

# EXPORT CREDIT GUARANTEES



ANNUAL REPORT 2019

FEDERAL EXPORT CREDIT AND  
UFG-GUARANTEES

► **Hermes Cover**  
► **Untied Loan Finance**



# 154 countries

The Federal Government provided cover for exports to 154 countries in 2019.

## Compact with Africa

The Federal Government is broadening the cover facilities available for numerous African countries following the “G20 Compact with Africa” conference.

# 21 billion

Goods and services worth 21 billion euros backed by export credit guarantees.

## Positive result

Export credit guarantees generated a surplus of 640.4 million euros for the federal budget.

## Credit guarantee cover

Credit guarantee cover provided for a local-currency loan for project finance for the first time.

# 2,100

Business consultants advised roughly 2,100 customers.

## Digital interfaces



Digital interfaces with banks and finance platforms are easing the pressure on exporters and simplifying processes at financing banks.

EXPORT CREDIT GUARANTEES OF THE  
FEDERAL REPUBLIC OF GERMANY

► Hermes Cover

# Climate strategy

Federal Government aiding businesses in the transformation process.



## Financing experts

The Federal Government is expanding the range of advisory services and supporting exporters locally in Dubai, Singapore and Nairobi.

### 74.7%

Cover for emerging economies and developing countries accounted for 74.7% of the total.

### SMEs

77.9% of all applications were submitted by small and medium-sized enterprises.

## ECA initiative

Government export credit insurers from Germany, Austria and Switzerland jointly organised the railway industry conference in Munich and a conference in Tashkent.

## 11 raw materials in 15 countries

Over the last five years, the Federal Government has confirmed the eligibility of raw material projects in 15 countries for 11 different raw materials in the light of supply considerations.

### 660 million

Two applications worth 660 million euros were received for untied loan guarantees in 2019.

## Technologies of the future

There is strong demand for raw materials for e-mobility and renewable energies such as rare earths, lithium and copper.

### 4.2 billion

The Federal Government's exposure under aggregate outstanding guarantees came to 4.2 billion euros as of the end of 2019.

UFG-GUARANTEES OF THE  
FEDERAL REPUBLIC OF GERMANY

► **Untied Loan Finance**



**Ladies and gentlemen,**

The German Federal Government's export credit guarantee scheme celebrated its seventieth anniversary last year. What began in 1949 with the "Gesetz über die Übernahme von Sicherheitsleistungen und Gewährleistungen im Auslandsgeschäft" (Act on the Provision of Cover and Guarantees in Export Business) has since evolved into a central instrument for promoting German foreign trade over the past seven decades.

Export credit guarantees have demonstrated their effectiveness in numerous political and economic crises. They have helped the German export industry to open up markets that are exposed to greater risk and maintain business relations even in difficult times.

In 2019, the Federal Government issued export credit guarantees worth 21 billion euros. In addition to numerous projects initiated by small and medium-sized enterprises, the Federal Government also provided cover for a number of big-ticket transactions, especially in the shipping sector. In doing so, it made an important contribution to boosting the maritime industry in Germany.

The German export industry is currently facing a number of challenges. Tensions in global trade are exerting a drag on the global economy. At the same time, geopolitical risks are emerging in key economic regions around the world. On top of this, the digital transformation is fundamentally changing the way we trade with each other, also leading to far-reaching changes in foreign trade finance in the future.

A further challenge is posed by climate change. German technology is already making valuable contributions to climate protection and sustainability in many foreign markets. In the field of renewable energies alone, the Federal Government backed business worth over one billion euros with export credit guarantees in 2019. We intend to continue along this path.

Over the past 70 years, the German Federal Government's export credit guarantee scheme has been continuously adapted to meet the ever-changing needs of the export industry. In this way, it has made a significant contribution to the success of German foreign trade and to growth and prosperity. I am committed to ensuring that this remains the case in the future.

A stylized, handwritten signature in blue ink, consisting of a large loop at the top and a series of horizontal strokes at the bottom.

**Peter Altmaier**  
Federal Minister for Economic Affairs and Energy



**EXPORT CREDIT GUARANTEES OF THE FEDERAL REPUBLIC OF GERMANY  
AT A GLANCE IN MILLION EUR**

	2018	2019
Statutory cover limit	153,000	148,000
Cover applications (volume) *	35,144	26,829
Small and medium-sized enterprises (share of exporters supported with guarantees in %) **	79.0	77.9
<b>New business</b>		
Covered export volume	19,795.6	20,998.5
of which for		
emerging economies and developing countries ***	14,717.7	15,688.6
industrialised countries ***	5,078.0	5,310.0
Covered exports for EU countries	2,239.3	4,321.6
Covered exports in % of total exports	1.5	1.6
<b>Results</b>		
Revenues from		
Premiums and fees	586.1	563.0
Recoveries	397.4	550.3
from political claims	267.2	271.8
from commercial claims	130.2	278.4
Other income (exchange rate gains/losses)	-0.5	0.3
Expenses for		
Claims paid	728.0	383.2
for political claims	318.1	5.9
for commercial claims	409.9	377.3
Management fee	88.7	90.0
<b>Annual result</b>	<b>166.4</b>	<b>640.4</b>
Accrued result (since 1951)	5,709.7	6,350.1
Accounts subrogated to the Federal Government	4,048.2	3,593.5

\* Including buyer credits

\*\* Firms with up to 500 employees

\*\*\* Classification of countries see p. 78



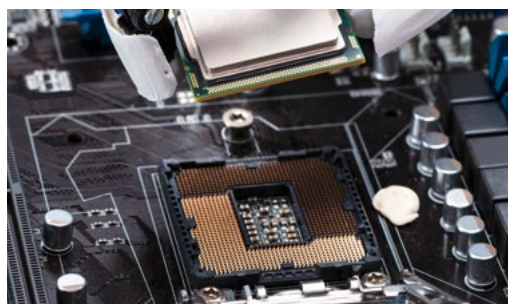
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## Cover picture

This year's cover picture was designed by Alex Harbich, a student at the University of Applied Science Europe in Hamburg. Further details on the project can be found in the appendix on page 75.







# 21 billion

Goods and services worth 21 billion euros backed by export credit guarantees.

# SMEs

77.9% of all applications were submitted by small and medium-sized enterprises.

# THE TASKS OF THE INTERMINISTERIAL COMMITTEE

The Interministerial Committee (IMC) for Export Credit Guarantees is the central decision-making body for the provision of export credit guarantees by the Federal Government. It also decides on cover policy for the individual countries. In 2019, the IMC deliberated on 167 transactions in twelve meetings. This was supplemented by 50 meetings of the Small Interministerial Committee (SIMC) (173 transactions).

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## Compact with Africa

The Federal Government is broadening the cover facilities available for numerous African countries following the “G20 Compact with Africa” conference.

## Financing experts

The Federal Government is expanding the range of advisory services and supporting exporters locally in Dubai, Singapore and Nairobi.



## BUSINESS OVERVIEW – 2019 AT A GLANCE

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Once again, the Federal Government's export credit guarantees proved to be a central element for promoting German foreign trade in 2019, with the volume of cover provided increasing for the second consecutive year.

The year was marked by persistent political and economic uncertainty in key foreign markets. In this challenging environment for German exporters, the Federal Government provided Hermes Cover for exports worth 21 billion euros. Compared with the previous year, this was an increase of 6.1% (2018: 19.8 billion euros).

The high volume of cover reflects the sustained interest in this promotion instrument and testifies to the Federal Government's willingness to support com-

panies and banks in their foreign business even in difficult times.

Once again, the bulk of the cover provided in 2019 was for the delivery of goods and services to emerging economies and developing countries, accounting for three quarters of new business. Key foreign markets such as Russia, Turkey and China again numbered amongst the countries attracting the greatest volume of cover in 2019.

In 2019, the Federal Government issued export credit guarantees for a series of big-ticket transactions, particularly in the shipping sector. In this way, it made an important contribution to strengthening the maritime industry in Germany.



In addition, the Federal Government provided cover for a number of big-ticket projects in the energy sector, including an offshore wind farm in Taiwan and the delivery of gas turbines to Brazil. In total, cover provided under single transaction policies rose from 11.1 billion euros to 12.5 billion euros. At 8.5 billion euros, cover provided under spread policies was more or less unchanged over the previous year (2018: 8.7 billion euros).

In 2019, the indemnification provided by the Federal Government came to 383.2 million euros and was thus substantially lower than in the previous year (2018: 728 million euros).

Lower indemnification payments and higher recoveries from earlier claims compared with the previous

year (2019: 550.3 million euros) had a direct impact on the result for the year, which rose by 640.4 million euros (2018: 166.4 million euros). Since being introduced in 1949, the Federal Government's export credit guarantee scheme has thus achieved a cumulative positive result of 6.4 billion euros. The annual result is transferred in full to the federal budget.

With underlying conditions for German exports remaining challenging, demand for export credit guarantees continues to be high.



*After 21 months construction time, the Vietnamese company VinFast has officially launched its first cars in June 2019. In the first stage the plant is laid out for a production capacity of 250,000 cars but it is planned to double the capacity by 2025. The company offers a wide range of vehicle models from small cars, sedans, SUVs and electric scooters. Electric cars and electric busses are to follow. A large part of plant equipment and technology was supplied by German companies. The Federal Government provides manufacturing risk, buyer credit and supplier credit cover for the project.*



## COMPOSITION AND TASKS OF THE INTERMINISTERIAL COMMITTEE

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The **Interministerial Committee** (IMC) for Export Credit Guarantees is composed of representatives of the Federal Ministry for Economic Affairs and Energy, the Federal Ministry of Finance, the Federal Foreign Office and the Federal Ministry for Economic Cooperation and Development. The Federal Ministry for Economic Affairs and Energy has the lead function.

Decisions on whether to provide cover for a transaction are made on a consensual basis by the four IMC ministries in the interests of ensuring consistency in economic, fiscal and foreign policy as well as international development activities.

## The decision-making bodies

The Interministerial Committee (IMC) makes decisions on transactions with a volume of over ten million euros. The Small Interministerial Committee (SIMC) is responsible for decisions on transactions valued at between five and ten million euros. Euler Hermes Aktiengesellschaft as the Federal Government's mandatory makes decisions on applications for cover of up to five million euros in accordance with the instructions issued by and under the control of the Federal Government (powers of representation). In special cases, responsibility may be allocated to a higher level (mandatory, SIMC, IMC).

### INTERMINISTERIAL COMMITTEE – IMC

#### Ministries

##### BMWi

Federal Ministry  
for Economic Affairs  
and Energy  
– lead function –



##### BMF

Federal Ministry  
of Finance



##### AA

Federal Foreign  
Office



##### BMZ

Federal Ministry  
for Economic  
Cooperation  
and Development



#### Mandatory

- Euler Hermes Aktiengesellschaft

#### Experts

- Representatives of the exporting industries and banking sector
- KfW IPEX-Bank
- AKA Ausfuhrkredit-Gesellschaft mbH
- Federal Audit Office



*Central decision-making body:  
The Interministerial Committee for Export Credit Guarantees.*

## What are export credit guarantees?

State export credit guarantees (“Hermes Cover”) are an established instrument for promoting foreign trade, shielding exporters and banks from payment defaults caused by economic and political factors. The range of products available addresses the entire value chain from production and delivery to payment of the final instalment.

Export credit guarantees transfer a large part of the risk of a payment default to the Federal Republic of Germany. In return for this, the policyholder

pays a premium calculated on the basis of the risk involved. In the event of a loss, the Federal Government indemnifies the policyholder for the amount covered.

Export credit guarantees play a key role in risk management and finance as the Federal Government with its investment-grade rating lowers the credit risk. This has a positive effect on financing terms. Consequently, finance backed by export credit guarantees offers an interesting option for foreign buyers of goods

and services originating from Germany. In many cases, Hermes Cover is a prerequisite for bank finance.

As a basic rule, all German export companies are able to apply for Hermes Cover regardless of their size or the type of transaction. The key criteria for the provision of cover include eligibility for trade promotion and the viability of the risks arising from the transaction.

## COUNTRY COVER POLICY

In 2014, the Federal Government started expanding the cover facilities for transactions with selected countries in sub-Saharan Africa with the aim of expanding economic cooperation with Africa and strengthening trade relations.

This course was retained in the year under review. Coinciding with the third G20 **Compact with Africa** conference in mid-November, the Federal Government adopted a number of measures aimed at strengthening bilateral trading relations. One key element of this was the provision of better cover options for goods and services provided by German exporters to more **Compact with Africa** (CwA) countries, specifically Burkina Faso, Guinea, Togo, Rwanda and Ghana.

Now that the cover facilities have been widened, transactions involving medium and long-term credit periods can also be covered in business with the public sector in all CwA countries. This is important as economic structures in Africa are still dominated by the public sector. Although infrastructure projects in particular are not executed by the government as such, they are often handled by government-controlled companies.

As a result of the improved cover, the higher uninsured percentages still applicable in some CwA countries were reduced to the normal rate of 5%. This applies to goods and services for both private-sector and public-sector buyers.

With the extended and improved availability of cover for transactions in Africa, the Federal Government fulfilled a long-standing demand voiced by the German private sector.

### Compact with Africa

The “Compact with Africa” is a core element of the G20 partnership with Africa, comprising individually tailored investment partnerships (“compacts”) with African countries. The aim is to improve the underlying conditions for private-sector investment in Africa. At the end of 2019 there were compacts in place with the following countries: Benin, Burkina Faso, Côte d’Ivoire, Egypt, Ethiopia, Ghana, Guinea, Morocco, Rwanda, Senegal, Togo and Tunisia.

*300 villages in Senegal will be electrified for the first time by 2023 using a decentralised solar power system. Each of the villages will have its own photovoltaic system, battery storage, LED street lamps, power distribution lines and house connections. Planned and executed by GAUFF Engineering, the project is contributing to the sustainable development of the rural areas of this West African country. The Federal Government is supporting the project with supplier credit and buyer credit cover.*



## From initial contact to in-depth consulting: the Africa Business Network

With the Africa Business Network, the Federal Ministry for Economic Affairs and Energy provides targeted support for German companies that want to become active in Africa. It provides a forum for the providers of German foreign trade promotion and their programmes (bilateral chambers of industry and commerce (AHK), Germany Trade & Invest (GTAI), the market development programme, the export initiatives of the Federal Ministry for Economic Affairs and Energy as well as associations and other entities) and alerts companies to specific project opportunities. The “Africa Partners” at the office of the Africa Business Network support companies during the entire market entry process.

The Africa Business Network operates at an interministerial level, providing information on measures aimed at promoting foreign trade as well as development cooperation and thus offering a consolidated range of advisory and support services.

Further information on the Africa Business Network can be found here

<https://www.bmwi.de/Redaktion/DE/Artikel/Aussenwirtschaft/wirtschaftsnetzwerk-afrika.html>

or at [www.africa-business-guide.de](http://www.africa-business-guide.de).



In 2019, the Interministerial Committee (IMC) for Export Credit Guarantees substantially widened the scope for cover for business with [Kazakhstan](#). This particularly concerns credit transactions. In June, Euler Hermes and the Kazakh state holding company Baiterek signed a memorandum of understanding aimed at strengthening German-Kazakh trade relations. At the end of the year, a further memorandum of understanding was signed between Euler Hermes and the Development Bank of Kazakhstan.



*Pictured (from left): Christin Zschoche, Euler Hermes, Dr. Christoph Herfarth, Chairman of the Interministerial Committee for export credit guarantees (BMWi), Abay Sarkulov, Chairman of the Management Board Development Bank of Kazakhstan (DBK), Thomas Baum, Head of the Division Berlin Euler Hermes, Dr. Christopher Peters, BMWi, Dimitriy Babichev, Deputy Chairman DBK, and Botagoz Abisheva, Managing Director, DBK*

#### OECD COUNTRY RISK CATEGORIES\*

	previously	new
Albania	6	5
Argentina	6	7
Bahrain	4	5
Egypt	6	5
Kazakhstan	6	5
Namibia	4	5
Panama	3	4
Uzbekistan	6	5
Vietnam	5	4
Zambia	6	7

\* Premium is calculated according to eight country risk groups, in seven of which (1 = lowest risk, 7 = highest risk) the calculation is based on a set formula. In countries assigned to the highest country risk group 0 (OECD high income countries and the countries of the euro zone) a market-oriented premium is charged.

#### COUNTRY CEILINGS IN MILLION EUR

(medium and long-term) Cuba	50
(short-term) Cuba	25
Dominican Republic	200
Serbia	200
Ukraine	250

## RISK MANAGEMENT

The IMC defines an appropriate **cover policy** for each country on the basis of its specific risk. This governs the conditions for the grant of export credit guarantees.

One important parameter for the Federal Government's cover policy is the OECD **country risk ratings**.

These country ratings are binding on all export credit agencies in OECD member countries and form the basis for the minimum premium payable by the policyholder.

In 2019, the OECD recalculated the ratings of 138 countries. Five countries were upgraded and five downgraded as a result.

Further information on the OECD rating system and a list of the current country ratings can be found at [agaportal.de/en](http://agaportal.de/en) > Quick Links > Country Classification List.



A further instrument for managing risk if no open cover policy is justifiable for the country is the establishment of a **country ceiling**, in which the IMC sets a maximum credit limit available for a given country. As of 31 December 2019, ceilings had been defined for four countries.



*DPL Festive Ltd. is one of the leading industrial bakeries in Kenya, producing up to 320,000 loaves of bread daily for delivery to schools, restaurants and retailers. Werner & Pfleiderer Industrielle Backtechnik GmbH from the German state of Baden-Württemberg supplied DPL with four baking systems for toast bread. They include all modules from the process line for production to cooling and transport systems. The Federal Government provided supplier and buyer credit cover for the project.*



## NEW DEVELOPMENTS IN THE EXPORT CREDIT GUARANTEE SCHEME

### Financing experts

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In 2019, the Federal Government continued to expand its advisory services for export credit guarantees. **Financing experts** have been operating locally in **Dubai**, **Singapore** and **Nairobi** since September. They advise German exporters and their foreign subsidiaries as well as the banks that finance them on all questions relating to export finance and guarantees.

A further key task performed by the financing experts based at the local foreign chambers of commerce entails advising foreign buyers and local banks, particularly on matters relating to finance, which plays a decisive role in procurement decisions. If the transaction can be financed inexpensively due to the availability of an export credit guarantee, this increases the likelihood of the foreign customer ordering in Germany.

On request, the financing experts support exporters and banks during discussions with customers and negotiations on finance with importers. Small and medium-sized enterprises (SMEs) particularly made use of this offer in the first few months.

*Peter Altmaier, Federal Minister for Economic Affairs and Energy, together with the financing experts Eva Rössler (Nairobi), Eva Christine Steinhaus (Dubai) and Markus Leichum (Singapore). The financing experts advise and support companies and banks in the MENA region as well as South East Asia and East Africa.*





## Digitisation

The introduction of the myAGA customer portal in 2017 marked a major step forward in the digitisation of the export credit guarantee scheme. Since then, exporters have been able to submit their applications securely, quickly and online. In 2019, the online application system was extended to include key guarantee products for banks. Consequently, buyer credit cover, covered bond cover and securitisation guarantees can now also be requested online. The digital application process guides companies and banks step by step, prompting them to provide the necessary information. It shows which documents must be submitted, automatically checks the information for plausibility and also immediately indicates whether the transaction is eligible for cover.

