Syncora Announces NYDFS Approval of $400mm Payment to Third-Party Holders of Surplus Notes in Connection with Reinsurance, Surplus Noteholder Consent to Reinsurance Transaction and First Quarter 2018 Interim GAAP Consolidated Financial Results

HAMILTON, Bermuda, May 14, 2018 (GLOBE NEWSWIRE)–Syncora Holdings Ltd. ("Syncora" or the "Company") today announced that the New York State Department of Financial Services has approved the proposed reinsurance transaction with Assured Guaranty Corp. and the related payment on the Syncora Guarantee Inc. ("SGI") Long-Term Surplus Notes (the "Long-Term Surplus Notes") and Short-Term Surplus Notes (the "Short-Term Surplus Notes and, together with the Long-Term Surplus Notes, the "Surplus Notes") held by third party holders in the amounts set forth below:

	Accrued and Unpaid Interest	Principal	Total
Total Payment to Long-Term Surplus Notes held by Third Parties	$89,154,746	$227,328,606	$316,483,352
Total Payment to Short-Term Surplus Notes held by Third Parties	$23,276,942	$60,239,706	$83,516,648
Total	$112,431,688	$287,568,312	$400,000,000

As required, by the terms of the Surplus Notes, SGI will provide notice that the record date for such payment will be set as June 12, 2018 and that the payment date with respect to the payment set forth above will be June 27, 2018.

Syncora further announced that it had received the required level of consents from holders of Surplus Notes to the waiver of certain restrictions of its master transaction agreement to permit the reinsurance transaction, which is expected to close June 1, 2018, subject to customary closing conditions. No assurance can be given that the transaction will close on the expected timeline or at all. A form of the waiver and amendment has been posted to the Syncora website.

"With the approval of payment to the surplus noteholders and the waiver described above, we are now in a position to move toward closing the reinsurance transaction with Assured Guaranty. We are very pleased to be able to execute on a transaction that we believe will cap our insured exposure, leaving SGI in a more stable and significantly de-levered financial position and making it possible for us to continue to return value to our stakeholders," commented Frederick B. Hnat, the President and Chief Executive Officer of Syncora.

Syncora also reported today financial results for the three months ended March 31, 2018.

Syncora Holdings Ltd.
Summary of Consolidated Financial Results
Three Months Ended March 31, 2018 and 2017
(U.S. dollars in millions, except per share amounts)

	2018	2017
Net premiums earned	$ 14.3	$ 15.6
Net investment income	10.4	11.6
Net unrealized and realized gains (losses) on investments	1.0	(14.9)
Net earnings (loss) on insurance cash flow certificates	34.3	(6.3)
Net (loss) earnings on credit default and other swap contracts	(21.1)	13.5
Net losses and loss adjustment expenses	35.3	16.8
Operating expenses	10.4	12.1
Loss from continuing operations	(15.5)	(33.6)
Income from discontinued operations	6.9	2.8
Net loss attributable to controlling interest	$ (8.8)	$ (30.8)
Basic and diluted loss per common share	$ (0.10)	$ (0.36)
Basic and diluted income from discontinued operations per common share	$ 0.08	$ 0.03
Non-GAAP operating income (loss) [1]	$ 16.7	$ (21.9)
Non-GAAP basic and diluted operating income (loss) per common share [1]	$ 0.19	$ (0.25)
Basic and diluted weighted average common shares outstanding	86.8	86.6

	As of March 31, 2018	As of December 31, 2017
Adjusted Book Value [1]	$ 620.7	$ 609.3
Common shares outstanding at end of period	87.0	86.8
Adjusted Book Value per common share [1]	$ 7.14	$ 7.02

[1] Non-GAAP operating income (loss) and adjusted book value are non-GAAP financial measures that exclude (or include) amounts that are included in (or excluded from) total Syncora Holdings Ltd. net income (loss) and common shareholders' equity, respectively, which are presented in accordance with GAAP. See below for reconciliations between GAAP and Non-GAAP financial measures.

Financial Results

Consolidated Statements of Operations

Net premiums earned were $14.3 million for the three months ended March 31, 2018, as compared to $15.6 million for the three months ended March 31, 2017. The decrease was due to lower earned premiums as a result of the continued run-off of the Company’s book of business, partially offset by higher premium accelerations from refundings in the current period. Total premium accelerations were $9.6 million for the three months ended March 31, 2018, as compared to $8.1 million for the three months ended March 31, 2017.

