

Russia

MARKET REVIEW

During 1998–2011, the National Research University – Higher School of Economics (Moscow) surveyed the results of the activities of all of the largest, and most of the remaining leasing market operators in Russia. The results of the scheduled annual analysis undertaken to survey the activities of leasing companies in the Russian Federation indicate that 2011 was almost a successful year for leasing business.

Doubling of volume. The figures show that the leasing industry began to emerge from the acute financial crisis. Over the period from 2000–2011, the volumes of leasing operations in Russia totalled US\$179.5bn (at current prices). This figure is not adjusted for changes in the worth of money over time. Leasing business in Russia has been growing at a geometrical-average annual rate of 56.7% (before crisis) and 36.6% (for the whole period). The crisis has stunted the development of Russian leasing for four years. In 2010–11, on average, every year growth has doubled in new leasing business.

However, in the fourth quarter of 2011 the cost of new business in the Russian leasing market decreased from 40% (share of annual amounts) to 23%. A lower value occurred only in 2008, when the financial crisis began and the leasing market reaction was quite adequate for the deteriorating situation in the whole economy.

Leasing market penetration. In 2011, the gross domestic product (GDP) of the Russian Federation amounted to US\$1,858.3bn (R/US\$–29.3739) (US\$1,482.5bn in 2010, US\$1,255.6bn



Dr Victor Gazman, author of this article.

in 2009; US\$1,674.8bn in 2008) and according to the official data of the Federal State Statistics Service, increased by 4.3%, and investments into fixed capital assets rose by 6.2%.

The total foreign investments allocated in the non-financial sector of the economy, excluding monetary and crediting institutions, commercial banks and saving banks, amounted to US\$190.64bn (US\$114.75bn in 2010).

According to our estimates, the share of leasing operations in GDP (real) in 2011 was 2.36% (2010 – 1.62%, 2009 – 0.84%); the share of leasing operations in investments in production assets was 10.36% (2010 – 7.7%, 2009 – 4.0%); the share of the leasing of machinery, equipment and transport vehicles in the total volume of investments in such assets made up 28% (2010 – 17%, 2009 – 8.8%).

Russian leasing in Europe. According to the Leaseurope data for 2011,¹ and the author's own data, Russia occupies the

Leasing services

Afin Leasing Vostok (Iveco Capital) Ltd

Kosmonavta Volkova Street 10, Building 1, 125171, Moscow, Russia. Tel: +7 (495) 504 0445; Fax: +7 (495) 504 0446; Website: www.iveco.com. Contact: Varvara Nikolova; Email: varvara.nikolova@iveco.com.

Activities: Member of the Russian Leasing Association (Rosleasing).

Agrointersnab Inc

Tkachev Street, D.13A, Office 310, 400087, Volgograd, Russia. Tel: +7 (8442) 379 683; Fax: +7 (8442) 379 292. General Manager: Nina Arzamastseva.

Activities: Member of the Russian Leasing Association (Rosleasing).

Agrosnabtechservice JSC

Factory Street 14, 630007, Novosibirsk, Russia. Tel: +7 (383) 223 0843; Fax: +7 (383) 223 7626; Email: kolos@nvcom.ru; Website: www.rsm-asts.ru. General Manager: Anatoly V. Zhukov.

Activities: Agricultural machinery. Member of the Russian Leasing Association (Rosleasing).

Agrosoyuz-Market Inc

Dubki, Promuzel Zorinsky 2, 410506, Saratov, Russia. Tel: +7 (8452) 62 42 86; Fax: +7 (8452) 62 45 76; Email: info@rsm-agromarket.ru; Website: www.rsm-agro-market.ru. General Manager: Gennady Gerasimov.

Activities: Leasing of agricultural machinery. Member of the Russian Leasing Association (Rosleasing).

AgroTehTsentr Inc

8th Passage of Engineers 8, 432072, Ulyanovsk, Russia. Tel: +7 (8422) 20 06 11/20 08 70. CEO: Alexander M. Dolgov.

Activities: Member of the Russian Leasing Association (Rosleasing).

AKKORtechservice Ltd

Zipovskaya Street 10, 350072, Krasnodar, Russia. Tel: +7 (861) 257 07 57/242 94 29; Email: akkor23@mail.ru; Website: www.techleasing.narod.ru. Director: Ella V. Kudayar.

Activities: Member of the Russian Leasing Association (Rosleasing).

Allen & Overy Legal Services

Dmitrovsky pereulok 9, 107031 Moscow, Russia. Tel: +7 (495) 725 7900; Fax: +7 (495) 725 7949; Email: information@allenoverly.com; Website: www.allenoverly.com. Contact Partners: Tony Humphrey; Stephen Matthews; Irina Mashlenko.

Activities: International legal practice with 31 offices in 22 countries. Advises on all types of domestic and cross-border leasing (both tax based and non tax based) across the board in ship, aviation and rail finance as well as in the leasing of almost every other capital asset including containers, cranes, and commercial vehicles as well as other asset classes and categories.

Table 1: Leasing in Russia (2000–2011)

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Value of leasing contracts concluded (US\$m)	1,415	1,960	2,320	3,640	6,750	8,510	17,080	32,850	26,400	10,450	24,240	43,920
Changes compared to the preceding year:												
US\$m	115	545	360	1,320	3,110	1,760	8,570	15,770	-6,450	-15,950	13,790	19,680
%	8.8	38.5	18.4	56.9	85.4	26.1	100.7	92.3	-19.6	-60.4	132.0	81.2

Table 2: Fourth quarter new leasing business in Russia for each year (2004–2011)

Year	Share of Q4 (%)
2004	37.6
2005	36.3
2006	38.8
2007	33.8
2008	16.0
2009	40.0
2010	40.7
2011	23.2

fifth place in Europe (after Germany-€47.636bn, the UK-€38.144bn, France-€30.923bn and Italy-€27.409bn) in terms of new leasing business-€26.755bn, excluding VAT (2010 – €15.422bn). Russia's share of European leasing is 11.93% (2010 – 6.44%).

It is worth remembering that 91.1% of new leasing business in the Russian Federation is in Europe, especially in European cities – Moscow and Saint Petersburg – 48%. Therefore I think the wrong solution for some authors include the volumes of new leasing business of the Russian Federation in Asia, not Europe. This may change the structure of the global leasing market.

The refinancing rate of Russia's Central Bank. Lease pricing has for the most part tracked with bank lending rates. The refinancing rate of the Central Bank has clearly traceable cyclicity (Table 2). As the crisis escalated, rates increased. Then the Central Bank began the gradual

process of reduction. As a result, the rate has reached historic levels in the Russian Federation – 7.75%.

At the beginning of 2011, alarming signals once again appeared in the reduction of liquidity and inflationary growth, and the annual rate, which rose by 0.5 percentage points. At the end of the 2011 rate again was reduced to 8%, and in the first half of 2012 has not been changed.

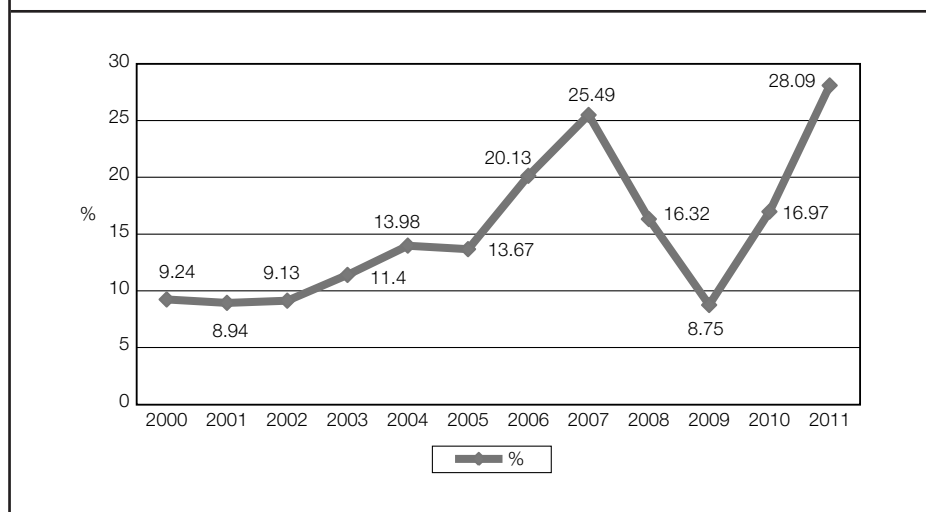
Activities of leasing market operators. In practice many Russian leasing companies have managed not only to copy, but also successfully to adapt the experience of the countries with developed leasing industries. In 2011, from 97 leasing companies who participated in our survey of the market, 43 of the lessors' volume of new business had exceeded US\$100m (Table 5).

Russian leasing companies began to occupy the highest places in the European table of ranks. According to Leaseurope for 2011,² VEB-Leasing took the eighth place, and VTB-Leasing – 18th place in Europe in terms of total new business.

A large amount of new leasing business in Russia (approximately 11% in 2011) is represented by agreements executed between Russian lessees and leasing companies established in Russia, as residents with a 51%–100% interest owned by investors from various countries such as Germany, France, Italy, the UK, the US, Austria, the Netherlands, Sweden, etc.

We assume that the intention of the Ministry of Finance on the repeal of benefits may encourage leasing companies to

Table 3: The share of the leasing of machinery, equipment and transport vehicles in the total volume of investments in such assets in 2000–2011



Leasing services

Andreas Neocleous & Co. LLC

Perevedenovskiy Per. 13, Building 21, 105082, Moscow, Russia. Tel: +7 (495) 933 8703; Fax: +7 (495) 411 8504; Email: russia@neocleous.com; Website: www.neocleous.ru. Head of Moscow Office: Alexander Belochkin Olegovich; Email: alexander.belochkin@neocleous.com; Lawyer, Deputy Manager of Moscow Office: Irina Strizhakova; Email: strizhakova@neocleous.com.

Activities: General practice. Company law (incorporation of companies, corporate management, mergers and acquisitions, insolvency); commercial law; international tax planning (individual and corporate trust services); insurance law; family law; civil and commercial litigation; arbitration (local and international); admiralty and shipping; international trade law; trade mark and patent law, EU law, energy law.

Argument Legal Agency Inc

78 Volunteer Brigade Street 2, 660077, Krasnoyarsk, Russia. Tel/Fax: +7 (3912) 541 600; Email: lizing@argument.su; argum@online.su; Website: www.argument.su. General Manager: Tatiana Y. Tregubova.

Activities: Attracting investment to the purchase and delivery of finance lease, in the areas of construction equipment, vehicles, railway, aircraft, industrial equipment and fuel equipment. Member of the Russian Leasing Association (Rosleasing).

Astragrolizing Ltd

Soviet Guards Street 9, 414013, Astrakhan, Russia. Tel: +7 (8512) 57 97 01/57 87 88. Director: Doldaev Badma Borlaevich.

Activities: Member of the Russian Leasing Association (Rosleasing).

Athens Leasing Vostok (Iveco Capital) Ltd

Cosmonaut Volkov 10, Building 1, 125171, Moscow, Russia. Tel: +7 (495) 504 04 45; Fax: +7 (495) 504 04 46; Email: info@ivecofinance.com; Website: www.iveco.com. General Manager: Tatiana V. Goncharov.

Activities: Member of the Russian Leasing Association (Rosleasing).

AvtoAgroMash Inc

Derbenevskaya nab. 11, Building B, 4th Floor, Office 401B, 115114, Moscow, Russia. Tel: +7 (495) 647 1397; Fax: +7 (495) 647 1396; Email: avtoagromash@list.ru. General Manager: Oleg D. Tyupenkin.

Activities: Member of the Russian Leasing Association (Rosleasing).

BA-DEC-Leasing Ltd

Ufa, Kirova Street 29, Office 2, 450077, Bashkortostan, Russia. Tel: +7 (3472) 91 37 78; Fax: +7 (3472) 91 37 80; Email: office@badek.ru. General Manager: Vladimir Kogan Vilenovich.

Activities: Member of the Russian Leasing Association (Rosleasing).

Baker & McKenzie - CIS Ltd

Grivtsova Lane 4A, Bolloev Center, 2nd Floor, 190000, St. Petersburg, Russia. Tel: +7 (812) 303 9000; Fax: +7 (812) 325 6013; Email: spb.office@bakernet.com; Website: www.bakermckenzie.com. Managing Partner, St. Petersburg: Maxim Kalinin; Email: maxim.kalinin@bakermckenzie.com.

Activities: Global law firm advising on all aspects of cross-border and domestic financing across a broad range of industries from IT to manufacturing. The company has more than 500 banking & finance lawyers experienced in local and international banking and finance laws, regulations and customs.

Baker & McKenzie - CIS Ltd

Dolgorskovskaya Street 7, Sadovaya Plaza, 12th Floor, 127006, Moscow, Russia. Tel: +7 (495) 787 2700; Fax: +7 (495) 787 2701; Website: www.bakermckenzie.com. CIS Managing Partner: Carol Patterson; Email: carol.patterson@bakermckenzie.com.

Activities: Global law firm advising on all aspects of cross-border and domestic financing across a broad range of industries from IT to manufacturing. The company has more than 500 banking & finance lawyers experienced in local and international banking and finance laws, regulations and customs.

Baltic Leasing Group of Companies

Letter A 22, The 10th Red Army, 190103, St. Petersburg, Russia. Tel: +7 (812) 325 90 80/82/83; Email: mail@spb.baltlease.ru; Website: www.baltlease.ru. General Director: Dmitry V. Korzhagov.

Activities: Leasing of vehicles, equipment and machinery and real estate. Member of the Russian Leasing Association (Rosleasing).

Belgorodoblagnosnab Inc

Nicholas Chumicheva 122, 308014, Belgorod, Russia. Tel: +7 (4722) 262 918; Fax: +7 (4722) 266 425; Email: agroprom@belgts.ru. General Manager: Stefan Volosenok Ignatievich.

Activities: Member of the Russian Leasing Association (Rosleasing).

Bot Lease (Eurasia) Ltd

Butyrsky Val, D.68/70, Building 1, Office 63, 127055, Moscow, Russia. Tel: +7 (495) 988 17 07; Email: o.cheketa@botlease.ru; Website: www.botlease.ru. CEO: Tadashi Matsumura; Email: ta_matsumura@botlease.ru.

Activities: Member of the Russian Leasing Association (Rosleasing).

build deals with operating leasing. However, it should be noted that the 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.

In 2011, approximately 96% was spent on transactions of financial leasing and over 4% of contracts were operating leasing transactions. Previously (2010), the proportion of operating leasing was 10%, and 2008–2009 – 2.5–3.5%.

Leasing for small business. According to our survey, leasing companies are indeed providing substantial funding to small-sized enterprises, for example, VEB-Leasing – US\$448m (cost of property for lease), GTLC – US\$272m, Group Companies “Baltlease” – US\$261m. The share of leasing for small-sized enterprises in the total volume of leasing operations in Russia is 12.5%.

Currently, the rate of credit for small businesses is 11%–12%, and the margin of the lessor is 3%–4%. Small businesses involved in leasing need State support and support of other leasing companies.

Big-ticket leasing. Leasing companies economically have little interest in concluding contracts with small businesses. I will illustrate this with an example of a leasing company which is ranked in the top 10 in Russia and the top 40 in Europe.

I have examined information regarding 247 lease projects for one company for two years (July 2010 – June 2012). The cost of buying property for these projects – US\$3,850m (R/US\$ – 29.97745) and the contract value of the leasing agreements – US\$5,371m with an average duration of 7.8 years.

