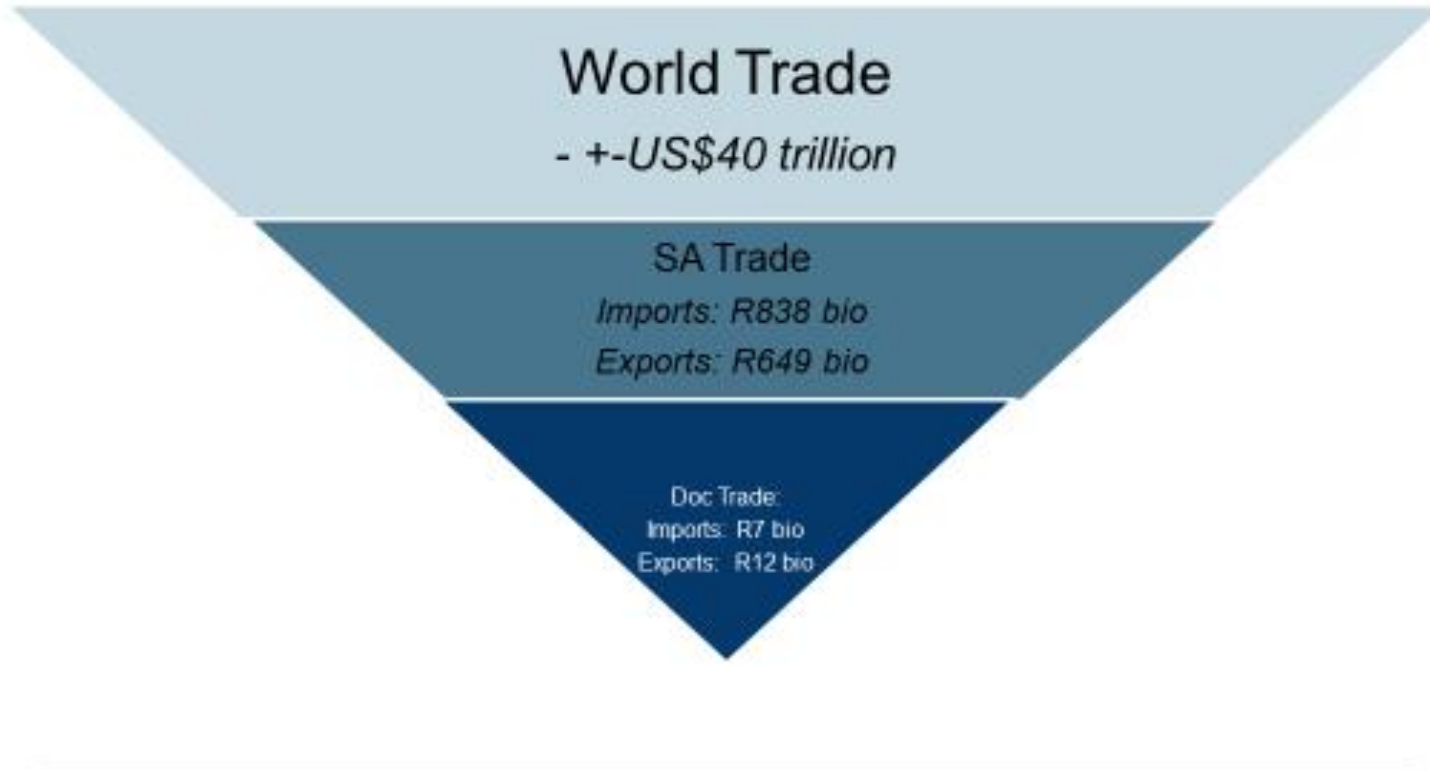




# International Banking

Finance for Exporters

# Our Marketplace



# Methods of settlement of international trade transactions



# The Risks

## Exporter

Will the importer pay?

What if there is a problem in the importer's country?



## Importer

Will the correct goods be shipped?

Will the goods arrive on time?

Will the goods be intact?

If I pay, how do I know he will ship?

What if there is a problem during transportation?



# Leading Questions

- With which countries and counterparties do you trade?

*Helps you gain an understanding of the degree of "riskiness" of your client's book.*

- How long have you been exporting and/or importing?

