

The Czech leasing market and outlook for next years



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Czech Leasing and Finance Association

the Leasing Days Conference of Hungarian Leasing
Association



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- Mid-term outlook

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Working experience:

- 07/1994 – 10/1995 CFO, Corfin, leasing company, joint venture (CSOB one of shareholders)
- 11/1995 – 07/2004 BoD Vicechairman & CFO, CSOB Leasing Czech Republic
- 11/2004 – 11/2007 Country team member, CSOB Slovak Republic
- 10/2007 – 4/2009 BoD Chairman & CEO, CSOB Leasing Slovak Republic
- Since 5/2009 BoD Chairman & CEO, CSOB Leasing Czech Republic

- Chairman of BoD of Czech Leasing and Finance Association (since 09/2015)
- President of International Finance and Leasing Association (2014- 2017)



Czech Leasing and Finance Association Introduction



Czech Leasing and Finance Association/CLFA – introduction, history

CLFA 1991- 2017

- The leasing product was introduced to the Czech market after its liberalization in the early 1990s
- Association of Leasing Companies was established in 1991 as an interest group of leasing companies in former Czechoslovakia
- Following the split of Czechoslovakia in the end of 1992, Slovak leasing providers established their own Association
- Some providers of consumer credit and factoring became members of the Association in the following years
- From 1995 till 2010, the market gradually formed from initially up to 150 providers to the current no of 41 members
- Since 2005 the Association has been operating under the name Czech Leasing and Finance Association (CLFA)
- Expert committees & Code of Ethics in place
- Ownership structure – initially privately owned entities prevailed, the proportion of subsidiaries of banks and multinational financial groups has grown and is dominating now
- Membership in LEASEUROPE (B2B investment financing), since 2006, CLFA has been a member of EUROFINAS (consumer financing), since 2010 has been a member of EUF (factoring)
- Acceptance of new Consumer credit legislation in 12/2016 – the extension of the new members is expected – licenced providers of consumer financing and the subsequent structural changes in CLFA



Introduction of CLFA – current status

CLFA, October 2017

41 member companies

- Dominant position of members of banking groups and multinational financial corporations (98 % of CLFA production)

Product focus of member companies

- Leasing and investment loans for business entities prevail 24 companies
- Exclusively or predominantly operating lease cars 7 companies
- Factoring companies 5 companies
- Exclusively or predominantly consumer finance 4 companies
- Consulting company 1 company





■ Legislative priorities

- ✓ Consumer credit (new legislation 12/2016), in the middle of licensing by ČNB, surveillance of ČNB approach
- ✓ GDPR implementation
- ✓ Distribution in the insurance sector (IDD implementation), change of distribution model from multi-level to single-level and fleets insurance

■ Tax and accounting priorities

- ✓ The possibility of creating tax deductible reserves from provided loans
- ✓ Monitoring and implementation of IFRS 16

■ Product priorities

- ✓ Enforcement of the use of leasing and loans when drawing subsidies
- ✓ Support of SMEs Financing – Expansion program in cooperation with ČMZRB
- ✓ Tracking electronization and digitization of financial services, telematics and data ownership in transport technology
- ✓ Creation of register of leased assets in cooperation with CEBIA company
- ✓ Code of excessive vehicle wear in cooperation with SGS and DEKRA companies

