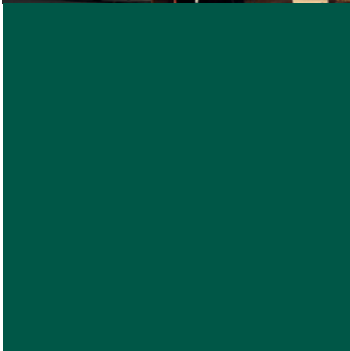




Responsive
to market
conditions



Proactive
exporter
support



Building strong
partnerships



Competitive
export finance
for growth

Business Plan

2014–17

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Chief Executive's

message

This is an exciting time for UK Export Finance as it has an important role in helping support growth in UK exports and the diversification to a more balanced UK economy.



David Godfrey
Chief Executive
UK Export Finance

Even as we published our last business plan in November 2010, we were seeing major changes in the needs of our customers. The global financial crisis that began in 2008 saw the credit insurers withdraw capacity from the market just at the moment it was needed and the banks made a significant retreat from lending activities. Although the position has since improved, this capacity has not fully returned, caused in part by regulations constraining banks' risk appetite. At the same time, exporting has increasingly become a key part of the Government's trade and investment strategy, which is looking to more than double UK exports to £1 trillion.

Responsive through the economic cycle

Many other countries are, however, also pursuing aggressive export strategies of their own, which means that world trade is increasingly competitive, with financing a key element. The Government therefore wants to ensure that UK Export Finance has the capability both to support the UK's ambitious export strategy and to provide capacity if markets fail again. UK Export Finance needs to be there to support exports through the economic cycle.

Building strong partnerships

Our challenge is to improve its deployment of products and services so that it is fully on a par with other comparable export credit agencies and can meet the market needs of today and the future. We need to develop products that are understood by exporters, to ensure that banks and brokers are familiar with and confident to promote them, and to ensure that our staff are able to respond to changes in the scale and nature of our customers' demands. Achieving our goals will depend to a very large extent on the success of our partnerships with key stakeholders: with our customers; with government bodies, in particular UK Trade & Investment; with banks, brokers and other financial intermediaries; and with the many trade associations and forums with whom we interact. We are committed to fostering and developing our relationships with each of them.

Agile and innovative

This new three-year business plan completely revises the strategic direction in our last business plan, moving from decline in the levels of our support to growth. The first year covers a period of both continuing organisational change and transition, as well as early implementation of a more ambitious and proactive approach. We shall be undertaking further internal organisational changes aimed at enhancing our product and service capabilities, whilst improving our operational efficiency and the robustness of our operating platforms, particularly our IT infrastructure.

We shall also be undertaking further market research and data gathering about exporters, including sector and segment analysis, to allow us to make better informed decisions about market gaps and inefficiencies, as well as product development. This should develop a much higher level of awareness of UK Export Finance among the exporting and export finance communities. By building on our current portfolio of products and services, including our short term products and support, together with an increased direct lending capacity and our recently launched Export Refinancing Facility, we will be well positioned to develop and serve our customer base. At the same time we must maintain and enhance our reputation and franchise in our traditionally strong sectors: aerospace, high value civil projects and defence exports.

Future impact

The second and third years of this business plan are the periods in which the new capabilities developed in the first year will be fully integrated within the department and expanded. This is when our new approach is expected fully to deliver results. The increased awareness of UK Export Finance amongst exporters, buyers and banks should lead to higher levels of exports supported. Properly targeted and developed new products will be launched as needed and existing products will be enhanced, resulting in a competitive offering of services to the UK exporter through the economic cycle.

I am proud and excited by our new business plan, its messages and its intentions. I am also grateful to all of my colleagues who have contributed to it.

June 2014

Who we are and what we do

UK Export Finance is the operating name of the Export Credits Guarantee Department, which is the UK's export credit agency (ECA).

Our statutory¹ purpose is to support exports and investments made overseas. We do this principally by providing:

- trade credit insurance to exporters against the risks of non-payment for amounts owed under export contracts;
- guarantees to banks to support working capital financing and raising of contract bonds on behalf of exporters;
- guarantees to banks and investors in the debt capital markets in respect of medium/long-term loans to overseas buyers who purchase goods and services from UK exporters;
- lending directly to overseas buyers who purchase goods and services from UK exporters; and
- political risk insurance for investments made overseas.

Our mission and principles can be found in Annex A.

We support exports of all types of goods and services and can help businesses of all sizes who are worried about the financial risks of exporting. Broadly, our support caters for exports of:

- capital/semi-capital goods and related services: ie large projects, or high value machinery or services. Because of the high values involved (normally £5m-£1bn+), overseas buyers frequently require loans (usually repayable between 5-12 years+ ie medium/long-term lending), to finance the purchase of such supplies from UK exporters. We provide support under our finance products (such as our buyer credit guarantee) to banks that provide export credit loans, thereby covering the risk of default by borrowers; and
- consumer goods: ie raw materials, consumer durables, light manufactures etc. Typically, such exports are sold on short credit terms, ie up to one year, which exposes exporters to (a) risks of non-payment, and (b) the need to finance working capital (pre-shipment financing) and the credit period (post-shipment financing). We provide support for these needs under our short term products.

