

Citi's Trade Aid Case Studies Submission to
World Trade Organization and World Bank -
2011

Overview

The post-crisis environment, coupled with a new regulatory regime, is resulting in fundamental shifts to the trade business. The speed of regulatory change and revised Basel II proposals, along with continued credit tightening, continues to challenge economies worldwide. Among all of this upheaval however, one challenge for banks that play a role within this space has not changed. It remains, and likely always will continue to be: how to be relevant to clients. Maintaining relevance requires constant evolution to both anticipate change and to lead the charge moving forward.

This past year will be known as the “flight to consolidation.” Large corporate and financial institution clients began centralizing their business flows with key multinational banks that could meet their rapidly changing trade requirements. Knowing that trade flows drive economies and economic recovery in any country requires getting money into necessary sectors, such as SMEs (small to medium-sized entities), Citi developed comprehensive solutions to meet the charge of clients looking to consolidate flows during a time of evolving trade requirements.

With a market-leading network spanning the globe, Citi provides trade expertise in **80 countries**. This footprint, unmatched by other banks, allows Citi to capture complete end-to-end cross-border trade flows on behalf of more than **15,000 clients**, who generate more than **2 million trade transactions** per year. Having this on-the-ground relationship with corporate clients, and long-standing relationships with export credit agencies, development and multilateral finance institutions, allows Citi to act nimbly and efficiently, while playing a key role in the Global Trade business. From risk mitigation to financing, settlement to information, Citi’s trade experts support and deliver world-class solutions to suppliers, buyers and financial institutions.

Leading the way toward the future in this critical economic recovery, Citi:

- Provides more trade finance services to more clients in more countries than any other provider; and provides solutions for 93% of *Fortune’s* Top 100 Global Companies and 97% of the top 500 companies in *Forbes* Global 2000 List.
- Issues more commercial letters of credit (as measured by commercial letters of credit (LC) outstanding), with a portfolio in excess of USD 104 billion globally, than any other U.S. bank;
- Provides significant support for correspondent banks by advising and confirming LCs. The number of advised LCs exceed USD 59 billion, while confirmed LCs for financial institutions exceeds USD 16 billion worldwide year-to-date;
- Is a pioneer of supplier finance programs, with its oldest program now in its 11th year of operation;
- Leads in Export Credit Agency (ECA) backed transactions through partnerships with more than 60 ECAs;
- Provides innovative supplier finance programs through partnership with US EXIM bank;
- Leads the way in developing an understanding of the impact that regulation and the Basel II approach to calculating risk capital will potentially constrain capital and affect trade. This understanding led to a groundbreaking multi-bank trade program.

Finally, beyond our trade expertise, Citi also has numerous other programs that can be deployed in emerging markets to support the microfinance, SME, housing and other sectors, which in turn, supports economic growth and development.

CNH Global—US Ex-Im Bank FIBC Insurance

CNH Global



Borrower	<ul style="list-style-type: none"> CNH Global N.V. (The Netherlands)
Facility	<ul style="list-style-type: none"> 364-day revolving credit facility to support inter-company trade flows between US-based manufacturer (CNH America LLC) and foreign-domiciled buyer affiliates (CNH International and CNH Canada)
Facility Amount	<ul style="list-style-type: none"> \$300 million
Tenor	<ul style="list-style-type: none"> 364-day availability period with repayment term options of up to 360 days to be elected by the Borrower
ECA Support	<ul style="list-style-type: none"> 90% commercial and political risk coverage under US Ex-Im Bank's Financial Institution Buyer Credit Insurance Policy Insurance premium rates payable by the Borrower laddered in accordance with the term of the borrower
Tenor	<ul style="list-style-type: none"> Citibank, Wells Fargo, Fifth Third, KBC Bank
Citi's Role	<ul style="list-style-type: none"> Mandated Lead Arranger, Facility Agent
Closing Date	<ul style="list-style-type: none"> December 22, 2010

Transaction Background

- CNH Global N.V. ("CNH") is the world's second-largest producer of agricultural equipment and one of the leading construction equipment manufacturers globally with 2009 net revenues of approximately \$13 billion
- The purpose of the revolving credit facility was to support inter-company trade flows and address heightened funding diversification needs brought on by the organizational restructuring of CNH's parent company, Fiat S.p.A.

Innovations

- This transaction was also the largest ever in the history of this US Ex-Im Bank product. The facility amount of \$300 million was over 30 times larger than the previous average transaction amount approved by US Ex-Im Bank
- A successful syndication to a club of three other banks marked the first ever syndication of a US Ex-Im Bank asset benefiting from support through the FIBC product. Market appetite was significant with the \$150 million syndication 1.7x oversubscribed.
- The transaction was further characterized by US Ex-Im Bank's approval of an innovative and streamlined set of disbursement documentation procedures that greatly reduced the level of administrative burden on CNH

In December 2010, Citi closed a USD 300 million revolving credit facility for CNH Global N.V. benefitting from support under U.S. Ex-Im Bank's Financial Institution Buyer Credit export insurance product.

This is the first ever financing supported by US Ex-Im Bank for working capital needs of a large export client through intercompany financing and a creative solution to utilizing existing program with support from US Ex-Im Bank to accommodate the need for large facility .