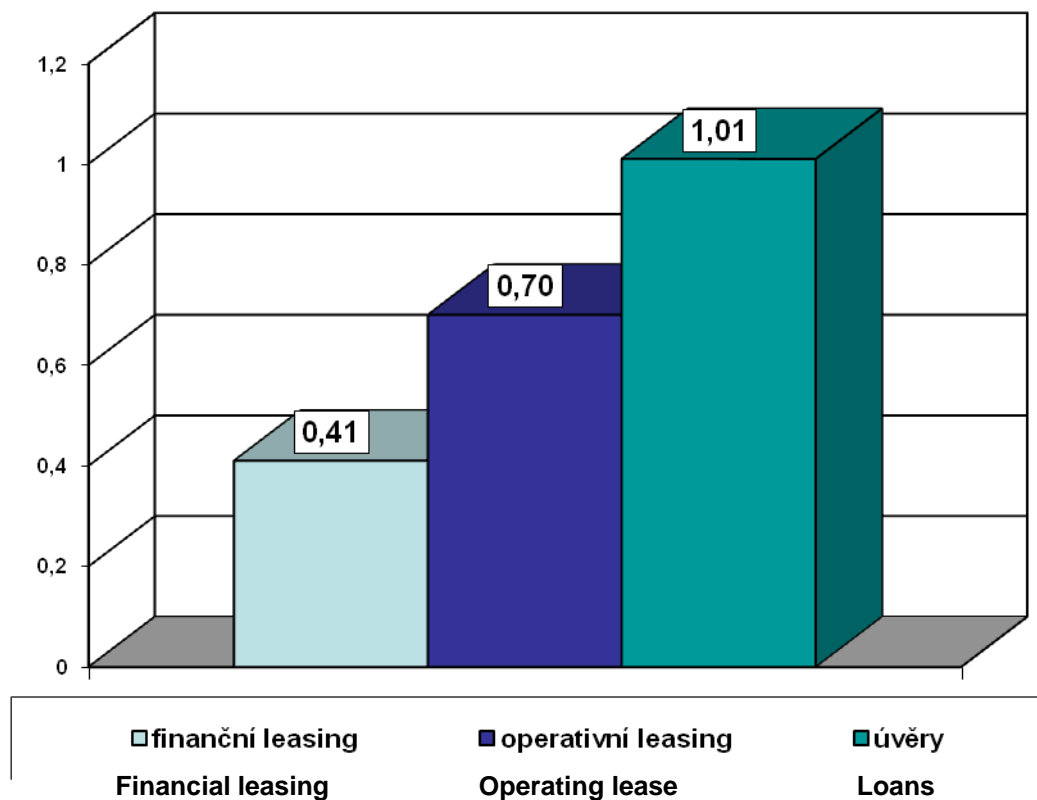


Short-term market trends



