



UK Export
Finance

UK Export Finance

August 2018





UK trade – the facts



The world's 6th largest exporter of goods and services

UK exports in 2016 were £547.6bn, up 23% on 2010



According to the EU Commission, 90% of global growth in the next 20 years will come from outside the EU

The Department for International Trade is working to build a truly global Britain



Where we sit within HMG

Secretary of State for International Trade
The Rt. Hon Liam Fox MP



(Formerly UKTI)



About UK Export Finance

- The UK's export credit agency (ECA)
- Established in 1919 - the world's first
- At the heart of the UK's trade promotion proposition
- Supports the export of goods, services and intangibles – including IP
- Complements rather than competes with the private sector
- Operates at no net cost to the taxpayer – we charge a premium that covers the risk plus a contribution to our running costs





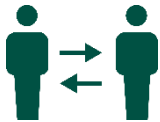
Our mission



- **UKEF's mission is to ensure that no viable UK export fails for lack of finance or insurance from the private sector**



- We help UK exporters:
 - **Win export contracts** by providing attractive financing terms
 - **Fulfil orders** by supporting working capital loans or contract bonds
 - **Get paid** by insuring against buyer default



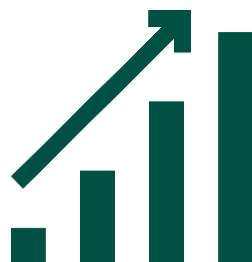
- We have Export Finance Managers (EFMs) based across the UK. They check UK companies are getting the export finance support they need and help them bridge any gaps.



- We work hand-in-hand with colleagues in Department for International Trade, HM Treasury and other government departments in the UK and overseas to support UK trade



Headline figures 2017/18



£2.5 billion in support of **191 companies' exports** to 75 countries



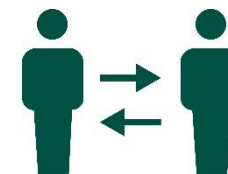
77% of exporters benefiting from our support were **SMEs**



Supported more than **£466 million** in contracts value through our trade finance products – a total of **£4.1 billion** since these products were introduced in 2011



£14 billion of support provided over the last five years for UK exporters



We connected nearly **400 companies** with **7 multinational contractors** through our supplier fair programme



UKEF: the scale of potential



£50bn
UKEF's total capacity
to support exports

£27bn

UKEF's remaining
capacity to support
exports

£23bn

The amount of its
£50bn risk capacity it
currently uses

**Reputation as one of the world's
most innovative and flexible ECAs**



Our transactions regularly win awards for their innovation and flexibility, and we've won **TXF News Exporters' Choice Award** two years in a row. Recently awarded **Best ECA 2017** by Global Trade Review



A growing role and growing reputation



The British Exporters' Association gives us a **9/10** and rates us as the **#1 European export credit agency**.

