

# Financial statements

Financial statements

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Marie Hall, the  
Export Finance  
Manager team's  
Regional Head for  
Midlands, Wales and  
South West

# Financial statements

**UK Export Finance 2022-23  
at 31 March 2023**

## Statement of Comprehensive Net Income

For the year ended 31 March 2023		2022-23	2021-22
	Note	£'000	£'000
<b>Export Credit Guarantees and Insurance</b>			
<b>Income</b>			
Gross premium income		384,930	566,736
Less ceded to reinsurers		(72,061)	(125,493)
<b>Net premium income</b>	<b>3</b>	<b>312,869</b>	<b>441,243</b>
Net investment return	4	21,834	14,462
Net foreign exchange gain	7	11,986	9,159
<b>Total Income</b>		<b>346,689</b>	<b>464,864</b>
<b>Expenses</b>			
Net claims charge for the year	6	(16,080)	(10,078)
Changes in insurance liabilities (net of reinsurance)	16	(64,195)	(151,284)
Staff costs	8	(30,977)	(27,142)
Other administration and operating costs	9	(28,948)	(24,603)
<b>Total expenses</b>		<b>(140,200)</b>	<b>(213,107)</b>
<b>Net income/(loss) arising from Export Credit Guarantees and Insurance Activities</b>		<b>206,489</b>	<b>251,757</b>
<b>Export Finance Assistance</b>			
<b>Income</b>			
Net Investment Return	4	34,926	50,760
Net foreign exchange gain	7	78,426	35,965
<b>Total Income</b>		<b>113,352</b>	<b>86,725</b>
<b>Expenses</b>			
Staff costs	8	(8,731)	(7,614)
Other administration and operating costs	9	(8,159)	(6,903)
<b>Total expenses</b>		<b>(16,890)</b>	<b>(14,517)</b>
<b>Net income/(loss) arising from Export Finance Assistance Activities</b>		<b>96,462</b>	<b>72,208</b>
<b>Net Operating Income/(loss) for the year</b>		<b>302,951</b>	<b>323,965</b>

All income and expenditure are derived from continuing operations.

The Notes on pages 161 to 202 form part of these accounts.

## Statement of Financial Position

### As at 31 March 2023

	Note	2022-23 £'000	2021-22 £'000
<b>Non-current assets</b>			
Right of Use, Equipment and intangible assets		5,160	1,808
Loans and receivables	10	2,305,585	2,227,715
Insurance assets	11	243,911	229,305
Reinsurers' share of insurance liabilities	12	606,168	631,729
Insurance and other receivables	13	211,126	305,854
<b>Total non-current assets</b>		<b>3,371,950</b>	<b>3,396,411</b>
<b>Current assets</b>			
Financial assets at fair value through profit and loss		-	52
Loans and receivables	10	256,597	183,110
Insurance assets	11	49,156	41,618
Insurance and other receivables	13	115,079	146,166
Cash and cash equivalents	14	681,217	329,685
<b>Total current assets</b>		<b>1,102,049</b>	<b>700,631</b>
<b>Total assets</b>		<b>4,473,999</b>	<b>4,097,042</b>
<b>Current liabilities</b>			
Financial liabilities at fair value through profit and loss		-	(2)
Consolidated Fund Payable	14	(681,217)	(329,685)
Insurance and other payables	15	(158,610)	(183,446)
<b>Total current liabilities</b>		<b>(839,827)</b>	<b>(513,133)</b>
<b>Non-current assets plus net current assets</b>		<b>3,634,172</b>	<b>3,583,909</b>
<b>Non-current liabilities</b>			
Insurance Liabilities	16	(2,104,234)	(2,065,600)
Insurance and other payables	15	(187,447)	(297,822)
<b>Total non-current liabilities</b>		<b>(2,291,681)</b>	<b>(2,363,422)</b>
<b>Assets less liabilities</b>		<b>1,342,491</b>	<b>1,220,487</b>
<b>Taxpayers' equity</b>			
Exchequer Financing		(2,149,892)	(2,134,315)
Cumulative Trading Surplus		4,142,702	3,936,213
General Fund		(650,319)	(581,411)
<b>Total taxpayers' equity</b>		<b>1,342,491</b>	<b>1,220,487</b>

The Notes on pages 161 to 202 form part of these accounts.



#### Tim Reid

Chief Executive and Accounting Officer  
22 June 2023

## Statement of Cash Flows

For the year ended 31 March 2023

	Note	2022-23 £'000	2021-22 £'000
<b>Cash flows from operating activities</b>			
Net operating income/(loss)		302,951	323,965
Adjustments for non-cash transactions:			
Depreciation of equipment	9	1,506	498
Other:			
Audit fees	9	270	240
Amortised loans & receivables income	10	(93,700)	(83,784)
Net unrealised foreign exchange (gain)/loss on net assets other than cash	7	(93,599)	(43,362)
Provisions:			
Insurance liabilities net of reinsurance movement	16	64,195	151,284
Financial guarantees provision movement	15	12,389	(904)
Claims provision movement	6	3,691	10,982
Interest on claims provision movement	11(b)	10,863	13,740
Dilapidation provision	15	20	-
Impairment of uninsured Capital Loans	10	58,790	38,376
Movements in Working Capital other than cash:			
Claims assets before provisions	11(a)	(27,988)	(11,006)
Interest on claims assets before provisions	11(b)	5,529	(935)
Loans & receivables	10	90,652	105,186
Insurance & other receivables		126,749	(77,708)
Insurance & other payables		(149,870)	148,795
Financial assets held at fair value		52	260
Financial liabilities held at fair value		(2)	(56)
<b>Net cash inflow/(outflow) from operating activities</b>		<b>312,498</b>	<b>575,571</b>
<b>Cash flows from investing activities</b>			
Purchase of equipment and intangibles		(1,002)	(1,413)
Export Finance Assistance loans:			
Advances	10	(321,911)	(655,187)
Recoveries	10	192,594	198,056
<b>Net cash inflow/(outflow) from operating activities</b>		<b>(130,319)</b>	<b>(458,544)</b>
<b>Net cash inflow/(outflow) from operating and investing activities</b>		<b>182,179</b>	<b>117,027</b>
<b>Cash flows from financing activities</b>			
Payment of lease liabilities		(962)	-
Receipts from the Consolidated Fund (Supply):			
relating to the prior year		500,000	100,000
<b>Net cash inflow/(outflow) from financing activities</b>		<b>499,038</b>	<b>100,000</b>
<b>Net increase in cash and cash equivalents in the year before adjusting payments to the Consolidated Fund</b>		<b>681,217</b>	<b>217,027</b>
Payments to the Consolidated Fund:			
relating to the prior year		(329,685)	-
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b>351,532</b>	<b>217,027</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>329,685</b>	<b>112,658</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>681,217</b>	<b>329,685</b>

The Notes on pages 161 to 202 form part of these accounts.

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2023

	Note	Exchequer financing £'000	Culmulative trading surplus £'000	General fund £'000	Total reserves £'000
Balance at 1 April 2021		(2,155,673)	3,684,456	(515,474)	1,013,309
<b>Changes in taxpayers' equity for 2021-2022</b>					
<b>Non-Cash Adjustments:</b>					
Auditors' remuneration	9	240	-	-	240
<b>Movements in Reserves:</b>					
Transfers between reserves		138,145	-	(138,145)	-
Recognised in Statement of Comprehensive Net Income		-	251,757	72,208	323,965
<b>Total recognised income and expense for 2021-22</b>		<b>138,385</b>	<b>251,757</b>	<b>(65,937)</b>	<b>324,205</b>
Amounts arising in year payable to the consolidated fund		(117,027)	-	-	(117,027)
<b>Balance at 31 March 2022</b>		<b>(2,134,315)</b>	<b>3,936,213</b>	<b>(581,411)</b>	<b>1,220,487</b>
<b>Changes in taxpayers' equity for 2022-23</b>					
<b>Non-cash adjustments:</b>					
Auditors' remuneration	9	270	-	-	270
<b>Movements in Reserves:</b>					
Transfers between reserves		165,370	-	(165,370)	-
Recognised in Statement of Comprehensive Net Income		-	206,489	96,462	302,951
<b>Total recognised income and expense for 2022-23</b>		<b>165,640</b>	<b>206,489</b>	<b>(68,908)</b>	<b>303,221</b>
Amounts arising in year payable to the consolidated fund		(181,217)	-	-	(181,217)
<b>Balance at 31 March 2023</b>		<b>(2,149,892)</b>	<b>4,142,702</b>	<b>(650,319)</b>	<b>1,342,491</b>

The Notes on pages 161 to 202 form part of these accounts.

## Notes to the Departmental Accounts

### 1 Accounting policies

#### (A) Basis of preparation

The financial statements have been prepared in accordance with the 2022-23 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be the most appropriate to the particular circumstances of UKEF for the purpose of giving a true and fair view has been selected. These have been applied consistently in dealing with items considered material to the accounts. Details of the particular accounting policies adopted by UKEF are described in the sections below.

The primary economic environment within which UKEF operates is the United Kingdom and, therefore, its functional and presentational currency is pounds sterling. Items included in the UKEF financial statements are measured and presented in pounds sterling.

#### (B) Initial application of IFRS 16: Leases

The 2022-23 FReM applies financial reporting standards that are effective for the financial year. UKEF has, per the FReM requirement, applied IFRS 16: Leases for the first time in 2022-23. IFRS 16 replaces IAS 17: Leases. The impact of the new standard on the UKEF financial statements is not significant.

UKEF adopted the practical expedients in the FReM and applied a 'cumulative catch-up' approach, which involved making an adjustment to the opening balance of equity, rather than retrospectively applying IFRS 16 to the prior period.

The adoption of this new standard has resulted in the recognition of a £3.8m right-of-use asset and related lease liability on 1st April 2022 in connection with former operating leases captured by this change.

#### (C) Future accounting developments

Several accounting standards have either been issued or revised but have yet to come into effect. UKEF will apply the new and revised standards and consider their impact in detail once they have been adopted by the FReM. The new standards (IFRS 9 and 17) set out below will have an impact on the financial statements when they become effective.

#### IFRS 9: Financial Instruments

This standard is designed to replace IAS 39 – Financial instruments: recognition and measurement and amends some of the requirements of IFRS 7 – Financial instruments: disclosures. UKEF has not determined the detailed financial impact; however, the changes to loan impairments particularly, will require changes to UKEF systems and may lead to increased volatility in reported numbers.

Whilst the effective date of IFRS 9 was for annual periods beginning on or after 1 January 2018, the standard will be effective for UKEF at the same time as IFRS 17 becomes effective. This is because UKEF has utilised a temporary exemption from applying IFRS 9 as detailed below. The International Accounting Standards Board (IASB) has decided to extend to 2023 the temporary exemption for insurers to apply IFRS 9 so that both IFRS 9 and IFRS

17 can be applied at the same time (however, see below for the implementation date in the public sector).

In September 2016, the IASB issued Applying IFRS 9: Financial instruments with IFRS 4: Insurance contracts (amendments to IFRS 4), to address issues arising from the different effective dates of IFRS 9 and the new insurance contracts standard (IFRS 17). The amendments introduce a temporary exemption that enables eligible entities to defer the implementation date of IFRS 9 for annual periods beginning before 1 January 2023 and continue to apply IAS 39 to financial instruments.

An entity may apply the temporary exemption from IFRS 9 if it has not previously applied any version of IFRS 9 and its activities are predominantly connected with insurance on its annual reporting date that immediately precedes 1 April 2016. The department met the eligibility criteria of the temporary exemption from IFRS 9 and deferred the application of IFRS 9 until the effective date of the new insurance contracts standard (IFRS 17) of annual reporting periods beginning on or after 1 January 2023.

The department performed an assessment of the amendments and reached the conclusion that its activities are predominantly connected with insurance as at 31 March 2016 when UKEF's insurance liabilities were significant compared to the total amount of liabilities and the percentage of liabilities connected with insurance was greater than 90%.

The liabilities connected with insurance that are not liabilities arising from contracts within the scope of IFRS 4 mainly relate to UKEF's liability to the Consolidated Fund. The impact of the adoption of IFRS 9 on UKEF's financial statements will be largely dependent on the interaction with the new insurance contracts standard IFRS 17. As such it is not possible to fully assess the effect of the adoption of IFRS 9.

UKEF is required to retest its eligibility for the temporary exemption of IFRS 9, if and only if there is a significant change in its business activities. UKEF's activities have not changed and the department continues to apply the temporary exemption from IFRS 9. The increase in the carrying value of UKEF's loan book, in relation to its direct lending activity, is not considered a significant change in business activities for the purposes of the temporary exemption.

## **IFRS 17: Insurance Contracts**

This standard is designed to replace IFRS 4: Insurance contracts. IFRS 4 allows entities to use different accounting policies to measure insurance contracts. IFRS 17 removes these inconsistencies and requires entities to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows and any uncertainty. Entities will also be required to recognise profit as insurance services are delivered and to provide information about the insurance contract profits that are expected to be recognised in the future. These changes will necessitate a shift from UKEF's fund basis of accounting for insurance contracts.

The application of IFRS 17 in the public sector has been delayed by two years until 2025-26. There is therefore still some uncertainty about how it may affect UKEF. The effective date of IFRS 17 for central government departments including UKEF is for the annual period beginning on 1 April 2025.

An initial impact assessment of IFRS 9 and IFRS 17 was completed in 2019. Both these standards are expected to have a major impact on UKEF's accounting policies, data, systems and processes, as the vast majority of the department's portfolio is in scope of one of them. As a result, UKEF started a multi-year Financial Reporting Changes Programme,



involving cross departmental functions, to implement the two standards.

Management continues to assess the impact of these new standards as part of the ongoing Programme to implement the changes. Management has considered several of the IFRS 9 and IFRS 17 technical decisions, options and accounting judgements that will shape the department's future accounting policies and their impact, including key design decisions. These decisions, options and judgements will form the basis of the working assumptions to be used in the implementation of the two standards.

