

Leasing market in Poland after the 1st half of 2010

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Polish Leasing Association
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Warsaw



Związek Polskiego Leasingu

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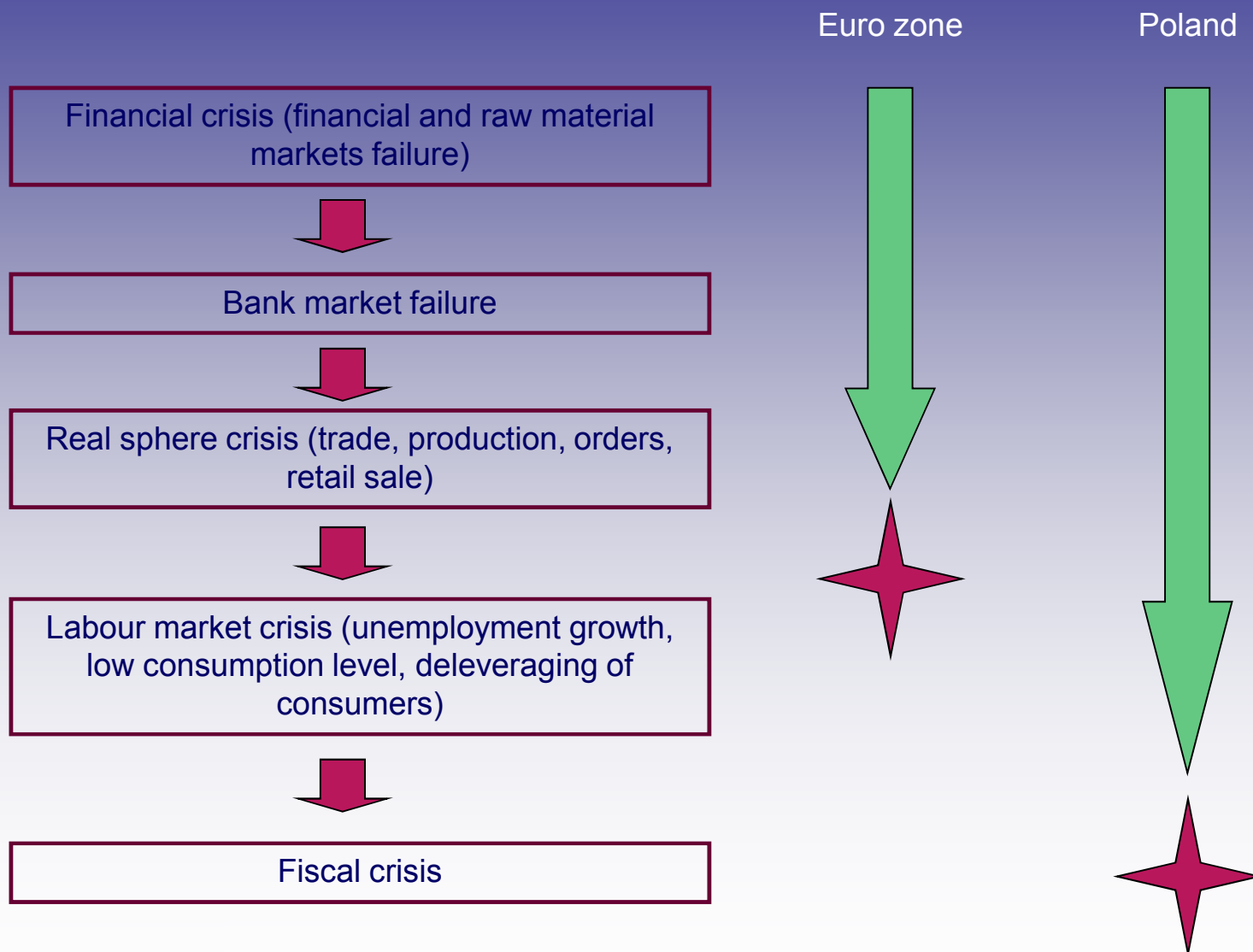


Macroeconomic environment



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The stages of global and Polish economic crisis



Scenario for Euro zone

- ✓ As far as it concerns real sphere, the crisis in Euro zone is over; last months recorded the growth in production and export.
- ✓ The economic growth in Europe is currently driven by export, mainly to the Asian markets. Europe takes advantage of weak Euro.
- ✓ The spendings generated by the consumers are just starting to support the growth of GDP. The unemployment rate is still very high and it seems it will not be decreased soon.
- ✓ In our opinion the recession will not hit its bottom again. Once the stimulating programmes are over, the economic boom will be permanent but very moderate.
- ✓ The economic boom shall not be seriously affected by saving programmes, which will be introduced in 2011, and problems of PIGS countries.
- ✓ The growth of GDP: 1-1,2% in 2010 and 1,4% in 2011 r. The crisis reduced possible economic growth.
- ✓ German economy, which is important to Poland, will record faster growth than the whole Euro zone: 1,5-1,7% in 2010 and circa 1,8% in 2011. It is owing to the growth in production and export .



Scenario for Poland

	2010	2011		2010	2011
Industrial output	+10,0%	+9,0%	Retail sale	+4,5%	+6,5%
Net export	-1,0 pp	-0,5 pp	Unemployment	+12,2%	+11,5%
Individual consumption	+2,2%	+3,1%	GDP	+3,1%	+3,4%

✓ High growth in industrial output driven mainly by export to Euro zone but also by restored stocks in companies. The average growth in May and June at the level of +14% y-o-y (+10.6% y-o-y in the 1st half of the year). We expect the positive influence of the flood from the 2nd half of 2010.

✓ We are approaching the two-year period of strong growth in output. It is suggested by the continues growth in new orders (mainly for export) and high readings of the economic factors, both in Poland and in Euro zone.

✓ After the break in Q1 (resulting from harsh winter) the growth in construction output has been recorded since May.

✓ The annualised dynamic growth in export and import in 2010 has been recorded (on average +21% for the period from January till June 2010). We expect the growth in export will cease in 2nd half of 2010 but the dynamics of import will remain similar.