In doing this, our role is to complement the private market: we seek to support exports which might otherwise not happen thereby supporting UK exporters and indirectly their supply chains. The space in which we operate is therefore largely determined at any one time by the willingness and capacity of the private market to assume financial risks in support of exports. It is also bound by European Union (EU) restrictions on member governments supporting short-term export credit insurance for exports destined to EU countries (currently excluding Greece) and rich Organisation for Economic Co-Operation and Development (OECD) countries eg USA.

In recent years, we have supported around 1% of total UK exports, principally capital/semi-capital goods and services, dominated by the aerospace, oil and gas, construction and defence sectors.

The financial liabilities we assume when supporting UK exports involves a risk transfer from the private to public sector (ie the taxpayer). Direct lending involves up-front public expenditure² and other financial liabilities represent contingent public expenditure ie Exchequer funding is required in the event claims are made under contracts of insurance issued to exporters and guarantees provided to banks. Where claims are made, we then instigate recovery action as appropriate on a case-by-case basis or, where there is a sovereign default, through the Paris Club of Official Creditors to recoup the relevant payments.

We operate under the consent of HM Treasury, which sets financial objectives that we must achieve, including an exposure cap, a portfolio risk appetite limit and a requirement that premium meets credit risk and operating costs (see Annex B for more details). To this end, we operate credit risk and pricing policies that inform our ability to underwrite individual export transactions.

We also operate under international agreements which inform the terms under which ECAs can support exports and thereby seek to create a level playing field. These agreements emanate principally from the OECD and EU. Not all ECAs in the world, however, subscribe to these international agreements and competition for UK exporters is increasingly from non-OECD markets, whose ECAs are not similarly constrained by the OECD and EU rules.

¹ UK Export Finance operates under the Export and Investment Guarantees Act 1991 as amended. Available at: <http://www.legislation.gov.uk/ukpga/1991/67/contents>

² The Net Cash Requirement forecast for the Direct Lending Facility stands at £2bn over the next five years, see: <https://www.gov.uk/government/publications/budget-2014-documents>

The Government's

trade and investment strategy

The Government's strategy for trade and investment, first launched in 2011,³ has placed increasing emphasis on the role of exports.

Empirical evidence shows that companies which export become more competitive, more innovative and more productive than non-exporters.⁴ Business success in international markets is therefore now central to the Government's plans for rebuilding the UK economy.

The Government's strategy includes ambitious targets of:

- getting 100,000 more UK companies exporting, thereby increasing the current number of UK exporters by some 50%; and
- increasing the value of UK exports to £1trn by 2020.

It also includes objectives for UK companies to export more to high growth/emerging markets; to win a greater number of overseas High Value Opportunity (HVO) projects; and to improve the targeting and co-ordination of government support to small and mid-sized exporters through closer collaboration between UK Trade & Investment (UKTI) and UK Export Finance.

These themes are most recently set out in UKTI's publication, *Britain Open for Business: The Next Phase*,⁵ which identifies the need to build on the initiatives introduced since 2011. The focus is on:

- ensuring that no mid-sized businesses (MSBs) fail to export simply because they are unaware of the support that the Government offers;
- tailoring export finance support to meet better the needs of MSBs;
- marketing UK Export Finance products alongside UKTI services;
- improving marketing to smaller companies making it easier for them to access advice and support;
- fast-growing economies where there are substantial opportunities for UK businesses to supply their products and expertise;⁶
- securing more investment from companies that will use the UK as a base for exporting;
- promotion of free trade around the world and helping to deliver on the promise of free trade agreements; and
- key business sectors and technologies where the UK has a competitive advantage through its world leading research.

In all these aspects of delivering the support that exporters need to thrive and prosper, UK Export Finance has an important part to play.

³ <https://www.gov.uk/government/publications/trade-and-investment-for-growth>

⁴ Harris and Li (2007): Firm level empirical study of the contribution of exporting to UK productivity growth.

⁵ <https://www.gov.uk/government/publications/britain-open-for-business-the-next-phase>

⁶ Brazil, Russia, India and China.

New strategic direction

Since we published our business plan for the years 2011–15 in November 2010, two things have changed. First, the impact of the 2008 financial crisis on UK exporters’ access to finance and insurance has proven to be more enduring than envisaged. Secondly, business success in international markets continues to be key to the Government’s plans for rebalancing the UK’s economy.

These developments mean that we are now changing to be more proactive with the aim of supporting more exporters, more comprehensively through the economic cycle. We are moving from a more reactive counter cyclical “lender of last resort” approach to a distinctly proactive and targeted approach with both the exporting community in the UK and buyers and major project sponsors overseas.

To further bolster this approach, the Government is proposing to make changes to the Export and Investment Guarantees Act 1991 which will broaden our powers, including allowing more general forms of export support, for example, in relation to export supply chains.

