

Leaseurope



The Voice of Leasing and Automotive Rental in Europe

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INDEX
Survey of European leasing and rental firms

Leaseurope Index
Q1 2022

LEASEUROPE INDEX LATEST RESULTS: Q1 2022

Brussels, 25 July 2022 – The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 20 European lessors on a quarterly basis. This Q1 2022 is the forty-fifth edition of the survey.

All of the weighted average ratios for Q1 2022 improved compared to the same period of last year. The trend in the median ratios on the other hand, showed a mixed picture, with profitability and cost of risk improving, while cost/income, RoA and RoE deteriorated.

Total new leasing volumes reported by the sample of firms increased by 4.8% in comparison to Q1 2021, reaching €24.7 billion. As the outstanding portfolio continued to rise at 2.8% growth in Q1 2022, total risk-weighted assets (RWAs) also increased, at a slower rate, by 2.2%.

Profit & profitability

Pre-tax profit increased by nearly a third (32.5%) compared to the same period of 2021. Consequently, the weighted average profitability ratio also increased from 40.1% in Q1 2021 to 45.4% in the first quarter of this year. The median profitability ratio (less susceptible to outlier values and more indicative of the ‘typical’ company) exhibited a similar trend, with profitability improving from a previous level of 46.5 to 52.2% in Q1 2022.

Income, expenses & cost/income

In the first quarter of 2022, operating income escalated by 16.8% compared to the same period a year ago. Despite the simultaneous increase of 6.3% in operating expenses, the weighted average cost/income ratio improved to 47.2% at the beginning of 2022, which was 1.5 percentage points lower than Q1 2021. The median cost/income ratio is negative when excluding outlier effects, increasing by 1.9 percentage points to reach 46.8% in Q1 this year.

Loan loss provision & cost of risk

Loan loss provisions contracted in Q1 2022, down by -6.9% year-over-year from loan loss provisions in Q1 2021. As a result, the average annualised cost of risk slightly improved compared to the level of Q1 2021, at 0.29% versus 0.26%. In terms of the median ratio, cost of risk reached 0.13% in Q1 2022.

RoA and RoE¹ indicators

The weighted average ratios of both RoA and RoE improved in Q1 2022 in comparison with the same period last year. On the contrary, the median ratios of these indicators worsened during the same time period.

Stefan Davidsson, Executive Vice President at DNB Finans, commented that *“The first quarter of this year shows a positive performance with new business volumes growing and portfolios expanding on the back of significant recovery last year. The European leasing industry managed to continue improving financial indicators, particularly income and profitability. Going forward, supply chain constraints as well as rising energy and other input costs are expected to deteriorate the demand outlook for business investment across Europe. Despite these economic headwinds, the Recovery and Resilience Fund and the energy transition efforts are projected to support investment growth in both 2022 and 2023.² With this forecast, together with a steady increase in the use of leasing for green transitions, European lessors should be prepared to leverage on opportunities within a challenging business environment.”*

¹ In order to ensure a feasible and comparable data collection across our sample, 10.5% of total risk weighted assets has been used as a proxy for equity. Therefore, the results reported here for RoE may not be directly comparable to the way leasing firms measure RoE internally or to some other measures of RoE.

² European Economic Forecast, Summer 2022.

