

Новое в механизмах финансирования экспорта и импорта

Конференция «Налоговые и юридические вопросы для финансовых директоров»

Agenda

1. Commerzbank's Trade Services

2. Challenges to Global Trade

3. Regulatory Issues - Overview & Impact on Trade

4. Outlook

Commerzbank Global Trade Services at a Glance:

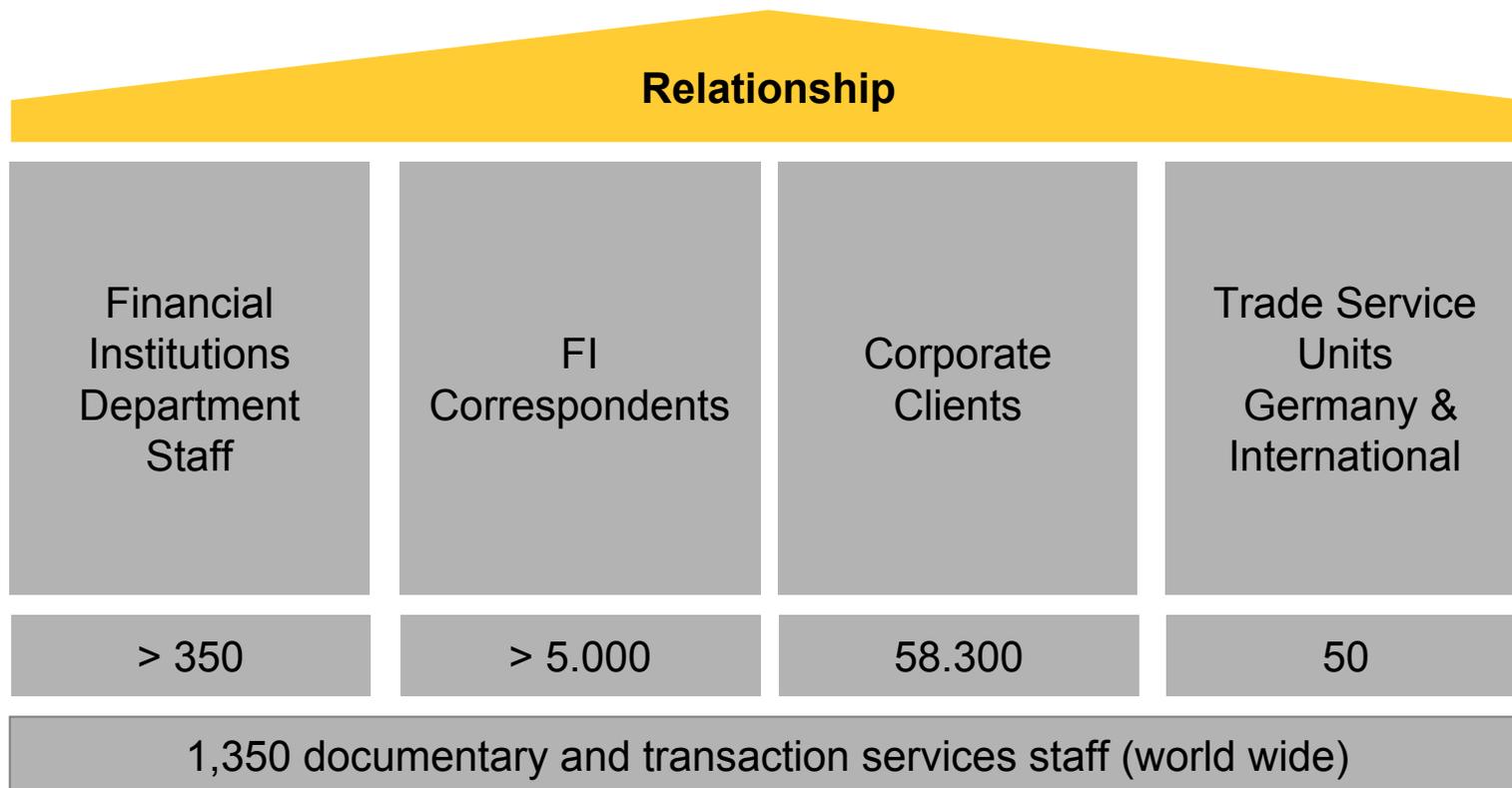
- › Ability to handle trade transactions in 46 currencies
- › 16 international entities specialized in trade finance
- › COBADEFFDOC is central entry point to reach beneficiaries all over the world
- › Market leader* in Germany for SME (the “Mittelstand”)



A Partner You Can Trust. Worldwide.

* in relationship to the L/Cs issued abroad in favor of German exporters

Pillars of Commerzbank Trade Services



This is Trade Services for us!

<hr/> <p>Documentary Collection</p>	<ul style="list-style-type: none"> › Import collection › Export collection 	<hr/> <p>Guarantee</p>	<ul style="list-style-type: none"> › Global advising › Issuance of direct guarantee › Issuance / confirmation of indirect guarantee › Provision of individual wording
<hr/> <p>Letter of Credit - Advising</p>	<ul style="list-style-type: none"> › Global advising 	<hr/> <p>Supply Chain Financing</p>	<ul style="list-style-type: none"> › Export pre-financing › LC post-shipment financing › Reimbursement financing › Import pre-financing › Bank Payment Obligation (BPO)
<hr/> <p>Letter of Credit - Confirmation</p>	<ul style="list-style-type: none"> › Open confirmation › Silent confirmation 	<hr/> <p>Buyer's Credit</p>	<ul style="list-style-type: none"> › Loan to bank for onlending to buyer › Loan to buyer guaranteed by bank
<hr/> <p>Letter of Credit - Negotiation</p>	<ul style="list-style-type: none"> › Taking up of documents 	<hr/> <p>Forfaiting</p>	<ul style="list-style-type: none"> › Discounting of promissory note › Discounting of banker's acceptance › Purchase of a claim without recourse
<hr/> <p>Letter of Credit - Reimbursement</p>	<ul style="list-style-type: none"> › Payment of a reimbursement claim › Irrevocable reimbursement undertaking 		

International Branch Network



Local presence – global reach

Leading Position in Trade Services

Western Europe & North America



Commercial Payments	Nº 3
Treasury Clearing	Nº 3
LCs	Leading provider
LC Reimbursements	Nº 1

CEE & CIS



Commercial Payments	Nº 2
Treasury Clearing	Nº 2
LCs	Nº 1
LC Reimbursements	Nº 1

Asia Pacific



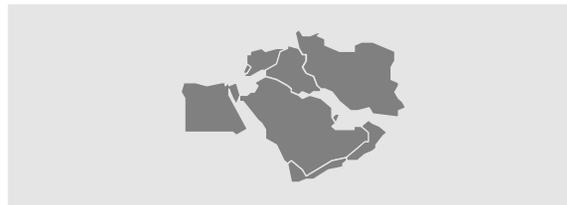
Commercial Payments	Nº 2
Treasury Clearing	Nº 3
LCs	Nº 3 European Bank
LC Reimbursements	Nº 1

Latin America



Commercial Payments	Nº 1
Treasury Clearing	Nº 1
LCs	Nº 1 European Bank
LC Reimbursements	Nº 1

Middle East



Commercial Payments	Nº 2
Treasury Clearing	Nº 1
LCs	Nº 3
LC Reimbursements	Nº 2

Africa



Number of payments processed	Nº 3
Number of LCs handled	Nº 3
Number of bank relationships	Nº 1
Number of account relationships	Nº 1

Source: various FImetrix studies 2009-2010; market shares in selected products excl. use of own bank / Africa figures based on SWIFT Watch reports and own estimates respectively

Commerzbank's LC Involvement in Russia

MT700 sent from Russia to:	2011	2012
Commerzbank Germany	919	1082
Germany	2.245	2.001
Market Share of Commerzbank in Germany	40,94%	54,07%

