



SME FINANCE  
FORUM



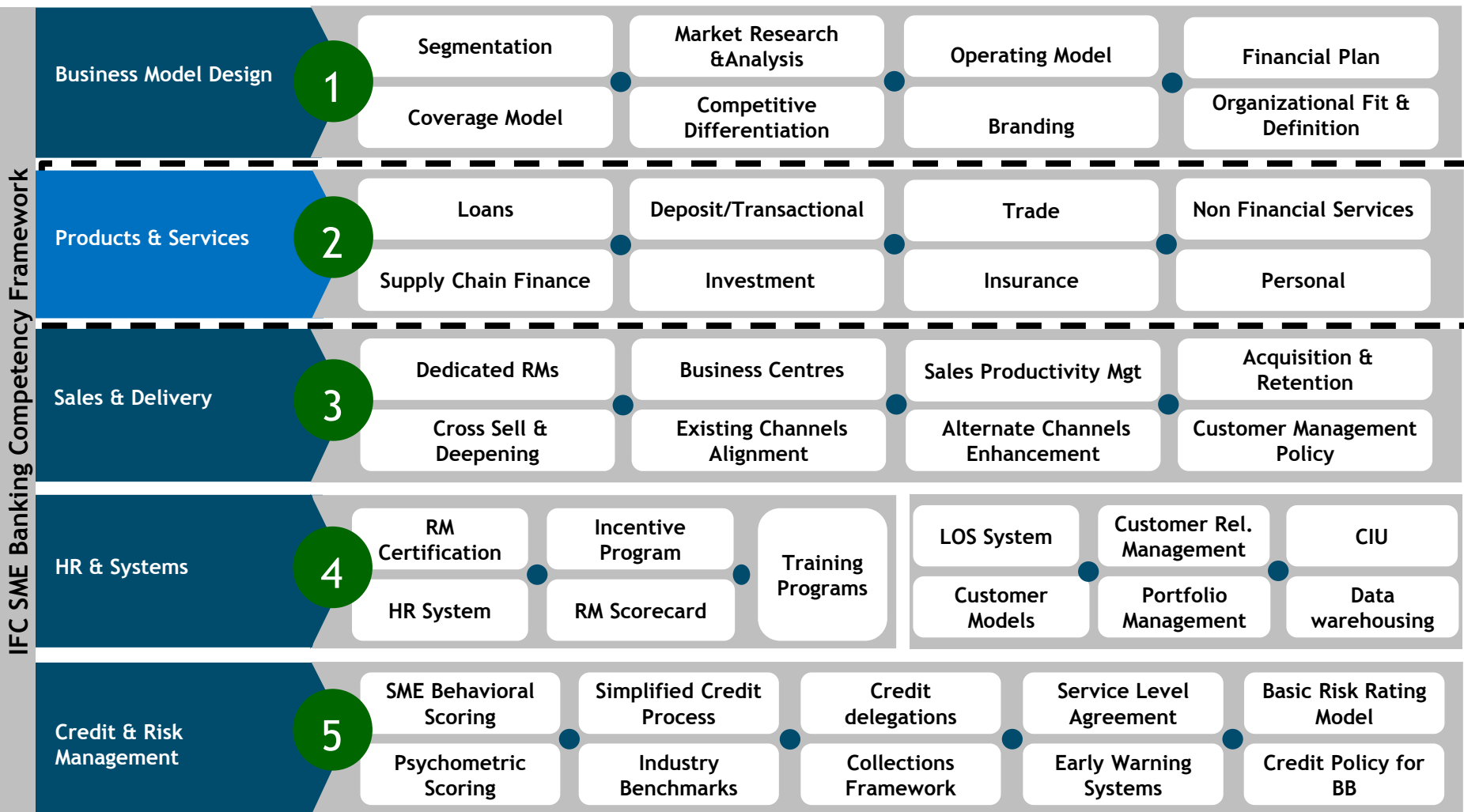
## Webinar - Product Development in SME Banking - How Successful Banks Do It

*Qamar Saleem, Global SME Banking Specialist, IFC*

*Bing Xiao, Senior Vice President, Wells Fargo Bank*

*August 11, 2016*

# While building proficiencies across 5 core disciplines is critical for successful SME Banking output, key revenue drivers are products

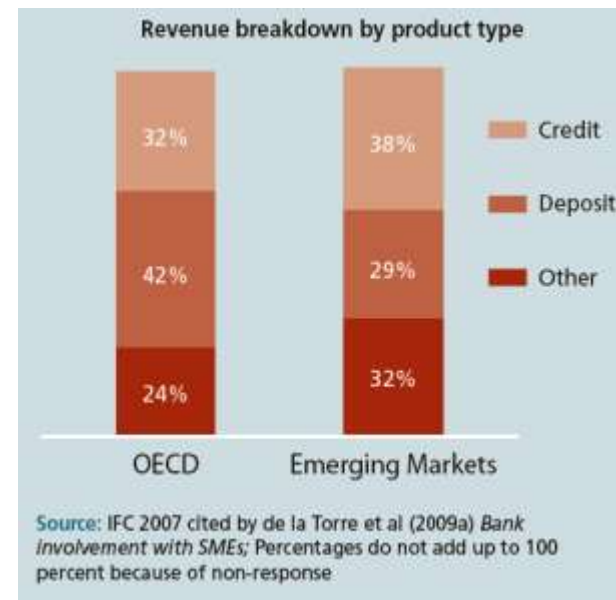


# Bank can re-orient its strategy to move up in the “hierarchy of customer needs”, with options like segment, sector, lifecycle alignment

