

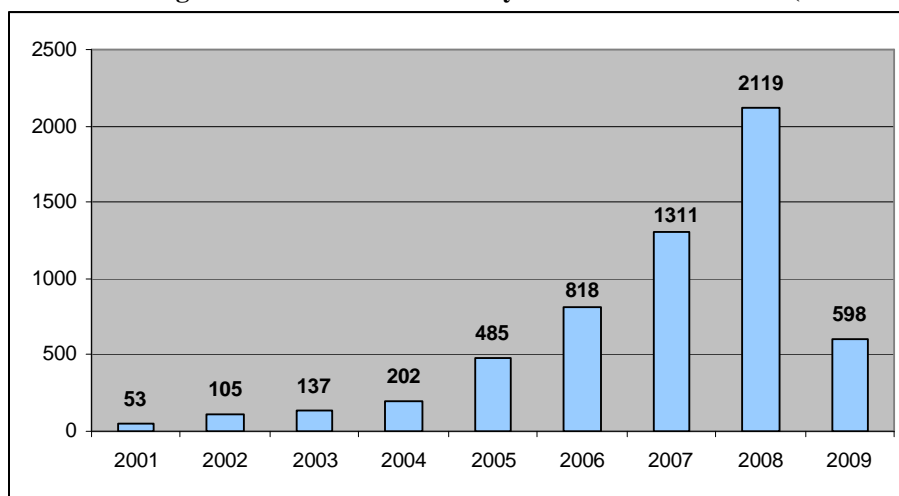
Bulgarian Leasing Market

In Bulgaria 65 companies perform lease activity by data of Bulgarian National Bank (BNB), as of December 31st, 2009. Out of those approximately 40 are considered to be active. The current members of Bulgarian Association for Leasing are 22 and have a market share of over 90%. The statistical data below are result of market surveys of BAL and aggregated data from the statistical reporting of the leasing companies to BNB. During the periods different number of companies have participated and submitted data.

Size of the Market

In 2009, Bulgaria experienced 5% decrease in real GDP, which was the worst economic performance of the last 12 years. There was a strong decrease in investments and in Exports, that affected the leasing market. It experienced its first downturn since BAL began collecting data. The total amount of the outstanding net lease receivables under financial and operating lease contracts was EUR 2 546 million (7,5 % of GDP) at the end of December 2009 compared to EUR 2 997 million at the end of 2008 (8,7 % of GDP) and decreased by 14,6% over the period. The share of financial leasing contracts was over 98% of the market. The lack of investment by the business led to significant drop in the new business volumes, they decreased by 71,8% compared to the previous year and fell down to the amount of EUR 598 mln.

Chart 1 Leasing Market Size determined by value of New Business (in EUR mln)



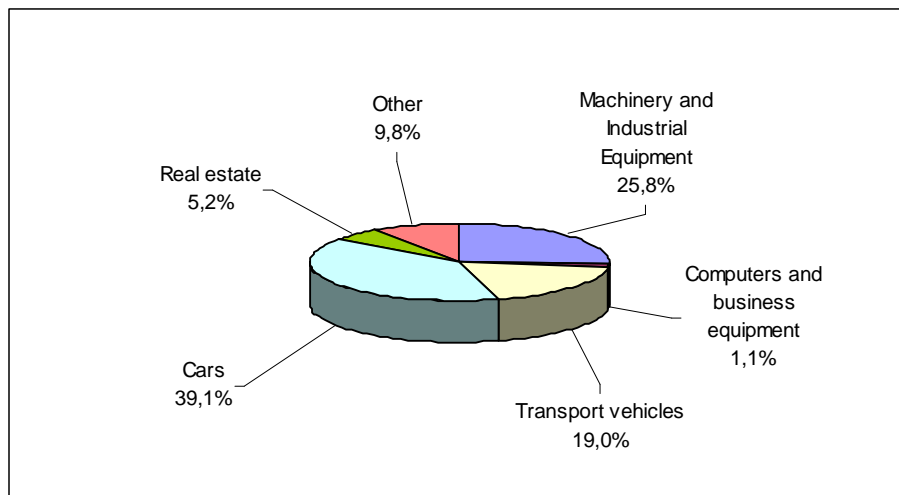
Source: BAL; Exchange rate (1 EUR=1,95583 BGN)

Structure of the Market by Asset Type

The most important segment of the Bulgarian leasing market are the cars. Their share increased from (35,6%) in 2008 to (39,1%) in 2009, reflecting the fact that as a whole, consumption-related spending declined slower than the investment related business. The machinery and industrial equipment leasing market is traditionally strong, with its 2009 share (25,8%) remaining essentially similar to that in the previous year, to a large extent due to contracts signed in the previous year. The share of transport vehicles in the total outstanding volumes decreased from (25,4%) at the end of December 2008 to (19,0%) at the end of December 2009, which is explained with the crisis in the transportation sector and the diminished investments thereof. The Real Estate leasing was 5,2% of the market, while in 2008 it was 7,1%, with share of business as a general being subject to fluctuation due to effects of large transactions on a small market.

