

EXPORT CREDIT GUARANTEES OF THE  
FEDERAL REPUBLIC OF GERMANY

► Hermes Cover

# Webinar, 30 April 2020 Export Credit Guarantees

How ECA-Cover can support your business



Deutsch-Arabische  
Industrie- und Handelskammer  
German-Arab  
Chamber of Industry and Commerce  
الغرفة الألمانية العربية للصناعة والتجارة

**Eva Steinhaus**  
Director | Competence Center for German Export Finance  
Middle East, North Africa and Pakistan



# Who We Are

An Overview of the German ECA Setup

EXPORT CREDIT GUARANTEES OF THE  
FEDERAL REPUBLIC OF GERMANY

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## Federal Foreign Trade & Investment Promotion

# The 3 Pillars

Germany's system of foreign trade and investment promotion involves Government and business alike.

**Germany's  
diplomatic  
missions abroad**



**Official missions of  
German industry  
and commerce  
abroad**



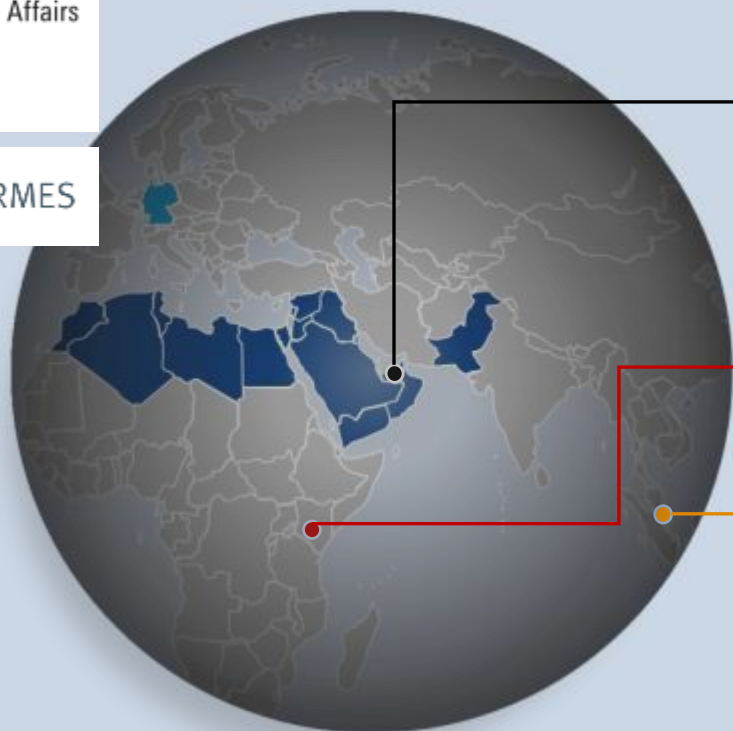
**COMPETENCE CENTERS FOR  
GERMAN EXPORT FINANCE**

**Agency for the  
promotion of  
foreign trade and  
of Germany as a  
business location**



Export Credit Agency (ECA) Experts “on the ground”

# Competence Centers for German Export Finance



**Dubai** - Eva Steinhaus  
*MENA Region + Pakistan*

**Nairobi** - Eva Rösler  
*Eastern African Region*

**Singapore** - Markus Leichum  
*Southern Asia + Bangladesh*

Provide advise, information and support on Export Credit Guarantees & UFK Guarantees

► Exporters of German goods   ► Importers / buyers of German goods   ► Banks

## Credit Insurance & Federal Foreign Trade Promotion

# Euler Hermes AG

### Private Insurance Company

- Private AA-rated Insurer; 100%-owned by Allianz (since 2018)
- Offers a wide range of insurance services and guarantees for the management of business-to-business trade receivables
- Headquarters in Hamburg; Offices all around the world, including MENA Region

### Export Credit Agency (ECA)

- As mandatary of the German Federal Government, Euler Hermes manages the **Export Credit Guarantees** and **Untied Loan Guarantees** on behalf of the Federal Republic of Germany.
- Offices for the work under this government mandate (segregated from regular EH business segments) :
  - Hamburg (Head office), Berlin; advisors across Germany
- As such, Euler Hermes is considered the **ECA** of Germany.



