



**Banking Assistance to  
SMEs investing in China.**

**Beijing, 6th April 2021**



# ICBC Key Data



ICBC (Europe) S.A., Milan Branch

- Industrial Commercial Bank of China or more simply ICBC is the most important Chinese bank and since several years it is ranked like the largest bank in the world in terms of total assets, deposits and profit.
- ICBC has **16,182** domestic branches and **425** overseas institutions, based in **49** countries.
- The bank has established correspondent banking relationships with **1442** overseas banks in **143** countries and regions.
- It operates as universal bank in corporate investment , retail and private sectors.
- The customer base is composed by **8,660** thousand Corporate Customers, **673** million individual customer, **402** million mobile banking customers
- ICBC is full aware of importance of social responsibilities practices, that's why it embedded social corporate responsibility into its corporate governance ,corporate culture,business strategies employing financial instruments and resources to help address the imbalances and inadequacies in economic and social development.

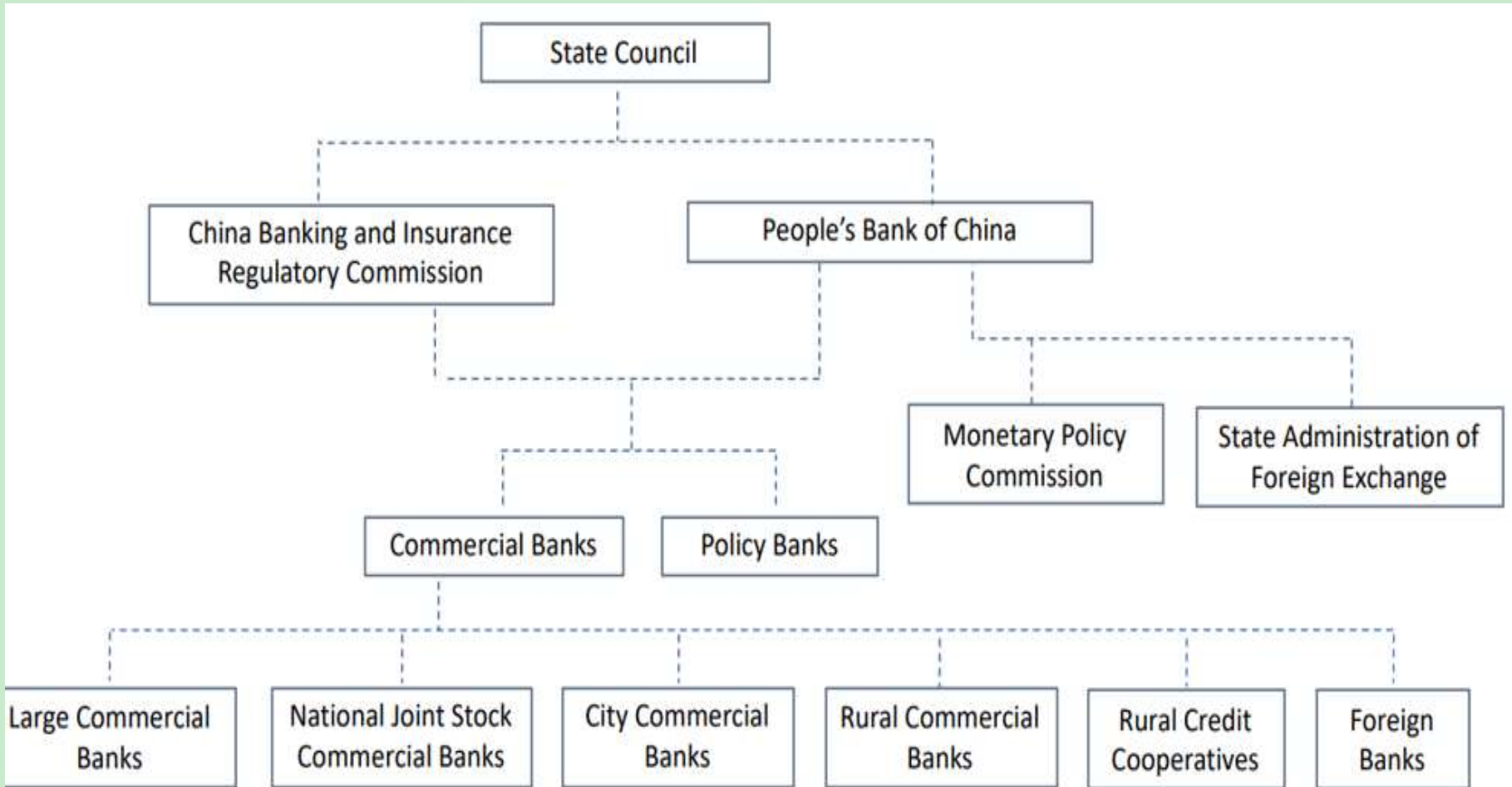


- ICBC is based in Italy since 2011 with a branch in Milano and since 2015 also in Roma.
- During these years ICBC mainly financed the most important Italian multinationals making an important contribution to consolidate and develop the Italian Chinese relations.
- Being aware that most of the Italian companies are small medium enterprises since a few years ICBC is committed to help them to improve business relations with the Chinese companies.
- Since 2018 in occasion of the **Chinese International Import Expo** which is the largest import exhibition in the world, ICBC Milano has accompanied over 100 small medium Italian enterprises organizing for them B2B meetings where the Chinese counterparties are chosen among the duly selected customers of the huge ICBC domestic network.
- In addition on last 22nd January 2021, it has been launched a very advanced **Business Matchmaker Platform** where SMEs based in Europe and in all the countries where ICBC is present, will meet digitally Chinese companies selected among the customers of the ICBC domestic network.

# Oversight Structure of China's Financial System



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## Critical Issues



- **Very difficult creditworthiness assessment.**
- **Asymmetric information.**
- **Moral hazard and adverse selections.**
- **High NPL rate.**
- **Request of collaterals.**
- **High interest rates.**