This business plan reflects a step-change in our strategic intent. Our aims are that by the end of the three years covered by this business plan we will be an ECA which is recognised as having the following characteristics:

- **Agile and adaptable:** we will be an agile department, able to address the challenges to UK exporters throughout the economic cycle. We will act quickly and tailor our support to reflect prevailing economic conditions and export opportunities.

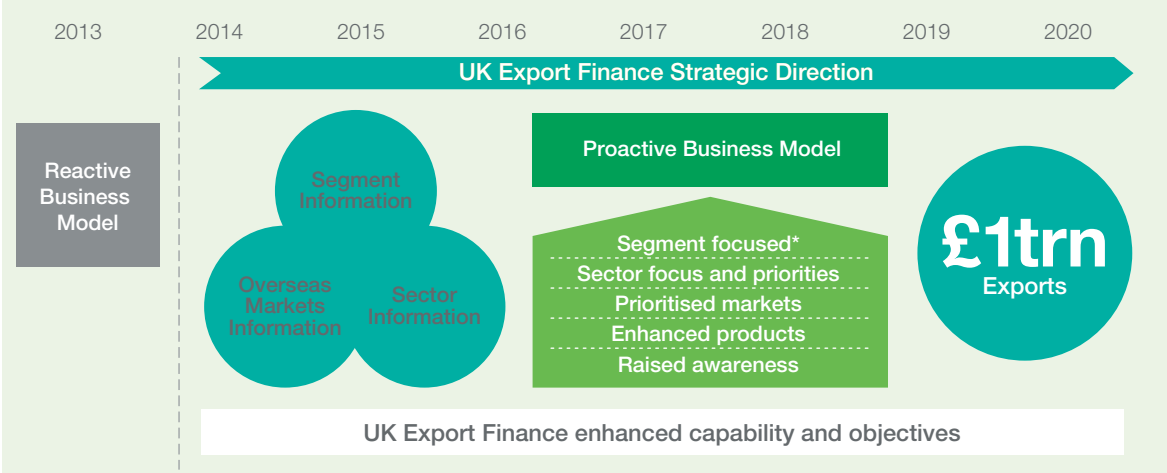
- **Competitive offering:** we will be proactive in ensuring that we are one of the most competitive ECAs in the global marketplace by providing a full range of financing tools whilst remaining within our legal and overall agreed remit. We will ensure that there is a level playing field for UK exporters when looking at the offerings of other comparable ECAs.
- **Customer delivery and awareness:** we will provide a quality of service to our customers that is proactive, flexible and efficient with a focus on solutions and innovation. Awareness of our products and services amongst exporters, overseas buyers, banks, brokers and other intermediaries will be increased and customer feedback will guide our policies and processes.
- **Our organisation:** we will be a great place to work where teams work across functions easily, and to common goals. Our people will be experienced and skilled in what they do and their talents developed. Our leaders will be role models and create the environment for success and learning.

Figure 1 illustrates our intended transition from a reactive to a proactive business model.

An improved set of information on overseas markets with potential, and export segments and sectors will provide the platform to focus our resources in a more targeted way. Alongside this we will enhance our products and services and build further capability to address market gaps. In this we will work closely with our partners, UKTI and the Foreign & Commonwealth Office (FCO).

This business plan drives a level of change, but this will not distract us from continuing to deliver high quality products and service as we work through the transition.

Figure 1: The transition from a reactive to proactive business model (*ie by business size)



Delivering the new strategy

Delivering our new strategy means we need to:

- adopt a more targeted and discerning approach to the global trade landscape, including through ever closer collaboration with UKTI and the FCO, so that government is aligned across all business segments and sectors in its marketing and communications both domestically and overseas;
- become more customer centric and work more closely with key customers and potential customers to understand their needs and ensure our products address them;
- raise awareness and enhance our reputation with key stakeholders; and
- become a more agile organisation able to provide the right products and services when exporters and buyers need them most.

We also need to undertake a number of internal organisational changes aimed at supporting these capabilities as well as to improve our operational effectiveness and the robustness of our operating platforms.

The UK is facing unprecedented fiscal pressures. It has never been more important to embed cost effectiveness and value to the taxpayer in the delivery of all government services. We expect to achieve significant savings through our move last year to 1 Horse Guards Road and we will continue throughout the period covered by this business plan to make sure that we are spending taxpayers' money responsibly and in a way that ensures value for money.

Improving our approach to the global trade landscape

A key part of our new strategy is to expand our knowledge about the UK exporter base and overseas markets, including obtaining much more granular information across segments and sectors in our addressable market and feeding our sector expertise into the Government's industrial strategies.⁷

In addition to maintaining our support for aviation and airlines, we intend to support the evidence based strategies being pursued by UKTI. Initially, we will focus on the top four sectors where we already have significant expertise and knowledge of the core needs of our key customers: oil and gas, petrochemicals, construction and infrastructure, and transport. Our sector strategies will also be guided by the needs and opportunities identified through the UKTI HVO programme.

