

# Leaseurope



The Voice of Leasing and Automotive Rental in Europe

**Leas** LEASEUROPE  
INDEX

Survey of European leasing and rental firms

**Leaseurope Index**  
**Q1 2015**

## LEASEUROPE INDEX RESULTS: Q1 2015

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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 2015 is the seventeenth edition of the survey.

The weighted average ratios have seen strong improvements in Q1 2015, with some reaching their highest recorded levels since the Leaseurope Index began. All show a substantial improvement on Q1 2014, and an especially large recovery compared to Q4 2014.

Total new leasing volumes reported by the sample of firms increased by 6.4% in comparison to the same quarter a year ago, reaching just under €17 billion. The portfolio of outstanding contracts remained broadly stable, declining by -0.2%, while risk-weighted assets decreased by a larger amount (-2.2%). This highlights the declining portfolio risk leasing companies are currently experiencing.

### **Profit & profitability**

Total pre-tax profit of all the companies increased substantially by 8.7% for Q1 2015 in comparison to Q1 2014 (see table 1). The average profitability ratio increased from 32.2% in Q1 2014 to 40.2% in Q1 2015 (see table 3) – the highest on record in the survey's history. 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 continued growth in Q1 2015 compared to the same period a year ago, increasing by 8.7%. Operating expenses increased by a smaller amount (3.6%) resulting in the average cost/income ratio falling to 44.9% in Q1 2015 compared to 46.5% in Q1 2014.

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

Loan loss provisions decreased substantially in Q1 2015 (-22.1%) compared to Q1 2014, making it the fifth consecutive quarter of declining loan loss provisions. The average annualised cost of risk fell to its lowest level in three years, dropping to 0.58%.

### **RoA and RoE indicators**

RoA and RoE<sup>1</sup> increased significantly in Q1 2015 compared to Q1 2014, reaching their highest values since the inception of the Index by far at 1.6% and 206, respectively. These high figures are due to strong profitability increases despite stable leasing portfolios and declining RWAs.

Jean Pierre Vissers, Executive Vice President Europe, of DLL International, commented that, *“Record profitability, RoA and RoE ratios in Q1 2015, combined with the lowest cost of risk ratio in three years, highlights the strong financial position of the leasing industry as European economies return to growth. Significantly declining loan loss provisions are driving these positive developments, showing a reduction in leasing portfolio risk at the same time that new business volumes are growing. As domestic demand in Europe continues to strengthen into 2015, investment levels should also pick up, a good sign for continued high performance in the leasing business.”*

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<sup>1</sup> 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 2014 – Q1 2015<sup>2</sup>**

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2015 Q1		2014 Q4		2014 Q3	
	Sum of values (€ millions)	% change versus Q1 2014	Sum of values (€ millions)	% change versus Q4 2013	Sum of values (€ millions)	% change versus Q3 2013
<b>1. Operating income</b>	2,085	8.7%	1,952	5.9%	1,944	6.5%
<b>2. Operating expenses</b>	928	3.6%	992	6.1%	897	2.5%
<b>3. Loan loss provision</b>	313	-22.1%	474	-69.3%	381	-4.2%
<b>4. Pre-Tax Profit</b>	849	36.3%	460	na*	657	19.6%
<b>5. RWA at end of period</b>	149,251	-2.2%	146,081	-7.5%	150,940	-6.1%
<b>6. Portfolio at end of period</b>	216,485	-0.2%	214,213	-0.1%	215,374	0.6%
<b>7. New business volumes</b>	16,811	6.4%	18,594	3.4%	16,525	8.4%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2014 Q2		2014 Q1	
	Sum of values (€ millions)	% change versus Q2 2013	Sum of values (€ millions)	% change versus Q1 2013
<b>1. Operating income</b>	1,971	2.7%	1,919	3.9%
<b>2. Operating expenses</b>	888	-1.2%	896	2.1%
<b>3. Loan loss provision</b>	392	-13.1%	402	-2.4%
<b>4. Pre-Tax Profit</b>	642	14.0%	623	11.6%
<b>5. RWA at end of period</b>	152,765	-6.0%	152,569	-9.9%
<b>6. Portfolio at end of period</b>	216,192	-0.8%	216,886	-1.9%
<b>7. New business volumes</b>	18,031	8.8%	15,804	7.9%

\*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.

