ICC Global Survey 2012

‘Patterns of Trade and Development’

Vin O’Brien
Chair, ICC Education & Market Intelligence Group
ICC Global Survey 2012

‘Patterns of Trade and Development’
Specifically, the Survey compiled information on:

- Trends in volumes and values of traditional trade products
- Trends in demand and pricing for bank undertakings and L/C confirmations
- Trade credit line availability
- Technical Operational Issues
- Loss experience in rating traditional trade products compared to general banking facilities
- Operational impact of Basel II and market perception (and awareness) of the impending implementation of Basel III
- Other regulatory considerations.

Pascal Lamy, WTO Director General,

“ICC Global Survey contributes to help leaders make an informed decision on Trade Finance”
Trade Snapshot

Kah Chye Tan
Head of Trade and Working Capital, Barclays

Daniel Cotti
Head of Global Trade - JPMorgan Chase

John Ahearn
Managing Director, Global Head of Trade, Global Transaction Services, Treasury and Trade Solutions Group - Citibank

Daniel Schmand
Head of Trade Finance and Cash Management Corporates EMEA - Deutsche Bank
Location of respondents

- Advanced Countries (Euro Area): 21%
- Advanced Countries (Non-Euro): 16%
- Sub-Saharan Africa: 5%
- Central and Eastern Europe: 8%
- Commonwealth of Independent States: 13%
- ASEAN-5, China and India: 10%
- Developing Asia excl. ASEAN-5, China, and India: 8%
- Middle East and North Africa: 7%
The Story Starts September 2008

Developing countries merchandise export growth turned negative at end-2011

% 3m/3m, saar

Note: EAP: East Asia and Pacific; ECA: Europe and central Asia; LAC: Latin America and the Caribbean; MENA: Middle East and North Africa; SAR: South Asia; SSA: Sub-Saharan Africa

Export trend led by developing countries

Source: World Bank, Datastream; goods, real export values, January 2008 =100
Trade Operations
Trends in Demand for Trade Finance and Risk Coverage

Value of trade finance activity between 2010 and 2011
- 80% increase
- 20% decrease

Source: ICC Global Survey 2012

Requests for confirmation
- 69% increase
- 31% decrease

Source: ICC Global Survey 2012

Trade Finance
Conventional Finance
Trends in Fees for Trade Finance and Risk Coverage

Change in fees for issuance of bank undertakings

- > 50% Decrease: 0%
- 26 - 50% Decrease: 1%
- 1 - 25% Decrease: 7%
- No change: 66% (Guarantees), 68% (Standby LCs), 62% (Import Letters of Credit)
- 1 - 25% Increase: 20%
- 26 - 50% Increase: 4%
- > 50% Increase: 2%

Source: ICC Global Survey 2012
49% of respondents experienced an increase in the number of refusals by issuing banks in 2011.

91% of respondents (up from 85%), when acting in the capacity of a nominated bank, reported they had experienced an increasing trend in the number of spurious/questionable refusals.

42% of respondents stated that complying with sanctions restricted trade finance operations in 2011.

56% of respondents indicated that ‘know your customer’ principles had negatively affected their trade finance business to some or a large extent.
• **45%** of respondents indicated an increase in the percentage of documents refused on first presentation. In most cases, this was due to ‘**stricter document examination processes being implemented**’.

• Reports of pressure from applicants to refuse documents had increased from **6%** to **14%**.
Risk rating and Basel II and III

• **67%** of respondents indicated that they had reviewed their internal credit guidelines, of which **78%** had imposed more stringent credit criteria and controls.

• **57%** of respondents indicated that preparation for the implementation of Basel III was affecting cost of funds and liquidity for trade finance to a large or some extent.