Table 1: Aggregate Data, Q1 2021 – Q1 2022³

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2022 Q1		2021 Q4		2021 Q3	
	Sum of values (€ millions)	% change versus 2021 Q1	Sum of values (€ millions)	% change versus 2020 Q4	Sum of values (€ millions)	% change versus 2020 Q3
1. Operating income	2,982	16.8%	2,931	20.3%	2,782	17.9%
2. Operating expenses	1,319	6.3%	1,330	4.3%	1,251	8.8%
3. Loan loss provision	171	-6.9%	183	-68.1%	120	-67.6%
4. Pre-Tax Profit	1,493	32.5%	1,412	142.9%	1,416	68.3%
5. RWA at end of period	173,820	2.2%	175,872	2.7%	174,036	2.6%
6. Portfolio at end of period	260,627	2.8%	262,758	3.5%	259,939	3.8%
7. New business volumes	24,748	4.8%	27,511	2.9%	24,018	4.8%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2021 Q2		2021 Q1	
	Sum of values (€ millions)	% change versus 2020 Q2	Sum of values (€ millions)	% change versus 2020 Q1
1. Operating income	2,721	20.8%	2,553	10.1%
2. Operating expenses	1,246	9.0%	1,242	2.6%
3. Loan loss provision	48	-92.8%	183	-51.8%
4. Pre-Tax Profit	1,425	216.6%	1,127	55.1%
5. RWA at end of period	172,667	0.8%	170,085	-2.2%
6. Portfolio at end of period	259,135	3.1%	253,518	0.3%
7. New business volumes	26,138	32.0%	23,621	1.4%

Table 2: Aggregate Data, 2018 – 2022 Annual⁴

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2021		2020		2019		2018	
	Sum of values (€ millions)	% change versus 2020	Sum of values (€ millions)	% change versus 2019	Sum of values (€ millions)	% change versus 2018	Sum of values (€ millions)	% change versus 2017
1. Operating income	10,993	17.5%	9,353	-2.9%	9,634	2.3%	9,420	2.5%
2. Operating expenses	5,024	5.8%	4,750	-0.7%	4,784	4.3%	4,588	4.0%
3. Loan loss provision	515	-74.3%	2,000	67.7%	1,193	31.5%	907	33.5%
4. Pre-Tax Profit	5,438	110.6%	2,583	-29.2%	3,650	-7.9%	3,964	-3.7%
5. RWA at end of period	175,872	2.7%	171,203	-2.4%	175,364	3.7%	169,030	4.4%
6. Portfolio at end of period	262,758	3.5%	253,904	-1.5%	257,640	4.6%	246,196	5.3%
7. New business volumes	101,170	10.0%	91,966	-12.0%	104,558	4.6%	99,939	6.9%

³ Historical figures have been revised slightly since the results were last published due to re-statements by some reporting companies.

⁴ The aggregate annual data are shown here adjusted from the Q4 2021 survey.

Table 3a: Weighted Average Ratios, 2021 – Q1 2022⁵

Weighted Average Ratios	2022	2021				
	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	45.4%	46.8%	42.8%	46.2%	55.2%	40.1%
Cost/Income (%) - operating expenses as a % of operating income	47.2%	46.2%	46.6%	45.6%	45.1%	48.7%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.26%	0.19%	0.28%	0.19%	0.07%	0.29%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	2.3%	2.1%	2.2%	2.2%	2.2%	1.8%
Return on Equity (index, 2011=100)* - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	229	231	234	239	248	195

Table 3b: Median Ratios, 2021 – Q1 2022

Median Ratios	2022	2021				
	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	52.2%	53.7%	50.5%	53.1%	59.2%	46.5%
Cost/Income (%) - operating expenses as a % of operating income	46.8%	45.1%	44.5%	46.4%	46.4%	44.9%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.13%	0.15%	0.15%	0.15%	0.10%	0.22%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	1.3%	2.1%	1.8%	2.1%	2.1%	1.6%
Return on Equity (index, 2011=100)* - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	107	166	169	176	176	151

⁵ The profitability and cost/income ratios are weighted by new business volumes, while the cost of risk, RoA and RoE ratio are weighted by the average portfolio over the relevant period. For example, each company's individual profitability ratio is weighted by its new business over the period Q1 2022 to arrive at the weighted average ratio of 45.4% shown in the table.

