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*ECA-finance
Affordable and long-term loans
for imports into emerging
markets*

DIERKES[▲]LEMKE

LAWYERS TAX ADVISORS CERTIFIED PUBLIC ACCOUNTANTS

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A

What is

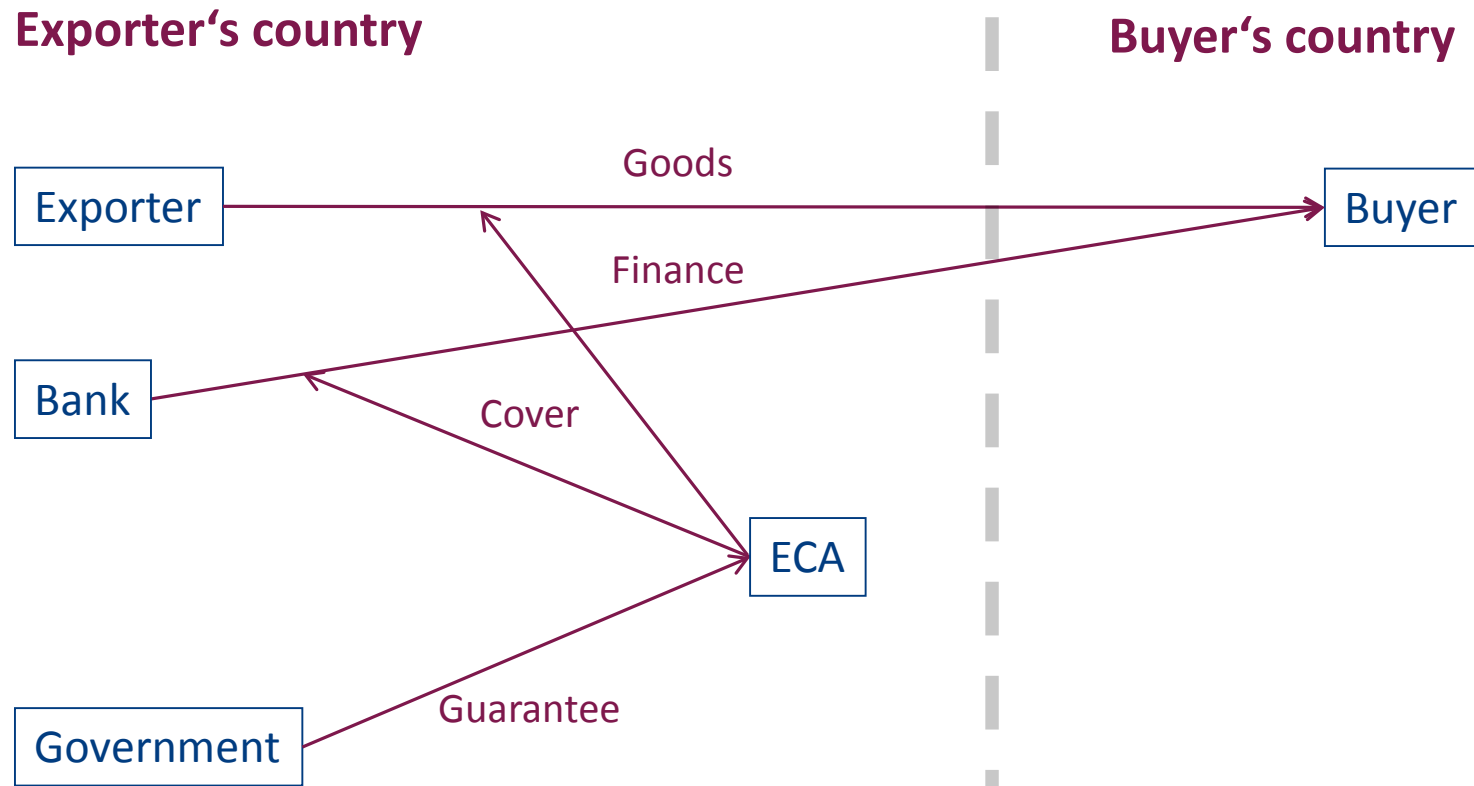
ECA-finance?

A.1 Parties of an ECA-covered transaction

- Every developed country has its own Export credit agency (ECA), e.g. Euler Hermes (Germany), BNDES (Brazil), EXIM (USA), Sinosure (China), ECIC (South Africa).
- Through an ECA the respective government covers domestic exporters and banks financing their exports against political and economical risks in the buyer's country.
- As a result, exporters and financing banks enhance their risk management and importers can reduce their financing costs.



