

Sabin Finance



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EXPORT FINANCE WORKSHOP
Risk Management Seminar

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Teheran, January 2016

AGENDA

- INTRODUCTION & PRE-REQUISITS FOR EXPORT FINANCING GRANTED BY EUROPEAN BANKS
- FINANCIAL INSTRUMENTS & APPLICABLE STRUCTURES
- DOCUMENTS TO BE PROVIDED BY IRANIAN PARTIES
(COMPLIANCE & KYC KNOW YOUR CUSTOMER REGULATIONS)
- RISK ASSESSMENT & MITIGATION IN EXPORT FINANCE
- CONTACT DETAILS

INTRODUCTION – EXPORT FINANCE

What is Export Finance (Export Credit / Buyer Credit)

- Loans granted to a buyer or its bank for the medium & long term financing of investment goods such as machinery, trucks, transportation vehicles (trains, wagons & busses) and others, purchased from a foreign supplier or to finance an investment project based on an EPC-Contract such as power plants, steel plants, refineries or even in other sectors;
- Export Credits are tied loans and strictly linked to supply contracts or EPC contracts as described above and will usually be provided by a bank located in the supplier's country;
- Export Credits may benefit from the support of the governmental export promotion schemes (Export Credit Agency) available in the sourcing countries to cover/insure suppliers under supply contracts as well as lending banks under financing agreement against economical and political risk;
- In order to avoid unfair competition specific rules & regulations have been agreed upon between OECD members (=> OECD Consensus) for governmental ECA support.
- Basically, using Export Credit with ECA cover is almost the key element and precondition to provide financing in favour of the buyer/importer for the purchase of investment goods and contract award to the supplier or EPC.

