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AL CREANȚELOR COMERCIALE

AMCC's mission is to represent its members at national and international level, to promote the concept of credit services management and support it in the national legislation.

AMCC wants to be a **national representative association for debt collection agencies** in Romania and to implement a high standard of quality in the management of receivables.

AMCC's scope:

The main purpose of AMCC is to regulate the profession and to **set professional ethical principles to be followed by debt collection companies** in relation to retail and corporate debtors.

Since its establishment, AMCC is a full member of FENCA – Federation of European National Collection Associations.

Through AMCC, Romania became the 15th Member of FENCA.

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*AMCC was founded in **2007** at the initiative of **Coface**, **EOS KSI** and **Creditreform**. Currently brings together **17 members**.*

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■ **What is debt collection?**

■ Debt collection market evolution and trends in 2017

    ■ Romanian B2C debt collection market:

        ■ B2C – Serviced debt

        ■ B2C – Purchased debt

    ■ Romanian B2B debt collection market

    ■ International collection

■ Continuous improvement measures

What is debt collection?

Why do companies choose to externalize debt collection?
- *A possible answer would be due to legislation (e.g.: prudential rules regarding non-performing loans), cash flows constraints and decisions to increase operational efficiency can lead to debt collection externalization.*

Debt collection agency
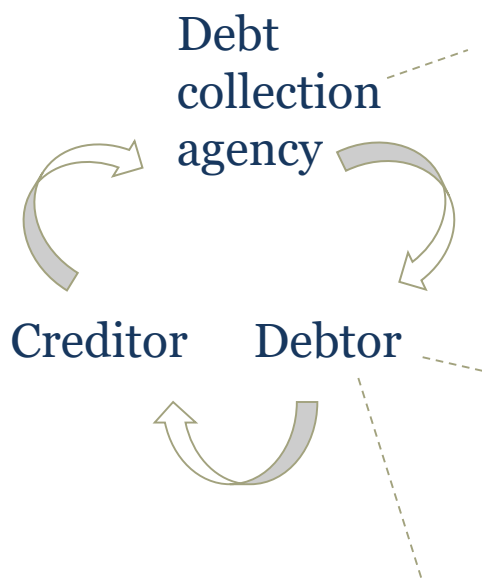
Creditor   Debtor

- **A debt collection agency acts as an intermediary between a debtor and a creditor. It can facilitate a payment schedule for the debtors.**

- **A creditor can have two categories of clients, B2C and B2B.**
- **B2C clients are natural persons (e.g. people who have a telecom subscription, etc.)**
- **B2B clients are legal persons (e.g. companies/NGOs that receive loans from banks, etc.)**

- **The communication between the collection agents and the debtors is the quickest and easiest way to solve the debt situation under conditions that are favorable to all parties.**

Debt collection process

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Creditor

Who are the companies (**creditors**) that refer collection of debt?

- **Banking institution**
- **Telecom companies**
- **Leasing**
- **Insurance**
- **FMCG**
- **Universities**
- **Pharma etc.**

How is debt transferred to debt collection companies?

a. Purchase rights for the debt
(Debt purchased)

b. Collection based on success fee
(Debt Serviced)

What does this mean for the **debtor?**

- **Rights** over the **debt** are **referred** to a **debt collection agency** or a **consortium of companies**.
- **Collection** is taken over by the **company** which **owns the rights over the debt**.

- **Rights** over the **debt** are **kept** by the **creditor**
- **Debt collection operations** are **performed** by the **contracted company**, in return receiving a **fee**, according to the **service agreement**.

Debtor

Who is a **debtor**?

- **Natural persons** (employees, students, etc.)
- **Legal persons** (limited liability company, corporations, etc.)

How is the debtor contacted?

- Phone calls
- E-mail
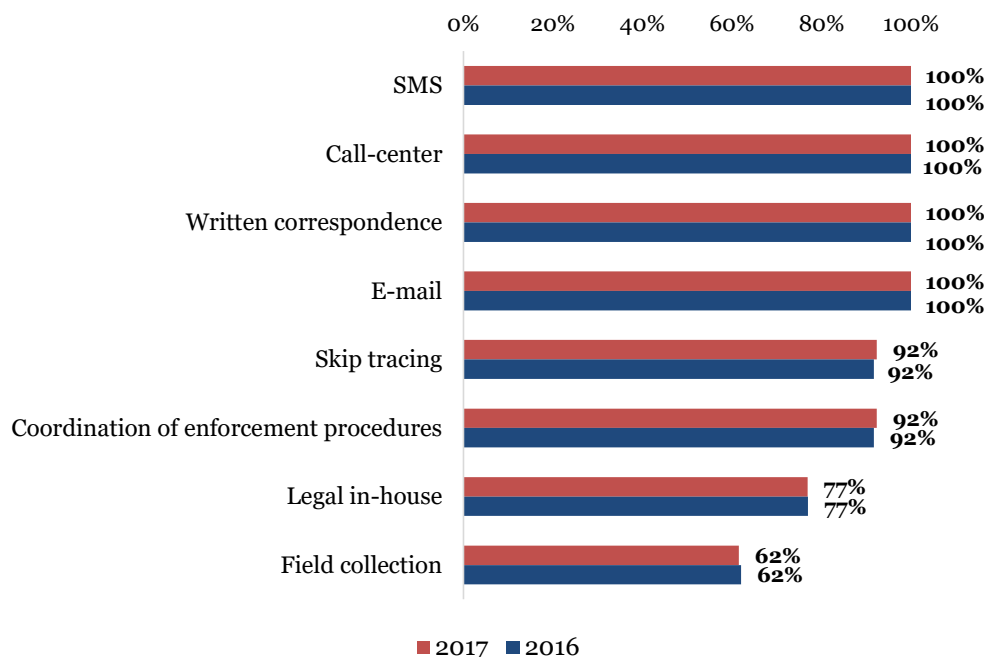- Written correspondence
- Field activities

What is the general approach?
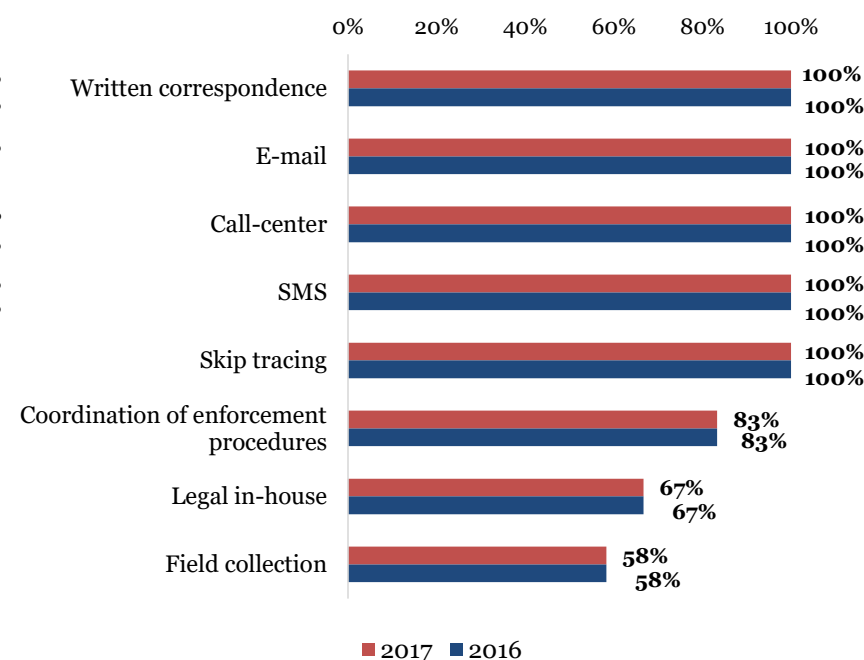
Discussions with the debtor include:
1. **Identify solutions** for payment of debt;
2. **Decide** on the **best option** for both the debtor and the creditor;
3. **Agree** and **sign a written agreement** based on previous discussions.

