



Export Financing with OeKB.

*The optimal way to finance exports
and foreign investments.*

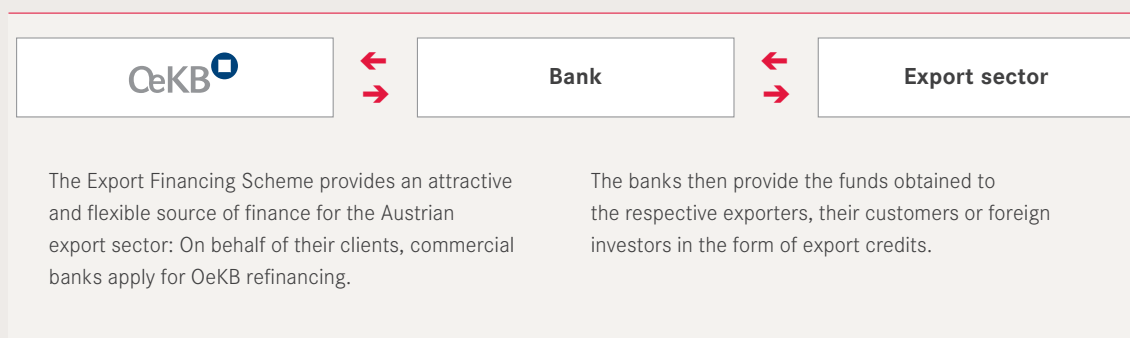


General.

The Export Financing Scheme (EFS) of Oesterreichische Kontrollbank Aktiengesellschaft (OeKB) offers various financing solutions for a broad range of export transactions and cross-border investments for the Austrian export sector.

With the participation of the Republic of Austria, export credit insurers as well as national and international institutions offering guarantees for transactions abroad, funds are provided via Austrian and foreign commercial banks under the so-called house bank principle.

Apart from export financing on commercial terms customary in the market, export businesses may, under certain conditions, also avail themselves of tied aid credits, which are backed by official support from the Austrian government.



The Most Important Legal Bases.

At international level: The OECD Arrangement

All loans under the EFS for export transactions with maturities of 2 years and more are provided in accordance with the **“Arrangement on Officially Supported Export Credits”** (also referred to as the **“OECD Consensus”** or the **“OECD Arrangement”**). The OECD Arrangement is an international agreement for the prevention and/or limitation of international subsidy competition in the export sector and is legally binding on EU member states.

The core aspects of the OECD Arrangement regarding the commercial sector include, for instance, provisions on maximum repayment terms and available modes of repayment. The financing of participations or other investments abroad and short-term export credits with maturities of less than two years are not covered by the OECD Arrangement.

In the field of tied aid, the OECD Arrangement focuses primarily on defining countries and projects eligible for soft loans and the required minimum concessionality levels.

At national level: The Export Guarantees Act

The Export Guarantees Act (“Ausfuhrfinanzierungsförderungsgesetz”, “AFFG”) authorises the Ministry of Finance, on behalf of the Federal government, to assume liability for the benefit of creditors for the raising of capital by OeKB (for instance by issuing bonds). OeKB then uses these funds raised in the money and capital markets to finance export transactions and cross-border investments.

Such refinancing credits of OeKB may be granted to banks only if adequate collateral (guarantee, credit insurance) has been provided for the underlying export or investment transaction.



Requirements for OeKB Refinancing.

In order to be eligible for refinancing under the EFS, the following conditions have to be met.

These criteria are based on the legal framework of the EFS and on considerations of risk policy.

Export Financing Scheme (EFS)			
Insured transaction	Eligible transaction	House bank status	Collateral

Insured transaction – liability

In accordance with the applicable statutory provisions, liability has to be assumed or insurance has to be in place for the underlying transaction. This may be done by means of the following instruments:

- Guarantee or aval (guarantee for a bill of exchange) of the Republic of Austria (processed by OeKB as authorised agent)
- Policy issued by a credit insurer reviewed by OeKB
- Assumption of liability by Austria Wirtschaftsservice Gesellschaft mbH (“aws”)
- Assumption of liability by certain international organisations

Eligible transaction

The underlying transactions requiring refinancing must result in a direct or indirect improvement of the Austrian balance of current transactions or their performance must be in the special interest of Austria.

