BAM

BUILD AMERICA MUTUAL ASSURANCE COMPANY

Annual Investor Report
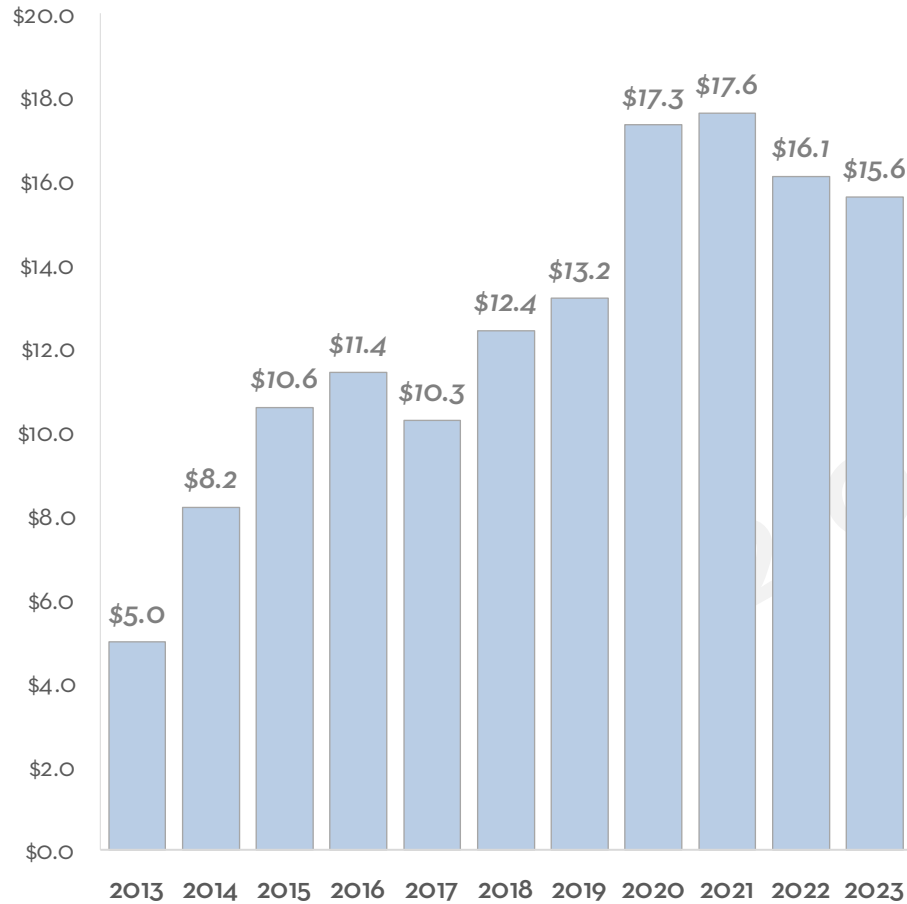
2023

BAM's Mission

To be the premier municipal focused financial guaranty insurance company, serving investors with durable, transparent protection against default while acting as an industry utility providing efficient funding and savings to public-sector issuers.

– Build America Mutual

BAM's Insured Portfolio
As of December 31, 2023

ANNUAL PAR INSURED ($B)

Bar chart values by year:
- 2013: $5.0
- 2014: $8.2
- 2015: $10.6
- 2016: $11.4
- 2017: $10.3
- 2018: $12.4
- 2019: $13.2
- 2020: $17.3
- 2021: $17.6
- 2022: $16.1
- 2023: $15.6