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Debt collection services

Type of services offered - B2C
2017 vs. 2016

Service	2017	2016
SMS	100%	100%
Call-center	100%	100%
Written correspondence	100%	100%
E-mail	100%	100%
Skip tracing	92%	92%
Coordination of enforcement procedures	92%	92%
Legal in-house	77%	77%
Field collection	62%	62%

■2017 ■2016

Type of services offered - B2B
2017 vs 2016

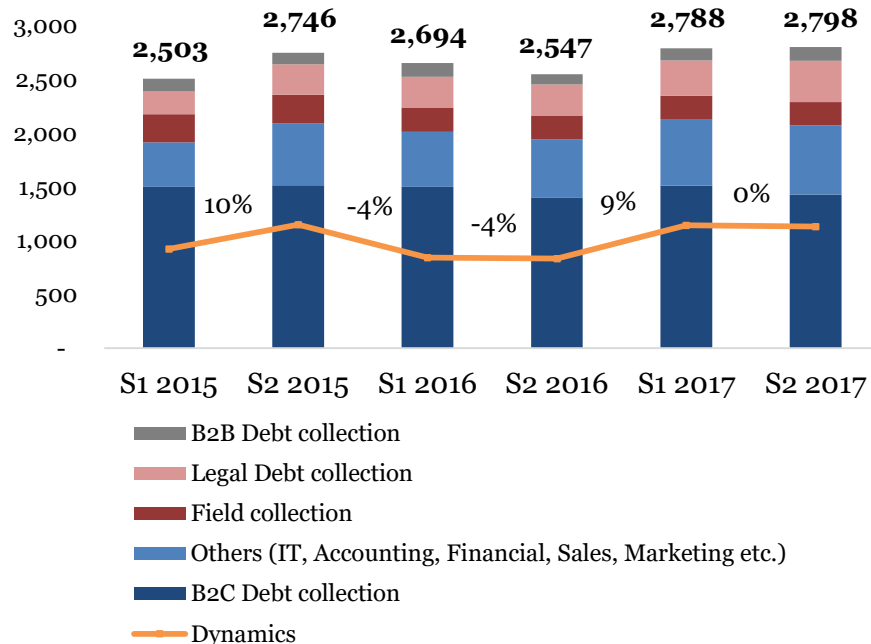| Service	2017	2016
Written correspondence	100%	100%
E-mail	100%	100%
Call-center	100%	100%
SMS	100%	100%
Skip tracing	100%	100%
Coordination of enforcement procedures	83%	83%
Legal in-house	67%	67%
Field collection	58%	58%

■2017 ■2016

- **Services provided for the B2C sector:** All of the respondents use call-center services, SMS, written correspondence & e-mails to communicate with B2C clients.

- **Services provided for the B2B sector:** Similar to B2C services, e-mail, SMS and written correspondence services with call-center services are being used by all respondents. As in 2016, field collection is among the least used services for B2B collection.
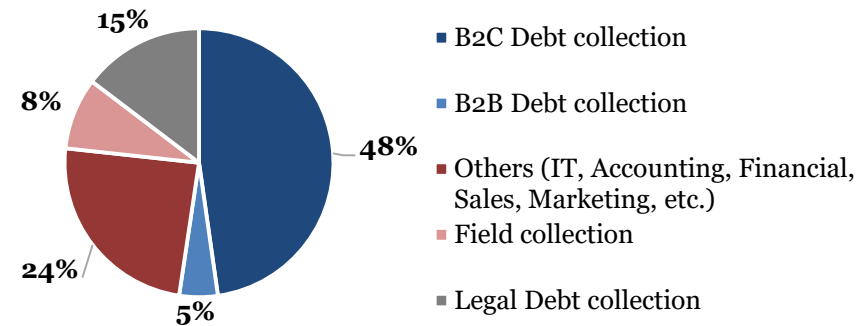
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Employee structure

Total number of employees by service performed (full & part time)
2015- 2017 evolution

Bar chart values: S1 2015: 2,503; S2 2015: 2,746; S1 2016: 2,694; S2 2016: 2,547; S1 2017: 2,788; S2 2017: 2,798

Dynamics: 10%, -4%, -4%, 9%, 0%

Legend:
- B2B Debt collection
- Legal Debt collection
- Field collection
- Others (IT, Accounting, Financial, Sales, Marketing etc.)
- B2C Debt collection
- Dynamics

Full-time employee (FTE) structure by service performed
S2 2017

Pie chart: 48%, 5%, 24%, 8%, 15%

Legend:
- B2C Debt collection
- B2B Debt collection
- Others (IT, Accounting, Financial, Sales, Marketing, etc.)
- Field collection
- Legal Debt collection

Employee turnover rate by service performed
2016 - 2017

Bar chart: B2C Collection 35%, B2B Collection 18%, Others 17%, Field Collection 14%, Legal Collection 16%

2017 Turnover rate for the industry: 29%
2016 Turnover rate for the industry: 35%

Legend:
- 2017 Turnover Rate per Service
- 2017 Turnover rate for the industry
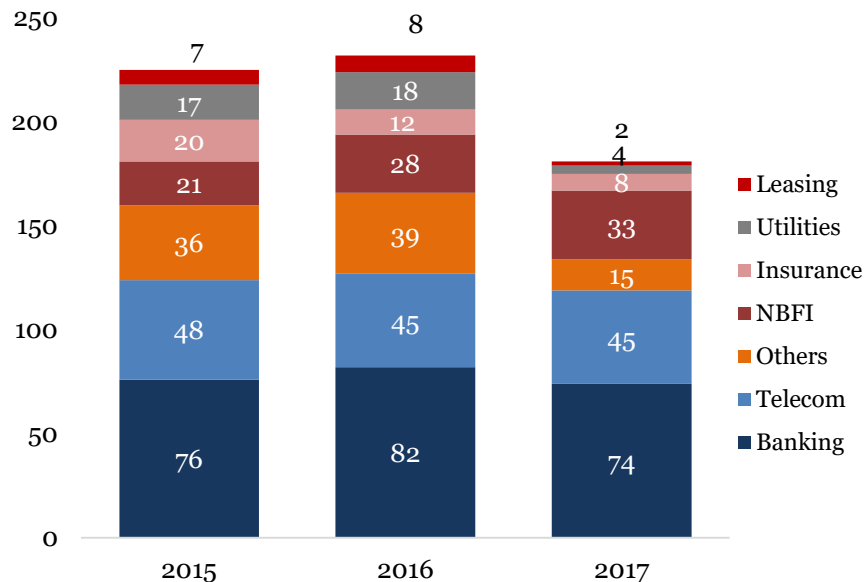- 2016 Turnover rate for the industry
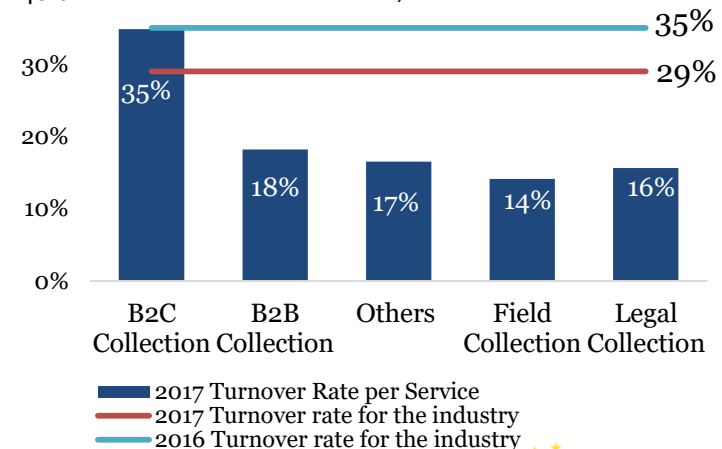
- On a general note, the debt collection sector has registered a steady increase in the number of employees from the end of S1 2015 till the end of 2017.
- B2C debt collection is the most employee-intensive function, accounting for approx. 48% of the total FTE.
- The employee turnover rate has decreased in 2017 compared to 2016 with 6%, driven mostly by departs from the B2C collection segment.
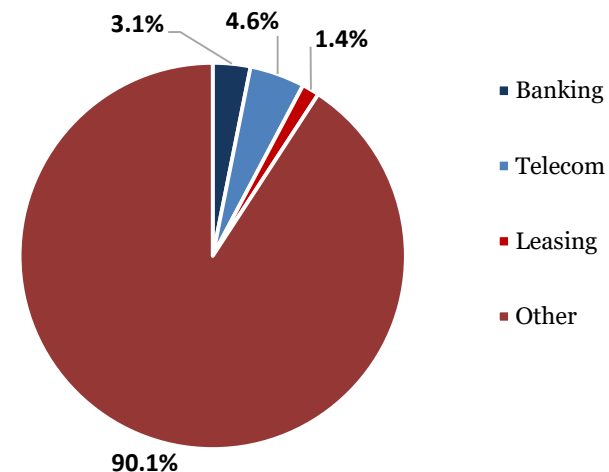
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In 2017, the total number of active clients has decreased by 12% compared to 2016, mainly due to portfolio optimization measures

Active clients

B2C Evolution of the number of active clients 2015- 2017

Legend: Leasing, Utilities, Insurance, NBFI, Others, Telecom, Banking

2015: Banking 76, Telecom 48, Others 36, NBFI 21, Insurance 20, Utilities 17, Leasing 7
2016: Banking 82, Telecom 45, Others 39, NBFI 28, Insurance 12, Utilities 18, Leasing 8
2017: Banking 74, Telecom 45, Others 15, NBFI 33, Insurance 8, Utilities 4, Leasing 2

B2B - Active clients by activity sector 2017

- Banking 3.1%
- Telecom 4.6%
- Leasing 1.4%
- Other 90.1%

- **B2C segment:** The number of active clients has decreased compared to the similar period from 2016, mostly in the other industries, utilities and banking sector.
- **B2B segment:** Most of the active clients come from other industries such as FMCG, Pharma, IT, Distribution, with a rather limited representation from the NBFI, insurance and utilities sectors.
- In 2017, 64.5% of B2C active clients were from the financial services sector (banking, NBFI, insurance).

