

# Slovakia

## MARKET REVIEW

Leasing companies once again remained an important partner in the development of the Slovak economy in 2016.

The total investment financing volume for companies and entrepreneurs in 2016 amounted to €4,444bn, out of which 38% (or €1,687bn) came from leasing companies, and the rest from banks.

The contribution from and the importance of the Slovak leasing sector illustrates leasing penetration on sales of new investment goods, mainly vehicles.

In the passenger car sector every second car was financed via leasing. In light commercial vehicles three out of four vehicles were financed this way, and four out of five lorries were financed with sources from leasing companies.

Penetration of leasing companies on machinery and equipment financing reached around 50%.

New business provided by leasing companies in 2016 reached almost €2.4bn, representing an increase by 6.3% (see Table 1).

**Leasing by asset type.** Movable assets clearly dominate the Slovak leasing market with a 99% share of the total market volume. Out of the main commodities, the leasing market was driven by all vehicle categories (cars, light commercial and lorry vehicles), while the machinery and equipment sector still only expect an increased leasing appetite from the business community in the future (see Table 2).

The structure of financed items changed between 2015 and 2016 (see Table 3):

- **Passenger cars** financing reinforced their presence on the leasing market (+4pp – percentage points). The reason behind this was the increased popularity of operational lease products among customers. In addition to international companies, that preferred this product, domestic businesses have discovered its advantages in comparison with financial lease or credits.
- **Machinery and equipment** commodity financing (–2pp) developed in line with the overall situation in its three biggest sec-

## ASSOCIATION

### THE ASSOCIATION OF LEASING COMPANIES OF THE SLOVAK REPUBLIC

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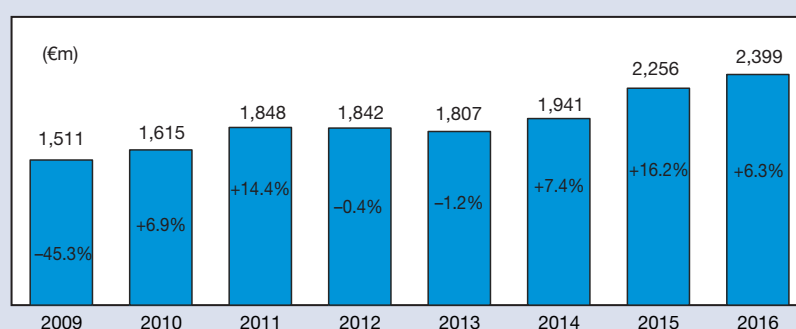
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tors – agriculture (–27%), machinery (+30%) and building industry (+4%):

- Investments into agriculture, which formed one-third of total M&E volume, waited for new EU funds pro-

**Table 1: Leasing market development in Slovakia**



**Table 2: Leasing by asset type 2015–16**

Asset type	New production 2015 (€m)	New production 2016 (€m)	YTY (%)
Passenger cars	1,083	1,244	14.8
Light commercial vehicles	127	146	14.7
Lorry vehicles	461	502	9.0
Machinery and equipment	462	423	-8.5
Business machines	9	10	11.1
Ships, airplanes and railway vehicles	36	24	-32.5
Others	19	16	-15.8
<b>Total movable assets</b>	<b>2,198</b>	<b>2,366</b>	<b>7.7</b>
Real estate	58	33	-44.0
<b>Total market</b>	<b>2,256</b>	<b>2,399</b>	<b>6.3</b>

