



Strategic Update Call

August 12, 2016



Forward Looking Statements

This presentation contains “forward-looking” statements that involve risks and uncertainties. Forward-looking statements identify prospective information. Important factors could cause actual results to differ, possibly materially, from those stated in the forward-looking statements. In some cases you can identify forward-looking statements by words such as “anticipate,” “believe,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “predict,” “potential,” “should,” “will” and “would” or the negatives thereof, variations thereof or other similar words. You should read statements that contain these words carefully because they discuss our future priorities, goals, strategies, actions to improve business performance, market growth assumptions and expectations, future business opportunities, capital expenditures, financing needs, financial position and other information that is not historical information or state other “forward-looking” information. These factors include, but are not limited to: (1) the performance of invested assets; (2) payment of claims on guaranteed obligations; (3) actions that may be required in order to meet anticipated liquidity and surplus needs; (4) Syncora Guarantee Inc’s (“SGI”) and Syncora Capital Assurance Inc’s (“SCAI”) ability to maintain minimum policyholders’ surplus and sufficient liquidity; (5) higher losses and adverse development of reserves on guaranteed obligation; (6) reduced availability of funds due to the purchase of certain insured bonds and the potential inability to convert those assets to cash at their carrying value; (7) restrictions on writing new insurance business; (8) uncertainty as to the fair value of credit default swap (“CDS”) contracts and liabilities thereon; (9) decision by SGI’s and SCAI’s regulators to take regulatory actions including rehabilitation or liquidation of SGI or SCAI; (10) the potential loss of certain control rights under certain financial guarantee insurance; (11) non-payment of premium and make-wholes owed or cancellation of policies; (12) uncertainty in portfolio modeling which makes it difficult to estimate potential paid claims and loss reserves; (13) potential adverse developments at SGI and SCAI; (14) the interconnectedness of risks that affect SGI’s reinsurance and insurance portfolio and financial guarantee products; (15) exposure to “liquidity mismatch” and other large refinancing risks; (16) changes in accounting policies or practices or the application thereof; (17) changes in officers or key employees; (18) further deterioration in general economic conditions, including as a result of the financial crisis as well as inflation or deflation, interest rates, foreign currency exchange rates, stress in the energy sector and other factors and the effects of disruption or economic contraction due to catastrophic events or terrorist acts; (19) the commencement of new litigation or investigations or the outcome of current and new litigation or investigations; (20) legislative or regulatory developments, including changes in tax laws; (21) losses from fraudulent conduct due to unconditional and irrevocable nature of financial guarantee insurance; (22) liquidity risks including due to timing of claims payments and reduced availability of funds; (23) limitations on the transferability of the common shares of SHL; (24) substantial limitations on the ability to utilize net operating loss carryforwards following an ownership change; (25) inability to attract a third-party investor on a timely basis or at all; (26) inability to successfully identify, develop, acquire and integrate companies we may target as part of our strategy to pursue future business opportunities; and (27) disruptions or diversions resulting from actions by activist investors and creditors, as well as other additional factors, risks or uncertainties described in SHL’s and SGI’s financial statements posted on its website at www.syncora.com. Forward-looking statements should not be read as a guarantee of future performance or results, and will not necessarily be accurate indications of the times at, or by which, such performance or results will be achieved. Forward-looking information is based on information available at the time and/or management’s good faith belief with respect to future events, and is subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in the statements. The factors listed above, as well as any other cautionary language in this presentation, provide examples of risks, uncertainties and events that may cause our actual results to differ materially from the expectations we describe in our forward-looking statements. Forward-looking statements speak only as of the date the statements are made. We assume no obligation to update forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting forward-looking information except to the extent required by applicable securities laws. If we do update one or more forward-looking statements, no inference should be drawn that we will make additional updates with respect thereto or with respect to other forward-looking statements.

