

Partnership Focus: Helping Russian SMEs seize global growth opportunities

Alexander Zotikov, a leading economist and trade finance specialist at BystroBank – one of Commerzbank's Russian partner banks – outlines how Russian SMEs are looking to international markets and how the bank's trade finance capabilities are helping



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Small and Medium Enterprises (SMEs) account for roughly 20 per cent of Russia's jobs and 86 per cent of the country's private firms. As such, these companies are essential to the Russian economy, yet access to funding has long been an obstacle to their operations. SME financing is therefore a key focus for BystroBank.

The regional bank specialises in retail services and corporate business with a focus on micro and small business lending. Indeed, nearly half of BystroBank's loans target SMEs. For example, BystroBank has been cooperating with the European Bank for Reconstruction and Development (EBRD) since 2011 when it first signed a loan agreement for RUB 300 million to provide SME financing.

With this financial support, BystroBank provided business development loans to more than 2000 entrepreneurs and SMEs, resulting in the creation of approximately 750 jobs and an increase in these businesses' gross revenue volume of 22% on average.

What is more, Russian SMEs are increasingly spreading their wings, looking to capitalise on increasing opportunities to trade on a global, rather than national, basis. This is a trend we are witnessing, particularly with businesses domiciled in Russia's provinces and regional centres. In a challenging banking environment with competition from the large state-owned banks, BystroBank has therefore worked to extend its competence in international trade finance

to meet the demands of its SME clients. And this is one of the reasons why we decided to partner with Commerzbank.

Providing trade finance is important for corporates to succeed in the international markets. For our clients, LCs still play a minor role in the handling of foreign trade operations. However we see an upward tendency in this regard.

Increasing understanding among Russian corporates of the benefits of trade finance – namely in mitigating counterparty risk – remains a key strategic objective for us. In this respect, BystroBank has been working alongside Commerzbank in educating its corporate clients. In addition, Commerzbank's 'on-the-ground' training has also →

been important on the financial institution side, providing our knowledgeable team with a deeper understanding of the dynamics, risks and product structures available to assist corporate clients with their international trade business requirements.

In order to offer standard trade finance instruments to Russian corporates, Commerzbank's LC processing/

confirming capability has also proven essential. For example, last year Commerzbank confirmed 48 of our LCs and standby LCs under the guarantee of the EBRD, enabling us to help our SME clients reach into new markets.

Thanks to the work of Commerzbank and the EBRD in Russia, the future is looking brighter for Russian SMEs seeking to develop their businesses and

enter into international trade operations. We very much hope our partnership with Commerzbank will prosper so that we can continue providing our corporate clients with trade finance services. ■



Per Fischer,
Head of Financial Institutions
at Commerzbank

"Commerzbank has a long history of supporting SME business and we are delighted to be working alongside BystroBank and the EBRD to help provide access to much needed trade finance. Clearly, the guarantees provided by the EBRD under the TFP are of great benefit to both Russian SMEs, as well as our own "Mittelstand-clients", involved in the international export/import business, as they shoulder the political and commercial payment risk of trade transactions. Certainly, the TFP is especially useful in supporting SME-business – indeed, most transactions handled under the programme have a volume of under €1 million."