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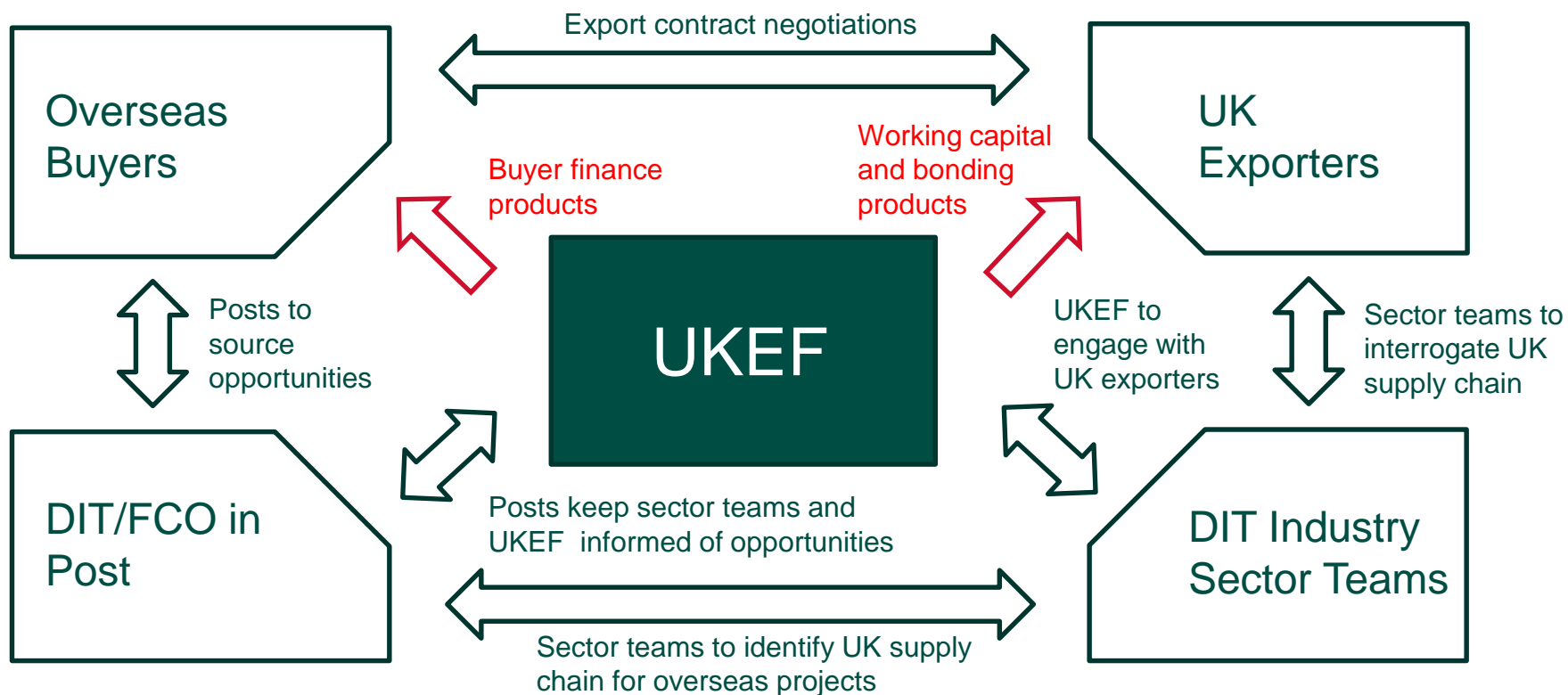


Building our
Industrial Strategy



UKEF positioning

UKEF 'Leading with Finance' to help UK exporters capture opportunities





UK Export
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Innovative and flexible support for projects



Competitive terms of funding

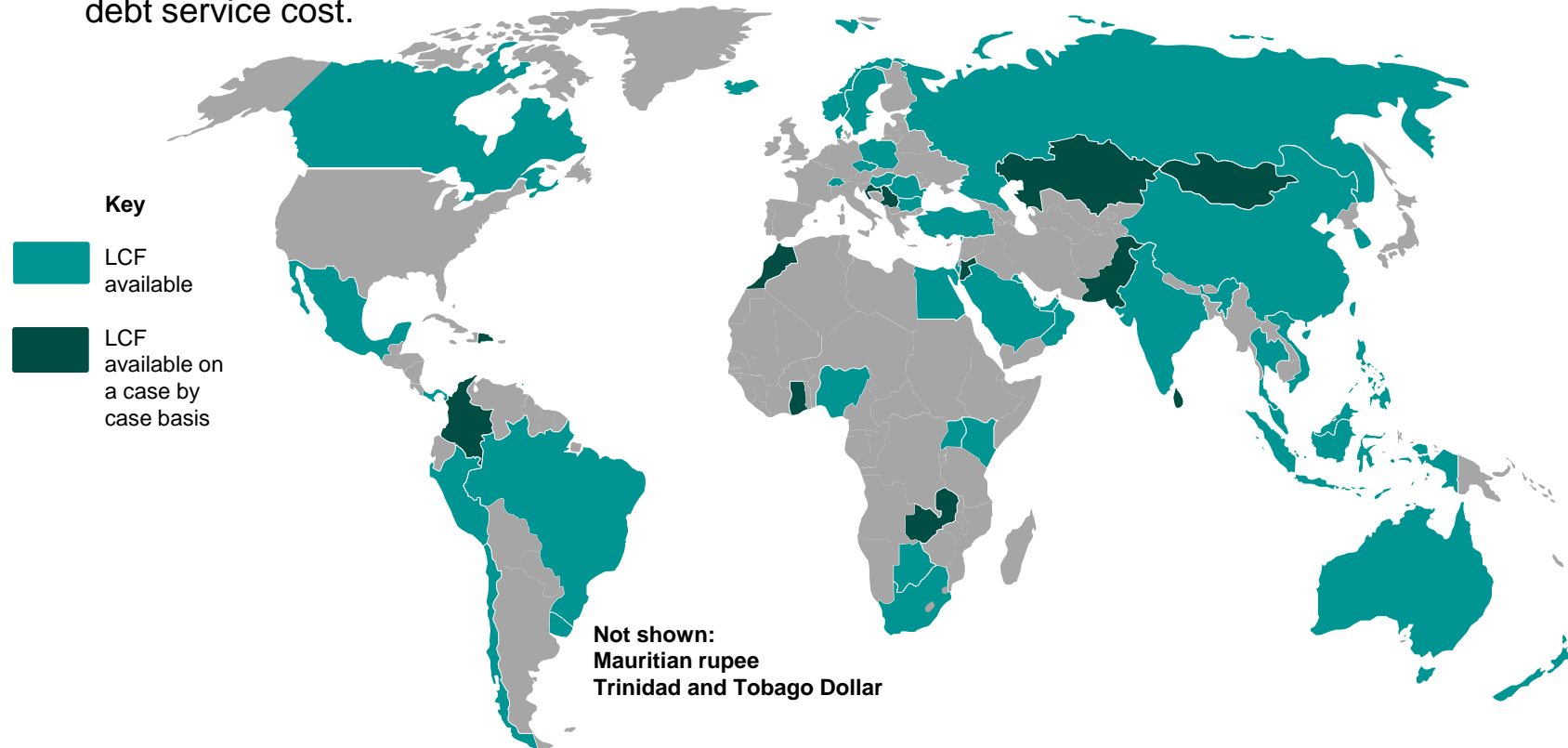
- ▶ Our long-term financing, in the form of **direct loans** and **100% unconditional guarantees**, allows buyers to spread the cost of purchases of capital goods and services from the UK
 - ▶ Repayment terms of **2-10 years** (extending to 14 for project finance and 18 for renewables)
 - ▶ Support for **up to 85%** of total contract value, provided there is a minimum of **20% UK content**
 - ▶ Financing in a range of **60 currencies**
 - ▶ **Flexibility** to meet your requirements, including innovative products such as capital markets refinancing and Islamic financing
 - ▶ Bespoke financing structures including **PPP** and **project finance**
 - ▶ Ability to maximise support through **reinsurance** arrangements with global ECAs including with Sinasure
- ▶ UKEF charges a **premium** for its support based on OECD rates and calculated on a case by case basis, taking into account factors such as credit risk and loan tenor
 - ▶ Premium is paid upfront, and can be funded from the loan to spread the cost
 - ▶ Premium is a one-off charge, and is separate from the interest charged on the loan





