

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

Arab-German Finance and Investment Conference Export Credit Insurance for Exports to the Arab World

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The Export Credit Guarantee Scheme in Germany is handled by



in an unincorporated consortium with



on behalf and for the account of the Federal
Republic of Germany

Definition Export Credit Guarantees

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Insurance against

- ▶ the political / commercial risks arising abroad
- ▶ involved in export business (or export financing)
- ▶ transacted by an exporter domiciled in Germany
- ▶ provided by the Federal Republic of Germany

It requires

- ▶ the payment of a premium in accordance with the risk involved
and
- ▶ an uninsured portion to be borne by the policy holder

Requirements for Export Credit Guarantees

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- ▶ Business that qualifies for official support
 - Export transactions (supply, works/services and financing contracts) of a German exporter with goods of mainly German origin involving non-marketable risks abroad

- ▶ Criteria for the granting of cover are
 - that the transaction is eligible for support
 - that the risk is justifiable
 - that the terms of the contract are in accordance with common practice
 - that the provisions of the federal budget law are observed

Forms of cover

Wholeturnover and revolving cover

- ▶ Wholeturnover Policy
- ▶ Wholeturnover Policy light
- ▶ Revolving supplier credit cover
- ▶ Revolving buyer credit cover
- ▶ Framework credit cover

Single transaction cover

- ▶ Supplier credit cover
- ▶ Supplier credit cover for service providers
- ▶ Buyer credit cover
- ▶ Manufacturing risk cover
- ▶ Constructional works cover
- ▶ Airbus Guarantee
- ▶ Project financing
- ▶ Ship financing

