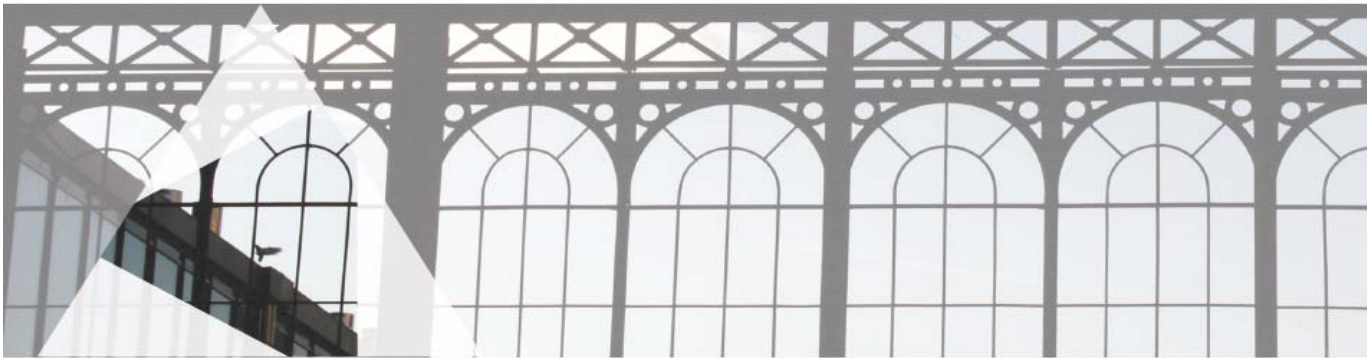


**Syncora Guarantee Inc.  
Syncora Capital Assurance Inc.**

**4<sup>TH</sup> QUARTER 2009  
OPERATING SUPPLEMENT**



# Syncora Guarantee Inc. Syncora Capital Assurance Inc. Index

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**Notes:**

All information herein is presented on a statutory basis unless otherwise specified.  
Numbers throughout the document may not add due to rounding.

# Syncora Guarantee Inc. Syncora Capital Assurance Inc. Certain Definitions

**Leverage ratio<sup>1</sup>**

Total claims paying resources divided by net par outstanding.

**Net par outstanding**

Aggregate principal value of insurance policies and credit derivative contracts insured at the end of the reporting period, reduced by cessions to reinsurers.

**Net premiums written**

Direct premiums written plus assumed reinsurance premiums less ceded reinsurance premiums.

**Net present value of future installment premiums on insurance policies and credit derivative contracts<sup>1</sup> (NPVFIP)**

Estimated installment premiums written on insurance policies and credit derivative contracts anticipated to be earned in future periods on policies in force, reduced by planned cessions to reinsurers, plus associated ceding commissions received from reinsurers, discounted at 7%. NPVFIP is a management estimate which can be negatively affected by prepayments, early terminations, credit losses or other factors.

**Net principal and interest outstanding**

Aggregate principal value of insurance policies and credit derivative contracts insured at the end of the reporting period including all future interest payable on obligations, reduced by cessions to reinsurers.

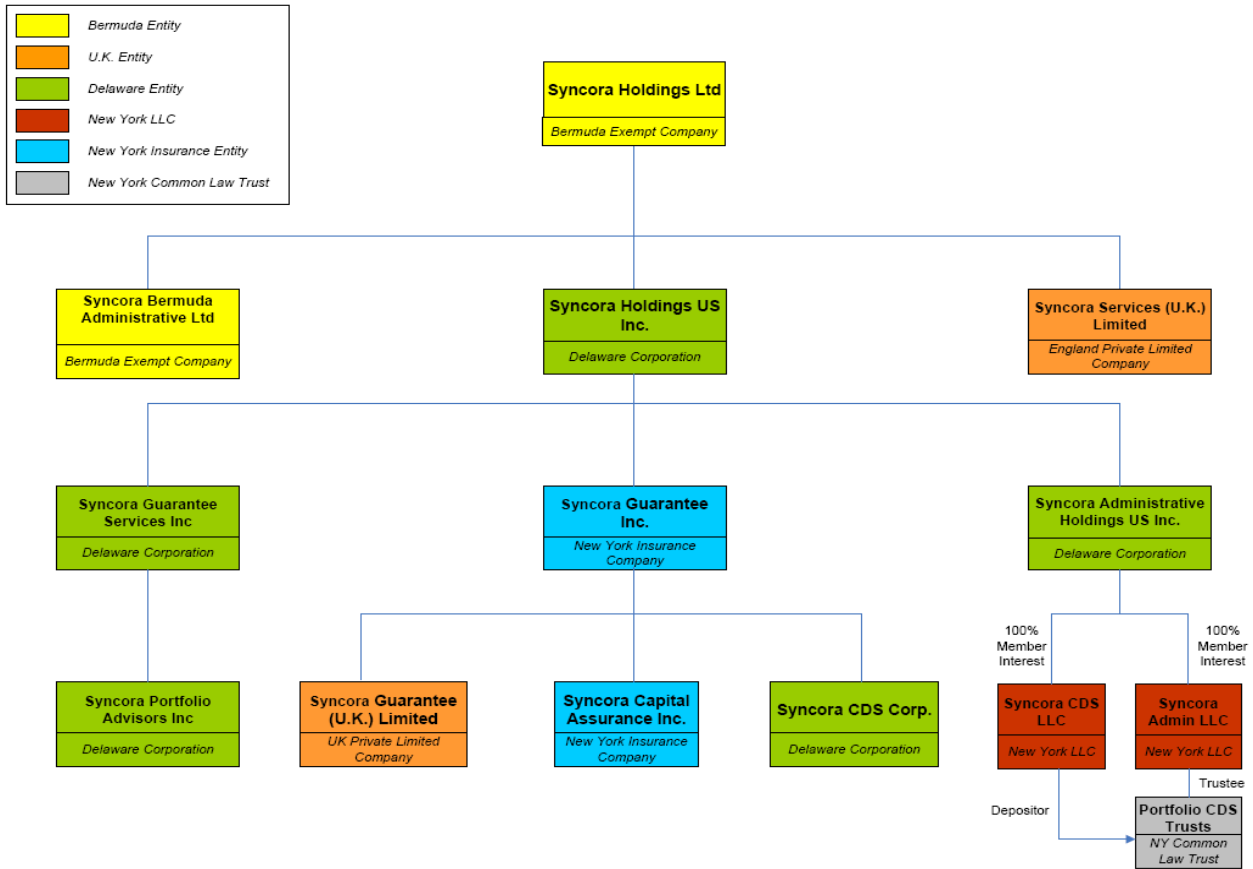
**Net present value of future installment premiums<sup>1</sup> (NPVFIP)**

Expected future installment premiums discounted at 7% on insurance policies and credit derivative contracts written.

