

# Leaseurope



The Voice of Leasing and Automotive Rental in Europe

**Leas** LEASEUROPE  
INDEX

Survey of European leasing and rental firms

## Leaseurope Index Segment Survey 2013

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## LEASEUROPE INDEX SEGMENT RESULTS: 2013

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### *About the Segment Survey*

The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 17 European lessors on a quarterly basis. The Segment Survey is an annual supplement to the quarterly Index, reporting on the financial ratios<sup>1</sup> broken down by four asset types; equipment, real estate, passenger cars and commercial vehicles. This 2013 survey is the third edition of the project.

Both weighted average ratios and median ratios are reported. The weighted average ratios are useful as they take into account the size of the firms, so that bigger firms contribute more to the final value than smaller firms, but they can be heavily influenced by extremely positive or negative values (outliers). The median ratio reports the value of the mid-point or 'typical' firm and therefore is not influenced by these outliers. However, it does not take into account the firm size, merely the number of firms. Taking into account both of these ratios should give a better picture of the market trends.

We present graphs showing the quarterly trends in 2013, followed by the annual trends from 2010 to 2013. The quarterly results are a lot more volatile than the annual figures, therefore the annual results are a more reliable indicator of changes in the relevant asset segment markets.

*Please note that the results of the Segment Survey may not be directly comparable to the Leaseurope Index Quarterly Survey. Various assets that are included in the Quarterly Survey results and which do not fit into one of the four categories used in the Segment Survey, such as renewable energy or big ticket assets, may not be taken into account in the Segment Survey results. Various costs and incomes related to international co-ordination of the business may also not be included, as they can be difficult to allocate to different asset types. In some cases the company figures for each asset type are estimates. For instance, if financial indicators split by assets include a variety of products, then the portion attributable to leasing needed to be estimated. Equally, if asset splits were only available for the total automotive portfolio, then the split by passenger cars and commercial vehicles had to be estimated in some cases.*

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<sup>1</sup> The financial ratios reported are profitability, cost/income, cost of risk and return on assets. Return on equity is not reported as it is not possible to divide company equity by asset type.

## **2013 SEGMENT RESULTS**

The following paragraphs provide a brief overview of the results of the survey, focussing on the median values of the indicators. The results of the 2013 Segment Survey represent a bit of a mixed bag, with improvements for some assets in some indicators between 2012 and 2013, but a deterioration in others. Of the total outstanding portfolio reported, 40% is attributed to equipment, 31% to real estate, 23% to passenger cars and 6% to commercial vehicles. Please refer to p.14 for the full list of participants.

### ***Profitability***

Equipment and passenger cars saw improvements in profitability between 2012 and 2013, while real estate and trucks experienced declines. Despite this annual increase, equipment leasing saw profitability ratios deteriorating over the course of 2013, whereas trucks experienced slight growth towards the end of the year. Passenger cars remained stable at over 35% median profitability in 2013, with a slight dip in Q3. Real estate saw a lot of volatility in profitability over the course of 2013, culminating in a median loss exceeding -30% in the fourth quarter.

### ***Cost/income***

Equipment and trucks experienced a decrease in the cost/income ratio between 2012 and 2013, while passenger cars and real estate showed deterioration in this metric. Cost/income remained relatively stable over 2013 for equipment (around 47%), whereas all other assets saw an escalation over the course of the year. Both vehicle categories exhibited the highest cost/income ratios, exceeding 50% in the second half of 2013.

### ***Cost of risk***

Almost all asset types saw decreases in cost of risk between 2012 and 2013, with the exception of real estate which increased sharply, and passenger cars which remained stable. Across all asset classes, loan loss provision appears to peak in the middle and the end of the year. Disregarding these peaks, equipment and passenger car cost of risk appears relatively stable over 2013, with passenger cars enjoying the lowest levels of all the assets. Real estate suffered an escalation in cost of risk over 2013, while truck figures seemed to experience some volatility.

