

# Leaseurope



The Voice of Leasing and Automotive Rental in Europe

**Leas** LEASEUROPE  
INDEX

Survey of European leasing and rental firms

**Leaseurope Index**  
**Q3 2017**

## LEASEUROPE INDEX RESULTS: Q3 2017

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The Leaseurope Index is a unique survey that tracks a selection of key performance indicators of a sample of 23 European lessors on a quarterly basis. This Q3 2017 Index is the twenty-seventh edition of the survey.

The weighted average ratios for Q3 2017 improved compared to the same period of last year, except for cost/income increasing and return on assets, which remained stable. The median ratios on the other hand, deteriorated compared to the previous year, aside from cost/income and cost of risk, which declined.

Total new leasing volumes reported by the sample of companies increased by 1.9% in comparison to Q3 2016, reaching €24.3 billion and increasing steadily since 2013. As total risk-weighted assets (RWAs) continued to rise at 2.9% growth in Q3 2017, portfolios of outstanding contracts also increased at 4.0%

### **Profit & profitability**

Total pre-tax profit has increased in Q3 2017 by 2.0% compared to the same period of 2016, suggesting stabilising net profits (see table 1). Consequently, the weighted average profitability also increased from 43.2% in Q3 2016 to 45.5% in Q3 this year (see table 3). It should be noted that there is a large degree of variation in performance by company, however all companies reported positive profitability (see table 4). The trend in the median values is less optimistic, with profitability declining from previous highs of almost 50%, to 42.9% in Q3 2017.

### **Income, expenses & cost/income**

Operating income weakened in Q3 2017, seeing its first decline in the survey of -3.0% compared to the same period a year ago, while operating expenses rose by 3.1%. As a result, the cost/income ratio escalated compared to Q3 2016 to 46.3%, which is a similar level to that seen in the first half of the year.

### **Loan loss provision & cost of risk**

For the third consecutive quarter, loan loss provision decreased, shrinking by -41.7% compared to Q3 2016 following a historic low in Q2 2017. This resulted in the average annualised cost of risk dropping from 0.54% in Q3 last year to 0.30% in Q3 2017. Thus cost of risk continues to maintain the low levels seen so far this year, indicating a positive expected trend for 2017 overall.

### **Return on Assets (RoA) and Return on Equity (RoE) indicators**

RoA remained stable during this quarter, averaging 1.8%, while RoE<sup>1</sup> dropped slightly to 175. This is due to profitability growth remaining muted compared to portfolio growth, despite strong declines in loan loss provisions.

Enrico Duranti, CEO of Iccrea BancalImpresa, commented that, *“Following a strong first half of the year, the European leasing industry is performing relatively well in the third quarter of 2017. As loan loss provisions continue to decrease significantly, pre-tax profit is rising. Declining operating income and rising operating costs could be a cause for concern and something to watch closely going forward. The European Commission anticipates continued economic growth and stronger investment going into 2018 while the European Central Bank states a continuous increase of loans to enterprises in the same period, both of which are good indicators for the leasing business remaining robust next year.”*

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<sup>1</sup> In order to ensure a feasible and comparable data collection across our sample, 8% of total risk weighted assets has been used as a proxy for equity. Therefore, the results reported here for RoE may not be directly comparable to the way leasing firms measure RoE internally or to some other measures of RoE.

**Table 1: Aggregate Data, Q1 2016 – Q3 2017<sup>2</sup>**

| Aggregated data provided by companies (all figures in millions of euro for the relevant period) | 2017 Q3                    |                         | 2017 Q2                    |                         | 2017 Q1                    |                         |
|---|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
|   | Sum of values (€ millions) | % change versus Q3 2016 | Sum of values (€ millions) | % change versus Q2 2016 | Sum of values (€ millions) | % change versus Q1 2016 |
| <b>1. Operating income</b>  | 2,492                      | -3.0%                   | 2,584                      | 2.5%                    | 2,519                      | 1.8%                    |
| <b>2. Operating expenses</b>  | 1,171                      | 3.1%                    | 1,206                      | 6.1%                    | 1,164                      | 1.3%                    |
| <b>3. Loan loss provision</b>   | 195                        | -41.7%                  | 168                        | -49.1%                  | 180                        | -1.3%                   |
| <b>4. Pre-Tax Profit</b>  | 1,132                      | 2.0%                    | 1,221                      | 14.6%                   | 1,182                      | 2.5%                    |
| <b>5. RWA at end of period</b>  | 183,453                    | 2.9%                    | 180,495                    | 0.8%                    | 180,279                    | 2.4%                    |
| <b>6. Portfolio at end of period</b>  | 259,583                    | 4.0%                    | 256,548                    | 3.3%                    | 255,404                    | 4.3%                    |
| <b>7. New business volumes</b>  | 24,320                     | 1.9%                    | 26,575                     | 2.0%                    | 23,916                     | 10.5%                   |