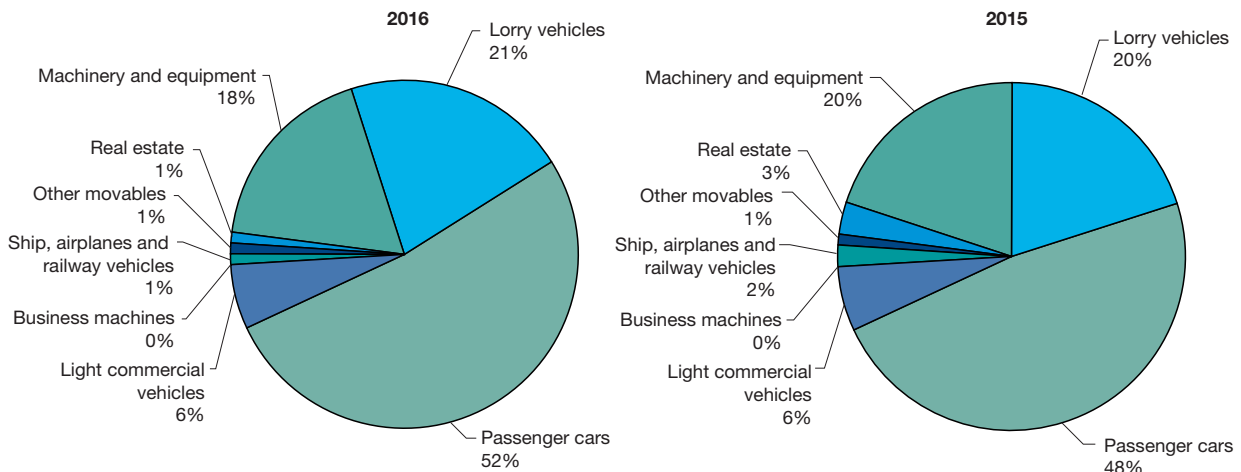
gramming period in 2016, which is why some of the planned financing was postponed into the next year.

- (ii) Machinery companies, located in Slovakia, i.e. producers of automobiles, producers of white and black electronics, on the other hand, enjoyed a successful year in 2016. Their portion on total M&E commodity financing was about a quarter.

- (iii) The last important M&E sector – building industry that represents about one-eighth of total M&E volume – has risen only slightly as it combined massive building of private companies with limited governmental investments into the sector.

- **Real estate** financing (-2pp), after cancelling the special regime of depreciation in comparison with banks, slowly

**Table 3: New leasing business by asset type 2015 and 2016**



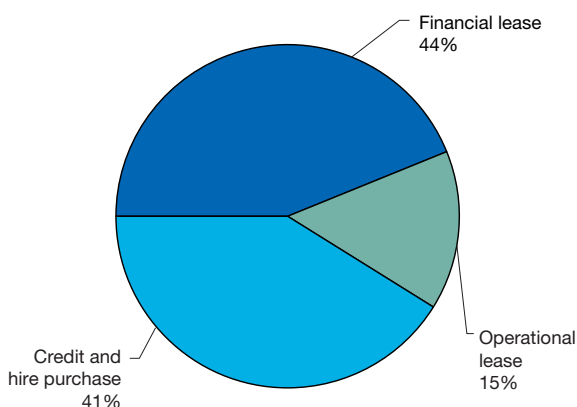
**Table 4: Type of financing**

Type of financing	New production 2015 (€m)	New production 2016 (€m)	YTY (%)
Financial lease	980	1,052	7.4
Operational lease	304	360	18.6
Credits and hire purchase	973	987	1.5
<b>Total market</b>	<b>2,256</b>	<b>2,399</b>	<b>6.3</b>

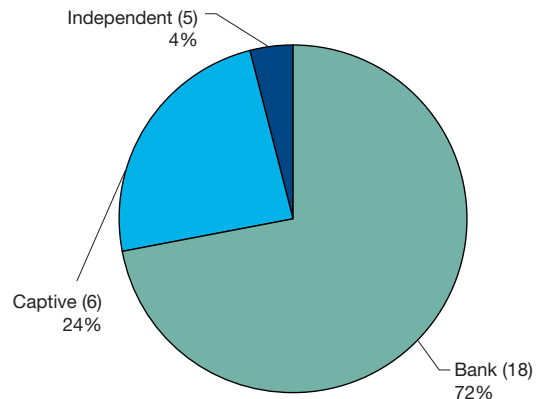
**Table 6: New business by sector**

Type of financing	New production 2015 (€m)	New production 2016 (€m)	YTY (%)
Business	1,926	2,099	9.0
Retail	324	290	-10.5
Public	6	9	47.0
<b>Total market</b>	<b>2,256</b>	<b>2,399</b>	<b>6.3</b>

**Table 5: New business by contract type 2016**



**Table 7: New business by type of leasing company 2016**



diminishes from the leasing market.

