FOR IMMEDIATE RELEASE   **PRESS RELEASE**

LEASEUROPE INDEX LATEST RESULTS: Q3 2019

Brussels, 11 December 2019 – The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 23 European lessors on a quarterly basis. This Q3 2019 is the thirty-fifth edition of the survey.

All of the weighted average ratios for Q3 2019 improved compared to the same period of last year, except for cost/income. The trend in the median ratios on the other hand, showed a mixed picture, with profitability and RoE improving, while cost/income, cost of risk and RoA deteriorated.

Total new leasing volumes reported by the sample of firms increased by 7% in comparison to Q3 2018, reaching €28.1 billion. As the outstanding portfolio continued to rise at 4.7% growth in Q3 2019, total risk-weighted assets (RWAs) also increased, at a slower rate, by 2.4%.

Profit & profitability

Pre-tax profit grew by 11.2% in Q3 2019 compared to the same period of 2018 (see table 1). Consequently, the weighted average profitability ratio also increased from 39% in Q3 2018 to 40.9% in Q3 this year (see table 3a). The median profitability ratio exhibited a similar trend, with profitability improving from a previous level of 39.3% to 40.0% in Q3 2019 (see table 3b).

Income, expenses & cost/income

In Q3 2019, operating income increased by 3.9% compared to the same period in 2018, however operating expenses rose at a higher level of 7.9%. This resulted in escalation of the weighted average cost/income ratio, which expanded to 49.0% in the third quarter of 2019. Median cost/income ratio also showed an increase in Q3 2019 to 48.2%, which maintained a relatively similar level to that observed in the first quarter of this year.

Loan loss provision & cost of risk

Loan loss provisions in Q3 2019 decreased significantly compared to the same period a year ago, shrinking by 32%. As a result, the average annualised cost of risk dropped from 0.50% in Q3 last year to 0.34% in Q3 2019, the lowest level seen so far this year. However, when excluding the impact of large outlier values, the median cost of risk for the third quarter was less optimistic, with a moderately higher level of 0.38% in this year's third quarter.

RoA and RoE[1] indicators

The weighted average RoA ratio and RoE index improved in Q3 2019 in comparison with Q3 2018 with RoA reaching the level of 1.5%. In terms of median indicators, however, RoA remained relatively stable during this quarter, averaging 1.3%, while RoE increased.

Patrick Beselaere, Global Head ING Lease, commented that, *"Despite some economic headwinds during the first half of this year, the European leasing industry managed to perform relatively well in the third quarter. As the cost/income ratios continue to increase, going forward lessors should be cautious when it comes to rising operating expenses. Economic growth, together with investment, is expected to remain subdued for the rest of the year and going into 2020, setting the stage for potentially challenging market dynamics for the year ahead. Lessors will need to focus on our core strengths in order to continue outperforming the market."*

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[1] In order to ensure a feasible and comparable data collection across our sample, 10.5% 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 2018 – Q3 2019[2]

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2019 Q3		2019 Q2		2019 Q1	
	Sum of values (€ millions)	% change versus Q3 2018	Sum of values (€ millions)	% change versus Q2 2018	Sum of values (€ millions)	% change versus Q1 2018
1. Operating income	2,618	3.9%	2,646	-0.05%	2,660	3.8%
2. Operating expenses	1,324	7.9%	1,387	15.8%	1,307	5.5%
3. Loan loss provision	240	-32.0%	292	80.7%	239	12.6%
4. Pre-Tax Profit	1,045	11.2%	976	-23.4%	1,113	0.2%
5. RWA at end of period	199,865	2.4%	197,382	3.4%	196,908	4.3%
6. Portfolio at end of period	283,011	4.7%	278,574	3.4%	278,753	5.0%
7. New business volumes	28,064	7.0%	28,890	-0.5%	25,710	4.4%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2018 Q4		2018 Q3		2018 Q2		2018 Q1	
	Sum of values (€ millions)	% change versus Q4 2017	Sum of values (€ millions)	% change versus Q3 2017	Sum of values (€ millions)	% change versus Q2 2017	Sum of values (€ millions)	% change versus Q1 2017
1. Operating income	2,575	3.5%	2,521	0.8%	2,648	2.9%	2,563	1.9%
2. Operating expenses	1,239	-6.1%	1,227	3.0%	1,198	1.0%	1,239	6.2%
3. Loan loss provision	212	-2.0%	353	73.7%	161	-2.1%	212	18.4%
4. Pre-Tax Profit	1,110	16.3%	940	-15.8%	1,275	4.5%	1,110	-5.7%
5. RWA at end of period	193,913	5.3%	195,774	12.2%	190,916	5.3%	188,752	4.4%
6. Portfolio at end of period	275,710	6.9%	271,671	6.3%	269,290	5.6%	265,428	3.8%
7. New business volumes	24,616	-9.7%	26,222	7.3%	29,048	9.1%	24,616	2.4%

