



البنك السعودي الهولندي
Saudi Hollandi Bank

The Role of Banks in Supporting Global Trade & The Areas of Cooperation between Banks & ECAs

-- From a GCC Bank's perspective

INTERNATIONAL & TRANSACTION BANKING GROUP

2016

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Topics Covered

- How Banks Support Global Trade
- Challenges Faced by Banks and Their Clients in Trade
- The Areas of Cooperation between Banks & ECAs /Multilateral Insurers
- Case Study
- Summary & Recommendations – Adding Value to The Global Trade & Supply Chain
- Q&A

Introduction to Saudi Hollandi Bank



- Founded in 1926, Saudi Hollandi Bank was the first bank to operate in the Kingdom and acted as the de facto central bank, holding the Kingdom's gold reserves and issued the first Saudi Riyal on behalf of the Saudi government, as well as helping Aramco conduct its trade transactions in early days
- Saudi Hollandi Bank has been rapidly growing its network of branches which are strategically located across Saudi Arabia, while maintaining one of the largest worldwide partner bank network amongst Saudi Banks, in order to best serve our Financial Institutions (FIs) and Corporate Clients domestically and globally
- As a top innovator and a leading solution provide, Saudi Hollandi Bank always strives to be the most dynamic international banking partner from Saudi Arabia for its FI and MNC clients
- SHB provides a full suite of trade solutions ranging from traditional trade services & financing to structured & supply chain solutions. Its highly customizable and innovative solutions help our corporate and FI clients efficiently conduct trade transactions, mitigate risk, improve balance sheet and cash flow management, as well as achieve targeted cost reduction and revenue enhancement

How Banks Support Global Trade

- **Letters of Credit & Documentary Collections:** Banks support the sellers need for credit risk mitigation and buyers need for evidencing that the goods have been shipped before making payment. Exporters take advantage of Document Preparation product to reduce their costs, bring efficiencies in their operations and reduce days outstanding's
- **Guarantees, Bonds and Standby Letters of Credits:** Providing assurance to buyers of guaranteeing contractual obligations with respect to Bid, Performance, Warranty or Advance Payment
- **Pre-Shipment & Post-Shipment Finance:** Banks provide working capital funding to exporter to source, produce, pack and ship goods. Accelerating cash flows for the exporter by various financing structures
- **Medium-Term Financing & Structured Solutions** to facilitate the export/import of capital goods for projects and investments
- **Open Account / Supply Chain Finance Solutions:** Sellers could benefit from the solutions through Working Capital Funding, Improved Liquidity Management and Risk Mitigation whereas buyers could extend days payable outstanding (DPO) and free up working capital (- possibly without showing traditional debt financing in their financials depending on the T&Cs and applicable accounting treatment)

Challenges Faced by Bank & Their Clients

- **Challenges Faced by Corporates:**

- For Exporters/sellers:

- ✓ Global competition / bargaining power
- ✓ Cost of production
- ✓ Dependence on suppliers and their terms of trade, country of source, and leveraging various free trade agreements
- ✓ Tax & legal concerns
- ✓ Environmental and compliance issues

- ✓ Buyer credit risk and country/ political risk
- ✓ Lack of capability/willingness to take and manage insurance policy
- ✓ Payment terms & working capital cycle
- ✓ Financing cost
- ✓ Restriction on leverage, D/E ratio
- ✓ Availability of Bank product & appetite

Challenges Faced by Bank & Their Clients

- **Challenges Faced by Corporates (continued):**
 - Importers / buyers:
 - ✓ Availability of seller appetite, access to goods and services
 - ✓ Costs
 - ✓ FX risk
 - ✓ Turnover & capability to make payments
 - ✓ Government regulations and requirements
 - ✓ Tax & legal concerns
 - ✓ Access to short and long term financing
 - ✓ Working capital ratios
 - ✓ Restriction on leverage, D/E ratio
 - ✓ Bank risk appetite and product flexibility

Challenges Faced by Bank & Their Clients

- **Challenges faced by Banks:**
 - ✓ Risk appetite (seller side and buyer side)
 - ✓ Lack of risk mitigation solutions
 - ✓ Supporting long tenors
 - ✓ Cost of funds
 - ✓ Return on Equity
 - ✓ Availability of Insurance and ECA cover
 - ✓ Insurance product flexibility
 - ✓ Bank product flexibility

 - ✓ Performance risk
 - ✓ Compliance requirements
 - ✓ Tax and legal issues

The Areas of Cooperation between Banks & ECAs/ Multilateral Insurers

Key Areas for Cooperation

- Products
 - Cover for various trade products
 - Supply Chain Finance solutions
- Structures & Tenor
 - Allow structured solutions
 - Cross-border & domestic
 - Flexibility with 'the insured party'
 - Support for long tenor
- Appetite & Pricing
- Documentation
- Advisory approach & referral

Case Study

- Cross-border trade with innovative solution
- Open account solutions – regional cover
- Project related trade (domestic element)

Recommendations- Adding Value to The Global Trade & Supply Chain

Recommendations

- Banks and ECAs/Multilateral Insurers work closely to support global trade by unlocking risk appetite with more flexibility in terms of products, tenor and the insured parties.
- Based on the requirements for working capital and risk mitigation, structuring banking and insurance solutions with traditional trade instruments and innovative structures, in order to add value to facilitate global trade and supply chain management, and thus facilitating export growth and economic development at a regional and global level.

Thank you !

- **Q & A / Discussions**