Agenda

Transaction Highlights

Review of Transaction Structure

Key Transaction Benefits

Value Added for All Constituents

Strategic Plan

Transaction Highlights



June 30, 2016	July 8, 2016	August 5, 2016	August 8, 2016	August 12, 2016
Transaction Support Agreement executed	Exchange offer and proxy solicitation launched	Exchange offer expired; Minimum threshold for exchange offer exceeded NYDFS approvals received	SHL Preferred Special General Meeting; Requisite proxies received for a variation of the terms of the SHL Series A Preferred Shares	Settlement and close Surplus note payment of \$55 million on externally held SGI Surplus Notes

Strategic Goals Summary



**Achieve financial stability
for insurance platforms**



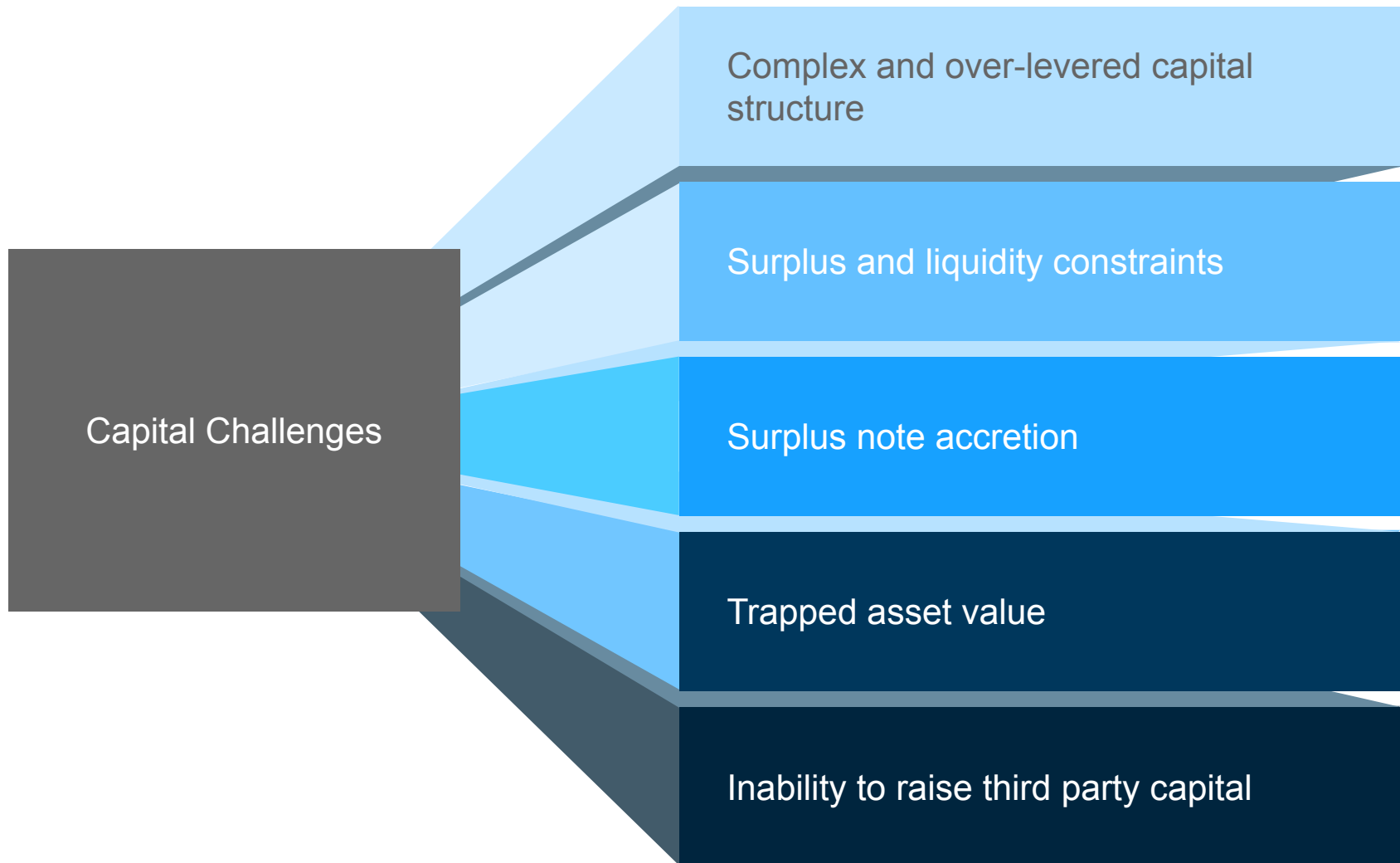
**Enhance financial and
operating flexibility**