## (D) Significant judgement and estimates

The preparation of these financial statements includes the use of significant judgements and estimates and assumptions which affect the reported amounts of assets, liabilities, income and expenses, and related disclosure of contingent assets and liabilities in the financial statements.

The critical judgements (apart from those involving estimations that are dealt with below) that management have made in preparing the financial statements, that have had a significant effect on the amounts recognised in the financial statements, are:

- the applications of the fund basis of accounting for insurance contracts (refer to note 1(E) for details);
- the deferral of the application of IFRS 9 (refer to note 1(C) for details); and
- the estimation of the future cash flows in the calculation of impairment of financial assets (see note 1(K) for details).

All estimates are based on management's knowledge of current facts and circumstances, assumptions based upon that knowledge, and management's predictions of future events and actions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates, possibly significantly. There have been no major changes in these assumptions in the current year.

### Significant uncertainty arising from the nature of UKEF's Underwriting Activity (All accounts apart from the Direct Lending and FREF account)

Due to the long-term nature of the risk underwritten, the outcome of UKEF's activities is subject to considerable uncertainty, primarily as a result of:

- **Unpredictability of claims payments and recoveries including interest on unrecovered claims** – losses that might arise are very difficult to assess and calculate with any degree of confidence, particularly over the longer term; the protracted underwriting cycle, which can be several decades if a Paris Club recovery is involved, means that the actual outturn may not be known for many years; and
- **The narrow base of risk** – UKEF has a far narrower risk base than would normally apply in commercial insurance, which makes the underwriting outcome more vulnerable to changes in risk conditions. As the UK's export credit agency (ECA), UKEF's role and mandate result in the department's portfolio following where UK companies win business and where there are gaps in private sector provision of finance. This demand-led approach, and the small number of more significant large transactions underwritten per year, can result in risk concentrations.

Although the financial results cannot be established with certainty, UKEF sets provisions for unrecovered claims based upon current perceptions of risk and employing a substantial degree of experience and judgement. The level of such provisions has been set on the basis of information which is currently available. The provision rates are made on a case-by-case basis and are approved by UKEF's Enterprise Risk and Credit Committee. Paris Club developments

and related provision rates are also monitored and approved by the Enterprise Risk and Credit Committee. Whilst UKEF considers that claims provisions and related recoveries are fairly stated, the ultimate liability will vary as a result of subsequent information and events. This may result in significant adjustments to the amounts provided. These estimates and methods of estimation are reviewed annually and, if adjustments prove necessary, they will be reflected in future accounts.

## **(E) Insurance contracts**

In accordance with IFRS 4: Insurance contracts, UKEF has applied existing accounting practices for insurance contracts. Additionally, UKEF has taken advantage of the option in IAS 39 – Financial instruments: recognition and measurement and has elected to continue to regard some financial guarantee contracts as insurance contracts. This relates to contracts for products that are both financial guarantee contracts and insurance contracts by definition but were historically accounted for as insurance contracts. An election was made for such contracts to continue being accounted for as insurance contracts under IFRS 4.

### **Product classification**

Insurance contracts are those contracts written by UKEF that transfer significant insurance risk at the inception of the contract, including some financial guarantee contracts. Insurance risk is transferred when UKEF agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

### **Fund Basis of Accounting for insurance contracts**

The Fund Basis of Accounting has been applied rather than the Annual Basis (whereby the profit/loss is determined at the end of each accounting period for cover provided during that period). Insufficient information is available on expected future claims and recoveries for reliable estimates to be made at the end of each financial year. The use of the Fund Basis of Accounting is not recommended practice under the Association of British Insurers' Statement of Recommended Practice (which has now been withdrawn and replaced with FRS 103). However, UKEF considers it to be the most appropriate method to account for its insurance contracts.

Under the Fund Basis of Accounting, profit arising from policies allocated to each underwriting year is deferred until three years after the end of that underwriting year (for insurance contracts written in respect of business that does not extend credit to the customer after delivery) or until nine years after the end of that underwriting year (for insurance contracts where extended credit terms are provided to the customer from the start of the underwriting year).

### **Liability adequacy test**

At the date of each Statement of Financial Position, UKEF performs liability adequacy tests to ensure that the carrying amount of insurance liabilities, net of any reinsurance, is sufficient to cover the current best estimate of future cash outflows under its insurance contracts. If, as a result of these tests, a deficiency is identified and the Fund for any underwriting year is considered insufficient to meet estimated future net claims or losses, the deficiency is charged to the Statement of Comprehensive Net Income to cover the potential shortfall. In years subsequent to a shortfall, should the deficiency in the fund reverse, then any excess can be released back to the Statement of Comprehensive Net Income. However, the release is limited to the amount of the original charge. Where the Fund for any underwriting year is in excess of the total amounts at risk, the excess is credited to the Statement of

Comprehensive Net Income to reduce the Fund value to the level of the maximum exposure.

In assessing the adequacy of a Fund, account is taken of future investment income and, based on information available at the Statement of Financial Position date, provisions are estimated according to the categories of risk, as follows:

- ➔ **Political:** risks associated with a sovereign country which could potentially affect every supported transaction in that country due to both political risks and economic risks; and
- ➔ **Buyer:** risks directly associated with buyers, borrowers or guarantors, e.g. insolvency.

## Premium income

Premium income for the underwriting year is recognised on all guarantees and insurance contracts that become effective during the year (including income for which deferred payment terms have been agreed). Reinsurance provided under co-operation agreements with other export credit agencies: premiums due based on notifications received in the year from the lead export credit agency.

## Insurance assets

Claims: are recognised as payables when authorised. Recoveries: where a realistic prospect of full or partial recovery of an authorised claim exists, the estimated recovery proceeds (value of the claim less a provision), net of estimated expenses in achieving the recovery, are included as assets in the Statement of Financial Position, as “insurance assets”.

When UKEF considers that it is no longer practicable or cost effective to pursue recovery, recoveries are formally abandoned and the amounts are deducted from recoverable assets and written off to the Statement of Comprehensive Net Income for the year, if and to the extent that existing provisions are not adequate to cover such amounts.

UKEF determines that, based on its experience over recent years, interest accruing on recoverable claims is as likely to be recovered as the outstanding claims to which it relates. As a result, interest is provisioned at the same rate as the recoverable claim to which it applies.

## Reinsurance assets

UKEF cedes reinsurance to the private sector and to other national export credit agencies. Reinsurance premiums ceded and movements in the reinsurers’ share of insurance liabilities are included within the relevant expense and income accounts in the Statement of Comprehensive Net Income.

Reinsurance assets represent insurance premiums ceded to reinsurers, less any claims made by UKEF on reinsurance contracts. Reinsurance assets include the reinsurers’ share of insurance liabilities and are recognised on the same basis as the underlying insurance liabilities recognised in the Statement of Financial Position. UKEF’s reinsurance assets are reviewed for impairment. Any impairment losses identified are recognised through the Statement of Comprehensive Net Income.

## (F) Financial guarantee contracts

Liabilities under financial guarantee contracts not classified as insurance contracts are recorded initially at their fair value, which is generally the fee received or receivable.

Subsequently, the financial guarantee liabilities are measured at the higher of the initial fair value less cumulative amortisation, and the best estimate of the expenditure required to settle the obligations. Where the liabilities are measured using the latter value they are disclosed as “Provisions for likely claims on financial guarantees”.

## **(G) Foreign exchange**

Transactions denominated in foreign currencies are translated into Pounds Sterling at the rates of exchange ruling at the dates of the transactions. Foreign exchange gains and losses resulting from the subsequent settlement of these transactions, together with those arising from the retranslation of foreign currency denominated monetary assets and liabilities at year-end exchange rates, are recognised in the Statement of Comprehensive Net Income. Non-monetary items are translated in the Statement of Financial Position at the rates prevailing at the original transaction dates.

## **(H) Consolidated Fund payable**

The amount payable to the Consolidated Fund is equivalent to UKEF's bank balances at the Statement of Financial Position date.

## **(I) Exchequer financing**

To reflect the long-term nature of UKEF's activities and recognising that cash flows from operating and investing activities in a particular year may not always be sufficient to service operating commitments, as agreed with HM Treasury, a cumulative balance with the Exchequer is maintained and disclosed on the face of the Statement of Financial Position. The balance moves from year to year in response to the cash flows and accrued income arising from UKEF's operating and investing activities.

## **(J) Pension costs**

Past and present employees are covered by the provisions of the Principal Civil Service Pension Scheme (PCSPS). The defined benefit schemes are unfunded. UKEF recognises the expected cost of these elements on a systematic and rational basis over the period during which it benefits from employees' services by payment to the PCSPS of amounts calculated on an accruing basis. Liability for payment of future benefits is a charge on the PCSPS.

Employees can opt to open a partnership pension account (Group Personal Pension), which is similar to a stakeholder pension with an employer contribution. UKEF makes age-related contributions, as a percentage of pensionable earnings. Further information can be found in the Our People: Remuneration and Staff report section of the Annual Report.

## **(K) Financial assets**

### **Recognition and measurement**

Financial assets are recognised and derecognised on the relevant trade date.

'Loans and receivables' include insurance receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market. These are measured at amortised cost using the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial and are therefore carried at their estimated net recoverable amount. Amortised cost is the amount at which a financial asset or liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation (using the effective interest method) of any difference between the initial amount and the maturity amount minus any reduction for impairment.

For loans, in accordance with IAS 39.AG8, at any point in time the amortised cost is the net

present value of the updated future expected cash flows, discounted by the original effective interest rate. Re-estimation of the future cash flows arising from a financial instrument carried at amortised cost normally results in a change in carrying amount, since the revised estimated cash flows are discounted at the original effective interest rate. The necessary adjustment is recognised in profit and loss.

The effective interest rate method allocates interest income or expense over the relevant period by applying the effective interest rate to the carrying amount of the asset or liability. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or liability on initial recognition.

## Impairment

Financial assets other than those at 'fair value through profit or loss', are regularly assessed for indicators of impairment on an incurred loss basis. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows from the financial asset have been affected. Amongst the criteria that UKEF's Enterprise Risk and Credit Committee will use to assess if there is objective evidence of an impairment loss include:

- Overdue payments of interest and principal
- Breach of material loan covenants or conditions
- Significant deterioration in credit quality

If the carrying value of a financial asset is greater than the recoverable amount, the carrying value is reduced through a charge to the Statement of Comprehensive Net Income in the period of impairment. For 'loans and receivables', the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows (selected as the most likely from a number of scenarios), discounted at the original 'effective interest rate'. In the case of any loans the carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the Statement of Comprehensive Net income. The carrying amount of the asset is reduced directly only upon write off. Interest income on impaired loans is recognised based on the estimated recoverable amount. Reversals of impairments are only recognised where the decrease in the impairment can be objectively related to an event occurring after the write-down.

## 2 Segmental information

UKEF applies IFRS 8 – Operating Segments considering UKEF's legal and regulatory reporting requirements. These form the basis of the operating results that are regularly reviewed by the chief operating decision maker. The chief operating decision maker is the Accounting Officer who is responsible for allocating resources and assessing performance of the operating segments.

UKEF's operations are categorised into one of the following Accounts:

### Active accounts:

- **Account 2 – Guarantees & Insurance Account:** relates to the credit risk arising from guarantees and insurance issued for business since April 1991
- **Account 3 – National Interest Account:** relates to guarantees and loans issued for business since April 1991 on the written instruction of ministers, which UKEF's

Accounting Officer had advised did not meet normal underwriting criteria.

- **Account 5 – Direct Lending Account:** relates to the provision of direct lending (in the normal course of business) since 2014

#### Closed accounts as at 31st March 2023:

- **Account 1 – Pre 1991 Guarantees & Insurance Account:** relates to guarantees and insurance issued for business prior to April 1991, and insurance issued by the Insurance Services Group of UKEF (which was privatised on 1 December 1991) for which UKEF retains all contingent liabilities ('Insurance Services Business')
- **Account 4 – Fixed Rate Export Finance Account:** relates to the provision of Fixed Rate Export Finance (FREF) to banks, together with arrangements for reducing the funding cost of FREF loans and for certain interest rate derivative arrangements
- **Account 6 – Temporary Covid-19 Support Account:** relates to all business underwritten and booked under the Temporary Covid-19 Risk Framework (TCRF) – approved by HM Treasury since 2 April 2020 but closed to new business since 31 July 2022

### i. Segmental Statement of Comprehensive Net Income for the year ended 31 March 2023

	Account 1	Account 2	Account 3	Account 4	Account 5	Account 6	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>							
Gross premium income	-	272,474	25	-	-	112,431	384,930
Less ceded to reinsurers	-	(44,833)	-	-	-	(27,228)	(72,061)
Net premium income	-	227,641	25	-	-	85,203	312,869
Net investment return income	13,162	4,762	16,217	35	18,674	3,910	56,760
Claims credit	11,397	-	-	-	-	-	11,397
Net foreign exchange gain	6,161	6,050	-	-	78,426	-	90,637
<b>Total Income</b>	<b>30,720</b>	<b>238,453</b>	<b>16,242</b>	<b>35</b>	<b>97,100</b>	<b>89,113</b>	<b>471,663</b>
<b>Expenses</b>							
Claims charge & provision for likely claims	-	(27,477)	-	-	-	-	(27,477)
Changes in insurance liabilities net of reinsurance	-	(52,669)	(387)	-	-	(11,139)	(64,195)
Staff costs	(278)	(24,976)	(2,700)	(59)	(8,240)	(3,455)	(39,708)
Other administration and operating costs	(260)	(23,340)	(2,523)	(54)	(7,701)	(3,229)	(37,107)
Net foreign exchange loss	-	-	-	-	-	(225)	(225)
<b>Total expenses</b>	<b>(538)</b>	<b>(128,462)</b>	<b>(5,610)</b>	<b>(113)</b>	<b>(15,941)</b>	<b>(18,048)</b>	<b>(168,712)</b>
<b>Net income/(loss)</b>	<b>30,182</b>	<b>109,991</b>	<b>10,632</b>	<b>(78)</b>	<b>81,159</b>	<b>71,065</b>	<b>302,951</b>

## ii. Segmental Statement of Comprehensive Net Income for the year ended 31 March 2022

	Account 1	Account 2	Account 3	Account 4	Account 5	Account 6	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>							
Gross premium income	-	465,192	-	-	-	101,544	566,736
Less ceded to reinsurers	-	(122,582)	-	-	-	(2,911)	(125,493)
Net premium income	-	342,610	-	-	-	98,633	441,243
Net investment return income	11,039	1,294	13,684	146	36,930	2,129	65,222
Claims credit	4,163	-	-	-	-	-	4,163
Net foreign exchange gain	3,775	5,412	-	-	35,965	-	45,152
<b>Total Income</b>	<b>18,977</b>	<b>349,316</b>	<b>13,684</b>	<b>146</b>	<b>72,895</b>	<b>100,762</b>	<b>555,780</b>
<b>Expenses</b>							
Net claims charge for the year	-	(14,241)	-	-	-	-	(14,241)
Changes in insurance liabilities net of reinsurance	-	(135,933)	-	-	-	(15,351)	(151,284)
Staff costs	(243)	(22,348)	(973)	(139)	(7,125)	(3,928)	(34,756)
Other administration and operating cost	(221)	(20,258)	(882)	(126)	(6,459)	(3,560)	(31,506)
Net foreign exchange loss	-	-	-	-	-	(28)	(28)
<b>Total expenses</b>	<b>(464)</b>	<b>(192,780)</b>	<b>(1,855)</b>	<b>(265)</b>	<b>(13,584)</b>	<b>(22,867)</b>	<b>(231,815)</b>
<b>Net income/(loss)</b>	<b>18,513</b>	<b>156,536</b>	<b>11,829</b>	<b>(119)</b>	<b>59,311</b>	<b>77,895</b>	<b>323,965</b>

## iii. Additional segmental information

For the year ended 31 March 2023, there were three customers (the parties paying the premium) who accounted for more than 10% of the total premium revenue, net of amounts ceded to reinsurers. These customers accounted for net premium income of £177 million.

