Cover: Credit Guarantees of the Federal Republic of Germany

The German government supports German businesses abroad with its export credit guarantees. These guarantees make it easier for German companies to sell their products and services abroad. The guarantees cover a wide range of transactions, from small orders to large contracts. They help businesses enter new markets and expand their operations. The guarantees are provided by the German government through its export credit guarantee agency, Euler Hermes. The agency works closely with businesses to help them identify potential risks and develop strategies to mitigate those risks. In addition to its export credit guarantee services, Euler Hermes also offers a range of other services, including risk management and insurance solutions. By providing these services, Euler Hermes helps to foster economic growth and enhance the competitiveness of German businesses. The agency's work is supported by the Federal Ministry for Economic Affairs and Energy, which is responsible for economic policy in Germany. The Ministry works closely with Euler Hermes to ensure that the agency's services are tailored to the needs of businesses and are aligned with the country's broader economic goals. Overall, Euler Hermes plays a critical role in supporting German businesses as they expand their operations abroad.
DEFINITIONS AND SEPARATIONS

### Environmental and Social Audit

The Environmental and Social Audit (SEA) requires a systematic approach to the evaluation of environmental and social impacts. The audit is conducted by a third-party consultant who assesses the project's impact on the environment and society. The results of the audit are submitted to the World Bank Group's Management Board for review. If the project is approved, it proceeds to the final phase of development and construction.

### Innovative Technology

Innovative technology refers to the development of new or significantly improved products, processes, or services that offer a competitive advantage to the developer. This includes the use of new materials, designs, or processes that are not widely available or used in the market. The use of innovative technology can lead to a reduction in costs, improved efficiency, or increased functionality, making it an attractive option for developers.

### Corporate Governance

Corporate governance refers to the system of rules, practices, and processes by which a company is directed and controlled. It involves the relationship between the company, its shareholders, management, and other stakeholders. Good corporate governance is essential for ensuring the long-term success and sustainability of a company. It helps to protect the interests of shareholders and other stakeholders, and ensures that the company operates in a transparent and accountable manner.
Export Credit Guarantees of the Federal Republic of Germany
Hermes Cover

ANNUAL REPORT 2016
Dear sir or madam,

2016 was a good year for German exporters. At 1.2 trillion euros, foreign trade reached a new record. Consequently, exports once again proved to be a significant contributor to growth and prosperity in Germany. The fact that German exporters were able to assert themselves so well despite the challenging political and economic backdrop testifies to their international competitiveness.

The Federal Government’s export credit guarantees again proved to be an indispensable instrument for promoting foreign trade. Last year, the Federal Government provided Hermes Cover for goods and services worth over 20 billion euros. Small and medium-sized companies in particular used Hermes Cover to protect themselves from political and economic risks. However, Hermes Cover does more than just provide protection. Last year, it facilitated the arrangement of finance for a transaction or even made it possible in the first place in many cases.

In addition to numerous fairly small transactions, the Federal Government provided cover for a number of large-scale projects in 2016. Small and medium-sized enterprises, which are frequently involved in such projects as components suppliers, also benefited from this. In order to be able to support large-scale foreign projects of outstanding strategic importance for Germany even more effectively in the future, the Federal Government adopted an extensive package of measures last year. Entitled “Strategiepapier: Neue Impulse für den internationalen Wettbewerb um strategische Großprojekte – Chancen für Deutschland” (New impetus for international competition for large-scale strategic projects – improving the opportunities for Germany), the strategy paper provides for existing foreign trade promotion and financing instruments to be used more effectively and to be supplemented in individual cases among other things. In a preliminary measure, we substantially simplified the cover provided for export transactions entailing a large proportion of foreign-sourced goods and services. In doing so, we did not lose sight of the aim of creating and protecting jobs in Germany. All companies using export credit guarantees benefited from this.
One of the predominant matters of interest last year was Iran’s return to the international stage and the inclusion of this country in the cover policy. Accordingly, German exporters have been able to apply for export credit guarantees for business with Iran since 20 June 2016. Even though not all hopes have been fulfilled and credit finance for business in Iran in particular continues to pose problems, the experience to date testifies to the potential that Iran has for German companies.

In addition to Iran, the Federal Government has extended the possibilities for cover for a number of other countries as well. This especially applies to the countries of sub-Saharan Africa. Efforts to combat poverty and the causes of mass emigration in these countries hinge materially on the extent to which the economic and political conditions in these countries can be stabilised. Export credit guarantees can make an important contribution in this respect.

One of the great challenges of our times is to structure globalisation ethically and fairly. One promising step in this direction was the National Action Plan for Business and Human Rights adopted by the German federal cabinet at the end of last year. Developed in intensive and constructive consultation with policymakers, the business community, civil society, associations and researchers, it is now being implemented.

Given the recent emergence of nationalistic and protectionist tendencies, foreign trade and, along with it, foreign trade policies face major challenges.

Looking forward, the Federal Government will continue to serve exporters and banks as a reliable partner, offering them instruments aimed at promoting foreign trade in this increasingly difficult international environment. At the same time, it will work on enhancing these instruments even further to meet the needs of German exporters.

Yours,

Brigitte Zypries
Federal Minister of Economic Affairs and Energy
## The Interministerial Committee 2016

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Definitions and explanations on the inside of the cover flap
In 2016, the Federal Government issued export credit guarantees worth 20.6 billion euros.

Small and medium-sized companies (SMEs) in particular made use of Hermes Cover, submitting 81.7% of all applications.
THE INTERMINISTERIAL COMMITTEE 2016

The Interministerial Committee for Export Credit Guarantees decides on whether to grant cover for an export transaction. It comprises representatives of four ministries: 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 coordinates these activities.

International

Reinsurance network substantially expanded. Framework agreements entered into with Sinosure and the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC).

Dialogue

More than 280 experts from business and politics meet in Berlin to discuss the further development of foreign trade promotion instruments.
The political and economic developments emerging last year posed major challenges for German exporters.

Global economic growth proved to be relatively muted again in 2016. Political and economic uncertainty over the outlook for key markets as well as geopolitical risks had an adverse effect on capital spending and growth.

After years of disproportionately strong growth, trade expanded more slowly than global production. Declining trade volumes are a clear sign of the growing isolation of national markets. This development can be observed in both developed and emerging markets.

Angola urgently requires sustainable energy supplies for its young and steadily growing population as well as its nascent industry. For this reason, the government is stepping up the expansion of hydropower. In this connection, Voith Hydro GmbH & Co. KG was awarded a contract to supply the fittings for a new hydropower station. Based in Heidenheim, it delivered four generators and turbines as well as the control technology and related systems for the Cambambe II plant. In this way, additional capacity of 744 MW is being created for the production of power from renewable energies.

The new power station is adjacent to the existing Cambambe I station and uses the water flowing in the River Kwanza. The height of the existing dam has been raised and the necessary infrastructure created. In this way, Cambambe II is helping to ensure reliable energy supplies in Angola.

The Federal Republic of Germany is backing the transaction with buyer credit cover as well as manufacturing risk and supplier credit cover with contract bonds.
At the same time, however, there were a number of positive developments. After many flat years, the IMF is projecting global economic growth of 3.4% this year. Economic conditions are improving in the emerging economies and developing countries, particularly Brazil and Russia, where higher oil and commodity prices are having a positive effect even though they are still a long way off their old highs. The situation in China is also promising. The Chinese economy is continuing to grow at a swift rate, albeit less quickly than in earlier years.

Last year also saw the return of Iran, a traditionally important trading partner for Germany, to the international markets. With the nuclear agreement (Joint Comprehensive Plan of Action) signed in 2016, it is now possible for exporters to obtain Hermes Cover for business in Iran.

However, the Federal Government expanded its cover policy not only in the Middle East but also in other regions around the world — notably Africa — and thus made a contribution to greater economic development and stability.

Last year, Hermes Cover again helped to maintain and expand business relations around the world in a difficult environment. This particularly also applies to Russia, for which the Federal Government continued to offer cover despite the existing sanctions.
BUSINESS OVERVIEW 2016
AT A GLANCE

Last year, the Federal Government issued export credit guarantees worth 20.6 billion euros (2015: 25.8 billion euros). Accordingly, Germany saw a similar trend to that in other countries: namely a substantial decline in global demand for government cover compared with earlier years and a return to the pre-crisis levels. This reflected flat trade and muted capital spending in view of economic and political uncertainty in the traditional core markets. This trend also left traces on Hermes Cover.

In addition to weaker global demand for government export credit guarantees, various non-recurring factors also exerted an influence on business in Germany. Thus, in the traditionally strong aircraft segment, the Federal Government did not provide any cover for Airbus sales (2015: 2.1 billion euros).

Amounts paid out for claims climbed to 552 million euros in the year under review (2015: 395 million euros). This sharp rise is primarily due to indemnification paid in the steel sector under Wholeturnover Policies. The Federal Government will be taking appropriate risk management measures to address this development.

Income accruing to the federal budget doubled from 1.1 billion euros to 2.2 billion euros. This sharp increase was primarily due to recoveries of earlier indemnification payments. At the end of June, Iran settled long outstanding liabilities under earlier Hermes Cover of several hundred million euros. Significant recoveries were also received from Argentina under the rescheduling agreement entered into with that country in 2014.

Reflecting the sharp rise in recoveries of long-standing liabilities, the annual result for the federal budget rose to 1.2 billion euros (2015: 344 million euros). The cumulative result since the introduction of Hermes Cover thus stands at 5.4 billion euros.

Small and medium-sized companies (SMEs) in particular made use of Hermes Cover again in 2016. 81.7% of all applications were submitted by SMEs (2015: 75.4%).

Once again, most of the cover provided was for the emerging economies and developing countries, with the Federal Government issuing export credit guarantees for exports worth 17 billion euros (2015: 19.3 billion euros) to these countries. Accordingly, they accounted for 82.6% of new business (2015: 75.1%).

Disaggregated by country, Russia ranked highest with 3.8 billion euros (2015: 3.6 billion euros), followed by Egypt with 3.3 billion euros (2015: 2.4 billion euros) and the United States, for which the Federal Government provided cover of 2 billion euros (2015: 2.6 billion euros).
The Federal Government defines its cover policy via the Interministerial Committee (IMC) for Export Credit Guarantees and constantly develops the system and principles underlying export credit guarantees.

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

The IMC makes decisions on cover for transactions valued at over 10 million euros. Responsibility for export transactions valued between 5 and 10 million euros is delegated to the Small Interministerial Committee. The mandataries make decisions on applications for cover of up to 5 million euros in accordance with the instructions issued by the Federal Government and under its supervision.

THE TASKS OF THE INTERMINISTERIAL COMMITTEE

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IMC external meeting

The annual external meeting of the IMC for 2016 was held in Windhagen in the German state of Rhineland-Palatinate, where Wirtgen GmbH is domiciled. Incorporated in 1961 as a hauling company for construction material, it is today a global market leader in the production of mobile construction machinery for roadworks and road maintenance as well as for mining natural stones and minerals. The main factory in Windhagen has over 1,500 employees and assembles more than 60 different special machines.

Following the meeting of the Interministerial Committee, the company’s management gave the participants an opportunity of gaining interesting insights into Wirtgen GmbH’s production activities and range. The ensuing visit to the company’s own training workshop revealed the company’s commitment to developing young talents as a means of underpinning its continued growth.

The external meeting traditionally provides a good opportunity of talking to export companies and municipal politicians and sharing experience gained with the scheme.

The Interministerial Committee met on 25 August 2016 at the Federal Ministry for Economic Affairs and Energy in Berlin.
Export Credit Guarantees of the Federal Republic of Germany

Export credit guarantees are an important instrument used by the Federal Republic of Germany to promote foreign trade. They protect exporters from commercially or politically induced payment defaults. As well as this, they make it possible to raise the necessary sales finance for the transaction in the first place.

Hermes Cover is available wherever the private sector is unable to provide comparable or sufficient insurance. It particularly supports exporters and banks with deliveries to high-risk countries and projects of a very long duration or involving large volumes. As a rule, Hermes Cover is primarily available for transactions in less developed regions, such as the emerging economies and developing countries. Consequently, export credit guarantees help businesses to open up less accessible markets and to maintain business relations in difficult times.

Hermes Cover transfers a large part of the risk of a payment default from the exporter or financing bank to the Federal Republic of Germany. In return for this, the policyholder pays a premium calculated on the basis of the risk involved.

The financial risk arising from the provision of cover is assumed by the Federal Government, which conversely receives the revenue from the export credit guarantees. The Federal Government does not offer any finance under export credit cover. The instrument pays for itself in the long term particularly as the premium is calculated on the basis of the risk exposure involved.

As a matter of principle, all German export companies are able to apply for Hermes Cover regardless of the size of the company or transaction. Transactions executed by SMEs are especially considered to be eligible for cover.

Export credit guarantees are granted in accordance with national and international rules and are contingent upon specific conditions being met. The two key criteria for the provision of cover are eligibility for support and the justifiability of the risks arising from the transaction.

