Disclaimer

Important notice
The information, statements and opinions set out in this presentation and accompanying discussion ("this Presentation") are for informational and reference purposes only and do not constitute a public offer for the purposes of any applicable law or an offer to sell or solicitation of any offer to purchase any securities or other financial instruments or any advice or recommendation in respect of such securities or other financial instruments.

This Presentation, which does not purport to be comprehensive nor render any form of legal, tax, investment, accounting, financial or other advice, has been provided by HSBC Holdings plc (together with its consolidated subsidiaries, "the Group") and has not been independently verified by any person. You should consult your own advisers as to legal, tax investment, accounting, financial or other related matters concerning any investment in any securities. No responsibility, liability or obligation (whether in tort, contract or otherwise) is accepted by the Group or any member of the Group or any of their affiliates or any of its or their officers, employees, agents or advisers (each an "Identified Person") as to or in relation to this Presentation (including the accuracy, completeness or sufficiency thereof) or any other written or oral information made available or any errors contained therein or omissions therefrom, and any such liability is expressly disclaimed.

No representations or warranties, express or implied, are given by any Identified Person as to, and no reliance should be placed on, the accuracy or completeness of any information contained in this Presentation, any other written or oral information provided in connection therewith or any data which such information generates. No Identified Person undertakes, or is under any obligation, to provide the recipient with access to any additional information, to update, revise or supplement this Presentation or any additional information or to remedy any inaccuracies in or omissions from this Presentation. Past performance is not necessarily indicative of future results. Differences between past performance and actual results may be material and adverse.

Forward-looking statements
This Presentation may contain projections, estimates, forecasts, targets, opinions, prospects, results, returns and forward-looking statements with respect to the financial condition, results of operations, capital position, strategy and business of the Group which can be identified by the use of forward-looking terminology such as "may", "will", "should", "expect", "anticipate", "project", "estimate", "seek", "intend", "target" or "believe" or the negatives thereof or other variations thereon or comparable terminology (together, "forward-looking statements"), including the strategic priorities and any financial, investment and capital targets described herein. Any such forward-looking statements are not a reliable indicator of future performance, as they may involve significant stated or implied assumptions and subjective judgments which may or may not prove to be correct. There can be no assurance that any of the matters set out in forward-looking statements are attainable, will actually occur or will be realised or are complete or accurate. Certain of the assumptions and judgements upon which forward-looking statements regarding strategic priorities and targets are based are discussed under "Targeted Outcomes: Basis of Preparation", available separately from this Presentation at www.hsbc.com. The assumptions and judgments may prove to be incorrect and involve known and unknown risks, uncertainties, contingencies and other important factors, many of which are outside the control of the Group. Actual achievements, results, performance or other future events or conditions may differ materially from those stated, implied and/or reflected in any forward-looking statements due to a variety of risks, uncertainties and other factors (including without limitation those which are referable to general market conditions or regulatory changes). Any such forward-looking statements are based on the beliefs, expectations and opinions of the Group at the date the statements are made, and the Group does not assume, and hereby disclaims, any obligation or duty to update, revise or supplement them if circumstances or management's beliefs, expectations or opinions should change. For these reasons, recipients should not place reliance on, and are cautioned about relying on, any forward-looking statements. No representations or warranties, expressed or implied, are given by or on behalf of the Group as to the achievement or reasonableness of any projections, estimates, forecasts, targets, prospects or returns contained herein.

Additional detailed information concerning important factors that could cause actual results to differ materially from this Presentation is available in our Annual Report and Accounts for the fiscal year ended 31 December 2018 filed with the Securities and Exchange Commission (the "SEC") on Form 20-F on 20 February 2019 (the “2018 20-F”).

