



New Zealand Export Credit Loan Guarantee

What is a Loan Guarantee?

Our Loan Guarantee is intended to support proven small to medium sized exporters to access additional loan facilities from their bank in order to help fund export contract(s). NZEC's Loan Guarantee cover can also be utilised by New Zealand companies who are supplying to a New Zealand Exporter where the goods or services being provided to the Exporter are either: integral to the Exporter being able to fulfil the export contract; or integral to the Exporter. Our Loan Guarantee is provided to your bank to provide additional security that the bank may require in order to approve additional working capital or trade finance facilities without tying up additional security.

Benefits

Our Loan Guarantee provides security to your bank which allows them to lend you additional finance, which may enable you to:

- ▶ accept and deliver seasonal, multiple and/or larger export orders which require higher levels of pre-shipment funding
- ▶ purchase capital equipment necessary for improved productivity and export sales
- ▶ cover project cashflow shortfalls and/or delayed payments from your buyer
- ▶ address your short-term working capital constraints while you seek equity investment to sustain your export growth over the medium-term and
- ▶ offer operating lease solutions to potential buyers.

What is covered?

We provide our guarantee to your bank to enable them to give you additional lending to cover the costs of performing your export orders. We take on the risk that you will be able to deliver your exports to budget and be able to repay the loan by its due date.

In the event you are unable to repay this additional lending, then we will pay your bank the outstanding loan amount. While we can underwrite up to 100% of the additional lending, our preference is for your bank to risk share on a portion.

We may also provide our guarantee to your bank in order for them to give you additional lending to purchase capital equipment that is directly related to the delivery of your export growth for a maximum term of up to 5 years. Under this scenario we would expect some equity contribution to this asset finance, as well as risk-sharing by your bank.

It is important to note that our guarantee is an indemnification to your bank to enable you to have additional borrowing. In the event you are unable to re-pay the additional lending and we indemnify your bank, we will then seek to recover this amount from you.

Our cover can be issued in the following currencies: NZ dollar, Australian dollar, US dollar, Canadian dollar, the euro, Japanese yen, Chinese renminbi, or UK sterling.

How it works

If your bank is unable to lend you additional money to finance your export growth, then you both submit a joint Loan Guarantee application to us.

We work closely with you and your bank to understand your business, the need for this additional lending, and how it will be repaid. Our assessment focuses on the technical, managerial and financial abilities for your business to successfully deliver your exports and repay the loan as required.

If we approve your application, we will provide our Government-backed guarantee to your bank to enable it to provide you additional lending. As an example, your bank may put in place a separate trade finance facility, which is solely used to pay the costs in delivering your export contract(s) and which is repaid from your foreign buyer(s).

How the Loan Guarantee works is summarised in the diagram below:



We recommend that you discuss your export finance and capital requirements with us and your bank as early as possible. If you would like to email us an enquiry for our indicative feedback, please complete the **information checklist** available on our website:

<https://exportcredit.treasury.govt.nz/what-we-do/how-apply>

In the event you cannot repay the additional lending, we will indemnify your bank.

We normally don't require director's guarantees or seek to share in general securities already provided to your bank. In certain scenarios we may seek to risk-share with the bank over security, including where we are helping to fund an asset.

A standard condition of our cover is that you have an obligation to repay us in the event we indemnify your bank.

How to apply

The key eligibility criteria for our support are:

- ▶ confirmation that you are a New Zealand registered company

- ▶ signed acknowledgment of our anti-bribery declaration (<https://exportcredit.treasury.govt.nz/corporate-responsibility/new-zealand-export-credit-anti-bribery-policy>)
- ▶ evidence of economic benefits to New Zealand relating to your performance of the export contract or
- ▶ evidence that the performance of your contract is integral to the Exporter and
- ▶ demonstration of your managerial, financial, and technical capabilities to repay the loan.

In order to understand the credit risks, we request the following information:

- ▶ a description of your business, management and key shareholders
- ▶ financial accounts of your company
- ▶ your company cashflow forecasts for the term of the lending
- ▶ a summary of your current lending terms and the proposed new lending
- ▶ a summary of the export contract(s) that this lending will support
- ▶ an explanation of how the loan will be repaid.

As part of our assessment, it is likely we will meet with you and your bank.

What it costs

If we approve your application, we charge a premium for our Loan Guarantee, based on our assessment of your credit and performance risks.

Our guarantee (premium) fee will vary depending on the risk assessment of the exporter, but typically ranges between 4% - 6% per annum.

This per annum fee is applied to the loan amount that NZEC is guaranteeing. This is in addition to other fees and interest costs payable to your bank in respect to this loan.

We also charge an initial \$1,000 assessment fee.

Contact us

For more information, please contact us or visit our website:

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Email: exportcredit@treasury.govt.nz

Website: <https://exportcredit.treasury.govt.nz/>