

FOR IMMEDIATE RELEASE

PRESS RELEASE

## LEASEUROPE INDEX LATEST RESULTS: Q2 2019

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**Brussels, 26 September 2019** – The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 23 European lessors on a quarterly basis. This Q2 2019 is the thirty-fourth edition of the survey.

All of the weighted average ratios deteriorated in the second quarter of 2019 compared to the same quarter of 2018. The trend in the median ratios (i.e. for the ‘typical’ company in the sample) also reflected a negative picture for the ‘typical’ company in the sample.

Compared to Q2 2018, total new leasing volumes reported by the sample of firms remained relatively stable, with a slight decline of 0.5%, reaching nearly €29 billion. The outstanding portfolio continued to expand, with growth of 3.4% in Q2 2019 compared to the previous year. As a result, risk-weighted assets similarly rose by 3.4%.

### **Profit & profitability**

There was a large decrease in pre-tax profits, which weakened by -23.5% in Q2 2019 compared to the same quarter of one year ago (see table 1). This was largely a result of escalating provisions. Consequently, the weighted average profitability ratio also declined from 48.8% in Q2 2018 to 41.2% in Q2 2019 (see table 3a). The median profitability ratio exhibited an equivalent trend despite at a higher level of 43.5% in Q2 2019 (see table 3b).

### **Income, expenses & cost/income**

Compared to the same period in 2018, operating income relatively remained stable in Q2 2019 (falling by only -0.05%), while operating expenses experienced a significant climb of 15.8% due to developments in an isolated part of the sample. This resulted in the weighted average cost/income ratio rising to 49.3% in the second quarter of 2019, which was slightly higher than the full year 2018 average. Median cost/income ratio also increased in Q2 2019 relative to Q2 2018, at 45.8% versus 44.7%.

### **Loan loss provision & cost of risk**

Loan loss provisions in Q2 2019 escalated compared to the same period a year ago, increasing by nearly 81%. As a result, the average annualised cost of risk almost doubled from 0.24% to 0.42%. However, when excluding the impact of large outlier values, the median cost of risk for the second quarter was more stable, with a moderately higher level of 0.23% in this year’s second quarter.

### **RoA and RoE<sup>1</sup> indicators**

The levels of both RoA and RoE were lower in Q2 2019 in comparison with Q2 2018. Weighted average and median RoA ratios both stood at 1.4% in Q2 2019, while weighted average and median RoE reached 153 and 114 respectively.

Peter Hupfeld, CEO of Nordea Finance, commented that, *“On the back of strong growth in previous years, the first half of 2019 showed some increasing headwinds for European lessors. Changing regulatory requirements are impacting indicators like cost/income and profitability in Q2 2019. While many macroeconomic developments, such as global trade tensions, continued low interest rates and policy uncertainty, are currently impacting the business environment in Europe, the economy is predicted to continue its stable growth path for the rest of the year and going into 2020. With this forecast, together with a steady increase in the use of leasing, lessors should be prepared to leverage on opportunities within a challenging business environment.”*

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<sup>1</sup> In order to ensure a feasible and comparable data collection across our sample, 10.5% 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 2018 – Q2 2019<sup>2</sup>**

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2019 Q2		2019 Q1		2018 Q4	
	Sum of values (€ millions)	% change versus Q2 2018	Sum of values (€ millions)	% change versus Q1 2018	Sum of values (€ millions)	% change versus Q4 2017
1. Operating income	2,646	-0.05%	2,660	3.8%	2,575	3.5%
2. Operating expenses	1,387	15.8%	1,307	5.5%	1,239	-6.1%
3. Loan loss provision	292	80.7%	239	12.6%	212	-2.0%
4. Pre-Tax Profit	976	-23.4%	1,113	0.2%	1,110	16.3%
5. RWA at end of period	197,418	3.4%	196,908	4.3%	193,913	5.3%
6. Portfolio at end of period	278,324	3.4%	278,753	5.0%	275,710	6.9%
7. New business volumes	28,890	-0.5%	25,710	4.4%	24,616	-9.7%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2018 Q3		2018 Q2		2018 Q1	
	Sum of values (€ millions)	% change versus Q3 2017	Sum of values (€ millions)	% change versus Q2 2017	Sum of values (€ millions)	% change versus Q1 2017
1. Operating income	2,534	1.3%	2,648	2.9%	2,563	1.9%
2. Operating expenses	1,285	7.9%	1,198	1.0%	1,239	6.2%
3. Loan loss provision	374	84.2%	161	-2.1%	212	18.4%
4. Pre-Tax Profit	934	-16.3%	1,275	4.5%	1,110	-5.7%
5. RWA at end of period	184,104	5.5%	190,916	5.3%	188,752	4.4%
6. Portfolio at end of period	272,041	6.4%	269,290	5.6%	265,428	3.8%
7. New business volumes	26,324	7.7%	29,048	9.1%	24,616	2.4%

