



World Leasing
Yearbook
2018

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✚ Edited by Lisa Paul

39th edition

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Tel.: (01206) 579591.

www.world-leasing-yearbook.com

Printed by: Wyndeham Grange Limited, Brighton, Sussex, UK.

Origination by: Robin Graygoose, Colchester, Essex, UK.

Published by: Capital Markets Intelligence Ltd

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Russia

MARKET REVIEW

During 1998–2016, the National Research University – Higher School of Economics (Moscow) surveyed the results of the activities of the largest and most of the remaining leasing market operators in Russia.

Significant changes in the leasing market. The results of the scheduled annual analysis undertaken to survey the activities of leasing companies in the Russian Federation indicate that 2016 was a successful year for the leasing business. Trend dynamics of leasing operations, as in the entire Russian economy, changed from negative to positive.

Our regular analytical review of the Russian leasing industry shows that in 2016 new production (the value of the leasing contracts concluded during the year under which lease financing began to be provided) amounted to R1,210bn or US\$18.41bn (including VAT), or US\$16.03bn (excluding VAT). The cost of new leasing agreements increased in Russian ruble to 32.8% and in US dollars to 22.8%.

The leasing cycle coincides with the equipment expenditure cycle. Our analysis of the rate of development of leasing and investment in different countries has shown that leasing cycles had an average timeframe in Germany and the UK of six years; five years in France, Italy and the United States; four years in Japan and Russia (taking into account the accelerated depreciation).

The data given in Table 1 highlights the decline over the years in the value of new leasing contracts.

Key economic indicators. In 2016 the Gross Domestic Product (GDP) of the Russian Federation amounted to R86,232.6bn or US\$1,309.1bn (R/US\$ – 65.725) and, according

to the official data of the Federal State Statistics Service, increased by 3.4% for rubles, with investments into fixed capital assets rising by 5.3%.

Annual inflation in Russia, according to the results of 2016, amounted to 5.4% (in 2015 – 12.9%, in 2014 – 11.36%). This is the lowest inflation in the history of Russia. In January–June 2017, inflation fell to 4.1%.

According to our estimates, the share of leasing operations in GDP (real) in 2016 was 1.41% (2015 – 1.13%); the share of leasing operations in investments in production assets was 6.40% (2015 – 5.17%); the share of the leasing of machinery, equipment and transport vehicles in such assets made up 20.68% (2015 – 15.78%).

New leasing business quarterly and the key rate of Central Bank. In 2010–16, the new leasing business quarterly volatility was high. Between July 2016 to June 2017, the Central Bank of Russia adjusted the rate downwards four times – from 10.5% to 9.0% (June 14, 2016 – 10.5%; September 19, 2016 – 10.00%; March 27, 2017 – 9.75%; May 02, 2017 – 9.25%; June 19, 2017 – 9.00%).

We decided to look at whether lease pricing has, for the most part, tracked with bank lending rates? According to our calculations, for 24 quarters (2011–16) the correlation coefficient between the volumes of new leasing business and the key rate of Russia's Central Bank were the equivalent of – 0.6%, i.e. the reduction of the rate increase noticeably affects the new leasing business.

Traditionally the fourth quarter is an indicator of the development of the market. In 2016, Q4 share of new leasing business stood at 40.1% of the whole year (in 2015 – 29.6%; in 2014 – 27.3%).

Table 1: Leasing in Russia (2006–16)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Value of leasing contracts concluded (US\$m)	17,080	32,850	26,400	10,450	24,240	43,920	42,220	41,400	28,240	14,990	18,410

Table 2: Market share of leasing operations in Russia in the main macroeconomic indicators 2010–16 (%)

Indicator	2010	2011	2012	2013	2014	2015	2016
The share of leasing in GDP	1.58	2.31	2.10	1.98	1.53	1.13	1.41
The share of leasing in investments in production assets	7.70	10.36	8.87	10.50	8.10	5.17	6.40
The share of leasing in investments in machinery, equipment and transport vehicles	17.23	25.41	24.09	23.92	18.60	15.78	20.68

Another factor which affects the cost of new leasing business is the exchange rate. During the six quarters in 2016–2017 Q1 and Q2, the ruble against the dollar and the euro strengthened. For example, in the second quarter of 2017 it strengthened compared to the first quarter of 2016 at 23.7%, and in relation to the fourth quarter of 2016, the ruble became stronger at 9.4%.

Activities of leasing market operators. In practice, many Russian leasing companies have managed not only to copy, but also to successfully adapt, the experience of those countries with developed leasing industries.

In 2016, according to our data, from 72 leasing companies who participated in our survey of the market, 26 of the lessor's volume of new business had exceeded US\$100m (in 2015–19).

A large amount of new leasing business in Russia is represented by agreements executed between Russian lessees and leasing companies with famous brands, established in Russia as residents with a 51%–100% interest owned by investors from various countries such as Austria, Germany, Italy, France, Japan, the Netherlands, Poland, the US, etc.

In 2016, these companies concluded new contracts totalling US\$3.02bn (including VAT) or US\$2.63bn (excluding VAT). As can be seen from Table 6, the share of leasing companies from different countries, registered in Russia as residents, slightly decreased.

The presence of foreign leasing companies in Russia gave foreign equipment and transport manufacturers some advantages compared with other suppliers working in the Russian market.

Competition and concentration. Competition is one of the most important criteria of the degree of development of a market. Competition is characterised by business concentration, the operation in a sector of a certain number of companies, e.g. at a national or

Table 3: New leasing business in Russia by quarter 2011–16 (%)

Quarter	2011	2012	2013	2014	2015	2016
Q1	17.7	29.5	20.5	22.1	25.6	16.6
Q2	29.0	22.7	23.7	29.9	20.6	20.0
Q3	29.7	20.9	28.0	20.7	24.2	23.3
Q4	23.6	26.9	27.8	27.3	29.6	40.1

Table 4: Movement of currencies vis-à-vis the ruble by quarter 2016–17

	2016				2017	
	Q1	Q2	Q3	Q4	Q1	Q2
US dollar	74.91	65.93	64.61	63.02	58.83	57.12
Change to the previous quarter, %		–12.0	–2.0	–3.9	–6.6	–2.9
Change to Q1 2016		–12.0	–13.7	–15.9	–21.5	–23.7
Euro	82.69	74.44	72.12	68.05	62.65	62.79
Change to the previous quarter, %		–10.0	–3.1	–5.6	–7.9	0.2
Change to Q1 2016		–10.0	–12.8	–17.7	–24.2	–24.1

Table 5: Russian leasing companies (2016)