CNH: US Ex-Im Bank Supplier Finance Program

CNH



Citi-US Ex-Im Bank Supplier Finance Program—Implemented for CNH America

Program Size	<ul style="list-style-type: none"> Up to \$100 Million
Exporter	<ul style="list-style-type: none"> CNH America, LLC <ul style="list-style-type: none"> Exported goods must contain min 50% U.S. Content
Eligible Suppliers	<ul style="list-style-type: none"> Suppliers domiciled in the U.S. whose goods are assembled into exportable items by the Buyer
US Ex-Im Guarantee	<ul style="list-style-type: none"> US Ex-Im Bank to guarantee up to 90% of the payment value of eligible receivables discounted by Citi under the Program
Special Requirements	<ul style="list-style-type: none"> Minimum 50% small business suppliers US Ex-Im Bank guarantee amount limited to a % of annual export sales of Exporter (value of export sales related to non-labor cost of goods sold for preceding 12-month period)
Tenor	<ul style="list-style-type: none"> 364 days (renewable)
Citi's Role	<ul style="list-style-type: none"> Lead Structuring Bank and Purchaser under the Program

Transaction Highlights

- US Ex-Im Bank's mission is to support US exports and to create and sustain US jobs, including those provided by small and medium-sized businesses (SMEs). The US Ex-Im Bank Supplier Finance Program facilitates small businesses' access to liquidity by allowing Citi to purchase supplier receivables based on payment obligations of the exporter
- CNH will be the first Exporter to benefit from a Supply Chain Finance Program with the support of US Ex-Im Bank

Innovations

- The Citi-US Ex-Im Bank Supplier Finance Program is the first of its kind to structure an export agency guarantee to support the discounting of supplier receivables from exporters
- The Program provides US suppliers with an attractive liquidity management tool providing early payment of invoices and reducing borrowing costs because the financing terms are based on the credit quality of the exporter
- The Program provides a reliable source of cost-effective liquidity to the US Exporter's supply chain to ensure US Suppliers' ongoing growth and financial health

Citi and U.S. Ex-Im Bank were able to respond to President Obama's call to double exports and support small businesses in the U.S. by developing and launching first ever supply chain finance through export credit agency.

Citi, acting as Lead Structuring Bank and Purchaser, is executing a \$100 million Supply Chain Finance Program for CNH America, to be supported by a guarantee from US Ex-Im Bank.

Citi - IIC Partial Guarantee Program for Supply Chain Financing

Cencosud S.A.

Buyer	<ul style="list-style-type: none"> Cencosud S.A. – Peru (Hipermercados Metro S.A. and E. Wong S.A.)
Official Agency	<ul style="list-style-type: none"> Inter-American Investment Corporation (IIC)
Deal Size	<ul style="list-style-type: none"> Up to \$25MM
Purpose	<ul style="list-style-type: none"> To support supply chain financing in Peru
Closing Date	<ul style="list-style-type: none"> September 2010
Tenor	<ul style="list-style-type: none"> 364 days (renewable)
Citi's Role	<ul style="list-style-type: none"> Lender, Agent
Eligible Suppliers	<ul style="list-style-type: none"> Onboarded, qualified, small and medium enterprises

Transaction Highlights

- A Framework Agreement was entered into with the Inter-American Investment Corporation (IIC) to support Citi's Supply Chain Finance platform in Peru
- This Framework Agreement covers both local Supply Chain solutions – PayLink Premium (electronic advances) and Channel Financing (factoring) programs.
- Guarantee can be requested related to discounting of both accounts receivables and negotiable instruments.
- Guarantee is provided in the form of a Stand-By Letter of Credit.
- Guarantee cover of up to 66.67%
- Guarantee covers advances of up to 180 days
- Tenor is 1-year with automatic 2-year renewal

Innovations

- The design allows for it to be replicated easily in Peru for other Buyers and, with some adjustments, for Buyers in selected countries in Latin America
- Provides a reliable source of cost-effective liquidity to the Buyer's supply chain to ensure ongoing growth and financial health
- Attractive liquidity management tool providing early payment of invoices and reducing borrowing costs because the financing terms are based on the credit quality of the Buyer

The Citi - IIC Partial Guarantee Program for Supply Chain has been implemented in Peru and the first client, Cencosud Peru, was on-boarded on September 2010.



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Citi believes that sustainability is good business practice. We work closely with our clients, peer financial institutions, NGOs and other partners to finance solutions to climate change, develop industry standards, reduce our own environmental footprint, and engage with stakeholders to advance shared learning and solutions. Highlights of Citi's unique role in promoting sustainability include: (a) releasing in 2007 a Climate Change Position Statement, the first US financial institution to do so; (b) targeting \$50 billion over 10 years to address global climate change: includes significant increases in investment and financing of renewable energy, clean technology, and other carbon-emission reduction activities; (c) committing to an absolute reduction in GHG emissions of all Citi owned and leased properties around the world by 10% by 2011; (d) purchasing more than 234,000 MWh of carbon neutral power for our operations over the last three years; (e) establishing in 2008 the Carbon Principles; a framework for banks and their U.S. power clients to evaluate and address carbon risks in the financing of electric power projects; (f) producing equity research related to climate issues that helps to inform investors on risks and opportunities associated with the issue; and (g) engaging with a broad range of stakeholders on the issue of climate change to help advance understanding and solutions.

Citi works with its clients in greenhouse gas intensive industries to evaluate emerging risks from climate change and, where appropriate, to mitigate those risks.

efficiency, renewable energy & mitigation