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Fees and premium rates

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

► Fees and premium rates

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1 ADMINISTRATIVE FEES

Administrative fees, i.e. **application fees**, **prolongation fees**, **issuing fees** and **contract fees**, are charged for handling the cover applications. These fees are neither deductible from the premium payable on issuance of the cover policy nor are they reimbursed. For **manufacturing risk cover** as well as **supplementary cover** administrative fees will not be charged if specific or revolving credit risk cover (not Wholeturnover Policies) has been applied for at the same time. If there are any increases, the new value will be relevant, decreases will not lead to any reduction.

1.1 The **application fee** is charged on submission of the application for cover. Irrespective of the scope of cover it is based on

- ▶ order values or
- ▶ cost prices (in the case of isolated manufacturing risk cover or manufacturing risk cover in combination with a Wholeturnover Policy) or
- ▶ credit amounts
(in the case of isolated buyer credit cover) or
- ▶ amounts of the credit line
(in the case of shopping line cover)
- ▶ guarantee amounts
(in the case of isolated contract bond cover)

as set out in Table 1.

In the case of **combined cover (supplier credit cover/buyer credit cover)**, the application fee is charged only once, namely on the higher amount of the two.

For **Securitisation Guarantees** and **Covered Bond Guarantees** which are applied for together with buyer credit cover as cover of new business no application fee is charged. If a Securitisation Guarantee or a Covered

Bond Guarantee is subsequently granted, an application fee of EUR 500 (for ceded receivables amounting up to EUR 5 million) and EUR 1,000 (for ceded receivables amounting to more than EUR 5 million) is charged.

1.2 **Offers of cover** are usually limited to six months. On request, they may be extended by up to six months at a time. The application fee covers the first year of the offer of cover. A **prolongation fee** amounting to 50% of the application fee is charged for each subsequent prolongation. The calculation of the fee is based on the same scale as the application fee and any increases of the amount which have occurred in the meantime will be taken into account. In the case of **combined cover (supplier credit cover/buyer credit cover)**, the prolongation fee is charged only once, namely on the higher amount of the two. In the case of **Hermes Cover click&cover EXPORT and BANK** the offer of cover can be extended up to a maximum of twelve months, i.e. it can be extended only once by another six months after the expiry of the first six months; a separate application for an extension is not required.

1.3 The issuing fee is charged on issuance of the cover policy and amounts to 0.25‰ of the order value or credit amount/amount of the credit line (or the cost price in case of isolated manufacturing risk cover), the minimum amount being EUR 50, the maximum EUR 12,500. In the case of **combined cover (supplier credit cover/buyer credit cover)**, the issuing fee is charged on both the order value and the credit amount. In the case of isolated contract bond cover the issuing fee is charged on the guarantee amount that is maximally at risk.

1.4 In the case of **revolving policies** the **application fee** based on the maximum amount of cover refers to the current insurance year. **Issuing fees** are charged for the approval of the maximum exposure limit and for each increase thereof.

- 1.5 For **framework credit cover** application fees according to item 1.1 are charged based on the level of the framework credit. Furthermore, a utilisation fee amounting to 0.25‰ on the individual loan amount is charged upon notification of utilisation, the minimum amount being EUR 50, the maximum EUR 12,500.
- 1.6 No application fees are payable for **Hermes Cover click&cover EXPORT**. Separate issuing fees are not charged either because they are included in the overall premium. For **Hermes Cover click&cover BANK**, application fees are charged according to item 1.1. Separate issuing fees are not payable because they are included in the overall premium.
- 1.7 No administrative fees are payable for **Counter-Guarantees**.
- 1.8 No administration fees are payable for **Wholeturnover Policies (APG)** and **Wholeturnover Policies light (APG-light)**. However, where limits for temporarily not marketable risks are granted, a contract fee in the amount of EUR 500 (APG) or EUR 250 (APG-light) is charged for each policy year.
- 1.9 No fees are charged for a **preliminary inquiry regarding the possible inclusion of foreign content in Hermes Cover**.

2 PREMIUM CALCULATION FOR COVER POLICIES

- 2.1 The level of premiums charged for the provision of cover depends mainly on the risk-determining factors specified below: order value (amount taken as the basis for calculation), terms of payment/length of the credit period of the transaction (horizon of risk), currency of the amount receivable to be covered, insured percentage, country risk category, buyer risk category, collateral.
- 2.2 **Calculation of the premium payable** in the case of credit risk cover is based on the covered amount receivable, excluding interest. In the case of manufacturing risk cover, the premium is based on the cost price covered. If supplementary cover is provided, the premium is based on the amounts covered.
- 2.3 For credit risk cover with credit periods of at least two years the insured percentage is normally 95% (= uninsured percentage for political risks 5%). In special circumstances other insured percentages (in particular 90% cover) may be applicable although this will be the case only in respect of specific cases and selected categories of buyers.
- 2.4 As regards the types of cover specified under items 3 to 6.3 below, the premium is based on the country risk. There are eight country risk categories (0 to 7), of which the country risk categories 1 (very low risks, lowest premium) to 7 (very high risk, highest premium) are used when the premium rates are determined.

