

FOR IMMEDIATE RELEASE

PRESS RELEASE

LEASEUROPE INDEX LATEST RESULTS: Q3 2018

Brussels 17 December 2018 – 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 2018 is the 31st edition of the survey.

The weighted average ratios deteriorated in the third quarter of 2018 compared to the same quarter of 2017. The trend in median ratios (i.e. for the ‘typical’ company in the sample) was similar. However, the indicators showed more stability in the median ratios, with the cost/income ratio improving while the cost of risk and return on assets only saw very small changes.

Total new leasing volumes reported by the sample of firms grew by 7.7% compared to Q3 2017, reaching €26.3 billion. The portfolio of outstanding contracts also grew in Q3 2018, increasing by 6.6%, while risk-weighted assets rose by 5.3%.

Profit & profitability

There was a significant decrease in pre-tax profits, which contracted by -17.2% in Q3 2018 compared to the same quarter of one year ago (see table 1). As a consequence, the average profitability ratio also decreased from 45.0% in Q3 2017 to 38.3% in Q3 2018 (see table 3). This can be explained partially by the outlier effect, as a small portion of the sample of firms showed a negative profit due to high loan loss provisions.

Income, expenses & cost/income

Compared to the same period in 2017, operating income grew by 1.3% in Q3 2018, while operating expenses increased by 4.1%. Due to the larger cost escalation, the average cost/income ratio increased to 48.5% in Q3 2018, compared to 46.5% in Q3 2017. Looking at the median ratio however, the cost/income ratio dropped by -2.0% over this time period, indicating that the outlier effect has an impact here too.

Loan loss provision & cost of risk

Loan loss provisions in Q3 2018 increased substantially by 84.2% compared to Q3 2017. It is important to note that this escalation is partly a result of extremely low loan loss provisions in 2017, as well as some temporary changes in accounting due to IFRS 9 implementation. As a result of this increase, the average annualised cost of risk increased to 0.50%. However, when excluding the impact of large outlier values, the median cost of risk for the second quarter is lower at 0.34%.

RoA and RoE indicators

Median RoA decreased somewhat in this quarter, reaching 1.4% in the third quarter of 2018, compared to 1.7% in Q3 2017. RoE¹ also declined during this time, as can be seen in the index in table 3a.

Miranda Stokkingreef, CEO of ABN AMRO Asset Based Finance, commented on the results: *“Looking at the development of the Leaseurope Index over the last few years, it is striking to see that new business volumes for leasing have increased every quarter since 2014, and continues to do so in Q3 2018, despite the fact that 2017 was already a very strong year for the industry. However, the profitability and cost/income ratios saw negative developments, therefore lessors should keep a close eye on operating costs and provisions. Low growth of operating income also suggests that new business growth is occurring at the expense of margins. The European economy is forecast to expand - albeit moderately - over the next year and we see a steady increase in the use of leasing, the industry outlook still remains positive.”*

¹ 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, Q2 2017 – Q3 2018²

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2018 Q3		2018 Q2		2018 Q1	
	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	2,534	1.3%	2,647	2.9%	2,564	1.8%
2. Operating expenses	1,230	4.1%	1,199	0.4%	1,240	6.1%
3. Loan loss provision	374	84.2%	161	-2.6%	189	5.8%
4. Pre-Tax Profit	929	-17.2%	1,275	4.6%	1,133	-3.9%
5. RWA at end of period	184,691	5.3%	191,528	5.1%	188,938	4.0%
6. Portfolio at end of period	272,350	6.6%	269,365	6.0%	264,445	4.0%
7. New business volumes	26,324	7.7%	29,027	9.0%	24,985	4.3%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2017 Q4		2017 Q3		2017 Q2	
	Sum of values (€ millions)	% change versus Q4 2016	Sum of values (€ millions)	% change versus Q3 2016	Sum of values (€ millions)	% change versus Q2 2016
1. Operating income	2,496	-2.7%	2,500	-2.7%	2,572	2.0%
2. Operating expenses	1,330	-2.1%	1,182	4.1%	1,194	4.9%
3. Loan loss provision	215	-76.8%	203	-39.5%	165	-50.5%
4. Pre-Tax Profit	961	237.4%	1,123	1.2%	1,219	15.1%
5. RWA at end of period	185,885	3.1%	177,944	-1.1%	181,785	0.6%
6. Portfolio at end of period	260,326	2.9%	259,267	3.8%	256,149	3.1%
7. New business volumes	27,210	4.3%	24,437	2.3%	26,618	2.1%

