ECG pricing

The premium for the Export Credit Guarantee Facility consists of three components and is payable up front (from starting point of risk)
- Component 1 for the ECA covered part of 0.5 bp p/a, to be calculated over the real outstanding part of the loan;

- Component 2 for the ECA non-covered part of 5 bp p/a, to be calculated over the real outstanding part of the loan.

As stated, these tariffs are to be calculated over the real outstanding part of the loan. We assume linear semi annual instalments and linear drawings during the disbursement period.

Disbursement period and credit period are added (risk horizon) and divided by two to determine the Average Weighted Life of the Loan (AWLL).

In case the maximum percentages of political – and commercial risk differ, the minimum of both is used while determining the ECA covered part. In case the percentages of cover are, political 98 / commercial 95, the ECA covered part would be 95%.

- Component 3 is 1.5 bp p/a to be calculated over 100% of the loan. This premium component is capped on 10 bp. The percentage of cover does not play any role in this part of the premium.

Total premium is payable in the currency of the loan.

Example 1

Loan	:	USD 50 mln
Covered percentage political risk	:	98
Covered percentage commercial risk	:	95
Disbursement period	:	0
Credit risk	:	5 years

calculation:

AWLL	:	(0 + 5)/2 = 2.5 years

Component 1
95/100 * 0,5 bp * 2,5	=	1.1875 bp

Component 2
5/100 * 5 bp * 2,5	=	0.625 bp

Component 3
1,5 * 5 = 7,5 bp =>
No cap	=	7.5 bp
total	=	9.3125 bp

in USD	=	9.3125 / 10.000 * USD 50 mln = USD 46,562.50

Example 2

Loan	:	EUR 100 mln
Covered percentage political risk	:	98
Covered percentage commercial risk	:	95
Disbursement period	:	24m (2 years)
Credit period	:	10 years

Calculation:

AWLL : $(2 + 10)/2 = 6$ years

Component 1

$95/100 * 0,5$ bp $* 6$ = 2.85 bp

Component 2

$5/100 * 5$ bp $* 6$ = 1.5 bp

Component 3

$1,5 * 10 = 15$ bp =>

To be capped on 10 bp = 10 bp

total = 14.35 bp

in EUR = $14.35 / 10.000 * $ EUR 100 mln = EUR 143,500