✓ It will result in the growth of trade deficit and will negatively affect economic growth, which is contrary to the situation of 2009 when it was foreign trade which supported economic growth.

✓ The growth tendency in export will be continued in 2011 mainly due to its cooperative character.

✓ In our opinion export will not be affected by the saving programmes introduced in Europe and by the expected Polish Zloty strengthening.

✓ The situation on the labour market is being improved. The unemployment rate in June decreased to 11.6% and is relatively low in comparison to the unemployment growth recorded after the crisis of 2001-2002 and to the current unemployment growth in the developed economies.

✓ Since May, after 15 months of drops we have been observing the annualised growth of employment in companies. The employment growth in the whole 2010 will be limited.

✓ For four months there has been a real growth in salaries and salary fund.

✓ This year growth depends on the revival in Euro zone, which is caused by stable but limited private consumption in 2010. Further improvement on the labour market (lower unemployment rate and significant salary growth) will decide about the growth of the private consumption in 2011. Consumer mood is improving.

✓ The growing public debt will call the consolidation of public finance in 2011, which will limit the economic growth in 2011. As of 2012 we expect the growth of GDP, similar to the rate of economic growth.



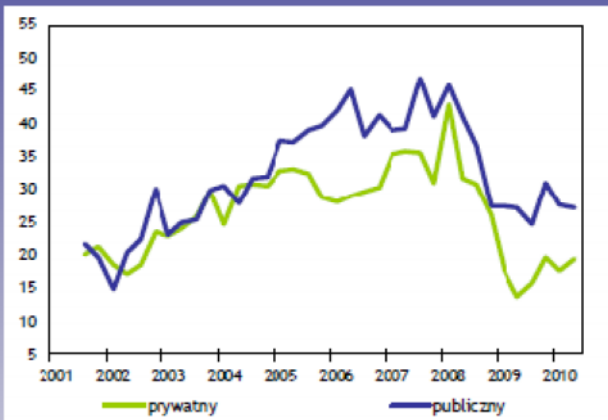
Company investment



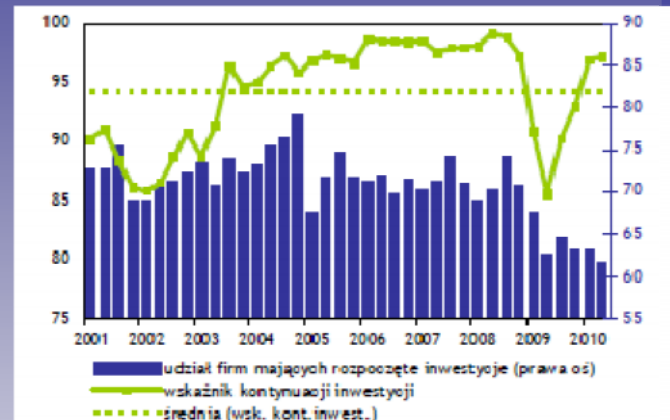
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Company investment – main determinants (1)

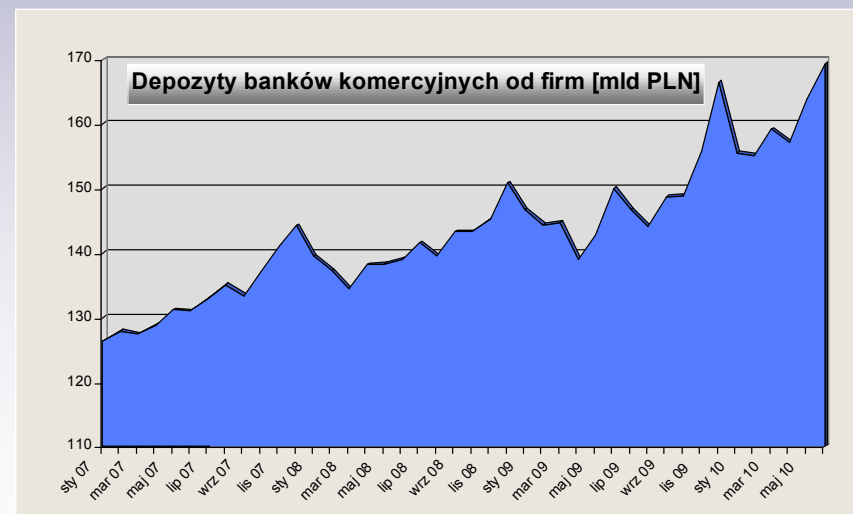
New investment rating



Rating of investment continuity and the share of companies executing investment



- ✓ The investment in economy dropped in 2009 of 0.8% and in Q1 2010 of 12.4%.
- ✓ The company investment dropped in 2009 of 11.9% (fixed prices) but in the case of public sector the investment grew of 8.5%; in the private sector the investment dropped of 17.2% (current prices). The public infrastructural investment enabled keeping the expenditure at the level similar to the one of 2008.
- ✓ As a result, the new investment rating is at the level similar to the one of 2001-2002. The share of companies currently executing investment dropped in Q2 2010 to the historically low level of 61.6%.
- ✓ However, we may observe significant improvement of company mood, the increase of company's activity security and better financial results generated by companies.

