

# PRESS RELEASE

Tuesday 2<sup>nd</sup> October 2007

## **Automotive Finance and Leasing for Consumers in Europe**

- ***across Europe as a whole, dealers are outpacing direct lenders***
- ***Eastern and South-Eastern Europe is delivering the most rapid growth***
- ***Bulgaria, Romania, Russia, Turkey and Ukraine are Europe's biggest stars***
- ***dealers account for over 50% of total private car finance in 13 countries***

### *Introduction*

The information contained in the following press release is drawn from Finaccord's recently completed market research study titled *Automotive Finance and Leasing for Consumers in Europe*. Based on a survey of 1,370 dealers across 26 European countries, in addition to an investigation covering up to 37 manufacturers / importers in each territory, the study delivers insights into the market for finance and leasing for new and used passenger cars bought by consumers with fully comparable and standardised data describing market values and volumes. Moreover, Finaccord's analysis splits this data for each country between point-of-sale finance intermediated by dealers and finance provided directly to consumers by lending institutions.

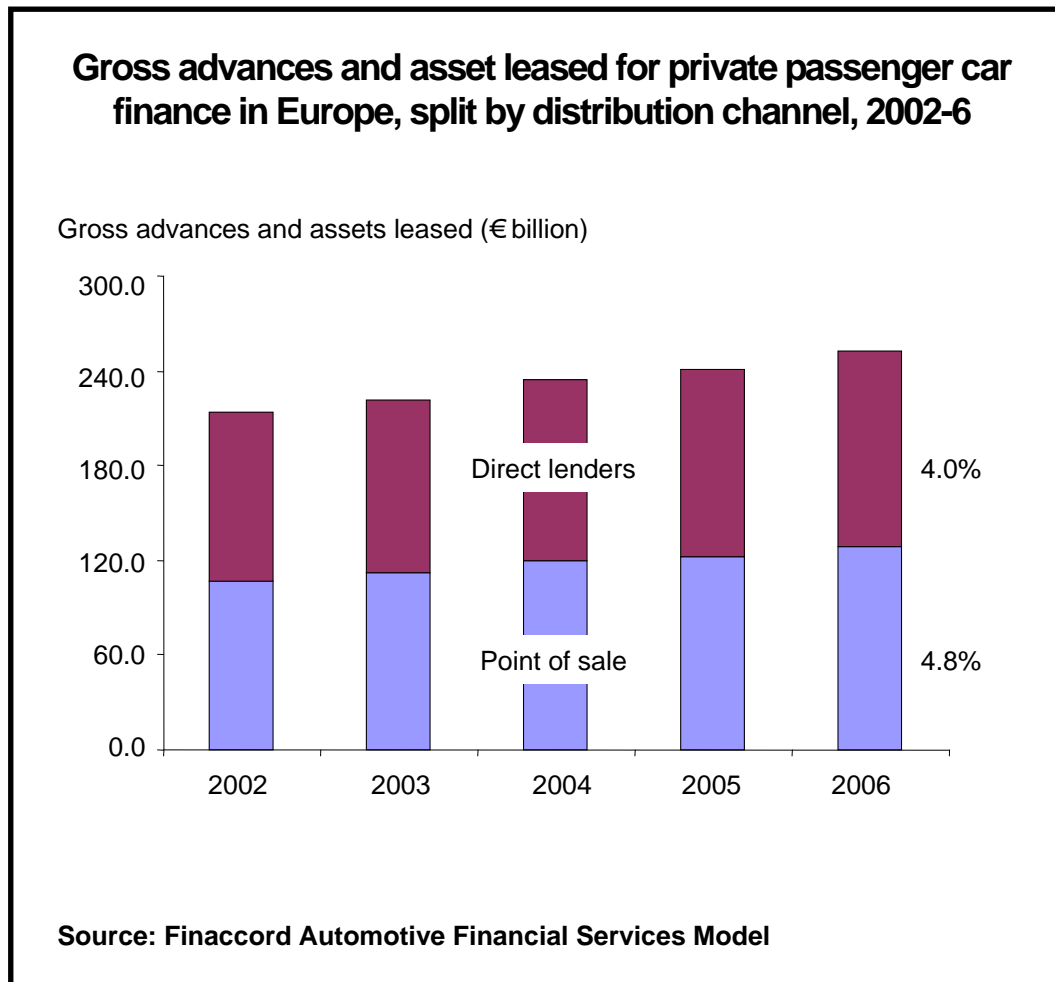
In addition to this comprehensive market data, the survey results are also used to measure the propensity of dealers to work with non-captive finance and leasing partners as well as captive entities, to identify the leading non-captive providers at the point of sale and to understand relationships between manufacturers or importers and external finance and leasing companies for branded or endorsed consumer finance propositions.