**Note:**

<sup>1</sup>Includes certain management estimates.

# Syncora Legal Entity Structure



## Assets, Liabilities, Surplus/(Deficit) and Other Funds (U.S. dollars in thousands)

### Syncora Guarantee Inc.

	As of		
	6/30/2009	9/30/2009	12/31/2009
<b>Assets</b>			
Cash, cash equivalents and short-term investments	\$ 2,105,039	\$ 419,567	\$ 420,543
Bonds	1,017,764	167,600	158,778
Uninsured cash flow certificates	-	100,566	104,028
XL Capital common stock	91,680	-	-
Investment in subsidiary - Syncora Guarantee (UK)	38,795	41,305	42,558
Investment in subsidiary - Syncora Capital Assurance	-	268,764	202,778
Receivables for securities	168	-	-
Subtotal, cash and invested assets	<u>3,253,446</u>	<u>997,803</u>	<u>928,684</u>
Investment income due and accrued	13,384	3,061	4,240
Uncollected premiums	11,857	6,195	4,926
Collateral deposit	13,400	14,600	12,000
Assets received as salvage	184,191	187,133	187,229
Other assets	6,566	2,611	8,044
Total Assets	<u>3,482,844</u>	<u>1,211,404</u>	<u>1,145,123</u>
<b>Liabilities, Surplus and Other Funds</b>			
Losses and loss adjustment expenses	2,940,451	663,891	601,431
Unearned premiums	721,596	276,323	267,146
Payable to parent, subsidiaries and affiliates	22,173	16,011	14,880
Retroactive reinsurance reserves ceded	-	(93,444)	-
Mandatory contingency reserve	291,276	108,857	104,802
Other liabilities	52,033	58,003	57,153
Total Liabilities	<u>4,027,529</u>	<u>1,029,641</u>	<u>1,045,413</u>
Special surplus from retroactive reinsurance	-	53,444	-
Surplus notes	-	625,000	625,000
Preferred capital stock	200,000	200,000	200,000
Common capital stock and unassigned funds (surplus)	(744,685)	(696,681)	(725,290)
Surplus/(Deficit) as regards policyholders	(544,685)	181,763	99,711
Total Liabilities, Surplus/(Deficit) and Other Funds	<u>\$ 3,482,844</u>	<u>\$ 1,211,404</u>	<u>\$ 1,145,123</u>

### Syncora Capital Assurance Inc.

	As of		
	7/15/2009	9/30/2009	12/31/2009
<b>Assets</b>			
Cash, cash equivalents and short-term investments	\$ 83,042	\$ 199,794	\$ 238,276
Bonds	823,751	695,498	675,156
Receivables for securities	-	29,961	-
Subtotal, cash and invested assets	<u>906,793</u>	<u>925,253</u>	<u>913,433</u>
Investment income due and accrued	-	5,839	5,955
Uncollected premiums	-	5,479	6,514
Net deferred tax asset	-	-	25,876
Other assets	10,260	5,000	2,500
Total Assets	<u>917,053</u>	<u>941,571</u>	<u>954,277</u>
<b>Liabilities, Surplus and Other Funds</b>			
Losses	-	-	81,000
Unearned premiums	436,967	431,116	415,763
Payable to parent, subsidiaries and affiliates	1,231	3,777	30,988
Payable for securities	-	12,915	-
Mandatory contingency reserve	187,218	193,954	193,241
Other liabilities	10,260	9,770	11,335
Total Liabilities	<u>635,675</u>	<u>651,532</u>	<u>732,328</u>
Surplus notes	350,000	350,000	350,000
Common capital stock and unassigned funds (surplus)	(68,623)	(59,961)	(128,051)
Surplus as regards policyholders	281,377	290,039	221,949
Total Liabilities, Surplus and Other Funds	<u>\$ 917,053</u>	<u>\$ 941,571</u>	<u>\$ 954,277</u>

# Statement of Income

## (U.S. dollars in thousands)

### Syncora Guarantee Inc.

	Three Months Ended			Twelve Months Ended	
	6/30/2009	9/30/2009	12/31/2009	12/31/2009	
Net premiums written	\$ 25,736	\$ (419,615)	\$ 10,143	\$ (356,394)	
Underwriting Income					
Net premiums earned	\$ 27,084	\$ 25,659	\$ 19,319	\$ 127,449	
Net losses/(gains) incurred	(3,188,107)	47,625	(35,171)	(1,695,383)	
Loss adjustment expenses incurred	2,868	8,273	5,417	19,208	
Other underwriting expenses incurred	27,067	(52,458)	12,443	23,138	
Net underwriting gain/(loss)	3,185,255	22,218	36,630	1,780,485	
Investment Income					
Net investment income earned	18,930	13,699	22,215	85,845	
Net realized gains/(losses)	690	112,572	(11,536)	86,293	
Total net investment gain	19,620	126,271	10,679	172,138	
Other Income					
Other income	6,538	5,218	4,061	18,665	
Retroactive ceded reinsurance gain/(loss)	-	70,599	(70,599)	-	
Total other income	6,538	75,818	(66,538)	18,665	
Net income/(loss) before taxes	3,211,413	224,308	(19,229)	1,971,288	
Federal and foreign income taxes incurred/(benefit)	-	(3,421)	(25,876)	(29,297)	
Net income/(loss)	\$ 3,211,413	\$ 227,728	\$ 6,647	\$ 2,000,585	