Non-GAAP financial information
This Presentation contains non-GAAP financial information. The primary non-GAAP financial measures we use are presented on an ‘adjusted performance’ basis which is computed by adjusting reported results for the period-on-period effects of foreign currency translation differences and significant items which distort period-on-period comparisons. Significant items are those items which management and investors would ordinarily identify and consider separately when assessing performance in order to better understand the underlying trends in the business. Reconciliations between non-GAAP financial measurements and the most directly comparable measures under GAAP are provided in the 2018 20-F and the Reconciliations of Non-GAAP Financial Measures document, both of which are available at www.hsbc.com.

Information in this Presentation was prepared as at 31 December 2018.
<table>
<thead>
<tr>
<th></th>
<th>Agenda</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Background: what is trade finance</td>
</tr>
<tr>
<td>2</td>
<td>Safe and profitable growth</td>
</tr>
<tr>
<td>3</td>
<td>Navigating short term uncertainty</td>
</tr>
<tr>
<td>4</td>
<td>Investing to transform our business</td>
</tr>
</tbody>
</table>
1. What is trade finance

- Trade is a **cornerstone product** and an essential service

- **Multiplier effect**: CMB clients who use GTRF typically generate 4 times the average revenue, use HSBC services in twice the number of countries, and use twice the number of CMB products

- >50% of GTRF revenue are fees

### What we do

- Solutions for our customers’ trade finance and risk mitigation needs

- Safer and more efficient form of lending

### Traditional Trade

- Documentary trade: 27%
- Guarantees: 26%
- Trade loans: 25%

### Structured Trade

- Receivables finance: 19%
- Supply chain finance: 3%

---

1. Source: Internal MI
2. See appendix 4
3. Including Commodity Structured Trade Finance (‘CSTF’)
4. Source: Internal HSBC MI; comparison of CMB Corporate clients with GTRF revenue vs. CMB Corporate clients without GTRF revenue
Driving safe and profitable growth

Back to growth

GTRF adjusted revenue, $bn (CMB and GB&M combined)

- Stabilised the business and back to growth
- Growth in all regions and in both CMB and GB&M
- Structured Trade: grew >2x Traditional Trade for HSBC in 2018

Cost and capital efficiency

Driving efficiency

- 14% reduction in FTE\(^1\) over past 4 years
- Focus on Elimination, Standardisation, Automation and Digitisation (ESAD)

Optimising our balance sheet

- Shift to originate and distribute model
- $20bn assets distributed in 2018, an increase of 7x since 2016

1. Full Time Equivalent
## Outperforming the market

### GTRF by numbers:

<table>
<thead>
<tr>
<th>Metric</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trade facilitated annually¹</td>
<td>$740bn</td>
</tr>
<tr>
<td>#1 Trade bank²: Revenue &gt;2x top 3 peers average</td>
<td></td>
</tr>
<tr>
<td>10.5%</td>
<td>Traditional Trade market share² (#1)</td>
</tr>
<tr>
<td>2.4%</td>
<td>Structured Trade market share² (#1)</td>
</tr>
<tr>
<td>#1</td>
<td>Trade bank in Asia Pacifc²</td>
</tr>
<tr>
<td>6,000</td>
<td>Trade specialists in 56 markets</td>
</tr>
<tr>
<td>1st</td>
<td>First scalable DLT³ trade finance transaction</td>
</tr>
</tbody>
</table>

### GTRF growing faster than market

- Global market share grew from 5.7% to 6.0%²
- Structured Trade: share grew from 2.2% to 2.4%²
- Increased share in key markets during 2018
  - **Hong Kong**: from 13.8% to 15.3%⁴
  - **Singapore**: from 9.9% to 12.8%⁵

### Recognised by industry and customers

- #1 Global Trade Finance Bank (From 4th to 3rd in client service)
- Best Bank in Trade Finance
- Best Global Trade Finance Bank and Most Innovative Trade Finance Bank
- Best supply chain finance bank

