Syncora Holdings Ltd. Announces Interim GAAP Consolidated Financial Results for the Nine Months Ended September 30, 2017

HAMILTON, Bermuda, November 13, 2017 (GLOBE NEWSWIRE) – Syncora Holdings Ltd. ("SHL" or the "Company"), a Bermuda holding company whose subsidiaries primarily provide financial guarantee insurance and reinsurance, today reported financial results for the nine months ended September 30, 2017.

Syncora Holdings Ltd.
Summary Results of Consolidated Operations
Nine Months Ended September 30, 2017 and 2016
(U.S. dollars in millions, except per share amounts)

	2017	2016
Net premiums earned	$ 38.6	$ 52.2
Net investment income	34.0	36.1
Net realized losses on investments	(15.8)	(9.6)
Net loss on insurance cash flow certificates	(29.9)	(43.2)
Net earnings (loss) on credit default and other swap contracts	45.6	(52.3)
Net losses (recoveries) and loss adjustment expenses	120.2	(101.4)
Operating expenses	31.6	55.7
(Loss) income from continuing operations	(135.8)	2.6
Income from discontinued operations	10.3	10.4
Net (loss) income attributable to controlling interest	$ (125.7)	$ 12.6
GAAP basic and diluted (loss) income per common share	$ (1.45)	$ 2.07
GAAP basic and diluted (loss) income from discontinued operations per common share	$ 0.12	$ 0.17
Non-GAAP operating (loss) income [1]	$ (123.5)	$ 98.7
Non-GAAP basic and diluted operating (loss) income per common share [1]	$ (1.42)	$ 1.60
Basic and diluted weighted average common shares outstanding	86.7	61.7

	As of September 30, 2017	As of December 31, 2016
Adjusted Book Value [1]	$ 344.9	$ 484.1
Common shares outstanding at end of period	86.8	86.6
Adjusted Book Value per common share [1]	$ 3.98	$ 5.59

[1] Non-GAAP operating (loss) income 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 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 $38.6 million for the nine months ended September 30, 2017, as compared to $52.2 million for the nine months ended September 30, 2016. The decrease was due to lower earned premiums as a result of the continued run-off of our book of business, and higher premium accelerations from refundings in the prior year. Total premium accelerations were $19.9 million for the nine months ended September 30, 2017, as compared to $25.7 million for the nine months ended September 30, 2016.

Net realized losses on investments increased by $6.2 million to $15.8 million for the nine months ended September 30, 2017 from $9.6 million for the nine months ended September 30, 2016. The increase was primarily due to higher other-than-temporary impairment charges in the current period.

Net loss on insurance cash flow certificates was $29.9 million for the nine months ended September 30, 2017, as compared to $43.2 million for the nine months ended September 30, 2016. As this represents future cash flow receipts from certain insurance claim payments the Company anticipates making on policies that have been remediated, the decrease was primarily driven by lower positive RMBS developments.

Net earnings (loss) on credit default and other swap contracts was $45.6 million for the nine months ended September 30, 2017, as compared to $(52.3) million for the nine months ended September 30, 2016. The increase was primarily due to higher non-performance risk spreads.

Net losses (recoveries) and loss adjustment expenses were $120.2 million for the nine months ended September 30, 2017, as compared to $(101.4) million for the nine months ended September 30, 2016. The increase was primarily due to higher net incurred losses on our Puerto Rico exposures, partially offset by continued positive reserve developments on our RMBS exposures.

Operating expenses were $31.6 million for the nine months ended September 30, 2017, as compared to $55.7 million for the nine months ended September 30, 2016. 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 $10.3 million for the nine months ended September 30, 2017 and $10.4 million for the same period last year.

Consolidated Balance Sheets

Total assets decreased by $205.5 million from $2,394.4 million as of December 31, 2016 to $2,188.9 million as of September 30, 2017 primarily as a result of Puerto Rico net claim payments, a reduction in expected roundtrip claim payments for remediated RMBS exposures and lower premium receivables as a result of refunding activity and the continued run-off of our book business.

Total liabilities decreased by $103.7 million from $1,853.2 million as of December 31, 2016 to $1,749.5 million as of September 30, 2017. The decrease was primarily due to RMBS positive developments, lower unearned premium revenue from the continued run-off of our insured portfolio, lower mark-to-market fair values on our credit default and other swap contracts due to higher non-performance risk spreads and lower accounts payable, accrued expenses and other liabilities due to lower compensation-related expenses as a result of headcount reductions.

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.

