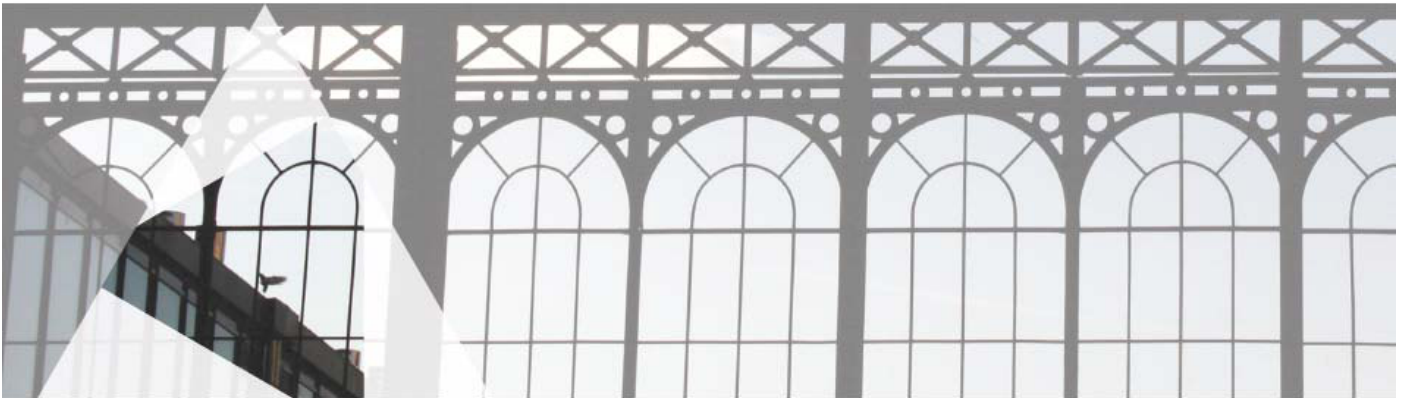


**Syncora Guarantee Inc.
Syncora Capital Assurance Inc.**

**2nd QUARTER 2014
OPERATING SUPPLEMENT**



Syncora Guarantee Inc. Syncora Capital Assurance Inc.

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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 ratio¹

Net par outstanding divided by total claims paying resources.

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 contracts¹ (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.

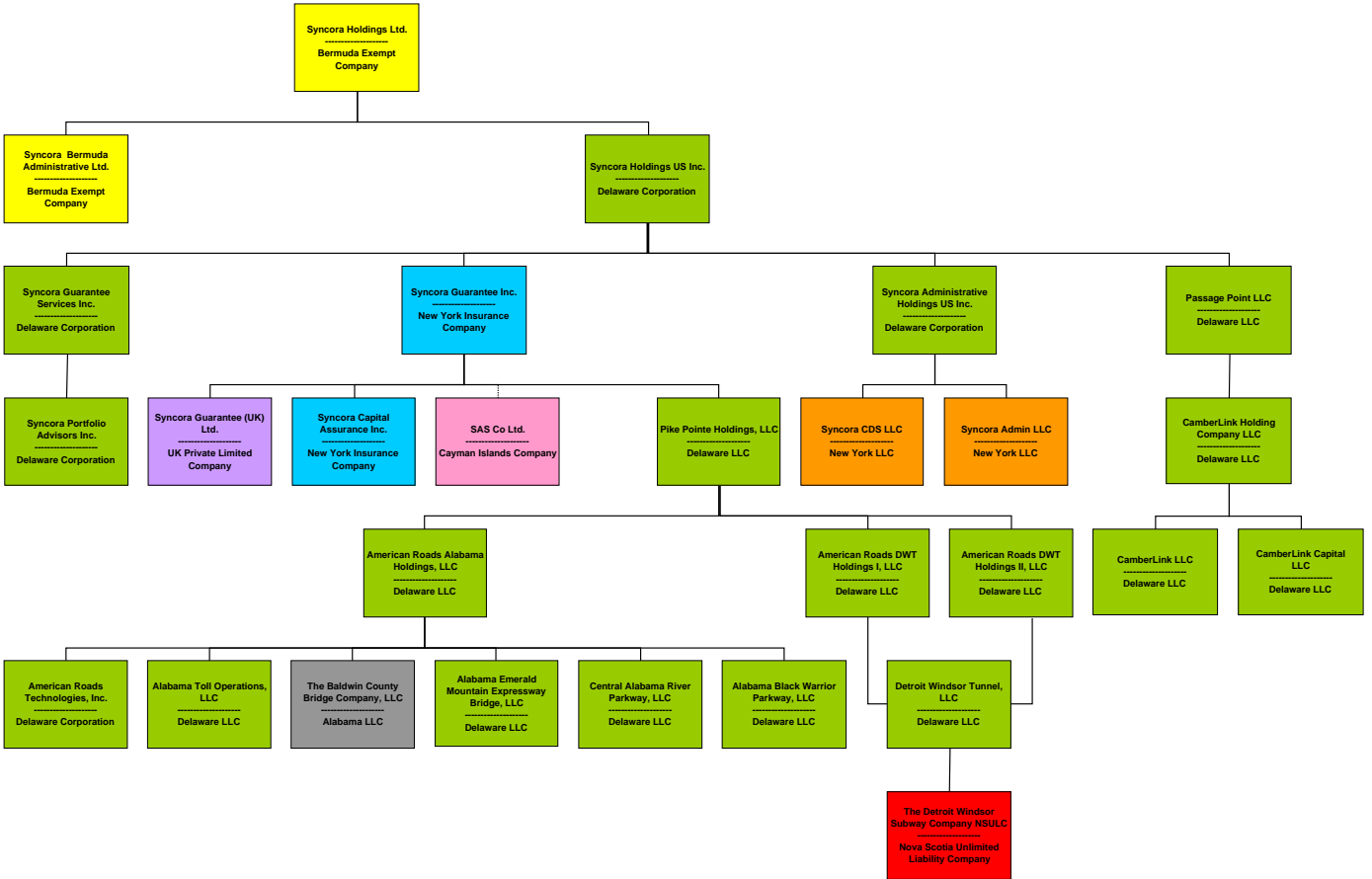
Net principal and interest outstanding

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.

Note:

¹Includes certain management estimates.

Syncora Legal Entity Structure



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

Syncora Guarantee Inc.

