

Citibank Portfolio Finance



CITIBANK PORTFOLIO FINANCE

Citibank Portfolio Finance is a facility that allows you to borrow against your existing Pledged Assets¹ to invest in Investment Products². The facility can be structured as a time loan on a fixed rate basis in a wide selection of currencies or as a revolving line of credit³.

HOW CITIBANK PORTFOLIO FINANCE WORKS WITH YOUR INVESTMENT PRODUCTS

Citibank Portfolio Finance allows you to leverage your existing portfolio to potentially enhance your investment returns when you are investing in Investment Products² that pays regular coupons or dividends.

If the coupon payments or dividends are higher than the interest charged on your facility, it can help to offset your loan expense.

Assuming you invest in an Investment Product² that pays an income of 6% p.a. in a particular year.

The following examples illustrate how Citibank Portfolio Finance can potentially affect your investment returns in the 2 scenarios below:

	Investment Product² without Citibank Portfolio Finance	Investment Product² with Citibank Portfolio Finance	Investment Product² with Citibank Portfolio Finance, assuming: <ul style="list-style-type: none">• Cost of financing (interest rate) increases• Value of investment drops
Initial Capital	SGD 200,000	SGD 200,000	SGD 200,000
Investment Amount	SGD 200,000	SGD 300,000 (You borrow against your initial capital and increase the investment amount by SGD 100,000 with Citibank Portfolio Finance)	SGD 300,000 (You borrow against your initial capital and increase the investment amount by SGD 100,000 with Citibank Portfolio Finance)
Coupon/Dividend Rate (% p.a.)	6%	6%	6%
Coupon/Dividend Received	SGD 12,000 (SGD 200,000 x 6% p.a.)	SGD 18,000 (SGD 300,000 x 6% p.a.)	SGD 18,000 (SGD 300,000 x 6% p.a.)
Interest Charged on Citibank Portfolio Finance Facility	N.A.	SGD 3,000 (SGD 100,000 x 3% p.a.)*	SGD 4,500 (SGD 100,000 x 4.5% p.a.)*
Net Gain on Coupon/Dividend Received	SGD 12,000	SGD 15,000 (SGD 18,000 – SGD 3,000)	SGD 13,500 (SGD 18,000 – SGD 4,500)
Market Value of Investments	SGD 200,000 (assuming no price movements)	SGD 300,000 (assuming no price movements)	SGD 270,000 (assuming 10% drop in investment value)
Investment Return (% p.a.) on SGD 200,000 Capital	6%	7.50% (Higher than the 6% return without Citibank Portfolio Finance)	-8.25% (Loss suffered due to increased cost of financing and lower investment value)

* Interest rate in the above example is fixed for a 1-year period at 3% p.a..

The above example shown is for illustrative purposes only and is not indicative of actual and/or future performance or returns.

Citibank Portfolio Finance may not be suitable for everyone as you are subject to a variety of risks. You should obtain the advice of a licensed or an exempt financial advisor to assess your suitability for Citibank Portfolio Finance. You can contact your Relationship Manager for more information.

With Citibank Portfolio Finance, you are subjected to various risks.

The table below illustrates how a revision of interest rates charged on the facility could potentially affect your investment returns. You can see that a rise in interest rates could erode your returns, potentially leaving you worse off than a customer who does not use leverage from our Citibank Portfolio Finance facility.

	Investment Product ² without Citibank Portfolio Finance	Investment Product ² with Citibank Portfolio Finance	
		SCENARIO 1 (Falling interest Rate) Interest charged on Citibank Portfolio Finance at 2% p.a.	SCENARIO 2 (Rising interest Rate) Interest charged on Citibank Portfolio Finance at 7% p.a.
Initial Capital	SGD 200,000	SGD 200,000	SGD 200,000
Investment Amount	SGD 200,000	SGD 300,000	SGD 300,000
Coupon/Dividend Rate (% p.a.)	6%	6%	6%
Coupon/Dividend Received	SGD 12,000 (SGD 200,000 x 6% p.a.)	SGD 18,000 (SGD 300,000 x 6% p.a.)	SGD 18,000 (SGD 300,000 x 6% p.a.)
Interest Charged on Citibank Portfolio Finance Facility	N.A.	SGD 2,000 (SGD 100,000 x 2% p.a.)	SGD 7,000 (SGD 100,000 x 7% p.a.)
Net Gain on Coupon/ Dividend Received	SGD 12,000	SGD 16,000	SGD 11,000
Investment Return (% p.a.) on SGD 200,000 Capital	6%	8%	5.5%