MT700 sent from Russia to:	2011	2012
Commerzbank Worldwide	1.093	1.197
Worldwide	10.631	12.662
Market Share of Commerzbank Worldwide	10,28%	9,5%

Source: SWIFTWatch MT700

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World-wide L/C via SWIFT in 2012: 4,66 million

North America

sent 130.519
received 223.631

Europe (Euro Zone)

sent 403.764
received 484.148

Europe (Non Euro Zone)

sent 226.255
received 246.056

Middle East

sent 358.198
received 181.248

Asia-Pacific

sent 3.069.653
received 3.408.125

Africa

sent 342.618
received 63.473

Central & Latin America

sent 132.023
received 56.249

Source: SWIFTWatch 2012

Russia: L/C traffic via SWIFT MT700 in 2012

sent from Russia 12.662 - received in Russia 8.101

North America

sent 510
received 88

Europe (Non Euro Zone)

sent 2.954
received 4.472

Europe (EuroZone)

sent 4.908
received 880

Middle East

sent 37
received 571

Africa

sent 32
received 40

Asia-Pacific

sent 4.186
received 1.964

Central & Latin America

sent 35
received 86



Source: SWIFTWatch

Russia's Top 15 Export Partner Countries in 2012

MT700 received in Russia	2012
Uzbekistan	1.195
Belarus	1.119
India	833
Switzerland	740
Russia	541
China	488
Iran	426
Rep. of Korea	271
Cyprus	255
Kazakhstan	216
Netherlands	182
France	149
Ukraine	124
United Kingdom	98
Vietnam	94

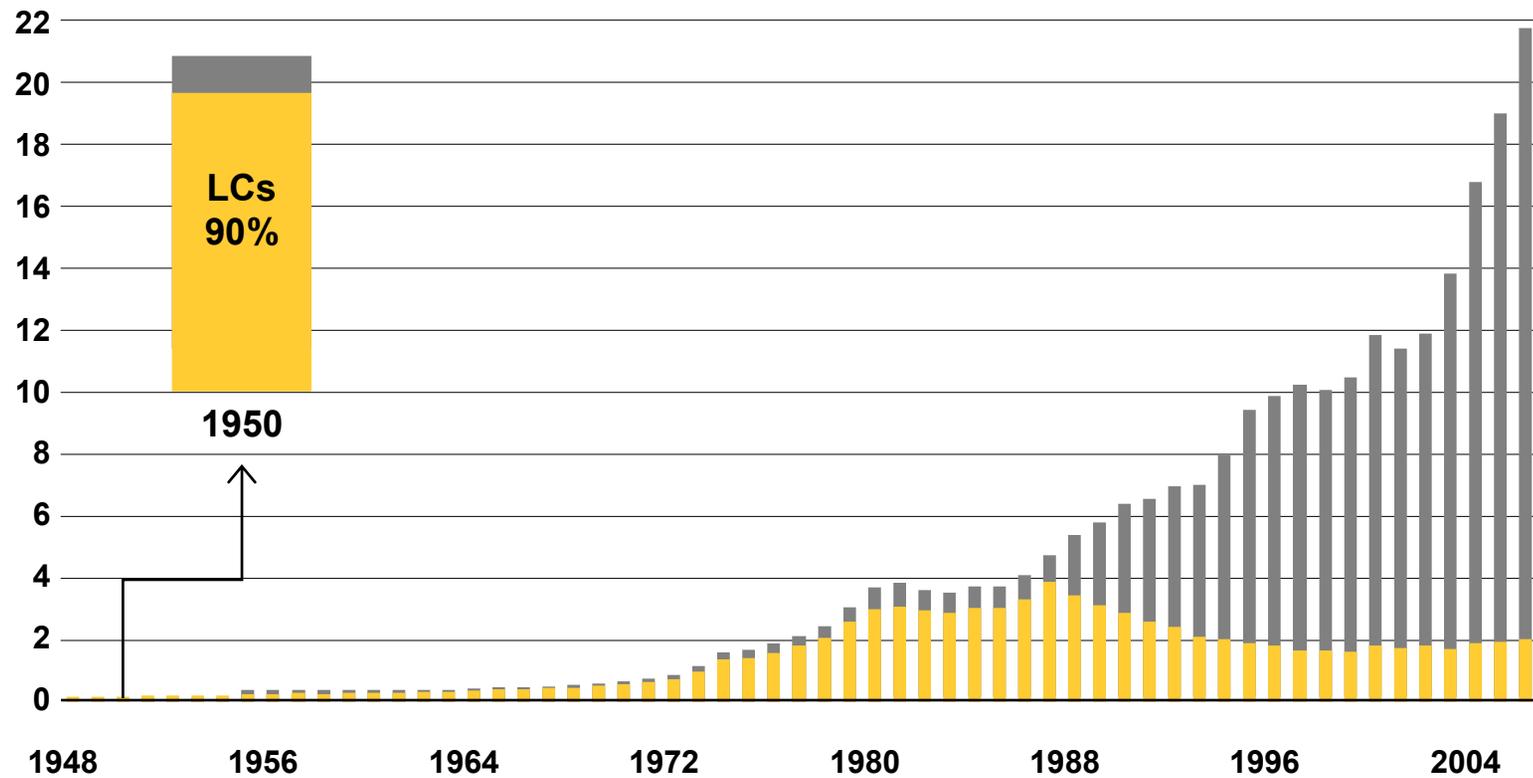
Source: SWIFTWatch MT700

Russia's Top 15 Import Partner Countries in 2012

MT700 sent from Russia	2012
China	2.027
Germany	2.001
Italy	811
Switzerland	771
United Kingdom	560
Russia	483
Hong Kong	475
USA	432
South Korea	427
France	302
Austria	286
India	241
Belgium & Netherlands	205
Finnland	171
Spain	162

Source: SWIFTWatch MT700

Worldwide trade via L/Cs (1948 – 2012)



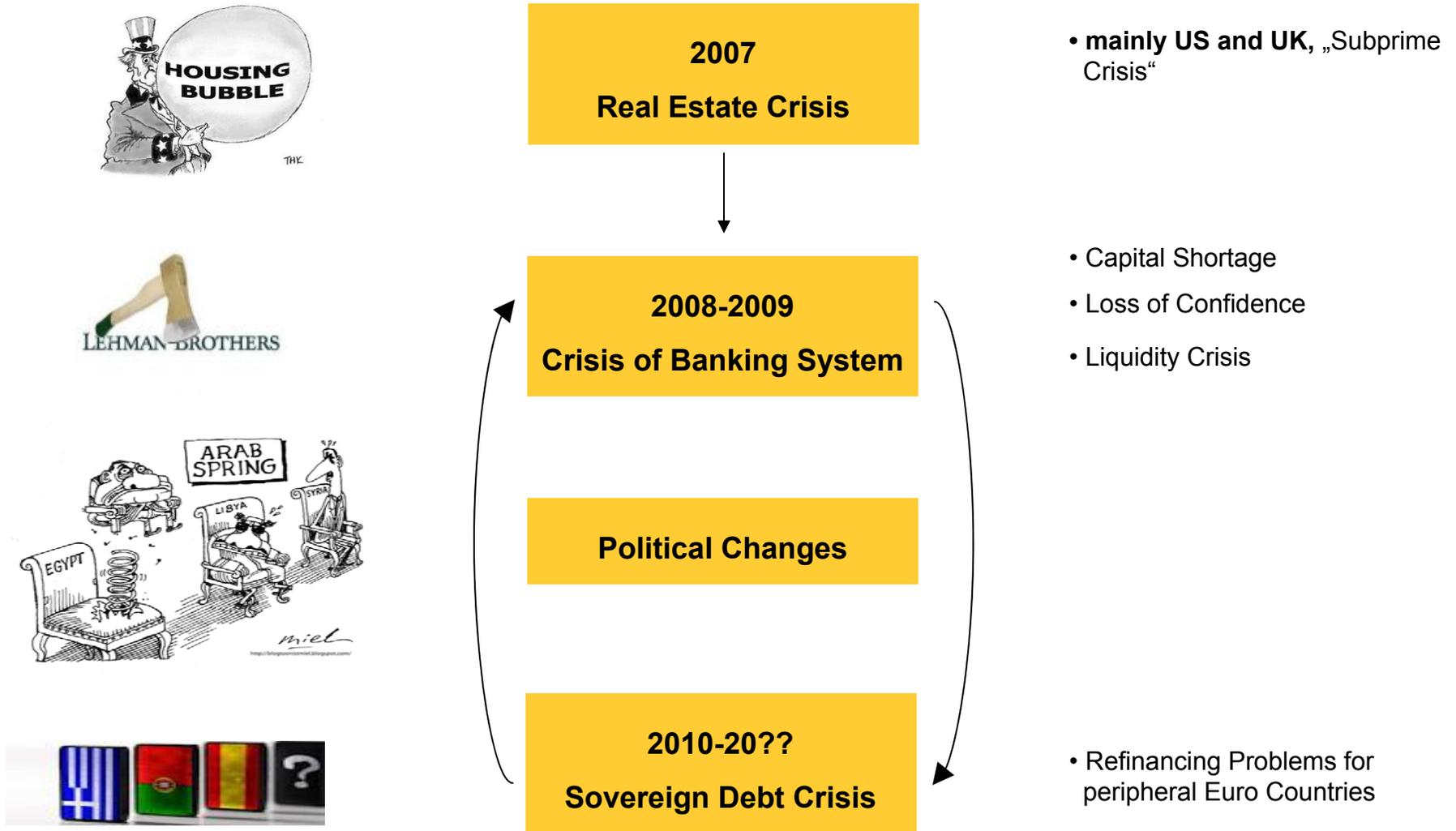
Source: World Trade Organization; Celent LLC

