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PRESS RELEASE

LEASEUROPE INDEX LATEST RESULTS: Q4 2019

Brussels, 25 March 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 Q4 2019 survey is the thirty-sixth edition.

All of the weighted average ratios for Q4 2019 weakened compared to the same period in 2018, except for cost/income improving. However, the trend in the median ratios, which excludes some large outlier values, revealed a mixed picture for the ‘typical’ company in the sample with cost/income and RoE performing well, while profitability and cost of risk deteriorated. On an annual basis, all median ratios worsened in 2019 with the exception of RoE, which saw an improvement.

Total new leasing volumes reported in Q4 2019 by the sample of firms grew by 5.5% in comparison to the same quarter of the previous year, reaching around €30.5 billion. The whole of 2019 experienced growth of 4.0%, seeing almost €113 billion in new business conducted. The portfolio of outstanding contracts in the sample grew by 5.3% in 2019, while risk-weighted assets increased by the lower level of 4.1%.

Profit & profitability

Aggregate pre-tax profit decreased in 2019 compared to 2018, contracting by -6.5%. This was largely a result of poor performance in Q2, and particularly Q4, in which growth fell by -28.5%. As a result, weighted average profitability for 2019 declined from 42.0% in 2018 to 38.0% in 2019.

Income, expenses & cost/income

Aggregate operating income saw growth in Q4 2019 of 4.1% compared to 2018’s same period. Although operating expenses escalated by a higher degree during this period, rising by 6.7%, the weighted average cost/income ratio dropped to 49% from 52.1% year-on-year. The trend for the whole of 2019 was similar, with cost escalation of 3.8% slightly exceeding income growth of 3.5%. When it comes to the weighted average cost/income ratio, things remained fairly stable reaching 48.4% in 2019.

Loan loss provision & cost of risk

Loan loss provisions in the fourth quarter are generally quite volatile as firms adjust their provisions for the end of year accounts. This resulted in the average annualised cost of risk for Q4 2019 rising nearly twice as high as the previous year (0.81% versus 0.43%). Median cost of risk for the whole of 2019 shows a more measured result, increasing to 0.4% from 0.3% in 2018.

RoA and RoE indicators

Both weighted average RoA and RoE¹ in Q4 2019 declined compared to Q4 2018. A similar trend was observed in the overall full year of 2019, with RoA of 1.4%. In terms of median ratios, RoE showed an improvement in overall 2019 performance.

Enrico Duranti, CEO at Iccrea Bancalmpresa, commented that *“Despite relatively strong performance in the third quarter, 2019 has been a challenging year. Macroeconomic uncertainty, trade tensions and the adaptation to changing regulatory requirements have resulted in increasing*

¹ In order to ensure a feasible and comparable data collection across our sample, 10.5% of total risk weighted assets (RWA) 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. Please note that the estimate of equity has been updated in Q4 2018, in the past it was 8% of total RWA. This change has been applied to the entire time series.

costs for the European leasing business. Regardless of these headwinds, European lessors have managed to expand their income and portfolio. Clearly this year will present large and unprecedented challenges for firms across Europe as economies contract, uncertainties remain and governments make large scale adaptations. Therefore, it will be essential for European lessors to maximise our internal strengths, minimize the impact of external challenges, and continue to support European businesses, especially SMEs, during difficult times with the repercussions of Covid19.”

Table 1: Aggregate Data, Q1 2019 – Q4 2019²

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2019 Q4		2019 Q3		2019 Q2		2019 Q1	
	Sum of values (€ millions)	% change versus Q4 2019	Sum of values (€ millions)	% change versus Q3 2018	Sum of values (€ millions)	% change versus Q2 2018	Sum of values (€ millions)	% change versus Q1 2018
1. Operating income	2,701	4.1%	2,638	4.6%	2,644	-0.16%	2,659	3.8%
2. Operating expenses	1,321	6.7%	1,334	8.5%	1,387	15.0%	1,307	5.5%
3. Loan loss provision	579	172.8%	240	-32.0%	295	82.6%	239	12.4%
4. Pre-Tax Profit	794	-28.5%	1,054	12.4%	971	-23.4%	1,113	0.3%
5. RWA at end of period	201,610	4.4%	199,803	2.4%	197,382	3.4%	196,914	4.4%
6. Portfolio at end of period	289,540	5.3%	282,906	4.6%	278,560	3.4%	278,754	5.0%
7. New business volumes	30,515	5.5%	28,051	7.0%	28,934	-0.4%	25,701	4.4%

