Trade Risk Distribution

Anurag Chaudhary, Global Head of Trade Distribution & Syndications
Poll Question #1

Which are the investment solutions your Bank uses to invest your surplus liquidity?

- Bank Deposits
- Bonds / Treasury Bills
- Money Market Funds
- Commercial Paper
- Secondary Market Trade Assets
- Others
Surplus Liquidity: Investment Opportunities

Investment Solutions

- Bank Deposits
- Bonds
- Money Market Funds
- Commercial Paper
- Others
- Trade Assets

Traditional Solutions yielding Libor, or a bit above Libor

Explore new opportunities

Current Fund Liquidity

Invest

Libor Plus Returns

Short and Long term, High quality Trade Assets

Key Advantages

- Opportunity to invest excess liquidity in some good quality assets at no incremental expense
- Diversify your bank’s investment portfolio, especially in non-presence geographies i.e. leverage Citi’s geographic reach in over 100 countries around the world
- Expand your client base globally – Citi’s Global Transaction Services serves 94% of the world’s Fortune 500 companies, Financial Institutions and leading top tier Insurance Companies
- Participate in the credit and/or performance risk of a trade transaction without necessarily assuming the underlying documentary/operational efforts
- Convert unutilised credit facilities into an annuity asset and a revenue stream
- Acquire knowledge of trade structures and markets by participating in diverse deals
Investing Excess Liquidity in Trade Assets that Yield Libor Plus

The overall return on your excess liquidity from investing in Trade Assets is likely to be greater than your investments in traditional solutions.

<table>
<thead>
<tr>
<th>Surplus Funds/Liquidity</th>
<th>Trade Portfolio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decision Maker(s)</td>
<td></td>
</tr>
<tr>
<td>Treasury</td>
<td>Trade Product Manager, Correspondent Banker, Risk</td>
</tr>
<tr>
<td>Activities</td>
<td></td>
</tr>
<tr>
<td>Traditionally invests surplus liquidity that cannot be used to provide client solutions in Deposits, Commercial Paper, Bonds, Treasury Bills</td>
<td>Traditionally originates new deals and support the clients trade business by maximising existing credit lines. However, there may be situations where because of FCA concentration limits or lack of origination, the lines are lying idle which results in surplus liquidity</td>
</tr>
<tr>
<td>Typical Returns</td>
<td></td>
</tr>
<tr>
<td>LIBOR to LIBOR +/- 5bps</td>
<td>Libor + Y% p.a + ΔX%</td>
</tr>
</tbody>
</table>

- Invest your excess bank’s liquidity in Trade Asset with Citi on a funded basis
- Your return on your investment
  - Interest rate on Funds: LIBOR +/- 5bps → Total Return Libor + Y% p.a + ΔX%
  - Risk Participation Fee: Y% p.a.
- The Y% p.a. risk participation fee that Citi is able to offer would also be higher by ΔX% than the return if you were a participate on an unfunded basis. This is because Citi does not have to take counter-party risk on your entity in a funded participation compared to an unfunded participation
- The risk participation fee of Y% p.a. is determined by various factors such as the obligor, the tenor, the goods, the instrument type, etc. of the underlying Trade Asset
- Therefore, the overall return on your excess liquidity from investing in Trade Assets is likely to be greater than your investments in traditional solutions
### Brief Description of Possible Trade Asset Classes