	As of		
	6/30/2014	3/31/2014	12/31/2013
Assets			
Cash, cash equivalents and short-term investments	\$ 71,381	\$ 153,586	\$ 89,248
Bonds	868,923	805,731	619,670
Uninsured cash flow certificates	73,343	72,639	58,955
Interest rate derivatives	4,073	6,027	7,033
Investment in subsidiary - Syncora Guarantee (UK)	59,643	58,464	58,297
Investment in subsidiary - Syncora Capital Assurance	114,857	145,442	186,425
Receivables for securities	43	2,768	-
Subtotal, cash and invested assets	1,192,264	1,244,657	1,019,628
Investment income due and accrued	3,095	1,944	2,116
Uncollected premiums and reinsurance assets	4,598	3,195	3,438
Collateral deposit	5,100	3,100	-
Assets received as salvage	3,782	3,782	-
Other assets	3,880	4,472	9,339
Total Assets	\$ 1,212,719	\$ 1,261,150	\$ 1,034,520
Liabilities, Surplus and Other Funds			
Losses and loss adjustment expenses	\$ 5,233	\$ 720	\$ (258,784)
Unearned premiums	159,205	159,563	171,711
Payable to parent, subsidiaries and affiliates	5,351	18,531	30,718
Mandatory contingency reserve	105,383	103,484	102,449
Other liabilities	7,718	14,513	15,094
Total Liabilities	282,889	296,810	61,188
Surplus notes	584,334	584,334	584,334
Preferred capital stock	200,000	200,000	200,000
Common capital stock	15,000	15,000	15,000
Gross paid in and contributed surplus	2,046,972	2,046,972	2,046,972
Unassigned funds (surplus)	(1,916,476)	(1,881,966)	(1,872,974)
Surplus as regards policyholders	929,830	964,340	973,332
Total Liabilities, Surplus and Other Funds	\$ 1,212,719	\$ 1,261,150	\$ 1,034,520

Syncora Capital Assurance Inc.

	As of		
	6/30/2014	3/31/2014	12/31/2013
Assets			
Cash, cash equivalents and short-term investments	\$ 70,277	\$ 96,669	\$ 98,251
Preferred stocks	3,725	3,725	3,720
Common stocks	19,372	16,325	15,625
Bonds	383,193	422,518	425,396
Uninsured cash flow certificates	69,424	47,838	65,426
Other invested assets	3,782	3,689	3,778
Receivables for securities	-	2,000	-
Subtotal, cash and invested assets	549,773	592,764	612,196
Investment income due and accrued	3,069	3,220	3,411
Uncollected premiums	1,670	1,382	1,537
Net deferred tax asset	2,755	1,116	1,058
Receivable from parent, subsidiaries and affiliates	79	11,477	372
Other assets	89	140	117
Total Assets	\$ 557,436	\$ 610,100	\$ 618,691
Liabilities, Surplus and Other Funds			
Losses and loss adjustment expenses	\$ 77,917	\$ 105,070	\$ 70,135
Unearned premiums	236,207	247,710	254,441
Payable to parent, subsidiaries and affiliates	9,968	611	1,658
Mandatory contingency reserve	105,757	104,498	105,839
Payable for securities	12,599	5,787	-
Other liabilities	125	945	157
Total Liabilities	442,573	464,622	432,228
Surplus notes	200,000	200,000	200,000
Common capital stock	2,500	2,500	2,500
Gross paid in and contributed surplus	189,000	189,000	189,000
Unassigned funds (surplus)	(276,637)	(246,022)	(205,038)
Surplus as regards policyholders	114,863	145,478	186,462
Total Liabilities, Surplus and Other Funds	\$ 557,436	\$ 610,100	\$ 618,691

Statement of Income

(U.S. dollars in thousands)

Syncora Guarantee Inc.

	Three Months Ended		
	6/30/2014	3/31/2014	12/31/2013
Net premiums written	\$ 5,792	\$ 5,137	\$ 4,837
Underwriting Income			
Net premiums earned	\$ 6,150	\$ 17,285	\$ 18,060
Net losses/(releases) incurred	13,385	(19,055)	(398,316)
Loss adjustment expenses incurred	171	330	3,423
Other underwriting expenses incurred	7,332	7,726	10,280
Net underwriting gain/(loss)	(14,738)	28,283	402,673
Investment Income			
Net investment income earned	12,280	5,300	11,703
Net realized gains/(losses)	1,061	161	(8,187)
Total net investment gain/(loss)	13,342	5,461	3,516
Other Income			
Other income	187	-	746
Net income/(loss) before taxes	(1,209)	33,744	406,935
Federal and foreign income taxes incurred/(benefit)	(5,536)	4,721	(1,432)
Net income/(loss)	\$ 4,327	\$ 29,023	\$ 408,367

Syncora Capital Assurance Inc.

	Three Months Ended		
	6/30/2014	3/31/2014	12/31/2013
Net premiums written	\$ 3,423	\$ 4,494	\$ 4,044
Underwriting Income			
Net premiums earned	\$ 14,926	\$ 11,225	\$ 18,442
Net losses/(releases) incurred	30,414	30,189	16,315
Loss adjustment expenses incurred	5,462	9,631	7,455
Other underwriting expenses incurred	4,394	5,143	4,700
Net underwriting gain/(loss)	(25,343)	(33,738)	(10,029)
Investment Income			
Net investment income earned	(526)	5,889	(124)
Net realized capital gains	(500)	(19,380)	(25,461)
Total net investment gain/(loss)	(1,026)	(13,491)	(25,585)
Other Income			
Other income	5	3	16,410
Net income/(loss) before taxes	(26,364)	(47,226)	(19,204)
Federal and foreign income taxes incurred/(benefit)	5,899	(4,721)	1,432
Net income/(loss)	\$ (32,262)	\$ (42,505)	\$ (20,636)

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

Syncora Guarantee Inc.

	As of		
	6/30/2014	3/31/2014	12/31/2013
Claims paying resources			
Policyholders' surplus	\$ 930	\$ 964	\$ 973
Contingency reserve	105	103	102
Qualified statutory capital	1,035	1,068	1,076
Unearned premium revenue	159	160	172
Loss & loss adjustment expense reserves ^{1,2,4}	237	228	141
Total policyholders' surplus & reserves	1,431	1,456	1,389
NPVFIP ³	104	102	156
Total claims paying resources	\$ 1,535	\$ 1,558	\$ 1,544
Net par outstanding	\$ 12,555	\$ 12,531	\$ 12,818
Leverage ratio (Net par outstanding/Total claims paying resources)	8.2	8.0	8.3

Notes:

¹ For the three months ended 6/30/2014, the reported loss and loss adjustment expenses excludes the recoverable benefit of two structured single risk credits (\$231.8 million).

