GLOBAL EVOLUTION OF LEASING AND THE FUTURE OF LEASING IN SAUDI ARABIA

By Sudhir Amembal

LEASING SYMPOSIUM
THE INSTITUTE OF BANKING OF THE SAUDI ARABIAN MONETARY AGENCY

February 12, 2012
Riyadh, Kingdom of Saudi Arabia
GLOBAL OUTLOOK

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SUDHIR P. AMEMBAL

Sudhir P. Amembal is Chairman and CEO of Amembal & Associates as well the CEO and Editor of Global Leasing Resource. He began his professional career in lease education, consulting and publications by co-founding Amembal & Isom in 1978, the first entity in the world to serve the global leasing industry.

Entities under his stewardship became the world’s most highly respected training and consulting firms in the field of equipment leasing. These entities have trained over 70,000 leasing professionals throughout the world. Mr. Amembal has conducted technical presentations on leasing in over 75 countries.

As a government advisor, Mr. Amembal has spearheaded lease consultancy engagements conducted on behalf of over 20 governments including China, Indonesia, Korea and Nigeria. These engagements required him to review the overall leasing industry in each country and devise strategic recommendations to facilitate the growth of the industry. His most recent assignment was to assist in the introduction of operating leases into Bangladesh.


He has appeared as a keynote speaker at numerous domestic and international conferences. He has addressed conventions held by all four of the global regional associations – African Leasing Association, Asialease, Leaseurope, and the Latin American Leasing Association. He has chaired each of the annual World Leasing Conventions from 1993 to date. He will chair the forthcoming 30th annual convention in St. Petersburg, Russia on May 29 & 30, 2012.

He is the publisher of an online global magazine, WorldLeasingnNews.com and he recently launched Global Leasing Directory, a unique product/service that seeks to revolutionize the dissemination of critical information to the leasing industry.

He serves as an advisor to Sigma Consultancy, a global provider of lease management software.

For a period of five years from 1997 to 2002, Mr. Amembal was Chairman of Amembal Capital Corporation, a middle market leasing company. Prior to 1978, he was a member of the faculty at the College of Business, University of Utah prior to which he worked with Ernst & Young in New York City.

He has a B.Com from the University of Bombay, an MBA from the University of Utah and is a CPA qualified to practice in New York. He is the founder and President of www.animaladvisory.com

GLOBAL EVOLUTION OF LEASING AND THE FUTURE OF LEASING IN SAUDI ARABIA

■ ABOUT AMEMBAL & ASSOCIATES

■ GLOBAL STATUS

■ LEASING'S STRATEGIC DEVELOPMENT

■ THE BENEFITS OF LEASING

■ DRIVERS AND MOTIVATORS

■ APPROACHES TO SURVIVE AND SUCCEED

■ CHALLENGES

■ TRENDS

■ THE FUTURE
ABOUT AMEMBAL & ASSOCIATES
ABOUT AMEMBAL & ASSOCIATES

AMEMBAL & ASSOCIATES

- SERVING THE INDUSTRY SINCE 1978
- TRAINED OVER 70,000 LEASING PROFESSIONALS IN 75 + COUNTRIES
- 16 PUBLICATIONS
- M&A ADVISORY SERVICES
- CONSELORS TO GOVERNMENT
- VARIED CONSULTANCY SERVICES

WORLD LEASING NEWS

- MOST WELL READ PERIODICAL

GLOBAL LEASING RESOURCE

- EXTENSION OF WORLD LEASING NEWS
- DATABASE OF GLOBAL LESSORS
- UP-TO-DATE MARKET INTELLIGENCE

www.amembalandassociates.com
www.worldleasingnews.com
www.globalleasingresource.com
GLOBAL STATUS
# GLOBAL STATUS

## VOLUME

<table>
<thead>
<tr>
<th>Region</th>
<th>% Up or Down</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2009</strong></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>↓ 27%</td>
</tr>
<tr>
<td>China</td>
<td>↑ 80%</td>
</tr>
<tr>
<td>Europe</td>
<td>↓ 28%</td>
</tr>
<tr>
<td>Russia</td>
<td>↓ 62%</td>
</tr>
<tr>
<td>USA</td>
<td>↓ 33%</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>Region</th>
<th>% Up or Down</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2010</strong></td>
<td></td>
</tr>
<tr>
<td>Australia</td>
<td>↑ 43%</td>
</tr>
<tr>
<td>China</td>
<td>↑ 55%</td>
</tr>
<tr>
<td>Europe</td>
<td>↑ 5%</td>
</tr>
<tr>
<td>Russia</td>
<td>↑100%</td>
</tr>
<tr>
<td>USA</td>
<td>↑ 5%</td>
</tr>
</tbody>
</table>

