

Leaseurope



The Voice of Leasing and Automotive Rental in Europe

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INDEX

Survey of European leasing and rental firms

Leaseurope Index Q3 2011

LEASEUROPE INDEX RESULTS: Q3 2011

The Leaseurope Index tracks key performance indicators of a sample of European lessors on a quarterly basis. Q3 2011 is the third edition of this survey. The results of the third quarter of 2011 showed a continuous improvement in the vast majority of key indicators compared to Q2 2011.

Pre-tax profit of companies in the sample increased by 26.9% compared to Q3 2010 (see table 1), improving by a slightly higher rate than in Q2 2011 (25.6%). The average profitability ratio of the reporting companies in Q3 2011 was 34.4% (see table 2 and Fig. 1), remaining broadly equivalent to that of Q2 2011.

Operating income increased by 4.5% in Q3 2011 while operating expenses increased at a somewhat faster rate (4.9%). However, the rate of increase of expenses was more moderate compared to Q2 2011 (with an increase of 10.6% compared to the same quarter of the previous year). This has resulted in the average cost/income ratio of the sample increasing slightly from 45.7% in Q2 2011 to 46.0% in Q3 2011. Nevertheless, while cost/income ratios appear to be increasing in 2011 they still remain significantly lower than in 2009 and similar to 2010 levels.

The average annualised cost of risk ratio was somewhat higher in Q3 2011 (0.63%) compared to Q2 2011 (0.62%) but still substantially lower than the level of 0.81% in Q3 2010.

The total value of new business granted by the reporting companies in Q3 2011 reached €19.44 billion, growing by 13.2% compared to Q3 2010 and demonstrating the progress the leasing industry has made towards recovery.

John Howland-Jackson, Global Head of Leasing & Factoring at ING, commented that *"It is encouraging that profit levels in the European leasing industry continued increasing in the third quarter of 2011. However, further operational improvements will be necessary to continue to secure sustainable profitability ratios."*

"It is now well known that economic recovery in the EU is constrained by a high degree of uncertainty. This is expected to act as a drag on firms' investment decisions, who may very well adopt a wait-and-see attitude. In order to offset the challenging economic environment, it will be vital for European lessors to sustain cost reduction efforts and drive demand for their products and services. In addition, innovation will be an important element in rethinking our operating and distribution models."

"Nevertheless, as the Leaseurope Index shows, with trends in both new leasing business volumes and the leasing portfolio continuing on an upward path, the third quarter figures for these metrics are a positive sign for the leasing industry against this background of economic uncertainty."

Table 1: Aggregate Data, 2011 Q1, Q2 and Q3¹

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2011 Q3		2011 Q2		2011 Q1	
	Sum of values (€millions)	% change versus Q3 2010	Sum of values (€millions)	% change versus Q2 2010	Sum of values (€millions)	% change versus Q1 2010
1. Operating income	2.096 €	4,5%	2.138 €	5,4%	2.101 €	8,6%
2. Operating expenses	1.025 €	4,9%	1.044 €	10,6%	992 €	6,1%
3. Loan loss provision	356 €	-21,7%	352 €	-22,5%	313 €	-35,2%
4. Pre-Tax Profit	725 €	26,9%	728 €	25,6%	785 €	54,9%
5. Portfolio at end of period	228.806 €	2,7%	227.551 €	1,7%	225.347 €	1,4%
6. New business volumes	19.437 €	13,2%	20.348 €	7,5%	17.989 €	13,5%

Table 2: Weighted Average Ratios²

Weighted Average Ratios	2011			2010			2009	
	Average Q3 2011	Average Q2 2011	Average Q1 2011	Average Q3 2010	Average Q2 2010	Average Q1 2010	Average 2010 full year	Average 2009 full year
Profitability (%) - average of all companies' pre-tax profit as a % of total operating income	34,4%	34,5%	37,0%	28,8%	28,1%	25,8%	26,8%	17,8%
Cost/Income (%) - average of all companies' operating expenses as a % of operating income	46,0%	45,7%	45,3%	46,3%	43,4%	45,9%	45,0%	48,5%
Cost of Risk (%)* - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	0,63%	0,62%	0,56%	0,81%	0,82%	0,87%	0,87%	n/a

* denotes that the quarterly loan loss provision figure has been annualised for the cost of risk ratio for individual quarters.