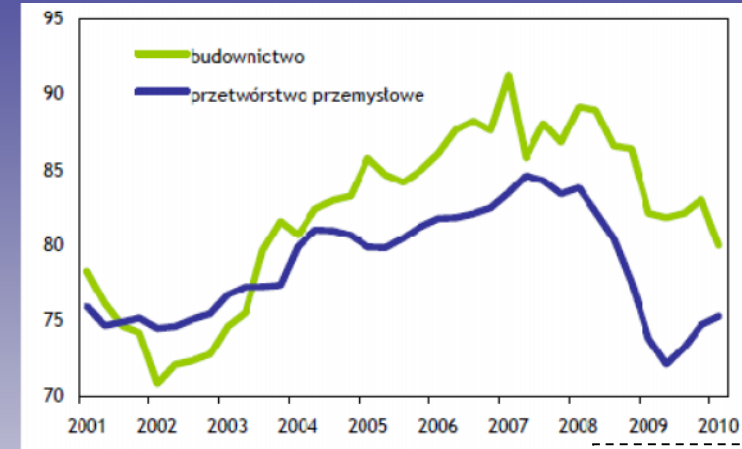
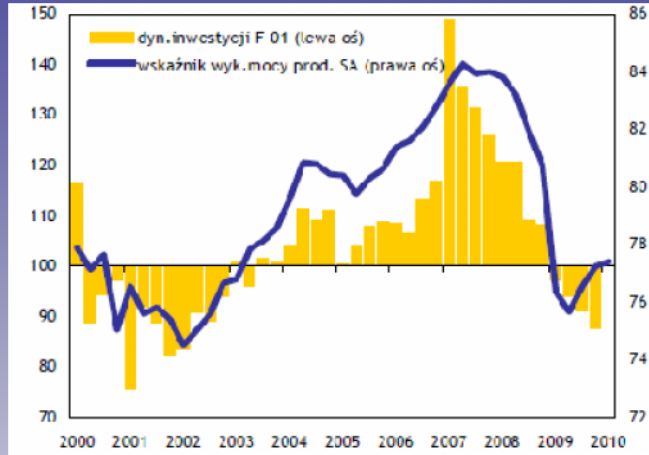


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Data of Polish National Bank

Company investment – main determinants (2)

Average level of production force usage



Data of Polish National Bank

- ✓ Low usage of production force in economy (77.4%).
- ✓ Good result in industrial output in Q1 (+9.4% y-o-y) was not reflected in the significant growth of the production force usage (only 0.2 pp). It was the result of harsh winter and the 17% drop in construction production in Q1.
- ✓ The European Union funds will support the investment within the following years:
 - PLN 10 billion in 2008
 - PLN 17 billion in 2009
 - PLN 27 billion in 2010
 - PLN 51 billion in 2011
- ✓ Good results in foreign direct investment for the period from January 2010 till May 2010.
- ✓ The results achieved by industry increase the usage of production force (+12% in the 2nd half of 2010).

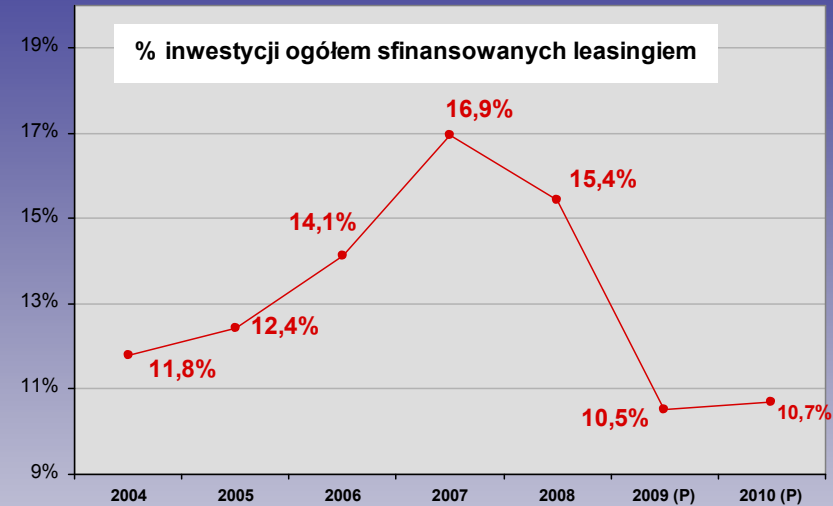
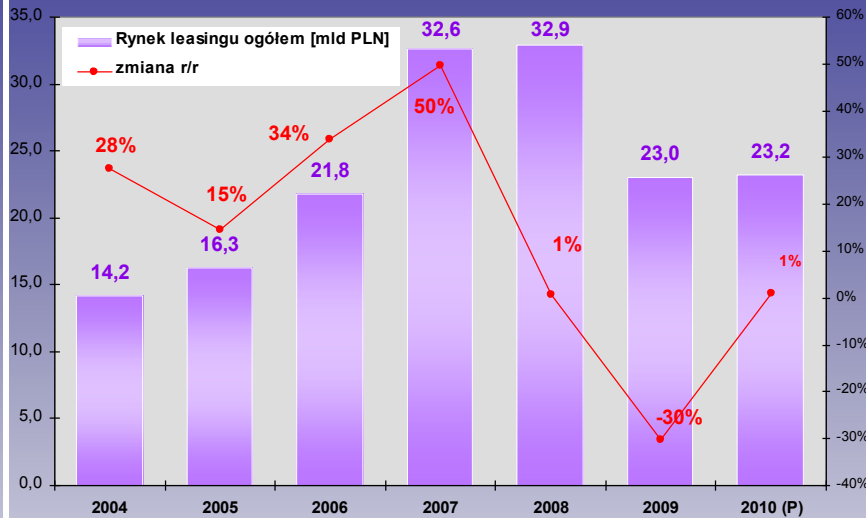
- ✓ The end of Q3 2010 is a breakthrough for the company investment.
- ✓ Big companies and export entrepreneurs will increase the level of investment as first. These companies take the greatest advantage of the current revival in industry; they are also in the best financial condition.
- ✓ We expect that big companies started to increase the expenditure at the end of Q2 2010. It is suggested by the growing production of investment goods. As a result of growing domestic demand, SMEs sector will commence the investment in Q4 2010.
- ✓ The investment in economy will increase in 2010 of 3% and in 2011 of 8%.
- ✓ The investment expenditure will still be strongly supported with the infrastructural projects.