OUR PARTNER



Federal Foreign Trade & Investment Promotion

# German Government Guarantees

## Export Credit Guarantees

managed  
by:



protecting German exporters, and/or banks financing their activities with loans to the exporter or to the importer

## Untied Loan Guarantees

supporting projects abroad that are regarded eligible and strategically important enough for the promotion by the government (raw materials, special cases)

► Political and commercial risk protection ◀

## Investment Guarantees

managed  
by:



hedging eligible German direct investments abroad against political risks

► Political risk protection ◀

Federal Foreign Trade & Investment Promotion

# Objectives of Federal Export Credit Guarantees

**Promotion of German Exports by providing Political and Commercial Risk Cover to Exporters and Banks**

## Objectives

- Protection from payment default
- Support in the opening up of new export markets
- Securing of sustained and continuous trade relations in challenging economic circumstances
- Safeguarding employment opportunities
- Facilitation of export finance
- Providing German exporters a level playing field
- Filling the gap where private insurance is not available

## Federal Foreign Trade Promotion

# The German ECA



- Active on behalf of the Federal Government **since 1949**, combining the expertise of 400 employees.
- Current portfolio: EUR 87.9 billion, **fully underwritten** by the Federal Republic of **Germany** with a **AAA-Rating**.



- Overall volume of new cover issued in 2019: EUR 21 billion.
- For the same year, Export Credit Guarantees generated a positive annual result of EUR 640 million



- Doing business with 1,600 exporters and banks.