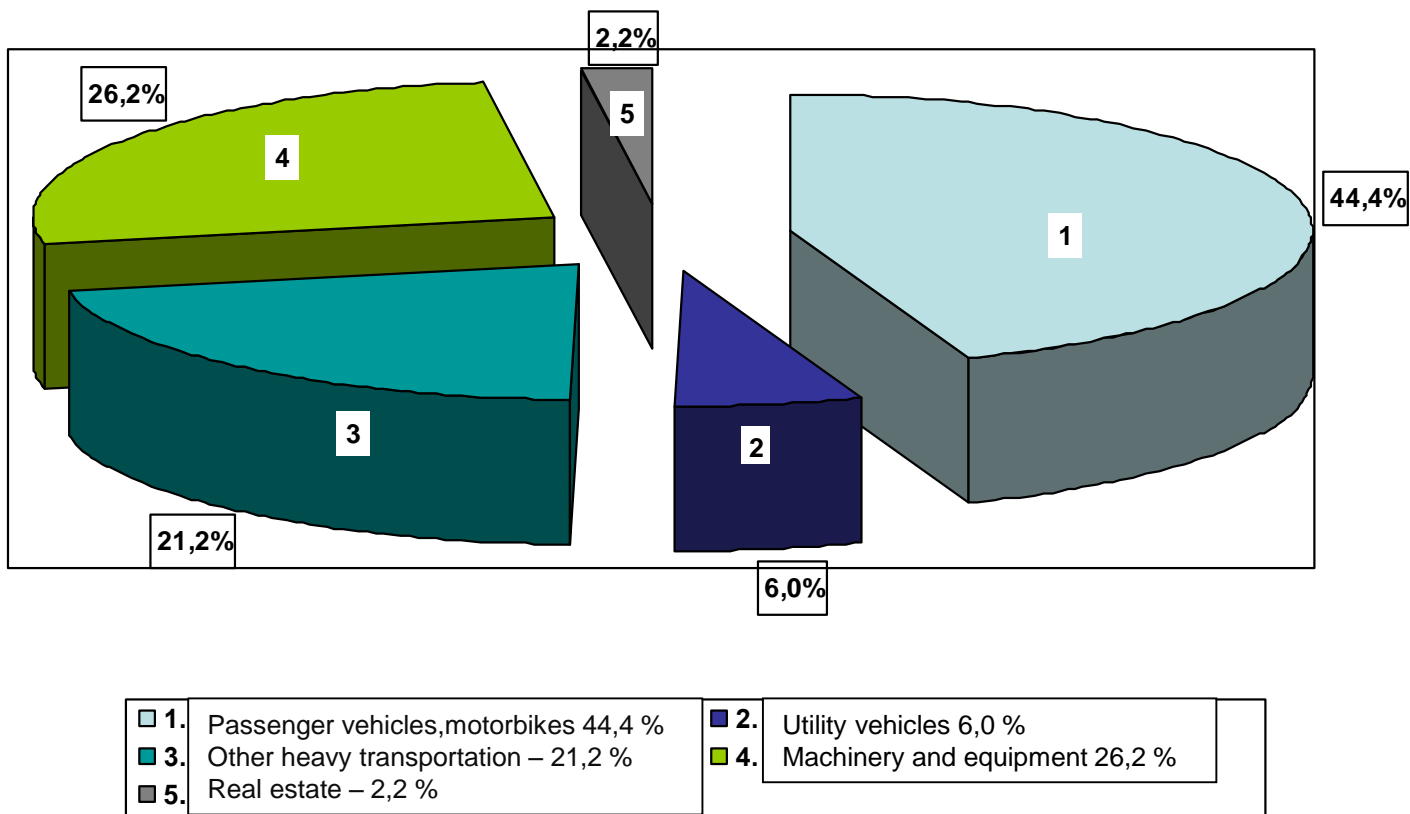
Market development – Statistics of CLFA for 1HY / 2017

