50 Years FCI

• The International Factoring Report
• FCI – Turning the Wheels of International Trade
• Factoring Spreading Its Wings
• Factoring – Exploring New Horizons
• Facilitating Open Account – Receivables Finance

Annual Review 2018

FCI is the Global Representative Body for Factoring and Financing of Open Account Domestic and International Trade Receivables. For the past 50 years, FCI, with close to 400 member companies in approximately 90 countries, has been offering a unique network for cooperation in cross-border factoring.

FCI is building bridges:

- To global business opportunities
- To new markets
- To new partnerships
- To innovative products and services
- To know-how and leading expertise

Annual Review 2018

Content

50 Years FCI

Welcome

Çagatay Baydar, FCI Chairman

This year we celebrate the 50th anniversary of FCI. 50 years ago, six companies joined hands together in Stockholm, Sweden to launch the formal formation of the Chain. A lot has happened since, from 6 founding members until close to 400 members today, representing more than 90 countries.

Looking back at the first statistics on factoring from 1969, FCI reported factoring volumes of about USD 22,700 million while in 2017, FCI reported EUR 2,598 billion, with a growth of 9% over 2016. FCI members account for 60% of the global factoring volume. Europe showed a 7% increase, South America 12% increase, North America 3% decrease, Africa 6% growth, Asia 18% increase and the Middle East 7% increase.

During the last few years, FCI developed many new initiatives and was more and more present around the world, cooperating with governments, development banks, and national and international associations like the ICC and IFC. In the last 18 months we have organised several conferences with EBRD in Europe (Albania, Ukraine, Greece, Mongolia), with IFC in Asia (Vietnam, Cambodia, Indonesia), with Afreximbank in Africa (Senegal, Cameroon, Cape Verde), with the Inter-American Development Bank in Panama and we joined the Felaban conference in Miami. FCI was also present in the different parts of the world for promotion and regional conferences such as in the United Arab Emirates (Dubai), where we launched the project on International Islamic factoring; in India together with the Indian members for a promotion conference; in Panama, for a well-received workshop and in Japan for an SME focused promotion conference together with our Japanese members.

The advocacy efforts have been developed strongly over the last couple of month by developing greater outreach, thought leadership, and lobbying, including building closer ties to those organizations engaged in open account trade ie. credit insurance industry, forfeiting market, asset based lending, etc. Credit Insurance and Compliance are at the core of a many discussions of late. We recently attended the ICC annual meeting in Miami, where we participated in meetings about the G20/B20, SCF, Compliance and had discussions with the board and secretariat about the future of the Uniform Rules for International Factoring (URIF). We hope to revive talks with them and get back on track, to make the URIF a reality.

In 2017, 24 new members joined FCI and the first quarter 2018 shows a positive increase of demands to join the association.

Education has been and still is one of the core competencies of the chain and FCI is developing new courses to help to expand the knowledge of factoring in the world, including courses in multiple languages. The "Introduction to Factoring and Receivables Finance" online course will be ready in 2018. The education team also launched webinars and the new member welcome package that includes one free access to education.

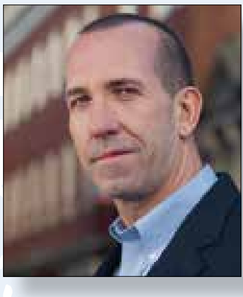
FCI has also launched the new FCIreverse service, a supply chain finance (SCF) and payables finance platform that will support our members' domestic and international reverse factoring business. The platform is in the testing phase now and is expected to be available to members by the end of 2018.

So many challenges were fulfilled this past year which we expect will help make the future of the Receivables Finance Industry that much more interesting.

1968 *Stockholm Conference, Sweden*

Stockholm Conference
Ruve Bennum, Shield Factors, U.K., first Chairman of FCI with the Chairman of Svenska Handelsbanken.

FCI & Factoring – Past, Present and Future



Peter Mulroy, FCI Secretary General

FCI celebrates its 50th anniversary this year, but looking back on those early pioneering days, a time when factoring was just recording its first receivables finance transactions, you can see how far we have come. Factors Chain, the predecessor to FCI was started in 1964 by primarily six institutions from Sweden, Norway, Denmark, Finland, UK, and the US less than 20 years after the end of WWII. In fact, domestic factoring was only available in North America and a select few European countries. The concept of cross-border factoring was still new and restricted by its lack of geographic reach and legal impediments. The period marked a time when the world was in real upheaval, with the assassination of President Kennedy, the building of the Berlin Wall and the rise of the cold war, the start of the war in Vietnam, social disintegration and armed struggle throughout the world, and the advancement of the civil rights movement. When FCI was formally founded in 1968 in Amsterdam, world merchandise exports totaled less than USD 500 billion annually and besides in the US, factoring volumes were essentially non-existent. However, 50 years later, world trade would reach nearly USD 20 trillion, and the factoring industry would generate record volume, over EUR 2.5 trillion, of which 22% would account for cross border factoring. During this critical period in the 1960s in Europe, the building blocks would be laid for the creation of a global Factoring Industry!

The first phase of FCI's development was all about creating the proper legal infrastructure and promotion of the industry. Recognizing the potential for international factoring, the founding FCI members realized an umbrella organization was needed, firstly to introduce factoring in countries where it was not yet available, but secondly to develop a framework for international factoring that would allow factoring companies in the country of the exporter and the importer to work closely together. Hence, FCI's mandate was to promote the development of factoring around the world, develop standardized factoring techniques and best practices for cross border business and help solve the legal, regulatory and technical issues arising in receivables purchase transactions. As a result of the many investments FCI and its members have made over the years, factoring grew from originally 15 members operating in 12 countries fifty years ago to nearly 400 members operating in more than 90 countries around the world, becoming one of the most sought after solutions of working capital financing today.

The second phase of growth for FCI started in the mid 1970s. Jeroen Kohnstamm had been hired as the Secretary General in 1972, and began to promote factoring, planting seeds around the world, including in East Asia, Latin America, Eastern Europe and the two largest and most populated markets, China and India. The volume during this period from 1972 to 1997 grew from less than EUR 10 billion to approximately EUR 600 billion by 1997, and FCI's membership would grow from 25 members to over 140 members operating in 40+ countries during this 25-year period. The organization developed the Code for International Factoring Customs and the FACT System, a pre-internet telex based messaging system to support the growth of cross border factoring between members. And FCI also began the development of a robust education platform, that would assist in educating thousands of students on factoring and receivables finance .

The third phase started with the Asian flu, a financial crisis that was centered in Southeast Asia but had spread to other parts of the region. Asia at the time only accounted for less than 3% of global factoring volumes. The start of the new millennium was also a significant turning point for FCI. The period of the late 1990s will be known as the beginning of the revolution on global open account trade and the rise of the emerging markets, led by a dominant China. By 1997, FCI had about 140 members, but by

1969 *FCI Annual Meeting – Schevenigen, Netherlands*

2017, FCI would increase to nearly 400 members. The Industry was generating approximately EUR 600 billion in volume. By 2017, the industry would generate over EUR 2.5 trillion in volume, a nearly 8% Compounded Annual Growth Rate (CAGR) increase during this 20-year period. The phenomenal rise in factoring was brought on by 1) the rapid expansion of business in Asia, led by China; 2) the significant growth in cross-border factoring (from less than 5% of total volume in 1997 to over 22% in 2017), and 3) the rapid expansion of factoring in Europe, driven by a transition in business from banks to mainly factoring subsidiaries of banks. This was in part due to the global recession in 2008-2009, which witnessed a shift to more safe and secure forms of financing, including the favorable capital treatment that BASEL afforded commercial banks investing in receivables finance and factoring services.

The fourth phase is the one we are in now. As a result of the fantastic growth of the industry over the past two decades, the seeds were sewn for the union between the two largest global factoring associations, International Factors Group (IFG) and FCI. Both councils approved the merger and on 1st January 2016, the two organizations became one, under the banner of FCI, but bringing in the DNA and best of both worlds, to form the largest non-profit association dedicated to the growth and interests of the open account receivables finance industry today. The combination allowed FCI strengthen the framework, increase the number of members, and add many new markets. But it especially allowed FCI to commit more resources to advocacy, by raising the awareness of the many benefits that factoring affords, especially from the perspective of regulators and policy makers, that the industry represents the safest and most secure means of financing trade today, with a very low historical default rate and an industry that caters to the financing of small to medium enterprises (SMEs). FCI's aim is to translate this reality into capital reduction benefits for the industry and to cut through the red tape that some regulations and their unintended consequences have on our industry. As a result of the union, FCI has more resources to help educate on the importance that factoring plays, especially during times of economic turbulence.

Why do financial institutions join FCI today? First, companies want to be a part of this incredible success story called factoring. Once a member, they can take advantage of the many services FCI provides, including participation in one or more of the following:

- Cross border seller-centric factoring platform called edifactoring.com
- Domestic/cross border buyer-centric reverse factoring platform called FCIReverse
- Global set of Rules called the General Rules of International Factoring (GRIF)
- Rules for the settlement of disputes between members called the Rules of Arbitration
- Education to support the healthy growth of our members
- Advocacy and Promotion to raise awareness of the benefits of factoring
- Networking of our members at events organized by FCI around the world

We want to inform those thinking of joining FCI that everyone who participates benefits. The network aspect of FCI is important, as it provides an economic means to generate business, but also supports their client's cross border needs by accessing a global network of nearly 400 members located in over 90 countries. FCI encourages our members to capitalize on the 50-years of learning and education that FCI possesses and to follow the lessons that our experience dictates to ensure a strong, prudent path to a healthy and long lasting business model.

1972 *FCI Export Factoring brochure*

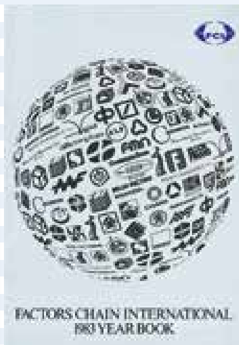
1973 *FCI Annual Meeting – Lausanne, Switzerland*

What about the next 50 years? There are many opportunities and challenges facing the industry today in part due to the rise in technological disruptions like Fintechs, which have the ability to seamlessly fund SMEs via an electronic format. Blockchain and distributed ledger technology have the opportunity to help speed up the flow of capital and enhance the speed and efficiency in trade finance. The trend of e-invoicing continues to gain steam. Today approximately 10% of all invoicing is done on an electronic basis. However, with the evolution in e-commerce increasing, and the deployment of government initiatives to require most businesses to operate in an e-commerce environment, especially for government procurement purposes, by issuing electronic invoices, we anticipate this will be a significant game changer for the industry. FCI members approved the launch of FCIreverse in 2017, a new buyer-centric, payables finance mechanism that will allow members to on-board both anchor buyers and their domestic and international suppliers, but they also approved the four corner model, which provided the use of export factors around the world to support the supplier on-boarding effort, by educating the supplier on the benefits of SCF, signing a local factoring contract with the supplier, proving KYC/AML guidance, and potentially financing the confirmed receivables. And although more regulations will certainly impact the factoring industry, FCI will need to ensure that the interests of our stakeholders are protected, by lobbying to convince regulators and others that factoring should be given the recognition it deserves as an asset class, with the objective of ultimately lowering the capital required by factoring companies to set aside against their exposures. FCI has been the undisputed leader in providing factoring data for decades and has a strong reputation for its quality. Obtaining loss data from factoring companies from around the world will be quite challenging, however we believe it is in the interest of our members and SMEs to do so. Hence, together with the support of our partners the ICC, WTO, BAFT, Berne Union, ICISA and others, we anticipate we will be able to achieve this objective in the near term.

2018 marks a major milestone in the rich history of this association, fifty years after that very first formal annual meeting in Stockholm, Sweden in November 1968. FCI has achieved incredible success and has had a significant hand in the expansion of receivables finance in the 90 markets we serve today. With the advent of globalization starting in earnest in the late 1990s, the push to offer open account terms on a global scale, the positive impact the financial crisis in 2008-2009 had on the Industry, the lower capital reserve requirements that factoring affords, and coupled with the union between the two largest chains, FCI and IFG in 2016, FCI is clearly the undisputed leader and voice for the factoring and receivables finance industry throughout the world today. The achievements of FCI are owed to so many, but it is the love of trade finance in general, and factoring and receivables finance in particular that binds and drives us all. FCI is the "voice of the invoice", supporting this unique open account environment and all of the unique aspects of financing against these intangible assets called receivables that makes our industry so unique and special! Hence, it is an honor that we celebrate these past 50 years with you this year. As Winston Churchill once quipped, "To improve is to change… but to be perfect is to change often"! I can only ensure the reader that FCI will continue to change and adapt as the industry changes over the decades to come.

1978 *FCI Annual Meeting – Helsinki, Finland*

1983 *FCI Year Book*



FCI Vision Statement & Mission Statement

FCI Vision Statement

FCI's Vision is to be the Global Association for the Open Account Receivables Finance Industry.

FCI Mission Statement

Receivables Finance is the core focus of the association and includes Factoring, Invoice Discounting and other Supply Chain Finance solutions.

FCI is the Global Voice for Open Account Receivables Finance:

- **FCI facilitates and promotes International Factoring through a Correspondent Factoring platform.**
- **FCI actively supports the growth of the Industry and works jointly with policy makers and stakeholders worldwide**
- **FCI promotes best Industry practices through education**
- **FCI publishes Information & Statistics about the Industry**
- **FCI endorses financial stability, the prevention of financial crime and respect for regulatory compliance and conduct**

1983 *FCI Secretariat, Amsterdam, The Netherlands*

1987 *Annual Review*

1988

From left to right:
Jeroen Kohnstamm,
Secretary General,
Andrea Luguer,
Chairman,
Ron Kissling,
Vice Chairman.