All the projects were divided into six groups (Table 7). The analysis showed that with some exceptions, the overall trend was to increase the contract value, reduce the loan rate and advances, and

reduce the lessor's margin. In order for small businesses to take advantage of the leasing interest rate level of 14.9% (the amount of loan rate and margin), the yield of its activities should be higher than the yield of a large enterprise engaged in large-scale projects, for which the leasing rate is 10.7%–11.4%, i.e., a quarter below.

Objects of leasing of large-scale projects in this company are: railway rolling stock – 60%; drilling rigs – 11.7%; equipment – 11.6%; power equipment – 7.5%; real estate – 4.1%; construction equipment – 3.2%; aircraft – 1.3%; auto transport – 0.6%.

To determine the significance of factors which have an impact on the leasing rate percentage, nine multiple regression equations were drawn up.

The general equation that takes into account the performance of all 247 projects has the following form:

$$Y = 9.576 + 1.08X_1 - 1.7X_2 + 0.126X_3 + 1.213X_4,$$

Where: X_1 – advances to the lessee; X_2 – credit received by lessor; X_3 terms of leasing contracts; X_4 – margin of the lessor.

Value of R^2 for totality is 0.622.

The most significant of the four factors turned out to be the margin of the lessor. However, with growth in the new leasing business margin impacted on the leasing rate percentage decline. For example, for a group of “micro” the margin value was 84% (advance – about 16%, terms – 0.3%, credit received by lessor – 0%), and for a group of “Large ++” – 68.1% (advance – 2.8%, terms – 3%, credit received by lessor – 26.1%).

New leasing business by type of lessors. In practice, many Russian leasing companies have managed not only to copy but also to successfully adapt the experience of countries with developed leasing industries.

Analysis showed that in 2011 more than two-thirds of new products were initiated by leasing companies affiliated with the State. This means that the State has been supporting leasing companies in

Leasing services

Business Car Leasing

Balakovskiy Pr. 26, 117452, Moscow, Russia. Tel: +7 (495) 721 3368; Fax: +7 (495) 223 7746; Email: adolgov@leasingbc.ru; Website: www.leasingbc.ru. General Director: Ilja A. Pimenov. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Capital Insurance Inc

Kievskaya Street 7, 121059, Moscow, Russia. Tel: +7 (495) 777 77 01/620 95 33; Fax: +7 (495) 620 95 38; Email: ci@ifdk-insurance.ru; Website: www.ifdk-insurance.ru. General Manager: Ruslan Aliyev Allahverdi oglu.

Activities: Insurance company operating in the domestic and international insurance markets. Member of the Russian Leasing Association (Rosleasing).

Carcade Ltd

Stanislavskogo Street 21/3, 109004, Moscow, Russia. Tel/Fax: +7 (495) 933 88 16; Email: carcade@carcade.com; carcade@carcade.ru; Website: www.carcade.com; www.carcade.ru. General Manager: Larissa Vlasov.

Activities: Leasing of vehicles for small and medium-sized businesses. Member of the Russian Leasing Association (Rosleasing).

Carr Investment Ltd

Timerjajev Street 30, 614990, Perm, Russia. Tel: +7 (342) 210 5147/7084/7069; Email: invest@topcom.ru; Website: www.topcom-invest.ru. Director: Alex Makrushin Fomich.

Activities: Leasing company for machinery, equipment and motor vehicles. Member of the Russian Leasing Association (Rosleasing).

ChelIndLizing LLC

Krasnaya Street 11, Office 307, 454091, Chelyabinsk, Russia. Tel: +7 (351) 239 84 48; Website: www.chelindleasing.ru. Director: Taisiya A. Zotova; Direct Email: tazotova@chelindbank.ru.

Activities: Leasing company. Member of the Russian Leasing Association (Rosleasing).

CHG-MERIDIAN Leasing OOO

Jlyinka Street 3/8, Building 5, 109012, Moscow, Russia. Tel: +7 (495) 921 2115; Fax: +7 (495) 921 2116; Email: russia@chg-meridian.com; Website: www.chg-meridian.ru. CEO: Alexey Maljutin.

Activities: Leasing of information technology and telecommunication equipment independent of banks and manufacturers. As well as flexible financing, extensive services are offered.

Clifford Chance CIS Limited

Gasheka Street 6, Moscow 125047, Russian Federation. Tel: +7 (495) 258 5050; Fax: +7 (495) 258 5051; Email: moscow.office@cliffordchance.com; Website: www.cliffordchance.com/russia. Managing Partner: Jan ter Haar;

Direct Tel: +7 (495) 725 6446; Email: jan.terhaar@cliffordchance.com; Partner/Leasing Sector Leader: Victoria Bortkevich; Direct Tel: +7 (495) 725 6406; Email: victoria.bortkevich@cliffordchance.com.

Activities: A leading global law firm providing a full scope of legal services for domestic and cross-border leasing transactions.

Complex Leasing Ltd

2nd Zvenigorodskaya Street 13, Building 42, 123022, Moscow, Russia. Tel: +7 (495) 739 08 17/08 18; Fax: +7 (495) 739 08 19; Email: info@complex-leasing.ru; Website: www.complex-leasing.ru. Director: Vladimir Yakovlevich Skoropupov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Creation Leasing Company Ltd

Panfilov Street 39, Room 307, 424003, Yoshkar-Ola, Russia. Tel: +7 (8362) 42 09 50. Director: Valery Bychkov; Email: velli@mkb.mari.ru.

Activities: Member of the Russian Leasing Association (Rosleasing).

Table 4: The refinancing rate of Russia's Central Bank (2007–2012)

Year	Jan.	Feb.	Mar.	April	May	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
2007	11.0	10.5	10.5	10.5	10.5	10.0	10.0	10.0	10.0	10.0	10.0	10.0
2008	10.0	10.25	10.25	10.5	10.5	10.75	11.0	11.0	11.0	11.0	12.0	13.0
2009	13.0	13.0	13.0	12.5	12.0	11.5	11.0	10.75	10.5; 10.0	9.5	9.0	8.75
2010	8.75	8.5	8.25	8.0	8.0	7.75	7.75	7.75	7.75	7.75	7.75	7.75
2011	7.75	8.0	8.0	8.0	8.25	8.25	8.25	8.25	8.25	8.25	8.25	8.0
2012	8.0	8.0	8.0	8.0	8.0	8.0	8.0					

the crisis, but has done so randomly.

As part of this analysis, we have tested the hypothesis of common market trends and the governmentalisation of leasing for companies that engage in the leasing of construction equipment and machinery (Table 8). It turned out that in the sector of construction equipment and machinery the situation is somewhat different than across the market as a whole. Here the volumes make up less than half of the new business.

At the St. Petersburg International Economic Forum (June 21, 2012), the President of Russia, Vladimir Putin, stated that: "In meetings with business-people I have often heard complaints about the unfair conditions of competi-

tion, including from the excessive state presence in the economy, the fact that state-owned companies enjoy preferential treatment, operate outside the rules of competition, and occupy the space in which private business should operate. Today I want to reaffirm our principled position: the state will gradually withdraw from a variety of industries and assets".

"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 company's portfolio) as at the beginning of 2012, totalled US\$60.60bn.

However, these figures should not

Leasing services

Customer Leasing Company Inc

Novozavodskaya Street 18, Room 1, 121309, Moscow, Russia. Tel: +7 (495) 988 4646; Fax: +7 (495) 795 0674; Email: info@klk-leasing.ru; Website: www.klk-leasing.ru. General Director: Alexander Druzhinin Viniaminovich.

Activities: Member of the Russian Leasing Association (Rosleasing).

Dakt Engineering JSC

Smirnovskaya Street 25, Building 17, 109052, Moscow, Russia. Tel: +7 (495) 673 3548/234 0320; Fax: +7 (495) 234 1923; Email: engineering@dakt.com. Director General: Yuri P. Borisov.

Activities: Member of the Russian Leasing Association (Rosleasing).

De Lage Landen

4th Lesnoy Pereulok 4, 125047, Moscow, Russia. Tel: +7 (495) 280 0170; Fax: +7 (495) 280 0185; Website:

www.delagelanden.com/russia. Country Manager: R. Almazov.

Activities: Specialising in asset-based financing programmes for equipment manufacturers, dealers and distributors all over the world. Offering customers a single source for leasing, administration, risk and asset management solutions.

DLA Piper

Leontievsky Pereulok 25, 125009, Moscow, Russia. Tel: +7 (495) 221 4400; Fax: +7 (495) 221 4401; Email: moscow@dlapiper.com; Website: www.dlapiper.com/russia. Managing Partner: Constantine Lusignan-Rizhinashvili; Direct Tel: +7 (495) 221 4414; Email: constantine.lusignan-rizhinashvili@dlapiper.com; Partner:

Vyacheslav Khorovskiy; Direct Tel: +7 (495) 221 4477; Email: vyacheslav.khorovskiy@dlapiper.com; Legal Director: Alexei Yanboukhtin; Direct Tel: +7 (495) 221 4495; Email: alexei.yanboukhtin@dlapiper.com.

Activities: Advising leasing companies, airlines and banks on all aspects of leasing activities, including drafting and negotiating operating leases, tax-based and leveraged leases.

EBV-Leasing Inc

Dolgorukovskaya Street 7, 127006, Moscow, Russia. Tel: +7 (495) 981 4240; Fax: +7 (495) 981 4238; Email: info@veb-leasing.ru; Website: www.veb-leasing.ru. General Manager: Solovyov, Vyacheslav S.

Activities: Lease of high-tech equipment, helicopters and units. Member of the Russian Leasing Association (Rosleasing).

Elevator-Service Inc

Sovetskaya 112, 300041, Tula, Russia. Tel: +7 (4872) 9 18 25; Email: elevator-servis@yandex.ru; Website: www.elevator-servis.ru. General Manager: Andrey A. Panov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Energolizing JSC

1st Pervomayskiy 1A, 308001, Belgorod, Russia. Tel/Fax: +7 (4722) 32 90 09; Email: energolizing@bel.ru; Website: www.enleasing.ru. General Manager: Evgeny V. Budilov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Europlan

Chelyuskintsev Street 2/5, Yekaterinburg, Russia. Tel/Fax: +7 (343) 377 7898; Email: contact@europlan.ru; Website: www.europlan.ru.

Activities: Leading Russian small ticket leasing company. Successfully financed over 33000 small and mid-sized businesses and carried out over 90000 projects for more than 12 years.

Europlan

Dolomanovskiy Avenue 70D, Business Center Gvardeiskiy, Rostov-on-Don, Russia. Tel: +7 (863) 299 9350; Fax: +7 (863) 268 9220; Email: contact@europlan.ru; Website: www.europlan.ru.

Activities: Leading Russian small ticket leasing company. Successfully financed over 33000 small and mid-sized businesses and carried out over 90000 projects for more than 12 years.

Europlan

Vnukovskaya Street 2, Business Center Pulkovo Sky, St. Petersburg, Russia. Tel: +7 (812) 458 5757; Fax: +7 (812) 458 5665; Email: contact@europlan.ru; Website: www.europlan.ru.

Activities: Leading Russian small ticket leasing company. Successfully financed over 33000 small and mid-sized businesses and carried out over 90000 projects for more than 12 years.

Europlan

Pravo-Bulachnaya Street 35/2, Office 413, Kazan, Russia. Tel: +7 (843) 533 1922; Fax: +7 (843) 533 1923; Email: contact@europlan.ru; Website: www.europlan.ru.

Activities: Leading Russian small ticket leasing company. Successfully financed over 33000 small and mid-sized businesses and carried out over 90000 projects for more than 12 years.

Europlan

Rokossovskogo Street 62, Business Center Volgograd-CITY, Volgograd, Russia. Tel: +7 (8442) 99 8888; Fax: +7 (8442) 99 8889; Email: contact@europlan.ru; Website: www.europlan.ru.

Activities: Leading Russian small ticket leasing company. Successfully financed over 33000 small and mid-sized businesses and carried out over 90000 projects for more than 12 years.

Table 5: Russian leasing companies with a new business volume over US\$100m

Range (US\$m)	Number of companies	
	2010	2011
From 100 to 500	24	30
From 500 to 1,000	1	5
From 1,000 to 3,000	2	3
More than 3,000	3	4
Total:	30	42

Table 6: Russian leasing companies that concluded new business volumes of over US\$300m (2011)

No.	Leasing company	New leasing business volume (US\$m)
1	VEB-leasing (Moscow)	7,544
2	Group Companies "VTB-Leasing & TCL" (Moscow)	7,245
3	Sberbank Leasing (Moscow)	4,345
4	Gaztechleasing (Moscow)	3,531
5	GTLK (Moscow)	1,862
6	TransFin-M (Moscow)	1,321
7	Europlan (Moscow)	1,180
8	Group Companies "Gazprombank-Leasing" (Moscow)	875
9	Group Companies "Alpha Leasing" (Moscow)	641
10	Carcade Leasing (Moscow)	639
11	Group Companies "Battlease" (St.Peterburg)	606
12	KAMAZ-Leasing (Naberezhny Chelny)	449
13	Raiffeisen-Leasing (Moscow)	423
14	Siemens Finance (Vladivostok)	396
15	Group Companies "Interleasing" (St.Peterburg)	315
16	Caterpillar Financial (Moscow)	312

Table 7: Leasing projects of the large Russian leasing companies

Lease contract	Contract value (thousands)	Lease term (year)	Advance (%)	Credit rate (%)	Margin of lessor (%)
Micro	<66.7	2.9	20.10	11.27	3.62
Small	66.7 - <667	3.4	16.17	9.46	1.89
Middle	667 - <6,672	4.0	15.12	10.56	1.55
Large	6,672 - <40,030	6.3	10.72	10.36	1.06
Large +	40,030 - <106,747	8.5	2.53	10.03	0.63
Large ++	<106,747	8.2	7.96	10.53	0.81

only be seen as quantitative growth. The quality of portfolios must also be taken into account. In 2011, the quality of leasing portfolios had risen compared with 2010.

Information about the number of lessors in the range group can be found in Table 10, and information about Russian leasing companies with "outstandings" over US\$500m can be found in Table 11.

Doubtful and problem receivables. The analysis of activities of leasing companies allowed us to determine the following ratio. According to our estimates, a few months after the beginning of the crisis, dubious and problem receivables accounted for over 2% of the total lease market portfolio.

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 receivable are those with more than two

sequentially missed lease payments as specified in the lease contract.

By the end of 2009, total doubtful and problem receivables rose to 11.7%. Apparently, this was the culminating peak of poor leasing portfolios. In 2010, the total slightly decreased, but, so far, remains very high. Its value is greater than 11%.

In the Russian market review in the *World Leasing Yearbook 2012*, I suggested that for the leasing industry of Russia to withdraw from the crisis, this figure would need to be reduced by at least half. A survey in 2012 could argue that by the end of 2011, total doubtful and problem receivables decreased by 4%.

An analysis of information on the non-fulfillment 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

Leasing services

Europlan

Moskovskoye Shosse 17, Business Center Vertikal, Samara, Russia. Tel/Fax: +7 (846) 373 4724; Email: contact@europlan.ru; Website: www.europlan.ru.

Activities: Leading Russian small ticket leasing company. Successfully financed over 33000 small and mid-sized businesses and carried out over 90000 projects for more than 12 years.

Europlan

Frunze Street 88, Novosibirsk, Russia. Tel/Fax: +7 (383) 228 9800; Email: contact@europlan.ru; Website: www.europlan.ru.

Activities: Leading Russian small ticket leasing company. Successfully financed over 33000 small and mid-sized businesses and carried out over 90000 projects for more than 12 years.