Hence, the report can be used in one or more of the following ways: to understand the current size and future potential of the market for automotive finance and leasing for consumers on a Europe-wide basis and, also, how this differs by country; to appreciate how this opportunity breaks down between finance for new and used cars and between finance provided through dealerships and credit offered directly to consumers; to benchmark the degree of competitive intensity recorded for distributing consumer finance and leasing services through the point of sale and how this is changing over time; to identify the foremost competitors in each country; and to evaluate the potential for establishing partnerships with manufacturers or importers for branded or endorsed consumer finance and leasing across 26 countries in Europe.

*Across Europe as a whole, dealers are outpacing direct lenders in private car finance*

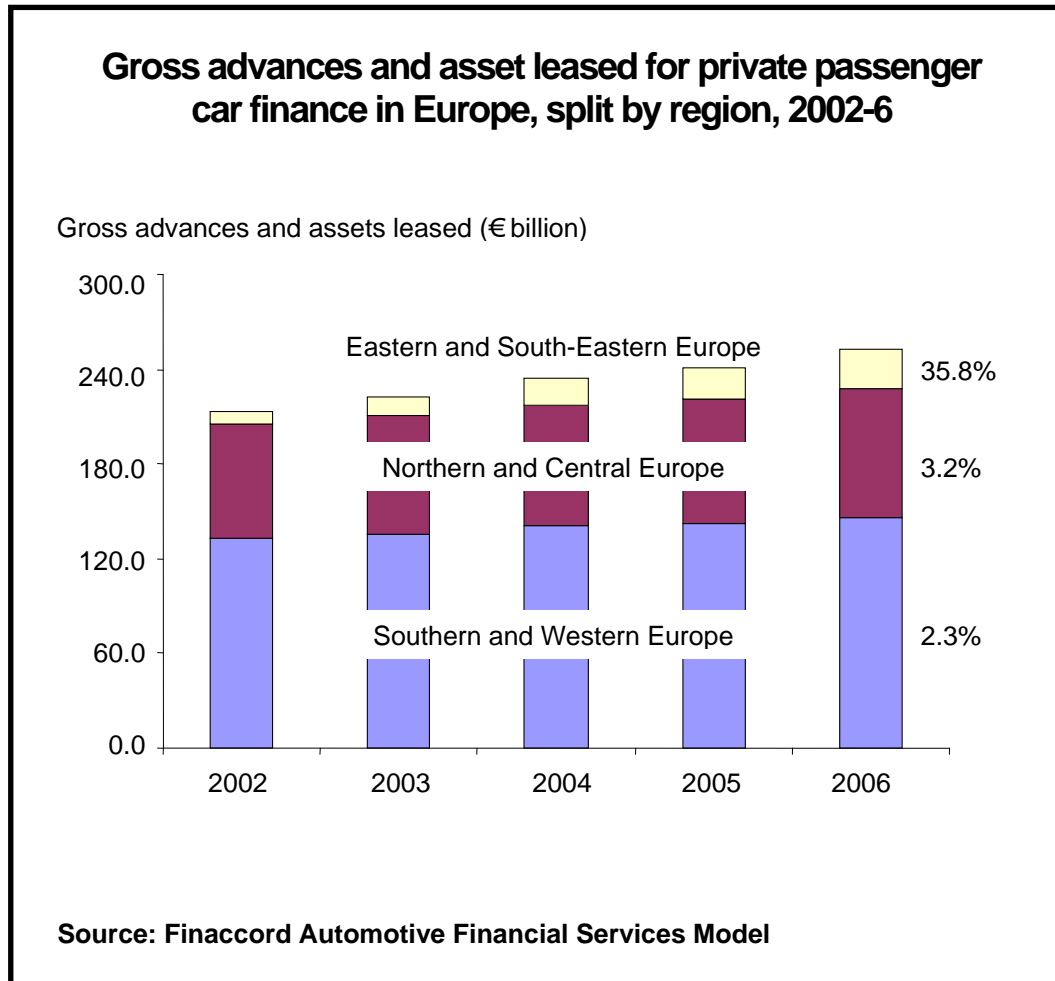
The market for automotive finance and leasing services provided in conjunction with sales of vehicles to individual customers in the 26 countries considered in Europe was worth €253.0 billion in terms of gross advances and assets leased in 2006. This represents absolute growth of 18.7% and an average annual rate of growth of 4.4% relative to the €213.1 billion of gross advances and assets leased recorded in 2002. With respect to the distribution channels used, dealerships, representing the point of sale, claimed a share of 50.9% (€128.9 billion) of the total market in 2006 with direct lenders accounting for the remaining 49.1% (€124.1 billion).

