

Tailor-made support for SMEs towards effective implementation of the EU's trade and investment strategy

The Commerzbank approach

Commerzbank at a Glance



- › Commerzbank was founded as *Commerz- und Discontobank* in Hamburg in 1870
- › Commerzbank's core business comprises its corporate banking (Mittelstandbank), the investment banking activities (Corporates & Markets), the private retail and wealth management and the CEE Holding (Polish mBank)
- › After the merger with Dresdner Bank in 2009, Commerzbank has become the #1 German bank for corporates, both for Mittelstand and large clients

Balance-sheet total (as per 31/12/2014): € 560bn

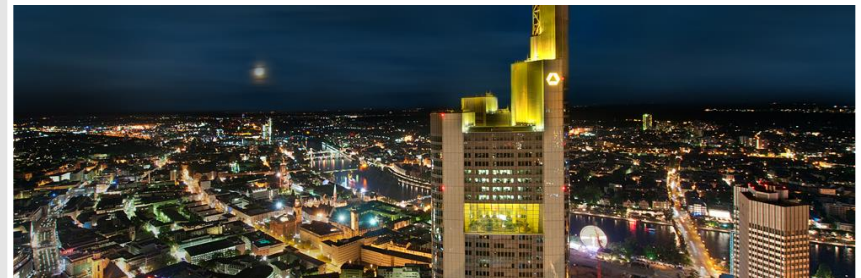
Operating profit (FY2014): € 1,022m

Employees: 50,000 (in 52 countries)

Client Base: 15m retail clients, over 1m corporate clients worldwide

Commerzbank – Key Strengths

- Leading German bank for corporate and private clients
- Leading trade & export finance bank with a network of more than 5.000 partner banks worldwide
- No 1. In German loan syndications, schuldscheine, Pfandbriefe and public finance
- Positioned to provide commitments globally throughout the value chain of DCM, FX and derivatives
- › Leading cash management bank in Germany and Europe with an extensive network Europe and Ex-CIS



Challenging market environment (not only for SME's)

- Growth rates in various regions of the world tend to go downwards, therefore the investment climate is also not overwhelming
- Regional crises and uncertainties in the Middle East, Russia, Ukraine etc.
- Volatility in raw material/natural resources demand and pricing, currency exchange rates and interest rates is also affecting the predictability for trade & export business – everybody is cautious
- Severe competition with suppliers from Non-EU (Non-OECD) countries
- No level playing field for European suppliers to competitors from Non OECD countries in terms of environmental & social governance
- Despite Quantative Easing long term funding for export credits still challenging
- Often weak banking support in emerging markets for importers of European equipment

