EURASIAN WATER CONFERENCE
3rd ASEM Seminar on Urban Water Management
Urban solutions for global challenges
13-14 September 2018 Budapest

www.asemwaterbudapest2018.hu
INTEGRATED SYSTEM TO SUPPORT FOREIGN TRADE AND ECONOMY

STATE OWNERSHIP RIGHTS EXERCISED BY THE MINISTER OF FOREIGN AFFAIRS AND TRADE
EXIM’S RELATIONSHIP WITH THE STATE

100 % STATE OWNERSHIP – RIGHTS EXERCISED BY THE MINISTER OF FOREIGN AFFAIRS AND TRADE

• Rating equal to the state: BBB- (Fitch Ratings)
  • Capital adequacy ratio: 18.78%

STATE GUARANTEE - FUNDING

• Eximbank borrowings are backed by the Hungarian State surety up to 3.76 billion EUR (according to the 2018 State Budget)
  - Current utilisation: 64 %

STATE GUARANTEE - EXPOSURE

• Eximbank: up to 0.47 billion EUR – under the 2018 Budget Act - Current utilization: 11 %

• MEHIB’s risks are backed by the Hungarian State surety

• MEHIB „Global Limit”: 3.45 billion EUR under the 2018 Budget Law
  – Current utilization: 28%

Data: 30/06/2018
SUPPORTING THE GROWTH PATH

Establishment:
- Project loans
- Equity financing

Growth:
- Competitiveness loans for investments
- Leasing
- Investment credit

Expansion:
- Export credits
- Loan guarantees

Entering the global market:
- Buyer’s credit
- Export insurance
- Commercial guarantees
- Equity funds
MEHIB-EXIMBANK JOINT ECA SCHEMES

EXPORT RECEIVABLES INSURANCE(C)

FACTORING INSURANCE(CF)

BUYER’S CREDIT INSURANCE (V)

SUPPLIER’S CREDIT DISCOUNTING INSURANCE(KV)

SUPPLIER’S CREDIT INSURANCE(S)

TIED AID INSURANCE(TA)

FORFAITING, SHORT-TERM PURCHASE OF RECEIVABLES

CLASSIC BUYER’S CREDIT

INTERBANK BUYER’S CREDIT

INTERBANK BUYER’S CREDIT LINE

SUPPLIER’S CREDIT DISCOUNTING

TIED AID
BENEFITS OF ECA FINANCE SCHEMES

- In case of liquidity problems
  - The exporter receives payment immediately after the goods have been delivered,
  - The buyer can use the loan to buy goods

- It improves the exporter’s chances of winning a tender and appearance during direct negotiations, if they can provide a financial proposal apart from a commercial and technical offer.

- It relieves the exporter from the following risks:
  - commercial,
  - country (political and transfer),
  - exchange rate, and
  - collection.

- The client can request payment to any of his/her account (no transaction cost)
The classic buyer’s credit facility is offered to finance the purchases of goods and/or services supplied under a commercial contract concluded between a Hungarian exporter and a foreign buyer, secured by MEHIB insurance policy.

Types of buyer’s credit:
- Classic – borrower is a foreign buyer / legal entity
- Interbank – borrower is a foreign bank

1. Commercial contract
2. Loan agreement
3. Facility V insurance covering the risk of non-payment by loan debtor or a loan guarantee
4. At least 15% of the export trade agreement is paid in advance
5. Disbursement of a loan granted from maximum 85% of the export trade agreement
6. Loan repayment
# TERMS AND CONDITIONS OF THE M/LT FINANCING PRODUCTS

<table>
<thead>
<tr>
<th>Products</th>
<th>Classic Buyer’s Credit, Interbank Buyer Credit, Interbank Buyer Credit Line, Discounting of Supplier’s Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of advance payment</td>
<td>Minimum 15% of export contract value (ECV) must be paid in advance (in cash)</td>
</tr>
<tr>
<td>Level of financing</td>
<td>Maximum 85% of the ECV + local cost+ MEHIB fee</td>
</tr>
<tr>
<td>Local cost</td>
<td>Can be financed up to 30% of the ECV</td>
</tr>
<tr>
<td>Tenor</td>
<td>2 – 10 years. Depends on country categories and the useful life of the export product</td>
</tr>
<tr>
<td>Repayment terms</td>
<td>Quarterly, Semi-annually, in equal instalments</td>
</tr>
<tr>
<td>Interest rate</td>
<td>Minimum CIRR</td>
</tr>
<tr>
<td>Risk premium</td>
<td>Minimum Premium Rate</td>
</tr>
<tr>
<td>Special terms</td>
<td>Project financing, sectoral agreements</td>
</tr>
</tbody>
</table>
SHORT-TERM RECEIVABLES PURCHASE WITH MEHIB INSURANCE

1. Commercial contract with deferred payment
2. MEHIB insurance (facility C)
3. Assignment of indemnification paid out under the insurance policy
4. Forfaiting agreement
5. Payment of the receivable’s value at a discounted rate
6. Payment of the receivable on the due date
### MAIN TERMS OF SHORT-TERM FINANCING