PORTFOLIO SECTOR DISTRIBUTION

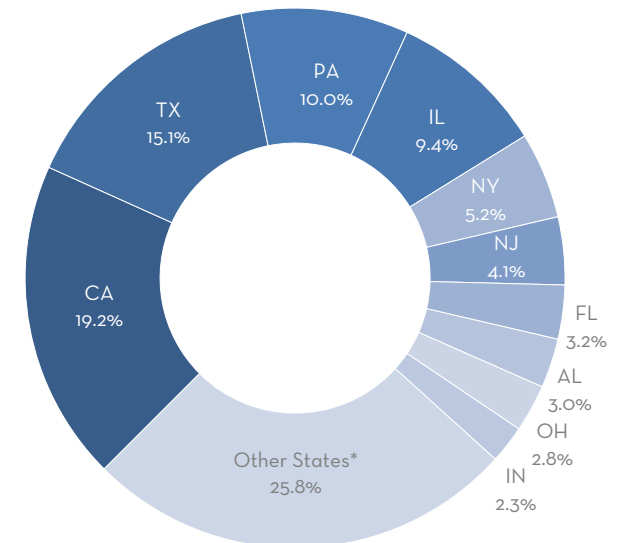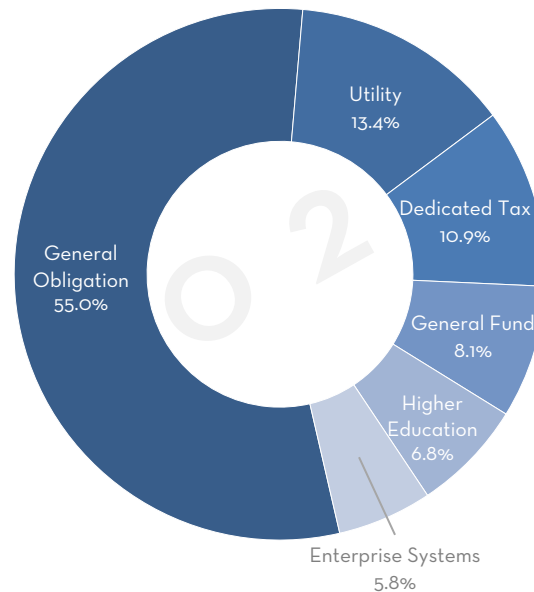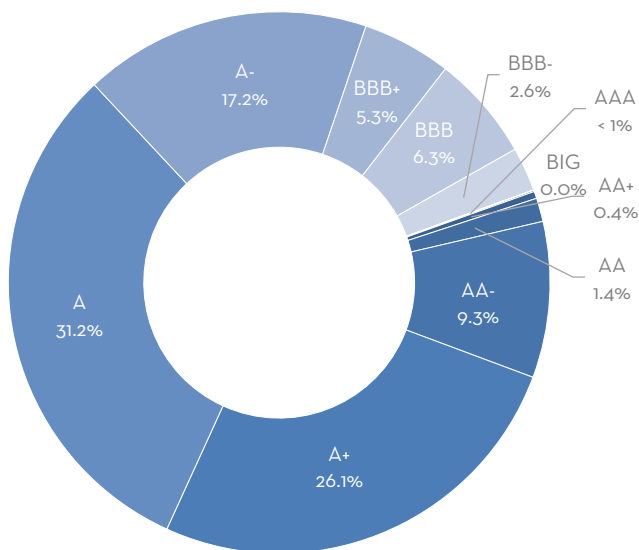| $ MILLIONS	GROSS PAR OUTSTANDING	AVERAGE CREDIT RATING*
GENERAL OBLIGATION	$59,493.0	A
UTILITY	$14,493.5	A
DEDICATED TAX	$11,825.0	A+
GENERAL FUND	$8,743.2	A+
HIGHER EDUCATION	$7,373.1	A-
ENTERPRISE SYSTEMS	$6,222.2	A
TOTAL GROSS PAR OUTSTANDING	$108,150.0	A

BAM's Insured Portfolio – $108.2 Billion

As of December 31, 2023

BAM has No Direct Exposure to Structured Finance, U.S. Territories, Derivatives or Liquidity Providers

S&P Global Ratings

"BAM is a mutual bond insurer that writes business solely in the USPF market with a broad, well-diversified presence across the U.S. Its insured portfolio comprises primarily general obligation bonds for school districts and municipalities, which somewhat lessens the volatility of its insured portfolio as these are generally some of the stronger, more ratings-stable sectors of the USPF market"

July 12, 2023

Chart 1 (Ratings):
- A- 17.2%
- BBB+ 5.3%
- BBB 6.3%
- BBB- 2.6%
- AAA < 1%
- AA+ 0.4%
- BIG 0.0%
- AA 1.4%
- AA- 9.3%
- A+ 26.1%
- A 31.2%

Chart 2 (Sector):
- Utility 13.4%
- Dedicated Tax 10.9%
- General Fund 8.1%
- Higher Education 6.8%
- Enterprise Systems 5.8%
- General Obligation 55.0%