<table>
<thead>
<tr>
<th>Description</th>
<th>Receivables</th>
<th>Clean Loans</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Product Description</strong></td>
<td>Receivables under letter of credit</td>
<td>Un-secured trade loans</td>
</tr>
<tr>
<td></td>
<td>Account Receivables</td>
<td>Un-secured trade loans</td>
</tr>
<tr>
<td><strong>Borrowers</strong></td>
<td>Emerging market FI/Bank risk</td>
<td>Emerging market FI/Bank risk</td>
</tr>
<tr>
<td></td>
<td>OECD large Corporate Obligors</td>
<td>Emerging market large corporate obligors</td>
</tr>
<tr>
<td><strong>Ratings</strong></td>
<td>BBB+ or better</td>
<td>BBB+ or better</td>
</tr>
<tr>
<td></td>
<td>BBB+ or better</td>
<td>BBB+ or better</td>
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<tr>
<td></td>
<td>US$100 mn – US$250 mn</td>
<td>US$25 mn – US$100 mn</td>
</tr>
<tr>
<td><strong>Tenors</strong></td>
<td>Upto 6-months</td>
<td>Upto 12-months</td>
</tr>
<tr>
<td></td>
<td>Upto 6-months</td>
<td>Upto 12-months</td>
</tr>
<tr>
<td><strong>End Use of Funds</strong></td>
<td>Trade financing only</td>
<td>Trade financing only</td>
</tr>
<tr>
<td></td>
<td>Trade financing only</td>
<td>Trade financing only</td>
</tr>
<tr>
<td><strong>Documentation</strong></td>
<td>Letter of credit</td>
<td>Standard trade loan documentation</td>
</tr>
<tr>
<td>Between Citi and Borrower</td>
<td>Supplier Finance documentation</td>
<td>Standard trade loan documentation</td>
</tr>
<tr>
<td><strong>Examples</strong></td>
<td>State Bank of India, India</td>
<td>State Bank of India, India</td>
</tr>
<tr>
<td></td>
<td>ICBC China</td>
<td>ICBC China</td>
</tr>
<tr>
<td></td>
<td>Banco de Brasil, Brazil</td>
<td>Banco de Brasil, Brazil</td>
</tr>
<tr>
<td></td>
<td>Akbank Turkey</td>
<td>Akbank Turkey</td>
</tr>
<tr>
<td></td>
<td>Walmart</td>
<td>Walmart</td>
</tr>
<tr>
<td></td>
<td>AT&amp;T</td>
<td>AT&amp;T</td>
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<tr>
<td></td>
<td>Dell</td>
<td>Dell</td>
</tr>
<tr>
<td></td>
<td>Reliance India</td>
<td>Reliance India</td>
</tr>
<tr>
<td></td>
<td>Tupras Turkey</td>
<td>Tupras Turkey</td>
</tr>
<tr>
<td></td>
<td>Indian Oil Company</td>
<td>Indian Oil Company</td>
</tr>
</tbody>
</table>
What's in For The Investor?  
Benefits and Investment Liquidity.

Benefits for The Investor

- Diversification of investment portfolio via new opportunities
- Usually short-term (3 months to 12 months)
- Citi’s skin in the game – from the disbursement of trade financing till maturity, Citi will always have a certain pro-rata share in the underlying trade transaction (10%-30% of the deal)
- Underlying Obligors usually have some external ratings, however, the underlying participation agreements are not rated
- Ability to know the end purpose of the underlying trade financing (as Citi can provide copies of Letters of credit, invoices, bills of lading, etc.)
- Covering both insurance risks and FI/bank risks
- Standardised documentation between the client and Citi for each trade product categories
- Centralised investment operations in one place i.e. Citi
What’s in For The Investor?
Benefits and Investment Liquidity.

Potential Secondary Liquidity for Trade Assets

- Even though trade assets usually have shorter tenors (i.e. less than 1 year maturity), we understand that there may be situations where the client may wish to exit its investments prior to maturity of the underlying trade transactions.

- Given Citi’s relationship with the client, and as an additional value proposition, Citi’s Trade Distribution team might be able to help identify potential investors for certain trade transactions in the secondary market, for a finder’s fee:
  - Trade assets (especially emerging market Insurers and FIs/banks) are usually in demand from various investors (usually banks).
  - Compared to other asset classes, the secondary market for trade assets is unstructured, and asset sales are undertaken via word-of-mouth.
  - Citi has relationships with approximately 250+ investors globally for trade asset sales.
  - In case you would like to exit from some trade assets it may acquire in the future prior to maturity, Citi might be able to help identify potential investors who might be interested in buying these trade assets in the secondary market from you for a "finder’s fee," on an uncommitted basis (any profit/loss would be passed onto you).
  - Also, you have the option to approach the Lloyds market or the US insurance market to consider available comprehensive insurance policies covering credit and cross-border risks.
Poll Question #2

*How does your bank describe *Reciprocity* from its correspondent bank?*

- Routing LC Flows
- Utilization of surplus of liquidity to purchase assets
- Others – Bilateral / New ideas of reciprocity
- Guarantees / SBLC local reissuance
- Correspondent Bank to place USD with your bank via Money Markets.
### Possible Reciprocity Solutions