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

**Table 2: Aggregate Data, 2010 – 2014 Annual<sup>3</sup>**

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
<b>1. Operating income</b>	7,739	5.4%	7,342	2.0%	7,199	-4.8%	7,564	2.1%	7,405	12.3%
<b>2. Operating expenses</b>	3,630	2.4%	3,545	-2.3%	3,627	-2.5%	3,721	5.6%	3,523	6.7%
<b>3. Loan loss provision</b>	1,642	-41.6%	2,812	73.9%	1,617	7.0%	1,511	-19.7%	1,882	-9.2%
<b>4. Pre-Tax Profit</b>	2,373	145.4%	967	-49.5%	1,915	-18.3%	2,345	19.0%	1,970	64.6%
<b>5. RWA at end of period</b>	145,286	-7.4%	156,854	-6.4%	167,610	-6.8%	179,925	3.9%	173,191	n/a
<b>6. Portfolio at end of period</b>	214,212	-0.1%	214,434	-4.7%	225,082	-4.0%	234,563	1.6%	230,978	0.4%
<b>7. New business volumes</b>	69,071	7.3%	64,373	-3.6%	66,764	-14.5%	78,073	3.0%	75,793	7.3%

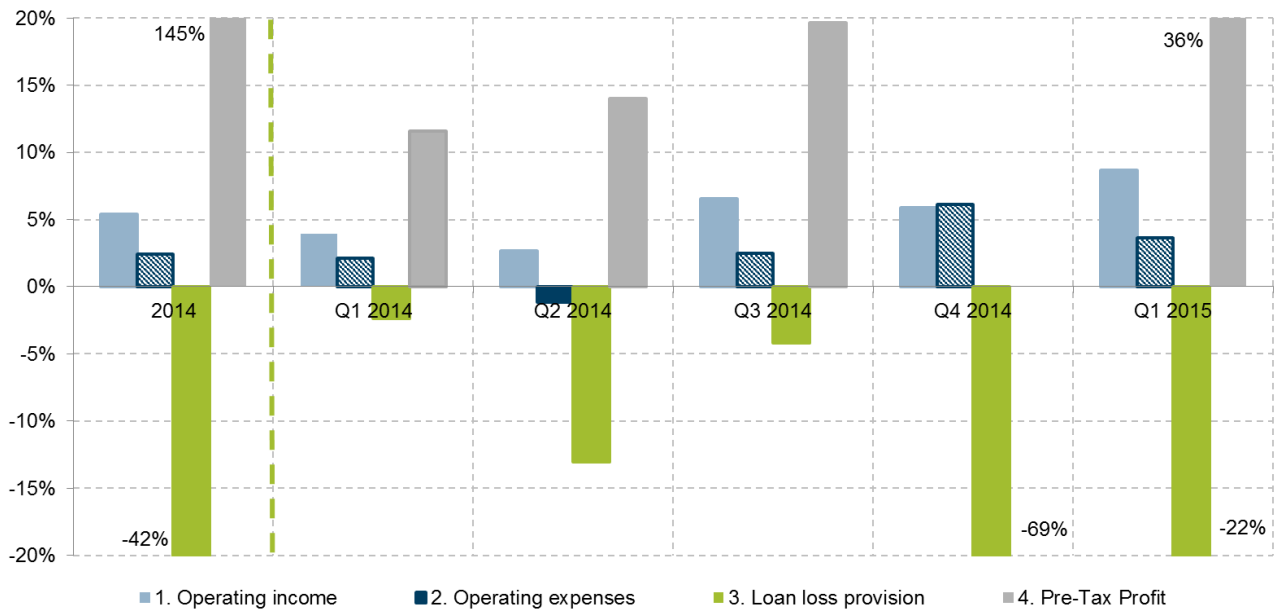
**Table 3: Weighted Average Ratios, 2014<sup>4</sup>**