Financing of business investments (2.12 bln EUR)



Market development – Statistics of CLFA for 1- 6/ 2017

B2B investments financing by asset types in 1-6/2017 (leasing and loans)



Market development – Statistics of CLFA of 2016

Ranking of CLFA member companies according to the new volumes of financial and operating leasing and business loans (mil. EUR)

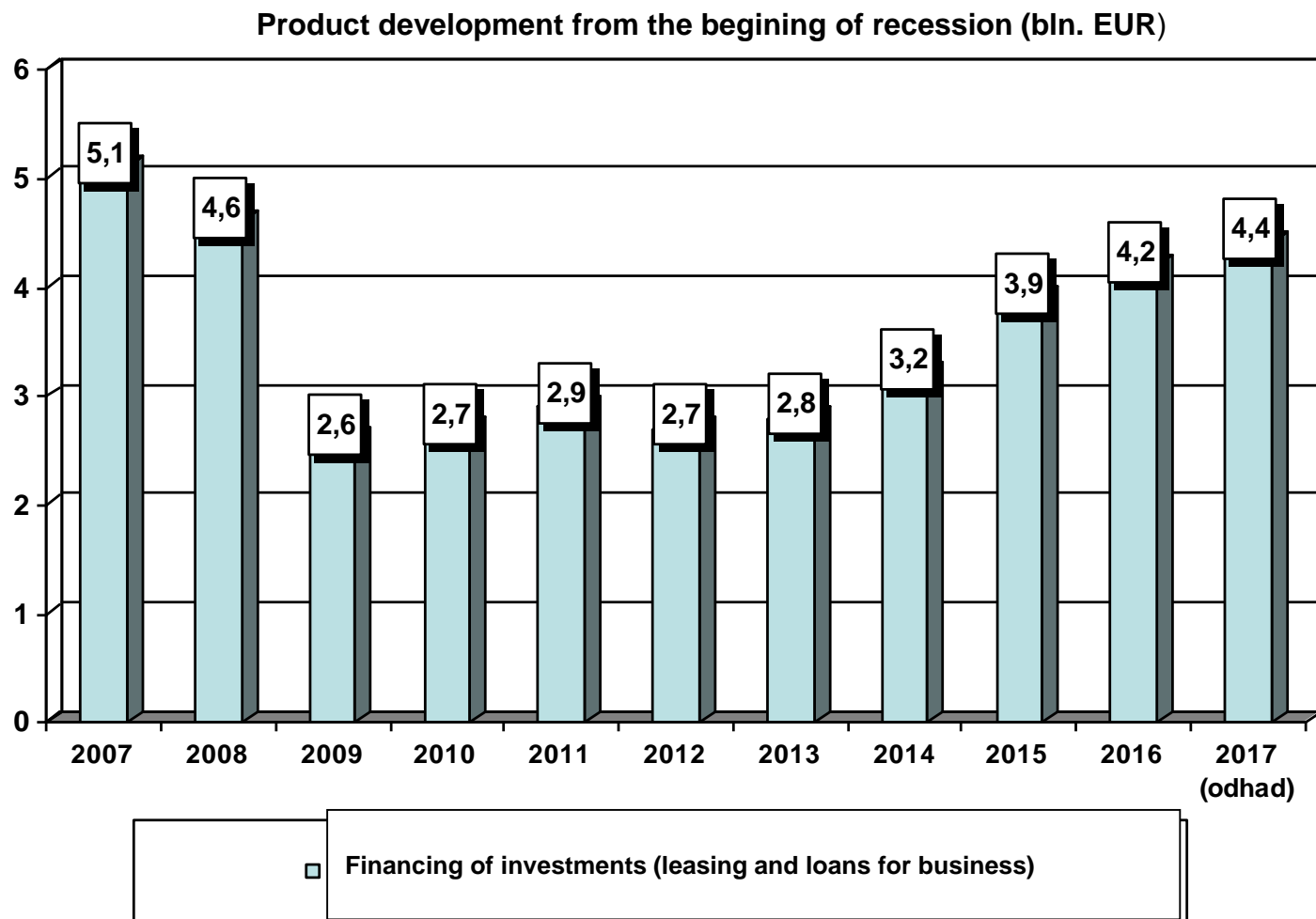
01.	ČSOB Leasing, a.s.	663,14	KBC
02.	Volkswagen Financial Services, s.r.o.	494,88	Volkswagen
03.	UniCredit Leasing CZ, a.s.	494,23	UniCredit
04.	SG Equipment Finance Czech Republic, s.r.o.	408,90	Société Générale
05.	Mercedes-Benz Financial Services Česká republika, s.r.o.	338,62	Mercedes
06.	Raiffeisen-Leasing, s.r.o.	340,54	Raiffeisen Bank
07.	MONETA Leasing, s.r.o.	147,03	Moneta (former GE)
08.	LeasePlan Česká republika, s.r.o.	139,78	LeasePlan
09.	S Autoleasing, a.s.	123,94	Erste Bank Group
10.	Deutsche Leasing ČR, spol. s r.o.	120,30	Deutsche Leasing
11.	ALD Automotive s.r.o.	119,60	Société Générale
12.	ARVAL CZ s.r.o.	119,03	BNP Paribas
13.	Erste Leasing a.s.	104,88	Erste Bank Group
14.	UNILEASING, a.s.	78,20	Privately owned
15.	Oberbank Leasing spol. s r.o.	76,26	Oberbank AG