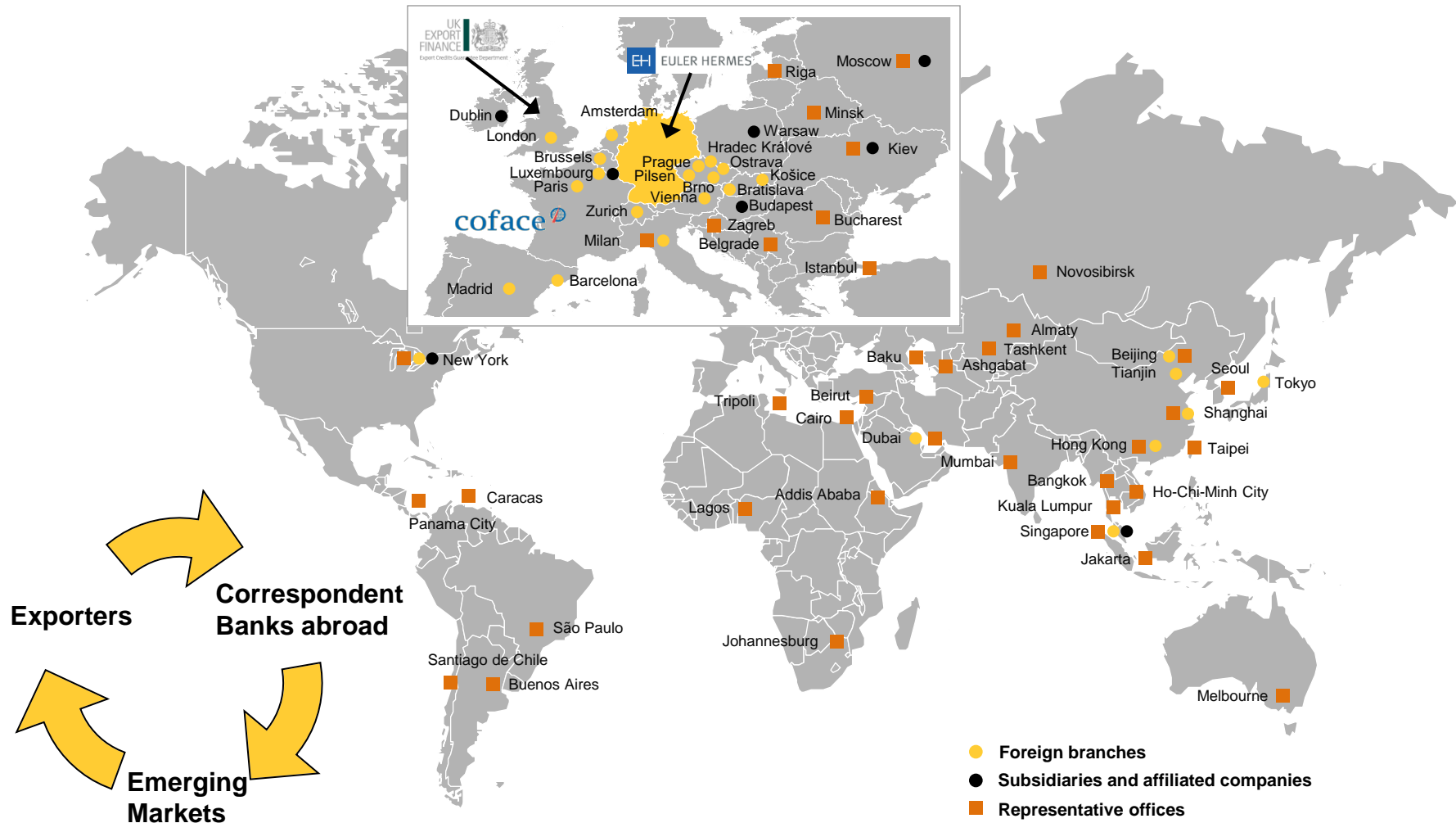
Can European banks help to navigate safely through uncertain times?: YES

SMEs need to be prepared for trade & export finance

- › Know how in contracting, procurement, accounting and logistics required (Incoterms, legal support for different jurisdictions)
- › Access to and understanding of different cultures
- › On the ground presence/support needed – local partners, distributors, chambers of commerce, embassies, banks – access to door openers and multipliers
- › Knowledge about trade finance products/instruments, offerings from banks (E.g. which bank is familiar with the terms of business in Bangladesh?) and what competitors offer
- › Solid understanding and governance of compliance related rules and procedures (AML, sanctions, anti-bribery)

Within Commerzbank the relationship manager of an export oriented client has to assess for each export finance transaction that the exporter is capable to deliver, can fulfill his contractual obligations and acts in compliance with compliance procedures

International presence is key to support SMEs abroad



SMEs Inquiry Examples

Request from a French SME: Construction and Environmental Services provider

‘Notre filiale aux USA, [Subsidiary Name] veut mettre en place un lease sur du matériel [Company Name] . La banque montant le lease serait [Bank Name]. [Bank Name] leur demande de mettre en place une SBLC pour 750k USD afin de s'assurer du paiement des échéances. J'ai demandé à [Subsidiary Name] de nous envoyer la copie du lease. Je vous la ferai suivre dès réception. Commerzbank NY a proposé le texte de SBLC ci-joint. Est-il acceptable pour Commerzbank Paris? Peut-on à nouveau utiliser les lignes de [Company Name] pour une émission pour le compte de notre filiale [Subsidiary Name] avec réémission par Commerzbank NY?’

Request from a German SME producing machinery for the furniture industry

‘Hallo Herr Hollinde,

Hier eine neue Anfrage für eine Finanzierung eines Liefergeschäftes. Wir haben mit der Firma XY [Brazil] und Ihnen bereits eine Hermes-gedeckte Finanzierung durchgeführt. Hier die Eckdaten für die Finanzierung die der Kunde uns wünscht:

Auftragswert 2.200.000 EUR
Anzahlung 15% = 330.00 EUR
Laufzeit 5 Jahre, Rückzahlung alle 6 Monate
[...]

Request from a German SME for Russia

‘Hallo Johann,

Einer unserer Kunden aus Russland hat uns angefragt, ob eine Hermes-Finanzierung über die Bank Otkrytje [RF] möglich ist. Ich glaube dass es zwischen dieser Bank und der Commerzbank sogar eine Rahmenkreditvereinbarung gibt. Könntest Du mir bitte sagen, ob Ihr mit dieser Bank eine langfristige Finanzierung darstellen könnt?