Table 2: Aggregate Data, 2016 – 2019 Annual³

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2019		2018		2017		2016	
	Sum of values (€ millions)	% change versus 2018	Sum of values (€ millions)	% change versus 2017	Sum of values (€ millions)	% change versus 2016	Sum of values (€ millions)	% change versus 2015
1. Operating income	10,663	3.5%	10,307	2.1%	10,094	-0.4%	10,137	3.5%
2. Operating expenses	5,268	3.8%	5,074	4.6%	4,849	1.0%	4,802	6.6%
3. Loan loss provision	1,328	30.7%	1,016	34.6%	755	-57.5%	1,775	42.4%
4. Pre-Tax Profit	3,973	-6.5%	4,247	-5.7%	4,504	25.0%	3,605	-11.0%
5. RWA at end of period	201,760	4.1%	193,804	4.0%	186,297	3.7%	179,735	0.6%
6. Portfolio at end of period	289,540	5.3%	275,716	4.8%	263,060	3.5%	254,217	3.1%
7. New business volumes	113,337	4.0%	108,961	6.6%	102,247	4.5%	97,846	7.5%

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

³ The aggregate annual data are shown here as reported in the Q4 2019 survey.

Table 3: Weighted Average Ratios, 2018 - 2019⁴

Weighted Average Ratios	2019					2018				
	2019 Full Year	Q4 2019	Q3 2019	Q2 2019	Q1 2019	2018 Full Year	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Profitability (%) - pre-tax profit as a % of total operating income	38.0%	29.2%	41.0%	40.9%	40.7%	42.0%	36.7%	38.9%	48.4%	43.3%
Cost/Income (%) - operating expenses as a % of operating income	48.4%	49.0%	49.0%	49.3%	49.1%	48.7%	52.1%	48.7%	45.1%	49.0%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.47%	0.81%	0.34%	0.42%	0.34%	0.38%	0.43%	0.50%	0.24%	0.32%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	1.4%	1.1%	1.5%	1.4%	1.6%	1.6%	1.4%	1.4%	1.9%	1.7%
Return on Equity (index, 2011=100)* - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	152	123	160	152	166	167	145	148	200	176

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

Table 4: Median Ratios, 2018 – 2019

Median Ratios	2019					2018				
	2019 Full Year	Q4 2019	Q3 2019	Q2 2019	Q1 2019	2018 Full Year	Q4 2018	Q3 2018	Q2 2018	Q1 2018
Profitability (%) - pre-tax profit as a % of total operating income	34.4%	35.8%	40.0%	43.5%	42.0%	39.5%	37.1%	38.5%	46.6%	47.6%
Cost/Income (%) - operating expenses as a % of operating income	48.5%	48.6%	48.2%	45.8%	48.3%	47.4%	51.1%	44.9%	44.9%	47.4%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.4%	0.39%	0.38%	0.23%	0.30%	0.3%	0.24%	0.34%	0.19%	0.29%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	1.3%	1.1%	1.3%	1.3%	1.3%	1.4%	1.1%	1.5%	2.0%	1.5%
Return on Equity (index, 2011=100)* - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	117	124	116	114	112	113	113	117	133	123

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

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 Q4 2019 to arrive at the weighted average ratio of 29.2% shown in the table.

