</u> | <u>\$ (865)</u> | <u>\$ (1,707)</u> | <u>\$ 10,891</u> | <u>\$ 9,461</u> |
| Total | <u>\$ 7,693</u> | <u>\$ 7,520</u> | <u>\$ 4,063</u> | <u>\$ 3,648</u> | <u>\$ (865)</u> | <u>\$ (1,707)</u> | <u>\$ 10,891</u> | <u>\$ 9,461</u> |

The amortized cost and fair value of bonds at December 31, 2023, by contractual maturity, are shown below. Actual maturity may differ from contractual maturity because issuers may have the right to call or prepay obligations with or without call or prepayment penalties. Mortgage-backed securities are generally more likely to be prepaid than other bonds. As the stated maturities of such securities may not be indicative of actual maturities, the totals for mortgage-backed securities are shown separately.

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

(U.S. Dollars in thousands)

| | 2023 | |
|--|---------------------------|-----------------------|
| | Amortized Cost | Fair Value |
| Within one year | \$ 8,598 | \$ 8,618 |
| Due after one year through five years | 83,201 | 85,135 |
| Due after five years through ten years | 65,974 | 68,584 |
| Due after ten years | 23,227 | 25,425 |
| Subtotal | 181,000 | 187,762 |
| Mortgage-backed securities | 34,490 | 27,852 |
| Total | <u>\$ 215,490</u> | <u>\$ 215,614</u> |

Net investment income for the years ended December 31, 2023 and 2022 consisted of the following:

(U.S. Dollars in thousands)

| | 2023 | 2022 |
|--|------------------|------------------|
| Bonds | | |
| U.S. Government and government agencies and authorities | \$ 93 | \$ 465 |
| Non-U.S. Government obligations | - | - |
| Obligations of states, territories and possessions | - | - |
| Obligations of political subdivisions | 173 | 24 |
| Special revenue and assessment obligations of agencies and authorities of government and political subdivisions | 557 | 115 |
| Industrial and miscellaneous obligations | 11,767 | 9,980 |
| Unaffiliated bank loans | 8,593 | 3,773 |
| Cash, cash equivalents and short-term investments | 7,998 | 8,653 |
| Subtotals | <u>29,181</u> | <u>23,010</u> |
| Stocks | | |
| Preferred stocks | - | - |
| Common stocks | 483 | 410 |
| Subtotals | <u>483</u> | <u>410</u> |
| Other invested assets | - | - |
| Less: | | |
| Investment expenses | <u>(1,347)</u> | <u>(2,042)</u> |
| Net investment income | <u>\$ 28,317</u> | <u>\$ 21,378</u> |

The gross realized gains and gross realized losses for the years ended December 31, 2023 and 2022 are as follows:

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

(U.S. Dollars in thousands)

| | Gains | | Losses | |
|---|-----------------|------------------|-------------------|--------------------|
| | 2023 | 2022 | 2023 | 2022 |
| Bonds | \$ 4,750 | \$ 5,059 | \$ (7,452) | \$ (14,310) |
| Cash, cash equivalents & short term investments | 598 | 62 | - | (855) |
| Preferred stocks | - | - | - | - |
| Common stocks | 243 | 669 | - | - |
| Derivative Instruments | - | 4,920 | (766) | - |
| Other Invested Assets | - | - | - | - |
| Total gross realized gains (losses), before tax | <u>\$ 5,591</u> | <u>\$ 10,710</u> | <u>\$ (8,218)</u> | <u>\$ (15,165)</u> |
| Income tax (benefit) expense | | | - | (1,497) |
| Net realized capital (losses) gains | | | <u>\$ (2,627)</u> | <u>\$ (2,958)</u> |

Proceeds from sales, maturities and redemptions of bonds for the years ended December 31, 2023 and 2022 were \$162.7 million and \$193.1 million, respectively.

For the years ended December 31, 2023 and 2022, Syncora Guarantee recorded other-than-temporary impairment charges on bonds of \$4.4 million and \$1.9 million, respectively, which are included in net realized capital gains/losses on the Statements of Operations.

For the years ended December 31, 2023 and 2022, Syncora Guarantee recorded other-than-temporary impairment charges on loan-backed and structured securities of zero and zero, respectively, which were still held at December 31, 2023 and 2022.

The following table summarizes other-than-temporary impairments for loan-backed and structured securities held at December 31, 2023, recorded based on the fact that the present value of projected cash flows expected to be collected was less than the amortized cost of these securities and deemed that it was probable that the Company will be unable to collect all amounts due according to the contractual terms of the security:

(U.S. Dollars in thousands)

| CUSIP | Amortized Cost Before Other-Than- Temporary Impairment | Present Value of Projected Cash Flows | Other-Than- Temporary Impairment | Amortized Cost After Other-Than- Temporary Impairment | Fair Value at Time of Other- Than- Temporary Impairment | Date of Financial Statement Where Reported |
|--------------|---|--|---|--|--|---|
|--------------|---|--|---|--|--|---|

None

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

The following table presents the Company's investments' gross unrealized losses and fair value, aggregated by investment category and length of time that individual securities have been in a continuous unrealized loss position, at December 31, 2023 and December 31, 2022:

(U.S. Dollars in thousands)

| | 2023 | | | | | |
|---|----------------------------|--------------------------|--------------------------|--------------------------|-------------------|--------------------------|
| | Less Than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| U.S. Government and government agencies and authorities | \$ - | \$ - | \$ 9,221 | \$ (393) | \$ 9,221 | \$ (393) |
| Non-U.S. Government obligations | - | - | - | - | - | - |
| Obligations of States, territories and possessions | - | - | - | - | - | - |
| Special revenue and assessment obligations of agencies and authorities of government and political subdivisions | 13,439 | - | 461 | - | 13,900 | - |
| Industrial and miscellaneous obligations | 118,913 | (6,705) | 7,194 | - | 126,107 | (6,705) |
| Common stock industrial and miscellaneous unaffiliated publicly traded | 71,978 | (865) | 226 | - | 72,204 | (865) |
| | <u>\$ 204,330</u> | <u>\$ (7,570)</u> | <u>\$ 17,102</u> | <u>\$ (393)</u> | <u>\$ 221,432</u> | <u>\$ (7,963)</u> |

(U.S. Dollars in thousands)

| | 2022 | | | | | |
|---|----------------------------|--------------------------|--------------------------|--------------------------|-------------------|--------------------------|
| | Less Than 12 Months | | 12 Months or More | | Total | |
| | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses | Fair Value | Unrealized Losses |
| U.S. Government and government agencies and authorities | \$ 9,777 | \$ (608) | \$ - | \$ - | \$ 9,777 | \$ (608) |
| Non-U.S. Government obligations | - | - | - | - | - | - |
| Obligations of States, territories and possessions | - | - | - | - | - | - |
| Special revenue and assessment obligations of agencies and authorities of government and political subdivisions | - | - | - | - | - | - |
| Industrial and miscellaneous obligations | 26,260 | (5,209) | - | - | 26,260 | (5,209) |
| Common stock industrial and miscellaneous Unaffiliated publicly traded | 2,299 | (1,707) | - | - | 2,299 | (1,707) |
| | <u>\$ 38,336</u> | <u>\$ (7,524)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 38,336</u> | <u>\$ (7,524)</u> |

As of December 31, 2023 and 2022, Syncora Guarantee has no investments in residential mortgage-backed securities.

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

7. Information Concerning Parent, Subsidiaries and Affiliates

Ownership of the Company

Through December 29, 2019, Syncora Guarantee was a wholly-owned subsidiary of Syncora Holdings Ltd. On December 30, 2019 Syncora Holdings Ltd, sold Syncora Guarantee to Syncora FinanceCo LLC., (formerly known as Star Insurance Holdings LLC), an entity organized by GoldenTree Asset Management LP.

All outstanding common shares of the Company as of December 31, 2019 are owned by Syncora FinanceCo LLC., a Delaware limited liability company.

Other Agreements with Affiliates

Agreements with or in respect of various New York trusts

The Company is a party to insurance and indemnity agreements with various New York trusts formed by Syncora CDS LLC and Syncora Admin LLC, both affiliates of the Company. The Company guarantees timely payment of each trust's obligations under structured CDS contracts issued by the related trust.

Agreements with GoldenTree Asset Management LP

Effective January 1, 2020 the Company is a party to a Services Agreement, whereby GoldenTree Asset Management LP ("GTAM") provides the Company with general services, certain office overhead and expenses, information technology services, legal services, human resource service and other items. Under the terms of such agreement, the costs of the aforementioned services are charged to the Company. For the year ended December 31, 2023 and 2022 the Company incurred costs under this agreement in the amount of \$1.8 million and \$1.7 million, respectively.

Effective January 1, 2020 the Company is a party to a Services Agreement, whereby the Company provides GTAM with surveillance services, risk management services, liability management services and other items. Under the terms of such agreement, the costs of the aforementioned services are charged to GTAM. For the year ended December 31, 2023 and 2022 the Company charged GTAM under this agreement in the amount of \$0.5 million and \$0.5 million, respectively.

Effective January 1, 2020 the Company is a party to an Investment Management Agreement, whereby GTAM manages certain assets of the Company. Under the terms of such agreement, the Company will pay an annual management fee. For the year ended December 31, 2023 and 2022 the Company incurred costs under this agreement in the amount of \$0.9 million and \$1.5 million, respectively.

Tax Sharing Agreement

Syncora FinanceCo LLC. maintains a tax sharing agreement with its subsidiaries, whereby the consolidated tax liability is allocated among affiliates in the ratio that each affiliate's separate return liability bears to the sum of the separate return liabilities of all affiliates that are members of the consolidated group. In addition, a complementary method is used which results in reimbursement by profitable affiliates to loss affiliates for tax benefits generated by loss affiliates.

See Note 13 for information regarding a tax sharing agreement which the Company was a party to along with certain of its affiliates.

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
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Related Party Transactions

Amounts due from/to related parties as of December 31, 2023 and 2022 were:

(U.S. Dollars in thousands)

| | Due from | | Due to | |
|--------------------------------|----------|------|--------|----------|
| | 2023 | 2022 | 2023 | 2022 |
| GoldenTree Asset Management LP | \$ - | \$ - | \$ 726 | \$ 1,531 |
| | \$ - | \$ - | \$ 726 | \$ 1,531 |

Employee Benefit Plans

Beginning April 1, 2020 employees of Syncora Guarantee could participate in a qualified defined contribution retirement plan for the benefit of all eligible employees. This plan is maintained by Syncora Guarantee. Employer contributions to the plan are based on a fixed percentage of employee contributions and compensation as defined by the plan. For the year ended December 31, 2023 and 2022 the Company incurred expenses of \$0.2 million and \$0.2 million, respectively, relating to employer contributions made to the aforementioned plan.

See Note 13 for information regarding a tax sharing agreement, which Syncora Guarantee is a party to along with certain of its affiliates.

8. Net Premiums Earned

Premiums earned comprise:

(U.S. Dollars in thousands)

| | Premiums Written | | Change in Unearned Premium Revenue | | Net Premiums Earned | |
|-------------------------|------------------|----------|------------------------------------|-----------|---------------------|-----------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Direct | \$ 3,041 | \$ 8,644 | \$ 1,810 | \$ 11,777 | \$ 4,851 | \$ 20,421 |
| Assumed - non-affiliate | 136 | 237 | 49 | 519 | 185 | 756 |
| Ceded - non-affiliate | (2,532) | (8,084) | (686) | (9,528) | (3,218) | (17,612) |
| Net | \$ 645 | \$ 797 | \$ 1,173 | \$ 2,768 | \$ 1,818 | \$ 3,565 |

9. Reinsurance

Reinsurance indemnifies a primary insurance company against part or all of the loss that it may sustain under a policy that it has issued. All of the reinsurance protection purchased or provided by the Company is quota share reinsurance. Quota share reinsurance involves one or more reinsurers taking a stated percent share of each policy that an insurer produces (“writes”). This means that the reinsurer will receive that stated percentage of each dollar of premiums and will pay that percentage of each dollar of losses. In addition, the reinsurer will sometimes allow a “ceding commission” to the insurer to compensate the insurer for the costs of writing and administering the business.

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

On June 1, 2018, Syncora Guarantee closed a reinsurance transaction with Assured Guaranty Corp. See Note 1 for further discussion. Reinsurance does not relieve a primary insurance company of its obligations under an insurance policy. While Assured Guaranty has a contractual obligation to the Company pursuant to the reinsurance agreement and administrative services agreement to administer and pay claims on the financial guaranty insurance policy, Assured Guaranty has no direct obligations to any beneficiary or holder of the financial guaranty insurance policy. Accordingly, Assured Guaranty's financial strength ratings will not be conferred on such policy.

In connection with the 2009 MTA, Syncora Guarantee entered into the Public Finance Reinsurance Agreement as discussed in Note 4. Syncora Guarantee's current use for reinsurance is principally for risk management purposes. Prior to Syncora Guarantee's suspension of new business production in January 2008, it also used reinsurance to increase its capacity to write business. Syncora Guarantee's reinsurance arrangements included facultative quota share reinsurance treaties with affiliates and former affiliates, as well as other facultative reinsurance with non-affiliated reinsurers. Reinsurance does not relieve Syncora Guarantee of its obligations under its policies of insurance. Accordingly, Syncora Guarantee is still liable under such policies even if any or all of the reinsuring companies are unable to meet their obligations to Syncora Guarantee or contest such obligations. Syncora Guarantee regularly monitors the financial condition of its reinsurers and believes that all reinsurance receivables and recoverables are fully collectible at December 31, 2023 and 2022.

