World Factoring Market

Patrick de Villepin, FCI Chairman
Thursday, 19th September 2019
I- MARKET TRENDS

Towards a slow-down?

-Domestic/ International Market
-World/ European Market
-Open Account/ Trade
-Towards a new crisis?
Global Factoring Volume 1998 - 2018

(IN EURO BILLIONS)

20 year CAGR = 10%

<table>
<thead>
<tr>
<th>Year</th>
<th>International</th>
<th>Domestic</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>€ -</td>
<td>€ 500</td>
</tr>
<tr>
<td>2003</td>
<td>€ 500</td>
<td>€ 1 000</td>
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<tr>
<td>2008</td>
<td>€ 1 000</td>
<td>€ 1 500</td>
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<tr>
<td>2013</td>
<td>€ 1 500</td>
<td>€ 2 000</td>
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<tr>
<td>2018</td>
<td>€ 2 000</td>
<td>€ 2 500</td>
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</tbody>
</table>
### FCI 2018 Global Factoring Statistics and Market Share by Region

<table>
<thead>
<tr>
<th>Region</th>
<th>2017</th>
<th>2018</th>
<th>Group rate</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Europe</td>
<td>1,701.9</td>
<td>1,829.1</td>
<td></td>
<td>+7%</td>
</tr>
<tr>
<td>Asia</td>
<td>657.2</td>
<td>695.6</td>
<td></td>
<td>+6%</td>
</tr>
<tr>
<td>Americas</td>
<td>209.5</td>
<td>211.3</td>
<td></td>
<td>+1%</td>
</tr>
<tr>
<td>Africa</td>
<td>21.7</td>
<td>22.2</td>
<td></td>
<td>+2%</td>
</tr>
<tr>
<td>Middle East</td>
<td>8.0</td>
<td>8.8</td>
<td></td>
<td>10%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2,598</strong></td>
<td><strong>2,767</strong></td>
<td></td>
<td><strong>+6.5%</strong></td>
</tr>
</tbody>
</table>

All figures given in Euro Billions.
FCI 2018 Global Factoring Statistics and Market Share by Region

Europe 66.10%
Asia 25.14%
Americas 7.64%
Africa 0.80%
ME 0.32%
Global Domestic – International

Factoring Turnover 2018

- Domestic: 80%
- International: 20%
Europe Factoring Statistics

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</thead>
<tbody>
<tr>
<td>United Kingdom</td>
<td>400</td>
<td>420</td>
<td>450</td>
<td>480</td>
<td>500</td>
<td>520</td>
</tr>
<tr>
<td>France</td>
<td>300</td>
<td>350</td>
<td>380</td>
<td>400</td>
<td>420</td>
<td>450</td>
</tr>
<tr>
<td>Germany</td>
<td>250</td>
<td>280</td>
<td>300</td>
<td>320</td>
<td>330</td>
<td>350</td>
</tr>
<tr>
<td>Italy</td>
<td>200</td>
<td>230</td>
<td>250</td>
<td>270</td>
<td>290</td>
<td>310</td>
</tr>
<tr>
<td>Spain</td>
<td>150</td>
<td>170</td>
<td>190</td>
<td>210</td>
<td>230</td>
<td>250</td>
</tr>
<tr>
<td>Other</td>
<td>100</td>
<td>120</td>
<td>140</td>
<td>160</td>
<td>180</td>
<td>200</td>
</tr>
<tr>
<td>Total Europe</td>
<td>1500</td>
<td>1800</td>
<td>2100</td>
<td>2400</td>
<td>2700</td>
<td>3000</td>
</tr>
</tbody>
</table>

**YOY**
- United Kingdom: -1%
- France: 8%
- Germany: 7%
- Italy: 9%
- Spain: 11%
- Other: 9%
- Total Europe: 7%

**5-Y CAGR**
- United Kingdom: 1%
- France: 7%
- Germany: 6%
- Italy: 5%
- Spain: 5%
- Other: 5%
- Total Europe: 5%

*Data from FCI World Factoring Statistics 2018*
## EU Market

**EUF estimates on EU market**

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<tbody>
<tr>
<td><strong>Domestic</strong></td>
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<tr>
<td></td>
<td>847,022</td>
<td>902,283</td>
<td>1,034,361</td>
<td>1,063,752</td>
<td>1,121,238</td>
<td>1,188,768</td>
<td>1,174,747</td>
<td>1,259,652</td>
<td>1,385,538</td>
<td>10%</td>
</tr>
<tr>
<td><strong>International</strong></td>
<td>145,724</td>
<td>240,435</td>
<td>175,226</td>
<td>195,591</td>
<td>252,536</td>
<td>282,053</td>
<td>328,424</td>
<td>346,044</td>
<td>342,376</td>
<td>-1%</td>
</tr>
<tr>
<td><strong>Recourse</strong></td>
<td>710,056</td>
<td>767,592</td>
<td>666,318</td>
<td>757,301</td>
<td>808,048</td>
<td>797,997</td>
<td>777,135</td>
<td>830,013</td>
<td>867,565</td>
<td>5%</td>
</tr>
<tr>
<td><strong>Non Recourse</strong></td>
<td>282,690</td>
<td>375,126</td>
<td>543,269</td>
<td>502,042</td>
<td>565,725</td>
<td>672,824</td>
<td>726,035</td>
<td>775,683</td>
<td>860,349</td>
<td>11%</td>
</tr>
</tbody>
</table>