Exporters and banks are increasingly making use of the digital access to Hermes Cover. More than 400 policyholders have now registered on the myAGA customer portal. 409 applications for single transaction policies were submitted via myAGA in 2019, equivalent to more than one third (37.2%) of the total number (2018: 156 applications).

In addition, the Hermes Cover click&cover digital range was extended with the addition of a further product. The digital buyer credit cover **Hermes Cover click&cover BANK** simplifies cover for standardised buyer credits in the case of orders valued at up to

*The 165 million or so inhabitants of Bangladesh are to receive electronically readable passports that meet very high security requirements and are particularly forgery-proof. The project is being implemented by the Berlin-based company Veridos GmbH. The big-ticket contract also includes 50 fully automatic e-gates for airports and national borders as well as the construction of a factory in Bangladesh where passports are produced. The German government is backing the project with manufacturing risk cover, supplier credit cover and contract bond cover.*



5 million euros. In this way, it forms a key element in efforts to make Hermes-covered finance more attractive for small-ticket orders.

The experience gained with the digital supplier credit cover **Hermes Cover click&cover EXPORT** shows the potential offered by such standardised and digital product solutions. In the year under review, the number of applications submitted via the portal increased almost fivefold to 148 (2018: 32). This testifies to exporters' acceptance of the new product.

A further milestone was the establishment of a **digital interface** that enables the myAGA customer portal to be linked with the IT systems of banks and other financing partners.

Via this digital interface, data on the export transaction as well as the related finance can be shared among all the parties concerned. In this way, transactions for which finance and an export credit guarantee are required can be processed substantially more simply and quickly as the necessary information only has to be submitted once. This does away with duplicate work, thus easing the pressure on exporters and simplifying processes at the financing bank. The digital interface is fundamentally available for all banks and financing platforms and has already been implemented by the first bank (AKA Ausfuhrkredit-Gesellschaft mbH).

*The family-owned Turkish company Gama Recycle supplies the textile industry, the automotive sector and the construction industry with fibres and yarns made from recycled materials.*

*To meet the growing demand for ecologically produced fibres and yarns, it has signed a contract with Oerlikon Neumag in Neumünster for the delivery and installation of a plant that produces staple fibres from shredded PET bottles.*

*The Federal Government has issued manufacturing risk and supplier credit cover for this transaction. The picture shows an identical plant.*



## Buyer credit cover: provisions governing commencement of liability and preconditions for disbursement revised

In the year under review, the Federal Government made important practical adjustments to the export credit guarantees. They concern two main aspects of the export credit guarantees: for one thing, the question as to when the Federal Government becomes liable under buyer credit cover (commencement-of-liability clause) and, for another, the question as to the conditions under which banks may disburse a loan under buyer credit cover (disbursement preconditions).

### Commencement-of-liability clause

The **commencement-of-liability clause** determines that in certain cases the Federal Government's liability under the cover does not commence until the export transaction has actually been completed. In the past,

commencement-of-liability clauses applicable to milestone payments, invisible services and final instalments stipulating a latest date for payment sometimes resulted in banks refusing to disburse a loan due to the absence of the requisite cover. This had unfavourable consequences for exporters.

The Federal Government has consequently decided to waive a commencement-of-liability clause for invisible services and final instalments with a latest date for payment if the amount involved is less than 10% of the contract value.

In the future, no commencement-of-liability date will be stipulated for milestone payments that are closely linked with the goods and services both in terms of their nature and amount.

### Preconditions for disbursement

Before a bank disburses a Hermes-backed loan, it must satisfy itself that the exporter has completed the individual deliveries and services. This may require considerable resources particularly in the case of finance for plant construction and big-ticket projects. For this reason, the Federal Government has decided that in the case of big-ticket projects it is no longer necessary for the exporter to provide documentary proof that all deliveries and services have been completed and for banks to perform plausibility checks. In the future, this will be necessary only for goods and services which have been designated in advance as being material.



*Measuring 236 metres in length and 31 metres in width, the “Spirit of Discovery” embarked on its maiden voyage in the summer of 2019. Built by MEYER WERFT, the ship is tailored to the British market with its design and offers space for 999 passengers.*

*All 540 cabins have balconies. It is the first of two identical cruise ships for Saga Cruises, a UK-based shipping company that specialises in services for people aged over 50.*

*The German Federal Government backed the transaction with supplier and buyer credit cover.*



### Uninsured percentage under supplier credit cover: reduction period extended

Exporters are still able to lower the uninsured percentage for economic risks under supplier credit cover and wholeturnover policies to 5% subject to payment of an additional premium. The Federal Government has extended these arrangements until 31 December 2022. The standard uninsured percentage for economic risks is 15% in the case of supplier credit cover and 10% in the case of wholeturnover policies.

The lower uninsured percentage offers exporters several advantages: it relieves the strain on their balance sheet, improves their opportunities for raising funding and thus strengthens their position in international competition.

In the past few years, the reduced uninsured percentage has proved to be a key element of efforts to support SMEs. Among other things, this can be seen from the fact that this option is particularly utilised with wholeturnover policies, a classic product for SMEs. The reduced uninsured percentage is now requested for almost half of all wholeturnover policies.

In the case of single transaction policies, applications for the reduced uninsured percentage particularly arise with smaller transactions involving cover of up to 5 million euros.





### Expiry of exceptions for Greece on 31 December 2019

The provision of cover for export transactions on short payment terms for buyers or guarantors domiciled in the EU and the OECD core countries is fundamentally reserved for private-sector credit insurers. However, an exception has been permitted for Greece in the last few years in view of the difficult economic conditions faced by this country. As sufficient cover was not available in the private sector, the EU Commission allowed state export credit agencies to issue export credit guarantees for exports with credit periods of less than two years.

As the EU Commission assumes that short-term receivables can now be fully covered in the private sector, the exception for Greece was not extended beyond the end of 2019. In 2019, transactions worth 75.4 million euros, including 69.7 million euros on short payment terms, were covered for Greece.

As before, state export credit guarantees remain available for medium and long-term export transactions.



## Digital interfaces

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Digital interfaces with banks and financing platforms are easing the pressure on exporters and simplifying processes at financing banks.

## 2,100

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Business consultants advised roughly 2,100 customers.

# THE INTERMINISTERIAL COMMITTEE IN CONTACT WITH STAKEHOLDERS

The Interministerial Committee engages in ongoing dialogue with the business community through channels such as the “Bring your project to...” series. In addition, numerous international consultations as well as bilateral and multilateral talks were held with various stakeholders in foreign trade finance in 2019. At an international level, the Federal Government is actively working towards a further enhancement of the OECD Consensus in the interests of the German export industry. The ECA initiative of the German-speaking export credit insurers promotes projects with the participation of companies from all three countries.

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## ECA initiative

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Government export credit insurers from Germany, Austria and Switzerland jointly organised the railway industry conference in Munich and a conference in Tashkent.

## Climate strategy

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Federal Government aiding businesses in the transformation process.



*The export credit agencies of Austria, Germany and Switzerland intensified their joint activities in the area of government export credit guarantees in the year under review with activities that included a joint export financing conference in Tashkent, a rail industry conference in Munich and an anti-fraud workshop in Hamburg. The management boards of OeKB, SERV and Euler Hermes signed a corresponding agreement at a meeting in Basel.*

## PARTNERSHIP FOR MORE EXPORTS

In 2019, the export credit agencies (ECAs) of Germany, Austria and Switzerland launched a joint initiative to intensify their already close relationship, to improve the export opportunities of the companies domiciled in these countries and to strengthen their position in international competition. Preliminary joint events have already been held, starting with a transnational conference on the rail industry in Munich. This was followed in December by a joint conference on export finance held in Tashkent. In addition, one expert from each of the participating export credit agencies was posted to each of the other agencies for a total of three months in order to share experience more intensely and to compare experiences.



## Railway industry conference

At the [rail industry conference](#) held in Munich in November, just under 100 representatives of the rail industry and banks met to discuss the options for trade promotion as well as the current challenges in connection with ECA finance.

Globally, state export credit guarantees play a particular role in the transport and infrastructure sector. In this respect, the joint initiative launched by the

export credit agencies Euler Hermes (Germany), OeKB (Austria) and SERV (Switzerland) offers favourable opportunities for promoting projects that involve companies from all three countries.

Currently, numerous infrastructure projects are in the planning and project development phase. This is calling for product solutions and technical expertise sourced in Europe. However, there are growing concerns across the sector over mounting protectionism and excessive government intervention in Asia. The response that this calls for and the contribution that export credit agencies in Germany, Austria and Switzerland can make was the subject of intense discussion.

*Dr. Ben Möbius,  
Managing Director of the  
German Railway Industry  
Association (VDB):*



“The kick-off conference can pave the way worldwide towards greater mobility “made in Europe” without climate gases. This is because the intelligent interaction of ECAs and the railway industry in the German-speaking region can help to counter the competition-distorting king-size export packages of some countries by offering market-based and competitive European finance.”

## Special consulting services

In the year under review, Euler Hermes set up the **Transportation** department to address companies active in big-ticket transport and infrastructure projects. Encompassing rail, ships and aircraft, it acts as a central contact point for exporters and banks that are engaged in business in these sectors.

Contact: Phone +49 (0) 40 / 88 34 - 90 87

## Export finance conference in Tashkent

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The first joint foreign event organised by the German-speaking ECAs Euler Hermes, OeKB and SERV was held in Tashkent, Uzbekistan, in early December 2019. Companies from Uzbekistan, Turkey and Tajikistan as well as numerous local banks were able to find out more about the cover and financing solutions offered by the ECAs.

Trade relations between Germany and [Uzbekistan](#) are traditionally close. With the opening of this country and the economic and political reforms that have been implemented there, this development has inten-

sified in recent months. Demand for Hermes Cover and consequently the cover volume have risen again substantially particularly after the reclassification of Uzbekistan in country risk category five (previously six) and the improved conditions for finance resulting from this.

To date, most of the demand is directed at Hermes Cover for the textile industry. The aim of the joint activities is to widen this to include other industries as well.



*In a production facility east of Uchkuduk, the state-owned Uzbek company NMMC is extracting gold from sulphide ores. The resulting waste still contains valuable materials containing gold. Engineering Dobersek GmbH supplied a roasting plant for extracting this gold. This allows production capacity to be increased while complying with strict emission regulations and reducing the landfill area. The Federal Republic of Germany is backing the project with isolated manufacturing risk and contract bond cover with counter-guarantees.*

## Bring your project to ... Latin America

The third hands-on workshop for exporters and banks in the “Bring your project to...” series was held at Euler Hermes in Hamburg. This time, the regional focus was on the countries of Latin America.

The country and risk specialists from Euler Hermes and PwC<sup>1</sup> as well as the experts from Germany Trade & Invest (GTAI) and the Latin America Business Association (LAV) outlined the opportunities and options for cover in this region and explained the political, economic and legal framework conditions.

What is the best way of structuring transactions, what forms of finance are available and what type of cover does the Federal Government provide? In talks with representatives from the Ministry for Economic Affairs, the participants discussed the measures available to the Federal Government for supporting exporters, investors and banks in conducting their business. Subsequently, companies, investors and banks discussed the cover available for their specific plans and projects directly with the experts.

<sup>1</sup> The Federal Government has mandated PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) with the management of the investment guarantees (see page 41). Investment guarantees are an instrument for promoting German foreign trade. With their help, German companies can effectively hedge their direct investments against political risks in the occasionally difficult environment that they encounter in emerging economies and developing countries.



*The “Bring your project to ... Latin America” project day reflected German exporters’ strong interest in Latin America. Around 100 participants attended the event jointly organised by the Lateinamerika Verein (Business Association for Latin America) and Euler Hermes in Hamburg on 23 May 2019. On the basis of concrete projects, they discussed the government guarantee and financing options that are available.*



## Advisory service with their fingers on the pulse of the market

Know your customer – the business consultants of the Federal Government’s export credit guarantee scheme put this into practice day for day, maintaining an ongoing dialog with exporters and banks. Last year, the prevailing economic, geopolitical and regulatory trends caused a further substantial increase in the need for advice. In 2019, the advisory service attended almost 2,100 direct meetings with customers (previous year: 1.900).

The range of consulting services encompasses the entire lifecycle of an export credit guarantee, such as the pre-contractual phase, the submission of an application for cover, the issue of the export credit guarantee and the liability release or claim. Small and medium-sized companies in particular make use of these services. However, large companies, banks, business associations and national and bilateral chambers of commerce and industry maintain regular contact with the business consultants. In addition to general questions concerning cover and finance, one major subject of the consulting activities in the year under review concerned the digital products.

The business consultants attended more than 100 trade fairs, conferences, consultant days and specialist events. This was supplemented with roadshows and information events of their own on individual countries and regions. In addition, around 400 interested parties made use of the free webinars on “Exporting to Latin America” organised in conjunction with LAV, “Covering your business in Asia” in conjunction with the German Asia-Pacific Business Association and “Simplified claims for indemnification in connection with loans”.



## INTERNATIONAL COLLABORATION

The Federal Government's export credit guarantees are embedded in an international set of rules. The OECD consensus is binding for government-supported export credits with repayment terms of two years or more. Among other things, it defines minimum standards for terms of finance in order to prevent a downward competition spiral at the expense of national budgets and to ensure a level playing field. The following matters were of particular significance in international collaboration:

### Modernisation of the OECD Consensus

Government export credit agencies are increasingly competing with other non-commercial operators at an international level, among them new market participants such as internationally active development banks, which are playing a more prominent role in the promotion of export business. This is leaving traces on international financing conditions. To address these dynamic developments effectively, the Federal Government is committed to a fundamental revision of the OECD Consensus.

*The Irrawaddy is the largest river in Myanmar and one of the world's most polluted rivers. A World Bank project aims to improve the water quality of the Irrawaddy, to optimise river navigation and to establish a disaster control system. Berky GmbH, a company based in Emsland, delivered an amphibian boat for cleaning water and for dredging and desludging the river to Myanmar as part of the project. The Federal Government is providing supplier credit cover for the transaction.*

As a driving force and with specific proposals, the Federal Government materially shaped the debate on this question, which is of crucial importance for the European and German export sector, at the EU and OECD level in the year under review. The goal for 2020 is to actively promote the position adopted by the EU in further negotiations at the OECD level and to achieve substantial results.

The Federal Government is seeking a substantially more flexible set of rules that is easier to handle and more attuned to practical requirements in order to address the changing possibilities and requirements for finance more effectively.

### International Working Group

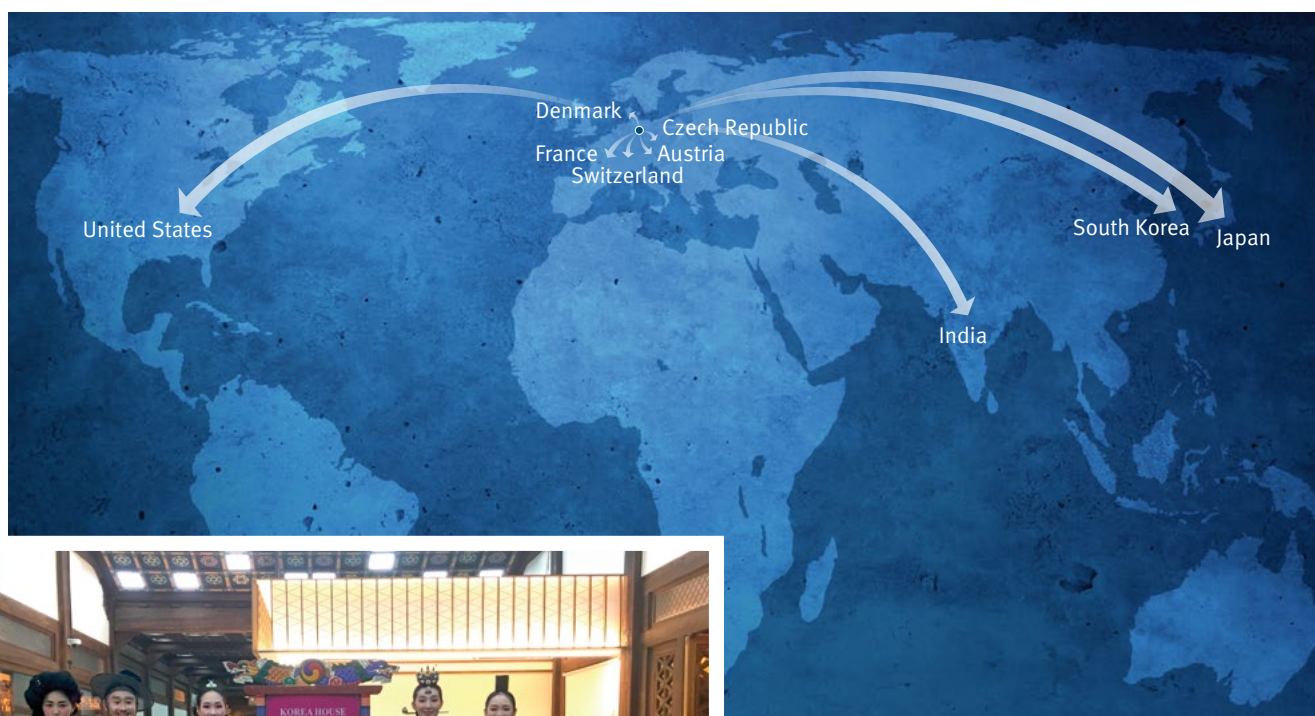
To ensure a level playing field for all government export credit agencies, it is of crucial importance for key non-OECD trading nations to be integrated in an international set of rules. This is the purpose of the **International Working Group (IWG)**, which was established in 2012. It comprises the EU as well as nearly all other OECD countries plus Brazil, China, India, Indonesia, Malaysia, Russia and South Africa as well as other countries.

## Consultations

32 ■

In 2019 there was also a number of bilateral and trilateral meetings with other government agencies and public-sector export credit insurance and export finance institutions. Specifically, **consultations** were held with the United States, France, Denmark, the Czech Republic, South Korea, India, Japan, Switzerland and Austria.

The purpose of the consultations is to deepen cooperation between individual countries and to encourage mutual understanding of the different guarantee systems. The talks are also used to continue enhancing the global standards for export credits.