All Doom and Gloom...?

Famous Last Words

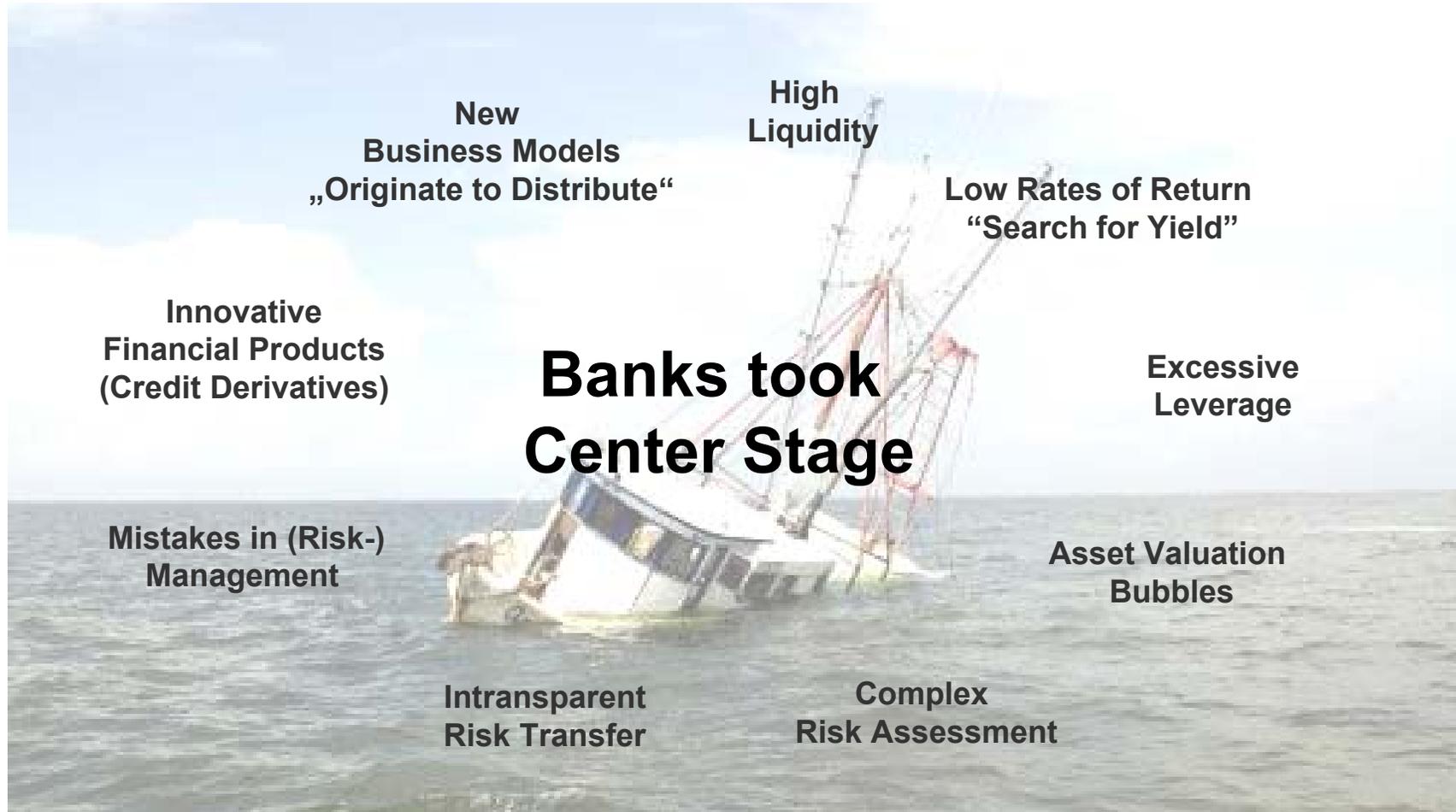
- › „Trade finance has become more difficult to obtain. The fact that the creditworthiness of several European countries is now seen as lower than some emerging market countries has rendered **export credit guarantees from those European countries less desirable**“
Hung Tran, deputy managing director of the Institute of International Finance (IIF) 11/2011
- › “Low growth and high unemployment [in advanced countries] provides the perfect setting” for the **growth of protectionism**“
Angel Gurría OECD Secretary General, B20 Seoul 11/11.
- › “You either get out of [trade finance], or you consider **increasing costs**. If there’s a clear third alternative, I’m not aware of it,” Donna K. Alexander, CEO of BAFT-IFSA, Sibos 2011
- › ...[Basel III rules] ... are „anti-American“...! Jamie Dimon, CEO of JPM