With Citibank Portfolio Finance, you are also subjected to magnified price movements of your underlying assets. The table below illustrates how price movements can potentially affect your investment returns. You can see that price movements in your investments are magnified with Citibank Portfolio Finance. In events where there are huge market movements, you might be required to bring in additional collaterals within a short notice. For some customers with liquidity issues, this product might not be suitable for them.

	Investment Products ² with Citibank Portfolio Finance	
	SCENARIO 1 Increase in NAV by 10%	SCENARIO 2 Decrease in NAV by 10%
Initial Capital	SGD 200,000	SGD 200,000
Investment Amount with Citibank Portfolio Finance	SGD 300,000	SGD 300,000
NAV on subscription day	SGD 1.00	SGD 1.00
Units Received	SGD 300,000 / 1 = 300,000 Units	SGD 300,000 / 1 = 300,000 Units
NAV after increase/decrease	SGD 1.10	SGD 0.90
Value of Investments after change in NAV	300,000 units * SGD 1.10 = SGD 330,000	300,000 units * SGD 0.90 = SGD 270,000
Investment Returns	SGD 330,000 – SGD 300,000 = SGD 30,000	SGD 270,000 – SGD 300,000 = -SGD 30,000
Investment Return (% p.a.) on SGD 200,000 Capital	15%	-15%
Additional Returns on Investment with Citibank Portfolio Finance	5%	-5%

The above examples shown are for illustrative purposes only and are not indicative of actual and/or future performance or returns.

Other risks that you may be exposed to include (but not limited to) sovereign risk, currency risk and credit risk.

UNDERSTANDING MARGIN CALL AND RISK

When your collateral value falls below a certain level, you might be required to bring in additional collaterals to support your loan. These events are referred to as “Margin call” and “Force sell”. The margin call level is set at 25% erosion of the Initial Margin and the Force Sell level is set at 50% erosion of the Initial Margin.

The table below illustrates how the investment amount (collateral value) will impact your margin status, assuming outstanding loan of SGD 100,000.

Scenario	Determining your Loanable Limit (Collateral Value x Loanable Value)			Collateral Value vs Current Margin • Initial Margin = (Outstanding Loan/Loanable Value) – Outstanding Loan • Current Margin = Collateral Value – Outstanding loan • Margin Erosion = Initial Margin – Current Margin				When is Margin Top-up Required? (Outstanding Loan – Loanable Limit)	
	Collateral Value	Loanable Value	Loanable Limit	Initial Margin	Current Margin	Margin Erosion (ME)	ME%	Margin Status	Margin Top-up
A	300,000	60%	180,000	66,667	200,000	0	0%	Within Margin	0
B	200,000	60%	120,000	66,667	100,000	0	0%	Within Margin	0
C	150,000	60%	90,000	66,667	50,000	16,667	25%	Margin Call	10,000
D	133,334	60%	80,000	66,667	33,334	33,333	50%	Force Sell	20,000

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- Scenario A & B – In both scenarios, the collateral value is sufficient to support the loan taken.
- Scenario C – As the collateral value declines to SGD 150,000, there is a 25% erosion of the initial margin. At this point, margin call will be triggered and you will be required to top up.
- Scenario D – As the collateral value declines to SGD 133,334, there is a 50% erosion of the initial margin. At this point, force sell will be triggered and you will be required to top up.

MULTI-CURRENCY FACILITY – HOW DOES A LOAN CURRENCY CONVERSION WORK?

Citibank Portfolio Finance offers major currencies for the term loan. Depending on your investment objectives or hedging strategy, you may convert the current loan currency to another currency after a discussion with your Relationship Manager or Treasury Sales Officer.

