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PRODUCT INFORMATION

Supplier credit cover

EXPORT CREDIT GUARANTEES OF THE FEDERAL REPUBLIC OF GERMANY

Hermes Cover

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Supplier credit cover

Supplier credit cover safeguards the trade receivables due to a German exporter under a single export transaction with short or medium/long payment terms.

WHAT IS COVERED?

Supplier credit cover offers protection against payment default if

- the foreign buyer fails to make payment of the amount receivable within six months after due date (protracted default)
- the foreign buyer becomes insolvent
- adverse measures are taken by foreign governments or warlike events arise
- local currency amounts are not converted or transferred
- goods are confiscated due to political circumstances
- contract performance becomes impossible due to political circumstances

As a rule, the amounts receivable from the sale of goods of partially foreign origin may also be covered.

WHO CAN APPLY FOR SUPPLIER CREDIT COVER?

Supplier credit cover is available to **every German exporter**. In addition, foreign business enterprises may also take out supplier credit cover for the export business conducted by their German branch offices, which must, however, be listed in the German Company Register.

WHAT IS SUPPLIER CREDIT COVER?

In the case of supplier credit cover, the exporter allows the foreign buyer time for payment and bears the risks arising in connection with this loan itself. A distinction is made between short and medium/long credit terms. Short-term supplier credit guarantees, i.e. for transactions with repayment terms not exceeding 24 months, are offered by the Federal Government mainly for the covering of the supply of consumer goods, raw materials, semi-finished goods or spare parts. Supplier credit guarantees for medium- and long-term transactions are applied primarily in the capital goods and plant sector.

The counterpart of the supplier credit is the buyer credit, where a lending bank furnishes a loan to the foreign buyer, thus enabling it to pay the amounts owing to the exporter directly at the time of shipment of the goods. The exporter may then insure itself against the still remaining risk of non-disbursement of the buyer credit (see Product Information **buyer credit cover**).

WHICH EXPORT MARKETS ARE COVERED?

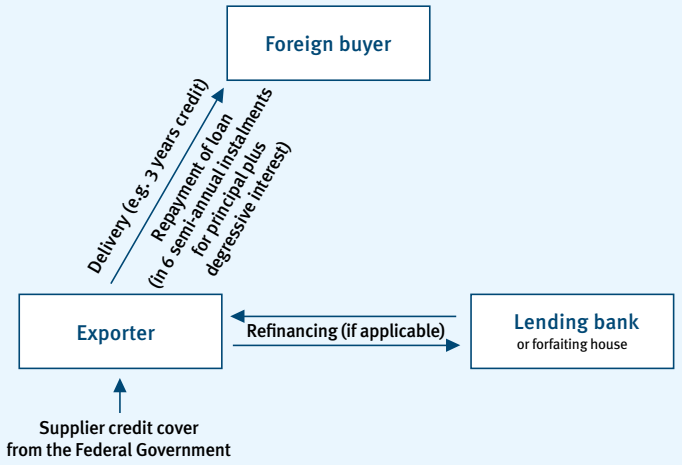
As a rule, in the case of contracts with repayment terms not exceeding two years, the debtor must not be domiciled in EU and OECD core countries (i.e. EU Member States, Australia, Iceland, Japan, Canada, New Zealand, Norway, Switzerland, the USA and the United Kingdom) because these risks are classified as “marketable”.

WHAT HORIZON OF RISK IS COVERED?

Cover takes effect with the respective shipment of the goods and/or commencement of services, and only ends with full payment of the covered amount owing.

The pre-shipment risks which may lead to a production stop during the manufacturing phase can be protected by taking out manufacturing risk cover (see Product Information **manufacturing risk cover**).

CONTRACTUAL RELATIONSHIP IN THE CASE OF A MEDIUM-TERM SUPPLIER CREDIT



CAN IT BE USED FOR REFINANCING?

The claims arising under the supplier credit cover may – together with the title to the amounts receivable under the export contract – be assigned to banks and forfaiting houses for refinancing purposes.

HOW MUCH DOES IT COST?

The costs consist of the processing fee and the cover premium. The processing fee depends on the size of the transaction. A certain percentage of the order value to be covered 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 supplier credit cover.

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 two months' time. Claims payment will then be effected within the space of one further month.

The policyholder participates in every loss with an **uninsured portion**, which as a rule is 5% for political risks. For all other risks it is 15%, but subject to certain conditions, it can be reduced to 5% on request and against the payment of a supplement on the premium.

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 expert 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 SUPPLIER CREDIT COVER AT A GLANCE

Eligible policyholders:	German exporters and foreign trading companies for export transactions of their German branches which are entered in the German Company Register
Object of cover:	amounts owing under transactions involving supplies/services abroad
Eligible markets:	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, Iceland, Japan, Canada, New Zealand, Norway, Switzerland, the USA and the United Kingdom)
Covered risks:	buyer's failure to make payment within 6 months after due date (protracted default), other commercial risks (e.g. insolvency), as well as political risks (e.g. warlike events)
Uninsured portion:	normally 5% for political risks and 15% for commercial risks; however, the uninsured portion for commercial risks can be reduced to 5% on request subject to certain conditions; for this a supplement on the premium will be charged
Processing fees:	application and, if necessary, renewal and issuing fees, calculated as a percentage of the order value
Premium:	a certain percentage of the order value (see premium calculator available at www.exportkreditgarantien.de/en)

www.exportkreditgarantien.de/en

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

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

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.bundeswirtschaftsministerium.de/en** under the heading Promotion of Foreign Trade and Investment.

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