

FOR IMMEDIATE RELEASE

LEASEUROPE INDEX LATEST RESULTS: Q3 2013

Brussels, 2 December 2013 – The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 17 European lessors on a quarterly basis. This Q3 2013 is the eleventh edition of the survey.

Total new leasing volumes reported by the sample of firms are almost €16 billion, a deterioration on the volumes reported in Q3 2012. In fact there has been a general trend of decline in new business since the start of the Index time series. The portfolio of outstanding contracts decreased (-3.3%), as did risk-weighted assets (-2.8%).

The weighted average ratios for Q3 2013 have improved compared to the same quarter of the previous year, with the exception of cost of risk and profitability. These weighted averages are however, highly affected by one outlier company, which is currently undergoing restructuring. Median values of the KPIs in the Index are therefore a more accurate reflection of real trends, and show a much stronger performance.

Profit & profitability

Total pre-tax profit of the companies in the sample continued its recovery in Q3 2013, increasing by 8.5% compared to Q3 2012 (see table 1). The average profitability ratio remained stable from Q3 2012 to Q3 2013 at around 29% (see table 3). However, when looking at the medians, profitability grew well, from 34.3% in Q3 2012 to 37.1% in Q3 2013 (see table 4 for quartiles).

Income, expenses & cost/income

Compared to the same period a year ago, operating income increased (3.5%), while operating expenses decreased (3.4%). This resulted in an improvement of the average cost/income ratio in Q3 2013 to 46.6%, which is lower than the level seen in Q3 2012.

Loan loss provision & cost of risk

Loan loss provisions increased in Q3 2013 compared to Q3 2012, although it is still an improvement on the highs seen last quarter. The average annualised cost of risk therefore underwent a slight deterioration in Q3 compared to the same period last year and reached 0.75% (0.68% in Q3 2012). The medians however, show cost of risk to have remained relatively stable over the last 2 years at around 0.5%.

RoA and RoE indicators

RoA and RoE ¹ improved in Q3 2013 compared with the third quarter of the previous year, growing from 0.9% to 1.0% and from 107 to 116, respectively. If we look at the median values (i.e. representing the “typical” firm), the RoA value reached 1.3% in Q3 2013.

Marie-Christine Ducholet, CEO of Societe Generale Equipment Finance, commented that, *“The European leasing industry has been dealing with a difficult economic environment. European business investment has continued to contract and is expected to fall by 2% in 2013. As we draw closer to year end, it is however reassuring to note that this trend is at last expected to reverse in 2014 and we can finally hope to put this drawn-out crisis behind us. The decrease in the Leaseurope Index cost/income ratio in Q3 is encouraging and speaks to the strength and flexibility of leasing business models. We can therefore expect to see improvements for the leasing industry going forward.”*

¹ In order to ensure a feasible and comparable data collection across our sample, 8% of total risk weighted assets has been used as a proxy for equity. Therefore, the results reported here for RoE may not be directly comparable to the way leasing firms measure RoE internally or to some other measures of RoE.