*On 9 and 10 May 2019, a bilateral working meeting between the Korean export credit insurer K-sure, the Federal Ministry for Economic Affairs and Energy (BMWi) and Euler Hermes was held in Seoul to further intensify the cooperation.*

*From left (front row): Bonnie Bomi Jang, K-sure, Franziska Löke, Euler Hermes, Christof Wegner, Dr. Christoph Herfarth, BMWi, Jongchul Eun, K-sure, Jens Heitmann, Euler Hermes, John Jonghoon Lee, K-sure*

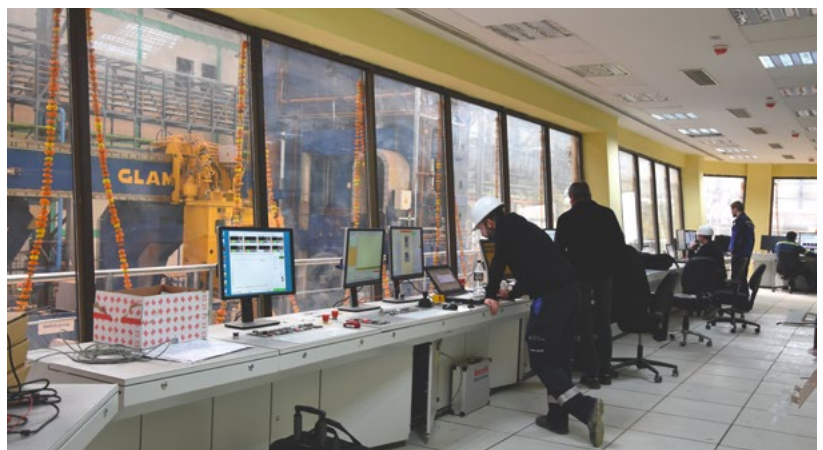
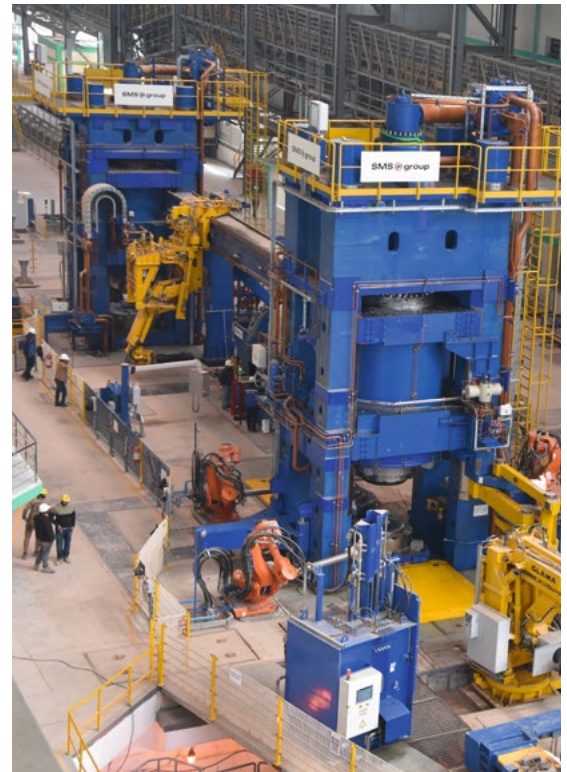


## EXPORT CREDIT GUARANTEES AND RESPONSIBILITY

The Federal Government attaches particular importance to the observance of environmental and social standards as well as human rights when granting export credit guarantees. As a fundamental rule, it does not provide cover for any export transactions that violate the applicable **environmental, social and human rights standards**.

Environmental, social and human rights aspects must be reviewed in the case of projects and transactions coming within the scope of the OECD Common Approaches (Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence). If there is any evidence that a project may have a significant adverse environmental or social impact or breach human rights, the transaction must undergo an environmental, social and human rights impact assessment irrespective of the underlying term of the loan and the value of the contract.

*As the consortium leader, the Düsseldorf-based SMS group is building a new plant for railway wheels in the North Indian province of Uttar Pradesh. From autumn 2020, the fully automated plant is to produce 100,000 wheels a year for locomotives and high-speed trains. It is planned to expand production to over 200,000 wheels at a later date. The project will strengthen climate-friendly rail transport in India. The Federal Government has issued manufacturing risk and supplier credit cover.*



Under the OECD rules, the reference standards for the environmental and social impact and human rights assessment are the World Bank Environmental and Social Standards, the Performance Standards of the International Finance Corporation (IFC) and the World Bank Group's Environmental, Health and Safety Guidelines.

The mandataries performed 76 assessments of environmental, social and human rights issues in 2019 (2018: 86).

### The OECD Common Approaches

Adopted in 2004, the Common Approaches (Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence) determine the procedure and principles for assessing environmental and social aspects as well as safeguarding the observance of human rights. They are regularly updated. The Common Approaches are currently being revised, with the new rules expected to be adopted in 2020.



## Transformation companion for the corporate sector

At the UN Climate Change Conference in Paris in December 2015, 197 countries signed a new international climate protection treaty. The **Paris Climate Change Agreement** provides for global warming to be capped at well below two degrees Celsius compared to the pre-industrial age. In the meantime, this issue has gained considerable urgency.

A comprehensive transformation of the economy is necessary to achieve the goals of the Paris Climate Change Agreement and the UN sustainable development goals.

German technology is already making valuable contributions to climate protection and sustainability in many foreign markets. The additional contribution that the Federal Government's export credit guarantees can make on the path towards a climate-neutral econ-

omy is currently being examined. At the moment, a climate strategy for the Federal Government's guarantee products is being developed with the aim of advising German exporters and investors on the upcoming transformation towards a climate-neutral economy and of providing them with the best possible support.

## Antibribery measures

In order for an export transaction to be eligible for cover, it must be initiated and executed free of any bribery. The Federal Government's anti-bribery efforts are based on a two-stage procedure. In a **preliminary step**, exporters and banks must sign a declaration as part of an application for cover confirming that the transaction has arisen without any form of bribery and make further disclosures the plausibility of which



*Since the beginning of 2017, Ludwig Pfeiffer Hoch- und Tiefbau GmbH & Co. KG has been modernising the wastewater network of the La Chala basin in Guayaquil, Ecuador. In the course of the project 450 kilometres of sewage pipes were cleaned. In addition, the German family-owned company is overhauling approx. 100 kilometres of the sewage network using various trenchless technologies together with 400 manholes. The Federal Republic of Germany is backing the project with isolated contract bond cover and a counter-guarantee.*



is checked during the processing of the application. If the declaration is subsequently proved to be incorrect, the Federal Government is released of any obligation to provide indemnification and is able to recover any compensation that has already been provided.



The antibribery declaration for exporters and banks can be found here: [agaportal.de/en](https://agaportal.de/en) › Exports › Process › Prevention of Bribery

If there is any evidence of corruption-relevant facts, the **second stage** involves an in-depth investigation of corruption. This review analyses internal measures, processes and structures for preventing and combating corruption among other things and also examines the background to the transaction for which cover is

being sought. The procedure for the detailed review is undergoing constant development to factor in past experience and new developments.

In the year under review there were 1,090 active policyholders (2018: 1,185). 28 companies underwent an in-depth corruption review (2018: 29).

### Recommendation on bribery

The OECD's "Recommendation of the Council on Bribery and Officially Supported Export Credits" (RoB) defines the framework for preventing and combating corruption in government export promotion. It was revised in spring 2019. One major change was the widening of its scope of application to include instances of bribery in the private sector. The anti-bribery declaration was duly modified to incorporate these changes.



*KRONES AG delivered a bottling plant to Puerto Rico in the reporting year: The plant fills 81,000 PET bottles per hour with purified water and enables the customer from the Caribbean island state, to service already concluded purchase contracts with the main wholesale customers. The company from Puerto Rico will thus be able to double its capacity to over 200 million litres a year and will become the largest producer of bottled purified water in the region. The Federal Government granted supplier credit coverage for the transaction.*



## GERMAN EXPORT CREDIT GUARANTEES CELEBRATING THEIR 70TH ANNIVERSARY

After an interruption caused by the war, German export credit insurance was re-established at the government level with the passage in 1949 of the “Gesetz über die Übernahme von Sicherheitsleistungen und Gewährleistungen im Ausfuhrgeschäft” (Act on the provision of cover and guarantees in export business). Thereupon, the Federal Government nominated a consortium of mandataries (Hermes-Kreditversicherungs-AG and Deutsche Revisions- und Treuhand-Aktiengesellschaft) to handle the export credit guarantees provided by the Federal Republic of Germany. Since 2017, Euler Hermes Aktiengesellschaft has been solely responsible for managing the export credit guarantee scheme.

The Federal Government’s export credit guarantees, also known as “Hermes Cover”, have become a synonym for and the symbol of German foreign trade promotion.

They assist and support German exporters in their foreign activities – in good times and particularly also

in bad times. Whether during the Asian crisis, the debt crisis in Latin America or assisting companies in the eastern states after German reunification as well as during the financial crisis, the Federal Government’s export credit guarantees have always been a dependable partner.



### Did you know?

The history of credit insurance in Germany dates back to 1917. Hermes Kreditversicherungsbank Aktiengesellschaft, the first German special-purpose company, was founded on 7 October 1917. However, it quickly became evident that private-sector insurance companies were not willing to bear the high political risk resulting from exports to less developed countries. During the Weimar Republic era, the government therefore decided to assume this risk itself: In 1926, the ministry of economics entered into a general contract with Hermes Kreditversicherungsbank Aktiengesellschaft and Frankfurter Allgemeine Versicherungs-AG governing the provision of export credit insurance. This formed the basis for state export credit insurance.

12 May 1949:  
Berlin blockade  
lifted



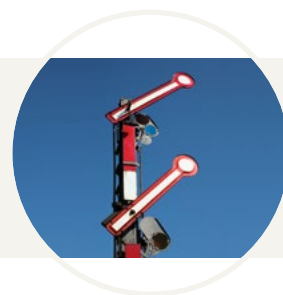
23 May 1949:  
Entry into force  
of the Basic Law  
(German constitution)



7 September 1949:  
Deutsche Post issues  
the first stamps of  
the Federal Republic  
of Germany.



7 September 1949:  
Deutsche Bundesbahn  
(German railway) founded



1949



### Did you know?

Hermes guarantees, the precursors of export credit guarantees, and Hermes Cover have entered the German language and were even included in the “Duden” for the first time many years ago.

<https://www.duden.de/rechtschreibung/Hermesbuergschaft>

When the Federal Government's export credit guarantees were resumed in 1949, no-one could presumably have imagined the significance that they would ultimately gain for the German exporting industry. 70 years after their inception, they are a firm element of German export promotion and have become a top export in their own right. Numerous countries have followed the German example in establishing their own export credit agencies over the last few years and decades.

A glance at the figures reveals the growing importance that export credit guarantees have gained over the last few decades. In 1950, total cover was valued at a mere 200 million euros. As the economy continued to become more international in nature, demand for Hermes Cover grew rapidly, exceeding the 10-billion-euro threshold for the first time in 1975. Since then, it has reached proportions in the double-digit billions year for year.

Summer 1949:  
Curried sausage  
invented in Berlin



Gross monthly earnings of  
an industrial worker based  
on a 47.3-hour weekly  
working time: 263.28 DM

Women, working 43.8  
hours, earned 145.04 DM  
per month.



Prices 1949:

1 kg wheat flour: 0.53 DM  
1 kg pure coffee: 26.87 DM  
1 kg sugar: 1.16 DM  
1 kg butter: 5.12 DM



Time travel  
into the year 1949

A look back by  
Rhein-Neckar-Zeitung  
(in German only):

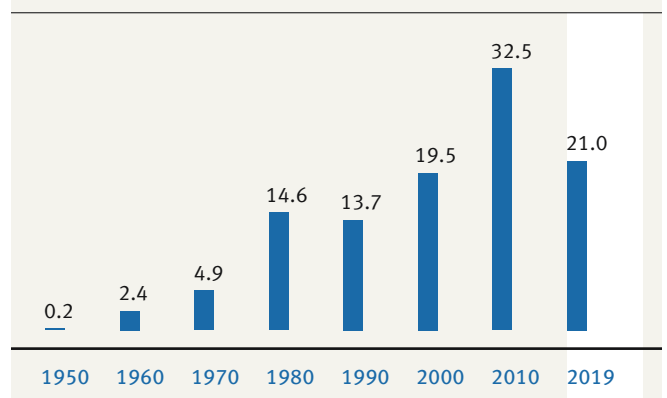


1949

From the outset, Hermes Cover has primarily been directed at the delivery of goods and services to **emerging economies and developing countries**. And this is still the case today. If it were not for the Federal Government's export credit guarantees, many transactions would not be possible in these countries. Cover ratios of 60% or more in some Asian and African countries underscore the importance of export credit guarantees.

Over the last few decades, the economy has undergone fundamental change and is continuing to do so. Digital value chains, platform-driven business models, new forms of foreign trade finance and climate change: the transformation is in full swing, posing entirely new challenges for the Federal Government and its guarantee instruments. Celebrating its 70th anniversary – the journey continues for Hermes Cover.

DEVELOPMENT OF NEW GUARANTEES IN BILLION EUR





## A glance forward – three questions for...

... Dr. Christian Bruch, Executive Vice President Linde plc and CEO Linde Engineering

### *Why will export credit guarantees of the Federal Government still exist in 70 years from now?*

Prosperity and growth in Germany hinge to a particular extent on exports. Accordingly, the Federal Government is already helping many small and medium-sized companies in Germany to enter new foreign markets. In many cases, big-ticket projects are not viable without the support provided by export credit guarantees. The constructive dialog between politics and business occurring within the framework of Hermes Cover is

one of the strengths of the German economy. The Federal Government's export credit guarantees will remain a key element in attempts to successfully address the challenges posed by global export business as we move forward.

### *What does the future hold for export business backed by Hermes Cover?*

The digital transformation is changing the way we do business. The "Internet of Things" offers plant and mechanical engineering companies a very real opportunity of creating new business models that focus on service-based products. Trade in services will continue to grow in importance. Hermes Cover will also have to include business models in which customers

acquire a particular result rather than the machinery and equipment used to obtain this result.

### *And what funding structures are these transactions based on?*

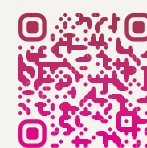
Looking forward, we are likely to increasingly see digital finance in the area of export credits as well. Offered via digital platforms, it could give professional investors seeking attractive investment opportunities access to export finance, while also allowing borrowers to utilise extremely interesting alternative forms of finance. The core skills offered by these market places will include the selection of suitable credit projects and an analysis of potential borrowers' credit rating.

## Additional information

Highlights from the 70-year history of the export credit guarantees can be found at the end of the Annual Report on the folding inside cover as well as on the Internet under [agaportal.de](https://www.agaportal.de)

(<https://www.agaportal.de/service/exportkreditgarantien-historie>).





## A short digression:

Investment guarantees – an important element of risk management for foreign projects

Investment guarantees have been around since 1959, evolving into an important instrument for promoting German foreign trade in the intervening period. With their help, German investors are able to shield their direct investments in emerging economies and developing countries effectively from political risks in the occasionally difficult environment that they encounter for their investments.

In 2019, the Federal Government granted investment guarantees worth 3.3 billion euros for projects in 16 countries. This was an almost three-fold increase in the total value of business covered compared with the previous year. A large part of the guarantees issued, namely 55%, was for projects in Asia (predominantly China, Kuwait and India), followed by South and Central America with 38% (specifically Argentina, Mexico and Brazil). Then came (Eastern) Europe (particularly Russia and Turkey) with 5% and Africa (Tanzania, Ghana and Ethiopia) with 2%. Tanzania also ranked among the top 5 countries in terms of the number of approved

applications for the first time. 28% of the approved applications were submitted by small and medium-sized companies. The most important target sectors were construction and the chemical and pharmaceutical industry. Almost one out of three recipients of guarantees in the year under review were first-time applicants. The Federal Government's exposure under outstanding investment guarantees was valued at 33.3 billion euros at the end of the year.

The prerequisite for the granting of a guarantee is sufficient legal protection in the host country. Generally speaking, this is achieved by numerous bilateral investment promotion and protection treaties between the Federal Republic of Germany and the host country. Looking forward, these will be replaced by comparable treaties at the EU level. In addition, the project covered by the guarantee must have positive effects both for the host country and for Germany and must generally be considered to be eligible for cover. The main factors here are the environmental, social

and human rights impacts of the project, the impact on employment in the host country and the contribution that the project makes for securing employment in Germany. There are no upper or lower limits in the value of investments eligible for cover.

Applications for investment guarantees are approved by the Federal Ministry for Economic Affairs and Energy with the consent of the Federal Ministry of Finance and in agreement with the Federal Foreign Office and the Federal Ministry for Economic Cooperation and Development in an Interministerial Committee (IMC). Experts from German companies and banks as well as business associations sit as advisory members on this IMC. The Federal Government has mandated PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft with the management of the investment guarantees.

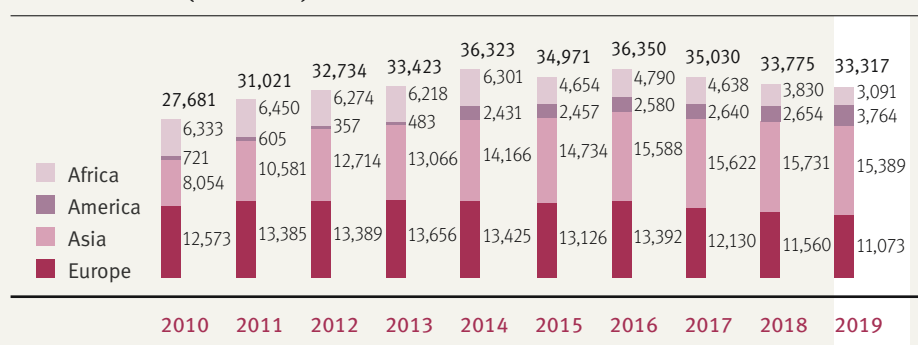
## For further details, please contact:

Phone: +49 (0) 40 / 63 78 - 20 66  
investitions Garantien@de.pwc.com  
www.investitionsGarantien.de

VOLUME OF  
APPROVED APPLICATIONS IN MILLION EUR

China PR	1,007.8
Argentina	808.5
Mexico	429.4
Kuwait	384.9
India	351.6
Top 5 subtotal 2019: (91.4%)	2,982.3
Total 2019: (100%)	3,264.4

## COMMITMENT (EXPOSURE) 10-YEAR OVERVIEW BY REGIONS IN MILLION EUR





## 154 countries

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The Federal Government issued Hermes cover for exports to 154 countries in 2019.

## Positive result

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Export credit guarantees generated a surplus of 640.4 million euros for the federal budget.

# BUSINESS PERFORMANCE

At 21 billion euros, the volume of export credit guarantees was up 6.1% on the previous year. The United Kingdom, Russia, Egypt, Brazil and Turkey led the list of the top ten countries. Indemnification payments declined by 47.4%, while recoveries of indemnification payments already made climbed by 38.5%. The year closed with a positive result of 640.4 million euros.

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## 74.7%

Cover for emerging economies and developing countries accounted for 74.7% of the total.

## Credit guarantee cover

Credit guarantee cover provided for a local-currency loan for project finance for the first time.