Initiate new businesses

**Maximize
stakeholder
value**

Capital Challenges



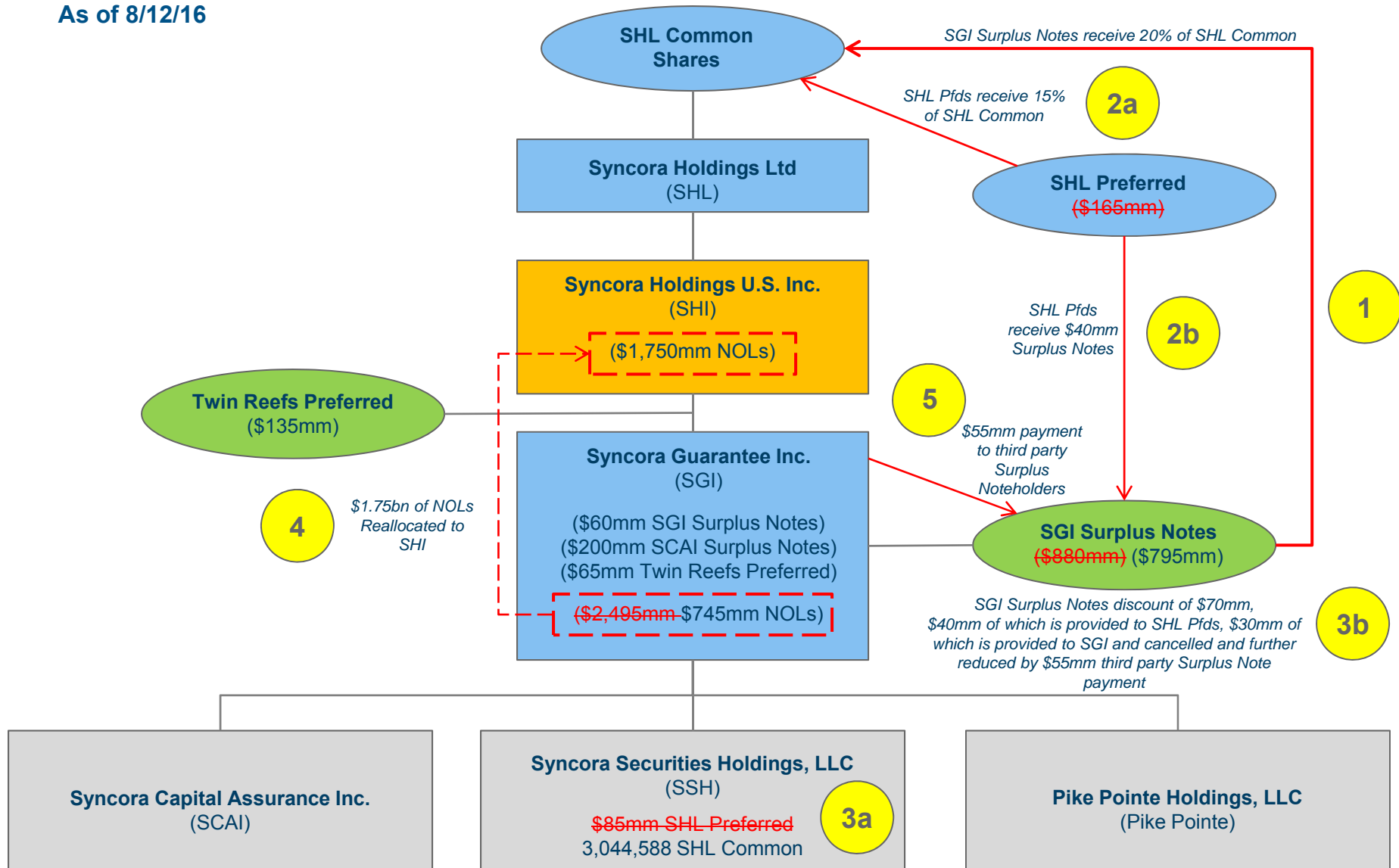
Goals Achieved



- 1 Simplification of Syncora's Capital Structure
- 2 De-leveraging of Platform
- 3 Improvement of Syncora's Financial Condition
- 4 Enhancement and Protection of NOLs
- 5 Better Position SHL to Potentially Raise New Capital