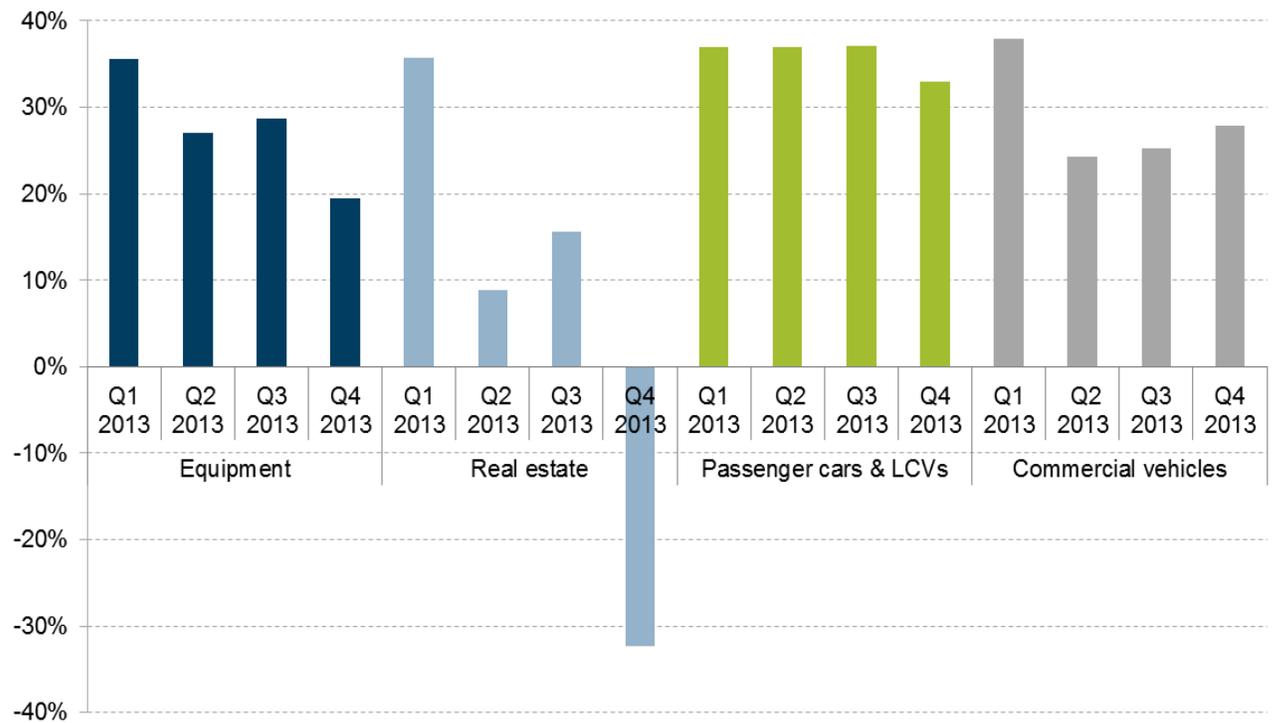
### ***Return on assets***

All asset categories faced a decrease in return on assets between 2012 and 2013, even the two automotive categories, which had enjoyed increases in previous years. Return on real estate assets has suffered the largest declines, reaching a low of 0.1% in 2013. Real estate and passenger cars saw a decline in this metric over the course of 2013 with new lows in Q4. Commercial vehicles remained stable at a new lower level from Q2 onwards, while equipment experienced a large degree of variation over the quarters.

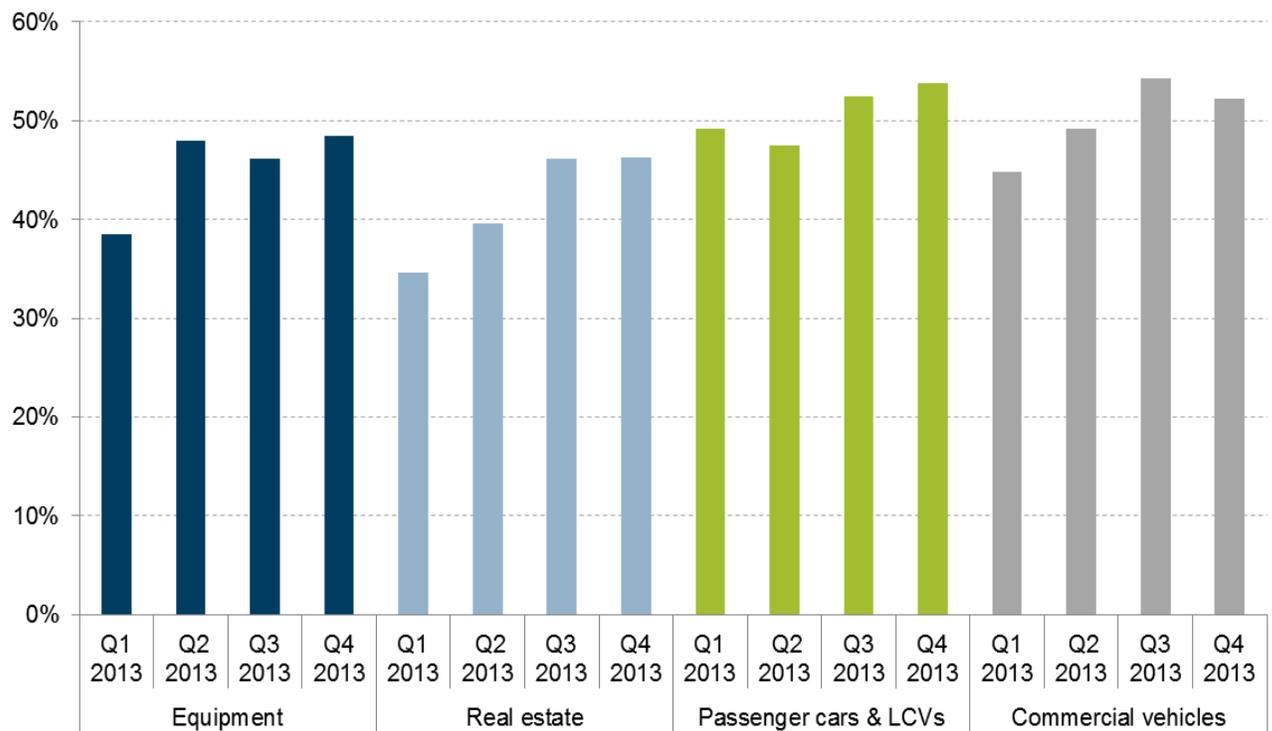
Please refer to the attached tables and graphs for more detailed information.