Hierarchy of Needs

<b>Strategic</b>	<ul style="list-style-type: none"> <li>■ Owner’s wealth management in relation with Priority/Private Banking</li> <li>■ Cross Border Solutions</li> <li>■ Corporate Advisory                             <ul style="list-style-type: none"> <li>- Succession planning, tax advisory, non financial services</li> <li>- SME corporate finance, trade corridors</li> </ul> </li> </ul>		
<b>Value added</b>	<table border="0" style="width: 100%;"> <tr> <td style="vertical-align: top; width: 50%;"> <ul style="list-style-type: none"> <li>■ Foreign Exchange/Hedging                                     <ul style="list-style-type: none"> <li>- FX Fwd</li> <li>- FX Non-vanilla &amp; Derivatives</li> <li>- Online Treasury</li> </ul> </li> <li>■ Employee                                     <ul style="list-style-type: none"> <li>- Payroll</li> </ul> </li> <li>■ Insurance (Non-life)                                     <ul style="list-style-type: none"> <li>- Loan Protection</li> <li>- Commercial &amp; Industry</li> <li>- Marine &amp; Cargo</li> </ul> </li> <li>■ Insurance (Life)                                     <ul style="list-style-type: none"> <li>- Key Man</li> <li>- Employee Health &amp; Medical</li> </ul> </li> </ul> </td> <td style="vertical-align: top; width: 50%;"> <ul style="list-style-type: none"> <li>■ Wealth management / yield enhancement (for company)                                     <ul style="list-style-type: none"> <li>- Unit Trust / Mutual Funds</li> <li>- Fixed Income / Bonds</li> <li>- Equities</li> <li>- Premium Currency Investment</li> <li>- Structured Deposit</li> <li>- Structured Notes</li> </ul> </li> </ul> </td> </tr> </table>	<ul style="list-style-type: none"> <li>■ Foreign Exchange/Hedging                                     <ul style="list-style-type: none"> <li>- FX Fwd</li> <li>- FX Non-vanilla &amp; Derivatives</li> <li>- Online Treasury</li> </ul> </li> <li>■ Employee                                     <ul style="list-style-type: none"> <li>- Payroll</li> </ul> </li> <li>■ Insurance (Non-life)                                     <ul style="list-style-type: none"> <li>- Loan Protection</li> <li>- Commercial &amp; Industry</li> <li>- Marine &amp; Cargo</li> </ul> </li> <li>■ Insurance (Life)                                     <ul style="list-style-type: none"> <li>- Key Man</li> <li>- Employee Health &amp; Medical</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Wealth management / yield enhancement (for company)                                     <ul style="list-style-type: none"> <li>- Unit Trust / Mutual Funds</li> <li>- Fixed Income / Bonds</li> <li>- Equities</li> <li>- Premium Currency Investment</li> <li>- Structured Deposit</li> <li>- Structured Notes</li> </ul> </li> </ul>
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**Non-lending revenue can represent 60-70% of SME revenue**

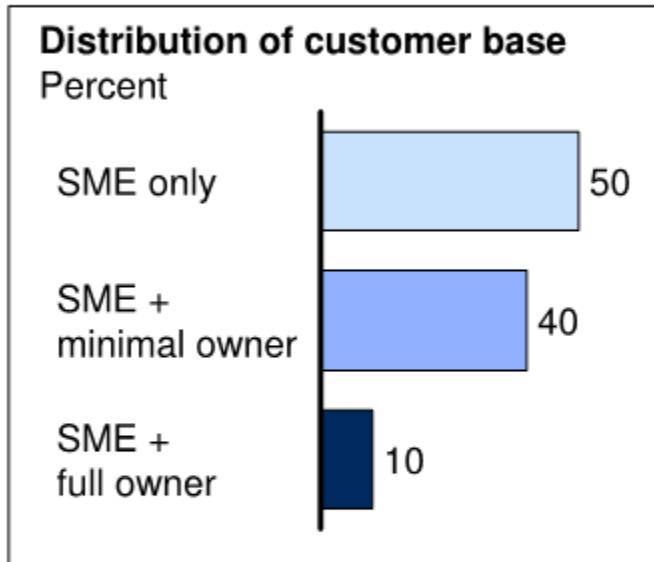


# Given small business personal and business transaction are highly linked, a concerted strategy of soliciting a combined wallet yields strong results