Roundtable:
Digitalisation of the Receivables Finance World

**It's probably true to say that the world of Factoring and Receivables Finance is developing and changing now at a faster rate than at any stage since its inception in modern times. This transition is being driven by the rapidly evolving digital environment in which our Industry – and our world -operates.
The opportunities and challenges that are arising from these fast-emerging technology-driven changes are affecting the Industry in ways that even ten years ago would have been beyond imagination.
The ubiquity of the internet, the rise of mobile technology, fintech and innovations like blockchain are all contributing to an avalanche of change.**

John Brehcist, FCI Advocacy Director (JB) has been speaking with a panel of Industry experts (who come from locations distributed all over the planet) and asking them to share their incisive views for the FCI Annual Review. Are our panellists seeing these technology-driven changes as evolution or revolution? Will they fundamentally alter our solutions, our interactions and our clients' experiences? What do they mean for FCI's members? Let's see what they all had to say…

JB: In which areas do you see fintech and digital solutions developing most rapidly in this coming year and why?

Dirk Van Strijthem, CEO, KBC Commercial Finance, Belgium (DVS):
In general terms, supporting interaction with banks and insurance companies (full digital end-to end offer including "after care", e.g. damage reporting on your house, car, etc). Fintechs will continue to focus on potential revenue pockets, unserved client segments from both credit and payment perspectives.

Gert Demmink, Partner, Philip.Sidney, Netherlands (GD):
I see significant developments in the area of trade finance with electronic bills of lading, L/C's, joint KYC utilities and transaction due diligence, including screening for dual-use goods in trade. I see this happening with our clients and some developments in the fintech arena.

Tom Fingleton, COO and SVP of Strategy Implementation, Commercial Services, CIT, USA (TF):
We will continue to see fintech companies partnering with financial institutions to access the capital they need to expand client adoption on their platforms. While banks have been the traditional sources in the past, we will see more non-bank financial entities leveraging these platforms as they chase higher yielding opportunities in the middle market.

Sun Jianbo, Deputy General Manager, China Construction Bank, China (SJ):
In recent years, new information technology such as "big data system", "risk management model", "cloud computing", "blockchain" etc., have been widely used in the field of consumer finance, insurance, assets management, inclusive finance and trade finance.
In China, fintech is developing rapidly in the area of consumer finance. Online credit products like "Ant check later" with Alibaba and "JD Baitiao" with JD offer customer the option to "buy now, pay later" based on analysis of history orders. These fintech products subverted the traditional process of apply-approve-lending-spending process by just offering credit line to customers, resulting in high efficiency and customer activity. There have seen many excellent companies entering the field of finance with their information technology, seizing market share by their efficiency and better risk control. Banks also started to respond by investing in acceleration of new technology and innovation application in order to protect their turf as well as occupy this new industry. In CCB, we launched the product of "Quick loan" based on our big data system and risk monitoring model; customers who have their salary account with us could get consumption loan through our mobile app in less than one minute.

Vijay Vashist, Managing Director – Global Transaction Services, DBS Bank, Singapore (VV):
I see rapid developments in the area of predictive data analytics delivered digitally, to facilitate credit underwriting and transactional risk management (Analytic Based Lending). The deployment of such solutions will directly benefit and tap on the under-served clients, i.e. the tail end of supply chain. Important to highlight that digital solutions will likely gain high traction within the banking and financial industry, in partnership or otherwise with fintech companies.

continued on page 8



From left to right:
Dirk Van Strijthem
Gert Demmink
Tom Fingleton

JB: So you all see development opportunities. In which case, can fintech/ digital solutions and traditional invoice finance approaches have a symbiotic relationship?

- **If so, where do you see co-operation being most beneficial?**
- **If not, how will the competition develop?**

DVS: It will have to be symbiotic by nature, as fintechs do not have a true disruptive capacity (meaning that they cannot replace the outstanding funding overnight). There is true potential in rebuilding the client journey of an invoice finance client, in order to be less invasive in the operational processes of the client, while safeguarding the self-liquidating operational risk aspects.

GD: Certainly! From both a Know Your Client (KYC) and a business transaction screening purpose, I would advocate that understanding the transaction and knowing the customer (seller), that this may lead to greater efficiency in automated screening advantageous solutions.

TF: There will certainly be many more years of disruption and growth for the fintech companies. However, their inability to access capital markets in an efficient manner will eventually force them to partner with the same entities they are competing against. The market will ultimately be segmented based on the service levels required by the clients, similar to the self-directed vs. full-service brokerage firm shakeout in the late 1990s.

SJ: Up to now these new technologies have been helping solve many problems in the process of traditional invoice finance, such as the authenticity review, fund flow monitoring as well as seeking new customers and exploring demand of customers. But I believe in the future these new technologies will lead invoice finance to a new stage. Traditional invoice finance might be replaced by innovated products which will be more convenient for traders. Sooner or later, electronic documents such as EB/L will be gradually accepted by trading parties and regulators.

VV: There will be synergy for traditional players like banks to partner with fintechs to provide a more holistic solution and reliable funding source. On the other hand, traditional players who are not well digitally invested themselves, will leverage on the digital/fintech solutions to streamline the client onboarding process and leverage on platform to provide funding to the client more efficiently with better visibility of the available funds and transaction status.

JB: On that basis, should innovative fintech and digital solutions be subject to the same regulatory and compliance regimes as traditional solutions?

DVS: When a fintech enters into the Invoice Finance market offering similar services than the traditional companies, there should be a level playing field in order to avoid a substantial reputational risk for the sector.

GD: No, they would 'merely' provide an automated 'angle' to compliance with already existing laws & regulations. When developing further (and proven technology), they might become subject to ameliorated regimes, because of the possibility of the regulator being part of the solution......

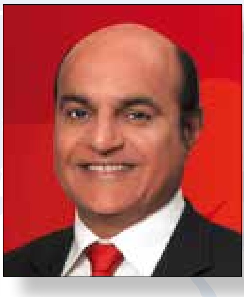
TF: Not if they are merely the platform on which transactions are conducted. In those cases, the regulatory focus should still be on the firms providing the dollars used to purchase assets or advance funds. I would venture to guess regulatory burdens would slow down the advancing fintech boom as

1993 *Annual Review*

1993 *FCI 25 Years*

Cutting the birthday cake.
Left:
Jeroen Kohnstamm,
Secretary General.
Right:
Nils Otto Nielsen, Chairman.

1993 *FCI 25th Annual Meeting – Hong Kong*


From left to right:
Sun Jianbo
Vijay Vashist
John Brehcist

many entrepreneurs would think twice about launching their companies.

SJ: Overall, what fintech provides is a financial service, so supervision and compliance is indeed necessary. Some requirements are the same as traditional solutions, such as anti-money laundering policies and foreign exchange policies, etc. Since fintech might change the structure of existing financial products and have different procedures, regulatory and compliance systems will certainly need to be adjusted, for example, more regulatory requirements should be made on information security.

VV: Arguably yes, when fintechs are viewed as separate from financial industry. A higher level of partnership between the two will create efficiencies in the entire process backed digitally. There should be a relook in the current compliance/regulatory requirement of the traditional solutions to be more forward looking which covers all the players and solutions, to provide a minimum threshold across the industries. This will enable a more robust and scalable growth for the business in the long run.

JB: so this all suggests regulatory issues need a more nuanced approach. I'd like to finish our discussion by asking you all which elements of the receivables financial industry do you think will most benefit from further digital innovation in the future?

DVS: Risk management as digital innovations will allow the industry to better monitor the underlying flows (from origination of the invoice to the payment). Moreover, the client will benefit from these optimised processes. And at the same time, digital innovations will most probably allow newcomers to enter the market...

TF: While still in its infancy, there is a strong potential for increased transparency throughout the supply chain using blockchain-based applications. This, along with better predictive analytics from artificial intelligence/machine learning, will help mitigate credit risk in the system.

SJ: Accounts receivable financing industry could benefit from digital innovation in these aspects: 1. New way to gain customer, the big data model would give an accurate profile of the customer`s demand, so as to target the potential customer with precision marketing; 2. Improved risk management, risk predicting and warning through risk monitoring model of big data, improve the effectiveness of customer risk analysis; 3, Preventing fraud, reduce the audit difficulty of the authenticity of trade background by using blockchain technology.

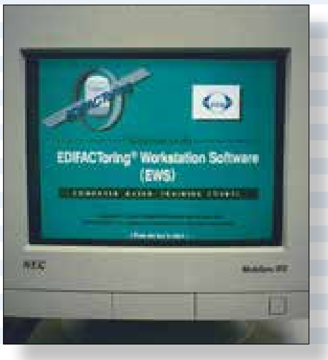
VV: Streamline the operational flow between providers and clients. Leverage on real time data for risk assessment and due diligence which is now a hassle to both providers and clients. Further, KYC on boarding, transport documents, financial instruments, etc also stand to benefit in terms of connecting digitally end to end trade. Blockchain and distributed ledger tech advancements may also help in fraud risk management but yet to be tested on a mass scale.

JB: Thank you all for these really great insights; it's clear that the coming year will bring continuing evolution in the use of digital solutions both within and in competition to the industry. What seems clear to me is the providers that will succeed in this new environment will be those that demonstrate flexible and agile responses, absorbing the differential benefits that the fintech and digital providers can create. More importantly, the ultimate winners of course will be the end users who, as a result of this progress, will have access to better, cheaper and faster services.

1993 *FCI 25th Annual Meeting – Hong Kong*

1993 *Executive Committee, Amsterdam, the Netherlands*

1993 *EDIFACToring®*



FCIreverse: We made it!

Josep Selles, FCI SCF Committee Chairman, Manager of Factoring & SCF, Gedesco

When writing this article, we are putting the final touches to the agreement between Demica and FCI but I have no doubt that it will be signed in the coming days, so when you'll read the article the agreement will be a reality. The first ever SCF Agreement between a global trading network and a major technology partner.

But I have mixed feelings.

On the one hand I'm very happy and proud for having reached the agreement. The job done by the members of the committee I have the honour to chair has been enormous.

But on the other hand, I was expecting to arrive to the Amsterdam Annual Meeting announcing that FCIreverse is fully operational, and this is not going to happen. We are close, but not yet ready so I ask you for a little bit more patience.

We have always had your support for the project and I'm sure that this support will continue. Even the ones voting against the project encouraged us, in order to try to convince them. However many of the companies against it are institutions that are already offering the product by their own means. They believe in the product, they are offering it, but the reason to be against it was due to the competition it would create in every market.

We started walking right after the annual meeting in Lima and it was then when we discovered that the job we had ahead was going to be more complicated and time consuming than expected.

Reasons? There are some, but one of particular importance was that nothing in the market regulating the relations between a technological supplier like Demica, and an association like FCI existed before.

We had to create all the wording from scratch and it took time, a lot of time. Not only the legal framework regulating the relations Demica/FCI, but also the documents that will link you, the members with Demica or FCI.

Our aim was to establish a service level agreement to avoid that you have to negotiate it individually. Needless to say that you'll be able to customize the product to your specific needs, but the base of the product, the base of FCIreverse, will be already defined.

Negotiations have been tough. Both parts were exploring and defining all the terms and conditions of the agreement and logically we did not always have the same vision in mind.

Now the job has ended and we both are satisfied with the result.

But this phase has finalized the structure of the product and what you want to know next is about the product itself, not about the interiorities.

The product has raised a lot of interest in the market.

One evidence is that, as you probably know, we worked to identify what we call "pilot members". We cannot go live without having tested that everything works and to do it we need the help of some of you ready to test the platform and check that everything goes reasonably well.

Late nineties *Claes Olof Livijn and Jeroen Kohnstamm*

1998 *FCI 30th Annual Meeting – San Diego, CA, USA*

2001 *Annual Review*

Much to our surprise, I must confess, we received 35 applications coming from 5 continents. 35 companies which are ready to start using the platform today, and it exceeded our expectations.

And we have also seen articles written by people not connected with us, greeting the initiative of the FCIreverse.

We have spoken in different Conferences explaining the project, receiving always positive feedback. So we believe that the product may succeed and we are enthusiastic with this scenario. Time will confirm if this is going to be a reality or not.

But the fact is that I cannot imagine the future of our industry without SCF.

On the one side, factoring is already mature in many markets having difficulties in continuing to grow at the pace of the previous decade. It will grow, for sure, but at a lower rate. The alternative for the factoring industry to grow is to open a second business line and SCF is the easiest one, the closest to what factoring is. The simplicity of the product, the profitability, the possibility of monitoring the risk; all make the product accessible for many.

On the other hand, we have the emerging markets, normally facing difficulties in developing factoring due to market constraints, culture of product, regulations, taxes, etc. For a factoring unit in one of these markets it is easy to build factoring through the SCF scheme. They can identify a solvent debtor/buyer and offer factoring to all the suppliers.

And last but not least, the universal need to facilitate financing to the SME, always the most affected by risk and market turmoil. In many countries banks are reluctant to work with this size of companies, mostly the small ones, and all of these companies are suppliers of someone. With FCIreverse these companies will have access to get financing against their invoices, against their sales, helping them in being economically viable.

So, either for the mature markets or for the emerging ones, the product is a solution and at the same time an opportunity. And FCIreverse will play a crucial role in the development of the product as it will eliminate the initial barriers, mainly economic ones, that the company must face.