Table 1: Aggregate Data, Q1 2012 – Q3 2013²

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2013 Q3		2013 Q2		2013 Q1	
	Sum of values (€ millions)	% change versus Q3 2012	Sum of values (€ millions)	% change versus Q2 2012	Sum of values (€ millions)	% change versus Q1 2012
1. Operating income	1,886	3.5%	2,004	6.6%	1,935	5.1%
2. Operating expenses	900	-0.4%	934	3.4%	898	1.2%
3. Loan loss provision	429	7.2%	537	10.4%	445	28.8%
4. Pre-Tax Profit	558	8.5%	549	14.6%	592	-2.8%
5. RWA at end of period	169,339	-2.8%	172,282	-0.8%	174,371	-0.8%
6. Portfolio at end of period	226,128	-3.3%	231,709	-1.6%	233,083	-1.2%
7. New business volumes	15,986	-0.7%	17,625	-2.6%	14,633	-12.0%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2012 Q4		2012 Q3		2012 Q2		2012 Q1	
	Sum of values (€ millions)	% change versus Q4 2011	Sum of values (€ millions)	% change versus Q3 2011	Sum of values (€ millions)	% change versus Q2 2011	Sum of values (€ millions)	% change versus Q1 2011
1. Operating income	1,894	0.5%	1,823	-2.4%	1,880	-2.7%	1,841	-2.1%
2. Operating expenses	1,036	3.7%	903	2.0%	903	-1.8%	887	0.2%
3. Loan loss provision	525	-4.0%	400	19.9%	486	56.8%	346	16.8%
4. Pre-Tax Profit	321	-0.3%	514	-19.6%	479	-34.0%	609	-12.6%
5. RWA at end of period	174,569	-3.3%	174,153	-3.3%	173,607	-2.0%	175,755	1.0%
6. Portfolio at end of period	232,342	-0.9%	233,809	0.0%	235,432	1.2%	235,909	3.2%
7. New business volumes	17,657	-10.8%	16,099	-20.0%	18,103	-14.7%	16,625	-8.8%

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

Table 2: Aggregate Data, 2009 – 2012 Annual³

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2012		2011		2010		2009
	Sum of values (€ millions)	% change versus 2011	Sum of values (€ millions)	% change versus 2010	Sum of values (€ millions)	% change versus 2009	Sum of values (€ millions)
1. Operating income	7,483	-1.1%	7,564	2.1%	7,405	3.1%	6,591
2. Operating expenses	3,734	0.4%	3,721	5.6%	3,523	6.7%	3,301
3. Loan loss provision	1,761	16.5%	1,511	-19.7%	1,882	-9.2%	2,074
4. Pre-Tax Profit	1,960	-16.4%	2,345	19.0%	1,970	64.6%	1,197
5. RWA at end of period	174,569	-3.0%	179,925	3.9%	173,191	n/a	n/a
6. Portfolio at end of period	232,342	-0.9%	234,563	1.6%	230,978	0.4%	230,147
7. New business volumes	66,924	-14.3%	78,073	3.0%	75,793	7.3%	70,659

Table 3: Weighted Average Ratios, 2012 – Q3 2013⁴

Weighted Average Ratios	2013			2012				
	Average Q3 2013	Average Q2 2013	Average Q1 2013	Average 2012 full year	Average Q4 2012	Average Q3 2012	Average Q2 2012	Average Q1 2012
Profitability (%) - average of all companies' pre-tax profit as a % of total operating income	29.2%	27.1%	31.6%	26.5%	16.3%	29.5%	25.4%	34.6%
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	46.6%	45.6%	45.3%	48.3%	53.5%	48.2%	45.9%	46.8%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.8%	0.9%	0.8%	0.7%	0.9%	0.7%	0.8%	0.6%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.0%	0.9%	1.0%	0.9%	0.6%	0.9%	0.8%	1.0%
Return on Equity (2010=100)* - index of all companies' net profit before tax (annualised) as a percentage of 8% of total risk weighted assets over the period	116	108	121	102	59	107	101	122

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

³ The aggregate annual data are shown here as reported in the Q4 2012 survey.

⁴ 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, each company's individual profitability ratio is weighted by its new business over the period Q3 2013 to arrive at the weighted average ratio of 29.2% shown in the table. The cost of risk, RoA and RoE ratios are weighted by the average portfolio over the relevant period.