Fig. 1: Growth Rates of Financial Indicators, 2020 – Q1 2022⁶

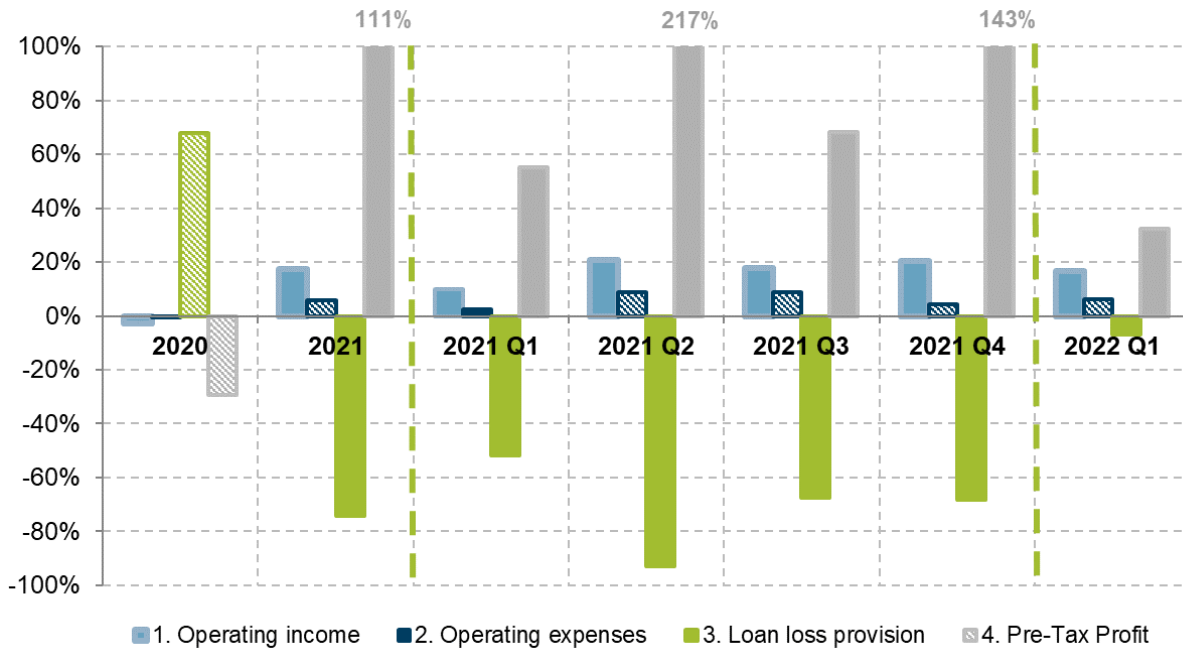
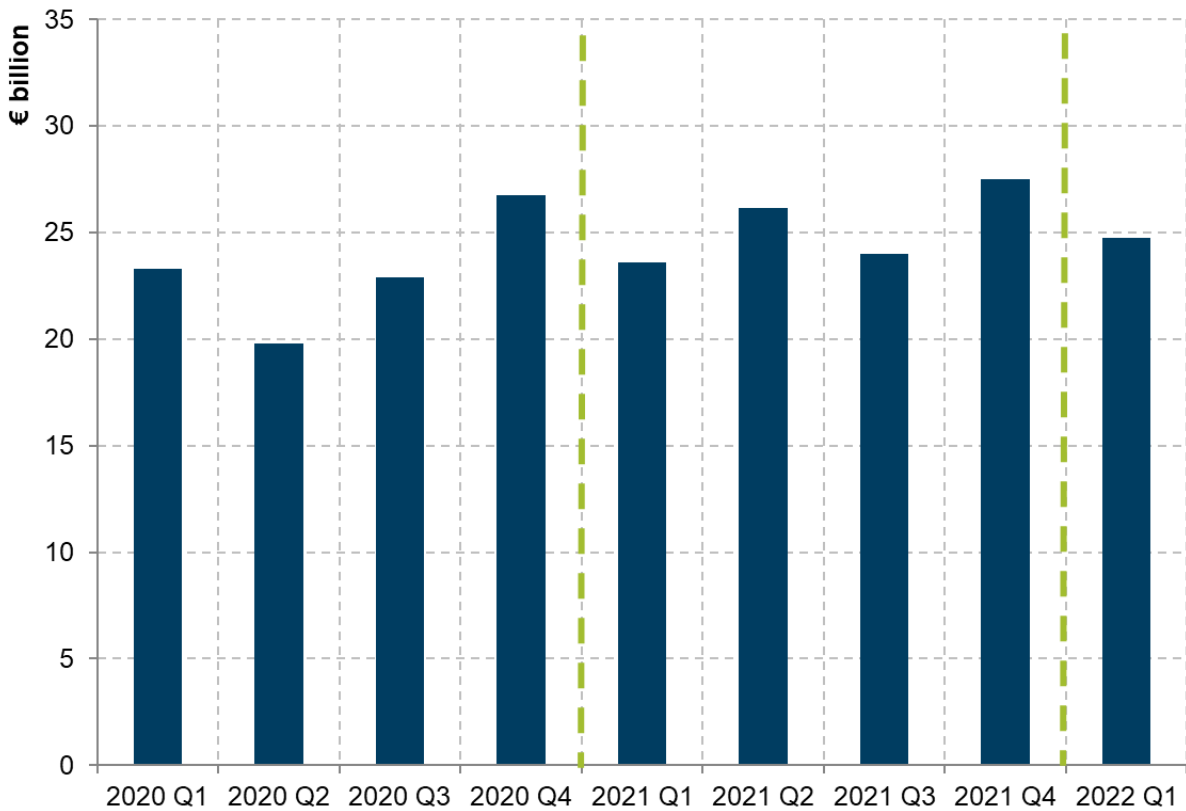