We would like to take this opportunity to thank the participating companies for all the hard work that went into collecting these figures. Your efforts are much appreciated.

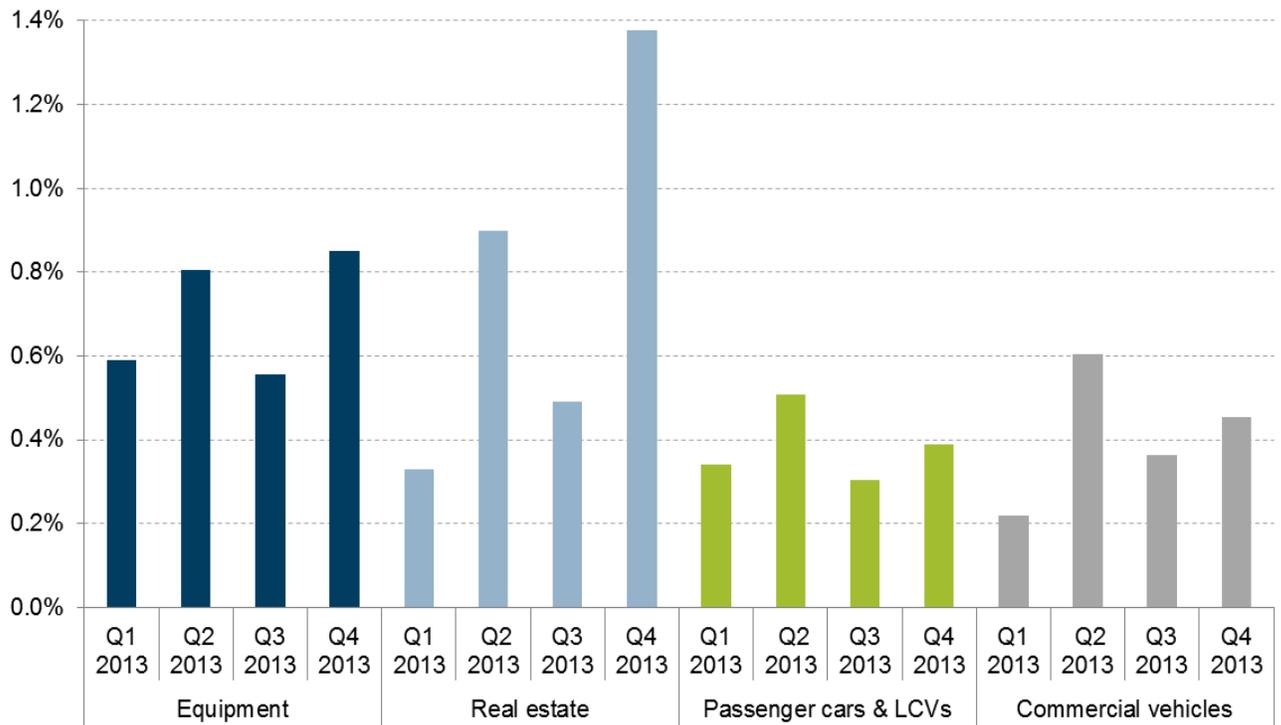
**Fig 1: Median Profitability Ratio by asset type, 2013**



