UK Export Finance

ANNUAL REPORT AND ACCOUNTS 2023/24

HC 168

UK Export Finance

Export Credits Guarantee Department (UK Export Finance)

Annual Report and Accounts 2023/24

Annual Report presented to Parliament pursuant to section 7(5) of the Export and Investment Guarantees Act 1991.

Accounts presented to the House of Commons pursuant to section 6(4)

of the Government Resources and Accounts Act 2000.

Accounts presented to the House of Lords by Command of His Majesty.

Ordered by the House of Commons to be printed on 30 July 2024.

This is part of a series of departmental publications which, along with the Main Estimates 2023/24 and the document Public Expenditure: Statistical Analyses 2023, present the government's outturn for 2023/24 and planned expenditure for 2024/25.

HC 168

This publication is available at gov.uk/official-documents.

Any enquiries regarding this publication should be sent to us at

enquiries@ukexportfinance.gov.uk.

ISBN 978-1-5286-5121-9

E03174198

Printed on paper containing 40% recycled fibre content minimum

Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty’s Stationery Office

CONTENTS

INTRODUCTION

The UKEF Annual Report & Accounts 2023/24 is published without a ministerial foreword following a change in government in July 2024.

CHAIR'S STATEMENT

It was a great privilege to be appointed as Chair of the Board of UK Export Finance back in March, and it is an opportunity that I am embracing eagerly. I look forward to working closely with Tim Reid, the executive team, and my fellow board members, and seeing UKEF continue to provide crucial support to UK businesses.

Over the years, UKEF provided much-needed support to Britain's businesses. There is, therefore, much for me to live up to, not least in following Noël Harwerth, who contributed so much to the department since her appointment as Chair of UKEF's Board in 2017.

Under Noël's stewardship, UKEF has taken great strides forward, continuing the faculty for innovation that has for so long been its trademark. I would like to thank Noël for all that she has done, and for handing on a department in such a healthy state.

In addition, I would like to thank both Andrew Mitchell, who worked so effectively in his role as the ex-officio member of the board representing the Department for Business and Trade, and his interim successor, Niall Mackenzie. I know that both were great champions of UKEF within DBT, and before that DIT, and did much to consolidate the strong working relationship that UKEF now enjoys with the department. I wish Andrew well as His Majesty's Ambassador to Germany and I am looking forward to continuing those positive working relationships with Jo Crellin, who recently took over from Niall as the DBT ex-officio member of the Board in April.

The ex-officio member of the Board from UK Government Investments (UKGI) Candida Morley, stepped down in May 2024, and I would like to extend my thanks to her too. Her diligence and experience have been hugely valued ever since she joined the board in 2020.

But I would also like to thank the department as a whole. I believe that UKEF is strongly placed to deliver the ambition underlying its new five-year business plan. UKEF's success in this last year has put us on a great footing to realise that ambition, having provided financial support for UK exports of £8.8 billion.

UKEF was one of the first major export credit agencies to produce its climate change strategy in September 2021, and I am delighted that we continue to lead in our commitment to considering a broader range of sustainability matters, as set out in our new sustainability strategy.

Of course, UKEF does not work alone in the field of export finance – indeed, the department has always been eager to stress that it sees its role as complementing, rather than competing with, the commercial banking and insurance sectors. Engagement with financial institutions is fundamental to UKEF's success, and I look forward to seeing that continue.

UKEF's series of roundtable gatherings with the major players in the banking world will continue, and I expect the cross-fertilisation of ideas and initiatives that such programmes promote to continue, to the benefit of all parties.

I am proud to be part of it and look forward to working with everyone to continue innovating and supporting the best of British businesses.

Robert Gillespie
Chair of UK Export Finance
July 2024

PERFORMANCE REPORT

ABOUT UKEF

Who we are

UK Export Finance (UKEF) is the UK's export credit agency and a government department, strategically and operationally aligned with the Department for Business and Trade. UKEF is the operating name of the Export Credits Guarantee Department.

Our mission

We advance prosperity by ensuring no viable UK export fails for lack of finance or insurance, doing that sustainably and at no net cost to the taxpayer over time. We help UK companies:

- win export contracts by providing attractive financing terms to their buyers
- fulfil export contracts by supporting working capital loans and contract bonds
- get paid for export contracts by providing insurance against buyer default

How we do it

We fulfil our mission by providing insurance, guarantees and loans where the private sector will not, backed by the strength of the government's balance sheet. We also help companies find support from the private sector. Our work means that:

- more UK companies realise their ambitions for international growth
- more jobs in the UK are supported and overall UK exports are higher

We complement, rather than compete with, the private sector and work with around 100 private credit insurers and lenders. We help to make exports happen which otherwise might not, helping UK exporters and their supply chains grow their business overseas. In this way, we provide security of support through economic cycles and market disruptions.

2023/24 IN FIGURES

£8.8 billion
financial support issued

£51.6 billion
maximum annual exposure

£60 billion
capacity to support exports

650
exporters supported

336
SMEs supported

41,000
UK jobs supported

THIS YEAR'S MILESTONES

APRIL

- UKEF appoints a new Country Head to its Brazil post to promote trade opportunities with the UK.

MAY

- Named 'Best Export Credit Agency' at Global Trade Review's Leaders in Trade awards.
- £300,000 support for Telford-based battery and renewable energy specialist AceOn.
- G7 Export Credit Agencies meet in Rome.

JUNE

- World's first hydrogen-powered bus company, Wrightbus, receives £50 million support package backed by UKEF.
- £5 million General Export Facility support provided to Wirral-based Marine Specialised Technology Group.
- Ukraine Recovery Conference in London takes place. Announcement of £26 million to rebuild six new bridges near Kyiv.

JULY

- New OECD Arrangement terms and conditions that enable climate-friendly British exporters to receive more flexible and competitive support come into effect thanks to successful negotiations led by UKEF.
- £680 million loan guarantee for new high-speed electric railway in Türkiye.
- €422 million of financing underwritten for historic upgrades to 103km of Zanzibar's road network and Pemba Airport.

AUGUST

- UKEF backs £50 million loan from HSBC, NatWest, and Citi for industrial fastenings group Trifast.
- £2.5 million guarantee awarded to small Dewsbury furniture firm Jay-Be.

SEPTEMBER

- Memorandum of Understanding (MoU) signed with Japanese export credit agency Nippon Export and Investment Insurance.
- Bond support scheme guarantee enables small Surrey-based cleantech firm, Gas Recovery and Recycle Limited, to secure a £4 million order to supply its tech to a solar facility in India.

OCTOBER

- Export Development Guarantee unlocks £16.5 million Santander UK package for Nottinghamshire aerial data-capture business DEA Aviation Limited.
- Second annual West and Central Africa Trade and Investment Forum takes place in London.
- Jordan Shorto, Deputy Head of Aerospace at UK Export Finance awarded BExA-GTR Young Exporter/ Export Financier of the Year Award for 2023.

NOVEMBER

- Annual UKEF customer conference takes place in North Greenwich, London.
- Framework agreement signed with Brazilian aircraft manufacturer Embraer to increase use of UK suppliers.
- £370 million Export Development Guarantee signed for offshore wind specialist Seaway7.
- First ever Invest-to-Export Development Guarantee issued for SeAH Steel Holding's construction of SeAH Wind UK's wind tech factory near Redcar, supporting 1,500 jobs in the supply chain.
- MoU signed with the Japan Bank for International Cooperation to promote clean energy and other businesses in the United Kingdom.

DECEMBER

- £226 million financing deal signed to help build over 350km of new critical drainage system in Iraq.
- UKEF joins ECA partners at COP28 in Dubai to launch Net Zero Export Credit Agencies Alliance.
- Largest ever Sub-Saharan Africa deal signed (€415 million) to deliver critical flooding infrastructure works in Angola, supporting over 11,000 jobs.
- UKEF and Export Finance Australia sign a MoU to deepen collaboration on energy transition, infrastructure and supply chains.
- Export Finance Managers Elizabeth McCrory and Phill Potter awarded MBEs for their services to businesses in The King's New Year Honours List 2024.

JANUARY 24

- UKEF partners with other export credit agencies to secure over €1.2 billion in financing for 140km electric railway project in Türkiye.

FEBRUARY 24

- $100 million guarantee announced to Northern Ireland tech firm EOS IT Holdings to bolster international exports.
- Berne Union celebrates 90th anniversary with London event hosted by UKEF.
- Export finance guarantee unlocks £1.4 million Santander UK deal for Skiwear firebrand OOSC Clothing.

MARCH 24

- Robert Gillespie appointed as new Board Chair.
- UKEF signs co-operation agreement with U.S. Department of Energy LPO.
- MoU signed with the government of Benin in support of local infrastructure projects.

FINANCIAL OBJECTIVES

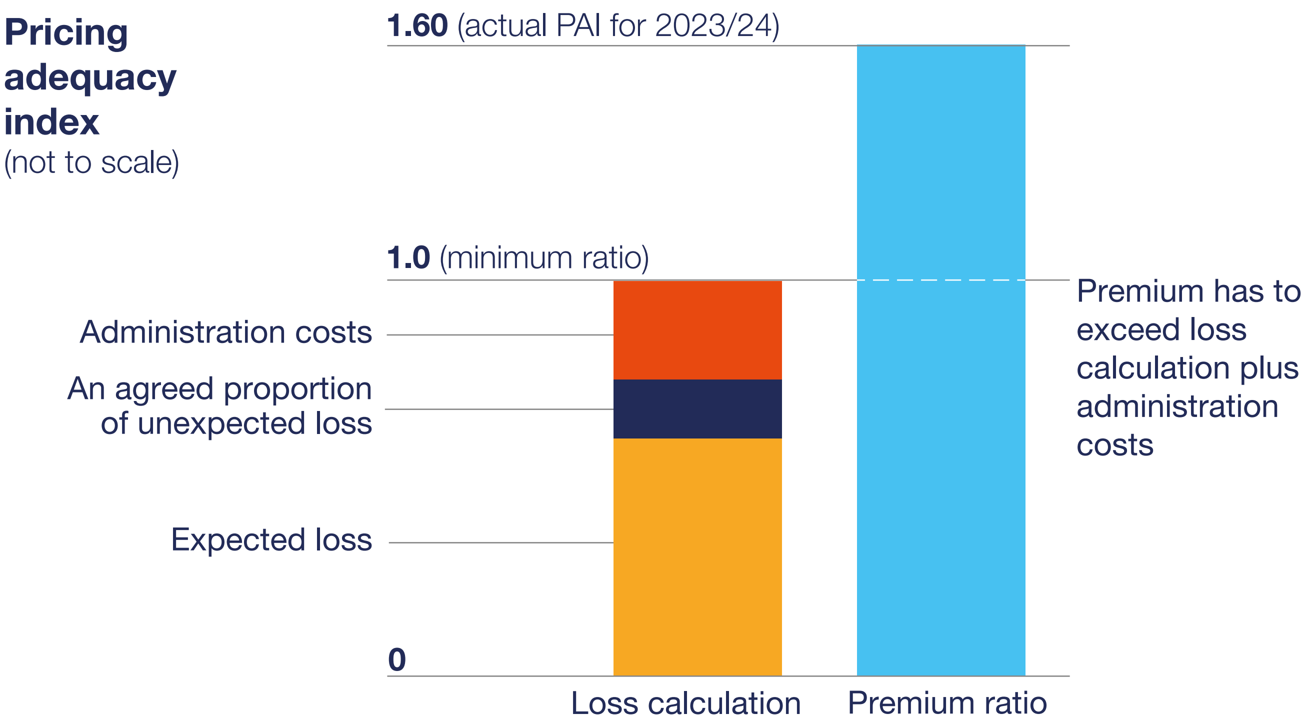
HM Treasury agrees a standing consent with UKEF, providing parameters within which we can operate. These parameters embed fiscal responsibility in the way we work.

HM Treasury sets our financial objectives, which are designed to enable us to support UK exporters while making sure UKEF:

- receives a return that is at least adequate to cover the cost of the risks it is assuming
- does not expose the taxpayer to the risk of excessive loss
- covers its operating costs

A fuller description of our financial objectives, risk appetite and controls can be found in the Governance Statement on page 111.

How UKEF calculates premiums to make sure it covers costs and losses



Performance against objectives[1]

Objective and description	Results
Maximum commitment This measure places a cap on the maximum amount of nominal risk exposure (ie the total amount of taxpayers' money that may be put at risk by UKEF).	**Met** The highest recorded maximum exposure in the year was £51.6 billion, against a maximum permissible level of £60 billion.
Risk appetite limit This limit places a constraint on UKEF's appetite for risk at the 99.1 percentile of UKEF's estimated portfolio loss distribution.	**Met** UKEF's 99.1 percentile of the portfolio loss distribution did not exceed £4.0 billion against a maximum permissible level of £6 billion.
Reserve index This index ensures that UKEF has accumulated, over time, sufficient revenue to cover possible losses, to a 77.5% level of confidence.	**Met** The reserve index did not fall below 1.85 in the year, against a target minimum of 1.00.
Pricing adequacy index This index tests whether, over time, UKEF earns sufficient premium income to cover all its risk and operating costs. It is measured over 3 different periods:	
(i) past 2 years and present year.	**Met** This index at 31 March 2024 was 1.60, against a monthly minimum target of 1.00.
(ii) previous, present and next year.	**Met** This index did not fall below 1.57, against a monthly target minimum of 1.00.
(iii) present year and next 2 years.	**Met** This index did not fall below 1.63, against a monthly target minimum of 1.00.
Premium to risk ratio This measure ensures that each year UKEF charges enough premium to cover the cost of risk, together with a sufficient margin to contribute a material amount to administrative costs.	**Met** This ratio did not fall below 2.07, against a target minimum of 1.35.

1 These financial objectives apply to business issued since 1991. There are no specific financial objectives in respect of outstanding exposures on business supported before 1991 other than to recover amounts owed to UKEF, while taking account of the government's policy on debt forgiveness. As authorised by HM Treasury, the Temporary Covid-19 Support Account is exempt from UKEF's standard portfolio level financial objectives and risk appetite limit. These financial objectives apply to the Guarantees & Insurance Account and Direct Lending Account. The only exception is the maximum commitment objective, which includes all active accounts. The total amount of nominal credit risk exposure that the department may incur is now at £60 billion as of 31 March 2024.

PERFORMANCE OVERVIEW

HOW TO READ THE PERFORMANCE CHAPTER

The performance chapter is a comprehensive overview of UKEF's performance over the past year, including our objectives, risks and focus for the year ahead. To make sense of this information, it's useful to understand UKEF's purpose and structure.

UKEF is a self-funding and income-generating department with a mandate to support UK exports and overseas investment where support is not available from the private sector alone. We operate with the consent of HM Treasury, which sets UKEF's financial objectives. These objectives make sure we are financially responsible when taking risks – something we have to do to provide financial support that the private sector cannot.

Our financial performance is best viewed over the business cycle, not just against a single year. This is because our business involves supporting loans that can take more than 10 years to repay, and losses from unrecovered claims can take many years to assess. This provides a more comprehensive view of our financial performance.

As you read through this chapter, you will also encounter various performance metrics and account descriptions. These include our headline metrics, such as the maximum liability of new business supported in the year and the premium income we've earned to protect the department against the risk of loss.

These metrics have been consistently and reliably reported over time, showing trends in UKEF's support and providing a measure of our output. You will also find new context and metrics on the broader impacts of our support and its effect on the economies and communities in which we work.

Our accounts

UKEF operates six accounts, each defined by the nature of business supported by the department. Three of the six accounts are active and three are closed, with old exposure running off.

In previous Annual Reports, we've referred to these accounts by number. To make it easier to understand how they are used, we have given the accounts more descriptive names in this report. We will continue to use these new account names in the future to make things clear and easy to understand.

Each of our active accounts plays a crucial role in helping UKEF achieve its financial objectives and fulfil its mission to support UK exports. While our closed accounts are no longer active, they provide important historical context for understanding our department's evolution over time.

Active accounts

Old account number	New account name	Account description
Account 2	Guarantees and Insurance Account	Relates to the credit risk arising from guarantees and insurance issued by UKEF 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 it was introduced in 2014.

Closed accounts

Old account number	New account name	Account description
Account 1	Pre-1991 Guarantees and Insurance Account	Relates to guarantees and insurance issued for business before 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.
Account 4	Fixed Rate Export Finance Account	Relates to the provision of Fixed Rate Export Finance (FREF) to banks (closed to new business since 31 March 2011), together with arrangements for reducing the funding cost of FREF loans and for certain interest rate derivative arrangements. UKEF has no exposure remaining in this account.
Account 6	Temporary COVID-19 Support Account	Relates to all business underwritten and booked under the Temporary COVID-19 Risk Framework from opening on 2 April 2020 to when it closed to new business on 31 July 2022.

CHIEF EXECUTIVE'S REPORT

UKEF's mission is to advance prosperity by ensuring no viable UK export fails for lack of finance or insurance, doing that sustainably and at no net cost to the taxpayer. That is a bold and ambitious objective, and I am extremely proud of UKEF's work over the last year to fulfil it.

Tim Reid
Chief Executive and Accounting Officer
29 July 2024

This has been my first full year as CEO of UKEF, and I have been happy to see the impact of UKEF's work across the UK and around the world. At the start of the year, I agreed UKEF's priorities with our former Minister for Exports. These were to:

1. drive economic growth by supporting more UK exporters, helping us meet the £1 trillion exports ambition set out in the government's Export Strategy
2. further improve quality of service to reach and attract UK exporters
3. maximise the real-world impact of UKEF's work on the government's objectives at home and overseas
4. ensure UKEF supports the outcomes of the government's new Integrated Review

These priorities underpinned our work throughout the year.

2023/24 in review

Driving economic growth

With our capacity of £60 billion, increased by £10 billion with HM Treasury's consent last year, UKEF can provide certainty of support for more British exporters than ever. During 2023/24 we provided over £8.8 billion of support to 650 businesses of all sizes and types, supported up to 41,000 jobs in communities around the whole UK and the contribution of up to £3.3 billion to the overall economy. With the exception of the first year of the pandemic (2020/21), during which we provided significant support under our temporary COVID-19 framework, this is the highest value of support in a single year for over 30 years. With this growth in business issued, the department has taken on more exposure to risk, although our average portfolio credit quality has remained broadly stable.

UKEF's support can be broken down into different types, supporting UK exporters and overseas buyers. Since introducing our Export Development Guarantee (EDG) and General Export Facility (GEF), we have been able to unlock working capital for businesses in the UK, through our ability to guarantee loans that were not export contract-specific. In 2023/24 we used the EDG and GEF to provide £3.2 billion and £575.6 million respectively.

Once again, we provided help to large numbers of SMEs, with 88% of businesses whom we directly supported being in this category.[2]

UKEF continues to operate with a global footprint. Africa (£1.3 billion) and the Middle East (£419.5 million) remain two of UKEF's largest markets for new business, reflecting the strong trade links between these regions and the UK. The Indo-Pacific region, in which UKEF is strengthening trade ties, accounted for £376.6 million in new business. We underwrote two of our largest ever deals in Sub-Saharan Africa this year. In one of these deals we're helping to build more than 2,000 kilometres of new road in Senegal, connecting major towns and cities which will help boost local economies. However, we are now diversifying our portfolio, and this year has seen growth in both our pipeline and our business volumes in other regions, notably the Indo-Pacific and Latin America. We have continued to extend our overseas network to support origination activity, and provide opportunities to increase the geographic reach of our financing support. To this end, in the past year the network has expanded to 22 Country Heads around the globe, including new hires in Vietnam and the Dominican Republic.

UKEF's commitment to excellence continues to be recognised in the market – we were named Best Export Credit Agency (2023) by GTR.

Following the pattern of recent years, volatility has remained the key political theme for the year. The illegal Russian invasion of Ukraine continues to disrupt and distort world markets, and we have also seen further instability with the impact of the conflict in Gaza. UKEF has played its part in the government's response to this volatility, whether by guaranteeing working capital loans to enable businesses to continue to invest, or by taking on risk from the private sector to give it confidence to continue its business. For instance, UKEF is still operating under a Ministerial Direction to remain open for business in Ukraine, with £3.5 billion of financial capacity. We will continue to assess transactions on a case-by-case basis in accordance with normal policy and practice, while also obtaining written consent from Ministers and HM Treasury before providing support for each transaction. Further information can be found in the National Interest Account chapter on page 43.

The corollary of increased business, and a reflection of the volatility I cite above, is the stress it places on our portfolio and an increase in the number of claims that we have received. That will always be a natural consequence of the role UKEF undertakes, operating in markets where risk is greater, meaning that the commercial sector is hesitant to venture. Strong risk analysis, portfolio and claims management is therefore a core competence of the organisation. While there is no room for complacency, we do have processes and procedures in place to be well situated to protect taxpayers' interests. For more information on our portfolio management and claims, see the Chief Risk Officer's report on page 56.

2 This figure includes export assists for the first time in 2023/24.

Our in-house environmental, social, human rights, legal, compliance and financial crime specialist teams have continued to help ensure that as business volumes increase, high standards in terms of due diligence of new transactions and the ongoing monitoring of existing ones are upheld and improved in line with international commitments and best practice.

At UKEF we not only make deals happen, we get them done the right way.

UKEF is reporting a net operating gain of £49 million for the year ended 31 March 2024, compared with a net operating gain of £332 million for the year ended 31 March 2023. On a foreign exchange-adjusted basis, the net operating gain for the financial year was £104 million, compared with a net operating gain of £242 million for the year to 31 March 2023.

This change is the result of business being written during the course of the year in relation to support for Ukraine on the National Interest Account (see NIA overview on page 43 for more details). In terms of UKEF's overall performance in connection with normal business however (so not including National Interest Account, Temporary COVID-19 support or foreign exchange results) UKEF reported an Operating gain of £230 million compared with £160 million for the year ending 31 March 2023 which is a more meaningful comparison of our performance.

Improving quality of service for our customers

UKEF's product offering supports UK businesses of all sizes with their exporting activity. Alongside our support for the involvement of UK companies in projects around the world, an area of growing strategic focus continues to be our direct support for SMEs. These businesses, particularly those with a turnover of below £10 million, will need a different approach to larger enterprises to help them navigate the complexities of trade finance and insurance – and we are committed to tailoring our financing offer accordingly. This in turn requires from us a greater focus than ever on customer experience.

Customer surveys show that we continue to have an 80% satisfaction score and the launch of our new website, designed specifically for SMEs, has seen a record number of new enquiries.

In order to improve accessibility, we are bringing on board new partners to deliver our flagship General Export Facility – this year we have partnered with Virgin Money and ABN Amro as well as increasing the value and tenor thresholds within which our products can be approved automatically by our partner banks. This essentially gives greater flexibility to SMEs accessing UKEF-backed credit.

In 2023/24 we supported at least 336 SMEs.[3] But we know we need to go further. That is why we have outlined our plans to support 1,000 SMEs per year by 2029 in our new business plan.

3 This figure includes export assists for the first time in 2023/24.

To achieve this level, we know we need to make more of our digital services and improve our use of data while making our engagement with SMEs simpler and more effective. This year we designed and built a new digital service for customers to access our export insurance product, and continued research to better understand the needs of smaller businesses and evolve our product offering. Alongside significant programmes to implement new international accounting standards and to replace our core banking system, these organisational change projects are a significant operational focus for UKEF. They do pose resourcing and prioritisation challenges, particularly to digital, data and technology teams. We are actively managing these challenges in the run-up to the Spending Review that we expect later in 2024.

UKEF, in providing guaranteed finance on commercial terms, operates as part of a wider ecosystem of government finance support for SMEs, ranging from grants from Innovate UK through to equity and debt schemes from the British Business Bank. We continue to work with the Department for Business and Trade as well as other public finance institutions to enable businesses to identify the range of solutions available to them across government. But UKEF's support is not solely directed to SMEs. We have extended our non-contract-specific guarantees to some of the UK's larger businesses too. For example, during 2023/24, six businesses benefited from UKEF's support through the Export Development Guarantee (EDG), which can help companies secure larger working capital loans. Changes made to the EDG product expected later this year will deliver greater exporting impact going forward.

UKEF exists to complement, rather than compete with the private market. We recognise that this means taking on risk on behalf of the exchequer, and by extension being prepared to pay out on losses and claims. UKEF does this within a stringent fiscal framework, ensuring losses are minimised and that our support for UK exporters comes at no net cost to the taxpayer.

How we calculate the number of exporters we have directly supported

By providing insurance, guarantees and loans, and by helping companies find the support they need from the private sector, UKEF makes exports happen which might not happen otherwise.

In addition to companies we've directly supported with a product, our direct support also includes firms that are paid directly by a drawdown from a UKEF facility, where the buyer is sourcing goods and services from the UK as a result of UKEF's intervention. These are called Tier 2 suppliers.

For companies to be included in our 'directly supported' figure, we require evidence of them securing business on projects we are supporting. This is a condition of our support when we agree on transactions for overseas projects. We also include private market assists when UKEF engagement has had a material contribution to an exporter receiving support from the private sector.

Maximising our impact through sustainable financing

Beyond the impact on businesses, jobs and the economy, UKEF's support can help address some of the most pressing challenges of our times. Support in mobilising sustainable finance helps us maximise our real-world impact. A major imperative is to support clean growth, and those businesses in the UK's supply chains which have great potential to export, but will require sustained investment to reach that stage.

This year we completed on our first ever Invest-to-Export EDG, securing a major overseas investment in North East England by helping South Korean manufacturer SeAH Steel Holdings to build a wind technology factory in Teesside. This transaction was also notable for being UKEF's first joint financing with K-Sure, the South Korean export credit agency. For more information on our support for sustainable transactions, as well as trends across our wider portfolio, see Our Impact (page 31).

Nowhere is the need for export credit agencies to work together to achieve global outcomes clearer than in our response to climate change. I led the UKEF delegation at COP28 in Dubai, where we became a founding member of the new Net Zero Export Credit Alliance – the first public finance chapter of the Glasgow Financial Alliance for Net Zero – this alliance aims to decarbonise finance with joint action from public and private sectors.

We are also leading the market in sustainable lending with our industry-leading climate-resilient debt clauses (CRDCs), under which we can pause debt repayments from sovereign borrowers in the event that they are hit by climate shocks.

Delivering the Integrated Review: International partnerships

As we look to strengthen collaboration with significant trade partners, UKEF has entered into a number of co-operation agreements with other export credit agencies throughout the year, including with Export Finance Australia, Nippon Export and Investment Insurance, Japan Bank for International Co-operation, and EXIM Thailand.

These partnerships, and wider collaboration between export credit agencies in a range of specialisations, is becoming ever more important as the geopolitical context in which we work becomes more complex, and our governments look to their ECAs to play a greater role in addressing economic and strategic challenges. Our priorities have been a focus of discussions across numerous bilateral and multilateral engagements with other ECAs this year, including at the G7 group.

In July 2023, the new modernised OECD Arrangement on Officially Supported Export Credits came into force, offering greater flexibilities in tenors, pricing and repayment structures in ECA financing, alongside the updated Climate Change Sector Understanding, which now offers further incentives to a broader range of new clean growth technologies.

I am pleased with the role UKEF played alongside the wider OECD Participants' Group in negotiating these updates so we could secure ECAs' continued relevance in an ever evolving market.

Looking ahead

Looking forward, we have launched our new five-year business plan covering the period 2024 to 2029, alongside a new Sustainability Strategy that succeeds our previous Climate Change Strategy. Together, these set out our ambitions for UKEF, by growing export support for businesses across the UK, engaging with SMEs, financing projects in developing markets and driving the energy transition. 2024/25 is the first year of that business plan.

Our previous plan, for which 2023/24 was the final year, focused on agility and adaptability, which stood UKEF in good stead to respond to the many challenges of the period – the global pandemic and its long tail, war in Europe and increasing conflict around the world, and the escalating emergency of climate change. Working with other parts of government, UKEF has been at the forefront of the government's response to all these and many other challenges, as well as significantly widening the range of exporters we can now support.

In addition to underwriting business that will contribute to our five-year milestones across the whole new plan, we will establish enabling workstreams that aim to realise these objectives throughout the full period.

These will include:

Objective 1: Catalyse growth in UK trade through UKEF's world-leading export finance and insurance offer

- Develop a new product strategy for the business plan period.
- Deepen our engagement with strategic sectors.

Objective 2: Significantly increase the number of SMEs that benefit from UKEF's support

- Optimise our export insurance product offer to support smaller transactions.
- Further widen distribution channels to broaden conduits of UKEF support.

Objective 3: Support a broad range of business to export, driving local growth across all regions

- Deliver targeted marketing activity to businesses across the country.

Objective 4: Position UK exporters and suppliers at the heart of the global low carbon transition

- International engagement to support joint policy outcomes.
- Review and enhance UKEF's offer for transition and clean growth financing.

Objective 5: Use our finance in developing markets to create positive impact overseas and in the UK

- Work within the OECD to further embed good international industry practice standards for ECAs, including on tackling bribery.
- Work with cross-government partners to strengthen collaboration in developing markets.

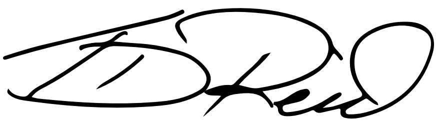
Meanwhile, we have also identified five strategic enablers underpinning the plan:

- putting the customer at the heart of everything we do
- being purposeful and responsible with our risk-taking
- making UKEF the best place to work for our people
- ensuring we have the right digital and data solutions to inform our activities
- ensuring UKEF is an agile, fit-for-purpose organisation

We will do this by supporting our colleagues – encouraging all staff to live our departmental values of taking responsibility, excelling together, respecting all and making a difference. UKEF is one of the smallest Whitehall departments, but it is also one of the most diverse. It is also one of the most engaged. Last year’s Civil Service People Survey showed that the overall staff engagement figure was 70%, compared with a benchmark of 65% across the Civil Service as a whole. We expect that our customers and portfolio will continue to face pressure from heightened geopolitical risks and increasing debt levels in 2024/25. We will continue to manage these risks in line with UKEF's risk management framework (for more detail, see the Chief Risk Officer's Report on page 56).

UKEF currently remains subject to its 2021 Spending Review settlement which provides sufficient resource to drive forward plans while protecting the taxpayer. In the run-up to the next Spending Review, anticipated to take place later in the 2024/25 financial year, we continue to focus on efficiency and productivity including investment in modernising our operations.

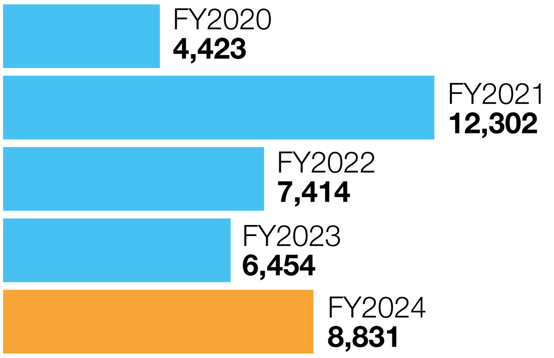
I look forward to working closely with Robert Gillespie as our new Chair to deliver on our mission, as well as new Board member representing the Department for Business and Trade Joanna Crellin CMG. I would also like to reiterate my thanks to Noël Harwerth OBE for her eight years of outstanding leadership as well as to Andrew Mitchell and Niall Mackenzie for their hard work and support in their roles as our principal liaisons within the Department for Business and Trade. Also, I'd like to thank Candida Morley as ex-officio member of the Board from UKGI for her service to UKEF. I am very grateful for the continued support from my fellow members of the Executive Committee, and for the hard work and dedication from all the staff around UKEF.



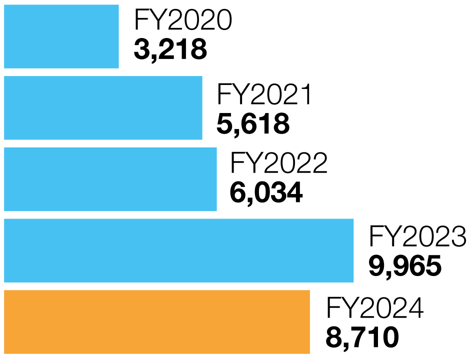
Tim Reid
Chief Executive and Accounting Officer
29 July 2024

FIVE-YEAR SUMMARY

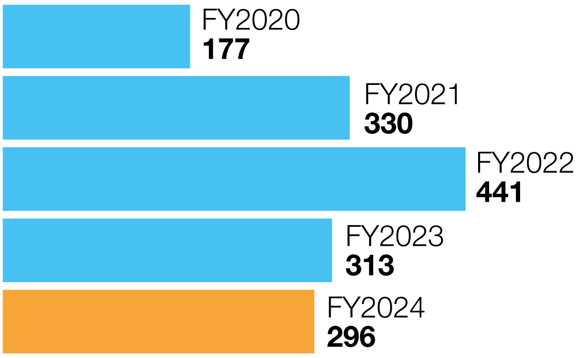
Business supported (£m)



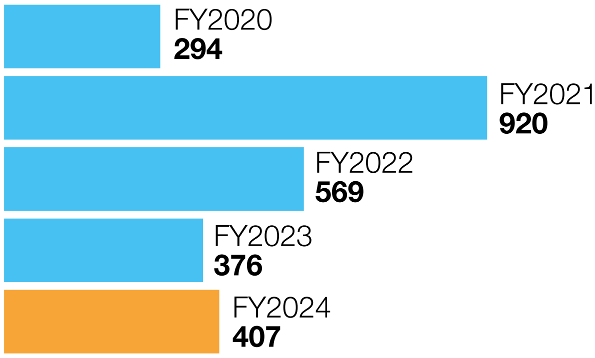
Value of commitments (£m)



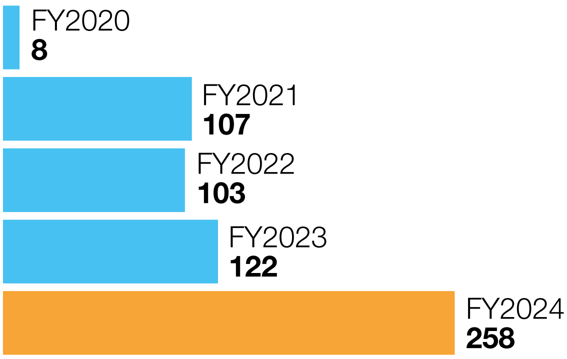
Premium income earned (£m)



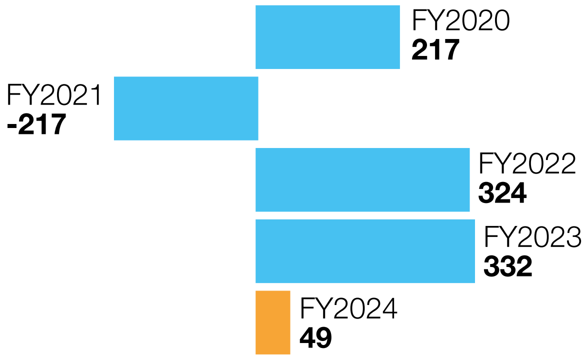
Premium income issued (£m)



Claims paid (£m)

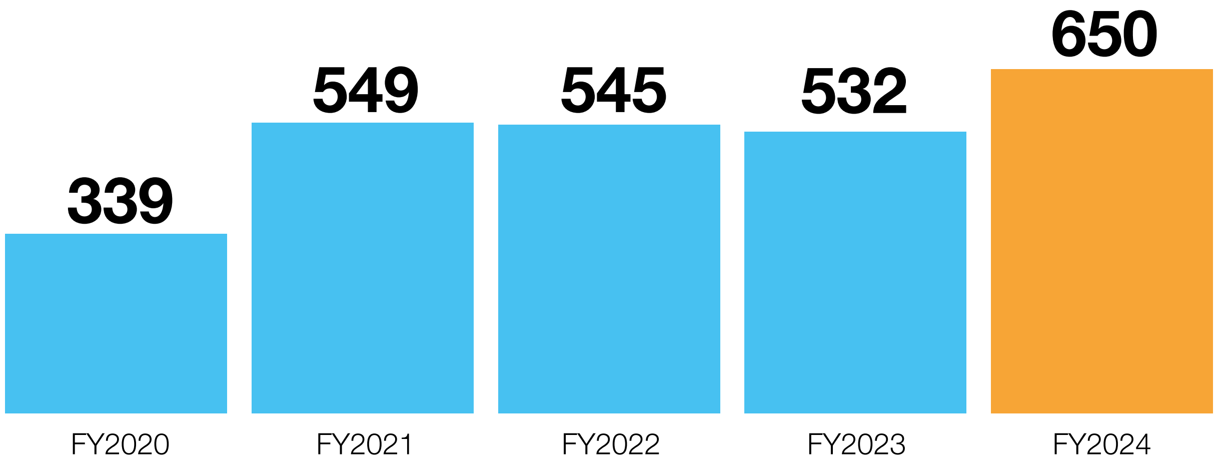


Net operating outturn (£m)

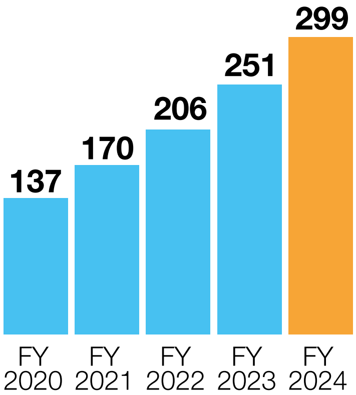


How our support for exporters breaks down

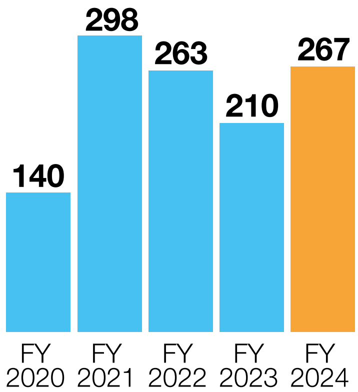
650 total exporters supported



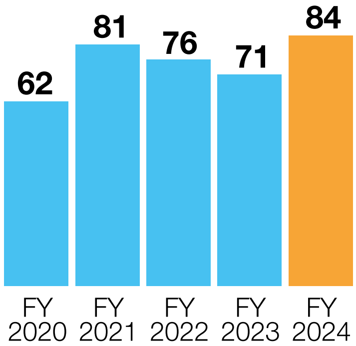
Of which:
Direct support under a UKEF product



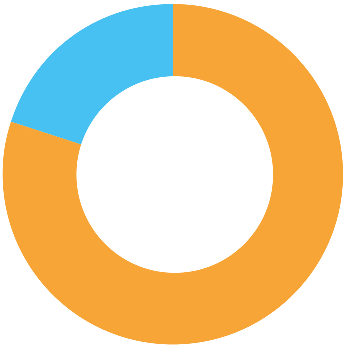
Of which:
Tier 2 suppliers



Of which:
Private market assist



Of which:
Small to medium-sized enterprise

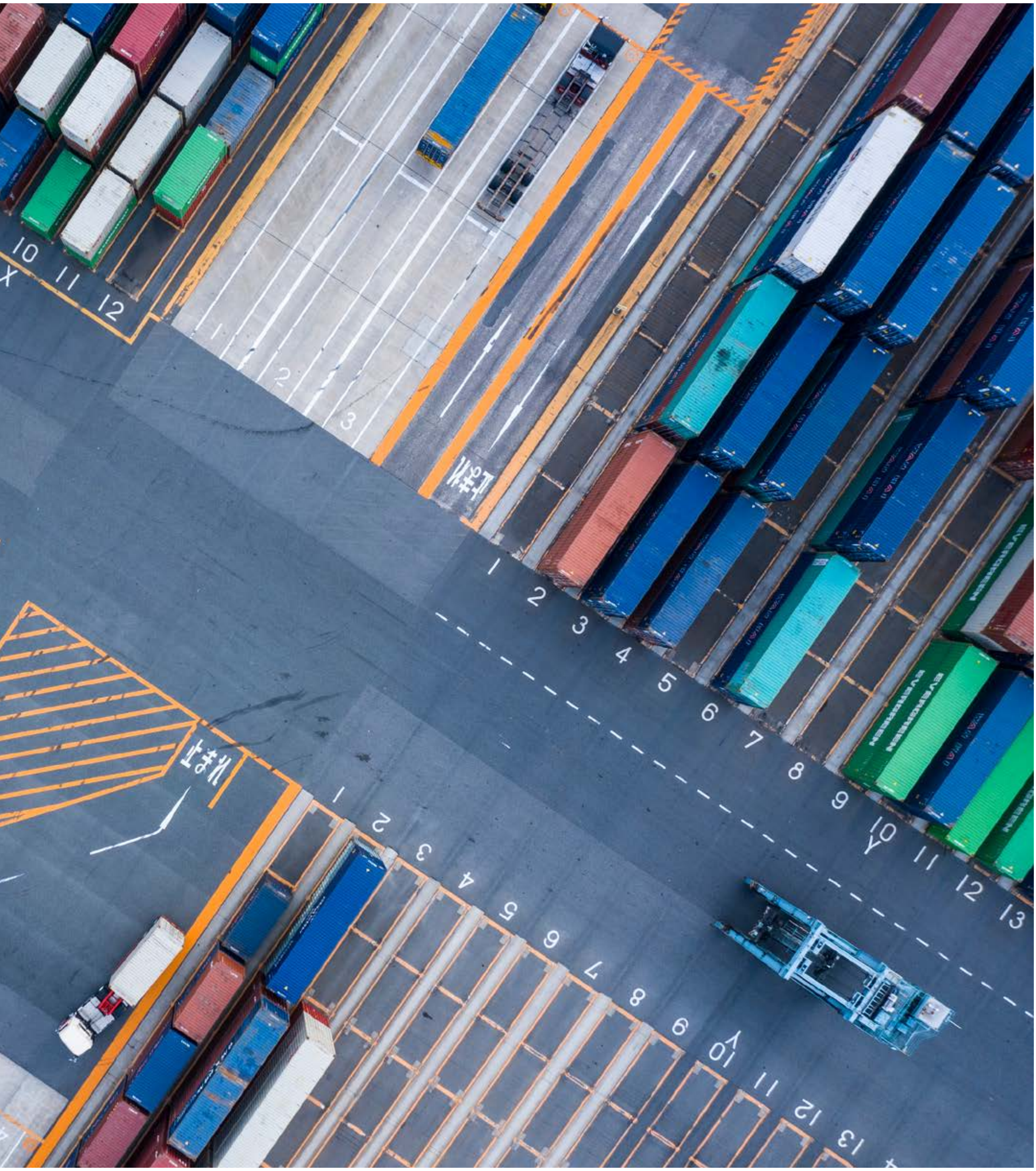


88%
FY2024*

FY2020 **77%**
FY2021 **79%**
FY2022 **81%**
FY2023 **84%**

*This year's SME calculation (88%) includes export assists for the first time

PERFORMANCE ANALYSIS



OUR IMPACT

UKEF provides billions of pounds of financial support each year, enabling UK businesses of all sizes to grow by tapping into the significant exporting opportunities that global markets provide.

The real-world outcomes that we deliver through our financing go even further – from job creation in communities around the UK, renewables projects supporting the global transition to net zero, and infrastructure projects that support development goals, to name just a few.

Our Impact Framework helps us measure and articulate our impact around the themes of prosperity, sustainability, and public policy. These themes have underpinned the development of our 2024-29 business plan – with each delivery objective aligned to the impact that we want to deliver for our customers and their communities. UKEF will report progress against these business plan objectives in future annual reports.

Prosperity: economic growth through export finance

Supporting economic growth through export financing is at the core of our mandate and shapes everything we do. Our support of up to £3.3 billion to the economy and supporting up to 41,000 jobs across the country in 2023/24 demonstrates that our financing makes a tangible, positive impact in communities across the UK.

SMEs are an increasingly important segment of our business, as these smaller companies account for over 99% of UK businesses and 60% of employment.[4] Currently, only around 10% of these are exporters. We know that exporting can help companies to grow and to innovate and our direct support can be critical to help companies on their export journey.

4 www.gov.uk/government/statistics/business-population-estimates-2023/business-population-estimates-for-the-uk-and-regions-2023-statistical-release

Our Impact

Prosperity
Supporting economic growth and jobs

Public Policy
Contributing to wider public policy priorities

Sustainability
Promoting the low carbon transition

Fiscal
Breaking even over time

We have enhanced the GEF and expanded the range of finance partners we work with (for example, Virgin Money and ABN AMRO onboarded this year). These efforts have helped improve access to finance for SMEs and brought the value of our support under our SME-targeted trade finance schemes to historic highs of £575.5 million for 244 companies.

We also continue to drive larger companies' investment in export growth for UK PLC, with £3.2 billion in support through our Export Development Guarantee provided in 2023/24. This slight decline on recent years reflects a return to a more normalised operating environment for the UK's banking sector after the pandemic and shocks in the market precipitated by the Ukraine conflict, as well as a greater strategic focus on export growth and impact in our transaction due diligence.

As highlighted, in 2023 we provided our first ever Invest-to-Export loan guarantee by helping South Korean manufacturer SeAH Steel Holdings to build a wind technology factory in Teesside. This project will support more than 1,500 jobs in the UK supply chain as the factory seeks global contracting opportunities in the high-growth offshore wind market.

UKEF maintained its support for the UK's strategic sectors this year. The global aviation sector has continued its strong financial performance in 2023, reaching pre-pandemic levels of demand in markets such as Europe and North America. This return of traffic combined with high liquidity in the commercial financing market has meant that ECA financing for civil aircraft and engines has remained at historically low levels.

UKEF support remains important, especially for clients with large order books which need diversity of funding sources as well as customers operating in markets where commercial appetite is more constrained (for example in Africa). In 2023/24 we provided £3.6 billion financing to the sector, with our support focused on new and more fuel-efficient aircraft. We continue to work with customers and multilateral partners to support decarbonisation efforts in the sector, including through the OECD. As global demand for new aircraft remains high from airlines seeking to reduce fuel costs and decarbonise their fleet, we anticipate demand for our support will continue going forward. Our reporting on Task Force on Climate-related Financial Disclosures on page 84 sets out UKEF's approach to financed emissions across our portfolio, including aviation.

Sustainability: promoting the low carbon transition

Mobilising finance is at the centre of global efforts to tackle climate change. As the world moves closer to 2050, finance will increasingly need to be green or transitional. UKEF is playing an important role in promoting the low carbon transition and supporting its customers to respond to the impacts of climate change.

Having set up the Renewables and Transition underwriting team in 2021 following the introduction of HMG's fossil fuel policy, we are becoming established in the renewables sector and are seeing significant business and pipeline volumes. The transition presents increasing opportunities for businesses, and UKEF helps enable UK companies to engage in that opportunity.

Low-carbon transport also remains a significant part of our clean growth portfolio. We backed a £680 million deal that will enable Rönesans Holding to finish construction of a high-speed electrified railway connecting Mersin with the cities of Adana, Osmaniye and Gaziantep in Türkiye. The railway is expected to reduce carbon dioxide equivalent (CO_2e) emissions by over 150,000 tonnes a year and is creating new, multimillion-pound export contract opportunities for the UK's infrastructure, engineering, and project management sectors.

We closed a large deal this year in Angola to build new flood defences that will protect communities along the coast. Our guarantee secured financing for a €415 million contract between exporter Innovo Group and Angola and was announced at the UN's COP28 climate change summit as an example of the role of international trade in supporting global adaptation against climate change and extreme weather.

These overseas projects create a world of opportunity for UK suppliers, but our domestic product offering also supports clean growth jobs at home. Northern Ireland-based Wrightbus received £50 million to boost exports of electric and hydrogen-powered buses supported by a loan guarantee from UKEF. The company plans to double its workforce in the next three years, creating 1,000 new local green jobs.

Public policy: supporting wider government policy priorities

UKEF's ability to leverage private finance with government-backed guarantees and insurance puts us in a unique position to contribute to the government's economic, trade, foreign and development policy priorities.

In a volatile geopolitical environment, UKEF's financing offer helps exports from the UK's defence sector and supports our allies to build their capability and expertise to defend themselves from military threats. We work alongside the Department for Business and Trade, the Ministry of Defence, HM Treasury, and the Foreign, Commonwealth and Development Office to deepen relationships with overseas stakeholders and tailor our offering accordingly.

In 2023/24 we continued to support Ukraine's defence against Russia's illegal invasion, helping their navy modernisation programme through a buyer credit facility guarantee. This allowed the transfer of two Royal Navy vessels to Ukraine's Navy which will in turn help secure vital corridors to export grain and other materials, supporting their economy in the face of Russian bombardment. You can find more details about our financing to Ukraine through our National Interest Account on page 43.

UKEF’s role as part of the government’s international finance offer – communicated to stakeholders through the British Investment Partnerships toolkit – is another important area of the UK’s foreign policy where UKEF’s finance can create benefits at home and abroad.

Export credit agencies represent a well-developed mechanism for mobilising finance into partner countries, bringing large finance capacity, long maturities, and embedded high environmental and social standards. UKEF has a recognised role as a leader and innovator in financing projects that help deliver impact and prosperity. This year UKEF provided £2.7 billion of financing in support of UK exports in official development assistance (ODA) eligible countries, unlocking commercial finance for priority projects.

There is strong demand for ECA financing in the civil infrastructure sectors, particularly in Africa and parts of the Middle East where many markets have seen greater liquidity constraints and challenging credit conditions. UKEF leverages its strong network in this space to deliver infrastructure projects which are sustainable, impactful and contribute to the safety of local communities.

For example, this year we secured £226 million in financing for the Iraqi government to develop over 350km of drainage infrastructure as well as 15 stormwater and wastewater lifting stations. Upon completion, the project is expected to help over 25,000 households access clean water in the wider Al-Hillah district. For the UK there is an equally positive impact story with almost 50% of the contract value anticipated to come from UK suppliers. Supply of plant and machinery, pipes, cranes, pumps, steel well walls, stop logs and gates, project consultancy, design and engineering are all expected from the UK.

