			50%				Option 1			Option 2			Option 3			Exposure Guarantor	Commitment Obligor
		Scheduled	Covered	Uncovered		Real	Covered	Uncovered	Total	Covered	Uncovered	Total	Covered	Uncovered	Total		
Exposure	M 0	100	50	50		100	50	50	100	50	50	100	50	50	100	0	100
Payment Obligor	M 6	60				0											
Payment Guarantor	M 6																
Exposure	M 6	40	20	20		100											
Payment Obligor	M 7					10		10		5	5		5	5		0	90
Exposure	M 7						50	40	90	45	45	90	45	45	90		
Payment Guarantor	M 8					25	25			25			25			25	
Exposure	M8						25	40	65	20	45	65	20	45	65		
Payment Obligor	M 10					10		10,0		3,1	6,9			5,0		5,0	10,0
Exposure						55,0	25,0	30,0	55,0	16,9	38,1	55,0	20,0	40,0	60,0	20	80,0
Payment Obligor		40															
Payment Guarantor																	
Exposure	M 12	0	0	0													
Payment Guarantor	M13					20	20			20,0	0,0		20				
Exposure	M13						5,0	30,0	35,0	-3,1	38,1	35,0	0,0	40,0	40,0		
LGD 6m								60%			76%			80%			
LGD 12 m								60%			76%			80%			

Comments

We need to assume that the obligor had to reimburse in 2 instalments, one of 60 on Month 6 and one of 40 on Month 12.
If there is only one instalment of 100 on Month 6, the guarantor would be committed to reimburse 50. If it only pays 25, this means that it would not comply with its commitment, which is probably something which is not considered in the example.
(it also reflects the normal pratice of an idemnification according to the original repayment schedule, with no acceleration or global indemnification)
If the obligation of the obligor in Month 6 was below 60, the guarantor would not be committed to pay 25 in Month 8 after the first payment of the obligor of 10 in Month 7
(the guarantor has no reason to indemnify the debtor for an amount higher than the expected payment under the secured portion)

Option 3 reflects the normal case where recoveries on the obligor made after the indemnification are shared according to the respective exposures of the institution and the guarantor after the indemnification
Recoveries on the obligor recognized to the guarantor do not affect the exposure under the covered portion; they only affect the accounts ot the guarantor

Assuming that the obligor will not pay anything else after Month 8, LGD on the unsecured portion is then 80%,which is in line with its payment of 10 vs a commitment of 50
The payment of 20 made by the guarantor in Month 13 is the normal way for him to comply with its commitment of indemnifying the whole covered portion
A problem might then appear with Option 1 as it remains a covered portion of 5 and with Option 2 as the indemnification would be higher than the balance of the covered portion