*Number of active clients was calculated at AMCC level
**One client does no necessary account for one client, as a creditor can request collection services from more than one collection agency.*

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- What is debt collection?

- **Debt collection market evolution and trends in 2017**

    - Romanian B2C debt collection market:

        - B2C – Serviced debt

        - B2C – Purchased debt

    - Romanian B2B debt collection market

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Debt collection market in 2017

Romanian B2C debt collection market – Serviced debt.

- In 2017, serviced debt referred has decreased by 40% compared to 2016, in terms of debt value, while in terms of number of cases it registered a slight contraction (-2%).
- The value recovered from B2C cases and returned into the economy by debt collecting companies was ~127 mil EUR, a 50% decrease compared to 2016, mainly due to a low value/case referred by creditors in the banking and telecom sector.
- Average value per case for serviced debt referred in 2017 was 202 EUR/case, while for debt recovered was 67 EUR/case.
- The most important sector in terms of number of cases referred for 2017 remained, as in 2016, telecom sector.

Romanian B2C debt collection market – Purchased debt.

- The value of purchased debt referred decreased in 2017 by 8% compared to 2016, mainly due to lower values acquired in the banking and telecom sector.
- In 2017, the value of guaranteed debt acquired reached 25% of the total value of B2C banking debt purchased.
- Average value per case for purchased debt referred in 2017 was 936 EUR/case, while for debt recovered was 149 EUR/case

Romanian B2B debt collection market – Serviced debt

- In terms of serviced debt referred, the number of cases in 2017 registered an increase of 6%, mainly due to a higher number of cases in the telecom and leasing sectors.
- The average value per case for serviced debt referred was 8,042 EUR/case in 2017, while the average recovered value per case was 570 EUR/case.

Romanian B2B debt collection market – Purchased debt

- In 2017, the B2B purchased debt referred, in terms of value, has registered a record level (587 mil EUR), mainly due to the purchase of a large banking debt portfolio that accounted for ~97% of the total B2B purchase debt referred.

Debt collection players expect a rather moderate growth in terms of debt collection for 2018 due to debt purchased portfolios reaching maturity and new regulations that await approval which could influence debt portfolios referred.

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Operational performance and market regulations

- **Services offered.** Main services provided by the respondents are written correspondence, e-mail, SMS and call-center services. It seams that other services such as legal in house and coordinating enforcement procedures have begun to be more and more attractive for clients.

- **Employee structure.** B2C collection segment is the most employee-intensive sector accounting for more than 50% of total number of employees. A growing employee category within AMCC member companies is the legal in house segment, which registered a ~32% increase in number of employees in 2017 compared to 2016.

- **Operational improvement.** The respondents' main focus for 2017 was to increase efficiency by standardizing processes and focusing on employee development, while implementing client-orientated initiatives.

- **Market regulations.** The members are expecting that new regulations will be imposed. In turn they are planning to focus on diversifying their service portfolio and adjust to the new requirements thus maintaining client service level.

Debt collection players have in plan during the next period to continue improving operational efficiency through specific initiatives (e.g. optimize core business processes, clearly define procedures, trainings for employees, etc.) and enhance client satisfaction by providing high quality customized services.

Survey statistics

Total number of respondents: 13, *covering a representative estimate of 70% of the total debt collection market (debt servicing and debt purchasing) and 90% in terms of debt servicing market.*
The Survey was commissioned by AMCC to Ensight Management Consulting and was prepared in accordance to data submitted by each participating AMCC member.

Debt referred 2017 (EUR)

Romanian Market

B2C	-24%	⬇	2,046,093,215
B2B	51%	⬆	1,335,620,092
Total	-6%	⬇	3,381,713,307

Debt recovered 2017 (EUR)

Romanian Market

B2C	-16%	⬇	348,137,667
B2B	-45%	⬇	54,759,468
Total	-22%	⬇	402,897,134

Revenues 2017 (EUR)

B2C Collection	-37%	⬇	9,961,560
B2B Collection	-34%	⬇	4,963,991
Debt purchased	57%	⬆	54,266,848
Total	20%	⬆	69,192,399

Companies that include in their portfolio of services Debt Collection:

- *Creditreform Romania*
- *Coface Romania*
- *Re Collection*

Companies that include, besides Debt Collection, Debt Purchasing:

- *Debt Collection Agency[1]*
- *Creditexpress Romania*
- *EOS KSI Romania*
- *KRUK Romania*
- *Intrum Romania*
- *Improvement Credit Collection*

- *Cycle European*
- *Fire Credit*
- *Kredyt Inkaso[1]*
- *Getback Recovery[1]*

NB: Market dynamics calculated based on data from 2016
[1] Only purchased debt

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Debt collection sector expectations for 2018

Major drivers of the B2C Debt Collection market
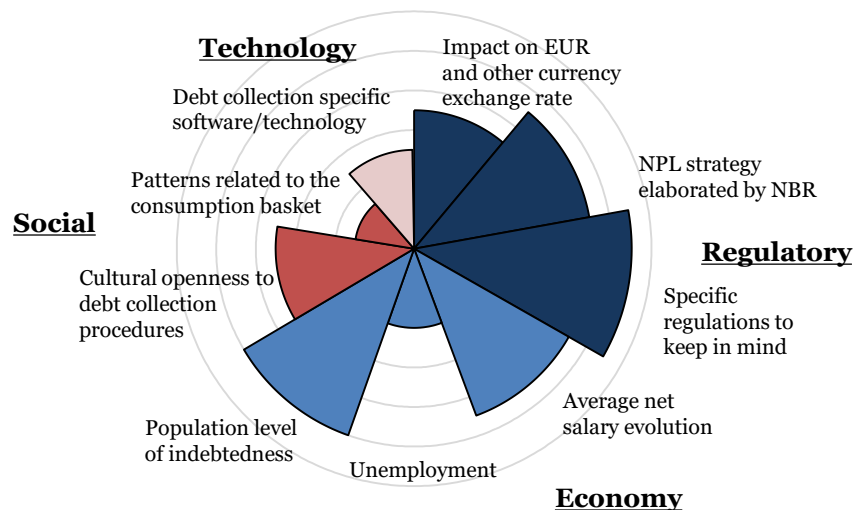
Major drivers of the B2B Debt Collection market
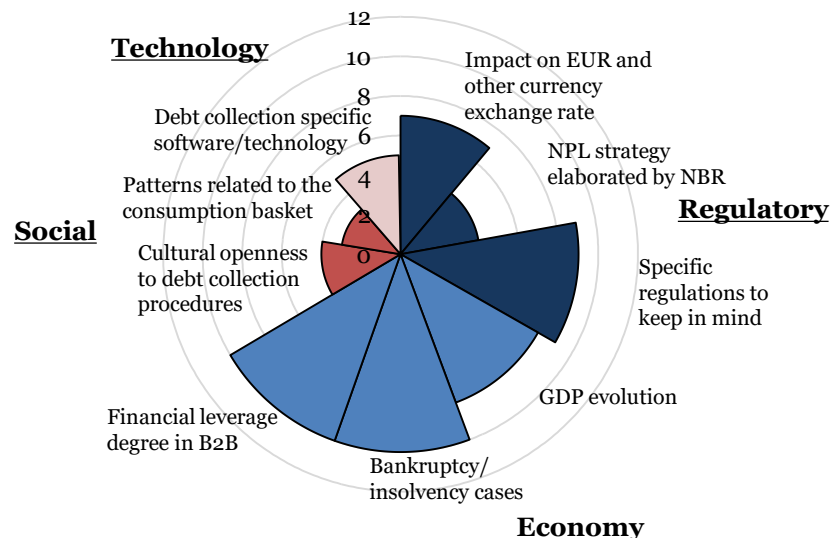
Major growth drivers B2C.

- AMCC members which participated in the survey stated for 2018 that specific regulatory aspects will be the most influential driver for the debt collection market evolution. Cultural openness to debt collection procedures has registered a slight growth in importance among the members as more and more debtors get familiar with the process and are already cooperating in finding the best solutions for all parties.

Major growth drivers B2B.

- Similar to 2017, economical (financial leverage degree and bankruptcy/insolvency cases) and regulatory (specific regulations) factors are expected to have a significant impact on the ability of Romanian companies to reimburse debt.

Expectations:

- Factors as population level of indebtedness for B2C or financial leverage degree in B2B will continue to have a higher impact in the debtors payment behavior, especially in the current economical context.

- Among AMCC members it is expected that technology will have a more significant role within the process of collection thus improving collection efficiency rates.