House bank status

In line with the house bank principle, the funds provided under the EFS are applied for and disbursed via Austrian or foreign commercial banks.

For a bank to be granted the status of a house bank by OeKB, amongst other things, it must have an adequate credit rating by the rating agencies Standard & Poor’s or Moody’s.

Collateral

If liability is assumed by means of a guarantee or credit insurance the house bank has to assign both the relevant claims arising from the liability instruments and the claims arising from the underlying (export) transaction as collateral for the refinancing credit.

In this connection it is necessary to clearly differentiate between the following two legal relationships:

- 1) Investor/exporter/importer – house bank and
- 2) house bank – OeKB.

ad 1) In order to enable the house bank of OeKB to grant a loan to its contracting party the claims arising from the underlying liability must be assigned and in addition usually collateral customary in the banking sector must be provided.

ad 2) In order to provide the house bank with funding, OeKB demands the (re)assignment of the claims arising from the underlying liability as well as the assignment of the credit claim of the bank against the respective contracting party.

In case liability is assumed by means of an aval, the refinancing credit is secured by pledging the bills of exchange guaranteed by the Federal government.



The Export Financing Scheme (EFS).

Refinancing on Commercial Terms.

Subject of refinancing

Under the EFS, funds for loans granted by commercial banks to their clients, i.e. exporters or their buyers and/or investors or their holding companies, are provided. These loans may be granted for financing delivery transactions or participations/investments abroad.

In the case of short-term export transactions, revolving refinancing credits under the EFS may also be offered for credit lines that are provided to an exporter by a bank.

may be provided for maturities of up to 10 years. Longer maturities are possible for instance for conventional power stations (up to 12 years), project finance (up to 14 years), or renewable energies and water projects (max. 18 years).

In contrast to the delivery transactions, no maximum repayment periods have been defined for participations and investments abroad. Usually maturities of up to 10 years are agreed upon but longer repayment periods are possible in individual cases.

Delivery transactions

- Supplier credits
- Buyer credits
- Purchase of receivables
- Production financing

Participations and investments abroad

Repayment

With transactions subject to the provisions of the OECD Arrangement repayment usually starts no later than six months after the starting point of credit (e.g. the date of shipment or acceptance of the goods) and is made no less frequently than every six months in equal instalments.

In the case of refinancing of participations or investments abroad flexible repayment structures are possible. Repayment with irregular instalments or bullet loans may be agreed upon on a case by case basis as well.

Amount of refinancing and maturities

OeKB provides funds to commercial banks exclusively up to the amount covered by the respective liability instrument.

In principle, the maximum maturity of the credit corresponds to the maturity of the underlying liability instrument.

In the case of delivery transactions the maximum repayment periods are governed by the rules of the OECD Arrangement: Depending on the country category of the recipient country, refinancing

Interest rates

Depending on the financing product interest is payable on the funds provided by OeKB at different rates. Payment of interest is made quarterly in arrears and the interest rates are published via the Internet (www.oekb.at/en/export-services/financing).

**Portfolio
of commercial refinancing products**



Commercial refinancing products				
Refinancing of single transactions			EURO credit lines	
EURO		Foreign currencies	Kontrollbank Credit Line (KCL)	Revolving credit line
Refinancing in tranches (fixed/floating rates)	EURIBOR- based refinancing	case-by-case quotations		

Refinancing of single transactions

Refinancing in tranches at fixed and floating interest rates

This **financing option**, which has been known for many years, is available for refinancing single transactions and is granted in **two loan tranches**.

Tranche A carries a floating interest rate, the amount of which is determined by OeKB for each calendar quarter.

