

FGIC UK Limited

Quarterly Operating Review

First Quarter 2017





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Company Profile

FGIC UK Limited (the "Company"), a wholly owned United Kingdom insurance subsidiary of Financial Guaranty Insurance Company ("FGIC"), is an insurance company subject to regulation by the Prudential Regulatory Authority (PRA) and the Financial Conduct Authority (FCA). FGIC UK Limited was authorized to write financial guaranty business in the United Kingdom and had passport rights to write business in other European Economic Area member countries. FGIC UK Limited previously issued financial guaranties covering public finance, structured finance and other obligations. FGIC UK Limited is responsible for administering its outstanding guaranties in accordance with the terms and conditions of such guaranties and applicable law. FGIC UK Limited is no longer engaged in the business of writing new financial guaranties.

This Operating Review should be read in conjunction with the 2016 Director's Report and financial statements of FGIC UK Limited filed with Companies House. The report can be accessed at

<http://www.fgic.com/investorrelations/financialreports/fgicukdirreportfinstatements2016.pdf>

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ANNUAL FINANCIAL AND STATISTICAL DATA

(£ in Thousands)

	2016	2015	2014
Summary of Profit and Loss Account:			
Gross premiums written	203	(23,536)	(729)
Earned premiums	13,763	24,874	8,779
Claims incurred	(520)	(501)	(445)
Net operating expenses (including deferred acquisition costs)	(2,073)	(4,241)	(2,237)
Other technical income	34	42	143
Net investment income	2,017	1,404	1,341
Gains (losses) on investments	2,042	(1,077)	3,979
Other income and charges	(30)	(90)	(54)
Profit on ordinary activities before tax	15,233	20,411	11,506
Taxation on profit on ordinary activities	(2,947)	(4,230)	8,420
Retained profit for the financial period	12,286	16,181	19,926
Summary of Balance Sheet:			
Investments	69,643	63,244	53,039
Cash	1,679	1,102	1,119
Deferred tax asset	1,243	4,190	8,420
Debtors	63,237	67,855	103,392
Deferred acquisition costs	4,639	5,399	8,167
Prepayments and accrued income	602	678	523
Total assets	141,043	142,468	174,660
Profit and loss account	(7,547)	(19,833)	(36,014)
Capital redemption reserve	47,855	47,855	47,855
Capital and reserves	57,755	45,469	29,288
Provision for unearned premiums	82,802	96,362	144,772
Other liabilities	486	637	600
Total liabilities and equity	141,043	142,468	174,660

Certain prior year amounts have been reclassified to conform to the 2016 presentation.



SELECTED FINANCIAL INFORMATION
(£ in Thousands)

	31 March 2017	31 March 2016
Profit and Loss Account:		
Gross premiums written	55	45
Change in the gross provision for unearned premiums	840	816
Earned premiums	895	862
Claims and claims related expense incurred	(136)	(112)
Other technical income	-	20
Net operating expenses	(487)	(490)
Deferred acquisition costs	(47)	-
Balance on the technical account - general business	225	279
Net investment income	458	335
Realised gains/(losses) on investments	(17)	1,164
Unrealised gains/(losses) on investments	259	-
Other income and charges	2	26
Profit on ordinary activities before tax	927	1,804
Taxation on profit on ordinary activities	(192)	(393)
Retained profit for the financial year	735	1,411
Balance Sheet:		
<u>Assets:</u>		
Investments	72,433	67,793
Debtors	62,562	68,198
Deferred acquisition costs	4,592	5,353
Other prepayments and accrued income	568	592
Deferred taxation	1,051	3,797
Total assets	141,206	145,734
<u>Liabilities and Equity:</u>		
Called up share capital	175	175
Share premium account	17,272	17,272
Profit and loss account	(6,812)	(18,158)
Capital redemption reserve	47,855	47,855
Total capital and reserves	58,490	47,144
Provision for unearned premiums	81,962	95,546
Other creditors	533	2,678
Accruals and deferred income	221	367
Total liabilities and equity	141,206	145,734



FUTURE PREMIUMS TO BE COLLECTED ⁽¹⁾
(£ in Thousands)

Nine months ended:	
31 December 2017	3,861
Twelve months ended:	
31 December 2018	6,312
31 December 2019	4,690
31 December 2020	4,342
31 December 2021	2,765
Five years ended:	
31 December 2026	12,602
31 December 2031	10,934
31 December 2036	9,429
31 December 2041	6,932
31 December 2046	2,985
31 December 2051	2,454
31 December 2053	544

⁽¹⁾ The present value of the premium stream detailed above totals £41,186 as of 31 March 2017.



