ASSURED GUARANTY (EUROPE) PLC

2017
GROUP SOLVENCY AND FINANCIAL CONDITION REPORT

covering

ASSURED GUARANTY (EUROPE) PLC
ASSURED GUARANTY (LONDON) PLC
ASSURED GUARANTY (UK) PLC
CIFG EUROPE S.A.

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DEFINITIONS

Term	Definition
ACPR	Autorité de Contrôle Prudentiel et de Résolution
AGC	Assured Guaranty Corp.
AGC-AGUK Net Worth Maintenance Agreement	Further Amended and Restated Net Worth Maintenance Agreement dated 8 July 2016 between AGC and AGUK
AGC-AGUK Reinsurance Agreement	The Further Amended and Restated Quota Share Reinsurance Agreement and the Further Amended and Restated Excess of Loss Reinsurance Agreement, both dated 8 July 2016 between AGC and AGUK
AGC-CIFGE Reinsurance Agreement	The Facultative Reinsurance Agreement, dated as of 28 September 2001, as amended by Amendment No. 1 thereto, and the Amended and Restated Excess of Loss Reinsurance Contract, dated as of 28 September 2006 as amended by Amendment No. 1 thereto, each between CIFGE and AGC (as successor to CIFGNA)
AGC-CIFGE Letter of Support	Letter of support dated 6 December 2001, by AGC as successor to CIFGNA
AGE	Assured Guaranty (Europe) plc
AGE Group	AGE together with its Subsidiaries
AGL	Assured Guaranty Ltd.
AGL Group	AGL and its subsidiaries
AGLN	Assured Guaranty (London) plc
AGM	Assured Guaranty Municipal Corp.
AGM-AGE Net Worth Maintenance Agreement	Net Worth Maintenance Agreement dated 1 April 2014 between AGM and AGE, as amended from time to time
AGM-AGE Reinsurance Agreement	Quota share and excess of loss reinsurance agreement between AGE and AGM dated 1 April 2014, as amended by Amendment Nos. 1 and 2 thereto and as further amended from time to time
AGUK	Assured Guaranty (UK) plc
AG Services	AG US Group Services Inc.
Approved Person	Someone who is approved to perform a SIMF or CF
AROC	Audit and Risk Oversight Committee
Best Estimate Technical Provisions	Gross best estimate portion of the technical provisions value
BIG	Below-investment-grade
Board	Board of Directors
CEO	Chief Executive Officer
CF	Controlled Functions
CFO	Chief Financial Officer
CIFGE	CIFG Europe S.A.
CIFGNA	CIFG Assurance North America, Inc.
Conseil de Surveillance	The Supervisory Board of CIFGE
Council	Council of the European Union
Current premiums	Insurance premiums that are due to have been received at the balance sheet date
Current reinsurance commissions	Reinsurance commissions that are due to have been received at the balance sheet date
Current reinsurance premiums	Reinsurance premiums that are due to have been paid at the balance sheet date
Directive	Directive 2009/138/EC of the European Parliament and of the Council on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II), as amended from time to time
Directoire	The Management Board of CIFGE
ECM	Economic Capital Model

Term	Definition
EEA	European Economic Area
EIOPA	European Insurance and Occupational Pensions Authority
EU	European Union
Expense Load	Present value of projected future operating expenses
FCA	The Financial Conduct Authority
Fitch	Fitch Ratings
French STAT	French Statutory Accounting Principles
Future premiums	Insurance premiums that are due to be received after the balance sheet date
Future reinsurance commissions	Reinsurance commissions that are due to be received after the balance sheet date
Future reinsurance premiums	Reinsurance premiums that are due to be paid after the balance sheet date
GBP	Great Britain Pound
GPO	Gross par outstanding
Group Service Agreement	Amended and Restated Service Agreement, effective as of 1 April 2015
ICA	Individual Capital Assessment
IG	Investment Grade
Individual Companies	The individual insurance companies within the AGE Group, being AGE, AGLN, AGUK and CIFGE
Internal Model	Internally developed model for AGLN, which was approved by the PRA to calculate AGLN's SCR for 2016
ISCC	International Supervisory Credit Committee
IT	Information Technology
JPMIM	J.P. Morgan Investment Management Inc.
Key Function	The Key Functions specified in the Directive
KFH	The holders of Key Functions
KRIs	Key risk indicators
LTIP	Long term incentive plan
MBIA Corp.	MBIA Insurance Corporation
MBIA Group	MBIA UK, together with MBIA UK Holdings Inc.
MBIA UK	MBIA UK Insurance Limited
MCR	Minimum Capital Requirement
Merger	On 5 July 2016, CIFGNA merged with and into AGC, with AGC as the surviving company
Moody’s	Moody’s Investors Service Inc.
NPO	Net par outstanding
NYDFS	The New York Department of Financial Services
Orkney Bonds	Series A-1 Floating Rate Guaranteed Notes due December 21, 2035 issued by Orkney Re II plc
ORSA	Own Risk and Solvency Assessment
PF	Public finance
plc	public limited company
PRA	The Prudential Regulation Authority
PRMC	Portfolio Risk Management Committee
PVP	Present Value of New Business Production
Rating Agencies	S&P, Kroll Bond Rating Agency Inc., and Moody’s
Reduction	Present value of all future premiums expected to be received by the applicable Individual Company after consideration of potential non–payment on premiums due to future defaults of guaranteed transactions
RMBS	Residential Mortgage-Backed Securities
RMC	Risk Management Committee
S&P	S&P Global Ratings, a division of Standard & Poor's Financial Services LLC

Term	Definition
SCR	Solvency Capital Requirement
SEC	U.S. Securities and Exchange Commission
SF	Structured finance
SFCR	Solvency and Financial Condition Report
SIMF	A Senior Insurance Manager Function specified in the SIMR
SIMR	The PRA's enhanced individual accountability framework for senior managers of UK insurers and reinsurers, which fall within the scope of the Directive, referred to as the PRA's Senior Insurance Managers Regime
Solvency II Regulation	Commission Delegated Regulation EU 2015/35 of 10 October 2014, as amended
SRL	Single Risk Limits
Standard Formula	Standard formula prescribed by EIOPA
Subsidiaries	AGLN, AGUK and CIFGE
TruPS	Trust preferred securities
U.K.	United Kingdom
U.K. Companies	AGE, AGLN and AGUK
U.K. Company	AGE, AGLN or AGUK
U.K. Credit Committee	Credit Committee for AGE
U.K. GAAP	United Kingdom Generally Accepted Accounting Principles
U.K. Service Company	Assured Guaranty (UK) Services Limited
U.S.	United States of America
U.S. SEC	United States Securities and Exchange Commission
USD	U.S. Dollars
USPs	Undertaking-specific parameters

INTRODUCTION

This SFCR sets out the solvency and financial condition of AGE and its three subsidiaries, AGLN, AGUK and CIFGE, as at 31 December 2017, on both a consolidated and a solo basis.

Each of the Individual Companies is an indirect wholly-owned subsidiary of AGL, a Bermuda based holding company whose common shares are listed on the New York Stock Exchange. The U.K. Companies are incorporated in England and Wales and are authorised and regulated by the PRA and the FCA. CIFGE is incorporated in France and is regulated by the ACPR.

Each of the Subsidiaries became a direct subsidiary of AGE on 26 June 2017. As a result, AGE and its Subsidiaries became an EEA sub-group, which is subject to group supervision under Solvency II, and AGE became obligated to provide reporting for itself and its Subsidiaries on a consolidated basis. For purposes of that consolidated reporting, AGE and its Subsidiaries are referred to in this SFCR as the AGE Group.

Each of the Individual Companies filed a SFCR on a solo basis as at 31 December 2016. After AGE obtained the Subsidiaries in 2017, the U.K. Companies requested and received permission from the PRA to prepare a single group-wide SFCR for 2017 covering the AGE Group and each of the Individual Companies on a solo basis.

The Solvency II Regulation prescribes the structure of this SFCR through a series of headings and sub-headings that must be included. Where information is not applicable to the AGE Group or to one or more of the Individual Companies, as the case may be, this SFCR contains the heading or sub-heading with an appropriate statement.

The Individual Companies in the AGE Group are providers of financial guarantee insurance in the U.K. and the EEA. AGE is the only company in the AGE Group that is writing new business. Its Subsidiaries are in run-off and are no longer writing new business.

Each of the Individual Companies is managed as a separate entity within a common business framework. The AGE Group's governance and reporting is overseen by the Board of AGE. Each of the U.K. Companies has an almost identical governance structure with its own Board as well as Board and management committees. CIFGE is managed by its Directoire and Conseil de Surveillance. Where applicable, this SFCR distinguishes between the system of governance for the U.K. Companies and the system of governance for CIFGE.

Each of the Individual Companies has been actively working to combine its operations through a multi-step transaction, which ultimately is expected to result in the Subsidiaries transferring their insurance portfolios to and merging with and into AGE. This proposed combination was the reason that, on 26 June 2017, AGE's direct parent AGM acquired the Subsidiaries from its affiliate, AGC, and contributed the Subsidiaries to AGE. The combination is subject to regulatory and court approvals. As a result, the Individual Companies cannot predict whether, or when, the combination will be completed.

The following should be noted with regard to the financial information in this report:

- AGE Group:
    - AGE and its Subsidiaries became an EEA sub-group for purposes of this report on 26 June 2017. Accordingly, there is no comparative information for the AGE Group for 2016.
        - The profit and loss account for the AGE Group includes 12 months of activity for AGE and activity from 26 June 2017 to 31 December 2017 for the Subsidiaries, on a consolidated basis, reflecting the period from the date that they were contributed to AGE to year end.
        - The balance sheet of the AGE Group includes the Subsidiaries on a consolidated basis as of 31 December 2017.
        - Intercompany accounts and transactions between and among all consolidated entities have been eliminated.
    - The financial statement information of CIFGE included in the AGE Group information has been conformed to U.K. GAAP and translated to GBP.

  - The financial information in this report is on a consolidated basis in accordance with the Solvency II Regulation.

- Solo entities:

  - The Individual Companies each filed solo SFCRs in respect of the year ended 31 December 2016. In this SFCR, solo entity information is shown with the comparable 2016 amounts.

  - The financial statement information of CIFGE, on a solo entity basis, is based on French Statutory Accounting Principles and is shown in euros, with comparable 2016 amounts.

SUMMARY

AGE Group Overview

The AGE Group is an EEA sub-group comprised of AGE and its Subsidiaries. As noted in the *Introduction,* the EEA sub-group was created when, on 26 June 2017, AGC sold its shares of the Subsidiaries to AGM and AGM contributed those shares to AGE. Thus, the Subsidiaries became direct, wholly owned subsidiaries of AGE. AGC acquired AGLN (formerly, MBIA UK Insurance Limited or MBIA UK) on 11 January 2017 from its direct parent, MBIA UK (Holdings) Limited. Prior to that date, AGLN (then MBIA UK) was a wholly owned of MBIA UK (Holdings) Limited, which, in turn, was a wholly owned subsidiary of MBIA Insurance Corporation (MBIA Corp.), a U.S. domiciled insurance undertaking. In the prior reporting period, MBIA UK, together with MBIA UK (Holdings) Limited, prepared as single group SFCR for the year ended 31 December 2016 in accordance with waivers received from the PRA.

AGE is a wholly owned subsidiary of AGM, a New York domiciled insurance undertaking. AGM is an indirect, wholly owned subsidiary of AGL, a Bermuda based holding company, whose common shares are listed on the New York Stock Exchange. Each of the U.K. Companies is a public limited company organised under the laws of England and Wales. CIFGE is a société anonyme organised under the laws of France.

Each of the U.K. Companies is authorised by the PRA and regulated by both the PRA and the FCA. CIFG is regulated by the ACPR.

AGE is the only company within the AGE Group that is writing new business. AGE is authorised by the PRA to effect and carry out the following classes of insurance: 14 (credit), 15 (suretyship) and 16 (miscellaneous financial loss). AGE is permitted, on a passport basis, to conduct insurance business in certain member countries of the EEA from its home office in the U.K.

AGLN and AGUK have given up their respective permission to write new financial guarantee insurance. Each is currently authorised by the PRA to carry out their existing contracts of insurance in the same classes as AGE and is permitted on a passport basis to carry out insurance business in certain member countries of the EEA from its home office in the U.K. Since going into run-off in November 2013 and September 2010, respectively, AGLN's and AGUK's principal activity is managing its existing portfolio of insured obligations. AGLN has financial guarantees in-force covering transactions with final maturities that it currently expects will extend to 2057. AGUK has financial guarantees in-force covering transactions with final maturities that it currently expects will extend to 2047.

CIFGE is an insurance company for financial guarantee (class 15 Surety) (Arrêté dated 26 October 2001, JO n°253 dated 31 October 2001). CIFGE ceased writing new financial guarantees at the end of 2007 and its insurance license was subsequently terminated because it had not written any new contracts for more than two years. Since 2011, CIFGE has operated under a liquidation program accepted by the ACPR. Accordingly, CIFGE's principal activity currently is managing its existing portfolio of financial guarantees pursuant to that liquidation program, which includes the novation or commutation of exposures and the preservation of capital through remediation and loss mitigation strategies. CIFGE has financial guarantees in-force covering transactions with final maturities that it currently expects will extend to 2042. For additional details of CIFGE's liquidation program, see *Summary - CIFGE Liquidation Program.*

The principal activity of the Individual Companies did not change from the prior year.

Business and Performance

The principal activity of the Individual Companies is providing financial guarantees, which protect holders of debt instruments and other monetary obligations from defaults in scheduled payments. As the only company in the AGE Group writing new business, AGE applies its credit underwriting judgement, risk management skills and capital markets experience to offer financial guarantee insurance for new transactions and to manage its existing portfolio of financial guarantees. The Subsidiaries each apply their credit judgement, risk management skills and capital markets experience to manage their respective existing portfolios of financial guarantees.

If an obligor defaults on a scheduled payment due on an obligation, that is guaranteed by one of the Individual Companies, including scheduled interest or principal payments, the applicable company is required under its unconditional and irrevocable financial guarantee to pay the amount of the shortfall to the holder of the obligation.

AGE markets its financial guarantees directly to issuers and underwriters of public finance and structured finance securities as well as to investors in such obligations. The principal activities of the Subsidiaries are managing their respective run-off portfolios of financial guarantees.

After several years of low new business volume, AGE's financial guarantee product is currently showing itself to be competitive compared with other financing options in certain segments of the infrastructure market. Future business activity will be influenced by the typically long lead times for these types of transactions.

The Individual Companies have the following types of obligations in their respective insured portfolios:

Infrastructure Finance Obligations are obligations issued by a variety of entities engaged in the financing of international infrastructure projects, such as roads, airports, hospitals, social infrastructure, and other physical assets delivering essential services supported either by long-term concession arrangements with a public sector entity or by a regulatory regime.

Regulated Utilities Obligations are obligations issued by government-regulated providers of essential services and commodities, including electric, water and gas utilities.

Other Public Finance Obligations are among others, obligations of local, municipal, regional or national governmental authorities or agencies.

Insurance Securitisation Obligations are reinsurance obligations secured by the future cash flows generated by a pool of life insurance policies and income produced by invested assets.

RMBS are obligations backed by closed-end first lien mortgage loans on residential properties located in the U.K., Italy, Germany or Hungary. The mortgage loan products in these transactions are either fixed rate or floating rate and the units are either owner occupied or originated as buy to let. The credit quality of the borrowers is classified as either prime or near prime. Such credit classification is based on the originator's underwriting guidelines and is generally based on the size and frequency of the borrowers' delinquent credit history. The AGE Group has not insured RMBS transaction since December 2007.

*Pooled Corporate Obligatio*ns are securities backed by TruPS, a type of debt obligation issued by banks and insurance companies. These securities are issued in "tranches", with subordinated tranches providing credit support to the more senior tranches. The AGE Group's financial guarantee exposures are to the most senior tranche of these issues.

Credit support for the obligations guaranteed by the Individual Companies may come from a variety of sources, including some combination of subordinated tranches, excess spread, over-collateralisation or cash reserves. Additional support also may be provided by transaction provisions intended to benefit noteholders or credit enhancers.

Each of the Individual Companies seeks to limit its exposure to losses by underwriting obligations that it deems to be IG at inception, although, as part of a loss mitigation strategy for any troubled credits, it may underwrite new issuances that it views as BIG. In their respective structured finance portfolios, each of the Individual Companies also requires subordination or collateralisation consistent with its underwriting standards. AGE applies the same philosophy to new financial guarantee transactions.

Portfolio Summary(1)
As of 31 December 2017

	AGE Group(2)		AGE		AGLN		AGUK		CIFGE	
	PF	SF	PF	SF	PF	SF	PF	SF	PF	SF
	(in millions, except percent)									
GPO	£23,803	£ 456	£13,792	£ 224	£9,571	£ 94	£ 394	£ 63	€ 479	€ 84
Ceded to Affiliates	13,476	348	12,912	214	135	3	354	57	479	84
Ceded to 3rd Party	414	4	421	4	—	—	—	—	—	—
NPO	9,913	104	459	6	9,436	91	40	6	—	—
% NPO rated BIG	6.0%	41.0%	2.2%	—%	6.2%	39.6%	7.2%	100.0%	—%	—%

(1) Excludes GPO and NPO attributable to loss mitigation strategies. See *Section C.1 Underwriting Risk,* for additional information.
(2) AGE Group numbers are net of eliminations.

Ratings

	S&P	Kroll Bond Rating Agency	Moody's
AGE	AA (stable) (26/6/17)	—	A2 (stable) (7/5/18)
AGUK	AA (stable) (26/6/17)	—	(1)
AGLN	BB (positive) (12/1/17)	—	(2)
CIFGE	—	—	—
AGM	AA (stable) (26/6/17)	AA+ (stable) (23/1/18)	A2 (stable) (7/5/18)
AGC	AA (stable) (26/6/17)	AA (stable) (1/12/17)	(1)

(1) AGC requested that Moody's withdraw its financial strength ratings of AGC and AGUK in January 2017, but Moody's denied that request. Moody's continues to rate AGC A3 (stable) and AGUK A3. Moody's put AGUK on review for upgrade on 27 June 2017, following its transfer to AGM.

(2) Assured Guaranty did not request that Moody's rate AGLN. Moody's continues to rate AGLN, and upgraded its rating to Baa2 (stable) on 13 January 2017, following its acquisition by AGC, and then to Baa1 on review for further upgrade on 27 June 2017, following its transfer to AGM.

2017 Results

AGE Group
Profit and Loss Account
For Year Ended 31 December 2017

	Year Ended 31 December 2017 (in thousands)
Total technical income	£ 65,278
Total technical charges	(2,880)
Balance on the technical account for general business	62,398
Non-technical account balances	(14,160)
Profit on ordinary activities before tax	48,238
Tax on profit on ordinary activities	(16,163)
Profit for the financial year	£ 32,075

The above group results comprise twelve months activity for AGE and activity from 26 June 2017 to 31 December 2017 for the Subsidiaries, all under U.K. GAAP. The Individual Companies' activities are discussed below.

Individual Companies
Profit and Loss Account
For Years Ended 31 December 2017 and 2016

	U.K. GAAP						French STAT	
	AGE		AGLN (1)		AGUK		CIFGE	
	2017	2016	2017	2016	2017	2016	2017	2016
	(in thousands)							
Total technical income	£ 52,484	£ (273)	£ 25,161	£ 20,790	£ 115	£ 112	€ 217	€ 2,344
Total technical charges	28	(893)	(444)	(24,055)	6,983	(2,682)	(1,875)	(2,360)
Balance on the technical account for general business	52,512	(1,166)	24,717	(3,265)	7,098	(2,570)	(1,658)	(16)
Non-technical account balances	(11,743)	14,094	(2,929)	27,032	5,660	6,783	(1,767)	1,334
Profit (loss) on ordinary activities before tax	40,769	12,928	21,788	23,767	12,758	4,213	(3,425)	1,318
Tax on profit (loss) on ordinary activities	(15,332)	(1,508)	(3,065)	(2,224)	(1,760)	(425)	1,845	(2,323)
Profit (loss) for the financial year	£ 25,437	£ 11,420	£ 18,723	£ 21,543	£ 10,998	£ 3,788	€ (1,580)	€ (1,005)

(1) AGLN changed its accounting policy in 2017 to conform to AGE's premium earning policy. The change has been applied retrospectively beginning 1 January 2016 (see *Section A.2 Underwriting Performance, Changes in Accounting Policy for AGLN* for further details).

AGE

The primary driver of the increase in technical income year-over-year is a £65.3 million commutation gain arising during 2017 on the termination of reinsurance with third party reinsurers. This was offset in part by non-technical foreign exchange losses on the retranslation of non-GBP denominated assets and liabilities (compared with gains in 2016), and higher tax expenses in 2017, which were primarily driven by the write off of deferred tax assets associated with U.S. taxes upon AGE's withdrawal of its previous election to be a U.S. taxpayer.

AGLN

The primary driver of the increase in technical income year-over-year is the improvement of three policies during 2017 for which unexpired risk provisions were initially recorded in 2016. The primary driver of the decrease in non-technical income year-over-year is foreign exchange losses on the retranslation of non-GBP denominated assets and liabilities.

AGUK

The primary driver of the increase in profit year-over-year is a net incurred claims benefit (included in technical charges) of £10.4 million related to a purchase, for loss mitigation purposes, of securities on which the company issued a financial guarantee and settlement with the former investment manager of the related BIG transactions.

CIFGE

The primary driver of the decrease in technical income year-over-year is the non-recurring accelerated premium earned in 2016 on two deals that were terminated. The primary driver of the change in non-technical income year-over-year is foreign exchange losses on the retranslation of non-euro denominated assets and liabilities (primarily losses on USD and GBP investments) during 2017.

Further details on underwriting performance can be found in *Section A.2 Underwriting Performance* and details on investment returns cans be found in *Section A.3 Investment Performance*.

Potential Transfer of Insurance Business

As noted in the *Introduction*, each of the Individual Companies has been actively working to combine its operations through a multi-step transaction, which ultimately is expected to result in the Subsidiaries transferring their insurance portfolios to and merging with and into AGE. In connection with that potential combination, the U.K. Companies were re-registered as public limited companies on 1 June 2017, and, the Subsidiaries were sold by AGC to AGM and then contributed by AGM to AGE on 26 June 2017. While AGM, AGC and the Individual Companies have received certain regulatory approvals, the combination is subject to court and further regulatory approvals. As a result, the Individual Companies cannot predict whether, or when, such combination will be completed.

CIFGE Liquidation Program

As noted in *Summary - Business Overview* above, CIFGE ceased writing new financial guarantees at the end of 2007. Pursuant to article R321-20 of the French Code of Insurance, CIFGE's insurance license was terminated because it had not written any new contracts for more than two years. Following a request from the ACPR, CIFGE presented a liquidation program to the ACPR on 25 January 2011. The primary goals of that plan are to reduce the size of the insured portfolio through commutations with policyholders and the novation of policies to CIFGE's then parent company, CIFGNA, with the relevant policyholder's consent. This liquidation program was accepted by the ACPR on 10 February 2011.

System of Governance

There has been no significant change in the system of governance for AGE, AGUK or CIFGE during the year. See *Section B System of Governance* for additional information and for the changes to the system of governance for AGLN.

Risk Profile

See *Section C Risk Profile* for the AGE Group's and the Individual Companies' key risks.

Valuation for Solvency Purposes and Capital Management

Significant Events Impacting Solvency and Financial Condition

After the acquisition of AGLN by AGC, the PRA granted AGLN a waiver to revert from an approved Internal Model to the Standard Formula to assess its capital adequacy under the SCR.

On 26 June 2017, AGC sold to AGM its shares of the Subsidiaries and AGM contributed those shares to AGE. Thus, the Subsidiaries became direct, wholly owned subsidiaries of AGE, which together with AGE comprise the AGE Group.

Own Funds

The AGE Group and the Individual Companies generally have two sources of Own Funds:

- Tier 1 capital which represents the excess of assets over liabilities. Tier 1 capital is described further in *Section E.1 Own Funds*.
- Tier 3 capital which is in the form of deferred taxes.

	AGE Group	AGE		AGLN		AGUK		CIFGE	
	2017	2017	2016	2017	2016	2017	2016	2017	2016
	(in millions)								
Tier 1	£ 627.9	£ 629.2	£ 211.5	£ 310.4	£ 342.4	£ 78.4	£ 84.6	€ 19.4	€ 25.3
Tier 3	19.8	—	2.5	11.7	—	5.5	1.2	1.1	0.7
Eligible own funds	£ 647.7	£ 629.2	£ 214.0	£ 322.1	£ 342.4	£ 83.9	£ 85.8	€ 20.5	€ 26.0

AGE

The increase in eligible own funds during 2017 is primarily due to the contribution of the Subsidiaries from AGM which are valued at £422.5 million as of 31 December 2017.

AGLN

The decrease in eligible own funds is primarily due to an increase in the risk margin. After the acquisition of AGLN by AGC, the PRA granted AGLN a waiver to revert from an approved Internal Model to the Standard Formula to assess its capital adequacy under the SCR. Following that change, the SCR increased as did the risk margin.

AGUK

The decrease in eligible own funds during 2017 is primarily due to higher corporation tax charges in the year compared to the previous year where AGUK benefitted from losses being surrendered by AGL, which reduced AGUK's 2016 U.K. tax liability.

CIFGE

The decrease in eligible own funds is primarily due to (i) a decrease in investments and cash from paying administrative expenses and (ii) an increase in the Best Estimate Technical Provision due to an increase in projected future operational expenses.

Solvency Capital Requirement

The AGE Group and Individual Companies do not use any volatility, matching adjustments or transitional arrangements to calculate their respective SCR.

In 2017, the AGE Group and the Individual Companies used the Standard Formula to calculate their respective SCR.

AGE, AGUK and CIFGE also used the Standard Formula in 2016. However, AGLN used an approved Internal Model to calculate its SCR in 2016. Following its purchase by AGC in 2017, AGLN was granted a waiver by the PRA to revert to the Standard Formula to calculate its SCR.

	AGE Group	AGE		AGLN (1)		AGUK		CIFGE	
	2017	2017	2016	2017	2016	2017	2016	2017	2016
	(in millions)								
SCR	£ 317.3	£ 112.6	£ 23.2	£ 288.8	£ 218.5	£ 54.9	£ 25.6	€ 7.6	€ 5.0

(1) On 7 April 2017 the PRA granted AGLN a waiver to revert from Internal Model to Standard Formula to assess its capital adequacy under the SCR.

Over the last reporting period, there has not been any period of non-compliance with the SCR for either the AGE Group or Individual Companies.

AGE

Given that the ownership of regulated insurance entities carries a solvency capital charge of 22%, the contribution of the Subsidiaries to AGE led to an increase in AGE's SCR. The AGE SCR would have been £21.0 million if it was not been given the Subsidiaries as contributions by AGM.

AGLN

AGLN's SCR increased compared to the prior year primarily due to the increase in underwriting risk as a result of the change in methodology from the Internal Model to the Standard Formula.

AGUK

AGUK's SCR increased compared to the prior year primarily due to the purchase of BIG loss mitigation bonds insured by AGUK.

CIFGE

CIFGE's SCR increased compared to the prior year due primarily to an increase in currency risk.

Minimum Capital Requirement

	AGE Group	AGE		AGLN		AGUK		CIFGE	
	2017	2017	2016	2017	2016	2017	2016	2017	2016
		(in millions)							
Minimum consolidated group SCR	£ 117.4	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
MCR	N/A	£ 28.2	£ 5.8	£ 72.2	£ 54.6	£ 13.7	£ 6.4	€ 3.7	€ 3.7

N/A Not applicable.

There has not been any period of non-compliance with the MCR for either the AGE Group or the Individual Companies during the reporting period.

The U.K. Companies' MCRs equate to 25% of their respective SCRs. The MCRs increased compared to prior year due to the increase in their respective SCRs.

INDEPENDENT AUDITORS' REPORT

Report of the external independent auditors to the Directors of Assured Guaranty (Europe) plc ('the Company') pursuant to Rule 4.1 (2) of the External Audit Part of the PRA Rulebook applicable to Solvency II firms
Report on the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

Opinion

Except as stated below, we have audited the following documents prepared by the Company as at 31 December 2017:

- The 'Valuation for Solvency Purposes' and 'Capital Management' sections of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2017, ('**the Narrative Disclosures subject to audit**'); and

- Group templates S.02.01.02, S.23.01.22, S.25.01.22 and S.32.01.22 ('**the Group Templates subject to audit'**).

- Company templates S.02.01.02, S.17.01.02, S.23.01.01, S.25.01.21 and S.28.01.01 in respect of Assured Guaranty (Europe) plc, Assured Guaranty (UK) plc, Assured Guaranty (London) plc and CIFG Europe S.A. ('**the Company Templates subject to audit'**)

The Narrative Disclosures subject to audit, the Group Templates subject to audit and the Company Templates subject to audit are collectively referred to as the '**relevant elements of the Single Group-Wide Solvency and Financial Condition Report'**.

We are not required to audit, nor have we audited, and as a consequence do not express an opinion on the **Other Information** which comprises:

- The 'Introduction', 'Summary', 'Business and Performance', 'System of Governance' and 'Risk Profile' elements of the Single Group-Wide Solvency and Financial Condition Report;

- Group templates S.05.01.02 and S.05.02.01 and Company templates S.05.01.02, S.05.02.01 and S.19.01.21;

- The written acknowledgement by management of their responsibilities, including for the preparation of the Single Group-Wide Solvency and Financial Condition Report ('**the Responsibility Statement**');

To the extent the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report includes amounts that are totals, sub-totals or calculations derived from the Other Information, we have relied without verification on the Other Information.

In our opinion, the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report of the Company as at 31 December 2017 is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) including ISA (UK) 800 and ISA (UK) 805, and applicable law. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report* section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the Single Group-Wide Solvency and Financial Condition Report in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the Single Group-Wide Solvency and Financial Condition Report is not appropriate; or
- the directors have not disclosed in the Single Group-Wide Solvency and Financial Condition Report any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going

concern basis of accounting for a period of at least twelve months from the date when the Single Group-Wide Solvency and Financial Condition Report is authorised for issue.

Emphasis of Matter - Basis of Accounting

We draw attention to the 'Valuation for solvency purposes' and 'Capital Management' and other relevant disclosures sections of the Single Group-Wide Solvency and Financial Condition Report, which describe the basis of accounting. The Single Group-Wide Solvency and Financial Condition Report is prepared in compliance with the financial reporting provisions of the PRA Rules and Solvency II regulations, and therefore in accordance with a special purpose financial reporting framework. The Single Group-Wide Solvency and Financial Condition Report is required to be published, and intended users include but are not limited to the Prudential Regulation Authority. As a result, the Single Group-Wide Solvency and Financial Condition Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other Information

The Directors are responsible for the Other Information.

Our opinion on the relevant elements of the Single Group-Wide Solvency and Financial Condition Report does not cover the Other Information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Single Group-Wide Solvency and Financial Condition Report, our responsibility is to read the Other Information and, in doing so, consider whether the Other Information is materially inconsistent with the relevant elements of the Single Group-Wide Solvency and Financial Condition Report, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report or a material misstatement of the Other Information. If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Single Group-Wide Solvency and Financial Condition Report

The Directors are responsible for the preparation of the Single Group-Wide Solvency and Financial Condition Report in accordance with the financial reporting provisions of the PRA rules and Solvency II regulations.

The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of a Single Group-Wide Solvency and Financial Condition Report that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibilities for the Audit of the relevant elements of the Single Group-Wide Solvency and Financial Condition Report

It is our responsibility to form an independent opinion as to whether the information subject to audit in the relevant elements of the Single Group-Wide Solvency and Financial Condition Report is prepared, in all material respects, in accordance with the financial reporting provisions of the PRA Rules and Solvency II regulations on which they are based.

Our objectives are to obtain reasonable assurance about whether the relevant elements of the Single Group-Wide Solvency and Financial Condition Report are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but it is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decision making or the judgement of the users taken on the basis of the Single Group-Wide Solvency and Financial Condition Report.

A further description of our responsibilities for the audit is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

This report, including the opinion, has been prepared for the Directors of the Company to comply with their obligations under External Audit rule 2.1 of the Solvency II firms Section of the PRA Rulebook and for no other purpose. We do not, in providing this report, accept or assume responsibility for any other purpose save where expressly agreed by our prior consent in writing.

Report on Other Legal and Regulatory Requirements

Other Information

In accordance with Rule 4.1 (3) of the External Audit Part of the PRA Rulebook for Solvency II firms we are also required to consider whether the Other Information is materially inconsistent with our knowledge obtained in the audit of the Company's statutory financial statements. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

8 June 2018

The maintenance and integrity of the Single Group-Wide Solvency and Financial Condition Report as presented on the website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the Solvency and Financial Condition Report since it was initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of Solvency and Financial Condition Reports may differ from legislation in other jurisdictions.

A. BUSINESS AND PERFORMANCE

This section of the SFCR provides information about the business and performance of the Individual Companies, in particular the performance from underwriting and investment activities.

A.1 BUSINESS

a. Name and legal form

Each of U.K. Companies is a public limited company registered in England and Wales (registration number 2510099 (AGE), 04401508 (AGLN) and 04743059 (AGUK)). Prior to 1 June 2017, each of the U.K. Companies was a private limited company. On 1 June 2017, each of the U.K. Companies converted from a private limited company to a public limited company in connection with the business combination described in *Summary - Potential Transfer of Insurance Business.* On 26 June 2017, AGE became the sole shareholder of AGUK and AGLN and of CIFGE, a société anonyme registered in France (Arrêté dated 26 October 2001, JO n°253 dated 31 October 2001), also in connection with the business combination. A simplified group structure is included in *Section A.1.e* below.