With FCIreverse you can start working tomorrow, technically speaking. And you will be able to do it by using the best performing (to our criteria) platform in the market, without paying anything upfront, except for the use of the platform (pay as you go). If you use it, you'll pay for it, but if you use it, it means you will have business and, consequently, new income streams.

One of the characteristics of FCIreverse that makes it different from what exists today in the market is what we call the 4-corner model.

With it, you'll be able to on-board suppliers located anywhere in the world. This opportunity can only be achieved thanks to the unique network of members of FCI around the world. You will find a helping hand in a correspondent located in the supplier's country that will help you either in collecting information or in convincing the supplier to on-board, but also to share the business allowing the suppliers' financial institution to locally finance the supplier, based on the risk guaranty of the buyer's financial institution. Business for both.

Who can be eligible to use FCIreverse? All of you. The needs of the companies are the same irrespective of the country. Every country has its own specificities, for sure, but the need of financing is universal.

FCI will facilitate you to open this business line. I invite you to a seat at the table and seriously think in taking a step forward, to start offering SCF to your clients, in structuring your company and adapting it to the new products (no big changes will be required) and to start doing business. Don't be afraid. I can guarantee that you will not regret your decision.

We always use the same example, Spain, a country with more SCF volumes in the world and developing the product for more than 25 years.

But in Spain, the companies are not different from your own nor are we any wiser than you. Simply we saw this opportunity years ago, we believed in it and we succeeded. Why can't it happen for you, in your own country?

FCI celebrates its 50th anniversary by launching a second business line, FCIreverse, that will open a new world of opportunities for existing and prospective FCI members.

Let's celebrate both the anniversary and the launching of FCIreverse.

Islamic International Factoring

Yüce Uyanik, Member of the FCI Legal Committee

In accordance with latest research, there are more than 2 billion Muslims all around the world. As we see that the increase in population is rather higher in the Islamic countries, we can conclude that more than 30% of the world's population will be living in Islamic countries in the near future.

Starting from the 1980s especially after the establishment of the Islamic Development Bank in 1974, the Islamic type of financing emerged. With the standardization of Islamic financial instruments by the Accounting and Auditing Organisation for Islamic Financial Institutions (AAOIFI) after 1991, the number of Islamic financial companies increased. This increase has started to change the customers' preference between the secular and Islamic financial institutions. Therefore, many businessmen preferred to get financed in a more "Halal" way.

We should mention that Shari'a (also written as Shariah) rules derived and interpreted by the science of understanding and interpreting Sharia rules (Fiqh) from

- Verses in the Holy Koran,
- Prophet Muhammad (PBUH)'s behaviours (Sunnah) and his sayings (Hadiths),
- Qiyas (comparison),
- Ijtima (scholars' interpretation) and Ijma (consensus).

Islamic finance stands especially on the verse 2/275 of the Koran: "...That is because they say: "Trading is only like *'Riba'*," where as Allah has permitted trading and forbidden *'Riba'*...". Although there are some disagreements about what "riba" is and if it covers all kinds of interest or only the exceeding part of devaluation or only extremely high interest rate (3/130: "O you who have believed, do not consume usury, doubled and multiplied, but fear Allah that you may be successful..."), the general approach is that any kind of interest more than inflation is forbidden.

On the other hand, profit earned from forbidden trade is also prohibited. For example, forward trade of money, gold and some other precious metals is forbidden as it is considered as riba.

Therefore, in islamic finance there are the following restrictions:

- Interest (*riba*) is prohibited in all financial transactions
- *Gharar* (extreme uncertainty) is prohibited on the subject contract of the transactions
- Traded goods, services and activities must be halal and acceptable to Shari'a principals and unlawful (*haram*) earnings and expenditures are prohibited
- The obligations of trust (*amanah*) and covenants (*uqud*) must be adhered, while fraud of giving less than due in measure and weight and unjust enrichment are prohibited (good faith in contracting).

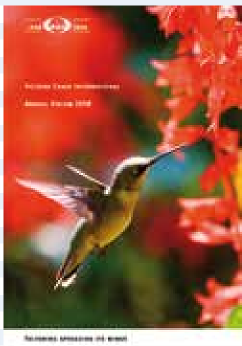
As a result, Islamic financial system generally accepts following financial products:

- *Musharakah* (Partnership – permanent / diminishing)
- *Mudarabah* (Capital & labour partnership)
- *Bay' Al Salam* (Forward sale – not permissible for money and gold etc.)
- *Bay' Al Dayn* (Sale of debt – permissible in Malaysia)
- *Istisna'a* (Manufacturing/ constructing agreement)
- *Ijarah* (Leasing – operational)
- *Ijarah Muntahia Bittamleek* (Financial Leasing)
- *Sukuk* (Product based financing papers)
- *Tawarruq* (selling in cash of the goods bought in deferred payment terms)
- *Murabahah* (Buying in cash and selling in term)

2005 *Annual Review*

2005 *FCI 37th Annual Meeting – Shanghai, China*

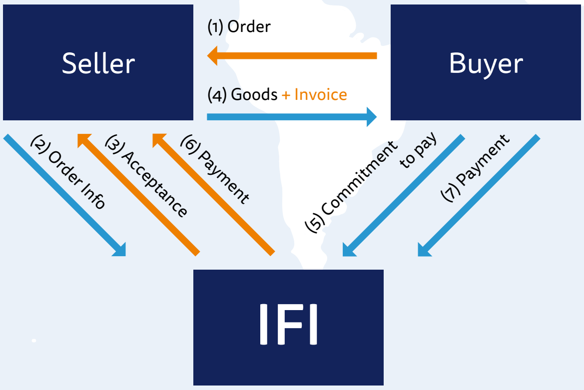
2008 *Annual Review*



2008

1968 FCI 2008
40 Years of International
Factoring Excellence

Figure 1: Mechanism of Murabahah



1) Buyer sends his order to the Seller
2) Seller informs the Islamic financial institution (IFI) of this order
3) IFI authorises the Seller to sell on his behalf
4) Seller sends the goods and invoices to the buyer
5) Buyer accepts to pay for the goods
6) IFI pays the value of the goods to the seller
7) Buyer pays to the IFI on the agreed due date

Factoring is known as money lending activity nowadays by most of the people. Is it really the case? The main difference between bankers and factors is that banks give a loan for whatever reason and get interest and secure their transaction by getting any kind of collaterals not necessarily related to the loan.

Factors, on the other hand buy the receivable arising from sale of goods or rendering of services and pay the purchase price of it in advance, if requested, against a rebate like banks credit card transactions.

To be able to see that we should look at its history and go back to Mesopotamia of 1750 A.D.

Trade at that time was done by merchants called *"Tamkarum"*. Tamkarum used to get money from the capital owner and buy the goods and sell them in Anatolia in term. He generally delivered the goods against a bill of exchange in the form of a tablet for the capital owner.

Tablet form bill of exchange

When he was back, Tamkarum could discount the tablet value to the capital owner as his share in capital and profit.

Later we see factors in Rome, North Italy (13th -14th centuries) and Northern Europe. Factors emerge in the UK, mainly in London between 17th and 19th centuries especially in coal, wool, corn trade. The mostly known of such factors are located in Blackwell Hall in London.

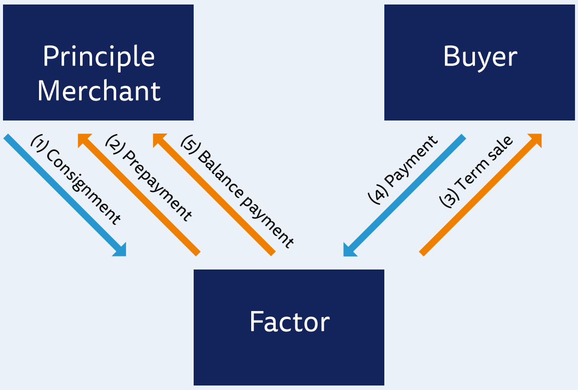
The wool coming from the producers in Northern England used to be consigned to these factors to be sold to London merchants and tailors. Therefore, factors had a function like so called *"broggers"* (brokers) at that time. They used to prepay the producers and pay the rest of the value after receiving the money from the buyers.

2008 *FCI 40th Annual Meeting – Kyoto, Japan*

Later, as the sellers had no direct contact with the buyers, the factors started to give a "delcredere" (protection against bad debts) service, and to pay the price of the goods before their due date against commissions.

We see such factors in the US as "commission merchants" and in other trade places as resident factors as sellers on behalf of the overseas producers against commissions.

Figure 2: Old style Factoring



1) **Consignment of the goods**
2) **Prepayment**
3) **Term sale to the buyer**
4) **Payment**
5) **Balance Payment to the principal merchant**

As it is understood, factors had always been intermediary merchants (middlemen), selling the principal merchant's goods generally under delcredere agreement and financing the principal merchant by buying the receivable.

In 1930s after the "Great Depression" the commission merchants started to be replaced by *"factors"* in the USA who have been buying the receivables of the sellers arising from sales of the goods and services in exchange of the purchase price of the receivable. This modern factoring transferred to Europe and all over the world by the establishment of factoring groups and chains. Now FCI is the largest of them.

"Factors" facilitate the trade and purchase the receivables with all the attached rights and become the owner of the receivable; therefore, with minor modifications, there was no reason to separate it from Shari'a compliant financial instruments.

FCI was approached last year by some Islamic financial institutions to expand their factoring transactions to international areas.

A working group has been established by the FCI Secretariat, members of the FCI Legal Committee and financial institutions to create an interface agreement which would enable the existing members of FCI to cooperate with Islamic financial institutions. The GRIF has been revised for this purpose, and signing the Supplemental Agreement for Islamic International Factoring will eliminate the deviations.

After the possible approval of this Supplemental Agreement by the FCI Council, FCI will be able to have new active members from countries where Shari'a Law is partly or fully applicable.

Without doubt, FCIreverse also will be fully Shari'a compliant with minor modifications in the agreements.

This will mean to FCI, a new "horizon" with new members, new suppliers, new debtors and new business.

2010 *Annual Review*

2010 *FCI Executive Committee in Italy*

2010 *FCI Secretariat*

2011 *FCI 43rd Annual Meeting – San Francisco, USA*

Strong Factoring Market in CEE

Simon Peterman, FCI CEE Chapter Chairman, CEE Factoring Coordination, Raiffeisen Austria

The 60 strong Central and East European (CEE) members of FCI coming from 14 different countries represent almost half of the FCI members in Europe. This is an important milestone especially as the first factoring companies in CEE started their operations only in the late 1980´s, with the first members from Czech Republic joining FCI in 1988 and the first members from Turkey joining in 1991. At this point factoring companies in the CEE were merely following in the steps of the first foreign banks entering the region and factoring did not develop into an important financial product for the next ten years.

The turn of the century saw a new era in the CEE factoring industry with a large increase in FCI memberships and business volumes, mostly due to expending internationalization of trade and ever growing domestic demand. But the financial crises heavily affected also the banking sector in CEE, as major EU banks, with factoring companies in the region, restructured their activities by pulling out or decapitalizing their CEE operations to stabilize their activities in domestic markets. With the normalization of financial markets after the crises we have seen constant growth of FCI memberships, predominantly due to growing appetite for international business.

But it must be stressed that CEE is not one, monolithic region. Looking at it closer it is divided into three quite distinctive sub-regions with Central European (CE) countries very much part of the European Union, South East European (SEE) countries consisting of the countries in the Balkan Peninsula adjoined with Turkey and ex-Soviet countries represented in the sub-region of Commonwealth of Independent States (CIS). This division is predominantly geographical, but it is also historically and economically grounded and shows certain differences in levels of development of factoring industry which reflects in diverse interests for FCI membership. On the one hand there are countries that are very strongly involved in the international trade flows who find their main interest in supporting and financing the trade through the two-factor business. On the other hand, less internationally open markets find their interest in education, know-how sharing and networking that FCI offers to its members.

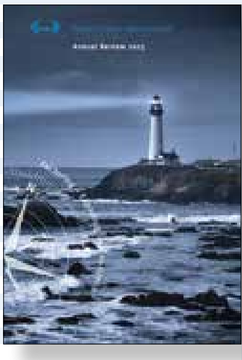
Regardless of the regional division and interests there are several important countries when looking at FCI members and consequently in volumes of factoring achieved. Turkey is the most important two-factor country for FCI in the region and its members are regularly winners of Best Export Factor award of FCI. Turkey also has the largest number of members in the region (17). Poland with seven and Russia with six members are also the strongest CEE countries in factoring volumes but Romania does have the advantage over both with FCI memberships as it has ten members in FCI.

In volume numbers, Poland has been in the forefront of business growth in the past three years with over EUR 44 billion of receivables purchased in 2017 to become one of the most competitive factoring markets globally. Turkey and Russia have been the other two centers of high volumes persistently achieving over EUR 30 billion for the past seven years but swinging in volumes mainly due to exchange rate fluctuation. Russia on the other hand has significantly dropped in two-factor business volumes in recent years due to sanctions and an economic downturn, but has continually developed its domestic volumes and technologically advanced its industry. Other CEE countries have also seen growth patterns in business volumes regularly in the double digits over the past years where Czech Republic, Romania and even Bulgaria are maturing quickly.

With GDP penetration levels lagging behind EU average, many international banks and clients in the CEE countries just starting to discover the benefits of factoring and with the prediction of a prolonged growth cycle well into 2020 the CEE members of FCI have the potential to overgrow their western colleagues in numbers and in some cases even in business volumes in the years to come.