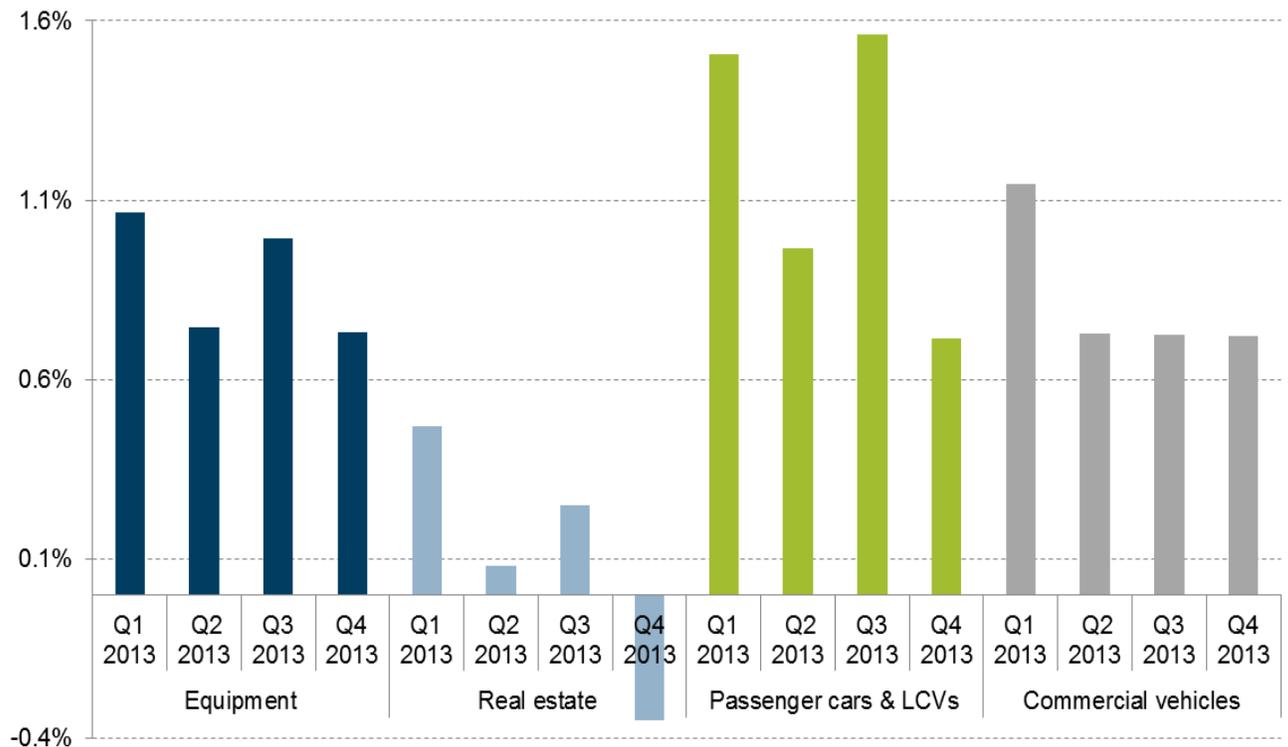
**Fig. 2: Median Cost/Income Ratio by asset type, 2013**



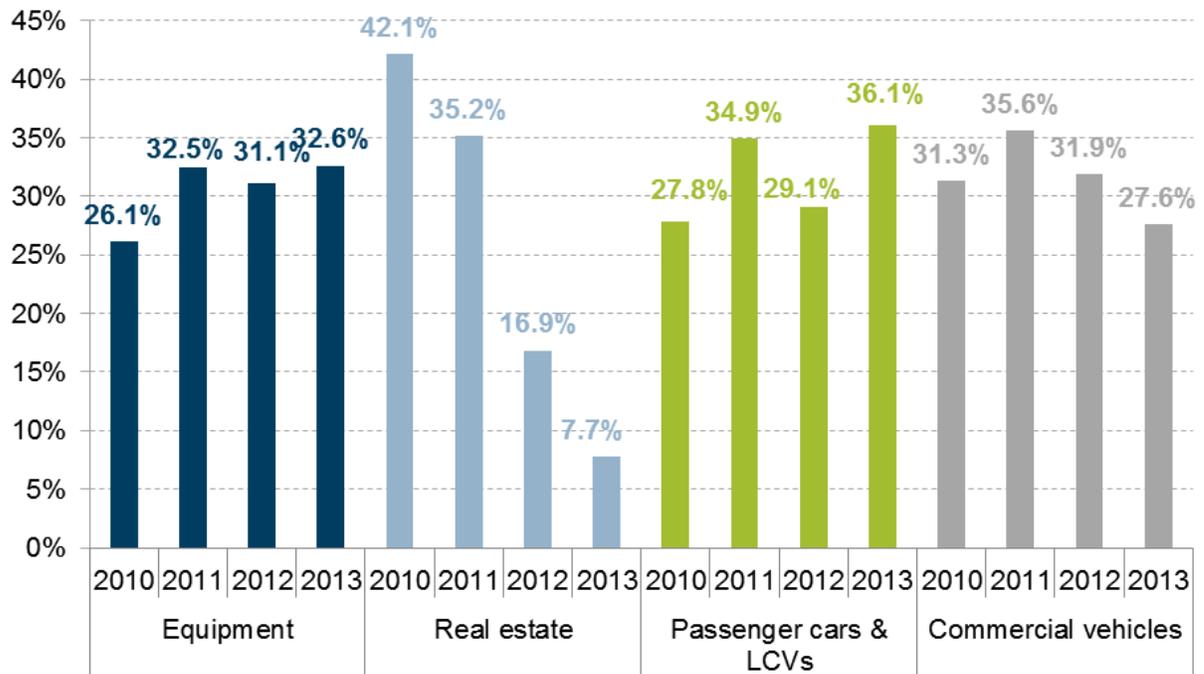
**Fig. 3: Median Cost of Risk Ratio by asset type, 2013**