**Table 2: Aggregate Data, 2015 – 2018 Annual<sup>3</sup>**

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2018		2017		2016		2015	
	Sum of values (€ millions)	% change versus 2017	Sum of values (€ millions)	% change versus 2016	Sum of values (€ millions)	% change versus 2015	Sum of values (€ millions)	% change versus 2014
1. Operating income	10,290	1.9%	10,094	-0.4%	10,137	3.5%	9,795	8.3%
2. Operating expenses	5,021	3.5%	4,849	1.0%	4,802	6.6%	4,506	4.2%
3. Loan loss provision	1,017	34.7%	755	-57.5%	1,775	42.4%	1,247	-30.2%
4. Pre-Tax Profit	4,234	-6.0%	4,504	25.0%	3,605	-11.0%	4,050	37.2%
5. RWA at end of period	193,893	4.6%	185,362	3.1%	179,735	0.6%	178,706	3.4%
6. Portfolio at end of period	275,698	6.0%	260,034	2.3%	254,217	3.1%	244,355	2.1%
7. New business volumes	108,910	6.5%	102,247	4.5%	97,846	7.5%	91,023	10.1%

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

<sup>3</sup> The aggregate annual data are shown here as reported in the Q1 2019 survey.

**Table 3a: Weighted Average Ratios, 2018 – Q2 2019<sup>4</sup>**

Weighted Average Ratios	2019		2018				
	Q2 2019	Q1 2019	2018 Full Year	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>Profitability (%)</b> - pre-tax profit as a % of total operating income	41.2%	40.6%	<b>41.9%</b>	36.4%	38.8%	48.8%	43.3%
<b>Cost/Income (%)</b> - operating expenses as a % of operating income	49.3%	49.1%	<b>48.5%</b>	52.3%	49.6%	44.6%	49.0%
<b>Cost of Risk (%)*</b> - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.42%	0.35%	<b>0.38%</b>	0.43%	0.50%	0.24%	0.32%
<b>Return on Assets (%)*</b> - net profit before tax (annualised) as a percentage of average portfolio over the period	1.4%	1.6%	<b>1.6%</b>	1.4%	1.4%	1.9%	1.7%
<b>Return on Equity (index, 2011=100)*</b> - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	153	166	<b>167</b>	143	158	201	176

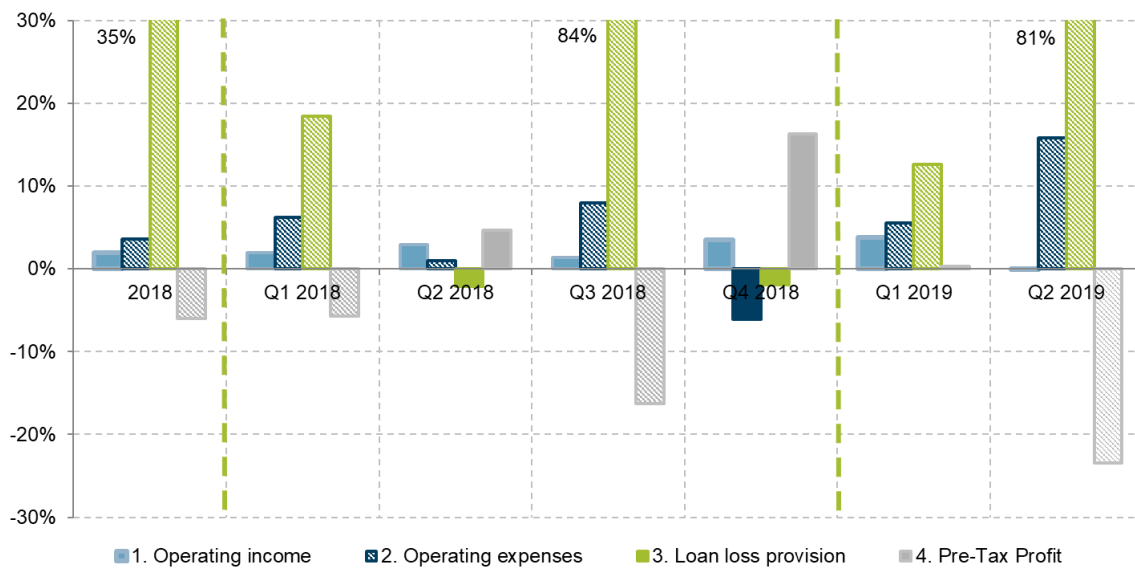
**Table 3b: Median Ratios, 2018 – Q2 2019**

