

FGIC UK Limited

Annual Operating Review

2017





FGIC UK Limited
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December 2017

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 2017 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/fgicukdirreportfinstatements2017.pdf>

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SELECTED FINANCIAL INFORMATION
(£ in Thousands)

	31 December 2017	Restated 31 December 2016
Profit and Loss Account:		
Gross premiums written	4,528	203
Change in the gross provision for unearned premiums	1,741	13,772
Earned premiums	6,269	13,975
Claims and claims related expense incurred	1,414	(520)
Other technical income	12	34
Net operating expenses	(1,835)	(1,322)
Deferred acquisition costs	(168)	(760)
Balance on the technical account - general business	5,692	11,407
Net investment income	1,893	2,017
Realised gains/(losses) on investments	(38)	548
Unrealised gains/(losses) on investments	(787)	1,494
Other income and charges	4	(31)
Profit on ordinary activities before tax	6,764	15,435
Taxation on profit on ordinary activities	(1,302)	(3,109)
Retained profit for the financial year	5,462	12,326
Balance Sheet:		
<u>Assets:</u>		
Investments	75,888	69,643
Debtors	62,838	63,237
Cash at bank and in hand	1,435	1,679
Deferred acquisition costs	4,162	4,330
Other prepayments and accrued income	693	602
Total assets	145,016	139,491
<u>Liabilities and Equity:</u>		
Called up share capital	175	175
Share premium account	17,272	17,272
Profit and loss account	3,615	(1,847)
Capital redemption reserve	47,855	47,855
Total capital and reserves	68,917	63,455
Provision for unearned premiums	73,688	75,429
Other creditors	2,179	426
Accruals and deferred income	232	181
Total liabilities and equity	145,016	139,491



FUTURE PREMIUMS TO BE COLLECTED
(£ in Thousands)

Twelve months ended:

31 December 2018	4,484
31 December 2019	4,712
31 December 2020	4,363
31 December 2021	2,786
31 December 2022	2,761

Five years ended:

31 December 2027	12,444
31 December 2032	10,785
31 December 2037	9,010
31 December 2042	6,380
31 December 2047	2,559
31 December 2053	2,555



INVESTMENT PORTFOLIO
(£ in Thousands)

Investments ⁽¹⁾	31 December 2017	31 December 2016
Shares and other variable yield securities	1,094	1,116
Debt securities and other fixed income securities	72,039	67,586
Units in collective investment schemes	2,755	941
Total	<u>75,888</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 December 2017	31 December 2016
AAA	9.9%	5.1%
AA	58.0%	64.9%
A	15.5%	16.5%
BBB	16.6%	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 December 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	(1,414)	520
Total Incurred	(1,414)	520
(Paid) Recoveries Related To		
Current Period Claims	-	-
Current Period Claims Related Expenses	-	-
Prior Periods Claims	-	-
Prior Periods Claims Related Expenses	1,414	(520)
Total Paid	1,414	(520)
Provision For Outstanding Claims, Net Balance At End Of Year	<u>-</u>	<u>-</u>



GUARANTEED PORTFOLIO BY BOND TYPE

Par Outstanding
31 December 2017

	£ in millions	% of Total
Guaranteed Portfolio by Bond Type: ⁽¹⁾		
Infrastructure		
Utility.....	1,247.4	51.1%
Project Finance.....	1,105.1	45.3%
Transportation.....	88.8	3.6%
Total.....	2,441.3	100.0%

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



GUARANTEED EXPOSURES ⁽¹⁾
(£ in Millions)

Revenue Stream Name	31 December 2017		
	AADS ⁽²⁾	Par Outstanding	
	Amount	Amount	% of Total ⁽³⁾
Northern Gas Networks plc.	79.8	505.0	20.7%
Peterborough (Progress Health) plc.	34.5	396.1	16.2%
Consort Healthcare (Birmingham) Limited.	21.3	391.8	16.0%
Thames Water Utilities Limited.	28.1	263.7	10.8%
Consort Healthcare (Mid Yorkshire) Funding plc.	11.2	191.9	7.9%
Severn Trent Water Limited.	16.6	128.7	5.3%
BBI (DBCT) Finance Pty Ltd.	32.9	117.3	4.8%
Yorkshire Water Services Plc.	9.2	98.9	4.0%
Autoroutes du Sud de la France (ASF).	33.2	88.8	3.6%
United Utilities Water Company plc.	8.2	81.4	3.3%
National Grid Company plc 05.	8.3	70.2	2.9%
Anglian Water Company Plc.	8.2	64.1	2.6%
London Pwr Network (EDF Energy Networks (LPN) PLC).	2.3	18.4	0.8%
Western Power Distribution (South West) Plc.	2.9	17.0	0.7%
Novacare Solution Partnership (Mater Hospital).	9.2	8.0	0.3%
Total.	305.8	2,441.3	100.0%

⁽¹⁾ The Company's exposure reflects the impact of transactions closed prior to 31 December 2017; however it does not reflect the potential impact, if any, of ongoing commutation, settlement and restructuring efforts by the Company subsequent to 31 December 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 December 2017	
	Scheduled Debt Service Amortization	Ending Debt Service Outstanding
2018.....	106.9	5,590.1
2019.....	104.5	5,485.6
2020.....	106.5	5,379.1
2021.....	110.5	5,268.6
2022.....	234.1	5,034.5
2018-2022.....	662.5	5,034.5
2023-2027.....	779.6	4,254.9
2028-2032.....	446.6	3,808.3
2033-2037.....	902.6	2,905.7
2038-2042.....	614.7	2,290.9
2043-2047.....	599.2	1,691.7
2048-2052.....	103.3	1,588.4
2053-2057.....	1,588.4	-
Total.....	5,697.0	

⁽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 December 2017.