



Funding the Golden Fleece: *- an A to Z of commodity financing*

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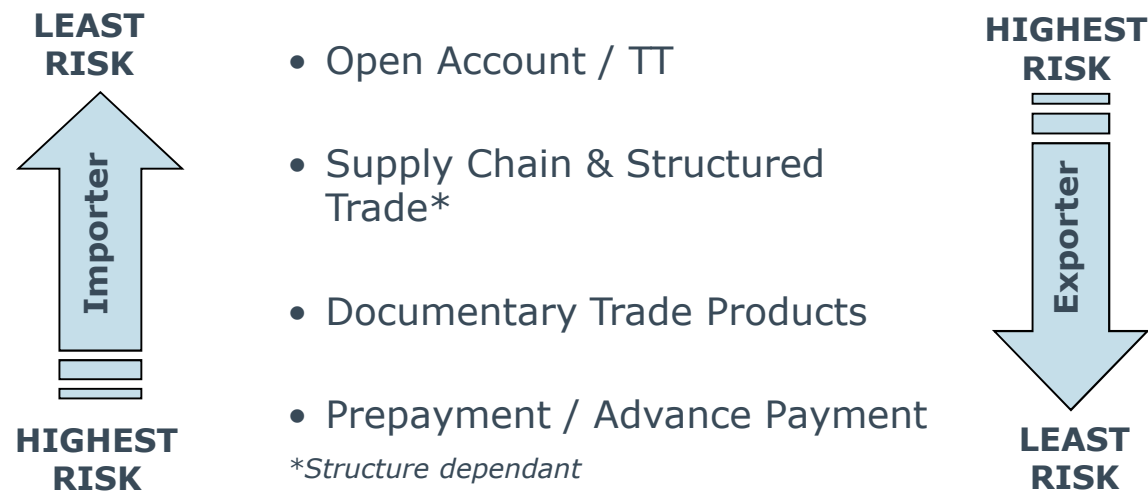
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Trading internationally has many Risks:

- Sovereign/Country risk
- Foreign exchange & interest rate risk
- Commodity price risk
- Sanctions risks
- Cultural and regulatory differences
- Unknown standing of the Supplier / Buyer
- Willingness verses Ability to pay
- Language & time zone differences
- Dispute Resolution can be costly
- Distance between buyer and seller

... which can be managed using various Trade Finance products:

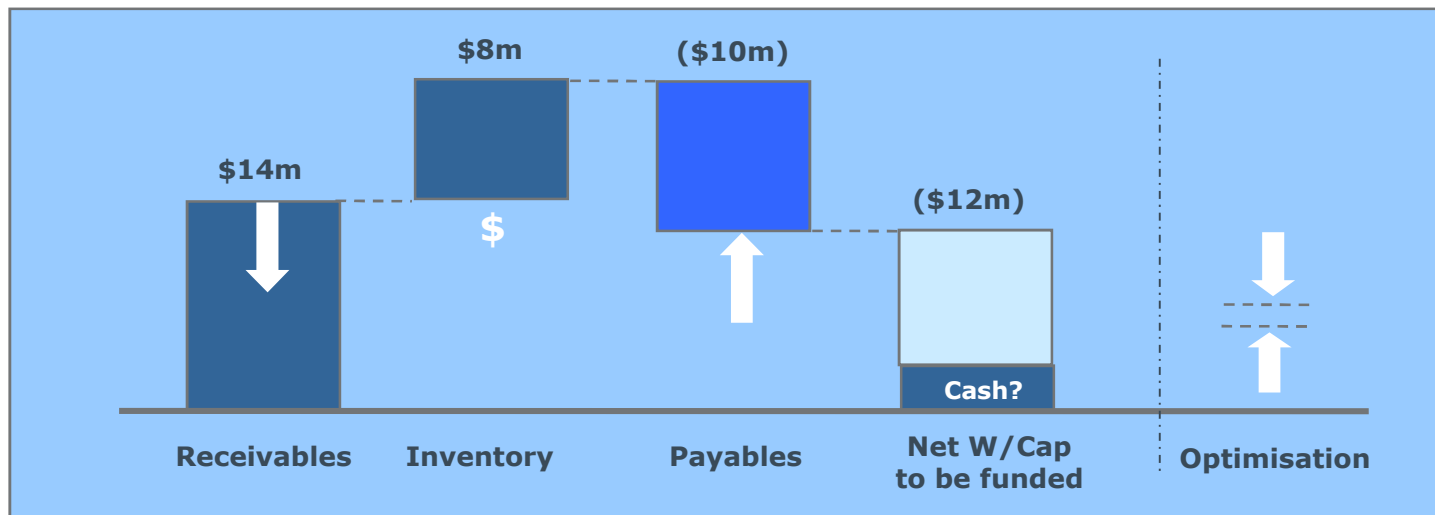


Trading internationally also requires substantial Working Capital:

Current Assets	Receivables	plus	<i>(monetise)</i>
	Inventories		<i>(monetise)</i>

Current Liabilities	Payables	less	<i>(extend)</i>

Net Working Capital			<i>(optimise)</i>



(NB: Capital always has a Cost !!!)