Median Ratios	2019		2018				
	Q2 2019	Q1 2019	2018 Full Year	Q4 2018	Q3 2018	Q2 2018	Q1 2018
<b>Profitability (%)</b> - pre-tax profit as a % of total operating income	43.5%	42.0%	<b>39.5%</b>	37.1%	39.1%	47.6%	47.6%
<b>Cost/Income (%)</b> - operating expenses as a % of operating income	45.8%	48.3%	<b>47.4%</b>	51.3%	43.8%	44.7%	47.4%
<b>Cost of Risk (%)*</b> - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.23%	0.30%	<b>0.3%</b>	0.27%	0.34%	0.19%	0.29%
<b>Return on Assets (%)*</b> - net profit before tax (annualised) as a percentage of average portfolio over the period	1.4%	1.3%	<b>1.5%</b>	1.1%	1.4%	2.1%	1.5%
<b>Return on Equity (index, 2011=100)*</b> - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	114	112	<b>119</b>	119	120	167	123

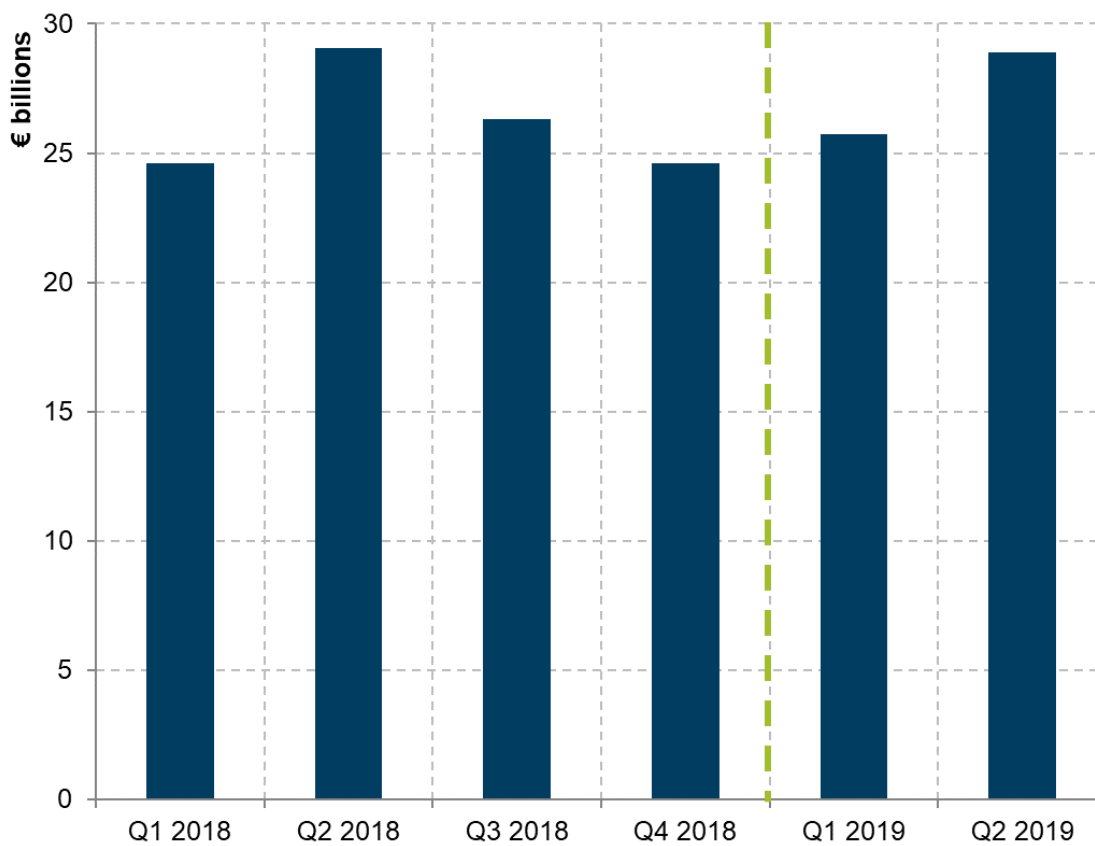
\* denotes that the quarterly numerator (either loan loss provisions or net profit) has been annualised in order to calculate the relevant ratio for each individual quarter.