Leasing and rental market



Związek Polskiego Leasingu

Leasing and investment between 2004 and 2010

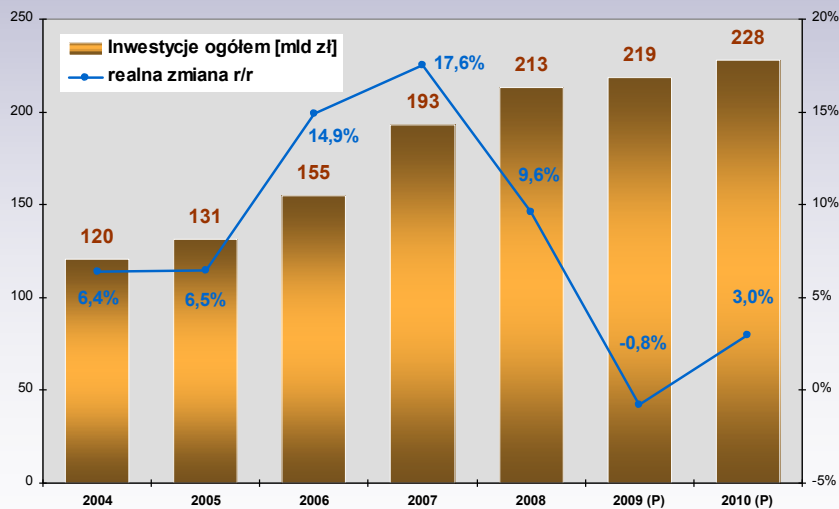


✓ The average annualised growth on the leasing market between 2004 and 2007 amounted to 32%, which was better result than the dynamics of investment in economy amounting to 11%. As a result, the share of leasing in financing the investment grew significantly.

✓ In 2008 the leasing market was ahead the coming economic crisis recording the decrease in turnover since May 2008. The whole market slowed down mainly due to truck vehicle sector, which in the 2nd half of 2008 faced the drops of 40%. Transport industry as first reacted to the economic recession in Euro zone, which started in the 2nd half of 2008.

✓ Relatively low decrease of investment in 2009 resulted from public infrastructural investment, which is financed mainly with the European Union funds.

✓ The current results of the leasing industry suggest the growth in company investment and recovery of economy. The penetration factor of leasing in investment dropped in 2009 to 10.5%, which is lower than the European average of 12.2% in 2009.



Związek Polskiego Leasingu

Source: PLA

The results of leasing industry after the 1st half of 2010 (1)

Assets financed with leasing

	I-VI 2009	I-VI 2010	zmiana
Pojazdy	5 514	6 528	18,4%
OSD	3 668	4 526	23,4%
Pojazdy ciężarowe	1 565	1 747	11,7%
Pozostałe pojazdy	281	255	-9,3%
Maszyny	3 711	2 860	-22,9%
IT	236	178	-24,6%
Samoloty, statki, kolej	134	256	90,4%
Pozostałe ruchomości	70	60	-15,0%
Ruchomości razem	9 666	9 881	2,2%
Nieruchomości - finansowanie	1 221	561	-54,1%
Nieruchomości - samo zarządzanie	0	232	
Leasing ogółem - finansowanie	10 887	10 442	-4,1%

Assets financed with credit

	I-VI 2009	I-VI 2010	zmiana
Pojazdy	0	38	
OSD	0	22	
Pojazdy ciężarowe	0	16	
Pozostałe pojazdy	0	0	
Maszyny	0	930	
IT	0	1	
Samoloty, statki, kolej	0	6	
Pozostałe ruchomości	0	1	
Ruchomości razem	0	976	
Nieruchomości	0	0	
Pożyczki ogółem	0	976	



The results of leasing industry after the 1st half of 2010 (2)

All assets financed by leasing companies

	I-VI 2009	I-VI 2010	zmiana
Pojazdy	5 514	6 566	19,1%
OSD	3 668	4 549	24,0%
Pojazdy ciężarowe	1 565	1 763	12,7%
Pozostałe pojazdy	281	255	-9,3%
Maszyny	3 711	3 790	2,1%
IT	236	179	-24,0%
Samoloty, statki, kolej	134	261	94,6%
Pozostałe ruchomości	70	60	-13,9%
Ruchomości razem	9 666	10 857	12,3%
Nieruchomości - finansowanie	1 221	561	-54,1%
Nieruchomości - samo zarządzanie	0	232	
Leasing ogółem - finansowanie	10 887	11 418	4,9%

✓ The investment crisis among SMEs in 2009 resulted in 29% drop in the new production of real estate leasing.

✓ The year 2010 revived the real estate market. Since March, after 22 months of drops, we have been observing the growth of values regarding financed annualised assets. The growth amounted to 5.0% y-o-y in Q1 2010 and 19.1% y-o-y in Q2 2010. This tendency is stable.

✓ The sector of light vehicles, driven by the sale of societe vehicles, is mainly responsible for the recovery. The growth in this sector amounted to 137% y-o-y in the first half of the year. It is mainly the result of the changes in the rules of VAT deduction which were announced by tax authorities.

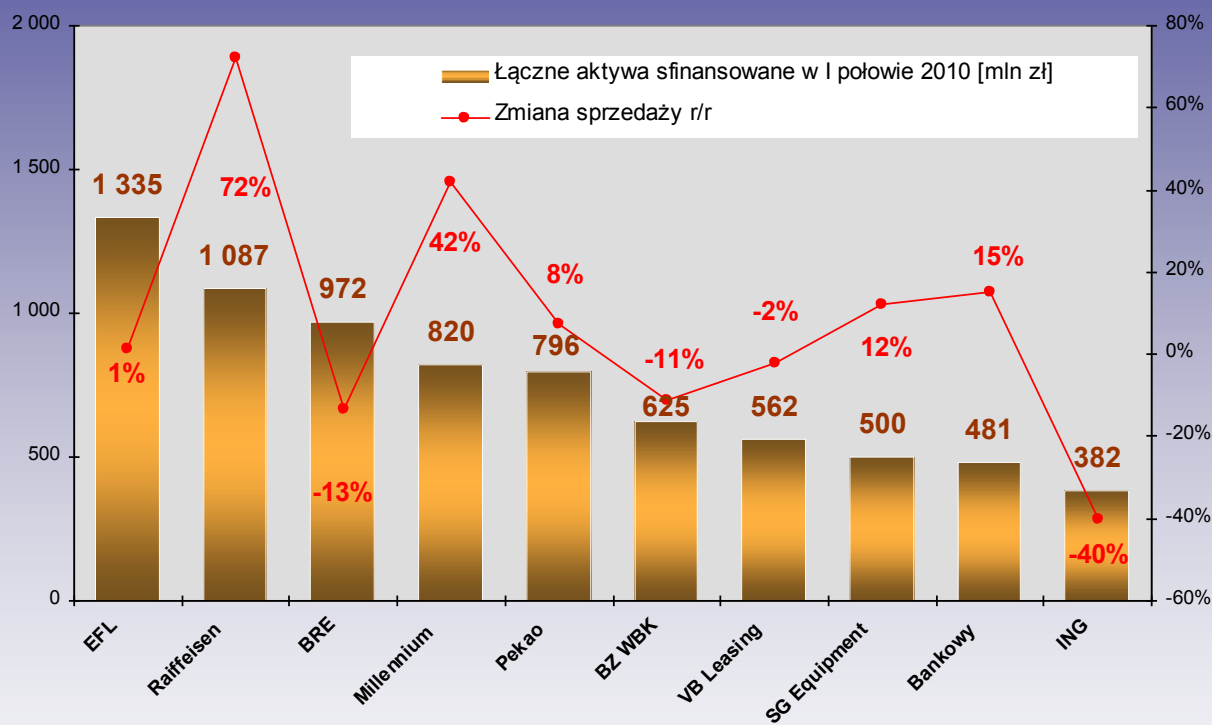
✓ Also the sector of truck vehicles records better results. The growth of turnover in Q1 2010 amounted to 3.3% y-o-y and to 22.1% in Q2. It is mainly the result of low base. This sector suffered the least during the financial crisis. Due to the crisis in international transport, leasing companies were recording lower turnover in financing the truck vehicles as of Q2 2008.