Federal Foreign Trade Promotion

# The German ECA



**International Trade**



**Transportation/Logistics**



**Engineering**



**Social Development**



**Capital/Heavy Equipment**



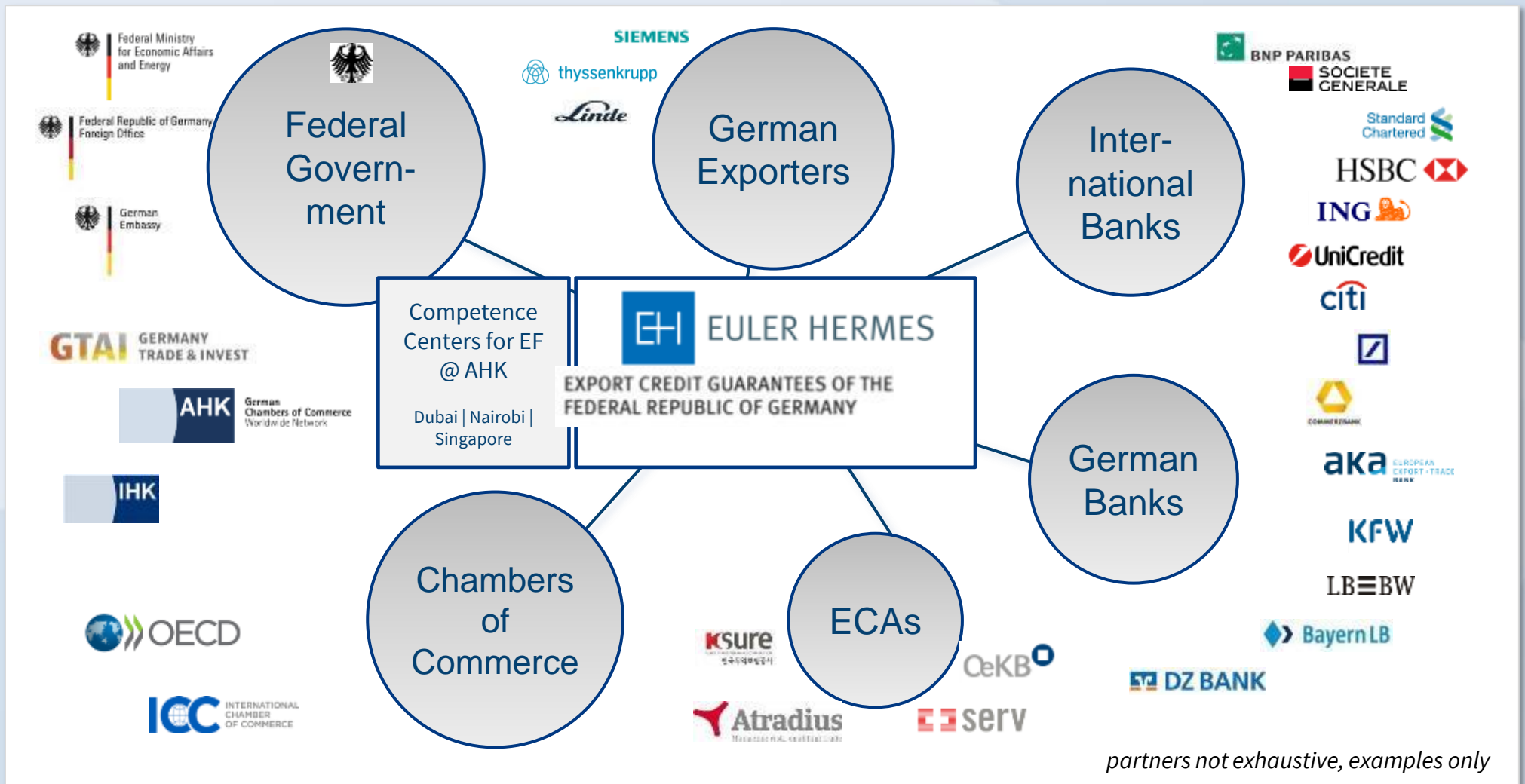
**Renewables**

German suppliers offer a diverse range of goods and services

- the German ECA supports (almost) all industries, sectors and/or structures.

Federal Foreign Trade Promotion

# The German Export Finance “Ecosystem”



Key Decision Making Body

# The Interministerial Committee (IMC)

## Ministries

**BMWi**  
Federal Ministry  
for Economic Affairs  
and Energy  
- lead function -



**BMF**  
Federal Ministry  
of Finance



**AA**  
Federal Foreign  
Office



**BMZ**  
Federal Ministry  
for Economic  
Cooperation and  
Development



## Mandatory

- Euler Hermes Aktiengesellschaft
- PriceWaterhouse Coopers GmbH Wirtschaftsprüfungsgesellschaft (for Investment Guarantees)

## Experts

- Representatives of the exporting industries and banking sector
- KfW
- AKA Ausfuhrkreditgesellschaft mbH
- Federal Audit Office



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# How We Support

## Forms of ECA Cover

EXPORT CREDIT GUARANTEES OF THE  
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► Hermes Cover