### Change y/y

- **Domestic**: 10%
- **International**: -1%
- **Recourse**: 5%
- **Non Recourse**: 11%

**Owned by banks and banking groups**

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<tbody>
<tr>
<td>1,131,994</td>
<td>1,156,876</td>
<td>1,269,056</td>
<td>1,337,292</td>
<td>1,439,932</td>
<td>1,528,357</td>
<td>1,656,612</td>
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**Owned by non banking companies**

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<tbody>
<tr>
<td>77,593</td>
<td>102,467</td>
<td>104,718</td>
<td>133,529</td>
<td>63,238</td>
<td>77,340</td>
<td>71,302</td>
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**Total Advances (M €)**

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<tbody>
<tr>
<td>71,856</td>
<td>72,053</td>
<td>169,358</td>
<td>162,415</td>
<td>172,963</td>
<td>168,154</td>
<td>201,596</td>
<td>217,725</td>
<td>241,978</td>
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</tbody>
</table>

**Total Security Values (M €)**

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<tbody>
<tr>
<td>116,966</td>
<td>105,828</td>
<td>222,376</td>
<td>224,433</td>
<td>237,151</td>
<td>251,070</td>
<td>261,480</td>
<td>277,027</td>
<td>308,523</td>
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</table>

**Number of Active Client Relationships**

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<tbody>
<tr>
<td>126,269</td>
<td>119,739</td>
<td>160,066</td>
<td>166,502</td>
<td>164,069</td>
<td>171,426</td>
<td>179,675</td>
<td>201,520</td>
<td>218,060</td>
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**Average yearly turnover per client (M €)**

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<tbody>
<tr>
<td>7.9</td>
<td>9.5</td>
<td>7.6</td>
<td>7.6</td>
<td>8.4</td>
<td>8.6</td>
<td>8.4</td>
<td>8.0</td>
<td>7.9</td>
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</tbody>
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**Average yearly advances per client (M €)**

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<tbody>
<tr>
<td>0.6</td>
<td>0.6</td>
<td>1.1</td>
<td>1.0</td>
<td>1.1</td>
<td>1.0</td>
<td>1.1</td>
<td>1.1</td>
<td>1.1</td>
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**Average outstanding per client (M €)**

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</thead>
<tbody>
<tr>
<td>0.9</td>
<td>0.9</td>
<td>1.4</td>
<td>1.3</td>
<td>1.4</td>
<td>1.5</td>
<td>1.5</td>
<td>1.4</td>
<td>1.4</td>
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</table>

**Advances/ total receivables**

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</thead>
<tbody>
<tr>
<td>61%</td>
<td>68%</td>
<td>76%</td>
<td>72%</td>
<td>73%</td>
<td>67%</td>
<td>77%</td>
<td>79%</td>
<td>78%</td>
</tr>
</tbody>
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**Average no of days outstanding**

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</thead>
<tbody>
<tr>
<td>43</td>
<td>34</td>
<td>67</td>
<td>65</td>
<td>63</td>
<td>62</td>
<td>63</td>
<td>63</td>
<td>65</td>
</tr>
</tbody>
</table>

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Figures in this table are estimated on the basis of the data provided by the EUF Members and the significance of the sample on total turnover.
European Factoring

1-France: 320.4
2-UK: 320.1
3-Italy: 247.4
4-Germany: 244.3
5-Spain: 166.4
6-Nederlands: 98.4
7-Belgium: 76.3
8-Poland 56.5
9-Russia: 43.8
10-Potugal: 31.8

Bn €
European International Factoring Market

1-France : 96.7
2-Germany : 77.3
3-Italy : 58.6
4-UK : 28
5-Netherlands : 19.7
6-Spain : 19.4
7-Poland : 9.8
8-Denmark : 8.4
9-Portugal : 7.5
10-Austria : 6.7

Bn €
Factoring in Europe: The many faces

* Non available figures have been estimated according to the latest figures available from different sources (EUF, WFY)
** Non available figures have been estimated according to the latest figures available from AEF
# Comparison to other forms of Trade Finance

