



GREECE

Harris Saridis

Director of
Business
Development
& Relationship
Management

**Ethniki Factors
Single Member
S.A.**

Introduction

The increasing geopolitical risks with the ongoing war in Ukraine and the rekindling of conflicts in the Middle East, compounded by rising food and energy prices, continue to play a key role in the persistence of inflationary pressures. The tightening of monetary policy in order to bring inflation back to the two per cent target over the medium term is affecting economic activity, the capacity of firms and households to repay existing loans, as well as the demand for new loans. In addition, the risk of an abrupt repricing of assets in global money and capital markets remains, with potential spillover effects on the global non-bank financial system. On the upside, the banking sector's strong core profitability and the Greek sovereign's return to investment grade largely mitigate these adverse effects. In 2023, factoring turnover in Greece recorded an increase of only five per cent, (up to EUR 24.7bn) following a great performance in 2022 when factoring turnover increased 33 per cent compared to 2021.

Factoring Industry Environment

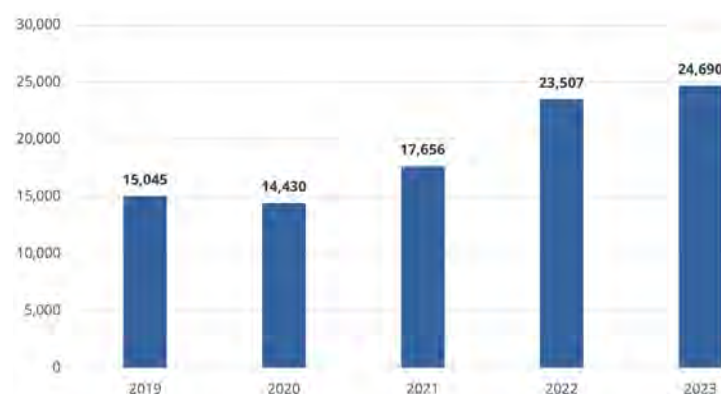
The economic landscape of Greece has exerted a significant influence on the factoring industry, shaping various aspects of businesses' financial decisions and attitudes towards financing options. Payment trends among businesses have been affected by economic developments, with fluctuating market conditions impacting debt payment behaviour, as well as the management of bad debts and interest rates.

The growth of small and medium enterprises (SMEs) has been a notable trend, with an increasing number of these entities turning to factoring as a viable financing solution, driven by factors such as limited access to traditional bank finance and the need for

working capital. However, attitudes towards factoring among SMEs may vary, influenced by factors such as awareness of factoring benefits and perceptions of associated costs. Despite the rise of factoring, the market for other forms of business finance, particularly traditional bank finance like overdrafts, remains relevant, albeit with shifting preferences among businesses based on factors such as interest rates and accessibility. In terms of tax or legal changes impacting factoring, recent developments within the last two years have introduced certain amendments aimed at enhancing the regulatory framework and promoting the growth of the factoring industry.

These changes include adjustments in tax treatment, regulatory compliance requirements, or legal protections for factoring transactions, all of which play a crucial role in shaping the operating environment for factoring companies and influencing businesses' decisions in terms of financing options. Keeping abreast of these changes is essential for stakeholders in the factoring industry to ensure compliance and optimise operational strategies in alignment with evolving regulatory dynamics.

Total Factoring Volume (EURm)