We will also enhance our market intelligence so that we are comparing our capability with other ECAs more regularly. This will ensure analysis of markets and offerings from other ECAs informs our product development and resource prioritisation.

A new marketing and communications strategy will support these initiatives and enable us to raise awareness of our capabilities in an appropriately targeted way both amongst the UK export community and in key overseas markets. We will align these efforts with UKTI to ensure that our marketing and communications activities have the greatest impact and reach.

This strategic approach will enable us to direct the right resources into the right places to maximise opportunities and put help where it is needed most for both existing and potentially new exporters to expand and deliver growth, and where exports would not otherwise have happened.

⁷ <https://www.gov.uk/government/policies/using-industrial-strategy-to-help-the-uk-economy-and-business-compete-and-grow>

Understanding the UK exporter base

UK businesses divide into various segments and sectors, but only a small percentage currently export or have the appetite and confidence to do so. The diagram below shows the breakdown of businesses in the UK by turnover in 2012.⁸

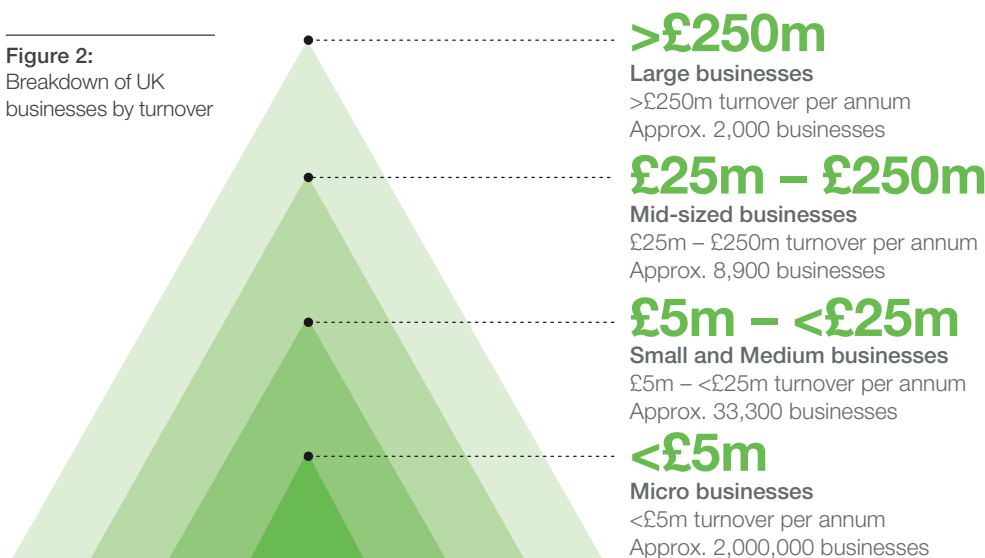
Further analysis of ONS export data shows that there are around 22,000 UK-based companies which generate around £90bn of capital/semi-capital goods exports and related services from the UK. Around 90% of all these exports are generated by large and mid-sized businesses that employ 50+ employees, with large firms (with more than 250 employees) accounting for the vast majority.

We believe that these large and mid-sized businesses are often able to access products from the private market, whether to obtain insurance protection against the risks of non-payment and/or working capital (pre- and post-shipment financing). Therefore, in most cases their export finance needs are met from the private sector without the need to seek support from us.

By value the majority of our support is to large exporters. On some occasions there can be financing capacity constraints in the financial markets for large and mid-sized businesses or they may be looking to export to countries with unacceptably high risk parameters for insurers. As a result, we can provide the needed export finance support to help secure the contract.

The remaining 10% of capital/semi-capital goods exports is accounted for by small and micro businesses that often find it harder to get support from the private market usually for reasons of size and economy. Indeed, two thirds, by volume, of the short-term business we have underwritten since 2011 has been provided to smaller businesses and we believe this is likely to continue as we increase our coverage of the market.

Figure 2:
Breakdown of UK
businesses by turnover



⁸ <https://www.gov.uk/government/publications/msb-demographics>

It is hard to be certain of the proportion of all businesses that have a need to access export finance as this data is not widely available in the market, but we estimate that around 10 to 15% of all exporting firms may need some specific support during the next three years.

Whilst the vast majority of companies involved in the export of capital/semi-capital goods and services are large and mid-sized businesses, there are many small companies which supply components for capital/semi-capital goods exports as part of the supply chain. The financing needs of these small supply chain companies are often very different (needing short term trade financing) from that of the large and mid-sized exporters, which typically requires medium/long-term finance in the form of banks loans to their overseas buyers or project sponsors.

Our product portfolio across the UK exporter landscape is already segmented as it has products to meet the needs of exporters which sell on short terms of credit and those financed through medium/long term loans to overseas buyers. However, we intend to do further work to differentiate and segment our marketing approach, and we will leverage the work of UKTI to help maximise the impact of our aligned business development and marketing efforts.

