

FOR IMMEDIATE RELEASE

PRESS RELEASE

LEASEUROPE INDEX LATEST RESULTS: Q4 2014

Brussels, 17 March 2015 – The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 17 European lessors on a quarterly basis. This Q4 2014 is the sixteenth edition of the survey.

The weighted average ratios for Q4 2014 show a substantial improvement compared to the same quarter of the previous year. On an annual basis, all ratios improved in 2014 compared to 2013 (with the exception of cost/income). This is largely due to results in Q4 2013 being particularly low as a result of extreme values in a small segment of the sample. When looking at the medians, there are still strong increases across all ratios in Q4 2014 and for 2014 overall, indicating an improvement in leasing financials for the 'typical' leasing company. Due to the large variation in results by company in Q4 2014, with some extreme outliers, the medians represent a more consistent estimate of market trends than the weighted aggregates (see table 5).

Total new leasing volumes reported by the sample of firms increased by 3.4% in comparison to the same quarter a year ago, reaching just under €19 billion, while the whole of 2014 saw an even stronger increase of 7.3% in comparison to 2013. The portfolio of outstanding contracts remained broadly stable, declining by -0.1% while risk-weighted assets decreased by a larger amount (-7.5%). This highlights the commitment of leasing companies to decreasing their portfolio risk.

Profit & profitability

In Q4 2013 a large loan loss provision in an isolated portion of the sample resulted in extremely low aggregate profit. In Q4 2014, the situation has returned to positive territory (see table 1). This large reversal in average Q4 profit figures is also evident in the significant increase in total 2014 profit. When looking at the median profitability ratio, 2014 saw a general increase across all quarters compared to the previous year, with the annual 2014 figure rising to 39.8% (see figure 3).

Income, expenses & cost/income

Operating income exhibited continued growth in Q4 2014 compared to the same period a year ago, increasing by 5.9%. Operating expenses increased by a larger amount (6.1%), resulting in the average cost/income ratio marginally escalating to 50.5% in Q4 2014 compared to 50.2% in Q4 2013. However, the total figure for 2014 declined to 46.4% compared to 47.3% in 2013.

Loan loss provision & cost of risk

Loan loss provisions decreased in Q4 2014 compared to Q4 2013, as a result of the latter being at an unusually high level. The median cost of risk was lower across all quarters in 2014 when compared to 2013 (see figure 5). The last quarter saw a particularly large decline, from 0.7% in Q4 2013 to 0.4% in Q4 2014.

RoA and RoE indicators

Median RoA and RoE ¹ increased significantly in Q4 2014 compared to Q4 2013, reaching 1.4% and 112, respectively. RoA experienced increases throughout all quarters in 2014, with the total 2014 median ratio reaching 1.5% compared to 1.0% in 2013. When looking at RoE figures the picture is similar, with all 2014 quarter up compared to those in 2013.

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.

Morten Guldhaug, Executive Vice President at DNB and Head of Business Area DNB Finans, commented that, *“In 2014, a gradual European recovery finally seems to be appearing. Almost all European countries, including those who suffered heavily during the economic crisis, are now experiencing growth. For the whole of 2014 Europe saw a rise in GDP of 1.4%, with the euro area experiencing slightly slower growth of 0.9%.² This economic recovery is reflected in stronger financial performance for the leasing industry in 2014. In particular, the declining cost of risk and increasing RoA in Q4 2014 are both cause for optimism. The European economy is expected to continue growing in 2015, with GDP growth rising to 1.7% on the back of a gradual increase in domestic demand.³ Leasing is ideally positioned to contribute to this recovery going forward through increased funding of the real economy.”*

² Eurostat flash estimate for the fourth quarter of 2014.

³ European Commission Winter 2015 forecast.

Table 1: Aggregate Data, Q1 2014 – Q4 2014⁴

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2014 Q4		2014 Q3		2014 Q2		2014 Q1	
	Sum of values (€ millions)	% change versus Q4 2013	Sum of values (€ millions)	% change versus Q3 2013	Sum of values (€ millions)	% change versus Q2 2013	Sum of values (€ millions)	% change versus Q1 2013
1. Operating income	1,952	5.9%	1,944	6.5%	1,971	2.7%	1,905	3.2%
2. Operating expenses	992	6.1%	897	2.5%	888	-1.2%	870	-0.8%
3. Loan loss provision	474	-69.3%	381	-4.2%	392	-13.1%	394	-4.2%
4. Pre-Tax Profit	460	na*	657	19.6%	642	14.0%	633	13.4%
5. RWA at end of period	146,081	-7.5%	150,940	-6.1%	152,765	-6.0%	151,706	-10.4%
6. Portfolio at end of period	214,213	-0.1%	215,374	0.6%	216,192	-0.8%	214,299	-3.1%
7. New business volumes	18,594	3.4%	16,525	8.4%	18,031	8.8%	16,090	9.9%

*As the pre-tax profit figure for Q4 2013 is negative, while the Q4 2014 figure is positive, it is not meaningful to calculate a growth rate between these two values.