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Respondents foresee in S1 2018 an increase in the number of indebted population and also customers with repayment difficulties

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Market trends for the first semester of 2018

**Members perspective –
Indebted population**
Evolution in the next 6 months

46%

54%

■ Decrease ■ Increase ■ Constant
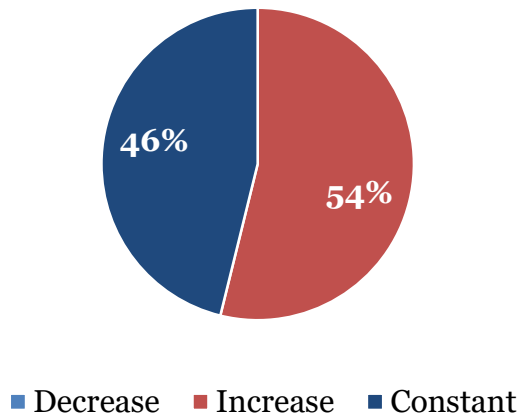
**Members perspective –
Number of customers with repayment difficulties**
Evolution in the next 6 months

8%

38%

54%

■ Decrease ■ Increase ■ Constant
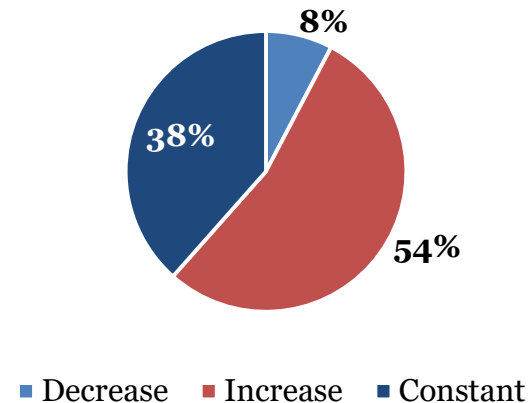
- **Indebted population:** Expectations regarding indebted population level is considered to be on a growth trend, since consumption is expected to continue to increase and also "Prima casa" program is expected to be again fully subscribed this year.
- **Customers with repayment difficulties:** The increase of the ROBOR rate will have an impact on the payment capacity of the population, as seen in the respondents' general perspective. Thus, most of the respondents expect that the number of customers with repayment difficulties will increase mainly due to higher interest rates and the devaluation of the national currency vs. foreign currencies.

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Sector evolution for 2017 has registered a decrease in terms of value of debts referred (-6%) and debts recovered (-22%)

Sector evolution in 2017 vs. 2016

Value (EUR) of Domestic Debts | Referred
B2C vs B2B
2017 vs. 2016

- B2C
- B2B
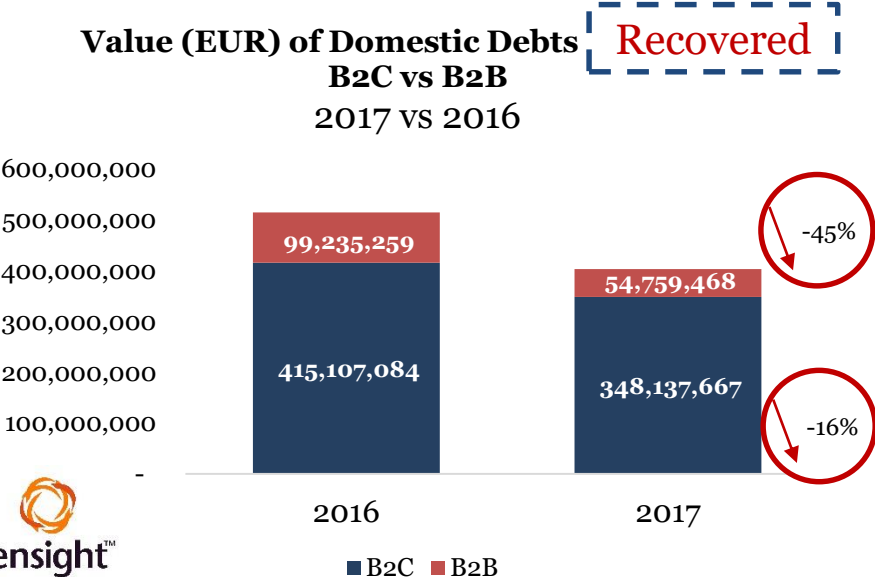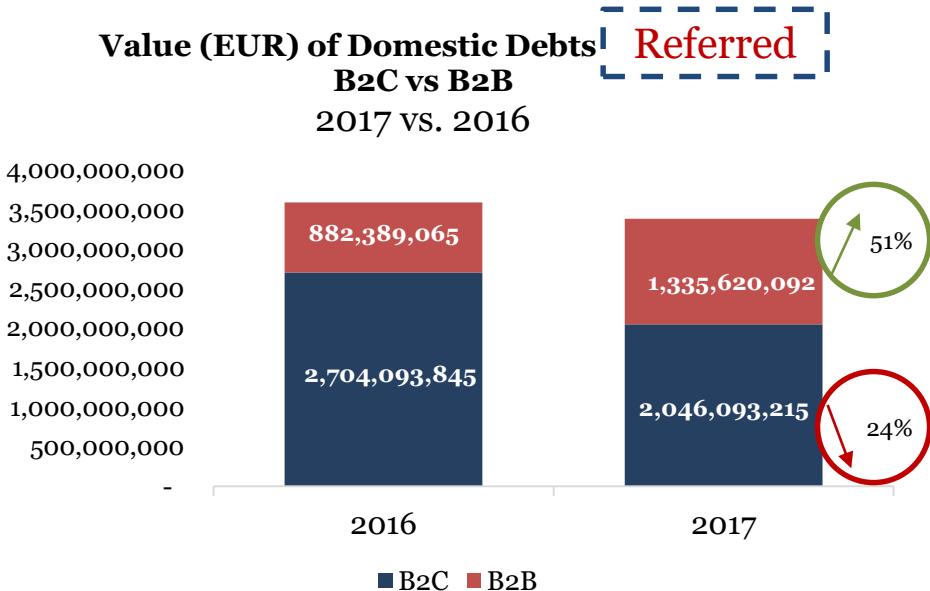
Sector evolution. B2B debt referred sector was the only sector that registered an increase in terms of value of debt referred in 2017, compared to 2016. The increase is mainly due to debt portfolios acquired from the banking industry.

Trendlines developed among AMCC members:
- Standardizing operational processes.
- Improving people performance on the job.
- Process automation for first level contact.

Value (EUR) of Domestic Debts | Recovered
B2C vs B2B
2017 vs 2016

- B2C
- B2B

Market evolution until the end of the year.
The respondents expect the market to be highly influenced by new regulations that are pending, as clients that refer debt will also wait on the outcome of these new regulations.
The market is expected to stagnate as regulatory uncertainties will temporary affect the current growth.

The respondents also anticipate repayment issues as interest rates will rise do to monetary policy and ROBOR.

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Revenues

S1 2016/ S1 2017	Revenues (EUR)		Dynamics
	2016	**2017**	
B2C Collection	15,687,951	9,961,560	-36.5%
B2B Collection	7,568,461	4,963,991	-34.4%
Debt purchased	34,603,624	54,266,848	56.8%
Total	**57,860,036**	**69,192,399**	**19.6%**

Revenues (EUR)
Evolution S1 2014 – S2 2017

- **Volume.** The reported revenues for 2017 reached ~**69 mil EUR**, an increase of ~20% when compared to 2016.
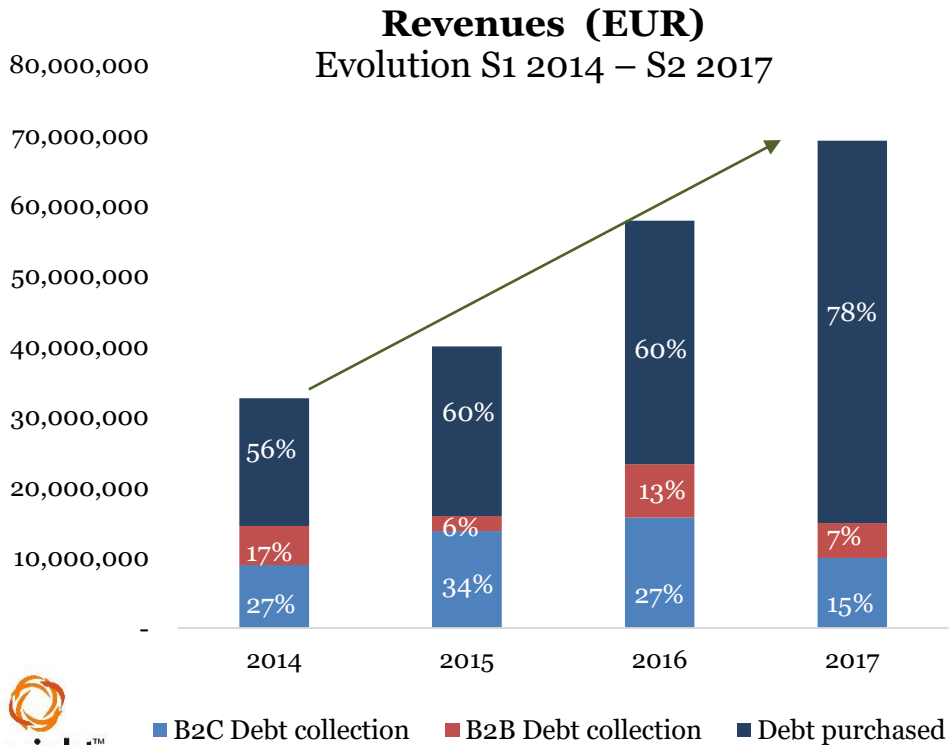
- **Revenue split:** Around 78% of the revenues from 2017 originated from debt purchase.
- Compared to the similar period from 2016, revenues coming for purchased debt kept a positive trend and more than doubled.