<sup>4</sup> 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 Q2 2018 to arrive at the weighted average ratio of 48.5% shown in the table.

**Fig 1: Growth Rates of Financial Indicators, 2018 – Q2 2019<sup>5</sup>**

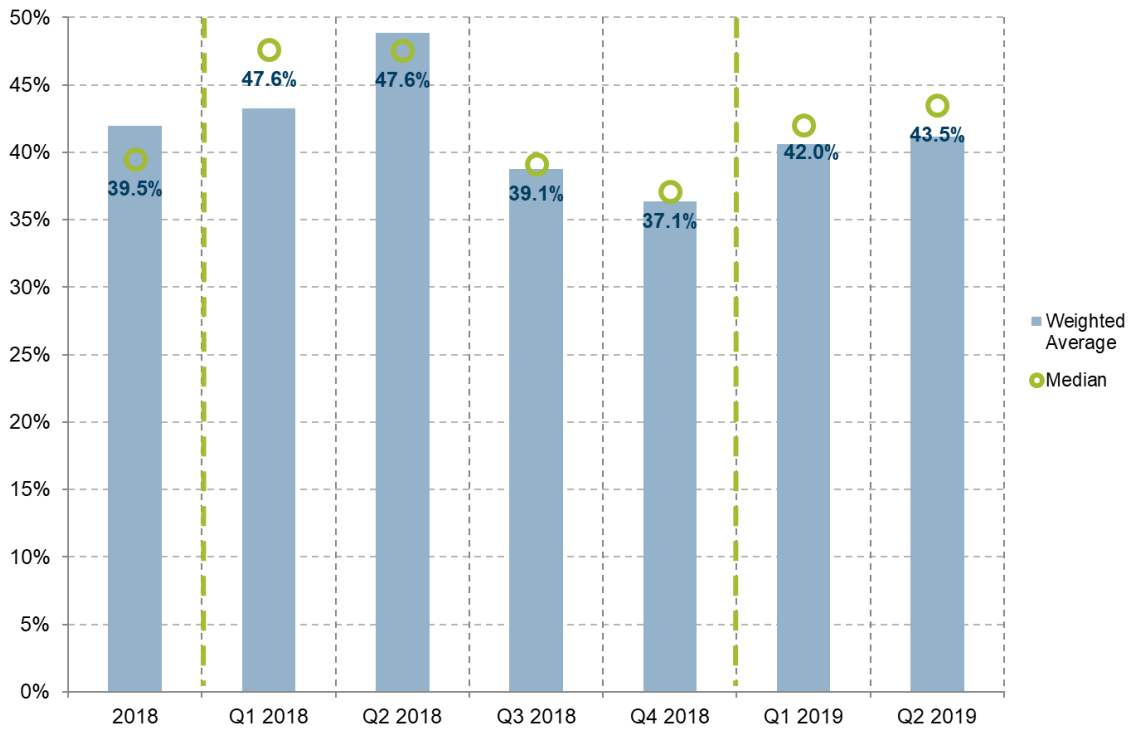


