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PRESS RELEASE

LEASEUROPE INDEX LATEST RESULTS: Q1 2016

Brussels, 16 June 2016 – The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 17 European lessors on a quarterly basis. This Q1 2016 is the twenty-first edition of the survey.

The weighted average ratios have seen strong improvements in Q1 2016, continuing on the path of strengthening financials seen in recent years. All show a substantial improvement on Q1 2016, with the exception of the cost/income ratio.

Total new leasing volumes reported by the sample of firms increased by 8.8% in comparison to the same quarter a year ago, reaching over €22 billion. The portfolio of outstanding contracts also grew, increasing by 2.0%, while risk-weighted assets increased by a slightly larger amount (3.0%).

Profit & profitability

Total pre-tax profit of all the companies saw double digit growth of 12.7% for Q1 2016 in comparison to Q1 2015 (see table 1). The average profitability ratio also increased from 41.0% in Q1 2015 to 45.4% in Q1 2016 (see table 3) – continuing the growth trend seen for the last three years. It is important to note that the quartile values of the profitability ratio are widely dispersed within the firm sample for the reporting period, although only a small minority of participants experienced a negative ratio (see table 4).

Income, expenses & cost/income

Operating income exhibited much slower growth in Q1 2016 compared to that seen in 2014 and 2015, increasing by 1.3% compared to the same period a year ago. Operating expenses increased by a larger amount (4.4%) resulting in the average cost/income ratio rising to 46.1% in Q1 2016 compared to 44.5% in Q1 2015.

Loan loss provision & cost of risk

Loan loss provisions almost halved in Q1 2016 (-41.6%) compared to Q1 2015, making it the third consecutive year of declining loan loss provisions. The average annualised cost of risk fell to its lowest level in the history of the survey, dropping to 0.30%.

RoA and RoE indicators

RoA and RoE ¹ increased in Q1 2016 compared to Q1 2015, continuing the trend of high values seen last year at 1.9% and 184, respectively. These high figures are due to strong profitability increases as a result of declining loan loss provisions.

Andy Hart, Head of Asset Finance at Investec, commented that, *“In Q1 2016 leasing KPIs continue to go from strength to strength, with particularly well performing profitability and cost of risk. However, these positive developments are being driven largely by declining loan loss provisions. Slowing income growth and escalating costs in the first quarter of the year could be cause for concern. On the bright side, strong new business growth, as well as increasing portfolio levels, suggest that the leasing industry is well placed to meet any challenges that the rest of the year may bring. The continuation of an accommodative monetary policy and broad recovery across Europe should boost investment going forward, a good development for the leasing business, but current political uncertainties leave future prospects unclear.”*

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 2015 – Q1 2016²

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2016 Q1		2015 Q4		2015 Q3	
	Sum of values (€ millions)	% change versus Q1 2015	Sum of values (€ millions)	% change versus Q4 2014	Sum of values (€ millions)	% change versus Q3 2014
1. Operating income	2,532	1.3%	2,566	8.7%	2,616	8.3%
2. Operating expenses	1,161	4.4%	1,275	4.9%	1,158	5.1%
3. Loan loss provision	185	-41.6%	433	-23.7%	241	-37.5%
4. Pre-Tax Profit	1,169	12.7%	870	50.4%	1,216	31.7%
5. RWA at end of period	179,091	3.0%	181,844	4.3%	176,670	0.0%
6. Portfolio at end of period	250,008	2.0%	252,507	2.9%	249,575	1.3%
7. New business volumes	22,223	8.8%	25,953	12.7%	23,343	9.2%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2015 Q2		2015 Q1	
	Sum of values (€ millions)	% change versus Q2 2014	Sum of values (€ millions)	% change versus Q1 2014
1. Operating income	2,589	7.6%	2,498	9.6%
2. Operating expenses	1,129	14.9%	1,112	3.3%
3. Loan loss provision	278	-32.4%	317	-23.0%
4. Pre-Tax Profit	1,188	50.8%	1,038	30.7%
5. RWA at end of period	181,150	3.4%	173,829	-0.6%
6. Portfolio at end of period	250,166	1.7%	245,063	0.7%
7. New business volumes	24,570	11.1%	20,433	7.3%