No.	Leasing company	New leasing business volumes (US\$m)
1	STLC (Moscow)	3,265.2
2	Group Companies "Sberbank Leasing" (Moscow)	1,911.8
3	Group Companies "VTB-Leasing" (Moscow)	1,744.5
4	VEB-leasing (Moscow)	750.1
5	TransFin-M (Moscow)	703.7
6	Siemens Finance (Vladivostok)	658.3
7	Group Companies "Baltlease" (St. Petersburg)	544.5
8	Business Alliance (Moscow)	468.3
9	ULC "RESO-Leasing" (Moscow)	339.4
10	UniCredit Leasing and Locat Leasing Russia (Moscow)	312.0
11	Rosagroleasing (Moscow)	301.5
12	Element Leasing (Moscow)	217.6
13	Group Companies "KAMAZ-Leasing" (Naberezhny Chelny)	214.0
14	LC "Stone – XXI" (Moscow)	192.7
15	Group Companies "Alpha-Leasing" (Moscow)	192.0
16	Carcade Leasing (Moscow)	161.1
17	Group Companies "Interleasing" (St. Petersburg)	156.9
18	Systema Leasing 24 (Moscow)	156.3
19	Caterpillar Financial (Moscow)	154.7
20	Sibirskaya Leasing Company (Moscow)	131.1
21	RB Leasing (Group Societe Generale) (Moscow)	125.8
22	Volkswagen Group Finanz (Moscow)	118.5
23	Group Companies "Uralleasing" (Ekaterinburg)	117.3
24	Major Leasing (Moscow)	115.2
25	Group Companies "Severnaya Veneziya" (St. Petersburg)	107.9
26	Hewlett-Packard (Moscow)	107.8
27	Deutsche Leasing Vostok (Moscow)	99.9
28	Universalnaya Leasing Company (Khabarovsk)	98.1
29	Raiffeisen Leasing (Moscow)	91.8
30	LC Delta (Krasnojarsk)	78.9
31	Absolut Leasing (Moscow)	78.5
32	Sollers Finance (Moscow)	76.2
33	BOT Leasing (Eurazia) (Moscow)	72.1
34	Group Companies "ZEST" (St. Petersburg)	56.8
35	Tiazhpromleasing (Moscow)	52.8
36	UralBusiness Leasing (Izhevsk)	51.2
37	Chellnd Leasing (Chelyabinsk)	51.1
38	Control Leasing (St. Petersburg)	50.1

regional level or in one or another sector of the leasing market with specialisation in different types of equipment.

Various countries have experience of measuring the level of competition by using the market concentration and monopolisation indices. Such indices are necessary to inform the State authorities of the need to interfere in the existing market mechanisms. The need for such interference may arise due to various reasons, e.g. the degree of market power of one or several enterprises, or their ability to influence prices and production volumes.

When analysing the market concentration, two methods are most commonly. One of them is the percentage of the top four, top eight or top 12 companies of the total amount of the market. The other provides for calculation of the Herfindahl-Hirschman index (HHI).

In 2016, new leasing business ranking for the top four Russian lessors was 45.3% of the total market share and 70.3% for the top 12 companies. In comparison: for the top four Italian lessors their total market share is 30.5% and 61.7% for the top 12 companies (see Table 7). This suggests that the level of concentration in the Italian leasing market was significantly less than the Russian market.

However, the level of concentration of leasing companies in Russia grew substantially after the financial crisis, since a number of leasing companies' new business volumes declined and some companies exited the market. In addition, some leasing contracts and leasing companies have been bought out. Perhaps such processes took place in Russia more than in Italy.

Indeed, various methodologies are used to gauge the market concentration level, including the determination of the significance of the selling companies operating in such markets. This methodology makes use of the Herfindahl-Hirschman (HHI) index. The HHI index is calculated as the sum total of the squared shares of all companies represented on the market.

The maximum possible value of HHI is 10,000. If the HHI is less than 1,000, the market is qualified as non-concentrated and is not subject to control.

Therefore, the data on the HHI value in Table 8 indicates that there is no reason to draw a conclusion on some monopolisation or excessive concentration of the market. This means that the leasing business in Russia is distributed among a large number of market operators and, consequently, lessees can choose a company to cooperate with under a leasing agreement.

Our study included several objectives: firstly, to determine the

level of concentration of leasing companies in Russia; secondly, to determine the index HHI values; thirdly, to compare index HHI values in Russia with Italy one of the leading countries to develop leasing. The calculations used the annual reports of the Associazione Italiana Leasing (ASSILEA) and data of our surveys of the leasing market in Russia (calculation was conducted only on public leasing companies) as input for the study.

The analysis revealed that in Russia the level of concentration of the leasing market was within an allowable range. However, it was higher than in Italy and, in 2016, the excess was almost twice. Annual fluctuations of index values in Russia were one and a half times higher than the equivalent in Italy. Exposure to significant fluctuations is a characteristic that the market is not yet fully established.

The development of competition manifests itself in the offers by leasing companies of more favourable terms to their clients in regards to the price, the duration of contracts, the schedule for the repayment of the debt and the amount of down payment; the development of new leasing products, services and various options; special measures taken to promote leasing products in the market; and the advertisement of leasing services.

Operating leasing. In 2016, the share of operating leasing in the total volume of leasing for leasing companies participating in the project was 11.1% (excluding commercial real estate deals) compared with 8.4% in 2015. Operational leasing contracts were conducted by 15 project participants in the various market segments.

Table 6: Share of lessors, from various countries, established in Russia as residents

	2010	2011	2012	2013	2014	2015	2016
Share of lessors, from various countries, established in Russia as residents	12.3%	10.6%	12.5%	14.5%	19.2%	16.9%	16.4%

Table 7: Share of the largest leasing companies in new leasing business (%)

Year	Russia			Italy		
	Top 4	Top 8	Top 12	Top 4	Top 8	Top 12
2003	27.4	44.1	54.3	32.0	50.4	63.7
2004	33.0	45.0	53.9	38.4	55.5	66.8
2005	18.7	31.6	42.4	39.4	56.6	68.0
2006	23.6	34.5	42.6	45.7	63.8	74.2
2007	31.5	42.7	51.5	39.5	56.6	68.8
2008	26.1	38.0	46.7	41.7	60.1	72.1
2009	43.2	59.8	66.8	46.7	64.3	74.7
2010	50.9	63.9	70.7	49.6	67.6	76.9
2011	55.2	68.0	73.9	48.6	64.6	75.1
2012	44.3	59.2	69.4	43.8	59.9	70.3
2013	44.7	62.4	70.9	40.7	59.3	71.6
2014	51.1	63.4	71.6	38.9	58.7	71.3
2015	39.9	67.2	75.9	34.0	54.1	67.6
2016	45.3	60.9	70.3	30.5	50.1	61.7

The subject of operating leasing transactions were cars; trucks; buses; rail transport; computers; mining equipment; agricultural property; equipment for food industry; building equipment and appliances; buildings and structures; and aircraft.

In operating leasing, the lease-holder is not entitled to the ownership of the leased property and upon expiry of the leasing contract the property is returned to its owner, thus the leased property may be leased several times until it is fully depreciated.