2011 *Spitzingsee Seminar, Germany*

2013 *Annual Review*



EU: Good Results and New Challenges

Françoise Palle Guillabert, Chair EUF

2017 figures for EU Factoring

Data collected by the EU Federation for 2017 shows that factoring is developing much faster than the EU economy. This performance confirms the growing popularity of this form of funding. Factoring turnover in 2017 for EU countries exceeded EUR 1.6 trillion, with a year on year increase of 7.5%. Factoring volume has increased for a 9th year in a row, confirming its role as a key financial resource supporting companies 'growth: today factoring is clearly identified as a secure short-term financing product committed to the real economy and employment in Europe. The dominant type of factoring was domestic, representing 78% of total turnover. The total number of active clients in 2017 was 201,520 (a slight increase of 1%).

The high level of concentration shown by the EU factoring market remains unchanged, with the top five countries in 2017 representing 76 % of the total EU market: United Kingdom (21%), France (18%), Germany (14%), Italy (14%) and Spain (9%).

Thanks to these good results the European Factoring and Commercial Finance market represents 2/3 of the world market.

The challenge for EU Factoring: transforming disruptions into opportunities

For the year to come, Factoring and Commercial Finance industry will have to deal with major prudential and legal issues as well as changes in their external environment.

On the prudential side, the industry will have to engage with European decision makers in the coming months on significant topics such as NSFR, Anacredit, NPL, Basel III, Rome 1, SMEs definition... CRR is under permanent review and currently we seek to make sure that factoring is explicitly mentioned, beside Trade finance, in the adaptations of the NSFR duly included by the European Commission in its CRR revision proposal.

Anacredit, the European Central Bank database, is another main challenge for those factors under the status of credit institution with new heavy reporting constraints. On their side, financial institutions are not currently in the scope but seem to be threatened to be included later on.

Another issue is more and more underlined by European authorities: among the industry actors, prudential framework is not evenly applied, depending on status, jurisdiction, size.... It is to expect that EUF will also have to participate to this emerging debate.

In larger economic and political perspectives, the environment of the Factoring and Commercial Finance industry is currently impacted by significant disruptions: digitization with the emergence of new client relationships, new processes, new players... Increasing awareness of corporate and social responsibility, the evolution of international trade, and more accurately Brexit that challenges the European governance framework.

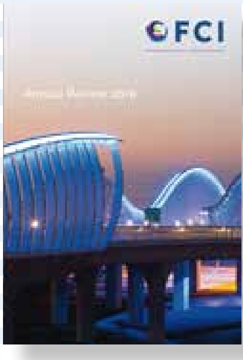
But what does finally appear is that changes are necessary to move forward!

Disruptions can be transformed into opportunities: renewed offers, enhanced risk awareness, set-up of a new factoring model. And constraints can be overcome: a European status for factoring companies could lead to lower solvency requirements and comfort the recognition of short term specificity and credit insurance.

2013 *FCI 45th Annual Meeting – Athens, Greece*

2014 *Annual Review*

2016 *Annual Review*



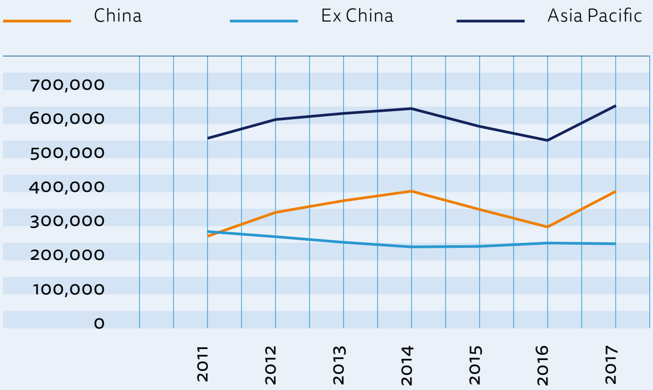
Asia is back – 2017 turning point for Asia

Lee Kheng Leong, FCI Asia Chapter Director

After falling for two years since 2015, Asia Pacific factoring made a dramatic come back with a growth of 18% from EUR 555.55 billion in 2016 to EUR 657.18 billion in 2017. This recovery was brought about primarily by a spectacular turnaround in the factoring volume from China which went up by 34% to EUR 405.53 billion and increased in other major markets: Hong Kong +10%, Singapore +9% and Taiwan +5%. Australia, however, remained stable. Good growth was seen in the other markets, India +10%, Malaysia +8%, Thailand +6% and Vietnam +6%.

As a result, the Asia Pacific 2017 world market share increased marginally from 23.38% in 2016 to 25.29 % in 2017 . This was however still lower than its peak of 28% in 2012.

Comparison of Asia Pacific Volume in millions of Euros



Asia Pacific volume continued to rise since 2011 to reach its peak in 2014 and started to decline unabated from 2015 to 2016. Whilst the Chinese factoring volume trend mirrors that of the total Asia Pacific trend, the Asia Pacific ex China exhibited a different trend. In fact, it showed a reverse trend since 2015 to grow progressively albeit slowly. It is interesting to note that the combined volume of ex China countries is getting closer to the Chinese volume in 2016. This was due primarily to the steady growth of the factoring volume in Hong Kong, Taiwan, Singapore and Australia as well as the growth of the new markets in Asia. However, with the huge growth in China factoring volume in 2017, the gap has grown substantially wider again.

The dragon has awakened

The China volume in 2017 of EUR 405.55 billion was EUR 0.55 billion shy of its peak of EUR 406.1 in 2014. This increase was made possible by the contribution from the commercial factors. Up till 2016 the China factoring volume came primarily from the bank factors (commercial factoring volume may not be reported) . However, in 2017 about one third of the factoring volume was contributed by the commercial factors. This trend is likely to continue. There are now more than 8,000 commercial factors in China of which less than 50% are active. Besides they also have grown from strength to strength .

Although commercial factors will be regulated by China Banking and Insurance Regulatory Commission (CBIRC), their sheer number will increase the factoring volume in China. Whilst the banks will continue to provide factoring to large corporates, the commercial factors will fill the gap by providing factoring services to MSME. Currently, the commercial factors are unable to do international factoring . This can be overcome through cooperation with the banks to mitigate this technical problem. Realizing the importance of commercial factors, FCI continued to play an important role in this market. FCI has participated in all the China Factoring Expert Committee (CFEC) summits, commercial factoring associations conferences and the one-belt-one-road international factoring summit. In addition, FCI will sign an MOU with the China Banking Association to promote factoring education in China. Furthermore, a more regulated environment may create a safer and more conducive environment for factoring and may pave the way for the continued growth.

A new wave from the other Asia Pacific countries as well

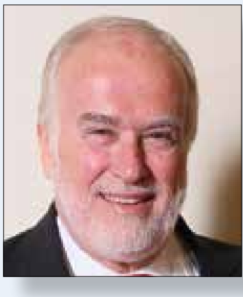
Other Asia Pacific countries will continue to grow as well, such as India, Malaysia, Indonesia, Philippines, Thailand, Cambodia, Laos, Vietnam, Bangladesh, Sri Lanka, Mongolia, Kazakhstan and Myanmar. Factoring laws in these countries are likely to become more favorable for factoring as IFC has been helping them to introduce the secured law on movable property which includes accounts receivables. To help them, FCI has been working with IFC to conduct workshops and seminars on factoring in countries such as in Cambodia, Myanmar, Laos, Vietnam, Mongolia, and Bangladesh. FCI has also been supporting this region through export promotion conferences.

Hence, with good laws on factoring as well as knowledge acquired through training by FCI, these emerging countries will have a very good foundation to grow into both domestic and international factoring.

We have also not forgotten the matured Asia Pacific markets. Together with our Japanese members we conducted the first joint conference in Tokyo entitled: "New Export Nation Japan by FCI export factoring" in Oct 2017. The success of this conference has prompted another one in Osaka in May 2018.

Barring unforeseen cirumstances, Asia Pacific volume will continue to grow with contribution not only from China but from other Asia Pacific countries as well.

Optimistic Future in Latin America and Caribbean Region



Alberto Wyderka, FCI Latin America Chapter Director

SME finance has started to become a priority focus on the policy agenda in most Latin American and Caribbean countries, and many Governments as well as Financial Institutions are trying to find different sources of financing other than traditional lending, to ease the burden that these companies have to bear in order to grow in their business.

SMEs are the wheel of the economy in most of Latin American and Caribbean countries and policy makers are increasingly designing complementary policies to support access to a wider range of finance instruments, especially those that are linked to their assets or account receivables. Factoring laws helped in making the account receivable financing in Chile, Colombia, México, Perú and recently in Guatemala more secure. Also, governments have developed the legal framework for the use of electronic invoices, as in the earlier mentioned countries and Argentina, and others are following the same path. Certainly, the main objective for these actions is a more efficient tax collection, but also the provision of a more efficient domestic factoring tool and reducing frauds. Such environment is contributing to the creation of platforms for the provision and administration of the service.

Young and innovative SMEs generally have high financing needs, especially those that decide to tackle international markets and take their product abroad, but they have financials that do not support traditional lending or have limited credit history. A great challenge for Latin American and Caribbean banks and financial institutions has been to find a solution to support their clients, provide necessary financing and at the same time mitigate their lending risk. Luckily, FCI with International and Reverse Factoring have proven to be the right tool in the right place.

More and more, those financial institutions are prone to include within their financial offer to SMEs the use of Cross Border Factoring which has been helping in building trust between SMEs and banks in terms of assessing credit worthiness and as a leading way to provide a new alternative of risk mitigation and financing when having to support the international business developed by SMEs. Those Latin American and Caribbean financial institutions that are seriously analyzing International and Reverse Factoring as a means to "finance the gap for SMEs", feel really comfortable with the results attained. Undoubtedly, FCI is contributing to the process with education, promotion, platforms and advocacy.

The business environment and challenges that face small businesses are complex. However, I would like to highlight that Cross Border factoring by means of the two-factor system supported by FCI is being seen as an attractive substitute in lieu of more traditional bank /credit financing.

As Latin America and Caribbean Chapter Director, during the last year I have visited 25 countries, met current FCI members as well as over one hundred prospects and facilitated new members in their start-up process, trained their sales forces and operations teams, and briefed them on several other fields. It has also been a year of deep spreading of the knowledge of FCI and especially of International and Reverse Factoring as key means of access to finance SMEs. I had also the chance to participate in promotion conferences organized by some of our members, targeted at generating awareness of the existence of international factoring as a key tool among those SMEs that wish to open up to international trade. The FELABAN (Federación Latinoamericana de Bancos) Annual Assembly was also an event to meet and discuss at first hand with prospects promoting the open account financial industry.

Looking ahead

There is still a long way to go, but the results attained so far are cause for real optimism.

With the exception of very few countries, a proper registration of factored invoices still remains as a field to be structured.

Reverse factoring is growing at high speed. Some big national banks are already offering it, but in general it is on a development stage. FCI reverse, both the three- corner and the four- corner model appears as a highly expected solution.

Latin American and the Caribbean is a highly promising region, and year by year there is more awareness on FCI and on its solution offer. More financial institutions from this region are in the process of joining our network and hope that many others will follow the steps taken by their peers soon.

Confident Evolutions in Africa

Kanayo Awani, FCI Africa Chapter Chair, Managing Director, Intra-African Trade Initiative, African Export-Import Bank

In 2017, Factoring volumes in Africa grew by 9% (EUR 22.3 billion) outperforming the global average growth of 4%. Africa's share, however, remained very low, representing 1% of global figures. Morocco (+25%) and South Africa (+9%) accounted for Africa's factoring growth in the face of declining volumes elsewhere. Other countries which featured in the official statistics and consistent with prior years were Egypt, Tunisia, Kenya and Mauritius.

Developments in the Regions

The factoring environment in Africa witnessed new and diverse developments during the year.

West Africa - Factoring gained strong momentum in **Nigeria**. Crucially, the Nigerian Factoring Working Group (NFWG) worked actively on advocacy especially the enactment of a factoring law. For example, in November 2017, Afreximbank, NEXIM and FCI held sensitization sessions with the Banking Committees of the Senate and House of Representatives as well as the Central Bank of Nigeria in pursuit of facilitative legal and regulatory environment in Nigeria. Furthermore, a new factoring company (Factoring and Supply Chain Finance Limited) obtained regulatory approvals, commenced factoring and joined FCI in 2017. Two others are currently under establishment. In **Senegal**, five companies carried out factoring activities and two of them were subsidiaries of French banks. The others which were largely involved in invoice discounting, were independent factoring companies. Domestic factoring (with recourse) accounted for the lion's share of all the factoring transactions recorded in 2017 (estimated to be about 50 Million Euros).

In **Central Africa, Cameroon** saw new independent companies emerge as well as subsidiaries of banking groups including Ecobank and BGFI. A Government owned financial institution focused on SMEs, commenced factoring in Congo.

East Africa – **Kenya** witnessed a slow-down in factoring activities in 2017 as macro – economic activities slowed due to the general elections. Mauritius also experienced a 19% decline in 2017 reflecting the persisting excess liquidity in the country. Domestic factoring accounted for 97% of total factoring shared equally between recourse and non-recourse transactions. SBM Factors started factoring activities in November 2017 becoming the fourth Factor in the country. There are indications that one new factor will join in 2018.