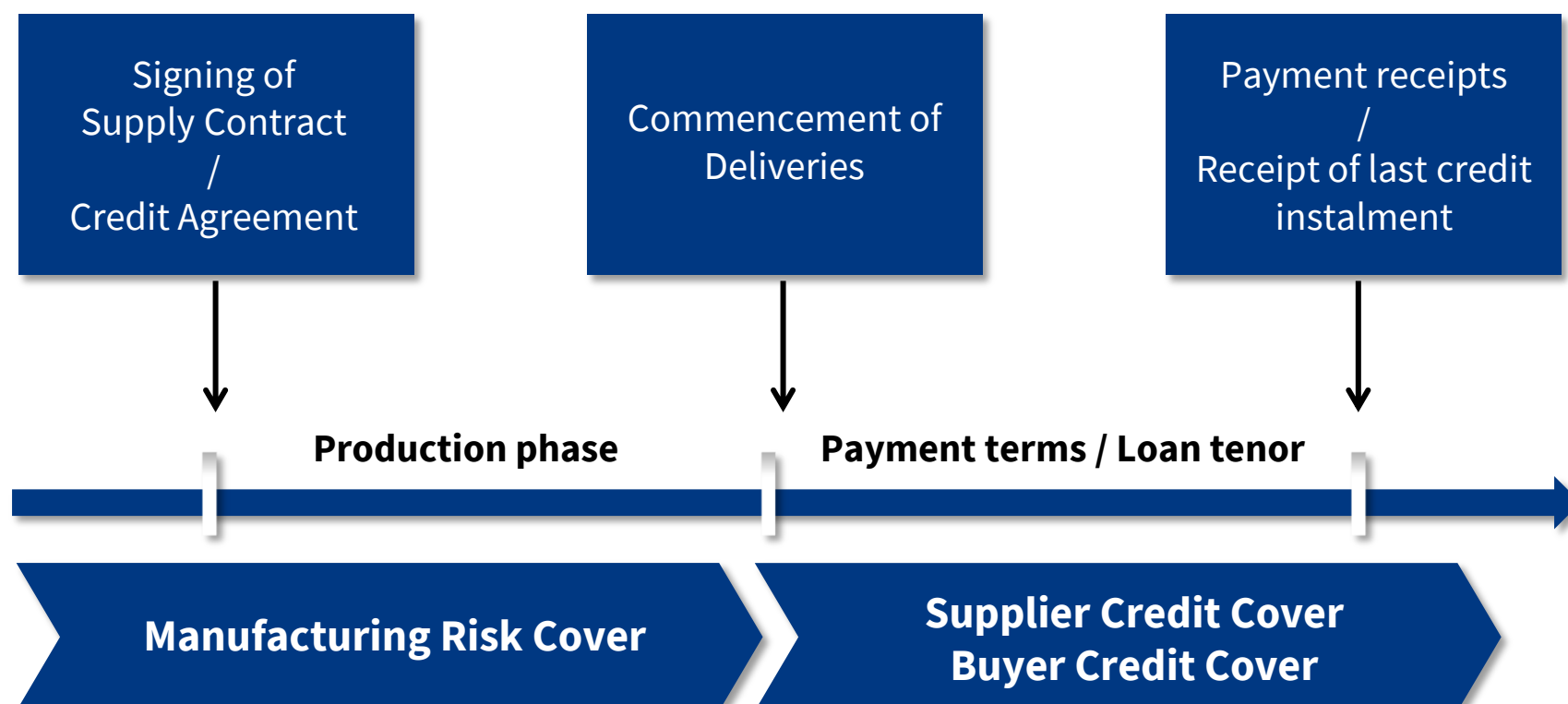
## Product Overview

# Forms of Cover

Exporters	Banks
<i>Receivables arising from a single export transaction</i> <ul style="list-style-type: none"> <li>▶ Hermes Cover “Click &amp; Cover” Export</li> <li>▶ <b>Supplier Credit Cover</b></li> <li>▶ Export Credit Cover for Service Providers</li> <li>▶ <b>Manufacturing Risk Cover</b></li> <li>▶ Leasing Cover</li> </ul>	<i>Receivables arising from a loan granted to finance a single export transaction</i> <ul style="list-style-type: none"> <li>▶ Hermes Cover „Click &amp; Cover“ Bank</li> <li>▶ <b>Buyer Credit Cover</b></li> <li>▶ Leasing Cover</li> <li>▶ Credit Confirmation Risk Cover</li> </ul>
<i>Receivables arising from several export transactions – one buyer, one country</i> <ul style="list-style-type: none"> <li>▶ Revolving Supplier Credit Cover</li> </ul>	<i>Receivables arising from a loan granted to finance regular / repeated export transactions with one buyer</i> <ul style="list-style-type: none"> <li>▶ Revolving Buyer Credit Cover</li> </ul>
<i>Receivables arising from several export transactions – several buyers, different countries</i> <ul style="list-style-type: none"> <li>▶ Whole Turnover Policy (APG)</li> </ul>	<i>Receivables arising from individual loans granted to finance German export transactions under a credit line – several exporters, one buyer</i> <ul style="list-style-type: none"> <li>▶ Framework Credit Cover</li> </ul>
<i>Supplementary Cover &amp; Specific Business</i> <p>Project / Ship / Railway Financing ...</p>	<i>Supplementary Cover &amp; Specific Business</i> <p>Project / Ship / Railway Financing; Airbus Guarantee ...</p>

