



UK Export
Finance

UK Export Finance Performance Highlights 2016–17



About UKEF

UK Export Finance is the UK's export credit agency (ECA) and part of the Department for International Trade. It is our mission to ensure that no viable UK export fails for lack of finance or insurance from the private sector, while operating at no net cost to the taxpayer.



In the **last five years** we've provided **£14 billion of support** for UK exporters



We supported **£585 million of export contracts** via our short-term trade finance products in 2016-17 alone



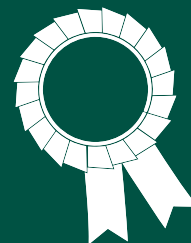
79% of UK exporters benefiting from our support were **small & medium-sized enterprises**



We manage nearly **£24 billion** in financial risk – and have a **total risk capacity of £50 billion**



We work in **partnership with nearly 80 banks, brokers and other providers** to supply export finance and insurance that complements their commercial business



We received the **TXF Exporters' Choice Award** for the second year running in 2016

Minister's foreword

With its pioneering approach to bringing business to the UK and providing award-winning support, UK Export Finance is at the heart of the UK government's trade promotion strategy.

Trade is vital to the UK economy and central to this government's ambition to build a country that works for all, creating jobs and transforming local communities and industry. It is a force for good in society, and at no time has it been more important than now, as the UK looks to take up a different role on the world stage outside the EU.

In UKEF, the UK's export community has a world-leading export credit agency, which continues to provide ground-breaking support to help companies succeed abroad.

2016-17 was a year of great innovation with a number of firsts for UKEF: from pioneering new project finance structures and the first ever export credit loan to the Kurdistan Regional Government, to the introduction of a new local currency offering of 40 currencies, UKEF is leading the field.

The measures announced by the Chancellor in the 2016 Autumn Statement will ensure that UKEF is able to fully utilise its £50 billion capacity to support exports. And with one of its most exciting business plans due to be launched shortly, UKEF is ready to play its critical part in realising this government's trade aspirations.

None of this would be possible without the hard work and dedication of UKEF's staff. I'd like to extend my thanks to every one of them for their hard work, and encourage them to continue challenging themselves, to give the best possible support for UK business success overseas.



**The Rt Hon
Greg Hands MP**
Minister for
International Trade

Chief Executive's report



Louis Taylor
Chief Executive,
UK Export Finance

This has been another remarkable year for UK Export Finance, and one which saw significant progress as we reached the end of our business plan for 2014-17.

We have continued to strive to be the world's best ECA. We have sought new ways to fulfil our mission: to ensure that no viable UK export fails for lack of finance or insurance. And we have taken steps to realise our increased scale of ambition to support the UK's exporters.

In 2016-17, the amount of support we provided for UK exporters increased by 60% to £3 billion. It was a record year for our direct lending business and one which saw sustained high levels of activity with smaller exporters as well – nearly four in five companies that benefit from UKEF's support are now small and medium-sized enterprises.

We also pioneered a new approach to bringing business to the UK, using UKEF's offer of support to create procurement opportunities on major projects to our country, while at the same time working with the UK supply chain to help as many companies as possible realise those opportunities.

We will shortly launch a new delivery model for a number of our short-term products, working with partner banks to allow them to extend our support directly to their exporting customers, provided the transaction meets our risk criteria. Alongside our enhanced trade finance offer to exporters' suppliers, we anticipate this will significantly increase take-up of our support. We have worked closely with banks throughout the year to develop this game-changing innovation.

We have also seized the opportunities created by becoming part of the Department for International Trade. By generously collaborating across the department, we can reach more customers, become involved in more high-value campaigns and, in the end, make more exports happen.

In 2016-17, we have ensured that we have the foundations in place. As we look to the next business plan for the period 2017-20, due to be launched shortly, what we need now is acceleration so that we can support even more of the UK's exporters to succeed in the global marketplace.