Assuming you have a loan of SGD 100,000 at an interest rate of 2% per annum, with the expectation of USD depreciating against SGD, you may convert your SGD loan to USD for a lower interest rate of 1.5% per annum, at the prevailing spot foreign exchange (FX) rate. The table below illustrates the performance of the loan after the currency conversion.

Initial Conversation	To convert loan of SGD 100,000 to USD 71,425 at USD/SGD= 1.40 (spot FX rate)		
Monthly Interest Payable	Based on SGD 100,000 = SGD 166.67 $\left(\frac{\text{SGD } 100,000 \times 2.0\% \text{ p.a.}}{12 \text{ months}}\right)$	Based on USD 71,425 = USD 89.28 $\left(\frac{\text{USD } 71,425 \times 1.5\% \text{ p.a.}}{12 \text{ months}}\right)$	
FX Movement	USD/SGD (+2.0%)	USD/SGD unchanged	USD/SGD (-2.0%)
If the USD loan is converted back to SGD after 1 month (Exchange rates are inclusive of spreads)	SGD 102,137.75 (at USD/SGD = 1.43)*	SGD 100,000 (at USD/SGD = 1.40)*	SGD 97,852.25 (at USD/SGD = 1.37)*
Unrealized Gain/Loss (Principal Only)	Loss of SGD 2,137.75 (SGD 100,000 - SGD 102,137.75)	No Gain/Loss	Gain of SGD 2,147.75 (SGD 100,000 - SGD 97,852.25)
Monthly Interest Savings	SGD 39 (SGD 166.67 - (USD 89.28*1.43))	SGD 41.67 (SGD 166.67 - (USD 89.28*1.40))	SGD 44.35 (SGD 166.67 - (USD 89.28*1.37))
Total Unrealized Gain/Loss (Principal + Interest)	Total Loss = SGD 2,098.75 (-SGD 2,137.75 + SGD 39)	Total Gain = SGD 41.67 (No Gain/Loss on loan principal)	Total Gain = SGD 2,192.10 (SGD 2,147.75 + SGD 44.35)

Please be reminded that when you switch your loan currency, you may suffer losses if your new loan currency appreciates against your previous loan currency, even if the interest rate on the new loan currency may be lower.

IS CITIBANK PORTFOLIO FINANCE SUITABLE FOR YOU?

Citibank Portfolio Finance is suitable for you if:

- You wish to enhance your potential investment returns and are willing to take on higher risks.
- You are investing in securities/Investment Products that could pay you regular coupons/dividends. If the coupon payments or dividends are higher than the interest charged on your facility, it can help to offset the cost of your borrowing.
- You have spare cash available. This is because in the event that your investments decline in market value below the stipulated margin call levels or when the loanable value of the collateral drops (as determined by the bank from time to time), you may be required to pay down a portion of the facility or place additional securities as collateral. Having spare cash available will also mean that you have the ability to pay down the facility should the cost of borrowing rise during the tenure of your investment.

You should obtain the advice of a licensed or an exempt financial advisor before making a commitment to enter into a Citibank Portfolio Finance transaction. In the event that you choose not to seek advice from a financial advisor, you should carefully consider whether a Citibank Portfolio Finance is suitable for you in light of your investment objectives, financial means and risk profile. When used wisely, Citibank Portfolio Finance could be an effective way to manage your total portfolio.

ADVANTAGES	DISADVANTAGES
Obtain additional investment capital to take advantage of market opportunities	The risk of loss when investing/trading using a leveraged facility can be substantial. You may sustain losses in excess of your margin funds.
Enjoy capital appreciation and income potential of your securities	A top up within a short notice is required in event of margin call/force sell
Increase your liquidity or meet unexpected cash needs without having to liquidate your existing portfolio	Receive lower investment yield due to increased loan interest rate or in the event where investment does not pay a guaranteed fixed coupon higher than the loan interest rate
No cost for facility setup	A change in loanable value (determined by the bank from time to time) may trigger a margin call and require substantial top up

For more information on Citibank Portfolio Finance, you can reach out to your Relationship Manager, or call our CitiPhone hotline +65 6225 5225.