Weighted Average Ratios	2015	2014				
	Average Q1 2015	Average 2014 full year	Average Q4 2014	Average Q3 2014	Average Q2 2014	Average Q1 2014
<b>Profitability (%)</b> - average of all companies' pre-tax profit as a % of total operating income	40.2%	<b>19.8%</b>	20.5%	33.4%	33.1%	32.2%
<b>Cost/Income (%)</b> - average of all companies' operating expenses as a % of operating income	44.9%	<b>46.4%</b>	50.5%	45.5%	44.6%	46.5%
<b>Cost of Risk (%)*</b> - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0.58%	<b>0.8%</b>	0.88%	0.71%	0.73%	0.74%
<b>Return on Assets (%)*</b> - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	1.6%	<b>1.1%</b>	0.9%	1.2%	1.2%	1.1%
<b>Return on Equity (2010=100)*</b> - index of all companies' net profit before tax (annualised) as a percentage of 8% of total risk weighted assets over the period	206	<b>139</b>	112	161	155	148

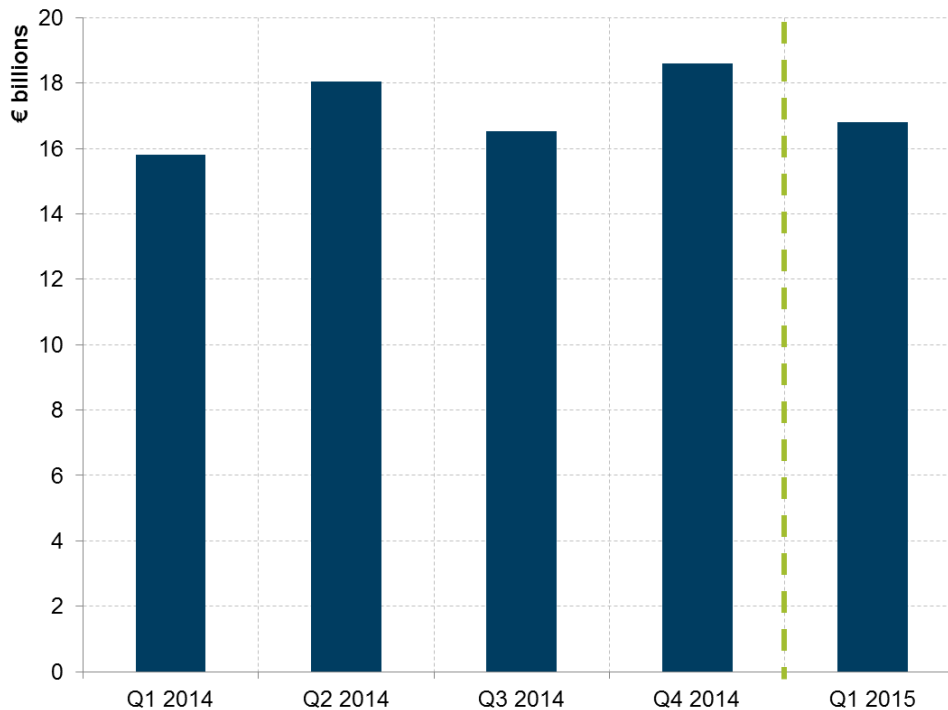
<sup>3</sup> The aggregate annual data are shown here as reported in the Q4 2014 survey.

<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 Q1 2015 to arrive at the weighted average ratio of 40.2% shown in the table.