Europlan

Malaya Sukharevskaya Square 12, 127051, Moscow, Russia. Tel/Fax: +7 (495) 786 8080; Email: contact@europlan.ru; Website: www.europlan.eu. President: Nikolai Zinoviyev; Vice President of Business Development: Alexander Mikhailov; Email: asm@europlan.ru.

Activities: Leading Russian small ticket leasing company. Successfully financed over 33000 small and mid-sized businesses and carried out over 90000 projects for more than 12 years.

Evrotekhnik Ltd

Oktayabrsky Prospekt 209, 140000, Lubertcy, Russia. Tel: +7 (495) 554 2064/1262; Fax: +7 (495) 554 2264; Email: et@kamela.ru; Website: www.kamela.ru. Director: Vseslav S. Ignatov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Expo-leasing Ltd

Electrozavodskaya Street, D. 33, 107076, Moscow, Russia. Tel: +7 (495) 660 9795; Email: info@expoleasing.ru; Website: www.expoleasing.ru. General Manager: Konstantin Rummyantsev.

Activities: Member of the Russian Leasing Association (Rosleasing).

Feost Leasing Company

1 Novokuznetsky Pereulok 10A, 115184, Moscow, Russia. Tel: +7 (495) 625 25 87; Email: feost@mail.ru; Website: www.feost.ru. General Manager: Igor Andrushchenko.

Activities: Independent universal leasing company. Member of the Russian Leasing Association (Rosleasing).

Financial Technologies Group

6 Shliuzovaya nab., Block 4, 115114, Moscow, Russia. Tel: +7 (495) 782 16 85/782 16 96; Fax: +7 (495) 782 16 62; Email: info@gft-leasing.ru; Website: www.gft-leasing.ru. General Manager: Stanislav V. Kotashevsky.

Activities: Member of the Russian Leasing Association (Rosleasing).

FinStroyLizing Ltd

Stromynka 18, Building 13, 107996, Moscow, Russia. Tel: +7 (495) 983 06 20; Fax: +7 (495) 983 06 21; Email: mail@finstroyliz.ru; Website: www.finstroyliz.ru. General Manager: Sergey Kiryanov.

Activities: Member of the Russian Leasing Association (Rosleasing).

First Leasing Company Inc

Nekrasov Avenue 35, Barnaul, Russia. Tel: +7 (3852) 24 33 61/24 37 22; Email: leasing-barnaul@yandex.ru.

Activities: Member of the Russian Leasing Association (Rosleasing).

First Leasing Company JSC

Voshod Street 26/1, 630092, Novosibirsk, Russia. Tel: +7 (383) 335 60 43/335 60 46; Email: leasing@plk-nsk.ru; Website: www.plk-nsk.ru. Director: Nikolay A. Podsosov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Gaztechleasing Ltd

Academician Anokhin Street 2, Building 7, 119602, Moscow, Russia. Tel: +7 (495) 663 88 77; Fax: +7 (495) 663 88 76; Email: mail@gaztechleasing.ru; offer@gaztechleasing.ru; Website: www.gaztechleasing.ru. CEO: Dmitry Eroshok; Head of Financial Department: Oleg Kheraskov; Email: oleg.kheraskov@gaztechleasing.ru.

Activities: Leasing a wide range of equipment to the largest Russian corporations.

Goznak Leasing Inc

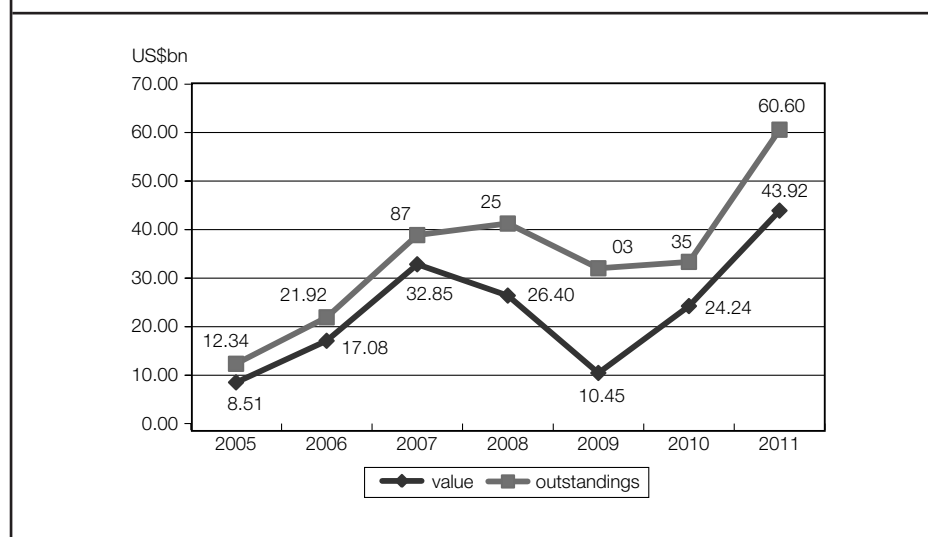
Pavla Andreeva Street 27, 115162, Moscow, Russia. Tel/Fax: +7 (495) 981 49 03; Fax: +7 (495) 981 49 04; Email: info@gznleasing.ru; Website: www.gznleasing.ru. Director: Alexander A. Babich.

Activities: Member of the Russian Leasing Association (Rosleasing).

Table 8: New leasing business by type of lessors in 2009–2011(%)

Type of lessor	New leasing business		
	2009	2010	2011
For the lessors, affiliated state:			
All lessors	52.5	62.6	67.5
Lessors of construction equipment and machinery	15.1	42.8	45.8
For the lessors, established foreign banks and companies:			
All lessors	17.9	12.3	10.6
Lessors of construction equipment and machinery	37.5	25.1	21.0
Other lessors, established Russian businesses:			
All lessors	29.6	25.1	21.9
Lessors of construction equipment and machinery	52.6	32.1	33.2

Table 9: The change in the value of new contracts for leasing and "outstandings" of the Russian leasing market 2005–2011 (US\$bn)



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.

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 crisis has revealed an unsystematic way to operate the accounts receivables: no methods to manage the receivables, no instruments of property confiscation from unreliable lessees; poor preventive measures against overdue receivables (minimisation of amounts due; encouragement for on-time lease payment); and imperfection of organisational mechanisms in management solutions, legal protection, etc.

The crisis in the leasing industry became apparent in a combination of

two negative, systematically interconnected factors: a credit pressing and an insolvency of lessees. Liquidity in global markets in 2010 and in 2011 has gone up.

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 lessees' bankruptcy origination and leasing companies claim settlement as creditors in lease deals.

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 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.

Basel II and Basel III. The crisis has revealed an imperfection of applied

Leasing services

Hogan Lovells (CIS)

Tverskaya Street 22, Summit Business Centre, 9th Floor, 125009, Moscow, Russia. Tel: +7 (495) 933 3000; Fax: +7 (495) 933 3001; Website: www.hoganlovells.com.

Activities: Global legal practice working with corporations, financial institutions, and governmental entities. With over 2,300 lawyers operating out of more than 40 offices in the United States, Europe, Latin America, the Middle East and Asia.

Homnet Leasing

Varshavskoe Shosse 36/7, 115230, Moscow, Russia. Tel/Fax: +7 (495) 781 7778; Email: pr@1c-leasing.ru; Website: www.1c-leasing.ru; www.inera.ru. Managing Director: Dmitry Kurdomonov; Email: kurdomonov@1c-leasing.ru; Deputy Director: Alexander Shirokov; Email: shirokov@inera.ru.

Activities: A leading Russian developer of software solutions for leasing. Provides full service package for leasing automation; consulting, implementation, support, maintenance, etc.

ICC Insurance Group Inc

Dolgorukovskaya Street 40, 127006, Moscow, Russia. Tel: +7 (495) 956 84 84; Fax: +7 (495) 974 05 61; Email: mail@sgmsk.ru; Website: www.sgmsk.ru. General Director: Sergey Savosina.

Activities: Member of the Russian Leasing Association (Rosleasing).

ICF International

2 Brestskaya Street, Building 8, 15th Floor, Office 4, Moscow 125047, Russia. Tel: +7 (495) 783 1032; Fax: +7 (495) 783 1848; Email: icfeko@icfeko.ru; Website: www.icfi.com. Chairman & Chief Executive Officer: Sudhakar Kesavan; President & Chief Operating Officer: John Wasson.

Activities: Assistance with the purchase or lease of aircraft and equipment, including evaluating and renegotiating lease terms and provisions. Head office in Fairfax, US.

Ilyushin Finance Co.

Build 6, 1st km of Rublevo-Uspenskoe Highway, Moscow Region, Odintsovsky District, 143030, Russia. Tel: +7 (495) 710 9960; Email: ifc@ifc-leasing.com; Website: www.ifc-leasing.com. General Director: Rubtsov Alexander; Direct Tel: +7 (495) 710 9958; Deputy CEO: Medzhibovskiy Igor; Direct Tel: +7 (495) 710 9959.

Activities: Sale and leasing of civil aircraft.

Invavto Ltd

Leningradskaya Street 1A, Khimki, 141400, Moscow, Russia. Tel: +7 (495) 575 4512. CEO: Zahar A. Pik; Email: pikzahar@rambler.ru.

Activities: Member of the Russian Leasing Association (Rosleasing).

Ingosstrakh

Lesnaya Street 41, 127994, Moscow, Russia. Tel: +7 (495) 729 5599; Fax: +7 (495) 234 02 94; Email: ingos@ingos.ru; Website: www.ingos.ru. General Manager: Alexander V. Grigoriev.

Activities: Insurance company working in the domestic and international market. Member of the Russian Leasing Association (Rosleasing).

Interleasing (Headquarters)

Krapivny Per. 5, 194044, St. Petersburg, Russia. Tel: +7 (812) 346 6055; Fax: +7 (812) 541 8298; Email: zakaz@ileasing.ru; Website: www.ileasing.ru. Director: Kirill A. Tsarev.

Activities: Leasing Services.

Invest Communications Holding Inc

Petrovsky Bulvar 12, Building 2, 127051, Moscow, Russia. Tel: +7 (495) 950 0730; Fax: +7 (495) 950 0731; Email: leasing@ish.ru.

General Manager: Viktor N. Ilyin.
Activities: Member of the Russian Leasing Association (Rosleasing).

IR-Leasing Ltd

Spasopeskovskiy Pereulok 7/1 1, 121099, Moscow, Russia. Tel: +7 (495) 797 26 36; Fax: +7 (495) 797 26 37; Email: ir@ir-leasing.ru; Website: www.ir-leasing.ru. General Manager: Svetlana Mitrofanova; Direct Tel: +7 (495) 797 2635; Executive Director: Marina Bykovskaya; Email: marina.g@ir-leasing.ru.

Activities: Finance leasing for equipment and technology. Member of the Russian Leasing Association (Rosleasing).

Ivanovo Agrarian Leasing Company

Suvorova Street 44, Office 505, 153012, Ivanovo, Russia. Tel: +7 (4932) 47 17 63/30 62 12. Director: Nikolay Ilyich Karapapas.

Activities: Member of the Russian Leasing Association (Rosleasing).

Kalmagrolizing Inc

N. Ochirova Street 15, Elista, 358000, Republic of Kalmykia, Russia. Tel: +7 (84722) 3 51 19; Fax: +7 (84722) 3 4998; Email: kalmagrolizing@infotecset.ru; Website: www.kalmagrolizing.ru. Director: Valery B. Kuberinov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Table 10: "Outstandings" of Russian leasing companies (January 1, 2007–2012)

Range (US\$m)	Number of companies					
	2007	2008	2009	2010	2011	2012
From 200 to 300	7	12	11	9	6	8
From 300 to 500	10	12	15	7	7	8
From 500 to 1000	7	7	9	6	2	3
More than 1000	4	7	7	4	6	9
Total	28	38	42	26	21	28

Table 11: Russian leasing companies with "outstandings" over US\$500m (January 1, 2012)

No.	Leasing company	Outstandings (US\$m)
1	Group Companies "VTB-Leasing & TCL" (Moscow)	9,904
2	VEB-leasing (Moscow)	9,204
3	Sberbank-Leasing (Moscow)	6,499
4	Gaztechleasing (Moscow)	3,597
5	GTLK (Moscow)	1,795
6	TransFin-M (Moscow)	1,698
7	Group Companies "Alpha-Leasing" (Moscow)	1,269
8	Ilyushin Finance Co (Voronezh)	1,248
9	Group Companies "Gazprombank-Leasing" (Moscow)	1,057
10	Europlan (Moscow)	870
11	MTE-Finance (Moscow)	562
12	Group Companies "Baltlease" (St.Petersburg)	551
13	Raiffeisen-Leasing (Moscow)	463
14	Severnay Veneziy (St.Petersburg)	451
15	Deutsche Leasing Vostok (Moscow)	431
16	Business Alliance (Moscow)	399
17	Siemens Finance (Vladivostok)	378
18	Carcade Leasing (Moscow)	352
19	Group Companies "Interleasing" (St.Petersburg)	339
20	Caterpillar Financial (Moscow)	321
21	Metallinvestleasing (Moscow)	312

methods of risk assessment in lease projects, including those based on scoring models. A real necessity has occurred for the leasing companies to modify the methods, improving all risk-management systems. Control mechanisms laying down the foundations of lease project management solutions will come together.

With Basel III to replace Basel II, the time has now come to generate a new system of bank standards that would regulate financial institutions, including leasing companies, and suggest recommendations in accounting and credit risks control (default losses – 35% of credit risk exposure with reimbursement and 65% of credit amount).

As with any other financial deal, leasing is accompanied by a certain level of risk for each side in the leasing agreement. Nevertheless, in Russia leasing allows suppliers to increase their sales, provides lessees with a mechanism to acquire much-needed assets and stimulates the economy through capital investment. It allows the parties to a leasing deal to allocate risk according to their own needs.

Basel II was adopted on the assumption that it should increase the sensitivity of capital to risk of credit loss as it requires banks to increase levels of capital for those borrowers who are assessed as having a high degree of credit risk. Naturally, the new requirements for banks had a direct impact on the activities of lessors.

However, Basel II overvalued the trust probability calculation of VaR (vector autoregression) models within advanced approaches. For credit risk the interpretation of data by the Basel Committee experts shows that a deviation from the VaR threshold is likely once in a thousand years.

Russia is not found in the forecast models, which reflects for all banks, the systemic risk of exposure to a crisis is once every seven or eight years. I believe that from a managerial point of view, projections can be obtained in the calculation of VaR at the level of 85%–90%.

It is believed that Basel III would strengthen the financial sustainability of the world banking (financial) system by improving the quality, increase the volume and consistency of banking capital and increase bank liquidity reserves. Provided that the share capital of the first level in the total minimum capital will grow from the current 4% to 6% of risk-weighted assets and the share of equity

capital in the first level will increase from 2% to 4.5%. The banks will require additional capital buffers special (reserve and counter-cyclical) of 2.5%. As a result, the minimum level of capital adequacy will increase to 8.5%, taking into account the requirements for creating additional reserves.

The minimum level of overall capital adequacy will remain at the level of 8% of the weighted risk assets of the bank level, but the capital buffer will reach 10.5%. The overall level of requirements as to the sufficiency of ordinary share capital, which includes capital by shareholders and retained earnings will rise to 7%.

Of course, these measures will lead to tighter regulation of financial institutions, including leasing companies in part borrowings and formation of the proportions of the leasing portfolio. These circumstances will directly influence securitisation transactions of leasing assets and are likely to change requirements for Russian leasing companies in terms of the availability of their own capital.