SYNCORA HOLDINGS LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
NINE MONTHS ENDED SEPTEMBER 30, 2017 and 2016
(U.S. dollars in thousands)

	2017	2016
Revenues		
Net premiums earned	$ 38,565	$ 52,224
Net investment income	33,993	36,070
Net realized losses on investments, including other-than-temporary impairment losses of $(37,940) and $(24,740)	(15,809)	(9,571)
Net loss on insurance cash flow certificates, net of amortization of deferred gains of $1,616 and $1,947	(29,932)	(43,238)
Fees and other income	4,367	18,595
Net earnings (loss) on credit default and other swap contracts, net unrealized gains (losses) of $43,042 and $(55,721) and realized gains and other settlements of $2,545 and $3,451	45,587	(52,270)
Net change in fair value of consolidated variable interest entities	5,862	18,699
Total revenues	82,633	20,509
Expenses		
Net losses (recoveries) and loss adjustment expenses	120,190	(101,416)
Amortization of deferred acquisition costs, net	5,669	5,414
Realized loss on interest rate derivative instrument	50	501
Interest expense, including accretion of $29,740 and $15,731	65,909	53,571
Operating expenses	31,608	55,703
Total expenses	223,426	13,773
(Loss) income before income tax (benefit) expense from continuing operations	(140,793)	6,736
Income tax (benefit) expense	(4,950)	4,137
(Loss) income from continuing operations	(135,843)	2,599
Income from discontinued operations	10,296	10,431
Net (loss) income	(125,547)	13,030
Net income attributable to non-controlling interest	177	393
Net (loss) income attributable to controlling interest	(125,724)	12,637

SYNCORA HOLDINGS LTD.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2017 (Unaudited) and DECEMBER 31, 2016
(U.S. dollars in thousands, except share and per share amounts)

ASSETS	2017	2016
Debt securities, available-for-sale, at fair value		
(amortized cost: $1,076,142 and $1,257,670)	$ 1,093,488	$ 1,272,641
Other invested assets, at fair value (cost: $94,526 and $79,284)	115,096	93,888
Cash and cash equivalents	165,050	167,088
Total cash and invested assets	1,373,634	1,533,617
Restricted cash and cash equivalents	3,703	4,704
Accrued investment income	10,262	11,884
Deferred acquisition costs, net	36,945	42,614
Premiums receivable	96,748	117,728
Salvage and subrogation recoverable	138,195	101,207
Receivables on insurance cash flow certificates, net	203,725	203,764
Definite-lived intangible assets, net	9,732	10,516
Indefinite-lived intangible assets	3,210	3,210
Other assets	33,411	38,535
Assets of consolidated variable interest entities, at fair value	89,752	146,857
Assets of entity held-for-sale	189,618	179,757
Total assets	$ 2,188,935	$ 2,394,393
LIABILITIES AND SHAREHOLDERS' EQUITY		
Liabilities		
Unpaid losses and loss adjustment expenses	$ 716,593	$ 742,236
Unearned premium revenue	238,803	292,816
Credit default and other swap contracts, at fair value	117,594	160,515
Notes payable (par value: $681,275 and $685,556)	422,114	396,759
Accrued interest on notes payable	139,008	125,953
Reinsurance premiums payable	13,129	12,732
Accounts payable, accrued expenses and other liabilities	23,696	38,135
Liabilities of consolidated variable interest entities, at fair value	61,323	66,183
Liabilities of entity held-for-sale	17,210	17,884
Total liabilities	1,749,470	1,853,213
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	2,419	3,066
Common shares (500,000,000 shares authorized; 89,811,623 and 89,613,270 shares issued; 86,767,035 and 86,568,682 shares outstanding, 3,044,588 shares held as treasury; $0.01 par value) and additional paid-in capital	2,716,762	2,716,220
Accumulated deficit	(2,321,080)	(2,195,356)
Accumulated other comprehensive income	27,911	3,797
Total Syncora Holdings Ltd. shareholders' equity	423,593	524,661
Total shareholders' equity	439,465	541,180
Total liabilities and shareholders' equity	$ 2,188,935	$ 2,394,393

Non-GAAP Financial Measures

This earnings release references Non-GAAP operating 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 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 20 in the most recently issued consolidated GAAP financial statements. In addition, because other financial guarantors may calculate Non-GAAP operating loss and Adjusted Book Value or similarly titled measures differently, or may not be subject to the restrictions noted above, Non-GAAP operating loss and Adjusted Book Value may not necessarily be comparable to similarly titled measures reported by other financial guarantors. Non-GAAP operating 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.

In the fourth quarter of 2016, the Company revised its calculation of non-GAAP measures in response to the U.S. Securities and Exchange Commission's recent public views relating to the release of updated Compliance and Disclosure Interpretations on non-GAAP measures (the "May 2016 C&DIs"). The Company had previously excluded the effects of consolidated variable interest entities ("VIEs") in its calculation of Non-GAAP operating loss and Adjusted Book Value. Beginning in the fourth quarter of 2016, the Company will no longer eliminate the effects of consolidated VIEs based on the May 2016 C&DIs. However, the Company has separately disclosed the effects of consolidated VIEs on its GAAP financial statements that were previously included as adjustments to its non-GAAP measures. These disclosures can be found after the Non-GAAP operating loss and Adjusted Book Value tables below.