---

¹. Source: HSBC FY18 Internal MI
². Source: Oliver Wyman FY17 and 3Q2018 Transaction Banking surveys
³. Distributed Ledger Technology
⁴. Source: HKMA Dec 18
⁵. Source: MAS Jan 19
2 Step change in how we engage with our clients

**Intelligent use of balance sheet velocity**

**Client need**: Accelerate cash conversion cycle and manage working capital

**Our Solution**: Receivable Purchase solution covering 7 currencies and multiple regions

**Why HSBC**: Strong geographic fit and asset distribution capabilities

---

**Landmark Commodity deals**

**Client need**: Reduce outstanding receivables in support of Egypt’s IMF obligations

**Our solution**: $1bn pre-export finance deal; 80% syndicated in 90 days

**Why HSBC**: relationships with EGPC and International Oil Company (“IOC”); capability to pre-fund and syndicate

---

**Supporting tech distributors**

**Client need**: Provide Dell distributors & partners with key credit capacity to facilitate & enable growth

**Our solution**: Supply Chain programme with extended payment terms & improved liquidity to Dell distributors

**Why HSBC**: Strong client relationship and global coverage across key regions

---

**Automating supply chains**

**Client need**: Automate supplier purchase order approvals removing current manual process

**Our solution**: Delivered automated solution with our fintech partner and accelerated finance availability pre-shipment

**Why HSBC**: Largest foreign bank in China\(^2\) and our partnership with key fintech platform

---

---

1. Receivables Finance offering by GTRF
2. By assets and by branch network. Based on major foreign banks’ public filings, and branch network data compiled by HSBC
Safe and profitable growth

2. Supporting sustainable supply chains

Untapped business opportunity

$660 billion
Potential sustainable supply chain finance market, which will reach one third of the supply chain finance market ¹

81%
of companies say ethical and environmental sustainability is important to them and 83% want to be a genuinely ethical or environmentally sustainable company ²

Partnering with NGOs and industry initiatives to drive positive change

84%
of companies who are looking to make sustainable changes do so in order to improve their revenues and financial performance ²

Supporting key sustainable deals

Our client need: To promote sustainability within the supply chain
Our solution: A supply chain finance solution across 17 countries which promotes sustainability improvements through incentives based on SAFE rating ⁵
Why HSBC: Global coverage and alignment to HSBC’s own sustainability goals

Supporting solar power plant projects

Our client need: Bank backed support in constructing solar power plants in Jordan and Kenya
Our solution: Performance guarantees on behalf of multi-jurisdictional companies
Why HSBC: Strong client relationship, trust in our delivery and advisory capabilities in complex multi-geography transaction

84%
of companies are developing programmes around sustainable supply chains with key partners ³

Supporting Sustainable Supply Chains

Core partner of the Make Fashion Circular initiative with Ellen MacArthur Foundation with aim to create a more sustainable textiles economy

Funding the Apparel Impact Institute to support environmental improvements to mills and factories

Partnership with WaterAid to tackle the world’s water and sanitation crisis; in 2018 HSBC launched new program focused on sustainability of global supply chains and wellbeing of apparel workers in India and Bangladesh

Working with WWF to improve the health of fresh water sources, focusing on five key river basins home to more than 1bn people. In 2017 HSBC launched 3 new projects to scale up sustainability in the textile sector in China, India and Vietnam

². Source: HSBC Navigator 2018
³. Source: EY- The state of sustainable supply Chains 2016
⁴. Engineering, Procurement, Construction
⁵. Puma’s SAFE (Social Accountability and Fundamental Environmental) program
Navigating short term uncertainty

Window to the trade outlook

Trade volume growth as a multiple of GDP growth\(^1\)

- Trade > 2x GDP
- Trade = GDP
- Trade < GDP

1990 2000 2010 2020

- WTO formation
- NAFTA agreement
- Financial crisis
- Dot com
- China slowdown, commodity collapse
- China joins WTO