Financing projects such as these also drives progress towards the United Nations’ Sustainable Development Goals (SDGs). Through our international network, we identify projects and supply chains with positive SDG-related impacts that we can support. Our approach focuses on prioritising origination activities, collecting and measuring data, and communicating our impact.

Supporting a contribution of up to £3.3 billion to the UK economy

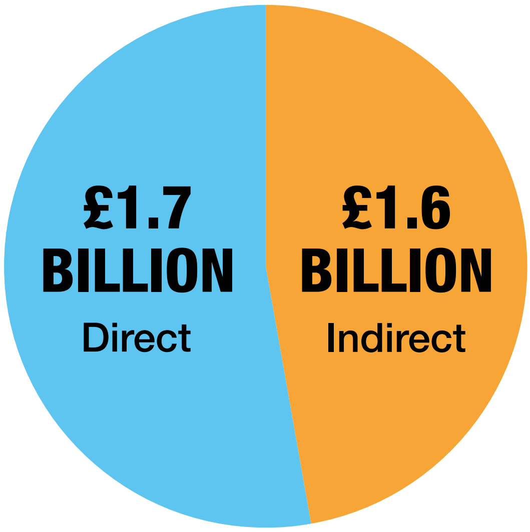
Through **£8.8 BILLION** in UKEF support in 2023/24, UKEF has backed the contribution of up to **£3.3 BILLION** in GDP.[5,6] GDP measures the overall value of goods and services produced in the economy. Our estimate captures the direct contribution to the economy by the UK exporters supported by UKEF, as well as the indirect contributions of UK businesses that supply these exporters.

UKEF **DIRECTLY** facilitates exports, encouraging employment and economic activity within the companies it supports

UKEF **INDIRECTLY** facilitates economic activity via the supply chains of companies supported

TOTAL IMPACT on economic activity

£3.3 BILLION



5 UKEF previously reported its impact in terms of Gross Value Added (GVA). This year we have reported in GDP terms as it is a more widely recognised measure of economic activity. See more information about this change at https://www.gov.uk/government/publications/ukexport-finance-economic-impacts-of-our-support-2023-to-2024.

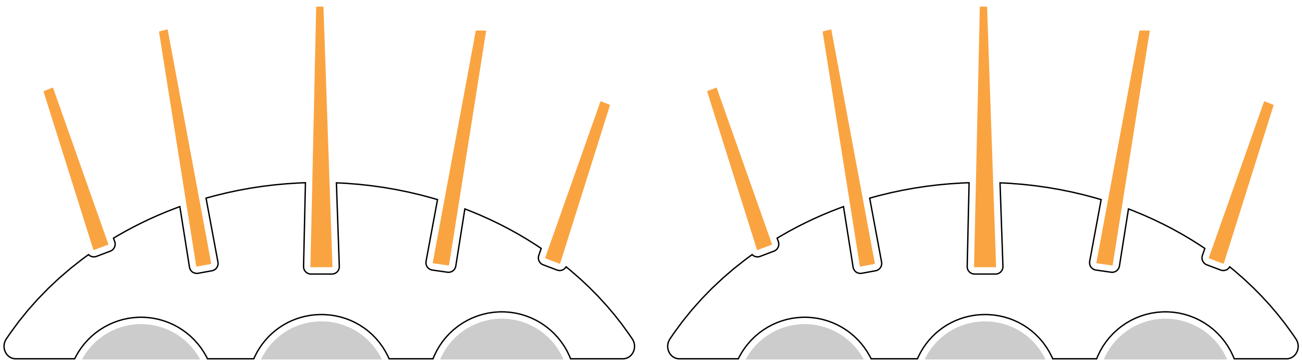
6 GDP refers to the value, profits and consumption of every item, product or service brought to the market by workers, companies or other economic resources resident inside a country in a period of time. See: What is GDP? - Office for National Statistics https://www.ons.gov.uk/economy/grossdomesticproductgdp/articles/whatisgdp/2016-11-21

Up to 41,000 UK jobs supported

The £8.8 billion of new loans, insurance and guarantees issued by UKEF in 2023/24 is estimated to support up to **41,000 JOBS**.[7]

41,000 jobs is equivalent to over

DOUBLE THE CAPACITY OF THE O2 ARENA.



20,000

of these FTE jobs are through exporters UKEF has directly supported, and 21,000 are indirectly supported through their supply chains.

7 Jobs are measured in terms of full time equivalent (FTE) units which measures employed persons in a consistent way based on the number of hours worked per week. As UKEF support is drawn over multiple years, these supported FTE jobs may occur over numerous years.

Methodology changes

Each year UKEF reviews and updates its methodology to ensure that our estimates of the economic benefits associated with our financial support are robust and up to date with best practices. One methodological change that we have adopted for the 2023-24 financial year relates to how we proxy for the economic impact of standby loan facilities supported through the Export Development Guarantee (EDG) product.

During the COVID-19 pandemic, UKEF provided support to exporters through the Temporary COVID-19 Risk Facility (TCRF) to ensure businesses could continue to operate through extreme economic and financial conditions. Since then, operating conditions have significantly improved and UKEF considers the impact of new standby loan facilities, compared to similar facilities provided through the TCRF, to be much less.

Our methodology for 2023/24 has been adjusted to reflect this. As a result, our estimates of the economic impacts for the financial year are about 25% lower than what it would have been if we treated these standby facilities as ordinary EDG facilities.

In addition, we look to external expertise to ensure that our approach for measuring impacts is following best practice. In March 2024 the methodology and assumptions were reviewed by the University of Strathclyde's Fraser of Allander Institute. The external review concluded that UKEF's assumptions largely conform to industry standards and provided recommendations to strengthen our assumptions and estimates. Read more information about our methodology at **https://www.gov.uk/government/publications/uk-export-finance-economic-impacts-of-our-support-2023-to-2024**.

ECONOMIC CONTEXT

Global growth has been resilient but subdued in 2023/24. There has been robust growth in key large economies, despite geopolitical tensions, tightened monetary conditions and elevated energy prices. Global debt levels have continued to increase.

Global growth in 2023 was supported by a normalisation of consumption in China, which re-opened from pandemic related restrictions. However, there are downside risks to China's economic outlook in 2024, such as a larger and more prolonged drop in real estate investment if there is no comprehensive policy support for the troubled property sector. Global growth was also supported by robust growth in the US, and to a lesser extent by growth in emerging markets such as India and those in Eastern Europe.

Global debt levels have continued to increase, including in emerging markets, alongside an estimated 23 million more people living in extreme poverty in 2022 compared to 2019.[8] Since 2020 there has been an increase in coups around the world, with a particularly high concentration in Africa, including in countries that UKEF covers. Climate-related risks continue to increase in prominence, with the World Economic Forum ranking extreme weather events as the risk most likely to generate a global crisis in 2024.[9]

Six sovereigns defaulted in 2023, a slight increase from five in 2022. Local currency defaults outnumbered foreign currency defaults for the first time since 1999, with six local currency defaults compared to three foreign currency defaults. All defaults were in emerging and frontier markets, where macroeconomic vulnerabilities and limited financing alternatives contributed to six distressed exchanges and three instances of missed payments.[10]

Geopolitical tensions

Russia's illegal invasion of Ukraine in 2022 created significant energy price inflation across the world. Global energy prices fell back in 2023 but remain significantly above pre-invasion levels, depressing economic growth in Europe in particular.

Rising tensions in the Middle East continue to threaten regional stability. Approximately 12% of global trade passes through the Red Sea and onwards to the Suez Canal every year, and shipping through this channel has fallen by 66% between April 2023 and 2024, given Houthi attacks.

8 'March 2024 global poverty update from the World Bank', World Bank, March 2024. **blogs.worldbank.org/en/opendata/march-2024-global-poverty-update-from-the-world-bank--first-esti**

9 'The global risks reports 2024', World Economic Forum, January 2024. **www3.weforum.org/docs/WEF_The_Global_Risks_Report_2024.pdf**

10 'Default, Transition, and Recovery: 2023 Annual Global Sovereign Default And Rating Transition Study', S&P Global, March 2024. **www.spglobal.com/ratings/en/research/articles/240327-default-transition-and-recovery-2023-annual-global-sovereign-default-and-rating-transition-study-13038208**

Rerouting of seaborne containers through the Cape of Good Hope also significantly increases shipping distances, times and costs. Container freight rates on Asia-Pacific to Europe routes have risen sharply since November 2023. However, there has been a relatively small impact on headline global inflation thus far.

Escalating tensions between the US and China may create further economic fragmentation and dampen global trade. The China-Taiwan dispute could also pose risks for the manufacture of advanced semiconductors. Taiwan produces the majority of the world's semiconductors, which are a vital input into many supply chains.

2024 is a year of elections, with more citizens voting than ever before across at least 64 countries. While the context of each election is unique, some countries may experience social unrest if elections are seen to be unfairly carried out. Governments also tend to loosen fiscal policy in election years.[11] Elections in larger or more strategically significant countries may also have wider impacts beyond their own borders.

Elevated interest rates

According to market expectations, interest rates in most major economies are expected to decline during the rest of 2024, albeit relatively slowly as inflationary pressures continue to dissipate. Forecasters expect interest rates to settle at significantly higher levels than those observed between the Global Financial Crisis and the pandemic (e.g. the US Federal Open Market Committee's central expectation for the US Federal Funds Rate target range in the long run of 2.7 to 2.95%, versus an average Federal Funds Effective Rate of 0.6% in the 2010s).

Persistently high interest rates in advanced economies may exert negative economic pressure on emerging markets. These elevated rates make safer advanced economy debt more attractive to investors, thereby decreasing the incentive to invest in riskier emerging markets. Elevated rates in advanced economies may therefore promote capital outflows from emerging markets, reduce GDP growth in those markets, and increase the likelihood of emerging market financial crises, including sovereign debt crises.

China economic slowdown

China has experienced decades of robust economic growth which has contributed significantly to global growth in recent years. Its importance to the global economy is expected to continue – according to IMF forecasts, China will account for 21% of world GDP growth through to 2029. However, the IMF projects China's real GDP growth to slow from 5.2% in 2023 to 4.6% in 2024 and 4.1% in 2025, amid ongoing weakness in the property sector and subdued external demand. Over the medium term, the IMF expects growth to gradually decline further to about 3.3% in 2029, amid headwinds from weak productivity and an ageing population.

Given its size and position in global supply chains, slower growth in China can have a big impact on other economies around the world. For example, IMF analysis finds that a one percentage point decline in China's growth rate could reduce average growth in Africa by about 0.25 percentage points. For countries reliant on oil exports, the loss could be about 0.5 percentage points.

11 'Fiscal Monitor: Fiscal Policy in the Great Election Year', IMF, April 2024. www.imf.org/en/Publications/FM/Issues/2024/04/17/fiscal-monitor-april-2024

A sharper-than-expected deterioration in China's economy – if, for example, the property market suffers a prolonged decline – could therefore exacerbate economic and fiscal pressures in some of UKEF's key markets.

Global debt

Global debt levels reached a record high of US$313 trillion in 2023, according to the Institute of International Finance. While 55% of this rise originated from mature markets, developing economies also reached a new record ratio of debt to GDP – average emerging market external debt reached 29.8% of GDP in 2023, an increase of 0.8 percentage points on the previous year. Developing economies have also been active in debt markets in the first half of 2024, with US$321 billion worth of debt sold by government and corporate borrowers in developing markets.

Successful access to debt markets is a positive indicator for developing economies, but has been limited to those with stronger fundamentals. Many are still unable to access global bond markets at affordable rates. For some countries that do issue new debt, this may become a threat to their debt sustainability through greater future servicing costs – including countries where a significant proportion of UKEF's exposure is concentrated. Emerging markets have US$2.4 trillion worth of bonds maturing in 2024, which they will need to finance either through government revenues or the issuance of new debt to avoid potential liquidity crises.

UK outlook

UK real GDP grew by 0.1% in 2023. The Office for Budget Responsibility (OBR) forecasts growth to pick up to 1.2% in 2024/25, as the economy continues to be constrained by weak real wage growth, the ongoing effects of recent interest rate rises, and fading fiscal support. However, the OBR also expects growth to accelerate to around 2% in 2026, as interest rates decline and spare capacity in the economy is used up.

Inflation has declined rapidly since 2022, with prices rising in line with the Monetary Policy Committee's target rate of 2% in the twelve months to June 2024. Market expectations of Bank Rate suggest an elevated interest rate environment in the UK over the next few years, which will mean continued pressure on the most leveraged corporates and households.

UKEF outlook

Despite significant headwinds, global growth looks set to remain stable in the short term. However, longer term global growth is expected to decline. The IMF forecasts global growth to decline to 3.1% by 2029, compared with an average of 3.7% over the period 2006 to 2015. Weaker global growth may affect demand for UKEF's services.

Global debt levels continue to increase, including in emerging markets. The share of low-income countries (54%) and emerging markets (16%) assessed by the IMF as being at high risk of debt distress this year remains elevated. Market participants' expectations that interest rates will remain "higher for longer" may also make it more expensive for highly indebted sovereigns to refinance and service their debt obligations. Taken together, these factors increase the risk of sovereign debt crises and defaults.

Export credit agencies, including UKEF, tend to support commercial banks and exporters through financial and economic disruption to keep credit and trade working – as in the 2008 Global Financial Crisis and the pandemic. UKEF remains well placed and ready to support UK exports. Our effective risk management framework will ensure we can manage the risks of a growing portfolio and meet our financial objectives, despite ongoing global uncertainty.

NATIONAL INTEREST ACCOUNT

UKEF's national interest account exclusively contains guarantees and loans issued since April 1991 for business supported on the written instruction of ministers, where UKEF's Accounting Officer had advised support did not meet normal underwriting criteria.

UKEF operates under a framework agreed with HM Treasury that is designed to allow the department to provide support in a manner which is consistent with the principles set out in Managing Public Money.

Under the framework, UKEF is able to offer support where it is needed while managing potential risks to the Exchequer arising from individual transactions, as well as from aggregate levels of exposure in a particular market, sector, and across its whole portfolio.

UKEF operates six accounts, each defined by the nature of business supported by the department. These accounts include a national interest account (NIA) which was previously known as Account 3 and had been set up to operate under Ministerial Direction. The NIA includes transactions which ministers consider to be in the UK's national interest for UKEF to support but which do not meet normal risk appetite. As well as recent transactions, it includes residual exposure from older business including, for example, UKEF backed loan for Qatar supporting the purchase of Typhoon aircraft and associated services and equipment in 2018. Guarantees, loans and insurance products supported within the NIA account have been issued on the written direction of ministers, provided to UKEF's CEO and Accounting Officer, taking account of the UK's broader interests.

This account is ringfenced and does not form part of UKEF's formal financial objectives, although business supported in the NIA does still count against UKEF's maximum cover limit for the portfolio and towards UKEF business totals.

During 2023/24, business issued under the NIA consisted exclusively of export credit and insurance support for which Ukraine was the destination market. Total support provided amounts to £333 million, £322 million of which loan support was committed in the period up to 31 March for two deals – construction of six bridges and purchase of minesweepers from the UK's Royal Navy. While the heightened risk environment for Ukraine resulting from Russia's illegal invasion in 2022 means support for transactions in Ukraine falls outside UKEF's minimum credit risk standards as set by HM Treasury, ministers have determined that it is in the UK's national interest for UKEF to remain on cover for Ukraine with the maximum cover limit for the market remaining consistent with the pre-invasion limit of £3.5 billion.

As such, £3.5 billion of financial capacity for UK exporters and their buyers in Ukraine has been made available, with requests for support considered on a case-by-case basis, in accordance with normal policy and practice, and subject to specific HM Treasury and ministerial approval.

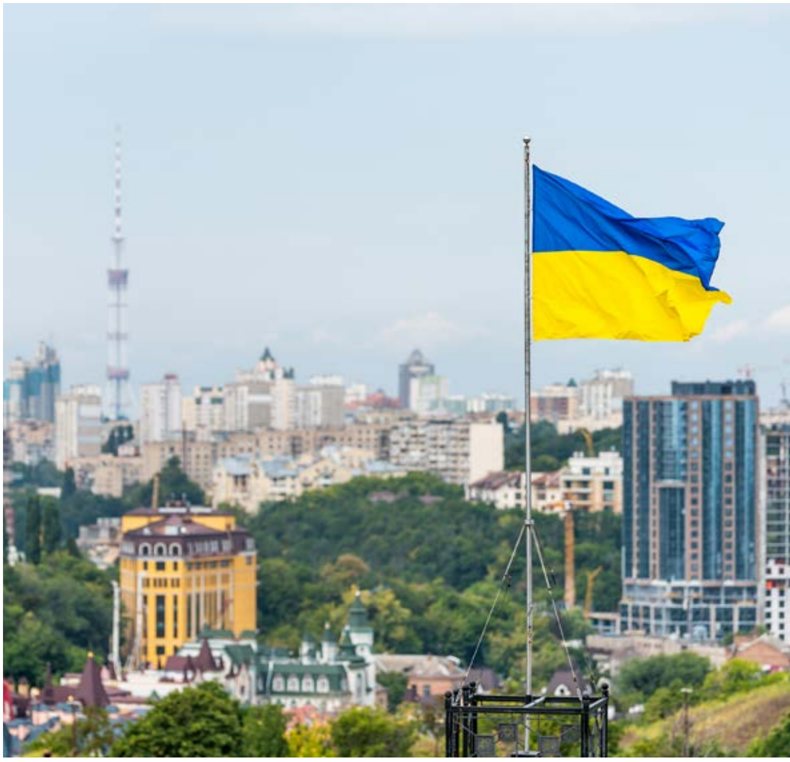
In the year, UKEF supported the export financing of critical infrastructure and provided payment risk insurance for UK exporters trading with Ukraine, thereby providing significant security, economic, humanitarian and defensive assistance. In line with ministerial instructions, these transactions are recorded in UKEF's ringfenced national interest account where there is no impact on UKEF's wider portfolio.

Since support provided for Ukrainian transactions falls outside UKEF's minimum credit risk standards, the reported outturn position in relation to all NIA business for the year is an operating loss of £149 million (refer financial statements note 2). UKEF applies the fund basis of accounting (see note 1 of the financial statements for more details) and is required to perform a liability adequacy test to ensure enough has been reserved in relation to potential insurance liabilities, as there is a deficiency in relation to Ukrainian related business additional reserving is therefore required which is charged to the Statement of Comprehensive Net Income.

Further details about the national interest account transactions relating to Ukraine can be found in the Business Supported tables in the annexes of this report.

Ukraine in focus

UKEF has backed a £26.3 million equivalent loan to allow the Ukrainian government to start rebuilding six bridges and reopen vital supply routes near Kyiv, supporting and further securing Ukraine's security situation and regional stability. The reconstruction of the bridges ranges from those hit by shrapnel to those which have been completely destroyed, and will ensure that the people and government of Ukraine can once more use critical transport links around the capital. Under ministerial direction, UKEF has agreed to issue this buyer credit loan guarantee allowing the Ukrainian government to access financing from Citibank, unlocking crucial funds for Kyiv Oblast's Road Service.



CHIEF FINANCE AND OPERATING OFFICER'S REPORT

This report describes and comments on UKEF's financial performance for the year ended 31 March 2024. Given the importance of the management of UKEF's portfolio, this report should be read alongside the Chief Risk Officer's report.

Cameron Fox
Chief Finance and Operating Officer

Financial results overview

UKEF achieved another strong financial performance relative to our recent history, surpassing previous years when considering business issued through our regular accounts and continuing to operate with a modest profit. This success is noteworthy as it comes after three years marked by significant volumes issued through the Temporary COVID-19 Support Account, which ceased accepting new business last year.

Net operating gain:

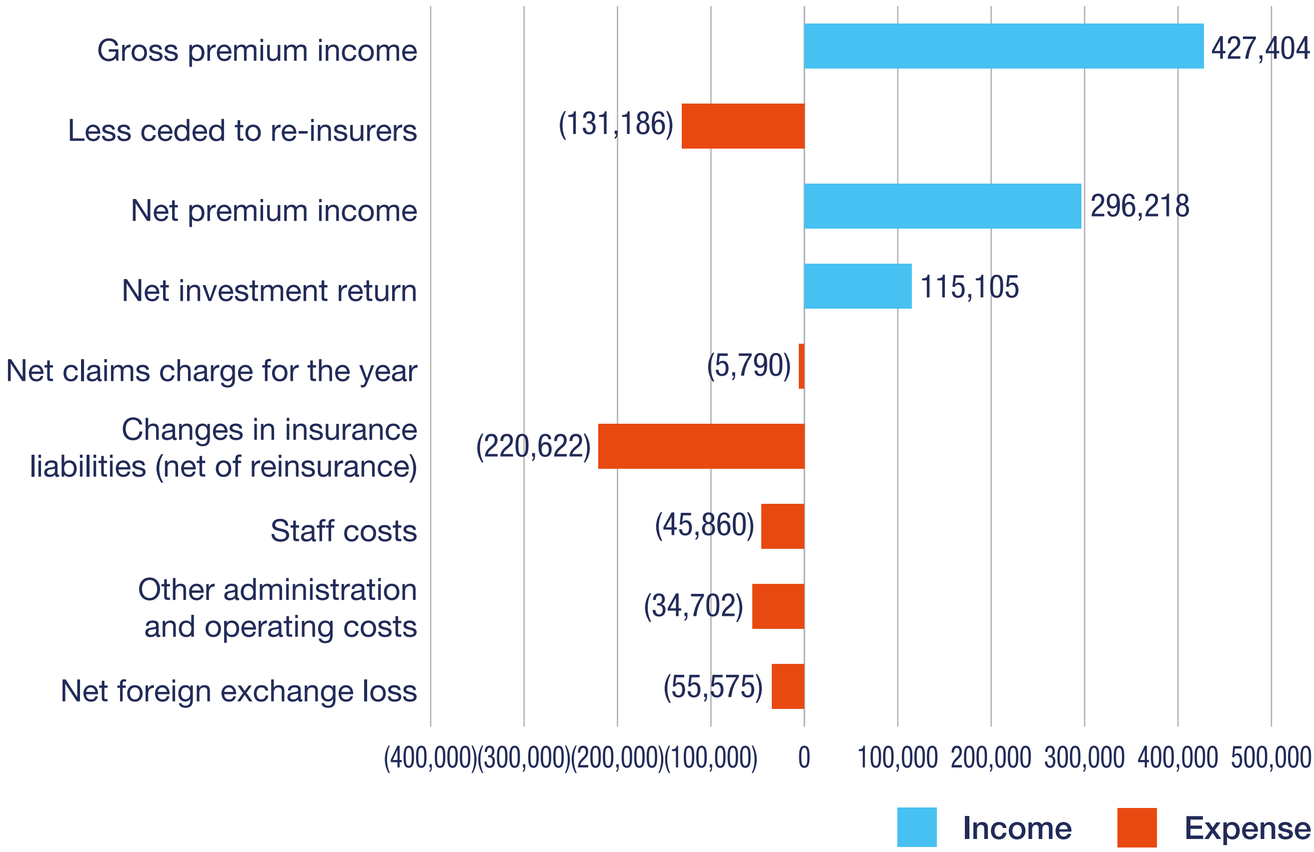
» 2023/24: £49 million (on a foreign exchange-adjusted basis: £104 million)
» 2022/23: £332 million (on a foreign exchange-adjusted basis: £242 million)

This change is driven by a loss of £149 million on the National Interest Account (see page 43 for further information) which was partially offset by increased net investment return on the Direct Lending Account driven by higher amortised interest income as a result of a larger portfolio and some early repayments. See the Chief Risk Officer's report on page 56 for more details of this year's impairments and provisions.

Full year outturn (removing foreign exchange movements) when looking only at regular business (so not including National Interest or Temporary COVID-19 support) was a gain of £230 million compared with 2022/23 which on the same basis was a gain of £160 million.

Summary of profit and loss	2023/24 £'000	2022/23 £'000	Variance £'000
Income			
Gross premium income	427,404	384,930	42,474
Less ceded to reinsurers	(131,186)	(72,061)	(59,125)
Net premium income	**296,218**	**312,869**	**(16,651)**
Net investment return	115,105	86,183	28,922
Net foreign exchange gain	-	90,412	(90,412)
Total income	**411,323**	**489,464**	**(78,141)**
Expenses			
Net claims charge for the year	(5,790)	(16,080)	10,290
Changes in insurance liabilities (net of reinsurance)	(220,622)	(64,195)	(156,427)
Staff costs	(45,860)	(39,708)	(6,152)
Other administration and operating costs	(34,702)	(37,107)	2,405
Net foreign exchange loss	(55,575)	-	(55,575)
Total expenses	**(362,549)**	**(157,090)**	**(205,459)**
Net income/(loss)	**48,774**	**332,374**	**(283,600)**
Net income/(loss) (FX-adjusted)	**104,349**	**241,962**	**(137,613)**

Statement of comprehensive net income for 2023/24 (£'000)



Insurance and underwriting activity (premium income)

Net premium income revenue earned:

» 2023/24: £296 million
» 2022/23: £313 million

Net insurance premiums written decreased by £17 million since 2022/23. While business supported has increased this year, the nature (in terms of both risk and product type) and timing of the business underwritten impacts on the premium income recognised.

For the breakdown of insurance premiums, see note 3 to the financial statements (page 182). Also see note 1 for details of the relevant accounting policies (page 169).

Net investment return

Net investment return for export credit guarantees and insurance activities:

» 2023/24: £25 million
» 2022/23: £22 million

Net investment return for export finance activities:

» 2023/24: £90 million
» 2022/23: £64 million

For export credit guarantees and insurance activities, net investment return mainly comprises of interest on claims (after provisions) and fee income. The increase for 2023/24 relates mainly to increased commitment fee income on standby EDG facilities.

For export finance activities, net investment return mainly comprises of movements in impairments and amortised interest income. The increase for 2023/24 reflects greater amortised interest income as a result of a larger portfolio and some early repayments.

For the breakdown of net investment return, see note 4 to the financial statements (page 183). Also see note 1 for details of the relevant accounting policy (page 169).

Net claims charge (and provisions for likely claims)

Net claims paid:

» 2023/24: £258 million
» 2022/23: £122 million

Recoveries of claims paid and interest on claims paid:

» 2023/24: £145 million
» 2022/23: £125 million

Since the beginning of the COVID-19 pandemic, UKEF has experienced a significant increase in claims paid, mainly related to the downturn in the airline sector.

A number of airlines' financial positions have now improved and recoveries have been made. During 2023/24, however, a number of sovereigns including Sri Lanka and Ghana experienced significant economic stress, resulting in an increase in claims paid.

See the Chief Risk Officer's report for more details of UKEF's claims and recoveries.

Also see notes 1c, 6 and 11 to the financial statements. Note 1c explains the significant uncertainty arising from UKEF's underwriting activities (page 171). Note 6 provides a breakdown of net claims credit (page 184) and note 11 provides details of recoverable claims and unrecovered interest (page 188).

Foreign exchange

During the year, sterling appreciated by approximately 2% against the US dollar and nearly 3% against the euro.

Net foreign exchange gain/(loss):

- 2023/24: £(56) million
- 2022/23: £90 million

As a significant proportion of UKEF's guarantees, insurance policies and loans are written in foreign currencies (mainly the US dollar but also in euro), UKEF is exposed to foreign currency risk and associated volatility in terms of the financial results.

UKEF is not authorised by HM Treasury to hedge exchange rate exposures.

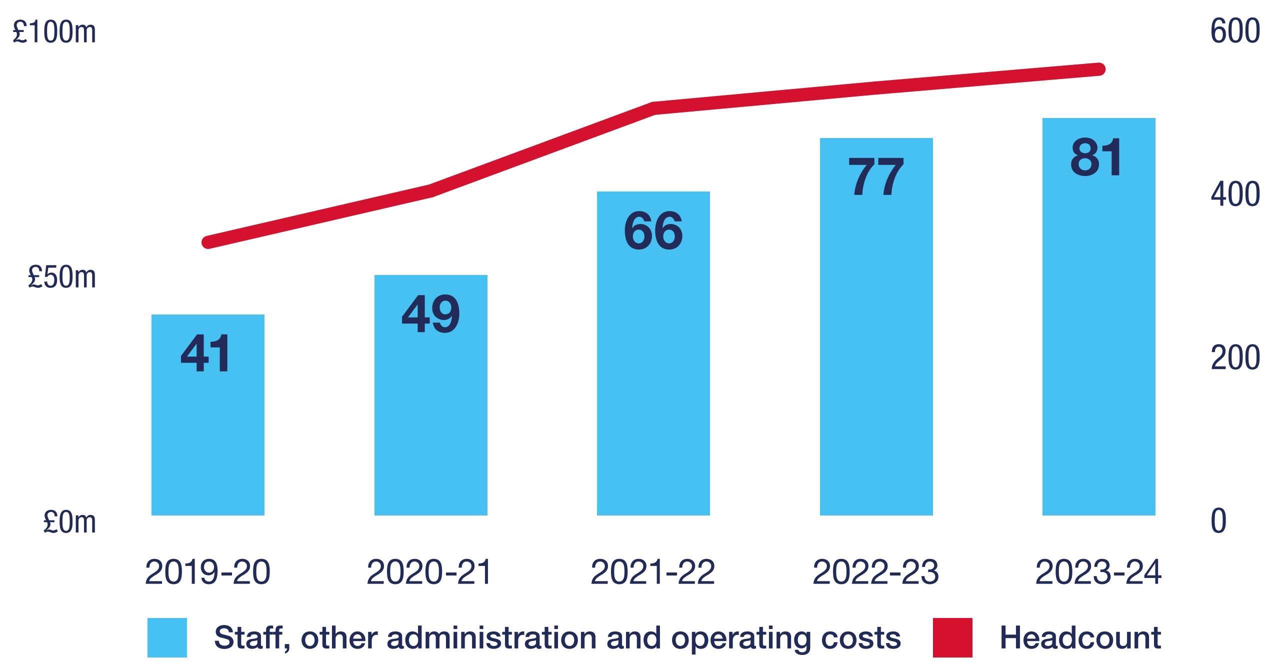
See notes 7 and 18 to the financial statements, which include details of the currency profile of our insurance assets, financial instruments and capital loan commitments.

Operating costs

- 2023/24: £81 million
- 2022/23: £77 million

A planned increase in staff linked to business plan objectives and UKEF's spending review 2021 settlement, was responsible for the increase in operating costs. For more details, see the Our people: remuneration and staff report section (page 137).

Operating costs and headcount



Reserving for insurance liabilities

Net underwriting funds at year end:

» 2023/24: £1,719 million
» 2022/23: £1,498 million

UKEF applies the fund basis of accounting for its medium and long-term business.

The increase in funds was the result of new business written in-year.

Releases from the funds during the year (arising from business written in 2014 and 2020) amounted to £36 million in 2023 to 2024, compared with £47 million in 2022/23. This release equates to the current surplus of premium written over risk and costs of writing the business.

See note 16 to the financial statements for the detailed movements in the underwriting funds (page 192). Also see note 1d for details of the relevant accounting policy, explaining the fund basis of accounting (page 172).

Long-term assets and liabilities

Direct lending loans at year end:

» 2023/24: £3,407 million
» 2022/23: £3,032 million

Gross recoverable claims at year end:

» 2023/24: £683 million
» 2022/23: £560 million

Given the nature of the business that UKEF supports, the department has a significant holding of long-term assets and liabilities. UKEF's major asset classes are direct lending loans and recoverable claims (both denominated in a range of currencies, predominantly US dollars).

Gross recoverable claims increased, owing to an increase in claims paid and foreign exchange movements.

UKEF's most significant liability relates to insurance reserving. (see Reserving for insurance liabilities section for details).

Management commentary – five-year summary

	2023/24	Restated 2022/23	2021/22	2020/21	2019/20
	£m	£m	£m	£m	£m
Overall value of guarantees and insurance policies issued and effective:					
New business supported					
– net of reinsurance – Account: Guarantees and Insurance	7,455	4,950	5,458	3,818	3,499
New business supported					
– net of reinsurance – Account: National Interest	333	1	-	-	-
New business supported					
– net of reinsurance – Account: Temporary COVID-19 Support	30	1,114	1,395	6,826	-
Total new business supported – net of reinsurance	7,818	6,065	6,853	10,644	3,499
Amounts at risk – gross of reinsurance – Accounts: Guarantees & Insurance, National Interest and Temporary COVID-19 Support	39,258	39,244	34,393	28,834	21,838
Statement of comprehensive net income:					
Premium income net of reinsurance	296	313	441	330	177
Staff, other administration and operating costs	81	77	66	49	41
Foreign exchange gain/(loss)	(56)	90	45	(138)	55
Net operating income – total	49	332	324	(217)	217
– Account: Pre-1991 Guarantees and Insurance	22	30	18	(4)	57
– Account: Guarantees and Insurance	136	110	157	(104)	88
– Account: National Interest	(149)	11	12	4	(1)
– Account: Fixed Rate Export Finance	-	0	0	0	0
– Account: Direct Lending	17	110	59	(114)	73
– Account: Temporary COVID-19 Support	23	71	78	1	0
Net operating income – foreign exchange – adjusted	104	242	279	(79)	162
Statement of cash flows:					
Claims recoveries – total	118	94	92	70	71
– Account: Pre-1991 Guarantees and Insurance	41	33	30	31	38
– Account: Guarantees and Insurance	77	61	62	39	33
Interest recoveries in the year – total	27	31	25	19	31
– Account: Pre-1991 Guarantees and Insurance	28	28	24	19	29
– Account: Guarantees and Insurance	(1)	3	1	0	2
Claims paid – total	258	122	103	107	8
– Account: Guarantees and Insurance	258	122	103	107	8
Net cash flow from operating activities – total	242	312	576	353	321
– Account: Pre-1991 Guarantees and Insurance	74	62	53	49	67
– Account: Guarantees and Insurance	49	125	428	168	181
– Account: National Interest	35	9	10	38	(11)

	2023/24	Restated 2022/23	2021/22	2020/21	2019/20
	£m	£m	£m	£m	£m
– Account: Fixed Rate Export Finance	0	0	0	0	0
– Account: Direct Lending	84	61	85	98	84
– Account: Temporary COVID-19 Support	60	55	74	23	-
Statement of financial position:					
Recoverable claims before provisioning	683	560	534	600	591
– Account: Pre-1991 Guarantees and Insurance	150	198	240	350	402
– Account: Guarantees and Insurance	533	362	294	250	189
Recoverable claims after provisioning	357	220	184	179	197
– Account: Pre-1991 Guarantees and Insurance	34	69	87	110	145
– Account: Guarantees and Insurance	323	151	97	69	52
Interest on unrecovered claims after provisioning	56	73	87	98	118
– Account: Pre-1991 Guarantees and Insurance	56	73	87	98	117
– Account: Guarantees and Insurance	0	0	0	0	1
Underwriting funds – net of reinsurance	1,719	1,498	1,434	1,283	958
– Account: Guarantees and Insurance	1,403	1,371	1,318	1,182	873
– Account: National Interest	274	85	85	85	85
– Account: Temporary COVID-19 Support	42	42	31	16	-
Recoverable capital loans before provisioning	3,407	3,032	2,808	2,308	1,327
– Account: National Interest	1,000	1,000	1,000	703	-
– Account: Fixed Rate Export Finance	0	0	1	2	5
– Account: Direct Lending	2,407	2,032	1,807	1,603	1,322

Pre-1991 Guarantees and Insurance Account

The main activity related to this account is the administration and collection of the claims paid out against guarantees and insurance policies. All exposure on this account relates to historic claims paid out before 1991, including on insurance issued by the Insurance Services Group of UKEF (which was privatised on 1 December 1991) for which UKEF retains all contingent liabilities.

The decrease in net operating income this year is a result of a small loss on foreign exchange movements this year compared to a gain last year as well as a smaller claims credit this year arising from a lower level of provision reductions – last year there was a one-off provision reduction when an unexpected settlement was negotiated to recover a long-standing claims balance.

The decrease in gross claims this year was due to recoveries. See the Chief Risk Officer's report for further details.

Guarantees and Insurance Account

This account records guarantees and insurance issued for business since April 1991.

Total of guarantees and insurance policies (net of reinsurance) issued and effective during the year:

- 2023/24: £7,455 million
- 2022/23: £4,950 million

Net operating income:

- 2023/24: £136 million
- 2022/23: £110 million

The change in net operating income was largely driven by larger decreases this year in the insurance fund expected losses held for closed years due to a refinement of expectations with regards those facilities currently in claim.

National Interest Account

This account records guarantees and loans issued for business since April 1991 on the written instruction of ministers, which UKEF's CEO and Accounting Officer had advised did not meet normal underwriting criteria.

The significant extant exposure dates back to 2018/19 and relates to support provided for BAE Systems and MBDA UK, for the provision of military aircraft and related equipment to the State of Qatar.

New deals written during the year 2023/24 are in relation to support for exports to Ukraine. See the National Interest Account section on page 43 for further details. Also see the annexes for business supported for further details.

Fixed Rate Export Finance Account

This account is related 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. The scheme closed in 2011 for new business with no remaining exposure.

Direct Lending Account

This account relates to direct lending activity issued in the ordinary course of business since 2014.

UKEF's direct lending capacity for the overall facility is £8 billion. There are 53 signed loans, of which 51 are currently effective.

An additional 6 loans were assessed as impaired in the year ending 31 March 2024, most due to the Ghana sovereign default. 11 loans in total are now impaired.

See note 1 to the financial statements (page 169) for details of the relevant accounting policy.

Net operating gain:

- 2023/24: £17 million
- 2022/23: £110 million

The main driving factor behind this change was a foreign exchange loss of £45 million, compared with a gain of £78 million in 2022/23 (as most of the loans originated were in US dollars).

Net investment return:

- 2023/24: £72 million
- 2022/23: £48 million

This difference is largely due to a greater amortised interest income on the larger portfolio and on some early repayments.

New loans originated (not including facility increases):

- 2023/24: 5 (signed and effective)
- 2022/23: 5 (signed and effective)

In-year loan impairment (excluding unrealised foreign exchange movements) on the portfolio:

- 2023/24: £30 million
- 2022/23: £30 million

Temporary COVID-19 Support Account

This account relates to all business underwritten under UKEF's Temporary COVID-19 Risk Framework (TCRF), which closed for new business from 31 July 2022. See the Chief Risk Officer's report for further commentary on the performance of the TCRF.

Net operating gain:

- 2023/24: £23 million
- 2022/23: £71 million

This change was largely the result of reduced levels of business, as the account is now in run-off.

Financial reporting changes

As outlined in note 1 to the financial statements (page 169), UKEF currently applies International Accounting Standard (IAS) 39: Financial instruments – recognition and measurement.

Although this standard has been replaced by International Financial Reporting Standard (IFRS) 9: Financial instruments, the standard will be effective for UKEF at the same time when IFRS 17: Insurance Contracts becomes effective. This is because UKEF has utilised a temporary exemption from applying IFRS 9.

The International Accounting Standards Board 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 simultaneously. In the public sector, IFRS 17 application has been delayed by two years until 2025/26. Therefore, UKEF, like other central government departments, will adopt this for an annual period beginning on 1 April 2025.

Where UKEF applies IAS 39, the 'incurred loss' model is in effect for impairments. This leads to different results than when applying IFRS 9, which uses the forward-looking 'expected loss' model.

Budgeting framework

UKEF's expenditure is presented in both the Statement of Outturn against Parliamentary Supply (page 150) and the financial statements (page 164).

The financial statements apply IFRS as adapted and interpreted by the Financial Reporting Manual, which is produced by HM Treasury.

The Statement of Outturn against Parliamentary Supply, on the other hand, reports the department's expenditure into different budgetary categories, each with its own control limits that Parliament has voted on.

The total amount a department spends is referred to as the Total Managed Expenditure (TME). This is split into:

- Departmental Expenditure Limits (DEL), which covers spending that is subject to limits set in the spending review. Departments may not exceed the limits that they have been set in this budgetary category
- Annually Managed Expenditure (AME), which covers spending that is demand-led or exceptionally volatile in a way that could not be controlled by the department

Both budgetary categories, DEL and AME, can be further split into resource and capital budgets. Resource budgets capture current expenditure while capital budgets capture new investment and financial transactions. The resource budgets further split into admin and programme budgets.

UKEF's resource DEL admin budget is a token amount (£2,000), with the gross costs covered from the premium income the department receives. The resource DEL programme budget is nil.

The capital DEL programme budget, resource AME budget and capital AME programme budget are all relevant to UKEF activities and set through the supply estimates process.

Explanation of variances between estimate and outturn summary

Parliament sets a limit on the annual amount of resources and capital that UKEF can consume through the supply estimates process.

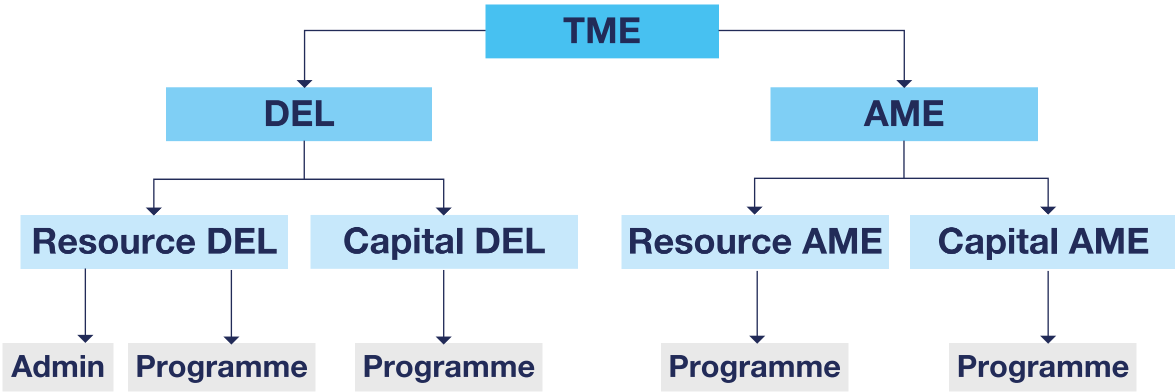
In the absence of any operating income outside the ambit of the supply estimate, UKEF's net resource outturn and net operating cost or income are identical.

UKEF supports export credit loans denominated in foreign currency and, as a result, is exposed to foreign currency exchange risk arising from fluctuations in exchange rates of various currencies.

Almost all of UKEF's premium income arises in currencies other than sterling (mostly US dollar) and net assets are denominated in a variety of currencies, of which the largest is US dollars. As UKEF is not authorised by HM Treasury to hedge exchange rate exposures, ensuring its compliance with Parliamentary-voted control totals can be a challenge.

From January (the last opportunity to adjust voted control totals) to 31 March each year, there is a risk that exchange rates move and reduce net income by more than the headroom agreed with HM Treasury and voted by Parliament.

For further variance explanations, see the Statement of Outturn against Parliamentary Supply on page 150.



UKEF’s supply estimate versus actual outturn for the year 2023/24

	SoPS note	Outturn £’000	Estimate £’000	Variance £’000
Resource budget spending				
Departmental Expenditure Limit	SoPS1.1	-	2	2
Annually Managed Expenditure	SoPS1.1	(48,774)	1,433,343	1,482,117
Net resource outturn and net operating cost/(income)		**(48,774)**	**1,433,345**	**1,482,119**
Capital budget spending				
Departmental Expenditure Limit	SoPS1.2	2,161	2,340	179
Annually Managed Expenditure	SoPS1.2	430,049	1,035,967	605,918
Capital total payments/(receipts)		**432,210**	**1,038,307**	**606,097**

CHIEF RISK OFFICER'S REPORT

Note: this section provides a review of developments in 2023/24. It should be read in conjunction with the Governance Statement on page 111, which describes UKEF's enterprise risk management framework and control environment.

The role of risk management at UKEF is oversight that all risks, including emerging risks, across UKEF are identified, assessed, evaluated and, mitigated where appropriate, and ultimately, reported and monitored across the organisation.

Samir Parkash
Chief Risk Officer

We do this by designing, implementing and constantly reviewing the Enterprise Risk Management Framework such that all risks can be reviewed in a structured, consistent and logical fashion to facilitate sound operational and strategic decision-making.

In addition to strictly defined requirements laid down with the Consent of HM Treasury, UKEF has a defined control environment to help manage and mitigate our risk exposures. Collaboration and risk management go hand-in-hand at UKEF. That's why our Enterprise Risk and Credit Committee (ERiCC) is made up of representatives of all key stakeholders within UKEF, working together to ensure that our primary risks (see risk taxonomy page 59) are appropriately managed, within the suite of policies, procedures and controls, which cover our day-to-day operations.

OPERATING ENVIRONMENT AND MANDATES

HM Treasury consent and risk appetite

Parliament sets a limit on the commitments into which UKEF may enter. This limit is expressed in special drawing rights (SDR), an international reserve asset created by the International Monetary Fund and set at SDR67.7 billion (approximately £71 billion).

UKEF's powers may only be exercised with the consent of HM Treasury. The Treasury agrees a standing consent with UKEF, providing parameters within which we can operate without needing to seek explicit approval, as well as our financial objectives and reporting requirements.

UKEF's financial objectives, set by HM Treasury, are designed to enable us to fulfil our mandate of supporting UK exporters at no cost to the taxpayer while ensuring that credit risk and pricing:

- are managed on the basis that UKEF should receive a return that is at least adequate to cover the cost of the risks it is assuming
- do not expose the taxpayer to the risk of excessive loss
- cover UKEF's operating costs

For the outturn against all our financial objectives for the financial year 2023/24, see page 150.

Financial objectives

1. Premium-to-risk ratio (PRR): the premium we charge must reflect the risk taken. Each month, we must show that the premium charged on the overall business issued, or forecast to be issued in the financial year, will be at least 1.35 times greater than an agreed level of expected and unexpected loss measured for each transaction at the time of pricing.

2. Pricing adequacy index (PAI): the premium we charge must be sufficient for us to operate at no net cost to the taxpayer over time. While the PRR is measured only over the current financial year, our PAI considers a 5-year time scale, applied across three accounting periods:

- the two previous and the present financial years
- the previous, current and next financial years
- the present and the next two financial years – for each period, UKEF must demonstrate that the actual and forecast premium will cover and exceed the cost of doing business – meaning administration costs and an agreed level of possible losses

3. Maximum commitment: the total amount of nominal credit risk exposure that the department may incur; set at £60 billion by HM Treasury (as of 31 March 2023).

4. Risk appetite limit: a form of economic capital limit of £6 billion (as of 31 March 2023).

5. Reserve index: an index that measures whether UKEF has accumulated enough reserves over time to cover its possible credit losses at the 77.5 percentile on its portfolio loss distribution.

Business and premium forecasts are based on the judgements of our underwriters, who draw on transaction pipeline information, market intelligence and the likelihood of transactions materialising within the current or future financial years. We also perform regular sensitivity analyses to supplement these central forecasts and test the robustness of forecast financial performance against our PRR and PAI targets.

These objectives do not apply to our Temporary COVID-19 Risk Framework portfolio or National Interest Account (business issued under Ministerial Direction – see page 43).

Pricing

We set risk-based premium rates for all of our products. Our pricing methodologies and parameters are reviewed annually by ERiCC, endorsed by the board's Risk Committee and agreed by HM Treasury.

An important principle of our pricing is to maintain a level playing field. We therefore operate within the OECD Arrangement (a framework for the orderly use of officially supported export credits) where it applies. This requires all ECAs to charge risk-based premiums sufficient to cover their long-term operating costs and credit losses. This mirrors the WTO Agreement on Subsidies and Countervailing Measures, which classifies export credit guarantee programmes that do not cover their long-term operating costs and losses as 'prohibited subsidies'.

The Participants to the OECD Arrangement reached an agreement in 2023 to modernise the arrangements after several years of negotiations. The agreement aimed to achieve more flexible financial terms and conditions for all sectors and included the introduction of new term-adjusted minimum premium rates.

It is also our objective to support UK exporters' competitiveness, and it is our policy to set the lowest possible premium rates.

In doing so we take into account:

» the minimum rates set out by the OECD (where applicable – and in practice, the vast majority of our medium/long-term transactions are priced at these rates).
» our international obligations, including subsidy rules
» the expected loss of the associated transaction
» aggregate premiums satisfying our financial objectives

Economic capital and the risk appetite limit

Economic capital is a measure of risk based on potential future losses. It can be considered as a buffer to cover unexpected losses over a defined future period at a specified confidence level. Economic capital is how we measure usage against our risk appetite limit.

Expected loss is a calculation of anticipated average loss over a defined period, based on historical experience. Expected losses essentially represent a 'cost of doing business', implying that when a financial institution assumes credit risk, it should always seek to charge an amount at least sufficient to cover the expected loss associated with the relevant loan, guarantee or insurance policy.

Unexpected loss accounts for the potential for actual losses to exceed expected losses, reflecting the uncertainty inherent in calculating future losses. Unexpected loss will tend to increase if a portfolio has high risk concentrations and/or the risks in the portfolio are strongly correlated. UKEF defines unexpected loss as the difference between the portfolio expected loss and the 99.1% value of the loss distribution.

The risk appetite limit set by HM Treasury means that UKEF must manage its credit risk-taking activities such that total losses, as modelled by our portfolio risk management simulation model, will not (with a 99.1% degree of certainty) exceed £6 billion. In other words, at no time should portfolio expected loss, plus provisions against claims already paid, plus portfolio unexpected loss, exceed £6 billion. (This limit excludes business transacted in our Temporary COVID-19 Support Account or, under Ministerial Direction, in our National Interest Account).

Risk taxonomy

The UKEF enterprise risk management framework sets out how risk is consistently managed by the business across all primary risk categories and how the oversight of the risks is undertaken via the three lines of defence.

