



UK Export
Finance

Performance Highlights **June 2015**



Key facts

The majority of companies benefiting from our support in the UK are



SMALL & MEDIUM
size companies

Our support benefits not just the exporter but its suppliers too



OVER 6,000
companies indirectly benefited from UKEF's support in 2014-15

We work in
PARTNERSHIP



with over 70 banks, brokers and other providers to supply export finance and insurance that complements their commercial business

In 2014-15 we provided
£2.7 BILLION
of support for exports to



72 COUNTRIES

In the last five years we've provided
£14 BILLION



of support for UK exports

In total we manage nearly
£20 BILLION
of financial risks



Taking on this risk helps UK companies conduct business in emerging markets and protects trade during times of market disruption

As the world's first official export credit agency we've been supporting

UK EXPORTS



for nearly
100 YEARS

We aim to operate at
NO NET COST
to the taxpayer over time



by charging a premium for each case we support

Where possible we
PROVIDE SUPPORT
in markets where private sector finance or insurance is unavailable



Recent examples include Libya, Iraq, Greece, Ukraine and Russia

Foreword

Early in 2014 we set out an ambitious three-year plan to develop the support we are able to provide for exports through the economic cycle. At the end of the first year of the plan, I am pleased to report we are on track.

We exist to support exports by assuming financial risks that cannot be assumed by private sector banks or insurers. As part of HM Government, we seek to provide this support at no long-term cost to the taxpayer.

Our figures show strong continued support for UK exports, we have considerably expanded our capabilities and we are comfortably meeting the financial objectives set for us by HM Treasury.

To continue to do this well we must be an agile, competitive and responsive export credit agency (ECA), able to support UK trade as and when required.

We have demonstrated all these traits in achieving several firsts in 2014-15:

- our first direct lending to an overseas buyer of UK goods or services
- becoming the first ECA to offer Islamic finance, by guaranteeing a sukuk bond used to raise finance for aircraft. This was also the largest capital markets offering for aviation to carry an ECA guarantee

- an agreement to support loans made in offshore Renminbi to support exports to China
- the first refinancing back-stop scheme – the Export Refinancing Facility – designed to anticipate future market conditions that could jeopardise the financing of large capital projects

And we were voted Export Credit Agency of the Year by the readers of Global Trade Finance.

We can now look forward to more progress, invention and innovations as we implement the remaining years of our business plan.

David Godfrey
Chief Executive
UK Export Finance



David Godfrey

A year
of firsts **#1**

- First** guaranteed sukuk bond
- First** direct overseas buyer loan
- First** refinancing back-stop scheme
- First** offshore RMB loan guarantee

Innovative support

Historic direct loan

UK Export Finance's new direct lending facility, offered in partnership with a bank, helped Wolverhampton-based construction multinational Carillion to win a major new £75 million construction contract in Dubai.

This is the first direct loan facility in UKEF's near 100-year history, and its availability gives UK exporters like Carillion confidence when discussing finance with overseas buyers.

It is another way UK exporters can differentiate themselves from the international competition, and in Carillion's case has helped the firm realise its objective of growth in a key Middle East market.

World first in Islamic financing

Emirates wanted to use Islamic finance to fund its purchase of four new Airbus A380s for its fleet, so UKEF developed an innovative guarantee for a sharia-compliant sukuk (Islamic bond) in the debt capital markets.

The case has been hailed as a new gold standard for sharia-compliant asset finance, which has widened the options for buyers of UK exports and boosted the UK's aspiration to become the leading Western hub for Islamic finance.



New gold standard for sharia-compliant finance



Award winning

Taskforce of smaller companies

NMS International Group, from Leicestershire, is leading a consortium of some 50 UK-based small and medium-sized enterprises (SMEs) to build seven district hospitals in Ghana.

The firm won a US\$175 million (£134.1m) contract to design, build and equip the hospitals thanks to a bank loan to the Ghanaian Ministry of Health supported by UKEF.

NMS has now established itself as a leading provider of social infrastructure projects in Ghana. The hospitals project is on schedule and won deal of the year awards from respected publications *Global Trade Review*, *Trade Finance* and *The Banker*.

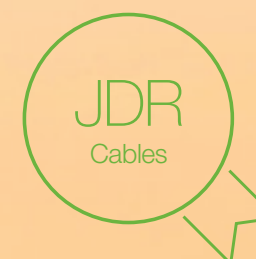
Helping export growth

JDR Cables is a Cambridgeshire-headquartered mid-sized business supplying sub-sea power cables and control umbilicals to the energy sector. When it required additional support to help manage the risks of offering contract bonds for a contract to supply an offshore wind farm in Germany, UKEF guaranteed JDR's bank the sums owed if the contact bond was called.