Table 2: Aggregate Data, 2015 – 2018 Annual[3]

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2018		2017		2016		2015	
	Sum of values (€ millions)	% change versus 2017	Sum of values (€ millions)	% change versus 2016	Sum of values (€ millions)	% change versus 2015	Sum of values (€ millions)	% change versus 2014
1. Operating income	10,290	1.9%	10,094	-0.4%	10,137	3.5%	9,795	8.3%
2. Operating expenses	5,021	3.5%	4,849	1.0%	4,802	6.6%	4,506	4.2%
3. Loan loss provision	1,017	34.7%	755	-57.5%	1,775	42.4%	1,247	-30.2%
4. Pre-Tax Profit	4,234	-6.0%	4,504	25.0%	3,605	-11.0%	4,050	37.2%
5. RWA at end of period	193,893	4.6%	185,362	3.1%	179,735	0.6%	178,706	3.4%
6. Portfolio at end of period	275,698	6.0%	260,034	2.3%	254,217	3.1%	244,355	2.1%
7. New business volumes	108,910	6.5%	102,247	4.5%	97,846	7.5%	91,023	10.1%

[2] Historical figures have been revised slightly since the results were last published due to re-statements by some reporting companies.
[3] The aggregate annual data are shown here as reported in the Q1 2019 survey.

Table 3a: Weighted Average Ratios, 2018 – Q3 2019[4]

Weighted Average Ratios	2019			2018				
	Q3 2019	Q2 2019	Q1 2019	2018 Full Year	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Profitability (%) - pre-tax profit as a % of total operating income	40.9%	41.2%	40.6%	**41.9%**	36.4%	39.0%	48.8%	43.3%
Cost/Income (%) - operating expenses as a % of operating income	49.0%	49.3%	49.1%	**48.5%**	52.3%	48.6%	44.6%	49.0%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.34%	0.42%	0.35%	**0.38%**	0.43%	0.50%	0.24%	0.32%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	1.5%	1.4%	1.6%	**1.6%**	1.4%	1.4%	1.9%	1.7%
Return on Equity (index, 2011=100)* - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	158	153	166	**167**	143	148	201	176

Table 3b: Median Ratios, 2018 – Q3 2019

Median Ratios	2019			2018				
	Q3 2019	Q2 2019	Q1 2019	2018 Full Year	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Profitability (%) - pre-tax profit as a % of total operating income	40.0%	43.5%	42.0%	**39.5%**	37.1%	39.3%	47.6%	47.6%
Cost/Income (%) - operating expenses as a % of operating income	48.2%	45.8%	48.3%	**47.4%**	51.3%	44.7%	44.7%	47.4%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.38%	0.23%	0.30%	**0.3%**	0.27%	0.34%	0.19%	0.29%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	1.3%	1.4%	1.3%	**1.5%**	1.1%	1.5%	2.1%	1.5%
Return on Equity (index, 2011=100)* - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	116	114	112	**119**	119	114	167	123

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

[4] The profitability and cost/income ratios are weighted by new business volumes, while the cost of risk, RoA and RoE ratio are weighted by the aveage portfolio over the relevant period. For example, each company's individual profitability ratio is weighted by its new business over the period Q3 2019 to arrive at the weighted average ratio of 40.9% shown in the table.