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, 2011 – 2015 Annual³

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2015		2014		2013		2012		2011	
	Sum of values (€ millions)	% change versus 2014	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
1. Operating income	10,190	8.7%	9,377	6.8%	8,779	2.7%	8,549	-1.6%	8,687	-0.1%
2. Operating expenses	4,683	4.6%	4,476	3.4%	4,330	-2.3%	4,432	2.6%	4,321	2.4%
3. Loan loss provision	1,273	-29.4%	1,803	-38.0%	2,906	70.5%	1,704	6.6%	1,598	-22.7%
4. Pre-Tax Profit	4,245	37.3%	3,093	102.4%	1,528	-35.6%	2,374	-14.6%	2,781	17.0%
5. RWA at end of period	181,844	4.3%	174,278	-3.1%	179,774	-4.8%	188,863	-2.8%	194,390	1.2%
6. Portfolio at end of period	252,507	3.0%	245,251	2.3%	239,662	-3.1%	247,324	-2.6%	253,985	0.9%
7. New business volumes	93,808	10.8%	84,679	9.0%	77,679	-8.3%	79,437	-10.5%	88,792	0.4%

Table 3: Weighted Average Ratios, 2015 – Q1 2016⁴

Weighted Average Ratios	2016	2015				
	Average Q1 2016	Average 2015 full year	Average Q4 2015	Average Q3 2015	Average Q2 2015	Average Q1 2015
Profitability (%) - average of all companies' pre-tax profit as a % of total operating income	45.4%	41.6%	33.9%	46.4%	45.6%	41.0%
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	46.1%	46.0%	49.0%	44.6%	43.5%	44.5%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.30%	0.5%	0.69%	0.39%	0.45%	0.52%
Return on Assets (%)* - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.9%	1.7%	1.4%	1.9%	1.9%	1.7%
Return on Equity (2011=100)* - index of all companies' net profit before tax (annualised) as a percentage of 8% of total risk weighted assets over the period	184	170	139	191	190	168

³ The aggregate annual data are shown here as reported in the Q4 2015 survey.

⁴ 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 Q1 2016 to arrive at the weighted average ratio of 45.4% shown in the table.