Mit freundlichen Grüßen‘

Clients requests range from straightforward vanilla to complex export financing solutions, e.g. with Export Credit Agency (ECA) insurance

Pouvez-vous me confirmer le pricing

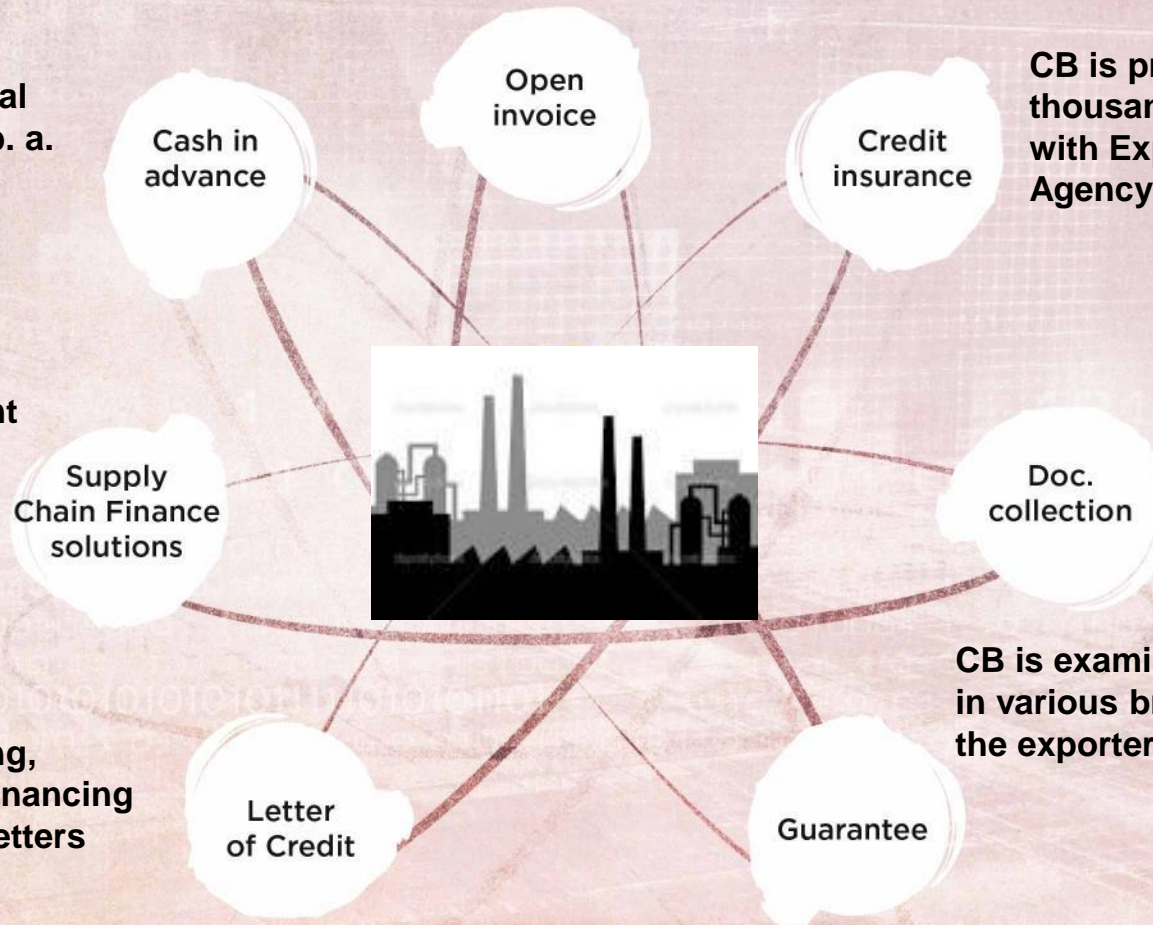
qui serait appliqué sur cette émission?’

Instruments in foreign trade

CB is exercising several millions of payments p. a.

CB is amongst the innovators of a new product: Bank Payment Obligation (BPO)

CB is opening, advising, confirming and post-financing hundred-thousands Letters of Credit p.a.



CB is providing several thousand of financings with Export Credit Agency (ECA) cover p.a.

CB is examining documents in various branches close to the exporters

The new instrument

Bank Payment Obligation (= BPO)

Trade Finance Solution

The BPO is an irrevocable abstract undertaking of the Obligor Bank to the bank of the beneficiary to execute payment on maturity date (upon successful matching of agreed electronic trade data on a platform).

