MOVING FORWARD IN A NEW LANDSCAPE FOR LEASING

Industry Leaders’ Outlook
April 2011
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Leaseurope brings together 45 member associations representing the leasing, long term and/or short term automotive rental industries in the 33 European countries in which they are present. The scope of products covered by Leaseurope’s members ranges from hire purchase and finance leases to operating leases of all asset categories (automotive, equipment and real estate) and includes the short term rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 93% of the total European leasing market and the firms represented via its member associations granted new leasing volumes of over 209 billion in 2009.

The Federation’s mission is to represent the European leasing and automotive rental industry, ensuring the sector’s voice is heard by European and international policy makers. Leaseurope also seeks to promote the leasing and automotive rental products and produces European level statistics describing the markets it represents.

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As we begin to emerge from one of the most significant financial and economic crisis, the leasing industry is looking towards the future, while taking stock of lessons learnt.

Leasing companies are adapting to the new environment with new business models and value propositions. This is triggering fundamental changes for the leasing industry.

In order to assess the scope and long-term implications of these changes, Leaseurope – the voice of the leasing industry at European level – decided to sound the opinion of the CEOs of a number of major market players.

The CEOs were invited to answer the following questions:
01. What are the most significant changes that have impacted the industry in the past two years?
02. What are the biggest threats/challenges the industry has to face going forward?
03. What are the advantages of/strengths of/opportunities for the industry going forward?
04. How much of a difference does legislation developed in Brussels and at international level have on your business?
05. What will the industry look like in 5 years?
06. If you could change one thing about the business, what would it be?
07. What keeps you awake at night when it comes to your industry?

Their insightful answers contribute to a better understanding of the ongoing transformation of our industry.

As such this Leaseurope publication is fully in line with the Federation’s strategic objectives to act as a catalyst for leasing-related research and to encourage knowledge sharing among market players. We plan to carry out a similar exercise every two years.

Sincere thanks to the contributors and happy reading to all who enjoy strategic thinking.

Tanguy van de Werve
Alex Baldock is Managing Director of Lombard, the asset finance division of The Royal Bank of Scotland Group Plc.

Alex Baldock joined Lombard in 2008 from Barclays, where he was most recently Commercial Director of Barclays Commercial Bank, running all the UK SME frontline sales and service teams. Previously, he ran eight of the Larger Corporate teams.

Alex Baldock has strong business management credentials having worked for thirteen years as a management consultant at Bain & Company, Ernst & Young and Dentsu with a wide range of blue chip companies. He has also acted as senior strategy advisor at the BBC and to Shadow Chancellor Michael Portillo MP.

Alex Baldock is a scholar of Worcester College, Oxford, where he graduated with a double first MA Hons.

He has been a member of the Leaseurope Board of Directors since December 2010.
The financial and economic crash of 2008, the worst economic crisis in 75 years, sent shockwaves throughout the industry and, not surprisingly, had significant repercussions for the financial services sector as a whole, one of the most enduring being the withdrawal of lending from the banking sector and its impact on the way businesses approach capital investment.

For the last two years many businesses have been under pressure to reduce spending on capital equipment and, in so doing, some have extended essential equipment replacement cycles. As a result, in the UK at least, there are companies that find themselves six years into a four year replacement cycle, just at the point where they need to be competitively equipped to take advantage of any upturn in growth.

However, not all has been doom and gloom. The very nature of asset finance means that the security is in the product being funded and therefore we have not been constrained in the same way as other financial organisations that have been asked to fund unsecured loans or take other forms of security such as property. As a result, we have seen examples of existing asset finance funded businesses that have continued to invest, with some actually increasing their use of asset financing programmes.

There is further indication of the resilience of the sector from industry figures. The Financing and Leasing Association (FLA) reported in 2009, at the height of the recession, that its members were providing funding to nearly three quarters of a million SMEs. So while we were undoubtedly affected by the economic downturn and have seen stagnation from some business sectors, we weren’t affected as badly as other sectors of the financial services industry.

Despite the contraction of the UK economy in the final quarter of 2010, many analysts continue to believe that we have avoided a ‘double dip’ recession and that over the next year we shall see some firmer signs of recovery. The Governor of the Bank of England agrees, stating that although we shall experience some ‘choppy’ times ahead, the economy is “well placed to return to sustained, balanced growth”.

The views of business leaders from around the globe offers still more optimism. PwC has released a survey of global executives across 69 countries ahead of the World Economic Forum (WEF) in Davos which stated that over half of all bosses polled said they were confident that their businesses will grow in 2011.

So with businesses emerging from what PwC Chairman, Dennis Nally, refers to as a ‘bunker mentality’, the first steps above ground should be investment in the resources and the equipment needed to sustain this growth. Certainly economists and politicians have identified the significance of businesses having access to funding to support the recovery of UK business and its role in equipping these businesses to respond to a changing environment.

The greatest challenge and opportunity for the asset finance industry is to communicate the significant benefits offered by this form of funding and to encourage more businesses to consider asset finance when investing in new capital equipment.
Our second challenge has also come about as a result of the recession. As regulators look to stabilise the banking and financial services industries, we have to get to grips with new regulation. For example, Basel III will put even more pressure on the banks in terms of the amount of capital they hold than Basel 2 has. The exact framework is yet to be agreed, but the challenge will be in striking a balance between strengthening banks’ capital and liquidity positions, as well as re-establishing confidence in the sector, and imposing excessive increases that restrict economic growth. The latter isn’t in anyone’s interests, particularly the businesses that need to invest to secure the future of the UK and the wider European community within the global economy.

“The greatest challenge and opportunity for the asset finance industry is to communicate the significant benefits offered by this form of funding and to encourage more businesses to consider asset finance when investing in new capital equipment.”

As confidence returns to the UK and global economies, we shall see greater potential for asset finance in supporting businesses on the road to recovery. In the past there has been an under-utilisation of asset finance – only 20% of total capital expenditure in the UK is financed in this way.

However, as an industry it is essential that asset finance providers stop being modest about what they have to provide, become much more prominent in informing customers of the benefits of this form of funding and communicate in a transparent way that secures broad comprehension.

Recent Lombard research indicated to us that many potential customers simply do not understand the advantages to be gained from this form of finance. There is a tremendous opportunity to broadcast what asset finance has to offer and, in so doing, reach the 80% that currently don’t use this form of funding, as well as reinforcing our messages to the 20% that do.

The benefits are even more significant during a period of recovery. By avoiding the requirement to draw on cash reserves for an outright purchase when that cash might be needed elsewhere in the business. In addition, the extra credit facility uses the financial value of a business’s assets to complement cash resources and existing bank credit lines, such as overdraft facilities. This is particularly valuable if a business has significant borrowings but still needs funds to take advantage of new opportunities.

By having access to cash, SMEs in particular, are given the means to invest in their businesses and therefore respond to an upturn in fortunes rather than assign themselves to stagnation, or worse.

So why aren’t we doing more to inform our potential customers base about what asset finance can do for them and why is 80% of all capital expenditure funded by other means? These are questions that the industry as a whole needs to reflect on and I urge wider industry collaboration to develop common non-competitive messages that are communicated loudly enough for the 80% to sit up and take notice.
Legislation, whether developed in Brussels or at an international level, has a significant impact on the way we operate as an industry.

Well-devised and effectively implemented regulation is essential to protect the customer and to enhance the reputation of the financial services industry as a whole. However, we have a responsibility to ensure that the process is managed to ensure that financial services are not to be stifled by over-zealous regulation that is onerous and burdensome to administer and that has a detrimental impact on the customer. If we would like to have a role in the outcome of the regulatory framework, whether driven from Brussels or the international community, an effective consultation process is essential.

With regard to Basel III, the European Commission is expected to submit proposals to the Council and Parliament later this year which would contain further amendments such as the definition of capital. It is also expected that there will be a requirement for level highs of capital to be held. While these changes will have less of an impact on the asset finance business than the banking sector, it remains our responsibility to gain a clear understanding of the impact of any further legislation and to protect the interests of our customers.

We shouldn’t underestimate the importance of our role in the development of regulation, whether communicating with our trade associations who represent us or in direct communication with the regulators. We know our industry and how it works and I believe that we have a duty of care to ensure that the regulators have a clear understanding of how we operate and in representing the real interests of our customers.

The impact of internationally developed regulation often has an equal or greater impact. The proposed new changes to accountancy regulations, if agreed, will remove some of the pure balance sheet attractions of operating leases. The consultation process has raised as many questions as it answers currently and the position requires more clarity before being taken further. As with domestic or EU-driven regulation, the intention of any regulatory framework is to provide protection but also to listen to the industry involved to gain an understanding of how it will impact the customer. Lombard is involved in these discussions and we hope that the resulting accountancy framework will be one that balances workable regulations with the need for practical implementation for the customer and provider.
In terms of what the industry will look like in five years, we are entering a phase in our history where the leasing sector has the opportunity to shape the UK recovery. As the underlying global economy strengthens, asset finance products will fund the capital expenditure that is the lifeblood of business and I believe between now and 2016 we shall experience a sea change in the way funding is both promoted by the industry and utilised by business.

As an industry we will see more focused marketing campaigns and communications programmes targeting and educating the business community as a whole. The resulting improved awareness of asset finance and the advantages this form of funding provides, coupled with introduction of regulatory factors, will provide a more professional image and a greater understanding of the sophistication and true benefits of asset finance.

Consequently we shall play a more prominent role as we increasingly become the default for the funding of capital equipment and provide an intelligent means of managing business capital. This will be true of large and small businesses, and the trend we have seen at Lombard for customers at both ends of the scale will continue, whether a sole trader in the south west corner of England funding a commercial vehicle or a marine company in Scotland financing a flotilla of boats.