## Product Overview

# Forms of Cover



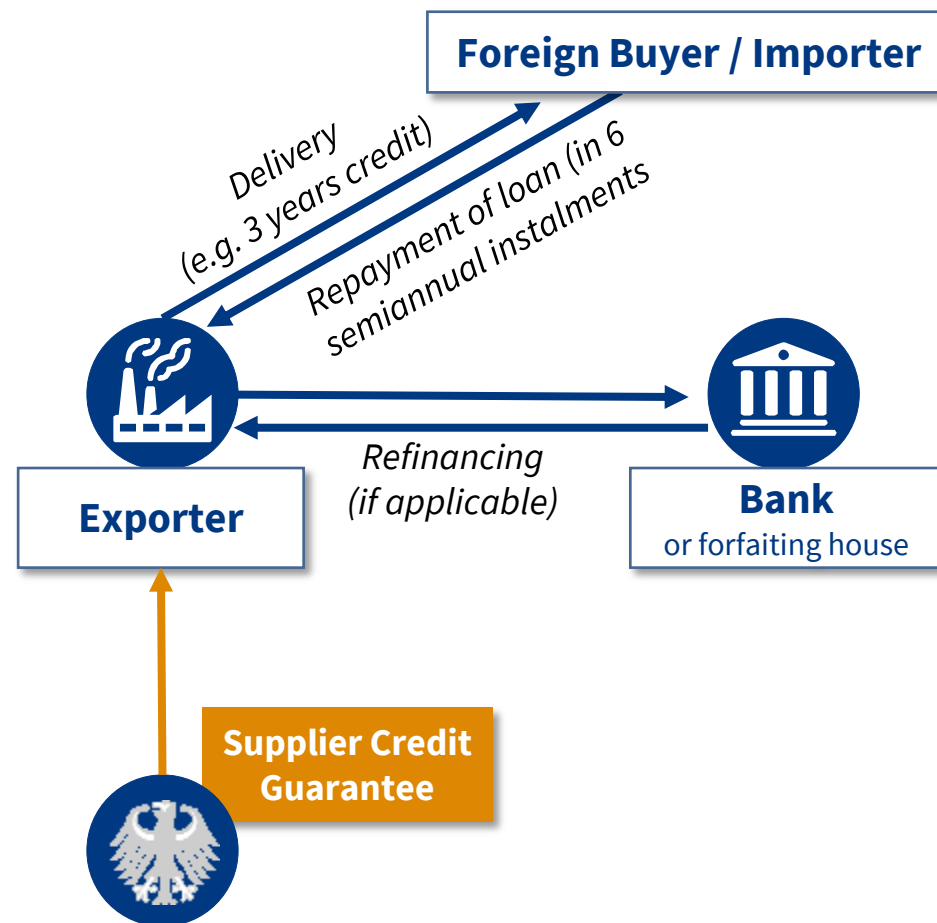
## Product Overview

# Manufacturing risk insurance

- **Object of Cover:** Protection against losses caused by a discontinuation of production
- **Policyholders:** German exporters
- **Covered risks:** Production is discontinued due to
  - Insolvency of the foreign buyer
  - Cancellation of the contract or occurrence of other grave violations
  - Political risks (adverse measures by the foreign government; warlike events)
  - Embargo measures taken by the German government or third countries participating in the export transaction
  - Nonpayment of cancellation fee and/or nonfulfillment of claim to partial payment following a justified cancellation of the contract by the buyer
- **Uninsured portion:** 5% for all risks
- **Costs:** Processing fees + Premium (percentage of prime costs covered)
- **Cover Horizon:** from entry into force of the export contract, ending with shipment of goods
- The cover can be combined with other covers, s.a. supplier credit cover and/or supplementary covers.

