

AUTOMOTIVE FINANCE MARKET IN SLOVENIA



Is small really beautiful ?

Leasing in CEE, Prague, February 2 - 3, 2012



Summit leasing & credit
Sumitomo Corporation Group



Summit Leasing Slovenija | Flajšmanova 3 | Ljubljana

AGENDA



- SHORT INTRODUCTION OF SUMITOMO CORPORATION & SUMMIT LEASING SLOVENIA
- GENERAL ECONOMIC TRENDS AND FUTURE FORECASTS
- SLOVENE AUTOMOTIVE FINANCE MARKET
 - FIGURES
 - KEY PLAYERS
 - MARKET SPECIFICS
- BUSINESS MODEL FOR SUCCESS – SUMMIT LEASING SLOVENIJA CASE
- CONCLUSION
- Q/A

Sumitomo Corporation

Summit Leasing Slovenija



Corporate Profile



- Sumitomo Corporation is one of the leading firms in the Japanese business arena, with its business continuously expanding into a diverse range of products and services.
- Since its foundation in the early 17th century, the “Sumitomo” Brand has represented stability and trust.
- The company’s reputation has been built upon the strong foundation of its long business tradition.

Company Name:	Sumitomo Corporation
Head Office:	Harumi Island Triton Square Office Tower Y 8-11 Harumi 1-chome, Chuo-ku, Tokyo 104-8610
TEL:	+81-3-5166-5000
URL:	http://www.sumitomocorp.co.jp/english/
President and CEO:	Susumu Kato
Date of Establishment:	December 24, 1919
Paid-in Capital	219.3billion yen (As of March 31, 2011)
Number of Employees	5,159 (Sumitomo Corporation, as of March 31, 2011) 64,886 (Consolidated Base, as of March 31, 2011)
Number of Offices:	114 overseas (64 countries), 24 in Japan (July 2011)
Consolidated Subsidiaries:	576 (434 overseas, 142 in Japan, as of July 1, 2011)
Associated Companies:	216 (161 overseas, 55 in Japan, as of July 1, 2011)
Total Trading Transactions:	US\$ 100.6 billion (IFRS)
Profit for the Year Attributable to Owner of the Parent :	US\$ 2.4 billion (IFRS)



Part of Global Network



Overseas:	64	Japan:	
countries		Headquarter	1 / 1
Subsidiaries	40 / 88	location	
locations		Subsidiaries	3 / 9
Branch	1 / 1 location	locations	
Offices	25 / 25	Regional Business Units	3 / 12
locations		locations	
Total	114	Offices	2 / 2
		locations	
		Total	24

**CENTRAL AMERICA
AND SOUTH
AMERICA**

* As of July 1, 2011

Summit Leasing Slovenia Business Overview



- Name of Company Summit Leasing Slovenija, d.o.o.
- Mission & Vision **To take care for partners and customers in automotive business with innovative & creative financial solutions as one of leading automotive financing companies in Slovenia**
- Established in 1999
- Capital/ Assets 1,5 mio EUR founding / 38 mio EUR / 217 mio EUR as of Dec. 2011
- Ownership structure 60% owned by Sumitomo Corporation Europe Ltd (UK)
40% owned by Sumitomo Corporation (Japan)
- Number of employee 95 (as of Jan 2012)
- Active contracts balance Automotive Finance: 27.750 contracts / 192M EUR (END2011)
Consumer Finance: 51.264 contracts / 22M EUR
- All contracts signed from beginning more than 230T contracts
- 10,16 % SHARE OF SLO NEW PASSENGER CAR MARKET 2005- 2011
- Financial results 2011: PAT 3,6 MIO EUR, ROA 1,6%, ROE 10%, RR 12,7%, PROVISIONS/BA 2,85%



GENERAL & BUSINESS CLIMATE



SLO FINANCIAL MARKET TRENDS



- CREDIT RISKS & REFUNDING RISKS – HOT TOPICS
- 4,7% DECLINE OF LOANS TO CORPORATES, STAGNATION OF LOANS TO INDIVIDUALS, 12% DECLINE OF “PAPERS” TRANSACTIONS
- INCREASED LENDING INTEREST MARGINS
- ASSET RECESSION : - 2% SLO BANKS
 - REGULATORY PRESSURE– CAPITAL ADEQUACY
 - LOWER “CREDIBLE” DEMAND FROM CORPORATES
- POOR LIQUIDITY OF BANKS – UNFAVOURABLE, ABOVE AVERAGE SHARE OF LOANS IN LIABILITIES
- INCREASED REFINANCING COSTS FOR SLO BANKS
- INCREASED PAYMENT DELAYS – OVER 90 DAYS
- D&E RECEIVABLES INCREASED
- NEGATIVE MIGRATION OF CUSTOMERS BY RATINGS
- 124 MIO EUR LOSS OF SLO BANKS



OUTLOOK 2012



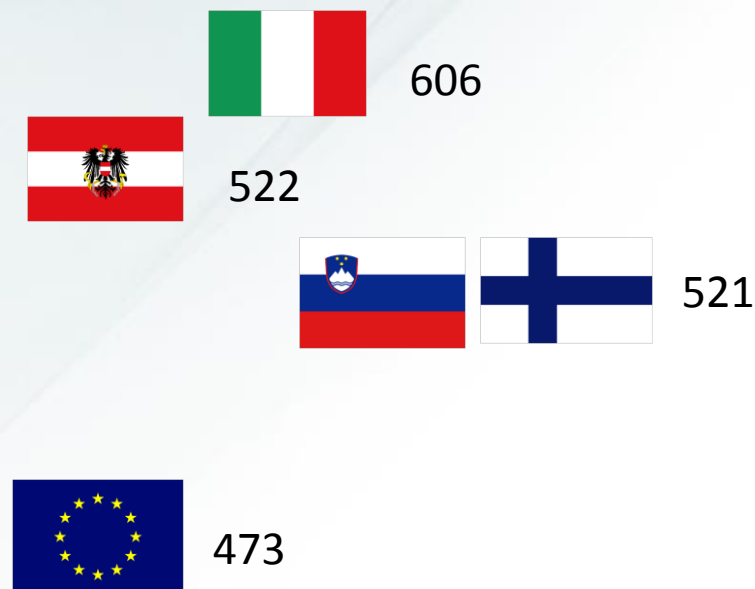
- CREDIT CRUNCH WILL CONTINUE
- MIN / NEGATIVE GDP GROWTH?!
- GENERAL CONSUMPTION +/- 0
- NEW PASSENGER MARKET - SLIGHT DECLINE
- TO EU AVERAGE CORPORATES ABOVE AVERAGE INDEBTEDNESS / INDIVIDUALS UNDER AVERAGE



