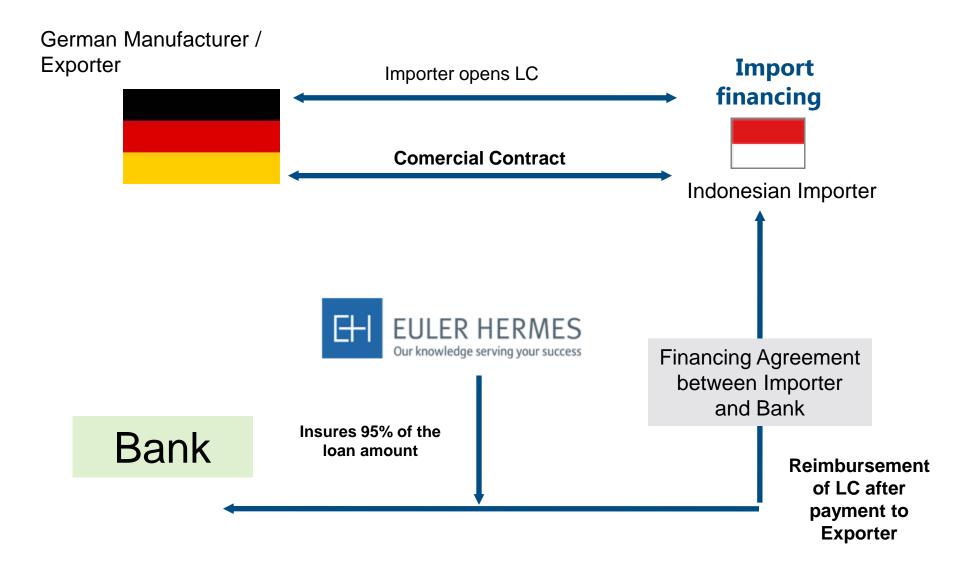


Buyer Financing with Export Credit Agency (ECA) coverage - case study -

Volker Bromund PT PRIME Consultancy Jakarta, October 2016



Buyer's Credit – example German Exporter



Buyer's Credit.

General Description

- Credit for long term financing of capital goods and services based on the ECA cover
- Usually reimbursement to Importer who pays under LC to the Manufacturer, structures without LC can also be supported
- Minimum amount: US\$ 2.0 mio



Buyer's credit

Advantages for the Importer/ Buyer:

- ➤ No charge to the importer's credit lines → Financing "on top"
- More cost efficient than local financing
- Low and attractive interest rates
- > Typically no collateral, based on the credit standing of the borrower
- Tenor: from 5 up to 10 years depending on the value of the contract



General Description Buyers Credit

Borrower

Companies with good credit ratings

Lender

Any bank which accepts the proposal – typically offshore bank

Loan Amount

max. 85 % of contract value (min. US\$ 2 mio)

Goods according to the Export Contract

Capital goods (Country of origin from Germany, Austria or other country).

Inclusion of supplies from third countries

Besides, it is possible to a certain extent to include goods which originate not in Germany (so-called foreign content).

The percentage which these supplies may reach depends on the country from which they originate. In principle supplies of goods worth up to 30 % of the contract value are permissible (indication only – depends on the Export Credit Agency). Higher amounts may also be feasible and can be discussed.

ECA Financing: Buyer's Credit

Financing through a bank covered ECA loan

- 85 % of the contract value
- At least 15 % down-payment to be paid before delivery, if higher DP "reimbursement" with the loan
- ECA premium can be financed up to 100 %
- Tenor 5 10 years depending on the contract value
- Payment in semi-annual installments, the first falls due 6 months after commissioning / COD ("starting point")
- Loan disbursement to the importer after the exporter has confirmed that he has received the payment under the LC



Case study – Example Terms & Conditions for indication only!

> **Purchase Order**: US\$ 5,000,000

Tenor: 6 years

Financing amount:
US\$ 4,250,000 (85% of the contract amount)

> **ECA fee:** approx. US\$ 242,0000 (will be included in the

financing amount)

> Total Loan Amount: US\$ 4,492,000

Interest rate: 6 month LIBOR (presently 1%) plus a margin of 2.5% p.a. (currently total interest 3.5%)

Commitment Fee: 1% p.a. (unutilized portion of the loan amount)

Management Fee: 1,5 % flat

> Repayment: semi-annually, here 12 instalments

Interest payment: semi-annually

Governing Law: to be agreed on with the lender



Buyer's credit: Pre-requisites.

Major pre-requisites for credit assessment on "Corporate Risk"

- Annual and interim reports
- Annual revenue more than EUR 20 million
- Assets above EUR 15 million
- Equity to be compatible with the contract value

Additional information:

- Commercial and bank references
- Received foreign credits
- Credit history
- Description of export activities/ FX income



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