

EXPORT CREDIT GUARANTEES



INTERIM REPORT 2019

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

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ECA initiative

Strengthening exporters and SMEs in international competition.

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8.7 billion

The Federal Government issued export credit guarantees worth 8.7 billion euros in the first half of 2019.

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Product *innovation*

Digital buyer credit cover facilitating small-ticket finance.

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80.7%

Most of the cover provided was for the emerging economies and developing countries.

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Digitisation

Digital interfaces linking customer portal with finance partners.

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Financial result for the half-year

Export credit guarantees generated a positive result of 390.1 million euros.

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THE FIRST HALF OF THE YEAR AT A GLANCE

Trade barriers, political crises and a global economic slowdown are posing particular challenges for the German export industry. Companies and banks are continuing to use export credit guarantees issued by the Federal Government to assert themselves successfully in this difficult economic and political environment. As of 30 June 2019, total cover provided stood at 8.7 billion euros, up 7.4% on the same date in the previous year. Looking forward over the rest of the year, the prevailing risks point to sustained demand for export credit guarantees.

International ECA initiative: strengthening exporters and SMEs in international competition

In future, the export credit agencies in Germany, Austria and Switzerland will intensify their cooperation to improve the business opportunities for German, Austrian and Swiss exporters on a sustained basis

in the face of international competition. The three countries also want to work more closely in the area of ECA finance. For example, there are plans to hold a conference of exporters from the railway industry, to organise joint events in the emerging markets and to develop initiatives for boosting digitisation.

ECA initiative

*“Bring your project to... Latin America”
More than 100 representatives from
companies, banks and industry associations
were able to find out more about the cover
granted by the Federal Government for
the export of goods and services to Latin
America on the basis of specific projects.*



DEVELOPMENT OF EXPORT CREDIT GUARANTEES

Over the past six months, further progress has been made on the [digitisation](#) of the guarantee scheme. Here is an overview of the main new developments:

- The Federal Government introduced Hermes Cover click&cover BANK on 1 February 2019. This digital buyer credit guarantee was specially developed for banks that finance [small-ticket transactions](#).

Product innovation

The standardised click&cover process reduces administrative and checking workloads for banks. Due to the simplified process, it has become more attractive again for banks to offer small-ticket finance covered under Federal Export Credit Guarantees. Digital buyer

credit cover is the second product in the click&cover series. Since 1 July 2018, exporters have been able to use Hermes Cover click&cover EXPORT as a digital and simplified means of gaining cover for receivables arising under standardised transactions for the delivery of goods and services.

- Technical interfaces, also known as APIs (short for application programming interfaces), provide the basic underpinnings for improving processes and enabling [digital data exchange](#). They create a direct link between the myAGA customer portal and the IT systems of finance partners, permitting the two systems to communicate and interact with each other. Two of these APIs recently went live, simplifying the technical links between the application submitted by exporters or banks via the myAGA customer profile and the inclusion of the data on the export transaction concerned.

Whether for stand-alone buyer credit cover or combined supplier and buyer credit cover, the interfaces not only simplify handling but also make it considerably swifter. Duplicate entries and manual checks are no longer necessary.

- A further digital feature is the [credit rating indication](#) for standardised buyer and supplier credit cover (Hermes Cover click&cover). During the application phase it is already possible to gain an indication of the credit rating of the foreign buyer or borrower as well as the cost of the cover on the basis of selected figures taken from the annual financial statements.

Digitisation

Kazakhstan: improvement of the scope for cover

The Interministerial Committee (IMC) for Export Credit Guarantees has substantially widened the scope for obtaining cover for business with [Kazakhstan](#) again. Thus, Kazakh banks are now generally accepted as providers of collateral. As well as this, the IMC is no longer excluding individual financial institutions from cover.

Country risk classifications

At its meetings held in January and June, the OECD experts reviewed various [country risks](#). This resulted in the following changes in the existing country risk classifications shown in the adjacent table, which were immediately adopted by the German cover system.

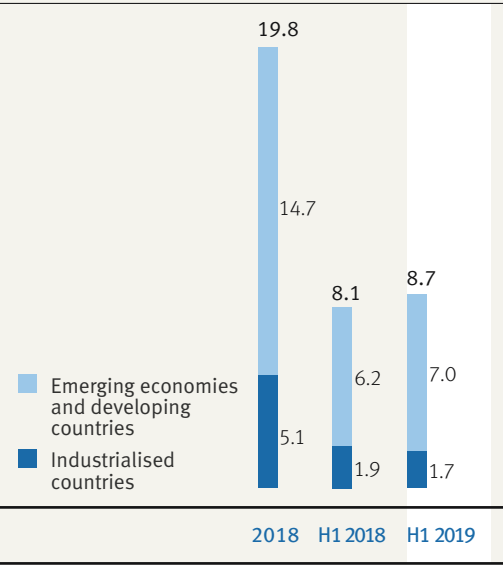
They are used as a parameter in the calculation of the premium.