Long-term market trends

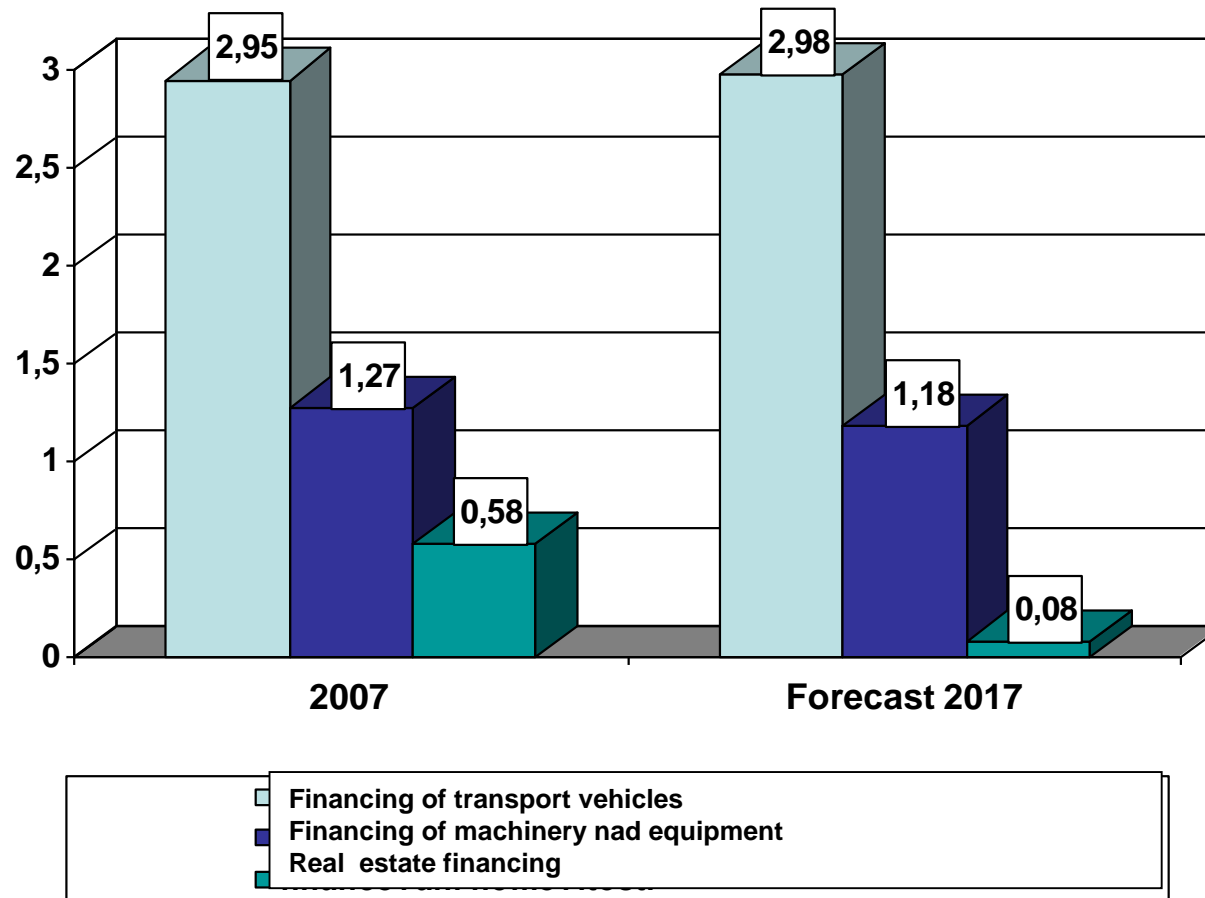


Development of the Czech leasing market – long-term trends



