



# Leasing in Brazil: the path for recovery

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Brazilian economy should grow stronger on the next months, as a result of the higher emphasis on investments and the measures in course to increase the Gross Domestic Product (GDP). Government's concern to keep inflation under control, which is shown by the increase of Brazilian Central's Bank interest rate (basic rate) on the last few months, and the search for sustainable growth, began producing promising signs. Official data on industry performance at the first three months of 2013 indicate a scenario of economic recovery for several areas, with strong contribution from vehicle production.

The civil works for both large sport events which Brazil is going to host - 2014 FIFA World Cup and 2016 Summer Olympics - will trigger the beginning of major infrastructure projects, in areas such as logistics, energy, telecommunications, urban transportation, security, among others. It is also important to highlight that the positive economic effect of investments on infrastructure is likely to produce results far beyond the sport events, generating future benefits for everyone.



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The program to increase the storage capacity of agricultural commodities, which is going to be implemented throughout five years, is also of major importance.

In this context, therefore, the macroeconomic conditions are favorable to the national leasing industry. The environment on the regulatory field, after Superior Federal Court (Superior Tribunal Federal – STJ) decided on the site of collection of Services tax on leasing activities, and the ratification by the same court of the application of the residual value of leasing operations, have also paved the way for leasing operations' recovery in Brazil.

With an increased legal certainty, leasing is a competitive tool to make feasible investment projects, specially those concerning machines and equipments, an strategic area to enhance Brazilian economic growth. The Brazilian Development Bank (Banco Nacional de Desenvolvimento Econômico e Social – BNDES) is encouraging leasing operations on the scope of the Investment Maintenance Program (Programa de Sustentação do Investimento – PSI), to improve investment conditions and help companies to invest in new machines.

The government faces leasing as an alternative for financing wagons and train engines, within the railroad concession model. The forecast is demand for 50,000 new wagons and 3,000 train engines will be ordered.

Leasing is different from other kinds of lending for it allows investment leverage without locking up capital, besides providing contractual flexibility. The investment in production sets off a virtuous cycle of development, offering good business opportunities for the leasing industry.

Hence, leasing will see the start of a new growth cycle. The Present Value of the Portfolio has a current balance of R\$ 41.275 billion in 2012, whereas the country's credit stock has reached R\$ 2.36 trillion, representing 53.4% of the Gross Domestic Product (GDP).

Within the economic growth scenario desired by the government for the next months, the leasing industry development could be critical to put the country on the path of sustainable growth. This credit segment has a lot to offer in order to increase the competitiveness and tackle the present bottlenecks. Leasing companies gather the required features to help creating more business, supporting various types of industries. The leasing market is ready to leverage the necessary investments to the country's development.

**Present portfolio value - top 20 lessors in 2012**

POSITION	COMPANY	TOTAL(US\$m)	CONTRACTS	SHARE %
1	Banco Itauleasing S/A Carteira Arrendamento Mercantil	4.681.966.051	368.430	23,1762
2	Bradesco Leasing S/A Arrendamento Mercantil	3.077.718.923	82.852	15,2350
3	Santander Leasing S.A. Arrendamento Mercantil	2.017.332.887	263.373	9,9860
4	Banco Itaucard S/A Arrendamento Mercantil	1.281.039.461	235.427	6,3413
5	Dibens Leasing S/A Arrendamento Mercantil	1.288.572.933	331.825	6,3786
6	Banco IBM S/A Arrendamento Mercantil	760.466.365	1.447	3,7644
7	BV Leasing Arrendamento Mercantil S/A	897.152.884	144.272	4,4410
8	Cia. de Arrendamento Mercantil Renault do Brasil	763.692.310	89.754	3,7804
9	HP Financial Services Arrendamento Mercantil S/A	604.107.117	3.525	2,9904
10	HSBC Bank Brasil S/A Arrendamento Mercantil	659.874.326	55.950	3,2664
11	ITAUBBA Leasing S/A	499.773.188	88.297	2,4739
12	Banco Bradesco Financiamentos S/A	503.774.087	136.872	2,4937
13	Safra Leasing S/A Arrendamento Mercantil	382.650.768	56.117	1,8942
14	BB Leasing S/A Arrendamento Mercantil	368.047.653	25.158	1,8219
15	SG Equipment Finance S.A. Arrendamento Mercantil	232.029.297	260	1,1486
16	Banco Volkswagen S/A Arrendamento Mercantil	236.002.556	32.004	1,1682
17	Banco Commercial I.Trust do Brasil S/A - Banco Múltiplo	217.746.685	5.140	1,0779
18	Banco Bradesco S/A Arrendamento Mercantil	242.073.962	82.852	1,1983
19	Panamericano Arrendamento Mercantil S/A	186.934.780	39.840	0,9253
20	BIC Arrendamento Mercantil S/A	187.059.764	823	0,9260
Total		19.088.015.999	2.044.218	94,49
Total of market		20.201.591.682	2.320.938	100,00