**Fig 1: Growth Rates of Financial Indicators, 2014 – Q1 2015<sup>5</sup>**

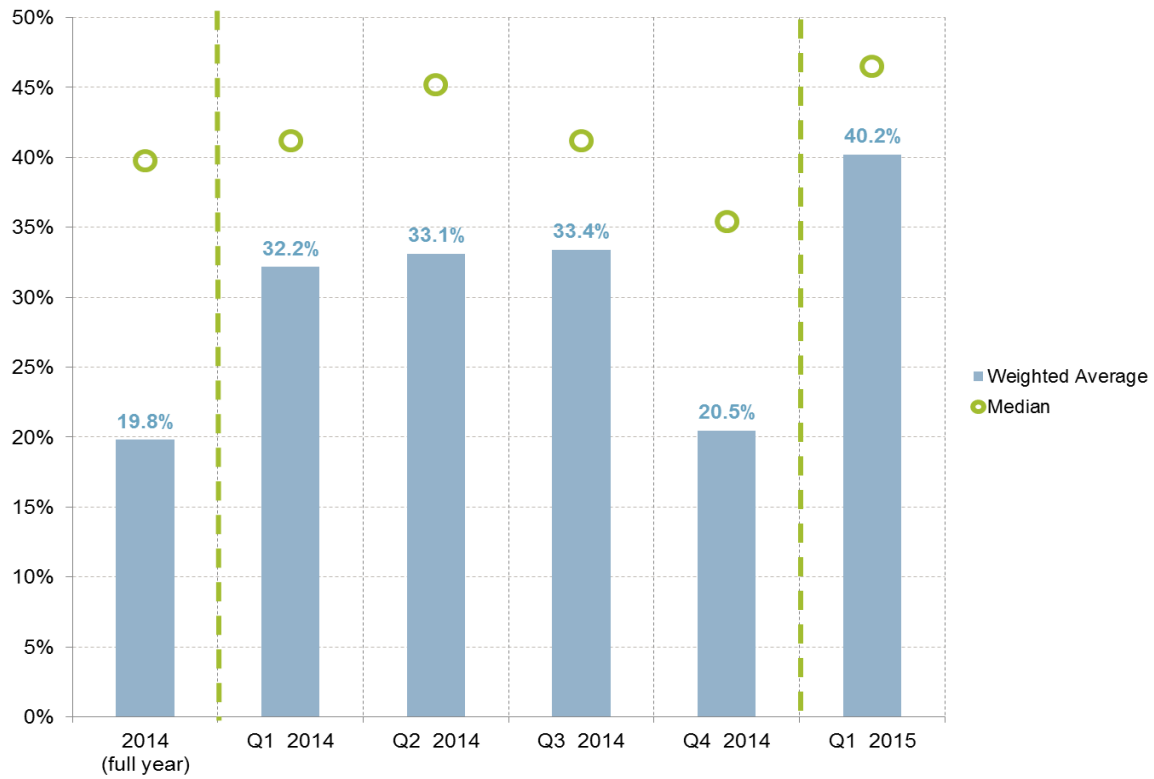


**Fig. 2: New Business Volumes, Q1 2014 – Q1 2015**

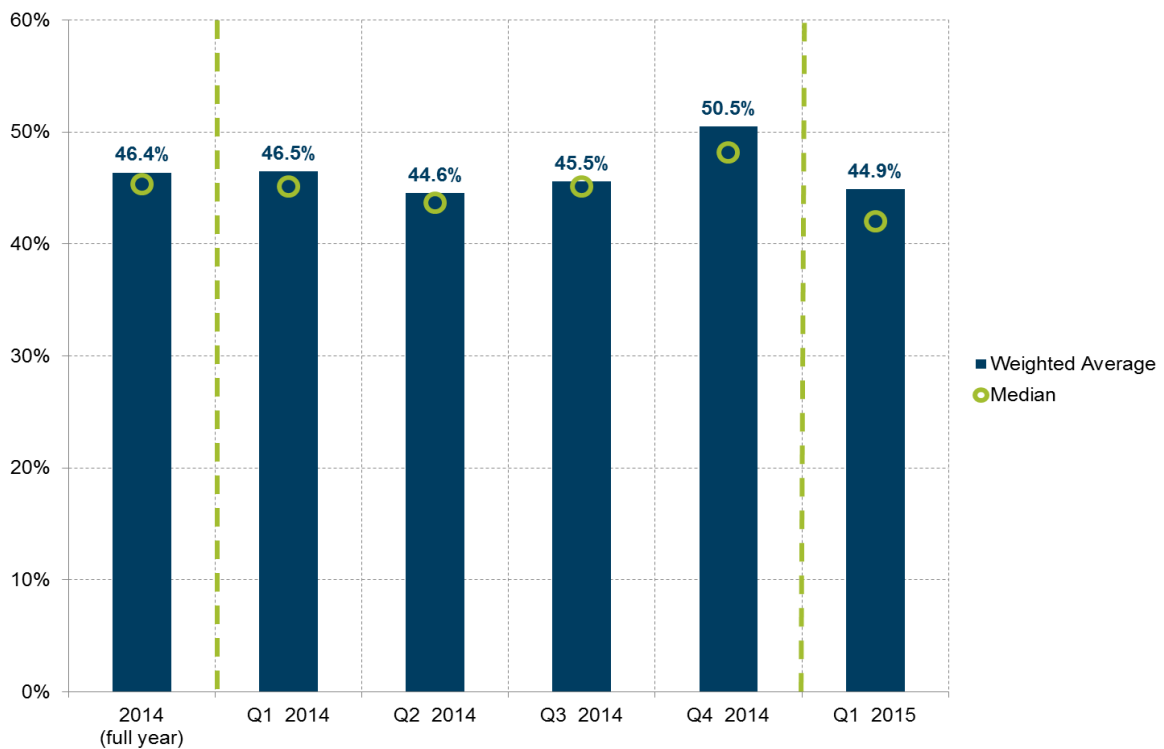


<sup>5</sup> A thick border around an individual bar in the chart is illustrative of a negative development in the indicator. The large positive developments seen in loan