Fig. 2: New Business Volumes, Q1 2020 – Q1 2022



⁶ A thick border around an individual bar in the chart is illustrative of a negative development in the indicator.

Fig. 3: Profitability Ratio, 2020 – Q1 2022

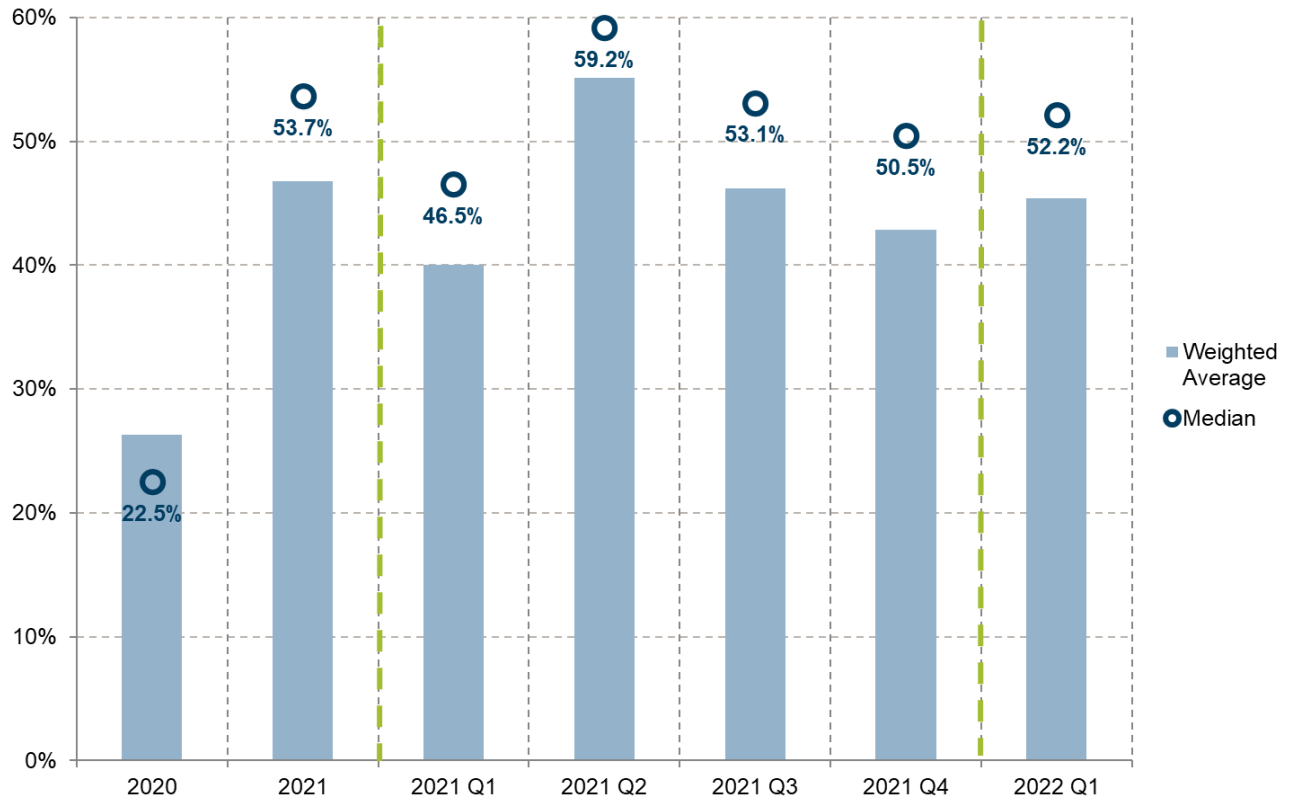


Fig. 4: Cost / Income Ratio, 2020 – Q1 2022