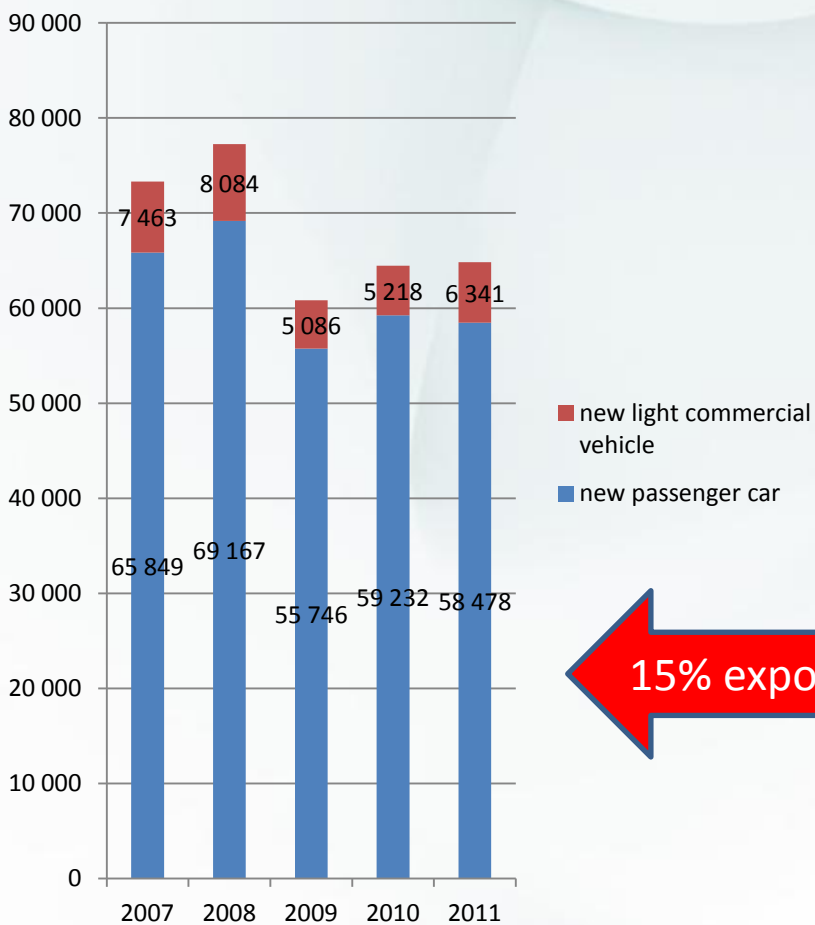
SLO PASSENGER CAR MARKET – SMALL & MATURE & COMPETITIVE



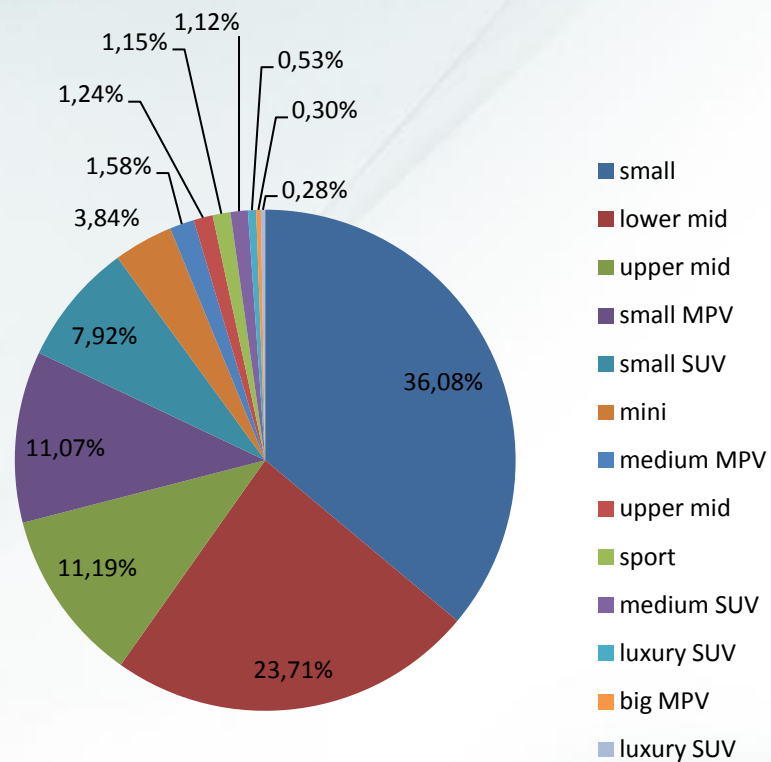
CARS PER 1000 INHABITANTS



Newly registered passenger cars and light commercial vehicles in Slovenia



Passenger Car Market in Slovenia by segments - 2011



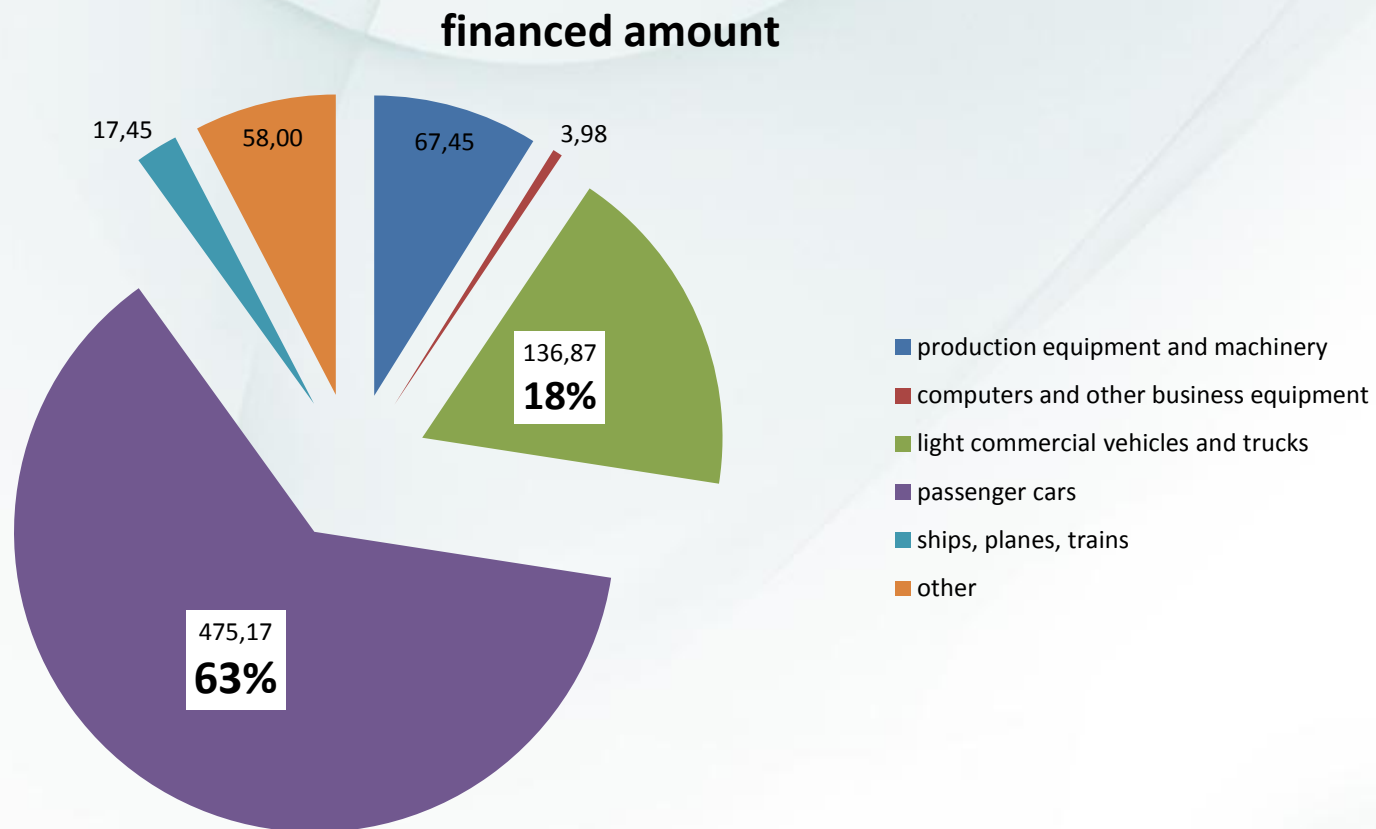
VEHICLES FINANCING MARKET IN SLOVENIA – HIGHLY TRANSPARENT & COMPETITIVE



Leasing market development – by purchase price – mio EUR



Financed amount – mobiles by type - 2011 (BY PURCHASE PRICE OF FINANCED GOODS)





SOME HIGHLIGHTS OF AUTOMOTIVE FINANCE MARKET IN SLOVENIA



LEGISLATIVE



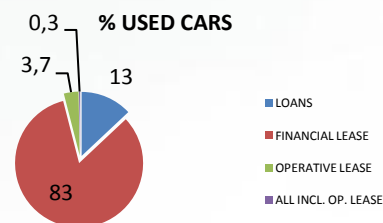
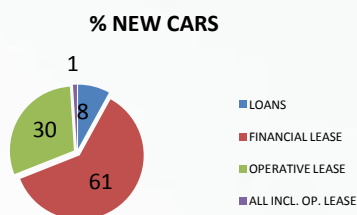
- NO SPECIFIC LEASING LAW
- INTERNATIONAL ACCOUNTING STANDARDS FULLY APPLIED
- VAT ON INTERESTS IN CASE OF FINANCIAL LEASE ABANDONED