This enabled JDR to fulfil an important contract and continue to grow its business, and the company has since received a 2014 Queen's Award for Enterprise in International Trade.



Deal of the Year



2014 Queen's Award for Enterprise



Global Trade Review readers' export credit agency of the year

Guiding smaller exporters

Impartial guidance

For Northern Ireland-based small business Environmental Marketing Solutions a new contract to export equipment to Israel posed a challenge to manage payment risks. UKEF was able to provide information and advice to help it access support from the private sector, without using a UKEF guarantee or insurance policy – support we describe as a 'private market assist'.

Help from Elizabeth McCrory, one of UKEF's national network of 24 export finance advisers, meant the company was able to arrange a confirmed Letter of Credit from the buyer's bank and establish a strong arrangement with a new buyer.

Responsive to demand

The security situation in Ukraine meant Nottinghamshire-based Legume Technology was unable to find an insurer willing to cover its payment risks for growing sales of its specialist non-chemical fertilisers. With up to 30 percent of its sales to Ukraine, this represented a big risk for a small company.

The firm approached UKEF and we were rapidly able to issue an export insurance policy covering the non-payment risk on fertiliser exports to the company's main Ukrainian distributor. This has helped the company continue its strong export growth.

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UKEF export finance advisers on hand to help smaller exporters

95%

cover available under a UKEF export insurance policy

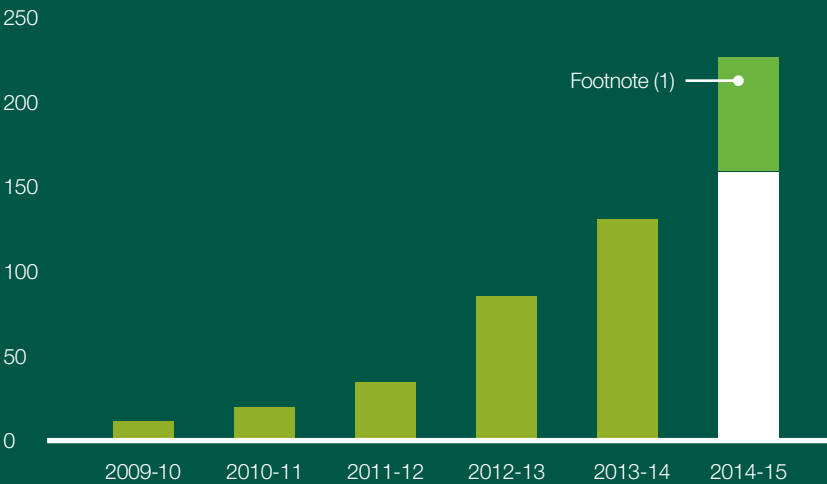


Business highlights

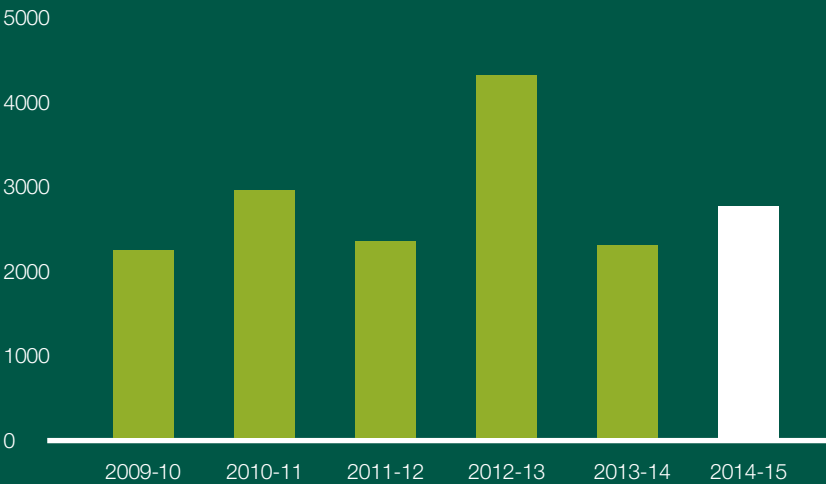
2014-15

At the start of 2014 UK Export Finance set a three-year objective to be responsive through the economic cycle – more agile and adaptable, with a more competitive offering, a greater customer focus and a higher profile.

