



# **Challenges and Solutions for SME Export Finance**

**KREDEX**

**Estonian Export Finance 2014**

**Tallinn, Estonia**



# SMALL AND MIDSIZED EXPORTERS

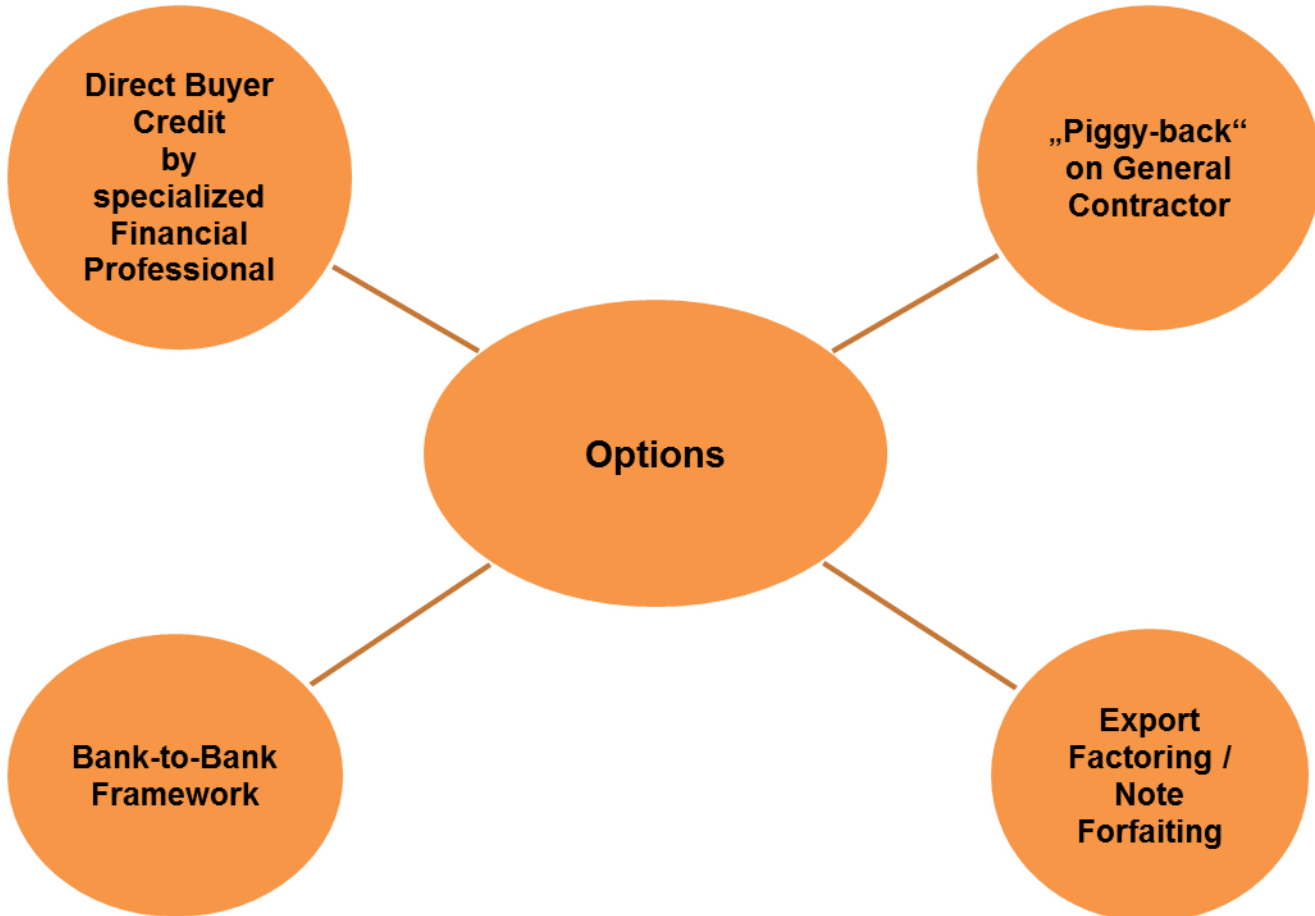
## Risks and Opportunities

- Many exporters have good products, good clients and opportunities but require loans for their buyers ;
- Many SME buyers write good business but are suffering from limited funding options for "large" investments ;
- Exporters need to retain financial capacity and usually avoid supplier credits in order to protect their balance sheet ;
- Many SME's don't have a specialized finance department;
- Exporters want to sell their product, not act as a bank.



## CHALLENGE – SMALL TICKET EXPORT FINANCE

- Product characteristics same as for large transactions, requires specialist knowledge, tailor-made process ;
- Capital costs are low (due to collateral), fixed costs remain the same irrespective of the size of the loan ;
- Small transactions can not cover fixed cost element of larger, multi product credit institutions ;
- SME clients need additional know-how support (finance) ;
- Niche product/market does not provide critical mass for national player.