Chart 3 (State):
- PA 10.0%
- IL 9.4%
- NY 5.2%
- NJ 4.1%
- FL 3.2%
- AL 3.0%
- OH 2.8%
- IN 2.3%
- TX 15.1%
- CA 19.2%
- Other States* 25.8%

- BAM's portfolio is conservative and well-diversified
  - **86%** of the portfolio is rated in the *single-A category or higher*; double-A category credits are the fastest growing portion
  - **55%** is comprised of *GO's* issued by school districts and local governments; **13%** is comprised of *public utilities*
  - BAM has exposure in **49 states** and the District of Columbia

- BAM has incurred no losses since inception

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Based on BAM internal ratings
*Includes all other states not shown except Alaska

BAM's Top 50 Exposures
As of December 31, 2023

(in millions)

Obligor	S&P Rating[1][3]	Moody's Rating[2][3]	As of December 31, 2023 Gross Par Outstanding	% of Total Gross Par Outstanding
Midway Airport, Chicago City of, IL (Cook County), Airport GARBs (2023 Supplemental Indenture)	A	NR	$ 513.5	0.5%
Chicago, City of, IL (Cook County), Sales Tax - Local	AA-	NR	477.7	0.4%
South Carolina Public Service Authority	A-	A3	441.4	0.4%
Chicago Transit Authority, IL	AA-	A2	435.9	0.4%
Pennsylvania Turnpike Commission, PA, Toll Roads	A+	A2	431.8	0.4%
Port Authority of NY and NJ	AA-	Aa3	418.5	0.4%
Connecticut, State of, CT (Lottery Revenues)	AA-	Aa3	380.9	0.4%
Clark County SD, NV (Clark County)	AA-	A1	376.3	0.3%
Miami-Dade County School Board, FL (Miami-Dade County)	A+	Aa3	364.2	0.3%
Illinois, State of	A-	A3	348.7	0.3%
Pennsylvania, Commonwealth of	A+	A1	347.0	0.3%
Metropolitan Transportation Authority (MTA), NY, Mass Transit - Farebox	A-	A3	345.1	0.3%
Illinois (State of) Build Illinois Bonds (Sales Tax Revenue Bonds)	A	A3	340.1	0.3%
Wichita, City of, KS (Sedgwick County), Water & Sewer	AA-	NR	337.3	0.3%
Chicago Park District, IL (Cook County)	AA-	NR	334.7	0.3%
Sacramento City USD, CA (Sacramento County)	BBB	A3	323.9	0.3%
Oregon State University, OR, Public Higher Education - Gross Revenue	NR	Aa3	320.7	0.3%
Municipal Authority of Westmoreland County, PA (Westmoreland County) Water	A+	NR	317.6	0.3%
Springdale, City of, AR (Washington County), Sales Tax - Local (2023 Tax)	A+	NR	314.9	0.3%
Yonkers, City of, NY (Westchester County)	A+	Aa3	311.1	0.3%
Bridgeport, City of, CT (Fairfield County)	A	A3	308.1	0.3%
Chicago, City of, IL (Cook County)	BBB+	Baa3	307.0	0.3%
Kansas, State Of	A+	Aa3	301.2	0.3%
New Jersey Transportation Trust Fund Authority, System & Program Bonds, NJ, Gas Tax - State	A-	A2	301.2	0.3%
New Jersey, State Of	A	A2	297.8	0.3%
Chicago Board of Education, IL (Cook County)	BB+	Ba2	297.3	0.3%
Oakland USD, CA (Alameda County)	A-	A1	293.0	0.3%
Oxnard SD, CA (Ventura County)	A+	NR	292.0	0.3%
Cape Coral, City of, FL (Lee County), Water & Sewer	A+	A1	283.9	0.3%
Pennsylvania State System of Higher Education, PA, General Revenue	NR	Aa3	280.1	0.3%
CHF-Davis II, L.L.C. – Orchard Park Student Housing Project, CA (Yolo County), P3 Student Housing Revenue	NR	Baa3	277.4	0.3%
Hayward USD, CA (Alameda County)	A+	NR	274.9	0.3%
Metropolitan Pier & Exposition Authority, IL (Cook County)	A	Baa1	265.8	0.2%
CHF-Davis I, L.L.C. - West Village Student Housing Project, CA (Yolo County), Public Higher Education - Auxilliary	NR	Baa3	263.0	0.2%
New Jersey Turnpike, NJ (State-Wide), Toll Roads	AA-	A2	261.2	0.2%
Suffolk County, NY (Suffolk County)	A+	NR	258.4	0.2%
Indianapolis, City of, IN (Marion County)	AA-	Aaa	256.9	0.2%
Northern Illinois University, IL (De Kalb County)	NR	Baa3	251.5	0.2%
Compton USD, CA (Los Angeles County)	A	Aa3	241.8	0.2%
O'Hare Airport, IL (Cook County) GARB	A+	NR	234.1	0.2%
Eastern Michigan University, MI (Washtenaw County), General Revenue	NR	A3	232.2	0.2%
Sherman, City of, TX, (Grayson County), Combined Water & Sewer	A	NR	231.4	0.2%
Hamden, Town of, CT (New Haven County)	BBB+	Baa3	231.4	0.2%
Centinela Valley Union High School District, CA (Los Angeles County)	A+	NR	228.5	0.2%
Tampa-Hillsborough County Expressway Authority	A+	A2	227.6	0.2%
Lancaster, City of, PA (Lancaster County)	NR	A3	223.4	0.2%
Municipal Electric Authority of Georgia (MEAG) Project J	A	A3	223.0	0.2%
West Harris County Regional Water Authority, TX (Harris County), Water	AA-	A1	217.1	0.2%
Shreveport, City of, LA (Caddo Parish), Water & Sewer	A-	Baa1	216.5	0.2%
Eastern Michigan University, MI (Washtenaw County), Housing and General Revenue	NR	Baa2	212.2	0.2%
Total - Top 50 Exposures			**$ 15,271.1**	**14.1%**