**Fig. 2: New Business Volumes, Q1 2018 – Q2 2019**

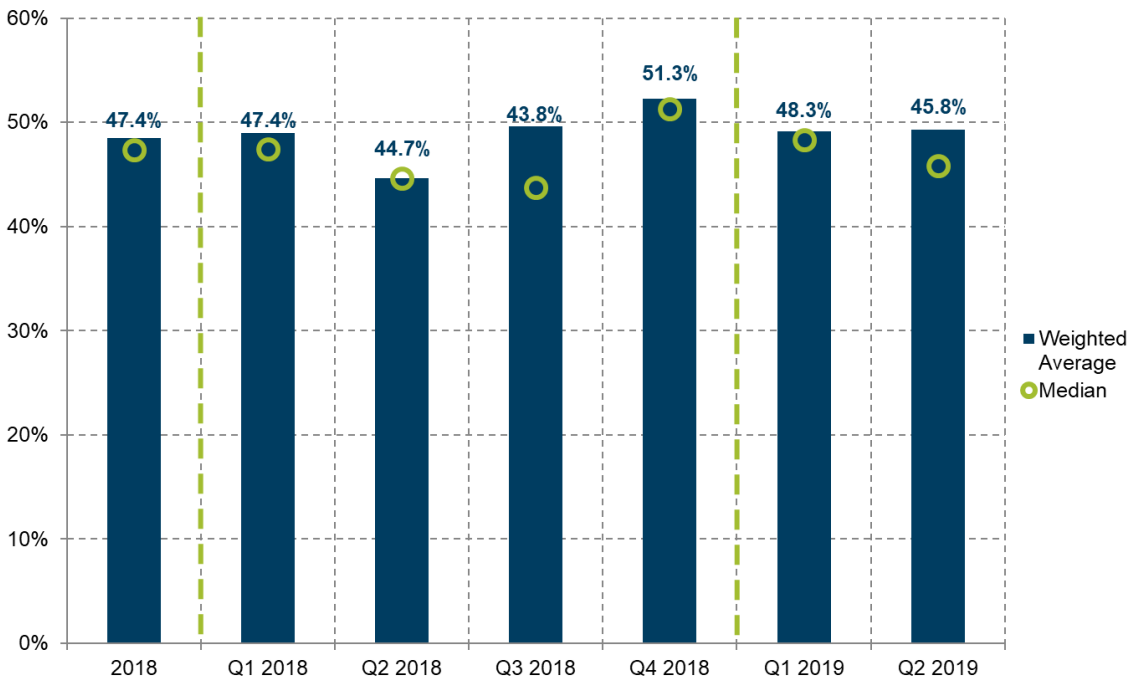


<sup>5</sup> A thick border around an individual bar in the chart is illustrative of a negative development in the indicator.

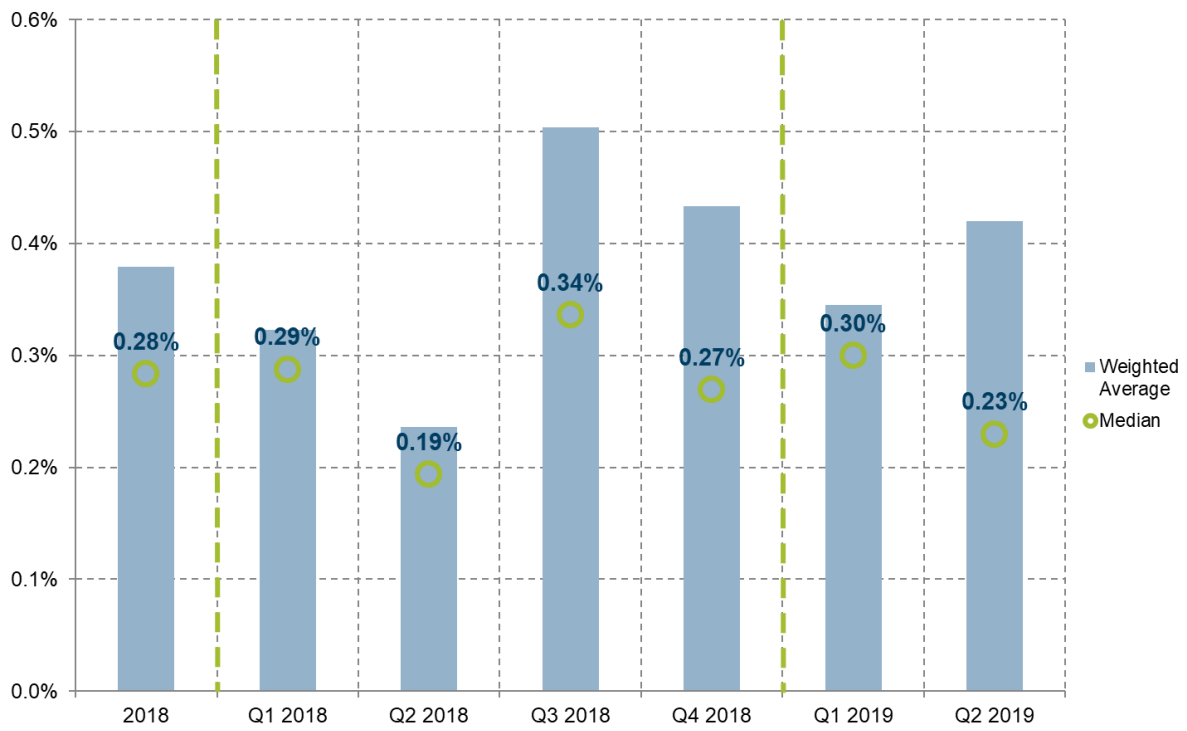
**Fig. 3: Profitability Ratio, 2018 – Q2 2019**