² For the three months ended 3/31/2014, the reported loss and loss adjustment expenses excludes the recoverable benefit of two structured single risk credits (\$227.7 million).

³ For the three months ended 3/31/2014, the reported NPVFIP revision is due to a revised data feed from a reinsurer and policy remediations completed during the quarter.

⁴ For the twelve months ended 12/31/2013, the reported loss and loss adjustment expense reserves exclude the benefit of the JPMorgan litigation settlement (\$400.0 million).

Syncora Capital Assurance Inc.

	As of		
	6/30/2014	3/31/2014	12/31/2013
Claims paying resources			
Policyholders' surplus	\$ 115	\$ 145	\$ 186
Contingency reserve	106	104	106
Qualified statutory capital	221	250	292
Unearned premium revenue	236	248	254
Loss & loss adjustment expense reserves	78	105	70
Total policyholders' surplus & reserves	535	603	617
NPVFIP	115	115	119
Total claims paying resources	\$ 650	\$ 718	\$ 736
Net par outstanding	\$ 35,706	\$ 36,965	\$ 38,471
Leverage ratio (Net par outstanding/Total claims paying resources)	54.9	51.5	52.3

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

Syncora Guarantee Inc.

	Q2 2014		Q1 2014		Q4 2013	
	NPO	% NPO	NPO	% NPO	NPO	% NPO
Public Finance						
General Obligation	\$ 275		\$ 305		\$ 306	
Special Revenue	128		128		128	
Utility	62		62		62	
Appropriation	42		42		42	
Non Ad Valorem	-		-		64	
Total Public Finance	<u>\$ 507</u>	4.0%	<u>\$ 538</u>	4.3%	<u>\$ 602</u>	4.7%
Asset-Backed Securities						
RMBS	\$ 1,283		\$ 1,317		\$ 1,362	
Commercial ABS	122		152		165	
Total Asset-Backed Securities	<u>\$ 1,405</u>	11.2%	<u>\$ 1,470</u>	11.7%	<u>\$ 1,528</u>	11.9%
Collateralized Debt Obligations						
Cashflow CDO	<u>\$ 530</u>		<u>\$ 563</u>		<u>\$ 610</u>	
Total Collateralized Debt Obligations	<u>\$ 530</u>	4.2%	<u>\$ 563</u>	4.5%	<u>\$ 610</u>	4.8%
Structured Single Risk						
Global Infrastructure	\$ 5,283		\$ 5,221		\$ 5,372	
Power & Utilities	3,732		3,636		3,584	
Specialized Risk	1,098		1,103		1,122	
Total Structured Single Risk	<u>\$ 10,113</u>	80.5%	<u>\$ 9,960</u>	79.5%	<u>\$ 10,078</u>	78.6%
Total Net Par Outstanding	<u><u>\$ 12,555</u></u>	<u>100.0%</u>	<u><u>\$ 12,531</u></u>	<u>100.0%</u>	<u><u>\$ 12,818</u></u>	<u>100.0%</u>

Notes:

Categories include domestic and international credits.

Syncora Capital Assurance Inc.

	Q2 2014		Q1 2014		Q4 2013	
	NPO	% NPO	NPO	% NPO	NPO	% NPO
Public Finance						
General Obligation	\$ 8,580		\$ 9,167		\$ 9,694	
Special Revenue	8,145		8,176		8,481	
Utility	4,159		4,206		4,248	
Non Ad Valorem	2,941		2,951		2,964	
Appropriation	1,479		1,531		1,576	
Total Public Finance	<u>\$ 25,304</u>	70.9%	<u>\$ 26,031</u>	70.4%	<u>\$ 26,963</u>	70.1%
Asset-Backed Securities						
Commercial ABS	<u>\$ 219</u>		<u>\$ 251</u>		<u>\$ 308</u>	
Total Asset-Backed Securities	<u>\$ 219</u>	0.6%	<u>\$ 251</u>	0.7%	<u>\$ 308</u>	0.8%
Collateralized Debt Obligations						
Cashflow CDO	\$ 2,393		\$ 2,664		\$ 2,945	
Synthetic CDO	2,117		2,426		2,684	
Total Collateralized Debt Obligations	<u>\$ 4,510</u>	12.6%	<u>\$ 5,090</u>	13.8%	<u>\$ 5,629</u>	14.6%
Structured Single Risk						
Power & Utilities	\$ 3,752		\$ 3,716		\$ 3,688	
Global Infrastructure	1,872		1,827		1,832	
Specialized Risk	50		50		50	
Total Structured Single Risk	<u>\$ 5,674</u>	15.9%	<u>\$ 5,593</u>	15.1%	<u>\$ 5,570</u>	14.5%
Total Net Par Outstanding	<u><u>\$ 35,706</u></u>	<u>100.0%</u>	<u><u>\$ 36,965</u></u>	<u>100.0%</u>	<u><u>\$ 38,471</u></u>	<u>100.0%</u>

Notes:

Categories include domestic and international credits.

Insured Portfolio - Debt Service Amortization

(U.S. dollars in millions)

Syncora Guarantee Inc.

Q2 2014			Q1 2014			Q4 2013		
Scheduled Net		NPIO	Scheduled Net		NPIO	Scheduled Net		NPIO
Debt Service			Debt Service			Debt Service		
			2014 Q1	\$ -	\$ 19,300	2013 Q4	\$ -	\$ 19,916
2014 Q2	\$ -	\$ 19,305	2014 Q2	204	19,096	2014 Q1	240	19,676
2014 Q3	229	19,076	2014 Q3	176	18,920	2014 Q2	178	19,498
2014 Q4	392	18,684	2014 Q4	389	18,531	2014 Q3	155	19,343
Total 2014	\$ 621		Total 2014	\$ 768		2014 Q4	398	18,945
						Total 2014	\$ 971	
2015	\$ 999	\$ 17,685	2015	\$ 997	\$ 17,534	2015	\$ 999	\$ 17,946
2016	1,420	16,265	2016	1,433	16,101	2016	1,450	16,497
2017	1,072	15,193	2017	1,077	15,025	2017	1,114	15,383
2018	1,051	14,142	2018	1,047	13,978	2018	1,062	14,321
Total 2015-2018	\$ 4,542		Total 2015-2018	\$ 4,554		Total 2015-2018	\$ 4,624	
2019-2023	\$ 2,980	\$ 11,162	2019-2023	\$ 2,997	\$ 10,981	2019-2023	\$ 3,076	\$ 11,245
2024-2028	2,120	9,042	2024-2028	2,093	8,887	2024-2028	2,162	9,083
2029-2033	1,395	7,647	2029-2033	1,395	7,493	2029-2033	1,525	7,558
2034 and thereafter	7,647	-	2034 and thereafter	7,493	-	2034 and thereafter	7,558	-
Total 2019-thereafter	\$ 14,142		Total 2019-thereafter	\$ 13,978		Total 2019-thereafter	\$ 14,321	
Total	\$ 19,305		Total	\$ 19,300		Total	\$ 19,916	

Notes:

NPIO represents Net Principal and Interest Outstanding.