## Factoring, LC & Credit Insurance Comparisons with World Exports 2011-2018 (USD Millions)

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</tr>
</thead>
<tbody>
<tr>
<td>X border factoring</td>
<td>342,204</td>
<td>464,700</td>
<td>555,941</td>
<td>588,185</td>
<td>578,664</td>
<td>533,736</td>
<td>623,344</td>
<td>599,398</td>
<td>7.3%</td>
</tr>
<tr>
<td>Global factoring</td>
<td>2,610,844</td>
<td>2,811,346</td>
<td>3,078,505</td>
<td>2,817,263</td>
<td>2,588,182</td>
<td>2,500,706</td>
<td>3,117,437</td>
<td>3,172,165</td>
<td>2.5%</td>
</tr>
<tr>
<td>Credit insurance</td>
<td>1,495,227</td>
<td>1,538,609</td>
<td>1,630,925</td>
<td>1,709,579</td>
<td>1,586,000</td>
<td>1,634,000</td>
<td>2,056,895</td>
<td>2,233,201</td>
<td>5.1%</td>
</tr>
<tr>
<td>Letters or credit</td>
<td>2,806,965</td>
<td>2,854,918</td>
<td>3,125,957</td>
<td>3,044,682</td>
<td>3,014,235</td>
<td>3,044,375</td>
<td>2,996,883</td>
<td>3,098,777</td>
<td>1.2%</td>
</tr>
<tr>
<td>Total world exports</td>
<td>17,816,372</td>
<td>17,930,470</td>
<td>18,378,730</td>
<td>18,935,210</td>
<td>18,432,650</td>
<td>16,943,000</td>
<td>17,739,320</td>
<td>19,480,000</td>
<td>1.1%</td>
</tr>
</tbody>
</table>

**Sources:**
- Factoring figures reported by FCI in US Dollars. World Factoring includes both domestic and cross border factoring volume.
- Short and medium term sovereign credit insurance figures reported by the Berne Union.
- The LC figures from ICC/SWIFT study. SWIFT does not release LC issuance data, but in December 2010 its board agreed to carry out a 'trade snapshot', releasing the number of MT700 commercial standby and guarantee messages, including average invoice size. All figures are estimates based on actual data. In 2018, SWIFT trade finance volume increased 3.4% as measured in MT700 messages.
- The world merchandise export figures from the WTO in US dollar value.
International Factoring in EDI

[Line chart showing the trend of international factoring from 2008 to 2017.]
TREND OF THE TWO-FACTOR EXPORTS OVER THE YEARS BROKEN DOWN BY REGION.
Share of two factor exports 2018

- TAIWAN: 28%
- TURKEY: 19%
- ITALY: 7%
- SPAIN: 5%
- SINGAPORE: 7%
- GREECE: 4%
- CHINA: 4%
- REST: 26%

Total: 100%
Share of two factor imports 2018

- SINGAPORE: 23%
- GERMANY: 18%
- UNITED STATES: 14%
- ITALY: 12%
- CHINA: 8%
- FRANCE: 7%
- UK: 3%
- Spain: 2%
- Hong Kong: 2%
- Poland: 2%
- Canada: 2%
- Rest: 7%
World Trade Figures

1985-2007 trade volumes increased 2X the rate of global GDP; since 2012 it has barely kept pace.

2016 marked 5th consecutive year world merchandise trade stayed below 3.0% p.a.

The WTO announced merchandise trade increased nearly 10% in 2018.

The Trade War has intensified between the US and China and has had a worsening impact on trade.

The result is reduced investment spending. Emerging markets have been especially affected.
II- FCI Strategy for a better Future

- New Organisation
- New Efficiency
- New products
FCI MEMBERS: CLOSE TO 400 IN 90+ COUNTRIES

- FCI Members active in Two-Factor
- FCI Members not active in Two-Factor
There is an evolution occurring in Trade and Receivables finance, the use of new modern IT tools:

(A) Artificial Intelligence  
(B) Blockchain/Distributed Ledger Technology  
(C) Cloud Computing  
(D) Big Data.

Over the past few years, we have witnessed a number of breakthroughs with the speed of change in technology and its potential for the trade and receivables finance industries, addressing many of the critical requirements necessary for DLT to potentially achieve industry wide adoption.
What is FCIreverse?
The Power of FCIreverse

Opportunities in the market’s first network reverse factoring solution

Robust Legal Framework

Based on FCI’s proven interfactor framework and the new “General Rules for FCIreverse”.

Relationship Approach

Rather than a transactional approach to funding.

State-of-the-art technology

Award winning, multijurisdictional, multicurrency, multilingual platform with integrated supplier onboarding.

Network Solution

First global Supply Chain Finance solution, leveraging FCI’s 400 members in 91 countries.

Increase Revenues

Factors are able to generate additional revenues.*

First mover advantage

Pilots have first mover advantages in their markets.
FCIreverse Forum
The First User Group Meeting
Madrid, Spain/ 17-18 October 2019

Venue:
Caixabank premises
Madrid
Spain
SEE YOU IN WASHINGTON D.C!

THANK YOU!

Mr. Patrick de Villepin, Chairman

Facilitating Open Account – Receivables Finance