## NEW BUSINESS

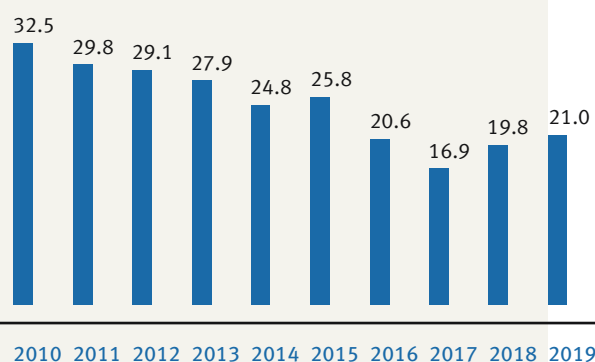
**German exports** rose by 0.8% (previous year: 3%) in 2019, coming to 1,327.8 billion euros (previous year: 1,317.9 billion euros)<sup>1</sup>. **New cover provided** climbed by 6.1% over the previous year to 21.0 billion euros in 2019 (2018: 19.8 billion euros). As in the previous year, this increase was primarily underpinned by cover provided for a number of big-ticket projects. The proportion of exports covered by export credit guarantees accounted for 1.6% of total German exports (previous year: 1.5%).

In 2019, the total number of **new single transaction policies** dropped by 22.0%, although the total value of cover provided increased by 12.1% over the previous year due to the inclusion of a number of big-ticket transactions. Despite this, the number of **big-ticket transactions** with an order value of over 50 million euros dropped from 40 to 31, accounting for 83.1% of the total value of the individual transactions covered (2018: 77.5%).

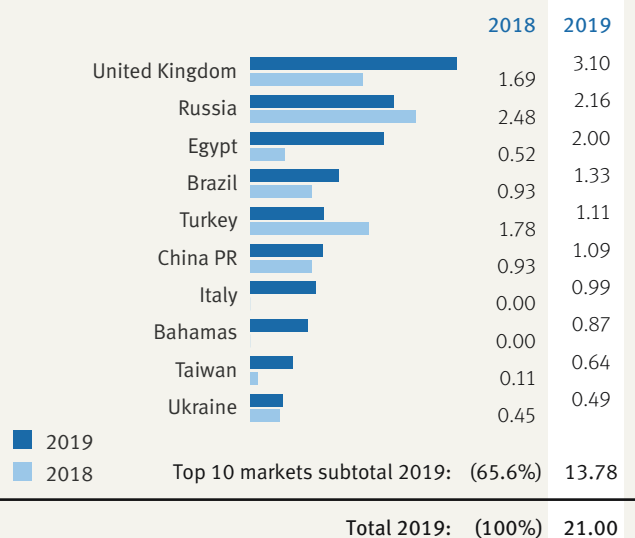
82% of the cover provided under single transaction policies was for private and 18% for public buyers (2018: 93% private buyers and 7% public buyers).

<sup>1</sup> Source: Foreign trade statistics of the Federal Statistical Office

DEVELOPMENT OF NEW GUARANTEES IN BILLION EUR



NEW GUARANTEES IN BILLION EUR



Any differences in the sums shown in the charts are due to rounding.



## NEW GUARANTEES

	2018	2019	Share in %	Change in %
Number of single transaction policies	459	358	100	-22.0
of which for private buyers	428	342	96	-20.1
for public buyers/guarantors	31	16	4	-48.4
<b>Volume of cover in million EUR</b>	<b>19,796</b>	<b>20,999</b>		<b>6.1</b>
of which single transaction policies volume in million EUR	11,110	12,457	100	12.1
of which for private buyers	10,365	10,209	82	-1.5
for public buyers/guarantors	745	2,248	18	201.7

## APPLICATIONS

	2018	2019	Share in %	Change in %
Number of applications	9,679	8,901	100	-8.0
of which single transaction policies	1,197	1,100	12	-8.1
wholturnover policies	8,482	7,801	88	-8.0
<b>Applications in million EUR</b>	<b>35,144</b>	<b>26,829</b>		<b>-23.7</b>

## FUNDS EARMARKED FOR EXPORT CREDIT GUARANTEES

Countries	2018 million EUR	Share in %	2019 million EUR	Share in %
Emerging economies and developing countries	14,764.2	88.3	15,575.9	93.9
Industrialised countries	1,954.0	11.7	1,016.4	6.1
<b>Total</b>	<b>16,718.2</b>	<b>100.0</b>	<b>16,592.3</b>	<b>100.0</b>

## Number and volume of applications

The number of **new applications** dropped by 8.0% in the year under review, with the total value of the applications received declining by 23.7%. This reflects the lower number of applications submitted for government cover for big-ticket transactions.

■ 45

## Offers of cover

**Offers of cover** for contracts still under negotiation had a total value of 16.6 billion euros as of 31 December 2019, thus falling only slightly short of the previous year (-0.8%). Experience shows that not all of the transactions earmarked for cover are in fact realised as it is still uncertain on the date on which these offers of cover are issued whether the contracts concerned will ultimately be awarded to the exporter. As the value of the new applications submitted in 2019 declined by roughly one quarter over the previous year, the value of cover provided is also likely to be lower in 2020.

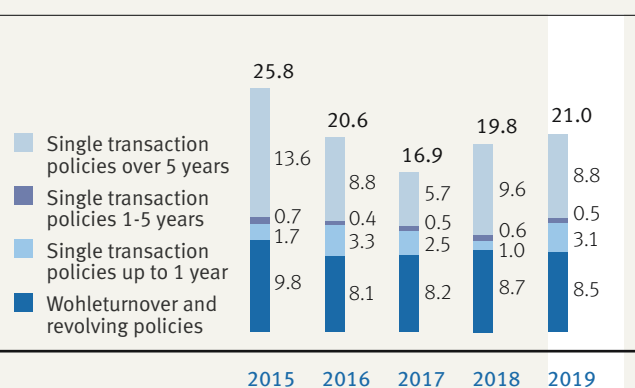
## Cover by horizon of risk and type of cover

Export credit guarantees in **short-term business** (credit periods of up to one year) rose to 11.6 billion euros, up 19.6% on the previous year (9.7 billion euros). The proportion in total new cover of short-term business under single-transaction and spread policies widened to 55.5% (2018: 48.8%).

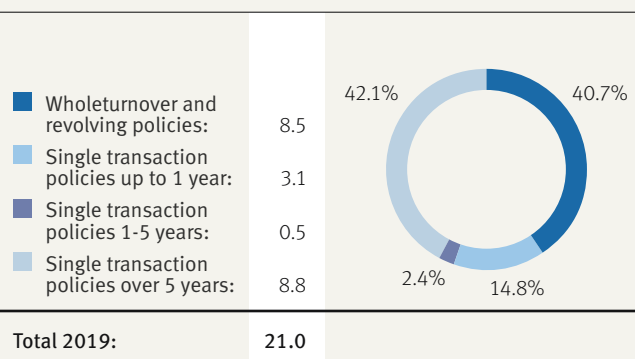
**Wholeturnover policies** (APG and APG light), under which exporters are able to obtain cover for short-term credits in transactions with numerous buyers in different countries, accounted for 8.5 billion euros and were thus unchanged over the previous year (8.5 billion euros). Russia, Brazil and Turkey were the most sought-after markets, again contributing just under one third of the APG turnover covered (31.5%).

In addition to wholeturnover policies, which account for a large proportion of the short-term cover provided, the Federal Government also offers revolving single transaction policies for regularly recurring business with a single buyer and cover for individual projects with credit periods of up to one year. **Revolving single transaction policies** declined by 53.0% over the previous year to 93 million euros (2018: 198 million euros).

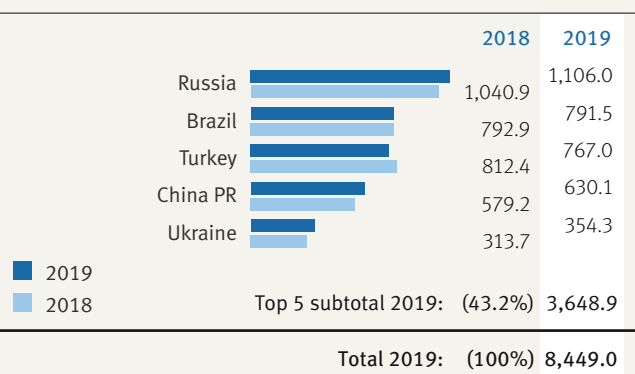
### NEWLY COVERED EXPORTS BY HORIZON OF RISK IN BILLION EUR



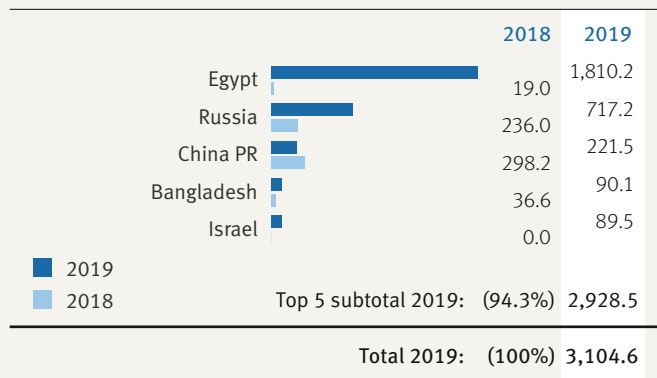
### NEWLY COVERED EXPORTS BY HORIZON OF RISK IN %



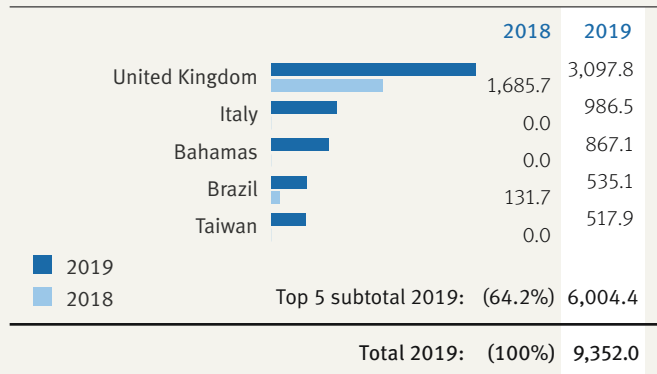
### TURNOVER UNDER WHOLETURNOVER POLICIES IN MILLION EUR



#### SHORT-TERM SINGLE TRANSACTION POLICIES IN MILLION EUR



#### MEDIUM AND LONG-TERM POLICIES IN MILLION EUR



On the other hand, export credit guarantees for **short-term single transaction policies** with a credit period of up to one year increased more than three-fold over the previous year, rising by 219.4% to 3.1 billion euros (2018: 1.0 billion euros). This also includes big-ticket projects that were covered on short payment terms.

On the other hand, **medium and long-term cover** dropped by 7.8% to just under 9.4 billion euros (2018: 10.1 billion euros). Several big-ticket transactions with long-term payment periods of more than five years were covered. However, this cover was down 7.7% on the previous year in terms of volume.

A total of 96% of the medium and long-term cover provided was executed with buyer credits (47.6% of the transactions).

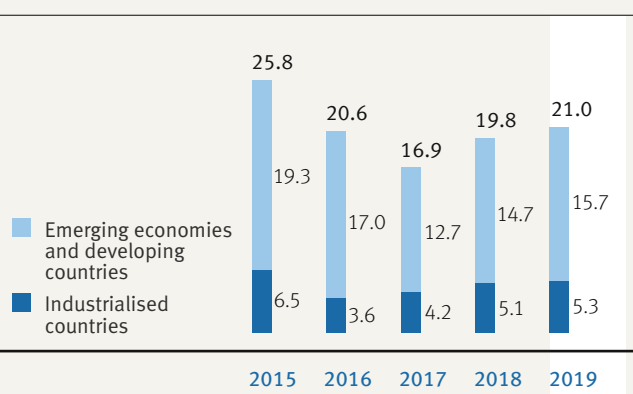
## Cover by country group

Traditionally, export credit guarantees are provided for the **emerging economies and developing countries**<sup>1</sup>, with 74.7% of aggregate cover attributable to these countries (2018: 74.3%). The fact that 5.0% (2018: 4.8%) of German exports to emerging economies and developing countries were covered by guarantees issued by the Federal Government in 2019 (15.7 billion euros; 2018: 14.7 billion euros) highlights the importance that the availability of cover has for German exports to these countries. Big-ticket projects can cause the proportion of German exports backed by export credit guarantees to individual countries to rise to well over 50% in individual cases.

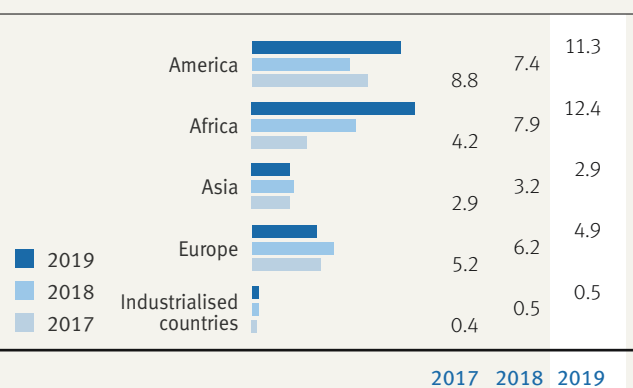
A good three quarters (1,012.7 billion euros) of total German exports go to the **industrialised nations**. Given the lower political risks and the availability of private export credit insurance, the proportion of government-backed exports in total exports to industrialised countries is mostly relatively small. In 2019, exports valued at 5.3 billion euros (0.5%) were covered by the Federal Government (2018: 5.1 billion euros).

<sup>1</sup> See country allocation on page 78

VOLUME OF COVER BY COUNTRY GROUPS IN BILLION EUR



COVER PERCENTAGE OF TOTAL EXPORT VOLUME BY COUNTRY GROUPS IN %



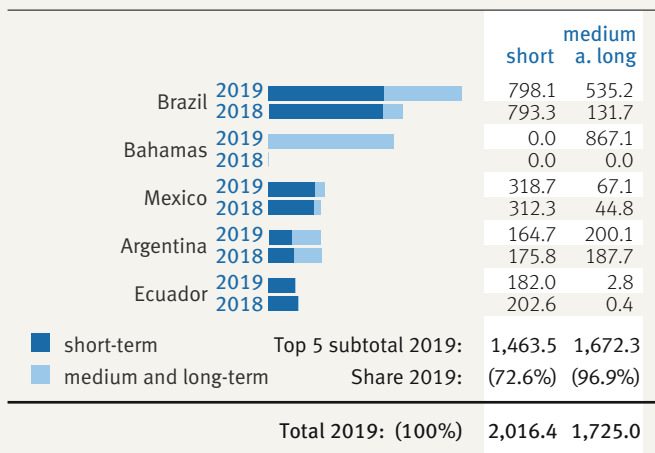
VOLUME OF COVER BY COUNTRY GROUPS

Countries*	2018 million EUR	Share in %	2019 million EUR	Share in %	Change in %
Emerging economies and developing countries	14,717.7	74.3	15,688.6	74.7	6.6
Latin America	2,434.4	12.3	3,741.4	17.8	53.7
Africa	1,776.5	9.0	2,946.5	14.0	65.9
Asia	5,466.9	27.6	4,929.2	23.5	-9.8
Middle East	1,315.8	6.6	1,412.2	6.7	7.3
Southern/Central Asia	1,283.6	6.5	1,109.4	5.3	-13.6
East Asia	2,867.5	14.5	2,407.6	11.5	-16.0
Oceania	1.6	0.0	1.9	0.0	18.8
Europe	5,038.3	25.5	4,069.5	19.4	-19.2
Industrialised countries	5,078.0	25.7	5,310.0	25.3	4.6
<b>Total</b>	<b>19,795.6</b>	<b>100.0</b>	<b>20,999.0</b>	<b>100.0</b>	<b>6.1</b>
thereof EU countries	2,239.3	11.3	4,322.0	20.6	93.0

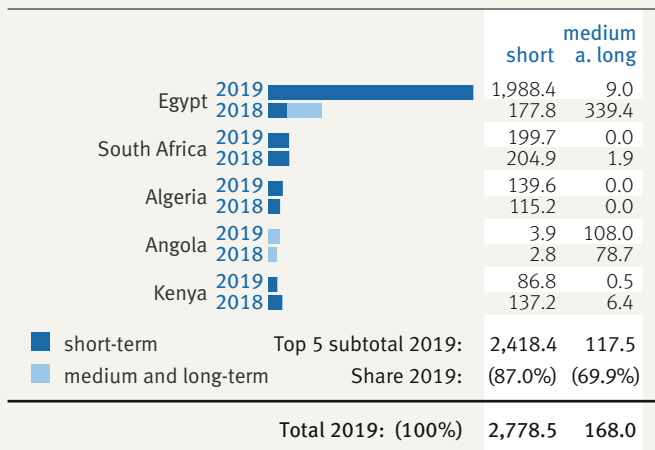
\* See country list p. 78



#### GUARANTEES FOR LATIN AMERICAN EMERGING ECONOMIES AND DEVELOPING COUNTRIES IN MILLION EUR



#### GUARANTEES FOR AFRICAN EMERGING ECONOMIES AND DEVELOPING COUNTRIES IN MILLION EUR



## Emerging economies and developing countries

### Latin America and the Caribbean

At 3.7 billion euros, cover for the entire **Latin America and Caribbean** region rose by 53.7% over the previous year (2018: 2.4 billion euros), with the share in total cover widening to 17.8% (2018: 12.3%).

59.4% of the cover for **Brazil** took the form of wholeturnover policies. The largest single transaction concerned an LNG-fired combined cycle power plant, while further cover was provided for beverage bottling plants and a printing press. Two cruise ships were covered for a company based in the **Bahamas**. Export credit guarantees for **Mexico** were granted for the maintenance and repair of aircraft engines, the supply of injection moulding machines and an agricultural project. The Federal Government covered three wind farms and a machine for the production of biscuits for **Argentina**, while exports to **Ecuador** were almost exclusively covered under wholeturnover policies.

### Africa

In 2019, the Federal Government provided export credit guarantees worth 2.9 billion euros (2018: 1.8 billion euros) for the delivery of goods and services to **Africa**. This marked an increase of 65.9%. Consequently, the share in total cover widened to 14.0% (2018: 9.0%).

Exports to **Egypt** for which cover was provided included a ship transaction, tunnel boring machinery and railway cranes. In the case of **South Africa**, the Federal Govern-

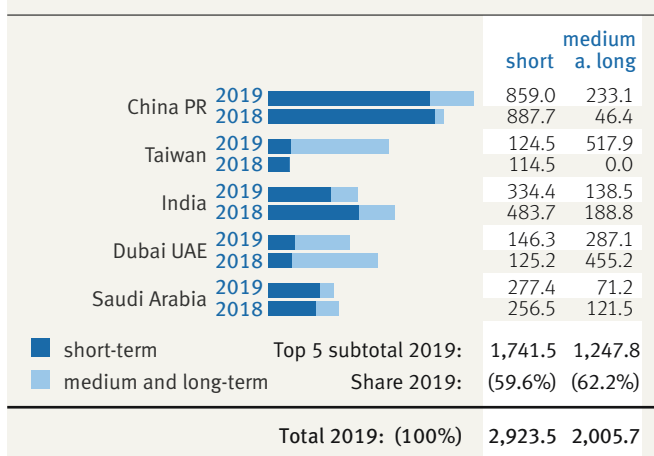
ment issued export credit guarantees for the overhaul of a hydroelectric power plant, the delivery of an injection moulding machine and a plant for the production of plastics. Cover provided for exports to **Algeria** included a plant for grinding bricks, while cover was provided for the comprehensive renovation of roads in **Angola** and for packaging machinery in **Kenya**. Further cover in the **sub-Saharan region** included machinery for road construction in **Tanzania**, a plant for the production of bank payment cards in **Senegal**, components for hydropower stations in **Togo** and deliveries of machinery and equipment in **Nigeria**, **Ghana** as well as **Côte d'Ivoire**, **Sierra Leone** and **Senegal**.