The registered office of the U.K. Companies is:

11th Floor, 6 Bevis Marks
London
EC3A 7BA
United Kingdom

The registered office of CIFGE is:

61 Quai de Paludate
33800 Bordeaux
France

Each of the U.K. Companies is authorised by the PRA and regulated by both the PRA and the FCA. CIFGE is regulated by the ACPR.

b. Name and contact details of the supervisory authority responsible for financial supervision

AGE Group and U.K. Companies

Prudential Regulation Authority
General Insurance Division
Bank of England
20 Moorgate
London
EC2R 6DA

CIFGE

Autorité de Contrôle Prudentiel et de Résolution
Brigade 2
61 rue Taitbout
75436 PARIS Cedex 09
France

c. Name and contact details of the external auditor

AGE Group and U.K Companies

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London
SE1 2RT

CIFGE

PricewaterhouseCoopers Audit S.A.S.
63, rue de Villiers,
92200 Neuilly-sur-Seine
France

d. Holders of qualifying holdings in the AGE Group

AGE

AGE is a wholly-owned subsidiary of AGM. AGM is an insurance company, which was organised under the laws of the State of New York, United States of America in 1984. AGM commenced operations in 1985 and has its principal place of business in New York. AGM provides financial guarantee insurance and reinsurance on debt obligations issued in the U.S. and, together with AGE, in the international public finance (including infrastructure) markets. AGM is regulated by the NYDFS. The NYDFS has agreed to serve as the group regulator for the insurance companies in the AGL Group.

AGM is an indirect wholly-owned subsidiary of AGL. AGL (through a wholly owned holding company) acquired AGM (then named Financial Security Assurance Inc.), together with its holding company Financial Security Assurance Holdings Ltd. (renamed Assured Guaranty Municipal Holdings Inc.) and the subsidiaries owned by that holding company on 1 July 2009.

AGL is a Bermuda-based holding company, which was organised in 2003, and as a public company, is subject to certain requirements of the SEC.

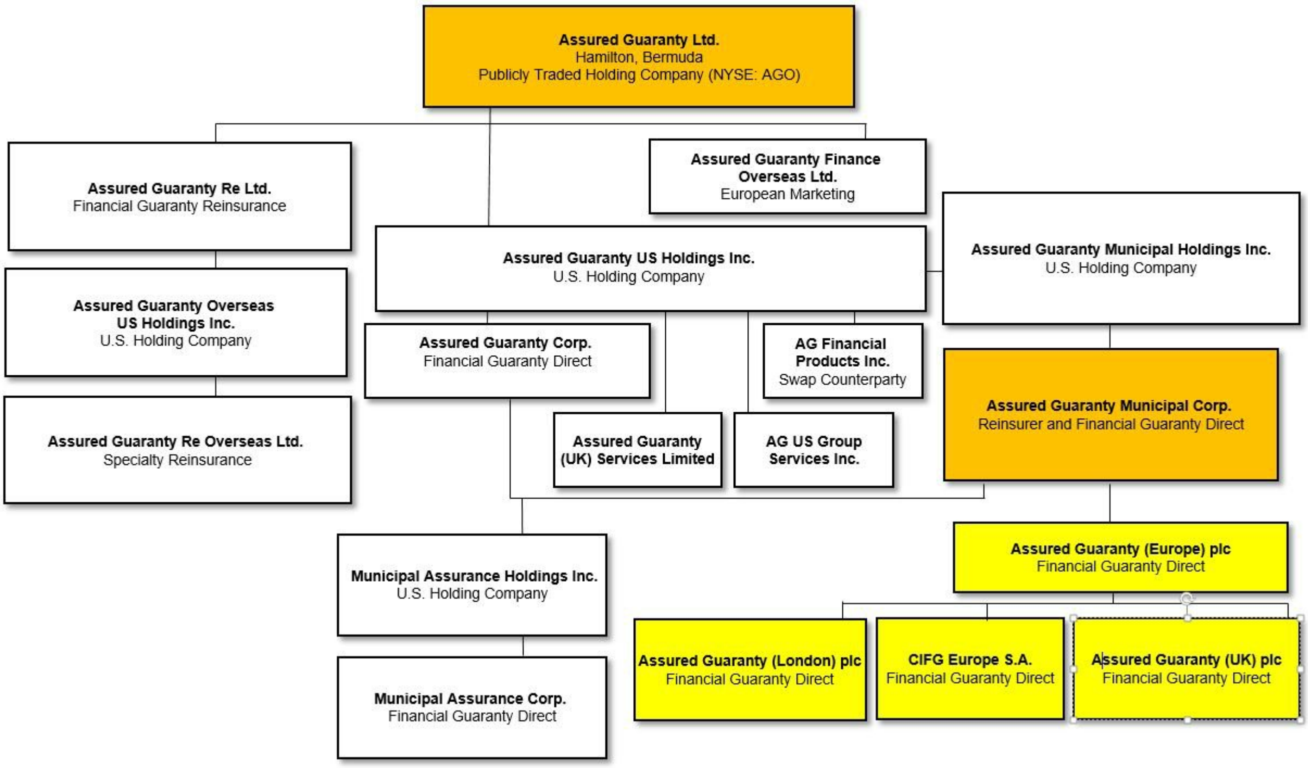
The Subsidiaries

Until 26 June 2017, AGC was the sole owner of the Subsidiaries. AGC is an insurance company organised under the laws of the State of Maryland, United States of America. The Subsidiaries have been wholly owned subsidiaries of AGE since 26 June 2017. AGE obtained the Subsidiaries in connection with the business combination described in *Summary - Potential Transfer of Insurance Business.*

e. Details of the undertaking and its Subsidiaries' position within the legal structure of the AGL Group

The abbreviated organisational chart below shows the position of the Individual Companies as indirect wholly owned subsidiaries of AGL.

Assured Guaranty Ltd. Corporate Structure



f. Material lines of business and material geographical areas where business is underwritten

The principal activity of the AGE Group is providing financial guarantees. AGE provides financial guarantees in the U.K. and certain countries within the EEA, specifically to the public finance (including infrastructure) market and, with the approval of the PRA, to the structured finance markets. The Subsidiaries are in run off and, prior to that, provided financial guarantees in their respective target markets.

AGE Group
Exposure by Geographical Area
As of 31 December 2017

Country	GPO	NPO
	(in thousands)	
Public finance:		
United Kingdom	£ 18,806,048	£ 8,390,748
France	2,457,708	1,073,196
Italy	1,051,896	23,485
Spain	352,425	6,485
Japan	296,279	10,257
Other	838,150	408,937
Total public finance	23,802,506	9,913,108
Structured finance:		
Italy	190,343	4,758
Hungary	95,505	91,150
United Kingdom	77,180	863
United States of America	62,976	6,298
Germany	9,264	338
Other	20,588	—
Total structured finance	455,856	103,407
Total (1)	£ 24,258,362	£ 10,016,515

(1) AGE Group numbers are net of eliminations.

Individual Companies
Exposure by Geographical Area (1)
As of 31 December 2017

	AGE		AGLN		AGUK		CIFGE	
Country	**GPO**	**NPO**	**GPO**	**NPO**	**GPO**	**NPO**	**GPO**	**NPO**
				(in millions)				
Public finance:								
United Kingdom	£10,163	£ 349	£ 8,155	£ 8,021	£ 366	£ 37	€ 316	€ —
France	1,628	47	1,033	1,032	—	—	21	—
Italy	938	23	—	—	—	—	128	—
Spain	352	6	—	—	—	—	—	—
Japan	296	10	—	—	—	—	—	—
Other	415	24	383	383	28	3	14	—
Total public finance	13,792	459	9,571	9,436	394	40	479	—
Structured finance:								
Italy	190	5	—	—	—	—	—	—
Hungary	—	—	94	91	—	—	1	—
United Kingdom	25	1	—	—	—	—	59	—
United States of America	—	—	—	—	63	6	—	—
Germany	9	0	—	—	—	—	—	—
Other	—	—	—	—	—	—	24	—
Total structured finance	224	6	94	91	63	6	84	—
Total	£14,016	£ 465	£ 9,665	£ 9,527	£ 457	£ 46	€ 563	€ —

(1) Excludes GPO and NPO attributable to loss mitigation strategies. See *Section C.1 Underwriting Risk,* for additional information.

g. Significant business or other events that have occurred over the reporting period that have had a material impact on the undertaking and its subsidiaries

A*cquisition of AGLN.* On 10 January 2017, one of AGE's U.S. based affiliates, AGC, completed its acquisition of MBIA UK (since renamed AGLN), in accordance with an agreement announced on 29 September 2016. Following that acquisition, the individuals effectively managing AGE and the other senior management and personnel providing services to AGE also began to manage AGLN's portfolio of guaranteed transactions. AGLN is in run-off.

Contribution of the Subsidiaries to AGE. On 26 June 2017, AGC sold the Subsidiaries to AGM, which then contributed them to AGE. See *Section E.1 Capital Management* for information on the impact of the Subsidiaries' contribution to AGE's own funds as of 31 December 2017. This reorganisation was done in connection with the planned combination of the Individual Companies as described in *Summary - Potential Transfer of Insurance Business.*

A.2 UNDERWRITING PERFORMANCE

PVP

PVP, the AGE Group's, and the Individual Companies', key metric for new business production, is defined as gross upfront premiums received and the present value of gross estimated future instalment premiums, discounted at 6%, on contracts written in the current year. The AGE Group believes PVP is a useful measure for management and other users of the financial statements because it enables the evaluation of the value of new business production by the AGE Group by taking into account the value of estimated future instalment premiums on all new contracts underwritten in a reporting period.

New business written within the AGE Group solely consists of the activities carried out by AGE detailed below.

AGE
New Business Written

	Year Ended 31 December					
	2017			2016		
Sector	Gross Par Written	PVP	Number of Transactions	Gross Par Written	PVP	Number of Transactions
	(in thousands, except number of transactions)					
Regulated utilities	£ 29,939	£ 3,301	11	£ 34,514	£ 4,495	4
Infrastructure	53,383	2,692	7	6,945	345	1
Total	£ 83,322	£ 5,993	18	£ 41,459	£ 4,840	5

AGE provided financial guarantees during the year, which generated PVP of £6.0 million and gross par written of £83.3 million, compared to 2016 where AGE provided financial guarantees, which generated PVP of £4.8 million and gross par written of £41.5 million. PVP was primarily comprised of new transactions that were written using a co-insurance arrangement with AGM. AGE also wrote replacement transactions which resulted in the termination of financial guarantees previously in force where the risk was reinsured substantially to affiliated reinsurers, and replaced those with new financial guarantees that were co-guaranteed with AGM.

The successful closure of additional transactions during 2017 demonstrates additional investor interest in AGE's credit enhancement for financings of public-private partnership projects as well as its resources, experience and demonstrated track record with major infrastructure project developers. AGE can assist in transaction development and provide underwriting, diligence and long-term surveillance that attract capital market investors to this type of project finance.

See *Section C.1 Underwriting Risk, Risk Concentration*, for geographic distribution of GPO and NPO,

Underwriting Gain / Loss

Underwriting gain/loss recognised in the profit and loss account of the AGE Group and the Individual Companies represents earnings on the entire insured book of business. Premium earnings are recognised over the lives of the insured transactions (which are generally long duration) and losses may emerge and develop over the course of many years.

AGE Group
Components of the Technical Account for General Business
Recognised in the Financial Statements

	Year Ended 31 December
	2017
	(in thousands)
Earned premiums, net of reinsurance	£ (1,601)
Net operating income	767
Other technical income	66,112
Total technical income (charge)	65,278
Net claims incurred	152
Net changes in other technical provisions	(2,826)
Net operating expenses	5,554
Total technical charges (income)	2,880
Balance on the technical account for general business	£ 62,398

The above group balances comprise twelve months activity for AGE, and activity of the Subsidiaries from 26 June 2017 to 31 December 2017, consolidated under U.K. GAAP. The Individual Companies' activities are discussed below.

Individual Companies
Components of the Technical Account for General Business
Recognised in the Financial Statements
For Year Ended 31 December 2017 and 31 December 2016

	U.K. GAAP						French STAT	
	AGE		AGLN (1)		AGUK		CIFGE	
	2017	2016	2017	2016	2017	2016	2017	2016
	(in thousands)							
Earned premiums, net of reinsurance	£(13,552)	£ (355)	£ 23,474	£ 17,977	£ 115	£ 112	€ 352	€ 2,240
Net operating income	767	—	—	—	—	—	—	—
Other technical income (loss)	65,269	82	1,687	2,813	—	—	(135)	104
Total technical income (charge)	52,484	(273)	25,161	20,790	115	112	217	2,344
Net claims incurred	6	—	—	1,251	(10,386)	(410)	—	—
Net changes in other technical provisions	(34)	(83)	(5,601)	13,586	19	(20)	—	—
Net operating expenses	—	976	6,045	9,218	3,384	3,112	1,875	2,360
Total technical charges	(28)	893	444	24,055	(6,983)	2,682	1,875	2,360
Balance on the technical account for general business	£ 52,512	£ (1,166)	£ 24,717	£ (3,265)	£ 7,098	£ (2,570)	€ (1,658)	€ (16)

(1) AGLN changed its accounting policy during 2017 to conform to AGE's premium earning policy for U.K. GAAP. The change has been applied retrospectively to 2016 and the 2016 income statement was restated for comparative purposes (see below for further details).

AGE

The primary driver of the change in technical income year-over-year is the £65.3 million commutation gain during 2017 on the termination of reinsurance with third party reinsurers. AGE substantially reinsured the reassumed risk to AGM. The reinsurance premium expense on these transactions and similar transactions conducted in prior years was the primary driver for negative earned premiums during 2017.

AGLN

The primary driver of the change in technical income year-over-year was the fees received in 2017 in connection with amendments to transactions that changed the transaction risk profile. Other technical provisions changed year-over-year due to credit improvement on three policies for which unexpired risk provisions were recorded at the end of 2016.

Change in Accounting Policy for AGLN

During 2017, after the acquisition of AGLN by AGC, AGLN's premium earning accounting policy was changed to conform to AGE's policy, so that AGLN now earns premium based on the payment of principal as well as the passage of time. Prior to the acquisition AGLN earned premium based on the payment of principal and interest without regard to the passage of time. In accordance with U.K. GAAP the change in accounting policy was applied retrospectively and the previously reported 2016 balances have been restated in these comparative financial statements. All income resulting from change in accounting policy was recognized for U.K. tax purposes in 2017.

AGUK

The primary driver of the changes in technical charges year-over-year was the 2017 net incurred claims benefit of £10.4 million related to (i) AGUK's purchase of a BIG insured obligation on which AGUK had previously recorded a loss reserve (See *Section A.5 Any Other Information* for additional information), and (ii) a settlement with the former investment manager of another BIG transaction.

CIFGE

The balance on the technical account for general business decreased in 2017 primarily due to the non-recurring accelerated premium earned in 2016 on two deals that were terminated.

The following table presents components of net operating (income) expenses.

AGE Group
Net Operating (Income) Expenses

	Year Ended 31 December
	2017
	(in thousands)
Acquisition costs (deferral) amortisation	£ 2,268
Administration expenses	14,802
Reinsurance commissions	(12,283)
Total	£ 4,787

Individual Companies
Net Operating (Income) Expenses
For Years Ended 31 December 2017 and 31 December 2016

	AGE		AGLN (1)		AGUK		CIFGE	
	2017	2016	2017	2016	2017	2016	2017	2016
	(in thousands)							
Acquisition costs (deferral) amortisation	£ 2,062	£ 3,610	£ 395	£ (9)	£ 9	£ 5	€ —	€ —
Administration expenses	9,083	12,297	5,783	9,269	3,987	3,711	1,845	1,814
Reinsurance commissions	(11,912)	(14,931)	(133)	(42)	(612)	(604)	—	—
Other technical expense	—	—		—	—	—	30	546
Total	£ (767)	£ 976	£ 6,045	£ 9,218	£ 3,384	£ 3,112	€ 1,875	€ 2,360

(1) AGLN changed its accounting policy during 2017 to conform to AGE's premium earning policy for U.K. GAAP. The change has been applied retrospectively to 2016 and the 2016 income statement was restated for comparative purposes (see below for further details).

Amortisation of deferred acquisition costs and reinsurance commissions are earned in proportion to premium earnings. Administrative expenses were primarily recharges of employee and overhead costs from affiliates.

AGE

Acquisition costs and reinsurance commissions amortisation were lower in 2017 because 2016 was impacted by accelerated recognition of deferred acquisition costs following the termination of two transactions. All three components of net operating (income) / expense were lower in 2017 compared to 2016. Acquisition costs and reinsurance commissions amortisation in 2016 were impacted by expense (income) accelerations related to the termination of two transactions. The primary driver for the lower administrative expenses during 2017 was a reduction to recharges for employee costs from affiliates.

AGLN

The primary driver of the decrease in net operating expense year-over-year is a decrease in administrative expenses after AGC's the acquisition of AGLN as a result of sharing resources with AGLN's affiliates.

AGUK

The primary driver of the change in net operating expense year-over-year is higher administrative expenses during 2017 as a result of higher consulting expenses.

CIFGE

The primary driver of the decrease in net operating expense year-over-year is a decrease in the risk fee paid to AGC under the AGC-CIFGE excess of loss reinsurance agreement.

A.3 INVESTMENT PERFORMANCE

Investment Portfolio

The portfolio of the AGE Group and the Individual Companies consists primarily of high-quality, liquid, fixed maturity securities. The tables below present the investment portfolio by asset class and maturity. Ratings in the tables below represent the lower of the Moody's and S&P classifications. See *Section C.2 Market Risk*, for additional information.

AGE Group

The weighted-average duration of the investment portfolio as of 31 December 2017 was 3.7 years.

AGE Group
Investment Portfolio
by Asset Class

Asset Class	As of 31 December 2017 Estimated Fair Value	As of 31 December 2017 Weighted Average Credit Rating
	(in thousands)	
U.K. Government bonds	£ 228,481	AA
Government guaranteed	209,292	AA+
Corporate bonds	168,605	A+
U.S. Government bonds (1)	69,680	A1+/P1
Asset and mortgage backed	45,261	CCC
Covered bonds	42,990	AAA
Total investment portfolio	£ 764,309	AA-

(1) Comprised of short-term U.S. Treasuries with short-term ratings of A1+ by S&P and P1 by Moody's.

AGE

The weighted-average duration of the investment portfolio as of 31 December 2017 was 3.7 years, compared with the weighted-average duration of 4.1 years as of 31 December 2016.

AGE
Investment Portfolio
by Asset Class

Asset Class	As of 31 December 2017 Estimated Fair Value	As of 31 December 2017 Weighted Average Credit Rating	As of 31 December 2016 Estimated Fair Value	As of 31 December 2016 Weighted Average Credit Rating
		(in thousands)		
U.K. Government bonds	£ 118,562	AA	£ 122,162	AA
Corporate bonds	42,177	A	41,867	A+
Government guaranteed	16,233	AA+	12,557	AA+
Covered bonds	11,301	AAA	11,547	AAA
Total investment portfolio	£ 188,273	AA	£ 188,133	AA

AGLN

The weighted-average duration of the investment portfolio as of 31 December 2017 was 3.5 years, compared with the weighted-average duration of 2.5 years as of 31 December 2016.

AGLN
Investment Portfolio
by Asset Class

Asset Class	As of 31 December 2017 Estimated Fair Value	As of 31 December 2017 Weighted Average Credit Rating	As of 31 December 2016 Estimated Fair Value	As of 31 December 2016 Weighted Average Credit Rating
		(in thousands)		
Government guaranteed	£ 182,877	AA+	£ 123,702	AA+
Corporate bonds	99,454	A	91,781	A+
U.S. Government bonds (1)	69,680	A1+/P1	—	—
U.K. Government bonds	54,899	AA	85,549	AA
Covered bonds	26,015	AAA	55,108	AAA
Asset and mortgage backed	350	AAA	20,806	AAA
Total investment portfolio	£ 433,275	AA	£ 376,946	AA

(1) Comprised of short-term U.S. Treasuries rated A1+ by S&P and P1 by Moody's.

AGUK

The weighted-average duration of the investment portfolio as of 31 December 2017 was 4.8 years, compared with the weighted-average duration of 4.8 years as of 31 December 2016.

AGUK
Investment Portfolio
by Asset Class

Asset Class	As of 31 December 2017			As of 31 December 2016		
	Estimated Fair Value		Weighted Average Credit Rating	Estimated Fair Value		Weighted Average Credit Rating
			(in thousands)			
Asset and mortgage backed	£	42,977	CCC-	£	16,273	CC
U.K. Government bonds		42,000	AA		63,066	AA
Corporate bonds		14,237	A+		21,411	A+
Government guaranteed		6,297	AA+		5,149	AA+
Covered bonds		5,596	AAA		5,715	AAA
Total investment portfolio	£	111,107	BBB	£	111,614	A

CIFGE

The weighted-average duration of the investment portfolio as of 31 December 2017 was 2.3 years, compared with the weighted-average duration of 1.0 years as of 31 December 2016.

CIFGE
Investment Portfolio
by Asset Class

Asset Class	As of 31 December 2017			As of 31 December 2016		
	Estimated Fair Value		Weighted Average Credit Rating	Estimated Fair Value		Weighted Average Credit Rating
			(in thousands)			
Fixed Maturity:						
U.K. Government bonds	€	14,656	AA	€	5,385	AA-
Corporate bonds		14,337	A+		19,649	A-
Government guaranteed		4,372	AAA		886	AAA
Asset and mortgage backed		2,177	AA+		1,485	AAA
Covered bonds		88	A-		935	AAA
Total fixed maturity		35,630	AA		28,340	A+
Short-term		—	—		10,663	AAA
Total investment portfolio	€	35,630	AA	€	39,003	AA-

The table below shows the distribution of fixed income securities estimated fair value by maturity as of 31 December 2017 for the AGE Group and the Individual Companies.

	AGE Group	AGE	AGLN	AGUK	CIFGE
	(in thousands)	(in thousands)			
Due within one year	£ 131,777	£ 15,539	£ 103,572	£ 2,034	€ 11,966
Year two	113,108	33,455	58,400	15,755	6,190
Year three	83,492	32,670	28,213	18,098	5,078
Year four	110,088	38,612	54,995	10,261	7,001
Year five	85,265	14,337	64,257	4,650	2,274
Due after five years through 10 years	172,278	51,154	102,955	17,332	944
Due after 10 years through 15 years	19,144	—	19,144	—	—
Due after 15 years	49,157	2,506	1,739	42,977	2,177
Total	£ 764,309	£ 188,273	£ 433,275	£ 111,107	€ 35,630

The duration of AGLN's and CIFGE's respective investment portfolios increased over the year as cash and short-term investments were invested in longer duration securities. AGE and AGUK had no material change.

a. Income and Expenses

AGE Group
Investment Return

	Year Ended 31 December 2017
	(in thousands)
Investment income:	
U.K. Government bonds	£ 5,286
Corporate bonds	3,025
Government guaranteed	2,781
Covered bonds	931
U.S. Government bonds	127
Other	(19)
Investment income	12,131
Unrealised gain / (loss) on investments	(7,972)
Net realised gain / (loss) on investments	(385)
Investment expenses and charges	(518)
Total investment return	£ 3,256

Individual Companies
Investment Return
For Year Ended 31 December 2017 and 31 December 2016

	AGE		AGLN		AGUK		CIFGE	
	2017	2016	2017	2016	2017	2016	2017	2016
	(in thousands)							
Investment income:								
Fixed maturity:								
U.K. Government bonds	£ 3,797	£ 4,078	£ 1,492	£ 2,752	£ 1,728	£ 2,356	€ 31	€ 15
Corporate bonds	1,250	1,438	2,839	2,884	584	709	234	387
Government guaranteed	729	551	3,831	2,542	298	230	(7)	8
Covered bonds	444	445	752	833	218	218	3	10
Asset and mortgage backed	—	—	68	300	(65)	—	32	43
U.S. Government bonds	—	—	258	97	—	—	—	—
Short-term	(6)	—	5	—	6	—	—	10
Other	—	(8)	—	—	—	8	7	6
Investment income	6,214	6,504	9,245	9,408	2,769	3,521	300	479
Unrealised gain / (loss) on investments	(4,829)	585	(4,546)	1,677	4,363	3,803	—	—
Net realised gain / (loss) on investments	8	(6)	(983)	(1,611)	892	(246)	133	10
Investment expenses and charges	(173)	(184)	(561)	(684)	(99)	(118)	(36)	(31)
Total investment return	£ 1,220	£ 6,899	£ 3,155	£ 8,790	£ 7,925	£ 6,960	€ 397	€ 458

The investment return decreased in 2017 primarily due to higher unrealized losses as a result of interest rate changes for AGE and AGLN. The investment return increased for AGUK because the negative impact of the interest rate change was more than offset by an increase in market value from loss mitigation investments.

b. Gains and Losses Recognised Directly in Equity

During the reporting period, no gains or losses were recognized directly in equity.

c. Investments in Securitisations

None.

A.4 PERFORMANCE OF OTHER ACTIVITIES

AGE Group

The AGE Group recorded other charges totalling £17.4 million during the reporting period. The other charges related to foreign exchange losses in 2017, which resulted primarily from movements in exchange rates on the relevant Individual Companies' euro and USD denominated assets, including premiums receivable and investments.

AGE

AGE recorded other charges totalling £13.0 million during the reporting period versus other income totalling £7.2 million during 2016. The other charges and income related to foreign exchange losses and gains in 2017 and 2016, respectively, which resulted primarily from movements in exchange rates on AGE's euro and USD denominated insurance liabilities.

AGLN

AGLN recorded other charges totalling £6.1 million during the reporting period versus other income totalling £18.2 million during 2016. The charges in 2017 primarily resulted from movements in exchange rates on AGLN's USD denominated investments.

AGUK

AGUK recorded other charges totalling £2.3 million during the reporting period versus other charges totalling £0.2 million during 2016. The charges in 2017 and 2016 resulted primarily from movements in exchange rates on AGUK's USD denominated assets.

CIFGE

CIFGE recorded no other income during the reporting period versus other income totalling €52 thousand during 2016. The other income is immaterial to CIFGE's overall financial performance.

A.5 ANY OTHER INFORMATION

Lease Payments

The AGE Group had the following future minimum lease payments under non-cancellable lease rentals for each of the following periods:

Future Minimum Rental Payments(1)

		2017
		(in thousands)
Not later than one year	£	271
Later than one year and not later than five years		2,118
Later than five years		3,570
Total	£	5,959

(1) All leases were entered into by AGE.

Purchase of BIG insured obligation by AGUK

AGUK guarantees the Orkney Bonds directly and cedes 90% of its exposure to AGC. The Orkney Bonds have a BIG grade rating. AGUK had a net exposure of approximately £29 million (10% of the total exposure) as of 26 June 2017. AGM owned the Orkney Bonds and as part of the purchase and contribution of the Subsidiaries, AGM transferred 90% of the Orkney Bonds (as consideration) to AGC and then immediately sold 10% of the Orkney Bonds to AGUK. This purchase by AGUK caused a substantial improvement in AGUK's ICA capital ratio and a substantial deterioration in the SCR capital ratio due to the different calculation of market risk under the ICA and the SCR.

AGC pledged its 90% of the Orkney Bonds as collateral for its reinsurance of AGUK's exposure.

B. SYSTEM OF GOVERNANCE

This section of the SFCR describes the governance structure for the Individual Companies and the reports that are produced for the AGE Group. As stated in the *Introduction*, each of the Individual Companies is managed as a separate entity within a common business framework. The AGE Group's governance and reporting is overseen by the Board of AGE. Each of the U.K. Companies has an almost identical governance structure with its own Board as well as Board and management committees. CIFGE is managed by its Directoire and Conseil de Surveillance. Where applicable, this SFCR distinguishes between the system of governance for the U.K. Companies and the system of governance for CIFGE.

B.1 GENERAL GOVERNANCE INFORMATION

a. Structure of the undertaking's administrative, management or supervisory body, main roles and responsibilities, segregation of responsibilities, committees, description of the main roles and responsibilities of key functions

Administrative, Management or Supervisory Body

U.K. Companies

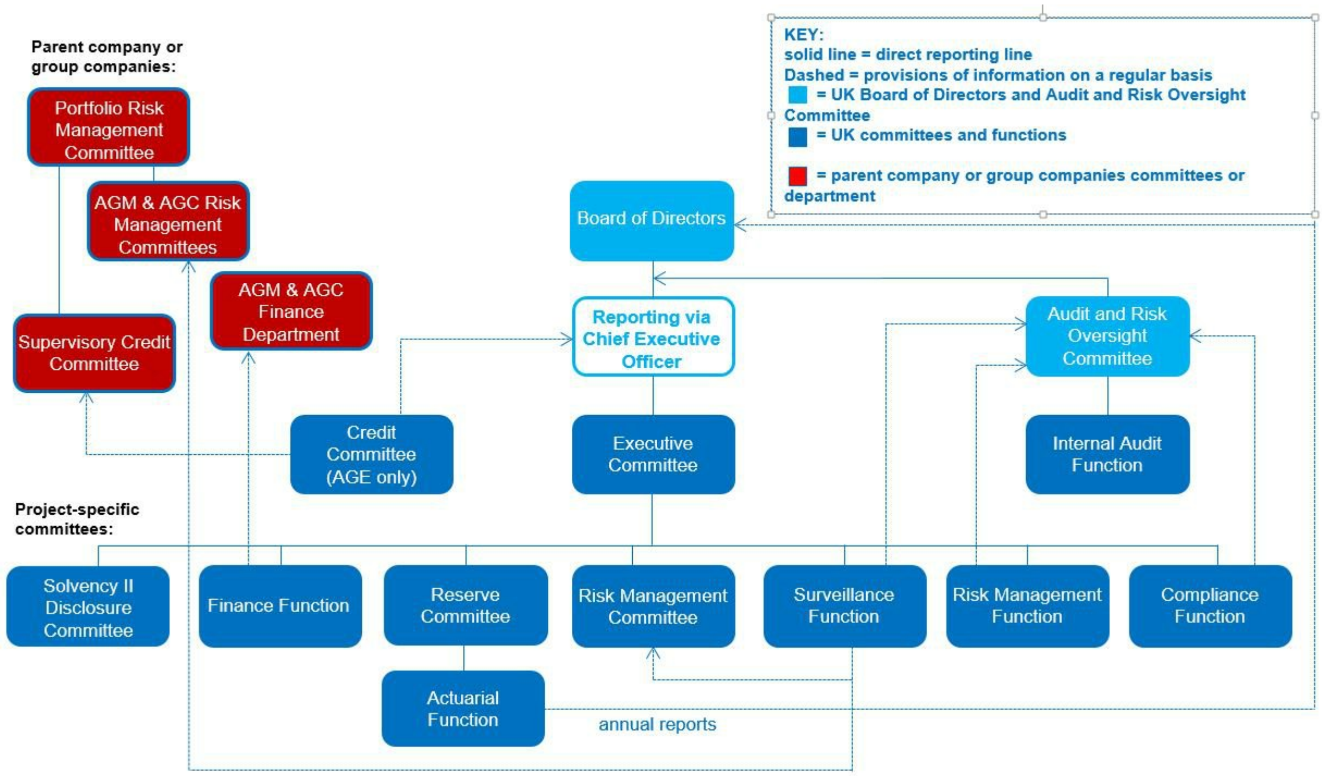
Board of Directors

The business of each of the U.K. Companies is overseen by its respective Board. Each U.K. Company's Board has overall responsibility for the management of its business and affairs and for the establishment of its strategic direction and key financial objectives. Each U.K. Company's Board oversees its operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of internal control, and for compliance with statutory and regulatory obligations.

Each Board is required to have two non-executive directors. As of 31 December 2017, the AGE and AGUK Boards were comprised of two non-executive directors and five executive directors and the AGLN Board was comprised of three non-executive directors and five executive directors. Effective at midnight on 31 December 2017, one of the executive directors of each of the U.K. Companies resigned. Accordingly, as of 1 January 2018, the AGE and AGUK Boards were comprised of two non-executive directors and four executive directors and the AGLN Board was comprised of three non-executive directors and four executive directors.

The respective Board of each U.K. Company convenes at least quarterly in London and on an ad hoc basis as required. The Chairman of the Board of each of the U.K. Companies meets with the other non-executive directors regularly without the executive directors. Each U.K. Company's Board operates pursuant to terms of reference, which are reviewed and updated at least annually. The terms of reference reserve certain matters to the Board and allow the Board to delegate non-reserved matters to committees of the Board. As of 31 December 2017, the Board had established one Committee of the Board, the AROC.

The respective Board of each of the U.K. Companies has established an overall governance structure composed of the committees and functions shown in the diagram below to oversee and carry out standards, controls, limits, underwriting guidelines, risk management, audit, finance, capital and other policies and procedures approved by the Board. Each of the committees and functions operates under terms of reference, which are updated, and reviewed and approved at least annually by the respective Board of each U.K. Company.



Audit and Risk Oversight Committee

The AROC for each U.K. Company is comprised of the non-executive directors of its Board. The AROC assists the Board with, among other things, the responsibilities listed below.

