

# NEWS RELEASE

September 23, 2019

## **“Expert RA Kazakhstan”: leasing market continues to show unstable dynamics in 2018**

The leasing services market as a whole continues to develop, and most companies are showing growth in 2018. The situation in the industry is closely intertwined with the dynamics of the economy and investment, and is highly dependent on government programs to support business.

**The extent of new business of leasing companies that took part in our study decreased by 22% in 2018.** However, this decrease is due to the high rates of 2017, which was achieved by individual companies. Over the past three years, the average annual growth in transaction volume is 8%.

**A key role in the industry continues to be played by the state fixing of business through leasing instruments.** The state supports businesses by providing leasing financing through specialized companies with state participation (such as DBK-Leasing and KazAgroFinance) and through targeted funding of private leasing companies. Support is provided to farmers for the purchase of agricultural machinery, business support for updating fixed assets under the “Business Roadmap 2020” program, investments are supported in particular in the fields of mechanical engineering and transport under the “Industrial and innovative development” and “Nurly Zhol” programs. According to our estimates, companies with state participation in 2018 account for more than 60% of the volume of new leasing transactions for the year and more than 80% of the total current portfolio. At the same time, private leasing companies do not notice significant competition with state lessors, since they often have different specialization with them.

**In 2018, the share of agricultural machinery in the structure of equipment transferred to leasing (according to the companies that took part in the study) amounted to 58%.** In 2017, the share of railway equipment increased significantly due to a number of major transactions, but in 2018, agricultural equipment again became predominant. Farmers are mainly financed by state lessors, but private companies have also begun to show themselves in this industry. Private leasing companies remain the most active in the field of working with truck transport and construction equipment.

**The study participants noted the growing demand for leasing services and** the growing awareness of business about the possibilities of leasing funding as opposed to bank loans. Turbulence in the banking environment also adds to the optimism of leasing companies. Currency fluctuations remain a negative factor for the industry: most of the purchased equipment is imported and the weakening of the tenge negatively affects the attractiveness of equipment for customers.

**The study participants are inclined to positively assess the prospects of the leasing market in 2019.** This is due to the continued use of leasing tools in government programs to support the economy, as well as the positive dynamics in the economy and the growth of investments in capital.

Table 1. The main parameters of the leasing market in Kazakhstan, according to the LC-participants of the study

Indicators	2015	2016	2017	2018
Volume of the current leasing portfolio, million tenge	245 400	287 998	352 985	393 103
Growth rate, %		17,4	22,6	11,4
Volume of new business of leasing companies, million tenge	103 619	110 262	153 192	119 036
Growth rate, %		6,4	38,9	22,3
The number of transactions of leasing companies	3 916	2 574	2 058	3 049
Growth rate, %		34,3	20,0	48,2

Source: "Expert RA Kazakhstan" according to the results of the questionnaire survey of LC

**In the ranking of leading leasing companies, KazAgroFinance** took the first place at the end of 2018. In recent years, DBK-Leasing has been actively competing with the leader. The two companies have a comparable volume of business and a large gap from other market participants. Kazakhstan Ijara Company and Leasing Group have been actively competing for 34 positions in recent years. At the same time, the list includes two companies specializing in Islamic leasing, which currently occupies a fairly stable position in the market. There is only one representative of Bank holdings in the ranking of leading leasing companies. There are still a number of Bank subsidiaries on the market, but their activity varies greatly from year to year and is often highly unstable.