Syncora Capital Assurance Inc.

Q2 2014			Q1 2014			Q4 2013		
Scheduled Net		NPIO	Scheduled Net		NPIO	Scheduled Net		NPIO
Debt Service			Debt Service			Debt Service		
			2014 Q1	\$ -	\$ 57,669	2013 Q4	\$ -	\$ 59,934
2014 Q2	\$ -	\$ 55,323	2014 Q2	1,158	56,511	2014 Q1	1,188	58,746
2014 Q3	1,490	53,833	2014 Q3	1,488	55,023	2014 Q2	1,166	57,580
2014 Q4	1,491	52,342	2014 Q4	1,497	53,525	2014 Q3	1,507	56,073
Total 2014	\$ 2,981		Total 2014	\$ 4,143		2014 Q4	1,507	54,566
						Total 2014	\$ 5,368	
2015	\$ 3,821	\$ 48,521	2015	\$ 3,886	\$ 49,640	2015	\$ 3,961	\$ 50,604
2016	3,725	44,797	2016	4,015	45,625	2016	4,089	46,516
2017	3,228	41,569	2017	3,290	42,334	2017	3,343	43,173
2018	2,432	39,136	2018	2,481	39,853	2018	2,546	40,627
Total 2015-2018	\$ 13,206		Total 2015-2018	\$ 13,672		Total 2015-2018	\$ 13,939	
2019-2023	\$ 11,811	\$ 27,325	2019-2023	\$ 12,035	\$ 27,818	2019-2023	\$ 12,332	\$ 28,294
2024-2028	9,689	17,635	2024-2028	9,932	17,886	2024-2028	10,108	18,186
2029-2033	6,515	11,120	2029-2033	6,546	11,340	2029-2033	6,686	11,500
2034 and thereafter	11,120	-	2034 and thereafter	11,340	-	2034 and thereafter	11,500	-
Total 2019-thereafter	\$ 39,136		Total 2019-thereafter	\$ 39,853		Total 2019-thereafter	\$ 40,627	
Total	\$ 55,323		Total	\$ 57,669		Total	\$ 59,934	

Notes:

NPIO represents Net Principal and Interest Outstanding.

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

Syncora Guarantee Inc.

	Q2 2014		Q1 2014		Q4 2013	
	NPO	# of Credits	NPO	# of Credits	NPO	# of Credits
Public Finance	\$ 507	14	\$ 538	15	\$ 602	17
Asset-Backed Securities	1,405	36	1,470	36	1,528	37
Collateralized Debt Obligations	530	5	563	5	610	7
Structured Single Risk	10,113	42	9,960	42	10,078	44
Total Net Par Outstanding	<u>\$ 12,555</u>	<u>97</u>	<u>\$ 12,531</u>	<u>98</u>	<u>\$ 12,818</u>	<u>105</u>
	Net Loss Reserve		Net Loss Reserve		Net Loss Reserve	
Public Finance	\$ 13		\$ 14		\$ 19	
Asset-Backed Securities	145		143		(245)	
Collateralized Debt Obligations	2		2		4	
Structured Single Risk	(182)		(187)		(73)	
Total Net Reserve	<u>\$ (21)</u>		<u>\$ (29)</u>		<u>\$ (295)</u>	

Note:

Categories include domestic and international credits.

Syncora Capital Assurance Inc.

	Q2 2014		Q1 2014		Q4 2013	
	NPO	# of Credits	NPO	# of Credits	NPO	# of Credits
Public Finance	\$ 25,304	1,728	\$ 26,031	1,780	\$ 26,963	1,836
Asset-Backed Securities	219	2	251	2	308	3
Collateralized Debt Obligations	4,510	22	5,090	23	5,629	25
Structured Single Risk	5,674	33	5,593	32	5,570	32
Total Net Par Outstanding	<u>\$ 35,706</u>	<u>1,785</u>	<u>\$ 36,965</u>	<u>1,837</u>	<u>\$ 38,471</u>	<u>1,896</u>
	Net Loss Reserve		Net Loss Reserve		Net Loss Reserve	
Public Finance	\$ 58		\$ 85		\$ 55	
Asset-Backed Securities	-		-		-	
Collateralized Debt Obligations	-		-		-	
Structured Single Risk	0		(0)		(0)	
Total Net Reserve	<u>\$ 58</u>		<u>\$ 85</u>		<u>\$ 55</u>	

Note:

Categories include domestic and international credits.

Insured Portfolio - Watch List
As of June 30, 2014
(U.S. dollars in millions)

Syncora Guarantee Inc.

	Q2 2014				
	Special Monitoring List	Yellow Flag List	Red Flag List	Loss List	Total
Number of credits	4	8	7	24	43
Remaining weighted-average contract period (in years)	17.0	6.0	7.9	9.5	8.6
Insured contractual payments outstanding:					
Principal	\$ 424.3	\$ 1,185.0	\$ 1,917.8	\$ 837.4	\$ 4,364.4
Interest	324.5	348.8	554.4	246.3	1,474.1
Total	<u>\$ 748.8</u>	<u>\$ 1,533.8</u>	<u>\$ 2,472.2</u>	<u>\$ 1,083.6</u>	<u>\$ 5,838.5</u>
Gross loss reserves	\$ -	\$ -	\$ -	\$ 36.3	\$ 36.3
Net loss reserves	\$ -	\$ -	\$ -	\$ (21.4)	\$ (21.4)

Syncora Capital Assurance Inc.

	Q2 2014				
	Special Monitoring List	Yellow Flag List	Red Flag List	Loss List	Total
Number of credits	19	15	3	2	39
Remaining weighted-average contract period (in years)	7.3	17.9	4.6	7.2	11.6
Insured contractual payments outstanding:					
Principal	\$ 1,593.8	\$ 1,454.4	\$ 157.8	\$ 265.5	\$ 3,471.5
Interest	519.5	1,248.8	45.5	100.3	1,914.1
Total	<u>\$ 2,113.3</u>	<u>\$ 2,703.2</u>	<u>\$ 203.3</u>	<u>\$ 365.8</u>	<u>\$ 5,385.6</u>
Gross loss reserves	\$ -	\$ -	\$ -	\$ 57.7	\$ 57.7
Net loss reserves	\$ -	\$ -	\$ -	\$ 57.7	\$ 57.7

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

Syncora Guarantee Inc.