- Maintaining financial oversight through review of financial statements, internal controls and performance of the compliance, internal audit and external audit functions and processes (in particular, the internal audit function as an outsourced function).
- Monitoring the financial reporting process and submitting recommendations or proposals to ensure its integrity.
- Monitoring and overseeing the internal and external audit processes.
- Overseeing management's establishment and implementation of standards, controls, limits, guidelines and policies relating to risk assessment and risk management.
- Ensuring that all material risks are effectively identified, monitored and managed in line with overall business strategy.
- Overseeing the risk management framework including: (i) the linkage between risk, capital and business decisions, (ii) the capital model, key capital model assumptions and results, major changes to the capital model, validation reports and capital model uses, (iii) the capital model governance policy and validation policy, (iv) stress and scenario tests, and (v) the ORSA.

The AROC reports to the Board on its own activities and findings at each of the regular quarterly meetings of the Board. Each of the internal audit function, the surveillance function, the risk management function and the compliance function provide reports to the AROC, which in turn reports to the Board on the activities of those functions.

Executive Committee

The respective Board of each of the U.K. Companies has delegated day to day management of the applicable company to an Executive Committee. Among other things, the Executive Committee establishes each of the respective U.K. Companies' annual budget, approves their respective annual reports, financial statements and ORSAs and reviews their capital adequacy and reserves. The Executive Committee also reviews, for each of the individual U.K. Companies, the other enterprise risk management activities, the surveillance of the individual risks in its portfolio as well as its governance framework. In addition, the Executive Committee reviews the compliance activities and evaluates, at least annually, the outsourcing arrangements for each of the individual U.K. Companies.

The Reserve Committee, the RMC, the surveillance function, the risk management function, the compliance function and the finance function of each of the U.K. Companies report to its Executive Committee, which in turn reports to the respective Board on its activities and findings.

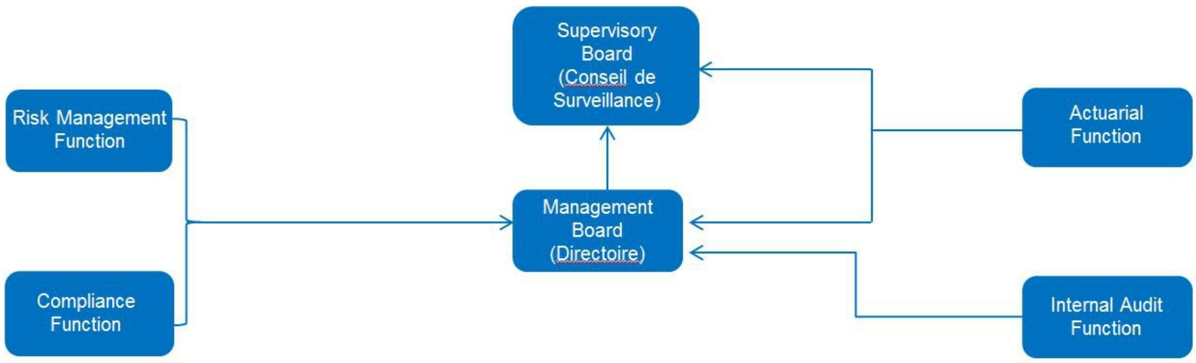
CIFGE

Directoire and Conseil de Surveillance

CIFGE is controlled by its Conseil de Surveillance and managed by its Directoire. The Conseil de Surveillance has overall responsibility for the supervision of the management of the business and affairs of the Company. As of 31 December 2017, the Company's Conseil de Surveillance was comprised of three members who were appointed following AGC's acquisition of the Company in July 2016. One of the members of the Conseil de Surveillance resigned effective 31 December 2017 and was replaced effective 1 January 2018. The Conseil de Surveillance supervises the Directoire, which runs and manages the Company.

During 2017, the Directoire was comprised of five individuals appointed by the Conseil de Surveillance. One of the members of the Directoire resigned effective 31 December 2017, and as of 1 January 2018, the Directoire was comprised of four individuals appointed by the Conseil de Surveillance. The Directoire oversees the Company's operations, ensuring competent and prudent management, sound planning, proper procedures for the maintenance of adequate accounting and other records and systems of internal control, and for compliance with statutory and regulatory obligations.

Following the Company's acquisition by AGC in July 2016, the Directoire established the functions shown in the diagram below. There were no changes to these functions in 2017.



Key Functions

The system of governance for each of the Individual Companies' includes the four Key Functions (risk management, compliance, internal audit and actuarial) specified in the Directive. Below is a brief description of the main roles and responsibilities of those Key Functions.

Risk Management Function

AGE Group and U.K. Companies

The overall responsibilities of the risk management function are carried out by two separate functions within the AGE Group - the risk management function and the surveillance function. The U.K. Companies have notified the PRA that the heads of both the risk management function and the surveillance function are sharing responsibility for Senior Insurance Manager Function 4 - Chief Risk.

The overall remit of the risk management function includes the requirements of Article 44 of the Directive. The risk management function has responsibility for ensuring that the AGE Group and the U.K. Companies have in place an effective risk management system comprising strategies, processes and reporting procedures necessary to identify, measure, monitor, manage and report on risks on a continuous basis at both the individual and aggregate levels to which the AGE Group is or could be exposed, and their interdependencies. The responsibilities of the risk management function for the

AGE Group and the U.K. Companies include, among others, the following, with the information presented to the Executive Committee and then to the AROC and the Board of the applicable U.K. Company:

- Conducting the AGE Group’s and AGE's ORSA quarterly and AGLN's and AGUK's ORSA at least annually.
- Designing, implementing, testing and validating the capital model for so long as it is used by the AGE Group and the U.K. Companies.
- Calculating the AGE Group’s and the U.K. Companies' respective capital adequacy.
- Reporting on the AGE Group’s and the U.K. Companies' performance.
- Identifying and reporting on any material or emerging risk issues, with prompt escalation to the Executive Committee or the AROC of the applicable company, if appropriate.
- Updating the AGE Group's and the U.K. Companies' Risk Appetite Statement at least annually.

The surveillance function monitors and reports on the credit risks of all transactions in the insured portfolio of the U.K. Companies. The responsibilities of the surveillance function include, among others, the following:

- Monitoring trends and changes in transaction credit quality and detecting any deterioration in credit quality in the portfolio of risks of the AGE Group or the U.K. Companies.
- Recommending remedial actions and adjustments to internal ratings to reflect changes in transaction credit quality.
- Reviewing and administering claims.

The surveillance function works together with the RMC, which is also focused on the individual risks in the insured portfolio. The RMC is comprised of the CEO, the Chief Surveillance Officer of the U.K. Companies and the Chief Surveillance Officer of AGM and AGC. The RMC is responsible for reviewing the trends and changes in credit quality in the insured portfolio and for evaluating and approving remedial actions and rating recommendations from the surveillance function.

For the U.K. Companies, the risk management function and the surveillance function, and thus the risk function overall, are independent from any business or operational unit.

CIFGE

Unlike the U.K. Companies, for CIFGE the risk management Key Function is not shared. CIFGE has notified the ACPR that the head of the risk management function is the holder of the risk management Key Function for CIFGE. CIFGE's enterprise risk management and the risk management framework otherwise is the same as those described above for the U.K. Companies, except that reporting is to the Directoire and the Conseil de Surveillance. The risk management function is responsible for managing CIFGE's enterprise risk, which is comprised of identifying, measuring, monitoring and reporting on CIFGE's material risks in the aggregate for the purpose of aligning its risk exposures with its risk appetite, making certain that key risks are taken into account in business strategy and planning, ensuring capital adequacy and foreseeing future risks and vulnerabilities.. The risk management function conducts CIFGE's ORSA at least annually. The risk management function is independent from any business or operational unit.

Internal Audit Function

The internal audit function is responsible for providing the Individual Companies' with independent, objective assurance and advisory services to help management accomplish its business goals and objectives. The primary responsibility of the internal audit function is to provide independent assurance over the adequacy and effectiveness of the internal control system within the Individual Companies and other elements of the AGE Group’s and Individual Companies' system of governance.

Each of the Individual Companies outsources the internal audit function to an international public accounting firm, which is objective and independent from their respective operational functions. The internal audit function reports directly to the applicable AROC and Board for the U.K. Companies and to the Directoire for CIFGE, on the results of its internal audit activities and any other internal audit matters for the applicable company.

Compliance Function

As part of its risk management framework, the AGE Group and each of the Individual Companies has a compliance function, which advises the U.K. Companies' Boards, the Directoire and the Conseil de Surveillance on compliance with applicable laws and regulations, including the Directive and the Solvency II Regulation, makes an assessment of the possible impact of any changes in the legal environment on the operations of the Individual Companies, and identifies and assesses compliance risk. In carrying out those responsibilities, the compliance function maintains an open relationship with the PRA, the FCA and the ACPR and implements internal compliance procedures in line with the guidelines and recommendations of those regulators. The compliance function is independent from any business or operational unit and carries out its functions on its own initiative. See *Section B.4(b) Internal Control System, Description of how the compliance function is implemented.*

Actuarial Function

Each of the Individual Companies has outsourced the Actuarial Function to the Chief Actuary for AGM. The Chief Actuary carries out the responsibilities of the Actuarial Function for each of the Individual Companies, including those set out in Article 48 of the Directive. The Chief Actuary has a broad range of actuarial experience including extensive experience evaluating the losses for financial guarantees and other structured products; developing and using capital models, pricing esoteric lines of business, and evaluating loss mitigation strategies. See *Section B.6 Actuarial Function*.

b. Material changes in the system of governance over the reporting period

There were no major changes to AGE's, AGUK's or CIFGE's respective systems of governance during 2017. On 10 January 2017, one of AGE's U.S. based affiliates, AGC, completed its acquisition of AGLN (formerly MBIA UK), in accordance with an agreement announced on 29 September 2016. Following that acquisition, the individuals effectively managing AGE and the other senior management and personnel providing services to AGE also began to manage AGLN's portfolio of guaranteed transactions and AGLN's system of governance was adjusted to match that of its new affiliates, AGE and AGUK.

In addition, as part of the acquisition of AGLN, management requested that the PRA modify the group supervision waiver applicable to MBIA UK and grant a waiver consistent with waivers previously granted to AGE and AGUK to be exempt from the PRA's rules for group-wide regulation. The PRA provided that waiver for AGLN on 11 January 2017. The PRA's approval included the same ongoing requirements that are applicable to AGE and AGUK. Those requirements include that the NYDFS continue to be the group supervisor for AGL's insurance company subsidiaries.

c. Remuneration policy and practices

i. Principles of the remuneration policy, with an explanation of the relative importance of the fixed and variable components of remuneration

The AGE Group ensures that it has appropriate remuneration arrangements through the adoption of a remuneration policy for the U.K. Companies and through the adoption of AGL's remuneration philosophy for CIFGE. The U.K. Companies' remuneration policy and AGL's remuneration philosophy are based on the same principles. Therefore, throughout this section, they are referred to collectively as the AGE Group's remuneration principles.

None of the Individual Companies directly employ any personnel. Instead, each of the Individual Companies contracts with the U.K. Service Company and AG Services, to provide personnel to manage their respective affairs. The AGE Group's remuneration principles apply to employees of the U.K. Service Company and of AG Services who are executive directors of a Board or members of the Conseil de Surveillance or the Directoire or who hold SIMFs for the U.K. Companies or Key Functions for any of the Individual Companies. In this section, those individuals are referred to collectively as personnel.

The AGE Group's remuneration principles are grounded in the concept of attracting and retaining talented and experienced business leaders who can drive financial and strategic growth objectives intended to protect policyholders and build long-term shareholder value. The guiding principles are:

- pay for performance by providing an incentive for exceptional performance and the possibility of reduced compensation for underperformance,
- accountability for short and long-term performance,
- alignment to shareholder interests, and
- retention of highly qualified and successful employees.

The AGE Group's remuneration principles are designed to assess performance, using pre-established measures of success that are tied to the key business strategies. The principles encourage balanced performance, measured relative to financial and non-financial goals, and discourage excessive risk taking or undue leverage by avoiding too much emphasis on any one metric or on short-term performance.

The AGE Group's remuneration principles have been designed to reward performance by providing more variable and performance-based remuneration to personnel who provide senior management for the Individual Companies. The principles employ a mix of variable incentive compensation with various pay-out forms paid over staggered time horizons to provide an incentive for annual and sustained performance over the longer term. Most of the remuneration of the most senior personnel consists of variable incentive compensation, in the form of an annual cash incentive as well as long-term equity incentives.

When the AGE Group's remuneration principles were developed, they were evaluated for any areas of risk or potential for unintended consequences that could exist in the design of the philosophy and also evaluated relative to enterprise risks. The AGE Group's remuneration principles are designed and administered with the appropriate balance of risk and reward in relation to the overall business strategy and do not encourage executives to take unnecessary or excessive risks that could have a material adverse impact on the AGE Group or the Individual Companies.

Remuneration consists of three principal elements: base salary, cash incentive remuneration and long-term incentive compensation. The AGE Group's remuneration principles are structured with upside potential for superior achievements, but also the possibility of reduced remuneration if individuals are unable to successfully execute group strategies or meet their business or regulatory obligations. The AGE Group's remuneration principles include a recoupment (claw back) policy pursuant to which certain of the remuneration of the CEO of AGL (a SIMF 7 for the U.K. Companies) and those individuals who report directly to him, including the CEO of the U.K. Companies who is also Chairman of the Directoire of CIFGE, and certain other personnel, may be rescinded or recouped if such person engages in misconduct related to a restatement of AGL's financial results or of objectively quantifiable performance goals, and the achievement of those goals is later determined to have been overstated.

The non-executive directors of each Board receive a fixed fee.

ii. Criteria on which any entitlement to share options, shares or variable components of remuneration is based

In addition to base pay, personnel may be eligible for a cash incentive award. For the CEO of AGL and those individuals who report directly to him, including the CEO of the U.K. Companies, who is also Chairman of the Directoire of CIFGE, and certain other senior personnel, the amount of the cash incentive is determined using a formulaic approach and is based on the extent to which an executive achieves five financial performance goals and other non-financial objectives. To be eligible for a cash incentive award under this programme, a person must be employed and not be under notice, both at the end of the year to which the cash incentive award relates and on the date the cash incentive compensation is paid. Cash incentive awards, if awarded, are paid the year following the performance year on which they are based.

AGL also maintains a LTIP, which was designed to enable its subsidiaries, including the U.K. Service Company and AG Services, to attract and retain employees who contribute to the Individual Companies' success by their ability, ingenuity and industry, and to enable those employees to participate in the long-term growth of AGL and its subsidiaries. Awards are made at the discretion of AGL's compensation committee, in consultation with, in the case of the U.K. Companies, their respective Boards. For the CEO of AGL and those individuals who report directly to him, LTIP can be awarded in the form of performance share units, which represent a contingent right to receive up to two of AGL's common shares. The number of common shares an individual can earn is based on whether the highest average stock price achieved during a 40 consecutive trading day sequence occurring during the last 18 months of a 3 year performance period exceeds certain share price hurdles. LTIP for those individuals who report directly to the CEO of AGL can also be awarded in the form of restricted stock units, which represent the right to receive one of AGL's common shares at the end of a three-year vesting period. Certain holders of SIMFs for the U.K. Companies, the CEO of the U.K. Companies, who is also the Chairman of CIFGE's Directoire, and certain members of the Conseil de Surveillance of CIFGE report directly to the CEO of AGL. The form of LTIP awards may change at any time. For other personnel who are granted awards, the awards are made in the form of restricted stock, which vests over a three or four year period.

iii. Supplementary pension or early retirement schemes for the members of the administrative, management or supervisory body and other key function holders

Each of the U.K. Service Company and AG Services maintains a separate retirement plan, which is designed to help their respective employees prepare for retirement by allowing them to contribute a percentage of their remuneration to the retirement plan and by matching an employee's contribution up to a certain amount. Employees of the U.K. Service Company or AG Services who serve as executive directors of the U.K. Companies, who hold SIMFs or Key Functions for the U.K. Companies or who serve as members of CIFGE's Conseil de Surveillance or Directoire are entitled to participate in the applicable company's retirement plan. The U.K. Companies do not provide any supplementary pension or retirement schemes for non-executive members of the Board.

d. Material transactions during the reporting period with shareholders, persons who exercise a significant influence on the undertaking, and members of the administrative, management or supervisory body

None of the U.K. Companies had any material transactions during the reporting period with members of its respective Board, or with any other persons holding Senior Insurance Manager Functions or Key Functions for it. CIFGE did not have any material transactions with members of its Conseil de Surveillance or Directoire or with any other persons holding Key Functions for it. None of the Individual Companies had any material transactions with its respective parent company other than in connection with the movement of the Subsidiaries from AGC to AGM and then to AGE as described in *Summary - Potential Transfer of Insurance Business*.

Reinsurance and Support Agreements

AGE is party, with its parent company AGM, to the AGM-AGE Net Worth Maintenance Agreement and the AGM-AGE Reinsurance Agreement. AGUK is party, with its former parent company, AGC, to the AGC-AGUK Net Worth Maintenance Agreement and the AGC-AGUK Reinsurance Agreement. CIFGE is party to the AGC-CIFGE Reinsurance Agreement and the AGC-CIFGE Letter of Support. Please refer to *Section E.1 Own Funds* for additional information on those agreements.

Management, Service Contracts or Cost Sharing Arrangements

Service Agreement with U.K. Service Company

The Individual Companies, AGL and AGM entered into an amended and restated services agreement with U.K. Service Company effective 1 January 2017 pursuant to which the U.K. Service Company provides services to the Individual Companies, as needed and requested by each of the Individual Companies. Under such agreement, each of the Individual Companies pays to the U.K. Service Company a fee equal to the costs incurred by the U.K. Service Company in providing the services on a cost plus basis, including, but not limited to, the cost of any cash and non-cash compensation (e.g., insurance, retirement and other employee benefits) to U.K. Service Company employees, multiplied by 105%. The revised agreement ensures appropriate distribution of costs from the U.K. Service Company to the Individual Companies.

Service Agreement with U.S. Service Company

In addition, the Individual Companies were also parties to the Group Service Agreement. Under the Group Service Agreement, the Individual Companies U.S. affiliates made available to the Individual Companies, as applicable, equipment, insurance, reinsurance and such other services, including actuarial, marketing, underwriting, claims handling, surveillance, legal, corporate secretarial, information technology, human resources, accounting, tax, financial reporting and investment planning services. Expenses under the Group Service Agreement were allocated directly where appropriate and, where not appropriate, based upon an allocation of employee time and corresponding office overhead. The agreement provided for quarterly settlements and an express right of offset with regard to amounts owing between parties under the Group Service Agreement and other agreements between such parties.

e. Adequacy and appropriateness of the system of governance

The governance structure for each of the Individual Companies and for the AGE Group as a whole has been designed to ensure that management is able to provide appropriate oversight and to enable it to respond to business and regulatory needs.

U.K. Companies

The Board and management committees for the U.K. Companies have clearly defined roles and responsibilities, which have been delegated or approved by the applicable Board. Those committees are supported by the KFHs and persons performing Key Functions who have the necessary knowledge and expertise.

CIFGE

The Conseil de Surveillance and Directoire of CIFGE are supported by the KFHs for CIFGE and other personnel who have the necessary knowledge and expertise.

B.2 FIT AND PROPER REQUIREMENTS

a. Requirements concerning skills, knowledge and expertise applicable to the persons who effectively run the undertaking or have other key functions

The AGE Group, through the Individual Companies, ensures that all persons who effectively run or oversee an Individual Company (as a member of a U.K. Company Board or of the Directoire or Conseil de Surveillance of CIFGE), or who hold a SIMF for the U.K. Companies or a Key Function, are able to provide competent and prudent management through the assessment process described below. Each person is assessed at the time they are considered to hold a non-executive role or are first hired by the U.K. Service Company or AG Services, as the case may be.

b. Process for assessing the fitness and the propriety of the persons who effectively run the undertaking or have other key functions

Non-executives who are considered as a member of a U.K. Company's Board go through a rigorous internal vetting process including interviews with senior management and members of the Board of AGL. Employees of the U.K. Service Company or AG Services who are considered for SIMF roles or as KFHs or as members of the Directoire or Conseil de Surveillance are subject to additional scrutiny prior to commencement of that role. In addition, the relevant Individual Company obtains the background checks and references required by their internal policies and by the regulatory regime in the U.K. or France, as applicable.

Further, an Individual Company's assessment of whether an individual is fit includes an assessment of the person's professional qualifications, knowledge and experience for the position and the person's

- understanding of the financial guarantee business,
- honesty, integrity, and reputation,
- judgement, competence and capability, and
- financial soundness.

Members of each U.K. Company's Board, of CIFGE's Directoire and Conseil de Surveillance and individuals who hold SIMFs, CFs or Key Functions are required to complete training at the inception of their role and on an ongoing basis, which is appropriate to their regulatory roles and responsibilities and to the professional competencies required for their specific position.

An Individual Company's assessment of whether an individual is proper includes consideration of criminal and regulatory offences.

B.3 RISK MANAGEMENT SYSTEM

a. Enterprise Risk Management

U.K. Companies

The Board and AROC of each of the U.K. Companies play a critical role in enterprise risk management of their respective companies, with the AGE Board and AROC also assuming that role for AGE Group. The reporting chart and discussion in *Section B.1(a) General Governance Information, Structure of the undertaking's administrative, management or supervisory body, main roles and responsibilities, segregation of responsibilities, committees, description of the main roles and responsibilities of key functions,* depict and describe how the various aspects of the risk management function are integrated into enterprise-level decision-making, corporate oversight, management and daily operations of the U.K. Companies.

Each U.K. Company's AROC is responsible for addressing the linkage between risk, capital planning and business decisions and approves the ORSA. Each U.K. Company's AROC oversees the creation and maintenance of the Risk Register, Risk Appetite Statement and ORSA, development of the ICA model and the design of stress and sensitivity testing. Regular ORSA reporting for each of AGE (including AGE Group), AGUK and AGLN keeps management and governing body continually aware of the information needed to develop informed business strategy and capital management plans, as well as to refine each U.K. Company's risk appetite to reflect actual or potential capital constraints.

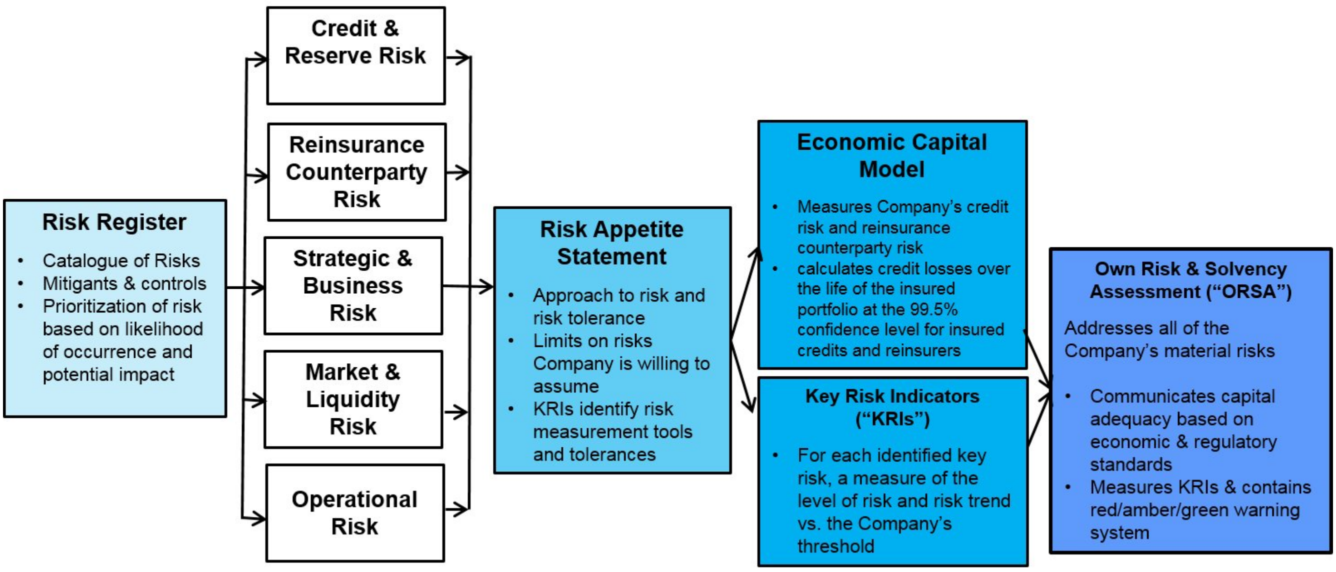
The risk management function is responsible for the operational aspects of risk management for each of AGE, AGUK and AGLN, including:

- implementing the risk management framework
- assessing the risk profile
- maintaining the Risk Register
- updating the Risk Appetite Statement
- developing and preparing the ORSA
- maintaining the ECM
- performing scenario and stress testing on each U.K. Company's capital ratios
- analysing the impact of potential emerging issues
- identifying and reporting on any material risk issues to the Executive Committee
- determining the impact on the ECM of proposed acquisitions and changes in reinsurance arrangements.

The risk management function is responsible for operational aspects of risk management that pertain to the U.K. Companies, which includes all items reported above. The AGE Group risk management function does not maintain a separate Risk Register or Risk Appetite Statement. For these aspects of risk management, the AGE Group relies on information gathered and maintained by the U.K. Companies.

1. *Risk Management Framework*

The risk management framework for each of the U.K. Companies is set out in the flowchart below and each major component of the framework is summarised below the flowchart.



2. *Risk Register*

Each U.K. Company's ORSA process begins with a complete assessment of the company's universe of risks. The risk management function works with business unit leaders at each company to ensure that all known risks are identified and to work cooperatively on determining the importance of these risks and the most effective ways to measure them. The business units maintain ownership, accountability and responsibility for the risks arising in their respective areas. The results of the risk identification process are documented in the each company's Risk Register which provides, for each risk, the risk indicators or drivers; the likelihood of the risk occurring and its impact, both as an inherent risk and a residual risk, i.e., after consideration of controls and risk mitigants in place to minimise the risk; and the area responsible for the risk. Each of the U.K. Companies Risk Register is updated by the risk management function together with the Executive Committee annually. Each company's Risk Register is subject to review and challenge by the AROC and is approved by the AROC and the Board.

3. Risk Appetite Statement

Each U.K. Company's Risk Appetite Statement describes the types of risks the company is willing to accept and sets forth risk tolerances as appropriate. The Risk Appetite Statement of AGE, the only company in the AGE Group that is still writing new business, prohibits the execution of certain kinds of transactions and sets certain portfolio concentration limits. The Executive Committee of each of the U.K. Companies works with the risk management function to update its Risk Appetite Statement annually, and it is subject to review and challenge by the AROC and approved by the Board.

4. Key Risk Indicators

Each of the U.K. Companies developed a series of KRIs to measure their material risks, working in consultation with their business unit managers to ensure that the KRIs both properly capture the material risks as set forth in the Risk Register and use effective techniques for risk measurement. The KRIs are prioritised by the likelihood of the risk occurring over each U.K.Company's business planning horizon or beyond, and the potential severity of the impact that each risk would have on the company if it were to occur. In addition, the KRIs address trends in each of the U.K. Companies business, e.g., financial, economic and credit, that would be leading indicators, positive or negative, of possible changes in solvency over time. Each company develops thresholds to measure its KRIs and reports on those measures each time it prepares its ORSA, assigning each KRI a rating of green (comfortably within the AGE Group's risk tolerance), amber (within the AGE Group's risk tolerance but warrants attention) or red (outside the AGE Group's risk tolerance). Management actions are identified to address any amber or red KRIs. AGE updates its KRIs quarterly; AGUK and AGLN update their KRIs annually. For AGE Group, AGE developed additional KRIs that apply only to AGE Group, mostly relating to solvency and credit and reinsurance counterparty risk, and relies on the KRIs of the U.K. Companies to cover the other risks, which are not unique to AGE Group. Each Company reviews and updates its KRIs annually to ensure that they continue to provide a relevant, appropriate and comprehensive assessment of material risks.

5. Standard Formula, Individual Capital Assessment & Economic Capital Model

The AGE Group and each of the Individual Companies uses the Standard Formula to measure its respective capital adequacy under the SCR. To calculate what it believes to be its true economic risk for its respective ORSA, the AGE Group and each of the Individual Companies uses its ICA. Each ICA employs an internally developed model, the ECM, to measure its key risks, i.e., credit/underwriting risk and reinsurance counterparty risk. AGLN has limited counterparty risk because of its limited use of reinsurance as of 31 December 2017. The AGE Group and each of the Individual Companies uses the Standard Formula for the calculation of the less material risk components of their respective ICA: strategic & business risks, market & liquidity risks and operational risks.

The U.K. Companies believe that the ICA model provides a more realistic assessment of its capital needs and resources because:

- The ICA views credit risks over the lifetime of the guaranteed transactions, rather than the one-year time horizon prescribed by Solvency II. Each of the U.K. Companies believe that a lifetime approach to capital resources and requirements is a more appropriate measure of solvency because the U.K. Companies policies tend to be very long dated and non-cancellable. Further, they cannot be re-priced over their terms.

- The ICA measures credit and counterparty risks together. This is critical in assessing the U.K. Companies key risks because the U.K. Companies are not exposed to claim payments on their ceded risk unless the obligor in a given transaction defaults, the related reinsurer fails to pay and any collateral posted by the reinsurer to support its obligation has been exhausted.

- Each of the U.K. Companies ICA uses expert judgement, developed based on its own experience and published studies, to establish sector-specific assumptions for probability of default, loss given default and correlation that allow for more robust loss modelling than the standard formula provide.

The ECM used by the U.K. Companies was designed to measure each U.K. Company's credit risk and reinsurance counterparty risk, by calculating projected stress losses across the portfolio in a 1-in-200 lifetime loss scenario (the 99.5% lifetime value-at-risk, or VaR), instead of the 1-in-200 one year loss scenario required under the Standard Formula, and through the use of scenario and stress testing at even more stressful levels. Each of the U.K. Companies has a limited number of discrete risks, making it possible to review and model the risk related to each individual exposure using its risk rating, type and size of risk, projected maturity and reinsurance in force, generating capital requirements by calculating the individual contribution to required capital for each transaction. Each model has the ability to rank the transactions by risk, aggregate risk by sector and quantify the impact of risk mitigation activities (e.g., reinsurance). Stress testing of the ECM results is completed at least annually to help management understand the U.K. Companies vulnerability to various material potential capital events.

The risk management function is responsible for the design, testing, validation and implementation of the ICA, including the ECM, for the U.K. Companies ICA. In designing parameters and assumptions for use in the ECMs, Risk Management consulted with senior managers at the U.K. Companies. At the time of initial design, and from time to time and after material methodology changes, the ECMs have been validated by an outside consulting firm, finding that the core methodology appeared sound and broadly in line with industry practices for credit economic capital modelling. Risk Management regularly works with senior managers in the U.K. Companies to re-evaluate and update the ICAs and ECMs to ensure that they continue to satisfactorily address each U.K. Company's key risks.

Changes to each ECM are governed by each of the U.K. Companies Model Validation Policy which requires that model changes are subject to validation, and that the scope of the validation process and reporting should be appropriate to the nature, extent and complexity of the changes. Changes that are not material are approved by each U.K.Company's Executive Committee and require notification to the AROC and the Board. Material changes are reviewed by the Executive Committee and AROC and approved by the Board.

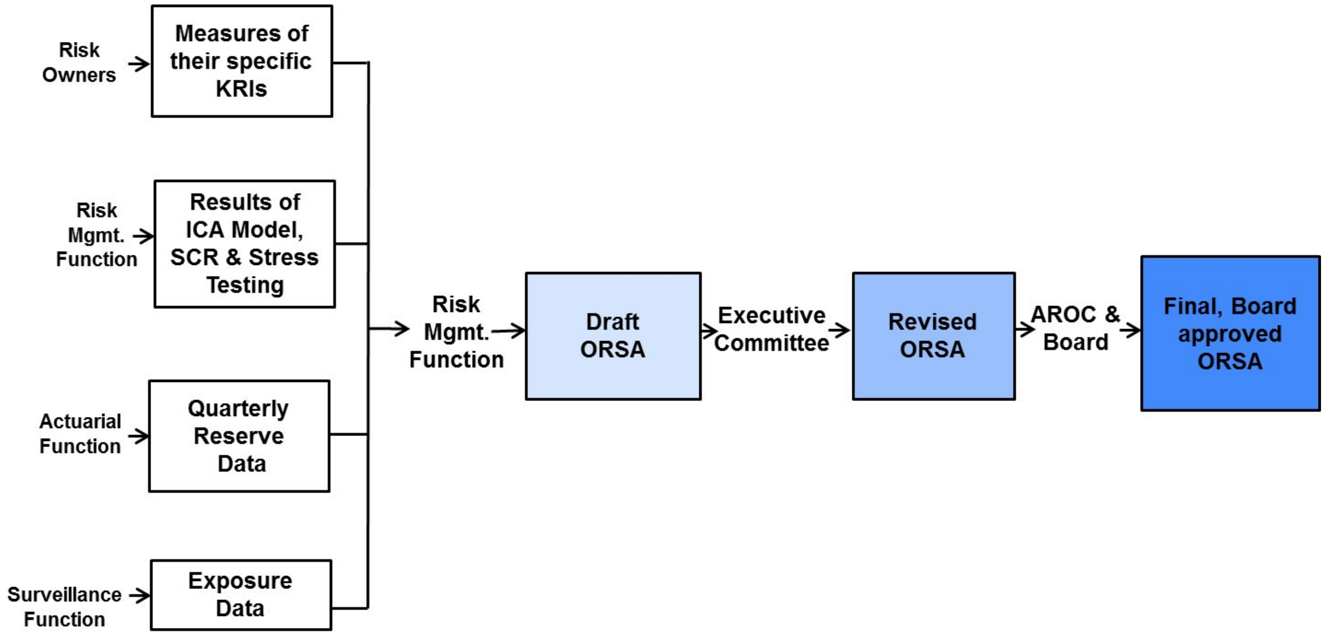
6. ORSA Report

As part of its risk management framework and system, the AGE Group and each of the Individual Companies documents the results of its risk management activities described above in an ORSA report, the main vehicle that the AGE Group and each Individual Company uses to inform management and its Board about all reasonably foreseeable and relevant material risks, both quantitative and qualitative. The AGE Group's ORSA is reviewed by the Board of AGE. The ORSA is intended to provide a complete picture of the AGE Group's and each Individual Company's risk profile and capital adequacy relative to these risks, present the overall solvency needs and solvency condition taking into account its risk profile, risk appetite and business strategy and demonstrate compliance, on a continuing basis, with internal and regulatory capital requirements. AGE produces its ORSA quarterly, and the Subsidiaries each produce their ORSAs annually; however, each Subsidiary will produce its ORSA more frequently if there is a material change in its risk profile or other events that warrant an off-cycle review. AGE produces ORSA reports for both itself and for reporting by the AGE Group.

