



NEW ZEALAND
EXPORT CREDIT OFFICE

Helping New Zealand's exporters exploit trade opportunities.

NZECO's Trade Finance Products for Exporters

Canterbury Development Corporation's
"Trade and Export Presentation"

6th November 2009

ABOUT NZECO

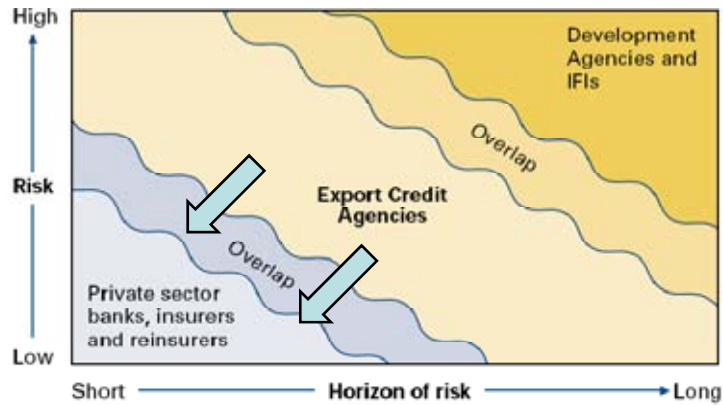
- New Zealand's Export Credit Agency
- Goal - to assist NZ firms win and finance export trade, whilst managing risk.
- Sell range of Minister of Finance guarantees to exporters and/or financiers covering:
 - Political / country risks of the buyer's country
 - Overseas buyer repayment risks
 - NZ exporter performance risks
- Current exposure NZD 207m across 108 deals, supporting 565m of exports.
- Percentage of deals by region:
 - Europe (27%), Latin America (14%), North America (14%), Pacific (14%), Australia (12%), Asia (12%), Middle East (7%)



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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“Trade credit insurance on a buyer in UK has been totally withdrawn by my credit insurer”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 cancelled or declined cover
- NZECO requires evidence of creditworthy buyer
- Covered buyers in 31 countries
- NZ exports supported: textile, wool, timber, meat, processed food, wine, furniture, pip-fruit, telecommunication, agri-tech

Benefits:

- “Know your buyer”
- Mitigates repayment default or delays
- 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 \$2m facility; 60 day credit terms; 360-day Policy
- NZECO cover: 80% commercial / political risk cover
- Exporter assigned NZECO guarantee to BNZ – accessed \$1.5m trade credit facility
- Allowed firm to continue to trade confidently and finance their export.



Co-insurance

- ▣ NZECO – Euler Hermes “top-up cover” arrangement
- ▣ NZECO provides layer of cover where EH has:
 - partially reduced a buyer limit; or
 - partially approved the buyer limit that has been requested by the exporter.
- ▣ NZECO’s top-up cover must not exceed EH’s primary level of cover
- ▣ EH administers, issues and monitors top-up cover on NZECO’s behalf
- ▣ NZECO in negotiations with Atradius re reinsurance



Issue 2: “My Bank is unable to confirm a letter of credit for my Vietnam buyer”

- ▣ NZ Banks reviewing internal credit limits on certain higher risk countries / banks
 - ▣ E.g. Venezuela, India, Pakistan, Vietnam, Syria, Russia
 - ▣ 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 / commercial events
- ❑ Teaming approach between NZECO, Bank & exporter
- ❑ Suitable for exporters selling capital goods / services of \$1m+

Competitive advantage:

- ❑ May differentiate exporter's offer from competitors
- ❑ May re-engage a buyer constrained by its domestic credit lines
- ❑ May be cheaper option for foreign buyers where local debt relatively high

Case Study: Australian buyer

- ▣ Wanted NZ exporter's machinery as part of expansion
- ▣ Buyer constrained by its domestic credit lines
- ▣ Asked NZ exporter for 3 year repayment term
- ▣ NZECO assessed and approved credit risk on buyer
- ▣ NZECO Guarantee issued to exporter's Bank
- ▣ Exporter discounted bills of exchange to Bank upon shipment of goods (NZD 2 million)
- ▣ NZECO covers 90% political and commercial risks
- ▣ Bank collects repayments over 3 year term



Case Study: Turkish project

- ▣ NZ exporter negotiated multi-million construction project
- ▣ New Turkish company to operate project on completion
- ▣ Seeking 7 years to repay project's debt
- ▣ Bank unprepared to fund debt without NZECO
- ▣ NZECO assessed and approved project risk
- ▣ NZECO Guarantee issued to funding Bank
- ▣ Exporter receives loan draw-downs throughout project
- ▣ NZECO covers exporter's performance risk; and subsequent political and commercial risk of project repayments



Exporter Issue 4:

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

Contract Bond Guarantee

- Advance payment bonds; performance bonds
- NZECO guarantee to 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
- Supported bonds for education, boat-building, specialised manufacturing, telecommunication sectors

Case Study: Advance Payment Bond

- NZD 53 million contract in Middle East
- NZ exporter wanted 33% deposit (NZD 16m)
- 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 & milestone payments
- Free up credit line with NZ bank



Exporter Issue 5:

“There is a 100% surety bond required for a US project I want to bid for”



US Surety Bond Guarantee

- ▣ NZECO – Liberty Mutual Surety relationship
- ▣ Enables NZ exporters to secure contracts with US Federal, State, or municipal buyers that require 100% surety bonds (includes Guam projects)
- ▣ Typically infrastructure type work
- ▣ Exporter must demonstrate managerial, technical and financial capabilities to perform contract
- ▣ Enables negotiation of better milestone payment terms
- ▣ Examples: Connexionz, Glidepath

Exporter Issue 6:

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

Short-term working capital guarantee

- ▣ Enables bank to extend credit to exporters who at their bank lending limits
- ▣ Credit extension up to 25% of exporter's total credit facilities
- ▣ Bank led product – banks determine client's eligibility
- ▣ Short term guarantee – generally up to 12 months
- ▣ Suitable for exporters with insufficient security to finance working capital costs re unexpected or seasonal orders
- ▣ Slow up-take from NZ banks



NZECO Product: WORKING CAPITAL GUARANTEE
Exporter Scenario: Manufacturer needs extension of facility for general funding.

Financing Instrument	USD overdraft facility extension
Exporter	\$10m turnover. High growth. 20%+
Credit Extension	NZ \$700k
NZECO coverage	100% residual guarantee covering \$4.1m - \$4.8m of facility
Credit Terms	6 month guarantee
NZECO premium (Fixed, up-front fee)	2.75% on \$700k. Equivalent to 5.5% per annum



Contact NZECO to talk one on one

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

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