



# Annual Report 2013 – 2014

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# USING GOOD TIMES FOR INNOVATIONS

The German economy is progressing smoothly. Even if economic output in 2013 increased by only 0.4 percent on the prior year, labour market figures and the moderate rate of inflation show that Germany is firmly on a growth path. The first news in 2014 is also positive. Current studies by the Creditreform Economic Research Unit show a further drop in insolvency and a healthy SME sector.

This good, stable situation is also reflected by the development of Creditreform business in 2013. Aggregate turnover in Germany totalled EUR 493.4 million in 2012 and EUR 491.3 million in 2013. Our more than 125,000 member firms submitted unpaid bills of EUR 1.03 billion for collection. And in factoring – an area that promises even more growth in Germany – we registered revenues of EUR 1.4 billion. Creditreform affiliates contributed EUR 83.71 million to total turnover in Germany. Together with Creditreform International, we generated revenues of EUR 547.3 million across Europe, as against EUR 551 million in 2012.

In 2014, Creditreform looks back on 135 years of accompanying the German economy. We know the peaks and troughs of economic life. We also know that risks persist. Supplier credit volume, for instance, is increasing not only because business is booming but because companies realise that longer payment deadlines can eliminate the need for short-term bank credit. Adjusting payment arrangements may be part of marketing but it needs to be established whether the customer actually merits this trust. For more than a century, commercial reports have served to identify the risk of payment default at an early stage. In recent years, our focus has been on developing a range of products tailored to the subscriber's risk horizon. In 2013, a special role was played by the monitoring of existing customers. "Signal Adresse" and "Signal Bonität" are two new products developed for monitoring customer portfolios. In the field of monitoring products, we have altogether registered an increase of nearly 40 percent.

Other innovations include the creation of two Internet portals: CrefoDirect permits access, among other things, to reports on private individuals, balance sheet data and payment experiences, while the portal CrefoAdress goes beyond credit management



**Christian Wolfram,**  
President and Chairman of  
the Joint Board of Verband  
der Vereine Creditreform e.V.

to offer all the information needed to compile individual selections for securing new target groups.

The successes of the German economy are the successes of globalisation. We assist firms exporting to every country in the world and, with good reason, have paid special attention to Russia and China. Creditreform China has already built up that country's biggest company database. At the end of next year, its 18 million company data sets will also be available in Germany, just like the 6.5 million Russian company records that are already available online today.

For Creditreform, creditor protection also means facing new challenges in debt collection. Last year, these consisted largely of meeting compliance requirements – because what counts in bulk debt collection for big clients are not only success rates but also the observance of regulatory rules in dealing with debtors and data. And who could do a better job in this respect than we ourselves; after all, since 2013, one successful member of our group has been Creditreform Compliance GmbH.

Yours

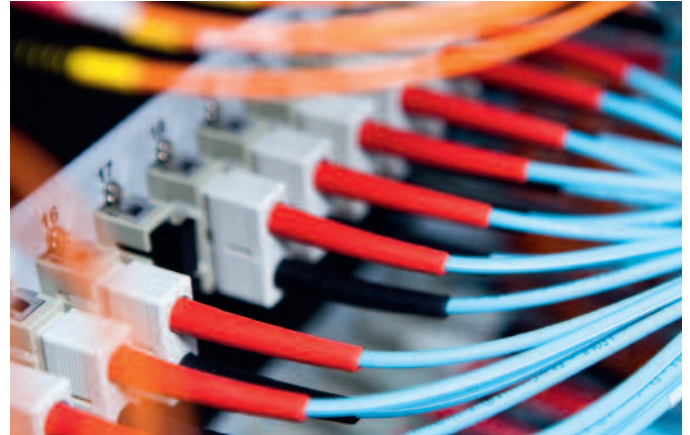
## VIA EVERY PATH AND TO EVERY GOAL

Business information is a valuable commodity. For Creditreform, the aim is always to provide clients with the information they seek for their particular purposes and offer them the most convenient access to it. A growing number of members, for example, are currently opting to have their accounts receivable portfolios analysed by Creditreform in order to optimise their customer management. The new signpost products "Signal Bonität" and "Signal Adresse" for basic monitoring of existing portfolios also enjoy increasing interest among clients. But sales of the traditional Creditreform monitoring function in connection with commercial reports have also registered a more than 24 percent rise. Across all monitoring products, growth – at 38 percent – has been even higher.

A special role is played by the assessment and monitoring of borrower units at banks. Credit institutions are required by the regulator to identify a borrower's legal or commercial links with other businesses so that the risk of one enterprise defaulting does not escalate into a cluster. With the lowering of reporting thresholds from EUR 1.5 to 1.0 million, the importance of assessing borrower units at banks increases – but so does the effort involved. The CrefoSystem module for the automated "assessment of potential borrower units and creation of risk entities", launched in 2013, is the first application of its kind to reduce that additional input by a significant margin. This is one reason for the growing relevance of CrefoSystem at banks, many of which already use the time-honoured compliance modules for economic beneficiary assessment or sanctions list matching. However, it is not the only key to CrefoSystem's success.

Thanks to CrefoSystem, 7,500 users now have daily access to a comprehensive range of customised services for the acquisition and assessment of credit-standing information. As well as upgrading features and fine-tuning details, versions 1.5 and 1.6 introduced a new user interface that will be rolled out by the end of 2014.

The Internet portal CrefoDirect offers easy and convenient access to the Creditreform world. Requiring no installation, it permits direct access to commercial reports, reports on private individuals, corporate information products, balance sheet data,



balance sheet analyses and payment experience information from the DRD data pool. Creditreform members can also manage their debt collection cases online. In the fourth quarter of 2013, CrefoDirect was extended to include an archiving function for Creditreform business information. The new commercial report archive on Creditreform's secure servers gives users online access to the information products and mailbox messages they have called up in the past. To avoid the accidental duplication of information, an optional retrieval checker identifies reports on the company in question that have been consulted in the past.

Information is not only available for credit management; it is also vital for acquisition. CrefoAddress, the Creditreform online shop for B2B addresses, is a dedicated web application launched last year ([www.crefoaddress.de](http://www.crefoaddress.de)) to enable addresses and additional information to be selected in real time from a database of over three million credit-checked active businesses. Numerous detailed selection criteria such as business sector, turnover, management, and primary or secondary activity enable target groups to be precisely defined. The scope of the selected data in terms of depth of information, additional facts and figures, and number of data sets can be freely defined and the selected address portfolio directly exported.

**Credit status –  
crucial not only in  
credit management**



## EFFICIENT AND PERSONAL

With around 1.5 million new orders a year, Creditreform demonstrates that professional expertise in individual debt collection and highly efficient bulk debt collection are not mutually exclusive but in fact complement one another perfectly.

The fast-growing world of e-commerce is a typical area of bulk debt collection. Requiring customers to pay for ordered goods only after they are delivered leads to larger numbers of bills unpaid. Fraud prevention aside, it is imperative that commercial dunning and subsequent pre-judicial and judicial collection should be carried out efficiently. While many companies still view dunning as an integral part of their receivables management, the stages of debt collection beyond it are regularly outsourced to professional debt collection service providers. When selecting a debt collection partner, consideration is given to more than just friction-free technical integration – an important role is also played by debt collection processes that are both efficient and in line with the client's own corporate policy, with a high degree of reliability, an impeccable knowledge of the law in the context of the relevant business sector and a reporting system tailored to the specific needs of the client. Creditreform fulfils these rightfully high requirements on a daily basis – with motivation and success.

But Creditreform also naturally meets major client requirements that initially may seem unconnected with the recovery of customer receivables. IT security and business continuity, for example, are ensured by the fact that we operate our own state-of-the-art computer centres. Specialists such as data security engineers and compliance consultants regularly verify that client data are used only for the purposes agreed and that debt collection is carried out in line with the client company's values and rules. Reputation is a valuable asset and Creditreform does everything possible to ensure that it is protected.

However, successful debt collection also calls for personal contact with individual debtors. Creditreform debt collection specialists act as an intermediary between creditors who want their receivables paid and debtors who may be at the end of their financial tether. The aim is to secure prompt settlement of the client's legitimate claim while taking account of the debtor's

financial situation. Personal contact, especially by debt collection field agents, builds bridges; as a result, partial and instalment payments can often be arranged. Unlike bailiffs, debt collection field



agents can make very flexible repayment arrangements in the early stages of delayed payment and thus help to avoid high legal and enforcement costs.

The debt collection field service naturally has no official power of enforcement. However, prior to the reform of enforcement law only 0.1 percent of distraint proceedings were successful, so in the majority of cases the service provided by a bailiff also consists of "just" collecting payment or identifying distrainable property. What is more, increased workloads and demographic pressure on staffing levels – especially in the wake of enforcement reform – mean that longer execution times need to be anticipated. Nevertheless, enforcement is and remains an important and indispensable element of effective receivables collection.

### In debt collection, the human factor plays a vital role

Against the backdrop of sharply increased bailiff and court costs, Creditreform harnesses credit-status-oriented debt collection and years of experience to provide a cost- and yield-optimised receivables recovery service for creditors – from one-to-one contact with debtors to IT-based bulk collection.

# ENLIGHTENMENT ON CREDIT-STANDING

For Creditreform Boniversum GmbH, 2013 was the most successful business year since it was founded. Once again, the final three months formed the strongest quarter, with a performance that easily exceeded those before. The large number of inquiries reflected the end-of-year business of e-commerce clients. And e-commerce, in turn, is growing significantly. Even traditional retailers are opening electronic outlets because this is where new customers can be gained and more cost-effective offers can be placed. In the autumn of 2013, Boniversum set a new record for numbers of BONIMA inquiries and in October broke through the two-million threshold for the first time. It is interesting to note that Boniversum clients are not confined to the domestic market; they are increasingly international. Contracts have been concluded with two banks from Malta and Finland which aim to extend their P2P lending activities to Germany as well.

## Consumers are active in financial communication

Despite the upward trend in operative business, consumer information remains a sensitive field. Currently, attention is focused on a data protection directive planned by the EU which would impact significantly on the needs of companies, such as those in e-commerce, seeking relevant information. The directive would, for instance, enable private individuals to insist on the deletion of their data. In the field of social networks, this is a legitimate concern, but for business information agencies and companies that need to obtain a picture of the creditworthiness of their customers it creates a dangerous hindrance. After all, it is precisely those individuals with negative payment histories who are most likely to make use of this new right.

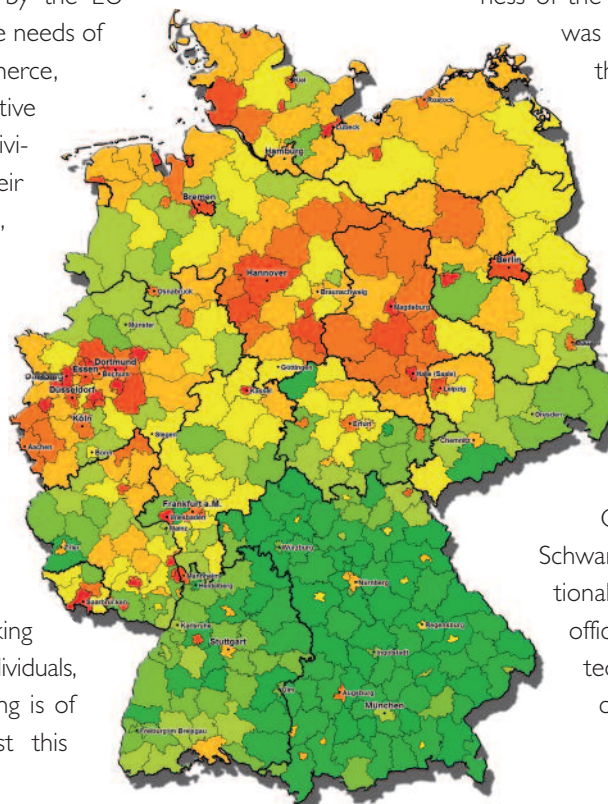
Since 2013, Boniversum has been taking into account the fact that for private individuals, knowledge of their own credit-standing is of steadily growing importance. Against this

background, the company decided to broaden its service portfolio by including private client business. In the U.S. and the UK, business information agencies have for several years been successfully offering services to private clients. Now, since the beginning of 2014, [www.bonigo.de](http://www.bonigo.de) has been online, enabling private

**BONI GO**  
BONITÄT CLEVER NUTZEN

individuals to obtain data on their own credit-standing at any time. "It is not just knowledge of one's own credit-status which plays a significant role nowadays, it is also becoming more and more important to make active use of this credit-standing information, for example when it comes to finding a new place to live. That is why we have decided to offer this service to private individuals from now on, and have thus broadened our B2B business by adding a function for consumers as well", says Siebo Woydt, Managing Director of Boniversum.

One major contribution made in 2013 to raising general awareness of the creditworthiness of German citizens was the publication of the new edition of the DebtorAtlas Germany (Schuldner Atlas Deutschland). The selective identification of particularly indebted municipal and regional areas and social agglomerations facilitates the use of targeted measures. The DebtorAtlas has developed into a useful tool for local authorities – something illustrated by an example from the federal state of Baden-Württemberg: in mid-2013, the Social Affairs Committee of the rural district of Schwarzwald-Baar decided to fund an additional part-time job in its debt counselling office when it discovered that over-indebtedness in the district's twenty different communities had risen sharply.



# RATING: FOR BANKS AND BUSINESSES

Since 2009, financial service providers in Germany have been subject to stepped-up regulation by the Federal Financial Supervisory Authority (BaFin). Statutory rules, such as the need to meet minimum risk management requirements (MaRisk), present new challenges for financial services. In future, automation of credit decision and payment processes will play an even more important role in defining a financial service provider's market success. While the focus in the past was primarily on the individual credit decision, risk management is now concerned more with assessing entire portfolios.

The rating system operated by Creditreform Rating is an ECB-approved rating tool. It is suitable for classifying counterparty default risks and is thus MaRisk-compliant. Ratings are assessed and calibrated across the whole spectrum of private enterprise in Germany. The combination of balance sheet data and business information permits a significant improvement in classification performance. The rating system consists of a total of six modules, which are deployed according to company size and information depth. This makes it possible to achieve a comparable standard of risk classification across all company sectors. Throughout the whole range of modules, the rating system has proven extremely accurate.

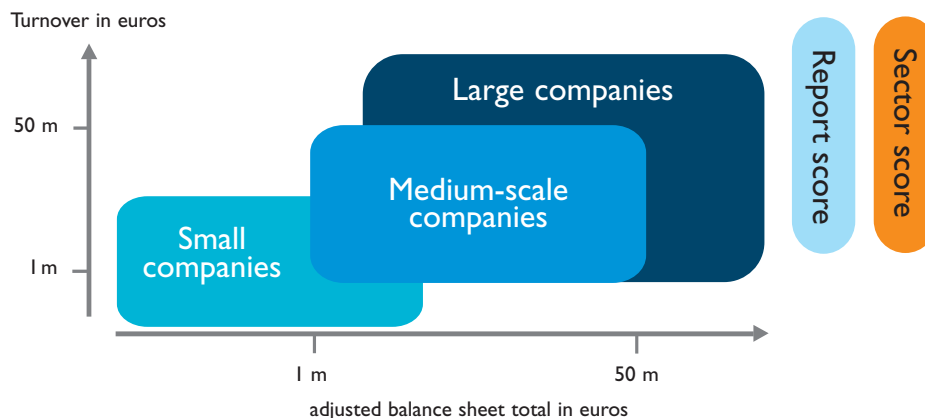
The aim of the rating system is to define valid default probabilities as a basis for meeting central regulatory requirements. This will make the risk structures of financial service providers more transparent and better subject to evaluation. In a study entitled "Mittelständische Anleihemärkte in Deutschland 2010–13" (SME bond markets in Germany 2010–13) Creditreform Rating has described the development of the SME bond market and its

## For SMEs too – and not just for the capital market – ratings are vital

suppliers. There is an evident trend towards greater use of the bond market in Germany. By the end of 2013, 106 bonds with an aggregate face value of around EUR 4.92 billion had been issued by a total of 95 SMEs. 90.6 percent of bond issuers have a rating from a rating agency. Creditreform Rating commands 71.7 percent of the market.

More and more companies are interested in seeking finance on capital markets. Key factors are the low level of interest rates and heightened investor interest in conjunction with reticence on the part of banks regarding long-term corporate financing. The regulated SME bond market is thus a valuable source of financing for business companies. Creditreform Rating believes that demand for bond market financing will continue undiminished through 2014, not least because of the fact that demand in the European

bond market is bullish. The volume of long-term euro-denominated bonds issued by companies in eurozone countries has increased from 5.0 to 7.8 percent of GDP. However, in Germany corporate bonds accounted for just 4.4 percent of total bond volume – compared with 14.3 percent in France, for instance. As an SME bond specialist, Creditreform Rating is set to profit from this growing market segment.



# SECURE WORLDWIDE WITH CREDITREFORM INTERNATIONAL SERVICES

In 2014, export continues to be the growth engine for the economy in Germany. Creditreform is convinced of Germany's export strength and especially of the capabilities of the mid-market companies which form the Mittelstand, the country's economic backbone. Accordingly, it is expanding its worldwide supply of quality corporate facts and figures. Both this year and next, the extension of our international range of business information will be in full swing.

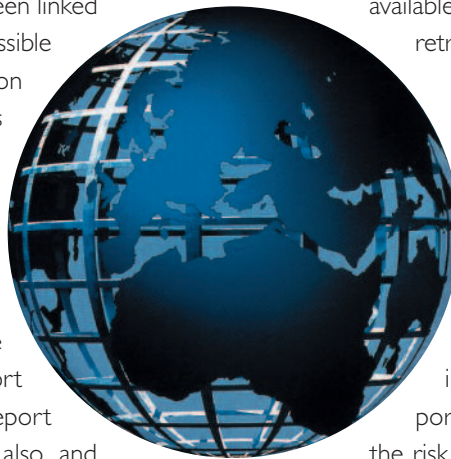
The development and expansion of our central European search database is making great progress.

The new Creditreform database not only provides a unified search function but also improved quality thanks to the addition of search fields. Since the end of January 2014, Switzerland, the Netherlands, France and the UK have been linked up to the database. A fuzzy search is possible across the entire Creditreform information supply spectrum with the system solutions CrefoDirect, CrefoScore, CrefoSprint, CrefoSystem, CrefoMobil, CrefoTeam and Web Services.

Since February, commercial reports from France, Denmark and Sweden can be obtained in the new Creditreform report layout. The new international commercial report not only offers a uniform appearance; it also, and above all, provides additional information which can be obtained in structured form via the Creditreform delivery services. By mid-2015, the new international commercial report should be available for all countries and across all supply channels.

On March 18, 2014, the CrefoDirect online database was extended by the integration of Russia, with business information on over 6.5 million Russian companies. This means that Creditreform is the first European supplier with an online source of business facts and figures on Russian businesses. All active enterprises included in the public register of companies (together with their tax number) can be called up. The widely used Russian tax number forms a part of the displayed ID number and can even be used as a substitute for the company

## New markets on the doorstep: Russia and China



name as a search criterion. In addition to the current register details and researched additional data, the information on offer includes published financial statements, profit and loss accounts, and any debt collection procedures and negative features, such as insolvencies, liquidations and deletions. Thanks to improved integration of the available data and connection to the Creditreform online system, the average processing time for an order has been reduced to under five working days.

With 18 million sets of data on business companies, Creditreform China has the largest Chinese corporate database available anywhere. Up to the end of 2014, the focus of activities in this field will primarily be to connect national clients and resellers to the local Chinese online interface in order to strengthen the organisation's market position in China. Then, probably from the end of 2015, business information from China will also be available to Creditreform's European clients for direct retrieval online.

For Creditreform, security in international business is always the foremost priority. After all, export activities not only offer opportunities, they also represent risks with regard to the ability and readiness of customers to pay for the goods or services received. Commercial reports on companies in all countries around the world offer exporters an ideal instrument for correctly assessing the risk of default by their business partners. Over 30 million data sets on companies from 27 European countries are available for direct retrieval via Creditreform's online systems. In addition, commercial reports can be ordered on any active business enterprise anywhere in the world. Rounding off Creditreform's spectrum of services is international debt

## Debt collection available not just in Europe but worldwide

collection. This ensures that outstanding debts are realised rapidly, using all the legal options which the individual countries have to offer.



# 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 with 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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