

FOR IMMEDIATE RELEASE

New IFRS lease accounting standard reaches unparalleled level of complexity

Brussels, 21 May 2010 - The leasing industry's pleas for international standard setters, the IASB and FASB, to draw up reasonable proposals for future IFRS lease accounting continue to be ignored following discussions during the Boards' monthly session of meetings this week.

The IASB will now consider a hybrid approach that will involve lessors having to apply no fewer than five different accounting models. This appears to be the result of yet another attempt by standard setters to come up with quick-fix accounting to reach converged IFRS and US GAAP approaches under unrealistic timeframes.

If this hybrid model for lessors goes ahead, many leases will be accounted for in a way that completely fails to represent the economics of these transactions. Additionally, the very same contracts, when granted by different parties, will end up being accounted for in entirely different ways.

Leaseurope, the body representing the leasing industry at European level, is therefore calling on the IASB to revisit this issue as soon as possible and to apply a solution that reflects the economic substance of lease transactions. Such a solution exists and has been repeatedly put forward by Leaseurope and other stakeholders.

"We struggle to see how this mixed-model approach can be considered a positive outcome of the IASB and FASB project to review existing lease accounting standards. It won't provide users of accounts with any better information than the existing lessor accounting approach, which distinguishes between two types of leases. On the contrary, it represents a big step backwards. We also fail to see how this approach can be consistent with what has been developed for lessees in the context of this project", comments Mark Venus (BNP Paribas), Chair of Leaseurope's Accounting Committee.

Tanguy van de Werve, Leaseurope's Director General adds, "We understand that this week's discussions on a hybrid model are only indicative and that the IASB has yet to reach a final decision on lessor accounting. Consequently, we would strongly advise the Board to reconsider this carefully before proceeding any further. Leaseurope is fully supportive of convergence between IFRS and US GAAP; however, high quality standard setting should not be held hostage to this process. If more time is required to produce a reasonable result, then it should be taken."

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About Leaseurope

As a Federation, Leaseurope brings together 47 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 95% of the European leasing market.

In 2008, new leasing volumes worth in excess of €330 billion were granted by the firms represented through Leaseurope's members. Together, these firms finance on average around 24% of all European investment (excluding investment in property). Moreover, they are responsible for the leasing and rental of some 17 million vehicles throughout Europe.