Euler Hermes Aktiengesellschaft and PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft have been assigned responsibility for managing the Federal Government’s export credit guarantees. They act as service providers for the Federal Government.
INTERNATIONAL COLLABORATION STRENGTHENED

Hermes Cover is embedded in an international set of rules. Export credit agencies in the OECD member states observe the requirements of the OECD Consensus, which, among other things, defines minimum standards for financing terms in order to prevent a downward competition spiral. Countries such as Brazil, Russia, India, China and South Africa, which have since evolved into major export nations, are not bound by these rules.

International Working Group

In 2012, the United States and China came to an agreement to enter into negotiations concerning the introduction of global standards for government-backed export credits via an International Working Group (IWG) to ensure a level playing field for all parties around the world. The IWG comprises the EU as well as nearly 80 participants from the EU and OECD countries as well as from Brazil, China, India, Indonesia, Malaysia, Russia and South Africa. The IWG met in Berlin from 6 to 8 July 2016. Roughly 80 participants from the EU and OECD countries as well as from Brazil, China, India, Indonesia, Malaysia, Russia and South Africa continued their negotiations on the introduction of global standards for export credit guarantees. Among other things, the focus was on agreements in the shipping area as well as horizontal rules.
all other OECD countries plus Brazil, China, India, Indonesia, Malaysia, Russia and South Africa as well as other countries. Twelve IWG meetings have now been held. The IWG met in Berlin from 6 to 8 July 2016. Among other things, the negotiations concentrated on horizontal guidelines as well as specific arrangements for shipping. As well as this, there was discussion on a greater institutionalisation of the IWG process. The meeting in Berlin helped to additionally stabilise the negotiations and encourage understanding of the need for binding international rules.

Consultations

The purpose of the consultations is to strengthen joint activities with other countries, share information on best practices in state export credit insurance, promote mutual understanding of the frequent differences between the individual systems and encourage the establishment of global standards for export credit finance.

A number of bilateral, trilateral and multilateral consultations were held in 2016 with other government bodies and institutions active in export credit insurance and export finance, including Brazil, Denmark, France, India, Japan, Austria, Poland, Switzerland, South Korea and the United States.

A bilateral meeting was held in Trechtingshausen on the River Rhine on 26 - 28 September 2016 between the Japanese export credit agency NEXI, the Japanese Ministry of Economics, Trade and Industry METI and the German Federal Ministry for Economic Affairs and Energy together with Euler Hermes and PwC. The purpose of the now traditional annual meeting was to share ideas and information on key matters pertaining to export credit insurance and to intensify ties.

From left: Dr. Christoph Herforth, BMWi, Tetsuya Koizumi, NEXI, Christof Wegner, BMWi, Kyoko Kojima, NEXI, Franziska Löke, Euler Hermes, Taichi Shimisu, NEXI, Kazuki Hondo, NEXI, Seidai Nakumura, METI, Jens Heitmann, PwC
Framework reinsurance agreements

Since May 2016, it has been easier to obtain an export credit guarantee for transactions with a high proportion of Chinese deliveries. This is due to a bilateral framework reinsurance agreement signed between the Chinese government export credit insurance agency Sinosure and the mandatees.

From left (seated): Huang Zhiqiang, Sinosure, Edna Schöne, Euler Hermes
From left (standing): Sun Yifeng, Sinosure, Jing Fenglei, Sinosure, Dr. Hendrik Holdefleiss, Euler Hermes, Jens Heitmann, PwC

Reinsurance between export credit agencies is a useful instrument for covering exports with a high proportion of foreign content. Under reinsurance arrangements, the participating export credit agencies share the risk in accordance with their exporters’ proportion of the delivery. In many cases, framework reinsurance agreements provide the basis for making an export transaction possible in the first place. In 2016, the quantity and quality of this network of agreements were enhanced substantially.

The Chinese export credit agency Sinosure and the mandatees of the German Federal Government signed a corresponding agreement in May. This marks the first framework reinsurance agreement entered into with an export credit agency from a BRIC nation.

A further promising framework reinsurance agreement was signed at this year’s annual Berne Union conference in October in Lisbon. After previously entering into the first partnership agreements with two multilateral institutions, the African Trade Insurance Agency (ATI) and African Export-Import Bank (Afreximbank), in 2011, Euler Hermes signed its first framework reinsurance agreement with a multilateral Islamic institution in...
Primetals Technologies Austria and its syndicate partner Midrex UK are constructing one of the world’s largest plants for the production of 1.8 million tons of hot briquetted sponge iron (HBI) per year at ore-processing company LGOK’s Gubkin plant in Russia. The contractor is the Russian company LGOK, a member of the Metallinvest Group and the largest processor of iron ore in Russia. By expanding its capacities, the company is responding to growing demand in Europe, Asia and the Middle East.

Primetals Technologies Austria is the lead manager of the project consortium and, together with its partner Midrex, responsible for engineering, delivering, assembling and monitoring the start-up of the HBI plant. The Republic of Austria issued buyer credit cover for the goods and services provided by Primetals Technologies Austria. In view of the very high proportion of component deliveries from Germany, Oesterreichische Kontrollbank AG (OeKB) took out reinsurance cover with Euler Hermes for roughly 38% of the value of the loan agreement.
On 25 October 2016, the mandataries entered into a reinsurance agreement with a multilateral Islamic institution for the first time. The agreement with the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) gives German exporters additional scope for cover and is helping to strengthen the German economy in international competition.

Cooperation agreements

Cooperation agreements primarily serve the purpose of sharing information and are a suitable means of maintaining contact with other export credit agencies or similar bodies active in the promotion of foreign trade. They frequently form a preliminary step towards a closer partnership, e.g. in the form of a framework co-insurance or reinsurance agreement.

In 2016, Euler Hermes entered into cooperation agreements with the Iranian export credit insurance agency Export Guarantee Fund of Iran (EGFI), Mexico’s Development Bank Bancomext and the Export Insurance Agency of Armenia (EIAA).

The table sets out the cooperation agreements in force with other countries.

On 25 October 2016, the mandataries entered into a reinsurance agreement with a multilateral Islamic institution for the first time. The agreement with the Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC) gives German exporters additional scope for cover and is helping to strengthen the German economy in international competition.

From left: Jens Heitmann, PwC, Dr. Hendrik Holdebleiss, Euler Hermes, Oussama Abdal Rahman Kaissi, ICIEC, Irfan Bukhari, ICIEC, Bessem Soua, ICIEC, Jan von Allwörden, Euler Hermes
### Cooperation Agreements

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</tr>
</tbody>
</table>

S deliveries from subcontractors accounting for 30-40% can be included pursuant to the decision of the Council of the EU (up to 40% in the case of order values up to a maximum of 7m EUR)
S* deliveries from subcontractors up to 30% can be included according to bilateral agreement
C coinsurance agreement under EU regulations
C* coinsurance under bilateral agreement
R reinsurance agreement on a bilateral basis
B bilateral cooperation agreement

---

**COOPERATION AGREEMENTS WITH MULTINATIONAL INSTITUTIONS**

<table>
<thead>
<tr>
<th>Institution</th>
<th>Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afreximbank</td>
<td>B</td>
</tr>
<tr>
<td>ATI</td>
<td>B</td>
</tr>
<tr>
<td>ICIEC</td>
<td>R</td>
</tr>
</tbody>
</table>

During the meeting of the Berne Union in Lisbon, the mandataries signed a memorandum of understanding with the Iranian credit insurance agency EGFI. The agreement marks a crucial step in efforts to strengthen German-Iranian trading relations.

From left (seated): Seyed Kamal Seyedali, EGFI, Dr. Hendrik Holdefleiss, Euler Hermes
From left (standing): Bahman Mennati, EGFI, Jens Heitmann, PwC, Jan von Alwörden, Euler Hermes
More than 280 participants from politics, business as well as banks and associations discussed current developments in the Federal Government’s guarantee instruments on 21 June 2016. Entitled “Dialogue with the corporate sector – guarantees provided by the Federal Republic of Germany for export credit, investments and untied loans”, the seventh event primarily focused on improvements in the efforts to ensure a level international playing field as well as the economic potential offered by Iran.

On 21 June 2016, the Federal Ministry for Economic Affairs and Energy welcomed more than 280 representatives from politics, business, banks and associations to its 7th dialogue event in Berlin to discuss the future development of the Federal Government’s instruments for promoting foreign trade. Entitled “Dialogue with industry – guarantees provided by the Federal Republic of Germany for export credit, investments and untied loans”, this biannual conference has evolved into a platform for discussing matters of future relevance for promoting foreign trade.
One particular topic of interest at the conference was the resumption of Hermes Cover for business with Iran. Immediately prior to the conference, Iran had settled its legacy liabilities to the Federal Republic of Germany under Hermes-covered business transactions, thus creating the basis for the resumption of cover under the government export credit guarantee scheme for goods and services to that country.

Uwe Beckmeyer, the parliamentary state secretary in the Federal Ministry for Economic Affairs and Energy stressed the relevance of the guarantee instruments for German exporters and the banks that finance them. He emphasised the need to adjust them in the light of changing underlying economic, political and regulatory conditions. Quoting examples of the continuous and appropriate further development of export credit guarantees for the benefit of the German export industry, he mentioned the broader scope for cover for selected countries in sub-Saharan Africa, the simplification of cover for transactions with a high proportion of foreign content, the newly signed reinsurance agreements and the OECD sector understanding on export credits for coal-fired electricity generation projects.

There was intensive discussion on the part of participants on the measures that were available for improving the scope for funding small transactions. This question is of great significance for SMEs in particular. With respect to investment protection, the Federal Government explained that it would continue to cover foreign investments against political risks on the basis of new treaties under international law. Such treaties are increasingly replacing bilateral investment protection agreements.

In addition to classic workshops, this year’s conference offered an innovative new format. In “speed dating” rounds, participants were able to discuss different matters with experts in small groups.
A further important forum for dialogue with the private sector is the brains trust for export credit guarantees which is held twice a year. Experts from exporting companies and banks join with representatives of the Federal Economics and Finance Ministries as well as the mandataries to discuss current challenges, developments and solutions in foreign trade and export finance as well as the form and handling of Hermes Cover.

A summary of the main content of the workshops can be found at the website of the Federal Ministry for Economic Affairs and Energy at http://www.bmwi.de/exportdialog2016

Export Credit Guarantees: challenges in an international context

- Small tickets – is the cover available to SMEs sufficient?
- Investment Guarantees – effective risk cover in a changing environment
- New markets – focus on Iran
- Untied Loan Guarantees in the current environment for raw material markets
- Speeddating@Dialogveranstaltung

From left: Dr. Michael Diederich, HypoVereinsbank-UniCredit Bank AG, Thilo Brodtmann, Verband Maschinen- und Anlagenbau e.V., Parliamentary State Secretary Uwe Beckmeyer, Edna Schöne, Euler Hermes
Advisory services growing in importance

In addition to the right product, the provision of information and advice by the mandataries forms a key component of the efforts taken by the Federal Republic of Germany to promote foreign trade. In the year under review, company advisors held more than 10,100 talks in person (2015: 9,200). Of these, 1,700 were held on site by the external field service. In addition, 155 events (2015: 136) in Germany as well as other countries, including Russia, Saudi Arabia and Iran, were held in conjunction with industry and business associations and chambers of industry and commerce as well as Germany Trade & Invest. The main aspects touched upon included the resumption of cover for business with Iran, the new rules for including foreign content in Hermes Cover and the expansion of cover for transactions with sub-Saharan Africa.

Nationwide advisor days

The advisor days held in 2016 by the mandataries in conjunction with the chambers of industry and commerce met with considerable interest. Demand was strong no matter whether they were held in places such as Hannover, Saarbrücken, Rostock or Halle. More than 165 exporters obtained individual advice on Hermes-based cover and finance at 60 events in 33 different towns and cities.

APG-light: new information and advisory services

Animated videos describe how Wholeturnover Policy Light (APG-light) works and is handled. The following key questions are discussed in five sequences:

- What does the contract involve?
- How do I obtain cover?
- What do I do if my customer doesn’t pay?
- When and for what do I receive indemnification?
- How does the online service work?

The videos are designed for companies dealing with this matter for the first time as well as experienced users of the instrument who wish to freshen up their knowledge.

The new information and advisory services for Wholeturnover Policy Light can be found at agaport.de under:
Exports > Basics > Products > Wholeturnover Policy Light (APG-light) (German version only)
FOREIGN TRADE PROMOTION: NEW WEBSITE

Informative – intuitive – interactive: the new website (www.agaportal.de) went on line on 29 December 2016.

It is highly transparent for users with simple menus and clearly structured content. The new website contains extensive information on and functions for all three export guarantee instruments: Export Credit Guarantees, Investment Guarantees and Untied Loan Guarantees. And it goes without saying that the new website can be used equally as well on a desktop computer as on a mobile device.

Are you interested in our products or macroeconomic analyses? Do you have any questions concerning recourse or claims settlement? The info centre will show you who to contact on any given matter at the click of the mouse.

The interactive map of the world is also new. It shows you at a glance the risk category to which a given country is assigned and the current country cover policy decisions. A special range of information is also available for foreign customers.