## Product Overview

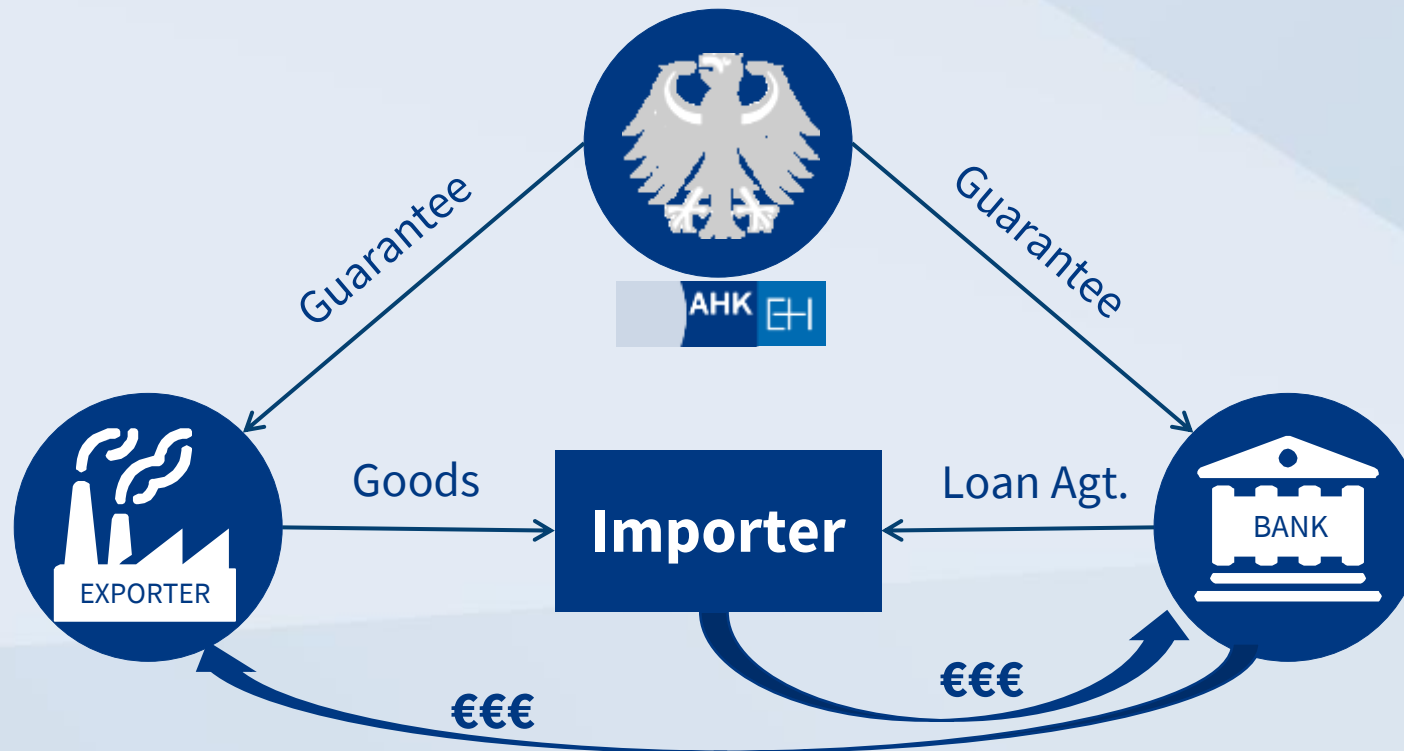
# Supplier Credit Cover – Structure



- **Object of Cover:** Amounts owed under exports of goods / service
- **Policyholders:** German exporters
- **Covered risks:** Protracted default of buyer, other commercial risks (e.g. insolvency), as well as political risks (e.g. war)
- **Uninsured portion:** 15% for commercial risks (can be reduced to 5% in some cases), 5% for political risks
- **Costs:** Processing fees + Premium (percentage of order value)
- **Refinancing option:** Claims arising under the SCG may - together with the title to the amounts receivable under the export contract - be assigned to a bank or forfaiting house.

## Product Overview

# Buyer's Credit



- Loan facility to buyer / importer of German goods covered by government guarantee
- typically large value contracts for capital goods and services
- cross-border deliveries to corporate or public buyers

## Rules & OECD Guidelines

# Key Considerations

## German Goods & Services

- Manufactured or assembled in Germany, bearing a German certificate of origin (in case of a buyer's credit and particularly larger (project) finance transactions: min. **51%** of German content)

## Financing limit

- A maximum of 85% of the Contract Value can be financed via ECA-covered loan ;
- 15% downpayment needs to be made by the importer (from his own funds, or received from a separate non-covered facility)
- The ECA-premium can be 100% financed via ECA-covered loan

## Level of Coverage

- Buyer's Credit: typically 95% of financed amount

## Amounts & Tenors

Contract value	Tenor
EUR 300,000	5 years
EUR 3 million	6 years
EUR 5 million	7 years
EUR 7 million	8 years
EUR 10 million	8.5 years
EUR 15 million	10 years

Export Cover Premium Determination

# Country Classifications for MENAP



Categories:





# 3

## Egypt

Country Focus

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## Country Focus

# Cover Policy for Egypt

### Short-Term Lending

- Cover facilities for transactions with credit periods of up to 360 days
- Significant information material on the buyer needs to be available, which – subject to the application of strict criteria – justifies the granting of cover
- Cover is available for affiliated companies or companies belonging to an international group, the credit worthiness of which is beyond doubt

### Medium and Long-Term Lending

- Cover facilities for transactions with credit periods of more than 360 days
- No formal restrictions on cover
- Collateral: Bank security has to be provided if buyer's creditworthiness is inadequate