INVESTMENT PORTFOLIO
(£ in Thousands)

Investments ⁽¹⁾	31 March 2017	31 December 2016
Shares and other variable yield securities	1,112	1,116
Debt securities and other fixed income securities	68,786	67,586
Units in collective investment schemes	1,790	941
Total	<u>71,688</u>	<u>69,643</u>

⁽¹⁾ Investment values reflect market/current value. With the exception of the units in collective investment schemes, all amounts included above are in respect of listed investments.

Rating ⁽¹⁾	31 March 2017	31 December 2016
AAA	6.2%	5.1%
AA	64.5%	64.9%
A	15.6%	16.5%
BBB	13.7%	13.5%
	<u>100.0%</u>	<u>100.0%</u>

⁽¹⁾ Ratings represent the lower of S&P, Moody's and Fitch.



PROVISION FOR OUTSTANDING CLAIMS
(£ in Thousands)

	31 March 2017	31 December 2016
Provision For Outstanding Claims, Net Balance At Beginning Of Year	-	-
Incurred Related To		
Current Period Claims	-	-
Current Period Claims Related Expenses	-	-
Prior Periods Claims	-	-
Prior Periods Claims Related Expenses	136	520
Total Incurred	<u>136</u>	<u>520</u>
(Paid) Recoveries Related To		
Current Period Claims	-	-
Current Period Claims Related Expenses	-	-
Prior Periods Claims	-	-
Prior Periods Claims Related Expenses	(136)	(520)
Total Paid	<u>(136)</u>	<u>(520)</u>
Provision For Outstanding Claims, Net Balance At End Of Year	<u>-</u>	<u>-</u>



GUARANTEED PORTFOLIO BY BOND TYPE

Par Outstanding
31 March 2017

	£ in millions	% of Total
Guaranteed Portfolio by Bond Type: ⁽¹⁾		
Infrastructure		
Project Finance.	1,783.9	55.1%
Utility.	1,366.6	42.2%
Transportation.	85.9	2.7%
Total	3,236.4	100.0%

⁽¹⁾ GBP equivalent using 31 March 2017 exchange rates.



GUARANTEED EXPOSURES ⁽¹⁾
(£ in Millions)

Revenue Stream Name	31 March 2017		
	AADS ⁽²⁾	Par Outstanding	
	Amount	Amount	% of Total ⁽³⁾
Reliance Rail Finance Pty Limited.	71.4	674.4	20.8%
Northern Gas Networks plc.	75.0	505.0	15.6%
Peterborough (Progress Health) plc.	33.5	396.1	12.2%
Consort Healthcare (Birmingham) Limited.	20.8	390.8	12.1%
Thames Water Utilities Limited.	42.4	387.4	12.0%
Consort Healthcare (Mid Yorkshire) Funding plc.	10.9	192.5	5.9%
Severn Trent Water Limited.	16.4	127.5	3.9%
BBI (DBCT) Finance Pty Ltd.	29.6	121.8	3.8%
Yorkshire Water Services Plc.	9.1	97.9	3.0%
Autoroutes du Sud de la France (ASF).	27.5	85.9	2.7%
United Utilities Water Company plc.	7.9	80.5	2.5%
National Grid Company plc 05.	8.0	68.8	2.1%
Anglian Water Company Plc.	8.0	64.1	2.0%
London Pwr Network (EDF Energy Networks (LPN) PLC).	2.2	18.4	0.6%
Western Power Distribution (South West) Plc.	2.8	17.0	0.5%
Novacare Solution Partnership (Mater Hospital).	5.4	8.3	0.3%
Total.	370.9	3,236.4	100.0%

⁽¹⁾ The Company's exposure reflects the impact of transactions closed prior to 31 March 2017; however it does not reflect the potential impact, if any, of ongoing commutation, settlement and restructuring efforts by the Company subsequent to 31 March 2017.

⁽²⁾ Represents the average annual debt service for which FGIC UK Limited would be responsible in the event of a default.

⁽³⁾ Represents percentage of total par outstanding.



DEBT SERVICE AMORTIZATION ⁽¹⁾
(£ in Millions)

	31 March 2017	
	Scheduled Debt Service Amortization	Ending Debt Service Outstanding
2017.....	156.5	7,314.0
2018.....	161.1	7,152.9
2019.....	155.9	6,997.0
2020.....	157.9	6,839.1
2021.....	161.7	6,677.4
2017-2021.....	793.0	6,677.4
2022-2026.....	1,103.8	5,573.6
2027-2031.....	977.8	4,595.8
2032-2036.....	1,188.7	3,407.2
2037-2041.....	751.2	2,656.0
2042-2046.....	355.1	2,300.9
2047-2051.....	795.4	1,505.5
2052-2056.....	1,020.2	485.2
After 2056.....	485.2	-
Total.....	7,470.5	

⁽¹⁾ Depicts expected amortization of the total guaranteed portfolio (principal and interest), assuming no refundings or calls through the contractual maturity date as of 31 March 2017.