| Aggregated data provided by companies (all figures in millions of euro for the relevant period) | 2016 Q4                    |                         | 2016 Q3                    |                         | 2016 Q2                    |                         | 2016 Q1                    |                         |
|---|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
|   | Sum of values (€ millions) | % change versus Q4 2015 | Sum of values (€ millions) | % change versus Q3 2015 | Sum of values (€ millions) | % change versus Q2 2015 | Sum of values (€ millions) | % change versus Q1 2015 |
| <b>1. Operating income</b>  | 2,569                      | 3.5%                    | 2,569                      | 4.3%                    | 2,522                      | 1.5%                    | 2,473                      | 2.5%                    |
| <b>2. Operating expenses</b>  | 1,352                      | 8.7%                    | 1,136                      | 0.7%                    | 1,136                      | 4.1%                    | 1,149                      | 6.7%                    |
| <b>3. Loan loss provision</b>   | 923                        | 118.4%                  | 335                        | 34.1%                   | 330                        | 24.0%                   | 183                        | -42.1%                  |
| <b>4. Pre-Tax Profit</b>  | 303                        | -63.7%                  | 1,110                      | 0.5%                    | 1,066                      | -6.2%                   | 1,153                      | 15.6%                   |
| <b>5. RWA at end of period</b>  | 179,594                    | 1.1%                    | 178,343                    | 3.5%                    | 179,061                    | 1.5%                    | 175,989                    | 2.5%                    |
| <b>6. Portfolio at end of period</b>  | 254,570                    | 3.4%                    | 249,717                    | 3.6%                    | 248,373                    | 2.6%                    | 244,861                    | 2.4%                    |
| <b>7. New business volumes</b>  | 26,817                     | 5.2%                    | 23,877                     | 8.8%                    | 26,063                     | 10.8%                   | 21,639                     | 8.8%                    |

<sup>2</sup> Historical figures have been revised since the results were last published due to re-statements by some reporting companies.

**Table 2: Aggregate Data, 2012 – 2016 Annual<sup>3</sup>**

| Aggregated data provided by companies (all figures in millions of euro for the relevant period) | 2016                       |                      | 2015                       |                      | 2014                       |                      | 2013                       |                      | 2012                       |                      |
|---|----------------------------|----------------------|----------------------------|----------------------|----------------------------|----------------------|----------------------------|----------------------|----------------------------|----------------------|
|   | Sum of values (€ millions) | % change versus 2015 | Sum of values (€ millions) | % change versus 2014 | Sum of values (€ millions) | % change versus 2013 | Sum of values (€ millions) | % change versus 2012 | Sum of values (€ millions) | % change versus 2011 |
| <b>1. Operating income</b>  | 10,415                     | 2.5%                 | 10,165                     | 8.4%                 | 9,377                      | 6.8%                 | 8,779                      | 2.7%                 | 8,549                      | -1.6%                |
| <b>2. Operating expenses</b>  | 4,906                      | 4.9%                 | 4,676                      | 4.5%                 | 4,476                      | 3.2%                 | 4,335                      | -2.2%                | 4,432                      | 2.6%                 |
| <b>3. Loan loss provision</b>   | 1,780                      | 42.6%                | 1,249                      | -30.7%               | 1,803                      | -38.0%               | 2,906                      | 70.5%                | 1,704                      | 6.6%                 |
| <b>4. Pre-Tax Profit</b>  | 3,640                      | -13.7%               | 4,220                      | 36.4%                | 3,093                      | 102.4%               | 1,528                      | -35.6%               | 2,374                      | -14.6%               |
| <b>5. RWA at end of period</b>  | 179,594                    | -0.2%                | 179,956                    | 3.3%                 | 174,278                    | -3.1%                | 179,774                    | -4.8%                | 188,863                    | -2.8%                |
| <b>6. Portfolio at end of period</b>  | 254,570                    | 1.9%                 | 250,866                    | 2.3%                 | 245,251                    | 2.3%                 | 239,662                    | -3.1%                | 247,324                    | -2.6%                |
| <b>7. New business volumes</b>  | 103,106                    | 10.3%                | 93,463                     | 10.4%                | 84,679                     | 9.0%                 | 77,679                     | -8.3%                | 79,437                     | -10.5%               |