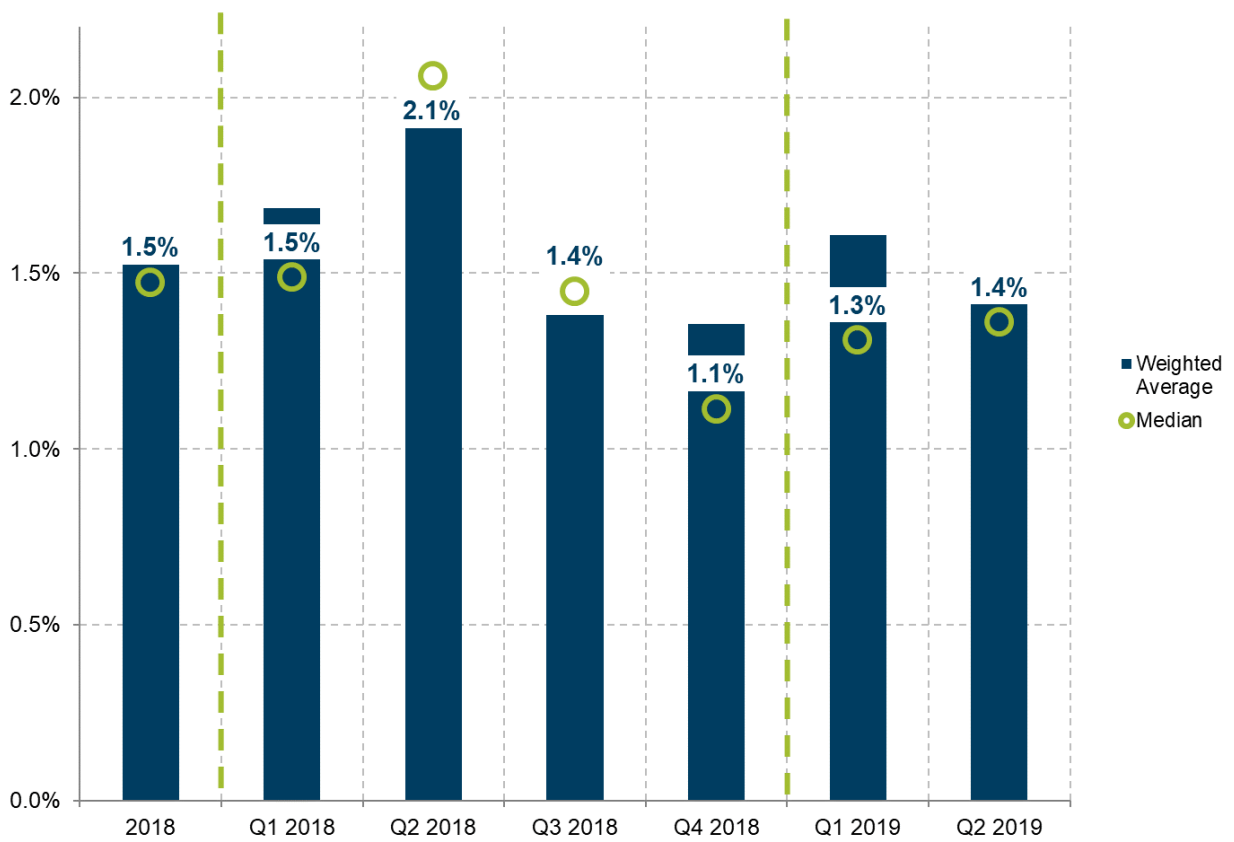
**Fig. 4: Cost / Income Ratio, 2018 – Q2 2019**