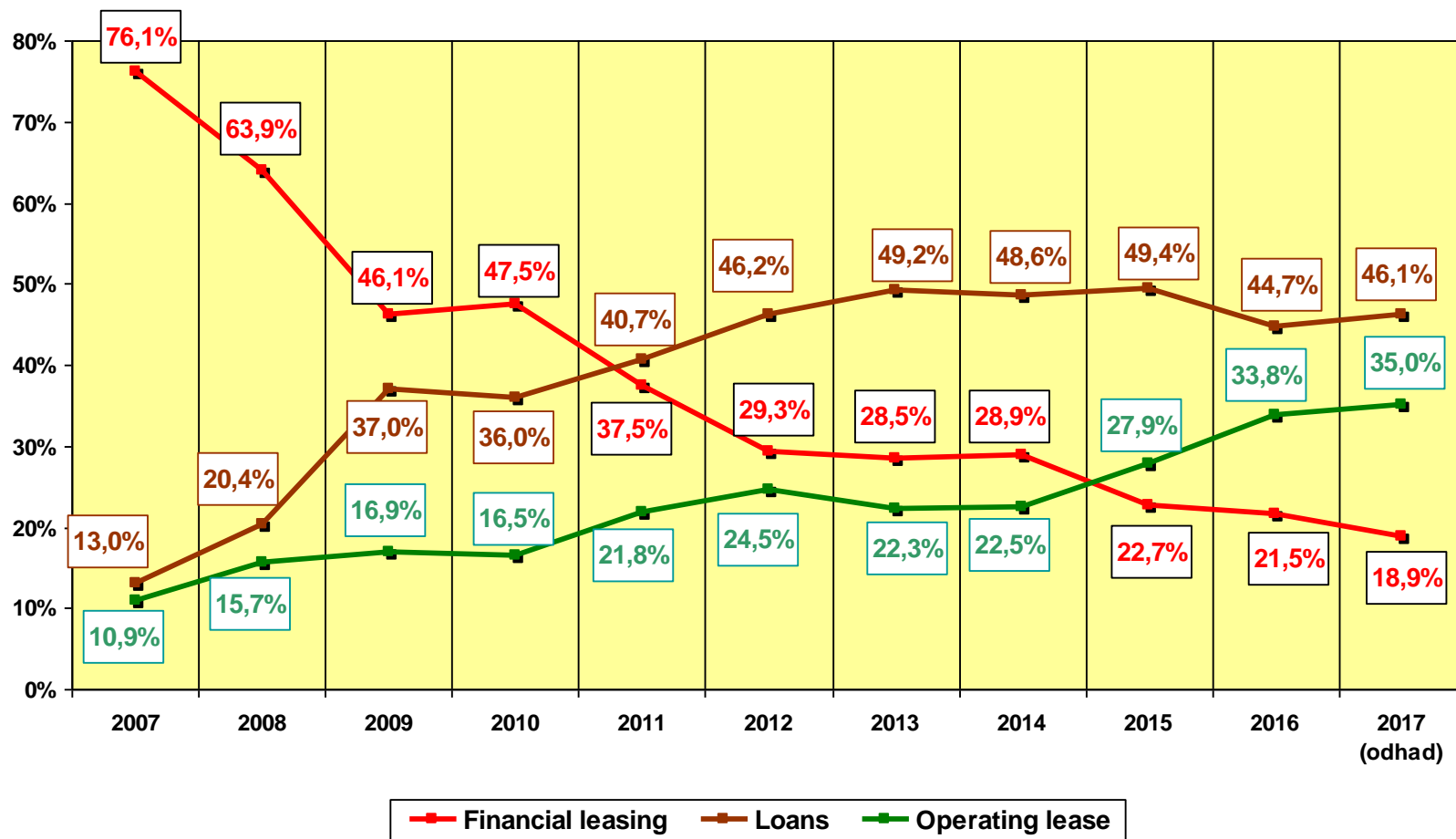
Development of the Czech leasing market – long-term trends

B2B investments financing asset type breakdown (bln. EUR)