The revised website marks a preliminary step towards innovative and interactive communications with exporters and banks that will significantly simplify the relations between the various parties.
The high population density and unabated urban growth pose major challenges for the Turkish city of Istanbul. For this reason, it will be expanding its urban transit network substantially over the next few years. This also includes the construction of a link between the Ataköy residential area and İkitelli, an industrial zone to which many employees commute each day. After its completion in 2019, the new subterranean line will connect twelve stations over a distance of 13.4 km. The four tunnel boring machines required for the project have been supplied by Herrenknecht AG. The company is also supplying the belt systems for removing the rubble. The project will help to reduce individual motorised transport, thus enhancing air quality and reducing noise.

The Federal Government is backing the project with isolated buyer credit cover. Landesbank Baden-Württemberg is providing the buyer credit.
49 Plus

Inclusion of foreign content in Hermes Cover substantially simplified.

5%

Reduction of the uninsured percentage under supplier credit cover extended until the end of 2019.
 DEVELOPMENT OF THE EXPORT CREDIT GUARANTEES

The Federal Government constantly works on enhancing export credit guarantees, thus ensuring that the German export industry maintains its competitiveness. With its cover policy, the Federal Government creates a reliable framework for German companies without neglecting the financial risks to the federal budget.
NEW DEVELOPMENTS IN THE EXPORT CREDIT GUARANTEE SCHEME

49 PLUS

The Federal Government significantly simplified the cover provided for export business with a large proportion of foreign-sourced goods and services. The new procedure applies to transactions subject to specific cover on medium and long-term payment terms.

As of October 2016, a distinction is only drawn between export transactions with a proportion up to 49% and those with a proportion of more than 49% of foreign-sourced goods. The previous three-tier model has thus been replaced by a modern, readily understandable system with two levels:

- Cover can be obtained for export transactions with a proportion of foreign-sourced goods of up to 49% without any need to provide reasons.
- Export transactions with a proportion of foreign-sourced goods of more than 49% may also be eligible for cover under certain conditions.

The Federal Government decides on whether to provide cover for a transaction comprising predominantly foreign goods on the merits of the individual case. Various factors are considered in this decision. One material aspect is whether the transaction helps to preserve or create jobs in Germany despite the high proportion of foreign-sourced goods.

The possibility introduced in December 2014 of submitting a cost-free preliminary inquiry to get an indication of whether the Federal Government is willing to provide cover for transactions with a proportion of foreign-sourced goods in excess of 49% has proven itself and will be retained.

In 2016, cover was provided for 19 transactions with a proportion of foreign-sourced goods of more than 49%.

OVERVIEW OF 49 PLUS FOR SINGLE TRANSACTION POLICIES

<table>
<thead>
<tr>
<th>Level 1</th>
<th>Foreign deliveries of up to 49% possible without providing any further reasons.*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 2</td>
<td>Foreign deliveries of over 49% are possible if sufficient reasons justifying their necessity are provided.*</td>
</tr>
<tr>
<td></td>
<td>Decided on the merits of the case</td>
</tr>
<tr>
<td></td>
<td>Free preliminary inquiry possible</td>
</tr>
</tbody>
</table>

* The local costs must not exceed a maximum of 23% of the total order value.
Reduction of the uninsured percentage under supplier credit cover extended

Exporters still have the possibility of lowering the uninsured percentage for commercial losses under supplier credit cover from the customary 15% in the case of single transaction policies and 10% in the case of Wholeturnover Policies to 5%. Introduced in the wake of the financial crisis, the Federal Government has now extended this measure for a further period until 31 December 2019.

This will help small and medium-sized companies in particular. The lower uninsured percentage eases the pressure on their balance sheets, improves the scope they have for raising finance and thus strengthens their position in international competition.

Exporters who have previously proved to be experienced and reliable partners in Hermes Cover for export finance and can point to their good claims and recovery management are able to benefit from this lower uninsured percentage. In return for the reduced uninsured percentage, they pay a correspondingly higher premium.

Argentinian company Helacor – one of the largest producers of ice cream in South America – has little warehousing capacity of its own and therefore spends around 4 million US dollars a year on storage and related transportation. For this reason, it awarded a contract to Westfalia SRM GmbH for the construction of a fully automatic cold store for ice cream products. The largest ice cream warehouse in South America has sufficient space for 15,525 pallets on 12 levels. The energy-efficient warehouse has a height of 30 m to minimise the amount of land required and to keep cold loss as low as possible. All processes – including the ensuing loading activities – are automatic. This not only lowers personnel requirements and costs but also improves product quality and order execution.

The project is being supported by supplier credit cover provided by the Federal Republic of Germany.
Federal Government widening support for large-scale foreign projects

The Federal Government has adopted an extensive package of measures to assist large-scale foreign projects of outstanding strategic importance for Germany more effectively and to support them with foreign-trade promotion instruments.

Entitled "Strategiepapier: Neue Impulse für den internationalen Wettbewerb um strategische Großprojekte – Chancen für Deutschland" (New impetus for international competition for large-scale strategic projects – improving the opportunities for Germany), the strategy...

Sustained strong demand for KfW refinancing programme and securitisation guarantee

The export loans for Hermes-covered trade credits refinanced under the KfW refinancing programme came to 764 million euros in 2016, i.e. roughly unchanged over 2015 (799 million euros). The continued strong demand on the part of banks testifies to the importance of this instrument.

Under this programme, the KfW banking group provides long-term facilities for refinancing export credits. The programme is due to expire at the end of 2020.

In addition to the KfW refinancing programme, the securitisation guarantee is also a further important refinancing instrument. At 925 million euros, however, the volume of securitisation guarantees was substantially down on the previous year’s very high level in 2016 (2015: 1,758 million euros). This decline is due to the fact that cover for aircraft was no longer available in 2016.

The world’s largest combined-cycle power stations are currently being constructed in Egypt. After their completion in 2018, the “Beni Suef”, “Burullus” and “New Capital” power stations will supply a total of 14.4 GW of electricity, thus expanding existing capacities by around 45%. In this way, they will be making a significant contribution to the country’s economic development.
Paper provides for better coordination of existing foreign trade promotion instruments and improvements to financing instruments. In a preliminary measure, the IMC substantially simplified the cover provided for export business with a large proportion of foreign-sourced goods and services (see page 30). A flexible and efficient structure has now been put in place with the appointment of state secretary Machnig from the Federal Ministry for Economic Affairs and Energy, who is the coordinator of foreign projects that are in the strategic interests of the Federal Republic of Germany, as a bridge between business and politics and the establishment of a strategic foreign projects unit within the Federal Ministry for Economic Affairs and Energy as the contact partner at the working level.

For further details, please contact:
V-GAP@bmwi.bund.de

The strategy paper can be found on the website of the Federal Ministry for Economic Affairs and Energy under BMWi/Strategiepapier/Großprojekte (German version only).

Federal Government resuming Hermes Cover for Iran

Hermes Cover has been available again for business in and with Iran since 20 June 2016. Cover policy was opened immediately after Iran had settled its long-standing liabilities towards the Federal Republic of Germany under Hermes-covered transactions.

Cover can be requested for business transactions with credit periods of more than 360 days provided that the Iranian finance ministry or central bank furnishes collateral. In the case of transactions with credit terms of up to 360 days, a letter of credit issued by an acknowledged Iranian bank is sufficient under certain conditions.

In the year under review, letters of credit issued by the Bank of Industry and Mine, which the IMC had recognised as an issuing bank for short-term business in July 2016, as well as the Tejarat, Melli and Middle East banks were accepted.
Under the OEDC rules, the reference standards for the environmental and social impact assessment are the World Bank Operational Safeguard Policies, the Performance Standards of the International Finance Corporation and the World Bank Group’s Environmental, Health and Safety Guidelines. Where necessary, on-site inspections may be performed of the projects with the involvement of the local German foreign missions or external consultants from specialist consulting companies.

The mandataries performed 131 environmental and social impact assessments in 2016 (2015: 146).

**Human rights and export credit guarantees**

The Federal Government attaches particularly high importance to the observance of human rights when granting export credit guarantees. The observance of human rights directly related to the project forms a key aspect of the environmental and social impact assessment. Under this assessment, aspects such as occupational safety, health and safety of the communities concerned, land acquisition and involuntary resettlement, protection of indigenous people, protection of cultural heritages and stakeholder consultation are examined in accordance with international standards.

Sustainability plays a crucial role in the promotion of foreign trade by the Federal Republic of Germany and is duly reflected in its cover policy. For example, renewable energy and climate protection projects are particularly promoted through long credit periods of up to 18 years.

As in previous years, the Federal Government again provided Hermes Cover for numerous renewable energies projects in 2016. The cover provided in this segment was valued at 827 million euros (2015: 973 million euros). In most cases, cover was provided for wind power projects. The main countries were Canada, Turkey and Uruguay.

The Federal Government provided cover worth around 58 million euros for the delivery of goods and services in connection with coal-fired power stations in 2016.

Environmental and social impact assessments for Hermes-covered transactions are based on international standards. An environmental and social impact assessment is compulsory for projects and transactions coming within the scope of the OECD Common Approaches and forms a firm part of the review process. This includes all transactions with a credit period of more than two years and an order value of at least 15 million euros.

The Federal Government goes beyond the requirements defined in the Common Approaches. If, for example, there is any evidence of serious environmental or social risks, the transaction undergoes a risk check regardless of the credit period and the value of the order.
The market for photovoltaic farms under 1 MW is booming in Turkey as the operators only require permits rather than a licence to feed electricity into the grid. ekcentec GmbH is installing a photovoltaic farm north-east of Adana comprising ten individual fields each with an output of one MW for a Turkish investor. With a total output of 10 MW, the farm has been fitted with high-quality solar modules and inverters which the Lower Saxon engineering office sources from Germany. The electricity generated is used to supply hotels and government buildings, with the surplus fed into the public grid.

ekcentec GmbH is using export credit guarantees issued by the Federal Government for the first time taking out supplier and buyer credit cover for this export transaction.
Engineering Dobersek GmbH is executing a project in Uzbekistan that is of great significance for the country’s economic development. The Mönchengladbach-based medium-sized company is supplying a copper smelting furnace and other equipment such as filters and measuring equipment for the Almalyk Mining and Metallurgical Combine. This will replace the reverberatory furnace previously used and boost the output of black copper to around 70,000 tons a year.

At the same time, it will be possible to lower emissions substantially. Thus, not only will emissions of sulphur dioxide be lowered from around 84,000 tons to 580 tons a year, the sulphur dioxide that does arise can also be used in the production of sulphuric acid. At the same time, dust emissions will be reduced to almost one tenth.

The Federal Government is supporting the transaction with manufacturing risk and contract bond cover together with a counter-guarantee and buyer credit cover.
National Action Plan for Business and Human Rights adopted by the Federal Government

At the end of December, the Federal Government adopted the National Action Plan for Business and Human Rights to implement the corresponding principles of the United Nations on a national level. The national action plan was developed in intensive and constructive consultation with policymakers, the business community, civil society, associations and researchers. One chapter is expressly devoted to export credits, investment guarantees and other instruments for promoting foreign trade. The ministries represented in the IMC are responsible for implementing the applicable requirements.

At an international level, the Federal Government is committed to encouraging and implementing corporate responsibility for protecting human rights.

Antibribery measures

The avoidance of any form of bribery in export business and the lead-up to transactions forms a key prerequisite for cover. If any evidence of bribery is discovered after cover has been granted, the exporter or bank will not receive any indemnification in the event of a claim.

Germany has implemented the OECD’s “Recommendation on Bribery and Officially Supported Export Credits” in 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. If any evidence of bribery-relevant circumstances comes to light as a result of this declaration or from any other sources, a more detailed anti-bribery examination is performed in a second step.

This review analyses internal measures, processes and structures for preventing and combating corruption among other things. In addition, it illuminates the circumstances leading to the transaction and identifies the selling, commission and fee expenses involved.

Rather than automatically excluding general eligibility for Hermes Cover, pending or ongoing anti-bribery investigations into a company or person trigger the more detailed anti-bribery review.

In 2016, 63 companies (including group companies) were subject to such detailed anti-bribery reviews. This is equivalent to 5.8% of the 1,090 policyholders submitting applications for Hermes Cover in 2016.
Green shipping

Maritime sector in Germany seeking innovative solutions. Growing interest in export credit guarantees by maritime components suppliers.

3.1 billion

The volume of cover for project finance more than doubled to 3.1 billion euros, up from 1.4 billion euros in the previous year.
COUNTRY COVER
POLICY AND SPECIAL FORMS OF COVER

Last year, Hermes Cover again helped exporters and banks to maintain business relations and harness new possibilities for business in a challenging environment. The Federal Government expanded its cover policy substantially for a number of countries in 2016. Now that the nuclear agreement (JCPOA) has been signed with Iran, it is possible for German exporters to apply for export credit guarantee for transactions with that country. The Federal Government has retained the existing cover for business with Russia despite the existing sanctions.

Iran

Iran, a traditionally important trading partner for Germany, has returned to the international markets. Accordingly, German exporters have been able to apply for export credit guarantees for business with Iran since 20 June 2016.

