

Streamline concept for establishing a corporate bank

How MAN created a bank within 5 months

Commercial vehicle manufacturers offering in-house financing to their customers have a considerable competitive advantage. Given that credit business requires a banking license, most providers only offer leasing or lease-purchase agreements in the field of sales financing. For MAN Finance International this was no obstacle at all. The finance department of the group based in Munich planned, approved and created – with the support of external consultants - its own bank within only five months.

Just in time for the IAA Commercial Vehicles in September 2008, MAN Finance International GmbH presented a portfolio of financial services aimed to customers of commercial vehicle manufacturers. They offer terms from 12 to 96 months and optional unscheduled payment among other services. The amortization rate can be adapted to the seasonal business development and to the construction industry. The customer can choose between a financing plan with a complete repayment and a financing plan with a final balloon payment. MAN not only offers loans for new and used trucks and busses out of the MAN production; it is also possible to finance trailers, semi-trailers, platforms and engines. The offer is targeted towards companies which prefer credit financing to lease or lease-purchase agreements for business management reasons. Due to the accurate risk assessment, resulting from the insider know-how of the sub-group, customers appreciate the products of the financial service provider.

Credit lines from the house bank are not affected when working with a financial service provider. It quickly became apparent that MAN had foreseen the demand correctly: After only one month, the number of signed credit agreements exceeded the goal for the fourth quarter 2008 by one third. This result was achieved without any significant reduction in the segments leasing and lease-purchase.

European Banking Pass

In cooperation with the ifb group, a renowned specialist for the establishment of industrial banks, preparations for the establishment were started in April 2008. During the preparation phase, the sole focus was put on lending to supplement the already existing range of financial services. The project started with the ambitious objective to present an operational company-owned bank at the IAA Commercial Vehicles in autumn 2008. An efficient and professionally accurate approach in accordance with the criteria of the banking authority was indispensable. Due to the short amount of time at hand, it was necessary to consistently make use of the available outsourcing and synergy resources within the group. Based on this strategy, it was possible to decisively simplify the project in several fields. The first possibility arose immediately: The new bank was launched based on the rules of the European banking pass as a German branch of the MAN Financial Services SAS, a licensed bank in France.

This legal structure has been approved by the Banque de France and the German Federal Bank (Deutsche Bundesbank). Thus, a separate licensing based on the German regulatory law was not needed. Close coordination with the French and German banking authorities during the entire establishment process made it possible to promptly implement the wishes and requirements of the authorities in both countries. The model selected by the commercial vehicle manufacturer is an efficient option for companies, which already possess a banking license in one of the EU member states, to expand their activities in the area of financing.



Authors

Armin Simmelbauer

Head of Strategy & Corporate
Development & Communications
MAN Finance International GmbH,
Munich (Germany)
armin.simmelbauer@man.eu

Thorsten Schumacher

Director Strategic Banking
ifb group, Cologne (Germany)
thorsten.schumacher@ifb-group.com

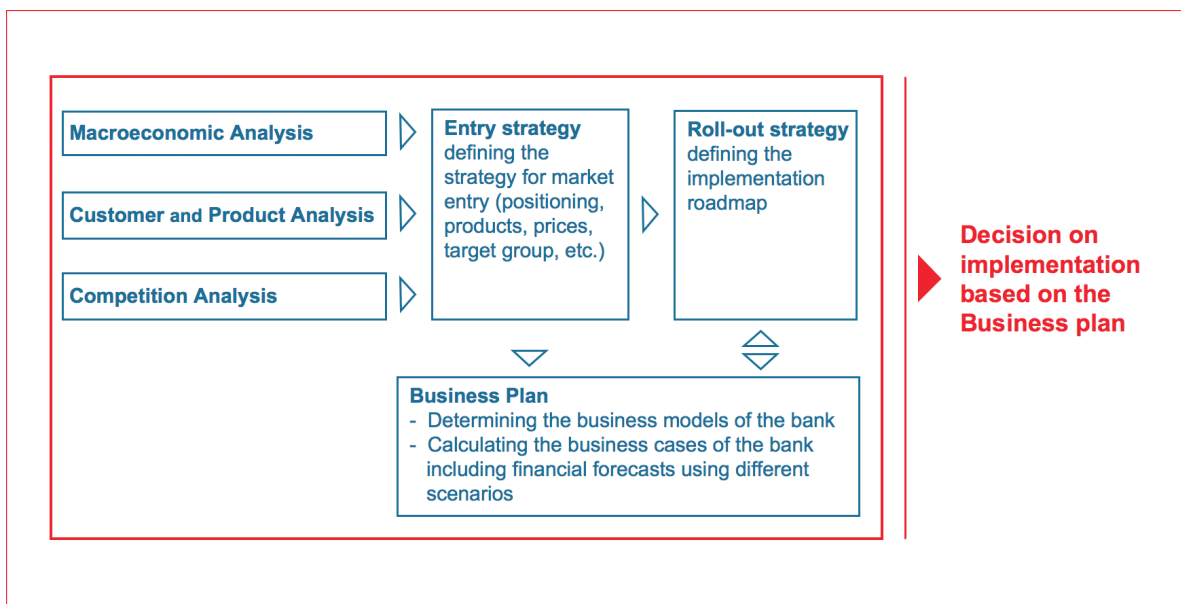
This article was originally published in
German in "Finanzierung Leasing Factoring"
(FLF), 1/2009.

