

Information Sheet

ERP Export Financing Programme

Bank CIRR refinancing

The ERP Export Financing Programme supports lending for German exports to developing and emerging countries. This is for the benefit not only of these countries, but also of German exporters since it enables them to tap into new markets. Under the programme, so-called CIRR loans granted by banks are refinanced using the Federal Republic of Germany's ERP Special Fund. KfW acts as mandatary of the Federal Republic and has assigned KfW IPEX-Bank to administer the programme.

Who is eligible to apply?

- All banks eligible for buyer credit cover from the Federal Republic (so-called Hermes cover; below "**buyer credit cover**").

Which export transactions are eligible for financing under the ERP Export Financing Programme?

- Exports of capital goods and services from Germany to developing and emerging countries according to the latest list published by the OECD Development Assistance Committee (DAC).
- Eligibility to apply for the programme is determined by the Federal Republic.

What is a CIRR rate?

- Under the programme, the Commercial Interest Reference Rate (below "**CIRR rate**"), which is supported through the ERP Special Fund, is applied. This rate is a fixed interest rate that the OECD sets for its member states on a monthly basis as a minimum reference rate for officially supported financing of capital goods exports and related services.
- The setting of interest rates under the ERP Export Financing Programme is subject to the minimum rate regulation of the OECD Consensus.

Which loans are eligible under the programme?

- Tied loans in EUR (standard case) or USD granted to the buyer of the exports (buyer loan) or to a bank in the buyer's country (bank-to-bank loan) (both referred to below as "**loan**") that are backed

Information Sheet

ERP Export Financing Programme

Bank CIRR refinancing

by buyer credit cover;

- Standard loan term of at least 4 years from the Starting Point of Credit (point in time of delivery, weighted average delivery or readiness for operation);
- Loan amount is capped at 85% of the eligible order value plus eligible interest during construction and ancillary financing costs; the standard ceiling is EUR 85 million;
- Repayment is usually in equal, consecutive semi-annual instalments beginning no later than six months after the Starting Point of Credit.

Each bank is free to use own funds to top up the loan amount supported through ERP funds and backed by buyer credit cover. This increase cannot be refinanced.

What type of collateral must be provided for the loan?

- Buyer credit cover, usually with an uninsured portion of 5%;
- Exporter's declaration via which the exporter (similar to the letter of undertaking to be submitted to the Federal Republic) assumes, among others, necessary obligations to provide information as well as counterliability for cases in which damages occur through fault of the exporter that do not fall under the buyer credit cover;
- (Foreign) collateral as may be required by the Federal Republic.

As an alternative to the buyer credit cover, in exceptional cases an acceptable foreign export credit agency requiring an uninsured portion of no more than 5% may be considered as well, provided that the Federal Republic and this agency have concluded a reinsurance agreement and the former provides for reinsurance for the export transaction to be financed.

Are there special requirements for the loan terms and conditions?

Each bank is free to agree on loan terms and conditions in accordance with the following:

- Fixed contractual interest rate as per the applicable CIRR rate; the contractual rate may also include a market-based mark-up as an additional risk margin for the bank ("**external interest rate**");
- Customary handling fees;
- Commitment fee of generally 0,375% p.a.

Information Sheet

ERP Export Financing Programme

Bank CIRR refinancing

Which terms and conditions apply to refinancing under the ERP Export Financing Programme?

- The interest rate applicable to refinancing agreed between KfW and the bank is the applicable CIRR rate less 0.35% p.a. ("**internal interest rate**").
- A one-off application fee amounting to 0.05% of the refinanced loan amount - or EUR 3,000 at the least - is payable to KfW.
- A commitment fee of 0.25% p.a. is payable to KfW.

Is it possible to reserve a CIRR rate?

- In principle, the CIRR rate prevailing on the date of conclusion of the loan agreement will apply.
- As per the OECD Consensus and, where applicable, further EU regulations, it is possible to reserve a CIRR rate that is then binding for up to 120 days. For this KfW will charge the bank a commission amounting to 1‰ of the reserved loan amount as per the refinancing agreement. This commission is payable by the bank to KfW in advance and is non-refundable.
- If a rate is reserved, the applicable internal and external interest rates will increase for the entire term of the loan by 0.20% p.a.

How are CIRR funds paid out?

In plain terms, the procedure is as follows:

1. The bank applies to KfW for inclusion in the ERP Export Financing Programme of the loan that is to be refinanced. At that time, a letter of acceptance of the Federal Republic must have already been issued.
2. Once the review of completeness is finished, KfW passes the application for inclusion on to the Federal Republic.
3. After eligibility for support has been confirmed and the application has been approved by the Federal Republic, the bank signs a loan agreement with the buyer or the bank.
4. Loan and refinancing agreements are closed on the same day. On the day of signing, both the internal and the external interest rates are set based on the applicable or reserved CIRR rate.

What kind of collateral is required for refinancing under the ERP Export Financing Programme?

The bank assigns the following to KfW as collateral for the refinancing including any accessory

Information Sheet

ERP Export Financing Programme

Bank CIRR refinancing

claims:

- Claims arising from the buyer credit cover provided for the loan;
- Payment claims arising from the loan;
- Claims arising in connection with the collateral provided for the loan, in particular sureties and guarantees;
- Claims arising from any risk sub-participation agreements for the loan.

If the bank's credit rating is insufficient, additional collateral may need to be provided to KfW for the uninsured portion.

In addition, as CIRR funds are involved, special requirements apply to the loan agreement, including provisions covering damages for non-acceptance and prepayment. Any breakage costs arising in connection with refinancing loans (including changes to the disbursement/repayment profile) as well as damages for non-acceptance will, in principle, be charged to the banks, which, in turn, can pass on these charges to the buyer or exporter.

How are refinancings carried out under the ERP Export Financing Programme?

- Upon closing of the refinancing KfW, for each transaction, determines the profile for disbursement and repayment based on information provided by the bank. This profile is binding and mirrors the loan.
- The loan remains in the bank's balance sheet. The bank is responsible for the loan and bears all documentation risk as well as the obligations and duties arising in connection with the buyer credit cover.
- The drawdown of the refinancing begins with the first disbursement request under the loan in accordance with the progress of disbursement and subject to compliance with all conditions precedent that conform with the cover.
- The bank makes all payments of instalments, commitment fees and interest equal to the internal interest rate due to KfW under the refinancing, regardless of any receipt of payment under the loan.

Note on subsidies

Loans which are refinanced with the help of the ERP Export Financing Programme contain ERP funds which constitute subsidies in the meaning of the German Subsidies Act (SubvG). Relevant for subsidies in the meaning of Section 264 of the German Penal Code (StGB) are such facts as are relevant for granting or maintaining the buyer credit cover provided by the Federal Republic and/or for the use or retention of the ERP funds to refinance the export transaction financed by the bank.

Information Sheet

ERP Export Financing Programme



Bank CIRR refinancing

Note on translation

The document has been translated into English for information purposes only and the German version and language prevail.