As an industry we shall continue to review our product range and to offer innovation to ensure that we continue to deliver according to our customers’ needs.

Above all, looking forward, we shall see the significant role that our industry played in funding the capital expenditure that powered the recovery and secured the future for generations to come.

The one thing that I would change is our reputation as an industry. The financial services industry as a whole has been scarred by several high-profile scandals during the past two decades involving the mis-selling of policies such as mortgage endowments, personal pensions and payment protection insurance.

While none of these incidents involved asset finance, it is unfortunate that the entire financial industry seems to have been tarnished by these scandals.

In reality, the asset finance industry is sophisticated and highly professional. At Lombard we work incredibly hard to develop and maintain our customer relationships, working with each business to ensure that they get the right product for their business needs and that we continue to work with them once the contract is signed to maintain close links and personal service that is highly valued.

As a company we have tried and tested products that work for our customers and deliver core benefits, resulting in the great majority of customers coming back time and time again when they need to replace equipment. This is the reputation that we have earned and continue to strive towards, not only with our existing customer base but in the wider marketplace.
If something were to keep me awake at night, it would be the prospect of the incredible opportunity that the industry offers in molding the future of funding capital equipment.

We know that currently there is limited understanding of what asset finance offers. We know that the recession has made businesses more cautious and aware of the value of money. We know that 80% of all capital expenditure is funded using other means. We know that we can do better in educating and communicating with potential customers. I believe we should work more closely together to grasp this opportunity with both hands and secure our place in funding the growth and success of UK business.
Lombard North Central Plc (Lombard) is a “parent” leasing company that is wholly owned by RBS Group Plc. Lombard has three main subsidiaries and majority ownership in a joint venture, i.e. Lombard Vehicle Management (LVM), specialising in Car and Light commercial Contract hire; Lombard Technology Services (LTS), providing IT/Technology supply and financial services; Lombard Eire, conducting leasing operations in Eire; and JCB Finance, a joint venture providing financial services to JCB dealers and customers.

Lombard provides its financial services through direct sales channels only (although JCB is reported as vendor derived business). At the end of 2009, Lombard employed around 1,500 staff. Around 500 are in ‘non-core’ operations in LVM and Eire. A further 500 support UK SMEs (<£25m turnover). Lombard holds an international remit, but currently writes over 95% of new business in the UK. Lombard has offices in UK & British overseas territories and dependencies as well as in Eire.

Lombard carries out activities in leasing, including long term rental for equipment (leasing & hire purchase); machinery & industrial equipment; computers & business machines; road transport vehicles; motorcars (new & used for business use); aviation, shipping, railway and rolling stock; pleasure craft & super yachts; corporate & private aircraft, commercial helicopters. Lombard also report any RBS leasing activity in commercial shipping & commercial aviation.

Lombard’s customer groups include the private sector, i.e. agriculture, forestry & fishing; manufacturing, industry & construction; and services; the public sector and consumers (high net worth individuals only).

Lombard is the UK’s leading asset financier, funding capital investment for British businesses from SMEs to FTSE 100. In 2011 Lombard celebrates 150 years of powering the growth of British business, and has been recognised by Business Moneyfacts as UK’s Number One Asset Financier in 2009 and 2010.
Biography

Vahid Daemi is currently Chief Executive Officer and Chairman of the Managing Board of LeasePlan Corporation N.V., based in the Netherlands. LeasePlan is a Dutch financial services company focused on fleet management. Established in 1963, LeasePlan has grown to become the world leading provider of fleet management services active in 30 countries.

Over a period of almost 10 years, Vahid Daemi has held several successive managerial positions in the retail business. He joined LeasePlan in the United Kingdom in 1993, where he took on roles as Finance Director and Managing Director.

In 1998, he joined the Managing Board of LeasePlan Corporation N.V. and was appointed Chief Operating Officer. He has held his current position as Chief Executive Officer since 2006.

Vahid Daemi graduated from the London School of Economics with First Class Honours Degree in Economics in 1978 and became a UK Chartered Accountant in 1981.

He has been a member of the Leaseurope Board of Directors since December 2010.
The leasing industry was not immune to the global economic crisis. The industry was faced with a number of specific challenges and responded by applying certain measures to cope with the severely distressed environment. The four main areas were residual value risk, credit risk, top line pressure and access to funding.

For residual value risk, the dramatic reduction worldwide in the demand for both new and used vehicles put significant pressure on the pricing of vehicles. The industry responded by closely monitoring risk exposure and by introducing appropriate measures to address the risk of significant deterioration. Cross-border car sales, sales to drivers and contract extensions were some of the various solutions introduced for the disposal of used vehicles. Extensions of lease contracts enable customers to maintain the same – or even lower – cost levels. As a result, the industry also lowered its risk exposure on residual values due to decreased numbers of vehicles that reached end-of-contract. This has provided a beneficial situation for both the industry and the clients.

Credit risk led to increased default rates and bankruptcies among customers, mainly in the small business segment. Many companies addressed this issue by becoming stricter about the quality of customers’ credit worthiness and by focusing on developing a diversified customer portfolio.

As a result of top line pressure, many fleet customers responded to reduced profitability by either downsizing their fleet in a bid to cut costs, or putting their fleet purchases on hold. In order to maintain profitability, the industry focused its attention on improving the risk/return ratio. At the same time it sought to develop diversified income streams and further improve operational excellence.

The inability of debt capital markets to function properly led to either limited access to credit or higher costs for credit. The industry responded by making more conservative funding assumptions, that is, treating funding as a scarce resource instead of a cheap and ubiquitous resource.

In your opinion, what are the most significant changes that have impacted the industry in the past two years?

“...The industry will emerge strongly, but perhaps different. While there are still many challenges the industry is once again focusing on growth. Growth in itself, however, is no longer sufficient. The major market players striving for growth must now realise it by explicitly considering risk-return aspects.”

The industry is weathering the crisis well. This has been the pattern for past crises and the industry will emerge strongly, but perhaps different. While there are still many challenges the industry is once again focusing on growth. Growth in itself, however, is no longer sufficient. The major market players striving for growth must now realise it by explicitly considering risk-return aspects. Additionally, growth must also be financed in a fundable and marketable way.
In addition to the regulatory changes, which will undoubtedly impact the operational leasing industry, there are three main trends that will impact the industry.

**Market trends** - the industry needs to take advantage of opportunities in a challenging environment.

**Customer trends** - changing customer needs will require innovative approaches across the industry.

**Green trends** - environmental awareness will mobilise the automotive value chain.

Taking the market first, there will be limited opportunities to increase penetration in the mature markets since new vehicle registrations have decreased and fleet market growth is expected to remain modest. The limited growth opportunities are further exacerbated by the relatively high concentration in mature fleet markets.

Going forward, leasing companies will increasingly look to grow in the small and medium segments where there is significant growth potential. Latest figures show that this segment makes up almost 70% of the market.

The next main opportunity is in emerging markets. LeasePlan’s performance and outlook indicates that the growth opportunity in Central and Eastern Europe is almost four times greater than in Western Europe.

Increasingly, growth opportunities will come through acquisitions and partnerships. Many leasing companies are part of larger financial institutions. These institutions will be looking for ways to reduce their balance sheets, and with operational leasing not considered a core business activity, growth opportunities could follow. This could come as a result of acquisitions and/or mergers of banks’ existing portfolios. Alternatively, it could be combined with strategic partnerships allowing industry players to leverage their existing branch network and customer base.

In the long term, the industry will remain strong because there will always be a need for company-provided transportation. However, changes in the business environment will require the industry to address the specific issues in a more transparent and innovative way. An example of one such change as a result of the financial crisis is an increased focus on cost consciousness. Leasing companies can help customers manage their mobility costs by introducing greater transparency to the costing process.

The industry can also help businesses by offering innovative leasing solutions. Pay on use is a good example. Essentially, leasing companies would create a ‘Pay on use’ system by developing per mileage charging methods or by creating a total outsourcing solution with agreed fleet policy requirements. The ‘Pay on use’ of fleet management services is expected to become more popular when fleet management becomes more of a common good in the market. Total Fleet Outsourcing is a solution that fully addresses this trend.

Market change is more than simply adapting products and solutions through economic cycles. It also involves adapting to shifting geographical requirements. The industry is currently witnessing a process of internationalisation. As multi-national customers become more comfortable in handling complex fleet management matters on a pan-European level, this then triggers their desire to replicate the model on a global level. There is also an increase in cross-border business processes, such as the trend to purchase and sell cars across borders and increased shared services.
Environmental awareness is a growing issue within the leasing industry and is expected to continue as a result of ever more environmentally conscious customers. Many are looking for ways to reduce both their carbon footprint and reduce costs. Consequently, innovative green mobility solutions, such as mixing various modes of transport, are taking on greater importance. Leasing companies assist in managing their customers’ carbon footprint by informing customers about energy labels and pollution; offering CO₂-neutral solutions; and offering consultative advice and reporting.

An environmental transport development in recent years is electric vehicles. With battery manufacturers resolving most technical issues and utility providers investing substantially, the major players in the industry can soon expect a serious alternative technology to the internal combustion engine. Additionally, many governments are lending their support through electric vehicle incentive schemes.

The adoption of electric vehicles will undoubtedly gather pace with fleet management companies leveraging their role in the value chain. In 2010, LeasePlan has already implemented an international partnership to introduce the Nissan Leaf.

