Leasing Activity in Europe

- Key Facts and Figures 2004-

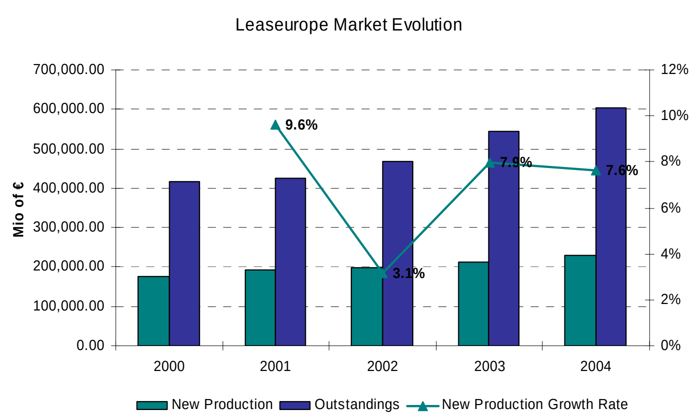
Leaseurope, the European Federation of Leasing Company Associations is the umbrella body that represents the leasing industry in Europe. Its membership consists of 27 National Associations, which in turn represent approximately 1,200 leasing companies. The countries represented are: Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Luxembourg, Morocco, the Netherlands, Norway, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden, Switzerland and the United Kingdom

Among other activities, Leaseurope represents the interests of its members in discussions with the EU and other international institutions. In collaboration with National Leasing Associations, the Federation also computes its own statistics and records on the basis of which the leasing activity in Europe can be summarised as below.

In 2004, the leasing companies represented in Leaseurope invested 230 billion euro in equipment and real estate (including hire-purchase), i.e. approximately 45% of the total leasing volume worldwide. Companies represented through Leaseurope financed approximately 17% of European gross fixed capital formation[1]. On the job market, it employed some 48,000[2] people. Outstandings amounted to 604 billion euros. Leaseurope represents 92% of the European leasing market.

1. TOTAL LEASEUROPE MARKET IN 2004

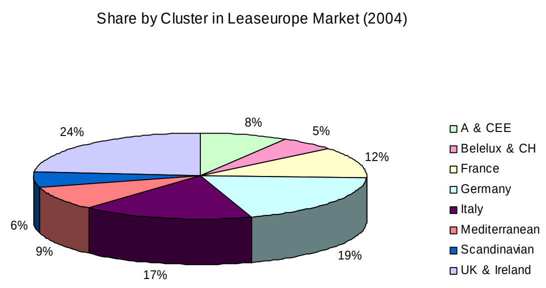
Total new production in 2004 was almost 230 billion euros, up by 7.2% compared to 2003. At the end of the year, outstandings were at 604 billion euros, an increase of 10.9%. These figures demonstrate the increasing importance of leasing as a means of finance throughout Europe. However, while overall growth is strong, there are sharp divergences between the various Leaseurope member countries. Some of the larger Western European countries such as the UK and Germany for instance underwent sluggish growth. This seems to indicate that, as leasing is used to finance investment in equipment and real estate, investment levels are not what they should be in these countries. Italy was an exception, performing well with an increase of 18% in new business, due mainly to high growth in the real estate sector. Several smaller countries,



[1] Leaseurope estimate – see below for further details on this calculation
[2] Leaseurope estimate

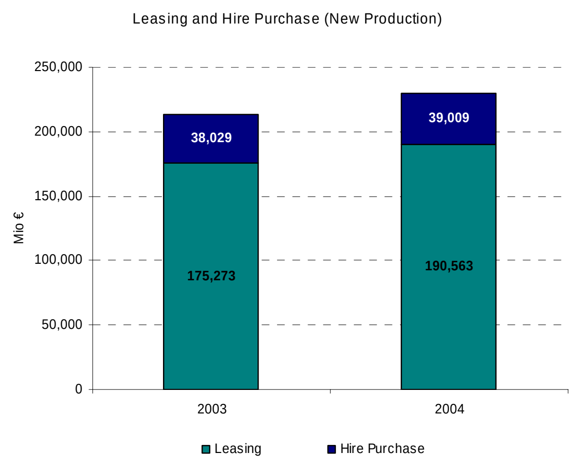
including Scandinavia, Austria and Central and Eastern European countries had growth rates of around 20% in certain cases.

The graph below shows the split of the 2004 Leaseurope market between the 8 Leaseurope clusters[3]. With about 53.7 billion euros of new business, the UK was the single largest contributor to the Leaseurope market in 2004, followed by Germany with approximately 44.4 billion and Italy with 38 billion. France came next with 26.9 billion euros. Together, these four countries represent 71% of the European leasing market.



