

Trade Finance Global Trends & Innovation

Presented by:

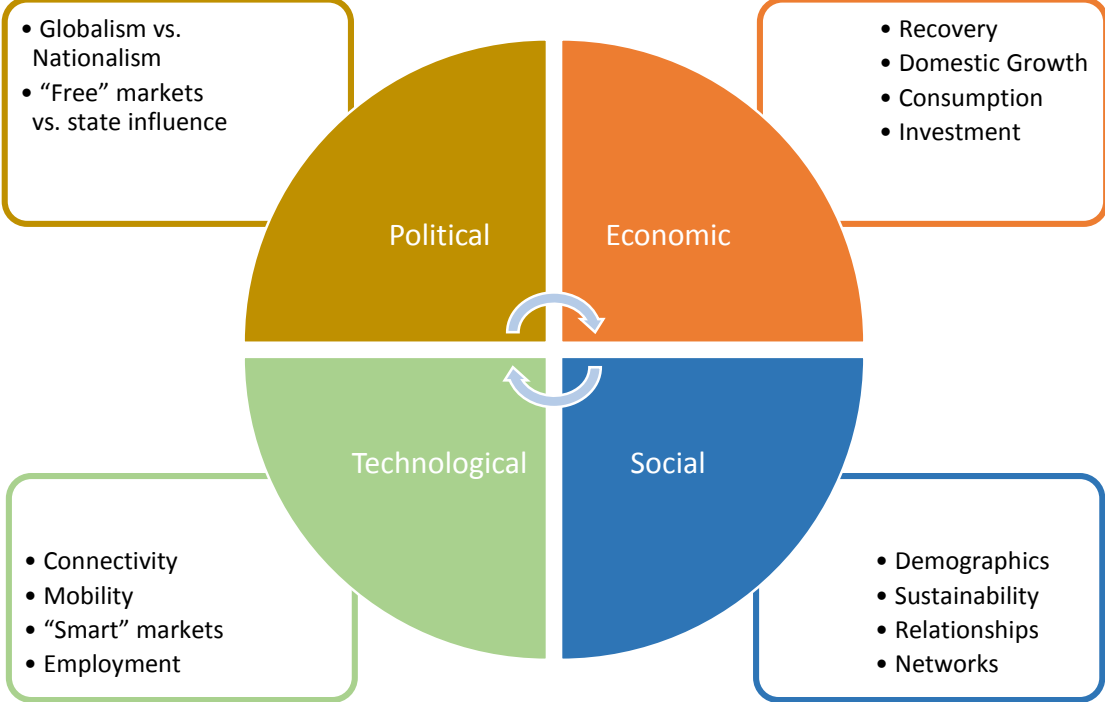
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Global Banking & Trade - Macro Trends



LatAm & Caribbean – Macro Trends

- Economic Growth
 - Continued recovery across the board, but weaker comparative growth in LatAm
- Demographics
 - Population growth has slowed to slightly less than 1%
 - Strong urbanization (80.2%), but region underperforms on income, human capital
- Sustainability becomes more critical
 - Function of economic, social and technological evolution – resource needs vs. sources
- Technology / Innovation
 - Expands commercial opportunities; changes labor needs and skill set
- Geopolitical
 - Unpredictability of risks and triggers elsewhere / trade policy as a “weapon”

World Trade & GDP Growth

| Region | 2016 | 2017 | 2018* | 2019* | Revision |
|-------------------|-------|------|-------|-------|----------|
| World Trade | 2.5 | 4.7 | 4.6 | 4.4 | ↑ |
| World GDP | 3.2 | 3.7 | 3.9 | 3.9 | ↑ |
| U.S. | 1.5 | 2.3 | 2.7 | 2.5 | ↑ |
| EU | 2.0 | 2.7 | 2.5 | 2.1 | ↑ |
| China | 6.7 | 6.8 | 6.6 | 6.4 | ↑ |
| India | 7.1 | 6.7 | 7.4 | 7.8 | ↔ |
| MENA | 4.9 | 2.2 | 3.2 | 3.6 | ↓ |
| LatAm / Caribbean | (0.6) | 1.3 | 2.0 | 2.8 | ↑ |

* Data estimates from IMF WEO – Apr. 2018

LatAm GDP Growth

| Region | 2016 | 2017 | 2018* | 2019* |
|-------------------|-------|------|-------|-------|
| LatAm / Caribbean | (0.6) | 1.3 | 2.0 | 2.8 |
| Brazil | (3.5) | 1.0 | 2.3 | 2.5 |
| Mexico | 2.9 | 2.0 | 2.3 | 3.0 |
| Argentina | (1.8) | 2.9 | 2.0 | 3.2 |
| Colombia | 2.0 | 1.8 | 2.7 | 3.3 |
| Chile | 1.3 | 1.5 | 3.4 | 3.3 |
| Peru | 4.1 | 2.5 | 3.7 | 4.0 |
| Panama | 5.0 | 5.4 | 5.6 | 5.8 |