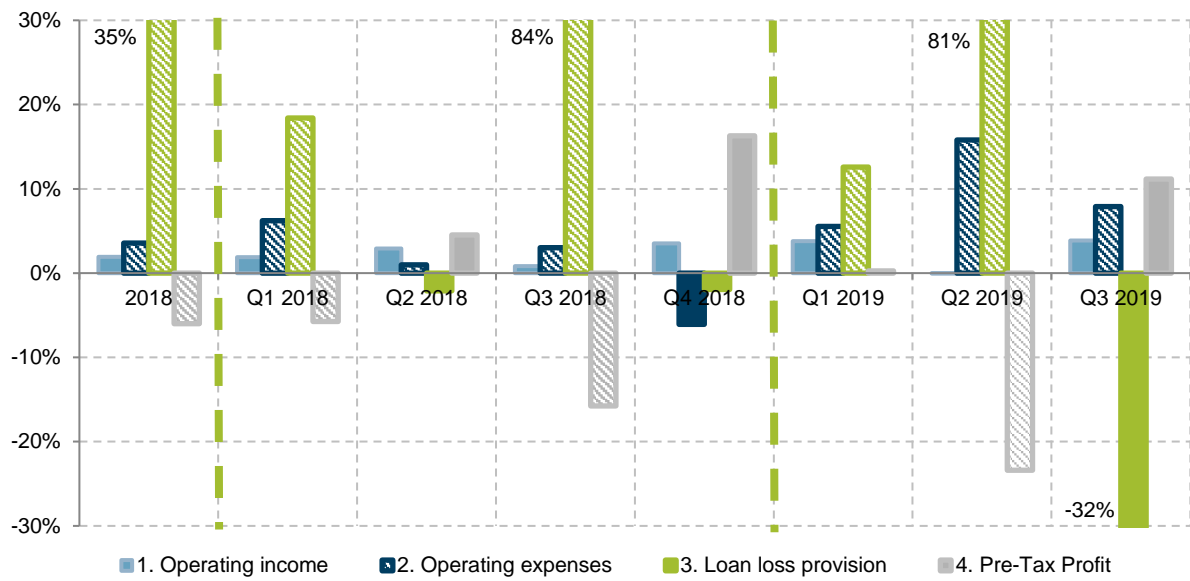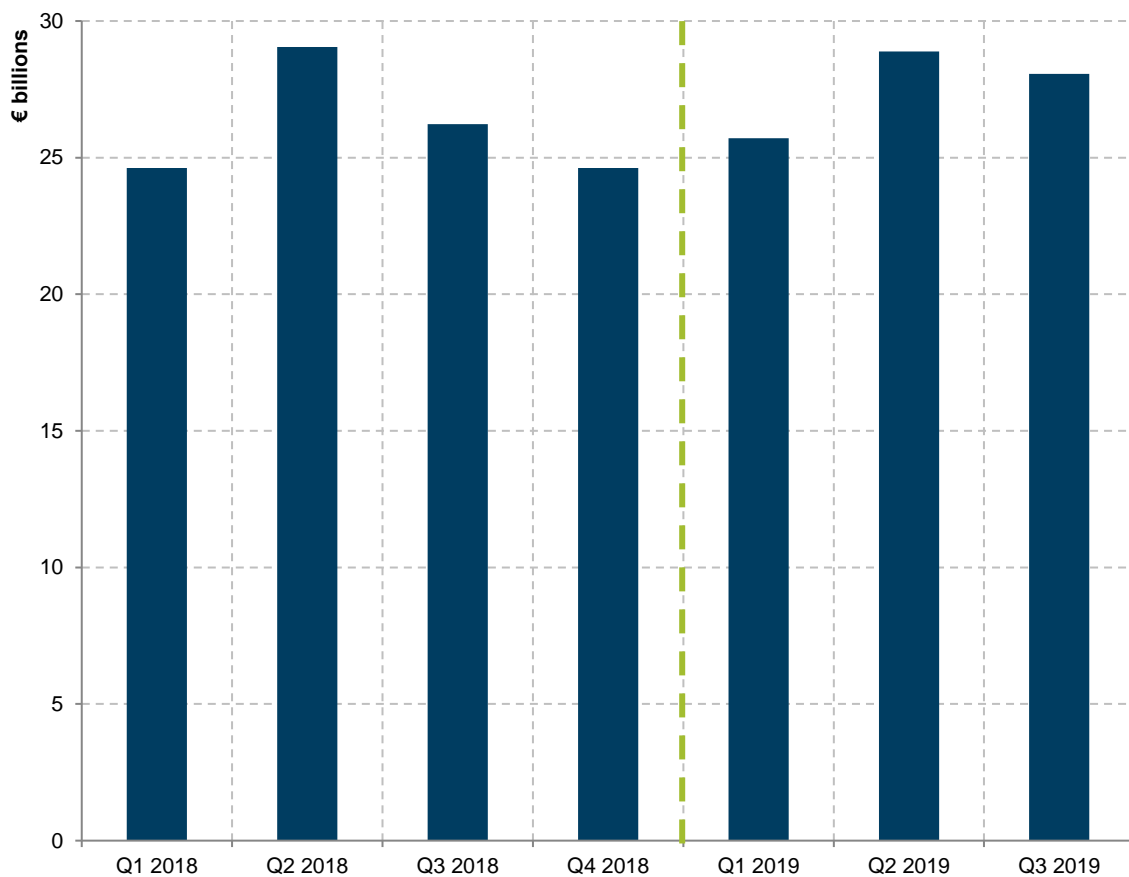## Fig. 1: Growth Rates of Financial Indicators, 2018 – Q3 2019[5]