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

Table 2: Aggregate Data, 2014 – 2017 Annual³

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2017		2016		2015		2014	
	Sum of values (€ millions)	% change versus 2016	Sum of values (€ millions)	% change versus 2015	Sum of values (€ millions)	% change versus 2014	Sum of values (€ millions)	% change versus 2013
1. Operating income	10,105	-0.3%	10,137	3.5%	9,795	8.3%	9,043	7.4%
2. Operating expenses	4,879	1.6%	4,802	6.6%	4,506	4.2%	4,324	3.7%
3. Loan loss provision	752	-57.6%	1,775	42.4%	1,247	-30.2%	1,788	-37.8%
4. Pre-Tax Profit	4,505	25.0%	3,605	-11.0%	4,050	37.2%	2,951	114.4%
5. RWA at end of period	186,860	3.6%	180,323	0.6%	179,281	3.2%	173,804	-3.0%
6. Portfolio at end of period	260,467	3.0%	253,002	2.8%	244,355	2.1%	239,337	2.3%
7. New business volumes	101,767	4.0%	97,846	7.5%	91,023	10.1%	82,707	9.0%

Table 3a: Weighted Average Ratios, 2017 – Q3 2018⁴

Weighted Average Ratios	2018			2017				
	Average Q3 2018	Average Q2 2018	Average Q1 2018	Average 2017 Full Year	Average Q4 2017	Average Q3 2017	Average Q2 2017	Average Q1 2017
Profitability (%) - average of all companies' pre-tax profit as a % of total operating income	38.3%	48.5%	44.1%	44.0%	35.3%	45.0%	47.2%	46.6%
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	48.5%	44.7%	48.8%	48.4%	55.5%	46.5%	46.3%	46.5%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.50%	0.24%	0.29%	0.29%	0.33%	0.31%	0.26%	0.28%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.4%	1.9%	1.7%	1.8%	1.5%	1.7%	1.9%	1.9%
Return on Equity (2011=100)* - index of all companies' net profit before tax (annualised) as a percentage of 8% of total risk weighted assets over the period	156	201	180	184	152	189	198	188

* 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.

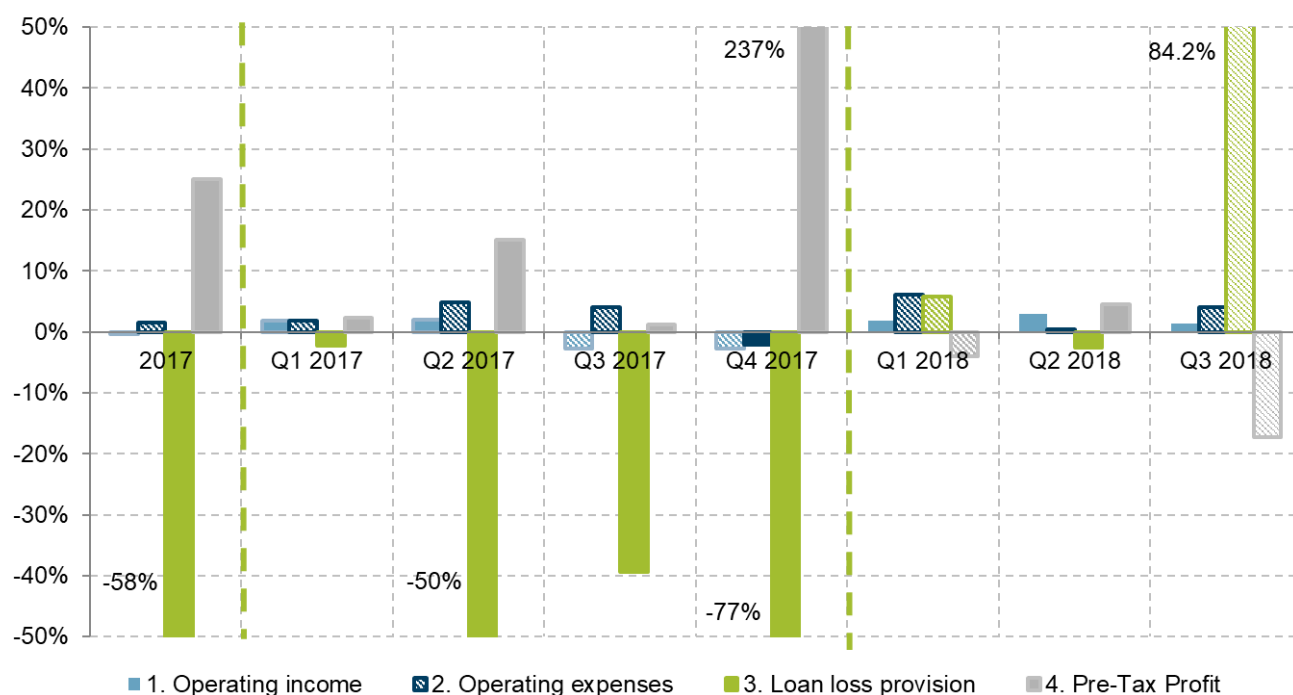
³ The aggregate annual data are shown here as reported in the Q4 2017 survey.