Fig 1: Growth Rates of Financial Indicators, 2015 – Q1 2016⁵

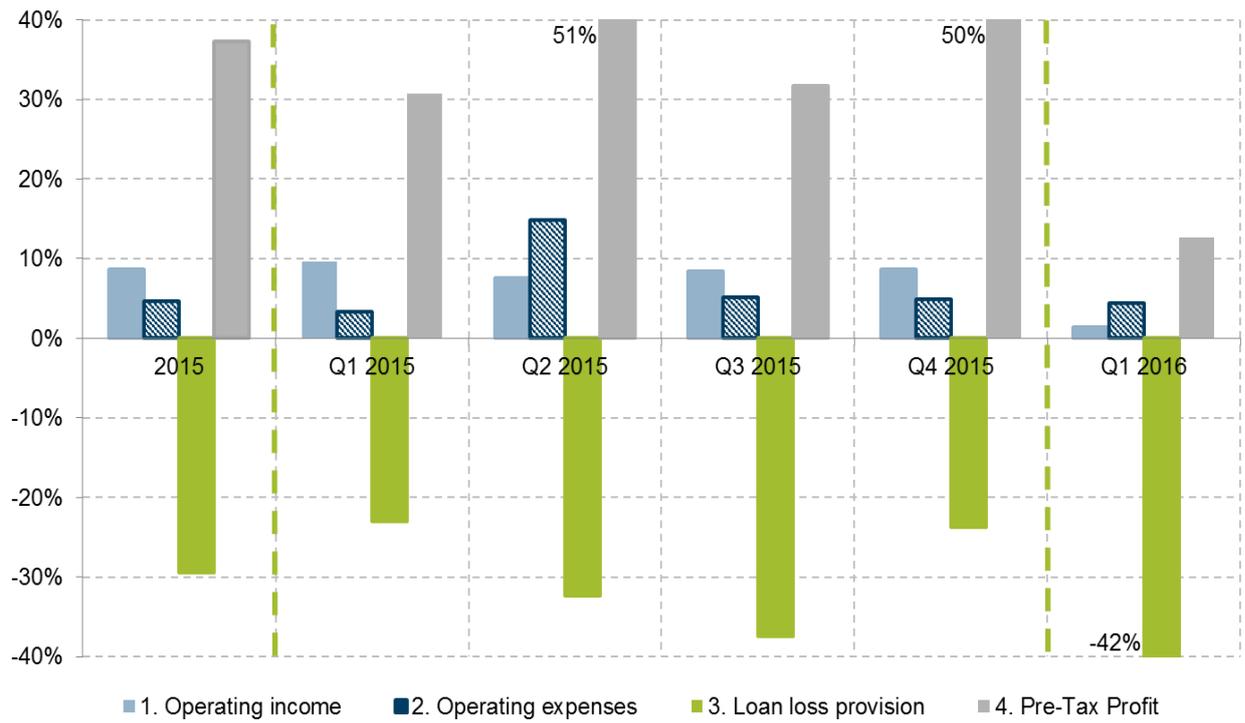
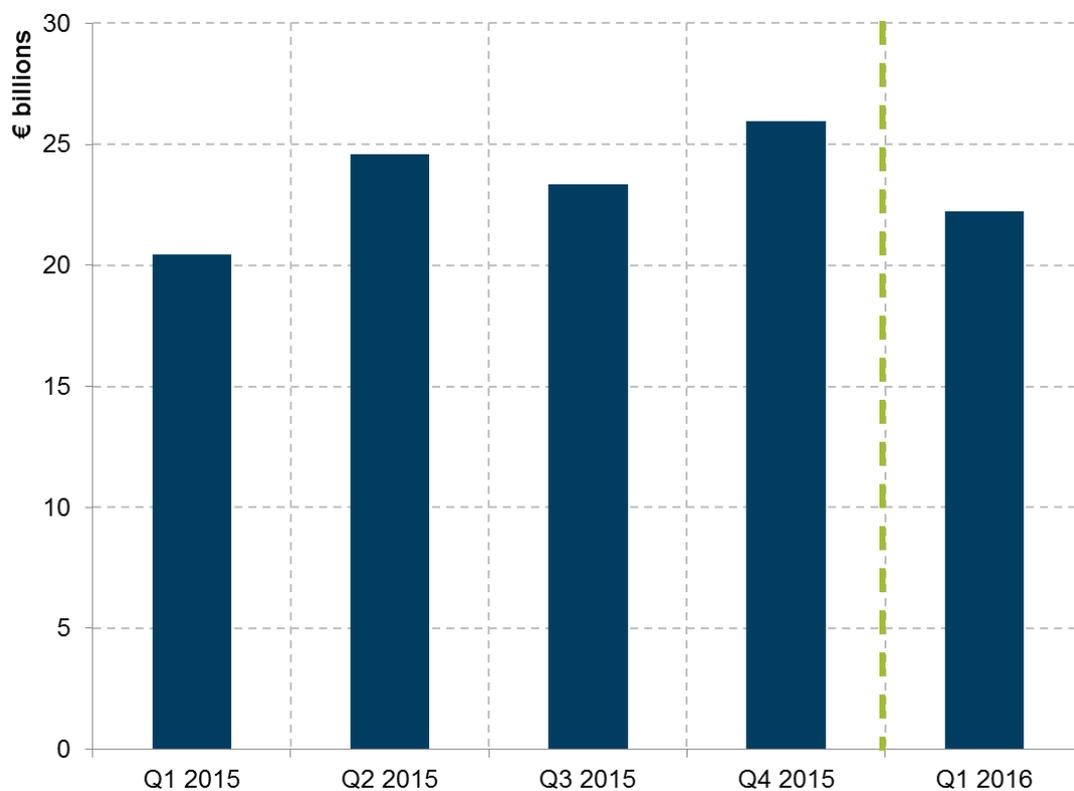