loss provision (and hence pre-tax profit) in 2014 are not an error, but are the result of extraordinarily high loan loss provision 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 2014. There is also no growth rate shown for pre-tax profit in Q4 2014, as the Q4 2013 figure was negative.

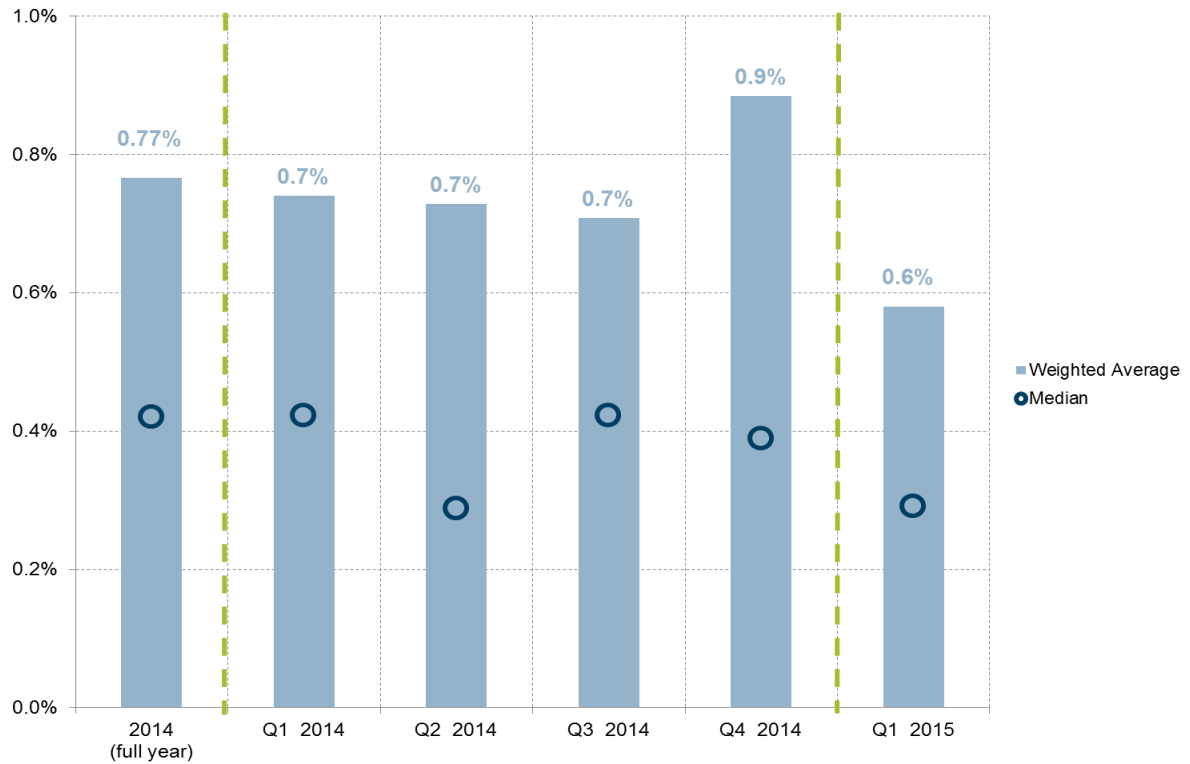
**Fig. 3: Profitability Ratio, 2014 – Q1 2015**