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 average portfolio over the relevant period. For example, each company's individual profitability ratio is weighted by its new business over the period Q3 2018 to arrive at the weighted average ratio of 38.3% shown in the table.

Table 3b: Median Ratios, 2017 – Q3 2018

Median Ratios	2018			2017			
	Q3 2018	Q2 2018	Q1 2018	2017 Full Year	Q4 2017	Q3 2017	Q2 2017
Profitability (2011=100)* - index of all companies' pre-tax profit as a percentage of total operating income	102	133	124	128	106	112	118
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	43.8%	43.4%	47.4%	46.9%	49.9%	45.7%	44.5%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.34%	0.19%	0.26%	0.20%	0.21%	0.23%	0.20%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.4%	2.1%	1.5%	1.6%	1.2%	1.5%	1.7%
Return on Equity (2011=100)* - index of all companies' net profit before tax (annualised) as a percentage of 8% of total risk weighted assets over the period	99	134	99	142	81	116	108

Fig 1: Growth Rates of Financial Indicators, 2017 – Q3 2018⁵



⁵ A thick border around an individual bar in the chart is illustrative of a negative development in the indicator. The outlier effect can heavily affect these ratios, in Q3 2018 the implementation of new accounting standards has influenced the Loan Loss Provisions for a few companies in the sample.