UKEF is exposed to various risks in the achievement of its business objectives. These risks can be a result of both internal and external factors. Our enterprise risk taxonomy identifies six primary risk categories. These provide senior management with a structured approach to managing known and emerging risks across UKEF. Each primary risk is owned by a member of the Executive Committee (or in some cases two members), who has executive oversight of that risk and is responsible for managing it within UKEF's risk appetite. Some of the risks UKEF take support our business plan, for example credit risk. Other risks are inherent in the business activities that we undertake, such as operational risk and the risk of fraud or error. However these risks are managed via the embedded control framework that operates across the department.

We consider conduct, culture and reputational risks on a transversal basis rather than as a separate risk type, as these risks can crystallise as a cause of any of the risks in our Taxonomy. UKEF's six Primary Risks are:

Primary Risk	Definition
Strategic and business risk	The risk of direct or indirect loss arising from the suboptimal business strategy or failure to respond positively to changes in the business environment.
Political risk	The risk that political decisions, events or conditions will have a significant impact on the department's strategic objectives and priorities.
Sustainability risk	The risk that UKEF's activities undermine its sustainability commitments or compromise its current and future license-to-operate.
Financial Risk (including credit and market risk)	The risk of claims being made against UKEF, and of it suffering ultimate loss arising from defaults by counterparties against which UKEF has a financial exposure. The risk of financial records not being adequately maintained.
Compliance and legal risks	The risk of being exposed to censure, financial loss, civil or criminal proceedings due to failing to comply with applicable laws, regulations or legal obligations.
Operational risk	**People:** The risk that ineffective leadership and engagement, insufficient capacity, capability and availability of staff, or inadequate management and support negatively impact performance.
	Process: The risk that inadequate design, documentation, oversight or non-compliance results in ineffective or inefficient internal processes.
	Infrastructure and cyber: The risk of inadequate IT systems, physical assets and data/information records and security, or other failures lead to harm, insufficient resilience, integrity and assurance.

The risks that UKEF manage can change quickly in the environment that we operate in. Therefore, we actively review and enhance our enterprise risk management framework and policies to ensure they remain dynamic and appropriate for the risks under management. We proactively undertake horizon scanning to assess the internal and external risk environment and consider our risks with both a forward view and lessons learned. Each risk type has an appropriate risk monitoring and reporting structure with responsibility to a designated committee.

More detail on UKEF's governance and internal control environment, including risks related to the performance of internal controls, can be found in the Governance Statement on page 111. Also, note 18 to the Financial Statements on page 196 describes the nature and extent of the risks for UKEF arising from financial instruments and insurance contracts.

Financial risk management

Credit risk is the principal source of financial risk for UKEF. We would note however that hedging of foreign exchange risk is outside the terms of the UKEF mandate, as agreed with HM Treasury. An account of UKEF's exposure to these risks is included in note 18 to the Financial Statements on page 196. With the Consent from HM Treasury, UKEF is obliged to comply with a number of financial objectives and risk policies, procedures and individual risk methodologies (all as agreed with HM Treasury) which determine how we assess, measure, manage and report the categories of credit risk to which we are exposed.

All material credit risks must be approved by the CEO, ERiCC or a designated member of the Business or Risk Management Groups with the appropriate delegated authority. Further, UKEF may not give an individual commitment in excess of £200 million without the agreement of HM Treasury. Once approved, we regularly monitor credit exposures at both the portfolio and individual transaction level. We also meet with our largest corporate and sovereign counterparties to discuss any risks.

ERiCC oversees portfolio-level monitoring, keeping the average weighted, portfolio credit rating firmly in mind. This includes stress testing and scenario analysis every six months and a monthly review of portfolio movements, particularly focussing on exposure, expected loss and unexpected loss changes. Monthly management information reports the performance of the credit portfolio against our financial objectives. Detailed portfolio packs are presented to the Risk Committee on a regular basis.

We regularly update the ratings allocated to sovereign and individual counterparties, informed by meetings and research, which then feed through to the transactional level.

Where these ratings become stressed, UKEF maintains 'watch lists' of counterparties. Were the counterparty to become so stressed where a significant increase in credit risk has occurred or is expected, or if the credit of a non-sovereign borrower deteriorates such that UKEF might reasonably expect to pay out under a guarantee or insurance policy, the risk is managed by a dedicated unit within the Risk Management Group.

Risk concentrations

Given UKEF's role, it is inevitable that we will have risk concentrations in our portfolio.

Our portfolio modelling quantifies those concentration risks and helps to determine the maximum amount of exposure UKEF might assume on a single counterparty or group of related counterparties.

ERiCC will only consider approving a case or making a positive recommendation to the CEO if it is satisfied that a given level of credit exposure calculated using this modelling will not threaten any of the department's financial objectives.

Practical means of reducing risk concentration include reinsurance and counter-guarantees from the private (re) insurance market, as well as from other ECAs. UKEF may seek (re)insurance when it is acting as lead ECA in a transaction where goods or services are sourced both from the UK and from other countries.

Portfolio modelling

UKEF uses its own portfolio risk simulation model to model credit risk at the portfolio level and to produce portfolio loss distribution curves. We also use the model:

- to carry out stress testing
- to simulate the extent and timing of potential cash outflows as a result of claims payments
- to inform cash flow forecasts
- for liquidity management

Modelling assumptions

Our portfolio modelling (via the portfolio risk simulation model) operates under a range of assumptions, including correlation matrices and credit default behaviour. It is essential to keep these assumptions as up-to-date and as robust as possible. We do this through a regular review process, re-examining each assumption every three years. Each review is accompanied by a report to ERiCC, with recommendations for action as appropriate.

We are also working toward UKEF's compliance with the IFRS9 financial reporting standard, as part of the wider FRC transformation programme (refer to the CFOO report for more details and note 1 in the financial statements). This has been our main focus of model development in 2023/24. IFRS9 requires us to incorporate a (or identify an existing) forward-looking component into our risk modelling, using forecasts of macroeconomic variables. This means that we have looked at each area of our existing portfolio modelling suite and developed new approaches and applications, where required and proportionate, using a wide range of data sources, transformations and econometric techniques.

IFRS9 also requires us to reappraise our modelling assumptions, including that we use best estimates – an unbiased evaluation of a range of possible outcomes – and not just overly conservative scenarios. One result this year has been that we have switched from using worst case to central scenarios for aircraft valuations when modelling risk in our aircraft portfolio. This has generally meant a small reduction in our view of the risk in our aircraft exposures, though the effect is moderated by the degree to which each exposure is collateralised, and we continue to charge premium on new deals in compliance with the OECD Arrangement Minimum Premium Rates.

We also use modelling to inform our approach to sovereign risk assessment and setting sovereign risk parameters. While our rating approach is described below, we have this year updated our approach to estimate loss given default and persistence of default (how long we assume a defaulting sovereign will take to return to cure their debts), based on thorough research of historic default experience and academic literature on modelling methods. We have implemented the new approach, following thorough quality assurance and approval from ERiCC. We continue to review and update our models regularly, in line with our policies, reflecting new data and the latest modelling techniques.

Stress testing and scenario analysis

Our policy is to stress test our credit portfolio extensively every six months. We use adverse scenarios to test for potential weaknesses in our portfolio. These scenarios are designed to reflect potential emerging risks, such as a geographic crisis or a collapse in oil prices, and more generic shocks, such as a 3-notch rating downgrade of sovereigns and corporates across the portfolio. We monitor the risk environment throughout the year, and the composition of our portfolio, and adapt our scenarios and stresses accordingly.

As 2023/24 began the world economy was adjusting to the new, higher interest rate environment. Inflation began to subside, albeit from very high rates, but the higher interest and debt servicing costs were a challenge for many debtors, particularly those who had expanded their balance sheets to get through COVID-19 and the global recession. The focus of our scenario development was therefore on the potential for interest rate pressure to materialise into losses in our portfolio – whether through heavily-leveraged sovereign debtors in Africa, or corporates here in the UK. We also considered the potential for geopolitical risk to evolve into a wider deterioration in global co-operation, leading to polarisation, reduced supply chains and greater chance of conflict in areas of historic tension. By the end of 2023, given the conflict in Gaza, we were also considering the potential for that conflict to spread across the region.

We turn our scenarios into associated credit risk parameters, such as sovereign or corporate risk ratings, and analyse their impact on our portfolio, and consequence for our risk appetite limit (RAL) and our Reserve Index (both are financial objectives in our HM Treasury Consent). ERiCC considers the results and appropriate response, which could include Active Portfolio Management. This year we have found that we remain largely within our limits even after applying various degrees of stress to our portfolio – helped particularly by the increase in the RAL at the start of the year.

And lastly, we continue our progress in building UKEF's climate risk management capacity to help implement the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations. This includes our climate stress testing models and scenarios exploring both the scale of impact of climate change, and the speed with which its impacts are felt. We estimate portfolio impacts from our climate scenarios as part of our stress testing cycle, though we note that the modelling technology is still relatively nascent – there are few observations of climate/risk events to use, and the techniques are still evolving – and our interpretation of the results is mindful of that.

Climate risk management

On page 84 is UKEF's fourth report following the recommendations of the TCFDs, which provides a full overview of how UKEF identifies and manages climate related risk and opportunities.

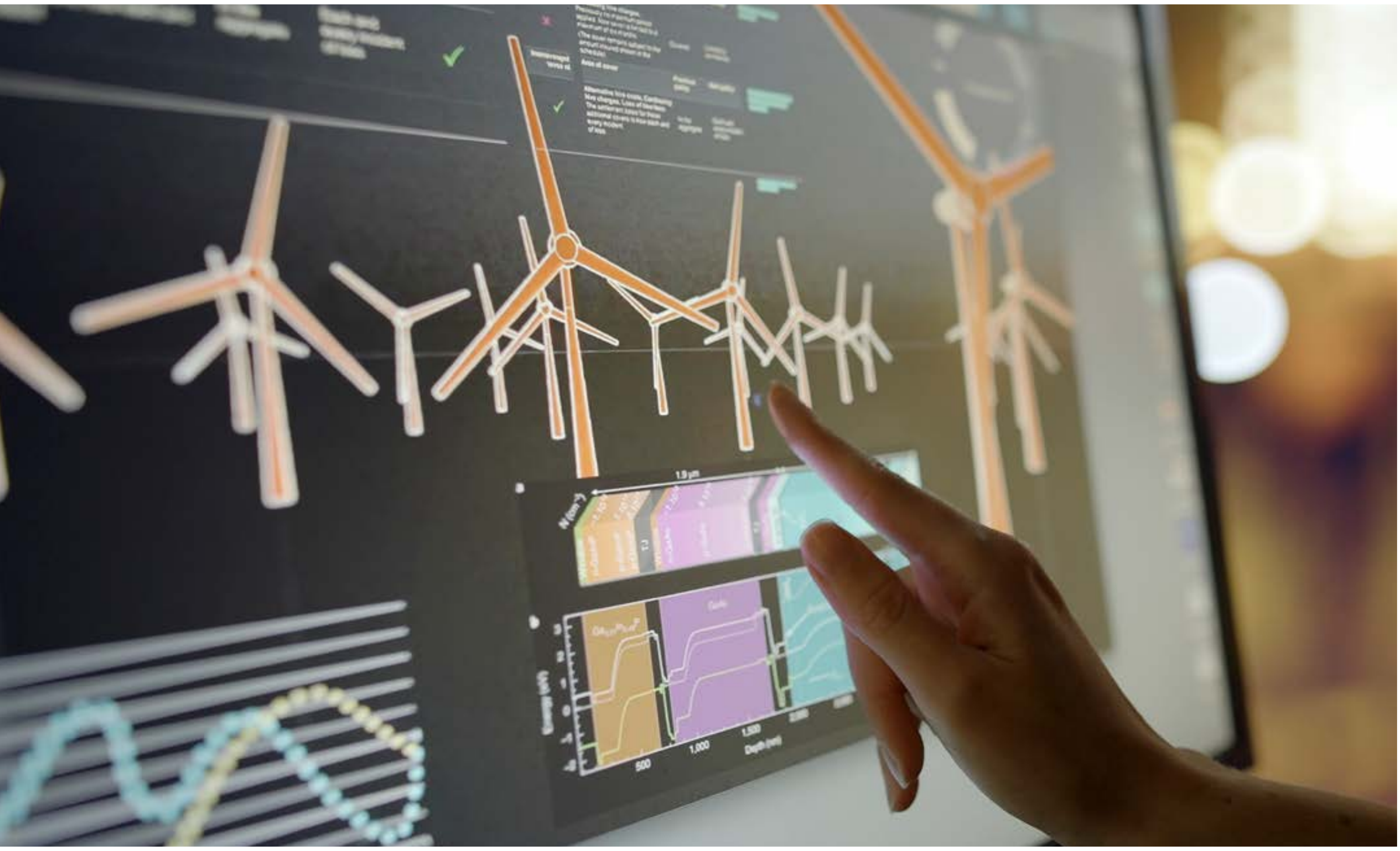
In this section, we discuss how UKEF manages climate-related credit and financial risks, and how it integrates climate risk management into its established credit risk policy. We also cover UKEF's approach to assessing and mitigating climate risks in transactions, the implementation of HMG's fossil fuel policy, and UKEF's efforts to manage climate risks at a portfolio level.

As part of UKEF's climate risk management, we engage on individual transactions regarding climate-related credit and financial risks and manage the climate risk portfolio stress testing and analytics. Over the year we have further enhanced and integrated climate risk management into UKEF's established governance.

Our climate risk management continues to assess transactions, both at the initial approval stage and throughout the life of our financial support. At approval, the analysed climate risks and mitigating actions of transactions are considered in capital structure, tenor, and collateral, and UKEF will seek legally binding commitments and obligations from its obligors under its supported transactions. The residual climate-related credit risk is captured in probability of default and loss given default, which are both monitored in regular reviews throughout the life of our financial support and stress tested regularly. Over the past year we further enhanced our approach for reviewing sovereign transactions.

Not all climate risks can be mitigated. However, to manage these risks we conduct semi-annual stress testing exercises that identify insights into emerging risks and possible mitigating action, which provides strategic insights. Over the last year we further developed our climate risk stress test model which uses Network for Greening the Financial System scenarios – we further improved the level of details of results by desegregating economic sectors and improving the geographic coverage, while methodologically strengthening the model.

UKEF has further developed its climate risk management capacity this year and strengthened its Climate and ESG Risk Management. The Team has made good progress in further developing our tools and obtained assurance for UKEF's Climate and ESG Risk Management, and strengthened our climate and ESG-related risk management governance across the three lines of defence.



ASSESSING RISK

Assessing credit risk

We use the following credit risk assessment process (where not delegated to partner banks and financial institutions) to estimate expected loss.

1. We assign a risk rating (from AAA to D) to all UKEF's credit risks to reflect estimated probability of default. These probabilities are updated at least annually, using S&P's nomenclature.
2. We estimate the loss given default: how much we stand to lose if the counterparty defaults, expressed as a percentage. Corporate and project finance loss given default assessments are conducted on a case-by-case basis, considering security, priority ranking, recovery prospects by market and likelihood of restructuring, sale or liquidation.
3. We estimate exposure at default: the credit risk exposure we have at the time of default.

We also closely monitor unexpected loss, which is integral to our assessment of credit risk appetite.

Assessing sovereign risk

We assess each country in which we have an actual or potential credit exposure and use this assessment to assign a credit rating, from AAA (highest) to D (default, lowest).

Our sovereign risk assessment framework is aligned with the one that Fitch, Moody's and S&P use. In addition, UKEF's framework is supplemented by a range of external materials, as well as cross-Whitehall forums, local UK diplomatic representatives, triannual OECD country risk expert meetings and country-specific visits, including meetings with a wide range of stakeholders.

In the case of sovereign risk, persistence of default is also included in the calculation of potential loss. Based on empirical research, persistence of default (the estimated duration of a country's default) is calculated as a function of its per capita income, the severity of indebtedness and whether the default is a liquidity event or substantially more material.

Where no external credit rating exists, we typically use a World Bank-derived credit rating model, supplemented by analyst judgement and peer comparisons. In all instances, credit ratings are reviewed by senior management and approved (as appropriate) by ERiCC.

ERiCC systematically reviews UKEF's country limits and associated cover policies. Our sovereign credit risk economists also hold in-country meetings with all of our largest sovereign counterparties. We also maintain a sovereign watchlist, which is designed to pick up deterioration of sovereign credit quality within review periods.

Exposure Management Framework

Our Exposure Management Framework sets individual, country-level limits based on the following principles:

- countries with higher levels of credit risk will have lower limits
- the larger a country's economy (as measured by its GDP), the higher the potential limit

- country limits are set relative to UKEF's notional capital (our risk appetite limit, of £6 billion) and are consistent with its financial objectives
- the maximum country limit is £6 billion (excluding the UK, which is our home market)

This year we increased our maximum country limit, to £6 billion from £5 billion in 2022/23, to match the increase in our risk appetite limit from £5 billion to £6 billion at the end of 2022/23. We then refreshed all our country limits correspondingly, and in line with the principles above.

Active portfolio management

Our active portfolio management strategy aims to reduce concentrations of risk in our portfolio to decrease the likelihood of idiosyncratic losses.

It also creates headroom under country limits to support more UK exporters. Under this programme, UKEF can buy facultative reinsurance from the private market, subject to cost-benefit analysis and positive value for money. Transactions are put to the market and bid against by the providers. UKEF reviews each bid for value for money, and other relevant factors. UKEF can then approve or reject the risk transfer.

During 2023/24, UKEF were active in the private insurance market for a selection of transactions. Our portfolio is monitored for appropriate transactions which can be placed in the private market.

Engagement with the Paris Club and the G20 on sovereign debt sustainability and restructuring

The Paris Club is an informal group of official creditors that co-operates on sovereign risk monitoring and sovereign restructuring operations. Its decisions are not legally binding, but its members (including the UK) are committed to implementing its consensual decisions in line with principles of solidarity, consensus, fair burden sharing and information sharing; and in partnership with the IMF's programmes of policy conditionality. UKEF attends Paris Club meetings and negotiations, supporting HM Treasury's Head of UK Delegation.

The COVID-19 crisis provided an urgent need and an opportunity for the Paris Club and G20 to formally co-ordinate on debt. The Debt Service Suspension Initiative (DSSI) was agreed by the G20 and the Paris Club in April 2020, and took effect between 1 May 2020 and 31 December 2021. The initiative provided a temporary suspension of debt-service payments to eligible countries on debt owed to G20 and Paris Club creditors. In recognition of the fact that many low-income and lower-middle-income countries will require deeper debt restructuring following the end of the DSSI, the G20 and Paris Club agreed in November 2020 to a new Common Framework. Sovereign defaults that lead to debt restructuring agreements through the Paris Club or Common Framework are managed by the Risk Management Group, working in conjunction with HM Treasury (which leads the government's sovereign debt function). Paris Club developments are monitored by ERiCC, which must approve any provisions or impairments made against this exposure. During the financial year, UKEF received recoveries totalling £69.1 million from countries which continued to make payments under their UK Paris Club debt agreements.

In September 2023, as part of a multilateral effort of Ukraine's Official Sector Creditors, UKEF agreed to extend the ongoing debt service standstill until the end of Ukraine's IMF programme in 2027. The relief captures a UKEF direct lending facility that financed the provision of medical equipment to the Government of Ukraine in 2022. The operation will provide the Government of Ukraine with further capacity as it finances its defence against Russia's illegal and unprovoked invasion.

In October 2023, G20/Paris Club creditors finalised the terms of a debt restructuring agreement with the Government of Zambia. This comprehensive debt restructuring will amend the payment schedule under a UKEF direct lending facility, financing the construction of critical hospitals and medical clinics across Zambia – the project itself has not been significantly disrupted by this process. The Government of Zambia has committed to seeking a treatment at least as favourable from all its other official bilateral and external commercial creditors. In March, the Government of Zambia announced a comprehensive and comparable restructuring deal with its international bondholders.

In January 2024, the G20/Paris Club and the Government of Ghana reached an agreement-in-principle on the headline terms of a debt treatment, consistent with the objectives of Ghana's ongoing IMF-supported programme. This agreement-in-principle facilitated the release of around $600 million of further IMF-programme financing and set the stage for continued negotiations between Ghana and the G20/Paris Club on the full and final terms of the agreement. UKEF is working closely with partner UK exporters working in Ghana with projects that have been disrupted by Ghana's sovereign default.

In March 2024, the Paris Club and the Government of Somalia reached consensus on a debt cancellation following the country's achievement of Completion Point under the Heavily Indebted Poor Countries (HIPC) Initiative. Paris Club creditors committed to cancel around $2 billion in nominal terms, representing 99% of the debt owed by the Government of Somalia to the Paris Club. Under the agreement, UKEF will cancel approximately £24 million, which combined with the approximately £44 million UKEF cancelled in 2020 at Somalia's HIPC Decision Point, means UKEF has now cancelled 100% of the debt owed to it by the Government of Somalia. The fiscal space provided through this debt relief will be used for priority areas such as health, education and infrastructure. The Government of Somalia has committed to seek a treatment at least as favourable from all its other official bilateral and external commercial creditors. It has also undertaken to implement a comprehensive poverty reduction strategy and an ambitious reform programme to create the foundations for utilised sustainable and inclusive economic growth.

A final draft of the MoU detailing the terms of the restructuring, was sent to the Government of Sri Lanka at the end of March 2024. Under the terms of this restructuring, Sri Lanka must disclose details of its other restructurings to all creditors and the Paris Club is seeking similar disclosure of the other restructurings agreed. The MoU is being updated to include appropriate disclosure wording and it is expected that this will be finalised shortly.

Information-sharing by creditors is a crucial component of promoting debt sustainability. The UK, as a creditor to other national governments, is committed to adhering to the highest standards of debt transparency. As part of the UK's commitment to the G20 Operational Guidelines for Sustainable Financing, UKEF has, since March 2021, published quarterly reports on any new issued and effective sovereign direct lending, sovereign called guarantees or finalised bilateral Paris Club restructuring agreements. The reports capture granular loan-by-loan data, including its use, beneficiary, amount, tenor and type of interest rate. The publications complement HM Treasury's annual report on the outstanding stocks of debt owed by other countries to the UK (including UKEF and FCDO), aggregated on a country-by-country basis.[12]

From April 2023, UKEF began offering Climate Resilient Debt Clauses (CRDCs) in its direct sovereign lending. The clauses offer low-income countries and small island developing states the ability to defer debt repayments in the event of a severe climate shock or natural disaster. To encourage other creditors to adopt CRDCs in their own sovereign lending, in June 2023 UKEF published the legal text of its template CRDC on GOV.UK[13] and UKEF CRDC policy-leads regularly meet with partner creditors to provide technical advice on adoption policies. This work is part of UKEF's broader ambition to embed climate change into our decision-making in line with our Sustainability Strategy.

Assessing corporate, SME and project finance risk

Risk assessments for our corporate (which includes aircraft financing) and project finance transactions are principally based on S&P credit rating methodologies supplemented by subjective, judgemental overlays from our team of analysts (including benchmarking against peers or other rating methodologies if appropriate).

Where support is for smaller direct UK exporters – typically small and medium-sized enterprises (SMEs) – we operate a tiered assessment system, generally dictated by the level of the request. Smaller requests within defined limits are fully managed through delegated authority to approved banks and financial institutions on behalf of UKEF. Assessments for larger requests are assessed through a combination of a bespoke streamlined methodology and the S&P credit rating methodology for SMEs. For each assessed transaction, we combine rating frameworks with the analyst judgement, based on public data and information gained through company meetings. Here again, the individual analysts' judgement is particularly important when it comes to qualitative factors, such as management, environmental and social factors, climate change and corporate governance. Where available, we benchmark the resulting credit ratings against industry peers and other relevant market metrics.

Exposures within this area are monitored through a combination of internal annual reassessment, and contractual periodic reporting requirements for the delegation-approved banks and financial institutions.

12 All reports are available here: www.gov.uk/government/collections/uk-lending-to-national-governments
13 www.gov.uk/government/publications/climate-resilient-debt-clauses

The banks and financial institutions are also subject to periodic audits of their operations under the delegated authority scheme. Geo-political events, throughout the financial year, continue to impact corporate and sovereign cash flows and liquidity profiles with resulting consequence on leverage. As such, the Risk Management Group remains focused on cash flow generation and capital structure profiles and more recently, on debt service and interest cover multiples noting significant and persistent increases in global interest rates over the last 12 months.

Assessing financial counterparty risk

UKEF closely monitors its financial counterparties, including banks, insurance companies, funds, aircraft operating lessors and other non-bank financial institutions (NBFIs).

All UKEF transactions require a bank or NBFI, whether as lender, guarantor, security trustee or payment and collection agent. We assess all such counterparties to make sure they meet our minimum credit, compliance and climate risk management standards set out in our policies. They can only be approved under specific delegated authority or, where applicable, by ERiCC.

Our portfolio of insurers has been approved to facilitate our active portfolio management programme. This is where UKEF purchases insurance from the private market, subject to strict requirements, to reduce portfolio risk concentrations, decrease the likelihood of idiosyncratic losses, and/or free up headroom in country limits to support more UK exporters.

UKEF's panel of insurers was refreshed and expanded during the year. We require all insurers, including general insurers and Lloyd's syndicates, to have a minimum A- equivalent credit rating and acceptable IT security arrangements. Exposure limits are established for each individual insurer. We remain vigilant to the impact of future events on the industry, particularly climate change. All UKEF panel insurers, either directly or via the Lloyd's market, have made long-term commitments to carbon reduction which exceed current regulatory requirements.

2023/24 RISK PERFORMANCE

In 2023/24, our customers and portfolio faced continued pressure from heightened geopolitical risks, increased debt levels and high interest rates. There has been some mitigation from the strength of the recovery in the global economy, which was far from certain at the start of the year. Stronger economic growth in a few countries and sectors has helped some of our obligors rebuild their balance sheets, particularly in the aerospace sector and hydrocarbon-exporting sovereigns. Our portfolio quality has remained satisfactory overall, with substantial new commitments and weighted average credit rating of BB- (no change from the previous year)

However, many corporates, and particularly sovereigns, continue to struggle with debt accumulated through the pandemic and recession. Efforts to control inflation are beginning to work, but with varying success, and interest rates will only come down when inflation returns convincingly to central banks' targets. We continue to see signs of stress particularly in our sovereign portfolio, with 10 downgrades through the year. Although there were fewer downgrades than last year (versus 24 in 2022/23), we expect pressure on our most indebted sovereign customers to continue into 2024/25. For many the timing of interest rate cuts in 2024/25 will be crucial, when they finally arrive, particularly where they have substantial debts to refinance.

Portfolio trends

UKEF's strong growth in 2023/24, issuing £8.8 billion of new business, has brought our portfolio above £50 billion of commitments for the first time. This was enabled by the timely increase in our Maximum Commitment Limit to £60 billion by HM Treasury at the end of 2022/23. Our portfolio has grown significantly over the last 5 years. This has meant more exposure to risk, although our average portfolio credit quality has remained relatively stable (barring moderate deterioration through the pandemic). This is a significant success, for UKEF and the exporters we support, and allows us to continue to grow our support for UK businesses as they navigate challenging operating environments. We will continue to manage our system of portfolio limits – a significant part of our risk management framework – to enable this success to continue in a sustainable way and be consistent with the direction of our HM Treasury Consent.

Our EDG continues to be a major source of growth, contributing approximately £3 billion to new business in 2023/24. Our EDGs provide direct working capital support for UK exporters and are slightly better risk quality than our overall portfolio (though some of our existing EDGs have begun to show signs of stress via rating downgrades). This year, as our experience of this market has grown, we have further calibrated our product design to ensure we achieve maximum benefit for the UK economy with commensurate control.

EDGs also have had the indirect benefit of diversifying our portfolio geographically and across industries, which means we are making more efficient use of our risk appetite limit (diversification reduces correlation between the risks in our portfolio, and therefore our RAL consumption for a given amount of business issued). Our UK and EDG growth has helped address a long-standing issue of regional concentration, with the Middle East share of our exposures falling from 49% to 20% since March 2020.

We also saw significant growth this year in the project finance and renewables area, with new notable transactions supported in the Wind, Solar and Electrical Vehicle Battery manufacturing sector. UKEF is pleased to be at the heart of the energy transition and renewables growth, but the new technology involved brings new challenges for risk management and assessment given the overlap of this business with focal points for geopolitical tension, such as Taiwan, and increased project complexity.

Geopolitical risk is a growing concern for our portfolio and the global risk environment. We have direct exposure to Ukraine, a focal point for geopolitical tension, largely via our National Interest Account. However, we are also seeing growing interest in support for defence business from well-rated sovereigns in Eastern Europe. We expect this trend to continue through 2024/25. From a risk perspective, this will have a positive impact on our portfolio credit quality and sectoral diversification.

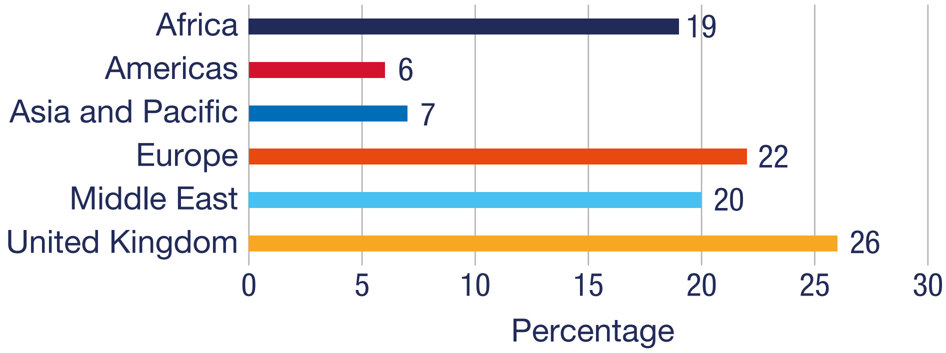
We have also seen very strong growth in our short-term trade finance business, through our General Export Finance product, which has grown into a portfolio of £0.8 billion. This is a delegated product: we operate through (and on a risk-sharing basis with) banks and other non-bank financial institutions, who administer controls on credit quality on our behalf (see 'Assessing corporate and SME risk' on page 68 of this report). For this product, our counterparts are mostly small businesses, with relatively modest exposures.

This brings benefits – extending our reach and impact across the UK economy and geographically. We recognise that it is important for UKEF to support more of these businesses, especially during challenging times.

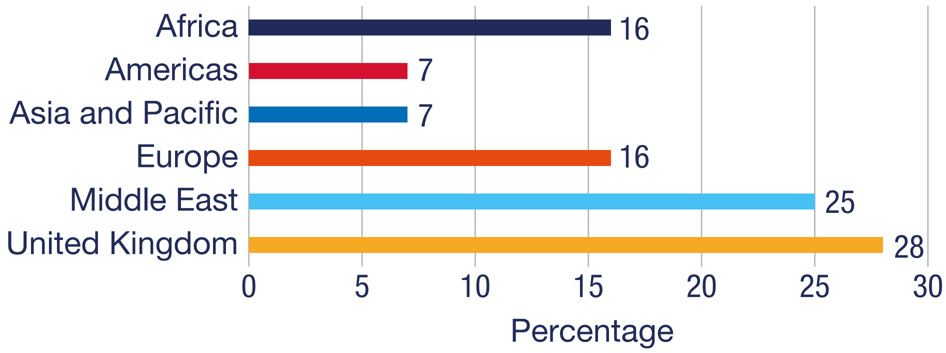
However, it also presents challenges from a risk management perspective that we must manage. Higher interest rates and weakening demand are a major pressure for all corporates, but particularly SMEs, who have fewer options for accessing liquidity and may previously have benefitted from COVID-19 support schemes. This has fuelled a steady rise in corporate insolvencies, which in 2023 reached their highest level for 30 years. While we are starting to see some signs of distress and claims in our own portfolio, the current impact on UKEF has remained limited.

Regional breakdown of net amount at risk

31 March 2024

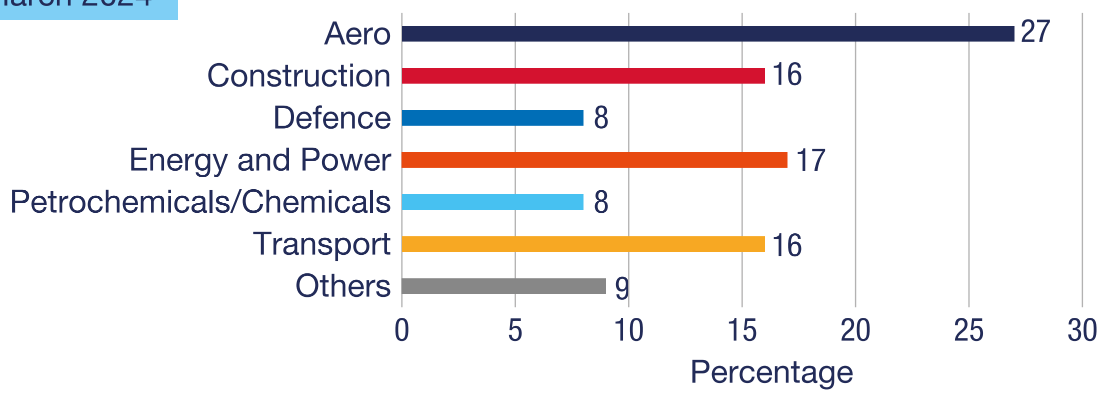


31 March 2023

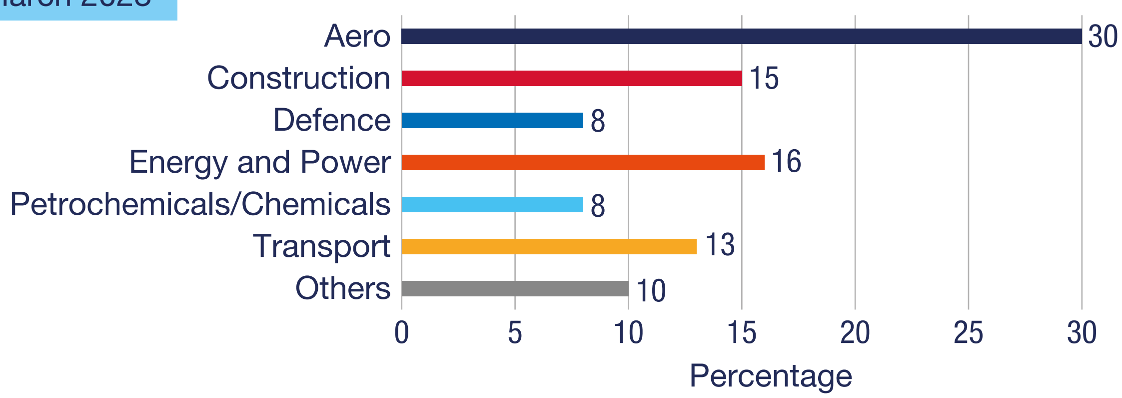


Sector breakdown of net amount at risk

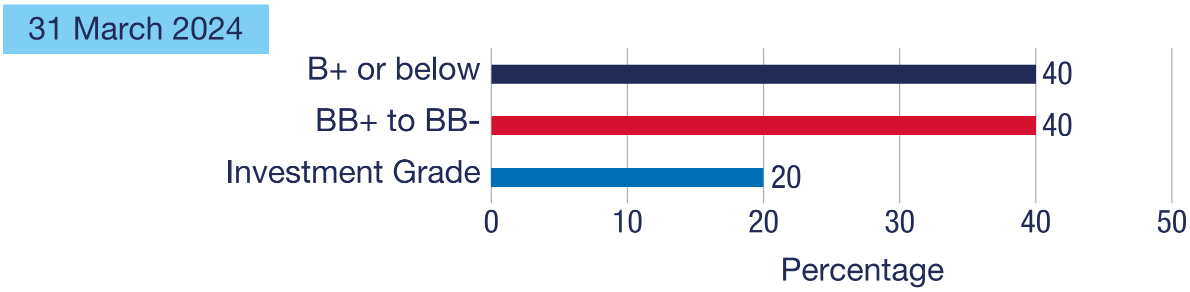
31 March 2024

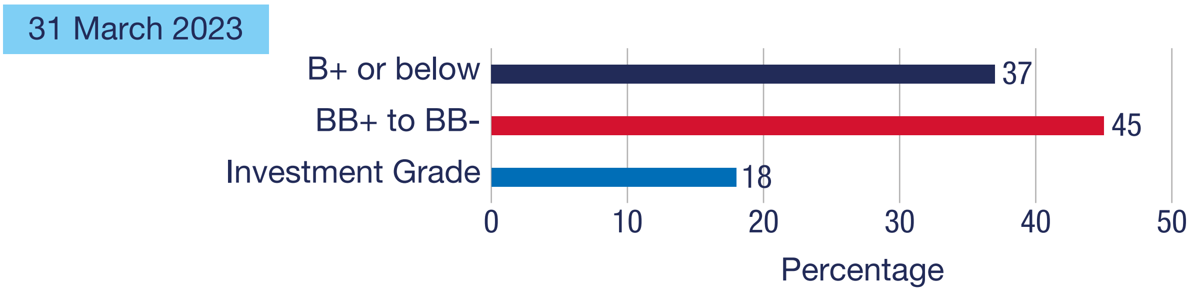


31 March 2023



Amount at risk (net of reinsurance) by credit rating





Despite some positive trends in the overall portfolio, particularly our continued growth without aggregate credit deterioration, there is no room for complacency. While inflation has fallen since the beginning of the year, the anticipated interest rates cuts, which will be essential to the prospects of some our most indebted customers, have yet to materialise. We anticipate increased negative credit rating pressure on some of our most indebted, and already stressed sovereign and SME counterparties and cannot rule out further defaults, with resulting claims and losses. Geopolitical volatility continues, manifesting through the continuing war in Ukraine but also the escalating conflict in the Middle East, and increased country-specific political risk via a number of coups, especially in West Africa. We will continue to monitor these challenges and mitigate their impact on our portfolio, where possible.

Finally, we are pleased to report that UKEF's Temporary COVID-19 Relief Facility (TCRF) has continued to perform well, with our aero exposures improving substantially in credit quality.

Many of our TCRF customers have also chosen to repay or refinance their facilities, and together with run-off, this has reduced our aggregate TCRF exposure to £3.6 billion, from £7.9 billion at the start of the year. We expect this trend to continue into 2024/25.

Claims and recoveries overview

Where it is practical and represents value for money, UKEF will restructure corporate debt to enable the counterparties to continue to trade out of the crisis. By reviewing and responding to restructuring proposals in-house, we have been able to avoid defaults and claims payments, minimise loss, and ultimately return greater value to the UK taxpayer over the longer term. However, it is inevitable we will pay claims given the business we are in particularly during tougher economic conditions. We operate in a counter-cyclical manner and support to our exporters carries on through the course of economic cycles, in a risk-contained manner.

We have a strong track record of managing claims and recoveries across our portfolio. Using experience gained from previous downturns, we quickly responded to the heightened claims environment caused by the economic consequences of COVID-19, and the subsequent economic shocks of the Russian invasion of Ukraine. These shocks impacted all of our supported sectors.

Operationally we have made some changes to streamline and enhance our capability. The Special Situations Division which was formed in June 2020 to deal with the particular impact of the crisis on UKEF's aerospace book has now been wound up after successfully restructuring 96% of the portfolio in under three years. That division, and its unique skill-set, is now incorporated into the wider Restructuring, Claims and Recoveries Division (RCRD). RCRD has a wide-ranging remit across all of UKEF's distressed cases now encompassing all of aerospace, sovereign, project finance and corporates (including SMEs).

Claims: the year in numbers

Over the course of the financial year, UKEF paid a total of 124 individual claims, amounting to a (net of reinsurance) outflow of £177.8 million when accounting for foreign exchange differences. Outstanding claims paid on our Guarantees and Insurance Account, our primary account for business issued after 1991, increased year on year to £727 million at 31 March 2024 (from £547 million in 2022/23).

Aerospace

We paid 58 repeat claims on airline counterparties that defaulted over the COVID-19 crisis, namely Air Asia X, Thai Airways, Avianca, Norwegian Air Shuttle and Malaysia Airlines (MAB) totalling £67.5 million. The UKEF aero recovery team reduced the number of distressed and defaulted aircraft in its portfolio from 119 in June 2020 to 14 at the time of print by either negotiating complete cure settlement agreements or selling the relevant aircraft to recoup 100% of the claims paid. The RCRD team continues to make significant progress in mitigating losses with the balance of repossessed aircraft (see page 77 below) and their efforts in this space were widely recognised as both ground breaking and market-leading successes.

Sovereign

As a continuing consequence of the sovereign defaults over the past two years, we paid 41 claims across our distressed sovereigns, totalling £91.5 million made up of claims in Sri Lanka £29.4 million and Ghana £62.1 million.

We also still hold some outstanding claims, subject to recovery, on business issued and defaulted before 1991. Almost all of the £612 million of outstanding claims paid on this business (down from £675 million in 2022/23) refers to sovereign exposure subject to previous Paris Club restructuring agreements.

Historic sovereign exposure in Zimbabwe still makes up a considerable part of this total exposure at £308 million. The Government of Zimbabwe has continued to make token payments on its official sector debt (which is entirely in arrears).

Corporate

We have seen an uptick in corporate claims (albeit from a very low historic base) reflecting the challenging economic climate both domestically and internationally. We paid a total of 27 in corporate claims of which eight were in respect of defaults by UK SMEs.

In the small deals space overseen by our Strategic Sectors Division (where we support smaller loans to overseas buyers through our Bills and Notes and Standard Buyer Loan Guarantee products) have seen us pay 19 claims totalling £11.4 million on seven obligors. Because the portfolio is relatively small no discernible trends (by obligor, product or market) are apparent as it stands.

PROVISIONS AND IMPAIRMENTS

Provisions

The overall provisions on claims for Guarantees and Insurance Account business (issued post 1991) as of 31 March 2024 was £403 million (up from £396 million in 2022/23), mainly on account of new sovereign claims, only in part offset by successful recoveries in the aerospace sector.

The overall provision amount for historic business issued before 1991, slightly decreased on 31 March 2024 to £522 million (down from £532 million in 2022/23).

Impairments

Excluding unrealised foreign exchange gains or losses on the impairments balance, there was no substantive net change in the balance of impairments on UKEF's direct lending portfolio (which increased year on year by £30 million).

Where objective evidence exists of an impairment loss arising from UKEF's direct lending portfolio, we perform a calculation to determine if an impairment loss should be recognised.

	Financial year 2022/23	Financial year 2023/24	Change
Claims paid	£122m	£258m	£136m
Provisions for Pre-1991 Guarantees & Insurance Account	£532m	£522m	£(15)m
Provisions for Guarantees & Insurance Account	£396m	£403m	£7m
Impairments	£112m	£142m	£30m
Overall Recoveries	£125m	£145m	£20m

Claims outlook

The claims outlook for UKEF presents a mixed picture, with different impacts on different sectors which will be reflected across UKEF's portfolios.

Aerospace

We expect claims in the aerospace sector to decrease as we see run-off on existing exposure (for example all MAB and Thai claims will be paid by March 2025) and we do not expect significant new defaults although localised stresses persist in the sector. With global domestic airline capacity at 106% of 2019 levels and international capacity at 95%, the airline industry recovery has been swift. The result has been a stabilisation in airline defaults, and over the course of the financial year, no new defaults occurred in the airline or lessor obligor portfolio. We believe passenger demand is set to continue to rise. However, supply chain and manufacturing issues are likely to restrict growth within the industry and potentially cause significant market disruption.

Corporate

On the short-term business side, UKEF has started to receive more claims under its relatively new General Export Facility product, and the expectation is that claims associated with this product will increase over the next few years, although, to date, these defaults have been modest in both volume and value. The expectation that UKEF will support increased numbers of SMEs will, we think, invariably lead to an uptick in claims in the sector on the basis that the more we do the more likely we are to pay claims on at least that section of the portfolio.

We expect claims on the medium term corporate and project finance portfolio to remain at low levels. We have seen latent signs of stress in our strategic sectors portfolio (small exposures to overseas buyers), although because it is a small and relatively new data set, consistent themes are difficult to empirically discern at this stage.

Sovereign

Although we anticipate paying out more sovereign claims for several years due to the debt service suspension announcements by the governments of Sri Lanka and Ghana, the specific timing and scale of these payments will depend on the ongoing debt restructuring negotiations through the Paris Club and G20 Common Framework.

Sovereign exposure is always subject to geopolitical winds and in some other key markets in which UKEF has substantial exposures, such as Türkiye and Egypt, there is a heightened vulnerability to rating pressure.

Recoveries

The recovery of claims payments is an integral part of UKEF's mission to operate at no net cost to the taxpayer over the medium term. Our experience is that periods of high claims activity are followed by a long tail of recovery activity. Recoveries are realised in a wide variety of ways depending on the structuring of, and counterparties to, the original transaction. The method of recovery also depends on the type of product under which the claim arose. For most products, UKEF directs the recovery action. For bank-delegated products (the GEF and analogous products) the financing bank undertakes the recovery acting as a prudent uninsured.

More generally, recoveries on unsecured transactions usually result from a restructuring and an amended repayment profile. Recoveries on secured financings may either follow that consensual pattern or, in the alternative, arise out of the enforcement of security and realisation of proceeds to repay the claims payment.

Sovereign recoveries

The process by which UKEF recovers debts owed by foreign sovereigns is covered in the preceding Paris Club paragraphs on page 66. Sovereign recoveries (sums paid back to the UK under various Paris Club rescheduling agreements) amount to £62 million.

Aerospace recoveries

The asset-backed nature of UKEF's airline portfolio provides the most obvious means for recoveries to be made when an airline obligor defaults. The aircraft (which is secured in favour of the financiers including UKEF) is repossessed, remarketed and then leased or sold to recoup claims payments. Of the 14 aircraft repossessed on UKEF direction following the COVID-19 crisis, nine are currently on operating leases earning revenue to offset claims payments. Of the remaining five ex-Thai A330 aircraft, we are in advanced negotiations to lease four, with deliveries on lease expected to take place from summer 2024. We and our remarketing experts continue to seek opportunities to lease the fifth and final aircraft.

We believe the cumulative effect of the economics of each of the new leases should provide a full recovery of all claims paid out under the corresponding guarantees when the original airline failed.

Aircraft repossessions	Status at 31 March 2024
6 Boeing 787-9 aircraft, repossessed from Norwegian Air Shuttle	On lease to Air Premia (2 aircraft) and LATAM (4 aircraft)
2 Airbus A330-300 aircraft repossessed from Air Asia X	Leased back to Air Asia X on a restructured operating lease
1 Boeing 787-8 aircraft repossessed from Avianca	Leased back to Avianca on a restructured operating lease

The long-term recovery strategy for aerospace involves the strategic decision as to when to sell the assets (with lease attached) to recoup all losses and ultimately fulfil our mandate. Decisions here are taken with the aim of making full recoveries in the long term, over the portfolio as a whole. This requires both a recognition of the likely market conditions and a means to achieve that recovery. We believe we are in a good position here. In financial year 2023/24 we generated strong net incomes of £77 million compared to claims of £68 million with over £91 million income projected in the next financial year against expected claims of £56 million. The cumulative effect of the income generated demonstrates the effectiveness of the leasing strategy, the enhanced attractiveness of the assets as sale propositions, and ultimately UKEF's strong capability to manage airline defaults effectively.

Corporate recoveries

Corporate recoveries (excluding aerospace and sovereign) stood at £5 million at year end, reflecting the modest number of claims paid in this sector. If and when claims increase, we would expect recoveries to increase commensurately as UKEF implements well-established and robust recovery practices.

For the shorter-term corporates, the recovery process is delegated to the banks with which we risk share and as these transactions are both smaller value and (invariably) unsecured deals supporting UK SMEs we would expect proportionately lower quantum recoveries.

STATUTORY LIMITS

The Export and Investment Guarantees Act (EIGA) 1991 sets limits on our commitments and requires us to report our commitments against these limits annually. The table below shows the statutory limits at 31 March 2024 and 31 March 2023 and the outstanding commitments against them.

	At 31 Mar 2024				At 31 Mar 2023			
	Sterling	Foreign currency	Sterling equivalent in SDRs	SDR total	Sterling	Foreign currency	Sterling equivalent in SDRs	SDR total
	£m	SDRm	SDRm	SDRm	£m	SDRm	SDRm	SDRm
Section 6(1) amounts								
Statutory limit		67,700	-	67,700		67,700	-	67,700
Total commitments	**10,445**	**42,060**	**9,955**	**52,014**	**14,024**	**36,439**	**12,901**	**49,341**
Section 6(3) amounts								
Statutory limit		26,200	-	26,200		26,200	-	26,200
Total commitments	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Section 6(1) amounts								
Assets	-	-	-	-	-	-	-	-
Section 6(3) amounts								
Assets	-	-	-	-	-	-	-	-

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT REPORT

UKEF examines the environmental, social and human rights (ESHR) risks and potential impacts of cases it is asked to support and monitors ESHR performance in line with its ESHR Policy.[14]

We prioritise active collaboration with other financial institutions and export credit agencies (ECAs) regarding ESHR matters, to establish a level playing field and to promote and share good international industry practice across the finance sector.

Our ESHR and climate change due diligence and monitoring are carried out by UKEF's professionally qualified and experienced E&S Division, supported by counterparts in co-financing institutions and external E&S consultants, where appropriate.

Screening

UKEF's Environmental and Social (E&S) Division screens transactions to identify potential ESHR risks and impacts, and to determine their classification under the scope of the OECD Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence (2024 Revised) (the OECD Common Approaches) and/or the Equator Principles (EPs) (2020). Since April 2020, UKEF has undertaken to consider climate change in all its transactions.

In 2023/24, the E&S Division screened 54 transactions.

