

FGIC UK Limited

Quarterly Operating Review

Third 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
<b>Summary of Profit and Loss Account:</b>			
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
<b>Summary of Balance Sheet:</b>			
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)

	30 September 2017	30 September 2016
<b>Profit and Loss Account:</b>		
Gross premiums written . . . . .	163	147
Change in the gross provision for unearned premiums . . . . .	2,863	12,839
Earned premiums . . . . .	3,026	12,986
Claims and claims related expense incurred . . . . .	(697)	(361)
Other technical income . . . . .	12	24
Net operating expenses . . . . .	(1,353)	(943)
Deferred acquisition costs . . . . .	(160)	(705)
<b>Balance on the technical account - general business . . . . .</b>	<b>828</b>	<b>11,001</b>
Net investment income . . . . .	1,395	1,561
Realised gains/(losses) on investments . . . . .	(71)	515
Unrealised gains/(losses) on investments . . . . .	(979)	3,146
Other income and charges . . . . .	58	(2)
<b>Profit on ordinary activities before tax . . . . .</b>	<b>1,231</b>	<b>16,221</b>
Taxation on profit on ordinary activities . . . . .	(249)	(3,127)
<b>Retained profit for the financial year . . . . .</b>	<b>982</b>	<b>13,094</b>
<b>Balance Sheet:</b>		
<b><u>Assets:</u></b>		
Investments . . . . .	71,884	70,590
Debtors . . . . .	60,274	65,420
Cash at bank and in hand . . . . .	955	1,266
Deferred acquisition costs . . . . .	4,479	4,694
Other prepayments and accrued income . . . . .	753	143
Deferred taxation . . . . .	994	1,063
<b>Total assets . . . . .</b>	<b>139,339</b>	<b>143,176</b>
<b><u>Liabilities and Equity:</u></b>		
Called up share capital . . . . .	175	175
Share premium account . . . . .	17,272	17,272
Profit and loss account . . . . .	(6,565)	(6,740)
Capital redemption reserve . . . . .	47,855	47,855
<b>Total capital and reserves . . . . .</b>	<b>58,737</b>	<b>58,562</b>
Provision for unearned premiums . . . . .	79,940	83,523
Other creditors . . . . .	386	905
Accruals and deferred income . . . . .	276	186
<b>Total liabilities and equity . . . . .</b>	<b>139,339</b>	<b>143,176</b>



**FUTURE PREMIUMS TO BE COLLECTED<sup>(1)</sup>**  
(£ in Thousands)

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<b>Three months ended:</b>	
31 December 2017 .....	2,054
<b>Twelve months ended:</b>	
31 December 2018 .....	6,250
31 December 2019 .....	4,690
31 December 2020 .....	4,342
31 December 2021 .....	2,765
<b>Five years ended:</b>	
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

<sup>(1)</sup> The present value of the premium stream detailed above totals £39,409 as of 30 September 2017.



**INVESTMENT PORTFOLIO**  
(£ in Thousands)

<b>Investments <sup>(1)</sup></b>	<b>30 September 2017</b>	<b>31 December 2016</b>
Shares and other variable yield securities .....	1,099	1,116
Debt securities and other fixed income securities .....	68,993	67,586
Units in collective investment schemes .....	1,792	941
<b>Total .....</b>	<b>71,884</b>	<b>69,643</b>

<sup>(1)</sup> 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.

<b>Rating <sup>(1)</sup></b>	<b>30 September 2017</b>	<b>31 December 2016</b>
AAA .....	7.8%	5.1%
AA .....	57.4%	64.9%
A .....	16.0%	16.5%
BBB .....	18.8%	13.5%
	<b>100.0%</b>	<b>100.0%</b>

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



**PROVISION FOR OUTSTANDING CLAIMS**  
(£ in Thousands)

	30 September 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 . . . . .	697	520
Total Incurred . . . . .	<u>697</u>	<u>520</u>
(Paid) Recoveries Related To		
Current Period Claims . . . . .	-	-
Current Period Claims Related Expenses . . . . .	-	-
Prior Periods Claims . . . . .	-	-
Prior Periods Claims Related Expenses . . . . .	(697)	(520)
Total Paid . . . . .	<u>(697)</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  
30 September 2017

	£ in millions	% of Total
<b>Guaranteed Portfolio by Bond Type: <sup>(1)</sup></b>		
Infrastructure		
Project Finance. ....	1,782.1	54.9%
Utility. ....	1,374.0	42.3%
Transportation. ....	89.6	2.8%
<b>Total</b> .....	<b>3,245.7</b>	<b>100.0%</b>

<sup>(1)</sup> GBP equivalent using 30 September 2017 exchange rates.



**GUARANTEED EXPOSURES <sup>(1)</sup>**  
(£ in Millions)

Revenue Stream Name	30 September 2017		
	AADS <sup>(2)</sup>	Par Outstanding	
	Amount	Amount	% of Total <sup>(3)</sup>
Reliance Rail Finance Pty Limited. . . . .	60.9	672.8	20.7%
Northern Gas Networks plc. . . . .	75.0	505.0	15.6%
Peterborough (Progress Health) plc. . . . .	33.5	396.1	12.2%
Thames Water Utilities Limited. . . . .	42.3	391.8	12.1%
Consort Healthcare (Birmingham) Limited. . . . .	20.7	391.8	12.1%
Consort Healthcare (Mid Yorkshire) Funding plc. . . . .	10.8	191.9	5.9%
Severn Trent Water Limited. . . . .	16.3	128.7	4.0%
BBI (DBCT) Finance Pty Ltd. . . . .	29.5	121.2	3.7%
Yorkshire Water Services Plc. . . . .	9.0	98.9	3.0%
Autoroutes du Sud de la France (ASF). . . . .	28.7	89.6	2.8%
United Utilities Water Company plc. . . . .	7.9	80.7	2.5%
National Grid Company plc 05. . . . .	7.9	69.3	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. . . . .	2.7	17.0	0.5%
Novacare Solution Partnership (Mater Hospital). . . . .	5.4	8.3	0.3%
<b>Total. . . . .</b>	<b>360.8</b>	<b>3,245.7</b>	<b>100.0%</b>

<sup>(1)</sup> The Company's exposure reflects the impact of transactions closed prior to 30 September 2017; however it does not reflect the potential impact, if any, of ongoing commutation, settlement and restructuring efforts by the Company subsequent to 30 September 2017.

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

<sup>(3)</sup> Represents percentage of total par outstanding.



**DEBT SERVICE AMORTIZATION <sup>(1)</sup>**  
(£ in Millions)

	<b>30 September 2017</b>	
	<b>Scheduled Debt Service Amortization</b>	<b>Ending Debt Service Outstanding</b>
2017.....	72.2	7,362.1
2018.....	157.6	7,204.5
2019.....	151.0	7,053.5
2020.....	154.1	6,899.5
2021.....	159.2	6,740.3
2017-2021.....	694.0	6,740.3
2022-2026.....	931.5	5,808.8
2027-2031.....	992.6	4,816.1
2032-2036.....	1,227.2	3,588.9
2037-2041.....	815.9	2,773.1
2042-2046.....	371.5	2,401.5
2047-2051.....	830.2	1,571.3
2052-2056.....	1,064.8	506.5
After 2056.....	506.5	-
Total.....	<b>7,434.3</b>	

<sup>(1)</sup> Depicts expected amortization of the total guaranteed portfolio (principal and interest), assuming no refundings or calls through the contractual maturity date as of 30 September 2017.