	Q2 2014		Q1 2014		Q4 2013	
	NPO	% NPO	NPO	% NPO	NPO	% NPO
AAA	\$ 659	5.2%	\$ 483	3.9%	\$ 507	4.0%
AA	795	6.3	1,024	8.2	1,110	8.7
A	1,961	15.6	1,883	15.0	1,852	14.5
BBB	5,513	43.9	5,494	43.8	5,539	43.2
Below Investment Grade	3,628	28.9	3,648	29.1	3,810	29.7
Total Net Par Outstanding	\$ 12,555	100.0%	\$ 12,531	100.0%	\$ 12,818	100.0%

Notes:

Rating based on S&P bond rating as reflected in Syncora Guarantee's records, if available, and internal Syncora Guarantee's rating if no S&P bond rating is available.

Historical NPO has been adjusted to reflect updated ratings from rating changes during prior quarters.

Syncora Capital Assurance Inc.

	Q2 2014		Q1 2014		Q4 2013	
	NPO	% NPO	NPO	% NPO	NPO	% NPO
AAA	\$ 3,901	10.9%	\$ 3,338	9.0%	\$ 3,686	9.6%
AA	9,779	27.4	10,995	29.7	10,737	27.9
A	13,921	39.0	14,332	38.8	15,594	40.5
BBB	6,372	17.8	6,504	17.6	6,762	17.6
Below Investment Grade	1,734	4.9	1,795	4.9	1,692	4.4
Total Net Par Outstanding	\$ 35,706	100.0%	\$ 36,965	100.0%	\$ 38,471	100.0%

Notes:

Rating based on S&P bond rating as reflected in Syncora Capital Assurance's records, if available, and internal Syncora Capital Assurance's rating if no S&P bond rating is available.

Historical NPO has been adjusted to reflect updated ratings from rating changes during prior quarters.

Insured Portfolio - Distribution By Internal Rating*

(U.S. dollars in millions)

Syncora Guarantee Inc.

	Q2 2014		Q1 2014		Q4 2013	
	NPO	% NPO	NPO	% NPO	NPO	% NPO
aaa	\$ 488	3.9%	\$ 519	4.1%	\$ 558	4.4%
aa	238	1.9	220	1.8	276	2.2
a	2,633	21.0	2,622	20.9	2,572	20.1
bbb	5,255	41.9	5,181	41.3	5,729	44.7
Below Investment Grade	3,940	31.4	3,989	31.8	3,683	28.7
Total Net Par Outstanding	\$ 12,555	100.0%	\$ 12,531	100.0%	\$ 12,818	100.0%

Notes:

*Internal ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the Company's view, before giving effect to the guarantee. They are subject to revision at any time and do not constitute investment advice. The Company's rating symbology has a one-to-one correspondence to the ratings symbologies used by S&P and Moody's (e.g., aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.). However, the Company assigns "d" ratings to insured transactions where the transaction has resulted in a paid claim and "c" ratings to insured transactions where the transaction is expected to result in a paid claim that has not yet been recovered resulting in a loss of up to and including 100% of the insured exposure.

Historical NPO has been adjusted to reflect updated ratings from rating changes during prior quarters.

Syncora Capital Assurance Inc.

	Q2 2014		Q1 2014		Q4 2013	
	NPO	% NPO	NPO	% NPO	NPO	% NPO
aaa	\$ 2,855	8.0%	\$ 3,371	9.1%	\$ 3,865	10.0%
aa	5,537	15.5	5,752	15.6	5,975	15.5
a	17,744	49.7	17,862	48.3	18,302	47.6
bbb	7,692	21.5	8,011	21.7	9,142	23.8
Below Investment Grade	1,878	5.3	1,968	5.3	1,188	3.1
Total Net Par Outstanding	\$ 35,706	100.0%	\$ 36,965	100.0%	\$ 38,471	100.0%

Notes:

*Internal ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the Company's view, before giving effect to the guarantee. They are subject to revision at any time and do not constitute investment advice. The Company's rating symbology has a one-to-one correspondence to the ratings symbologies used by S&P and Moody's (e.g., aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.). However, the Company assigns "d" ratings to insured transactions where the transaction has resulted in a paid claim and "c" ratings to insured transactions where the transaction is expected to result in a paid claim that has not yet been recovered resulting in a loss of up to and including 100% of the insured exposure.

Historical NPO has been adjusted to reflect updated ratings from rating changes during prior quarters.

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

Syncora Guarantee Inc.

	Q2 2014	Q1 2014	Q4 2013
	NPO	NPO	NPO
Public Finance	\$ 80	\$ 94	\$ 34
Asset-Backed Securities	1,221	1,252	1,297
Collateralized Debt Obligations	2	2	19
Structured Single Risk	2,324	2,299	2,459
Total Below Investment Grade	<u>\$ 3,628</u>	<u>\$ 3,648</u>	<u>\$ 3,810</u>
Total Net Par Outstanding	\$ 12,555	\$ 12,531	\$ 12,818
BIG as % of Net Par Outstanding	28.9%	29.1%	29.7%

Notes:

Rating based on S&P bond rating as reflected in Syncora Guarantee's records, if available, and internal Syncora Guarantee's rating if no S&P bond rating is available.

Syncora Capital Assurance Inc.

	Q2 2014	Q1 2014	Q4 2013
	NPO	NPO	NPO
Public Finance	\$ 1,346	\$ 1,382	\$ 1,230
Collateralized Debt Obligations	-	38	84
Structured Single Risk	388	375	378
Total Below Investment Grade	<u>\$ 1,734</u>	<u>\$ 1,795</u>	<u>\$ 1,692</u>
Total Net Par Outstanding	\$ 35,706	\$ 36,965	\$ 38,471
BIG as % of Net Par Outstanding	4.9%	4.9%	4.4%

Notes:

Rating based on S&P bond rating as reflected in Syncora Capital Assurance's records, if available, and internal Syncora Capital Assurance's rating if no S&P bond rating is available.

Insured Portfolio - Summary of Below Investment Grade (BIG) Exposures by Internal Rating*

(U.S. dollars in millions)

Syncora Guarantee Inc.

