



UK Export
Finance

100
Years of
Innovation

UK Export Finance Performance Highlights 2018-19

100 years of innovation



Business highlights

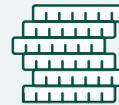
A landmark year



We provided a **record amount of support, £6.8 billion¹** for UK exports. These exports have supported an estimated **47,000 UK full time equivalent jobs²**



We were named **best export credit agency for 2018** by Global Trade Review and Trade Finance Global



We supported our **largest ever transaction**, providing a **£5 billion package** to support BAE Systems' and MBDA UK's contract with the government of Qatar

Making exports happen



An additional **£2 billion** under our Direct Lending Facility will be available in 2020-21 and 2021-22



We provided our first ever support for Angola – **£419 million** to build **3 new hospitals** and **upgrade 2 electricity substations**



We launched a **targeted marketing campaign** under the UK government's GREAT brand to increase awareness and uptake of UKEF support

Supporting small businesses



We supported **181 companies' exports to 72 countries** – 79% of which were SMEs – and a further **81 UK companies secured business** supplying to a project UKEF is supporting



We connected **more than 300 UK suppliers** with opportunities with projects in Africa and the Middle East through our supplier fair programme



We announced a **new general export facility** designed to make our support for exports more flexible for the needs of smaller companies

¹ This total is net of reinsurance from other export credit agencies.

² www.gov.uk/government/publications/uk-export-finance-jobs-supported-2018-to-2019

Minister's foreword

2019 is a particularly significant year: it marks UKEF's centenary. When the UK government established the world's first export credit agency in 1919, few would have anticipated the pivotal role it would come to play supporting UK trade over the next 100 years. It is testament to the department's ability to innovate that its support continues to be vital to UK exports, evidenced by the industry awards UKEF has won this year.

The UK government's Export Strategy, published in August 2018, recognises the importance of UKEF's support as we make the UK a 21st century exporting superpower. The strategy outlines a streamlined and targeted offer from government for businesses of all sizes, and sets a new ambition to increase exports as a proportion of gross domestic product from 30% to 35%.

Rightly, finance – and UKEF's innovative and flexible support – sits at the heart of our offer. We commit to raising awareness of UKEF support more widely, deploying its supplier fair programme to connect UK businesses with international markets, and identifying opportunities to enhance UKEF's product range.

To this end, this year we announced the addition of £2 billion to UKEF's direct lending capacity in 2020-21 and 2021-22, a new general export facility, and a public consultation on proposals to increase flexibility in UKEF's foreign content policy.

As well as being its centenary, this has also been a record year for UKEF, with the largest amount of business underwritten in a single year for decades. This included support for the biggest transaction in its history, worth nearly £5 billion for the export of defence equipment to Qatar. As well as supporting BAE Systems, MBDA UK and their thousands of UK employees and suppliers, this contract will strengthen our own defence capabilities and those of an important strategic ally.

This year has also seen a number of other noteworthy transactions that are helping UK exporters realise their global ambitions and sharing the benefits of international trade around the world. These include the first projects UKEF has ever supported in Angola; delivering critical infrastructure as well as healthcare projects in Ghana; and building bridges to connect communities in Sri Lanka. We have also supported our first transaction with EL AL Israel Airlines.

UKEF's 100th year has truly been one of landmark achievements. As we enter UKEF's second century, we will continue to focus on our mandate: providing world-class export finance to help UK businesses succeed globally.

Rt Hon. Dr Liam Fox MP
Secretary of State for International Trade & President of the Board of Trade

June 2019



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About UK Export Finance

UK Export Finance (UKEF) is the UK's export credit agency – a government department with the mission to ensure that no viable UK export fails for lack of finance or insurance from the private sector.

We aim to operate at no net cost to the taxpayer.

We are strategically and operationally aligned with the Department for International Trade.

We exist to complement, not compete with the private sector and work with 90 private credit lenders and insurers.

The scale of our ambition

UKEF's Business Plan for 2017-20, published after the 2017 general election, set out the government's ambitions to put UKEF at the heart of the UK's trade promotion proposition. UKEF's offer of finance also sits at the heart of the government's Export Strategy, which sets out an ambition to raise UK exports to 35% of GDP.