Business highlights in 2016-17

Our global reach



We lent **£305 million** directly to overseas buyers of UK exports



We reintroduced cover to support UK companies seeking to compete for business in Argentina, with **£1 billion** made available after a 20-year hiatus



We became the newest member of the **African Trade Insurance (ATI) Agency**, helping UK exporters access growing markets in Africa

Making exports happen



We provided **£3 billion** in support, helping **221** UK exporters sell to **63** countries around the world



Our export finance managers held **2,994** one-to-one interactions with UK companies and **2,032** with intermediaries



We were able to connect over **350** companies with the lead UK contractors for infrastructure projects in Iraq and Egypt, as they sought UK supplies due to UKEF's involvement

Autumn Statement 2016



Our total risk appetite doubled to **£5 billion**



Our capacity for support in individual markets increased by up to **100%**



The number of pre-approved local currencies in which UKEF can offer support quadrupled from **10** to **40**

A year of innovations

 countries to which UKEF has supported exports

Republic of Ireland

We helped Northern Irish exporter **FAST Technologies** secure export contracts worth **£3 million** with a new buyer in the Republic of Ireland

USA

We guaranteed a loan to finance an **US\$18.7 million** contract for **Prestwick's GE Caledonian** to supply and install GE's Performance Improvement Program (PIP) kits to three engines belonging to the fleet of Atlas Air, a freight and charter airline

El Salvador

We supported **US\$8.1 million** of export contracts for two **UK SMEs** to supply to OPP Film SA in El Salvador

Dominican Republic

Increased risk capacity to **£750 million** as part of government-to-government Memorandum of Understanding

Corporacion Andina de Fomento (CAF)

Capacity of **US\$200 million** to support UK companies to work on CAF projects – **the first time UKEF has set a risk capacity for a multilateral development bank**

Argentina

Minister for International Trade announced **£1 billion in capacity to support trade with Argentina** after a 20-year hiatus

Ghana

We supported a **GE Oil & Gas contract with the Offshore Cape Three Points Project in Ghana**, making us the first European ECA to support an upstream oil and gas development transaction through a hybrid finance structure combining project finance and reserve-based lending.

We helped **SME Dints access a tailor-made financing structure** to support its contract to provide Gold Fields Ghana with aggregated procurement services and supply chain management

Egypt

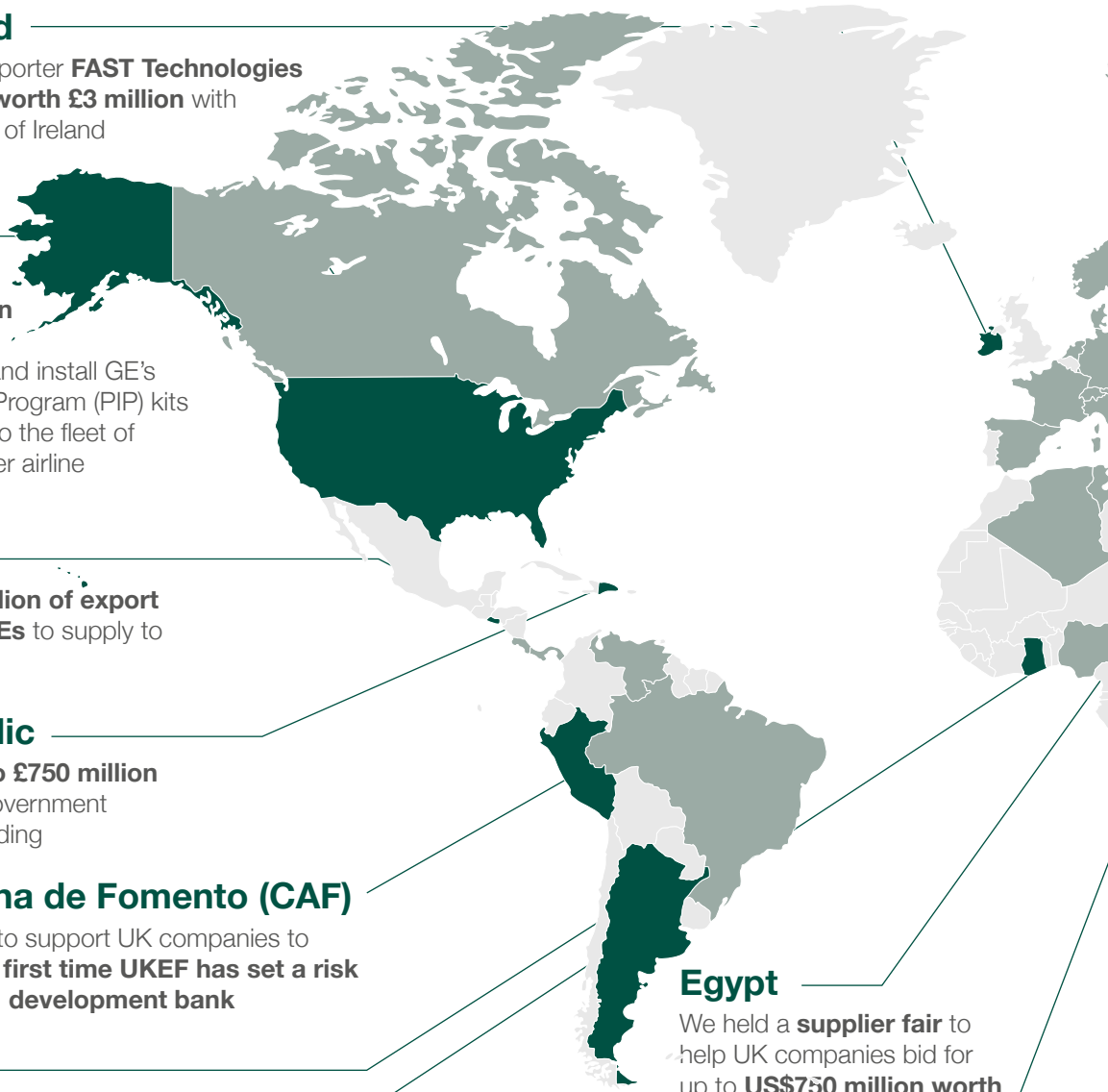
We held a **supplier fair** to help UK companies bid for up to **US\$750 million worth of business** for the Tahrir Petrochemicals project