## Asia

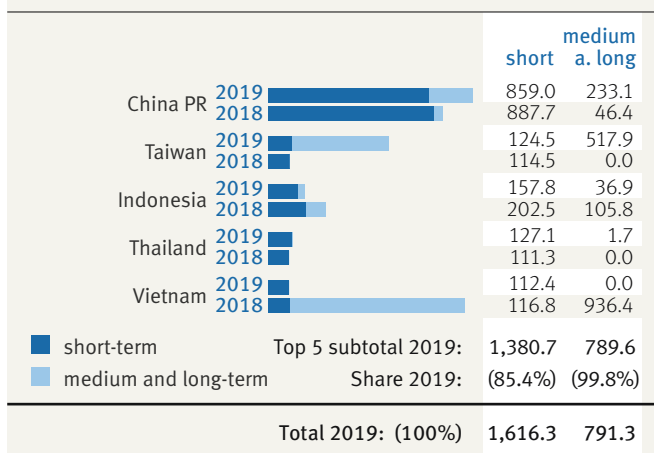
Cover for Asian countries<sup>1</sup> dropped by 9.8% to 4.9 billion euros in 2019 (2018: 5.5 billion euros). Consequently, this region's share in total new cover shrank to 23.5%.

Cover provided for **East Asia** dropped by 16.0%. Guarantees were issued for the delivery of textile machinery and a hot strip mill for **China**. Among other things, export credit guarantees were issued for an offshore wind farm for **Taiwan** and a plant for refining nickel pre-products in **Indonesia**. Cover for **Thailand** and **Vietnam** was almost exclusively for deliveries under wholturnover policies.

### GUARANTEES FOR ASIAN EMERGING ECONOMIES AND DEVELOPING COUNTRIES IN MILLION EUR

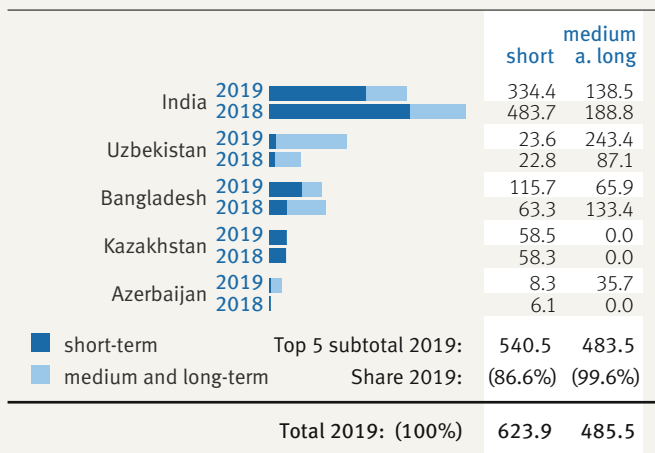


### GUARANTEES FOR EAST ASIAN EMERGING ECONOMIES AND DEVELOPING COUNTRIES IN MILLION EUR

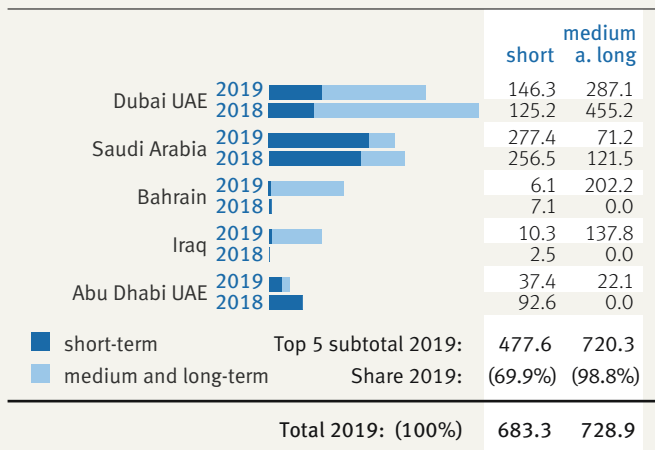


<sup>1</sup> See country allocation on page 78

### GUARANTEES FOR SOUTH AND CENTRAL ASIAN EMERGING ECONOMIES AND DEVELOPING COUNTRIES IN MILLION EUR



### GUARANTEES FOR MIDDLE EASTERN COUNTRIES IN MILLION EUR



Hermes Cover for **South and Central Asia** dropped by 13.6%. Cover provided for **India** was for the modernisation of a hot strip mill and the delivery of continuous casting machines and textile machinery. Cover for **Uzbekistan** included equipment for a flat glass factory, textile machinery and a foil production plant and, in the case of **Bangladesh**, the introduction of electronic passports as well as the delivery of packaging machinery and large diesel engines. For **Kazakhstan**, export credit guarantees were issued almost exclusively for deliveries under wholturnover policies and, in the case of **Azerbaijan**, for the expansion of a chemical plant.

The total value of cover provided for the entire **Middle East** rose in the year under review by 7.3% to 1.4 billion euros (2018: 1.3 billion euros). This is equivalent to 6.7% of total cover (2018: 6.6%).

Export credit guarantees for **Dubai** entailed the delivery of aircraft and mobile cranes. Medicines, mobile cranes and road construction machinery were covered in the case of **Saudi Arabia**. In addition, Hermes Cover was issued for the delivery of gas turbine generators to **Bahrain**. Deliveries for the overhaul of power plants in **Iraq** and the construction of a factory building and production facilities for oriented strand board in **Abu Dhabi** were covered.

## Europe (excluding industrialised countries)

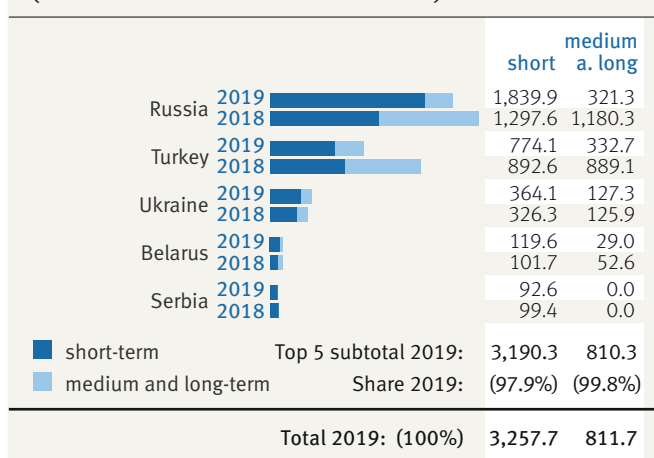
Export credit guarantees for the delivery of goods and services to **European countries** (excluding industrialised countries) fell by 19.2% to 4.1 billion euros (2018: 5.0 billion euros), equivalent to 19.4% of the total volume (2018: 25.4%).

At just under 3.3 billion euros, Russia and Turkey accounted for 80% of the export credit guarantees granted for this region. In the case of **Russia**, cover was provided for high-speed trains, the construction of a gas and steam power plant, the delivery of a packaging line and special-purpose vehicles, among other things. The export credit guarantees for **Turkey** were for textile machinery and wind turbines among other things. Cover was provided for the delivery of wind power turbines for **Ukraine** and the delivery of machinery and equipment for the production of plywood in **Belarus**. Cover for **Serbia** was granted almost solely for deliveries under wholeturnover policies.

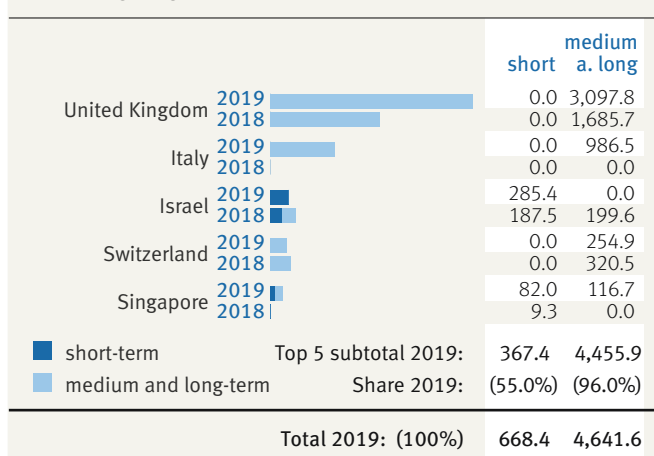
## Industrialised countries

Cover granted for **industrialised countries** rose by 4.6% in the year under review. The Federal Government issued export credit guarantees worth 5.3 billion euros in 2019 (2018: 5.1 billion euros). This is equivalent to 25.3% of total cover (2018: 25.7%).

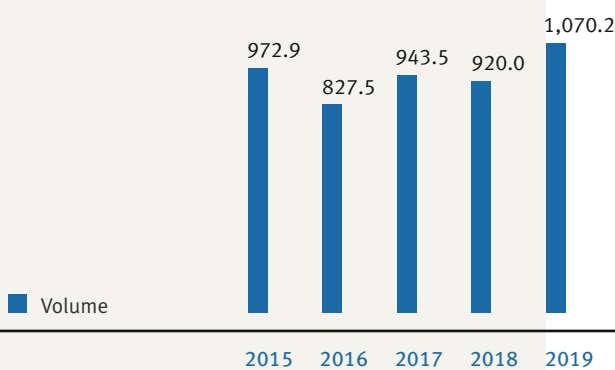
### GUARANTEES FOR EUROPEAN COUNTRIES (WITHOUT INDUSTRIALISED COUNTRIES) IN MILLION EUR



### GUARANTEES FOR INDUSTRIALISED COUNTRIES IN MILLION EUR





EXPORT CREDIT GUARANTEES FOR RENEWABLES  
IN MILLION EUR

Export credit guarantees were issued to cover two cruise ships in the [United Kingdom](#). A cruise ship was also covered for [Italy](#). The cover for [Israel](#) included the modification of a submarine. Export credit guarantees for [Switzerland](#) concerned river cruise ships and those for [Singapore](#) roll-on/roll-off ferries.

## Renewable energies

Sustainability plays a crucial role in the promotion of Germany's foreign trade and is duly reflected in the country's cover policy. For example, [renewable energy](#) and climate protection projects are particularly promoted through export credit guarantees for protracted credit periods of up to 18 years, among other things.

Cover for renewable energies rose to 1,070 million euros in 2019 (2018: 920 million euros). In most cases, it was provided for wind power projects. In addition to cover for wind farms in Turkey, Argentina, Taiwan, Sweden and Ukraine, export credit guarantees were issued for the delivery and installation of equipment and the modernisation of hydropower stations in Togo, Egypt, South Africa and Sri Lanka.

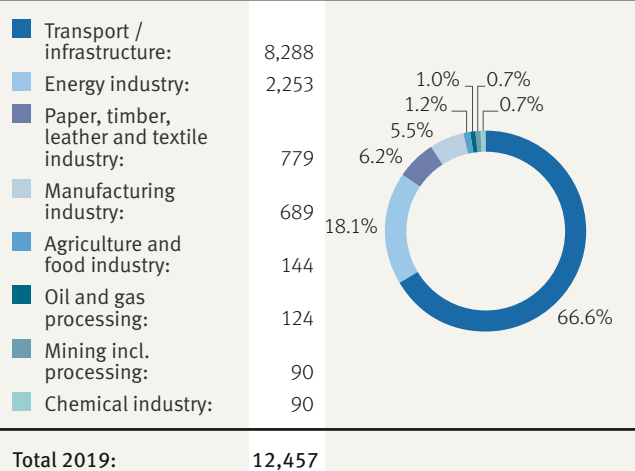
## Cover by industrial sector

With cover valued at 8.3 billion euros at the end of 2019, the **transport and infrastructure sector**, which traditionally entails big-ticket transactions, accounted for 39.5% of total Hermes Cover and 66.5% of the single transaction policies. At 7.1 billion euros, cover for ship transactions constituted the greatest proportion (previous year: 3.2 billion euros). Airbus guarantees were valued at 313 million euros (2018: 556 million euros).

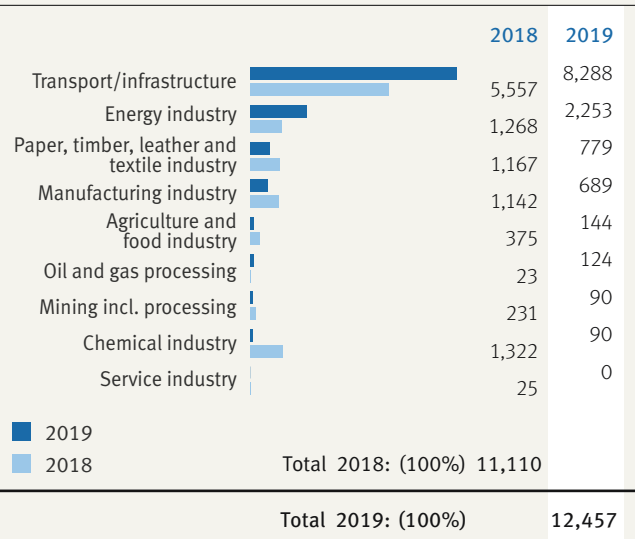
Export credit guarantees in the **energy sector** climbed by 77.7% to just under 2.3 billion euros (2018: 1.3 billion euros), thus accounting for 18.1% of total volume of single transaction policies. Of the renewable energy projects (1,070 million euros), the largest single project for which cover was provided concerned an offshore wind farm in Taiwan (518 million euros). In addition, export credit guarantees were issued for the construction and delivery of a gas power station in Russia (278 million euros), deliveries for an LNG-fired power station in Brazil (491 million euros) and for a combined cycle power plant in Bahrain (202 million euros) as well as for the rehabilitation of several power stations in Iraq.

At just under 779 million euros, export credit guarantees in the **paper, timber, leather and textile industries** were just under one third down on the previous year (1.2 billion euros), equal to 3.7% of total cover. Among other things, textile machines as well as machinery for packaging and chipboard production were covered.

SHARE OF SINGLE TRANSACTION POLICIES  
BY INDUSTRIAL SECTORS IN MILLION EUR



SINGLE TRANSACTION POLICIES BY INDUSTRIAL SECTORS  
IN MILLION EUR



## Project finance

In addition to conventional cover for export finance, the Federal Government also offers export credit guarantees for **project finance**. Project finance structures are generally selected for big-ticket projects that are kept off the balance sheets of the companies involved. Instead, a legally and economically autonomous project entity is established which is responsible for generating the cash flows needed to cover the operating costs and debt servicing for the project.

In contrast to conventional export finance, country risks are largely mitigated by the project and collateralisation structures implemented. This means that project finance is frequently also possible in countries for which restrictions on cover are in place, e.g. ceilings or limits on the size of individual transactions.

In 2019, the Federal Government provided cover worth a total of 1.4 billion euros for six project finance transactions. Most of these involved projects for renewable energies, including two onshore wind farms in Argentina and one offshore wind farm in Taiwan. In addition, the Federal Government issued

export credit guarantees for a seawater desalination plant with a combined gas and steam power station in Bahrain and for a fertilizer plant in Australia.

One particular highlight was the cover provided for an LNG-to-power project in Brazil as this was the first time that the Federal Government had covered a local-currency loan under project finance via a credit guarantee as a special form of buyer credit cover. This example shows how export credit guarantees can create flexible solutions for complex funding structures with innovative concepts.

Following successful negotiations on long-term funding in 2019, the Federal Government provided final cover for project finance for a gas separation and helium production plant in Russia, for which supplier credit cover had previously been granted in 2016 on short payment terms. Demand for the Federal Government's cover for project finance remains strong.

## Transport and infrastructure

### Ship business

56 ■

In 2019, the maritime industry in Germany was able to assert itself in a challenging competitive environment, securing a number of significant big-ticket contracts. Once again, the construction of cruise vessels was the main focus.

In 2019, the Federal Government issued cover for **civilian shipbuilding** worth 5.3 billion euros (2018: 3.2 billion euros). This was joined by cover for **military shipbuilding** amounting to 1.8 billion euros, resulting in total cover of 7.1 billion euros (2018: 3.2 billion euros). In addition, offers of cover valued at around 1.4 billion euros were issued.

Sustainability is also playing an increasingly important role in the cruise industry. The cruise ships for which cover has been provided are increasingly being fitted with highly efficient systems for reducing fuel consumption. Dual-fuel engines that can be operated with LNG or marine gas oil are increasingly being installed. They are being joined by modern exhaust gas cleaning systems, increased use of waste heat, innovative hull and propeller designs and the possibility of using shore power.

In 2019, the Federal Government issued export credit guarantees worth just under 3.1 billion euros for two cruise ships being built by MV Werften in Wismar. In connection with these construction projects, the ship-

yard operator has invested both in technical equipment and in the creation and expansion of employment opportunities.

In addition, the Federal Government provided export credit guarantees for two RoRo ferries built by Flensburger Schiffbau-Gesellschaft, thus helping to safeguard jobs in this highly competitive market segment.

### Airbus cover

In 2019, the Federal Government granted Airbus guarantees for deliveries of aircraft to Dubai. Cover provided for aircraft was valued at 313 million euros in the year under review. Accordingly, this sector fell short of the average for the past few years (2018: 556 million euros).

### Military goods

The Federal Government provided export credit guarantees of 1.8 billion euros for military goods in the year under review (2018: 5.9 billion euros exclusively for shipping transactions), equivalent to 8.4% of total new cover. The long-term average (calculated since 1997) is 3.9%.



EXPORT CREDIT GUARANTEES FOR MILITARY GOODS  
IN BILLION EUR

	2019	Type of goods
Egypt	1.675	Frigates
Israel	0.088	Modification of a submarine
Uruguay	0.006	Modernisation of a naval supply vessel
<b>Total 2019</b>	<b>1.769</b>	

ENVIRONMENTAL, SOCIAL  
AND HUMAN RIGHTS DUE DILIGENCE

	2018 number	Volume billion EUR	2019 number	Volume billion EUR
Audited projects	86	17.6	76	14.3
In-depth assessment Category A and B	56	15.8	52	13.3
Officially supported projects Category A	12	8.5	10	4.9
Officially supported projects Category B	22	1.4	25	1.5

OFFICIALLY SUPPORTED, ENVIRONMENTALLY RELEVANT  
PROJECTS BY CATEGORIES AND SECTORS

	2019 number	Volume million EUR
<b>Category A</b>		
Mining incl. processing	1	24.8
Chemical industry	2	1,928.4
Energy industry	3	533.5
Oil and gas processing	1	813.6
Transport/infrastructure	2	1,590.9
Manufacturing industry	1	26.8
<b>Total Category A</b>	<b>10</b>	<b>4,918.0</b>
<b>Category B</b>		
Agriculture and food industry	1	228.0
Energy industry	7	238.5
Paper, timber, leather and textile industry	7	377.3
Transport/infrastructure	2	339.9
Manufacturing industry	9	338.5
<b>Total Category B</b>	<b>26</b>	<b>1,522.2</b>
<b>Gesamt 2019</b>	<b>36</b>	<b>6,440.2</b>

Environmental, social  
and human rights assessment  
of projects

Projects coming within the scope of the Common Approaches (Recommendation of the Council on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence) must undergo environmental, social and human rights (ESHR) due diligence. This particularly includes all transactions with a credit period of more than two years. The transactions are categorised in accordance with their potential ESHR impact. The category determines the scope of the audit. In 2019, the Federal Government provided cover worth 4.9 billion euros for environmental category A transactions (projects which potentially have significant adverse ESHR impacts which are diverse, irreversible and/or unprecedented or which may be located in or near sensitive areas and for which the buyer must take special mitigation measures to minimise the impact). In environmental category B (projects with site-specific or easily reversible ESHR impact), cover came to 1.5 billion euros.