**Table 3: Weighted Average Ratios, 2016 – Q3 2017<sup>4</sup>**

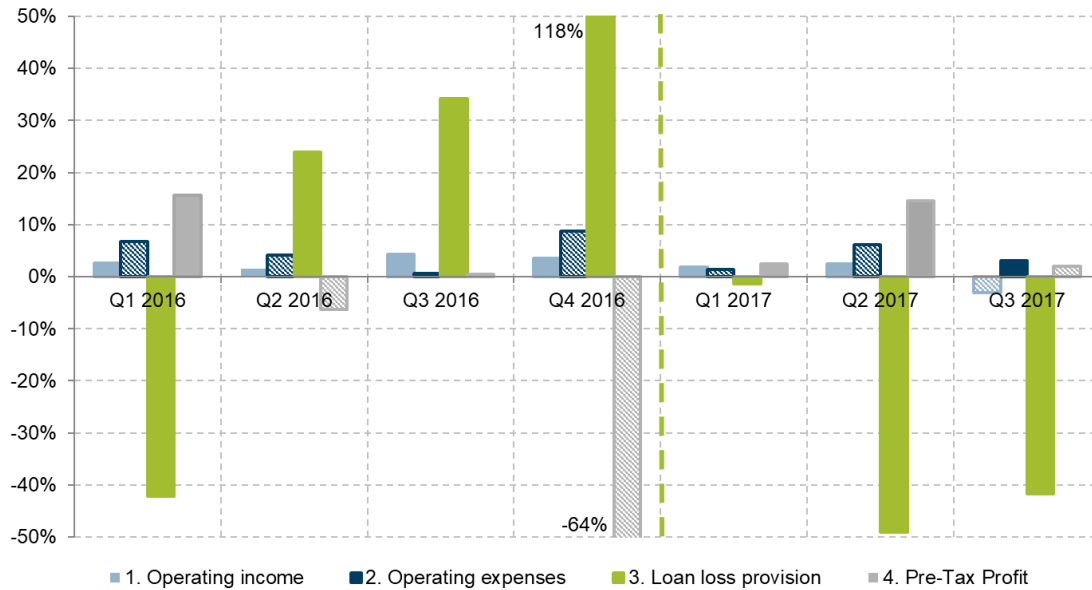
| Weighted Average Ratios  | 2017            |                 |                 | 2016                   |                 |                 |                 |                 |
|--|-----------------|-----------------|-----------------|------------------------|-----------------|-----------------|-----------------|-----------------|
|  | Average Q3 2017 | Average Q2 2017 | Average Q1 2017 | Average 2016 Full Year | Average Q4 2016 | Average Q3 2016 | Average Q2 2016 | Average Q1 2016 |
| <b>Profitability (%)</b> - average of all companies' pre-tax profit as a % of total operating income   | 45.5%           | 47.1%           | 46.7%           | <b>34.9%</b>           | 1.6%            | 43.2%           | 42.7%           | 46.2%           |
| <b>Cost/Income (%)</b> - average of all companies' operating expenses as a % of operating income   | 46.3%           | 46.6%           | 46.2%           | <b>46.4%</b>           | 50.6%           | 44.5%           | 45.4%           | 47.0%           |
| <b>Cost of Risk (%)*</b> - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period                           | 0.30%           | 0.26%           | 0.28%           | <b>1.48%</b>           | 1.46%           | 0.54%           | 0.54%           | 0.30%           |
| <b>Return on Assets (%)*</b> - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period                     | 1.8%            | 1.9%            | 1.9%            | <b>1.2%</b>            | 0.5%            | 1.8%            | 1.7%            | 1.9%            |
| <b>Return on Equity (2011=100)*</b> - index of all companies' net profit before tax (annualised) as a percentage of 8% of total risk weighted assets over the period | 175             | 189             | 180             | <b>152</b>             | 82              | 170             | 170             | 181             |

\* denotes that the quarterly numerator (either loan loss provision or net profit) has been annualised in order to calculate the relevant ratio for each individual quarter.