Development of the Czech leasing market – long-term trends

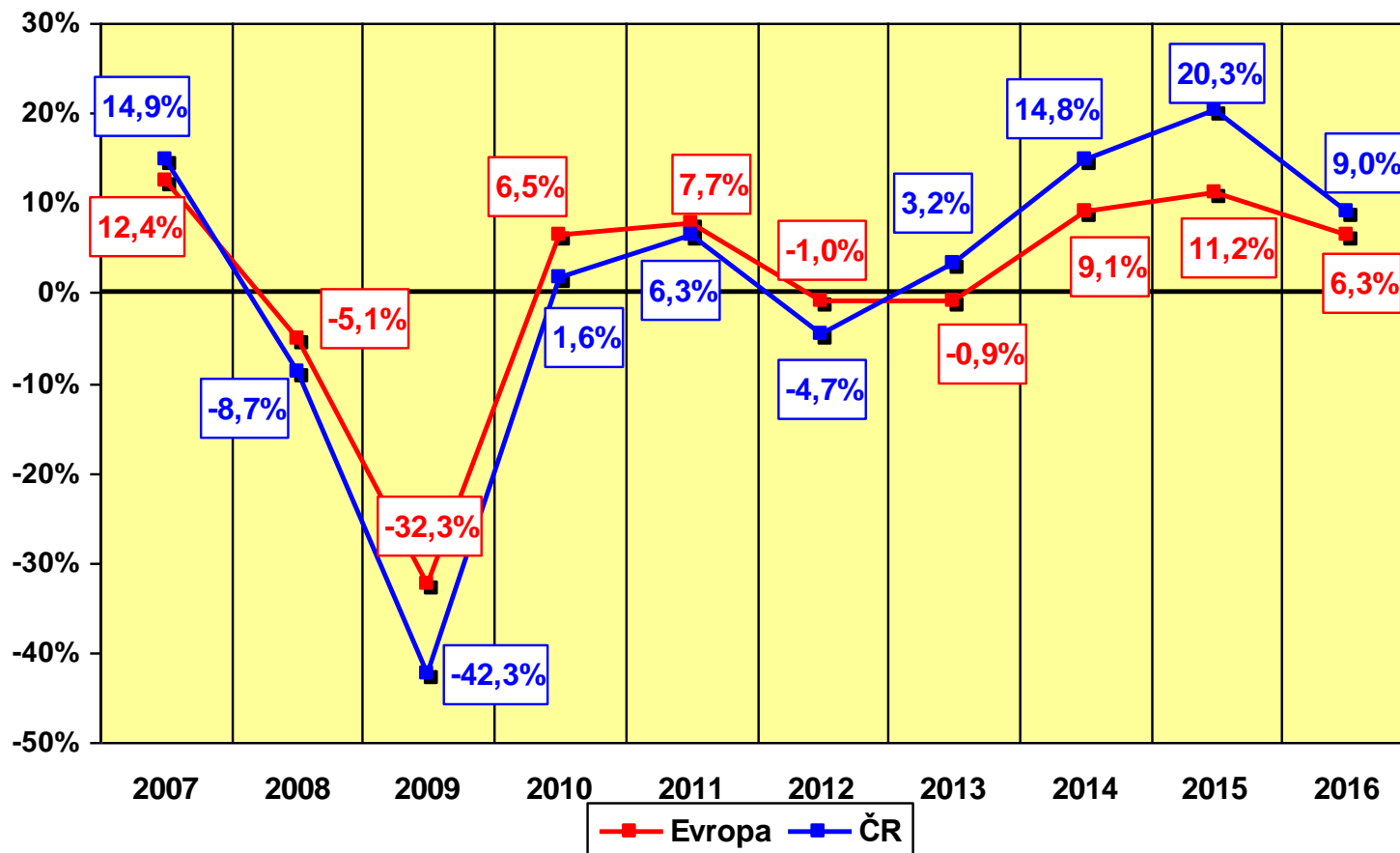
CLFA – B2B investment financing products