¹ The figures for Q2 2011 have been revised slightly since the results were published due to some re-statements by reporting companies.

² Leaseurope calculates weighted average ratios based on the data provided by participating companies. The profitability and cost/income ratios are weighted by new business volumes over the relevant period. For example, each company's individual profitability ratio is weighted by its new business over the period Q3 2011 to arrive at the weighted average ratio of 34.4% shown in the table for Q3 2011. The cost of risk ratio is weighted by the average portfolio over the relevant period.

Fig. 1: Profitability Ratio, 2009 – 2011 Q3
(period on period % growth rate)

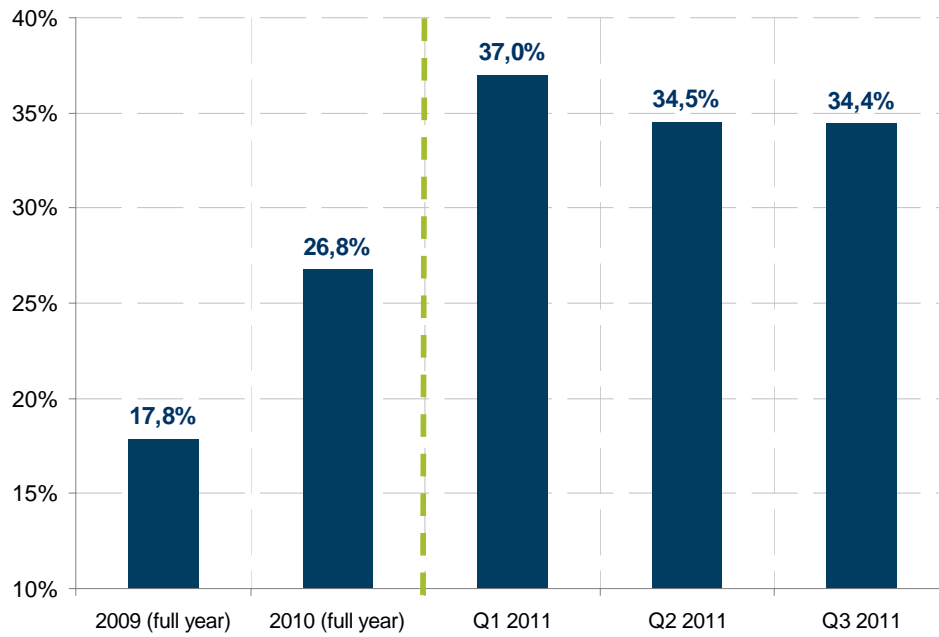
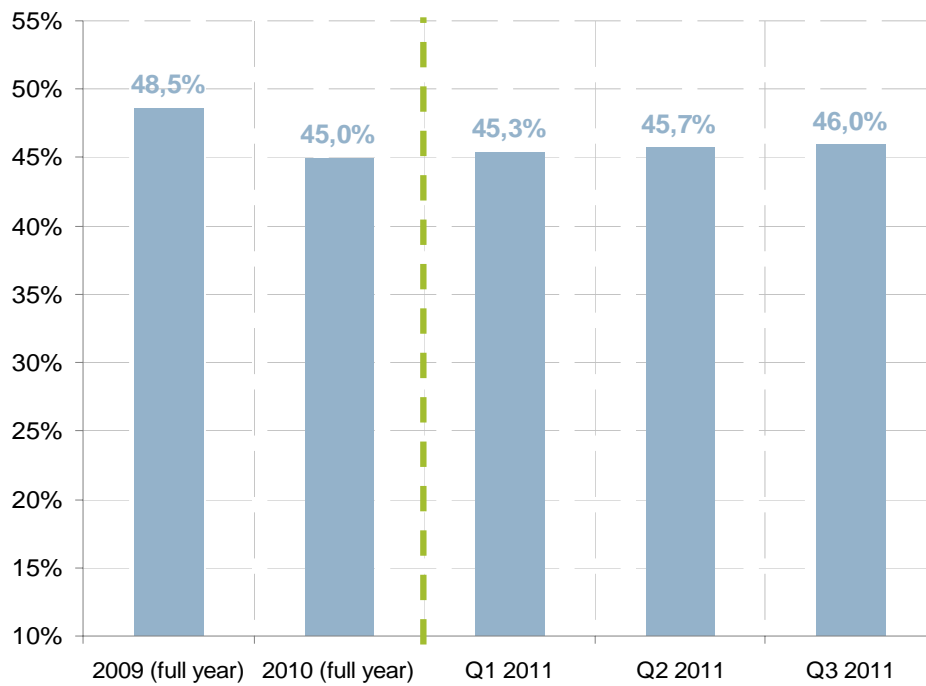