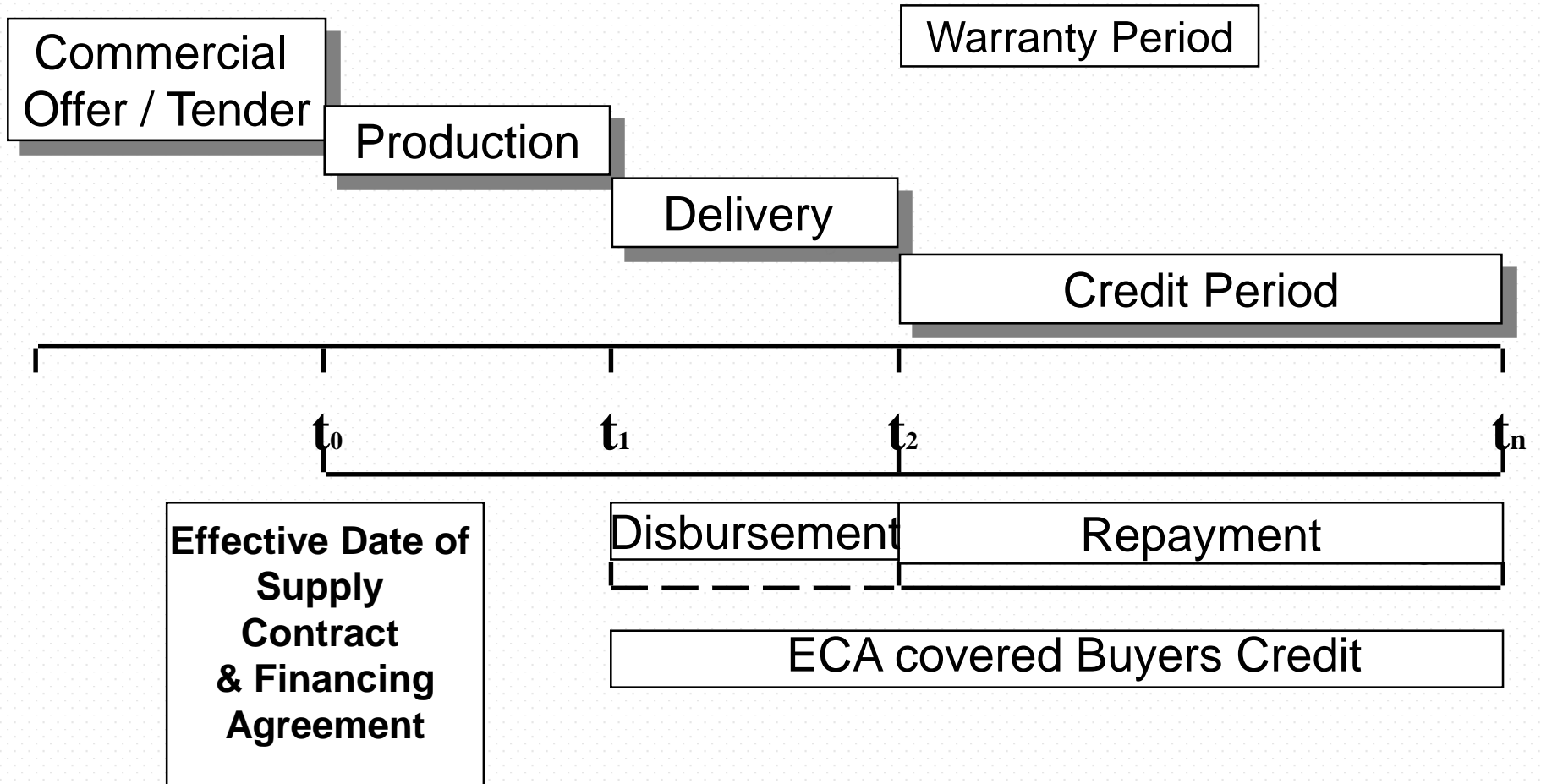
Pre-Requisites

<p>Purchase of investment goods ----- EPC - Project</p>	<p>Sourcing countries of equipment considerably EU</p>	<p>OECD Consensus Rules to be observed</p>
<p>Evidence of equity & debt financing for 100% of the supply/project contract value</p>	<p>Commercial Contract according to international standards</p>	<p>Reasonable Contract Price & Payment Terms</p>
<p>Manufacturer/Supplier and Buyer to be reputable companies</p>	<p>Financial Reporting (possibly in IFRS or US GAAP)</p>	<p><u>Optional for EPC-Projects:</u> Business Plan / PIM / Feasibility Study /</p>
<p>Hard or Readily Convertible Currency</p>	<p>Licenses, Permissions & Approvals</p>	<p>Environmental Impact Study / World Bank Standards</p>

