

SYNCORA HOLDINGS LTD.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

22. Business Segments

The Company's reportable business segments are based upon the Company's internal organizational structure, the manner in which the Company's operations are managed and performance is evaluated, the availability of separate financial information and overall materiality considerations.

The Company's two reportable operating business segments are Financial Guarantee Insurance and Other. The financial guarantee insurance business segment provides financial guarantee insurance and reinsurance on public finance, structured single risk, collateralized debt and asset-backed securities obligations. The other business segment relates to the Company's non-insurance business and primarily includes the operations of Pike Pointe, the owner and operator of certain toll road facilities located in the United States and Canada.

The following tables contain financial information for each reportable business segment for the year ended December 31, 2014 and 2013:

(U.S. dollars in thousands)	<u>Financial Guarantee Insurance</u>		<u>Other</u>		<u>Eliminations</u>		<u>Consolidated</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues								
Net premiums earned	\$ 69,775	\$ 132,714	\$ -	\$ -	\$ -	\$ -	\$ 69,775	\$ 132,714
Net investment income	39,687	36,398	503	23	-	-	40,190	36,421
Net realized (losses) gains on investments	321	(7,355)	(16)	-	-	-	305	(7,355)
Net earnings on insurance cash flow certificates	(165,362)	232,604	-	-	-	-	(165,362)	232,604
Toll revenue	-	-	23,295	6,805	-	-	23,295	6,805
Fees and other income	10,126	12,922	4,410	1,501	-	-	14,536	14,423
Net earnings on credit default and other swap contracts	123,889	21,550	-	-	-	-	123,889	21,550
Net change in fair value of consolidated VIEs	(58,504)	(108,620)	-	-	-	-	(58,504)	(108,620)
Total Revenues	<u>19,932</u>	<u>320,213</u>	<u>28,192</u>	<u>8,329</u>	<u>-</u>	<u>-</u>	<u>48,124</u>	<u>328,542</u>
Expenses								
Net (recoveries) losses and loss adjustment expenses	(18,183)	(397,298)	-	-	-	-	(18,183)	(397,298)
Amortization of deferred acquisition costs, net	11,979	18,409	-	-	-	-	11,979	18,409
Realized loss (gain) on interest rate derivative instrument	3,852	(1,470)	-	-	-	-	3,852	(1,470)
Operating expenses	121,387	116,824	29,469	7,431	-	-	150,856	124,255
Total Expenses	<u>119,035</u>	<u>(263,535)</u>	<u>29,469</u>	<u>7,431</u>	<u>-</u>	<u>-</u>	<u>148,504</u>	<u>(256,104)</u>
(Loss) income before income taxes	(99,103)	583,748	(1,277)	898	-	-	(100,380)	584,646
Income tax expense	1,741	1,914	21	935	719	-	2,481	2,849
Net (loss) income	<u>\$ (100,844)</u>	<u>\$ 581,834</u>	<u>\$ (1,298)</u>	<u>\$ (37)</u>	<u>\$ (719)</u>	<u>\$ -</u>	<u>\$ (102,861)</u>	<u>\$ 581,797</u>
Total assets	<u>\$ 2,664,238</u>	<u>\$ 3,246,533</u>	<u>\$ 231,513</u>	<u>\$ 230,086</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,895,751</u>	<u>\$ 3,476,619</u>