The following table sets forth certain amounts ceded to reinsurers as of and for the years ended December 31, 2023 and 2022:

| <i>(U.S. Dollars in thousands)</i> | <u>2023</u> | <u>2022</u> |
|------------------------------------|-------------|-------------|
| Year ended December 31, | | |
| Ceded premiums written | \$ 2,532 | \$ 8,084 |
| Ceded premiums earned | 3,218 | 17,612 |
| At December 31, | | |
| Par exposure ceded (millions) | 4,135 | 3,966 |
| Contingency reserve ceded | - | - |

The maximum amount of return commission which would be due to (from) non-affiliate reinsurers if all reinsurance were cancelled with the return of the unearned premium revenue as of December 31, 2023 and 2022 is as follows:

| <i>(U.S. Dollars in thousands)</i> | <u>Non-affiliate</u> | |
|------------------------------------|----------------------|--------------------|
| | <u>2023</u> | <u>2022</u> |
| Assumed unearned premium revenue | \$ 173 | \$ 223 |
| Ceded unearned premium revenue | (50,706) | (51,392) |
| Net unearned premium revenue | <u>\$ (50,533)</u> | <u>\$ (51,169)</u> |
| Assumed commission equity | \$ (52) | \$ (67) |
| Ceded commission equity | - | - |
| Net commission equity | <u>\$ (52)</u> | <u>\$ (67)</u> |

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

The following table sets forth unsecured reinsurance recoverables by individual reinsurer as of December 31, 2023 and 2022:

| <i>(U.S. Dollars in thousands)</i> | <u>2023</u> | <u>2022</u> |
|------------------------------------|-------------------|-------------------|
| Assured Guaranty Corp. | | |
| Loss Reserves | \$ 56,710 | \$ 56,774 |
| Unearned Premiums | 50,706 | 51,392 |
| Total | <u>\$ 107,416</u> | <u>\$ 108,166</u> |

10. Exposure and Collateral

While the Company establishes reserves for losses and loss adjustment expenses on obligations it has guaranteed or reinsured based on its best estimate of its liabilities, the risk of loss under the Company's guarantees extends to the full amount of unpaid principal and interest on all debt obligations it has guaranteed. At December 31, 2023 and 2022, the Company's in force retained principal and interest exposure was \$0.2 billion and \$0.3 billion, respectively. The tables below reflect certain information regarding the Company's in-force principal and interest exposure at December 31, 2023.

The following table sets forth Syncora Guarantee's in-force guaranteed principal exposure by bond sector as of December 31, 2023 and 2022:

Bond Exposure

(U.S. dollars in millions)

| | <u>Retained business</u> | | <u>Ceded business</u> | |
|---------------------------------------|--------------------------|---------------|-----------------------|-----------------|
| | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Public Finance | | | | |
| Utility | 76 | 77 | 143 | 143 |
| Special Revenue | \$ 61 | \$ 69 | \$ 887 | \$ 921 |
| General Obligation | 6 | 6 | 197 | 223 |
| Non Ad Valorem | - | - | 17 | 19 |
| Other | - | 1 | - | - |
| Appropriation | - | - | 17 | 21 |
| Total Public Finance | <u>\$ 143</u> | <u>\$ 153</u> | <u>\$ 1,261</u> | <u>\$ 1,327</u> |
| Asset-Backed Securities | | | | |
| RMBS | \$ - | \$ - | \$ 217 | \$ 223 |
| Total Asset-Backed Securities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 217</u> | <u>\$ 223</u> |
| Collateralized Debt Obligations | | | | |
| Cashflow CDO | \$ - | \$ - | \$ - | \$ 2 |
| Total Collateralized Debt Obligations | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2</u> |
| Structured Single Risk | | | | |
| Specialized Risk | \$ - | \$ 93 | \$ 50 | \$ 50 |
| Global Infrastructure | - | - | 267 | 282 |
| Power & Utilities | - | - | 2,340 | 2,082 |
| Total Structured Single Risk | <u>\$ -</u> | <u>\$ 93</u> | <u>\$ 2,657</u> | <u>\$ 2,414</u> |
| Total Outstanding | <u>\$ 143</u> | <u>\$ 246</u> | <u>\$ 4,135</u> | <u>\$ 3,966</u> |

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

The following table sets forth the number of years to maturity of Syncora Guarantee's in-force guaranteed principal and interest exposure as of December 31, 2023:

Years to Maturity - Debt Service Amortization

(U.S. dollars in millions)

| | Retained business | | Ceded business | |
|-----------------------|---------------------------------------|----------------------------------|---------------------------------------|----------------------------------|
| | Scheduled Net Debt Service | Outstanding⁽¹⁾ | Scheduled Net Debt Service | Outstanding⁽¹⁾ |
| | \$ - | \$ 165 | \$ - | \$ 7,083 |
| 2024 Q1 | 13 | 152 | 90 | 6,993 |
| 2024 Q2 | - | 152 | 49 | 6,944 |
| 2024 Q3 | 5 | 147 | 65 | 6,879 |
| 2024 Q4 | - | 147 | 60 | 6,819 |
| Total 2024 | \$ 18 | | \$ 264 | |
| 2025 | \$ 37 | \$ 110 | \$ 919 | \$ 5,900 |
| 2026 | 43 | 67 | 236 | 5,664 |
| 2027 | 41 | 26 | 227 | 5,437 |
| 2028 | 12 | 14 | 231 | 5,206 |
| Total 2025-2028 | \$ 133 | | \$ 1,613 | |
| 2029-2033 | \$ 14 | \$ - | \$ 981 | \$ 4,225 |
| 2034-2038 | - | - | 1,479 | 2,746 |
| 2039-2043 | - | - | 753 | 1,993 |
| 2042 and thereafter | - | - | 1,993 | - |
| Total 2029-thereafter | \$ 14 | | \$ 5,206 | |
| Total | <u>\$ 165</u> | | <u>\$ 7,083</u> | |

⁽¹⁾Outstanding represents principal and interest.

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The following table sets forth Syncora Guarantee's in-force guaranteed principal exposure by geographic concentration as of December 31, 2023 and 2022:

Geographic Distribution - Par Exposure

(U.S. dollars in millions)

| | Retained business | | | | Ceded business | | | |
|----------------------------|-------------------|--------|---------|---------|----------------|----------|---------|---------|
| | Amount | | % | | Amount | | % | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| United States | | | | | | | | |
| Puerto Rico | \$ 82 | \$ 83 | 57.6 % | 33.8 % | \$ - | \$ - | - % | - % |
| New York | 61 | 69 | 42.4 | 28.1 | 238 | 257 | 5.8 | 6.5 |
| Michigan | - | 1 | - | 0.3 | - | 9 | - | 0.2 |
| California | - | - | - | - | 1,023 | 1,059 | 24.7 | 26.8 |
| Multi-state ⁽¹⁾ | - | - | - | - | 217 | 225 | 5.2 | 5.7 |
| Other ⁽²⁾ | - | - | - | - | 207 | 224 | 5.0 | 5.6 |
| Washington | - | - | - | - | 177 | 180 | 4.3 | 4.5 |
| Total United States | \$ 143 | \$ 153 | 100.0 % | 62.2 % | \$ 1,862 | \$ 1,954 | 45.0 % | 49.3 % |
| International | | | | | | | | |
| Italy | \$ - | \$ 93 | - % | 37.8 % | \$ - | \$ - | - % | - % |
| United Kingdom | - | - | - | - | 2,147 | 1,872 | 52.0 | 47.1 |
| Chile | - | - | - | - | 72 | 86 | 1.7 | 2.2 |
| Mexico | - | - | - | - | 50 | 50 | 1.2 | 1.3 |
| Canada | - | - | - | - | 4 | 4 | 0.1 | 0.1 |
| Total International | \$ - | \$ 93 | - % | 37.8 % | \$ 2,273 | \$ 2,012 | 55.0 % | 50.7 % |
| Total Par Outstanding | \$ 143 | \$ 246 | 100.0 % | 100.0 % | \$ 4,135 | \$ 3,966 | 100.0 % | 100.0 % |

⁽¹⁾Deals with underlying securities in multiple states.

⁽²⁾Single state with par outstanding < 1% of the total exposure in the current period.

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Exposure to RMBS

The following table presents the net principal outstanding for Syncora Guarantee's insured RMBS portfolio by type⁽¹⁾ of collateral as of December 31, 2023 and 2022:

RMBS Exposure

(U.S. dollars in millions)

| | Retained business | | | | Ceded business | | | |
|-------------------------------------|-------------------|------|------|------|----------------|--------|---------|---------|
| | Amount | | % | | Amount | | % | |
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Prime (1st lien) | \$ - | \$ - | - % | - % | \$ 4 | \$ 4 | 1.7 % | 1.9 % |
| Prime (2nd lien) | - | - | - | - | - | - | - | - |
| Prime (HELOC) | - | - | - | - | 7 | 11 | 3.4 | 4.9 |
| Alt-A (1st lien) | - | - | - | - | 9 | 10 | 4.3 | 4.6 |
| Subprime (1st lien) | - | - | - | - | 194 | 195 | 89.3 | 87.3 |
| Subprime (2nd lien) | - | - | - | - | 3 | 3 | 1.3 | 1.3 |
| Subprime (1st lien) - International | - | - | - | - | - | - | - | - |
| Total RMBS Outstanding | \$ - | \$ - | - % | - % | \$ 217 | \$ 223 | 100.0 % | 100.0 % |

⁽¹⁾ Collateral type is defined as follows: Prime (1st lien) mortgage loans are secured by first liens on one-to-four family residential properties. The underwriting standards used to underwrite prime mortgage loans are the standards applied to the most creditworthy borrowers and are generally acceptable to Fannie Mae and Freddie Mac. Prime (2nd lien) mortgage loans are secured by 2nd liens on one-to-four family residential properties. The underwriting standards used to underwrite prime mortgage loans are the standards applied to the most creditworthy borrowers and are generally acceptable to Fannie Mae and Freddie Mac. This category also includes Alt-A (2nd lien) loans. HELOC is an adjustable rate line of credit secured by a second lien on residential properties. An Alt-A loan means a mortgage loan secured by first liens on residential properties, which is ineligible for purchase by Fannie Mae or Freddie Mac. Subprime (1st lien) mortgage loans are secured by first liens on residential properties to non-prime borrowers. The underwriting standards used to underwrite subprime mortgage loans are less stringent than the standards applied to the most creditworthy borrowers and less stringent than the standards generally acceptable to Fannie Mae and Freddie Mac with regard to the borrower's credit standing and repayment ability. Subprime (2nd lien) mortgage loans are secured by second liens on residential properties to non-prime borrowers. See Subprime (1st lien) for a description of the underwriting standards. Subprime (1st lien) – International mortgage loans are secured by first liens on residential properties to non-prime borrowers located outside the United States.

11. Insurance Premiums

Premiums charged in connection with the issuance of Syncora Guarantee's guarantees are received either upfront at the inception of an insurance contract or in installments (usually monthly or quarterly) over the life of the underlying insured obligation. Such premiums are only recognized as written when due. In accordance with prescribed statutory accounting practice, future installment premiums on in-force policies not yet due are not recorded on Syncora Guarantee's Statements of Admitted Assets, Liabilities and Capital and Surplus as premiums receivable.

As of December 31, 2023, the aggregate amount of installment premium to be collected in the future on Syncora Guarantee's in-force policies, determined based on the expected maturity of the underlying insured obligations, was \$24.5 million (\$5.8 million, net of ceded reinsurance). The aforementioned amount of installment premium to be collected in the future may differ from the ultimate actual amount of installment premiums collected in the future on such in-force obligations for the reasons discussed above, and such differences, may be material.