As from this year, Leaseurope has decided to include hire purchase contacts in its statistics. Therefore, figures for 2003 have been restated to reflect these changes and to allow for meaningful comparisons. Total new production in 2004 can thus be split into new leasing contracts which reached 191 billion euros and new hire purchase contracts which reach 39 billion euros.

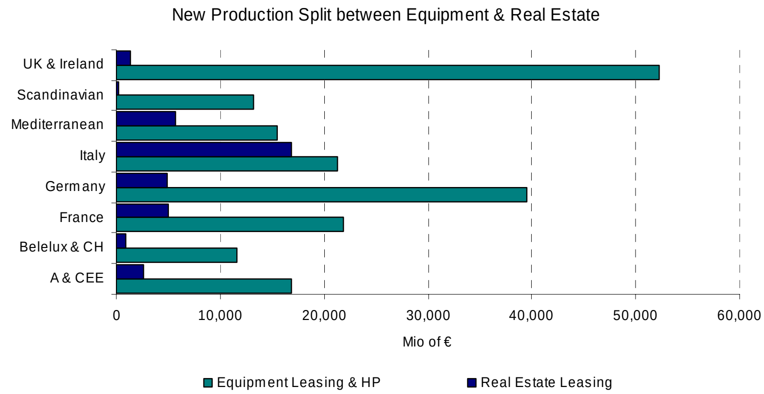
The annual growth rate for new leasing production was 8.72% and new hire purchase contracts rose by 0.5% compared to the previous year. The following members declared hire purchase figures separately from their leasing data: the UK, Germany, Finland, Sweden and Slovakia, with the UK representing around 85% of all new hire purchase business.



2. Leasing and Hire Purchase of Equipment and Real Estate

Leaseurope members' business can be divided according to the type of asset financed. Traditionally, the distinction is made between equipment and real estate financing. At 192 billion euros, equipment leasing and hire purchase represented 83% of Leaseurope's new business in 2004, real estate leasing accounting for the remaining 17% worth just under 37.5 billion euros. While the relative proportions of equipment and real estate related contract have remained largely the same since 2003, new equipment leasing and hire purchase rose by 7.6% compared to 2003. Real estate leasing increased too, though to a slightly lesser extent at +5.5%.

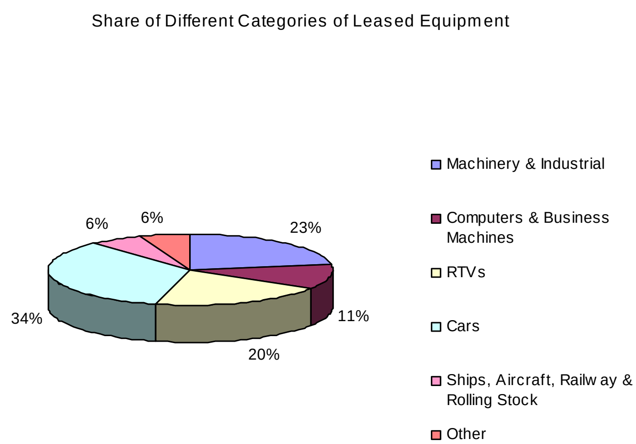
[3] A & CEE = Austria, Czech Republic, Estonia, Hungary, Poland, Romania, Slovakia & Slovenia; Benelux & CH = Belgium, Luxemburg, the Netherlands and Switzerland; Mediterranean = Spain, Greece, Morocco & Portugal; Scandinavian = Denmark, Finland, Norway & Sweden.



With new real estate leasing production worth around 17 billion euros in 2004, Italy is by far the largest Leaseurope real estate leasing market, representing about 45% of all Leaseurope real estate leasing. The Mediterranean cluster comes in second place with just under 6 billion, followed by France and Germany with a new production of 5 billion and 4.9 billion respectively.

2 a. EQUIPMENT LEASING

Leased equipment increased from 139.8 billion euros in terms of new production in 2003, to 153.2 billion in 2004, a rise of 9.6%. Outstanding leased equipment contracts were worth 308.5 billion euros at the end of 2004.

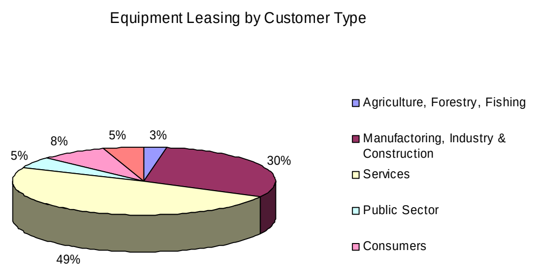


As illustrated on the graph (right), motor cars make up once again the largest category of leased assets, representing 34.4% of all equipment on lease. Furthermore, transport equipment in general (motorcars, road transport vehicles (RTVs) combined with ships, aircraft, railway and rolling stock) account for slightly over 60% of all leased equipment.