Important Notes

The hypothetical rates of return of the scenario examples shown in the brochure above are for your private information and for discussion purposes only. A variety of market factors and assumptions may affect this analysis, and this analysis does not reflect all possible loss scenarios. There is no certainty that the parameters and assumptions used in this analysis can be duplicated with actual trades.

1. Pledged Assets may include your deposits, unit trusts, structured notes, bonds, equities and other investment products as approved by Citibank from time to time.
2. Investment Products refer to unit trusts, structured notes, bonds and equities. Citibank is acting as your agent in the purchase of these investments.
3. The Citibank Portfolio Finance facility can be structured as a time loan or revolving lines of credit. Your application for Citibank Portfolio Finance is subject to Citibank's approval. The facility that is approved under Citibank Portfolio Finance is dependent on, among other things, the underlying value of your Pledged Assets as determined by Citibank. Citibank may at its discretion and from time to time, review the facility availed to you. Time loans are available in a wide range of currencies with tenures ranging from 1 month to 1 year. The interest rate is fixed for the tenure of the time loan. You may choose to renew the time loan at the prevailing interest rate no later than 2 days prior to maturity. Interest charged on the time loan is paid on an annual basis or at the maturity of the time loan, whichever occurs first. Early repayment of the time loan may be subjected to pre-termination charges by the bank. Revolving lines of credit are currently available in SGD and USD. Interest rate is subject to change without prior notice. Interest charges on revolving lines of credit will be debited at the end of every month. If you have an available balance on your line of credit, you may choose to roll over the interest charges. Early repayment of revolving lines of credit is not subjected to pre-termination charges.

Disclaimer

Investment products are not bank deposits or obligations of or guaranteed by Citibank Singapore Limited, Citigroup Inc., or any of its affiliates or subsidiaries unless specifically stated, and are subject to investment risks, including the possible loss of the principal amount invested. Investment products are not insured products under the provisions of the Deposit Insurance and Policy Owners' Protection Schemes Act 2011 of Singapore and are not eligible for deposit insurance coverage under the Deposit Insurance Scheme. Investment and Treasury Products are subject to investment risks, including the possible loss of principal amount invested. Past performance is not indicative of future results, prices can go up or down.

You must be aware that whilst gains on your investment may be magnified through Citibank Portfolio Finance, losses to the investment could similarly be magnified. Borrowing against investments may not be suitable for everyone. The risk of loss in Citibank Portfolio Finance may be substantial. You may sustain loss in excess of your initial Pledged Assets. Placing contingent orders, such as "stop-loss" or "stop-limit" orders, will not necessarily limit losses to the intended amounts. Relatively small price (interest rate) movements in the underlying securities will have a multiplying effect on your corresponding gain or loss and hence have a proportionately larger impact on the Pledged Assets. Market conditions may make it impossible to execute such orders. Losses may then exceed the amount of the capital initially placed by you with the bank as security, and you may be called upon at short notice to deposit additional Pledged Assets. If the required Pledged Assets are not provided within the prescribed time, your position may be liquidated. You shall remain liable for any resulting deficit in your account.

Please note that you will be subject to foreign currency risks when the currency of your facility is different from the currency of your underlying assets and investments. You may experience a loss when you convert the currency of your underlying assets and investments to the currency of the facility to repay the outstanding loan amount. Investors investing in investment products denominated in non-local currency should be aware of the risk of exchange rate fluctuations that may cause a loss of principal when foreign currency is converted back to the investors home currency. Investors should therefore determine whether any foreign currency investment is suitable for them in the light of their personal investment objectives, financial means and risk profile. Exchange controls may be applicable from time to time to certain foreign currencies. This document does not constitute the distribution of any information or the making of any offer or solicitation by anyone in any jurisdiction in which such distribution or offer is not authorised or to any person to whom it is unlawful to distribute such a document or make such an offer or solicitation. Investment and Treasury products are not available to U.S. persons.

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