Local Currency Financing

- ▶ UKEF is able to guarantee a buyer credit loan to an overseas borrower in a local currency, financing the purchase of goods and / or services from a UK exporter.
- ▶ Guarantees can be issued for loans in over 60 different currencies.
- ▶ Local currency financing is particularly useful for projects which do not usually generate foreign currency revenue. For the overseas borrower, it reduces foreign currency risk and avoids a variable debt service cost.





Track record in supplying range of transaction structures

Corporate/ Sovereign Loans

We can provide finance to both public and private sector buyers of UK exports

PF & PPP

We can support Project or Structure Finance deals as well as Public Private Partnership structures

Lines of Credit

UKEF can also structure a facility on a line of credit basis to enable multiple purchases from different suppliers

Debt Capital Markets

In addition to standard bank financing, our repayment guarantees can also be provided to non-bank financial institutions or cover bonds issued to refinance the loan

Islamic Finance

UKEF was the first ECA to provide guarantee support for a Sukuk issuance, allowing the borrower to access the Islamic financing market alongside traditional investors

The ability to deliver on complex transactions and offer a variety of financing options ensures UKEF is able to provide the most effective form of support for projects



Full product suite

Win contracts

Buyer Credit Guarantees

Provision of guarantees against bank loans to overseas buyers of UK exports for up to 85% of the contract value, enabling the buyer to pay on extended credit terms, normally of between 2-10 years

Direct Lending Facility

Provision of loans directly (working with a bank as an agent) to overseas buyers of UK exports for up to 85% of the contract value, enabling the buyer to pay on extended credit terms, normally of between 2-10 years

Fulfil contracts

Export Working Capital Scheme

A guarantee of up to 80% of the value of a working capital facility, to allow a bank to increase its capacity to lend to a UK exporter

Bond Support Scheme

A guarantee of up to 80% of the value of a contract bond (eg. advance payment, bid/tender, performance or warranty bonds) to enable a bank to issue a bond without requiring as much of the exporter's cash as collateral, or to issue more bonds on behalf of the exporter