Short and medium term opportunities…

- Trade agreements\(^3\): CPTPP, EU-Japan, RCEP
- China: fiscal stimulus
- Growth in intra-Asian flows and ASEAN
- Large infrastructure projects: BRI
- Strong US economy; fiscal stimulus
- Sustained growth in trade in services

…off-set by short term uncertainties

- Protectionism
- China economy slowdown
- Eurozone downturn: Germany, Italy
- Brexit
- Industrial sector slowdown: autos, tech

- Values and volumes dislocated for first time in 2014-16\(^2\)
- Increased volatility in trade value growth

---

1. Source: IMF
3. Details in Appendix 2
### Fundamentals of global trade are changing significantly (1/3)

<table>
<thead>
<tr>
<th>WHAT is traded</th>
<th>WHERE trade takes place</th>
<th>HOW trade is conducted</th>
</tr>
</thead>
</table>

#### Key facts
- Trade in **services** is expected to more than **double by 2030**: accounting for **25% of all trade**
- **Cross-border data** flows worth **$2.8tn**; volume of data flows 9x higher in 2021 vs 2014
- **Emerging markets** increasing share of export in services, as their population upskills

#### What it means for HSBC

**Significant difference in financing needs…**
- Intangible rather than physical goods financed based on **evidence of performance / delivery**; e.g. software downloaded, media content purchased, ads clicked
- Monetising contracts when payment obligations are crystallised based on **defined performance events**; e.g. Annual Maintenance Contracts, cloud services, etc.
- e-commerce merchants financed against inventory stocked and receivables due from online sales

**… that HSBC is addressing through:**

- **A** Investing in specialised teams to review **bespoke contracts** and structure solutions around them
- **B** Investing in **technology** (e.g. APIs) to allow data flows for **improved visibility of performance**
- **C** Tailoring traditional **product policies and controls**

---

1. Source: Oxford Economics, Unlocking the Growth potential of Services Trade
3. Source: VOX, The ascendancy of international data flows, 2017
Fundamentals of global trade are changing significantly (2/3)

**WHAT is traded**
- Shift from West to East
  - Middle income population in Asia to grow to 3.5bn by 2030
  - Intra-region trade will account for over 40% of goods volume growth

**WHERE trade takes place**

**HOW trade is conducted**

Key facts
- **Shift from West to East**
  - Middle income population in Asia to grow to **3.5bn** by 2030
  - Intra-region trade will account for over 40% of goods volume growth

What it means for HSBC

**Strong position in Asia...**
- **#1** Trade bank in ASP
- **8.5%** Market share in ASP trade
- **#1** Trade bank in HK, Singapore
- **2,900 in 22** 2,900 trade experts in 22 ASP countries

...to capture intra-Asian trade and investment flows...
- **Monetising export flow of oil products across Asia**
  - **Client need:** monetise Asian exports of oil products from one of the largest oil refineries in the world
  - **Our solution:** trade financing with underlying commodity as collateral
  - **Why HSBC:** footprint across India, Singapore, Australia provided a seamless and fast turnaround solution

...as well as Asian trade flows with the rest of the world
- e.g. Vehicles produced by region
  - Europe: 45% to 25%
  - US: 35% to 20%
  - ASP: 20% to 55%

1. Source: Global Economy and Development: The unprecedented expansion of the Global Middle Class, 2017
3. Source: Oliver Wyman FY17 and 3Q2018 Transaction Banking surveys
4. Source: Best Trade Finance Bank as per Euromoney Trade Finance Survey - 2019
5. Source: McKinsey center for future mobility
Fundamentals of global trade are changing significantly (3/3)

<table>
<thead>
<tr>
<th>WHAT is traded</th>
<th>WHERE trade takes place</th>
<th>HOW trade is conducted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key facts

- Internet democratising trade, giving SMEs same access as multinationals
- Emergence of Internet of Things, 5G and cloud services
- Digitisation and automation are making trade cheaper, safer and faster

