

## PRESS RELEASE

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#### LEASEUROPE INDEX LATEST RESULTS: Q2 2011

#### Key performance indicators continue to show improvement for the leasing industry

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**Brussels, 17 August 2011** – Launched earlier this year, the Leaseurope Index tracks key performance indicators of a sample of European lessors on a quarterly basis. This unique survey of KPIs is set to become a key reference for the leasing industry and its various stakeholders with systematic and up-to-date information on the leasing and automotive rental market at European level. Q2 2011 is the second edition of this survey. In the first edition, the results for Q1 2011 showed a very positive picture with all indicators improving in 2010 and Q1 2011, reflecting the recovery of the industry following a cyclical trough in 2009.

The results for Q2 2011 highlight that key indicators continue to show improvement. Pre-tax profit increased by 28.1% compared to Q2 2010 (see table 1). However, the rate of increase in pre-tax profit has moderated in Q2 following the very rapid recovery in 2010 and Q1 2011.

The average profitability ratio of the reporting companies has improved from 26.8% in 2010 to 34.4% in Q2 2011 (see table 2 and Fig.1).

Operating income increased by 5.0% in Q2 2011. However, operating expenses increased at a faster rate (10.7%). This has resulted in the average cost/income ratio increasing slightly to 45.5% in Q2 2011 compared to Q1 2011.

The average annualised cost of risk ratio is significantly lower in Q2 2011 (0.66%), declining from 0.89% in Q2 2010, but has increased from 0.56% in Q1 2011.

The total value of new business written in Q2 2011 reached €20.67 billion, representing a 7.4% increase over Q2 2010.

Jean-Marc Mignerey, Chief Executive Officer of Société Générale Equipment Finance, commented that *“while the economic recovery in Europe remains sluggish, it is clear that the leasing industry is financing productive investment in the assets that European businesses need to prosper.”*

*“Despite a more difficult economic environment in Q2, it is positive that the profitability ratio is substantially higher than in recent periods. While it is lower than in Q1, where profitability was particularly high, I am convinced that the leasing industry can continue to enhance profitability by providing clients with the right solutions to their investment needs.”*

*“While it is positive that new business volumes and earnings potential are still increasing, although at a slower pace than during Q1, the industry recognises the value of prudent credit underwriting standards. It is encouraging that loan loss provisions and the cost of risk ratio are substantially lower than at this stage of 2010. The leasing industry is now more resilient in the event that heightened economic and financial market uncertainty dampens economic recovery and the investment outlook.”*

*“Nonetheless, the cost of risk ratio increased by 10 basis points in Q2 and it is of the utmost importance for the industry to watch this indicator closely, given the broader slowdown in European economic growth and ongoing uncertainty about the impact of sovereign debt sustainability on financial stability.”*

*“It is a slight concern that operating expenses increased faster than income in Q2. Despite this, the cost/income ratio remains healthy compared to previous periods. It is not easy for lessors to further streamline operations which span many countries, different markets and asset classes. Nevertheless, rigorous cost control and continuous innovation remain vital for the industry to achieve consistent returns in an environment of scarce capital and tight liquidity.”*

*“The ability of the leasing industry to constantly improve its performance relative to other financial service businesses will be key for our future. This is particularly relevant at a time when banks are under unprecedented regulatory pressure to strengthen their capital base and de-leverage which will inevitably lead to a reduction in their risk weighted assets over the coming months and years.”*

*“Against this backdrop, let us focus on our business, our customers, our people, let us build upon our strengths such as innovation, quality of service and flexibility. Let us play our role of financiers who support investment and the real economy, even in a period of slower growth, and look ahead with confidence to the future.”*