- VAT ON PASSENGER CARS IS NOT TAX DEDUCTABLE – ONLY FEW EXEMPTIONS
- MONEY LAUNDRING LAW – STRICTLY FOLLOWS EU DIRECTIVE
 - ADDITIONAL WORKLOAD
 - RISK OF FINES : 12.000 – 120.000 EUR
- CONSUMER FINANCING LAW – STRICTLY FOLLOWS EU DIRECTIVE
 - ADVERTISING
 - LICENCES – EVERY 3 YEARS NEW APPLICATION
 - EARLY WITHDRAWAL RIGHT - 3 DAYS IN CASE OF LEASING



MARKET



- Leasing penetration remains high:
 - New passenger cars: **47,7%** in 2011 / **47,4%** in 2010
 - New light commercial vehicles: **32,2%** in 2011 / **37,8%** in 2010
- AGRESIVE BANKS APPROACH – SHIFT FROM CORPORATES TO INDIVIDUALS
- LEASING COMPANIES LOOSING LOAN CUSTOMERS
- LOW SHARE OF OPERATIVE LEASE /ALL INCLUSIVE NEGLECTABLE –
 - NOT MANY FLEET CUSTOMERS
 - SMALL SECONDARY MARKET & RELATED RV RISKS ON THE SIDE OF LESSORS
 - ACCOUNTING & TAXATION LEGISLATION – MORE DISADVANTAGES THEN ADVANTAGES ESP. FOR COMPANY CARS/
PRIVATE USE