TABLE 1: SCALE OF APPLICATION FEES IN EUR

Up to	Fee
25,000	100
50,000	200
125,000	400
250,000	600
500,000	800
2.5 million	1,000
5 million	1,500
10 million	2,500
15 million	3,500
30 million	4,000
50 million	4,500
100 million	5,000
> 100 million	6,000

Due to risk policy considerations a higher premium may be charged than that corresponding to the relevant country risk category. In the case of manufacturing risk cover and contract bond cover for transactions where the goods are delivered to a third country, the country risk category of that third country will apply if it is higher.

For the types of credit risk cover specified under items 4.5 and 6.11 below risk-based buyer categories (CC) are used in addition to the country risk categories. The number of buyer risk categories varies depending on the country risk categories from eight (in the country risk categories 1 to 4) to five (in the country risk category 7).

Furthermore, the provision of collateral (in particular liens) in the buyer risk categories CC1 and worse may result in a discount on the premiums payable for these types of credit risk cover (credit enhancements).

For the afore-mentioned types of credit risk cover in **country risk category 0** countries as well as high-income countries of the OECD and the eurozone, the calculation of the premium is governed by separate rules: For the types of credit risk cover mentioned under item 4 the premium rates of country risk category 1 are used unless a different country risk category has been fixed. For the types of risk mentioned under item 5 – with the exception of the premiums for Airbus Guarantees according to item 5.5 – a market-based premium, which is determined by means of a market test in accordance with the pertinent OECD rules, is to be charged in country risk category 0 countries as well as high-income countries of the OECD and the eurozone in order to avoid competitive distortions. If a different country

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risk category has been fixed, this may result in a higher premium. Irrespective of the above, a market test may also be required for the afore-mentioned types of credit risk cover in the case of exports to an EU member state which is not classified in country risk category 0.

- 2.5 The decisive factor for premium calculation is the country risk and buyer risk category applicable at the time when cover is granted. If the **country/buyer risk category is downgraded** while an offer of cover exists, the Federal Government will remain bound by the more favourable premium category until the current validity period of the offer of cover expires. Any **upgrading of the country/buyer risk category** shall take immediate effect for the granting of cover.

Once a firm commitment has been entered into, any subsequent changes in the country/buyer risk category will affect only additional cover (e.g. additional manufacturing risk cover, contract bond cover, construction equipment cover) or increases in the scope of cover as a result of follow-up orders.

- 2.6 In the case of cover for amounts receivable under transactions financed entirely or partly by the **World Bank or other comparable IFIs** where direct payment or an equivalent disbursement procedure has been agreed on, the category 4 (buyer risk category SOV/CCO) premium rate is charged when countries in risk categories 5 - 7 are involved. The same applies to cover of the cost price in the case of transactions financed by **Financial Cooperation funds** (i.e. funds provided for development aid projects by the Federal Ministry for Economic Cooperation and Development in accordance with OECD guidelines – Financial Cooperation/German Composite Financing Scheme). In the case of **mixed financing** an improvement of one category each applies to cover of the cost price when countries in risk categories 5 - 7 are involved.

- 2.7 As regards **revolving policies**, with the exception of Revolving Consignment Stock Policies, changes in the country risk categories are taken into account for the calculation of the premium as follows:

In the case of an **upgrading in the classification** of the country involved, resulting decreases in the premium rate take effect for future shipments as of the first day of the first month following the month in which the reclassification of the respective country was notified.

In case of a **downgrading in the classification** of the country involved, resulting increases in the premium rate take effect for future shipments as of the first day of the fourth month following the month in which the reclassification of the respective country was notified.

The **buyer risk category is reviewed** in connection with an extension of the contract and if any material alteration

of the scope of cover is applied for. However, advance premiums which have already been paid will not be recalculated.

- 2.8 In the case of credit risk cover a more favourable country risk category or a premium rate deduction may be applied on a case-by-case basis if the necessary preconditions in accordance with the OECD Arrangement on Officially Supported Export Credits (regarding the **exclusion or mitigation of country risks**) are fulfilled.