During screening, we determine whether transactions fall within the scope of the OECD Common Approaches and/or EPs. For those transactions in scope, we designate the transaction as either category A (high risk), category B (medium risk), or category C (low risk). Transactions out of scope of the OECD Common Approaches or EPs, for example EDGs that support companies' general working capital or aviation sector transactions are designated not applicable for categorisation (NA). Where transactions are designated NA, we determine if ESHR risks warrant further assessment and due diligence in an appropriate and reasonable manner.

In 2023/24, we designated 11 cases as category A, 11 as category B and 32 as NA.

14 https://www.gov.uk/government/publications/eshr-risk-and-impact-categorisations-2023-to-2024

Due diligence

Where applicable, we then carry out an ESHR review of these transactions and, where needed, put in place measures to make sure the cases become aligned to international ESHR standards. After providing support, we monitor these transactions in a proportionate manner to make sure they remain aligned.

Where a review of the risks and impacts of a project or existing operation show it does not, or is unlikely to align with international ESHR standards, notwithstanding our efforts and advice an application for support would normally be refused, in accordance with the OECD Common Approaches and the EPs.

The ESHR standards that we adopt form the basis of our overall approach to sustainability. We typically take the International Financial Corporation's (IFC) Performance Standards on Environmental and Social Sustainability as our benchmark ESHR standards.[15]
They cover the following eight topics:

- risk management
- labour
- resource efficiency
- community
- land resettlement
- biodiversity
- indigenous people
- cultural heritage

These project-related standards are intended to represent good international industry practice. They are considered achievable anywhere in the world, using existing technology and at a reasonable cost, when the parties involved in managing and maintaining these standards demonstrate appropriate levels of commitment, capacity and capability.

They also require enough time to implement where gaps have been identified. Hence, in carrying out ESHR reviews, we emphasise early dialogue with exporters and other relevant parties to the transactions. The aim is to make sure that relevant projects and cases made possible by UKEF align with the applicable international ESHR standards, both before we provide our support and throughout the duration of that support.

To achieve this, we work with the relevant parties (borrowers, sponsors and UK exporters, for example) to:

- support capacity building and understanding of our ESHR standards
- establish and clarify which areas of ESHR management may need improving to meet international standards
- help implement robust management systems that mitigate negative impacts and enable positive impacts

In reviewing ESHR matters, UKEF relies on:

- publicly available information
- information supplied directly by the project or relevant corporate entity
- industry and sector initiatives (for example regarding climate and human rights risks)
- dialogue with the ESHR and corporate teams at the project and/or exporter

UKEF assesses and documents these risks, relevant mitigations, and our association with these matters in ESHR documentation (including screenings and reports for category A and B cases) and, where relevant, dedicated climate change and/or human rights reports.

15 www.ifc.org/content/dam/ifc/doc/2023/ifc-performance-standards-2012-en.pdf

In 2023/24, the E&S Division completed 16 E&S reports for category A or B projects and a further 32 assessments on cases designated as NA. The latter included cases where UKEF's support formed Export Development Guarantees as well as support to the civil aviation or defence sectors, and small or short-term transactions. Each of these cases involved senior review and approval before deciding whether to provide financial support.

As well as ensuring operators reduce negative ESHR and climate change impacts, the E&S Division considers the ESHR benefits inherent to many of the proposed projects we review and monitor. These include:

- low carbon electricity from renewable sources
- enhanced education, health and wellbeing in communities where we have supported hospitals, health centres and schools
- improved availability of clean water and sanitation from water supply and wastewater treatment projects
- access and support to local economic growth through development of infrastructure

By implementing our benchmark ESHR standards appropriately and effectively, we can encourage operators to enhance these developmental benefits beyond the level that may be provided without UKEF's support.

In 2023/24, UKEF worked with a wide variety of project developers and exporters to help them understand and effectively manage the ESHR risks associated with their activities. Additionally, the E&S Division prepared and delivered an E&S workshop with the Ministry of Finance in Guinea, where deeper understanding and additional capacity are expected to facilitate the potential provision of UKEF support in the future. We also worked with exporters to support their ESHR capacity development.

For details of the ESHR risk and impact categorisation of all cases which required a review under our ESHR policy, and for which we issued support during the year 2023/24, see our website.[16]

For examples of our work in action, see Our impact on page 31.

Monitoring

UKEF conducts ongoing ESHR performance monitoring of all category A and B projects where support has been issued. This allows us to track the implementation of ESHR commitments and be satisfied that the projects continue to align with the relevant international standards for the duration of our support, including during construction, operation, and potentially, decommissioning.

Our monitoring commonly includes:

- reviewing self-monitoring reports produced by project developers
- following up on reported ESHR incidents
- commissioning independent environmental and social consultants to monitor projects on our behalf
- carrying out site visits, directly and with independent consultants

16 www.gov.uk/guidance/uk-export-finance-environmental-social-and-human-rights-risk-management

The level and frequency of our monitoring vary relative to the ESHR risks involved.

UKEF seeks to positively influence the application of standards throughout the monitoring process, to improve and attain positive, tangible ESHR outcomes. Examples of this include influencing the project developer and associated parties to:

- promote positive health and safety behaviour, minimising accidents, injury and loss of life
- provide appropriate worker conditions, mental health awareness and adequate accommodation
- maximise energy efficiency and minimise greenhouse gasses and other air emissions
- re-establish the livelihoods of people adversely affected by the project
- promote positive project and community impacts

For a summary of cases where we are carrying out ongoing ESHR post-issue monitoring, see our website.

Policy and international co-operation

In support of UKEF's objective to establish a level playing field for all OECD exporters and ensure ECA transactions align with good international industry practice standards, we work alongside other ECAs at the Environmental and Social Practitioners' Group of the OECD Export Credit Group.

We are actively involved in setting the agenda, sharing experiences, leading and participating in working groups, including leading the Climate Change Working Group. We want to achieve consistency in ECAs' approach to ESHR risk management practices under the OECD Common Approaches, and during the year we actively contributed to the ongoing process to update the Common Approaches.

Throughout the year, UKEF continued in its role to provide management support on the Equator Principles Steering Committee. In 2023 the EPs celebrated its 20th anniversary, and the membership continues to grow in numbers, promoting the EPs as the framework for sustainably financing in-scope projects. During the year, UKEF joined the EPs annual meeting, sharing experiences and presenting to other EPFIs on our approach to managing ESHR risks.

ESHR risks and impacts evolve and UKEF continually reviews its policies and procedures to account for the rapid evolution of best practices, including the application of ESHR due diligence and monitoring.

TASK FORCE ON CLIMATE-RELATED FINANCIAL DISCLOSURES

The Task Force on Climate-Related Financial Disclosures (TCFD) was established in 2015 by the Financial Stability Board. It was tasked with developing recommendations for disclosure of climate-related risks and opportunities through organisations' existing reporting processes.

The 11 TCFD recommendations are structured around four thematic areas that represent core elements of how organisations operate:

- **Governance:** The organisation's governance around climate-related risks and opportunities.
- **Strategy:** The actual and potential impacts of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.
- **Risk management:** The processes the organisation uses to identify, assess and manage climate-related risks.
- **Metrics and targets:** The metrics and targets the organisation uses to assess and manage relevant climate-related risks and opportunities.

Compliance Statement

UKEF has reported on climate-related financial disclosures consistent with HM Treasury's TCFD-aligned disclosure application guidance, which interprets and adapts the framework for the UK public sector. UKEF has complied with the TCFD recommendations and recommendations disclosures:

- Governance – recommended disclosures (a) and (b)
- Strategy – recommended disclosures (a) to (c)
- Risk Management – recommended disclosures (a) to (c)
- Metrics and Targets – recommended disclosures (a) to (c)

This is ahead of the central government's TCFD-aligned disclosure implementation timetable for Phase 2.

Our approach to sustainability disclosures

In 2021, UKEF became the first UK government department to make climate-related financial disclosures using the TCFD recommendations. UKEF is both an export credit agency (ECA) and a government department. As such, UKEF interprets and adapts the TCFD framework in a way that is appropriate for this context.

Sustainability-related disclosure frameworks continue to evolve rapidly. The International Financial Reporting Standards (IFRS) S1 and S2, the Taskforce on Nature-related Financial Disclosures and Transition Plan Taskforce recommendations have been released. Our approach to these evolving standards will align with the government's expectations for sustainability disclosures.

Progress this year

At COP28 in December 2023, UKEF – alongside 7 other ECAs – launched the Net Zero Export Credit Agencies Alliance (NZECA). This net-zero finance alliance is the first of its kind for public financial institutions. It consists of ECAs and Export-Import Banks that together supported an estimated $120 billion in international trade in 2022. Members benefit from access to wider support from the Glasgow Financial Alliance for Net Zero (GFANZ), the United Nations Environment Program-Finance Initiative (UNEP-FI) and finance industry peers in their approaches to net zero.

In April 2024 UKEF launched its first Sustainability Strategy, covering the period 2024 to 2029, aligned with its business planning cycle. This strategy sets out how we are working to embed sustainability considerations in the way UKEF does business and what we want to achieve over the next strategic period. Our Sustainability Strategy will inform our sustainability reporting during this next strategic period.

In 2023, UKEF's first TCFD project was formally closed and brought into business-as-usual delivery. For this year's disclosure, UKEF has received third-party limited assurance, in accordance with ISAE 3000, on its financed emissions calculations. Assurance has been provided in relation to the total Scope 1 and 2 financed emissions and total Scope 3 financed emissions, calculated under the AAR (amount at risk) and EL (expected loss) approaches. This has strengthened how UKEF measures and reports its emissions, enhancing transparency through our Basis of Reporting (see Appendix www.gov.uk/government/publications/ukef-annual-report-and-accounts-2023-to-2024-by-section).

Governance

Our governance around climate-related risks and opportunities

CEO and Accounting Officer

Responsible for the management of UKEF, including embedding consideration of climate change into our business

Executive Committee

Includes the Chief Strategy and Impact Officer, who is responsible for the department's overall approach to climate change and sustainability, among other matters

Enterprise Risk and Credit Committee (ERiCC)

Advises the CEO and Accounting Officer on the effective management of UKEF's enterprise and credit risk, including the potential financial impact of climate-related risks

Board

Supports the CEO and Accounting Officer in the management of UKEF, including through advice on its approach to climate change

Export Guarantees Advisory Council (EGAC)

Advises the Secretary of State for Business and Trade and the CEO and Accounting Officer on the environmental and social impact of UKEF's operations, including the effectiveness of its policies on climate change and sustainability among other matters

Risk Committee

Advises on the adequacy of the strategic processes and framework for risk management, and on the design and operating effectiveness of the risk management framework, including on climate change

Audit Committee

Provides oversight of financial accounting and reporting, including on the approach to TCFD reporting

UKEF embeds consideration of climate change across our business, and climate is integrated as a management issue within our governance.

The **Executive Committee** supports the CEO and Accounting Officer in the management of UKEF. The Executive Committee oversaw UKEF's progress against its Climate Change Strategy and will continue to oversee implementation of the Sustainability Strategy. In 2023/24, the Executive Committee considered 15 submissions on climate-related issues.

The **Chief Strategy and Impact Officer** is the Executive Committee member responsible for the department's approach to climate change and sustainability. As climate change is a material issue across the department, all other Executive Committee members are also responsible for integrating climate change into their areas of accountability. The **Chief Risk Officer** is responsible for integrating these issues into the department's risk management (see the Chief Risk Officer's report on page 56). The **Co-Heads of Business Group** are responsible for integrating these issues in the execution of business (see Our impact on page 31.)

The Enterprise Risk and Credit Committee (ERiCC), which is chaired by the Chief Risk Officer, considers the financial and non-financial impacts of environmental, social and governance (ESG) risks, including climate-related risks. Portfolio-level monitoring, which includes climate-related stress testing and scenario analysis, is presented biannually to ERiCC and to the board's Risk Committee. Enterprise risk reports, which include sustainability as a primary risk, are presented to ERiCC quarterly; these reports include an enterprise risk dashboard, a risk governance report, an operational risk report and a summary of assurance testing performed. ERiCC's ongoing oversight of UKEF's ESG risks, at both a portfolio and facility level, has also benefitted from the introduction of the climate data dashboard, which includes a dedicated ESG risk view. As of April 2024, the Deputy Director, Climate Change and Sustainability is a member of the ERiCC.

UKEF's Board and its committees considered nine submissions on climate-related issues this year, including UKEF's Strategic Risk Register, which includes sustainability as a significant risk. The board provides feedback on the mitigations, controls and contingency plans held by UKEF against each strategic risk.

This year, the board and Executive Committee members also received training on climate change and sustainability topics, delivered by the Grantham Institute – Climate Change and the Environment, Imperial College London.

The Export Guarantees Advisory Council (EGAC) advises ministers and senior officials as needed on the department's approach to climate change, alongside other environmental, social, and ethical issues (see the Export Guarantees Advisory Council report on page 103). EGAC's Chair also sits on the UKEF Board.

Strategy

The actual and potential impacts of climate related risks and opportunities on our business, strategy and financial planning

UKEF's Sustainability Strategy (2024 to 2029) aligns with UKEF's business plan for this strategic period and succeeds UKEF's Climate Change Strategy 2021 to 2024. The Sustainability Strategy sets out UKEF's strategy on sustainability issues including climate change, and how it will be delivered.

UKEF's Sustainability Strategy 2024 to 2029:

We will

1. Catalyse UK trade through UKEF's world-leading export finance and insurance offer
2. Significantly increase the number of SMEs that benefit from UKEF's support
3. Support a broad range of businesses to export, driving local growth across all regions of the UK
4. Position UK exporters and suppliers at the heart of the global low-carbon transition
5. Use our finance in developing markets to create positive impact on communities overseas and in the UK

By

Accelerating the net zero transition and financing clean growth	Crowding in finance in support of sustainable development

Milestone

Providing **£10 BILLION** of clean growth finance by 2029	Mobilising **£10 BILLION in finance in low- and middle-income countries** by 2029

Actions

- Refresh our **transition finance** offering
- Measure our **financed emissions** and work towards our **decarbonisation targets** on the way to net zero by 2050
- Develop a **UKEF transition plan**
- Drive progress in partnership internationally

- Drive **sustainable deals** through our products and partnerships
- Assess our **development impact** and work towards a harmonised approach with peers and partners
- Develop our policies to align with **international good practice**
- Engage actively to raise standards internationally

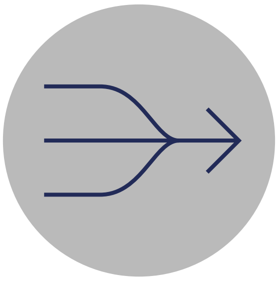
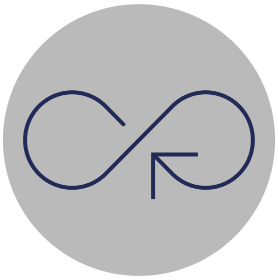
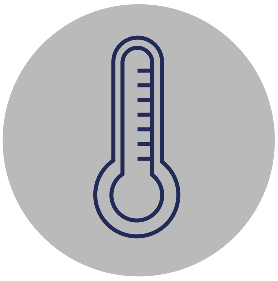
Enablers

Engagement **Transparency** **Governance**

We identify and assess the climate-related opportunities and risks that UKEF faces over the short term (up to 2 years), medium term (2 to 10 years) and long term (beyond 10 years). This has been informed by our use of climate-related scenario analysis, our strategic risk register analysis and materiality assessment as set out in the Sustainability Strategy.

Scenario analysis

Climate-related scenario analysis helps us to assess the resilience of our strategy. We currently run climate-driven stress tests on our portfolio twice a year, using three climate-related scenarios with a time horizon to 2050. These scenarios are consistent with those of the Network for Greening the Financial System (NGFS)[17] and the approach is consistent with that used in stress testing exercises by the Bank of England.

Scenario	Description
Orderly transition 	The policies needed to transition to net zero emissions are implemented in a coordinated and efficient way, beginning today. This means the transition results in less economic disruption but creates significant initial transition costs for carbon-intensive sovereigns and industries. These costs decrease over time as actions to reduce emissions are taken.
Disorderly transition 	The transition is delayed and there is then an abrupt introduction and acceleration of climate policies aimed at reducing emissions. The more compressed and disorderly nature of the transition results in greater economic disruption, and negative impacts on carbon-intensive sovereigns and industries without plans to reduce their emissions.
Hot house world 	No further climate policies are enacted over and above the policies of the present day and there is no transition to net zero emissions. This means that transition risks are based only on the policies of the present day and the physical risks from climate change will become more severe over time.

17 www.ngfs.net/en

Stress testing has highlighted transition risks in sectors linked to the fossil fuel industry and a mixture of transition and physical risks in many of the countries where UKEF does business. UKEF's implementation of the government's policy aligning UK international support for the clean energy transition, as applied to new transactions since 31 March 2021, will continue to reduce the risk related to concentration of fossil fuel-related assets in the portfolio as legacy transactions are amortised. We will continue to monitor the results of the stress test each year and inform our strategy accordingly. It should also be noted that as an export credit agency seeking to complement the private sector where necessary to facilitate UK exports, UKEF operates, by definition, in higher-than-average risk sectors and geographies.

The analysis also indicates risks to UKEF's development impact ambitions, as many low and middle-income countries are highly vulnerable to physical climate risk. UKEF's offering of Climate Resilient Debt Clauses (CRDCs) to eligible borrowers partially addresses this risk's impact on customers. CRDCs can help borrowing countries respond to this challenge by suspending debt repayments on a cost-neutral basis — freeing up liquidity for borrowing countries to respond to a crisis while lowering risks of default. If adopted by a critical mass of creditors, CRDCs will provide a systemic safety valve for climate-vulnerable countries. This is why UKEF is working internationally with peers to encourage the adoption of CRDCs.

We continue to develop our scenario analysis capability and integrate it into our strategic processes.

In the short term, the transactions UKEF supports are exposed to differing degrees of physical climate risk. This risk to UKEF is managed primarily through transaction due diligence, which takes into account the physical resilience of assets where relevant, based on international good practice standards. UKEF is also exposed to reputational risk related to climate change, if, for example, there is a breach in the environmental and social obligations of transactions in relation to climate change. This risk is managed through transactional due diligence and the incorporation where relevant of enforceable obligations into agreements with customers.

The key short-term opportunity is to enable UK exports and drive growth in the green economy, which is implemented through orientation of our business strategy including an enhanced product offering designed to promote clean growth transactions.

In the medium term, UKEF remains exposed to the short-term risks identified. In addition, the transactions UKEF supports are exposed to increasing transition risk over time. To mitigate the risk of unexpected portfolio losses in the medium term, we have started to integrate consideration of climate change into our credit risk management processes (see Risk management). Working towards our interim decarbonisation targets in this period will also mitigate the strategic risks of exposure in these sectors.

In the medium-term, UKEF has the opportunity to make a sustained contribution to the UK's growth ambitions in this space. We have reflected this opportunity in our medium-term strategic planning documents. UKEF's business plan and sustainability strategy, 2024 to 2029, set out our ambitions to provide £10 billion of clean growth finance by 2029, supporting government climate ambitions and UK green exporters, and to mobilise £10 billion in finance in low and middle-income countries by 2029, supporting communities abroad and in the UK. These strategies set out the levers we will deploy to achieve these milestones, including products, partnerships, marketing and business development, and international engagement.

In the long term, short and medium-term risks persist and failure to address these would threaten UKEF's mission and strategic ambitions. Our strategic focus on growing the clean growth segment of UKEF's portfolio should over time act as a counterweight to the higher climate risk-vulnerable segments of the portfolio. Working towards our commitment to net zero portfolio emissions by 2050 will help UKEF to manage this risk to its business over time. UKEF's mission to advance prosperity by enabling UK exports is dependent on the UK supply chain and its future competitiveness within a net zero global economy. UKEF works with wider UK government on issues around UK supply chain capability, but this issue of UK competitiveness is subject to wider economic and geopolitical pressures. UKEF's international engagement on climate change supports our efforts to improve the support that ECAs and relevant financial institutions can provide to clean growth and transition-enabling transactions. For example, UKEF played a leading role in brokering agreement to the updated OECD Climate Change Sector Understanding and is a founding member of the Net Zero Export Credit Agencies Alliance (NZECA). In addition, chronic physical climate risks over the long-term, affecting, in particular, the emerging market economies to which UKEF provides support, has potential to disrupt our ambition to increase finance mobilised in low and middle-income countries.

Risk management

The processes we use to identify, assess, and manage climate-related risks

Over recent years, we have started to broaden and deepen our approach to risk management, so we can better understand and respond to the financial and non-financial risks that climate change poses to the global economy, UKEF, our portfolio and ultimately the UK taxpayer.

Both physical and transition-related risks are important risk drivers for UKEF. Approaches to quantifying these risk drivers are still being developed across the financial sector. We are engaging closely with peers and external partners on developing these approaches and building our understanding of climate-related risks over time.

Financial risk

Climate change can have a direct financial impact on UKEF and its customers through its effect on financial risks, including insurance underwriting, credit, financial market and operational risks. Our climate risk analysis considers physical climate risk and transition risk.

Methodologies for assessing climate-related financial risk for counterparties and products are still being developed across the financial industry. Climate risk management is now an established and integral part of our risk management, together with ESG risk and value drivers. We continue to work towards better identifying, understanding, and managing our climate-related financial risk exposure as developing methodologies and data allow, and we will continue engaging with financial sector peers to support this, by:

- further integrating climate and ESG-related financial risks into our credit risk assessments for our transactions, portfolio, and informing strategy and business plans
- exploring new data sources, methodologies and analytical tools and management information to further improve our climate and ESG risk management
- using climate scenarios to carry out stress testing and scenario analysis of financial exposures and incorporating these into portfolio risk management processes, reporting and informing strategy (as set out in the Strategy section above)
- further enhancing our approach to assessing the financial implications of climate change, keeping up to date with industry best practice
- building capacity development within the department through knowledge sharing

Our approach to identifying and assessing transaction-level climate and ESG-related financial risk is based around the relevant counterparty (see box below on process). This year, we further enhanced our risk management approach in our sovereign reviews. Sovereigns are now given scores for their climate and ESG-related risks, which allows us to consistently assess and reflect these risks in sovereign credit reviews.

For corporates and financial institutions, we continue to refine climate and ESG-related considerations in our credit risk analysis, for all medium and long-term transactions.

Regular climate and ESG risk analytics inform management and strategy and facilitate mitigating risks and focusing on opportunities. We have created climate and ESG tools that facilitate our analysis and risk management. These include coverage of both carbon transition risk and physical climate risk.

To further strengthen our climate-related portfolio stress testing, we have increased the geographical and sectoral granularity of our models. We have reached global coverage (at country-level) for sovereign ratings and estimate regionally representative scores for a larger variety of economic segments.

We are strengthening our climate and ESG-related risk management governance across the three lines of defence through the incorporation of ESG risks into our business strategies, internal governance arrangements and risk management framework.

Identifying, assessing and managing climate and ESG-related credit risk

1. All medium and long-term transactions are reviewed individually in line with UKEF's policies and procedures and through regularly reviewed templates with an integrated climate and ESG-related financial risk analysis. Short-term and delegated transactions are managed through our risk management frameworks.

2. Transactions which require an additional climate and ESG-related risk assessment are identified based on established criteria.

3. Information is collected, including through customer engagement where appropriate.

4. A climate and ESG risk assessment is made and integrated into the credit risk assessment, with additional internal assurance where needed. This ensures that climate-related financial risks are considered in capital structure, tenor and collateral.

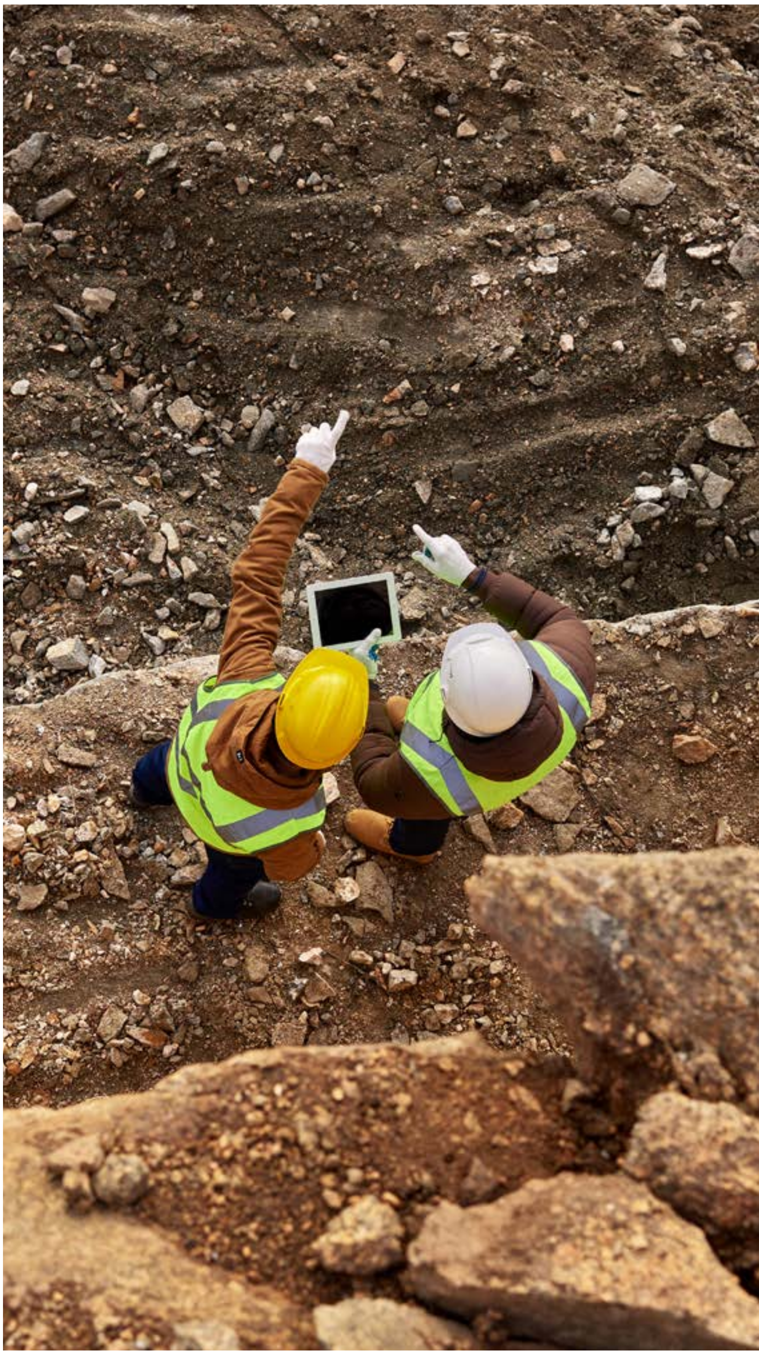
5. The assessment is submitted to our credit committee where appropriate and considered by the decision-maker alongside all other relevant factors.

For more detail on our integration of climate-related financial risks in credit risk assessments, see the Chief Risk Officer's report on page 56.

Non-financial risk

Climate change is also a source of non-financial risk and impact, both on UKEF directly and the transactions it supports.

At a transaction level, we mitigate these risks and impacts primarily through our environmental, social, and human rights (ESHR) policy and practices, which have evolved over recent years to strengthen our approach to climate change, proportionate to the risk, impact and our exposure.



Identifying, assessing and managing non-financial climate-related risks and impacts

1. All transactions are screened for climate change risk and impact either at product level, through delegated financial institutions or directly by UKEF.
2. Where relevant, the E&S Division determines whether more assessment is required and to what extent.
3. If more assessment is required, the E&S Division assesses the relevant aspects of a project, supply or company which may add to global emissions and/or may be affected by physical or transition risk.
4. Recommendations may be provided to reduce climate-related risks and impacts.
5. The assessment is internally assured and signed off, with additional external assurance or input where appropriate.
6. The assessment is submitted to ERiCC where appropriate and considered by the decision-maker alongside all other relevant factors.
7. After approval, transactions are monitored for performance against action plans, including emissions reporting commitments.

For more detail on our consideration of climate change risks and impacts in transactions, see the environmental and social risk management report on page 80.

We recognise that other environmental and social issues can have strong interdependencies with climate change. For example, there is a critical social dimension to the global economic transition. When considering support, we view these factors primarily through the lens of international good practice on social and human rights practices. We work actively with partners in countries to improve understanding and performance on these issues.

We will continue to engage with peers and stakeholders to integrate emerging good practice into our processes as appropriate.

Metrics and targets

The metrics and targets we use to assess and manage relevant climate-related risks and opportunities

Understanding our portfolio, or financed, emissions is key to UKEF's strategic commitment to reaching net zero operational and portfolio greenhouse gas emissions by 2050. Tracking our progress towards this goal is an important way for us to understand our management of climate-related risks and opportunities. Obtaining assurance is an important part of the process for monitoring our progress.

UKEF's operational emissions stem largely from our office footprint and emissions associated with business travel (see Sustainability of our estate). As a financial institution, the emissions associated with the transactions we support (collectively referred to as our financed emissions) are by far the more material.

Financed emissions

This section should be read in conjunction with our Basis of Reporting (see online: www.gov.uk/government/publications/ukef-annual-report-and-accounts-2023-to-2024-by-section).

Since 2022 UKEF has published annually its portfolio-wide financed emissions estimates. As the first ECA to publish its financed emissions, and in the absence of a Partnership for Carbon Accounting Financials (PCAF) methodology for ECAs specifically, UKEF has developed a bespoke double disclosure methodology. This bespoke methodology is based on the dual 'follow the risk' and 'follow the money' principles articulated in the PCAF Standard, reflecting the unique role of ECAs:

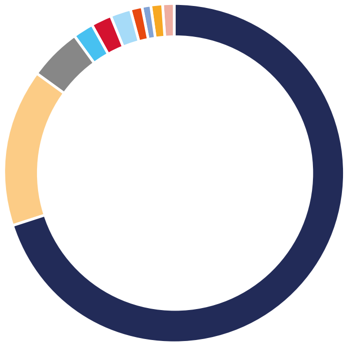
- A 'follow the risk' approach, where emissions for guarantees and insurance are attributed on an expected loss (EL) basis.
- A 'follow the money' approach, where emissions are attributed based on the amount at risk (AAR) outstanding on a loan, including where UKEF is providing a guarantee for a loan.

UKEF's financed emissions estimates comprise our customers' Scope 1 and 2 emissions. This year, we are also disclosing modelled estimates of our customers' upstream Scope 3 emissions for all sectors, using the PCAF Database. Customers' modelled Scope 3 emissions are upstream only due to data availability and restrictions of the environmentally extended input-output modelling approach employed by PCAF. Financed emissions are estimated on a calendar year basis, due to the practicalities of producing these estimates, and are therefore not consistent with the financial year-based information found elsewhere in the annual report and accounts.

Expected loss estimates

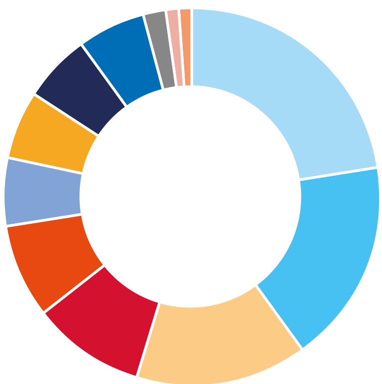
Absolute Scope 1 and 2 financed emissions on an EL basis were 861,122 tCO_2e in calendar year 2023 (estimated as at January 2024). Absolute Scope 3 financed emissions on an expected loss basis were 176,102 tCO_2e (estimated as at January 2024).

Scope 1 and 2 financed emissions – EL basis



- Power, including renewables: **70%**
- Aero: **15%**
- Defence: **5%**
- Mining and Metals: **2%**
- Oil and Gas: **2%**
- Construction: **2%**
- Chemicals: **1%**
- Manufacture of machinery and equipment: **1%**
- Other: **1%**
- Agriculture and Water: **1%**
- Transportation: **0%**
- Services: **0%**

Scope 3 financed emissions – EL basis

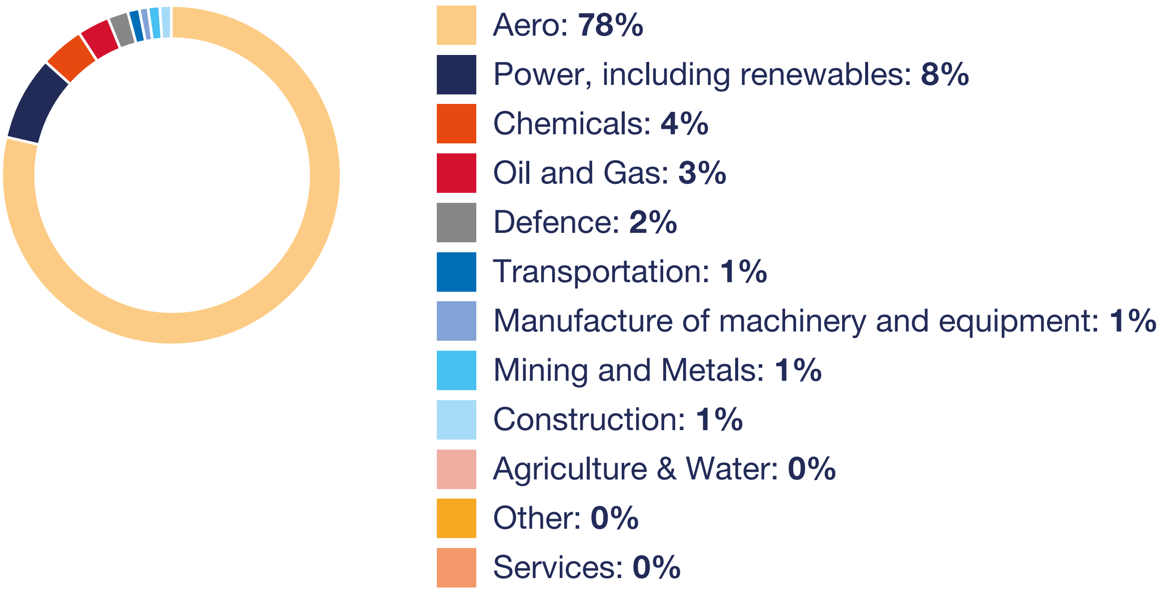


- Construction: **23%**
- Mining and Metals: **18%**
- Aero: **15%**
- Oil and Gas: **10%**
- Chemicals: **8%**
- Manufacture of machinery and equipment: **6%**
- Other: **6%**
- Power, including renewables: **6%**
- Transportation: **6%**
- Defence: **2%**
- Agriculture and Water: **1%**
- Services: **1%**

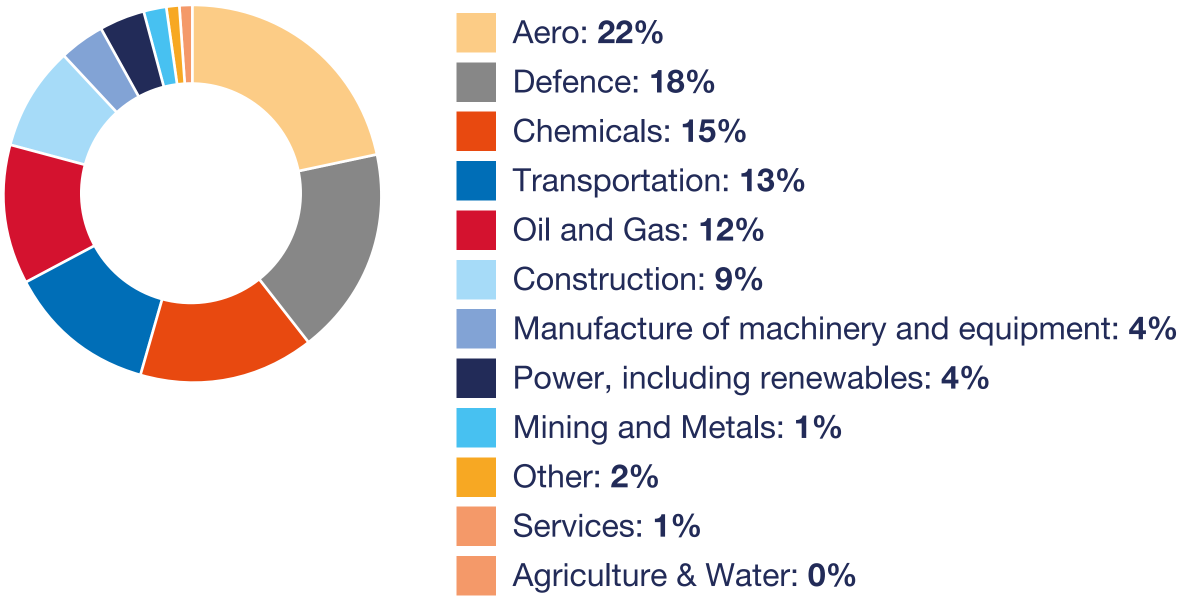
Amount at risk estimates

Absolute Scope 1 and 2 financed emissions on an amount at risk basis were 10,816,920 tCO_2e in 2023 (estimated as at January 2024). Absolute Scope 3 financed emissions on an amount at risk basis were 6,724,848 tCO_2e (estimated as at January 2024).

Scope 1 and 2 financed emissions – AAR basis



Scope 3 financed emissions – AAR basis



Data quality

Data quality issues are set out in more detail in the Basis of Reporting. We made continuous improvements to data quality this year. These included minor improvements to previous years, such as reassignment of sectors, but not at a scale sufficient to trigger a portfolio rebasing. Average data quality is represented by a weighted PCAF data quality score of 3.06 out of 5 (with 1 being the highest quality) for the AAR Scope 1 and 2 estimate, and 4.5 out of 5 for the EL Scope 1 and 2 estimate. This indicates estimates are comprised of a combination of reported and modelled data at varying degrees of verification.

This year we have expanded our reporting of customers' upstream Scope 3 financed emissions, in addition to Scopes 1 and 2. Currently these Scope 3 estimates are made entirely using the PCAF Database, which uses environmentally extended input-output modelling to produce broad estimates based on the high-level relevant sector and region. These modelled estimates are best understood as a high-level approximation of emissions associated with a broad economic activity, not an accurate representation of the specific activity or operation that UKEF has supported. We are expanding these disclosures, in line with the progressive recommendations of the PCAF Standard, to provide stakeholders with a broad understanding of our customers' Scope 3 emissions. Our customers' Scope 3 emissions remain outside of UKEF's financed emissions reduction targets for sectors other than oil and gas. We endeavour, over time, to improve our understanding of customers' Scope 3 emissions on a deal by deal basis but anticipate not being able to factor these into financed emissions estimates until there is greater consistency across our own portfolio and in industry practice.

Portfolio decarbonisation and sector pathways

UKEF aims to reduce our financed emissions to net zero by 2050 and is committed to supporting UK exporters through the global low-carbon transition. The table below summarises our progress towards this ambition and towards the interim decarbonisation targets we have set to guide us on our pathway to net zero.

Our statutory role and purpose guides our approach to decarbonisation. UKEF's purpose is to support UK exporters and suppliers. UKEF steps in to enable UK exports where the private sector alone cannot provide support. The business that we do is determined by our demand-led mandate and dependent on the economic context in which we operate. We are a UK government department with a statutory mandate to support exports and a mission to drive prosperity by contributing to economic growth. The growth in UKEF's business is therefore driven both by our policy mission and by the behaviour of our private sector market peers, including their appetite for risk.

	Target	2021	2022	2023	Change 2022/2023	Change from baseline
Total Scope 1 & 2 absolute financed emissions – EL basis (tCO_2e)	Net zero by 2050	453,402	1,023,313	861,112	- 16%	+90%
Total Scope 1 & 2 absolute financed emissions – AAR basis (tCO_2e)	Net zero by 2050	5,239,168	9,072,834	10,816,920	+19%	+106%
Oil & Gas absolute financed emissions Scope 1, 2 & 3 – AAR basis (tCO_2e)	Reduce 75% tCO_2e by 2030, from 2021	1,878,764	2,017,999	1,151,953	- 43%	-39%
Power, including renewables financed emissions intensity – AAR basis (tCO_2e/£AAR)	Reduce 58% tCO_2e/£AAR by 2030, from 2021	0.00103	0.00071	0.00072	+2%	-30%
Aviation financed emissions intensity – AAR basis (tCO_2e/£AAR)	Reduce 35% tCO_2e/£AAR by 2035, from 2022	Baseline set in 2022.	0.0005	0.0009	+75%	+75%

Our total financed emissions have increased by approximately 19% between 2022 and 2023 on an AAR basis. This is due largely to continued post-pandemic growth in the aviation industry resulting in increased activity of existing aircraft in our portfolio, in addition to new support for aircraft. It is also influenced significantly this year by changes in the financial factors underlying financed emissions attribution factors in that sector (see Basis of Reporting for more detail on financial factors affecting financed emissions). Our oil and gas portfolio absolute financed emissions have decreased by 39% from the 2021 baseline. This is due to amortisation of legacy oil and gas exposure. We expect that emissions from our oil and gas exposure will increase in future before decreasing in the medium to long term, as legacy transactions move into operations before amortising fully. Our transition away from the fossil fuel energy sector overseas will continue to be driven by our implementation of the government's policy on aligning UK international support for the clean energy transition, which prohibits new support for transactions in the fossil fuel energy sector overseas, outside of certain specified exemptions.[18] However, restructurings or project development delays in our existing oil and gas exposure will affect our decarbonisation pathway and we will need to keep our targets under review as our portfolio evolves.

Our power portfolio financed emissions intensity has decreased by 30% from the 2021 baseline. This is due to strong progress in increasing our support for renewables within the power portfolio. While we are making good progress toward our target, we expect financed emissions intensity may increase in future years as and when we support non-renewables projects within the power sector value chain.

Our aviation portfolio financed emissions intensity has increased by 75% from the 2022 baseline. Short- to medium-term growth in aviation sector emissions to 2030 is consistent with the expectations of the IEA's Net Zero Emissions by 2050 Scenario, on which our target is based.

This year's increase in UKEF's aviation emissions is primarily due to growth in emissions in this sector – in large part from increased activity in the aviation sector post-pandemic from existing corporate and asset-based support in our portfolio and also our support for new aircraft. The scale of financed emissions growth is also impacted by financial changes which affect UKEF's financed emissions attribution, whereby changes in the value of entities supported increases the relative attribution of emissions growth to UKEF.

As set out in our previous disclosure, aviation will continue to be a highly material sector for UKEF – both in terms of our financial exposure and the associated financed emissions. The aerospace sector is important to the UK economy, providing highly skilled jobs, most of them outside London and the South East. It has an annual turnover of £35 billion, the majority of which comes from exports to the rest of the world.

18 Guidance on how the government will implement its policy on support for the fossil fuel energy sector overseas is available at: www.gov.uk/government/publications/how-the-government-will-implement-its-policy-on-support-for-the-fossil-fuel-energy-sector-overseas

It is widely recognised that aviation is one of the most difficult sectors to decarbonise, primarily due to its reliance on energy dense liquid hydrocarbon fuels, long aircraft lifetimes, and the anticipated lead times for economically viable zero emissions aviation solutions to be available at scale. Because of these challenges relative to other sectors, aviation is expected to become one of the highest emitting sectors globally by 2050 as easier to abate sectors reduce their emissions and as clean technologies grow.

This means that decarbonising UKEF's support for the aviation sector will be challenging. Continued support for the aviation industry is core to delivering UKEF's statutory role and purpose. Achieving UKEF's decarbonisation objectives in this sector will depend on progress towards decarbonising aviation activity in the real world, not reduction of UKEF's own aviation sector exposure. The use of sustainable aviation fuel, efficiency improvements and zero emissions technologies will play a significant role.

This year UKEF has continued to take action to support decarbonisation of the aviation sector. The government's Jet Zero strategy sets out how it will spearhead international action on aviation decarbonisation, and we are working closely with other government departments to implement Jet Zero. We also continue to engage with customers, academia, industry partners, as well as through our international engagement to progress our decarbonisation goals. We remain engaged with participants in the OECD Aircraft Sector Understanding including whether modernisation of this and other international agreements governing our support could better encourage aviation sector decarbonisation.

As stated in previous years we do not expect our progress towards our decarbonisation targets to be linear. We expect that emissions from our exposure will continue to increase and decrease year-on-year as deal-flow fluctuates and as legacy transactions move into operations before amortising, eventually trending downwards in the medium- to long-term. Year-on-year changes to our financed emissions can be heavily influenced by factors other than actual emissions in the transactions we support, such as changes in the value of corporates or projects supported. Medium to longer term performance trends will be a more useful measure of our progress towards decarbonisation.

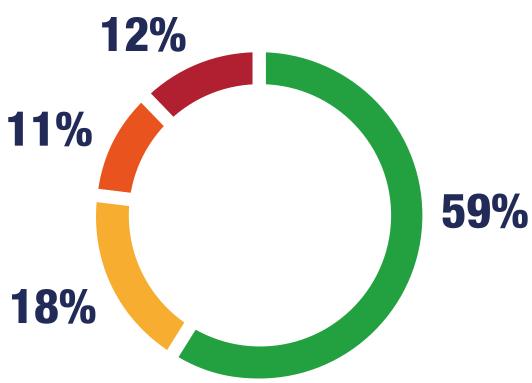
Other metrics and targets

Emissions are just one way to understand the department's impact on climate change and its exposure to climate-related risks.

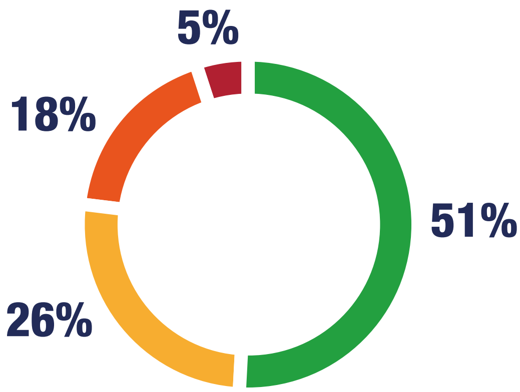
Climate change risk is integrated into our risk management framework. For more information on the metrics and targets governing UKEF's overall risk exposure and appetite, see the Chief Risk Officer's report on page 56.

The figures below summarise the exposure of UKEF's medium- and long-term portfolio to different levels of transition and physical climate-related risk, based on Moody's sovereign and sector ESG impact reports.

Transition risk: Percentage of AAR by risk rating



Physical risk: Percentage of AAR by risk rating



Key:
- Low
- Moderate
- High
- Very high

Our support for clean growth business is another important way we monitor our implementation of our climate change objectives. This year (2023/24) was the final year of our Climate Change Strategy 2021 to 2024. In April 2024, UKEF published its first Sustainability Strategy, as the successor to the Climate Change Strategy, and alongside the Business Plan 2024 to 2029. For the first time, the business plan and the sustainability strategy set out ambitious milestones UKEF will work towards with respect to sustainable business underwritten:

- providing £10 billion of clean growth finance by 2029
- mobilising £10 billion in finance in low- and middle-income countries by 2029

We will report on progress against these metrics from FY2024/25. We continue to evolve our management information framework for sustainability as relevant initiatives develop and we improve the quality and standardisation of all our data.

EXPORT GUARANTEES ADVISORY COUNCIL REPORT

The Export Guarantees Advisory Council (EGAC) is established under Section 13 of the Export and Investment Guarantees Act 1991 as amended by the Small Business enterprise and Employment Act 2015.

The Council is an Expert Committee whose statutory purpose is to advise the Secretary of State, at his or her request, in respect of any matter relating to the exercise of his or her functions under the Act. They advise on the policies that UKEF applies when doing business, particularly those related to the application by UKEF of good business policies established by international agreements that relate to export credit agencies (ECAs). The Council does not perform executive functions or take decisions on UK Export Finance's activities.

In practice the Council provides advice to Ministers and senior officials on the potential environmental, social and human rights risks associated with projects that UKEF supports, as well as debt sustainability and anti-bribery and corruption and more recently wider financial crime procedures. The Council also considers transparency issues (including freedom of information).

Senior officials from UKEF attend each of the Council's meetings. They brief the Committee on issues and developments over the year, and on individual export transactions supported by UKEF, although the Council does not provide advice on individual transactions.

EGAC has met four times during 2023/24.

Membership

Members of the Council are appointed by ministers.

I was formally appointed Chair of EGAC in January 2024 after approximately 12 months in the role on a temporary basis.

In January we also welcomed Ms Belinda Howell to the Council. Belinda's strategic understanding of climate change and sustainability, along with her extensive board experience in international multistakeholder organisations, will be a tremendous contribution to the Council.

The council's current members are:

Chair (interim from January 2023 to January 2024, appointed permanent Chair in January 2024)

Ms Vanessa Havard-Williams

Consultant to Linklaters, specialist in sustainability law and policy, sustainable finance and governance

Members

Dr Roseline Wanjiru

Associate Professor (Reader) of International Business and Economic Development at Newcastle Business School

Dr Ben Caldecott

Fellow and Associate Professor of Sustainable Finance, Smith School of Enterprise and the Environment, University of Oxford

Mr John Morrison

Chief Executive Officer, Institute for Human Rights and Business

Mr Stephen Prior

Partner, Prinia Consulting LLP and an experienced sales director in emerging markets with expertise in approaches to anti-bribery and corruption

Mr Harold Freeman

Independent economist, public sector board member, international economic and development expert

Ms Sarah Steele

Senior Legal Advisor, North Sea Transition Authority

Ms Belinda Howell

Founder and Managing Director, Decarbonize Limited. Also serves on the boards of the Marine Management Organisation, London Pensions Fund Authority and Digital Catapult

Matters considered

Sustainability policy and strategy: During the year, we were consulted and gave advice on UKEF's sustainability strategy which applies from 2024-2029 and underpins UKEF's business plan. We shared our expertise and experience including in relation to UKEF's materiality assessment, the principles of transition, targets to incentivise sustainable deals, and future risk management plans.