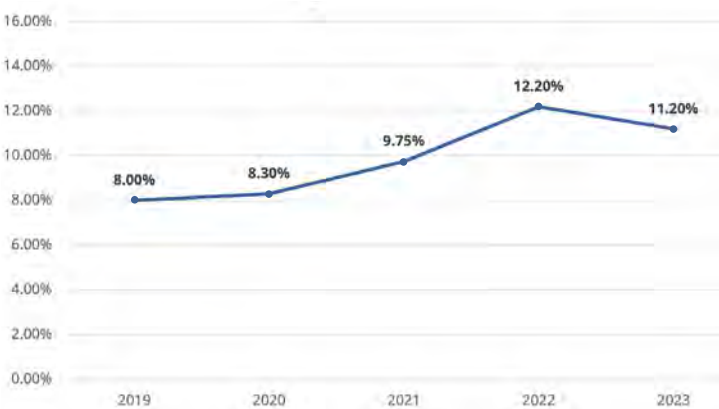


Greece

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

Factoring Penetration of GDP



Turning to the nation's exports, Greece's export sector has showcased resilience and adaptability in the face of economic challenges, contributing to the country's economic recovery efforts. While specific data tables, graphs, or pie charts could provide a comprehensive overview of export products and their destinations, it is noteworthy that Greece's largest export markets typically include countries within the European Union, such as Italy, Germany, and Bulgaria. Key export products encompass a diverse range of goods, including food and beverages, petroleum products, and pharmaceuticals, reflecting the country's strengths in various industries. These export dynamics not only influence the overall economic landscape but also have implications for the factoring industry, as exporters may utilise factoring services to optimise cash flow and mitigate risks associated with international trade. The factoring penetration rate in GDP (11.2 per cent) remains very close to the average EU penetration level and it is an obvious sign of the development of the product in the Greek market.

Market Performance and Supply

The factoring industry in Greece witnessed dynamic shifts and notable performance trends throughout 2023, suggesting continued momentum into 2024. Analysing industry turnover, measured by total factoring volume, alongside specific segments such as recourse and non-recourse domestic, international, and invoice discounting volumes, provides valuable insights into the sector's trajectory. Several factors contributed to the growth of Greece's factoring industry in 2023. Economic recovery efforts post-pandemic, coupled with ongoing liquidity challenges faced by businesses, drove increased demand for alternative financing solutions like factoring. Additionally, regulatory measures aimed at enhancing access to finance for SMEs further strengthening industry growth.

Looking ahead, sustained economic recovery, coupled with proactive government policies supporting small businesses, is anticipated to fuel continued growth in the factoring sector in 2024.

The composition of factoring clients in Greece varied across industries and business sizes. While SMEs constituted a significant portion of factoring clients, larger corporations also increasingly embraced factoring to optimise working capital management. Industries such as manufacturing, wholesale trade, and services remained prominent users of factoring services, reflecting the diverse needs of businesses across sectors. The average size of clients varied, with SMEs typically seeking factoring facilities tailored to their specific cash flow requirements, while larger corporations engaged in more extensive factoring arrangements to support their operations.

Factoring pricing structures in Greece typically entail a combination of factors, including the volume and value of invoices, the creditworthiness of clients, and the duration of the factoring agreement.

Fees may encompass discount charges, service fees, and interest rates, with variations based on the type of factoring (recourse or non-recourse) and the nature of the client's business. Transparent and competitive pricing remains crucial for factoring companies to attract and retain clients in a market characterised by evolving customer preferences and cost considerations.

The factoring industry in Greece is characterised by robust competition among players. Key factors

Greece

influencing the dynamics of competition include service quality, flexibility in financing solutions, and technological innovation. All factoring companies leverage their market expertise and personalised customer service to compete effectively. However, increasing globalisation and technological advancements have intensified competition, compelling factoring firms to differentiate themselves through value-added services and tailored financing solutions. Several major factoring companies operate in Greece, each contributing to the industry's vibrancy and growth. These companies command varying market shares, with performance influenced by factors such as service quality, financial stability, and innovation. Tracking the performance of major factoring companies provides insights into market trends and competitive dynamics, guiding stakeholders in strategic decision-making and resource allocation. Industry associations play a crucial role in promoting collaboration, advocating industry interests, and fostering best practices within the factoring sector. In Greece, associations such as the Hellenic Factors Association (HFA) serve as vital platforms for knowledge sharing, networking, and advocacy initiatives. By facilitating dialogue between stakeholders and providing industry insights, these associations contribute to the sustainability and growth of Greece's factoring industry, enhancing its competitiveness and resilience in a dynamic market environment.