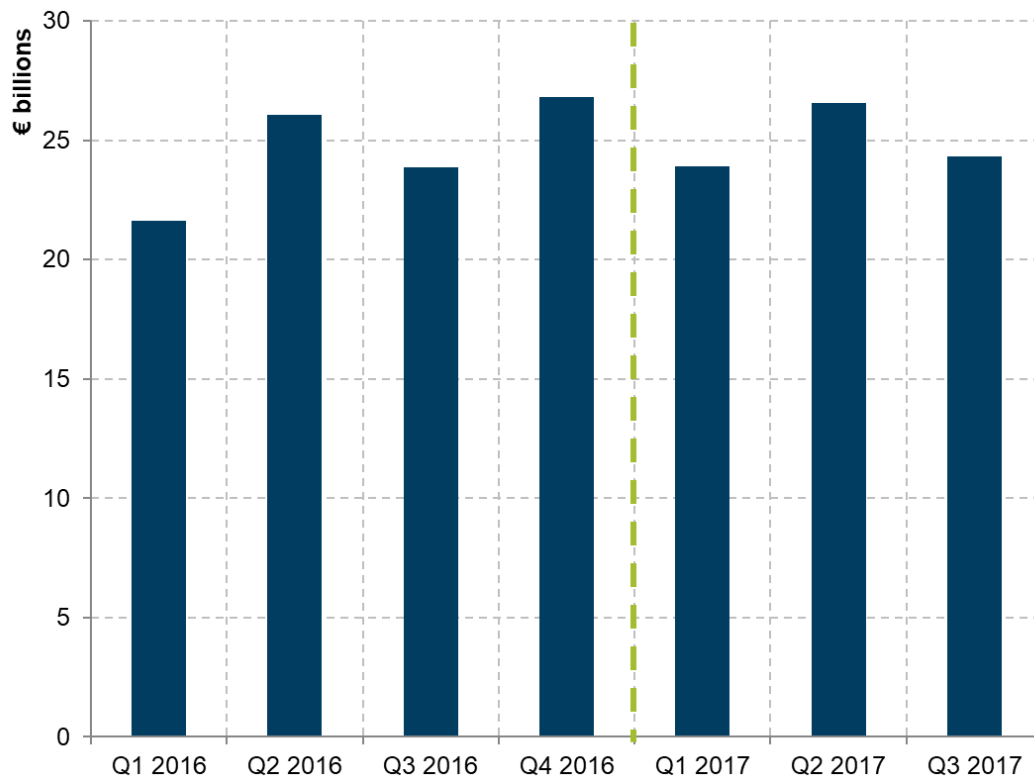
<sup>3</sup> The aggregate annual data are shown here as reported in the Q4 2016 survey.

<sup>4</sup> Leaseurope calculates weighted average ratios based on the data provided by participating companies. The profitability and cost/income ratios are weighted by new business volumes over the relevant period. For example, each company's individual profitability ratio is weighted by its new business over the period Q3 2017 to arrive at the weighted average ratio of 45.5% shown in the table. The cost of risk, RoA and RoE ratios are weighted by the average portfolio over the relevant period.