Under the Common Approaches, deliveries for existing plants which do not result in any material change of function or capacity only need to undergo a risk assessment. The cover provided for these transactions was valued at 478 million euros.

## CLAIMS, RECOVERIES AND RESCHEDULING

### Claims

Outgoing payments for claims dropped by just under half (47.4%) over the previous year, in which a large claim had been settled, to 383.2 million euros.

Outgoing payments for **commercial claims** dropped by 8.0% to 377.3 million euros (2018: 409.9 million euros). In the case of India, the increase over the previous year was chiefly due to indemnification paid in the steel industry. In Mexico, indemnification was primarily paid for construction machinery. Claims payments for Brazil related to loans granted in the energy sector among other things. In the case of Russia, indemnification was paid for claims in the textile machinery sector, in the steel sector and in the construction material sector.

Outgoing payments for **political claims** dropped from 318.1 million euros to 5.9 million euros.

### Recoveries

**Recoveries** of indemnification previously paid (excluding interest) climbed by a good third (38.5%) to 550.3 million euros. Agreed repayment plans in the event of major claims, the recovery of receivables from foreign debtors and payments under debt rescheduling agreements point to high recoveries in the future.

#### CLAIMS PAYMENTS IN MILLION EUR

	2015	2016	2017	2018	2019
Political risk claims	94.9	38.2	30.9	318.1	5.9
Commercial risk claims	300.1	513.6	398.4	409.9	377.3
<b>Total</b>	<b>395.1</b>	<b>551.8</b>	<b>429.3</b>	<b>728.0</b>	<b>383.2</b>

#### CLAIMS PAYMENTS UNDER COMMERCIAL RISK COVER IN MILLION EUR

	2018	2019
India	41.6	104.6
Mexico	17.9	50.5
Brazil	7.5	42.5
Russia	51.6	33.5
Indonesia	4.0	20.7
Bermuda	0.0	20.2
Ukraine	21.9	16.9
Argentina	0.3	15.5
Singapore	110.8	13.2
Turkey	2.7	7.8
<b>Top 10 subtotal 2019: (86.2%)</b>		<b>325.4</b>
<b>Total 2019: (100%)</b>		<b>377.3</b>

#### RECOVERIES FOR CLAIMS PAID (EXCL. INTEREST) IN MILLION EUR

	2015	2016	2017	2018	2019
under political risk cover	153.3	803.8	203.2	267.2	271.8
thereof rescheduled amounts	146.3	279.4	178.8	264.8	271.8
under commercial risk cover	132.5	170.5	105.6	130.2	278.4
<b>Total</b>	<b>285.7</b>	<b>974.4</b>	<b>308.8</b>	<b>397.4</b>	<b>550.3</b>

#### RECOVERIES UNDER COMMERCIAL CLAIMS IN MILLION EUR

Kazakhstan	165.6
Azerbaijan	23.5
Indonesia	17.4
Russia	12.7
India	9.9
United Kingdom	8.1
Bahamas	7.5
Mexico	7.1
Singapore	5.9
Brazil	5.3
<b>Top 10 subtotal 2019: (94.5%)</b>	<b>263.0</b>
<b>Total 2019: (100%)</b>	<b>278.4</b>

## Rescheduling

In 2019, the Paris Club continued its efforts to include further creditor countries, welcoming India as an observer in May. In this way, it is doing justice to India's growing importance as a public-sector creditor. South Africa and China regularly attended the meetings on the debt-related matters of individual countries as adhoc participants.

In June, the Paris Club hosted the Paris Forum, which brought together the finance ministers of the creditor and debtor countries as well as private creditors to discuss international debt issues.

Payments under the debt rescheduling agreements with Argentina and Iraq resulted in substantial flowbacks to the federal budget in 2019.

After an interruption of more than two decades, Somalia satisfied preliminary requirements for participation in a qualified IMF programme and ensuing comprehensive debt relief by the Paris Club. Germany does not have any outstanding trade receivables.

## RESULTS

### Revenues

In the year under review, total revenues for the federal budget from export credit guarantees rose by 9.8% to 1.5 billion euros (previous year: 1.4 billion euros).

Income from **premiums and fees** dropped by a total of 3.9% due to the increase in short-term cover, for which lower premiums are normally payable.

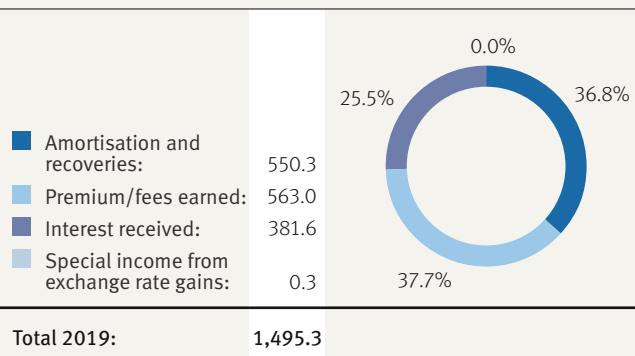
Income from **recoveries** under previously indemnified claims and **debt repayment under rescheduling agreements** rose by 38.5% over the previous year. The largest recoveries were received from Argentina (218.7 million euros), Kazakhstan (165.6 million euros), Azerbaijan (23.5 million euros), Indonesia (17.4 million euros), Iraq (17.4 million euros) and Pakistan (16.1 million euros).

The **interest income** of 381.6 million euros (2018: 378.6 million euros) arose almost solely from rescheduling agreements. Including exceptional currency translation gains of 0.3 million euros from claims under cover granted in foreign currencies, interest income of 381.9 million euros was recorded.

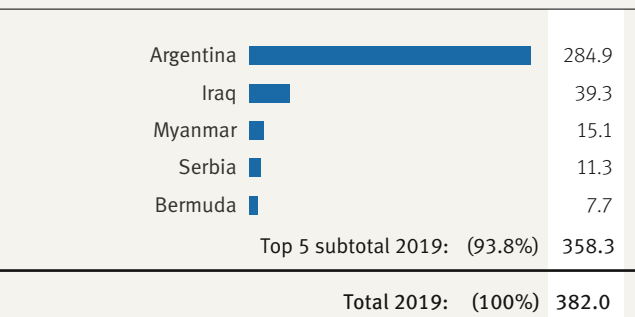
### Expenses

In the year under review, expenses dropped by 42.1% to 473.2 million euros (2018: 816.6 million euros). They comprise **claims payments** (383.2 million euros) and the **costs** for the administration of export credit guarantees (90.0 million euros).

#### REVENUES IN MILLION EUR



#### HIGHEST INTEREST PAYMENTS IN MILLION EUR





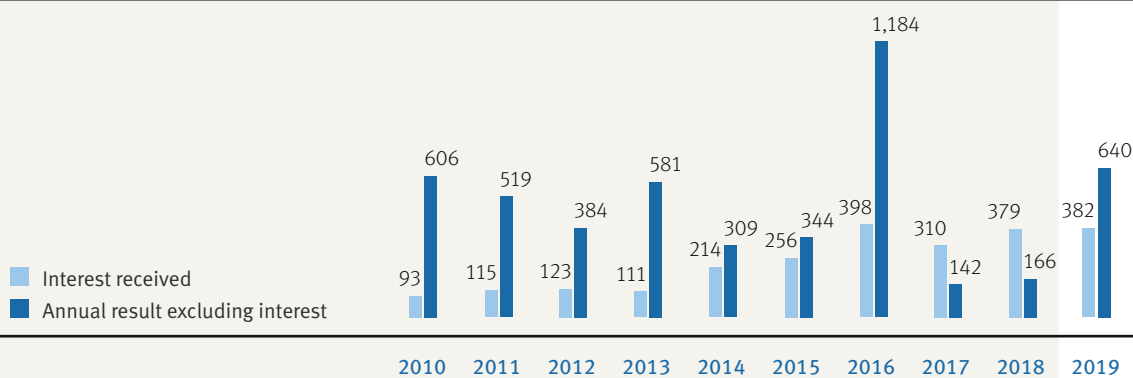
## Annual result

With a **cash surplus** of around 640.4 million euros, the Federal Republic of Germany's export credit guarantee scheme achieved a positive result for the Federal budget for the 21st consecutive year. Accordingly, the accrued total balance of export credit guarantees rose to just under 6.4 billion euros<sup>1</sup> as of the end of 2019.

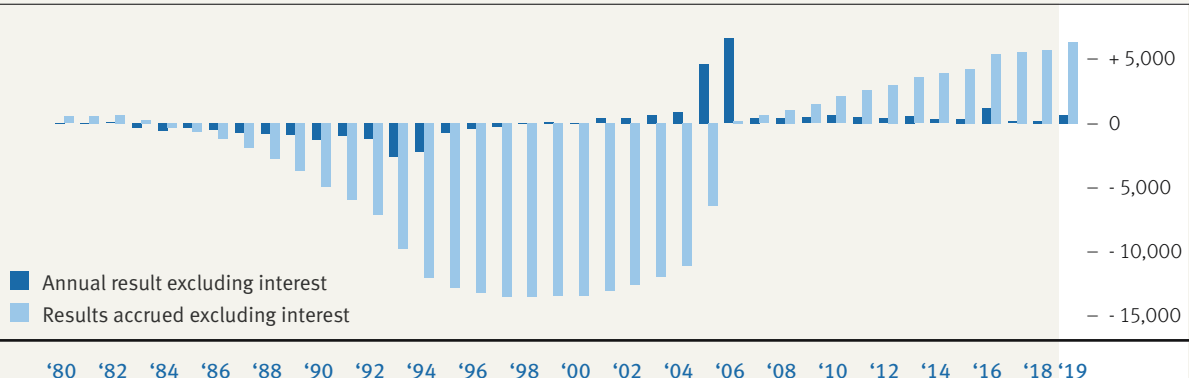
The interest income of 381.6 million euros (2018: 378.6 million euros) arising predominantly from rescheduling agreements was transferred to the federal budget. This interest income is not included in the calculation of the annual result.

<sup>1</sup> Not adjusted for inflation

FINANCIAL RESULT OVER THE PAST TEN YEARS IN MILLION EUR



ANNUAL RESULT AND RESULTS ACCRUED OF THE FEDERAL EXPORT CREDIT GUARANTEES 1980-2019 IN MILLION EUR



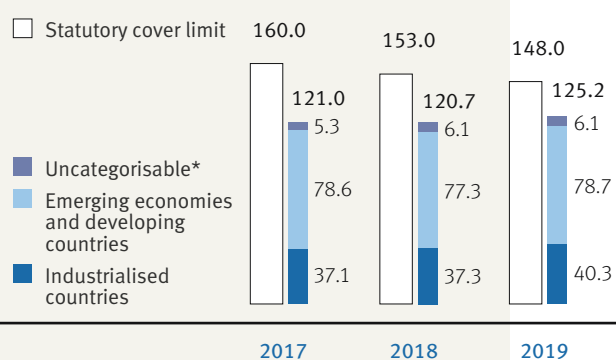
## STATUTORY COVER LIMIT AND TOTAL COMMITMENT LEVEL

Export credit guarantees are granted on the basis of amounts **authorised by the budget**. As of the end of the year, 84.6% of the statutory cover limit of 148 billion euros had been utilised. Interest covered does not count towards the statutory cover limit.

The **Federal Government's total commitment level (exposure)** stood at 125.2 billion euros as of 31 December 2019, thus exceeding the previous year (2018: 120.7 billion euros). This figure equals the total volume of export credit guarantees issued (net of interest) which are still exposed to risks. Exposure is defined as the actual portfolio registered by the Federal Office of Administration. However, it does not provide any indication of the real outstanding risk as the export credit guarantees count towards the statutory cover limit on the basis of their full amount until liability has been discharged regardless of their execution status. In the year under review, there were additions of 17.3 billion euros for new cover but discharges of 12.8 billion euros.

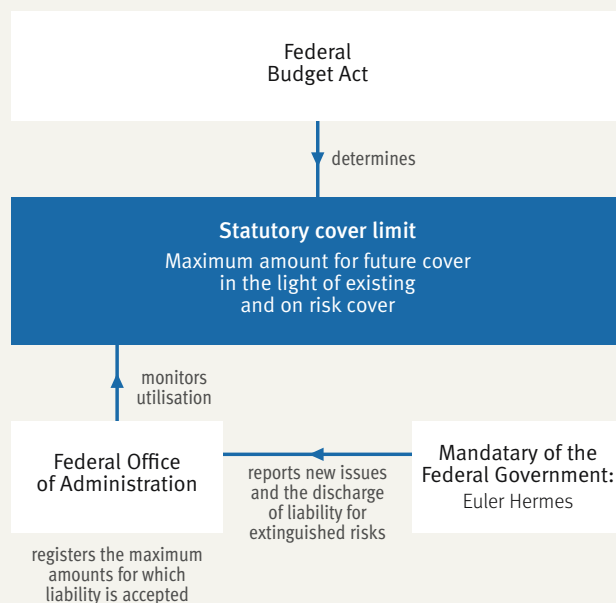
In addition, cover for interest came to 50.9 billion euros at the end of the year (2018: 49.0 billion euros). The Federal Government's total commitment level including interest thus stood at 176.0 billion euros.

**TOTAL COMMITMENTS OF THE FEDERAL GOVERNMENT  
(EXPOSURE) BREAKDOWN BY COUNTRY GROUPS  
AND STATUTORY COVER LIMIT IN BILLION EUR**



\* The „uncategorisable“ exposure refers to allocations made for wholeturnover policies and securitisation guarantees under the statutory cover limit

## THE FEDERAL GOVERNMENT'S STATUTORY COVER LIMIT



#### TOTAL OUTSTANDING RISK BY INDUSTRIAL SECTORS

Sector	2019 billion EUR	Share in %
Transport/infrastructure	44.5	50.6
Energy industry	17.4	19.8
Oil and gas processing	7.2	8.2
Manufacturing industry	5.7	6.5
Paper, timber, leather and textile industry	4.3	4.9
No recording of industry*	3.3	3.8
Chemical industry	3.1	3.5
Mining incl. processing	1.0	1.1
Agriculture and food industry	0.9	1.0
Service industry	0.5	0.6
<b>Total 2019</b>	<b>87.9</b>	<b>100.0</b>

\* Wholturnover policies, reschedulings

#### TOTAL OUTSTANDING RISK IN BILLION EUR

	2018	2019
United States	11.2	10.3
United Kingdom	5.6	10.2
Russia	8.9	8.4
Turkey	8.9	8.3
Egypt	6.6	6.5
Bermuda	5.8	5.1
Singapore	3.0	3.0
Switzerland	2.7	2.5
India	2.9	2.4
China PR	1.8	1.8
<b>Top 10 subtotal 2019: (66.7%)</b>		<b>58.6</b>
<b>Total 2019: (100%)</b>		<b>87.9</b>

## OUTSTANDING RISK

The **Federal Government's outstanding risk** is derived from the future maturities of commitments under cover granted plus interest, less the percentage to be retained by the exporters and banks for their own account. This amount constitutes the theoretical maximum outstanding risk under current Federal Government guarantees at any given time if the entire risk occurs in full. However, it does not provide any indication of the real likelihood of the risk turning into a claim and thus the Federal Government's liability to indemnify it.

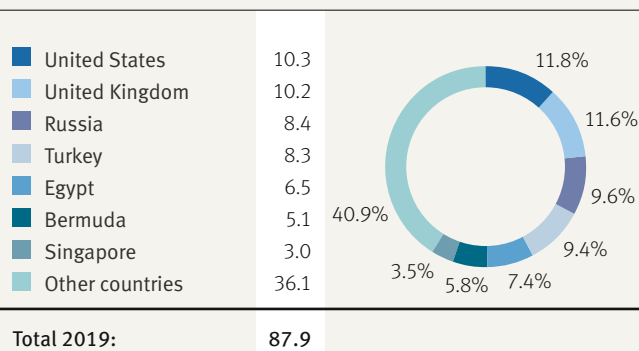
## UNRECOVERED AMOUNTS UNDER CLAIMS PAID

At the end of the year, **unrecovered amounts** under claims paid for commercial and political loss – including rescheduled trade and loan receivables – stood at 3.6 billion euros (2018: 4.0 billion euros). These unrecovered amounts arise from claims paid for receivables transferred to the Federal Government which it may be possible to recover in the future.

Recoveries can still be expected from outstanding **commercial claims** totalling 2.2 billion euros.

In the case of outstanding **political claims** (542 million euros), further recoveries can generally be expected.

### SHARE OF TOTAL OUTSTANDING RISK BY COUNTRY IN BILLION EUR



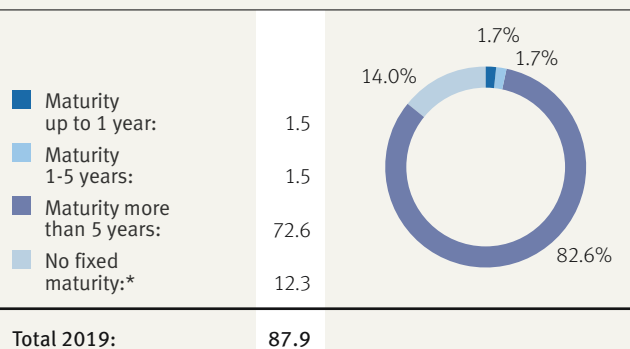
### TOTAL OUTSTANDING RISK BY COUNTRY GROUPS

Countries*	2018 million EUR	Share in %	2019 million EUR	Share in %
Emerging economies and developing countries	55,461.1	64.1	54,783.1	62.3
Latin America	9,750.5	11.3	10,804.9	12.3
Africa	9,999.8	11.6	9,794.1	11.1
Asia**	16,215.7	18.7	15,817.4	18.0
Europe	19,495.1	22.5	18,366.7	20.9
Industrialised countries	31,036.8	35.9	33,130.6	37.7
<b>Total</b>	<b>86,497.9</b>	<b>100.0</b>	<b>87,913.8</b>	<b>100.0</b>

\* See classification of countries p. 78

\*\* Including Oceania

### TOTAL OUTSTANDING RISK BY MATURITIES IN BILLION EUR



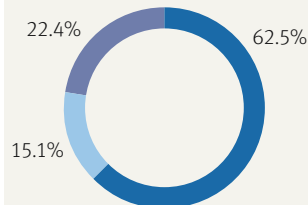
\* Isolated manufacturing risk cover, contract bond cover



## AMOUNTS OUTSTANDING IN BILLION EUR

Commercial claims:  
Political risk claims:  
Political risk claims  
regulated in  
rescheduling  
agreements:

2.2  
0.5  
0.8



Total 2019: 3.6

## DEBT OWED TO THE FEDERAL GOVERNMENT OUT OF RESCHEDULING AGREEMENTS AND POLITICAL RISK CLAIMS IN MILLION EUR

Venezuela	316.6
Argentina	257.9
Myanmar	146.0
Iraq	139.4
Pakistan	123.2
Korea DPR	109.1
Zimbabwe	72.1
Serbia	55.6
Sudan	46.8
Saudi Arabia	21.0

Top 10 subtotal 2019: (95.6%) 1,287.7

Total 2019: (100%) 1,346.5

An outstanding amount of just under 805 million euros has been restructured in the Paris Club to take account of the ability of the debtor countries to meet their payment obligations and is governed by bilateral **rescheduling agreements**. However, there is no certainty that the repayments thus agreed will actually be received.

