



## **Commerzbank AG**

### **Medium- and Long-Term Export Finance**

**The best instruments to finance the import of capital goods to Iraq**

## The current market situation

The need for ECA-financing increased and we see considerably higher inquiries in this field not only in MENA Region:

- › Iraq as a major oil exporter (number 6 worldwide) has been struggling with a double shock since 2014. Oil prices plunged by up to 75% and ISIS gained control over huge area ..
- › These have led to difficulties in the financial sector and so currently the given external sources for financing i.e. from IMF (USD 5.3bn) do not cover the financing need of the country...
- › We think for Iraq, beside the possibilities out of short term financing, ECA-covered financing seems to be the best solution to obtain medium- and long-term funding for the realisation of key projects (i.e. in Energy Sector) in Iraq.
- › ECAs (i.e. Euler Hermes for Germany) prepared themselves for such huge demands by making their coverage policy more flexible.

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## The idea behind the Export Credit Guarantees provided by Export Credit Agencies (ECAs)

- › The German and other European countries support the activities abroad of their enterprises by means of their foreign trade and investment promotion scheme and thus helps to create a level playing field for them, contributes to job security and promotes exports, which are an important growth factor.

Euler Hermes Aktiengesellschaft (Euler Hermes or German ECA) manages this promotion scheme and implements its support measures on behalf of the Government of the Federal Republic of Germany.

- › How can Iraqi industry have benefit of such facilities?