**Fig 1: Growth Rates of Financial Indicators, 2016 – Q3 2017<sup>5</sup>**

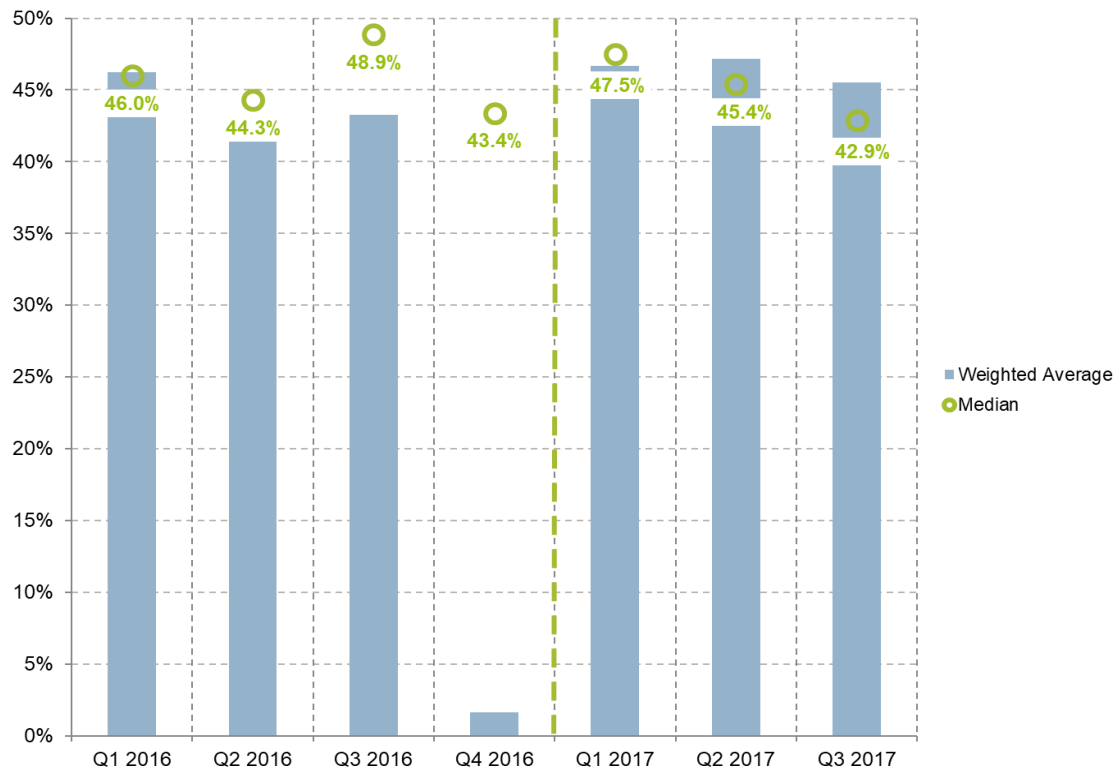


**Fig. 2: New Business Volumes, Q1 2016 – Q3 2017**

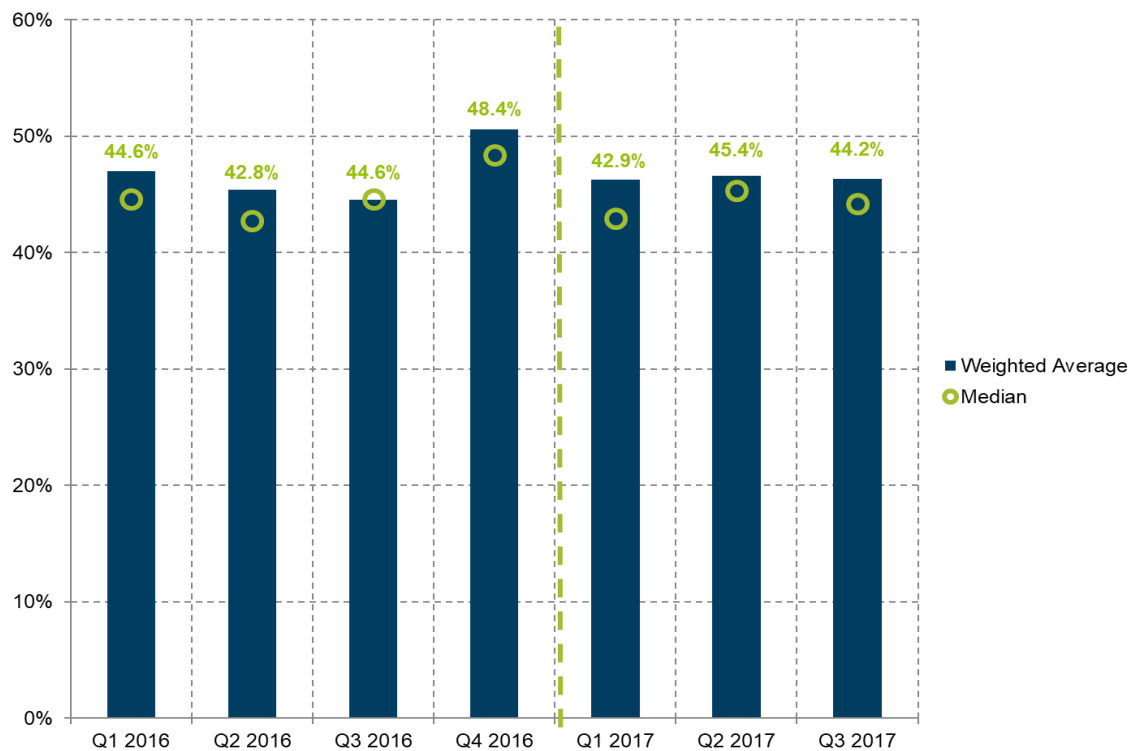


<sup>5</sup> A thick border around an individual bar in the chart is illustrative of a negative development in the indicator.