Fig. 1: Growth Rates of Financial Indicators, 2017 – Q4 2019⁵

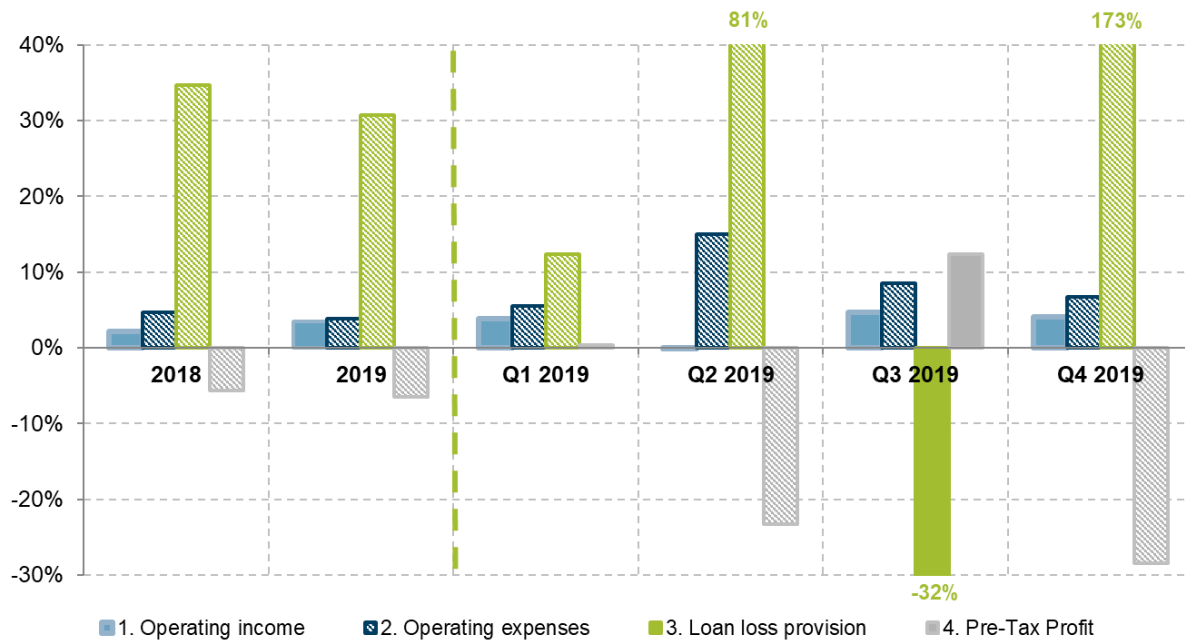
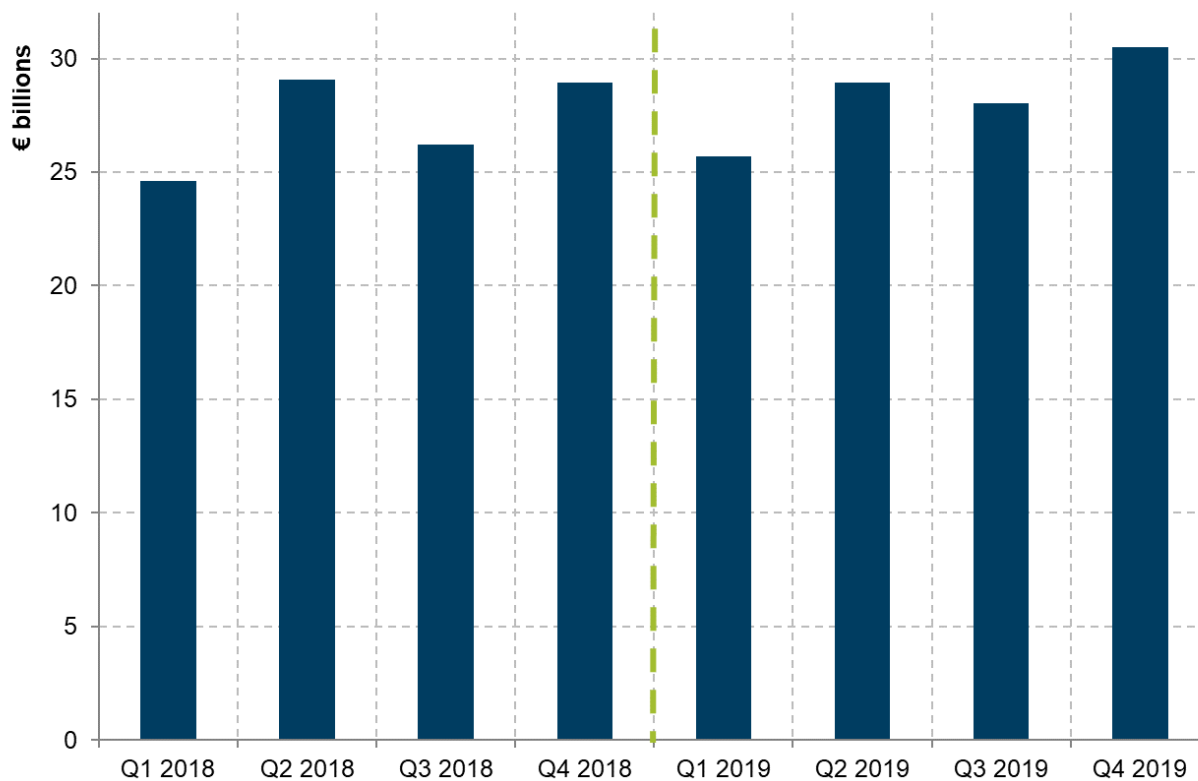


