

CREDIT CONGRESS
& EXPO

MAY 18-21, 2025

Global Risk Concerns in 2025

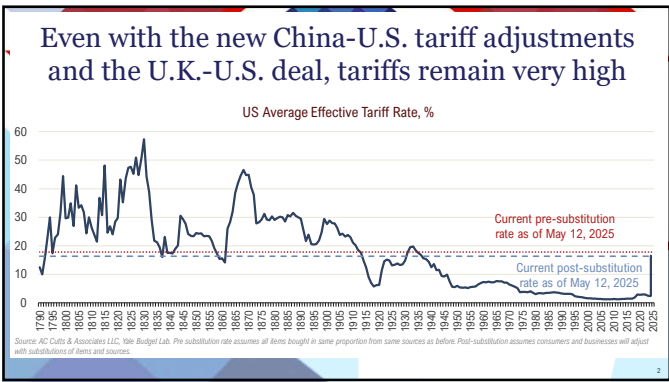
Panel: Gayle Jacobs, Sr V.P. President, Political Risk & Structured Credit, Marsh Credit

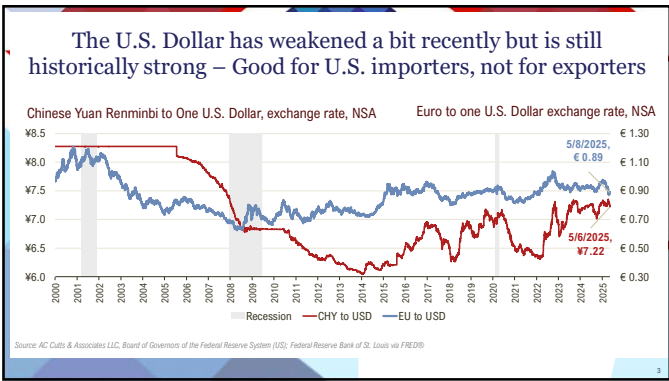
Amy Crews Cutts, Chief Economist, NACM

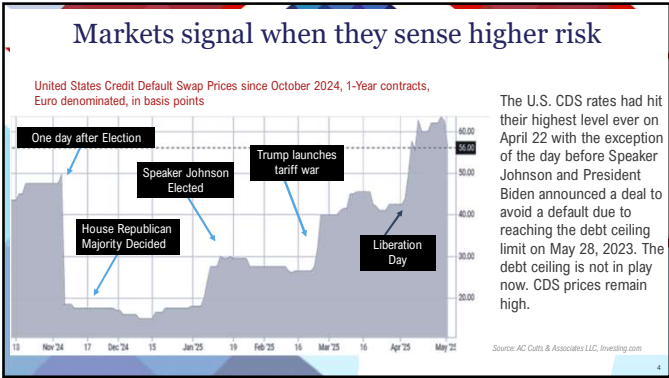
Fred Dons, Global Head, Structured Trade Finance, Aria Commodities