Evolution of a Crisis: From Real Estate to Sovereign Debt



2008 Global Financial Crisis

Multiple Reasons & Complex Interaction

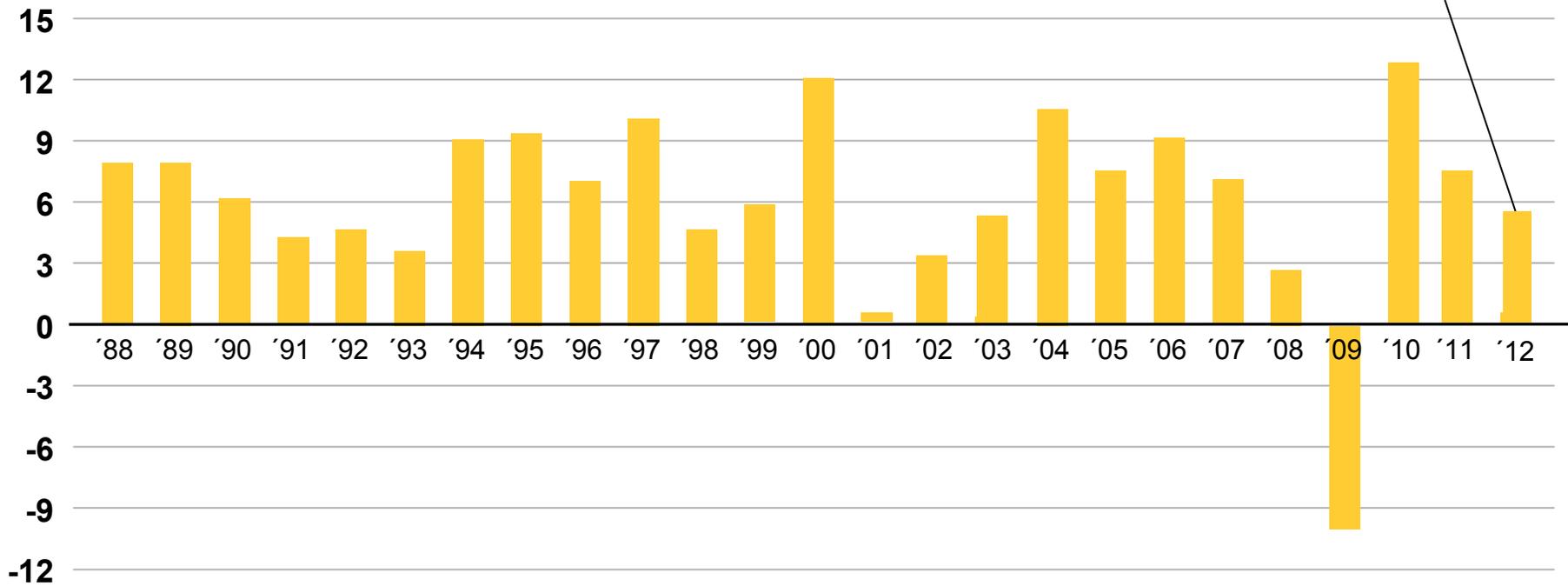


Global Trade Volumes of Goods and Services

World trade volumes

yoy, %

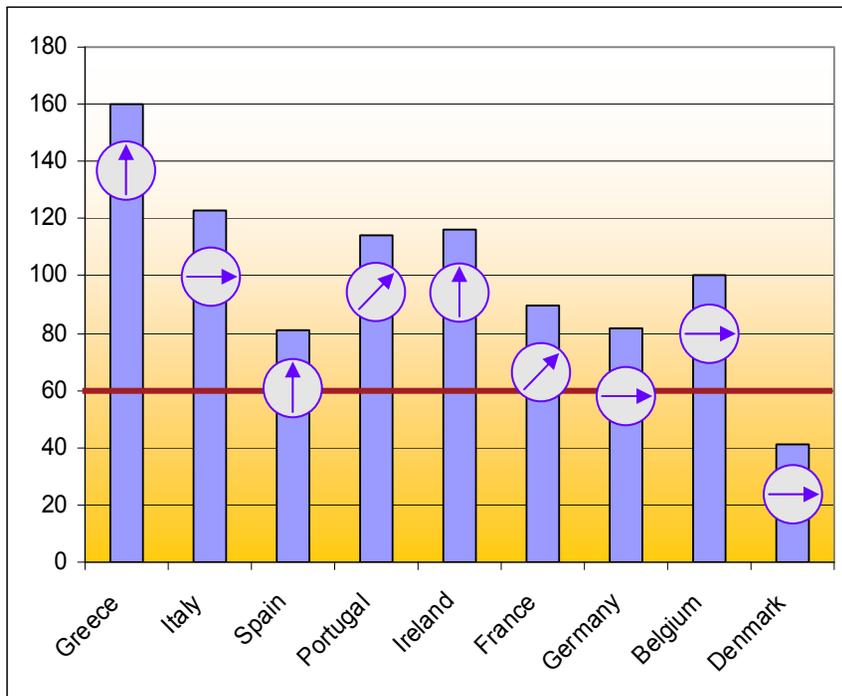
EM 2012: Exports + 5,9%
Imports + 8,1%
CIS: + 4,9%



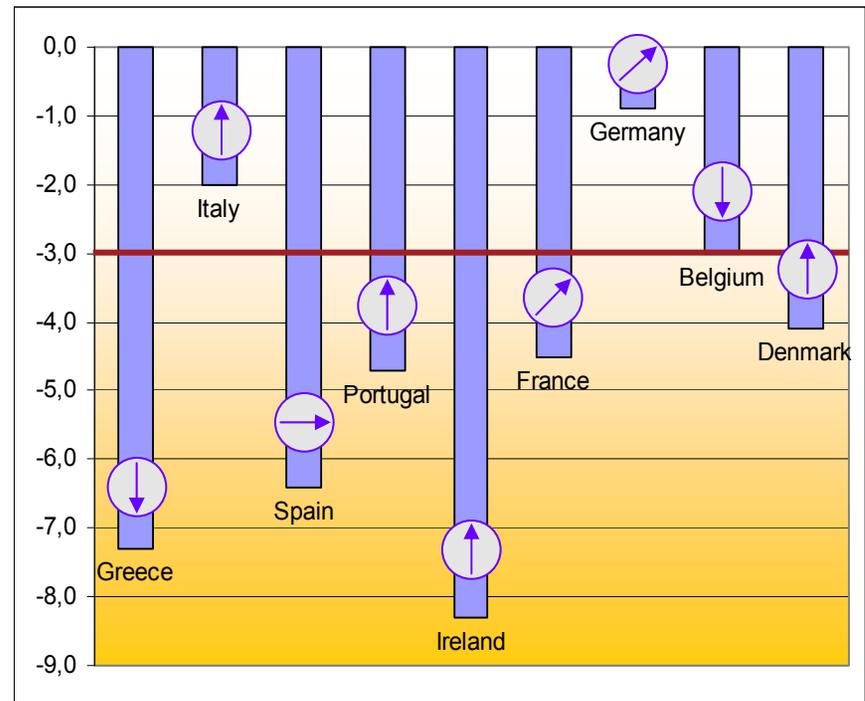
Source: IMF WEO

Europe Sovereign Debt (selected countries)

2012 Gov. Debt Forecast
(Percentage of GDP) and Tendency 2013



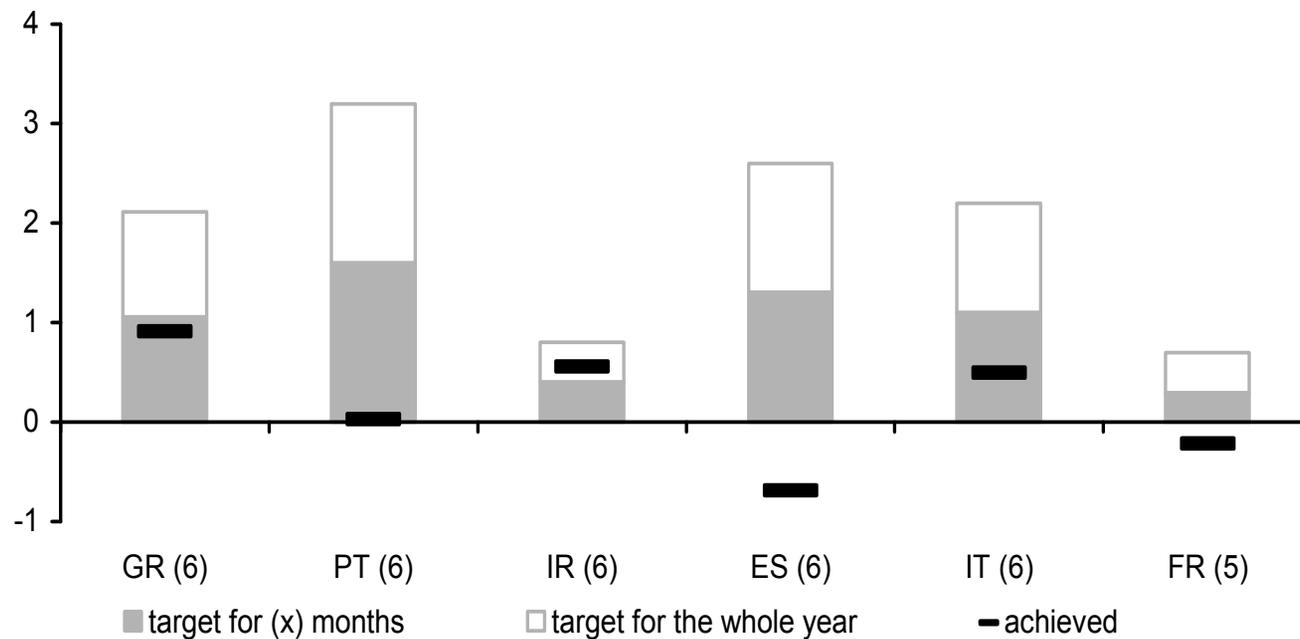
2012 Government Deficit Forecast
(Percentage of GDP) and Tendency 2013



Data source: European Commission

Remedies or Placebos?

