SUMMARY OF SCHEME AND INDEPENDENT EXPERT'S REPORT

Proposed transfer of the entire business of Assured Guaranty (London) plc and Assured Guaranty (UK) plc to Assured Guaranty (Europe) plc

1. **OVERVIEW**

1.1 It is proposed that:

(a) the entire business of Assured Guaranty (London) plc ("**AGLN**") (the "**AGLN Transferred Business**"); and

(b) the entire business of Assured Guaranty (UK) plc ("**AGUK**") (the "**AGUK Transferred Business**"),

will be transferred to Assured Guaranty (Europe) plc ("**AGE**") under a scheme pursuant to Part VII of the Financial Services and Markets Act 2000 (the "**Act**") (the "**Proposal**").

1.2 AGE is a public limited company incorporated in England. AGE is authorised by the Prudential Regulation Authority (the "**PRA**") to effect and carry out contracts of non-life insurance and reinsurance in the classes of credit, suretyship and miscellaneous financial loss in the United Kingdom ("**UK**") and is regulated by the PRA and the Financial Conduct Authority (the "**FCA**").

1.3 AGLN is a public limited company incorporated in England. AGLN is an insurance company authorised by the PRA to carry out contracts of non-life insurance and reinsurance in the classes of credit, suretyship and miscellaneous financial loss in the UK and is regulated by the PRA and the FCA.

1.4 AGUK is a public limited company incorporated in England. AGUK is an insurance company authorised by the PRA to carry out contracts of non-life insurance and reinsurance in the classes of credit, suretyship and miscellaneous financial loss in the UK and is regulated by the PRA and the FCA.

1.5 Under the terms of the proposal, all AGLN's and AGUK's existing policies will be transferred to AGE. The terms of those contracts however will not otherwise be affected as a result of the transfers. Consequently, policyholders of AGE, AGLN and AGUK need to take no action in relation to claims or premiums.

2. **PROCESS**

2.1 The Proposal will be effected under provisions contained in Part VII of, and Schedule 12 to, the Act. These provisions permit a business carried on by an insurance company in the UK to be transferred to another insurance company. The details of such a transfer must be set out in a scheme (the "**Scheme**"), which can only become effective with the sanction of the Court.

2.2 AGLN and AGUK made an application to the Court in respect of the Proposal by a Claim Form issued on 12 June 2018. The Court hearing is expected to take place on 25 October 2018. The application to the Court was accompanied by a report on the terms of the Scheme in a form approved by the PRA after consultation with the FCA and made by a person approved as an independent expert by the PRA after consultation with the FCA (the "**Independent Expert's Report**").

2.3 Any person (including employees of AGE, AGLN or AGUK) who alleges that he or she might be adversely affected by the carrying out of the Scheme is entitled to object in writing or make oral representations or be heard by the Court at the Court hearing (either in person or by Counsel), as is the PRA and the FCA. Any person who wishes to object to the application in writing or make oral representations or appear in person or by Counsel at the Court hearing is requested (but is not obliged) to notify his or her objections as soon as possible to Hogan Lovells International LLP (the solicitors acting for AGE, AGLN and AGUK) at Atlantic House, Holborn Viaduct, London, EC1A 2FG (tel: +44(0) 20 7296 2000, fax: +44(0) 20 7296 2001), quoting reference C4/WH/TJG.

2.4 Subject to the granting of an order of the Court sanctioning the Scheme, the Scheme is expected to become effective in November 2018 (the "**Effective Date**").

3. SUMMARY OF THE SCHEME

3.1 Transfer of AGLN's business and AGUK's business to AGE

Under the Scheme the entire business of AGLN and AGUK will be transferred to AGE in accordance with the Scheme on the Effective Date (except as provided in paragraph 3.3 below). AGE will become the insurer in place of AGLN under policies issued by AGLN and in place of AGUK under policies issued by AGUK.

3.2 Litigation

From the Effective Date any proceedings which are pending, current or contemplated by or against AGLN or AGUK in respect of the transferring business will be continued or (as the case may be) commenced by or against AGE.