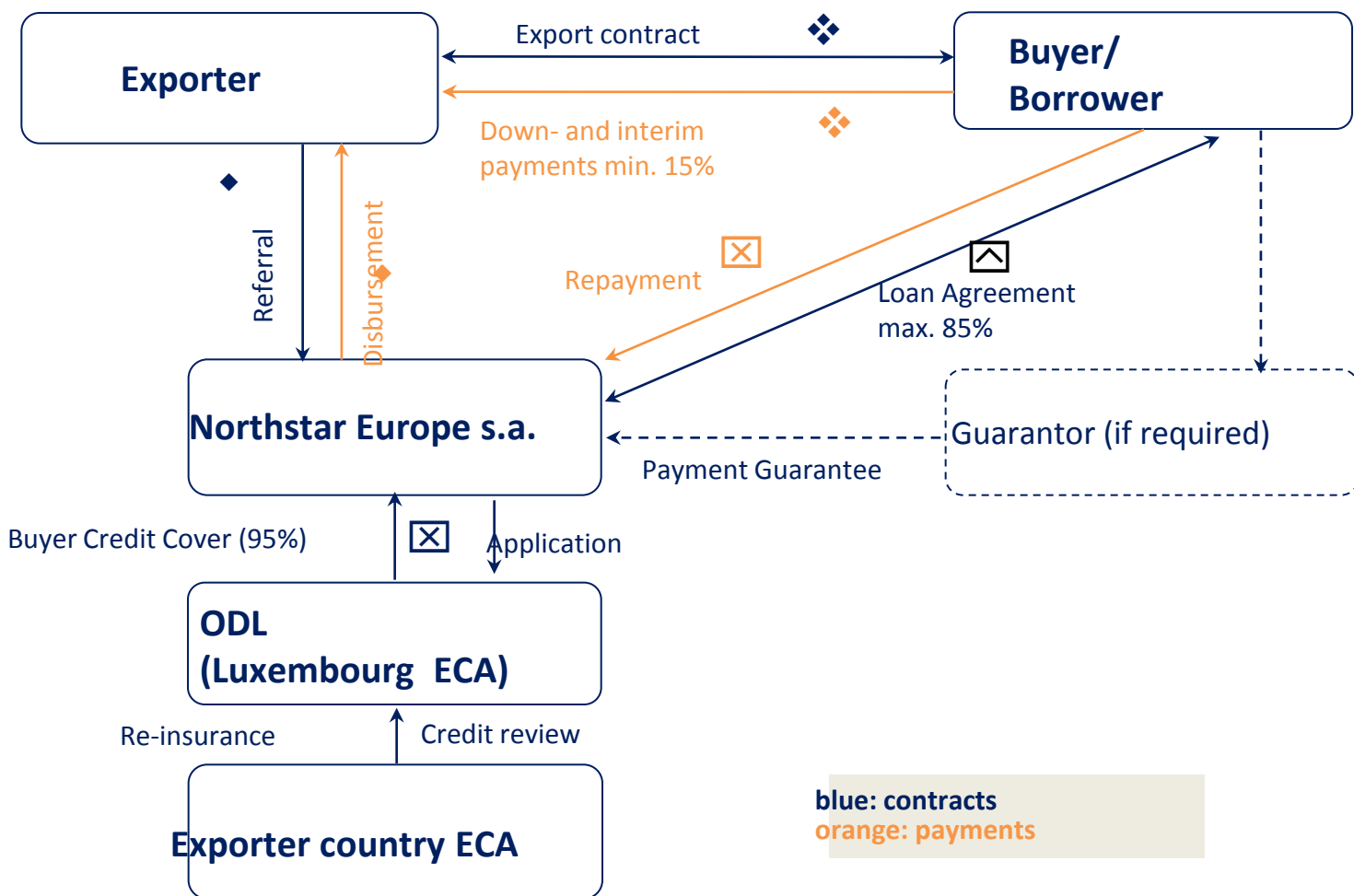






## A SOLUTION

- Bank and ECA cooperation system to provide “small” term loans to importers of European goods ;
- Specialised, international financial operator ;
- Loans typically between 0.5 and 5 million Euros per transaction with a duration of up to 5 years ;
- Loans guaranteed by government ECA, cover usually 95% of principal and interest ;
- No recourse to exporter for credit and country risk ;
- Full due diligence, credit, KYC ;
- Commercial terms, “OECD Consensus” rules apply.



blue: contracts  
orange: payments



# NORTHSTAR EUROPE S.A.

- Credit operations license from CSSF (Luxembourg banking regulator) operations started March 2010 ;
  - Strong support (operations, network) by shareholders :
    - Northstar Trade Finance inc. 66%
    - Office du Ducroire 17%
    - SNCI 17%
- } Grand Duchy of Luxembourg
- Bank co-operations include KfW IPEX-Bank, sek, BIL and HVB-UNICREDIT ;
  - Over 500 transactions reviewed, 90+ loans disbursed ;
  - Power of Partnership: Northstar is open to further partners !



first inquiry

- basic information about the export transaction
- financial information about the importer

Phase 1  
credit review

- early stage review, limited information
- credit standing, ECA requirements
- go-ahead or decline

Northstar issues a  
Conditional Offer  
Letter

- indicative terms and conditions
- Non-binding, subject to final approval





Borrower accepts  
Conditional Offer  
Letter

- signals the Borrower's interest in the loan proposal
- Borrower submits information/documentation as required

Phase 2 credit  
review

- credit approval process based on detailed information

Northstar applies  
for ECA-cover

- ECA review and approval process



Northstar issues a  
Final Offer Letter

- detailed terms and conditions of the loan offer
- reflects ECA terms and internal approval

Borrower accepts  
Final Offer Letter

- now legally binding

Borrower pays  
Legal Fee

- as specified in Final Offer Letter



Drafting and  
execution of loan  
agreement

- standard loan documentation
- legal opinion

Exporter and  
Borrower request  
Disbursement

- shipping documents and disbursement requests are presented to Northstar
- all conditions precedent and ECA-conditions must be satisfied

Northstar disburses

- usually directly to the Exporter
- exceptionally re-imbursement to Importer



# Thank you !

Northstar Europe S.A.

1, rue du St. Esprit

L-1475 Luxembourg

Tel. +352-26 47 66 1

email: [info@northstareurope.eu](mailto:info@northstareurope.eu)

[www.northstareurope.eu](http://www.northstareurope.eu)