



2012/2013

Creditreform Annual Report

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Four questions to Uwe von Padberg, President of Creditreform

Mr. von Padberg, how do you see Creditreform's business development in 2012/2013?

UvP: We can be contented with our figures for FY 2012. After all, we once again registered growth in both our domestic activities and our international business. In Germany, we generated turnover of 493.6 million euros, which represents an increase of 1.1 percent on the 2011 figure of 488.2 million. Overall, including the countries of Central and Eastern Europe, our turnover totalled 550.8 million euros, corresponding to a year-on-year rise of 1.2 percent.

As before, we are observing a development which is typical for our organisation and the services we offer. Our business is highly crisis-resistant, marked by low volatility and great continuity. In the past ten years, our turnover in Germany has climbed from by all of 130 million euros from around 360 million euros – and during this decade, despite economic recessions and booms, we have experienced neither slumps nor sharp increases. On the one hand, this solidity definitely demonstrates just how necessary our activities and our offerings are, on the other I see it as an expression of the trust shown in us by our clients and members.

Trust in familiar services – like commercial reports, debt collections...?

UvP: At first glance it may seem that our basic products haven't changed much, but a closer look shows that in fact these two mainstays of our business have actually undergone a tremendous transformation – and some of the new developments are depicted in this Annual Report.

One milestone in the field of business information has been the differentiation into a whole range of different commercial report formats, with contents adapted very specifically to the need of our clients in the field of risk management. The spectrum extends from our Premium Report to the Ampelauskunft (Traffic-Light System report) and our RisikoCheck. Just think of all our corporate information products, from business sector analyses and balance-sheet reports through to the data we supply on company links and connections.



Uwe von Padberg, President and Chairman of the Joint Board of Verband der Vereine Creditreform e.V.

And we have developed the Creditreform Credit-Standing Index quite radically and have thus responded to the changed demands made on the assessment of any individual company within the overall economic context.

What about innovations in debt collection? Is it possible to come up with anything new where this traditional service is concerned?

UvP: Here we must distinguish between process innovations and product innovations. Whereas in the field of creditworthiness assessment and the depiction of information, new products, as mentioned, play a large role, in the field of receivables management it is process innovations which tend to be more decisive. We have done a great deal to streamline and heighten the effectiveness of the steps and work sequences involved in dunning and claims enforcement. The use of the telephone and of sophisticated work procedures make for higher success ratios and prompter payment. The benefit of increasingly refined programmes also plays a key role in the connection between the fields of commercial reports and debt collection. And finally there is the fact that we have improved communication with creditors to ensure that at any time they can very easily obtain a full picture of the status of any claims they have entrusted to us.

One important project of a totally new kind was handling debt collection for telecoms provider TelDaFax following its insolvency. We assisted the insolvency administrator in recovering outstanding debts and thus helped to ensure better pay-out ratios for creditors. Then we have factoring and the purchase of receivables – admittedly, nothing especially new, but the growth which factoring in particular has exhibited is certainly remarkable. Just a few years ago, factoring was something that only very few small and medium-sized firms were even aware of, and it wasn't seen as an alternative to conventional debt collection.

So, in the receivables management segment, just as in the field of business information, we are emphasizing the availability of alternatives when it comes to creating and maintaining liquidity.

The companies under the umbrella of Creditreform AG also have to respond to new challenges in the organisation's traditional environment – what developments have there been in this respect in 2012/2013?

UvP: Rating – just like factoring – is not a really new sector; but its specific application to the needs of our members, who are, after all, mainly SMEs, and its combination with such established services as liquidity management and creditworthiness assessment, has brought about a further upswing in this field. The same is true of factoring. I would even claim that we have actually pioneered these services for the SME community.

In 2012, the companies within Creditreform AG stepped up their turnover by almost five percent compared with 2011. And that finally brings me to a truly new start-up, Creditreform Compliance GmbH. This highly specialised unit went into operation in spring 2013, advising firms in the financial services sector on matters relating to the prevention of fraud and money-laundering and regarding risk management (MaRisk) to ensure that they meet their legal obligations in these respects.

New products for even greater closeness to clients

Differing client needs call for differentiated solutions. In line with this motto, Creditreform again enlarged its spectrum of offerings in 2012 by adding some innovative products. The emphasis was on the end-to-end monitoring of client portfolios, support for business processes in credit management, and the provision of a sturdy shield against payment defaults.

The products "SignalAdresse" and "Signal Bonität" enable a close eye to be kept on client portfolios. "SignalAdresse" is a marketing and quality management solution which allows member companies to monitor their master address database and be automatically informed about any changes. At the same time, the integrated function monitoring the activity status of companies permits the elimination of defunct or passive profiles. Basic monitoring of creditworthiness, conceived in particular for entire portfolios, is made possible by the new product Signal Bonität (Signal Creditworthiness). Notification is given if there is any significant change in a customer's credit standing as indicated by the class boundaries of the Creditreform RatingMap. Since these boundaries are the same as those used in the Creditreform Short Report, Signal Bonität is also ideal for use as a basic monitoring instrument by linking up with the retrieval of a Short Report.

Another innovation is Creditreform RisikoCheck (Risk Check). Based on the demands raised by e-commerce, it was designed especially for the automatic

"Developments and innovations in business information products create solutions of lasting value for clients!"

identification and examination of low risks in the B2B field. With its two risk classes, it provides brief but well-founded information on whether the business partner concerned really does operate from the given address and whether there is a direct high default risk of over eight percent. Thanks

to its immediacy and the scope it offers for integration via the Webservice interface, RisikoCheck is thus perfect for high-volume, small-unit Internet trading with short-term payment claims.

Alongside Creditreform's own credit management applications and integration solutions, such as for Microsoft Dynamics, SAP also plays an important role in cooperation between Creditreform and



its members. Supporting and optimizing the credit management processes of clients calls for the ongoing further development of the relevant Creditreform application, CrefoSprint. 2012 brought the release of CrefoSprint online 8.x. This has now been implemented by a large proportion of users. As a decision-support system, CrefoSprint not only serves to obtain and process commercial report information, such as the new information products and the advanced version of the Credit-Standing Index Bonitätsindex²⁰, it is also a platform for reports on consumers, integrating debt collection and the payment experiences made available for calling up and analysing in the pool of the Creditreform DRD Accounts Receivable Register Germany. Then there are CrefoSprint DRD and CrefoSprint Debt Collection, which represent further decisive Creditreform contributions to credit management without any media discontinuity to the homogeneous SAP IT landscape. CrefoSprint, for instance, enables SAP users to apply Creditreform solutions even more efficiently to create greater value.

Financial communications is a hot topic. It is not just in the capital markets and not just among large companies that key

financial data and ratings are used to present a positive picture to investors and lenders – SMEs are also keen to depict their financial situation as favourably as possible to make suppliers, customers and banks aware of their creditworthiness. In this connection, CrefoZert has been attracting increasing interest in the last two years among firms seeking certification of their credit status. Up to now, around 800 firms have obtained this seal of quality. One prerequisite for any firm wanting to obtain certification is that it must be at least two years old and have a Credit-Standing Index score of between 100 and 250 on the basis of a full commercial report. To this, the firm must attach its annual financial statements, including P & L and a bank account statement. For eligibility, these figures must produce a Creditreform rating of CRI to CR8 (corresponding to AAA to BBB-) and there must not be any evidence of significant risks. CrefoZert, which is valid for one year, is a sign of financial stability vis-à-vis customers and suppliers, banks and lessors, and thus helps give SMEs in particular a strong image.

Even with smoothly functioning risk management, the danger of a payment default can never be excluded completely. This is why a large number of Creditreform members seek protection against insolvency by any customers and put their trust in the credit insurance services provided by Creditreform in collaboration with its partners Atradius Kreditversicherung and R+V Allgemeine Versicherung AG. The insurance concepts concerned are exclusively available to all Creditreform members. From R+V they can also obtain a credit line guarantee in bonding insurance for sureties of different kinds – an alternative which can ease the strain on the credit line offered by a firm's own bank.

Keyword "Liquidity"

For small and mid-range firms, as for all others, liquidity management is increasingly important. The key factor in success here is the way receivables are handled. The aim must be to speed up the receipt of payments and make this a more secure process. Current figures compiled by Creditreform on the basis of the Accounts Receivable Register Germany (DRD) and from its surveys show that in 2013 all of 87 percent of invoices are being settled within thirty days. In 2012, the figure was just 83 percent. The length of the payment delay fell in the course of six months from 13.6 to 12.3 days. The attention which firms attach to inpayments also benefits Creditreform Debt Collection, which last year was entrusted with about 1.5 million new mandates. Between around four to five million cases are currently being processed. Creditreform Debt Collection has clients of all sizes and from all business sectors – a total of around 70,000 members take advantage of our collection services.

This sheer size gives our organisation a strong standing, not just among debtors, and help to provide the necessary pressure. The wide variety of debts and debtors handled creates a wealth of experience,

"Fast and faster: Improved liquidity through debt collection and factoring"

which can then be applied in even the most special cases. But Creditreform's success is based not just on psychology, it is also due to sophisticated IT solutions which streamline and accelerate work sequences in commercial dunning and the monitoring of payment claims. These include hotline services, debt collection via the telephone, scan services, address researching, payment and other online services. The objective is to keep everything transparent for the client from the initiation of the commercial dunning procedure and judicial default proceedings through to long-term monitoring, all without any media discontinuity.

These successes must be viewed against the background of legal changes which affect the entire debt collection sector and thus also impact on creditors. The



planned law to protect against shady debt collection firms is basically supported by the respectable organisations in this sector – but in their present form the plans are inappropriate. For a start, the idea of a cap on charges is unlikely to deter criminal activity in this field. And anyway, there is already a limit on charges in accordance with the German law on the remuneration of lawyers and established jurisdiction all the way through to the Federal Constitutional Court. In fact, an unreasonable restriction would step up the readiness to initiate judicial default proceedings and thus increase debt recovery costs for creditors without, however, putting a stop to the criminal activities of the black sheep in this field.

On top of all this, law-makers are increasing the costs and charges for legal action to assert claims and for judicial enforcement measures. Creditors will have to reckon on paying about 30 percent more than at present to obtain a court order. The federal states expect to rake in an extra half a billion euros – at the expense of creditors and the business community as a whole.

The further alleviation in private insolvency proceedings agreed on just recently enables over-indebted individuals to consider themselves free of debt after just

three years if they have paid off 35 percent of the total sum owing and the costs of the proceedings have been covered. In our view, this is not a practical suggestion. Most debtors are unable to meet these prerequisites, while on the other hand it offers an open opportunity for individuals who have deliberately and with malice aforethought become over-indebted and then bankrupt with their eyes on this repayment rate and the short good conduct period.

In fact, debt collection services are more in demand than ever before, as a recent study by business consultants Deloitte shows. The study indicates what business companies expect: alongside the scale of the recovery rate, the list includes above all quality standards such as the scope for integration in a company's own operational sequences, the transparency of proceedings, and a strategy of handling troubled claims that accords with the creditor's specific corporate philosophy. These are justified demands, but they require an investment outlay which law-makers do not appear to have acknowledged.

The fast securing and creating of liquidity are also prime objectives in the field of factoring. In line with the conviction that "cash counts", it is especially smaller and medium-sized firms which turn to Crefo Factoring for assistance in this respect. In 2012, the subsidiaries of the regional Vereine Creditreform were able to step up their turnover by 8.4 percent. The 150 or so people who work for Crefo Factoring guarantee suppliers an immediate payment of 80 to 90 percent of the invoice sum. The rest comes when the firm's customer has settled its account with Crefo Factoring or at the latest after 150 days – even in the case of payment default. So Crefo Factoring means not only fast liquidity but also assured liquidity. This is why, factoring – together with leasing – is increasingly becoming the option of choice in the field of bank-independent financing, in particular for the smaller members of the business community.

Credit guardians: From private individuals to business sectors

Growth, growth, growth – in regard to transactions, size of staff and numbers of clients. That is what Creditreform Boniversum GmbH can look back on in 2012. The company, a member of the Creditreform Group, can report a highly positive business development – and can look forward to the future with optimism. 2012 was an eventful year. It started with the renaming of the company and ended with a performance that exceeded its declared objectives. Many wellknown new clients have placed their trust in Boniversum.

In April 2012, CEG Creditreform Consumer GmbH was renamed Creditreform Boniversum GmbH (Boniversum for short). At the same time, the company re-positioned itself as a partner for firms requiring creditworthiness assessments of consumers. It was the right step at the right time. "With its new positioning, Boniversum presents itself as a specialist for trustworthy credit-standing information and as a fair partner helping to ensure a profitable relationship between business enterprises and consumers", says Managing Director Siebo Woydt. In this way, it keeps the brand promise which has long been an unwritten law in the Creditreform organisation: Knowledge makes for fair play.

And this is the motto under which Creditreform Boniversum GmbH got off to a strong start in 2012/2013. The company's own Debtor Atlas earned a place for itself in the German government's fourth report on Poverty and Wealth. Moreover, Boniversum is now an exclusive credit agency partner. Since mid-February 2013, it serves as partner supporting the E-Commerce Guide and thus offers online traders assistance in regard to receivables management and risk management. The E-Commerce Guide was developed in 2007 by ibi research at Regensburg University in cooperation with renowned solution-providers. It is a publication with over 400 pages providing traders with all the key information on successfully building up and operating an online shop. The project is backed by – among others – the Federal Ministry for

Education and Research, the Federal Association of German Mail Order Companies and the Trading Association Germany. Together with such topics as



the appropriate choice of shop and e-commerce legislation, the guide deals with such matter as transactions processing. For Boniversum, another central focus of attention is the planned EU amendment to the Data Protection Law. This is regarded as a threat which could have fatal consequences, since it could prevent credit agencies from obtaining the payment information they need.

Another member of the Creditreform Group is Creditreform Rating AG, which is now one of the leading rating agencies in Europe. In 2012, it once again provided ratings for business firms, bond issues and structured financing arrangements. It remains a market leader in ratings for bond issuers in the Mittelstand segment of the market. Obtaining a rating helps bond issuers gain the trust of potential investors and thus serves an important function in a company's liquidity manage-

"SMEs need ratings to obtain financing in the capital markets"

ment. Particularly in turbulent times like the present, when firms must make it a priority to foster the confidence shown in them by banks and business partners, the significance of ratings is on the increase, since they represent a reliable way of combating asymmetries in the field of information and support the vital factor of transparency.

In addition, in 2012 the European Central Bank approved Creditreform Rating AG as a rating tool provider for the assessment of credit risks. This means that in particular banks and financial services can use the rating system provided by Creditreform Rating AG to examine the central bank eligibility of their credit engagements. Credit claims with central bank eligibility can be used as collateral to obtain loans from the ECB and thus represent a decisive advantage in refinancing arrangements conducted by financial service-providers. In view of the strict demands placed on the quality of the assessment, central bank eligibility represents an additional quality seal for a company's creditworthiness. Following Basel II certification by German regulator BaFin in 2009 and admission as a European rating agency in May 2011, the ECB's approval of our rating tool is further acknowledgement of the high quality and transparency of the rating system employed by Creditreform Rating AG.

Extensive services are provided to enable firms to utilise the rating tool as effectively as possible in the assessment of existing credit portfolios. One example: audited financial statements already registered in structured form by credit institutions can be taken over and analysed by Creditreform Rating's evaluation system. In addition, the company provides scope for the outsourcing of credit management activities, such as the recording of annual financial statements.

Moreover, Creditreform Rating AG offers analyses and evaluations of greater depth. The company was, for instance, engaged to examine the financial situation in the health and fitness sector, and of Hamburg as a financial centre. Regional analyses provide valuable information on how a region's specific risk situation is developing and at the same time permit a direct comparison with the figures of reference regions.

Observing regulations – Conforming with standards

Preventive, safe, value-creating – these were the keywords under which Creditreform Compliance Services GmbH started business operations at the beginning of 2013. Following intensive preparatory work on drawing up an extensive catalogue of services, the new firm is now already providing professional support for a considerable number of wellknown clients. Preventing money-laundering, setting up appropriate rules, carrying out hazard and threat analyses – these represent just part of the spectrum offered by Creditreform Compliance Services GmbH. It also provides outsourcing options, training and seminars on the relevant topics. The new firm, a subsidiary of Creditreform AG, focuses on advising small and mid-range financial service-providers and credit institutions and small and medium-sized industrial companies which have to conform with the relevant legal regulations.

Its Managing Director is Silvia Rohe, a compliance manager and business trainer with long years of experience in the financial sector; in particular in the field of risk management. Before joining Verband der Vereine Creditreform e.V. in 2007 as Senior Consultant Compliance & Fraud Management, she had worked for various

"The new compliance rules are a genuine challenge – for smaller firms, too."

banks, including Schweizerischer Bankverein Deutschland AG, advising corporate clients on credit issues, and as Group Manager Risk Management and Project Manager Basel II at Toyota Kreditbank GmbH. During this time, she also studied at the Frankfurt School of Finance & Management to qualify as a Certified Compliance Professional (CCP) and in addition successfully completed a business trainer course at Zienterra – Institut für Rhetorik und Kommunikation. One member of the advisory council of Creditreform Compliance Services GmbH is Prof. Dr. Marcus Albrecht.

So Creditreform Compliance Services GmbH stands for needs-oriented advice and purpose-designed solutions for the financial services sector. It offers an extremely broad variety of services geared especially to the particular requirements of leasing and factoring firms and mid-range manufacturers, with a focus on the



specific challenges raised by conforming with regulatory standards. One point of emphasis when advising financial service-providers is the implementation of ongoing responsibilities in the field of compliance, money laundering and fraud prevention, and also in risk management (MaRisk). This young company's reference clients already include the building society bank LBS, archimedes Leasing, Creditreform Rating and various Crefo Factoring companies.

In the next few years, new compliance rules and changes in the legal framework will impose a considerable and growing burden on financial institutions and other firms – one which many of them lack the resources to cope with satisfactorily. That is precisely where Creditreform Compliance Services GmbH comes in. The new company aims to provide appropriate and pragmatic solutions for its clients which meet the legal requirements. This requires careful tailoring. It is not the case that one size suits all.

The successful start of this Creditreform subsidiary coincided with the fourth amendment to the MaRisk law, which influences the demands made now and in the future on risk management and compliance for credit institutions, leasing and factoring firms, and also foresees stricter rules to combat money laundering. On February 5, 2013, the European Commission published a proposal on an amended version of the stipulations on the prevention of money laundering and the financing of terrorist activities. This is expected to be passed into law by the end of 2013.

One reason for the regular updating and refining of the relevant legislation is to respond to new threats in the field of money laundering and the financing of terrorism – and this is just one of the important issues that Creditreform Compliance Services GmbH is geared to address.

The company stages interesting events and highly informative lectures and the like. One highlight in 2013 will be the "Creditreform Compliance & Risk Forum" in Frankfurt a.M. for banks and financial service-providers. This will cover a wide range of topics, such as fraud in the banking environment, the integration of risk management and sales control in credit institutions through to dealing with criminal activities by a firm's own employees. Another outstanding event will be a seminar entitled "Compliance as Challenge – Solutions for SMEs. Scheduled for the end of May 2013 is the first issue of the company's "Compliance & Risk Newsletter".

Decentral on a global scale

A worldwide expert network continues to distinguish Creditreform International – and that was definitely the case in 2012/2013. The union between independent national Creditreform organisations in 22 countries in Europe and in China continues to evolve. In cooperation with a global network of leading partners, our

However, in the report on the Commission's draft presented at the beginning of the year, there is no apparent legal foundation for credit agencies to provide information on private individuals. In fact, though, to ensure that a business information agency can operate effectively, one essential is reconciling the interests of

the Creditreform online system. In the case of Turkey, one of Germany's most important trading partners, this was carried out in 2012. This means that more than 24 million sets of information on companies in 25 European countries can be called up directly by our clients at any time, around the clock.



organisation offers its clients business information and debt collection services around the world. Within the framework of this worldwide expansion, Creditreform International has the task of coordinating and intensifying the collaboration between the individual national organisations. It supports its members in serving international key accounts, in observing the market and competition, and in product development and quality assurance. With 176 companies and a total staff of 4,500 in the 22 European countries and China, Creditreform International is broadly based.

Last year, Creditreform International was concerned with a range of different issues. One of these is the EU data protection directive. What concrete changes are planned? The background is unification in the handling of data on private individuals throughout the EU. In the European market, there is a need both for data protection and data availability. In view of this, one focus of the changes is on the data protection conditions which a credit agency needs in order to carry out its activities.

those concerned to enable firms to obtain the data they need. But in the draft directive, this is lacking. Instead, the draft lays down

"Germany's economy depends on exports. Commercial reports and debt collection accompanies it. All over the world."

that data processing is to be permitted only if the interests of the data recipient outweigh those of the individual concerned. Another very worrying point is the principle strictly confining the use of data to a specified purpose: "This could seriously endanger the ability of business information services to obtain sufficient payment information", fears the President of Creditreform International, Wolfgang Metz.

Beyond the boundaries of the EU, Creditreform supplies commercial reports on business companies in all of the world's countries. One decisive matter now is integration of the national companies in

Last year, Creditreform once again carried out analytical studies on matters of more general economic interest outside our main fields of commercial reports and debt collection. Such studies help to cast light on the wider business environment. Two examples: "What is the situation regarding the development of insolvency in European countries?" and "What risks are involved in exporting to the regions of Central and Eastern Europe?" Another international topic involved a wide-ranging study of the internationalisation of the German Mittelstand, the small and medium-sized firms that form the backbone of the country's economy. Last autumn, the Creditreform Economic Research Unit and the KfW presented the results. One focus of the study was on the financing of foreign trading activities. The title was "Step by Step to Global Player". Around one quarter of the firms surveyed cited financing problems as a major hurdle in building up or developing business activities abroad. About 50 percent of the direct investors referred to occasional problems in obtaining third-party capital for their international ventures. Banks take the view that the difficulties in credit negotiations are due to the fact that the risks involved are too high, but there are also suggestions that banks often lack the necessary experience in international business.

Creditreform: Professional partner for safe business worldwide

Creditreform stands for business information, receivables management, marketing services, and systems and consulting. 130 independent business offices in Germany, organised in the umbrella association Verband der Vereine Creditreform e.V., serve around 125,000 member companies of all sizes and from all business sectors.

The spectrum on offer ranges from the creditworthiness-based selection and targeting of new customers and the provision of credit-standing data on business enterprises and private individuals through to complete system platforms for company-internal risk management and sophisticated receivables management tools. Each single service, applied at the appropriate point in

the customer relations chain, is aimed at preventing payment defaults or minimising their impact.

The extensive range provided in the field of business information comprises products to appraise the credit-standing of firms or consumers, and products offering information on business companies without a credit-status assessment. The business company credit-appraisal portfolio includes solutions to assist in credit decisions in the medium and high-risk area and also commercial report formats which facilitate swift credit-standing assessment in the low-risk sector. Then there are also balance-sheet analyses of various depths of evaluation.

In the sphere of receivables management, Creditreform offers a full service for recovering outstanding moneys: from handling commercial dunning and accompanying judicial default summons proceedings through to the long-term monitoring of titled receivables. In addition, there are specialised offers such as buying-in receivables within the framework of factoring and the purchase of distressed debts.

In the field of marketing services, Creditreform provides solutions for updating existing stocks of addresses and appraising these with regard to the default risk. Another option on offer is the creditworthiness-based selecting and targeting of potential new customers.

Imprint

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