**Country Risk Category: 5**

## Country Focus

# G20 – Compact with Africa



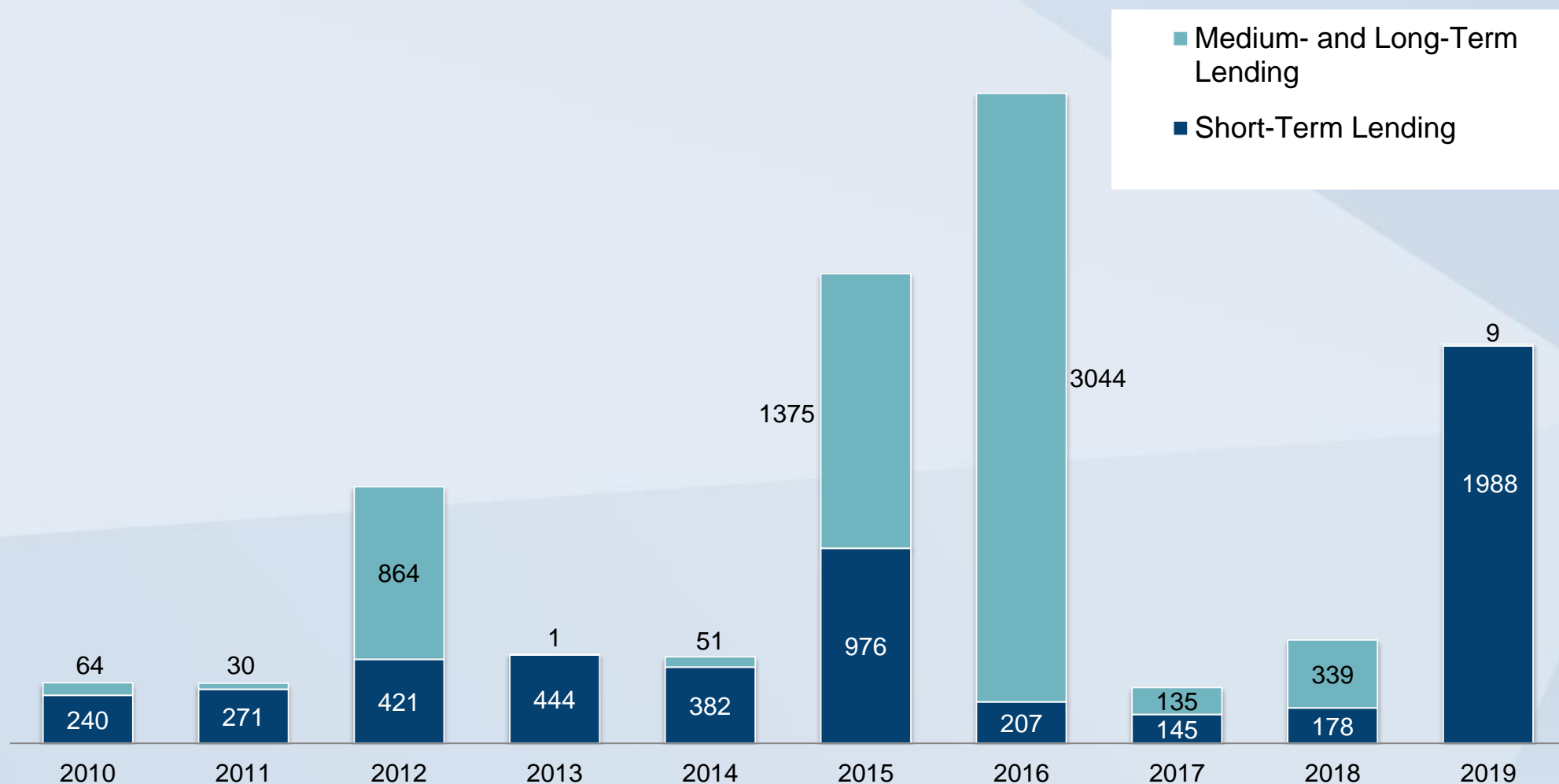
**Country joining Compact**

**%**

**Beneficial cover conditions  
for German Exporters**

Development over the Years

# Newly-Issued Covered Amounts in Egypt [EUR million]



## Country Focus

# Covered Amounts in Egypt



► Energy: 4,312 million EUR



► Ships: 2,943 million EUR



► Infrastructure: 476 million EUR



► Paper, Wood, Leather and Textile: 340 million EUR



► Processing Industry: 233 million EUR

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## Figures

Year End 2019

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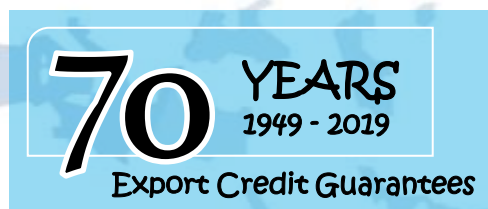
► Hermes Cover

## 2019 Annual Report Highlights

# Hermes-Covers in Figures

**Total new cover** issued for exports of goods & services was **€21 billion**, representing a slight increase (+6.1%) from the **€19.8 bn** in the previous year.