Source: Global Leasing Resource
GLOBAL STATUS

LEASING’S PENETRATION

MATURE MARKETS 15%

EMERGING MARKETS 5%
GLOBAL STATUS

LEASING’S PENETRATION/EMERGING MARKETS

<table>
<thead>
<tr>
<th>Country</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>China</td>
<td>3%</td>
</tr>
<tr>
<td>India</td>
<td>4.5%</td>
</tr>
<tr>
<td>Russia</td>
<td>5%</td>
</tr>
</tbody>
</table>
## GLOBAL STATUS

## PRODUCT BREAKOUT

<table>
<thead>
<tr>
<th></th>
<th>FINANCE LEASE</th>
<th>OPERATING LEASE</th>
</tr>
</thead>
<tbody>
<tr>
<td>MATURE MARKETS</td>
<td>70%</td>
<td>30%</td>
</tr>
<tr>
<td>EMERGING MARKETS</td>
<td>95%</td>
<td>5%</td>
</tr>
</tbody>
</table>

1 Excluding Vehicles
LEASING'S STRATEGIC DEVELOPMENT
LEASING'S STRATEGIC DEVELOPMENT

- RENTALS
- “SIMPLE” FINANCE LEASES
- “CREATIVE” FINANCE LEASES
- OPERATING LEASES
- NEW PRODUCTS
- MATURITY
PHASE ONE
RENTALS

CENTURIES OF HISTORY

SHORT TERM

FULL SERVICE

ASSET RETURNED AT END OF TERM
PHASE TWO
“SIMPLE” FINANCE LEASES

LESSEE INTENT IS TO EVENTUALLY PURCHASE

LESSOR INTENT IS NOT TO HAVE ASSET RETURNED

LEASES ARE NON-CANCELABLE

FULL PAYOUT

LEVEL PAYMENTS

NET
PHASE THREE
“CREATIVE” FINANCE LEASES

COMPETITION IS INTENSE

CAUSING LESSOR CREATIVITY, SUCH AS

VARIED END OF TERM EVENTS, AND

STRUCTURING OF LEASES, AND OFFERING OF ADDITIONAL SERVICES

FORMATION OF IN-HOUSE LESSORS

LARGEST AMOUNT OF GROWTH TAKES PLACE DURING THIS PHASE

GOVERNMENTS GROWING INTEREST IN LEASING

YET, RATE “WARS” CAUSE SOME/MANY TO FAIL
PHASE FOUR  
OPERATING LEASES

PRODUCT IS INTRODUCED DUE TO

LESSORS’ SEEKING NICHES

RAPID CHANGES IN TECHNOLOGY

ENHANCED LESSEE BENEFITS

DEVELOPING SECONDARY MARKETS

CHARACTERISTICS OF PRODUCT

FULL SERVICE OR NET

ASSET IS OFTEN RETURNED, NOT ALWAYS

LESSOR HAS ASSET RISK

INCREASED LESSEE SOPHISTICATION
PHASE FIVE
NEW PRODUCTS

SYNTHETIC LEASE

TRAC LEASE

VENTURE LEASING

SECURITIZATION

TRUE OUTSOURCING

OTHER
PHASE SIX
MATURITY

FLATNESS IN MARKET PENETRATION

INTENSE COMPETITION

LOWER MARGINS

M&A/CONSOLIDATION/BIG BECOME BIGGER

VALUE ADDED EMPHASIS

FOCUS ON ALLIANCES/JOINT VENTURES
LEASING'S STRATEGIC DEVELOPMENT

SAUDI ARABIA

RENTALS

“SIMPLE” FINANCE LEASES

“CREATIVE” FINANCE LEASES

OPERATING LEASES

NEW PRODUCTS

MATURITY
LEASING'S STRATEGIC DEVELOPMENT

COMPANY

RENTALS

“SIMPLE” FINANCE LEASES

“CREATIVE” FINANCE LEASES

OPERATING LEASES

NEW PRODUCTS

MATURITY
LEASING'S STRATEGIC DEVELOPMENT

HOW TO USE IT

- WHERE IS COUNTRY?

- WHERE IS COMPANY?

- WHERE ARE KEY COMPETITORS?

- WHAT ARE MARKET NEEDS?

- WHERE SHOULD YOU BE?

