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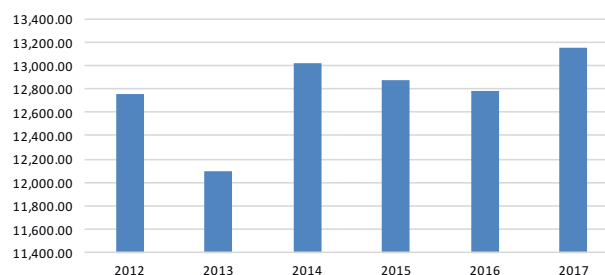
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Greece has almost succeeded in overcoming the underlying causes of its financial crisis. It is conceivable that a crisis could happen again, and if so the EU would again be involved. The EU's response to Greece's financial crisis when it first emerged was awkward and protracted. The EU needs to deal with its shortcomings by redesigning the map of its powers and competencies in a more elegant and coherent way. Technically this can be done. Political vision and will is all that is required.

After many years of economic uncertainty analysts are now saying that a series of milestones in Greece's economic performance are aiding a sustained return to financial normality. Growth rates have expanded while unemployment continues to drop. Primary surplus targets are also being met while the Greek government is pushing through key reforms within agreed deadlines. Moreover, the yield on Greece's benchmark 10-year bond was 3.9 per cent at the end of 2017, and efforts have been made to kick-start key investments that will further improve sentiment and trust in the economy. Such facts make one feel that Greece is now a success story especially as we look to the near future, and studying the latest figures for factoring suggests that there is light at the end of the tunnel.

Factoring volume increased slightly by 3 per cent in 2017 and broke the €13bn barrier for the first time since 2014.

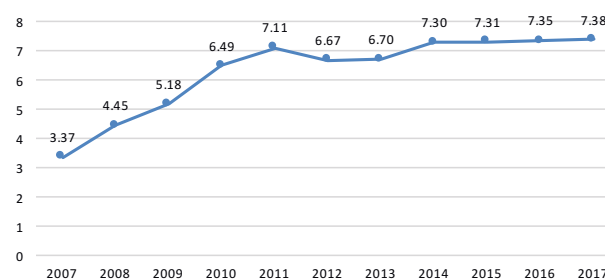
Total Factoring Volume (EUR Millions)



Factoring Industry Environment

Over the past few years, factoring has been a profit centre for the banking industry as the four major players (sharing 95 per cent of the market) are subsidiaries of the four clearing banks. It is clear that the strategy of all four financial groups is to support the use of factoring as an important and secure financial tool. Greece's factoring penetration as a percentage of GDP was 7.35 per cent in 2016 and it is estimated to have reached 7.38 per cent in 2017. Taking into consideration that this ratio was 3.37 per cent in 2007, it is obvious that there has been an improvement, but the country's ratio is still lower than the EU average of 10 per cent, which suggests that the ratio could be much more.

Factoring Penetration of GDP (%)



Progress in the implementation of Greece's financial adjustment program and in particular the completion of the third review have increased confidence and created more liquidity and economic activity. The economy is recovering, and this is reflected not only in the GDP figures, but also in several key indicators of economic activity. Improvements are also visible in the financial sector: bank deposits in the private sector have increased and credit to corporations has stabilised. Nevertheless, financial conditions remain tight and bank lending rates are high compared to other eurozone countries.

Comparing the Greek market with other European markets, there are two opposing forces driving the evolution of factoring: on the one hand, longer-term credit in trade transactions that

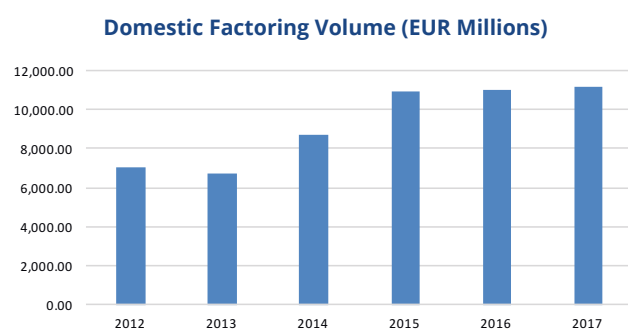
favours the use of factoring, while on the other hand, the use of post-dated cheques as a means of working capital financing. In addition to its contribution in providing liquidity, the reasons for factoring growth in Greece over the past few years can be summarised as follows:

- added value in receivables management
- economies of scale, particularly with regard to the buyer's interest
- use of financial and transactional behaviour criteria in assessing a buyer's creditworthiness
- constant receivables turnover and therefore a constant source of income for the factor
- solid security (receivables) for the lender which can be used as a repayment instrument.