**Table 1: Aggregate Data, 2011 Q2 and 2011 Q1<sup>1</sup>**

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2011 Q2		2011 Q1	
	Sum of values (€ millions)	% change versus Q2 2010	Sum of values (€ millions)	% change versus Q1 2010
<b>1. Operating income</b>	2,186 €	5.0%	2,101 €	8.6%
<b>2. Operating expenses</b>	1,061 €	10.7%	992 €	6.1%
<b>3. Loan loss provision</b>	373 €	-25.1%	313 €	-35.2%
<b>4. Pre-Tax Profit</b>	740 €	28.1%	785 €	54.9%
<b>5. Portfolio at end of period *</b>	227,551 €	1.7%	225,347 €	1.4%
<b>6. New business volumes</b>	20,677 €	7.4%	17,989 €	13.5%

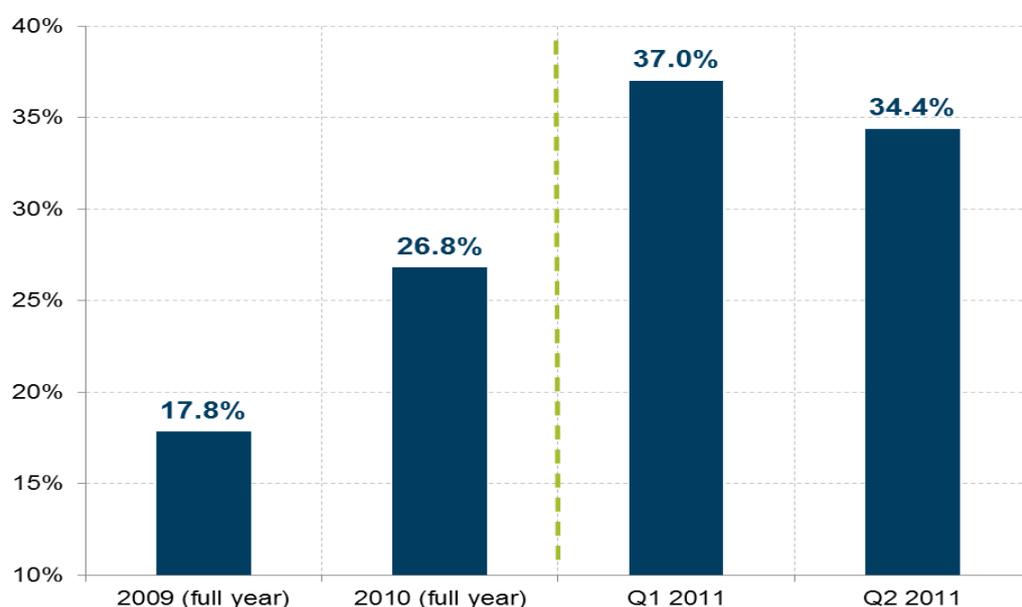
<sup>1</sup> The figures for Q1 2011 have been revised slightly since the results were published, due to some re-statements by reporting companies.

**Table 2: Weighted Average Ratios<sup>2</sup>**

Weighted Average Ratios	Average Q2 2011	Average Q1 2011	Average Q2 2010	Average Q1 2010	Average 2010 full year	Average 2009 full year
<b>Profitability (%)</b> - average of all companies' pre-tax profit as a % of total operating income	34.4%	37.0%	27.4%	25.8%	26.8%	17.8%
<b>Cost/Income (%)</b> - average of all companies' operating expenses as a % of operating income	45.5%	45.3%	43.1%	45.9%	45.0%	48.5%
<b>Cost of Risk (%)</b> - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.66% *	0.56% *	0.89% *	0.86% *	0.86%	n/a