All premium income arose from exports by companies resident in the United Kingdom and therefore no geographical analysis of premium income is presented.

#### iv. Segmental Statement of Financial Position at 31 March 2023

	Account 1	Account 2	Account 3	Account 4	Account 5	Account 6	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>							
Right of use, equipment and intangible assets	-	5,160	-	-	-	-	5,160
Loans & receivables	-	-	969,568	-	1,336,017	-	2,305,585
Insurance assets	93,517	150,394	-	-	-	-	243,911
Reinsurers' share of insurance liabilities	-	520,828	23,232	-	-	62,108	606,168
Insurance and other receivables	22	117,669	-	-	-	93,435	211,126
<b>Total non-current assets</b>	<b>93,539</b>	<b>794,051</b>	<b>992,800</b>	<b>-</b>	<b>1,336,017</b>	<b>155,543</b>	<b>3,371,950</b>
<b>Current assets</b>							
Loans & receivables	-	-	39	-	256,558	-	256,597
Insurance assets	48,541	615	-	-	-	-	49,156
Insurance and other receivables	19	58,739	-	-	2	56,319	115,079
Cash and cash equivalents	61,948	123,372	8,844	1,019	431,071	54,963	681,217
<b>Total current assets</b>	<b>110,508</b>	<b>182,726</b>	<b>8,883</b>	<b>1,019</b>	<b>687,631</b>	<b>111,282</b>	<b>1,102,049</b>
<b>Total assets</b>	<b>204,047</b>	<b>976,777</b>	<b>1,001,683</b>	<b>1,019</b>	<b>2,023,648</b>	<b>266,825</b>	<b>4,473,999</b>
<b>Current liabilities</b>							
Consolidated Fund (Payable)/Receivable	(61,948)	(123,372)	(8,844)	(1,019)	(431,071)	(54,963)	(681,217)
Insurance and other payables	(460)	(134,821)	29	-	(200)	(23,158)	(158,610)
<b>Total current liabilities</b>	<b>(62,408)</b>	<b>(258,193)</b>	<b>(8,815)</b>	<b>(1,019)</b>	<b>(431,271)</b>	<b>(78,121)</b>	<b>(839,827)</b>
<b>Non-current assets plus net current assets</b>	<b>141,639</b>	<b>718,584</b>	<b>992,868</b>	<b>-</b>	<b>1,592,377</b>	<b>188,704</b>	<b>3,634,172</b>
<b>Non-current liabilities</b>							
Insurance liabilities	-	(1,891,174)	(108,802)	-	-	(104,258)	(2,104,234)
Insurance and other payables	-	(101,082)	-	-	-	(86,365)	(187,447)
<b>Total non-current liabilities</b>	<b>-</b>	<b>(1,992,256)</b>	<b>(108,802)</b>	<b>-</b>	<b>-</b>	<b>(190,623)</b>	<b>(2,291,681)</b>
<b>Assets less liabilities</b>	<b>141,639</b>	<b>(1,273,672)</b>	<b>884,066</b>	<b>-</b>	<b>1,592,377</b>	<b>(1,919)</b>	<b>1,342,491</b>
<b>Taxpayers' equity</b>							
Exchequer Financing	(1,610,633)	(3,419,657)	1,000,000	-	2,032,351	(151,953)	(2,149,892)
Cumulative Trading Surplus	1,752,272	2,145,985	94,324	-	-	150,121	4,142,702
General Fund	-	-	(210,258)	-	(439,974)	(87)	(650,319)
<b>Total taxpayers' equity</b>	<b>141,639</b>	<b>(1,273,672)</b>	<b>884,066</b>	<b>-</b>	<b>1,592,377</b>	<b>(1,919)</b>	<b>1,342,491</b>



## v. Segmental Statement of Financial Position at 31 March 2022

	Account 1	Account 2	Account 3	Account 4	Account 5	Account 6	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-current assets</b>							
Right of use, equipment and intangible assets	-	1,808	-	-	-	-	1,808
Loans & receivables	-	-	967,422	-	1,260,293	-	2,227,715
Insurance assets	132,672	96,633	-	-	-	-	229,305
Reinsurers' share of insurance liabilities	-	573,617	23,232	-	-	34,880	631,729
Insurance and other receivables	-	67,077	-	-	-	238,777	305,854
<b>Total non-current assets</b>	<b>132,672</b>	<b>739,135</b>	<b>990,654</b>	<b>-</b>	<b>1,260,293</b>	<b>273,657</b>	<b>3,396,411</b>
<b>Current assets</b>							
Financial assets held at fair value	-	-	-	52	-	-	52
Loans & receivables	-	-	39	1,047	182,024	-	183,110
Insurance assets	41,127	491	-	-	-	-	41,618
Insurance and other receivables	10	56,146	-	3	1	90,006	146,166
Cash and cash equivalents	102,516	495,064	(371,774)	4,092	2,800	96,987	329,685
<b>Total current assets</b>	<b>143,653</b>	<b>551,701</b>	<b>(371,735)</b>	<b>5,194</b>	<b>184,825</b>	<b>186,993</b>	<b>700,631</b>
<b>Total assets</b>	<b>276,325</b>	<b>1,290,836</b>	<b>618,919</b>	<b>5,194</b>	<b>1,445,118</b>	<b>460,650</b>	<b>4,097,042</b>
<b>Current liabilities</b>							
Financial liabilities held at fair value	-	-	-	(2)	-	-	(2)
Consolidated Fund (Payable)/ Receivable	(102,516)	(495,064)	371,774	(4,092)	(2,800)	(96,987)	(329,685)
Insurance and other payables	(403)	(106,520)	(1)	(3)	(30)	(76,489)	(183,446)
<b>Total current liabilities</b>	<b>(102,919)</b>	<b>(601,584)</b>	<b>371,773</b>	<b>(4,097)</b>	<b>(2,830)</b>	<b>(173,476)</b>	<b>(513,133)</b>
<b>Non-current assets plus net current assets</b>	<b>173,406</b>	<b>689,252</b>	<b>990,692</b>	<b>1,097</b>	<b>1,442,288</b>	<b>287,174</b>	<b>3,583,909</b>
<b>Non-current liabilities</b>							
Insurance liabilities	-	(1,891,294)	(108,415)	-	-	(65,891)	(2,065,600)
Insurance and other payables	-	(58,520)	-	-	-	(239,302)	(297,822)
<b>Total non-current liability</b>	<b>-</b>	<b>(1,949,814)</b>	<b>(108,415)</b>	<b>-</b>	<b>-</b>	<b>(305,193)</b>	<b>(2,363,422)</b>
<b>Assets less liabilities</b>	<b>173,406</b>	<b>(1,260,562)</b>	<b>882,277</b>	<b>1,097</b>	<b>1,442,288</b>	<b>(18,019)</b>	<b>1,220,487</b>
<b>Taxpayers' equity</b>							
Exchequer Financing	(1,548,686)	(3,296,557)	1,000,000	1,019	1,806,896	(96,987)	(2,134,315)
Cumulative Trading Surplus	1,722,092	2,035,995	99,073	-	-	79,053	3,936,213
General Fund	-	-	(216,796)	78	(364,608)	(85)	(581,411)
<b>Total taxpayers' equity</b>	<b>173,406</b>	<b>(1,260,562)</b>	<b>882,277</b>	<b>1,097</b>	<b>1,442,288</b>	<b>(18,019)</b>	<b>1,220,487</b>

### 3 Premium Income

	2022-23	2021-22
	£000	£000
<b>Underwriting Premium Income</b>		
<b>Insurance contracts premium receivable (IFRS4)</b>		
<b>Current underwriting year</b>		
Gross Premium	272,949	463,720
Less ceded to insurers	(65,963)	(121,824)
<b>Net Premium income</b>	<b>206,986</b>	<b>341,896</b>
<b>Previous Underwriting Years</b>		
Gross Premium	1,450	1,753
Less ceded to reinsurers	(6,098)	(3,669)
<b>Net Premium income</b>	<b>(4,648)</b>	<b>(1,916)</b>
<b>Total</b>		
Gross Premium	274,399	465,473
Less ceded to reinsurers	(72,061)	(125,493)
<b>Net Premium income</b>	<b>202,338</b>	<b>339,980</b>
<b>Financial guarantees premium amortised (IAS 39)</b>		
Gross Premium	110,531	101,263
Less ceded to reinsurers	-	-
<b>Net Premium income</b>	<b>110,531</b>	<b>101,263</b>
<b>Total Net Premium income</b>	<b>312,869</b>	<b>441,243</b>

Insurance contracts premium receivable (IFRS 4) includes premium income from financial guarantee contracts that UKEF has elected to account for as insurance contracts (refer to Note 1(E) for more detail).

## 4 Net Investment Return

				2022-23	2021-22
Note	Account 1 £'000	Account 2 £'000	Account 6 £'000	Total £'000	Total £'000
<b>Export Credit Guarantees and Insurance</b>					
Interest income 5	13,162	3,515	-	16,677	12,145
Other income	-	1,247	3,910	5,157	2,317
<b>Total income</b>	<b>13,162</b>	<b>4,762</b>	<b>3,910</b>	<b>21,834</b>	<b>14,462</b>
<b>Net income</b>	<b>13,162</b>	<b>4,762</b>	<b>3,910</b>	<b>21,834</b>	<b>14,462</b>

				2022-23	2021-22
Note	Account 3 £'000	Account 4 £'000	Account 5 £'000	Total £'000	Total £'000
<b>Export Finance assistance</b>					
Amortised loans & receivables income 10	16,217	28	77,455	93,700	83,784
Gain in fair value of derivatives	-	63	-	63	298
Other income	-	-	9	9	5,313
<b>Total income</b>	<b>16,217</b>	<b>91</b>	<b>77,464</b>	<b>93,772</b>	<b>89,395</b>
Impairment of loans & receivables 10	-	-	(58,790)	(58,790)	(38,376)
Loss in fair value of derivatives	-	(56)	-	(56)	(259)
<b>Total costs</b>	<b>-</b>	<b>(56)</b>	<b>(58,790)</b>	<b>(58,846)</b>	<b>(38,635)</b>
<b>Net income</b>	<b>16,217</b>	<b>35</b>	<b>18,674</b>	<b>34,926</b>	<b>50,760</b>

## 5 Interest income

				2022-23	2021-22
Note	Account 1 £'000	Account 2 £'000		Total £'000	Total £'000
Interest arising from claims					
- interest charged in the year	11(b)	13,121	12,795	25,916	25,832
- net (increase) / decrease in provisions for unrecovered interest	11(b)	(1,577)	(9,286)	(10,863)	(13,740)
Interest arising from claims net of provisions		11,544	3,509	15,053	12,092
Other interest		1,618	6	1,624	53
<b>Interest credit for the year</b>		<b>13,162</b>	<b>3,515</b>	<b>16,677</b>	<b>12,145</b>

Other Interest includes bank interest on balances with commercial banks

## 6 Net claims credit and provision for likely claims

				2022-23	2021-22
	Note	Account 1 £'000	Account 2 £'000	Total £'000	Total £'000
Amounts authorised and paid in the year	11(a)	-	(122,009)	(122,009)	(103,139)
Expected recoveries on claims authorised and paid in the year		-	70,789	70,789	65,752
Provision on claims authorised and paid in the year		-	(51,220)	(51,220)	(37,387)
Net change in provisions for claims authorised and paid in previous years		11,397	36,132	47,529	26,405
<b>Claims credit charge for the year</b>	<b>11(a)</b>	<b>11,397</b>	<b>(15,088)</b>	<b>(3,691)</b>	<b>(10,982)</b>
Change in provisions for claims on financial guarantees	15	-	(12,389)	(12,389)	904
<b>Net claims credit &amp; provision for likely claims</b>		<b>11,397</b>	<b>(27,477)</b>	<b>(16,080)</b>	<b>(10,078)</b>

There is no reinsurance element included within the figures above.