### Syncora Capital Assurance Inc.

	Three Months Ended <sup>1</sup>		Twelve Months Ended <sup>1</sup>	
	9/30/2009	12/31/2009	12/31/2009	
Net premiums written	\$ 446,377	\$ 9,478	\$ 455,856	
Underwriting Income				
Net premiums earned	\$ 15,261	\$ 24,831	\$ 40,092	
Net losses incurred	-	81,000	81,000	
Loss adjustment expenses incurred	-	-	-	
Other underwriting expenses incurred	80,496	7,171	87,667	
Net underwriting gain/(loss)	(65,235)	(63,340)	(128,575)	
Investment Income				
Net investment income earned	5,357	(3,760)	1,597	
Net realized capital gains/(losses)	1,486	1	1,487	
Total net investment gain/(loss)	6,843	(3,759)	3,084	
Other Income				
Other income	885	1,042	1,927	
Net income/(loss) before taxes	(57,507)	(66,058)	(123,564)	
Federal and foreign income taxes incurred	-	25,876	25,876	
Net income/(loss)	\$ (57,507)	\$ (91,934)	\$ (149,441)	

**Note:**

<sup>1</sup>SCAI commenced operations on July 15, 2009.

## Claims Paying Resources & Leverage Ratio (U.S. dollars in millions)

### Syncora Guarantee Inc.

	As of		
	6/30/2009	9/30/2009	12/31/2009
<b>Claims paying resources</b>			
Policyholders' surplus	\$ (545)	\$ 182	\$ 100
Contingency reserve	291	109	105
Qualified statutory capital	(253)	291	205
Unearned premium revenue	722	276	267
Loss & loss adjustment expense reserves <sup>1</sup>	2,940	570	601
Total policyholders' surplus & reserves	3,409	1,137	1,073
NPVFIP	590	271	260
Total claims paying resources	<u>\$ 3,999</u>	<u>\$ 1,409</u>	<u>\$ 1,334</u>
Net par outstanding	\$ 129,375	\$ 24,066	\$ 23,159
Leverage ratio (Total claims paying resources/Net par outstanding)	3.1%	5.9%	5.8%

**Note:**

<sup>1</sup>Net of retro reinsurance ceded in 3Q 2009.

### Syncora Capital Assurance Inc.

	As of	
	9/30/2009	12/31/2009
<b>Claims paying resources</b>		
Policyholders' surplus	\$ 290	\$ 222
Contingency reserve	194	193
Qualified statutory capital	484	415
Unearned premium revenue	431	416
Loss & loss adjustment expense reserves	-	81
Total policyholders' surplus & reserves	915	912
NPVFIP	289	295
Total claims paying resources	<u>\$ 1,205</u>	<u>\$ 1,207</u>
Net par outstanding	\$ 84,701	\$ 82,840
Leverage ratio (Total claims paying resources/Net par outstanding)	1.4%	1.5%

# Insured Portfolio - Loss and Loss Adjustment Expenses Reserves Activity (U.S. dollars in millions)

## Syncora Guarantee Inc.

	Reserve Balance at 9/30/2009 4.29%	4Q 2009 Incurred Losses	4Q 2009 Paid Claims & Settlements <sup>1</sup>	Reserve Balance at 12/31/2009 6.50%
<b>Present Value Discount Rate</b>				
RMBS FG (Gross)	\$ 471.0	\$ (29.1)	\$ 15.9	\$ 457.8
RMBS FG (Ceded)	(0.2)	(0.1)	-	(0.4)
RMBS CDS	-	1.9	-	1.9
Net RMBS	470.8	(27.4)	15.9	459.3
CDOs FG	38.1	(5.4)	(3.8)	28.9
Net CDOs	38.1	(5.4)	(3.8)	28.9
Public Finance (Net)	168.6	(2.4)	(40.0)	126.2
Salvage and Subrogation	(25.8)	-	-	(25.8)
Net Public Finance	142.8	(2.4)	(40.0)	100.4
<b>Total SGI Net Loss Reserves</b>	<b>651.7</b>	<b>(35.2)</b>	<b>(27.9)</b>	<b>588.5</b>
LAE Reserves (Gross)	12.5	5.5	(4.7)	13.3
LAE Reserves (Ceded)	(0.3)	(0.0)	(0.1)	(0.5)
Total SGI Net Loss Expense Reserves	12.2	5.4	(4.8)	12.8
<b>Total SGI Net Loss and LAE Reserves</b>	<b>663.8</b>	<b>(29.7)</b>	<b>(32.7)</b>	<b>601.4</b>
Reinsurance Recoverable	(19.2)	(0.3)	(0.1)	(19.6)
<b>Total SGI Gross Loss and LAE Reserves</b>	<b>\$ 683.1</b>	<b>\$ (29.5)</b>	<b>(32.7)</b>	<b>\$ 621.0</b>

**Note:**

<sup>1</sup>SGI suspended claim payments on April 26, 2009; represents payments made in conjunction with the company's restructuring.

## Syncora Capital Assurance Inc.

	Reserve Balance at 9/30/2009	4Q 2009 Incurred Losses	4Q 2009 Paid Claims & Settlements	Reserve Balance at 12/31/2009
<b>Present Value Discount Rate</b>				
CDOs CDS	-	81.0	-	81.0
Public Finance	-	-	-	-
<b>Total SCAI Net Loss Reserves</b>	<b>-</b>	<b>81.0</b>	<b>-</b>	<b>81.0</b>
LAE Reserves (Gross)	-	-	-	-
LAE Reserves (Ceded)	-	-	-	-
Total SCAI Net Loss Expense Reserves	-	-	-	-
<b>Total SCAI Net Loss and LAE Reserves</b>	<b>-</b>	<b>81.0</b>	<b>-</b>	<b>81.0</b>
Reinsurance Recoverable	-	-	-	-
<b>Total SCAI Gross Loss and LAE Reserves</b>	<b>\$ -</b>	<b>\$ 81.0</b>	<b>-</b>	<b>\$ 81.0</b>