A.1 Parties of an ECA-covered transaction



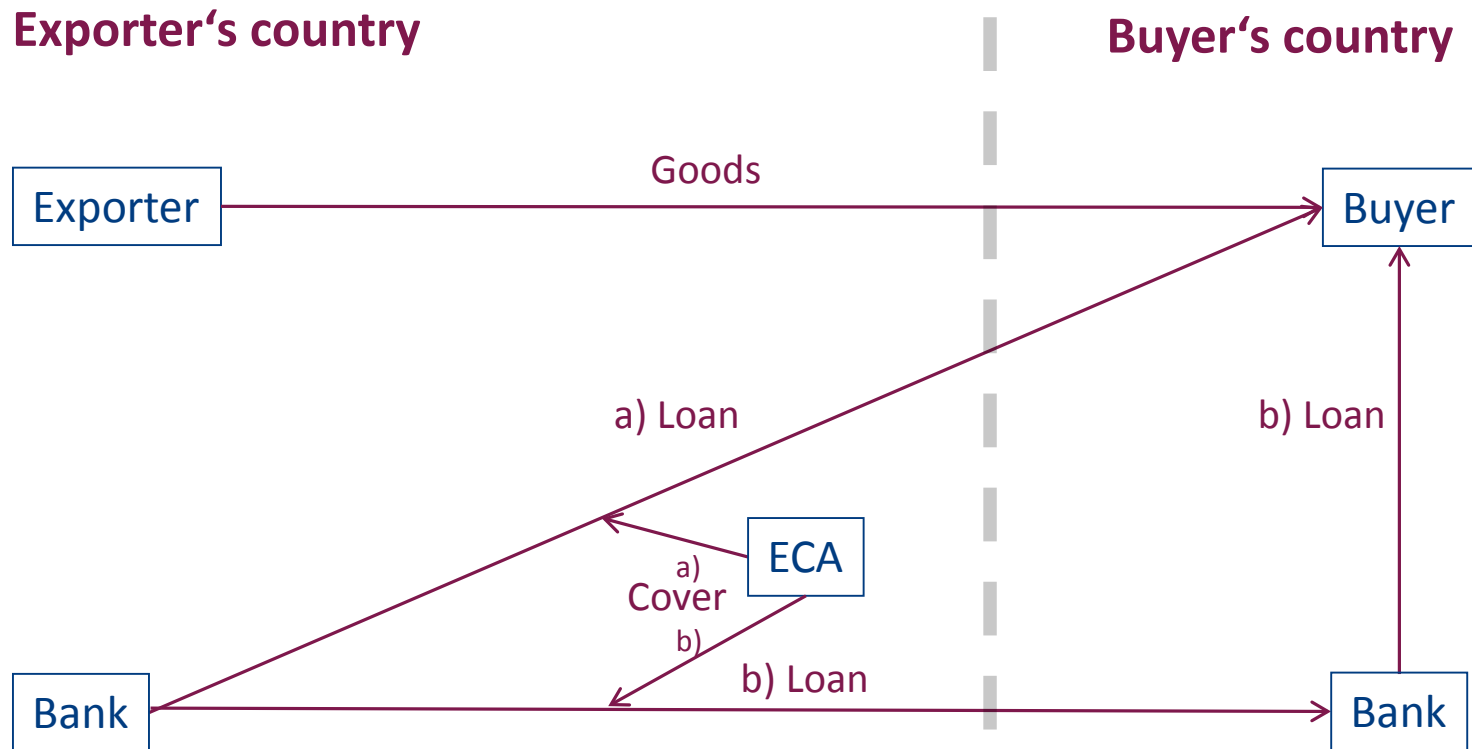
A.2 Forms of ECA-finance

Main constellations (see also the next pages):