Fig 1: Growth Rates of Financial Indicators, Q1 2012 – Q3 2013⁵

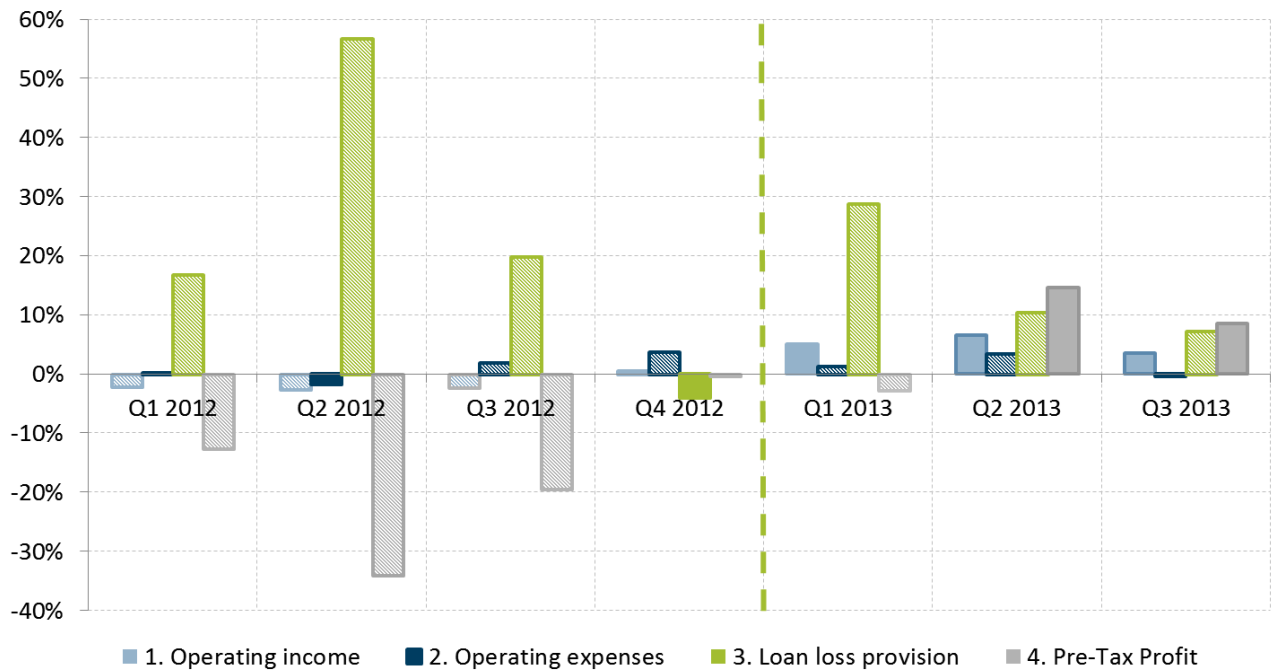
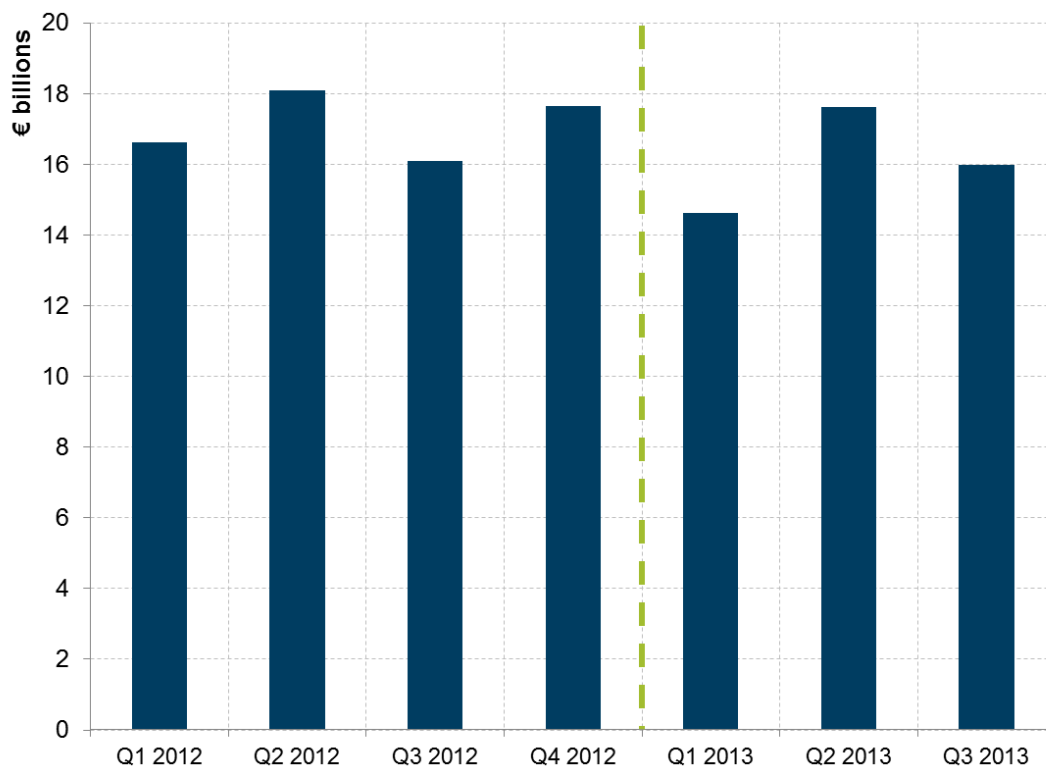