# Insured Portfolio - Claims Payment Summary (U.S. dollars in millions)

## Syncora Guarantee Inc.

	RMBS	CDO	Public Finance	Total
<b>Claims Paid<sup>1,2</sup></b>				
2008 and Prior	\$ 513.5	\$ 0.1	\$ 115.7	\$ 629.3
1Q 2009	170.7	0.4	50.7	221.8
2Q 2009	<u>43.4</u>	<u>5.1</u>	<u>46.0</u>	<u>94.5</u>
Subtotal	727.6	5.6	212.4	945.6
<b>Unpaid Claims<sup>1,2,3</sup></b>				
2Q 2009	52.4	-	-	52.4
3Q 2009	90.6	-	46.1	136.6
4Q 2009	<u>63.0</u>	<u>-</u>	<u>46.1</u>	<u>109.1</u>
Subtotal	205.9	-	92.1	298.1
<b>Total</b>	<u>\$ 933.6</u>	<u>\$ 5.6</u>	<u>\$ 304.6</u>	<u>\$ 1,243.7</u>

**Notes:**

<sup>1</sup>Net of deal reimbursements.

<sup>2</sup>SGI suspended claim payments on April 26, 2009.

<sup>3</sup>Net of effective defeasance via round trip payments; gross claims before defeasement of \$555.4 million.

## Syncora Capital Assurance Inc.

	RMBS	CDO	Public Finance	Total
<b>Claims Paid</b>				
3Q 2009	\$ -	\$ -	\$ -	\$ -
4Q 2009	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# Insured Portfolio - Composition & Loss Reserves (U.S. dollars in millions)

## Syncora Guarantee Inc.

Exposure	2Q 2009		3Q 2009		4Q 2009	
	NPO	# of Deals	NPO	# of Deals	NPO	# of Deals
CDO	\$ 41,446.5	122	\$ 2,015.2	39	\$ 1,916.3	119
ABS: RMBS	7,952.3	56	3,108.7	82	2,879.8	80
ABS: non-RMBS	3,948.8	29	2,573.8	33	1,825.2	42
Power & Utilities	10,902.6	52	4,356.3	48	4,386.7	66
Global Infrastructure	9,656.5	34	7,661.6	69	7,863.8	49
Specialized Risk	3,289.4	23	2,152.5	23	2,106.0	24
Public Finance	52,179.3	2,396	2,197.5	2,284	2,180.9	2,389
Total	\$ 129,375.4	2,712	\$ 24,065.6	2,578	\$ 23,158.6	2,769

Reserves	Net Loss Reserve	Net Loss Reserve	Net Loss Reserve
CDO	\$ 1,829.3	\$ 38.1	\$ 28.9
ABS: RMBS	945.3	470.8	459.3
ABS: non-RMBS	-	-	-
Power & Utilities	44.0	44.0	-
Global Infrastructure	-	-	-
Specialized Risk	-	-	-
Public Finance	139.8	124.7	126.2
Total	\$ 2,958.3	\$ 677.6	\$ 614.4
Less Salvage & Subrogation	(25.8)	(25.8)	(25.8)
Adjusted Total	\$ 2,932.5	\$ 651.8	\$ 588.6

## Syncora Capital Assurance Inc.

Exposure	3Q 2009		4Q 2009	
	NPO	# of Deals	NPO	# of Deals
CDO	\$ 24,543.1	84	\$ 23,763.1	81
ABS: RMBS	-	0	-	0
ABS: non-RMBS	584.1	3	594.3	3
Power & Utilities	6,622.9	42	6,488.2	42
Global Infrastructure	2,674.3	8	2,685.4	8
Specialized Risk	1,079.1	8	1,067.9	7
Public Finance	49,197.7	2,380	48,241.7	2,377
Total	\$ 84,701.2	2,525	\$ 82,840.5	2,518

Reserves	Net Loss Reserve	Net Loss Reserve
CDO	\$ -	\$ 81.0
ABS: RMBS	-	-
ABS: non-RMBS	-	-
Power & Utilities	-	-
Global Infrastructure	-	-
Specialized Risk	-	-
Public Finance	-	-
Total	\$ -	\$ 81.0
Less Salvage & Subrogation	-	-
Adjusted Total	\$ -	\$ 81.0

# Insured Portfolio - Debt Service Amortization

## As of December 31, 2009

(U.S. dollars in millions)

### Syncora Guarantee Inc.

Debt Service (Principal and Interest)	Scheduled Net Debt Service	Principal & Interest Outstanding
		\$ 37,096
1st Quarter 2010	1,007	36,090
2nd Quarter 2010	980	35,110
3rd Quarter 2010	675	34,434
4th Quarter 2010	1,037	33,397
2011	2,149	31,248
2012	1,731	29,517
2013	1,470	28,047
2014	1,102	26,945
2015	1,415	25,530
2016-2020	5,565	19,965
2021-2025	4,087	15,878
2026 and thereafter	<u>15,878</u>	-
	<u>\$ 37,096</u>	

### Syncora Capital Assurance Inc.

Debt Service (Principal and Interest)	Scheduled Net Debt Service	Principal & Interest Outstanding
		\$ 120,897
1st Quarter 2010	1,425	119,472
2nd Quarter 2010	1,042	118,430
3rd Quarter 2010	1,163	117,267
4th Quarter 2010	1,069	116,198
2011	5,802	110,396
2012	9,098	101,298
2013	8,838	92,460
2014	10,133	82,327
2015	5,839	76,488
2016-2020	27,139	49,349
2021-2025	15,714	33,635
2026 and thereafter	<u>33,635</u>	-
	<u>\$ 120,897</u>	