• **53%** of respondents expected Basel III to impact trade finance negatively or very negatively with *Unintended Consequences.*
The overall growth in trade traffic in 2010 was 5.81%, in 2011 the trade traffic showed a decline of 2.23%.
LC posture is negative!
What are the patterns?
The countries with the highest growth in 2011 compared to 2010 were:
- Romania: 34%
- Myanmar: 27%
- Sri Lanka: 16%
- Nigeria: 13%
- Indonesia: 12%
- Bangladesh: 11%
- China: 11%
- Singapore 9%

The countries with the highest decrease in 2011 compared to 2010 were:
- Iran: -19%
- Greece: -16%
- Lebanon: -14%
- Canada: -11%
- Egypt: -10%
- Taiwan: -9%
- Denmark: -8%
- Spain: -8%
SWIFT trade traffic sent by region - major recipient region
2010, category 4 and 7

Extract your own statistics with the SWIFT product: Watch
Find more on: http://www.swift.com/business_intelligence
In 2011, the USD was the currency that represented 83% of the total value of L/Cs issued via SWIFT.
All of the development banks, without exception increased their limits and resources in 2011.

<table>
<thead>
<tr>
<th>Program Title</th>
<th>EBRD</th>
<th>IFC</th>
<th>IDB</th>
<th>ADB</th>
</tr>
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<tbody>
<tr>
<td>Program Title</td>
<td>Trade Facilitation Program (TFP)</td>
<td>Global Trade Finance Program (GTFP)</td>
<td>Trade Finance Facilitation Program (TFFP)</td>
<td>Trade Finance Program (TFP)</td>
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<tr>
<td>Number of Countries of Operation</td>
<td>20</td>
<td>91</td>
<td>20</td>
<td>16</td>
</tr>
<tr>
<td>Program Commencement</td>
<td>1999</td>
<td>2005</td>
<td>2005</td>
<td>2004</td>
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<tr>
<td>Number of Transactions since Commencement</td>
<td>11,600</td>
<td>11,255</td>
<td>1,966</td>
<td>4,236</td>
</tr>
<tr>
<td>Commencement (year end 31 December 2011)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Value of Transactions since Commencement</td>
<td>EUR 7.2 billion equivalent to USD 9.5 billion</td>
<td>USD 15.8 billion</td>
<td>USD 1.96 billion</td>
<td>USD 8.8 billion</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>(USD 3.5 billion of which in 2011)</td>
</tr>
<tr>
<td>Number of Confirming Banks</td>
<td>800</td>
<td>800</td>
<td>264</td>
<td>112</td>
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<tr>
<td>Claims to Date</td>
<td>2 claims</td>
<td>Zero</td>
<td>Zero</td>
<td>Zero</td>
</tr>
<tr>
<td></td>
<td>Zero Losses</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
• During 2011, Berne Union members insured a record amount of USD 1.7 trillion worth of exports, or more than 10% of international trade. Both ST & MLT double-digit growth of 25% and 10% respectively.
• Of the total amount insured, USD 1.5 trillion represented Short-Term Export Credit Insurance (ST) in support of exports with a repayment period of less than one year.
• Medium-Long-Term Export Credit Insurance (MLT), covering transactions with repayment terms of typically 3-5 years or more, amounted to nearly USD 200 billion.

BERNE UNION - WORDS OF CAUTION FOR TREND IN 2012
claims paid during the first quarter of 2011 stood at USD 217 million, the fourth quarter showed claims USD 471 million paid to customers.
ICC Trade Register
An ICC Banking Commission
Trade Facilitation Initiative

* Objectives

* Gather default and loss data for Trade Finance Products
* Provide real data to regulators to back up anecdotal evidence
* Demonstrate to Basel Committee and other regulators the low risk of Trade Finance
* Provide consolidated data to participating banks for benchmarking purposes
Trade Products Covered

* Export Confirmed LCs - Sight
* Export Confirmed LCs - Usance
* Import LCs Issued - Sight
* Import LCs Issued - Usance
* Performance Guarantees and Performance Standbys Issued
* Performance Standbys Confirmed
* Loans for Export - Bank Risk
* Loans for Export - Corporate Risk
* Loans for Import - Bank Risk
* Loans for Import - Corporate Risk
* Shipping Guarantees
* Data from 2005 to 2010
* Broken down by 200+ countries
* 11.4 million transactions
* Valued at over 5 Trillion USD
Reports Issued 2011