Angola

Minister for Africa announced a **50% increase in cover limit to £750 million**

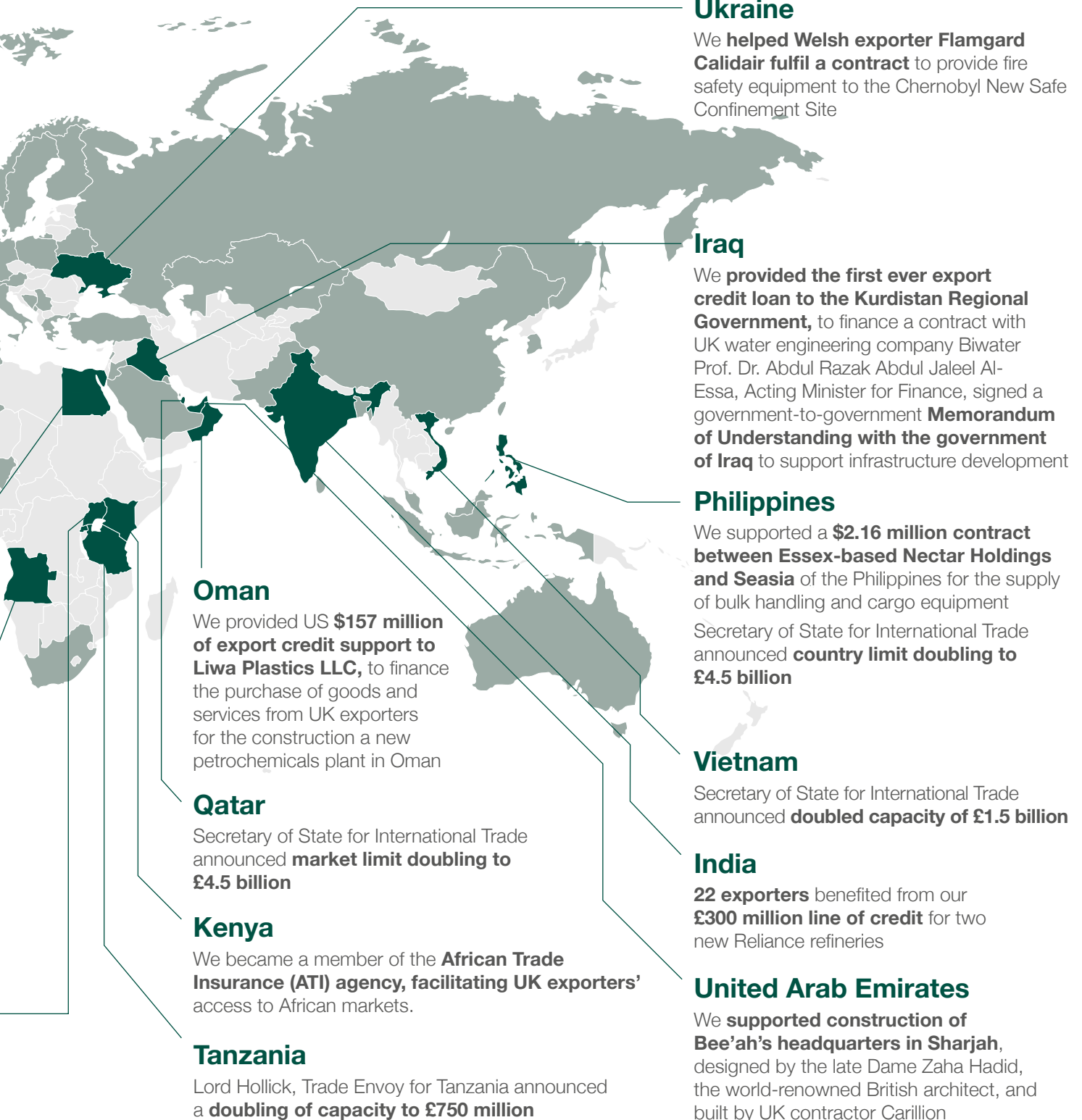
Uganda and Rwanda

Lord Popat, Trade Envoy for Uganda and Rwanda announced a doubling in capacity for both countries, to **£600 million and £100 million respectively**



“The support of UK Export Finance has been instrumental in helping us win this business as we look to build on the substantial growth we’ve seen in international demand.”

Sean Fenner, Managing Director, Kier International



A record-breaking year for lending to infrastructure and energy

In 2016-17, the amount of UKEF support provided through direct lending to infrastructure and energy projects reached record levels. In total, we provided direct loans worth £305 million, as well as £807 million in loan guarantees, to finance UK supply contracts.

Here are some of the companies that are shaping the world thanks to UKEF support.



The Offshore Cape Three Points Project in Ghana

This is understood to be the world's first upstream oil and gas development transaction where a European ECA has supported a major hybrid finance structure comprising both project finance and reserve-based lending. As the sole ECA, UKEF played a pioneering role in establishing this precedent, reinforcing its growing reputation as one of the world's most innovative and flexible ECAs. The transaction was named Project Finance International's African Oil & Gas Deal of 2016.

UKEF provided a total of US\$400 million in financing for the project, including a buyer credit and a direct loan – its first in Africa.

Biwater water treatment projects in Kurdistan

