



— NEW ZEALAND —
EXPORT CREDIT OFFICE

Helping New Zealand's exporters exploit trade opportunities.

NZECO's Trade Finance Tools for Exporters

Export New Zealand Go Global Series
– Auckland Breakfast Presentation

4th September 2009

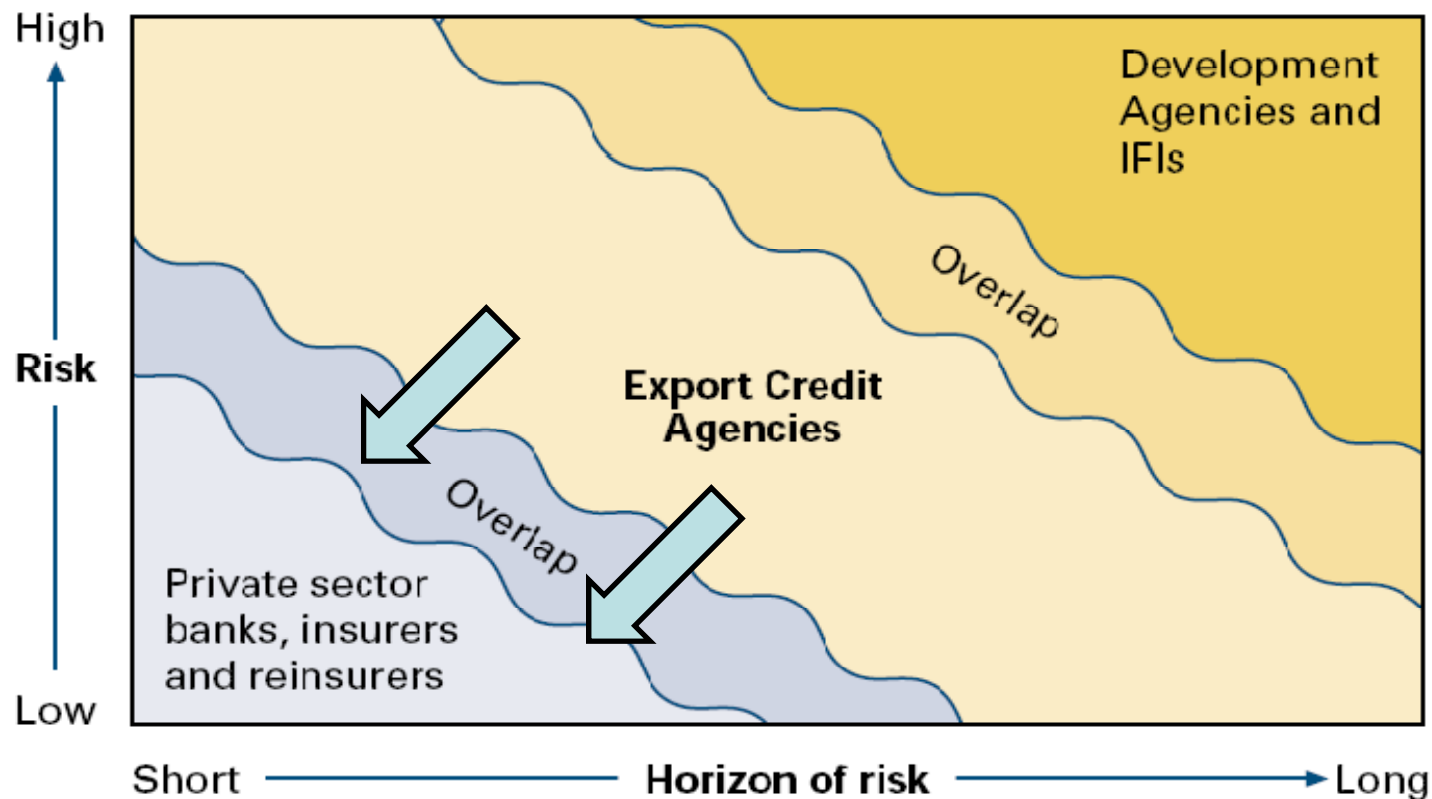
ABOUT NZECO

- New Zealand's Export Credit Agency
- Goal - to assist NZ firms win and finance export trade, whilst managing risk.
- Sells a range Minister of Finance Guarantees to exporters and/or financiers covering:
 - Political / country risks of the buyer's country
 - Overseas buyer repayment risks
 - NZ exporter performance risks
- Current exposure / offers NZD 246m across 110 deals, supporting 521m of exports.
- Percentage of deals by region:
 - Europe (26%), Latin America (18%), North America (14%), Pacific (13%), Asia (12%), Australia (10%), Middle East (7%)