* Concentrated on period 2007 to 2010
* Public Report
  * Available to you at www.icctraderegister.com
* Participating banks’ report
  * Available only to participating banks
* Individual bank’s reports
  * Benchmarking individual bank’s data against the global data
*Total Transactions = 11.4 Million
*Fewer than 3,000 Defaults reported

Report Period - 2007 to 2010
*5.2 Million Transactions
*947 Defaults
**Defaults - Breakdown by Product**

- **Import L/Cs:**
  - Default: 0.077%
  - Loss: 0.007%

- **Export confirmed LCs:**
  - Default: 0.09%
  - Loss: 0.03%

- **Standbys and guarantees:**
  - Default: 0.013%
  - Loss: 0.0007%

- **Import loans - corporate risk:**
  - Default: 0.06%
  - Loss: 0.06%

- **Import loans - bank risk:**
  - Default: 0.09%
  - Loss: 0.05%

- **Export loans - corporate risk:**
  - Default: 0.29%
  - Loss: 0.017%

- **Export loans - bank risk:**
  - Default: 0.17%
  - Loss: 0.01%
The ICC Trade Register is an initiative of the International Chamber of Commerce (ICC), to collect up-to-date accurate Trade Finance transactions data from participating banks. Currently 18 of the most active banks in worldwide trade finance are members of this initiative.

Message from Kah Chye Tan:

Welcome to the ICC Trade Register. We have recently completed the information gathering and reporting phases for 2011. The data gathered has been instrumental in our discussions with the various regulatory authorities.

The public report for this phase is available for download below.

Member banks, may login to gain access to their own detailed data, as well as their own bank specific report comparing their data to the industry as a whole.

We look forward to increasing the scope and reach of the Register in 2012, and thank all of the participating banks for their continued support of this important project.

For further information, or to join the ICC Trade Register, please contact

Thierry Senechal,
Senior Policy Manager,
ICC Banking Commission,

Email: thierry.senechal@iccwbo.org
Tel: +33 1 49 53 28 98
<table>
<thead>
<tr>
<th>Participating banks</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank of America</td>
</tr>
<tr>
<td>Merrill Lynch</td>
</tr>
<tr>
<td>COMMERZBANK</td>
</tr>
<tr>
<td>ING</td>
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<tr>
<td>三井住友銀行</td>
</tr>
<tr>
<td>招商銀行</td>
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<tr>
<td>BANK OF CHINA</td>
</tr>
<tr>
<td>JPMorgan</td>
</tr>
<tr>
<td>UniCredit</td>
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<tr>
<td>BARCLAYS</td>
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<tr>
<td>Credit Suisse</td>
</tr>
<tr>
<td>RBS</td>
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<tr>
<td>WELLS FARGO</td>
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<tr>
<td>BNP PARIBAS</td>
</tr>
<tr>
<td>Deutsche Bank</td>
</tr>
<tr>
<td>Banco Santander</td>
</tr>
<tr>
<td>citibank</td>
</tr>
<tr>
<td>HSBC</td>
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<tr>
<td>Standard Chartered</td>
</tr>
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The 11 Trade Products are as follows:

- **Export Confirmed L/Cs**
  - Payable At Sight
  - Usance (payable at some future date, not payable At Sight of complying documents) If unable to provide individual figures for the two products above you may provide a 'Total Figure' i.e. TOTAL EXPORT L/Cs CONFIRMED - Sight and Usance
  - Performance Guarantees and Performance SBDCs

- **Performance SBDCs Confirmations**
  - If unable to provide individual figures for the two products above you may provide a 'Total Figure' i.e. TOTAL PERFORMANCE GUARANTEES AND PERFORMANCE SBDC ISSUED AND CONFIRMED