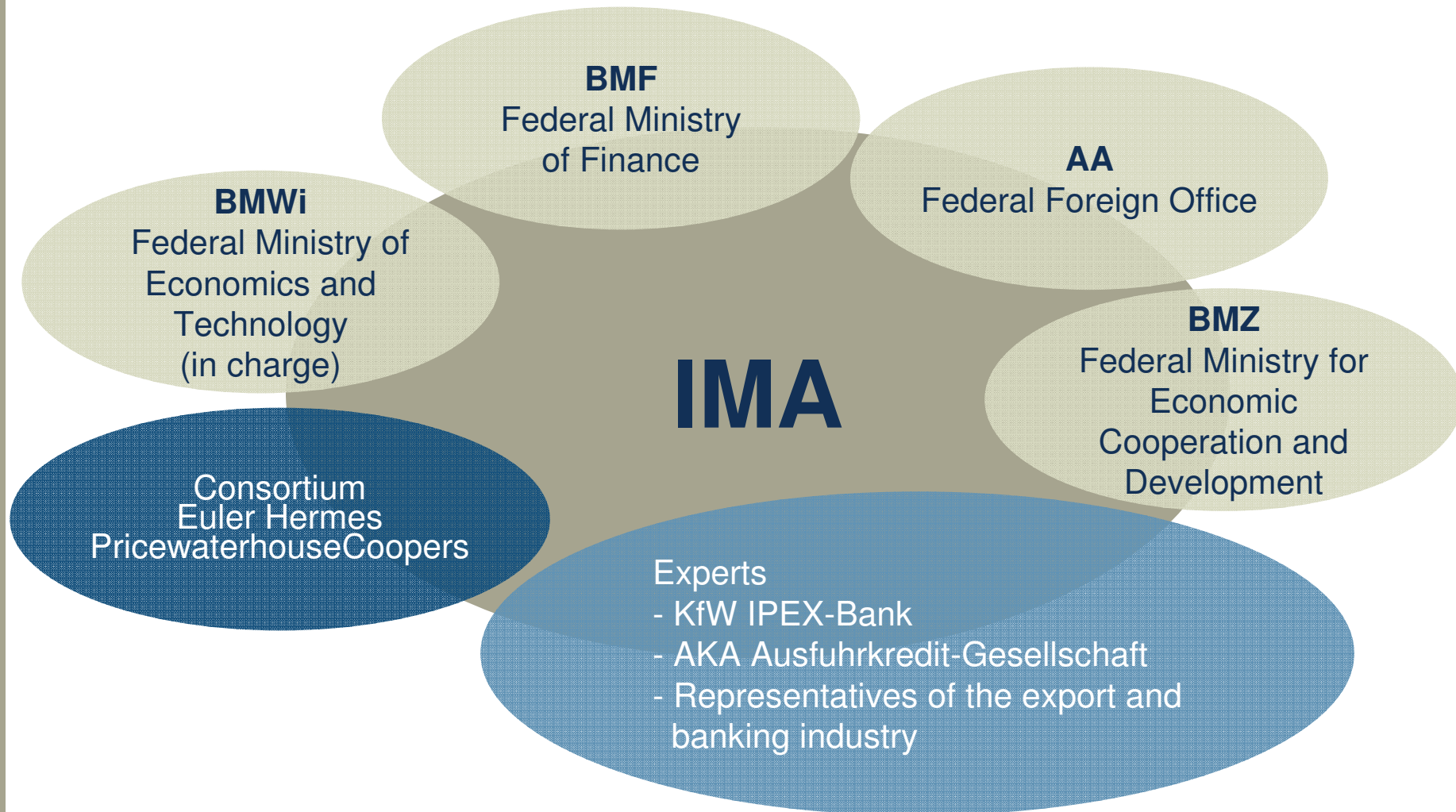
Supplementary forms of cover

- ▶ Credit confirmation risk cover
- ▶ Counter-guarantee
- ▶ Confiscation risk cover
- ▶ Leasing cover
- ▶ Securitisation Guarantee
- ▶ Contract bond cover

Interministerial Committee for Export Guarantees (IMA)

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How Can ECAs be of Help?

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Benefits for Exporters and Importers

- ▶ Facilitating or Intensifying Business Relations by supporting Trade to and Investments in Arabian Countries
- ▶ Long and substantial Experience in Arabian Countries
- ▶ Cover Facilities for nearly all Arabian Countries
- ▶ Long tenors available = usually 5-10 years plus Project Implementation Phase
- ▶ Transparent Pricing from the outset based on triple AAA risk provider

How Can ECAs be of Help?

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Benefits for Exporters and Importers