3.3 Excluded policies

If any policy that AGLN or AGUK has issued is excluded from the transfer for any reason by the order of the Court or by the agreement of AGLN/AGUK and AGE, then that policy will not be transferred to AGE. However, AGE, AGLN and AGUK have no reason to believe that any policy will not be transferred.

4. MODIFICATIONS OR ADDITIONS TO THE SCHEME

The Scheme may not be modified or made subject to further provisions or conditions without the written consent of the PRA and the FCA. Any such modification would also need to be approved by the Court.

5. SUMMARY OF THE INDEPENDENT EXPERT'S REPORT

The Independent Expert has provided a summary of his report, which is appended to this document.

6. COPIES OF DOCUMENTS RELATING TO THE PROPOSAL

Copies of the Independent Expert's Report and of this document are available on the following website: http://assuredguaranty.com/static/2018-combination and will also be provided, free of charge, by Hogan Lovells International LLP, solicitors for AGE, AGLN and AGUK, whose details are given in section 2.3 of this document.

7. SUPPLEMENTARY REPORT OF THE INDEPENDENT EXPERT

The Independent Expert intends to prepare a supplementary report on the transfers shortly before the Court hearing in order to update the Independent Expert's Report. Copies of the supplementary report will be made available on the website named in paragraph 6 and free of charge from Hogan Lovells International LLP.

SUMMARY INDEPENDENT EXPERT REPORT OF PHILIP TIPPIN FIA

In the matters of

ASSURED GUARANTY (EUROPE) PLC

AND

ASSURED GUARANTY (UK) PLC

AND

CIFG EUROPE S.A.

AND

ASSURED GUARANTY (LONDON) PLC

AND IN THE MATTER OF PART VII OF THE FINANCIAL SERVICES AND MARKETS ACT 2000

IN THE HIGH COURT OF JUSTICE

DATED 8 JUNE 2018

Introduction

I, Philip Tippin, am a partner in the actuarial practice of KPMG LLP (‘KPMG’). I have been a Fellow of the Institute and Faculty of Actuaries for 19 years. I have been appointed by Assured Guaranty (Europe) plc to act as the Independent Expert in connection with the proposed Transfers described below. My appointment was approved by the Prudential Regulation Authority (‘PRA’) in consultation with the Financial Conduct Authority (‘FCA’) on 17 March 2017.

This Summary Report covers the main conclusions of my Independent Expert’s Report. As noted in the Independent Expert’s Report I have not considered any alternative arrangements to those set out in the Transfer documents submitted to the Court. I have relied on data and other information made available to me by the Transfer Companies. While I have received written confirmation from the Transfer Companies of the accuracy of the information provided to me, I have not sought independent verification and my work does not constitute an audit of the financial or other information provided to me.

This summary must be considered in conjunction with the Independent Expert’s Report and reliance must not be placed solely on this summary. Both this summary and the Independent Expert’s Report must be considered in their entirety, including the limitations on their use as set out in the Independent Expert’s Report. In the event of any real or perceived conflict between this summary and the Independent Expert’s Report, the latter shall be definitive.

Assured Guaranty (Europe) plc (‘AGE’) is a wholly owned direct subsidiary of Assured Guaranty Municipal Corp. (‘AGM’), and writes financial guarantee insurance. The ultimate parent of both AGE and AGM is Assured Guaranty Ltd (‘Assured Guaranty’). In this report I will refer to the companies operated as subsidiaries of Assured Guaranty as the ‘Assured Guaranty Group’.

Assured Guaranty Corp. (‘AGC’), a member of the Assured Guaranty Group, established a financial guarantee insurance company in the United Kingdom in 2003, Assured Guaranty (UK) plc (‘AGUK’). Through a number of acquisitions over recent years, the Assured Guaranty Group now includes several insurance companies based in Europe. These European companies include AGE, AGUK, CIFG Europe S.A. (‘CIFG EU’) and Assured Guaranty (London) plc (‘AGLN’). AGE, AGUK and AGLN are based in the UK; CIFG EU is based in France. It has been proposed that AGUK and AGLN will transfer their entire insurance businesses to AGE under the provisions of Part VII of the Financial Services and Markets Act 2000 (‘FSMA’) under a transfer to be approved by the High Court of Justice, England (‘the Court’). CIFG EU will transfer its insurance business to AGE under a French insurance portfolio transfer process, which requires the approval of the French insurance regulator. There is no requirement for an Independent Expert or a court hearing under a French insurance transfer. I am required to consider the final position of the Transfer Companies however, so I continue to discuss CIFG EU in this report.