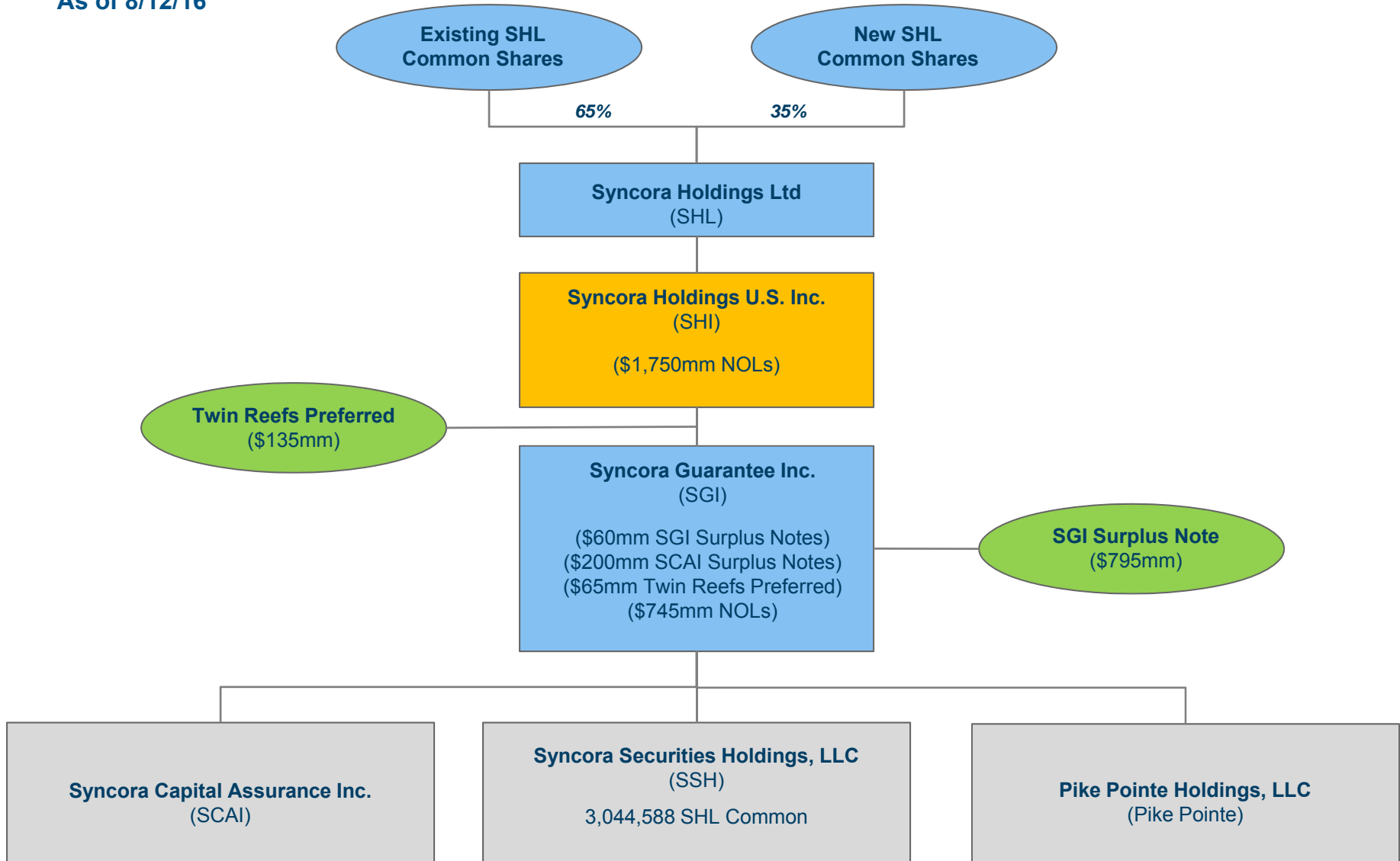
Transaction Overview

As of 8/12/16



Post Transaction Structure

As of 8/12/16



Post Transaction Capitalization and Debt Service Summary

Capitalization Table as of 8/12/16

(\$ in mm)	Maturity	Pre-Transaction								Transaction Adjustments			Transaction Pro-Forma
		Principal and PIK			Unapproved and Accrued Interest			Total		Net Discount After Preferred Allocation	Preferred Share Conversion	External Debt Service	Total
		Gross Par + PIK	Held by Syncora	Net Par + PIK	Gross	Held by Syncora	Net	Gross Par + PIK	Net Par + PIK				Net Par + PIK + Accrued Int.
SGI Short-term 5% Surplus Notes	2011	\$165	(\$21)	\$144	\$48	(\$6)	\$42	\$214	\$186	(\$6)		(\$12)	\$168
SGI Long-term 6% Surplus Notes	2024	602	(27)	575	124	(6)	119	726	694	(24)		(43)	627
Total Surplus Notes		\$768	(\$48)	\$719	\$173	(\$12)	\$161	\$940	\$880	(\$30)		(\$55)	\$795
Twin Reefs Preferred Shares		\$200	(\$65)	\$135				\$200	\$135				\$135
SHL Preferred Shares		250	(85)	165				250	165		(165)		-
Total Preferred Shares		\$450	(\$150)	\$300				\$450	\$300		(\$165)		\$135
SNs + Preferred		\$1,218	(\$198)	\$1,019				\$1,390	\$1,180				\$930
SHL Common Shares		59.3	(3.0)	56.3				59.3	56.3	30.3			86.6

Note: Numbers in the presentation may not add due to rounding.

Post Transaction Capitalization and Debt Service Summary

Total Debt Discount Calculation									