* Data estimates from IMF WEO – Apr. 2018

Rise in Services Trade

- Services share of total trade is rising
 - 2011: 20% 2015: 23% 2030: 25%
- Dominated by developed countries, but opportunities for emerging markets
 - Growth of emerging market middle class changes consumption
 - IT, healthcare, tourism, engineering, finance
- Significance of education / job training
- Growing importance of SME financing

* Source: Oxford Economics, HSBC

Demographic Shifts – Growing Middle Class

| Region | 2009 | | 2020 | | 2030 | |
|---------------|-------|------|-------|------|-------|------|
| North America | 388 | 18% | 333 | 10% | 322 | 7% |
| Europe | 664 | 36% | 703 | 22% | 680 | 14% |
| Latin America | 181 | 10% | 251 | 8% | 313 | 6% |
| Asia | 525 | 28% | 1,740 | 54% | 3,228 | 66% |
| Africa | 32 | 2% | 57 | 2% | 107 | 2% |
| MENA | 105 | 6% | 165 | 5% | 234 | 5% |
| World | 1,845 | 100% | 3,249 | 100% | 4,884 | 100% |

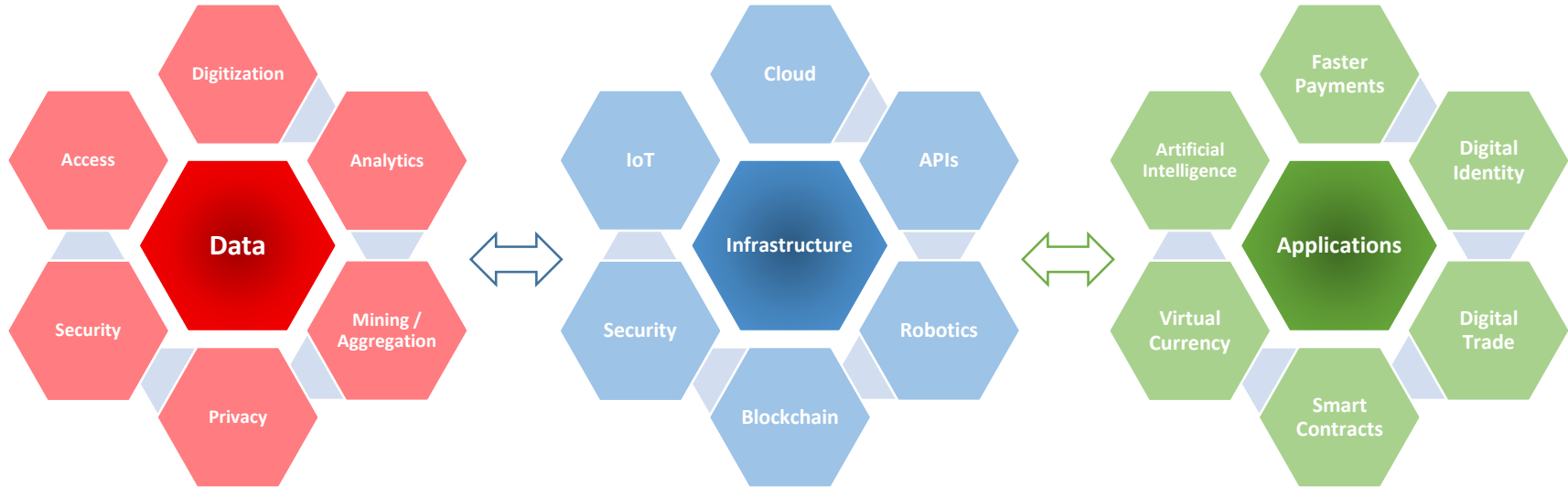
* Estimates from Organization for Economic Cooperation and Development

Technological Innovation Gaining Speed

- Venture capital investment is setting records
 - \$2.5B in 1st Qtr. 2018
- Mobile technology & services contributed \$3.6 trillion (4.5%) to world GDP and supported 29 million jobs
- Innovation labs, regulatory sandboxes, industry consortia
- Proofs of concept in Trade Finance are moving out of labs, into production and towards commercialization
- Technology enables non-bank providers to fill gaps in financing
- Governance, standards, and interoperability are trailing, inhibiting adoption

Technology Transformation

Governance



Standards

Trade Finance & the Blockchain

- Wave (2016) – LC between Ornuva / Seychelles Trading Company
- IBM Hyperledger (2017) – Marubeni / Sompia Japan Nipponkoa
- R3 Corda (2018) – Cargill / HSBC / ING
- Tradeshift – SCF, finance and Blockchain based early payments
- IBM / Maersk (2018) – JV to digitize trade and supply chain
- CargoX – digitize issuance and transfer of bills of lading
- TReDS – Blockchain-based e-discounting of receivables (India)
- Singapore National Trade Platform; Hong Kong joint project
- We.Trade, Batavia, Marco Polo

Geopolitical Flashpoints

- ❖ Iran
- ❖ Syria
- ❖ Russia
- ❖ Qatar/GCC
- ❖ North Korea
- ❖ China
- ❖ USA
- ❖ NAFTA
- ❖ Brexit



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