Supply Chain Finance Solution

The BPO provides new finance opportunities for open account invoices along the supply chain.

The focus of Commerzbank's export financing activities (SETF)

- › The SETF team (45 specialists) offers the whole range of export finance solutions from straight-forward ECA-covered loans to complex individually structured financings
- › Support to German/Western European exporters by using the export promotion schemes of all major ECAs (Hermes, ONDD, US-Exim, EKF, EKN, Atradius, Finnvera etc.)
- › Relationships with foreign banks and selective corporates to structure up-to-date export-/import-financing solutions (standardized: Basic Loan Agreements, Framework Agreements, Framework Cover, Revolving Buyer's Credit Schemes)
- › Broad structuring expertise through sector-specific know how, e.g. metals, renewable energies, petrochemicals, medical equipment, agricultural machinery etc. (e.g. Nordstream Pipeline project)
- › Advanced know how and economies of scale for Longterm-funding ("Verbriefungsgarantie", KfW program, ELO Scheme, covered bonds)
- › Experience in small ticket solutions (ILAs, purchase of ECA-covered receivables, Forfeiting, Fast-track-Scheme)
- › Member in several committees and working groups supporting export finance (Inter-Ministerial Committee/IMA, Hermes Expert Group etc.)

Standardized Export Finance Solution: Basic Loan Agreements

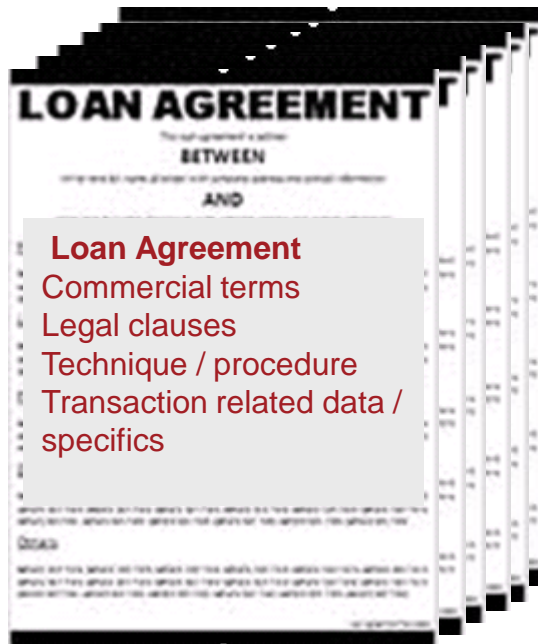


Standardised Loan Agreements allow to reduce the minimum amount requirements

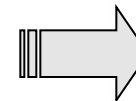


SMEs often lacking internal financing departments with advanced know how in contracting