2.9 FOREIGN CURRENCIES

In the case of credit risk cover of amounts denominated in a foreign currency, a **premium surcharge** of 10% is payable as follows:

- **cover denominated in euro**; claims payment is made in euros with the **limitation on the applicable exchange rate** for claims settlement being lifted
- **cover denominated in the same foreign currency**; claims payment is made in this foreign currency (in these cases the issuing fee and the premium will also be charged in the respective foreign currency)

- 2.10 With the exception of Wholturnover Policies Light, a **minimum premium** is not charged.

3 PREMIUMS FOR MANUFACTURING RISK COVER

- 3.1 In the case of **manufacturing risk cover**, the premium is charged on the covered cost price and varies in function of the manufacturing period and the scope of the covered risks and the country risk category. The currency, in which the export receivables are denominated, the buyer risk category and any collateral given do not have any influence on the level of premium.

3.2 MANUFACTURING PERIOD

The manufacturing period (MP) is the interval between the beginning of the manufacture and completion of delivery. The manufacturing period is stated in years. For this each three months period not yet ended is taken into account. Hence there results for instance a scale 0.25; 0.50; 0.75; 1.00; 1.25 ... years for the manufacturing period.

3.3 PREMIUM RATES

If all coverable risks are included in manufacturing risk cover, the premium rate will be calculated pursuant to Table 2A. If manufacturing risk cover is restricted to political risks, Table 2B will apply.

The manufacturing period (MP) in years determined in accordance with the information given in item 3.2 has to be entered in the formula in Table 2A or 2B which is applicable to the respective country risk category. The calculated premium rate is rounded to the second decimal point. The premium amount is calculated by multiplying the premium rate by the covered cost price.

4 PREMIUMS FOR CREDIT RISK COVER WITH HORIZONS OF RISK OF LESS THAN TWO YEARS

4.1 SCOPE OF APPLICATION

The premiums payable for credit risk cover policies stipulating **short-term repayment conditions** (less than two years; e.g. short term single transaction cover and revolving specific cover) or for covered transactions where the amounts receivable for the supplies/services are paid at cash or near-cash terms are calculated on the basis of the principles mentioned below.

4.2 HORIZON OF RISK

A decisive factor for the premium calculation is the interval of time between the date of delivery and the due date or interval of time between the rendering of the services and the due date in the case of service transactions. If there are several shipments, calculation is based on a mean, unweighted date. The horizon of risk is rounded off to full months.

4.3 PREMIUM RATES

Calculation of the premium payable is based on the covered amount receivable, excluding interest. In the case of several instalments the premium is calculated separately for each instalment.

The horizon of risk (HOR) **in months** (between 0 and 23 months) determined in accordance with the information given in item 4.2 has to be entered in the formula in Table 3 which is applicable to the respective country risk category and buyer risk category. The calculated premium rate is rounded to the second decimal point. The premium amount is calculated by multiplying the premium rate by the credit amount covered.

If a premium discount for the provision of collateral (credit enhancements) is granted, it is calculated as follows: The premium rate for buyer risk category CCO has to be deducted from the premium rate calculated as described. The difference in percentage points which is determined in this way (buyer risk portion) is taken as the basis for the calculation of the discount as percentage. The result is to be rounded off to the second decimal point and deducted from the originally calculated premium rate (see example calculation).

4.4 COVER FOR SUBSIDIARIES (POL RIS/POL INSOLV)

If cover for subsidiaries is restricted to the political risk/political insolvency cover (POL RIS/POL INSOLV), the premium rates according to Table 3, column SOV/CCO, are applied.

4.5 SIGHT LETTER OF CREDITS IN THE CASE OF KT/ZM COVER

The premium rates for receivables or portions thereof due under sight letters of credit in the case of cover for conversion and transfer risks as well as freezing of payment/moratorium risks (KT/ZM cover) are indicated in Table 4. Buyer categories do not apply.

CALCULATION FORMULAS FOR THE PREMIUM RATES FOR MANUFACTURING RISK COVER (MANUFACTURING PERIOD (= MP) IN YEARS) IN %

TABLE 2A:

Country risk category	Inclusion of all coverable risks
1	$(0.006 * MP)^{0.5} + 0.264$
2	$(0.021 * MP)^{0.5} + 0.431$
3	$(0.050 * MP)^{0.5} + 0.573$
4	$(0.071 * MP)^{0.5} + 0.761$
5	$(0.093 * MP)^{0.5} + 1.206$
6	$(0.232 * MP)^{0.5} + 1.467$
7	$(0.373 * MP)^{0.5} + 1.785$

TABLE 2B:

Country risk category	Restriction to political risks*
1	$(0.005 * MP)^{0.5} + 0.198$
2	$(0.016 * MP)^{0.5} + 0.323$
3	$(0.038 * MP)^{0.5} + 0.430$
4	$(0.053 * MP)^{0.5} + 0.571$
5	$(0.070 * MP)^{0.5} + 0.905$
6	$(0.174 * MP)^{0.5} + 1.100$
7	$(0.280 * MP)^{0.5} + 1.339$

* in relation to affiliated companies including political insolvency risks

5 PREMIUMS FOR CREDIT RISK COVER WITH HORIZONS OF RISK OF AT LEAST TWO YEARS

5.1 SCOPE OF APPLICATION

The premiums payable for medium/long-term cover with horizons of risk of at least two years (in particular supplier credit cover, supplier credit cover for service providers, buyer credit cover, shopping line cover, framework credit cover, leasing cover) are calculated on the basis of the principles described below.