TRADE FINANCE PRODUCTS DELIVER - RISK MGMT, WORKING CAPITAL LIQUIDITY (& OPERATIONAL SUPPORT)

4

CUSTOMER NEEDS

Risk Management

- Enhance counterparty payment risk
- Reduce concentration risk
- Mitigate performance risk

Liquidity

- Extend payment terms
- Accelerate payment collection, improve cash cycles
- Increase funding capacity
- Improve metrics

Operational Support
(Customer Service)

- End-to-end transaction execution
- Local processing, operational support
- Globally consistent
- Technology supported

TRADE FINANCE SOLUTIONS

- Documentary Credits (DC's) – issuance, advising, neg's, etc
- Documentary Collections (DA/DP)
- DC Confirmations & Finance
- Bid/Performance Bonds
- Trade Finance Loans
- Payment Guarantee's
- Receivables Finance
- Payables Finance
- Pre-export Finance
- Pre-payment Finance
- Warehouse Finance

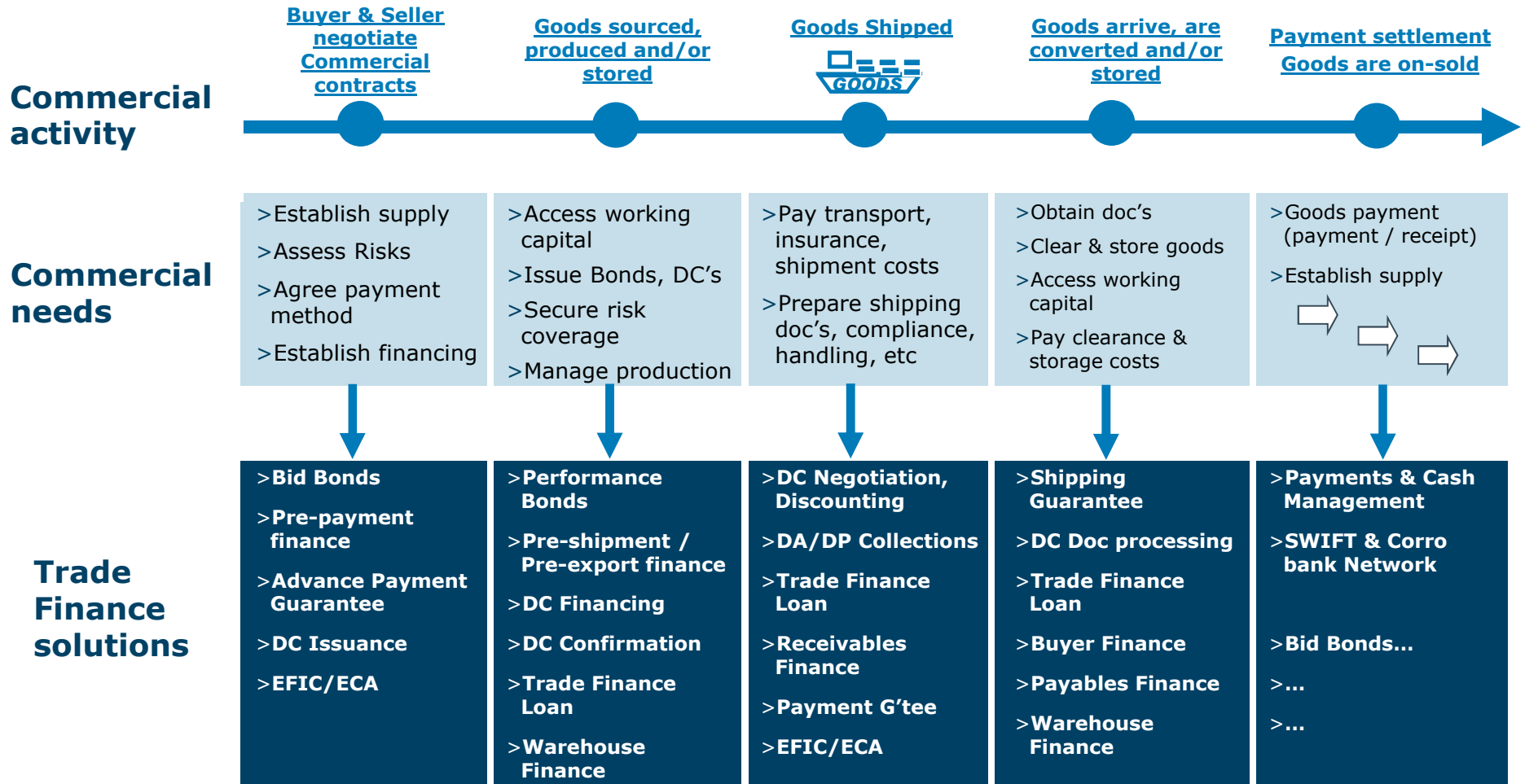
Transactionally based; Flows of Goods; Alignment with cash cycles