What it means for HSBC

**Making trade simpler, safer and faster**

<table>
<thead>
<tr>
<th>A</th>
<th>Full range of digital channels across key solutions</th>
</tr>
</thead>
</table>

**Examples and how clients will benefit from this**

- Clients can access both proprietary solutions (e.g. HSBCnet, Host to Host) and bank agnostic solutions (e.g. SWIFT for Corporate for Trade)
- Unlocks efficiencies from current manual and paper-based processes

**Enabling clients to transform their supplier and buyer eco-systems**

- Embedding financing within clients’ supply chain processes; e.g. collaboration with Tradeshift procure to pay solutions
- Working capital finance earlier in supply chains: increased trade flow visibility
- Extending competitive payment terms to buyers; point of sale financing

**Transforming trade across the wider buyer/seller, banking and logistics ecosystem**

- Use of e-Bills of lading to reduce lead times and make trade safer
- Live transactions on scalable DLT; transact without relinquishing data ownership:
  - End to end digitised letter of credit reducing settlement time from 5-10 days to 24 hours allowing clients to trade more and faster; e.g. Voltron: Cargill
  - Enhanced visibility of open account trade flows between buyers and suppliers facilitating more trade finance opportunities for banks; e.g. we.trade
  - Collaboration with regulators’ platforms to improve visibility and make trade safer
Transforming our business for the future

Extend leadership position and future-proof business

<table>
<thead>
<tr>
<th>Today</th>
<th>Post-investment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Out of date, siloed and inflexible technology</td>
<td>Convergent, flexible and modular IT architecture … DLT ready</td>
</tr>
<tr>
<td>Product mix imbalance; c80% Traditional Trade</td>
<td>Doubling market share in Structured Trade by 2025</td>
</tr>
<tr>
<td>Inefficient, paper-based processing</td>
<td>Simplified, digitised and automated processing</td>
</tr>
<tr>
<td>Manual, transactional and judgemental controls</td>
<td>Automated, customer-holistic and analytics-driven controls</td>
</tr>
<tr>
<td>Originate and hold model</td>
<td>Originate and distribute model</td>
</tr>
</tbody>
</table>

Key customer and business outcomes by 2021

>$600m investment$^1$ to achieve the following:

- Substantial elimination of manual paper handling (currently c. 100m pieces annually)
- Improved front office to back office ratio$^2$ from 1:2 to 1:1
- Substantial change in customer experience: easier, faster and safer
- Significant improvement in net promoter score$^3$
- Capabilities to grow revenues faster than the rest of the market
- Increased pace of asset distribution by more than x2

---

1. $>$600m total cash investment spend between 2018 and 2021
2. Front office FTEs comprise all client facing roles; back office FTEs comprise all FTEs dedicated to operations
3. Net Promoter Score is a metric to derive client satisfaction and likelihood of recommendation
## Tangible progress in the transformation journey

### Growth and attrition

**Improved digital capabilities**
Mobile app for clients to track real time status of transactions; 4,700+ users in 24 countries

**Scaling growth through electronic solutions**
In China, connection to PBOC e-platform enabled growth in eBAD\(^1\) 7x since 2016, expanding beyond physical branch network

**Enhancing Structured Trade capabilities**
>10% annual asset growth since 2016, via improved coverage and product; e.g. Supply Chain Finance in 8 new countries

### Efficiency and Risk Management

**Process simplification**
Simplification of end to end guarantees process: from 600 to 2 manual steps

**Automation of controls**
Automation of vessel checks: from 7 minutes to 6 seconds, saving 19,000 man hours p.a.

**Improving customer experience**
Launched next generation telephony and 100 training days; net promoter score up by 35%

### Replatforming

**Convergent**
e.g. German client can track end to end status of a guarantee they are issuing to a beneficiary in Bahrain through HSBC Germany

**Flexible**
e.g. HSBC can connect to client e-commerce portals or third party platforms (e.g. GT Nexus) very quickly

**Modularity**
e.g. New channel like SWIFT for corporate for trade can be made available across 50+ markets for our clients in a short timeframe

---

\(^1\) Electronic Bank Acceptance Drafts (eBAD) is an instrument of choice of trade flows in China, and is transferrable; current size of market is $1.35trn (Source: Shanghai Commercial Paper Exchange Corporation Ltd)
Leading indicators for world trade

Trade Values are expected to moderate their growth in the short term...