As we begin to emerge from one of the most significant recessions in history the biggest change to lease accounting is on its way. The eventual new standard will result in material and fundamental changes in lessee and lessor accounting. There are many different views on the impact lease accounting changes will have on the industry. The exposure draft alone issued in August 2010 received over 700 responses. The only certainty is that when the changes come it will increase the levels of complexity and uncertainty within the industry. The best way to respond to customers’ concerns is to ensure that they are supported through the changes with advice and solutions. It is worth remembering that the major players in the industry are service providers and as such offer more than financing. The complexity of lease accounting needs to be dealt with by integrating it into the general role of a fleet manager. This approach will provide customers with a natural extension of the current service package.

Further regulatory changes will come as a direct result of the fallout from the crisis and will make the industry more complex going forward. For instance, as a Dutch bank, LeasePlan needs to comply with a new governance Code in the Netherlands, the Dutch Banking Code. This Code sets out principles of governance within banks, risk management, audit and remuneration. Another impact will arise from updated capital requirements, such as those proposed under Basel III, although LeasePlan believes that these changes will impact companies within the industry in different ways. Other expected changes include insurance, Solvency 2 requirements and tax changes.
Clearly, the industry landscape in next five years will depend on the speed of the financial and economic recovery. On the basis of a slower recovery it is expected that the operational car leasing market will continue to grow, with the small business segment offering the highest growth opportunity.

As the core fleet markets become saturated emerging markets are expected to play a more important role in the future. Commoditisation of fleet products and declining margins are potential consequences of saturated markets. Although emerging markets are an opportunity for growth, it is important to keep a close eye on the risk/return ratio.

Our industry is open for acquisitions and partnerships. Consolidation processes in car leasing markets is already well under way and this is likely to continue. This has been driven by various factors, such as restricted access to capital which is a problem for some players and unwillingness by others to take increasing residual value risk in competitive environments. Size continues to be a significant contributor to overall market competitiveness.

There is a greater requirement for outsourcing, as international fleet managers increasingly evolve from an operational function to a more strategic function within their enterprises. TCO reduction needs and controllability will drive the need for professional fleet management.

With an increased focus on environmental issues, customers will be looking for ways to reduce both their carbon footprint and cut costs. Fuel prices, CO2 and green topics are expected to increasingly dominate as the key decision drivers within company fleets.

Globalisation continues to be the trend. Concentration of customers and internationalisation will result in a shift to large and international fleets. There will also be a move from pan-European to global business operations as a result of fleet managers being more experienced with the complexity of fleet management matters on a European level. There is also a growing trend to set up cross border business activities.

Telematics and mobility are only expected to play minor roles in the next five years. Telematics is still in the development stage with data ownership a fundamental concern to be addressed. Mobility is a hot topic with a focus on providing mobility anywhere at a reasonable cost and allowing for flexibility and one stop shopping. Most ideas currently focus on incremental changes and combinations of existing products and services.

The one change I would make would be that the regulators make it easier for businesses to meet their legal obligations. This can be done easily by providing simple and straightforward guidance and better communication on planned changes. LeasePlan is essentially low risk given the asset backed nature of lending and our strong risk management approach. If this changed it would certainly help create the right conditions for business success.
Being a CEO has its challenges, although I do not think those at board level are the only ones who have felt the effects of the economic climate. It is tempting in this climate to focus on the very short-term. But my role is to continue to build the trust and confidence in our people so that we all have a longer-term mindset in our culture. Critical to this is staying true to our values. So, while delivering results in a challenging environment may be one of the things that could keep me awake at night – were I predisposed of such a thing – what I am always more interested in is our people. I consider losing the authenticity and our ‘family feel’ more of a danger to our business. As we have continued to remain true to our values and, in fact, strengthened our culture over recent years, I would like to thank all LeasePlan employees for helping me sleep just fine.
Company Profile

**LeasePlan** is the world’s leading provider of fleet management services with over 45 years of experience in the industry. LeasePlan manages 1.3 million vehicles worldwide with a consolidated lease portfolio of almost €14 billion. We provide a range of fleet services to small business, large corporations and internationally managed contracts. We take our commitment to being our clients’ preferred long-term partner for their company-provided transportation and business mobility needs seriously. We add value through a combination of our business activities stretching across the entire vehicle management chain together with dedicated local expertise on fleet issues in the 30 countries in which we operate. LeasePlan holds a Top 3 market position in the majority of its countries.

Through our consultative expertise, flexible customer service and comprehensive product range we aim to make fleet management easy for our clients. Our 6,000 employees worldwide proactively educate and advise our clients on fleet management issues, with a particular focus on ‘the total cost of vehicle ownership’, maintenance and service and the fleet’s impact on the environment.

LeasePlan has held a Dutch banking licence since 1993 and is regulated by the Dutch Central Bank. LeasePlan is owned by the Volkswagen Bank GmbH (50%) and Fleet Investments B.V. (50%), an investment company owned by German banker Friedrich von Metzler.
Jean-Marc Mignerey started his career in the banking sector in 1976 and joined Société Générale in 1982. When the bank merged all its subsidiaries specialising in consumer and business finance, he set up the vendor finance business of the new company and developed it in France and internationally. In 2001, Société Générale acquired the financial services of Deutsche Bank (GEFA). Jean-Marc Mignerey spent 3 years in Germany with the double responsibility for GEFA’s integration into the Group and the creation of a new business line. Since then, he is a member of the Executive Committee of Société Générale Specialised Financial Services & Insurance Division.

Jean-Marc Mignerey has been a member of the Leaseurope’s Board of Directors since 2002 as representative of the French Association for Financial Companies (ASF). He served as Chairman of Leaseurope from 2005 to 2007.
In your opinion, what are the most significant changes that have impacted the industry in the past two years?

During the crisis, the leasing industry was hit by three shocks in three waves:

First, a sudden dry out of the capital markets drastically reduced the amount of liquidity available and increased its cost.

Second, corporate defaults exploded in many countries including in the most mature economies. The drop of sales on the primary asset markets led to a crash of the second-hand markets, the combined effect of which led to an unprecedented low level of asset prices. As a consequence, the value of the collateral which had always been the best protection for asset backed lessors against defaults of lessees throughout a full economic cycle was drastically reduced for the first time ever, leading to a historical high cost of risk for almost all players.

Third, as a consequence of the latter most businesses confronted with a high degree of uncertainty on their markets shelved investment plans; this led to a sharp decrease of new leasing volumes. In Europe alone, our industry lost € 100 billion in investments in 2009, i.e. one third of the total leasing volumes.

During the crisis, we experienced a real life stress scenario. Against this backdrop, only those lessors who had steadily pursued a responsible and conservative credit policy, who reacted quickly to the situation and could adequately tackle the wave of insolvencies emerged from the crisis nearly unscathed and managed to remain profitable.

Bank-owned leasing companies could generally continue to operate thanks to the support of their parent, although a limited number of players had to discontinue their operations. A majority of manufacturers’ captive lessors, even the most solid ones, had to stop funding in some regions, while independent leasing companies, deprived of access to liquidity, struggled for survival.

In the aftermath of the crisis, the leasing industry no longer looks the same. We have ushered in a new era marked by an increased weight of regulation, a durable scarcity of mid and long term liquidity and an increasing need for capital.

In Europe, the largest leasing companies are owned by banks and the future of our industry is largely in the hands of banks. The new era will be marked by the reign of retail banking networks whose unparalleled distribution power will be used by banks in the raging war for deposits. Deposits will more than ever be the blood that irrigates the body of banks. Business models whose mix leads to high equity consumption will have to be adjusted. Leasing requires both liquidity and capital. Thus, it is likely that only the strongest banks will be able and willing to support leasing, under the assumption that it is well aligned with the strategy of the bank and more integrated in their value proposition.
With hindsight, one can observe that the crisis triggered a strong need for more information, more dialogue between industry practitioners, professional bodies and regulators in Europe and beyond. From this perspective, together with the need to tackle issues of common interest like the IFRS 17 reform, the crisis favoured the awareness of the emergence of a more European leasing industry while concerns had so far been focused on sheer national issues. In this respect, a strong, professional and aligned representation of our industry at both national and European levels will be mandatory to successfully overcome the numerous challenges ahead.

Going forward, I see three main categories of threats for our industry.

The first one is an external threat. There is no need to have a crystal ball to perceive the incoming flow of regulation that threatens the balance sheet of all banks. Leasing will be more regulated; in the last two years, leasing has fallen under the scope of regulation in markets where it was not regulated like in Germany.

On the one hand, drawing the consequences of the crisis, regulatory bodies in charge of banking and insurance have started to shape the future Basel III. We are starting to have some indications about the new liquidity ratio or leverage ratio which banks will have to stick to. They will trigger a greater need for capital and make liquidity an even scarcer resource than today.

On the other hand, the IASB pursues its efforts to impose a new standard for lease accounting which could, if implemented as it is, put the future of our industry at stake. It would have a twofold negative effect, introducing asymmetric accounting because of the structural gap that would be created between the lessees’ and the lessors’ balance sheets. By the same token, it would add both complexity in lease accounting, even for the most basic assets leased to SMEs, as well as an unnecessary burden for lessees and lessors for the preparation of their accounts.

Leaseurope led the battle against this insufficiently thought out and prepared reform, with the strong support of all its members. At the time I am writing, we have good hope to bring the IASB back to a more realistic proposal.