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The following table presents, as of December 31, 2023, Syncora Guarantee's gross installment premiums (on an undiscounted basis) expected to be collected (and the periods in which such collections are expected to occur) and expected future upfront premium earnings for the periods presented on the Company's direct in-force business. In addition to that presented in the tables below, Syncora Guarantee had unearned premium revenue of \$0.2 million relating to assumed reinsurance business at December 31, 2023:

(U.S. Dollars in thousands)

| | Expected Collection of Installment | | | Expected Upfront Premium Earnings | | |
|----------------------|------------------------------------|----------------|-----------|-----------------------------------|----------------|-----------|
| | Retained business | Ceded business | Total | Retained business | Ceded business | Total |
| Three months ended: | | | | | | |
| March 31, 2024 | \$ 130 | \$ 753 | \$ 883 | \$ 208 | \$ 388 | \$ 596 |
| June 30, 2024 | 129 | 723 | 852 | 67 | 416 | 483 |
| September 30, 2024 | 128 | 486 | 614 | 383 | 281 | 664 |
| December 31, 2024 | 127 | 344 | 471 | 541 | 448 | 989 |
| Twelve months ended: | | | | | | |
| December 31, 2024 | 514 | 2,306 | 2,820 | 1,199 | 1,533 | 2,732 |
| December 31, 2025 | 495 | 2,091 | 2,586 | 1,458 | 1,510 | 2,968 |
| December 31, 2026 | 482 | 1,843 | 2,325 | 1,508 | 1,491 | 2,999 |
| December 31, 2027 | 468 | 1,635 | 2,103 | 1,257 | 1,403 | 2,660 |
| December 31, 2028 | 458 | 1,423 | 1,881 | 161 | 1,272 | 1,433 |
| Five years ended: | | | | | | |
| December 31, 2028 | 2,417 | 9,298 | 11,715 | 5,583 | 7,209 | 12,792 |
| December 31, 2033 | 2,173 | 4,862 | 7,035 | - | 4,004 | 4,004 |
| December 31, 2038 | 1,171 | 2,791 | 3,962 | - | 7,563 | 7,563 |
| December 31, 2043 | - | 1,335 | 1,335 | - | 8,085 | 8,085 |
| December 31, 2048 | - | 467 | 467 | - | 3,396 | 3,396 |
| December 31, 2053 | - | - | - | - | 1,117 | 1,117 |
| December 31, 2058 | - | - | - | - | 14,581 | 14,581 |
| December 31, 2063 | - | - | - | - | 128 | 128 |
| December 31, 2068 | - | - | - | - | - | - |
| Total | \$ 5,761 | \$ 18,753 | \$ 24,514 | \$ 5,583 | \$ 46,083 | \$ 51,666 |

The following table presents a roll forward of the aggregate amount of gross installment premium (on an undiscounted basis) to be collected in the future on Syncora Guarantee's in-force policies for the periods ended December 31, 2023 and December 31, 2022:

(U.S. Dollars in thousands)

| | 2023 | 2022 |
|---|-----------|-----------|
| Future installment premiums | | |
| on in-force contracts, beginning of period | \$ 27,227 | \$ 51,841 |
| Premium payments received | (3,231) | (10,105) |
| Future installment premiums from new business | - | - |
| Adjustments: | | |
| Changes in expected term of policies | 518 | (14,509) |
| Other | - | - |
| Future installment premiums | | |
| on in-force contracts, ending of period | \$ 24,514 | \$ 27,227 |

12. Liability for Losses and Loss Adjustment Expenses

Syncora Guarantee's case basis reserves for unpaid losses and loss adjustment expenses are based on the net present value of the expected ultimate loss and loss adjustment expense payments that Syncora Guarantee

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expects to make, net of expected recoveries from salvage and subrogation rights. Case basis reserves are determined using cash flow models to estimate the net present value of the anticipated shortfall between (i) scheduled payments on the insured obligation plus anticipated loss adjustment expenses, and (ii) anticipated cash flow from the proceeds to be received on sales of any collateral supporting the obligation or other anticipated recoveries and the present value of future installment premiums. Cash flows were discounted at the rate of 6.27% and 5.97% as of December 31, 2023 and 2022, respectively. At December 31, 2023, the discount rate is based on the book yield to maturity on the Company's invested assets. Syncora Guarantee's liability (recoverable) for unpaid losses and loss adjustment expenses, after giving effect to reinsurance, was \$34.9 million and \$(42.9) million on a net present value basis, \$108.7 million and \$27.4 million on a nominal basis (net of reinsurance) or before giving effect to present value, as of December 31, 2023 and 2022, respectively. The amount of discount at such dates was \$73.8 million and \$70.3 million, respectively.

The Company's reserves for unpaid losses and loss adjustment expenses represent its best estimate of: (i) the net present value of claims to be paid subsequent to the balance sheet date, less (ii) the net present value of recoveries subsequent to the balance sheet date and the net present value of installment premiums due from the counterparties to such guarantees subsequent to the balance sheet date. The Company's best estimate of claims and recoveries was based on assumptions and estimates extending over many years into the future. Such assumptions and estimates are subject to the inherent limitation on the Company's ability to predict the aggregate course of future events and, as a result, differences between estimated and actual results may be material. Reference should be made to Note 4 for information regarding the effect on the Company's reserves for unpaid losses resulting from transactions which effectively defeased or, in substance, commuted (in whole or in part) substantially all its guarantees on which it previously carried case reserves. Amounts disclosed below relating to the provision for losses for the year ended December 31, 2023 reflect the effect, as previously disclosed, of certain elements of the 2009 MTA.

The Company recorded losses and loss adjustment expenses of \$91.4 million and \$38.4 million for the years ended December 31, 2023 and 2022, respectively. The 2023 expense primarily reflected the expense for certain public finance and structured single risk transactions partially offset by positive development for certain RMBS transaction. Reserves for unpaid losses and loss adjustment expenses on such guarantees, after giving effect to reinsurance, were \$34.9 million as of December 31, 2023 (\$91.7 million before giving effect to reinsurance).

A summary of case basis reserves (recoverables) for losses and loss adjustment expenses as of December 31, 2023 and December 31, 2022 are as follows:

(U.S. Dollars in millions)

| | Gross | | Net | |
|---|----------------|----------------|----------------|------------------|
| | 2023 | 2022 | 2023 | 2022 |
| HELOC, CES and Alt-A mortgage loan collateral | \$ 53.5 | \$ 51.8 | \$ (3.3) | \$ (5.1) |
| Public finance | 46.5 | (29.1) | 46.5 | (29.1) |
| Structured single risk | (8.3) | (8.7) | (8.3) | (8.7) |
| Total | <u>\$ 91.7</u> | <u>\$ 14.0</u> | <u>\$ 34.9</u> | <u>\$ (42.9)</u> |

Asset-Backed Securities

The Company's estimates of reserves are determined based on an analysis of results of cash flow models. The models project expected cash flows from the underlying mortgage notes. The model output is dependent on, and sensitive to, key assumptions regarding default rates, draw rates, draw periods, recoveries and prepayment rates, among others. The cash flow from the mortgages is then run through the payment "waterfall" as set forth in the indenture for each transaction. Claims in respect of principal generally result when the outstanding principal balance of the mortgages is less than the outstanding principal balance of the insured notes, except when the principal balance is due for payment on the scheduled maturity date. Recoveries result when cash flow from the mortgages is available for repayment, typically after the insured

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notes are paid off in full.

The Company bases its default assumptions for the RMBS transactions in large part on recent observed default rates and the current pipeline of delinquent loans. The losses are estimated based on a model using a constant default rate curve.

The following table reconciles the beginning and ending reserve balances for losses and loss adjustment expenses, net of reinsurance, for the years ended December 31, 2023 and 2022:

| <i>(U.S. Dollars in thousands)</i> | 2023 | 2022 |
|--|-------------|--------------|
| Reserve (recoverables) for unpaid losses and LAE, net of related reinsurance recoverables, at the beginning of the year | \$ (42,862) | \$ (127,407) |
| Add: | | |
| Increase in net losses and LAE incurred in respect of losses occurring in the current year, net of reinsurance | - | - |
| Decrease (increase) in net recoveries on losses and LAE incurred in respect of losses occurring in prior years, net of reinsurance | 91,414 | 38,434 |
| Total net recoveries on losses and LAE benefit, net of reinsurance | 91,414 | 38,434 |
| Deduct: | | |
| Losses and LAE payments (net of recoverables) in respect of losses occurring in the current year | - | - |
| Losses and LAE payments (net of recoverables) in respect of losses occurring in prior years | 13,603 | (46,111) |
| Total losses and LAE payments (net of recoverables) for losses incurred during the current year | 13,603 | (46,111) |
| Total decrease in net losses and LAE incurred during the current year, net of reinsurance | 77,811 | 84,545 |
| Reserve (recoverables) for unpaid losses and LAE, net of related reinsurance recoverables, at the end of the year | \$ 34,949 | \$ (42,862) |

The significant components of the change in claim liability for the years ended December 31, 2023 and 2022 are as follows:

| <i>(U.S. Dollars in thousands)</i> | 2023 | 2022 |
|--|-------------|-------------|
| Components | | |
| Accretion of the discount | \$ (1,764) | \$ 1,380 |
| Changes in timing and losses paid/salvage received | (15) | 4,847 |
| New reserves for defaults of insured contracts | - | - |
| Change in prior year reserves | 79,590 | 78,318 |
| Total | \$ 77,811 | \$ 84,545 |

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Schedule of Insured Financial Obligations with Credit Deterioration

The Company's surveillance department is responsible for monitoring the performance of its in-force portfolio. The surveillance department maintains a list of credits that it has determined need to be closely monitored and, for certain of those credits, the department undertakes remediation activities it determines to be appropriate in order to mitigate the likelihood and/or amount of any loss that could be incurred by the company with respect to such credits.

The surveillance department focuses its review on monitoring lower rated bond sectors and potentially troubled sectors. For the RMBS portfolio, it tracks performance to determine whether or not covenants have been breached. If a covenant is breached, the Company may have the right to put the transaction into rapid amortization so that all cash flow generated from that transaction is used to pay down principal and stay current with interest or take other remedial action. Typically, the surveillance department reviews periodic servicing and trustee reports to track coverage levels, enhancement levels, delinquency levels, loss frequency, loss severity and total losses and compares such performance metrics with the metrics that were made available at the time the transaction was closed. If losses are above projections, the surveillance department will analyze the reasons for the deviation. In some cases, it may be an indication of servicing problems, where loans are delinquent and are not put into foreclosure in time to maximize recovery. Typically once per year, the surveillance department will audit servicers of loans and other assets supporting the Company's insured obligations to better understand their servicing practices and to identify potential servicing problems, if any. The Company estimates claims based on its surveillance department's best estimate of net cash outflows under a contract, on a present value basis. In some cases, the surveillance department will engage an outside consultant with appropriate expertise in the underlying collateral assets and respective industries to assist management in examining the underlying collateral and determining the projected loss frequency and loss severity. In such cases, the surveillance department will use that information to run a cash flow model that includes enhancement levels and debt service to determine whether a claim is probable, possible or not likely.

The activities of the Company's surveillance department are integral to the identification of specific credits that have experienced deterioration in credit quality and the assessment of whether losses on such credits are probable, as well as any estimation of the amount of loss expected to be incurred with respect to such credits. Closely monitored credits are divided into four categories: (i) Loss List—credits where a loss is probable and reasonably estimable; (ii) Red Flag List—credits where a loss is possible but not probable or reasonably estimable, including credits where claims may have been paid or may be paid but full recovery is in doubt; (iii) Yellow Flag List—credits that the Company determines to be non-investment grade but a loss is unlikely, including credits where claims may have been paid or may be paid but reimbursement is likely; and (iv) Special Monitoring List—low investment grade credits where a material covenant or trigger may be breached and closer monitoring is warranted. Credits that are not closely monitored credits are considered to be fundamentally sound, normal risk.

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The following table sets forth certain information in regard to Syncora Guarantee's closely monitored credits as of December 31, 2023 and 2022. The number of policies, remaining weighted-average contract period, and insured contractual payments outstanding in the table below excludes exposures that were effectively defeased or, in-substance, commuted through the acquisition of Insurance Cash Flow Certificates and related alternative structures.

(U.S. Dollars in millions except number of policies)

| | Total | | Loss List | | Red Flag List | | Yellow Flag List | | Special Monitoring List | |
|---|---------------|----------------|------------------|----------------|----------------------|-------------|-------------------------|---------------|--------------------------------|-------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Insured contractual payments outstanding: | | | | | | | | | | |
| Principal | \$ 143 | \$ 246 | \$ 76 | \$ 78 | \$ 6 | \$ 6 | \$ 61 | \$ 162 | \$ - | \$ - |
| Interest | 22 | 31 | 12 | 16 | 1 | 2 | 9 | 13 | - | - |
| Total | <u>\$ 165</u> | <u>\$ 277</u> | <u>\$ 88</u> | <u>\$ 94</u> | <u>\$ 7</u> | <u>\$ 8</u> | <u>\$ 70</u> | <u>\$ 175</u> | <u>\$ -</u> | <u>\$ -</u> |
| Number of policies | 22 | 24 | 20 | 21 | 1 | 1 | 1 | 2 | - | - |
| Remaining weighted-average contract period (in years) | <u>2.7</u> | <u>5.0</u> | <u>2.9</u> | <u>3.8</u> | <u>6.6</u> | <u>7.6</u> | <u>2.1</u> | <u>5.5</u> | <u>-</u> | <u>-</u> |
| Loss and LAE liabilities reported in the balance sheet: | | | | | | | | | | |
| Gross loss and LAE liability (nominal) | \$ 211 | \$ 217 | \$ 210 | \$ 214 | \$ - | \$ - | \$ 1 | \$ 3 | \$ - | \$ - |
| Gross potential recoveries and ceded reinsurance | 102 | 190 | 102 | 190 | - | - | - | - | - | - |
| Discount, net | 74 | 70 | 74 | 70 | - | - | - | - | - | - |
| Total | <u>\$ 35</u> | <u>\$ (43)</u> | <u>\$ 34</u> | <u>\$ (46)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1</u> | <u>\$ 3</u> | <u>\$ -</u> | <u>\$ -</u> |
| Unearned premium reserve, net | <u>\$ 6</u> | <u>\$ 7</u> | <u>\$ 1</u> | <u>\$ 1</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5</u> | <u>\$ 6</u> | <u>\$ -</u> | <u>\$ -</u> |
| Reinsurance recoverables on paid losses and LAE | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

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13. Income Taxes

The Company recorded zero current federal tax and \$(1.4) million current federal tax benefit for the years ended December 31, 2023 and 2022, respectively.