■ B2C Debt collection   ■ B2B Debt collection   ■ Debt purchased

- What is debt collection?

- Debt collection market evolution and trends in 2017

  - Romanian B2C debt collection market:

    - **B2C – Serviced debt**

    - B2C – Purchased debt

  - Romanian B2B debt collection market

  - Debt collection market for international clients

- Continuous improvement measures

Romanian B2C market has registered a decrease (40%) in value of serviced debt, mainly due to lower value of cases referred by clients

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Romanian B2C debt collection market – Serviced debt

Serviced debt	Number of cases		Value in EUR		Avg. Value in EUR/Case	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
Debt Referred	4,185,051	4,095,121	1,373,362,576	825,867,302	328	202
Debt Recovered	2,017,001	1,913,703	255,787,667	127,496,902	127	67

- **B2C by category split**. In terms of number of cases, serviced debt referred represents in the first semester of 2017 roughly 76% of the Romanian B2C debt collection market. While serviced debt recovered accounts for 56% in 2017 of the total cases of Romanian B2C debt recovered.

- **B2C market dynamics.** The B2C serviced debt referred in 2017 decreased by 29% in terms of value managed, mainly due to client portfolio optimization measures performed by collections agencies and lower value per case of portfolios referred by clients.

- **B2C market volume**. *The total value of serviced debt recovered reached ~127 mil EUR in 2017, while the average value per case was 67 EUR/case.*

Debt serviced referred and recovered - Average value (EUR)/case

Legend:
- Debts referred
- Debts recovered
- 4y Recovered Average — 80
- 4y Referred Average — 205

Data points: 2014: Debts referred 253, Debts recovered 102; 2015: Debts referred 150, Debts recovered 75; 2016: Debts referred 328, Debts recovered 127; 2017: Debts referred 202, Debts recovered 67.

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Romanian B2C debt collection market – Serviced debt

	Number of cases				Values (EUR)				Avg. Value in EUR/Case			
Serviced debt	Debt Referred		Debt Recovered		Debt Referred		Debt Recovered		Debt Referred		Debt Recovered	
Sectors	2016	2017	2016	2017	2016 ('000)	2017 ('000)	2016 ('000)	2017 ('000)	2016	2017	2016	2017
Banks	679,743	580,748	509,797	564,164	916,294	432,146	127,345	67,293	1,348	744	250	119
Telecom	3,010,548	2,898,642	1,253,325	1,041,962	311,545	279,261	84,451	34,570	103	96	67	33
Leasing	428	94	216	65	477	107	229	49	1,115	1,141	1,063	758
IFN	256,672	221,715	105,911	96,991	98,594	56,174	23,345	7,631	384	253	220	79
Insurance	1,058	487	4,210	1,689	1,516	295	669	235	1,433	607	159	139
Utilities	179,665	264,533	121,935	188,421	28,222	24,061	15,144	15,860	157	91	124	84
Other*	56,937	128,902	21,607	20,411	16,711	33,820	4,601	1,855	294	262	213	91
Total	4,185,051	4,095,121	2,017,001	1,892,253	1,373,362	825,867	255,787	127,496	328	202	127	67

- **Guaranteed/Non Guaranteed debt.** Guaranteed serviced debt referred in 2017 has reached ~51% out of the total Romanian banking debt referred in terms of value, while guaranteed recovered debt accounts for ~22% of the total value of recovered Romanian banking debt.
- **Sector split.** The most active sector in terms of number of cases referred remains the telecom sector with 71% of the total number of cases B2C debt serviced referred. In terms of recovered serviced debt, the sectors with the highest number of cases successfully finalized in 2017 are Telecom and Banking with ~54% and respectively ~29%.

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*other sector: FMCG, education, distribution, etc.

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- What is debt collection?

- Debt collection market evolution and trends in 2017

  - Romanian B2C debt collection market:

    - B2C – Serviced debt

    - **B2C – Purchased debt**

  - Romanian B2B debt collection market

  - Debt collection market for international clients
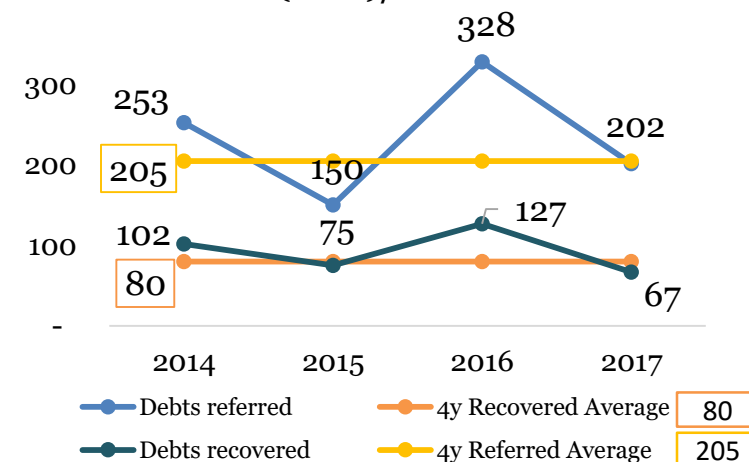
- Continuous improvement measures

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Romanian B2C debt collection market – Purchased Debt

Purchased debt	Number of cases		Value in EUR		Avg. Value in EUR/Case	
	2016	2017	2016	2017	2016	2017
Debt Referred	1,031,402	1,303,416	1,330,731,269	1,220,225,913	1,290	936
Debt Recovered	1,229,180	1,481,068	159,319,416	220,640,765	130	149

- *B2C by category split*. In 2017, purchased debt referred accounted for ~24% of the total Romanian B2C debt referred (serviced and purchased) in terms of number of cases. While debt recovered accounted for ~44% of the total number of cases of B2C debt recovered (serviced and purchased).

- *B2C market dynamics.* In 2017, the number of cases of purchased debt referred increased by 26%, compared to 2016. While the average value decreased by 27%, mainly due to lower value of portfolios acquired in the banking and telecom industries.

- *B2C market volume*. The total value of purchased debt recovered reached ~221 mil EUR in 2017, while the average value per case was 149 EUR/case.

Debt purchased referred and recovered - Average value (EUR)/case

Chart values: Debts referred: 2,174 (2014), 1,384 (2015), 1,290 (2016), 936 (2017). 4y Referred Average: 1,052. Debts recovered: 220 (2014), 127 (2015), 130 (2016), 149 (2017). 4y Recovered Average: 130.

Legend: Debts referred; 4y Referred Average 1,052; Debts recovered; 4y Recovered Average 130

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Romanian B2C debt collection market – Purchased Debt

Purchased debt	Number of cases				Values (EUR)				Avg. Value in EUR/Case			
	Debt Referred		Debt Recovered		Debt Referred		Debt Recovered		Debt Referred		Debt Recovered	
Sectors	2016	2017	2016	2017	2016 ('000)	2017 ('000)	2016 ('000)	2017 ('000)	2016	2017	2016	2017
Banks	399,346	151,551	1,017,116	1,080,192	1,051,623	766,460	141,079	186,783	2,633	5,057	139	173
Telecom	541,711	631,070	126,303	150,692	202,860	177,619	7,743	9,905	374	281	61	66
Leasing		11				40				3,651		
NBFI	80,761	410,380	41,445	194,548	75,667	185,910	6,511	18,340	937	453	157	94
Insurance		76,238	42,285	42,641		82,412	4,131	5,341		1,081	98	125
Utilities		17,376	-	10,936		3,167		78		182		7
Other*	9,584	17,399	2,029	2,059	579	4,614	37	191	60	265	18	93
Total	1,031,402	1,303,416	1,229,180	1,481,068	1,330,731	1,220,225	159,319	220,640	1,290	936	130	149

- *Guaranteed/Non Guaranteed debt.* Guaranteed consumer debt in 2017 has reached ~26% out of the total value of banking purchased debt referred. While recovered guaranteed purchased debt was ~9% of the total value of recovered banking debt acquired.