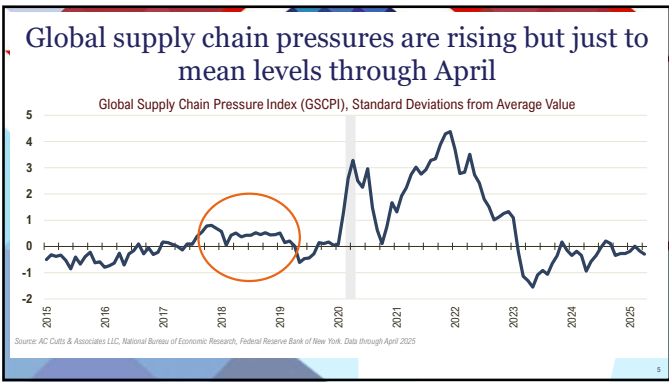
Date: May 20, 2025

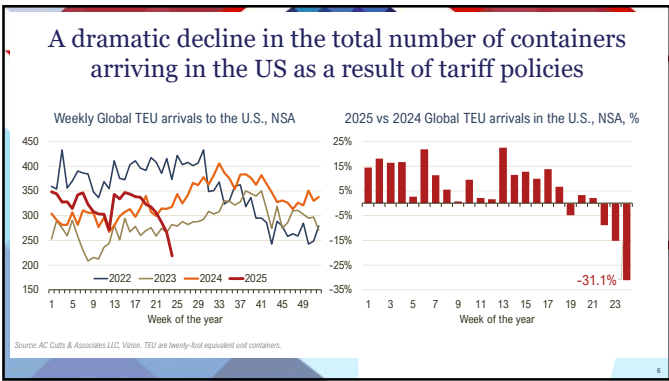
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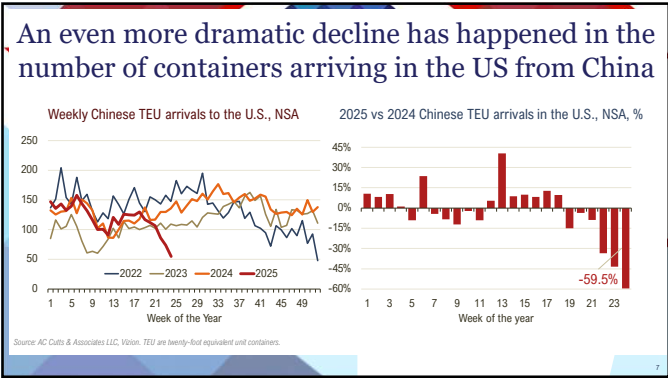












Uncertainty - the biggest enemy of the markets

- Although trading companies thrive on volatility, there is something like "too much of a good thing"
- Companies can deal with bad news and anticipate downturns, but we need a clear and steady direction
- In the absence of a clear direction, the markets will create their own direction by avoiding certain markets
- Short term** some goods can be stored in bonded warehouse to weather the storm
- Medium term** we look for new markets and counterparts, but this carries a risk - counterpart risk. Not only do we need to get comfortable with new counterparts, but we need to do this in murky waters. We do not know what exposure our counterparts hold in their books.

Uncertainty - the biggest enemy of the markets

- In times of a sudden crisis, banks will first check their own books against any exposure they might have against the affected market/counterpart. Secondly, they will check the exposure their clients or their client's client might have. The latter one is the more difficult part, which usually results in "no business" until there is clarity again.
- There will be opportunities. Fortune favors the bold - but don't skip on your analysis and note that patience is a virtue. We saw the lightning and now are waiting for the thunder. In other words, we have not witnessed the full impact yet of all measures taken.

To use another cliché "it is better to sit still when you are being shaven."

Broad Tariffs Have a Wide Impact Across Industries

Manufacturers	Retailers	Agricultural Producers	Financial Services	Services Firms
<ul style="list-style-type: none">• Face trade-offs between losing sales if they raise prices and lower margins if they absorb costs• Domestic firms could gain share but face higher input costs, supply chain risks, and retaliatory measures• Reduced foreign competition enables increased prices, but risk consumer backlash and demand loss	<ul style="list-style-type: none">• Are likely to face higher costs as importers raise prices, suppliers pass on input cost increases and/or domestic producers capitalize on reduced competition• Can do some combination of either passing costs to consumers, risking lower sales, or absorbing them, reducing profit margins	<ul style="list-style-type: none">• Will be key targets for retaliatory tariffs, given their export dependence and political sensitivity• This could significantly reduce international sales and revenue	<ul style="list-style-type: none">• Are indirectly affected through borrower creditworthiness, macroeconomic impacts including volatility, and market disruptions linked to trade uncertainty	<ul style="list-style-type: none">• May be the least impacted, though some US-dominated service sectors may be targeted for retaliation• Potential for US tariffs on foreign services if trade conflict escalates

