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PRODUCT INFORMATION

Leasing cover

EXPORT CREDIT GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

► **Hermes Cover**

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Leasing cover

Leasing cover insures a lessor against the loss of the amounts owing from a foreign lessee under a cross-border lease.

WHAT RISKS ARE COVERED?

Leasing cover offers protection against payment default if

- the lessee fails to make payment within either one or six months after due date depending on the type of leasing cover (protracted default)
- the lessee 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.

Repayment terms corresponding to those applicable to a comparable supply contract may be applied. Alternatively, annuity payments, i.e. equal lease rentals with a degressive interest and a progressive principal portion, may be agreed on.

WHO CAN APPLY FOR LEASING COVER?

Leasing cover is available to German manufacturers that conclude lease agreements directly with lessees abroad (manufacturers' lease/direct lease), as well as to German leasing companies that purchase goods from a German exporter for the purpose of concluding a cross-border lease (indirect leasing).

WHAT OPTIONS OF LEASING COVER EXIST?

Two leasing cover options are offered by the Federal Government:

- on conditions (uninsured percentage, waiting period and claims processing period) comparable to those of supplier credit cover and
- on conditions applicable to buyer credit cover in the case of certain types of finance leasing.

Leasing cover on conditions applicable to buyer credit cover may be granted only if the lease model fulfils a financing function similar to that of a buyer credit. A precondition is, among other things, that a leasing company operates as a link between the manufacturer and the lessee and that the "typical assignment structure for leasing operations" has been agreed on. In addition, the lease must relate to capital goods, and the lessor must have a bank licence or belong to the scope of consolidation of a German bank. On a case-by-case basis, other leasing companies may also be eligible for leasing cover on buyer credit terms.

WHAT ARE THE BASIC CONDITIONS OF THE LEASE AGREEMENT?

Leasing cover is available for full payout or for partial payout leases. The lessor must either be the owner of the leased property or must at least be entitled to repossess the property in the event of a default or to withdraw the rights of usage.

In the case of leasing cover on buyer credit terms, the lessor must contract out of its warranty obligations and assign its warranty claims against the supplier to the foreign lessee.

WHAT HORIZON OF RISK IS COVERED?

Cover takes effect in each case with the shipment of the goods and ends with full payment of the amounts owing under the lease contract.

CAN LEASING COVER BE USED FOR REFINANCING PURPOSES?

The claims arising under the cover policy may – together with the amounts owing under the lease contract – be assigned to banks and forfaiting houses for refinancing purposes.

HOW MUCH DOES LEASING COVER COST?

The costs consist of the processing fees and the cover premium. The processing fees depend on the amount of principal covered. A certain percentage of the amount of principal covered (interest excluded, also in the case of annuity payments) is charged as cover premium.

The premium level mainly depends on the buyer's rating, the country risk and horizon of risk. 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**".

WHEN AND HOW IS A CLAIM PAID?

Before a claim can be filed, the legally valid and matured claim to payment of the amounts owing under the leasing contract must have become uncollectible due to the occurrence of a covered loss. However, in the case of leasing cover on buyer credit terms, the Federal Government is not entitled to reject the claim to compensation because of the lessee's objections based on the warranty. When all the necessary documents have been submitted to the Federal Government, the claim will be processed within two months' time, and in the case of leasing cover on buyer credit terms, within one month. Claims payment will be effected within the space of one further month, and in the case of leasing cover on buyer credit terms, within five bank working days.

The policyholder participates in the loss up to the level of the uninsured portion. As a rule, the **uninsured portion** is 5% for political risks and 15% for all other risks. In the case of leasing cover on buyer credit terms, an uninsured portion of 5% is applied to 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 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.exporkreditgarantien.de/en, partly only in German.

MAIN FEATURES OF LEASING COVER AT A GLANCE

Eligible policyholders:	German lessors (manufacturing or leasing companies)
Object of cover:	amounts owing under cross-border leases
Covered risks:	lessee'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)
Cover options:	leasing cover on terms applicable to supplier credit or buyer credit cover
Uninsured portion:	leasing cover on supplier credit terms: as a rule, 15% for commercial risks, 5% for political risks leasing cover on buyer credit terms: 5% for all risks
Processing fees:	application and, if necessary, renewal and issuing fees, depending on the covered amount of principal
Premium:	an individually calculated percentage of the covered amount of principal (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 Energy

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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