However, the question remains of how banks, followed by other financial organisations, including the leasing companies, will be able to execute new Basel requirements?

Russia's Finance Minister Anton Anton Siluanov said at a conference of G20 (financial), organised by the Institute of International Finance, February 25, 2012, that in the conditions of global financial instability, special care is required in the design and implementation of new standards for the regulation of the financial sector.

The Financial Stability Board (FSB) estimates that the introduction of additional capital requirements for banks will decline in GDP over the medium term to 0.34% a year.

However, Anton Siluanov believes Basel III may now lead to a reduction in GDP, but in the long term, the capitalisation of banks will boost GDP by an average of 2.5% a year.

This is particularly important in the light of the events unfolding on the European financial markets. "It is, first and foremost, to lower the amount of lending in response to the demands of the EU authorities to increase July 1, 2012, basic capital adequacy ratio to 9%", he said.

The first component of the Basel II in Russia was introduced in 2011, the second and third components will be

Leasing services

Kamaz Leasing Company

Avtozavodskoy Prospekt Street 2, Naberezhnye Chelny, Respublika Tatarstan, Russia. Tel: +7 (8552) 452 732; Fax: +7 (8552) 452 912; Email: leasing@kamaz.net; leasing@kamaz.org; Website: www.kamazleasing.ru. General Director: Alfiya Kogogina. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Klientskaya Lesing Company

Novozyshenskaya Street 18, Building 1, 121309, Moscow, Russia. Tel: +7 (495) 988 4646; Fax: +7 (495) 795 06 74; Email: info@klk-leasing.ru; Website: www.klk-leasing.ru. General Manager: Alexander Druzhinin Viniaminovich. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Kuban Industrial Leasing Ltd

Krasnoarmeyskaya Street 32 of 1202, 350000, Krasnodar, Russia. Tel: +7 (861) 274 89 89/89 25; Fax: +7 (861) 274 89 89; Email: kpleasing@mail.ru; Website: www.kpleasing.ru. Director: Konstantin A. Kirsta. **Activities:** Provision of lease for property. Member of the Russian Leasing Association (Rosleasing).

Kubanleasing GUP

Promyshlennaya Street 47, Kurskaya Region, Russia. Tel: +7 (861) 255 11 70/259 04 90; Fax: +7 (861) 255 11 86; Email: kubanliasing@gmail.ru. Director: Vadim V. Ryzhov. **Activities:** Member of the Russian Leasing Association (Rosleasing).

KurskAgroPromLeasing OGUP

Solovynaya Street 47, Kurskaya Region, Russia. Tel: +7 (4712) 24 11 34/11 25 34; Email: kursk-leasing@mail.ru. Director: Alexander M. Timoshenko. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Ladya Ltd

Sadovaya Street 280, 2nd Floor, Office 14-24, 443010, Samara, Russia. Tel: +7 (846) 270 6651/52/53; Fax: +7 (846) 276 6841; Email: ladia_ifc@mail.ru; Website: www.samara-ladia.ru. Director: Vladimir M. Dymn; Chief Executive: Igor A. Federov. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Leasing Centre Ltd

Inzhenerny Per. 3, 432072, Ulyanovsk, Russia. Tel/Fax: +7 (8422) 6 11 20; Email: ochad@link-ul.ru. General Manager: Aleksander M. Dolgov. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Leasing Machinery & Equipment Ltd

Karbolitovskaya Street 1, Building 215, Office 206, 650000, Kemerovo, Russia. Tel: +7 (3842) 3 455 98; Fax: +7 (3842) 34 55 98. General Manager: Dmitry Golubev; Email: golubev@sibcem.ru. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Leasing-M OOO

Lenina, D.68, 455044, Magnitogorsk, Russia. Tel: +7 (3519) 22 00 61/62; Fax: +7 (3519) 28 85 54; Email: lizing-m@mail.ru. Director: Ravil Karimov Malikovich. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Leasing-Trade Inc

Peterburgskaya Street D.86, 4th Floor, 42107, Kazan, Russia. Tel: +7 (843) 293 93 94; Fax: +7 (843) 299 12 52; Email: kazan@leasing-trade.ru; Website: www.leasing-trade.ru. General Manager: Iskander Damirovich Maslahutdinov. **Activities:** Financial and operating leases. Leasing of equipment and vehicles. Member of the Russian Leasing Association (Rosleasing).

LeasingPromHold Ltd

Okskaya Street 13, 109457, Moscow, Russia. Tel: +7 (495) 921 22 66; Email: iph@iph.ru; Website: www.mdm-leasing.ru. General Director: Maxim V. Popravko. **Activities:** Professional leasing operator. Member of the Russian Leasing Association (Rosleasing).

Lefko-Leasing, Leasing Company Ltd

Vavilov Street 38, Building 6, 119991, Moscow, Russia. Tel: +7 (495) 785 5185/1717/755 5561; Fax: +7 (495) 132 6256; Email: lleasing@lefcobank.ru. Chief Executive: Yury V. Kvartalnov. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Lipetskagroyehservis Ltd

Molodejnaya Street 1B, Lipetskoy Region, Lipetskogo Rayona, 398540, S. Sentsovo, Russia. Tel: +7 (4742) 46 72 17/256 075; Fax: +7 (4742) 752 684/88; Email: don@lipetsk.ru; marketing@lacc.ru; Website: www.lacc.ru. General Manager: Igor A. Konyakhin. **Activities:** Member of the Russian Leasing Association (Rosleasing).

implemented in 2015. Now, according to the Minister of Finance, 90% of the Russian banks meet Basel III, and the average level of adequacy of capital in our banking system is 15%–16%.

In 2012, Russia plans to start developing framework approaches to the implementation process of self-making healthy banks and insolvency in the framework of the implementation of Basel III.

According to the Central Bank's Head of the Inspection of Credit Institutions Vladimir Safronov at the Banking Conference in St. Petersburg on June 7, 2012, the introduction of Basel III, will have a positive effect on the financial stability of Russian banks, but the question is whether a comparable impact of the Basel III with those conditions that will have to implement the Russian banks for compliance.

According to Jeffrey Nicholson (partner of PwC in Russia) and Kaan Aksel (Director of the PwC in Russia) in the journal of "Banking review" No. 6, June 2012, the costs of transition for large Russian banks to use improved approaches (Basel III) can range from US\$20m to US\$30m for the period up to three to four years.

This is due mainly to the new requirements to data collection, risk management and reporting for the IT systems and processes. About 60%–65% of the cost of the introduction of improved approaches will fall on IT investments related to credit risk, means of transmittal and data entry and new processes, and about 15%–20% will be linked to the development of rating models.

According to the head of leasing company "Arval" Syarhei Dianin, in

2013–14 expect growth rates of financing due to the introduction of the Basel III. However, at the Conference on Leasing in Russia (Paris, March 1, 2012), some leasing companies, such as Sberbank Leasing, now being improved risk management system in accordance with the advanced approach of Basel conditions.

Insurance of financial risks. Some leasing companies, when carrying out leasing operations, confine themselves to insurance of financial risks, meaning, first of all, the risk of final insolvency (bankruptcy) of the lessee; the risk of non-compliance by the lessee with its contractual obligation to make lease payments; the risk of the loss of income (profit) by the lessee due to forced interruption of business or idle time caused by the loss (damage) of the insured property.

As required by legislation, in such insurance policies the beneficiary (i.e., the leasing company) is named as the insured. Tariffs for such a type of insurance have considerably decreased and were at a level of 1.2% to 2.8% per annum of the value of leasing contracts. Although it is an expensive type of insurance, it provides an interesting scheme for the minimisation of risks.

A characteristic of the Russian leasing services market is a relatively high level of preparation of leasing contracts. We believe that in this respect Russian leasing companies do not lag behind their foreign colleagues. It is more likely that they are even ahead of their foreign colleagues in this respect because risks on the Russian market are higher.

Ratings. It will be necessary to arrange for the gathering and disclosure of infor-

Leasing services

Lizfaynens Ltd

Nagatinskaya Street 1, P. 1, Office 609, 117105, Moscow, Russia. Tel: +7 (495) 510 25 56; Fax: +7 (495) 981 19 91; Email: info@leasefinance.ru. General Manager: Dmitry Reshetnikov. **Activities:** Member of the Russian Leasing Association (Rosleasing).

MAN Finance Russia

Doroznaya Street 29, 15th Floor, 113405, Russia. Tel: +7 (495) 981 90 04; Fax: +7 (495) 981 90 05; Email: anna.drobilkina@man-finance.ru; Website: www.man-finance.ru/ru/index.htm. CEO: Tomas Schneiderheinz; Email: tomas.schneiderheinz@man-finance.ru. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Medizing Inter-Regional Medical Leasing Company

Vvedenskogo Street 3, 117342, Moscow, Russia. Tel: +7 (495) 663 04 19; Fax: +7 (495) 663 04 18; Email: medleasing@bk.ru. President: Evgeniy V. Makarov. **Activities:** Member of the Russian Leasing Association (Rosleasing).

META-Leasing Ltd

Moskovskaya Street 25G, 610000, Kirov, Russia. Tel: +7 (8332) 351 100; Fax: +7 (8332) 351 890; Email: meta@pbcgroup.ru; Website: www.metaleasing.ru. Director: Dmitry Kaisin Serafinovich. Head of Sales: Konakov Evgeniy; Email: konakov@pbcgroup.ru; Project Manager: Tkachev Anton; Email: tkachev@pbcgroup.ru; Assistant Manager, Sales & Marketing: Matantseva Maria Mikhailovna; Email: manya_m@mail.ru; matantseva@pbcgroup.ru. **Activities:** Member of the Russian Leasing Association (Rosleasing).

MK Finance Ltd

Samotechnaya Street 7/5, Building 2, 127473, Moscow, Russia. Tel: +7 (495) 783 26 83; Fax: +7 (495) 783 26 82; Email: info@mkfinance.ru; Website: www.mkfinance.ru. General Manager: Inna Ivanov. **Activities:** Project management and corporate finance. Member of the Russian Leasing Association (Rosleasing).

Mon-Leasing Ltd

Moskovsky Prospect D.79-A, Office 601, 196084, St. Petersburg, Russia. Tel: +7 (812) 331 9009; Fax: +7 (812) 369 0300; Email: office@pn-leasing.ru; Website: www.pn-leasing.ru. General Manager: Malanin, Roman S.; Head of Finance: Gorelov, Alexander E.; Direct Tel: +7 (812) 331 9009 (Ext: 1113); Email: gorelov@pn-leasing.ru. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Mon-Leasing Ltd

Derbenevskaya Street 1, Building 6, Entrance 7, 113114, Moscow, Russia. Tel: +7 (812) 331 9009; Fax: +7 (812) 369 0300; Email: moscow@pn-leasing.ru; Website: www.pn-leasing.ru. General Manager: Malanin, Roman S.; Head of Finance (St. Petersburg): Gorelov, Alexander E.; Direct Tel: +7 (812) 331 9009 (Ext: 1113); Email: gorelov@pn-leasing.ru. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Mozharskoye Ltd

S. Klyuchishchi Krasnooktyabrsky Rayon, 607530, Nizhegorodskaya Region, Russia. Tel/Fax: +7 (8312) 77 63 05; Email: caramel@sendy.ru. General Manager: Farhat F. Fattahetdinov. **Activities:** Member of the Russian Leasing Association (Rosleasing).

National Research University - Higher School of Economics (Moscow)

Myasnitskaya Ulitsa 20, 101000, Moscow, Russia. Tel: +7 (495) 621 1524; Email: hse@hse.ru; Website: www.hse.ru. Rector: Yaroslav Kuzminov; Direct Tel: +7 (495) 628 8368; Email: ozamulin@hse.ru; DEA of the Faculty of Economics: Oleg Zimulin; Direct Tel: +7 (495) 609 4359; Email: garantinv@bk.ru.

OMB Ltd

Kotelnicheskaya nab. 1/15, Building A-B, Office 9-8, 109240, Moscow, Russia. Tel: +7 (495) 915 4048; Fax: +7 (495) 915 5492; Email: post@ombfin.ru. General Manager: Irina V. Yakusheva. **Activities:** Member of the Russian Leasing Association (Rosleasing).

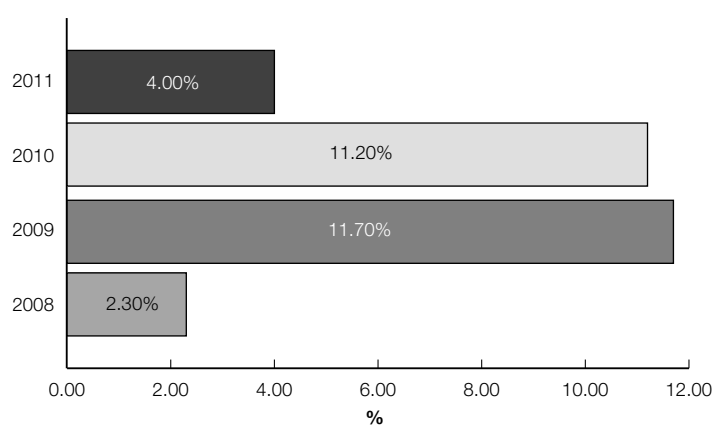
OrelAgroLizing Inc

Severnaya Street 9, 302009, Orel, Russia. Tel/Fax: +7 (4862) 428 169; Email: orel@agropromsnab.ru. General Manager: Svetlana N. Kameneva. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Orenburggazpromleasing Ltd

Donguzskaya 64A, 460027, Orenburg, Russia. Tel: +7 (3532) 73 34 44/045/73 40 45/73 33 98; Email: orgasliz@mail.esoo.ru; Website: www.gazpromlizing.ru. General Manager: Sergey Dornostup. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Table 12: Quality of lease portfolio – doubtful and problem receivables



mation and for the assessment of risks by rating agencies. It is necessary for the purpose of selecting assets and forming high-quality portfolios. Only then will it be possible to implement a flexible policy in respect of profitability levels.

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.

One thing that can help ease those concerns is credit ratings, a service that is now beginning to appear. A rating reduces risk to a company's creditors and investors, which makes it easier for that company to attract fresh resources and expand its business. Ratings assigned by an independent rating agency are a compact, meaningful summary of the state of a company's business, and of its credit-worthiness.

We assume that rankings characterise the quantitative aspect of the lessors' business. Qualitative assessment is attained through ratings. Lessor's ratings have certain features predefined by their very lease nature. The logic of lease business speaks for the necessity of building a system of ranking and rating estimates for various practical purposes.

It is important to distinguish between the two types of lessors' ratings. The first type of rating is based on coefficients, characterising the financial stability of the leasing company. These ratings are used by creditors as decision-makers in allocating funds to finance a specific project on certain terms. Some features are distinctive for lessors. A leasing company may not stick only to running a lease business. The balance sheet will then accumulate the financials of all the businesses it has.

Another crucial feature lies with the definition of lessor's leverage. In contrast with a standard commercial company, a lessor's leverage may constantly rise, which is quite a common thing as every steadily growing leasing company tends to enhance borrowed capital in its financial structure.

Leasing companies are transparent and correct in sharing information with their creditors – this is not only a sign of good lessor culture, but also inevitability: otherwise no loan will be granted.

The second type of rating is reasonably formed from the point of view of lessees. The current financial state of the

leasing company is not a matter of interest for the lessee. It holds onto the lease asset as the source of income.

In this scenario, the rating should more likely reflect average annual lease appreciation as compared with the face value of the lease asset. However, very few leasing companies are accurate with this. For instance, advance payments (funds from lessees to finance a project) are not always deducted in the calculation.