5.2 HORIZON OF RISK

In the case of medium/long-term cover (repayment terms of two years or more), the horizon of risk is composed of the **repayment term of credit** and one half of the **pre-credit period** which must also be taken into account. As an ex-

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ception, the pre-credit periods for shopping line cover (utilisation period) and credit confirmation risk cover (credit confirmation period) are taken into account as a whole. The pre-credit period is equivalent to the interval between commencement of supply of the goods/services and commencement of the repayment term (starting point). However, in cases where the buyer credit is disbursed on the basis of internal work progress (progress payment) under isolated buyer credit cover, shopping line cover and combined supplier and buyer credit cover, the pre-credit period starts when the first disbursement is made. The repayment term is based on a repayment of credit in equal, half-yearly instalments. If repayment is not made in half-yearly instalments, the mean weighted repayment term is first determined and then **reprofiled** to half-yearly instalments. If **interim payments** are made at short-term payment conditions under medium/long-term cover policies, the principles stated under item 4.2 for short-term credit risk cover apply.

5.3 PREMIUM RATES

Calculation of the premium payable is based on the covered amount receivable, excluding interest. The horizon of risk (HOR) **in years** determined in accordance with the information given in item 5.2 has to be entered in the formula in Tables 5A or 5B which is applicable to the respective country risk category and buyer risk category. The calculated premium rate is rounded to the second decimal point. The premium amount is calculated by multiplying the premium rate by the credit amount covered.

If a premium discount for the provision of collateral (credit enhancements) is granted, it is calculated as follows: The premium rate for buyer risk category CC0 has to be deducted from the premium rate calculated as described. The difference in percentage points which is determined in this way (buyer risk portion) is taken as the basis for the calculation of the discount as percentage. The result is to be

TABLE 3: CALCULATION FORMULAS FOR PREMIUM RATES FOR CREDIT RISK COVER WITH HORIZONS OF RISK OF LESS THAN TWO YEARS (IN MONTHS) IN %

Country risk category	SOV+	SOV/CC0	SOV-	CC1
1	0.0086 * HOR + 0.27	0.0095 * HOR + 0.30	0.0105 * HOR + 0.33	0.0165 * HOR + 0.35
2	0.0092 * HOR + 0.45	0.0102 * HOR + 0.50	0.0112 * HOR + 0.55	0.0180 * HOR + 0.55
3	0.0125 * HOR + 0.63	0.0139 * HOR + 0.70	0.0153 * HOR + 0.77	0.0208 * HOR + 0.75
4	0.0197 * HOR + 0.81	0.0219 * HOR + 0.90	0.0241 * HOR + 0.99	0.0279 * HOR + 0.95
5	0.0334 * HOR + 1.17	0.0371 * HOR + 1.30	0.0409 * HOR + 1.43	0.0426 * HOR + 1.37
6	0.0465 * HOR + 1.53	0.0517 * HOR + 1.70	0.0569 * HOR + 1.87	0.0562 * HOR + 1.79
7	0.0682 * HOR + 1.89	0.0758 * HOR + 2.10	0.0834 * HOR + 2.31	0.0806 * HOR + 2.23
Country risk category	CC2	CC3	CC4	CC5
1	0.0218 * HOR + 0.40	0.0254 * HOR + 0.46	0.0345 * HOR + 0.51	0.0510 * HOR + 0.56
2	0.0234 * HOR + 0.60	0.0302 * HOR + 0.66	0.0395 * HOR + 0.71	0.0553 * HOR + 0.76
3	0.0279 * HOR + 0.80	0.0337 * HOR + 0.86	0.0459 * HOR + 0.91	0.0622 * HOR + 0.96
4	0.0367 * HOR + 1.00	0.0440 * HOR + 1.06	0.0574 * HOR + 1.11	0.0773 * HOR + 1.16
5	0.0518 * HOR + 1.43	0.0601 * HOR + 1.50	0.0771 * HOR + 1.56	–
6	0.0655 * HOR + 1.87	0.0800 * HOR + 1.96	–	–
7	0.0871 * HOR + 2.36	–	–	–

SOV+ Private buyer/bank with better external rating than SOV of the buyer's country
 SOV Sovereign debtor: central bank or Ministry of Finance
 SOV- Other public debtor
 CC0 - CC5 Risk categories of private buyers/banks (corporate category)

rounded off to the second decimal point and deducted from the originally calculated premium rate (see example calculation).