Moreover, as depicted in the graphic below, the average annual rate of growth of gross advances and assets leased through dealerships was 4.8% between 2002 and 2006 while direct lenders achieved a corresponding percentage of 4.0% for the same period. Indeed, Finaccord's research shows that while dealerships in countries such as the Netherlands and the UK have been losing market share of private car finance to direct lenders, their counterparts in many other European territories have been able to hold their own or even improve their position relative to competing distribution channels and cash only sales.



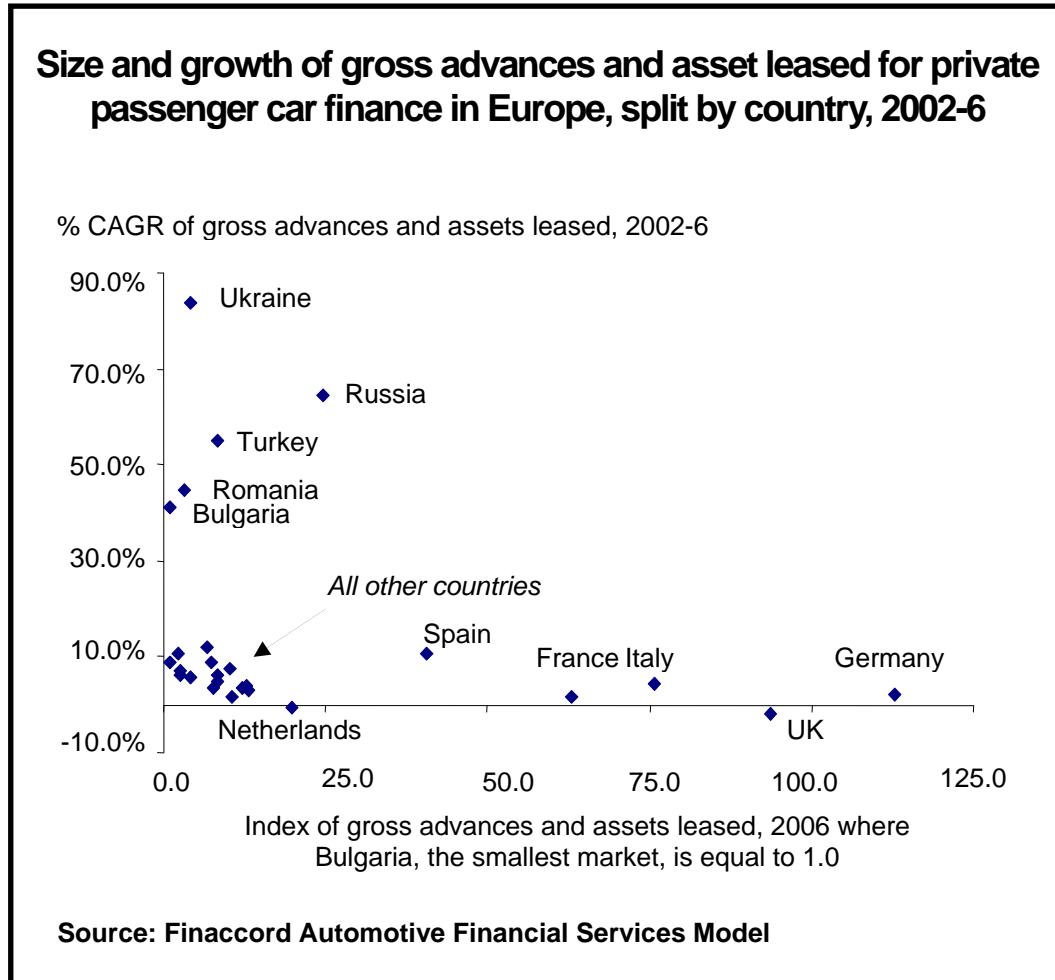
*Eastern and South-Eastern Europe is delivering the most rapid growth*