Simplistically, Trade Finance 'products' can be defined by:



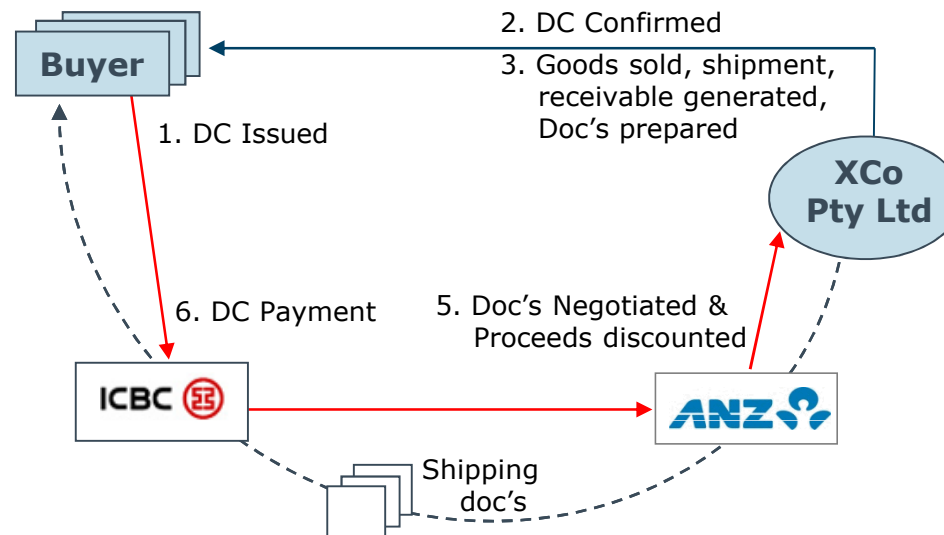
HOW TRADE PRODUCTS ARE APPLIED

Risk Management, Working Capital liquidity... supporting Commercial terms



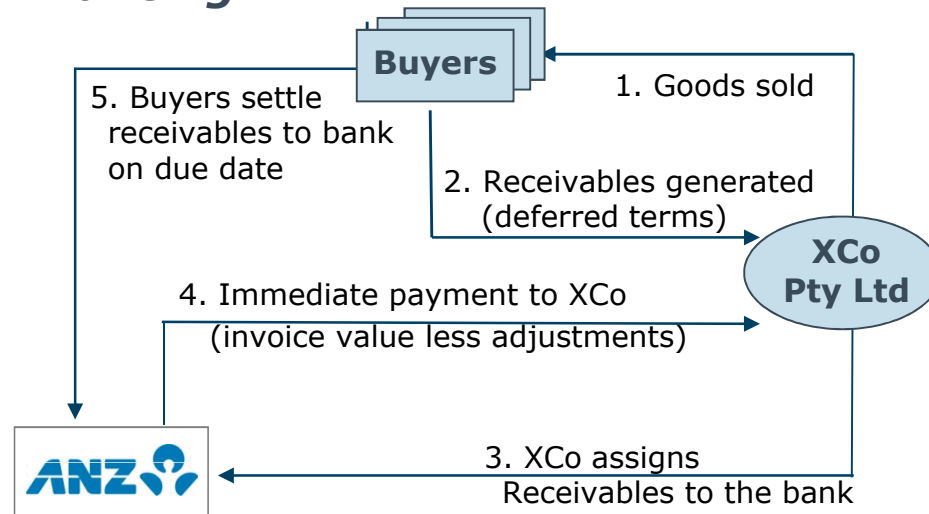
Assumes a continuing cycle; FX and IR management throughout