Value of DC issuances traffic indicative of order preparation stage and offers a good 60-90 day forward look. DC Issuances values trend indicates moderation in trade values in the short term.

...and trade volumes are expected to soften in the medium term

World Trade Outlook Indicator (WTOI) is a composite index of trade-related indices which anticipates changes in the trajectory of world merchandise trade volume. The latest WTOI does indicates softening of volume growth in medium to long term.

HSBC has outgrown the market in 2018...

Global Trade Finance Revenue Pool Growth

HSBC has increasing market share in key markets

1. Source: SWIFT for DC issuances values,
2. Source: WTO for world exports value (merchandise),
3. Short term is ~ 1 month from the point data is available,
4. WTOI and export volume index (Q1 2005 = 100),
5. WTOI and export volume index (Q1 2005 = 100),
6. Medium to long term is ~ 3 months to 2 quarters from the point data is available,
8. OW YTD 3Q2018 growth vs PY for 2018, For HSBC, growth on reported $, on a post-distribution basis,
9. Source: HKMA; Dec18
10. Source: MAS; Jan19
11. Source: UK Finance 4Q17 data vs 3Q18 data,
Summary of key trade agreements

**Comprehensive and progressive agreement for trans-pacific partnership (CPTPP)**
- Pacific Basin trade agreement among 11 advanced and emerging markets, representing 13% of global GDP and 500m population
- Aims to remove 95% of the current tariffs on trade among the partners
- Developing country members will have exports expanding by more than 8.5% while developed members are expected to see 4.0%-5.8% export growth. Non members could see exports decline modestly as trade within the CPTPP region is re-routed to CPTPP members
- Accord entered into force on 30 December 2018. Canada, Japan, Mexico, New Zealand, Singapore, Australia and Vietnam completed their ratification; remaining signatories are Brunei, Chile, Malaysia and Peru
- Once fully ratified and implemented, **CPTPP could boost trade for members by 6%**, adding 1% to real incomes as of 2030

**EU-Japan EPA**
- The Economic Partnership Agreement (EPA) between the EU and Japan entered into force on 1 February 2019.
- The two partners represent nearly 30% of global GDP and a population of some 640 million
- Could potentially **add up to 0.75% to the annual baseline GDP for the EU and Japan**
- The agreement removes traditional barriers to trade like most duties and quite a few non-tariff barriers related to regulations and customs administration. It also improves transparency and addresses 21st Century trade challenges such as data privacy and ensuring free flow of data

**Regional comprehensive economic partnership (RCEP)**
- Participants: ASEAN 10 + Australia, China, India, Japan, Korea, New Zealand; potentially others in future (e.g., Peru); **RCEP covers >50% of the world’s population; >$22trn GDP area**
- Substantially eliminate tariffs; reduce non-tariff discrimination against goods and services
- Provide competitive investment environment; protection for intellectual property rights, combat anti-competitive practices
- **Could boost regional income by up to $600bn (+1.8%)**
- Discussions in progress with aim to finalise the agreement in 2019