*A new importer / exporter may require some up-front explanations and assistance.*

- Do you have a company policy around mitigation of trade and/or foreign exchange risks?

*This information must be established, before we offer a client new products.*

- How do you currently settle your international trade transactions?

payment, open account, documentary collection, documentary letter of credit (confirmed / unconfirmed?)

*An analysis of the above, will give us a good understanding of opportunities and how we can advise the client differently.*

- Can you give us an indication of the volume and value of your international trade transactions over the past year?

- What settlement terms are you currently using – is payment immediate, or at a deferred date in the future?

*Could look at offering them refinance/discount and supply chain finance solutions.*

- Do you experience seasonal variances in your trade cycle? Provide details.

*Bridging finance opportunities.*

- What, in your opinion, are the biggest risks you face when trading internationally?

*Match this against the risks we identify – a good opportunity to sell risk mitigation products (trade/fx).*

- What do you perceive to be the biggest obstacles you face when dealing with international trade transactions?

*Try to identify process issues (possibly with other banks) that need to be addressed. They might have issues we could resolve fairly easily.*

- Do you make use of performance guarantees or any other kind of demand guarantee in your business?

- What is the current value of guarantees in issue?

- What volume and value of guarantees do you issue or receive?

Advance

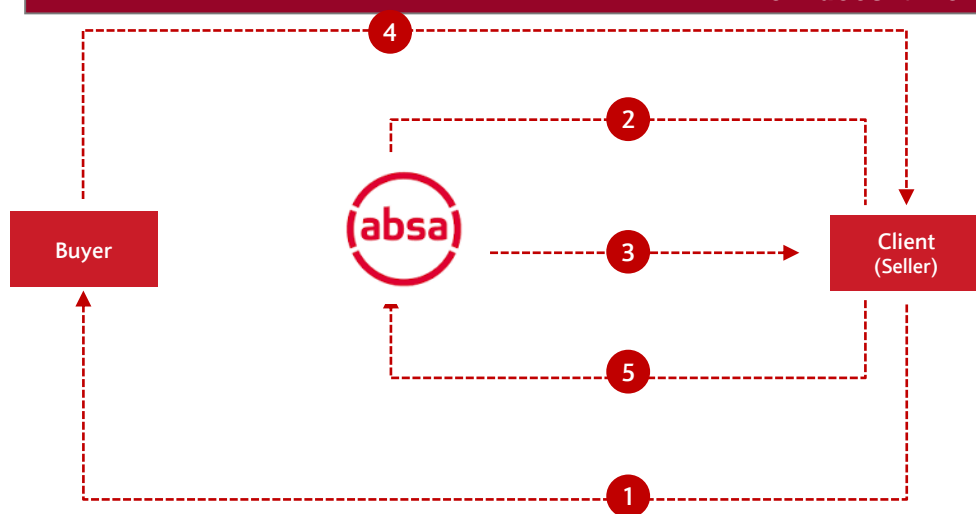
# Trade Loan – Discounting / Exporting

Unlock cash from your **trade receivables** through our **short term financing solutions** for all your **export and/or domestic trade transactions** tailored to your funding needs

## Key Value Proposition

- ❖ An alternative form of short-term borrowing without attracting commitment fees
- ❖ Finances regular or once-off purchases of goods or services through a simple-to-draw, fully revolving facility
- ❖ Finances domestic as well as international trade transactions for up to 100% of the invoice value
- ❖ Providing you with the flexibility to respond quicker to new opportunities in the market
- ❖ Allows you to accept longer payment terms from strategic debtors for your export letters of credit, collections and open account invoices

## How does it work?



1. A Pro forma/ Invoice /Purchase Order for goods or services is issued by ("Client Acronym") to the Buyer
2. ("Client Acronym") submits a trade loan request together with all supporting documents to Absa
3. Absa pays the funds to ("Client Acronym") less any discount charges
4. Buyer pays the full invoice amount to the ("Client Acronym") at maturity
5. ("Client Acronym") settles Absa for the full invoice amount at maturity