1st place

With a cover volume of 3.8 billion euros, Russia ranked first again in the list of countries for which cover was provided.
COUNTRY COVER POLICY

The IMC defines an appropriate cover policy for each country on the basis of its specific risk. It governs the scope and the conditions for the grant of export credit guarantees. The IMC reviews its cover policy for a country in the event of any change in its risk situation.

In its cover policy, the IMC draws a distinction between credit periods (short and medium term) on the one hand and buyers (public and private) on the other.

The Federal Government can restrict cover or stipulate risk-mitigation measures for high-risk countries, e.g. guarantees issued by government agencies or the provision of physical collateral.

One instrument for managing risk 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 2016, ceilings were applied to six countries: Belarus, the Dominican Republic, Cuba, Serbia, Sri Lanka and Ukraine.

In contrast to conventional export business, the credit risks to which project and structured finance is exposed are usually located outside the buyer’s country and depend more on the economic viability of the project or the stability of the financial collateral model than on the general country risk.

The country risk is evaluated annually at an OECD level for each country. Countries are assigned to one of eight risk groups on the basis of a macroeconomic model and in the light of public buyers’ past payment practices. These country risk classifications are binding on all OECD member states. The risk category¹ for 17 countries changed in 2016.

¹ Premium is calculated according to eight country risk groups, in seven of which (1, best risk, 7, worst 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.
The largest air cargo handling centre in Africa is being built in the Ethiopian capital at a cost of 110 million euros. From mid-2017, Ethiopian Airlines will be handling around 600,000 tons of fresh and dried commodities there, thus boosting current capacity by 500%. Wiehl-based Unitechnik Systems GmbH is responsible for planning and installing the logistics system. In addition to the overall design, it is also handling all transportation, storage, refrigeration and security elements in a contract worth 32 million euros. At the heart of the project is the automated high-bay warehouse with a capacity of 1,000 air cargo containers. The project is not only making a contribution to the development of the country’s infrastructure but also creating highly qualified jobs in Addis Ababa as well as Germany.

The Wiehl-based family-owned company is utilizing export credit guarantees issued by the Federal Government for the first time. The Federal Republic of Germany is backing the transaction with counter-guarantees, buyer credit cover as well as manufacturing risk and supplier credit cover with contract bond cover.

<table>
<thead>
<tr>
<th>OECD COUNTRY RISK CATEGORIES</th>
</tr>
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<tbody>
<tr>
<td>previously</td>
</tr>
<tr>
<td>Algeria 3</td>
</tr>
<tr>
<td>Angola 5</td>
</tr>
<tr>
<td>Argentina 7</td>
</tr>
<tr>
<td>Belize 6</td>
</tr>
<tr>
<td>Brazil 4</td>
</tr>
<tr>
<td>Guyana 7</td>
</tr>
<tr>
<td>Honduras 6</td>
</tr>
<tr>
<td>Iran 7</td>
</tr>
</tbody>
</table>

The new and previously categories reflect changes in risk assessment criteria or policies.
THE EMERGING ECONOMIES AND DEVELOPING COUNTRIES

Latin America and the Caribbean

At 2.6 billion euros, cover volume for the entire region of Latin America and the Caribbean was roughly 20% down on the previous year (2015: 3.3 billion euros). This is equivalent to 12.6% of total cover (2015: 12.6%).

As in the previous year, Brazil accounted for the greatest share of cover in 2016 despite a 40% decline in the volume of Hermes-covered transactions.

The largest single transaction was in El Salvador, where the Federal Government provided supplier and buyer credit cover for the construction of a plant to manufacture polypropylene film. Other deliveries covered by the Federal Government included spin spools in Mexico and engine overhauling in Cuba.

In September, the IMC widened the scope for cover for Argentina. Since then, Hermes Cover has been available for transactions with the public sector on a case-by-case basis. In addition to including transactions with public-sector buyers in its cover policy, the Federal Government has lifted the ceiling for the private sector.

Apart from the country’s macroeconomic reorientation, this step was materially due to the rescheduling treaty signed with Argentina in May 2014. In the intervening period of time, the country has paid the agreed instalments towards outstanding Hermes-covered amounts on time.

Argentina is a market offering German exporters potential and this is reflected in the demand for export credit guarantees. In 2016, the Federal Government provided cover for goods and services valued at 252 million euros. The volume of cover is expected to rise significantly in 2017.

Ferrostaal subsidiary CCC Machinery GmbH (CCC) is shipping baking, processing and packaging machinery for producing croissants, pizzas, puff pastry, pasta, crackers, biscuits and muffins to Argentina. With these new investments, Molino Cañuelas SACIFIA wants to increase its production capacity and widen its range. The fast-growing company is the largest flour producer in Argentina and one of the world’s leading exporters of flour. Also being supplied by CCC, a new mill will allow it to produce an additional 100,000 tons of flour a year. 45% of the products are sold to customers in 30 countries, including supermarket chains such as Wal-Mart and Carrefour.

23 small and medium-sized German companies and nine European subcontractors are involved in the project under CCC’s leadership. The Federal Republic of Germany is backing the project with supplier credit and buyer credit cover.
### New Guarantees for Latin-American Emerging Economies and Developing Countries in Million EUR

<table>
<thead>
<tr>
<th>Country</th>
<th>'15</th>
<th>'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brazil</td>
<td>1,122.8</td>
<td>641.1</td>
</tr>
<tr>
<td>Bermuda</td>
<td>0.0</td>
<td>286.2</td>
</tr>
<tr>
<td>Mexico</td>
<td>445.3</td>
<td>270.4</td>
</tr>
<tr>
<td>Argentina</td>
<td>275.0</td>
<td>251.6</td>
</tr>
<tr>
<td>Uruguay</td>
<td>299.9</td>
<td>188.1</td>
</tr>
</tbody>
</table>

**Subtotal 2016: (63.0%) 1,637.4**

**Total 2015: 3,266.2**

**Total 2016: (100%) 2,600.3**

### Country Ceilings in Million EUR

<table>
<thead>
<tr>
<th>Country</th>
<th>Medium and Long-term</th>
<th>Short-term</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dominican Republic</td>
<td>200</td>
<td>200</td>
</tr>
<tr>
<td>(medium and long-term)</td>
<td>50</td>
<td>50</td>
</tr>
<tr>
<td>Cuba (short-term)</td>
<td>25</td>
<td>25</td>
</tr>
</tbody>
</table>
In 2016, the Federal Republic of Germany provided export credit guarantees worth 4.4 billion euros (2015: 3.6 billion euros) for the delivery of goods and services to Africa. This corresponded to a share of 21.3% of total cover (2015: 14%).

This large volume was due to the provision of cover for two gas and steam power stations in Egypt worth a good 2.7 billion euros. These power stations will make an important contribution to the country’s energy supplies. In addition, an export credit guarantee was granted for the construction of a solar farm.

In 2016, the IMC expanded its cover facilities for a further three countries in sub-Saharan Africa. It is now possible for transactions with the public sector in Rwanda, Côte d’Ivoire and Togo to be backed by export credit guarantees. Consequently, cover has been extended for a total of ten sub-Saharan African countries since 2014. German exporters had been calling for improved scope for cover for these countries for quite some time. Accordingly, the decision met with a favourable response on the part of exporters and banks.

On the basis of the extended cover for sub-Saharan Africa, the Federal Government provided supplier and buyer credit cover and a counter-guarantee for the development of a new inland port in Kampala (Uganda).

Cover was also provided for various transactions in Angola, including the construction of a brewery and processing plants for the production of milk and refreshment drinks. An export credit guarantee was also issued for the construction of two rice mills in Cameroon.
One of the main goals being pursued by the Algerian government is to improve water supplies. A public-sector Algerian building company therefore signed a contract with the MES GmbH/CHRIWA GmbH joint venture for the delivery, assembly and start-up of a drinking water treatment plant. With a capacity of 38,000 m³ per day, it is located close to In Salah in central Algeria, where it supplies roughly 25,000 inhabitants of the town of Tamanrasset with drinking water. The water is derived from various bores located around 70 km north of In Salah and treated using a reverse osmosis system.

Numerous small and medium-sized companies are involved in the project as subcontractors. The Federal Government has issued isolated contract bond cover with counter-guarantees for the transaction.
Asia

East, South and Central Asia

Cover for Asian countries stood at 4.2 billion euros at the end of 2016 (2015: 5.9 billion euros). This marked a roughly 30% decline (-28.6%) in the volume of business with Asian countries backed by export credit guarantees. This is equivalent to 20.3% of total cover (2015: 22.7%).

The cover provided for East Asia contracted by 38.6%. Despite the decline of roughly one third in cover for the delivery of goods and services to China, this country still accounts for the largest volume of new business in the region. Total cover provided for China came to 810 million euros in 2016 (2015: 1.2 billion euros). However, the continuing transformation of the Chinese economy into a more heavily innovation-driven service-based economy, surplus capacities in key industries and the lowest growth rate in 25 years resulted on balance in lower demand for industrial goods than in earlier years.

The transactions in China covered by the Federal Government included the delivery of a processing plant for the production of chlorine. Moreover, the German part of a transaction for the modernisation of steel production facilities was reinsured.

In addition to China, the Federal Government provided cover for a number of beacon projects in East, South and Central Asia, such as the construction of a turnkey hot strip mill in Indonesia, for which supplier and buyer credit cover was provided. Hermes Cover was also given for the delivery of a passport control system in Cambodia.

Cover for business with South and Central Asia rose by 15%. Export credit guarantees were provided for a production plant for MDF panels (India), the delivery of circular knitting machines (Bangladesh) and equipment for stabilising and expanding the electricity transmission network in Karachi (Pakistan).
### NEW GUARANTEES FOR EAST ASIAN EMERGING ECONOMIES AND DEVELOPING COUNTRIES IN MILLION EUR

<table>
<thead>
<tr>
<th>Country</th>
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</tr>
<tr>
<td>Thailand</td>
<td>177.1</td>
<td>143.8</td>
</tr>
</tbody>
</table>

Short-term: Medium and long-term = Subtotal 2016: (83.6%) 1,655.7

Total 2015: 3,224.6 Total 2016: (100%) 1,981.3

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

<table>
<thead>
<tr>
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<td>Bangladesh</td>
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<tr>
<td>Kazakhstan</td>
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<tr>
<td>Uzbekistan</td>
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</table>

Short-term: Medium and long-term = Subtotal 2016: (95.7%) 1,163.6

Total 2015: 1,057.4 Total 2016: (100%) 1,216.2

### COUNTRY CeILINGS IN MILLION EUR

<table>
<thead>
<tr>
<th>Country</th>
<th>100</th>
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</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
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</table>

At 987 billion euros, total cover for the entire Middle East was roughly 40% down on the previous year (2015: 1.6 billion euros). This is equivalent to 4.8% of total cover (2015: 6.1%).

The largest individual transactions in this region comprised isolated buyer credit cover for a fully automatic warehouse in Dubai as well as supplier credit and contract bond cover with a counter-guarantee for the construction of a glass factory in the United Arab Emirates.

In addition, Hermes Cover was provided for the installation of a new pneumatic materials transport system for the production of electricity and drinking water in Saudi Arabia.

On 20 June 2016, the Federal Government resumed the issue of export credit guarantees for transactions in and with Iran. Since then, 41 applications for Hermes Cover worth a total of some 3 billion euros have been submitted. The IMC made offers for cover for 16 transactions involving a volume of some 350 million euros. Following the signing of the export contract, cover of a total of 4.5 million euros was provided as of the end of the year. This primarily entailed cover for business transacted on the basis of letters of credit.

Historically, Iran was one of the top ten countries by cover volume prior to the imposition of sanctions. The strong interest expressed by German exporters in Hermes Cover for business with Iran shows that the country can regain this status in the medium to long term.

Challenges in business with Iran are particularly still being posed by financing, regulatory matters, compliance and payments execution as well as the collection and provision of information, although substantial progress was made in this regard in the course of the year. The continuing EU and US sanctions still constitute obstacles.
“The Avenues” is the largest shopping mall in Kuwait. Lightweight and translucent foil pillows made from ETFE (ethylene tetrafluoroethylene) span the shopping arcades. Vector Foiltec GmbH from Bremen has developed the Texlon® ETFE system for building envelopes and has been using it around the world for over 35 years. Currently, an area of approximately 31,900 m² is being covered with transparent foil pillows in Kuwait. They provide a pleasant atmosphere and light-flooded areas that invite shoppers to linger, thus contributing to the commercial success of the shopping mall.

In the fourth phase of the project, Vector Foiltec is extending the roof and facade surfaces by an additional 41,800 m². After the completion of the next construction phase in 2018, the shopping mall will be one of the largest in the world.

The Federal Government has provided manufacturing risk and supplier credit cover as well as contract bond cover with a counter-guarantee.
Europe (without the industrialised countries)

The Federal Government issued export credit guarantees of €5.8 billion (2015: €6.6 billion) for the delivery of goods and services to Europe (excluding industrialised countries). Accordingly, they accounted for 28.3% of new business (2015: 25.7%).