Besides, the percentage of cover of political risks is factored into the calculation of the premium rate. Normally, the percentage of cover is 95% (Table 5A). In addition, other percentages of cover may be applicable in specific cases. The premium rates for 90% cover are stated in Table 5B, information on premium rates for differing percentages of cover (e.g. 100% cover) will be made available on request if applicable.

5.4 COVER FOR SUBSIDIARIES (POL RIS/POL INSOLV)

If cover of subsidiaries is restricted to the political risk/political insolvency cover (POL RIS/POL INSOLV), the premium rates according to Table 5A, column SOV/CCO, are applied.

5.5 PREMIUMS FOR AIRBUS GUARANTEES

The premiums payable for [Airbus Guarantees](#) are governed by the specific rules stipulated in the OECD Sector Understanding on Export Credits for Civil Aircraft.

6 PREMIUMS FOR HERMES COVER CLICK&COVER

- 6.1 For [Hermes Cover click&cover EXPORT](#) a one-off overall premium is charged which already encompasses all fees and premium components (e.g. fees, premium for manufacturing risk cover, premium for credit risk cover, foreign

currency surcharge). The overall premium is shown specifically for each individual case in the customer portal myAGA.

- 6.2 For [Hermes Cover click&cover BANK](#) a one-off overall premium is charged which – with the exception of the application fee – already encompasses all fees and premium components (e.g. issuing fee, premium for credit risk cover, foreign currency surcharge). The overall premium is shown specifically for each individual case in the customer portal myAGA.

7 PREMIUM RATES FOR SUPPLEMENTARY COVER

7.1 PREMIUM RATES FOR CONSTRUCTIONAL WORKS COVER

- 7.1.1 In the case of [cover for constructional works on special terms](#), i.e. payment is made on the basis of progress reports with a maximum retention of 10% (this cover facility includes construction equipment cover and contract bond cover, with the exception of bid bonds), the premium is calculated on the full value of the constructional works (i.e. advance payments are not deducted). If the total amount of supplementary cover included is higher, the premium calculation will be based on the higher amount. The premium rate is calculated as shown under item 4.3 (horizon of risk: 0 months).

EXAMPLE CALCULATION FOR A PREMIUM DISCOUNT “CREDIT ENHANCEMENTS” (HORIZON OF RISK LESS THAN 2 YEARS) IN %

Country risk category 4 Buyer risk category CC4 Horizon of risk 6 months Discount 7.5%	
Premium rate for CC4 (without discount)	1.45
Premium rate for CC0 (without discount)	1.03
Difference (buyer risk portion)	0.42
Discount of 7.5% calculated on the basis of 0.42%	0.0315
Discount (rounded off to the second decimal point)	0.03
Premium rate for CC4 (without discount)	1.45
Deduction of the discount	0.03
Premium rate including the discount	1.42

TABLE 4: PREMIUM RATES FOR RECEIVABLES/PORCTIONS OF RECEIVABLES DUE UNDER SIGHT LETTERS OF CREDIT IN THE CASE OF KT/ZM COVER IN %

Country risk category	Premium rates
1	0.23
2	0.38
3	0.53
4	0.68
5	0.98
6	1.28
7	1.58

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CALCULATION FORMULAS FOR PREMIUM RATES FOR CREDIT RISK COVER WITH HORIZONS OF RISK OF AT LEAST TWO YEARS (HORIZON OF RISK IN YEARS) IN %

TABLE 5A: STANDARD INSURED PERCENTAGE (95% COVER)

Country risk category	SOV+	SOV/CC0	SOV-
1	0.0808 * HOR + 0.3139	0.0897 * HOR + 0.3488	0.0987 * HOR + 0.3837
2	0.1789 * HOR + 0.3130	0.1987 * HOR + 0.3478	0.2186 * HOR + 0.3826
3	0.3103 * HOR + 0.3103	0.3448 * HOR + 0.3448	0.3793 * HOR + 0.3793
4	0.4864 * HOR + 0.3095	0.5404 * HOR + 0.3439	0.5944 * HOR + 0.3783
5	0.6544 * HOR + 0.6632	0.7271 * HOR + 0.7369	0.7998 * HOR + 0.8106
6	0.7938 * HOR + 1.0584	0.8820 * HOR + 1.1760	0.9702 * HOR + 1.2936
7	0.9702 * HOR + 1.5876	1.0780 * HOR + 1.7640	1.1858 * HOR + 1.9404