Management has concluded that future income forecasted to be generated is insufficient to support realization of Syncora Guarantee's net deferred tax assets, thus a full valuation allowance has been established against the deferred tax assets of Syncora Guarantee at December 31, 2023 and December 31, 2022 for \$505.6 million and \$491.5 million, respectively.

| (U.S. Dollars in thousands) | 2023 | | | 2022 | | | Change | | |
|---|------------|----------|------------|------------|-----------|------------|-----------|------------|-----------|
| | Ordinary | Capital | Total | Ordinary | Capital | Total | Ordinary | Capital | Total |
| Gross Deferred Tax Assets | \$ 496,262 | \$ 9,396 | \$ 505,658 | \$ 481,551 | \$ 10,442 | \$ 491,993 | \$ 14,711 | \$ (1,046) | \$ 13,665 |
| Statutory Valuation | | | | | | | | | |
| Allowance Adjustments | (496,236) | (9,396) | (505,632) | (481,059) | (10,442) | (491,501) | (15,177) | 1,046 | (14,131) |
| Adjusted Gross Deferred Tax Assets | 26 | - | 26 | 492 | - | 492 | (466) | - | (466) |
| Deferred Tax Assets | | | | | | | | | |
| Nonadmitted | - | - | - | - | - | - | - | - | - |
| Subtotal Net Admitted | | | | | | | | | |
| Deferred Tax Asset | 26 | - | 26 | 492 | - | 492 | (466) | - | (466) |
| Deferred Tax Liabilities | (26) | - | (26) | (492) | - | (492) | 466 | - | 466 |
| Net Admitted Deferred Tax Asset/ (Net Deferred Tax Liability) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

There were no Federal income taxes paid in prior years recoverable through loss carrybacks for the years ended December 31, 2023 and 2022.

The Company did not have any adjusted gross deferred tax assets expected to be realized after application of the threshold limitation, which is the lesser of the adjusted gross deferred tax assets expected to be realized following the balance sheet date and the adjusted gross deferred tax assets allowed per limitation threshold, as of December 31, 2023 and 2022.

Adjusted ordinary gross deferred tax assets offset by ordinary gross deferred tax liabilities for the years ended December 31, 2023 and 2022 was \$26 thousand and \$492 thousand, respectively. Adjusted capital gross deferred tax assets offset by capital gross deferred tax liabilities for the years ended December 31, 2023 and 2022 was zero and zero, respectively.

There were no net deferred tax assets admitted as the result of application of statutory accounting guidance for taxes as of December 31, 2023 and 2022.

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For the years ended December 31, 2023 and 2022, current income tax (benefit) expense consists of the following major components:

| <i>(U.S. Dollars in thousands)</i> | 2023 | 2022 | Change |
|---|-------------|-------------|---------------|
| Current Income Tax: | | | |
| Federal | \$ - | \$ 88 | \$ (88) |
| Foreign | - | - | - |
| Subtotal | - | 88 | (88) |
| Federal income tax on net capital gains | (439) | (1,497) | 1,058 |
| Limitation/(Utilization) of capital loss carry-forwards | 439 | - | 439 |
| Federal and foreign income taxes (benefit) incurred | \$ - | \$ (1,409) | \$ 1,409 |

Tax planning strategies did not have an effect on the Company's net deferred tax assets.

The provision for federal income taxes (benefit) incurred is different from that which would be obtained by applying the statutory federal income tax rate to income before income taxes. The significant items causing this difference for the years ended December 31, 2023 and 2022 are as follows:

| <i>(U.S. Dollars in thousands)</i> | 2023 | | 2022 | |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
| | Federal income taxes | Effective tax rate % | Federal income taxes | Effective tax rate % |
| Provision computed at statutory rate | \$ (15,176) | 21.00% | \$ (6,808) | 21.00% |
| Provision to filed | - | 0.00% | (390) | 1.20% |
| Change in valuation allowance | 15,112 | -20.91% | 7,035 | -21.69% |
| Deferred tax validation adjustment | 102 | -0.14% | (1,239) | 3.82% |
| Dividends received deduction | (38) | 0.05% | (7) | 0.02% |
| Change in non admitted assets | - | 0.00% | - | 0.00% |
| Other | - | 0.00% | - | 0.00% |
| Totals | \$ - | 0.00% | \$ (1,409) | 4.35% |
| Current income tax (benefit) incurred | \$ - | 0.00% | \$ (1,409) | 4.35% |
| Change in deferred income tax | - | 0.00% | - | 0.00% |
| Total Statutory income tax (benefit) incurred | \$ - | 0.00% | \$ (1,409) | 4.35% |

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As of December 31, 2023 and 2022, deferred income tax assets and liabilities consisted of the following major components:

| <i>(U.S. Dollars in thousands)</i> | <u>2023</u> | <u>2022</u> | <u>Change</u> |
|--|------------------|------------------|-----------------|
| Deferred Tax Assets: | | | |
| Ordinary | | | |
| Unearned premium reserve | \$ 121 | \$ 146 | \$ (25) |
| Receivables- nonadmitted | 94 | 94 | - |
| Net operating loss carry-forward | 494,788 | 479,994 | 14,794 |
| Contingency reserve | 1,050 | 1,050 | - |
| Loss discount on transition adjustment | 157 | 235 | (78) |
| Other | 52 | 32 | 20 |
| Subtotal | <u>496,262</u> | <u>481,551</u> | <u>14,711</u> |
| Statutory valuation adjustment | <u>(496,236)</u> | <u>(481,059)</u> | <u>(15,177)</u> |
| Admitted ordinary deferred tax assets | <u>\$ 26</u> | <u>\$ 492</u> | <u>\$ (466)</u> |
| Capital: | | | |
| Investments | \$ 4,623 | \$ 3,434 | \$ 1,189 |
| Unrealized capital loss | 258 | 435 | (177) |
| Net capital loss carry-forward | 2,666 | 4,724 | (2,058) |
| Investment in partnership | 1,849 | 1,849 | - |
| Subtotal | <u>9,396</u> | <u>10,442</u> | <u>(1,046)</u> |
| Statutory valuation adjustment | <u>(9,396)</u> | <u>(10,442)</u> | <u>1,046</u> |
| Admitted capital deferred tax assets | <u>-</u> | <u>-</u> | <u>-</u> |
| Admitted deferred tax assets | <u>\$ 26</u> | <u>\$ 492</u> | <u>\$ (466)</u> |
| Deferred Tax Liabilities: | | | |
| Ordinary | | | |
| Claim reserve and salvage | \$ - | \$ 492 | \$ (492) |
| Accrued dividend | 26 | - | 26 |
| Subtotal | <u>\$ 26</u> | <u>\$ 492</u> | <u>\$ (466)</u> |
| Capital | | | |
| Investments | \$ - | \$ - | \$ - |
| Unrealized capital gains | - | - | - |
| Subtotal | <u>-</u> | <u>-</u> | <u>-</u> |
| Deferred tax liabilities | <u>26</u> | <u>492</u> | <u>(466)</u> |
| Net deferred tax assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

At December 31, 2023, the Company had net operating loss carryforwards expiring from 2028 through 2043 of \$2.4 billion.

At December 31, 2023, the Company had capital loss carryforwards expiring from 2023 through 2028 of \$12.7 million.

Income tax (benefit) expense for 2023 and 2022 available for recoupment is zero for both years.

The Company did not have any protective tax deposits under Section 6603 of the Internal Revenue Code.

Syncora Guarantee Inc.

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In connection with the Restructuring Transactions completed on August 12, 2016, pursuant to an amended and restated tax sharing agreement, the Company reallocated \$1.75 billion of excess net operating losses to SHI for its sole use and benefit, where these net operating losses may be used more broadly. In addition, SHI provided contractual protections relating to the preservation and utilization of the Company's retained net operating losses. The amendments to the tax sharing agreement did not have any effect on the Company's policyholders' surplus.

As a result of the sale of the Company to Syncora FinanceCo LLC., (formerly known as Star Insurance Holdings LLC), an entity organized by GoldenTree Asset Management LP., completed on December 30, 2019, the Company's NOLs will be limited under Section 382, as described below. Approximately \$2.3 billion of the Company's NOLs as of December 31, 2022 are subject to limitation under Section 382 of the Internal Revenue Code ("Section 382") as a result of an ownership change, as defined under that code section. An ownership change, as defined under Section 382 generally occurs if the percentage stock ownership of shareholders owning (or deemed under Section 382 to own) 5% or more of Syncora Holdings' common shares increases by more than 50 percentage points over the lowest percentage of Syncora Holdings' common shares owned by such shareholders during a defined period of time.

For the tax year ended December 31, 2023, the Company's Federal income tax return is consolidated with the following entities (hereafter collectively referred to as "Members of the Consolidated Tax Return"):

Syncora FinanceCo LLC. ("Parent")
Syncora Guarantee Inc.
Syncora Administrative Holdings US Inc.

The Company does not have any tax loss contingencies for which it is reasonably possible that the total liability will significantly increase within twelve months of the reporting date.

The Company recognizes interest and penalties related to uncertain tax provisions in income tax expense which were zero for the years ended December 31, 2023 and 2022. Tax years 2019 through 2022 are potentially subject to examination by the IRS and state and local authorities. At December 31, 2023, the Company had not entered into any uncertain tax positions.

The Inflation Reduction Act ("IRA") of 2022 was enacted on August 16, 2022. The IRA includes a new Federal Corporate Alternative Minimum Tax ("CAMT"), effective in 2023, that is based upon the adjusted financial statement income set forth on the applicable financial statement of an applicable corporation. The NAIC adopted Interpretation 23-03 to apply to December 31, 2023 and beyond. Following that guidance, due to the Company joining in the consolidated federal income tax return by Syncora FinanceCo LLC, it has been determined as of the reporting date that the Company is a non-applicable reporting entity.

Repatriation Transition Tax (RTT) is not applicable.

14. Commitments and Contingencies

- (a) All of the CDS contracts insured by the Company have mark-to-market termination payments following a failure by the Company to pay a claim related to the CDS contract or the occurrence of events that are outside the Company's control, such as the Company being placed into receivership or rehabilitation by the NYDFS or the NYDFS taking control of the Company. Mark-to-market termination payments for which the Company would have to pay a termination payment are generally calculated either based on "market quotation" or "loss" (each as defined in the ISDA Master Agreement). "Market quotation" is calculated as an amount (based on quotations received from dealers in the market) that the counterparty would have to pay another party (other than monoline financial guarantee insurance companies) to have such party takeover the Company's position in the CDS contract. "Loss" is an amount that a counterparty reasonably determines in good faith to be its total losses and costs in connection with the CDS contract,

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including any loss of bargain, cost of funding or, at the election of such counterparty, but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position. If the Company failed to pay claims related to all of its insured CDS contracts or were placed into receivership or rehabilitation by the NYDFS or the NYDFS took control of the Company, the aggregate termination payments that the Company would be required to pay would significantly and adversely affect the Company's financial liquidity and, accordingly, such events would have a material adverse effect on the Company's financial position and results of operations. The Company's reserves for unpaid losses and loss adjustment expenses do not consider the effect of mark-to-market termination payments. In connection with the Company's reinsurance agreement with Assured Guaranty, substantially all of the CDS contracts insured by the Company have been reinsured by Assured Guaranty. However, the reinsurance agreement does not generally cover any mark-to-market termination payments.

- (b) As described in Note 1, the Company entered into a Credit Agreement and related Security Agreement with Assured Guaranty, pursuant to which Assured Guaranty agreed to make loans to the Company to fund its claims payments on remediated RMBS. To secure its obligations thereunder, the Company pledged as collateral certain of its insurance cash flow certificates.

- (c) Litigation

Legal Matters:

In the ordinary course of business, the Company may be subject to litigation or other legal proceedings. The Company intends to vigorously defend against any actions in which it is a defendant and against other potential actions, and the Company does not expect the outcome of any such matters to have a material adverse effect on the Company's financial position, results of operations or liquidity. The Company can provide no assurance that the ultimate outcome of these actions will not cause a loss nor have a material adverse effect on the Company's financial position, results of operations or liquidity.

Set forth below is a description of certain legal proceedings to which Syncora Guarantee is a party.

Puerto Rico

On July 18, 2017, certain creditors of PREPA, including the Company, filed a motion in PREPA's Title III case seeking relief from the automatic stay in order to commence an action to enforce their statutory right to appoint a receiver. On September 14, 2017, this motion was denied by Judge Swain. On September 28, 2017, the Company and the other creditors appealed the decision to the United States Court of Appeals for the First Circuit. On August 8, 2018, the First Circuit issued an opinion vacating Judge Swain's decision and holding that sections 305 and 306 of PROMESA do not preclude the court from granting the requested relief to appoint a receiver. The First Circuit remanded the case back to Judge Swain and allowed the creditors to file a renewed motion to seek relief from the automatic stay.

On October 3, 2018, certain monoline insurers, including the Company, filed a renewed motion in PREPA's Title III case for relief from the automatic stay in order to commence an action to enforce their statutory right to appoint a receiver. On March 27, 2019, the Official Committee of Unsecured Creditors filed an objection to the renewed motion disputing, among other things, the collateral securing the PREPA bonds. On March 31, 2023, the Court entered an order administratively terminating the renewed motion, without prejudice.