The second threat is internal to our industry. It is the return to worst practices, restarting strategies based on the combination of volume growth, low margins and loose credit underwriting. After two years of consecutive drops in volumes, one can understand that there is a need to grow the earning assets, but one should not forget the lessons of the past. The race for growth, which took place in our industry until 2007, put lessors in a situation where they had to face the crisis with earnings which were not sufficient to cover an increasing cost of risk while preserving an acceptable return on equity. Today, with the exception of Germany, European economies face a sluggish recovery with low GDP growth. There is a strong correlation between GDP growth and investment growth. The growth of new leasing volumes merely reflects that of gross fixed capital formation. Consequently, strategies based on volume growing at a higher pace than that of the economy will inevitably have a boomerang effect in the next downturn.
The third threat is internal to our companies. The era of easy capital is gone; all banks are currently revisiting their business model. Thus, for leasing companies that belong to banks, the fight for equity allocation and liquidity will be vital. They will have to convince their shareholders that they are able to generate material and resilient earnings at reasonable returns and, with a lower level of volatility than other businesses. It is likely that, in many cases, leasing companies will obtain liquidity to renew their lines, but they could have to find ways to fund part or all of their growth through external funding sources. Some banks could even decide that leasing is no longer a strategic business.

For equipment manufacturers, cash proved to be a key asset that they are willing to preserve. A number of them have started to revisit the role of their captive leasing arms, reducing their amount of funding and transforming them into origination platforms with responsibility for organising the financing of their sales.

Against this backdrop, the main challenge will be to manage the transformation of our industry, to reduce the costs and the complexity of our operating models, while preserving specialisation and our ability to service vendors and customers in a well suited manner.

Strengthen specialisation
Specialisation is by far the key strength and the main differentiator for our industry. Specialists are those leasing companies which have made the choice of conducting their business with a strong focus on product knowledge and asset knowledge, combined with the knowledge of the industry sectors of their vendors and customers. Specialists are supported by specialised staff and systems and are aligned with the strategy of their parent, be it a bank, an equipment manufacturer or a private investor. In this sense, specialisation is the most precious asset for our industry and the leaders of tomorrow will be those who will have been able to preserve and develop it thanks to innovation, talent management and improved governance.

A crisis, like any period of upheaval, triggers a lot of opportunities. For the sake of clarity, I have selected four of them.

Support investment for SMEs
Over the last months, governments have put a strong pressure on banks to support SMEs. More generally, government scrutiny will lead banks to build strategies based on corporate social responsibility and transparency. Our business is a lending business and the large majority of leasing customers are SMEs. Supporting our business could be one of the ways to improve the image of banks and help them stick to what they have committed to vis-à-vis governments. Leasing will remain, despite potential accounting changes, the most flexible and least risky way to finance SMEs, as it is a much safer product than basic unsecured lending.

“In your opinion, what are the advantages of/strengths of/opportunities for the industry going forward? ”
Develop vendor / customer proximity
It is in tough times that companies like ours can improve their market position and image. The crisis stressed the importance of strong relationships with partners and customers. Those who were able to support them during the crisis will be in a good position to take advantage of the recovery when their sales or investments will pick up again. However, this won’t be sufficient to keep a competitive advantage. Strategies based on understanding the changing needs of customers through surveys, regular meetings, listening to their concerns and expectations, putting in place methods and processes to constantly improve the quality of service may well be the winning ones.

Foster innovation
Innovation can be sophisticated, e.g. adding new services around the asset in certain “verticals” like transport: offering petrol cards, service cards to manage toll, or truck rental with integrated services like maintenance, tyres and replacement trucks to transport companies. Innovation can be simple and straightforward like using mobile phones to give vendors fast credit decisions for small ticket leasing or inform them about the early termination date of their customers’ contracts.

In recent years, leading leasing companies have put an emphasis on innovation. But, one should not forget that innovation cannot be a gadget. It is a state of mind and a business driver. Creating the conditions for innovation at every level in the organisation is about training staff and encouraging them to express their ideas, about rewarding them for constantly improving customer satisfaction and about fostering team spirit; teams are always more innovative than individuals.

Streamline our operating model
If leasing companies were airlines the majority of them would not belong to the low cost category. Our organisations have often been built over time and suffer high costs linked to legacy systems. Improving the operating model is not an easy task, especially for those who are active in different countries. Having said that, many things can be done to make organisations more efficient, from the implementation of Business Process Management, to the convergence and the harmonisation of IT systems, or to the creation of competence centres with regional or global responsibility for operations and support functions.

Finally, the crisis will have changed the leasing industry, but one thing won’t have changed: the world economy will need more capital to finance productive investment and equipment to build infrastructure. This need will mainly be driven by growth outside Europe and leasing will remain one the most adequate means to support investment.
monitor what is being developed in Brussels and to raise the voice of the industry at European level at a very early stage. Indeed, if not addressed properly, the latter may translate into potential local problems in the future.

Against this backdrop, I see the prevention role of Leaseurope as instrumental for our industry. As an example, the Federation recently influenced regulations which could have affected leasing and rental on various issues ranging from the incorporation of the end user status for leasing companies in the new Automotive Block Exemption Regulation to the consequences of the Insurance Mediation Directive.

Conversely, there are few examples of real international legislation that apply to our industry. The most recent one is the reform of lease accounting led by the IASB. This shows how a set of rules whose aim is to reach global convergence of standards is difficult to implement, and how far they can be from the reality of our business. Interestingly, the will of the IASB triggered for the first time in the history of the leasing industry an unprecedented international coordinated action led by the US Equipment Leasing and Finance Association (ELFA) and Leaseurope together with the Japanese Leasing Association (JLA), the China Leasing Business Association (CLBA), the Canadian Finance and Leasing Association (CFLA), the Australian Equipment Lessors Association (AELA), the Australian Fleet Lessors Association (AFLA) and the Truck Renting and Leasing Association (TRALA). These parties issued in December 2010 a paper highlighting six key concerns of the Global Leasing Industry with respect to the proposed lease accounting model as described in the Exposure Draft.

Furthermore, after EFRAG (European Financial Reporting Advisory group) issued a comment letter on the Exposure Draft, which was extremely supportive of the views of the leasing industry, I am confident that standard setters feel the pressure in favour of a more realistic approach which could lead to a “generally acceptable standard”. At the end of the day, the most important thing is that, irrespective of the frame of the new standard, it would not translate into a simplified set that would apply to SMEs which represent the majority of leasing customers.

To summarise my thoughts, I would say that European legislation matters while international legislation could cause harm.

What will the industry look like in five years?

In tomorrow’s world, access to capital and liquidity will be the sinews of war; thus, it is not surprising that the crisis revealed both the increasing importance of banks for the leasing industry as well as their increasing weight in the leasing industry.

The attentive reader of Leaseurope’s Ranking of Top European Companies will find evidence of that. Indeed, in 2009, the top ten leasing companies accounted for one third of the entire European leasing market. Out of the 12 top European companies, 11 belonged to banks.

The crisis cleared the landscape. Some players exited the market due to an unsustainable cost of risk, shortage of funding or to internal trade-offs. Most non-European players withdrew. Some were absorbed by their parent, transformed into bank departments or reduced their activity. Others grew thanks to banking consolidation.
Going forward, I see four types of players in the leasing arena.

First, bank-owned, product focused players. In the wake of the crisis, many banks have started to refocus their leasing business on their customers. For them, leasing will be a tool fully dedicated to the service of retail banking networks. Typically, such leasing companies are more integrated in the bank; they have small teams of product specialists with technical expertise and structuring capacity to support the bank’s account managers. In an attempt to develop synergies of costs, their support functions and, in some cases, their back-office will be more and more embedded in the parents’ organisations. Such companies are usually local although some regional players which were severely hit by the crisis still exist.

Second, bank-owned or independent asset focused players. They have developed a real expertise in one category of asset and have built their value proposition on the aggregation of a range of services around the asset. We find here mainly car rental and truck rental companies or IT commercial lessors which have selected one type of asset on markets which have enough depth to enable them to build scale. The majority of them are international companies with presence in Europe and beyond. For those which are owned by banks, their specialised organisation does not enable the same degree of integration in the parent’s organisation as for those which merely focus on the product. They maybe aligned with the strategy but interaction and synergies with the parent’s business are less obvious.

Third, bank-owned, multi-product, asset backed specialists with a strong focus on Vendor Finance. We find here the largest players which have based their growth strategy on accompanying the international development of their vendors through close and long term partnerships. They will take advantage of the extensive geographical coverage built over the years and generate increasing earnings through their growth engines outside Europe. Such players focus on well identified industry sectors and have set up specialised organisations combining product, asset knowledge with the knowledge of industry sectors of both their vendors and customers. They will need a strong alignment with the strategy of their parent and should be able to offer them a broad range of products for their corporate customers.

For the last two categories of players, size will be a key success factor; so market consolidation should continue. Their ability to find external sources of funding in addition to those supplied by their parent could also be critical for the future.

Finally, equipment manufacturers’ captives will remain active to support the financing of their parent’s sales and help them build customer loyalty. Their role could be slightly different in the future as their parent may want to reduce their weight in terms of equity allocation and funding consumption. They will be more involved in the organisation of sales financing, and be in charge of finding reliable and long term partners and funding sources.

The life of leasing is like normal life: the weak will be weaker or will disappear, the strong will be stronger.
I would change the image of the industry. We still suffer from a totally wrong image, that of a tax heaven, that of big ticket deals structured in such a way as to optimise tax or remove the assets, even core assets, from the balance sheet of the customer. Due to a few hundred of structured deals booked every year in Europe, the whole industry suffers from a troubled image. In a way, this false view is one of the reasons why the IASB targeted leasing for criticism and issued the current proposal to reform lease accounting. This shouldn’t happen in the future any more and it is our responsibility to restore a positive image of leasing financing productive investment and supporting growth and employment.