Fig. 2: New Business Volumes, Q1 2018 – Q4 2019



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 – Q4 2019⁶

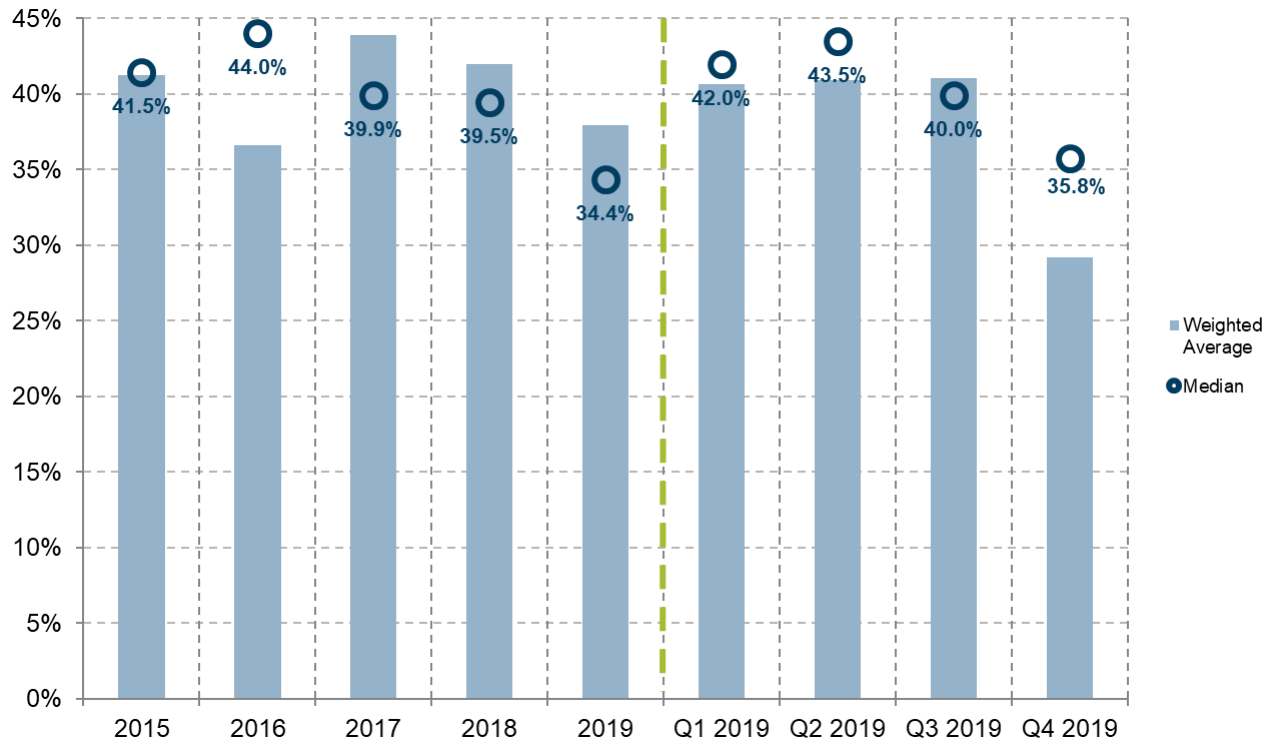
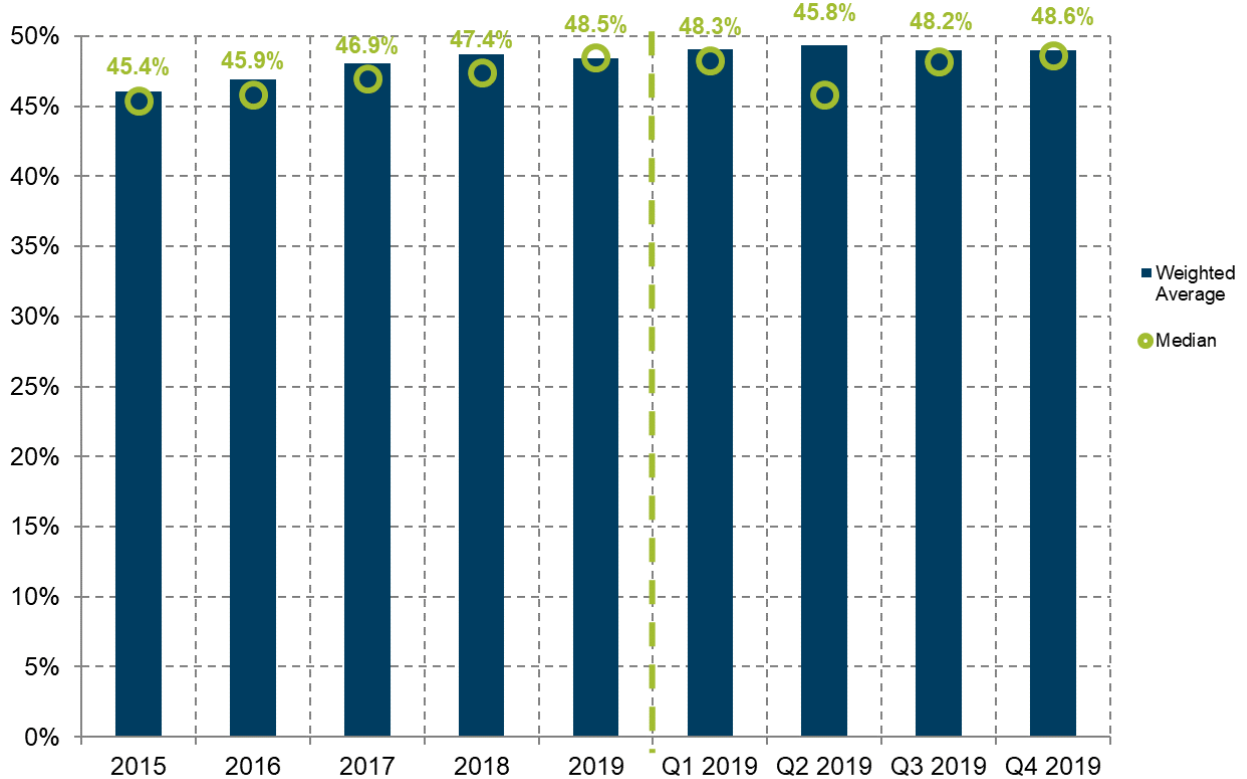