<table>
<thead>
<tr>
<th>Product</th>
<th>Pro’s</th>
<th>Con’s</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LC Flows</strong></td>
<td>• Must be attractive to all Banks i.e. pricing &amp; capital weightage</td>
<td>• Beneficiary decides LC confirmation &amp; discounting Bank</td>
</tr>
<tr>
<td></td>
<td>• Short term &amp; self liquidity</td>
<td>• Difficult to change Banks</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Beneficiary calling unit to win mandates /conversion rates.</td>
</tr>
<tr>
<td><strong>Utilization of surplus of liquidity to purchase assets</strong></td>
<td>• Ability to buy attractive LC discounting &amp; LC confirmation risk</td>
<td>• Not disclosed to beneficiary i.e. silent participation, thus limited client relationship benefits.</td>
</tr>
<tr>
<td></td>
<td>• Also buy different trade asset product categories like trade loans &amp; supplier finance as well.</td>
<td>• Secondary market pricing usually lower than primary deals.</td>
</tr>
<tr>
<td></td>
<td>• Utilisation of surplus liquidity</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Ability to fill unutilized credit facility.</td>
<td></td>
</tr>
<tr>
<td><strong>Others - New ideas of reciprocity</strong></td>
<td>• Customized solution on bilateral basis between two banks</td>
<td>• Inability to replicate with different banks</td>
</tr>
<tr>
<td></td>
<td>• Depends upon what various banks can offer.</td>
<td></td>
</tr>
<tr>
<td><strong>Guarantees / SBLC local reissuance</strong></td>
<td>• Contingent / unfunded assets thus quite attractive</td>
<td>• Number of local correspondent banks compete for guarantees / SBLCs local reissuances.</td>
</tr>
<tr>
<td></td>
<td>• Simple &amp; easy to execute product</td>
<td>• Fine pricing due to competition</td>
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<tr>
<td></td>
<td></td>
<td>• Depends upon branch network</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Operationally cumbersome as numerous loans and different guarantee texts.</td>
</tr>
<tr>
<td><strong>Citi to place USD with your bank via Money Markets.</strong></td>
<td>• Another way to generate USD funding</td>
<td>• Number of banks compete for the same USD deposits.</td>
</tr>
<tr>
<td></td>
<td>• Standard money market documentation</td>
<td>• Under Basel III – difficult liquidity thresholds for Bank deposits.</td>
</tr>
<tr>
<td></td>
<td>• Simple &amp; quite easy to raise funding</td>
<td></td>
</tr>
</tbody>
</table>
Poll Question #3

*Which of the following is the most key considerations for Raising Short & Long term Funding?*

- Simple documents for funding
- Does your treasury wants to diversify sources of funding?
- Quick to the market for raising funding
- Pricing not disclosed to the public via platforms like Bloomberg.
- Bring new Investors i.e. Banks & NBFIs for funding
“Club” Trade Advance / PN Discounting Facilities
A one-stop solution for trade credit and operations requirement

Transaction Structure Overview

Underlying Documentation:

a) Documentation between Citi and the Obligor:
   - Trade Advances
   - Promissory Note

b) Documentation between Citi and the Club Investor:
   - Master Risk Participation Agreement (MRPA, BAFT-MPA) – one-off
   - Risk Participation Certificate (RPC) – per transaction
   - Underlying documentation, e.g. LC copy / Trade Advance documentation – per transaction

Process Flow:

- Whilst a Beneficiary is paid at an agreed time the Trade Advance enables the Obligor to “Advance” financing to its client, the Applicant.
- Citi extends financing on the back of either CARTA (a pre-arranged bilateral agreement, “Continuing Agreement for Reimbursement of Trade Advances”) or Promissory Note. It is in essence a trade facility that identifies an allocated and approved credit line for trade advances, from which disbursements, credit or advances will/may be made at request.
- Citi will only extend financing on the basis of an evidential trade flow. On the back of an LC be it sight, issuance or where Citi is the Reimbursing Bank.
- On Open Account (i.e. no underlying Letter of Credit) but supporting Trade documents will be required for evidence of trade flow (i.e. Bill of Landing, Commercial Invoices, Custom Documentation).
- With the consent of the Obligor, Citi will create a Club and pool in credit facilities with its Investor banks in order to disburse the TA to the Obligor.
- The Obligor checks its line availability with its relationship banks for formation of a Club structure. The Obligor instructs them to sub-participate in the Trade Advance with Citi, Unfunded / Funded basis.
- Citi subsequently disburses the Trade Advance and contacts the Club investors and to conclude and sign the Risk Participation certificate (offer).
- At maturity, Citi recovers the Trade Advance (plus interest) from Obligor and distributes to Investors based on their pro-rata share under the RPC.
- Citi will handle all services related issues relating to the transaction.
- Beneficiary is transparent to Investors but needs only to interact with Citi.
- All documents will be presented under the LC to Citigroup Upon receipt of claim and non-payment from obligor, Citi will lodge a claim on other Participant Banks under the MRPA / RPC.
A 3-Step process:

- **Tranche A** – Citi Hold: Citi, as Fronting Bank, will typically hold around 15-25% of the transaction
- Tranche B – the “Bank” will have over 40-50 correspondent banks, with around 10-15 “core” relationships. Citi will approach the “core” names, with direct support from “Bank”, for following reasons
  - Each core relationship bank will have up to $15-25mm unutilized capacity. This will help lower the price and ensure a successful syndication
  - Any remaining part of the transaction could be placed with “non-core” relationship banks, depending on their relationship history and credit comfort with the “Bank”
- Tranche C – Non-Relationship Banks: Citi will also approach to investors globally, who are looking at expanding their portfolio.

Why is Citi Recommending a 3-Step Process?

- Bank market and risk appetite for investors has significantly changed in last few years, thanks to the global market turmoil, but particularly recently across Europe and other regions, too.
- Banks are being increasingly selective in approving additional credit limits, requiring higher returns as well as the prospect of “relationship” upside
- The addition of some “core” relationship banks of the “Bank” will help reduce pricing
- Participation from new investors banks will help introduce the “Bank” to new investors in other markets
Principle Investor Requirements and Concerns

Based on our earlier experience in similar transactions, below are some of the points, which need to be considered, while structuring the deal and approaching the market

- **Pricing**: In order to lower the pricing as much as possible, it is important to bring along core and non-core relationship banks, into the “club”.

- **Underlying documents**: The investors would need to see a very clear link between the financing facility, and the underlying trade transactions. In order to evidence this, the details of the underlying transactions should be shared. These could include copy of invoices, bill of lading, etc.
  - If the facility is structured as a “trade” financing, and if it is “evidenced” with relevant documents (see below sample MIS table), there is usually higher capacity and better price in market.

- **Link with home country or client**: Thanks to the recent turmoil in the markets, which forced the investor community globally to be more prudent about their appetite, majority of the investors are looking for a link with
  - their own country (i.e. German investor with Germany) to demonstrate that they are supporting their country’s trade business, or
  - one of their clientele, either from importer or exporter side.

- Citibank understands the “Bank’s” requirements and concerns about confidentiality, too. In order to make this club trade facility a success, Citi is willing to work with the “Bank”, to address the above points, to meet both sides’ requirements

- (*) Please see below a sample MIS table, which could be provided to the investors, covering the basic information about the underlying trade flows (*unless otherwise requested by the “club” banks*).

<table>
<thead>
<tr>
<th>Trx. #</th>
<th>Name of “Bank” client</th>
<th>Reference #</th>
<th>Amount Outstanding</th>
<th>Underlying Goods</th>
<th>Maturity</th>
<th>Tenor</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
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</tbody>
</table>
Next Steps & Execution Considerations

A systematic approach with attention to detail will ensure that the “Bank” can achieve an optimal structure that is workable, efficient and can be executed in a timely manner even in difficult market conditions.

Next Steps

- Discuss transaction details and requirements and agree on terms and conditions for the Club Trade Facility
- Agree on in-principle term sheet, with formal mandate
- List 10 to 15 “core” relationship banks, which Citi will approach to, with the “Bank” support.
- Agree on timeline for execution
- Work with the “Bank”, to finalize list of investors, to form the “club”
- Put together financial information and a presentation on the “Bank”
- Arrange Road-Shows for the “Bank”, if/as required, to better place the risk in the “global” markets
Poll Question #4

What is your position with regard to new markets for incremental revenues?

• Your bank is investing in expanding to new markets to grow its business/revenues

• While your bank is in growth mode, and needs to enter new markets, there is limited action due to expense constraints resource availability, etc.
Fl/Bank Risk

Product Offering

- **Un-funded**
  - Standard un-funded risk participations under MRPA
  - Covering LCs, guarantees and trade loans
  - Usually a “silent” basis
  - Citi can hold minimum 10%

- **True Sale**
  - Citi’s preference to sell funded trade assets via “funded” participation basis only
  - These deals are structured via legal assignment i.e. true sale basis
  - Citi can hold minimum 10%

- **“Club”/Syndications**
  - Client/Bank looking for US dollar funding to support their trade flows
  - Usually large ticket (US$ 20mm to US$ 500mm)
  - No one bank can provide entire funding
  - Hence, we need to create a “club” of banks
  - Standard Trade Advance documentation
  - Citi hold 20%-30%