Country risk category	CC1	CC2	CC3
1	0.1993 * HOR + 0.3488	0.2890 * HOR + 0.3488	0.3588 * HOR + 0.3488
2	0.3180 * HOR + 0.3478	0.4094 * HOR + 0.3478	0.5167 * HOR + 0.3478
3	0.4531 * HOR + 0.3448	0.5645 * HOR + 0.3448	0.6600 * HOR + 0.3448
4	0.6387 * HOR + 0.3439	0.7703 * HOR + 0.3439	0.8843 * HOR + 0.3439
5	0.8253 * HOR + 0.7369	0.9688 * HOR + 0.7369	1.1004 * HOR + 0.7369
6	0.9800 * HOR + 1.1760	1.1349 * HOR + 1.1760	1.3524 * HOR + 1.1760
7	1.2005 * HOR + 1.7640	1.3436 * HOR + 1.7640	–

Country risk category	CC4	CC5
1	0.4933 * HOR + 0.3488	0.7175 * HOR + 0.3488
2	0.6548 * HOR + 0.3478	0.8694 * HOR + 0.3478
3	0.8324 * HOR + 0.3448	1.0540 * HOR + 0.3448
4	1.0710 * HOR + 0.3439	1.3362 * HOR + 0.3439
5	1.3372 * HOR + 0.7369	–
6	–	–
7	–	–

TABLE 5B: SPECIFIC INSURED PERCENTAGE (90% COVER)*

Premium category	SOV
1	0.0850 * HOR + 0.3305
2	0.1883 * HOR + 0.3295
3	0.3267 * HOR + 0.3267
4	0.5120 * HOR + 0.3258
5	0.6888 * HOR + 0.6981
6	0.8356 * HOR + 1.1142
7	1.0213 * HOR + 1.6712

* Applicable only subject to certain conditions
 SOV Sovereign debtor: central bank or Ministry of Finance

SOV+ Private buyer/bank with better external rating than SOV of the buyer's country
 SOV Sovereign debtor: central bank or Ministry of Finance
 SOV- Other public debtor
 CC0 - CC5 Risk categories of private buyers/banks (corporate category)

7.1.2 In the case of **cover under a maximum amount of cover (limit) for receivables due from supplementary services performed under construction works contracts after conclusion of contract**, premium is calculated as follows:

On approval of the maximum amount of cover an advance premium is charged amounting to 5% of the premium calculated on the basis of the maximum amount approved. The advance premium is calculated on the basis of premium rates stated under 4.3 (horizon of risk: 0 months). After the notification of the actual amount utilised under the limit, the premium will be calculated on the basis of this amount; the amount paid as advance premium will be deducted proportionately from the total premium payable. If the maximum amount of cover is not fully used, the advance premium will not be refunded. No administrative fees are payable for supplementary amounts receivable. The advance premium and the total premium to be paid on utilising the maximum amount of cover are payable immediately.

7.1.3 The premium rates for

- ▶ **construction equipment storage cover** (12-months cover period),
- ▶ **spare parts stockpiling cover**,
- ▶ **site erection cost cover**,
- ▶ **stockpiling cost cover**,
- ▶ **construction equipment cover** (for a single project),
- ▶ **global construction equipment cover** (2-year cover period, with option of renewal against payment of an additional premium)

are listed in Table 6.

7.2 PREMIUM RATES FOR OTHER CONFISCATION RISK COVER

The premium rates for **confiscation risk cover incl. cover for the conversion/transfer risks** (e.g. consignment stocks) or **excl. cover for the consignment/transfer risks** (e.g. trade fair stocks) as well as for **revolving consignment stock cover/ further revolving confiscation risk cover** are indicated in Table 6.

7.3 PREMIUM RATES FOR CONTRACT BOND COVER

In the case of **contract bond cover**, as a rule, a distinction is made between bid bonds as well as performance and maintenance bonds. The premium rates for these types of bonds are shown in Table 6 (item 7.3) unless only one guarantee document is issued for the entire transaction of the export contract and there are no changes in the guarantee amount or the conditions for calling the bond in the course of time. Contract bond cover can also be granted for other types of bonds, such as performance, customs and retention payment bonds. Advance payment bonds are usually granted only in combination with manufacturing or credit risk cover and the cost of their cover is included in the premium for manufacturing cover according to item 3. A premium for cover of advance payment

bonds is only charged if they do not become invalid pro rata deliveries/services at the latest and thus their validity goes beyond the period covered by the manufacturing risk cover so that they are to be regarded as performance bonds. If, however, isolated cover of an advance payment bond is to be granted (permissible only in combination with a counter-guarantee), contrary to the above, a separate premium for cover of advance payment bonds will be charged. In the event of an increase the new amount is applicable. Reductions are not taken into account.