The largest entity of the four companies involved is AGE which will be the ‘Transferee’. AGE has its head office in the United Kingdom.

AGLN, CIFG EU and AGUK are all direct subsidiaries of AGE. All companies involved in the transfers described in this report write solely non-life business.

The transfers are taking place in conjunction with the merger of AGLN, AGUK and CIFG EU into AGE through a cross-border merger (‘CBM’) process described below so that the transfers and the CBM occur as a single transaction, which is expected to take effect in November 2018. The CBM is intended to ensure the widest possible recognition of the transfer to AGE of all the assets and liabilities of AGLN, AGUK and CIFG EU. As a consequence of the CBM AGLN, AGUK and CIFG EU will each be dissolved without undergoing liquidation proceedings.

I refer to the transfers of insurance business of AGUK and AGLN as the ‘Transfers’. I refer to AGE, AGUK, CIFG EU and AGLN as the ‘Transfer Companies’. I refer to AGUK, AGLN and CIFG EU as the ‘Transferors’. I refer to the transfer of the insurance business of CIFG EU as the ‘FIPT’.

This summary report is part of a circular that is being sent to all policyholders of the Transfer Companies, with limited exceptions, as part of the communication plan for the proposed Transfers. The proposed Transfers are being advertised in the London, Edinburgh and Belfast Gazettes, The Times, and The Financial Times, and the Independent Expert's Report and other relevant documents are being made available on the websites detailed at the end of this section.

The policyholders of the Transfer Companies are typically financial institutions who are either the bondholders or are performing the role of bond trustee or custodian for the benefit of bondholders. The role of the bond trustee includes both administering distribution of interest and principal repayments to investors who have purchased the insured bond or financial instrument, and enforcing the contractual terms of the bond in the interests of investors, for example, in the event of the insolvency of the issuer of the financial instrument. Investors who currently hold financial instruments guaranteed by the Transfer Companies receive economic benefit from insurance written by the Transfer Companies. Where I refer to “policyholders” I mean the party to each insurance contract, typically a financial institution acting as trustee or custodian. I note that in their role as the fiduciary agents of the investors I consider the interests of policyholders to be aligned with the investors who benefit economically from the guarantees provided by the Transfer Companies, and do not distinguish between them for the purposes of this report.

To the best of my knowledge, information and belief, I have no conflicts of interest in connection with the parties involved in the proposed Transfers, either through my professional work, my personal relationships or my financial relationships. I therefore consider myself able to act as an Independent Expert on this transaction. In reporting to the Court on the proposed Transfers my overriding duty is to the Court. This duty applies irrespective of any person or firm from whom I have been instructed or paid.

Copies of the Independent Expert's Report are available at the following links:
http://assuredguaranty.com/static/2018-combination

Background of the Transfer Companies

AGE is a legal entity of Assured Guaranty and operates as a direct subsidiary of AGM.

AGUK, AGLN and CIFG EU are all direct subsidiaries of AGE.

AGE and AGUK have credit ratings of AA from S&P. AGLN is rated BB from S&P. CIFG EU is unrated. For the avoidance of doubt, I have placed no reliance on the Transfer Companies' credit ratings in the IE Report, but note this as it is a significant reason that policyholders choose to do business with Assured Guaranty companies, and that in this regard, CIFG EU and AGLN policyholders will see a rise in the credit rating associated with their financial guarantee insurance policies if AGE maintains its current rating, which could be perceived by those policyholders as a benefit to them.

Overview of my analysis

In considering the impact of the proposed Transfers on the security of policyholders, I have considered both the impact of the Transfers of the financial resources available to support policyholders and also a number of non-financial impacts on how a customer's experience may change as a result of the Transfers.

My approach to considering the effect of the Transfers on service levels experienced by policyholders has been to determine if a change in service arrangements would occur if the Transfers were to proceed, and to compare any changes with the arrangements that would be in place were the Transfers not to take place.