Table 2: Aggregate Data, 2010 – 2014 Annual⁵

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2014		2013		2012		2011		2010	
	Sum of values (€ millions)	% change versus 2013	Sum of values (€ millions)	% change versus 2012	Sum of values (€ millions)	% change versus 2011	Sum of values (€ millions)	% change versus 2010	Sum of values (€ millions)	% change versus 2009
1. Operating income	7,739	5.4%	7,342	2.0%	7,199	-4.8%	7,564	2.1%	7,405	12.3%
2. Operating expenses	3,630	2.4%	3,545	-2.3%	3,627	-2.5%	3,721	5.6%	3,523	6.7%
3. Loan loss provision	1,642	-41.6%	2,812	73.9%	1,617	7.0%	1,511	-19.7%	1,882	-9.2%
4. Pre-Tax Profit	2,373	145.4%	967	-49.5%	1,915	-18.3%	2,345	19.0%	1,970	64.6%
5. RWA at end of period	145,286	-7.4%	156,854	-6.4%	167,610	-6.8%	179,925	3.9%	173,191	n/a
6. Portfolio at end of period	214,212	-0.1%	214,434	-4.7%	225,082	-4.0%	234,563	1.6%	230,978	0.4%
7. New business volumes	69,071	7.3%	64,373	-3.6%	66,764	-14.5%	78,073	3.0%	75,793	7.3%

⁴ Historical figures have been revised slightly since the results were last published due to re-statements by some reporting companies.

⁵ The aggregate annual data are shown here as reported in the Q4 2014 survey.

Table 3: Weighted Average Ratios, 2014⁶

Weighted Average Ratios	2014				
	Average 2014 full year	Average Q4 2014	Average Q3 2014	Average Q2 2014	Average Q1 2014
Profitability (%) - average of all companies' pre-tax profit as a % of total operating income	19.8%	20.5%	33.4%	33.1%	32.4%
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	46.4%	50.5%	45.5%	44.6%	45.3%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.77%	0.88%	0.71%	0.73%	0.74%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.1%	0.9%	1.2%	1.2%	1.2%
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	139	112	161	155	151

Table 4: Weighted Average Ratios, 2013

Weighted Average Ratios	2013				
	Average 2013 full year	Average Q4 2013	Average Q3 2013	Average Q2 2013	Average Q1 2013
Profitability (%) - average of all companies' pre-tax profit as a % of total operating income	12.4%	-50.4%	30.6%	29.2%	31.6%
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	47.3%	50.2%	47.2%	46.0%	46.7%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	1.29%	2.88%	0.74%	0.82%	0.74%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	0.4%	-1.2%	1.0%	1.0%	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	62	-132	127	123	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.

⁶ The profitability and cost/income ratios are weighted by new business volumes, while the cost of risk, RoA and RoE ratio are weighted by the average portfolio over the relevant period. For example, each company's individual profitability ratio is weighted by its new business over the period Q4 2014 to arrive at the weighted average ratio of 20.5% shown in the table.