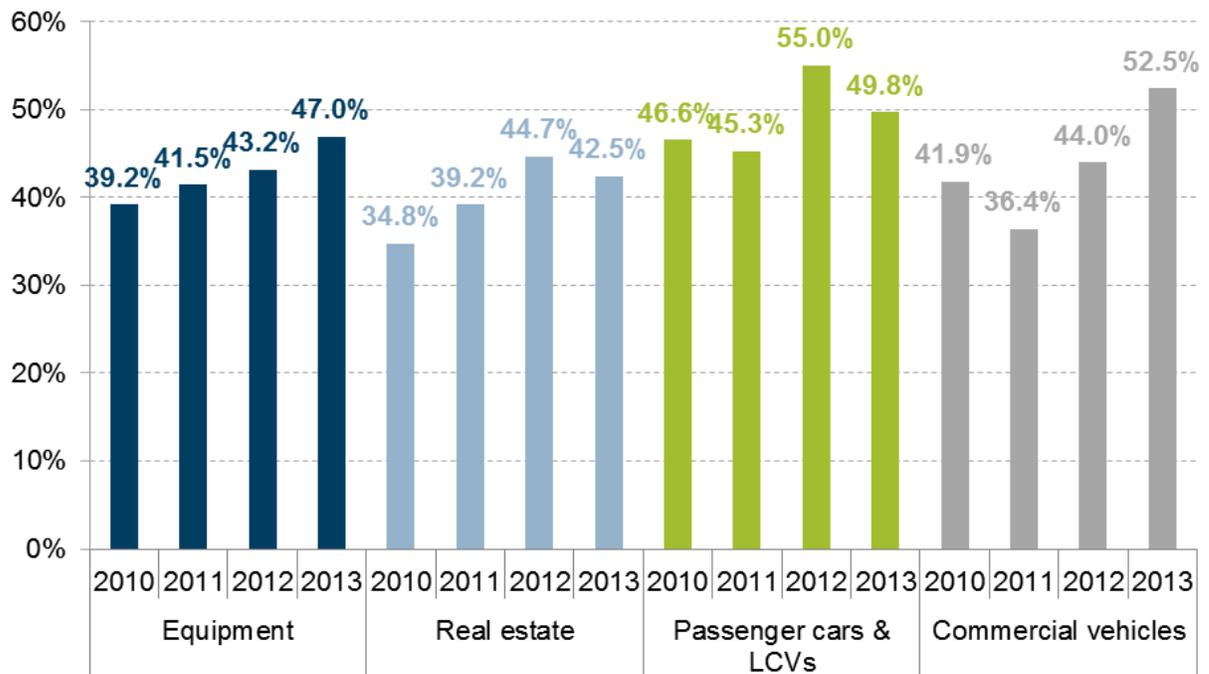
**Fig. 4: Median Return on Assets Ratio by asset type, 2013**