Net investment income decreased slightly by $1.2 million from $11.6 million for the three months ended March 31, 2017 to $10.4 million for the three months ended March 31, 2018. The decrease was primarily due to lower income on remediation bonds as compared to the prior period.

Net unrealized and realized gains on investments increased by $15.9 million to $1.0 million for the three months ended March 31, 2018 from a net realized loss of $14.9 million for the three months ended March 31, 2017. The change was primarily due to lower other-than-temporary impairment charges and foreign exchange gains on the sale of certain Euro-denominated remediation bonds in the current period. For the three months ended March 31, 2018, the change in net unrealized losses on equity securities of $2.1 million are included in the consolidated statement of operations as a result of adopting a new accounting pronouncement for equity securities.

Net earnings on insurance cash flow certificates was $34.3 million for the three months ended March 31, 2018, as compared to a loss of $6.3 million for the three months ended March 31, 2017. The increase was a result of a reduction to reimbursements owed to third party UCF holders as a result of the receipt of cash from the GreenPoint litigation settlement.

Fees and other income were $16.2 million for the three months ended March 31, 2018, as compared to $1.2 million for the same period last year. The increase was primarily due to the sale of a Detroit real estate development option.

Net loss on credit default and other swap contracts was $21.1 million for the three months ended March 31, 2018, as compared to earnings of $13.5 million for the three months ended March 31, 2017. The decrease was primarily due to lower non-performance risk spreads during the current period.

Net losses and loss adjustment expenses were $35.3 million for the three months ended March 31, 2018, as compared to $16.8 million for the three months ended March 31, 2017. The increase was primarily due to RMBS adverse developments and additional loss adjustment expenses related to the sale of American Roads LLC.

Operating expenses were $10.4 million for the three months ended March 31, 2018, as compared to $12.1 million for the same period last year. The decrease was primarily due to cost savings associated with headcount reductions.

Income from discontinued operations represents the total revenues and total expenses of American Roads LLC, which was $6.9 million for the three months ended March 31, 2018 and $2.8 million for the same period last year.

Consolidated Balance Sheets

Total assets decreased by $86.9 million from $2,385.5 million as of December 31, 2017 to $2,298.6 million as of March 31, 2018 primarily as a result of the deconsolidation of one variable interest entity and operating expenses and claim payments made during the period.

Total liabilities decreased by $65.4 million from $1,683.5 million as of December 31, 2017 to $1,618.1 million as of March 31, 2018. The decrease was primarily due to RMBS positive developments, lower unearned premium revenue from the continued run-off of the Company's insured portfolio, lower liabilities of variable interest entities as a result of the deconsolidation noted above and lower accounts payable, accrued expenses and other liabilities due to lower compensation-related expenses as a result of headcount reductions. These amounts were partially offset by higher mark-to-market fair values on our credit default and other swap contracts due to lower non-performance risk spreads, and the continued accretion of the surplus note payable and accrual of related interest expense.

Assets and liabilities of entity held-for-sale represent the total assets and total liabilities of American Roads LLC, which met the accounting criteria for held-for-sale during the third quarter of 2017.

Syncora Holdings Ltd.
Consolidated Statements of Operations
Three Months Ended March 31, 2018 and 2017
(U.S. dollars in thousands)

		2018		2017
Revenues				
Net premiums earned	$	14,303	$	15,588
Net investment income		10,381		11,638
Net unrealized and realized gains (losses) on investments, including other-than-temporary impairment losses of $(10,885) and $(16,082)		996		(14,937)
Net earnings (loss) on insurance cash flow certificates, net of amortization of deferred gains of $615 and $515		34,333		(6,332)
Fees and other income		16,205		1,150
Net (loss) earnings on credit default and other swap contracts: net unrealized gains (losses) of $(21,903) and $12,618 and realized gains and other settlements of $799 and $853		(21,104)		13,471
Net change in fair value of consolidated variable interest entities		1,870		(293)
Total revenues		56,984		20,285
Expenses				
Net losses and loss adjustment expenses		35,317		16,771
Amortization of deferred acquisition costs, net		2,315		2,305
Interest expense, including accretion of $12,425 and $9,607		24,473		21,760
Operating expenses		10,418		12,071
Total expenses		72,523		52,907
Loss before income tax expense from continuing operations		(15,539)		(32,622)
Income tax expense		–		932
Loss from continuing operations		(15,539)		(33,554)
Income from discontinued operations		6,866		2,764
Net loss		(8,673)		(30,790)
Net income attributable to non-controlling interest		104		19
Net loss attributable to controlling interest		(8,777)		(30,809)