✓ IT sector still has not fully recovered from crisis. The value of the machinery financed by leasing companies in 2010 is often supported with credit. As a result, the share of agricultural machinery and medical equipment in the structure of new production is growing

✓ The significant growth in the „planes, vessels, railway” sector is an effect of cooperation with self-governments – individual transactions concerning the leasing of railway stock and having high individual value.



The company results after the 1st half of 2010



✓ 5% growth of assets financed by leasing companies was achieved owing to very good results recorded by the given companies. Big diversity of results.

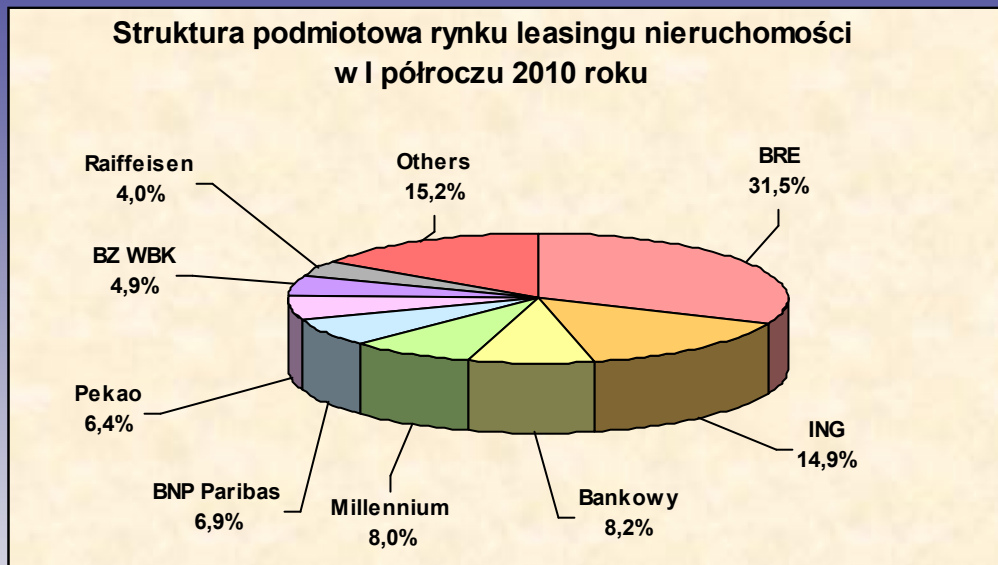
✓ It is the result of low base in 2009 when a part of the leasing industry limited the production due to problems with liquidity and growing risk.

✓ The companies dealing mainly with real estate industry record the drops of turnover in 2010.

✓ Contrary to 2009, bigger leasing companies record faster growth. In the 1st half of 2010 the sale of movable leasing grew in the case of 5 leading companies of 18.2% y-o-y, whereas, the remaining part of the market recorded the growth of 8.4% y-o-y.



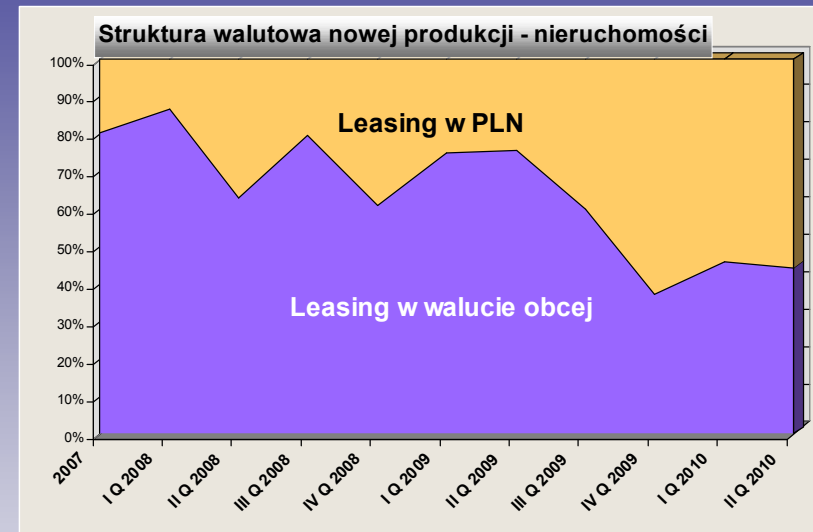
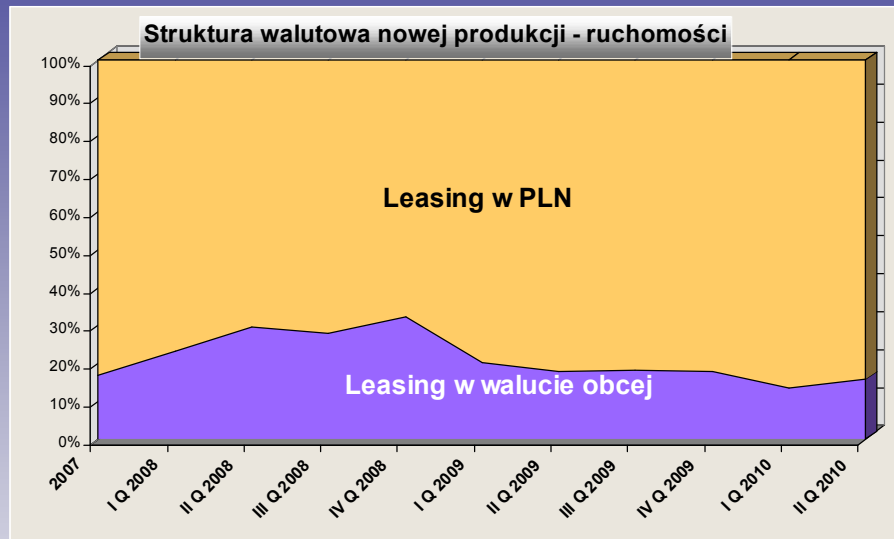
The results of leasing industry after the 1st half of 2010 – real estate