On August 24, 2023, the Company and GoldenTree Asset Management LP ("GoldenTree") filed a renewed motion to lift the automatic stay in PREPA's Title III case so that the bondholders can commence an action to enforce their statutory right to appoint a receiver for PREPA for the benefit of all PREPA bondholders. On August 25, 2023, the Court stayed the motion indefinitely without a hearing.

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by finding that the motion was “substantially duplicative” of the previous motions filed by the Company and other creditors. The Company and GoldenTree appealed the order to the U.S. Court of Appeals for the First Circuit. After hearing oral argument on December 4, 2023, the First Circuit Court of Appeals issued a ruling on January 22, 2024, affirming Judge Swain’s ruling staying the renewed motion to lift the automatic stay. Among other things, the First Circuit found that the movants “waived their right to prompt notice and hearing on that motion for relief” because they previously accepted a litigation schedule that postponed any hearing on their motion until after the completion of the PREPA lien challenge adversary proceeding. However, the First Circuit noted that its decision does not preclude the filing of an amended or renewed motion in light of the court’s final rulings in the lien challenge adversary proceeding. On February 16, 2024, the Company and GoldenTree filed a further renewed motion to lift the automatic stay in PREPA’s Title III case so that the bondholders can commence an action to enforce their statutory right to appoint a receiver for PREPA for the benefit of all PREPA bondholders. On February 20, 2024, the Court denied the request for an expedited hearing and scheduled a preliminary hearing on the renewed motion for May 22, 2024. The Ad Hoc Group of PREPA Bondholders and U.S. Bank, as PREPA bond trustee, subsequently filed joinders in support of the renewed motion to lift the automatic stay.

On November 12, 2023, the Company and GoldenTree filed an adversary proceeding against the Oversight Board and PREPA alleging that the defendants have improperly sought to procure votes on PREPA’s plan of adjustment pursuant to various settlement agreements. Pursuant to section 1126(e) of the Bankruptcy Code, the plaintiffs are seeking to disqualify all such votes. On December 18, 2023, the Oversight Board filed a motion to dismiss the complaint. On January 3, 2024, the Court entered an order staying the adversary proceeding and finding that “the issues raised by the Complaint are more fairly and efficiently addressed in the context of the confirmation hearing on the” Fourth Amended Plan. Thereafter, on February 21, 2024, the Company and GoldenTree filed a motion seeking to designate and disqualify the votes of such creditors pursuant to section 1126(e) of the Bankruptcy Code. On February 23, 2024, the Title III Court entered an order noting that in light of the “substantial overlap” between the arguments raised in the designation motion and the arguments raised in the various confirmation objections, the designation motion will be decided without a separate hearing.

Also, on November 12, 2023, the Company and GoldenTree filed a complaint in the U.S. District Court for the District of Puerto Rico against the Commonwealth, Governor Pierluisi, AAFAF, and AAFAF Executive Director Omar Marrero asserting claims for violations of Puerto Rico law and the plaintiffs’ constitutional rights relating to the 2022 and 2023 PREPA fiscal plans. The complaint was transferred to the Title III Court. On November 24, 2023, the Oversight Board filed a motion seeking to void the complaint and directing the movants to withdraw the complaint, which the Company and GoldenTree opposed on December 8, 2023.

On September 19, 2022, certain creditors of PREPA, including the Company, filed a motion to dismiss PREPA’s Title III case, or in the alternative relief from the automatic stay to enforce their rights to appoint a receiver (the “Motion to Dismiss”). The Court entered an order staying the Motion to Dismiss.

On September 30, 2019, certain Fuel Line Lenders of PREPA filed an amended complaint against several parties, including the Oversight Board, PREPA and the Company. Among other things, the complaint is seeking priority payment for the plaintiffs’ claims against PREPA prior to any payments to the PREPA bondholders and to limit the lien securing the PREPA power revenue bonds. On November 11, 2019, the Company, together with certain other defendants, filed a motion to dismiss the amended complaint. The hearing on the motion to dismiss has been adjourned to a date to be determined. Upon the effectiveness of the PREPA plan of adjustment and the settlement with the Fuel Line Lenders contained therein, this complaint will be dismissed with prejudice.

Rational Special Situations Income Fund v. The Bank of New York Mellon et al.

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On May 26, 2022, Rational Special Situations Income Fund (“RSSIF”) sued The Bank of New York Mellon (“BNY”) in New York State Court alleging a breach of certain contractual duties as trustee under trust agreements relating to certain cash flow certificates and underlying securities. RSSIF also alleged that the Company was unjustly enriched by the trustee’s actions. On July 8, 2022, each of BNY and the Company filed its own motion to dismiss RSSIF’s claims. These motions are fully briefed and were argued in January 2023. The Court has not yet rendered its decision on these motions.

15. Capital and Surplus and Dividend Restrictions

Capital Transactions

The Company has 2,000 Series B Preferred shares authorized, all of which are issued. During 2019, the Company purchased from third parties \$100.3 million of aggregate face amount of Pass-Through Trust Preferred Securities issued by the Twin Reefs Pass-Through Trust, in which the Twin Reefs Securities purchased correspond to 1,003 shares of the Company’s Series B Preferred shares. As a result of these purchases, the Company currently holds 1,658 shares of its Series B Preferred shares as treasury stock, which includes the 655 shares previously held by the Company. These shares have a par value of \$120 per share and a liquidation preference of \$100,000 per share. Holders of these preferred shares shall be entitled to receive, in preference to the holders of common shares, non-cumulative cash dividends at a variable rate equal to one-month LIBOR plus 2.00% per annum, calculated on an actual/360 day basis, when and if declared by the Board of Directors of the Company. On December 30, 2021, the Company paid a one-time dividend to holders of the Twin Reefs Pass-Through Certificates equal to one-years interest. On May 20, 2022, the Company paid a one-time dividend to holders of the Twin Reefs Pass-Through Certificates equal to one-years interest. On August 25, 2023, the Company paid a one-time dividend to holders of the Twin Reefs Pass-Through Certificates equal to one-years interest.

The holders of the preferred shares are not entitled to any voting rights and their consent is not required for taking any corporate action. Subject to certain requirements, the preferred shares may be redeemed, in whole or in part, at the option of Syncora Guarantee at any time or from time to time for cash at a redemption price equal to the liquidation preference per share plus any accrued and unpaid dividends thereon to the date of redemption without interest on such unpaid dividends.

The ability of the Company to declare and pay a dividend to shareholders is governed by applicable New York law, including the NYIL. Under Section 4105 of the NYIL, the Company is permitted to pay dividends to shareholders in any 12-month period, without the prior approval of the NYDFS in an amount equal to the lesser of 10% of its policyholders’ surplus as of the last financial statement filed with the NYDFS (annual or quarterly) or their adjusted net investment income for the 12-month period, as determined in accordance with Statutory Accounting Practices prescribed or permitted by the NYDFS. The NYIL also provides that the Company may distribute dividends to shareholders in excess of the aforementioned amount only upon approval thereof by the NYDFS. Even if these tests are satisfied, New York Insurance Law provides a further test in that the Company may not declare or distribute any dividends to shareholders except out of “earned surplus” (an amount equal to “unassigned funds” as shown on its statutory balance sheet, which as of December 31, 2023 was \$176.7 million, less “unrealized appreciation of assets”). The NYDFS may disapprove such dividends to shareholders if it finds that the Company will retain insufficient surplus to support its obligations and writings. On December 22, 2021 the Company declared an ordinary dividend of \$21.6 million and the dividend was paid on December 30, 2021. On May 16, 2022, the Company declared an extraordinary dividend of \$300 million and the dividend was paid on May 20, 2022. On August 25, 2023, Syncora Guarantee paid an ordinary dividend of \$26.5 million to Syncora FinanceCo.

The portion of unassigned funds represented by or reduced by each item below at December 31, 2023 and December 31, 2022 is as follows:

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
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(U.S. Dollars in thousands)

| | <u>2023</u> | <u>2022</u> |
|-------------------------------|-------------|-------------|
| Unrealized (gains) and losses | \$ (1,255) | \$ 2,073 |
| Non-admitted asset values | \$ 448 | \$ 448 |

16. Derivative Instruments

The Company enters into derivative contracts to manage currency exchange risk, interest rate risk and other exposure risks. The types of derivative contracts used by the Company are currency forward contracts, futures and swaps. During the year ended December 31, 2022, the Company used currency forward contracts primarily to manage currency exchange risk on its non-U.S. dollar denominated holdings. In addition, the Company used interest rate swaps to protect the Company's investments from certain macro-economic risks. As of December 31, 2023 and December 31, 2022, the Company recorded derivative assets of \$19 thousand and \$337 thousand, respectively, which are included in "Derivatives instruments" on the accompanying Statement of Admitted Assets, Liabilities and Capital and Surplus. As of December 31, 2023 and December 31, 2022, the Company recorded derivative liabilities of \$195 thousand and \$173 thousand, respectively, which are included in "Derivatives instruments" on the accompanying Statement of Admitted Assets, Liabilities and Capital and Surplus. For the years ended December 31, 2023 and December 31, 2022, the Company recorded unrealized loss and unrealized gain on derivatives of \$340 thousand and \$538 thousand, respectively. For the years ended December 31, 2023 and December 31, 2022, the Company recorded realized capital (losses) gains on derivatives of \$(0.8) million and \$4.1 million, respectively.

17. Fair Value of Financial Instruments

The following estimated fair values have been determined by Syncora Guarantee using available market information and appropriate valuation methodologies. However, considerable judgment is necessary to interpret the data to develop the estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amount Syncora Guarantee could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

Bonds: The fair value of bonds were provided by the Securities Valuation Office of the NAIC, except for uninsured cash flows for which fair value was determined using internal models.

Common and preferred stocks: The fair value of common stock and preferred stock is based upon quoted market prices.

Cash, cash equivalents, restricted cash and short-term investments: The carrying amounts of these items are a reasonable estimate of their fair value.

Other invested assets: Other invested assets consists of investments in limited partnerships and limited liability companies. Limited partnership interests are generally valued based on each partner's proportionate share of net asset value determined by quoted prices. Investments in limited liability companies are generally valued using an equity method based on the proportionate share of ownership.

Derivative instruments: The fair value of derivative assets and liabilities is the indicative price Syncora Guarantee would receive to sell the derivative or the indicative price Syncora Guarantee would pay upon the transfer of a liability in an arms-length transaction between willing market participants. The Company's investment manager uses third party pricing services to calculate the fair value of its derivative instruments.

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Receivables from and payables to parent and affiliates: The carrying amounts of these items approximate fair value due to the short-term nature of these instruments.

Financial Guarantee Insurance Contracts: The Company believes that the best estimate of fair value for its insurance contracts is the discounted expected premiums less the discounted expected losses over the remaining life of each contract. To determine this fair value the Company utilized a discounted cash flow model based on inputs that include assumptions of expected losses net of expected recoveries where loss reserves have been established (reserve contracts), and expected premiums and losses where loss reserves have not been recognized (non-reserve contracts). For non-reserve contracts, estimates of expected loss are driven by assumptions as to default and loss given default rates for each contract. Market-based discount rates that are credit adjusted for the premium payer and the Company's own credit risk are applied to the premium and loss cash flows, respectively, to ultimately determine the contracts fair value. The inputs used in determining fair value were mostly unobservable and as a result the fair value could change materially.

The carrying amounts and estimated fair values of Syncora Guarantee's financial instruments at December 31, 2023 and 2022 were as follows:

| | <u>Carrying Amount</u> | | <u>Estimated Fair Value</u> | |
|--|------------------------|-------------|-----------------------------|-------------|
| <i>(U.S. Dollars in thousands)</i> | <u>2023</u> | <u>2022</u> | <u>2023</u> | <u>2022</u> |
| Assets | | | | |
| Bonds | \$ 215,490 | \$ 192,650 | \$ 215,614 | \$ 191,190 |
| Common stock | 10,891 | 9,461 | 10,891 | 9,461 |
| Cash, cash equivalents, restricted cash and short-term investments | 133,462 | 175,857 | 133,462 | 175,857 |
| Derivatives | 19 | 337 | 19 | 337 |
| Other invested assets | - | 16 | - | 16 |

The Company categorizes its assets measured at fair value into the three-level fair value hierarchy as reflected in the table below. The three-level fair value hierarchy is based on the degree of subjectivity inherent in the valuation method by which fair value was determined. The three levels are defined as follows.

Fair Value Measurements

Level 1- Quoted prices for identical instruments in active markets.

Level 2- Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-derived valuations in which all significant inputs and valuation drivers are observable in active markets.

Level 3- Model-derived valuations in which one or more significant inputs or significant value drivers are unobservable.

