2L

Letter of Credit Guarantee

EIFO's letter of credit guarantee is a state-backed coverage of the risk your bank assumes when taking on exposure to a foreign bank.

Examples of Coverage Purposes

Ensures payment from the customer's bank when you deliver according to the terms of the letter of credit.	Reduces the risk of **trading in markets characterized** by political or economic **uncertainty.**	Protects against **loss if the customer refuses to pay** despite correct delivery.
Guarantees payment – even **in cases of force majeure.**	Ensures payment even if **currency restrictions or capital controls** arise.	**Enables the bank** to confirm the letter of credit **in high-risk markets** with EIFO as security.

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The Process

1. Payment is secured by having the customer's bank issue a letter of credit.
2. The letter of credit ensures payment upon delivery of compliant documentation.
3. The exporter's bank must confirm the letter of credit, thereby assuming financial risk.
4. EIFO then provides coverage for the bank's risk through a letter of credit guarantee.

Terms and Conditions

Guarantee amount
Unlimited for ad hoc applications. In portfolio agreements: up to DKK 25 million.

Risk period
The validity period is linked to the tenor of the letter of credit, and the credit period under the letter of credit can be up to 5 years.

Early repayment
If the letter of credit remains valid, the guarantee cannot be redeemed prematurely unless the bank requests cancellation of the guarantee. A premium is payable until the guarantee is terminated.

Term
Max. 2 years. Possibility of extension.

Guarantee percentage (bank's loss)
Up to 95%, depending on the assessment and the size of the transaction.

Coverage
Covers the risk of non-payment by a foreign bank under a confirmed letter of credit, including commercial and political risks.