Size of the portfolio, fully underwritten by the Federal Government **€87.9bn**



Cover provided for exports to

**154**  
countries

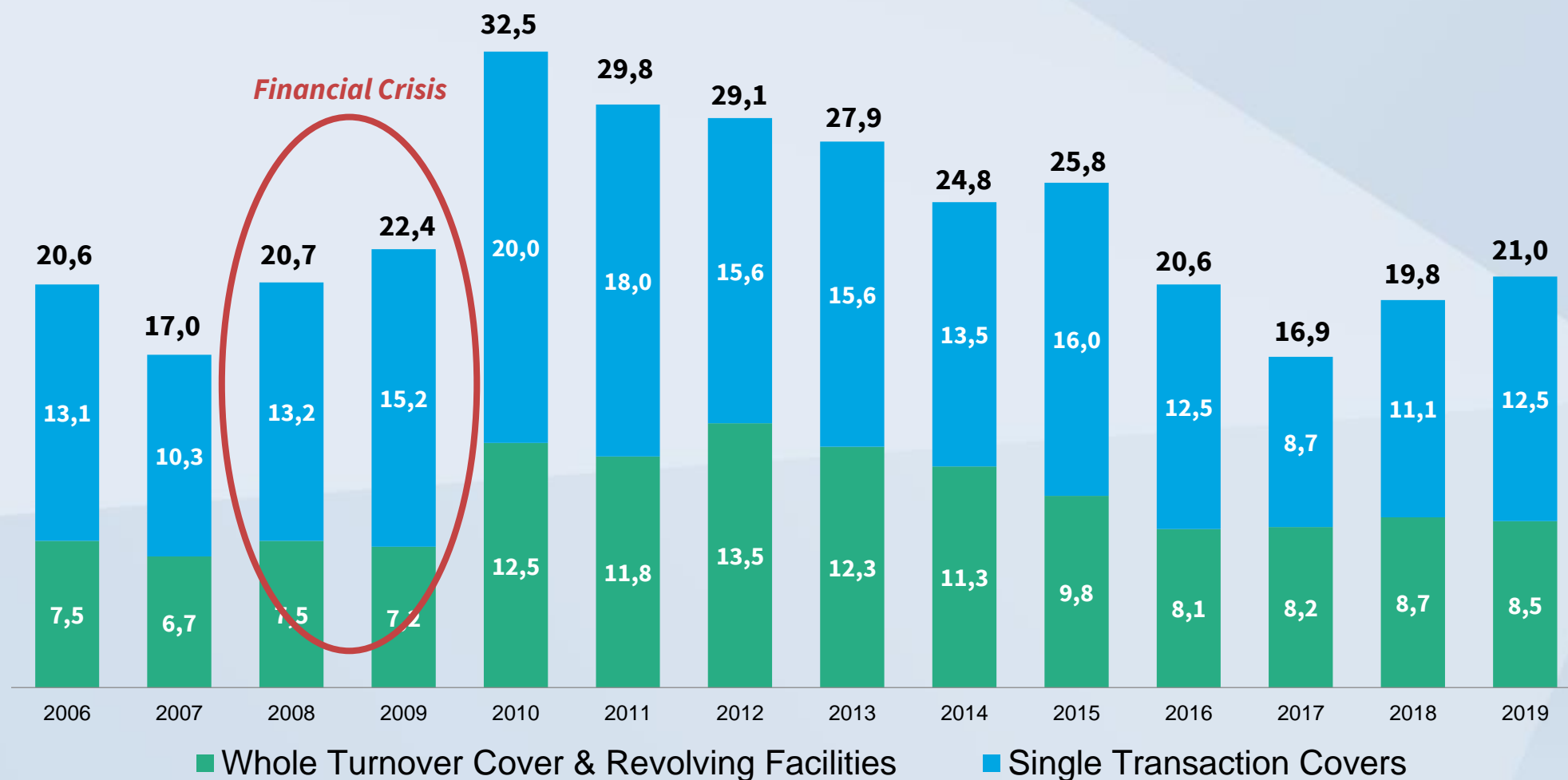
**Cover** provided for Middle East: **€1.4 billion** (+7.3% YoY) equivalent to 6.7% of total cover

**74.7%**  
destined for emerging economies & developing countries

**Egypt** was among the **top 5 markets** for new guarantees

Development over the Years

# Newly-Issued Export Covers [EUR billion]



# Support in Difficult Times

## General Notes

- Federal government remains committed to the support of German export business
  - No reduction/ limitation in cover policy, despite increased risks
  - Risk analysis will be based on the last three (3) annual reports and focus on substance and stability of the risk counterparty and their business model
  - Eligibility for support and justifiability of risk remain key considerations
  - Sufficient availabilities under the Statutory Cover Limit
- Euler Hermes and the Federal Republic of Germany are ensuring that their response times remain as short & decisions will be made as quickly as possible
- Ways of providing stronger support to exporters are currently under review

## COVID-19 Response

# Support in Difficult Times

### For existing cover

- Existing cover will remain in place, guarantees will not be cancelled or limited
- COVID-19 & governmental responses – Force Majeure:
  - Not considered to be a political risk event;
  - However cover may be effective under commercial risk cover, depending on the export contract (e.g. would a Force Majeure clause give the buyer the right to cancel the contract?)

# Key Takeaways

## **Euler Hermes / German ECA**

- Cover for political and commercial risks even in testing times
- Risk policy remains unchanged
- Reliable partner especially during and after a crisis
- Offers a wide variety of products to support you and your customer
- Employees in Hamburg and the Financing Experts at the AHK offices in Dubai, Nairobi and Singapore are there to support you. Please contact us.

# Thank you for your attention

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