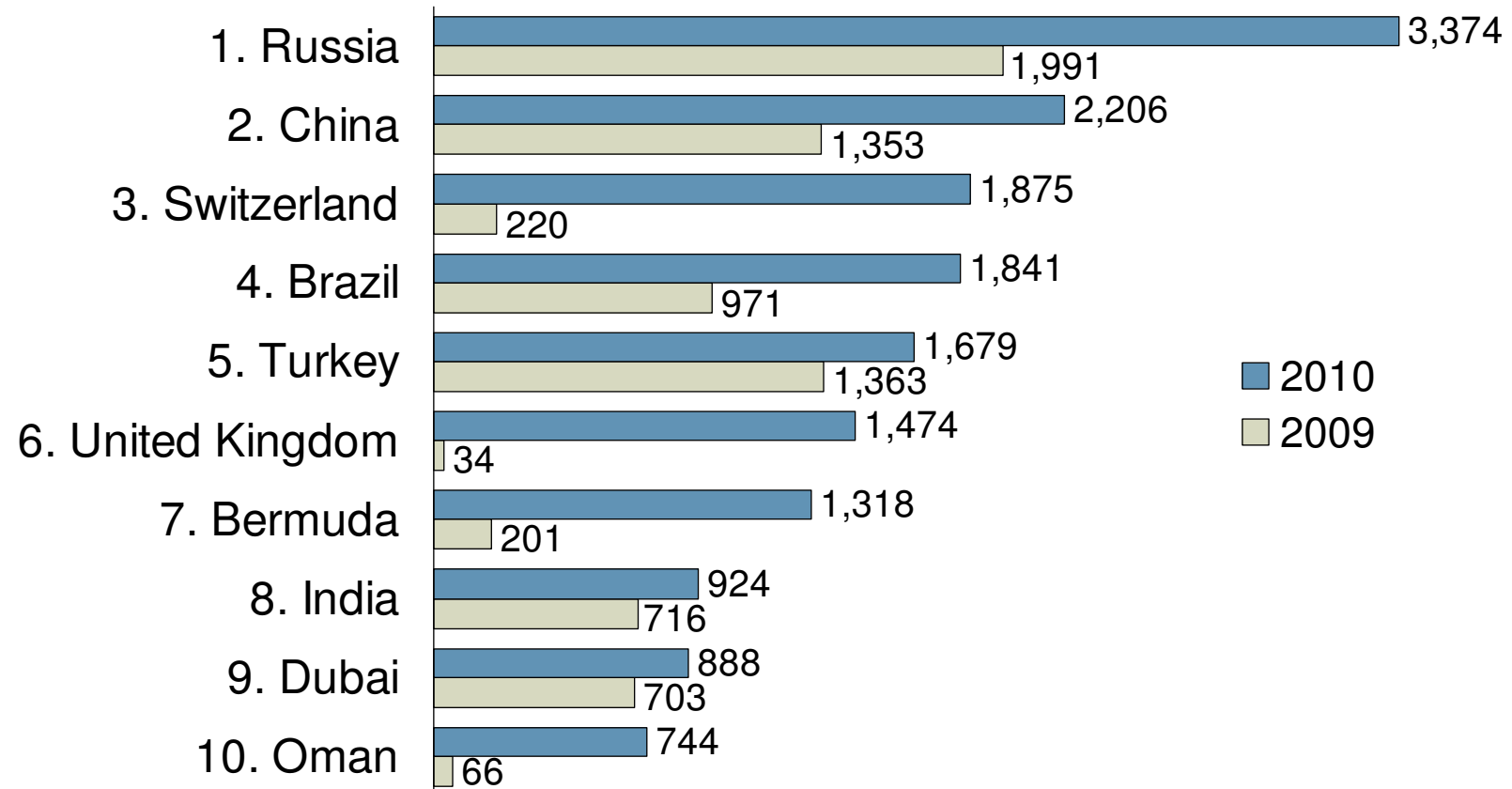
- ▶ Transparent decision procedures
- ▶ Support of fixed and floating rates possible
- ▶ One Stop Shop Support for large Multi-Sourcing Projects by using reinsurance
- ▶ Support of Islamic Finance Transactions
- ▶ Reliable Partner even in turbulent times

Top markets for new guarantees

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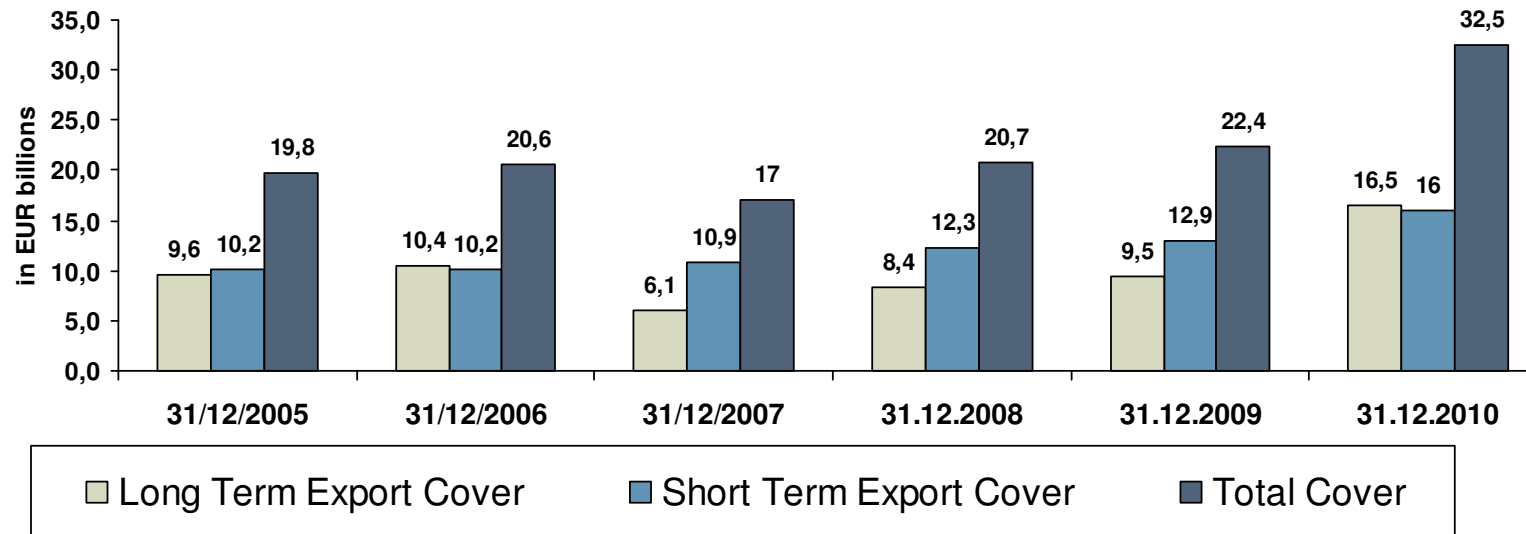
in Euro millions