Fig. 4: Cost/Income Ratio, 2015 – Q4 2019



⁶ Please refer to the trend in the median value for a more accurate representation of annual figures. The weighted averages for 2015, 2016 and Q4 2019 were heavily influenced by extreme outlier values.

Fig. 5: Cost of Risk Ratio, 2015 – Q4 2019⁷

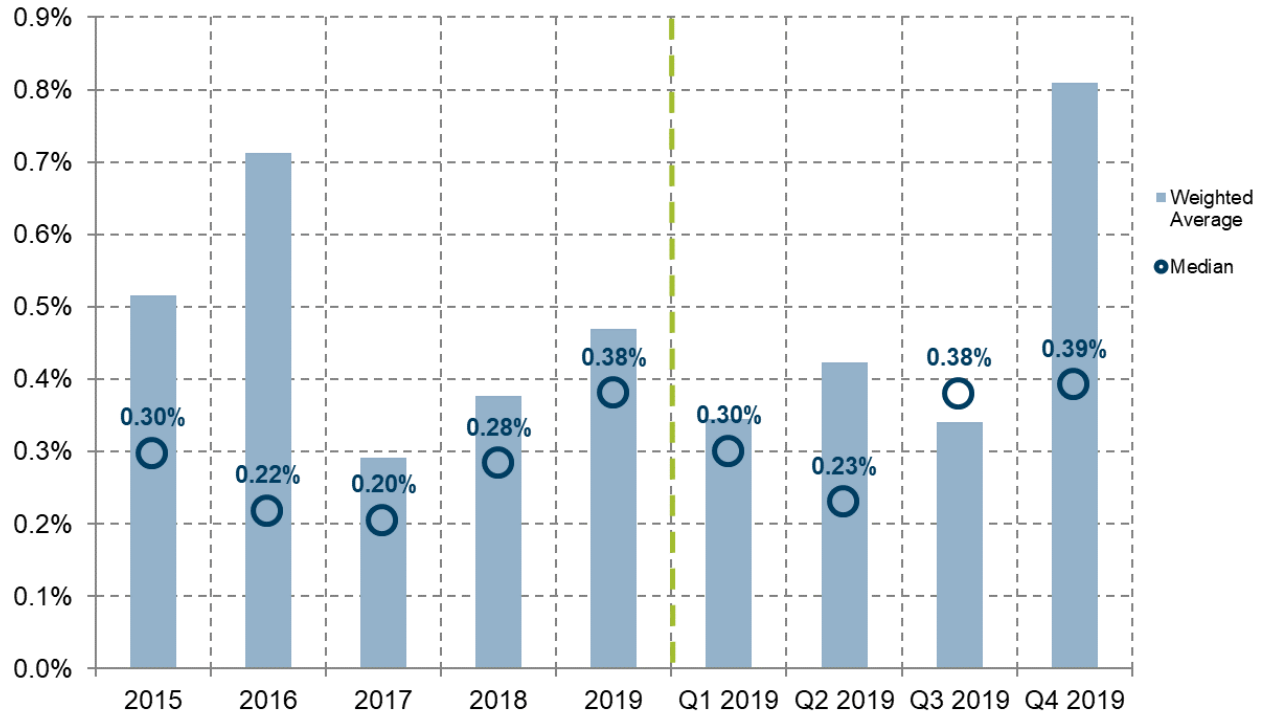
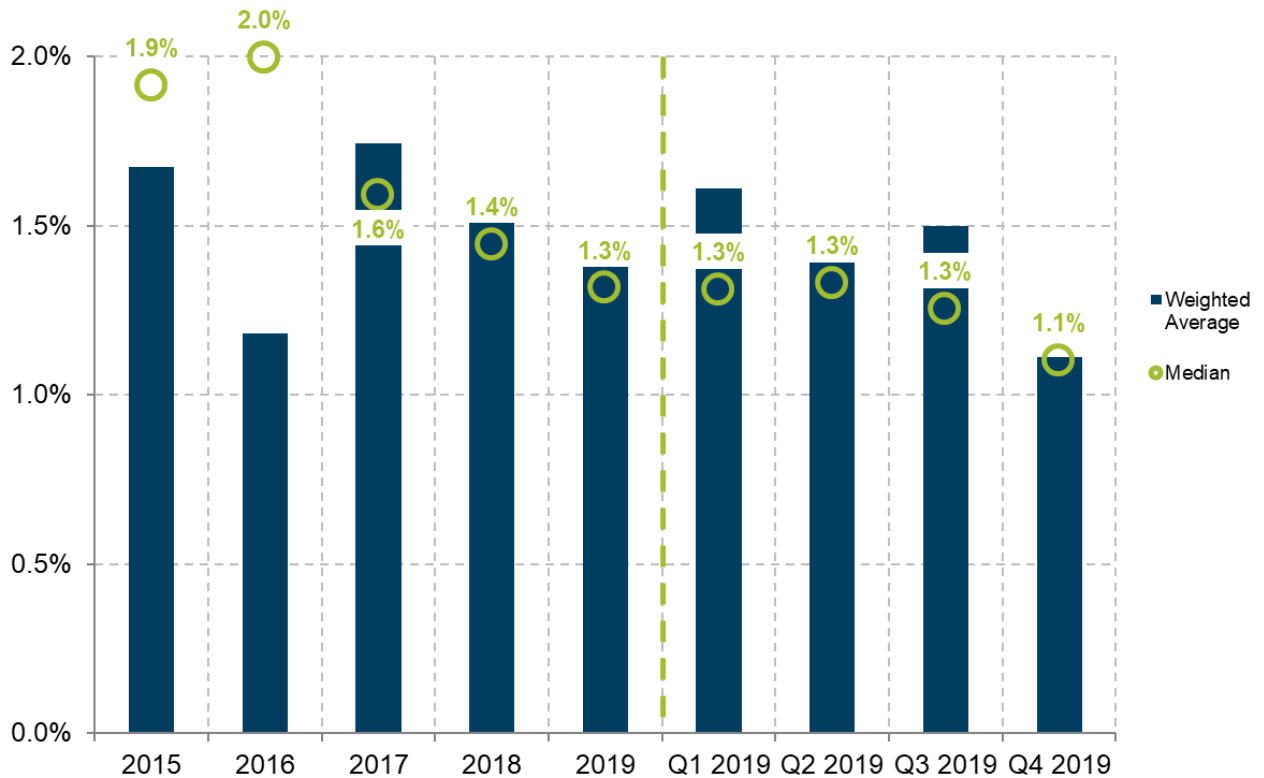