CONSUMER BEHAVIOUR



- MORE THAN 70% OF CUSTOMERS INDIVIDUALS
- PRICE ELASTICITY LOWER IN FINANCING THAN IN CAR PURCHASING – EVEN LOWER IN LOWER CAR SEGMENTS
- UP TO 80% OF CUSTOMERS' DECISION AS REGARDS LESSOR IN MAJOR PART INFLUENECED BY SALES PERSONELL

Alphera Surevey, Motor Finance, September 2011

-25% perform general research on line

-25% choose a dealer by personal referenece

-20% choose a dealer based on previous experience

-5% would buy a car on line

-61% of customers do not have any idea or have some general konwledge about financing

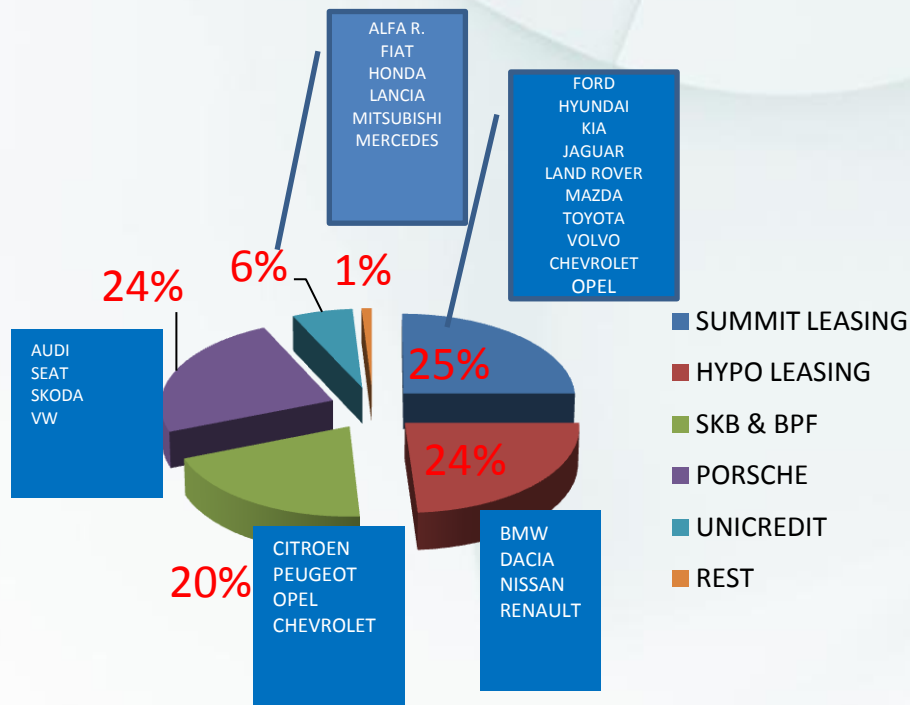
-75% would prefer to deal with a person



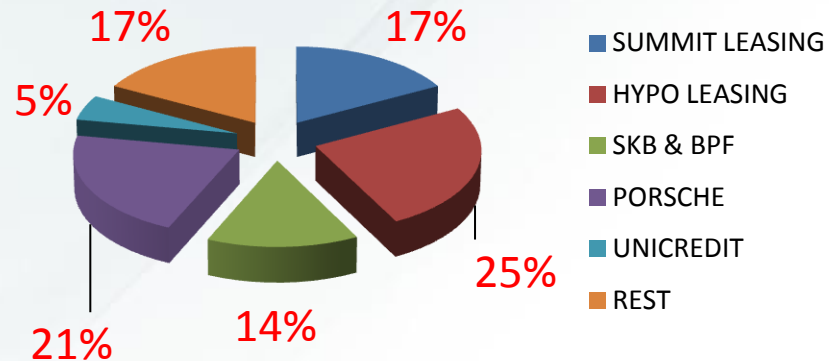
VENDOR & CAPTIVE DRIVEN MARKET



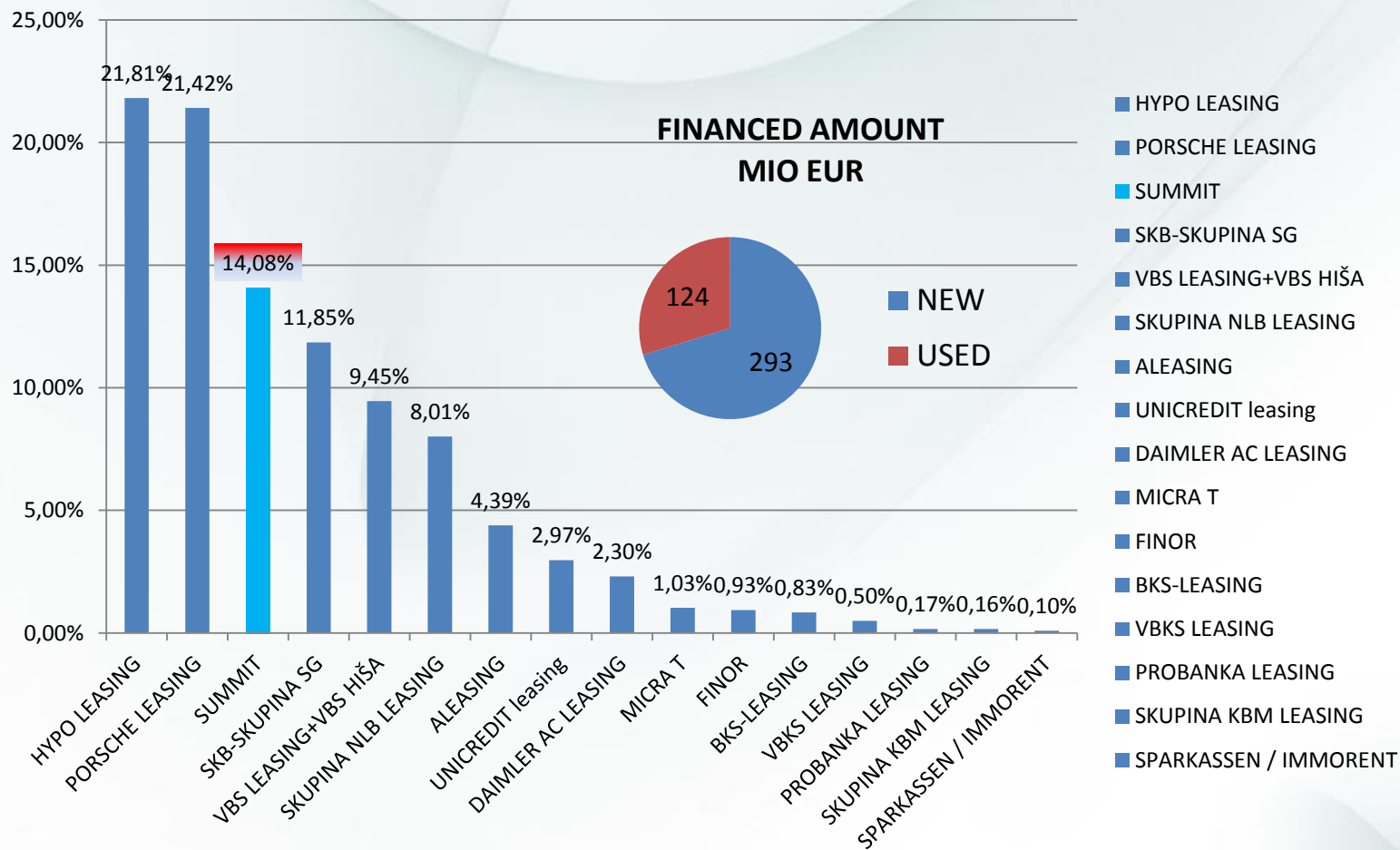
MARKET SHARE OF VENDOR PARTNERS % 2011



NEW PASS. CARS FINANCING MARKET SHARES 2011



Market shares – new & used passenger cars - 2011



FINANCIAL



- RISK ACCEPTANCE GENERALLY DECREASED – LOWER ACCEPTANCE RATIO
- FEES & COMMISSIONS TO DEALERS FROM 1% - 2%, UP TO 4%
- DELINQUENCY GENERALLY INCREASED
- INCREASED PROVISIONS
- SPECIFIC RISKS
 - RETAIL DELIVERY RISK
 - REGISTRATION - HOMOLOGATION CERTIFICATE RELATED RISK
 - LACK OF CENTRAL PROFESSIONAL / PUBLIC AGENCY FOR CREDIT RATING OF INDIVIDUALS