This will include developing strategic relationships with large businesses; taking a structured market approach and considering industry sector differentiators in relation to mid-sized businesses; working with existing small and micro exporters to assist in bridging the private sector market trade finance gap, as well as providing signposting assistance to them.

Understanding overseas markets

The value of UK exports of goods and services by destination in 2012 (the latest year for which combined figures are available) is shown in Figure 3.

It can be seen that the USA and EU together accounted for 62% of UK exports in 2012. The USA was the UK's biggest single export market, with a particular dominance in services where it accounted for 22% of total UK services exports, whilst the EU accounted for 45% of all exports.

In order to meet the Government's export targets, however, the destination of UK export trade needs to increase towards high growth/developing markets. This has already started: in the period 2008–2012, UK exports to the EU (partly driven by economic stagnation) grew on average by only 1% per annum. By contrast, exports to BRIC countries and South Africa increased over the same period on average by 10% per annum and exports to countries in Asia increased on average by 8% per annum.

The Government wants to encourage this trend and has identified priority markets with significant export potential for UK exporters, of which China, India and sub-Saharan African markets are particularly important.

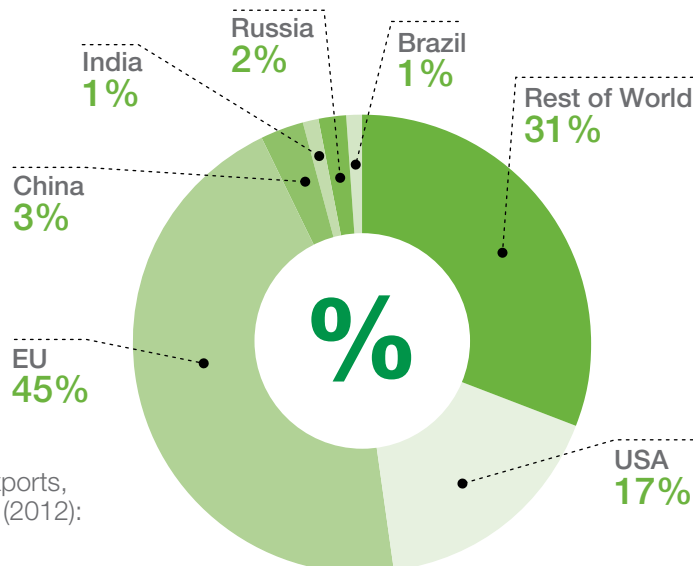
As at 31 March 2013, 75% of UK Export Finance's exposure was in high-growth/developing markets, a total which rises to 96% when civil aerospace is excluded from the calculation. Our current exposure is in around 70 markets and cover is available for over 200. Given our long standing experience of high growth/developing markets, the availability of our risk capacity and our range of products and services, we are well placed to help UK exporters to those markets play an increasing part in meeting the Government's export targets.

Improving our partnering

UKTI is the government body that helps UK-based companies of all sizes succeed in the global economy, providing them with the tools they require to be competitive on the world stage. It helps businesses grow through international trade, offering expertise and contacts through its extensive network of specialists in the UK, and in British embassies and other diplomatic offices around the world. UKTI also helps overseas companies bring their high quality investment to the UK's economy.

A key priority for UKTI is its HVO programme, which aims to help UK businesses win contracts linked to high value opportunities overseas by identifying projects offering the most value to the UK and supporting UK businesses through expertise from across the UKTI network. UKTI now has a target of £10bn of contract success per year for UK companies.

Figure 3:
ONS Pink Book 2013
Trade in goods and
services⁹



Total value of UK exports,
goods and services (2012):
£492.8bn

⁹ <http://www.ons.gov.uk/ons/rel/bop/united-kingdom-balance-of-payments/2013/index.html>

UKTI's export strategy also involves targeting 18 'priority sectors' as shown in Figure 4. These are high growth and innovative sectors which it hopes will contribute the most to the UK economy over the coming decades.

UK Export Finance's increasing role in helping to deliver the Government's export targets means we need to collaborate even more closely with UKTI and other relevant government departments to ensure that marketing and communications to exporters, buyers and project sponsors are joined up and appropriately targeted and that information is shared across government as required. This applies both within the UK and overseas. We also need to work with UK trade bodies, nationally and locally, ensuring that our work is aligned with the Government's industrial strategies.

We have already appointed 18 regional export finance advisers to increase our business development capability for small companies and we are now in the process of increasing their number to 24. The export finance advisers are able to work closely with exporters, banks and local trade bodies to raise awareness of UK Export Finance and our suite of products and to assist exporters in understanding trade finance and payment risk protection options. They liaise closely with UKTI staff in the regions and their equivalents in the devolved administrations.

We are also allocating some additional specialist resource and capability to support mid-sized businesses in the UK in line with the Government's particular focus on this segment of the UK exporter base.