## 7 Net foreign exchange gain / (loss)

					2022-23	2021-22
	Note	Account 1 £'000	Account 2 £'000	Account 6 £'000	Total £'000	Total £'000
<b>Export Credit Guarantees and Insurance</b>						
Net foreign exchange gain/(loss) arising on:						
recoverable claims after provisions	11(a)	3,855	7,844	-	11,699	5,218
recoverable interest on claims after provisions	11(b)	2,520	20	-	2,540	1,418
insurance premium receivables		-	918	18	936	(1,000)
financial guarantees provisions		-	15	-	15	(65)
insurance payables		(86)	(466)	(98)	(650)	2,176
cash		(128)	(2,281)	(145)	(2,554)	1,412
<b>Net foreign exchange gain/(loss) for year</b>		<b>6,161</b>	<b>6,050</b>	<b>(225)</b>	<b>11,986</b>	<b>9,159</b>
	Note		Account 5 £'000	Account 6 £'000	Total £'000	Total £'000
<b>Export Finance Assistance</b>						
Net foreign exchange gain/(loss) arising on:						
loans & receivables	10		77,782	-	77,782	35,930
payables			1,277	-	1,277	(315)
cash			(633)	-	(633)	350
<b>Net foreign exchange gain/(loss) for the year</b>			<b>78,426</b>	<b>-</b>	<b>78,426</b>	<b>35,965</b>
					<b>Total £'000</b>	<b>Total £'000</b>
<b>Summary:</b>						
Net foreign exchange gain/(loss) for year on cash assets					(3,187)	1,762
Net foreign exchange gain/(loss) on net assets other than cash					93,599	43,362
<b>Net foreign exchange gain/(loss) for year</b>					<b>90,412</b>	<b>45,124</b>

Day-to-day transactions are converted at the rates prevailing on the original transaction date. Assets and liabilities are re-valued at the year-end rates. The table below shows the exchange rates applicable on the principal currencies.

Currency	Currency equivalent to £1	
	31 March 2023	31 March 2022
Euro	1.14	1.18
Japanese Yen	164.47	159.78
US Dollars	1.24	1.32

## 8 Staff costs

	2022-23	2021-22
	£'000	£'000
Salaries and Wages	28,898	25,683
Social Security Costs	3,610	2,949
Other Pension Costs	7,200	6,124
<b>Total Staff Costs</b>	<b>39,708</b>	<b>34,756</b>
<b>Of which:</b>		
Export Credit Guarantees and Insurance	30,977	27,142
Export Finance Assistance	8,731	7,614

Details of staff numbers, exit packages and UKEF's remuneration policy can be found in the Our People: Remuneration and Staff report section of the Annual Report.

## 9 Other administration and operating costs

	2022-23	2021-22
	£'000	£'000
Agency Staff	2,412	2,522
Training	668	591
Recruitment	286	242
Travel & Subsistence	1,212	301
Accommodation	2,684	2,620
Other IT	6,143	5,465
Project Costs	7,035	7,141
Legal	423	714
Marketing & Business Promotion	4,164	4,509
Depreciation	1,506	498
Irrecoverable VAT	5,611	4,019
Other Administration	4,963	2,884
<b>Total Other Administrative Costs</b>	<b>37,107</b>	<b>31,506</b>
<b>Of which:</b>		
Export Credit Guarantees and Insurance	28,948	24,603
Export Finance Assistance	8,159	6,903
<b>Included in the above figures:</b>		
Audit Fees	270	240

The 2022-23 audit fee includes £45k (2021-22, £30k) for the auditor's engagement with the Financial Reporting Changes programme. See Accounting Policy note 1(C) for further details.

## 10 Loans & receivables

		31 March 2023	31 March 2022		
		£'000	£'000		
Loans & receivables		2,562,182	2,410,825		
<b>Total</b>		<b>2,562,182</b>	<b>2,410,825</b>		
Falling due:					
- within one year		256,597	183,110		
- after more than one year		2,305,585	2,227,715		
	Note	Account 3 £'000	Account 4 £'000	Account 5 £'000	Total £'000
<b>Movements:</b>					
<b>Balance at 1 April 2021</b>		<b>668,489</b>	<b>2,175</b>	<b>1,306,878</b>	<b>1,977,542</b>
Loans advanced	19	297,438	-	357,749	655,187
Loans recovered		-	(1,099)	(196,957)	(198,056)
Net foreign exchange gain/(loss)		-	-	35,930	35,930
Amortised income		15,665	107	58,798	74,570
Other movement in working capital		(12,150)	(136)	(92,900)	(105,186)
Revision to cash flows		(1,981)	-	11,195	9,214
Impairment provision		-	-	(38,376)	(38,376)
<b>Balance at 31 March 2022</b>		<b>967,461</b>	<b>1,047</b>	<b>1,442,317</b>	<b>2,410,825</b>
Loans advanced	19	-	-	321,911	321,911
Loans recovered		-	(1,019)	(191,575)	(192,594)
Net foreign exchange gain/(loss)		-	-	77,782	77,782
Amortised income		17,749	28	64,137	81,914
Other movement in working capital		(14,071)	(56)	(76,525)	(90,652)
Revision to cash flows		(1,532)	-	13,318	11,786
Impairment provision		-	-	(58,790)	(58,790)
<b>Balance at 31 March 2023</b>		<b>969,607</b>	<b>-</b>	<b>1,592,575</b>	<b>2,562,182</b>
<b>Of which:</b>					
Capital loans recoverable		1,000,000	-	2,032,351	3,032,351
Net interest receivable		39	-	7,086	7,125
Unamortised income		(22,767)	-	(311,309)	(334,076)
Re-estimation of cash flows		(7,665)	-	9,008	1,343
Impairment provisions		-	-	(144,561)	(144,561)
<b>Falling Due</b>					
- within one year		39	-	256,558	256,597
- after more than one year		969,568	-	1,336,017	2,305,585

Loans are calculated on the amortised cost basis (refer to accounting policy Note 1(K)).

The fair value of Export Finance Loans for Account 3 was £872,960,000 (2021-22: £978,500,000), Account 4 ended in November 2022 and therefore was £0 (2021-22: £1,075,000) and Account 5 £1,819,189,000 (2021-22: £1,678,705,000).

## 11 Insurance assets

	31 March 2023	31 March 2022
	£'000	£'000
Recoverable claims	219,918	183,922
Interest on unrecovered claims	73,149	87,001
<b>Total</b>	<b>293,067</b>	<b>270,923</b>
Falling due:		
- within one year	49,156	41,618
- after more than one year	243,911	229,305

Insurance assets are shown at their expected recoverable amount. The majority of the balances are subject to market rates of interest

### 11(a) Recoverable claims

	Account 1	Account 2	Total
	£'000	£'000	£'000
<b>Recoverable claims - gross</b>			
<b>Balance at 1 April 2021</b>	<b>350,227</b>	<b>249,534</b>	<b>599,761</b>
Reclassifications & transfers from interest on unrecovered claims	-	(27)	(27)
Claims & recoverable expenditure approved in the year	-	103,139	103,139
Recoveries made in the year	(29,738)	(62,368)	(92,106)
Recoveries abandoned in the year	(83,462)	5	(83,457)
Net foreign exchange movements	3,124	4,037	7,161
<b>Balance at 31 March 2022</b>	<b>240,151</b>	<b>294,320</b>	<b>534,471</b>
Reclassifications & transfers from interest on unrecovered claims	-	-	-
Claims & recoverable expenditure approved in the year	-	122,009	122,009
Recoveries made in the year	(33,097)	(60,924)	(94,021)
Recoveries abandoned in the year	(14,487)	(2,444)	(16,931)
Net foreign exchange movements	4,981	9,732	14,713
<b>Balance at 31 March 2023</b>	<b>197,548</b>	<b>362,693</b>	<b>560,241</b>
<b>Recoverable claims - provisions</b>			
<b>Balance at 1 April 2021</b>	<b>239,728</b>	<b>181,353</b>	<b>421,081</b>
(Release)/increase of provisions in the year	(4,163)	15,145	10,982
Recoveries abandoned in the year	(83,462)	5	(83,457)
Net foreign exchange movements	938	1,005	1,943
<b>Balance at 31 March 2022</b>	<b>153,041</b>	<b>197,508</b>	<b>350,549</b>
(Release)/increase of provisions in the year	(11,397)	15,088	3,691
Recoveries abandoned in the year	(14,487)	(2,444)	(16,931)
Net foreign exchange movements	1,126	1,888	3,014
<b>Balance at 31 March 2023</b>	<b>128,283</b>	<b>212,040</b>	<b>340,323</b>
<b>Net recoverable claims as at:</b>			
<b>- 31 March 2023</b>	<b>69,265</b>	<b>150,653</b>	<b>219,918</b>
- 31 March 2022	87,110	96,812	183,922
- 31 March 2021	110,499	68,181	178,680

For further details about claims and recoveries, refer to the Chief Risk Officer's report in the Performance report.

There are no recoverable claims on Accounts 3,4 and 6.



## 11(b) Interest on unrecovered claims

	Account 1 £'000	Account 2 £'000	Total £'000
<b>Interest on unrecovered claims - gross</b>			
<b>Balance at 1 April 2021</b>	<b>964,336</b>	<b>165,336</b>	<b>1,129,672</b>
Interest charged in the year	15,315	10,517	25,832
Interest received in the year	(23,694)	(1,203)	(24,897)
Recoveries abandoned in the year	(476,202)	-	(476,202)
Net foreign exchange movements	5,282	222	5,504
<b>Balance at 31 March 2022</b>	<b>485,037</b>	<b>174,872</b>	<b>659,909</b>
Interest charged in the year	13,121	12,795	25,916
Interest received in the year	(27,960)	(3,485)	(31,445)
Net foreign exchange movements	6,852	326	7,178
<b>Balance at 31 March 2023</b>	<b>477,050</b>	<b>184,508</b>	<b>661,558</b>
<b>Interest on unrecovered claims - provisions</b>			
<b>Balance at 1 April 2021</b>	<b>866,348</b>	<b>164,936</b>	<b>1,031,284</b>
Increase in provisions in the year	4,329	9,411	13,740
Recoveries abandoned in the year	(476,202)	-	(476,202)
Net foreign exchange movements	3,873	213	4,086
<b>Balance at 31 March 2022</b>	<b>398,348</b>	<b>174,560</b>	<b>572,908</b>
Increase in provisions in the year	1,577	9,286	10,863
Net foreign exchange movements	4,332	306	4,638
<b>Balance at 31 March 2023</b>	<b>404,257</b>	<b>184,152</b>	<b>588,409</b>
<b>Net interest on unrecovered claims as at:</b>			
- 31 March 2023	72,793	356	73,149
- 31 March 2022	86,689	312	87,001
- 31 March 2021	97,988	400	98,388

## 12 Reinsurers' share of insurance liabilities

	£'000
<b>Balance at 1 April 2021</b>	<b>577,923</b>
Movements summary:	
Addition to the underwriting funds in the year	121,823
Net decrease in open cash funds	(1,273)
Net decrease in open credit funds	(9,718)
Other fund movements	(5,942)
Net decrease in insurance liabilities on closed funds	(51,084)
<b>Total Movements</b>	<b>53,806</b>
<b>Balance at 31 March 2022</b>	<b>631,729</b>
Movements summary:	
Addition to the underwriting funds in the year	65,964
Net decrease in open cash funds	-
Net decrease in open credit funds	(57,247)
Other fund movements	(8,014)
Net decrease in insurance liabilities on closed funds	(26,264)
<b>Total Movements</b>	<b>(25,561)</b>
<b>Balance at 31 March 2023</b>	<b>606,168</b>

Movements are summarised within Note 16.

### 13 Insurance and other receivables

	31 March 2023 £'000	31 March 2022 £'000
Insurance premium receivables	310,412	433,870
Insurance prepayments and accrued income	13,371	16,152
Other receivables	2,422	1,998
<b>Total</b>	<b>326,205</b>	<b>452,020</b>
Falling due:		
- within one year	115,079	146,166
- after more than one year	211,126	305,854

The insurance premium receivables include the premium amounts receivable for financial guarantees accounted for under IAS 39.

### 14 Cash and cash equivalents

<b>Cash and cash equivalents comprise:</b>	31 March 2023 £'000	31 March 2022 £'000
Government Banking Service	502,846	232,533
Commercial banks and cash in hand	178,371	97,152
<b>Total</b>	<b>681,217</b>	<b>329,685</b>

The closing cash balance is payable to HM Treasury's Consolidated Fund.

### 15 Insurance and other payables

	31 March 2023 £'000	31 March 2022 £'000
Financial guarantee liabilities	269,164	403,051
Deferred income and other payables	49,066	65,712
Provisions for likely claims on financial guarantees	23,948	11,574
Finance lease liabilities	2,892	-
Income tax and National Insurance	870	816
Insurance payables - amounts due to policyholders	97	115
Dilapidations provision	20	-
<b>Total</b>	<b>346,057</b>	<b>481,268</b>
Falling due:		
- within one year	158,610	183,446
- after more than one year	187,447	297,822

The movement in the provision for financial guarantees includes £12,389,000 (2021-22: £904,000) (see Note 6) and (£15,000) (2021-22: (£65,000)) movement on foreign currencies.

The presentation of this note has been amended this year, resulting in the 31 March 2022 comparative for deferred income and other payables now presented as one figure. In last years' accounts, it was presented as £65,679k for Export Credit Guarantees and Insurance and £33k for Export Finance Assistance.

## 16 Insurance liabilities

Each underwriting fund for an underwriting year is set at the higher of (i) the current Expected Loss, as defined below, on amounts at risk on unexpired insurance contracts, or (ii) accumulated premiums plus interest earned, less administration costs and provisions made for the unrecoverable proportion of paid claims. Premium income credited to a provision is net of any reinsurance premium ceded to re-insurers where UKEF, as lead insurer, has reinsured a proportion of the total contract risk.

The Expected Loss is management's best estimate of the mean of possible future losses on UKEF's insurance contracts.