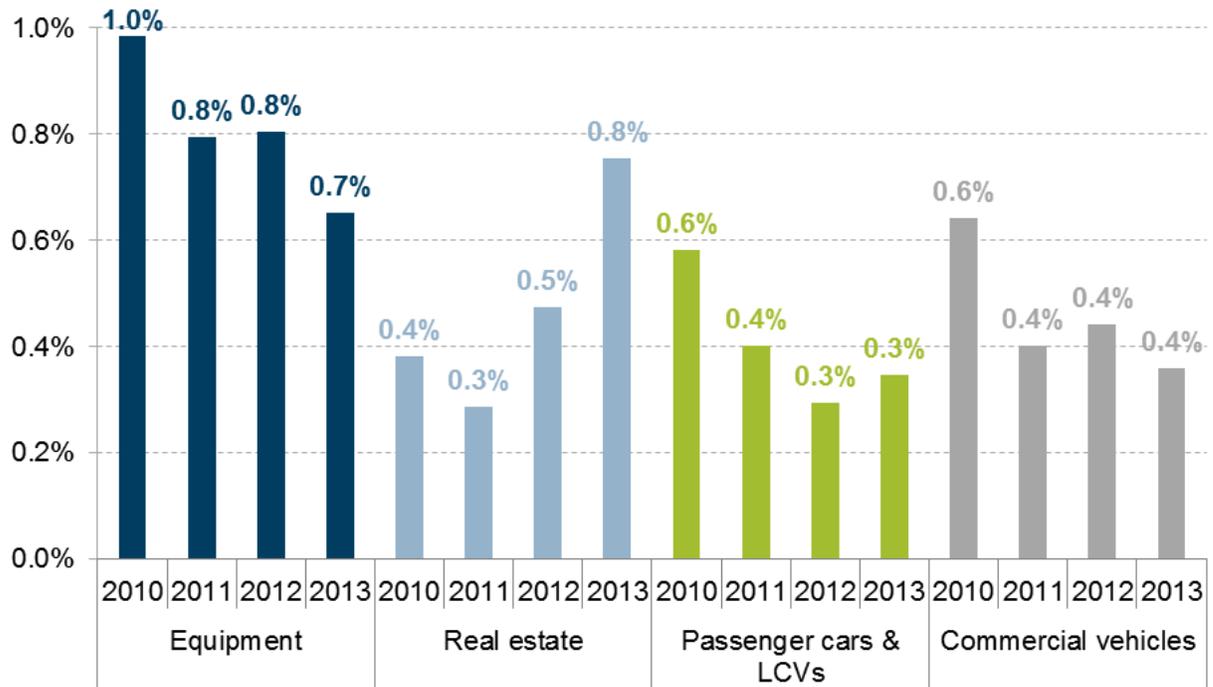
**Fig 5: Median Profitability Ratio by asset type, 2010 - 2013**



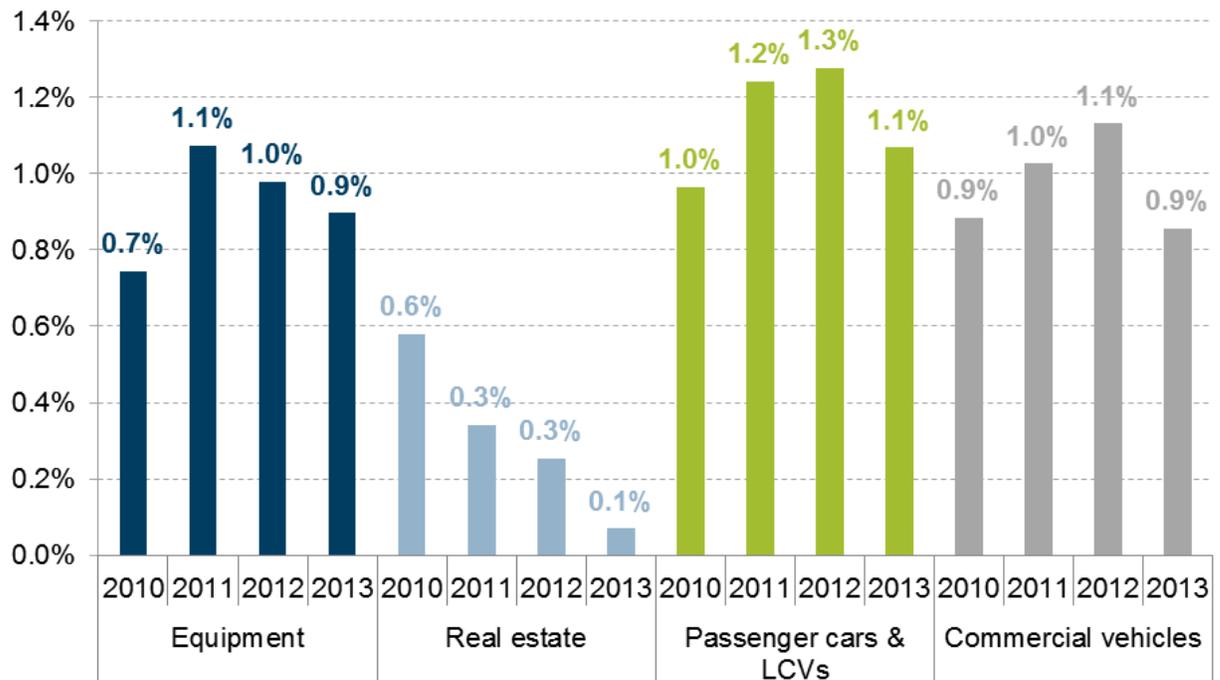
**Fig. 6: Median Cost/Income Ratio by asset type, 2010 - 2013**