OECD COUNTRY RISK CATEGORIES*

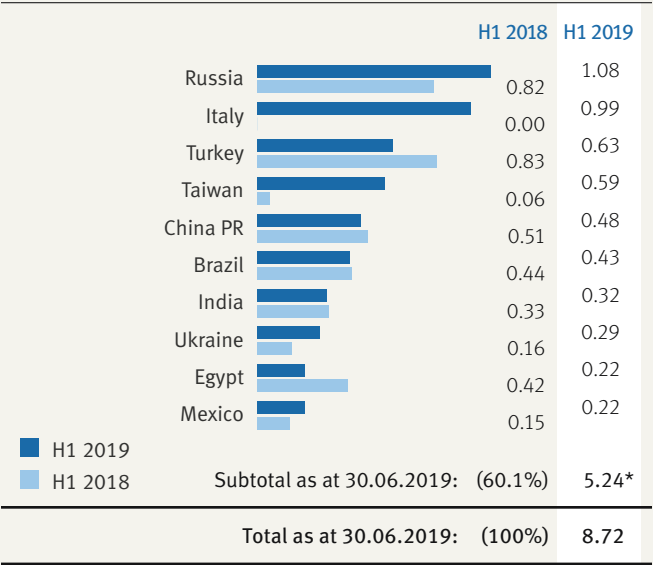
	previously	new
Albania	6	5
Bahrain	4	5
Egypt	6	5
Kazakhstan	6	5
Namibia	4	5
Uzbekistan	6	5
Vietnam	5	4
Zambia	6	7

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

VOLUME OF NEW COVER BY COUNTRY GROUPS
IN BILLION EUR



TOP 10 MARKETS FOR NEW GUARANTEES
AS AT 30.06.2019 IN BILLION EUR



* Differences in the sum are due to rounding

BUSINESS PERFORMANCE

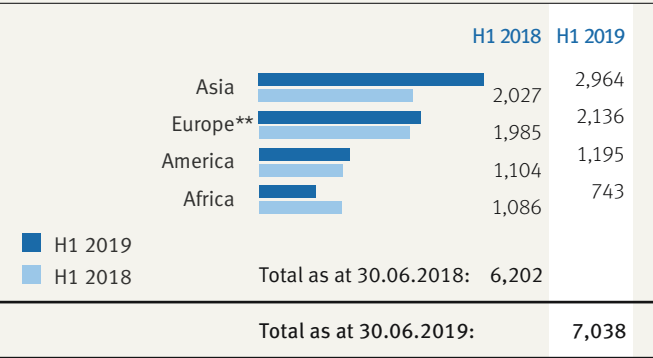
In the first half of 2019, the Federal Government issued export credit guarantees worth 8.7 billion euros (H1 2018: 8.1 billion euros), equivalent to an increase of 7.4% over the same period in the previous year. Most of the deliveries and services covered were destined for the emerging economies and developing countries. They accounted for 80.7% of new cover, i.e. 4.1 percentage points higher than in the same period in the previous year (76.6%).

8.7 billion

80.7%

In terms of countries, Russia was ahead of Italy and Turkey, although the cover provided for Italy was dominated by a guarantee granted for a cruise ship. Traditionally important markets for Hermes-covered export business such as China, Brazil and Egypt again ranked highest in the list of countries in the first half of 2019.

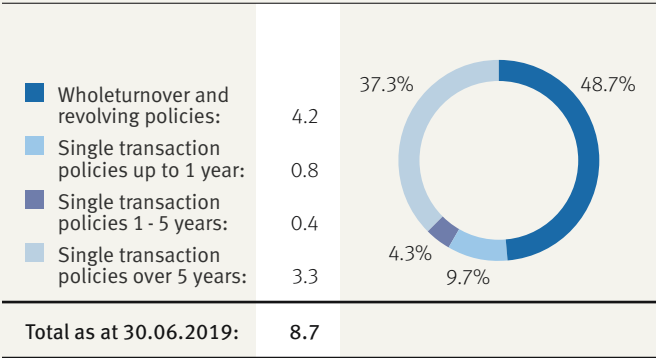
REGIONAL DISTRIBUTION OF NEWLY GRANTED COVER
(EXCLUDING INDUSTRIALISED COUNTRIES*)
AS AT 30.06.2019 IN MILLION EUR



* Industrialised countries:
The group of industrialised countries comprises all countries with OECD country risk classification 0; these include OECD high-income countries (according to the World Bank definition: countries with a GNI per capita above 12,056 US dollars in 2018), member states of the European Monetary Union including their affiliated territories, as well as Singapore.

