

MINUTE OF MANAGEMENT BOARD MEETING – 25 MARCH 2009

Present:	Mr Pimlott (Chair)	G Welsh	Item 2
	Mr Harrison	P Radford	Item 2
	Mr Haslehurst	J Croall	Item 2
	Ms Letsinger	S Johnson	Item 3
	Mr Addison Smith	C Sharp	Item 3
	Mr Dodgson		
	Mr Ridley		
	Mr Havelock		

Apologies: Mr Crawford
Mr Godfrey

Secretary: Dr Phillips

1. Draft Minute of 25 February meeting and Matters Arising

1.1. The draft minute of 25 February meeting was approved.

2. Credit Risk Review

2.1. Mr Havelock presented the annual Credit Risk Review covering portfolio analysis and commentary on individual sectors and stress testing results.

2.2. It was noted the total Account 2 exposures had been significantly impacted by the depreciation of sterling during the period under review given the high proportion of US Dollar, Euro and Yen commitments on the book. Run-offs had exceeded new business and financial objectives had been comfortably met.

2.3. A large element of new business was to the airline sector and notably to investment grade airlines and operating lessors to the benefit of the overall average weighted risk grade of the portfolio.

2.4. With respect to Credit Risk Group's (CRG) country risk review process, 29 markets had been reviewed in the last year. These reviews include information from many sources including ECGD economist reports, Government Economist Sub-Group meetings, OECD Country Risk Experts meetings, FCO, World Bank, IMF and, where relevant, major rating agency market reviews.

- 2.5. MB noted that ECGD felt that its country risk reviews were upto date assessments that fairly reflected the current status of the reviewed markets and risk parameters had been adjusted where appropriate.
- 2.6. With respect to corporate entities, MB was informed that CRG had completed a rating overview exercise of the corporate book, particularly those names in the aerospace sector and changes made as required leading up to the year-end. It was recognised that significant amounts of Business Group, Credit Risk Group and General Counsel's Office resource may be required if, as quite possible given the current climate, defaults were to occur especially in the aerospace sector.
- 2.7. MB was informed that ECGD was expecting to receive the new Aircraft Value Analysis Company (AVAC) list in April, and that this would be fed into ECGD systems as soon as possible for provisioning with the results to be reflected in the 2008-09 Resource Accounts.
- 2.8. MB discussed ECGD's credit default swaps and how these would operate in the event of a default.

Credit Risk Policy Statement

- 2.9. MB was presented with the annual review of the Credit Risk Policy Statement and endorsed the proposed changes with some suggested minor changes.
- 2.10. A key policy issue was the proposed change to the minimum risk standard for airline cases on a selective basis within an agreed cap. MB was supportive of the change on the basis submitted subject to any further proposed changes being raised on a timely basis for MB consideration.
- 2.11. With regard to Agent Banks, the rationale for accepting institutions at A- or better was noted. A question was raised on the extent to which certain monies are held in Trust and whether any changes were required to our guarantee documentation. GCO agreed to report back on the issue.

2008/9 Trading Accounts: Provisions and Expected Losses

2.12. MB discussed the preliminary provisions round and noted the recommendations. A further review will be conducted as at the 31 March year-end and submitted to the May Audit Committee.

3. Draft Annual Budget and Operating Plan

3.1. MB discussed the draft 2009-10 Annual Budget and Operating Plan (ABOP).

Operating Plan

3.2. MB reviewed the Operating Plan. It commented that the plan needed to recognise to a greater degree the current resource pressures being experienced as a result of the financial crisis. MB also requested that ECGD's Executive Committee should give further consideration to prioritising ECGD's aims and objectives for 2009-10 to ensure that, if resources became pressured, ECGD would have a contingency plan in place to manage its workload.

3.3. MB noted that ECGD was still waiting on a decision regarding budget end-year flexibility and that the decision on this could significantly affect ECGD's ability to meet its 2009-10 ABOP objectives.

Budget

3.4. The 2009-10 draft Annual Budget was reviewed by MB, with detailed forecast financials for FY2009-10 and the assumptions made in deriving the forecast. A GBP-USD foreign exchange rate of 1.4 was used in the calculations. MB noted that ECGD's capital spend remained small.

3.5. MB approved the 2009-10 Annual Budget.

4. Chairman's Strategic Agenda

4.1. MB reviewed the Strategic Agenda and agreed that an Airline Sector Review item be added for consideration by MB in June 2009.

5. Audit Committee report back

5.1. This item was deferred to the April MB meeting.

6. Export Guarantees Advisory Council/NGO meeting report back

6.1. MB was provided with an oral report on meeting between the Export Guarantee Advisory Council (EGAC) and representatives of Non-Governmental Organisations (NGOs) held on 16 March 2009.

7. Bribery and Corruption update

7.1. MB was provided an update on recent developments in relation to bribery and corruption.

Dr Phillips

Chief Executive's Office