Greater impact

Source: Oliver Wyman, February 2025

Realities facing our clients

- Highly fluid US tariff policy is creating uncertainty and financial impacts in the near term even as the implementation of some tariffs have been delayed
- Sector-specific concerns and impacts
 - Industries with security implications and possible exemptions
- Durability of existing trade agreements (USMCA / CUSMA)
- Potential Impacts to local operations:
 - Potential for Selective discrimination by the host government against US companies in retaliation of increased tariffs.
 - Potential security concerns against US-based companies
 - Financial viability and impacts of tariffs on key inputs
- Complexity of the supply chain and the combined impact of tariffs on finished goods

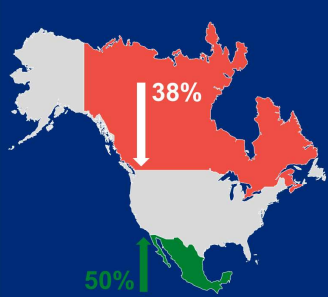


Organizations trading in North America face unique complexities

Mexico and Canada are the US's two largest trading partners.

Short-term
What role for CA / MX during the 90 days?
Will USMCA goods remain excluded?

Long(er)-term
The July 2026 review will lead to changes
How might the agreement evolve?



Share of exports to the US which are USMCA/CUSMA compliant and are therefore—currently—exempt from 25% rate otherwise applied

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Navigating Tariffs and Trade War Risks

Watchpoints

Immediate Near Term

Non-payment or non-delivery of goods and services due to tariff-related price increases or other disruptions

- Potential for sudden loss in market demand or an increase in customer or supplier defaults

Ongoing

Retaliatory measures, beyond retaliatory tariffs, which impose restrictions on American companies operating in the country

- Selective discrimination** towards American companies operating in the foreign country
- Government interference**: Expropriation, government disputes, contract and license cancellation/revocation, target of political violence and riots, etc.

Key Actions to Take

Integrate geopolitical and economic risk assessment into strategy

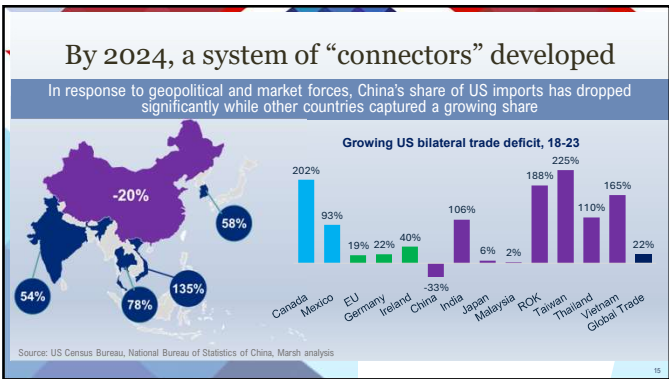
- Marsh World Risk Review
- Sentrisk
- Tariff Simulator

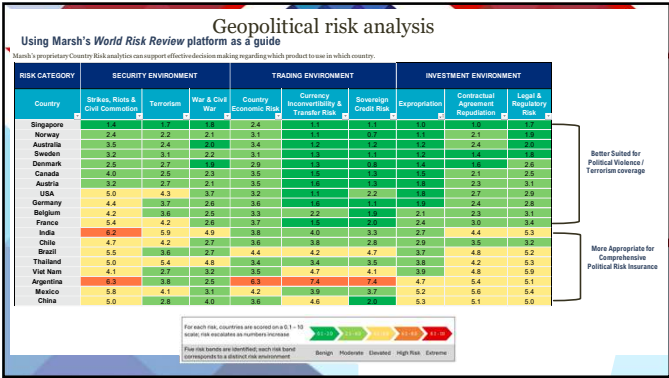
Mitigate and transfer risks:

- Trade Credit Insurance**: protects cash flow from customer non-payment
- Supplier Default**: the failure of a supplier to reimburse pre-payment(s) made by a buyer that are contractually due following non-delivery of goods and/or services by the supplier.
- Contract Frustration**: Losses resulting from a cancelled or frustrated contract as result of political events in the host country, including non-payment due to political risk events
- Political Risk Insurance**: protects assets against political motivated actions – government interfering with insured’s investment, political violence to assets, etc.

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