This was the world's first direct export credit loan to the Kurdistan Regional Government. It will support the scoping phase of Biwater's contract to deliver water and wastewater treatment solutions for the cities of Erbil and Sulaimani in the Kurdistan Region of Iraq. The project is designed to alleviate the current strain on existing infrastructure and reduce the region's reliance on dwindling groundwater reserves, to deliver long-lasting environmental benefits.

Bee'ah's headquarters in Sharjah

UKEF provided a direct loan worth tens of millions to support this remarkable building, which was designed by the late Dame Zaha Hadid and is being built by Carillion. When completed, it will be the first building of its kind in the city of Sharjah, and the first to be powered entirely by renewable and recoverable energy sources, while utilising recycled materials in its construction.



Team UK: leading with finance

When UKEF provides finance for infrastructure and energy projects overseas, it does so on the condition that the finance will be used to purchase UK supplies.

A strong finance offer from UKEF can provide the motivation to boost UK participation in a project, giving confidence to buyers, lead contractors and UK suppliers that their efforts will be rewarded. This can lead to a large increase in potential UK supplies to projects.

This year, and in collaboration with colleagues across the Department for International Trade, we increased our efforts to put UK suppliers in front of the international buyers for those projects we are supporting.

In addition to the direct finance support we provided for them, we organised **two supplier fairs** around large projects in Egypt and Iraq with their multinational lead contractors. We invited over **300 suppliers** to come and hear about the project, meet the procurement teams of the lead contractors and hear about the supplier-side support, such as export working capital, that UKEF can provide.

