



6th ALB National Conference

Risk management policies in consumer credit – solutions for better sales in financial crises

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L'impression de ce document est-elle indispensable ?
Si oui, pensez à imprimer plusieurs dispositifs par feuille,
en noir et blanc de préférence.

Agenda

- Impacts of the Romanian financial crisis
- Households reaction
- Banks reaction
- Looking forward

Impacts of the Romanian financial crisis

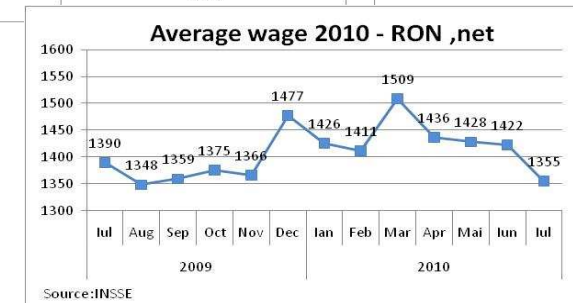
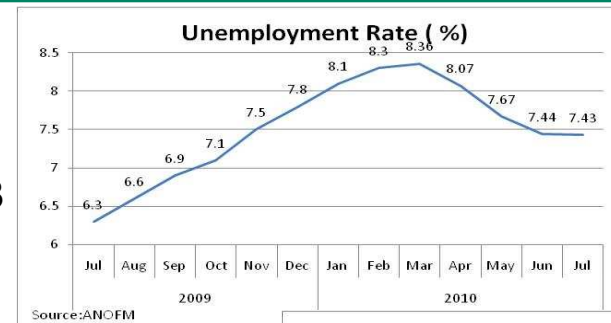
- Who is he ?
A banker ? or
A consumer ?



- Can be both actually!

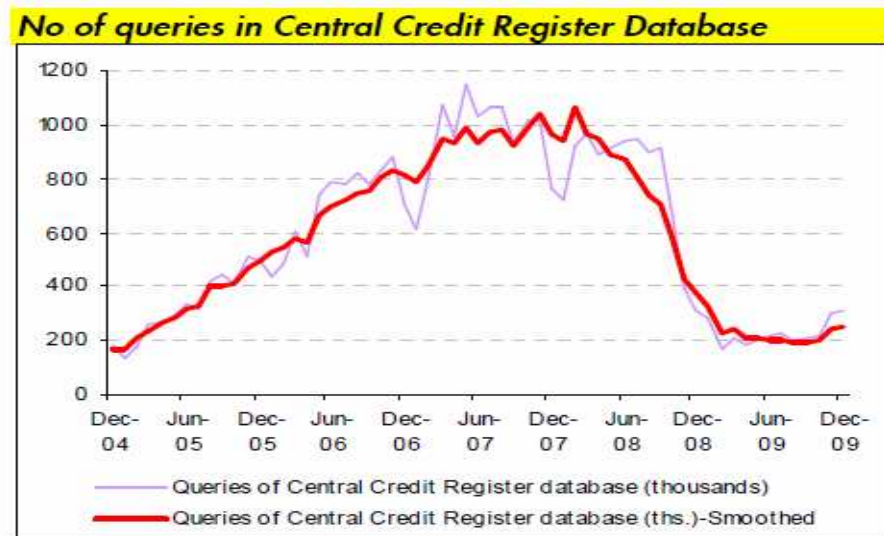
Impacts of the Romanian financial crisis

- On households
 - Unemployment
 - Rapid adjustment in private sector end 2008
 - A strong one in public sector later on
 - Wages frozen or decreased
 - Difficulties to access to credits
 - More recently
 - Adjustment package
 - 25 % cut in public wages,
 - 15 % cut in most social transfers (except pensions),
 - 5 % hike in the VAT rate
 - Personnel reductions:
 - » some 74,000 public servants planned for this fall
- For bankers
 - Rarefaction of resources on the financial market
 - Increase of “life incidents”
 - Payments incidents
 - Credits in delays
 - Credits in defaults
 - ... that lead to an increase of Cost of Risk => losses ☹



Households reaction

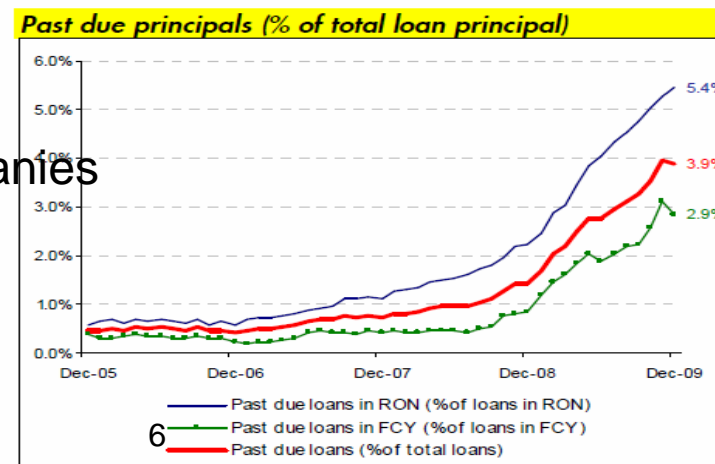
- A drop in demand of Credits ...
 - Because of their difficulties in daily life
 - Because less confidence in the future
- ... before a tightening in credit granting policy



*Note: Data refers only to loans higher than RON 20000
Source: National Bank of Romania, Raiffeisen RESEARCH*

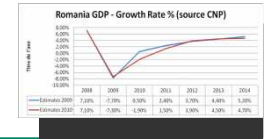
Banks reaction

- Granting
 - Neither big changes in granting rules for Retail activity nor for known Customers of the portfolio
 - Impact of less than 10% on granting decision all things being equal
 - Tightening of granting rules on Customer acquisition via Direct Personal Loans
 - Totally unknown customers
 - Projects are more difficult to identify
 - Increase efforts to get accurate information on customers
 - Accurate pricing with credit durations getting it more correlated to the goods' economic lifetime
- Collection/Litigation
 - Reinforcement of collections teams
 - Transfers of credit officers from sales to collection
 - Outsourcing / Selling to debt collectors companies
 - Reactivity
 - Because crisis is a temporary situation



Source: National Bank of Romania, Raiffeisen RESEARCH

Looking forward 2/2



- In this context we have to assume the past
 - Most of the credits in delays are due to « life incidents » more than to granting mistakes
 - Collection efficiencies are still a key factor for Cost of Risk control
- Keep on doing our best to ensure a new production of good quality
 - Data quality
 - Credit duration in line with products financed
 - To turn customers/bankers relation to that :