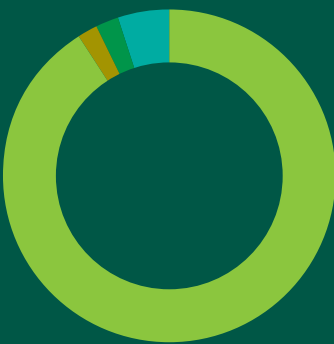
Number of companies supported



Business supported (£m)



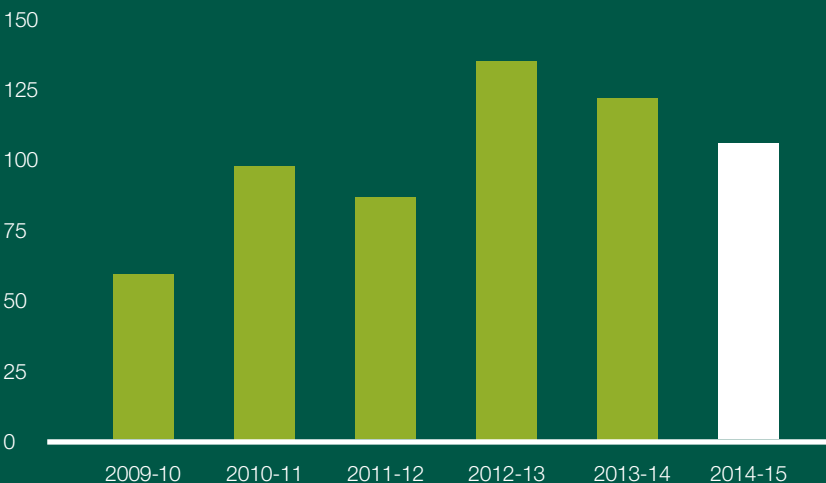
Value of support by product type



Number of facilities issued



Premium (£m)



Number of exporters by product type



(1) Indicates support from a UKEF export finance adviser that made material contribution to an export receiving support from the private sector (without the need for a UKEF facility).

- Buyer and supplier credit financing
- Supplier credit insurance
- Direct lending
- Bond support, Export working capital and letter of credit guarantees

Agile and adaptable support through challenging times

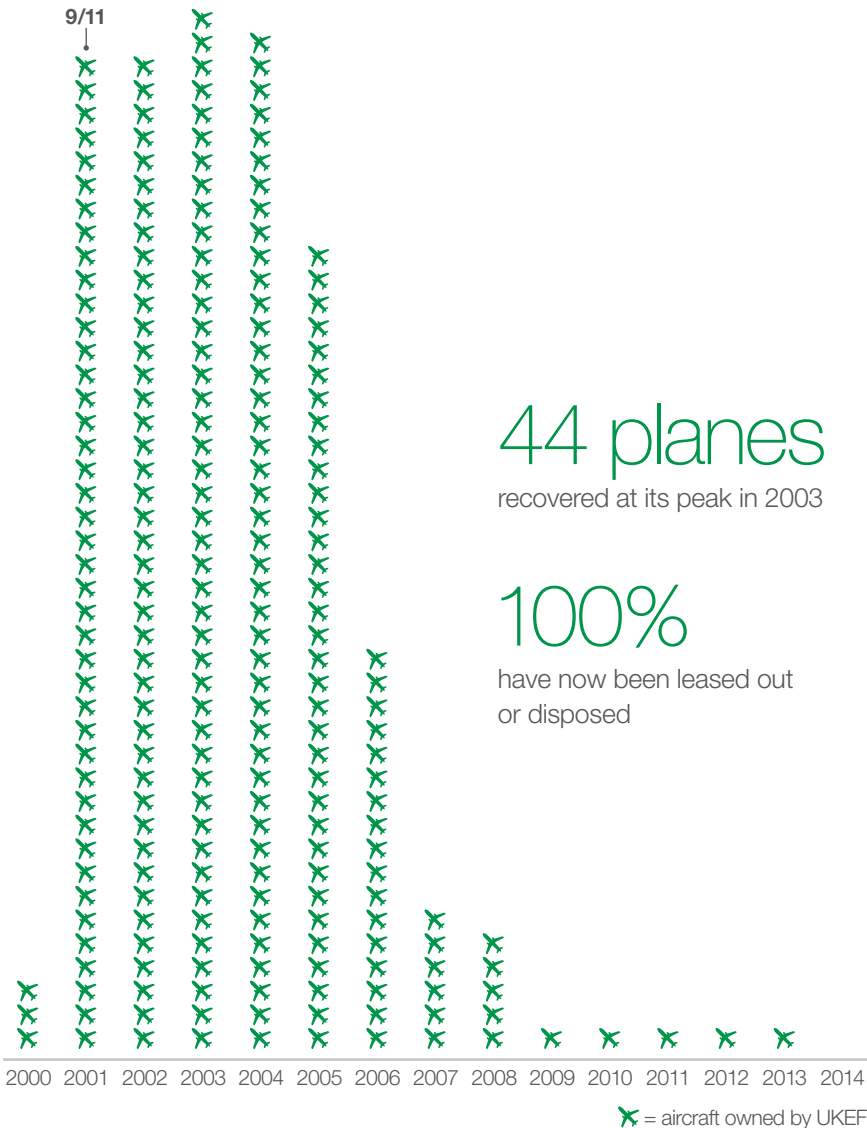
UKEF provides support through economic cycles and market disruptions.