In conclusion, Greece's factoring industry demonstrated resilience and adaptability amidst evolving economic conditions in 2023, with promising trends signalling continued growth and innovation in 2024. By addressing the diverse needs of clients, maintaining competitive pricing structures, and leveraging technological advancements, factoring companies are poised to capitalise on emerging opportunities and contribute to the country's economic recovery and development agenda. Last but not least, the increase in non-recourse factoring has been continued by reaching 50 per cent of the total turnover.

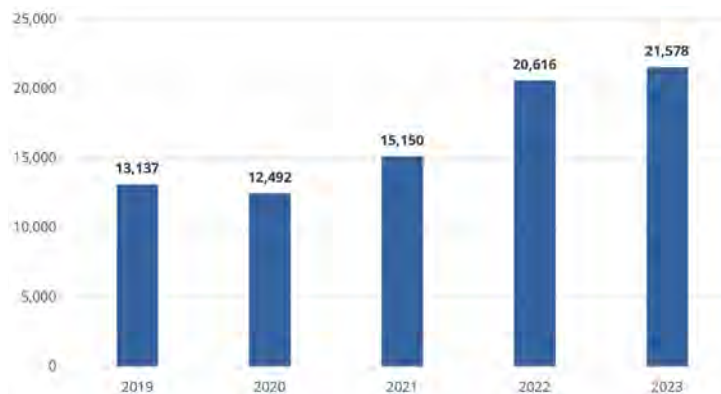
Future Trends

Several emerging trends are poised to shape the future of Greece's factoring industry, including:

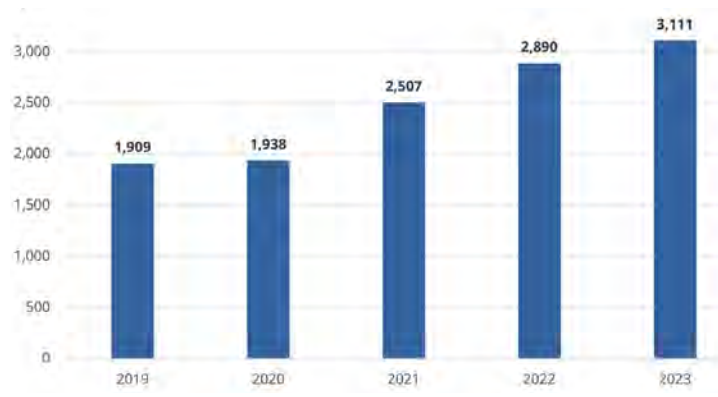
Sustainability initiatives

Increasing focus on environmental, social, and governance (ESG) criteria is driving demand

Domestic Factoring Volume (EURm)



International Factoring Volume (EURm)



for sustainable financing solutions, presenting opportunities for factoring companies to integrate ESG considerations into their business practices and product offerings.

Data analytics and risk management

Advances in data analytics and artificial intelligence (AI) are enabling factoring companies to enhance credit risk assessment, portfolio management, and decision-making processes, enhancing operational efficiency and risk mitigation strategies.

Cross-border trade and globalisation

Growing international trade flows and globalisation trends present opportunities for factoring companies to expand their presence in global markets, leveraging technology and partnerships to facilitate cross-border transactions and serve multinational clients.

Regulatory compliance and transparency

Heightened regulatory scrutiny and transparency requirements underscore the importance of robust

Greece

compliance frameworks and risk management practices for factoring companies, necessitating ongoing investments in governance, compliance, and regulatory reporting capabilities.

In summary, Greece's factoring industry is poised for transformative growth and innovation, driven

by technological advancements, evolving customer preferences, and regulatory developments. By embracing digital transformation, product innovation, and strategic partnerships, factoring companies can navigate market uncertainties and capitalise on emerging opportunities, contributing to the resilience and sustainability of the industry.

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), 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, indicatively, 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. The law does not provide for any restriction on the quantity of receivables assigned, meaning that an assignor may assign all his receivables against all his debtors, present and future.

The law on factoring, as well as the local law, expressly also 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 served 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 the assignment is served to the debtor.

As to the factoring activities, the factor may engage in the prepayment, accounting, collection, legal supervision and in 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 factor may also negotiate an extension or restructuring of the debt.