The scheme of operating leasing of light cars is attractive to many clients, as it allows them to use the car as long as necessary without having to worry about its repairs or replacement in case the fashion for cars changes, etc.

Such circumstances spur leasing companies to structure their transactions so as to reduce the tax burden within the limits allowed by the current legislation.

However, it should be noted that operating leasing is substantially a product which will require the restructuring of leasing companies, shifting efforts towards forming material and repair base, expanding service lessees, to assume the risks associated with the correct assessment of the needs of the market in some form of long-term leasing property.

Big-ticket leasing and small leasing business. Objects of big-ticket leasing projects include different property (railway rolling stock; real estate; equipment; power equipment; drilling rigs; construction equipment; aircraft; and other). This list could be expanded to major new infrastructure projects.

The important direction of the development of leasing in Russia may soon become a leverage for leasing transactions as well as transactions with leasing in project financing. Typically, big-ticket deals in 2016 have an average cost which exceeds R600m or more, i.e. near US\$10m or more. The share of such transactions in the leasing market of Russia has reached 37.1%.

Small businesses involved in leasing need State support and support. According to our survey, in 2016 leasing companies are indeed providing substantial funding to small-sized enterprises (cost of property for lease); for example, VEB-Leasing – US\$558m; Group Companies “Baltlease” – US\$347m; Rosagroleasing – US\$218; Element Leasing – US\$163m; Group Companies “Sberbank Leasing” – US\$143m; Reso Leasing – US\$123m; Carcade Leasing – US\$114m; Stone XXI – US\$98m; Business Alians – US\$82; Uralleasing – US\$69m; “Systema Leasing 24” – US\$69m; Group Companies “KAMAZ-Leasing” – US\$67m.

In 2016 the share of leasing for small-sized enterprises in the total volume of leasing operations (for cost of property for lease) in Russia was 30.2% (21.0% in 2015; 24.1% in 2014; 24.7% in 2013).

The economic benefits of Russian leasing. Economic circumstance somewhat reduced the tax benefits of leasing compared to other

benefits of funds in investment projects. However, these advantages are still high due to income tax benefits as a result of the application of the accelerated depreciation rate, which is no higher than three. Accelerated depreciation allows the lessee to take over the asset at a minimum balance cost after leasing contract completion. Leasing payments are totally included in the running cost.

While the asset is accounted for in the lessor's balance sheet, leasing does not worsen the lessee's balance structure, which gives the opportunity to attract loans for running a business.

The VAT on down-payment can be offset without delays.

Property tax is a regional tax, thus its application is governed by regional regulation, as well as the Tax Code (Chapter 30). The maximum rate of tax according to the Tax Code is 2.2%. Property tax is levied on both movable and immovable property.

The Federal Law “On financial lease (leasing)” provides for the possibility of obtaining State support for leasing operations. Parties to leasing contracts are granted various exemptions and benefits. Regional legislative and executive authorities are interested in the intensive development of the leasing business which allows them to attract considerable investment to their regions.

The State support at the regional level is currently provided in the following forms:

- granting regional tax exemptions to leasing companies, lessees and banks;
- provision of guarantees to parties to leasing contracts against changes in the regional tax regime;
- granting investors involved in leasing operations with regional tax credits on the terms provided for by the Tax Code, the Budgetary Code and other legislative acts;
- provision of parties to leasing contracts with the right to defer tax payments;
- allocation of funds, on a competitive basis, from the regional budget to investors for financing investment leasing projects;
- provision of guarantees to parties to leasing contracts for investment leasing projects at the expense of the regional budget;
- provision of funds to investors from the regional budget in

Table 8: Level of HHI in the Russian and Italian leasing market (2003–16)

Year	Russia	Italy	Excess of HHI Russia over HHI Italy
2003	337	470	0.72
2004	418	559	0.75
2005	231	587	0.39
2006	234	764	0.31
2007	445	571	0.78
2008	282	651	0.43
2009	592	743	0.80
2010	802	893	0.90
2011	901	863	1.04
2012	793	688	1.15
2013	644	614	1.05
2014	783	568	1.38
2015	747	486	1.54
2016	724	398	1.82

the form of subsidies, compensations, subventions, on the basis of repayment or gratuitously, in accordance with the terms of their investment contracts;

- establishment of pledge funds using the State property owned by the region for securing bank investments in leasing operations;
- granting investors with the right to use land, forests, water and other natural resources at minimum permitted rates in accordance with the current legislation; and
- provision of information and methodological support to parties to leasing contracts.

The exemptions and benefits provided by regional authori-

ties have had a positive impact on the development of the leasing business in many republics, krais, oblasts, okrugs and cities of the Russian Federation. However, such exemptions and benefits are not the only stimulus. The investor appeal of a particular region is of primary importance to many leasing companies.

In 2016–17, many leasing companies had preferences at the State programme preferences for the concessional lease. Lessors will take an active part in the prolonged State support programme of the automobile industry at the specific area of providing subsidy for leasing down-payments in 2016 and 2017.

The initiative of the Ministry of Industry and Trade of the Russian Federation is aimed at providing a subsidy for the

advance leasing payment equal to 10% of the commercial vehicle's price: buses, commercial cars and trucks. In current market conditions, the programme grants additional value for transport purchase by leasing. Lease term must not be less than 14 months. A subsidy programme is available for the leasing of cars and trucks. Programme terms are fixed by the government's decision.

In July 2017, there were three State programmes that provided benefits of leasing vehicles. Leasing companies provide grants from the budget for the reimbursement of losses when granting discounts to the lessees to pay advance payments at a rate of 12.5% on the leasing of truck or tractors (the program "Russian tractor"), vehicles for agricultural producers (the program "Russian farmer") and motor vehicles for small and medium-sized enterprise programme ("Svoe delo"). The maximum size of discounts is R625,000 or approximately US\$10,600.

In 2017, the State began to provide similar incentives for road construction equipment leasing and special equipment for the provision of housing and communal services, equipment for light industry.

Outstandings. According to our assessments, the "outstandings" figure, i.e. the total amount payable to leasing companies by lessees under current leasing contracts (the leasing companies' portfolio) as at the beginning of 2017, totalled US\$50.11bn (US\$41.31bn at the beginning of 2016). Outstandings of the Russian leasing market has increased by 21.3% in US dollars.