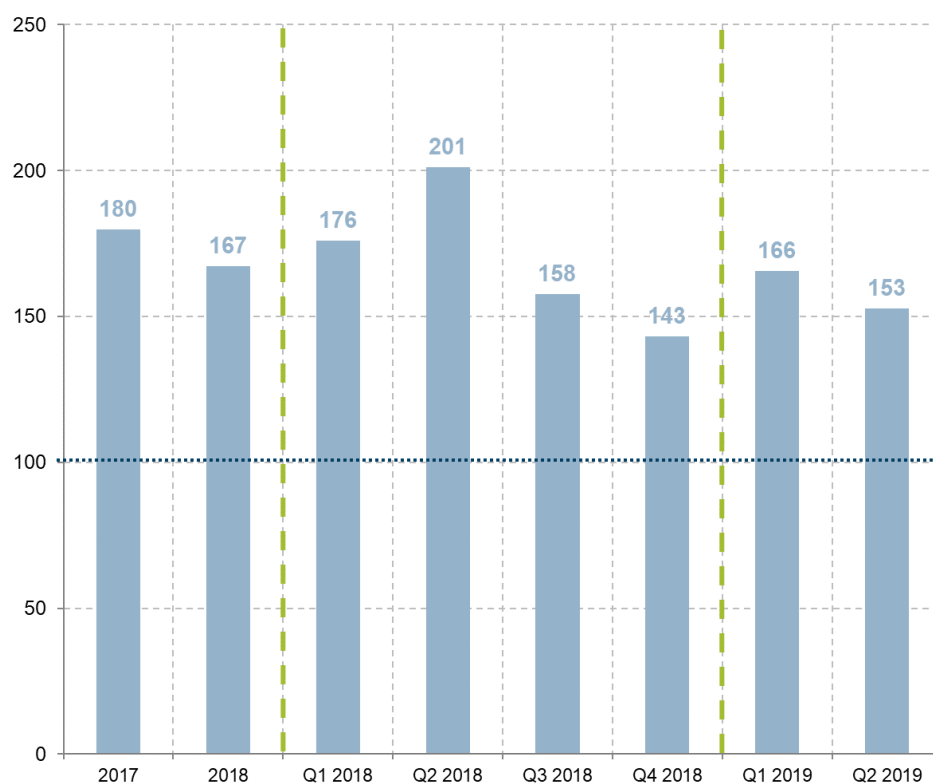
**Fig. 5: Cost of Risk Ratio, 2018 – Q2 2019**



**Fig. 6: Return on Assets Ratio, 2018 – Q2 2019**



**Fig. 7: Weighted Average Return on Equity Index, 2017 – Q2 2019**



**Table 4: Quartiles<sup>6</sup> for Ratios in Q2 2019**

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
<b>Minimum</b>	-206.9%	15.5%	-0.03%	-3.9%
<b>Quartile 1 (25%)</b>	34.6%	36.3%	0.14%	0.9%
<b>Quartile 2 (50%) i.e. median</b>	43.5%	45.8%	0.2%	1.4%
<b>Quartile 3 (75%)</b>	51.7%	52.8%	0.57%	2.3%
<b>Maximum</b>	68.0%	96.3%	5.64%	5.1%
<b>Weighted Average</b>	41.2%	49.3%	0.4%	1.4%

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<sup>6</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 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 45 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 93% of the European leasing market. Find out more at [www.leaseurope.org](http://www.leaseurope.org).



## 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 10.5% 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 Asset Based Finance N.V., 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 Bancalmpresa, 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 [2017 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 EU28 + 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.