If the same data is viewed split by region, it can be seen clearly that countries in Eastern and South-Eastern Europe are delivering by far the most rapid growth in automotive finance and leasing for consumers. Indeed, over the same time period, the value of gross advances and assets leased for private car finance in Eastern and South-Eastern Europe rose at an average annual rate of 35.8% in contrast to equivalent data points of 3.2% and 2.3%, respectively, for Northern and Central Europe and Southern and Western Europe. Hence, Eastern and South-Eastern Europe took €24.8 billion of the total market in 2006 with Northern and Central Europe and Southern and Western Europe making up €82.5 billion and €145.7 billion, respectively.



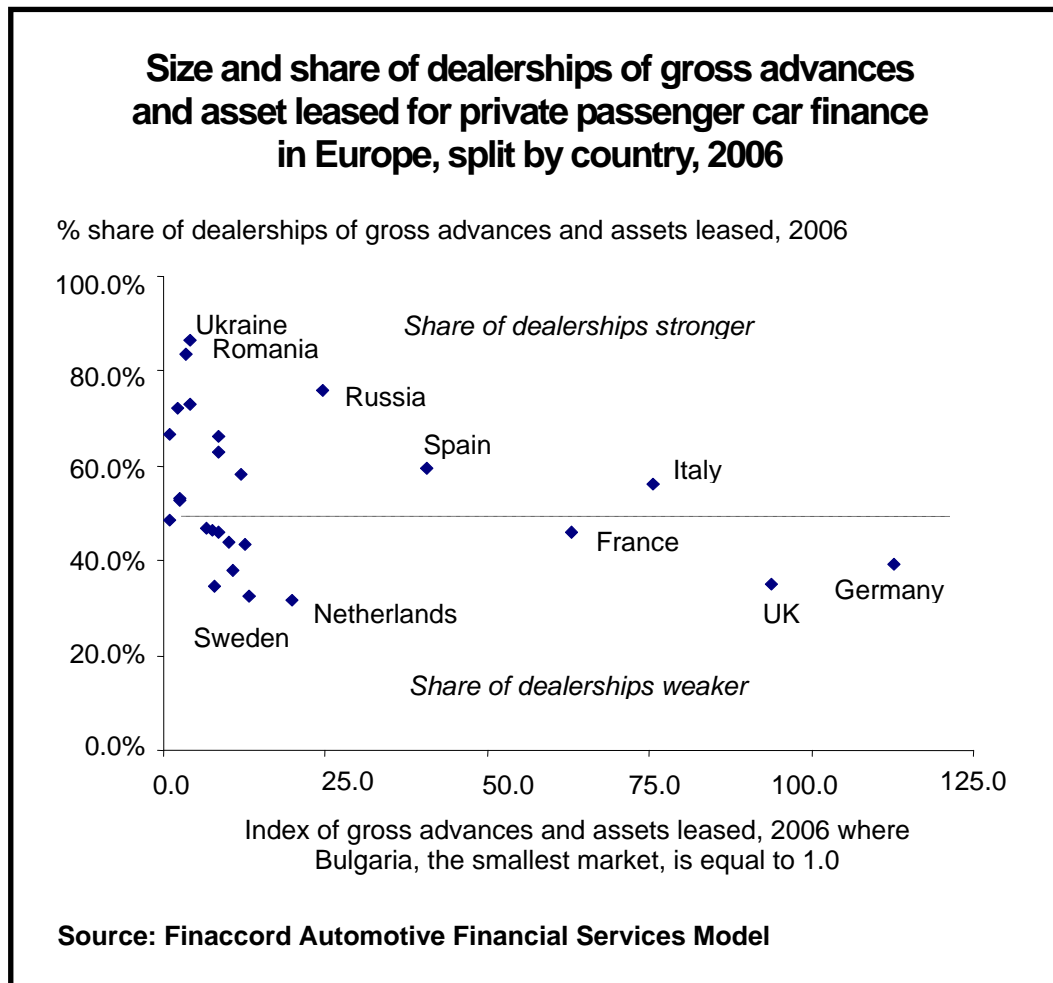
*Bulgaria, Romania, Russia, Turkey and Ukraine are Europe's biggest stars*