As in the previous year, no outstanding amounts due to the Federal Government were **cancelled** under debt rescheduling arrangements in 2019. Since the establishment of the export credit guarantee scheme, the Federal Republic of Germany has waived total debt of just under 4.4 billion euros owed by the poorest countries under earlier debt-rescheduling agreements.

NEW GUARANTEES AS RELATED TO TOTAL  
EXPORT VOLUME; COVER APPLICATIONSUTILISATION OF THE STATUTORY  
COVER LIMIT IN BILLION EUR

Year	Total export volume in billion EUR	New guar- antees in billion EUR	Covered percentage of total ex- port volume	Cover appli- cations in billion EUR	Statutory cover limit	**** Allocated amount of statutory cover limit	**** Total outstand- ing risk
1950	4.3	0.2	3.6	1.0	0.3	0.3	
1955	13.1	1.6	12.5	5.1	3.8	2.5	
1960	24.5	2.4	9.6	8.3	6.1	5.2	
1965	36.7	2.8	7.5	10.0	8.7	8.1	
1970	64.1	4.9	7.7	12.0	13.8	12.9	
1975	113.3	10.1	8.9	55.8	30.7	25.0	
1980	179.2	14.6	8.1	64.8	76.7	59.6	
1985	274.6	15.9	5.8	54.0	99.7	80.9	
1990*	348.0	13.7	3.9	29.9	81.8	68.3	
1995**	383.2	17.1	4.5	29.8	99.7	91.9	
2000	596.9	19.5	3.3	21.0	112.5	106.1	56.5
2005	786.2	19.8	2.5	24.8	117.0	104.9	56.7
2006	893.6	20.6	2.3	33.9***	117.0	98.4	58.8
2007	969.1	17.0	1.8	38.1	117.0	96.7	58.1
2008	994.9	20.7	2.1	42.8	117.0	101.3	62.3
2009	808.2	22.4	2.8	48.0	117.0	107.8	66.0
2010	959.5	32.5	3.4	36.8	120.0	107.5	76.4
2011	1,060.2	29.8	2.8	37.4	135.0	116.6	82.3
2012	1,097.4	29.1	2.6	41.7	135.0	124.9	85.2
2013	1,093.9	27.9	2.6	38.7	145.0	129.1	87.7
2014	1,133.5	24.8	2.2	38.6	165.0	134.1	88.5
2015	1,195.9	25.8	2.2	36.2	160.0	132.8	92.4
2016	1,207.0	20.6	1.7	38.2	160.0	128.6	89.8
2017	1,279.1	16.9	1.3	29.1	160.0	121.0	85.8
2018	1,317.9	19.8	1.5	35.1	153.0	120.7	86.5
2019	1,327.8	21.0	1.6	26.8	148.0	125.2	87.9

\* Starting 1989, values include former Eastern Germany

\*\* Starting 1993, a new statistical method is applied in the EU to record overall export figures

\*\*\* Volume of new applications, until 2005 business volume of decisions

\*\*\*\* The column "Allocated amounts of the statutory cover limit" reflects the overall level of exposure under the statutory limit for the respective year. However, conclusions on the amounts actually at risk cannot be drawn on the basis of these figures because they also include indemnification and other payments made in respect of reschedulings for which recoveries are still expected. For this reason, the Federal Government's total outstanding risk has been recorded separately since the end of 1997.

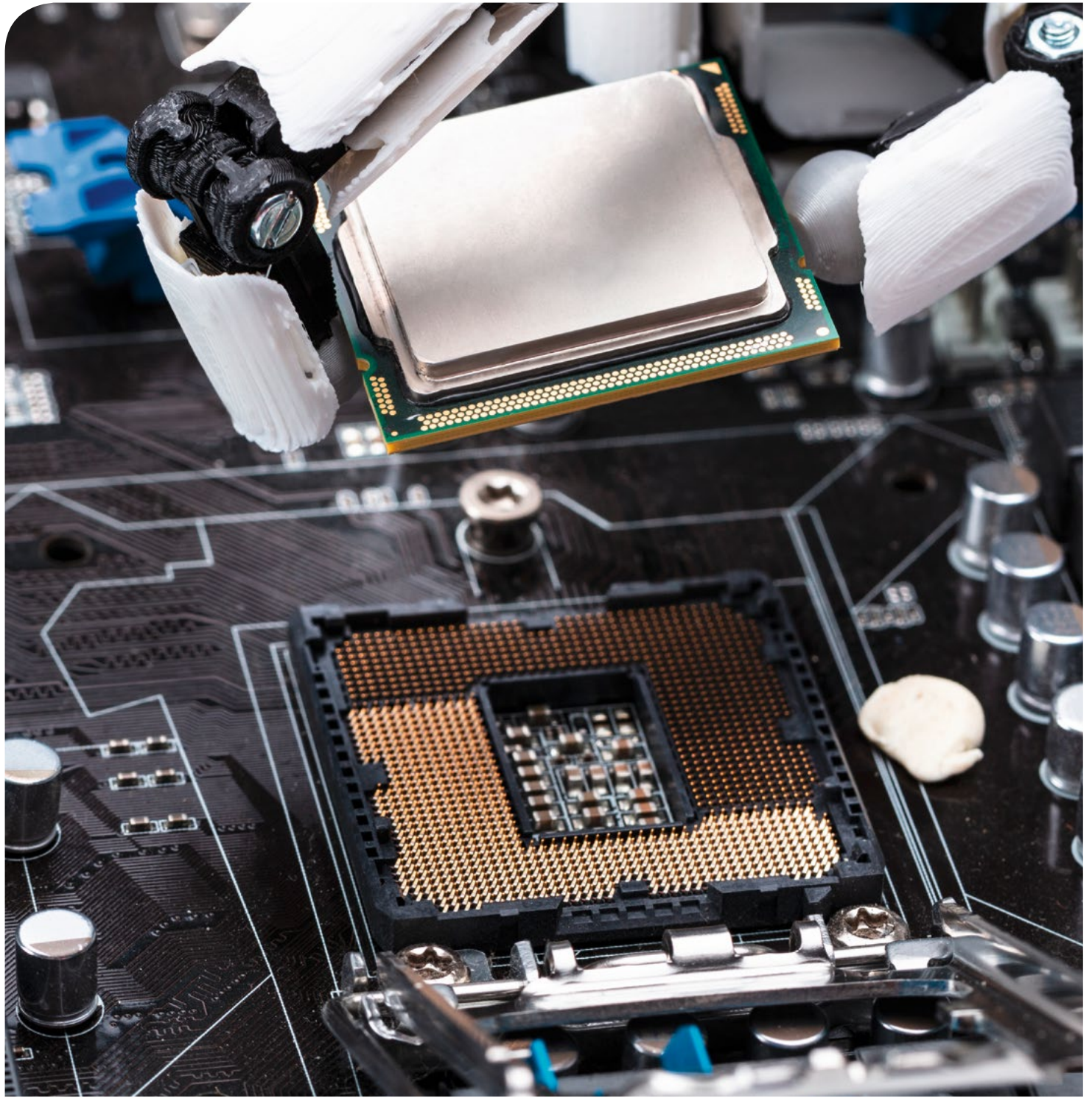
## RESULT IN MILLION EUR

Year(s)	Premiums/ fees earned	Recoveries for claims paid and rescheduled amounts*	Disburse- ments for claims and reschedulings	Expenses for the han- dling of the export credit guarantees	Annual results excluding interest	Interest**
1950-1954	27.6	16.8	25.6	5.3	13.5	
1955-1959	85.6	83.2	168.0	10.8	-10.0	
1960-1964	141.3	144.7	370.1	14.4	-98.5	
1965-1969	247.0	381.4	587.7	22.8	18.0	
1970-1974	346.1	421.9	808.1	37.9	-77.9	
1975-1979	897.5	468.5	580.6	82.6	702.8	
Subtotal	1,745.1	1,516.6	2,540.1	173.7	547.9	482.1
1980-1984	1,437.3	860.9	3,034.5	149.9	-886.1	238.2
1985-1989	1,343.3	1,034.6	5,512.6	183.9	-3,318.5	760.1
1990-1994	2,022.9	2,028.3	12,121.9	244.3	-8,315.0	1,725.6
1995-1999	2,727.3	2,722.2	6,614.4	270.6	-1,435.5	4,143.6
2000-2004	2,399.3	3,905.1	3,615.1	317.6	2,371.6	5,278.6
2005-2009	2,442.1	12,014.1	1,608.9	336.1	12,511.2	4,746.7
2010	776.5	187.2	282.2	75.8	605.6	92.7
2011	778.6	232.3	408.5	83.4	519.0	115.2
2012	546.7	199.4	282.5	79.8	383.8	123.6
2013	653.9	244.7	232.5	85.2	580.9	111.4
2014	598.1	299.9	504.0	84.7	309.3	214.3
2015	541.8	286.5	395.1	89.6	343.7	256.4
2016	845.4	977.6	551.8	87.4	1,183.9	397.5
2017	346.9	309.1	429.3	85.1	141.5	309.9
2018	586.1	396.9	728.0	88.7	166.4	378.6
2019	563.0	550.6	383.2	90.0	640.4	381.6
Total amount	20,345.4	27,766.0	39,244.5	2,525.8	6,350.1	19,756.2
Total income		48,120.4				
Total expenses			41,770.3			
Result accrued excluding interest					6,350.1	
Debt owed to the Federal Government					3,593.5	
of which regulated under reschedulings					804.9	

\* Recoveries for claims paid and rescheduled amounts include special revenues and exchange rate gains

\*\* For methodical reasons, interest received by the federal budget is excluded when calculating the financial result since the refinancing costs incurred by Federal Government in respect of claims paid are also not included.

Differences are due to rounding



## 11 raw materials in 15 countries

---

Over the last five years, the Federal Government has confirmed the eligibility of raw material projects in 15 countries for 11 different raw materials in the light of supply considerations.

## 660 million

---

Two applications worth 660 million euros were received for untied loan guarantees in 2019.

# UNTIED LOAN GUARANTEES

Interest in untied loan guarantees to safeguard supplies of raw materials to German industry remained at a very high level in 2019. There was particularly strong demand for raw materials for key and future technologies. Final cover was provided for two transactions. In the case of three projects, the eligibility for cover in the light of raw material policy considerations was confirmed, while an offer of cover was issued for a further project. In this way, the Federal Government is promoting the future viability of the German economy and making an important contribution to achieving the climate targets.

■ 69

## Technologies of the future

There is strong demand for raw materials for e-mobility and renewable energies such as rare earths, lithium and copper.

## 4,2 billion

The Federal Government's exposure under aggregate outstanding guarantees came to 4.2 billion euros as of the end of 2019.



## UFG-GUARANTEES OF THE FEDERAL REPUBLIC OF GERMANY

### ► Untied Loan Finance

#### UFG ENQUIRIES – DISTRIBUTION AMONG THE TYPES OF RAW MATERIALS

	Raw materials	Number
Minerals		22
	Lithium	6
	Copper	4
	Tungsten	2
	Rare earths	2
	Fluorspar	1
	Graphite	1
	Aluminium	1
	Gold	1
	Iron ore	1
	Steel	1
	Platinum group metals	1
	Zinc	1
Energy raw materials		7
	Methanol	2
	LNG	2
	Natural gas	3
Other raw materials		4
<b>Total 2019</b>		<b>33</b>

## THE YEAR AT A GLANCE

Copper, lithium and rare earths were the main focus of attention for untied loan guarantees in 2019. These are raw materials that are at the heart of the development of key and future technologies for German industry. Due to its conductivity, copper is an essential component in wind and solar parks, in electric vehicles and the necessary charging infrastructure. Lithium is a crucial element for batteries used for electromobility and energy storage. Rare earths, such as neodymium and praseodymium, are needed for electric motors, among other things. These raw materials are thus indispensable for the mobility and energy transformation.

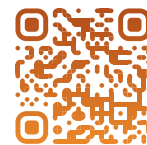
In the copper sector, several projects were completed and covered at the beginning of 2019. They were part of a whole series of projects that had been developed in the wake of rising raw material prices in 2017 and 2018 and which it was possible to execute profitably and on the basis of secure financing. These projects are now being implemented with the support of an untied loan guarantee. The flat or even declining prices in the further course of 2019 in the wake of political and economic uncertainties led to a reduction in the number of new copper projects under development. There were also delays in projects that were at an early stage of development. Despite this, global demand for copper remains high and the medium-term outlook is favourable.

Interest in projects for the extraction of raw materials such as rare earths and lithium continued to grow sharply in 2019. Forecasts assume high growth in demand for these raw materials in the coming years and decades, far exceeding current availability. More-

over, supply-side risks are being posed by the strong regional concentration of deposits of raw materials combined with political uncertainties. The strong dominance of Asian market participants, especially China, is also a source of uncertainty. Against this backdrop, companies around the world are endeavouring to secure the required quantities of raw materials under long-term offtake agreements and collaborations.

In 2019, two new untied loan guarantees worth a total of 600 million euros were issued. In addition to this, an offer of cover for 223 million euros (plus cover for interest) was provided for a further project. All in all, two (previous year: four) **applications** for new

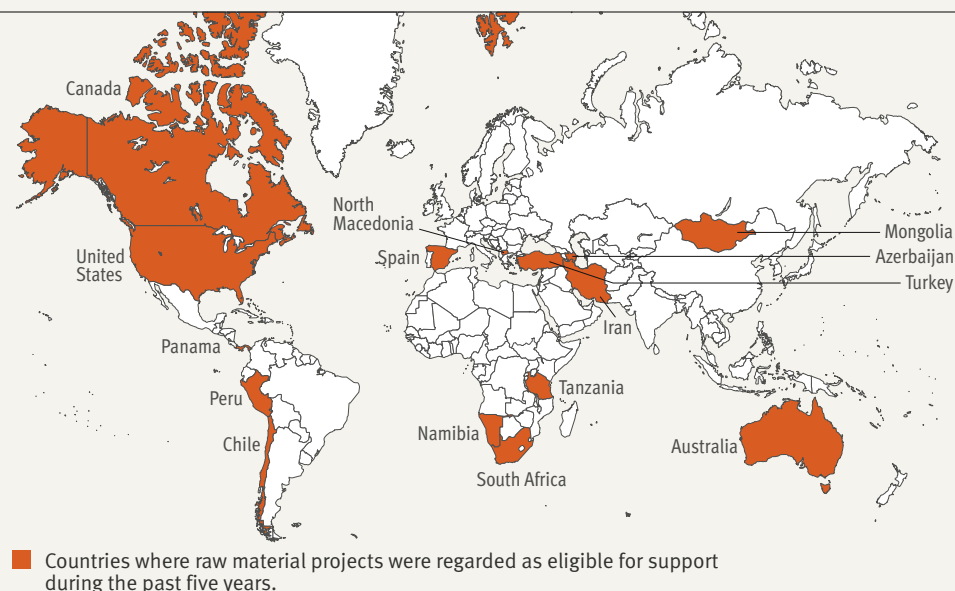
projects with a combined value of 660 million euros (plus cover for interest) were submitted. At 33 (2018: 27), the number of **inquiries** remained at a high level. Most of these inquiries related to mineral raw materials (primarily lithium). In 2019, plans for three of these projects (two lithium projects and one rare earths project with a combined value equivalent to around 700 million euros) had already progressed far enough for the Federal Ministry for Economic Affairs and Energy to confirm their **eligibility for cover in the light of raw materials supply considerations**.



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info@ufk-garantien.de  
agaportal.de/en > raw materials

#### UFK UNDERWRITING PRACTICE – COUNTRIES



## The Pumpkin Hollow copper project in Nevada – securing the supply of raw materials for the technologies of the future

In 2019, the German Government granted an untied loan guarantee of 115 million US dollars for the Pumpkin Hollow underground mining project in Nevada, United States. A long-term supply agreement between the project company and the German company Aurubis AG forms the basis for the Federal Government's participation in the finance for this project. With headquarters in Hamburg, Aurubis is one of the world's largest copper producers. Backed by the support of the Federal Government, the company is able to secure supplies

of copper concentrate from the mine for processing in the copper smelter in Hamburg over a period of eight years. The supply agreement safeguards the long-term availability of copper for German industry, which is almost entirely dependent on imports from abroad.

Due to its high conductivity, copper is a central component in many applications, particularly also the green technologies of the future such as electromobility and renewable energy sources. Given the sharp rise in demand for these products in connection with increasing climate awareness, demand for copper is also expected to remain high in the foreseeable future.

*The site of the Pumpkin Hollow Mine in Nevada, United States, during the construction phase in 2019.*



The Pumpkin Hollow underground copper mining project is being developed in Nevada, a US state in which mining plays a dominant role. The project developer and owner is the Canadian mining company Nevada Copper Corporation. The investment budget of around 370 million US dollars is mainly attributable to the construction of the underground mine and the processing plant on the surface. Roughly half of the project is equity-financed, while the other half is being funded via various sources of debt capital. During the operating phase the initial annual output will reach about 100,000 tons of copper concentrate. The project is being implemented in line with international environmental, social and human rights requirements in accordance with the IFC Performance Standards.

By granting an untied loan guarantee, the Federal Government is making an important contribution to safeguard supplies of copper to German industry and thus promoting the expansion of sustainable industries such as electromobility and renewable energies.

All in all, the Federal Government has confirmed the eligibility of 25 projects in 15 countries around the world in the light of raw materials supply considerations over the last five years. These projects entailed 11 different mineral and energy resources, thus underscoring the range of raw materials and projects for which the untied loan guarantee instrument is available.

As of the end of the year, the portfolio comprised a total of eleven guarantees, nine of which were guarantees for raw materials projects. Two guarantees for development bank projects aimed at installing and promoting market-economy structures in foreign countries. The Federal Government's maximum liability (exposure) under the guarantees issued and still on risk – including cover for interest – stood at 4.2 billion euros at the end of 2019. Of this, raw material projects accounted for 4.0 billion euros and development-bank projects for 0.2 billion euros. One guarantee for a development-bank project of 150 million euros was prematurely terminated in 2019.

The untied loan guarantees paid for themselves in the year under review from premiums and fees. No indemnification was paid.

The 2019 Budget Act provided for a joint statutory cover limit of 58 billion euros for the issue of untied loan guarantees, investment guarantees and European Investment Bank loans.