- *Sector split.* In terms of purchased cases referred, the most active sectors are Telecom with 48% and NBFI with 31%, while in terms of value referred, Banking (63%) remains the most important sector, together with Telecom (15% share) and NBFI (15% share).

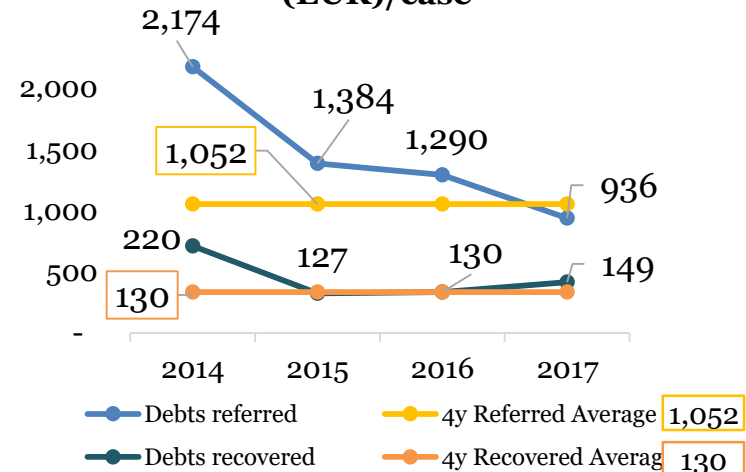*other sector: FMCG, education, distribution, etc.*

- What is debt collection?

- Debt collection market evolution and trends in 2017

    - Romanian B2C debt collection market:

        - B2C – Serviced debt

        - B2C – Purchased debt

    - **Romanian B2B debt collection market**

    - Debt collection market for international clients

- Continuous improvement measures

The total value of B2B debt referred in 2017 has reached 1,335 mil EUR, due to banking debt portfolios serviced and acquired

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Romanian B2B debt collection market

Serviced debt	Number of cases		Value in EUR		Avg. Value in EUR/Case	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
Debt Referred	87,693	93,029	749,611,818	748,158,121	8,548	8,042
Debt Recovered	89,666	79,870	55,660,008	45,514,533	621	570

Purchased debt	Number of cases		Value in EUR		Avg. Value in EUR/Case	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
Debt Referred	24,478	17,931	132,777,247	587,461,971	5,424	32,762
Debt Recovered	2,035	5,966	43,575,251	9,053,336	21,413	1,550

- **B2B by category split**. In 2017, in terms of value, serviced debt referred accounted for 56% of the total Romanian B2B market. As the value of purchased debt referred increased significantly, it reached a 44% share in total referred value of the B2B market, compared to 2016 when it accounted for only 15%.

- **B2B market dynamics.** In 2017, the total number of cases referred (serviced & purchased) have slightly decreased by 1%, mainly due to purchased debt. Whereas, the total number of cases recovered (serviced & purchased) have increased by 9% and reached a total of ~86k cases.

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The most important sectors in terms of value for B2B debt serviced referred are Banks, Telecom and Other sectors*

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Romanian B2B debt collection market – Serviced Debt

	Number of cases				Values (EUR)				Avg. Value in EUR/Case			
Serviced debt	**Debt Referred**		**Debt Recovered**		**Debt Referred**		**Debt Recovered**		**Debt Referred**		**Debt Recovered**	
Sectors	**2016**	**2017**	**2016**	**2017**	**2016 ('000)**	**2017 ('000)**	**2016 ('000)**	**2017 ('000)**	**2016**	**2017**	**2016**	**2017**
Banks	13,781	12,759	28,671	26,420	677,104	695,548	35,043	27,485	49,133	54,514	1,222	1,040
Telecom	23,580	42,440	20,799	29,637	23,253	25,069	3,157	5,081	986	591	152	171
Leasing	538	2,694	390	1,528	667	4,771	453	2,686	1,241	1,771	1,163	1,758
NBFI				4,988				432				87
Insurance		30		36		141		96		4,708		2,686
Utilities	140		140		783		17		5,598		123	
Other*	49,654	35,106	39,666	17,261	47,802	22,626	16,987	9,732	963	645	428	564
Total	**87,693**	**93,029**	**89,666**	**79,870**	**749,611**	**748,158**	**55,660**	**45,514**	**8,548**	**8,042**	**621**	**570**

- *Guaranteed/Non Guaranteed debt.* Guaranteed B2B serviced debt referred in 2017 has reached 28% out of the total banks B2B serviced debt referred in terms of value. While the value of guaranteed serviced debt recovered accounts for 41% of the total recovered value of B2B banking serviced debt in 2017.
- *Sector split.* The most active sector in terms of number of B2B serviced debt referred cases is the telecom sector with 46% of the total number of B2B serviced debt referred in 2017. In terms of value, B2B banking serviced debt referred in 2017 registered the highest share (93%) among Romanian B2B debt referred with a value of approx. 700 mil EUR

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other sector: FMCG, services, etc.

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Romanian B2B debt collection market – Purchased Debt

Purchased debt Sectors	Number of cases				Values (EUR)				Avg. Value in EUR/Case			
	Debt Referred		Debt Recovered		Debt Referred		Debt Recovered		Debt Referred		Debt Recovered	
	2016	2017	2016	2017	2016 ('000)	2017 ('000)	2016 ('000)	2017 ('000)	2016	2017	2016	2017
Banks	4,337	7,421	541	1,388	104,666	567,471	43,216	8,474	24,135	76,468	79,883	6,105
Telecom	19,972	10,421	1,452	4,236	23,249	10,792	314,706	609	1,164	1,036	217	144
Leasing	-	81	20	-	-	1,503	40,005	-	-	18,559	2,000	-
NBFI	117	8	21	342	473	7,693	3,436	161	4,049	961,728	164	471
Insurance	-	-	-	-	-	-	-	-	-	-	-	-
Utilities	-	-	-	-	-	-	-	-	-	-	-	-
Other	52	-	1	-	4,387	-	368	-	84,377	-	368	-
Total	**24,478**	**17,931**	**2,035**	**5,966**	**132,777**	**587,461**	**43,575**	**9,244**	**5,424**	**32,762**	**21,413**	**1,550**

- *Guaranteed/Non Guaranteed debt.* B2B purchased debt referred in 2017 has increased significantly, compared to the similar period of 2016, mainly due to a large banking debt portfolio acquired in the first semester of 2017 of both guaranteed (66%) and non-guaranteed (34%) debt.
- *Sector split.* As the banking sector has accounted for a large share, in terms of value, (~97%) of the B2B debt purchased in 2017, telecom sector has decreased significantly in terms of both number of cases purchased and value of portfolio acquired. While the average value per telecom purchased case referred has decreased with ~11% to 1,036 EUR/case compared to 2016.

- What is debt collection?

- Debt collection market evolution and trends in 2017

  - Romanian B2C debt collection market:

    - B2C – Serviced debt

    - B2C – Purchased debt

  - Romanian B2B debt collection market

  - **Debt collection market for international clients**

- Continuous improvement measures

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Collection market for international clients – Debts referred & recovered

International debt referred	Number of cases		Value in EUR		Avg. Value in EUR/Case	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
B2C	1,143,520	1,230,805	2,379,556,871	2,296,560,150	2,081	1,866
B2B	43,269	53,289	53,686,442	77,943,887	1,241	1,463

International debt recovered	Number of cases		Value in EUR		Avg. Value in EUR/Case	
	2016	**2017**	**2016**	**2017**	**2016**	**2017**
B2C	417,097	559,969	1,193,965,607	1,142,349,067	2,863	2,040
B2B	23,388	25,104	28,181,396	31,544,265	1,205	1,257

- ▪ ***B2C by category split***. In 2017, international B2C debt referred accounted for 96% of the total international market in terms of cases.

- ▪ ***Market dynamics.*** As the number of international debt referred B2C & B2B cases has increased in 2017 by 8%, compared to 2017, the average value per case referred has decreased in 2017 compared to 2016 with ~200 EUR.