1. Represents the rating assigned by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") on the underlying obligation, excluding Build America's credit enhancement.
2. Represents the rating assigned by Moody's Investor Service, Inc. ("Moody's") on the underlying obligation, excluding Build America's credit enhancement.
3. For single risks with multiple obligations, the rating shown represents a weighted average of the ratings on the underlying obligations, excluding Build America's credit enhancement.

BAM's Capital Structure

As a mutual financial guaranty insurance company, BAM structures its capital to align with the inherently low risk nature of our municipal only insured portfolio, to be flexible as the insured portfolio grows and to avoid counter-party risk

Hard Capital Components	Key Features

Qualified Statutory Capital

- Consists primarily of Surplus Notes and Member Surplus Contributions ("MSC")
- Surplus Notes are flexible and allow repayment to occur when BAM has excess capital driven by organic growth
  - Provided the initial funding for BAM as a mutual
  - Principal payments are retained in the HG Re First Loss Reinsurance Trusts
- Organic growth occurs with each policy issued through MSC collections

HG Re First Loss Reinsurance

- 15% first loss reinsurance – more than covers the expected losses on the insured bonds and provides protection from high frequency, low severity risk
- Fully collateralized in a Regulation 114 Trust – no counterparty risk and very low credit risk (all fixed income securities rated A- or better)
- Grows as BAM cedes premium and makes payments on the Surplus Notes
- Market value must equal ceded UPR plus loss reserves (if any) plus $600 million before funds can be released