**Fig. 3: Profitability Ratio<sup>6</sup>, 2016 – Q3 2017**

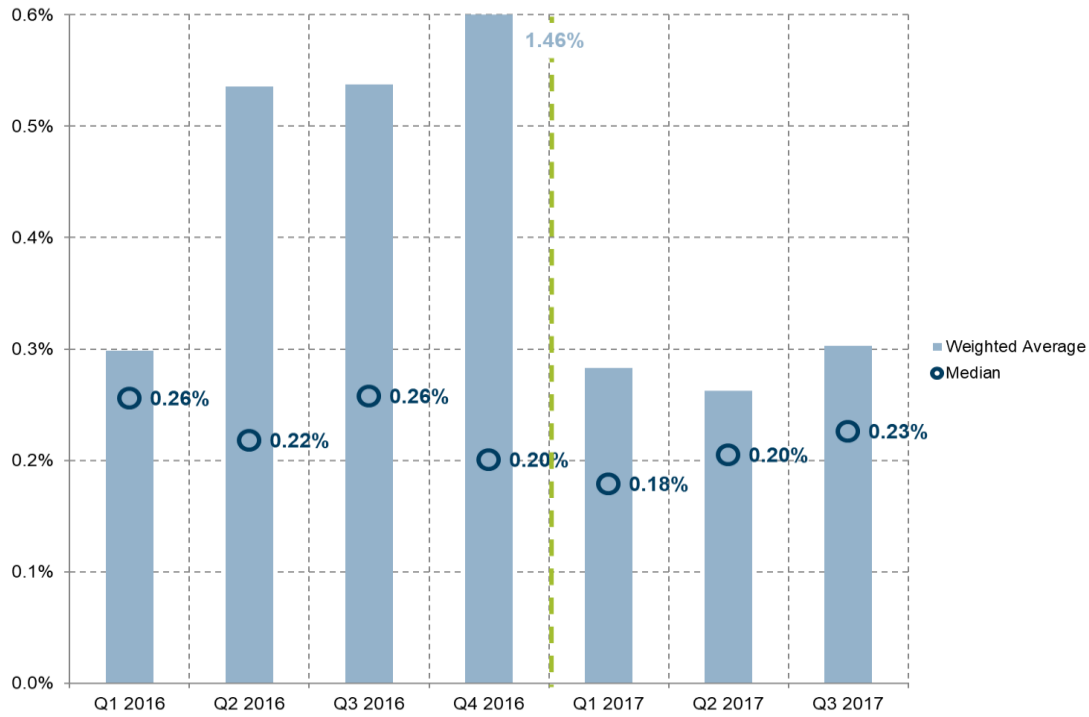


**Fig. 4: Cost / Income Ratio, 2016 – Q3 2017**

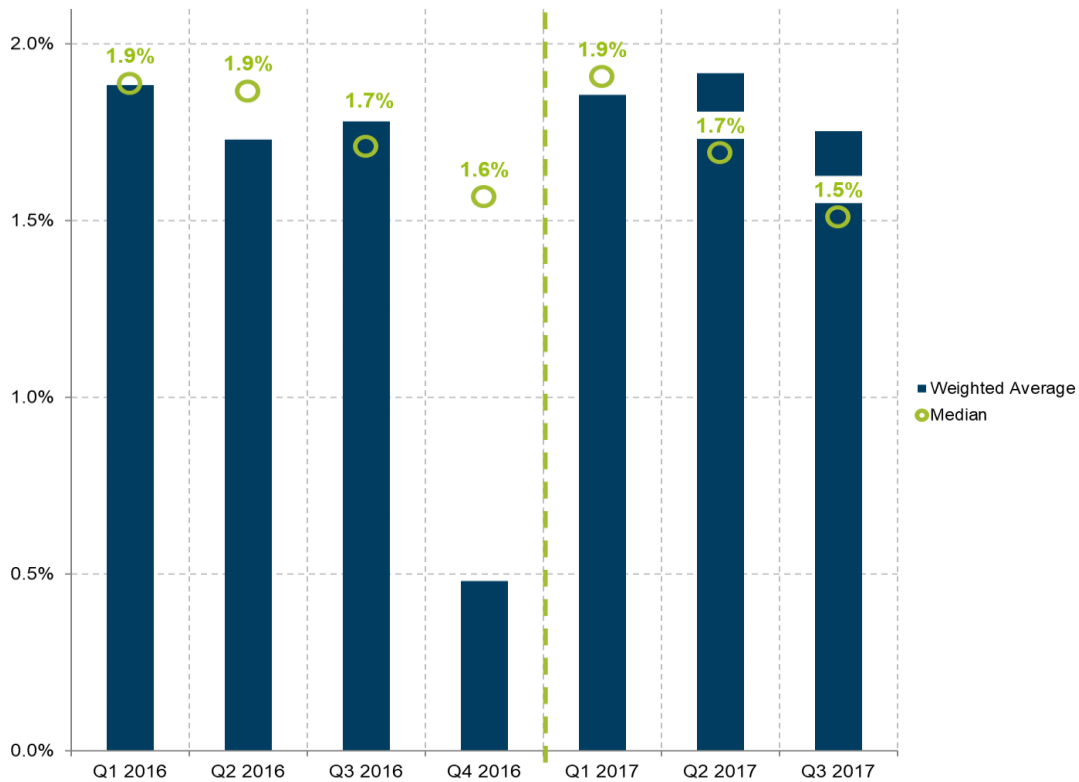


<sup>6</sup> The weighted average ratio for Q4 2016 was heavily affected by outlier values in a minority of the sample.