Legend: ■ 1. Operating income ■ 2. Operating expenses ■ 3. Loan loss provision ■ 4. Pre-Tax Profit

Fig. 2: New Business Volumes, Q1 2018 – Q3 2019

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[5] A thick border around an individual bar in the chart is illustrative of a negative development in the indicator.
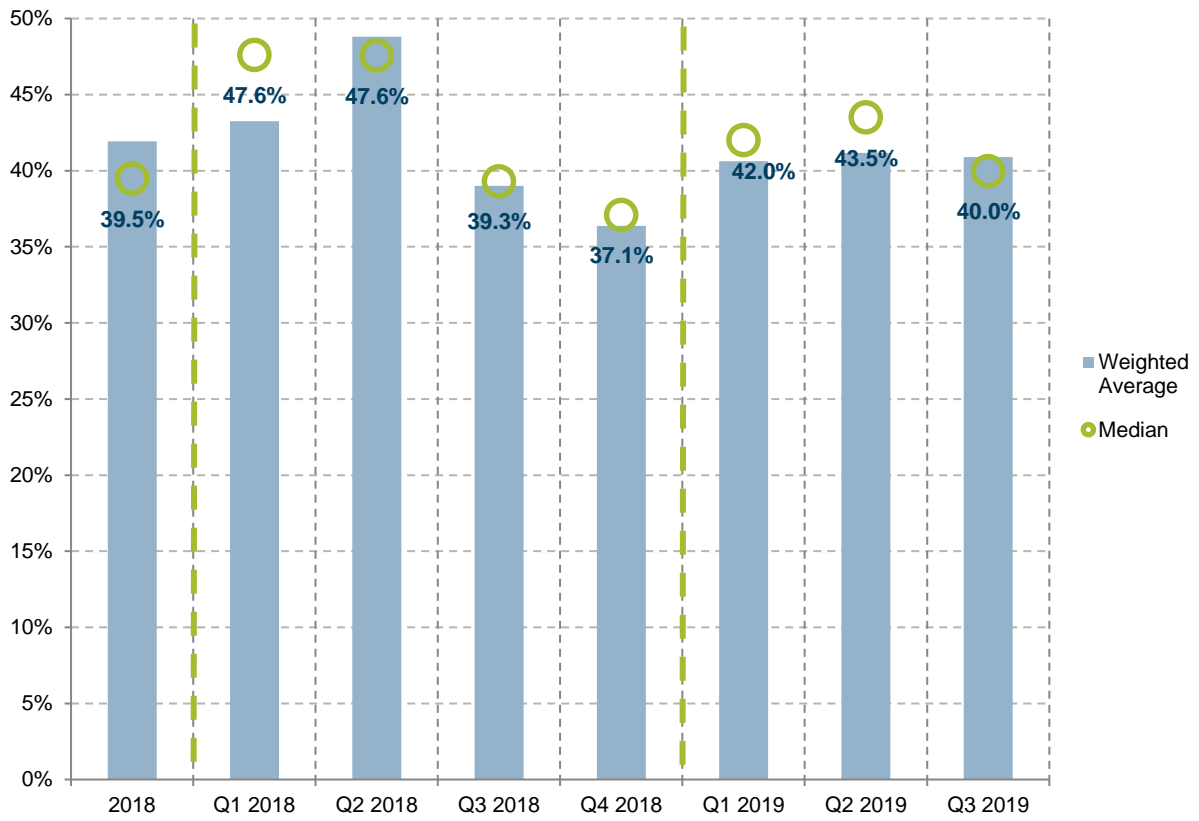
Fig. 3: Profitability Ratio, 2018 – Q3 2019