Fig 1: Growth Rates of Financial Indicators, 2013 – Q4 2014⁷

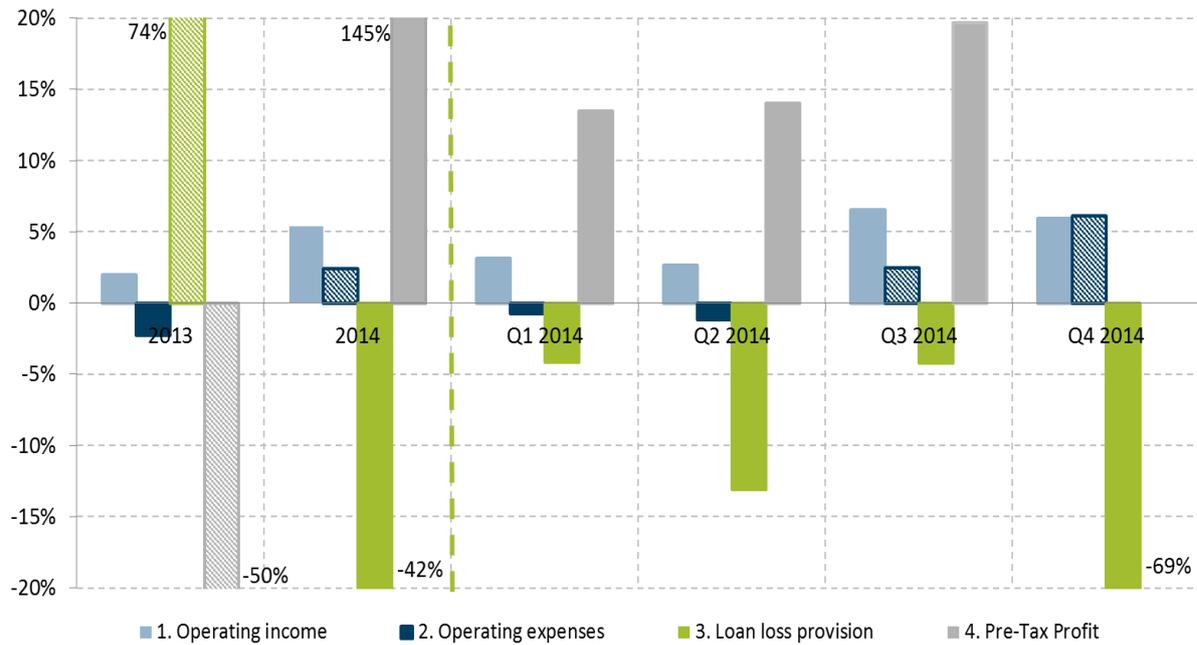
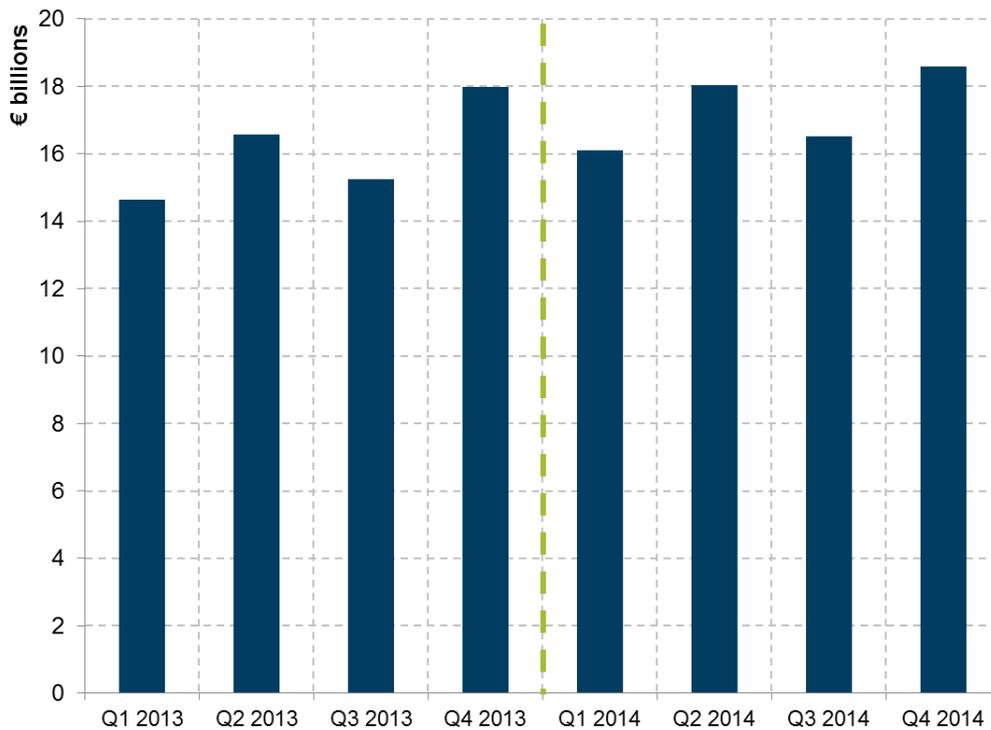


