

CREENDO OFFERS EXPORTERS AND BANKS PROTECTION IN TRANSACTIONS PAYABLE THROUGH BUYER CREDIT AGAINST NON-PAYMENT AND TERMINATION RISKS RESULTING FROM DEBTOR DEFAULT OR POLITICAL EVENTS.

What is buyer credit?

Where an exporter is not willing to take responsibility for financing an export contract by granting a payment term or supplier credit, it may ask its bank to grant the buyer credit intended to finance the export contract. This credit facility is known as 'buyer credit'. This type of credit provides a competitive advantage for the exporter, which is able to grant a payment term for its buyer and to be paid in cash on a progressive basis during performance of the export contract.

Buyer credit is generally used in exports of capital goods and services with a value in excess of EUR 5 million and with a credit term of more than two years.

What does Credendo offer exporters and banks?

An exporter is exposed to the risk that the buyer might not meet its payment obligation (non-payment risk) or that the export contract might be terminated (termination risk).

In principle, buyer credit means that the exporter is paid in cash through the buyer credit granted to the buyer by the bank but there may still be a risk of non-payment, for example in the case where the buyer credit is suspended. Credendo insurance protects the exporter from this risk of non-payment, irrespective of whether that non-payment is due to debtor default (bankruptcy, financial difficulties experienced by the buyer, etc.) or a political event (war, government fiat, shortage of currency, natural disaster, etc.). In such a case, Credendo will indemnify the exporter in the amount of the unpaid claim.

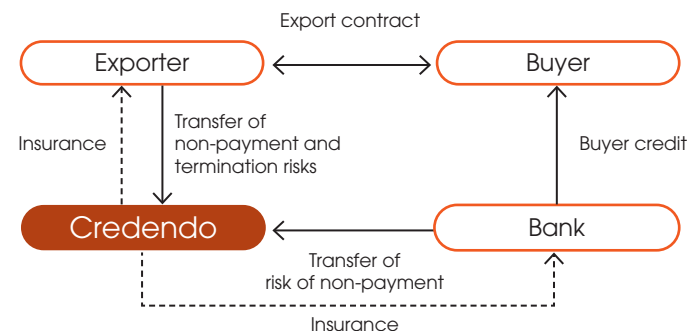
Credendo insurance also offers exporters protection against the risk of termination of an export contract, to which the exporter is fully exposed. Here too, termination may result from debtor default or a political event. Credendo will indemnify the exporter for all costs incurred by that party in performing the export contract.

An exporter can also be insured by Credendo against the risk of calling of bank guarantees issued in favour of a 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 (see the product brochure on 'Bank guarantee insurance').

By granting buyer credit, the bank assumes a risk of non-payment of the amounts to be repaid by the buyer under the buyer credit. This risk is also covered by Credendo where it results from debtor default or a political event. In such a case, Credendo will indemnify the bank on the basis of the amount of the unpaid claim (principal and contractual interest).

Credendo will use its expertise to help the exporter and the bank recover any amount payable by the buyer and will participate in the costs of recovery.

Structure of buyer credit insurance



What is the maximum percentage payable by Credendo?

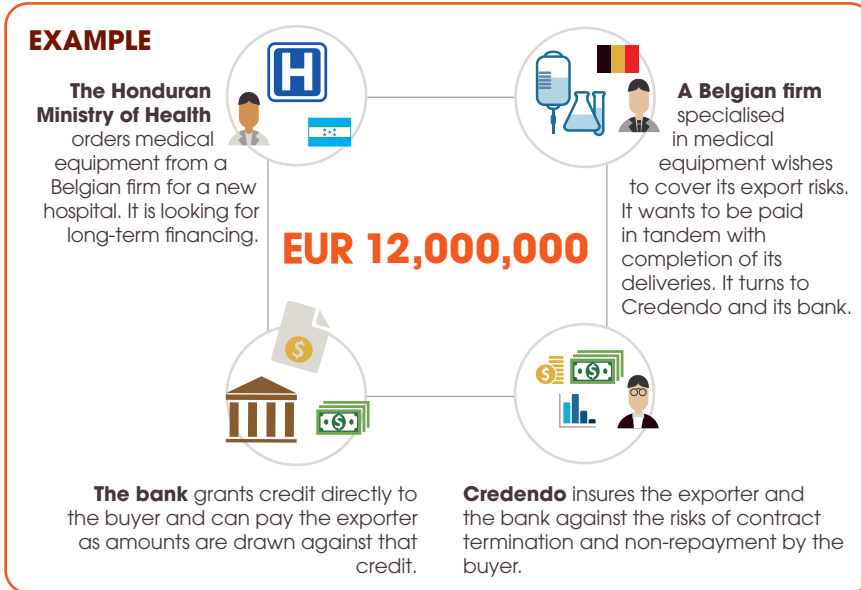
Buyer credit insurance covers an exporter and a bank up to a maximum percentage, referred to as the 'percentage of cover', generally set at 95% or 98% of the loss sustained. The exporter and the bank are therefore still responsible for covering a portion of the risk (5% or 2%).

Who can obtain this insurance?

Any exporter signing an export contract with a link to Belgium and any Belgian or foreign bank may obtain the insurance offered by Credendo, subject to certain conditions laid down by the OECD.

How much does buyer credit insurance cost?

The premium depends on the creditworthiness of the buyer, the destination country and the term of the transaction. It is based on objective OECD standards. The premium is expressed as a percentage of the amount covered. This premium is payable when the policy is issued.



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

Further information

E solutions@credendo.com
T +32 2 788 87 76
www.credendo.com

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. Before the contract**
At any time during the preparation of its export project, an exporter may approach Credendo for information and details about premiums.
- 2. Insurance application**
The bank analyses the exporter's project with a view to structuring credit for the foreign buyer.
- 3. Credendo insurance application**
The exporter informs Credendo about its commercial contract currently being negotiated with the foreign buyer. The bank informs Credendo about the preparation of the buyer credit. Together, the exporter and the bank complete an insurance application form.
- 4. Promise of insurance**
Following analysis, Credendo makes a decision and confirms its cover position for the exporter and the bank in a single promise of insurance valid for six months.
- 5. Signing of contractual documents**
The exporter signs its commercial contract with the buyer, signs the insurance policy with Credendo and pays the premium. The bank signs its credit with the buyer, signs the insurance policy with Credendo and pays the premium. Credendo insures the exporter against the risks of termination of the contract and non-payment and insures the bank against the risk of non-payment on contracted payment dates.
- 6. Delivery of products and services**
The exporter delivers the products and services as agreed in the commercial contract. The bank draws on the credit granted to the buyer and pays the exporter in tandem with the deliveries being made.
- 7-8. Repayment of the credit**
The buyer repays the credit on the payment dates agreed in the buyer credit.
- 8. Indemnification**
If the contract is terminated and/or the credit is not repaid, Credendo will indemnify the exporter and/or the bank.