UKEF's total capacity to support exports –

£50 billion

£30 billion

of this capacity is currently utilised

£20 billion

of our capacity remains to support future UK exports

Since then, we've continued to work to become more relevant, scalable, efficient and accessible in our support for UK exports, including:

Agile and adaptable

- Continued to develop our digital services including our web presence and tools to improve user experience and support business development
- Further improved UKEF's systems, processes and data to support robust, transparent and efficient decision making and reporting

Competitive offering

- Completed a comprehensive review of all our products, working with a wide range of stakeholders, to identify improvements to help us use them more effectively and flexibly
- Continued to identify new product opportunities to take full advantage of UKEF's statutory powers in support of UK exports while protecting taxpayers' interests
- Introduced new and revised products to deliver what our customers need

Customer service and awareness

- Appointed finance specialists in key international markets to lead engagement with local buyers and stakeholders
- Launched a UK and international marketing campaign under the GREAT umbrella to connect with new customers and increase understanding of UKEF support
- Developed and rolled out more widely our supplier fair programme to maximise the benefits of UKEF support for the UK supply chain

Chief Executive's report

In 1919, the UK government established the world's first export credit agency (ECA), then known as the Export Credits Department. Today known as UK Export Finance, we are marking our 100th year fulfilling the same core mission: to help UK businesses succeed in a global marketplace.

2018-19 has been a year of significant achievements for UKEF. As well as being our centenary, we have underwritten the largest amount of business since 1991, concluded the largest deal in our history, and supported transactions in new countries and new sectors for the first time.

In the last five years, between 2014-15 and 2018-19, UKEF supported around £17 billion of UK exports through insurance, guarantees and loans. This year alone, the export contracts we've financed have supported an estimated 47,000 UK full time equivalent jobs.¹

Our success continues to be acknowledged in the global export credit industry. We were named Best Export Credit Agency for 2018 by both Global Trade Review and Trade Finance Global, and have once again been awarded 9/10 for our product range by the British Exporters Association – making us the highest-rated European ECA for the fifth year running.

Now with a century's track record, UKEF remains at the heart of the government's measures to support exporters, and we will do so flexibly and inventively, as we have for the last 100 years. We are delivering well on our 2017-20 Business Plan, and have strong ambition for the future of our help for exports.



Louis Taylor
Chief Executive
Officer

Figure 1. Value of business issued and committed

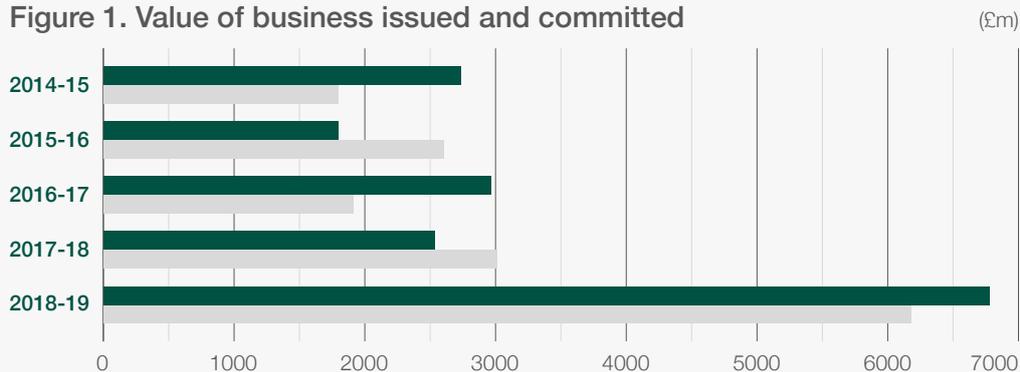


Figure 1

- Value of guarantees, insurance policies and direct loans issued and effective
- Value of commitments as at 31 March

Figure 2. Premium income earned

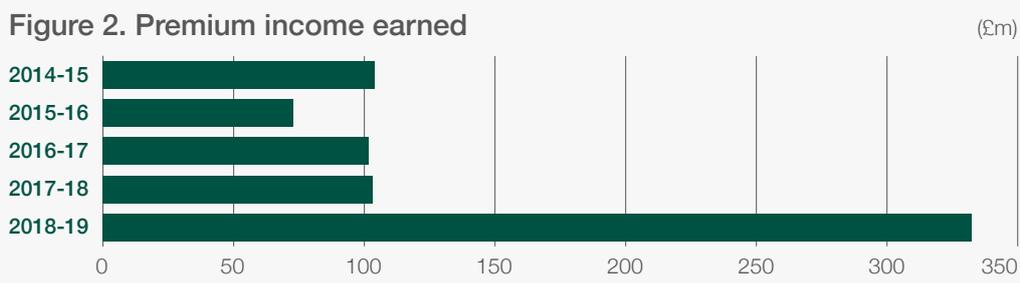


Figure 2

- Premium income - net of reinsurance

¹ www.gov.uk/government/publications/uk-export-finance-jobs-supported-2018-to-2019



UKEF's centenary

UKEF's origins lie in the aftermath of the First World War. The conflict saw a submarine blockade and our overseas buyers looking elsewhere for their manufactured goods. The UK government, seeking to kickstart UK exports, established the world's first ECA.