Syncora Holdings Ltd.
Consolidated Balance Sheets
March 31, 2018 (Unaudited) and December 31, 2017
(U.S. dollars in thousands, except share and per share amounts)

ASSETS	**2018**	**2017**
Debt securities, available-for-sale, at fair value		
(amortized cost: $827,869 and $910,858)	$ 836,712	$ 928,044
Other invested assets, at fair value (cost: $91,110 and $94,232)	111,784	117,110
Cash and cash equivalents	670,588	311,951
Total cash and invested assets	1,619,084	1,357,105
Restricted cash and cash equivalents	1,013	2,637
Accrued investment income	5,796	6,633
Deferred acquisition costs, net	32,616	34,930
Premiums receivable	90,474	92,824
Salvage and subrogation recoverable	129,531	422,687
Receivables on insurance cash flow certificates, net	143,082	109,869
Other assets	42,396	45,106
Assets of consolidated variable interest entities, at fair value	39,931	118,154
Assets of entity held-for-sale	194,629	195,540
Total assets	$ 2,298,552	$ 2,385,485
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	$ 643,785	$ 674,999
Unearned premium revenue	207,500	224,885
Credit default and other swap contracts, at fair value	126,214	104,094
Notes payable (par value: $677,117 and $677,117)	441,275	428,887
Accrued interest on notes payable	139,414	127,329
Reinsurance premiums payable	10,859	12,921
Accounts payable, accrued expenses and other liabilities	14,917	29,244
Liabilities of consolidated variable interest entities, at fair value	21,520	60,708
Liabilities of entity held-for-sale	12,636	20,428
Total liabilities	1,618,120	1,683,495
Shareholders' equity		
Non-controlling interest in subsidiary- Series B perpetual non-cumulative preferred shares of Syncora Guarantee Inc. (2,000 shares authorized and issued; 1,345 shares outstanding, 655 shares held by subsidiary; $134,526 liquidation preference)	13,453	13,453
Non-controlling interest in consolidated entity	2,323	2,578
Common shares (500,000,000 shares authorized; 90,013,135 and 89,811,623 shares issued; 86,968,547 and 86,767,035 shares outstanding, 3,044,588 shares held as treasury; $0.01 par value) and additional paid-in capital	2,717,343	2,716,798
Accumulated deficit	(2,063,162)	(2,061,854)
Accumulated other comprehensive income	10,475	31,015
Total Syncora Holdings Ltd. shareholders' equity	664,656	685,959
Total shareholders' equity	680,432	701,990
Total liabilities and shareholders' equity	$ 2,298,552	$ 2,385,485

Non-GAAP Financial Measures

This earnings release references Non-GAAP operating income (loss) and Adjusted Book Value, financial measures that are not calculated in accordance with GAAP. A Non-GAAP financial measure is a numerical measure of financial performance or financial position that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP. While the Company does not manage its business or measure its performance using Non-GAAP measures, we are presenting these Non-GAAP financial measures because they provide greater transparency and enhanced visibility into the underlying performance of our business and, with respect to Adjusted Book Value, the effect of certain items that the Company believes will reverse from GAAP book value over time. In addition, we have included these measures because we believe they provide investors with important additional information to compare the Company to other financial guarantors. Non-GAAP operating income (loss) and Adjusted Book Value as calculated do not consider timing or amounts, if any, of payment on SGI's surplus notes, which would require NYDFS approval, dividend restrictions under New York Insurance Law applicable to the insurance subsidiaries and contractual constraints with respect to any dividend payment. Reference should be made to Note 18 in the most recently issued consolidated GAAP financial statements. In addition, because other financial guarantors may calculate Non-GAAP operating income (loss) and Adjusted Book Value or similarly titled measures differently, or may not be subject to the restrictions noted above, Non-GAAP operating income (loss) and Adjusted Book Value may not necessarily be comparable to similarly titled measures reported by other financial guarantors. Non-GAAP operating income (loss) and Adjusted Book Value are not substitutes for the most directly comparable GAAP measures, should not be viewed in isolation and may be subject to change.