Source: HSBC Research
HSBC is leading key trade DLT projects

<table>
<thead>
<tr>
<th>Platform and tech vendor</th>
<th>Network ownership</th>
<th>Coverage</th>
<th>Products</th>
<th>Participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voltron</td>
<td>R3Corda and CryptoBLK</td>
<td>Global</td>
<td>E2E LC solution (Import LC issue/Export LC advise)</td>
<td>HSBC, ING, NatWest, BNP Paribas, SEB, Bolero, Koch, CTBC Bank, SGS, BMO, MUFG, BNP PARIBAS, Standard Chartered, Standard Chartered, RBC, NatWest, Citi, ING, MUFG, BMO, BMF, BNP PARIBAS, COMMERZBANK, NatWest, Tradex, SNCM, BNP PARIBAS, HSBC, Deloitte, HSBC</td>
</tr>
<tr>
<td>Komgo</td>
<td>Ethereum</td>
<td>Global</td>
<td>KYC</td>
<td>HSBC, ING, NatWest, BNP Paribas, SEB, Bolero, Koch, CTBC Bank, SGS, BMO, MUFG, BNP PARIBAS, Standard Chartered, Standard Chartered, RBC, NatWest, Citi, ING, MUFG, BMO, BMF, BNP PARIBAS, COMMERZBANK, NatWest, Tradex, SNCM, BNP PARIBAS, HSBC, Deloitte, HSBC</td>
</tr>
<tr>
<td>CGI</td>
<td>SkuChain</td>
<td>Global</td>
<td>LC</td>
<td>HSBC, ING, NatWest, BNP Paribas, SEB, Bolero, Koch, CTBC Bank, SGS, BMO, MUFG, BNP PARIBAS, Standard Chartered, Standard Chartered, RBC, NatWest, Citi, ING, MUFG, BMO, BMF, BNP PARIBAS, COMMERZBANK, NatWest, Tradex, SNCM, BNP PARIBAS, HSBC, Deloitte, HSBC</td>
</tr>
<tr>
<td>Marco Polo</td>
<td>R3</td>
<td>Global, but limited to CGI Trade360 users</td>
<td>Receivables Financing</td>
<td>HSBC, ING, NatWest, BNP Paribas, SEB, Bolero, Koch, CTBC Bank, SGS, BMO, MUFG, BNP PARIBAS, Standard Chartered, Standard Chartered, RBC, NatWest, Citi, ING, MUFG, BMO, BMF, BNP PARIBAS, COMMERZBANK, NatWest, Tradex, SNCM, BNP PARIBAS, HSBC, Deloitte, HSBC</td>
</tr>
<tr>
<td>Network ownership</td>
<td>Target: Co-owned by member banks (Oct '19)</td>
<td>All industries</td>
<td>Standby LC</td>
<td>HSBC, ING, NatWest, BNP Paribas, SEB, Bolero, Koch, CTBC Bank, SGS, BMO, MUFG, BNP PARIBAS, Standard Chartered, Standard Chartered, RBC, NatWest, Citi, ING, MUFG, BMO, BMF, BNP PARIBAS, COMMERZBANK, NatWest, Tradex, SNCM, BNP PARIBAS, HSBC, Deloitte, HSBC</td>
</tr>
<tr>
<td>Coverage</td>
<td>Global</td>
<td>All industries</td>
<td>Guarantees</td>
<td>HSBC, ING, NatWest, BNP Paribas, SEB, Bolero, Koch, CTBC Bank, SGS, BMO, MUFG, BNP PARIBAS, Standard Chartered, Standard Chartered, RBC, NatWest, Citi, ING, MUFG, BMO, BMF, BNP PARIBAS, COMMERZBANK, NatWest, Tradex, SNCM, BNP PARIBAS, HSBC, Deloitte, HSBC</td>
</tr>
<tr>
<td>Products</td>
<td>Global</td>
<td>All industries</td>
<td>Receivables Financing</td>
<td>HSBC, ING, NatWest, BNP Paribas, SEB, Bolero, Koch, CTBC Bank, SGS, BMO, MUFG, BNP PARIBAS, Standard Chartered, Standard Chartered, RBC, NatWest, Citi, ING, MUFG, BMO, BMF, BNP PARIBAS, COMMERZBANK, NatWest, Tradex, SNCM, BNP PARIBAS, HSBC, Deloitte, HSBC</td>
</tr>
<tr>
<td>Participants</td>
<td>Global, Commodities industry</td>
<td>All industries</td>
<td>Bank Payment Undertaking</td>
<td>HSBC, ING, NatWest, BNP Paribas, SEB, Bolero, Koch, CTBC Bank, SGS, BMO, MUFG, BNP PARIBAS, Standard Chartered, Standard Chartered, RBC, NatWest, Citi, ING, MUFG, BMO, BMF, BNP PARIBAS, COMMERZBANK, NatWest, Tradex, SNCM, BNP PARIBAS, HSBC, Deloitte, HSBC</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Open Account</th>
<th>IBM Hyperledger Fabric and IBM</th>
<th>IBM Hyperledger Fabric and PingAn</th>
<th>Owned by Hong Kong Trade Finance Platform Company Ltd</th>
<th>Hong Kong-focused</th>
</tr>
</thead>
<tbody>
<tr>
<td>eTrade Connect</td>
<td>JV company owned by shareholders (12 European banks)</td>
<td>Europe-focused</td>
<td>All industries</td>
<td>Funds transfer</td>
</tr>
<tr>
<td></td>
<td>Bank Payment Undertaking</td>
<td>Receivables Financing</td>
<td>Pre and post shipment financing</td>
<td></td>
</tr>
<tr>
<td></td>
<td>HSBC</td>
<td>UniCredit</td>
<td>HSBC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>ING</td>
<td>Santander</td>
<td>HSBC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NatWest</td>
<td>Natixis</td>
<td>HSBC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BNP PARIBAS</td>
<td>Standard Chartered</td>
<td>HSBC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SocGen</td>
<td>Citi</td>
<td>HSBC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Santander</td>
<td>MUFG</td>
<td>HSBC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Natixis</td>
<td>BNP PARIBAS</td>
<td>HSBC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NatWest</td>
<td>Citi</td>
<td>HSBC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Banks</td>
<td>NatWest</td>
<td>HSBC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>eTrade Connect</td>
<td>HSBC</td>
<td>HSBC</td>
<td></td>
</tr>
<tr>
<td></td>
<td>eTrade Connect</td>
<td>HSBC</td>
<td>HSBC</td>
<td></td>
</tr>
</tbody>
</table>
Appendix 4