Reprint courtesy of Verlag für
Absatzwirtschaft GmbH, Berlin.



The establishment of a bank within two phases

The coordinators of the project divided the establishment process into two phases. Within a two month analysis and conception phase, the strategy with regard to the market entry, the roadmap concerning the implementation, as well as the business plan of the institute were developed (Figure 1). The approval of the concept by the executive board was the kick-off for the implementation phase, for which three months were made available (Figure 2). With the help of consolidated workshops, all relevant departments of MAN Finance were involved in the planning.



Project planning and analysis phase (Figure 1)

The project team developed questionnaires, which enabled a fast and stringent handling of all relevant topics. This enabled MAN to quickly describe the market positioning, its products as well as the functionality of the new bank. The processes were consequently defined at an early stage and the interfaces between the involved departments were clarified. With regard to organizational, professional and IT aspects, the existing leasing business of MAN Finance offered an excellent starting point for this approach.

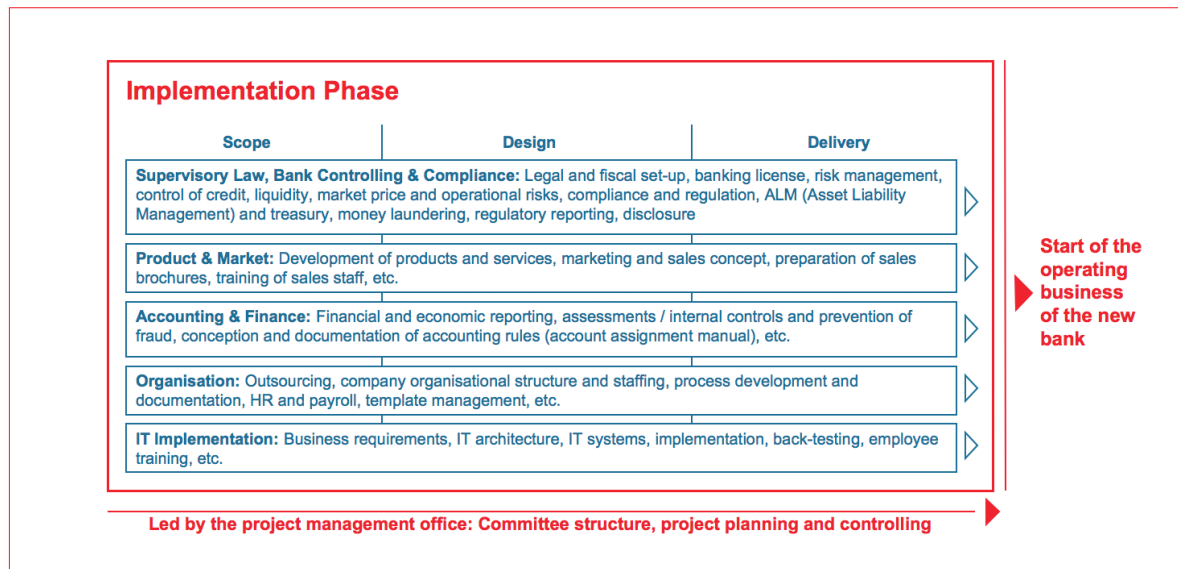
Special need for clarification mainly resulted from the specific legal requirements in the credit business. The decision to integrate all involved departments into the planning process at an early stage turned out to be an effective success driver for the project. It led to a thorough engagement regarding contents. Both central goals of the first project phase, namely the approval by the executive board of the MAN AG and the regulatory approval of the bank, were reached according to schedule.

Implementation

The coordinators of the project divided the formation process of the bank, lasting from July until September 2008, into five scopes of duties. (Figure 2)

All subtasks, responsibilities and appointments in these areas were subject to a strict central project controlling. The implementation on the department level now took the place of cross-departmental workshops. A central challenge of the second project stage was the correct embodiment of the new institute concerning corporate legal, financial and regulatory criteria.

Compliance, bank supervisory control as well as accounting questions required special attention. Balancing of accounts has to be applied according to French and German accounting standards as well as to IFRS. Construction of a suitable risk management, accountancy, asset liability management and the bank treasury were additional important issues. Also the mapping of internal and external controls as well as tax aspects were added to fulfill German and French requirements.