Other Considerations

- Transactions shared via weekly Asset-for-Sale book
- Citi will need partner banks to buy US$ 20-25 million on “relationship” basis

- Fully “disclosed” to Obligor
- Each Bank to advise its credit and XB appetite initially
- Once, the “Club” is formed then Bank can discuss with Obligor

Underlying Documentation

- Standard MRPA & RPCs
- Standard MRPA with additional clauses in RPCs
- Citi gives legal assignment to partner banks i.e. Legal true sale
- However, Citi still act like an agent to collect funds and will continue to “service” the transaction/ funds flows
- No Citi counterparty risk

- Standard MRPA with additional clauses in RPCs
- However, Citi still act like an agent to collect funds and will continue to “service” the transaction/ funds flows
- Structured as part funded and un-funded risk participations

Clusters | Countries
---|---
Sub-Sahara Africa | Nigeria, Kenya, Ethiopia, Ghana, Mauritania, Malawi
North Africa | Morocco, Egypt
CIS | Kazakhstan, Ukraine
CEE | Belarus, Romania
Europe | Greece, Portugal, Ireland, Spain, Italy

Clusters | Countries
---|---
Asia | China, India, South Korea, Vietnam
Turkey | Turkey, Azerbaijan, Georgia
ME | UAE, Qatar, Kuwait, Oman, Lebanon & Pakistan
Latam | Brazil, Colombia, Chile, Argentina
Citi’s Global Network

Citi operates the world’s largest network of international Citi Transaction Services business, with a presence in over 102 countries, and a correspondent network of over 3,000 banks.

- Average liability balances of USD314 billion
- Assets under custody of USD11.8 trillion
- Serving 94 percent of the world’s Fortune 500 companies
- 23,000 employees in TTS globally

North America
- Canada
- Mexico
- US

Western Europe
- Belgium
- Channel Islands
- Denmark
- Finland
- France
- Germany
- Greece
- Iceland
- Ireland

Central and Eastern Europe
- Bulgaria
- Czech Republic
- Hungary
- Kazakhstan
- Poland
- Romania
- Russia
- Serbia
- Slovakia
- Turkey
- Ukraine

Indian Sub-continent
- Bangladesh
- India
- Pakistan
- Sri Lanka

Africa
- Algeria
- Cameroon
- Congo
- Gabon
- Ghana
- Ivory Coast
- Kenya
- Mauritius
- Morocco
- Nigeria
- Senegal
- South Africa
- Tanzania
- Tunisia
- Uganda
- Zambia

Middle East
- Bahrain
- Egypt
- Israel
- Jordan
- Kuwait
- Lebanon
- Qatar
- United Arab Emirates

Asia Pacific
- Australia
- Brunei
- China
- Guam
- Hong Kong
- Indonesia
- Japan
- Korea
- Macau
- Malaysia
- New Zealand
- Philippines
- Singapore
- Taiwan
- Thailand
- Vietnam

Latin America
- Argentina
- Aruba
- Bahamas
- Barbados
- Bermuda
- Bolivia
- Brazil
- Cayman
- Chile
- Colombia
- Costa Rica
- Dominican Republic

- Ecuador
- El Salvador
- Guatemala
- Haiti
- Honduras
- Jamaica
- Panama
- Paraguay
- Peru
- Puerto Rico
- Trinidad
- Tobago
- Uruguay
- Venezuela

Average liability balances of USD314 billion
Assets under custody of USD11.8 trillion
Serving 94 percent of the world’s Fortune 500 companies
23,000 employees in TTS globally
Poll Question # 5

*Is your bank looking at diversifying its trade assets portfolio, and if so, into which category?*