Interest on tranche B accrues at a **fixed rate**, which is determined for the entire credit period.

The percentage share of each tranche depends on the duration of the repayment period; the longer the repayment term of the credit, the larger the share of the fixed-interest tranche B.

Repayments of principal are first credited towards tranche A and only then towards tranche B.

While the fixed interest rates offered under the EFS are reviewed on a monthly basis and adjusted to the current market environment if necessary, the floating EFS-interest rate is adjusted at the end of each quarter.

Floating-rate financing based on the EURIBOR

As an alternative to refinancing in tranches, under the EFS single transactions may also be funded at floating interest rates only, at the 3-month EURIBOR plus a surcharge the amount of which depends on the repayment term of the loan.

Under this scheme as well, the surcharges on the EURIBOR are reviewed by OeKB on a monthly basis and adjusted if necessary; once the refinancing agreement has been entered into, they remain unchanged during the entire life of the loan.

Case-by-case quotations in foreign currencies

Upon request and depending on the market situation, floating or fixed interest rates for **foreign currencies** are quoted on a case-by-case basis for delivery transactions or investments. The focus is primarily on refinancing in the following currencies: USD, CHF, JPY, or GBP.

Refinancing credit lines

The **revolving credit line** of OeKB is an option to fund short-term claims arising from exports with repayment periods of less than two years. These revolving credit facilities are granted at an interest rate determined by OeKB on a quarterly basis.



The **Kontrollbank Credit Line (KCL)** is used to re-finance export claims, export contracts, and market development costs and is a financing instrument exclusively available to large-sized companies. Re-financing is available exclusively on the basis of export bills of exchange guaranteed by the Federal government with maturities of less than two years. The interest rate for KCL is determined by OeKB on a quarterly basis.



Comparable refinancing options for smaller and medium-sized export companies are offered by the Austrian Export Fund (www.exportfonds.at).

Refinancing on Concessional Terms (Soft Loans).

Soft loan policy

Soft loan financing is used in accordance with the Austrian soft loan policy pursued by the Federal Ministry of Finance and serves the purpose of supporting the Austrian exporters competing in international markets. The goal is to ensure the sustainable development of the recipient countries.

Requirements

Soft loans are available for selected countries and products/projects. In detail, the following has to be observed:

1. **Soft loan eligibility of the recipient country**

- according to the OECD Arrangement: Those countries whose per-capita income does not exceed the upper threshold for LMIC (lower middle income countries) determined by the World Bank on an annual basis.
- according to the Austrian cover policy: Those countries for whom medium- and long-term cover is available.
- according to the Austrian soft loan policy: Those countries that based on their dynamic economic growth are explicitly defined as soft loan target countries.

Countries are **not eligible** for soft loan financing if there is a lack of availability of cover according to the Austrian cover policy.

2. According to the OECD Arrangement, the **soft loan eligibility of the product/project** is assessed on the basis of the following two criteria:

- whether the project is financially non-viable (the project must lack capacity to generate cash flow sufficient to service the capital employed; first key test), and
- whether commercial funds are available (no financing on market terms is offered by other OECD countries; second key test).

In addition to the international rules, national criteria have to be considered as well when assessing the project:

- **Market entry**
Soft loans should be used as “door openers” with the expectation to be followed by transactions financed on commercial terms within a reasonable time period.
- **Relevance in terms of industrial policy**
The exporting company/manufacturer or the product should have a positive impact on other commercial sectors in Austria.
- **Sustainability**
Soft loan projects should contribute to the economic growth and thus to the sustainable development of the recipient country.

The decisions on the individual applications for refinancing are decided upon by the Export Financing Committee (EFC).

Subject of refinancing

Refinancing is provided for concessional loans which are granted by house banks to their clients, i.e. exporters or their customers. These loans are always granted to finance transaction-based delivery contracts.