Tier 1 Supply Chain

Direct suppliers to exporters will also be able to access our Bond Support and Enhanced Export Working Capital Schemes

Get paid

Export Insurance Policy

Up to 95% insurance against the risk of not being paid, either due to default by the buyer, or due to specified political, economic or administrative events

Bond Insurance Policy

Up to 100% insurance against a demand for payment under a bond, which is either unfair or caused by political events

Overseas Investment Insurance

Up to 90% cover against investment loss caused by specific risks

Policy can be renewed annually, maintaining the same premium and terms for up to a maximum of 15 years



UKEF in action

US\$400 million in support of a GE Oil & Gas contract for Ghana's Offshore Cape Three Points Project



\$913m Sharia-compliant asset financing for four A380s for Emirates: the first Sukuk certificate issuance guaranteed by an ECA



A £14.1m buyer credit facility for provision of subsea equipment to the oil and gas sector in Nigeria



As a result of UKEF support, 210 rural bridges in Sri Lanka have been installed by Mabey Bridge and Cleveland Bridge.

US\$870m loan for the US\$19bn Sadara petrochemical project in Saudi Arabia, supporting exporters including Foster Wheeler, Jacobs, and Fluor



€54m reinsurance for the UK element of the construction of an airport terminal in Dar es Salaam





Case study: Innovative finance in Ghana



- ▶ GE Oil and Gas UK Limited is providing subsea equipment under a \$850m contract to the Offshore Cape Three Points project (“OCTP”), a Ghanaian offshore oil and gas project.
- ▶ In March 2017, UKEF closed a \$400m facility (\$90m UKEF covered Commercial Bank / \$310m UKEF Direct Lending) in support of GE’s contract to OCTP. UKEF worked with the World Bank Group and commercial banks on this overall \$1.35bn debt financing.
- ▶ UKEF acted as pathfinder in this the first oil & gas development finance transaction with European ECA involvement, setting a precedent for future ECA upstream transactions.
- ▶ UKEF was able to accommodate this unique financing structure which combines:
 - ▶ 1. Aspects of standard project financing (long term tenors based on take-or-pay offtake contracts, reserve accounts and security over the borrower’s rights); with
 - ▶ 2. Aspects of a reserve based lending model such as annual and interim borrowing base redeterminations.
- ▶ UKEF support was for Vitol as non-operator sponsor of the project – which showed our flexibility in accepting some limits to control in relation to the concession since a number of the key project contracts were entered into with ENI as operator.



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Support in connecting with the UK supply chain



UKEF supplier fairs



Overseas buyer and their
international projects



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UKEF provides financial
support, and connects project
sponsors with UK suppliers

Supplier fair hosted by UKEF
and one-to-one procurement
meetings



UK supply chain





Matching overseas demand with UK supply



Tahrir Petrochemical plant
Egypt, Nov 2016



- **137** suppliers
- **97** 1-1 meetings
- **\$1 billion**
UK supplies secured



General Electric and Enka
Iraq, March 2017



- **180** suppliers
- **104** 1-1 meetings
- **£250m**
UK supplies secured



Bechtel
September 2017



- **156** suppliers
- **94** delegates on roundtables



Duqm Oman Refinery
Oman, November 2017



- **187** companies
- **114** 1-1 meetings
- **\$250m-500m**
UK supplies expected



GE Healthcare
Africa and India, January 2018



- **55** companies
- **87** 1-1 meetings



UKEF supplier fairs case study

Case study: GE/ENKA supplier fair

1

Opportunity

General Electric and ENKA looking for suppliers for the construction of the Dhi Qar & Samawa Combined Cycle Power Plant in Iraq.

2

Recruitment

UKEF generates interest from **412** Oil and Gas companies, based on the set requirements from the Project Sponsor.

3

Event

Event placed UK suppliers in front of the procurement teams from ENKA and GE



187 UK suppliers attended



104 meetings 1-1 set up with the procurement teams



\$500m worth of UK supplies secured





Summary notes and key considerations

- ▶ Must be an underlying commercial contract between a UK domiciled company (seller) and an overseas domiciled company (buyer).
- ▶ Export contract must include at least 20% UK content, this can be a service, design, intellectual property, engineering or project management element and which may include some profit.
- ▶ Work closely with banks and or alternative fund and insurance providers
- ▶ Large projects must meet environmental, social and human rights standards set by the IFC and Equator Principles
- ▶ We require anti-bribery and corruption declarations, including exporter declarations



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Thank you

www.gov.uk/uk-export-finance