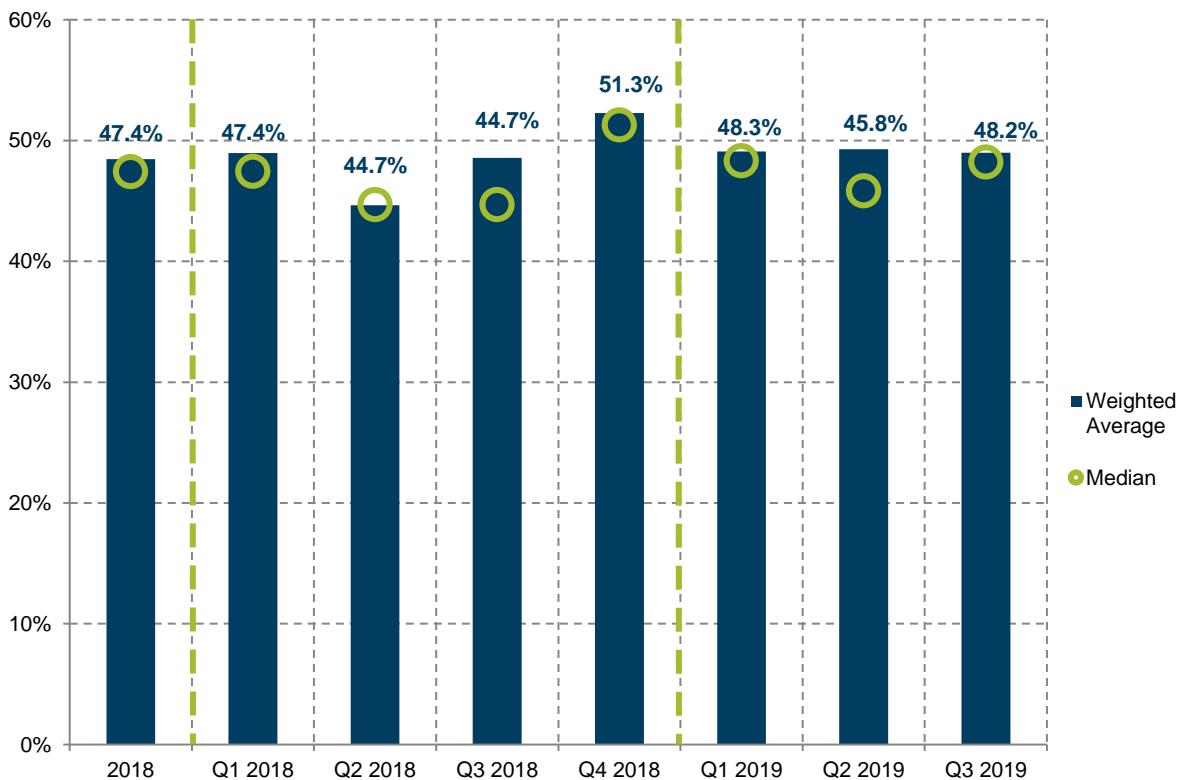
Fig. 4: Cost / Income Ratio, 2018 – Q3 2019