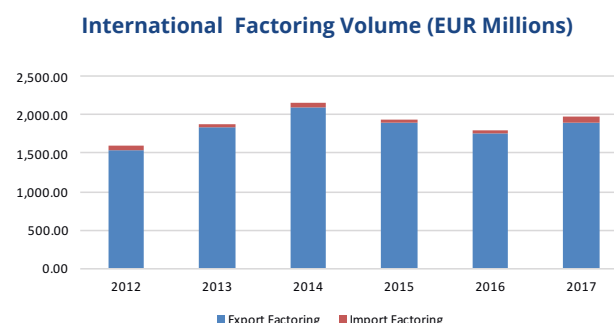
Market Performance and Supply

All the major factors in the Greek market are members of the Hellenic Factors Association (HFA) which is a member of the EU Federation. HFA is in very close cooperation with the tax and legal authorities for any matter that comes up such as IFRS 9, or an electronic platform for an out-of-court settlement. Not only for the above-mentioned reasons, but also for educational and promotional purposes, three committees have been set up by the association: Marketing, Educational and last but not least Technical. The majority of Greek factors are bank subsidiaries and the market leaders are Eurobank Factors, ABC Factors, Ethniki Factors and Piraeus Factoring which control approximately 95 per cent of the market. Non-performing loans remain the most important issue for the Greek banking system, but in the factoring sector the percentage is extremely low – less than 2 per cent.

Receivables transferred to factoring companies in 2017 reached €13.15bn against €12.78bn in 2016. Of this figure, €11.18bn came from domestic transactions while €1.97bn came from international factoring. For the past two years the Greek factoring market has been stable with very low volatility. In 2017, there was a small increase in total factoring turnover of 3 per cent with domestic factoring showing an increase of 2 per cent and international factoring a growth of 9 per cent.



Although domestic factoring is by far the largest and most established part of the market it is not the principal source of growth. Indeed as the chart shows it is hardly growing.



The share of international factoring in the Greek market - especially export factoring - is increasing each year. Many Greek companies are exporting increasingly more as they seek to expand their activities into markets with shorter credit periods and to diversify their debtor risk. Exporters use factoring services as a means to finance their business, but more importantly to mitigate credit risk.

| Factoring and Invoice Discounting – 2017 (EUR Millions) | |
|---|-----------|
| Total Turnover | 13,150.51 |
| Domestic | 11,176.83 |
| International | 1,973.68 |
| of which: import | 80.60 |
| of which: export | 1,893.08 |
| Recourse | 8,222.86 |
| Non-recourse | 4,927.65 |

Factors in Greece offer traditional factoring services such as domestic and export factoring, recourse and non-recourse, import factoring and collection services. Over the past few years there has been strong demand for reverse factoring from large companies that are interested in making their payment and cash management procedures as efficient as possible, while offering their suppliers the possibility of obtaining working capital on attractive terms. Factoring companies are able to reach a new segment of companies by providing finance under a reverse factoring structure. We have also noticed that with a reverse factoring agreement the factor is an important part of the supply chain finance operation, where the company can establish a closer cooperation with its clients and at the same time its suppliers can take finance without recourse. The pricing structure is quite traditional and consists of a commission fee for administration and collection of assigned invoices and buyer credit risk mitigation if applicable, with an interest fee charged for financing.

In the next few years fintech service providers are expected to set up in Greece, trying to earn market share from the “traditional” banking sector. Compared to the banks and their factoring services and clients, the new providers are targeting smaller companies needing single or intermittent financing. We need to recognise that it is still important for banks and factors to be aware of such developments and decide whether to extend their product lines to include simplified financing services or not.

In general, the trend in Greece is to simplify procedures using technology more. Clients wish to receive financing as quickly and conveniently as possible without having to present documents or to provide additional information repeatedly and also having to be asked for access to their accounts via platforms (e-factoring).

Future Trends

In the context of the Greek economic restructuring process we often hear that there is a need to strengthen exports so as to restore equilibrium to the trade balance. In this respect, factoring can offer, besides liquidity enhancement, further significant advantages such as assessment and coverage of buyers’ credit risk and effective collection through a well-established network of correspondents. It is also worth saying that Greek factors strongly support the two-factors-system especially as there are two Greek factors among the top 20 ranked export factors in FCI for the years 2010-2017, and at least one Greek factor within the top 10 for the years 2010-2017.

Last but not least, reverse factoring has grown significantly over the past two years and it could well grow further. There is always space for further improvement by using new technologies and for making the procedures better for clients and factors. It is a fact that the evolution of financial technology is accelerating, and even if the rate of change in some companies is already fast there are always opportunities for new development and adaptation to new challenges.

FACTORING PRODUCTS AND SERVICES IN GREECE

Domestic factoring - recourse and non-recourse

Export factoring - recourse and non-recourse

Import factoring

Reverse factoring

Invoice discounting

Collection-only services

Other public undertakings: 60 days



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Ethniki Factors, is a 100% subsidiary of National Bank of Greece (NBG), which was established in 1841 and was the first Bank of modern Greek state.

The NBG Group has been active in factoring business since 1994 and Ethniki Factors, founded in 2009, continues to offer a comprehensive variety of integrated factoring services in almost every sector of the Greek economy.

During last years Ethniki Factors concentrated on the assistance of Greek companies providing necessary liquidity to meet with their working capital needs and also grew significantly new products such Reverse Factoring and offered solutions on Supply Chain Finance.

As a full member of FCI since 2011, Ethniki Factors offers highly effective factoring solutions to Greek exporters, through experienced and specialized personnel accompanied with sophisticated and efficient IT systems.