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

Syncora Holdings Ltd. Reconciliation of GAAP Net (Loss) Income to Non-GAAP Operating (Loss) Income (in millions, except per share amounts)	Nine Months Ended September 30, 2017	Nine Months Ended September 30, 2016
GAAP net (loss) income	**$ (125.7)**	**$ 12.6**
Extinguishment of Series A perpetual non-cumulative preference shares	-	115.2
GAAP (loss) earnings attributable to common shareholders of Syncora Holdings Ltd.	**$ (125.7)**	**$ 127.8**
GAAP net (loss) income	**$ (125.7)**	**$ 12.6**
Pre-tax adjustments:		
Non-credit impairment of net realized and unrealized fair value losses and (gains) on credit derivatives (1)	(39.6)	55.1
Surplus note accretion (2)	29.7	15.7
Net realized (gains) and losses on investments (3)	22.4	13.4
Non-recurring transaction related expenses (4)	-	12.3
Income from discontinued operations (5)	(10.3)	(10.4)
Total pre-tax adjustments	2.2	86.1
Less tax effect on pre-tax adjustments (6)	-	-
Non-GAAP operating (loss) income	**$ (123.5)**	**$ 98.7**
Basic and diluted weighted average common shares	86.7	61.7
GAAP basic and diluted (loss) earnings per common share	$ (1.45)	$ 2.07
Non-GAAP basic and diluted operating (loss) income per common share	$ (1.42)	$ 1.60

Non-GAAP operating loss 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 net realized losses on the Company's investments, except for gains and losses on investments for which the fair value option of accounting was elected. 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 expenses associated with the surplus note exchange offer and proxy solicitation for the variation of rights to the SHL Preferred Shares, which were part of Syncora Holdings US Inc.'s ("SHI") restructuring transactions completed on August 12, 2016. The elimination of such non-recurring, infrequent or unusual items presents expenses on a more consistent basis of accounting.

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

(6) 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, we utilize a 0% effective tax rate until the expiration of these NOLs.

Net income (loss) effects of VIE consolidation: GAAP requires the Company to consolidate certain VIEs that (a) have issued debt obligations that are insured and controlled by the Company and (b) were designed to effectively defease or, in-substance, commute the Company's exposure on certain of its other financial guaranty insurance policies. The effect on Net loss of these consolidated VIEs was $5.9 million and $18.7 million for the nine months ended September 30, 2017 and 2016, respectively. Had these financial guarantee VIEs been accounted for under the provisions of the Financial Services – Insurance Topic of the ASC, the effect on Net loss would have been $28.0 million and $10.9 million for the nine months ended September 30, 2017 and 2016, respectively. The net effect of these different accounting bases on Net loss (including per share amounts) was $22.1 million ($0.25 per common share) and $(7.8) million ($(0.13) per common share) for the nine months ended September 30, 2017 and 2016, respectively. This is supplemental information only and is not a component of Non-GAAP operating loss.

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
(in millions, except per share amounts)

	As of September 30, 2017		As of December 31, 2016	
GAAP common shareholders' equity	**$**	**423.6**	**$**	**524.7**
Series B preferred stock [1]		(121.0)		(121.0)
Adjusted GAAP common shareholders' equity	**$**	**302.6**	**$**	**403.7**
Pre-tax adjustments:				
Deferred acquisition costs [2]		(36.9)		(42.6)
Net credit derivative liability [3]		82.7		122.3
Net present value of estimated net future credit derivative revenue [4]		68.4		65.9
Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed [5]		222.5		272.1
Notes payable [6]		(259.2)		(288.8)
Unrealized gains on investments [7]		(22.9)		(21.5)
Taxes [8]		(12.3)		(27.0)
Adjusted Book Value	**$**	**344.9**	**$**	**484.1**
Common shares outstanding at end of the period		86.8		86.6
Book value per common share	$	3.49	$	4.66
Adjusted book value per common share	$	3.98	$	5.59

Note: GAAP common shareholders' equity and Adjusted Book Value includes $172.4 million and $172.1 million, $161.9 million and $161.1 million as of September 30, 2017 and December 31, 2016, 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, we utilize a 0% effective tax rate until the expiration of these NOLs.

Total shareholders' equity effects of VIE consolidation: As described above, the Company consolidates certain VIEs. The net effect on Total shareholders' equity of these consolidated VIEs was $28.4 million as of September 30, 2017 and $80.7 million as of December 31, 2016. Had these financial guarantee VIEs been accounted for under the provisions of the Financial Services – Insurance Topic of the ASC, the effect on Total shareholders' equity would have been $87.9 million as of September 30, 2017 and $127.0 million as of December 31, 2016. The net effect of these different accounting bases on Total shareholders' equity (including per share amounts) was $59.5 million ($0.69 per common share) as of September 30, 2017 and $46.3 million ($0.53 per common share) as of December 31, 2016. This is supplemental information only and is not a component of Adjusted Book Value.

Conference Call Details

The Company plans to host a conference call at 8:30 a.m. on Tuesday, November 14, 2017 to discuss its financial results for the period ended September 30, 2017. 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# 529-9919. 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# 529-9919.

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, Syncora Guarantee Inc.'s and Syncora Capital Assurance 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.