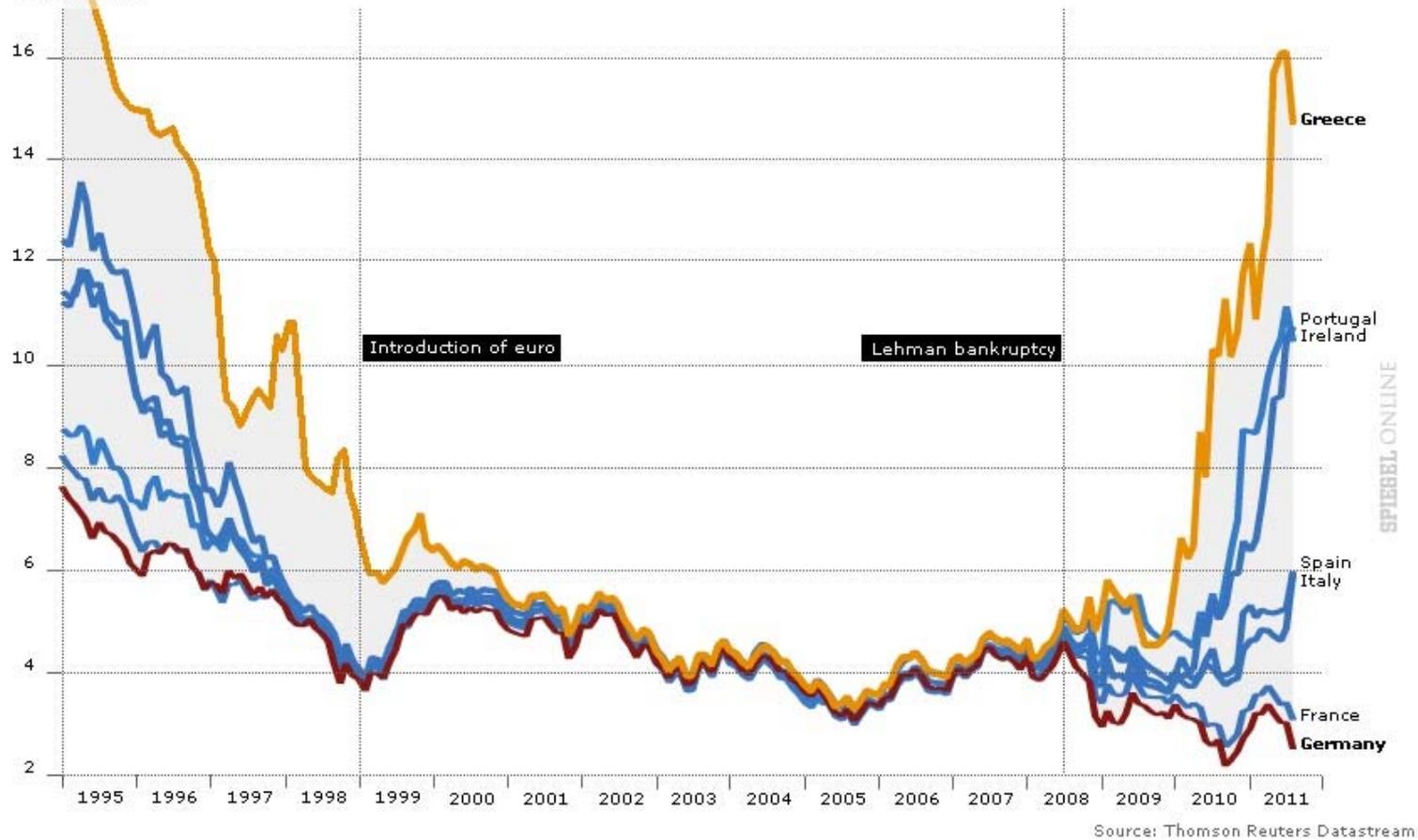
Goals for Reduction of Budget Deficit (as %-age of BIP)



Sources: Global Insight, Commerzbank Research

A Long Term View:

Development in Interest Rates on 10-year Government Bonds
in percent



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 **Regulatory Landscape**

- G-20 ➤ 2009: Global Plan for Recovery and Reform
- Global Forums ➤ IMF, BIS, Financial Stability Board
- Regional Authorities ➤ EBA, European Commission, ESMA
- National Regulators ➤ Central Banks, local FSA

→ Basel III Basics

Regulator's objective	Results	
<p>1 Considerable qualitative and quantitative increase of banks capital buffer to be robust for future crises (also to prevent false risk incentives for investors)</p>	<ul style="list-style-type: none"> › Significant increase of core capital from 2% to 4,5% › Maintenance of capital by implementing an additional buffer of 2,5% core capital (Capital Conservation Buffer) › If applicable, definition of additional capital requirements for systemically relevant banks (2,5%) 	Capital
<p>2 Mitigation of cyclical effects in stress scenarios</p>	<ul style="list-style-type: none"> › Possible additional burden by implementing an anti-cyclical capital buffer of up to max. 2,5% of RWA's › Penalty for OTC derivatives 	
<p>3 Uncoupling of financial institutions among each other and from the real economy</p>	<ul style="list-style-type: none"> › Raised capital adequacy and notable obligations for bank's dealings among each other – Asset Value Correlation (AVC) + 25% › Minimum liquidity ratios for short term liquidity hedging as well as for long term congruent refinancing 	Liquidity
<p>4 Decoupling from possible calculating and methodological errors</p>	<ul style="list-style-type: none"> › Implementation of a robust and simplified „Leverage Ratio“ (3%) › Disregarding credit conversion factors and OBS-items 	Leverage

1) Should an institute fall under a core capital ratio of 7%, it's not allowed to pay out any dividends and the loss is assigned to lower ranked bondholders

 **Basel III & Trade Finance**

	Facts	Consequences
Good	<ul style="list-style-type: none"> › Waiver of one-year maturity floor (AIRB approach) 	<ul style="list-style-type: none"> › will reduce capital requirements for banks engaged in trade finance
Good	<ul style="list-style-type: none"> › Waiver of sovereign floor (standardised approach) 	<ul style="list-style-type: none"> › Lowers CCF for banks that confirm LC from unrated issuers in EM
Fair	<ul style="list-style-type: none"> › 20% CCF confirmed (under risk-based measure) 	<ul style="list-style-type: none"> › none
Bad	<ul style="list-style-type: none"> › 100% CCF for calculating leverage ratio 	<ul style="list-style-type: none"> › Increase in cost (but not significant)

 **Basel III: Leverage Ratio**

- › Initially set at 3% (Tier 1 capital to total exposure)
- › Trade LCs 100% notional rather than EAD of 20%.
- › Performance Bonds / SBLCs 100% notional rather than EAD of 50%
- › ECA covered loans at accounting value!
- › Observation Period, migration to Pillar I in January 2018

- › CRD IV/CRR recognizes that medium/low risk and medium risk off-balance sheet
- › trade finance instruments should carry a 20% and 50% Credit Conversion Factor (CCF)

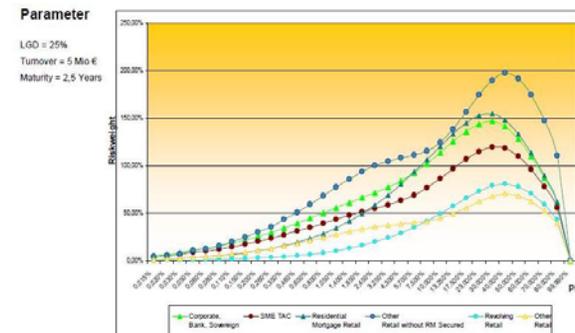
Basel II vs. Basel III: Effects of higher CCF

Assumption

- › CCF up from 20% to 100% - , costs rise **5 times?**

Fact

- › Example: Customer with 100% risk weight, 1 year LC risk capital for banks under Basel II is $20\% \times 8\%$ (CCF x Minimum Capital Ratio) = 1.6% of the LC's face value assuming cost of capital 10% (typical) banks's cost of capital for extending this credit = $1.6\% \times 10\% = \mathbf{0.16\%}$ (of LC face value)
- › Basel III leverage ratio of 3%* high quality capital on exposure amount i.e. cost of capital to support an LC = **0.3% of face value** (100% CCF!) (on top of LC fees which can range from 1% to 5% of face value!)



