

PRODUCT INFORMATION



FRAMEWORK CREDIT COVER **JULY 2009**

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

► FRAMEWORK CREDIT COVER

Framework credit cover safeguards the exposure of a bank arising from individual loans provided under a framework credit to finance German export transactions.

WHAT RISKS ARE COVERED?

Framework credit cover offers protection against payment default if

- ▶ the foreign buyer fails to make payment within one month after due date (protracted default)
- ▶ the foreign buyer becomes insolvent
- ▶ adverse measures taken by foreign governments or warlike events arise
- ▶ local currency amounts are not converted or transferred

Framework credit cover is given by the Federal Government for a framework credit agreement concluded between a lending bank and the foreign borrower (buyer or bank). Object of cover, however, is not the framework credit, but the amounts repayable under the individual covered loans disbursed under the framework credit agreement. A maximum ceiling for which cover will be accepted under framework credit cover is established in advance.

The goods to be financed under the individual loans must be capital goods. The order value per single transaction should not exceed EUR 10 million. Framework credit cover is therefore ideally suited for medium/long-term business on credit terms and – considering the maximum permissible order values – it aims in particular at the promotion of SMEs.

WHO CAN APPLY FOR FRAMEWORK CREDIT COVER?

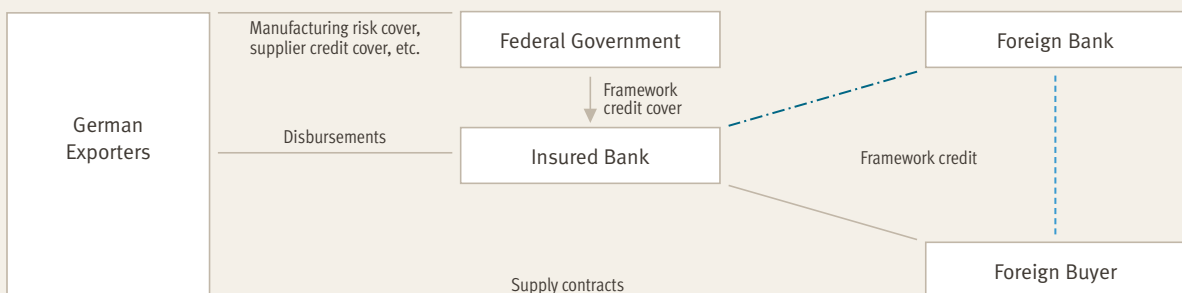
Framework credit cover is available to all German banks, including the branch offices of foreign banks in Germany as well as, under certain conditions, also to foreign banks.

WHAT ADVANTAGES DOES FRAMEWORK CREDIT COVER OFFER TO THE EXPORTER?

If a German exporter was able to obtain only credit terms as payment for his supplies/services, he must always provide financing for the transaction involved. In the event that a framework credit (line of credit) has previously been put in place between a German bank and the foreign buyer for which framework credit cover was already granted by the Federal Government, bank financing will already be at the foreign buyer’s disposal when the sales contract negotiations begin.

Due to the structure of framework credit cover, the amount of administrative work for the bank is considerably smaller than in the case of a conventional buyer credit – and the costs consequently are lower. Also, the bank may be more inclined to provide a buyer credit even if only smaller order values are involved. In that case, a supplier credit will not have to be made available, as would otherwise have been necessary.

CONCEPT OF FRAMEWORK CREDIT COVER





CAN ADDITIONAL COVERAGE BE PROVIDED FOR THE EXPORTER?

The granting of framework credit cover in favour of a bank does not exclude the possibility of issuing separate cover in favour of an exporter. The exporter may, for example, apply for separate cover of his pre-shipment risks (see Product Information [MANUFACTURING RISK COVER](#)) or of the non-disbursement risk (see Product Information [BUYER CREDIT COVER](#)).

WHAT HORIZON OF RISK IS COVERED?