** European countries (excluding industrialised countries):
Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, Montenegro, North Macedonia, Republic of Moldova, Romania, Russia, Serbia, Turkey, Ukraine.

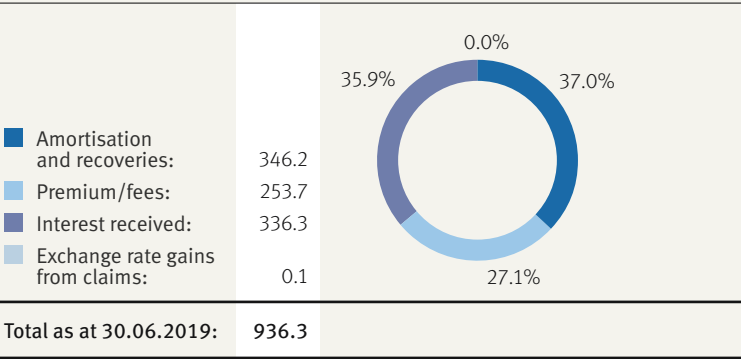
GUARANTEES BY HORIZON OF RISK AS AT 30.06.2019
IN BILLION EUR



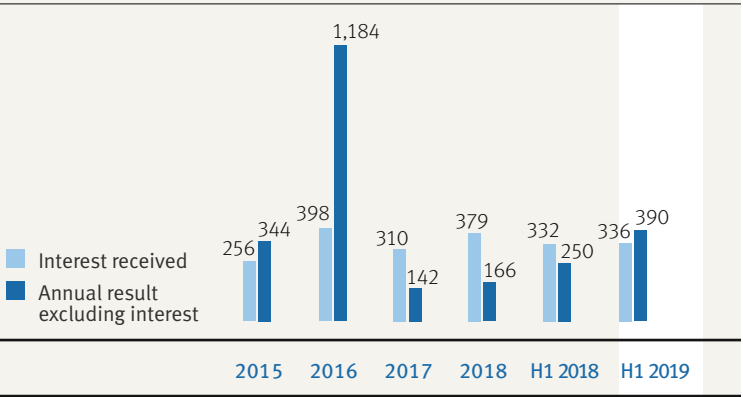
51.3% of the cover provided was for [single transaction policies](#). Cover granted under these policies rose by 15.0%.

[Cover under wholeturnover policies](#) rose slightly by 0.9% to 4.2 billion euros, accounting for 48.7% of total new cover. Wholeturnover policies are particularly suitable for small and medium-sized companies (SMEs) and are targeted at companies that maintain business relations with multiple customers in different countries.

REVENUES AS AT 30.06.2019 IN MILLION EUR



FINANCIAL RESULT IN MILLION EUR



REVENUES

Income from **premiums and fees** rose to 253.7 million euros (H1 2018: 126.6 million euros) as a result of transactions with longer credit periods, for which higher premiums are payable. **Recoveries** of indemnification paid in the past climbed by 12.0% to 346.2 million euros (H1 2018: 309.2 million euros). At 336.3 million euros, interest income was virtually unchanged (H1 2018: 332.4 million euros).

EXPENSES

In the first six months of the year, the Federal Government paid **indemnification** of 173.2 million euros (H1 2018: 150 million euros). These payments were almost solely for commercial losses. At 39.9 million euros, companies in Mexico accounted for the highest indemnification payments, followed by India (33.5 million euros) and Indonesia (17.6 million euros).

FINANCIAL RESULT FOR THE HALF-YEAR

At 390.1 million euros in the first six months, the **result** for the federal budget was higher than in the same period of the previous year (H1 2018: 249.5 million euros). Interest income is not included in this calculation.

OUTSTANDING RISK

The **outstanding risk** from current guarantees issued by the Federal Government stood at 85.1 billion euros as of 30 June 2019 and was thus 1% up on the year-ago figure (H1 2018: 84.3 billion euros). The United States (10.7 billion euros), Russia (8.8 billion euros) and Turkey (8.7 billion euros) account for the highest outstanding risk.



Federal Ministry
for Economic Affairs
and Energy

OUR PARTNER



EULER HERMES

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 under the search term “Promotion of foreign trade and investment”.

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