 **ICC Trade Finance Register****Pilot Phase**

- Portfolio level data provided by 9 leading international banks
- 5,22 million trade transactions, US\$ 2,5 trillion worth of trade deals

Findings (focus on 2008-2010)

- Average tenor: 147 days (all products), 80 days (OBS products)
- Import L/Cs: default 0.077 percent, loss 0.007 percent
- Export confirmed LCs: default 0.09 percent, loss 0.03 percent
- Standbys and guarantees: default 0.013 percent, loss 0.0007percent
- Import loans – corporate risk, default 0.06 percent, loss 0.07 percent
- Import loans – bank risk, default 0.09 percent, loss 0.05 percent
- Export loans – corporate risk, default 0.29 percent, loss 0.017 percent
- Export loans – bank risk, default 0.17 percent, loss 0.01 percent

**“...Trade gets paid!”**

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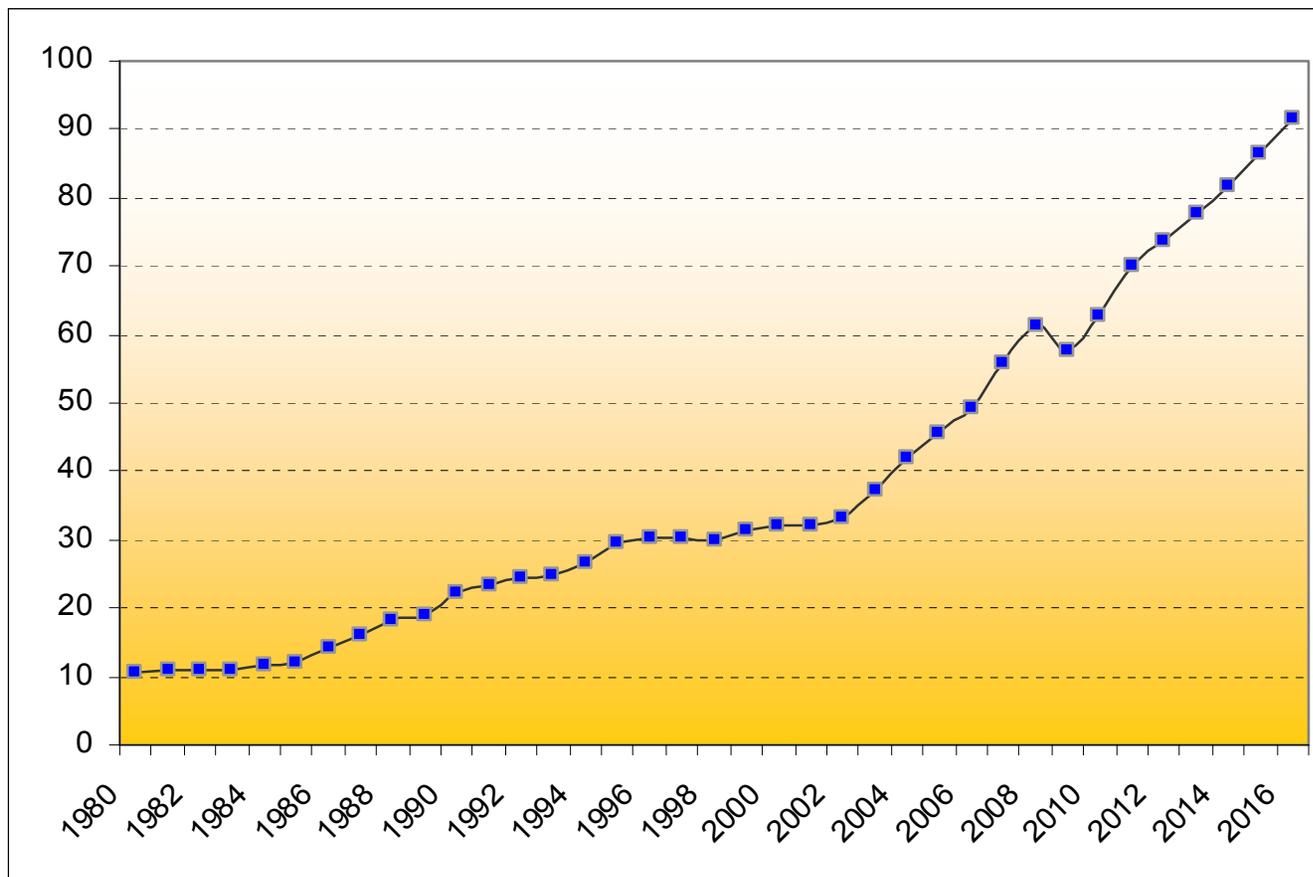
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Nominal World GDP (Billion USD, current prices)