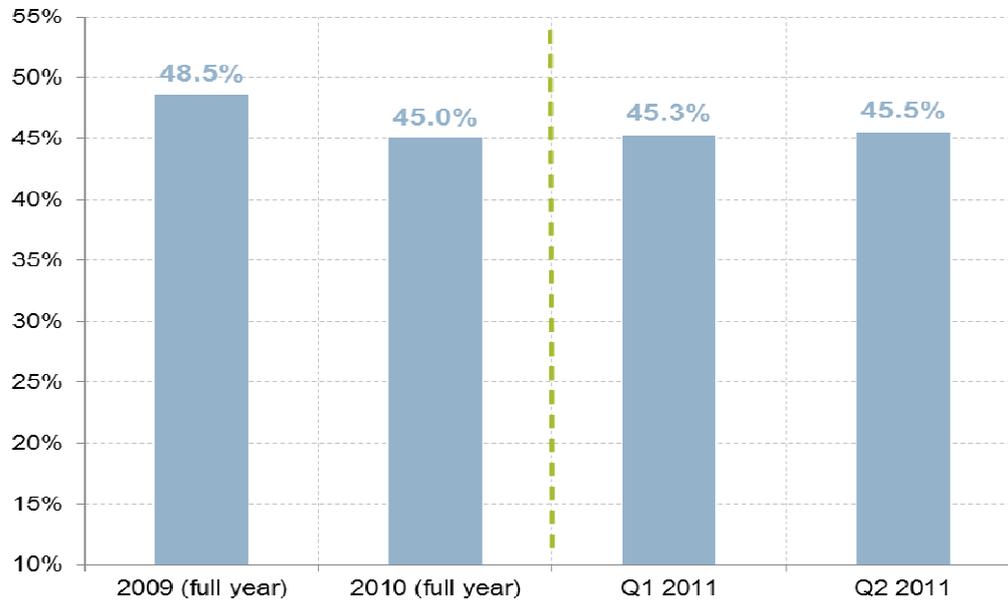
\* denotes that the quarterly loan loss provision figure has been annualised for the cost of risk ratio for individual quarters.

**Fig. 1: Profitability Ratio, 2009 – 2011 Q2 (period on period % growth rate)**

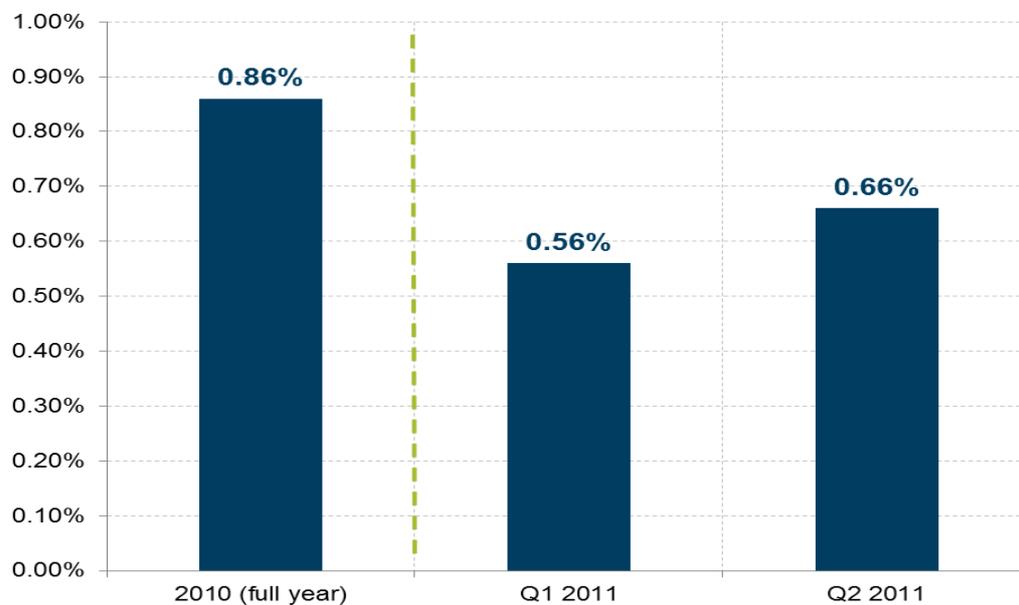


<sup>2</sup> Leaseurope calculates weighted average ratios based on the data provided by participating companies. The profitability and cost/income ratios are weighted by new business volumes over the relevant period. For example, all companies individual profitability ratio is weighted by their new business over the period Q2 2011 to arrive at the weighted average ratio of 34.4% shown in the table for Q2 2011. The cost of risk ratio is weighted by the average portfolio over the relevant period.