Newly covered exports by length of credit period

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Conclusions

- ▶ German ECA offer is **reliable**:
Long-term funding can be offered in the frame of OECD-Consensus
- ▶ German ECA offer is **flexible**:
Export transactions are subjected to an individual assessment based on sound underwriting principles.
- ▶ German ECA offer is **perpetual**:
Euler Hermes' and their government's risk appetite remains high as their motivation is to maintain trade relations.

Thank you for your attention!

Cover from the Federal Republic of Germany for business transactions abroad

The German Government supports German business ventures abroad with its Export Credit and Investment Guarantee Schemes as well as the Untied Loan Guarantee Scheme, thus securing economic growth and safeguarding jobs. To this end, the Federal Republic of Germany provides guarantees against commercial and political risks in connection with export transactions as well as against the political risks of foreign direct investments.

In addition to this framework, it is also possible to cover the commercial and the political risks of untied loans relating to projects which are in the overriding national interests of Germany.

The German Government has mandated a consortium formed by Euler Hermes Kreditversicherungs-AG and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft to manage these promotion schemes.



OUR PARTNERS



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Foreign Content Inclusion of subcontractors

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Level 1

- ▶ Local costs and foreign content can amount to 30% (base rate) of the contract value generally without any further statements/explanations
- ▶ local cost can only amount to max. 23% of contract value

Level 2

- ▶ Exceeding the base rate up to 49% (combined deliveries) is possible if:
 - ▶ deliveries are from EU, Japan, Switzerland and Norway (Group 1) ↓
 - ▶ deliveries from other countries (Group 2) →
 - ▶ deliveries are from subsidiaries
 - ▶ elevated down payment (more than 15%)
 - ▶ sufficient and adequate reasons

**Note: Limit of 30 %
for each group!**

Level 3

- ▶ Exceeding 49% of contract value is possible in cases of
 - ▶ sufficient and adequate reasons
 - ▶ special eligibility of support

Premium system for German ECA Cover

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Premium examples (in %)

Risk horizon		Country risk categories						
		0/1	2	3	4	5	6	7
5 years	BK1-BK5	0,9 – 1,4	1,5 – 2,1	2,3 – 2,9	3,4 – 4,0	4,6 – 5,2	5,8 – 6,4	7,3 – 7,9
	KK1-KK5	0,9 – 2,9	1,5 – 3,5	2,3 – 4,3	3,4 – 5,4	4,6 – 6,6	5,8 – 7,8	7,3 – 9,3
8.5 year	BK1-BK5	1,2 – 2,2	2,3 – 3,3	3,7 – 4,7	5,4 – 6,4	7,3 – 8,3	9,1 – 10,1	11,1 – 12,1
	KK1-KK5	1,2 – 4,6	2,3 – 5,7	3,7 – 7,1	5,4 – 8,8	7,3 – 10,7	9,1 – 12,5	11,1 – 14,5

Note: Risk horizon = repayment period + half of the disbursement period

Disbursement period: interval between the commencement of deliveries/performance of services and commencement of the repayment term → “starting point”