What is the effect of the Transfers on the group structure?

Under the proposed terms of the Transfers, all assets and liabilities of AGLN and AGUK will transfer to AGE, and under the CBM (following approval of the French IPT) all assets and liabilities of CIFG EU will transfer to AGE. The CBM is intended to ensure the widest possible recognition of the transfer to AGE of all the assets and liabilities of AGLN, AGUK and CIFG EU. The ultimate goal is to bring AGE, AGLN, AGUK and CIFG EU into one entity through the mechanism of a CBM so that they can be managed collectively and centrally in an efficient, including tax efficient, manner. It is intended that the

Transfers and the CBM will occur as a single transaction which will complete on the Effective Date. AGE will be the surviving company following the CBM and the Transferors will no longer exist.

The CBM will take place pursuant to Directive (EU) 2017/1132 of the European Parliament and of the Council of 16 June 2017, as implemented under UK regulations and the French commercial code, which allows companies from two or more EEA countries to merge so that the surviving company succeeds to the assets and liabilities of the absorbed companies (which cease to exist).

As changes in group structure can result in tax liabilities, I have received confirmation from the management of the Transfer Companies that no tax liabilities will be realised as the result of the Transfers and CBM, following advice from independent advisers.

What is the non-financial impact of the Transfers?

In the Independent Expert's Report I have considered the impact of any changes as a result of the Transfers to each of executive management; contractual arrangements; and regulatory arrangements. There will be no changes to the regulatory arrangements due to the Transfers.

Executive management

The same executive management currently administers the financial guarantee portfolios of each of AGE, AGUK, and AGLN. The executive management for these companies following the Transfers will not change. Similarly all three companies have the same non-executive directors, except that AGLN currently has an additional non-executive director. It is intended that this individual be invited to join the Board of AGE post-Transfers, such that the governance arrangements for policyholders of AGE, AGUK, and AGLN will be at least as strong after the Transfers as they are before.

CIFG EU is a French company and therefore currently has a different management and governance structure to the other Transfer Companies. It is currently managed by a Management Board and a Supervisory Board, the members of each of these Boards are executives within the Assured Guaranty Group. Following the FIPT, the portfolio of CIFG EU policies will be managed as part of AGE, meaning that the Board will include a number of non-executive directors. In any case the management and governance of CIFG EU is not changed by the Part VII Transfers that I am considering here.

Contractual arrangements

The Transfers are to have no impact on contractual terms to insurance policies, other than changing the party to the contract from the Transferor in question to AGE

Implications of "Brexit" referendum

On 23 June 2016, the UK held a nationwide referendum which asked the electorate whether they wanted the UK to remain part of or to leave the EU. The referendum resulted in a majority vote to leave the EU, a situation commonly referred to as "Brexit", and the consequences of this vote are still uncertain. The UK formally served notice under Article 50 of the Lisbon Treaty on 29th March 2017 and now enters a negotiation period of up to two years to negotiate on the terms of their exit from the EU.

At the time of this Report there remains much political and economic uncertainty within the UK. Whilst there are many potential consequences (including the stock market and foreign exchange market instability witnessed during June and July of 2016), the one with the most potential to affect the business models of the Transfer Companies is the risk that UK insurance businesses would lose their "passporting rights" to do business across the European single market (and that European insurance businesses could lose their right to trade in the UK).

It is unlikely to be clear what the ultimate position on "passporting" will be before the effective date of these proposed Transfers. However, in the cases of AGE, AGUK, and AGLN each business is currently based in the UK and has at least one EU policyholder. This means that each of these three businesses will have to deal with any issues that emerge around passporting irrespective of whether or not the Part VII Transfers proceed. The transfer of CIFG EU is being carried out under the FIPT, and the Part VII Transfers do not affect the passporting rights of CIFG EU either before or after their completion.

Will the Transfers impact the security of policyholders?

I identify no material adverse change in the economic circumstances of any of the main groups of policyholders.