RELATED FINANCING SCHEMES

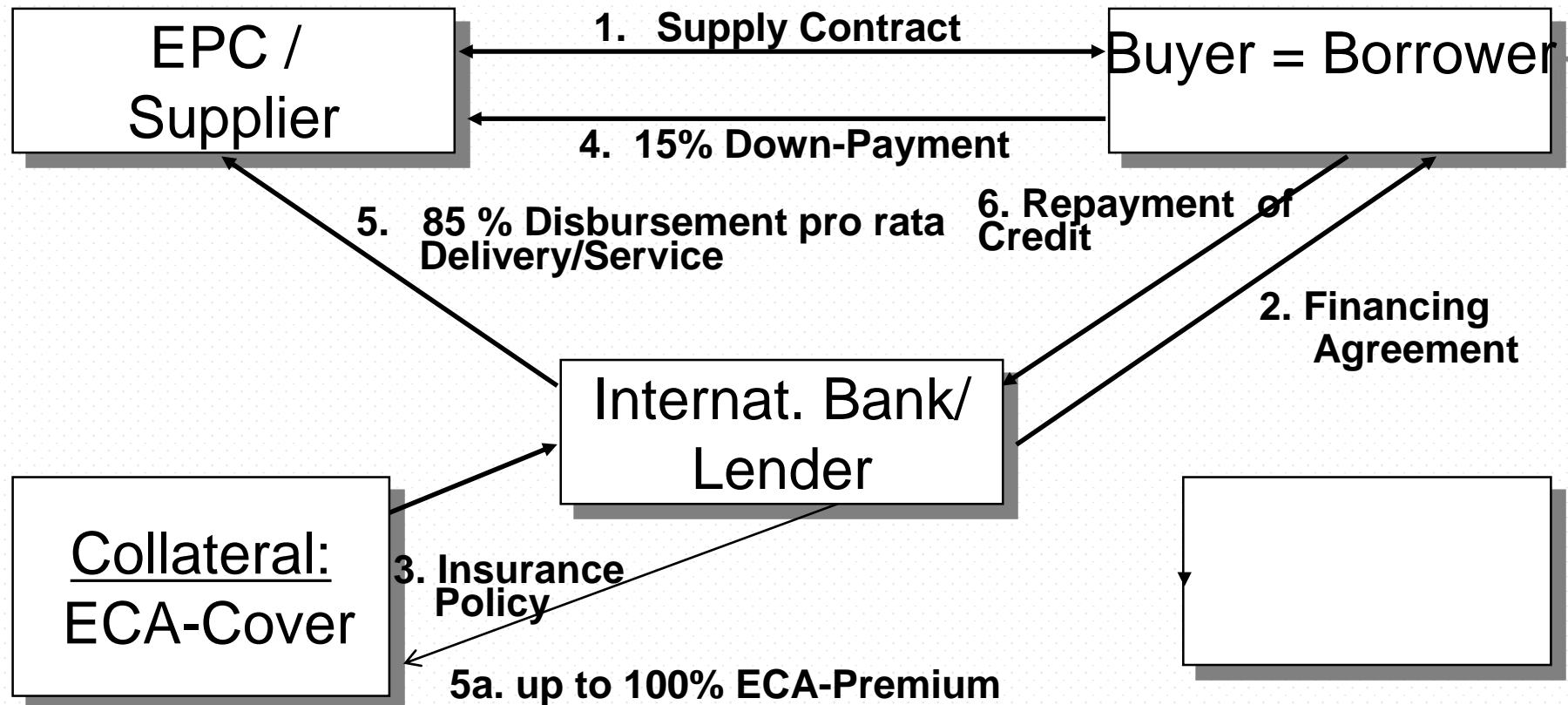


Timeline of a supply contract and its financing