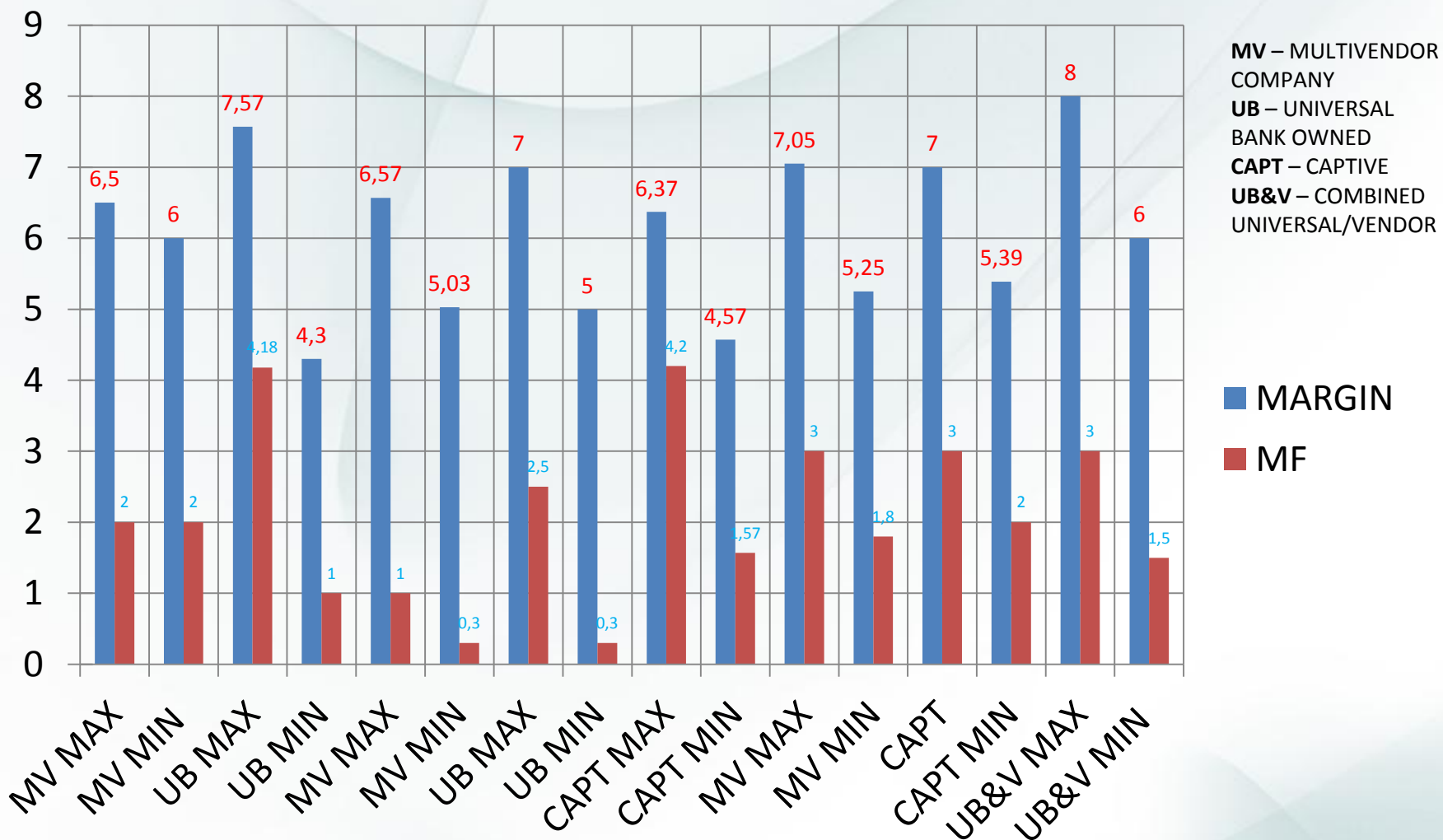
RATES & MARGINS



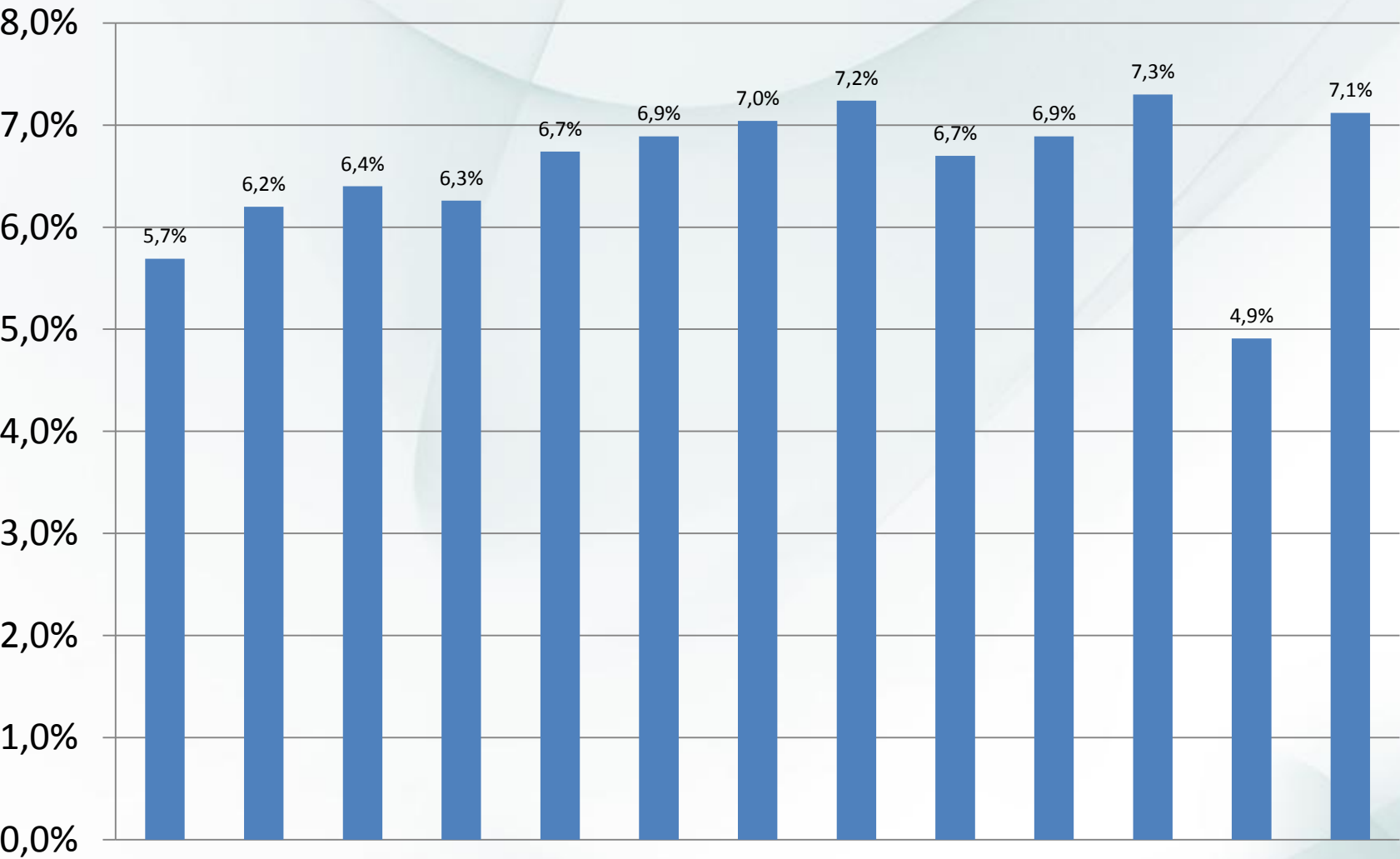
- MAJORITY OF LENDING WITH VARIABLE RATES
- LEASING
 - INTEREST MARGIN OVER EURIBOR: 4,3 % - 8 %
 - UPFRONT FEE AS % OF PURCHASE PRICE: 0,3% - 4%
- LOANS
 - INTEREST MARGIN OVER EURIBOR: 2,7% - 4,3%
 - UPFRONT FEE AS % OF FINANCED AMOUNT: 0,7% - 1,5%
 - RECEIVABLES INSURANCE FEE AS % OF FUTURE RECEIVABLES: 2,1% - 4%



LEASING MARGINS OVER EURIBOR



EPR – EFFECTIVE INTEREST RATES BANK LOANS



COMPARISON LEASING COMPANIES 2008-2010

ROA (in %)