Delivery transactions

- Supplier credits
- Buyer credits
- Purchase of receivables

Soft loan terms and conditions

The OECD Arrangement requires a concessionality level of at least 35% for soft loans. In the case of LDC (= Least Developed Countries) the concessionality level must amount to at least 50%.

The soft loan terms and conditions are usually determined on an annual basis and published via the Internet (www.oekb.at/en/export-services/financing).

Amount of refinancing and maturities

OeKB provides funds on concessional terms to commercial banks up to the maturity and amount covered by the respective guarantee provided.

In accordance with the provisions of the OECD Arrangement 100% of the contract value may be refinanced in the case of concessional loans.

Repayment

Concessional loans are repaid in equal, semi-annual instalments, with the first becoming due six months after the end of the grace period.

Types of concessional loans

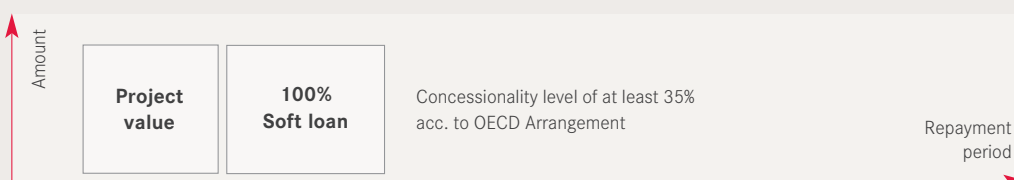
In order to reach the required concessionality level, soft loan financing is shown as follows:

Types of concessional loans	
Pre-mixed credit	Mixed credit



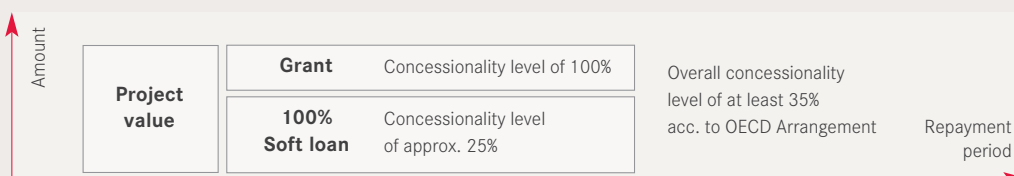
Pre-mixed credit

This is a soft loan of 100% of the project value to be financed, with a low interest rate supported by the state, a grace period, and a long repayment term.



Mixed credit

This is a financing package that is composed of a non-repayable grant of the Federal Ministry of Finance and a slightly concessional loan.



Special Financing Scheme – Start-up Credits.

Apart from the EFS, OeKB also operates a scheme to finance start-up credits.

Transactions eligible for refinancing

The purpose of start-up credits is to facilitate the development and maintenance of markets in developing countries. This includes, for instance, the setting up of branches or service centres, the assembling of Austrian products abroad, as well as joint ventures, which are considered to be particularly worthy of financing.

The individual applications for financing are decided upon by the start-up credit committee.

Amounts of credit and maturities

The funds are provided by the ERP-Fund and the Austrian Federal Economic Chamber (WKO). The maximum of financing depends on whether or not the respective project is covered by a guarantee or not.

■ Start-up credits with a guarantee

Usually 50% of the project costs, but no more than EUR 436,037.- can be financed with funds provided by the ERP-Fund and the Austrian Federal Economic Chamber. Additional financing is possible under the EFS (see refinancing on commercial terms).

■ Start-up credits without a guarantee

80% of the project costs, but no more than EUR 436,037.- can be financed with funds provided by the ERP-Fund and the Austrian Federal Economic Chamber. The provision of additional financing under the EFS is excluded in such case.

For projects in non-European developing countries, the maximum repayment period is 20 years, for projects in European developing countries it is 10 years.

Repayment

Within the above-mentioned maturities, grace periods of up to 5 years may be granted.

Interest rate

The interest rates charged depend on whether or not the respective project is covered by a guarantee.

Start-up credits with a guarantee: 3% p.a.

Start-up credits without a guarantee: 5% p.a.

Contact.

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