“ It is our responsibility to restore a positive image of leasing financing productive investment and supporting growth and employment. ”

Exciting challenges and unique opportunities in a professional lifetime are the things that keep me awake. The acquisition of a company is a moment of intense work and emotion. When we acquired GEFA in 2001 and Elcon Finans in 2004, I remember that after having received the approval for the acquisition, I couldn’t sleep. It was a quantum leap for us and I was reviewing all the lines of the business plan in my mind, going though the phases of the integration plan and asking myself whether I had missed something in the assessment of the targets or selected the right people to run them.
Company Profile

SG Equipment Finance (SGEF) was established in 2001 and has since grown to become one of the leading equipment and vendor finance companies in Europe and one of the key players worldwide. A wholly-owned subsidiary of Société Générale with headquarters in Paris La Défense, France, our business covers 25 countries across 4 continents. Our global development strategy has historically been based on a balance of organic and external growth, with some major acquisitions, notably, GEFA Bank in Germany in 2001, Elcon Finans in Scandinavia in 2004, and in 2008 PEMA, a leading company active in truck rental with services, present in 8 countries.

Our diverse and highly-skilled team of around 3,000 people includes more than 30 different nationalities, working in over 100 branches around the world. In 2010, our portfolio of assets under management reached approximately €23bn which represents about 400,000 individual pieces of equipment financed for all types of companies, from large corporations to SMEs and professionals.

Our expertise and asset knowledge covers 3 key industry sectors: High Tech, Transport, and Industrial Equipment. As well as mainstream equipment, these three sectors also cover the more specialised areas of Medical, Corporate Aviation, and Green Projects. We have three origination channels: the most important one is our specialty, vendor programmes, where we build our asset knowledge and industry sectors’ expertise.

Being a subsidiary of bank with large retail networks in France and abroad, we have established a strong capacity to serve the customers of our parent bank; we also provide servicing to third party banks in some countries. Finally, we have a direct business as we build customer loyalty.

The broad range of generic, specialised financing and insurance products that we offer, allied with our extensive geographical coverage means that we are ready and able to fulfil all the needs of our partners and customers. Our comprehensive offering and our longstanding and consistent presence in the market allowed us to win Leasing Life’s European Lessor of the Year award in 2008 and 2010, as well as the Vendor Finance Provider of the Year for the first time in 2010.
Massimiliano Moi is the CEO of UniCredit Leasing SpA since 2008. He leads one of the largest leasing networks in Europe characterised by extensive international knowledge, strong local roots and its ability to build a broad customer base.

In 2002, he joined UniCredit Group. He has held the position of CFO - initially for the New Europe Division and later on for the Corporate Division. In January 2008, he was appointed CEO of UniCredit Leasing. Since January 2010, Massimiliano Moi is also a member of the Management Committee of UniCredit Group.

A graduate of the Business and Economics Faculty at Luigi Bocconi University in Milan, he also has wide managerial experience at international level (Boston Consulting Group), in the industrial sector (3M), as well as in the financial market (Intesa Bci Italia Sim).

Massimiliano Moi became a member of the Leaseurope Board of Directors in January 2010. In December 2010, he was also appointed Vice-Chairman of Leaseurope.
Views & Opinions

01
In your opinion, what are the most significant changes that have impacted the industry in the past two years?

These last two years have been among the most difficult in recent history. The leasing industry has also been severely hit by the turmoil. It is only reasonable that if we want to grow the sector in a sustainable way, we need to build our business with high attention to its quality. This means that growth should be focused on creating value rather than, as before, on engaging in a stampede for volumes – nowadays, the best players are the most profitable not the biggest ones. It is especially worth emphasising that new concepts such as EVA and RARORAC are becoming more and more an industry standard.

Moreover, the financial distress has triggered a dramatic increase in repossessed assets, a phenomenon that has never been seen before at such a level. The management of leased assets, including repossession and remarketing, has become a strategic function in all the main companies.

In the last few years, renewable energy has become one of the fastest growing segments for the leasing industry. Such a rapid (and profitable) increase was possible thanks to attractive government incentives aimed at boosting new sources of energy. We expect that the demand for financing solar panels and wind turbines will also be an attractive investment opportunity for the leasing industry in the coming years.

02
In your opinion, what are the biggest threats/challenges the industry has to face going forward?

If we want to show that lessons were learnt from the last period of turmoil and demonstrate our willingness to keep the industry on the right track, we should pay particular attention to three aspects:

Cost of funds
Money has its price and it is a high one. The last three years taught most of us to appreciate cash and to understand that it is scarce.

Cost of risk
You simply can not play with it. Risk always strikes back. Not paying attention to cost of risk or dumping on prices sooner or later destroys value, business and organisation.

Increasing complexity deriving from regulations, fiscal policy and accounting standards
A well regulated industry is a stable one. However, we need to remember that leasing is an attractive financing solution for entrepreneur because of its simplicity and flexibility. It is important to stay “entrepreneur - friendly”.

MASSIMILIANO MOI
UniCredit Leasing SpA
From our perspective, it is crucial to go hand-in-hand with our banks and position leasing business as an important pillar in building a relevant asset-based finance approach. Adopting such a strategy will result in three significant competitive advantages:

- bank groups will be able to deliver a higher level of efficiency and manage cross-selling;
- leasing companies will have the opportunity to develop 360° products to approach customers and suppliers (i.e. vendor finance) with a complete offer; and
- customers will benefit from a “one-stop shop” for asset-based products.

"Innovation is the key driver for the leasing industry when looking at recovering efficiency and improving “customer appeal” through better responsiveness."

Another area is the public sector, where we see many interesting opportunities. For leasing, it still represents a targeted customer with low a penetration rate, especially in huge markets such as Italy and Germany. As much as it is an attractive market segment, worth approaching, it also requires a specialised sales and credit approach supported by specific operational skills.

The leasing business will not be able to develop in a sustainable way if it does not start to pay more attention to innovation and technology when designing new products and services. Innovation is the key driver for the leasing industry when looking at recovering efficiency and improving “customer appeal” through better responsiveness.

EU and international legislation both have a deep impact on UniCredit Leasing’s business. This is due to the fact that our company is a network of 17 leasing entities in as many countries.

Given the fact that the UniCredit Leasing network must abide by European legislation and at the same time guidelines set by UniCredit, the challenge is to harmonise these requirements within the different companies, additionally taking into consideration the different legislation in each country of operations. Our Legal and Compliance Department provides subsidiaries with insights about critical aspects to comply with (e.g. conflicts of interest).

For the moment our Legal and Compliance Department is focusing on the harmonisation of guidelines both from UniCredit and UniCredit Leasing in the anti-money laundering framework, taking into account the mandatory rules in force within their jurisdictions.
Clearly, the steady implementation and modification of laws and provisions by governments and international institutions on subjects primarily focused on the leasing business is constantly monitored and adjusted to the company’s structure.

I expect to see that companies focus their strategies on striving for value rather than volumes. Such an approach will provide a sustainable growth trend for the whole sector. As a result, the leasing market will be characterised by fewer stand-alone companies, more business integrations (or mergers) with parent bank institutions, or, as an alternative, asset-based finance players. In addition, we expect a more customer-oriented business, with strategies focused on customer satisfaction and service model excellence.

"I expect to see that companies focus their strategies on striving for value rather than volumes. Such an approach will provide a sustainable growth trend for the whole sector."

The level of knowledge and skills – We need to develop a wide perspective of looking at the business. We need to understand that we are not only pure financial providers. Many of us often like to talk about being leaders and taking on leadership within the leasing industry. Anyone striving to be in a real leading position now needs to concentrate on learning the specifics of the assets we finance and on the industries that our clients operate in. This would allow us not only to deal with risks in a better way but also to increase the level of service and competitive advantage.

I am quite optimistic when thinking about the future of the leasing industry. We need to reshape it during the day, while sleeping quietly at night.
UniCredit Leasing is the first truly European network for asset based financing solutions. With an in-depth know-how of the industry and a dedicated sales force in 17 countries, we are strongly rooted in the local territories of Europe.

Our mission is to help customers in seizing their business opportunities through customised leasing packages; we strive to be the key business partner for them and support their growth in the market concretely. This is the reason why UniCredit Leasing’s motto is “One team for our customers”.

We mainly provide leasing financing and complementary services in the areas of vehicle, equipment, real estate and renewable energy, where in particular we aim to foster the development of innovative solutions for the creation of power plants and wind farms. Our company is placing an ever-increasing focus on environmentally friendly energy applications, since we are strongly committed to pursuing an active role in the protection of the ecosystem.

The products and services of UniCredit Leasing are available through dedicated channels such as direct branches, selected brokers and dealers with whom we operate in a close business partnership. Being part of UniCredit, one of the largest financial institutions in Europe, our complete offer is also accessible through almost 10,000 bank branches located in 22 countries.

Over the last few years, our company has substantially strengthened and further expanded its operations in Italy, Austria and Germany, and is nowadays the undisputed leader on the leasing market in the growing region of Central and Eastern Europe (CEE).
Jukka Salonen is the Chair of Leaseurope and CEO of Nordea Finance. Nordea Finance is part of Nordea Group, the largest Nordic banking group. Nordea Finance has operations in all the Nordic and Baltic countries and Poland with 1,100 employees and total assets of €14 billion.

Jukka Salonen has been working as CEO in Nordea Finance since the beginning of 2007. Prior to that, he was in charge of several business areas including car, vendor and equipment finance operations within Nordea Finance. He started his career in the leasing and finance company business as managing director of Finnish Merita Finance—a part of the current Nordea Finance—in 1999.

He has a strong background in retail and corporate banking in Finland and Sweden, serving for 16 years in Merita Bank and Merita-Norbanken in several managerial positions before joining the finance company. He has been holding Board of Directors positions in Finnish debt collection and credit information companies and in Swedish mortgage lending companies.

Jukka Salonen has been the Chair of Leaseurope since 2010 and a Board member since 2006. He has also been chairing the Board of the Finnish Finance Houses Association.