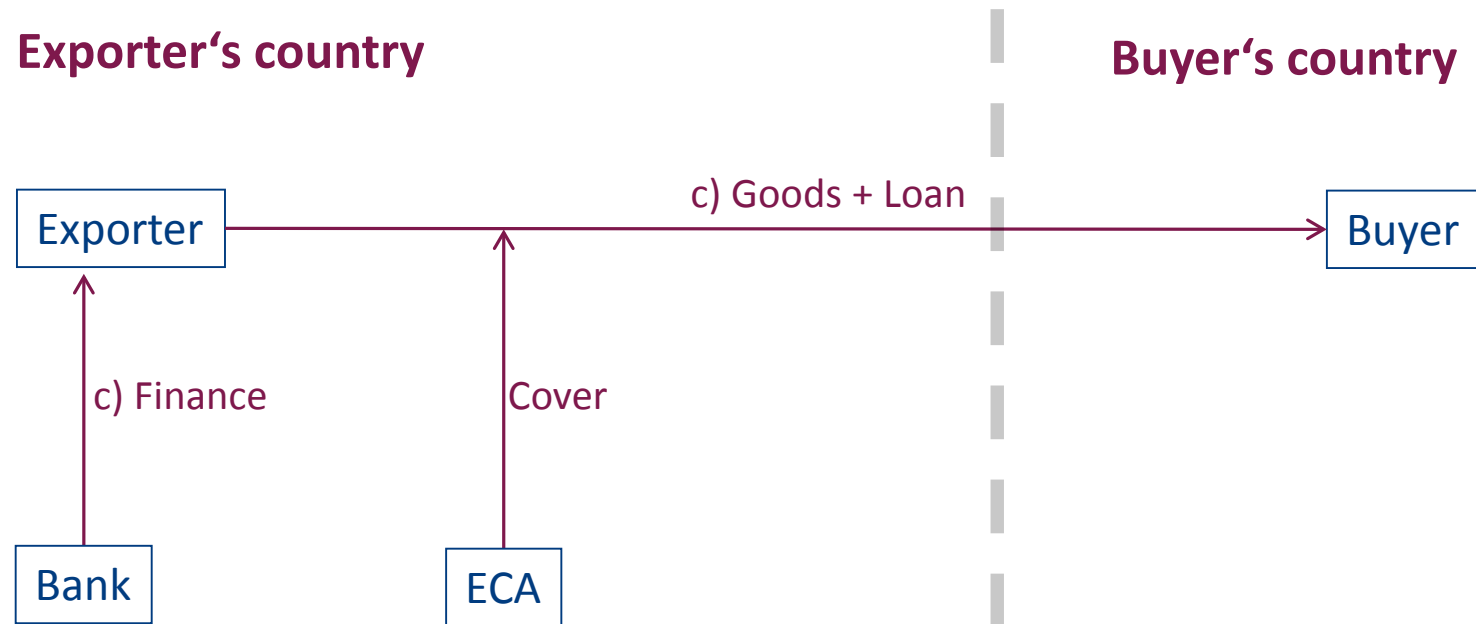
- a) The bank located in the exporter's country grants a loan directly to the importer (buyer). The ECA covers the loan.
- b) The bank located in the exporter's country refinances a bank located in the importer's country that concludes a loan agreement with the importer. The ECA covers the interbank loan.
- c) The exporter sells the goods to the buyer on credit terms and refinances itself on the local banking market. The ECA covers the credit from the exporter to the buyer. This is mostly used for smaller transactions and/or shorter credit terms.

Under BASEL regulations, ECA cover reduces the amount of equity that the lending bank has to allocate to the covered transaction (whereby the extent of the reduction depends on the rating of the ECA's country).

A.2 Forms of ECA-finance



A.2 Forms of ECA-Finance



B

What are the

benefits of ECA-finance?

B. What are the benefits of ECA finance?

- Exporters: new buyers or bigger deals with existing buyers, effective risk mitigation, reliable external rating of the buyer and its country's risk, trade credits to buyers in high risk countries as a secondary source of income (if the exporter itself grants the credit)
- Financing banks: “de-risked” loans to buyers in high risk countries (higher interest rates), enhanced re-financing
- Importers: reduction of financing costs, prolongation of terms (5 to 10 years even in high risk countries, up to 18 years for renewable energy projects).

C

*Requirements for an
eligible transaction*

C. Requirements for an eligible transaction

1. Volume – consulting on ECA-finance makes sense for transactions with a volume of 4m EUR or more
2. The exporter is located in a country with considerably lower interest rate than in the importer's country.
3. The buyer is **either** a company with a working business model that has been existing for at least 3 years **or** has equity to finance at least 30% of the project.
4. No sanctions: if the buyer is Russian or Iranian – no US person involved
5. Sustainability – project is in line with local and world bank sustainability standards
6. Sales contracts and loan agreements are in line with technical ECA criteria (esp. repayment of the loan, interest, etc.)

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