Fig. 2: New Business Volumes, Q1 2015 – Q1 2016



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

Fig. 3: Profitability Ratio, 2015 – Q1 2016

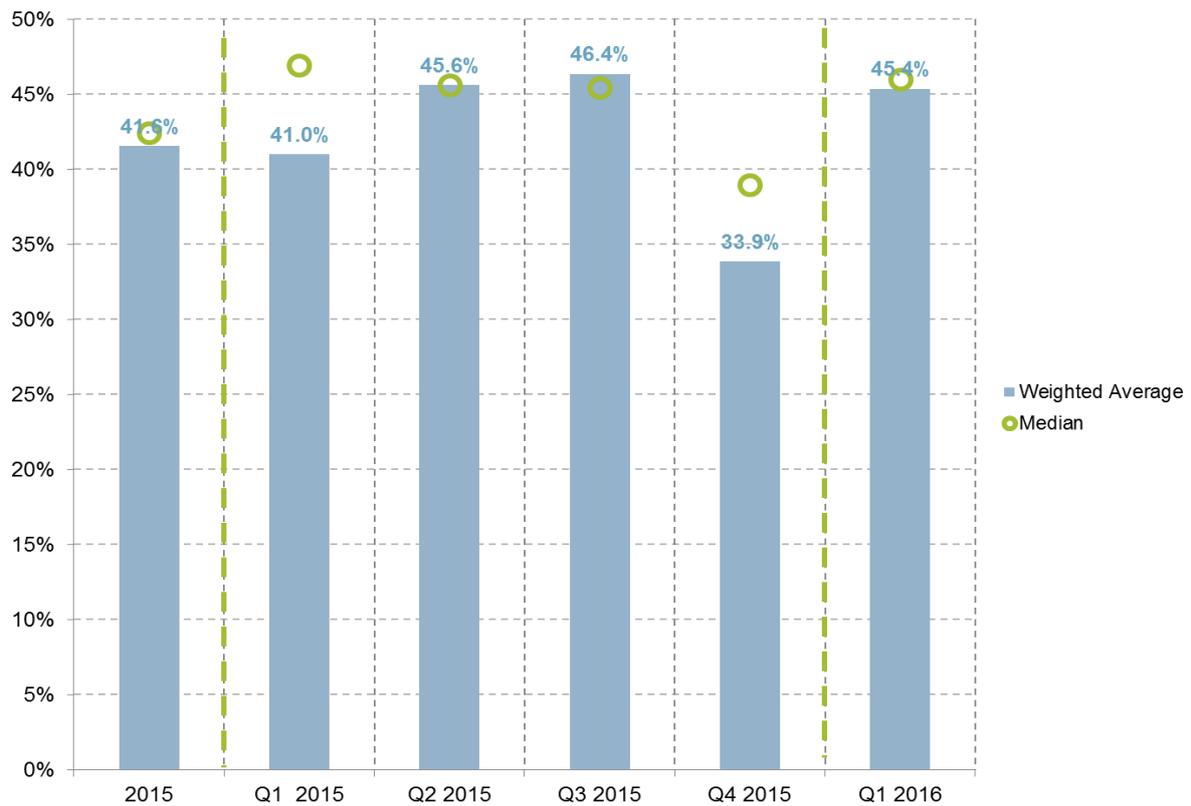


Fig. 4: Cost / Income Ratio, 2015 – Q1 2016

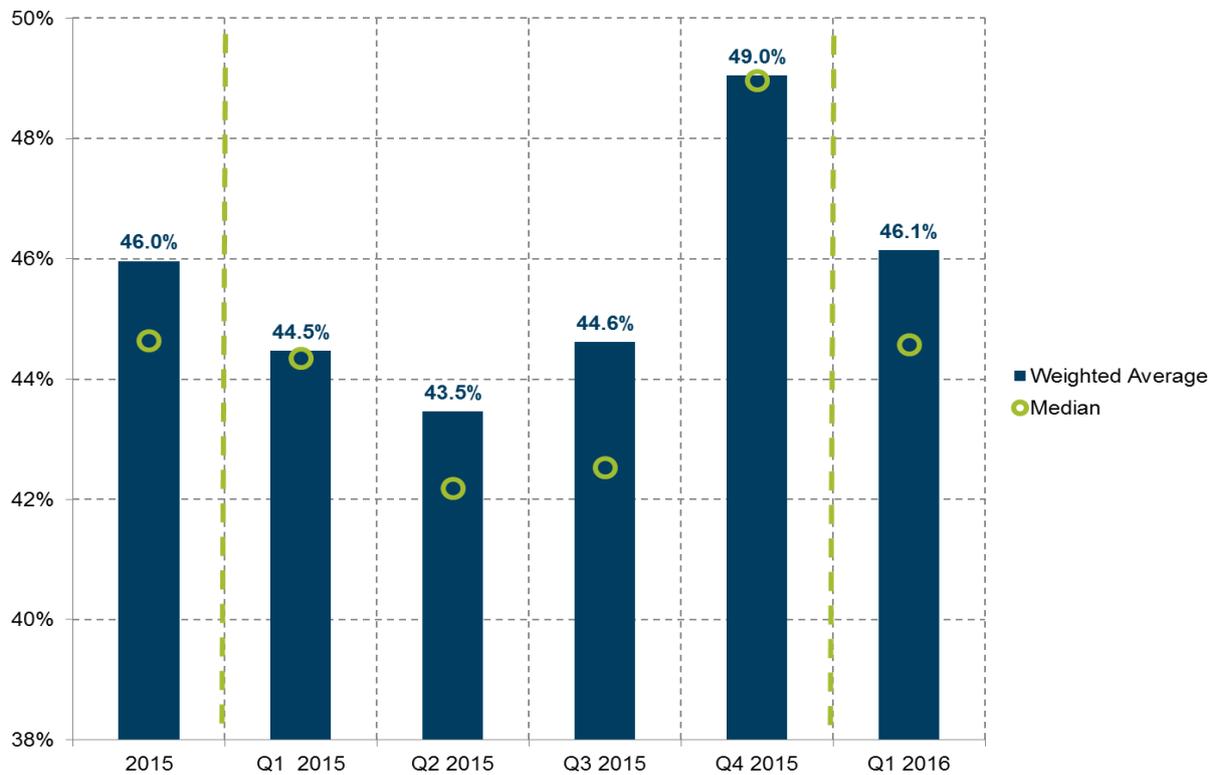


Fig. 5: Cost of Risk Ratio, 2015 – Q1 2016

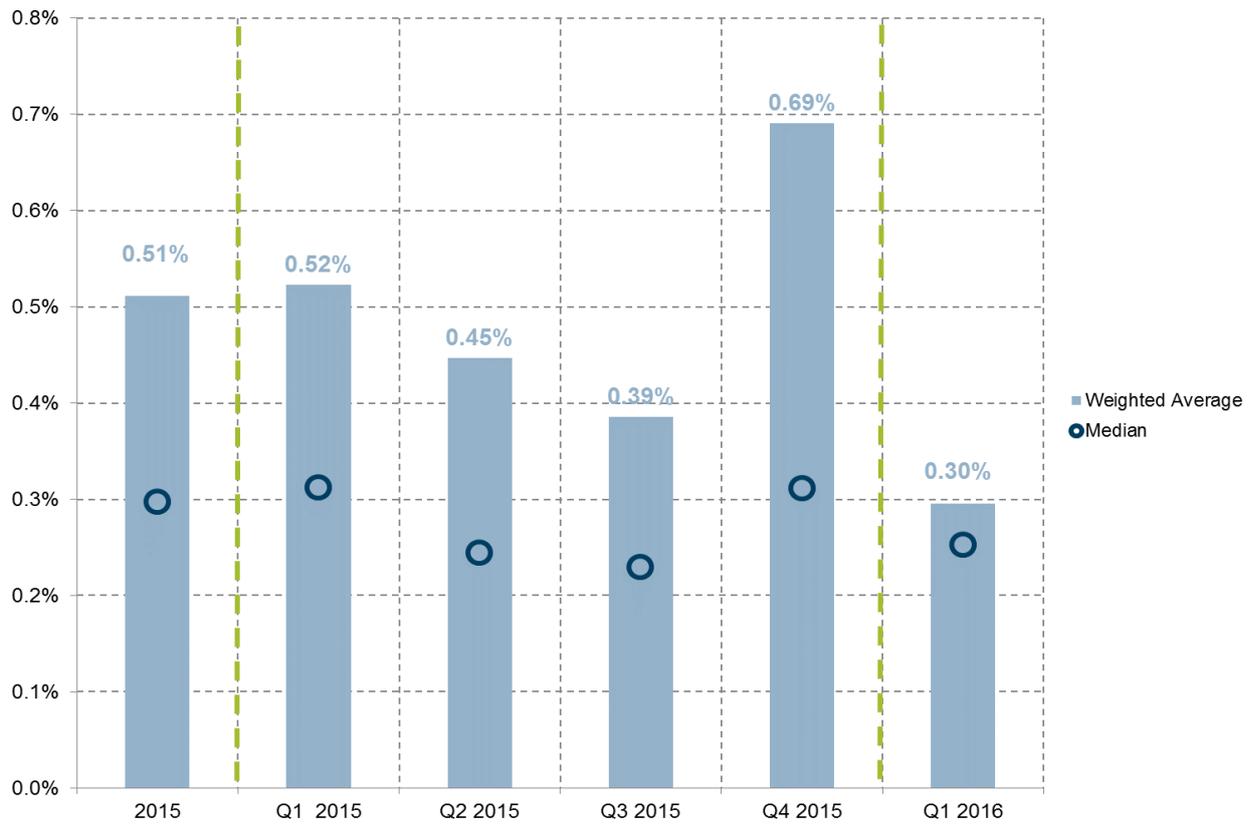


Figure 6: Return on Assets Ratio, 2015 – Q1 2016

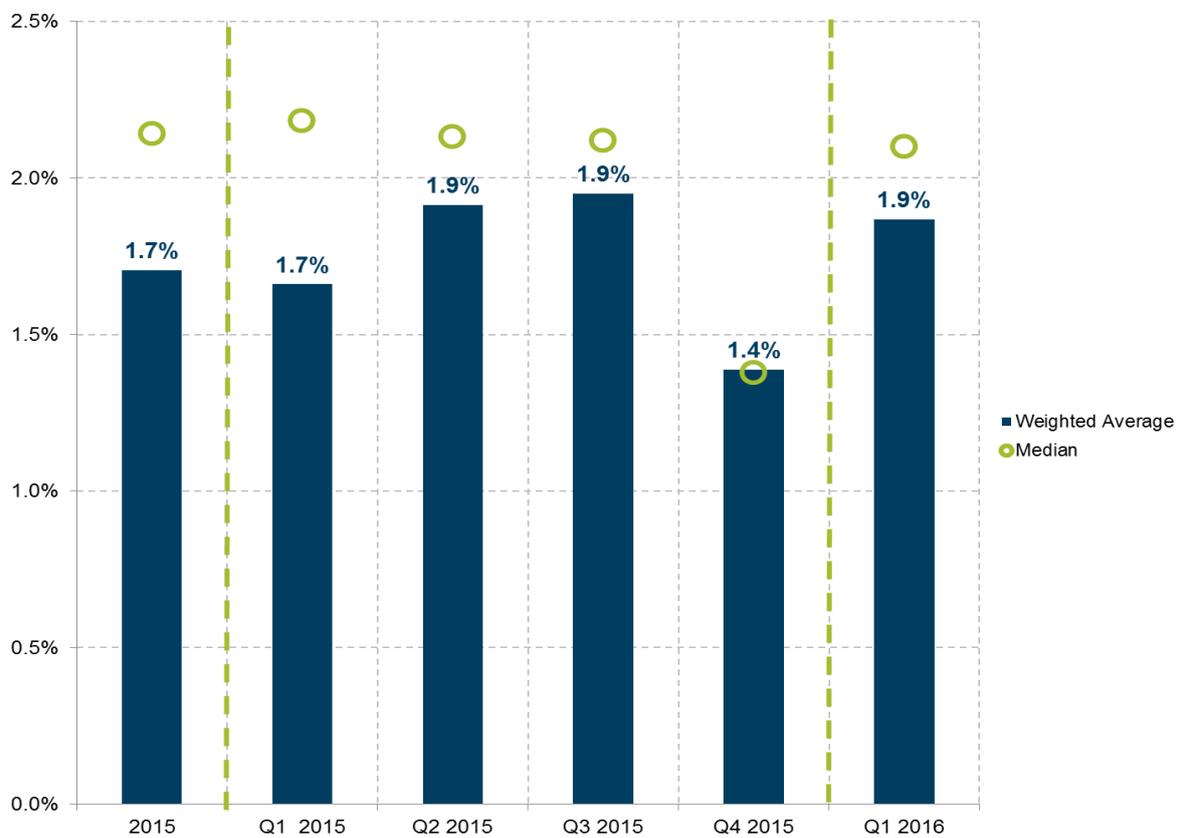