Fig. 2: New Business Volumes, Q1 2012 – Q3 2013



⁵ A thick border around an individual bar in the chart is illustrative of a negative development in the indicator

Fig. 3: Profitability Ratio, 2012 – Q3 2013

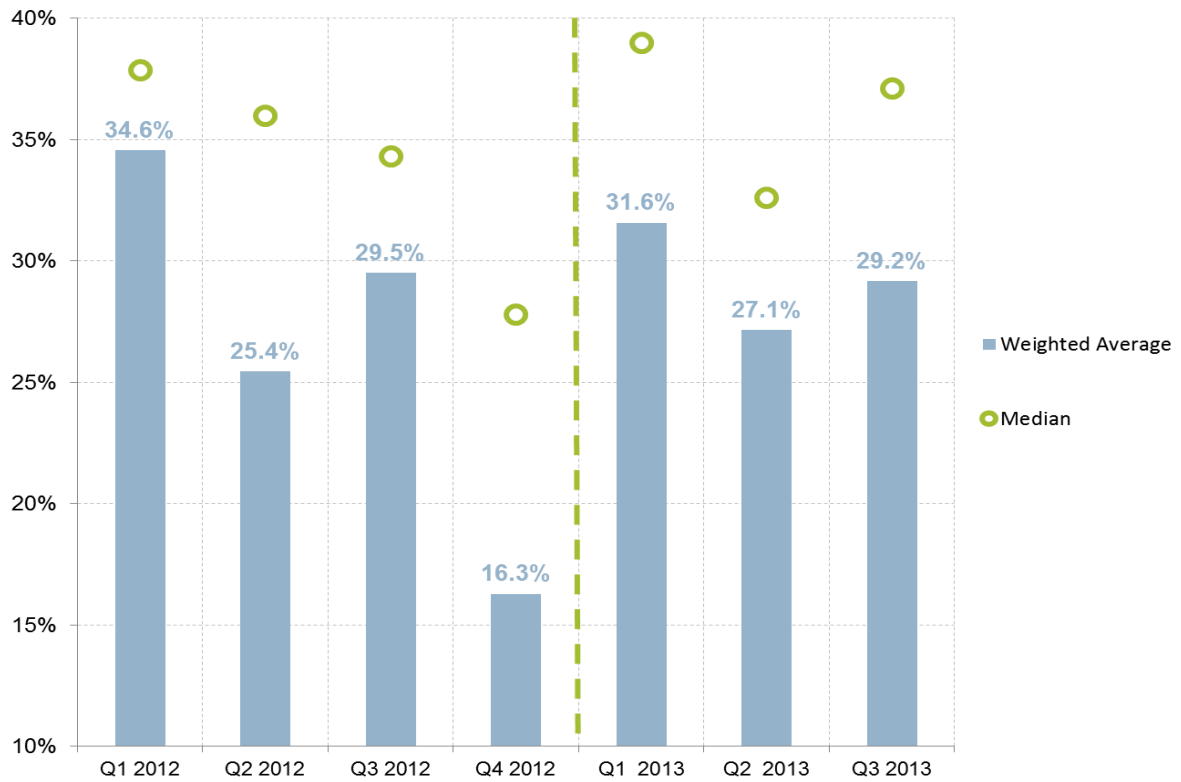


Fig. 4: Cost / Income Ratio, 2012 – Q3 2013

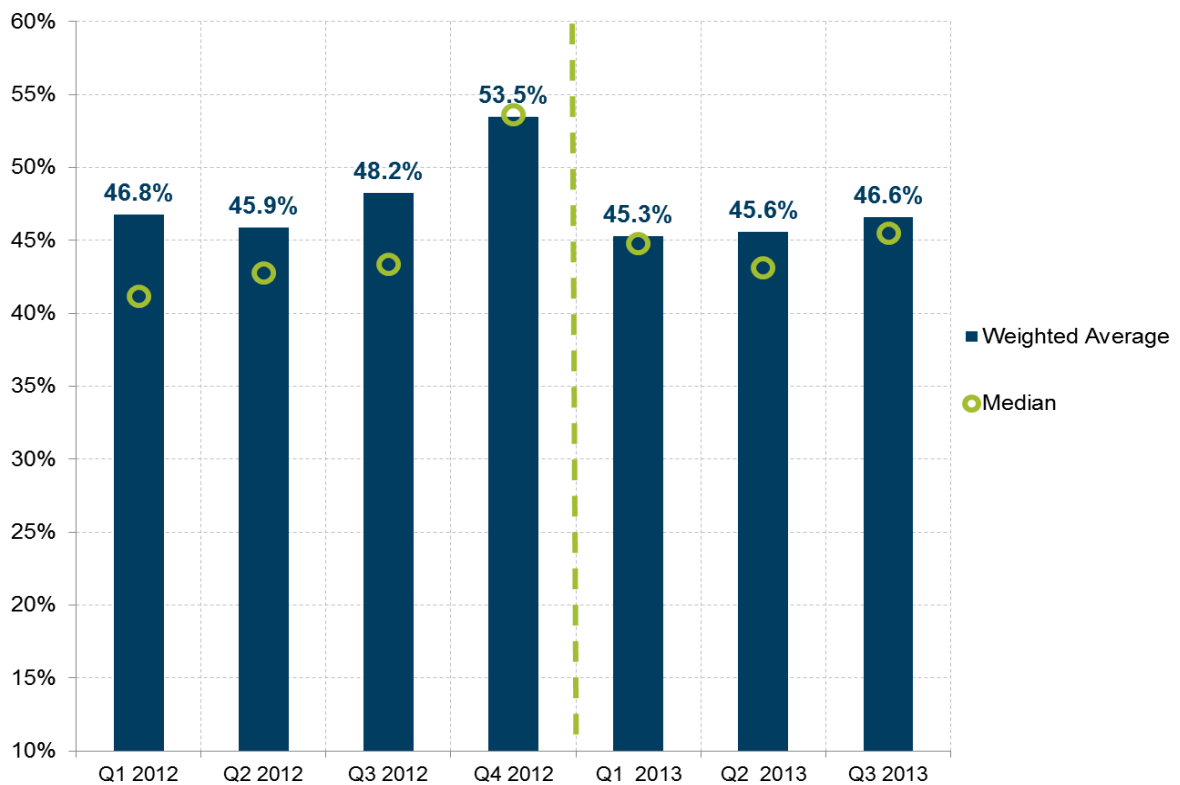


Fig. 5: Cost of Risk Ratio, 2012 – Q3 2013

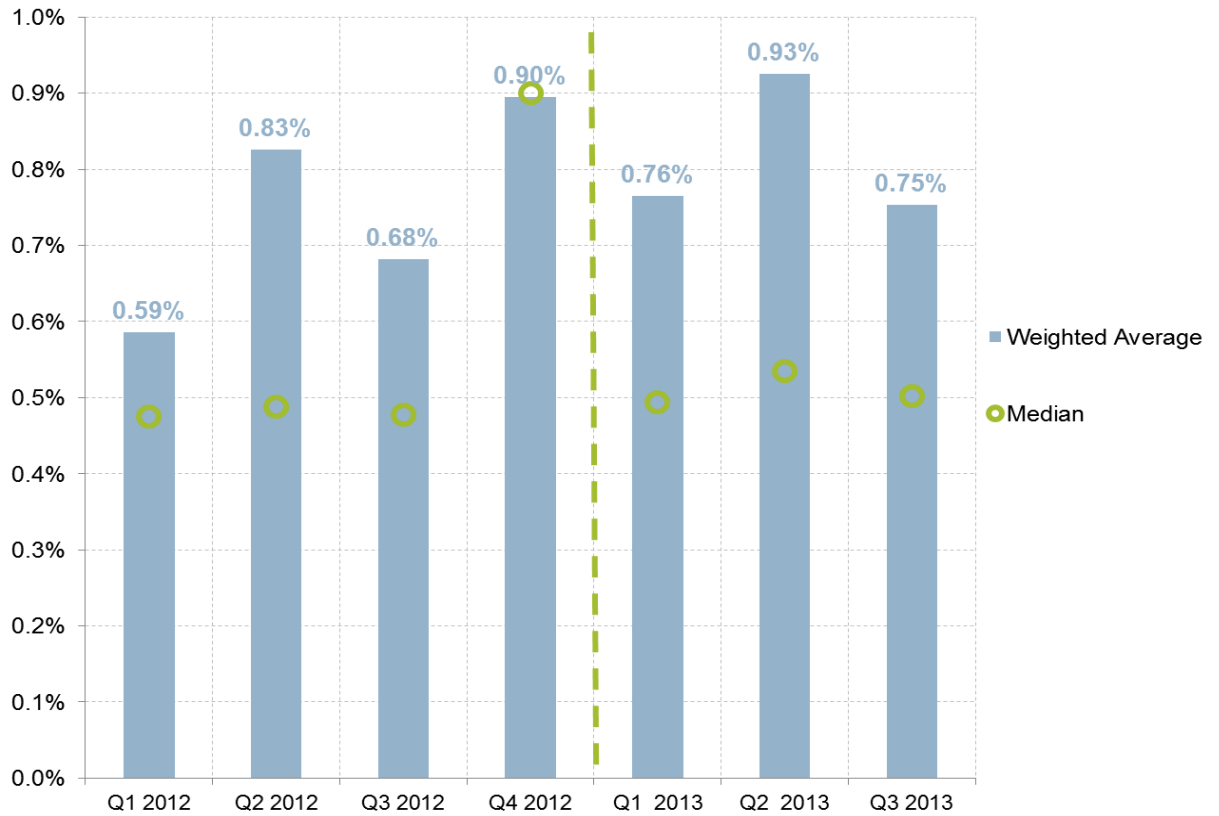


Figure 6: Return on Assets Ratio, 2012 – Q3 2013

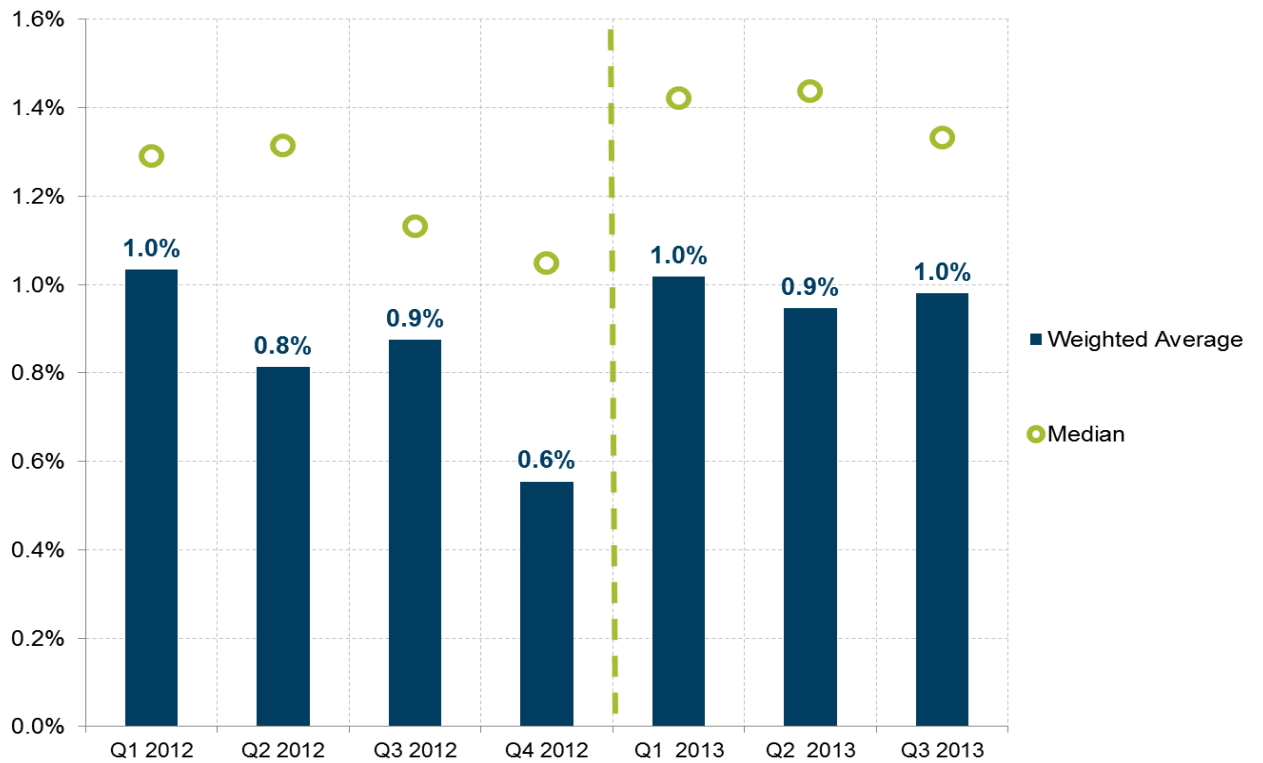


Figure 7: Return on Equity Ratio, 2012 – Q3 2013

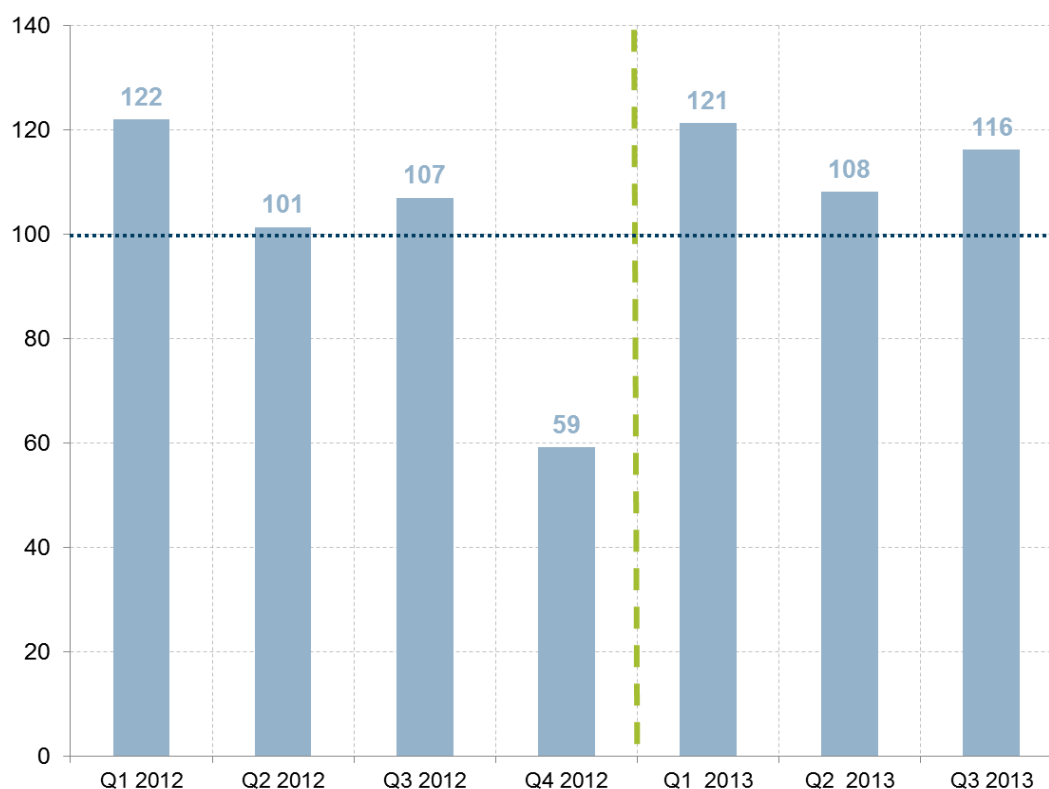


Table 4: Quartiles⁶ for Ratios in Q3 2013

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-344.4%	20.8%	0.1%	-1.6%