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The following fair value hierarchy table presents the Company's assets and liabilities measured at fair value at December 31, 2023 and 2022.

| (U.S. Dollars in thousands) | Level 1 | | Level 2 | | Level 3 | | Total | |
|---|-----------|----------|-----------|-----------|----------|-----------|-----------|------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Assets at fair value - recurring | | | | | | | | |
| Common Stocks: | | | | | | | | |
| Common Stocks | \$ 10,891 | \$ 9,461 | \$ - | \$ - | \$ - | \$ - | \$ 10,891 | \$ 9,461 |
| Mutual Funds | - | - | - | - | - | - | - | - |
| Industrial & Miscellaneous | - | - | - | - | - | - | - | - |
| Other invested assets | - | - | - | - | - | 16 | - | 16 |
| Derivative instruments | - | - | 19 | - | - | 337 | 19 | 337 |
| Total assets at fair value - recurring | 10,891 | 9,461 | 19 | - | - | 353 | 10,910 | 9,814 |
| Assets at fair value - non-recurring | | | | | | | | |
| Bonds: | | | | | | | | |
| Obligations of states; territories and special revenue and assessment | - | - | 461 | 161 | - | - | 461 | 161 |
| Industrial & Miscellaneous | - | - | 38,819 | 62,316 | 6,237 | 43,563 | 45,056 | 105,879 |
| Total assets at fair value - non-recurring | - | - | 39,280 | 62,477 | 6,237 | 43,563 | 45,517 | 106,040 |
| Total assets at fair value | \$ 10,891 | \$ 9,461 | \$ 39,299 | \$ 62,477 | \$ 6,237 | \$ 43,916 | \$ 56,427 | \$ 115,854 |
| Liabilities at fair value - recurring | | | | | | | | |
| Derivative instruments | - | - | 195 | - | - | 173 | 195 | 173 |
| Total Liabilities at Fair Value | \$ - | \$ - | \$ 195 | \$ - | \$ - | \$ 173 | \$ 195 | \$ 173 |

The fair value of the Company's financial guarantee insurance contracts was \$(20.5) million and \$54.7 million at December 31, 2023 and 2022, respectively. The fair value of the Company's financial guarantee insurance contracts would be categorized into the Level 3 hierarchy since the significant inputs used were unobservable.

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The following table presents information about changes in assets measured at fair value using significant unobservable inputs (Level 3) as of December 31, 2023 and December 31, 2022 .

(U.S. Dollars in thousands)

| | Balance at December 31, 2022 | Transfers Out of Level 3 | Total Gains and (Losses) Included in Net Income | Total Gains and (Losses) Included in Surplus | Purchases | Sales | Settlements | Balance at December 31, 2023 |
|----------------------------|------------------------------------|-----------------------------|---|--|------------------|--------------------|--------------------|------------------------------------|
| Assets: | | | | | | | | |
| Fixed maturity investments | \$ 43,563 | \$ - | \$ - | \$ 2,396 | \$ 34,830 | \$ (50,466) | \$ (24,085) | \$ 6,238 |
| Derivatives | 337 | (33) | - | (304) | - | - | - | - |
| Other invested assets | 16 | - | - | (1) | - | - | (15) | - |
| Total Assets | <u>\$ 43,916</u> | <u>\$ (33)</u> | <u>\$ -</u> | <u>\$ 2,091</u> | <u>\$ 34,830</u> | <u>\$ (50,466)</u> | <u>\$ (24,100)</u> | <u>\$ 6,238</u> |
| Liabilities: | | | | | | | | |
| Derivatives | \$ 173 | \$ (405) | \$ - | \$ 232 | \$ - | \$ - | \$ - | \$ - |
| Total Assets | <u>\$ 173</u> | <u>\$ (405)</u> | <u>\$ -</u> | <u>\$ 232</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

(U.S. Dollars in thousands)

| | Balance at December 31, 2021 | Transfers Out of Level 3 | Total Gains and (Losses) Included in Net Income | Total Gains and (Losses) Included in Surplus | Purchases | Sales | Settlements | Balance at December 31, 2022 |
|----------------------------|------------------------------------|-----------------------------|---|--|------------------|--------------------|----------------|------------------------------------|
| Assets: | | | | | | | | |
| Fixed maturity investments | \$ 4,294 | \$ - | \$ - | \$ (1,048) | \$ 52,485 | \$ (12,168) | \$ - | \$ 43,563 |
| Derivatives | 58 | - | 4,920 | 279 | - | (4,920) | - | 337 |
| Other invested assets | 50 | - | - | (1) | - | - | (33) | 16 |
| Total Assets | <u>\$ 4,402</u> | <u>\$ -</u> | <u>\$ 4,920</u> | <u>\$ (770)</u> | <u>\$ 52,485</u> | <u>\$ (17,088)</u> | <u>\$ (33)</u> | <u>\$ 43,916</u> |
| Liabilities: | | | | | | | | |
| Derivatives | \$ 432 | \$ - | \$ - | \$ (259) | \$ - | \$ - | \$ - | \$ 173 |
| Total Assets | <u>\$ 432</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (259)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 173</u> |

For the year ended December 31, 2023, the Company had \$33.1 thousand transfers out of Level 3 Assets and \$405.4 thousand transfers out of Level 3 Liabilities. The transfers were made upon a review of the records of the Company's investment custodian. The Company had no transfers into or out of Level 3 or any transfers between Level 1 and Level 2 of the fair value hierarchy for the year ended December 31, 2022.

Syncora Guarantee Inc. **Notes to Statutory Basis Financial Statements** **Years Ended December 31, 2023 and 2022**

The following table reflects the fair values and admitted values of all admitted assets and liabilities that are financial instruments excluding those accounted for under the equity method as of December 31, 2023 and 2022. The fair values are also categorized into the three-level fair value hierarchy as described above.

(U.S. Dollars in thousands)

| Type of Financial Instrument | Aggregate Fair Value | | Admitted Assets | | Level 1 | | Level 2 | | Level 3 | |
|---|----------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| Financial Instruments - assets | | | | | | | | | | |
| Bonds | \$ 215,614 | \$ 191,190 | \$ 215,490 | \$ 192,650 | \$ 9,221 | \$ 10,515 | \$ 140,057 | \$ 115,487 | \$ 66,336 | \$ 65,188 |
| Cash, cash equivalents and Short-term investments | 133,462 | 175,857 | 133,462 | 175,857 | 131,834 | 175,857 | 1,628 | - | - | - |
| Common stocks | 10,891 | 9,461 | 10,891 | 9,461 | 10,891 | 9,461 | - | - | - | - |
| Derivatives | 19 | 337 | 19 | 337 | - | - | 19 | - | - | 337 |
| Other Invested Assets | - | 16 | - | 16 | - | - | - | - | - | 16 |
| Total Assets | <u>\$ 359,986</u> | <u>\$ 376,861</u> | <u>\$ 359,862</u> | <u>\$ 378,321</u> | <u>\$ 151,946</u> | <u>\$ 195,833</u> | <u>\$ 141,704</u> | <u>\$ 115,487</u> | <u>\$ 66,336</u> | <u>\$ 65,541</u> |
| Liabilities | | | | | | | | | | |
| Derivatives | \$ 195 | \$ 173 | \$ 195 | \$ 173 | \$ - | \$ - | \$ 195 | \$ - | \$ - | \$ 173 |
| Total Liabilities | <u>\$ 195</u> | <u>\$ 173</u> | <u>\$ 195</u> | <u>\$ 173</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 195</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 173</u> |

18. Other Matters

As of December 31, 2023, the Company had, in the aggregate, approximately \$15.7 million on deposit to collateralize its contractual obligations under certain agreements, including reinsurance. Of such deposits, \$4.1 million and \$11.6 million are recorded on the Statements of Admitted Assets, Liabilities and Capital and Surplus in “Other assets”, and “Restricted cash and short-term investments”, respectively.

As of December 31, 2022, the Company had, in the aggregate, approximately \$21.5 million on deposit to collateralize its contractual obligations under certain agreements, including reinsurance. Of such deposits, \$3.5 million, \$18.0 million are recorded on the Statements of Admitted Assets, Liabilities and Capital and Surplus in “Other assets”, and “Restricted cash and cash equivalents”, respectively.

In connection with the reinsurance agreement with Assured Guaranty, the Company agreed to maintain \$15.6 million on deposit through June 1, 2023.

As of December 31, 2023 and 2022, Syncora Guarantee had \$3.2 million and \$3.3 million, respectively, on deposit with a bank that acts as the trustee of trusts established in connection with the effective defeasance or, in-substance, commutation of certain of Syncora Guarantee’s RMBS securities. This deposit serves to secure Syncora Guarantee’s commitment to indemnify such bank in connection with any damages, as defined in the indemnification agreement, that the bank may suffer in conjunction with administering the aforementioned trusts. The deposit is recorded in “Other assets” on the accompanying Statements of Admitted Assets, Liabilities and Capital and Surplus.

19. Variances between Statutory Basis Accounting and GAAP Basis Accounting

The accompanying statutory basis financial statements have been prepared in conformity with NAIC SAP adjusted for NYDFS permitted practices (as discussed in Note 5), which differs in some respects from accounting principles generally accepted in the United States of America (“GAAP”). The more significant of these differences are as follows:

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

- Bonds (which consist of bonds and loan-backed securities) assigned an NAIC designation of 1 or 2 are stated at cost, adjusted for amortization of premium and accretion of discount which is calculated using the constant yield method. Bonds assigned an NAIC designation of 3 through 6 are stated at the lower of amortized cost, adjusted for amortization of premium and accretion of discount calculated using the constant yield method or, fair value. The prospective method is used to value loan-backed securities. Under GAAP, Syncora Guarantee's bonds are categorized as "available for sale" and are reported at their fair value, and unrealized appreciation or depreciation of these securities, net of applicable deferred income taxes, is credited or charged as a separate component of shareholders' equity.
- In accordance with SSAP No. 86 – "Accounting for Derivative Instruments and Hedging Activities", derivative instruments are recorded at an estimated fair value with changes in fair value recorded as unrealized gains and losses on the Statements of Admitted Assets, Liabilities and Capital and Surplus. Under GAAP, changes in fair value are recorded as unrealized gains and losses on the Statements of Operations.
- Under NAIC SAP investment income due and accrued that is greater than 90 days past due is non-admitted and charged directly to capital and surplus, whereas non-admitted assets are not recognized under GAAP (see discussion regarding admitted assets below).
- Under NAIC SAP decreases in the fair value of bond and stock investments below their carrying value which are determined to be "other than temporary" are reflected as realized losses and are recorded in the Statements of Operations. In accordance with periodic investment reviews by management, an impairment of a bond shall be considered to have occurred if it is probable that Syncora Guarantee will be unable to collect all amounts due according to the contractual terms of the security. In accordance with GAAP, any credit-related impairment on bonds Syncora Guarantee does not plan to sell and more likely than not will not be required to sell would be recognized in the Statements of Operations, with the non-credit-related impairment recognized in other comprehensive income. For other impaired bonds, where Syncora Guarantee has the intent to sell the security or where Syncora Guarantee will more likely than not be required to sell or where the entire impairment is deemed by Syncora Guarantee to be credit-related, the entire impairment is recognized in accordance with GAAP in the Statements of Operations.
- Premiums charged in connection with the issuance of Syncora Guarantee's policies are received either upfront or in installments. Such premiums are recognized as written when due. Accordingly, under NAIC SAP, future installment premiums are not recognized as receivable until they are due. Once due, installment premiums written are earned ratably over the installment period, generally one to six months, which is consistent with the expiration of the underlying risk or amortization of the underlying insured principal. Upfront premiums written are earned based on the proportion of principal and interest paid during the period, as compared to the total amount of principal and interest to be paid over the contractual life of the insured debt obligation. Under GAAP, upfront premiums are recognized as written when due and installment premiums are recognized as written at the inception of the contract along with a corresponding receivable regardless of when due. Under GAAP, financial guarantee insurance premiums (both upfront and installment premiums) are earned at a constant rate calculated based on the relationship between the insured principal outstanding in a given reporting period compared with the sum of each of the insured principal amounts outstanding for all periods.
- In accordance with NAIC SAP, a statutorily mandated contingency reserve is established net of reinsurance by an appropriation of unassigned surplus and is reflected in the Statements of Admitted Assets, Liabilities and Capital and Surplus. Under GAAP, contingency reserves are not recognized.
- In accordance with a NYDFS permitted practice, the Insurance Cash Flow Certificates are recorded as paid losses. Under GAAP, since the Insurance Cash Flow Certificates do not legally extinguish

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

the RMBS or other insured securities, the Company regards the effective purchase of the Insurance Cash Flow Certificates as providing protection on the underlying securities upon the occurrence of an event of default and consequently follows reinsurance accounting principles.

- Under NAIC SAP reserves for losses and loss adjustment expenses on insured business are reported net of reinsurance loss recoverables established by Syncora Guarantee with respect to a specific policy and are generally discounted at a rate reflecting the book yield to maturity on the Syncora Guarantee's invested assets at year-end. In accordance with GAAP, reserves for losses are recognized at the measurement date on a contract by contract basis based on the weighted average probability of net cash outflows to be paid under the contract, on a present value basis, to the extent that the reserve, so determined, exceeds the unearned premium revenue attributable to such contract at the measurement date. In addition under GAAP, reserves for losses are discounted based on a risk free rate of interest commensurate with the expected duration of the related insurance contract and are reported net of unearned premium revenue and gross of reinsurance recoverables.
- Under NAIC SAP assets and liabilities relating to reinsurance are reported on a net basis. Under GAAP, these reinsurance balances are required to be reported on a gross basis.
- Syncora Guarantee accounts for its insurance of CDS contracts issued by the affiliated trusts as insurance under NAIC SAP. Under GAAP, insurance of CDS contracts are accounted for as derivative financial instruments and are carried at fair value with changes in fair value included in net income.
- Under NAIC SAP a net deferred tax asset is recorded only to the extent it is expected to be realized in accordance with the applicable statutory accounting for income taxes. Amounts in excess of such limit are recorded as non-admitted assets. Changes in the admitted deferred tax asset or liability are recorded directly to unassigned surplus. In addition, a valuation allowance is recorded when it is more likely than not that all, or some portion, of the benefits related to deferred tax assets will not be realized. Under GAAP, deferred taxes are recorded for any temporary differences between the tax basis of assets and liabilities to the extent it is more likely than not that deferred tax assets are realizable, with changes in deferred tax assets and liabilities recorded as a component of net income tax expense, except for changes in unrealized gains and losses on available for sale securities.
- Under NAIC SAP certain assets are non-admitted and charged directly to unassigned surplus. Under GAAP, these amounts are typically reflected as assets.
- In accordance with NAIC SAP, surplus notes are recorded as a component of capital and surplus, while under GAAP, surplus notes are recorded as notes payable.
- Under NAIC SAP, acquisition costs are charged to operations as incurred rather than GAAP's requirement to defer and amortize the costs as the related premiums are earned.
- Variable interest entities are not consolidated by the primary beneficiary under statutory requirements.