He has an educational background as a Graduate engineer, Helsinki University of Technology, Operations research and business administration.
JUKKA SALONEN
Nordea Finance

Views & Opinions

01 In your opinion, what are the most significant changes that have impacted the industry in the past two years?

The biggest changes that have impacted the industry are the global financial crisis characterised by the Lehman Brothers collapse in 2008, the global recession in 2008-2009 and the new regulations that have been on the agenda since 2009.

The financial crisis had an impact on the general funding market of banks, their leasing companies but also independent companies as well as captives. The lack of funding resources limited the operating opportunities for many players and uncertainty in the market increased the funding cost as well. Therefore, numerous leasing companies were forced to scale down or even close their operations. On the other hand, new sales margins started to increase rapidly following problems in the funding market and in liquidity.

A decrease in business volumes, losses and funding problems also forced banking groups to revise their strategies for leasing business. This period triggered fundamental changes in the leasing business structure and position among bank owned companies but also for independent and captive businesses.

Discussions regarding new banking regulations started in 2009 and accelerated with the Basel III proposals in 2010. In addition to stricter capital rules, these proposals call for totally new standards for liquidity and require banking groups to build up more stable long term funding. This upcoming change is underlying the importance of funding to the leasing business. The impact of such measures remains to be seen but it is most likely that strategies and business models of leasing companies will be further scrutinised by owners and funding partners.

02 In your opinion, what are the biggest threats/challenges the industry has to face going forward?

The biggest challenges the industry will now face are a recovering economy accompanied with price competition, the consequences of new regulations for the financial sector and potential changes in leasing accounting.

Many players have suffered during the crisis and need to boost their portfolios considerably. The recovery will enable them to do so, but in order to reach the required volumes there is the temptation to use pricing as a tool. Paired with increasing funding costs, the whole industry runs the risk of a ‘self-made profit crisis’.

As stated above, the consequences of the Basel III proposals still remain to be seen. There is a concern that many banks and other sources for funding are reconsidering the use of scarce resources to finance leasing activities. This means that some of the banks do not consider the value addition that leasing could provide them. They will rather focus on cost reductions and on minimising the use of long term funding. For bank owned companies that would mean more mergers into parent banks with the risk that the specialisation and competencies related to asset backed lending become diluted. For captive and independent companies, it will also be harder to get sufficient funding.

The new lease accounting rules are still being finalised. However, more complicated accounting standards are likely to be proposed with a balance sheet effect for both lessees and lessors. This could result in increasing costs related to leasing products as well as in the need for additional capital. Should this be the case, profitability levels for the leasing industry would be lower and the demand for leasing would decrease.
The leasing industry is financing more that 20% of the European fixed investments and leasing is the most important tool for European SMEs to finance their investments. The leasing industry has not been the trigger for the recent financial and economic crises. It has also generally well survived during the recession and is bouncing back to a healthy life. Asset backed lending has in most cases proven to be a risk mitigating tool also in bad times.

In view of the above, a lot of opportunities are available for the industry to go forward and also flourish in the future. However, innovation will play a key role because of all the fundamental changes in the market.

First of all, leasing companies should get their strategies and business models right to match the new demands. This means that bank owned companies have to align their strategies to the parent group strategies. It does not mean however a merger of the leasing arm into the parent. The key question is how the value addition of leasing is designed by the leasing company and how it is perceived by the bank. There is an opportunity for solid growth, when designing the leasing strategy as part of the parent group strategy so that leasing is more than a lending product with additional value provided by service solutions and all leasing services are truly part of the parent group's offering to the corporate clients. In this case, the specificity of leasing and related service solutions will be maintained.

Secondly, leasing businesses need a plan for funding and capital in the future. This is true for all types of leasing companies, bank owned, captives and independents. The long term funding market after the crisis will be different than before and banks as the unlimited lending and capital resources are history. There is an opportunity for asset backed lenders to build up a new type of long term funding market in Europe. There is an opportunity to be a more interesting investment object in the equity market.

The third area –and it is actually a precondition to use the second opportunity– is to improve profitability. This means more efficient operating models, a better understanding of pricing and the true value for customers. There is a great opportunity for innovation in business models, products and services that will move the industry to be more than just a financing tool for investments. It’s all about transforming the threats into opportunities.

Nordea Finance is operating in Denmark, Finland, Norway, Sweden, Estonia, Latvia, Lithuania and Poland. All the countries except Norway are EU members. Finland and Estonia are in the Euro zone and the rest have their own national currencies. Finland and Sweden are not NATO countries and the others are. Baltic countries and Poland are still emerging economies while the others are matured. The area is rather fragmented from these perspectives but Nordea Finance is operating as a one unit over the whole region.
EU directives and international regulations have a big impact for pan-regional players. They are setting the scene for operations, products and service models. Business opportunities are influenced by them. Still, the national aspects are extremely important because in many cases there is room for national discretions, and interpretations by local authorities can vary between countries. This means that we need also local activities when it comes to lobbying and contacts with the governments and local authorities.

The financial sector is now in a post-crisis transformation era that will lead to what I would call the ‘New Normal’. Global economic growth looks different from a European perspective than before the crisis. Problems with some of the Euro zone economies are setting new rules for economic growth as well. At the same time, political pressure towards banks is still mounting and regulators are doing their utmost to create a “safer financial sector” by imposing tight rules for banks.

As a result, we will see a more modest average economic growth in Europe marked with government budget cuts. The financial sector will see less expansion opportunities and will be restricted by greater needs for equity and long term funding. As part of that scenario, the leasing industry is in the process of creating its own space in the ‘New Normal’ trying to get lease accounting right but most likely being forced to implement somewhat more complicated accounting standards than we have seen in the past. People with a more pessimistic view are predicting that we will find ourselves caught in a vicious circle which will gradually downsize the whole industry, to end up as a mere add-on to different types of lending products.

"I believe that innovation plays an increasing role in the leasing industry and that new steps are taken towards being more than just a lending source."

I have a more optimistic view of the future. I believe that innovation plays an increasing role in the leasing industry and that new steps are taken towards being more than just a lending source. Service elements will increase, total cost of ownership, environmental aspects and new types of asset backed products are taking a bigger part of the business. In a best case scenario, we will have a strong leasing industry in the European market but it will look very different than the industry we know today.

In the European market, there will most likely be several strong bank owned companies leading the market despite the fact that many of the existing players will have disappeared inside their parent banks or even been sold to other players. We will see some totally new types of independent service lessors in niche markets, able to fund and capitalise themselves from the market. Captive models are also changing. Many captives will forge partnerships with strong bank owned companies even globally and transform themselves from leasing business to brand and sales support organisations. However, a number of strong manufacturers’ captives will still be present in the European market. During these movements to the ‘New Normal’, we will also see some mergers and acquisitions between the current players.
In general, the one thing to improve is the current proposal for a new Lease Accounting Standard. In its current form, it does not serve the original purpose of transparency and comparability of balance sheets and would be extremely complicated to implement and use. It would also impact the cost and supply of lending. Potentially, it will slow down the European economic growth and make investments more difficult for SMEs.

Nothing really keeps me awake at night. The only thing that might do it is dreaming about all the opportunities that the ongoing changes are creating. Every change is a new opportunity. I feel excited about the future rather than anxious. All players in the industry have an important role to play in building the ‘New Normal’ and sometimes the best ideas come at night.
Company Profile

Nordea Finance is the leading finance company in the Nordic and Baltic region. We offer the full range of vendor and point of sale programmes, asset based finance and factoring through close cooperation with Nordea Bank and our partners. Nordea Finance operates in eight countries with a personnel of 1,100 and a total loan portfolio of €14 billion by end of 2010.

Our knowledge of the local markets and key industries in the region makes us a valuable partner for international vendors looking for solutions that enhance their sales. We focus on vendor programmes for manufacturers, captives, dealers and point of sale. In addition to sales finance, we offer support to the whole value chain of our partners including ‘Floor Plan’ and tools to increase customer loyalty.

Asset based finance focuses on service oriented solutions like asset lifecycle and car fleet management, aiming at improving administration functions of our customer’s.

We take an innovative approach to adding value through networking which makes us the preferred partner in our region.

Nordea Finance is part of the Nordea Group. Nordea has around 11 million customers, approximately 1,400 branch offices and is among the ten largest universal banks in Europe in terms of total market capitalisation. The Nordea share is listed on the NASDAQ OMX Nordic Exchange in Stockholm, Helsinki and Copenhagen.
Biography

Martin Starck started working for Landesbank Baden-Württemberg Group (LBBW) in 1985 as in-house legal counsel of Badische Landesbank in Mannheim, a predecessor institution of LBBW.

Over a period of almost 10 years Dr. Starck held several management positions in the Legal Division and Equity Financing Department of Südwestdeutsche Landesbank, another predecessor institution of Landesbank Baden-Württemberg.

In 1995 Dr. Starck joined the Management Board of SüdLeasing, Stuttgart, an equipment leasing company of LBBW. In 2003 he was elected Chairman of the Supervisory Board of the Hypo SüdLeasing GmbH in Dornbirn, Austria.

Since 2006, Martin Starck is Chairman of the Management Board of LBBW Leasing in Stuttgart. LBBW Leasing is the holding company for the leasing activities of LBBW (SüdLeasing, MMV Leasing, LHI Leasing).

Martin Starck became a member of the Management Board of Directors of the German leasing association Bundesverband Deutscher Leasingunternehmen (BDL) in 2009 and has been a member of the Leaseurope’s Board of Directors since December 2010.
In your opinion, what are the most significant changes that have impacted the industry in the past two years?