Fig. 2: New Business Volumes, Q1 2013 – Q4 2014

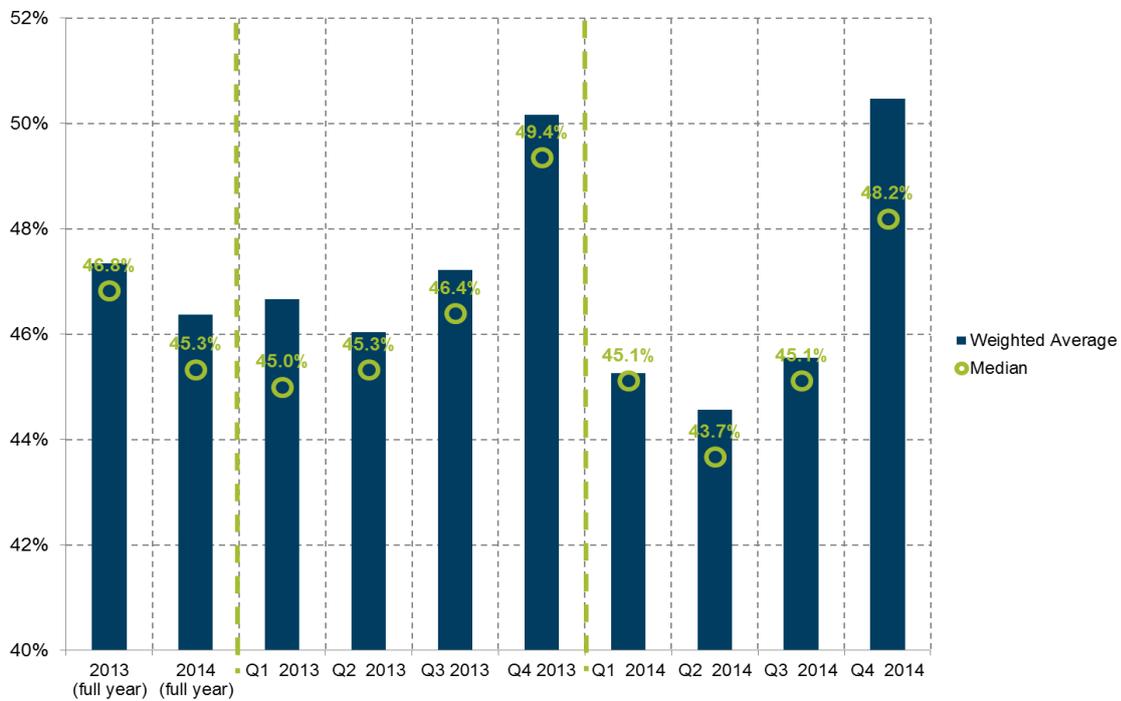


⁷ A thick border around an individual bar in the chart is illustrative of a negative development in the indicator. The large negative developments seen in loan loss provision (and hence pre-tax profit) in 2013, as well as subsequent large positive developments in 2014, are not an error, but are the result of extraordinarily high loan loss provision figures in a very small part of the sample in Q4 2013. These figures, while showing averages, are therefore not a good representation of the general condition of the whole sample in 2013. There is also no growth rate shown for pre-tax profit in Q4 2014, as the Q4 2013 figure was negative.

Fig. 3: Profitability Ratio, 2013 – Q4 2014⁸



Fig. 4: Cost / Income Ratio, 2013 – Q4 2014



⁸ Please refer to the trend in the median value for a more accurate representation of Q4 2013 and total 2013 figures. The weighted average for Q4 2013 is heavily influenced by extreme outlier values.