**Fig. 2: Cost / Income Ratio, 2009 – Q2 2011**  
(period on period % growth rate)



**Fig. 3: Cost of Risk Ratio, 2010 – Q2 2011**  
(period on period % growth rate)



**Table 3: Quartiles<sup>3</sup> for Ratios in Q2 2011**

	<b>Profitability Ratio</b>	<b>Cost / Income Ratio</b>	<b>Cost of Risk Ratio</b>
<b>Quartile 1 (25%)</b>	25.7%	35.4%	0.29%
<b>Quartile 2 (50%) i.e. median</b>	36.1%	44.0%	0.60%
<b>Quartile 3 (75%)</b>	43.2%	53.2%	0.80%
<b>Weighted Average</b>	34.4%	45.5%	0.66%

Table 3 above shows the quartile values for the ratios in Q2 2011 for each ratio. For example, the median profitability ratio is 36.1%. Companies in the upper quartile (quartile 3 or top 25%) of the 17 reporting companies have a profitability ratio equal to or above 43.2% in Q2 2011. Companies in the lower quartile (quartile 1 or the bottom 25%) have a profitability ratio of 25.7% or below. The weighted average of all companies is 34.4% (as shown in table 1).

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<sup>3</sup> Quartiles show the value of the boundary at the 25th, 50th, or 75th percentiles of a frequency distribution divided into four parts, each containing a quarter of the values in the dataset. In the table, Quartile 3 (75<sup>th</sup> percentile or upper quartile) identifies the 3/4 of the population members that have a value below this quartile figure. The median value shows the middle value of the 17 observations in the data set. The median is not influenced by outliers at either end of the dataset and can therefore be a useful metric of the ratio of the “typical” company in the sample.

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## About Leaseurope

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

## About the Leaseurope Index

### Who conducts this survey?

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

### What is the purpose of this survey?

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

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

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

Definitions:

- 1) **Total operating income:** Net interest income + net fee and commission income + net insurance result + trading profit + other net income (including rental income net of depreciation on operating leases and profit on sales of assets linked to leasing activities)
- 2) **Total operating expenses:** includes inter alia staff costs, other administrative expenses, depreciation and amortisation
- 3) **Loan loss provision:** Net loan loss provision - write offs + recoveries over the period (including write-offs/recoveries of assets)

- 4) **Pre-tax profit:** Total operating income – costs – provisions
- 5) **Portfolio at end of period:** Total portfolio of leased assets including outstanding loans to customers and assets on operating lease at the end of each period (non-performing loans are included). The figures reflect the depreciated value of assets at the end of the period.
- 6) **New business volumes:** Total value of new contracts approved & signed by both sides (lessor and lessee) during the period during the reporting period, excluding VAT and finance charges

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

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

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

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

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

17 companies participate on a voluntary basis: ABN AMRO Lease, ALD Automotive, Arval, Banca Agrileasing, BNP Paribas Leasing Solutions, Caterpillar S.A.R.L., Credit Agricole Leasing & Factoring, De Lage Landen, DnB NOR Finans, ING Lease, Leaseplan, Leasint, Nordea Finance, UniCredit Leasing, Société Générale Equipment Finance, UBI Leasing, Xerox Financial Services Europe

This sample is broadly representative of the European market in terms of geographic coverage and asset coverage. The sample represents a significant share of the total European leasing market. Please see the Leaseurope [2010 Ranking survey](#) for more information about European leasing companies.

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

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

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

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

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

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

### What is meant by “leasing”?

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

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

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

### Disclaimer

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