Table 9: The ratio between the portfolio and new leasing business of the Russian leasing market (2011-16)

	2011	2012	2013	2014	2015	2016
Outstandings, US\$bn	60.60	77.70	83.68	54.52	41.31	50.11
New leasing business, US\$bn	43.92	42.22	41.40	28.24	14.99	18.41
Ratio (outstandings/new leasing business)	1.380	1.840	2.021	1.931	2.756	2.512

Table 10: Russian leasing companies with "outstandings" (January 1, 2017)

No.	Leasing company	Outstandings (US\$m)
1	VEB-leasing (Moscow)	8,649.6
2	Group Companies "VTB-Leasing" (Moscow)	6,271.6
3	Group Companies "Sberbank-Leasing" (Moscow)	6,183.6
4	STLK (Moscow)	6,035.6
5	TransFin-M (Moscow)	4,573.7
6	Rosagroleasing (Moscow)	1,328.0
7	Group Companies "Alpha-Leasing" (Moscow)	959.3
8	Siemens Finance (Vladivostok)	573.9
9	Group Companies "Baltlease" (St. Peterburg)	541.8
10	Business Alliance (Moscow)	490.3
11	UniCreditLeasing and Locat Leasing Russia (Moscow)	442.2
12	RB Leasing (Group Societe Generale) (Moscow)	400.4
13	Hewlett-Packard (Moscow)	391.3
14	ULC "RESO-Leasing" (Moscow)	303.5
15	Carcade Leasing (Moscow)	243.0
16	Raiffeisen-Leasing (Moscow)	214.1
17	Systema Leasing 24 (Moscow)	203.9
18	Caterpillar Financial (Moscow)	202.4
19	Group Companies "Severnaya Veneziya" (St. Peterburg)	200.7
20	Sibirskaya Leasingovaya Compania (Moscow)	200.5
21	Deutsche Leasing Vostok (Moscow)	198.4
22	LC "Stone – XXI" (Moscow)	177.7
23	Group Companies "Interleasing" (St. Peterburg)	172.2
24	Group Companies "ZEST" (St. Peterburg)	164.5
25	Group Companies "KAMAZ-Leasing" (Naberezhny Chelny)	162.3
26	Element Leasing (Moscow)	159.3
27	Major Leasing (Moscow)	142.6
28	Universalnaya Leasing Company (Khabarovsk)	121.6
29	MetallinvestLeasing (Moscow)	113.3
30	Absolut Leasing (Moscow)	112.7
31	Volkswagen Group Finanz (Moscow)	111.0
32	Group Companies "Uralleasing" (Ekatherinburg)	101.8
33	BOT Leasing (Eurazia) (Moscow)	97.1
34	LC Delta (Krasnojarsk)	78.1
35	Sollers Finance (Moscow)	71.2

According to our data, at the beginning of 2017, 20 of the lessor's volume of outstandings had exceeded US\$200m.

Doubtful and problem receivables. A leasing agreement may be dissolved in the courts (Point 2 of Article 450 and Article 619 of the Civil Code) in a case where the violation of the agreement is significant in nature, and also in other cases foreseen by the leasing agreement. These circumstances may include a two-time non-payment of the leasing payment. The quality of portfolios must also be taken into account.

Doubtful receivables are defined as payment overdue by the lessee for more than 30 days starting from the date of lease payment, but less than 60 days, as defined by the lease contract. Problem receivables are those with more than two sequentially missed lease payments as specified in the lease contract.

An analysis of information on the non-fulfilment of obligations by the lessee and the actions of lessors in response to this allows us to make the following conclusion. Leasing companies, as a rule, try to avoid the last resort of conflict resolution – the courts. The majority of conflicts are resolved by negotiations with the lessee, which usually end with a review of the payment schedule or by the provision of staggered payments.

Three strategies of interaction with problem lessees are now being used by Russian lessors: debt restructuring; termination of lease contract and lease asset confiscation from unobliging lessees; and bankruptcy of the lessees with the leasing companies claiming a settlement as the creditors in the lease deals.

In some cases, portfolio toxicity was partially lowered thanks to prematurely terminated lease contracts. However, sometimes early contract termination and asset confiscation from insolvent lessees took place with no adequate assessment of the property liquidity price given. It is easier to cancel the deal rather than put the property up for sale in order to pay off the principal and the interest of the debt. In this case, leasing companies may end up with withdrawn property, a depreciated and non-liquid asset.

Funding of lessors and leverage of the leasing project. In order for leasing transactions to go ahead, leasing companies must have access to the capital markets or possess their own funds for financing such transactions. Whichever method of pricing is used, the cost of financing a leasing operation directly affects the price of the leasing service.

The cost of loans taken for financing leasing operations (including bank, commercial and budgetary

Table 11: Doubtful and problem receivables 2008–16 (%)

Indicator	2008	2009	2010	2011	2012	2013	2014	2015	2016
Doubtful receivables	0.84	1.18	0.59	0.44	0.77	1.18	1.51	3.25	0.87
Problem receivables	1.70	7.43	7.81	2.92	2.51	2.89	4.64	9.05	5.46
Total	2.54	9.38	8.22	3.36	3.28	4.07	6.25	12.30	6.33

loans), as well as the cost of the funds of a leasing company, the funds of the lessee, the use of factoring, promissory notes/exchange bills, securities and other instruments, depends on a variety of factors.

Financing costs often are higher in Russia than in Western Europe, the US and Japan and many Russian leasing companies are interested in attracting funds. Inexpensive long-term resources mean lower-cost services, and lower-cost services are another competitive advantage.

These factors include: financial independence of leasing companies; the risks associated with the sale of a leasing product; the security for the transaction (lease ABS); the terms of depreciation of leased property, the terms of credit contract and of leasing contracts; the currency of the leasing transaction; whether the funds are borrowed on the domestic or on the international capital market; the schemes for carrying out a leasing operation; and deviations from Libor and from the refinancing interest rate established by the Central Bank of Russia, etc.

From July 2016 to June 2017, companies who participated in our survey of the market, raised leasing financing worth US\$1.3bn through a bond issue. Bond are actively involved in such companies as TransFin-M, STLK, RESO-Leasing, and Carcade Leasing.

Some leasing companies attract funding from parent banks or from other countries. For example, on May 31, 2017, the leasing



In 2016 new lease production in Russia rose to US\$18.41bn, compared with US\$14.99bn in 2015.

company STLC placed a new seven-year US\$500m Eurobond issue with bullet repayment at par value on the maturity date, May 31, 2024. The coupon rate was set at 5.125% per annum payable semi-annually. The bonds will be listed on the Irish Stock Exchange. STLC placed its debut US\$500m Eurobond issue due 2021 at 5.95% per annum in July 2016.

Like a year ago, a new Eurobond issue would have generated strong demand from high-quality international institutional investors. The major part of the offering was purchased by institutional investors from the UK, Continental Europe and Switzerland, represented by real money asset managers, investment funds and private banks. A significant demand was also generated by the Russian investor base. The proceeds will be used for general corporate purposes, including refinancing of existing financial indebtedness denominated in US dollars.

On May 16, 2017, Fitch Ratings upgraded STLC's long-term issuer default ratings in foreign and national currencies by one notch to 'BB' with a "stable" outlook and 'Ba2' long-term corporate family rating from Moody's Investors Service with "stable" outlook.

