PRACTICAL INFORMATION

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Fees and premium rates

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UFK-GUARANTEES OF THE
FEDERAL REPUBLIC OF GERMANY

Untied Loan Finance

► Fees and premium rates

1 ADMINISTRATIVE FEES

Administrative fees, i.e. application fees and prolongation fees are charged for handling the cover applications. These fees are not deductible from the premium payable on issuance of the cover policy.

1.1 The application fee is charged on submission of the application for cover. For credit amounts (including interest) of up to 5,000,000.-- euros it is 1‰ of the credit amount and 0.5‰ of the amount exceeding 5,000,000.-- euros. The application fee is capped at 30,000.-- euros.

If an application is rejected or if it is withdrawn before an offer of cover is made by the Federal Government, the application fee will partly be reimbursed. The amount to be reimbursed amounts to three quarters of the application fee if the due diligence process has not been started yet and to one quarter if it has started already. If an application has been filed but seems unpromising from the start, the application fee will not be charged or will be reimbursed if it has been paid already. If an application is withdrawn after an offer of cover, the application fee will not be reimbursed.

For Securitisation Guarantees and Covered Bond Guarantees which are applied for together with Untied Loan Guarantees 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 500.-- euros (for ceded receivables amounting up to 5,000,000.-- euros) and 1,000.-- euros (for ceded receivables amounting to more than 5,000,000.-- euros) 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.

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: loan amount, disbursement conditions/repayment terms (horizon of risk), currency of the loan amount to be covered, country risk category, project category for borrowers, collateral.

2.2 Calculation of the premium payable is based on the covered loan amount, excluding interest.

2.3 The premium for the assumption of a guarantee 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.

Due to risk policy considerations a higher premium may be charged than that corresponding to the relevant country risk category.

A better country risk category or a premium discount may be applied if the relevant conditions are met (Country Risk Mitigation Techniques).

Risk-based project categories (PC) are used in addition to the country risk categories. The number of project categories for projects with private debtors 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). The project categories range from PC0 (very low risks, lowest premium) to PC5 (very high risk, highest premium).

Furthermore, the provision of collateral in the project categories PC1 and worse may result in a discount on the premium payable in accordance with the provisions of the OECD Consensus (Credit Enhancements).

For guarantees in respect of country risk category 0 countries as well as high-income countries of the OECD and the eurozone the premium rates of country risk category 1 are used. However, in order to avoid competitive distortions a market-based premium has to be charged for these countries, which is determined by means of a market test. This may result in a higher premium. A market test may also be required if the borrower is domiciled in an EU member state which is not a high-income country of the eurozone.

2.4 The decisive factor for premium calculation is the country risk and project category applicable at the time when cover is granted. If the country risk/project 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 risk/project category shall take immediate effect for the granting of cover.

2.5 Foreign currencies

In the case of cover of amounts denominated in a currency other than euro or US dollar, 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 premium will also be charged in the respective foreign currency)

2.6 There is no minimum premium.

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3 PREMIUM RATES

3.1 Scope of Application

The premium payable is calculated on the basis of the principles mentioned below.

3.2 Horizon of Risk

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. The pre-credit period is equivalent to the interval between first disbursement and commencement of the repayment term of the first instalment (starting point). If applicable, grace periods are attributable to the repayment term of the credit.

EXAMPLE CALCULATION FOR A PREMIUM DISCOUNT "CREDIT ENHANCEMENTS" IN %

Country risk category 4 Project category PC4 Horizon of risk 5 years Discount 7.5%	
Premium rate for PC4 (without discount)	**5.4**
Premium rate for PC0 (without discount)	2.89
Difference (buyer risk portion)	2.51
Discount of 7.5% calculated on the basis of 2.51%	0.18825
Discount (rounded off to the second decimal point)	**0.18**
Premium rate for PC4 (without discount)	5.4
Deduction of the discount	0.18
Premium rate including the discount	5.22

Normally repayments are made in half-yearly equal 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.

3.3 Premium Rates

Calculation of the premium payable is based on the covered loan amount, excluding interest. The horizon of risk (HOR) in years determined in accordance with the information given in 3.2 has to be entered in the formula in the table below which is applicable to the respective country risk category and project category. The calculated premium rate is rounded to the second decimal point. The premium amount is calculated by multiplying the premium rate in percent by the loan amount covered.

If a premium discount for the provision of collateral according to the "Credit Enhancements" is granted, it is calculated as follows: The premium rate for project category PC0 has to be deducted from the premium rate calculated as described. The difference in percentage points which is determined in this way (project 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).

The calculation formulas shown in the table below refer to the normal case of a percentage of cover of 90% for political risks (percentage of cover). Information on premium rates for differing percentages of cover (e.g. 100% cover) will be made available on request, if applicable.

For applications for the cover of political risks only, premium rates calculated according to the following table column SOV/PC0 apply.