Figure 7: Return on Equity Index, 2015 – Q1 2016

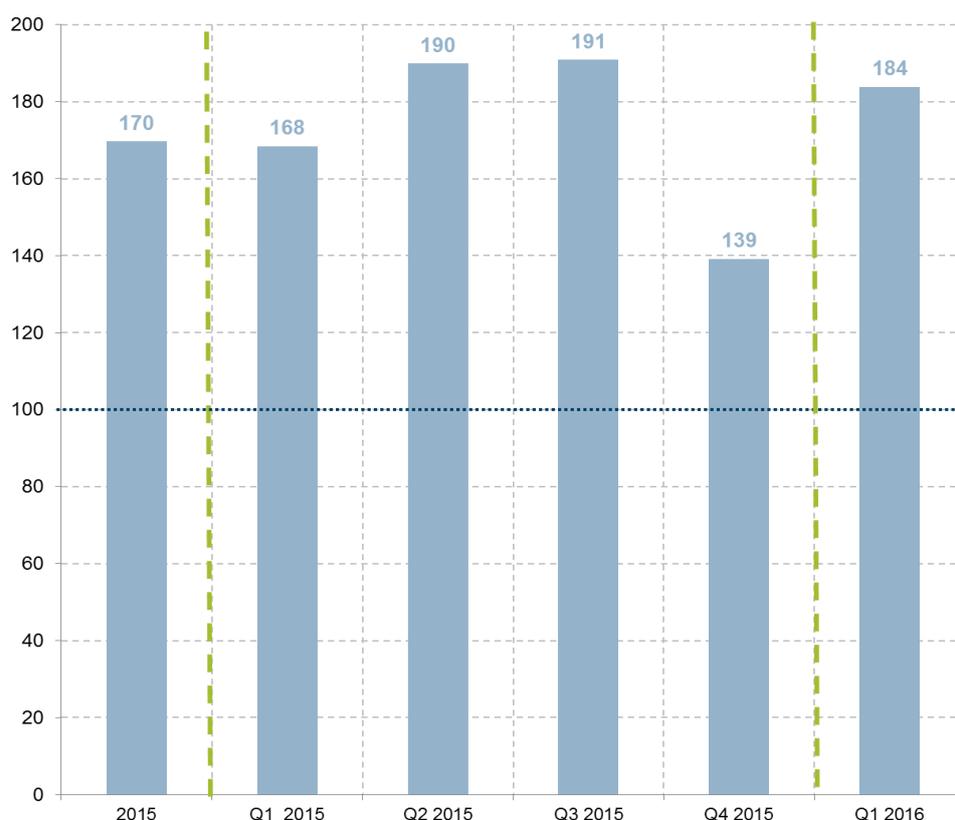


Table 5: Quartiles⁶ for Ratios in Q1 2016

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-10.0%	17.9%	-0.06%	-0.2%
Quartile 1 (25%)	40.8%	35.5%	0.13%	1.0%
Quartile 2 (50%) i.e. median	46.0%	44.6%	0.25%	2.1%
Quartile 3 (75%)	55.3%	50.4%	0.43%	3.2%
Maximum	63.7%	55.7%	1.40%	5.1%
Weighted Average	45.4%	46.1%	0.30%	1.9%

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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 23 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 91% 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 index: Indexation 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?

23 companies participate on a voluntary basis: ABN AMRO Lease, ALD Automotive, Aldermore, Alphabet, Arval, BNP Paribas Leasing Solutions, Caterpillar S.A.R.L., Credit Agricole Leasing & Factoring, De Lage Landen, DnB Finans, Hitachi Capital UK, Iccrea BancaImpresa, ING Lease, Investec, Lombard, Leaseplan, Mediocredito Italiano, Nordea Finance, Siemens Financial Services, Société Générale Equipment Finance, UBI Leasing, UniCredit 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 **2015 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 eight 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.