At €4.8 billion, Russia and Turkey constituted 83% of the cover provided for this region. The large volume of cover of €3.8 billion euros provided for Russia (2015: €3.6 billion euros) primarily relates to a single large project. The Federal Government furnished cover of €2.5 billion euros for the construction of a gas separation plant. This was also the largest single transaction for which cover was provided in 2016. At €1.1 billion euros, cover for Turkey was roughly 50% down on the previous year (2015: €2.1 billion euros). The deterioration in the country’s economy is also reflected in demand for guarantees and the volume of cover.

The Federal Government provided cover for several wind power projects and for the delivery of medical equipment for example. It also issued supplier and buyer credit cover for machinery for packaging sweets.

At €338 million, cover provided for business with Ukraine was 15% up on the previous year (2015: €293 million). Among other things, manufacturing risk and supplier credit cover was provided for the construction of a compression station along the Soyuz transit pipeline.

The volume of cover for the delivery of goods and services to Belarus also rose substantially by around 50% (2015: €202 million). Hermes Cover was provided for the delivery of cold-rolling and galvanisation plants as well as air separation equipment.

Jamnica, the largest Croatian producer of mineral water and refreshment beverages, operates a beverage factory in Bosnia and Herzegovina. KRONES AG from Neutraubling in Bavaria supplied a new bottling system with a capacity of 20,000 PET bottles per hour for the factory in Kiseljak.

With the replacement of the old system, bottling capacity has been increased by 30%. The hygienic design of the state-of-the-art system not only leads to shorter cleaning times but also offers greater potential for reducing the consumption of water, energy and chemicals. The Federal Republic of Germany is supporting the project with supplier credit cover.
### New Guarantees for European Countries (without Industrialised Countries) in Million EUR

<table>
<thead>
<tr>
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<tr>
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<td>Ukraine</td>
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<td>337.8</td>
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<td>Belarus</td>
<td>201.8</td>
<td>309.2</td>
</tr>
<tr>
<td>Serbia</td>
<td>127.4</td>
<td>136.5</td>
</tr>
</tbody>
</table>

Subtotal 2016: (96.9%) 5,661.2

| Total 2015: 6,564.5 | Total 2016: (100%) 5,841.2 |

### Country Ceilings in Million EUR

<table>
<thead>
<tr>
<th>Country</th>
<th>Ceiling</th>
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<tbody>
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<td>200</td>
</tr>
<tr>
<td>Ukraine</td>
<td>250</td>
</tr>
<tr>
<td>Belarus</td>
<td>80</td>
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Cover granted for industrialised countries contracted by 44.2% in the year under review. The Federal Government issued export credit guarantees of 3.6 billion euros in 2016 (2015: 6.5 billion euros) for the delivery of goods and services to these countries. This is equivalent to 17.4% of total cover (2015: 24.9%).

Among other things, cover was provided for the construction and delivery of two cruise ships to the United States and one cruise ship to the United Kingdom. Export credit guarantees were also issued for Canada (delivery and assembly of a wind farm), the Netherlands (steam turbine for a waste incineration plant), Hungary (granulation plant and plant for producing nitric acid) and Belgium (conversion of a potassium-chloride electrolysis plant for the production of chlorine). In addition, Hermes Cover was issued for the delivery of a fleece plant for producing spun-bonded fabric in Israel.

As a fundamental principle, the provision of cover for exports within the EU and core OECD countries on short payment terms (credit period of up to two years) is the preserve of private-sector credit insurers as these involve marketable risks. The EU Commission may permit an exception to this rule under certain circumstances and for a defined period of time. Such an exception applies to Greece up until 30 June 2017.

This gives exporters the possibility of applying for Hermes Cover for deliveries to Greece on short payment terms. Transactions worth 34.6 million euros were covered under this exception in 2016.
Dutch company Attero B.V. operates a waste incineration plant with an annual capacity of one million tonnes in Moerdijk. Kraftanlagen München GmbH is building at the site a turn-key steam turbine power station including the steam turbine, generator, piping, cooling-water system and the electrical and control system. The heat given off by the incineration processes is to be used to produce electricity when the power station goes into operation in May 2017. In this way, it will be possible to substantially improve the economic viability and efficiency of the plant. With an output of some 120 MW, the steam turbine will use up to 450 tons of steam an hour.

The Munich-based plant-engineering specialist is utilising export credit guarantees issued by the Federal Government for the first time. The Federal Republic of Germany is providing supplier and buyer credit cover for the project.
To date, Montenegro has covered most of its electricity requirements via hydropower and lignite. This is now history with the construction of the country’s first private wind farm, which went into operation at the beginning of 2017. With a total output of 72 MW, the wind farm is located on a ridge in the western part of the country and is supplying 6% of Montenegro’s total electricity. As a result, it is possible to lower annual CO₂ emissions by around 180,000 tons. The 26 turbines were supplied by GE Wind Energy GmbH from Salzbergen in the German state of Lower Saxony.

The Federal Republic of Germany is backing the project, which is structured in the form of project finance, with buyer credit cover and supplier credit cover.

SPECIAL FORMS OF COVER

Project finance structures are generally selected for large-scale projects which are not carried on 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. Accordingly, the issue of an export credit guarantee for project finance is contingent upon the completion of a comprehensive analysis of the economic viability of the project and its structure as well as the appropriate allocation of the risks to the parties involved in the project. In contrast to conven-
tional export finance, these risks are externalised as far as possible via the underlying project and collateralisation structures. Accordingly, the cover policy for individual countries frequently allows a certain degree of flexibility in the applicable ceilings, limits on the size of individual transactions and other restrictions on cover for projects of this type.

In 2016, the Federal Republic of Germany issued export credit guarantees worth just under 3.1 billion euros (2015: 1.4 billion euros) for five projects. This substantial increase is due to a large-volume transaction in Russia (gas separation plant). In addition, cover was provided for a petrochemicals facility in Oman, two onshore wind farms in Uruguay and Canada and a solar farm in Egypt.

Demand for Hermes Cover for project finance remains high. An offer of cover has already been made for a wind farm in Greece.

The volume of new applications stood at around 3.8 billion euros at year-end. Six transactions entered the verification process. Regionally, they again concentrated on Eastern Europe, Central and South America and the Middle East.

In addition to export credit guarantees for project finance, cover is also available for structured finance. Structured finance allows buyers with insufficient creditworthiness to finance sizeable investment projects (e.g. large-scale investments). A project in India involving supplies from various exporters worth 29 million euros was covered in 2016.

The German maritime industry was again able to assert itself well in the international market in 2016 particularly in its core businesses, namely passenger, special-purpose and roll-on/roll-off ship building. In addition to signing a number of important contracts, several shipyards in Northern Germany gained foreign direct investments in the year under review. In addition, the German maritime components industry continued to focus on “green shipping” in response to the global decline in demand for new ships, making an important contribution to securing jobs and expertise in Germany.
In addition to inquiries for cover for new construction projects, maritime components suppliers exhibited growing interest in export credit guarantees.

Total cover for transactions in civil shipbuilding was valued at 2.9 billion euros (2015: 5.1 billion euros). No cover was provided for military shipbuilding.

For example, export credit guarantees were issued for two cruise ships that are being built by Meyer Werft in Papenburg and will secure employment for several years to come. In addition, the Federal Government provided cover for two innovative tugs for Multraship subsidiary Novatug.

The challenging conditions in the shipping markets also left traces on transactions for which cover had already been granted. Thus, the Federal Government oversaw various restructuring measures in 2016, helping to mitigate loss on covered buyer credits.

No export credit guarantees were granted for Airbus transactions in the year under review.

Siem Offshore Inc., headquatered in Kristiansand, Norway, entered into agreements with Helix Energy Solutions Group, Inc. (Helix) to provide two well-intervention vessels. The vessels are owned by Siem Offshore and chartered by Helix for an initial period of seven years, with options that can extend the charter periods up to 22 years. Siem Offshore provides marine management, including crewing, for the vessels while Helix manages the integration of the well-intervention equipment onto the vessels and provides the topsides.

The 158 m long and 31 m wide vessels are constructed by Flensburger Schiffbau-Gesellschaft. They can be fitted with different equipment depending on the type of use.

The project is financed in equal shares by a consortium of KfW IPEX-Bank GmbH, Frankfurt, and DNB Bank ASA, Oslo. The Federal Republic of Germany supports the transaction with isolated buyer credit cover.
Federal Government Investment Guarantees as an important element of risk management for foreign projects

The international investment climate remains difficult in view of the persistent conflicts. Demand for investment guarantees from the Federal Government for projects in developing countries, emerging markets and former transformation countries rose significantly over the previous year.

In 2016, the Federal Government issued investment guarantees worth 4.3 billion euros for projects in 22 countries. Of these, Eastern Europe (particularly Russia) accounted for 44% and Asia (particularly China, India and Indonesia) for 31%. One fifth of the cover was sought by small and medium-sized companies. Following the signing of the agreement with Iran and the partial suspension of the sanctions, an investment guarantee was issued for a project in Iran for the first time in 2016. The Federal Government’s exposure under investment guarantees reached a high of 36.4 billion euros at the end of 2016.

Investment guarantees provide cover against loss caused by political events in the country in which the facility in question is located. Many companies see a decisive advantage of investment guarantees in the crisis management efforts of the Federal Government, which intervenes on behalf of German investors in the event of any threatened loss abroad. Only investors contributing to the sustainable economic development of the country in question and helping to secure or create jobs in Germany are eligible for investment guarantees. The projects must not have any detrimental environmental or social impact or violate any human rights.

A further condition for the issue of a guarantee is the existence of sufficient legal certainty in the target country; as a rule, this is deemed to be the case if a bilateral investment promotion and protection treaty is in force between the Federal Republic of Germany and the host country of this investment.

Applications for the issue of 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. Economic and banking experts as well as national associations attend in an advisory function.

The Federal Government has mandated a consortium consisting of PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgesellschaft (PwC) and Euler Hermes Aktiengesellschaft to manage the investment guarantees. PwC is the lead partner.

Further information is available on Phone: + 49 (0) 40 / 88 34 - 90 00 info@investitionsgarantien.de www.agaportal.de
The Federal Government provided Hermes Cover for exports to 154 countries in 2016.

The proportion of cover provided for exports to emerging economies and developing countries rose to 82.6%, up from 75.1% in the previous year.
BUSINESS DEVELOPMENT

At 20.6 billion euros, the volume of export credit guarantees was 20% down on the previous year. Russia, Egypt and the United States led the list of the top ten countries ahead of Turkey. Indemnifications increased by 40%, while recoveries of indemnification payments already made more than tripled. The year closed with a positive result of just under 1.2 billion euros.

Positive result

Export credit guarantees achieved a positive result for the 18th consecutive time. The accumulative surplus for the federal budget since the scheme was first established thus climbed to 5.4 billion euros.

89.8 billion

The Federal Government's maximum exposure under all active cover dropped from 92.4 billion euros to 89.8 billion euros as of the end of 2016.
NEW BUSINESS

German exports rose by 1.2% over the previous year, coming to 1,207.0 billion euros in 2016 (2015: 1,196 billion euros). German foreign trade is continuing to benefit from globalisation effects such as the internationalisation of production processes. New cover provided dropped by 20.2% over the previous year to 20.6 billion euros in 2016 (2015: 25.8 billion euros). Consequently, the volume of cover returned to the level prevailing prior to the economy and financial crisis. 1.7% of all German exports were secured with Hermes Cover in 2016 (previous year: 2.2%).

The number of single transaction policies granted in 2016 fell by 19.9%. Although the number of large-scale transactions valued over 50 million euros declined from 51 to 35, 81% of the volume of the single transaction policies issued was for such transactions (2015: 79%).

74% of the volume of single transaction policies was for private and 26% for public buyers (2015: 85% private buyers and 15% public buyers).

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1 Source: Foreign trade statistics of the Federal Statistical Office
Number and volume of applications

Whereas the number of applications rose only slightly by 0.7%, the total value of the applications was up 5.7%. As in earlier years, there was strong interest in cover for large-volume projects. At the same time, the number of applications for single transaction policies fell by 10.2%, while the number of applications for cover under Wholeturnover Policies increased slightly by 2.1%.

Offers of cover

Offers of cover for contracts still under negotiation had a total value of 12.1 billion euros as of 31 December 2016, thus rising by around one third over the previous year. Although 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 actually be awarded to the exporters, a large volume of Hermes Cover is expected for 2017 due to offers of cover that have been made. Thus, German exporters executed a whole series of large and important projects towards the end of the year under review in particular, thus prevailing over the international competition.
Cover by country groups

Hermes Cover is traditionally primarily provided for the emerging economies and developing countries\(^1\): 83% of aggregate cover was for these countries. The fact that 6.1% of German exports to emerging economies and developing countries were covered by guarantees issued by the Federal Government in 2016 (17.0 billion euros) highlights the importance that the availability of cover has for German exports to emerging economies and developing countries.

A good three quarters (923.5 billion euros) of total German exports went 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 2016, exports valued at 3.6 billion euros (0.4%) were covered by the Federal Government (2015: 6.4 billion euros).