NZECO: Market positioning

Export Credit Agencies – position in the market



Exporter Issue 1:

“Trade credit insurance on a buyer in UK has been totally withdrawn by my credit insurer”



Short-term Trade Credit Guarantee

- Short-term trade credit insurance (< 360 day terms)
- Where private sector trade credit insurers have cancelled or reduced cover; or to cover one-off risks
- NZECO requires evidence of creditworthy buyer
- NZ content must be >30%

Benefits:

- “Know your buyer”
- Mitigates repayment default or delays
- Can discount to Bank to enhance exporter’s working capital / cash flows



Case study – UK Buyer

- Lost insurance on UK Buyer (> NZD 6m annual exports)
- NZECO assessed and approved credit risk on buyer
- Underwriting \$1.6m facility; 90 day credit terms; 360-day Policy
- Exporter assigned NZECO guarantee to their bank – accessed \$1.5m
- Allowed firm to continue to trade confidently and finance their export.



Exporter Issue 2:

“My bank is unable to confirm a letter of credit from my Venezuelan buyer”



Confirmation of Letters of Credit

- NZ Banks reviewing internal credit limits on certain higher risk countries / banks
 - E.g. Sri Lanka; Syria; Venezuela; Pakistan; Bangladesh; Maldives
- NZECO underwrites political & commercial risk of Issuing Bank
- Can support any letter of credit term e.g. on-sight; 360 days

Benefits:

- Enables your bank to confirm letter of credit



Exporter Issue 3:

“Can I offer vendor finance to my Australian buyer for competitive advantage?”



Export Credit Guarantee

- Offer buyer extended repayment terms (1 year+)
- Covers risk of buyer default due to political or commercial events
- Exporter can receive up-front payments from the bank
- Suitable for exporters who sell capital goods of \$1m+

Competitive advantage:

- May differentiate exporter's offer from competitors
- May re-engage a buyer constrained by its domestic credit lines



Case Study: Australian buyer

- Wanted NZ exporter's machinery as part of expansion
- Constrained by its domestic credit lines
- Asked NZ exporter for 3 year repayment term
- NZECO Guarantee issued to exporter's Bank
- Structured (using B/Es) to enable exporter to receive payments from Bank on accepted milestones
- NZECO covers design-build risk on exporter completing contract; & buyer repayment risk (up to 90% cover)
- Bank collects repayments over 3 year term



Exporter Issue 4:

***“My new buyer is reluctant
to pay me an up-front
deposit”***



Contract Bond Guarantee

- Guarantee to exporter's bank to support issuance of bond(s) to overseas buyer
- For exporters that lack sufficient security to provide the bond(s) in addition to working capital required
- Exporter must demonstrate managerial, technical & financial capabilities to perform contract



Case Study: Advance Payment Bond

- GBP 4.5m contract
- NZ exporter wanted 33% deposit (GBP 1.5m)
- UK buyer demanded reciprocal bond for 12 month tenor
- Exporter & NZ bank sought NZECO support
- Exporter proven history of delivering similar projects

Benefits:

- Enabled exporter secure larger contract
- Ensured better cash flow via higher deposit and milestone payments
- Free up credit line with NZ bank



Exporter Issue 5:

“There is a 100% surety bond required for a US project”



US Surety Bond Guarantee

- Enables NZ exporters to secure contracts with US Federal, State, or municipal buyers that require 100% surety bonds (includes Guam projects)
- Guarantee to US based Liberty Mutual
- Typically infrastructure type work
- Exporter must demonstrate managerial, technical and financial capabilities to perform contract
- Examples: Connexionz, Glidepath



Exporter Issue 6:

“I don’t have enough working capital to fulfil an export opportunity.”



Short-term working capital guarantee

- Guarantee to exporters bank to extend up to 25% extra credit where exporter at lending limits but has export orders to fulfil. Guarantee up to 12 months.
- Banks determine exporter eligibility
- Suitable for exporters that lack sufficient security to finance working capital costs associated with orders or costs.
- Useful for pre-shipment and seasonal growth
- Example: \$500k lending line means you can access up to \$125k extra.



Contact NZECO to talk one on one

Approach us to discuss your sales pipeline, opportunities and issues.

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