Under the Fund Basis of Accounting, premium arising from policies allocated to each underwriting year, net of provisions for any unrecovered claims and expenses, is deferred until three years after the end of that underwriting year (for insurance contracts written in respect of business that does not extend credit to the customer after delivery) or until nine years after the end of that underwriting year (for insurance contracts where extended credit terms are provided to the customer from the start of the underwriting year). After this period, any excess of the net Underwriting Fund over the current 'expected loss' on amounts at risk on unexpired guarantees or policies written in the relevant year is released to income. Underwriting funds for those and prior years will be equal to the 'expected loss' on unexpired guarantees or insurance policies for the relevant underwriting year.

The following movements in underwriting funds have occurred in the year:

	Account 2 £'000	Account 3 £'000	Account 6 £'000	Total £'000
<b>Insurance liabilities - Gross of reinsurance</b>				
<b>Balance at 1 April 2021</b>	<b>1,704,465</b>	<b>108,415</b>	<b>47,630</b>	<b>1,860,510</b>
Movements:				
Addition to the underwriting funds in the year	406,481	-	18,261	424,742
Release of excess funds - cash	(14,675)	-	-	(14,675)
Release of excess funds - credit	(36,739)	-	-	(36,739)
Other fund movements	(84,162)	-	-	(84,162)
Change in insurance liabilities on closed funds	(84,076)	-	-	(84,076)
<b>Total Movements</b>	<b>186,829</b>	<b>-</b>	<b>18,261</b>	<b>205,090</b>
<b>Balance at 31 March 2022</b>	<b>1,891,294</b>	<b>108,415</b>	<b>65,891</b>	<b>2,065,600</b>
Movements:				
Addition to the underwriting funds in the year	197,384	-	37,700	235,084
Release of excess funds - cash	(264)	-	-	(264)
Release of excess funds - credit	(103,958)	-	-	(103,958)
Other fund movements	(60,622)	387	667	(59,568)
Change in insurance liabilities on closed funds	(32,660)	-	-	(32,660)
<b>Total Movements</b>	<b>(120)</b>	<b>387</b>	<b>38,367</b>	<b>38,634</b>
<b>Balance at 31 March 2023</b>	<b>1,891,174</b>	<b>108,802</b>	<b>104,258</b>	<b>2,104,234</b>

	Account 2 £'000	Account 3 £'000	Account 6 £'000	Total £'000
<b>Insurance liabilities - Net of reinsurance</b>				
<b>Balance at 1 April 2021</b>	<b>1,181,744</b>	<b>85,183</b>	<b>15,660</b>	<b>1,282,587</b>
Movements:				
Addition to the underwriting funds in the year	287,464	-	15,455	302,919
Release of excess funds - cash	(13,402)	-	-	(13,402)
Release of excess funds - credit	(27,021)	-	-	(27,021)
Other fund movements	(78,116)	-	(104)	(78,220)
Change in insurance liabilities on closed funds	(32,992)	-	-	(32,992)
<b>Total Movements</b>	<b>135,933</b>	<b>-</b>	<b>15,351</b>	<b>151,284</b>
<b>Balance at 31 March 2022</b>	<b>1,317,677</b>	<b>85,183</b>	<b>31,011</b>	<b>1,433,871</b>
Movements:				
Addition to the underwriting funds in the year	158,648	-	10,472	169,120
Release of excess funds - cash	(264)	-	-	(264)
Release of excess funds - credit	(46,711)	-	-	(46,711)
Other fund movements	(52,608)	387	667	(51,554)
Change in insurance liabilities on closed funds	(6,396)	-	-	(6,396)
<b>Total Movements</b>	<b>52,669</b>	<b>387</b>	<b>11,139</b>	<b>64,195</b>
<b>Balance at 31 March 2023</b>	<b>1,370,346</b>	<b>85,570</b>	<b>42,150</b>	<b>1,498,066</b>
<b>Summary of movements:</b>				
<b>2021-22</b>				
Gross changes in insurance liabilities	186,829	-	18,261	205,090
Reinsurers' share of changes in insurance liabilities	(50,896)	-	(2,910)	(53,806)
<b>Changes in insurance liabilities (net of reinsurance)</b>	<b>135,933</b>	<b>-</b>	<b>15,351</b>	<b>151,284</b>
<b>2022-23</b>				
Gross changes in insurance liabilities	(120)	387	38,367	38,634
Reinsurers' share of changes in insurance liabilities	52,789	-	(27,228)	25,561
<b>Changes in insurance liabilities (net of reinsurance)</b>	<b>52,669</b>	<b>387</b>	<b>11,139</b>	<b>64,195</b>

Movements in reinsurance are analysed within Note 12.

## 17 Schedule of Expected Loss

As part of its liability adequacy testing process, UKEF assesses the carrying value of its insurance liabilities against a schedule of expected loss. The expected loss does not take into account any additional margins that are required to compensate UKEF for the inherent risk that actual losses may significantly exceed the expected loss. The derived expected loss is not therefore regarded by UKEF to be a reliable estimate of the likely eventual outturn (with insufficient information available for open fund years to determine definitively and with a high degree of confidence the level of claims that will be ultimately experienced) and is presented for indicative purposes. Credit funds up

to and including 2013-14 and cash fund years up to and including 2019-20 are closed years.

The table shows the development of the expected losses for the fund years 2013-14 onwards. For individual fund years shown, the figure shown “at end of year” shows the expected loss at the end of the year it was created. Each subsequent row shows the expected loss position at the end of the next following year. The final row for each fund year shows the current expected loss at the date of the Statement of Financial Position

	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23
	fund	fund	fund	fund	fund	fund	fund	fund	fund	fund
	year	year	year	year	year	year	year	year	year	year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accounts 2, 3 &amp; 6</b>										
<b>Credit funds</b>										
At the end of year	34,208	46,367	28,315	32,214	43,848	127,410	72,685	77,729	103,526	59,404
One year later	34,184	44,703	29,114	26,001	49,578	110,027	76,790	69,060	142,729	-
Two years later	35,429	48,413	21,070	24,134	42,298	183,377	147,227	72,502	-	-
Three years later	35,278	36,502	17,589	26,603	166,991	142,601	135,977	-	-	-
Four years later	20,860	44,479	17,535	35,966	101,218	125,417	-	-	-	-
Five years later	17,559	30,047	16,516	32,696	55,239	-	-	-	-	-
Six years later	21,376	65,202	13,008	24,833	-	-	-	-	-	-
Seven years later	56,497	54,012	9,202	-	-	-	-	-	-	-
Eight years later	32,230	84,192	-	-	-	-	-	-	-	-
Nine years later	51,818	-	-	-	-	-	-	-	-	-
<b>Cash funds</b>										
At end of year	69	261	480	689	383	6,365	91	668	461	775
One year later	14	291	-	16	100	2,575	20	118	135	-
Two years later	171	78	-	-	62	1,833	14	75	-	-
Three years later	27	40	-	-	43	1,140	2	-	-	-
Four years later	-	18	-	-	4	666	-	-	-	-
Five years later	-	20	-	-	-	-	-	-	-	-
Six years later	-	-	-	-	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-	-	-	-
Eight years later	-	-	-	-	-	-	-	-	-	-
Nine years later	-	-	-	-	-	-	-	-	-	-
<b>Credit fund total</b>	<b>51,818</b>	<b>84,192</b>	<b>9,202</b>	<b>24,833</b>	<b>55,239</b>	<b>125,417</b>	<b>135,977</b>	<b>72,502</b>	<b>142,729</b>	<b>59,404</b>
<b>Cash fund total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>666</b>	<b>2</b>	<b>75</b>	<b>135</b>	<b>775</b>
<b>Expected loss total</b>	<b>51,818</b>	<b>84,192</b>	<b>9,202</b>	<b>24,833</b>	<b>55,239</b>	<b>126,083</b>	<b>135,979</b>	<b>72,577</b>	<b>142,864</b>	<b>60,179</b>
<b>Grand Total</b>										<b>762,966</b>
						funds	funds	funds	funds	funds
						2013-	2013-	2013-14	years to	grand
						14 to	14 to	to 2022-	2012-13	total
						2022-23	2022-23	23 total	closed	
						open	closed			
						£'000	£'000	£'000	£'000	£'000
<b>Expected loss summary</b>										
Accounts 2, 3 & 6:										
Credit fund total						709,495	51,818	<b>761,313</b>	35,341	<b>796,654</b>
Cash fund total						985	668	<b>1,653</b>	2,060	<b>3,713</b>
Expected loss total						710,480	52,486	<b>762,966</b>	37,401	<b>800,367</b>

## 18 Risk management: financial instruments and insurance contracts

This Note describes the nature and extent of the risks for UKEF arising from financial instruments and insurance contracts and how UKEF manages them. UKEF has established a risk management framework that seeks to identify, consider and manage the risks it faces in line with its risk appetite, minimising its exposure to unexpected financial loss and facilitating the achievement of its business objectives.

Full details of UKEF's approach to managing financial risk can be found in the Chief Risk Officer's Report in the Performance section of the Annual Report.

Operational risk is described in the Governance Statement which can be found in the Accountability section of the Annual Report.

For the purpose of this Note, risks are considered under the following headings:

- a) **Market risk** (including interest rate risk and foreign currency risk);
- b) **Credit risk;**
- c) **Insurance risk** (including related foreign currency risk);
- d) **Liquidity risk;** and
- e) **Risk measurement.**

### 18(a) Market risk

Market risk is the risk of adverse financial impact due to changes in the fair value or future cash flows of financial instruments from fluctuations in interest rates, foreign exchange rates (and other prices). UKEF has a significant exposure to foreign currency risk, primarily due to holding US dollar denominated assets in the form of loans and receivables and net unrecovered claims. UKEF does not have significant exposure to interest rate risk. UKEF is not authorised by HM Treasury to hedge its exposure to foreign currency risk (refer Note 18(a)(i) and 18(c)(iii)). Foreign exchange market risk is explained in Note 18(a)(i).

UKEF has established principles and policies to be followed in respect of management of the key market risks to which it is exposed.

#### 18(a)(i) Foreign currency risk

Foreign currency risk arises from two main areas: transaction risk and translation risk.

Transaction risk is the risk of movements in the sterling value of foreign currency receipts on conversion into sterling. Translation risk is the risk that UKEF's Statement of Financial Position and net operating income will be adversely impacted by changes in the sterling value of foreign currency denominated assets and liabilities from movements in foreign currency exchange rates. UKEF is heavily exposed to translation risk due to the value of non-sterling assets and liabilities held. The most significant exposure relates to insurance assets (refer Note 18(c)(iii) below).

UKEF is not authorised by HM Treasury to hedge its exposure to foreign currency risk.

The currency profile of UKEF's financial instruments and its capital loan commitments is set out below.

	Pound Sterling £'000	US dollar £'000	Other £'000	Total £'000
<b>As at 31 March 2023</b>				
Financial assets:				
Account 3 loans at amortised cost	969,607	-	-	969,607
Account 5 loans at amortised cost	19,090	939,654	633,831	1,592,575
Insurance and other receivables	234,909	58,034	33,262	326,205
Financial liabilities:				
Insurance and other payables	(277,137)	(71,944)	3,024	(346,057)
Financial commitments:				
Account 5 amounts available	3,715	438,288	576,934	1,018,937
<b>Total</b>	<b>950,184</b>	<b>1,364,032</b>	<b>1,247,051</b>	<b>3,561,267</b>
<b>As at 31 March 2022</b>				
Financial assets:				
Fair value through profit or loss	-	52	-	52
Account 3 loans at amortised cost	967,461	-	-	967,461
Account 4 loans at amortised cost	1,047	-	-	1,047
Account 5 loans at amortised cost	24,660	901,453	516,204	1,442,317
Insurance and other receivables	376,457	59,277	16,286	452,020
Financial liabilities:				
Fair value through profit or loss	(2)	-	-	(2)
Insurance and other payables	(365,924)	(95,478)	(8,292)	(469,694)
Financial commitments:				
Account 5 amounts available	4,036	551,944	447,203	1,003,183
<b>Total</b>	<b>1,007,735</b>	<b>1,417,248</b>	<b>971,401</b>	<b>3,396,384</b>

The sensitivity to changes in foreign exchange of US dollar denominated loans held at amortised cost at 31 March 2023 is as follows:

- ➔ 10% increase would increase the carrying value by £85,423,000 (31 March 2022 by £81,950,000).

## 18(b) Credit Risk

Credit risk is the risk of loss in value of financial assets due to lending counterparties failing to meet all or part of their obligations as they fall due. Credit risk related to UKEF's insurance contracts, including financial guarantees, is discussed under Insurance Risk (Note 18(c)(i) below)

UKEF has implemented policies and procedures that seek to minimise credit losses on the credit risk it takes. Full details can be found in the Chief Risk Officer's Report in the Performance section of the Annual Report.

## 18(b)(i) Credit risk

The following table summarises the credit exposure of loans at amortised cost & loan commitments (Investment grade is defined as a credit rating of BBB minus or above):

	Investment grade £'000	Non- investment grade £'000	Total £'000
<b>As at 31 March 2023</b>			
<b>Account 3 : Direct Lending</b>			
Loans at amortised cost	969,607	-	969,607
<b>Account 5 : Direct Lending</b>			
Loans at amortised cost	-	1,592,575	1,592,575
Commitments	-	1,018,937	1,018,937
<b>Total</b>	<b>969,607</b>	<b>2,611,512</b>	<b>3,581,119</b>
<b>As at 31 March 2022</b>			
<b>Account 3 : Direct Lending</b>			
Loans at cost	967,461	-	967,461
<b>Account 4 : Direct Lending</b>			
Loans at cost	1,047	-	1,047
<b>Account 5 : Direct Lending</b>			
Loans at amortised cost	-	1,442,317	1,442,317
Commitments	-	1,003,183	1,003,183
<b>Total</b>	<b>968,508</b>	<b>2,445,500</b>	<b>3,414,008</b>

## 18(b)(ii) Credit concentration risk

The following table provides information regarding the credit concentration of loans at amortised cost & loan commitments:

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
<b>As at 31 March 2023</b>					
<b>Account 3 : Direct Lending</b>					
Loans at cost	-	-	969,607	-	969,607
<b>Account 5 : Direct Lending</b>					
Loans at cost	783	33,916	1,557,876	-	1,592,575
Commitments	-	-	1,018,937	-	1,018,937
<b>Total</b>	<b>783</b>	<b>33,916</b>	<b>3,546,420</b>	<b>-</b>	<b>3,581,119</b>
<b>As at 31 March 2022</b>					
<b>Account 3 : Direct Lending</b>					
Loans at cost	-	-	967,461	-	967,461
<b>Account 4 : Direct Lending</b>					
Loans at cost	-	-	-	1,047	1,047
<b>Account 5 : Direct Lending</b>					
Loans at cost	4,945	27,785	1,409,587	-	1,442,317
Commitments	-	-	1,003,183	-	1,003,183
<b>Total</b>	<b>4,945</b>	<b>27,785</b>	<b>3,380,231</b>	<b>1,047</b>	<b>3,414,008</b>



## 18(c) Insurance risk

Insurance risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities. The main insurance risk facing UKEF is credit risk accepted by it through the underwriting process. It is defined as the risk of financial loss resulting from the default of an obligor under a contingent liability or a legitimate claim under a policy of insurance or indemnity.