The segment that underwent the most growth was the "other equipment category", increasing by 17% to reach levels of 8.9 billion euros. The leasing of RTVs and machinery and industrial equipment performed well too, growing by 15% and 14% respectively.

	Machinery	Computers	RTV	Cars	Big Tickets	Other
A & CEE	16%	3%	28%	44%	4%	5%
Benelux & CH	19%	20%	18%	37%	2%	4%
France	30%	16%	29%	24%	0%	1%
Germany	11%	10%	12%	54%	5%	8%
Italy	47%	5%	18%	22%	8%	0%
Mediterranean	36%	4%	31%	21%	0%	8%
Scandinavian	19%	22%	21%	25%	6%	7%
UK & Ireland	9%	17%	11%	29%	21%	12%

The above table demonstrates the division from cluster to cluster according to the type of equipment leased. Once again this varies, with certain specialisation tendencies becoming apparent. The Austrian and Central & Eastern European cluster, along with the Benelux, Switzerland and Germany lease have high shares in car leasing. Indeed, with 19.6 billion euros worth of cars on lease, the German cluster represents the largest vehicle leasing market. While overall cars are the most important type of equipment on lease, this does not hold for the French, Italian and Mediterranean clusters where machinery and industrial equipment are the most important leased assets. Furthermore, the UK & Ireland cluster is responsible for 44% of all big ticket leasing.

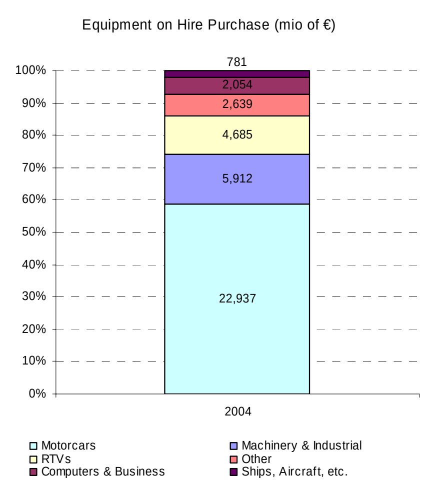


Equipment on lease can also be split according to the type of customer that takes on the lease. Leases to the private sector (agriculture, forestry, fishing, manufacturing, industry, construction and service sectors combined) rose by 12.6% from 111 billion euros in 2003 to 125 billion in 2004. Altogether, the private sector represents just under 82% of new equipment leasing business, of which leases to the services sector make up the lion's share at around 60%. The German and Austrian & CEE clusters are the largest lessors to consumers, accounting for 60% of all consumer equipment leasing on their own. Italy is the smallest public sector lessor, while France and the UK are the most important, with over 1.5 billion euros worth of new business each to this sector in 2004. While remaining marginal, the agriculture sector underwent the highest growth in terms of new business, with a rise of +17.2%. Manufacturing, industry and construction performed well too, with a growth over 14%.

The bulk of equipment leasing contracts have a maturity situated between 2 to 5 years. Indeed, at a level of 112.7 billion euros, 73.6% of all new equipment leasing contracts fall into this category in 2004. Nevertheless, the number of contracts in the 5 to 10 year bracket grew the most to reach over 18 billion euros in 2004, a 15% increase compared to 2003.

2 b. Equipment on Hire Purchase

In 2004, Leaseurope members were responsible for 39 billion euros worth of new hire purchase contracts, a slight increase of 0.5% compared to 2003. At the end of 2004, hire purchase outstanding were at a level of 66.8 billion euros. New hire purchase production was mainly concentrated in the car sector (59% of new contracts), followed by machinery and industrial equipment which made up approximately 15%. The UK cluster is the largest contributor to this type of financing with over 20 billion euros new hire purchase contracts for cars. 48% of all hire purchase contracts are made with consumers and 34% are to the services sector. As with leasing, the majority of hire purchase contracts have a term of 2 to 5 years.



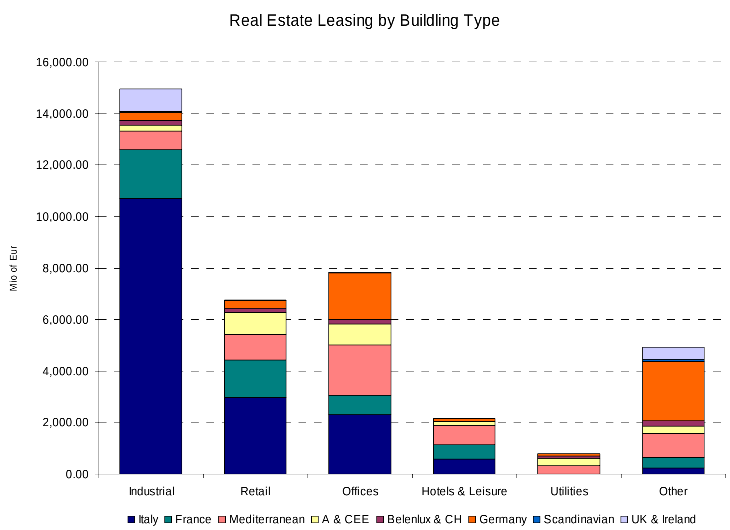
2 c. ZOOM ON CAR LEASING & HP

Leaseurope collects detailed statistics on car leasing and hire purchase from its members. This data can be summarized as follows in the table. Please note that when data for all members have not been available, assumptions have been made to estimate an aggregate figure for the entire Leaseurope market.