Fidus Re Excess of Loss Reinsurance

- Provides protection against extreme "tail risk" and complements the 15% first loss reinsurance as it covers low frequency, high severity risk
- Fully collateralized in a Regulation 114 Trust – no counterparty risk and very low credit risk (highly liquid AAAm funds)
- Flexible – transactions created for each discrete covered portfolio that include a call feature at BAM's discretion to optimizes portfolio coverage
- No recourse to BAM
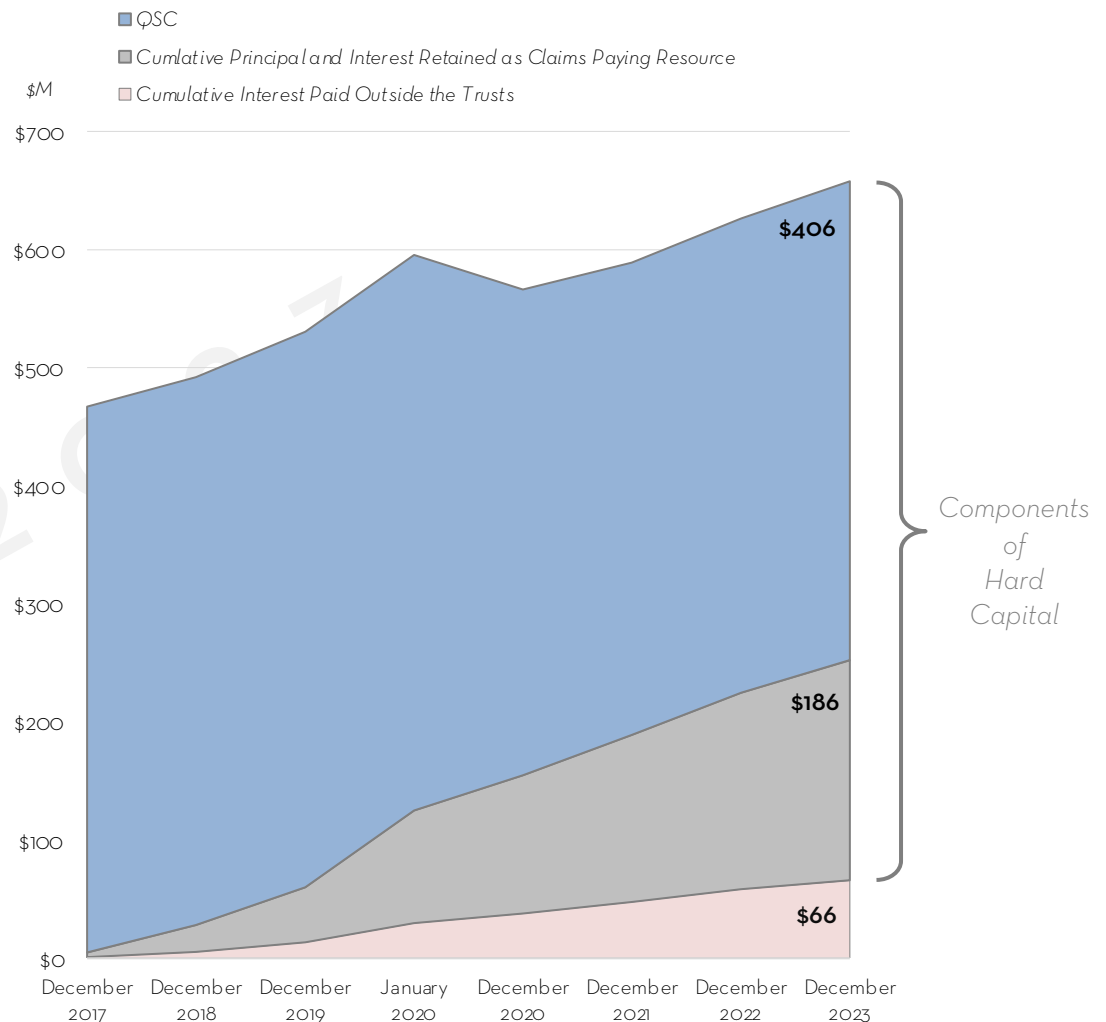- Low-cost facility relative to other capital alternatives

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BAM's Capital Structure
Surplus Note Payments have Minimal Impact on BAM's Hard Capital

BAM has made $252 million Surplus Notes payments to date
with 74% remaining part of BAM's Hard Capital

- Payments on the Surplus Notes are made at BAM's sole discretion subject to approval by the New York Department of Financial Services

- BAM sizes annual payments to ensure that Claims Paying Resources remain well in excess of the amount required for 1x coverage under the S&P model and QSC exceeds regulatory limits (currently approximately $400 million)

- The outstanding principal and interest that has not been released on the Surplus Notes are assets of the HG Re Collateral Trusts

  - 100% of the principal and unassigned interest payments on the Surplus Notes become assets of the HG Re Collateral Trusts

  - Priority of pay is principal plus accrued interest on the principal amount being paid

- $186 million (74%) of the total $252 million Surplus Note payments were made to the HG Re Collateral Trusts and remain part of BAM's Hard Capital

Legend:
- QSC
- *Cumlative Principal and Interest Retained as Claims Paying Resource*
- *Cumulative Interest Paid Outside the Trusts*