My Council colleagues and I discussed with UKEF the benefits and trade-offs of different approaches to transition products. We recommended further development of the social impact aspects of the strategy. Council members discussed stakeholder consultation, engagement across other government departments, and the public-facing strategy. We weighed up the benefits of percentage versus absolute targets and commended the move away from a pipeline target for UKEF's Clean and Green activities.

As the project for the implementation of the Task Force on Climate-Related Financial Disclosures (TCFD) recommendations was ending and transitioning to business as usual, members reflected on UKEF's second annual report, and the lessons identified. We noted the importance of engagement with customers, including in future discussions in respect of their transition plans, in relation to hard-to-abate sectors where UKEF has set targets for reduction in financed emissions. We noted specifically that UKEF will wish to start developing thinking on further steps to assess what action those customers can take to bring down their emissions and what kind of appropriate transition related plans they may put in place.

We shared thoughts on future sustainability reporting, the pace at which reporting frameworks are likely to develop and expectations of the approach to assurance. We noted the considerable amount of change management required and cautioned that this should not be underestimated.

The sustainability strategy and other policy implementation on climate change and sustainability at UKEF aligns with UK government policy and consolidates UKEF's integration of energy transition and development projects (including social infrastructure) into its strategy. In the last few years UKEF has made considerable progress in integrating these areas and the growth opportunities they offer into its business. We commend the diligence of the team in grappling with multiple and rapidly developing issues in what are increasingly more complex transactions.

The Council anticipates that the strategic contribution of export credit agencies (and UKEF in particular) in making energy transition and development projects bankable will continue to evolve because of the well-established role they play in project-related risk management.

Impact Framework: Early in the year we reviewed progress of the Impact Framework that was designed to help better understand, measure, and consider the impact of UKEF activities. We discussed prioritisation, specifics of sustainability considerations and international impacts, performance metrics, timelines, levers and activities. We noted that this is a rapidly evolving area so officials would need to regularly refresh their theory of change, performance metrics and indicators.

We would like to see the framework come to be used as a decision-making tool at transaction level in future but recognise this will take time. We acknowledge and appreciate its value in contributing to strategic planning, resource allocation and risk appetite.

Sustainability risk management in transactions: During the year, the UKEF team presented two case studies as examples of how UKEF applies the environmental, social and human rights (ESHR) policies that inform its decision making. These policies help UKEF to consider ESHR-related project risks and impacts in accordance with relevant international standards. I commend the team for their expertise and hard work that often requires them to work in and engage with challenging and complex security and human rights conditions and complex stakeholder expectations. One project was in the early stages of due diligence. We discussed aspects of stakeholder engagement, particularly whether the approach reaches the most vulnerable people who were likely to be affected by the project. We talked about how UKEF's approach was evolving to address increasingly complex risks, particularly with regard to human rights in the projects it is considering, and the need to balance risks with positive impacts. We recommended continued internal and international engagement to evolve best practice in response to this increased complexity.

The other project was underway, and we considered how the ESHR processes and issues that had arisen had been dealt with. We discussed the involvement of local community leaders and politicians, the use of enhanced due diligence, plans for grievance mechanisms and how they were working, and the counterfactual for the region if UKEF had not been involved in the project. We noted UKEF's ability to raise ethical and environmental standards on projects in a proportionate and constructive way and to propose solutions, as well as the value of site monitoring visits.

On the basis of the information presented to the Council, I am satisfied that the ESHR policies that guide UKEF decision-making for major projects reflect international best practice. This helps UKEF to consider environmental, social and human rights-related project risks and impacts in accordance with relevant international standards. I commend the team for their expertise and hard work that often requires them to work in and engage with challenging and complex security and human rights conditions and complex stakeholder expectations.

UKEF's strategic focus on these areas and its knowhow and expertise in relation to ESHR and sustainability issues will likely only increase in importance given the predicted global demand for financing in transition, defence and infrastructure sectors.

Transparency, anti-bribery and corruption: The Council reviewed the Financial Crime Risk Appetite Statement and broader financial crime policy. We made suggestions for strengthening the approach and members bilaterally followed up with recommendations for further refinements.

We discussed due diligence processes for agents and third parties, training for staff and non-executive directors on ethical and proprietary matters.

We were updated on an investigation by the Information Commissioner's Office into a UKEF response to a Freedom of Information (FOI) request. Members discussed UKEF's FOI process, the process of independent reviews and the approach to applying exemptions. We observed that Cabinet Office statistics showed that UKEF was one of the most transparent departments in government in its FOI responses, notwithstanding that commercial sensitivity and security considerations sometimes constrain the responses.

Other topics

Sustainable lending: Twice this year we discussed ongoing work on sustainable lending practices. We considered how financial sustainability and affordability maps against emerging markets and their interaction with non-financial sustainability. We heard about policy changes to introduce climate-resilient debt clauses, which we considered to be positive improvements. We discussed time horizons needed for progress and future adaptation risk and will continue to look at the topic next year. We considered options for undertaking Sustainable Lending Assessments and endorsed the proposed approach which seems to be at the forefront among peer ECAs of practice in this area.

Business Plan: Later in the year we were consulted on the business plan and gave our reflections on the direction of travel.

We noted that it is good practice to align the new business plan and the sustainability strategy where possible and welcomed efforts to do so. We look forward to UKEF's implementation of them.

International relations: We reviewed the strategy for UKEF's international engagement which aims to get the best terms and conditions for UKEF customers in ways that align with UK government policy. We discussed the many competing priorities and offered methods for triaging and prioritising. We shared views on objectives of international engagement, prioritising organisations to engage with and trade-offs of doing so, and how to measure influence and effectiveness. We recommended identifying a high ambition series of outcomes along with anticipating barriers to delivery and pre-emptive mitigation.

Detail of EGAC's responsibilities, priorities, and membership, together with our contact details, terms of reference, register of members' interests and minutes of meetings, can be found on the government's website:
www.gov.uk/government/organisations/export-guarantees-advisory-council/about

The costs of operating the Council during 2023/24 amounted to circa £40,500, which covers the annual remuneration to members and the Chair, and to reimburse the cost of travel and meeting expenses. For further information on the work of the council please contact the Council Secretariat:
EGAC@ukexportfinance.gov.uk

ACCOUNTABILITY REPORT

UKEF MINISTERS AND BOARD MEMBERS

UKEF ministers

Rt Hon Kemi Badenoch MP

Secretary of State for Business and Trade, President of the Board of Trade, and Minister for Women and Equalities (to July 2024)

Lord Offord of Garvel CVO

Minister for Exports (to July 2024)

Register of interests

A register of interests is kept up to date to identify any potential conflicts of interest involving the senior executive directors and, if necessary, address them. At the start of departmental board meetings, members are asked to declare any potential conflicts of interest. Appropriate arrangements are in place to manage any conflicts identified, in line with departmental and Cabinet Office policy. This could, for example, include recusal from board discussions relating to those interests.

No conflicts of interest or potential conflicts of interest have been identified this year. A register of Board directors, directorships and shareholdings is available at: **www.gov.uk/government/organisations/uk-export-finance/about/our-governance**

Members of the UKEF Board and its sub-committees

Robert Gillespie
Chair of the UKEF Board and Remuneration Committee (from 1 March 2024)

Tim Reid
Chief Executive Officer

Cameron Fox
Chief Finance and Operating Officer

Samir Parkash
Chief Risk Officer

Jackie Keogh
Member of the UKEF Board, member of Audit, Risk and Remuneration Committees

Tim Frost
Member of the UKEF Board, Chair of the Risk Committee, member of the Audit and Remuneration committees

Charlotte Morgan
Member of the UKEF Board, member of the Risk and Remuneration committees, Chair of the Audit Committee

Kimberley Wiehl
Member of the UKEF Board, member of the Audit, Risk and Remuneration committees

Vanessa Havard-Williams
Ex-officio member of the UKEF Board, Chair of the Export Guarantees Advisory Council, member of the Audit committee

Andrew Mitchell
Ex-officio member of UKEF Board, Director General for Exports and UK Trade at the Department for Business and Trade (to 31 October 2023)

Niall Mackenzie
Interim ex-officio member of UKEF Board, Director of Consumer and Competition Policy, Department for Business and Trade (From 1 December 2023 to 31st March 2024)

Candida Morley
Ex-officio member of UKEF Board and UK Government Investments, member of Audit, Risk and Remuneration committees (to May 2024)

GOVERNANCE STATEMENT

As Accounting Officer for UKEF, I am responsible to ministers and Parliament for its management, including the stewardship of financial resources and assets. This Governance Statement sets out how I have discharged this responsibility for the period 1 April 2023 to 31 March 2024.

Tim Reid
Chief Executive and Accounting Officer

29 July 2024

The areas I cover below are:

- the organisational arrangements for managing operations, constituting our corporate governance framework
- my statement on the nature of UKEF's business and its vulnerabilities and resilience to challenges, requiring risk management and controls

Background

UKEF's mission is to advance prosperity by ensuring no viable UK export fails for lack of finance and insurance, doing that sustainably and at no net cost to the taxpayer. We work with a wide range of private credit insurers and lenders to help UK companies access export finance using three underlying financial instruments: guarantees, insurance and loans. We complement rather than compete with the private sector and are strongly aligned with wider government strategy and policies.

In providing support, we seek to:

- maximise the impact we achieve in the UK and overseas, delivering value for money for the taxpayer in accordance with our statutory purpose
- deliver exceptional service for our customers – exporters, overseas buyers and delivery partners such as banks
- respond to meet the needs of customers, delivering solutions within the bounds of acceptable risk
- maintain the confidence of ministers, Parliament and our customers
- effectively communicate what we do to a broad group of stakeholders across the UK and overseas

Our strategy remains one of ambitious evolution, building on over a century's experience and success to support businesses to invest, grow and export. In April 2024, UKEF published its new business plan covering the period from 2024-29. This will see UKEF step up its ambition to deliver impact for the UK taxpayer, helping to grow UK exports, including by supporting a greater number of SMEs in all regions of the UK. Our new Sustainability Strategy, published at the same time, sets out how we will put UK exporters at the heart of the global low carbon transition and increase the impact of our support overseas. The strategy is underpinned by five strategic enablers: governance and accountability, risk management, digital and data, customer centricity, and our people.

Corporate governance framework

UKEF was set up in 1919, with its original statute introduced in 1920, and its legal name is the Export Credits Guarantee Department. It is a ministerial department of state exercising statutory powers under the Export and Investments Guarantees Act 1991 (as amended) (EIGA).

UKEF is strategically aligned with the Department for Business and Trade (DBT) but is a separate ministerial government department. Both departments report to the Secretary of State for Business and Trade. I am the Chief Executive and Principal Accounting Officer of UKEF. The Secretary of State or Minister for Exports writes to me every year to outline the government's priorities for UKEF for the coming year.[19]

Statutory powers

UKEF's statutory powers are derived from the EIGA, which provides that they may only be exercised with the consent of HM Treasury ('the Consent'). HM Treasury sets a financial framework, comprising financial objectives and reporting requirements, within which UKEF operates.

Department for Business and Trade

DBT provides a single, coherent voice for business inside government, focused on growing the economy with better regulation, new trade deals abroad, and a renewed culture of enterprise at home. I am a member of DBT's Executive Committee, and the UKEF Chair is a member of DBT's Board. UKEF has a MoU with DBT to achieve shared objectives around economic growth, increasing UK exports, and contributing to the government's wider trade agenda. More details are on page 121.

Ministers

Over the past financial year, UKEF officials briefed the former Minister for Exports and Secretary of State both verbally and through written submissions on high-priority transactions and issues including: our new business plan and Sustainability Strategy, our continued support for Ukraine following Russia's illegal invasion, our international frameworks and business engagement, and activities to promote the UKEF offer to businesses at home and overseas.

19 This letter is available online: www.gov.uk/government/publications/letter-from-the-minister-for-exports-on-ukefs-annual-priorities

HM Treasury

UKEF officials, including myself, meet regularly with officials from HM Treasury to advise them on matters related to the Consent, business planning and performance. Throughout the year, and at least monthly, we supply HM Treasury with in-depth reports on significant business metrics, including our financial performance. A representative from HM Treasury also attends UKEF Board meetings as an observer.

HM Treasury seeks to protect the taxpayer from excessive loss resulting from our lending or contingent liabilities, and the UK economy from economic disbenefit. It exercises this role primarily by monitoring our performance against spending plans, the financial objectives agreed by ministers and policy parameters they set for us.

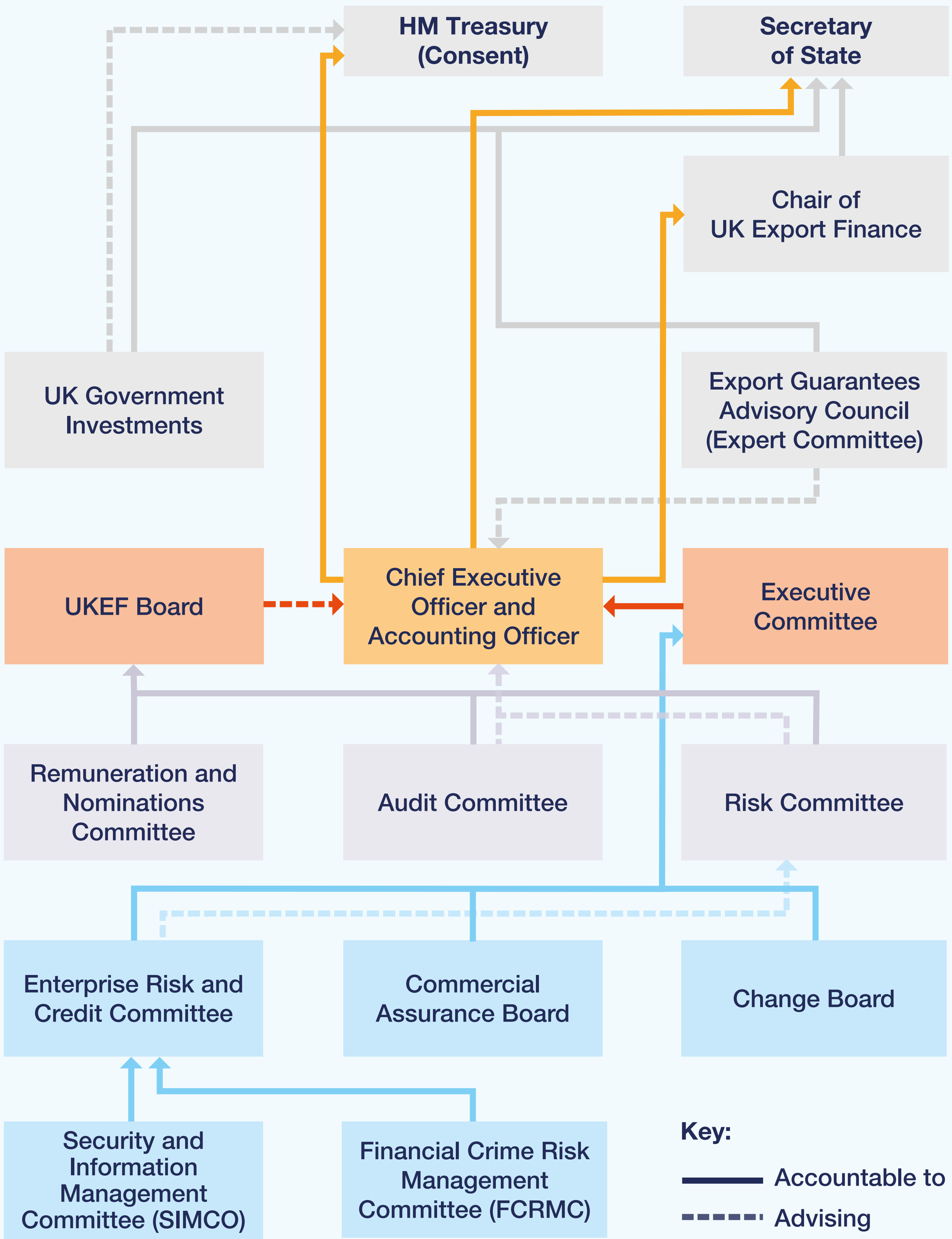
UK Government Investments

UK Government Investments (UKGI) provides advice to the Secretary of State with responsibility for UKEF on the exercise of ministerial responsibility for UKEF. A UKGI representative is an ex-officio member of UKEF's Board.

In accordance with the concordat, particular areas of focus are to:

- advise and support on corporate governance (including the appointment and remuneration of UKEF's Chairman, Non-Executive Directors and Chief Executive)
- review UKEF's financial and operating performance and key performance indicators
- review UKEF's risk management function and processes
- input into business planning and strategic direction
- provide support in certain instances to HM Treasury on HMG's exposure to risk

UKEF's governance structure



Note: **UKEF governance:** Ministers and the Accounting Officer are each directly accountable to Parliament.

Export Guarantees Advisory Council

Export Guarantees Advisory Council (EGAC) is a statutory body under the EIGA. It was designated an Expert Committee in 2016 and its role is to provide advice to ministers and senior officials as needed on the environmental and social impact of UKEF's operations including the effectiveness of its policies on:

- climate change and sustainability
- social impact and human rights
- anti-bribery and corruption
- sustainable lending
- transparency and disclosure

The council independently publishes a report of its business in the year, which is available on page 103 and also from the council's website.[20]

The council does not hold any independent budget or spending authority. The Chair of the council sits on the UKEF Board as an ex-officio member.

UKEF Board

In discharging my responsibilities, I am advised by the UKEF Board, of which I am a member. The board is led by a non-executive Chair to whom I report. Its membership consists of three executive directors (the Chief Executive, the Chief Risk Officer and the Chief Finance and Operating Officer) and eight non-executive board members, including ex-officio representatives from DBT, UKGI and EGAC. There is also an observer from HM Treasury. Its terms of reference require there to be a majority of non-executive and ex-officio members.

The board's role is an advisory one, supporting the Accounting Officer in the management of UKEF through operational oversight and by providing advice and challenge.

The non-executive members are appointed by ministers through open competition based on relevant expertise and merit. They provide the Secretary of State with an independent source of scrutiny and provide me with guidance on strategic and operational issues, UKEF's financial performance and our arrangements for financial reporting, risk management and control. A register of board members' directorships and major shareholdings is published on UKEF's website.[21]

The board has three sub-committees: the Audit Committee, the Risk Committee and the Remuneration and Nominations Committee. Membership of these sub-committees comprises non-executive board members and ex-officio board members agreed by the UKEF Board.

20 www.gov.uk/government/organisations/export-guarantees-advisory-council
21 www.gov.uk/government/organisations/uk-export-finance/about/our-governance#management-structure

UKEF is committed to ensuring that the board and its committees operate effectively and are continually improving. During the spring of 2023, an internal board effectiveness review was undertaken. Overall, the review concluded that the board and its committees operated effectively. It noted that the executive was sufficiently challenged. It suggested improvements could be made including spending more time on development of products and on operational risk, particularly with regard to organisational growth and senior succession planning. A report detailing findings and suggested improvements was accepted by the board, and an action plan established and significant recommendations implemented. An external Board Effectiveness Review will take place in the autumn of 2024. The minutes of board meetings are published on UKEF's website.

Subjects considered by the board

The UKEF board meetings covered a variety of topics to support the running of the department and meet our objectives, including:

- UKEF's vision and values
- UKEF's impact framework
- the new business plan for 2024-29 and the sustainability strategy
- the People Strategy
- operational planning and business performance
- strategic risks including reputational risk
- the portfolio of products that UKEF offers
- Business forecasting
- Financial performance
- The Change Programme

The Information Management and Governance Team provided a comprehensive secretariat service to the board and its committees to ensure the effective and efficient administration of the board and its activities. The board was provided with high-quality board papers prior to each meeting to aid informed discussion and decision making.

Audit and Risk committees

The annual reports of the Audit and Risk committees can be found on page 133. Their respective chairs formally report on their activities to the board.

Remuneration and Nominations Committee

The Remuneration and Nominations Committee comprises at least three non-executive directors and is chaired by the Chair of the UKEF Board. This committee considers and agrees on proposals from the Chief Executive on individual pay decisions in accordance with the criteria outlined in guidance from the Cabinet Office about the remuneration of its Senior Civil Service (SCS) members; and determining any change to the Chief Executive Officer's salary and the value of any performance bonus. See page 137 for more detail on the remuneration of SCS members.

It also ensures that these recommendations consider any requirements or guidance from Cabinet Office, including that the average increase to the SCS pay bill is within any centrally determined budget. The Remuneration Committee also advises the board on the effectiveness of systems for identifying and developing leadership and high-potential staff, scrutinising the incentive structure and succession planning for the board and the senior leadership of the department.

Executive Committee

In the summer of 2023, an external review was undertaken of UKEF's internal governance. This review recommended that committee objectives and purpose were clarified, and a piece of work was completed during the year that reviewed, and revised where necessary, internal committee structure, terms of reference, reporting lines and membership. As part of this review, the Commercial Assurance Board (CAB) was formed (more details about the CAB are below).

I am supported in the management of UKEF by the Executive Committee, which I chair. Its membership is composed of senior executives who are all members of the SCS:

- Julia Beck, Chief Strategy and Impact Officer: responsible for the department's strategic and operational planning, policy and product development, international relations and negotiations, sustainability, policy and risk management, governance and information management.
- Dan Bowden, Director for Digital, Data and Technology: responsible for technology, change management, data and digital services, business insight and analytics. Dan was appointed in June 2023.
- Esi Eshun was Director of Business Group until leaving UKEF in October 2023.
- Cameron Fox, Chief Finance and Operating Officer: responsible for finance, accounting, and middle office operations. Cameron is also a member of the UKEF Board.
- Adam Harris, Interim Co-Director of Business Group: responsible for large corporate and overseas buyer financing, and international origination, including our overseas network. Adam was previously Head of Civil, Infrastructure and Energy underwriting. Adam was appointed on a joint interim basis in October 2023 to fill the vacancy left by Esi Eshun.
- Shane Lynch, Director of Resources: responsible for all workforce-related issues, staff administrative functions, strategic workforce planning, commercial functions, facilities and security.
- Samir Parkash, Chief Risk Officer: responsible for leading the organisation's overall approach to risk management by managing enterprise, financial and credit risk, country risk, operational risk, and related management systems and practices. Samir is also a member of the UKEF Board.
- Jayne Whymark, Director of Legal and Compliance: responsible for legal and financial crime compliance matters and supporting the department in managing legal and compliance risks. Jayne took over the role on an interim basis from Esi Eshun in January 2023 when Esi became Director of Business Group, and Jayne was appointed to the role of Director in November 2023.
- Carl Williamson, Interim Co-Director of Business Group: responsible for our support for SME exporters, our domestic Export Finance Manager network and marketing and communications. Carl was previously Head of Trade Finance. Carl was appointed on a joint interim basis in October 2023 to fill the vacancy left by Esi Eshun.

The minutes of Executive Committee meetings are published on UKEF's website.

There are three sub-committees of the Executive Committee, each of which is chaired by a member of the Executive Committee and whose membership is drawn from senior staff in UKEF:

- ERiCC, chaired by the Chief Risk Officer, is responsible for advising the Chief Executive on the effective management of credit risk exposures at the case specific and portfolio levels, and operational and enterprise-wide risks across UKEF. Following the internal governance review, the Security and Information Management Committee (SIMCo) and the Financial Crime Risk Management Committee became sub-committees of ERiCC.
- The Change Board, chaired by the Chief Finance and Operating Officer, advises on whether UKEF's investment in maintaining and improving its infrastructure, systems and processes is appropriately and effectively targeted and managed, and represents value for money.
- The Commercial Assurance Board, chaired by the Director of Resources, is responsible for assuring the delivery of commercial activity above £1 million. The Commercial Assurance Board reviews submissions in line with UKEF strategy, vision, processes and guidelines and provides a forum to assess risk and escalate submissions for further discussion where required. A sub-committee of the Commercial Assurance Board, 'Commercial Assurance Board lite', assures delivery of commercial activity between £100,000 and £1 million.

A register of interests is kept up-to-date to identify and address any potential conflicts of interest involving senior executives. No conflicts of interest were raised this year.

UKEF has robust policies and supporting processes in place governing the declaration and management of outside business activities, financial interests and conflicts of interest. The relevant policies and procedures are published on the UKEF intranet and regular reminders are sent to staff throughout the year regarding their obligations in this area. All staff are required to make an annual return covering the declaration of in-scope financial interests. Staff are required to disclose potential conflicts of interest as they arise, and to seek permission to undertake any outside business activities prior to taking them up. Staff joining UKEF are required to make relevant declarations as part of the pre-employment checking process and it is also covered in the new joiner induction.

Governance in 2023/24

As Accounting Officer, I state that in the financial year:

- all instructions given to me by ministers were in accordance with the EIGA, the Consent and applicable international agreements
- UKEF suffered no material operational losses
- UKEF had no major security breaches, data thefts or losses
- I met ministers regularly to brief them on issues related to UKEF, and along with other UKEF officials also briefed as necessary UKGI, HM Treasury and DBT officials so that they could provide informed advice to ministers if and when required
- the appropriate balance of non-executive directors and ex-officio members on the UKEF Board was maintained
- the Executive Committee met at least twice a month throughout the year
- the UKEF Board met 10 times in the year, the Audit Committee met five times, the Risk Committee met five times and the Remuneration Committee met two times, all consistent with their terms of reference

Ministerial Directions

In May 2023, Cabinet ministers reconfirmed the direction for UKEF to maintain its £3.5 billion cover for Ukraine and the terms under which the department could provide support. UKEF originally had to withdraw all cover for Ukraine in the aftermath of Russia's illegal invasion as the country fell below normal underwriting standards and risk frameworks. For further information on UKEF's support for Ukraine refer to the National Interest Account on page 43.

No new Ministerial Directions were issued in 2023/24.

Our board composition

Members of the UKEF Board and its sub-committees (with attendance figures)

Directors	Role	UKEF Board	Audit Committee	Risk Committee	Remuneration and Nominations Committee
Average attendance (members only)		93%	100%	100%	
Individual attendance					
Cameron Fox	Executive Board member	10/10	5/5*	5/5*	-
Tim Frost	Non-executive Board Member	9/10	5/5	5/5	2/2
Robert Gillespie	Non-executive Chair from 1 March 2024	1/1	-	-	-
Vanessa Havard-Williams	Interim Ex-officio Board member, Export Guarantees Advisory Council (from January 2023)	10/10	4/4	-	-
Noel Harwerth	Non-executive Chair to 29 February 2024	9/9	4/4*	2/4*	2/2
Jackie Keogh	Non-executive Board Member	9/10	5/5	5/5	1/2
Niall Mackenzie	Ex-officio Board member, Department for International Trade from December 2023-April 2024	3/3	-	-	-
Andrew Mitchell	Ex-officio Board member, Department for International Trade to November 2023	4/6	-	-	-
Charlotte Morgan	Non-executive Board Member	9/10	5/5	5/5	1/2
Candida Morley	Ex-officio Board member, UK Government Investments	9/10	5/5	5/5	2/2
Samir Parkash	Executive Board member	8/10	5/5*	5/5*	-
Tim Reid	Executive Board member	10/10	5/5*	4/5*	2/2*
Kim Wiehl	Non-executive Board member	10/10	5/5	5/5	2/2

* Not a member of the committee but attends its meetings (except in relation to matters presenting a conflict of interest)

Memorandum of Understanding between UKEF and DBT

The Memorandum of Understanding (MoU) is a strategic agreement that sets out how UKEF and DBT work together to achieve shared objectives around economic growth, increasing UK exports, and contributing to the government's wider trade agenda. The MoU was initially signed with the then-Department for International Trade in 2021, following the recommendation of the Public Accounts Committee who emphasised the need for greater collaboration between the departments. The MoU was then re-signed in 2023 to reflect the creation of DBT, alongside an additional Partnership Agreement that aimed to further strengthen our collaboration. The Partnership Agreement, which sits within the governance framework of the MoU, articulates the overall ambition to provide more joined-up support to businesses and drive increased impact, focusing on a set of ambitious objectives and targeted areas for collaboration.

Since the introduction of the MoU, there has been a step change in collaboration between UKEF and DBT, with relevant teams across the departments working together closely as a matter of routine to support UK business and trade. In 2023/24, this included joint delivery of significant marketing campaigns and events, targeted engagement with DBT international trade advisers to promote understanding of our offer for business referrals, and contributions to the development of cross-government strategies like the Advanced Manufacturing Plan.

Having made significant progress in our relationship with DBT, we are now working hard to deliver against the longer-term, strategic objectives set out in the Partnership Agreement – whether that be supporting UK supply chains to drive up UK content in deals, enhancing our customer facing operations, or embedding a greater understanding of UKEF into all areas of DBT.

Third-party delivery partners

UKEF works with a network of partners, including commercial lenders, insurance brokers, other export credit agencies, other government departments, industry bodies and intermediaries. More information about our partners and operations can be found on our website.

UKEF will continue to extend and enhance its delivery partner relationships to improve levels of support to its customers.

Major contracts and outsourced services

UKEF's in-house Commercial Function went live on 31 July 2023. Prior to this, procurement activity had been outsourced to DBT.

UKEF has developed its own Commercial Policy to align with the Public Contracts Regulations 2015 legislation. This legislation requires authorities to observe the principles of equal treatment, non-discrimination, transparency, and proportionality. UKEF's Commercial Policy also complies with Cabinet Office and Government Commercial Functional Standards as well as internal UKEF policy.

UKEF has implemented a new commercial policy which details governance and process for all procurement activity. The process is streamlined for all requirements under £10,000, though no procurement activity is commenced without confirmation from the business requirement owner and relevant budget holder. Commercial assurance boards are in place for requirements with a total contract value of more than £100,000. Governance at these boards is proportionate to the value of the requirement, for example requiring CEO approval for any procurement requirements over £10 million. Assurance also incorporates any necessary external approvals such as HM Treasury or Cabinet Office.

UKEF's contract management approach ensures an effective live running of contracts, including named operational contract managers, key performance indicators in all contracts we put in place, and exit/transition plans where appropriate. All operational contract managers are required to complete the Contract Management Capability Programme. Our more complex or higher-value contracts have a Contract Management Plan and a dedicated Commercial Contract Manager in addition to the OCM.

Finally, UKEF demonstrates compliance with transparency requirements and obligations, such as:

- UKEF's external reporting obligations – including Cabinet Office Pipeline, SME spend data, and key performance indicators reporting, as at 1st of April 2024
- All contracts above the £10,000 reporting threshold are published on Contracts Finder

Risk management and assurance

UKEF is committed to following best practice and public sector standards in areas of governance, accountability, transparency and risk management. Our approach to risk management is described in detail in the Chief Risk Officer's report on page 56.

UKEF's Enterprise Risk Framework provides senior management with a consistent structure and documented approach to identifying, assessing, evaluating and reporting known and emerging risks across UKEF. The framework fosters continuous monitoring, promotes good risk awareness across the organisation and encourages sound operational and strategic decision-making.

Risk culture

A strong risk culture is central to good risk management, starting with the 'tone from the top'. Senior leaders within UKEF are important influencers in inculcating the high standards of behaviour and conduct expected in all our teams. To ensure that the board is kept apprised of UKEF's primary risks and the effectiveness of UKEF's risk management, it receives a monthly report from the Chief Risk Officer covering credit, enterprise and operational risks.

Our risk culture is reinforced by the Civil Service Code and its core values of integrity, honesty, objectivity and impartiality. It forms part of our decision-making process for strategy setting, business planning, product governance, change management, customer service, resourcing and third-party suppliers and partners.

Three lines of defence

All employees are responsible for identifying and managing risk within the scope of their role. UKEF has embedded a 'three lines of defence' framework across the organisation which defines clear responsibilities and accountabilities for decision-making and independent oversight and assurance.

First line of defence	Second line of defence	Third line of defence
Day-to-day management and risk ownership	Risk policies, methodologies and independent oversight and challenge	Independent assurance

Strategic risk

UKEF maintains a strategic risk register that identifies risks and issues with the potential to materially impact the realisation of our business plan objectives. The register builds on UKEF's broader risk taxonomy framework, which sets the organisation's risk appetite for the risks it faces.

The register captures risks that may arise across any of our six primary enterprise risk categories (as detailed on page 60 in the Chief Risk Officer's Report) and sets out controls, mitigations, and contingency plans for these risks, with clear ownership and accountability. The register highlights the specific risks UKEF faces as a government department as well as a commercial entity, and outlines clear controls and ownership of strategic risks within the department. The strategic risk register is reviewed at a minimum bi-annually by the Executive Committee and annually by the board.

Operational risk

Operational risk management is an integral part of the Enterprise Risk Framework. UKEF's Operational Risk Policy details the minimum requirements for managing the department's operational risk. This in turn enables staff to make informed decisions based on a sound understanding of our operational risks.

UKEF's approach to operational risk management is designed to:

- embed risk management, process, control and risk ownership into the first line of defence
- ensure current and emerging operational risks are continually identified, assessed, monitored, managed and reported in a consistent manner
- ensure potential and crystallising risks and incidents are reported and escalated
- ensure appropriate risk management action is prioritised and completed
- provide the Enterprise Risk and Credit Committee and the Risk Committee with regular information in respect of the control environment

There is a programme of continuous improvement regarding risk management, control identification and developing and regularly reviewing process maps and procedure documentation across the department.

UKEF's operational risks primarily arise from our business-as-usual activities. These risks typically involve the possibility of error or oversight leading to a financial loss (other than as a result of properly managed exposure to credit risk), a failure to properly discharge our obligations, or controls not being designed and/or applied appropriately. Examples of such failures could include:

- credit decisions being made on the basis of incorrect data
- a breach of our reporting requirements to HM Treasury
- a data breach due to a successful cyber attack
- a failure to obtain requisite authority to enter into a commitment
- a failure to recognise a fraudulent application or request for payment

The Enterprise Risk Division actively works with the other second and third line assurance functions and all heads of division across UKEF to reinforce ownership and accountability for risk management, and to ensure the appropriate design, implementation and monitoring of controls is undertaken. Risk is considered in significant strategic decisions by the Executive Committee and the board, in major new projects by Change Board and Executive Committee, and in other prioritisation and resource allocation commitments throughout the business.

A programme of assurance testing is undertaken by the Enterprise Risk Division to provide senior management with assurance that essential controls are in place and operating in accordance with defined procedures.

Orange Book compliance

The Orange Book lays out the principles for managing risk that departments are expected to comply with or explain reasons for non-compliance. In May 2023, the Risk Centre of Excellence within HM Treasury distilled this into a comprehensive bank of questions. This identified the key principles set out in the Orange Book, and each department was asked to consider their risk management practices against these questions and note their compliance in their annual report and accounts.

Using the question bank, an internal review was undertaken in collaboration with senior stakeholders across UKEF. It found that with the exception of the following three items, UKEF's policies, procedures and practice comply with the Orange Book Principles.

Governance and Management Framework – Boards is not fully complied with as the board is not chaired by the Secretary of State or minister. Given UKEF is engaged with financial services activities, good risk management is instead achieved with the independent appointment of a non-executive Chair with relevant professional experience, as agreed with ministers.

Portfolio Risk Management Guidance[22] is not complied with in two areas:

- UKEF does not profile chances of degrees of variation in intended outcomes relating to cost, time, benefits and other objectives using appropriate qualitative and quantitative techniques across the whole of its change portfolio.
- The assurance question relating to the effectiveness of interventions in managing risk is partially complied with. Risks are regularly tracked, monitored and escalated as appropriate, and reporting is available on the changes in risk as a result of interventions. However, these are not actively tracked across the whole of the portfolio.

The partial compliance on the change portfolio risk management guidelines is due to the resourcing constraints on the portfolio as a whole and the small size of the majority of portfolio projects. The Financial Reporting Changes programme (which constitutes 63% of the forecast change portfolio spend for 2024/25) complies with both and further interventions across the rest of the portfolio will take place if required and resources allow.

UKEF has a continual improvement process in relation to risk management and the approach to compliance with Orange Book principles will be reviewed in 2024/25.

Governance assurance processes

Each director in UKEF identifies and manages their operational risks using the risk and control assessment process which is reviewed and updated quarterly as a minimum. A bi-annual control environment attestation is also completed by all Executive Committee members and submitted to me.

This has given us a more robust understanding of our risk and control environment, and greater confidence in its assurance.

In addition, at year-end, supported by a non-executive member of the board, I chaired a panel which challenged executive directors on their control and assurance responsibilities, informed by the risk and control assessments, the bi-annual control environment attestation and any reported incidents.

Functional standards

Since the end of September 2021, the Cabinet Office has required all government departments to implement mandatory elements of each functional standard. During the year, the Executive Committee received an update on progress in the implementation and maintenance of the functional standards regime within UKEF. A plan for each function is maintained, incorporated into the relevant Divisional Plan, monitored and reported against and updated at least annually. Ongoing, proportionate and co-ordinated assurance activity is performed to ensure the Functional Standards are being embedded and comply, or will comply, with all the defined requirements (as appropriate) in 2024/25.

22 The term ‘portfolio’ refers to the range of change projects under management within UKEF. It is separate to our portfolio of deals.

Financial crime compliance

UKEF recognises the risks that financial crime poses to communities, individuals, and to business integrity. It also recognises that UKEF faces risks of financial loss, and damage to its integrity and reputation, from becoming the victim of financial crime, or from providing support, and therefore putting taxpayer money at risk, for transactions involving financial crime of any kind.

Although, given its role and remit, UKEF cannot guarantee that it will never support such a transaction (UKEF is not an investigatory authority with the powers necessary to detect crime), UKEF is committed to having in place, and operating, reasonable and proportionate processes, systems and controls to mitigate the risk of supporting such transactions. It aims to implement identified elements of financial crime compliance best practice from the regulated financial services sector.

UKEF is also committed to transparency in this area, to the extent appropriate and possible, and includes an explanation of its approach on GOV.UK

UKEF is also committed to complying with the cross-Government Functional Standard GovS 013: Counter Fraud, and engages closely with the Public Sector Fraud Authority. UKEF regularly discusses risks and mitigations internally, with other government departments, with overseas ECA counterparts, and with law enforcement agencies.

UKEF's Compliance Function is dedicated to professional excellence, with staff holding or working towards, professionally recognised compliance qualifications, including at post-graduate level.

UKEF has an ongoing relationship with UK law enforcement agencies, and continues to refer transactions to law enforcement where there are grounds to do so.

UKEF's Business Group, along with the Compliance Function have continued to undertake due diligence screening of parties in UKEF transactions. During the course of 2023/24, this has included the screening of around 483 transactions, which have together involved over 1,336 corporate and sovereign entities and almost 6,172 individuals. In all, over 268 transactions were escalated for enhanced due diligence. This level of escalation reflects the inherently high risk of UKEF's operations, (given its remit), which includes; greater volumes of SME business; work in emerging markets on green and sustainable infrastructure; and the ever-increasing complexity within the transactions it is asked to support.

Some UKEF customers and transactions remain challenging from a compliance perspective, either as a result of recent or ongoing law enforcement investigations or as a result of issues that have been brought to light by UKEF's own due diligence. UKEF is dealing with such customers and transactions with appropriate rigour and is applying enhanced and proportionate due diligence processes designed to ensure that the risk of supporting a transaction tainted by financial crime is appropriately managed. UKEF has declined support, or implemented additional controls, as appropriate in light of the findings of its due diligence. The Financial Crime Risk Management Committee meets on an ad-hoc basis to consider complex cases, where senior review and approval is required.

UKEF has declined any attempt to negotiate its financial crime-related documentation.

UKEF has continued to take an active role in the OECD Working Group on Export Credits. In 2023/24 this has included taking a lead role in the ongoing development of a guidance note for OECD ECAs on ways in which cross-OECD approaches to financial crime might be improved.

Legal risks

The remit of UKEF's dedicated in-house legal function is to understand, identify and mitigate legal risks to the department associated with its various activities. Legal Division is staffed by highly qualified legal advisers (a mix of solicitors and barristers) and paralegals with a broad range of professional experience and expertise, primarily obtained in the private sector but also from elsewhere in the Civil Service. Advising throughout the cycle of UKEF support, legal advisers assist on all aspects of transactional work, from structuring to the negotiation of documentation, post-issue management, including claims and recoveries, as well as new products, projects, information law, procurement and any contentious matters or litigation. Legal advisers collaborate widely with UKEF's Business Group and with other internal teams across UKEF and maintain strong links with legal teams in other government departments, external law firms and counsel.

Cyber security and information risks

Information is a critical business asset that is fundamental to the continued delivery and operation of any government service. Departments must have confidence in the confidentiality, integrity and availability of their data. Any personal data collected, stored and processed by public bodies are also subject to specific legal and regulatory requirements.

Cyber incidents pose an increasing threat to all public bodies' management of their information, with hacking, ransomware, cyber fraud and accidental information losses all evident throughout the public sector.

Each government department is required to have a nominated board member or executive director to discharge oversight and responsibility for security risk management. For UKEF, this is the Director of Resources, who is also the Senior Information Risk Owner. The Senior Information Risk Owner has Executive Committee-level responsibility for information risks, including cyber security risks. They also chair the Security and Information Management Committee.

UKEF's security framework provides an overview of our approach to ensuring the information assurance of our people, processes and technology aligns with security objectives. These include background checks on recruitment, resilience training and empowerment of line managers to raise concerns about threats posed by staff. The framework includes a description of the pan-government security environment, overarching principles, and a commentary on UKEF's approach to the mandatory security outcomes set out by the Cabinet Secretary.

UKEF focuses on outcomes required to achieve a proportionate and risk-managed approach to security that enables UKEF's business to operate effectively, safely and securely. To enhance the department's cyber security capability, UKEF has a dedicated protective monitoring function to identify vulnerabilities and threats to our people and IT infrastructure.

UKEF works very closely with the Foreign, Commonwealth and Development Office, who manage vetting services on our behalf. The FCDO also support UKEF in upskilling staff in security essentials, including mandated modules on cyber security and information risks.

The department has benefited from developing closer working relationships with government stakeholders including the National Protective Security Authority, Cyber Security Information Sharing Partnership, Government Security Centres (GseC), police, National Authority for Counter-Eavesdropping and the National Cyber Security Centre's (NCSC) Active Cyber Defence programme.

The department has worked with external partners (GseC cyber) to test our cyber security defence capabilities through red and purple team exercises and we continue to enhance our security posture in response to those results. UKEF is working with NCSC and GseC to develop a proportionate, risk-based policy in respect of supply chain cyber security policy.

UKEF has in place appropriate staff training, awareness-raising and disciplinary processes with regard to cyber resilience for staff at all organisational levels.

In July 2023 UKEF was assessed by the Government Security Group as having achieved 100% compliance in Cyber mandatory controls and Incident management controls. Personnel Security was scored at 99.2% and Physical Security 97.4%. The scores have been independently assessed through the Government Security Group. The next assessment is due to be completed in December 2024.

UKEF's Knowledge and Information Management function promotes good information governance and compliance with statutory obligations. The Knowledge and Information Management team has produced an Information Management Strategy, which sets out how the department will manage its information more effectively to improve efficiency and comply with relevant legislation. We are currently undertaking a project to migrate all the department's information to SharePoint Online. This will bring about significant improvements to the department's management of its documents and reduce information risks. The Knowledge and Information Management team also operates an Assurance Framework to ensure that all staff who process personal data do so in accordance with the UK General Data Protection Regulation.

The Knowledge and Information Management team maintains UKEF's Information Asset Register, which is available on the staff intranet, and helps to protect important information. All staff with responsibilities for information management are required to undertake relevant training as part of continuous improvement. Procedures are in place to respond to requests for information from the public under information legislation that gives the public rights of access.

Reputational Risk

For a complex organisation with as large and diverse a portfolio as UKEF, reputational risk can originate from a wide range of sources and sometimes be unpredictable. This can arise from any intentional action, such as a decision to support a particular transaction, where a wide range of factors will be relevant, or an unintentional action, such as an information breach. It can also arise from inaction, such as a failure to apply government policy.

Other types of risks, including environmental, social and human rights, legal, financial crime, governance and sustainability, can also have a reputational impact. If they materialise, reputational risk issues can cause real damage to UKEF's reputation and affect credibility with stakeholders. They can also call into question our wider purpose as an organisation and our commitment to our mission statement.

For this reason, reputational risk is relevant to every team in UKEF and is taken seriously at senior levels. Issues identified at any level are investigated and escalated where appropriate to be considered by members of the Executive Committee, for a steer about how to proceed. The Board are kept regularly informed of reputational risk discussions.

Records and information management

Section 3(4) of the Public Records Act 1958 requires departments to transfer records which have been selected for permanent preservation to the National Archives by the time the records are 20 years old. UKEF currently has records covering 2003 which are beyond their due date for transfer. We are putting in place steps to ensure we transfer records in compliance with the 20-year-rule in future.

UKEF has a dedicated team to ensure it complies with the Freedom of Information Act 2000 and other information-related legislation. In 2023/24, two FOI responses were referred to the Information Commissioner's Office. Within this period, UKEF scored a 99% timeliness record for responding to information requests.

Business continuity plan

UKEF has continued to develop its ability to respond to an actual or threatened disruption of service delivery with incident management and business continuity planning, training and simulation, including quarterly strategic training and tabletop exercises. New loggists have been trained to support the Incident Management Team, and a wider group of staff are being trained to support incident management in the department.

Data modelling and quality assurance

We perform appropriate quality assurance on our analytical and modelling work in accordance with the Aqua book. Senior responsible officers are accountable for reviewing business-critical models annually to ensure the best modelling and quality assurance practices are followed. Our modelling policy, which we review annually, sets out how we undertake all modelling work, and in 2023/24 we have worked to embed this policy and modelling best practice across the business, through presentations and workshops. A list of UKEF's business-critical models is published on GOV.UK

Internal audit

The Internal Audit and Assurance Division (IAAD) undertakes audit assignments in accordance with the Public Sector Internal Audit Standards and with the Government Functional Standard GovS 009: Internal Audit, which details five principles:

- Audit objectives are aligned to government policy, and organisational objectives and risks.
- There is appropriate access for internal auditors to discharge their duties, including the ability to communicate findings without hindrance.
- Work is assigned to people with the required capability, capacity, proficiency and due professional care.
- Internal audit findings are captured, shared and used to promote improvement in the efficiency and effectiveness of the organisation and value for money.
- Public service codes of conduct and ethics and those of associated professions are upheld.

The overall opinion for 2023/24 is one of 'Moderate Assurance'. This is the same opinion as 2022/23. Overall, risk owners have been conscientious and continue to improve their control frameworks, raising self-identified issues, documenting controls and having open risk and control discussions as part of their daily work. This is supported by a 'tone from the top' which fosters a strong focus on identifying and managing both risks and opportunities. Management is committed to fully remediate governance issues highlighted in several divisional audits during the year.

The processes and controls in operation with regard to our transactions are central to ensuring that our exporters receive the support that they need. IAAD has again undertaken an end-to-end audit this year, reviewing the controls across the department which support the processing of transactions. The audit has confirmed a number of areas where we can enhance our control environment to be more effective and streamline existing processes. Separately, a deep dive audit of our Civil, Infrastructure and Energy Division was performed, highlighting a need to enhance the documentation of the control framework in operation. Management is applying governance learnings from this audit across the Business Group.

IAAD has leveraged data analytics to provide significant positive independent assurance over payroll calculations, while also recommending further enhancements to the governance, oversight and monitoring in this area. Management is taking measures to embed preventative controls.

IAAD has also increased the coverage of the Cyber, Business Continuity and Digital, Data and Technology areas this year. Management is aware of and working towards enhancing completeness of Business Continuity and IT Disaster Recovery strategy, planning and testing, as well as fully documenting the systems and technology architecture.

Significant risks and mitigating measures

Data governance, quality and accuracy remain an area of weakness. The department fully acknowledges the areas of improvement and the need to ensure our data is complete, accurate and valid. There is an ongoing programme, with Executive Committee sponsorship, to embed robust data governance and a strong data quality culture to deliver improved accuracy of data and enhanced insights. Elements of this programme which support other ongoing change programmes are being prioritised.

Attracting and retaining the right talent has been identified as an ongoing strategic risk the department faces. To help address this the Business Group and Risk Management Group have piloted a new model by changing the grade mix, creating career pathways, developing a new learning curriculum and a targeted entry level recruitment programme.

While staff turnover has improved over this period, challenges remain. HR is developing a UKEF Employee Value Proposition to aid recruitment and retention. As UKEF develops and implements its People Strategy for 2024 to 2027, it will further articulate a clear vision on how HR will build and develop the workforce. I am committed to ensuring all these areas are addressed during the coming year.

Whistleblowing policy

UKEF has a whistleblowing and raising-a-concern policy in place. The policy is based on guidance provided by Civil Service HR and was last reviewed by the Executive Committee in March 2024. The policy will be reviewed by the board in 2024/25. Two disclosures were made under the policy in 2023/24.

Complaints

UKEF aims to provide all our customers with the highest standards of service. If things go wrong, we aim to put them right as soon as we can. Our complaints policy is designed to provide a swift and effective remedy when something has gone wrong and to help us identify the steps to take so that the problem does not occur again. We aim to investigate and provide a full explanation within 20 working days of receiving a complaint. In 2023/24, UKEF logged one complaint, it was not subsequently escalated to the Parliamentary Ombudsman.

Corporate Governance Code for Central Government Departments

In preparing this statement, I have taken into account the Corporate Governance in Central Government Departments Code of Practice, 2017. With the exception of the board structure discussed earlier as part of our compliance with the Orange Book, I am satisfied that UKEF is able to demonstrate compliance with this code where it applies to UKEF for the relevant period.