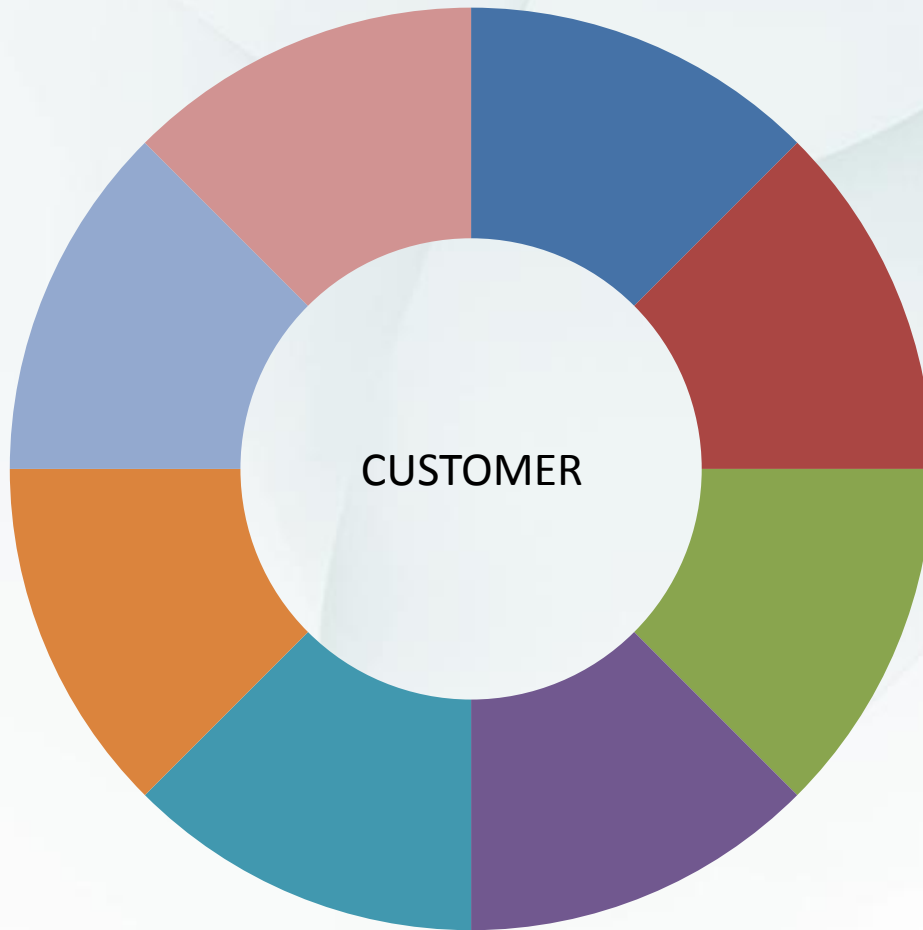
KEY TO SUCCESS ?



SUMMIT LEASING SLOVENIJA CASE



MAGIC CIRCLE



- PRODUCT
- PRICE
- PLACE
- PEOPLE
- PROMOTION
- PACKAGE
- PROCESS
- PARTNERSHIP

LONG TERM RELIABLE & COMPETITIVE FUNDING



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SUMMIT LEASING PRODUCT MIX – PACKAGE & ONE STOP SHOP



– TO END CUSTOMERS

- ALL TYPES OF LEASING
- CAR LOANS
- SUMMIT DINERS COBRAND CREDIT CARD
- CAR INSURANCE
- INHOUSE CARS REGISTRATION OFFICE
- CONSUMER LOANS



– TO IMPORTERS & DEALERS

- TO FACILITATE AND PROMOTE SALES OF NEW AND USED CARS
- SIMPLE, TRANSPARENT AND COSTS ATTRACTIVE SOLUTIONS FOR WHOLESALE FINANCING
- TO INCREASE THE LOYALTY OF CUSTOMERS WITH PROVIDING THEM ADDITIONAL VALUE THROUGH THE PACKAGE OF DIFFERENT SERVICES
- TO INCREASE PROFITABILITY OF DEALERS WITH STIMULATIVE COMMISSIONING SCHEMES



PEOPLE



- PEOPLE AND ANYONE ELSE MAKE THE SERVICE COMPETITIVE
- LEASING NEEDS SPECIFIC PROFESSIONAL PROFILES

PROFIT DEPENDS ON:

BUSINESS WE ARE IN	16%
GLOBAL ECONOMY WHICH WE CAN	
NOT CHANGE	46%
QUALITY OF PEOPLE	38%



Mr. Atarashi

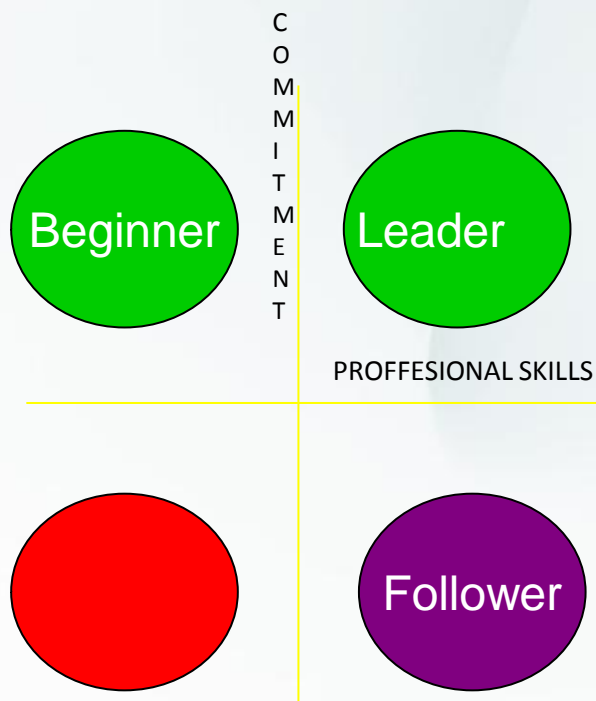
A company is only as good as its people!

A fish rots from the head down!