$M

Values labeled: $406, $186, $66

Components of Hard Capital

X-axis: December 2017, December 2018, December 2019, January 2020, December 2020, December 2021, December 2022, December 2023
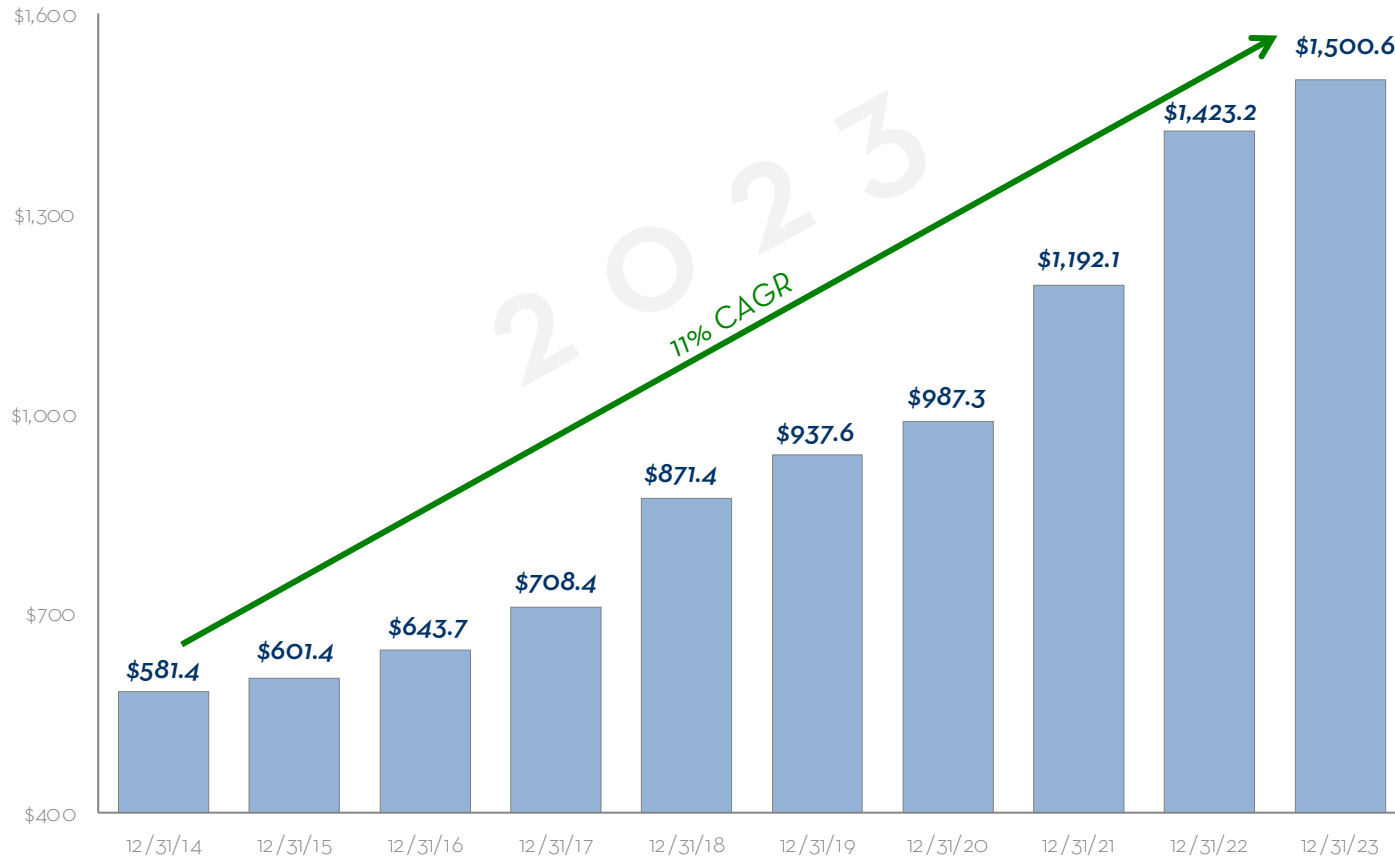
BAM's Capital Structure
Claims Paying Resources

BAM's claims paying resources now surpass $1.5 billion

Claims Paying Resources ($M)