	Q2 2014	Q1 2014	Q4 2013
	NPO	NPO	NPO
Public Finance	\$ 237	\$ 267	\$ 34
Asset-Backed Securities	1,265	1,297	1,073
Collateralized Debt Obligations	2	2	10
Structured Single Risk	2,436	2,422	2,566
Total Below Investment Grade	<u>\$ 3,940</u>	<u>\$ 3,989</u>	<u>\$ 3,683</u>
Total Net Par Outstanding	\$ 12,555	\$ 12,531	\$ 12,818
BIG as % of Net Par Outstanding	31.4%	31.8%	28.7%

Notes:

*Internal ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the Company's view, before giving effect to the guarantee. They are subject to revision at any time and do not constitute investment advice. The Company's rating symbology has a one-to-one correspondence to the ratings symbologies used by S&P and Moody's (e.g., aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.). However, the Company assigns "d" ratings to insured transactions where the transaction has resulted in a paid claim and "c" ratings to insured transactions where the transaction is expected to result in a paid claim that has not yet been recovered resulting in a loss of up to and including 100% of the insured exposure.

Syncora Capital Assurance Inc.

	Q2 2014	Q1 2014	Q4 2013
	NPO	NPO	NPO
Public Finance	\$ 1,490	\$ 1,593	\$ 1,188
Structured Single Risk	388	375	-
Total Below Investment Grade	<u>\$ 1,878</u>	<u>\$ 1,968</u>	<u>\$ 1,188</u>
Total Net Par Outstanding	\$ 35,706	\$ 36,965	\$ 38,471
BIG as % of Net Par Outstanding	5.3%	5.3%	3.1%

Notes:

*Internal ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the Company's view, before giving effect to the guarantee. They are subject to revision at any time and do not constitute investment advice. The Company's rating symbology has a one-to-one correspondence to the ratings symbologies used by S&P and Moody's (e.g., aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.). However, the Company assigns "d" ratings to insured transactions where the transaction has resulted in a paid claim and "c" ratings to insured transactions where the transaction is expected to result in a paid claim that has not yet been recovered resulting in a loss of up to and including 100% of the insured exposure.

Insured Portfolio - 20 Largest Public Finance Credits

(U.S. dollars in millions)

Syncora Guarantee Inc.

		Q2 2014		
		NPO	S&P Rating	Internal Rating*
1	Commonwealth of Puerto Rico - GO	\$ 152	BB	b
2	Massachusetts (Commonwealth of) - GO	53	AA+	aa
3	New Jersey (State of) - Annual Appropriation	42	AA	a+
4	Port Authority of New York and New Jersey, NY	40	AA	aa-
5	City of Houston, TX - Water/Sewer Revenue Bonds	38	AA	aa-
6	Puerto Rico (Commonwealth) - Mixed State and Local Revenue	38	AA	b
7	State of New Jersey Turnpike Authority - Toll Road Revenue Bonds	33	AA	a-
8	City of Detroit, MI - GO/AA	32	D	d
9	Bay Area Toll Authority, CA - Toll Revenue Bonds	30	AA+	aa-
10	Port of Portland, OR - Airport Revenue Bonds	26	AA-	aa-
11	Puerto Rico Electric Power Authority, PR - Utility Revenue Bonds	15	AA	c
12	JEA, FL Water & Sewer (Senior Lien)	8	AA-	aa
13	Jackson Energy Authority, TN - Water Revenue Bonds	1	A	a
Total Net Par Outstanding of the Largest Public Finance Credits		\$ 507		
Total Portfolio Net Par Outstanding		\$ 12,555		
% of Total SGI Portfolio		4.0%		
Total Public Finance Portfolio Net Par Outstanding		\$ 507		
% of Total Public Finance Portfolio		100.0%		

Notes:

Individual Obligor may have policies with different ratings. Net Par Outstanding shown is grouped by the Obligor's lowest rating.

S&P Rating based on S&P bond rating as reflected in Syncora Guarantee's records, if available, and internal Syncora Guarantee's rating if no S&P bond rating is available.

*Internal ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the Company's view, before giving effect to the guarantee. They are subject to revision at any time and do not constitute investment advice. The Company's rating symbology has a one-to-one correspondence to the ratings symbologies used by S&P and Moody's (e.g., aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.). However, the Company assigns "d" ratings to insured transactions where the transaction has resulted in a paid claim and "c" ratings to insured transactions where the transaction is expected to result in a paid claim that has not yet been recovered resulting in a loss of up to and including 100% of the insured exposure.

Syncora Capital Assurance Inc.

		Q2 2014		
		NPO	S&P Rating	Internal Rating*
1	San Diego Family Housing LLC	\$ 710	AA	a+
2	LCOR Alexandria, LLC - Lease Revenue	580	AA-	a
3	City of Chicago, O'Hare International Airport, IL - Revenue Bonds	450	A-	a-
4	Miami-Dade County, FL - Aviation Revenue Bonds	391	A	a-
5	State of California - GO	370	A	a-
6	University System of Georgia, Board of Regents, GA	358	BBB	a+
7	Port Authority of New York and New Jersey, NY	343	AA-	aa-
8	City of Denver Convention Center Hotel Project, CO	340	BBB-	bbb-
9	DOT Headquarters II Lease-Backed Mortgage Finance Trust Senior Notes	326	BB+	a
10	City of Syracuse Industrial Development Agency (Carousel Center), NY	326	BBB-	bbb-
11	Dodger Tickets LLC	307	BBB-	bbb+
12	Miami-Dade County (Water/Sewer), FL	298	A+	a+
13	State of South Carolina Transportation Infrastructure Bank - Motor Vehicle Revenue	260	A	a
14	Navy Northeast Family Housing - Series 2007-A1 (Trust 220)	253	AA-	bb+
15	Baltimore Development Corporation (Convention Center Headquarters Hotel Project)	241	BB+	bbb-
16	City of San Jose, CA Redevelopment Agency - Tax Allocation	227	BBB	bb+
17	City of Denver, CO Airport System - Revenue Bonds	220	A+	a+
18	Puerto Rico Electric Power Authority, PR - Utility Revenue Bonds	218	B-	c
19	City of Houston, TX Airport System - Revenue Bonds	216	A	a
20	Riverside County, CA - Tax Allocation Bonds	213	BBB	bbb-
Total Net Par Outstanding of the Largest Public Finance Credits		\$ 6,646		
Total Portfolio Net Par Outstanding		\$ 35,706		
% of Total SCAI Portfolio		18.6%		
Total Public Finance Portfolio Net Par Outstanding		\$ 25,304		
% of Total Public Finance Portfolio		26.3%		

Notes:

Individual Obligor may have policies with different ratings. Net Par Outstanding shown is grouped by the Obligor's lowest rating.