### Underwriting funds

Under the Fund Basis of Accounting, premium arising from policies allocated to each underwriting year, net of provisions for any unrecovered claims and expenses, is deferred until three years after the end of that underwriting year (for insurance contracts written in respect of business that does not extend credit to the customer after delivery) or until nine years after the end of that underwriting year (for insurance contracts where extended credit terms are provided to the customer from the start of the underwriting year). Any excess of the net underwriting fund over the current Expected Loss on amounts at risk on unexpired guarantees or policies written in the relevant year is released to profit or loss. Underwriting funds for those and prior years will be equal to the Expected Loss on unexpired guarantees or policies for the relevant underwriting year.

The Expected Loss on UKEF's portfolio is calculated as the statistical mean of possible future losses, calculated based on the assessment of Probability of Default (PoD) and assumptions of the Loss Given Default (LGD). The PoD is the statistical likelihood of default by an obligor over a given time horizon and is dependent upon the credit standing of the obligor. The LGD is the value of claims not expected to be recoverable in the event of default. The percentage derived is applied to the amount at risk in order to determine the Expected Loss on an insurance contract.

## 18(c)(i) Credit risk

UKEF has a significant exposure to credit risk which is measured in terms of Expected Loss and Unexpected Loss assessed at the time of underwriting the transaction, but both of which will vary over time.

Full details of the policies and procedures that have been implemented to seek to minimise credit risk can be found in the Chief Risk Officer's Report in the Performance section of the Annual Report.

The following table provides information regarding the credit exposure of Amounts at Risk and Expected Loss within the UKEF Guarantees & Insurance Account, the National Interest Account and the Temporary Covid-19 Support Account portfolio as at 31 March 2023:

	Investment grade £'000	Non- investment grade £'000	Total £'000
<b>Amounts at Risk, gross of reinsurance</b>			
<b>Account 2 : Insurance Contracts</b>			
Asset-backed	1,848,544	2,736,285	4,584,829
Other	2,058,335	15,830,383	17,888,718
<b>Total</b>	<b>3,906,879</b>	<b>18,566,668</b>	<b>22,473,547</b>
<b>Account 3 : Insurance Contracts</b>			
Other	3,102,146	-	3,102,146
<b>Total</b>	<b>3,102,146</b>	<b>-</b>	<b>3,102,146</b>
<b>Account 6 : Insurance Contracts</b>			
Asset-backed	438,550	1,212,903	1,651,453
Other	-	16,890	16,890
<b>Total</b>	<b>438,550</b>	<b>1,229,793</b>	<b>1,668,343</b>
<b>Account 2: Financial Guarantees</b>	<b>1,365,768</b>	<b>4,347,528</b>	<b>5,713,296</b>
<b>Account 6: Financial Guarantees</b>	<b>1,174,250</b>	<b>5,092,122</b>	<b>6,266,372</b>
<b>Total</b>	<b>2,540,018</b>	<b>9,439,650</b>	<b>11,979,668</b>
<b>Grand Total</b>	<b>9,987,593</b>	<b>29,236,111</b>	<b>39,223,704</b>
<b>Amounts at Risk, net of reinsurance</b>			
<b>Account 2 : Insurance Contracts</b>			
Asset-backed	1,086,507	1,851,020	2,937,527
Other	2,036,416	12,641,392	14,677,808
<b>Total</b>	<b>3,122,923</b>	<b>14,492,412</b>	<b>17,615,335</b>
<b>Account 3 : Insurance Contracts</b>			
Other	1,996,681	-	1,996,681
<b>Total</b>	<b>1,996,681</b>	<b>-</b>	<b>1,996,681</b>
<b>Account 6 : Insurance Contracts</b>			
Asset-backed	438,550	429,559	868,109
Other	-	16,890	16,890
<b>Total</b>	<b>438,550</b>	<b>446,449</b>	<b>884,999</b>
<b>Account 2: Financial Guarantees</b>	<b>1,365,768</b>	<b>4,347,528</b>	<b>5,713,296</b>
<b>Account 6: Financial Guarantees</b>	<b>1,174,250</b>	<b>5,092,122</b>	<b>6,266,372</b>
<b>Total</b>	<b>2,540,018</b>	<b>9,439,650</b>	<b>11,979,668</b>
<b>Grand Total</b>	<b>8,098,172</b>	<b>24,378,511</b>	<b>32,476,683</b>

	Investment grade	Non- investment grade	Total
	£'000	£'000	£'000
	£'000	£'000	£'000
<b>Expected Loss, gross of reinsurance</b>			
<b>Account 2 : Insurance Contracts</b>			
Asset-backed	7,265	215,146	222,411
Other	5,533	793,595	799,128
<b>Total</b>	<b>12,798</b>	<b>1,008,741</b>	<b>1,021,539</b>
<b>Account 3 : Insurance Contracts</b>			
Other	4,180	-	4,180
<b>Total</b>	<b>4,180</b>	<b>-</b>	<b>4,180</b>
<b>Account 6 : Insurance Contracts</b>			
Asset-backed	4,620	26,757	31,377
Other	-	1,000	1,000
<b>Total</b>	<b>4,620</b>	<b>27,757</b>	<b>32,377</b>
<b>Account 2: Financial Guarantees</b>	<b>4,884</b>	<b>124,132</b>	<b>129,016</b>
<b>Account 6: Financial Guarantees</b>	<b>3,270</b>	<b>145,400</b>	<b>148,670</b>
<b>Total</b>	<b>8,154</b>	<b>269,532</b>	<b>277,686</b>
<b>Grand Total</b>	<b>29,752</b>	<b>1,306,030</b>	<b>1,335,782</b>
<b>Expected Loss, net of reinsurance</b>			
<b>Account 2 : Insurance Contracts</b>			
Asset-backed	4,664	114,772	119,436
Other	5,457	657,588	663,045
<b>Total</b>	<b>10,121</b>	<b>772,360</b>	<b>782,481</b>
<b>Account 3 : Insurance Contracts</b>			
Other	2,937	-	2,937
<b>Total</b>	<b>2,937</b>	<b>-</b>	<b>2,937</b>
<b>Account 6 : Insurance Contracts</b>			
Asset-backed	4,620	9,329	13,949
Other	-	1,000	1,000
<b>Total</b>	<b>4,620</b>	<b>10,329</b>	<b>14,949</b>
<b>Account 2: Financial Guarantees</b>	<b>4,884</b>	<b>124,132</b>	<b>129,016</b>
<b>Account 6: Financial Guarantees</b>	<b>3,270</b>	<b>145,400</b>	<b>148,670</b>
<b>Total</b>	<b>8,154</b>	<b>269,532</b>	<b>277,686</b>
<b>Grand Total</b>	<b>25,832</b>	<b>1,052,221</b>	<b>1,078,053</b>

The following table provides information regarding the credit exposure of Amounts at Risk and Expected Loss within the UKEF Guarantees & Insurance Account, the National Interest Account and the Temporary Covid-19 Support Account portfolio as at 31 March 2022:

	Investment grade £'000	Non- investment grade £'000	Total £'000
<b>Amounts at Risk, gross of reinsurance</b>			
<b>Account 2 : Insurance Contracts</b>			
Asset-backed	2,073,625	2,948,464	5,022,089
Other	1,674,447	12,768,904	14,443,351
<b>Total</b>	<b>3,748,072</b>	<b>15,717,368</b>	<b>19,465,440</b>
<b>Account 3 : Insurance Contracts</b>			
Other	3,076,096	-	3,076,096
<b>Total</b>	<b>3,076,096</b>	<b>-</b>	<b>3,076,096</b>
<b>Account 6 : Insurance Contracts</b>			
Asset-backed	362,566	618,553	981,119
Other	-	33,155	33,155
<b>Total</b>	<b>362,566</b>	<b>651,708</b>	<b>1,014,274</b>
<b>Account 2: Financial Guarantees</b>	<b>862,734</b>	<b>2,509,127</b>	<b>3,371,861</b>
<b>Account 6: Financial Guarantees</b>	<b>-</b>	<b>7,465,730</b>	<b>7,465,730</b>
<b>Total</b>	<b>862,734</b>	<b>9,974,857</b>	<b>10,837,591</b>
<b>Grand Total</b>	<b>8,049,468</b>	<b>26,343,933</b>	<b>34,393,401</b>
<b>Accounts at Risk, net of reinsurance</b>			
<b>Account 2 : Insurance Contracts</b>			
Asset-backed	1,212,321	1,887,372	3,099,693
Other	1,652,897	9,828,357	11,481,254
<b>Total</b>	<b>2,865,218</b>	<b>11,715,729</b>	<b>14,580,947</b>
<b>Account 3 : Insurance Contracts</b>			
Other	1,987,266	-	1,987,266
<b>Total</b>	<b>1,987,266</b>	<b>-</b>	<b>1,987,266</b>
<b>Account 6 : Insurance Contracts</b>			
Asset-backed	362,566	202,488	565,054
Other	-	33,155	33,155
<b>Total</b>	<b>362,566</b>	<b>235,643</b>	<b>598,209</b>
<b>Account 2: Financial Guarantees</b>	<b>862,734</b>	<b>2,509,127</b>	<b>3,371,861</b>
<b>Account 6: Financial Guarantees</b>	<b>-</b>	<b>7,465,730</b>	<b>7,465,730</b>
<b>Total</b>	<b>862,734</b>	<b>9,974,857</b>	<b>10,837,591</b>
<b>Grand Total</b>	<b>6,077,784</b>	<b>21,926,229</b>	<b>28,004,013</b>

	Investment grade	Non- investment grade	Total
	£'000	£'000	£'000
<b>Expected Loss, gross of reinsurance</b>			
<b>Account 2 : Insurance Contracts</b>			
Asset-backed	9,971	372,250	382,221
Other	4,602	626,516	631,118
<b>Total</b>	<b>14,573</b>	<b>998,766</b>	<b>1,013,339</b>
<b>Account 3 : Insurance Contracts</b>			
Other	5,017	-	5,017
<b>Total</b>	<b>5,017</b>	<b>-</b>	<b>5,017</b>
<b>Account 6 : Insurance Contracts</b>			
Asset-backed	4,921	16,238	21,159
Other	-	1,916	1,916
<b>Total</b>	<b>4,921</b>	<b>18,154</b>	<b>23,075</b>
<b>Account 2: Financial Guarantees</b>	<b>5,299</b>	<b>72,826</b>	<b>78,125</b>
<b>Account 6: Financial Guarantees</b>	<b>-</b>	<b>209,284</b>	<b>209,284</b>
<b>Total</b>	<b>5,299</b>	<b>282,110</b>	<b>287,409</b>
<b>Grand Total</b>	<b>29,810</b>	<b>1,299,030</b>	<b>1,328,840</b>
<b>Expected Loss, net of reinsurance</b>			
<b>Account 2 : Insurance Contracts</b>			
Asset-backed	6,330	210,744	217,074
Other	4,486	504,253	508,739
<b>Total</b>	<b>10,816</b>	<b>714,997</b>	<b>725,813</b>
<b>Account 3 : Insurance Contracts</b>			
Other	3,355	-	3,355
<b>Total</b>	<b>3,355</b>	<b>-</b>	<b>3,355</b>
<b>Account 6 : Insurance Contracts</b>			
Asset-backed	4,921	4,629	9,550
Other	-	1,916	1,916
<b>Total</b>	<b>4,921</b>	<b>6,545</b>	<b>11,466</b>
<b>Account 2: Financial Guarantees</b>	<b>5,299</b>	<b>72,826</b>	<b>78,125</b>
<b>Account 6: Financial Guarantees</b>	<b>-</b>	<b>209,284</b>	<b>209,284</b>
<b>Total</b>	<b>5,299</b>	<b>282,110</b>	<b>287,409</b>
<b>Grand Total</b>	<b>24,391</b>	<b>1,003,652</b>	<b>1,028,043</b>

Information is presented based upon the grade of the ultimate obligor.

There are no Amounts at Risk and Expected Loss on the Pre 1991 Guarantees & Insurance Account.

## Insurance Assets – unrecovered claims

When a default event occurs, UKEF will seek to recover the amount of any claims paid under the insurance policy or guarantee. The total amount of the unrecovered claim is recorded within unrecovered claims, with a provision made for any amount estimated to be irrecoverable. Such provisions are determined on a case-by-case or, for sovereign risk, sometimes on a country by country basis and are derived from assessments of the likely recovery. Provisions are arrived at by using a variety of information including payment performance, expected Paris Club treatment, International Monetary Fund/World Bank debt sustainability analysis, and UKEF's own assessment of the economic risk.

Additionally, for certain unrecovered claims (e.g. related to guarantees for aerospace asset-backed financing), the amounts estimated as being recoverable will also be partly dependent upon the value of the underlying assets. These are determined on the basis of industry standard worst-case values provided by an independent valuer. Individual provisions on unrecovered claims within the aerospace portfolio are assessed on a case-by-case basis. For cases where the aircraft remain with the airline during and following a debt restructuring, the calculation of provisions, using a portfolio risk model, aligns the calculation of provisions and Expected Loss as closely as possible with the calculation of Expected Loss for performing cases. For cases where aircraft are remarketed and sold or placed on an operating lease following repossession from the original airline, provisions are based upon the current value of the exposure, less expected recoveries net of estimated future costs.