Export finance advisers play an important role in providing an options analysis for exporters that includes available forms and sources of private market support. Often, when the private market has declined a transaction or the process of obtaining facilities is problematic, the intervention of an export finance adviser leads to a successful private market supported export (without the need for our products). Although this support is not reflected in our financial results, the resulting benefit to the economy forms an important part of what we do. We intend to capture the additional value added by export finance advisers in this way through customer feedback to complete the picture of the difference that we are making to UK exports and to report on that value.

At the same time, we are also looking to strengthen our collaboration with UKTI overseas and with project sponsors and buyers. One of our aims is to broaden UKTI staff understanding of our capabilities through additional training and help ensure, in particular, that HVOs which may benefit from our support are identified to facilitate engagement between us and the project sponsors on the potential for use of export credit finance and communicate to the UK export community as effectively as possible. In this way we expect to build strong pipelines of exporters and potential exporters who see us as a key facilitator in providing insurance and trade finance to UK companies and overseas buyers.

Figure 4:
UKTI priority sectors

Advanced manufacturing	Defence and security	Infrastructure	Healthcare and life sciences	Services
Aerospace Agrifood Automotive Chemicals Energy	Defence Security	Construction Environment and water Transport (airports, marine, ports, railways)	Healthcare Industrial biotechnology Pharmaceuticals and medical biotechnology	Creative industries Education, skills and training Financial services Professional and business services Retail
Technology				
Low carbon				

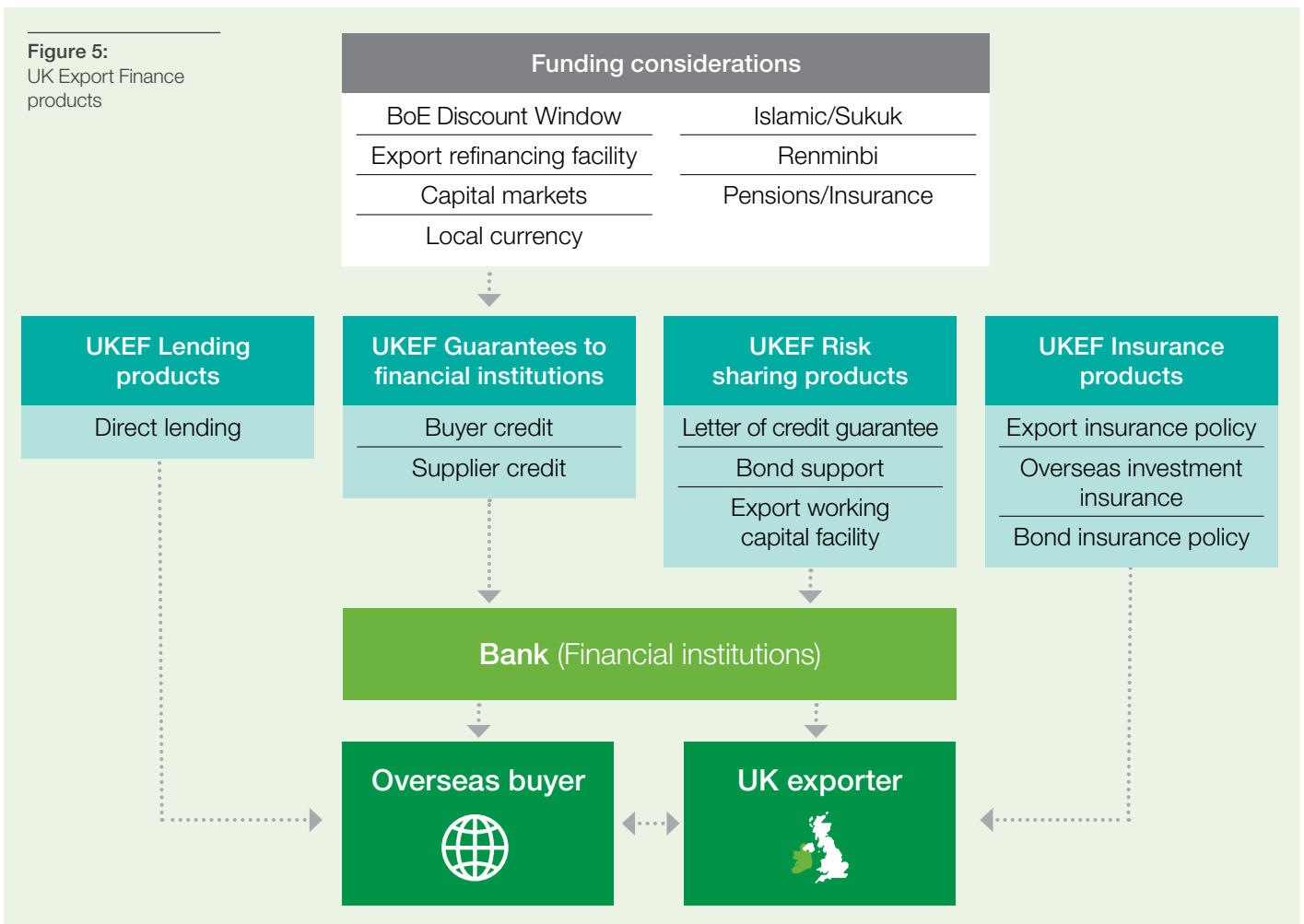
Product development

UK Export Finance responded to the financial crisis in 2008 by re-entering the market to support exports sold on short terms of credit (having previously left that market in 1991 when the Government privatised our Insurance Services Group). We introduced a number of new products to meet gaps in the private sector market, including an export working capital scheme, a letter of credit guarantee scheme, a contract bond support scheme and a revamped credit insurance product principally, but not exclusively, targeted at exports sold on short terms of credit.