Fig. 6: Return on Assets Ratio, 2015 – Q4 2019⁷



⁷ Please refer to the trend in the median value for a more accurate representation of annual figures. The weighted averages for 2015, 2016 and Q4 2019 were heavily influenced by extreme outlier values.

Fig. 7: Return on Equity Ratio, 2015 – Q4 2019

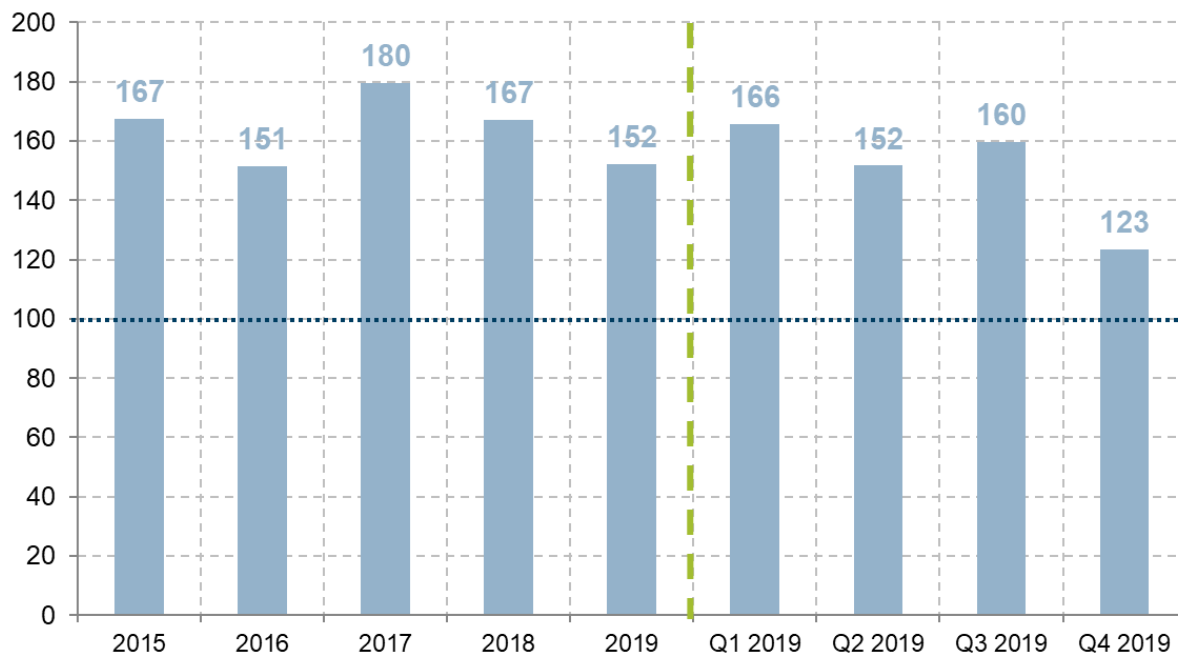


Table 5: Quartiles⁸ for Ratios in Q4 2019

	Quartiles Q4 2019			
	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-115.4%	-6.4%	-0.90%	-2.9%
Quartile 1 (25%)	9.9%	35.5%	0.18%	0.1%
Quartile 2 (50%) i.e. median	35.8%	48.6%	0.39%	1.1%
Quartile 3 (75%)	49.5%	53.7%	0.93%	2.4%
Maximum	96.7%	97.1%	4.52%	6.9%
Weighted Average	29.2%	49.0%	0.81%	1.1%

⁸ 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.

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.

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 (IFRS16).

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.