"STLC enjoys absolute state support enacted through the Ministry of Transport of the Russian Federation in implementation of projects of federal importance in the transportation sector. Substantial interest of a wide investor base in a new Eurobond issue of the Company can be considered as recognition of both high efficiency of STLC's management and investment prospects of the Russian transportation sector in general," comments Evgeniy Ditrch, the First deputy Minister of Transport of the Russian Federation and the Board member of STLC.

"STLC is currently the only Russian leasing company raising funds through Eurobond issuances. Taking into account a debut Eurobond issue placed last year, we have managed to raise as much as US\$1bn and continue our successful activity aimed at further diversification of funding sources. I would also like to mention STLC's teamwork and continuing support from our shareholder – the Ministry of Transport of the Russian Federation – as key factors making this transaction a success," comments STLC's CEO Sergey Khrugin.

A characteristic feature of the bond issues for leasing companies was the thoroughness with which the emission issue prospectuses were prepared. The issued emissions were in great demand with investors which shows that they had confidence in the financial capabilities of the issuers and hoped to receive profits.

Deficit financing leasing in 2016 are predestined to use different sources of funding of leasing companies. Banks have to reduce loan volumes and significantly limit the lessors' terms of crediting.

An analysis in 2016 revealed that over one and a half times the proportion of financing is at the expense of the leasing companies' own funds. Another feature is the decline in the share of advances to lessees. Some leasing companies generally do not require the lessees' advances. They were satisfied with the leasing history of the lessees and high liquidity assets; for example, VEB-leasing, Metallinvestleasing, Hewlett-Packard. However, some companies' advance reached 40%.

The experience of a number of economically developed countries shows that the development of the leasing industry is likely to result in a certain reduction of the share of the banking sector in the redistribution of financial resources. This is due, for example, to more active use of stock market institutions e.g. the issue by leasing companies of securities, securitisation of leased assets. Soon we are likely to see the elimination of intermediaries (the banks) from leasing operations.

With each year, the number of Russian leasing companies that can obtain financing directly from foreign banks grows. There is growth in the volume of credit operations with the involvement of the national agencies for insurance of export-import operations, e.g. from Germany, Austria, Italy, the Netherlands, the US and other countries.

In general, such institutions provide credit for a term of three to five years and, in some cases, for seven years. Among the leasing companies who used this form of financing in their leasing operations are IKB-Leasing, UniCredit Leasing, Europlan, as well as Caterpillar Finance, MAN Financial Services, Carcade Leasing, Hewlett Packard, Siemens Finance (Vladivostok), Volkswagen Grup Finanz, and Deutsche Leasing Vostok who obtained credits from western creditors for terms from three to 10 years.

In Russia, such regulations for leasing companies are not yet installed. However, for analytical purposes, in our research we are considering three options for calculating leverage:

- Leveraged I (or capital leveraged) is calculated as:
 $(TF - OF) : OF$;
 - Leveraged II (or lessor's leveraged) is calculated as:
 $(TF - A - OF) : OF$;
 - Leveraged III (or leasing project's leveraged) is calculated as:
 $(TF - A - OF) : (OF + A)$;
- where: TF is total financing of lessors;

Table 12: Financing of leasing operations in Russia (2012–16)

Source of financing of lessor	Share in the total financing of leasing operations (%)				
	2012	2013	2014	2015	2016
Bank credits, total	64.6	64.6	49.1	50.7	50.5
Incl. Russian banks	58.1	56.9	40.6	44.6	45.7
Foreign banks	6.5	7.7	8.5	6.1	4.8
Loans from founders and other organisations	2.5	4.3	4.3	4.0	4.6
Trade credits provided by suppliers	0.4	0	0.1	0.1	0.1
Advance payments	17.8	14.4	16.9	15.8	13.4
Own funds of leasing companies, total	8.2	10.3	11.8	12.0	18.2
Incl. authorised capital	1.4	0.9	0.5	2.8	9.9
Profit	6.8	9.4	11.3	9.2	8.3
Promissory notes/exchange bills	0.5	0.8	2.5	2.7	7.8
Bonds	6.0	5.5	15.3	14.6	5.0
Budget	0	0.1	0	0	0.4

A is advance of lessees; and OF is own funds of leasing companies. The results are presented in the Table 13.

For comparison: the prudential norms for China's leasing for bank lessors should be no higher than 12.5, and that for non-bank lessors should be no higher than 10.

Thus, the value of leverage in the financing of leasing operations is to provide that market leverage accounting less leverage of the lessor, and that, in turn, less leverage of the leasing project: Leveraged I < Leveraged II < Leveraged III.

Leasing contracts. The number of leasing contracts concluded shows, to a certain extent (but not definitively), an increase in the development of the country's leasing industry. In 2016, the companies under review concluded 111,500 new leasing contracts and, on average, the value of one leasing transaction was US\$129,460 (see Table 14).

For comparison, note that some universal leasing companies in Germany, France and Italy conclude almost as many contracts as all the participants of our survey. For example, according to Leaseurope (ranking of top European leasing companies), in 2016, occupying fifth and sixth place in Europe were Deutsche Leasing and UniCredit Leasing who concluded for the year 78,814 and 116,861 contracts, respectively.

Regional structure of leasing in Russia. In 2016, there were significant changes in the regional structure of leasing in Russian. For the first time in many years, the proportion of leasing operations in Moscow dropped below 40%.

Also, for the first time, the share of Saint-Petersburg and Leningrad region grew to almost 16%, and these two regions of the Russian Federation collectively reached second place in the country. In 2016, the Republic of Crimea and Sevastopol entered into the southern federal district.

In order to obtain an objective picture of the structure of the Russian leasing industry, we believe it is necessary to determine the value of the leasing services provided by leasing companies in each individual region (see Table 16).

Structure of the leasing industry. Based on the results of our

review we have prepared a structural market analysis with a breakdown by type of leased asset (equipment, transport vehicles, immovable property) and calculated the share of each assets sector in the total volume of new leasing contracts concluded in 2016. Information about the structure of leasing contracts can be found in Table 17. It has been possible to identify the types of leasing assets that were in demand with lessees.

In 2016, as in 2015, vehicles were one of the largest sectors in the Russian leasing industry (with a 31.72% market share).

Transport vehicles have always been the most popular leasing assets. The present-day Russian leasing industry is no exception.

Table 13: Capital leveraged per Russian leasing companies 2011–16

	2011	2012	2013	2014	2015	2016
Leveraged I	13.08	11.20	8.71	7.47	7.33	4.49
Leveraged II	10.97	9.02	7.31	6.08	6.01	3.76
Leveraged III	3.52	2.85	3.05	2.48	2.60	2.16

Table 14: The number of new leasing contracts and average value of one leasing transaction (2011–16)

Indicator	2011	2012	2013	2014	2015	2016
Number of new leasing contracts	111,000	131,000	140,500	125,000	101,000	111,500
Change in %		18.0	7.3	-11.0	-19.2	10.4
Average value of one leasing transaction, US\$	396,000	299,000	253,000	174,000	106,700	129,460
Change in %		-24.5	-15.4	-31.2	-38.7	21.3

Table 15: Leasing companies that concluded more than 1,000 leasing contracts in 2016

No.	Leasing company	Number of concluded leasing contracts
1	Group Companies "VTB-Leasing" (Moscow)	22,823
2	VEB-Leasing (Moscow)	18,037
3	Group Companies "Baltlease" (St. Petersburg)	9,930
4	ULC «RESO-Leasing» (Moscow)	7,117
5	Element Leasing (Moscow)	6,155
6	Group Companies "Sberbank Leasing" (Moscow)	5,753
7	Siemens Finans (Vladivostok)	4,184
8	Carcade Leasing (Moscow)	3,708
9	Stone-XXI (Moscow)	3,353
10	Rosagroleasing (Moscow)	3,104
11	Volkswagen Group Finanz (Moscow)	2,983
12	Major Leasing (Moscow)	2,628
13	UniCreditLeasing and Locat Leasing Russia (Moscow)	2,339
14	Group Companies "Uralleasing" (Ekatherinburg)	2,057
15	CONTROL Leasing (St. Petersburg)	1,814
16	Sollers Finance (Moscow)	1,482
17	Group Companies "KAMAZ-Leasing" (Naberezhny Chelny)	1,192
18	Systema Leasing 24 (Moscow)	1,131
19	Group Companies "Alpha-Leasing" (Moscow)	1,122
20	Leasing Trade (Kazan)	1,022

The most significant changes compared with the previous year occurred with leasing auto vehicles, railroad rolling stock and locomotives, aircraft and vessels. The combined weight of these four sectors of the domestic leasing market reached almost 77.9% in 2016 (2015 – 77.0%).

In comparison, according to Leaseurope, in 2015 the share of vehicles at a total cost of leasing contracts in Europe stood at 73% (see Leaseurope. The Voice of Leasing and Automotive Rental in Europe. Annual Survey, 2015).

As you can see, the index value in Europe and in Russia are close. However, the structure is different. Thus, in Europe, ships, aircraft and railway rolling stock accounted for 3.66% from total assets and in Russia it was 46.15%.

In many European countries truck traffic volumes are high, while in Russia many of the goods are transported by rail. For 19 years our surveys of the Russian leasing market highlight this sector as the second most important figure, when the leading sector had a share of more than 40%. This kind of structural changes does not necessarily indicate a favourable trend in the leasing market of Russia. A monopoly structure has the same problem for the market as the monopoly of any business entity.

The dominance of one of the branches should always be treated cautiously, since the situation could change significantly one way or the other, under the influence of both objective and subjective reasons, and affect the performance of the entire market.

Before the crisis, prices of rolling stock grew very quickly. During the crisis, however, assets decreased by almost half. Around the same number again grew in price. For all these variations comes the uncertainty of the situation in the market and the fickleness of the quality of the leasing portfolio.

In 2013–15 the volume of cargo transportation fell, and the cost of railway property decreased. However, the situation changed and in 2016 there has been an increase in the cost of new railway rolling stock leasing agreements.

The leasing of aircraft was formed with the participation of a small number of Russian leasing companies – nine in our survey for 2016. The volume of leasing aircraft totalled US\$2,639m

compared with US\$2,298m in 2015, representing an increase of almost 15%. The leader in this sector is VTB-Leasing.

Motor vehicles for cargo transportation saw a total new contract volume of US\$2.9bn. In 2016, 58.9% of all Russian market leasing vehicles are “held” by the top 10 lessors who enter into contracts for the supply of trucks, tractors, trailers, semi-trailers and dump trucks for their customers. Suppliers of this technology were automotive companies from Germany, French, Sweden, Japan, the US, as well as Russian companies such as KAMAZ and GAZ.

More than 90% of leasing companies are engaged in the leasing of light passenger cars. The renewal rate of light passenger cars is higher than that of most other leasing assets. The car fleet is renewed on average less than every three years. Light passenger cars are always in high demand among buyers. They are highly liquid and, consequently, can serve as security in many leasing and other related credit deals.

The development of leasing of motor passenger vehicles was due to a number of causes. However, we believe that the following factors have been the most important ones for the development of the motor car leasing business in Russia over the last few years.

For the most part the terms of light car leasing contracts range from 12 to 48 months. The amount of down-payment differs depending on the client and on the leasing product. As a rule, down-payment constitutes 5%–20% of the full value of leased property.

As a rule, users of leasing services compare the price of leasing with the basic price of the car. The final increase of the price of a leased product depends on the cost of borrowing to the leasing company, its profit margin, the term of the contract and on the terms of the repayment of the debt by the client (equal instalments or irregular lease payments), the frequency of payments by the client (e.g. once a month, once a quarter, once every six months) and the costs of the provision of additional services.

In such products in the car leasing market as “interest free leasing” and the “low interest leasing”, the amount of all lease payments is equal to the price at which the car is sold by the dealer or the leasing interest is just 1%–3% per annum.

Leasing companies offer more than 20 different cars that can be acquired on such terms. Such leasing products are offered by companies including VEB-leasing, VTB-Leasing, RESO-Leasing, Major Leasing and others. Such leasing schemes are based on the discounts which the dealers are prepared to offer to leasing companies. The potential client chooses a leasing product taking into account its final cost.

In 2015–17, many leasing companies had preferences at the State programme preferences for the concessional lease. Baltlease, Carcade, STLC, Element Leasing, Europlan, KAMAZ-Leasing, RESO-Leasing, Sberbank Leasing, VTB-Leasing,

Table 16: Regional structure of leasing operations in the Russian Federation (2014–16)

Region of the Russian Federation	Share of the total Russian leasing business (%)		
	2014	2015	2016
Far East	1.9	3.0	3.4
Siberia	8.3	7.2	7.3
The Urals	9.0	10.1	9.5
The Volga region	9.5	8.7	8.8
South	3.8	4.0	4.6
North-Caucasian	0.6	0.7	0.9
Republic of Crimea and Sevastopol	0.1	0.8	–
North-West (not including St. Petersburg and Leningradskaya oblast)	2.5	2.2	4.6
St. Petersburg and Leningradskaya oblast	7.8	7.4	15.8
Central region (not including the city of Moscow)	9.9	7.2	7.6
Moscow	44.5	47.2	35.1
Cross-border leasing (export)	2.1	1.5	2.4

VEB-leasing, Volkswagen Group Finanz, UniCredit Leasing, and other lessors will take an active part in the prolonged State support programme of the automobile industry at the specific area of providing a subsidy for leasing down-payment in 2016 and 2017.

In 2017, the State began to provide similar incentives for road construction equipment leasing and special equipment for provision of housing and communal services, equipment for light industry.

Leasing programmes are available to various enterprises that have profitable and promising business, and allow the clients to fully exploit advantages of leasing for purchasing trucks and passenger cars from official dealers.

The most popular food processing equipment leased included production lines for various foodstuffs, including frozen products, equipment for the production of confectionery, bakery products, macaronis, freezing equipment, production lines for processing fish, for producing dough, meat and dairy products, equipment for the production of sugar, children's foodstuffs, bottling lines, equipment for the production of water, etc.

In 2016, the share of special building equipment and machinery and road-building equipment in the total volume of leasing operations in Russia was almost 6%. Specialist and narrow specialist leasing companies, such as Caterpillar Financial, VTB-Leasing, BOT Leasing (Eurazia) and a large number of general leasing companies were active in the leasing market for general construction and road building equipment and machinery. Russian building companies also had an opportunity to deal with foreign leasing companies and with Russian leasing companies owned by foreign capital.

Lease term. Leasing development level is largely determined by the leasing terms. Longer periods of leasing contracts indicate higher competitive capabilities of the lessor. In 2014, the average term of a leasing agreement increased by 11 months, and reached a level of 79 months. This is the highest in the history of our research of the Russian market of leasing services (see Table 20).

Note that when structuring a leasing transaction, one assumes that the lessee has no interest, from an economic perspective, to agree to too short a term of the lease, as the shorter the lease term, the larger the final depreciated cost will be, which is not desirable as the leased assets purchased at the end of the lease term will be valued at net book value

when put on the lessee's books, and will accrue normal, and not accelerated, depreciation based on such a cost.

In the majority of cases, the period of the leasing agreement corresponds with or is slightly shorter (less than 20%) than the period of depreciation of the leased asset.

In 2016, the most prolonged financial leasing contracts were with STLC – 137.4 month; TtransFin-M – 132.0 month; Group Companies “Sberbank Leasing” – 101.5 month; and the shortest agreements among the most renowned leasing companies were Volkswagen Group Finanz – 26.8 months; Karkade leasing – 29.2 months; “Element leasing” and Urallizing – 29.6 months.

Personnel of the Russian leasing industry. Analysing comparable information presented to us, leasing respondents revealed that in 2016, the number of employees of leasing companies increased to 6.2% against –5.6% in 2015.

In total, nearly 12,500 people are engaged in the leasing industry in Russia. Currently some of the larger Russian leasing companies employ more than 1,000 people.

In 2016, productivity in leasing companies increased by 25% (in rubles).

Table 17: Structure of leasing contracts concluded (2013–16)

Asset type	Share in the total volume (%)			
	2013	2014	2014	2016
Motor vehicles for cargo transportation	12.8	13.5	14.4	13.92
Light passenger cars	10.0	14.8	19.9	15.28
Passenger minibuses	0.3	0.3	0.2	0.40
Buses	1.1	0.7	1.8	2.12
Equipment for repairing and servicing cars	0.1	0.1	0.1	0.03
Telecommunications equipment	0.2	0.1	0.2	0.26
Computers and other office equipment	0.5	1.6	1.2	1.24
Geological exploration equipment	0.1	0.4	0.03	0.06
Oil and gas production and processing equipment	2.2	1.6	0.5	1.36
Agricultural equipment	0.6	0.7	1.1	3.40
Railway rolling stock and locomotives	33.9	27.7	16.7	19.48
Building machinery, including specialised machinery on wheels	6.8	6.0	4.7	4.59
Road-building equipment	1.9	4.4	1.3	1.18
Equipment for production and processing of glass	0.04	0.03	0.01	0.03
Metalworking equipment	1.8	2.0	2.0	1.57
Metallurgical equipment	0.2	0.2	0.2	0.21
Mining equipment	1.0	1.8	0.5	2.37
Power-generating equipment	0.8	0.4	0.4	0.20
Printing equipment	0.3	0.3	0.2	0.16
Equipment for food industry, including refrigerating equipment	0.9	0.4	0.5	0.53
Selling/shopping equipment	0.1	0.1	0.1	0.04
Packing equipment	0.3	0.2	0.2	0.19
Loaders and warehouse equipment	0.6	0.6	0.6	0.52
Logging equipment and timber transportation vehicles	0.3	0.4	0.5	0.36
Woodworking equipment	0.2	0.2	0.2	0.10
Equipment for production of paper and cardboard	0.03	0.1	0.1	0.03
Chemical equipment	0.3	0.5	0.2	0.23
Entertainment industry equipment	0.1	0.03	0.03	0.04
Special equipment for provision of housing and communal services	1.0	0.9	2.7	0.46
Banking equipment	0.01	0.01	0.01	0.01
Medical and pharmaceutical equipment	0.1	0.1	0.1	0.10
Trams, trolleybuses	0.04	–	0.4	0.28
Textile, sewing equipment	0.12	0.3	0.2	0.14
Sea and river vessels (cargo and passenger ships)	1.1	1.5	1.5	13.91
Aircraft	15.8	13.3	22.2	12.76
Buildings and structures	1.0	2.7	3.94	1.12
Other property	3.24	2.01	1.08	1.32

It should be noted that in a number of leasing companies, mainly those established by banks, some of the functions (e.g. legal, procurement, security) are performed by the bank's employees. Consequently, the real figure would be closer to about 150-160 employees per leasing company.

"Output per employee" (for companies who participated in our survey of the leasing market) was approximately US\$1.43m

per year. "Output per employee" may serve as an indicator of the performance of a leasing company. However, when using this indicator for analytical purposes one has to take into account the specialisation of the leasing company, i.e. the sector of the market in which it operates and the scale of its clients' businesses.

The leader of the Russian leasing market – STLC (275 employees) – concluded a large number of large-scale contracts in

2016 with air transport, ships, railway rolling stock. This indicator was equal to US\$11.87m. (according to the methodology which takes account of the contractual value, i.e. all expenditures lessors) or US\$6.6m (on the methodology of Leaseurope). For comparison, according to Leaseurope, in 2015/16 Deutsche Leasing – the leader of the German leasing market – signed new leases for the sum of €8,345m. While the company employed 1,777 employees, "output per employee" was €4.7m, or approximately US\$5.2m.

The changing role of the Bank's of Russia leasing management system. Prospects for reforms in the leasing market and its future development were discussed in 2016 at the meeting of the RF Ministry of Finance Interdepartmental Working Group representatives and major Russian leasing companies, involving the Bank of Russia.

The need for reforms in the leasing sector stems from its importance for the real sector of the economy, with industrial, agricultural, transport enterprises and logistics, energy and construction businesses operating as clients of leasing companies. In terms of credit exposure, the Russian leasing market is second only to the banking sector.

The Bank of Russia decided that, once built up, a transparent and comprehensive regulatory framework for leasing operations, consistent with best international practices, would help create a favourable operating environment, sustaining truly reliable and high-performance leasing operations.

The meeting participants noted that an improved operational environment, along with increased transparency of the market as it migrates to international financial reporting

Table 18: Largest leasing companies in Russia in 2016 (by asset type)

Segment of market	No.	Lessor	New leasing business volumes (US\$m)
Aircraft	1	Group Companies "VTB-Leasing" (Moscow)	735.1
	2	STLC (Moscow)	690.6
	3	Group Companies "Sberbank Leasing" (Moscow)	340.9
Sea and river vessels(cargo and passenger ships)	1	STLC (Moscow)	1,122.0
	2	Group Companies "Sberbank Leasing" (Moscow)	664.9
	3	Sibirskaya Leasing Company (Moscow)	110.1
Railway rolling stock and locomotives	1	STLC (Moscow)	1,267.6
	2	TransFin-M (Moscow)	505.2
	3	Business Alliance (Moscow)	332.0
	4	Group Companies "VTB-Leasing" (Moscow)	232.4
	5	Group Companies "Sberbank Leasing" (Moscow)	151.2
	6	Group Companies "Alpha-Leasing" (Moscow)	71.1
Motor vehicles for cargo transportation	1	Group Companies "VTB-Leasing" (Moscow)	262.7
	2	Group Companies "Sberbank Leasing" (Moscow)	252.6
	3	VEB-leasing (Moscow)	252.4
	4	Group Companies "KAMAZ-Leasing" (Naberezhny Chelny)	214.0
	5	Group Companies "Baltlease" (St. Petersburg)	164.5
	6	Element Leasing (Moscow)	132.6
	7	LC "Stone – XXI" (Moscow)	83.7
	8	UniCreditLeasing and Locat Leasing Russia (Moscow)	54.6
	9	ULC "RESO-Leasing" (Moscow)	50.7
Light passenger cars	1	VEB-leasing (Moscow)	475.6
	2	Group Companies "VTB-Leasing" (Moscow)	382.6
	3	ULC "RESO-Leasing" (Moscow)	277.8
	4	Group Companies "Baltlease" (St. Petersburg)	172.9
	5	Carcade Leasing (Moscow)	147.9
	6	Major Leasing (Moscow)	115.2
	7	Group Companies "Sberbank Leasing" (Moscow)	74.7
	8	Volkswagen Group Finanz (Moscow)	74.2
	9	LC "Stone – XXI" (Moscow)	53.6
Mining equipment	1	Business Alliance (Moscow)	131.8
	2	Caterpillar Financial (Moscow)	56.2
	3	TransFin-M (Moscow)	52.2
Computers	1	Hewlett-Packard (Moscow)	107.8
Agricultural equipment	1	Rosagroleasing (Moscow)	268.5
Building machinery and road-building equipment	1	Group Companies "VTB-Leasing" (Moscow)	71.7
	2	Caterpillar Financial (Moscow)	70.5
	3	Group Companies "Sberbank Leasing" (Moscow)	63.2
	4	BOT Leasing (Eurazia) (Moscow)	61.8
	5	Universalnaya Leasing Company (Khabarovsk)	55.8
	6	RB Leasing (Moscow)	50.0
Buildings and structures	1	Systema Leasing 24 (Moscow)	70.1

standards will lead to reduced costs of leasing products for their consumers. Inadequate transparency of leasing companies and potential risks result in their borrowing costs being higher than those of other borrowers with similar credit ratings.

Increased transparency in the leasing market serves to reduce investment risks, cut down the costs of funding for leasing companies and, as a result, to lessen the cost of leasing services for final consumers. The other benefit from better transparency would be disclosure of information for lessees, including the total cost of leasing.

Indeed, securitisation has been recognised as an extraordinarily efficient means for lessors to monetise their lease portfolios and to provide relatively low-cost, flexible financing for new deals.

According to specialists of the Bank of Russia, securitisation should become the main source of financing of leasing in the country. Securitisation of leased assets are held at the junction of four financial tools – lending, leasing, factoring, securities issues. This innovative mechanism that requires subtle scientific and practical configuration achieves remarkable economic performance update, modernisation and re-equipment of enterprises. The transformation process in the form of leasing payments in securities allows one to develop a convergence between the leasing market and stock market, and thus improve liquidity in circulation assets.

Help in attracting additional funding can provide securitisation of the leasing assets. In Russia from 2006–16 only four transactions of leasing securitisation assets were recorded for a total of US\$1.1bn. Of course, this can be compared, for example, with leasing assets in Italy, where I have reported data from 1990 to 2016 of 93 deals worth €82.93bn.

After studying this subject at the National Research University – Higher School of Economics (Moscow) for a few years, we have reviewed three theses. Securitisation was examined in detail in three books – “Leasing: Finance and Securitisation” (2011), “Innovative leasing” (2014) and “Leasing of Real Estate” (2016). We are aware of several major leasing companies in Russia which are currently developing projects of securitisation assets.

Leasing market representatives expressed interest in the set-up of an electronic leasing register. Similar to bureaus of credit reports in banking and insurance, it would capture information on lessees and leasing agreements. In this way, the register would substantially reduce the risk of making transactions with an unscrupulous client, which would have a positive impact on the costs of leasing products. The agenda also featured the issue of electronic interaction between leasing companies and authorities/governmental customers.

Changes will be aimed at improving the transparency and

Table 19: Proportion of new transport leasing business of the total volume of the Russian leasing market (2011–16)

Segments of the transport vehicles	Share in the total volume (%)					
	2011	2012	2013	2014	2015	2016
Sum of four transportation sectors: (railroad rolling stock and locomotives, auto vehicles, aircraft and vessels)	75.4	71.4	75.0	71.8	77.0	77.9

Table 20: Finance lease terms in Russia (2011–16)

Indicator	2011	2012	2013	2014	2015	2016
Lease term (month) on average	78	72	68	79	66	76

the introduction of more stringent requirements on risk control of leasing companies, ensuring the protection of the rights of lessees, reducing the cost of finance leasing companies to reduce the cost of leasing, and the maintenance of fair competition in the leasing market. This assumes improvement of normative-legal base, moving companies reporting according to the international rules.

It is important that the reform of the Russian leasing market does not deteriorate the current tax legislation (accelerated depreciation).

It was originally envisaged that the Russian leasing market reform pursued by the Central Bank be completed in 2019. Now the date for completion of the reform has shifted to 2021.

Conclusion. We would like to say that, as is shown by our review, in 2016 the leasing industry in the Russian Federation showed signs of dynamic growth, both qualitative and quantitative, with rapid development of the market of leasing services. This trend has continued into the first half of 2017. We would like to emphasise that financial leasing in Russia has become an important element of the investment activities of many manufacturers aimed at commercial success.



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