- ✓ The value of real estate properties leased in the first half of 2010 amounted to PLN 561 million, which means the drop of 54% in comparison to the first half of 2009. The value of financed assets in Q1 and Q2 2010 did not exceed PLN 300 million.
- ✓ Negative dynamics of the market resulted from the 59% drop of the average transactional value: from PLN 9.9 million in the first half of 2009 to PLN 4.3 million in 2010. The number of reported contracts remains at very similar level: 104 in the first half of 2009 and 113 in 2010.
- ✓ Comparing to 2009 the leasing market connected to real estate is much more split. In 2009 two thirds of transactions (as far as it concerns both value and number) were concluded by three biggest leasing companies. In 2010 this rate for the turnover value has amounted to 46%.
- ✓ The presented subject and object structure of the market includes also the managed assets without financing.



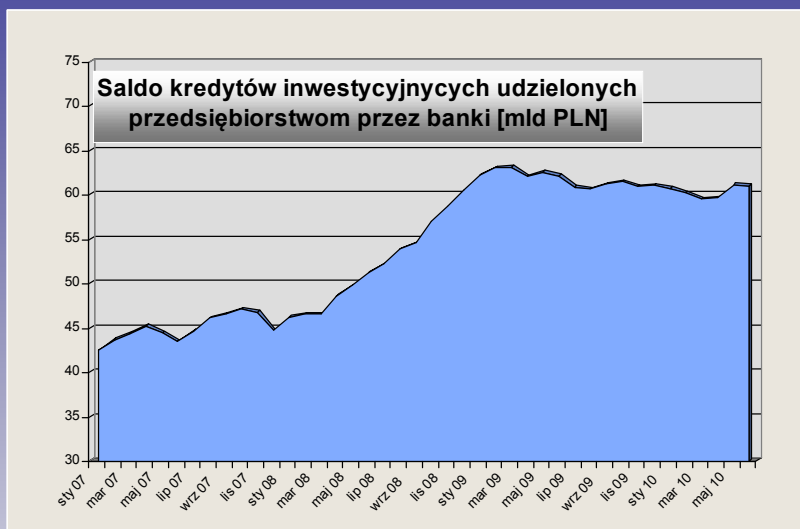
Currency structure of the new production on leasing market



- ✓ This year, similarly to 2009, leasing in Polish Zloty is dominant as far as it concerns the structure of new production regarding real estate leasing. Its share increased from 81.5% in 2009 to 85.5% in 2010.
- ✓ Q2 2010 recorded slight growth of interest in foreign currency leasing among entrepreneurs: 15.7% share in real estate financing in comparison with 13.5% in Q1.
- ✓ Previously, real estate leasing was mainly financed with foreign currency. However, the share of domestic currency in financing the new production was gradually growing. This year it amounts to 54.8% in comparison with 35.6% in 2009 and around 25% in 2007-2008.



Investment financing – leasing vs investment credit



✓ The total value of leasing amount due at the end of June 2010, equal to PLN 53.4 billion (PLN 45.4 billion for movables and PLN 8.0 billion in the case of real estate), is similar to the value of the investment credit balance granted to the companies (PLN 60.9 billion). **Leasing is the main, except for credits, source of financing the investment which functions in economy.**

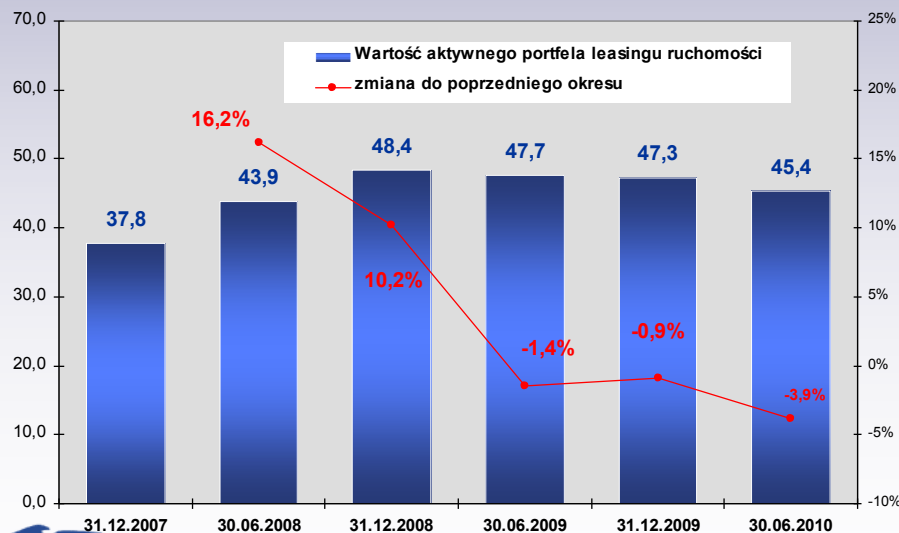
✓ The above mentioned value of the active movable leasing portfolio including the portfolio of leasing amount due by the fleet companies belonging to PZWLP is equal to PLN 2.2 billion (PLN 1.8 billion as on 31st Dec. 2009).