# Working Capital and Trade Products

Managing your import and export working capital needs



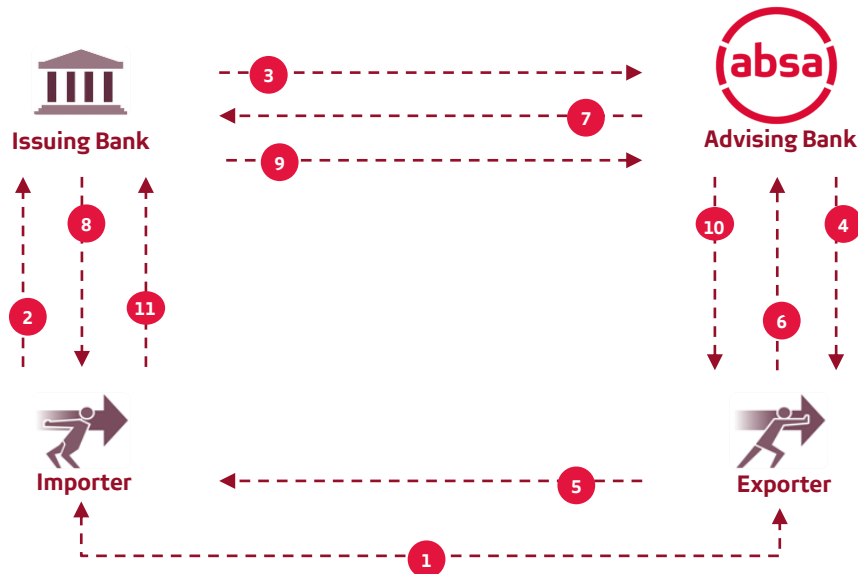
## Documentary Letters of Credit

A Documentary Letter of Credit is a **promise by the bank** assuring the supplier that they will receive payment for the goods **provided that the contractual delivery conditions are met**

## Key Value Proposition

- ✓ Mitigates the risk of non-payment for the goods, by replacing the risk from the buyer to the buyer's bank
- ✓ Allows you (buyer) to provide a guarantee to the seller to confirm payment for goods
- ✓ Buyer does not have to pay for the goods upfront

## How it works



1. The importer and exporter agree on the contract and terms of the trade and the documents to be supplied
2. Importer applies to issuing bank for LC to be issued
3. Issuing bank issues LC to advising bank
4. Advising bank advises exporter of receipt of LC and the terms and conditions of payment
5. Exporter ships goods to importer
6. Exporter presents required shipping and commercial documents to advising bank
7. Advising bank presents shipping and commercial documents to issuing bank
8. Issuing bank checks documents for compliant Letter of Credit terms
9. Issuing bank pays advising bank
10. Advising bank pays exporter at sight, on acceptance of the documents, usance payment will happen on maturity date specified in the LC
11. Importer pays issuing bank

# Working Capital and Trade Products

Managing your import and export risk



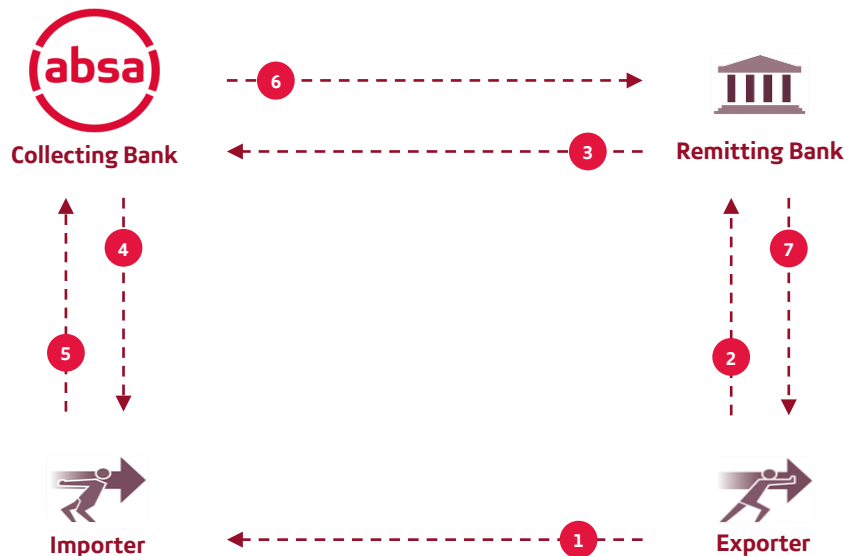
## Documentary Collections

A fast and efficient means **to settle trade deals** for the **importer (buyer)** and **exporter (seller)**.  
The **bank acts as the central point** for buyers to pay for goods and for sellers to collect payment for goods