The ORSA is an integral part of business strategy and is taken into account on an ongoing basis in the strategic decisions of the U.K. Companies. Accordingly, the results of the ORSA are presented to the Executive Committee, the AROC and the Board on a quarterly basis for AGE and the AGE Group, and annually for AGUK and AGLN, or more frequently if any of the companies and the risk management function deem that there has been a material change in company's risk profile that warrants a special run of the model and preparation of a special ORSA.

The business units have ownership, accountability and responsibility for the risks arising in their respective areas that form the basis for the ORSA. The risk management function has responsibility for monitoring, measuring and reporting on these risks. Each ORSA is subject to challenge by the Executive Committee and then the AROC, before being presented to the Board for approval.

The ORSA Process



The features of the ORSA make it a valuable tool for business planning and assessing capital needs of the AGE Group as a whole and of each Individual Company separately over time, related to both potential changes in the composition of their respective insured portfolio and, in the case of AGE, for proposed new business undertakings over the course of the business planning horizon, such as:

- New capital strategies
- Material or extreme events
- Expansion of business sectors and/or addition of new businesses
- Possible impact of Brexit
- Proposed regulatory changes
- Proposed acquisitions, dispositions, reinsurance cessions, recapture of reinsured risks, commutations

It also highlights for the Executive Committee and the Board actual and potential areas of concerns at the U.K. Companies or across the AGE Group, and includes potential management actions where appropriate.

The risk management function is responsible for the design, development, maintenance and conduct of each ORSA. The risk management function examines the ORSA framework and related components at least annually to ensure that they continue to properly identify and assess the AGE Group's and each of the U.K. Companies' risks.

CIFGE

While CIFGE does not maintain a separate Risk Register or Risk Appetite Statement, its ORSA process is the same as that followed by its U.K. affiliates, and includes a series of KRIs, developed and maintained as described above, which are measured annually and included in its ORSA report. Like its U.K. affiliates, CIFGE uses the Standard Formula to measure its capital adequacy for the ACPR under the SCR, and to calculate what it believes to be its true economic risk for its ORSA. CIFGE uses its own ICA, which is very similar to that used by the U.K. Companies. Its ICA employs an internally developed model to measure its key risks, i.e., credit/underwriting risk and reinsurance counterparty risk. Also like its U.K. companies, as part of its risk management framework and system, CIFGE documents the results of the risk management activities in its ORSA report, which is produced annually, or more frequently if CIFGE and the risk management function deem that there has been a material change in a company’s risk profile that warrants more frequent review.

b. Transaction Level Risk Management

The AGE Group monitors the performance of each transaction level risk in its portfolio and tracks aggregation of risk. All of the Individual Companies follow the same protocol for transaction level risk management described herein. The review cycle and scope for transactions varies based upon transaction type and credit quality. In general, the review process includes the collection and analysis of information from various sources, including trustee and servicer reports, financial statements, general industry or sector news and analyses, and rating agency reports. For public finance and structured finance risks, the surveillance process includes monitoring general economic trends, developments with respect to the financial situation of the issuers, performance data and cash flows, compliance with transaction terms and conditions, and evaluation of servicer or collateral manager performance and financial condition. Additionally, the Individual Companies use various quantitative tools and models to assess transaction performance and identify situations where there may have been a change in credit quality. For all transactions, surveillance activities may include discussions with or site visits to issuers, servicers or other parties to a transaction.

All transactions in the Individual Companies' insured portfolios are assigned internal credit ratings, which are updated based on changes in transaction credit quality. These internal credit ratings are based on internal assessments of the likelihood of default and loss severity in the event of default. Internal credit ratings are expressed on a ratings scale similar to that used by the Rating Agencies and are generally reflective of an approach similar to that employed by the Rating Agencies, except that AGE Group's internal credit ratings focus on future performance rather than lifetime performance.

The AGE Group segregates its insured portfolio into IG and BIG surveillance categories to facilitate the appropriate allocation of resources to monitoring and loss mitigation efforts and to aid in establishing the appropriate cycle for periodic review for each exposure. BIG exposures include all exposures with internal credit ratings below "BBB-".

The AGE Group monitors its IG credits to determine whether any need to be internally downgraded to BIG and refreshes its internal credit ratings on individual credits in quarterly, semi-annual or annual cycles based on the AGE Group’s view of the credit’s quality, loss potential, volatility and sector. Ratings on credits identified as under the most stress or with the most potential volatility are reviewed every quarter.

Credits identified as BIG are subjected to further review to determine the probability of a loss. Surveillance personnel assign each BIG transaction to the appropriate BIG surveillance category based upon whether a future loss is expected and whether a claim has been paid. The three BIG categories are:

BIG Category 1: Below-investment-grade transactions showing sufficient deterioration to make future losses possible, but for which none are currently expected.

BIG Category 2: Below-investment-grade transactions for which future losses are expected but for which no claims (other than liquidity claims, which is a claim that the company expects to be reimbursed within one year) have yet been paid.

BIG Category 3: Below-investment-grade transactions for which future losses are expected and on which claims (other than liquidity claims) have been paid.

The surveillance officers supporting each Individual Company maintain data related to their assigned transactions in the parent company’s database, where information is stored and accessed for reporting purposes and for use in the ECM. The surveillance officers analyse all available information related to the financial health of the transaction with the goal of identifying early warning signs of deteriorating performance.

The surveillance function for each Individual Company provides comprehensive reporting to senior management through the U.K. and U.S. RMCs. Generally, transactions are reviewed and presented to the RMC in sector reports, which group together transactions that share common risk characteristics. Reviewing credits by sector facilitates comparison of performance, risk ranking and early identification of underperforming transactions. In addition, each quarter, the surveillance function for each Individual Company prepares and presents a quarterly risk management review to each U.K. Company's AROC and Board and to CIFGE's Directoire, as applicable.

Workout Activities

Surveillance officers are responsible for managing workout and risk reduction situations. They work together across the AGL Group to develop and implement strategies on transactions that are experiencing losses or could possibly experience losses. They develop strategies designed to enhance the ability of each of the companies to enforce its contractual rights and remedies and mitigate potential losses. Surveillance personnel also engage in negotiation discussions with transaction participants (along with workout personnel) and, when necessary, manage (along with legal personnel) any potential litigation proceedings. The Individual Companies may also make open market or negotiated purchases of securities that any of its companies has insured, or negotiate or otherwise implement consensual terminations of insurance coverage prior to contractual maturity. While each situation is unique, various approaches may be used, including:

- Exercise of transaction rights and remedies
- Negotiation of amendments, waivers and consents
- Employment of consultants or internal auditors
- Restructuring or refinancing

- Repurchase of affected securities at a discount
- Litigation

c. Credit Risk Management

AGE, the only member of the AGE Group that continues to write new business, has a framework and procedures in place for establishing and implementing underwriting guidelines and single risk and risk concentration limits across its insured portfolio, as well as procedures for ensuring that these guidelines and limits are adhered to in the transaction approval process.

AGE sets its own SRLs and underwriting guidelines. However, those limits cannot exceed limits that are allocated to it by the PRMC. The PRMC focuses on measuring and managing credit, market and liquidity risk for the enterprise, and approves all new products prior to execution, for all of the AGL Group operating subsidiaries, including those proposed by AGE. The PRMC exercises its authority over credit policy and risk management through the establishment of a series of credit committees, including AGE's Credit Committee.

1. Credit Policy

In the conduct of its business, AGE applies its credit underwriting judgement, risk management skills and capital markets experience. AGE seeks to limit its exposure to losses by underwriting obligations that it deems to be IG at inception, although, as part of a loss mitigation strategy for any troubled credits, it may underwrite new issuances that it views as BIG. AGE diversifies its insured portfolio across asset classes and, in the structured finance portfolio, requires rigorous subordination or collateralization requirements.

In general, transactions are comprised of regulated utilities, international infrastructure transactions and structured finance transactions. For these transactions, AGE undertakes an analysis of the country or countries in which the risk resides, which includes political risk as well as economic and demographic characteristics.

Regulated utilities typically involve utilities that provide essential services to their customer base in a potentially monopolistic environment. A credit review of these transactions includes an analysis of the following credit components: purpose and debt structure; security and legal provisions; system analysis; rate-setting methodology and regulatory environment; financial performance; management assessment and the regional economy.

For infrastructure transactions, AGE reviews the type of project (e.g. hospital, road, social housing and transportation or student accommodation) and the source of repayment of the debt. For certain transactions, debt service and operational expense are covered by availability payments made by either a government of not-for-profit entity. The availability payments are due if the project is available for use, regardless of whether the project is actually in use. The principal risks for such transactions are construction risk and operational risk. The project must be completed on time and available for use during the life of the concession. For other transactions, revenues derived from the project must be sufficient to make debt service payments as well as cover operating expenses during the concession period. AGE undertakes due diligence to assess demand risks in such projects and often uses consultants to help assess future demand and revenue and expense projections.

2. Underwriting Procedure

Each transaction underwritten by AGE involves persons with different expertise across various departments within AGE. AGE's transaction underwriting teams include both underwriting and legal personnel, who analyse the structure of a potential transaction and the credit and legal issues pertinent to the particular line of business or asset class, and accounting and finance personnel, who review the more complex transactions for compliance with applicable accounting standards and investment guidelines.

For infrastructure and structured finance transactions, underwriters generally use financial models to evaluate the ability of the transaction to generate adequate cash flow to service the debt under a variety of scenarios. Infrastructure transaction models can be complex, and are often created and maintained by experts funded by the transaction. AGE underwriters review these models in detail. AGE may also engage consultants and/or external counsel to assist in analysing a transaction's financial or legal risks.

3. U.K. Credit Committee and ISCC

The U.K. Credit Committee is composed of the CEO of AGE, one other senior officer of AGE and the Chief Credit Officer of AGM (AGE's parent company). Within the parameters delegated to it by the PRMC, the U.K. Credit Committee establishes credit standards, underwriting guidelines and processes and controls that govern transactions, and has the sole authority at the AGE level, to review and approve or reject all transactions undertaken by AGE. As part of the approval process, the U.K. Credit Committee enforces the single risk and credit concentration limits which it has established. It also incorporates into the underwriting process critical feedback provided by the RMC on the performance of, and any problems related to, transactions in the AGE Group's insured portfolio.

Because of the strong relationship of AGE to its parent, including the co-guarantee arrangement for all transactions underwritten by AGE beginning in 2011, the second-to-pay guarantee of all of AGE's insured transactions by AGM, the AGM-AGE Net Worth Agreement and the excess of loss cover of the AGM-AGE Reinsurance Agreement, all transactions executed by AGE are subject to two levels of review and approval - by the U.K. Credit Committee and by the ISCC of the parent company. The ISCC is composed of senior officers of the AGL Group with credit expertise relevant to the type of transaction under consideration. Both committees must approve each transaction.

Prior to the closing of any transaction, a compliance certificate must be signed by the responsible underwriter and the responsible attorney confirming that the transaction conforms in all material respects to the terms of the transaction that was reviewed and approved by the U.K. Credit Committee and the ISCC.

B.4 INTERNAL CONTROL SYSTEM

a. A description of the undertaking's internal control system

The AGE Group's overall control culture is established in a Code of Conduct, which sets forth standards by which the Individual Companies' respective directors, and all personnel acting as officers or otherwise providing services to any Individual Company, must abide and sets the tone for how personnel supporting the AGE Group should conduct themselves. The Code of Conduct is available at www.assuredguaranty.com/governance. The Code of Conduct is designed to discourage personnel from engaging in activities that could jeopardise the Individual Companies' business and reputation.

The Individual Companies are part of the AGL Group, which as a public company, is subject to the requirements of Sarbanes-Oxley and as such, a review by AGL's external auditors on the appropriateness and effectiveness of controls. All internal controls are documented and include at least the following:

- A narrative overview of the processes and procedures (for areas such as underwriting, surveillance, loss reserving, data and information technology, for instance);
- Identification of key controls (controls that provide reasonable assurance that material errors will be prevented or timely detected);
- A management testing plan for each key control; and
- Annual testing of all key controls.

In addition, the annual financial statements for the Individual Companies go through a detailed internal review and control process.

b. Description of how the compliance function is implemented

The Individual Companies do not have a separate compliance department whose sole remit is monitoring compliance-related activities. The compliance function for each of the U.K. Companies is carried out by a compliance professional dedicated to those companies and by the General Counsel and Chief Compliance Officer of the U.K. Companies and is overseen by the General Counsel of AGL who is the Key Function Holder for Compliance. The compliance function for CIFGE is outsourced to AG Services and is carried out by members of the group's legal department focused on regulatory and compliance matters. These individuals are overseen by the General Counsel of AGL who is also the Key Function Holder for Compliance for CIFGE.

The compliance function for the U.K. Companies and for CIFGE is responsible for reporting any breaches, or non-compliance with applicable law and regulation, to the Executive Committee and the AROC of the applicable U.K. Company, or to the Conseil de Surveillance and Directoire of CIFGE, as applicable.

The principal activities of the compliance function are:

- Advising on compliance with applicable laws and regulations and assessing the possible impact of new laws and regulations.
- Ensuring that new regulatory rules and internal guidelines are communicated to the affected business areas and providing guidance to those business areas in respect of such requirements.
- Maintaining an open dialogue with applicable regulators, and submitting the appropriate information to those regulators, including notice of matters that are of concern to the regulators.

- Ensuring that all relevant personnel complete training on their regulatory roles and responsibilities, and on compliance with applicable laws and regulations, on a regular basis (including anti-money laundering and anti-bribery/corruption training).
- Assessing, together with the internal audit function, the adequacy and effectiveness of compliance controls.

The compliance function works with the internal audit function to develop an internal audit plan that addresses, as appropriate, compliance by the Individual Companies with internal policies and procedures. The internal audit function is responsible for monitoring compliance with internal strategies, processes and reporting procedures. *Section B.5 Internal Audit Function* describes the internal audit function in more detail. The Individual Companies' compliance programs are also integrated with the AGL Group's compliance program, which includes reporting compliance violations or significant issues.

The compliance function for each of the Individual Companies is independent from any business or operational unit.

B.5 INTERNAL AUDIT FUNCTION

a. How the undertaking’s internal audit function is implemented

The internal audit function is responsible for providing the AGE Group with independent, objective assurance and advisory services to assist management in accomplishing its business goals and objectives. The internal audit function performs activities including: evaluation of risk management and control, and governance processes. The internal audit function is independent of any other function and has access to any member of staff and to any information it considers necessary to carry out its duties. Independence is maintained by segregation from other functions where possible and by safeguards and review where this is not possible. On a quarterly basis, or when required, the internal audit function reports its findings directly to the AROC of the U.K. Companies, and to the Conseil de Surveillance of CIFGE, and informs the CEO, who is also Chairman of the Directoire, of any material issues.

The Individual Companies have concluded that, at this time, the internal audit function is most effective being outsourced to an external firm of certified internal audit professionals. Each of the Individual Companies maintains responsibility for management of the internal audit function.

Internal audit resources are focused on testing the key controls that mitigate business risk. If requested, the internal audit function may also provide the Individual Companies with advice, support and assistance.

In addition to the primary objective discussed above, the internal audit function evaluates the design and operating effectiveness of the Individual Company's network of risk management, control and governance processes, as designed and represented by management, to validate that:

- risks are appropriately identified and managed,
- interaction with the various governance groups occurs as needed,
- significant financial, managerial, and operating information is accurate, reliable, and timely,
- employees’ actions are in compliance with policies, standards, procedures and applicable laws and regulations,
- quality and continuous improvements are fostered in the control processes,
- significant legislative or regulatory issues impacting the organisation are recognised and addressed appropriately,
- systems established to operate and comply with policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports are designed and operating appropriately,
- that key risks are addressed and to ensure that audit duplication with external auditors is avoided whenever possible, and
- controls are implemented to reduce the risk of fraud and misappropriation of assets.

b. How the internal audit function maintains its independence and objectivity from the activities it reviews

The internal audit function remains independent of and objective from other functions of the Individual Companies primarily through outsourcing the internal audit function to an external party who is not involved in the operations that are subject to internal audit activities. To provide an appropriate level of organisational independence, the internal audit function reports functionally to the chairman of the AROC for the U.K. Companies, and to the Conseil de Surveillance for CIFGE, and administratively to the head of the risk management function.

B.6 ACTUARIAL FUNCTION

See *Section B.1 General Governance Information* for a diagram of how the Actuarial Function is integrated into the risk management framework for the Individual Companies. The Actuarial Function has been outsourced to the Chief Actuary of AGM. The Chief Actuary's responsibilities include:

- proposing loss reserves to the Reserve Committee,
- co-ordination of the calculation of technical provisions,
- review of the AGE Group's ICA model,
- review of assumptions, methods, and data used in modelling,
- contribution to risk modelling,
- monitoring of differences in technical provisions in different years,
- drawing conclusions comparing actual to expected,
- reporting to the AGE Group's Board on the adequacy of the calculation of technical provisions,
- opining on underwriting policy and adequacy of reinsurance, and
- making any recommendations on how any shortcomings can be remedied.

The Chief Actuary is a credentialed actuary in good standing with the Casualty Actuarial Society, who is also a Fellow in the Casualty Actuarial Society. In addition, the Chief Actuary is a member of the American Academy of Actuaries in good standing. The Chief Actuary was approved by the PRA as the SIMF 20 Chief Actuary function for each of the U.K. Companies.

B.7 OUTSOURCING

Given the relatively small size of each of the Individual Companies as part of the AGL Group and the Individual Companies' desire to focus on their respective core businesses, each of the Individual Companies has determined that certain of their respective functions should be outsourced to one or more affiliates, or third parties, to improve the efficiency and effectiveness of their respective operations.

The Executive Committee for each of the U.K. Companies and the Directoire of CIFGE reviews the respective outsourcing arrangements on an annual basis and more frequently if required. The performance of functions outsourced to affiliates is monitored by management on a quarterly basis. The Executive Committee also reviews and approves any new outsourcing arrangements, or changes to existing outsourcing arrangements.

Outsourcing to Companies with the AGL Group

As described in *Section B.1(c)(i) General Governance Information, Remuneration policy and practices, Principles of the remuneration policy, with an explanation of the relative importance of the fixed and variable components of remuneration* above, none of the Individual Companies employ any personnel. Each of the Individual Companies contracts with the U.K. Service Company or AG Services to provide personnel to manage their respective business and operations. In addition, as noted above, each of the Individual Companies outsources certain functions to its affiliates. In 2017, the Individual Companies were parties to service agreements with the U.K. Service Company and AG Services pursuant to which the U.K. Service Company and AG Services made available certain services, including actuarial, surveillance, marketing, claims handling, legal, information technologies, human resources, accounting, tax, financial reporting and investment planning services. Employees of the U.K. Service Company and AG Services who are performing outsourced functions are not empowered to make underwriting decisions on behalf of AGE or to bind any of the Individual Companies in any way.

Outsourcing to Third Parties

Investment Management

Each of the Individual Companies outsources the management of its respective investment portfolio to third party investment managers. Each investment manager manages the investment portfolios of the Individual Companies in accordance with their respective investment guidelines. Each Individual Company's investment guidelines are designed to minimise credit risk and to ensure ample liquidity to cover losses in a stress scenario.

Internal Audit

Each of the Individual Companies outsources its internal audit function to an international public accounting firm. The role and responsibilities of the internal audit function are described in further detail in *Sections B.1 General Governance Information,* and *B.5 Internal Audit Function* above.

B.8 ANY OTHER INFORMATION

a. Assessment of the AGE Group's system of governance relative to the nature, scale and complexity of the risks inherent in its business

The Board of each of the U.K. Companies assesses the adequacy of its system of governance formally on an annual basis. The Board may also recommend changes outside of this annual review as a result of observations or regulatory changes. The Board of each of the U.K. Companies has reviewed the governance system as described in this report and concluded that it provides for sound and prudent management of the business which is proportionate to the nature, scale and complexity of the operations of the applicable U.K. Company.

The Conseil de Surveillance (Conseil de Surveillance) of CIFGE has reviewed the governance system as described in this report and concluded that it provides for sound and prudent management of the business, which is proportionate to the nature, scale and complexity of the operations of CIFGE.

b. Any other material information regarding system of governance

None.

C. RISK PROFILE

This section includes an overview of both the AGE Group and the Individual Companies risk profile. Each of the Individual Companies within the AGE Group are financial guarantee insurance companies and are therefore generally exposed to similar risks. To the extent that there are differences among the Individual Companies' respective risk profiles, those differences are identified in the relevant sub-section below.

C.1 UNDERWRITING RISK

Financial guarantee insurance protects holders of debt instruments and other monetary obligations from defaults in scheduled payments. As a result, the key underwriting risk is credit risk, i.e., the risk that obligors of insured debt obligations will fail to pay. The policies issued by the Individual Companies are non-cancellable generally, with the premiums paid up front, in instalments, or a combination of both. The obligation to make claim payments generally cannot be accelerated, although the Individual Companies generally maintain the right to accelerate payment on defaulted obligations. The AGE Group has no life or health underwriting risk or any other general insurance underwriting risk.

Measurement

The AGE Group's main metrics for measuring the portfolio credit risk (in addition to the Risk Management and ORSA process, discussed in *Section B.3 Risk Management System*) are par outstanding, by sector and internal rating. The AGE Group also considers geographic concentrations. At the closing of each transaction, the U.K. Credit Committee assigns the transaction to a sector (i.e., a group of transactions with similar risk characteristics) for purposes of evaluating risk and potential correlations. The U.K. Credit Committee also assigns an internal credit rating reflecting the credit quality of the transaction, with such rating subject to change over time. Surveillance is responsible for monitoring the performance of all insured transactions of the AGE Group and recommending internal rating changes as appropriate. All rating changes must be approved by the RMC**.**

The sector composition of the insured portfolio and the breakdown of internal ratings, measured by GPO and NPO as of 31 December 2017 and 2016, of the AGE Group and the Individual Companies are set forth below.

AGE Group
Sector Breakdown of the Insured Portfolio (1)

	31 December 2017		
Sector	**Number of Risks**	**GPO**	**NPO**
	(in thousands, except number of risks)		
Public infrastructure	63	£ 10,804,470	£ 4,996,768
Regulated utilities	54	10,654,847	4,225,485
Other public finance	18	2,343,189	690,855
Total public finance	135	23,802,506	9,913,108
RMBS	9	369,595	97,109
Insurance securitisation (1)	2	62,976	6,298
Pooled corporate obligations	1	23,285	—
Total structured finance	12	455,856	103,407
Total portfolio	147	£ 24,258,362	£ 10,016,515

(1) Excluded £590.1 million of GPO and £59.0 million of NPO as of 31 December 2017 attributable to loss mitigation strategies.

AGE
Sector Breakdown of the Insured Portfolio

Sector	31 December 2017 Number of Risks	31 December 2017 GPO	31 December 2017 NPO	31 December 2016 Number of Risks	31 December 2016 GPO	31 December 2016 NPO
			(in thousands, except number of risks)			
Regulated utilities	45	£ 6,146,799	£ 193,948	37	£ 6,542,904	£ 122,040
Public infrastructure	46	6,064,928	222,241	39	6,029,716	149,945
Other public finance	12	1,580,336	42,867	14	1,621,724	38,702
Total public finance	103	13,792,063	459,056	90	14,194,344	310,687
RMBS	5	224,426	5,960	5	255,905	6,350
Collateralised Loan Obligation - High Yield Cash Flow	—	—	—	2	68,433	1,000
Total structured finance	5	224,426	5,960	7	324,338	7,350
Total portfolio	108	£ 14,016,489	£ 465,016	97	£ 14,518,682	£ 318,037

AGLN
Sector Breakdown of the Insured Portfolio

Sector	31 December 2017 Number of Risks	31 December 2017 GPO	31 December 2017 NPO	31 December 2016 Number of Risks	31 December 2016 GPO	31 December 2016 NPO
			(in thousands, except number of risks)			
Public infrastructure	17	£ 4,826,993	£ 4,777,417	17	£ 4,897,329	£ 4,846,901
Regulated utilities	6	4,095,156	4,010,837	6	4,004,001	3,921,818
Other public finance	5	648,927	647,987	6	751,058	749,215
Total public finance	28	9,571,076	9,436,241	29	9,652,388	9,517,934
RMBS	2	94,185	91,150	2	91,079	88,144
Total structured finance	2	94,185	91,150	2	91,079	88,144
Total portfolio	30	£ 9,665,261	£ 9,527,391	31	£ 9,743,467	£ 9,606,078

AGUK
Sector Breakdown of the Insured Portfolio (1)

Sector	31 December 2017 Number of Risks	31 December 2017 GPO	31 December 2017 NPO	31 December 2016 Number of Risks	31 December 2016 GPO	31 December 2016 NPO
			(in thousands, except number of risks)			
Regulated utilities	3	£ 207,005	£ 20,700	4	£ 336,964	£ 33,696
Public infrastructure	2	186,954	18,695	3	255,648	25,565
Total public finance	5	393,959	39,395	7	592,612	59,261
Insurance securitisation(1)	2	62,976	6,298	2	378,930	37,892
TruPS	—	—	—	2	58,551	5,856
Total structured finance	2	62,976	6,298	4	437,481	43,748
Total portfolio	7	£ 456,935	£ 45,693	11	£ 1,030,093	£ 103,009

(1) Excluded £590.1 million of GPO and £59.0 million of NPO as of 31 December 2017 attributable to loss mitigation strategies. Excluded £336.2 million of GPO and £33.6 million of NPO as of 31 December 2016 attributable to loss mitigation strategies.

CIFGE
Sector Breakdown of the Insured Portfolio

Sector	31 December 2017 Number of Risks	31 December 2017 GPO(1)	31 December 2016 Number of Risks	31 December 2016 GPO(1)
	(in thousands, except number of risks)			
Regulated utilities	3	€ 231,749	3	€ 234,558
Public infrastructure	3	119,788	3	128,764
Other public finance	1	128,238	1	135,090
Total public finance	7	479,775	7	498,412
RMBS	2	57,388	3	69,670
TruPS	1	26,209	1	92,141
Total structured finance	3	83,597	4	161,811
Total portfolio	10	€ 563,372	11	€ 660,223

(1) CIFGE reinsures 100% of its exposure to AGC, pursuant to the Reinsurance Agreements.

Risk Concentration

The table below sets forth the top ten credit exposures as a percentage of total GPO.

Top Ten Credit Exposures as a Percentage of Total GPO

	As of 31 December 2017	As of 31 December 2016
AGE Group	37.0%	N/A
AGE	39.4%	44.9%
AGLN	73.9%	73.0%
AGUK (1)	100.0%	98.5%
CIFGE (2)	100.0%	99.5%

(1) AGUK had only seven credit exposures as of 31 December 2017.
(2) CIFGE had only 10 credit exposures as of 31 December 2017.
N/A Not applicable.

The table below sets forth portfolio concentrations by internal credit rating. Please note that the ratings are the AGE Group's internal rating classifications which may or may not differ from those of the Rating Agencies.

AGE Group
Portfolio Breakdown by Internal Credit Rating

Internal Credit Rating	As of 31 December 2017 GPO	As of 31 December 2017 NPO
	(in thousands)	
AAA	£ 78,362	£ 103
AA	71,466	22,909
A	8,341,435	4,983,711
BBB	14,456,478	4,373,945
BIG	1,310,621	635,847
Total	£ 24,258,362	£ 10,016,515

AGE
Portfolio Breakdown by Internal Credit Rating

	As of 31 December 2017		As of 31 December 2016	
Internal Credit Rating	**GPO**	**NPO**	**GPO**	**NPO**
		(in thousands)		
AAA	£ 4,094	£ 103	£ 73,693	£ 1,121
AA	49,581	1,266	51,520	1,289
A	3,572,289	96,867	3,346,353	68,512
BBB	9,807,595	356,494	10,437,059	237,009
BIG	582,930	10,286	610,057	10,106
Total	£ 14,016,489	£ 465,016	£ 14,518,682	£ 318,037

AGLN
Portfolio Breakdown by Internal Credit Rating

	As of 31 December 2017		As of 31 December 2016	
Internal Credit Rating	**GPO**	**NPO**	**GPO**	**NPO**
		(in thousands)		
AAA	£ —	£ —	£ —	£ —
AA	21,885	21,642	—	—
A	4,991,246	4,892,557	5,887,349	5,789,376
BBB	4,028,364	3,996,751	3,045,791	3,014,066
BIG	623,766	616,441	810,327	802,636
Total	£ 9,665,261	£ 9,527,391	£ 9,743,467	£ 9,606,078

AGUK
Portfolio Breakdown by Internal Credit Rating

	As of 31 December 2017		As of 31 December 2016	
Internal Credit Rating	**GPO**	**NPO**	**GPO**	**NPO**
		(in thousands)		
AAA	£ —	£ —	£ 15,108	£ 1,511
AA	158,725	15,872	200,574	20,058
A	—	—	—	—
BBB	207,005	20,700	402,831	40,282
BIG	91,205	9,121	411,580	41,158
Total	£ 456,935	£ 45,693	£ 1,030,093	£ 103,009

As the table above setting forth portfolio concentrations by internal credit rating illustrates, the percentage of BIG GPO decreased to 20.0% from 40.0% mainly due to maturities and AGUK's loss mitigation holdings.

CIFGE
Portfolio Breakdown by Internal Credit Rating(1)

Internal Credit Rating	As of 31 December 2017 GPO	As of 31 December 2016 GPO
	(in thousands)	
AAA	€ 83,598	€ 69,670
AA	—	—
A	—	92,141
BBB	465,457	482,639
BIG	14,317	15,773
Total	€ 563,372	€ 660,223

(1) CIFGE reinsures 100% of its exposure to AGC, pursuant to the Reinsurance Agreements.

The table below sets forth the BIG transactions as of 31 December 2017. AGE Group has seven risks in BIG Category 1, two risks in BIG Category 2 and two risks in BIG Category 3. For the Individual Companies, no transactions were added to the BIG list during the reporting period, and two transactions were removed.

BIG Exposure by Sector
As of 31 December 2017

	PF	SF	Total
	(in thousands, except number of risks)		
AGE Group			
Number of risks	8	3	11
GPO	£ 1,211,563	£ 99,058	£ 1,310,621
NPO	593,467	42,380	635,847
AGE			
Number of risks	4	—	4
GPO	£ 582,930	£ —	£ 582,930
NPO	10,286	—	10,286
AGLN			
Number of risks	2	1	3
GPO	£ 587,684	£ 36,082	£ 623,766
NPO	580,359	36,082	616,441
AGUK			
Number of risks	1	2	3
GPO	£ 28,229	£ 62,976	£ 91,205
NPO	2,823	6,298	9,121
CIFGE(1)			
Number of risks	1	—	1
GPO	€ 14,317	€ —	€ 14,317
NPO	—	—	—

(1) CIFGE reinsures 100% of its exposure to AGC, pursuant to the Reinsurance Agreements.

As of 31 December 2017, the AGE Group had established loss reserves or unexpired risk provisions for the BIG transactions on which it expected to incur a loss, and had paid claims on two of the BIG transactions.

The table below shows the geographic distribution of insured obligations gross and net of reinsurance.