**Fig. 7: Median Cost of Risk Ratio by asset type, 2010 - 2013**



**Fig. 8: Median Return on Assets Ratio by asset type, 2010 - 2013**



**Table 1: Median Ratios<sup>2</sup> - Equipment**

Median Ratios	2013					2012
	Median 2013 full year	Median Q4 2013	Median Q3 2013	Median Q2 2013	Median Q1 2013	Median 2012 full year
<b>Profitability (%)</b> - median of all companies' pre-tax profit as a % of total operating income	<b>32.6%</b>	19.5%	28.7%	27.0%	35.5%	<b>31.1%</b>
<b>Cost/Income (%)</b> - median of all companies' operating expenses as a % of operating income	<b>47.0%</b>	48.4%	46.1%	48.0%	38.6%	<b>43.2%</b>
<b>Cost of Risk (%)*</b> - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	<b>0.7%</b>	0.9%	0.6%	0.8%	0.6%	<b>0.8%</b>
<b>Return on Assets (%)*</b> - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	<b>0.9%</b>	0.7%	1.0%	0.7%	1.1%	<b>1.0%</b>

**Table 2: Median Ratios - Real Estate**

Median Ratios	2013					2012
	Median 2013 full year	Median Q4 2013	Median Q3 2013	Median Q2 2013	Median Q1 2013	Median 2012 full year
<b>Profitability (%)</b> - median of all companies' pre-tax profit as a % of total operating income	<b>7.7%</b>	-32.3%	15.6%	8.9%	35.7%	<b>16.9%</b>
<b>Cost/Income (%)</b> - median of all companies' operating expenses as a % of operating income	<b>42.5%</b>	46.2%	46.2%	39.6%	34.6%	<b>44.7%</b>
<b>Cost of Risk (%)*</b> - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	<b>0.8%</b>	1.4%	0.5%	0.9%	0.3%	<b>0.5%</b>
<b>Return on Assets (%)*</b> - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	<b>0.1%</b>	-0.4%	0.2%	0.1%	0.5%	<b>0.3%</b>

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

<sup>2</sup> The median ratio shows the value at which half of the companies lie below this value and half lie above this value. It represents the 'typical' firm in the sample and is not as heavily influenced by outliers (extreme results) as the weighted average.

**Table 3: Median Ratios – Passenger Cars & LCVs**

Median Ratios	2013					2012
	Median 2013 full year	Median Q4 2013	Median Q3 2013	Median Q2 2013	Median Q1 2013	Median 2012 full year
<b>Profitability (%)</b> - median of all companies' pre-tax profit as a % of total operating income	<b>36.1%</b>	33.0%	37.1%	36.9%	37.0%	<b>29.1%</b>
<b>Cost/Income (%)</b> - median of all companies' operating expenses as a % of operating income	<b>49.8%</b>	53.8%	52.5%	47.5%	49.2%	<b>55.0%</b>
<b>Cost of Risk (%)*</b> - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	<b>0.3%</b>	0.4%	0.3%	0.5%	0.3%	<b>0.3%</b>
<b>Return on Assets (%)*</b> - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	<b>1.1%</b>	0.7%	1.6%	1.0%	1.5%	<b>1.3%</b>

**Table 4: Median Ratios – Commercial Vehicles**

Median Ratios	2013					2012
	Median 2013 full year	Median Q4 2013	Median Q3 2013	Median Q2 2013	Median Q1 2013	Median 2012 full year
<b>Profitability (%)</b> - median of all companies' pre-tax profit as a % of total operating income	<b>27.6%</b>	27.8%	25.3%	24.3%	37.9%	<b>31.9%</b>
<b>Cost/Income (%)</b> - median of all companies' operating expenses as a % of operating income	<b>52.5%</b>	52.2%	54.3%	49.2%	44.9%	<b>44.0%</b>
<b>Cost of Risk (%)*</b> - median of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	<b>0.4%</b>	0.5%	0.4%	0.6%	0.2%	<b>0.4%</b>
<b>Return on Assets (%)*</b> - median of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	<b>0.9%</b>	0.7%	0.7%	0.7%	1.1%	<b>1.1%</b>