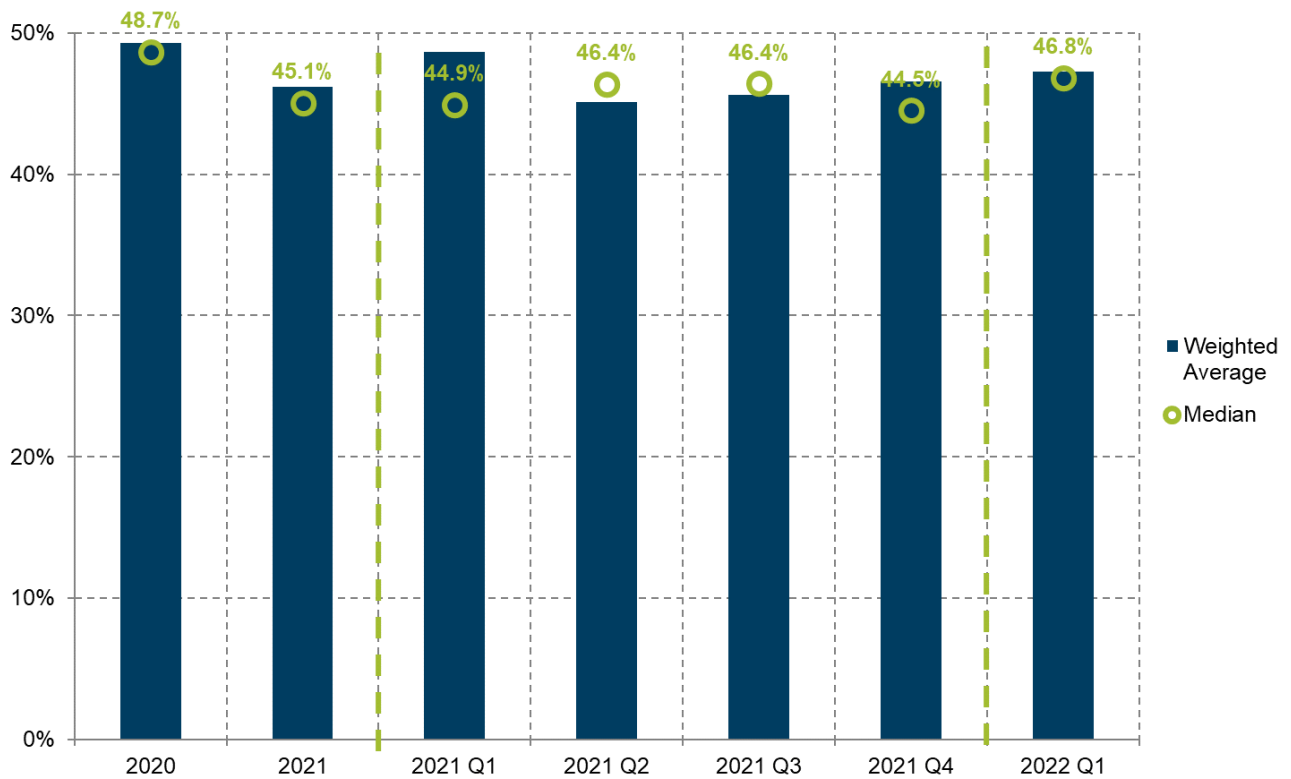


Fig. 5: Cost of Risk Ratio, 2020 – Q1 2022

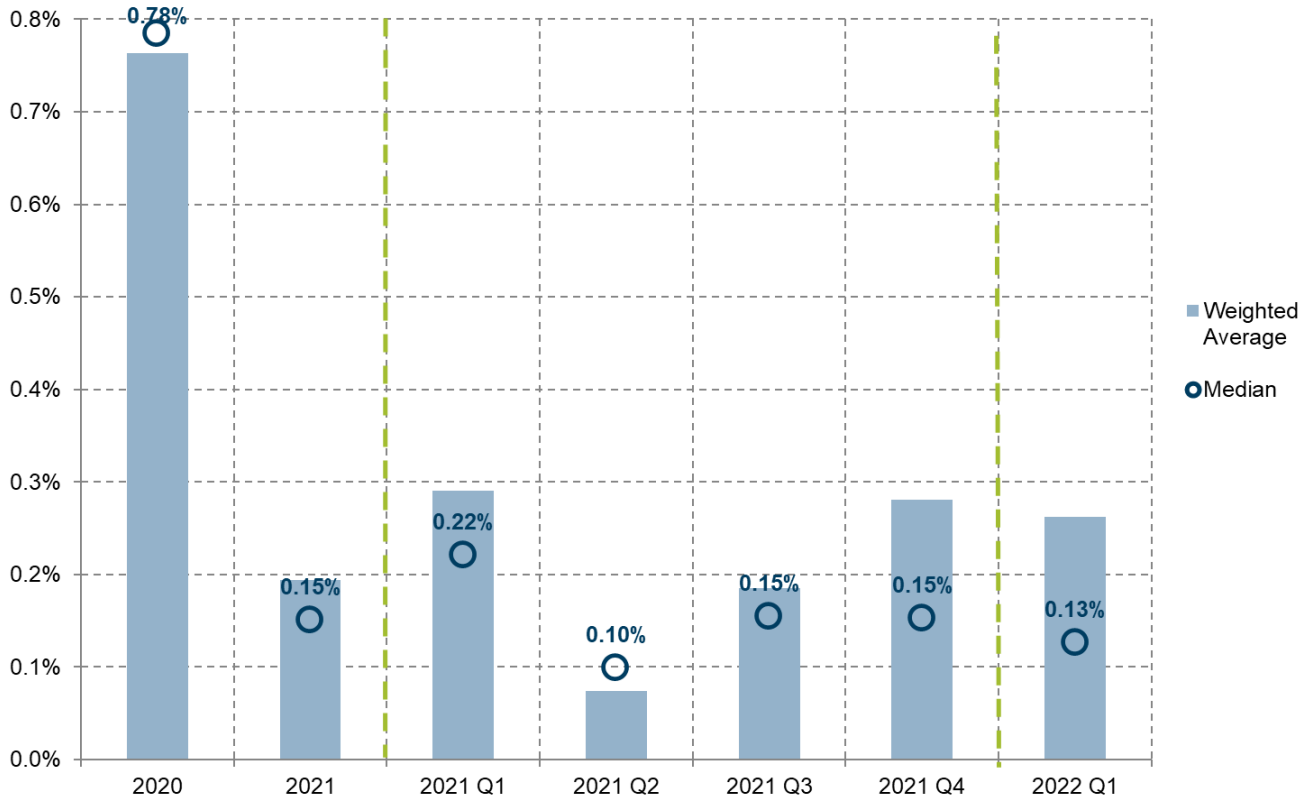


