

SunTrust Bank Global Trade Solutions

Exporter Financing Strategy to Increase & Protect Sales



Propel your way
to Export
Success



Global Banking Landscape

U.S. Exporters, think about...

- Buyers with access to global capital markets will tend to navigate towards markets where capital costs are lowest.
- Some buyers are forced to rely on local domestic lenders – high info costs or incomplete markets
- Cross-country differences: competitiveness, regulation, legal environment
 - Lenders in less competitive markets - can't compete – higher rates
 - Buyers do what?
- Loan Pricing for your buyer varies:
 - Across countries
 - Buyer's nationality and global presence
 - Meets short- and medium-term financing need
 - Buyer's creditworthiness & financing need
- Larger buyers (\$10MM+) - lower rates to borrow

Bottom line: Global competition has helped reduce borrowing costs for your buyer

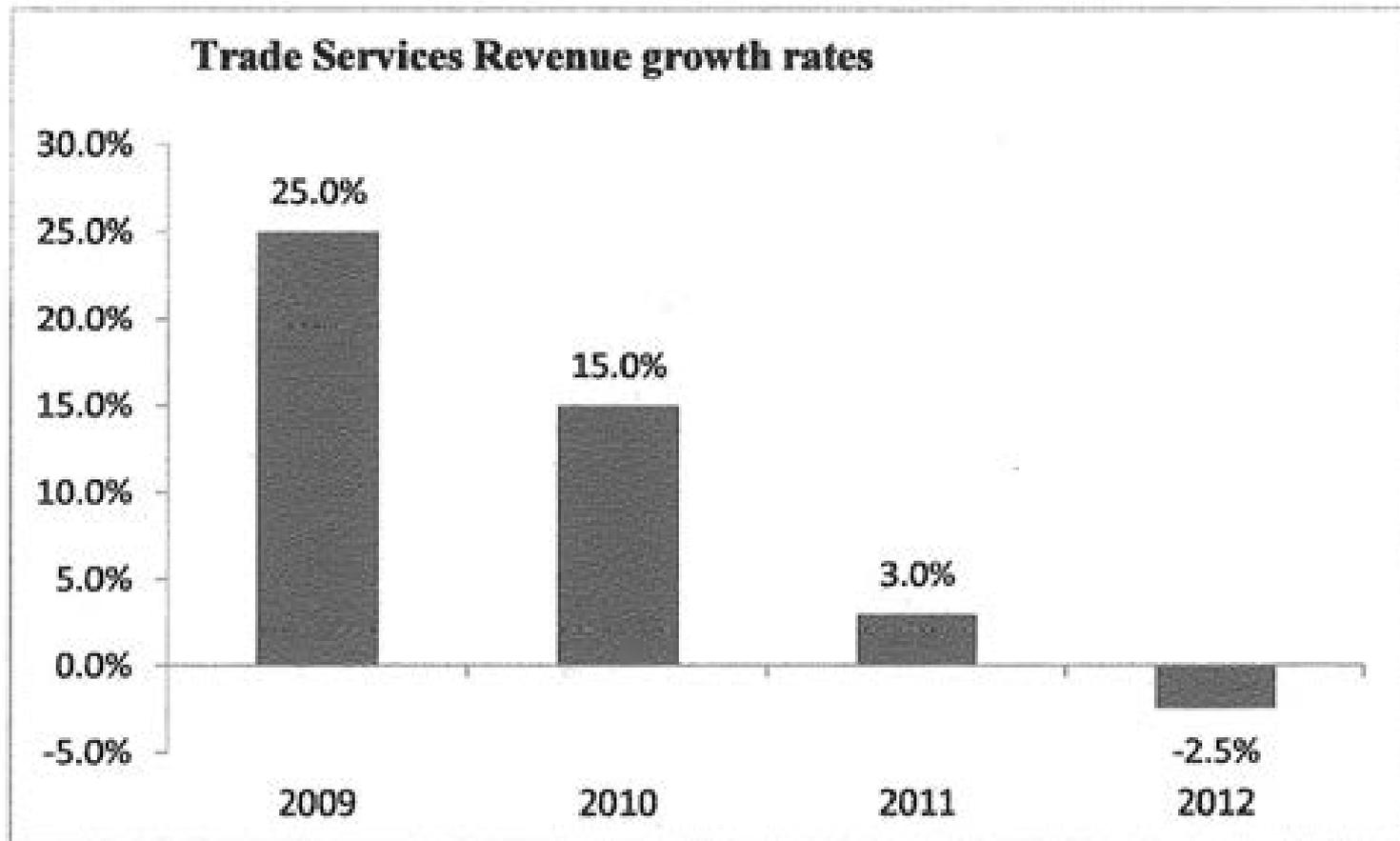
Global Banking Landscape

Lending Rates Around the World (2012)

Brazil	15.0%	Colombia	12.6%	Egypt	12.0%
India	10.6%	Jordan	8.8%	Kuwait	5.0%
Mexico	4.7%	Nigeria	16.8%	Panama	6.9%
Poland	12.5%	Russia	9.1%	S. Africa	8.8%
Turkey	7.1%	UAE	10.0%	Vietnam	17.0%

Note: Bank lending rates (%) are calculated as interest income over two year average loan term (3 year moving average).

Global Banking Landscape



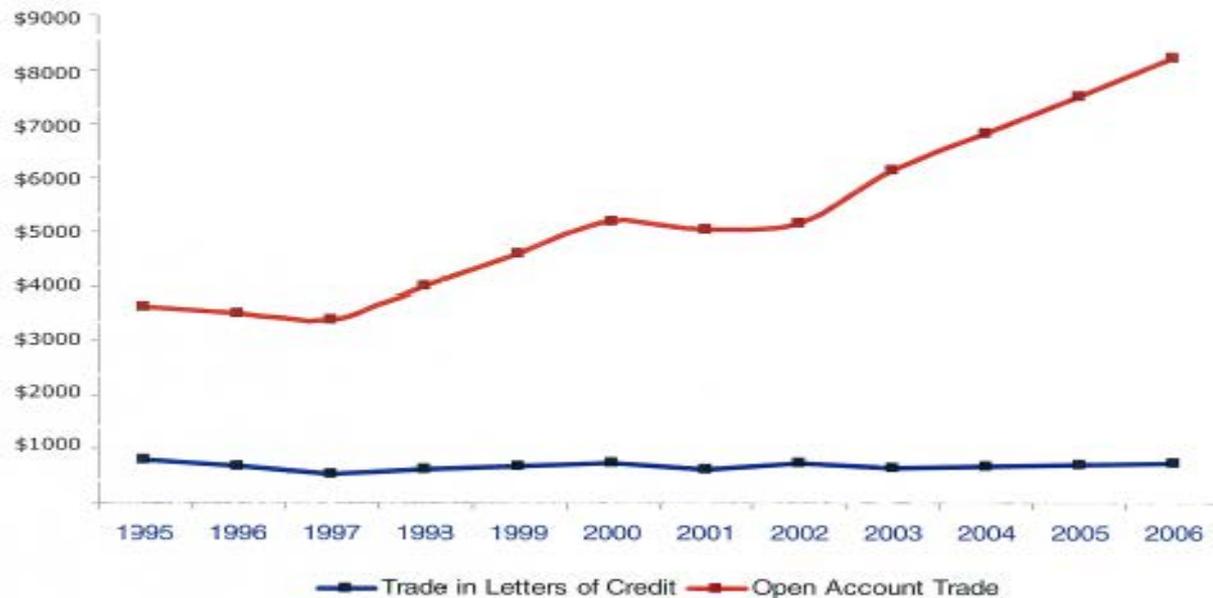
Source: Ernst & Young

Global Banking Landscape

A continuing change in trade terms

80%+ of global trade is now conducted on an Open Account basis

in USD billion



Source: WTO

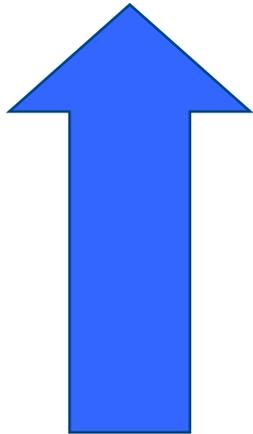
INTERNATIONAL METHODS OF PAYMENT

Trade Terms

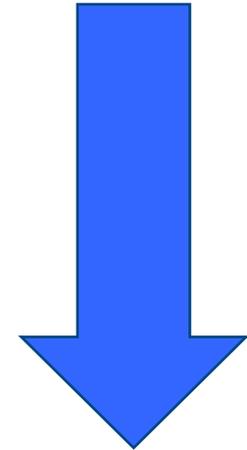
Exporter Risk

Importer Risk

High



Low



Open Account

Documentary Collection (Time)

