

CREENDO OFFERS EXPORTERS **PROTECTION AGAINST THE RISK OF CALLING OF BANK GUARANTEES ISSUED IN RELATION TO AN EXPORT CONTRACT**, WHERE THE CALLING OF THOSE GUARANTEES IS THE RESULT OF AN ACT BY THE DEBTOR THAT IS NOT LAWFUL UNDER THE CONTRACT OR OF A POLITICAL EVENT.

What is a bank guarantee?

As part of an export contract, an exporter may be required to issue bank guarantees in favour of a buyer (such guarantees can sometimes be claimed on first demand, which means that the buyer can call the guarantees without having to provide proof that the exporter has defaulted). These guarantees can take various forms: advance payment bond, performance bond, bid bond, etc.

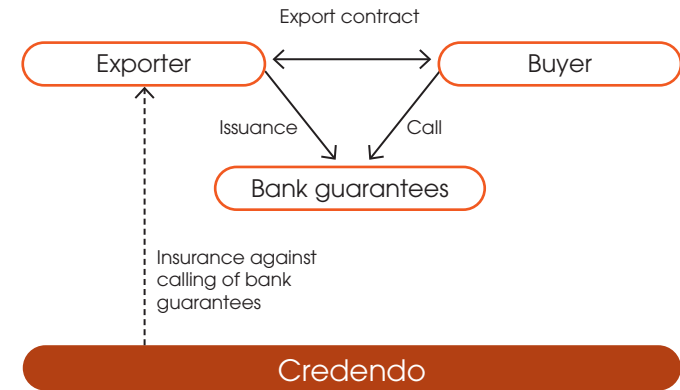
What does Credendo offer exporters?

Bank guarantees issued by an exporter can often run to very large amounts. They represent a risk for the exporter, which can be required to pay out the amount of the guarantees, particularly where these guarantees can be claimed on first demand by the buyer. The exporter could therefore lose all or some of its profit margin on the export contract, even if it has complied with its obligations under that contract.

In addition to protection against the risk of non-payment and termination by the buyer under an export contract (see the product brochures on ‘Supplier credit insurance’, ‘Buyer credit insurance’ and ‘Cash transaction insurance’), Credendo also offers exporters protection against the risk of calling of bank guarantees by the buyer, where the calling of those guarantees is the result of an act by the debtor that is not lawful under the contract or of a political event (war, government fiat, shortage of currency, natural disaster, etc.). In such a case, Credendo will indemnify the exporter up to the amount debited from its bank account as a result of the calling of the bank guarantee.

Credendo will also use its expertise to help the exporter avoid the calling of guarantees or to recover any amount unfairly called by the buyer. Credendo will participate in the costs for recovery.

Structure of bank guarantee insurance



What is the maximum percentage payable by Credendo?

Bank guarantee insurance covers an exporter up to a maximum percentage, referred to as the ‘percentage of cover’, generally set at 95% or 98% of the loss sustained. The exporter is therefore still responsible for covering a portion of the risk (5% or 2%).

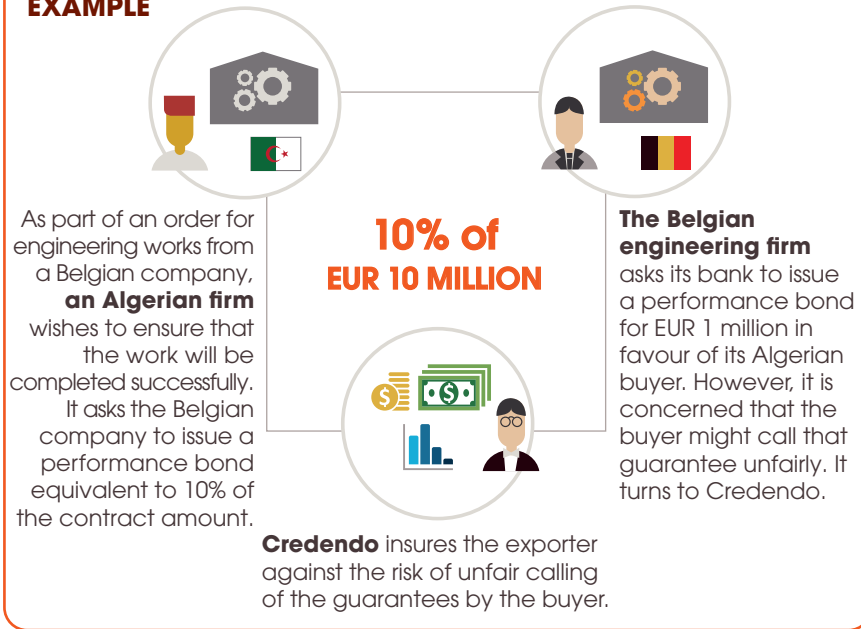
Who can obtain this insurance?

The insurance offered by Credendo can be obtained by any exporter signing an export contract with a link to Belgium under which it is required to issue a bank guarantee in favour of the buyer. The exporter will also need to be insured by Credendo against the risks of non-payment or termination of its export contract (see the product brochures on ‘Supplier credit insurance’, ‘Buyer credit insurance’ and ‘Cash transaction insurance’).

How much does bank guarantee insurance cost?

The premium depends on the destination country, the amount and the period of validity of the guarantee. It is expressed as a percentage of the amount covered. This premium is payable when the policy is issued.

EXAMPLE



Please contact Credendo if you would like a premium estimate for a specific transaction. No fee is payable for estimates.

Further information

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Credendo refers to Credendo – Export Credit Agency, the official Belgian export credit agency, created in 1939. It is covered by the Belgian State guarantee and has an AA rating from S&P Global.

TIMELINE

1-2



1. Before the contract

An exporter approaches Credendo for information and details of premiums during negotiation of its contract. Bank guarantees are always covered as part of the credit insurance for a contract.



2. Insurance application

During negotiations with its foreign buyer, the exporter informs Credendo about its commercial contract and the bank guarantees to be issued. It then completes an application form.

3. Promise of insurance

Following analysis, Credendo makes a decision and confirms its cover position in a promise of insurance valid for six months.



4. Signing of contractual documents

The exporter signs its commercial contract with the foreign buyer, requests that the bank guarantees be issued by its bank, signs its insurance policy with Credendo and pays the premium. In addition to insurance against the risks of contract termination and non-payment of agreed contract amounts, Credendo insures the exporter against the risk of calling of the guarantees issued under the contract.



5. Indemnification

If a bank guarantee is called by the buyer, Credendo will indemnify the exporter if that guarantee has been called as a result of an act by the debtor that is not lawful under the contract or of a political event.