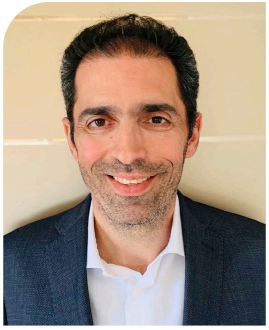

GREECE

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Introduction

The energy crisis, which was exacerbated after Russia's invasion of Ukraine in early 2022, has resulted in a sharp rise of inflation, which has led to the drastic increase in interest rates by the Central Bank. Although the rise in inflation was in most cases driven by negative supply shocks, in particular higher energy costs due to the war in Ukraine, its direct impact cannot be easily countered by monetary policy. In this adverse environment that poses significant challenges to economic policy, the Greek economy continued to grow strongly in the first nine months of 2022, mainly driven by private consumption, investment and a large rise in tourism and shipping receipts. The better than expected performance of the Greek economy led to an upward revision of the 2022 growth forecasts published by the Bank of Greece last June. Support measures aimed at containing the impact of the energy crisis on households and businesses contributed to this upward surprise. As a result, in 2022 factoring in Greece recorded an increase of 33 per cent in turnover, (rising to EUR 23.5bn) following a great performance in 2021 which saw an increase in turnover of 22 per cent compared to 2020.

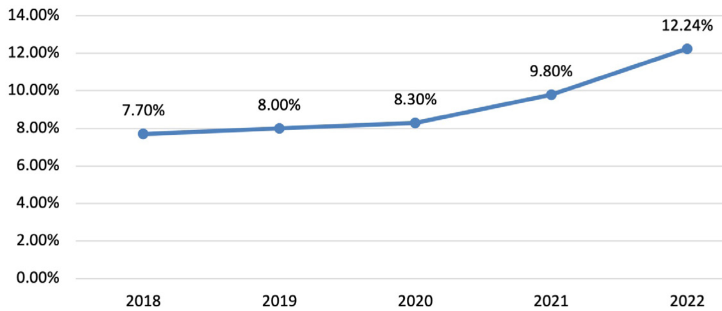
Factoring Industry Environment

The factoring industry in Greece, in contrast to the economy and the banking sector, has been able to withstand the difficult times and has had a constant growth. Having had some slowdown in growth during the financial crisis, factoring penetration in GDP has increased by 59 per cent in the last five years from 7.7 per cent in 2018 to 12.2 per cent in 2022. The 33 per cent increase in factoring volumes in 2022 was the industry's best performance ever.

The huge growth of the factoring sector is mainly the result of a better understanding and acceptance of factoring by clients and banks.
In the last few tough years, the SME sector has become a fundamental generator of growth with an increasing number of clients. In addition, the banks have recognised the importance of accounts receivable management tools in their product portfolio mix, especially in a period when non-performing loans (NPLs) were the main issue for all banks in Greece.

It is obvious that the strategy of all Greece's financial groups is to support and enhance the use of factoring as an important and secure financial tool for their clients. This trend has led Greece's factoring penetration ratio to grow in importance reaching 12.2 per cent in 2022. This is the highest penetration ratio ever and considering that this ratio was 5.2 per cent in 2009, the development of this product is more than obvious. Now, it seems that the factoring penetration ratio is rapidly approaching the average EU penetration

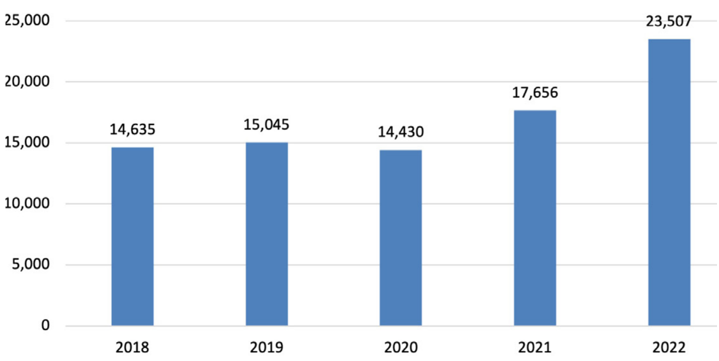
Factoring Penetration of GDP



Factoring Products and Services

- Domestic factoring: recourse and non-recourse
- Export factoring: recourse and non-recourse
- Import factoring
- Reverse factoring
- Invoice discounting
- Collection only services

Total Factoring Volume (EURm)



ratio, which was roughly 11.4 per cent in 2021. It also means that there is potential for further development of the industry, in other words higher volumes of business for existing factoring entities. (Greece's GDP in December 2022 was EUR 192.1bn).