✓ The value of leasing amount due for movables has decreased of 4.8% within the last 12 months. However, it is higher of 3.4% than two years ago and higher of 20.2% than on 31st Dec. 2007.

✓ The data provided by National Polish Bank concerning the money supply (30th June 2010) shows slight limitation of new loans with regard to investment credits. Within the last 12 months the balance of such credits has decreased of 1.8% but it is still higher of 19.0% than two years ago.

✓ Such situation results mainly from the limitation of investment introduced by companies themselves. On the other hand, banks were reluctant to grant credits since the value of bad corporate debts was growing (PLN 26 billion as on 28th Feb. 2010, which constitutes 12% of the whole portfolio). The current records provided by banks show that the situation is being normalised.

✓ The improvement of bank situation and liquidity has no reflection in the increase of the number of new loans. The total value of credits and loans, equal to PLN 207 billion, granted to companies is higher of 5% than 12 months earlier. The growth of the company credit balance is expected in 2011.



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Source: PLA,
National Polish Bank

The forecast of leasing industry results (1)

Assets financed with leasing

	2009	I-VI 2010	VII-XII 2010 (P)	2010 (P)	zmiana 2010/2009	2011 (P)	zmiana 2011/2010
Pojazdy	12 120	6 528	7 448	13 976	15,3%	13 885	-0,7%
OSD	8 325	4 526	5 239	9 765	17,3%	8 698	-10,9%
Pojazdy ciężarowe	3 237	1 747	1 951	3 697	14,2%	4 633	25,3%
Pozostałe pojazdy	559	255	258	513	-8,1%	554	8,0%
Maszyny	7 649	2 860	3 930	6 790	-11,2%	8 345	22,9%
IT	469	178	250	427	-8,8%	513	20,0%
Samoloty, statki, kolej	544	256	332	588	8,0%	646	10,0%
Pozostałe ruchomości	141	60	81	141	-0,2%	155	10,0%
Ruchomości razem	20 923	9 881	12 041	21 922	4,8%	23 544	7,4%
Nieruchomości	2 073	561	724	1 285	-38,0%	1 442	12,2%
Leasing ogółem	22 997	10 442	12 765	23 207	0,9%	24 986	7,7%

✓ In 2010 leasing market is ahead of the expected in the 2nd half of the year revival of investment executed by private companies.

✓ We expect that in the following quarters the situation of the industry will be systematically improved. The relatively low usage of production capabilities among companies suggests that private investment will significantly speed up in 2011. The forecast is based on this assumption and, therefore, it is so conservative.

✓ The recent makroeconomic data gives hope that the cycle of economy recovery from the current crisis will be much shorter than in 2001-2002.

✓ The expected at the turn of Q3 and Q4 2010 growth of private investment will be financed mainly with loans. The growing absorption of European Union funds and greater interest of leasing companies in such products will be favourable.

Assets financed with loans

	I-VI 2010	VII-XII 2010 (P)	2010 (P)	2011 (P)	zmiana 2011/2010
Pojazdy	38	43	81	97	19,6%
OSD	22	25	47	55	15,6%
Pojazdy ciężarowe	16	18	33	42	25,3%
Pozostałe pojazdy	0	0	0	0	
Maszyny	930	1 407	2 337	3 140	34,3%
IT	1	2	3	4	20,0%
Samoloty, statki, kolej	6	7	13	14	10,0%
Pozostałe ruchomości	1	1	2	2	10,0%
Ruchomości razem	976	1 460	2 435	3 256	33,7%
Nieruchomości	0	0	0	0	
Leasing ogółem	976	1 460	2 435	3 256	33,7%



The forecast of leasing industry results (2)

Assets financed by leasing companies

	2009	I-VI 2010	VII-XII 2010 (P)	2010 (P)	zmiana 2010/2009	2011 (P)	zmiana 2011/2010
Pojazdy	12 120	6 566	7 490	14 056	16,0%	13 981	-0,5%
OSD	8 325	4 549	5 264	9 813	17,9%	8 753	-10,8%
Pojazdy ciężarowe	3 237	1 763	1 968	3 731	15,3%	4 674	25,3%
Pozostałe pojazdy	559	255	258	513	-8,1%	554	8,0%
Maszyny	7 649	3 790	5 338	9 128	19,3%	11 485	25,8%
IT	469	179	251	430	-8,2%	516	20,0%
Samoloty, statki, kolej	544	261	339	600	10,3%	660	10,0%
Pozostałe ruchomości	141	60	82	143	1,1%	157	10,0%
Ruchomości razem	20 923	10 857	13 501	24 357	16,4%	26 800	10,0%
Nieruchomości	2 073	561	724	1 285	-38,0%	1 442	12,2%
Leasing ogółem	22 997	11 418	14 225	25 643	11,5%	28 242	10,1%



The results of PZWLP (Polish Association of Vehicle Leasing and Rental) after Q2 2010

- PZWLP – 16 member companies
 - a new company in Association – VB Leasing – will start to report the results in 2011
- PZWLP – in total after Q2 2010 – **76.200*** vehicles, including:
 - FSL 63.033
 - LS 4.049
 - FM 9.118
- The **7,72 %** increase of the number of vehicles in comparison with 2009
- FSL develops at the fastest pace

•Due to the lack of updated information, the data from two member companies regarding Q3 and Q4 2009 was used in conclusion



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Source: PZWLP



Leaders of fleet industry (members of PLA and PZWLP)

Leaders in all three categories – FSL, LS, FM

1. Masterlease Polska	19.740
2. LeasePlan Fleet Management	13.629
3. Arval Service Lease	11.211
4. ING Car Lease	8.671
5. Carefleet	6.102

The biggest individual fleet among analysed companies

1. Corpo Flota	1.309
2. Masterlease Polska	978
3. Bankowy Fundusz Leasingowy	922
4. BRE Leasing	852
5. ING Car Lease	755



Związek Polskiego Leasingu

Source: PZWLP



Leaders of fleet industry (members of PLA and PZWLP)