\(^1\) See country allocation on page 85
Cover by horizon of risk and type of cover

Export credit guarantees in short-term business (credit periods of up to one year) came to EUR 11.4 billion euros, remaining at the previous year’s high level (11.5 billion euros) despite a decline of 1.3%. This underscores the ongoing normalisation after the financial crisis. Short-term business accounted for 55.3% of new cover provided (2015: 45%).

There was a further 17.8% decline in cover under 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. In 2016, turnover of 8.0 billion euros was covered (2015: 9.7 billion euros). Russia, Brazil and Turkey were the most sought-after markets, contributing a good quarter of the APG turnover covered (27%).
Market normalisation and, resulting from this, the availability of cover in the private market are also mirrored in the continued decline in the number of Wholeturnover Policies. At just under 830 in 2016, they hovered around their multiyear average.

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 regular business with a single buyer and cover for individual projects with credit periods of up to one year. Revolving single transaction policies fell again by 16.6%, reaching a volume of 137 million euros (2015: 164 million euros).
On the other hand, the volume of export credit guarantees for short-term single transaction policies with a credit period of up to one year almost doubled over the previous year (up 94.3%), rising to 3.3 billion euros (2015: 1.7 billion euros). This includes short-term receivables arising from the delivery of goods and services under construction service contracts as well as capital goods on short payment terms. The enormous increase in cover is particularly due to several large-scale transactions with Russian buyers that were executed on short payment terms.

The proportion of medium and long-term cover in the total volume shrank by 35.5% to 9.2 billion euros (2015: 14.3 billion euros). In addition to the decline in cover for large-volume transactions with longer credit periods, this was also due to the absence of any cover for Airbus transactions. A total of 47% of the transactions were executed with buyer credits (97% of the corresponding cover volume).
Cover by industrial sectors

Export credit guarantees in the energy sector rose by 60% to 3.8 billion euros (2015: 2.4 billion euros) due to cover provided for individual large-scale contracts. This is equivalent to 18.4% of total cover and 30.2% of single transaction policies. In addition to two gas and steam power stations for Egypt (2.7 billion euros), projects in the renewable energies segment (827 million euros) among other things received Hermes Cover. At 2.9 billion euros, cover for ship transactions fell 44% short of the very high level recorded in the previous year (5.1 billion euros) and thus accounted for 13.8% of the total volume of Hermes Cover (2015: 19.7%) and 22.8% of the single transaction policies. Export credit guarantees in the oil and gas production/processing sector climbed by 49% to around 2.8 billion euros (previous year: 1.8 billion euros). Consequently, the share in total cover widened to 22%. This increase is due to cover provided for a major gas-processing project in Russia.

Cover for exports of military goods

No export credit guarantees were issued for military goods in 2016 (2015: 0.6 billion euros). In the previous year, the share of new cover contributed by this segment stood at 2.3%. The long-term average since 1997 is 3.7%.
Environmental and social impact assessment of projects

Projects coming within the scope of the Common Approaches must undergo environmental and social due diligence. This particularly includes all transactions with a credit period of more than two years. The transactions are categorised in accordance with their possible environmental and social impact. The category determines the scope of the audit. In 2016, the Federal Government provided cover worth 3.2 billion euros for environmental category A transactions (projects which have the potential to have significant adverse environmental and/or social 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 precautions to minimise the impact). In environmental category B (projects with local or easily reversible environmental and/or social impact), cover came to 1.0 billion euros.

Under the Common Approaches, deliveries for existing plants which do not result in any material change of function or capacity do not need to undergo any detailed environmental audit; in this case, a risk assessment is sufficient. These transactions reached a volume of some 605 million euros in the year under review.
CLAIMS, RECOVERIES AND RESCHEDULING

Claims

Outgoing payments for claims increased by a total of 39.7% over the previous year to 551.8 million euros. This was primarily due to the increase in outgoing payments for commercial loss in several countries to 513.6 million euros (2015: 300.1 million euros). The increase in Ukraine is chiefly due to payment defaults in the agricultural and banking sectors. In Brazil, the deterioration in economic conditions led to higher claims particularly in short-term business. Indemnifications for Spain increased due to two major claims in the steel industry and in the construction industry.

On the other hand, indemnification for political claims dropped substantially by 60% as a large part of the outstanding receivables for Iran had been settled in the previous year. The highest indemnifications were paid for Iran, Iraq and Egypt.

Recoveries

Recoveries of indemnification paid (excluding interest) rose more than three-fold to 974.4 million euros. This increase was chiefly due to payments from Iran of around 531 million euros as well as recoveries under the rescheduling agreement with Argentina (around 190 million euros). Agreed repayment plans for large claims as well as the

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<td>Political risk claims</td>
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<td>300.1</td>
<td>513.6</td>
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<td><strong>232.5</strong></td>
<td><strong>504.0</strong></td>
<td><strong>395.1</strong>*</td>
<td><strong>551.8</strong></td>
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</tbody>
</table>

* Difference caused by rounding

TOP TEN COUNTRIES – CLAIMS PAYMENTS UNDER COMMERCIAL RISK COVER IN MILLION EUR

<table>
<thead>
<tr>
<th>Country</th>
<th>2016</th>
<th>2015</th>
<th>Subtotal 2016: (74.3%)</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ukraine</td>
<td>25.3</td>
<td>71.1</td>
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<tr>
<td>Russia R.F.</td>
<td>71.1</td>
<td>20.1</td>
<td>56.2</td>
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<td>Brazil</td>
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<td>34.1</td>
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<td>Spain</td>
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<tr>
<td>Thailand</td>
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<td>17.2</td>
<td></td>
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<td>India</td>
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<td>Egypt</td>
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<td>Bahamas</td>
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<tr>
<td><strong>Subtotal 2016</strong></td>
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<td><strong>71.1</strong></td>
<td><strong>331.5</strong></td>
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<td><strong>Total 2016</strong></td>
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<td><strong>551.8</strong></td>
<td><strong>551.8</strong></td>
<td><strong>551.8</strong></td>
</tr>
</tbody>
</table>
broad portfolio of commercial claims under management of just under 2.2 billion euros distributed across some 1,155 foreign debtors in 105 countries point to continued high recoveries in the future.

**Rescheduling**

The Paris Club’s activities in 2016 were dominated by discussion of fundamental issues as well as the addition of new members.

At an international event organised by the Paris Club in November, talks particularly concentrated on possible new approaches to public-sector debt rescheduling.

* Korea and Brazil joined the Paris Club in 2016. China regularly attended the meetings as an ad-hoc member and has also expressed interest in joining the Paris Club as a full member. There were substantial recoveries under the bilateral rescheduling treaties in 2016 particularly as a result of payments made by Argentina. These were added to the federal budget to cover earlier indemnification payments.*

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**Recoveries for Claims Paid (Excl. Interest) in Million EUR**

<table>
<thead>
<tr>
<th>Year</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under political risk cover thereof</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Rescheduled amounts</td>
<td>105.4</td>
<td>101.6</td>
<td>181.4</td>
<td>153.3</td>
<td>803.8</td>
</tr>
<tr>
<td>Under commercial risk cover</td>
<td>94.0</td>
<td>142.7</td>
<td>118.4</td>
<td>132.5</td>
<td>170.5</td>
</tr>
<tr>
<td>Total</td>
<td>199.4</td>
<td>244.3</td>
<td>299.8</td>
<td>285.7*</td>
<td>974.4</td>
</tr>
</tbody>
</table>

* Difference caused by rounding

**Top Ten Countries – Recoveries Under Commercial Claims in Million EUR**

- United Kingdom: 39.0
- Bulgaria: 24.7
- Indonesia: 17.6
- Russia R.F.: 10.3
- Kazakhstan: 8.7
- Iran: 6.8
- Singapore: 6.2
- Malaysia: 4.4
- Egypt: 3.4
- Iraq: 3.0

Subtotal 2016: (72.8%) 124.1

Total 2016: (100%) 170.5
RESULTS

Revenues

Total revenues for the federal budget from export credit guarantees doubled in the year under review. Despite the decline in the volume of cover, revenues from premiums and fees rose by 56%. Among other things, this was due to premiums for medium and long-term transactions for which cover had already been provided in 2015 although the premium is frequently only payable in the following periods.

Recoveries under previously indemnified claims and debt repayment under rescheduling agreements rose by 241.1% over the previous year. The largest recoveries were received from Iran (531.2 million euros), Argentina (388.5 million euros), Egypt (50.2 million euros), the United Kingdom (39.0 million euros) and Bulgaria (24.7 million euros).

The interest income of 397.5 million euros (2015: 256.4 million euros) arose almost solely from rescheduling agreements. In addition, currency-translation gains of 3.2 million euros were recorded in connection with claims.

Expenses

In the year under review, expenses climbed by 31.9% to 639.1 million euros (2015: 484.7 million euros). They comprise claims payments (551.8 million euros) and the costs for the administration of the export credit guarantee scheme (87.4 million euros).
Financial result

With a cash surplus of around 1.2 billion euros, the Federal Republic of Germany’s export credit guarantee scheme achieved a positive result for the federal budget accounts for the 18th consecutive year. Accordingly, the cumulative total balance of export credit guarantees rose to around 5.4 billion euros (not adjusted for inflation) as of the end of 2016. The interest income of 397.5 million euros (2015: 256.4 million euros) arising predominantly from rescheduling agreements was transferred to the federal budget. It is excluded from the calculation of the financial result as the funding costs incurred by the Federal Government in respect of claims paid are likewise not included.
Export credit guarantees are granted on the basis of amounts **authorised by the federal budget**. As of the end of the year, 80.4% of the statutory cover limit of 160 billion euros had been utilised. Interest covered does not count towards the statutory cover limit.

The **Federal Government’s total commitment level (exposure)** fell to 128.6 billion euros as of 31 December 2016 (2015: 132.8 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 for Central Services and Unresolved Property Issues (BADV). 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 20.5 billion euros for new cover but discharges of 24.6 billion euros.

In addition, cover for interest came to 53.1 billion euros at the end of the year (2015: 55.4 billion euros). The Federal Government’s total commitment level comprising exposure plus interest thus stood at 181.7 billion euros.

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**Statutory Cover Limit and Total Commitment Level**

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**Total Commitments of the Federal Government (Exposure) Breakdown by Country Groups and Statutory Maximum Exposure Limit in Billion EUR**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>165.0</td>
<td>160.0</td>
<td>160.0</td>
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<tr>
<td>Uncategorisable*</td>
<td>134.1</td>
<td>132.8</td>
<td>128.6</td>
<td></td>
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<tr>
<td>Emerging economies and developing countries</td>
<td>75.0</td>
<td>62.0</td>
<td>64.4</td>
<td></td>
</tr>
<tr>
<td>Industrialised countries</td>
<td>92.9</td>
<td>91.1</td>
<td>84.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td>33.7</td>
<td>35.4</td>
<td>39.0</td>
<td></td>
</tr>
</tbody>
</table>

* The "uncategorisable" exposure refers to allocations made for whole turnover policies under the statutory maximum exposure limit.

---

**The Federal Government’s Statutory Cover Limit**

- **Law drafted by the Federal Government**
  - **Parliament passes**
  - **Federal Budget Act**
    - **Statutory cover limit**
      - Maximum amount for future cover in the light of existing and on risk cover
    - **Monitors utilisation**
    - **BADV**
      - Federal Office for Central Services and Unresolved Property Issues
      - Registers the maximum amounts for which liability is accepted
    - **Mandataries**
      - Euler Hermes, PwC
      - Report new issues and the discharge of liability for extinguished risks
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 from 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.