Normal procedure



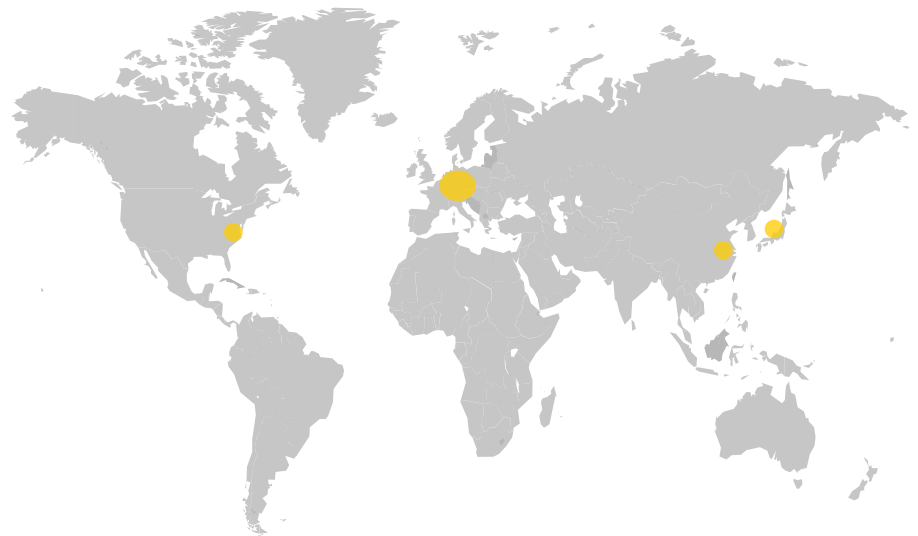
Basic Loan Agreements



Commerzbank is partnering with major Export Credit Agencies

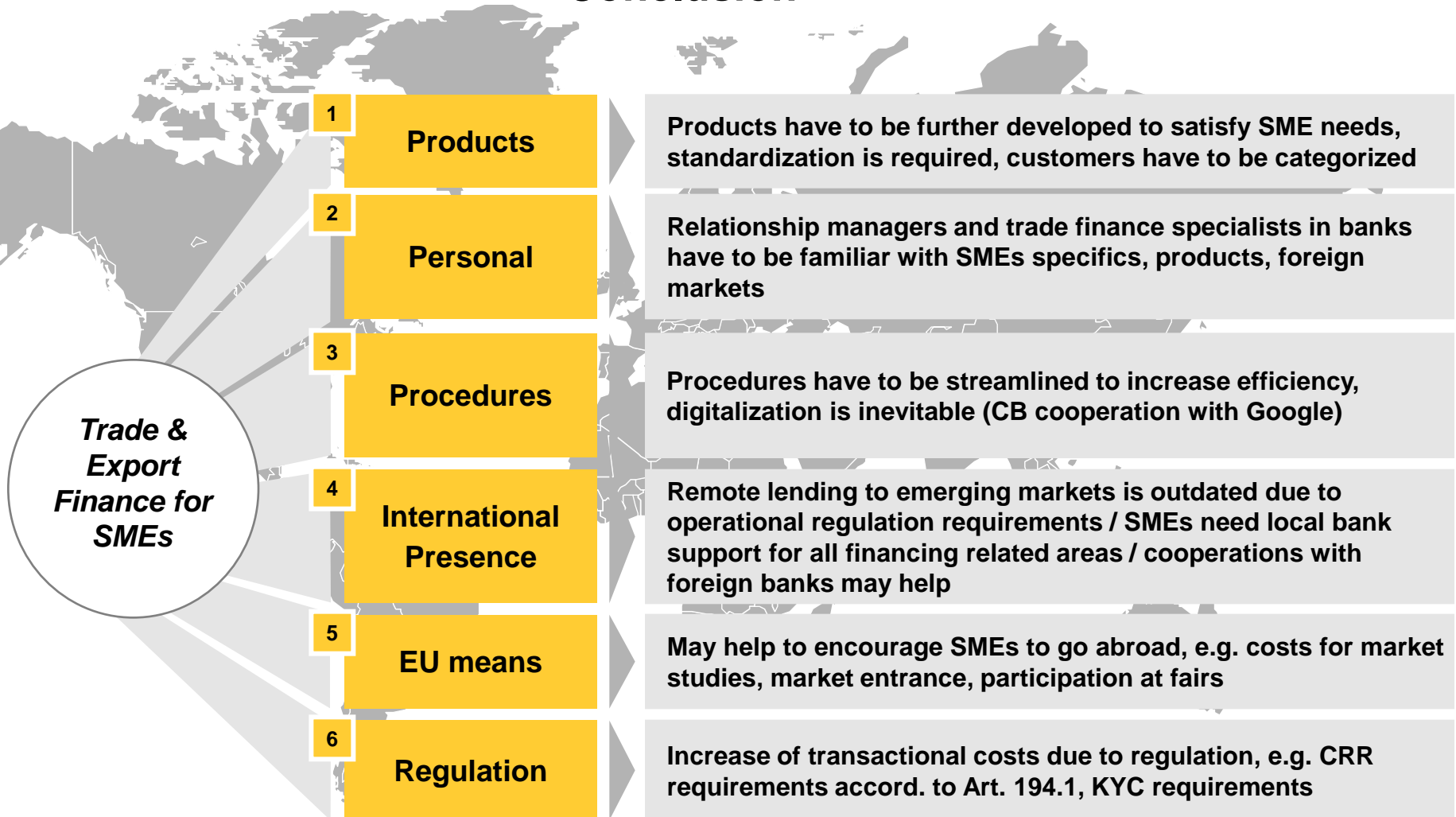
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DK		SE	
BE		NO	
CH		GB	
AT		LU	
US		JP	
CZ		KR	
FR		NL	
US			

ECA-specialists on the ground in Germany, Czech Republic, China, France, Japan, the Netherlands, Belgium, Spain, Poland, UK and US



➔ From Single to Multisource // Bank to Corporate, Sovereign or Bank // Cash-flow driven structures

Conclusion



Source: Berne Union 2015: Trade regulation, Commerzbank

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Ralph Lerch is Managing Director and Global Head of Export Finance, based in Frankfurt/Main. He joined Commerzbank in 2009 and is active in trade & export finance since more than 20 years.

Ralph Lerch is Chairman of the Export Credit Working Group of the European Banking Federation, Member of the ICC Export Finance Committee and the HERMES expert Group