Our role is to step in when the market needs us to help protect export business from market disruptions that are likely to smooth out over time.

Civil aerospace and 9/11

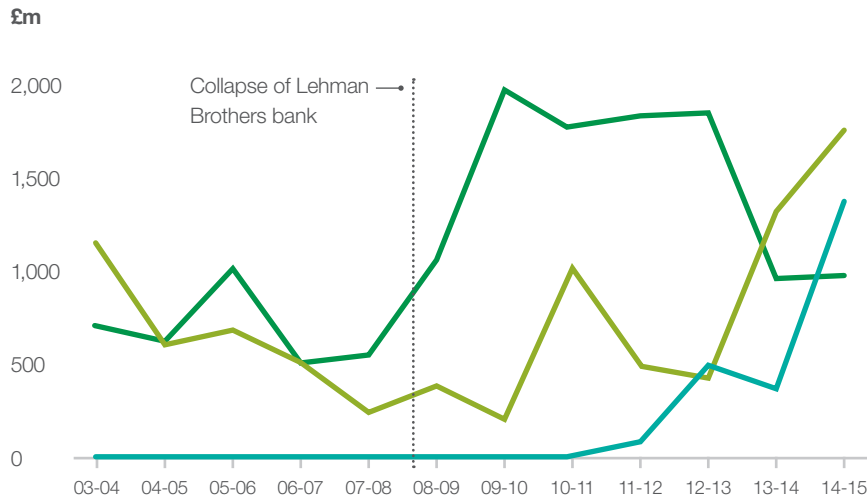
Following 9/11 we took possession of, leased and eventually sold 44 aircraft, ensuring losses both to the airline industry and UK taxpayer were minimised during this difficult period.

The graph on the right shows the annual totals of aircraft in UKEF's possession since 2000. UKEF sold the last of the aircraft recovered following 9/11 in 2014.



Financial crisis of 2007-08

- UKEF support for aircraft exports peaked in 2010 to 2012 as UKEF helped sustain planned deliveries.
- Civil project business took more time to be reflected in UKEF support due to projects taking longer to come to fruition.
- UKEF had to rebuild its support for short-term business, as this had been privatised in 1991. This move will help us provide an agile and swift response in the event of future market disruption.



UKEF Performance Highlights June 2015

Spotlight on supply chains

The power of 27: indirect support for the UK export supply chain



Last year, we supported 226 companies. But many more UK firms in exporters' supply chains benefited indirectly from this support.

While the number of firms in each export supply chain varies hugely from 0 (in a few cases) to 3,000+ (for Rolls-Royce), we estimate there are over 6,000 firms in the UK supply chains of the companies we supported last year, or about 27 times as many UK firms as we support directly. The true figure is likely to be higher, as there will sometimes be third, fourth and lower tiers of suppliers.

The SME innovator: passing on half the value



High Wycombe-based firm Kiln Flame designs burners for rotary kilns. It has received UKEF support for performance bonds requested by customers in Europe, and recently passed on significant benefit to another UK SME.

"Our biggest UKEF-supported project was for a customer in the pulp and paper industry in Finland, to design a kiln burning lignin, a waste product from tree bark", says Kiln Flame's Finance Director Paul Ryan.

The contract was worth more than £2m of which we spent about half on a special fuel feeder system from a firm based in Yorkshire.

Aerospace supply chain: a cast of thousands



Our major aerospace customers Airbus and Rolls-Royce feature some of the UK's biggest supply chains. In 2014, Airbus spent more than £2 billion with more than 900 companies across the UK. Rolls-Royce buys goods and services from about 3,000 UK companies, and about 80 percent of Airbus and Rolls-Royce suppliers are SMEs or smaller.