For claims paid under insurance contracts written in underwriting years still open, provisions are charged against the balance of the underwriting fund for the relevant underwriting year. Any excess of provisions over the available underwriting fund for the year is charged to net income. Any provisions against paid claims on insurance contracts written in years where the underwriting funds have been released are charged directly to net income.

The following table provides information regarding the credit exposure of the recoverable claims and related interest as at 31 March 2023:

	Investment grade	Non- investment grade	Total
	£'000	£'000	£'000
<b>Recoverable claims - gross</b>			
Account 1	-	197,548	197,548
Account 2	-	362,693	362,693
<b>Total</b>	<b>-</b>	<b>560,241</b>	<b>560,241</b>
<b>Recoverable claims - net of provisions</b>			
Account 1	-	69,265	69,265
Account 2	-	150,653	150,653
<b>Total</b>	<b>-</b>	<b>219,918</b>	<b>219,918</b>
<b>Interest on unrecovered claims - gross</b>			
Account 1	-	477,050	477,050
Account 2	-	184,508	184,508
<b>Total</b>	<b>-</b>	<b>661,558</b>	<b>661,558</b>
<b>Interest on unrecovered claims - net of provisions</b>			
Account 1	-	72,793	72,793
Account 2	-	356	356
<b>Total</b>	<b>-</b>	<b>73,149</b>	<b>73,149</b>

The following table provides information regarding the credit exposure of recoverable claims and related interest as at 31 March 2022:

	Investment grade	Non- investment grade	Total
	£'000	£'000	£'000
<b>Recoverable claims - gross</b>			
Account 1	-	240,151	240,151
Account 2	-	294,320	294,320
<b>Total</b>	<b>-</b>	<b>534,471</b>	<b>534,471</b>
<b>Recoverable claims - net of provisions</b>			
Account 1	-	87,110	87,110
Account 2	-	96,812	96,812
<b>Total</b>	<b>-</b>	<b>183,922</b>	<b>183,922</b>
<b>Interest on unrecovered claims - gross</b>			
Account 1	-	485,037	485,037
Account 2	-	174,872	174,872
<b>Total</b>	<b>-</b>	<b>659,909</b>	<b>659,909</b>
<b>Interest on unrecovered claims - net of provisions</b>			
Account 1	-	86,689	86,689
Account 2	-	312	312
<b>Total</b>	<b>-</b>	<b>87,001</b>	<b>87,001</b>

## 18(c)(ii) Credit concentration risk

UKEF assesses its concentration risk, and its exposure to catastrophic loss, through controls which set limits for exposure to individual countries. Additionally, the Enterprise Risk and Credit Committee reviews large corporate risks on a case-by-case basis taking into account UKEF's risk appetite for new business in a given country and the rating and financial profile of the corporate concerned.

Information is presented based upon the geographical location of the ultimate obligor.

The table below provides an indication of the concentration of credit risk within the UKEF Guarantees & Insurance Account, the National Interest Account and the Temporary Covid-19 Support Account portfolios as at 31 March 2023:

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
<b>Amounts at Risk, gross of reinsurance</b>					
<b>Account 2 : Insurance Contracts</b>					
Asset-backed	2,744,752	293,538	901,292	645,247	4,584,829
Other	6,588,356	481,852	9,556,541	1,261,969	17,888,718
<b>Total</b>	<b>9,333,108</b>	<b>775,390</b>	<b>10,457,833</b>	<b>1,907,216</b>	<b>22,473,547</b>
<b>Account 3 : Insurance Contracts</b>					
Other	590	-	3,101,556	-	3,102,146
<b>Total</b>	<b>590</b>	<b>-</b>	<b>3,101,556</b>	<b>-</b>	<b>3,102,146</b>
<b>Account 6 : Insurance Contracts</b>					
Asset-backed	867,333	-	636,940	147,180	1,651,453
Other	16,890	-	-	-	16,890
<b>Total</b>	<b>884,223</b>	<b>-</b>	<b>636,940</b>	<b>147,180</b>	<b>1,668,343</b>
<b>Account 2: Financial Guarantees</b>	<b>3,715,210</b>	<b>1,332,878</b>	<b>-</b>	<b>665,208</b>	<b>5,713,296</b>
<b>Account 6: Financial Guarantees</b>	<b>6,266,372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,266,372</b>
<b>Total</b>	<b>9,981,582</b>	<b>1,332,878</b>	<b>-</b>	<b>665,208</b>	<b>11,979,668</b>
<b>Grand Total</b>	<b>20,199,503</b>	<b>2,108,268</b>	<b>14,196,329</b>	<b>2,719,604</b>	<b>39,223,704</b>
<b>Amounts at Risk, net of reinsurance</b>					
<b>Account 2 : Insurance Contracts</b>					
Asset-backed	1,332,653	251,234	901,292	452,348	2,937,527
Other	3,548,249	481,852	9,385,737	1,261,970	14,677,808
<b>Total</b>	<b>4,880,902</b>	<b>733,086</b>	<b>10,287,029</b>	<b>1,714,318</b>	<b>17,615,335</b>
<b>Account 3 : Insurance Contracts</b>					
Other	590	-	1,996,091	-	1,996,681
<b>Total</b>	<b>590</b>	<b>-</b>	<b>1,996,091</b>	<b>-</b>	<b>1,996,681</b>
<b>Account 6 : Insurance Contracts</b>					
Asset-backed	222,870	-	498,060	147,179	868,109
Other	16,890	-	-	-	16,890
<b>Total</b>	<b>239,760</b>	<b>-</b>	<b>498,060</b>	<b>147,179</b>	<b>884,999</b>
<b>Account 2: Financial Guarantees</b>	<b>3,715,210</b>	<b>1,332,878</b>	<b>-</b>	<b>665,208</b>	<b>5,713,296</b>
<b>Account 6: Financial Guarantees</b>	<b>6,266,372</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,266,372</b>
<b>Total</b>	<b>9,981,582</b>	<b>1,332,878</b>	<b>-</b>	<b>665,208</b>	<b>11,979,668</b>
<b>Grand Total</b>	<b>15,102,834</b>	<b>2,065,964</b>	<b>12,781,180</b>	<b>2,526,705</b>	<b>32,476,683</b>



	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
<b>Expected Loss, gross of reinsurance</b>					
<b>Account 2 : Insurance Contracts</b>					
Asset-backed	136,410	20,506	10,515	54,980	222,411
Other	260,145	5,232	343,502	190,249	799,128
<b>Total</b>	<b>396,555</b>	<b>25,738</b>	<b>354,017</b>	<b>245,229</b>	<b>1,021,539</b>
<b>Account 3 : Insurance Contracts</b>					
Other	390	-	3,790	-	4,180
<b>Total</b>	<b>390</b>	<b>-</b>	<b>3,790</b>	<b>-</b>	<b>4,180</b>
<b>Account 6 : Insurance Contracts</b>					
Asset-backed	21,270	-	7,600	2,507	31,377
Other	1,000	-	-	-	1,000
<b>Total</b>	<b>22,270</b>	<b>-</b>	<b>7,600</b>	<b>2,507</b>	<b>32,377</b>
<b>Account 2: Financial Guarantees</b>	<b>106,187</b>	<b>17,295</b>	<b>-</b>	<b>5,534</b>	<b>129,016</b>
<b>Account 6: Financial Guarantees</b>	<b>148,670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148,670</b>
<b>Total</b>	<b>254,857</b>	<b>17,295</b>	<b>-</b>	<b>5,534</b>	<b>277,686</b>
<b>Grand Total</b>	<b>674,072</b>	<b>43,033</b>	<b>365,407</b>	<b>253,270</b>	<b>1,335,782</b>
<b>Expected Loss, net of reinsurance</b>					
<b>Account 2 : Insurance Contracts</b>					
Asset-backed	51,917	20,048	10,515	36,956	119,436
Other	132,023	5,232	335,541	190,249	663,045
<b>Total</b>	<b>183,940</b>	<b>25,280</b>	<b>346,056</b>	<b>227,205</b>	<b>782,481</b>
<b>Account 3 : Insurance Contracts</b>					
Other	390	-	2,547	-	2,937
<b>Total</b>	<b>390</b>	<b>-</b>	<b>2,547</b>	<b>-</b>	<b>2,937</b>
<b>Account 6 : Insurance Contracts</b>					
Asset-backed	5,930	-	5,512	2,507	13,949
Other	1,000	-	-	-	1,000
<b>Total</b>	<b>6,930</b>	<b>-</b>	<b>5,512</b>	<b>2,507</b>	<b>14,949</b>
<b>Account 2: Financial Guarantees</b>	<b>106,187</b>	<b>17,295</b>	<b>-</b>	<b>5,534</b>	<b>129,016</b>
<b>Account 6: Financial Guarantees</b>	<b>148,670</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148,670</b>
<b>Total</b>	<b>254,857</b>	<b>17,295</b>	<b>-</b>	<b>5,534</b>	<b>277,686</b>
<b>Grand Total</b>	<b>446,117</b>	<b>42,575</b>	<b>354,115</b>	<b>235,246</b>	<b>1,078,053</b>

The following table provides an indication of the concentration of credit risk within the UKEF Guarantees & Insurance Account, the National Interest Account and the Temporary Covid-19 Support Account portfolio as at 31 March 2022:

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
<b>Amounts at Risk, gross of reinsurance</b>					
<b>Account 2 : Insurance Contracts</b>					
Asset-backed	3,008,075	196,795	900,239	916,980	5,022,089
Other	4,742,760	550,330	7,914,321	1,235,940	14,443,351
<b>Total</b>	<b>7,750,835</b>	<b>747,125</b>	<b>8,814,560</b>	<b>2,152,920</b>	<b>19,465,440</b>
<b>Account 3 : Insurance Contracts</b>					
Other	1,088,831	-	1,987,265	-	3,076,096
<b>Total</b>	<b>1,088,831</b>	<b>-</b>	<b>1,987,265</b>	<b>-</b>	<b>3,076,096</b>
<b>Account 6 : Insurance Contracts</b>					
Asset-backed	484,206	-	424,203	72,710	981,119
Other	33,155	-	-	-	33,155
<b>Total</b>	<b>517,361</b>	<b>-</b>	<b>424,203</b>	<b>72,710</b>	<b>1,014,274</b>
<b>Account 2: Financial Guarantees</b>	<b>2,272,738</b>	<b>553,303</b>	<b>-</b>	<b>545,820</b>	<b>3,371,861</b>
<b>Account 6: Financial Guarantees</b>	<b>7,465,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,465,730</b>
<b>Total</b>	<b>9,738,468</b>	<b>553,303</b>	<b>-</b>	<b>545,820</b>	<b>10,837,591</b>
<b>Grand Total</b>	<b>19,095,495</b>	<b>1,300,428</b>	<b>11,226,028</b>	<b>2,771,450</b>	<b>34,393,401</b>
<b>Amounts at Risk, net of reinsurance</b>					
<b>Account 2 : Insurance Contracts</b>					
Asset-backed	1,330,984	160,872	900,239	707,598	3,099,693
Other	1,996,313	498,609	7,750,393	1,235,939	11,481,254
<b>Total</b>	<b>3,327,297</b>	<b>659,481</b>	<b>8,650,632</b>	<b>1,943,537</b>	<b>14,580,947</b>
<b>Account 3 : Insurance Contracts</b>					
Other	-	-	1,987,266	-	1,987,266
<b>Total</b>	<b>-</b>	<b>-</b>	<b>1,987,266</b>	<b>-</b>	<b>1,987,266</b>
<b>Account 6 : Insurance Contracts</b>					
Asset-backed	68,141	-	424,203	72,710	565,054
Other	33,155	-	-	-	33,155
<b>Total</b>	<b>101,296</b>	<b>-</b>	<b>424,203</b>	<b>72,710</b>	<b>598,209</b>
<b>Account 2: Financial Guarantees</b>	<b>2,272,738</b>	<b>553,303</b>	<b>-</b>	<b>545,820</b>	<b>3,371,861</b>
<b>Account 6: Financial Guarantees</b>	<b>7,465,730</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,465,730</b>
<b>Total</b>	<b>9,738,468</b>	<b>553,303</b>	<b>-</b>	<b>545,820</b>	<b>10,837,591</b>
<b>Grand Total</b>	<b>13,167,061</b>	<b>1,212,784</b>	<b>11,062,101</b>	<b>2,562,067</b>	<b>28,004,013</b>

	Europe £'000	Americas £'000	Middle East and Africa £'000	Asia Pacific £'000	Total £'000
<b>Expected Loss, gross of reinsurance</b>					
<b>Account 2 : Insurance Contracts</b>					
Asset-backed	222,934	31,182	32,028	96,077	382,221
Other	204,266	6,533	306,712	113,607	631,118
<b>Total</b>	<b>427,200</b>	<b>37,715</b>	<b>338,740</b>	<b>209,684</b>	<b>1,013,339</b>
<b>Account 3 : Insurance Contracts</b>					
Other	1,662	-	3,355	-	5,017
<b>Total</b>	<b>1,662</b>	<b>-</b>	<b>3,355</b>	<b>-</b>	<b>5,017</b>
<b>Account 6 : Insurance Contracts</b>					
Asset-backed	13,441	-	6,755	962	21,158
Other	1,917	-	-	-	1,917
<b>Total</b>	<b>15,358</b>	<b>-</b>	<b>6,755</b>	<b>962</b>	<b>23,075</b>
<b>Account 2: Financial Guarantees</b>	<b>66,747</b>	<b>7,520</b>	<b>-</b>	<b>3,858</b>	<b>78,125</b>
<b>Account 6: Financial Guarantees</b>	<b>209,284</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209,284</b>
<b>Total</b>	<b>276,031</b>	<b>7,520</b>	<b>-</b>	<b>3,858</b>	<b>287,409</b>
<b>Grand Total</b>	<b>720,251</b>	<b>45,235</b>	<b>348,850</b>	<b>214,504</b>	<b>1,328,840</b>
<b>Expected Loss, net of reinsurance</b>					
<b>Account 2 : Insurance Contracts</b>					
Asset-backed	99,137	26,278	32,028	59,631	217,074
Other	98,935	5,717	290,482	113,605	508,739
<b>Total</b>	<b>198,072</b>	<b>31,995</b>	<b>322,510</b>	<b>173,236</b>	<b>725,813</b>
<b>Account 3 : Insurance Contracts</b>					
Other	-	-	3,355	-	3,355
<b>Total</b>	<b>-</b>	<b>-</b>	<b>3,355</b>	<b>-</b>	<b>3,355</b>
<b>Account 6 : Insurance Contracts</b>					
Asset-backed	1,833	-	6,755	962	9,550
Other	1,916	-	-	-	1,916
<b>Total</b>	<b>3,749</b>	<b>-</b>	<b>6,755</b>	<b>962</b>	<b>11,466</b>
<b>Account 2: Financial Guarantees</b>	<b>66,747</b>	<b>7,520</b>	<b>-</b>	<b>3,858</b>	<b>78,125</b>
<b>Account 6: Financial Guarantees</b>	<b>209,284</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>209,284</b>
<b>Total</b>	<b>276,031</b>	<b>7,520</b>	<b>-</b>	<b>3,858</b>	<b>287,409</b>
<b>Grand Total</b>	<b>477,852</b>	<b>39,515</b>	<b>332,620</b>	<b>178,056</b>	<b>1,028,043</b>

## 18(c)(iii) Foreign currency risk

### Insurance assets – unrecovered claims

A material proportion of UKEF's insurance guarantees and policies are written in US Dollars, exposing UKEF to significant foreign currency risk. As noted above, UKEF is not permitted to hedge its exposure to foreign currency.