Documentary Collection (Sight)

Letters of Credit (Time)

Letters of Credit (Sight)

Payment in Advance

Export Credit Insurance

- Protects U.S. exporters against non-payment by foreign buyers due to:
 - Commercial Risks
 - Political Risks
 - 95% Coverage
- Allows exporters to offer competitive credit terms to foreign buyers:
 - Generally up to 180 days; products such as equipment and bulk unprocessed agriculture product up to 360 days
- Obtain additional financing:
 - Insured foreign receivables can be added to exporter's borrowing base by assignment of policy proceeds (claim payments) to Lender

Export Credit Insurance

Risks Covered

Commercial Risks

- Insolvency (Chapter 7, 11)
- Protracted default (non-payment within 6 months of due-date)
- **DISPUTES are not covered!**
- Typically 90% - 95% of invoice value is covered by trade credit insurance

Political Risks

- Transfer Risk - political/economic events preventing or delaying transfer of payments
- Government Moratorium - decision from the government preventing release of funds
- War, revolution, insurrection, expropriation

Export Credit Insurance

Who provides it?

Public sector: Export-Import Bank
Private sector: Various Insurers

How to get it?

- Exporters should talk with their international banker who will put them in touch with an Insurance broker or Insurer directly

How much is it?

-Cost varies by country, terms, buyer
-Estimate is 0.65% for 60 days of coverage

Why would an exporter want it?

-Protects your open account receivables (A/R) against non-payment by new and/or existing foreign customers

-Allows your bank to include in your borrowing base for increased borrowing capacity to support export activity. (Banks typically exclude uninsured foreign A/R and do not lend against it.)

-MAKES YOU MORE COMPETITIVE

<#>



Success Story

Situation

- Morganton, NC - based exporter of upscale furniture
- Exporter seeking domestic and export related working capital . Export sales account for 20 % of total sales but this segment is expected to grow.

Results

- Lender proposed \$2,500,000 Insured Foreign Receivable Facility supported by exporter obtaining an EX-IM Bank multi-buyer export credit insurance policy assigned to Lender.
- Exporter receives \$1,850,000 additional working capital availability.

Export Credit Insurance

US Exporter Inc.

Borrowing Base as of 8/31/13

		WITH	WITHOUT
<u>Borrowing Base Summary:</u>			
Lender's Line of Credit Commitment		\$2,500,000.00	\$2,500,000.00
Total Foreign Accounts Receivable		4,503,132.49	0.00
Plus Eligible Credit Memos		0.00	0.00
Adjusted Foreign Accounts Receivable		4,503,132.49	0.00
<i>Less ineligibles</i>			
A	<u>Less:</u> >60 days Past Invoice Due Date	\$1,185.00	\$0.00
B	<u>Less:</u> Countries limited as per Ex-Im Bank CLS	\$0.00	\$0.00
C	<u>Less:</u> Shipments made outside the U.S.	\$0.00	\$0.00
D	<u>Less:</u> Invoices to related companies	\$0.00	\$0.00
E	<u>Less:</u> 50% Cross Aging Rule	\$57,615.39	\$0.00
		\$58,800.39	\$0.00
Total Eligible Foreign Accounts Receivables		\$4,444,332.10	\$0.00
SunTrust Advance Rate		80%	80%
Total Availability on Foreign Accounts Receivables		\$2,500,000.00	\$0.00
Line balance as of date of borrowing base report		\$650,000.00	\$650,000.00
Total Line Availability Under Borrowing Base as of date of report		\$1,850,000.00	-\$650,000.00

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