95% OF BAM'S CLAIMS PAYING RESOURCES IS HARD CAPITAL[1]

2023

11% CAGR

Date	Value
12/31/14	$581.4
12/31/15	$601.4
12/31/16	$643.7
12/31/17	$708.4
12/31/18	$871.4
12/31/19	$937.6
12/31/20	$987.3
12/31/21	$1,192.1
12/31/22	$1,423.2
12/31/23	$1,500.6

1 – Hard Capital includes BAM's Qualified Statutory Capital and the HG Re and Fidus Re Collateral Trusts

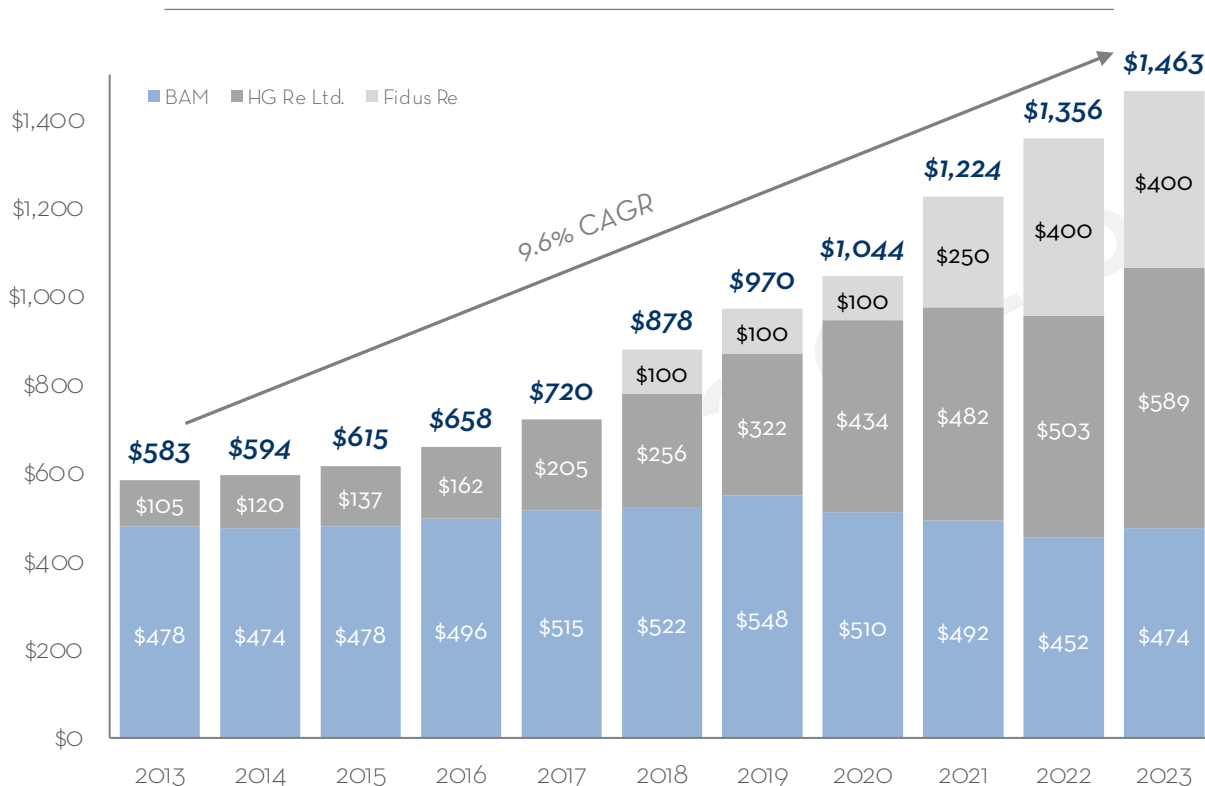# Assets Invested to Preserve Capital and Provide Liquidity

$1.46 Billion Cash & Investments as of December 31, 2023

Trend of Cash & Investments ($M)*

Legend: BAM | HG Re Ltd. | Fidus Re

9.6% CAGR

Year	BAM	HG Re Ltd.	Fidus Re	Total
2013	$478	$105		$583
2014	$474	$120		$594
2015	$478	$137		$615
2016	$496	$162		$658
2017	$515	$205		$720
2018	$522	$256	$100	$878
2019	$548	$322	$100	$970
2020	$510	$434	$100	$1,044
2021	$492	$482	$250	$1,224
2022	$452	$503	$400	$1,356
2023	$474	$589	$400	$1,463

Fair market value. Includes cash and accrued investment income receivables and are net of receivables/payables.

