

RECORDS IN THE LEASING MARKET IN 2019 WITH AN EXPECTED SLOWDOWN

A DECADE-LONG, MORE PRECISELY, AN ELEVEN-YEAR RECORD WAS SET IN THE HUNGARIAN LEASING MARKET IN 2019: THE FINANCED AMOUNT WAS EUR 2,276 MILLION (HUF 740 BILLION). IN ADDITION TO THE RECORD, THIS IS AN INCREASE OF 7 PERCENT AND IS IN LINE WITH LAST YEAR'S EXPECTATIONS. IN ADDITION, THE PERFORMANCE OF THE HUNGARIAN LEASING MARKET IN 2019 - SIMILARLY TO PREVIOUS YEARS - CAN BE REGARDED OUTSTANDING EVEN BY THE EUROPEAN STANDARDS.

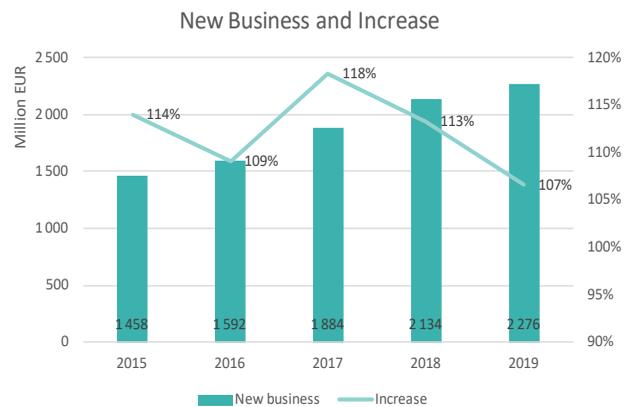
The results achieved are in line with the trend so far, although the previous outstanding growth rate has slowed somewhat, as expected. It should be noted that virtually all segments, with the exception of lorries heavier than 3.5 tons, took part in the expansion. Records were set in several sub-markets: financing of agricultural machinery, construction machinery and production equipment reached a record amount.

Cars, vans, clients

Retail car financing closed in a double-digit growth: in the case of passenger cars and vans, the amount increased by 11% to EUR 839 million (HUF 273 billion). The financing of new passenger cars and vans was the main driver of this sub-market, with the financed amount rising by 13% to EUR 646 million (HUF 210 billion). The growth rate was essentially in line with the expansion of the base market: in 2019, more than 184,000 new passenger cars and vans found ownership, which shows an annual 16% increase. In the field of the used car financing we saw only a modest 3% growth, and the weight of leasing also decreased, partly due to competing financing schemes. In the retail segment, the share of financial leasing structures is around 30 percent, that of operative lease is 9 percent, and the share of leasing structures in passenger cars and vans is almost 40 percent of all cars sold. In parallel with the growth achieved in the retail segment, changes also took place compared to previous years. Again, company cars and light commercial vehicles provided the engine of growth. For corporate clients, the amount financed increased by 16%, while for retail customers it increased by only 6%. As a result, the share of corporate financing in this sub-market again reached 71% of the amount financed. Importantly, the tax relief for open-end financial lease introduced in 2019 also helped the expansion, with this solution already accounting for 43% of corporate purchases in 2019. It should also be mentioned that Central Bank's Funding for Growth Scheme (FGS) played a significant role in the new light commercial vehicles sub-segment as 66% of the vehicles were financed by means of this instrument.

How far did the fleet market get?

In 2019, fleet acquisitions were financed by leasing companies in the amount of EUR 258 million (HUF 84 billion), which meant a 4% increase. Growth in the fleet market was uneven: until September 2019, this segment had an outstanding 13% plus, but the last quarter was more subdued, nevertheless, it is still the second-highest value ever recorded.



This is how fleet financing looks on the total leasing map: along with refinancing, it accounts for about a quarter of total car financing. Fleets account for 8 percent of the total new car market, and 11 percent for corporate car purchases. Most of the latter - roughly two-thirds - are realized under operating leases. This is worth highlighting because there is plenty of room for growth, as this rate averages 36% in Europe.

Heavy commercial vehicles were exceptions this time. While there was an increase in most segments in 2019, trucks over 3.5 tons received EUR 509 million (HUF 166 billion) in financing, which corresponds to a 13% decrease compared to the previous year. The decline is attributable to several factors. Among other things, transport companies have restrained their purchases due to the expected economic slowdown, declining orders, the changing regulatory environment and driver shortages. All in all, the end result of 2019 in the field of truck financing can be regarded good due to the fact that the basic market shrank sharply. Heavy commercial vehicle sales fell 15%, though the sub-segment of buses saw a 5% growth. In this segment, the FGS played only a moderate role, with only 23% for new vehicles.

Focusing on seven-seaters

In the government-subsidized car program for large families, leasing carved a growing slice from its start last July. Until December, more than 1,800 leasing contracts were signed for new seven-seater cars, and leasing companies financed these purchases with EUR 16 million (HUF 5.2 billion). The slower ramp-up is due to the fact that because of the high interest, dealers were only able to deliver cars with longer delivery deadlines as they were ordered and financed only later.