Confirmation & Discounting of Documentary Credits (DCs)



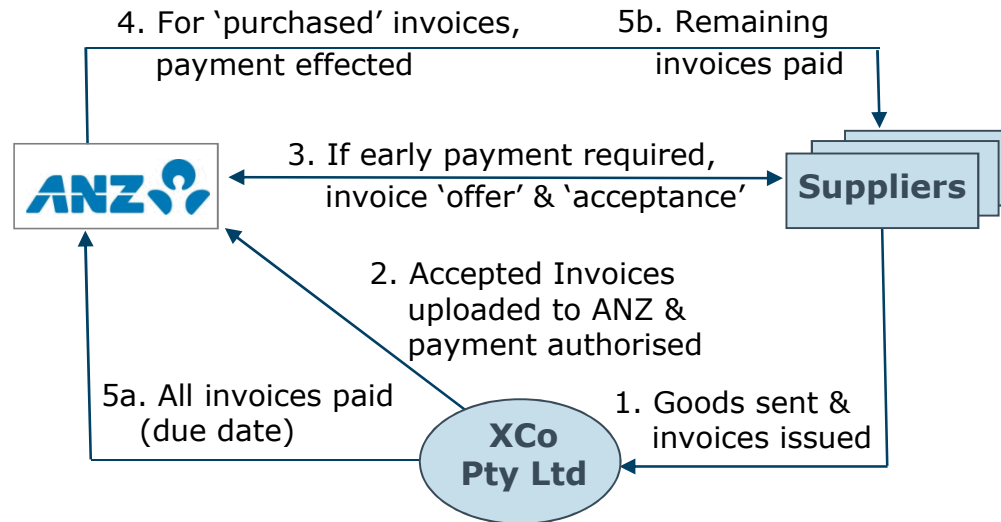
- XCo's Buyers seeks deferred payment terms (Eg 90 days), via Doc Credit issued by an acceptable bank
- XCo holds Documentary Credit Bank & Sovereign payment risk, needs to fund deferred payment terms (200bp)
- Bank agrees to confirm Doc Credit – B&C limits permitting
- Bank negotiates compliant DC documents, pay's XCo discounted FV 'up front' (Libor + 75bp)
- Buyer's bank pays XCo's bank on DC payment due date (90 days after shipment)
- XCo:
 - ✓ Mitigates Bank, Country (& Counterparty) payment risk, & accesses Working Capital liquidity
 - ✓ Improves cash position, Reduces funding costs, & preserves existing Funding lines
 - ✓ Can offer Buyers longer terms, and/or increase shipment volumes, frequency
 - ✓ Preserves BS metrics

Receivables Financing



- XCo's Buyers seek deferred payment terms (Eg 90 days)
- XCo holds counterparty payment risk, needs to fund deferred payment terms (Eg 200bp)
- Bank agrees to purchase Trade Receivables
- Bank pays XCo discounted FV 'up front' (Eg Libor + 100bp)
- Buyers pay Bank on due dates
- XCo:
 - ✓ Covers payment risk, accesses Working Capital liquidity
 - ✓ Improves cash position, Reduces funding costs & preserves existing Funding lines
 - ✓ Can offer Buyers longer terms, and/or increase shipment volumes, frequency
 - ✓ Preserves BS metrics

Payables Financing



- XCo receives deferred payment terms (Eg 90 days)
- Suppliers hold payment risk, need to fund deferred payment terms (200bp)
- Bank is willing to potentially purchase Supplier's Receivables (XCo Payables), if/when required by Suppliers
- If requested, Bank pays Suppliers discounted FV, when required (Eg Libor + 100bp)
- XCo pays Bank for total invoice value on due date, Bank settles balance to Suppliers
 - ✓ XCo retains Payables terms (and/or extends?)
 - ✓ Suppliers can receive Payment risk coverage
 - ✓ Suppliers can also access Working Capital liquidity, if and when required
 - ✓ XCo and Suppliers preserve other Finance lines, and optimise Financing costs
 - ✓ BS metrics preserved

Trade Finance – removing the wool from over our eyes

- *Is fundamentally about 'Trade' related Risk Management & access to Working Capital*
- *Is reflected in a range of Trade 'Products' and 'Solutions'*
- *Can be simple or complex, 'vanilla' or highly structured*
- *Is often dependant upon current or future rights to Goods*
- *If applied properly, can significantly enhance Risk, and Commercial terms to deliver substantial benefits*
- *Is highly relevant to both Buyers and Suppliers (and also other Stakeholders)*
- *Should be a fundamental part of every Company's financing considerations*

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