In **North Africa**, a new factoring and leasing law was launched in Egypt in 2017 although yet to be ratified in Parliament and this development had been influenced and supported by active awareness campaigns by the Egyptian Factoring Association (EFA), Afreximbank and FCI Africa Chapter. Eight institutions were engaged in factoring activities as of December 2017. Factoring volumes showed a decline but only due to exchange rate/devaluation of local currency. Notably, 88% of factoring in 2017 was domestic. Four banks are considering introducing factoring products in 2018. For Tunisia, domestic factoring also represented 95% of overall volumes. The main industries served were: food and beverages, telecom, agriculture, home appliances and white goods. There were no new entrants and five companies offered factoring products in the country. Morocco was also dominated by domestic factoring however Moroccan banking groups are expanding factoring through their subsidiaries in West and Central Africa as they look to take advantage of increasing intra-African trade between Morocco and the rest of Africa.

Southern Africa - **South Africa** remained dominant and accounted for 80% of Africa's factoring turnover most of which was also domestic. In **Botswana**, factoring companies continued to focus on domestic business, largely around the government's local content procurement initiatives.

In conclusion, Afreximbank working with FCI, continued to lead factoring development in Africa especially activities aimed at raising awareness, education, capacity building as well as advocacy and financing. There is still ample work ahead especially considering emerging opportunities in intra-African trade but we remain committed.

References:
Factoring Companies:
- Unifactor (Tunisia),
- QNB Al Ahli Factoring,
- Export Credit Guarantee of Egypt (Egypt),
- MCB Factors (Mauritius),
- Umati Capital (Kenya)).

Global Economic Prospects

John Brehcist, FCI Advocacy Director, takes a look at the future for the global economy

In last year's FCI Annual Review I shared with you my usual concern about the challenge and validity of trying to forecast economic futures with there being – as always – so many unpredictable influences on what might happen. The impact of the new presidency in the USA was bringing particular concerns around protectionism, continuing strife in Syria and the Middle East potentially acting as a source of proxy conflict for the major powers, disruption in Europe with continuing uncertainty around Brexit, uncertainty over the durability of growth in China and the implementation of its one belt one road approach. So many variables create a volatile environment for any forecaster to consider.

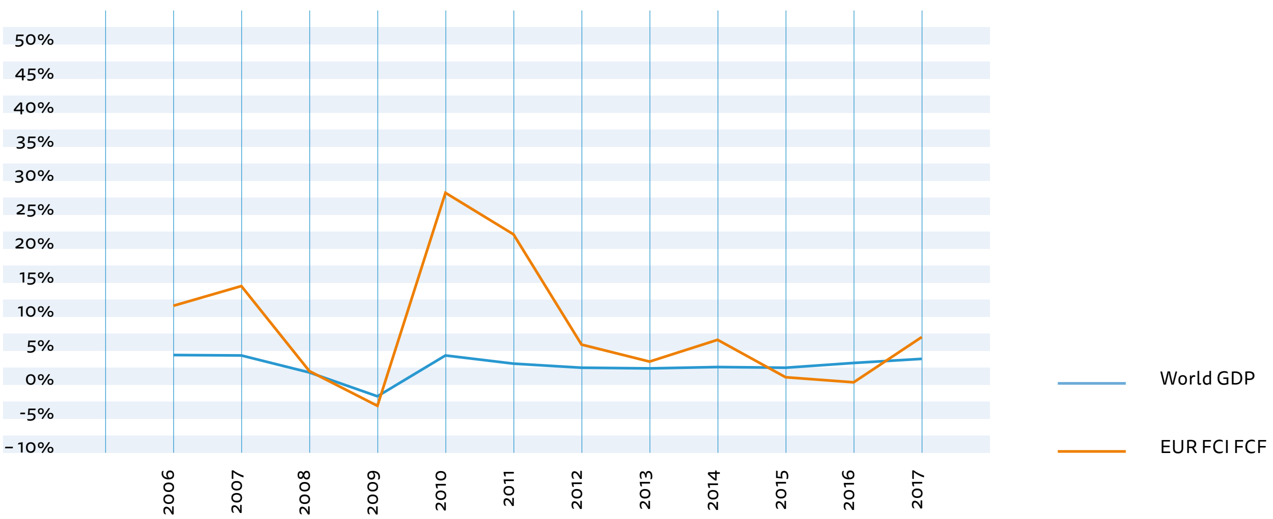
It's clearly the case that these influences continued to play out over the year; and for sure they provided a great deal of uncertainty into the equation. But all that said, without doubt the overall position looks to have been significantly more positive than that which the consensus forecasts from almost all the major sources would have predicted. Last year my review of professional expectations indicated anticipated developed market growth would be in the range 1.8% - 2.0%. In the event, initial analysis from both the IMF and the World Bank indicates that 2.3% was actually achieved. Similarly, for emerging markets, consensus values were in the range 4.3% -4.5%; with average actual reported at 4.55%.

So what led to this better than originally expected performance?

The general perception is that the global economy is now overall experiencing a cyclical recovery, which is being driven by an upturn in investment, leading to productivity improvement, greater manufacturing volumes, and improving trade. With relatively benign global financing conditions where access to (relatively cheaper) capital is generally improved, and apparent firming of previously weak commodity prices has led to greater confidence and improved sentiment across both developed and emerging markets. It's certainly been a much more positive picture than was painted by the World Bank in 2016 who complained of *"Stalling global trade, weak investment, and heightened policy uncertainty."* leading to reduced expectations.

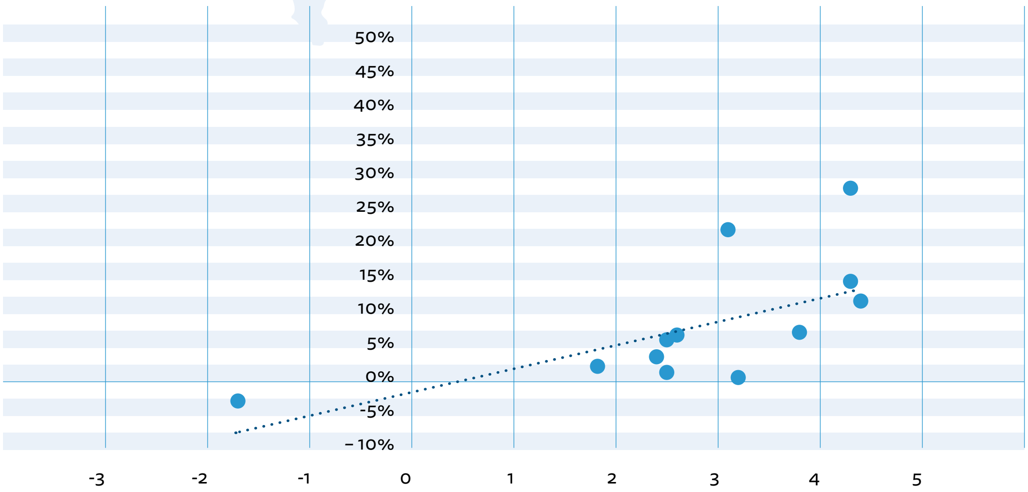
Readers of the Annual Review will be familiar with my argument that Factoring and Receivables Finance are closely positively correlated with general economic growth, with a high beta coefficient, that is when the economy grows, factoring grows rapidly, when it slows, our volumes will fall. I've taken this year's global figures and I think you can see that the argument still looks valid. (In fact, the correlation is even higher if we take the EU 28 as the subject; there is less extraneous "noise" to mask the relationship!)

Global GDP growth % vs Factoring growth %



We can do a little analysis to see what the relationship between the two variables might be using the "line of best fit". This next graph takes each year's pair of GDP (x- axis) and Factoring growth (y-axis) figures and maps them all.

GDP growth % vs Factoring growth %



What these two graphs imply is the relationship between GDP growth and Factoring growth is positive and strong (if there was no relationship, the dots would be completely randomly spread over the whole second graph rather than bunched); in fact, the relevant correlation coefficient is around 0.6 (0.0 means no relationship, anything above 0.5 is considered a strong relationship, and 1.0 is a perfect linear relationship). And, broadly speaking, the line of best fit (the blue dotted line) suggests that for every 1% increase in GDP, we can expect an increase of approximately 3.5% in factoring (and vice versa; if the economy goes down, so overall will factoring).

But perhaps we should rephrase this relationship; ought we not state it the other way around? Thinking about it, factoring is short term self-liquidating working capital support for business. If it is growing, then trade is developing, and the economy will be growing too. In this context, factoring can be seen as a forecasting element for the performance of the whole economy.

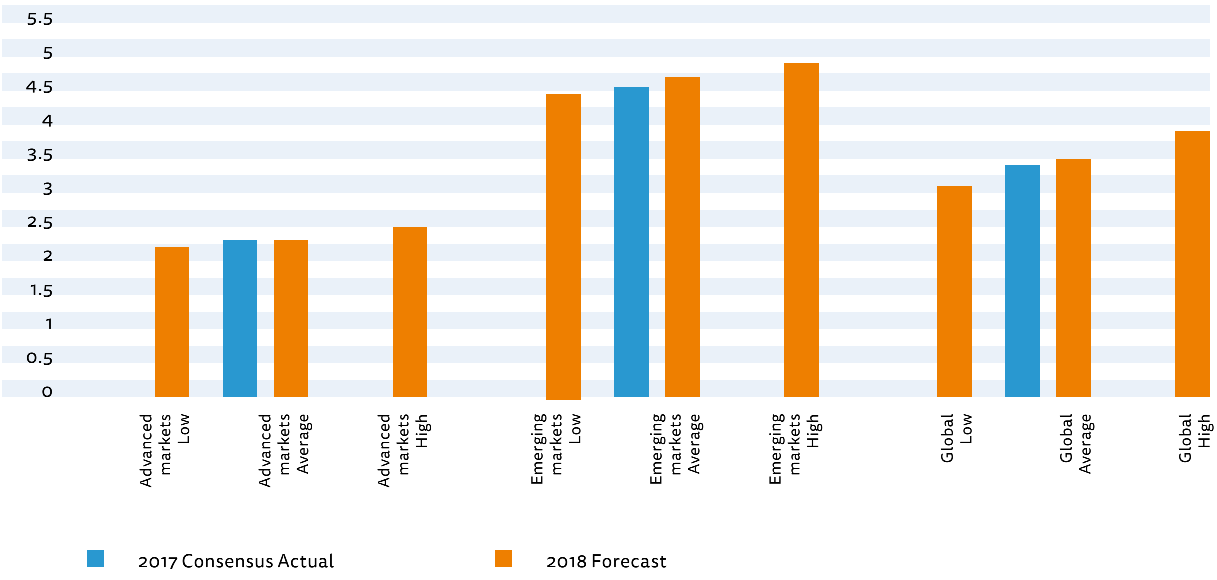
Of course this is a relationship that can be masked by other economic, structural, legal and regulatory factors and on a country level, these other influences may either work in tandem to create more growth, or antagonistically to reduce it; but for continental and global level analysis the relationship is now proving to be quite strong on a year by year basis.

Coming back to the economic forecast, the differential rates of growth evident between the advanced and the developing economies reported over recent years looks set to continue. Taking a look at the expert published opinions for the prospects in 2018 indicate that the prevalent view is there will be continued significant disparity with emerging markets again strongly outperforming the advanced. The current confidence that both sectors overall will continue to grow appears to be pretty much a given.

continued on page 22

From my own analysis of a selection of these published forecasts, I would propose the following ranges of expectation:

Actual 2017 vs Expected 2018 GDP % Growth rate predictions



So let's bring this to a conclusion; using the argument made above about the positive correlation relationship between GDP with Factoring, significant percentage growth in our Industry is on average more likely to be associated with the emerging economies with their proportionately higher growth than advanced economies.

However, as I have commented on before, such growth in our Industry is not automatic and cannot be assumed; to flourish it requires a globally based stable network which has awareness, understanding, supportive legal and regulatory environments, and an informed, educated infrastructure. Such criteria are not always present in the developed economies, let alone the emergent.

We have shown again that factoring growth and GDP growth are closely linked, and this relationship continues to provide both the challenge and opportunity for FCI. As a membership organisation we need to continue to build our capability to help develop the opportunity for growth. As I've said it before and don't apologise for repeating; the FCI pillar roles of Connect, Educate and Influence are integrally connected with achieving growth in economy, wealth, employment and wellbeing.

Global Industry Activity Report for 2017

John Brehcist, FCI Advocacy Director

The FCI Global Industry Annual Report GIAR for 2017 has again built upon the knowledge base created through a programme that was initially set up in back in 2009; this year, as last, we have started with the annual effort undertaken earlier in the year to collect data on country turnovers, and the GIAR project organically builds on this work with a much wider set of data, providing us a unique opportunity to look at the development of the Industry through time.

It provides a unique analysis of our Industry; as well as investigating the quantitative and numeric aspects of the global business, in this project we also consider a wide range of the qualitative elements which give the opportunity to assess the general sentiments and opinions of its key participants.

Quantitative Analysis

To keep the approach consistent, let's follow the pattern of last year's review and first look at some of the numeric information and consider the deductions we can make from this wide-ranging set of data.

At the time of writing this analysis, data collection is still not completely finalised but nonetheless we do have information that relates to around 80% of the global volume of the factoring and invoice finance industry. Using statistical techniques and the learning from previous iterations of the programme we can draw some reasonable and reliable conclusions, recognising that the absolute values in some categories may yet change a little. The results we have can confidently be considered indicative of the worldwide overall position.

As before, a continuing challenge for the survey remains that the infrastructure in many countries to collect and analyse data varies – and so the levels of detail that individual markets are able to provide, is still highly variable. One of our challenges is to help people understand the value and power of information in our advocacy discussions and the importance of accurate collation of information at country levels. Some countries have sophisticated centralised methods for collating market information, others have little provision and we continue to rely upon the best estimates of experts within those markets.