AGE Group
Geographic Distribution of Gross and Net Par Outstanding

Country	As of 31 December 2017 GPO	As of 31 December 2017 NPO
	(in thousands)	
United Kingdom	£ 18,883,228	£ 8,391,611
France	2,464,384	1,073,196
Italy	1,242,239	28,244
Spain	352,579	6,485
Japan	296,279	10,257
Other	1,019,653	506,722
Total	£ 24,258,362	£ 10,016,515

AGE
Geographic Distribution of Gross and Net Par Outstanding

	As of 31 December 2017		As of 31 December 2016	
Country	GPO	NPO	GPO	NPO
	(in thousands)			
United Kingdom	£ 10,188,273	£ 350,148	£ 10,598,579	£ 225,390
France	1,628,620	47,318	1,578,103	38,586
Italy	1,128,313	28,244	1,142,265	26,158
Spain	352,425	6,485	351,077	5,797
Japan	296,279	10,257	332,569	10,862
Other	422,579	22,564	516,089	11,244
Total	£ 14,016,489	£ 465,016	£ 14,518,682	£ 318,037

AGLN
Geographic Distribution of Gross and Net Par Outstanding

	As of 31 December 2017		As of 31 December 2016	
Country	GPO	NPO	GPO	NPO
	(in thousands)			
United Kingdom	£ 8,154,658	£ 8,020,762	£ 8,179,589	£ 8,046,979
France	1,032,531	1,031,592	997,973	996,981
Malaysia	233,109	233,109	283,252	283,252
Ireland	150,778	150,778	149,942	149,942
Hungary	94,185	91,150	91,078	88,143
Other	—	—	41,633	40,781
Total	£ 9,665,261	£ 9,527,391	£ 9,743,467	£ 9,606,078

AGUK
Geographic Distribution of Gross and Net Par Outstanding

Country	As of 31 December 2017 GPO	As of 31 December 2017 NPO	As of 31 December 2016 GPO	As of 31 December 2016 NPO
	(in thousands)			
United Kingdom	£ 365,730	£ 36,572	£ 568,763	£ 56,876
United States of America	62,976	6,298	381,042	38,104
Germany	28,229	2,823	46,664	4,666
Bermuda	—	—	7,559	756
France	—	—	5,799	580
Other	—	—	20,266	2,027
Total	£ 456,935	£ 45,693	£ 1,030,093	£ 103,009

CIFGE
Geographic Distribution of Gross and Net Par Outstanding

Country	As of 31 December 2017 GPO(1)	As of 31 December 2016 GPO(1)
	(in thousands)	
United Kingdom	€ 375,158	€ 398,584
Italy	128,237	135,090
France	28,516	50,507
Germany	14,317	15,773
Denmark	4,136	14,540
Other	13,008	45,729
Total	€ 563,372	€ 660,223

(1) CIFGE reinsures 100% of exposure to AGC pursuant to the Reinsurance Agreements.

Risk Mitigation

Historically, the Individual Companies entered into reinsurance contracts with affiliated and unaffiliated reinsurers in order to support its capital adequacy and reduce the net potential loss from large risks. Under the terms of the reinsurance treaties, such reinsurance remains in place for the term of the business unless it is commuted or cancelled by the Individual Companies. By virtue of several commutations completed by some of the Individual Companies since the 2008 financial crisis, as well as acquisitions of formerly unaffiliated reinsurers by AGE's ultimate parent, the AGE Group, as of 31 December 2017, had outstanding reinsurance with only two unaffiliated reinsurers, both of which benefit from collateral.

The table below sets forth the exposure to reinsurance counterparties as of 31 December 2017.

AGE Group and the Individual Companies
Ceded Par Outstanding to Reinsurers
As of 31 December 2017

	Ceded Par Outstanding				
Reinsurer	**AGE Group (1)**	**AGE**	**AGLN**	**AGUK**	**CIFGE**
			(in thousands)		
Affiliated reinsurers	£ 13,823,476	£ 13,125,603	£ 137,871	£ 411,242	€ 563,372
Unaffiliated reinsurers					
IG par outstanding	402,613	410,112	—	—	—
BIG par outstanding	15,758	15,758	—	—	—
Total unaffiliated	418,371	425,870	—	—	—
Total reinsurance	£ 14,241,847	£ 13,551,473	£ 137,871	£ 411,242	€ 563,372

(1) AGE Group numbers are net of eliminations.

In 2017, AGE and AGM entered into commutation agreements to reassume the entire portfolio previously ceded to two of its unaffiliated reinsurers. The size of the portfolio reassumed by AGE was approximately £810.7 million of par. For such reassumptions, AGE received the U.S. statutory unearned premium and loss and loss adjustment expense reserves outstanding as of the commutation date, plus a commutation premium.

The Individual Companies remain primarily liable for all risks they underwrite directly and are required to pay all gross claims. They then seek reimbursement from each reinsurer for its proportionate share of claims. Therefore, the use of reinsurance creates credit risk related to the reinsurers. Each Individual Company monitors the financial condition of each of its reinsurers on an ongoing basis, and reviews internally assigned credit ratings at least annually, and more often as dictated by the occurrence of outside events. The most significant reinsurance relationships for AGE, AGUK and CIFGE are with affiliated reinsurers. AGE utilises detailed information received on a quarterly basis to monitor the financial condition, claims paying resources, solvency position and other events impacting the level of credit risk associated with these important reinsurance relationships.

Furthermore, certain reinsurers, including affiliated reinsurers, are required to post collateral to support their payment obligations. With the benefit of that collateral, the Individual Companies are able to substantially reduce their exposure to reinsurer counterparty risk, and to increase the effectiveness of their reinsurance arrangements as a loss mitigation tool. The Individual Companies have not experienced defaults by any of their reinsurers.

The AGE Group is able to monitor the effectiveness of its reinsurance arrangements as a risk mitigation tool on an ongoing basis because reinsurance is incorporated directly into its ECM. Each risk is modelled with its associated reinsurance benefits, and is subject to losses only if there is a default of both the underlying risk and of the related reinsurer(s). The AGE Group and the Individual Companies' quarterly ORSA reports include the ICA, both gross and net of reinsurance. Because of the Individual Companies' extensive use of reinsurance prior to 2011, the impact of reinsurance is material to the ICA.

In an effort to mitigate losses, the Individual Companies also may pursue specifically tailored loss mitigation strategies for underperforming transactions. See *Section B.3 Risk Management System*, *Workout Activities* for a description of the various strategies.

Risk Sensitivity

At least annually, when AGE Group and the Individual Companies run their ICA model, they run a series of stress tests to determine the sensitivity of their ICA to various material risks, such as increases in the key variables used to calculate lifetime losses (probability of default, loss given default and correlation), and to credit events, such as the potential downgrade of AGM or AGC, the largest reinsurance exposure.

The AGE Group and the Individual Companies have also performed stress tests on their SCR by varying several of the parameters that are used to calculate the non-life underwriting risk and counterparty credit risk. The AGE Group and the Individual Companies consider non-life underwriting risk and reinsurance counterparty credit risk as the most material risks due to amounts of net and ceded par outstanding. CIFGE has no NPO and thus only has exposure to reinsurance counterparty credit risk. AGLN has very little reinsurance and thus only considers non-life underwriting risk to be a material risk. The AGE Group and Individual Companies chose to stress test the loss severity assumption used in Standard Formula from 10% to 20% for the two largest risks based on experience and the underlying characteristics of the insured exposures. No benefit is assumed for future management actions which could potentially mitigate future losses.

AGE Group

As of 31 December 2017, a 10% increase in the loss severity used to calculate the loss associated with the default of the largest two exposures (from 10% to 20%), would increase the non-life underwriting risk by £225.7 million to £506.3 million. The credit risk would increase by £0.2 million to £1.6 million due to increased reinsurance counterparty risk caused by the higher loss severities on the ceded exposures. The SCR would increase by £220.8 million to £538.0 million. This would cause the SCR Capital Ratio to decline by 84 percentage points to 120%.

AGE

As of 31 December 2017, a 10% increase in the loss severity used to calculate the loss associated with the default of the largest two exposures (from 10% to 20%), would increase the non-life underwriting risk by £5.5 million to £16.4 million. The credit risk would increase by £0.3 million to £1.2 million due to increased reinsurance counterparty risk caused by the higher loss severities on the ceded exposures. The SCR would increase by £2.1 million to £114.7 million. This would cause the SCR Capital Ratio to decline by 10 percentage points to 549%.

AGLN

As of 31 December 2017, a 10% increase in the loss severity used to calculate the loss associated with the default of the largest two exposures (from 10% to 20%), would increase the non-life underwriting risk by £225.5 million to £500.2 million. The credit risk would increase by £0.04 million to £0.25 million due to increased reinsurance counterparty risk caused by the higher loss severities on the ceded exposures. The SCR would increase by £224.3 million to £513.1 million. This would cause the SCR Capital Ratio to decline by 49 percentage points to 63%.

AGUK

As of 31 December 2017, a 10% increase in the loss severity used to calculate the loss associated with the default of the largest two exposures (from 10% to 20%), would increase the non-life underwriting risk by £2.2 million to £4.8 million. The SCR would increase by £0.7 million to £55.6 million. This would cause the SCR Capital Ratio to decline by 2 percentage points to 151%.

AGUK's reinsurer posts sufficient collateral to eliminate all of the associated reinsurance counterparty risk under the SCR.

CIFGE

As of 31 December 2017, a 10% increase in the loss severity used to calculate the loss associated with the default of the largest two exposures (from 10% to 20%), would be unchanged as the exposure is fully ceded to AGC. The credit risk would increase by €0.3 million to €0.8 million due to increased reinsurance counterparty risk caused by the higher loss severities on the ceded exposures. The SCR would increase by €0.1 million to €7.7 million. This would cause the SCR Capital Ratio to decline by 5 percentage points to 266%.

The results above show that the AGE Group, AGE, AGUK and CIFGE would comfortably be able to withstand an increase in the loss severity assumption used in the Standard Formula for the two largest risks from 10% to 20%. In this scenario, AGLN would have insufficient capital to meet the SCR. If it appeared that this scenario could occur, AGLN would seek appropriate risk mitigation such as reinsurance of portions of its largest risks to an affiliate or a capital contribution from its U.S. indirect parent.

C.2 MARKET RISK

The potential for market risk resides mainly in the Individual Companies' investment portfolio. The investment portfolios of the Individual Companies are managed externally by outside investment managers, except for AGUK, which also internally manages a portion of its investment portfolio related to loss mitigation purchases. Specific investment guidelines are agreed with the outside investment managers and approved by the U.K. Companies' Boards (or CIFGE's Directoire), consistent with the 'prudent person principle' set out in Solvency II Regulation, and setting forth credit rating standards, single risk and asset category limits and duration guidelines to mitigate market risk.

One of the primary objectives in managing the investment portfolio is to support the highest possible rating for the Individual Companies. The overall portfolio credit quality at the Individual Companies (excluding the loss mitigation bonds in the internally managed portfolio) on an ongoing basis must be rated a minimum of "AA-"/"Aa3"/"AA-" as measured by S&P, Moody's and Fitch. A minimum of 70% of the portfolio must be invested in securities rated at least in the "AA" category by two of S&P, Moody's and Fitch. No purchase is permitted in a security rated lower than "A-"/"A3"/"A-", or in the case of corporate securities rated lower than "BBB"/"Baa2"/"BBB" by S&P, Moody's or Fitch, respectively. All securities purchased by external managers must be rated by one of S&P, Moody's or Fitch and at least 95% of the portfolio must be rated by two of S&P, Moody's and Fitch.

The following table shows the AGE Group's and the Individual Companies' investment portfolios (excluding cash) as of 31 December 2017 and 2016.

Investment Portfolio (Excluding Cash)

	As of 31 December 2017		As of 31 December 2016	
	(in thousands)			
AGE Group	£	764,309	N/A	
AGE	£	188,273	£	188,133
AGLN	£	433,275	£	376,946
AGUK	£	111,107	£	111,614
CIFGE	€	35,630	€	39,003

AGE

There were no significant changes over the reporting period.

AGLN

AGLN's total investment portfolio increased over the reporting period as cash was invested into longer term securities.

AGUK

AGUK's internally managed portfolio allocation increased to 39% from 15% over the reporting period due primarily to an additional purchase. The internally managed portfolio consists of distressed credits insured by AGUK that were acquired for loss mitigation purposes. The externally managed portfolio decreased to 61% from 85% over the reporting period. The externally managed portfolio is a high quality, highly liquid portfolio.

CIFGE

CIFGE's investment portfolio composition changed as short term investments were invested into longer term securities.

Currency Risk

The AGE Group and the U.K. Companies are exposed to currency risk in respect of liabilities under financial guarantees denominated in currencies other than GBP. The most significant currency to which the AGE Group and the U.K. Companies are exposed is the euro. The AGE Group and the U.K. Companies manage their exposure from time to time by maintaining assets denominated in those currencies in which they are exposed in order to meet liabilities that may become due.

Measurement

The Individual Companies measure the results of their investment portfolios by their compliance with investment guidelines, and by the portfolio performance, particularly book yield relative to a benchmark. The benchmark is a published index based on securities similar to those in the Individual Companies' investment portfolios, or an amalgam of such indices, against which they compare their portfolio return.

Risk Concentration

As of 31 December 2017, the AGE Group's investment portfolio had an average credit quality rating of "AA-". The average credit quality ratings of AGE, AGLN, AGUK and CIFGE were AA, AA, BBB and AA, respectively. Issuer constraints as well as sector limitations are also followed in managing the investment portfolio. The table below sets forth the sector concentrations across the portfolio as of 31 December.

Composition of Investment Portfolio by Security Type

	% of Portfolio								
	AGE Group	AGE		AGLN		AGUK		CIFGE	
	2017	2017	2016	2017	2016	2017	2016	2017	2016
U.K. Government bonds	29.9%	63.0%	64.9%	12.6%	22.7%	37.8%	56.5%	41.1%	13.8%
Government guaranteed	27.4	8.6	6.7	42.2	32.8	5.7	5.1	12.3	2.3
Corporate bonds	22.2	22.4	22.3	23.0	24.4	12.8	4.6	40.2	50.4
U.S. Government bonds	9.1	—	—	16.1	—	—	—	—	—
Asset and mortgage backed	5.9	—	—	0.1	5.5	38.7	14.6	6.1	3.8
Covered bonds	5.5	6.0	6.1	6.0	14.6	5.0	19.2	0.3	2.4
Short-term	—	—	—	—	—	—	—	—	27.3
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Risk Mitigation

In the event of any downgrade of any investment below the Individual Companies requirements, the portfolio manager must contact the AGL Group CFO or Treasurer to discuss the course of action and may hold the position only if approved by the AGL Group CFO or Treasurer, and AGE's CEO.

Risk Sensitivity

The main risk in the investment portfolios is interest rate risk on fixed rate investments. Each quarter, as part of its ORSA, outside investment managers provide the results of sensitivity to stress testing of the investment portfolio to interest rate movements. The scenario below assumes a 200% parallel upwards shift in the yield curve across all maturities. No benefit is assumed for future management actions which could potentially mitigate losses.

	Upward Shift in Yield Curve	Increase/ (Decrease) in Value of Investment Portfolio		Interest Rate Risk included in Standard Formula Calculation of the SCR		Increase of the SCR in this Scenario		Decrease of SCR Ratio
		(in thousands)						(in percentage points)
AGE Group	200 bps	£	(54,678)	£	(36,166)	£	5,388	3
AGE	200 bps	£	(13,296)	£	(7,669)	£	931	5
AGLN	200 bps	£	(28,874)	£	(25,578)	£	4,559	12
AGUK	200 bps	£	(11,098)	£	(3,096)	£	966	0.4
CIFGE	200 bps	€	(1,586)	€	(226)	€	580	19

The results above show that the AGE Group and the Individual Companies would comfortably be able to withstand an increase in the yield curve by 200 bps.

C.3 CREDIT RISK

The AGE Group and the Individual Companies' most significant credit risks are the risk of non-payment by the obligors on the transactions that they insure, and the counterparty risk to the reinsurers that assume a substantial portion of a substantial portion of AGE's, AGUK's and CIFGE's outstanding exposures and a small portion of AGLN's outstanding exposures. These credit risks were addressed above in *Section C.1 Underwriting Risk*. The only other counterparty credit risk the AGE Group and the Individual Companies have relates to cash that the AGE Group and the individual companies hold in their investment portfolio.

The following table shows cash and cash equivalents for Solvency II as of 31 December 2017 and 2016. The table excludes money market funds.

	As of 31 December 2017		As of 31 December 2016	
	(in thousands)			
AGE Group	£	20,154	N/A	
AGE	£	13,600	£	18,089
AGLN	£	3,085	£	59,068
AGUK	£	1,713	£	1,147
CIFGE	€	1,976	€	12,996

The decrease in AGLN's and CIFGE's cash and cash equivalents over the reporting period was primarily due to investments in long-term securities. See *Section C.2 Market Risk*, for additional information.

C.4 LIQUIDITY RISK

The AGE Group and the Individual Companies manage their liquidity risk by maintaining a liquid, high quality investment portfolio, with a duration that is shorter than the duration of their insurance liabilities. Additionally, the Individual Companies are only required to pay principal and interest claims as they come due according to the original bond payment schedule, and the payments cannot be accelerated without the Individual Companies' consent.

Investment portfolio duration and Expected future profit included in future premiums

The AGE Group and the Individual Companies measure duration relative to their investment guideline range, discussed above, which is set in accordance with the Individual Companies' investment guidelines.

	Portfolio Average Duration	Expected future profit included in future premiums (as calculated by Solvency II Regulation) (in millions)	
AGE Group	3.7 years	£	223.7
AGE	3.7 years	£	59.8
AGLN	3.5 years	£	162.6
AGUK	4.8 years	£	0.4
CIFGE	2.3 years	€	1.1

For more information on the portfolios, see *Section A.3 Investment Performance.*

Risk Sensitivity

Each quarter, as part of their ORSA, the Individual Companies perform liquidity stress testing to ensure that they have sufficient liquid assets over the next 12 month period to cover all of their liabilities that could arise in a stress scenario. When the Individual Companies perform the stress test, they consider only government bonds, money markets and cash to be liquid assets.

C.5 OPERATIONAL RISK

The AGE Group and the Individual Companies each faces a variety of operational risks including those related to information technology, accounting, legal and regulatory matters, as well as risks related to performance by affiliated companies pursuant to a services agreement and third party service providers. The AGE Group has only 147 risks in its insured portfolio and generally adds a small number of new transactions each year, limiting potential operational errors. As of 31 December 2017: AGE had 108 risks in its insured portfolio; AGLN had 30 risks in its insured portfolio (AGLN is in run-off); AGUK had seven risks in its insured portfolio (AGUK is in run-off); and CIFGE had 10 risks in its insured portfolio (CIFGE is in run-off) The relatively small number of risks allows careful review of the transaction documents and quality control of the data points captured in the AGE Group's systems by knowledgeable employees.

Operational risks are further limited by the AGE Group’s and the Individual Company's respective risk management policies, such as the policies governing the credit approval process (for AGE specifically), compliance, data protection, business continuity planning, and employee conduct. Additional mitigants to operational risk include that their service agreements are with stable affiliated companies, and the system of internal controls in place, which are described in *Section B.4 Internal Control System.*

With regard to legal risk, as of 31 December 2017 none of the Individual Companies were involved in any ongoing litigation.

In December 2008, AGUK filed an action in the Supreme Court of the State of New York against JPMIM, the investment manager for a triple-X life insurance transaction, Orkney, involving securities guaranteed by AGUK. The action alleged that JPMIM engaged in breaches of fiduciary duty, gross negligence and breaches of contract based upon its handling of the Orkney investments. The trial commenced on 13 March 2017. During a court ordered mediation session, on 25 March 2017, the parties agreed to settle the litigation and subsequently filed a stipulation of discontinuance of the court proceedings with prejudice. The parties have agreed to keep the terms of the settlement confidential.

C.6 OTHER MATERIAL RISKS

The other material risks described below apply to the AGE Group and the Individual Companies unless otherwise stated.

Brexit

The Individual Companies are evaluating the impact of Brexit on their respective businesses. On 29 March 2017, the U.K. served formal notice on the European Council of its wish to withdraw under Article 50 of the Treaty on European Union. Negotiations have commenced between the U.K. and EU to agree the terms of withdrawal and to settle the U.K.’s future relationship with the EU, including the terms of trade between the U.K. and the EU. Brexit may impact laws, rules and regulations applicable to the Individual Companies and their respective operations.

The Individual Companies cannot predict the direction Brexit-related developments will take nor the impact of those developments on the economies of the markets the Individual Companies serve. which may materially adversely affect the Individual Companies' business, results of operations and financial condition. However, the Individual Companies have identified certain areas where Brexit may impact its business:

- *Origination of New Business Elsewhere in the EU*. Currently, EU directives allow the U.K. Companies to conduct business in other EU or EEA states based on their respective U.K. permissions. This is sometimes called "passporting". Depending on the terms of Brexit, AGE may, once Brexit is implemented, lose the ability to insure new transactions from London in non-U.K. EU and EEA countries without obtaining additional licenses, which may require a presence in another EU country. Most of the new transactions insured by AGE since 2008 have been in the U.K. In the event that passporting rights are not retained, AGE is assessing a number of options in order to continue with the ability to write new business in EEA states.

- *Management of Existing Business Elsewhere in the EU*. As of 31 December 2017, approximately £1,374 million of the AGE Group's insured net par is to risks located in EU and EEA countries other than the U.K. If the U.K. Companies lose their passporting in other EU or EEA states once Brexit is implemented, the U.K. Companies may lose the ability to manage transactions from London in non-U.K. EU and EEA countries without obtaining additional licenses, which may require a presence in another EU country. In particular, Brexit-related changes in laws and regulations may adversely affect the U.K. Companies' and surveillance and loss mitigation activities with respect to existing insured transactions in non-U.K. EU and EEA countries. The U.K. Companies are assessing a number of options in order to ensure that they can effectively mitigate the potential impact of Brexit on their ability to continue to manage their existing business in those EEA states.

- *Currency Impact*. The U.K. Companies report their accounts in GBP, while some of their income, expenses, assets and liabilities are denominated in other currencies. Currency fluctuations as a result of Brexit will impact the results of the U.K. Companies.

- *Overall Economic Impact*. Brexit may cause political, social and economic uncertainty. That uncertainty and any other changes arising from Brexit may have a negative impact on the economies of the U.K. as well as non-U.K. EU and EEA countries, which may increase the probability of losses on obligations insured by the Individual Companies that are exposed to risks in the U.K. and non-U.K. EU and EEA countries.

- *Overall Legal Impact.* Brexit could lead to legal uncertainty and politically divergent national laws and regulations as the U.K. determines which EU laws to replace or replicate. Changes in such law and regulation could adversely impact the U.K. Companies (for example, changes to tax laws), which continue to monitor developments in this regard as part of the Brexit contingency planning.

- *Employees*. While nearly a quarter of the employees working for the U.K. Service Company are non-U.K. EU or EEA citizens, most of those employees currently qualify, and the U.K. Companies expect the rest to qualify within the next two years, to become permanent residents under current U.K. law.

Cyberrisk

The AGE Group and the Individual Companies rely upon information technology and systems, including technology and systems provided by or interfacing with those of third parties, to support a variety of their business processes and activities. While the AGE Group and the Individual Companies do not believe that the financial guarantee industry is as inherently prone to cyber-attacks as industries relating to, for example, payment card processing, banking, critical infrastructure or defence contracting, the AGE Group's and the Individual Companies' data systems and those of third parties on which they rely are still vulnerable to security breaches due to cyber-attacks, viruses, malware, hackers and other external hazards, as well as inadvertent errors, equipment and system failures, and employee misconduct. Problems in or security breaches of these systems could, for example, result in lost business, reputational harm, the disclosure or misuse of confidential or proprietary information, incorrect reporting, inaccurate loss projections, legal costs and regulatory penalties.

The AGE Group's and Individual Companies' business operations rely on the continuous availability of their computer systems as well as those of certain third parties. In addition to disruptions caused by cyber-attacks or other data breaches, such systems may be adversely affected by natural and man-made catastrophes. The AGE Group and Individual Companies' failure to maintain business continuity in the wake of such events, particularly if there were an interruption for an extended period, could prevent the timely completion of critical processes across their operations, including, for example, claims processing, treasury and investment operations and payroll. These failures could result in additional costs, fines and litigation.

The Individual Companies are subject to U.K., French and EU laws and regulations (as applicable) regarding their information systems and data protection, including personally identifiable information. The AGE Group and Individual Companies' failure to comply with these requirements, even absent a security breach, could result in penalties, reputational harm or difficulty in obtaining desired consents from regulatory authorities.

C.7 ANY OTHER INFORMATION

None.

D. VALUATION FOR SOLVENCY PURPOSES

D.1 ASSETS

The following is a description of the valuation methodology used to arrive at the value of each category of assets shown on the balance sheet for Solvency II purposes for AGE Group, and the Individual Companies and the differences to U.K. GAAP (for AGE Group, and the U.K. Companies) and to French STAT (for CIFGE). The valuation methodology described below applies to the AGE Group and the Individual Companies, unless otherwise stated. Monetary assets in foreign currency have been translated into GBP at the rates of exchange ruling at the balance sheet date for both Solvency II and financial statement purposes.

Deferred Acquisition Costs

Under Solvency II, deferred acquisition costs are immediately expensed and future operating expenses are incorporated within technical provisions which is a liability on the Solvency II balance sheet. Under U.K. GAAP, acquisition costs incurred, which represent a portion of expenses related to the production of business, are deferred and amortised over the period in which the related premiums are earned. CIFGE does not record deferred acquisition costs under French STAT.

Deferred Tax Assets

Deferred tax assets are established for the temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse. Please see additional information regarding deferred tax assets in the respective sections below.

Investments

The AGE Group, and U.K. Companies recognise the value of financial investments for Solvency II purposes on the same basis recognised in the financial statements under U.K. GAAP with the exception of treatment of accrued interest. Under U.K. GAAP the fair value of financial investments traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm’s length basis. The fair values of financial instruments that are not traded in active markets are established by the directors, using valuation techniques which seek to arrive at the prices at which orderly transactions would take between market participants, including broker prices and, if applicable, models.

- All of the investment assets, which are liquid (government bonds, corporates, and collateralised securities) were valued using a third party pricing source that provides daily prices based upon a combination of active market quotes, quotes for similar instruments, market data, and internal pricing matrices.

- For assets that do not have market prices in actively traded markets, which comprised 5.6% of the investment portfolio, AGE Group used the assistance of an independent third party to price them. The pricing is based on a discounted cash flow approach using the third-party’s proprietary pricing models. The models use inputs such as observed market trades or market colour on the referenced notes. The yield used to discount the projected cash flows is determined by reviewing various attributes of the bond including collateral type, weighted average life, sensitivity to losses, vintage, and convexity, in conjunction with market data on comparable securities. For assets related to life insurance securitisations, the projected cash flows are also effected by the market value of the collateral portfolio above the economic reserve amount and forward London Interbank Offered Rate rates, in addition to the items previously mentioned. Significant changes to any of these inputs could materially change the expected timing of cash flows within these securities which is a significant factor in determining the fair value of the securities.

Additionally under Solvency II, the fair value of financial investments includes accrued interest at the balance sheet date. Under U.K. GAAP accrued interest is presented separately on the balance sheet. The fair values of financial investments and accrued interest receivable in foreign currency have been translated into GBP at the rates of exchange ruling at the balance sheet date for both Solvency II and financial statement purposes.

AGE in its solo reporting assigns a value for the investment in subsidiaries which is eliminated for AGE Group reporting purposes. Under U.K. GAAP the value of investment in subsidiaries is reported at cost less accumulated impairment losses. Under Solvency II the value of investment in subsidiaries is reported as the summation of the Subsidiaries’ excess of assets over liabilities derived from their individual Solvency II balance sheets.

For French STAT reporting purposes CIFGE recognises financial investments at historical cost, excluding accrued interest which is recorded in a separate line item on the financial statements. For both Solvency II and French STAT reporting the financial investments and accrued interest in foreign currencies are translated to euro at the rates of exchange ruling at the balance sheet date. CIFGE, for Solvency II reporting purposes, recognises financial investments at fair value, including accrued interest.

Reinsurance Recoverables

Reinsurance recoverables recognised for Solvency II purposes consist of the reinsurers' share of technical provisions calculated, using AGE Group's and Individual Companies' discounted cash flows related to the existing insured portfolio. However the reinsurance recoverables reported within the financial statements follow U.K. GAAP (for AGE Group, and the U.K. Companies) or French STAT (for CIFGE), and consist of reinsurers' share of provisions for unearned premiums, claims outstanding and other technical provisions (i.e., unexpired risk provisions).

The valuation methodologies for technical provisions under Solvency II and U.K. GAAP or French STAT are discussed in *Section D.2 Technical Provisions.*

Insurance and Intermediaries Receivables

Insurance and intermediaries receivables recognised for Solvency II purposes consist of premiums that were receivable at the balance sheet date. Insurance and intermediaries receivables reported under U.K. GAAP for AGE Group, and the U.K. Companies consist of both premiums that were receivable at the balance sheet date and future premiums receivable on an undiscounted basis (for AGE and AGUK) or a discounted basis (for AGLN). Additionally U.K. GAAP value includes salvage receivable related to historic claims paid. For Solvency II purposes these amounts are included in technical provisions. For CIFGE, reinsurance receivables recognised for Solvency II and French STAT purposes consist of current reinsurance premiums only since future premiums receivable are not recorded under French STAT.

Insurance premiums receivable in foreign currency have been translated into GBP for the AGE Group, and the U.K. Companies, and into euros for CIFGE at the rates of exchange ruling at the balance sheet date for both Solvency II and financial statement purposes.

Reinsurance Receivables

Reinsurance receivables recognised for Solvency II purposes consist of reinsurance commissions that were receivable at the balance sheet date. Reinsurance commission receivables reported under U.K. GAAP consist of both reinsurance commissions that were receivable at the balance sheet date and future reinsurance commissions receivable on an undiscounted basis. CIFGE does not have any reinsurance commissions.

Receivables (Trade, not Insurance)

These relate to other debtors that were due at the balance sheet date. The balance has been valued at expected settlement amounts under U.K. GAAP, French STAT and Solvency II.

Cash and Cash Equivalents

Cash relates to deposits made at financial institutions (e.g., cash held at a bank). These are recognised at the face value of the currency amount (translated into GBP (or euros for CIFGE) at the rates of exchange ruling at the balance sheet date where applicable) without any deductions.

Any Other Assets, not Elsewhere Shown

Under U.K. GAAP or French STAT for CIFGE, other assets relate to accrued interest that were due at the balance sheet date and prepaid expenses. Accrued interest receivable in foreign currency has been translated into GBP or euros for CIFGE at the rates of exchange ruling at the balance sheet date. Under Solvency II, accrued interest is included within the value of financial investments and only prepaid expenses are reported under this criteria. Prepaid expenses are valued at cost, on the proportion of goods and services that have not been consumed.

AGE Group

The following table presents asset accounts for Solvency II and U.K. GAAP for financial statement purposes.

Assets
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Deferred acquisition costs	£ 32,095	£ —
Deferred tax assets	—	19,785
Investments	764,309	793,031
Property, plant & equipment held for own use	832	—
Reinsurance recoverables:		
Reinsurer's share of provision for unearned premiums	465,858	—
Reinsurer's share of claims outstanding	18,035	—
Reinsurer's share of other technical provisions (unexpected risk provisions)	17,749	—
Reinsurer's share of technical provisions (premium provision and claims provision)	—	2,749
Total reinsurance recoverables	501,642	2,749
Insurance and intermediaries receivables:		
Current premiums receivable	11,651	11,651
Future premiums receivable	478,008	—
Salvage recoverable	21,135	—
Total insurance and intermediaries receivables	510,794	11,651
Reinsurance receivables:		
Current reinsurance commissions receivable	3,450	3,450
Future reinsurance commissions receivable	70,447	—
Reinsurer's share of paid claims	1,075	1,075
Total reinsurance receivables	74,972	4,525
Receivables (trade, not insurance)	15	15
Cash and cash equivalents	41,082	20,154
Other assets	7,855	62
Total assets	£ 1,933,596	£ 851,972

Deferred Tax Assets and Liabilities

Deferred tax assets or liabilities are established for the temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse. At the end of the reporting period, the Group has £19.8 million of net deferred tax assets.

Based on its projections for continued future taxable income, AGE Group believes that its deferred tax assets are more likely than not to be realised.

AGE

The following table presents asset accounts for Solvency II and U.K. GAAP for financial statement purposes.

Assets
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Deferred acquisition costs	£ 25,382	£ —
Deferred tax assets	10	—
Investments	511,153	631,983
Property, plant & equipment held for own use	832	—
Reinsurance recoverables:		
Reinsurer's share of provision for unearned premiums	439,346	—
Reinsurer's share of other technical provisions (unexpected risk provisions)	15,996	—
Reinsurer's share of technical provisions (premium provision and claims provision)	—	9,575
Total reinsurance recoverables	455,342	9,575
Insurance and intermediaries receivables:		
Current premiums receivable	5,240	5,240
Future premiums receivable	222,646	—
Total insurance and intermediaries receivables	227,886	5,240
Reinsurance receivables:		
Current reinsurance commissions receivable	1,410	1,410
Future reinsurance commissions receivable	61,460	—
Reinsurer's share of paid claims	163	163
Total reinsurance receivables	63,033	1,573
Cash and cash equivalents	32,101	13,600
Other assets	2,721	6
Total assets	£ 1,318,460	£ 661,977

AGLN

The following table presents asset accounts for Solvency II and U.K. GAAP for financial statement purposes.