Fig. 2: New Business Volumes, Q1 2017 – Q3 2018

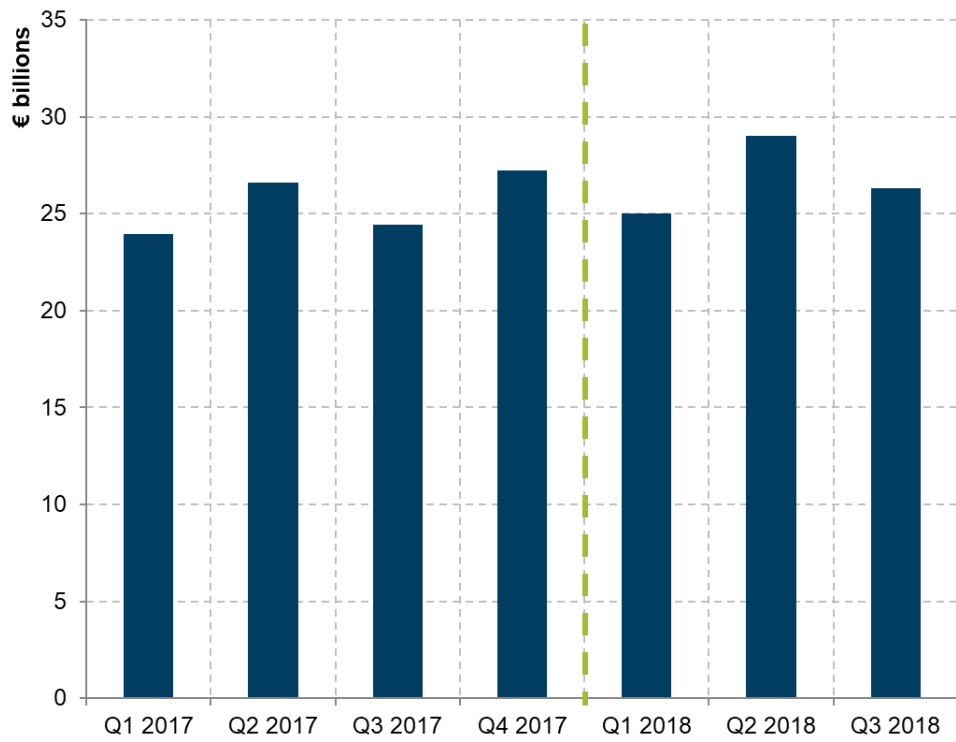


Fig. 3: Profitability Ratio, 2017 – Q3 2018