	Pre-Discount	Gross Discount	Notes to SHL Preferred	Net Discount	% of Total	Post-Discount	External Debt Service	Total Net Par + PIK + Accrued	
Short Term Notes:									
Principal (Unapproved)	\$130.8	(\$10.4)	\$5.9	(\$4.5)	14.9%	\$126.3	(\$8.2)	\$118.1	
PIK (Unapproved)	13.4	(1.1)	0.6	(0.5)	1.5%	13.0	(0.8)	12.1	
Interest Outstanding (Unapproved and Accrued)	42.3	(3.4)	1.9	(1.4)	4.8%	40.8	(2.6)	38.2	
Total Short Term Notes	\$186.5	(\$14.8)	\$8.5	(\$6.4)	21.2%	\$180.1	(\$11.7)	\$168.4	
Long Term Notes:									
Principal	\$453.6	(\$36.1)	\$20.6	(\$15.5)	51.5%	\$438.1	-	\$438.1	
PIK	121.5	(9.7)	5.5	(4.1)	13.8%	117.4	-	117.4	
Interest Outstanding (Unapproved and Accrued)	118.6	(9.4)	5.4	(4.0)	13.5%	114.6	(\$43.3)	71.2	
Total Long Term Notes	\$693.7	(\$55.2)	\$31.5	(\$23.6)	78.8%	\$670.1	(\$43.3)	\$626.7	
Total Surplus Notes	\$880.2	(\$70.0)	\$40.0	(\$30.0)	100.0%	\$850.2	(\$55.0)	\$795.2	

Allocation of Initial \$55MM Payment to External Noteholders

	Short Term Note		Long Term Note		Total
	Balance	% of Total	Balance	% of Total	
Principal (Unapproved)	\$8.2	70.6%	-	-	\$8.2
PIK (Unapproved)	0.8	7.3%	-	-	0.8
Interest Outstanding (Unapproved)	2.6	22.2%	43.3	100.0%	45.9
Allocation of Initial Payment @ \$55.0MM	\$11.7	100.0%	\$43.3	100.0%	\$55.0

Notes:

References to "net" in the above tables refer to net of Company-owned securities.
Numbers in the presentation may not add due to rounding.