## Possible Solutions

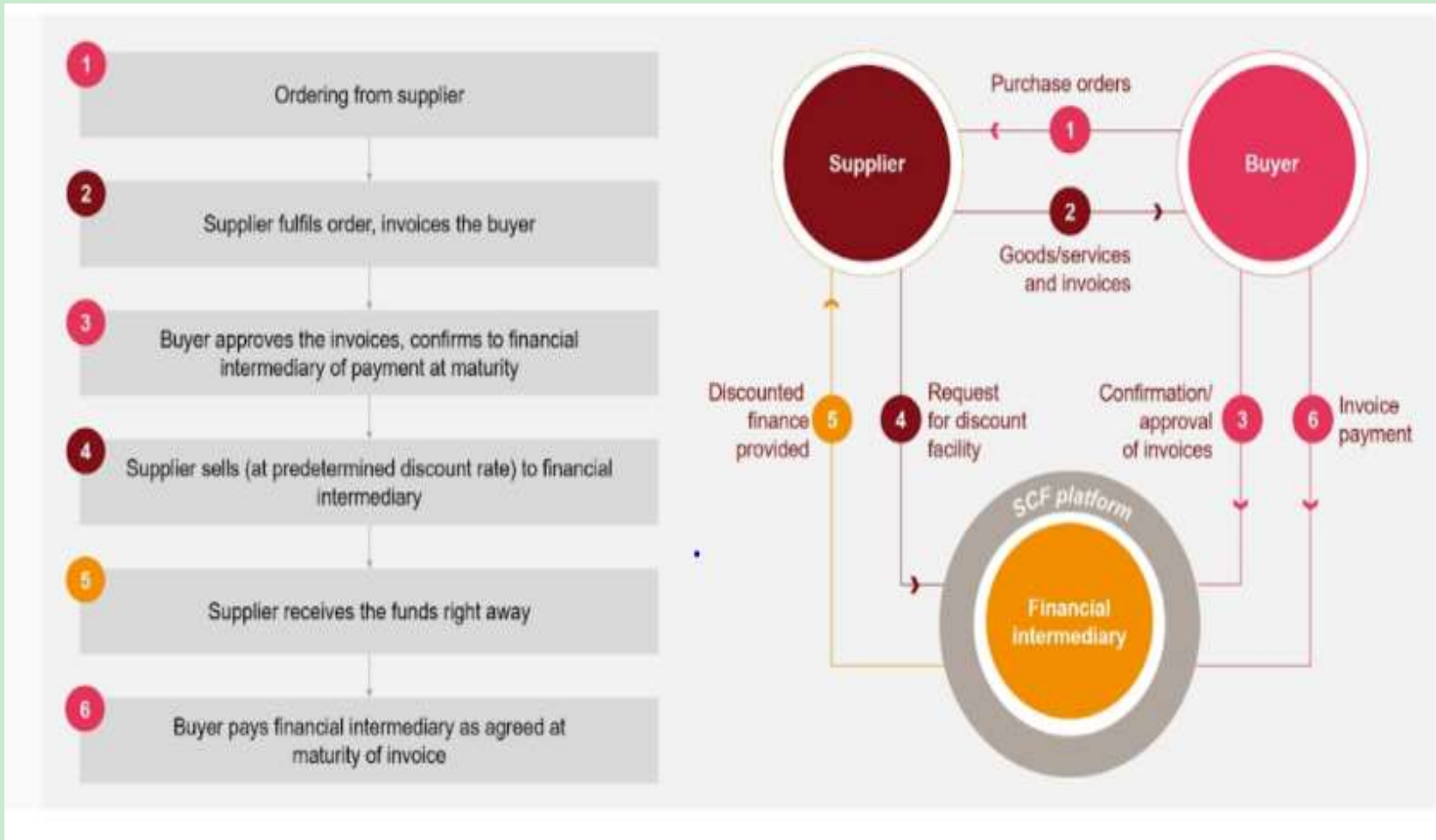


- **Legislative initiatives.**
- **Specialized bank teams.**
- **Risk sharing between banks and government.**
- **Special banking products (E-Supply Chain).**

# Supply Chain Finance



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# Case Study



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Recently we have been informed by the Foundation Italy China that one of his Associates needed banking assistance for its subsidiary in China.

The Chinese subsidiary is a commercial unit quite successful which in a few years has been able to reach a 30 million euro turnover and is expected in next 2-3 years to double this amount. The company because of an unfavorable relation between the DSO and DPO perceiving the risk to incur in a potential lack of liquidity and for avoiding asking help to the parent company contacted a couple of Chinese local banks asking for an invoice discount credit facility. Both the two banks, after an examination of the business plan and the financial reports, considering that the company is a commercial unit and as such has little equity communicated that the facility could be granted only if supported by a standby letter of credit issued by a primary bank.

A ICBC relationship manager after having examined the request of the company realised that most of the company's clients are good customers of ICBC, reason why proposed to the company up to a certain limit to activate the E-Supply Chain Financing Scheme avoiding for the time being the request of a bank guarantee.

# Suggestions About How to Approach a Chinese Bank



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To keep in mind that for granting a credit line basically a bank wants to know what the money is for and how the company is going to reimburse the finance.

To build up your company's web reputation and to go to the meeting with clear ideas and documents in order.

To be prepared about any possible questions about the economic sector to which the company belongs.

To demonstrate the creditworthiness of the company providing balance sheets of the last three years if available but even more important a detailed business plan for at least the next three years showing not only the validity of the project but also, through realistic assumptions, the capacity of cash flow generation (cash is King) to repay the principal and the interest.

Whenever it is possible to start relation with large banks experienced in advanced services like Supply Chain Financing and with presence also in parent company country.





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**Thank you**

**谢谢!**