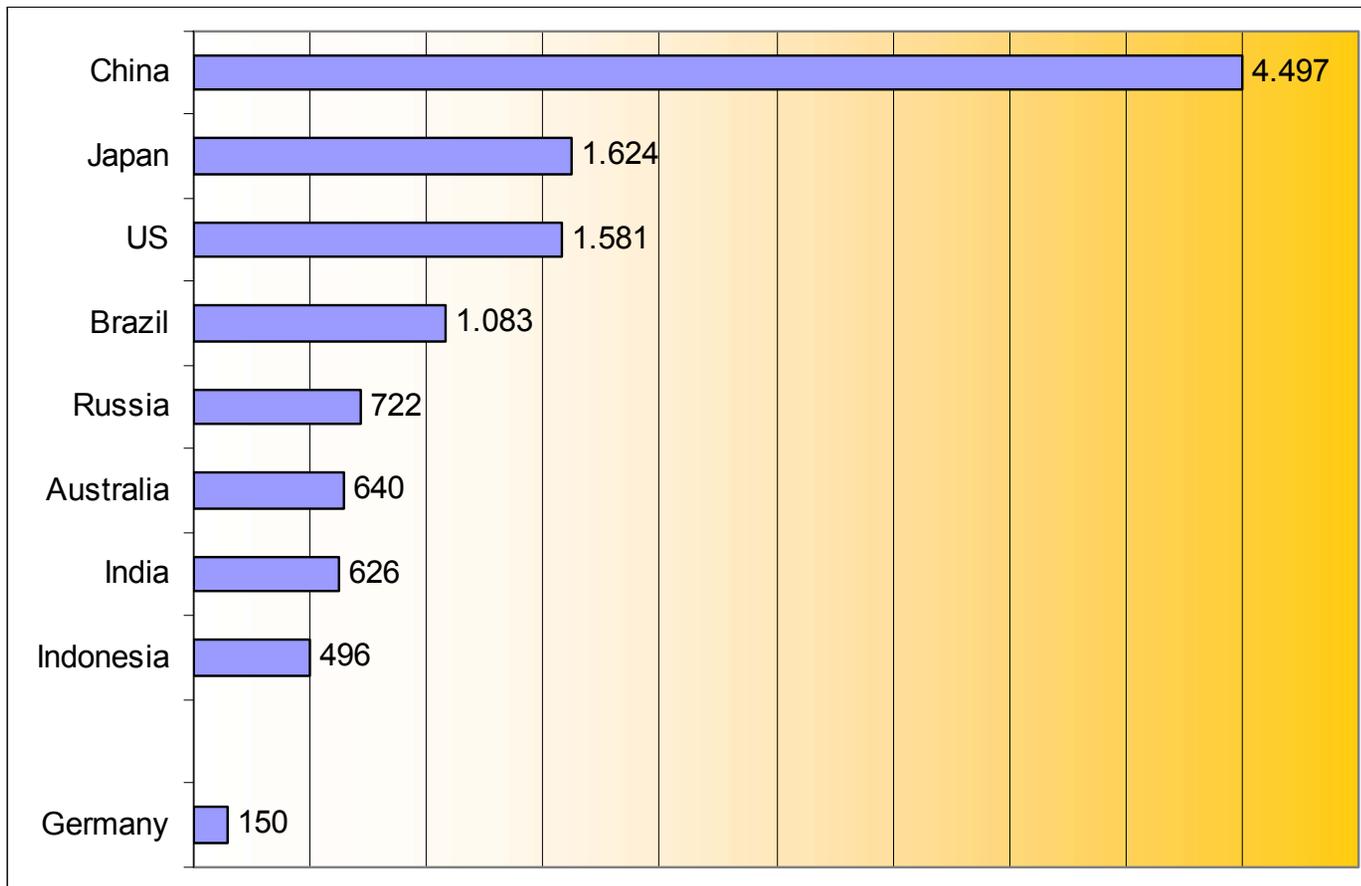


Source: IMF, World Economic Outlook DB, Sept. 2011



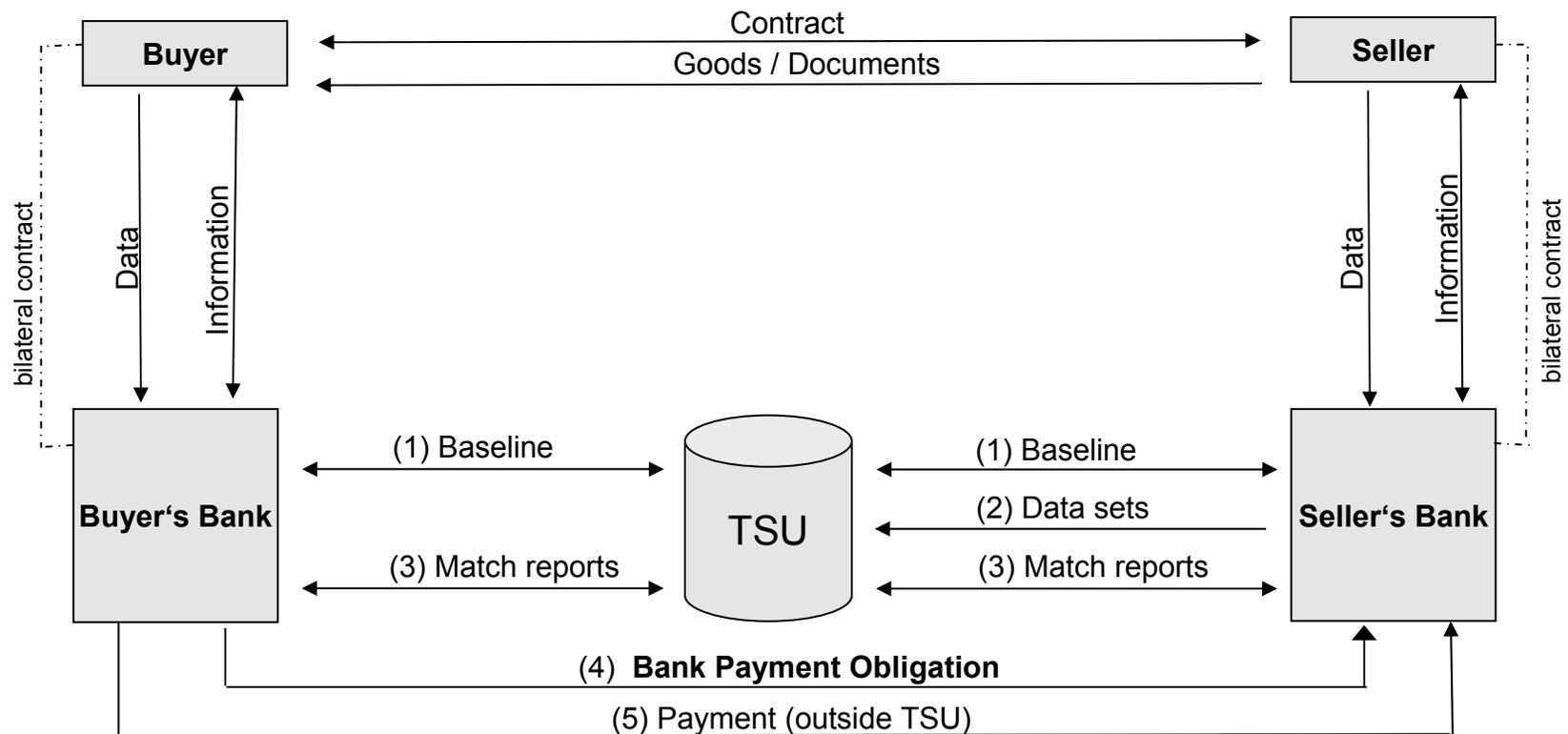
New Growth Leaders:

Largest Economies by Incremental Nominal GDP from 2007 to 2012 (billion USD)



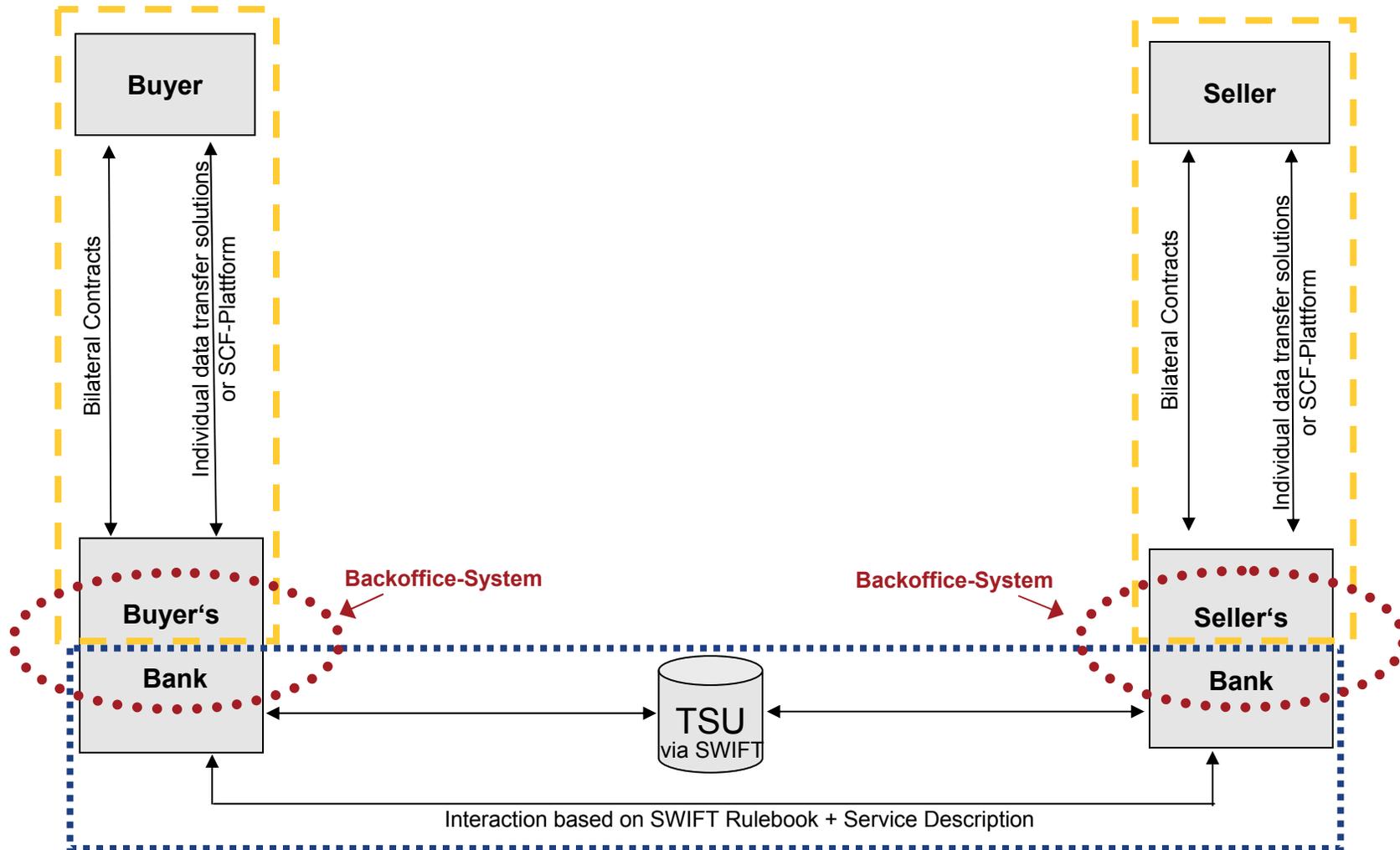
→ Bank Payment Obligation (BPO)