International debt – B2C & B2B total number of cases referred and evolution

573,111   887,118   1,186,789   1,284,094

+55%   34%   8%

2014   2015   2016   2017

■ No. of cases   ━●━ Dynamics

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The most important sectors in terms of number of international debt referred cases are Banks and Telecom

Collection market for international clients – Debts referred & recovered

| Internatio nal debt | Number of cases | | | | Values (EUR) | | | | Avg. Value in EUR/Case | | | |
| | Debt Referred | | Debt Recovered | | Debt Referred | | Debt Recovered | | Debt Referred | | Debt Recovered | |
Sectors	B2C	B2B	B2C	B2B	B2C ('000)	B2B ('000)	B2C ('000)	B2B ('000)	B2C	B2B	B2C	B2B
Banks	767,947	6,791	351,763	3,417	2,151,979	6,112	1,110,584	3,090	2,802	900	3,157	905
Telecom	355,406	22,321	126,876	2,447	105,770	25,774	15,261	596	298	1,155	120	244
Leasing	753	778	470	513	10,564	10,290	6,844	7,318	14,030	13,226	14,563	14,266
NBFI	6,468	754	2,518	61	4,356	1,996	516	33	673	2,648	205	543
Insurance												
Utilities	98,888	21,384	78,246	18,043	22,808,	19,610	9,111	16,676	231	917	116	924
Other	1,343	1,261	96	623	1,080	14,158	30	3,828	805	11,228	316	6,145
Total	1,230,805	53,289	559,969	25,104	2,296,560	77,943	1,142,349	31,544	1,866	1,463	2,040	1,257

- **Guaranteed/Non Guaranteed debt.** Guaranteed consumer debt in 2017 is only present for B2C category and accounts for under ~1% in terms of number of cases, out of the total international banking debt referred.
- **Sector split.** As 96% of the international debt referred represents B2C cases, banks (62%), telecom (29%) and utilities (8%) account for 99% of the total B2C number of cases referred in 2017.

- **What is debt collection?**

- **Debt collection market evolution and trends in 2017**

    - **Romanian B2C debt collection market:**

        - **B2C – Serviced debt**

        - **B2C – Purchased debt**

    - **Romanian B2B debt collection market**

    - **Collection market for international clients**
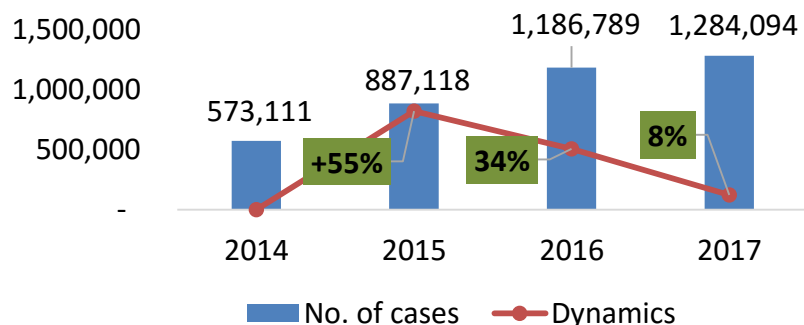
- **Continuous improvement measures**

Key Success Factors and Process maturity

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Key Success Factors

Factor	2017	2016
Maturity of collection processes	69%	62%
Automation of activities (IT integration)	62%	69%
Product portfolio mix	53%	53%
Administrative employee experience and performance	38%	31%
Early start of the collection process	15%	8%
Documentation of procedures	15%	0%
Economic environment	15%	8%
Support activities efficiency	8%	8%
B2B networking	8%	15%
Sales networks/Regional coverage	8%	8%
Regulatory incentives for debt collection	8%	8%
Employee bonus schemes	0%	8%
Sophistication of sales skills	0%	0%

■ 2017 ■ 2016

- *Key Success Factors.* The most important KSFs in 2017 according to AMCC members has become **maturity of collection processes,** followed by **IT integration** and **product portfolio mix.**

- The **most selected** key success factor was **maturity of the collection processes**, selected by 9 respondents. As each members is constantly striving to obtain the most efficient process.

- IT integration represents lately a very important factor for debt collectors as constantly IT solutions are improved in order to support the regulatory and business environment.

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Business improvement is mostly focused on employee performance and preparing for future developments

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2017 business improvement initiatives

2017 vs 2016
Objectives of business improvement initiatives for B2C Collection

- Employee performance (e.g. training): 2017 **92%**, 2016 **58%**
- Preparing the company for future development / strategy (organization,...): 2017 **67%**, 2016 **50%**
- Improved monitoring of company activity (measuring performance at a process level...): 2017 **50%**, 2016 **42%**
- Client-focus initiatives (e.g. quality of services): 2017 **25%**, 2016 **33%**
- Increase in competitiveness / reducing the pressure coming from the competition: 2017 **25%**, 2016 **17%**
- Improving the internal / risk management control level (other than legally imposed): 2017 **25%**, 2016 **33%**
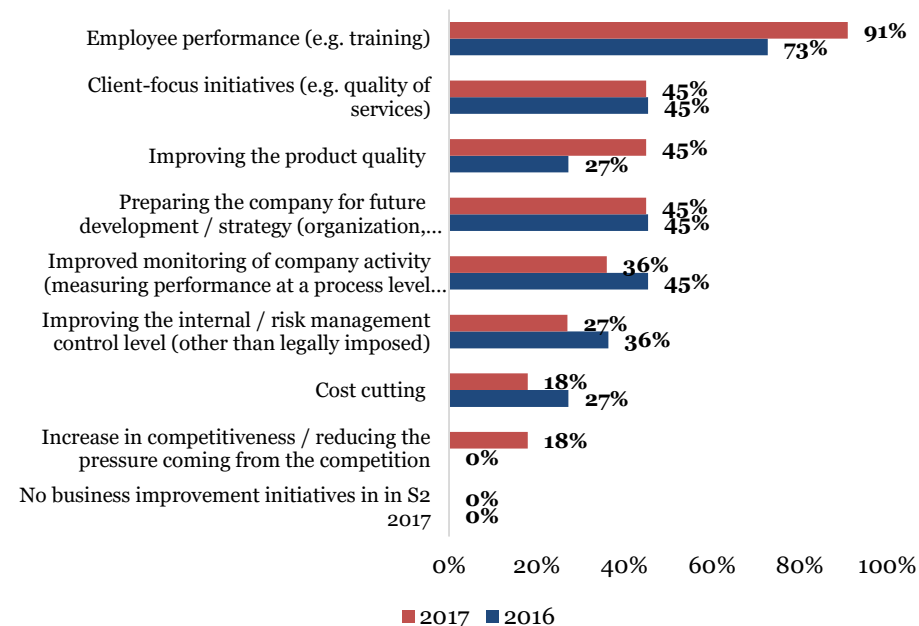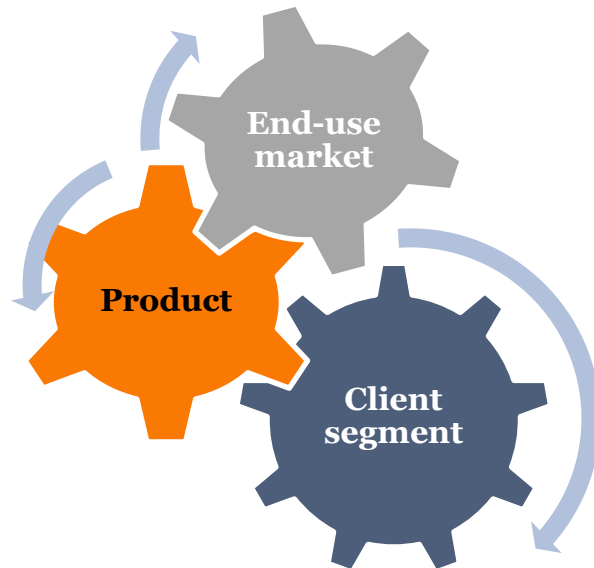- Improving the product quality: 2017 **25%**, 2016 **25%**
- Cost cutting: 2017 **17%**, 2016 **42%**
- No business improvement initiatives in in S2 2017: 2017 **0%**, 2016 **0%**

0% 20% 40% 60% 80% 100%

■ 2017 ■ 2016

2017 vs 2016
Objectives of business improvement initiatives for B2B Collection

- Employee performance (e.g. training): 2017 **91%**, 2016 **73%**
- Client-focus initiatives (e.g. quality of services): 2017 **45%**, 2016 **45%**
- Improving the product quality: 2017 **45%**, 2016 **27%**
- Preparing the company for future development / strategy (organization,...): 2017 **45%**, 2016 **45%**
- Improved monitoring of company activity (measuring performance at a process level...): 2017 **36%**, 2016 **45%**
- Improving the internal / risk management control level (other than legally imposed): 2017 **27%**, 2016 **36%**
- Cost cutting: 2017 **18%**, 2016 **27%**
- Increase in competitiveness / reducing the pressure coming from the competition: 2017 **18%**, 2016 **0%**
- No business improvement initiatives in in S2 2017: 2017 **0%**, 2016 **0%**

0% 20% 40% 60% 80% 100%

■ 2017 ■ 2016

- *B2C business improvement.* In 2017 the focus remained on employee performance (92%), with companies investing in trainings (internal & outsourced) for employee development, negotiation skills and on-the-job learning. In order to adapt to market requirements, debt collectors in 2017 have launched several business improvement initiatives to prepare the company for future developments.

- *B2B business improvement.* The main business initiative mentioned by the respondents is client-focus initiatives to increase the quality of services. Employee performance is seen as an important improvement also for the B2B sector as well.