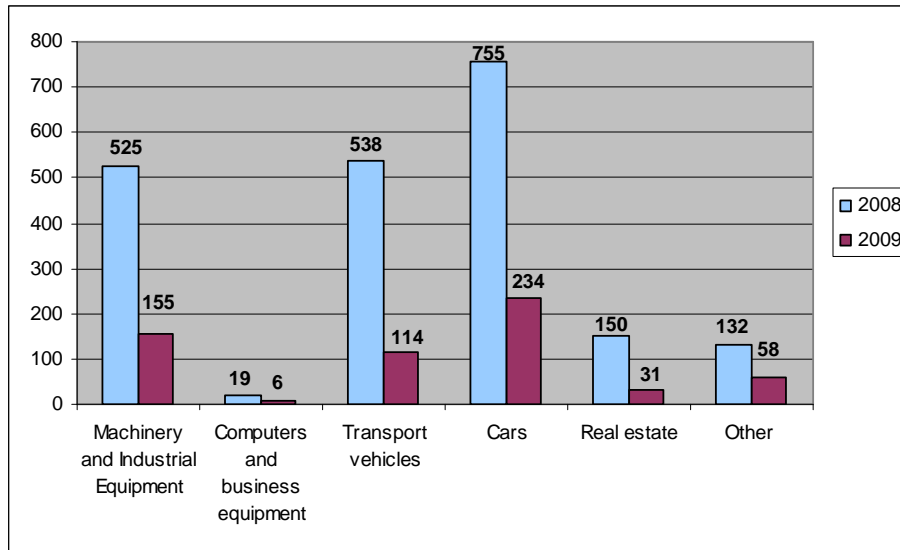
The slow down of the economy negatively affected all sectors of the Leasing market. Because of the significant drop of the car and light commercial vehicle sales, the car leasing volumes decreased by 68,9% while the new leasing volumes of transport vehicles experienced a sharper drop, decreasing by 78,8%. The new business volumes of machinery and industrial equipment fell by 70,5%.

Chart 2 New Business during 2009 by Asset Type



Source: BAL

Chart 3 New Business Volumes Comparison by Asset Type (in EUR mln)

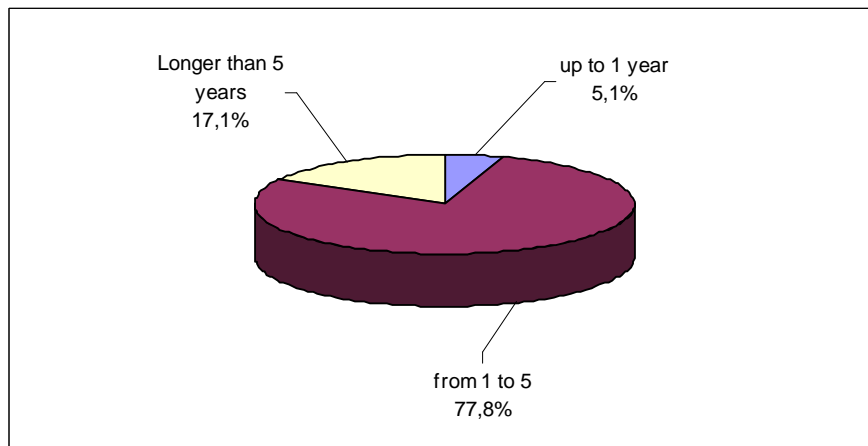


Source: BAL; Exchange rate (1 EUR=1,95583 BGN)

Structure of the Market by Maturity

The structure of the market, determined by contract term is relatively similar to that in the previous year. The majority of leasing contracts have a maturity situated between 2 to 5 years – 77,8% of all new leasing contracts fall into this category in 2009 and 80,6 % in 2008. The share of shorter contracts up to 1 year increased to 5,1% compared to 2,8% in 2008.