Other Key Transaction Elements – Enhanced Disclosure

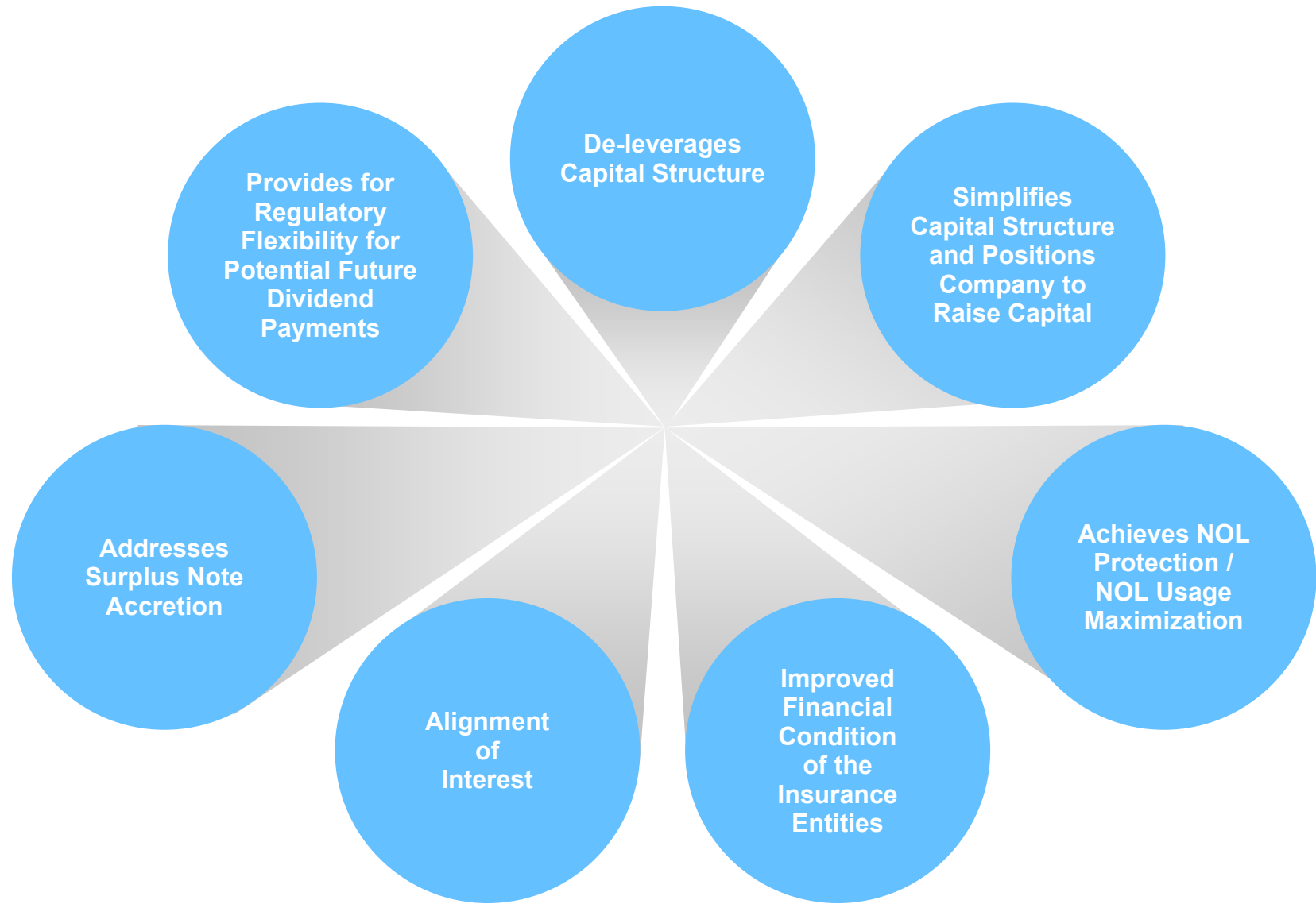
- Quarterly GAAP earnings calls starting with a call following the release of Q2 GAAP financial statements
- Reporting of GAAP loss reserves by risk category
- For all credits with net par exposure greater than \$40MM (i.e., aggregate exposure by credit, not CUSIP), the following will be disclosed¹:
 - » Name
 - » Net par outstanding
 - » Maturity
 - » Rating
 - » Business area
 - » Sector and sub-sector

¹ Name may be anonymized and net par outstanding and maturity may be disclosed as ranges as necessary.