7.4 PREMIUM RATES FOR COUNTER-GUARANTEES

A separate premium for Counter-Guaranties is not charged. Instead, the customary bond premium is shared between the guarantor issuing the bond and the Federal Government.

7.5 PREMIUM RATES FOR SECURITISATION GUARANTEES

For a **Securitisation Guarantee** supplementing buyer credit guarantees, a one-time premium based on the remaining horizon of risk (HOR) in years – calculated from the day on which the Securitisation Guarantee becomes effective – is charged on the basis of the following formula:

$$0.00635 * HOR + 0.0222.$$

The resulting premium percentage is multiplied by the total assigned principal amount. The premium rate is not linked to the country and buyer risk category of the assigned buyer credit. Reprofiling is not carried out. The calculated premium rate is rounded to the fourth decimal point. As far as Securitisation Guarantees supplementing Airbus

EXAMPLE CALCULATION FOR A PREMIUM DISCOUNT “CREDIT ENHANCEMENTS” (HORIZON OF RISK AT LEAST 2 YEARS) IN %

Country risk category 4 Buyer risk category CC4 Horizon of risk 5 years Discount 7.5%	
Premium rate for CC4 (without discount)	5.70
Premium rate for CC0 (without discount)	3.05
Difference (buyer risk percentage)	2.65
Discount of 7.5% calculated on the basis of 2.65%	0.19875
Discount (rounded off to the second decimal point)	0.19
Premium rate for CC4 (without discount)	5.70
Deduction of the discount	0.19
Premium rate including the discount	5.51

► Fees and premium rates

Guarantees are concerned (case-by-case decision), only half the premium stated above for a Securitisation Guarantee will be charged since Airbus Guarantees are 100% guarantees.

7.6 PREMIUM RATES FOR COVERED BOND GUARANTEES

In the case of **Covered Bond Guarantees** supplementing buyer credit cover or Airbus Guarantees for the purpose of covering new business, a one-off additional premium amounting to 5‰ of the respective premium for the Buyer Credit Guarantee or the Airbus Guarantee is charged. If a Covered Bond Guarantee is granted retroactively, only time-weighting will take place on the basis of the premium amount of the underlying Buyer Credit or Airbus Guarantee. There will not be any reprofiling in the this context.

8 PREMIUM RATES FOR WHOLETURNOVER POLICIES

8.1 WHOLETURNOVER POLICIES (APG)

The individually calculated premium rates for Wholturnover Policies (APG) are based on the risks covered in the respective policy. The loss experience in each individual case is taken into account by a system of no-claims bonuses/risk surcharges (Bonus-Malus-System) with effect from the third consecutive policy year.

8.2 WHOLETURNOVER POLICIES LIGHT (APG-LIGHT)

For a Wholturnover Policy Light (APG-light) premium is charged on the basis of the reported monthly turnover which is eligible for cover (including financing cost which have to be stated separately). For the first and second policy year a uniform premium rate of 0.80% is charged.

For the first time in the third policy year and from then on in all subsequent years, the premium rate will be adjusted as follows, taking into account the claims record for the previous year (Bonus-Malus-System): If the Federal Government does not have to indemnify any claims during the second policy year, the premium rate will be reduced by 0.10 percentage points for the third policy year. If, during the second policy year, claims payments have to be made which exceed the premium paid for that policy year, the premium rate will be increased by 0.10 percentage points for the third policy year. However, if any claims payments made do not exceed the premium paid for that policy year, the premium rate for the third policy year will remain unchanged. These rules will apply to subsequent years accordingly. The minimum premium rate is 0.60% and the maximum premium rate is 1.05%. The minimum annual premium is EUR 1,000 for each policy year that has started.

The premium rate is not linked to the country risk category of the foreign buyer's country. Buyer risk categories are not taken into account.

TABLE 6: PREMIUM RATES FOR SUPPLEMENTARY COVER IN %

Item	Type of cover	1	2	3	4	Country risk category		
						5	6	7
7.1.3	Construction equipment storage cover, Spare parts stockpiling cover, Site erection cost cover, Stockpiling cost cover	0.18	0.30	0.42	0.54	0.78	1.02	1.26
7.1.3	Construction equipment cover, Global construction equipment cover	0.23	0.38	0.53	0.68	0.98	1.28	1.58
7.2	Confiscation risk cover							
	– incl. cover for the conversion/transfer risks	0.23	0.38	0.53	0.68	0.98	1.28	1.58
	– excl. cover for the consignment/transfer risks	0.12	0.20	0.28	0.36	0.52	0.68	0.84
7.2	Revolving consignment stock cover/ further revolving confiscation risk cover							
	– incl. cover for the conversion/transfer risks	0.27	0.45	0.63	0.81	1.17	1.53	1.89
	– excl. cover for the consignment/transfer risks	0.18	0.30	0.42	0.54	0.78	1.02	1.26
7.3	Contract bond cover	0.12	0.20	0.28	0.36	0.52	0.68	0.84