Chart 5 New Business during 2009 by Contract Term

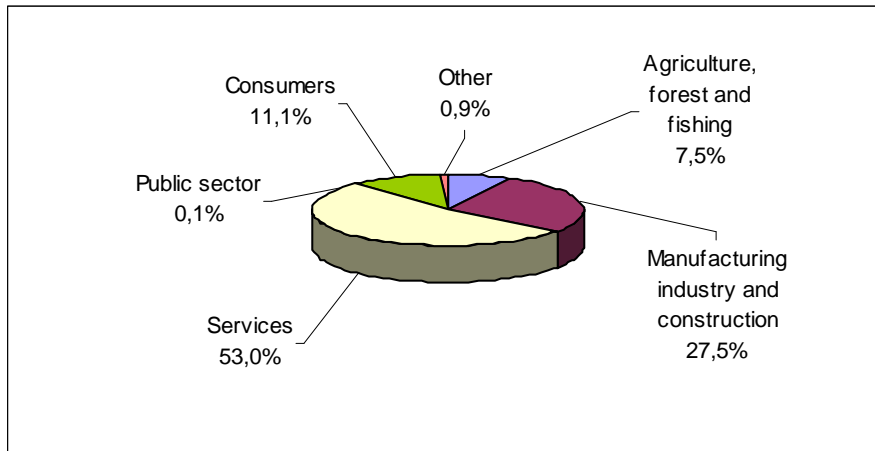


Source: BNB & BAL

Structure of the Market by Sectors

In terms of sector allocation, the prevailing share of new business volumes came mainly from Services sector, (53,0%), Manufacturing Industry & Construction (27,5%), Consumers (11,1%), Agriculture, forest and fishing (7,5%).

Chart 4 New Business during 2009 by Sectors

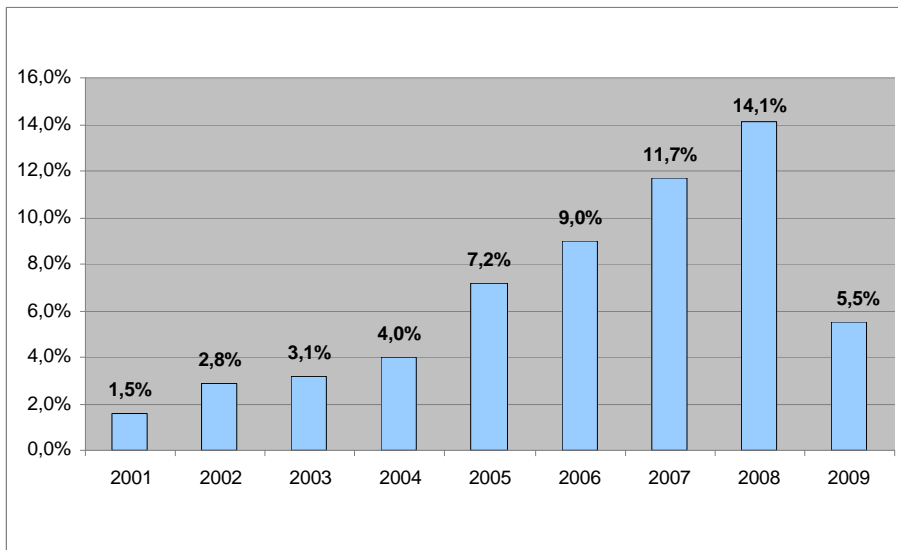


Source: BNB & BAL

Leasing Penetration Rate

After several years of growth, in 2009 the leasing penetration rate decreased to 5,5% compared with the 14,1% at the end of December 2008. This decline reveals the negative effect of the financial crisis on investments suitable for financing through leasing, which directly affected the new business volumes.

Chart 6 Change of Leasing Penetration Rates 2001-2009



Source: BAL for new business; NSI for investments

Legislation and Regulation

In March 2009 entered into force changes in the Law on Credit Institutions, through which was introduced a registration regime of the leasing companies with Bulgarian National Bank. The requirements for registration include minimum share capital, competence of the managers sources of funding and are specified in a bylaw of the Central Bank. The registered companies submit data to Central Credit Register of BNB, in this way increasing the transparency of the credit activities and enhancing the knowledge of all credit institutions regarding the outstanding obligations of all entities and their credit history. Bulgarian Association for Leasing has expressed its positive position over regulation of the sector and the way it was conducted.

In July 2009 changes in the Bulgarian Rural Development Program were adopted by the European Commission, in particular initiated by BAL, which allowed including of leasing schemes as eligible means of funding of investment activities under the Program. Due to parliamentary elections held on July 5th 2009 and following changeover of the political power, the amendments in Bulgarian legislation regarding implementation of lease financing on investment projects under the Program was delayed. We expect in 2010 the bylaws under the certain measures to be amended so as to comply with the changes in RDP and lease financing to become eligible under the Program.

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