- FI related trade assets (<1 years)
- Corporate related trade assets (<1 years)
- ECA, government and trade financing (10-12 years)
<table>
<thead>
<tr>
<th>Corporate Trade Product Categories</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Structure</strong></td>
</tr>
<tr>
<td>• Ability to access Citi's supplier finance programs to key Global Companies across US, Asia and Europe</td>
</tr>
<tr>
<td>• Core to a company and vendor management process</td>
</tr>
<tr>
<td>• Using Citi's Supply Finance technology platform</td>
</tr>
<tr>
<td>• Using Trust structure thereby eliminating Citi's counterparty risk</td>
</tr>
<tr>
<td>• Pari-passu to all other investors and Citi</td>
</tr>
<tr>
<td>• the underlying client company uses its ARs as collateral for discounting thus receiving an amount equal to a reduced value of the receivables pledged</td>
</tr>
<tr>
<td>• This sort of structure helps companies in freeing up capital that is 'frozen' in receivables, also transferring the default risk to the financing company</td>
</tr>
<tr>
<td>• Discounting Accounts Receivables for companies actual sales</td>
</tr>
<tr>
<td>• Exposure to large companies or distribution networks</td>
</tr>
<tr>
<td>• Strategic alliances / &quot;clubs&quot; Citi and the FI can partner for a (a) joint pitch or (b) depending upon RFP</td>
</tr>
<tr>
<td>• Tenors range between 10-14 years (door-to-door) with avg life of 7-8 yrs</td>
</tr>
<tr>
<td>• Underlying Agencies: Hermes, GIEK, ECGD, US EXIM, Finnvera, JBIC, MIGA, K-Sure, Nexi etc.</td>
</tr>
<tr>
<td>• Pricing: market driven w ith Upfront Fee and Credit Spread</td>
</tr>
<tr>
<td>• Number of corporate clients are looking for import LC issuance for procurement of capital goods and key commodities (like Oil) which are usually large ticket</td>
</tr>
<tr>
<td>• Clients want Citi to “front” these contingent transaction</td>
</tr>
<tr>
<td>• Given the large ticket, Citi syndicates these instruments via un-funded risk participations to various counter-parties</td>
</tr>
<tr>
<td>• Usually “disclosed” to corporate client – therefore full relationship” benefits</td>
</tr>
<tr>
<td>• Like FIs/ Banks – some key global corporate clients and top-tier local corporates are looking for trade loans</td>
</tr>
<tr>
<td>• Tenors usually less than 1-year</td>
</tr>
<tr>
<td>• Structured as a “bilateral” trade loan and sold-down via “funded” risk participation structures</td>
</tr>
<tr>
<td>• Usually “disclosed” to corporate client – therefore full “relationship” benefits</td>
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<tr>
<td><strong>Programs</strong></td>
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<tr>
<td>• Technology:</td>
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<tr>
<td>• Automotive</td>
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<tr>
<td>• Telecom</td>
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<tr>
<td>• Consumer:</td>
</tr>
<tr>
<td>• Durables</td>
</tr>
<tr>
<td>• Pharmaceutical Companies</td>
</tr>
<tr>
<td>• Distributor Finance:</td>
</tr>
<tr>
<td>• Tech Company – financing their Distributor chain (90-days receivables)</td>
</tr>
<tr>
<td>• Accounts Receivables:</td>
</tr>
<tr>
<td>• Supplier receivables from consumer durable company (270- days receivables)</td>
</tr>
<tr>
<td>• Insured covered accounts receivables</td>
</tr>
<tr>
<td>• Sectors:</td>
</tr>
<tr>
<td>• Aviation</td>
</tr>
<tr>
<td>• Shipping</td>
</tr>
<tr>
<td>• Development Financing</td>
</tr>
<tr>
<td>• Oil &amp; Gas</td>
</tr>
<tr>
<td>• Examples:</td>
</tr>
<tr>
<td>• SBL C / Guarantees issues for WC corporate client in Africa</td>
</tr>
<tr>
<td>• Import LC for capex</td>
</tr>
<tr>
<td>• Import LC for commodity procurement</td>
</tr>
<tr>
<td>• Custom guarantees</td>
</tr>
<tr>
<td>• Performance SBLCs</td>
</tr>
<tr>
<td>• Examples:</td>
</tr>
<tr>
<td>• Trade loans to emerging market: oil companies.</td>
</tr>
<tr>
<td>• Metals &amp; Mining</td>
</tr>
<tr>
<td>• Manufacturing firms</td>
</tr>
</tbody>
</table>
Overview of Trade Distribution & Syndication business
Trade Distribution & Syndication – Timeline

From its formal inception in 2005 Trade Distribution & Syndication has evolved into a business critical unit with a main objective of optimising assets and mitigating risk.