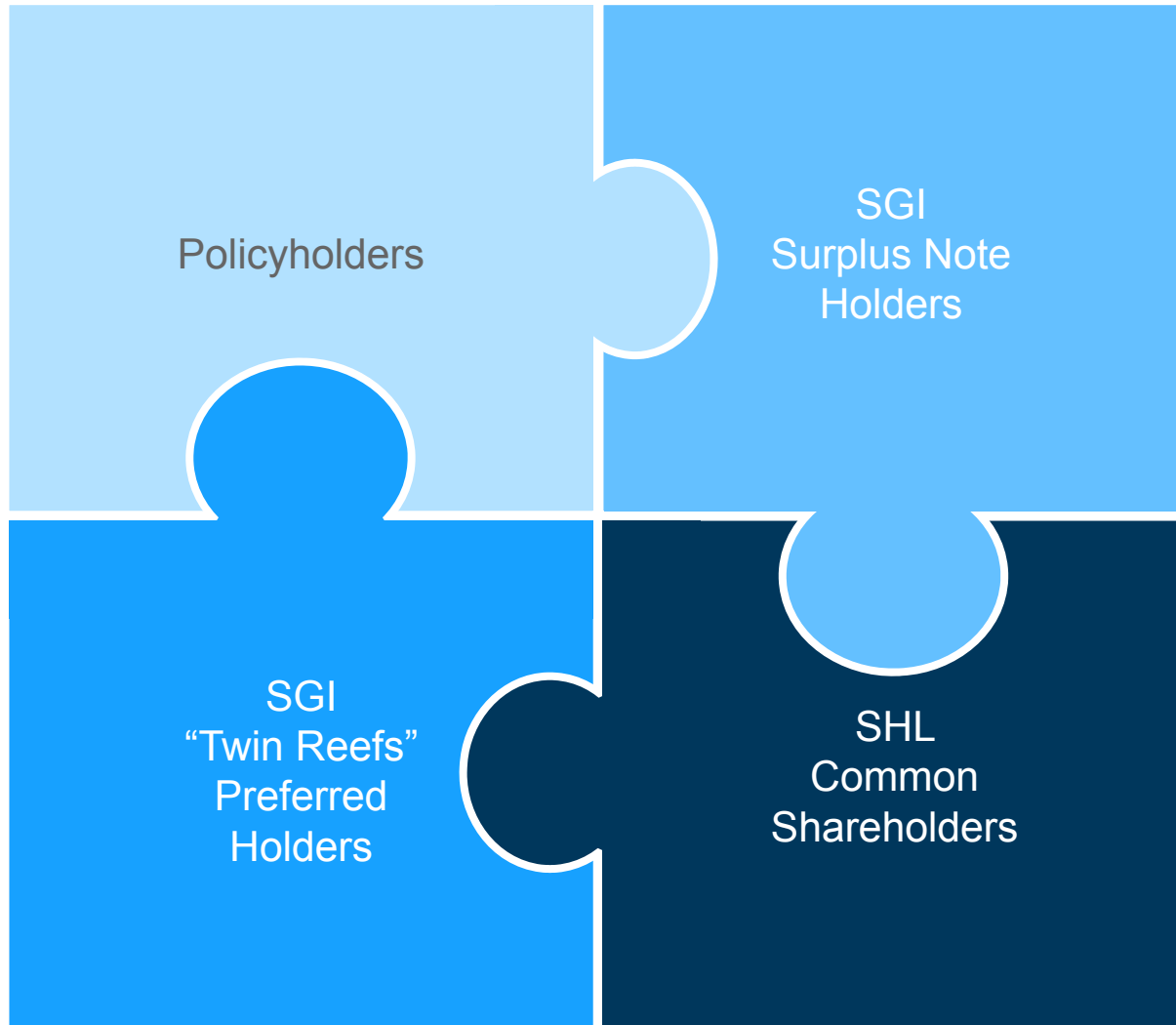
Other Key Transaction Elements – Governance

Director Nomination and Appointment	<ul style="list-style-type: none"> • Security holders party to the Transaction Support Agreement have the one-time right to nominate 3 directors to SHL’s board (not boards of insurance companies) • The SHL preferred securities will no longer exist post transaction which will reduce the SHL board by two (the board currently includes two directors nominated by this security class) • Result is a net increase of one SHL Board director
Approval Process	<ul style="list-style-type: none"> • Customary SHL board approval process • NYDFS approval required as well • The nominees will have customary board observer rights until they are seated on the SHL board or their nomination is withdrawn
Committee Membership	<ul style="list-style-type: none"> • Each director will serve on one standing committee: Compensation; Nominating & Governance; Finance Risk & Oversight
Term	<ul style="list-style-type: none"> • Each new director has a three year term – no ongoing right to appointment
No Third Party Indemnification or Compensation	<ul style="list-style-type: none"> • The new directors are not permitted to receive indemnification or compensation from any person or entity other than Syncora
Independent	<ul style="list-style-type: none"> • Each new director shall be “independent” as defined by the NYSE listing rules

