

Press release

For business desks
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Commerzbank announces plans to automate selected compliance relevant pre-checks in trade finance transaction processing by 2020

- **The Bank has partnered with fintech Conpend to automate selected compliance relevant pre-checks processes for trade finance transactions**
- **The solution will reduce transaction processing times while improving risk controls and interaction with clients**
- **Enno-Burghard Weitzel: “We are leading the change towards a new era for trade finance processing. Our aim is to focus the expertise of our trade finance specialists to the crucial and complex parts of the business, while using artificial intelligence to improve efficiency and further optimise risk controls.”**

Commerzbank plans to automate around 80% of the selected compliance relevant checks of the bank's trade finance processes by 2020. In October 2018, Commerzbank has started a pilot phase to automate the anti-money laundering processes which are an essential part of any trade finance transaction review. After an evaluation of the pilot phase, it is planned to roll out a further stage of the sanctions checks in trade finance during 2019.

Commerzbank, the leading trade finance bank in Germany, has begun a partnership with Conpend, a fintech company focused on solutions for trade finance operations. Conpend uniquely uses optical character recognition (OCR) and progressive machine learning to extract data from physical documents, recognise patterns and flag deviations. The machine learning component means that the software will constantly improve the identification of potentially non-compliant transactions as it is being used. It will use application programming interfaces (APIs) to connect to Commerzbank's existing trade finance processing infrastructure and create a complete and detailed audit trail for the bank to front-run the increasing expectations of regulators with respect to reporting requirements.

The planned automation of selected and relevant compliance pre-check and sanctions check processes in trade finance refers to business operations only – the so called “first line of defence”. It does not affect any downstream internal oversight, compliance and audit processes of the Bank. The new business processes will improve efficiency and further optimise risk control procedures. Any compliance risks identified will be reported to the Group Compliance unit where they will be monitored and examined according to the established risk management, control and governance processes.

Enno-Burghard Weitzel, Head of Product Management Trade Services at Commerzbank, says: “The processing of trade finance transactions is becoming more complex and prone to higher risks, as manual processes struggle to keep pace with the increasing regulatory and market trends. However, we are leading the change towards a new era for trade finance processing. Our aim is to focus the expertise of our trade finance specialists to the crucial and complex parts of the business, while using artificial intelligence to improve efficiency and further optimise risk controls. This is not only a long-term plan, but something we are implementing now to enhance client experience by significantly reducing the time for transaction processing and the associated costs.”

Marc Smith, Founder and Managing Director of Conpend, says: “A growing part of the activity within a bank's trade finance division is focused on crucial but routine activities that underpin the value-added services they provide to clients. This provides a huge opportunity to improve efficiencies and allow more focus on client servicing. I'm delighted to partner with the team at Commerzbank that shares the same vision of modernising the traditional elements of trade finance processing.”

The key role of financial institutions in the trade finance business is to facilitate international trade transactions between two or more parties by assuming and managing risks. The banks involved offer clients risk mitigation mainly by covering the payment risk and other physical and event risks in the supply chain between exporter and importer through products such as the letter of credit and bank guarantees. Thorough and flawless compliance and sanction screening processes are indispensable in the trade finance business in order to mitigate risks for the Bank and to meet the regulatory requirements. The rapid development of innovation such as automation and machine learning technologies allows a significant enhancement of trade finance processes.

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About Commerzbank

Commerzbank is a leading international commercial bank with branches and offices in almost 50 countries. In the two business segments Private and Small Business Customers and Corporate Clients, the Bank offers a comprehensive portfolio of financial services which is precisely aligned to its clients' needs. Commerzbank finances approximately 30% of Germany's foreign trade and is the leading finance provider for corporate clients in Germany. Due to its in-depth sector know-how in the German economy, the Bank is a leading provider of capital market

products. Its subsidiaries Comdirect in Germany and mBank in Poland are two of the world's most innovative online banks. With approximately 1,000 branches, Commerzbank has one of the densest branch networks among German private banks. In total, Commerzbank serves more than 18 million private and small business customers, as well as more than 60,000 corporate clients, multinationals, financial service providers, and institutional clients. The Bank, which was founded in 1870, is represented at all the world's major stock exchanges. In 2017, it generated gross revenues of €9.1 billion with approximately 49,300 employees.

Disclaimer

This release contains forward-looking statements. Forward-looking statements are statements that are not historical facts. In this release, these statements concern inter alia the expected future business of Commerzbank, efficiency gains and expected synergies, expected growth prospects and other opportunities for an increase in value of Commerzbank as well as expected future financial results, restructuring costs and other financial developments and information. These forward-looking statements are based on the management's current plans, expectations, estimates and projections. They are subject to a number of assumptions and involve known and unknown risks, uncertainties and other factors that may cause actual results and developments to differ materially from any future results and developments expressed or implied by such forward-looking statements. Such factors include the conditions in the financial markets in Germany, in Europe, in the USA and other regions from which Commerzbank derives a substantial portion of its revenues and in which Commerzbank holds a substantial portion of its assets, the development of asset prices and market volatility, especially due to the ongoing European debt crisis, potential defaults of borrowers or trading counterparties, the implementation of its strategic initiatives to improve its business model, the reliability of its risk management policies, procedures and methods, risks arising as a result of regulatory change and other risks. Forward-looking statements therefore speak only as of the date they are made. Commerzbank has no obligation to update or release any revisions to the forward-looking statements contained in this release to reflect events or circumstances after the date of this release.