STATEMENT OF ACCOUNTING OFFICER'S RESPONSIBILITIES

Under the Government Resources and Accounts Act 2000, HM Treasury has directed UKEF to prepare for each financial year accounts detailing the resources acquired, held or disposed of during the year and the use of resources by UKEF during the year.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of UKEF and of its net resource outturn, changes in taxpayers' equity and cash flows for the financial year. In preparing the accounts, the Accounting Officer must comply with the requirements of the Government Financial Reporting Manual and in particular:

- observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed, and disclose and explain any material departures in the accounts
- prepare the accounts on a going concern basis
- confirm that the annual report and accounts as a whole is fair, balanced and understandable, and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable

HM Treasury has appointed the Chief Executive as Principal Accounting Officer of UKEF. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding UKEF's assets, are set out in Managing Public Money, published by HM Treasury. As the Principal Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that UKEF's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

I believe that this annual report and accounts is a fair, balanced and understandable account of UKEF's performance in the year, and I take personal responsibility for it and the judgements required for determining that it is fair, balanced and understandable.

Tim Reid

Chief Executive and Accounting Officer

29 July 2024

AUDIT COMMITTEE AND RISK COMMITTEE

The Audit and Risk Committee reports should be read in conjunction with the Governance Statement which can be found on page 111.

On behalf of the committees, we are pleased to present the Audit and Risk Committee reports, providing details of the significant topics we considered in the year. We would like to thank the committee members and management for their continued support in helping us fulfil our roles.

UK Export Finance's Audit and Risk Committee Terms of Reference require the committees to consist of at least three non-executive board members or other independent representatives agreed by the UKEF Board. For 2023/24, Charlotte Morgan (Chair of the Audit Committee), Jackie Keogh, Tim Frost (Chair of the Risk Committee) and Kim Wiehl, all of whom meet the relevant requirements for independence, serve on these committees. Candida Morley is a member of both Committees, representing UK Government Investments (UKGI). It is a requirement in both committees' Terms of Reference that at least one member sits on the other committee to help facilitate co-ordination between the two bodies. Vanessa Havard-Williams (Chair of EGAC and ex-officio Member of the board) is also a Member of the Audit Committee.

Although not members of the Audit or Risk Committees, the Accounting Officer, Chief Finance and Operating Officer, Chief Risk Officer, Head of Internal Audit, and a representative of External Audit normally attend meetings. The Audit and Risk Committees may ask any or all of those who normally attend but who are not members to withdraw, to facilitate open and frank discussion of particular matters. The Chair of the UK Export Finance Board regularly participates in both the Audit and Risk Committees meetings as an observer.

The Audit Committee Terms of Reference also provide that at least one member of the committee should have significant, recent and relevant financial experience.

Audit Committee

The attendees discuss auditors' reports, review and assess the auditing concept and examination process, and assess the activities of both external and internal auditors.

Important tasks and responsibilities

In general, the Audit Committee:

- serves as a focal point for communication and oversight regarding financial accounting and reporting, internal control, actuarial practice, and financial and regulatory compliance
- reviews and approves the Internal Audit and Assurance Department (IAAD) Charter and annual audit plan
- considers the adequacy of the policies for the prevention and detection of fraud, and the policies for ensuring compliance with relevant regulatory and legal requirements on whistleblowing
- reviews the draft annual report and accounts including both financial and non-financial reporting and the narrative disclosures

Activities 2023/24

The Audit Committee focused on a range of topics in 2023/24, they included:

Annual report and accounts

The committee recommended that the Chief Executive sign the final draft of the 2022/23 annual report and accounts in June 2023.

For the 2023/24 annual report and accounts, the Committee discussed the:

- timetable and process for the 2023/24 annual report and accounts
- significant judgments and estimates in financial statements
- adequacy of the provisions made
- performance and accountability report
- NAO external audit plan and conclusions

Financial Reporting Changes programme

The Financial Reporting Changes programme is an extensive project to change the way UKEF reports its finances to align with International Finance Reporting Standards (IFRS) 9 and 17.

The committee discussed the status of the FRC programme, resourcing on the project, and its impact on other UKEF change programmes. The committee also considered the proposed modelling solutions for IFRS 9 and IFRS 17.

Internal audit

The Committee noted the ‘Moderate’ Annual Internal Audit Opinion for 2022/23 and 2023/24, and discussed changes required to enhance the adequacy and effectiveness of the framework of governance, risk management and control. The committee approved the revised IAAD Audit Charter; Audit Plans for 2023/24 and 2024/25; and reviewed indicative audit plans for the periods 2025/26 and 2026/27. The Head of Internal Audit routinely updated members on the progress with strengthening the function and the outcomes of the internal audit work plan and provided the committee with an assessment of compliance against significant internal audit professional standards. The committee also considered regular updates on remediation of risks identified in internal audits.

Other

In addition, a range of other topics were considered, including:

- post-balance sheets events 2022/23
- compliance function update
- UKEF's fraud risk assessment
- the Change Programme and lessons learned
- the work of the external auditors, the terms of their engagement and the external auditor's findings
- the narrative and assumptions provided in respect of climate reporting, the developments in reporting standards in relation to climate, and the UKEF's financed emissions rebasing

The Audit Committee meets at least four times in each year. In 2023/24 it met five times.

Risk Committee

The committee notes that the organisation has continued to expand as UKEF plays its part in stepping up to a series of unprecedented challenges and opportunities.

Important tasks and responsibilities

The Risk Committee focused on a range of topics in 2023/24, they included:

Active portfolio management

On a quarterly basis, the committee discussed the UKEF's portfolio geographical and sector concentrations.

Strategic overview: Increasing UKEF's UK country limit and refining the Export Development Guarantee (EDG).

As part of UKEF's review of the EDG, the committee discussed how UK country limit considerations differ to those for international markets, the impact that UKEF's domestic product offering delivers, the rationale for a proposed increase to the UK country limit and adjustments to the specification of the Export Development Guarantee product.

Enterprise risk management

The committee were kept up-to-date on the progress in building the Enterprise Risk Division. In addition, reports were provided to the committee on legal and compliance risk appetite, UKEF's operational risk management, and the committee also considered UKEF's reputational risk process.

UK SME business updates

The committee considered two papers that provided high-level updates on the direct support offered to UK SMEs through UKEF's short-term business guarantees products.

Scenario analysis and stress testing

The committee were informed of UKEF's biannual stress testing and scenario analysis exercise which tested UKEF's baseline portfolio against its two financial objectives by applying a range of scenarios and stress tests.

Initial lessons learned from the COVID-19 pandemic and recent case experience

Members discussed the lessons-learned and whether the findings were unique to UKEF or also found in other ECAs.

In addition, a range of other topics were considered, including:

- regional reviews of Africa and the Middle East
- sovereign risk updates
- claims scenario analysis
- portfolio updates
- UKEF Analytical Modelling Controls and Governance
- Exposure Management Framework review
- credit risk mitigation and transfer options
- the Enterprise Risk and Credit Committee Terms of Reference
- pricing and credit methodology statements

The Risk Committee meets at least four times in each year. In 2023/24 it met five times.

OUR PEOPLE: REMUNERATION AND STAFF REPORT

As we reach the end of our 2020-24 People Strategy, we can reflect on another strong business performance delivered by our exceptional workforce.

Shane Lynch
Resources Director

UKEF's headcount has continued to grow and has reached a record of 554 staff (545.8 FTE). Alongside this sits our overseas network of 22 Country Heads whose role is to develop export opportunities for UK companies.

In October 2023, UKEF launched our new UKEF Academy with the ambition to create a conveyor belt of future talent for the department. Nine entry-level staff have commenced their 18-month programme. They will combine work placements across our underwriting and credit risk teams with a structured learning curriculum. In doing, they'll be equipped with the necessary skills and experience to progress their careers at UKEF.

We have put learning and continuous development at the centre of everything we do – delivering a record number of learning hours over the financial year. The department has never been so diverse, and we are committed to creating a culture where everyone is given the opportunity to flourish in a work environment where they feel supported, valued and included.

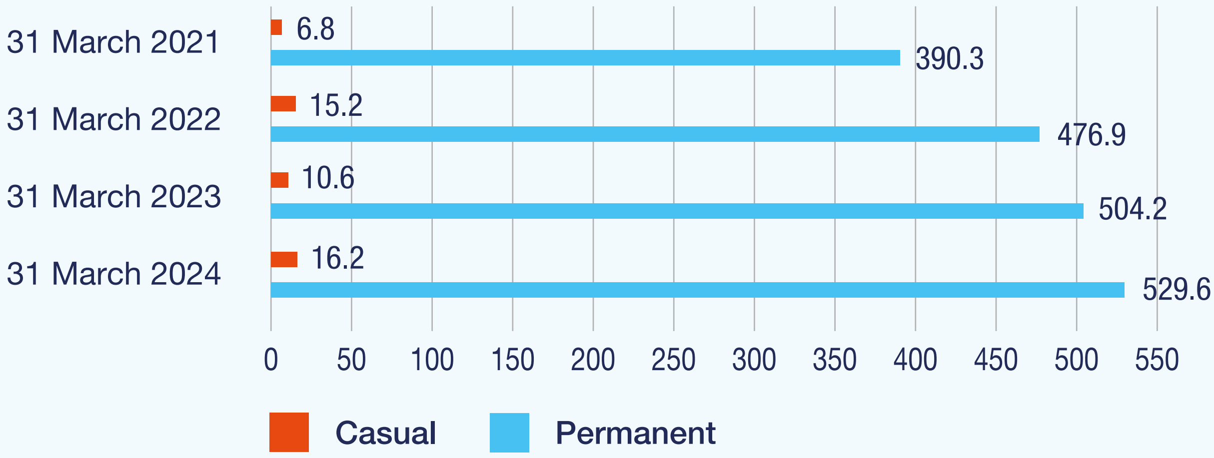
Workforce snapshot

This section is subject to audit.

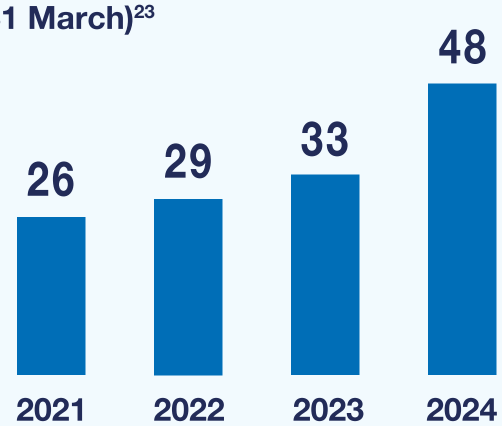
This year, staff turnover has decreased, from 18.1% in 2022/23, to 13.03% by the end of March 2024.

UKEF's total staff costs for 2023/24 were £45.9 million (2022/23-22 £39.7 million) as detailed in the Chief Finance and Operating Officer's report – Summary of Profit and Loss, of which £44.6 million relates to staff with a permanent contract and £1.3 million relates to staff on other contracts.

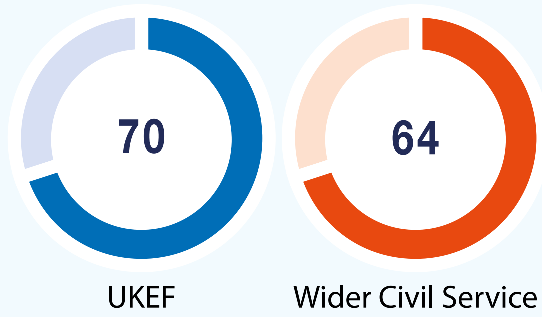
Number of full-time equivalent UKEF staff



Senior Civil Servants in numbers (31 March)[23]



Staff engagement (%)

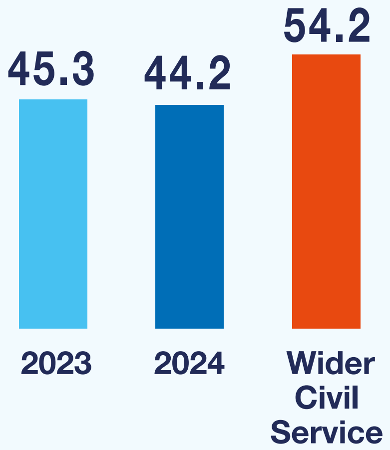


Pay bands

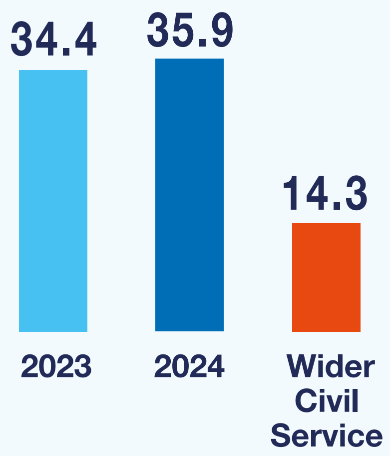
23 The increase in Senior Civil Servant numbers in the last year was driven by a significant restructure of our Risk and Business Group directorates.

Diversity and inclusion

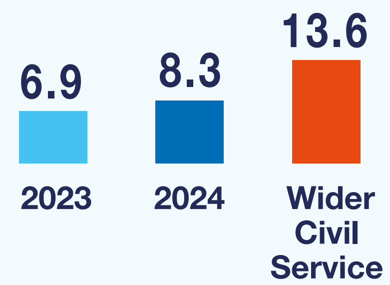
Women in UKEF's workforce (%)



Staff belonging to ethnic minority groups (%)

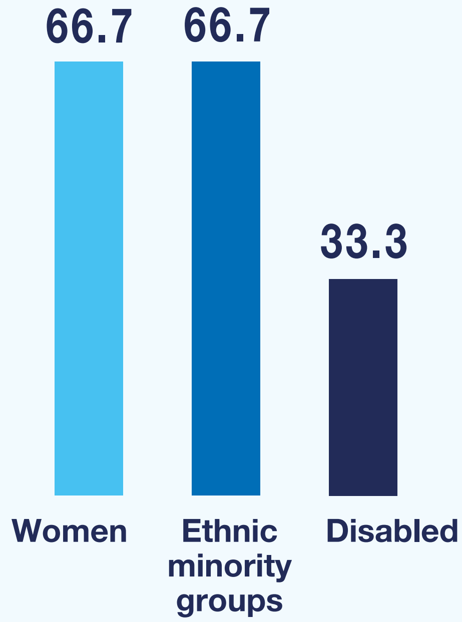


UKEF staff declaring disability (%)

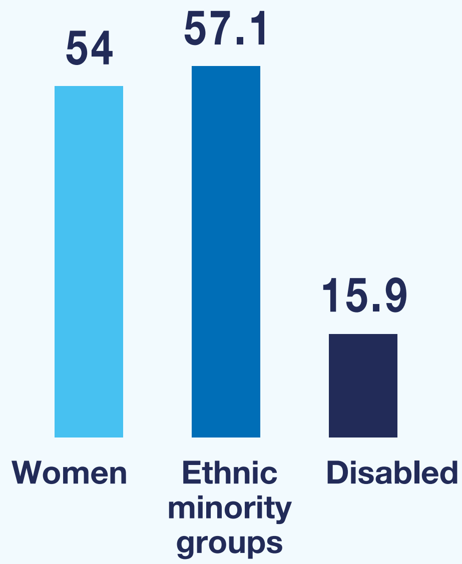


UKEF staff diversity as of 31 March 2024

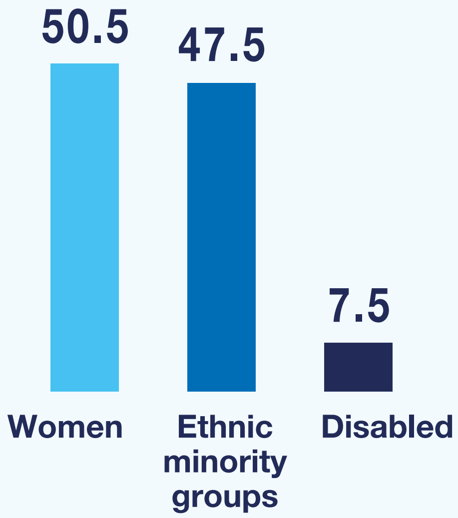
Administrative Assistants and Officers (%)



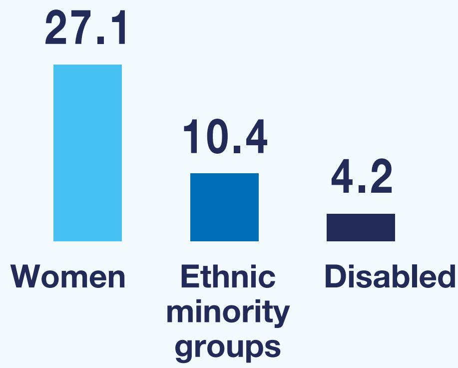
Executive Officers



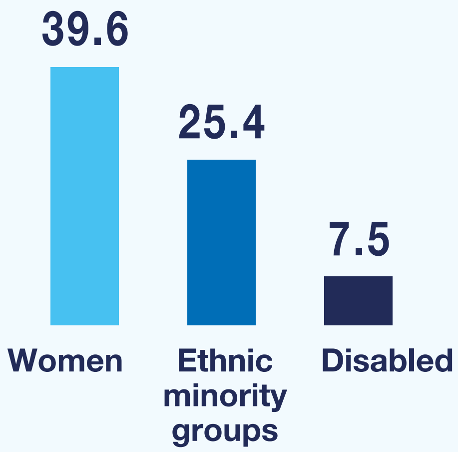
Higher and Senior Executive Officers



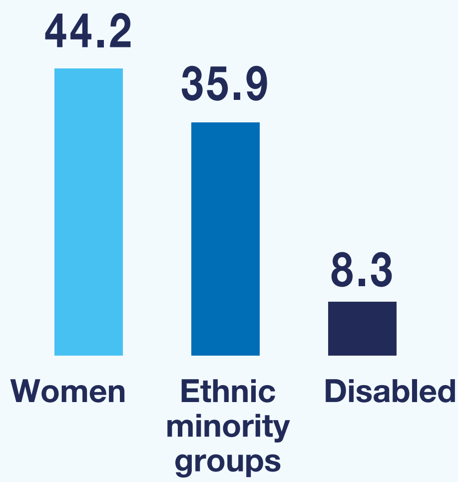
Senior Civil Servants



Grade 6/7s



Total

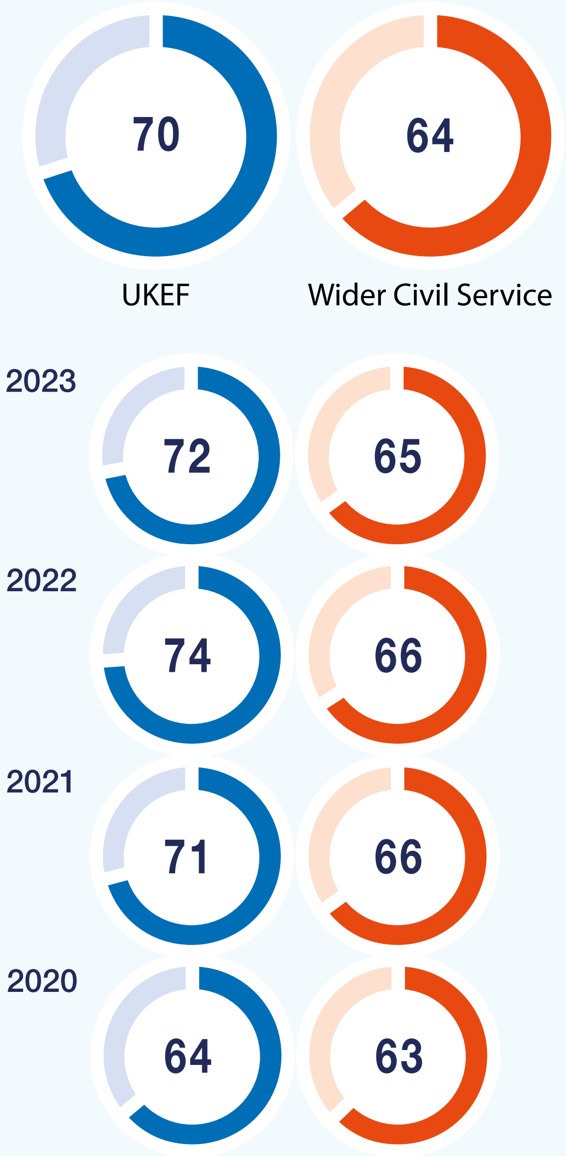


Our People Strategy continues to include an ambition to improve the diversity of our workforce. UKEF still leads the way among government departments with the most ethnically diverse workforce in the Civil Service.

We continue to ensure equal opportunities at all levels of the department, in line with the ambitions in the People Strategy.

Staff engagement

Staff engagement 2024



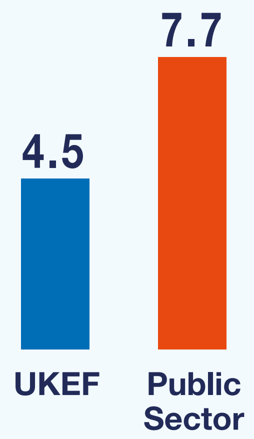
Health, safety and wellbeing

UKEF has a range of supports in place to proactively manage the health, safety and wellbeing of staff. These include our employee assistance programme, a trained network of mental health first aiders, training programmes to support resilience, a health and safety induction for all staff and organised activities targeting physical wellbeing.

UKEF also remains committed to recruiting, supporting and retaining staff with disabilities or long-term health conditions. To help disabled staff, we ask all staff to complete a workplace adjustment form and have an 'adjustment passport' to ensure they have the tools they need to do their job. We also have a Disability and Carers Network to further support staff.

Our sickness absence levels have remained low, albeit with a very slight increase year on year, in the past couple of years. The level is still well below the average for the public sector.

Average working days lost



Sickness

Trade union relationships and trade union facility time

Relationships with UKEF trade unions continue to be productive and span a range of areas including pay and reward, HR policy development, diversity and inclusion, wellbeing and formal cases.

Our recognised trade unions are the Public and Commercial Services Union (PCS) and the Association of First Division Civil Servants (FDA). There are 5 union representatives among UKEF's workforce, with one individual being responsible for matters relating to Health and Safety.

A number of nominated representatives attend monthly meetings with HR colleagues and bi-annual meetings with UKEF's Chief Executive. This year, these meetings equated to an estimated 187 hours of facility time between the five representatives, for an estimated cost of £5,054 during the year.

Each trade union representative spent less than 1% of their working hours on facility time. We estimate the time spent on paid trade union activities as a percentage of total paid facility time hours to be 100%.

Number of employees who were relevant union officials during the relevant period	**5**
Number of employees who were relevant union officials by percentage of working hours spent on facility time:	
0%	0
1-50%	5
51-99%	0
100%	0
Percentage of the total pay bill spent on facility time	0.01%
Time spent on paid trade union activities as a percentage of total paid facility time hours	**187 hours**

Pay multiples/fair pay disclosures

This section is subject to external audit.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the lower quartile, median and upper quartile remuneration of the organisation's workforce.

The banded remuneration of the highest-paid director in UKEF in the financial year 2023/24 was £260,000-£265,000, a 14.63% decrease on the mid-point of the banding from last year (2022/23: £305,000-£310,000). 2023/24 was the first full year for our Chief Executive Officer – last year's remuneration related to the outgoing CEO. The highest-paid director's remuneration was 4.59 times (2022/23: 5.96) the median remuneration of the workforce, which was £57,173 (2022/23: £52,000, an increase of 9.95% compared with last year).

The average percentage change from 2022/23 to 2023/24, in respect of employees of UKEF (excluding the highest-paid director), is +8.84% for salaries and allowances and +9.40% for performance pay/bonuses.

In 2023/24, no employees (2022/23: 0) received remuneration in excess of the highest-paid director. Remuneration ranged from £27,000 to £263,000 (2022/23: £24,500 to £310,000).

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

	2023/24	2022/23
Band of highest paid director's total remuneration (£'000)	260-265	305-310
Range of staff total remuneration (£)	27,000 – 263,000	24,500 – 310,000
Median staff total remuneration (£)	57,173	52,000
Remuneration ratio	4.59	5.96

Reasons for the decrease in ratio: Primarily, level of salary increases for all staff other than the high-paid Director.

For performance management, UKEF set aside 3.2% of its paybill to fund a non-consolidated performance pot for staff below the SCS pay band. A small element of this pot is used for in-year recognition awards, while the majority of the pot is used to fund year-end performance awards, based on employees' performance during 2022/23. Awards were paid to individuals in June 2023.

The criteria for performance awards were based on how individuals performed against their objectives (what they delivered) and the extent to which they demonstrated the department's values (how they delivered).

All employees will have a year-end appraisal and any performance awards are subject to a validation process which includes final approval by UKEF's Executive Committee.

For all SCS staff, 3.3% of the paybill is set aside to fund performance award – again, a small part of this is set aside for in-year awards, with the majority being used for year-end awards. Following year-end assessments, one of three performance ratings will be assigned. Only those receiving a 'Top' rating were eligible for an award. Any performance awards are subject to final ratification by UKEF's Remuneration Committee (UKEF's non-executive directors). Year-end performance awards for SCS staff were paid in June 2023.

The Chief Executive's contract now allows for a quarterly pivotal role allowance, based on business objectives. The Chief Executive's first quarterly award was paid in March 2024.

We examined pay multiples in the lower quartile, mid-point and higher quartile.

The mid-point of the band for the highest-paid director for 2023/24 is:

» £262,500 (total remuneration)
» £252,500 (salary/allowances component only)

25th percentile: total remuneration for all staff except the highest-paid director:

» 2023/24: £41,836 (a ratio of: 6.27:1) (2022/23: 7.93:1)

Salary/allowances component only:

» 2023/24: £39,100 (a ratio of 6.46:1) (2022/23: 6.93:1)

50th percentile: total remuneration:

» 2023/24: £57,173 (a ratio of 4.59:1) (2022/23: 5.96:1)

Salary/allowances component:

» 2023/24: £54,340 (a ratio of 4.65:1) (2022/23: 5.27:1)

75th percentile: total remuneration:

» 2023/24: £75,449 (a ratio of 3.48:1) (2022/23: 4.70:1)

Salary/allowances component:

» 2023/24: £70,363 (a ratio of: 3.59:1) (2022/23: 4.24:1)

Directors' salaries and pension entitlements

Subject to external audit.

Director	Salary £'000		Bonus payments £'000		Pension benefits £'000		Total £'000	
	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24	2022/23
Tim Reid Chief Executive Officer	250-255	230-235	10-15	n/a	n/a	n/a	260-265	230-235
Cameron Fox Chief Finance and Operating Officer	150-155	140-145	5-10	5-10	59	52	215-220	200-205
Samir Parkash Chief Risk Officer	210-215	220-225	5-10	5-10	84	n/a	305-310	230-235

UKEF directors have salary, bonus and pension growth figures in their pay calculations and do not benefit from any allowances, overtime, or reserved rights to London.

This report is based on accrued payments made by the department and so is recorded in these accounts.

Bonuses are based on attained performance levels and are made as part of the appraisal process. Cabinet Office sets the parameters for Senior Civil Servants' performance awards. Owing to the nature of the performance appraisal cycle, end-of-year bonuses are paid in the year following that for which the performance has been assessed, so the bonuses reported in 2023/24 relate to performance in 2022/23.

None of the directors received any benefits-in-kind during the year.

Civil Service Pensions

Subject to external audit

Official	Accrued pension as at 31 March 2024 and related lump sum £'000	Real increase in pension and related lump sum at pension age £'000	CETV at 31 March 2024 £'000	CETV at 31 March 2023 £'000	Real increase in CETV £'000	Employer Contribution to partnership pension account Nearest £100
Cameron Fox Chief Finance and Operating Officer	30-35	2.5-5	465	315	38	0
Samir Parkash Chief Risk Officer	0-5	2.5-5	77	0	62	4.900
Tim Reid Chief Executive Officer	0	0	0	0	0	34,200

Notes

Any members affected by the Public Service Pensions Remedy were reported in the 2015 (Alpha) scheme for the period between 1 April 2015 and 31 March 2022 in 2022/23, but are reported in the legacy scheme (Classic, Classic Plus, Premium or Nuvos) for the same period in 2023/24.

Pensions shall be calculated using:

- a. Rolled back opening balance
- b. Rolled back closing balance

Accrued pension: the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age.

Cash equivalent transfer value (CETV): the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV payment is made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme.

The pension figures shown relate to the benefits that the individual has accrued due to their total membership of the pension scheme, not just their service in the senior capacity to which the disclosure requirement applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member because they have bought additional pension benefits at their own cost. CETVs are worked out in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from lifetime allowance tax which may be due when pension benefits are taken.

Real increase in CETV: the increase in CETV that is funded by the employer. It does not include the increase in accrued pension owing to inflation or contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement). It uses common market valuation factors for the start and end of the period.

Business Appointment Rules (BARs)

Business Appointment rules apply to all UK Export Finance staff or Advisers leaving the Civil Service, considering appointments or employment taken up by former members of our department, and applications are scrutinised by UK Export Finance's Audit Committee.

During 2023/24:

BAR Process 2023/24	Outcomes SCS1	Outcomes SCS2	Outcomes Delegated Grades
Number of exits from SCS	2	1	n/a
Number of BAR applications submitted over the year	1	0	0
Number of BAR approved applications submitted over the year	1	0	0
Number of BAR where conditions were set by the department over the year	0	0	0
Number of BAR applications that were found unsuitable by the department over the year	0	0	0
Number of breaches of the rules in the preceding year.	0	0	0

In compliance with Business Appointment Rules (BARs), the department is transparent in the advice given to individual applications for senior staff, including special advisers.[24]

24 Please note: although UK Export Finance is a ministerial department, Ministers and Special Advisers to the department will appear in the accounts of the Department for Business and Trade (DBT).

Fees paid to non-executive directors and council members

Non-executive directors are paid a fee for their attendance at UKEF Board, Audit Committee, Risk Committee, Remuneration Committee and other ad hoc meetings, and the performance of other duties as required. They are also paid travel and subsistence expenses. Members of the Export Guarantees Advisory Council (EGAC) are also paid a fee for their meeting attendance.

The total payments to non-executive directors and EGAC members for the year were in the following ranges. These disclosures have been subject to external audit.

Non-executive member	Fees for 2023/24 £'000	Fees for 2022/23 £'000
Noël Harwerth Chair of UKEF Board, member of Remuneration and Nominations Committee (left 31/03/2024)	45-50	45-50
Robert Gillespie Chair of UKEF Board, member of Remuneration and Nominations Committee (started 1/03/2024)	5-10 (75-80 FYE)	n/a
Charlotte Morgan Member of UKEF Board, member of Risk and Remuneration and Nominations Committees, Chair of Audit Committee	20-25	n/a
Kimberley Wiehl Member of UKEF Board, member of Audit, Risk and Remuneration and Nominations Committees	10-15	10-15
Tim Frost Member of UKEF Board, Chair of Risk Committee	15-20	15-20
Jackie Keogh Member of UKEF Board	10-15	10-15
Vanessa Havard-Williams Chair of EGAC and member of UKEF Board (started 1/09/2023)	5-10 (10-15 FYE)	n/a
Ben Caldecott Member of EGAC	0-5	0-5
Harold Freeman Member of EGAC	0-5	0-5
Sarah Steele Member of EGAC	0-5	0-5
John Morrison Member of EGAC	0-5	0-5
Stephen Prior Member of EGAC	0-5	0-5
Roseline Wanjiru Member of EGAC	0-5	0-5
Belinda Howell Member of EGAC	0-5	n/a

Civil servants and public servants employed by other departments and government companies do not receive fees for their attendance at UKEF Board meetings.

Off-payroll engagements

Departments publish annual information on their highly paid and/or senior off-payroll engagements. The following tables provide information on those off-payroll engagements paid more than £245 per day during the financial year 2023/24.

Highly paid off-payroll worker engagements as at 31 March 2024

Number of existing engagements at 31 March 2024	42
Of which, had existed for:	
Less than 1 year	28
Between 1 and 2 years	10
Between 2 and 3 years	2
Between 3 and 4 years	1
4 years or more	1
Total	42

All highly paid off payroll workers engaged at any point during the year ended 31 March 2024, earning £245 per day or greater.

Tax assurance for new off-payroll engagements

No. of temporary off-payroll workers engaged in 2023-2024	58
Of which:	
Not subject to off-payroll legislation	1
Subject to off-payroll legislation and determined as in-scope of IR35	50
Subject to off-payroll legislation and determined as out-of-scope of IR35	7
No. of engagements reassessed for compliance or assurance purposes during the year	26
Of which: No. of engagements that saw a change to IR35 status following review	1

Off-payroll engagements of board members and/or senior officials with significant financial responsibility

No. of off-payroll engagements of board members, and/or senior officials with significant financial responsibility during the year[25]	3
Of the three members quoted above, one member has been with UK Export Finance since December 2020; another appointed in July 2022 left the Board in November 2023 and was replaced by another member in that month. A concordat is in place which gives provision for an ex-officio member if the Board from each of UK Government Investments (UKGI) and Department of Business and Trade (DBT).	
No. of individuals that have been deemed 'board members and or senior officials with significant financial responsibility' during the year	13

25 Senior Officials within other government bodies and unpaid by UK Export Finance: one in post since 2020 and one person replaced another in Nov 2023.

Cost of off-payroll engagements

The total cost for the year 2023/24, including engagements of individuals whose daily cost was less than £245 per day, was £7,888,351 (2022/23: £4,585,911). Following last year's consultancy spend on the Financial Reporting Changes programme (see paragraph on 'Expenditure on consultancy'), contractors were engaged to undertake some of the tasks identified, others engaged in other change projects including further digitisation.

Expenditure on consultancy

Total expenditure on consultancy in 2023/24 amounted to £1,900,845 (2022/23: £6,072,206).

Compensation for loss of office

This section is subject to external audit.

UKEF made one exit payment under Civil Service Compensation Scheme terms during 2023/24.

			2023/24			2022/23
Exit package cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band	Number of compulsory redundancies	Number of other departures agreed	Total number of exit packages by cost band
<£10,000	-	-	-	-	-	-
£10,000 - £25,000	-	-	-	-	-	-
£25,000 - £50,000	-	1	1	-	1	1
£50,000 - £100,000	-	-	-	-	1	1
Total no. of exit packages	-	1	1	-	2	2
Total cost /£k	-	49	49	-	104	104

PARLIAMENTARY ACCOUNTABILITY AND AUDIT

Tim Reid
Chief Executive and Accounting Officer

All information in this chapter is subject to external audit.

Statement of Outturn against Parliamentary Supply

For the year ended 31 March 2024

In addition to the primary statements prepared under IFRS, the Government Financial Reporting Manual (FReM) requires UKEF to prepare a Statement of Outturn against Parliamentary Supply (SoPS) and supporting notes.

The SoPS and related notes are subject to audit, as detailed in the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

The SoPS is a key accountability statement that shows, in detail, how an entity has spent against their supply estimate. Supply is the monetary provision (for resource and capital purposes) and cash (drawn primarily from the Consolidated Fund), that Parliament gives statutory authority for entities to utilise. The estimate details supply and is voted on by Parliament at the start of the financial year.

Should an entity exceed the limits set by their supply estimate, called control limits, their accounts will receive a qualified audit opinion.

The format of the SoPS mirrors the supply estimates, published on GOV.UK, to enable comparability between what Parliament approves and the final outturn.

The SoPS contain a summary table, detailing performance against the control limits that Parliament have voted on, cash spent (budgets are compiled on an accruals basis and so outturn won't exactly tie to cash spent) and administration.

The supporting notes detail the following:

- outturn by estimate line, providing a more detailed breakdown (note 1)
- a reconciliation of outturn to net operating expenditure in the Statement of Comprehensive Net Income (SOCNI) to tie the SOPS to the financial statements (note 2)
- a reconciliation of outturn to net cash requirement (note 3)

The SoPS and estimates are compiled against the budgeting framework, which is similar to, but different to, IFRS. An understanding of the budgeting framework and an explanation of key terms is provided on page 53, in the Chief Finance and Operating Officer's report. Further information on the Public Spending Framework and the reasons why budgeting rules are different to IFRS can also be found in chapter 1 of the Consolidated Budgeting Guidance, available on GOV.UK

Summary tables 2023/24

									2023/24	2022/23
		Outturn			Estimate			Outturn vs Estimates saving/(excess)		Prior Year Outturn
Type of spend	SoPS note	Voted £'000	Non-voted £'000	Total £'000	Voted £'000	Non-voted £'000	Total £'000	Voted £'000	Total £'000	Total £'000
Departmental Expenditure Limit										
Resource	SoPS1.1	-	-	-	2	-	2	2	2	-
Capital	SoPS1.2	2,161	-	2,161	2,340	-	2,340	179	179	1,002
Total DEL		**2,161**	**-**	**2,161**	**2,342**	**-**	**2,342**	**181**	**181**	**1,002**
Annually Managed Expenditure										
Resource	SoPS1.1	(48,774)	-	(48,774)	1,433,343	-	1,433,343	1,482,117	1,482,117	(302,951)
Capital	SoPS1.2	430,049	-	430,049	1,035,967	-	1,035,967	605,918	605,918	129,317
Total AME		**381,275**	**-**	**381,275**	**2,469,310**	**-**	**2,469,310**	**2,088,035**	**2,088,035**	**(173,634)**
Total budget										
Resource	SoPS1.1	(48,774)	-	(48,774)	1,433,345	-	1,433,345	1,482,119	1,482,119	(302,951)
Capital	SoPS1.2	432,210	-	432,210	1,038,307	-	1,038,307	606,097	606,097	130,319
Total Budget Expenditure		**383,436**	**-**	**383,436**	**2,471,652**	**-**	**2,471,652**	**2,088,216**	**2,088,216**	**(172,632)**
Non-Budget Expenditure										
Resource	SoPS1.1	(29,423)	-	(29,423)	-	-	-	-	29,423	-
Total Non-budget Expenditure		**(29,423)**	**-**	**(29,423)**	**-**	**-**	**-**	**-**	**29,423**	**-**
Total Budget and Non budget		**354,013**	**-**	**354,013**	**2,471,652**	**-**	**2,471,652**	**2,088,216**	**2,117,639**	**(172,632)**

Figures in the areas outlined in thick line cover the voted control limits voted by Parliament. Refer to the Supply Estimates guidance manual, available on GOV.UK, for detail on the control limits voted by Parliament.

The Department has a Prior Period Adjustment (PPA) resulting from an adjustment for Direct Lending impairment. In 2023/24, the following such PPA has been made, which have been included within voted Supply in the Estimate. See Note 20 for further details.

PPA Description	Resource / Capital	DEL / AME	Amount £'000
Direct Lending Impairment	Resource	AME	(29,423)

Net cash requirement 2023/24

				2023/24	2022/23
	Note	Outturn	Estimate	Outturn vs Estimate, savings/(excess)	Prior Year Outturn
		£'000	£'000	£'000	£'000
Net cash requirement	SoPS3	190,502	1,672,891	1,482,389	(181,217)

The estimate voted on in the supply procedure also sets an annual ceiling on UKEF's voted net cash requirement. By the provisions of Section 14(2) of the Export and Investment Guarantees Act 1991, UKEF is able to pay claims direct from the Consolidated Fund in the event that sufficient funds have not been voted for the purpose by Parliament.

Administration costs 2023/24

				2023/24	2022/23
	Note	Outturn	Estimate	Outturn vs Estimate, savings/(excess)	Prior Year Outturn
		£'000	£'000	£'000	£'000
Administration costs	SoPS1.1	-	2	2	-

Although not a separate voted limit, any breach of the administration budget will also result in an excess vote.

Explanations of variances between the estimate and the outturn are given in the management commentary within the Chief Finance and Operating Officer's report and within SoPS1 below.

The notes on pages 153 to 156 form part of the Statement of Parliamentary Supply.

Notes to the SoPS, 2023/24

SoPS1. Outturn detail, by Estimate Line

SoPS1.1 Analysis of resource outturn by estimate line

	2023/24											2022/23
	Resource outturn							Estimate				
	Administration			Programme							Outturn vs Estimate, saving/ (excess)	Prior Year Outturn total
Type of spend (Resource)	Gross £'000	Income £'000	Net £'000	Gross £'000	Income £'000	Net £'000	Total £'000	Total £'000	Virements[26] £'000	Total inc. virements £'000	£'000	£'000
Voted spending in DEL												
A Export Credit Guarantees and Investments	80,674	(80,674)	-	-	-	-	-	1	-	1	1	-
B Shipbuilding Guarantee Credit Scheme	21	(21)	-	-	-	-	-	1	-	1	1	-
Total	**80,695**	**(80,695)**	**-**	**-**	**-**	**-**	**-**	**2**	**-**	**2**	**2**	**-**
Voted spending in AME												
C Export credits	-	-	-	262,745	(265,979)	(3,234)	(3,234)	1,016,560	-	1,016,560	1,019,794	(189,599)
D Direct lending	-	-	-	74,199	(119,739)	(45,540)	(45,540)	416,783	-	416,783	462,323	(113,317)
Fixed Rate Export Finance Assistance	-	-	-	-	-	-	-	-	-	-	-	(7)
Loans and interest equalisation	-	-	-	-	-	-	-	-	-	-	-	(28)
Total	**-**	**-**	**-**	**336,944**	**(385,718)**	**(48,774)**	**(48,774)**	**1,433,343**	**-**	**1,433,343**	**1,482,117**	**(302,951)**
D) Non-Budget – Direct Lending	-	-	-	(29,423)	-	(29,423)	(29,423)	-		-	29,423	-
Total resource	**80,695**	**(80,695)**	**-**	**307,521**	**(385,718)**	**(78,197)**	**(78,197)**	**1,433,345**	**-**	**1,433,345**	**1,511,542**	**(302,951)**

26 Virements are the reallocation of provision in the estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury).

Explanation of variances between Resource Outturn by Estimate

Voted spending in RDEL – UKEF operates (with HM Treasury approval) a zero net RDEL regime for administration costs, whereby a proportion of UKEF's trading income is treated as negative RDEL to fund administration costs. As part of the Spending Review 2020 and 2021, UKEF has a maximum amount of income which can be used to fully offset expenditure. Annually, as part of the supply estimates process, HM Treasury approves the maximum amount of UKEF's trading income that can be treated as negative RDEL based on its expected level of activity and affordability. This arrangement is in place as it reflects the fact that UKEF prices premium written to cover risk and administration costs. In 2023/24 the Shipbuilding Credit Guarantee Scheme was launched by the Department for Business and Trade (DBT), with UKEF as the chosen provider to administer the scheme on their behalf. All costs that UKEF incurs in administration of the scheme are recharged to DBT. As a result, there is no net resource outturn for estimate row B.

C. Export credits £1,020 million – the budget includes underlying scenarios for volatile factors such as foreign exchange movements and credit risk, including expected losses on the portfolio and for provisions that might be required for unrecoverable claims. In the event, the full year outturn was a small gain. In addition, budget was also held, but not fully utilised, for support that UKEF is providing to the government of Ukraine - see National Interest Account note on page 44 of the annual report for more details.

D. Direct lending £462 million – the variance largely relates to foreign exchange movements on expected lending activity for which an exchange loss was budgeted for in the estimate. The full year outturn was a much smaller foreign exchange loss than was budgeted. UKEF is not authorised by HM Treasury to hedge its exposure to foreign currency risk. See note 18 to the financial statements for further information on UKEF's foreign currency risk. In addition, budget was held for the possibility of impairments that may have been required to the portfolio in the event of unfavourable economic scenarios. Net impairment outturn for the year on the direct lending portfolio was net £30 million (excluding unrealised foreign exchange movements).

SoPS1.2 Analysis of capital outturn by estimate line

	2023/24							2022/23
	Outturn			Estimate			Outturn vs Estimate, saving/ (excess)	
Type of spend (Capital)	Gross £'000	Income £'000	Net £'000	Total £'000	Virements £'000	Total inc. virements[27] £'000	£'000	Prior Year Outturn £'000
Voted spending in DEL								
A Export Credit Guarantees and Investments	2,161	-	2,161	2,340	-	2,340	179	1,002
Total	**2,161**	**-**	**2,161**	**2,340**	**-**	**2,340**	**179**	**1,002**
Voted spending in AME								
D Direct lending	741,169	(311,120)	430,049	1,035,967	-	1,035,967	605,918	130,336
Loans and interest equalisation	-	-	-	-	-	-	-	(1,019)
Total	**741,169**	**(311,120)**	**430,049**	**1,035,967**	**-**	**1,035,967**	**605,918**	**129,317**
Total capital	**743,330**	**(311,120)**	**432,210**	**1,038,307**	**-**	**1,038,307**	**606,097**	**130,319**

Explanation of variances between Capital Outturn and Estimate:

D. Direct lending £606 million – the budget included assumptions for foreign exchange movements as most loans are denominated in currencies other than sterling. Also, an estimate for the value of direct lending deals likely to be done in-year was included to meet possible customer demand forecast by the business. There were overall lower drawings as some of those deals did not materialise or were not finalised by 31 March 2024. More details of UKEF's risks including foreign currency and liquidity risk can be found in the Chief Risk Officer's report in the Performance section of the annual report and note 18 of the financial statements.

SoPS2 Reconciliation of outturn to net operating expenditure

		2023/24	2022/23
	Note	Outturn	Prior Year Outturn
		£'000	£'000
Total resource outturn in Statement of Parliamntary Supply	SoPS 1.1	(78,197)	(302,951)
Less: Direct Lending impairment adjustment		(29,423)	-
Add: Direct Lending impairment adjustment		-	(29,423)
Net Operating Income in Statement of Comprehensive Net Income		**(48,774)**	**(332,374)**

27 Virements are the reallocation of provision in the estimates that do not require parliamentary authority (because Parliament does not vote to that level of detail and delegates to HM Treasury). Further information on virements is provided in the Supply Estimates Manual, available on GOV.UK

SoPS3 Reconciliation of net resource outturn to net cash requirement

	SoPS note	Outturn £'000	Estimate £'000	Outturn vs Estimate, saving/ (excess) £'000
Resource outturn	**SoPS1.1**	**(48,774)**	**1,433,345**	**1,482,119**
Capital outturn	**SoPS1.2**	**432,210**	**1,038,307**	**606,097**
Accruals to cash adjustments:				
Adjustments to remove non-cash items: Depreciation and amortisation of equipment and intangible assets		(1,678)	(2,265)	(587)
Net foreign exchange differences and other non-cash items		65,977	(582,389)	(648,366)
New provisions and adjustments to previous provisions		(269,187)	(1,351,798)	(1,082,611)
Adjustments to reflect movements in working balances: Increase/(Decrease) in receivables		(129,515)	917,475	1,046,990
(Increase)/Decrease in payables		140,905	220,216	79,311
Other adjustments		564	-	(564)
Net cash requirement		**190,502**	**1,672,891**	**1,482,389**

As noted in the introduction to the SOPS above, outturn and the estimates are compiled against the budgeting framework, not on a cash basis. Therefore, this reconciliation bridges the resource and capital outturn to the net cash requirement.

Parliamentary Accountability Disclosures

These disclosures are subject to audit.

Regularity

I can confirm that, for the financial year ended 31 March 2024, neither I, nor my staff, authorised a course of action, the financial impact of which is that transactions infringe the requirements of regularity as set out in Managing Public Money and UKEF's Treasury Consent, and that HM Treasury approval was obtained for all novel, contentious or repercussive transactions relating to 2023/24.

Other Parliamentary Accountability Disclosures

In 2023/24 UKEF has not made any special payments or gifts and does not have any remote contingent liabilities requiring disclosure per Managing Public Money.

There are also no losses, individually or in aggregate in excess of £300,000 which would require separate disclosure during the year or that have been recognised since that date.

Tim Reid

Chief Executive and Accounting Officer
29 July 2024

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

Opinion on financial statements

I certify that I have audited the financial statements of the Export Credits Guarantee Department for the year ended 31 March 2024 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Department's:

- Statement of Financial Position as at 31 March 2024;
- Statement of Comprehensive Net Expenditure, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Department's affairs as at 31 March 2024 and its net operating income for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Emphasis of Matter – Significant Uncertainty

Without qualifying my opinion, I draw your attention to the disclosures made in Note 1 (C) to the financial statements concerning the significant uncertainty attached to the final outcome of the underwriting activities.

The long-term nature of the risk underwritten means that the ultimate outcome will vary as a result of subsequent information and events and may result in significant adjustments to the amounts included in the accounts in future years. Details of the impact of this on the financial statements are provided in Note 1 (C) to the financial statements.

Opinion on regularity

In my opinion, in all material respects:

- the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals for the year ended 31 March 2024 and shows that those totals have not been exceeded; and
- the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Department in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Department's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Department's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Department is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements and my auditor's certificate and report thereon. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the part of the Remuneration and Staff Report to be audited has been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Department and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept by the Department or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or parts of the Remuneration and Staff Report to be audited is not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Department from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;

- preparing financial statements which give a true and fair view, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000;
- preparing the annual report, which includes the Remuneration and Staff Report, in accordance with HM Treasury directions issued under the Government Resources and Accounts Act 2000; and
- assessing the Department's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Department will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Department's accounting policies, key performance indicators.
- inquired of management, the Department's head of internal audit and those charged with governance, including obtaining and reviewing supporting documentation relating to the Department's policies and procedures on:
  - identifying, evaluating and complying with laws and regulations;
  - detecting and responding to the risks of fraud; and

- the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Department's controls relating to the Department's compliance with the Government Resources and Accounts Act 2000, Managing Public Money, the Export and Investment Guarantees Act 1991 and the HM Treasury consents made thereunder and the UK government sanctions regime;

- inquired of management, the Department's head of internal audit and those charged with governance whether:
  - they were aware of any instances of non-compliance with laws and regulations;
  - they had knowledge of any actual, suspected, or alleged fraud,
- discussed with the engagement team and the relevant internal and external specialists, including Modelling and Credit Risk experts, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Department for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Department's framework of authority and other legal and regulatory frameworks in which the Department operates.