2005
- Citi finalises its framework Master Risk Participation Agreement (MRPA) in English Law
- Natixis is the first bank to sign up to the MRPA
- ING and GIB are the first banks to execute a Risk Participation (RPC) under the MRPA
- Ad hoc Trade Risk Distribution (TRD) of vanilla LCs

2007
- The TRD as a business is formally established.
- 4 FT personnel managing secondary market asset sales globally.
- Counterparts now include Banks and Insurance.
- Documentation developed further to include (primarily for Corporate asset sales):
  - MLA transfer certificate
  - MLA Syndicated Trade Facilities
  - Trust structures
  - Master Forfaiting Agreement

2009
- Ability to build infrastructure given experience on portfolio asset sales during 2008
- ILOCs – expanded business with clients and sold-down significant amounts of flows.
- ENI - $1bn SBLC issue (Citi’s hold 8% only)
- Originate to Distribute strategy is established for episodic flow deals
- Supplier Finance assets transitioned to TRD in North America

2010
- MRPAs with over 100 banks globally.
- TRD is aligned globally under Anurag Chaudhary.
- TRD globally sold US$ 15.8 billion assets
- EAF assets transitioned to TRD
- Landmark deals for Trade and TRD:
  - Syndicated facilities:
    - Suzlon ($300mm) – SBLCs
    - Arcelor Mittal ($500mm) – LCs
    - Rentokil ($120mm) – SBLCs
  - "Club" deals:
    - PASAR (Glencore sub) – $120mm ILOC
    - Ford Otomotive – $90mm SBLC
  - ILOCs ($837mm):
    - Axa, Axis, Zurich, Assi Generali, INA, etc.
  - Trade Financing:
    - Petrobras - $1bn

2011
- TRD globally sold US$ 19.8 billion assets
- European banks face USD constraints, Citi monopolises on USD liquidity offering and unfunded Risk Participations
- First Supplier Finance assets sales in EMEA closed
- Distribution is looking to provide more flexibility in the market by offering True Sale Risk Participations as an alternative to the Trust Structure
- Legal establishes umbrella agreement for all receivables programs that can be used interchangeably under NY law.
- Increased focus on "clubbed" or syndicated transactions that allow for net revenue rather than expense
- Key Asset Acquisitions: Soc Gen, RBS
- Trade Asset Dashboard (TAD) goes live

2012
- TRD globally sold US$ 30.2 billion assets
- 9 MLA programs actively managed by TRD
- Huge potential to expand business for LCs, SBLCs and trade financing
- Numerous deals in-pipeline e.g. TNK-BP ($1bn)
- Opportunities for Projects – where SBLCs syndication is crucial to get mandate
- Streamline asset-sale process between EAF and distribution team
- Develop Alternate Investor base strategy is formally initiated
- Expand existing commercial bank investor base

2013
- 17 FT members in London, New York, Sao Paolo, Singapore, Hong Kong, Dubai and Mumbai
- Diverse hiring drive
- Extensive partnership (over 130+ counterparty banks)
- Robust infrastructure for credit, operations, legal and reporting
- Capability to sell the entire suite of trade asset products
- TRD asset sale run-rate US$ 30.5 billion considering headwinds and increased competition
- Streamline asset sale process between EAF and TRD
- Negotiation of new MLA facilities
- Diverse hiring drive
- Extensive partnership (over 130+ counterparty banks)
- Robust infrastructure for credit, operations, legal and reporting
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2014
- Asset warehousing
- Club Deals
- Alternative Investors initiative
- Further development of bank partners network and cooperation initiatives
- Maintained push on developing new legal documentation and infrastructure
- Adaptation to an increasingly fast changing regulatory environment
Trade Distribution & Syndication – Overview & Strategy

Assets sales for 2014 were US$51Bn – 2015 expected is US$55 Bn

**Citi’s Capabilities:**
- One global team with an ability to sell-down entire suite of trade asset classes.
- 17 FTE in 7 cities globally
  - Americas – New York and Sao Paulo
  - Asia – Hong Kong, Singapore and Mumbai
  - EMEA – London and Dubai
- Extensive partnership experience (over 250+ counterparty banks & multilaterals)
- Robust infrastructure for credit, operations, legal, compliance and reporting
- Sold $30bn in 2012 and expected to sell $35bn during 2013
- Capability to sell the entire suit of trade asset products

**Benefits of Asset-Distribution:**
- Support Sales/ Origination teams
- Expand Client Relationships
- Ability to undertake large episodic deals
- Create credit / cross border capacity
- Insure pricing remains market driven
- Optimize assets – risk capital and asset relief
- Enhance transaction/ portfolio returns (RWA / RORC)
- LRR relief (Joint probability of default)
- Reduce concentration risks
- Maintain liquidity of Trade Assets

**Sell-down Structures:**
- Risk Participation Agreements
  - Funded
  - Unfunded
- Irrevocable Reimbursement Undertakings
- Outright Sale/ Forfeiting
- Equitable Legal Assignment
- Syndicated Trade Agreements
- “Club” Structures
- Trust Structures

