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PRODUCT INFORMATION

Securitisation guarantee

EXPORT CREDIT GUARANTEES OF THE FEDERAL REPUBLIC OF GERMANY

Hermes Cover

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Securitisation guarantee

Securitisation guarantees can make it easier for banks, which extend buyer credits to finance export transactions, to get access to refinancing funds for their loans covered under state export credit guarantees or help these banks to refinance themselves at more favourable terms.

WHAT IS THE PURPOSE OF THE SECURITISATION GUARANTEE?

With the securitisation guarantee the refinancing institution is granted a **first demand guarantee issued by the Federal Government**. By taking out a securitisation guarantee, the Federal Government's excellent rating is applied to the refinanced transaction. This makes it easier for the bank providing a buyer credit (policyholder) to refinance itself or at least to negotiate more favourable refinancing terms.

WHAT RISKS ARE COVERED?

The securitisation guarantee safeguards the lending bank's claim to repayment of the buyer credit granted to the foreign buyer, which is transferred to the refinancing institution, at terms similar to those of a bank guarantee. In this way the refinancing institution is indirectly granted cover of its claim to repayment of the refinance credit extended to the lending bank.

WHAT ARE THE MAIN FEATURES OF THE SECURITISATION GUARANTEE?

The securitisation guarantee supplements buyer credit cover of the Federal Government. It is granted – in each case relating to a single specific buyer credit – to the lending bank. However, only the refinancing institution can file a claim under the guarantee (contract in favour of a third party). The terms of the guarantee applicable in favour of the refinancing institution correspond to a large extent to the terms of standard bank guarantees.

In the internal relationship between the lending bank and the Federal Government, the lending bank must indemnify the Federal Government for any obligations not existing under the buyer credit cover. The framework conditions governing the granting of the guarantee are set out in a separate contract (Contract for the Provision of a securitisation guarantee).

Although the assignment of the covered claim to repayment of the buyer credit to the refinancing institution is a precondition for the enforcement of the securitisation guarantee, any deficiency in title of this assignment does not impede the enforcement of the guarantee. An assignment also of the collateral for the buyer credit to the refinancing institution is not normally required.

WHO CAN APPLY FOR A SECURITISATION GUARANTEE?

German banks, branch offices of foreign banks registered in Germany as well as (after a case-by-case analysis) foreign banks can apply for a securitisation guarantee for the refinancing of their buyer credits covered under a Federal Export Credit Guarantee.

WHO IS THE BENEFICIARY UNDER THE SECURITISATION GUARANTEE?

Only the refinancing institution is entitled to assert a claim under the securitisation guarantee (beneficiary). Any **banks eligible to receive buyer credit cover**, and after a case-by-case analysis, other refinancing institutions in Germany and abroad qualify as beneficiaries.

WHAT HORIZON OF RISK IS COVERED?

Before the Federal Government's liability under the securitisation guarantee commences, both the disbursement of the loan and the assignment of the covered loan amount must have taken place. Liability ends as soon as, and to the extent that the refinancing institution receives the payments made towards the covered amount owing, however, no later than 90 days after the due date of the final instalment under the buyer credit agreement provided that no request for payment under the securitisation guarantee has been made by that time.

HOW MUCH DOES A SECURITISATION GUARANTEE COST?

The premium due for a securitisation guarantee will be calculated as **one-time premium** on the entire amount of principal assigned under the securitisation guarantee. The only additional premium-increasing factor is the horizon of risk remaining after assignment, i.e. the buyer's rating and the country risk are not taken into account.

As an example, the premium rates charged for several different horizons of risk are indicated below:

5 years:	0.0540%
6 years:	0.0603%
7 years:	0.0667%
8 years:	0.0730%

For **securitisation guarantees** which are applied for together with a buyer credit cover as cover for new business no application fee is charged. If a securitisation guarantee is subsequently granted, a one-time application fee of EUR 500 (for ceded receivables amounting to up to EUR 5 million) and EUR 1,000 (for ceded receivables amounting to more than EUR 5 million) is charged. Furthermore, insurance tax is not payable.

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".**

HOW ARE PAYMENTS MADE UNDER THE SECURITISATION GUARANTEE?

Under the securitisation guarantee, the beneficiary is entitled to claim indemnification from the Federal Government **on first demand** and for **100% of the amount covered**.

However, in the **internal relationship** between the Federal Government and the lending bank (policyholder), the lending bank must pay the guaranteed amount to the beneficiary when it falls due for payment in the event that the borrower fails to make payment or effects payment belatedly. The lending bank will be indemnified in turn by the Federal Government under the buyer credit cover under the conditions applicable to that type of cover, i.e. less the 5% uninsured portion to be borne by the policyholder and not until the waiting period and the claims processing period of one month each have expired.

Thus the refinancing institution will normally receive the indemnification payment under the securitisation guarantee from the lending bank. Only if the lending bank fails to meet its obligation to indemnify in due form, the beneficiary can claim payment directly from the Federal Government in lieu of the lending bank. In this case the Federal Government is entitled to have recourse against the lending bank to the extent required. In this way the immediate payment to the refinancing institution upon first demand is guaranteed in any case.

HOW CAN YOU APPLY FOR COVER?

In order to receive a securitisation guarantee, a separate application must be submitted in addition to the application for buyer credit cover. If need be, this is possible (giving specific reasons) even after buyer credit cover has been granted.

When cover has been accepted the lending bank will receive two documents: the securitisation guarantee (which has to be passed on to the refinancing institution) and the contract for the provision of a securitisation guarantee, which applies to the internal relationship between the lending bank and the Federal Government.

Contact with the Federal Government can be established via **Euler Hermes Aktiengesellschaft**. The company's head office in Hamburg, as well as the branch offices in Germany offer expert advice on general and specific questions. The application form, the wording of the guarantee (in German and English) and the contract for the provision of a securitisation guarantee are also available for study and download at www.exportkreditgarantien.de/en (partly only in German).

MAIN FEATURES OF THE SECURITISATION GUARANTEE AT A GLANCE

Eligible policyholders:	German credit institutions; foreign credit institutions after a case-by-case analysis; the application is made in addition to a buyer credit cover (also possible subsequently if specific reasons are given)
Beneficiaries (refinancing institutions):	German credit institutions, after a case-by-case analysis also foreign credit institutions or other companies (e.g. finance companies)
Quality of cover:	from the point of view of the beneficiary: 100% guarantee, callable on first demand; to the relationship between the Federal Government and the lending bank, the terms and conditions of buyer credit cover remain applicable
Uninsured portion:	The beneficiary (refinancing institution) is not burdened by an uninsured portion.
Administrative fees:	If a securitisation guarantee is subsequently granted: one-time application fee of EUR 500 (for ceded receivables amounting to up to EUR 5 million) and EUR 1,000 (for ceded receivables amounting to more than EUR 5 million).
Premium:	One-time premium dependent on the repayment term of the buyer credit and calculated as a percentage of the assigned amount of principal (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

Federal Ministry for Economic Affairs and Energy

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 as well as effective foreign trade promotion instruments of the Federal Government have been established 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. The 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.

Euler Hermes Aktiengesellschaft

Postal address:
P.O. Box 500399
22703 Hamburg, Germany

Office address:
Gasstrasse 29
22761 Hamburg, Germany

Phone: +49 40 8834-9000
Fax: +49 40 8834-9175

info@exportkreditgarantien.de
info@ufk-garantien.de
www.exportkreditgarantien.de/en

Branch offices: Berlin, Dortmund, Frankfurt, Stuttgart, Hamburg, Munich, Nuremberg, Rhineland

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