Prior to the Transfers, the ratio of available capital to the capital requirement ("Capital Cover Ratio") calculated by reference to the Standard Formula (for deriving capital requirements for insurance businesses operating in the European Union) for all the Transfer Companies are materially in excess of one, indicating the probability that policyholder benefits may not be paid is remote. A ratio greater than one suggests capital is held to a level greater than that required for the 99.5% confidence level. These Capital Cover Ratios are also materially in excess of one for each company when the capital requirements derived from the Transfer Companies' own internal capital model (which is believed to be a better reflection of the capital required to service the exposures and produces substantially higher requirements than the Standard Formula) are considered. I consider both of these bases in my analysis.

As a result of the Transfers, AGUK policyholders see an increase in the Capital Cover Ratio as calculated using the Standard Formula though a decrease on the basis of their own internal capital model. Given the Capital Cover Ratio in AGE remains strong, combined with the resulting larger balance sheet and resulting larger pool of capital, I do not find this to have an impact on AGUK policyholder security. The structure of the reinsurance arrangements in place for AGUK will not change as a result of the Transfers. However, on both the XoL policy and the Net Worth Maintenance Agreement, the counterparty will change from AGC to AGM. I do not believe that this will have any adverse impact on the security of policyholders.

CIFG EU policyholders see a decrease in the Capital Cover Ratio as a result of the Transfers as calculated using the Standard Formula. However, as calculated using their own internal capital model, they see an increase as a result of the Transfers. Given the Capital Cover Ratio in AGE remains strong, combined with the resulting larger balance sheet and resulting larger pool of capital, I do not find this to have an impact on CIFG EU policyholder security. The structure of the reinsurance arrangements in place for CIFG EU will see some changes. The letter of support from AGC will be replaced by a Net Worth Maintenance Agreement from AGM with stronger terms, and CIFG EU policyholders will be covered by an additional XoL policy from AGM. I believe that this will improve the security for policyholders as the XoL policy will provide additional protection.

After the Transfers, AGLN policyholders will see a significant increase in their Capital Cover Ratio as a result of the Transfers on both the bases of the Standard Formula and of their own internal capital model. After the Transfers, AGLN will be covered by AGE's Net Worth Maintenance Agreement and XoL policy with AGM. This is an increase in the scale of reinsurance cover available to AGLN policyholders. I believe that this will improve the security for policyholders as the XoL policy will provide additional protection.

As a result of the changes noted above, I consider that the security of AGLN policyholders will increase after the Transfers.

From a capital perspective, AGE policyholders see a decrease in their Capital Cover Ratio as a result of the Transfers on both the bases of the Standard Formula and of their own internal capital model. AGE holds substantially more capital than required by regulation, and after the Transfers and subsequent decrease the capital held will still be considerably higher than regulation requires. Given both this and the resulting larger pool of capital I do not find this to have an impact on AGE policyholder security. AGE will see no changes to its existing reinsurance arrangements, except that there will be a larger number of policies covered by its current support agreements with AGM. I do not consider that this will have an impact on the current policyholders of AGE.

Pension Scheme Obligations

None of the Transfer Companies have any employees, with all services provided via Assured Guaranty (UK) Services Limited, a services company within the Assured Guaranty Group, consequently the companies have no on-going pension obligations. Similarly, none of the Transfer Companies have any obligations to legacy pension schemes.

Impact on Existing Reinsurers

In a Part VII transfer where outwards reinsurance is being transferred, there is a risk that non-group reinsurers of the Transfer Companies whose contracts are not governed by English Law may not recognise the Transfers and decline payment of future reinsurance recoveries. However, the only non – group outwards reinsurance of the Transfer Companies is reinsurance of AGE which will not be transferring, and so there is no such risk in the present case. The Assured Guaranty Companies have confirmed that they will recognise the Transfers in any case.

Overall conclusion

I have considered the Transfers and their likely effect on each of the affected policyholder groups. I have concluded that the risk of any policyholder being adversely affected by the proposed Transfers is sufficiently remote for it to be appropriate to proceed with the proposed Transfers as described in my report.

I will issue a supplemental report containing the most up-to-date financial information prior to the final hearing. This report will also address any market developments and any policyholder responses.

Philip Tippin
Fellow of the Institute and Faculty of Actuaries
Partner, KPMG LLP

8 June 2018