The response to the events was overwhelmingly positive from all parties, with **98% approval ratings** from post-event surveys.



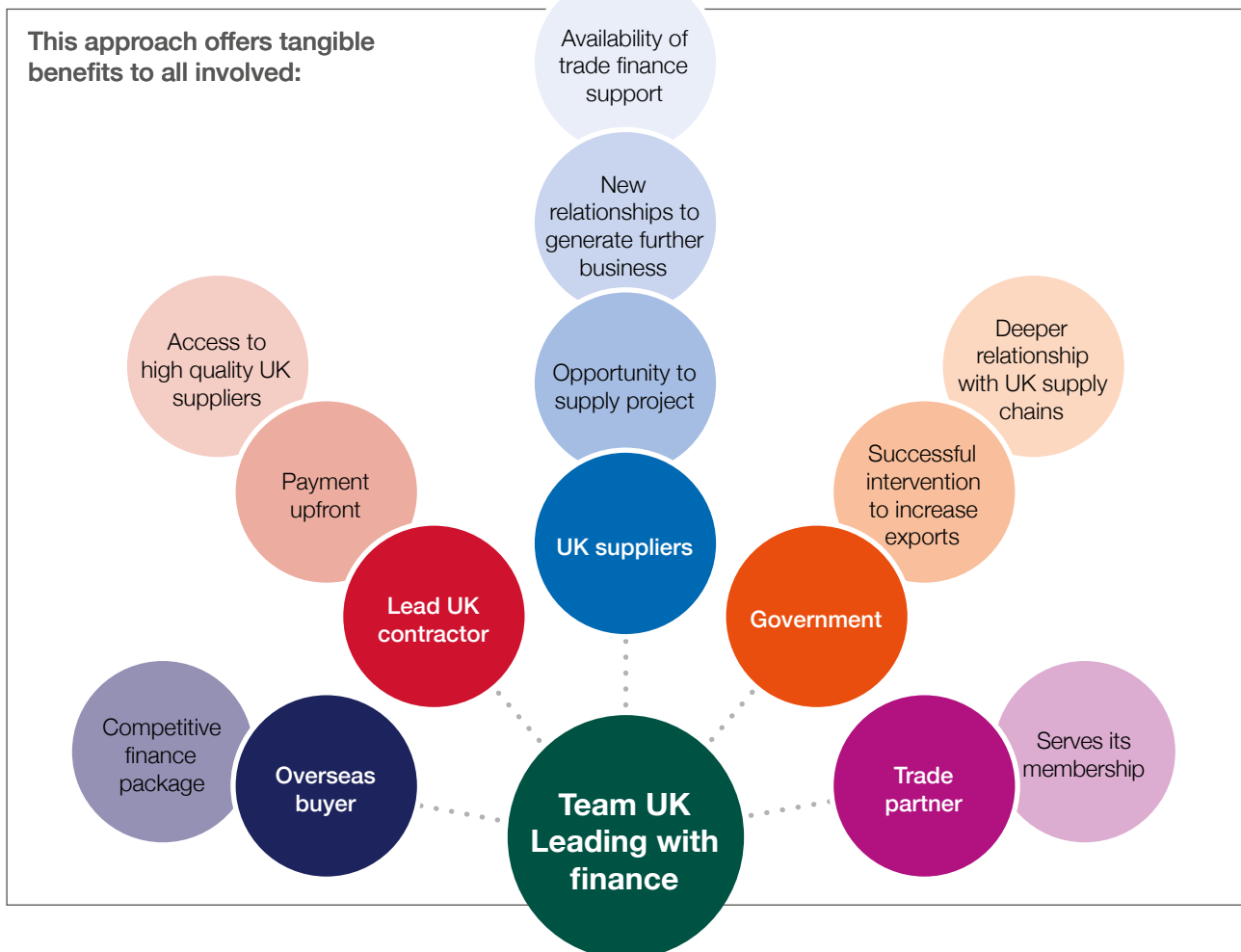
2 supplier fairs



300 suppliers



positive feedback



Supporting the UK's SMEs

This year, 79% of the exporters UKEF supported were SMEs, including 71 firms we helped to find the finance or insurance they needed from private providers.