In the calendar year 2013, we estimate that roughly one-quarter by value of UKEF-supported work (£340m) was passed down our aerospace customers' UK supply chains.

Our reputation

What people say about us

At the start of our three-year plan, we asked exporters for their views, to help us identify areas of potential improvement:



Our future

We will continue to pursue our aim to be an export credit agency which has the following qualities:

Agile and adaptable

We will be an agile department, able to address the challenges to UK exporters throughout the economic cycle. We will act decisively and effectively as the economic climate changes, maximising the potential of our range of products and services.

Competitive offering

We will strive to ensure we continue to offer a full range of the financing tools offered by comparable ECAs.

Customer delivery and awareness

We will provide a quality of service to our customers that is flexible and efficient with a focus on solutions and innovation. We will continue to increase awareness of our products and services among exporters, overseas buyers, banks, brokers and other intermediaries.

Our organisation

Will be a great place to work, where teams collaborate strongly across functions and to meet common goals. Our people will be experienced and skilled and we will develop their talents. Our leaders will be role models and create the environment for success and learning.

“

“The thought leader among European ECAs.”

Munawar Noorani
Managing Director, Citi

“The reinvigoration of UK Export Finance has been the best thing the Government has done as far as constructive help for exporters is concerned.”

Lesley Batchelor OBE
Director General,
The Institute of Export

“UKEF is creating structures that go beyond what the British financial services sector can deliver.”

Simon Moore International Director,
Confederation of British Industry

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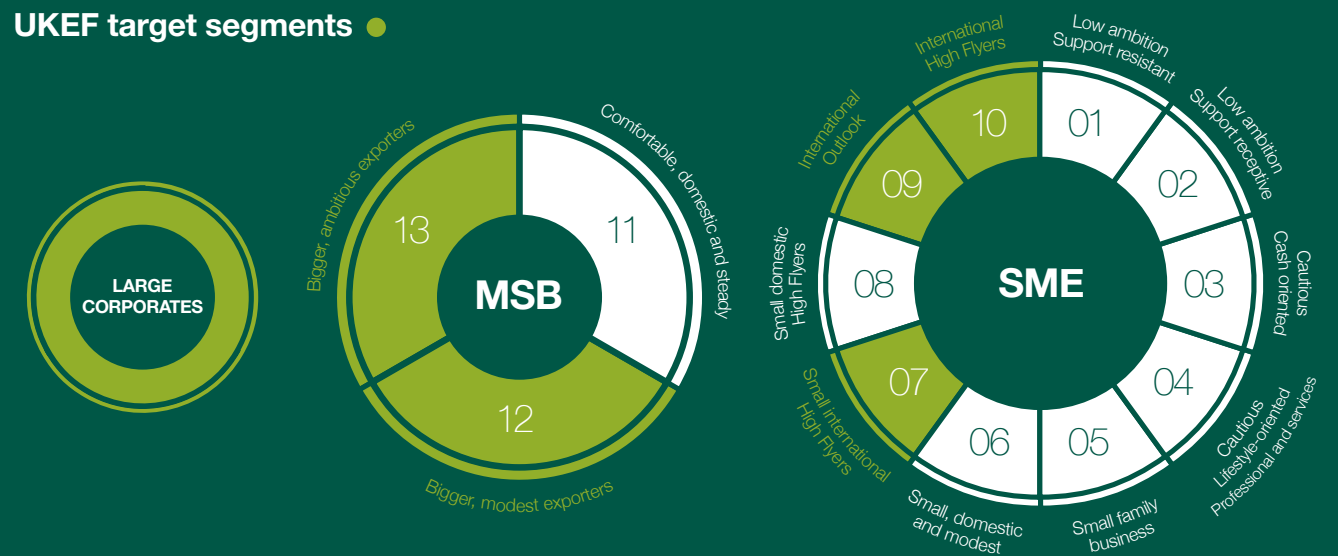
The year ahead

Our goals for the coming year include to:

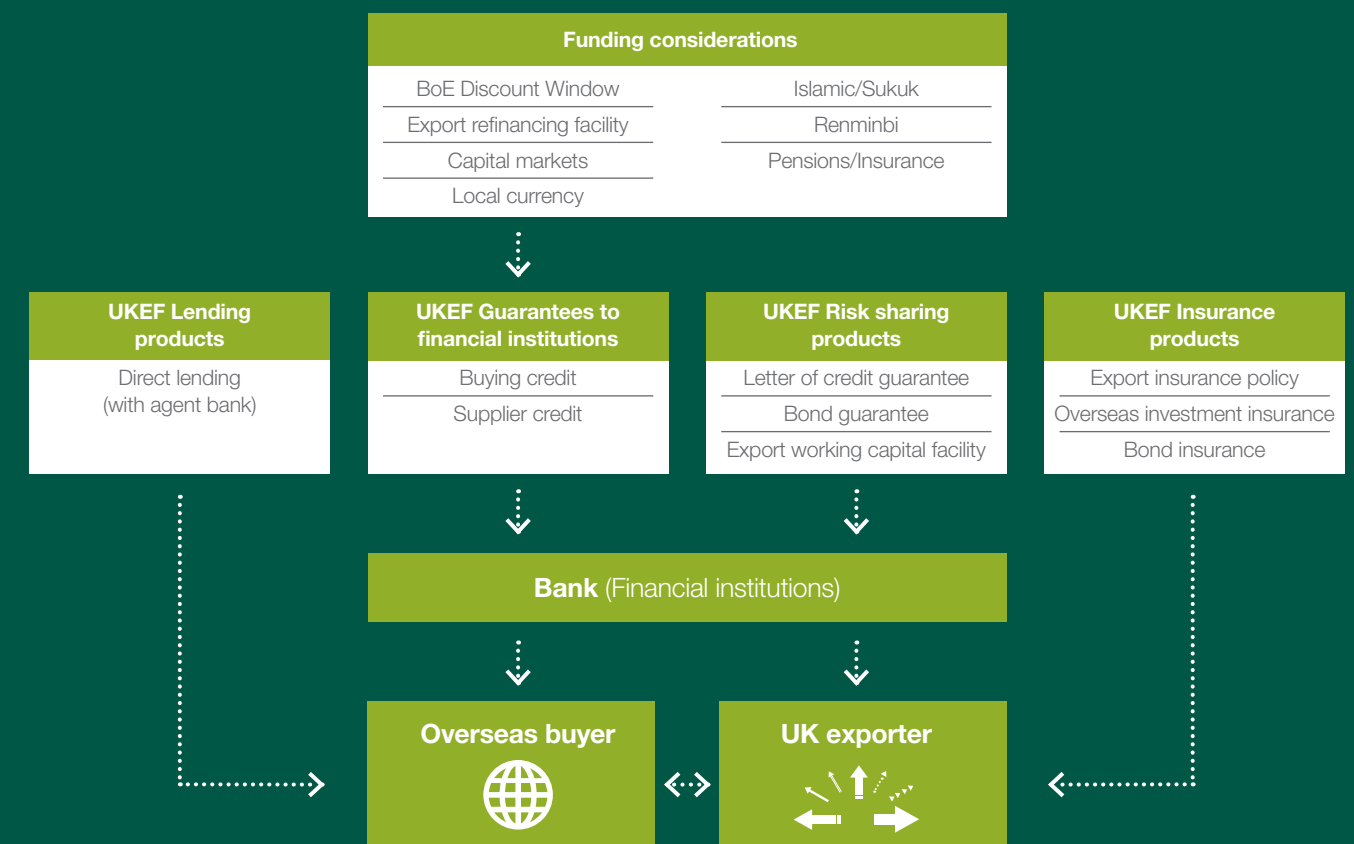
- provide an ever-greater range of support for UK exports and exporters
- further improve our products and the ease of using them
- continue to innovate in the capital markets
- strengthen our partnerships right across government
- digitise more of our business processes and services, internally and externally

About us

UKEF target segments ●



How we operate





UK Export Finance

Some of the exporters we've supported in 2014-15

Alexander Dennis
BAM Nuttall
Carillion Construction
Chinook Sciences
Cleveland Bridge UK
EADS Astrium
Fluor
Forum Energy Technologies
Foster + Partners
Griffon Hoverwork
Hampco
IHC Engineering Business
Interpower Induction
JDR Cable Systems
Kier Construction
Lincoln College
OGN North Sea
Techflow Flexibles
Tetronics (International)
Thales UK
Vulcan SFM

UK Export Finance (UKEF) helps UK exporters by providing guarantees and insurance policies, complementing support on offer in the private sector, and guidance on sources of export finance.

UK Export Finance

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gov.uk/uk-export

UK Export Finance is the operating name of the Export Credits Guarantee Department.



**BUSINESS
GROWTH
SERVICE**