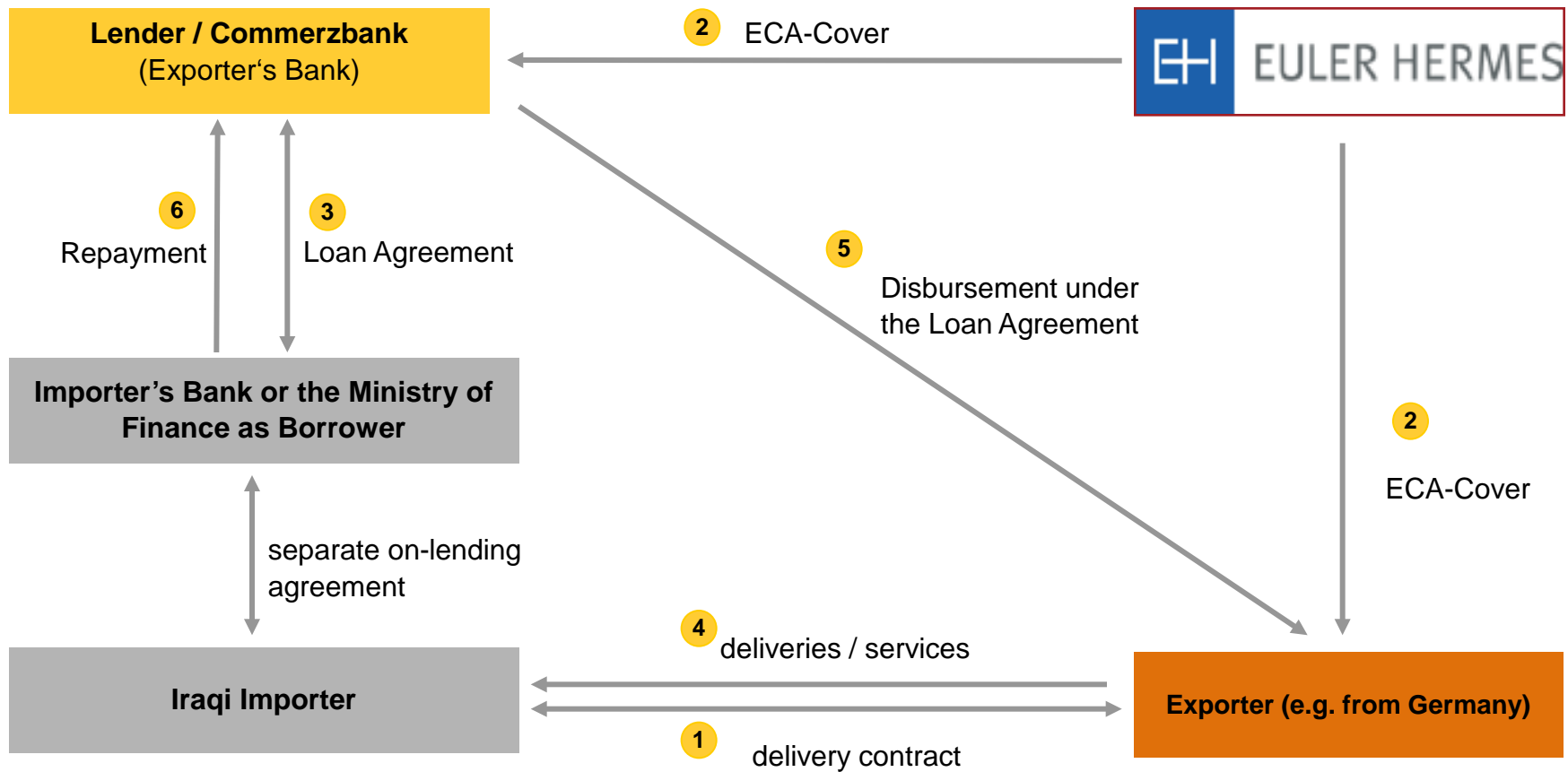
# International Framework



The basic principles for ECA-covered financing are laid down in the OECD-Arrangement on Officially Supported Export Credits (**‘OECD Consensus’**), which is binding on all OECD countries, has set common minimum standards for export credits that are supported by a state export credit agency or with public funding. The objective is to ensure that competition is driven by the price and quality of the export products and not by the scope and conditions of state support:

- ▶ Applicable to all official support provided by or on behalf of government for export of goods / services, which have a repayment term of **> 2 years**
- ▶ **Advance and interim payments** of **at least 15%** of the export contract value at or before the starting point of credit
- ▶ At least semi-annual **repayment profile** in equal installments
- ▶ **First installment** not later than 6 months (grace period) after the “starting point” of the credit
- ▶ **Maximum credit periods**, differentiated by country groups:
  - OECD High-income countries: max. 8.5 years
  - Other countries: max. 10 years

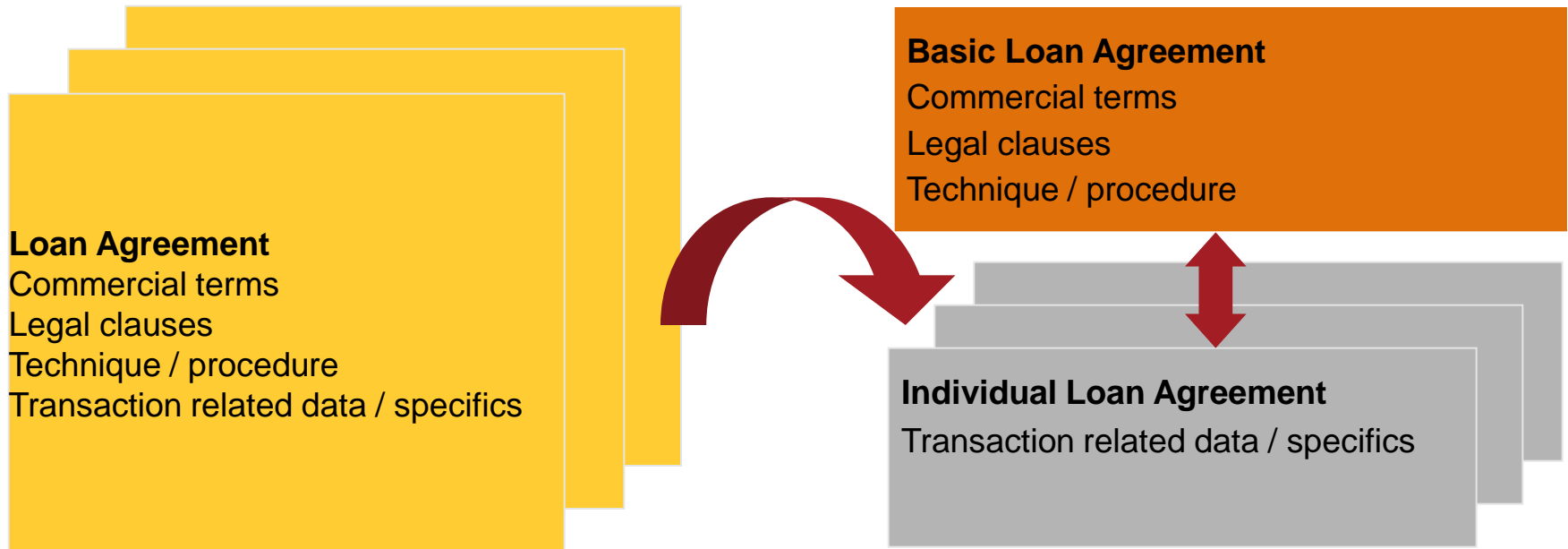
# Structure of ECA-Covered Financing, how does it work? (1/2)