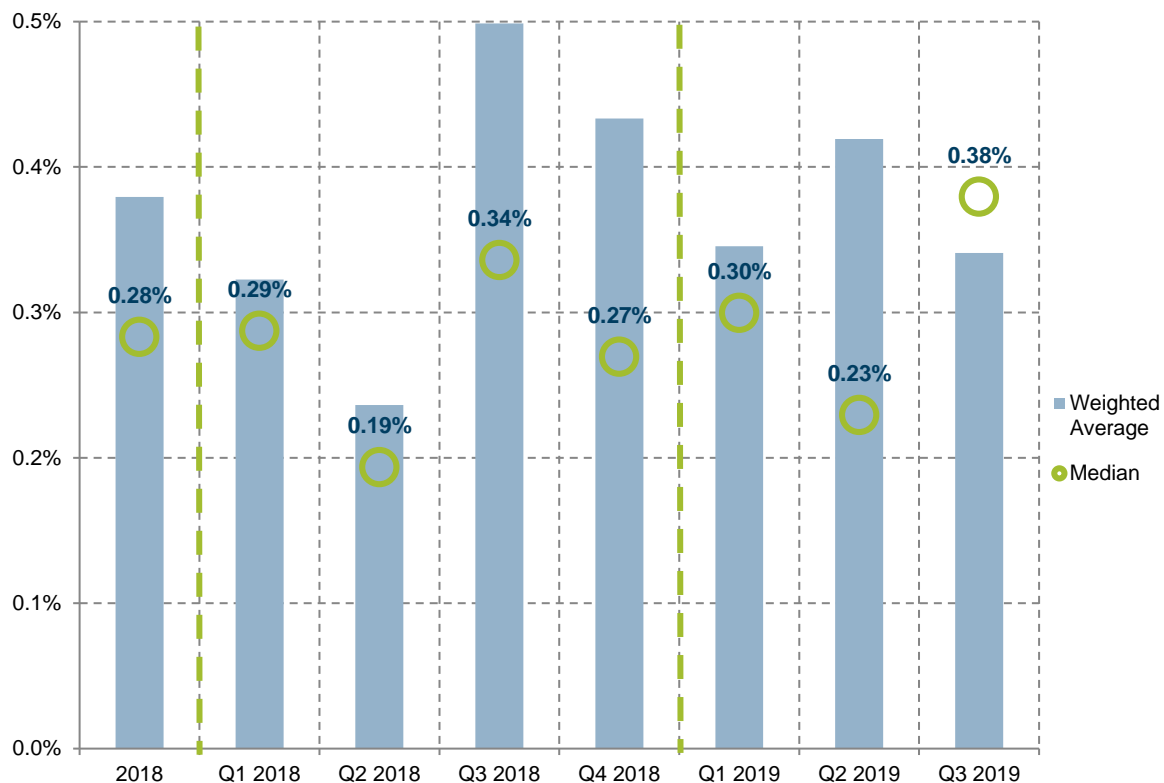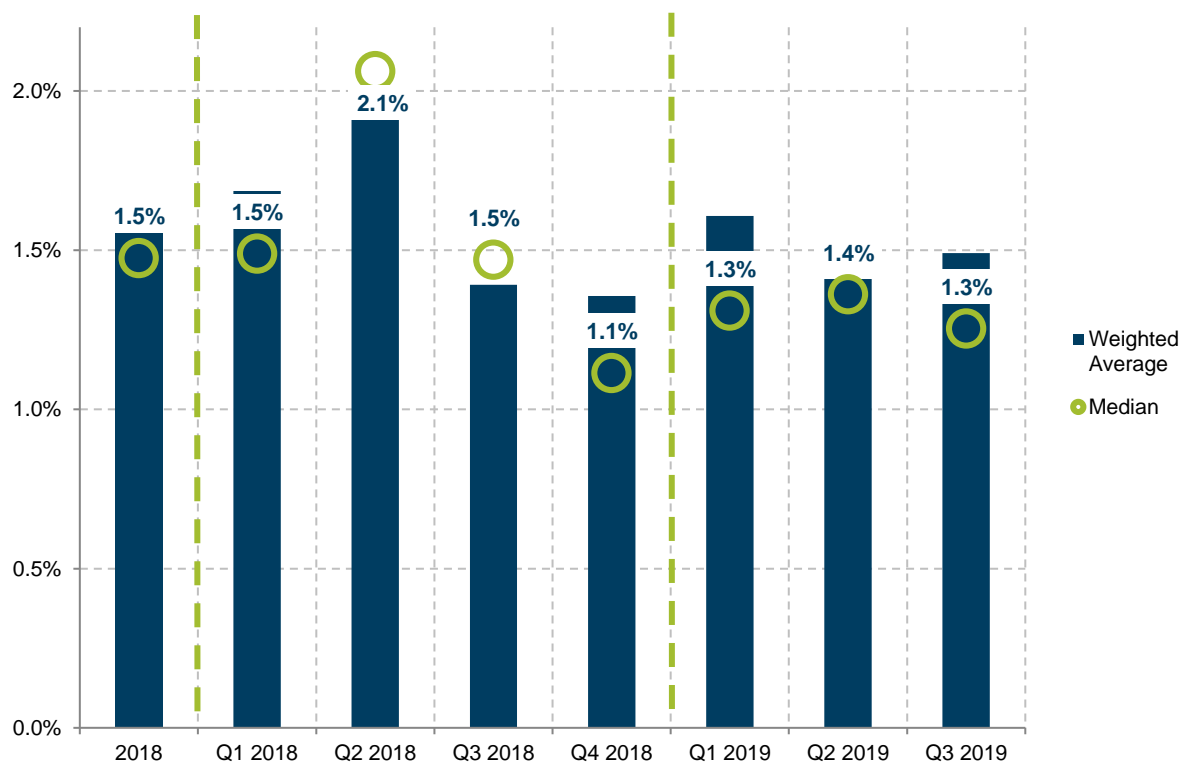## Fig. 5: Cost of Risk Ratio[6], 2018 – Q3 2019