**Fig. 5: Cost of Risk Ratio<sup>7</sup>, 2016 – Q3 2017**

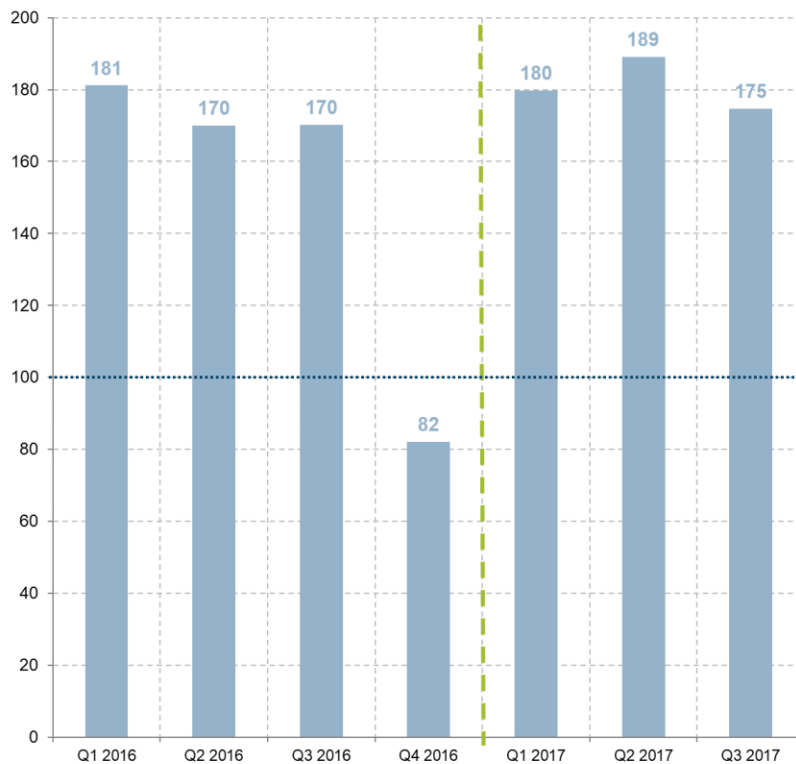


**Figure 6: Return on Assets Ratio<sup>6</sup>, 2016 – Q3 2017**



<sup>7</sup> The weighted average ratio for Q4 2016 was heavily affected by outlier values in a minority of the sample.

**Figure 7: Return on Equity Ratio<sup>8</sup>, 2016 – Q3 2017**



**Table 4: Quartiles<sup>9</sup> for Ratios in Q3 2017**

|                                 | Profitability Ratio | Cost / Income Ratio | Cost of Risk Ratio | RoA Ratio |
|---------------------------------|---------------------|---------------------|--------------------|-----------|
| Minimum                         | 6.1%                | 20.5%               | -0.47%             | 0.1%      |
| Quartile 1 (25%)                | 37.5%               | 35.7%               | 0.14%              | 1.1%      |
| Quartile 2 (50%)<br>i.e. median | 42.9%               | 44.2%               | 0.23%              | 1.5%      |
| Quartile 3 (75%)                | 55.4%               | 53.2%               | 0.49%              | 2.6%      |
| Maximum                         | 69.8%               | 64.9%               | 1.29%              | 4.8%      |
| Weighted Average                | 45.5%               | 46.3%               | 0.30%              | 1.8%      |

<sup>8</sup> The weighted average ratio for Q4 2016 was heavily affected by outlier values in a minority of the sample.

<sup>9</sup> Quartiles show the value of the boundary at the 25th, 50th, or 75th percentiles of a frequency distribution divided into four parts, each containing a quarter of the values in the dataset. In the table, Quartile 3 (75<sup>th</sup> percentile or upper quartile) identifies that 3/4 of the population members have a value below this quartile figure. The median value shows the middle value of the 23 observations in the data set. The median is not influenced by outliers at either end of the dataset and can therefore be a useful metric of the ratio of the "typical" company in the sample.



## About the Leaseurope Index

### Who conducts this survey?

Leaseurope conducts this survey. Individual companies report their figures for each indicator to Leaseurope, which aggregates the results on a confidential basis.

### What is the purpose of this survey?

The purpose of the Leaseurope Index is to provide timely and regular information on the European leasing and automotive rental market. This is the only survey to report statistics on both volume of business and value creation metrics at European level.