The following table reconciles GAAP net loss attributable to common shareholders of Syncora Holdings Ltd. to Non-GAAP operating income (loss) attributable to common shareholders of Syncora Holdings Ltd.:

Syncora Holdings Ltd.
Reconciliation of GAAP Net Loss to Non-GAAP Operating Income (Loss)
March 31, 2018 and 2017
(in millions, except per share amounts)

	Three Months Ended March 31,	
	2018	**2017**
GAAP net loss attributable to controlling interest	**$ (8.8)**	**$ (30.8)**
Pre-tax adjustments:		
Non-credit impairment of net realized and unrealized fair value losses and (gains) on credit derivatives (1)	23.0	(12.8)
Surplus note accretion (2)	12.4	9.6
Net unrealized and realized (gains) losses on investments (3)	(3.0)	14.9
Income from discontinued operations (4)	(6.9)	(2.8)
Total pre-tax adjustments	25.5	8.9
Less tax effect on pre-tax adjustments (5)	-	-
Non-GAAP operating income (loss)	**$ 16.7**	**$ (21.9)**
Basic and diluted weighted average common shares	86.8	86.6
Basic and diluted loss per common share	$ (0.10)	$ (0.36)
Non-GAAP basic and diluted operating income (loss) per common share	$ 0.19	$ (0.25)

Non-GAAP operating income adjustments:

(1) Elimination of non-credit impairment net realized and unrealized fair value (gains) and losses on credit derivatives in excess of the present value of the expected estimated economic credit losses, and non-economic payments. The fair value adjustments on derivative financial instruments are heavily influenced by, and fluctuate, in part according to, market interest rates, credit spreads and other factors that management cannot control or predict and that are not expected to result in an economic gain or loss. In addition, this adjustment presents all financial guaranty contracts on a more consistent basis of accounting, whether or not they are subject to derivative accounting rules.

(2) Elimination of surplus note accretion as the full face amount of the surplus notes (including interest paid-in-kind) is included in the Adjusted Book Value calculation.

(3) Elimination of realized gains (losses) on the Company's investments, except for gains and losses on investments for which the fair value option of accounting was elected and changes in net unrealized gains (losses) on equity securities. The timing of realized gains and losses, which depends largely on market credit cycles, can vary considerably across periods. The timing of sales is largely subject to the Company's discretion and influenced by market opportunities, as well as the Company's tax and capital profile.

(4) Elimination of the results from discontinued operations related to American Roads LLC.

(5) Elimination of the tax effects related to the above adjustments. SHI has a significant tax NOL that is offset by a full valuation allowance in the GAAP consolidated financial statements. As a result, for purposes of Non-GAAP measures, the Company utilizes a 0% effective tax rate until the expiration of these NOLs.

The following table reconciles GAAP common shareholders' equity to Adjusted Book Value:

Syncora Holdings Ltd.
Reconciliation of GAAP Common Shareholders' Equity to
Adjusted Book Value
March 31, 2018 and December 31, 2017
(in millions, except per share amounts)

	As of March 31, 2018		As of December 31, 2017	
GAAP common shareholders' equity	**$**	**664.7**	**$**	**686.0**
Series B preferred stock [1]		(121.0)		(121.0)
Adjusted GAAP common shareholders' equity	**$**	**543.7**	**$**	**565.0**
Pre-tax adjustments:				
Deferred acquisition costs [2]		(32.6)		(34.9)
Net credit derivative liability [3]		107.2		84.2
Net present value of estimated net future credit derivative revenue [4]		63.5		65.8
Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed [5]		190.7		208.9
Notes payable [6]		(235.8)		(248.2)
Unrealized gains on investments [7]		(10.1)		(24.4)
Income Taxes [8]		(5.9)		(7.1)
Adjusted Book Value	**$**	**620.7**	**$**	**609.3**
Common shares outstanding at end of the period		87.0		86.8
Book value per common share	$	6.25	$	6.51
Adjusted book value per common share	$	7.14	$	7.02

Note: GAAP common shareholders' equity and Adjusted Book Value includes $182.0 million and $182.0 million, $175.1 million and $175.1 million as of March 31, 2018 and December 31, 2017, respectively, related to American Roads LLC.