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Market segmentation criteria

End-use market

Product

Client segment

Segmented approach to market by criteria

- **Segmentation criteria.** Most utilized criteria is the end-use market (over 90% of players are using this criteria in managing their client portfolio), while the second is client segmentation (over 80%).

- Product based segmentation and risk level have emerged as an important criteria for market segmentation purpose, selected for over 58% of the respondents.

- All players are using at least one segmentation criteria.

- Generally, the regional factor was not selected by many members, as currently it is not perceived as a significant benefit booster.
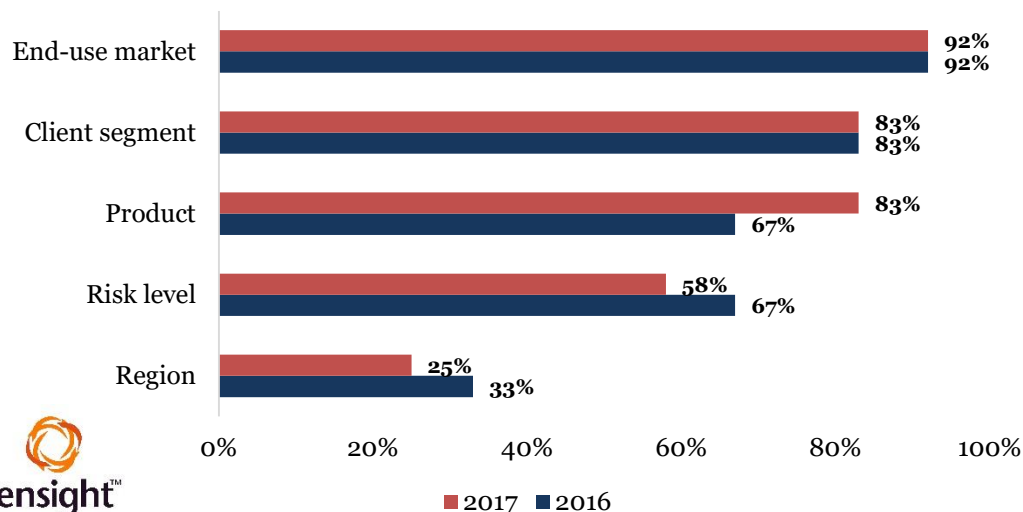
Number of criteria used	
One criteria	8%
Two criteria	15%
Three criteria	23%
More than three criteria	46%

Chart: Segmented approach to market by criteria

Criteria	2017	2016
End-use market	92%	92%
Client segment	83%	83%
Product	83%	67%
Risk level	58%	67%
Region	25%	33%

0%   20%   40%   60%   80%   100%

■ 2017 ■ 2016

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Most frequent KPIs are set together with the client and main focus remains on the level of collected cash

KPI methodology & IT areas covered

Major KPIs utilized in the B2C Collection process

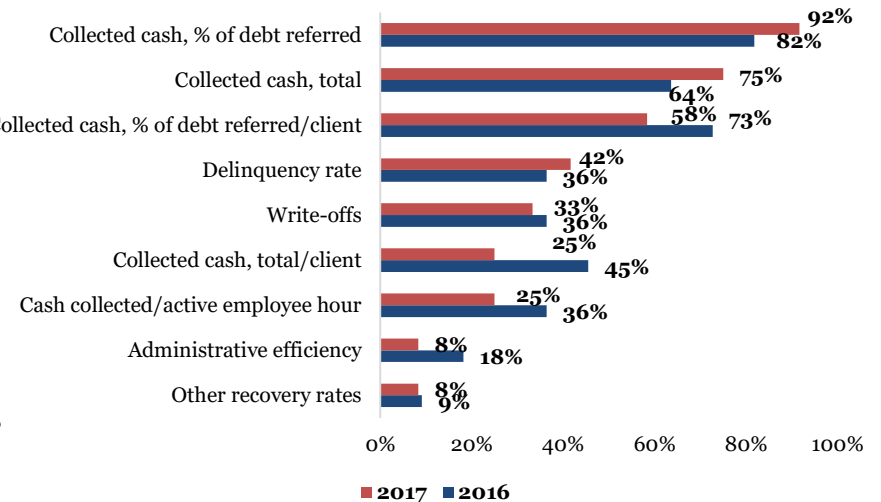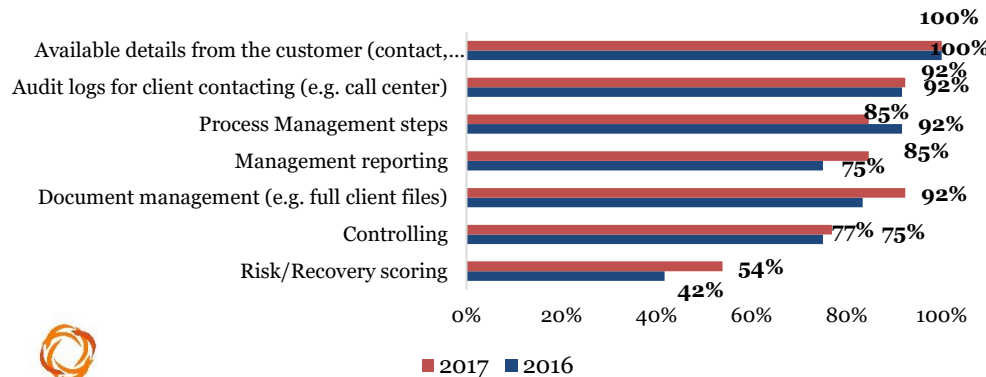| KPI	2017	2016
Collected cash, % of debt referred	85%	83%
Collected cash, total	77%	67%
Collected cash, % of debt referred/client	69%	92%
Delinquency rate	46%	33%
Collected cash, total/client	31%	58%
Cash collected/active employee hour	31%	33%
Write-offs	23%	33%
Administrative efficiency	25%	15%
Other recovery rates	8%	8%

■ 2017 ■ 2016
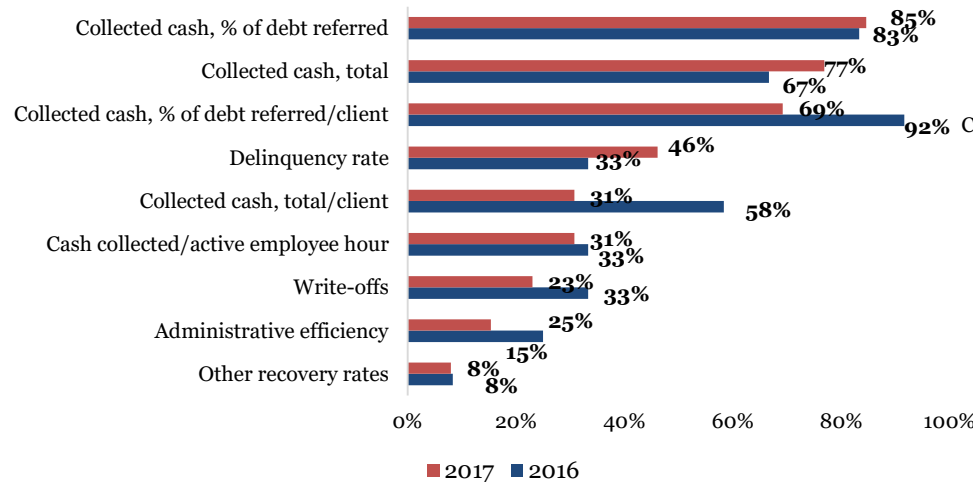
Major KPIs utilized in the B2B Collection process

KPI	2017	2016
Collected cash, % of debt referred	92%	82%
Collected cash, total	75%	64%
Collected cash, % of debt referred/client	58%	73%
Delinquency rate	42%	36%
Write-offs	33%	36%
Collected cash, total/client	25%	45%
Cash collected/active employee hour	25%	36%
Administrative efficiency	8%	18%
Other recovery rates	8%	9%

■ 2017 ■ 2016

Areas covered by internal IT support or subject to automation

Area	2017	2016
Available details from the customer (contact,...	100%	100%
Audit logs for client contacting (e.g. call center)	92%	92%
Process Management steps	85%	92%
Management reporting	85%	75%
Document management (e.g. full client files)	92%	
Controlling	77%	75%
Risk/Recovery scoring	54%	42%

■ 2017 ■ 2016

- **B2C KPI.** In 2017 collected cash is still king in terms of utilized KPIs, as the average number of KPI used by a member is 4.
- **B2B KPI.** Similar to B2C, collected cash is the most utilized KPI, with 92% collected cash, % of debt referred being the most frequent. The average number of KPI used by a member remained constant to 3 KPI/member.
- **IT support and automation.** Most members have already in progress various initiatives for process automation and/or software updating. The main objective would be as stated by them to help improve the monitoring and reporting processes.

Thank You!

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