Implementation phase (Figure 2)

The detailed structuring of the financial products also required fast and accurate action. Furthermore, it was necessary to prepare the market entry of the institute in a qualified manner and to create the premises for smooth sales. MAN Finance International was able to combine both tasks with the preparations for the trade show for the IAA commercial vehicles 2008. Additionally, bank controlling and operational processes starting from credit handling, client rating and monetary transactions to the point of contract management were drafted and documented. Extensive organizational, personnel and technical synergies could be established with the leasing business. Within two and a half months, the IT specialists of the enterprise succeeded in modeling the complete technical credit processing of the new bank in the SAP surroundings of the MAN finance section. The implementation of a separate IT solution for the bank could therefore be renounced. The IT department was included in all technical design processes from the start. A profound understanding of the demands was developed on both sides, which made it possible to advance the IT supported realization almost analogously to the progression of the topical development.

Synergy effects

The consequent use of synergy effects and resources not only affected the build up of IT in a positive way, it was also possible to integrate a tremendous part of the operating processes into existing units and structures of MAN. The institute itself concentrates on its main task, e.g. the processing of credit applications and the granting of loans. The bank uses the infrastructure of the group not only for customer ratings, but also for payment transactions and contract management. The sales force was also set up using moderate means by respectively training the leasing advisors and the existing sales staff. Another advantage of this model: The sales staff can use its considerable personal customer contacts to easily generate new business. Today, customers can obtain information regarding finance credits not only at the MAN service centers but also from the leasing and credit experts of MAN Finance and the sales force of the subsidiary MAN Nutzfahrzeuge Group.



Contact

Thorsten Schumacher

Phone +49 221 92 18 41 441

Thorsten.Schumacher@ifb-group.com

ifb AG

Bayenwerft 14

D-50678 Cologne (Germany)

Phone + 49 (0) 221 92 18 41-0

Fax + 49 (0) 221 92 18 41-300

info@ifb-group.com

ifb-group.com

Strategic and competitive advantage

The commercial vehicle manufacturer based in Munich believes that in the future its clients will approximately finance seven percent of their new vehicle investments with products from the company owned bank. Up to now, the new banking business has few effects on the offers of MAN leasing and lease-purchase agreements, the portion of which is expected to increase up to 35 % of the total sales volume.

By entering the market of credit financing, MAN Finance generates substantial new business, which provides additional operating income. An important advantage of the institute is the quality of financing advice based on profound know-how of the commercial vehicles industry. Due to the close cooperation with the partners from the MAN Nutzfahrzeuge Group, the advisors of MAN Finance are highly familiar with the requirements of truck and bus buyers.

With regard to the quality of customer ratings and credit risk evaluations, the institute also achieves extremely accurate results. Using this advantage, credit solutions can be tailored to individual financial needs of the customer. This service has resulted in a positive feedback from the transporting industry. The rising volume of business transactions proves this positive development.

MAN Finance International made the strategic decision to found its own bank for sales financing in the final phase of a booming economy. The longstanding experience of the company with the cyclical character of commercial vehicle business as well as the changing requirements in the transportation industry played a major role in this decision. The offer of custom-made in-house credit financing offers substantial possibilities in order to intensify the customer loyalty and to enhance chances for continued business at the end of the credit term. The conditions of the credit financing also lead to further opportunities in controlling sales.

The portfolio offering credits, leasing, lease-purchase agreements, rental and insurance, full service offers for maintenance, and service repair, presents a substantial simplification for customers purchasing commercial vehicles. The cooperation with a powerful partner offering all services concerning commercial vehicles significantly reduces the administrative efforts of a company. The strong competition in all fields of the transportation sector turns the establishment of a company owned bank into a very attractive business opportunity.

Planned Projects

After the first quarter of operating as a bank, MAN Finance International strikes an absolutely positive feedback of the foundation project. From MAN's point of view, not only the well-timed process and the smooth coordination of the licensing procedure with the bank supervision organs in France and Germany were convincing. The lean implementation, the highly-modern bank control system and the easy start of the operating business of the bank are also viewed as a special success by MAN Finance International. It seems reasonable to transfer the successful concept for the foundation of a sales financing bank to other European markets. Similar projects are planned for the future.

ifb group

As a consultancy, the ifb group specialises in financial and risk management. Core areas include corporate management, controlling, risk management, compliance, accounting as well as process-related aspects of financial products. The ifb group supports its clients every step of the way, from initial strategy and specific management conception, right through to transformation into processes and IT systems and their ultimate implementation.

Employing around 300 experts, ifb provides support to manifold companies across the globe. Overall, the ifb group embraces companies in ten countries: Germany, USA, China, Austria, Czech Republic, France, Hungary, Luxembourg, Slovakia and Switzerland. The ifb group network also includes the legally independent audit company ifb Treuhand AG Wirtschaftsprüfungsgesellschaft (Germany).