UKEF's short-term trade finance support is designed to help companies find the finance they need to fulfil contracts and helped make £585 million worth of exports happen this year. Since they were introduced in 2011, these products have now supported £3.5 billion in UK trade.

Here are just some examples of exports we helped make happen.



Our people

One of our objectives is to ensure that UK Export Finance is a great place to work.

A workforce is best equipped to serve its customers when its people are happy and engaged. It helps that we are unique within government. Our people can gain experience of working on awarding-winning transactions, recognised within the financial services sector for their innovation. At the same time, they gain experience of working in a central government department, supporting our ministers to deliver their priorities and working in close collaboration with the other parts of the Department for International Trade. This mix of government and commercial focus offers the opportunity to develop a wide range of skills.

Our successes

We know that what we do would not be possible without the hard work, creativity and dedication of our staff. This year, the export finance industry has recognised UKEF's success, with a number of awards for our innovative transactions:



Dints & Gold Fields Ghana



Biwater & Kurdistan Regional Government



Orpic Liwa Plastics



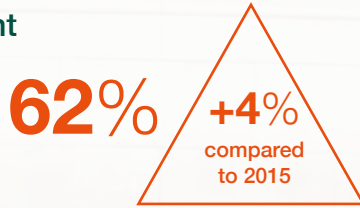
GE Oil & Gas and Offshore Cape Three Points Ghana

These awards belong to our staff and are testament to their commitment to public service.



Staff engagement

The 2016 Civil Service People Survey results for UKEF showed that staff engagement was 62%, the highest since the survey began in 2009, and up 4% on 2015.



The survey results tell us the improvement was driven by:



greater confidence in leadership



a clearer purpose



more development opportunities



the rewards of working here

Our improvement relative to the rest of government is more striking, in a year when the government's trade agenda has received historically high levels of attention. UKEF rose up the rankings from the 40th to 70th percentile in terms of engagement. Our ambition is to have the most engaged workforce in the Civil Service.

Investing in our people



UKEF staff can now access a wealth of development opportunities across the Department for International Trade. These range from specialist trade-focused training courses to shadowing, secondments and Civil Service-wide talent management initiatives. We have also invested in an Award in Trade Finance produced by the Institute for Export, an accredited three-module training course for UKEF and other Department for International Trade staff.

This year, we embarked on a transformation programme to ensure we have the organisational structure, people skills and leadership ability required to deliver on our priorities, as well as the flexibility to allow staff to develop expertise and understanding across the department. Our Business and Credit Risk Groups have adopted flexible structures, promoting a diversity of skills and experience within teams so that we can adjust swiftly to changing patterns of demand through the business cycle, while allowing staff to gain wider experience and expertise.



Our future: business plan 2017-20

This was the final year in UKEF's 2014-17 business plan, and we have now published our business plan for 2017-20. Here are some highlights:

Products

We aim to get smarter in our decision-taking, using enhanced market intelligence to guide our interventions.



In 2017-18 we will:

- refresh our Overseas Investment Insurance product to support UK overseas direct investment
- test UKEF's proposition against evolving customer needs and review products constantly for relevance to ensure we can address market gaps

Leading with finance

We aim to further develop a Team UK approach to increasing UK supplies to major infrastructure investments around the world.



In 2017-18 we will:

- appoint around 20 corporate finance specialists in key overseas markets
- issue expressions of interest for financing where possible for each relevant High Value Campaign (HVC)

Addressing the market

We aim to be a more scalable organisation, able to support higher volumes of business efficiently and effectively, in particular on the short-term trade finance side.



In 2017-18 we will:

- exploit three potential game-changers to our trade finance offer:
 1. the 'bank delegation' model, which allows financial institutions to apply our guarantee quickly and flexibly
 2. online applications for banks and exporters using short-term products
 3. digitised workflow capability to process requests for support more quickly and efficiently
- seek to develop a new customer base through the widened eligibility of our trade finance offer

