

MINUTE OF MANAGEMENT BOARD MEETING – 1 MAY 2014

Present: Guy Beringer (Chair) Paul Radford Item 2
Jon Harding Matthew Vale Item 5
Fiona-Jane MacGregor
Amin Mawji
Sir Eric Peacock
David Godfrey
Cameron Fox
Steve Dodgson
David Havelock
Stephen Lawrenson
Lucy Wylde

Secretary: Iain Phillips

1. Draft Minute of 20 March meeting

1.1. The draft minute was agreed.

2. Provisions

2.1. MB discussed UKEF's provisioning ahead of discussion at the Audit Committee on 14 May. It noted that there had been no major changes to provision rates. There had been some increases on cases where claims were being considered but these were very small cases in comparison to the size of the portfolio.

2.2. Provision rates for Paris Club markets were discussed, noting changes on Burma/Myanmar given its recent Paris Club agreement. For non-Paris Club markets MB noted that the political situations in Iran and Ukraine had had an impact of provision rates and claims, although UKEF's exposure in both situations was not significant. MB discussed UKEF's position on Russia and Ukraine more generally in the light of current events and the implications for the portfolio.

2.3. MB noted the performance of the airline portfolio and in particular, that UKEF had now disposed of the final aircraft from the portfolio that had been repossessed in the wake of the airline sector defaults in 2001.

2.4. The expected losses of the business portfolio were discussed and MB was informed that the figures reflected that fact that UKEF has revalidate all of its

sovereign, airline and corporate ratings during the year and updated its Standard and Poor's default statistics.

3. Q4 Financial performance and full-year outturn

- 3.1. MB reviewed the unaudited year-end results and noted UKEF's performance against the objectives set out in its financial framework. MB noted the impact of the strengthening of Sterling, UKEF's functional currency, against the US Dollar particularly given that a significant proportion of UKEF's portfolio was US Dollar-denominated. MB noted the difficulty in budgeting for volatility of US Dollar exchange rates in the absence of an authority to hedge its foreign exchange risk.
- 3.2. MB discussed the business performance which had been particularly strong in the civil non-aerospace sector and the lessening of demand for support in the civil aerospace sector as a result of the recovery in the financial markets.

4. 2014-15 Operating budget

- 4.1. MB noted the revised operating budget figures, agreed with HM Treasury, which had formed the basis of UKEF's Main Estimate.

5. Cyber Security Risk Questionnaire

- 5.1. MB considered cyber security in UKEF and completed the Cabinet Office Cyber Security Questionnaire. On completion of the questionnaire, MB agreed that a presentation on cyber security by CESG would provide a useful learning opportunity for Board members.

6. Remuneration Committee Terms of Reference

- 6.1. The Remuneration Committee Terms of Reference were agreed.

Iain Phillips

Chief Executive's Office