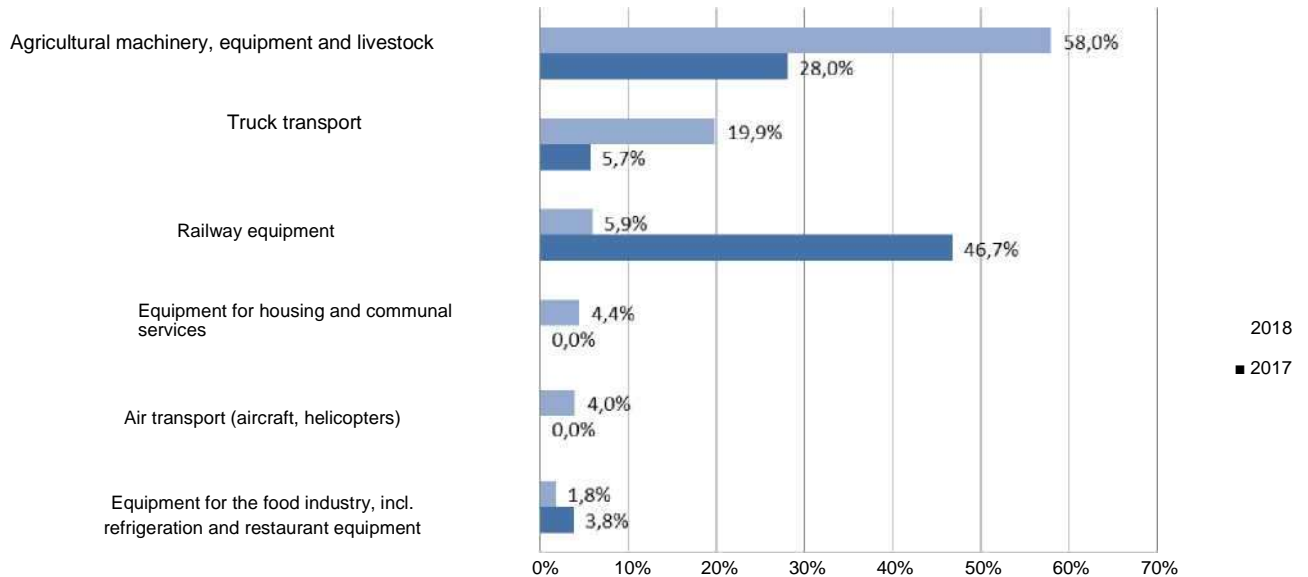
Table 2. Ranking of the leading leasing companies in Kazakhstan by the end of 2018

Place according to a new business		Company	Volume of new business in 2018, million tenge	Current portfolio, million tenge		Place according to portfolio	Number of transactions concluded in 2018, units	Place by number of transactions
2019	2018			01.01.2019	01.01.2018			
1	2	KazAgroFinance	64 082	184 503	175 514	2	2 739	1
2	1	DPK-Leasing	42 677	191 665	165 425	1	68	4
3	4	Leasing Group	4 979	5 139	2 611	4	103	2
4	3	Kazakhstan Ijara Company	4 674	6 758	5 742	3	52	5
5	6	ForteLeasing	1 497	2 079	1 038	6	75	3
6	5	Al Saqr Finance	1 127	2 959	2 655	5	12	6

Source: "Expert RA Kazakhstan" according to the results of the questionnaire survey of LC

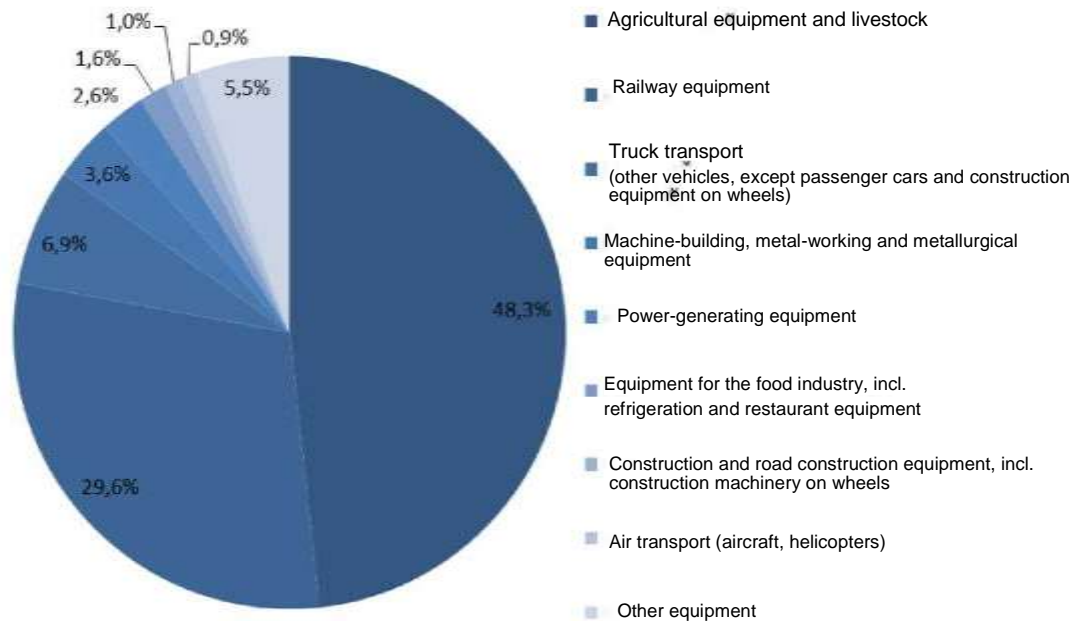
### At the end of 2018, agricultural machinery again began to dominate the structure of the new business