Awareness raising

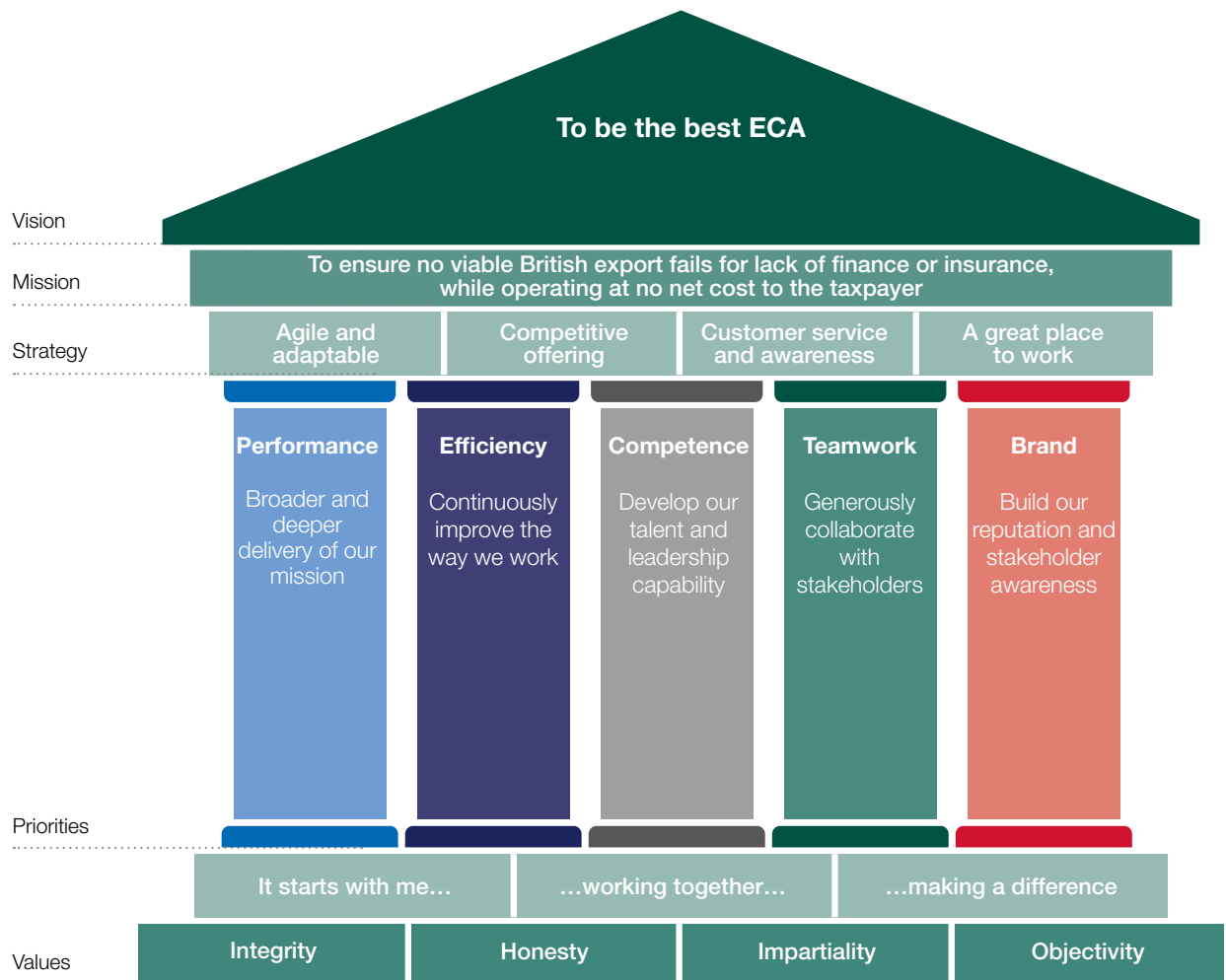
We plan to exploit our new digital capability to increase the volume and relevance of awareness-raising activity.



In 2017-18 we will:

- use data to define our addressable market, to better target our awareness-raising activity where it counts
- develop the digital toolkit available to those staff, such as our export finance managers, who seek to engage new businesses, including improved hardware, a more capable customer relationship management system, and more engaging and useful digital content

This plan does not set a radical new path. Rather it calls for acceleration, increasing the pace of transformation and the scale of our activity, and reflecting an increased level of ambition, to achieve the vision set out in our message house: to be the world’s best ECA.





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.

Contact a UKEF export finance manager in your region for a free and independent consultation.

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 out more.
Or contact our national customer service helpline:

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