TOTAL OUTSTANDING RISK BY INDUSTRIAL SECTORS

<table>
<thead>
<tr>
<th>Sector</th>
<th>2016 billion EUR</th>
<th>Share in %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ships</td>
<td>29.1</td>
<td>32.4</td>
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<tr>
<td>Energy</td>
<td>17.9</td>
<td>19.9</td>
</tr>
<tr>
<td>Manufacturing Industry</td>
<td>9.7</td>
<td>10.8</td>
</tr>
<tr>
<td>Aircraft</td>
<td>9.4</td>
<td>10.5</td>
</tr>
<tr>
<td>Oil and gas production/processing</td>
<td>8.8</td>
<td>9.8</td>
</tr>
<tr>
<td>Infrastructure</td>
<td>3.6</td>
<td>4.0</td>
</tr>
<tr>
<td>Paper, timber, leather and textile industry</td>
<td>3.0</td>
<td>3.3</td>
</tr>
<tr>
<td>Chemical Industry</td>
<td>2.1</td>
<td>2.3</td>
</tr>
<tr>
<td>Mining</td>
<td>1.7</td>
<td>1.9</td>
</tr>
<tr>
<td>Agriculture and food industry</td>
<td>1.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Service industry</td>
<td>0.5</td>
<td>0.6</td>
</tr>
<tr>
<td>Environmental engineering</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>No recording of industries*</td>
<td>2.8</td>
<td>3.1</td>
</tr>
</tbody>
</table>

Total 2016: 89.8 100.0**

* Wholeturnover policies, reschedulings
** Difference caused by rounding

TOP TEN COUNTRIES – TOTAL OUTSTANDING RISK IN BILLION EUR

<table>
<thead>
<tr>
<th>Country</th>
<th>'15</th>
<th>'16</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>9.2</td>
<td>10.4</td>
</tr>
<tr>
<td>Russia R.F.</td>
<td>8.4</td>
<td>8.9</td>
</tr>
<tr>
<td>Turkey</td>
<td>9.3</td>
<td>8.9</td>
</tr>
<tr>
<td>Bermuda</td>
<td>7.8</td>
<td>7.8</td>
</tr>
<tr>
<td>Egypt</td>
<td>3.0</td>
<td>6.8</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>3.7</td>
<td>3.8</td>
</tr>
<tr>
<td>India</td>
<td>3.7</td>
<td>3.7</td>
</tr>
<tr>
<td>Switzerland</td>
<td>3.7</td>
<td>3.2</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>2.3</td>
<td>2.0</td>
</tr>
<tr>
<td>China PR</td>
<td>2.4</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Subtotal 2016: (63.8%) 57.3

Total 2016: (100%) 89.8

SHARE OF TOTAL OUTSTANDING RISK BY COUNTRY IN BILLION EUR

- United States: 10.4
- Russia R.F.: 8.9
- Turkey: 8.9
- Bermuda: 7.8
- Egypt: 6.8
- United Kingdom: 3.8
- India: 3.5
- Saudi Arabia: 2.3
- China PR: 2.4
- other countries: 39.7

Total 2016: 89.8
At the end of the year, unrecovered amounts under claims paid for commercial and political loss – including rescheduled trade and loan receivables – stood at 3.9 billion euros (2015: 4.4 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.

Significant recoveries can be expected from outstanding commercial claims totalling just under 2.2 billion euros due to restructuring agreements already entered into in respect of major claims.

In the case of outstanding political claims (222.5 million euros), further recoveries can generally be expected unless future debt relief measures take effect.
An outstanding amount of 1.5 billion euros has been restructured in the Paris Club to take account of the ability of the debtor countries to pay and is governed by bilateral rescheduling agreements. However, there is no certainty that the repayments thus agreed will be actually received as existing and future debt relief arrangements may reduce the value of the outstanding claims.

Outstanding amounts of 2.7 million euros owed to the Federal Government by Chad and Guinea-Bissau were cancelled under debt rescheduling arrangements in 2016 (2015: no cancellations). 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.
<table>
<thead>
<tr>
<th>Year</th>
<th>Total export volume in billion EUR</th>
<th>New guarantees in billion EUR</th>
<th>Covered percentage of total export volume</th>
<th>Cover applications in billion EUR</th>
<th>Stat. max. exp. limit</th>
<th>Allocated amount of stat. max. exp. limit</th>
<th>**** Total outstanding risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>4.3</td>
<td>0.2</td>
<td>3.6</td>
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<td>0.3</td>
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<tr>
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<td>13.1</td>
<td>1.6</td>
<td>12.5</td>
<td>5.1</td>
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<td>2.5</td>
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<tr>
<td>1960</td>
<td>24.5</td>
<td>2.4</td>
<td>9.6</td>
<td>8.3</td>
<td>6.1</td>
<td>5.2</td>
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<td>1965</td>
<td>36.7</td>
<td>2.8</td>
<td>7.5</td>
<td>10.0</td>
<td>8.7</td>
<td>8.1</td>
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<tr>
<td>1970</td>
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<td>12.9</td>
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<td>1980</td>
<td>179.2</td>
<td>14.6</td>
<td>8.1</td>
<td>64.8</td>
<td>76.7</td>
<td>59.6</td>
<td></td>
</tr>
<tr>
<td>1985</td>
<td>274.6</td>
<td>15.9</td>
<td>5.8</td>
<td>54.0</td>
<td>99.7</td>
<td>80.9</td>
<td></td>
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<tr>
<td>1990**</td>
<td>348.0</td>
<td>13.7</td>
<td>3.9</td>
<td>29.9</td>
<td>81.8</td>
<td>68.3</td>
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</tr>
<tr>
<td>1995**</td>
<td>383.2</td>
<td>17.1</td>
<td>4.5</td>
<td>29.8</td>
<td>99.7</td>
<td>91.9</td>
<td></td>
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<tr>
<td>2000</td>
<td>596.9</td>
<td>19.5</td>
<td>3.3</td>
<td>21.0</td>
<td>112.5</td>
<td>106.1</td>
<td>56.5</td>
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<td>117.0</td>
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<tr>
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<td>33.9**</td>
<td>117.0</td>
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<td>2007</td>
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<td>62.3</td>
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<td>48.0</td>
<td>117.0</td>
<td>107.8</td>
<td>66.0</td>
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<td>32.5</td>
<td>3.4</td>
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<td>120.0</td>
<td>107.5</td>
<td>76.4</td>
</tr>
<tr>
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<td>1,060.2</td>
<td>29.8</td>
<td>2.8</td>
<td>37.4</td>
<td>135.0</td>
<td>116.6</td>
<td>82.3</td>
</tr>
<tr>
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<td>1,097.4</td>
<td>29.1</td>
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<td>41.7</td>
<td>135.0</td>
<td>124.9</td>
<td>85.2</td>
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<td>145.0</td>
<td>129.1</td>
<td>87.7</td>
</tr>
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<td>2.2</td>
<td>38.6</td>
<td>165.0</td>
<td>134.1</td>
<td>88.5</td>
</tr>
<tr>
<td>2015</td>
<td>1,195.9</td>
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<td>2.2</td>
<td>36.2</td>
<td>160.0</td>
<td>132.8</td>
<td>92.4</td>
</tr>
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<td>2016</td>
<td>1,207.0</td>
<td>20.6</td>
<td>1.7</td>
<td>38.2</td>
<td>160.0</td>
<td>128.6</td>
<td>89.8</td>
</tr>
</tbody>
</table>

* 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 amount of stat. max. exp. limit" reflects the overall level of exposure under the statutory limit for the respective year. On the basis of these figures conclusions cannot, however, be drawn on the amounts actually at risk 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

<table>
<thead>
<tr>
<th>Year(s)</th>
<th>Premiums/fees earned</th>
<th>Recoveries for claims paid and rescheduled amounts</th>
<th>Disbursements for claims and reschedulings</th>
<th>Expenses for the handling of the export credit guarantees</th>
<th>Annual results excluding interest</th>
<th>Interest**</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950-1954</td>
<td>27.6</td>
<td>16.8</td>
<td>25.6</td>
<td>5.3</td>
<td>13.5</td>
<td></td>
</tr>
<tr>
<td>1955-1959</td>
<td>85.6</td>
<td>83.2</td>
<td>168.0</td>
<td>10.8</td>
<td>-10.0</td>
<td></td>
</tr>
<tr>
<td>1960-1964</td>
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<td>144.7</td>
<td>370.1</td>
<td>14.4</td>
<td>-98.5</td>
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<tr>
<td>1965-1969</td>
<td>247.0</td>
<td>381.4</td>
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<td>22.8</td>
<td>18.0</td>
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<tr>
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<td>580.6</td>
<td>82.6</td>
<td>702.8</td>
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<tr>
<td>Subtotal</td>
<td>1,745.1</td>
<td>1,516.6</td>
<td>2,540.1</td>
<td>173.7</td>
<td>482.1</td>
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<td>860.9</td>
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<td>149.9</td>
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<td>238.2</td>
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<td>1,034.6</td>
<td>5,512.6</td>
<td>183.9</td>
<td>-3,385.1</td>
<td>760.1</td>
</tr>
<tr>
<td>1990-1994</td>
<td>2,022.9</td>
<td>2,028.3</td>
<td>12,121.9</td>
<td>244.3</td>
<td>-8,315.0</td>
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<td>2,727.3</td>
<td>2,722.2</td>
<td>6,614.4</td>
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<td>-1,435.5</td>
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<tr>
<td>2000-2004</td>
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<td>3,905.1</td>
<td>3,615.1</td>
<td>317.6</td>
<td>2,371.6</td>
<td>5,278.6</td>
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<td>2005-2009</td>
<td>2,722.2</td>
<td>12,014.1</td>
<td>1,608.9</td>
<td>336.1</td>
<td>12,511.2</td>
<td>4,746.7</td>
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<td>776.5</td>
<td>187.2</td>
<td>282.2</td>
<td>75.8</td>
<td>605.6</td>
<td>92.7</td>
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<td>83.4</td>
<td>519.0</td>
<td>115.2</td>
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<td>199.4</td>
<td>282.5</td>
<td>79.8</td>
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<td>123.6</td>
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<td>232.5</td>
<td>85.2</td>
<td>580.9</td>
<td>111.4</td>
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<td>299.9</td>
<td>504.0</td>
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<td>214.3</td>
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<td>286.5</td>
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<td>89.6</td>
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<td>256.4</td>
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<tr>
<td>2016</td>
<td>845.6</td>
<td>977.6</td>
<td>553.8</td>
<td>87.6</td>
<td>1,183.9</td>
<td>397.5</td>
</tr>
<tr>
<td>Total amount</td>
<td>18,858.4</td>
<td>26,509.4</td>
<td>37,704.0</td>
<td>2,262.0</td>
<td>5,401.8</td>
<td>18,686.1</td>
</tr>
</tbody>
</table>

**Total income**: 45,367.8  
**Total expenses**: 39,966.0  
**Result accrued excluding interest**: 5,401.8

Debt owed to the Federal Government  
- 3,902.5 of which regulated under reschedulings  
- 1,520.3

* Recoveries for claims paid and rescheduled amounts include special revenues and exchange rate gains.  
** Interest received by the federal budget is excluded when calculating the financial result since the refinancing costs incurred by the Federal Government in respect of claims paid are also not included.  
Differences are due to rounding.
15 raw materials, 20 countries

Over the last five years, the Federal Government has confirmed the eligibility for cover of raw material projects in 20 countries for 15 raw materials in the light of raw materials policy considerations.

1.1 billion

Applications worth a good 1.1 billion euros were received for untied loan guarantees in 2016.
The Federal Government’s exposure under aggregate outstanding guarantees climbed to 5.3 billion euros as of the end of 2016.

Prices for raw materials rose again for the first time in 2016 after quite some time due to persistently high demand in tandem with reduced supply. This resulted in heightened raw material project activities in 2016 and is reflected in the issue of untied loan guarantees worth 246 million euros in the year under review. Consequently, exposure increased from 4.8 billion euros in the previous year to 5.3 billion euros.

**Dynamic market**

The recovery in prices for raw materials in 2016 triggered great activity in the market and is reflected in 22 inquiries for untied loan guarantees.

**5.3 billion**

The Federal Government’s exposure under aggregate outstanding guarantees climbed to 5.3 billion euros as of the end of 2016.
THE YEAR AT A GLANCE

In 2016, one new untied loan guarantee worth a total of 246 million euros (including interest) was issued. This was for an untied loan to finance the expansion of a bauxite mine in Guinea for safeguarding supplies to a German aluminium smelter.

The year saw a recovery in the prices for raw materials that had previously come under downside pressure for many years due to significant surplus supply. Whereas demand is continuing to rise in China in particular, consolidation on the supply side together with a decline in new investments began to leave traces, bringing supply and demand gradually back into balance. However, the long-term investment cycles in the commodities industries mean that the recovery in prices has so far not triggered any notable increase in capital spending in this sector. Consequently, the interest in untied loan guarantees was largely unchanged in comparison with the previous year.

UFK-GUARANTEES OF THE FEDERAL REPUBLIC OF GERMANY

Untied Loan Finance

UFK-UNDERWRITING PRACTICE – COUNTRIES

Countries where raw materials projects were regarded as eligible for support during the past 5 years

- Canada
- United States
- Brazil
- Guinea
- South Africa
- Mozambique
- Great Britain
- Iceland
- Norway
- Turkey
- Egypt
- Australia
- Mongolia
- Macedonia
- Panama
- Tanzania
- Mozambique
- Russia
- Spain
- Iran
- Armenia
- Azerbaijan
- Turkey
- England
Last year, three applications for raw material projects (2015: two) with a combined value of a good 1.1 billion euros (plus cover for interest) were submitted. At 22 (2015: 29), the number of inquiries remained at a high level. These concerned raw material projects in 21 different countries mostly entailing mineral raw materials (primarily copper). Plans for four of these projects (one copper, one gas, one tungsten and one magnesium project with a combined converted value of around 2.2 billion euros) had already progressed far enough in 2016 for the Federal Ministry for Economic Affairs and Energy to confirm their eligibility for cover in the light of raw materials policy considerations. All in all, the Federal Government has confirmed the eligibility of 27 projects in 20 countries around the world in the light of raw materials policy considerations over the last five years. These projects entailed 15 different mineral and energy sources, thus underscoring the range of raw materials and projects for which the untied loan guarantee instrument is available.

The Federal Government’s maximum liability (exposure) under the guarantees issued and still on risk – including interest – stood at 5.3 billion euros at the end of 2016 (2015: 4.8 billion euros). Whereas exposure to development bank projects in various countries remained steady at 2.3 billion euros, it rose from 2.5 to 3.0 billion euros in the case of raw material projects. As of the end of the year, the portfolio comprised a total of eleven guarantees, namely six guarantees for raw material projects and five for development bank projects.