2004	Leasing	Hire Purchase
New Contract Value (mio of €)	**56,404**	**22,937**
Number of Vehicles	**2,800,000***	**1,400,000**
Share of New Cars	**75%-85%**	**52%**
Share of Cars for Business Use	**80%***	**16%**

* Leaseurope estimate

2 d. REAL ESTATE LEASING

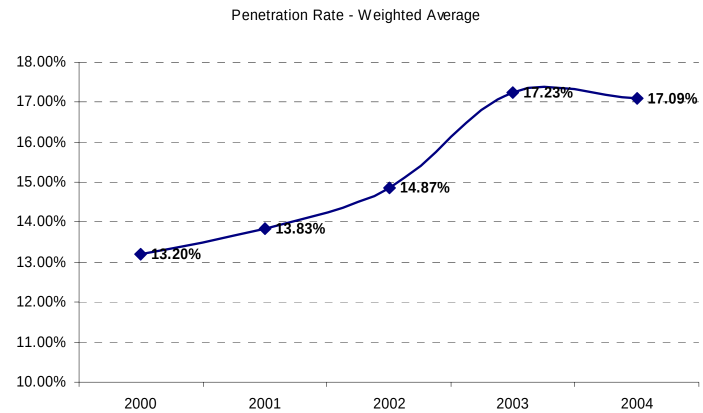


Real estate leasing[4] can be broken down according to the type of building financed, as shown in the graph (left). At 40% of all real estate leasing, the financing of industrial buildings is the most popular. New leasing of these buildings rose by 17.9% compared to the previous year, stimulated by large growth in this sector in Italy. However, the leasing of retail outlets, office buildings and utilities dropped compared to 2003. The graph above also demonstrates a certain amount of specialisation in building type according to cluster with Italy being the largest player in industrial, retail and office buildings. France is the second biggest player in the leasing of industrial buildings and retail outlets. Mediterranean countries come in first place for hotels and leisure buildings and second place for offices.

Most real estate leasing contracts are made for a term of between 8 and 16 years with 66% of new contracts falling within this time frame. The share of shorter contracts (up to 8 years) and those between 16 – 20 years went down while those between 8 and 16 years rose by 13.3% compared to 2003 and those contracts with a term over 20 years grew by 4.3%.

[4]Please note that the large differences in real estate leasing levels from cluster to cluster reflect primarily the presence or absence of companies active in the real estate sector among the members of the national associations providing Leaseurope with data.

3. PENETRATION RATES



In order to assess the relative importance of leasing activities at national and European levels, the penetration rate of leasing and hire purchase is estimated. Penetration rates are calculated as the proportion of assets financed by leasing or hire purchase out of the total amount of investments in a country or region.[5].

The graph (right) shows the evolution of the Leaseurope weighted average penetration rate for leasing and hire purchase. At 17.23%, the penetration rate was the highest in 2003. This is most likely due to the explicit inclusion of hire purchase contracts within the Federation's statistics. In 2004, penetration remained at a similar level of 17.09%. This means that in 2004, the companies represented through Leaseurope financed approximately 17% of European gross fixed capital formation.

2004	**Penetration Rate**
A & CEE	14.65%
Benelux & CH	8.05%
France	10.86%
Germany	17.14%
Italy	19.36%
Mediterranean	9.64%
Scandinavian	10.84%
UK & Ireland	24.49%

This table shows the 2004 penetration rates per cluster. These figures illustrate therefore the European regions where leasing and hire purchase activities are the most developed and popular. With the large single country clusters in the lead (UK, Italy and Germany), the Austrian & CEE cluster also has a high penetration rate[6]. From this cluster, one can extract the weighted average penetration rate for the CEE countries only, which amounts to a high 18.53%, demonstrating the success of lease finance in these areas. Note also that Scandinavian countries are almost on a par with France. The Mediterranean and Benelux clusters come in last position, perhaps reflecting that there is still room for leasing and hire purchase finance to expand in these regions.

[5] Total amount of investments is defined as the national gross fixed capital formation less investment by households in dwellings. These figures are taken from Eurostat.

[6] Due to the important market of car leasing to individuals, private cars not been included in national investment figures.