

Welcome address

Leasing Life Conference and Awards – 24 November 2016

Good morning.

It's a great honour to welcome you at this Leasing Life Conference and Awards 2016 in Paris.

And it's a great pleasure as well.

I am the Director General of the the French Association of Specialised Finance Companies (ASF).

The ASF is the professional organisation that represents institutions specialised in finance (consumer credit, home loans, leasing, factoring, guarantees, investment services and securitisation).

We have 285 members. They are independent companies or subsidiaries of major groups. And they have opted in favour of specialisation by focusing on a reduced number of activities where their expertise is recognized : equipment finance (professional and consumer), real estate finance (real estate leasing for companies, home loans for households), or financial and investments services.

ASF promotes these specialised activities, on behalf of its members – finance companies, specialised banks and investment firms, all regulated and supervised.

Their total outstanding credits amount to 220 billion €, or nearly 20% of total credits to the French economy.

As far as I know, we are the only country in Europe, with all the specialized financial products gathered in only one professional association.

This creates quite a level in lobbying.

Of course, ASF is a member of three European professional federations (Eurofinas for consumer credit, EU Federation for factoring and Leaseurope for leasing).

Today, I will focus on leasing.

During the leasing life conference are invited high level speakers and panellist's for really interesting sessions.

As you know, in France, we are in the middle of a political race to select the candidates for the presidential election in 2017, and this professional conference is a great occasion for diversion.

I'm going to divide my talk into three parts : firstly some figures and comments on the leasing market in Europe, secondly a focus on the French market, and then, in my view, the main challenges and opportunities of leasing.

First of all, few figures of the leasing market in Europe

In 2015, in Europe, total new leasing volumes reached 315 billion euros. This represented a significant increase of 9.4 % (percent) compared to 2014. These are the figures of Leaseurope, the European association of leasing.

The European market is the second in the world, behind China (650 billion euros) and before the United States (244 billion euros).

Leasing is a must in Europe, in a large growing market for a great product of quality.

I'd like to focus especially on equipment leasing and then on real estate leasing.

European lessors granted new equipment leasing volumes including vehicles, of approximately 300 billion euros. A significant increase of 10.3 % compared to the previous year. This represents a double-digit growth.

On the contrary, real estate leasing saw a decrease of 4 %, with a volume of new contracts of about 16 billion euros.

In 2015, Leaseurope's total penetration rate ⁽¹⁾ increased to 14 %. When only considering equipment leasing, (that is to say excluding real estate leasing from the calculation) the penetration rate is at 25 %.

Moving on to the French market

The penetration rate of equipment leasing is in France about 30 %. This is above the European average.

In 2015 in France, new leasing volumes reached 28 billion euros, a significant increase of 9.9 % compared to 2014.

In 2016, as expected, the increase is higher, in line with forecasts, with a 12.3 % rise of new leasing volumes during the first nine months. (first three quarters).

Some French leasing companies are pan European, and there is fierce competition between the leaders, as the European market is highly concentrated with 20 companies representing 80 % of the market shares.

(1) the penetration rate shows the amount of business investment finance by leasing and hire purchase

So, what are the main opportunities and challenges for leasing ?

Among the main opportunities and challenges for leasing, I have selected three, that I will mention :

- the first challenge and the main challenge is the development of leasing amongst Small and Medium Sized Business (SME's) : in 2015, in Europe, leasing was the first financial product for SME's, before banking credit. But there is still room for manoeuvre.

For the European Commission, the financing of the economy and especially of SME's, to sustain European growth and employment is a political purpose. We have obtained a supporting factor for SME's in the European prudential regulation of capital requirement for credit risk. This is a lobbying success of national and European associations of leasing.

In France, as well, during the political campaign for the presidential elections, that I mentioned at the very beginning of my speech, the promotion of leasing is a lobbying tool. All the candidates need to finance SME's, innovation and start-ups. The security that ownership of the asset provides the lessor is very relevant, to maintain a low level of risk. Even if it sometimes appears difficult to present leasing to a politician, we very often do it. As we are currently meeting the French candidates and their staff, we are explaining them the need to finance SME's, that is to say promoting leasing and factoring.

So the first opportunity and challenge is to develop leasing amongst SME's.

- the second opportunity and challenge is the digitalization of the product.

There is a rise of digital across leasing products, that will attract new clients, the next generation. Digitalization will also help to increase the satisfaction of the clients. New business is key in this field. You certainly will have speakers and panellists on this crucial issue.

- Last but not least, I will mention the new international leasing accounting standard, IFRS16.

It will impact more lessees (the client) than lessors, and there are still huge challenges before the implementation and enforcement of this standard.

But on all these issues, I will pass the floor to the professionals, starting with Marie-Christine Ducholet.

And I wish you a very interesting conference, and a very pleasant stay in Paris.