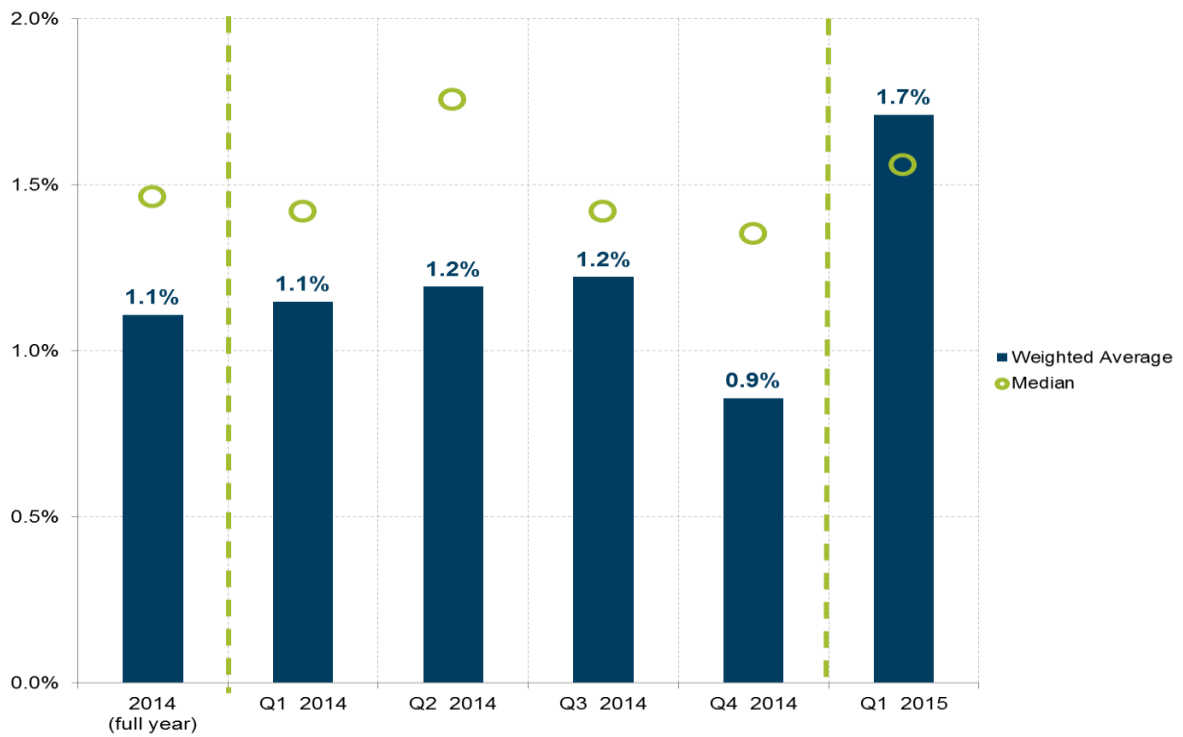
**Fig. 4: Cost / Income Ratio, 2014 – Q1 2015**