Risk characteristics of trade finance

- Short-tenor asset class
- Linked to real economy (working capital needs of companies)
- Shorter time to recovery in a default scenario
- Given contingent nature of some Trade products (Documentary Credit, Guarantees) exposures do not always crystallise onto balance sheet

Expected loss of trade finance and other asset classes, 2008–2016

Drivers

1. Expected Loss: Average losses likely to incur on portfolio
2. Source: ICC Trade Register 2017

Average time to recovery between trade finance and other asset classes, 2008–2016


Includes claims that are funded by client’s overdraft account

“Claim Rate” 7.6%

Total transactions

Claims not made

Claim made but unsuccessful

Claim made and successful

100%

90.1%

2.3%

2.3%
## Glossary

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>Association of Southeast Asian Nations</td>
</tr>
<tr>
<td>API</td>
<td>Application Program Interface</td>
</tr>
<tr>
<td>BRI</td>
<td>Belt and Road Initiative</td>
</tr>
<tr>
<td>CPTPP</td>
<td>Comprehensive and Progressive Agreement for Trans-pacific Partnership</td>
</tr>
<tr>
<td>NAFTA</td>
<td>North American Free Trade Agreement</td>
</tr>
<tr>
<td>OEM</td>
<td>Original Equipment Manufacturer</td>
</tr>
<tr>
<td>RCEP</td>
<td>Regional Comprehensive Economic Partnership</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium sized Enterprises</td>
</tr>
<tr>
<td>WTO</td>
<td>World Trade Organization</td>
</tr>
</tbody>
</table>