Market Performance and Supply

The strong upward trend of the factoring sector in Greece was maintained in 2022. Turnover reached an all-time high of EUR 23.5bn, as recorded by the Hellenic Factoring Association. The largest increase was noted in domestic factoring (up 36 per cent), while the increase in international (up 15 per cent) was also significant, albeit milder.

Recourse factoring constituted 54 per cent of the total, while non-recourse factoring (in which the credit risk of the debtor is assumed by the factor) accounted for the remaining 46 per cent and showed the greatest increase. The relative stronger growth of non-recourse factoring is an indication of the intensifying need of customers to secure their receivables given the prolonged business uncertainties brought about by the global conditions of intense inflation, high interest rates, shortages of raw materials, etc.

The increased turnover figures are partly a consequence of the country's return to a path of development, a greater emphasis on factoring by the business community as a strategic tool for raising liquidity to strengthen working capital - with ancillary benefits such as credit risk insurance and the active management of trade receivables - but also a result of the inflationary swelling of sales values in many industries due to price increases in raw materials, freight and energy.

Supply chain finance transactions (namely reverse factoring) also seemed to be growing in 2022, though there are no official figures available. Nevertheless, there are many cases of companies applying reverse factoring for the first time, with big volumes suggesting a significant increase in this sector of the market last year. That has been confirmed by particularly high growth rates, though starting from a lower base than is the case in other sectors of the market .

The public sector in Greece represented a significant share of the total factoring volume (unofficial references indicate 10 per cent) despite the progressive improvement in delayed payments during 2022. The outstanding debts of the public sector during 2022 were overdue less than 12 months, which is even better than some years ago.

The risk level of factoring transactions has been low (less than two per cent) and, conversely, the quality of exposures has been high as usual, although the factoring industry did not benefit from the legal moratoria on the payment of debt, and its involvement in the state guaranteed financing schemes was minimal. By contrast, the banking sector, that historically has shown much higher non-performing loan ratios, (more than 10 per cent) was able to close the gap with the factoring industry in 2022 due to the extensive use of the state support.

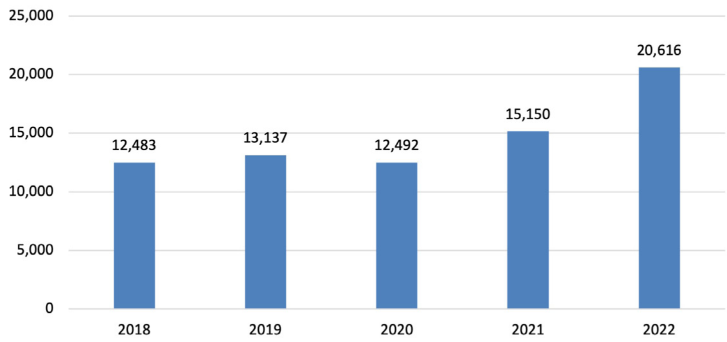
Generally, big corporates are interested in off-balance solutions or sophisticated tailor-made factoring products, and also in applying reverse factoring schemes for their suppliers, whether they are looking for a prolongation of payments terms, optimisation of cash flow, or extra revenue sharing the fee with the factor. These types of clients usually have large invoice volumes, high risk profile and are very cost sensitive. Medium size companies provide lower volumes, and attract higher pricing by the factors; they are interested both in financing and credit coverage of debtors and consequently their preference is for non-recourse factoring, but from the factor's point of view, recourse factoring is also very suitable for these kinds of clients. Taking into consideration their higher risk profile, smaller companies are equipped with simple recourse factoring products or are enrolled as assignors in reverse factoring facilities.