We also responded to the significant increase in demand for our support for exports of capital/semi-capital goods and services in both the aerospace and non-aerospace sectors. This resulted from ongoing constraints in the banking market, which have continued to reduce the availability of funding for bank loans to overseas buyers repayable over medium and long terms of credit, both for smaller transactions (under £50m) and for larger transactions (over £50m) especially those involving long tenors ie repayment periods of five years or longer.

In April 2014, we announced the launch of our Export Refinancing Facility and the enhancement of our direct lending capability through the Direct Lending Facility to address this funding gap. We have also supported access to debt funding from the capital markets, which are more liquid and less costly than the commercial bank market, and have guaranteed bonds to finance aerospace transactions.

As a result, we now provide a set of products that is competitive with those offered by many other ECAs. Figure 5 outlines our product set and the relationship between UK Export Finance, banks, exporters and buyers. It is important to note that all of our products are open to exporters of all types.



Although our set of products is now significantly expanded, gaps remain, for example support for supply chain finance, intangibles etc. This partly arises from statutory constraints. Our new strategy seeks to tackle these gaps. We are proposing to make amendments to our statute with a view to ensuring that we are not subject to unnecessary barriers to the products we can offer. We will also be looking to improve our awareness of, and ability to respond to, changes in the funding and insurance appetite of the private sector insofar as it relates to support for exports and exporters; and to have the products and service capability to provide support for UK exports and exporters where the private sector fails, has gaps in cover, or has limited risk appetite.

Our products are used across all types of exporters and overseas buyers, small, medium or large, but in some sectors our support is not sought. Without evidence, we do not know if this is because of specific sector needs, or because exporters are not aware of them. Understanding this is a crucial part of our business plan so that we can develop approaches based upon evidence and analysis.

Changes to our organisational structure and capabilities

The new strategic emphasis described in this business plan requires UK Export Finance to expand its organisation and make changes to its structure.

A number of capabilities will need to be enhanced to provide a solid foundation for the successful delivery of change. Our operating model and policies will need to be aligned to match the scale and size of the new business focus and processes and procedures improved. We have recently created a programme management office to manage change corporately across the department.

We are stepping up our marketing and communications efforts as a whole and facilitating closer working with UKTI to ensure that we further the Government's trade and investment strategy on the basis of complementary plans. Through a combination of direct marketing, our work with banks and other trade finance providers, and aligned marketing efforts with UKTI, we will raise awareness of our role in supporting companies who export beyond our traditional customer base.

A new financial markets team is being created with a focus on developing products and services and keeping abreast of credit product development and funding strategy. This team will drive the product development of new medium and long-term products and will ensure that products are designed, developed and launched on a sound basis, working closely with marketing colleagues and the British Business Bank (BBB) to ensure that UK Export Finance and BBB products collectively help deliver the finance solutions requested by UK business.

Our IT team will focus on improving the resilience of our underlying systems and supporting improvements in process and other changes outlined in this business plan.

An important aspect in delivering our new strategic approach is improving processes and delivering more at lesser costs. To enable the structure of the department to drive efficiency and allow staff to manage an increased volume of customers, we are ensuring we are sufficiently staffed with the requisite knowledge, skill and experience. We have already undertaken significant additional recruitment since the forecast in our previous business plan in order to meet the changing needs of the department.

There will be an emphasis on succession and workforce planning and to this end arrangements are being put in place to improve talent management and equip staff to fill senior roles as and when they need to be filled. A new learning and development strategy will be rolled-out, which will include leadership training and development.

A new performance management and appraisal system in line with the Civil Service performance management system has also been introduced with effect from 1 April 2014.

UK Export Finance's new strategic direction means that the predicted decline in business levels set out in our last business plan for the years 2011–15 no longer stands.

It remains difficult to provide forecasts of our business levels due to the frequently unpredictable timing and nature of requests for our support and the often substantial size of individual transactions. Because we complement the private sector, and do not compete with it, the availability of bank finance and private sector insurance influences our business levels and is a factor over which we have no direct control. As we have seen, the risk appetite of the private sector can change materially and within a relatively short time frame. The global political landscape can also impact the need for our support and the risk profile of our portfolio will affect the level of premium earned.