We began as a sub-department of the Department of Overseas Trade (DOT), employing just 13 people and permitted to support exports to 10 countries. We started offering guarantees and were renamed the Export Credits Guarantee Department in 1926, became an independent department in 1930 and have been known as UK Export Finance since 2011.

Today, UKEF is central to the government's support for exports, with more than 300 staff across the UK and around the world working hard to support and promote UK business interests abroad. We continue to work closely with colleagues at the Department of International Trade, the successor of DOT.

As the world's first ECA, UKEF has always been a leader in the field of export credits. It was a founding member of the Berne Union in 1934, and of the OECD's Working Group in 1963.



1919
Export Credit Department (ECD) is first established as part of the Department of Overseas Trade to promote UK exports lost during WW1 blockades



1930
ECGD is made an independent department, responsible to the President of the Board of Trade



1939-45
During World War II, ECGD offers guarantees against wartime losses incurred by exporters due to enemy activity



1977
Launch of the Foreign Currency Buyer Credit Scheme, initially covering US Dollars and Deutschmarks



1920
Overseas Trade (Credit and Insurance) Act grants ECD power to extend credit for exporters. In 1921 it began offering guarantees – adding a 'G' to become ECGD



1934
ECGD becomes a founding member of the Berne Union, a global trade association of export credit agencies and investment insurers



1961
'Small exporter' policies introduced for companies with small turnovers



1989
ECGD claims reach £1.7bn, protecting UK businesses from the sovereign debt crisis

In recent years, we have continued our heritage of innovation; we were behind the first western ECA sukuk (sharia-compliant bond), the first hybrid reserve-based lending/project finance structure supported by an ECA, and the first ECA guarantee for a loan in Chinese Renminbi – now 1 of more than 60 international currencies in which UKEF can offer financing.

We have a century's experience supporting UK exports, with an ambition to do even more. In 1920, UKEF had a maximum total exposure of just £26 million. Today, our maximum commitment stands at £50 billion. This reflects the scale of our ambition for UK exports.

Export Strategy

Research shows that businesses that sell internationally are more productive, create more jobs and pay higher wages, meaning that there is a world of opportunity out there for UK exporters.

In August 2018, the government released its Export Strategy, outlining its plan to raise UK exports as a share of GDP from 30% to 35%. UKEF, and its offer of finance, is at its heart.

The Strategy commits to raising awareness of UKEF to help more companies benefit from our support, and to enhancing and innovating our products to keep them relevant as we enter our second century.



1991
Following publication of the Kemp Report, ECGD converts its SME business to a purely commercial entity through privatisation



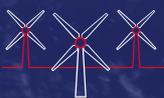
2011
Name is changed to UK Export Finance and new products launched to support SMEs



2015
UKEF guarantees a sharia-compliant Islamic Bond (Sukuk), its first ever support of Islamic finance



2018
UKEF's offer is placed at the heart of the government's Export Strategy



2001
ECGD begins reviewing the environmental and social impact of transactions it supports



2013
Direct lending to overseas buyers is introduced for the first time



2017
UKEF delegates the use of its guarantee to five banks to boost support for SMEs



2019
UKEF celebrates its centenary, marking 100 years of innovation

Developing infrastructure and improving lives

Trade can offer a way of developing infrastructure and supporting countries out of poverty in a way that aid-spending cannot do alone.

A key challenge for many low-income countries is poor quality infrastructure, particularly in the power, transportation and healthcare sectors.

The UK has a long track record of innovation and expertise in these sectors, and UKEF's role is to connect our world-class companies with international buyers, ensuring that each has the finance they need to do business.

Destination of a UKEF-supported export

Colombia

Thanks to £72 million in support from UKEF, Rolls-Royce is supplying its Trent 1000 engines to Avianca's new Boeing 787.

This is the first time that UKEF has supported the delivery of a Boeing aircraft to Colombia's national flag carrier which, like UKEF, celebrates its centenary in 2019.

Ghana

We supported UK firms with £130 million for three projects in Ghana. These include:

- Modernising Kumasi Market, used by 800,000 people daily
- Building a hospital at Bekwai that will have 120 beds, an emergency department, maternity unit and operating theatre.
- Expanding Tamale Airport, allowing for economic growth and increased tourism

These projects will have a direct, positive impact on the country's infrastructure and economic development, while delivering opportunities for British companies.

Iraq

UKEF supported UK firms with £852 million to build two new gas-fired power stations as well as restoring and building electricity substations in Iraq. This will bring power to areas with significant power shortages from the north to the south of the country.

We recently doubled our capacity to £2 billion to support exports to and investment in Iraq, helping to provide the vital infrastructure the country needs to continue its nation-building.