Assets
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Deferred acquisition costs	£ 5,892	£ —
Deferred tax assets	1,223	11,706
Investments	433,275	436,965
Reinsurance recoverables:		
Reinsurer's share of provision for unearned premiums	5,200	—
Reinsurer's share of other technical provisions (unexpected risk provisions)	38	—
Reinsurer's share of technical provisions (premium provision and claims provision)	—	(2,268)
Total reinsurance recoverables	5,238	(2,268)
Insurance and intermediaries receivables:		
Current premiums receivable	789	789
Future premiums receivable	206,355	—
Total insurance and intermediaries receivables	207,144	789
Reinsurance receivables:		
Current reinsurance commissions receivable	2	2
Future reinsurance commissions receivable	1,509	—
Total reinsurance receivables	1,511	2
Receivables (trade, not insurance)	15	15
Cash and cash equivalents	3,085	3,085
Other assets	3,694	5
Total assets	£ 661,077	£ 450,299

Deferred Tax Assets and Liabilities

Deferred tax assets are established for the temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse.

Based on its projections for continued future taxable income, AGLN believes that its deferred tax assets are more likely than not to be realised.

AGUK

The following table presents asset accounts for Solvency II and U.K. GAAP for financial statement purposes.

Assets
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Deferred acquisition costs	£ 77	£ —
Deferred tax assets	12	5,496
Investments	111,107	114,614
Reinsurance recoverables:		
Reinsurer's share of provision for unearned premiums	2,670	—
Reinsurer's share of claims outstanding	13,408	—
Reinsurer's share of other technical provisions (unexpected risk provisions)	1,391	—
Reinsurer's share of technical provisions (premium provision and claims provision)	—	(10,551)
Total reinsurance recoverables	17,469	(10,551)
Insurance and intermediaries receivables:		
Current premiums receivable	5,551	5,551
Future premiums receivable	374	—
Salvage recoverable	20,884	—
Total insurance and intermediaries receivables	26,809	5,551
Reinsurance receivables:		
Current reinsurance commissions receivable	2,037	2,037
Future reinsurance commissions receivable	175	—
Reinsurer's share of paid claims	912	912
Total reinsurance receivables	3,124	2,949
Cash and cash equivalents	4,141	1,713
Other assets	1,078	—
Total assets	£ 163,817	£ 119,772

Deferred Tax Assets and Liabilities

Deferred tax assets are established for the temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse.

Based on its projections for continued future taxable income, AGUK believes that its deferred tax assets are more likely than not to be realised.

CIFGE

The following table presents asset accounts for Solvency II and French STAT for financial statement purposes.

Assets
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Investments	€ 36,165	€ 35,981
Deferred tax assets	—	3,373
Reinsurance recoverables:		
Reinsurer's share of provision for unearned premiums	861	—
Reinsurer's share of claims outstanding	383	—
Reinsurer's share of other technical provisions (unexpected risk provisions)	16,497	—
Reinsurer's share of technical provisions (premium provision and claims provision)	—	6,746
Total reinsurance recoverables	17,741	6,746
Insurance and intermediaries receivables	81	81
Receivables (trade, not insurance)	79	79
Cash and cash equivalents	1,976	1,976
Other assets	355	—
Total assets	€ 56,397	€ 48,236

Deferred Tax Assets and Liabilities

Deferred tax assets are established for the temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse. Based on its projections for continued future taxable income, CIFGE believes that its deferred tax assets are more likely than not to be realised.

D.2 TECHNICAL PROVISIONS

The AGE Group and the Individual Companies have only one line of business, insuring credit, suretyship and miscellaneous financial loss. The gross and net best estimate technical provisions values are the present value of future cash outflows less the present value of future cash inflows. The present value of cash outflows includes the expected lifetime loss calculated using the AGE Group and the Individual Companies' internally developed ICA model plus an Expense Load. The present value of the cash inflows includes all future premiums and ceding commissions and salvage receivable related to historic claims paid expected to be received after consideration of potential non–payment on premiums due to future defaults of guaranteed transactions.

Expected lifetime losses under Solvency II are calculated using the AGE Group and the Individual Companies' ECM which uses assumptions for cumulative probability of default, loss given default and correlation to calculate the gross expected cash outflows that the Individual Companies will be required to pay over the lifetime of the insured exposures. AGE Group and the Individual Companies consider both external and internal sources of data when setting their assumptions for probability of default, loss given default and correlation, including any relevant experience by companies within AGL Group. The boundary of each insurance contract is assumed to be the period of time during which the principal on the debt underlying the financial guarantee contract is greater than £0. AGE Group and the Individual Companies use expert judgement to assess future inflation rates for guarantees that are linked to an inflation index.

For purposes of the Best Estimate Technical Provisions calculation, the Expense Load was projected based on AGE Group and the Individual Companies' current operating costs taking into consideration activities required to service the existing insured portfolio.

The percentage of premiums expected not to be received due to potential defaults was developed by applying judgement for default rates to the policies in the insured portfolio that pay premiums in the future.

The risk margin was calculated as the present value of the future cost of capital in all future years as the insured exposure runs off. The risk margin captures the carrying cost of capital that a third party would be required to hold if AGE Group and the Individual Companies were to transfer their technical provisions to a third party. For purposes of the risk margin calculation, the EIOPA specified risk free rates for GBP (for AGE Group, and U.K. Companies) and for euro (for CIFGE) as of 31 December 2017 were used for discounting. The SCR was calculated for each future year until maturity of AGE Group's and the Individual Companies' final policy and the cost of capital percentage was assumed to be equal to 6%, as mandated by the Solvency II Regulation. The SCR is projected to decline over time in proportion to the insured GPO.

While AGE Group and the Individual Companies believe that the assumptions and methods used to develop the Technical Provisions are reasonable and consistent and that they provide for a calculation of future expectations in an appropriate manner, it remains possible that future experience in future premiums, future ceding commissions, projected operating expenses, default probabilities, severities, and correlations may not be in line with expectations. Since AGE Group and the Individual Companies guarantee against low probability events that have large nominal exposures despite the expectation that the severity of any loss would be low, the uncertainty within projected losses used in the calculation of the Technical Provisions is high. For AGE, AGUK and CIFGE, this uncertainty in the gross projected losses is substantially mitigated by significant levels of reinsurance protection. The level of uncertainty in respect of future premiums, future ceding commission and projected operating expenses is expected to be low because, in most cases, future premiums and ceding commissions are contractually guaranteed and the annual operating expenses that would be required to runoff the portfolio can be estimated based on current staffing levels. The AGE Group and Individual Companies do not include any benefits due to future management actions and it is unlikely that policyholder behaviour would affect the technical provisions.

AGE Group and the Individual Companies also believe that the assumptions and methods used to develop the risk margin value are reasonable and consistent and that they provide for a calculation of the appropriate economic capital cushion required by the Solvency II.

The Level 2 Guidance for implementing Solvency II requires that the Best Estimate Technical Provisions include expected future cash inflows and outflows, excluding investment income.

The following is a listing of the material differences between Solvency II and U.K. GAAP or French STAT (for CIFGE) Technical Provisions. The Technical Provisions for Solvency II include the following discounted provisions (for Solvency II purposes, the EIOPA specified risk free rates are used):

- premiums scheduled to be received, less the expected amounts not to be paid due to defaults on underlying transactions, as required by the Solvency II Regulation, discounted (U.K. GAAP for AGE and AGUK includes undiscounted premiums and does not have a provision for amounts not to be paid unless such a scenario is likely; French STAT includes current premiums due at the balance sheet date),

- ceded premiums scheduled to be paid, less the expected amounts not to be paid due to defaults on underlying transactions, as required by the Solvency II Regulation, discounted (U.K. GAAP for AGE and AGUK includes undiscounted premiums and does not have a provision for amounts not to be paid unless such a scenario is likely; French STAT includes current ceding commissions due at the balance sheet date),

- projected losses for all credits within the insurance portfolio discounted using the EIOPA specified risk free rate (U.K. GAAP is discounted using the expected return on the assets only for exposures that are likely to have losses; under French STAT, the case reserve is discounted using the return on the investment portfolio and the bulk reserve is discounted using the EIOPA specified risk free rate),

- projected losses due to reinsurance counterparty defaults (U.K. GAAP does not include a provision for amounts not to be paid unless such a scenario is likely), and

- Projected Expense Load (U.K. GAAP or French STAT does not include a projected expense load).

The projected losses under Solvency II are significantly higher than under U.K. GAAP for AGE Group, AGE, AGLN and AGUK because a loss value is ascribed to every exposure guaranteed by the AGE Group, AGE, AGLN and AGUK instead of just exposures that are likely to have losses. The discount rates provided by EIOPA are typically lower than the ones used by the AGE Group and the U.K. Companies to discount its liabilities under U.K. GAAP. For CIFGE, the projected losses under Solvency II are not materially different than the loss reserves under French STAT. There are minor differences due to the different discount rates used in the calculation of the case reserve.

As of 31 December 2016, AGLN calculated projected losses using its approved Internal Model. On 7 April 2017 the PRA granted AGLN a waiver to no longer use its Internal Model. Since that date, AGLN has used its ICA model to calculate projected losses in the calculation of its Technical Provisions. There have not been any other material changes to the assumptions or methods used in the calculations of Technical Provisions or risk margin from that used to calculate these balances since 31 December 2016.

Matching Adjustment

The matching adjustment referred to in Article 77(b) of the Directive is not used in any of AGE Group's or the Individual Companies' calculations.

Volatility Adjustment

The volatility adjustment referred to in Article 77(d) of the Directive is not used in any of AGE Group's or the Individual Companies' calculations.

Transitional Risk Free Interest Rate Term Structure

The transitional risk free interest rate term structure referred to in Article 308(c) of the Directive is not used in any of AGE Group's or the Individual Companies' calculations.

Transitional Deduction

The transitional deduction referred to in Article 308(d) of the Directive is not used in any of AGE Group's or the Individual Companies' calculations.

Recoverables From Reinsurance and Special Purpose Vehicles

AGE and AGUK reinsure a significant amount of their exposure to affiliated and non-affiliated reinsurers. CIFGE reinsures 100% of its exposure to an affiliated reinsurer and AGLN reinsures 1.4% of its exposure to affiliated reinsurers. In calculating the Technical Provisions and risk margin net of this reinsurance, AGE Group and the Individual Companies assume that the reinsurers pay their contractually obligated payments and likewise receive their share of any recoveries. Under Solvency II, reinsurance recoverables for these transactions represent the contractually obligated payments, less a component for the expected losses in the event that reinsurers are unable to make their share of these payments in excess of the amount of collateral available. This component is calculated based on the projected ceded expected losses to each reinsurer, the assumed cumulative default rate of each reinsurer and the amount of collateral posted by each reinsurer. Under U.K. GAAP and French STAT, AGE Group and the Individual Companies do not include a provision for reinsurance counterparty default unless such a scenario, in which the reinsurer fails to pay, becomes likely.

There are no special purpose vehicle recoverables included in any of the calculations of Technical Provisions or risk margin.

AGE Group

Technical Provisions under Solvency II versus Financial Statements under U.K. GAAP

Technical Provisions
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Best Estimate	£ —	£ (79,317)
Risk margin	—	246,131
Provision for unearned premiums	713,336	—
Claims outstanding	20,039	—
Unexpired risk provisions	25,430	—
Total	£ 758,805	£ 166,814

AGE

Technical Provisions under Solvency II versus Financial Statements under U.K. GAAP

Technical Provisions
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Best Estimate	£ —	£ (7,788)
Risk margin	—	10,552
Provision for unearned premiums	395,683	—
Unexpired risk provisions	16,241	—
Total	£ 411,924	£ 2,764

AGLN

Technical Provisions under Solvency II versus Financial Statements under U.K. GAAP

Technical Provisions
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Best Estimate Technical Provisions	£ —	£ (113,033)
Risk margin	—	229,217
Provision for unearned premiums	263,333	—
Unexpired risk provisions	7,643	—
Total technical provision	£ 270,976	£ 116,184

AGUK

Technical Provisions under Solvency II versus Financial Statements under U.K. GAAP

Technical Provisions
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Best Estimate	£ —	£ 21,866
Risk margin	—	4,454
Provision for unearned premiums	2,904	—
Claims outstanding	14,898	—
Unexpired risk provisions	1,545	—
Total	£ 19,347	£ 26,320

CIFGE

Technical Provisions under Solvency II versus Financial Statements under French STAT

Technical Provisions
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Best Estimate	€ —	€ 22,105
Risk margin	—	2,147
Provision for unearned premiums	3,487	—
Case reserve	383	—
Other technical reserve	16,497	—
Total	€ 20,367	€ 24,252

D.3 VALUATION OF OTHER LIABILITIES

The following is a description of the valuation methodology used to arrive at the value of each category of liabilities shown on the balance sheet for Solvency II purposes and the differences to U.K. GAAP (for AGE Group, an U.K Companies) or French STAT (for CIFGE). The valuation methodology described below applies to the AGE Group and the Individual Companies, unless otherwise stated. Monetary liabilities in foreign currency have been translated into GBP at the rates of exchange ruling at the balance sheet date for both Solvency II and financial statement purposes.

Reinsurance Payables

Reinsurance premiums payable in foreign currency have been translated into GBP for the AGE Group and the U.K. Companies or euros for CIFGE at the rates of exchange ruling at the balance sheet date for both Solvency II and financial statement purposes.

Reinsurance payables recognised for Solvency II purposes consist of reinsurance premiums that were payable at the balance sheet date. Reinsurance premiums payable reported under U.K. GAAP consist of both reinsurance premiums that were payable at the balance sheet date and future reinsurance premiums payable on an undiscounted basis (AGE and AGUK) or discounted basis (for AGLN). Additionally, the U.K. GAAP value includes reinsurer's share of salvage receivable related to historic claims paid. For Solvency II purposes these amounts are included in technical provisions. Reinsurance premiums payable reported under French STAT consist of premiums that were payable at the balance sheet date.

Payables (Trade, not Insurance)

Trade payables relate to amounts owed to other creditors, including amounts owed to affiliated companies. The balance has been valued at expected settlement amounts under U.K. GAAP, French STAT and Solvency II.

Deferred Tax Liabilities

Deferred tax liabilities are established for the temporary differences between the financial statements carrying amounts and the tax bases and liabilities using enacted rates in effect for the year in which the differences are expected to reverse.

Any Other Liabilities, not Elsewhere Shown

Any other liabilities not shown elsewhere recognised for Solvency II purposes consist of accrued expenses that have not been settled at the balance sheet date. U.K. GAAP balances for the AGE Group and the U.K. Companies also include deferred reinsurance commissions at the balance sheet date. Under Solvency II the reinsurance commissions are incorporated within technical provisions. Accrued expenses are valued at cost, on the proportion of goods and services that have been consumed.

For CIFGE, under French STAT, other liabilities relate to the purchase discount on the investment portfolio at the balance sheet date since investments are recorded at historical cost. For Solvency II reporting purposes investments are recorded at fair value.

AGE Group

The following table presents liabilities for Solvency II and financial statement purposes under U.K GAAP.

Liabilities
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Reinsurance payables:		
Current reinsurance premiums payable	£ 9,886	£ 9,886
Future reinsurance premiums payable	231,720	—
Salvage payable	19,022	—
Total reinsurance payables	260,628	9,886
Payables (trade, not insurance)	27,051	27,051
Other liabilities:		
Reinsurance commissions deferred	139,859	—
Other liabilities (including accrued expenses)	2,425	505
Total other liabilities	142,284	505
Total liabilities excluding technical provisions	429,963	37,442
Technical provisions	758,805	166,814
Total liabilities	£ 1,188,768	£ 204,256

AGE

The following table presents liabilities for Solvency II and financial statement purposes under U.K GAAP.

Liabilities
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Deferred tax liabilities	£ —	£ 15,746
Reinsurance payables:		
Current reinsurance premiums payable	4,753	4,753
Future reinsurance premiums payable	208,499	—
Total reinsurance payables	213,252	4,753
Payables (trade, not insurance)	9,310	9,310
Other liabilities:		
Reinsurance commissions deferred	129,960	—
Other liabilities (including accrued expenses)	178	178
Total other liabilities	130,138	178
Total liabilities excluding technical provisions	352,700	29,987
Technical provisions	411,924	2,764
Total liabilities	£ 764,624	£ 32,751

Deferred Tax Assets and Liabilities

Deferred tax assets are established for the temporary differences between the financial statement carrying amounts and tax bases of assets and liabilities using enacted rates in effect for the year in which the differences are expected to reverse.

Revocation of the Section 953(d) election

In January 2017, AGE filed a request with the U.S. Internal Revenue Service to revoke Section 953(d) election, which was approved in May 2017. As a result of the revocation of the Section 953(d) election, AGE will no longer be liable to pay future U.S. taxes beginning 2017.

AGLN

The following table presents liabilities for Solvency II and financial statement purposes under U.K GAAP.

Liabilities
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Reinsurance payables:		
Current reinsurance premiums payable	£ 6	£ 6
Future reinsurance premiums payable	4,376	—
Total reinsurance payables	4,382	6
Other liabilities (including accrued expenses)	13,565	11,965
Total liabilities excluding technical provisions	17,947	11,971
Technical provisions	270,976	116,184
Total liabilities	£ 288,923	£ 128,155

AGUK

The following table presents liabilities for Solvency II and financial statement purposes under U.K GAAP.

Liabilities
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Reinsurance payables:		
Current reinsurance premiums payable	£ 5,123	£ 5,123
Future reinsurance premiums payable	435	—
Salvage payable	18,796	—
Total reinsurance payables	24,354	5,123
Payables (trade, not insurance)	4,261	4,261
Other liabilities:		
Reinsurance commissions deferred	1,045	—
Other liabilities (including accrued expenses)	188	188
Total other liabilities	1,233	188
Total liabilities excluding technical provisions	29,848	9,572
Technical provisions	19,347	26,320
Total liabilities	£ 49,195	£ 35,892

CIFGE

The following table presents liabilities for Solvency II and financial statement purposes under French STAT.

Liabilities
As of 31 December 2017

	Financial Statement Balance Sheet	Solvency II Balance Sheet
	(in thousands)	
Reinsurance payables:	€ 4	€ 4
Payables (trade, not insurance)	1,169	1,169
Other liabilities:		
Other liabilities (including accrued expenses)	470	—
Total other liabilities	470	—
Total liabilities excluding technical provisions	1,643	1,173
Technical provisions	20,367	24,252
Total liabilities	€ 22,010	€ 25,425

D.4 ALTERNATIVE METHODS OF VALUATION

Article 296 of the Solvency II Regulation lays out several requirements that must be disclosed publicly with regard to the valuation of assets and liabilities. These requirements are covered in *D.1. Assets*, *D.2 Technical Provisions and D.3 Valuation of Other Liabilities.*

All of AGE Group's and the Individual Companies' investments are either:

- cash balances that are categorized as level 1 (quoted market prices in active markets),
- repurchased insured loss mitigation securities by AGUK that are categorised level 3 (alternative valuation methods),
- other financial investments are categorised as level 2 (quoted market prices in active markets for similar assets), or
- investments in subsidiary undertakings for AGE in its solo reporting ownership stake of AGUK, CIFGE and AGLN, as level 4 i.e. the adjusted equity method, which is the excess of assets over liabilities of those companies.

D.5 ANY OTHER INFORMATION

There have not been any material changes to the recognition or valuation of assets or liabilities over the reporting period, except as noted below.

AGE

The significant changes were the contribution of the Subsidiaries to AGE, which impacted investments, and the revocation of Section 953(d) election, which withdrew AGE from being a U.S. tax entity and impacted deferred taxes.

AGUK

With regards to the provision for future projected operational expenses, there was a change in the calculation methodology that reduced the speed of expense reductions in future years.

AGLN

The material change to valuation for solvency purposes for AGLN was changes to the premium provision component of the technical provisions, due to the switch from the Internal Model to AGLN's ECM. In addition, with regards to the future projected operational expenses, there was a change in the calculation methodology that reduced the speed of expense reductions in future years.

There is no other material information on valuation for Solvency II purposes.

E. CAPITAL MANAGEMENT

E.1 OWN FUNDS

a. Objectives, policies and processes of managing own funds

AGE Group and the Individual Companies prepare a business plan with a one year time horizon on an annual basis. The business planning process takes into account both regulatory and economic capital requirements.

AGE Group and the Individual Companies have a low tolerance for liquidity risk and manage to that level of risk by maintaining a liquid high quality investment portfolio with a duration that is shorter than the duration of the insurance liabilities. The AGE Group and the U.K. Companies, set a target duration of 4.7 years using a benchmark as of 31 December 2017. The portfolio duration must be within one year of the target, a range from 3.7 years to 5.7 years. CIFGE has a target duration of 2.5 years and the portfolio duration must be within a year of the target, a range from 1.5 years to 3.5 years. The AGE Group and the Individual Companies also perform liquidity stress testing every quarter. Given the AGE Group and the Individual Companies low tolerance for liquidity risk and the contingent and generally long-tail nature of their insurance exposures, the AGE Group and the Individual Companies are willing to assume a modest amount of market risk as part of their strategy of minimising liquidity risk. Specific investment guidelines are provided to the Individual Companies outside investment managers, setting forth single risk and asset category limits, duration guidelines and rating standards. The outside investment managers may not purchase securities rated lower than "A–"/"A3"/"A–", or in the case of corporate securities rated lower than "BBB"/"Baa2"/"BBB" by S&P, Moody's or Fitch, respectively. Deviation from these investment guidelines may arise on an exception basis where the AGE Group and the Individual Companies are managing their exposure to impaired insured transactions. Investment guidelines are discussed in more detail in *Section C.2 Market Risk.*

With regard to managing liabilities, the AGE Group's and the Individual Companies' Risk Appetite Statement dictates that risks accepted are estimated at inception to have low potential loss severity. The AGE Group and the Individual Companies aim to avoid risks that have or are projected to have a high severity in the event of a default.

AGE, AGUK and CIFGE have affiliate reinsurance and other support agreements in place, which are important to the management of capital and own funds. Details of these agreements are included below.

AGE

AGM currently provides support to AGE, through the AGM-AGE Reinsurance Agreement and the AGM-AGE Net Worth Agreement. For transactions closed prior to 2011, AGE typically guaranteed all of the obligations directly and AGM reinsured under the quota share cover of the AGM-AGE Reinsurance Agreement approximately 92% of AGE's remaining exposure after cessions to other reinsurers. In 2011, AGE and AGM implemented a co-guarantee structure pursuant to which (i) AGE directly guarantees a portion of the guaranteed obligations in an amount equal to what would have been AGE's pro rata retention percentage under the quota share cover, (ii) AGM directly guarantees the balance of the guaranteed obligations, and (iii) AGM also provides a second-to-pay guarantee for AGE's portion of the guaranteed obligations.

Under the excess of loss cover of the AGM-AGE Reinsurance Agreement, AGM pays AGE quarterly the amount by which (i) the sum of (a) AGE's incurred losses calculated in accordance with U.K. GAAP as reported by AGE in its financial returns filed with the PRA and (b) AGE's paid losses and loss adjustment expenses, in both cases net of all other performing reinsurance, including the reinsurance provided by AGE under the quota share cover of the AGM-AGE Reinsurance Agreement, exceeds (ii) an amount equal to (a) AGE's capital resources under U.K. law minus (b) 110% of the greatest of the amounts as may be required by the PRA as a condition for AGE to maintain its authorisation to carry on a financial guarantee business in the U.K. The AGM-AGE Reinsurance Agreement permits AGE to terminate the AGM-AGE Reinsurance Agreement upon the following events: a downgrade of AGM's ratings by Moody's below "Aa3" or by S&P below "AA-" if AGM fails to restore its rating(s) to the required level within a prescribed period of time; AGM's insolvency; failure by AGM to maintain the minimum capital required by its domiciliary jurisdiction; or AGM filing a petition in bankruptcy, going into liquidation or rehabilitation or having a receiver appointed.

The quota share and excess of loss covers each excludes transactions guaranteed by AGE on or after 1 July 2009 that are not municipal, utility, project finance or infrastructure risks or similar types of risks.

The AGM-AGE Reinsurance Agreement also contemplates the establishment of collateral by AGM to support AGM's reinsurance obligations to AGE. In December 2014, AGM and AGE entered into a trust agreement pursuant to which AGM established and deposited assets into a reinsurance trust account for the benefit of AGE.

Pursuant to the AGM-AGE Net Worth Agreement, AGM is obligated to cause AGE to maintain capital resources equal to 110% of the greatest of the amounts as may be required by the PRA as a condition for AGE to maintain its authorisation to carry on a financial guarantee business in the U.K., provided that AGM's contributions (a) do not exceed 35% of AGM's policyholders' surplus on an accumulated basis as determined by the laws of the State of New York, and (b) are in compliance with Section 1505 of the New York Insurance Law. AGM has never been required to make any contributions to AGE's capital under the AGM-AGE Net Worth Agreement or the prior AGM-AGE net worth maintenance agreement. With the approval of the NYDFS, AGE and AGM amended the AGM-AGE Net Worth Agreement effective in April 2016 to provide for use of the internal capital requirement model.

AGUK

In order to preserve capital, AGC currently provides support to AGUK through the AGC-AGUK Reinsurance Agreements and the AGC-AGUK Net Worth Agreement.

Pursuant to the AGC-AGUK Reinsurance Agreements, AGC indemnifies AGUK for a 90% quota share portion of such outstanding AGUK transactions and, in addition, indemnifies AGUK for 100% of losses (net of the quota share reinsurance) incurred by AGUK in excess of an amount equal to (a) AGUK’s capital resources minus (b) 110% of the greatest of the amounts as may be required by the PRA as a condition for AGUK maintaining its authorisation to carry on a financial guarantee business in the U.K. Pursuant to AGC-AGUK Net Worth Agreement, if AGUK's capital resources fall below 110% of the minimum level of capital required by the PRA, AGC must invest additional funds in order to bring the capital resources of AGUK back into compliance with the required amount.

The AGC-AGUK Reinsurance Agreements also contemplate the establishment of collateral by AGC to support AGC’s reinsurance obligations to AGUK. In July 2016, to satisfy the PRA’s collateral requirements, AGC and AGUK entered into a trust agreement pursuant to which AGC established and deposited assets into a reinsurance trust account for the benefit of AGUK.

CIFGE

As the surviving entity to the merger with CIFGNA in 2016, AGC assumed CIFGNA's obligations to CIFGE and provides support to CIFGE pursuant to the AGC-CIFGE Reinsurance Agreements and the AGC-CIFGE Letter of Support. The AGC-CIFGE Reinsurance Agreements consist of:

Facultative Reinsurance Agreement

When CIFGE was actively underwriting new business, it ceded 100% of certain of its insured risks to CIFGNA pursuant to a facultative reinsurance agreement between the parties. CIFGNA paid a ceding commission to CIFGE under the terms of this facultative reinsurance agreement. As of 31 December 2017 certain of the cessions remain in force under this agreement, with AGC now acting as the reinsurer (as successor to CIFGNA).

Excess-of-Loss Reinsurance Agreement

Pursuant to an excess-of-loss reinsurance agreement, CIFGNA assumed CIFGE's losses in excess of €20 million. In 2008, CIFGE's losses exceeded that amount, so CIFGNA, from such date, effectively assumed under such excess-of-loss agreement, 100% of CIFGE's exposure under its outstanding financial guarantee insurance policies. Accordingly, CIFGE's case reserves and other technical reserves as of 31 December 2017 are covered by this excess-of-loss-agreement. The terms of the excess of loss reinsurance agreement provide for a risk fee to be paid quarterly to the reinsurer for changes in the credit rating of the underlying insured portfolio covered by the agreement. AGC receives this risk fee from CIFGE as it is now the reinsurer under such agreement (as successor to CIFGNA).

Second-to-Pay Policy

CIFGNA issued a financial guarantee insurance policy to a trust pursuant to which CIFGNA guaranteed, to each beneficiary of a policy issued by CIFGE, the full and complete payment of any amounts due from CIFGE that are not paid by CIFGE under the CIFGE policy after all conditions to such payment have been satisfied. AGC assumed CIFGNA's obligations under this "second-to-pay" policy as a result of the Merger. As of 31 December 2017, AGC had not made any payments under this policy.

In addition to the AGC-CIFGE Reinsurance Agreements, AGC, as successor to CIFGNA, is a party to a letter of support dated 6 December 2001 that was provided by CIFGNA to CIFGE (AGC-CIFGE Letter of Support). Pursuant to such Letter of Support, AGC agrees to maintain CIFGE’s statutory capital and surplus (as determined under French law and regulation) in an amount not less than €20 million for so long as CIFGE carries on business. As of 31 December 2017, CIFGE's statutory capital and surplus to policyholders was approximately €34,388 thousand. AGC has not made any capital contributions to CIFGE pursuant to the AGC-CIFGE Letter of Support since AGC succeeded CIFGNA as the parent of CIFGE in July 2016. The AGC-CIFGE Letter of Support has not been assigned a value for Solvency II own funds. AGC sold CIFGE to AGM on 26 June 2017, which then contributed it to AGE. The above mentioned facultative reinsurance, excess of loss, second to pay and ACG-CIFGE Letter of Support sill remain in place between CIFGE and AGC.

b. Structure, amount and quality of own funds

AGE Group

The capital structure of the AGE Group consists of two forms of Own Funds. These consist of Basic Own Funds which is the excess of assets over liabilities for Solvency II purposes and qualify as either Tier 1 funds or Tier 3 funds. There have not been any changes to the structure and quality of own fund items over the reporting period. The amount of own funds have changed over the reporting period due to the amount of the reconciliation reserve changing based on differences in assets and liabilities. AGE Group applies Method 1 for the calculation of AGE Group solvency.

As of 31 December 2017, AGE Group's Own Funds consist of Basic Own Funds only. Basic Own Funds consist of share equity, reconciliation reserves and deferred tax assets.

As of 31 December 2017, the share equity consisted of £55.0 million of allotted and fully paid ordinary shares which are classified as Tier 1 capital. The AGE Group's reconciliation reserve which has a value of £572.9 million is also classified as Tier 1 capital. The AGE Group does not have any restricted Tier 1 capital. Additionally the AGE Group has Tier 3 capital of £19.8 million in the form of deferred tax assets.

AGE

The capital structure of AGE consists of one form of Own Funds. This consists of Basic Own Funds which are the excess of assets over liabilities for Solvency II purposes and qualify as Tier 1 funds. The amount of own funds has changed over the reporting period due to the amount of the reconciliation reserve changing based on differences in assets and liabilities. The increase in own funds during 2017 is primarily due to the contribution of the Subsidiaries from AGM which are valued at £422.5 million as at 31 December 2017.

As of 31 December 2017, AGE Own Funds consist of Basic Own Funds only. Basic Own Funds consist of share equity, reconciliation reserves and deferred tax assets.

As of 31 December 2017, the share equity consisted of £55.0 million of allotted and fully paid ordinary shares which are classified as Tier 1 capital. AGE's reconciliation reserve has a value of £574.2 million is also classified as Tier 1 capital. AGE does not have any restricted Tier 1 capital.

AGLN

The capital structure of AGLN consists of two form of Own Funds. These consist of Basic Own Funds which are excess of assets over liabilities for Solvency II purposes and all qualify as either Tier 1 funds or Tier 3 funds. There have not been any changes to the structure and quality of own fund items over the reporting period. The amount of own funds has changed over the reporting period due to the amount of the reconciliation reserve changing based on differences in assets and liabilities.

As of 31 December 2017, AGLN Own Funds consist of Basic Own Funds only. Basic own funds consists of share equity, share premium, reconciliation reserves and deferred tax assets.

As of 31 December 2017, the share equity consisted of £69.0 million of allotted and fully paid ordinary shares and the share premium has a value of £17.0 million which are both classified as Tier 1 capital. AGLN's reconciliation reserve has a value of £224.4 million and is also classified as Tier 1 capital. AGLN does not have any restricted Tier 1 capital. Additionally, AGLN has Tier 3 capital of £11.7 million in the form of deferred tax assets.

AGUK

The capital structure of AGUK consists of two forms of Own Funds. These consist of Basic Own Funds which are excess of assets over liabilities for Solvency II purposes and all qualify as either Tier 1 funds or Tier 3 funds. There have not been any changes to the structure and quality of own fund items over the reporting period. The amount of own funds has changed over the reporting period due to the amount of the reconciliation reserve changing based on differences in assets and liabilities.

As of 31 December 2017, AGUK Own Funds consist of Basic Own Funds only. Basic own funds consists of share equity, reconciliation reserves and deferred tax assets.

As of 31 December 2017, the share equity consisted of £8.3 million of allotted and fully paid ordinary shares which are classified as Tier 1 capital. AGUK's reconciliation reserve has a value of £70.1 million is also classified as Tier 1 capital. AGUK does not have any restricted Tier 1 capital. Additionally AGUK has Tier 3 capital of £5.5 million in the form of deferred tax assets.

CIFGE

The capital structure of CIFGE consists of two forms of Own Funds. These consist of Basic Own Funds which are excess of assets over liabilities for Solvency II purposes and all qualify as either Tier 1 funds or Tier 3 funds. There were no Tier 3 funds as at year-end 2016. The amount of own funds has changed over the reporting period due to the amount of the reconciliation reserve changing based on differences in values of assets and liabilities as well as the retained loss for the year.

As of 31 December 2017, CIFGE Own Funds consist of Basic Own Funds only. Basic own funds consists of share equity, reconciliation reserves and deferred tax assets.

