



CASE STUDY

Contributing to a greener future and smarter mobility

Citi acted as sole global coordinator and mandated lead arranger in financing the construction of Panama Metro Line 3, aimed at helping to reduce Panama's congestion and carbon dioxide emissions.

The Future of Mobility

In response to increased congestion, the public transport authority Metro de Panamá is constructing Line 3 of the Panama Metro system. This will establish a connection between the Panamá Oeste province – west of the Panama Canal – to the center of Panama City.

The project's financing was coordinated by Citi. The bank is building upon its 115-year history in Panama to help contribute to the nation's economic growth and environmental sustainability.

Citi has been a longtime financial force in the country, helping to finance the construction and operation of the Panama Canal. Over the years, Citi has participated in financing the renovation of the city's historic district, Casco Viejo, the expansion of Tocumen International Airport, and the construction of highways, ports, hospitals and Lines 1 and 2 of the Panama Metro system.

Line 3 expands the rapid transit system, first launched in 2014. When Line 3 opens in mid-2025, it is expected to add an additional 34km of transit capacity and carry 160,000 passengers annually. The new line is expected to reduce travel time from Panamá Oeste by half, saving commuters an estimated 45 minutes each way.

Cutting Carbon Emissions

On top of reducing commute times, the line is expected to cut road traffic and therefore carbon dioxide emissions. The 28 six-car trains – which will be manufactured by Hitachi Rail and Mitsubishi Corporation under a US\$883 million sub-contract – will use the same rechargeable lithium-ion batteries found in electric vehicles. Overall, the completion of Line 3 is projected to save 20,000 tons of carbon emissions annually.

Thus, the deal will contribute to advancing environmentally friendly infrastructure projects and environmental, social and governance investing (ESG).

Infrastructure Financing Supported by Export Credit Agency (ECA) Innovation

The consortium constructing the railway line appointed Citi as Sole Global Coordinator and Mandated Lead Arranger for the US\$2 billion Revolving Syndicated Discounted Repurchase Facility, backed by Panamanian government guarantees. The consortium is comprised of Hyundai Engineering & Construction, POSCO Engineering & Construction, and Hyundai Engineering (the "Consortium").




From the public sector side, the transaction was supported by both Korean ECAs: the Export-Import Bank of Korea ("KEXIM") and Korea Trade Insurance Corporation ("K-SURE"). In coordination with Citi, K-SURE developed a guarantee program to support the project. Their Medium- and Long-term Export Credit Insurance program covers financial institutions from losses arising from non-payment of export receivables purchased on a non-recourse basis from an exporter. In this case, the export receivables initially take the form of Certificados de no objecion ("CNOs") issued by the Metro de Panama ("MPSA").

"Citibank Korea is making efforts to aid South Korean firms to receive quality financing around the world based on our strong global network," said Citibank Korea CEO, Yoo Myung-soon.

The financing is structured to support the engineering, design and construction of Line 3 by discounting of CNOs based on milestones in the construction schedule according to the contract between the Consortium and MPSA.

"First and foremost, we are excited about the positive impact this may have for so many individuals as well as the economy of the province and the environment" says Ahmet Bekçe, Global Head of Export and Agency Finance, Treasury and Trade Solutions, Citi. "Citi was well placed to be able to deliver on this due to its deep experience in both Panama and Korea and its experience and approach in ECA financing."

Key Outcomes

-  Citi financed a major infrastructure expansion which will help boost economic development and is expected to lead to the creation of an estimated 5,000 jobs
-  The additional rail line will help reduce carbon dioxide emissions from traffic congestion, thereby improving public health and quality of life
-  The banking syndicate led by Citi is accelerating progress and innovation in the financing of infrastructure projects backed by Export Credit Agencies