This was reflected in a global state of shock that paralysed the worldwide economy, particularly in 2009: international trading in goods suffered a significant downturn, there was a dramatic drop in order inflow and the utilisation of capacity in major industrial nations at times fell to historic lows. The severe slump in the worldwide economy shook the German economy to its core. Having been the most important growth drivers until the crisis, investment and exports now pushed GDP firmly into the red (-4.7 %). The 2009 slump of new business volume of the German leasing industry by 24.3 % was not only caused by the collapse of equipment and real estate investments. Rising default risk for corporations led to the contracting of new business volume as well as the collapse of the ABS-market and rising funding costs. Defaults and the devaluation of assets negatively impacted the profit and loss accounts of the leasing companies. Although the economy and investments are recovering, the demand for leasing products is still lower than the demand for capital goods. There is a higher proportion of cash flow based equity financing in the economy than before the crisis. Therefore, the financial and the ensuing economic crisis have changed the economic and financial environment of the leasing business. These effects will outlast the crisis.

The biggest threat –not only for the leasing industry– would be another economic downturn. But, as indicated above, the economies in Europe are recovering. With a GDP growth rate of 3.6 % in 2010, the German economy already outdid the crisis last year. The forecasts for Germany’s GDP show continued strong growth in 2011. Thus, a double dip recession is most unlikely.

For a bright future, the leasing industry has to handle successfully the three following aspects: funding, revenues and costs.

A sine qua non for leasing business is secure access to funding, as the financial crisis proved. Limited access to credit or higher costs for credit have negative impacts on new business volume. A lack of funding hits independent companies and captives particularly. Because of the support by their parent companies, bank-owned leasing companies should be in a better situation.

Leasing companies compete with banks not only for liquidity, but also for new business. Leasing companies even compete with their own and potential customers. During the crisis, liquidity has emerged as an advantage. When there is enough liquidity in the market – as in Germany at present – the companies prefer equity financing instead of leasing. Thus, in advertising and discussions with customers, the leasing companies should highlight the advantages of the leasing product. Leasing is
more than financing – leasing enables the lessee to save or even to raise liquidity (e.g. pay-as-you-earn); leasing enables tax savings; leasing raises flexibility (e.g. pay-on-use); leasing enables product-supporting services, up to full-service leasing (e.g. fleet management); leasing enables the outsourcing of whole value-added chains, so the customer can focus on its core competencies; and leasing helps the vendor partner to generate more business – at home and abroad.

Thirdly, the leasing industry has to focus on costs, i.e. costs of administration and costs of risk. The incoming flow of regulation of the leasing industry and the implications of the FASB/IASB lease accounting project do lead to higher costs of administration. In Germany, where leasing has fallen under the scope of regulation in 2009, the smaller independent leasing companies have been hit severely by costs brought about by regulation. In the future, it will be increasingly important for the leasing companies to focus on efficiency.

To focus on the costs of risk is an inevitable consequence of the financial crisis. In every company – small or big – there is a need for professional risk management, which includes higher requirements of the credit rating as well as a higher degree of diversification of the customer and credit portfolio.

The characteristics and advantages of leasing products, compared to traditional bank loans, are becoming more and more important. The leasing company will increasingly be an asset manager, outsourcing partner, sales partner and a partner for entering new markets abroad. The leasing companies are also becoming partners for the producers of renewable energy, a fast growing industrial sector. There are also opportunities for the leasing industry in the public sector. To realise these opportunities, leasing companies have to take the following aspects into account.

The objective of every company is to solve the problems of its customers. Thus, the company needs to have a sound knowledge about their needs. Most customers of the leasing industry are small and medium sized enterprises (SME), especially in Germany. SMEs are the backbone of the German economy. The success of these companies is based not least on their characteristics: they are run by the family or the founder and have often been rooted in the region for generations. The SMEs value highly a durable partnership with the firm’s bank and the firm’s leasing company. Thus, the banks and leasing companies’ relationship manager has an important role to play. As the central point of contact for these small and medium sized firms, the relationship manager knows their particular wishes and demands. Together with specialised staff and services, the relationship manager works out individual solutions from the leasing companies’ entire range of products and services. Thus, knowledge about the customers and vendors, the products and services, is the key to success.

In your opinion, what are the advantages of/strengths of/ opportunities for the industry going forward?

“ The leasing company will increasingly be an asset manager, outsourcing partner, sales partner and a partner for entering new markets abroad. ”
Leasing is also a perfect instrument for public investment in equipment and real estate. Because of a low penetration ratio, there is a high growth potential for leasing in the public sector. How can this growth potential be realised? To answer this question means to identify, what public clients need and to promote the advantages of leasing for the public sector. In many cases financing may be the main reason for public authorities to lease. Take for example a municipality, which needs new office computers. Funds available may prevent it from purchasing the computers, but allow it to rent or to lease them. In this case, renting or leasing is an instrument for local authorities to acquire the new computers without having to change its budget. Therefore, bearing public budget deficits in mind, the leasing product is indeed meeting the needs of the public sector. However, leasing is much more than just financing. It is a ‘service package’ consisting of the purchasing, financing, management and remarketing of equipment and real estate. To do business with the public sector, the relationship manager for public clients has to be aware of the particular regulations for leasing contracts with public authorities. In federal countries like Germany, even the regional states have comprehensive regulations of their own. In most countries, real estate leasing contracts with public clients are only valid with the approval of the supervisory authority. In some countries an approval is necessary for equipment leasing as well. If the leasing company has good lawyers, this problem can be overcome easily. The solution is to offer lease structures tailored to local regulations. It is therefore crucial to know the legal framework and to be very careful both in the documentation and in the formal processes.

EU legislation and legislation developed at international level have a significant impact on the leasing business. It affects the industry both directly and indirectly.

A direct and large impact of internationally developed regulation on the leasing industry is illustrated by the FASB/IASB lease accounting project. This project aims to develop a new single approach to lease accounting in order to ensure that all assets and liabilities arising from lease contracts are recognised in the balance sheet. The project was added to the IASB’s agenda in July 2006 and is part of the FASB and the IASB’s work programme towards convergence. After disclosing the discussion paper Leases: Preliminary Views in 2009, the IASB, jointly with the FASB, published an exposure draft Leases in August 2010, which led to more than 700 comment letters. The most important impact of the FASB/IASB project is seen in the so-called right-of-use approach of the lease accounting of the lessee. The “off balance sheet effect” for the lessee will have a negative impact on balance sheet ratios. Consequently, the right-of-use approach will reduce the attractiveness of operating leasing. Furthermore, the right-of-use approach makes lease accounting more complex for the lessee. The complexity of lease accounting and ensuing uncertainty will definitely increase – and accounting costs for leasing companies accordingly.

The so-called Basel accords, issued by the Basel Committee on Banking Supervision, influence the leasing industry more indirectly. The purpose of the Basel accords is to create an international standard of regulation to guard against the financial and operational risks of banks. In a response to deficiencies in financial regulation revealed by the global financial crisis, which started with the collapse of Lehman Brothers in 2008, the Basel III proposals call for numerous new capital, leverage and liquidity standards to strengthen the regulation, supervision and risk management of the banking sector. Capital standards and new capital buffers will require banks to hold more capital and higher quality of capital than under current Basel II rules.
To make a long story short: due to higher capital requirements, the Basel III proposals will lead to a rise in banks’ funding costs. This will affect banks customers and leasing companies. According to OECD’s estimates, the implementation of Basel III will decrease annual GDP growth by 0.05 to 0.15 percentage points. This will also negatively affect new business volume of leasing companies.

In 2010, the leasing sector in Germany generated a volume of investment of around € 43.6 billion, and can thus be considered as Germany’s largest engine for investment. In particular, small and medium-sized enterprises have discovered that certain levels of investment are best catered for by leasing companies, and leasing agreements have now displaced the classical bank loan as the preferred means of raising external capital. In Germany, around a quarter of all investments in movables (i.e. in equipment and machinery) are made by means of leasing agreements. Compared to the leasing penetration ratio in the USA, the world’s leading leasing market, there is still growth potential for leasing companies in Germany. Leasing is a key external funding source, at present and for the future. The latest trends in the leasing market are defined by changing requirements by the customer that leasing be more than just financing. Leasing products meet this characteristic. The FASB/IASB project may reduce the attractiveness of leasing from accounting perspectives, but the other advantages of leasing will last and become even more important.

Over the years, expectations related to leasing services have risen substantially in every commercial sector. Whereas in earlier decades the financing of a specific investment was the only focus of attention, today’s and future leasing customers expect to be provided with comprehensive back-up and support services. Thus, innovative financing products have to be complemented by service packages up to all-in packages that represent a genuine source of added value for the customer. Maintenance packages, insurance, and even full-service contracts (e.g. for vehicle fleets and IT equipment) frequently form a part of equipment leasing agreements, while facility management, planning, and project management services are common place components in real estate leasing contracts. The provision of such services allows companies to outsource all kinds of investment intensive activities. The leasing company will increasingly be an outsourcing partner, so that customers can focus on their core business.

The leasing company of the future has to accompany its customers in new markets, i.e. new markets in a regional and international sense as well as new markets referring to innovative products and new booming industrial sectors like renewable energy. On the other hand, the leasing company of the future has to focus on costs –administration costs and costs of risk- in order to increase its efficiency.

“The leasing company of the future has to focus on costs -administration costs and costs of risk- in order to increase its efficiency.”
Therefore, the so-called economies of scale, which refer to the cost advantages that a business obtains due to expansion, will lead to a further consolidation in the leasing sector. In the future, the smaller leasing companies will not be able to meet the requirements of all stakeholders. In order to survive and to be successful, these companies will have to focus on niche markets.

