

FGIC UK Limited

Quarterly Operating Review

Third Quarter 2018





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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 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/fgicukannualreportfinstatements2017.pdf>

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ANNUAL FINANCIAL AND STATISTICAL DATA

(£ in Thousands)

	2017	Restated 2016
Summary of Profit and Loss Account:		
Gross premiums written	4,528	203
Earned premiums	6,269	13,975
Claims incurred	1,414	(520)
Net operating expenses (including deferred acquisition costs)	(2,003)	(2,082)
Other technical income	12	34
Net investment income	1,893	2,017
Gains (losses) on investments	(825)	2,042
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 period	5,462	12,326
Summary of Balance Sheet:		
Investments	75,888	69,643
Cash	1,435	1,679
Debtors	62,838	63,237
Deferred acquisition costs	4,162	4,330
Prepayments and accrued income	693	602
Total assets	145,016	139,491
Profit and loss account	3,615	(1,847)
Capital redemption reserve	47,855	47,855
Capital and reserves	68,917	63,455
Provision for unearned premiums	73,688	75,429
Other liabilities	2,411	607
Total liabilities and equity	145,016	139,491

Certain prior year amounts have been reclassified to conform to the 2017 presentation.



SELECTED FINANCIAL INFORMATION⁽¹⁾
(£ in Thousands)

30 September
2018

Profit and Loss Account:

Gross premiums written	(178)
Change in the gross provision for unearned premiums	5,089
Earned premiums	4,911
Claims and claims related expense incurred	(2)
Other technical income	25
Net operating expenses	(1,334)
Deferred acquisition costs	(316)
Balance on the technical account - general business	3,284
Net investment income	1,556
Realised gains/(losses) on investments	453
Unrealised gains/(losses) on investments	(2,593)
Other income and charges	751
Profit on ordinary activities before tax	3,451
Taxation on profit on ordinary activities	(656)
Retained profit for the financial year	2,795

Balance Sheet:

Assets:

Investments	75,281
Debtors	60,273
Other debtors	223
Cash at bank and in hand	826
Deferred acquisition costs	3,846
Other prepayments and accrued income	933
Deferred taxation	-
Total assets	141,382

Liabilities and Equity:

Called up share capital	175
Share premium account	17,272
Profit and loss account	6,410
Capital redemption reserve	47,855
Total capital and reserves	71,712
Provision for unearned premiums	68,598
Other creditors	867
Accruals and deferred income	205
Total liabilities and equity	141,382

1) Selected financial information for 30 September 2017 is not shown as it has not been restated



FUTURE PREMIUMS TO BE COLLECTED
(£ in Thousands)

Three months ended:

31 December 2018 1,756

Twelve months ended:

31 December 2019 4,853

31 December 2020 4,424

31 December 2021 2,755

31 December 2022 2,676

Five years ended:

31 December 2027 12,370

31 December 2032 10,765

31 December 2037 9,201

31 December 2042 6,159

31 December 2047 2,491

31 December 2053 2,824



INVESTMENT PORTFOLIO
(£ in Thousands)

Investments ⁽¹⁾	30 September 2018	31 December 2017
Shares and other variable yield securities	845	1,094
Debt securities and other fixed income securities	73,157	72,039
Units in collective investment schemes	1,279	2,755
Total	75,281	75,888

⁽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⁾	30 September 2018	31 December 2017
AAA	17.1%	9.9%
AA	55.0%	58.0%
A	12.9%	15.5%
BBB	15.0%	16.6%
	100.0%	100.0%

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



PROVISION FOR OUTSTANDING CLAIMS
(£ in Thousands)

	30 September 2018	31 December 2017
Provision For Outstanding Claims, Net Balance At Beginning Of Period.	-	-
Incurred Related To		
Current Period Claims.	-	-
Current Period Claims Related Expenses	-	-
Prior Periods Claims.	-	-
Prior Periods Claims Related Expenses.	2	(1,414)
Total Incurred.	<u>2</u>	<u>(1,414)</u>
(Paid) Recoveries Related To		
Current Period Claims.	-	-
Current Period Claims Related Expenses	-	-
Prior Periods Claims.	-	-
Prior Periods Claims Related Expenses.	(2)	1,414
Total Paid	<u>(2)</u>	<u>1,414</u>
Provision For Outstanding Claims, Net Balance At End Of Period.	<u>-</u>	<u>-</u>



GUARANTEED PORTFOLIO BY BOND TYPE

Par Outstanding
30 September 2018

	£ in millions	% of Total
Guaranteed Portfolio by Bond Type: ⁽¹⁾		
Infrastructure		
Utility.	1,120.4	49.5%
Project Finance.	1,052.5	46.5%
Transportation.	89.1	4.0%
Total	2,262.0	100.0%

⁽¹⁾ GBP equivalent using 30 September 2018 exchange rates.



GUARANTEED EXPOSURES ⁽¹⁾
(£ in Millions)

Revenue Stream Name	30 September 2018		
	AADS ⁽²⁾	Par Outstanding	
	Amount	Amount	% of Total ⁽³⁾
Northern Gas Networks plc.	85.3	505.0	22.3%
Consort Healthcare (Birmingham) Limited.	21.9	394.1	17.4%
Peterborough (Progress Health) plc.	27.1	346.0	15.3%
Consort Healthcare (Mid Yorkshire) Funding plc.	11.4	191.4	8.5%
Thames Water Utilities Limited.	13.4	140.6	6.2%
Severn Trent Water Limited.	17.0	133.2	5.9%
BBI (DBCT) Finance Pty Ltd.	37.4	113.3	5.0%
Yorkshire Water Services Plc.	9.5	102.3	4.5%
Autoroutes du Sud de la France (ASF).	39.9	89.1	3.9%
United Utilities Water Company plc.	8.3	82.2	3.6%
National Grid Company plc 05.	8.7	71.7	3.2%
Anglian Water Company Plc.	8.4	65.0	2.9%
Western Power Distribution (South West) Plc.	3.0	17.0	0.8%
Novacare Solution Partnership (Mater Hospital) ⁽⁴⁾	N/A	7.7	0.3%
London Pwr Network (EDF Energy Networks (LPN) PLC).	0.6	3.4	0.2%
Total.	292.1	2,262.0	100.0%

⁽¹⁾ The Company's exposure reflects the impact of transactions closed prior to 30 September 2018; however it does not reflect the potential impact, if any, of ongoing commutation, settlement and restructuring efforts by the Company subsequent to 30 September 2018.

⁽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.

⁽⁴⁾ Novacare Solution Partnership will mature on December 31, 2018.



DEBT SERVICE AMORTIZATION ⁽¹⁾
(£ in Millions)

	30 September 2018	
	Scheduled Debt Service Amortization	Ending Debt Service Outstanding
2018.....	52.4	4,970.5
2019.....	92.4	4,878.1
2020.....	96.1	4,781.9
2021.....	99.8	4,682.2
2022.....	232.1	4,450.1
2018-2022.....	572.8	4,450.1
2023-2027.....	716.2	3,733.9
2028-2032.....	377.4	3,356.4
2033-2037.....	856.9	2,499.5
2038-2042.....	559.7	1,939.8
2043-2047.....	222.4	1,717.5
2048-2052.....	104.9	1,612.6
2053-2057.....	1,612.6	-
Total.....	5,022.9	

⁽¹⁾ 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 2018.