To build a lessor's rating targeted for lessees, it is crucial to assume that this coefficient is aggregated. Hence its value is based on at least four parameters: face value of lease property, advance payment, lease margin and term of lease contract.

At the same time, some requirements that a lessor puts forward in a lease contract are not seen, for example, requirements for collateral, extra security, cost of lease asset as ratio to the volume of total assets of lessee, lessor's specialisation in specific market segment.

Obviously this type of rating is highly important, although it is not always sufficient for the lessee to make its final decision as to which leasing company to select for further work.

Fitch Ratings May 28, 2012 confirmed the long-term issuer default ratings of the three largest leasing companies in Russia: VEB-leasing, VTB leasing, Savings Bank Leasing at "BBB" with "Stable" forecast.

The ratings of the companies confirmed on par with ratings of their parent institutions, which are State-controlled: Vnesheconombank, VTB Bank, Sberbank, and that reflects the opinion of Fitch about the likelihood of providing support to affiliated companies from their owners when necessary.

This opinion is based on the fact that the leasing companies are 100% ownership of the banks, as well as on the overall brand, operating a relatively high level of integration and the high share of funding from the parent structures composed of liabilities of leasing companies (at the end of 2011, VEB-leasing – 21%, VTB-Leasing – 59% and Sberbank Leasing – 96%). The moderate size of the assets of the subsidiaries on the parent structures (7%, 3% and 1%, respectively) suggests that the parent banks will be enough just to support them.

Funding of lessors. In order for leasing transactions to go ahead, leasing companies must have access to the capital markets or possess their own funds for

Leasing services

Permskaya Promyshlennaya Lizingovaya Kompaniya Ltd

Lunocharskogo 96, 614000, Perm, Russia. Tel: +7 (342) 237 6688; Fax: +7 (342) 237 6707; Email: info@pplk.ru. Director: Aleksey I. Kramskov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Peterburgsky Traktorny Zavod

Stachek Prospekt 47, 198097, St. Petersburg, Russia. Tel: +7 (812) 783 6888; Fax: +7 (812) 484 9915; Email: market2@sptz.ru; Website: www.kirovets-ptz.com. Director: Aleksandr N. Krikunov.

Activities: Member of the Russian Leasing Association (Rosleasing).

PN-Leasing Ltd

Moskovsky Pr-t 79-A, Office 601, 196084, St. Petersburg, Russia. Tel: +7 (812) 331 9009; Fax: +7 (812) 369 0300; Email: office@pn-leasing.ru; Website: www.pn-leasing.ru. General Director: Roman S. Malinin.

Activities: Member of the Russian Leasing Association (Rosleasing).

PricewaterhouseCoopers

Butyrsky Val 10, Business Centre White Square, 125047, Moscow, Russia. Tel: +7 (495) 967 60 00; Fax: +7 (495) 967 60 01; Email: olga.kucherova@ru.pwc.ru; Website: www.pwc.com. General Manager: Peter Gerendashi.

Activities: Has a global network of asset finance and leasing experts providing business consulting, accounting & legal expertise and experience.

Priroda IC Ltd

Pyatnitsky Per. 3/4, Building 3, 115184, Moscow, Russia. Tel: +7 (495) 953 3536; Tel/Fax: +7 (495) 953 3314; Email: dgub@skpriroda.ru. Director General: Mikhail I. Senkin.

Activities: Member of the Russian Leasing Association (Rosleasing).

Privolgskagroleasing Ltd

Novo-Sadovaya Street 163, Office 413, 443086, Samara, Russia. Tel: +7 (896) 372 89 84; Fax: +7 (846) 372 89 83; Email: info@pvagroleasing.ru; Website: www.pvagroleasing.ru. General Director: Valeriy N. Boryakov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Progress-Leasing Kostroma Leasing Company Inc

Sovetskaya Street 56/1, 156005, Kostroma, Russia. Tel: +7 (4942) 37 21 81; Fax: +7 (4942) 37 21 91; Email: progress@kmtn.ru; Website: www.priz.ru. CEO: Ivan M. Melnikov.

Activities: Member of the Russian Leasing Association (Rosleasing).

PRS-Leasing Inc

Proletarian Street 252, Barnaul, 656008, Altai Region, Russia. Tel: +7 (3852) 65 20 83; Email: sss-leasing@mail.ru. Managing Director: Vladimir Filipovich Smykov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Razvitiye Sela GUP RM

Moskovskaya Street 1, 430000, Mordoviya Saransk, Russia. Tel: +7 (8342) 327 272; Fax: +7 (8342) 327 044; Email: fors@whrm.moris.ru. Chief Executive: Aleksander V. Vorobiev.

Activities: Member of the Russian Leasing Association (Rosleasing).

RB-Leasing Ltd

St. Dubinskaya House 53, P. 5, BC, Office 101, 115054, Moscow, Russia. Tel: +7 (495) 580 73 34; Email: ru-leasing.info@socgen.com; Website: www.rb-leasing.ru. General Manager: Guram A. Kudryavtsev.

Activities: Specialising in large-scale projects in acquisition and transfer of financial leasing. Member of the Russian Leasing Association (Rosleasing).

RK-Garant Insurance Company Inc

Karl Marx Street 2, 398001, Lipetsk, Russia. Tel: +7 (4742) 34 18 17; Fax: +7 (4742) 34 17 82; Email: lioetsk@rkgarant.ru; Website: www.rkgarant.ru. CEO: Viktor Gushel'ik Feodosievich.

Activities: Member of the Russian Leasing Association (Rosleasing).

Rook Ltd

Sadovaya 280, 2nd Floor, Office 14-24, 443001, Samara, Russia. Tel: +7 (846) 270 66 51/52; Fax: +7 (846) 276 68 41; Email: ladia_ifc@mail.ru; Website: www.samara-ladia.ru. Director: Vladimir Dynin Mihalovich.

Activities: Leasing of new or second-hand machinery and equipment. Member of the Russian Leasing Association (Rosleasing).

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 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, including: 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.

In 2011 funding of all lessors was almost 1.9 times compared with the previous year, and reached US\$27.46bn (2010 – US\$14.475bn). The 2011 level was higher than the pre-crisis level in 2007 at 21.5% (Table 13).

The leasing industry of Russia has demonstrated a number of distinctive features in its development during the crisis period. In particular it has seen a

monopoly impact on lease business results in market sectors and the overall lease industry caused by some of the lessees.

In 2011, the ratio between Russian and foreign banks in credit to the Russian leasing business was the highest for six years (Table 14), which shows the relative growth of interest of foreign banks in crediting the Russian leasing market.

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, due, for example, to more active use of stock market institutes: the issue by leasing companies of securities, securitisation of leased assets. Soon we are likely to see the elimination of intermediaries (the banks) from the leasing operations.

With each year, the number of Russian leasing companies that can obtain financing directly from foreign banks grows. There is a 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 credits for a term of three to five years, and in some cases, for seven years.

Among the leasing companies who

Leasing services

RosAgroLeasing JSC

Pravdy Street 26, 127137, Moscow, Russia. Tel: +7 (495) 782 1976/77/82; Fax: +7 (495) 782 1985/86; Email: info@rosagroleasing.ru; Website: www.rosagroleasing.ru. General Manager: Valery Nazarov.

Activities: Financial leasing. Member of the Russian Leasing Association (Rosleasing).

Rosagrosnab JSC

Bolshaya Dmitrovka 32, Building 1, 127994, Moscow, Russia. Tel: +7 (495) 650 52 39; Fax: +7 (495) 650 30 00; Email: root@rosagrosnab.ru; Website: www.rosagrosnab.ru. General Manager: Yuri Limarev.

Activities: Leasing operations in agribusiness. Member of the Russian Leasing Association (Rosleasing).

Rosagrostrah Inc

Lenin Avenue 8/5, Balashikha, Russia. Tel/Fax: +7 (495) 510 5016/14; Email: kokinaev@rosagrostrah.ru; Website: www.rosagrostrah.ru. General Manager: Kashirin Tcherniakov.

Activities: Universal insurance company. Member of the Russian Leasing Association (Rosleasing).

Rosno JSC

Ozerkovskaya nab. 30, 113184, Moscow, Russia. Tel: +7 (495) 232 3333; Fax: +7 (495) 232 0014; Email: info@rosno.ru; Website: www.rosno.ru. General Manager: Hannes Shariputra Chopra.

Activities: Insurance services. Member of the Russian Leasing Association (Rosleasing).

Rost Agrarian Group JSC

Tsentralnaya Street 1, Domodedovo, 124003, Moscow, Russia. Tel/Fax: +7 (49679) 68 315/326. Chief Executive: Lubov U. Luznyh.

Activities: Member of the Russian Leasing Association (Rosleasing).

RostovAgroLeasing Ltd

Sholohova Proezd 27/82, 344019, Rostov-na-Donu, Russia. Tel: +7 (863) 223 73 10; Fax: +7 (863) 253 74 00; Email: pacc_admin@aanet.ru; Website: www.rostovagroleasing.ru. General Manager: Nikolay V. Gospodarev.

Activities: Member of the Russian Leasing Association (Rosleasing).

RozBiznesLizing Inc

Sobinova Street 5B, 150000, Yaroslavl, Russia. Tel: +7 (4852) 72 92 42; Fax: +7 (4852) 72 89 50; Email: rbl@yar.ru; Website: www.rosbl.ru. General Manager: Oleg V. Shelestov.

Activities: Services within the leasing market. Member of the Russian Leasing Association (Rosleasing).

RTC-Leasing Inc

Delegatskaya Street 5, Building 1, 127473, Moscow, Russia. Tel: +7 (495) 777 03 30; Fax: +7 (495) 777 03 33; Email: mail@rtc-leasing.ru; Website: www.rtc-leasing.ru. General Director: Irina V. Golovchenko.

Activities: Leasing services. Member of the Russian Leasing Association (Rosleasing).

RTC-Leasing Inc

9th Line VO 34A, Magnus Business Center, Suite 411, 199004, St. Petersburg, Russia. Tel: +7 (812) 647 03 30/493 40 81; Email: spb@rtcleasing.ru; Website: www.rtc-leasing.ru. General Director: Irina V. Golovchenko.

Activities: Member of the Russian Leasing Association (Rosleasing).

RTC-Leasing Inc

Sovetskaya Street 54, Suite 418, 625000, Tyumen, Russia. Tel: +7 (3452) 49 43 68/69; Email: tumen@rtcleasing.ru; Website: www.rtc-leasing.ru. General Director: Irina V. Golovchenko.

Activities: Member of the Russian Leasing Association (Rosleasing).

RTC-Leasing Inc

Lenina 90/4, Suite 907, 650036, Kemerovo, Russia. Tel: +7 (3842) 57 44 36/+7 913 436 77 33; Fax: +7 (3842) 57 44 36; Email: kmr@rtcleasing.ru; Website: www.rtc-leasing.ru. General Director: Irina V. Golovchenko.

Activities: Member of the Russian Leasing Association (Rosleasing).

RTC-Leasing Inc

Red Street D.160, Office 306, 350015, Krasnodar, Russia. Tel: +7 (861) 259 24 69/ 28 36; Fax: +7 (861) 259 24 69; Email: ug@rtcleasing.ru; Website: www.rtc-leasing.ru. General Director: Irina V. Golovchenko.

Activities: Member of the Russian Leasing Association (Rosleasing).

RTC-Leasing Inc

Belinsky Street 32, Office 507, 603000, Nizhny Novgorod, Russia. Tel/Fax: +7 (831) 439 50 64; Email: nnov@rtcleasing.ru; Website: www.rtc-leasing.ru. General Director: Irina V. Golovchenko.

Activities: Member of the Russian Leasing Association (Rosleasing).

Table 13: Financing of leasing operations in Russia (2007–2011)

Source of financing of lessor	Share in the total financing of leasing operations (%)				
	2007	2008	2009	2010	2011
Bank credits, total	59.5	57.7	52.2	67.1	61.0
Incl. Russian banks	48.1	46.5	39.7	56.4	52.6
Foreign banks	11.4	11.2	12.5	10.7	8.4
Loans from founders and other organisations	8.6	10.6	10.6	3.4	2.7
Trade credits provided by suppliers	1.1	2.3	0.6	0.2	0.1
Advance payments	17.3	15.1	19.8	13.7	15.0
Own funds of leasing companies, total	6.2	9.5	9.1	9.1	7.1
Incl. authorised capital	1.5	5.0	0.4	4.8	3.8
Profit	4.7	4.5	8.7	4.3	3.3
Promissory notes/exchange bills	2.0	1.1	0.2	1.6	5.6
Bonds	3.7	3.6	7.1	4.7	6.3
Other lending	1.5	0.0	0.0	0.1	2.2

Table 14: Ratio between Russian banks and foreign banks in credit to the Russian leasing business (2006–2011)

	2006	2007	2008	2009	2010	2011
Ratio	4.58	4.22	4.15	3.18	5.27	6.26

used this form of financing in their leasing operations we can name VEB-Leasing, VTB-Leasing, Europlan, some leasing companies, such as Caterpillar Finance, MAN Financial Services, Carcade, Hewlett Packard, Siemens Finance (Vladivostok), Volkswagen Group Finanz, VR Leasing, Deutsche Leasing Vostok and some other obtained credits from western creditors for terms from three to 10 years.

For analytical purposes of our study we calculated the average debt-to equity ratios per Russian leasing companies leverage as follows:

$$CL = (TF - A - OF) : OF,$$

where CL is capital leverage; TF – total financing of lessors; A – advance of lessees; OF – own funds of leasing companies.

The results are presented in the Table 15.

Emission worth. For 11 years, more than 40 Russian leasing companies (or SPV leasing companies) issued emission worth in total US\$7.7bn.

The first issues were short-term, for half a year or a full year. Then the maturity terms lengthened and finally reached 10 years, i.e., such terms became compatible with the terms of leasing contracts. I think that a good recovery sign of emissive finance for lease operations, would be to see positive economic growth in 2012–2014.

In May 2011, a leading Russian leasing company, OJSC “VEB-leasing”, successfully placed its debut Eurobond issue. Loan Participation Notes were issued for an amount of US\$400m for a period of five years under Regulation S. The

coupon rate was 5.125% per annum, paid on a semi-annual basis. Credit Suisse, Goldman Sachs International, and VEB Capital acted as joint leads and book-runners for the issue.

This transaction marked the first Eurobond offering by a leasing company outside of Russia, setting a precedent for fast-growing Russian leasing companies. The deal was very well received by the market and generated a strong interest from investors around the world. VEB-leasing is rated BBB by Fitch and S&P at par with sovereign and its parent – VEB, Russia’s principal state-owned development bank.

Investors enjoyed VEB-leasing risk with a pick-up over the VEB curve. This resulted in a significantly (about 7.3 times) oversubscribed order book coming from more than 200 accounts, well diversified across regions and investor types. Unprecedented investor interest allowed for substantial tightening of the initial price guidance of 5.25%–5.50% to 5.125%–5.25% and priced the transaction at the lower end of the revised range, namely 5.125%.

A wide range of prime investors participated in the issue including investors from the UK (with an allocation share of 37%), Russia (29%), Switzerland (14%), other Europe (13%), and Asia (7%). The VEB-Leasing debut Eurobond issue allowed international investors to obtain exposure to a dynamically expanding Russian leasing company with solid positions in a large corporate segment with Russian blue-chip clientele.

As the leasing arm of VEB and in alignment with VEB’s general priorities

Leasing services

RTC-Leasing Inc

Tsyurupa Street 13, Business Centre, Office 27, 450008, Bashkir, Ufa, Russia. Tel: +7 (347) 292 04 50; Fax: +7 (347) 292 04 51; Email: ufa@rtcleasing.ru; Website: www.rtc-leasing.ru. General Director: Irina V. Golovchenko.

Activities: Member of the Russian Leasing Association (Rosleasing).

RTC-Leasing Inc

Kirov Street 124, Suite 211, 614000, Perm, Russia. Tel/Fax: +7 (342) 259 08 38; Email: perm@rtc-leasing.ru; Website: www.rtc-leasing.ru. General Director: Irina V. Golovchenko.

Activities: Member of the Russian Leasing Association (Rosleasing).

RTC-Leasing Inc

Chernyshevsky Street 16, Office 401, Ural, 620014, Ekaterinburg, Russia. Tel: +7 (343) 380 15 34/15 46/15 64; Fax: +7 (343) 380 15 46; Email: ural@rtcleasing.ru; Website: www.rtc-leasing.ru. General Director: Irina V. Golovchenko.

Activities: Member of the Russian Leasing Association (Rosleasing).

Rural Development

Moskovskaya Street 1, Mordovia, 430000, Saransk, Russia. Tel: +7 (8342) 32 7272; Fax: +7 (8342) 32 7044; Email: fors@whrm.moris.ru. CEO: Alexander Vorobiev.

Activities: Member of the Russian Leasing Association (Rosleasing).

RusnRusSantimir

Novomalykinsky Paion Street, Yakusha, 433590, Ulyanovskaya Region, Russia. Tel/Fax: +7 (842) 312 10 03; Email: forotd@mail.ru. General Manager: Ruslan Z. Sitdikov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Russ-Leasing Ltd

Myasnitskaya Street 43, Building 2, 107078, Moscow, Russia. Tel: +7 (495) 621 06 86; Email: leasing@russbank.ru; Website: www.russbank.ru. General Manager: Gennady V. Bobkov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Russia Insurance Company

Leningrad Prospect 68, 125315, Moscow, Russia. Tel: +7 (495) 775 4700; Fax: +7 (495) 228 3422; Email: aiv@rusins.ru; Website: www.rusins.ru. Director General: Yury Kolesnikov.

Activities: Insurance services. Member of the Russian Leasing Association (Rosleasing).

Russia JISC

Olinskogo Pr. D.3A, 129085, Moscow, Russia. Tel: +7 (495) 790 73 37; Fax: +7 (495) 790 73 74; Email: rossia@ros.ru; Website: www.ros.ru. General Director: Yuriy A. Kolesnikov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Russian Leasing Company JSC

3rd Maryinoy Roshchi, Pr. D.40, Building 11, Office 705, 128018, Moscow, Russia. Tel: +7 (495) 777 4066; Email: post@ruslcl.ru; Website: www.ruslcl.ru. Chief Executive: Irina Dubrovina.

Activities: Member of the Russian Leasing Association (Rosleasing).

Salans

Moika Embankment 36, Northern Capital House, 191186, St. Petersburg, Russia. Tel: +7 (812) 325 8444; Fax: +7 (812) 325 8454; Email: stpetersburg@salans.com; Website: www.salans.com. Managing Partner, Salans St. Petersburg: Victor Naumov; Contact: Artem Zhavoronkov.

Activities: Multinational law firm advising financiers and corporates. Expertise in big ticket leasing, asset finance and real estate across 17 countries.

Salans

Balchug Street 7, Balchug Plaza, 115035, Moscow, Russia. Tel: +7 (495) 644 0500; Fax: +7 (495) 644 0599; Email: moscow@salans.com; Website: www.salans.com. Managing Partner, Salans Moscow: Florian Schneider; Head of Banking & Finance, Moscow: Timothy Stubbs.

Activities: Multinational law firm advising financiers and corporates. Expertise in big ticket leasing, asset finance and real estate across 17 countries.

Saratovagropromkomplekt Ltd

1 Sokurovsky Pr. 2, 410080, Saratov, Russia. Tel: +7 (8452) 62 39 37; Fax: +7 (8452) 62 92 71; Email: info@rsm-sapk.ru; Website: www.rsm-sapk.ru. General Manager: Nikolay V. Kostov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Table 15: Capital leveraged per Russian leasing companies (2005–2011)

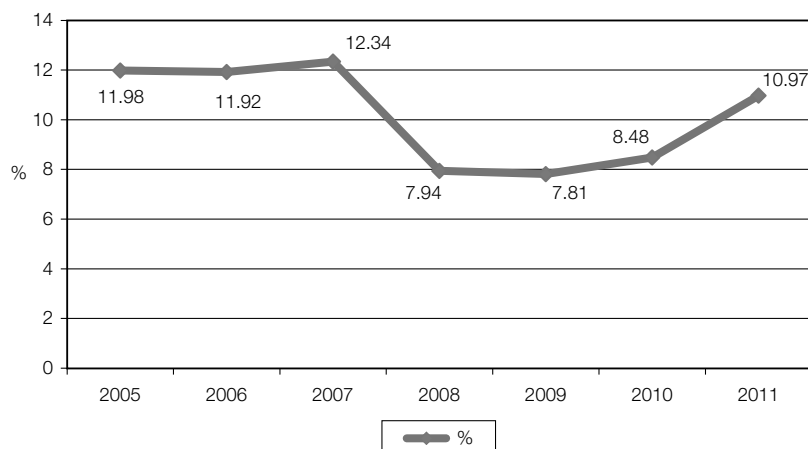


Table 16: Top 10 leasing companies that concluded more than 2,000 leasing contracts (2011)

No.	Leasing company	Number of concluded leasing contracts
1	Europplan	21,936
2	Carcade Leasing	12,090
3	Element Leasing	4,334
4	Group Companies "Baltlease" (St. Petersburg)	3,822
5	Sberbank-Leasing	3,553
6	Volkswagen Group Finanz	3,171
7	ULC «RESO-Leasing»	3,061
8	Gaztechleasing	2,967
9	Stone-XXI	2,441
10	Arval	2,039

for the development of the Russian economy, VEBL's strategic objectives in relation to finance leasing are: to provide finance leasing services to aid the development of new and modernise existing infrastructure; assist the development of the Russian SME sector through finance leasing services; provide financial support to large investment projects, which are considered to be of strategic importance to the Russian government; and to increase the competitiveness and diversification of the Russian economy.

Leases are principally provided for the leasing of transportation assets in the air, maritime and rail sectors, and large and high-tech equipment principally for the energy sector, in each case produced by leading Russian and international manufacturers.

Debut Eurobond placement allowed to broaden the strong corporate client base of VEB-Leasing, diversified its funding sources, and made an excellent start for the process of VEB-Leasing curve building.

During the period of July 2011 – June 2012 corporate emissions of the Russian leasing company were seven and exchange bonds totalling about US\$1bn. The average time is eight years old, the average rate on coupons – 9.58%.

The possibility of using securitisation as a new means of financing in Russia has begun to be discussed at conferences, in special magazines, and pre-doctoral and master's theses have been written on this topic. However, in order to put a securitisation scheme into use in the Russian leasing industry it is necessary to adopt a number of legal and regulatory acts. So far, because of the lack of a necessary legislative and regulatory base, securitisation deals in respect of Russian companies were carried out abroad.

Lease ABS securitisation. In Russia from 2006–2011 there were three transactions

of leasing securitisation assets for a total of US\$967m. Of course, this is not much compared, for example, with Italy, where there is reported data, including data from the "Associazione Italiana Leasing", of 78 deals from 1990 to 2011 worth about €70bn.

In order to fully introduce securitisation schemes into the practice of the Russian leasing industry, it is necessary to adopt a number of legal and regulatory acts. Particular attention should be paid to organisational schemes for carrying out such operations, their taxation (i.e. how should a "true sale" be taxed? What are the tax implications of the purchase of assets by a new owner and of their refinancing? How will the investor's profit be taxed? What happens to VAT in the case of a pool of assets? etc.), security with a pledge, regulation of situations where a party to a transaction becomes insolvent, the types of legal entities that may use SPVs, the possibility of using trusts and the regime of their use.

We estimate that in Russia in the first half of the second decade of the 21st century, as the leasing industry comes out of the crisis, it is realistic to expect an annual securitisation transaction of leasing assets of 4.5%–6.0% of the value of all new leases, i.e., amounts of US\$1.5bn to US\$2.0bn.

Securitisation of leasing assets 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 author of the study has given a scientific definition of the term "securitisation of leasing assets". Securitisation of leasing assets represents complex property relations between the parties of the transaction within the system of interre-

Leasing services

Scania Leasing Ltd

Obrycheva Street 30/1, Building 2, 117485, Moscow, Russia. Tel: +7 (495) 787 50 00; Fax: +7 (495) 787 50 02; Email: leasing@scania.ru; Website: www.scania.ru. General Manager: Hans Tardel.
Activities: Member of the Russian Leasing Association (Rosleasing).

SCM Leasing Inc

Olhovskaya Street 45, Building 1, Office 4, 105066, Moscow, Russia. Tel: +7 (495) 787 31 83; Email: info@skm-leasing.ru. General Manager: Loboda Anatoli Leonidovich.
Activities: Member of the Russian Leasing Association (Rosleasing).

Shrei Leasing JSC

Ulof Palme Street 1, 119590, Moscow, Russia. Tel: +7 (495) 221 0124; Fax: +7 (499) 143 84 81; Email: leasing@srei.ru; Website: www.srei.ru. General Director: Radzhesh Bhalotia.
Activities: Financing for construction, oil & gas, mining, rail, power and agricultural equipment. Member of the Russian Leasing Association (Rosleasing).

Sibenergolizing JSC

Sverdlova Street 7, 630007, Novosibirsk, Russia. Tel: +7 (383) 229 82 80/43; Fax: +7 (383) 229 82 80; Email: mab@nske.ru. General Manager: Vitaly S. Parhomenko.
Activities: Member of Russian Leasing Association (Rosleasing).

Siemens Finance OOO

Svetlanskaya Street 66-B, 690091, Vladivostok, Russia. Tel: +7 (423) 202 2525; Fax: +7 (423) 202 2424; Email: info.ru.sfs@siemens.com; Website: www.finance.siemens.ru. CEO: Oleg Rakitsky; Sales & Marketing Director: Valentina Polyakova.
Activities: Part of the worldwide Siemens Financial Services organisation and provides leasing for a wide range of equipment and machinery to national and international manufacturers and their sales channels, as well as to Siemens customers, other large organisations throughout Europe, North America and Asia-Pacific. Member of the United Leasing Association, Russia.

SKM-Leasing Ltd

Olhovskaya Street 45, Building 1, 105066, Moscow, Russia. Tel: +7 (495) 787 3183; Email: info@skm-leasing.ru. General Director: Anatoly L. Loboda.
Activities: Member of the Russian Leasing Association (Rosleasing).

SNR Denton UK LLP

Bolshaya Dmitrovka 7/5, Building 2, 125009, Moscow, Russia. Tel: +7 (495) 916 9636; Fax: +7 (495) 916 9637; Website: www.snrrenton.com. Partners: Anna Otkina; Email: anna.otkina@snrdenton.com; Alexander Barmin; Email: alexander.barmin@snrdenton.com.
Activities: Represent airlines, banks, lessors and manufacturers in transactions involving financing, leasing and buying aircraft.

Societe Generale Equipment Finance

Zemlyanoi Val Street 9, 105064, Moscow, Russia. Tel: +7 (495) 544 4185; Fax: +7 (495) 777 8810; Email: info@sgef-leasing.ru; Website: www.sgef-leasing.ru. General Director: Guram A. Kudryavtsev.
Activities: Member of the Russian Leasing Association (Rosleasing).

Sogaz-Agro Insurance Company Ltd

Bolotnaya 16, Building 1, 115035, Moscow, Russia. Tel: +7 (495) 777 44 16/730 00 03; Fax: +7 (495) 730 01 11; Email: info@sogaz-agro.ru; Website: www.sogaz-agro.ru. General Manager: Aleksey E. Spiridonov.
Activities: Insurance services to lending and leasing companies. Member of the Russian Leasing Association (Rosleasing).

Soglasie Insurance Company Ltd

M. Tolmachevskaya Per. 8/11, Building 3, 119017, Moscow, Russia. Tel: +7 (495) 739 01 01; Email: info@soglasie.ru; smirnov@soglasie.ru; Website: www.soglasie.ru. General Manager: Yeltsova Lubov.
Activities: Insurance services. Member of the Russian Leasing Association (Rosleasing).

Sozidanie Leasing Company Ltd

Panfilova Street 39G, 424003, Ioshkar-Ola, Russia. Tel: +7 (8362) 420 950. Director: Valery P. Bychkov; Email: vell@nkb.mari.ru.
Activities: Member of the Russian Leasing Association (Rosleasing).

SSB-Leasing Ltd

Proletarskaya Street 252, Barnaul, 656008, Altaysky kray, Russia. Tel: +7 (3852) 652 083; Email: sssb-lizing@mail.ru. Director: Vladimir F. Smykov.
Activities: Member of the Russian Leasing Association (Rosleasing).

lated lessee contracts about attracting beneficial finance for new leasing projects through breeding and separating liquid assets that generate cash flows, assignment of receivables and its formation of collateral, transfer of risks and the issuance of securities.

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.

We must build a system of securitisation leasing asset pricing which is feasible through a set of equations that balance the interests of the participants. Look at the components of the system. Thus, the interest of investors bonds associated with yield securities, formalise as follows:

$$I_{YT} < I_{YTM} < I_{YC}$$

where I_{YT} is the interest rate on the cost of long-term and medium-term money, for example, US Treasuries (10Y; 5Y); I_{YTM} is the prevailing interest rate of the time value of money in the market; I_{YC} is coupon rate bonds ABS (asset-backed securities), calculated as the ratio of the sum of coupon payments per year for a nominal fee.

This is the general rule. However, a study in 2102 in National Research University – Higher School of Economics (Moscow), has revealed that there are individual exceptions. For example, in some years, yields on long-term government bonds in Italy (2004–07) was higher than the coupon when you lease securitisation assets. Perhaps this was due to the floating rates for “3M Euribor + %”. The dynamics of this rate has a high volatility.

Ratio of premiums on bonds ABS level of profitability of US Treasuries rate (10Y, 5Y) fluctuates depending on the class, sum of emission, maturity, the

rating of securities.

In one of securitisation transactions involving Russian lessor was fixed coupon rate at Treasuries rate (5Y) + 382.67 b.p.

Thus, investors benefit by the amount of the difference between the rates of return on securities purchased by the Russian company and profitability in the global capital market.

Interest SPV in securitisation transaction is contained in the margin.

$$I_{YC} < I_{SPV},$$

where I_{SPV} is the yield of the SPV.

$$\text{With, } I_{SPV} = I_{YC} + I_{IC},$$

where I_{IC} – Issue Cost of a securitisation transactions, including the bonds issue.

$$I_{SPV} = \text{US Treasuries} + 425 \text{ b.p.}$$

Interest of the lessor – leasing rate (I_{Lease}). In this case: $I_{SPV} < I_{Lease}$.

As a result, step-by-step analysis of securitisation transaction, we will obtain the following system of inequalities:

$$I_{YT} < I_{YTM} < I_{Coupon ABS} < I_{SPV} < I_{Lease} < I_{Lessee}$$

where I_{Lessee} – the yield of the lessee on an investment project.

Experience with colleagues from other countries can help create a more objective securitisation transaction pricing of leasing assets.

Leasing contracts. The number of leasing contracts concluded shows, to a certain extent (but not definitively), the degree of the development of the leasing industry in a country. In 2011, the companies under review concluded 111,000 new leasing contracts (2010 – 71,000; 2009 – 41,000; 2008 – 78,000; 2007 – 90,000).

On average, the value of one leasing transaction was US\$396,000 (US\$341,000 in 2010; US\$200,000 in 2009; US\$288,000 in 2008; US\$323,000 in 2007).

Leasing services

Stavropol Agroleasing Ltd

S. Verhnerusskoe, Batayskaya Street 3, Stavropol Region, 356236, Shpakovsky, Russia. Tel: +7 (86553) 02 05 56/05 02 61; Email: stavagroleasing@rambler.ru. General Director: Vladimir G. Ermolov. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Stone-XXI Ltd

Nagatinskaya Street 1, D1 5th Floor, 117105, Moscow, Russia. Tel: +7 (495) 981 1990; Fax: +7 (495) 981 1991; Email: lease@stone-xxi.ru; Website: www.stone-xxi.ru. General Manager: Kudrin Vyacheslav.

Activities: Universal leasing company for vehicle and equipment leasing. Basic services include: financial lease, operating lease, project financing, and lease for physical persons. Member of the Russian Leasing Association (Rosleasing).

Svoje Delo-Leasing JSC

Obukhov Defense 76A 214, 192029, St. Petersburg, Russia. Tel: +7 (812) 380 40 20; Email: spb@svoe-delo.ru; Website: www.svoe-delo.ru. General Manager: Igor Shulgin.

Activities: Founded in 2002, providing leasing for new and used trucks and cars to individuals and companies in the territories of Russia. Member of the Russian Leasing Association (Rosleasing).

Svoje Delo-Leasing JSC

Starokubanskaya Street 118, Office 209/1, 350058, Krasnodar, Russia. Email: kub@svoe-delo.ru; Website: www.svoe-delo.ru. General Manager: Igor Shulgin.

Activities: Founded in 2002, providing leasing for new and used trucks and cars to individuals and companies in the territories of Russia. Member of the Russian Leasing Association (Rosleasing).

Svoje Delo-Leasing JSC

Staraya Basmannaya Street 22, P. 1, 105066, Moscow, Russia. Tel: +7 (495) 363 9481/9484; Fax: +7 (495) 363 9484; Email: mila@svoe-delo.ru; Website: www.svoe-delo.ru. General Manager: Igor Shulgin.

Activities: Founded in 2002, providing leasing for new and used trucks and cars to individuals and companies in the territories of Russia. Member of the Russian Leasing Association (Rosleasing).

Svoje Delo-Leasing JSC

Liberty Street 32, Office 404, Chelyabinsk Region, Chelyabinsk, Russia. Tel/Fax: +7 (351) 268 05 19/21; Email: svoe-delo@mail.ru; Website: www.svoe-delo.ru. General Manager: Igor Shulgin.

Activities: Founded in 2002, providing leasing for new and used trucks and cars to individuals and companies in the territories of Russia. Member of the Russian Leasing Association (Rosleasing).

Tambovagropromsnab Ltd

Michurinskaya Street 89B, 392000, Tambov, Russia. Tel: +7 (4752) 53 21 81/53 65 12; Fax: +7 (4752) 53 21 81/53 40 10; Email: gorycheva.i@mail.ru. General Manager: Alexander K. Zhalnin.

Activities: Member of the Russian Leasing Association (Rosleasing).

Technolizing Inc

Shlyuzovaya nab. 6, Building 4, 115114, Moscow, Russia. Tel: +7 (495) 363 65 61; Fax: +7 (495) 363 65 62; Email: info@techleasing.ru; Website: www.techleasing.ru. General Manager: Natalya P. Panskikh; Email: npp@techleasing.ru.

Activities: Member of the Russian Leasing Association (Rosleasing).

Techniversal LC Ltd

2nd Yuzhnoportovoy Pr. D.16, Building 1, 115088, Moscow, Russia. Tel: +7 (495) 101 2464; Fax: +7 (495) 101 7387. Director General: Sergey V. Rusanov; Email: s.rusanov@energon.ru.

Activities: Member of the Russian Leasing Association (Rosleasing).

TENEX-Service CJSC

Most Ordynka Street 54, P.2, 119017, Moscow, Russia. Tel: +7 (495) 967 3066/3126; Email: info@atomleasing.ru; Website: www.atomleasing.ru. General Manager: Yury Demash.

Activities: Member of the Russian Leasing Association (Rosleasing).

Titan-Leasing Ltd

5th Armii Street 29, p/o 96, 664025, Irkutsk, Russia. Tel: +7 (3952) 203 583/509/560; Fax: +7 (3952) 240 557; Email: office@titanleasing.ru; Website: www.titanleasing.ru. General Manager: Igor A. Chugaev.

Activities: Member of the Russian Leasing Association (Rosleasing).

TopCom Invest Ltd

Timiryazeva Street 30, 614990, Perm, Russia. Tel: +7 (342) 210 51 47/70 84/70 69; Email: invest@topcom.ru; Website: www.topcom-invest.ru. Director: Alexey F. Makrushin.

Activities: Member of the Russian Leasing Association (Rosleasing).

Table 17: Regional structure of leasing operations in the Russian Federation (2007–2011)

Region of the Russian Federation	Share in the total Russian leasing business (%)				
	2007	2008	2009	2010	2011
Far East	3.2	2.6	4.6	2.6	3.3
Siberia	7.1	8.5	13.6	8.1	5.6
The Urals	8.5	10.7	6.5	8.4	19.1
The Volga region	9.6	13.3	10.2	8.5	8.2
South	4.0	6.6	2.5	3.3	2.9
North-West (not including St. Petersburg and Leningradskaya oblast)	2.2	2.5	1.6	1.7	1.7
St. Petersburg and Leningradskaya oblast	7.5	12.9	14.6	13.6	6.7
Central region (not including the city of Moscow)	19.2	14.3	17.1	12.0	9.6
Moscow	31.5	28.0	28.3	40.6	41.0
Cross-border leasing (export)	7.2	0.6	1.0	1.2	1.9

Regional structure of Russian leasing. The bulk of financial resources is still located in Moscow and in St. Petersburg, but leasing transactions are often carried out in other regions. This explains why many Moscow-based companies have opened branches and representative offices in other Russian cities. It allows them to be closer to their clients, to increase mobility and to pay more attention to strengthening their ties with prospective users of their services.

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 17).

In my opinion it is necessary to draw attention to one major change that occurred in the structure of regional leasing Russia in 2011. Firstly, more than double the proportion of Ural; secondly, double the proportion has dropped the St. Petersburg and the Leningrad region; thirdly, almost one and a half times

decreased the share Central (without Moscow).

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 leasing, asset (equipment, transport vehicles, immovable property) and calculated the share of each such assets segment in the total volume of new leasing contracts concluded in 2011. Information about the structure of leasing contracts can be found in Table 18.

It has been possible to identify the types of leasing assets that were in demand with lessees (total 35 positions).

The greatest increase in the value of new contracts of leasing as compared with the previous year were in four segments: railway rolling stock – US\$12.1bn; trucks – US\$2.3bn; construction equipment – US\$1.4bn; cars – US\$1.3bn.

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

Leasing services

Transliz LK Inc

Stakhanovtsev Street 13, Apartment 4H, Liter A, 195196, St. Petersburg, Russia. Tel: +7 (812) 436 87 54; Fax: +7 (812) 445 30 97; Email: transliz@mail.wplus.net. General Manager: Alexandr A. Kalinin.

Activities: Member of the Russian Leasing Association (Rosleasing).

TransLizingKom Ltd

Baykalmaya Street 160A, 664046, Irkutsk, Russia. Tel: +7 (3952) 513 113; Fax: +7 (3952) 513 114; Email: tlc@tlc.su; Website: www.tlc.su. General Manager: Pavel Chirkov.

Activities: Leasing services, including leasing of vehicles, logging equipment, printing equipment, equipment for trade and rail. Member of the Russian Leasing Association (Rosleasing).

TransFin-M Ltd

Verkhnyaya Krasnoselskaya Street 11A, Building 1, 107140, Moscow, Russia. Tel/Fax: +7 (495) 276 0732; Email: tfm@tf-m.ru; Website: www.transfin-m.ru. General Director: Mr. Dmitry Zotov; Head of Marketing: Ms. Julia Filippova; Direct Tel: +7 (495) 276 0732 (Ext: 6049); Email: ufilippova@tf-m.ru.

Activities: Leading leasing company, leasing rolling stock, railway maintenance equipment, locomotives, air and automobile transportation. Based in Moscow, Russia.

Tulaselkhoztehnika JSC

Ryazanskaya Street 20, 300026, Tula, Russia. Tel: +7 (4872) 37 7165; Fax: +7 (4872) 37 7020; Email: agrores4@tula.net. General Manager: Vyacheslav M. Sokolov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Tupolev Leasing Company Ltd

Leninskogo komsomola 38, 432072, Ulyanovsk, Russia. Tel: +7 (8422) 501 454; Fax: +7 (8422) 543 047; Email: alc@vens.ru. General Director: Alexander I. Medvedev.

Activities: Leasing services.

Tuymaade-Leasing GUP

Avtodorozhnaya Street 23, Sakha (Yakutia), 677007, Yakutsk, Russia. Tel/Fax: +7 (4112) 35 7265; Email: tlizing@yandex.ru. General Manager: Semen S. Ivanov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Tyumenagromash JSC

Respublikiki Street 252, Building 8, 625014, Tyumen, Russia. Tel: +7 (3452) 21 38 90/70; Fax: +7 (3452) 21 18 82; Email: selsnab@tknet.ru; info@rsm-tam.ru; Website: www.rsm-tam.ru.

General Manager: Raif Mudarisovich Mukhamedzyanov. **Activities:** Member of the Russian Leasing Association (Rosleasing).

Udmurtagrosnab Inc

Poyma Street 79, 426028, Izhevsk, Russia. Tel: +7 (3412) 50 55 67; Fax: +7 (3412) 50 50 45; Email: agrosnab@udmnet.ru; Website: www.agrosnab.udmnet.ru. General Manager: Andrey V. Babikov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Ugrom-Leasing Ltd

Severnnyy Obhod 12, 355000, Stavropol, Russia. Tel: +7 (8652) 236 061; Email: glav@ugprom.ru; Website: www.yugprom.ru. General Director: Uriy A. Pechenov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Ugra Leasing Company Inc

Beznoskova Street 65, 628012, Khanty-Mansiysk, Russia. Tel: +7 (34673) 5 62 41/5 62 44; Fax: +7 (34673) 3 78 06; Email: info@ugra-leasing.ru; Website: www.ugra-leasing.ru. General Manager: Dmitry G. Shchukin; Department of Leasing: Marina Skorobogatova; Direct Tel: +7 (34673) 356 242; Email: leasing@ugra-leasing.ru.

Activities: Financial leasing in utilities and municipal equipment, machinery and construction equipment, motor vehicles and real estate. Member of the Russian Leasing Association (Rosleasing).

Uniastrum LK Leasing Inc

Suvorov Square, D.1/52, Building 1, 127473, Moscow, Russia. Tel: +7 (495) 785 0580; Email: leasing@uniastrum.com; Website: www.leasing.uniastrum.ru. General Director: Timur Boytemirov Faridovich.

Activities: Member of the Russian Leasing Association (Rosleasing).

UniCredit Leasing Russia

Andropova Avenu 18, Building 1, 115432, Moscow, Russia. Tel: +7 (495) 287 3150; Fax: +7 (495) 258 6521; Email: lea@unicreditgroup.ru; Website: www.unicreditleasing.ru. CEO:

Fabrizio Rollo; Email: fabrizio.rollo@unicreditgroup.ru; Chief Sales Officer: Alexander Klyuev; HR Business Partner: Svetlana Kuranova; Email: svetlana.kuranova@unicreditgroup.ru.

Activities: Russian subsidiary of the UniCredit Leasing international network.

Table 18: Structure of leasing contracts (2007–2011)

Type of leasing assets	Share in the total volume (%)				
	2007	2008	2009	2010	2011
Motor vehicles for cargo transportation	14.4	16.9	6.9	7.8	9.5
Light passenger cars	6.2	8.6	8.8	6.8	6.7
Passenger minibuses	0.3	0.8	0.3	0.2	0.2
Buses	2.1	1.8	1.3	1.4	1.2
Equipment for repairing and servicing cars	0.2	0.3	0.1	0.1	0.1
Telecommunications equipment	2.8	2.6	4.6	0.3	0.3
Computers and other office equipment	0.9	0.9	0.2	1.0	0.5
Geological exploration equipment	0.3	0.7	0.1	0.2	0.1
Oil and gas production and processing equipment	5.3	1.8	3.7	4.1	2.0
Agricultural equipment	1.1	1.5	1.5	0.5	0.4
Railway rolling stock and locomotives	22.1	12.5	27.3	39.5	49.4
Building machinery, including specialised machinery on wheels	7.7	10.5	5.0	5.1	6.0
Road-building equipment	3.1	3.7	1.8	3.4	2.2
Equipment for production and processing of glass	1.1	0.2	0.1	0.01	0.1
Metalworking equipment	2.6	3.2	1.7	1.0	2.3
Metallurgical equipment	2.6	0.4	0.01	0.01	0.2
Mining equipment	0.5	0.9	2.5	0.8	1.9
Power-generating equipment	7.4	5.2	2.2	2.0	0.6
Printing equipment	1.0	1.2	1.2	0.8	0.3
Equipment for food industry, including refrigerating equipment	1.7	1.3	1.0	0.8	0.5
Selling/shopping equipment	0.9	0.9	0.2	0.2	0.1
Packing equipment	0.3	0.3	0.7	0.6	0.2
Loaders and warehouse equipment	1.1	1.7	0.6	0.8	0.6
Logging equipment and timber transportation vehicles	0.6	0.5	0.3	0.4	0.3
Woodworking equipment	0.6	0.5	0.2	0.6	0.2
Equipment for production of paper and cardboard	0.1	0.6	0.1	0.1	0.01
Chemical equipment	0.5	0.4	0.6	1.1	0.4
Entertainment industry equipment	0.2	0.2	0.3	0.1	0.02
Special equipment for provision of housing and communal services	1.1	0.4	0.2	0.4	0.2
Banking equipment	0.1	0.1	0.1	0.01	0.01
Medical and pharmaceutical equipment	0.2	0.1	0.4	0.1	0.1
Sea and river vessels	0.4	0.1	2.6	2.0	1.8
Aircraft	5.7	12.8	16.1	13.0	6.6
Buildings and structures	2.7	3.2	5.9	3.3	2.8
Other property	2.2	3.2	1.4	1.4	2.14

exception. The most significant changes compared with the previous year occurred with leasing railroad rolling stock and locomotives, by air, by the courts. The combined weight of these three segments of the domestic leasing market reached 75.4% (54.5% in 2010; 46% in 2009).

Never during our studies of the history of leasing in Russia, have there been any cases in which the leading segment has a share of more than 49%. This kind of structural change 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 to one side or the other, under the influence of both objective and subjective reasons, and affect the performance of the entire market, as has already happened in the leasing of railway property.

Thus, before the crisis, prices of rolling stock grew very quickly, during the crisis, however, assets decreased by almost half; before growing again during 2011. Around the same number again grew in price. For all these variations is the uncertainty of the situation on the

market and the fickleness of the quality of the leasing portfolio.

Operations with different types of vehicles were 93.7% lessors-respondents (92.8% in 2010; 80.9% in 2009). At the same time, the proportion of the total new vehicle leasing business in the country for three years respectively: 17.6%; 16.2%; 17.3%.

Derived from empirical research, statistics indicate that: firstly, the leasing of motor vehicles in the Russian Federation for the year increased by 97%; secondly, the dynamics of the growth trend of car leasing ahead of the leasing market in the country at 15.8 points.

More than half of all Russian market leasing vehicles are "held" by the top nine lessors who enter into contracts for the supply of their customers of the leasing of trucks, tractors, trailers, semi-trailers, dump trucks. Suppliers of this technology were automotive companies from Germany, Sweden, Japan, the US, as well as Russian companies such as KAMAZ, GAZ, etc.

The concentration of the responding companies was as follows: cargo trucks more than half of the volumes in the first nine companies; on passenger cars, minibuses, buses – for the first four companies in each segment.

Leasing services

Universal leasing JSC

Promzona, Zheleznogorsk, 307170, Kursk, Russia. Tel/Fax: +7 (47148) 7 97 01; Email: reception@gotek.ru. General Director: Vladimir Tukin.

Activities: Member of the Russian Leasing Association (Rosleasing).

Ural Leasing Centre JSC

Karla Marksa Street 48/1, Office 2, 450015, Ufa, Russia. Tel: +7 (3472) 285 417; Email: kuprianov@mail.ru. Chief Executive: Guzel Zinnatulina.

Activities: Member of the Russian Leasing Association (Rosleasing).

VEB-Leasing Inc

Dolgorukovskaya 7, 127006, Moscow, Russia. Tel: +7 (495) 981 42 40/223 68 24; Fax: +7 (495) 981 42 38; Email: info@veb-leasing.ru; Website: www.veb-leasing.ru. General Manager: Vyacheslav Sergeevich Solovjev.

Activities: Member of the Russian Leasing Association (Rosleasing).

Vector-Leasing Inc

Radio Street 24, Building 1, Office 605, 105005, Moscow, Russia. Tel: +7 (495) 783 33 60; Fax: +7 (495) 783 33 62; Website: www.vector-leasing.ru. Director: Stanislav Hladek.

Activities: Financial and operating leases. Leasing of equipment and vehicles. Member of the Russian Leasing Association (Rosleasing).

Vector-Leasing Inc

Tekucheva Street 139/94, Office 10.21, Rostov-na-Donu, Russia. Tel/Fax: +7 (863) 268 86 42; Website: www.vector-leasing.ru. Director: Stanislav Hladek.

Activities: Financial and operating leases. Leasing of equipment and vehicles. Member of the Russian Leasing Association (Rosleasing).

Vector-Leasing Inc

Spartacus Street 6, Office 713, Kazan, Russia. Tel/Fax: +7 (843) 526 58 38; Website: www.vector-leasing.ru. Director: Stanislav Hladek.

Activities: Financial and operating leases. Leasing of equipment and vehicles. Member of the Russian Leasing Association (Rosleasing).

Vector-Leasing Inc

Tsuryupa Street 13, Office 6, Ufa, Russia. Tel: +7 (347) 292 04 91; Fax: +7 (347) 292 04 92; Website: www.vector-leasing.ru. Director: Stanislav Hladek.

Activities: Financial and operating leases. Leasing of equipment and vehicles. Member of the Russian Leasing Association (Rosleasing).

Vector-Leasing Inc

Lenin 5A, BC (Airplane), Office 305, Ekaterinburg, Russia. Tel/Fax: +7 (343) 253 6568; Website: www.vector-leasing.ru. Director: Stanislav Hladek.

Activities: Financial and operating leases. Leasing of equipment and vehicles. Member of the Russian Leasing Association (Rosleasing).

Vector-Leasing Inc

Kamensky Street 78/2, Office 504, Novosibirsk, Russia. Tel: +7 (383) 212 03 86; Fax: +7 (383) 212 03 89; Website: www.vector-leasing.ru. Director: Stanislav Hladek.

Activities: Financial and operating leases. Leasing of equipment and vehicles. Member of the Russian Leasing Association (Rosleasing).

Vector-Leasing Inc

Uritsky Street 19, Business Center (Business World), 9th Floor, Office 1, Samara, Russia. Tel: +7 (846) 372 64 54; Fax: +7 (846) 372 64 52; Website: www.vector-leasing.ru. Director: Stanislav Hladek.

Activities: Financial and operating leases. Leasing of equipment and vehicles. Member of the Russian Leasing Association (Rosleasing).

Vector-Leasing Inc

Dzerzhinsky Street 7, Office 508, Krasnodar, Russia. Tel: +7 (861) 224 02 38; Fax: +7 (861) 224 52 69; Website: www.vector-leasing.ru. Director: Stanislav Hladek.

Activities: Financial and operating leases. Leasing of equipment and vehicles. Member of the Russian Leasing Association (Rosleasing).

Verhovye Dona GUP

Oboronnaya Street 114A, 300045, Tula, Russia. Tel/Fax: +7 (4872) 370 797; Email: vd@msx.ru. General Director: Vasilij A. Kubatkin.

Activities: Member of the Russian Leasing Association (Rosleasing).

Vneshtransservice JSC

Color Boulevard 21, Building 5, 127051, Moscow, Russia. Tel: +7 (495) 699 2871; Fax: +7 (495) 699 2863; Email: vts@loreti.com. General Director: Oleg A. Kharlamov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Table 19: Concentration of the leasing companies in Russia

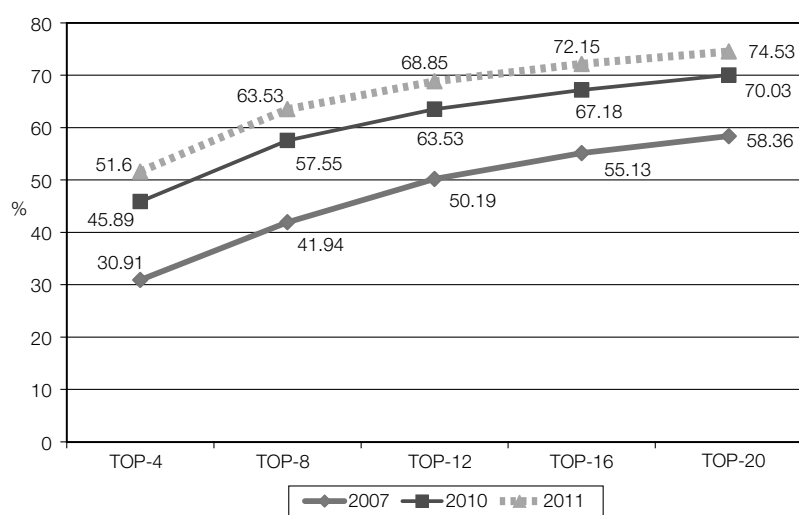


Table 20: Finance lease terms in Russia (2001–2011)

Indicator	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Lease term (month) on average	35	39	45	52	48	54	61	64	63	68	78



Over the period from 2000-2011, the volumes of leasing operations in Russia totalled US\$179.5bn.

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

In 2010, the top four largest companies of the survey's list accounted for half of the total new leasing business of the Russian leasing market (in 2010 – five; in 2009 – six; in 2008 – 18; in 2007 – 12).

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., degree of market power of one or several enterprises, or their ability to influence prices and production volumes.

Various methodologies are used to gauge the market concentration level, including the determination of the significance of the selling companies operating on 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.

The estimation undertaken by the survey indicated that overall in Russia HHI in 2007 was equal to 426; in 2008 –

206; in 2009 – 367; in 2010 – 639; in 2011 it was 783. Thus the concentration level for one year, grew by 22%, while in comparison with 2007 by 84%.

Therefore, the above data on the HHI value 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.

The development of competition manifests itself in: the offers by leasing companies of more favourable terms to their clients as regards 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.

Lease term. The Russian leasing law was amended nine years ago and such changes had a material impact on previously prevailing lease terms. Improvements in available financing and a shorter statutory depreciable life facilitated the lease of new types of property. Our statistics confirmed such a trend (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

Leasing services

Volgograd Tractor Parts & Normals Inc

Lenin Avenue 59, 400005, Volgograd, Russia. Tel: +7 (8442) 02 23 12; Fax: +7 (8442) 23 59 44; Email: leasing@vztdn.ru; Website: www.vztdn.ru. General Manager: Tatiana Popova.

Activities: Member of the Russian Leasing Association (Rosleasing).

Volgogradagroleasing JSC

Nevskaya Street 13A, Volgograd, 400087, Volgograd Region, Russia. Tel: +7 (8442) 37 67 32; Fax: +7 (8442) 37 92 92; Email: agrosnab@vlink.ru; Website: www.volgogradagrosnab.ru. General Director: Vladimir Ivanovich Tokarev.

Activities: Member of the Russian Leasing Association (Rosleasing).

Volkswagen Group Finanz Ltd

Obrucheva 30/1, Building 1, 117485, Moscow, Russia. Tel: +7 (495) 775 75 57/+7 (800) 700 75 57; Fax: +7 (495) 258 81 54; Email: info-ru@vwfsag.com; Website: www.vwfs.ru. General Manager: Yan Kranat.

Activities: Financial services for the automotive market. Member of the Russian Leasing Association (Rosleasing).

Volkswagen Group Finanz Ltd

Shkipersky, Building 14, Block 1, lit. In, 199106, St. Petersburg, Russia. Tel: +7 (812) 309 22 39; Email: info-ru@vwfsag.com; Website: www.vwfs.ru. Branch Director: Leonid E. Nikitin.

Activities: Financial services for the automotive market. Member of the Russian Leasing Association (Rosleasing).

Volzhanin Leasing Company

Alexandrov Street 67ZH, Volgograd, 404103, Volgzhsky, Russia. Tel: +7 (8443) 33 74 53; Fax: +7 (8443) 33 83 64; Website: www.volzhanin.ru/rus/leasing. General Manager: Yury I. Moiseev; Email: y.vmoiseev-bus.ru.

Activities: Leasing of passenger & commercial vehicles and industrial equipment. Member of the Russian Leasing Association (Rosleasing).

VSP-Leasing Ltd

B. Polyanka Street 50/1, Building 1, 119180, Moscow, Russia. Tel/Fax: +7 (499) 238 09 11/230 03 26; Email: office@vsp-leasing.ru; Website: www.vsp-leasing.ru. General Manager: Dmitry B. Aleshin.

Activities: Universal leasing company which works the whole of Russia. Gives to leasing autotransport, special vehicles, motor vehicles, equipment and builders. Member of the Russian Leasing Association (Rosleasing).

Vyatkaagrosnab JSC

Prudnaya Street 51, 610030, Kirov, Russia. Tel: +7 (8332) 64 40 19; Fax: +7 (8332) 40 21 27; Email: disp@agrosnab.kirov.ru. General Manager: Nikolai G. Bulgakov.

Activities: Member of the Russian Leasing Association (Rosleasing).

Yakor Ltd

Podsosensky Pereulok 5-7, Building 2, 105062, Moscow, Russia. Tel: +7 (495) 232 9962; Email: yakor@yakor.ru; Website: www.yakor.ru. General Director: Sergey Andreev.

Activities: Insurance company. Member of the Russian Leasing Association (Rosleasing).

Yakov-Semenov LC JSC

Svetlanskaya Street 51A, 690990, Vladivostok, Russia. Tel: +7 (4232) 222 210/226 432; Email: mail@yakovsemenov.ru; Website: www.yakovsemenov.ru. Director: Alexey G. Balyaba.

Activities: Leasing services. Member of the Russian Leasing Association (Rosleasing).

Yambovagropromsnab Ltd

Michurinskaya Street 89B, 392000, Tambov, Russia. Tel: +7 (4752) 532 181; Fax: +7 (4752) 534 010; Email: gorycheva.i@mail.ru. General Director: Alexandr K. Jalnin.

Activities: Member of the Russian Leasing Association (Rosleasing).

Yugprom Ltd

Vokzalnaya Street 16, 357600, Essentuki, Russia. Tel: +7 (87934) 5 55 95; Email: stav@yugprom.ru; Website: www.yugprom.ru. General Manager: Yuri A. Pechenov.

Activities: Agricultural equipment. Member of the Russian Leasing Association (Rosleasing).

Zao Srei Leasing

Severnaya Street 357, Office 141, 350002, Krasnodar, Russia. Tel/Fax: +7 (861) 274 6240; Email: leasing@srei.ru; Website: www.srei.ru. Chairman: Rajinder Singh; Direct Tel: +7 (495) 767 2414; Email: rsethi47@yahoo.co.in; General Director: Rostyslav B. Futalo; Direct Tel: +7 (916) 597 5949; Email: r.futalo@srei.ru.

Activities: Rendering of leasing services of infrastructure and construction equipments in the Russian Federation.

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 cost.

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

Personnel of the Russian leasing industry. The expansion of the activities of leasing companies before the crisis resulted in the increase of staff employees which entails certain costs increases. Currently some of the larger Russian leasing companies employ more than 1,000 people. In total, more than 10,750 people are engaged in the leasing industry in Russia (9,500 in 2010; 9,160 in 2009; 9,780 in 2008; 10,550 in 2007; 8,500 in 2006).

"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 segment of the market in which it operates, and the scale of its clients' businesses.

The average number of personnel per Russian leasing company in 2011 was about 101 people (86 in 2010; 64 in 2009; 67 in 2008; 53 in 2007), and "output per employee" (for companies

who participated in our survey of the leasing market) was approximately US\$4.1m per year (US\$2.6m in 2010; US\$1.5m in 2009; US\$2.7m in 2008; US\$3.1m in 2007).

However, 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 125 employees per leasing company.

At the time of writing this article (mid-2012) it is difficult to predict the dynamics of 2012 of the Russian leasing industry for 2013 and subsequent years. This is largely due to the Ministry of Finance's intentions to justify the abolition of privileges for leasing on an accelerated depreciation rate no higher than three. Our analysis indicates that excess funds in the budget over funds received as the benefits of leasing, were almost three-fold, i.e. the budget proved the benefits of leasing in Russia.

Note:

- 1 Annual Survey 2010 "The Voice of Leasing and Automotive Rental in Europe" (www.leaseurope.org).
- 2 Survey "Ranking of Top European Leasing Companies 2011" – www.leaseurope.org.

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Leasing services

Zao Srei Leasing

Barklaya Street 6, Building 3, Office 106, 121087, Moscow, Russia. Tel: +7 (495) 221 0124; Fax: +7 (499) 270 5744; Email: leasing@srei.ru; Website: www.srei.ru. Chairman: Rajinder Singh; Direct Tel: +7 (495) 767 2414; Email: rsethi47@yahoo.co.in; General Director: Rostislav B. Futalo; Direct Tel: +7 (916) 597 5949; Email: r.futalo@srei.ru.

Activities: Rendering of leasing services of infrastructure and construction equipments in the Russian Federation.

Zumlion Finance & Leasing Ru Ltd

Selskhozayistvennaya Street 30, Building 1, 129226, Moscow, Russia. Tel: +7 (903) 273 62 12. General Manager: Hu Haiun.

Activities: Member of the Russian Leasing Association (Rosleasing).

Zurich Insurance Company Ltd

Bagration Drive 7, Building 11, 121087, Moscow, Russia. Tel: +7 (495) 727 07 07; Fax: +7 (495) 727 07 07/258 67 66; Email: info@zurich.ru; Website: www.zurich.ru. President: Nikolay I. Klekovkin.

Activities: Member of the Russian Leasing Association (Rosleasing).



In Russia in 2011, approximately 96% of leasing contracts were financial leasing transactions and over 4% of contracts were operating leasing transactions.