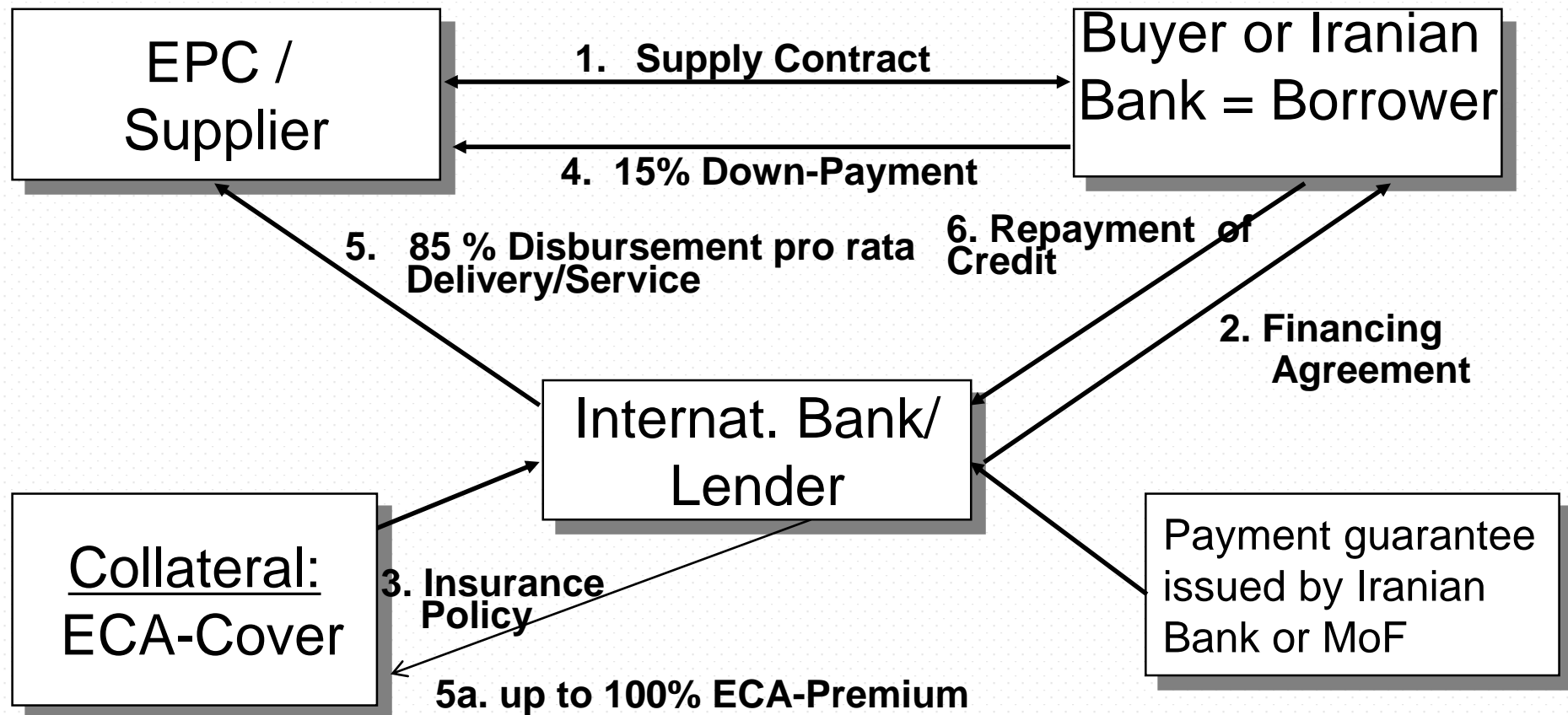
Buyers-Credit (based on Corporate Risk and including the financing of ECA-Premium)