<table>
<thead>
<tr>
<th><strong>Amount of receivables</strong></th>
<th>Minimum 30.000 EUR or 30.000 USD</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Currency</strong></td>
<td>EUR, USD</td>
</tr>
</tbody>
</table>
| **Duration**             | Typically 90-365 days, maximum 23 months  
In case of agricultural goods, as per the agreement of WTO Nairobi from 1 January 2018, maximum 18 months. |
| **Collaterals**          | • Banking instruments:  
  — Bank guarantee  
  — Deferred payment Letter of Credit(L/C)  
  — Bill of exchange avalised by the bank  
• CF or C type insurance facility by MEHIB (assignment/ co-insured) |
| **Degree of financing**  | In case of banking instruments: 100%  
In case of C type facility: amount decreased by self retention  
In case of CF type facility: 100% of the insured portion |
| **Discount interest**    | Dependent on the duration of the financing: EURIBOR or USD LIBOR + risk premium |
| **Fees**                 | • Commitment fee: maximum 0.5% p.a. of the unutilised part of the limit  
• Up front fee: maximum 0.1% |
HUNGARIAN CONTENT

**PRODUCT**

Min. 50%

With the certificate of origin issued by the regional Hungarian Chamber of Commerce and Trade evidencing that at least 50% of goods exported under the financed transaction originates from Hungary.

**CONSTRUCTION**

Min. 25%

At least one quarter of the value of the general contract less the costs of financing should be of Hungarian origin, certified by a certificate of origin issued by the regional Hungarian Chamber of Commerce and Trade.

**SERVICE**

Min. 50%

At least one half of the persons employed by the financed client must be persons who are in a contractual relationship under a social security insurance obligation.
WATER TREATMENT PROJECTS

- **Indonesia** – Tied aid loan
- **Ghana** – Buyer’s credit
- **Kuwait** – Buyer’s credit (indicative offer was provided)
- **Laos** – Tied aid loan
- **Sri Lanka** - Tied aid loan
- **Vietnam** - Tied aid loan
The form of the Hungarian tied aid credit is the so called "mixed credit".

The Hungarian mixed credit means that the tied aid credit package contains a loan with interest rate support plus a grant element (i.e. insurance premium). The overall concessionality level should reach 35% (50%), which level is calculated according to the weighted average of these components.

The concessionality level is based on the length of the drawdown period, grace period and the repayment period, the interest rate and the amount of the risk premia, which is the grant element.
### Differences Between Tied Aid and Export Credit Facilities

<table>
<thead>
<tr>
<th>Tied Aid</th>
<th>Export Credit</th>
</tr>
</thead>
<tbody>
<tr>
<td>Based on Government decision</td>
<td>Based on Exim’s decision</td>
</tr>
<tr>
<td>For social infrastructure development only</td>
<td>Any kind of transaction (military purpose excluded)</td>
</tr>
<tr>
<td>No cash payment requirement</td>
<td>15% cash payment as advance is required</td>
</tr>
<tr>
<td>100% of the contract can be financed</td>
<td>85% of the contract can be financed</td>
</tr>
<tr>
<td>Interest rate: 0%</td>
<td>Interest rate: CIRR</td>
</tr>
<tr>
<td>Insurance premium: grant element</td>
<td>Insurance premium: payable</td>
</tr>
<tr>
<td>Repayment period: no limit</td>
<td>Repayment period: up to 10 years with some exemption</td>
</tr>
<tr>
<td>Grace period: no limit</td>
<td>Grace period: 6 months</td>
</tr>
</tbody>
</table>
EXIM’S INTERNATIONAL DEVELOPMENT ACTIVITY
INTERNATIONAL FINANCIAL INSTITUTIONS
TARGET REGIONS

Europe and Central Asia (ECA)

Middle East and North Africa (MENA)

East Asia Pacific (EAP)

Subsaharan Africa (SSA)

South Asia (SA)
EXIM’S ROLE

INTERNATIONAL FINANCIAL INSTITUTIONS

HUNGARIAN COMPANIES

COMPANY DATABASE

TENDER MONITORING

FORMING CONSORTIA

ORGANIZING WORKSHOPS
## INTERNATIONAL DEVELOPMENT TENDERS

<table>
<thead>
<tr>
<th></th>
<th>2015 Q3-Q4</th>
<th>2016</th>
<th>2017</th>
<th>2018 Q1-2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project opportunities sent</td>
<td>76</td>
<td>509</td>
<td>379</td>
<td>308</td>
</tr>
<tr>
<td>Submitted tenders</td>
<td>3</td>
<td>98</td>
<td>107</td>
<td>44</td>
</tr>
<tr>
<td>Shortlisted applications</td>
<td>1</td>
<td>59</td>
<td>69</td>
<td>19</td>
</tr>
<tr>
<td>Awarded tenders</td>
<td>0</td>
<td>18</td>
<td>10</td>
<td>2</td>
</tr>
<tr>
<td>Value of awarded tenders</td>
<td>n/a</td>
<td>6 442 438 USD</td>
<td>26 206 355 USD</td>
<td>1 648 285 EUR</td>
</tr>
</tbody>
</table>
Thank you for your attention!

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