#### Financing by product type.

Operational leasing has significantly driven the leasing market in 2016. It developed well in both areas of the market – with services (mainly passenger cars and light commercial vehicles) and without services (lorry vehicles and machinery and equipment commodities) (see Table 4).

Operational leasing is still the smallest contract type out of three products provided by leasing companies, but its importance rises year-on-year. Five years ago, its share of the total leasing market amounted only to approximately 10%.

**Financing by sectors.** The decline of retail financing in 2016 was due to two main reasons (see Table 6):

- **New licensing of leasing companies** by the National Bank of Slovakia for provision of credits to consumers. It brought excessive administration and increase of cost for leasing companies.
- **Aggressive interest rate policy** of Slovak banks from March 2016 influenced the interest of consumers to borrow money for car financing from leasing companies: i.e. mortgages were relatively more accessible and people could borrow more money not only for financing/reconstruction of their property but also for the purchase of a new car.

**Profile of leasing companies.** Almost three-quarters of new leasing business came from leasing companies owned by domestic or international banks. The majority of them are universal but some of them are specialised in a particular commodity, product or sector.

The second biggest group of leasing companies – captives – are subsidiaries of car and vehicle producers that act like a bank in their domestic countries (see Table 7).

**Legislation.** From a long-range perspective, legislation in Slovakia is stable. The Association of Leasing Companies has been closely monitoring the legislative process since its inception and, as far as possible, consistently reminding and proposing changes.

In 2016, leasing companies were mostly concerned by two areas of changes in the law: the reform of court proceedings and the tightening of credit conditions for consumers.

The government in Slovakia has had the intention in the past to reform the judicial process. In particular, the long duration of court proceedings means a low level of law enforcement. In 2016, new codes came into force, namely the Civil Dispute Order and the Civil Non-Dispute Order. These new laws have replaced more than half a century old code.

A new judicial process of recovering debts was also adopted in the form of a Reminder procedure, which is a speedy electronic court procedure. And finally, for the first time in Slovakia,

**Table 8: Ranking of leasing companies in 2016**

No.	Company	New production (€'000)
1	ČSOB Leasing, a.s.	521,139
2	UniCredit Leasing Slovakia, a.s.	300,959
3	VOLKSWAGEN Finančné služby Slovensko s.r.o.	251,949
4	VÚB Leasing, a. s.	207,061
5	Tatra-Leasing, s.r.o.	178,961
6	Mercedes-Benz Financial Services Slovakia s.r.o.	173,549
7	IMPULS-LEASING Slovakia s.r.o.	104,301
8	Consumer Finance Holding, a.s.	65,091
9	S Slovensko, spol. s.r.o.	63,654
10	Oberbank Leasing s.r.o.	56,791
11	LeasePlan Slovakia, s.r.o.	51,120
12	Scania Finance Slovak Republic s.r.o.	40,207
13	Deutsche Leasing Slovakia, spol. s.r.o.	38,821
14	ARVAL SLOVAKIA, s.r.o.	37,321
15	VFS Financial Services Slovakia s.r.o.	36,985
16	SG Equipment Finance Czech Republic s.r.o.	35,544
17	Toyota Financial Services Slovakia s.r.o.	31,908
18	sAutoleasing SK, s.r.o.	29,690
19	Home Credit Slovakia, a.s.	28,698
20	Slovenská sporiteľňa, a.s.	27,758

the means of bankruptcy of a natural person was introduced, as an alternative to bankruptcy of the entrepreneur, with the aim of legally getting rid of past financial debts.

In the field of consumer credit, the National Bank of Slovakia has enforced several measures to tighten its provision. This was due to an increase in the growth of population indebtedness.

In particular, the Act introduced the obligation to establish prudent principles for the provision of consumer credit, the obligation to set and observe the limits on the consumer's ability to repay consumer credit, the rigorous verification of consumer incomes, etc.

The current situation confirms that the established legislative trends, namely the reform of the judicial and enforcement process, as well as the regulation of consumer credit, are continuing and will continue.



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