Qatar

UKEF supported BAE Systems' and MBDA UK's contracts to provide military aircraft and related equipment and services to the Government of Qatar - our largest ever transaction. Our involvement was instrumental to the success of the deal, which will sustain thousands of jobs in a key UK industrial sector and strengthen our own defence capabilities as well as those of a key strategic ally.

Dubai

UKEF provided support worth £135 million for the construction of the fourth phase of the Dubai World Trade Centre by ASGC UK. This will see UK suppliers play a significant role in the continued development of this major commercial centre.

Angola

We provided £419 million in support for UK firms to build 3 new hospitals and upgrade 2 power substations in Angola – our first support for the country.

The hospitals will provide hundreds of beds and a range of specialist services, while the power station upgrades will have a transformative effect on the country's power network.

Sri Lanka

We provided £49 million worth of support for Darlington-based firm Cleveland Bridge to construct 250 bridges to connect rural Sri Lankan communities.

This will improve farmers' routes to market, and allow communities to better access to essential services such as healthcare and education, as well as bringing rural communities closer together by cutting transport costs.



Supporting the UK supply chain

Making exports happen

UKEF helps UK businesses of all sizes to win, fulfil and get paid for export contracts. Of the 181 businesses that we supported in 2018-19, 79% were SMEs, up from 77% last year. When radar technology company, Kelvin Hughes, made a bid for a contract with the Royal New Zealand Navy's (RNZN), obtaining sufficient cash flow to fulfil the contract was a challenge.

UKEF was able to help with support under its Bond Support Scheme, enabling Kelvin Hughes to win the contract, and equip HMNZS Aotearoa with its state-of-the art Integrated Navigational Bridge System.

Supporting UK suppliers

This year, UKEF-supported projects created new business for 81 UK companies.

Finance and insurance products are only some of the ways that UKEF is supporting UK businesses. By providing finance for projects overseas, we incentivise the buyer and prime contractor to source from the UK where they otherwise would not have; in turn, this helps UK companies win business thanks to our support. We also connect the UK supply chain to international opportunities through

procurement-led supplier fairs and our network of country heads overseas.

UKEF is providing £244 million of support for GE's Grid Solutions to develop 14 substations across Iraq. One of the companies supplying to this project is Earth & Marine Environmental Consultants UK an environmental consultancy firm based in Newcastle-upon-Tyne. This would not have occurred without UKEF support for this project.

Spreading the benefits of exporting

Many UK companies go on to win further export contracts from buyers following an initial UKEF intervention. Meanwhile, a single company's exports can have a positive impact on their entire UK supply chain. In August 2018, UKEF supported the sale of a Rolls-Royce-powered Boeing 787 Dreamliner to Israeli national carrier El Al – our first aircraft delivery to EL AL. This formed part of a Rolls-Royce

contract to supply engines for 16 further 787 Dreamliners – the largest export contract the UK has ever had with Israel.

Through supporting this and other contracts with Rolls Royce, the benefits of UKEF support is cascading through Rolls-Royce's supply chain of over 3,000 companies, sustaining skilled jobs across the UK's world-leading aerospace sector.



Our people

This has been a record-breaking year for UKEF, and none of this would have been possible without the commitment and expertise of our staff.

Our headcount reached a 10-year high this year, evidence of the growing demand for our products and services. Of this, 30% were from BAME backgrounds, a record proportion for UKEF and 18 percentage points above the Civil Service average. We also achieved 29% women Senior Civil Servants, with almost 40% of staff overall being female. We also closed the gender pay gap by 4 percentage points, meeting the commitments that we made under the Women in Finance Charter.

Our ambition is to have the most engaged workforce in the Civil Service, so we were proud to have achieved our second-highest ever staff engagement score of 63% in the annual Civil Service People Survey, but remain ambitious to see that increase in the coming year.

In our centenary year, we continue to aspire to have the most engaged workforce in the Civil Service, and to recruit and retain staff with the skills, knowledge and motivation to ensure we can continue to help exporters succeed. As we move into our second century, we aim to continue to increase diversity, improve employee engagement and help our staff develop their careers.



Increased employee diversity; with 57% of new Senior Civil Servant hires being female, and 42% from BAME backgrounds



Exceeded our target of offering each staff member 5 days of learning and development

90%

90% of staff said that they see how their work contributes to UKEF's objectives, 6% higher than the Civil Service average





UK Export Finance

Our mission is to ensure that no viable UK export fails for lack of finance or insurance, while operating at no net cost to the taxpayer.

We are the UK's export credit agency and a part of the Department for International Trade, complementing rather than competing with the private sector.

Our regional export finance managers are located across the UK. They are the first point of contact for guidance.

Search online for UKEF to find your nearest export finance manager.

Or contact our national customer service helpline:

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customer.service@ukexportfinance.gov.uk
www.gov.uk/uk-export-finance