As of 31 December 2017, the share equity consisted of €32.0 million of allotted and fully paid ordinary shares which are classified as Tier 1 capital. CIFGE's reconciliation reserve has a value of €(12.6) million and is also classified as Tier 1 capital. CIFGE does not have any restricted Tier 1 capital. Additionally, CIFGE has Tier 3 capital of €3.4 million in the form of deferred tax assets.

c. Eligibility of own funds to cover SCR

As of 31 December 2017, the value of eligible own funds to cover SCR is shown below:

	Tier 1		Tier 2		Tier 3		Total	
			(in millions)					
AGE Group	£	627.9	£	—	£	19.8	£	647.7
AGE	£	629.2	£	—	£	—	£	629.2
AGLN	£	310.4	£	—	£	11.7	£	322.1
AGUK	£	78.4	£	—	£	5.5	£	83.9
CIFGE	€	19.4	€	—	€	1.1	€	20.5

For AGE Group and the U.K. Companies the quantitative limits on items eligible to cover the SCR do not result in any deductions from own funds.

For CIFGE, the quantitative limits on items eligible to cover the SCR result in a deduction of €2.2 million from own funds, reducing the tier own funds from €3.4 million to €1.1 million.

d. Eligibility of own funds to cover MCR

As of 31 December 2017, the value of eligible own funds to cover MCR is shown below:

	Tier 1		Tier 2		Tier 3		Total	
			(in millions)					
AGE Group	£	627.9	£	—	£	—	£	627.9
AGE	£	629.2	£	—	£	—	£	629.2
AGLN	£	310.4	£	—	£	—	£	310.4
AGUK	£	78.4	£	—	£	—	£	78.4
CIFGE	€	19.4	€	—	€	—	€	19.4

e. Differences between shareholders equity and own funds

The differences between shareholders' equity under U.K. GAAP or French STAT (for CIFGE) and excess of assets over liabilities under Solvency II are indicated below. A detailed explanation of the differences in asset and liability recognitions is provided in *Section D.1 Assets* and *Section D.3 Valuation of Other Liabilities*. The following is a summarised reconciliation between shareholder's equity under U.K. GAAP or French STAT (for CIFGE) and excess of assets over liabilities under Solvency II.

Reconciliation between Shareholder's Equity
and Excess of Assets over Liabilities
As of 31 December 2017

	AGE Group		AGE		AGLN		AGUK		CIFGE (in euros)	
					(in thousands)					
Shareholder's equity under U.K. GAAP or French STAT (for CIFGE)	£	744,828	£	553,836	£	372,154	£	114,622	€	34,388
Reconciliation reserve:										
Adjustments to assets (see Section D.1)		(1,081,624)		(656,483)		(210,778)		(44,045)		(8,161)
Adjustments to liabilities (including technical provisions) (See Section D.3)		984,512		731,873		160,768		13,303		(3,414)
Excess of assets over liabilities for Solvency II purposes	£	647,716	£	629,226	£	322,144	£	83,880	€	22,813

f. Basic own funds subject to transitional arrangements

There are no basic own fund items subject to transitional arrangements.

g. Ancillary own funds

There are no ancillary own funds.

h. Basic own funds deductions and significant restrictions

There are no items deducted from own funds and no significant restriction affecting the availability of own funds for use by AGE, AGLN, AGUK and CIFGE to meet their respective insurance obligations.

E.2 SCR and MCR

a. Amounts of SCR and MCR

The following table presents SCR and MCR amounts.

SCR and MCR Amounts

	As of 31 December 2017				
	AGE Group	**AGE**	**AGLN**	**AGUK**	**CIFGE**
	(in thousands, except ratios)				
Underwriting risk	£ 280,597	£ 10,843	£ 274,702	£ 2,505	€ 1,546
Market risk	89,156	108,332	41,519	53,520	6,193
Counterparty risk	1,386	912	209	155	494
Diversification benefit	(55,474)	(8,280)	(28,421)	(1,937)	(1,299)
Operational risk	1,588	810	793	656	663
SCR	£ 317,253	£ 112,617	£ 288,802	£ 54,899	€ 7,597
SCR Ratio to eligible own funds	2.04:1	5.59:1	1.12:1	1.53:1	2.71:1
Minimum consolidated group SCR	£ 117,367	N/A	N/A	N/A	N/A
Minimum consolidated group SCR ratio to eligible own funds	5.35:1	N/A	N/A	N/A	N/A
MCR	N/A	£ 28,154	£ 72,201	£ 13,725	€ 3,700
MCR Ratio to eligible own funds	N/A	22.35:1	4.30:1	5.71:1	5.25:1

N/A Not applicable.

b. Choice of internal model vs. standard formula for each component of SCR

AGE Group and the Individual Companies used the Standard Formula to calculate its SCR in 2017 and 2016 except for AGLN which used an approved Internal Model in 2016.

For 2017 and 2016, the contribution of each of the relevant components to the SCR using the Standard Formula is as follows:

Underwriting Risk

Underwriting risk addresses the key risks related to AGE Group and the Individual Companies' only line of business: financial guarantee. Therefore, the underwriting risk component of the SCR consists solely of the calculation of non-life underwriting risk. Non-life underwriting risk is calculated net of reinsurance and is subdivided into multiple components:

Premium and reserve risk

The premium and reserve risk calculation applies a standard deviation multiple to the amount of premiums and reserves held by AGE Group and the Individual Companies.

Lapse risk

AGE Group and the Individual Companies have no lapse risk because their policies are not renewable and future premiums on existing policies are generally contractually guaranteed.

Non-life catastrophe risk

The non-life catastrophe risk calculation is subdivided into two components:

- The default of AGE Group and the Individual Companies' two largest exposures with a 10% loss rate less any amounts already included in the technical provisions.

- A one-year recession scenario that yields a loss of earned premium on the entire portfolio of AGE Group and the Individual Companies.

Market Risk

Market risk is subdivided into multiple components, up to five of which are applicable to AGE Group and the Individual Companies. They are:

Interest Rate Risk

The interest rate risk calculation applies prescribed shocks, upwards and downwards, to the interest rates of all of AGE Group and the Individual Companies' future assets and liabilities, by currency.

Equity Risk

AGE owns AGUK, AGLN and CIFGE. The equity risk calculation for AGE applies a 22% capital charge to the Own Funds of each of these companies. AGUK and AGE Group each have a very small equity risk charge for one investment where the look through approach is not possible. AGLN and CIFGE have no equity risks.

Currency Risk

AGE Group has non-GBP assets and liabilities in euros, USD, Hungarian Forints, Australian Dollars and Japanese Yen.

AGE has non-GBP assets and liabilities in euros, USD and Japanese Yen.

AGUK has non-GBP assets and liabilities in USD and euros.

AGLN has non-GBP assets and liabilities in USD, euros and Hungarian Forints.

CIFGE has non-euro assets and liabilities in USD, GBP and Australian Dollar.

The currency risk calculation subjects these valuations to a 25% shock up and down against GBP for AGE Group and the U.K. Companies and euros for CIFGE, as prescribed by the Standard Formula.

Spread Risk

The spread risk calculation applies a capital charge to the market value of each investment multiplied by its duration.

Concentration Risk

All of AGE Group investments are in rating classes 1A ("AAA"), 1B ("AA"), 2 ("A"), 3 (BBB) or 5 ("B" or lower).

All of AGE’s investments other than investments in subsidiaries are in rating classes 1A ("AAA"), 1B ("AA"), 2 ("A") or 3 (BBB).

All of AGUK’s investments are in rating classes 1A ("AAA"), 1B ("AA"), 2 ("A"), 3 (BBB) or 5 ("B" or lower).

All of AGLN’s investments are in rating classes 1A ("AAA"), 1B ("AA"), 2 ("A") or 3 (BBB).

All of CIFGE’s investments are in rating classes 1A (AAA), 1B (AA), 2(A) or 3 (BBB).

As prescribed, the concentration risk module applies a capital charge to the total exposure to each investment that exceeds 3% of the total investment portfolio or 1.5% if the investment is rated 3 (BBB) or worse.

Diversification Benefit within Market Risk

AGE Group and the Individual Companies receive a diversification benefit among components of market risk listed above since they are not all expected to occur simultaneously, even in a 1-in-200 year stress scenario, which reduces the total capital requirement associated with these components.

Counterparty Credit Risk

Counterparty credit risk consists primarily of risk to the reinsurers the Individual Companies use to implement risk mitigation strategies (with the exception of AGLN that has limited reinsurance). See *Section C.1 Underwriting Risk* for a description of the reinsurance arrangements. Counterparty risk also includes a small amount of cash that is in accounts at highly rated banks. AGE Group and the Individual Companies calculate counterparty risk for their reinsurance arrangements and their bank accounts in accordance with the Standard Formula. The formula is constructed as follows:

- For each reinsurer the following two items are added to calculate the total reinsurance exposure:
    - The expected recoveries from the reinsurer, net of future reinsurance premiums payable and ceding commissions receivable, and
    - 50% of the amount that the non-life underwriting risk component is reduced due to the reinsurance arrangement.
- The collateral posted by each reinsurer is haircut by 15% to account for potential deterioration in market value.
- The haircut collateral amount is subtracted from the total reinsurance exposure to calculate the reinsurance exposure net of collateral.
- A 50% loss severity is applied to calculate the loss if the reinsurer defaults.
- Separately, a 100% loss severity is applied to the small amount of cash that is held at a bank.
- A one-year default rate matrix is applied based on the ratings of each reinsurer and banks to calculate the standard deviation of potential losses for all of the counterparty exposures.
- This standard deviation is multiplied by 3 to calculate the final counterparty credit risk charge.

Diversification Benefit across Basic Solvency Capital Requirement Components

The AGE Group and the Individual Companies receive a diversification benefit between the non-life underwriting risk, market risk and counterparty credit risk listed above since they are not all expected to occur simultaneously, even in a 1-in-200 year stress scenario, which reduces the total capital requirement associated with these components.

Operational Risk

Operational risk is calculated, as prescribed by the Solvency II Regulation, as the greater of: 3% of non-life technical provisions and 3% of earned non-life gross premiums (with an additional 3% charge if non-life gross premiums exceed 120% of non-life gross premiums in the prior year).

c. Use of simplified calculations

The AGE Group and the Individual Companies follow the guidance prescribed by the Solvency II Regulation for the calculation of the Standard Formula and do not use any simplified calculations.

d. Use of USPs

AGE Group and the Individual Companies do not use any USPs in its calculations of the Standard Formula.

e. Disclosure of USPs and capital add-on

As of the end of the reporting period, AGE Group and the Individual Companies were not required to use any USPs or a capital add-on in their calculation of the SCR.

f. Impact of USPs and capital add-on

Not applicable.

g. Information on the inputs into MCR calculation

The inputs into the MCR calculation for 31 December 2017 were:

Input	AGE	AGLN	AGUK	CIFGE
		(in millions)		
Net Technical Provisions	£ (17.4)	£ (110.8)	£ 32.4	€ 15.4
Net Technical Provisions Input	—	—	32.4	15.4
Net written premiums over 12-month reporting period	—	19.2	0.1	0.7
SCR	112.6	288.8	54.9	7.6
MCR Cap	50.7	130.0	24.7	3.4
MCR Floor	28.2	72.2	13.7	1.9
Absolute Floor of the MCR	3.3	3.3	3.3	3.7

h. Material changes to the SCR and MCR over the reporting period

The AGE Group was first created during second quarter of 2017 when AGE received the contribution of the shares of AGLN, AGUK and CIFGE from AGM. There have been no material changes to the SCR or the minimum consolidated group SCR since the AGE Group was created.

The AGE SCR increased materially due to the contribution of the shares of AGLN, AGUK and CIFGE that AGE received from AGM. Under the SCR, there is a 22% equity risk charge associated with the Solvency II valuation of these companies. This increase was more than offset by the increase in Own Funds caused by the contributions of these companies to AGE.

The AGUK SCR increased materially due to the purchase of AGUK-insured BIG loss mitigation bonds. AGUK purchased the insured BIG bonds at a discount to par as a loss mitigation strategy to limit future claim payments. Under the SCR, this security has capital charges for Spread Risk, Concentration Risk and Currency Risk that in aggregate exceed 100% of the market value of the investment on AGUK's Solvency II balance sheet.

There were no material changes to the SCR or MCR over the reporting period for AGLN and CIFGE.

E.3 USE OF THE DURATION-BASED EQUITY RISK SUB-MODULE

The AGE Group and Individual Companies do not apply the duration-based equity risk sub-module.

E.4 DIFFERENCES BETWEEN THE STANDARD FORMULA AND ANY INTERNAL MODELS USED

In 2017, the AGE Group and the Individual Companies did not use an internal model to calculate its SCR. For more information see *Section E.2 SCR and MCR.*

In 2016, AGE, AGUK and CIFGE used standard formula to calculate SCR. AGLN used an Internal Model in 2016. After the acquisition of AGLN by Assured Guaranty, the PRA granted AGLN a waiver to revert from an approved Internal Model to the Standard Formula to assess its capital adequacy under the SCR.

E.5 NON-COMPLIANCE WITH MCR AND SIGNIFICANT NON-COMPLIANCE WITH SCR

a. The period and maximum amount of each non-compliance with MCR during the reporting period; explanation of origin, consequences and remedial measures taken

The Individual Companies did not have any period of non-compliance with the MCR during the reporting period.

b. Amount of any ongoing non-compliance with the MCR as of the reporting date

The Individual Companies were in compliance with the MCR as of the reporting date.

c. The period and maximum amount of each non-compliance with SCR during the reporting period; explanation of origin, consequences and remedial measures taken

The AGE Group and Individual Companies did not have any period of non-compliance with the SCR during the reporting period, or as of the reporting date.

d. Amount of any significant non-compliance with the SCR at the reporting date

The AGE Group and Individual Companies were compliant with the SCR as of the reporting date.

E.6 ANY OTHER INFORMATION

None.

F. QUANTITATIVE REPORTING TEMPLATES

The following QRTs are required for the SFCR:

QRT reference	QRT Template name
Group QRTs:	
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses by line of business
S.05.02	Premiums, claims and expenses by country
S.23.01	Own funds
S.25.01	Solvency Capital Requirement - for groups on Standard Formula
S.32.01	Undertakings in the scope of the group
Solo QRTs:	
S.02.01	Balance Sheet
S.05.01	Premiums, claims and expenses by line of business
S.05.02	Premiums, claims and expenses by country
S.17.01	Non-Life Technical Provision
S.19.01	Non-life insurance claims
S.23.01	Own funds
S.25.01	Solvency Capital Requirement - for undertakings on Standard Formula
S.28.01	Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity

AGE Group
Balance Sheet
S.02.01
GBP £'000

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	19,785
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**793,031**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*772,102*
Government Bonds	R0140	511,745
Corporate Bonds	R0150	215,091
Structured notes	R0160	
Collateralised securities	R0170	45,266
Collective Investments Undertakings	R0180	20,929
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**2,749**
Non-life and health similar to non-life	R0280	2,749
Non-life excluding health	R0290	2,749
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	11,651
Reinsurance receivables	R0370	4,525
Receivables (trade, not insurance)	R0380	15
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	20,154
Any other assets, not elsewhere shown	R0420	62
Total assets	**R0500**	**851,972**

AGE Group
Balance Sheet
S.02.01
GBP £'000

		Solvency II value
		C0010
Liabilities		
Technical provisions - non-life	**R0510**	**166,814**
Technical provisions - non-life (excluding health)	**R0520**	**166,814**
TP calculated as a whole	R0530	
Best estimate	R0540	(79,317)
Risk margin	R0550	246,131
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP - life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP - index-linked and unit-linked	**R0690**	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	9,886
Payables (trade, not insurance)	R0840	27,051
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	505
Total liabilities	**R0900**	**204,256**
Excess of assets over liabilities	**R1000**	**647,716**

AGE Group
Premiums, claims and expenses by line of business
S.05.01
GBP £'000

		Credit and suretyship insurance	Total
		C0090	**C0200**
Premiums written			
Gross - Direct Business	R0110	2,914	**2,914**
Gross - Proportional reinsurance accepted	R0120		
Gross - Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	(65,882)	**(65,882)**
Net	**R0200**	**(62,968)**	**(62,968)**
Premiums earned			
Gross - Direct Business	R0210	40,015	**40,015**
Gross - Proportional reinsurance accepted	R0220		
Gross - Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	41,616	**41,616**
Net	**R0300**	**(1,601)**	**(1,601)**
Claims incurred			
Gross - Direct Business	R0310	1,668	**1,668**
Gross - Proportional reinsurance accepted	R0320		
Gross - Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340	1,516	**1,516**
Net	**R0400**	**152**	**152**
Changes in other technical provisions			
Gross - Direct Business	R0410	(5,890)	**(5,890)**
Gross - Proportional reinsurance accepted	R0420		
Gross - Non-proportional reinsurance accepted	R0430		
Reinsurers' share	R0440	(3,064)	**(3,064)**
Net	**R0500**	**(2,826)**	**(2,826)**
Expenses incurred	**R0550**	**17,654**	**17,654**
Other expenses	R1200		
Total expenses	**R1300**		**17,654**

AGE Group
Premiums, claims and expenses by country
S.05.02

GBP £'000

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations				Total Top 5 and home country
		C0010	**C0020**	**C0030**	**C0040**	**C0050**	**C0070**
	R0010		**US**	**FI**	**MY**	**IT**	
		C0080	**C0090**	**C0100**	**C0110**	**C0120**	**C0140**
Premium written							
Gross - Direct Business	R0110	2,132	618	613	129	3	**3,495**
Gross - Proportional reinsurance accepted	R0120						
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140	(9,878)	76,170	-		(42)	**66,250**
Net	**R0200**	**12,010**	**(75,552)**	**613**	**129**	**45**	**(62,755)**
Premium earned							
Gross - Direct Business	R0210	28,627	3,102	8	911	458	**33,106**
Gross - Proportional reinsurance accepted	R0220						
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	18,344	15,065	-		2,857	**36,266**
Net	**R0300**	**10,283**	**(11,963)**	**8**	**911**	**(2,399)**	**(3,160)**
Claims incurred							
Gross - Direct Business	R0310		1,449			219	**1,668**
Gross - Proportional reinsurance accepted	R0320						
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340		1,303			213	**1,516**
Net	**R0400**		**146**			**6**	**152**
Changes in other technical provisions							
Gross - Direct Business	R0410	(951)					**(951)**
Gross - Proportional reinsurance accepted	R0420						
Gross - Non-proportional reinsurance accepted	R0430						
Reinsurers' share	R0440	73					**73**
Net	**R0500**	**(1,024)**					**(1,024)**
Expenses incurred	**R0550**	10,051	7,603				**17,654**
Other expenses	**R1200**						
Total expenses	**R1300**						**17,654**

AGE Group
Own Funds Group
S.23.01.22
GBP £ '000

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector						
Ordinary share capital (gross of own shares)	R0010	55,000	55,000			
Non-available called but not paid in ordinary share capital at group level	R0020					
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Non-available subordinated mutual member accounts at group level	R0060					
Surplus funds	R0070					
Non-available surplus funds at group level	R0080					
Preference shares	R0090					
Non-available preference shares at group level	R0100					
Share premium account related to preference shares	R0110					
Non-available share premium account related to preference shares at group level	R0120					
Reconciliation reserve	R0130	572,931	572,931			
Subordinated liabilities	R0140					
Non-available subordinated liabilities at group level	R0150					
An amount equal to the value of net deferred tax assets	R0160	19,785				19,785
The amount equal to the value of net deferred tax assets not available at the group level	R0170					
Other items approved by supervisory authority as basic own funds not specified above	R0180					
Non available own funds related to other own funds items approved by supervisory authority	R0190					
Minority interests (if not reported as part of a specific own fund item)	R0200					
Non-available minority interests at group level	R0210					
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that shall not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in other financial undertakings, including non-regulated undertakings carrying out financial activities	R0230					
whereof deducted according to art 228 of the Directive 2009/138/EC	R0240					
Deductions for participations where there is non-availability of information (Article 229)	R0250					
Deduction for participations included by using D&A when a combination of methods is used	R0260					
Total of non-available own fund items	R0270					
Total deductions	**R0280**					
Total basic own funds after deductions	**R0290**	**647,716**	**627,931**			**19,785**

AGE Group
Own Funds Group
S.23.01.22
GBP £ '000

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Non available ancillary own funds at group level	R0380					
Other ancillary own funds	**R0390**					
Total ancillary own funds	**R0400**					
Own funds of other financial sectors						
Credit institutions, investment firms, financial institutions, alternative investment fund managers, financial institutions	R0410					
Institutions for occupational retirement provision	R0420					
Non regulated entities carrying out financial activities	R0430					
Total own funds of other financial sectors	R0440					
Own funds when using the D&A, exclusively or in combination of method 1						
Own funds aggregated when using the D&A and combination of method	R0450					
Own funds aggregated when using the D&A and a combination of method net of IGT	R0460					
Total available own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0520**	**647,716**	**627,931**			**19,785**
Total available own funds to meet the minimum consolidated group SCR	**R0530**	**627,931**	**627,931**			
Total eligible own funds to meet the consolidated group SCR (excluding own funds from other financial sector and from the undertakings included via D&A)	**R0560**	**647,716**	**627,931**			**19,785**
Total eligible own funds to meet the minimum consolidated group SCR	**R0570**	**627,931**	**627,931**			
Minimum consolidated Group SCR	**R0610**	**117,367**				
Ratio of Eligible own funds to Minimum Consolidated Group SCR	**R0650**	**535%**				
Total eligible own funds to meet the group SCR (including own funds from other financial sector and from the undertakings included via D&A)	**R0660**	**647,716**	**627,931**			
Group SCR	**R0680**	**317,253**				
Ratio of Eligible own funds to group SCR including other financial sectors and the undertakings included via D&A	**R0690**	**204%**				

		C0060
Reconciliation reserve		
Excess of assets over liabilities	R0700	**647,716**
Own shares (included as assets on the balance sheet)	R0710	
Foreseeable dividends, distributions and charges	R0720	
Other basic own fund items	R0730	**74,785**
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740	
Other non available own funds	R0750	
Reconciliation reserve before deduction for participations in other financial sector	**R0760**	**572,931**
Expected profits		
Expected profits included in future premiums (EPIFP) - Life Business	R0770	
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	223,743
Total EPIFP	**R0790**	**223,743**

AGE Group
Solvency Capital Requirement - for groups on Standard Formula
S.25.01
GBP £'000

		Gross solvency capital requirement	USP
		C0110	**C0090**
Market risk	R0010	89,156	
Counterparty default risk	R0020	1,386	
Life underwriting risk	R0030		
Health underwriting risk	R0040		
Non-life underwriting risk	R0050	280,597	
Diversification	R0060	(55,474)	
Intangible asset risk	R0070		
Basic Solvency Capital Requirement	**R0100**	**315,665**	

Calculation of Solvency Capital Requirement

		C0100
Adjustment due to RFF/MAP nSCR aggregation	R0120	
Total capital requirement for operational risk	R0130	1,588
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	**R0200**	**317,253**
Capital add-on already set	R0210	
Solvency capital requirement	**R0220**	**317,253**
Solvency capital requirement		**317,253**
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	
Method used to calculate the adjustment due to RFF/MAP nSCR aggregation	R0450	4 - No adjustment
Net future discretionary benefits	R0460	
Minimum consolidated group solvency capital requirement	R0470	117,367
Information on other entities		
Capital requirement for other financial sectors (Non-insurance capital requirements)	R0500	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Credit institutions, investment firms and financial institutions, alternative investment funds managers, UCITS management companies	R0510	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Institutions for occupational retirement provisions	R0520	
Capital requirement for other financial sectors (Non-insurance capital requirements) - Capital requirement for non- regulated entities carrying out financial activities	R0530	
Capital requirement for non-controlled participation requirements	R0540	
Capital requirement for residual undertakings	R0550	
Overall SCR		
SCR for undertakings included via D and A	R0560	
Solvency capital requirement	**R0570**	**317,253**

AGE Group
Undertakings in the scope of the group
S.32.01

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Type of undertaking	Legal form	Category (mutual/non mutual)	Supervisory Authority	% capital share	% used for the establishment of consolidated accounts	% voting rights
C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0180	C0190	C0200
FR	549300PI7KR7D3TH3T41	1 - LEI	CIFG EUROPE SA	2 - Non life insurance undertaking	société anonyme	2 - Non-mutual	Autorité de Contrôle Prudentiel et de Résolution	100.00%	100.00%	100.00%
GB	2138009ZH1J2B1MR1D80	1 - LEI	Assured Guaranty (London) plc	2 - Non life insurance undertaking	company limited by shares	2 - Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%
GB	549300UQJTUN4DONX183	1 - LEI	Assured Guaranty (UK) plc	2 - Non life insurance undertaking	company limited by shares	2 - Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%
GB	549300M46A841BTWC767	1 - LEI	Assured Guaranty (Europe) plc	2 - Non life insurance undertaking	company limited by shares	2 - Non-mutual	The Prudential Regulation Authority	100.00%	100.00%	100.00%

Country	Identification code of the undertaking	Type of code of the ID of the undertaking	Legal Name of the undertaking	Other criteria	Level of influence	Proportional share used for group solvency calculation	Yes/No	Yes/No	Date of decision if art. 214 is applied	Method used and under method 1, treatment of the undertaking
C0010	C0020	C0030	C0040	C0210	C0220	C0230	C0240	C0240	C0250	C0260
FR	549300PI7KR7D3TH3T41	1 - LEI	CIFG EUROPE SA		1 - Dominant	100.00%	1 - Included in the scope	1 - Included in the scope		1 - Method 1: Full consolidation
GB	2138009ZH1J2B1MR1D80	1 - LEI	Assured Guaranty (London) plc		1 - Dominant	100.00%	1 - Included in the scope	1 - Included in the scope		1 - Method 1: Full consolidation
GB	549300UQJTUN4DONX183	1 - LEI	Assured Guaranty (UK) plc		1 - Dominant	100.00%	1 - Included in the scope	1 - Included in the scope		1 - Method 1: Full consolidation
GB	549300M46A841BTWC767	1 - LEI	Assured Guaranty (Europe) plc		1 - Dominant	100.00%	1 - Included in the scope	1 - Included in the scope		1 - Method 1: Full consolidation

AGE
Balance Sheet
S.02.01
GBP £'000

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**631,983**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	422,495
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*190,987*
Government Bonds	R0140	136,471
Corporate Bonds	R0150	54,516
Structured notes	R0160	
Collateralised securities	R0170	
Collective Investments Undertakings	R0180	18,501
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**9,575**
Non-life and health similar to non-life	R0280	9,575
Non-life excluding health	R0290	9,575
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	5,240
Reinsurance receivables	R0370	1,573
Receivables (trade, not insurance)	R0380	
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	13,600
Any other assets, not elsewhere shown	R0420	6
Total assets	**R0500**	**661,977**

AGE
Balance Sheet
S.02.01
GBP £'000

		Solvency II value
		C0010
Liabilities		
Technical provisions - non-life	**R0510**	**2,764**
Technical provisions - non-life (excluding health)	**R0520**	**2,764**
TP calculated as a whole	R0530	
Best estimate	R0540	(7,788)
Risk margin	R0550	10,552
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP - life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP - index-linked and unit-linked	**R0690**	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	15,746
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	4,753
Payables (trade, not insurance)	R0840	9,310
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	178
Total liabilities	**R0900**	**32,751**

Excess of assets over liabilities	**R1000**	**629,226**

AGE
Premiums, claims and expenses by line of business
S.05.01
GBP £'000

		Credit and suretyship insurance	Total
		C0090	**C0200**
Premiums written			
Gross - Direct Business	R0110	(1,867)	**(1,867)**
Gross - Proportional reinsurance accepted	R0120		
Gross - Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	65,256	**65,256**
Net	**R0200**	**(67,123)**	**(67,123)**
Premiums earned			
Gross - Direct Business	R0210	27,003	**27,003**
Gross - Proportional reinsurance accepted	R0220		
Gross - Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	40,555	**40,555**
Net	**R0300**	**(13,552)**	**(13,552)**
Claims incurred			
Gross - Direct Business	R0310	219	**219**
Gross - Proportional reinsurance accepted	R0320		
Gross - Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340	213	**213**
Net	**R0400**	**6**	**6**
Changes in other technical provisions			
Gross - Direct Business	R0410	(3,104)	**(3,104)**
Gross - Proportional reinsurance accepted	R0420		
Gross - Non-proportional reinsurance accepted	R0430		
Reinsurers' share	R0440	(3,070)	**(3,070)**
Net	**R0500**	**(34)**	**(34)**
Expenses incurred	**R0550**	**11,319**	**11,319**
Other expenses	R1200		
Total expenses	**R1300**		**11,319**

AGE
Premiums, claims and expenses by country
S.05.02
GBP £'000

Gross written premiums for the home country exceeds the 90% of the total gross written premiums and as such the template is not required to be disclosed.