S&P Rating based on S&P bond rating as reflected in Syncora Capital Assurance's records, if available, and internal Syncora Capital Assurance's rating if no S&P bond rating is available.

*Internal ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the Company's view, before giving effect to the guarantee. They are subject to revision at any time and do not constitute investment advice. The Company's rating symbology has a one-to-one correspondence to the ratings symbologies used by S&P and Moody's (e.g., aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.). However, the Company assigns "d" ratings to insured transactions where the transaction has resulted in a paid claim and "c" ratings to insured transactions where the transaction is expected to result in a paid claim that has not yet been recovered resulting in a loss of up to and including 100% of the insured exposure.

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

Syncora Guarantee Inc.

		Q2 2014	
Servicer/Manager Name ¹		NPO	
1	CLO Manager 1 ²	\$	303
2	American Home Servicing		270
3	Wells Fargo Bank, NA		256
4	Countrywide Home Loans		234
5	OneWest Bank, FSB		219
6	CLO Manager 2 ²		179
7	JP Morgan		156
8	CLO Manager 3 ²		144
9	TMF Administration Services Limited		95
10	Residential Capital, LLC		58
Total Net Par Outstanding of the Top 10 Structured Finance Servicer/Manager Exposures		\$	1,914
Total Portfolio Net Par Outstanding		\$	12,555
% of Total Portfolio			15.2%
Total Structured Finance Portfolio Net Par Outstanding		\$	12,048
% of Total Structured Finance Portfolio			15.9%

Note:

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

²Servicer/manager not revealed due to confidentiality.

Syncora Capital Assurance Inc.

		Q2 2014	
Servicer/Manager Name ¹		NPO	
1	CLO Manager 4 ²	\$	682
2	CLO Manager 2 ²		396
3	CLO Manager 5 ²		338
4	CLO Manager 6 ²		271
5	CLO Manager 1 ²		252
6	CLO Manager 7 ²		172
7	CLO Manager 8 ²		170
8	Private Commercial ABS Transaction ²		161
9	CLO Manager 9 ²		52
10	Bombardier Services Corporation		49
Total Net Par Outstanding of the Top 10 Structured Finance Servicer/Manager Exposures		\$	2,544
Total Portfolio Net Par Outstanding		\$	35,706
% of Total Portfolio			7.1%
Total U.S. Structured Finance Portfolio Net Par Outstanding		\$	10,403
% of Total U.S. Structured Finance Portfolio			24.5%

Note:

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

²Servicer/manager not revealed due to confidentiality.

Insured Portfolio - Profile by Geographic Distribution

(U.S. dollars in millions)

Syncora Guarantee Inc.

Q2 2014				Q1 2014				Q4 2013			
	GPO	NPO	% NPO		GPO	NPO	% NPO		GPO	NPO	% NPO
United States				United States				United States			
Illinois	\$ 1,958	\$ 531	4.2%	Illinois	\$ 1,992	\$ 531	4.2%	Illinois	\$ 2,099	\$ 525	4.1%
Puerto Rico	578	205	1.6	Puerto Rico	606	233	1.9	Alabama	1,289	291	2.3
Other ¹	23,906	425	3.4	Other ¹	24,600	427	3.4	Puerto Rico	615	243	1.9
Non-PF Multi ^{2,3}	1,996	1,988	15.8	Non-PF Multi ²	2,090	2,082	16.6	Other ¹	24,378	368	2.9
Total United States	\$ 28,437	\$ 3,149	25.1%	Total United States	\$ 29,287	\$ 3,273	26.1%	Non-PF Multi²	2,183	2,175	17.0
								Total United States	\$ 30,564	\$ 3,601	28.1%
International				International				International			
United Kingdom	\$ 5,537	\$ 5,091	40.6%	United Kingdom	\$ 5,393	\$ 4,962	39.6%	United Kingdom	\$ 5,352	\$ 4,917	38.4%
Australia	1,889	1,846	14.7	Australia	1,859	1,817	14.5	Australia	1,791	1,751	13.7
France	772	772	6.2	France	772	772	6.2	France	771	771	6.0
Chile	724	560	4.5	Chile	720	557	4.4	Chile	756	584	4.6
Spain	186	186	1.5	Spain	189	189	1.5	Spain	203	203	1.6
Italy	176	176	1.4	Italy	175	175	1.4	Italy	174	174	1.4
Canada	264	167	1.3	Canada	260	162	1.3	Canada	268	170	1.3
Other ¹	793	343	2.7	Norway	127	127	1.0	Portugal	137	137	1.1
Non-PF Multi ^{2,4}	266	266	2.1	Other ¹	677	230	1.8	Other ¹	672	244	1.9
Total International	\$ 10,607	\$ 9,406	74.9%	Non-PF Multi²	266	266	2.1	Non-PF Multi²	266	266	2.1
				Total International	\$ 10,438	\$ 9,258	73.9%	Total International	\$ 10,390	\$ 9,216	71.9%
Total Outstanding	\$ 39,044	\$ 12,555	100.0%	Total Outstanding	\$ 39,725	\$ 12,531	100.0%	Total Outstanding	\$ 40,954	\$ 12,818	100.0%

Notes:

- Single state/country with NPO < 1% of the total exposure plus any multi-state/country Public Finance exposures.
- Non-Public Finance deals with underlying securities in multiple states/countries.
- Consists of \$1,267 million in ABS, \$530 million in CDO and \$191 million in SSR net par.
- Consists of \$266 million in SSR net par.

Syncora Capital Assurance Inc.