## Insured Portfolio - Par Outstanding (U.S. dollars in millions)

### Syncora Guarantee Inc.

	Par Outstanding as of		
	6/30/2009	9/30/2009	12/31/2009
	Net	Net	Net
U.S. Public Finance:			
Utility	\$ 7,096	\$ 1,000	\$ 1,000
Other	44,983	1,197	1,114
Total U.S. Public Finance	52,080	2,198	2,114
U.S. Structured Finance:			
Consumer ABS	9,155	3,690	3,363
Commercial ABS	2,343	1,720	1,070
Pooled Debt Obligations	37,834	1,564	1,486
Other	6,171	1,257	1,341
Total U.S. Structured Finance	55,503	8,231	7,260
International Finance:			
Transportation	6,388	5,111	5,258
Power & Utility	6,627	4,356	4,358
Infrastructure	2,316	1,591	-
Other	6,462	2,579	4,168
Total International Finance	21,793	13,637	13,784
Total Par Outstanding	\$ 129,375	\$ 24,066	\$ 23,159
Percent of Net Par Outstanding			
U.S. Public Finance	40.3%	9.1%	9.1%
U.S. Structured Finance	42.9%	34.2%	31.3%
International Finance	16.8%	56.7%	59.5%

### Syncora Capital Assurance Inc.

	Par Outstanding as of	
	9/30/2009	12/31/2009
	Net	Net
U.S. Public Finance:		
General Obligation	\$ 27,584	\$ 27,188
Utility	5,834	5,792
Non Ad Valorem	4,894	4,473
Transportation	3,624	3,144
Higher Education	3,583	3,557
Other	3,580	3,987
Total U.S. Public Finance	49,098	48,142
U.S. Structured Finance:		
Pooled Debt Obligations	21,072	20,351
Power & Utility	4,010	4,001
Other	1,186	1,179
Total U.S. Structured Finance	26,268	25,532
International Finance:		
Pooled Debt Obligations	3,471	3,412
Power & Utility	2,613	2,487
Transportation	1,780	1,774
Other	1,472	1,493
Total International Finance	9,335	9,166
Total Par Outstanding	\$ 84,701	\$ 82,840
Percent of Net Par Outstanding		
U.S. Public Finance	58.0%	58.1%
U.S. Structured Finance	31.0%	30.8%
International Finance	11.0%	11.1%

## Insured Portfolio - Summary of Below Investment Grade (BIG) Exposures (U.S. dollars in millions)

### Syncora Guarantee Inc.

	Par Outstanding as of		
	6/30/2009	9/30/2009	12/31/2009
	Net	Net	Net
U.S. Public Finance:			
Utility	\$ 1,014	\$ 937	\$ 937
Other	1,167	44	44
Total U.S. Public Finance	2,181	981	981
U.S. Structured Finance:			
Consumer ABS	4,616	2,066	1,968
Commercial ABS	545	544	542
Pooled Debt Obligations	12,323	312	271
Other	266	-	29
Total U.S. Structured Finance	17,749	2,922	2,811
International Finance:			
Transportation	519	389	443
Power & Utility	158	166	167
Infrastructure	-	-	-
Other	-	-	210
Total International Finance	676	555	820
Total Below Investment Grade	\$ 20,607	\$ 4,458	\$ 4,613
BIG as a percentage of net par outstanding	15.9%	18.5%	19.9%

**Note:**

Based on S&P rating if available and internal Syncora rating if no S&P rating is available.

### Syncora Capital Assurance Inc.

	Par Outstanding as of	
	9/30/2009	12/31/2009
	Net	Net
U.S. Public Finance:		
General Obligation	\$ 386	\$ 385
Utility	-	-
Non Ad Valorem	411	-
Transportation	-	-
Higher Education	-	-
Other	326	737
Total U.S. Public Finance	1,123	1,122
U.S. Structured Finance:		
Pooled Debt Obligations	2,173	2,601
Power & Utility	-	-
Other	-	-
Total U.S. Structured Finance	2,173	2,601
International Finance:		
Pooled Debt Obligations	-	-
Power & Utility	-	-
Transportation	-	-
Other	-	-
Total International Finance	-	-
Total Below Investment Grade	\$ 3,296	\$ 3,723
BIG as a percentage of net par outstanding	3.9%	4.5%

**Note:**

Based on S&P rating if available and internal Syncora rating if no S&P rating is available.

## Insured Portfolio - Profile by Geographic Distribution (U.S. dollars in millions)

### Syncora Guarantee Inc.

	Par Outstanding as of					
	6/30/2009		9/30/2009		12/31/2009	
	Net	Percentage	Net	Percentage	Net	Percentage
Geographic Distribution						
United States						
New York	\$ 16,762	13.0%	\$ 1,914	8.0%	\$ 1,219	5.3%
Alabama	3,486	2.7%	1,442	6.0%	1,442	6.2%
Other	<u>87,335</u>	<u>67.5%</u>	<u>7,073</u>	<u>29.4%</u>	<u>6,714</u>	<u>29.0%</u>
Total United States	107,582	83.2%	10,429	43.3%	9,375	40.5%
Non-United States						
United Kingdom	10,155	7.8%	6,793	28.2%	6,862	29.6%
Australia	2,227	1.7%	1,782	7.4%	1,811	7.8%
Other	<u>9,411</u>	<u>7.3%</u>	<u>5,062</u>	<u>21.0%</u>	<u>5,111</u>	<u>22.1%</u>
Total Non-United States	21,793	16.8%	13,637	56.7%	13,784	59.5%
Total Par Outstanding	<u>\$ 129,375</u>	<u>100.0%</u>	<u>\$ 24,066</u>	<u>100.0%</u>	<u>\$ 23,159</u>	<u>100.0%</u>

### Syncora Capital Assurance Inc.

	Par Outstanding as of			
	9/30/2009		12/31/2009	
	Net	Percentage	Net	Percentage
Geographic Distribution				
United States				
New York	\$ 14,208	16.8%	\$ 14,087	17.0%
California	7,913	9.3%	7,646	9.2%
Texas	3,545	4.2%	3,301	4.0%
Illinois	3,372	4.0%	3,332	4.0%
Pennsylvania	2,829	3.3%	2,785	3.4%
Florida	2,692	3.2%	2,683	3.2%
Alabama	1,956	2.3%	1,945	2.3%
New Jersey	1,761	2.1%	1,746	2.1%
Massachusetts	1,508	1.8%	1,472	1.8%
Delaware	1,127	1.3%	1,127	1.4%
Other	<u>34,456</u>	<u>40.7%</u>	<u>33,550</u>	<u>40.5%</u>
Total United States	75,366	89.0%	73,674	88.9%
Non-United States				
United Kingdom	3,810	4.5%	3,823	4.6%
Ireland	1,745	2.1%	1,733	2.1%
Other	<u>3,780</u>	<u>4.5%</u>	<u>3,610</u>	<u>4.4%</u>
Total Non-United States	9,335	11.0%	9,166	11.1%
Total Par Outstanding	<u>\$ 84,701</u>	<u>100.0%</u>	<u>\$ 82,840</u>	<u>100.0%</u>