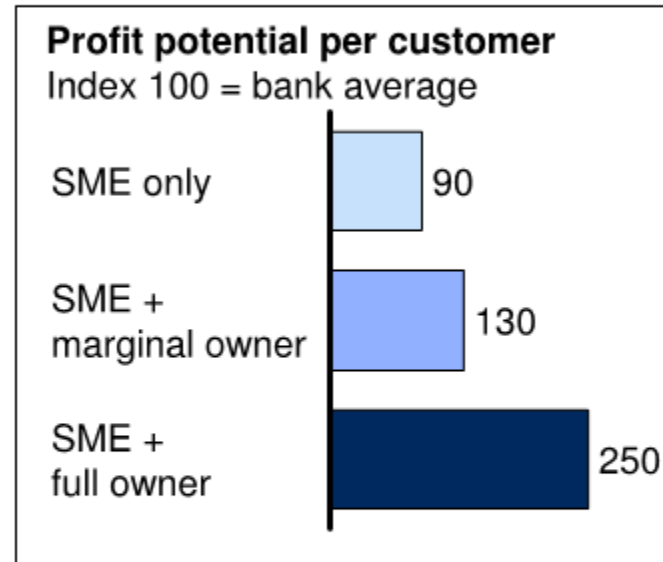
**Retail division of a major European bank**

- 3 "domestic" countries
- Strong SME franchise (around 1 million customers across 3 countries)

**Very few SME clients with both personal and business relationships with the bank**



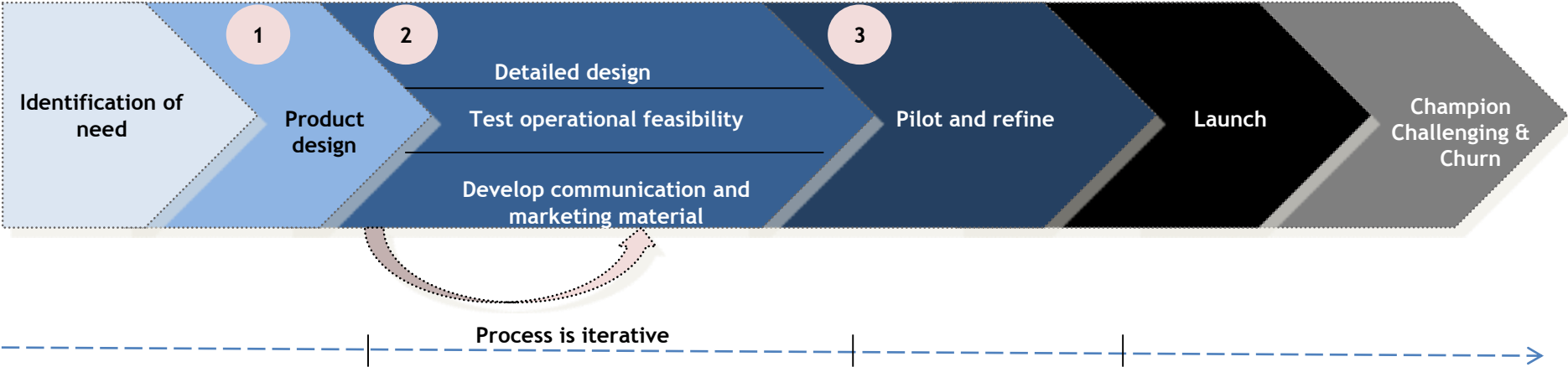
**2.5x more profitable to serve SME and owner deeply**



*To address this situation, the client conducted extensive market research to refine offer and sales model to serve both SME and owner*

# Product development, piloting, and ongoing management needs to be highly disciplined

Holistic product development process with iterative steps



DURATION	1-2 months	3-4 months	3-6 months	Periodic /Annual Reviews
WHO IS INVOLVED?	Product manager, functional leads, research	Product manager, functional working group members (i.e. sales, IT)	Product manager, product sales/ Ops, MIS, marketing	Product manager, Analytics, working group
FINAL PRODUCT	Concept brief, detailed work plan	Detailed profitability analysis, operational and technical requirements, sales, communication, marketing plan	Pilot branches, tracking metrics, executed pilots, defined products	Refine product terms, tracking metrics, product vitiations, external alliances

# IFC provides a combination of Investment and Advisory Services for optimal results

## ADVISORY

### Capacity Building for FIs

- **Build capacity** of FIs in strategy, market segmentation, credit management, risk modelling, product development, sales and customer management, staff capacity building, value chain finance, through innovative approaches and systems to scale up their financing for SMEs on a sustainable basis
- **Promote sub-sector focus:** women-owned SMEs, sustainable energy SME projects, agri SMEs, leasing, etc
- **Raise awareness** on best practices in the SME Finance space through knowledge forums, thought leadership and study tours

## INVESTMENT

### SME Financing & Investments

- **Equity Investments** in Financial Institutions / Equity Funds for SMEs
- **Funded lines** to expand investment and working capital lines
- **Blended finance options** to support the expansion of IFC's risk appetite (e.g. grace periods, performance based pricing, subordination, higher risk /lower security or in limited cases, local currency positions)

### Risk Mitigation & Enhancements

- **Risk Sharing Facilities** / Partial Credit Guarantees to:
  - Enhance risk taking capacity and provide capital relief
  - Avoid FX mismatches and encourage domestic resources for SME financing

# Key Contacts

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