## Key Value Proposition

- ✓ Request and receive payment for goods sold in advance thus improve your cash flow (payment can be requested once goods are loaded onto the ship)
- ✓ You may be able to negotiate a credit period (term bills) by agreeing to use documentary collections
- ✓ When the supplier presents the shipping documentation payment can either be done immediately or on a fixed date
- ✓ Allows you to make payments of any amount, in any freely traded currency

## How it works



1. The exporter ships the goods (the sales contract is already in place)
2. The exporter sends the collection instruction, shipping, commercial and financial documents to their own bank (remitting bank)
3. The remitting bank sends the collection instruction and documents to the importer's bank (collecting bank)
4. The collecting bank invites the importer to make payment or accept the bill of exchange and informs the remitting bank accordingly
5.
  - a. For sight collections (immediate payment), the importers bank (collecting bank) releases the shipping documents upon receipt of payment from the importer bank
  - b. For usance collections (term payment ) importer's bank (collecting bank) releases the shipping documents once the importer has accepted the Bill of Exchange (BoE) thus agreeing to pay on a specified future date
6. A notice of acceptance is sent by the collecting/presenting bank to the remitting bank. The funds under a documents against acceptance collections will be remitted at maturity
7. The remitting bank informs the exporter that the funds or the BoE has been received. Payment is made to the exporter once the funds are received



# Working Capital and Trade Products

Managing your import and export risk



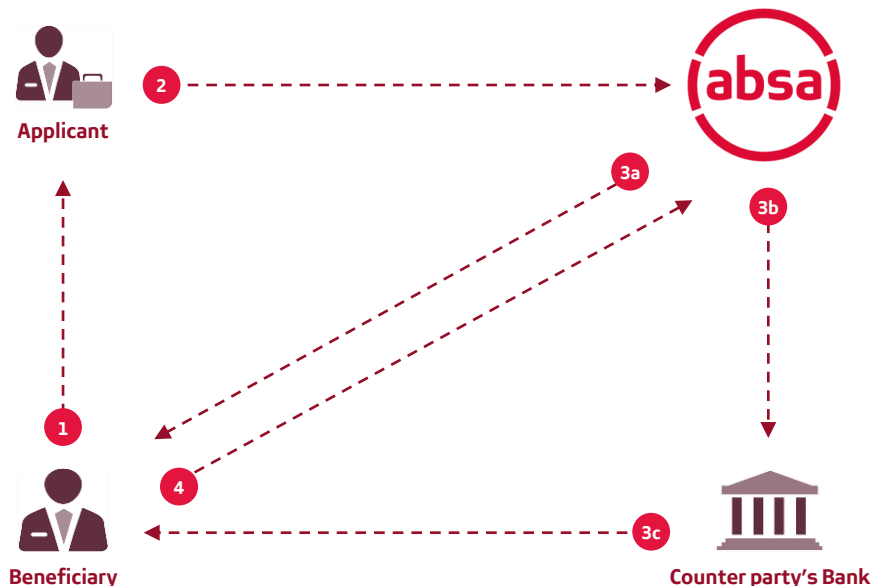
## Bonds, Guarantees & Indemnities (BGI's)

Bonds, Guarantees and Indemnities **provide assurance of an applicant's obligation**, whether it is performance driven or financial. The products can be used to **negotiate better terms, tender for business** in a competitive market and enhance trading status.

## Key Value Proposition

- ✓ Provides assurance to the trading partner that contractual obligations will be met
- ✓ Act as a form of insurance to enable you to tender for business which you previously considered to be out of your reach
- ✓ Enhances bargaining power by helping you to negotiate better terms on contracts

## How it works



1. Underlying contract agreed between Applicant (Absa client) and Beneficiary
2. Applicant request Absa to issue a BGI and provides a counter-indemnity
3.
  - a) Local BGI: Absa issues the guarantee directly to the beneficiary
  - b) Foreign BGI: Absa issues a counter guarantee against a foreign bank
  - c) Beneficiary's local bank issues the guarantee to the beneficiary
4. In a direct issuance – Claim made from the Beneficiary  
Indirect issuance – Claim via Counterparty's Bank

) Thank you (

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