The leadership function in the Interministerial Committee, which has the underwriting responsibility for the Federal Export Credit Guarantees, is exercised by the **Federal Ministry for Economic Affairs and Energy**:

Bundesministerium für Wirtschaft und Energie  
Referat VC2  
Scharnhorststraße 34-37  
10115 Berlin  
www.bmwi.de

The Federal Government has appointed **Euler Hermes Aktiengesellschaft**, Hamburg, (Euler Hermes), to manage the official export credit guarantee scheme. Further details, information, documents and advice on the opportunities offered by export credit guarantees and the applicable procedures can be obtained by contacting the Head Office of Euler Hermes Aktiengesellschaft or one of its branch offices. Extensive information material on the official export guarantee

scheme, e.g. current editions of the AGA Report, the General Terms and Conditions, application forms and information leaflets as well as the Annual Reports can also be accessed via the Internet. The “Hermes Cover Special” addresses key aspects of export credit guarantees in detail. Further brochures are also available on the Internet.

- 2018: ► Duties under supplier and buyer credit cover
- 2017: ► Guide to forfaiting for exporters
- 2017: ► Principles underlying ship finance
- 2017: ► Indemnification procedure
- 2016: ► Inclusion of foreign content in Hermes Cover

This report on the export credit guarantees provided by the Federal Republic of Germany is published in German and English.

Rev.: May 2020



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## ANNEX EXPORT CREDIT GUARANTEES

### DESIGN OF THE COVER

The covers of the 2019 annual reports on the export credit guarantees and investment guarantees issued by the Federal Republic of Germany are the result of an invitation for submissions from the University of Applied Science Europe in Hamburg in 2019.



Under the project, students submitted proposals for the graphic design of the cover images for the two annual reports for 2019. The selected design was submitted by Alex Harbich, who is studying photography in his 6th semester at the Faculty of Art & Design. When not pursuing his studies, he works as a freelance architectural photographer. He particularly reveals his personal idiom, which is marked by minimalism, in artistically staged projects that deal with the phenomenon of what it is to be human. He also exhibits these works outside the university – for example in galleries, hotels or during Phototriennale 2018.

Now aged 25, he developed an interest in his artistic and perfectionist method of working while still at school but initially decided to pursue technical studies. Today, as a photographer, he benefits from this experience in the engineering world. Against this backdrop, Alex Harbich explored the relevance of German craftsmanship in the 21st century. He contacted small and medium-sized companies, asking them for permission to take photographs during their ongoing operations. The cover pictures of the annual reports for export credit and investment guarantees show the manufacturing and calibration process for



high-precision measuring instruments – a process which would have been unthinkable without prior investment in the machinery used for this purpose, but which also largely depends on foreign exports of the finished items.

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- 72 Nevada Copper Corp.

## DEFINITIONS AND EXPLANATIONS

### Arrangement (OECD Consensus):

The Arrangement is a “Gentlemen’s Agreement” between the OECD members which lays down certain minimum and maximum terms permissible for officially supported export credits with a maturity of more than two years. The Arrangement aims at creating a level playing field for the exporters and avoiding financing competition which would place an unnecessary burden on national budgets.

### Ceiling:

For countries where cover facilities have been restricted for risk management reasons, an amount of cover is fixed which places a limit on the maximum amount for which guarantees can be issued, i.e., a ceiling is established. As a rule, such ceilings apply to transactions with repayment terms of more than 12 months.

### Club of London:

The uncovered loans granted by commercial banks are re-scheduled by the banks on their own initiative (cf. also Paris Club).

### Coinsurance:

When the primary supplier passes on his foreign risks to the subcontractor, e.g. if and when the latter only gets paid when the foreign buyer has paid the primary contractor, an application can be made for so-called coinsurance. Among EU member states, this is regulated by a Council Directive. There are bilateral agreements with other credit insurers. Besides this, there is the option of concluding a coinsurance agreement with other state export credit agencies covering just a single transaction.

### Commercial risks:

Commercial risks are mainly insured under the cover given for the credit and manufacturing risks involved in export contracts with private buyers. In the case of credit risk, the insured event is the uncollectability of insured accounts receivable as a result of the insolvency of the foreign buyer, as well as his simple non-payment after the expiry of a certain period (protracted default). In manufacturing risk cover, the commercial risks recognized as insured are also the occurrence of buyer insolvency during the manufacturing period, the unlawful repudiation of the contract by the buyer as well as non-payment of cancellation costs if the contract was lawfully cancelled.

### ECA:

Export Credit Agency which supports exports by means of state export credit insurance, direct lending, refinancing or interest subsidies.

### Environmental, social and human rights audit:

The OECD Recommendation of the Council on Common Approaches for Officially Supported Credits and Environmental and Social Due Diligence (Common Approaches) essentially forms the basis for the assessment of environmental, social and human rights risks of projects abroad, in which German exporters are involved as suppliers.

### Exposure:

Total commitment level of the Federal Government booked against the maximum exposure limit or the commitment under an individual export credit guarantee.

### Interministerial Committee (IMC):

Decides on matters of principle and on the availability of cover for individual transactions. The Federal Ministry for Economic Affairs and Energy takes the decisions on the cover applications with the approval of the Federal Ministry of Finance and in agreement with the Federal Foreign Office and Federal Ministry for Economic Cooperation and Development. Representatives of the mandatary and experts are also on the IMC.

### Marketable risks:

With effect from 2002, the political and commercial risks arising out of export transactions with credit periods of up to two years in EU countries as well as core OECD countries are considered to be marketable risks. In line with the principle of subsidiarity, state cover is therefore no longer available for such risks. The new EU Commission Communication which came into force on 1 January 2013 regulates up to 2020 the procedure under which a country may be classified as temporarily non-marketable if and when sufficient cover is not available from the private credit insurers.

### Multi-sourcing projects:

Projects involving exporters from different countries and, in many cases, with multinational financing.

### Offer of cover:

Declaration of intent to provide cover subject to the condition that the factual and legal basis of the transaction does not change (transaction earmarked for cover).

### Parallel insurance:

When the various suppliers in a multi-sourcing project each have their own payment claims against a foreign buyer, each supplier insures his receivables against loss with his own national export credit agency.

#### Paris Club:

International association of official creditors which restructures the debt of countries experiencing payment difficulties. The debt treatment refers almost exclusively to officially guaranteed commercial debt, i.e. guaranteed in particular by the governments of the creditor countries and development aid loans. The Paris Club has no organisational structure with written statutes. The procedural guidelines have been developed over the course of time and are amended when and as necessary (cf. "Club of London").

#### Political risks:

The origin of political risks is to be sought in measures or events originating in the sphere of state authorities. In the case of cover for amounts due for payment, such risks are political circumstances which cause the insured accounts receivable to become uncollectible, especially the general political cause of loss, which includes legislative or regulatory actions and so-called chaos events such as war, civil unrest or revolution in foreign countries. The Federal Government further grants cover for the conversion and transfer risk, i.e., the risk that amounts duly paid by the foreign buyer in local currency are not converted and/or not transferred due to restrictions on the international payment system between countries. Cover is also given for the risks of frustration of contract, when it becomes impossible to fulfil a contract and entitlements under it are lost, as well as the risk of loss of goods before the passing of risk for reasons which can be attributed to political circumstances. If such a cause of loss seems likely – just as in the case of the general political cause of loss – and the goods are sold elsewhere in such a situation, then the risk of a shortfall in the proceeds realized is also insured. In the case of manufacturing risk cover the political risks insured comprise the political circumstances abroad which lead to the cessation of manufacture or to non-shipment, as well as embargos imposed under the export law and by any third countries which may be involved.

#### Project financing schemes:

Are applied to complex export transactions where the project itself generates sufficient income to cover the operating costs and the debt service for borrowed funds.

#### Protracted default:

Non-payment which persists for a longer period. If an amount owed by a foreign buyer is not settled within a period of, normally, six months after due date, this is considered to constitute protracted default. In the case of the buyer credit cover facility the waiting period is reduced to one month.

#### Reinsurance:

Using the reinsurance model, projects involving exporters from different countries (multi-sourcing-projects) can be covered by a single export credit insurer, so that the main supplier and the financing bank only have to deal with one partner. The risk is shared between the parties to the reinsurance agreement according to the national percentages of goods delivered.

#### Special Drawing Rights:

The Special Drawing Right (SDR) is a form of artificial currency unit used by the International Monetary Fund (IMF). The exchange rate is defined by a basket of currencies comprising the US dollar, the euro, the pound sterling, the yen and the renminbi (yuan).

#### Statutory cover limit:

Maximum amount stated in the Federal Budget Act up to which liability in the form of issued export guarantees may be accepted. The Federal Office of Administration (BVA) keeps a record of the total amount of the issued export guarantees and monitors the utilisation of the statutory cover limit.

#### Structured finance transaction:

The financing of an export transaction in which, due to insufficient or non-assessable creditworthiness of the foreign debtor, and because conventional security instruments (payment guarantee, letter of credit) are not available, other elements are included in the construction to ensure service of the debt, such as the proceeds of offtake agreements.

#### Total outstanding risk of the Federal Government:

The country risk statistics reflect the debt owed by individual countries (including interest) to the Federal Republic of Germany and the amount which would actually have to be indemnified by the Federal Government under the export guarantees issued.

#### Uninsured percentage:

Exporter's share in the loss in an event of loss, normally 5% for political risks and 15% for commercial risks and protracted default. For wholeturnover policies, it is 10% for commercial risks. Until the end of 2022 the uninsured percentage agreed in supplier credit cover and wholeturnover policies for commercial risks can be reduced to 5% against the payment of a premium surcharge. In the case of buyer credit cover, the uninsured percentage is 5% for all risks, for manufacturing risk cover it is also 5% and for wholeturnover policies light it is 10% for all risks.

## CLASSIFICATION OF COUNTRIES

### Classification of countries into industrialised countries and emerging economies and developing countries

#### Industrialised countries:

The group of industrialised countries comprises all countries with OECD country classification 0; these include OECD high-income countries (according to the World Bank definition: countries with a GNI per capita above 12,375 US dollars in 2019), member states of the European Monetary Union including their affiliated territories, as well as Singapore.

Andorra, Australia, Austria, Belgium, Canada, Chile, Czech Republic, Cyprus, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Liechtenstein, Lithuania, Luxembourg, Malta, Monaco, Netherlands, New Zealand, Norway, Poland, Portugal, San Marino, Singapore, Slovak Republic, Slovenia, Spain, South Korea, Sweden, Switzerland, United Kingdom, United States, Vatican City

#### and their dependent territories:

BES Islands, Ceuta and Melilla, Gibraltar, Greenland, Guadeloupe, French Guiana, Martinique, Mayotte, Réunion, St. Pierre and Miquelon.

#### American emerging economies and developing countries:

American Virgin Islands, Anguilla, Antigua and Barbuda, Argentina, Aruba, Bahamas, Barbados, Belize, Bermuda, Bolivia, Brazil, British Virgin Islands, Cayman Islands, Colombia, Costa Rica, Cuba, Dominica, Dominican Republic, Ecuador, El Salvador, Falkland Islands, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Montserrat, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Sint Maarten, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Suriname, Trinidad and Tobago, Turks and Caicos Islands, Uruguay, Venezuela.

#### African emerging economies and developing countries:

Algeria, Angola, Benin, Botswana, Burkina Faso, Burundi, Cameroon, Cabo Verde, Central African Republic, Chad, Comoros, Congo, Congo (Democratic Republic), Côte d'Ivoire, Djibouti, Egypt, Equatorial Guinea, Eritrea, Ethiopia, Gabon, Gambia, Ghana, Guinea, Guinea-Bissau, Kenya, Lesotho, Liberia, Libya, Madagascar, Malawi, Mali, Mauritania, Mauritius, Morocco, Mozambique, Namibia, Niger, Nigeria, Rwanda, São Tomé and Príncipe, Senegal, Seychelles, Sierra Leone, Somalia, South Africa, South Sudan, St. Helena, Sudan, Swaziland (since 2018 Eswatini), Tanzania, Togo, Tunisia, Uganda, Zambia, Zimbabwe.

#### Asian emerging economies and developing countries:

##### ► Middle East:

Bahrain, Iran, Iraq, Jordan, Kuwait, Lebanon, Oman, Palestine (autonomous territories), Qatar, Saudi Arabia, Syria, United Arab Emirates, Yemen.

##### ► East Asia:

Brunei Darussalam, Cambodia, China (People's Republic), Hong Kong, Indonesia, Korea (Democratic People's Republic), Laos, Macao, Malaysia, Mongolia, Philippines, Taiwan, Thailand, Timor-Leste, Vietnam.

##### ► South/Central Asia:

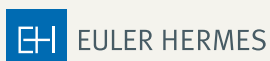
Afghanistan, Armenia, Azerbaijan, Bangladesh, Bhutan, Georgia, India, Kazakhstan, Kyrgyzstan, Maldives, Myanmar, Nepal, Pakistan, Sri Lanka, Tajikistan, Turkmenistan, Uzbekistan.

##### ► Oceania:

American Samoa, Cook Islands, Fiji, French Polynesia, Guam, Kiribati, Marshall Islands, Micronesia, Nauru, New Caledonia, Niue, Northern Mariana Islands, Palau, Papua New Guinea, Pitcairn Islands, Solomon Islands, Samoa, Tokelau, Tonga, Tuvalu, Vanuatu, Wallis and Futuna.

#### European countries (without industrialised countries):

Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, North Macedonia, Republic of Moldova, Montenegro, Romania, Russia, Serbia, Turkey, Ukraine.



Export Credit Guarantees of the Federal Republic of Germany

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FROM 70 YEARS OF EXPORT CREDIT GUARANTEES



HIGHLIGHTS  
FROM 70 YEARS OF EXPORT CREDIT GUARANTEES



**1949**

- “Gesetz über die Übernahme von Sicherheitsleistungen und Gewährleistungen im Auslandsgeschäft” (Act on the provision of cover and guarantees in export business) passed.
- 9 November: First meeting of the Foreign Trade Committee for Export Guarantees in Frankfurt-Hoechst (the precursor of the Interministerial Committee (IMC)).

**The 1950s**

**1952**

- Wholturnover Policies (APG) launched.

**The 1960s**

**1960**

- Possibility of cover for tied buyer credit introduced.

**The 1970s**

**1972**

- Cover for exchange rate risks introduced.

**1973**

- Cover for leasing transactions introduced.

**1975**

- Airbus delivery covered for the first time.

**1978**

- Arrangement on Guidelines for Officially Supported Export Credits (OECD Consensus) adopted.

**1979**

- Securitisation Guarantees, i.e. the ability to assign claims under buyer credit cover, introduced. Today, this product is experiencing a renaissance.

**The 1980s**

**1980**

- Wholturnover Policies (APG) overhauled. The risk of protracted default included for private-sector buyers.

**1985**

- Cover provided for project finance for the first time.

**1986**

- Trust model introduced, i.e. the possibility of providing buyer credit cover in favour of foreign banks via a German trustee.

**The 1990s**

**1990**

- Hermes Cover provided in favour of companies in the eastern German states.

**1994**

- OECD Consensus revised.
- German fee system providing for a uniform premium to be paid replaced by variable premiums based on five country risk categories.

**1997**

- Website launched for the Export Credit Guarantees on the Internet.

**1998**

- Uniform OECD-wide premium system introduced for political risks.
- Reinsurance treaty entered into with the export credit agencies of the United Kingdom, Austria and France.

**1999**

- Named “World’s Best Export Credit Agency”.
- IMC meeting held in Berlin for the first time on 7 October.

## The 2000s

### 2000

- Prognos study demonstrates the benefits of export credit guarantees for jobs.
- Framework credit cover introduced.

### 2001

- OECD Environmental Guidelines (Common Approaches) introduced.
- Project information published on the Internet.

### 2002

- OECD Sector Understanding on Export Credits for Ships adopted.

### 2003

- Wholturnover Policy Light (APG-light) introduced.
- Hermes Cover instruments renamed "Export Credit Guarantees of the Federal Republic of Germany".

### 2004

- [www.agaportal.de](http://www.agaportal.de) website launched.

### 2006

- Counter-Guarantee introduced.

### 2007

- OECD Sector Understanding on Export Credits for Civilian Aircraft (ASU) adopted.

### 2008

- Revolving buyer credit cover introduced.
- More flexible requirements with respect to foreign deliveries and local costs eligible for cover.

## The 2010s

### 2010

- Cover for service providers introduced.
- Total cover provided reaches a record 32.5 billion euros in 2010.

### 2011

- General Terms and Conditions of Cover for transactions with private-sector buyers and public-sector buyers unified. The German terms "Garantie" and "Bürgschaft" are replaced by the uniform term "Deckung" (cover).

### 2012

- The OECD Council adopts a revised version of the Recommendation on Common Approaches for Officially Supported Export Credits and Environmental and Social Due Diligence.
- New OECD Consensus takes effect. The main new element is the Sector Understanding on Export Credits for Renewable Energy, Climate Change and Water Projects (Annex IV) with the inclusion of climate protection.

### 2014

- The OECD Sector Understanding on Export Credits for Rail Infrastructure with longer terms for state export credit guarantees.
- The Federal Government broadens the availability of cover for selected sub-Saharan countries.

### 2015

- The ifo Institute studies the effectiveness of export credit guarantees and documents the positive effects they have on employment.

### 2016

- "49 PLUS" introduced. In the case of single transaction policies, a distinction is now only drawn between exports with a foreign share of up to 49% and those with a share of over 49%.
- The Federal Government adopts the National Action Plan for Business and Human Rights (NAP) to implement the corresponding guiding principles of the United Nations on a national level.

### 2017

- Hermes goes digital: The myAGA customer portal offers exporters and banks the possibility of submitting applications for cover online and for managing them digitally in the future.
- Covered Bond Guarantee introduced.

### 2018

- The Federal Government facilitates exports to Africa.
- Hermes Cover click&cover EXPORT, the first solely digital product, is launched.

### 2019

- Euler Hermes, OeKB and SERV establish an ECA initiative for the German-speaking region and decide to work more closely together in the area of state export credit guarantees.
- Financing experts in Dubai, Singapore and Nairobi commence their work.

Further highlights can be found at [www.agaportal.de](http://www.agaportal.de).  
(<https://www.agaportal.de/service/exportkreditgarantien-historie>)

*[www.agaportal.de/en](http://www.agaportal.de/en)*

## Cover from the Federal Republic of Germany for foreign business

Export Credit Guarantees and Untied Loan Guarantees have been established and effective foreign trade promotion instruments of the Federal Government for decades. Export Credit Guarantees (“Hermes Cover”) protect German exporters and the banks financing them against political and commercial risks. Untied Loan Guarantees are to support raw material projects abroad regarded as eligible for promotion by the Federal Government. Both promotion instruments play an important role in fostering economic growth as well as in protecting and creating jobs.

They are managed on behalf of the Federal Republic of Germany by Euler Hermes Aktiengesellschaft as mandatary of the Federal Government.

Information on other foreign trade promotion instruments of the Federal Government can be found at [www.bmwi.de](http://www.bmwi.de) under the search term “Promotion of foreign trade and investment”.



Federal Ministry  
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OUR PARTNER



EULER HERMES

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