- **Loans for Export: Bank risk**

- **Loans for Export: Corporate risk**

- **Import L/Cs Issued - Usance (payable at some future date, not payable At Sight of complying documents)**
  - If unable to provide individual figures for the two products above you may provide a 'Total Figure' i.e. TOTAL IMPORT L/Cs ISSUED

- **Loans for Import: Bank risk**

- **Loans for Import: Corporate risk**

- **Shipping Guarantees**
ICC Register Report 26 October 2011
ICC Trade Register Public Report

ICC Register Report Phase 2 for Participating Banks
ICC Trace Register Report Phase 2 for Participating Banks - Full Comments

ICC Register Report Phase 2 for Provider 7.pdf
Your Bank's ICC Trade Register Report Phase 2
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The 11 Trade Products are as follows

- Export Confirmed L/Cs - Payable At Sight
- Export Confirmed L/Cs - Usance
- Performance Guarantees and Performance SBDCs ISSUED
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- Loans for Export: Bank risk
- Loans for Export: Corporate risk
- Import L/Cs Issued - payable At Sight
- Import L/Cs Issued - Usance
- Loans for Import: Bank risk
- Loans for Import: Corporate risk
- Shipping Guarantees
Your Bank’s Data

Filters:
- Provider: ALL
- Year: ALL
- Country: ALL

Products:
- ALL
- Export Confirmed L/Cs - Payable At Sight
- Export Confirmed L/Cs - Usance
- Import L/Cs Issued - Usance
- Import L/Cs Issued -payable At Sight
- Loans for Export: Bank risk
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- Loans for Import: Corporate risk
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- TOTAL EXPORT L/Cs CONFIRMED - Sight and Usance
- TOTAL IMPORT L/Cs ISSUED
- TOTAL PERFORMANCE GUARANTEES AND PERFORMANCE SBDC ISSUED AND CONFIRMED
### Your Bank’s Data

#### Filters:
- **Provider:** 4
- **Year:** 2009
- **Country:** ALL
- **Products:** ALL

#### Search Results: 353 records found

<table>
<thead>
<tr>
<th>Year</th>
<th>Country</th>
<th>Product</th>
<th>Transactions</th>
<th>Total exposure (USD '000s)</th>
<th>Total Defaults</th>
<th>Total exposure (USD '000s) defaulted</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>BELGIUM</td>
<td>TOTAL IMPORT L/Cs ISSUED</td>
<td>5,321</td>
<td>1,080,505.00</td>
<td>14</td>
<td>46,737.00</td>
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<tr>
<td>2009</td>
<td>KAZAKHSTAN</td>
<td>TOTAL EXPORT L/Cs CONFIRMED - Sight and Usance</td>
<td>11</td>
<td>7,490.00</td>
<td>7</td>
<td>8,260.00</td>
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<td>2009</td>
<td>BELGIUM</td>
<td>TOTAL IMPORT L/Cs ISSUED</td>
<td>4,730</td>
<td>713,206.00</td>
<td>4</td>
<td>180.00</td>
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<td>2009</td>
<td>UKRAINE</td>
<td>TOTAL EXPORT L/Cs CONFIRMED - Sight and Usance</td>
<td>176</td>
<td>364,351.00</td>
<td>1</td>
<td>9,000.00</td>
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<td>2008</td>
<td>ALGERIA</td>
<td>TOTAL EXPORT L/Cs CONFIRMED - Sight and Usance</td>
<td>1,454</td>
<td>1,683,732.00</td>
<td>-</td>
<td>-</td>
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<td>2008</td>
<td>ANGOLA</td>
<td>TOTAL EXPORT L/Cs CONFIRMED - Sight and Usance</td>
<td>65</td>
<td>74,050.00</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>
* 2012 expansion targets

* Gathering on going data.
* Looking for more detail by product and by geographical region
* Produce 2012 Reports in Autumn 2012
* Increase number of participants
* Expansion to include ECA data
Date for Diary

ICC Banking Commission Meeting

Mexico City

12-16 of November 2012

Thank you for your most valuable time!