Share of the main leasing items in the structure of new leasing company transactions, %

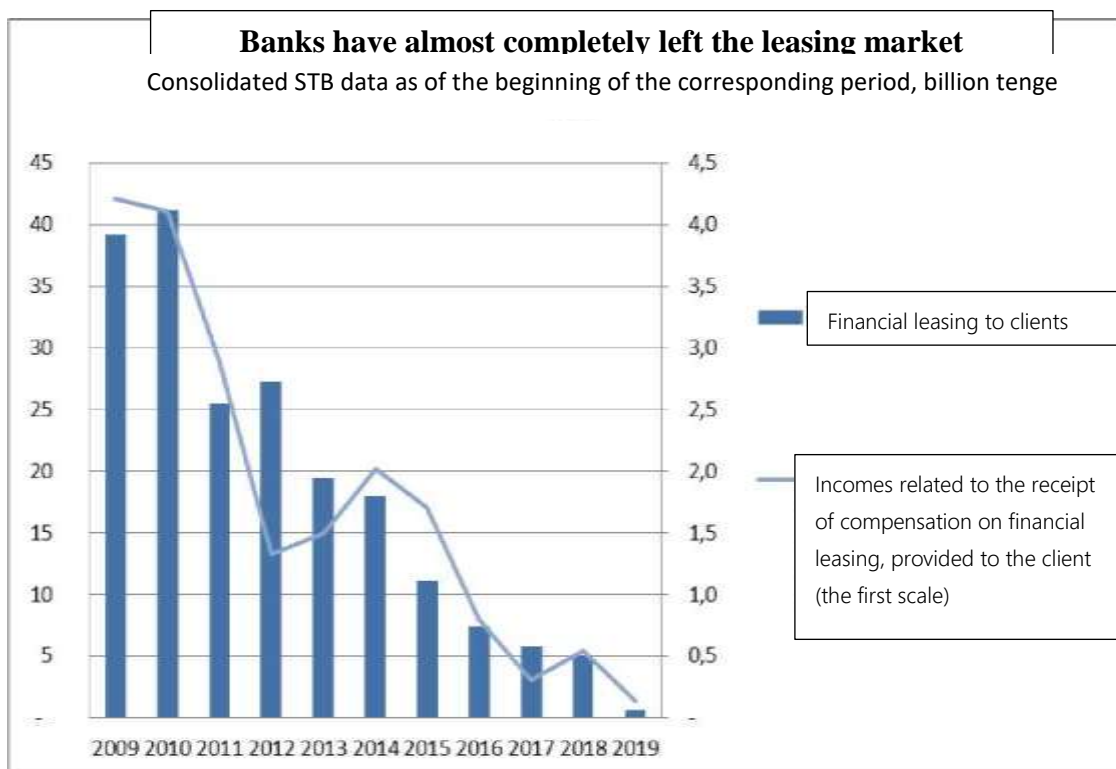


### The main leasing items belong to state-supported sectors

Structure of the leasing portfolio by the end of 2018, %



Source: "Expert RA Kazakhstan" according to the results of the questionnaire survey of LC



Source: National Bank of the Republic of Kazakhstan

### Regional structure of new business of the study participants

No	Name	2017		2018	
		million tenge	proportion	million tenge	proportion
1	Almaty	10 234	7%	19 627	16%
2	North-Kazakhstan region	8 751	6%	13 731	12%
3	Kostanay region	4 823	3%	11 278	9%
4	Akmola region	6 466	4%	10 493	9%
5	East Kazakhstan region	5 313	3%	9 541	8%
6	Overseas	0	0%	9 315	8%
7	Almaty region	4 988	3%	8 314	7%
8	Karaganda region	2 302	2%	6 256	5%
9	Kyzylorda region	4 658	3%	5 999	5%
10	Pavlodar region	9 735	6%	5 725	5%
11	Atyrau region	1 090	1%	4 324	4%
12	West Kazakhstan region	1 719	1%	3 428	3%
13	Turkestan region	10 886	7%	3 285	3%
14	Nur-Sultan	75 042	49%	3 169	3%
15	Jambyl region	1 873	1%	2 123	2%
16	Aktobe region	3 813	2%	1 772	1%
17	Mangistau region	1 498	1%	657	1%

153 192

119 036