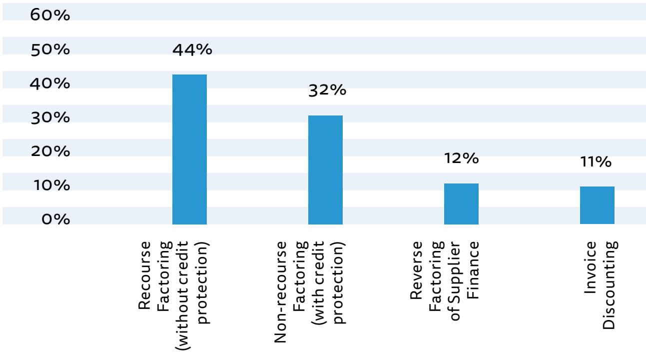
There is still a need for better information. However, within the survey and to meet this challenge, we can use some mathematical techniques to help inform where information is either limited or is not possible to acquire directly.

So, here we are then; the 2017 GIAR Report...
Let's look at some of this key information and how we have collated it.

Product Analysis

Information received indicates that the main product solutions have not changed in ranking and these continue to be recourse factoring, non-recourse factoring, invoice discounting and reverse factoring.

Product distribution – Market average



This chart represents the overall average distribution picture where respondents have been able to provide a breakdown of product splits; this information is not available in all countries.

The relative proportions in individual countries vary and reflect the local market conditions, as well as the legal and regulatory environments; this chart shows what the "typical" country distribution looks like.

Of course, individual countries will vary; for example, many countries do not record any reverse factoring type business, but for Spain it represents half the market; similarly, in the UK and Ireland, the single largest global factoring market, invoice discounting is over 90% of the volume.

Importantly, the position of Reverse Factoring or Supplier Finance has grown this year to a typical 12% from a typical 8% last year and in the process appears to have overtaken invoice discounting.

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Domestic and International Business

The survey continues to track the balance between domestic and international business. Where reported, the proportion of international factoring by country was around 19%, domestic 81% – so, as discussed above, a typical country would present these levels. These proportions are virtually unchanged from those reported in the last two years (within the tolerances of uncertainty of the as yet incomplete reporting).

Domestic and International Business

Industry dynamics

2017 GDP figures remain to be fully finalised, but first estimates are available for us to use to look at the GDP penetration of the Industry; we again appear to be operating around the 4% mark on a global basis (which compares to around 10% for Europe where the Industry is still most established).

First estimates of total advances against invoices are estimated to be in order EUR 390 billion at the end of the year, up around 8% - to arrive at this important figure we use actual reported advances where they are available and from imputed average days outstanding calculations.

Client numbers are estimated to have reached around 690,000; again, this figure is derived from actual reported numbers and assumed turnover per client ratios for developing and mature markets. This figure has shown some growth from last year but has a relatively high level of uncertainty in the absolute number at this stage of the analysis.

The estimated number of debtors has grown around 10% to an estimated 16.7 million; as with other numbers, this figure is derived from both the actual numbers reported and imputation from actual debtor number to turnover ratios. Of the estimates, this one has a higher degree of uncertainty, as debtor numbers are highly sensitive to market structure and conditions; much of this growth is expected to be as a result of domestic expansion in China.

Direct employee numbers are also estimated to have grown in similar proportion to around 70,000. To get to this figure, we look at the actual client to staff ratios in both emerging and developed markets where known and applying these on a mean basis to the countries where staff data is not currently available. Again, it's likely that growth in China will be a driving force in this ongoing expansion.

The total number of substantial scale companies active in the Industry is estimated at around 3,100, with estimates of the total number of businesses being in order of 7,000. This figure is as before derived from actuals and turnover per client averages for developed and emerging markets.

Average turnover per client which is estimated from actual and derived figures suggest the scale continues to be in the order of EUR 4 million, so we clearly in the Industry are mainly dealing by number with smaller SME businesses.

Asset Based Lending still appears to be showing limited growth with advances totalling around EUR 95 billion reported from only six countries, with still far and away the largest market being the USA, representing an estimated EUR 87.5 billion of this total. Accepting there may be some underreporting (some providers may be outside the direct Industry contacts), the relatively marginal growth and increased penetration in ABL within the Industry portfolio demonstrates the challenge of expanding this type of multi asset business.

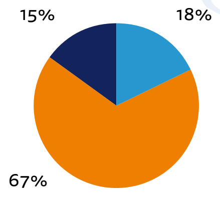
The Industry continues to demonstrate a high level of concentration. Where the figures are available, the top five concentration ratio (CR5) is 82% of the market (84% in 2016, 82% in 2015). Bank divisions represent 45% (46% in 2016), bank owned subsidiaries 25% (27%) and Independents 13% (11%) respectively.

Qualitative Analysis

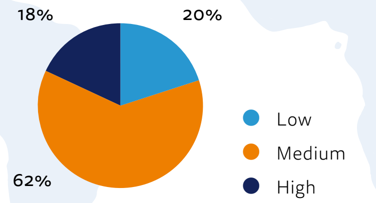
What makes the GIAR survey unique is in its providing an ongoing record and analysis of the perceptions within the Industry on a wide range of topics and trends and their potential effects on the Industry and its development. Each year we ask respondents to give their view on the status and direction of the Industry in their own country.

Perhaps the first and key elements are Awareness and Acceptance: The responses show that in general there continues to be considerable opportunity to build and develop the impact of the Industry and (based on the statistically significant sample to date of 39 countries that have responded to these questions), the position has not materially altered from the last survey.

Awareness Level

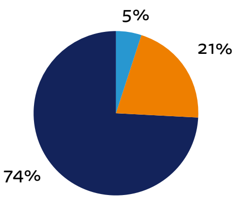


Acceptance Level

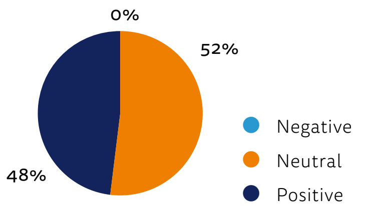


At the same time respondents continue to demonstrate a high level of confidence and optimism that the Industry has the capacity to continue to grow its role in supporting the real economy on a global scale. Similarly, with the development outlook, the overall picture is strong, with on this survey question no negativity reported.

Demand Level Outlook

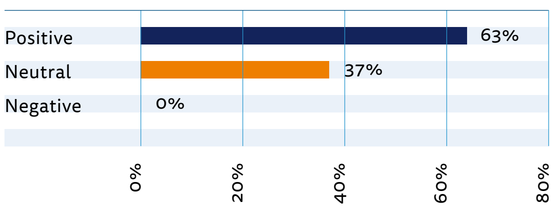


Industry Development Outlook

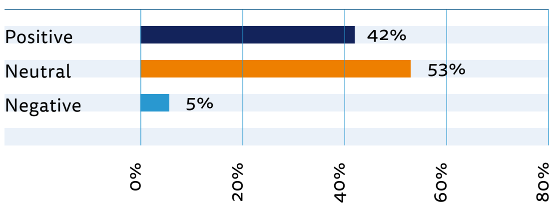


From an internal Industry perspective, the responses also suggest an improved confidence about turnover levels compared to last year, where volumes are expected to grow by an even stronger majority. There has also been a general and significant improvement in expectations that profitability will also improve:

Turnover Level Outlook

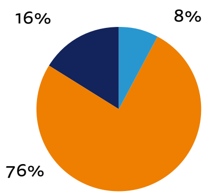


Profitability Level Outlook

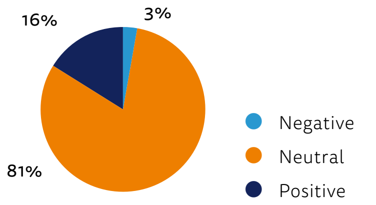


As always, risk management continues to be a key focus for providers. The participants were questioned on their outlook for client and debtor risk in their markets. Again, as last year, respondents give a slightly mixed picture on their perceptions of risk; compared to last year there has been a slight increase to the in overall confidence in respect of clients, and a slight reduction in respect of debtors. However, as can be clearly seen, the majority of respondents appear to believe the situation is relatively benign and neutral.

Client Risk Outlook



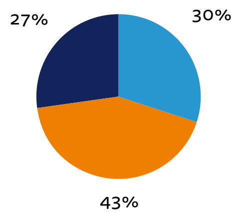
Debtor Risk Outlook



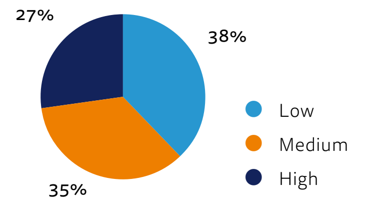
Last year we extended the range of questions for respondents in co-operation with the Asian Development Bank. The two organisations have a common interest in looking at the impact of regulation, credit and capital issues and the role of technology in developing the Industry.

We looked for example at some perceptions regarding external regulatory requirements which can impact on business and its development. The responses this year suggest that participants have been feeling the impact of AML/KYC regulations rather more than they did previously, with a clear increase in the overall level of impact reported. On the other hand, the responses for Basel impact on development were almost identical to last year, perhaps reflecting a rather narrower global influence of these regulations on the industry.

Impact on Development: AML/KYC Requirements



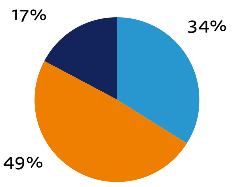
Impact on Development: Basel Regulations



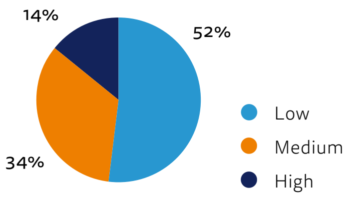
continued on page 26

Similarly, we again asked respondents to consider the impact of capital constraints and access to liquidity. Perhaps reflecting the generally improving economic perceptions that I report in the economic overview, whilst these capital constraints remain a concern, there has been a significant improvement in the perception, and a concomitant (but less obvious) improvement in the level concern regarding liquidity.

Impact on Development: Capital Constraints

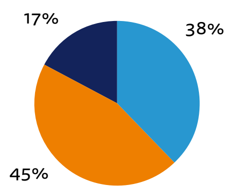


Impact on Development: Lack of Liquidity

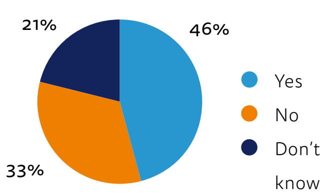


Two issues considered in the survey appear to have some significant implications for FCI and its members in respect of the current international trading environment. There was a marked improvement in the confidence in the capacity to provide factoring to fund international business. Whilst they are still generally concerned, respondents are clearly much more relaxed this year about the negative potential that protectionism might provide. Perhaps the fact that the rampant protectionism that was feared in the press and by raconteurs last year has not (at least not yet) come into play.

Is there a Shortfall of Factoring to fund International Business?

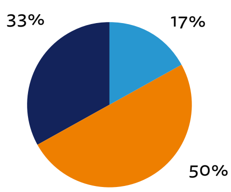


Could Protectionism widen any Trade Finance Gap even more?

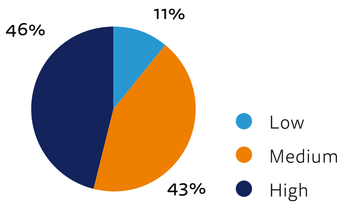


Finally, we also asked for respondents' perceptions regarding the potential impact of fintech on industry processes. It's interesting to note that overall there has been almost no change over the year regarding reported perceptions in the value of fintech in its potential ability to improve small client risk assessment, and a slight drop in confidence that it can facilitate KYC. This apparent lack of progress is a matter for some debate, and clearly indicates there's still work to be done to actually identify how and where these technology supported advantages might lie.

Fintech: Potential to improve Small Client Risk Assessment



Fintech: Potential to facilitate Due Diligence



Summary

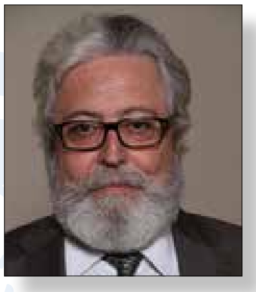
This year's GIAR again provides a helicopter overview of the global factoring industry which demonstrates some considerable similarities in the structure and delivery of the products but also highlights how parameters such as awareness and acceptance, regulation and law, penetration and prospects are certainly not homogenous.

From the responses, we can gain an impressive and broad picture of the Industry. But it's also the case that we still have to make estimates and derive information as the infrastructures in many countries are not yet sufficiently developed or robust to fully address the questions.

Notwithstanding this, the work that the survey does is very important in helping us continue to develop understanding and improve our ability to discuss what we do with regulators and lawmakers from an informed perspective, something increasingly important in FCI's role of Advocacy for the Industry.

In putting together this review, we collect, consider and manage around 5000 data points, a very significant task. I'd again like to thank all the country respondents for their hard work in collating this information for their countries, and everyone who has been involved in gathering together the responses. For me it's a pleasure to be able to bring you the analysis that provides this unique perspective.

FCI Expressed in Figures



Harry Biletta, FCI Planning and Development Director

Although the contributors were a lesser number than in the previous year, the breakdown of the FCI Members volume amounting to EUR 1,562,527 million remains stable.

Domestic figures account for 70% of the total, Invoice Discounting showing a drop of 9%, other products also decreasing.

Export Factoring represents 19% and records a growth of 14%; two-factor exports full service decreased by 2% and Direct Exports with recourse by over 3% whilst Direct Exports full service increased by over 6%.

Direct Export Invoice Discounting was stable around 7% of the total although recording a decrease.

Import Factoring slightly decreased to just under 4%, although recording a drop of 13%, turnover switching from two-factor to direct.

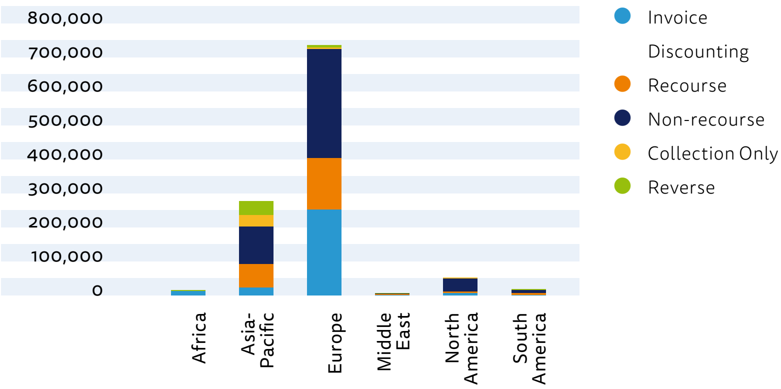
Accumulative Turnover Figures for All FCI Members Compared to Worldwide Factoring Turnover

in millions of Euros

	2011	2012	2013	2014	2015	2016	2017	Variation 2016/2017	FCI Share
Invoice Discounting	279,113	302,030	330,518	299,930	310,313	333,544	**303,272**	-9%	
Recourse Factoring	267,523	306,187	339,644	356,058	301,948	236,613	**231,270**	-2%	
Non-Recourse Factoring	331,257	352,353	344,863	372,115	434,456	481,172	**478,640**	-1%	
Collections	26,018	27,786	31,399	40,123	57,725	47,472	**40,866**	-14%	
Reverse							**50,010**		
Total Domestic Factoring FCI	**903,912**	**988,529**	**1,046,425**	**1,068,226**	**1,104,441**	**1,098,800**	**1,104,058**	**0%**	**53%**
Export Factoring	162,972	192.573	219,285	242,472	261,214	256.551	**292,408**	14%	
Import Factoring	30,943	36,707	50,481	54,081	66,612	63,446	**55,460**	-13%	
Export Invoice Discounting	51.069	85,163	87,447	89,025	96,871	108,038	**106,104**	-2%	
Reverse							**4,497**		
Total International Factoring FCI	**244,983**	**314,442**	**357,213**	**385,579**	**424,697**	**428,035**	**458,469**	**7%**	**88%**
Grand Total FCI	**1,148,895**	**1,302,971**	**1,403,638**	**1,453,804**	**1,529,138**	**1,526,836**	**1,562,527**	**2%**	**60%**
World Domestic Factoring	1,750,899	1,779,785	1,827,680	1,857,410	1,838,366	1,868,855	**2,078,758**	11%	
World International Factoring	264,108	352,446	402,798	490,114	529,379	507,112	**519,540**	2%	
World Total	**2,015,007**	**2,132,231**	**2,230,477**	**2,347,524**	**2,367,745**	**2,375,967**	**2,598,298**	**9%**	

FCI Members Domestic Volume 2017

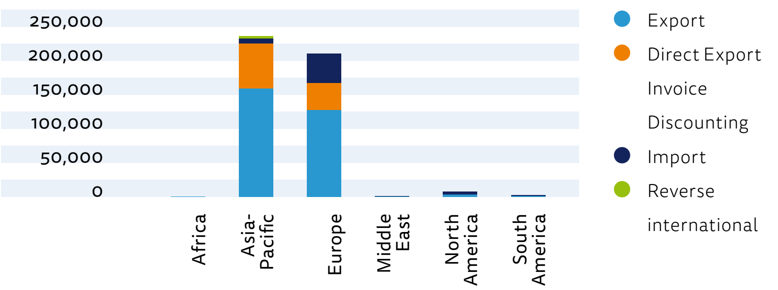
in millions of Euros



The Various continents' contribution to the FCI Members' Domestic volume shows Europe at the top by far. Here the Non-Recourse represents over 40%, Invoice Discounting 27% and Recourse 21%.

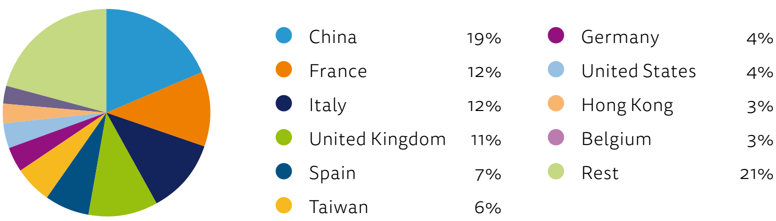
FCI Members International Volume 2017

in millions of Euros



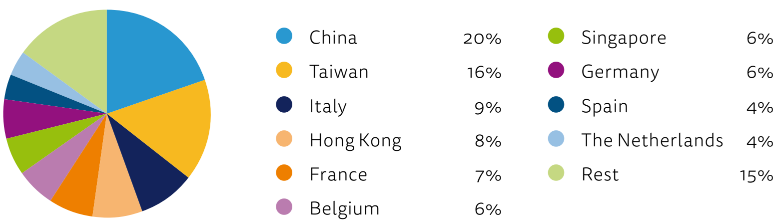
When breaking down the FCI Members International volumes by continent, Asia Pacific takes the lead with a 52% share, Europe follows with 46%. The Americas together account for just over 2%.

Share of 2017 FCI Factoring Volume



The volume of the "Top Ten" FCI Members' countries accounts for to 78% of the total, China leading the way with 19% followed by France and Italy with 12%, UK with 11%, Spain (7%), Taiwan (6%), Germany and USA (4%) and finally Hong Kong and Belgium (3%).

Share of 2017 FCI International Factoring Volume



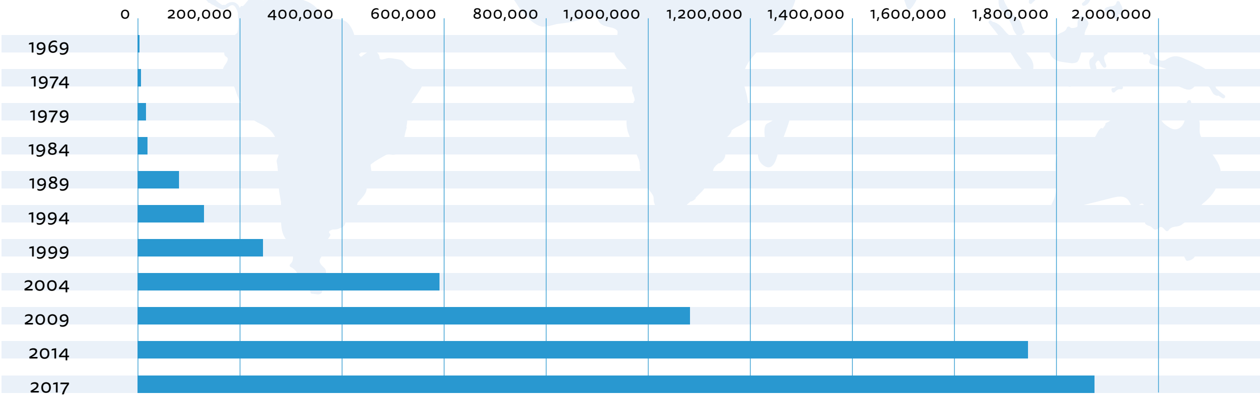
When breaking down the volumes of FCI Members' Countries International Factoring, we find the "Top Ten" adding up to 85% and again we find China in first position with 20%, followed by Taiwan (16%), Italy (9%), France (7%), Belgium, Singapore and Germany (6%), Spain and The Netherlands (4%).

50 Years of Factoring in Figures

Please note that in this section all figures are in USD millions

50 Years of Total Factored Volumes for all FCI Members

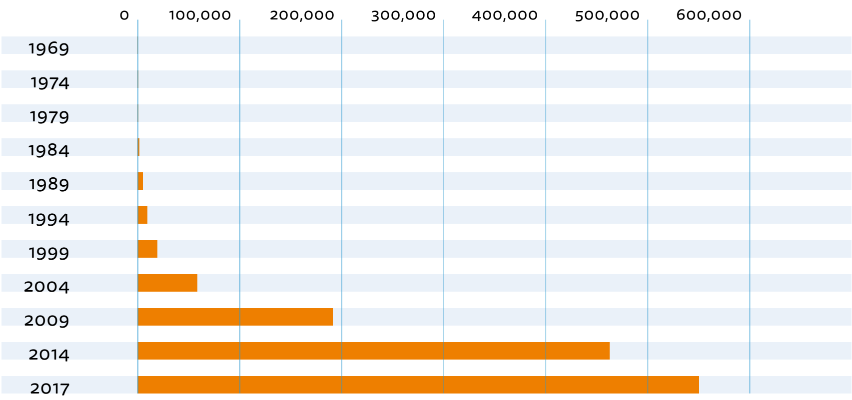
in millions of USD



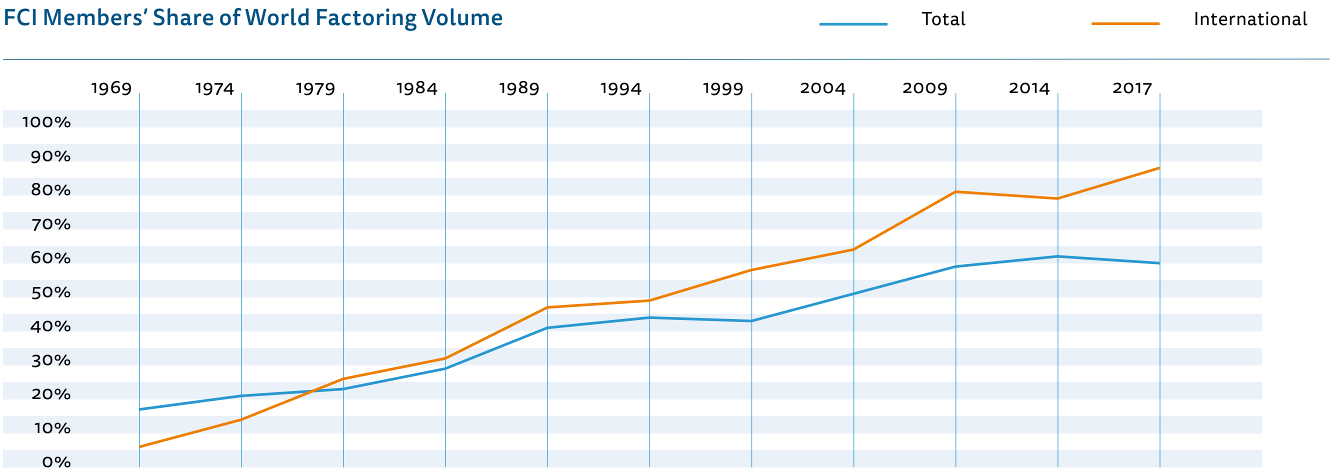
The CAGR for the total factored volumes of all FCI Members is 13.2% and this increases to 17.5% for the international volume alone.

50 Years Cumulative Import & Export Volumes for all FCI Members

in millions of USD



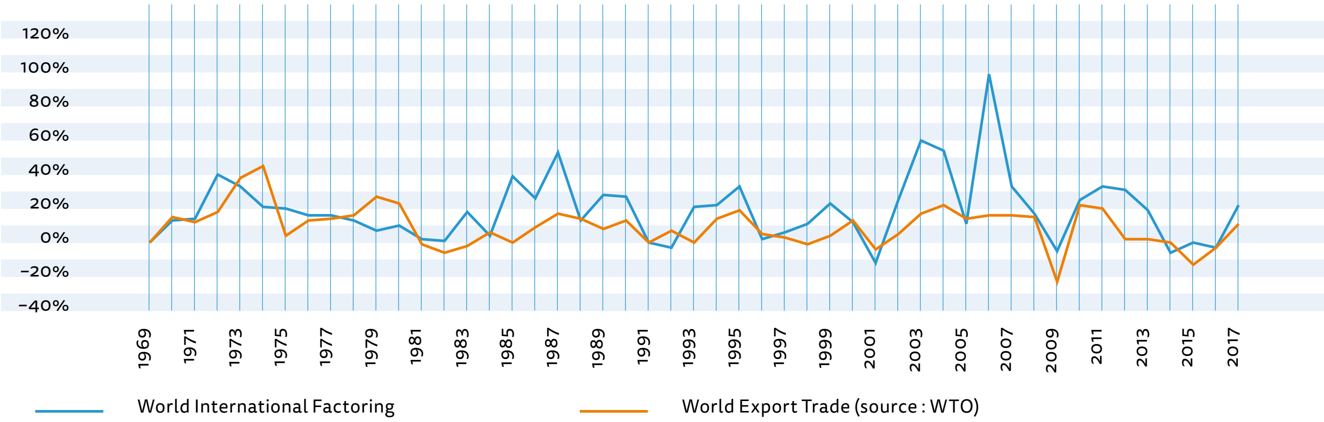
FCI Members' Share of World Factoring Volume



Over the years, the share of world factoring volumes handled by all FCI Members has rapidly grown to 88% for cross border factoring operations and 60% if we consider the total Industry figures.

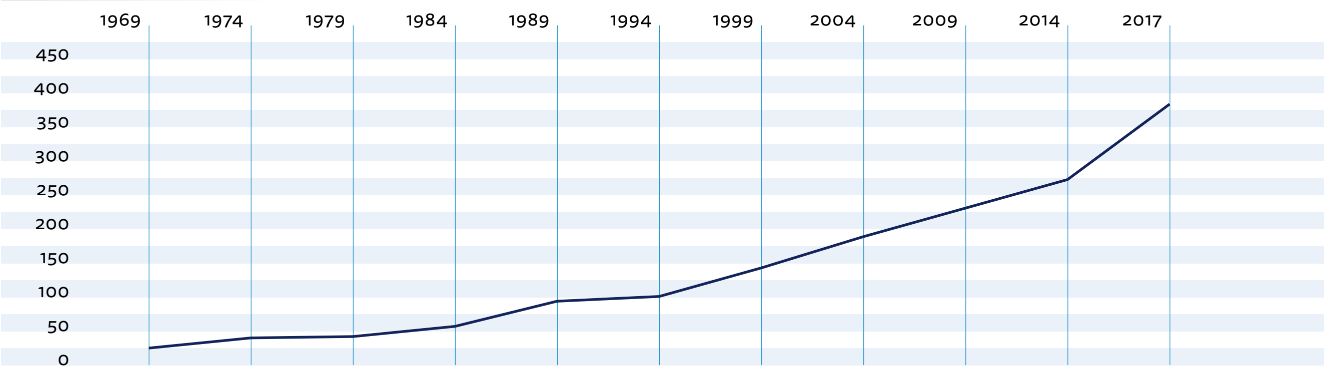
Comparing yearly growth rates of international factoring versus world export trade, the two graphs show very similar trends with the exception of a peak for international factoring in 2006, when FCI started including the figure pertaining to Export Invoice Discounting.

Growth of World International Factoring and World Export Trade from 1969



During these 50 years, members have come and gone, but the trend has always been in continuous growth to reach 384 at the end of the year.

FCI Number of Members



Notes for page 31

(*) No input received – used same figures as previous year

(°) Only total received – breakdown calculated with same proportion as previous year

Notes for page 32

(*) Data reported in previous years for Peru were wrong; % var based on correct 2016 figure

(§) Source CBA and Commercial Factors

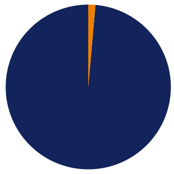
(#) Changed from provisional figures

Factoring Turnover by Country in 2017

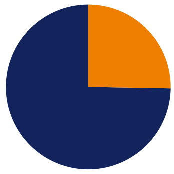
in millions of Euros

Country	Domestic	International	Total	Companies
Egypt	367	51	418	7
Kenya (*)	193	22	215	5
Mauritius	203	5	208	3
Morocco	3,174	200	3,374	6
South Africa	17,069	48	17,117	13
Tunisia	323	16	339	5
Africa Total	**21,329**	**342**	**21,671**	**39**
Australia (*)	47,648	10	47,658	6
China	340,733	64,803	405,537	5000
Hong Kong	12,132	34,812	46,944	12
India	3,842	427	4,269	17
Indonesia (*)	680	2	682	2
Japan	36,471	813	37,284	3
Kazakhstan (*)	106		106	
Korea (°)	7,795	5,299	13,094	16
Malaysia	1,320	330	1,650	25
Singapore	25,300	18,700	44,000	8
Sri Lanka (*)	100	16	116	1
Taiwan	17,113	32,435	49,548	22
Thailand	5,450	150	5,600	6
Vietnam	400	300	700	15
Asia-Pacific Total	**499,091**	**158,098**	**657,188**	**5,133**
Armenia	50	70	120	7
Austria	13,912	7,179	21,091	4
Azerbaijan	61	4	65	1
Belarus	220	30	250	6
Belgium	69,503	138	69,641	5
Bulgaria	1,948	971	2,919	9
Croatia	1,120	220	1,340	12
Cyprus	2,800	30	2,830	2
Czech Republic	3,882	2,239	6,121	6
Denmark	8,330	6,618	14,948	9
Estonia (*)	2,065	430	2,495	6
Finland	22,000	2,000	24,000	6
France	214,496	76,307	290,803	12
Georgia	23	2	25	3
Germany	160,651	71,780	232,431	190
Greece	11,177	1,974	13,151	7
Hungary	4,985	745	5,730	15
Ireland (°)	24,716	1,578	26,294	5
Italy	170,245	58,176	228,421	30
Latvia	400	320	720	3
Lithuania	1,200	1,800	3,000	9
Luxembourg (*)	339	–	339	1
Malta	100	250	350	2
Moldova		3	3	1
Netherlands (°)	71,770	17,943	89,713	5
Norway	20,033	2,649	22,682	4
Poland	35,173	9,127	44,300	22
Portugal	22,741	4,267	27,008	12
Romania	3,667	893	4,560	18
Russia	33,353	439	33,792	35
Serbia	555	48	603	11
Slovakia (*)	1,637	9	1,646	10
Slovenia	1,000	200	1,200	6
Spain	114,229	32,063	146,292	22
Sweden (°)	19,491	603	20,094	15
Switzerland (*)	3,750	82	3,832	6
Turkey	28,000	6,575	34,575	72
Ukraine (*)	294	1	295	19
UK	291,834	32,426	324,260	38
Europe Total	**1,361,751**	**340,188**	**1,701,939**	**646**
Israel	2,925	370	3,295	10
Lebanon	661	1	662	3
Qatar (*)	62	-	62	1
UAE	3,200	800	4,000	6
Middle East Total	**6,848**	**1,171**	**8,019**	**20**
Canada	4,777	615	5,392	64
USA	74,000	13,000	87,000	700
North America Total	**78,777**	**13,615**	**92,392**	**764**
Argentina	2,261	21	2,282	5
Bolivia (*)	27	17	44	1
Brazil	50,327	105	50,432	600
Chile	18,465	4,291	22,756	20
Colombia	6,889	766	7,655	19
Costa Rica (*)	230	1	231	34
Dominican Republic	121	23	144	9
Honduras (*)	17	10	27	2
Mexico	22,851	463	23,314	18
Peru	9,689	416	10,105	34
Uruguay	85	13	98	2
South America Total	**110,962**	**6,126**	**117,088**	**744**
Grand Total	**2,078,758**	**519,540**	**2,598,298**	**7,346**

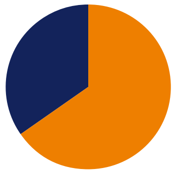
Total Factoring Volume



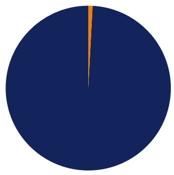
Africa 0.85%



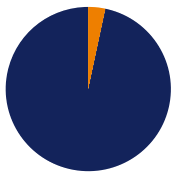
Asia-Pacific 25.29%



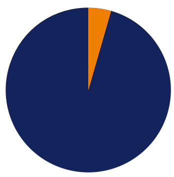
Europe 65.51%



Middle East 0.31%



North America 3.54%



South America 4.50%

Total Factoring Volume by Country in the Last 7 Years

in millions of Euros

	2011	2012	2013	2014	2015	2016	2017	Var
Egypt	200	220	450	435	537	550	418	-24%
Kenya					215	215	215	0%
Mauritius	127	128	145	206	235	256	208	-19%
Morocco	1,406	1,844	2,755	4,200	2,708	2,708	3,374	25%
South Africa (#)	21,378	21,378	19,400	15,898	14,672	16,291	17,117	5%
Tunisia	340	357	373	355	354	373	339	-9%
Total Africa	**23,451**	**23,928**	**23,123**	**21,094**	**18,721**	**20,393**	**21,671**	**6%**
Australia	57,491	49,606	40,206	42,290	41,761	47,658	47,658	0%
China (#)(§)	273,690	343,759	378,128	406,102	352,879	301,635	405,537	34%
Hong Kong	17,388	29,344	32,250	30,800	33,425	42,676	46,945	10%
India	2,800	3,650	5,240	4,340	3,700	3,881	4,269	10%
Indonesia	3	3	819	810	682	682	682	0%
Japan	111,245	97,210	77,255	51,072	54,184	49,466	37,284	-25%
Kazakhstan					106	106	106	0%
Korea	8,087	8,000	12,343	12,713	13,094	14,142	13,094	-7%
Malaysia (#)	1,050	1,782	1,782	1,782	330	1,527	1,650	8%
Singapore	6,670	8,670	9,970	37,840	38,900	40,500	44,000	9%
Sri Lanka				38	116	116	116	0%
Taiwan (#)	79,800	70,000	73,000	56,680	52,693	47,189	49,548	5%
Thailand	3,080	4,339	3,348	4,144	4,414	5,300	5,600	6%
Vietnam	67	61	100	100	335	658	700	6%
Total Asia-Pacific	**561,371**	**616,424**	**634,441**	**648,716**	**596,633**	**555,550**	**657,189**	**18%**
Armenia	14	0	62	70	75	100	120	20%
Austria	8,986	10,969	14,110	16,400	18,264	19,621	21,091	7%
Azerbaijan					13	56	65	16%
Belarus					320	330	250	-24%
Belgium	38,204	42,352	47,684	55,374	61,169	62,846	69,641	11%
Bulgaria (#)	1,010	1,500	1,600	1,728	1,820	1,947	2,919	50%
Croatia	2,269	2,269	3,146	2,498	2,885	2,825	1,340	-53%
Cyprus	3,758	3,350	2,823	2,671	2,414	2,925	2,830	-3%
Czech Republic	5,115	5,196	5,302	5,912	5,064	4,848	6,121	26%
Denmark	9,160	8,800	8,932	10,463	12,606	13,237	14,948	13%
Estonia	1,164	1,877	1,899	2,010	2,010	2,495	2,495	0%
Finland	13,000	17,000	17,699	20,554	23,095	22,000	24,000	9%
France (#)	174,580	186,494	200,459	226,598	248,193	268,160	290,803	8%
Georgia			0	5	14	14	25	79%
Germany (#)	158,034	157,420	171,290	189,880	209,001	216,878	232,431	7%
Greece (#)	14,731	12,761	12,094	13,017	12,869	12,782	13,151	3%
Hungary	2,817	2,676	2,661	2,827	3,779	3,635	5,730	58%
Ireland	18,330	19,956	21,206	25,476	25,978	23,952	26,294	10%
Italy	175,182	181,878	178,002	183,004	190,488	208,642	228,421	9%
Latvia	371	542	592	680	867	867	720	-17%
Lithuania	2,134	2,488	2,763	5,550	3,150	3,100	3,000	-3%
Luxembourg	180	299	407	339	339	339	339	0%
Malta	200	240	178	296	275	275	350	27%
Moldova				13	17	17	3	-82%
Netherlands	46,000	50,000	52,000	53,378	65,698	82,848	89,713	8%
Norway	16,395	18,115	16,296	17,182	18,476	21,867	22,682	4%
Poland	17,900	24,510	31,588	33,497	35,020	39,396	44,300	12%
Portugal (#)	27,879	22,948	22,303	21,404	22,921	24,517	27,008	10%
Romania	2,582	2,920	2,713	2,700	3,651	4,037	4,560	13%
Russia	21,174	35,176	41,960	29,170	23,332	28,004	33,792	21%
Serbia	926	950	679	306	445	555	603	9%
Slovakia	1,171	1,024	1,068	1,036	1,036	1,646	1,646	0%
Slovenia (#)	550	650	626	563	329	1,000	1,200	20%
Spain	122,125	124,036	116,546	112,976	115,220	130,656	146.292	12%
Sweden	29,259	33,149	30,544	28,290	26,078	20,481	20,094	-2%
Switzerland	3,450	3,000	3,100	3,832	3,832	3,832	3,832	0%
Turkey	30,869	31,702	32,036	41,229	39,310	35,085	34,575	-1%
Ukraine	955	1,233	1,340	1,035	442	295	295	0%
UK	268,080	291,200	308,096	350,622	376,571	326,878	324,260	-1%
Total Europe	**1,218,540**	**1,298,680**	**1,353,742**	**1,462,510**	**1,556,977**	**1,592,988**	**1,701,939**	**7%**
Israel	1,650	1,422	1,060	3,000	2,108	3,080	3,295	7%
Lebanon	327	301	352	416	508	610	662	9%
Qatar	75	75	88	62	62	62	62	0%
UAE	1,750	2,900	3,500	5,020	5,350	3,831	4,000	4%
Total Middle East	**3,802**	**4,698**	**5,000**	**8,498**	**8,028**	**7,583**	**8,019**	**6%**
Canada	5,284	7,100	5,680	5,831	5,530	5,609	5,392	-4%
USA	105,000	77,543	83,739	97,670	95,000	89,463	87,000	-3%
Total North America	**110,284**	**84,643**	**89,419**	**103,501**	**100,530**	**95,072**	**92,392**	**-3%**
Argentina	475	614	856	1,299	1,551	1,891	2,282	21%
Bolivia	35	35	31	22	44	44	44	0%
Brazil	45,623	43,627	31,552	31,782	28,965	45,379	50,432	11%
Chile	21,500	24,000	25,500	24,850	22,300	25,050	22,756	-9%
Colombia	4,990	4,562	7,076	8,985	10,333	7,630	7,655	0%
Costa Rica	30	180	115	2,337	2,710	231	231	0%
Dominican Republic							144	
Honduras					22	27	27	0%
Mexico	21,074	26,130	28,061	25,486	19,291	22,510	23,314	4%
Peru (*)(#)	2,461	2,310	8,163	8,293	1,475	1,550	10,105	9%
Uruguay		61	58	70	90	84	98	17%
Total South America	**96,188**	**101,519**	**101,412**	**103,124**	**86,826**	**104,396**	**117,088**	**12%**
Total World	**2,014,978**	**2,132,186**	**2,208,372**	**2,347,513**	**2,367,790**	**2,375,967**	**2,598,298**	**9%**

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