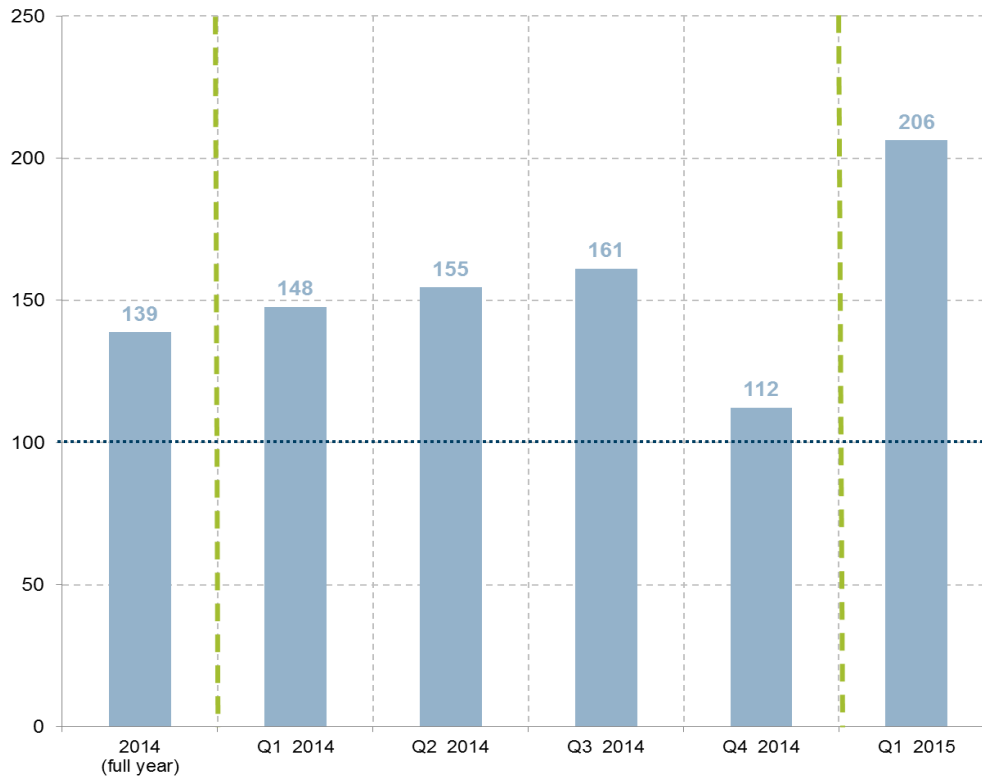
**Fig. 5: Cost of Risk Ratio, 2014 – Q1 2015**



**Figure 6: Return on Assets Ratio, 2014 – Q1 2015**



**Figure 7: Return on Equity Ratio, 2014 – Q1 2015**



**Table 5: Quartiles<sup>6</sup> for Ratios in Q1 2015**

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
<b>Minimum</b>	-42.1%	16.7%	-0.19%	-0.5%
<b>Quartile 1 (25%)</b>	33.6%	33.9%	0.14%	0.8%
<b>Quartile 2 (50%) i.e. median</b>	46.5%	42.0%	0.29%	1.6%
<b>Quartile 3 (75%)</b>	56.0%	49.8%	0.84%	3.2%
<b>Maximum</b>	66.6%	65.3%	1.62%	5.9%
<b>Weighted Average</b>	40.2%	44.9%	0.58%	1.6%

<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 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.



## 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 **2014 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.