Syncora Guarantee Inc.
Notes to Statutory Basis Financial Statements
Years Ended December 31, 2023 and 2022

20. Subsequent Events

The Company has evaluated all subsequent events through May 31, 2024, the date the financial statements were available to be issued. There were no material events occurring subsequent to December 31, 2023 that required recognition or disclosure.

Appendix A

SUMMARY INVESTMENT SCHEDULE

| Investment Categories | | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | | | |
|-----------------------|---|------------------------------|--------------------------------------|--|--|---------------------------------|--------------------------------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 |
| | | Amount | Percentage of Column 1 Line 13 | Amount | Securities Lending Reinvested Collateral Amount | Total (Col. 3 + 4) Amount | Percentage of Column 5 Line 13 |
| 1. | Long-Term Bonds (Schedule D, Part 1): | | | | | | |
| 1.01 | U.S. governments | 9,613,819 | 2.659 | 9,613,819 | | 9,613,819 | 2.659 |
| 1.02 | All other governments | | | | | | |
| 1.03 | U.S. states, territories and possessions, etc. guaranteed | | | | | | |
| 1.04 | U.S. political subdivisions of states, territories and possessions, guaranteed | 786,599 | 0.218 | 786,599 | | 786,599 | 0.218 |
| 1.05 | U.S. special revenue and special assessment obligations, etc. non-guaranteed | 11,903,036 | 3.292 | 11,903,036 | | 11,903,036 | 3.292 |
| 1.06 | Industrial and miscellaneous | 114,371,825 | 31.629 | 114,371,825 | | 114,371,825 | 31.629 |
| 1.07 | Hybrid securities | 14,016,250 | 3.876 | 14,016,250 | | 14,016,250 | 3.876 |
| 1.08 | Parent, subsidiaries and affiliates | | | | | | |
| 1.09 | SVO identified funds | | | | | | |
| 1.10 | Unaffiliated bank loans | 64,798,019 | 17.920 | 64,798,019 | | 64,798,019 | 17.920 |
| 1.11 | Unaffiliated certificates of deposit | | | | | | |
| 1.12 | Total long-term bonds | 215,489,548 | 59.593 | 215,489,548 | | 215,489,548 | 59.593 |
| 2. | Preferred stocks (Schedule D, Part 2, Section 1): | | | | | | |
| 2.01 | Industrial and miscellaneous (Unaffiliated) | | | | | | |
| 2.02 | Parent, subsidiaries and affiliates | | | | | | |
| 2.03 | Total preferred stocks | | | | | | |
| 3. | Common stocks (Schedule D, Part 2, Section 2): | | | | | | |
| 3.01 | Industrial and miscellaneous Publicly traded (Unaffiliated) | 10,891,461 | 3.012 | 10,891,461 | | 10,891,461 | 3.012 |
| 3.02 | Industrial and miscellaneous Other (Unaffiliated) | | | | | | |
| 3.03 | Parent, subsidiaries and affiliates Publicly traded | | | | | | |
| 3.04 | Parent, subsidiaries and affiliates Other | | | | | | |
| 3.05 | Mutual Funds | | | | | | |
| 3.06 | Unit investment trusts | | | | | | |
| 3.07 | Closed-end funds | | | | | | |
| 3.08 | Exchange traded funds | | | | | | |
| 3.09 | Total common stocks | 10,891,461 | 3.012 | 10,891,461 | | 10,891,461 | 3.012 |
| 4. | Mortgage loans (Schedule B): | | | | | | |
| 4.01 | Farm mortgages | | | | | | |
| 4.02 | Residential mortgages | | | | | | |
| 4.03 | Commercial mortgages | | | | | | |
| 4.04 | Mezzanine real estate loans | | | | | | |
| 4.05 | Total valuation allowance | | | | | | |
| 4.06 | Total mortgage loans | | | | | | |
| 5. | Real estate (Schedule A): | | | | | | |
| 5.01 | Properties occupied by company | | | | | | |
| 5.02 | Properties held for production of income | | | | | | |
| 5.03 | Properties held for sale | | | | | | |
| 5.04 | Total real estate | | | | | | |
| 6. | Cash, cash equivalents and short-term investments: | | | | | | |
| 6.01 | Cash (Schedule E, Part 1) | 15,249,814 | 4.217 | 15,249,814 | | 15,249,814 | 4.217 |
| 6.02 | Cash equivalents (Schedule E, Part 2) | 42,047,982 | 11.628 | 42,047,982 | | 42,047,982 | 11.628 |
| 6.03 | Short-term investments (Schedule DA) | 76,163,919 | 21.063 | 76,163,919 | | 76,163,919 | 21.063 |
| 6.04 | Total Cash, cash equivalents and short-term investments | 133,461,715 | 36.909 | 133,461,715 | | 133,461,715 | 36.909 |
| 7. | Contract loans | | | | | | |
| 8. | Derivatives (Schedule DB) | 19,406 | 0.005 | 19,406 | | 19,406 | 0.005 |
| 9. | Other invested assets (Schedule BA) | | | | | | |
| 10. | Receivables for securities | 1,087,002 | 0.301 | 1,087,002 | | 1,087,002 | 0.301 |
| 11. | Securities Lending (Schedule DL, Part 1) | | | | X X X | X X X | X X X |
| 12. | Other invested assets (Page 2, Line 11) | 650,551 | 0.180 | 650,551 | | 650,551 | 0.180 |
| 13. | Total invested assets | 361,599,683 | 100.000 | 361,599,683 | | 361,599,683 | 100.000 |

Appendix B



SUPPLEMENTAL INVESTMENT RISKS INTERROGATORIES

For the year ended DECEMBER 31, 2023
(To Be Filed by April 1)

Of The SYNCORA GUARANTEE INC.
Address (City, State, Zip Code) New York, NY, 10017
NAIC Group Code 0000 NAIC Company Code 20311 Employer's ID Number 13-3635895

The Investment Risks Interrogatories are to be filed by April 1. They are also to be included with the Audited Statutory Financial Statements.
Answer the following interrogatories by reporting the applicable U. S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments.

1. Reporting entity's total admitted assets as reported on Page 2 of this annual statement. \$..... 391,664,755

| 1 | 2 | 3 | 4 |
|--|-------------------------------|------------------|-------------------------------------|
| Issuer | Description of Exposure | Amount | Percentage of Total Admitted Assets |
| 2. Ten largest exposures to a single issuer/borrower/investment. | | | |
| 2.01 OPTION ONE MORTGAGE LOAN TRUST | BOND | 31,585,115 | 8.064 |
| 2.02 FIDELITY INV MMKT GOVT-I | MONEY MARKET FUND | 11,395,464 | 2.909 |
| 2.03 FRONTIER COMMUNICATIONS | BOND | 7,306,125 | 1.865 |
| 2.04 DREYFUS MMK | MONEY MARKET FUND | 7,141,465 | 1.823 |
| 2.05 BAUSCH HEALTH COS | BANK LOAN, EQUITY, BOND | 6,973,407 | 1.780 |
| 2.06 GLDMN SCHS FIN SQ GV-FST | MONEY MARKET FUND | 6,071,328 | 1.550 |
| 2.07 JP MORGAN US GOVT MM FUND 3164 | MONEY MARKET FUND | 5,548,882 | 1.417 |
| 2.08 BLCKRCK LIQ FDFND-INST | MONEY MARKET FUND | 4,612,421 | 1.178 |
| 2.09 CLOUD SOFTWARE GROUP INC | BOND | 4,580,870 | 1.170 |
| 2.10 SUPERIOR ENERGY EQUITY NEW | EQUITY | 4,088,695 | 1.044 |

| NAIC Designation | 1 Amount | 2 Percent |
|--|-------------------|--------------|
| 3. Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC designation. | | |
| Bonds | | |
| 3.01 NAIC 1 | 120,212,134 | 30.693 |
| 3.02 NAIC 2 | 7,939,604 | 2.027 |
| 3.03 NAIC 3 | 40,708,768 | 10.394 |
| 3.04 NAIC 4 | 67,087,165 | 17.129 |
| 3.05 NAIC 5 | 16,763,284 | 4.280 |
| 3.06 NAIC 6 | 38,942,512 | 9.943 |
| Preferred Stocks | | |
| 3.07 NAIC 1 ..... | ..... | ..... |
| 3.08 NAIC 2 ..... | ..... | ..... |
| 3.09 NAIC 3 ..... | ..... | ..... |
| 3.10 NAIC 4 ..... | ..... | ..... |
| 3.11 NAIC 5 ..... | ..... | ..... |
| 3.12 NAIC 6 ..... | ..... | ..... |

4. Assets held in foreign investments:
4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets? Yes[] No[X]
If response to 4.01 above is yes, responses are not required for interrogatories 5 - 10.

| | 1 Amount | 2 Percent |
|--|------------------|--------------|
| 4.02 TOTAL admitted assets held in foreign investments | 37,664,486 | 9.617 |
| 4.03 Foreign-currency-denominated investments ..... | ..... | ..... |
| 4.04 Insurance liabilities denominated in that same foreign currency ..... | ..... | ..... |

| NAIC Sovereign Designation | 1 Amount | 2 Percent |
|---|------------------|--------------|
| 5. Aggregate foreign investment exposure categorized by NAIC sovereign designation: | | |
| 5.01 Countries designated NAIC 1 | 34,398,172 | 8.783 |
| 5.02 Countries designated NAIC 2 | 1,412,586 | 0.361 |
| 5.03 Countries designated NAIC 3 or below | 1,853,728 | 0.473 |

SUPPLEMENTAL INVESTMENT RISK INTERROGATORIES (Continued)

| NAIC Sovereign Designation | | 1 Amount | 2 Percent |
|---------------------------------------|---|-------------|--------------|
| 6. | Largest foreign investment exposures by country, categorized by the country's NAIC sovereign designation: | | |
| Countries designated NAIC 1: | | | |
| 6.01 | UNITED KINGDOM | 8,050,320 | 2.055 |
| 6.02 | CAYMAN ISLANDS | 5,235,346 | 1.337 |
| Countries designated NAIC 2: | | | |
| 6.03 | PANAMA | 834,446 | 0.213 |
| 6.04 | MEXICO | 578,140 | 0.148 |
| Countries designated NAIC 3 or below: | | | |
| 6.05 | JAMAICA | 1,853,728 | 0.473 |
| 6.06 | ..... |  |  |

| Description | | 1 Amount | 2 Percent |
|-------------|--|-------------|--------------|
| 7. | Aggregate unhedged foreign currency exposure | | |

| NAIC Sovereign Designation | | 1 Amount | 2 Percent |
|----------------------------|---|-------------|--------------|
| 8. | Aggregate unhedged foreign currency exposure categorized by NAIC sovereign designation: | | |
| 8.01 | Countries designated NAIC 1 | | |
| 8.02 | Countries designated NAIC 2 | | |
| 8.03 | Countries designated NAIC 3 or below | | |

| NAIC Sovereign Designation | | 1 Amount | 2 Percent |
|---------------------------------------|--|-------------|--------------|
| 9. | Largest unhedged foreign currency exposures by country, categorized by the country's NAIC sovereign designation: | | |
| Countries designated NAIC 1: | | | |
| 9.01 | ..... |  |  |
| 9.02 | ..... |  |  |
| Countries designated NAIC 2: | | | |
| 9.03 | ..... |  |  |
| 9.04 | ..... |  |  |
| Countries designated NAIC 3 or below: | | | |
| 9.05 | ..... |  |  |
| 9.06 | ..... |  |  |

| 1 Issuer | 2 NAIC Designation | 3 Amount | 4 Percent |
|-------------|---|--------------------------------|-----------------|
| 10. | Ten largest non-sovereign (i.e. non-governmental) foreign issues: | | |
| 10.01 | ENDO LUXEMBOURG FINANCE CO I SARL / ENDO .. | 6, Common Stock | 2,510,080 |
| 10.02 | SHELF DRILLING NORTH SEA HOLDINGS LTD | 4,6 | 2,098,810 |
| 10.03 | BAWAG GROUP AG | 2BFE, 3AFE, Common Stock | 2,020,121 |
| 10.04 | SEADRILL FINANCE LTD | 3CFE | 2,000,000 |
| 10.05 | LLOYDS BANKING GROUP PLC | 2CFE | 1,968,721 |
| 10.06 | VODAFONE GROUP PLC | Common Stock | 1,937,443 |
| 10.07 | SVF II FINCO 12/21 TL | 6 | 1,726,271 |
| 10.08 | DIGICEL INTERNATIONAL FINANCE LTD/DIGICE | 5A, 6 | 1,627,727 |
| 10.09 | GLOBAL BLUE 11/23 TL | 6 | 1,422,129 |
| 10.10 | TEVA PHARMACEUTICAL FINANCE NETHERLANDS | 3CFE | 1,220,353 |