Leaders of FSL sector

1. LeasePlan Fleet Management	11.405
2. Masterlease Polska	11.158
3. Arval Service Lease	10.940
4. ING Car Lease	7.701
5. Carefleet	5.401

Leaders of LS sector

1. Masterlease Polska	8.453
2. Bankowy Fundusz Leasingowy	2.107
3. Volkswagen Leasing	1.044
4. ING Car Lease	720

Leaders of FM sector

1. Corpo Flota	2.223
2. LeasePlan Fleet Management	2.205
3. KBC Autolease	762
4. BRE Leasing	756
5. Carefleet	701



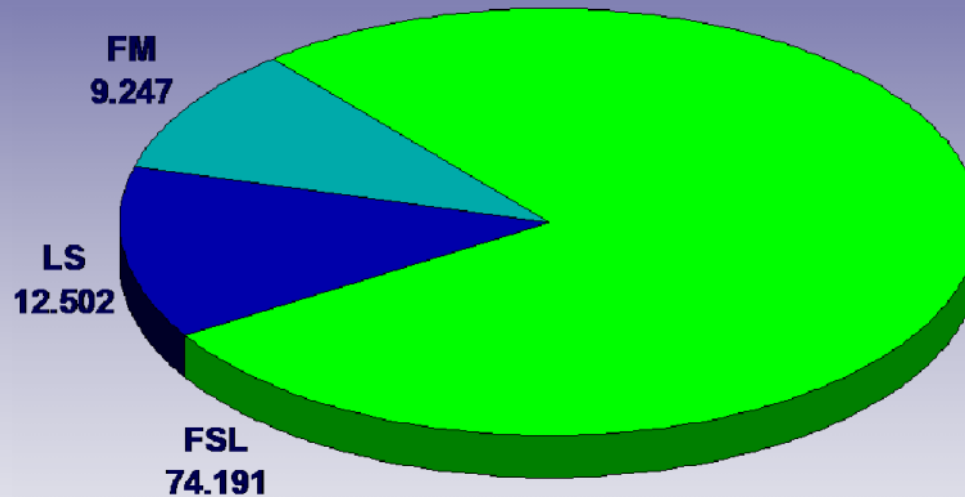
Związek Polskiego Leasingu

Source: PZWLP



Members of PLA and PZWLP – leaders of fleet market total numerical structure by product

Based on results of 16 companies



- PLA and PZWLP – in total after Q1 and Q2 2010: **95.940 vehicles**
- **Increase of 6,19 %** in comparison with 2009
- FSL develops at the fastest pace



Związek Polskiego Leasingu

Source: PZWLP



Press conference, January 2010

PLA wants amendments in Polish Economic Law which will have the following effects:

- ▶ **The increase of effectiveness in the case of European Union fund usage by self-governments**
 - through reimbursement of the cost incurred with regard to the purchase of the leasing subject
 - increase in investment which does not affect the indebtedness ratio

Current status:

- ✓ The possibility to reimburse the price of leasing purchase is included in all the biggest domestic programmes and six Regional Operational Programmes. The rest of Managing Authorities declare to consider such possibility.
- ✓ PLA has begun negotiations concerning the usage of alternative leasing by Local Self-Governing Entities, whose level of indebtedness, while maintaining the same access to investment goods, would be lower than in the case of investment executed by themselves with the usage of other resources, e.g. credit.



Związek Polskiego Leasingu

Source: PLA

► **The improvement of tax-payer security:**

- when tax authorities issue contradictory decisions
- in the case of anticipatory termination of leasing agreement

Current status:

✓ The decision of Supreme Administrative Court of Poland with regard to re-invoicing the insurance cost was postponed by the moment seven judges of Supreme Administrative Court of Poland will pass a resolution.

✓ The Ministry of Finance has issued positive decision regarding new definition of the initial value of leasing subject – new leasing of the subject originating from the agreement terminated before it expires is possible.

► **The access for entrepreneurs and consumers to economical financing**

Current status:

✓ Consumer leasing was positively assessed during consultancies which took place among various ministries and regarded Decontrolling Act. The Ministry of Finance and Office of Competition and Consumer Protection express positive opinion about the proposed solutions. During the debate focused on, among others, consumer leasing, the representatives of all political forces supported the necessity to implement legislative amendments within that scope.



► The possibility to regain financial resources which are frozen in real estate properties, including PPP formula

Current Status:

✓ Group of Treasurers associated in Unia Metropolii Polskich (Union of Polish Metropolises) supported the efforts of PLA towards implementation of the legislative amendments which would enable the introduction of reverse leasing for municipal real estate properties onto the market. The City Hall of Warsaw have prepared the draft of the Act on Municipal Real Estate to be opinioned by the Ministry of Infrastructure

✓ PPP Center, PLA is one of its Founders, has finished elaborating the stages owing to which the public entity will work on PPP project; the stages constitute the base for work performed by individual thematic groups who focus on the specific fields of public assignment realisation.



► **The stimulation of real estate leasing market:**

- through reducing the duration of real estate leasing agreement to five years
- through enabling perpetual usufruct leasing

Current status:

✓ The Ministry of Finance has expressed positive opinion about the proposed solutions.

► **Entrepreneurs will be motivated to invest owing to the fact that exploitation costs regarding company cars will be decreased**

► **The road safety and environment protection will be improved**

Current status:

PLA, together with Polish Automotive Industry Association, Polish Chamber of Automotive Industry and Związek Dealerów Samochodowych (Polish Automobile Dealer Association) prepared a report entitled „Crisis in automotive industry. Possible solutions”. The report contains four key suggestions: full deduction of VAT for company cars, the introduction of ecological tax, the introduction of consumer leasing and the improvement of car testing points functioning.



Związek Polskiego Leasingu (Polish Leasing Association)

ul. Rejtana 17, Warszawa
tel.: (22) 542 41 36
fax: (22) 542 41 37
e-mail: zpl@leasing.org.pl

www.leasing.org.pl



Związek Polskiego Leasingu