Irrevocable payment undertaking by buyer's bank to pay to seller's bank after successful data matching





Challenge: IT Interface Corporate – Bank – TSU



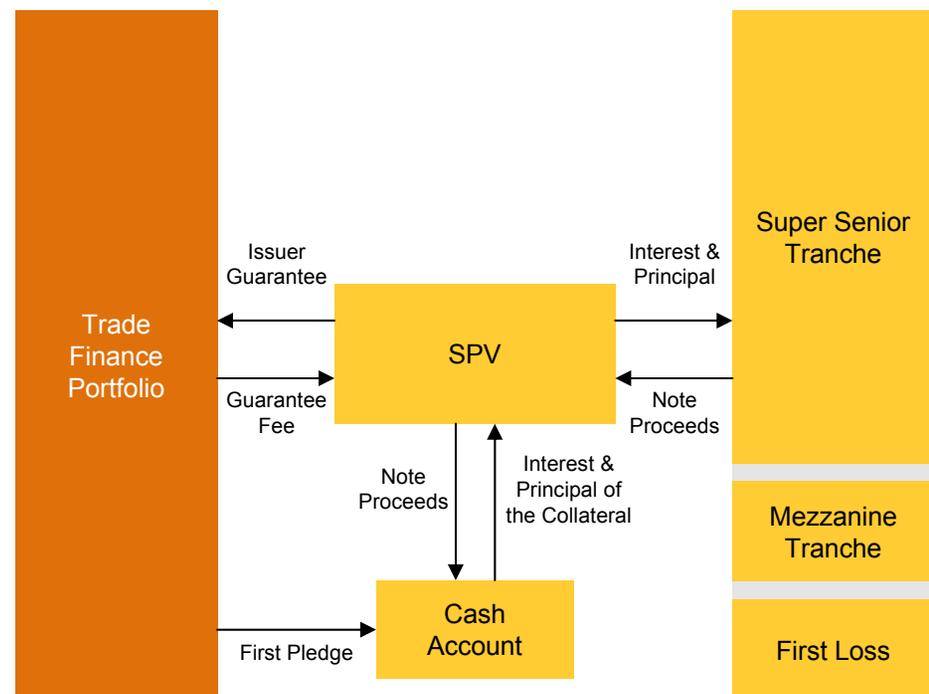
Securitization of Trade Assets

Requirements

- › sufficient granularity of portfolios
- › AIRB-Certification for risk evaluation of tranches by SFA (or external rating)
- › Due Diligence
- › Replenishment (usually monthly)
- › Regulatory issue: High Cost Protection

Economics

- › 100% RWA relief at single loan level
- › retained tanches still produce RWA
- › Overall cost depends on structure of the transaction and actual investor interest

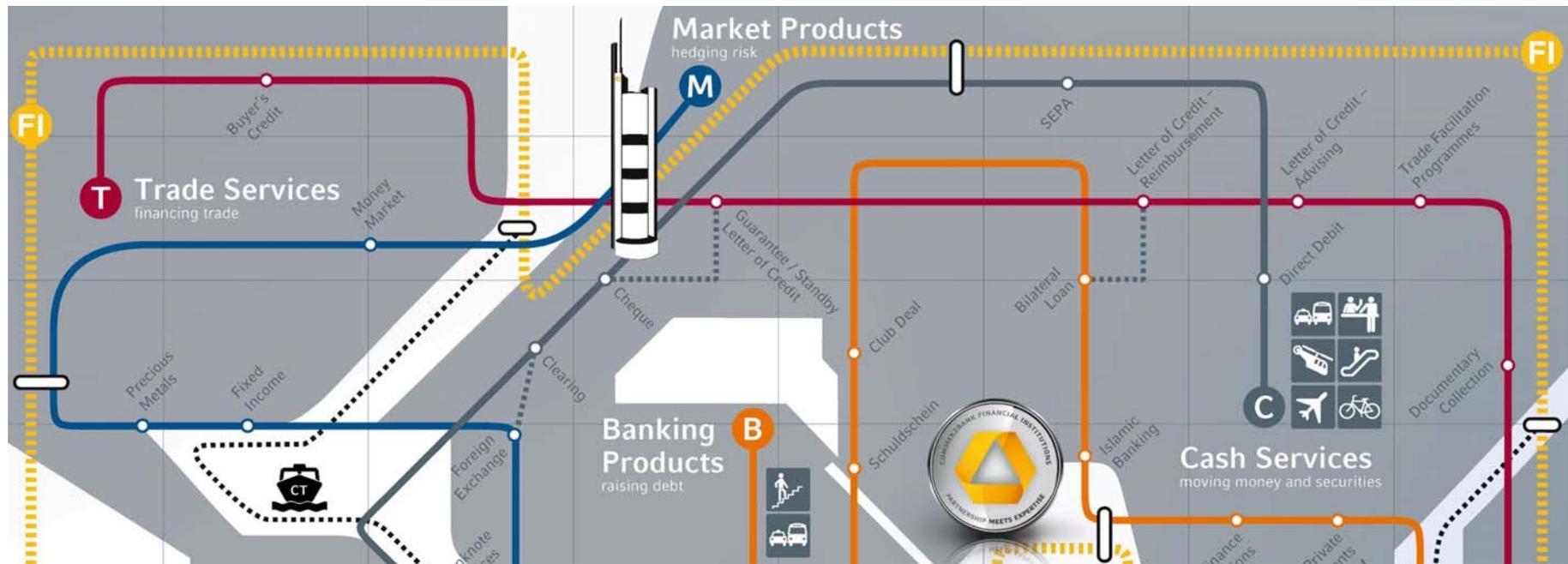


Influence on Trade: Short Term

- International trade growing strongly again, albeit at a lower rate
- Liquidity and risk taking capacity will be the major drivers
- Risk premiums are remaining stable / slightly increasing
- Growing role of Trade Risk Distribution
- Sovereign risk will remain a significant issue – shifting focus on advanced markets

Trade: medium & long term prospects

- World trade is expected to grow faster than GDP
- IMF: trade may double in 13 years, and triple in 20 years
- Emerging markets trade / south-south fastest growing trade segment
- Protectionist pressures may threaten trade growth



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