## Structure of ECA-Covered Financing, how does it work? (2/2)

- › Exporter delivers capital goods to the Importer
- › Exporter gets payment from Commerzbank out of the ECA-covered credit
- › Importer repays the loan in arrears via his bank according to the repayment schedule
- › The whole transaction is covered by Euler Hermes (or another Export Credit Agency)

# The Implementation of the ECA-covered Financing 1/2



**Basic Loan Agreement:** Agreement on standard terms and conditions under which financings for capital goods can be obtained from Commerzbank.



# The Implementation of the ECA-covered Financing 2/2

## Basic Loan Agreements for ECA-covered Financing – Your Advantages

- › **Extended business opportunities:**

Commerzbank's export finance proposals under a Basic Loan Agreement may open the door to your foreign suppliers (in Germany or other European Countries).

- › **Lean processing:**

The commercial terms, legal clauses and techniques / procedures are agreed within the Basic Loan Agreement. The relevant details of the transaction to be financed are to be supplemented into the respective Individual Loan Agreement which only consists of a few pages – therefore, the procedure is simplified, uncomplicated and very efficient.

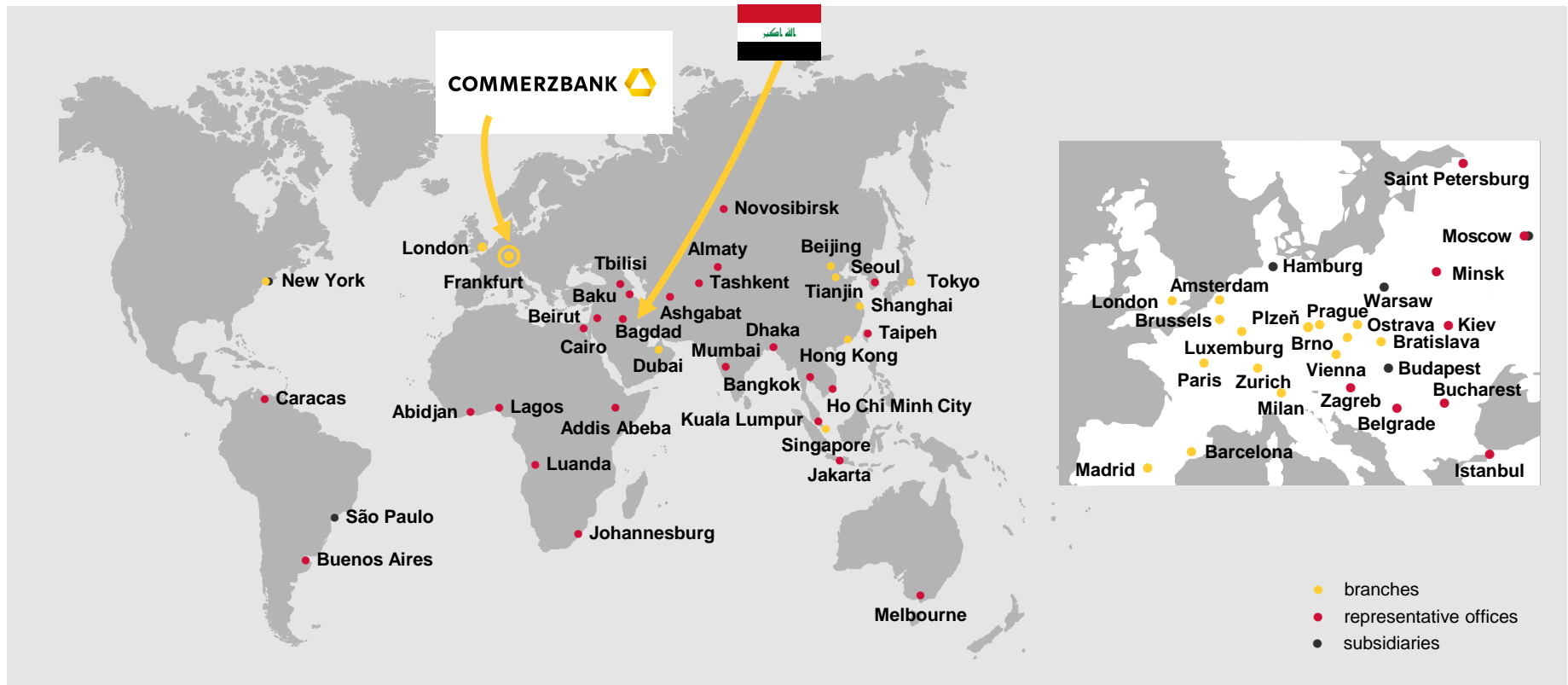
- › **Flexibility:**

Interest, fees and the repayment profile can be negotiated individually for each Individual Loan Agreement.