Source: ABEL- Brazilian Association of Leasing Company

### New investments - top 20 lessors in 2012

POSITION	COMPANY	TOTAL(US\$m)	CONTRACTS	SHARE%
1	Bradesco Leasing S/A Arrendamento Mercantil	1.539.325.611	18.278	26,36
2	Banco Itauleasing S/A Carteira Arrendamento Mercantil	1.494.835.810	14.444	25,60
3	Santander Leasing S/A Arrendamento Mercantil	674.816.264	7.765	11,56
4	Cia. de Arrendamento Mercantil Renault do Brasil	472.306.894	34.130	8,09
5	Banco IBM S/A- Carteira de Arrendamento Mercantil	338.740.721	462	5,80
6	HP Financial Services Arrendamento Mercantil S/A	323.476.292	1.039	5,54
7	Banco Commercial I.Trust do Brasil S/A - Banco Múltiplo	177.406.406	1.751	3,04
8	HSBC Bank Brasil S/A - Carteira de Leasing	167.046.752	1.530	2,86
9	SG Equipment Finance S/A Arrendamento Mercantil	122.560.074	154	2,10
10	BB Leasing S/A - Arrendamento Mercantil	120.590.160	801	2,07
11	Alfa Arrendamento Mercantil S/A	89.626.715	631	1,53
12	BV Leasing Arrendamento Mercantil S/A	61.767.449	360	1,06
13	BIC Arrendamento Mercantil S/A	57.825.879	222	0,99
14	Banco Bradesco Financiamentos S/A	45.693.253	695	0,78
15	Leaseplan Arrendamento Mercantil S/A	40.299.050	1.766	0,69
16	Citibank Leasing S/A Arrendamento Mercantil	39.140.267	389	0,67
17	Toyota Leasing do Brasil S/A Arrendamento Mercantil	26.799.525	825	0,46
18	ITAUBBA Arrendamento Mercantil S/A	14.540.647	697	0,25
19	Banco Volkswagen S/A - Arrendamento Mercantil	13.075.339	398	0,22
20	Mercedes-Benz Leasing Arrendamento Mercantil S/A	12.048.560	64	0,21
Total		5.831.921.667	86.401	99,87
Total of market		5.839.535.943	86.446	100,00

Source: ABEL – Brazilian Association of Leasing Company



<b>Equipment leased 2008- 2012 US\$m</b>					
	2008	2009	2010	2011	2012
Vehicles and related	44.525	57.596	37.617	17.283	10.862
Machinery and equipment	4.470	6.195	6.858	6.310	5.869
Computer equipment	475	1284	1.239	1.036	1.175
Others	140	223	239	43	45
Real estate	47	69	270	59	84
Aircraft	255	403	540	578	660
Installations	68	88	110	89	72
Furniture	77	101	110	89	67
Ships	31	46	56	58	53
<b>Total</b>	<b>50.088</b>	<b>66.005</b>	<b>47.039</b>	<b>25.545</b>	<b>18.887</b>

Source: ABEL – Brazilian Association of Leasing Company

<b>Collectible leases per sector 2008-2012 US\$m</b>					
	2008	2009	2010	2011	2012
Individuals	37.847	46.321	36.408	20.007	9.779
Services	7.745	9.335	9.208	6.759	5.802
Others	611	945	2.042	1.237	2.610
Commerce	4.069	4.094	3.398	2.043	1.740
Industry	4.553	5.191	4.865	3.354	978
Government	134	92	97	97	158
<b>Total</b>	<b>54.959</b>	<b>65.978</b>	<b>56.018</b>	<b>33.497</b>	<b>21.067</b>

Source: ABEL – Brazilian Association of Leasing Company