Development of the Czech leasing market – long-term trends

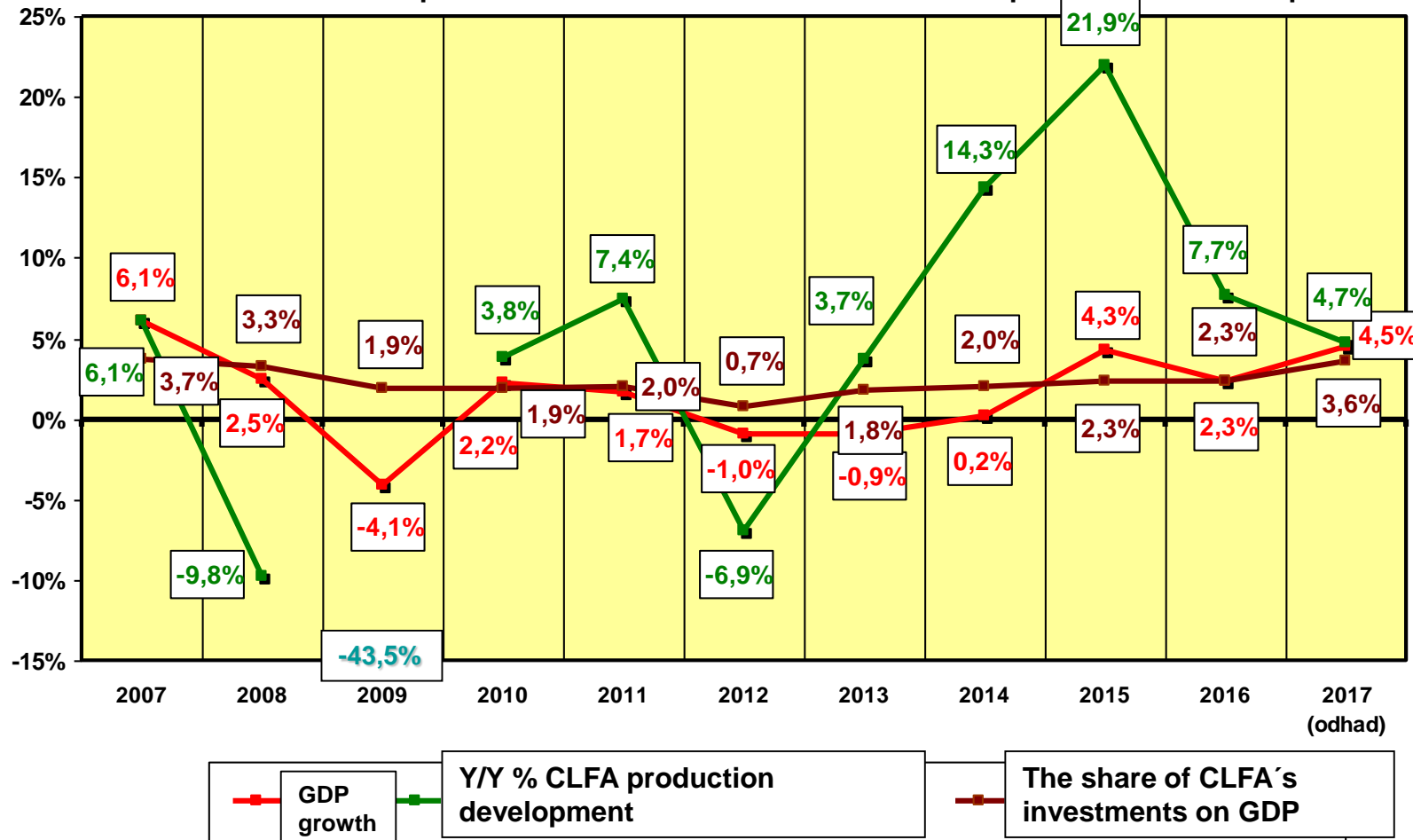
Comparison with European trends

B2B Investment financing in the Czech Republic and in Europe (statistics of Leaseurope)



Development of the Czech leasing market – long-term trends

The development of CLFA's financed investments compared to GDP development



Mid-term outlook



Drivers of Leasing financing / Outlook 2017 - 2019



■ ČNB Forecast 2017-2019

Key macroeconomic indicators	2017	2018	2019
Gross domestic product (bln CZK)	4 573	4 719	4 864
Gross domestic product (% , y-o-y)	3,6	3,2	3,1
Consumer Price Index (% , y-o-y)	2.4	2.0	1.9
Average monthly wage nominal (% , y-o-y)	6.1	6.2	4.6
Unemployment rate (% average)	3.1	2.8	2.7
3M PRIBOR (% average)	0.5	0.7	2.0

- The CNB forecast predicts positive macroeconomic development in 2017 - 2019, which is linked to growth in production and sales and to need for investment
- The prediction of interest rates growth negatively affects the profitability of the sector unless it is included in margins (bottom reached in the mid of 2017)
- The impact of the expected appreciation of the CZK / EUR exchange rate on the leasing segment is ambiguous

Ex. Rate	XII.15	XII.16	I.17	II.17	III.17	IV.17	V.17	VI.17	VII.17	VIII.17	IX.17	XII.17	XII.18
CZK/EUR	27,03	27,02	27,02	27,02	27,03	26,92	26,42	26,20	26,08	26,105	25,98	25,50?	25,00?
	CNB interventions					6th April 2017 Exit from the Exchange Rate Commitment							

- Another risk for the leasing sector is increasing regulation (Consumer credit, IDD, GDPR, IFRS 16 etc.) and the associated increased implementation costs (IT, PerEx, distribution channels etc.)



Thank you for your attention

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