Fig. 6: Return on Assets Ratio, 2018 – Q3 2019

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[6] The weighted average ratios for cost of risk can be heavily affected by outlier values in a minority of the sample.

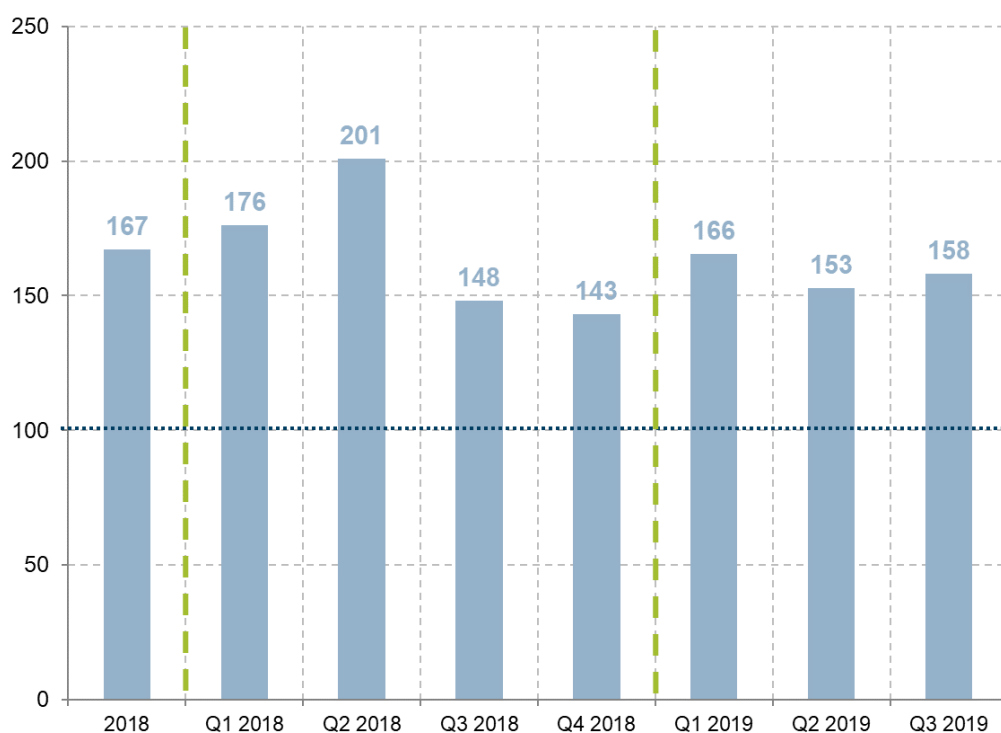## Fig. 7: Return on Equity Ratio, 2018 – Q3 2019

Table 4: Quartiles[7] for Ratios in Q3 2019

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-132.8%	14.3%	-0.21%	-1.5%
Quartile 1 (25%)	31.8%	37.5%	0.18%	0.9%
Quartile 2 (50%) i.e. median	40.0%	48.2%	0.4%	1.3%
Quartile 3 (75%)	51.1%	52.7%	0.68%	2.1%
Maximum	76.5%	136.0%	1.42%	5.6%
Weighted Average	40.9%	49.0%	0.3%	1.5%

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[7] 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 (75th 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.

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About Leaseurope

As a Federation, Leaseurope brings together 45 associations throughout Europe representing either the leasing, long term and/or short term automotive rental industries. The scope of products covered by Leaseurope members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 93% of the European leasing market. Find out more at www.leaseurope.org.

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 10.5% 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 Asset Based Finance N.V., 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.

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 EU28 + 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.