Fig. 2: Cost / Income Ratio, 2009 – Q3 2011
(period on period % growth rate)



**Fig. 3: Cost of Risk Ratio, 2010 – Q3 2011
(period on period % growth rate)**

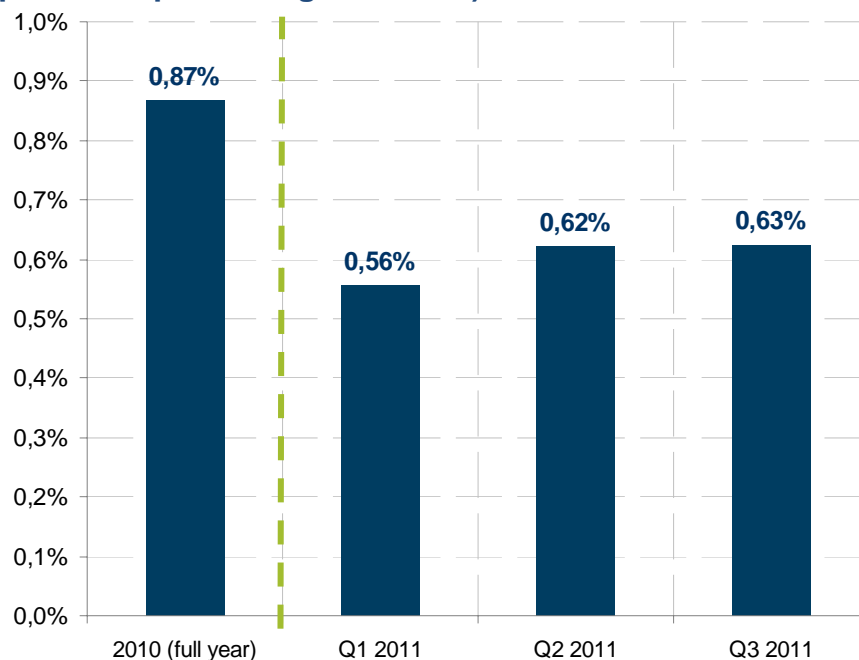


Table 3: Quartiles³ for Ratios in Q3 2011

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio
Quartile 1 (25%)	27,5%	32,5%	0,35%
Quartile 2 (50%) i.e. median	33,7%	45,2%	0,66%
Quartile 3 (75%)	36,8%	54,0%	0,75%
Weighted Average	34,4%	46,0%	0,63%

Table 3 above shows the ratio values for each quartile in Q3 2011. For example, the median profitability ratio is 33.7%. Companies in the 3rd quartile of the 17 reporting companies have a profitability ratio equal to or below 36.8% and above 33.7% in Q3 2011. Companies in the lower quartile (quartile 1 or the bottom 25%) have a profitability ratio of 27.5% or below. The weighted average of all companies is 34.4% (as shown in table 1), which remained broadly unchanged compared to Q2 2011.

³ 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 the 3/4 of the population members that 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, 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) **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.
- 6) **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.

Which companies take part in the survey?

17 companies participate on a voluntary basis: ABN AMRO Lease, ALD Automotive, Arval, Banca Agrileasing, BNP Paribas Leasing Solutions, Caterpillar S.A.R.L., Credit Agricole Leasing & Factoring, De Lage Landen, DnB NOR Finans, ING Lease, Leaseplan, Leasint, 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 **2010 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.