This characteristic of the market is even more clearly depicted in the graphic below which plots gross advances and assets leased for private car finance in 2006, expressed as an index where Bulgaria, the smallest market, is equal to 1.0, against the average annual growth in gross advances and assets leased between 2002 and 2006. Ultimately, this illustrates the fact that the 26 European territories reviewed can be segmented between five relatively large and mature markets (France, Germany, Italy, Spain and the UK), five fast-growing markets in Eastern and South-Eastern Europe (Bulgaria, Romania, Russia, Turkey and Ukraine) and 16 relatively small and mature markets. Moreover, it should also be noted that two markets - namely, the Netherlands and the UK - actually declined in value between 2002 and 2006.



*Dealers account for over 50% of total private car finance in 13 countries*

As for the share of dealerships in the market for private car finance, the graphic below plots gross advances and assets leased for private car finance in 2006, expressed once again as an index where Bulgaria, the smallest market, is equal to 1.0, against the share of the market of dealerships, as computed by Finaccord's *Automotive Financial Services Model*, in 2006. This shows that the 26 countries covered divide equally between 13 in which the point of sale accounts for more than 50% of the private car finance market and the remaining 13, including Germany, the UK, the Netherlands and Sweden, in which their influence falls below the 50% threshold. These data points are determined by a number of factors including the relative strength of direct lenders and the volume of used car sales in any given country with larger markets for sales of used cars normally producing a lower market share for dealerships within the overall private car finance sector.



Commented a Finaccord spokesperson:

*“Given that pre-tax profits from financial services accounted for 38.6% of the aggregate pre-tax profits of the world’s leading ten automotive manufacturing groups in the most recent year for which data is available, it is clear that financial services generally, and finance and leasing in particular, represent a crucial source of profits for the major groups. However, it is also the case that the majority of markets for private car finance in Europe are largely mature and Finaccord’s research indicates that competition from non-captive finance providers at the point of sale is intensifying which signals a tough and uncertain outlook for the captive and joint venture finance firms owned by many of the larger manufacturers. Nevertheless, the investigation also shows that dealerships are holding their own or improving their position as distributors of private car finance in a number of territories which is a more encouraging finding for the automotive trade.”*

*Automotive Finance and Leasing for Consumers in Europe* was published in September 2007 as one of a series of six studies on the subject of automotive financial services in Europe and is available from Finaccord at a cost of £2,495.

### *About Finaccord*

Established by a team of professionals with an extensive background in financial services, Finaccord specialises in the provision of market research, consulting services and published reports on the financial sector on an international basis. By offering a focused service, Finaccord aims to be the marketing services consultancy of choice for organizations with an interest in financial services worldwide and to provide insights that are sharper, more actionable and which represent better value for money than those of generalist consultancies.

For further information, please contact Finaccord:

Tel: +44 20 7316 1864

Fax: +44 20 7624 3629

E-mail: [info@finaccord.com](mailto:info@finaccord.com)

Web: [www.finaccord.com](http://www.finaccord.com)