9 PREMIUM PAYMENT MODALITIES

9.1 DUE DATE FOR PREMIUM PAYMENT

- ▶ **Application fees, prolongation fees** and **contract fees** are payable immediately after receipt of the corresponding invoice.
- ▶ **Issuing fees** are payable immediately after receipt of the cover policy.
- ▶ In the case of **credit risk cover** (with repayment periods of both less than two years and two years or longer) the premium is payable as follows; if a specific date (e.g. commencement of delivery/service/disbursement) is referred to, the premium will be due for payment on the 1st day of the month in which this date falls:
 - Premium amounts of up to EUR 500,000 are payable upon commencement of delivery/service (in case of isolated buyer credit cover: commencement of disbursement).
 - Of premium amounts of more than EUR 500,000 25% are payable immediately, i.e. upon delivery of the policy. The remaining 75% are payable upon commencement of the delivery/service (in case of isolated buyer credit cover: commencement of disbursement).
 - In the case of shopping line cover the premium is always payable upon the commencement of disbursement (first disbursement made under the credit line with approval of the Federal Government) irrespective of its amount.
 - In the case of Hermes Cover click&cover EXPORT the premium amounts are payable immediately, i.e. upon delivery of the policy.
 - In the case of Hermes Cover click&cover BANK the premium amounts are payable upon the actual commencement of the delivery of goods/services (and the buyer credit's readiness for disbursement).
 - The dates stated in the original policy documents are decisive while dates in any amendments do not have any effect on the premium payment modalities. The same applies to the threshold of EUR 500,000.
 - In the case of consortia, syndicates or "nominated subcontractors" the threshold of EUR 500,000 applies to the premium payable by each policyholder.
- ▶ The premium for **manufacturing risk cover** and **supplementary cover** is payable immediately, i.e. upon delivery of the policy. The premium for Securitisation Guarantees does not become due for payment until the day on which the Securitisation Guarantee becomes effective if that date is later.
- ▶ For **revolving specific cover** a premium based on the maximum amount of cover approved (credit amount covered) is payable in advance; it is calculated on the basis of the premium rates stated under item 4.3 for a

period of 0 months. The premium for the current shipments will be charged after the notifications of shipment are received and is payable immediately; the amount paid as advance premium is deducted from the premium payable.

- ▶ The premium for **Wholeturnover Policies (APG)** is payable within fourteen days after the declaration of turnover and the receipt of the premium invoice.
- ▶ The premium for **Wholeturnover Policies light (APG-light)** is debited to the policyholder's account (on the basis of the policyholder's SEPA Direct Debit Mandate) within fourteen days after the notification of turnover. The policyholder has to bear any costs incurred if the direct debit is returned unpaid for lack of sufficient funds in his account.

9.2 FLAT FEE FOR PAYMENT DELAYS (DUNNING CHARGE)

If the premium invoiced is not paid on the due date, a flat fee amounting the EUR 10 will be added to the overdue amount in the second reminder. This flat fee is increased to EUR 15 if a third reminder is necessary. Default interest may be charged in addition.

9.3 PREMIUM REFUND

If the Federal Government approves any change in the substance or scope of an export guarantee and if this leads to a change in the covered cost price or the covered receivables or the horizon of risk, the premium will be recalculated. Differing from this, the premium for Hermes Cover click&cover BANK will only be recalculated if this results in an increase of the covered amount or the horizon of risk. A premium refund is excluded.

Provided that no loss has occurred, any overpayments resulting from the recalculation of the premium will be refunded after deduction of a **flat fee for administration expenses** amounting to 5% of the overpayment, but not exceeding EUR 2,500. In the case of shopping line cover a **non-utilisation fee** of 10% of the overpayment will be charged in addition to the flat fee for administrative expenses if less than 75% of the credit line's original amount is used up at the end of the utilisation period. In connection with credit risk cover a **prepayment fee** amounting to 20% of the overpayment will be retained in addition to the flat fee for administration expenses if the premium refund is triggered by premature redemption of the loan or an action with regard to the guaranteed amount as described in Article 19 of the General Terms and Conditions that leads to the termination of cover. Should the Federal Government be prematurely released from its obligation to indemnify, it is nevertheless entitled to receive the premium if it fell due before the Federal Government was notified of its release from liability.

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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