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

**Table 5: Weighted Average Ratios<sup>3</sup> - Equipment**

Weighted Average Ratios	2013					2012
	Average 2013 full year	Average Q4 2013	Average Q3 2013	Average Q2 2013	Average Q1 2013	Average 2012 full year
<b>Profitability (%)</b> - average of all companies' pre-tax profit as a % of total operating income	18.1%	-25.0%	32.2%	26.3%	31.2%	26.7%
<b>Cost/Income (%)</b> - average of all companies' operating expenses as a % of operating income	47.0%	47.9%	46.2%	47.7%	46.8%	48.0%
<b>Cost of Risk (%)*</b> - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	1.3%	2.5%	0.8%	1.0%	0.8%	0.9%
<b>Return on Assets (%)*</b> - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	0.5%	0.8%	0.5%	1.0%	0.9%	0.8%

**Table 6: Weighted Average Ratios - Real Estate**

Weighted Average Ratios	2013					2012
	Average 2013 full year	Average Q4 2013	Average Q3 2013	Average Q2 2013	Average Q1 2013	Average 2012 full year
<b>Profitability (%)</b> - average of all companies' pre-tax profit as a % of total operating income	-57.1%	-205.6%	-25.7%	-8.0%	15.7%	4.4%
<b>Cost/Income (%)</b> - average of all companies' operating expenses as a % of operating income	42.5%	47.7%	49.3%	41.0%	33.6%	39.7%
<b>Cost of Risk (%)*</b> - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	1.8%	4.6%	0.8%	1.0%	0.8%	0.7%
<b>Return on Assets (%)*</b> - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	-1.0%	0.0%	-0.3%	-0.1%	0.0%	0.0%

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

<sup>3</sup> 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 quarter to arrive at the weighted average ratio shown in the table. The cost of risk, RoA and RoE ratios are weighted by the average portfolio over the relevant period.

**Table 7: Weighted Average Ratios – Passenger Cars & LCVs**

Weighted Average Ratios	2013					2012
	Average 2013 full year	Average Q4 2013	Average Q3 2013	Average Q2 2013	Average Q1 2013	Average 2012 full year
<b>Profitability (%)</b> - average of all companies' pre-tax profit as a % of total operating income	<b>36.8%</b>	21.3%	41.8%	41.9%	40.9%	<b>35.5%</b>
<b>Cost/Income (%)</b> - average of all companies' operating expenses as a % of operating income	<b>49.3%</b>	50.8%	47.9%	48.1%	49.3%	<b>54.3%</b>
<b>Cost of Risk (%)*</b> - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	<b>0.5%</b>	0.7%	0.4%	0.4%	0.4%	<b>0.4%</b>
<b>Return on Assets (%)*</b> - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	<b>2.7%</b>	2.5%	2.8%	2.9%	2.5%	<b>2.1%</b>

**Table 8: Weighted Average Ratios – Commercial Vehicles**

Weighted Average Ratios	2013					2012
	Average 2013 full year	Average Q4 2013	Average Q3 2013	Average Q2 2013	Average Q1 2013	Average 2012 full year
<b>Profitability (%)</b> - average of all companies' pre-tax profit as a % of total operating income	<b>19.3%</b>	-31.8%	37.0%	28.6%	37.6%	<b>35.6%</b>
<b>Cost/Income (%)</b> - average of all companies' operating expenses as a % of operating income	<b>46.8%</b>	50.4%	43.7%	46.8%	46.7%	<b>43.7%</b>
<b>Cost of Risk (%)*</b> - average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period	<b>0.9%</b>	1.8%	0.5%	0.7%	0.5%	<b>0.6%</b>
<b>Return on Assets (%)*</b> - average of all companies' net profit before tax (annualised) as a percentage of average portfolio over the period	<b>0.7%</b>	1.0%	0.9%	1.1%	0.9%	<b>1.0%</b>

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

## 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.

**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.

#### 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 **2013 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 geographic markets and sectors, and using various distribution channels.

Please note that the results of the Segment Survey may not be directly comparable to the Leaseurope Index Quarterly Survey. Various assets that are included in the Quarterly Survey results and which do not fit into one of the four categories used in the Segment Survey, such as renewable energy or big ticket assets, may not be taken into account in the Segment Survey results. Various costs and incomes related to international co-ordination of the business may also not be included, as they can be difficult to allocate to different asset types. In some cases the company figures for each asset type are estimates. For instance, if financial indicators split by assets include a variety of products, then the portion attributable to leasing needed to be estimated. Equally, if asset splits were only available for the total automotive portfolio, then the split by passenger cars and heavy commercial vehicles had to be estimated in some cases.

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 Segment results be released?

The segment survey is conducted on an annual basis. For future editions of this survey, Leaseurope aims to publish the results on the **Leaseurope Index website** during April each year.

#### 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.