Fig. 5: Cost of Risk Ratio, 2013 – Q4 2014⁹

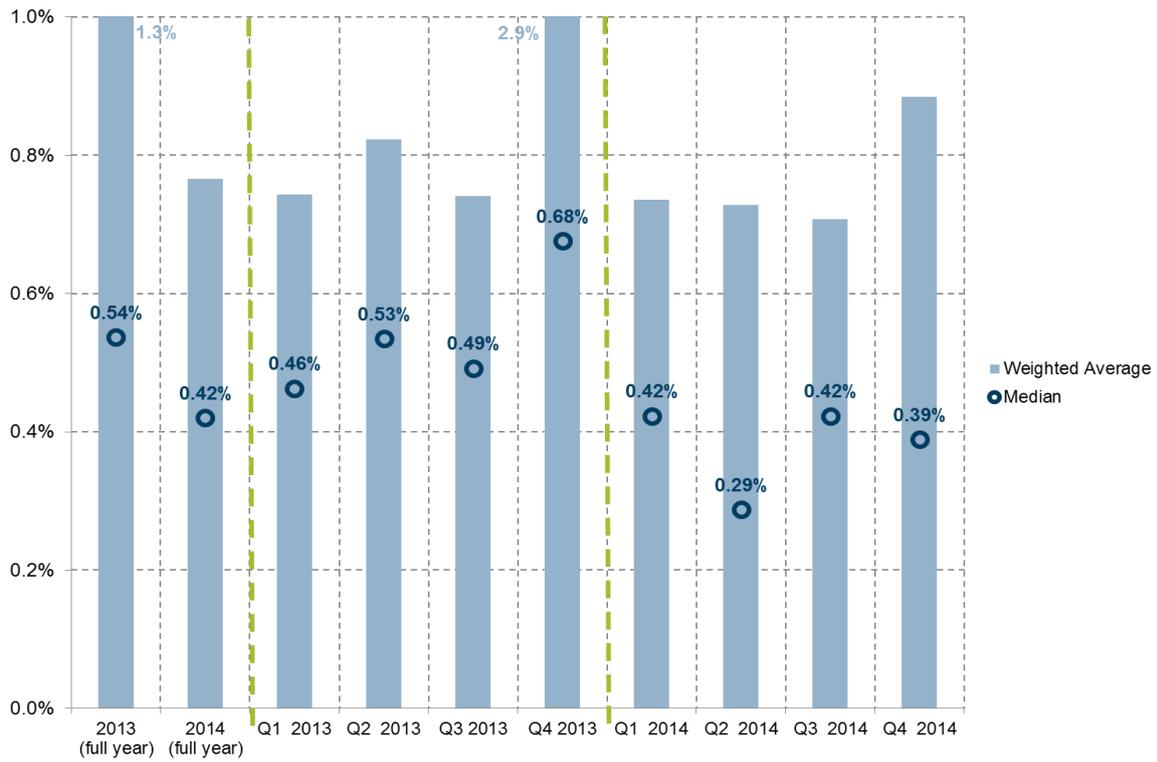
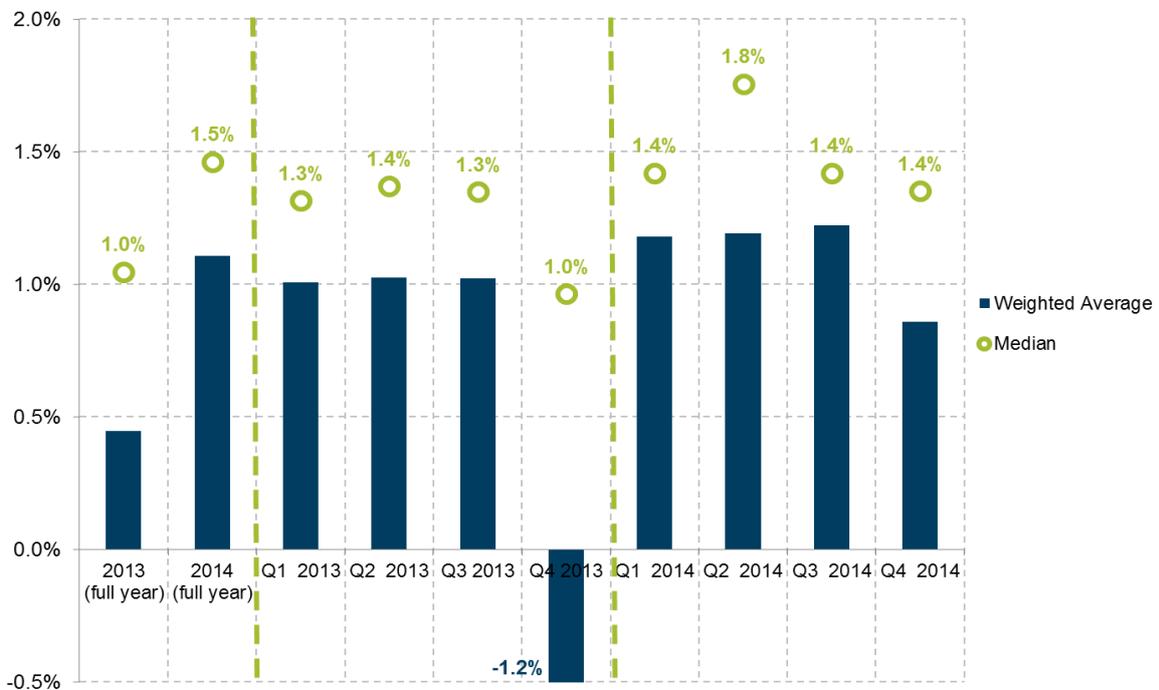


Figure 6: Return on Assets Ratio, 2013 – Q4 2014⁹



⁹ Please refer to the trend in the median value for a more accurate representation of Q4 2013 and total 2013 figures. The weighted average for Q4 2013 is heavily influenced by extreme outlier values.