### What indicators are covered by the Leaseurope Index?

The survey tracks operating income, operating expenditure, loan loss provision, pre-tax profit, risk weighted assets, portfolio of leased assets and new business volumes for each quarter.

Definitions:

- 1) **Total operating income:** Net interest income + net fee and commission income + net insurance result + trading profit + other net income (including rental income net of depreciation on operating leases and profit on sales of assets linked to leasing activities)
- 2) **Total operating expenses:** includes inter alia staff costs, other administrative expenses, depreciation and amortisation
- 3) **Loan loss provision:** Net loan loss provision - write offs + recoveries over the period (including write-offs/recoveries of assets)
- 4) **Pre-tax profit:** Total operating income – costs – provisions
- 5) **Risk weighted assets at end of period:** Total risk weighted assets (RWA) as defined by currently applicable prudential requirements (under the approach used by each firm, be it standardised or IRB) at the end of each period
- 6) **Portfolio at end of period:** Total portfolio of leased assets including outstanding loans to customers and assets on operating lease at the end of each period (non-performing loans are included). The figures reflect the depreciated value of assets at the end of the period.
- 7) **New business volumes:** Total value of new contracts approved & signed by both sides (lessor and lessee) during the period during the reporting period, excluding VAT and finance charges

Based on the data provided in millions of euro by each company, Leaseurope calculates weighted average ratios, defined as follows:

**Profitability ratio:** weighted average of all companies' pre-tax profit as a % of total operating income. The weight used is the new business volume for the relevant period.

**Cost / Income ratio:** weighted average of all companies' operating expenses as a % of operating income. The weight used is the new business volume for the relevant period.

**Cost of risk ratio:** weighted average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

**Return on assets ratio:** weighted average of all companies' net profit (annualised) as a percentage of average portfolio over the period. The weight used is the average portfolio

over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

**Return on equity index:** Indexation of the weighted average of all companies' net profit (annualised) as a percentage of 8% of average risk weighted assets over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

#### Which companies take part in the survey?

23 companies participate on a voluntary basis: ABN AMRO Lease, ALD Automotive, Aldermore, Alphabet, Arval, BNP Paribas Leasing Solutions, Caterpillar S.A.R.L., Credit Agricole Leasing & Factoring, De Lage Landen, DnB Finans, Hitachi Capital UK, Iccrea BancaImpresa, ING Lease, Investec, Lombard, Leaseplan, Mediocredito Italiano, Nordea Finance, Siemens Financial Services, Société Générale Equipment Finance, UBI Leasing, UniCredit Leasing, Xerox Financial Services Europe

This sample is broadly representative of the European market in terms of geographic coverage and asset coverage. The sample represents a significant share of the total European leasing market. Please see the Leaseurope [2016 Ranking survey](#) for more information about European leasing companies.

#### How should the survey results be interpreted?

The survey tracks trends in key performance indicators at European level. The results are only presented in aggregate and no inferences can be made about any individual company's performance based on this aggregate data.

Extreme care should be taken in comparing individual company performance with the Leaseurope Index, which spans a sample of lessors active in different market segments. For example, the sample includes general leasing companies, automotive lessors, captive equipment vendors etc. The companies in the sample are also active in different geographic markets.

For this survey, Leaseurope aggregates self-declared information. While the Leaseurope Secretariat monitors the plausibility of the data, this is not audited data. As such, the Leaseurope Index should only be used for indicative purposes and care should be taken in interpreting the results. Although the sample is broadly representative, care should be taken in making inferences about market trends for the industry as a whole.

#### What is the geographic scope of this survey?

Consolidated figures are reported for the entire European activities of the participating companies. Europe is defined in the widest sense as EU27 + EFTA + other countries e.g. Turkey, Ukraine, Russia, Serbia, Croatia etc. Each company reports figures in euro regardless of which countries they operate in or which currencies they report in.

#### What is meant by "leasing"?

The term "leasing" is used in its broadest sense, covering hire purchase, finance and operating leasing which includes long term rental. Leasing is defined according to International Financial Reporting Standards (IAS17).

#### When will the next Leaseurope Index results be released?

The survey is conducted on a quarterly basis. For future editions of this survey, Leaseurope aims to publish the results on the [Leaseurope Index website](#) within eight weeks of the close of quarter.

#### Disclaimer

Please note that the information contained in the Leaseurope Index is of a general nature. Nobody should act upon such information without first seeking appropriate professional advice and after a thorough examination of a particular situation. Neither Leaseurope nor participating companies can be held responsible or liable for any losses or damages of any kind arising out of or in connection with the use of the information contained in the Leaseurope Index.