- WHAT NEEDS TO BE DONE?
THE BENEFITS OF LEASING
THE BENEFITS OF LEASING

TO CUSTOMERS

- TWO TYPES OF CUSTOMERS
  - THOSE WHO NEED TO LEASES
  - THOSE WHO WANT TO LEASE
THE BENEFITS OF LEASING TO CUSTOMERS

- CASH FLOW / CASH MANAGEMENT
- FINANCIAL
- TAXATION
- FINANCIAL REPORTING
- TECHNOLOGY
- CONVENIENCE/FLEXIBILITY
THE BENEFITS OF LEASING
TO LESSORS

- SPREAD

- RESIDUAL

- MISCELLANEOUS

- LEVERAGE

- SALES – AID LEASING
THE BENEFITS OF LEASING

TO SUPPLIERS

- FACILITIES SALES
- NO NEED TO CARRY RECEIVABLES
- PRESERVE CUSTOMER CONTACT
- CONTINUED INVOLVEMENT
THE BENEFITS OF LEASING

TO GOVERNMENT

- PROMOTES SME SECTOR

- FUELS DEVELOPMENT OF CAPITAL MARKETS

- FACILITATES JOB CREATION

- INCREASES GDP
DRIVERS AND MOTIVATORS
DRIVERS AND MOTIVATORS

THE FIVE EXTERNAL DRIVERS

- ECONOMIC ENVIRONMENT
- AVAILABILITY, TYPES AND COST OF FUNDING
- TECHNOLOGICAL CHANGE
- CHARACTERISTICS OF THE MARKETPLACE
- PUBLIC POLICY ISSUES
DRIVERS AND MOTIVATORS

CHARACTERISTICS OF THE MARKET PLACE

- LESSORS
  - EXTENT OF COMPETITION
  - BASIS OF COMPETITION

- LESSEES
  - AWARENESS OF LEASING

- VENDORS
  - RELIANCE ON LASING
PUBLIC POLICY ISSUES

LEGAL

EXPEDIENT REPOSSESSION AND RECOVERY

CLEAR DELINEATION OF RIGHTS AND RESPONSIBILITIES

TAX (FINANCE LEASE)

DEPRECIATION IN THE HANDS OF THE LESSORS

PREFERABLY OVER LEASE TERM
DRIVERS AND MOTIVATORS

PUBLIC POLICY ISSUES

REGULATORY

NON-BANK LESSORS TO BE UNREGULATED

MINIMUM CAPITAL REQUIREMENTS?

ACCOUNTING

IAS17 / IFRS IN PLACE

NOT BE MIRRORED BY TAX
DRIVERS AND MOTIVATORS

INTERNAL DRIVERS

- TRULY VALUE ADDED SERVICE

- OPERATIONAL EXCELLENCE

- PRODUCT INNOVATION
APPROACHES TO SURVIVE AND SUCCEED
APPROACHES TO SURVIVE AND SUCCEED

DISCOVERY

IDENTIFYING A BUYERS MARKET

- NUMEROUS PROVIDERS
- NEW LOW COST PROVIDERS
- LEASING IS A COMMODITY
- LACK OF PRODUCT DIFFERENTIATION
- INTENSE COMPETITION BETWEEN LESSORS
- SHRINKING MARGINS
APPROACHES TO SURVIVE AND SUCCEED

TACTICS

- BUSINESS DIFFERENTIATION
  - PRODUCT DIFFERENTIATION
  - PRODUCT DIVERSIFICATION
  - PRODUCT INNOVATION
  - NICHE MARKETS
  - VALUE ADD

- OPERATING FOCUS NOT VOLUME FOCUS
  - RISK MANAGEMENT
  - SYSTEM EFFICIENCIES
  - CONTINUING COST CONTROL
CHALLENGES

GLOBAL UNCERTAINTY / VOLATILITY

INADEQUATE LEGISLATION

INAPPROPRIATE TAX LAWS

BANK LIKE REGULATION

ACCOUNTING CHANGES
CHALLENGES

TAX UNCERTAINTIES

SHALLOW SECONDARY MARKETS

FUNDING

PRICING DISCIPLINE
TRENDS

CONTINUED DECOUPLING

MATURE MARKET “FLATNESS”

GROWTH IN EMERGING MARKETS

FEWER PLAYERS

REGIONAL / GLOBAL EXPANSION

BANKS INCREASING MARKET SHARE
TRENDS

BANKS COMMODITIZING FINANCE LEASES

SHRINKING MARGINS

A MOVEMENT TO OPERATING LEASES

SHIFT TO MULTIFINANCE COMPANIES
TRENDS

“SURGE” IN ISLAMIC LEASING

ACCOUNTING CHANGES

FISCAL IMBALANCE REPERCUSSIONS

TAX UNCERTAINTIES

REGULATORY UNCERTAINTIES
THE FUTURE
THE FUTURE

NATURAL EVOLUTION

OPERATING LEASES

NEW PRODUCTS

NATURE OF MARKET

INCREASED LESSEE AWARENESS

MORE VALUE ADDED COMPETITION

REGIONAL ALLIANCES

HIGHER PENETRATION
THANK YOU!