**Assets sales for 2013 and 2014:**

<table>
<thead>
<tr>
<th>By Region</th>
<th>FY 2013 USD MM</th>
<th>FY 2014 USD MM</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>14,500</td>
<td>27,000</td>
</tr>
<tr>
<td>Latin America</td>
<td>2,000</td>
<td>2,500</td>
</tr>
<tr>
<td>EMEA</td>
<td>14,000</td>
<td>16,000</td>
</tr>
<tr>
<td>Asia</td>
<td>4,000</td>
<td>5,500</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>34,500</strong></td>
<td><strong>51,000</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>By Product</th>
<th>FY 2013 USD MM</th>
<th>FY 2014 USD MM</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade Services</td>
<td>4,000</td>
<td>4,750</td>
</tr>
<tr>
<td>Trade Finance</td>
<td>7,500</td>
<td>10,500</td>
</tr>
<tr>
<td>EAF</td>
<td>4,750</td>
<td>4,500</td>
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<tr>
<td>Trade Work.Cp</td>
<td>15,500</td>
<td>31,250</td>
</tr>
<tr>
<td>Others</td>
<td>2,750</td>
<td>0</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>34,570</strong></td>
<td><strong>51,000</strong></td>
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</tbody>
</table>

*As of February 2015
Trade Distribution & Syndication – “One-Face” to Investors

Origination
- Sales Team to concentrate on origination/client relationship for incremental business
- Product Managers responsible for structuring & implementation

Distribution Channels:
- The Trade Distribution & Syndication team sells-down assets to the secondary market through various channels
- Depending on the asset, the Trade Distribution & Syndication team decides on the optimum distribution channel

- Funded/Unfunded participations to bank investors
- True Sale Structures
- Comprehensive Insurance
- Short-Term ECAs (IFC, EBRD, ADB, AfDB)
- Alternate Investors – Pension Funds & Insurance companies (being developed)
- Subsidiaries (London, New York, Singapore, etc.)

Underlying Products:
- Export LC confirmations
- Trade financing under CARTA
- Import LCs/ Guarantees/ SBLCs issuance
- Importer financing / Buyer’s credit solutions
- Exporter financing (pre-shipment and post-shipment)
- Standard trade loans to corporate clients
- Trade Receivables Financing/ ARCPs
- CIAR
- Trade financing evidenced by ProNote & Bills of Exchange
- Supplier financing
- Un-disclosed Payment Undertakings
- ECA backed structures/ transactions
- Commodity financing transactions

Distribution:
- Relationship Managers
- Client Sales Managers
- Product Teams

Relationship Managers

Client Sales Managers

Product Teams

28 April 2015
Global Trade – 6 Business Pillars

6 PILLARS OF TRADE

Trade Services
- Import LCs and Bills (including bill discount)
- Import Collection
- Export Collection
- LC Réimbursement
- Open Account Solutions
- LC Réissuance
- Export LCs and Bills
- Insurance LCs

Annuity & Episodic

Trade Finance
- Pre-Shipment Finance
- Import/Export Loans
- Global Accounts Receivable Finance
- Credit Insured Accounts Receivable

Annuity & Episodic

Export and Agency Finance
- Export Credit Agencies
- Multilaterals

Episodic

Trade Working Capital Finance
- Supplier Finance
- Channel Finance
- Distribution or Distributor Finance

Annuity

Commodity Trade Finance
- Transactional Financing
- Borrowing Base Financing
- Performance Risk Financing

Episodic & Annuity

Citi Commercial Bank
- Commercial Customer Segment:
  - Trade Finance
  - Trade Services
  - EAF
  - Trade Working Capital Finance

Portfolio

Mature
Short Term

Mature
Short Term

Mature
Longer Term

Expansion
Short Term

Start-Up
Short to Medium Term

Start-Up
Short Term
## Team Dynamics:

- **17 team members** working from London, New York, Dubai, Sao Paolo, Hong Kong, Singapore and Mumbai.
- **Diversity** – 55% of our team are women
- **Diversity** – 3 of our 4 regional heads are women
- **Background** – 24% of the team has prior corporate banking experience.
- **Background** – 29% has prior investment banking experience.

### North & Latin America

<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
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</tr>
</tbody>
</table>

### Europe, Middle East & Africa (EMEA)

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<thead>
<tr>
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<th>Position</th>
<th>Email</th>
<th>Phone</th>
</tr>
</thead>
<tbody>
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<tbody>
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