11. Amounts and percentages of the reporting entity's total admitted assets held in Canadian investments and unhedged Canadian currency exposure:
- 11.01 Are assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets?
- If response to 11.01 is yes, detail is not required for the remainder of Interrogatory 11.
- Yes[X] No[]

| Description | | 1 Amount | 2 Percent |
|-------------|--|-------------|--------------|
| 11.02 | TOTAL admitted assets held in Canadian Investments | | |
| 11.03 | Canadian-currency-denominated investments | | |
| 11.04 | Canadian-denominated insurance liabilities | | |
| 11.05 | Unhedged Canadian currency exposure | | |

12. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions.
- 12.01 Are assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets?
- If response to 12.01 is yes, responses are not required for the remainder of Interrogatory 12.
- Yes[] No[X]

SUPPLEMENTAL INVESTMENT RISK INTERROGATORIES (Continued)

| 1 | 2 | 3 |
|--|------------|---------|
| Contractual Sales Restrictions | Amount | Percent |
| 12.02 Aggregate statement value of investments with contractual sales restrictions | 15,682,732 | 4.004 |
| Largest 3 investments with contractual sales restrictions: | | |
| 12.03 U S TREASURY BILL | 11,182,794 | 2.855 |
| 12.04 BNYM RMBS INDEMNIFICATION A/C | 3,199,557 | 0.817 |
| 12.05 SWAP COLLATERAL | 843,087 | 0.215 |

13. Amounts and percentages of admitted assets held in the ten largest equity interests:

13.01 Are assets held in equity interest less than 2.5% of the reporting entity's total admitted assets?

Yes[] No[X]

If response to 13.01 is yes, responses are not required for the remainder of Interrogatory 13.

| 1 | 2 | 3 |
|--|-----------|---------|
| Issuer | Amount | Percent |
| Assets held in equity interests: | | |
| 13.02 SUPERIOR ENERGY EQUITY NEW | 4,088,695 | 1.044 |
| 13.03 BAUSCH HEALTH COS INC | 3,408,179 | 0.870 |
| 13.04 VODAFONE GROUP PLC | 1,937,443 | 0.495 |
| 13.05 BAWAG GROUP AG | 892,168 | 0.228 |
| 13.06 MALLINCKRODT PVE REST | 237,636 | 0.061 |
| 13.07 VODAFONE GROUP PLC | 235,091 | 0.060 |
| 13.08 YELLOW PAGES LTD/CANADA | 69,102 | 0.018 |
| 13.09 ENDO RIGHTS BACKSTOP | 23,147 | 0.006 |
| 13.10 | | |
| 13.11 | | |

14. Amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities:

14.01 Are assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets?

Yes[X] No[]

If response to 14.01 above is yes, responses are not required for 14.02 through 14.05.

| 1 | 2 | 3 |
|---|--------|---------|
| Investment Category | Amount | Percent |
| 14.02 Aggregate statement value of investments held in nonaffiliated, privately placed equities | | |
| Largest 3 investments held in nonaffiliated, privately placed equities: | | |
| 14.03 | | |
| 14.04 | | |
| 14.05 | | |

| Ten Largest Fund Managers | | | |
|---------------------------|----------------|-------------|-----------------|
| 1 | 2 | 3 | 4 |
| Fund Manager | Total Invested | Diversified | Non-Diversified |
| 14.06 | | | |
| 14.07 | | | |
| 14.08 | | | |
| 14.09 | | | |
| 14.10 | | | |
| 14.11 | | | |
| 14.12 | | | |
| 14.13 | | | |
| 14.14 | | | |
| 14.15 | | | |

15. Amounts and percentages of the reporting entity's total admitted assets held in general partnership interests:

15.01 Are assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets?

Yes[X] No[]

If response to 15.01 above is yes, responses are not required for the remainder of Interrogatory 15.

| 1 | 2 | 3 |
|--|--------|---------|
| Investments in General Partnerships | Amount | Percent |
| 15.02 Aggregate statement value of investments held in general partnership interests | | |
| Largest 3 investments in general partnership interests: | | |
| 15.03 | | |
| 15.04 | | |
| 15.05 | | |

16. Amounts and percentages of the reporting entity's total admitted assets held in mortgage loans:

16.01 Are mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets?

Yes[X] No[]

If response to 16.01 above is yes, responses are not required for the remainder of Interrogatory 16 and Interrogatory 17.

SUPPLEMENTAL INVESTMENT RISK INTERROGATORIES (Continued)

| 1 Type (Residential, Commercial, Agricultural) | 2 Amount | 3 Percent |
|---|-------------|--------------|
| 16.02 | | |
| 16.03 | | |
| 16.04 | | |
| 16.05 | | |
| 16.06 | | |
| 16.07 | | |
| 16.08 | | |
| 16.09 | | |
| 16.10 | | |
| 16.11 | | |

| Description | Loans | |
|---|-------------|--------------|
| | 2 Amount | 3 Percent |
| Amount and percentage of the reporting entity's total admitted assets held in the following categories of mortgage loans: | | |
| 16.12 Construction loans | | |
| 16.13 Mortgage loans over 90 days past due | | |
| 16.14 Mortgage loans in the process of foreclosure | | |
| 16.15 Mortgage loans foreclosed | | |
| 16.16 Restructured mortgage loans | | |

| Loan-to-Value | Residential | | Commercial | | Agricultural | |
|---|-------------|--------------|-------------|--------------|--------------|--------------|
| | 1 Amount | 2 Percent | 3 Amount | 4 Percent | 5 Amount | 6 Percent |
| 17. Aggregate mortgage loans having the following loan-to-value ratios as determined from the most current appraisal as of the annual statement date: | | | | | | |
| 17.01 Above 95% | | | | | | |
| 17.02 91% to 95% | | | | | | |
| 17.03 81% to 90% | | | | | | |
| 17.04 71% to 80% | | | | | | |
| 17.05 Below 70% | | | | | | |

18. Amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in real estate:
- 18.01 Are assets held in real estate reported less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[]
- If response to 18.01 above is yes, responses are not required for the remainder of Interrogatory 18.

| 1 Description | 2 Amount | 3 Percent |
|---|-------------|--------------|
| Largest five investments in any one parcel or group of contiguous parcels of real estate: | | |
| 18.02 | | |
| 18.03 | | |
| 18.04 | | |
| 18.05 | | |
| 18.06 | | |

19. Report aggregate amounts and percentages of the reporting entity's total admitted assets held in investments held in mezzanine real estate loans:
- 19.01 Are assets held in investments held in mezzanine real estate loans less than 2.5% of the reporting entity's total admitted assets? Yes[X] No[]
- If response to 19.01 is yes, responses are not required for the remainder of Interrogatory 19.

| 1 Description | 2 Amount | 3 Percent |
|---|-------------|--------------|
| 19.02 Aggregate statement value of investments held in mezzanine real estate loans: | | |
| Largest three investments held in mezzanine real estate loans: | | |
| 19.03 | | |
| 19.04 | | |
| 19.05 | | |

| Description | At Year-End | | At End of Each Quarter | | |
|---|-------------|--------------|------------------------|--------------|--------------|
| | 1 Amount | 2 Percent | 3 1st Qtr | 4 2nd Qtr | 5 3rd Qtr |
| 20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements: | | | | | |
| 20.01 Securities lending agreements (do not include assets held as collateral for such transactions) | | | | | |
| 20.02 Repurchase agreements | | | | | |
| 20.03 Reverse repurchase agreements | | | | | |
| 20.04 Dollar repurchase agreements | | | | | |
| 20.05 Dollar reverse repurchase agreements | | | | | |

SUPPLEMENTAL INVESTMENT RISK INTERROGATORIES (Continued)

| Description | | Owned | | Written | |
|-------------|--|-------------|--------------|-------------|--------------|
| | | 1 Amount | 2 Percent | 3 Amount | 4 Percent |
| 21. | Amounts and percentages of the reporting entity's total admitted assets for warrants not attached to other financial instruments, options, caps, and floors: | | | | |
| 21.01 | Hedging | | | | |
| 21.02 | Income generation | | | | |
| 21.03 | Other | | | | |

| Description | | At Year-End | | At End of Each Quarter | | |
|-------------|---|-------------|--------------|------------------------|--------------|--------------|
| | | 1 Amount | 2 Percent | 3 1st Qtr | 4 2nd Qtr | 5 3rd Qtr |
| 22. | Amounts and percentages of the reporting entity's total admitted assets of potential exposure for collars, swaps, and forwards: | | | | | |
| 22.01 | Hedging | 114,319 | 0.029 | 137,793 | 149,407 | 97,750 |
| 22.02 | Income generation | | | | | |
| 22.03 | Replications | | | | | |
| 22.04 | Other | | | | | |

| Description | | At Year-End | | At End of Each Quarter | | |
|-------------|--|-------------|--------------|------------------------|--------------|--------------|
| | | 1 Amount | 2 Percent | 3 1st Qtr | 4 2nd Qtr | 5 3rd Qtr |
| 23. | Amounts and percentages of the reporting entity's total admitted assets of potential exposure for futures contracts: | | | | | |
| 23.01 | Hedging | | | | | |
| 23.02 | Income generation | | | | | |
| 23.03 | Replications | | | | | |
| 23.04 | Other | | | | | |

Appendix C



REINSURANCE ATTESTATION SUPPLEMENT

The Chief Executive Officer and Chief Financial Officer shall attest, under penalties of perjury, with respect to all reinsurance contracts for which the reporting entity is taking credit on its current financial statement, that to the best of their knowledge and belief after diligent inquiry:

- (I) Consistent with SSAP No. 62R, Property and Casualty Reinsurance, there are no separate written or oral agreements between the reporting entity (or its affiliates or companies it controls) and the assuming reinsurer that would under any circumstances, reduce, limit, mitigate or otherwise affect any actual or potential loss to the parties under the reinsurance contract, other than inuring contracts that are explicitly defined in the reinsurance contract except as disclosed herein;
- (II) For each such reinsurance contract entered into, renewed, or amended on or after January 1, 1994, for which risk transfer is not reasonably considered to be self-evident, documentation concerning the economic intent of the transaction and the risk transfer analysis evidencing the proper accounting treatment, as required by SSAP No. 62R, Property and Casualty Reinsurance, is available for review;
- (III) The reporting entity complies with all the requirements set forth in SSAP No. 62R, Property and Casualty Reinsurance; and
- (IV) The reporting entity has appropriate controls in place to monitor the use of reinsurance and adhere to the provisions of SSAP No. 62R, Property and Casualty Reinsurance.


If there are any exception(s), that fact should be noted in the Reinsurance Attestation Supplement filed electronically with the NAIC and in hard copy with the domestic regulator (excluding the details of the exceptions). The details of the exceptions shall be filed in a separate hard copy supplement (Exceptions to the Reinsurance Attestation Supplement) with the domestic regulator.

For reporting period ended December 31, 2023

Signed:



Chief Executive Officer 2-14-2024
Date



General Counsel 02-14-2024
Date

Appendix D



REINSURANCE SUMMARY SUPPLEMENTAL FILING FOR GENERAL INTERROGATORY 9 (Part 2)

For The Year Ended DECEMBER 31, 2023

NAIC Group Code 0000 To Be Filed by March 1 NAIC Company Code 20311

| (A) Financial Impact | | | |
|--|--------------|---------------------------------------|---|
| | 1 | 2 | 3 |
| | As Reported | Interrogatory 9 Reinsurance Effect | Restated without Interrogatory 9 Reinsurance |
| A01. Assets | 391,664,755 | (159,864,401) | 551,529,156 |
| A02. Liabilities | 84,895,845 | (106,839,451) | 191,735,296 |
| A03. Surplus as regards to policyholders | 306,768,910 | (53,024,950) | 359,793,860 |
| A04. Income before taxes | (72,266,849) | (9,721,758) | (62,545,091) |

| (B) Summary of Reinsurance Contract Terms | (C) Management's Objectives |
|--|---|
| On June 1, 2018, Syncora Guarantee Inc. closed the reinsurance transaction with Assured Guaranty Corp. ("Assured Guaranty") pursuant to which Assured Guaranty agreed to provide reinsurance, generally on a 100% quota share basis, to Syncora Guarantee Inc. of approximately \$12.1 billion of net par outstanding of Syncora Guarantee Inc.-insured financial guaranty insurance policies, representing approximately 92% of Syncora Guarantee Inc.'s outstanding insured exposure as of June 30, 2018. | 1) To cap insured exposure of Syncora Guarantee Inc. |

D. If the response to General Interrogatory 9.4 (Part 2 Property & Casualty Interrogatories) is yes, explain below why the contracts are treated differently for GAAP and SAP.: