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International Factoring Congress Warsaw

To what extend can new technologies influence the business strategy in providing optimum risk management?

Peter Klaus, General Manager Eurofactor Germany

New technology is mandatory and a question of survival

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- Regulator requirement: Do more
  - Full Supervision of the Factoring industry expected, new rules and regulations e.g. AnaCredit, IT security act
  - Review business models in order to increase profitability in a low margin environment without increasing risk
- Shareholder wishes: Do more with less and integration within banks / groups
  - New business models
  - Interfacing / compatibility of systems and processes
- Clients needs: Do more for less
  - Flexible tools and immediate information that can be integrated directly in client systems and "touch and feel" like at home
- Employees expectations: Systems “touch and feel" like at home

Main features

- Volumes
  - Mass data treatment: 16.5 bn factoring turnover (2014), 100.000 debtors, 80.000 credit / funding limits, 12.000 contracts, about 2 mio invoices and payments (1-8.2015), several mio transactions p.a.
- Multi products cross countries
  - Product (Inhouse, Full, Reverse ...) as Recourse / Non recourse on debtor level
  - Credit coverage (own credit insurance, assigned credit insurance policies, 2-Factor-coverage, own risk) at least on country level
- Web front for clients, incl. data upload and download
- Daily file integration, full calculations (retentions for ageing, concentration, availability, ...), process automation
  - Build debtor groups incl. CRE, use concentration limits (debtors, groups, industries, countries, ...)
  - Largely automated debtor payment allocation and matching

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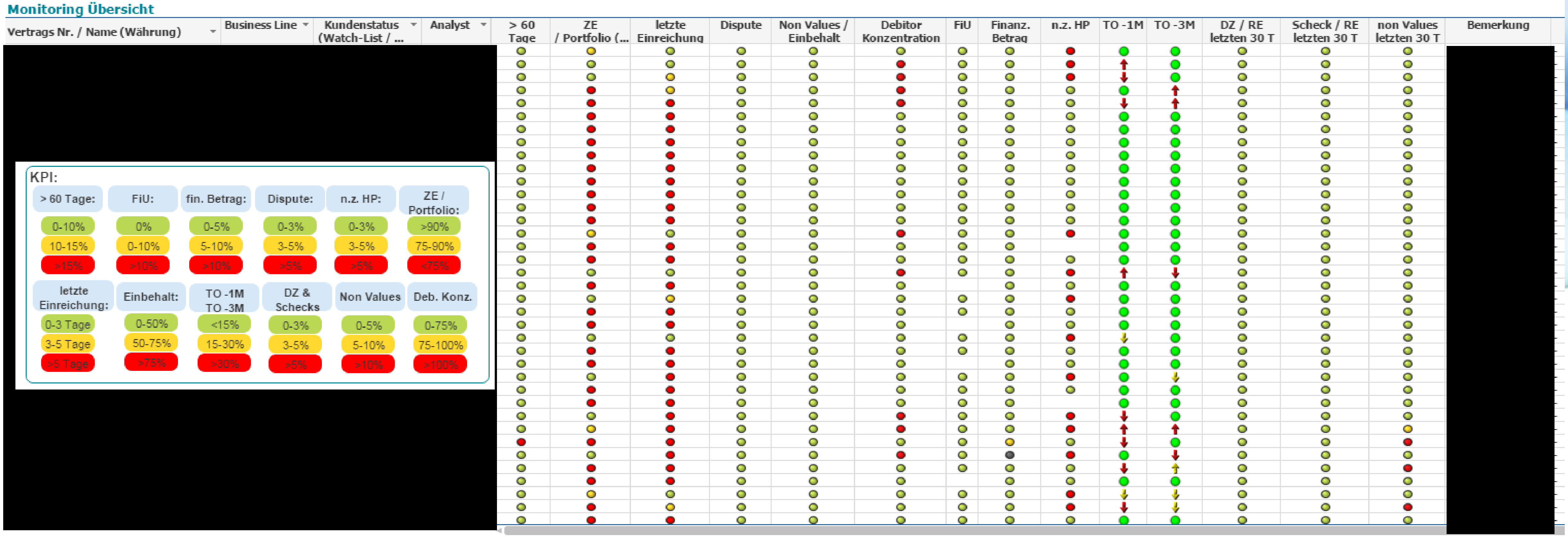
Main features

- Integration of
  - External data provider (identification / address information, groups, payment behaviour, industries, ratings, KYC), credit insurers
  - Sales/CRM tools
  - General ledger and bank account information
  - Analysis and reporting tools (fraud detection, risk monitoring, business intelligence,...)
  - Partner platforms like FCI, IFG 2 Factors messaging systems

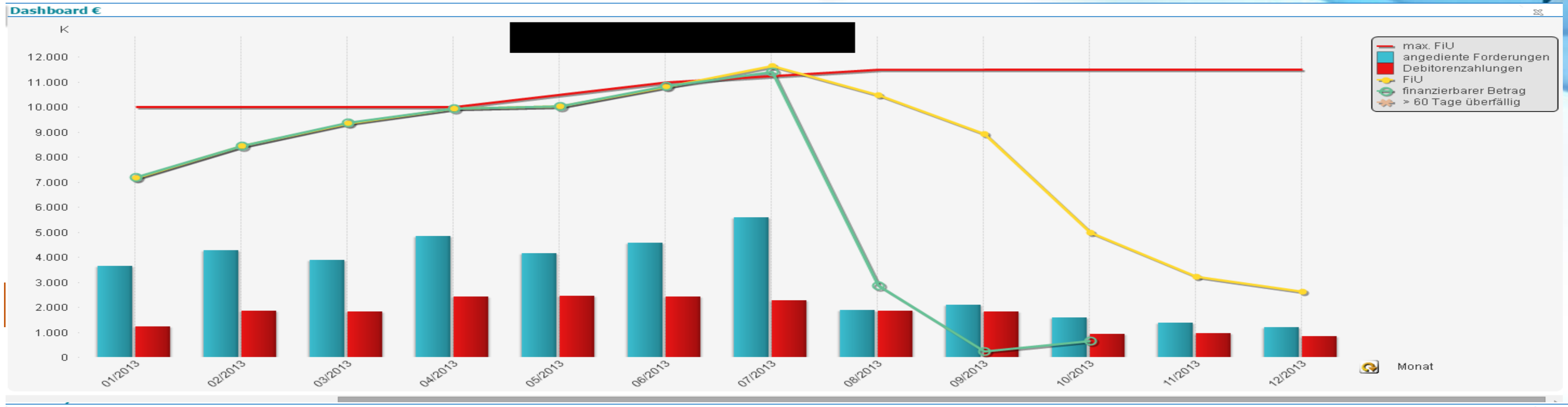
➔ Transparency, data accuracy and process security, increased analysis and risk monitoring capabilities

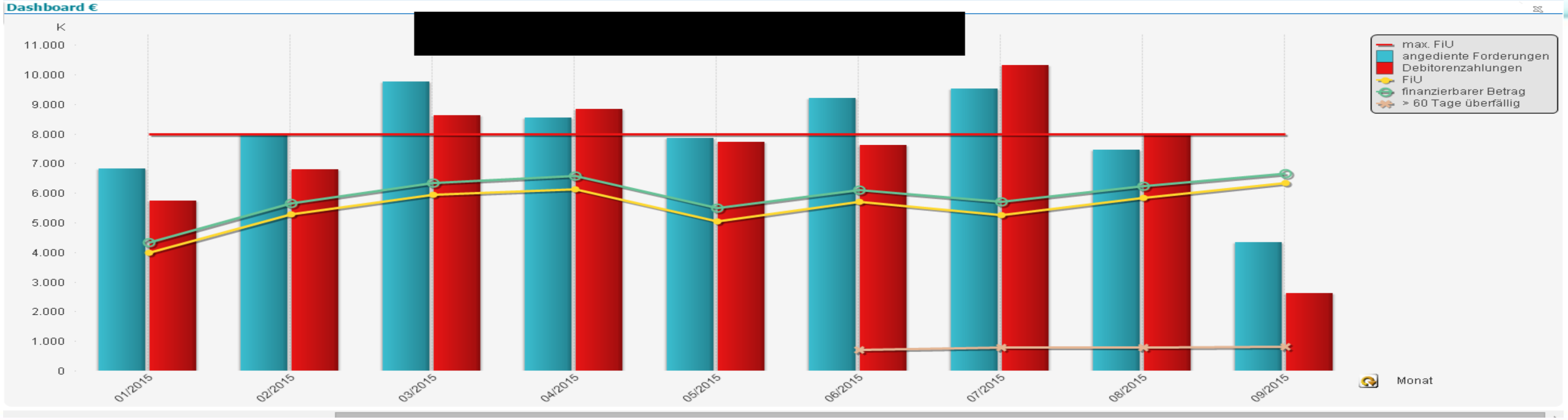
  - Full visibility on the portfolio (all details available at portfolio item level, very precise reporting, compliance / regulatory requirements)
  - Data accuracy (real time client positions (availability, FiU, ...), debtor/client companies data quality (automated external control against external databases, debtor group building, duplicate detection process), improved regulatory reporting (grouped at risk unit level) and data enrichment (industry, country risks, ratings)
  - Ability to do Inhouse (like Full) in a secure and efficient way ➔ additional offers, smaller tickets
  - Complete portfolio analysis and risk monitoring possible at any time

Risk monitoring example 1

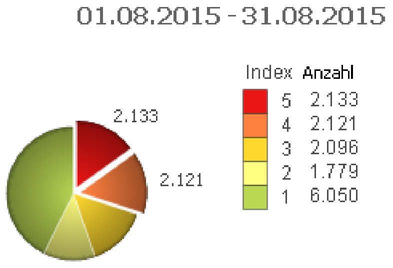


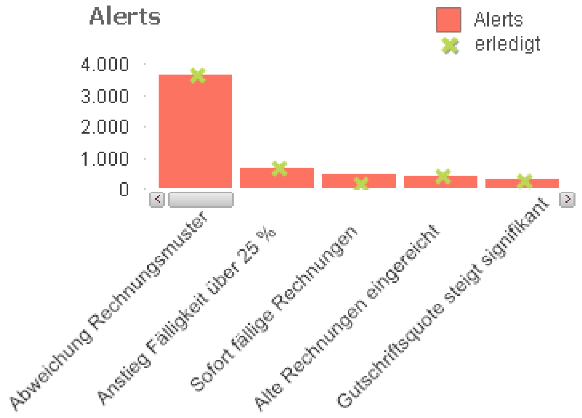
Risk monitoring example 2





Fraud protection overview





Technology is nothing without the people

- What will remain more important still is to have an experienced staff doing risk management ground work: analysis of clients business models, financials and bookkeeping, their debtors and industries, processes and contracts as well as performance of audits on site.

Change management as ongoing key management aspect

- After a project is before a project → no time to digest.
- Adapt the organisation, invest in resp. key people
- Change processes in line with the way tools are working, not the other way round

German market overview

	2014	Turnover	Growth	Market Share
1	GE Capital Bank AG	49,8 bn €	8,3 %	26,2 %
2	PB Factoring GMbH	32,6 bn €	-0,5 %	17,2 %
3	Coface Finance GmbH (*)	27,5 bn €	13,6 %	14,5 %
4	Eurofactor AG	16,5 bn €	12,2 %	8,7 %
5	Deutsche Factoring Bank	11,7 bn €	12,5 %	6,2 %
6	Süd Factoring GmbH	11,6 bn €	1,8 %	6,1 %
7	BNP Paribas Factoring GmbH (*)	9,4 bn €	67,9 %	5,0 %
	Other	*30,7 bn €*		*16,2 %*
	Total Market	189,8 bn €	10,9 %	100,0 %

(*) Not published

- Very competitive market
  - Low margin strategy of some competitors purchasing market share, increased risk appetite
  - Direct competition with banks which have to use their excess of liquidity (generated by the QE of ECB)
- Currently no impact of the announced sale of the market leaders (GE / Postbank) or merger of Deutsche Leasing / Deutsche Factoring Bank / Universal
- No improvement in margin expected in the coming years