

PRODUCT INFORMATION

JULY 2017



Buyer credit cover

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

► Buyer credit cover

Buyer credit cover protects the lending bank's claim to repayment, as stipulated in the loan agreement with the foreign borrower, of the loan amount disbursed to the exporter.

WHAT RISKS ARE COVERED?

Buyer credit cover offers protection against payment default if

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

The loan may be disbursed in Euros or in a foreign currency. The currency governing the loan agreement and the export contract need not necessarily be the same. The interest specified in the loan agreement will be included in the cover up to the scheduled maturity of each instalment without any additional premium being charged.

WHO CAN APPLY FOR BUYER CREDIT COVER?

Buyer credit cover is available to all German banks, to the branch offices of foreign banks in Germany and, under certain conditions, also to foreign banks.

WHAT IS BUYER CREDIT COVER?

Export transactions are often – generally through the agency of the German exporter acting as an intermediary – financed by means of a **buyer credit**. A buyer credit is operated in the following manner: A lending bank provides the foreign buyer or bank with a loan which serves to pay the amounts owing to the exporter already at the time of shipment of the goods. For this commonly used type of financing, the Federal Government issues cover. The lending bank providing the buyer credit acts as policyholder in the case of buyer credit cover.

Compared with a supplier credit where the exporter allows the foreign buyer time for payment and, if necessary, seeks to refinance himself, this has several **advantages**. The exporter does not have to conduct negotiations on credit terms and his company profits from an immediate balance sheet relief and enhanced liquidity.

WHAT IS THE LINK BETWEEN BUYER CREDIT COVER AND THE EXPORT TRANSACTION?

The buyer credit to be covered must be based on an export contract (tied buyer credit). Buyer credit cover may be granted either separately or in combination with supplier credit cover in favour of the exporter.

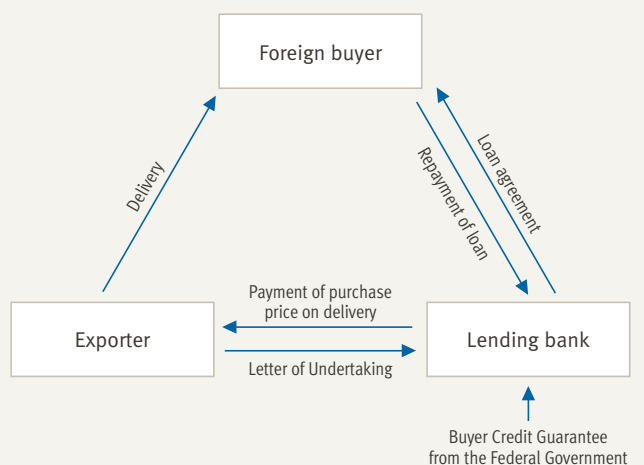
In the latter case, the exporter receives protection against the risk that, after shipment of the goods, the lending bank fails to make disbursements to the exporter (non-payment risk). Furthermore, the exporter has the possibility of insuring non-financed interim payments.

The bank undertakes to cancel a promised loan only with the approval of the Federal Government. Consequently, the buyer credit ensures smooth performance of the supply contract.

WHAT HORIZON OF RISK IS COVERED?

Cover takes effect when and to the extent that disbursements are made under the loan and ends with the full payment of the covered amount owing. Liability is not accepted for amounts which have been allocated but not yet disbursed.

CONTRACTUAL RELATIONSHIP IN CASE OF A "SIMPLE" BUYER CREDIT



CAN IT BE USED FOR REFINANCING?

The claims arising under the Buyer Credit Guarantee may – together with the claim to repayment of the loan – be assigned to other banks or forfaiting houses for refinancing purposes. Furthermore, the conditions of buyer credit cover may be enhanced by means of a Securitisation Guarantee, thus enabling the bank to seek refinancing at a favourable interest rate (see Product Information [Securitisation Guarantee](#)).

HOW MUCH DOES IT COST?

The costs consist of the processing fee and the cover premium. The processing fee depends on the amount of the loan. A certain percentage of the loan amount (interest excluded) is charged as cover premium. The premium level is mainly determined by the buyer's rating, the country risk and the length of credit.

Insurance tax is not payable. If buyer credit cover is combined with supplier credit cover, the premium is not doubled.

To give you an estimate of the premium applicable in your specific case, an interactive premium calculator is available on the Internet. Further details are given in the information leaflet [Fees and premium rates](#).

WHEN AND HOW IS CLAIMS PAYMENT MADE?

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 policyholder participates in every loss with an **uninsured portion** of 5% (for all risks).

HOW CAN YOU APPLY FOR COVER?

Contact with the Federal Government is established via [Euler Hermes Aktiengesellschaft](#).

The company's head 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 Terms and Conditions are also available for study and download at www.exportkreditgarantien.de/en, partly only in German.

Main features of buyer credit cover at a glance:

Eligible policyholders:	German banks, certain foreign banks, and all German branch offices of foreign banks
Object of cover:	Amounts owing (principal and interest) under tied buyer credits
Covered risks:	Borrower's failure to make payment within 1 month after due date (protracted default), other commercial risks (e.g. insolvency), as well as political risks (e.g. warlike events)
Eligible countries:	In principle: All countries; Exception: Exports with repayment terms not exceeding two years to EU member states and the OECD core countries (i.e. Australia, Canada, Iceland, Japan, New Zealand, Norway, Switzerland, USA)
Uninsured portion:	5% for all risks
Processing fees:	Application and, if necessary, renewal and issuing fees, depending on the loan amount
Premium:	A certain percentage of the loan amount (see premium calculator available at www.exportkreditgarantien.de/en)

Export Credit Guarantees and Untied Loan Guarantees: instruments to promote foreign trade and investment provided by the



Federal Ministry
for Economic Affairs
and Climate Action

Commissioned to implement the federal funding instruments Export Credit Guarantees and Untied Loan Guarantees:



EULER HERMES

Cover from the Federal Republic of Germany for foreign business

Export Credit Guarantees and Untied Loan Guarantees have been established and effective foreign trade promotion instruments of the Federal Government for decades. Export Credit Guarantees (so-called Hermes Cover) protect German exporters and banks financing exports against political and commercial risks. Untied Loan Guarantees are to support raw material projects abroad regarded as eligible for promotion by the Federal Government. Both promotion instruments play an important role in fostering economic growth as well as in protecting and creating jobs. Federal Government commissioned Euler Hermes Aktiengesellschaft to manage the federal funding instruments Export Credit Guarantees and Untied Loan Guarantees.

Information on other foreign trade promotion instruments of the Federal Government can be found at www.bmwk.de/en under the heading Promotion of Foreign Trade and Investment.

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