Boom in agricultural machinery

Agricultural machinery financing achieved an outstanding result last year: the amount financed increased by 26% to EUR 317 million (HUF 103 billion). This also means that

having the share of 14% of the total portfolio, agricultural machinery financing is one of the most important market segments for leasing companies, overcome only by the size of the automobile market.

Interest subsidies for FGS and leasing schemes played a prominent role in this segment: the share of FGS financing is 81% overall.

In the case of new agricultural machinery, the share of the FGS kicked in almost 100%. It is also worth emphasizing that leasing is very popular with agricultural companies: the share of leasing in the turnover of agricultural machinery is 48%, leasing transactions account for about a third of the investment loan portfolio of the enterprises concerned.

Record holders: machines and construction machines

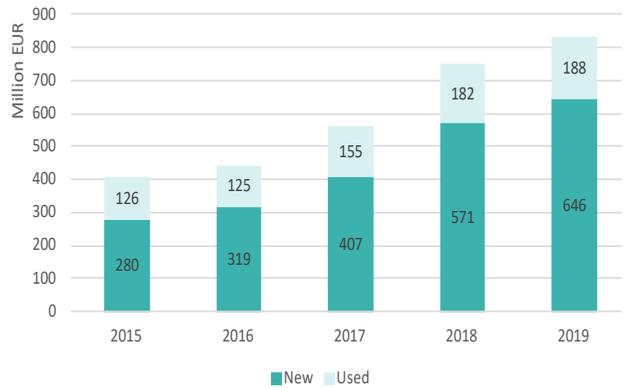
In the field of other machines and production equipment, a new peak was born in 2019. The financed amount increased by 20% to over EUR 233 million (HUF 75 billion), which is already above the pre-crisis level. In this sub-market, tenders and their payments were the engine of growth.

In the case of these production equipment, it should also be taken into account that the expansion in this segment was already dynamic in 2017 and 2018, so the new record was reached compared to the high base values. It is important to mention that with its 20% growth in 2019, this submarket was the second fastest growing segment in the entire leasing market. The financing of construction machinery also set a new record in 2019: similarly to the production equipment sub-segment, here a significant increase was also achieved compared to the base.

The good result is not surprising as the construction industry continued to expand significantly in 2019: it was nearly 22% higher than a year earlier. According to official data, the production value of the sector increased by more than 30% to HUF 4,430 billion.

In the light of these, it is understandable that the financed amount for construction machinery was higher than ever before, exceeding EUR 85 million (HUF 27.5 billion). This corresponds to a 6% increase, the seemingly subdued increase can be explained by the high base already mentioned, as the financed amount increased much more vigorously in this sub-segment in the previous years. The labour shortages in the sector, which have been in demand for construction machinery for many years, play an important role, and the companies concerned are trying to deal with this by purchasing modern machinery. In addition, major infrastructure improvements and support programs for machine replacements have also increased demand for construction machinery. The share of leasing is also outstanding here, about 40% in the purchase of new machines.

New Business PC +LCV



Smaller markets

In terms of the financed amount, the real estate leasing is regarded as one of the minor subgroups within the leasing market. There are some real estate leasing companies operating in this field. In Hungary, real estate leasing financing barely exceeds 1%, but this sub-market has recently strengthened. The rate of growth was outstanding, as the amount financed in the case of real estate leasing more than doubled, but the profit of just over EUR 25 million (HUF 8 billion) is marginal compared to the EUR 2,2276 million (HUF 740 billion) achieved in the entire market. IT financing also plays a minimal role in the Hungarian market, last year they could claim only EUR 5 million (HUF 2.1 billion).

Thus, the IT segment has a share of less than 1% and has been stagnant or declining for years. On the international stage, however, this market has a more serious 4% share.

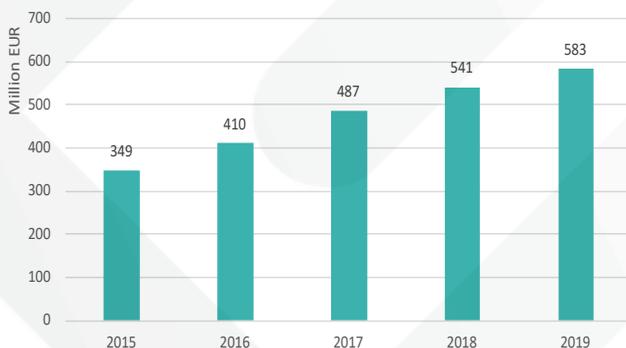
Assessment and perspectives

Thus, most of the listed sub-markets closed 2019 with good results and several records were broken, so the leasing market can clearly call the previous year successful. In addition to the factors already mentioned - growth in the car market, the popularity of leasing structures in the agricultural sector, the availability of FGS subsidies, strong demand for agricultural and construction machinery and not to mention the willingness of businesses, including small and medium-sized enterprises, to invest.