Adjusted Book Value adjustments:

(1) Addition of the excess of the outstanding liquidation preference of the SGI Series B non-cumulative preferred shares over their carrying values. Including the SGI Series B non-cumulative preferred shares at their outstanding liquidation value (which is net of the shares received in connection with our 2012 settlement with Countrywide, Bank of America Corp.) instead of their carrying value is more in line with the residual value to common shareholders.

(2) Elimination of pre-tax deferred acquisition costs as these amounts represent net deferred expenses that have already been paid and will be expensed in future accounting periods.

(3) Elimination of the consolidated net credit derivative liability which represents an estimate of the fair value of the Company's guarantees issued as CDS contracts in excess of the present value of the expected losses. By excluding the net credit derivative liability, this metric eliminates the benefit to our shareholders' equity embedded therein from the Company's non-performance risk, which reflects the market's view of the risk that the Company will not be able to financially honor its obligations as they become due. The fair value adjustments on derivative financial instruments are heavily influenced by, and fluctuate, in part according to, market interest rates, credit spreads and other factors that management cannot control or predict and that are not expected to result in an economic gain or loss. In addition, by including our best estimate of losses we expect to incur on our CDS contracts if we were to hold such CDS contracts to maturity and pay claims as they arise over the remaining life of such contracts, the metric presents our guarantees of insurance and derivatives on a consistent basis, which results in a more meaningful measure of our value.

(4) Addition of the pre-tax net present value of estimated net future credit derivative revenues. Including the net present value of estimated net future credit derivative revenues enables an evaluation of the value of future estimated credit derivative revenue for which there is no corresponding GAAP financial measure.

(5) Addition of the pre-tax value of the unearned premium reserve on financial guaranty contracts in excess of expected losses to be expensed on an individual policy level, net of reinsurance as the unearned premium reserve on financial guaranty contracts represents revenues that are expected to be earned in the future.

(6) Addition to the full face amount, in excess of the carrying amount, of the surplus notes payable held by third parties (including interest paid-in-kind), as including the full face amount of the surplus notes is consistent with the treatment of these instruments as debt.

(7) Elimination of the pre-tax unrealized gains on the Company's investments that are recorded as a component of accumulated other comprehensive income ("AOCI"), excluding the effects of

foreign exchange. The effects of the AOCI component of the fair value adjustment on investments are not deemed economic until the Company sells such investments.

(8) Elimination of the tax effects related to the above adjustments. SHI has a significant tax NOL that is offset by a full valuation allowance in the GAAP consolidated financial statements. As a result, for purposes of Non-GAAP measures, the Company utilizes a 0% effective tax rate until the expiration of these NOLs.

Conference Call Details

The Company plans to host a conference call at 8:30 a.m. on Tuesday, May 15, 2018 to discuss its financial results for the three months ended March 31, 2018. The earnings call will be webcast via the Investor Events page of the Investor Relations section of the Company's website, or by dialing (877) 512-9165 (U.S. toll free), or (706) 679-5795 outside the U.S., Puerto Rico and Canada, approximately 10 minutes prior to the scheduled start time and providing conference ID# 448-7007. Following conclusion of the call, the Company will post a transcript on its website alongside a replay of the webcast. The replay will also be available via telephone by dialing (855) 859-2056 (U.S. toll free), or (404) 537-3406 outside the U.S., Puerto Rico and Canada, and providing conference ID# 448-7007.

Important Information

This press release contains statements about future results, plans and events that may constitute "forward-looking" statements within the meaning of the U.S. federal securities laws. The Company cautions you that the forward-looking information presented in this press release is not a guarantee of future events, and that actual events may differ materially from those made in or suggested by the forward-looking information contained in this press release. In addition, forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "plan," "seek," "comfortable with," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue" or the negative thereof or variations thereon or similar terminology. Forward-looking statements are subject to a number of risks and uncertainties, many of which are beyond the Company's control. These risks and uncertainties include, but are not limited to, the factors described in the Company's historical filings with the New York State Department of Financial Services, and in the Company's and Syncora Guarantee Inc.'s GAAP and statutory financial statements, as applicable, posted on its website at www.syncora.com. Readers are cautioned not to place undue reliance on forward-looking statements which speak only as of the date they are made. The Company does not undertake to update forward-looking statements to reflect the impact of circumstances or events that arise after the date the forward-looking statements are made.