Key Benefits



Value Added for all Constituents



Strategic Plan

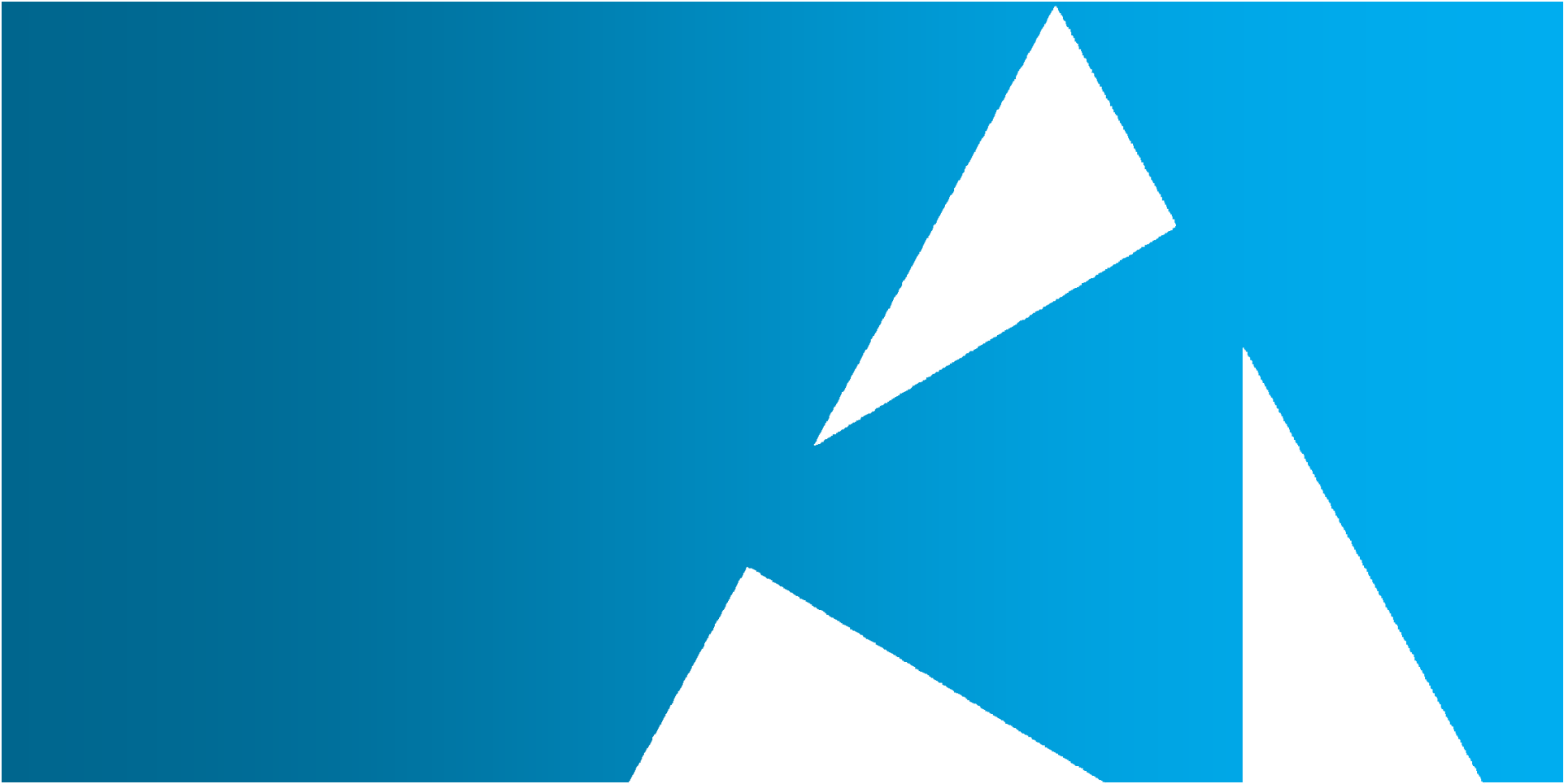
Insurance Platform

The Company's primary goal is to continue to maximize value for all constituents through the following strategic activities:

- Increasing the value of SHL's investment in SGI and SCAI by actively managing their assets and liabilities. In particular, the Company will continue to actively seek to:
 - » Remediate insured exposures to minimize potential claim payments, maximize recoveries and mitigate potential losses
 - » Increase the Company's capital, financial position, liquidity, claims paying resources and reduce its liabilities, including through additional third-party capital
 - » Realize maximum value, monetize and/or finance the Company's assets, including litigation recoveries and realizing value from non-core subsidiaries
 - » Enhance returns from our investments to match long-term liabilities
- Explore and consider other strategic actions and opportunities to enhance SGI's and SCAI

Investment Platform and New Business Opportunities

- Identify new growth and value creating opportunities for SHL through the development and acquisition of businesses
- Seek to raise capital in order to pursue new businesses



Concluding Remarks