## Insured Portfolio - Distribution by Rating (U.S. dollars in millions)

### Syncora Guarantee Inc.

Distribution by Rating <sup>1</sup>	Net Par Outstanding as of					
	6/30/2009		9/30/2009		12/31/2009	
	Net	Percentage	Net	Percentage	Net	Percentage
AAA	\$ 37,454	28.9%	\$ 2,522	10.5%	\$ 1,871	8.1%
AA	17,630	13.6%	1,014	4.2%	1,355	5.9%
A	31,732	24.5%	4,015	16.7%	3,337	14.4%
BBB	21,953	17.0%	12,057	50.1%	11,982	51.7%
Below investment grade	20,607	15.9%	4,458	18.5%	4,613	19.9%
Net par outstanding	<u>\$ 129,375</u>	<u>100.0%</u>	<u>\$ 24,066</u>	<u>100.0%</u>	<u>\$ 23,159</u>	<u>100.0%</u>

**Note:**

<sup>1</sup>Based on S&P rating if available and internal Syncora rating if no S&P rating is available.

### Syncora Capital Assurance Inc.

Distribution by Rating <sup>1</sup>	Net Par Outstanding as of			
	9/30/2009		12/31/2009	
	Net	Percentage	Net	Percentage
AAA	\$ 28,229	33.3%	\$ 21,899	26.4%
AA	15,613	18.4%	19,244	23.2%
A	26,962	31.8%	27,156	32.8%
BBB	10,601	12.5%	10,819	13.1%
Below investment grade	3,296	3.9%	3,723	4.5%
Net par outstanding	<u>\$ 84,701</u>	<u>100.0%</u>	<u>\$ 82,840</u>	<u>100.0%</u>

**Note:**

<sup>1</sup>Based on S&P rating if available and internal Syncora rating if no S&P rating is available.

## Insured Portfolio - 20 Largest Public Finance Credits (U.S. dollars in millions)

### Syncora Guarantee Inc.

Par Outstanding as of 12/31/2009			
	Obligor Name	Net	S&P Rating
1	Jefferson County, AL - Water/Sewer Revenue	\$ 937	D
2	Commonwealth of Puerto Rico - GO	313	BBB-
3	City of Lansing, MI - GO/AA	161	AA+
4	New Jersey (State of) - Annual Appropriation	161	AA-
5	State of Wisconsin - AA	133	AA-
6	Massachusetts (Commonwealth of) - GO	79	AA
7	Port Authority of New York and New Jersey, NY	79	AA-
8	Puerto Rico (Commonwealth) - Mixed State and Local Revenue	66	BBB-
9	Metropolitan Transportation Authority, NY - Dedicated Tax Fund Bonds	55	AA
10	City of Detroit, MI - GO/AA	44	BB
11	State of New Jersey Turnpike Authority, - Toll Road Revenue Bonds	39	A
12	City of Houston, TX - Water/Sewer Revenue Bonds	38	AA
13	Port of Portland, OR - Airport Revenue Bonds.	32	AA-
14	Los Angeles County Metropolitan Transportation Authority, CA - Sales Tax	18	AAA
15	Puerto Rico Electric Power Authority, PR - Utility Revenue Bonds	16	BBB+
16	JEA, FL Water & Sewer (Senior Lien)	8	AA-
17	Jackson Energy Authority, TN - Water Revenue Bonds	1	A
Total Net Par Outstanding of the 20 Largest Public Finance Credits		<u>\$ 2,181</u>	
Total Portfolio Net Par Outstanding		\$ 23,159	
% of Total Portfolio		9.4%	

### Syncora Capital Assurance Inc.

Par Outstanding as of 12/31/2009			
	Obligor Name	Net	S&P Rating
1	State of California - GO	\$ 946	A+
2	Texas (State of) - GO	900	AA
3	Maryland (State of) - GO	850	AAA
4	San Diego Family Housing LLC	728	AAA
5	Massachusetts (Commonwealth of) - GO	705	AA
6	Ohio (State of) - GO	700	AA+
7	Illinois (State of) - GO	691	AA
8	Delaware (State of) - GO	650	AAA
9	North Carolina (State of) - GO	650	AAA
10	Florida (State of) - GO	595	AAA
11	LCOR Alexandria, LLC - Lease Revenue	580	AAA
12	Virginia (Commonwealth of) - GO	550	AAA
13	Pennsylvania (State of) - GO	500	AA
14	City of Denver, CO Airport System - Revenue Bonds	486	A+
15	Office Project - Federal Lease Backed <sup>1</sup>	474	BB+
16	City of Chicago, O'Hare International Airport, IL - Revenue Bonds	450	A-
17	City of Miami, FL Miami International Airport - Aviation Revenue Bonds	418	A-
18	City of Detroit, MI - Pension Obligations Bonds	412	BB
19	City of New York, NY - GO	397	AA
20	City of Denver Convention Center Hotel Project, CO	354	BBB-
Total Net Par Outstanding of the 20 Largest Public Finance Credits		<u>\$ 12,036</u>	
Total Portfolio Net Par Outstanding		\$ 82,840	
% of Total Portfolio		14.5%	

**Note:**

<sup>1</sup>Private transaction



## Insured Portfolio - Top 10 Structured Finance Servicer/Manager Exposures (U.S. dollars in millions)

### Syncora Guarantee Inc.

		Par Outstanding as of 12/31/2009	
		Servicer/Manager Name <sup>1</sup>	Net
1	Countrywide Home Loans		\$ 781
2	EMC Mortgage Corp.		645
3	IndyMac		430
4	Private Commercial ABS Transaction <sup>2</sup>		426
5	American Home Servicing		412
6	AmeriCredit Financial Services, Inc.		402
7	Thrifty Rent A Car System, Inc.		400
8	CLO Manager 1 <sup>2</sup>		332
9	CLO Manager 2 <sup>2</sup>		323
10	CLO Manager 3 <sup>2</sup>		268
Total Net Par Outstanding of the Top 10 Structured Finance Servicer/Manager Exposures			<u>\$ 4,419</u>
Total Portfolio Net Par Outstanding			\$ 23,159
% of Total Portfolio			19.1%

**Notes:**

<sup>1</sup>Servicer/manager may be an operating subsidiary of the named entity.