Asset-backed Securities 1.5%
U.S. Government Obligations 4.0%
U.S. Agency Obligations - MBS 23.9%
Cash & Cash Equivalents 30.6%
Corporate Obligations 22.2%
Municipal Obligations 17.8%

BBB 0.2%
U.S. Government Obligations 4.0%
A 21.0%
U.S. Agency Obligations - MBS 23.9%
AA 15.7%
AAA 4.8%
Cash & Cash Equivalents 30.4%
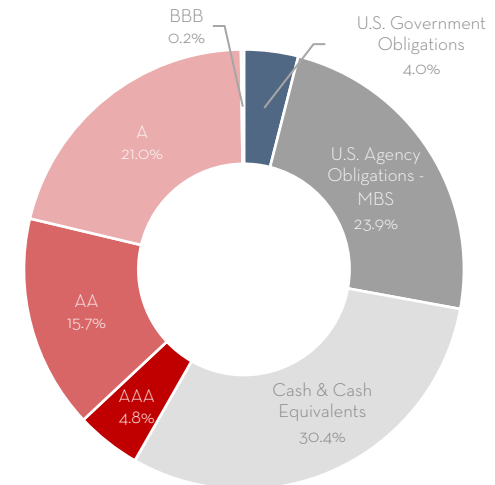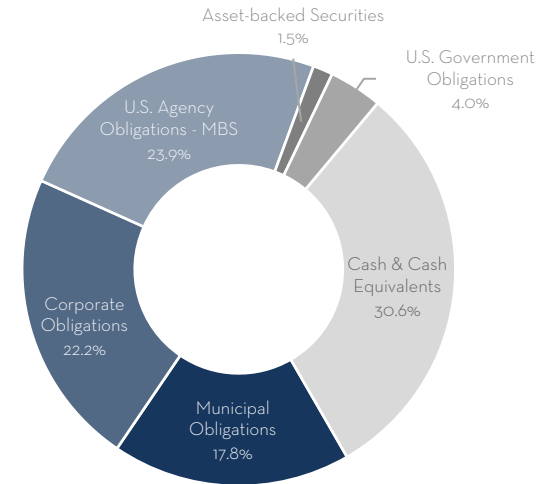
BAM's liquidity is further augmented by its membership in the Federal Home Loan Bank of New York which provides same day liquidity in an amount equal to 5% of BAM's admitted assets

BAM GreenStar

BAM GreenStar bonds are U.S. municipal bonds sold to finance infrastructure that aligns with international standards for green bonds. The BAM GreenStar Assessment is an independent review of a bond issue's purpose and includes ongoing surveillance and reporting on the construction status of the eligible project to maximize secondary liquidity

BAM GreenStar
Designated Transactions by State
(October 2018 – December 2023)

State	Issue Par	Transaction Count
California	$1,089,803,938	30
Arkansas	$625,320,000	34
Texas	$591,965,000	86
Pennsylvania	$516,551,200	45
Indiana	$319,660,000	18
Oregon	$277,970,000	3
Arizona	$186,695,000	2
Utah	$136,845,000	6
New Jersey	$109,600,000	3
Illinois	$107,525,000	15
Alabama	$107,030,000	18
Ohio	$101,530,000	10
Colorado	$97,265,000	6
West Virginia	$84,275,000	4
Michigan	$65,765,000	3
New York	$63,503,588	5
Louisiana	$58,165,000	8
South Carolina	$57,485,000	1
Mississippi	$56,000,000	3
Maryland	$50,677,320	1
Washington	$49,760,000	3
Iowa	$39,905,000	8
Connecticut	$18,205,000	1
Tennessee	$16,172,000	3
Florida	$15,500,000	1
New Mexico	$13,550,000	1
Idaho	$5,765,000	1
Kansas	$4,175,000	1
	$4,866,663,045	320

BAM GreenStar
Designated Transactions by BAM Sector
(October 2018 – December 2023)

www.buildamerica.com/greenstar