I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Department. The key laws and regulations I considered in this context included Government Resources and Accounts Act 2000, Managing Public Money, Supply and Appropriation (Main Estimates) Act 2023, employment law, tax legislation, the Export and Investment Guarantees Act 1991 and the HM Treasury consents made thereunder, and the UK government sanctions regime.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit Committee and in-house legal counsel concerning actual and potential litigation and claims;
- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports; and
- I addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and other adjustments; assessing whether the judgements on estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

I communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain appropriate evidence sufficient to give reasonable assurance that the Statement of Outturn against Parliamentary Supply properly presents the outturn against voted Parliamentary control totals and that those totals have not been exceeded. The voted Parliamentary control totals are Departmental Expenditure Limits (Resource and Capital), Annually Managed Expenditure (Resource and Capital), Non-Budget (Resource) and Net Cash Requirement.

I am required to obtain sufficient appropriate audit evidence to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Report

I have no observations to make on these financial statements.

Gareth Davies

29 July 2024 Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

FINANCIAL STATEMENTS

PRIMARY STATEMENTS

Statement of Comprehensive Net Income

For the year ended 31 March 2024	Note	2023/24 £'000	Restated 2022/23 £'000
Export Credit Guarantees and Insurance			
Income			
Gross premium income		427,404	384,930
Less ceded to reinsurers		(131,186)	(72,061)
Net premium income	**3**	**296,218**	**312,869**
Net investment return	4	25,011	21,834
Net foreign exchange gain	7	-	11,986
Total income		**321,229**	**346,689**
Expenses			
Net claims charge for the year	6	(5,790)	(16,080)
Changes in insurance liabilities (net of reinsurance)	16	(220,622)	(64,195)
Staff costs	8	(38,833)	(30,977)
Other administration and operating costs	9	(29,385)	(28,948)
Net foreign exchange loss	7	(11,021)	-
Total expenses		**(305,651)**	**(140,200)**
Net income/(loss) arising from Export Credit Guarantees and Insurance activities		**15,578**	**206,489**
Export Finance Assistance			
Income			
Net investment return	4	90,094	64,349
Net foreign exchange gain	7	-	78,426
Total income		**90,094**	**142,775**
Expenses			
Staff costs	8	(7,027)	(8,731)
Other administration and operating costs	9	(5,317)	(8,159)
Net foreign exchange loss	7	(44,554)	-
Total expenses		**(56,898)**	**(16,890)**
Net income/(loss) arising from Export Finance Assistance activities		**33,196**	**125,885**
Other non-EIGA* activities			
Other income		21	-
Other expenditure		(21)	-
Net income/(loss) from other non-EIGA* activities		**-**	**-**
Net operating income/(loss) for the year		**48,774**	**332,374**

*Export and Investment Guarantee Act 1991.

'Export Credit Guarantees and Insurance' represents UKEF's activities providing credit guarantees and insurance in the support of exports. 'Export Finance Assistance' represents UKEF's activities providing direct lending in support of exports. All income and expenditure are derived from continuing operations. The notes on pages 169 to 217 form part of these accounts.

Statement of Financial Position

As at 31 March 2024

	Note	31 March 2024 £'000	Restated 31 March 2023 £'000
Non-current assets			
Right of use, equipment and intangible assets		5,643	5,160
Loans and receivables	10	2,632,939	2,335,008
Insurance assets	11	399,093	243,911
Reinsurers' share of insurance liabilities	12	650,979	606,168
Insurance and other receivables	13	90,161	211,126
Total non-current assets		**3,778,815**	**3,401,373**
Current assets			
Loans and receivables	10	324,310	256,597
Insurance assets	11	14,294	49,156
Insurance and other receivables	13	67,757	115,079
Cash and cash equivalents	14	259,498	681,217
Total current assets		**665,859**	**1,102,049**
Total assets		**4,444,674**	**4,503,422**
Current liabilities			
Consolidated Fund payable	14	(259,498)	(681,217)
Insurance and other payables	15	(100,161)	(158,610)
Total current liabilities		**(359,659)**	**(839,827)**
Non-current assets plus net current assets		**4,085,015**	**3,663,595**
Non-current liabilities			
Insurance liabilities	16	(2,369,667)	(2,104,234)
Insurance and other payables	15	(103,631)	(187,447)
Total non-current liabilities		**(2,473,298)**	**(2,291,681)**
Assets less liabilities		**1,611,717**	**1,371,914**
Taxpayers' equity			
Exchequer financing		(1,894,349)	(2,149,892)
Cumulative trading surplus		4,158,280	4,142,702
General fund		**(652,214)**	**(620,896)**
Total taxpayers' equity		**1,611,717**	**1,371,914**

The notes on pages 169 to 217 form part of these accounts.

Tim Reid
Chief Executive and Accounting Officer
29 July 2024

Statement of Cash Flows

For the year ended 31 March 2024

	Note	2023/24 £'000	Restated 2022/23 £'000
Cash flows from operating activities			
Net operating income / (loss)		48,774	332,374
Adjustments for non-cash transactions:			
Depreciation of equipment	9	1,670	1,506
Impairment loss of plant, property and intangible assets	9	8	-
Other:			
Audit fees	9	527	270
Amortised loans and receivables income	10	(119,708)	(93,700)
Total net foreign exchange (gain)/loss	7	55,575	(90,412)
Provisions:			
Insurance liabilities net of reinsurance movement	16	220,622	64,195
Financial guarantees provision movement	15	10,750	12,389
Claims provision movement	6	(4,960)	3,691
Interest on claims provision movement	11(b)	13,129	10,863
Dilapidation provision	15	-	20
Impairment of uninsured capital loans	10	29,645	29,367
Movements in working capital other than cash:			
Claims assets before provisions	11(a)	(139,637)	(27,988)
Interest on claims assets before provisions	11(b)	3,942	5,529
Loans and receivables	10	97,790	90,652
Insurance and other receivables		167,421	126,749
Insurance and other payables		(140,905)	(149,870)
Financial assets held at fair value		-	52
Financial liabilities held at fair value		-	(2)
Net cash inflow/(outflow) from operating activities		**244,643**	**315,685**
Cash flows from investing activities			
Equipment and Intangible assets:			
Purchase of equipment and intangibles		(2,161)	(1,002)
Export Finance Assistance loans:			
Advances	10	(741,169)	(321,911)
Recoveries	10	311,120	192,594
Net cash inflow/(outflow) from investing activities		**(432,210)**	**(130,319)**
Net cash inflow/(outflow) from operating and investing activities		**(187,567)**	**185,366**
Cash flows from financing activities			
Lease payments		(564)	(962)
Receipts from the Consolidated Fund (Supply):			
Relating to the current year		450,000	500,000
Net cash inflow/(outflow) from financing activities		**449,436**	**499,038**

	Note	2023/24 £'000	Restated 2022/23 £'000
Net foreign exchange gain/loss on cash assets	7	(2,371)	(3,187)
Net increase in cash and cash equivalents in the year before adjusting payments to the Consolidated Fund		**259,498**	**681,217**
Payments to the Consolidated Fund:			
Relating to the prior year		(681,217)	(329,685)
Net increase/(decrease) in cash and cash equivalents in the year		**(421,719)**	**351,532**
Cash and cash equivalents at the beginning of the year		**681,217**	**329,685**
Cash and cash equivalents at the end of the year		**259,498**	**681,217**

Cash interest received was £27,339,000 (£31,445,000 in 2022/23) for interest on unrecovered claims and £109,010,000 (£91,327,000 in 2022/23) for interest on loans and receivables.

Statement of changes in taxpayers' equity

For the year ended 31 March 2024

	Note	Exchequer financing £'000	Cumulative trading surplus £'000	General fund £'000	Total reserves £'000
Balance at 1 April 2022		**(2,134,315)**	**3,936,213**	**(581,411)**	**1,220,487**
Changes in taxpayers' equity for 2022/23					
Non-cash adjustments:					
Auditors' remuneration	9	270	-	-	270
Movements in reserves:					
Transfers between reserves		165,370	-	(165,370)	-
Recognised in Statement of Comprehensive Net Income		-	206,489	96,462	302,951
As reported total recognised income and expense for 2022/23		**165,640**	**206,489**	**(68,908)**	**302,951**
Amounts arising in year payable to the Consolidated Fund		(181,217)	-	-	(181,217)
As reported balance at 31 March 2023		**(2,149,892)**	**4,142,702**	**(650,319)**	**1,342,491**
Prior period adjustment (see Note 20 for further details)		-	-	29,423	29,423
As restated balance at 31 March 2023		**2,149,892**	**4,142,702**	**(620,896)**	**1,371,914**
Changes in taxpayers' equity for 2023/24					
Non-cash adjustments:					
Auditors' remuneration	9	527	-	-	527
Movements in reserves:					
Transfers between reserves		64,514	-	(64,514)	-
Recognised in Statement of Comprehensive Net Income		-	15,578	33,196	48,774
Total recognised income and expense for 2023/24		65,041	15,578	(31,318)	49,301
Amounts arising in year payable to the Consolidated Fund		190,502	-	-	190,502
Balance at 31 March 2024		**(1,894,349)**	**4,158,280**	**(652,214)**	**1,611,717**

The notes on pages 169 to 217 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 2023/24 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) 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.

While 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.

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 introduced 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. This was extended by the FReM for central government departments, including UKEF, to 1 January 2025.

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.

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 and the ongoing combined implementation programme. 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 multiyear 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 being used in the implementation of the two standards.

(C) 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(D) for details)
- the deferral of the application of IFRS 9 (refer to note 1(B) for details)
- the estimation of the future cash flows in the calculation of impairment of financial assets (see note 1(J) for details)

All estimates are based on management's knowledge of current facts and circumstances, assumptions based on 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

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:

a) **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.
b) **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 on 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. While 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.

(D) 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. The liabilities representing IFRS 4 insurance contracts are shown as 'insurance liabilities' on the Statement of Financial Position.

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. Products that UKEF accounts for under IFRS 4 include it's Buyer Credit Facility and Export Insurance Policy.

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, 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).

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:

a) **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
b) **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. 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.

(E) Financial guarantee contracts

Per IAS 39, 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'. The liabilities representing financial guarantee contracts are shown in the Statement of Financial Position under 'Insurance and Other Payables.' Products that UKEF accounts for under IAS 39 include it's Export Development Guarantee and General Export Facility.

(F) 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.

(G) Consolidated Fund payable

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

(H) 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.

(I) 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: Staff and Remuneration Report section of the annual report.

(J) Financial assets

Recognition and measurement

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

'Loans and receivables' include insurance receivables, loans (offered by UKEF under its Direct Lending Facility product line) 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. Among 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, 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, the results of which the Accounting Officer reviews regularly:

Active accounts:

- **Account 2** – Guarantees and 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 31 March 2024:

- **Account 1** – Pre-1991 Guarantees and 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 to banks, together with arrangements for reducing the funding cost of Fixed Rate Export Finance loans and for certain interest rate derivative arrangements. This account was closed to new business from 31 March 2011.
- **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 2024

	Pre-1991 Guarantees & Insurance Account	Guarantees & Insurance Account	National Interest Account	FREF Account	Direct Lending Account	TCRF Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
Gross premium income	(1)	375,121	27,086	-	-	25,198	427,404
Less ceded to reinsurers	-	(130,539)	(647)	-	-	-	(131,186)
Net premium income	**(1)**	**244,582**	**26,439**	**-**	**-**	**25,198**	**296,218**
Net investment return income	16,452	4,464	17,675	-	72,419	4,095	115,105
Claims credit	5,948	-	-	-	-	-	5,948
Other non-EIGA* activities	-	21	-	-	-	-	21
Total income	**22,399**	**249,067**	**44,114**	**-**	**72,419**	**29,293**	**417,292**
Expenses							
Claims charge and provision for likely claims	-	(11,738)	-	-	-	-	(11,738)
Changes in insurance liabilities net of reinsurance	-	(32,130)	(188,208)	-	-	(284)	(220,622)
Staff costs	(275)	(33,157)	(2,890)	-	(6,420)	(3,118)	(45,860)
Other administration and operating costs	(208)	(25,090)	(2,186)	-	(4,858)	(2,360)	(34,702)
Net foreign exchange loss	(235)	(10,530)	-	-	(44,554)	(256)	(55,575)
Other non-EIGA* activities	-	(21)	-	-	-	-	(21)
Total expenses	**(718)**	**(112,666)**	**(193,284)**	**-**	**(55,832)**	**(6,018)**	**(368,518)**
Net income/(loss)	**21,681**	**136,401**	**(149,170)**	**-**	**16,587**	**23,275**	**48,774**

*Export and Investment Guarantee Act 1991.

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

	Pre-1991 Guarantees & Insurance Account	Guarantees & Insurance Account	National Interest Account	FREF Account	Direct Lending Account	TCRF Account	Restated Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Income							
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	48,097	3,910	86,183
Claims credit	11,397	-	-	-	-	-	11,397
Net foreign exchange gain	6,161	6,050	-	-	78,426	-	90,637
Total income	**30,720**	**238,453**	**16,242**	**35**	**126,523**	**89,113**	**501,086**
Expenses							
Claims charge and 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)
Total expenses	**(538)**	**(128,462)**	**(5,610)**	**(113)**	**(15,941)**	**(18,048)**	**(168,712)**
Net income/(loss)	**30,182**	**109,991**	**10,632**	**(78)**	**110,582**	**71,065**	**332,374**

iii. Segmental Statement of Financial Position at 31 March 2024

	Pre-1991 Guarantees & Insurance Account	Guarantees & Insurance Account	National Interest Account	FREF Account	Direct Lending Account	TCRF Account	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Right of use, Equipment and intangible assets	-	5,643	-	-	-	-	5,643
Loans & receivables	-	-	973,134	-	1,659,805	-	2,632,939
Insurance assets	75,945	323,148	-	-	-	-	399,093
Reinsurers' share of insurance liabilities	-	564,992	23,879	-	-	62,108	650,979
Insurance and other receivables	-	84,419	-	-	-	5,742	90,161
Total non-current assets	**75,945**	**978,202**	**997,013**	**-**	**1,659,805**	**67,850**	**3,778,815**
Current assets							
Loans & receivables	-	-	155	-	324,155	-	324,310
Insurance assets	13,879	415	-	-	-	-	14,294
Insurance and other receivables	19	65,044	-	-	(21)	2,715	67,757
Cash and cash equivalents[28]	73,793	(13,767)	35,391	-	104,448	59,633	259,498
Total current assets	**87,691**	**51,692**	**35,546**	**-**	**428,582**	**62,348**	**665,859**
Total assets	**163,636**	**1,029,894**	**1,032,559**	**-**	**2,088,387**	**130,198**	**4,444,674**
Current liabilities							
Consolidated Fund (payable)/receivable	(73,793)	13,767	(35,391)	-	(104,448)	(59,633)	(259,498)
Insurance and other payables	(338)	(99,816)	(6)	-	-	(1)	(100,161)
Total current liabilities	**(74,131)**	**(86,049)**	**(35,397)**	**-**	**(104,448)**	**(59,634)**	**(359,659)**
Non-current assets plus net current assets	**89,505**	**943,845**	**997,162**	**-**	**1,983,939**	**70,564**	**4,085,015**
Non-current liabilities							
Insurance liabilities	-	(1,967,468)	(297,657)	-	-	(104,542)	(2,369,667)
Insurance and other payables	-	(103,631)	-	-	-	-	(103,631)
Total non-current liabilities	**-**	**(2,071,099)**	**(297,657)**	**-**	**-**	**(104,542)**	**(2,473,298)**
Assets less liabilities	**89,505**	**(1,127,254)**	**699,505**	**-**	**1,983,939**	**(33,978)**	**1,611,717**
Taxpayers' equity							
Exchequer financing	(1,684,426)	(3,405,363)	1,000,000	-	2,407,026	(211,586)	(1,894,349)
Cumulative trading surplus	1,773,931	2,278,109	(71,455)	-	-	177,695	4,158,280
General fund	-	-	(229,040)	-	(423,087)	(87)	(652,214)
Total taxpayers' equity	**89,505**	**(1,127,254)**	**699,505**	**-**	**1,983,939**	**(33,978)**	**1,611,717**

28 Cash allocations by account are notional only and cash is not managed by UKEF by account. Negative cash balances by account reflect only a notional position whereby cash is 'owed' between accounts.

iv. Segmental Statement of Financial Position at 31 March 2023

	Pre-1991 Guarantees & Insurance Account	Guarantees & Insurance Account	National Interest Account	FREF Account	Direct Lending Account	TCRF Account	Restated Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Non-current assets							
Right of use, Equipment and intangible assets	-	5,160	-	-	-	-	5,160
Loans & receivables	-	-	969,568	-	1,365,440	-	2,335,008
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
Total non-current assets	**93,539**	**794,051**	**992,800**	**-**	**1,365,440**	**155,543**	**3,401,373**
Current assets							
Loans and 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
Total current assets	**110,508**	**182,726**	**8,883**	**1,019**	**687,631**	**111,282**	**1,102,049**
Total assets	**204,047**	**976,777**	**1,001,683**	**1,019**	**2,053,071**	**266,825**	**4,503,422**
Current liabilities							
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)
Total current liabilities	**(62,408)**	**(258,193)**	**(8,815)**	**(1,019)**	**(431,271)**	**(78,121)**	**(839,827)**
Non-current assets plus net current assets	141,639	718,584	992,868	-	1,621,800	188,704	3,663,595
Non-current liabilities							
Insurance liabilities	-	(1,891,174)	(108,802)	-	-	(104,258)	(2,104,234)
Insurance and other payables	-	(101,082)	-	-	-	(86,365)	(187,447)
Total non-current liabilities	**-**	**(1,992,256)**	**(108,802)**	**-**	**-**	**(190,623)**	**(2,291,681)**
Assets less liabilities	**141,639**	**(1,273,672)**	**884,066**	**-**	**1,621,800**	**(1,919)**	**1,371,914**
Taxpayers' equity							
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)	-	(410,551)	(87)	(620,896)
Total taxpayers' equity	**141,639**	**(1,273,672)**	**884,066**	**-**	**1,621,800**	**(1,919)**	**1,371,914**

3. Premium income

	2023/24	2022/23
Underwriting premium income	£'000	£'000
Insurance contracts premium receivable (IFRS4)		
Current underwriting year		
Gross premium	364,721	272,949
Less ceded to reinsurers	(117,382)	(65,963)
Net premium income	**247,339**	**206,986**
Previous underwriting years		
Gross premium	(9,632)	1,450
Less ceded to reinsurers	(13,804)	(6,098)
Net premium income	**(23,436)**	**(4,648)**
Total		
Gross premium	355,089	274,399
Less ceded to reinsurers	(131,186)	(72,061)
Net premium income	**223,903**	**202,338**
Financial guarantees premium amortised (IAS 39)		
Gross premium	72,315	110,531
Less ceded to reinsurers	-	-
Net premium income	**72,315**	**110,531**
Total net premium income	**296,218**	**312,869**

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(D) for more detail).

For the year ended 31 March 2024, 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 £139 million.

For more information about the businesses we have supported in the year, see the business supported annex on page 219.

4. Net investment return

	Note	Pre-1991 Guarantees & Insurance Account £'000	Guarantees & Insurance Account £'000	TCRF Account £'000	2023/24 Total £'000	2022/23 Total £'000
Export Credit Guarantees and Insurance						
Interest income	5	16,356	-	-	16,356	16,677
Other income		96	5,370	4,095	9,561	5,157
Total income		**16,452**	**5,370**	**4,095**	**25,917**	**21,834**
Interest costs	5	-	(906)		(906)	-
Total costs		**-**	**(906)**	**-**	**(906)**	**-**
Net income		**16,452**	**4,464**	**4,095**	**25,011**	**21,834**

	Note	National Interest Account £'000	Direct Lending Account £'000	2023/24 Total £'000	Restated 2022/23 Total £'000
Export Finance Assistance					
Amortised loans and receivables income	10	17,675	102,033	119,708	93,700
Gain in fair value of derivatives		-	-	-	63
Other income			31	31	9
Total income		**17,675**	**102,064**	**119,739**	**93,772**
Impairment of loans and receivables	10	-	(29,645)	(29,645)	(29,367)
Loss in fair value of derivatives		-	-	-	(56)
Total costs		**-**	**(29,645)**	**(29,645)**	**(29,423)**
Net income		**17,675**	**72,419**	**90,094**	**64,349**

5. Interest income

				2023/24	2022/23
		Pre-1991 Guarantees & Insurance Account	Guarantees & Insurance Account	Total	Total
	Note	£'000	£'000	£'000	£'000
Interest arising from claims					
- interest charged in the year	11(b)	15,017	8,380	23,397	25,916
- net (increase) / decrease in provisions for unrecovered interest	11(b)	(3,823)	(9,306)	(13,129)	(10,863)
Interest arising from claims net of provisions		**11,194**	**(926)**	**10,268**	**15,053**
Other Interest		5,162	20	5,182	1,624
Interest credit for the year		**16,356**	**(906)**	**15,450**	**16,677**

Other Interest includes bank interest on balances with commercial banks.

6. Net claims charge and provision for likely claims

				2023/24	2022/23
	Note	Pre-1991 Guarantees & Insurance Account	Guarantees & Insurance Account	Total	Total
		£'000	£'000	£'000	£'000
Amounts authorised and paid in the year	11(a)	(98)	(257,687)	(257,785)	(122,009)
Expected recoveries on claims authorised and paid in the year		-	205,788	205,788	70,789
Provision on claims authorised and paid in the year		**(98)**	**(51,899)**	**(51,997)**	**(51,220)**
Net change in provisions for claims authorised and paid in previous years		6,046	50,911	56,957	47,529
Claims credit/(charge) for the year	**11(a)**	**5,948**	**(988)**	**4,960**	**(3,691)**
Change in provision for claims on financial guarantees	15	-	(10,750)	(10,750)	(12,389)
Net claims credit/(charge) and provision for likely claims		**5,948**	**(11,738)**	**(5,790)**	**(16,080)**

There is no reinsurance element included within the figures above.

7. Net foreign exchange gain/(loss)

					2023/24	2022/23
		Pre-1991 Guarantees & Insurance Account	Guarantees & Insurance Account	TCRF Account	Total	Total
	Note	£'000	£'000	£'000	£'000	£'000
Export Credit Guarantees and Insurance						
Net foreign exchange gain/(loss) arising on:						
- recoverable claims after provisions	11(a)	(74)	(7,105)	-	(7,179)	11,699
- recoverable interest on claims after provisions	11(b)	(18)	(9)	-	(27)	2,540
- insurance premium receivables		-	(773)	(93)	(866)	936
- financial guarantees provisions	15	-	8	-	8	15
- insurance payables		(48)	(954)	(55)	(1,057)	(650)
- cash		(95)	(1,697)	(108)	(1,900)	(2,554)
Net foreign exchange gain/(loss) for year		**(235)**	**(10,530)**	**(256)**	**(11,021)**	**11,986**

				2023/24	2022/23
		Direct Lending Account		Total	Total
	Note	£'000		£'000	£'000
Export Finance Assistance					
Net foreign exchange gain/(loss) arising on:					
- loans and receivables	10	(56,678)		(56,678)	77,782
- payables		12,595		12,595	1,277
- cash		(471)		(471)	(633)
Net foreign exchange gain/(loss) for year		**(44,554)**		**(44,554)**	**78,426**
Summary:					
Net foreign exchange gain/(loss) for year on cash assets				(2,371)	(3,187)
Net foreign exchange gain/(loss) for year on net assets other than cash				(53,204)	93,599
Net foreign exchange gain/(loss) for year				**(55,575)**	**90,412**

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 equivalent to £1	
Currency	31 March 2024	31 March 2023
Euro	1.17	1.14
Japanese Yen	191.00	164.47
US Dollars	1.26	1.24

8. Staff costs

	2023/24	2022/23
	£'000	£'000
Salaries and wages	33,555	28,898
Social security costs	3,972	3,610
Other pension costs	8,333	7,200
Total staff costs	**45,860**	**39,708**
Of which:		
Export Credit Guarantees and Insurance	38,833	30,977
Export Finance Assistance	7,027	8,731

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

	2023/24	2022/23
	£'000	£'000
Agency staff	2,192	2,412
Training	606	668
Recruitment	238	286
Travel and subsistence	1,136	1,212
Accomodation	2,034	2,684
Other IT	6,034	6,143
Project costs	6,035	7,035
Legal	740	423
Marketing and business promotion	4,611	4,164
Depreciation	1,670	1,506
Impairments	8	-
Irrecoverable VAT	3,999	5,611
Other administration	5,399	4,963
Total other administrative costs	**34,702**	**37,107**
Of which:		
Export Credit Guarantees and Insurance	29,385	28,948
Export Finance Assistance	5,317	8,159
Included in the above figures:		
Audit fees	527	270

The 2023/24 audit fee includes £50,000 (2022/23, £45,000) for the auditor's engagement with the Financial Reporting Changes programme. See Accounting Policy note 1(B) for further details.

10. Loans and receivables

	31 March 2024	Restated 31 March 2023
	£'000	£'000
Loans and receivables	2,957,249	2,591,605
Total	**2,957,249**	**2,591,605**
Falling due:		
- within one year	324,310	256,597
- after more than one year	2,632,939	2,305,585

	Note	National Interest Account	FREF Account	Direct Lending Account	Total
	Note	£'000	£'000	£'000	£'000
Movements:					
Balance at 1 April 2022		**967,461**	**1,047**	**1,442,317**	**2,410,825**
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		-	-	(29,367)	(29,367)
Restated balance at 31 March 2023		**969,607**	**-**	**1,621,998**	**2,591,605**
Loans advanced	19	-	-	741,169	741,169
Loans recovered		-	-	(311,120)	(311,120)
Net foreign exchange gain/(loss)		-	-	(56,678)	(56,678)
Amortised income		17,789	-	87,310	105,099
Other movement in working capital		(13,993)	-	(83,797)	(97,790)
Revision to cash flows		(114)	-	14,723	14,609
Impairment provision		-	-	(29,645)	(29,645)
Balance at 31 March 2024		**973,289**	**-**	**1,983,960**	**2,957,249**
Of which:					
Capital loans recoverable		1,000,000	-	2,407,026	3,407,026
Net interest receivable		155	-	9,313	9,468
Recoverable expenses incurred		-	-	-	-
Unamortised income		(19,087)	-	(314,010)	(333,097)
Re-estimation of cash flows		(7,779)	-	23,518	15,739
Impairment provisions		-	-	(141,887)	(141,887)
Falling due:					
- within one year		155	-	324,155	324,310
- after more than one year		973,134	-	1,659,805	2,632,939

Loans are calculated on the amortised cost basis (refer to accounting policy Note 1(J)). The fair value of Export Finance Loans for Account 3 was £881,124,000 (2022-23: £872,960,000) and Account 5 £2,336,733,000 (2022/23: £1,819,189,000).

11. Insurance assets

	31 March 2024	31 March 2023
	£'000	£'000
Recoverable claims	357,336	219,918
Interest on unrecovered claims	56,051	73,149
Total	**413,387**	**293,067**
Falling due:		
- within one year	14,294	49,156
- after more than one year	399,093	243,911

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

	Pre-1991 Guarantees & Insurance Account	Guarantees & Insurance Account	Total
	£'000	£'000	£'000
Recoverable claims - gross			
Balance at 1 April 2022	**240,151**	**294,320**	**534,471**
Claims and 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
Balance at 31 March 2023	**197,548**	**362,693**	**560,241**
Claims and recoverable expenditure approved in the year	98	257,687	257,785
Recoveries made in the year	(41,074)	(77,074)	(118,148)
Recoveries abandoned in the year	(6,198)	(1,025)	(7,223)
Net foreign exchange movements	(450)	(9,595)	(10,045)
Balance at 31 March 2024	**149,924**	**532,686**	**682,610**
Recoverable claims – provisions			
Balance at 1 April 2022	**153,041**	**197,508**	**350,549**
(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
Balance at 31 March 2023	**128,283**	**212,040**	**340,323**
(Release)/increase of provisions in the year	(5,948)	988	(4,960)
Recoveries abandoned in the year	(6,198)	(1,025)	(7,223)
Net foreign exchange movements	(376)	(2,490)	(2,866)
Balance at 31 March 2024	**115,761**	**209,513**	**325,274**

	Pre-1991 Guarantees & Insurance Account	Guarantees & Insurance Account	Total
	£'000	£'000	£'000
Net recoverable claims as at:			
- 31 March 2024	**34,163**	**323,173**	**357,336**
- 31 March 2023	69,265	150,653	219,918
- 31 March 2022	87,110	96,812	183,922

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 the Direct Lending Account, FREF Account or TCRF Account.

11(b) Interest on unrecovered claims

	Pre-1991 Guarantees & Insurance Account	Guarantees & Insurance Account	Total
	£'000	£'000	£'000
Interest on unrecovered claims – gross			
Balance at 1 April 2022	**485,037**	**174,872**	**659,909**
Interest charged in the year	13,121	12,795	25,916
Interest received in the year	(27,960)	(3,485)	(31,445)
Recoveries abandoned in the year	-	-	-
Net foreign exchange movements	6,852	326	7,178
Balance at 31 March 2023	**477,050**	**184,508**	**661,558**
Interest charged in the year	15,017	8,380	23,397
Interest received in the year	(28,308)	969	(27,339)
Recoveries abandoned in the year	-	-	-
Net foreign exchange movements	(1,661)	(134)	(1,795)
Balance at 31 March 2024	**462,098**	**193,723**	**655,821**
Interest on unrecovered claims – provisions			
Balance at 1 April 2022	**398,348**	**174,560**	**572,908**
Increase in provisions in the year	1,577	9,286	10,863
Recoveries abandoned in the year	-	-	-
Net foreign exchange movements	4,332	306	4,638
Balance at 31 March 2023	**404,257**	**184,152**	**588,409**
Increase in provisions in the year	3,823	9,306	13,129
Recoveries abandoned in the year	-	-	-
Net foreign exchange movements	(1,643)	(125)	(1,768)
Balance at 31 March 2024	**406,437**	**193,333**	**599,770**
Net interest on unrecovered claims as at:			
- 31 March 2024	**55,661**	**390**	**56,051**
- 31 March 2023	72,793	356	73,149
- 31 March 2022	86,689	312	87,001

12. Reinsurers' share of insurance liabilities

	£'000
Balance at 1 April 2022	**631,729**
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 increase in insurance liabilities on closed funds	(26,264)
Total movements	**(25,561)**
Balance at 31 March 2023	**606,168**
Movements summary:	
Addition to the underwriting funds in the year	117,382
Net decrease in open cash funds	-
Net decrease in open credit funds	(39,533)
Other fund movements	23,183
Net decrease in insurance liabilities on closed funds	(56,221)
Total movements	**44,811**
Balance at 31 March 2024	**650,979**

Movements are summarised within Note 16.

13. Insurance and other receivables

	31 March 2024	31 March 2023
	£'000	£'000
Insurance premium receivables	139,139	310,412
Insurance prepayments and accrued income	16,362	13,371
Other receivables	2,417	2,422
Total	**157,918**	**326,205**
Falling due:		
- within one year	67,757	115,079
- after more than one year	90,161	211,126

The insurance premium receivables include the premium amounts receivable for financial guarantees accounted for under IAS 39. The decrease in insurance premium receivables this year is as a result of some large Export Development Guarantee facilities closing in year following repayment of the guaranteed loan.

14. Cash and cash equivalents

Cash and cash equivalents comprise:	31 March 2024	31 March 2023
	£’000	£’000
Government Banking Service	30,371	502,846
Commercial banks and cash in hand	229,127	178,371
Total	**259,498**	**681,217**

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

15. Insurance and other payables

	31 March 2024	31 March 2023
	£’000	£’000
Insurance payables – amounts due to policyholders	-	97
Income tax and national Insurance	1,016	870
Lease payments	2,328	2,892
Deferred income and other payables	44,546	49,066
Financial guarantee liabilities	121,192	269,164
Dilapidations provision	20	20
Provisions for likely claims on financial guarantees	34,690	23,948
Total	**203,792**	**346,057**
Falling due:		
- within one year	100,161	158,610
- after more than one year	103,631	187,447

The movement in the provision for financial guarantees includes £10,750,000 (2022/23: £12,389,000) (see Note 6) and (£8,000) (2022/23: (£15,000)) movement on foreign currencies.

The decrease in financial guarantee liabilities this year is as a result of some large Export Development Guarantee facilities closing in year following repayment of the guaranteed loan.

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:

	Guarantees & Insurance Account	National Interest Account	TCRF Account	Total
	£'000	£'000	£'000	£'000
Insurance liabilities – Gross of reinsurance				
Balance at 1 April 2022	**1,891,294**	**108,415**	**65,891**	**2,065,600**
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)
Total movements	**(120)**	**387**	**38,367**	**38,634**
Balance at 31 March 2023	**1,891,174**	**108,802**	**104,258**	**2,104,234**
Movements:				
Addition to the underwriting funds in the year	296,872	189,247	282	486,401
Release of excess funds – cash	(644)	-	-	(644)
Release of excess funds – credit	(75,237)	-	-	(75,237)
Other fund movements	(24,031)	(392)	2	(24,421)

	Guarantees & Insurance Account	National Interest Account	TCRF Account	Total
	£'000	£'000	£'000	£'000
Change in insurance liabilities on closed funds	(120,666)	-	-	(120,666)
Total movements	**76,294**	**188,855**	**284**	**265,433**
Balance at 31 March 2024	**1,967,468**	**297,657**	**104,542**	**2,369,667**

Insurance liabilities – Net of reinsurance				
Balance at 1 April 2022	**1,317,677**	**85,183**	**31,011**	**1,433,871**
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)
Total movements	**52,669**	**387**	**11,139**	**64,195**
Balance at 31 March 2023	**1,370,346**	**85,570**	**42,150**	**1,498,066**
Movements:				
Addition to the underwriting funds in the year	179,490	189,247	282	369,019
Release of excess funds - cash	(644)	-	-	(644)
Release of excess funds - credit	(35,704)	-	-	(35,704)
Other fund movements	(46,567)	(1,039)	2	(47,604)
Change in insurance liabilities on closed funds	(64,445)	-	-	(64,445)
Total movements	**32,130**	**188,208**	**284**	**220,622**
Balance at 31 March 2024	**1,402,476**	**273,778**	**42,434**	**1,718,688**

Summary of movements				
2022/23				
Gross changes in insurance liabilities	(120)	387	38,367	38,634
Reinsurers' share of changes in insurance liabilities	52,789	-	(27,228)	25,561
Changes in insurance liabilities (net of reinsurance)	**52,669**	**387**	**11,139**	**64,195**
2023/24				
Gross changes in insurance liabilities	76,294	188,855	284	265,433
Reinsurers' share of changes in insurance liabilities	(44,164)	(647)	-	(44,811)
Changes in insurance liabilities (net of reinsurance)	**32,130**	**188,208**	**284**	**220,622**

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 2014/15 and cash fund years up to and including 2020/21 are closed years.

The table shows the development of the expected losses for the fund years 2014/15 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.

	2014/15 fund year	2015/16 fund year	2016/17 fund year	2017/18 fund year	2018/19 fund year	2019/20 fund year	2020/21 fund year	2021/22 fund year	2022/23 fund year	2023/24 fund year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Guarantees & Insurance, National Interest and TCRF Account:										
Credit funds										
At end of year	46,367	28,315	32,214	43,848	127,410	72,685	77,729	103,526	59,404	261,770
One year later	44,703	29,114	26,001	49,578	110,027	76,790	69,060	142,729	43,553	-
Two years later	48,413	21,070	24,134	42,298	183,377	147,227	72,502	126,958	-	-
Three years later	36,502	17,589	26,603	166,991	142,601	135,977	84,529	-	-	-
Four years later	44,479	17,535	35,966	101,218	125,417	140,282	-	-	-	-
Five years later	30,047	16,516	32,696	55,239	65,051	-	-	-	-	-
Six years later	65,202	13,008	24,833	19,723	-	-	-	-	-	-
Seven years later	54,012	9,202	18,109	-	-	-	-	-	-	-
Eight years later	84,192	3,420	-	-	-	-	-	-	-	-
Nine years later	39,152	-	-	-	-	-	-	-	-	-
Cash funds										
At end of year	261	480	689	383	6,365	91	668	461	775	6,558
One year later	291	-	16	100	2,575	20	118	135	138	-
Two years later	78	-	-	62	1,833	14	75	-	-	-
Three years later	40	-	-	43	1,140	2	4	-	-	-
Four years later	18	-	-	4	666	1	-	-	-	-
Five years later	20	-	-	-	364	-	-	-	-	-
Six years later	-	-	-	-	-	-	-	-	-	-
Seven years later	-	-	-	-	-	-	-	-	-	-

	2014/15 fund year	2015/16 fund year	2016/17 fund year	2017/18 fund year	2018/19 fund year	2019/20 fund year	2020/21 fund year	2021/22 fund year	2022/23 fund year	2023/24 fund year
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Eight years later	-	-	-	-	-	-	-	-	-	-
Nine years later	-	-	-	-	-	-	-	-	-	-
Credit fund total	**39,152**	**3,420**	**18,109**	**19,723**	**65,051**	**140,282**	**84,529**	**126,958**	**43,553**	**261,770**
Cash fund total	**-**	**-**	**-**	**-**	**364**	**1**	**4**	**-**	**138**	**6,558**
Expected loss total	**39,152**	**3,420**	**18,109**	**19,723**	**65,415**	**140,283**	**84,533**	**126,958**	**43,691**	**268,328**
Summary										**809,612**

	funds 2014/15 to 2023/24 open	funds 2014/15 to 2023/24 closed	funds 2014/15 to 2023/24 total	funds years to 2013/14 closed	funds grand total
	£'000	£'000	£'000	£'000	£'000
Expected loss summary:					
Guarantees & Insurance, National Interest and TCRF Account:					
Credit fund total	763,395	39,152	802,547	25,076	827,623
Cash fund total	6,696	369	7,065	-	7,065
Expected loss total	**770,091**	**39,521**	**809,612**	**25,076**	**834,688**

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:

- Market risk (including interest rate risk and foreign currency risk)
- Credit risk
- Insurance risk (including related foreign currency risk);
- Liquidity risk
- 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 is not authorised by HM Treasury to hedge its exposure to foreign currency risk (refer Note 18(a)(i) and 18(c)(iii)). In addition, there is some foreign exchange market risk which is explained in Note 18(a)(i).

UKEF has established principles and policies to be followed in respect of management of the significant 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).

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

	Pound sterling	US dollar	Other	Total
	£'000	£'000	£'000	£'000
As at 31 March 2024				
Financial assets:				
National Interest Account loans at amortised cost	973,289	-	-	973,289
Direct Lending Account loans at amortised cost	18,532	795,624	1,169,804	1,983,960
Insurance and other receivables	90,935	20,525	46,458	157,918
Financial liabilities:				
Insurance and other payables	(168,497)	10,920	(46,215)	(203,792)
Financial commitments:				
Direct Lending Account amounts available	3,390	313,330	588,301	905,021
Total	**917,649**	**1,140,399**	**1,758,348**	**3,816,396**
As at 31 March 2023				
Financial assets:				
National Interest Account loans at amortised cost	969,607	-	-	969,607
Direct Lending Account loans at amortised cost	19,090	965,052	637,856	1,621,998
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:				
Direct Lending Account amounts available	3,715	438,288	576,934	1,018,937
Restated total	**950,184**	**1,389,430**	**1,251,076**	**3,590,690**

The sensitivity to changes in foreign exchange of US dollar denominated loans held at amortised cost at 31 March 2024 is as follows:

- 10% increase would increase the carrying value by £72,329,000 (31 March 2023: £87,732,000).

The sensitivity to changes in foreign exchange of EURO denominated loans held at amortised cost at 31 March 2024 is as follows:

- 10% increase would increase the carrying value by £106,345,806 (31 March 2023: £57,987,000).

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 and loan commitments. (Investment grade is defined as a credit rating of BBB minus or above):

	Investment grade	Non-investment grade	Total
	£'000	£'000	£'000
As at 31 March 2024			
National Interest Account: Direct Lending			
Loans at amortised cost	973,289	-	973,289
Direct Lending Account: Direct Lending			
Loans at amortised cost	467,333	1,516,627	1,983,960
Commitments	18,875	886,146	905,021
Total	**1,459,497**	**2,402,773**	**3,862,270**
As at 31 March 2023			
National Interest Account: Direct Lending			
Loans at amortised cost	969,607	-	969,607
Direct Lending Account: Direct Lending			
Loans at amortised cost	-	1,621,998	1,621,998
Commitments	-	1,018,937	1,018,937
Restated total	**969,607**	**2,640,935**	**3,610,542**

18(b)(ii) Credit

Concentration risk

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

	Europe	Americas	Middle East and Africa	Asia Pacific	Total
	£'000	£'000	£'000	£'000	£'000
As at 31 March 2024					
National Interest Account: Direct Lending					
Loans at amortised cost	-	-	973,289	-	973,289
Direct Lending Account: Direct Lending					
Loans at amortised cost	470,562	41,312	1,472,086	-	1,983,960
Commitments	18,875	91,764	794,382	-	905,021
Total	**489,437**	**133,076**	**3,239,757**	**-**	**3,862,270**
As at 31 March 2023					
National Interest Account: Direct Lending					
Loans at amortised cost	-	-	969,607	-	969,607
Direct Lending Account: Direct Lending					
Loans at amortised cost	783	33,916	1,587,299	-	1,621,998
Commitments			1,018,937	-	1,018,937
Restated total	**783**	**33,916**	**3,575,843**	**-**	**3,610,542**

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. As is common practice in the market, we derive our PoDs from an externally sourced corporate and public default database. Given the paucity of sovereign default events, any PoD derived from this data set would be statistically unreliable and at risk of significant year on year volatility. 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 and Insurance Account, the National Interest Account and the Temporary COVID-19 Support Account portfolio as at 31 March 2024:

	Investment grade	Non-investment grade	Total
	£'000	£'000	£'000
Amounts at risk, gross of reinsurance			
Guarantees & Insurance Account: Insurance Contracts			
Asset-backed	1,943,364	2,660,196	4,603,560
Other	1,956,451	16,834,209	18,790,660
Total	**3,899,815**	**19,494,405**	**23,394,220**
National Interest Account: Insurance Contracts			
Other	2,707,099	330,477	3,037,576
Total	**2,707,099**	**330,477**	**3,037,576**
TCRF Account: Insurance Contracts			
Asset-backed	400,449	1,142,303	1,542,752
Other	-	14,243	14,243
Total	**400,449**	**1,156,546**	**1,556,995**
Guarantees & Insurance Account: Financial Guarantees	2,646,537	6,580,383	9,226,920
TCRF Account: Financial Guarantees	-	2,041,842	2,041,842
Total	**2,646,537**	**8,622,225**	**11,268,762**
Grand total	**9,653,900**	**29,603,653**	**39,257,553**
Amounts at risk, net of reinsurance			
Guarantees & Insurance Account: Insurance Contracts			
Asset-backed	1,164,599	1,667,861	2,832,460
Other	1,839,528	12,799,536	14,639,064
Total	**3,004,127**	**14,467,397**	**17,471,524**
National Interest Account: Insurance Contracts			
Other	1,659,388	330,477	1,989,865
Total	**1,659,388**	**330,477**	**1,989,865**
TCRF Account: Insurance Contracts			
Asset-backed	400,449	414,919	815,368
Other	-	14,243	14,243
Total	**400,449**	**429,162**	**829,611**
Guarantees & Insurance Account: Financial Guarantees	2,646,537	6,580,383	9,226,920
TCRF Account: Financial Guarantees	-	2,041,842	2,041,842
Total	**2,646,537**	**8,622,225**	**11,268,762**
Grand total	**7,710,501**	**23,849,261**	**31,559,762**

	Investment grade	Non-investment grade	Total
	£'000	£'000	£'000
Expected loss, gross of reinsurance			
Guarantees & Insurance Account: Insurance Contracts			
Asset-backed	2,761	63,488	66,249
Other	7,742	721,821	729,563
Total	**10,503**	**785,309**	**795,812**
National Interest Account: Insurance Contracts			
Other	3,592	189,248	192,840
Total	**3,592**	**189,248**	**192,840**
TCRF Account: Insurance Contracts			
Asset-backed	3,294	4,705	7,999
Other	-	700	700
Total	**3,294**	**5,405**	**8,699**
Guarantees & Insurance Account: Financial Guarantees	15,443	159,634	175,077
TCRF Account: Financial Guarantees	-	30,439	30,439
Total	**15,443**	**190,073**	**205,516**
Grand total	**32,832**	**1,170,035**	**1,202,867**
Expected loss, net of reinsurance			
Guarantees & Insurance Account: Insurance Contracts			
Asset-backed	2,489	34,888	37,377
Other	7,552	591,966	599,518
Total	**10,041**	**626,854**	**636,895**
National Interest Account: Insurance Contracts			
Other	2,407	189,248	191,655
Total	**2,407**	**189,248**	**191,655**
TCRF Account: Insurance Contracts			
Asset-backed	3,294	2,144	5,438
Other	-	700	700
Total	**3,294**	**2,844**	**6,138**
Guarantees & Insurance Account: Financial Guarantees	15,443	159,634	175,077
TCRF Account: Financial Guarantees	-	30,439	30,439
Total	**15,443**	**190,073**	**205,516**
Grand total	**31,185**	**1,009,019**	**1,040,204**

The following table provides information regarding the credit exposure of amounts at risk and expected loss within the UKEF Guarantees and Insurance Account, the National Interest Account and the Temporary COVID-19 Support Account portfolio as at 31 March 2023:

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

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

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

There are no amounts at risk and expected loss on the Pre-1991 Guarantees and 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 on 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 on 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 2024:

	Investment grade	Non-investment grade	Total
	£'000	£'000	£'000
Recoverable claims – gross			
Pre-1991 Guarantees & Insurance Account	-	149,924	149,924
Guarantees & Insurance Account	-	532,686	532,686
Total	**-**	**682,610**	**682,610**
Recoverable claims – net of provisions			
Pre-1991 Guarantees & Insurance Account	-	34,163	34,163
Guarantees & Insurance Account	-	323,173	323,173
Total	**-**	**357,336**	**357,336**
Interest on unrecovered claims – gross			
Pre-1991 Guarantees & Insurance Account	-	462,098	462,098
Guarantees & Insurance Account	-	193,723	193,723
Total	**-**	**655,821**	**655,821**
Interest on unrecovered claims – net of provisions			
Pre-1991 Guarantees & Insurance Account	-	55,661	55,661
Guarantees & Insurance Account	-	390	390
Total	**-**	**56,051**	**56,051**

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

	Investment grade	Non-investment grade	Total
	£'000	£'000	£'000
Recoverable claims – gross			
Pre-1991 Guarantees & Insurance Account	-	197,548	197,548
Guarantees & Insurance Account	-	362,693	362,693
Total	**-**	**560,241**	**560,241**
Recoverable claims – net of provisions			
Pre-1991 Guarantees & Insurance Account	-	69,265	69,265
Guarantees & Insurance Account	-	150,653	150,653
Total	**-**	**219,918**	**219,918**
Interest on unrecovered claims – gross			
Pre-1991 Guarantees & Insurance Account	-	477,050	477,050
Guarantees & Insurance Account	-	184,508	184,508
Total	**-**	**661,558**	**661,558**
Interest on unrecovered claims – net of provisions			
Pre-1991 Guarantees & Insurance Account	-	72,793	72,793
Guarantees & Insurance Account	-	356	356
Total	**-**	**73,149**	**73,149**

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, considering 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 on the geographical location of the ultimate obligor.