<sup>2</sup>Servicer/manager not revealed due to confidentiality.

### Syncora Capital Assurance Inc.

		Par Outstanding as of 12/31/2009	
		Servicer/Manager Name <sup>1</sup>	Net
1	CLO Manager 4 <sup>2</sup>		\$ 1,312
2	CLO Manager 5 <sup>2</sup>		1,239
3	CLO Manager 6 <sup>2</sup>		897
4	CLO Manager 7 <sup>2</sup>		769
5	CLO Manager 8 <sup>2</sup>		760
6	CLO Manager 9 <sup>2</sup>		701
7	CLO Manager 3 <sup>2</sup>		651
8	CLO Manager 10 <sup>2</sup>		584
9	CLO Manager 11 <sup>2</sup>		560
10	CLO Manager 12 <sup>2</sup>		553
Total Net Par Outstanding of the Top 10 Structured Finance Servicer/Manager Exposures			<u>\$ 8,025</u>
Total Portfolio Net Par Outstanding			\$ 82,840
% of Total Portfolio			9.7%

**Notes:**

<sup>1</sup>Servicer/manager may be an operating subsidiary of the named entity.

<sup>2</sup>Servicer/manager not revealed due to confidentiality.

# Insured Portfolio - Watch List

## As of December 31, 2009

(U.S. dollars in millions)

### Syncora Guarantee Inc.

Par Outstanding as of 12/31/2009					
	Special Monitoring List	Yellow Flag List	Red Flag List	Loss List	Total
Number of credits	13	6	3	29	51
Remaining weighted-average contract period (in years)	8.6	8.6	11.1	11.1	9.8
Insured contractual payments outstanding:					
Principal	\$ 3,115.8	\$ 551.7	\$ 126.9	\$ 3,104.4	\$ 6,898.7
Interest	2,311.6	175.4	46.7	1,179.5	3,713.2
Total	<u>\$ 5,427.4</u>	<u>\$ 727.0</u>	<u>\$ 173.6</u>	<u>\$ 4,283.9</u>	<u>\$ 10,611.9</u>
Gross Reserve <sup>1</sup>	\$ -	\$ -	\$ -	\$ 633.5	\$ 633.5
Net Reserve <sup>2</sup>	\$ -	\$ -	\$ -	\$ 614.4	\$ 614.4

**Notes:**

<sup>1</sup>Reserve before salvage.

<sup>2</sup>Reserve before salvage, but after reinsurance.

### Syncora Capital Assurance Inc.

Par Outstanding as of 12/31/2009					
	Special Monitoring List	Yellow Flag List	Red Flag List	Loss List	Total
Number of credits	7	3	-	5	15
Remaining weighted-average contract period (in years)	5.7	14.5	-	4.0	5.6
Insured contractual payments outstanding:					
Principal	\$ 3,009.4	\$ 557.7	\$ -	\$ 3,075.0	\$ 6,642.2
Interest	455.0	484.6	-	93.7	1,033.3
Total	<u>\$ 3,464.4</u>	<u>\$ 1,042.3</u>	<u>\$ -</u>	<u>\$ 3,168.7</u>	<u>\$ 7,675.4</u>
Gross Reserve	\$ -	\$ -	\$ -	\$ 81.0	\$ 81.0
Net Reserve	\$ -	\$ -	\$ -	\$ 81.0	\$ 81.0

# Investment Portfolio

## As of December 31, 2009

(U.S. dollars in millions)

### Syncora Guarantee Inc.

Distribution by Security Type			Maturity		
	Book Adjusted Carrying Value <sup>1</sup>	Percentage		Book Adjusted Carrying Value <sup>1</sup>	Percentage
Short-term investments			Within 1 Year	\$ 430.2	74.3%
Cash and cash equivalents	\$ 315.6	54.5%	1 to 5 Years	40.8	7.0%
Short-term investments	105.0	18.1%	5 to 10 Years	56.9	9.8%
Total Cash and Short-Term Investments	420.5	72.6%	Due after 10 Years	2.7	0.5%
Debt Securities			Mortgage and asset-backed securities	48.7	8.4%
MBS/ABS	48.7	8.4%	Total	\$ 579.3	100.0%
U.S. Government	49.2	8.5%			
Corporate	59.7	10.3%	Yield to Maturity @ Book Value <sup>2</sup>		2.0%
Non-U.S. Sovereign	0.5	0.1%	Yield to Maturity @ Market Value <sup>2</sup>		1.0%
States & Political Subs	0.7	0.1%	Duration (years) <sup>2</sup>		1.2
Total Long-Term Fixed Maturity	158.8	27.4%			
Total	\$ 579.3	100.0%			

**Notes:**

<sup>1</sup>Excludes uninsured cash flow ("UCF") securities of \$104.0 million.

<sup>2</sup>Excludes operating cash balances of \$57.2 million.