I would stop the FASB/IASB lease accounting project to avoid the negative consequences of the right-of-use accounting for both the lessor and the lessee.

The standard, as discussed, is highly complex to implement and to apply in day-to-day business. It will give rise to additional accounting costs for leasing companies with a negative impact on profitability. Furthermore, it will lead to additional accounting costs for our customers too, in the best of case. But, in order to avoid these costs and the high complexity of the new lease accounting standards, some customers, in particular SMEs, will possibly do business without leasing products in the future. Because of the important role of asset based financing for the economy, a decrease in leasing activities would affect economic development negatively. One may wonder about the advantages of the FASB/IASB project. Indeed, the new lease accounting standard does not currently serve the original purpose of comparability and transparency of balance sheets. It is nothing but a 'job creating' measure for auditors and lawyers.

There are risks and there are opportunities for the leasing industry in the future. If we accept the challenges and work hard in daytime, we can even turn the risks into opportunities. This is not just a dream. It can be accomplished. This is why we should sleep well at night.
Company Profile

LBBW Leasing GmbH is a holding company, in which Landesbank Baden-Württemberg (LBBW) bundles and coordinates its leasing business. The LBBW Leasing Group includes three operating companies: the two wholly owned LBBW subsidiaries SüdLeasing and MKB Bank/MMV Leasing and the subsidiary LHI Leasing, in which a 51% interest is held. The services of the three companies complement each other, so that the LBBW Group has a complete range of services in its leasing business.

SüdLeasing is one of Germany’s leading bank-owned leasing companies, offering in particular an extensive range of attractive leasing and financing solutions to SMEs. Sectors on which there is a focus include mechanical engineering, construction, transport, IT and communications technology, as well as renewable energies. In addition to supporting the bank’s customers with leasing products, the company is focusing on the expansion of its national and international vendor business.

MKB Bank/MMV Leasing markets customised smaller-volume equipment financing solutions to commercial middle market customers across Germany. The choice of either a lease or a loan enables customers to select the most cost-effective financing solution. Efficient procedures ensure streamlined processing of leasing and credit transactions.

LHI Leasing, the LBBW Leasing Group’s competence centre for real estate leasing, designs tailor-made financing solutions for companies, investors and the public sector. As a leading provider of all types of use concepts, it has a product range including leasing solutions, rental solutions and PPP models. LHI’s range of services is rounded off with related services including real estate management, property company management, strategic real estate analysis, and insurance solutions. LHI itself invests in real estate and other selected asset classes. It makes this expertise available to private investors, foundations, insurers and family offices.
Alain Vervaet has been active in the leasing industry since 1 April 1975. He started working for Locabel, a Belgian leasing company of which the main shareholder was BBL, a Belgian bank. His first job was in sales of financial leases for movable goods. He subsequently helped to develop real estate leasing and started the (full operational) car leasing business. He then became Commercial Director, a position to which the role of Operations Director was added. In 1995, he was appointed CEO of the company.

In 1999, the shareholder bank was acquired by ING and one year later Locabel was acquired by the ING Lease organisation. Alain Vervaet was asked to join the Board of ING Lease in Amsterdam in 2001 where he became CEO in 2004. During this period, businesses were opened in 5 new countries, some 10 companies were acquired and integrated, assets were tripled, a third business line (commercial finance/factoring) was integrated and ING Lease became a very profitable entity for the ING Group.

In 2009, Alain Vervaet stepped down as CEO and was asked to become a member of the Supervisory Board of ING Lease Holding.

Alain Vervaet holds a Master degree in Economics from the University of Gent, Belgium. He has spent his entire career in leasing and more or less in the same company. He considers himself as a pioneer and was always interested in the product and the industry. He has been Chairman of the Belgian Leasing Association and Chairman of Leaseurope and received the LeasingLife ‘Life Time Achievement Award’ in 2008. He has published many articles and a handbook for leasing professionals.
In your opinion, what are the most significant changes that have impacted the industry in the past two years?

The consequences were threefold.

The shortage of funding possibilities was a shock. One could never have dreamt that major financial institutions could encounter problems in finding liquidity to fund their operations. But this was the case and leasing companies were also faced with the same problem. A number of lease proposals had to be rejected for that reason, and vendor relations came into jeopardy. Risk policies needed to be reviewed and especially the risk/reward balance had to be restored. As a result, the price of credit went up. In one word, the crisis forced leasing companies to rethink their strategies which were too much focused on volume anyway.

The leasing industry has proven to be quite agile in the past. More than once, new legal, accounting, or fiscal regulations were expected to cause the disappearance of the lease product, but each time, after a small dip, the product always gained further in popularity.

However, forthcoming threats are likely to be tough for the industry. The new accounting rules are certainly one of them.

Another threat, if not managed, is the expectation to increase our organisations’ efficiency. Now that parent banks are suffering, leasing companies will have to show that they are worthy of their parent companies’ trust. Cost/Income ratios will have to go down and lease companies will have to make more with less. In this respect, leasing companies will have to rethink their back offices. ICT and the internet can certainly contribute positively to these efforts. Going forward, the leasing company that is not cost efficient will not survive.

As already stated above, the risk approach will also become crucial - not only credit risks but also operational risks which have been underestimated by lessors for too long. Offering a better return on economic capital is an old challenge but still very much alive.

The biggest threat of all however comes from inside. Banks increasingly consider leasing a mere product they can sell, produce and manage themselves. They are convinced that an expensive, more or less autonomous leasing subsidiary is no longer required. The risk that the leasing subsidiary is absorbed and becomes a department of the bank is real.
The lease product has proven its solidity in the past. There will always be a demand for asset based financing. The advantages of leasing that have been described in many text books remain valid. ‘Pay as you earn’, ‘additional source of financing’, ‘no guarantees’, ‘100% financing’, ‘tailor made financing’, ‘easy’, etc prove to be extremely attractive arguments and will continue to attract lessees.

There are of course new opportunities. Some of these are really new but most of them have been talked about for years. I do not see a ‘Blue Ocean’ strategy in the leasing industry as a workable option. On the other hand, novelties in distribution, target markets and lease objects need to be further examined. Web based leasing for the retail market is one example, even for more complicated products such as full operational car leasing. Offering a lease product for the private consumer is a dream that leasing marketeers have cherished for some 30 years. In the past, some have tried this idea out with very little success. Today based on the fact that parent banks and leasing subsidiaries work much more closely together, it is probably worth it to give it a new try.

A legal framework is always very important for an economy or an industry. A legislative framework can be a challenge or even a threat for an industry. We have witnessed this on several occasions for the leasing industry, but thanks to a strong demand for leasing, legal issues could always be overcome. Intelligent legislation and regulation is essential to set the rules and the playing field and to protect all actors. However, the correct implementation of all these rules has cost leasing companies a lot of effort and money. Compliance rules, anti-money laundering measures, IFRS, Basle II, to name but a few have been imposed on the leasing industry without much consultation. It is the role of Leaseurope to make the industry known as a reputable partner that should be recognised and consulted when new regulations are being prepared.

“I do not expect revolutionary changes in our industry in the five years to come. In fact, I think that the financial service industry is never confronted with a real revolution. Of course, it evolves, sometimes faster, at other times more slowly and always as a consequence of what happens in the outside world. The main trends we already witnessed in the leasing industry will continue.

As per main trends, I see a further increase in concentration. The number of players will decrease and the big players will absorb smaller local players. It is even not impossible that big players disappear (through mergers).
A second trend that I foresee is a better cooperation with the bank/shareholder. Banks will open their distribution channels for their lease daughters and will force them to make more use of the bank’s back office. As stated above in some cases this will lead to an integration of the lease company into the bank, which in my opinion is a step too far and would be detrimental.

Another trend is the pressure for more efficiency. Streamlining the organisation, hand-in-hand with user friendly IT systems will be on the agenda. Price will become increasingly important and companies with the lowest cost base will have an advantage over their competitors.

Lastly, risks and funding which became a source of attention only since the crisis will remain at the top of the agenda for a long period.

The most annoying thing for the leasing industry – and probably for a lot of players in the service industry in general – is the abundant, complex and non-harmonised legislation and regulations. International, national, regional and sometimes local rules interfere with the business. Since compliance became a very big issue, it is increasingly difficult to comply with all the rules which surround us. Explaining to politicians that making fewer rules can be very efficient and beneficial is a necessity.

Our reputation is a second concern. I have been working all my life in the leasing industry and I have witnessed a tremendous growth of the business, but we never succeeded in showing our importance to the public or to the authorities. This is a task for Leaseurope going forward.

The loss of the (relative) autonomy of the leasing company in favour of the bank owner is what worries me the most. For the rest, I am quite optimistic. Leasing is a fantastic product, the support asset based financing provides means that the demand for such a product will stay for ever.

“Leasing is a fantastic product, the support asset based financing provides means that the demand for such a product will stay for ever.”
Company Profile

ING Lease Holding is a limited company and fully owned by ING Group based in Amsterdam, the Netherlands. It has 3 business lines: general lease, car lease and commercial finance and some 30 direct subsidiaries in 17 countries. In the so-called home countries of ING, there is a close cooperation between the bank and the leasing company. In the other countries, the leasing company works in a more autonomous way.

The business line General Lease offers financial leasing and similar products for all kind of assets (movable and real estate). Operational leasing is offered for some assets or in a structured way.

The Car Lease business offers only the pure full operating and full service product.

Commercial Finance offers working capital solutions, mainly factoring.

ING Lease Holding is active in all major markets in Western and Eastern Europe (including Turkey).

At the end of 2010, ING Lease had a head count of 2,640 persons. The total portfolio amounted to €22 billion and as per 31 December 2010, the profit before taxes was equal to €223 million.