- › **Low costs:**

Possibility to offer a financing for relatively small amounts.

## Commerzbank's International Presence



5 subsidiaries, 23 branches, and  
34 representative offices internationally

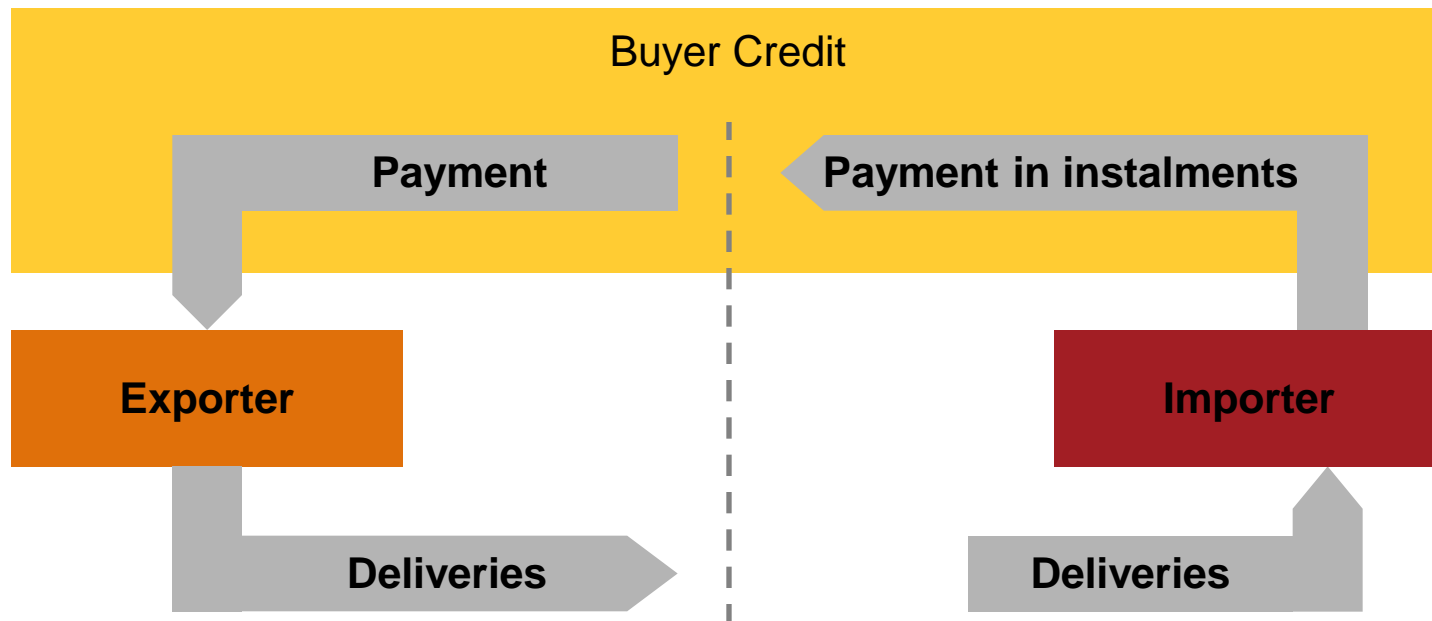
Approximately 1,000 branches in Germany

## Major advantages of an ECA-covered Buyer Credit

- › Lifetime of ECA-covered loans is much longer than that of commercial facilities with positive effects on the structure of the borrower's balance sheet
- › Larger credit volumes are achievable
- › Mitigation of political and economic risk components
  - contributing to a competitive pricing with interest based on the international money / capital market rates for EUR / USD
  - reliability during long construction periods and thus adding stability to the project implementation
- › Commerzbank's experience in the ECA business which guarantees a professional approach to the financing and allows a short implementation period until reaching financial close

## Bringing German exporter and Iraqi importer together

The ECA-covered financing combines the payment requirements of both the Exporter and the Importer: While the Exporter gets payments pro rata deliveries made, the Importer has to make deferred payments in instalments and only after his investment is in operation.



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