Quality Distribution		
	Book Adjusted Carrying Value <sup>1</sup>	Percentage
AAA	\$ 513.1	88.6%
AA	6.0	1.0%
A	50.8	8.8%
BBB	7.4	1.3%
BB & below and Not Rated	2.1	0.4%
Total	\$ 579.3	100.0%
Average credit quality		AA

### Syncora Capital Assurance Inc.

Distribution by Security Type			Maturity		
	Book Adjusted Carrying Value	Percentage		Book Adjusted Carrying Value	Percentage
Short-term investments			Within 1 Year	\$ 248.5	27.2%
Cash and cash equivalents	\$ 178.0	19.5%	1 to 5 Years	243.3	26.6%
Short-term investments	60.2	6.6%	5 to 10 Years	162.5	17.8%
Total Cash and Short-Term Investments	238.3	26.1%	Due after 10 Years	32.7	3.6%
Debt Securities			Mortgage and asset-backed securities	226.4	24.8%
MBS/ABS	226.4	24.8%	Total	\$ 913.4	100.0%
U.S. Government	194.4	21.3%			
Corporate	250.2	27.4%	Yield to Maturity @ Book Value <sup>1</sup>		2.5%
Non-U.S. Sovereign	4.1	0.4%	Yield to Maturity @ Market Value <sup>1</sup>		2.2%
States & Political Subs	-	0.0%	Duration (years) <sup>1</sup>		2.5
Total Long-Term Fixed Maturity	675.2	73.9%			
Total	\$ 913.4	100.0%			

**Note:**

<sup>1</sup>Excludes operating cash balances of \$3.0 million.

Quality Distribution		
	Book Adjusted Carrying Value	Percentage
AAA	\$ 654.3	71.6%
AA	29.6	3.2%
A	226.6	24.8%
BBB	-	0.0%
BB & below and Not Rated	3.0	0.3%
Total	\$ 913.4	100.0%
Average credit quality		AA+

# Reconciliation of GAAP Shareholders' Deficit to Statutory Policyholders' Surplus (U.S. dollars in millions)

## Syncora Guarantee Inc.

	As of	
	12/31/2009	
Consolidated GAAP shareholders' equity	\$	(1,411.0)
Adjustments:		
Net CDS contract mark-to market liability, net of anticipated claims		1,045.0
Net GAAP loss reserves on financial guarantee policies in excess of statutory reserves		797.2
Contingency reserves taken for statutory purposes		(298.0)
Statutory net unearned premium revenue in excess of GAAP		(84.1)
Deferred acquisition costs expensed for statutory purposes		(137.8)
Impairment on assets received as salvage		114.9
Net unrealized gains on investments not recognized for statutory purposes		(44.7)
Net difference in uninsured cash flow certificates		49.2
Assets not admitted for statutory purposes		(61.8)
Surplus notes included in policyholders' surplus		164.2
Other		(33.4)
Total adjustments	\$	<u>1,510.7</u>
Statutory policyholders' surplus	\$	<u>99.7</u>

**Note:**

For further description of adjustments, refer to the following page.

## Syncora Capital Assurance Inc.

	As of	
	12/31/2009	
GAAP shareholders' equity	\$	(797.6)
Adjustments:		
Net CDS contract mark-to market liability, net of anticipated claims		1,111.9
Loss reserves recorded for statutory purposes		(81.0)
Contingency reserves taken for statutory purposes		(193.2)
Statutory net unearned premium revenue in excess of GAAP		0.5
Deferred acquisition costs expensed for statutory purposes		(86.9)
Net unrealized gains on investments not recognized for statutory purposes		(7.1)
Surplus notes included in policyholders' surplus		276.5
Other		(1.2)
Total adjustments	\$	<u>1,019.5</u>
Statutory basis policyholders' surplus	\$	<u>221.9</u>

**Note:**

For further description of adjustments, refer to the following page.

# Reconciliation of GAAP Shareholders' Deficit to Statutory Policyholders' Surplus Certain Definitions

<b>Net CDS contract mark-to-market liability</b>	For statutory purposes, credit default contracts are accounted for as insurance contracts subject to loss reserves. Under GAAP, credit default contracts are accounted for as derivative financial instruments and are marked to market.
<b>Net GAAP loss reserves on financial guarantee policies in excess of statutory reserves</b>	<p>For statutory purposes, loss reserves represent management's best estimate of the company's ultimate liability discounted at the average return on the company's assets, whereas under GAAP cash basis reserves represent the probability weighted average of the company's ultimate expected losses discounted at the applicable risk free rate.</p> <p>Further, pursuant to a permitted practice, for statutory purposes, the company has de-recognized loss reserves associated with the insurance cash flow certificates. Under GAAP the cost of insurance cash flow certificates was capitalized and the company continues to carry loss reserves relating to such policies. For comparative purposes, GAAP reserves should be viewed net of the carrying value of the insurance cash flow certificates and any reinsurance recoverables.</p>
<b>Contingency reserves taken for statutory purposes</b>	For statutory purposes, a contingency reserve liability is established pursuant to a statutorily prescribed formula. Under GAAP contingency reserves are not recognized.
<b>Statutory net unearned premium revenue in excess of GAAP</b>	For statutory purposes, premiums are earned based on the amortization of principal and interest, while, for GAAP purposes, premiums are earned based on the amortization of principal. Additionally, installment premiums are earned during the period received for statutory purposes whereas under GAAP such premiums are recorded as an asset and an unearned premium revenue liability. As a result, the net unearned premium revenue liability net of premiums receivable will differ between statutory and GAAP bases.
<b>Deferred acquisition costs expensed for statutory purposes</b>	For statutory purposes, the costs of acquiring business are expensed immediately, whereas under GAAP such costs are deferred and recognized in proportion to the related premium earnings unless such costs are expected to not be recoverable at which time they are immediately expensed.
<b>Impairment on assets received as salvage</b>	Pursuant to a permitted practice, Syncora Guarantee Inc. accounts for assets received as salvage at cost for statutory purposes, whereas under GAAP such warrants are carried at fair value.
<b>Net unrealized gains on investments not recognized for statutory purposes</b>	For statutory purposes, debt securities are generally stated at amortized cost, whereas under GAAP debt securities are recorded at their fair value.
<b>Net difference in uninsured cash flow certificates</b>	For statutory purposes, uninsured cash flow certificates are impaired only to reflect anticipated changes in cash flows; whereas for GAAP the value of these certificates reflects indicative bid pricing.
<b>Assets not admitted for statutory purposes</b>	For statutory purposes, certain assets carried on the balance sheet under GAAP are not recognized as a component of policyholders' surplus.
<b>Surplus notes included in policyholders' surplus</b>	Surplus notes are accounted for as part of policyholders' surplus at face value, whereas under GAAP surplus notes are accounted for as debt issued at fair value.