The untied loan guarantees paid for themselves in the year under review from premiums and fees. There were no claims.

The 2016 Budget Act provided for a joint statutory cover limit of 65 billion euros for the issue of untied loan guarantees, investment guarantees and European Investment Bank loans.
CONDITIONS IN THE RAW MATERIAL MARKETS

After several years in which prices for raw materials tended to decline, there was a sustained recovery again for the first time in 2016. Whereas many raw materials were still trading at multi-year lows at the beginning of the year, prices picked up substantially in the first half in particular, stabilising at that level in the second half of the year. The price volatility is due to the relatively long investment cycles in the raw materials sector as the completion of projects up to the production stage normally takes several years. A short-term reaction to price changes is possible only to a limited extent. At the beginning of the 2000s, the high prices for raw materials caused supply to expand as a result of heightened investment. This, in turn, led to surplus capacity in the wake of the global economic crisis, causing prices to drop substantially in some cases. It was only last year that the absence of any new investment caused supply to shrink. With demand still strong, particularly in China, this pushed prices for raw materials up again for the first time.

Given the long investment cycles, it seems reasonable to expect prices for raw materials to stabilise or continue rising moderately over the next few years.

In the medium term, the investment gap, which is particularly due to the absence of new investment combined with market consolidation over the last few years, and the market momentum that this has triggered could lead to the execution of many projects that were previously planned in the past. In addition, the decline in output over time from existing projects must also be taken into account. Accordingly, projects which were cancelled due to the low commodity prices may now be considered to be economically viable again in the short term. These developments are also reflected in the mandataries’ experience. Last year, greenfield as well as brownfield projects were presented for activation or expansion.
EXPANSION OF THE SANGAREDI MINE IN GUINEA BY CBG

Compagnie des Bauxites de Guinée (CBG) is the largest bauxite producer in Guinea and, as the owner of one of the world’s largest bauxite deposits, has been operating one of the world’s most important bauxite mines in the Boké region in north-western Guinea for over 40 years. Bauxite is an ore and the most important input material for the production of aluminium. By expanding the mine, CBG will be widening its annual production capacity from 13.5 million tons to 18.5 million tons.

The expansion activities encompass the mine infrastructure, the railway network, the port facilities, the processing plants and the supply systems.

49% of CBG’s capital is held by the Guinean government and 51% by Halco (Mining) Inc., a consortium made up of three large companies active in aluminium business: Alcoa World Alumina LLC, Rio Tinto International Holdings Ltd. and Dadco Investments Ltd.

The expansion of the mine capacity will enable Aluminium Oxid Stade (AOS), an aluminium refinery established in Stade in 1973 and a member of the Dadco Group, to purchase bauxite under a long-term supply contract with CBG. This will safeguard AOS’s own production for more than ten years.

The long-term supply contract forms the basis for the untied loan that has been issued by an international creditor group under the lead management of BNP Paribas for which the Federal Government has issued an untied loan guarantee. Valued at 293 million US dollars (246 million euros), the untied loan forms the largest part of the finance package for the expansion project with a total volume of 823 million US dollars. The International Finance Corporation (IFC) and Overseas Private Investment Corporation (OPIC) are also involved in the finance.

The expansion of the mine operations will help to secure employment in the Boké region in Guinea and widen CBG’s contribution to Guinean economic development. At the same time, the long-term supply contract safeguards deliveries of bauxite to AOS, thus helping to protect jobs at its German plant. The expansion project is being executed in accordance with international environmental and social impact standards and has already resulted in sustained improvements in connection with the mine operations.
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
Schumannstraße 34-37
10115 Berlin
www.bmwi.de

The Federal Government has appointed a consortium formed by Euler Hermes Aktiengesellschaft, Hamburg, (Euler Hermes) as lead partner, and PricewaterhouseCoopers GmbH Wirtschaftsprüfungsgerellschaft, Frankfurt am Main, Branch Office Hamburg, (PwC), 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.

2016: • Inclusion of foreign content in Hermes Cover
2015: • Letter of undertaking – explanatory notes
2014: • Preliminary inquiry on the inclusion of foreign content in cover
2013: • Environmental and social review of exports: The Common Approaches

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

ANNEX EXPORT CREDIT GUARANTEES

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 12,476 US dollars in 2016), member states of the European Monetary Union including their affiliated territories, as well as Singapore.

Andorra, Australia, Austria, Belgium, Canada, Chile1, 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 Island, Ceuta and Melilla, Gibraltar, Greenland, Guadeloupe, 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, Curacao, Dominican Republic, Ecuador, El Salvador, Falkland Islands, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Montserrat, Nicaragua, Panama, Paraguay, Peru, Puerto Rico, Saint 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:


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:
Brunel 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 (Western), Tokelau, Tonga, Tuvalu, Vanuatu, Wallis and Futuna.

European countries (without industrialised countries):

Albania, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Kosovo, former Yugoslav Republic of Macedonia, Republic of Moldova, Montenegro, Romania, Russian Federation, Serbia, Turkey, Ukraine.

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Compagnie des Bauxites de Guinée (CBG)

1 newly classified in the country group.
PRODUCTS

Buyer credit cover:
Protects banks against the risk arising in connection with the amounts receivable under a credit provided to a foreign buyer or borrower.

Buyer credit cover-express:
It facilitates the financing of smaller transactions having a volume of up to 5 million euros with the granting of buyer credit cover within four bank working days provided that specified standards are met.

Contract bond cover:
Contract bond cover enables the exporter who has to put up a bond in favour of his buyer in order to secure his own contractual obligations (advance payment, bid, performance or maintenance bonds) to protect himself from losses resulting from the bond being called unfairly or for political reasons (cf. counter-guarantee).

Constructional works cover:
This type of cover protects the exporter from the typical risks involved in construction work carried out abroad and covers, in addition to the amounts receivable, other risks which may arise in connection with political events during construction abroad (e.g. the risk of confiscation or destruction of construction equipment).

Counter-guarantee:
To complement contract bond cover taken out by an exporter, a counter-guarantee in favour of the guarantor can be assumed by the Federal Government. This entitles the guarantor, equivalent to a demand guarantee, to receive payment from the Federal Government for up to 80% of the amount of a called bond. This relieves the strain on the exporter’s credit lines up to the amount indemnified and so means considerably improved liquidity for him.

Export credit cover for service providers:
This type of cover makes the isolated insurance of services rendered by professionals, such as architects, engineering and other consultants, possible.

Framework credit cover:
Framework credit cover secures a bank’s exposure from small buyer credits issued under a general loan agreement.

KfW refinancing programme:
Under this programme long-term refinancing with congruent maturity for export credits is made available to German exporters on behalf of the Federal Ministry for Economic Affairs and Energy. The funds raised by means of selling this export credit to KfW are available for the financing of new, Hermes-covered export transactions. More detailed information can be found on the Internet at (www.kfw.de) under the header “Asset Securitisation – Refinancing of Export Loans covered by Federal Guarantees”.

Leasing cover:
Covers the political and commercial risks involved in leasing transactions by German lessors (manufacturers or leasing companies) with lessees abroad.

Manufacturing risk cover:
A manufacturing risk cover facility enables the exporter to protect his production costs incurred in the manufacture of the goods supplied and/or the performance of the services specified in the export contract in the event that fulfilment of the export contract becomes impossible for or unacceptable to the exporter.

Revolving buyer credit cover:
The revolving buyer credit guarantee is a form of bundled cover for financing banks which secures the amounts due under short term buyer credits with a repayment term normally not exceeding 12 months. The object of insurance is the financing of export business transacted by a German exporter with a specific foreign buyer with whom he has a long-term business relationship.

Revolving supplier credit cover:
It is recommended for recurring deliveries to one and the same foreign buyer due to the simple handling in order to avoid having to submit an individual application for each transaction. The maximum credit period is 24 months.

Securitisation guarantee:
A securitisation guarantee can be used to enhance the credit valuation of a debt as an additional agreement to a buyer credit guarantee, thus improving the conditions of the guarantor, if the policyholder bank grants a buyer credit to the foreign debtor and wishes to refinance the loan in turn on the capital market.

Supplier credit cover:
Supplier credit cover protects the exporter against the public or private buyer risks arising from an individual export contract concluded with a foreign buyer.

Wholeturnover policy:
The wholeturnover policy offers comprehensive cover for non-marketable risks at reasonable premiums for export contracts with a large number of foreign buyers and with payment terms of up to 12 months. The countries to be covered in this spread policy with online handling can be chosen by the policyholder. The minimum insurable turnover is 500,000 euros.

Wholeturnover policy light:
The wholeturnover policy light is a comprehensive cover instrument which is inexpensive and easy to handle, especially well suited to the needs of small and medium-sized enterprises. It covers export business with one or more foreign buyers on credit terms of up to four months. The policy protects against the risk that receivables are still unpaid 6 months after due date (protracted default).
New Business

** Firms with up to 500 employees

* Including byer credits

*** Classification of countries see p. 85

Small and medium-sized enterprises

Covered volume as % of total exports

Covered export volume for EU countries

Statutory cover limit for political claims

Revenues from

of which for

19,310.6
4,444.5
2,266.4
6,521.6
38,156
285.7
541.8
153.3
89.6
94.9
2.2
0.8

Commercial risks are mainly insured under the cover given for

are bilateral agreements with other credit insurers. Besides

When the primary supplier passes on his foreign risks to the

The uncovered loans granted by commercial banks are re -

ceilings apply to transactions with repayment terms of more than

Club Credit:

The covered losses granted by commercial banks are re -

Covered by the commercial banks

Cover by the Federal Office for Central Services and Unre -

Total commitment level of the Federal Government booked

The Recommendation of the Council on Common Approaches

Environmental and social audit:

Due Diligence (Common Approaches) essentially forms the

International association of official creditors which restruc -

Paris Club:

The Interministerial Committee:

1961, Decides on matters of principle and on the availability of cov-

Interministerial Committee:

2013 regulates up to 2018 the

Currency:

Marketable risks:

revenue from foreign exchanges. In the case of credit risk, the

The Special Drawing Right (SDR) is a form of artificial currency

Reinsurance:

Reinsurance:

in the event of loss, normally 5%

Uninsured percentage:

Risk treatment in the special transactions is regulated, among other

Coverage:

Coverage:

Commercial risks are mainly insured under the cover given for

commercial risks that are insured and on transactions with repay -

Marketable risks:

Marketable risks:

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Results

** Firms with up to 500 employees

Federal export credit guarantees at a glance in million EUR (share of exporters supported with guarantees in %)

<table>
<thead>
<tr>
<th></th>
<th>2015</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Result (since 1951)</td>
<td>25,832.2</td>
<td>28,413.7</td>
</tr>
<tr>
<td>Covered export volume from commercial claims</td>
<td>1,183.9</td>
<td>1,183.9</td>
</tr>
<tr>
<td>Claims paid</td>
<td>38,228</td>
<td>38,156</td>
</tr>
<tr>
<td>Premiums and fees</td>
<td>2,266.4</td>
<td>2,266.4</td>
</tr>
<tr>
<td>Management fee</td>
<td>300.1</td>
<td>300.1</td>
</tr>
<tr>
<td>Other income</td>
<td>285.7</td>
<td>285.7</td>
</tr>
<tr>
<td>Premiums and fees</td>
<td>541.8</td>
<td>541.8</td>
</tr>
<tr>
<td>Management fee</td>
<td>395.1</td>
<td>395.1</td>
</tr>
<tr>
<td>Other income</td>
<td>132.5</td>
<td>132.5</td>
</tr>
<tr>
<td>Premiums and fees</td>
<td>89.6</td>
<td>89.6</td>
</tr>
</tbody>
</table>

Environmental and social audit

The German Government has been a member of the International Association of Official Credit Insurers (IAOCI) since 1988. For its members, the Association is an important platform for exchange of expertise, experience, and information. The data processing policies of the Federal Government are designed to prevent environmental and social risks being incurred.

International Consultation

International Consultation (on exchange of views) is an important platform for exchange of expertise, experience, and information.

Mobilization of credit and risk cover:

Credit and risk cover are mobilized primarily as a means of promoting the availability of foreign credit.

Project financing:

Project financing is an important platform for exchange of expertise, experience, and information.

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International Consultation:

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www.agaportal.de

Cover from the Federal Republic of Germany for business transactions abroad

The German Government supports German business ventures abroad with its Export Credit Guarantees. In addition to providing guarantees on individual transactions and project guarantees, this insurance also covers commercial and political risks. In connection with export transactions, it also provides risk management services to its export insurance customers.

The Federal Ministry for Economic Affairs and Energy is the institutional owner of Germany’s export credit guarantee programme. It is the Federal Ministry’s objective to stimulate the export of goods and services from Germany and to contribute to the prosperity of the Federal Republic of Germany.

FILIEHERMES/FMEA

Export Credit Guarantees of the Federal Republic of Germany

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info@exportkreditgarantien.de

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please turn overleaf for definitions and explanations