Figure 7: Return on Equity Ratio, 2013 – Q4 2014¹⁰

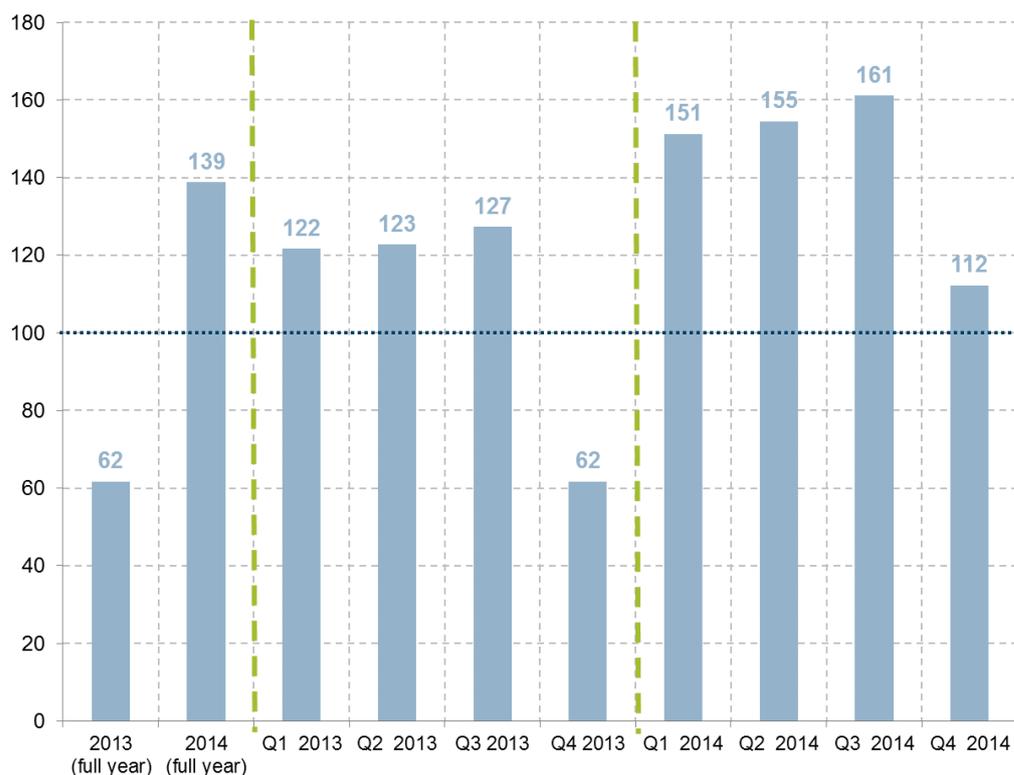


Table 5: Quartiles¹¹ for Ratios in Q4 2014

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-122.4%	27.3%	-1.86%	-1.6%
Quartile 1 (25%)	3.8%	43.9%	0.19%	0.1%
Quartile 2 (50%) i.e. median	35.4%	48.2%	0.39%	1.4%
Quartile 3 (75%)	48.7%	58.9%	1.25%	2.3%
Maximum	94.8%	70.6%	2.61%	7.4%
Weighted Average	20.5%	50.5%	0.88%	0.9%

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¹⁰ Please refer to the trend in the median value for a more accurate representation of Q4 2013 and total 2013 figures. The weighted average for Q4 2013 is heavily influenced by extreme outlier values.

¹¹ 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 46 associations throughout Europe representing either the leasing, long term and/or short term automotive rental industries. The scope of products covered by Leaseurope members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 92% of the European leasing market. Find out more at www.leaseurope.org.

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

About the Leaseurope Index

Who conducts this survey?

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

What is the purpose of this survey?

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

What indicators are covered by the Leaseurope Index?

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

Definitions:

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

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

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

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

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

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

Return on equity ratio: 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, Iccrea Bancalmpresa, BNP Paribas Leasing Solutions, Caterpillar S.A.R.L., Credit Agricole Leasing & Factoring, De Lage Landen, DnB Finans, ING Lease, Leaseplan, Mediocredito Italiano, 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 **2013 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.