CALCULATION FORMULAS FOR PREMIUM RATES IN %

Premium category	SOV+	SOV/PC0	SOV-	PC1
1	0.0765 * HOR + 0.2975	0.0850 * HOR + 0.3305	0.0935 * HOR + 0.3636	0.1889 * HOR + 0.3305
2	0.1695 * HOR + 0.2966	0.1883 * HOR + 0.3295	0.2071 * HOR + 0.3625	0.3012 * HOR + 0.3295
3	0.2940 * HOR + 0.2940	0.3267 * HOR + 0.3267	0.3593 * HOR + 0.3594	0.4293 * HOR + 0.3267
4	0.4608 * HOR + 0.2932	0.5120 * HOR + 0.3258	0.5631 * HOR + 0.3584	0.6051 * HOR + 0.3258
5	0.6200 * HOR + 0.6283	0.6888 * HOR + 0.6981	0.7577 * HOR + 0.7680	0.7819 * HOR + 0.6981
6	0.7521 * HOR + 1.0028	0.8356 * HOR + 1.1142	0.9192 * HOR + 1.2257	0.9285 * HOR + 1.1142
7	0.9192 * HOR + 1.5041	1.0213 * HOR + 1.6712	1.1234 * HOR + 1.8384	1.1374 * HOR + 1.6712

Premium category	PC2	PC3	PC4	PC5
1	0.2738 * HOR + 0.3305	0.3399 * HOR + 0.3305	0.4674 * HOR + 0.3305	0.6798 * HOR + 0.3305
2	0.3878 * HOR + 0.3295	0.4895 * HOR + 0.3295	0.6203 * HOR + 0.3295	0.8236 * HOR + 0.3295
3	0.5347 * HOR + 0.3267	0.6253 * HOR + 0.3267	0.7886 * HOR + 0.3267	0.9985 * HOR + 0.3267
4	0.7298 * HOR + 0.3258	0.8378 * HOR + 0.3258	1.0146 * HOR + 0.3258	1.2659 * HOR + 0.3258
5	0.9178 * HOR + 0.6981	1.0425 * HOR + 0.6981	1.2669 * HOR + 0.6981	–
6	1.0752 * HOR + 1.1142	1.2813 * HOR + 1.1142	–	–
7	1.2729 * HOR + 1.6712	–	–	–

SOV+	Private debtor with better external rating than SOV of the project country
SOV	Sovereign debtor: central bank or Ministry of Finance
SOV-	Other public debtor
PC0 - PC5	Risk categories of private debtors (project category); PC0 = lowest risk, PC5 = highest risk

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3.4 Premium rates for Securitisation Guarantees

For a **Securitisation Guarantee**, 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:

$$0.01048 * HOR + 0.03671$$

The resulting premium percentage is multiplied by the total assigned principal amount. The premium rate is not linked to the country risk and project category of the assigned untied loan; an additional project surcharge is not imposed. Reprofiling is not carried out. The calculated premium rate is rounded to the fourth decimal point.

If the Securitisation Guarantee is granted in a foreign currency and/or the limitation on the exchange rate is lifted, a premium surcharge of 10% will be charged on the premium calculated.

3.5 Premium rates for Covered Bond Guarantees

In the case of Covered Bond Guarantees for the purpose of covering new business, a one-off additional premium amount to 5‰ of the respective premium for the untied loan is charged. If a Covered Bond Guarantee is granted retroactively, only time-weighing will take place on the basis of the premium amount of the underlying Untied Loan Guarantee. There will not be any reprofiling in this context. If the Covered Bond Guarantee is granted in a foreign currency and/or the limitation on the exchange rate is lifted, a premium surcharge of 10% will be charged on the premium calculated.

4 PREMIUM PAYMENT MODALITIES

4.1 Due date for premium payment

The **application fee** and, if applicable, the **prolongation fee** as well as the premium are payable immediately after receipt of the corresponding invoice. Application and prolongation fees are invoiced after receipt of the application. The premium is invoiced after the delivery of the cover 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.

4.2 Flat fee for payment delays (dunning charge)

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

4.3 Premium Refund

4.3.1 If the Federal Government approves any change in the substance or scope of an Untied Loan Guarantee and if this leads to a change in the covered receivables or the horizon of risk, the premium will be recalculated. 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 2,500.-- euros.

4.3.2 A prepayment fee will be retained in addition to the flat fee for administration expenses if the first redemption date has occurred and the premium refund is triggered by extraordinary premature redemption of the loan that is not required by the loan agreement 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. Taking into account the remaining guaranteed tenor of the loan at the time of the prepayment, the prepayment fee is calculated as follows:

- The prepayment fee amounts to 10% of the overpayment if up to one third of the guaranteed loan tenor remains after the prepayment.
- The prepayment fee amounts to 20% of the overpayment if up to two thirds of the guaranteed loan tenor remain after the prepayment.
- The prepayment fee amounts to 30% of the overpayment if more than two thirds of the guaranteed loan tenor remain after the prepayment.

Loan tenor in this context refers to the whole disbursement and repayment period of the loan. Unlike for the calculation of the horizon of risk the disbursement period counts fully towards the loan tenor (unlike 3.2).

4.3.3 If the Federal Government approves any change in the substance or scope of an Untied Loan Guarantee and if, as a result, there is simultaneously a change in the duration of a Securitisation Guarantee that may have been granted or in the guaranteed amount, the premium for the Securitisation Guarantee shall be recalculated. If no recourse has been taken to the Federal Government under the Securitisation Guarantee, 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 2,500.-- euros. In addition to the fee to cover administration expenses a prepayment fee of 20% of the overpayment will be retained if the premium refund is triggered by premature redemption of the loan.

4.3.4 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.

www.ufk-garantien.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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