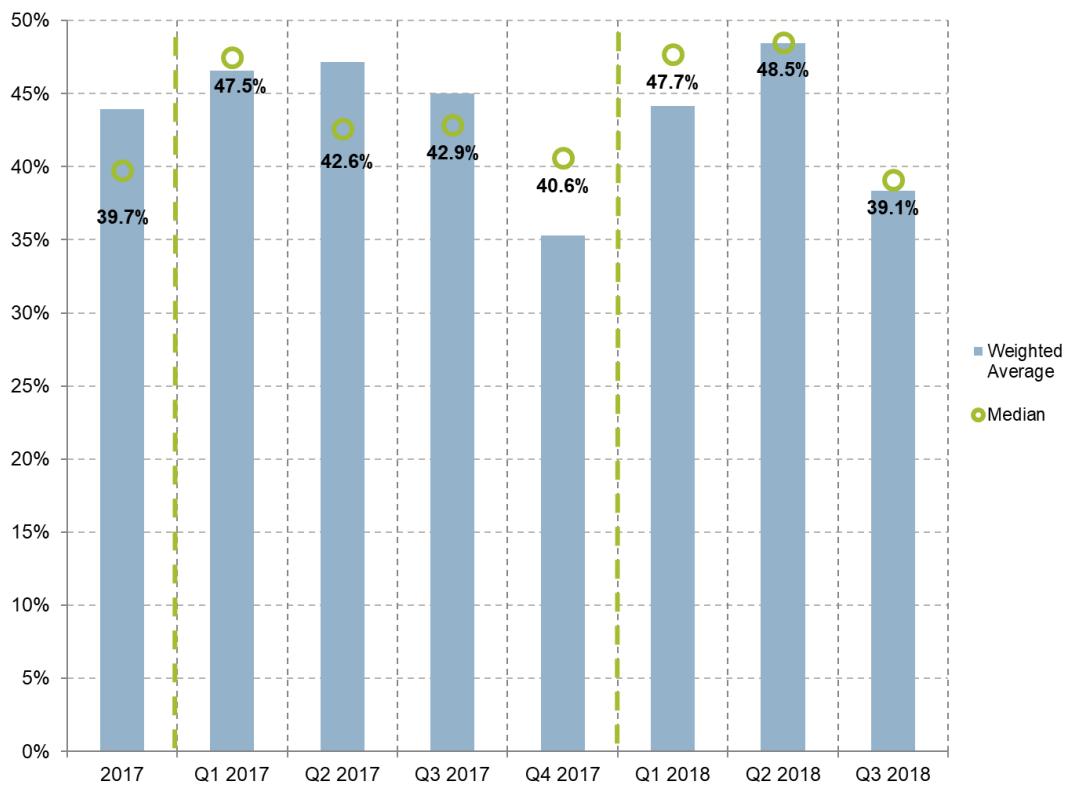


Fig. 4: Cost / Income Ratio, 2017 – Q3 2018

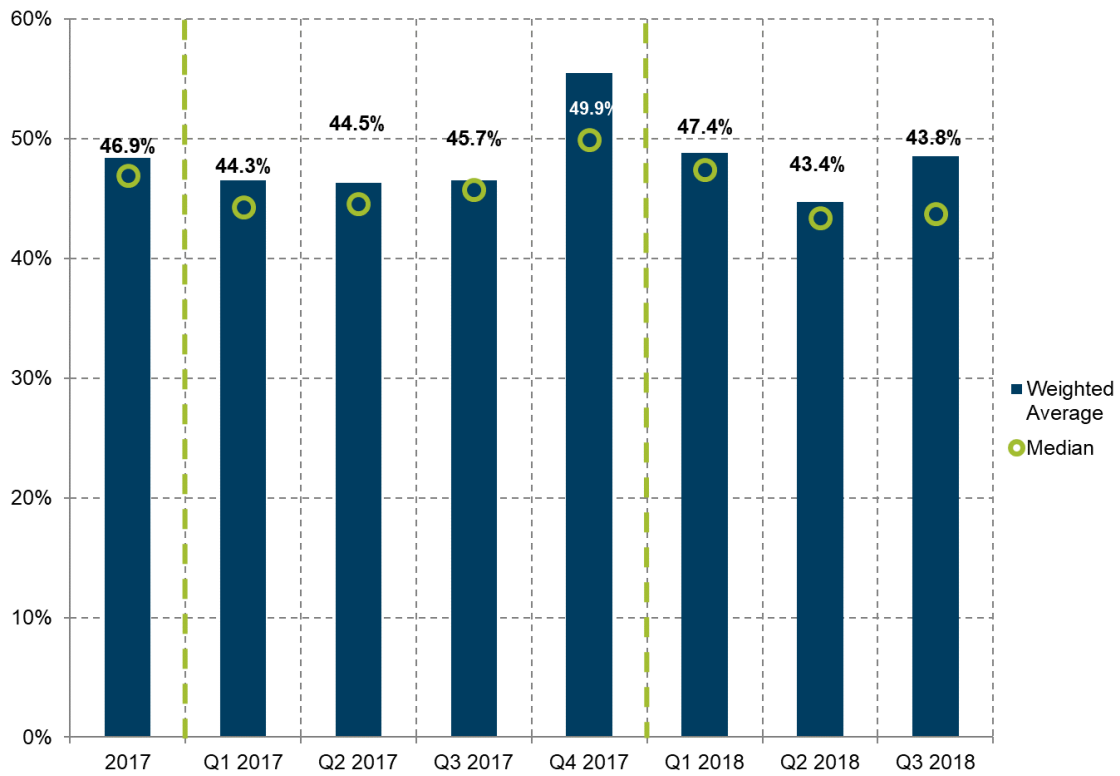
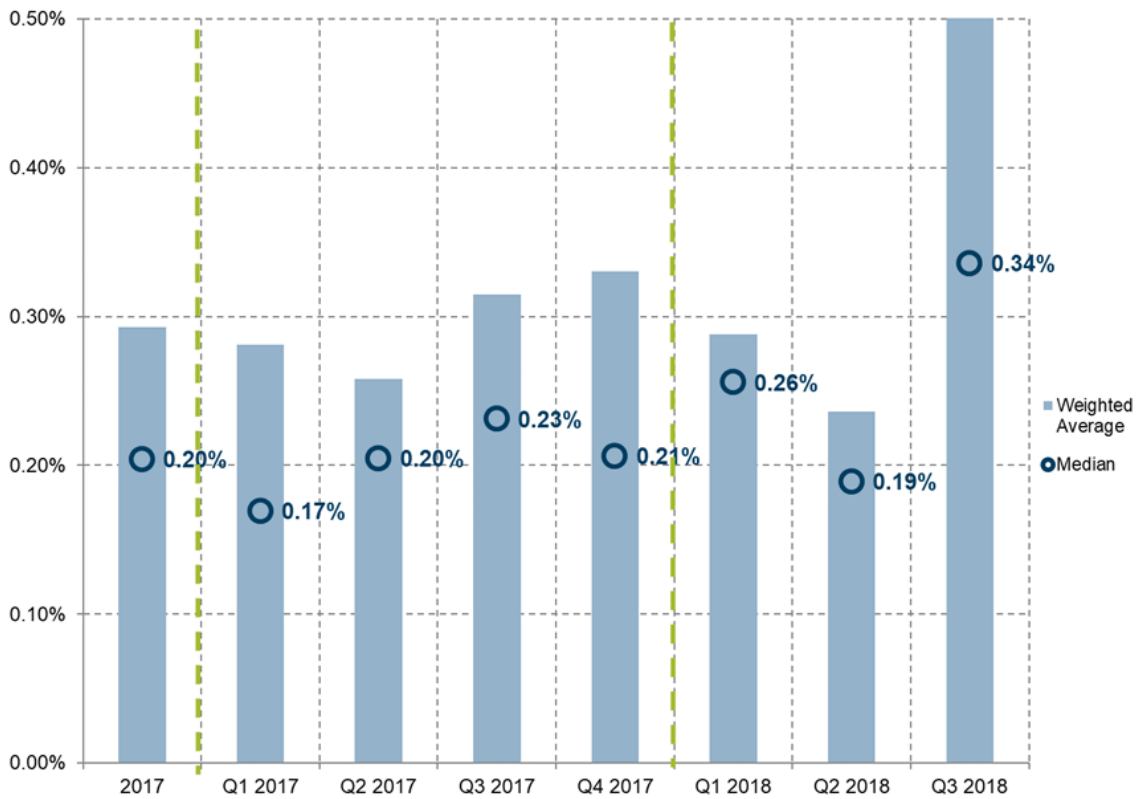