Q2 2014				Q1 2014				Q4 2013			
	GPO	NPO	% NPO		GPO	NPO	% NPO		GPO	NPO	% NPO
United States				United States				United States			
California	\$ 4,805	\$ 4,761	13.3%	California	\$ 4,923	\$ 4,878	13.2%	California	\$ 4,968	\$ 4,922	12.8%
New York	2,803	2,803	7.9	New York	2,866	2,866	7.8	New York	2,965	2,965	7.7
Florida	1,726	1,626	4.6	Texas	1,646	1,646	4.5	Texas	1,740	1,740	4.5
Texas	1,594	1,594	4.5	Florida	1,730	1,630	4.4	Florida	1,732	1,632	4.2
Illinois	1,426	1,426	4.0	Illinois	1,460	1,460	4.0	Illinois	1,574	1,574	4.1
Pennsylvania	1,136	1,136	3.2	Pennsylvania	1,182	1,182	3.2	Pennsylvania	1,176	1,176	3.1
Alabama	950	950	2.7	Alabama	966	966	2.6	Alabama	998	998	2.6
Colorado	933	933	2.6	Colorado	937	937	2.5	Colorado	940	940	2.4
Georgia	730	730	2.0	Georgia	759	759	2.1	Georgia	912	912	2.4
Virginia	659	659	1.8	Virginia	663	663	1.8	Tennessee	664	664	1.7
Ohio	634	634	1.8	Tennessee	646	646	1.7	Virginia	664	664	1.7
Tennessee	626	626	1.8	Ohio	634	634	1.7	Washington	654	654	1.7
Washington	618	618	1.7	Washington	619	619	1.7	Ohio	635	635	1.7
New Jersey	580	580	1.6	New Jersey	593	593	1.6	New Jersey	630	630	1.6
Indiana	514	514	1.4	Indiana	524	524	1.4	Indiana	554	554	1.4
South Carolina	508	508	1.4	South Carolina	523	523	1.4	South Carolina	534	534	1.4
Massachusetts	495	495	1.4	Michigan	523	523	1.4	Massachusetts	529	529	1.4
District Of Columbia	482	482	1.3	Indiana	514	514	1.4	Minnesota	528	528	1.4
Minnesota	458	458	1.3	Massachusetts	510	510	1.4	Michigan	528	528	1.4
Missouri	426	426	1.2	District Of Columbia	484	484	1.3	Massachusetts	513	513	1.3
Michigan	401	401	1.1	Minnesota	471	471	1.3	District Of Columbia	487	487	1.3
Puerto Rico	372	372	1.0	Missouri	453	453	1.2	Missouri	466	466	1.2
Wisconsin	358	358	1.0	Wisconsin	383	383	1.0	Wisconsin	402	402	1.0
Other ¹	3,848	3,848	10.8	Puerto Rico	373	373	1.0	Other ¹	4,509	4,509	11.7
Non-PF Multi ^{2,3}	4,036	4,036	11.3	Other ¹	3,960	3,960	10.7	Non-PF Multi ²	5,197	5,197	13.5
Total United States	\$ 31,120	\$ 30,976	86.7%	Non-PF Multi²	4,615	4,615	12.5	Total United States	\$ 33,971	\$ 33,825	87.9%
				Total United States	\$ 32,435	\$ 32,291	87.4%				
International				International				International			
United Kingdom	\$ 2,929	\$ 2,929	8.2%	United Kingdom	\$ 2,878	\$ 2,878	7.8%	United Kingdom	\$ 2,872	\$ 2,872	7.5%
Netherlands	682	682	1.9	Netherlands	686	686	1.9	Netherlands	685	685	1.8
New Zealand	666	666	1.9	New Zealand	658	658	1.8	New Zealand	624	624	1.6
Other ¹	455	455	1.3	Other ¹	452	452	1.2	Other ¹	460	460	1.2
Total International	\$ 4,731	\$ 4,731	13.2%	Total International	\$ 4,674	\$ 4,674	12.6%	Non-PF Multi²	5	5	0.0
								Total International	\$ 4,646	\$ 4,646	12.1%
Total Outstanding	\$ 35,851	\$ 35,706	100.0%	Total Outstanding	\$ 37,110	\$ 36,965	100.0%	Total Outstanding	\$ 38,616	\$ 38,471	100.0%

Notes:

- Single state/country with NPO < 1% of the total exposure plus any multi-state/country Public Finance exposures.
- Non-Public Finance deals with underlying securities in multiple states/countries.
- Consists of \$3,817 million in CDO and \$219 million in ABS net par.

Investment Portfolio

As of June 30, 2014

(U.S. dollars in millions)

Syncora Guarantee Inc.

Distribution by Security Type			Maturity		
	Book Adjusted Carrying Value	Percentage		Book Adjusted Carrying Value	Percentage
Short-term investments			Within 1 Year	\$ 118.8	12.9%
Cash and cash equivalents	\$ 47.1	5.1%	1 to 5 Years	438.2	47.5%
Short-term investments	17.4	1.9%	5 to 10 Years	0.7	0.1%
Total Cash and Short-Term Investments	64.5	7.0%	Due after 10 Years	1.4	0.2%
Debt Securities			Mortgage and asset-backed securities	363.0	39.4%
MBS/ABS	363.0	39.4%	Total	\$ 922.1	100.0%
U.S. Government	266.2	28.9%	Yield to Maturity @ Book Value		1.1%
Corporate	214.3	23.2%	Yield to Maturity @ Market Value		0.7%
States & Political Subs	14.1	1.5%	Duration (years)		1.5
Total Long-Term Fixed Maturity	857.6	93.0%			
Total	\$ 922.1	100.0%			

Notes:

- Excludes \$73.3 million of uninsured cash flow ("UCF") securities.
- Excludes \$11.3 million of other remediation-related securities.
- Excludes \$6.9 million of operating cash balances.

Quality Distribution		
	Book Adjusted Carrying Value	Percentage
AAA	\$ 401.0	43.5%
AA	327.4	35.5%
A	186.8	20.3%
BBB	5.5	0.6%
BB & below and Not Rated	1.4	0.1%
Total	\$ 922.1	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	\$ 67.8	15.1%
Cash and cash equivalents	\$ 53.2	11.9%	1 to 5 Years	48.3	10.8%
Short-term investments	14.6	3.2%	5 to 10 Years	84.4	18.8%
Total Cash and Short-Term Investments	67.8	15.1%	Due after 10 Years	42.6	9.5%
Debt Securities			Mortgage and asset-backed securities	205.9	45.9%
MBS/ABS	205.9	45.9%	Total	\$ 449.1	100.0%
U.S. Government	2.1	0.5%	Yield to Maturity @ Book Value		3.4%
Corporate	154.3	34.4%	Yield to Maturity @ Market Value		2.4%
States & Political Subs	19.0	4.2%	Duration (years)		4.2
Total Long-Term Fixed Maturity	381.3	84.9%			
Total	\$ 449.1	100.0%			

Notes:

- Excludes \$69.4 million of uninsured cash flow ("UCF") securities.
- Excludes \$1.9 million of a bond purchased for remediation.
- Excludes \$3.7 million of preferred stocks.
- Excludes \$23.2 million of common stocks and alternative investments.
- Excludes \$2.5 million of operating cash balances.

Quality Distribution		
	Book Adjusted Carrying Value	Percentage
AAA	\$ 131.4	29.3%
AA	133.1	29.6%
A	70.0	15.6%
BBB	90.4	20.1%
BB & below and Not Rated	24.2	5.4%
Total	\$ 449.1	100.0%
Average credit quality	A+	