Future Trends

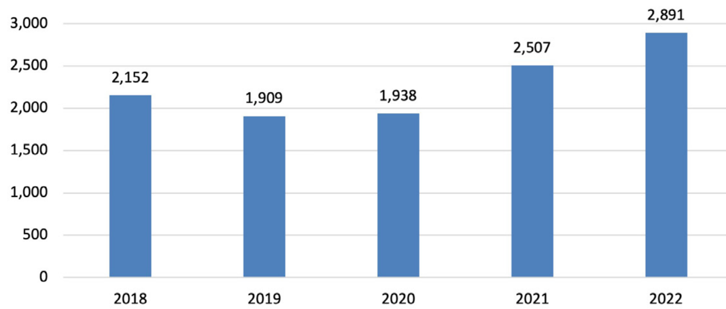
In the last few years, the financial services industry has entered a phase of intensive digital transformation globally, as the pandemic has accelerated the implementation of solutions for remote service. The digital solutions of daily transactions, both at the retail and business level, is more intense than ever, and completely new concepts, such as customer experience and user experience, are now dominating the design of financial services. In addition, the entry of fintech companies in some of the transactions that were traditionally considered to be part of banking, for example in e-payments, is changing the concept of banking service.

According to a recent study by McKinsey, supply chain finance (SCF) is the fastest growing sector in the global trade finance market of USD 7tn, with an expected growth rate of 20 per cent - 24 per cent by at least 2024. Supply chain finance remains challenging for the Greek market as does the rapid growth of reverse factoring during the last two years. Effective supply chain finance can provide opportunities to improve the financial performance of a company and help to create a better management relationship with key counterparties. As with every restructuring process, the suitability of supply chain financing is subject to the underlying nature of the business, the sector of its operation and the relevant market practices.

Domestic Factoring Volume (EURm)



International Factoring Volume (EURm)



Legal Framework

The provisioning of factoring services in Greece is regulated by the Law No. 1905/1990 and Law No. 4261/2014. The Bank of Greece is the supervising authority, which issues licenses to factoring companies upon incorporation or to other kinds of companies that become factoring companies. Licenses are granted only to banking institutions and designated factoring companies that must have at least a quarter of the minimum share capital that is required for banking institutions (currently EUR 18m), that is, they must have a share capital of EUR 4.5m in order to obtain the necessary authorisation by the Bank of Greece. The legal form of these designated factoring companies is that of a société anonyme.

The Factoring Law No. 1905/1990 (and the subsequent Law No. 4261/2014) refers to the factoring of claims arising from contracts for the sale of goods, provision of services or performance of works. Since the law does not expressly limit the origin of receivables that can be factored, it is considered that any type of receivables may be factored. The law does not provide for any restriction on the maturity of receivables that can be factored and there is no maximum time exposure of factoring companies to the factored receivables. In addition, the law does not provide neither for any restriction on the quantity of receivables assigned, meaning that a assignor may assign all his receivables against all his debtors, present and future.

The law on factoring, as well as the local law, also expressly allows assignment of future receivables as long as they are either defined or definable. To this end, the type, scope and debtor (not necessarily named in the agreement as long as his identity is ascertainable or will be ascertainable in the future) of the future receivable must be specified in the notification of assignment.

In order for a legal assignment to be valid against the debtor, the supplier's insolvency practitioner or any third-party creditors, the factor shall have a written factoring agreement, a written notification of the assignment to the debtor serviced by any means to the debtor (for verification reasons it is advisable to be serviced by a court bailiff). With regard to the notification of assignment to debtors as legal entities according to public law, there are special provisions which may differ from one legal entity to the other.

The transfer of ownership of receivables is completed immediately after written notification of assignment is served to the debtor.

As to the factoring activities, the factor may engage in the prepayment, accounting, collection, legal supervision and in the general management of receivables, and in most cases in the coverage of the supplier's credit risk. After notification to the debtor of the assignment of receivables, the factor becomes the owner of the receivables and substitutes the assignor in all his rights relating to these receivables, thus the factor may also negotiate the extension or restructuring of the debt.

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