

RUSSIA

Leasing in Russia grows at record rates

Growth in the Russian leasing market in 2007 outstripped all forecasts: the volume of new leasing contracts in the first half alone exceeded the total volume of new leases in 2006. It is already one of the biggest leasing markets in Europe - new leasing volume in 2007 rose to more than \$35 billion.

We discussed trends and prospects on the Russian leasing market with Elena Gushchina, CEO of URALSIB Leasing Company, one of the biggest general leasing companies in Russia.

What is your assessment of the current state of the Russian leasing market?

The Russian leasing market has shown record growth in the last few years caused by the fast growth of the national economy, and the urgent need for machinery for industrial equipment renewal. Overall, new leasing volumes in 2007 exceed \$35 billion. The average growth of lease payment receipts will reach 120 percent compared with 2006, and the growth of financed assets will be around 130 percent.

“Close cooperation and joint-vendor programmes are the keys to success”

The fastest-growing segments in 2007 were passenger cars, commercial vehicles, rail transport, and planes, along with machinery and industrial equipment.

Passenger cars, commercial vehicles and rail transport. The passenger cars and commercial vehicle leasing market is highly profitable and highly competitive. In 2007 the new leasing volume reached approximately \$12.7 billion that is 143 percent more than in 2006. Mono-product companies and companies with extensive branch networks have shown the best returns. Close cooperation and joint-vendor programmes are the keys to success. The rail transport leasing market is highly monopolistic. The main lessors are fully or partly state-owned.



Mrs Elena Gushchina, CEO of URALSIB Leasing Company

- Machinery & industrial equipment.** New leasing volume of equipment in 2007 is around \$10 billion that is 131 percent more than in 2006. Much of the volume on this market reflects large deals by captive companies that specialise in equipment leasing for national corporations.
- Real Estate.** New leasing volume of commercial property in 2007 is not great in absolute terms – approximately \$720 million, but it is 109 percent more than in 2006. The real estate leasing market has high potential and a low level of competition. The growth potential reflects extremely strong demand for real estate, high rent levels, and the increasing needs of small and medium-sized businesses. The limited competition among leasing companies in the real estate segment is due to shortcomings in Russian legislation and difficulties in setting market prices for real estate.

What is your assessment of leasing market trends?

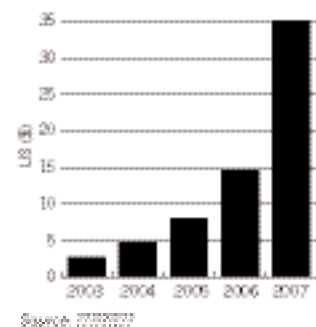
Our overall forecast for the Russian leasing market in 2008 is major growth of demand and expansion of new leasing volume to \$52 billion. We expect the passenger car and commercial vehicle

leasing market to grow, up to \$18.5 billion, as well as planes, commercial real estate and industrial equipment (up to \$13.1 billion).

Due to tougher competition and the appearance of new market players, leasing companies are being forced to offer better terms, particularly regarding the cost and duration of leases. The market has entered a new development stage and the transformation from a seller's market to a buyer's market, which began in 2006, gathered pace in 2007. Lessees now go to companies that offer the lowest rates and the widest range of additional services. That has encouraged the trend of customers moving from small lessors to the market leading lessors, who use economies of scale to lower their prices.

The average value of leasing agreements in 2007 was \$250,000-

GROWTH OF THE LEASING MARKET IN RUSSIA
(Estimate: by URALSIB leasing company)



STRUCTURE OF THE LEASING MARKET IN 2007 (BCG data)