The following table sets out the underlying currency of UKEF's insurance assets at 31 March 2023:

	Pound Sterling £'000	US dollar £'000	Other £'000	Total £'000
<b>Recoverable claims:</b>				
- Gross	271,820	143,539	144,882	560,241
- Provisions	(224,269)	(63,366)	(52,688)	(340,323)
<b>Interest on unrecovered claims:</b>				
- Gross	565,978	89,483	6,097	661,558
- Provisions	(508,507)	(73,805)	(6,097)	(588,409)
<b>Net insurance assets at 31 March 2023</b>	<b>105,022</b>	<b>95,851</b>	<b>92,194</b>	<b>293,067</b>

The sensitivity to changes in foreign exchange of US dollar denominated net insurance assets at 31 March 2023 is as follows:

- ➔ 10% increase would increase the carrying value by £8,714,000 (31 March 2022 by £10,150,000).
- ➔ The sensitivity of insurance assets denominated in other currencies is not considered significant.

The following table sets out the underlying currency of UKEF's insurance assets at 31 March 2022:

	Pound Sterling £'000	US dollar £'000	Other £'000	Total £'000
<b>Recoverable claims:</b>				
- Gross	305,972	137,724	90,775	534,471
- Provisions	(255,114)	(51,759)	(43,676)	(350,549)
<b>Interest on unrecovered claims:</b>				
- Gross	560,308	93,894	5,707	659,909
- Provisions	(498,994)	(68,204)	(5,710)	(572,908)
<b>Net insurance assets at 31 March 2022</b>	<b>112,172</b>	<b>111,655</b>	<b>47,096</b>	<b>270,923</b>

## 18(d) Liquidity risk

Liquidity risk is the risk that a business, though solvent on a Statement of Financial Position basis, either does not have the financial resources to meet its obligations as they fall due or can secure those resources only at excessive cost. As a Department of HM Government, UKEF has access to funds required to meet its obligations as they fall due, drawing on funds from the Exchequer as required.

The scheduled maturity profile of UKEF's insurance contracts and financial guarantees, expressed in terms of total Amounts at Risk and the dates at which those periods of risk expire, is set out in the following table:

	One year or less	Between one and five years	Between five and ten years	Between ten and fifteen years	Between 15 years and more	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 31 March 2023:</b>						
<b>Account 2: Insurance Contracts</b>						
Gross Amounts at Risk	4,000,303	8,879,112	6,409,286	2,788,119	396,727	22,473,547
Less: Amounts at Risk ceded to reinsurers	(690,016)	(2,053,136)	(1,349,013)	(668,886)	(97,161)	(4,858,212)
<b>Net amounts at risk</b>	<b>3,310,287</b>	<b>6,825,976</b>	<b>5,060,273</b>	<b>2,119,233</b>	<b>299,566</b>	<b>17,615,335</b>
<b>Account 3: Insurance Contracts</b>						
Gross Amounts at Risk	341,828	2,373,320	386,998	-	-	3,102,146
Less: Amounts at Risk ceded to reinsurers	(130,119)	(867,940)	(107,406)	-	-	(1,105,465)
<b>Net amounts at risk</b>	<b>211,709</b>	<b>1,505,380</b>	<b>279,592</b>	<b>-</b>	<b>-</b>	<b>1,996,681</b>
<b>Account 6: Insurance Contracts</b>						
Gross Amounts at Risk	176,271	671,144	740,815	80,113	-	1,668,343
Less: Amounts at Risk ceded to reinsurers	(81,094)	(310,769)	(350,193)	(41,288)	-	(783,344)
<b>Net amounts at risk</b>	<b>95,177</b>	<b>360,375</b>	<b>390,622</b>	<b>38,825</b>	<b>-</b>	<b>884,999</b>
<b>Account 2: Financial Guarantees</b>						
Gross Amounts at Risk	1,672,943	4,018,037	22,316	-	-	5,713,296
Less: Amounts at Risk ceded to reinsurers	-	-	-	-	-	-
<b>Net amounts at risk</b>	<b>1,672,943</b>	<b>4,018,037</b>	<b>22,316</b>	<b>-</b>	<b>-</b>	<b>5,713,296</b>
<b>Account 6: Financial Guarantees</b>						
Gross Amounts at Risk	3,733,569	2,532,803	-	-	-	6,266,372
Less: Amounts at Risk ceded to reinsurers	-	-	-	-	-	-
<b>Net amounts at risk</b>	<b>3,733,569</b>	<b>2,532,803</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,266,372</b>
<b>Grand Total - Net amounts at risk</b>	<b>9,023,685</b>	<b>15,242,571</b>	<b>5,752,803</b>	<b>2,158,058</b>	<b>299,566</b>	<b>32,476,683</b>

	One year or less	Between one and five years	Between five and ten years	Between ten and fifteen years	Between 15 years and more	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>As at 31 March 2022:</b>						
<b>Account 2: Insurance Contracts</b>						
Gross Amounts at Risk	2,805,552	8,366,016	5,319,503	2,418,364	556,005	19,465,440
Less: Amounts at Risk ceded to reinsurers	(125,831)	(2,715,246)	(1,271,927)	(629,794)	(141,695)	(4,884,493)
<b>Net amounts at risk</b>	<b>2,679,721</b>	<b>5,650,770</b>	<b>4,047,576</b>	<b>1,788,570</b>	<b>414,310</b>	<b>14,580,947</b>
<b>Account 3: Insurance Contracts</b>						
Gross Amounts at Risk	93,394	2,065,965	916,737	-	-	3,076,096
Less: Amounts at Risk ceded to reinsurers	(35,133)	(755,861)	(297,836)	-	-	(1,088,830)
<b>Net amounts at risk</b>	<b>58,261</b>	<b>1,310,104</b>	<b>618,901</b>	<b>-</b>	<b>-</b>	<b>1,987,266</b>
<b>Account 6: Insurance Contracts</b>						
Gross Amounts at Risk	76,215	379,140	463,744	95,175	-	1,014,274
Less: Amounts at Risk ceded to reinsurers	(38,506)	(154,082)	(190,220)	(33,257)	-	(416,065)
<b>Net amounts at risk</b>	<b>37,709</b>	<b>225,058</b>	<b>273,524</b>	<b>61,918</b>	<b>-</b>	<b>598,209</b>
<b>Account 2: Financial Guarantees</b>						
Gross Amounts at Risk	686,176	2,617,452	68,233	-	-	3,371,861
Less: Amounts at Risk ceded to reinsurers	-	-	-	-	-	-
<b>Net amounts at risk</b>	<b>686,176</b>	<b>2,617,452</b>	<b>68,233</b>	<b>-</b>	<b>-</b>	<b>3,371,861</b>
<b>Account 6: Financial Guarantees</b>						
Gross Amounts at Risk	3,393,161	4,072,569	-	-	-	7,465,730
Less: Amounts at Risk ceded to reinsurers	-	-	-	-	-	-
<b>Net amounts at risk</b>	<b>3,393,161</b>	<b>4,072,569</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>7,465,730</b>
<b>Grand Total - Net amounts at risk</b>	<b>6,855,028</b>	<b>13,875,953</b>	<b>5,008,234</b>	<b>1,850,488</b>	<b>414,310</b>	<b>28,004,013</b>

By the nature of some of UKEF's products significant payments could be required within a few days in the event of default. The necessary arrangements for this have been pre-agreed with HM Treasury.

## 18(e) Risk measurement

UKEF uses its own portfolio risk simulation model (PRISM) to undertake all portfolio-level credit risk modelling, and to monitor and report on its potential future exposure for its Guarantees & Insurance Account, National Interest Account and Temporary Covid-19 Support Account insurance business. See Chief Risk Officer's report, portfolio modelling section.

### Scenario analysis and Stress testing

We use PRISM to conduct regular scenario analysis and stress testing of the Guarantees & Insurance Account, the National Interest Account and the Temporary Covid-19 Support Account portfolios as a central part of UKEF's risk management framework, using criteria endorsed by the Enterprise Risk and Credit Committee (ERiCC) and reviewed by the Board and Risk Committee. These simulate specific potential events, such as financial crises by geographical region or industry sector deterioration, and movements in the main factors that determine the insurance risk faced by the organisation. In addition to this, climate considerations and related scenarios are being considered as part of the portfolio risk management processes and reporting (for more details see the Chief Risk Officer's Report in the Performance section).

The following table sets out the impact of stress tests on credit ratings, persistence of default and recovery rates, on: (i) total Expected Loss, and (ii) Statement of Comprehensive Net Income, which for insurance contracts takes account of the utilisation of the underwriting fund.

	Across the board ratings downgrade by		Increased persistence	Reduced recovery rates
	1 notch	2 notches	+2 years	-20%
	£'000	£'000	£'000	£'000
<b>As at 31 March 2023:</b>				
<b>Account 2: Insurance Contracts</b>				
Increase in Expected Loss	165,089	407,986	61,266	234,539
Decrease in Net Income for the year	(21,714)	(95,110)	-	(41,524)
<b>Account 3: Insurance Contracts</b>				
Increase in Expected Loss	1,226	5,507	1,324	1,276
Decrease in Net Income for the year	-	(192)	-	-
<b>Account 6: Insurance Contracts</b>				
Increase in Expected Loss	6,542	18,080	-	65
Decrease in Net Income for the year	-	-	-	-
<b>Account 2: Financial Gurantees</b>				
Decrease in Net Income for the year	(40)	(27,845)	-	-
<b>As at 31 March 2022:</b>				
<b>Account 2: Insurance Contracts</b>				
Increase in Expected Loss	151,732	421,299	42,414	240,735
Decrease in Net Income for the year	(22,367)	(123,690)	(538)	(48,892)
<b>Account 3: Insurance Contracts</b>				
Increase in Expected Loss	1,551	6,500	1,889	1,679
Decrease in Net Income for the year	-	-	-	-
<b>Account 6: Insurance Contracts</b>				
Increase in Expected Loss	5,075	14,802	-	639
Decrease in Net Income for the year	-	-	-	-
<b>Account 2: Financial Gurantees</b>				
Decrease in Net Income for the year	(509)	(1,848)	-	-

There is no remaining exposure on the Pre-1991 Guarantees & Insurance Account.

Sensitivity analysis for Temporary Covid-19 Support Account Financial Guarantee Contracts is not considered to have any significant impact on net income for the year.

## 19 Capital Loan Commitments

The following table summarises the movement in amounts authorised and available to be drawn on issued and effective lending products which are accounted for on an amortised cost basis under IAS 39:

	Account 3 £'000	Account 5 £'000	Total £'000
<b>Movements:</b>			
<b>Balance at 1 April 2021</b>	<b>297,438</b>	<b>778,608</b>	<b>1,076,046</b>
Loans issued & effective	-	562,334	562,334
Amounts drawn	(297,438)	(357,749)	(655,187)
Net foreign exchange adjustments	-	19,425	19,425
Change in Cover	-	565	565
<b>Balance at 31 March 2022</b>	<b>-</b>	<b>1,003,183</b>	<b>1,003,183</b>
Loans issued & effective	-	320,863	320,863
Amounts drawn	-	(321,911)	(321,911)
Net foreign exchange adjustments	-	57,656	57,656
Change in Cover	-	(40,854)	(40,854)
<b>Balance at 31 March 2023</b>	<b>-</b>	<b>1,018,937</b>	<b>1,018,937</b>

## 21 Entities within the departmental boundary

The Export Guarantees Advisory Council (the Council) is an advisory Expert Committee, which falls within the departmental boundary. For details, refer to the Council's annual report included within the performance report of this Annual Report and Accounts.

## 22 Related party transactions

UKEF was a Department of the Secretary of State for International Trade but due to a machinery of government change, the organisation is now part of the Department for Business and Trade. As such, it has had various transactions with other Government Departments and other central Government bodies.

None of the members of UKEF's Board or their related parties has undertaken any material transactions with UKEF during the year.

## 23 Events after the reporting period

In accordance with the requirements of IAS 10 Events After the Reporting Period, events are considered up to the date on which the accounts are authorised for issue. The date the accounts are authorised for issue is interpreted as the same date the accounts are certified by the Comptroller and Auditor General.

There are no reportable non-adjusting events after the reporting period.