Fig. 5: Cost of Risk Ratio⁶, 2017 – Q3 2018



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

Figure 6: Return on Assets Ratio, 2017 – Q3 2018

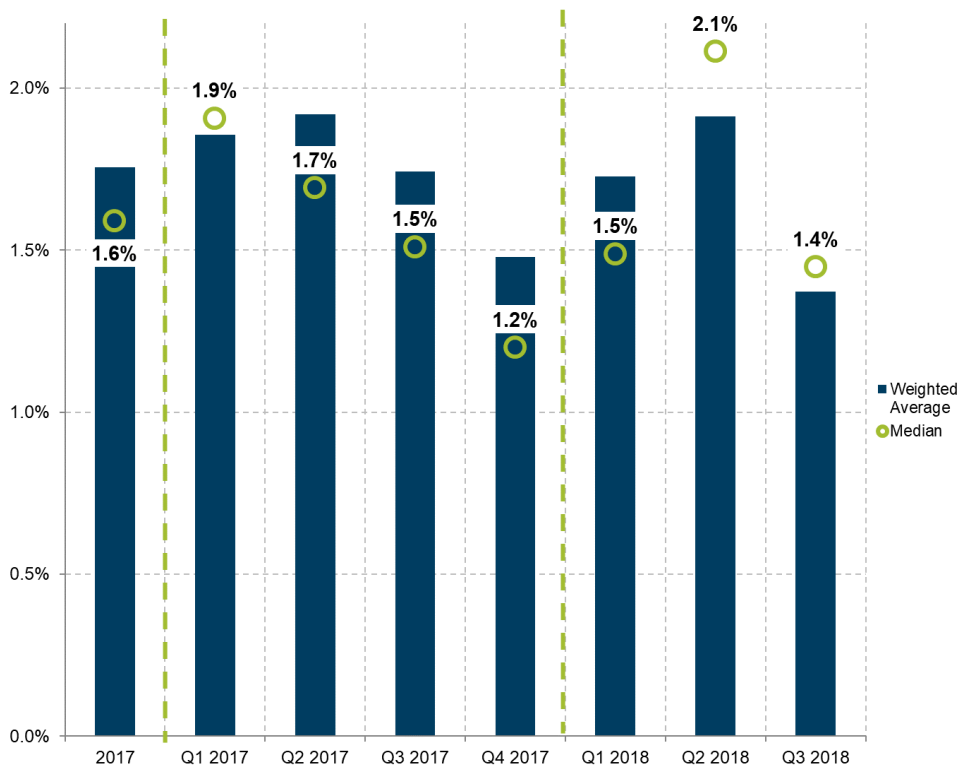


Figure 7: Return on Equity Index, 2015 – Q3 2018

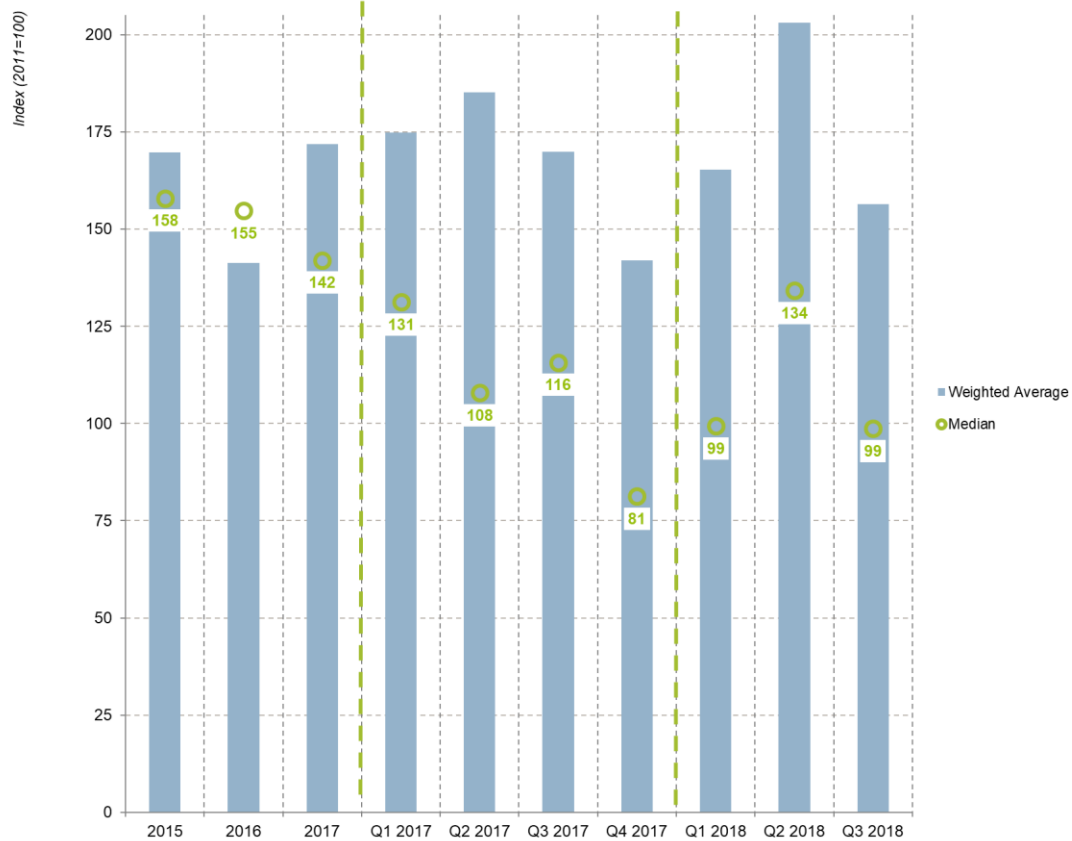


Table 4: Quartiles⁷ for Ratios in Q3 2018

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-161.5%	15.8%	0.01%	-3.8%
Quartile 1 (25%)	27.6%	35.0%	0.22%	1.0%
Quartile 2 (50%) i.e. median	39.1%	43.8%	0.34%	1.4%
Quartile 3 (75%)	49.2%	51.8%	0.75%	1.7%
Maximum	67.1%	73.6%	5.59%	4.7%
Weighted Average	38.3%	48.5%	0.50%	1.4%

-END-

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.

Media Contact

For further information, please contact:

Anne Valette
Head of Communications
+32 2 778 05 65
a.valette@leaseurope.org

Linda Rydén
Adviser in Statistics and Economic Affairs
+32 2 2778 05 74
l.ryden@leaseurope.org

About Leaseurope

As a Federation, Leaseurope brings together 46 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.

Leaseurope's mission is to effectively represent the European industry with a united voice vis-à-vis European and international policymakers, be the catalyst for European-level research in the field of leasing and automotive rental and provide leasing companies in Europe with the platforms they need to meet their peers from other countries. In particular, thanks to Leaseurope's **Research Programme**, Leaseurope ensures that the leasing industry is provided with up-to-date and comprehensive market data, research studies and publications on the trends and developments of the leasing and automotive rental industry. More information on the Leaseurope Research Programme [here](#).

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 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 Banca Impresa, 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 [2017 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.