AGE
Non - life Technical Provisions
S.17.01
GBP £'000

		Direct business and accepted proportional reinsurance	
		Credit and suretyship insurance	Total Non-Life obligations
		C0100	C0180
Technical provisions calculated as a whole	**R0010**		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**		
Technical Provisions calculated as a sum of BE and RM			
Best estimate			
Premium provisions			
Gross - Total	R0060	**(7,788)**	**(7,788)**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	9,575	**9,575**
Net Best Estimate of Premium Provisions	R0150	**(17,363)**	**(17,363)**
Claims provisions			
Gross - Total	R0160		
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		
Net Best Estimate of Claims Provisions	R0250		
Total Best estimate - gross	**R0260**	**(7,788)**	**(7,788)**
Total Best estimate - net	**R0270**	**(17,363)**	**(17,363)**
Risk margin	**R0280**	10,552	**10,552**
Amount of the transitional on Technical Provisions			
TP as a whole	R0290		
Best estimate	R0300		
Risk margin	R0310		
Technical provisions - total			
Technical provisions - total	**R0320**	**2,764**	**2,764**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	**9,575**	**9,575**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	**(6,811)**	**(6,811)**

AGE
Non-life Insurance Claims Information (by Accident Year)
S.19.01

GBP £'000

Gross Claims Paid (non-cumulative)

		Development year (absolute amount)												In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100												R0100		
2008	R0160												R0160		
2009	R0170												R0170		
2010	R0180												R0180		
2011	R0190		195,405										R0190		195,405
2012	R0200												R0200		
2013	R0210												R0210		
2014	R0220												R0220		
2015	R0230												R0230		
2016	R0240												R0240		
2017	R0250	219											R0250	219	219
													Total R0260	219	195,624

Gross undiscounted Best Estimate Claims Provisions

		Development year (absolute amount)												Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100												R0100	
2008	R0160												R0160	
2009	R0170												R0170	
2010	R0180												R0180	
2011	R0190												R0190	
2012	R0200												R0200	
2013	R0210												R0210	
2014	R0220												R0220	
2015	R0230												R0230	
2016	R0240												R0240	
2017	R0250												R0250	
													Total R0260	

AGE
Own funds
S.23.01
GBP £'000

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	**55,000**	55,000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**574,226**	574,226			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160					
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**629,226**	**629,226**			
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**629,226**	**629,226**			
Total available own funds to meet the MCR	**R0510**	**629,226**	**629,226**			
Total eligible own funds to meet the SCR	**R0540**	**629,226**	**629,226**			
Total eligible own funds to meet the MCR	**R0550**	**629,226**	**629,226**			
SCR	**R0580**	**112,617**				
MCR	**R0600**	**28,154**				
Ratio of Eligible own funds to SCR	**R0620**	**558.73%**				
Ratio of Eligible own funds to MCR	**R0640**	**2234.92%**				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	**629,226**	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	**55,000**	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Reconciliation reserve	**R0760**	**574,226**	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life Business	R0770		
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	59,808	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**59,808**	

AGE
Solvency Capital Requirement - for undertakings on Standard Formula
S.25.01
GBP £'000

		Net solvency capital requirement	Gross solvency capital requirement	Allocation from adjustments due to RFF and Matching adjustments portfolios
		C0030	C0040	C0050
Market risk	R0010	108,332		
Counterparty default risk	R0020	912		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	10,843		
Diversification	R0060	(8,280)		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**111,807**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	810
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	112,617
Capital add-on already set	**R0210**	
Solvency capital requirement	R0220	112,617
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

AGE
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
S.28.01
GBP £'000

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Life activities	
		Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010		
MCRL Result	R0200		

Overall MCR calculation		C0070
Linear MCR	R0300	
SCR	R0310	112,617
MCR cap	R0320	50,678
MCR floor	R0330	28,154
Combined MCR	R0340	28,154
Absolute floor of the MCR	R0350	3,251

		C0070
Minimum Capital Requirement	**R0400**	**28,154**

AGLN
Balance Sheet
S.02.01
GBP £'000

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	11,706
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**436,965**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*436,965*
Government Bonds	R0140	309,244
Corporate Bonds	R0150	127,371
Structured notes	R0160	
Collateralised securities	R0170	350
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**(2,268)**
Non-life and health similar to non-life	R0280	(2,268)
Non-life excluding health	R0290	(2,268)
Health similar to non-life	R0300	
Life and health similar to life, excluding health and index-linked and unit-linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	789
Reinsurance receivables	R0370	2
Receivables (trade, not insurance)	R0380	15
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	3,085
Any other assets, not elsewhere shown	R0420	5
Total assets	**R0500**	**450,299**

AGLN
Balance Sheet
S.02.01
GBP £'000

		Solvency II value
		C0010
Liabilities		
Technical provisions - non-life	**R0510**	**116,184**
Technical provisions - non-life (excluding health)	**R0520**	**116,184**
TP calculated as a whole	R0530	
Best estimate	R0540	(113,033)
Risk margin	R0550	229,217
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP - life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP - index-linked and unit-linked	**R0690**	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	6
Payables (trade, not insurance)	R0840	11,826
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	139
Total liabilities	**R0900**	**128,155**
Excess of assets over liabilities	**R1000**	**322,144**

AGLN
Premiums, claims and expenses by line of business
S.05.01
GBP £'000

		Credit and suretyship insurance	Total
		C0090	**C0200**
Premiums written			
Gross - Direct Business	R0110	7,700	**7,700**
Gross - Proportional reinsurance accepted	R0120		
Gross - Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	144	**144**
Net	**R0200**	**7,556**	**7,556**
Premiums earned			
Gross - Direct Business	R0210	23,921	**23,921**
Gross - Proportional reinsurance accepted	R0220		
Gross - Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	447	**447**
Net	**R0300**	**23,474**	**23,474**
Claims incurred			
Gross - Direct Business	R0310		
Gross - Proportional reinsurance accepted	R0320		
Gross - Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340		
Net	**R0400**		
Changes in other technical provisions			
Gross - Direct Business	R0410	(5,739)	**(5,739)**
Gross - Proportional reinsurance accepted	R0420		
Gross - Non-proportional reinsurance accepted	R0430		
Reinsurers' share	R0440	(138)	**(138)**
Net	**R0500**	**(5,601)**	**(5,601)**
Expenses incurred	**R0550**	**6,739**	**6,739**
Other expenses	R1200		
Total expenses	**R1300**		**6,739**

AGLN
Premiums, claims and expenses by country
S.05.02
GBP £'000

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations		Total Top 5 and home country
		C0010	C0020	C0030	C0070
	R0010		HU	FR	
		C0080	C0090	C0100	C0140
Premium written					
Gross - Direct Business	R0110	9,682		(2,239)	7,443
Gross - Proportional reinsurance accepted	R0120				
Gross - Non-proportional reinsurance accepted	R0130				
Reinsurers' share	R0140	144			144
Net	**R0200**	**9,538**		**(2,239)**	**7,299**
Premium earned					
Gross - Direct Business	R0210	19,469		2,373	21,842
Gross - Proportional reinsurance accepted	R0220				
Gross - Non-proportional reinsurance accepted	R0230				
Reinsurers' share	R0240	439		1	440
Net	**R0300**	**19,030**		**2,372**	**21,402**
Claims incurred					
Gross - Direct Business	R0310				
Gross - Proportional reinsurance accepted	R0320				
Gross - Non-proportional reinsurance accepted	R0330				
Reinsurers' share	R0340				
Net	**R0400**				
Changes in other technical provisions					
Gross - Direct Business	R0410	(2,080)	(3,659)		(5,739)
Gross - Proportional reinsurance accepted	R0420				
Gross - Non-proportional reinsurance accepted	R0430				
Reinsurers' share	R0440	(15)	(123)		(138)
Net	**R0500**	**(2,065)**	**(3,536)**		**(5,601)**
Expenses incurred	**R0550**	4,750			4,750
Other expenses	**R1200**				
Total expenses	**R1300**				**4,750**

AGLN
Non - life Technical Provisions
S.17.01
GBP £'000

		Direct business and accepted proportional reinsurance	Total Non-Life obligations
		Credit and suretyship insurance	
		C0100	C0180
Technical provisions calculated as a whole	**R0010**		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**		
Technical Provisions calculated as a sum of BE and RM			
Best estimate			
Premium provisions			
Gross - Total	R0060	**(113,033)**	**(113,033)**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(2,268)	**(2,268)**
Net Best Estimate of Premium Provisions	R0150	**(110,765)**	**(110,765)**
Claims provisions			
Gross - Total	R0160		
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		
Net Best Estimate of Claims Provisions	R0250		
Total Best estimate - gross	**R0260**	**(113,033)**	**(113,033)**
Total Best estimate - net	**R0270**	**(110,765)**	**(110,765)**
Risk margin	**R0280**	229,217	**229,217**
Amount of the transitional on Technical Provisions			
TP as a whole	R0290		
Best estimate	R0300		
Risk margin	R0310		
Technical provisions - total			
Technical provisions - total	**R0320**	**116,184**	**116,184**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	**(2,268)**	**(2,268)**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	**118,452**	**118,452**

AGLN
Non-life Insurance Claims Information (by Accident Year)
S.19.01
GBP £'000

Gross Claims Paid (non-cumulative)

		Development year (absolute amount)													
		0	1	2	3	4	5	6	7	8	9	10 & +		In Current year	Sum of years (cumulative)
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100												R0100		
2008	R0160	27,149											R0160		27,149
2009	R0170												R0170		
2010	R0180												R0180		
2011	R0190	1,024											R0190		1,024
2012	R0200	6,337											R0200		6,337
2013	R0210	97,668											R0210		97,668
2014	R0220	11,439											R0220		11,439
2015	R0230												R0230		
2016	R0240	1,251											R0240		1,251
2017	R0250												R0250		
													Total R0260		**144,868**

Gross undiscounted Best Estimate Claims Provisions

		Development year (absolute amount)												
		0	1	2	3	4	5	6	7	8	9	10 & +		Year end (discounted data)
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100												R0100	
2008	R0160												R0160	
2009	R0170												R0170	
2010	R0180												R0180	
2011	R0190												R0190	
2012	R0200												R0200	
2013	R0210												R0210	
2014	R0220												R0220	
2015	R0230												R0230	
2016	R0240												R0240	
2017	R0250												R0250	
													Total R0260	

AGLN
Own funds
S.23.01
GBP £'000

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	**69,000**	69,000			
Share premium account related to ordinary share capital	R0030	**17,038**	17,038			
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**224,400**	224,400			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	**11,706**				11,706
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**322,144**	**310,438**			**11,706**

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**322,144**	**310,438**			**11,706**
Total available own funds to meet the MCR	**R0510**	**310,438**	**310,438**			
Total eligible own funds to meet the SCR	**R0540**	**322,144**	**310,438**			**11,706**
Total eligible own funds to meet the MCR	**R0550**	**310,438**	**310,438**			
SCR	**R0580**	**288,802**				
MCR	**R0600**	**72,201**				
Ratio of Eligible own funds to SCR	**R0620**	**111.54%**				
Ratio of Eligible own funds to MCR	**R0640**	**429.97%**				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	**322,144**	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	**97,744**	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Reconciliation reserve	**R0760**	**224,400**	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life Business	R0770		
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	162,619	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**162,619**	

AGLN
Solvency Capital Requirement - for undertakings on Standard Formula
S.25.01
GBP £'000

		Gross solvency capital requirement	USP	Simplifications
		C0110	**C0090**	**C0120**
Market risk	R0010	41,519		
Counterparty default risk	R0020	209		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	274,702		
Diversification	R0060	(28,421)		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**288,009**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	793
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	288,802
Capital add-on already set	**R0210**	
Solvency capital requirement	R0220	288,802
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

AGLN
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
S.28.01
GBP £'000

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Non-life activities: Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100		19,155
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Life activities: Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010	2,165	
MCRL Result	R0200		

Overall MCR calculation		C0070
Linear MCR	R0300	2,165
SCR	R0310	288,802
MCR cap	R0320	129,961
MCR floor	R0330	72,201
Combined MCR	R0340	72,201
Absolute floor of the MCR	R0350	3,251
		C0070
Minimum Capital Requirement	**R0400**	**72,201**

AGUKL
Balance Sheet
S.02.01
GBP £'000

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	5,496
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**114,614**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*112,185*
Government Bonds	R0140	*48,936*
Corporate Bonds	R0150	*20,272*
Structured notes	R0160	
Collateralised securities	R0170	42,977
Collective Investments Undertakings	R0180	2,429
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**(10,551)**
Non-life and health similar to non-life	R0280	(10,551)
Non-life excluding health	R0290	(10,551)
Health similar to non-life	R0300	
linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	5,551
Reinsurance receivables	R0370	2,949
Receivables (trade, not insurance)	R0380	
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	1,713
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**119,772**

AGUKL
Balance Sheet
S.02.01
GBP £'000

		Solvency II value
		C0010
Liabilities		
Technical provisions - non-life	**R0510**	**26,320**
Technical provisions - non-life (excluding health)	**R0520**	**26,320**
TP calculated as a whole	R0530	
Best estimate	R0540	21,866
Risk margin	R0550	4,454
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP - life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP - index-linked and unit-linked	**R0690**	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	5,123
Payables (trade, not insurance)	R0840	4,261
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	188
Total liabilities	**R0900**	**35,892**

Excess of assets over liabilities	**R1000**	**83,880**

AGUKL
Premiums, claims and expenses by line of business
S.05.01
GBP £'000

		Credit and suretyship insurance	Total
		C0090	C0200
Premiums written			
Gross - Direct Business	R0110	1,398	**1,398**
Gross - Proportional reinsurance accepted	R0120		
Gross - Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	1,314	**1,314**
Net	**R0200**	**84**	**84**
Premiums earned			
Gross - Direct Business	R0210	1,700	**1,700**
Gross - Proportional reinsurance accepted	R0220		
Gross - Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	1,586	**1,586**
Net	**R0300**	**114**	**114**
Claims incurred			
Gross - Direct Business	R0310	(103,863)	**(103,863)**
Gross - Proportional reinsurance accepted	R0320		
Gross - Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340	(93,477)	**(93,477)**
Net	**R0400**	**(10,386)**	**(10,386)**
Changes in other technical provisions			
Gross - Direct Business	R0410	(189)	**(189)**
Gross - Proportional reinsurance accepted	R0420		
Gross - Non-proportional reinsurance accepted	R0430		
Reinsurers' share	R0440	(170)	**(170)**
Net	**R0500**	**(19)**	**(19)**
Expenses incurred	**R0550**	**4,094**	**4,094**
Other expenses	R1200		
Total expenses	**R1300**		**4,094**

AGUKL
Premiums, claims and expenses by country
S.05.02
GBP £'000

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations	Total Top 5 and home country
		C0010	C0020	C0070
	R0010	GB	US	
		C0080	C0090	C0140
Premium written				
Gross - Direct Business	R0110	167	1,231	1,398
Gross - Proportional reinsurance accepted	R0120			
Gross - Non-proportional reinsurance accepted	R0130			
Reinsurers' share	R0140	206	1,108	1,314
Net	**R0200**	**(39)**	**123**	**84**
Premium earned				
Gross - Direct Business	R0210	502	1,198	1,700
Gross - Proportional reinsurance accepted	R0220			
Gross - Non-proportional reinsurance accepted	R0230			
Reinsurers' share	R0240	508	1,078	1,586
Net	**R0300**	**(6)**	**120**	**114**
Claims incurred				
Gross - Direct Business	R0310		(103,863)	(103,863)
Gross - Proportional reinsurance accepted	R0320			
Gross - Non-proportional reinsurance accepted	R0330			
Reinsurers' share	R0340		(93,477)	(93,477)
Net	**R0400**		**(10,386)**	**(10,386)**
Changes in other technical provisions				
Gross - Direct Business	R0410	(189)		(189)
Gross - Proportional reinsurance accepted	R0420			
Gross - Non-proportional reinsurance accepted	R0430			
Reinsurers' share	R0440	(170)		(170)
Net	**R0500**	**(19)**		**(19)**
Expenses incurred	**R0550**	1,246	2,848	4,094
Other expenses	**R1200**			
Total expenses	**R1300**			**4,094**

AGUKL
Non - life Technical Provisions
S.17.01
GBP £'000

		Direct business and accepted proportional reinsurance	Total Non-Life obligations
		Credit and suretyship insurance	
		C0100	C0180
Technical provisions calculated as a whole	**R0010**		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**		
Technical Provisions calculated as a sum of BE and RM			
Best estimate			
Premium provisions			
Gross - Total	R0060	**25,769**	**25,769**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	(626)	**(626)**
Net Best Estimate of Premium Provisions	R0150	**26,395**	**26,395**
Claims provisions			
Gross - Total	R0160	**(3,903)**	**(3,903)**
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240	(9,925)	**(9,925)**
Net Best Estimate of Claims Provisions	R0250	**6,022**	**6,022**
Total Best estimate - gross	**R0260**	**21,866**	**21,866**
Total Best estimate - net	**R0270**	**32,417**	**32,417**
Risk margin	**R0280**	4,454	**4,454**
Amount of the transitional on Technical Provisions			
TP as a whole	R0290		
Best estimate	R0300		
Risk margin	R0310		
Technical provisions - total			
Technical provisions - total	**R0320**	**26,320**	**26,320**
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	**(10,551)**	**(10,551)**
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	**36,871**	**36,871**

AGUKL
Non-life Insurance Claims Information (by Accident Year)
S.19.01
GBP £'000

Gross Claims Paid (non-cumulative)

		Development year (absolute amount)										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110
Prior	R0100											2,094
2008	R0160	0	(513)	0	0	3,592	0	0	0	(605)	(1,469)	
2009	R0170											
2010	R0180											
2011	R0190											
2012	R0200											
2013	R0210											
2014	R0220											
2015	R0230											
2016	R0240											
2017	R0250											

		In Current year	Sum of years (cumulative)
		C0170	C0180
	R0100	2,094	18,604
	R0160	(1,469)	1,005
	R0170		
	R0180		
	R0190		
	R0200		
	R0210		
	R0220		
	R0230		
	R0240		
	R0250		
Total	R0260	625	19,609

Gross undiscounted Best Estimate Claims Provisions

		Development year (absolute amount)										
		0	1	2	3	4	5	6	7	8	9	10 & +
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300
Prior	R0100											(21,382)
2008	R0160									(51,784)	26,359	
2009	R0170											
2010	R0180											
2011	R0190											
2012	R0200											
2013	R0210											
2014	R0220											
2015	R0230											
2016	R0240											
2017	R0250											

		Year end (discounted data)
		C0360
	R0100	(20,849)
	R0160	16,946
	R0170	
	R0180	
	R0190	
	R0200	
	R0210	
	R0220	
	R0230	
	R0240	
	R0250	
Total	R0260	(3,903)

AGUKL
Own funds
S.23.01
GBP £'000

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	C0020	C0030	C0040	C0050
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	**8,300**	8,300			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**70,084**	70,084			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	**5,496**				5,496
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**83,880**	**78,384**			**5,496**
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**83,880**	**78,384**			**5,496**
Total available own funds to meet the MCR	**R0510**	**78,384**	**78,384**			
Total eligible own funds to meet the SCR	**R0540**	**83,880**	**78,384**			**5,496**
Total eligible own funds to meet the MCR	**R0550**	**78,384**	**78,384**			
SCR	**R0580**	**54,899**				
MCR	**R0600**	**13,725**				
Ratio of Eligible own funds to SCR	**R0620**	**152.79%**				
Ratio of Eligible own funds to MCR	**R0640**	**571.12%**				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	**83,880**	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	**13,796**	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Reconciliation reserve	**R0760**	**70,084**	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life Business	R0770		
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	381	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**381**	

AGUKL
Solvency Capital Requirement - for undertakings on Standard Formula
S.25.01
GBP £'000

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	53,520		
Counterparty default risk	R0020	155		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	2,505		
Diversification	R0060	(1,937)		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**54,243**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	656
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	54,899
Capital add-on already set	**R0210**	
Solvency capital requirement	R0220	54,899
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

AGUKL
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
S.28.01
GBP £'000

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Non-life activities: Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100	32,417	123
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Life activities: Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010	5,752	
MCRL Result	R0200		

Overall MCR calculation

		C0070
Linear MCR	R0300	5,752
SCR	R0310	54,899
MCR cap	R0320	24,704
MCR floor	R0330	13,725
Combined MCR	R0340	13,725
Absolute floor of the MCR	R0350	3,251

		C0070
Minimum Capital Requirement	**R0400**	**13,725**

CIFGE
Balance Sheet
S.02.01
EUR €'000

		Solvency II value
		C0010
Assets		
Intangible assets	R0030	
Deferred tax assets	R0040	3,373
Pension benefit surplus	R0050	
Property, plant & equipment held for own use	R0060	
Investments (other than assets held for index-linked and unit-linked contracts)	**R0070**	**35,981**
Property (other than for own use)	R0080	
Holdings in related undertakings, including participations	R0090	
Equities	*R0100*	
Equities - listed	R0110	
Equities - unlisted	R0120	
Bonds	*R0130*	*35,981*
Government Bonds	R0140	19,241
Corporate Bonds	R0150	14,557
Structured notes	R0160	
Collateralised securities	R0170	2,183
Collective Investments Undertakings	R0180	
Derivatives	R0190	
Deposits other than cash equivalents	R0200	
Other investments	R0210	
Assets held for index-linked and unit-linked contracts	R0220	
Loans and mortgages	**R0230**	
Loans on policies	R0240	
Loans and mortgages to individuals	R0250	
Other loans and mortgages	R0260	
Reinsurance recoverables from:	**R0270**	**6,746**
Non-life and health similar to non-life	R0280	6,746
Non-life excluding health	R0290	6,746
Health similar to non-life	R0300	
linked	R0310	
Health similar to life	R0320	
Life excluding health and index-linked and unit-linked	R0330	
Life index-linked and unit-linked	R0340	
Deposits to cedants	R0350	
Insurance and intermediaries receivables	R0360	81
Reinsurance receivables	R0370	
Receivables (trade, not insurance)	R0380	79
Own shares (held directly)	R0390	
Amounts due in respect of own fund items or initial fund called up but not yet paid in	R0400	
Cash and cash equivalents	R0410	1,976
Any other assets, not elsewhere shown	R0420	
Total assets	**R0500**	**48,236**

CIFGE
Balance Sheet
S.02.01
EUR €'000

Liabilities

		Solvency II value
		C0010
Technical provisions - non-life	**R0510**	**24,252**
Technical provisions - non-life (excluding health)	**R0520**	**24,252**
TP calculated as a whole	R0530	
Best estimate	R0540	22,105
Risk margin	R0550	2,147
Technical provisions - health (similar to non-life)	**R0560**	
TP calculated as a whole	R0570	
Best estimate	R0580	
Risk margin	R0590	
TP - life (excluding index-linked and unit-linked)	**R0600**	
Technical provisions - health (similar to life)	**R0610**	
TP calculated as a whole	R0620	
Best estimate	R0630	
Risk margin	R0640	
TP - life (excluding health and index-linked and unit-linked)	**R0650**	
TP calculated as a whole	R0660	
Best estimate	R0670	
Risk margin	R0680	
TP - index-linked and unit-linked	**R0690**	
TP calculated as a whole	R0700	
Best estimate	R0710	
Risk margin	R0720	
Contingent liabilities	R0740	
Provisions other than technical provisions	R0750	
Pension benefit obligations	R0760	
Deposits from reinsurers	R0770	
Deferred tax liabilities	R0780	
Derivatives	R0790	
Debts owed to credit institutions	R0800	
Financial liabilities other than debts owed to credit institutions	R0810	
Insurance & intermediaries payables	R0820	
Reinsurance payables	R0830	4
Payables (trade, not insurance)	R0840	1,169
Subordinated liabilities	**R0850**	
Subordinated liabilities not in BOF	R0860	
Subordinated liabilities in BOF	R0870	
Any other liabilities, not elsewhere shown	R0880	
Total liabilities	**R0900**	**25,425**

Excess of assets over liabilities	**R1000**	**22,811**

CIFGE
Premiums, claims and expenses by line of business
S.05.01
EUR €'000

		Credit and suretyship insurance	Total
		C0090	**C0200**
Premiums written			
Gross - Direct Business	R0110	217	**217**
Gross - Proportional reinsurance accepted	R0120		
Gross - Non-proportional reinsurance accepted	R0130		
Reinsurers' share	R0140	22	**22**
Net	**R0200**	**195**	**195**
Premiums earned			
Gross - Direct Business	R0210	470	**470**
Gross - Proportional reinsurance accepted	R0220		
Gross - Non-proportional reinsurance accepted	R0230		
Reinsurers' share	R0240	118	**118**
Net	**R0300**	**352**	**352**
Claims incurred			
Gross - Direct Business	R0310	(54)	**(54)**
Gross - Proportional reinsurance accepted	R0320		
Gross - Non-proportional reinsurance accepted	R0330		
Reinsurers' share	R0340	(54)	**(54)**
Net	**R0400**		
Changes in other technical provisions			
Gross - Direct Business	R0410	1,889	**1,889**
Gross - Proportional reinsurance accepted	R0420		
Gross - Non-proportional reinsurance accepted	R0430		
Reinsurers' share	R0440	1,889	**1,889**
Net	**R0500**		
Expenses incurred	**R0550**	**1,910**	**1,910**
Other expenses	R1200		
Total expenses	**R1300**		**1,910**

CIFGE
Premiums, claims and expenses by country
S.05.02
EUR €'000

		Home Country	Top 5 countries (by amount of gross premiums written) - non-life obligations				Total Top 5 and home country
		C0010	C0020	C0030	C0040	C0050	C0070
	R0010		DE	GB	IT	US	
		C0080	C0090	C0100	C0110	C0120	C0140
Premium written							
Gross - Direct Business	R0110		64	152			216
Gross - Proportional reinsurance accepted	R0120						
Gross - Non-proportional reinsurance accepted	R0130						
Reinsurers' share	R0140		6	15			21
Net	**R0200**		**58**	**137**			**195**
Premium earned							
Gross - Direct Business	R0210	26	67	299	78		470
Gross - Proportional reinsurance accepted	R0220						
Gross - Non-proportional reinsurance accepted	R0230						
Reinsurers' share	R0240	3	7	30	78		118
Net	**R0300**	**23**	**60**	**269**	**0**		**352**
Claims incurred							
Gross - Direct Business	R0310		(54)				(54)
Gross - Proportional reinsurance accepted	R0320						
Gross - Non-proportional reinsurance accepted	R0330						
Reinsurers' share	R0340		(54)				(54)
Net	**R0400**		**0**				**0**
Changes in other technical provisions							
Gross - Direct Business	R0410	(3)		68	1,825		1,890
Gross - Proportional reinsurance accepted	R0420						
Gross - Non-proportional reinsurance accepted	R0430						
Reinsurers' share	R0440	(3)		68	1,825		1,890
Net	**R0500**	**0**		**0**	**0**		**0**
Expenses incurred	**R0550**			523		1,352	1,875
Other expenses	**R1200**						
Total expenses	**R1300**						**1,875**

CIFGE
Non - life Technical Provisions
S.17.01
EUR €'000

		Direct business and accepted proportional reinsurance	Total Non-Life obligations
		Credit and suretyship insurance	
		C0100	C0180
Technical provisions calculated as a whole	**R0010**		
Total Recoverables from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default associated to TP as a whole	**R0050**		
Technical Provisions calculated as a sum of BE and RM			
Best estimate			
Premium provisions			
Gross - Total	R0060	22,105	22,105
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0140	6,746	6,746
Net Best Estimate of Premium Provisions	R0150	15,359	15,359
Claims provisions			
Gross - Total	R0160		
Total recoverable from reinsurance/SPV and Finite Re after the adjustment for expected losses due to counterparty default	R0240		
Net Best Estimate of Claims Provisions	R0250		
Total Best estimate - gross	**R0260**	22,105	22,105
Total Best estimate - net	**R0270**	15,359	15,359
Risk margin	**R0280**	2,147	2,147
Amount of the transitional on Technical Provisions			
TP as a whole	R0290		
Best estimate	R0300		
Risk margin	R0310		
Technical provisions - total			
Technical provisions - total	**R0320**	24,252	24,252
Recoverable from reinsurance contract/SPV and Finite Re after the adjustment for expected losses due to counterparty default - total	**R0330**	6,746	6,746
Technical provisions minus recoverables from reinsurance/SPV and Finite Re- total	**R0340**	17,506	17,506

CIFGE
Non-life Insurance Claims Information (by Accident Year)
S.19.01
EUR €'000

Gross Claims Paid (non-cumulative)

		Development year (absolute amount)												In Current year	Sum of years (cumulative)
		0	1	2	3	4	5	6	7	8	9	10 & +			
		C0010	C0020	C0030	C0040	C0050	C0060	C0070	C0080	C0090	C0100	C0110		C0170	C0180
Prior	R0100											1,955	R0100		1,955
2008	R0160	170,378											R0160		170,378
2009	R0170	8,246											R0170		8,246
2010	R0180												R0180		
2011	R0190												R0190		
2012	R0200												R0200		
2013	R0210												R0210		
2014	R0220												R0220		
2015	R0230												R0230		
2016	R0240												R0240		
2017	R0250												R0250		
													Total R0260		**180,579**

Gross undiscounted Best Estimate Claims Provisions

		Development year (absolute amount)												Year end (discounted data)
		0	1	2	3	4	5	6	7	8	9	10 & +		
		C0200	C0210	C0220	C0230	C0240	C0250	C0260	C0270	C0280	C0290	C0300		C0360
Prior	R0100												R0100	
2008	R0160												R0160	
2009	R0170												R0170	
2010	R0180												R0180	
2011	R0190												R0190	
2012	R0200												R0200	
2013	R0210												R0210	
2014	R0220												R0220	
2015	R0230												R0230	
2016	R0240												R0240	
2017	R0250												R0250	
													Total R0260	

CIFGE
Own funds
S.23.01
EUR €'000

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
		C0010	**C0020**	**C0030**	**C0040**	**C0050**
Basic own funds before deduction for participations in other financial sector as foreseen in article 68 of Delegated Regulation (EU) 2015/35						
Ordinary share capital (gross of own shares)	R0010	**32,000**	32,000			
Share premium account related to ordinary share capital	R0030					
Initial funds, members' contributions or the equivalent basic own - fund item for mutual and mutual-type undertakings	R0040					
Subordinated mutual member accounts	R0050					
Surplus funds	R0070					
Preference shares	R0090					
Share premium account related to preference shares	R0110					
Reconciliation reserve	R0130	**(12,562)**	(12,562)			
Subordinated liabilities	R0140					
An amount equal to the value of net deferred tax assets	R0160	**3,373**				3,373
Other own fund items approved by the supervisory authority as basic own funds not specified above	R0180					
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds						
Own funds from the financial statements that should not be represented by the reconciliation reserve and do not meet the criteria to be classified as Solvency II own funds	R0220					
Deductions						
Deductions for participations in financial and credit institutions	R0230					
Total basic own funds after deductions	**R0290**	**22,811**	**19,438**			**3,373**

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Ancillary own funds						
Unpaid and uncalled ordinary share capital callable on demand	R0300					
Unpaid and uncalled initial funds, members' contributions or the equivalent basic own fund item for mutual and mutual - type undertakings, callable on demand	R0310					
Unpaid and uncalled preference shares callable on demand	R0320					
A legally binding commitment to subscribe and pay for subordinated liabilities on demand	R0330					
Letters of credit and guarantees under Article 96(2) of the Directive 2009/138/EC	R0340					
Letters of credit and guarantees other than under Article 96(2) of the Directive 2009/138/EC	R0350					
Supplementary members calls under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0360					
Supplementary members calls - other than under first subparagraph of Article 96(3) of the Directive 2009/138/EC	R0370					
Other ancillary own funds	R0390					
Total ancillary own funds	**R0400**					

		Total	Tier 1 - unrestricted	Tier 1 - restricted	Tier 2	Tier 3
Available and eligible own funds						
Total available own funds to meet the SCR	**R0500**	**22,811**	**19,438**			**3,373**
Total available own funds to meet the MCR	**R0510**	**19,438**	**19,438**			
Total eligible own funds to meet the SCR	**R0540**	**20,578**	**19,438**			**1,140**
Total eligible own funds to meet the MCR	**R0550**	**19,438**	**19,438**			
SCR	**R0580**	**7,597**				
MCR	**R0600**	**3,700**				
Ratio of Eligible own funds to SCR	**R0620**	**270.87%**				
Ratio of Eligible own funds to MCR	**R0640**	**525.36%**				

		C0060	
Reconciliation reserve			
Excess of assets over liabilities	R0700	**22,811**	
Own shares (held directly and indirectly)	R0710		
Foreseeable dividends, distributions and charges	R0720		
Other basic own fund items	R0730	**35,373**	
Adjustment for restricted own fund items in respect of matching adjustment portfolios and ring fenced funds	R0740		
Reconciliation reserve	**R0760**	**(12,562)**	
Expected profits			
Expected profits included in future premiums (EPIFP) - Life Business	R0770		
Expected profits included in future premiums (EPIFP) - Non- life business	R0780	1,053	
Total Expected profits included in future premiums (EPIFP)	**R0790**	**1,053**	

CIFGE
Solvency Capital Requirement - for undertakings on Standard Formula
S.25.01
EUR €'000

		Gross solvency capital requirement	USP	Simplifications
		C0110	C0090	C0120
Market risk	R0010	6,194		
Counterparty default risk	R0020	494		
Life underwriting risk	R0030			
Health underwriting risk	R0040			
Non-life underwriting risk	R0050	1,546		
Diversification	R0060	(1,300)		
Intangible asset risk	R0070			
Basic Solvency Capital Requirement	**R0100**	**6,934**		

Calculation of Solvency Capital Requirement

		C0100
Operational risk	R0130	663
Loss-absorbing capacity of technical provisions	R0140	
Loss-absorbing capacity of deferred taxes	R0150	
Capital requirement for business operated in accordance with Art. 4 of Directive 2003/41/EC	R0160	
Solvency capital requirement excluding capital add-on	R0200	7,597
Capital add-on already set	**R0210**	
Solvency capital requirement	R0220	7,597
Other information on SCR		
Capital requirement for duration-based equity risk sub-module	R0400	
Total amount of Notional Solvency Capital Requirements for remaining part	R0410	
Total amount of Notional Solvency Capital Requirements for ring fenced funds	R0420	
Total amount of Notional Solvency Capital Requirements for matching adjustment portfolios	R0430	
Diversification effects due to RFF nSCR aggregation for article 304	R0440	

CIFGE
Minimum Capital Requirement - Only life or only non-life insurance or reinsurance activity
S.28.01
EUR €'000

Linear formula component for non-life insurance and reinsurance obligations

MCR calculation Non Life		Non-life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Non-life activities: Net (of reinsurance) written premiums in the last 12 months
		C0020	C0030
Medical expense insurance and proportional reinsurance	R0020		
Income protection insurance and proportional reinsurance	R0030		
Workers' compensation insurance and proportional reinsurance	R0040		
Motor vehicle liability insurance and proportional reinsurance	R0050		
Other motor insurance and proportional reinsurance	R0060		
Marine, aviation and transport insurance and proportional reinsurance	R0070		
Fire and other damage to property insurance and proportional reinsurance	R0080		
General liability insurance and proportional reinsurance	R0090		
Credit and suretyship insurance and proportional reinsurance	R0100	15,359	682
Legal expenses insurance and proportional reinsurance	R0110		
Assistance and proportional reinsurance	R0120		
Miscellaneous financial loss insurance and proportional reinsurance	R0130		
Non-proportional health reinsurance	R0140		
Non-proportional casualty reinsurance	R0150		
Non-proportional marine, aviation and transport reinsurance	R0160		
Non-proportional property reinsurance	R0170		

Linear formula component for life insurance and reinsurance obligations

MCR calculation Life		Life activities: Net (of reinsurance/SPV) best estimate and TP calculated as a whole	Life activities: Net (of reinsurance/SPV) total capital at risk
		C0050	C0060
Obligations with profit participation - guaranteed benefits	R0210		
Obligations with profit participation - future discretionary benefits	R0220		
Index-linked and unit-linked insurance obligations	R0230		
Other life (re)insurance and health (re)insurance obligations	R0240		
Total capital at risk for all life (re)insurance obligations	R0250		

		Non-life activities	Life activities
		C0010	C0040
MCRNL Result	R0010		
MCRL Result	R0200		

Overall MCR calculation

		C0070
Linear MCR	R0300	2,796
SCR	R0310	7,597
MCR cap	R0320	3,419
MCR floor	R0330	1,899
Combined MCR	R0340	2,796
Absolute floor of the MCR	R0350	3,700
		C0070
Minimum Capital Requirement	**R0400**	**3,700**

Approval by the Board of Directors of the Solvency and Financial Condition Report

Financial period ended 31 December 2017

We acknowledge our responsibility for preparing this Solvency and Financial Condition Report in all material respects in accordance with the PRA Rules and the Solvency II Regulations as applicable to the AGE Group. We are satisfied that (a) throughout the financial year in question, each of the AGE Group, AGE, AGLN and AGUK has complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations applicable to the AGE Group, AGE, AGLN and AGUK, respectively; and (b) it is reasonable to believe that, at the date of the publication of this Solvency and Financial Condition Report, each of the AGE Group, AGE, AGLN and AGUK has continued so to comply subsequently and will continue so to comply in the future.

For and on behalf of Assured Guaranty (Europe) plc
Director
London
On 8 June 2018

We acknowledge our responsibility for preparing the relevant content of this Solvency and Financial Condition Report in all material respects in accordance with the PRA Rules and the Solvency II Regulations as applicable to the AGE Group. We are satisfied that (a) throughout the financial year in question, the insurers have complied in all material respects with the requirements of the PRA Rules and the Solvency II Regulations applicable to them; and (b) it is reasonable to believe that, at the date of the publication of this Solvency and Financial Condition Report, the insurers have continued so to comply subsequently and will continue so to comply in the future.

For and on behalf of Assured Guaranty (London) plc
Director
London
On 8 June 2018

For and on behalf of Assured Guaranty (UK) plc
Director
London
On 8 June 2018