The total value of guarantees issued in support of UK exports for 2013/14 was £2.3bn, or roughly the same as the prior year once the £2bn of support for a large defence contract in that year is excluded. A further £0.5bn of business was issued in 2013/14 but was still awaiting final clearance at the point of financial year end. We earned premium income of £120m in 2013/14 and issued almost twice as many guarantees and insurance policies compared to 2012/13 (619 vs. 368). There was also a significant jump in support for the civil sector (ie non aerospace and defence projects), which rose from £0.4bn to £1.3bn.

We are expecting to see an increase in business supported for 2014/15 which reflects our known new business pipeline and the timing of cases completing after the 2013/14 year end. The full impact of our new business strategy, product development and other improvements identified in this business plan is anticipated increasingly to bear fruit from 2015/16 onwards. The anticipated broadening of our powers through legislative change may also result in an increase in the level of business we support. However, it is extremely difficult to project the levels of business supported as a consequence of all these developments.

From 2010/11 when we supported 18 exporters directly (although many more benefitted in export supply chains), the introduction of products aimed principally at smaller exporters has seen the numbers of companies directly benefitting from support increase to 84 in 2012/13 and 130 in 2013/14. As we continue to raise awareness of our products amongst smaller and mid-sized businesses, and make our products easier for these companies to use, it is expected that the numbers of companies directly supported will continue to grow.

Annex A:

Our mission and principles

Who UK Export Finance is

The Export Credits Guarantee Department, which operates under the name UK Export Finance, is the export credit agency of the United Kingdom. It is a government department that operates under an Act of Parliament.

What UK Export Finance does

UK Export Finance complements the private market by providing assistance to exporters and investors, principally in the form of insurance and guarantees to banks.

How UK Export Finance operates

UK Export Finance is governed by its statute pursuant to which certain financial objectives are set by HM Treasury. It is UK Export Finance's policy to comply with all international agreements which apply to the operations of ECAs.

The principles UK Export Finance applies

On individual cases, UK Export Finance aims to:

- provide a quality of service that is proactive, flexible and efficient, with a focus on solution and innovation;
- take account of factors beyond the purely financial and of relevant government policies in respect of environmental, social and human rights impacts; debt sustainability; and bribery and corruption; and
- publish, for the benefit of applicants, guidance on processes and factors taken into account by it in considering applications.

Generally, UK Export Finance aims to:

- disseminate information about its products and services;
- achieve fairer competition by seeking to establish a level playing field internationally, through obtaining multilateral improvements in export credit policies and practices;
- recover the maximum amount of debt in respect of claims paid, taking account of the Government's policy on debt forgiveness;
- abide by such codes of practice and guidelines on consultation as may be published by the Government from time to time; and
- employ good management practice to recruit, develop and retain the people needed to achieve UK Export Finance's business goals and objectives.

Annex B:

Current financial objectives set by HM Treasury

The current financial objectives set by HM Treasury are as follows:

- **Maximum Commitment:** This measure places a cap of £50bn (subject to adjustment for foreign-exchange movements) on the maximum amount of UK Export Finance's nominal risk exposure (the total amount of taxpayers' money that may be put at risk by UK Export Finance);
- **Risk Appetite Limit:** This limit places a notional Risk Appetite Limit of £2.5bn (subject to adjustment for foreign-exchange movements) on UK Export Finance's appetite for risk at the 99.1 percentile of UK Export Finance's estimated ten-year loss distribution;
- **Reserve Index:** This index measures whether UK Export Finance has accumulated, over time, sufficient revenue to cover possible losses, to a 77.5% level of confidence;
- **Pricing Adequacy Index:** This index tests whether, over time, UK Export Finance earns enough premium income to cover all its risk and operating costs. It is measured over three different periods: past two years and present financial year; previous, present and next year; present year and next two years;
- **Premium to Risk Ratio:** This measure ensures that each year UK Export Finance charges enough premium to cover the cost of risk, together with a sufficient margin to contribute a material amount to operating costs.

Any breach of these financial objectives could result in the withdrawal of HM Treasury's consent for UK Export Finance to support new business.

How can we help?

UK Export Finance supports exports by sharing financial risks that the private sector is unable or unwilling to accept on its own. We work across all sectors, for all sizes of export contracts.

- We **provide risk protection to exporters** with insurance against non-payment by overseas buyers and against contract bonds being called in by buyers, unfairly or for political reasons.
- We **facilitate finance for exporters** with guarantees to banks for working capital for particular export contracts, and for raising contract bonds for buyers, which can help free up exporters' working capital.
- We **support and provide loans to overseas buyers**, repayable over 2–5 years and longer, to finance the purchase of capital/semi capital goods and services from UK exporters.

We work closely with UK Trade & Investment, the UK's trade promotion body, and the trade support organisations in Northern Ireland, Scotland and Wales.

UKEF contacts

To find out more about us, our products and our network of export finance advisers, visit gov.uk/uk-export-finance

Or contact our business enquiries helpline

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E: customer.service@ukef.gsi.gov.uk

UKTI contacts

To find out more about UKTI support and services, visit gov.uk/ukti

UK Export Finance
We are the UK's export credit agency.
gov.uk/uk-export-finance

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