

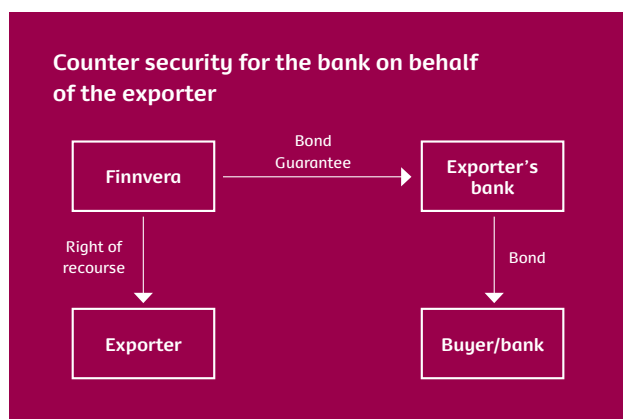
- The Bond Guarantee is counter security for the bank issuing a bond on behalf of the exporter in favour of a foreign buyer. The bonds that the buyer may require include, for example, a bid bond, an advance payment bond, a performance bond or a maintenance period bond.
- The exporter can use the Bond Guarantee to insure the unfair calling of the bond given by the bank to the buyer.
- The guarantee can be used to cover risks arising from the buyer, from the exporter or from both parties, depending on the bank's and exporter's hedging needs.

Bond Guarantee – exporter's insurance against risks and counter security for the bank

The guarantee alternatives and coverage

Counter security for the bank on behalf of the exporter

The guarantee serves as counter security for the bank issuing a bond on behalf of the exporter in favour of a foreign buyer. By virtue of the guarantee, the bank is entitled to compensation if the buyer calls the bond. The guarantee coverage for the bank varies with project and the maximum is 80%. Finnvera collects the full amount of the compensation paid to the bank from the exporter (see the figure below).



Risk insurance for the exporter

For the exporter, the guarantee means insurance against calling of the bond. The guarantee provides cover against unfair calling of the bond and against calling of the bond owing to political risks.

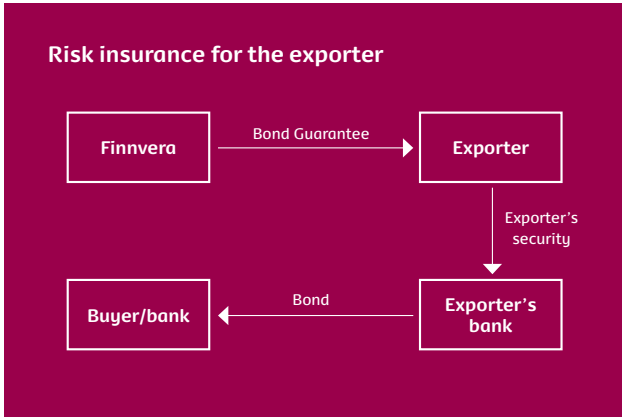
Political risks include war, insurrection or other such event in the buyer's country preventing the exporter from fulfilling the obligations under the contract, with the result that the buyer calls the bond. The guarantee does not cover situations in which the bond is called owing to the exporter's actions.

Finnvera compensates the exporter for the called bond to the extent shown by the cover percentage. The cover percentage is generally 90% for losses due to unfair call. For losses caused by a political event, the coverage is generally 95–100% (see the figure on the next page).

Counter security for the bank and risk insurance for the exporter

The guarantee serves as counter security for the bank. At the same time, it provides cover against unfair calling of the bond and against calling of the bond owing to a political event.

Finnvera recovers the compensation paid to the bank by virtue of the guarantee from the exporter, in full or in part. Finnvera's right of recourse towards the exporter is deter- ▶



mined on the basis of the event that has caused the loss eligible for compensation and on the basis of the cover percentage.

If the loss is caused by unfair calling of the bond, or if the loss is caused by a political risk, Finnvera generally in practice does not collect the compensation from the exporter. In all other cases, Finnvera collects from the exporter the full compensation paid to the bank.

Conditions for granting the guarantee

The bond covered by the guarantee must be limited as to its amount and validity period. The bond may be issued by a Finnish or foreign bank or insurance company. The exporter

may be a Finnish company, its foreign subsidiary or a consortium involving a significant Finnish party.

When considering the granting of a guarantee, Finnvera analyses the creditworthiness of the exporter, the buyer and the buyer’s country. The conditions for granting the guarantee are also affected by the law governing the delivery contract and by the procedure selected for the settlement of disputes.

Guarantee costs

The guarantee premium is determined separately in each case. It depends on the risks covered and on the creditworthiness of the buyer, the buyer’s country and the exporter. A handling fee for handling the guarantee application and for any changes that are made to the guarantee are charged.

Application for a guarantee

The application for a guarantee is filed by the exporter.

For further information, please contact the Export Credit Guarantees Unit or one of Finnvera’s regional offices.

*Application forms can be downloaded from Finnvera’s website. You can apply for Finnvera’s Bond-Guarantee online at www.finnvera.fi – Online Services.
Telephone service 020 690 784 – advice on financing and on how to fill in applications.*

Finnvera plc, Telephone intl. +358 20 460 11, www.finnvera.fi
Regional offices: Helsinki, Joensuu, Jyväskylä, Kajaani, Kuopio, Lahti, Lappeenranta, Mikkeli, Oulu, Pori, Rovaniemi, Seinäjoki, Tampere, Turku, Vaasa
www.enterprisefinland.fi