

PRODUCT:

BOND GUARANTEE

With a bond guarantee, a Danish exporter can cover the risk of the foreign buyer's unwarranted calling of a bond issued by the exporter.

WHAT IS A BOND GUARANTEE?

Foreign buyers often require the Danish supplier to provide surety in the form of an on-demand guarantee that the supplier will honour its bid (bid bond); the buyer's advance payment for the order (advance payment bond) and for the supplier's fulfilment of the order (performance bond). Under an on-demand guarantee, the foreign buyer can claim payment from the supplier's cash deposit (the bond) without presenting other documents as proof of his claim.

With a bond guarantee, EKF covers the risk of unwarranted calling of the bond by the buyer, in other words, without the buyer making a valid claim for repayment from your company due to defects or default in performance. EKF also insures you against the risk of warranted calling of the bond by the buyer due to political circumstances such as if:

- > War/civil war (external armed conflict and domestic political violence) breaks out in the country.
- > An embargo is imposed on exports to the country
- > The public authorities of the country intervene against your export business

BENEFITS FOR YOUR COMPANY

With a bond guarantee, your company will be compensated for any loss you make if your buyer abroad unlawfully calls the bond which your company has made in connection with an export order. For example, if the buyer claims that your company has defaulted in its contractual performance and calls the bond without presenting proof of its claim.

The bond guarantee also protects your company against loss if the buyer calls money from the bond because political uncertainty has arisen in the country. For example, if the authorities prevent your company from supplying the goods or if an international embargo is placed on trade with the country.



STEPS IN THE PROCEDURE

YOUR COMPANY ACCEPTS AN ORDER FROM ABROAD

As part of the contract, the foreign buyer demands that your company issues a bond that it will honour the terms of its original bid or offer, as surety for down payment for the order, or for fulfilment of the order. The bond guarantee will in practice be made through your company's bank.

YOU APPLY TO EKF FOR A BOND GUARANTEE

Your company applies to EKF for a bond guarantee to cover your loss in the event of unwarranted calling of the bond by the foreign buyer.

EKF ASSESSES THE RISK

EKF rates the buyer's creditworthiness and the risk in the buyer's country. The risk rating is based on factors such as EKF's own experiences from the country.

EKF ISSUES THE GUARANTEE

If the risk entailed by your order is acceptable to EKF, EKF issues a bond guarantee, thereby covering your company against loss on its bond. Your company pays a premium for the bond guarantee.

TERMS AND CONDITIONS

WHO IS ELIGIBLE FOR A BOND GUARANTEE?

Danish export companies.

HOW MUCH DOES A BOND GUARANTEE COVER?

No limit applies to the amount covered by a bond guarantee.

WHAT IS THE REPAYMENT TERM OF THE GUARANTEE?

The repayment term of the guarantee depends on the agreement your company has signed with the buyer. The repayment term is often longer for a performance bond than for a bid bond or an advance payment bond.

CONDITIONS

Your company is required to meet a number of conditions in order to qualify for EKF assistance. The export order must promote economic growth in Denmark, and the buyer must be rated as creditworthy based on a thorough assessment designed to hold the Danish government free from losses.

Any business dealings involving the order must comply with EKF's requirement for good environmental conduct and corporate social responsibility. Bribery or other corrupt practices must not be used in any export transaction, and your company must be willing to allow EKF to publish certain standard details of the export transaction.

WHAT DOES EKF COVER?

EKF's guarantees cover extraordinary risks which private banks and insurance companies are either unable or unwilling to cover. EKF pays out compensation if your company or your bank makes a loss on an export transaction or investment abroad as a result of commercial or political risks.



A commercial risk means that your company's buyer is unable to pay due to liquidation, insolvency, cancellation of the contract or because the buyer is unwilling to pay. EKF has to rate the foreign buyer as creditworthy before we issue any guarantee.

A political risk means that your company does not receive payment for products due to impediments in the country you are exporting to. Such impediments include war (external armed conflict and domestic political violence), currency shortage, restrictions on use of currency, import or export bans, and interventions by local authorities that make it impossible to receive payment for the products.

As a rule, EKF pays out a maximum of 90 per cent of the loss in compensation to your company. As an exporter, your company therefore has to cover a deductible of at least 10 per cent of the commercial and political risks.

WHAT DOES IT COST?

Advice is available free of charge from EKF, and a conditional offer is also free of charge. The offer is valid for up to six months.

Your company pays a premium for an EKF guarantee. We calculate the premium on the basis of the overall risk of the specific export transaction: sector, guarantee term, the foreign buyer's circumstances and political conditions in the country.

You can get an idea of the cost by using the EKF **premium model** on our website.

All countries are classified in a premium category from 1 to 7. Countries with the lowest risk are in category 1 and are therefore the cheapest to insure. Countries with the highest risk and the highest premium are in category 7.

EKF classifies buyers and banks in premium categories from A to F with A being the lowest risk category and F being the highest. Private buyers are classified in premium categories from C to F, while banks are placed in premium categories from B to D.

For a credit amount/coverage amount of less than DKK 25 million, EKF's premium generally follows the standard premium model. For amounts of more than DKK 25 million, EKF determines the premium on the export order on a case-by-case basis.

HOW DO I APPLY?

Contact EKF to learn more about how we can assist your company with financing your exports.

Write to ekf@ekf.dk or call +45 35 46 61 00. Our switchboard is open 8:30 am to 4:30 pm Monday to Thursday and Friday 8:30 am to 3:30 pm.

You can also write to or call our customer advisers directly. Find our contact details on our website www.ekf.dk