The table below provides an indication of the concentration of credit risk within the UKEF Guarantees and Insurance Account, the National Interest Account and the Temporary COVID-19 Support Account portfolios as at 31 March 2024:

	Europe	Americas	Middle East and Africa	Asia Pacific	Total
	£'000	£'000	£'000	£'000	£'000
Amounts at risk, gross of reinsurance					
Guarantees & Insurance Account: Insurance Contracts					
Asset-backed	2,954,767	324,611	837,777	486,405	4,603,560
Other	8,607,096	405,075	8,764,624	1,013,865	18,790,660
Total	**11,561,863**	**729,686**	**9,602,401**	**1,500,270**	**23,394,220**
National Interest Account: Insurance Contracts					
Other	1,378,188	-	1,659,388	-	3,037,576
Total	**1,378,188**	**-**	**1,659,388**	**-**	**3,037,576**
TCRF Account: Insurance Contracts					
Asset-backed	957,986	-	452,717	132,049	1,542,752
Other	14,243	-	-	-	14,243
Total	**972,229**	**-**	**452,717**	**132,049**	**1,556,995**
Guarantees & Insurance Account: Financial Guarantees	6,850,991	1,293,729	-	1,082,200	9,226,920
TCRF Account: Financial Guarantees	2,041,842	-	-	-	2,041,842
Total	**8,892,833**	**1,293,729**	**-**	**1,082,200**	**11,268,762**
Grand total	**22,805,113**	**2,023,415**	**11,714,506**	**2,714,519**	**39,257,553**
Amounts at risk, net of reinsurance					
Guarantees & Insurance Account: Insurance Contracts					
Asset-backed	1,442,828	287,351	837,777	264,504	2,832,460
Other	4,594,715	405,075	8,625,408	1,013,866	14,639,064
Total	**6,037,543**	**692,426**	**9,463,185**	**1,278,370**	**17,471,524**
National Interest Account: Insurance Contracts					
Other	330,477	-	1,659,388	-	1,989,865
Total	**330,477**	**-**	**1,659,388**	**-**	**1,989,865**

	Europe	Americas	Middle East and Africa	Asia Pacific	Total
	£'000	£'000	£'000	£'000	£'000
TCRF Account: Insurance Contracts					
Asset-backed	230,603	-	452,715	132,050	815,368
Other	14,243	-	-	-	14,243
Total	**244,846**	**-**	**452,715**	**132,050**	**829,611**
Guarantees & Insurance Account: Financial Guarantees	6,850,991	1,293,729	-	1,082,200	9,226,920
TCRF Account: Financial Guarantees	2,041,842	-	-	-	2,041,842
Total	**8,892,833**	**1,293,729**	**-**	**1,082,200**	**11,268,762**
Grand total	**15,505,699**	**1,986,155**	**11,575,288**	**2,492,620**	**31,559,762**

	Europe	Americas	Middle East and Africa	Asia Pacific	Total
	£'000	£'000	£'000	£'000	£'000
Expected loss, gross of reinsurance					
Guarantees & Insurance Account: Insurance Contracts					
Asset-backed	41,520	3,089	4,479	17,161	66,249
Other	243,317	3,944	362,026	120,276	729,563
Total	**284,837**	**7,033**	**366,505**	**137,437**	**795,812**
National Interest Account: Insurance Contracts					
Other	190,433	-	2,407	-	192,840
Total	**190,433**	**-**	**2,407**	**-**	**192,840**
TCRF Account: Insurance Contracts					
Asset-backed	4,090	-	3,294	615	7,999
Other	700	-	-	-	700
Total	**4,790**	**-**	**3,294**	**615**	**8,699**
Guarantees & Insurance Account: Financial Guarantees	144,164	11,620	-	19,293	175,077
TCRF Account: Financial Guarantees	30,439	-	-	-	30,439
Total	**174,603**	**11,620**	**-**	**19,293**	**205,516**
Grand total	**654,663**	**18,653**	**372,206**	**157,345**	**1,202,867**
Expected loss, net of reinsurance					
Guarantees & Insurance Account: Insurance Contracts					
Asset-backed	18,754	3,004	4,479	11,140	37,377
Other	119,651	3,944	355,647	120,276	599,518
Total	**138,405**	**6,948**	**360,126**	**131,416**	**636,895**
National Interest Account: Insurance Contracts					
Other	189,248	-	2,407	-	191,655
Total	**189,248**	**-**	**2,407**	**-**	**191,655**

	Europe	Americas	Middle East and Africa	Asia Pacific	Total
	£'000	£'000	£'000	£'000	£'000
TCRF Account: Insurance Contracts					
Asset-backed	1,529	-	3,294	615	5,438
Other	700	-	-	-	700
Total	**2,229**	**-**	**3,294**	**615**	**6,138**
Guarantees & Insurance Account: Financial Guarantees	144,164	11,620	-	19,293	175,077
TCRF Account: Financial Guarantees	30,439	-	-	-	30,439
Total	**174,603**	**11,620**	**-**	**19,293**	**205,516**
Grand total	**504,485**	**18,568**	**365,827**	**151,324**	**1,040,204**

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

	Europe	Americas	Middle East and Africa	Asia Pacific	Total
	£'000	£'000	£'000	£'000	£'000
Amounts at risk, gross of reinsurance					
Guarantees & Insurance Account: Insurance Contracts					
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
Total	**9,333,108**	**775,390**	**10,457,833**	**1,907,216**	**22,473,547**
National Interest Account: Insurance Contracts					
Other	590	-	3,101,556	-	3,102,146
Total	**590**	**-**	**3,101,556**	**-**	**3,102,146**
TCRF Account: Insurance Contracts					
Asset-backed	867,333	-	636,940	147,180	1,651,453
Other	16,890	-	-	-	16,890
Total	**884,223**	**-**	**636,940**	**147,180**	**1,668,343**
Guarantees & Insurance Account: Financial Guarantees	3,715,210	1,332,878	-	665,208	5,713,296
TCRF Account: Financial Guarantees	6,266,372	-	-	-	6,266,372
Total	**9,981,582**	**1,332,878**	**-**	**665,208**	**11,979,668**
Grand total	**20,199,503**	**2,108,268**	**14,196,329**	**2,719,604**	**39,223,704**
Amounts at risk, net of reinsurance					
Guarantees & Insurance Account: Insurance Contracts					
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
Total	**4,880,902**	**733,086**	**10,287,029**	**1,714,318**	**17,615,335**

	Europe	Americas	Middle East and Africa	Asia Pacific	Total
	£'000	£'000	£'000	£'000	£'000
National Interest Account: Insurance Contracts					
Other	590	-	1,996,091	-	1,996,681
Total	**590**	**-**	**1,996,091**	**-**	**1,996,681**
TCRF Account: Insurance Contracts					
Asset-backed	222,870	-	498,060	147,179	868,109
Other	16,890	-	-	-	16,890
Total	**239,760**	**-**	**498,060**	**147,179**	**884,999**
Guarantees & Insurance Account: Financial Guarantees	3,715,210	1,332,878	-	665,208	5,713,296
TCRF Account: Financial Guarantees	6,266,372	-	-	-	6,266,372
Total	**9,981,582**	**1,332,878**	**-**	**665,208**	**11,979,668**
Grand total	**15,102,834**	**2,065,964**	**12,781,180**	**2,526,705**	**32,476,683**

	Europe	Americas	Middle East and Africa	Asia Pacific	Total
	£'000	£'000	£'000	£'000	£'000
Expected loss, gross of reinsurance					
Guarantees & Insurance Account: Insurance Contracts					
Asset-backed	136,410	20,506	10,515	54,980	222,411
Other	260,145	5,232	343,502	190,249	799,128
Total	**396,555**	**25,738**	**354,017**	**245,229**	**1,021,539**
National Interest Account: Insurance Contracts					
Other	390	-	3,790	-	4,180
Total	**390**	**-**	**3,790**	**-**	**4,180**
TCRF Account: Insurance Contracts					
Asset-backed	21,270	-	7,600	2,507	31,377
Other	1,000	-	-	-	1,000
Total	**22,270**	**-**	**7,600**	**2,507**	**32,377**
Guarantees & Insurance Account: Financial Guarantees	106,187	17,295	-	5,534	129,016
TCRF Account: Financial Guarantees	148,670	-	-	-	148,670
Total	**254,857**	**17,295**	**-**	**5,534**	**277,686**
Grand total	**674,072**	**43,033**	**365,407**	**253,270**	**1,335,782**
Expected Loss, net of reinsurance					
Guarantees & Insurance Account: Insurance Contracts					
Asset-backed	51,917	20,048	10,515	36,956	119,436
Other	132,023	5,232	335,541	190,249	663,045

	Europe	Americas	Middle East and Africa	Asia Pacific	Total
	£'000	£'000	£'000	£'000	£'000
Total	**183,940**	**25,280**	**346,056**	**227,205**	**782,481**
National Interest Account: Insurance Contracts					
Other	390	-	2,547	-	2,937
Total	**390**	**-**	**2,547**	**-**	**2,937**
TCRF Account: Insurance Contracts					
Asset-backed	5,930	-	5,512	2,507	13,949
Other	1,000	-	-	-	1,000
Total	**6,930**	**-**	**5,512**	**2,507**	**14,949**
Guarantees & Insurance Account: Financial Guarantees	106,187	17,295	-	5,534	129,016
TCRF Account: Financial Guarantees	148,670	-	-	-	148,670
Total	**254,857**	**17,295**	**-**	**5,534**	**277,686**
Grand total	**446,117**	**42,575**	**354,115**	**235,246**	**1,078,053**

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 2024:

	Pound sterling	US dollar	Other	Total
	£'000	£'000	£'000	£'000
Recoverable claims				
- Gross	264,168	220,988	197,454	682,610
- Provisions	(218,929)	(71,454)	(34,891)	(325,274)
Interest on unrecovered claims				
- Gross	573,799	75,940	6,082	655,821
- Provisions	(519,850)	(73,837)	(6,083)	(599,770)
Net insurance assets at 31 March 2024	**99,188**	**151,637**	**162,562**	**413,387**

The sensitivity to changes in foreign exchange of US dollar denominated net insurance assets at 31 March 2024 is as follows:

- 10% increase would increase the carrying value by £13,785,000 (31 March 2023: £8,714,000)
- 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 2023:

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

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 10 years	Between 10 and 15 years	Between 15 years and more	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2024:						
Guarantees & Insurance Account: Insurance Contracts						
Gross amounts at risk	2,942,098	9,320,270	7,796,267	3,012,507	323,078	23,394,220
Less: amounts at risk ceded to reinsurers	(709,267)	(2,231,659)	(1,844,177)	(936,150)	(201,443)	(5,922,696)
Net amounts at risk	**2,232,831**	**7,088,611**	**5,952,090**	**2,076,357**	**121,635**	**17,471,524**
National Interest Account: Insurance Contracts						
Gross amounts at risk	620,666	2,108,025	241,424	67,461	-	3,037,576
Less: amounts at risk ceded to reinsurers	(247,424)	(792,217)	(8,070)	-	-	(1,047,711)
Net amounts at risk	**373,242**	**1,315,808**	**233,354**	**67,461**	**-**	**1,989,865**
TCRF Account: Insurance Contracts						
Gross amounts at risk	184,278	692,915	659,644	20,158	-	1,556,995
Less: amounts at risk ceded to reinsurers	(84,756)	(322,172)	(309,701)	(10,755)	-	(727,384)

	One year or less	Between one and five years	Between five and 10 years	Between 10 and 15 years	Between 15 years and more	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Net amounts at risk	**99,522**	**370,743**	**349,943**	**9,403**	**-**	**829,611**
Guarantees & Insurance Account: Financial Guarantees						
Gross amounts at risk	4,769,558	4,277,670	179,692	-	-	9,226,920
Less: amounts at risk ceded to reinsurers	-	-	-	-	-	-
Net amounts at risk	**4,769,558**	**4,277,670**	**179,692**	**-**	**-**	**9,226,920**
TCRF Account: Financial Guarantees						
Gross amounts at risk	2,041,842	-	-	-	-	2,041,842
Less: amounts at risk ceded to reinsurers	-	-	-	-	-	-
Net amounts at risk	**2,041,842**	**-**	**-**	**-**	**-**	**2,041,842**
Grand total – Net amounts at risk	**9,516,995**	**13,052,832**	**6,715,079**	**2,153,221**	**121,635**	**31,559,762**

	One year or less	Between one and five years	Between five and 10 years	Between 10 and 15 years	Between 15 years and more	Total
	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2023:						
Guarantees & Insurance Account: Insurance Contracts						
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)
Net amounts at risk	**3,310,287**	**6,825,976**	**5,060,273**	**2,119,233**	**299,566**	**17,615,335**
National Interest Account: Insurance Contracts						
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)
Net amounts at risk	**211,709**	**1,505,380**	**279,592**	**-**	**-**	**1,996,681**
TCRF Account: Insurance Contracts						
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)
Net amounts at risk	**95,177**	**360,375**	**390,622**	**38,825**	**-**	**884,999**
Guarantees & Insurance Account: Financial Guarantees						
Gross amounts at risk	1,672,943	4,018,037	22,316	-	-	5,713,296
Less: amounts at risk ceded to reinsurers	-	-	-	-	-	-
Net amounts at risk	**1,672,943**	**4,018,037**	**22,316**	**-**	**-**	**5,713,296**

	One year or less	Between one and five years	Between five and 10 years	Between 10 and 15 years	Between 15 years and more	Total
	£'000	£'000	£'000	£'000	£'000	£'000
TCRF Account: Financial Guarantees						
Gross amounts at risk	3,733,569	2,532,803	-	-	-	6,266,372
Less: amounts at risk ceded to reinsurers	-	-	-	-	-	-
Net amounts at risk	**3,733,569**	**2,532,803**	**-**	**-**	**-**	**6,266,372**
Grand total – Net amounts at risk	**9,023,685**	**15,242,571**	**5,752,803**	**2,158,058**	**299,566**	**32,476,683**

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 and Insurance Account, National Interest Account and Temporary COVID-19 Risk Framework Account insurance business. See Chief Risk Officer's report, portfolio modelling section.

Scenario analysis and stress testing

UKEF uses PRISM to conduct regular scenario analysis and stress testing of the Guarantees and 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
As at 31 March 2024:				
Guarantees & Insurance Account: Insurance Contracts				
- Increase in expected loss	184,295	400,968	46,664	183,963
- Decrease in net income for the year	(25,704)	(81,416)	-	(31,277)
National Interest Account: Insurance Contracts				
- Increase in expected loss	52,132	65,415	436	11,066
- Decrease in net income for the year	(51,153)	(60,755)	-	(9,862)
TCRF Account: Insurance Contracts				
- Increase in expected loss	2,422	6,633	-	15
- Decrease in net income for the year	(142)	(200)	-	-
Guarantees & Insurance Account: Financial Guarantees				
- Decrease in net income for the year	-	(3,600)	-	-
As at 31 March 2023:				
Guarantees & Insurance Account: Insurance Contracts				
- 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)
National Interest Account: Insurance Contracts				
- Increase in expected loss	1,226	5,507	1,324	1,276
- Decrease in net income for the year	-	(192)	-	-
TCRF Account: Insurance Contracts				
- Increase in expected loss	6,542	18,080	-	65
- Decrease in net income for the year	-	-	-	-
Guarantees & Insurance Account: Financial Guarantees				
- Decrease in net income for the year	(40)	(27,985)	-	-

There is no remaining exposure on the Pre-1991 Guarantees and 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:

	Direct Lending Account	Total
	£'000	£'000
Movements:		
Balance at 1 April 2022	**1,003,183**	**1,003,183**
Loans issued and 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)
Balance at 31 March 2023	**1,018,937**	**1,018,937**
Loans issued and effective	779,297	779,297
Amounts drawn	(741,169)	(741,169)
Net foreign exchange adjustments	(24,040)	(24,040)
Change in cover	(128,004)	(128,004)
Balance at 31 March 2024	**905,021**	**905,021**

20. Direct Lending Impairment – Prior Period Adjustment

The 2022/23 accounts have been restated to incorporate the impact of an adjustment for impairment. This adjustment increased the Net Operating Income by £29,423,000. The Statement and Comprehensive Net Income, Statement of Financial Position and related notes have been restated with the below tables showing the summarised impact. The Statement of Parliamentary Supply was not restated, the effect has been accounted for in 2023/24.

Statement of Parliamentary Supply

	As reported 2022/23	Adjustment	As reported 2022/23
	£'000	£'000	£'000
Total Resource AME Outturn	**(302,951)**	**-**	**(302,951)**

Restated Statement of Comprehensive Net Income

	As reported 2022/23	Adjustment	As restated 2022/23
	£'000	£'000	£'000
Impairment of uninsured capital loans	58,790	(29,423)	29,367
Net Operating Income	**(302,951)**	**(29,423)**	**(332,374)**

Restated Statement of Financial Position

	As reported 2022/23	Adjustment	As restated 2022/23
	£'000	£'000	£'000
Loans and Recievables	2,562,182	29,423	2,591,605
Generaral Fund	**(650,319)**	**29,423**	**(620,896)**

21. Entities within the departmental boundary

The Export Guarantees Advisory 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 is a government department and consequently 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.

In April 2024, a MoU was signed by the creditors of the Government of Zambia on the terms of a debt restructuring. The UK, as a major member of the IMF and the Paris Club, was party to the agreement. This affects one loan that UKEF has issued to Zambia. UKEF will implement the terms via an amendment to the loan agreement in 2024-25. The restructure is significant and so under accounting standards, in the 2024-25 accounts, UKEF must derecognise the financial asset it currently holds representing a loan to Zambia and will recognise a new financial asset representing the restructured loan under the new terms when signed. The overall impact of this will be a gain to profit and loss because the initial fair value at recognition of the restructured loan will be higher than the impaired value of the original loan. This arises due to the difference between the effective interest rate of the original loan (used to derive the impaired value of the original loan) and today's discount rates (used to derive the valuation of the restructured loan). The gain to profit and loss for 2024-25 is currently unconfirmed as it will be dependent upon the market discount rates and foreign exchange rates at the time the amended loan agreement is signed. Upon signature of the MoU, UKEF is required to return approximately US$37 million to Zambia of principal and interest repayments they made during 2023. The refund will be made in 2024/25.

ANNEXES

BUSINESS SUPPORTED TABLES

Export credits

Destination Market	Exporter/Investor	Buyer/Airline/ Operating Lessor/Borrower	Project/goods and services	Product	Maximum Liability (£)
Angola	Elecnor Servicios y Proyectos SAU	ANGOLA, MINISTRY OF FINANCE	Rehabilitation of the Quiminha Dam and associated water and electrical infrastructure	DL LOAN (ENHANCED)	27,568,727
Angola	INNOVO PROJECTS LIMITED T/A ASGC UK LIMITED	ANGOLA, MINISTRY OF FINANCE	Upgrade of critical infrastructure in Benguela Province, Angola	BUYER CREDIT GUARANTEE	573,517,786
Canada	Airbus S.A.S.	AIR CANADA	Airbus aircraft	ASSET BASED GUARANTEE	56,774,847
Ethiopia	Airbus S.A.S.	ETHIOPIAN AIRLINES GROUP	Airbus aircraft (with Rolls-Royce engines)	ASSET BASED GUARANTEE	43,920,168
France	Airbus S.A.S.	AIR FRANCE	Airbus aircraft	ASSET BASED GUARANTEE	82,164,787
Indonesia	See Note 1	See Note 1	See Note 1	BOND INSURANCE POLICY	2,334,876
Indonesia	See Note 1	See Note 1	See Note 1	BOND INSURANCE POLICY	1,721,476
Indonesia	THALES UK LIMITED	INDONESIA, MINISTRY OF FINANCE	Air Defence Support	BUYER CREDIT GUARANTEE	31,739,404
Iraq	GCITJ BABEL LIMITED	IRAQ, MINISTRY OF FINANCE	Waste water management	BUYER CREDIT GUARANTEE	142,417,283

Destination Market	Exporter/Investor	Buyer/Airline/ Operating Lessor/Borrower	Project/goods and services	Product	Maximum Liability (£)
Iraq	GCITJ BABEL LIMITED	IRAQ, MINISTRY OF FINANCE	Waste water management	DL LOAN (ENHANCED)	135,845,534
Ireland	Airbus S.A.S.	AVOLON HOLDINGS LIMITED	Airbus aircraft (with Rolls-Royce engines)	ASSET BASED GUARANTEE	27,371,753
Israel	The Boeing Company / Rolls-Royce PLC	EL AL ISRAEL AIRLINES	Rolls-Royce powered Boeing aircraft	ASSET BASED GUARANTEE	62,835,339
Korea, Republic of	SEAH WIND LIMITED	EDG - None	Construction of a monopile facility in Teesside	EXPORT DEVELOPMENT GUARANTEE	339,444,567
Luxembourg	SUBSEA 7 SA T/A SUBSEA 7 BLUE SPACE LIMITED	EDG - None	Purchase of two offshore wind vessels and associated mission equipment	EXPORT DEVELOPMENT GUARANTEE	360,410,923
Mauritius	DINTS INTERNATIONAL LIMITED	KANU EQUIPMENT LIMITED	Supply of crushing and screening equipment	STANDARD BUYER LOAN GUARANTEE	3,355,970
Mauritius	DINTS INTERNATIONAL LIMITED	KANU EQUIPMENT LIMITED	Supply of crushing and screening equipment	STANDARD BUYER LOAN GUARANTEE	8,612,659
Netherlands	Airbus S.A.S.	AERCAP HOLDINGS N.V.	Airbus aircraft	ASSET BASED GUARANTEE	32,802,868
Peru	DINTS INTERNATIONAL LIMITED	SAN MARTIN CONTRATISTAS GENERALES S.A.	Spare parts and components for mining equipment	STANDARD BUYER LOAN GUARANTEE	8,445,913
Poland	See Note 1	See Note 1	See Note 1	BOND INSURANCE POLICY	826,919,818
Poland	MBDA UK LIMITED	POLAND, MINISTRY OF FINANCE	Air Defence System	DL LOAN (ENHANCED)	671,346,273
Saudi Arabia	See Note 1	See Note 1	See Note 1	EXPORT INSURANCE (EXIP)	990,000

Destination Market	Exporter/Investor	Buyer/Airline/ Operating Lessor/Borrower	Project/goods and services	Product	Maximum Liability (£)
Senegal	INNOVO PROJECTS LIMITED T/A ASGC UK LIMITED	SENEGAL, MINISTRY OF ECONOMY FINANCE AND PLANNING	Road construction programme in Senegal	LINE OF CREDIT GUARANTEE	181,266,985
Tanzania United Republic of	PEMBA AIRPORT CONSTRUCTION CONSORTIUM	TANZANIA UNITED REPUBLIC OF, MINISTRY OF FINANCE	Airport construction project on Pemba Island, Zanzibar	BUYER CREDIT GUARANTEE	130,216,545
Tanzania United Republic of	PEMBA AIRPORT CONSTRUCTION CONSORTIUM	TANZANIA UNITED REPUBLIC OF, MINISTRY OF FINANCE	Airport construction project on Pemba Island, Zanzibar	DL LOAN (ENHANCED)	71,424,392
Tanzania United Republic of	PROPAV AND MECCO ZANZIBAR ROAD CONSTRUCTION	TANZANIA UNITED REPUBLIC OF, MINISTRY OF FINANCE	Road construction in Zanzibar	BUYER CREDIT GUARANTEE	164,791,087
Tanzania United Republic of	PROPAV AND MECCO ZANZIBAR ROAD CONSTRUCTION	TANZANIA UNITED REPUBLIC OF, MINISTRY OF FINANCE	Road construction in Zanzibar	DL LOAN (ENHANCED)	105,964,875
Thailand	See Note 1	See Note 1	See Note 1	EXPORT INSURANCE (EXIP)	993,504
Türkiye	Airbus S.A.S.	PEGASUS HAVA TASIMACILIGI ANON PEGASUS AIRLINES	Airbus aircraft	ASSET BASED GUARANTEE	61,268,276
Türkiye	Airbus S.A.S.	TURK HAVA YOLLARI A O (THY) (TURKISH AIRLINES)	Airbus aircraft (with Rolls-Royce engines)	ASSET BASED GUARANTEE	215,467,061
Türkiye	DOGUS CELIKLER OZKAR IS ORTAKLIGI TICARI ISLETMESI	TÜRKIYE, MINISTRY OF TREASURY AND FINANCE	High-speed electric railway on the Yerköy-Kayseri route in the Ankara region, Türkiye	BUYER CREDIT GUARANTEE	355,844,144
Türkiye	ROLLS-ROYCE PLC	TURK HAVA YOLLARI A O (THY) (TURKISH AIRLINES)	Rolls-Royce engines	BUYER CREDIT GUARANTEE	25,221,917

Destination Market	Exporter/Investor	Buyer/Airline/ Operating Lessor/Borrower	Project/goods and services	Product	Maximum Liability (£)
Ukraine	BABCOCK MARINE SHIPBUILDING LIMITED	UKRAINE, MINISTRY OF FINANCE	Mine counter measure vessels	BUYER CREDIT GUARANTEE	119,376,113
Ukraine	DEFENCE EQUIPMENT SALES AUTHORITY	UKRAINE, MINISTRY OF FINANCE	Mine counter measure vessels	BUYER CREDIT GUARANTEE	168,752,314
Ukraine	DOGUS INSAAT VE TICARET A.S	UKRAINE, MINISTRY OF FINANCE	Construction of bridges	BUYER CREDIT GUARANTEE	19,045,104
Ukraine	ONUR TAAHHUT TASIMACILIK INSAAT TICARET VE SANAYI ANONIM SIRKETI	UKRAINE, MINISTRY OF FINANCE	Construction of bridges	BUYER CREDIT GUARANTEE	14,439,600
United Kingdom	BRITISH AIRWAYS	EDG - None	Non-contract specific support	EXPORT DEVELOPMENT GUARANTEE	1,022,093,464
United Kingdom	DEA AVIATION LIMITED	EDG - None	Investment in airframes, sensors, technology & skills	EXPORT DEVELOPMENT GUARANTEE	16,270,213
United Kingdom	EASYJET PLC	EDG - None	Non-contract specific support	EXPORT DEVELOPMENT GUARANTEE	1,378,375,687
United Kingdom	ROLLS-ROYCE PLC	ROLLS-ROYCE HOLDINGS PLC	Non-contract specific support	SUPPLY CHAIN DISCOUNT	395,741,818
United Kingdom	TRIFAST PLC	EDG - None	Non-contract specific support	EXPORT DEVELOPMENT GUARANTEE	48,504,220
United States	The Boeing Company / Rolls-Royce PLC	AIR LEASE CORPORATION	Rolls-Royce powered Boeing aircraft	ASSET BASED GUARANTEE	217,856,942

Businesses supported by sector

Product Type	No Exporters	SMEs	No. Destination Countries	Maximum Liability (£)
Accommodation and food service activities				
Bond Support	0	0	0	-
Export Insurance (EXIP)	0	0	0	-
Export working capital scheme	0	0	0	-
General Export Facility	1	1	N/A	280,000
Administrative And Support Service Activities				
Bond Support	0	0	0	-
Export Insurance (EXIP)	0	0	0	-
Export Working Capital Scheme	0	0	0	-
General Export Facility	13	12	N/A	36,717,915
Construction				
Bond Support	0	0	0	-
Export Insurance (EXIP)	4	2	3	16,007,160
Export Working Capital Scheme	0	0	0	-
General Export Facility	7	7	N/A	22,954,765
Education				
Bond Support	1	0	1	1,941,604
Export Insurance (EXIP)	0	0	0	-
Export Working Capital Scheme	0	0	0	-
General Export Facility	0	0	N/A	-
Financial And Insurance Activities				
Bond Support	1	1	1	119,145
Export Insurance (EXIP)	0	0	0	-
Export Working Capital Scheme	0	0	0	-
General Export Facility	2	1	N/A	53,046,436
Human Health And Social Work Activities				
Bond Support	0	0	0	-
Export Insurance (EXIP)	0	0	0	-
Export Working Capital Scheme	0	0	0	-
General Export Facility	1	0	N/A	4,800,000
Information And Communication				
Bond Support	1	1	4	406,405
Export Insurance (EXIP)	0	0	0	-
Export Working Capital Scheme	0	0	0	-
General Export Facility	12	11	N/A	10,340,240

Product Type	No Exporters	SMEs	No. Destination Countries	Maximum Liability (£)
Manufacturing				
Bond Support	7	6	7	1,797,282
Export Insurance (EXIP)	10	9	9	74,651,291
Export Working Capital Scheme	3	3	3	1,175,319
General Export Facility	105	97	N/A	227,641,753
Professional, Scientific And Technical Activities				
Bond Support	1	0	2	4,903,772
Export Insurance (EXIP)	1	1	1	16,819
Export Working Capital Scheme	0	0	0	-
General Export Facility	29	25	N/A	66,075,372
Transportation And Storage				
Bond Support	0	0	0	-
Export Insurance (EXIP)	1	1	1	157,430
Export Working Capital Scheme	0	0	0	-
General Export Facility	3	2	N/A	10,040,000
Water Supply, Sewerage, Waste Management And Remediation Activities				
Bond Support	0	0	0	-
Export Insurance (EXIP)	0	0	0	-
Export Working Capital Scheme	0	0	0	-
General Export Facility	1	1	N/A	3,200,000
Wholesale And Retail Trade; Repair Of Motor Vehicles And Motorcycles				
Bond Support	0	0	0	-
Export Insurance (EXIP)	5	4	7	1,088,059
Export Working Capital Scheme	0	0	0	-
General Export Facility	70	68	N/A	140,458,056

Notes

1. Details not disclosed due to reasons of commercial confidentiality.
2. SMEs counted in the Trade Finance and Insurance annex may use a product more than once or use multiple products. Therefore, the sum may not directly align with the total number of SMEs supported with a product quoted in the performance report, which is solely a count of customers supported.

Sponsorship

UK Trade and Export Finance Forum	
HSBC	£41,000
Standard Chartered Bank	£35,000
Barclays	£25,000
NatWest	£15,000
Lloyds	£15,000
Newable	£10,000
MUFG	£10,000

Supplier Fairs	
ASGC UK	£12,000
Propav Infrastructure	£12,000

SUSTAINABILITY OF OUR ESTATE

UKEF has reported annually on the sustainability of its estate since 2006, to operate the estate efficiently and reduce the environmental impact of operations and their associated costs.

UKEF's estate

UKEF's estate is based at 1 Horse Guards Road (1HGR), London, SW1A 2HQ. UKEF is a minor occupier of 1HGR, accounting for 8.53% of the total internal area. As landlord, the Government Property Agency (GPA) is responsible for the provision of all energy and utility services. GPA follows government procurement best practice in procuring those contracts.

Greening Government Commitments

The Greening Government Commitments are the government's commitments to delivering sustainable operations and procurement. They aim to reduce significantly the government's environmental impact by reducing emissions of greenhouse gases, reducing waste, reducing water usage and making procurement more sustainable. UKEF has a blended approach to office working and staff are required to work at least 40% of their time from the office.

Summary of performance

Area	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Estate waste (tones) – recycled	5.44	4.86	3.70	1.45	11.81	12.56
% of waste recycled	59.74%	53.62%	64.38%	59.77%	59.33%	58.89%
Water (m^3)	454	1,007.00	2,437.00	626.00	2,010.00	2,149.00
Energy from estate	**2023/24**	**2022/23**	**2021/22**	**2020/21**	**2019/20**	**2018/19**
Electricity (kilowatt hours)	471,859	525,763	468,570	363,785	454,852	451,366
Gas (m^3)	237	129	64	29	404	396
Whitehall district heating system (megawatt Hours)	139	259	315	126	107	114
Water (m^3)	454	1,007	2,437	626	2,010	2,149
Travel	**2023/24**	**2022/23**	**2021/22**	**2020/21**	**2019/20**	**2018/19**
Domestic travel $KgCO_2$	21,778	8,339	1,104	1,530	1,552	17,890
International $KgCO_2$	1,028,318	941,688	325,304	790	1,062,262	460,800

2022/23 and 2023 2024 CO_2 figures include radiative forcing (RF)

While UKEF continues to facilitate meetings via Microsoft Teams, there has been an increased requirement in 2023/24 for staff to resume air travel in order to meet clients both domestically and internationally.

As a tenant of the building UKEF pays for services via a consolidated quarterly charge based on its share of occupancy. The estimated cost for utilities was around £135,000. However, this figure is subject to re-balancing charges which the Government Property Agency should confirm to UKEF in July 2024.

The cost of travel in 2023/24 was £1.1 million (note 9 of the financial statements), which includes expenses on hotels, allowances, meals, flights, trains, taxis and mileage.

Distance travelled (km)		Economy	Premium economy	Business	First	Total	2020/23 Total
Train	Domestic	155,491	-	-	-	155,491	4,045
	International	53,851	-	948	-	54,799	239
	Total	209,342	-	948	-	210,290	4,284
Flights	Domestic	59,382	-	286	-	59,668	33,949
	Short haul	250,910	896	104,610	-	356,416	383,214
	Long haul/international	106,557	58,679	1,758,100	-	1,923,336	2,183,823
	Total	416,849	59,575	1,862,996	-	2,339,420	2,600,986
Total travelled (km)		**626,191**	**59,575**	**1,863,944**	**-**	**2,549,710**	**2,605,270**

Waste

UKEF has a target to reduce waste sent to landfill to less than 10% of overall waste, to continue to reduce the amount of waste generated, and to increase the proportion of waste which is recycled.

UKEF is working with the building landlord and is committed to reducing the amount of waste generated and increasing the proportion which is recycled. UKEF has recycling points located strategically around the office. Furthermore, single-use plastics have been removed from all refreshment areas.

All information technology waste is either recycled or reused through UKEF's contract with the Disposal Services Agency. UKEF continues to improve processes and systems, reducing the amount of paper consumed. Records of paper usage is not tracked.

Full details of the 1 Horse Guards Road approach to waste disposal can be found in the Government Property Agency's Annual Report and Accounts.

Waste	2023/24	2022/23	2021/22	2020/21	2019/20	2018/19
Confidential waste	2,243.99	1,524.18	1,429.49	504.81	3,771.59	4,357.63
Toner recycling	-	-	-	-	7.15	24.48
Mixed recycling	857.44	974.77	808.58	465.17	4,162.11	3,692.10
Compostable waste	241.51	198.79	38.08	13.44	290.76	-
General non-recycled waste (incinerated)	3,662.87	4,203.88	2,047.79	974.18	8,094.00	8,771.26
Recycled waste	5,435.31	4,859.33	3,700.87	1,447.20	11,810.02	12,563.23

Water

As part of water saving efficiencies the building landlord (GPA) have previously installed water saving taps.

Sustainable procurement

UKEF uses existing framework agreements which have been centrally procured through Crown Commercial Services. Additionally, UKEF's facilities management suppliers have sustainable objectives and environmental policies in place, committing them to sustainable provision. As a building tenant, UKEF has no control over greenhouse gas (GHG) emissions –Scope 1 (Direct) and Scope 2 (Energy indirect).

Biodiversity and natural environment

UKEF's London office has no access to or control over external land. Therefore, UKEF does not have a biodiversity plan.

UKEF has control over Scope 3 emissions (business travel) and pro-actively balances the need for essential business travel versus undertaking meetings via MS Teams in order to help reduce UKEF's carbon footprint.

Type of emissions			Tonnes CO_2e
Scope 1	Direct emissions from owned/controlled operations	Gas	0.04
Sub total			0.04
Scope 2	Indirect emissions from the use of purchased electricity, steam heating and cooling	Electricity	106.17
		Whitehall District Heating system	0.04
Sub total			106.21
Scope 3	Category 3 - Fuel and energy related activities	Energy indirect	84.46
	Category 6 - Business travel	Domestic and international air and train travel	1,050.00
Sub total			1134.46
Total gross emissions (tCO_2e)			**1,240.71**

Notes

- All 1HGR utility payments (including water, waste and energy) are included in the set annual lease payments. The figures used above have been apportioned to departmental costs based on floor occupancy of 8.53%.
- Business travel gross emissions do not include journeys made by bus or taxi.
- UKEF does not operate any fleet car schemes

UKEF CORE TABLES

Total Resource and Capital Spending for UKEF

The tables on the following pages provide a summary of the department's expenditure outturn for 2019/20 through to 2023/24, along with the planned expenditure for 2024/25. The outturn and planned expenditure is recorded on the same basis as in the Statement of Parliamentary Supply beginning on page 150. They represent the spending incurred by UKEF in meeting its objectives detailed in the Performance Report beginning on page 10.

Resource

	Outturn					Plans
£'000	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Resource DEL (Admin and Prog)						
Export Credits Guarantees and Investments	41,320	48,745	66,262	76,815	80,674	101,568
Shipbuilding Credits Guarantee Scheme					21	205
Total overheads					80,695	101,773
Resource AME						
Export credits	(135,012)	118,815	(237,240)	(189,599)	(3,234)	1,177,147
Fixed Rate Export Finance Assistance	(267)	(27)	(39)	(7)	0	0
Loans and interest equalisation	(493)	(240)	(107)	(28)	0	0
Direct lending	(81,972)	99,171	(86,579)	(113,317)	(74,963)	526,440
Total	**(217,744)**	**217,719**	**(323,965)**	**(302,951)**	**(78,197)**	**1,703,587**

Capital

	Outturn					Plans
£'000	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25
Capital DEL						
Export Credits Guarantees and Investments	135	784	1,413	1,002	2,161	2,510
Capital AME						
Direct lending	307,710	1,109,370	457,131	129,317	430,049	1,005,402

Resource DEL (RDEL)

For UKEF, RDEL represents the administrative cost associated with running the department (known as Administration and Programme DEL). The increase in RDEL from 2021/22 was agreed at Spending Review 2021 to allow business growth, to enable and ensure UKEF can meet higher levels of consumer and economic demand. Resource DEL expenditure has therefore increased over the 5 years to 2023/24 largely due to staffing costs, IT and project costs, overseas export managers and marketing costs and it is expected to continue to rise into 2024/25.

Additionally, the increase in 2024/25 is reflective of a Budget Adjustment, agreed with HM Treasury, where 2023/24 underspend was transferred to 2024/25 to fund the delivery of the Financial Reporting Changes and Fintech Programmes.

In 2023/24 UKEF became DBT's delivery partner for the Shipbuilding Credit Guarantee Scheme, providing support for the scheme set up and administration. Additional RDEL Administration budget was sought by UKEF via the Supplementary Estimate 23/24, however all costs are fully recharged to DBT and overall represent zero operating cost to the department.

Resource DEL outturn and plans are shown on a gross basis to allow better transparency and visibility of how the spend evolved over the period. Supply Estimates, however, show Resource DEL on a net basis. Resource DEL Admin is fully offset with AME income generated by the department.

Capital DEL (CDEL)

For UKEF, CDEL represents the purchase of IT hardware, project related software purchases and office furniture costs. In 2023/24 CDEL spend has increased due to the capitalisation of software development costs being incurred by projects.

CDEL budget uplift in 2024/25 is reflective of the Budget Exchange, agreed with HM Treasury, where 2023/24 underspend has been transferred to 2024/25 to help with the planned delivery of the Financial Reporting Changes and Fintech Programmes.

Resource AME (RAME)

For UKEF, RAME represents the expenditure on underwriting and export finance activities, including income received while supporting the exporters. Both are expected to fluctuate significantly owing to the nature of the business activity, as well as the impact of foreign exchange movements. RAME is shown on a net basis. As per the arrangement with HM Treasury, RAME income is used to offset UKEF operating costs (RDEL).

Estimates lines titled Fixed Rate Export Finance and Gefco loans and interest equalisation have now run off and UKEF has no further exposure remaining in this account, so the outturn is zero. For each of the last five years apart from one, RAME outturn has been negative, representing net income. The expenditure in 2020/21 arose from the impacts of COVID-19 which increased unrecoverable claims, impairments and foreign exchange losses.

In 2024/25, RAME budget has been provided for expenditure on impairments and unrecoverable claims in worst case economic scenarios, on unfavourable foreign exchange fluctuations and on support that UKEF may provide to the government of Ukraine per the Ministerial Direction (see the National Interest Section of the Performance Report).

Capital AME (CAME)

For UKEF, CAME represents lending activity net of loan repayments. CAME outturn has increased in 2023/24 when compared to 2022/23 due to larger new loan drawings in 2023/24.

2020/21 CAME outturn was significantly higher than previous years largely because of a £700 million BAES Qatar deal drawing.

GLOSSARY

Active portfolio management (APM)

Work to reduce concentrations of risk in the portfolio to decrease the chance of losses, and/or free up headroom to support more business. APM is currently focussed on buying case-by-case reinsurance from the private market where value for money is achieved.

Amount at risk (AAR)

AAR is equivalent to the accounting term "contingent liability". This represents the unexpired portion of the total risks supported by UKEF, essentially amounts still owed to banks or exporters where UKEF could face a claim. AAR would normally be less than maximum liability by the amount of expired risk. It is the measurement of exposure for issued business.

Below minimum risk standard limit

The total exposure limit agreed with HM Treasury that sets the total amount UKEF can commit to for corporate risk obligors below a minimum rating. The limit is set at £5 billion.

Bills and Notes Guarantee (BNG)

A finance facility in which a guarantee is given by UKEF to lenders supplying finance to an overseas borrower buying UK goods/services where payment obligations are documented as bills of exchange or promissory notes issued by the buyer. This product is typically used for deals below £30 million.

Bond insurance policy (BIP)

Insurance cover for the unfair calling of bonds or for the fair calling of bonds caused by certain political events.

Bond support scheme (BSS)

A scheme under which UKEF provides guarantees to lenders in respect of bonds related to UK exports. Where a lender issues a contract bond (or procures its issue by an overseas lender) in respect of a UK export contract, we can typically guarantee 80% of the value of the bond.

Buyer credit (BC)

A finance facility in which, normally, a guarantee is given by UKEF to lenders supplying finance to an overseas borrower buying UK goods/services.

Claims

Amounts paid out by UKEF under guarantees or insurance where there has been a default and UKEF is required to honour its obligations to the bank/insured party.

Commitment

A case not yet the subject of an issued guarantee, but for which UKEF has agreed the terms of its support and provided its commitment to the bank/exporter. Cases at this stage are included in UKEF's portfolio as the department has agreed to accept the risk.

Common Approaches

The rules agreed at the OECD for ECA due diligence in regard to environmental, social and human rights aspects of projects supported.

Concentration

This typically refers to either sector or regional concentration in the risk portfolio, indicating where UKEF has a greater proportion of its exposure.

Corporate (risk)

These are risks on commercial trading and financial institutions which are capable of being put into liquidation or receivership.

Counterparty

UKEF refers to other entities who have a relationship with the department, but are not the source of risk on transactions, as a counterparty. Examples include ECAs who provide reinsurance, or agent banks providing loans which UKEF supports.

Country limit

The maximum amount of cover available for a particular country as agreed under the exposure management framework.

Credit period

The period over which a loan is repaid by the borrower, or for insurance products, the period for contractual payment by the buyer.

Credit quality

This typically refers to the level of default risk of an entity or the portfolio. For example, it can be measured by the proportion of investment grade rated (low risk) obligors versus non-investment grade rated (high risk) obligors.

Direct lending (DL)

Under the Direct Lending Facility, UKEF provides loans within an overall limit of £8 billion to overseas buyers, allowing them to finance the purchase of capital goods and/or services from UK exporters. Of that limit, £2 billion has been allocated to support clean growth projects and £1 billion for defence transactions.

Effective business

Business where UKEF has provided a guarantee or insurance, received premium and all other conditions have been satisfied.

Expected loss (EL)

The anticipated average loss over the relevant time horizon. For cases, the statistical estimate of the most likely financial outcome on a case, based on the likelihood of default and estimates of recoveries; and for the whole portfolio, the sum of the individual transaction expected losses, representing the mean of the loss distribution.

Export credit agency (ECA)

Most developed and emerging economies have an ECA. Although structure and organisation differs, they all exist to promote exports by providing insurance, lending, reinsurance and guarantees to exporters and banks on behalf of the state. Many ECAs have reinsurance arrangements with each other (see reinsurance).

Export Development Guarantee (EDG)

A guarantee of up to 80% to support working capital or capital expenditure facilities, which are not tied to specific export contracts but instead support a company's general export business activities or investment requirements in support of exports. Minimum loan size of £25 million.

Export Insurance Policy (EXIP)

An insurance facility provided by UKEF to exporters that covers them against the risk of not being paid under their export contract. Cover can be provided for both cash and credit payment terms.

Export working capital scheme (EWCS)

A scheme provided by UKEF to help UK exporters gain access to working capital finance (both pre- and post-shipment) in respect of specific export contracts. Under the scheme, UKEF provides guarantees to lenders to cover the credit risks associated with export working capital facilities. We can guarantee up to 80% of the loan.

Exposure

A generic term referring to the value of the risks UKEF is holding. For pre-issue business this is measured by maximum liability and for issued business this is measured by amount at risk. Exposure can be net of reinsurance and some measures of exposure also include claims.

Exposure management framework (EMF)

A framework for setting prudent restrictions on the concentrations in the portfolio. For country limits, this is based on a matrix and limits are determined by the size of the economy and the country's expected loss. For sectors, regions and obligors, this is based on the percentage of the portfolio attributed to that slice of risk.

Facility

The name given to each individual provision of support by UKEF.

General Export Facility (GEF)

A scheme under which UKEF provides guarantees to lenders where finance is not tied to specific export contracts, covering a range of facility types to support a company's general export business activities. Facility types can include trade loans and bonds. Designed with SMEs in mind, the guarantee covers up to 80% of the value of the facility and is made available via UKEF's streamlined digital application process.

Horizon of risk

The total period of time where UKEF is on cover. For credit transactions, this includes both the pre-credit (or drawdown) period and the repayment period.

Loss distribution

A curve showing the probability of different levels of loss on UKEF's portfolio over a specific time period, generated by a risk modelling methodology agreed between UKEF and HM Treasury.

Loss given default (LGD)

An estimate of the loss to UKEF at the time of default (also known as loss coefficient). The recovery rate is the inverse of this statistical estimate. The LGD is used with the probability of default to determine the expected loss.

Market risk appetite (MRA)

The level of potential new business that UKEF can underwrite in a specific country calculated by subtracting existing business (on a weighted basis) from the total agreed country limit.

Maximum commitment

The maximum amount of exposure that the UKEF portfolio can reach under the HM Treasury Consent, currently £60 billion. This does not include TCRF exposure.

Maximum liability (ML)

The measurement of exposure for pre-issue business. Maximum liability is the maximum value of the amount of claims payable under a particular UKEF product, including any interest.

OECD

The organisation of nation states known as the Organization for Economic Co-operation and Development.

OECD Arrangement

The OECD Arrangement on Guidelines for Officially Supported Export Credits, sometimes referred to as “the Consensus” or “the Arrangement”. This limits competition on export credits among members of the OECD when providing official support for export credits of two years or more. The Arrangement covers all officially supported export credits except those for agricultural produce and military equipment. Aircraft, ships, nuclear power plants, water and renewable energy projects are subject to separate sector understandings.

Paris Club (PC)

An informal group of official creditors whose role is to find coordinated and sustainable solutions to payment difficulties experienced by debtor countries. Debts from sovereigns are handled by the Paris Club.

Persistence of default

A factor considered in UKEF’s country risk assessments. This is an estimate of the number of years during which a country is expected to remain in default, before being able to resume some form of debt service. Used in conjunction with sovereign risk rating and loss coefficient to determine expected loss rate.

Premium income issued, or premium issued

The total amount of premium that UKEF will theoretically receive over the lifetime of the insurance or guarantee policy. Like maximum liability, this is fixed in time in its original currency, when the policy is issued, but its sterling value can then vary with foreign exchange movements. This includes premium for all products, and is the value we use in the financial objectives we set for our premium policy, pricing adequacy index and premium-to-risk ratio.

Premium earned

Based on Accounting Standards (as note 1 to the financial statements). This does not include premium from direct lending, which is amortised as interest income, and uses an exchange rate fixed at the point when premium is received (rather than month-end rates, as for premium income issued).

Premium-to-risk ratio (PRR)

Assesses the extent to which UKEF premium income on new cases is sufficient to cover the risks associated with those cases. The risks are measured as both the expected loss and a charge on unexpected loss. PRRs can be calculated for individual cases, and the PRR for new business in each year is a financial objective. PRR is an in-year measure, with a target ratio of 1.35.

Pricing adequacy index (PAI)

Assesses the extent to which UKEF premium income is sufficient to cover both risks and costs. PAI is measured over a three-year rolling period, and has a target that the ratio of net earned premium to risks and costs should always be greater than 1. Risks are defined as in the premium-to-risk ratio as expected loss and a charge on unexpected loss, and costs are UKEF's admin costs.

Private market assist

When UKEF engagement has had a material contribution to an export receiving support from the private sector.

Probability of default

A statistical measure of the likelihood of an entity or transaction defaulting on debt obligations. Letter ratings correspond to a specific estimate of probability of default based on historical data of the outcomes for each letter rating.

Project finance (PF)

Transactions which are dependent on generating sufficient revenue from a project to service debt, once commissioned.

Provisions or provisioning

Amounts which are set aside within UKEF's trading accounts to allow for non-recovery of claims already paid and of claims to be paid in the future.

Public (risk)

Risk that is assessed to be with an entity linked to the government, but which does not benefit from full state support or a guarantee (for example a local municipality or a state utility).

Recoveries

Amounts that UKEF has been able to get back after paying a claim (through restructuring or selling assets, for example).

Reinsurance

UKEF shares risk by reinsuring it with other partners in two main ways: sharing a proportion of a transaction with other ECAs based on the amount of content produced in that country (ECA reinsurance); or purchasing reinsurance directly from the private sector to reduce risk concentrations (see active portfolio management).

Risk appetite limit (RAL)

A risk weighted cap on the maximum amount of risk that UKEF can take on. Calculated as the 99.1 percentile of the portfolio loss distribution (see loss distribution). On 31 March 2023 the maximum was increased from £5 billion to £6 billion.

Run-off

UKEF's risk decreases as loan repayments are made or insurance risks expire. The way in which the amounts at risk decrease is called the run-off.

Short-term

UKEF's short-term products are: bond support guarantees, export working capital scheme guarantees, the General Export Facility and export insurance policies under two years.

Sovereign (risk)

Risks considered as being effectively upon the state itself.

Standard Buyer Loan Guarantee (SBLG)

A finance facility in which a guarantee is given by UKEF to lenders supplying finance to an overseas borrower buying UK goods/services. This product is typically used for deals below £30 million.

Stress testing

A form of scenario analysis where one considers the potential adverse impact of theoretical changes in the state of the world. UKEF carries out portfolio stress testing semi-annually, based on a number of defined stresses and scenarios.

Supply Chain Discount Guarantee (SCD)

A guarantee of up to 80% provided by UKEF to a lender to support a supply chain finance facility provided by the lender to an exporter. Suppliers can draw on the facility to discount approved invoices; the exporter then makes payment to the lender at the face value of the invoice at maturity. UKEF covers the risk of the exporter failing to repay the lender.

Unexpected loss (UEL)

Takes account of the potential for actual losses to exceed the expected loss. This simply reflects the uncertainty inherent in the estimate of future losses. Calculations of unexpected loss will tend to increase if a portfolio has high risk concentrations and/or the risks in the portfolio are strongly correlated. UKEF defines unexpected loss as the difference between the portfolio expected loss and the 99.1 percentile value of the loss distribution.

Ultimate obligor (UO)

The final source of repayment risk. In some transactions, a number of entities might be responsible for ensuring there is no default, but the ultimate obligor is the key entity for determining the riskiness of the structure.

ISBN 978-1-5286-5121-9
E03174198