5 TYPES OF PASSION

- *Self burning* – 5-10%
- *Burnable* – 80%
- *Non-burnable*- 5%
- *Extinguishing*- 2%
- *Igniting* – 5%



PLACE / DISTRIBUTION



SUMMIT LEASING SLOVENIJA VENDOR BRANDS

– BMW FINANCIAL SERVICES



– CITROEN CREDIT & LEASING



– DAEWOO LEASING & CREDIT

– FORD CREDIT



– HYUNDAI LEASING

– KIA LEASING & CREDIT



– MAZDA CREDIT

– NISSAN FINANCE

– SUZUKI LEASING & CREDIT



– SKODA FIN

– TOYOTA LEASING & CREDIT



– VOLVO CAR FINANCE



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OPERATIVE SUPPORT TO IMPORTERS & DEALERS



- POS PRINCIPLE
- 24/7 SUPPORT OF DEVOTED SALES MANAGERS
- ADAPTED OFFICIAL HOURS
- DEALERS FINANCING WITHOUT BANK GUARANTEES
- PERMANENT WORKING COMMITTEES ON SEVERAL LEVELS
- PARTICIPATION ON SALES CONFERENCES
- PERMANENT PRESENCE IN NETWORK ON ALL LEVELS
- PERMANENT TRAINING
- INCENTIVE EVENTS
- REGULAR REPORTING
- SALES CAMPAIGNS
- PERMANENT EVALUATING PERFORMANCE BY INDEPENDANT RESEARCHERS



PRICING



- FAIR, COMPARABLE PRICING TO END CUSTOMERS
- STIMULATIVE PRICING TO DEALERS WITH INCENTIVE SCHEMES RELATED TO THE LEVEL OF COOPERATION IN RETAIL FINANCING



PROCESS



- SIMPLE, FAST, USERS' FRIENDLY, POS BASED PROCEDURES
- ESTABLISHED FILES FLOW (BPM) / PREREQUISITE FOR ALWAYS PRESENT DEALERS' COMPLAINTS AS REAGARDS SPEED & FLEXIBILITY – REACTIVITY MEASURED IN HOURS
- IT DRIVEN
- SCORING IN TESTING PHASE – TO BE LAUNCHED IN 2ND HALF OF YEAR
- E ARCHIVE LICENCE 2012 - ELECTRONIC SIGNATURES & PAPERLESS BUSINESS 2013
- MAIN DRIVERS:
 - COST CUTTING
 - LOWER RISK EXPOSURE & IMPROVED CONTROL
 - HIGHER LEVEL OF SERVICE – ADDITIONAL COMPETITIVE ADVANTAGE



PAPERLESS PROCEDURES



Passports



ID's, bank information

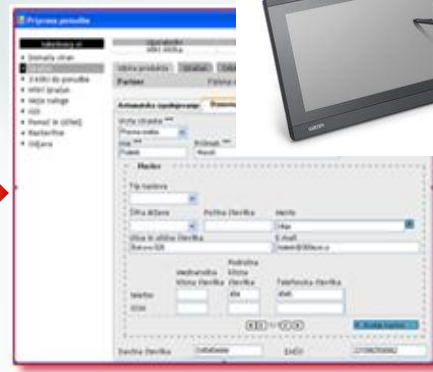


POS

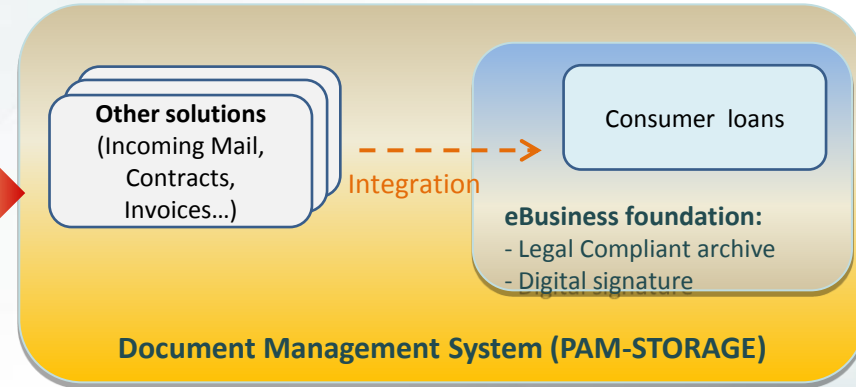
Advanced scanner



Data check and approval



L-easy – data import, contract generation



PARTNERSHIP / RELATIONSHIP



- PARTNERS EXPECT FULL SCOPE OF SERVICES , LONG TERM ORIENTATION AND BALANCING OF COOPERATION – SOMETIMES YOU HAVE TO SACRIFICE TREE TO PROTECT FOREST
- CONTRACTS ARE PAPER, MONEY IS BLOOD, RELATIONSHIP & TRUST KEEP EVERYTHING TOGETHER
- BYROCRATIC APPROACH DOES NOT WORK
- RELATIONSHIPS EXTREMELY IMPORTANT - BUSINESS DECISIONS OFTEN ACCEPTED ON PERSONAL LEVEL



PROMOTION



- PROMOTION IS NOT ADVERTISING – RATHER HOLISTIC COMMUNICATION
- BEST PROMOTION IS GOOD SERVICE & HRM – BOTH INTERNAL AND EXTERNAL
- CONSUMER GOODS VENDORS – OPPORTUNITY FOR ALL INVOLVED PARTNERS:
 - CAR IMPORTERS & DEALERS
 - MOBILE OPERATORS
 - FURNITURE, HOUSEHOLD APPLIANCES, GENERAL HOME APPLIANCES



INSTEAD OF CONCLUSION



- SUMMIT LEASING SLOVENIJA – UNIQUE BUSINESS MODEL
- FINANCIALLY SOUND COMPANY & MARKET LEADER
- RETAIL PENETRATION BY VENDORS ; 30% - 45%
- RESEARCH ANALYSES SHOW HIGH GENERAL SATISFACTION OF PARTNERS PRIMARILY BECAUSE OF SERVICE AND NOT SO MUCH DUE TO PRICING & RISK ACCEPTANCE
- KEEP FOCUSING ON EXISTING PARTNERS



SLOVENIA?



- PLAYING CARDS IN AUTOMOTIVE BUSINESS DISTRIBUTED
- NEW ENTRIES ? – MERGERS & ACQUISITIONS
- SMALL & STABLE & REGULATED MARKET
- CONSUMER CREDIT BEUREAU – LOWER RISKS IN THE FUTURE
- GATEAWAY TO EX YU – TOMMOROW NEW EU COUNTRIES?





poison **often**
comes in small
bottles