Taking into account the case-specific circumstances and general underwriting aspects, an appropriate – and prolongable – horizon of risk is fixed for the utilisation of the ceiling established under framework credit cover. Cover for the amounts repayable under the individual loans becomes effective on disbursement of the same. Precondition is, however, that the conclusion of the loan agreement has been duly reported. The Federal Government accepts liability for the loan amounts receivable until they have been repaid in full. The date of expiry of framework credit cover is not relevant in this context.

HOW MUCH DOES FRAMEWORK CREDIT COVER COST?

The costs consist of the processing fees (application and utilisation fees) and the cover premium. The application fee is scaled to the level of the framework credit, whereas the utilisation fee (0.25‰ of the loan amount) and the cover premium are geared not to the level of the framework credit, but to that of the individual loan.

A certain percentage of the loan amount (interest excluded) is charged as cover premium. The premium level is determined mainly by the buyer's rating, the country risk and the horizon of risk. No insurance tax is charged for framework credit cover.

WHEN AND HOW IS A CLAIM PAID?

Before a claim can be filed, the legally valid and matured claim to payment of the amount owing must have become uncollectible due to the occurrence of a covered risk. When all the necessary documents have been submitted to the Federal Government, the claim will be processed within one month's time. Claims payment will then be effected within 5 bank working days.

The bank participates in every loss with an **UNINSURED PORTION** of normally 5% (for all risks).

MAIN FEATURES OF FRAMEWORK CREDIT COVER AT A GLANCE:

Eligible policyholders:	German banks and all German branch offices of foreign banks; in exceptional cases also foreign banks
Object of cover:	Amounts owing (principal and interest) from individual loans provided under framework credits
Covered risks:	Non-payment of an amount within 1 month after its due date (protracted default), other commercial risks (e.g. insolvency) and political risks (e.g. warlike events)
Uninsured portion:	5% for all risks
Processing fees:	Application fee (scaled to the level of the framework credit) and utilisation fee of 0.25‰ of the individual loan amount
Premium:	An individually calculated percentage of the individual loan amount (a premium calculator is available at www.agaportal.de)

HOW CAN YOU APPLY FOR COVER?

As a precondition for framework credit cover a basic agreement between the bank and the Federal Government has to be concluded. The basic agreement contains all regulations which are applicable to framework credit cover in general. After the signing of the basic agreement, the Federal Government is prepared to accept framework credit cover for a framework credit agreement concluded between the bank who is the policyholder and a foreign borrower. The maximum liability for principal and interest amounts, the catalogue of eligible goods, the level of foreign content, as well as other details of cover are stated in the respective policy.

If a specific export transaction is to be financed by means of an individual loan, the bank analyses the transaction's eligibility for cover on the basis of the guidelines established by the Federal Government. If the result of this analysis is positive, the amounts receivable under the individual loan may be included in the framework credit cover simply by informing the Federal Government of this fact.

Contact with the Federal Government is established via **EULER HERMES KREDITVERSICHERUNGS-AG**. The company's main office in Hamburg as well as its numerous branch offices in Germany offer competent advice on general and specific questions. Extensive information material, application forms and the General Conditions are also available for study and download at WWW.AGAPORTAL.DE, partly only in German.

Cover from the Federal Republic of Germany for business transactions abroad

The German Government supports German business ventures abroad with its Export Credit and Investment Guarantee Schemes as well as the Untied Loan Guarantee Scheme, thus securing economic growth and safeguarding jobs. To this end, the Federal Republic of Germany provides guarantees against commercial and political risks in connection with export transactions as well as against the political risks of foreign direct investments. In addition to this framework, it is also possible to cover the commercial and the political risks of untied loans relating to projects which are in the overriding national interests of Germany.

The German Government has mandated a consortium formed by Euler Hermes Kreditversicherungs-AG and PricewaterhouseCoopers Aktiengesellschaft Wirtschaftsprüfungsgesellschaft to manage these promotion schemes.



Federal Ministry
of Economics
and Technology

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