

**Construction, Processing and Special Machinery  
State Of The Art Technology - Made In Germany**

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**Export Credit Agency (ECA) Buyer Financing  
with HERMES coverage – case study**

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Banking - Made in Germany.

# Buyer's Credit.

## General Description

- Credit for long term financing of capital goods and services based on the HERMES cover
- Usually reimbursement to Importer who pays under LC to the German Manufacturer
- Minimum amount: US\$ 2.0 mio

# Buyer's Credit

German Manufacturer /  
Exporter



Import  
financing



Indonesian Importer



Importer opens LC



Comercial Contract



Insures 95% of the  
loan amount



**LBBW**

Financing Agreement  
between Importer  
and LBBW



Reimbursement  
of LC after  
payment to  
Exporter



# Buyer's Credit

## General Description

### Borrower

Companies with good credit ratings

### Lender

LBBW

### Loan Amount

max. 85 % of contract value (min. US\$ 2 mio)

### Goods according to the Export Contract

Capital goods (Country of origin from Germany, Austria or Switzerland).

### Inclusion of supplies from third countries

Besides, it is possible to a certain extent to include goods which originate not in Germany (so-called foreign content).

The percentage which these supplies may reach depends on the country from which they originate. In principle supplies of goods worth up to 30 % of the contract value are permissible.

Higher amounts may also be feasible and can be discussed.

# Case study – Example

- Contract Value: US\$ 5,000,000
- Tenor: 5 years
- Financing amount: US\$ 4,250,000
- HERMES fee: approx. US\$ 242,000
- Total Loan Amount: US\$ 4,492,000
- Interest rate: 6 month LIBOR plus a margin of 2% p.a. (currently roughly 2.4%)
- Commitment Fee: 1% p.a.
- Management Fee: 1% flat
- Repayment: semi-annually, here 10 instalments
- Interest payment: semi-annually
- Governing Law: German Law

## Financing through LBBW – HERMES covered ECA loan

- 85 % of the contract value
- At least 15 % down-payment to be paid before delivery, if higher DP “reimbursement” with the loan
- HERMES premium can be financed up to 100 %
- Tenor 5 - 10 years - depending on the contract value
- Payment in semi-annual installments, the first falls due 6 months after commissioning / COD (“starting point”)
- Loan disbursement to the importer after the exporter has confirmed that he has received the payment under the LC

# Buyer's credit: Pre-requisites.

## Major pre-requisites for credit assessment on „Corporate Risk“

- Annual and interim reports
- Annual revenue more than EUR 20 million
- Assets above EUR 15 million
- Equity to be compatible with the contract value

## Additional information:

- Commercial and bank references
- Received foreign credits
- Credit history
- Description of export activities/ FX income

# Buyer's credit

## Advantages for the Importer/ Buyer:

- No charge to the importer's credit lines → Financing „on top“
- More cost efficient than local financing
- Low and attractive interest rates
- Typically no collateral, based on the credit standing of the borrower
- Tenor: from 5 up to 10 years depending on the value of the contract



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