The year 2020 will be extraordinary, but no concrete forecast can be made, as the negative economic effects of the coronavirus epidemic are difficult to quantify. The unfavourable effects of the epidemic may hold back, among other things, the purchases of new cars by private individuals due to the expected redundancies and income reductions. The downturn in the economy is adversely affecting investment, companies may be reluctant to develop, and this may lead to a reduction in vehicle and other asset purchases, such as new leasing transactions. In order to help a number of households and businesses that are expected to find themselves in difficulty, the government imposed a moratorium on payments until the end of the year, which also covers repayment obligations arising from finance leases. This poses a serious liquidity and operational challenge for leasing companies.

The government and the Central Bank of Hungary have also taken a number of steps to facilitate the recovery, including the addition of the FGS-GO! to the widely acclaimed new FGS programme, which has played a significant role in business in the leasing market and can also be used for leasing. In addition, the member companies of the Hungarian Leasing Association will seize all possible means to play a key role in restarting the economy and financing businesses.

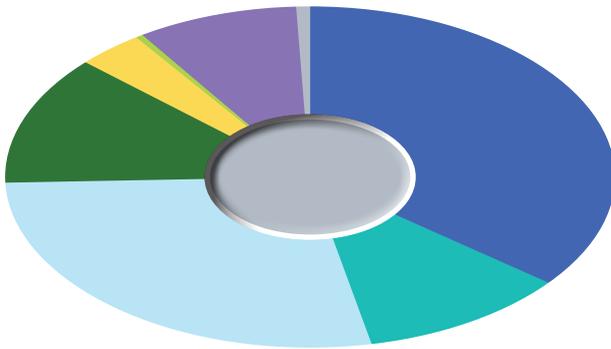
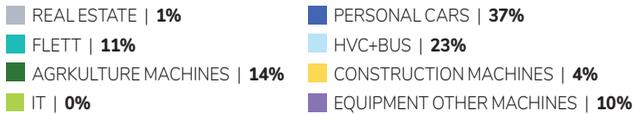
New Business - HCV



Outstanding performance in 2020

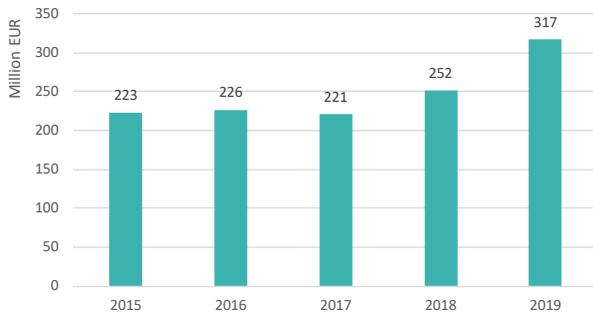
SHARE IN NEW BUSINESS

2,276 Million EUR

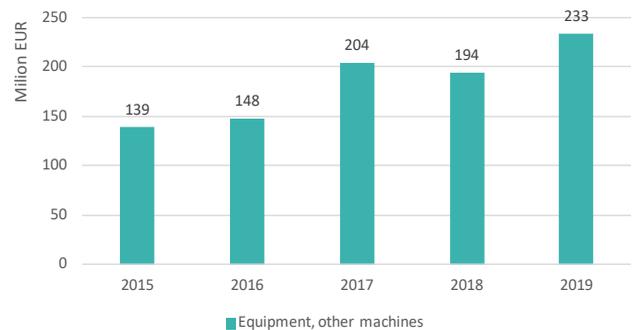


Aset type	New Business Change
Personal Cars and LCV	11%
Fleet	4%
HCV + Bus	-13%
Agriculture machines	26%
Equipment, other machines	20%
Construction machines	6%
IT	0,3%
Real estate	114%
Railway, other	39%
TOTAL	7%

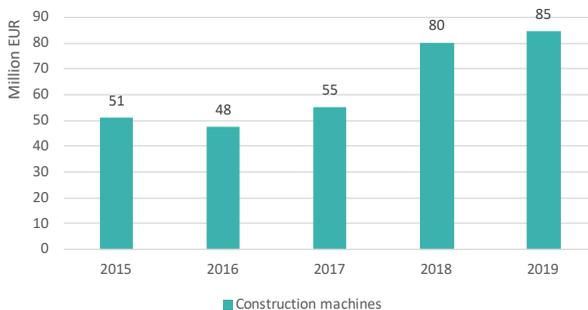
New Business - Agriculture machines



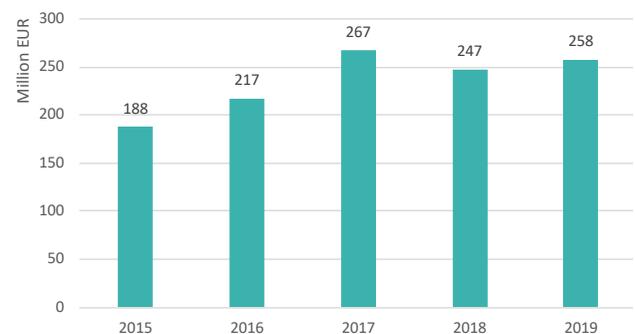
New Business - Equipment, other machines



New Business - Construction machines



New business - Fleet



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