Quartile 1 (25%)	24.1%	36.0%	0.3%	0.4%
Quartile 2 (50%) i.e. median	37.1%	45.5%	0.5%	1.3%
Quartile 3 (75%)	46.1%	50.0%	1.1%	2.5%
Maximum	63.3%	100.0%	2.1%	4.5%
Weighted Average	29.2%	46.6%	0.75%	0.98%

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⁶ Quartiles show the value of the boundary at the 25th, 50th, or 75th percentiles of a frequency distribution divided into four parts, each containing a quarter of the values in the dataset. In the table, Quartile 3 (75th percentile or upper quartile) identifies that 3/4 of the population members have a value below this quartile figure. The median value shows the middle value of the 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 44 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 92% 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, risk weighted assets, portfolio of leased assets and new business volumes for each quarter.

Definitions:

- 1) **Total operating income:** Net interest income + net fee and commission income + net insurance result + trading profit + other net income (including rental income net of depreciation on operating leases and profit on sales of assets linked to leasing activities)
- 2) **Total operating expenses:** includes inter alia staff costs, other administrative expenses, depreciation and amortisation
- 3) **Loan loss provision:** Net loan loss provision - write offs + recoveries over the period (including write-offs/recoveries of assets)
- 4) **Pre-tax profit:** Total operating income – costs – provisions
- 5) **Risk weighted assets at end of period:** Total risk weighted assets (RWA) as defined by currently applicable prudential requirements (under the approach used by each firm, be it standardised or IRB) at the end of each period
- 6) **Portfolio at end of period:** Total portfolio of leased assets including outstanding loans to customers and assets on operating lease at the end of each period (non-performing loans are included). The figures reflect the depreciated value of assets at the end of the period.
- 7) **New business volumes:** Total value of new contracts approved & signed by both sides (lessor and lessee) during the period during the reporting period, excluding VAT and finance charges

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

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

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

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

Return on assets ratio: weighted average of all companies' net profit (annualised) as a percentage of average portfolio over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

Return on equity index: index of the weighted average of all companies' net profit (annualised) as a percentage of 8% of average risk weighted assets over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

Which companies take part in the survey?

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 **2012 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.