Financing Scheme



Buyers-Credit (based on Bank Guarantee and including the financing of ECA-Premium)

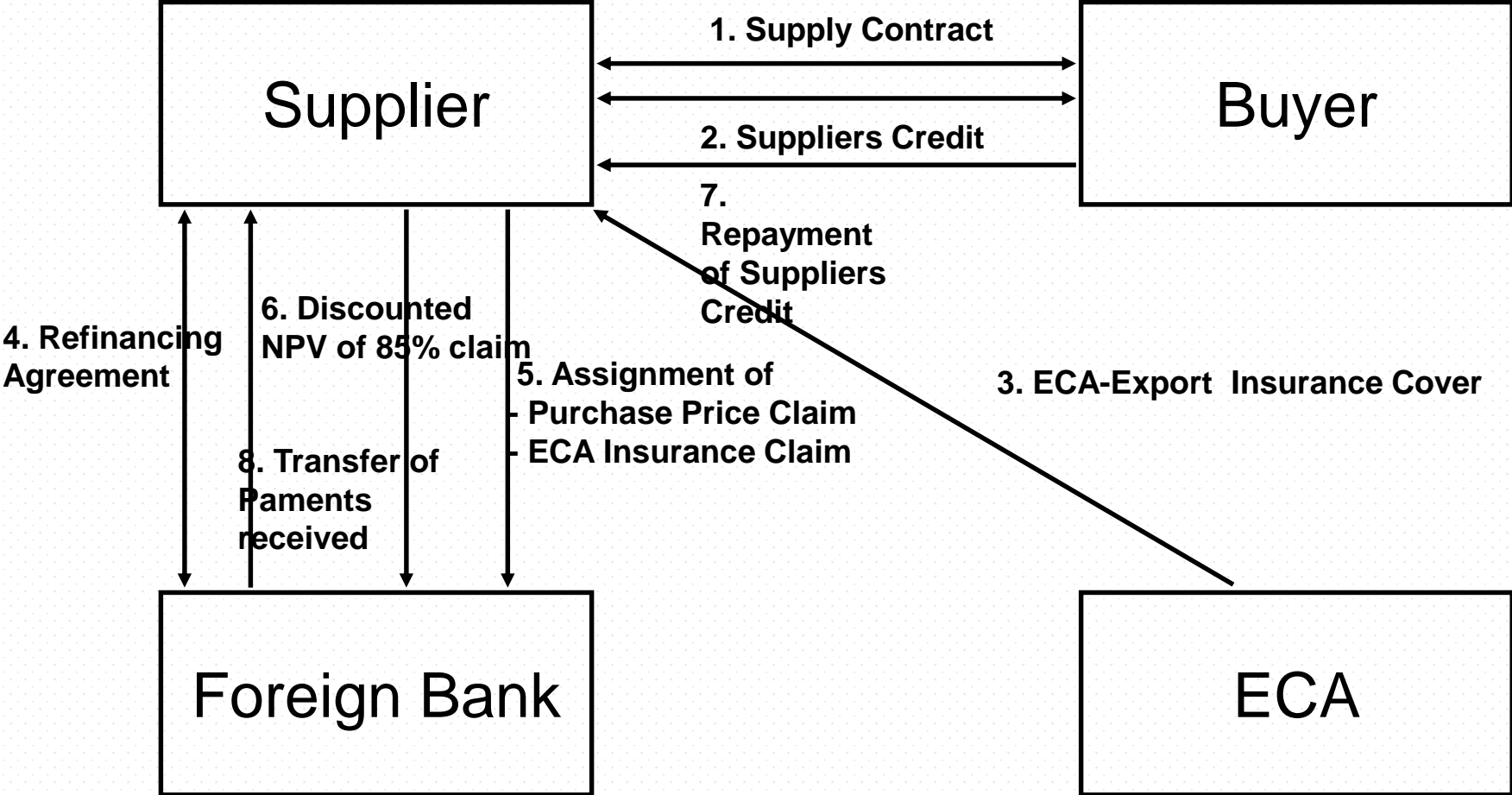
Financing Scheme



General Terms & Conditions

- Buyers Credit schemes are subject to ECA and Bank approval;
- At least 15 % Down- and Interim Payment of the supply contract value to be paid in cash upfront to the respective EPC/Supplier;
- Basically, disbursements will be effected directly to EPC/Supplier;
- Repayment period will be up to 5, 7, 10 or 12 years (in equal half-yearly instalments) depending on the kind of investment goods or project and size of the project;
- Margin of x,x % p.a. above EURIBOR (floating rate) or fix rate after full disbursement (optional), 6 months payment intervals;
- Management Fee of x,x % flat upfront calculated on the loan amount;
- Comittment Fee of x,x % p.a. calculated on the undisbursed loan amount, 3 or 6 months payment intervals;
- Level of ECA Insurance Premium depends on
 - Country category of the Borrower's country
 - Rating category of the Borrower
 - Maturity of the Loan

Suppliers Credit



Documents to be signed or provided by Iranian Parties / (Compliance & KYC Know Your Customer regulations) (1)

- Shareholder Structure or Shareholder
- Holding – Ownership Structure
- Certified Passport Copies of Shareholder / Owner / additional signatories
- Power of Attorney
- State Company Register extract
- Tax Certificate
- Articles of Association
- Registered office & incorporation form
- Anti-Money Laundering Questionnaire
- Anti-Corruption declaration
- Consolidated Financial Figures IFRS or US GAAP accompanied by a company / bank presentation

Documents to be provided by Iranian Parties (2)

Additionally for large investment projects (inter alia):

- Socio Environmental Due Dilligence
- ESIA Environmental & Social Impact Assessment
- ESAP Environmental & Social Action Plan
- SEP Stakeholder Engagement Plan
- Business Plans & Projections
- Capex requirements / spending

POTENTIAL RISKS AND HOW TO MITIGATE

Bank's perspective

Performance Risk Supplier/EPC

- Ability to manufacture equipment as agreed upon
- Ability to execute the supply contract or project successfully

Country Risk Borrower

- Possibility of changes inter alia the political, legal and/or business environment impact the borrower's ability to perform under the loan facility

Payment Default Risk Borrower

- Unability to perform debt service in view of revenues and profit
- Unwillingness to perform debt service
- Not allowed to perform debt service due to political measures

Currency Exchange Risk

- Volatility of exchange rates for foreign currency loans

Portfolio Risk

- Concentration risk by countries, sectors, borrowers etc.
- Increasing number of non-performing loans

Performance Risk

- Proven technology
- Track record and market leading position
- Strong financial performance & moderate leverage
- Usually a long term relationship with the customer

Country Risk

- Set up of country limits & ratings based on economical datas
- Reviews frequently, limits and ratings adjusted if required
- ECA cover up to 95% for political risk

Default Risk

- Review creditworthiness frequently, Financial Figures, qaterly reports, cash-flow projection etc.
- Request for collaterals inter alia from third parties (Guarantee)
- ECA cover up to 95% for economical risk

Currency Risk

- Export Credit granted in EURO only
- Hegding for foreign currency loans (hard currency)
- Currency exchange risk to be covered by ECA

Portfolio Risk

- ❖ Active Portfolio Management
- ❖ Outplacement of performing loans (-shares) to the market
- ❖ Selling non-performing loans to Investors & Hedge funds