Fig. 6: Return on Assets Ratio, 2020 – Q1 2022

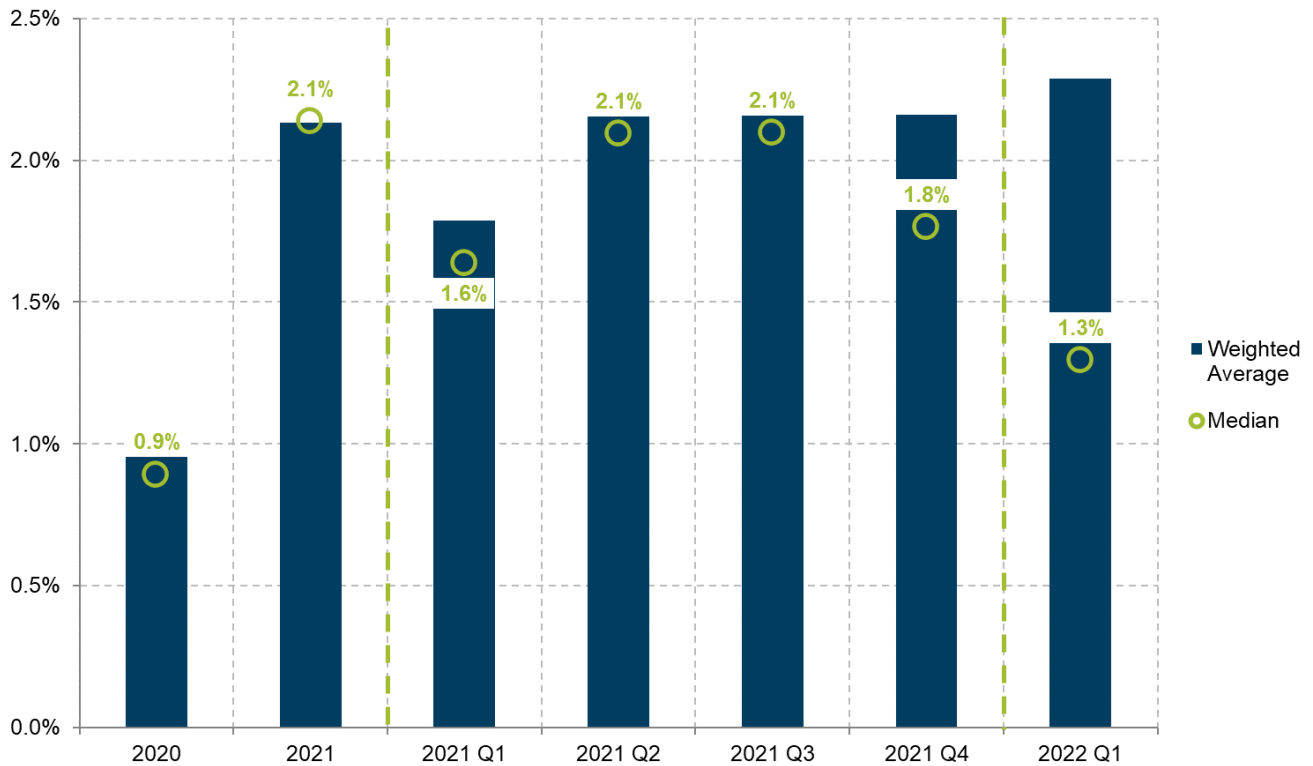


Fig. 7: Weighted Average Return on Equity Index, 2020 – Q1 2022

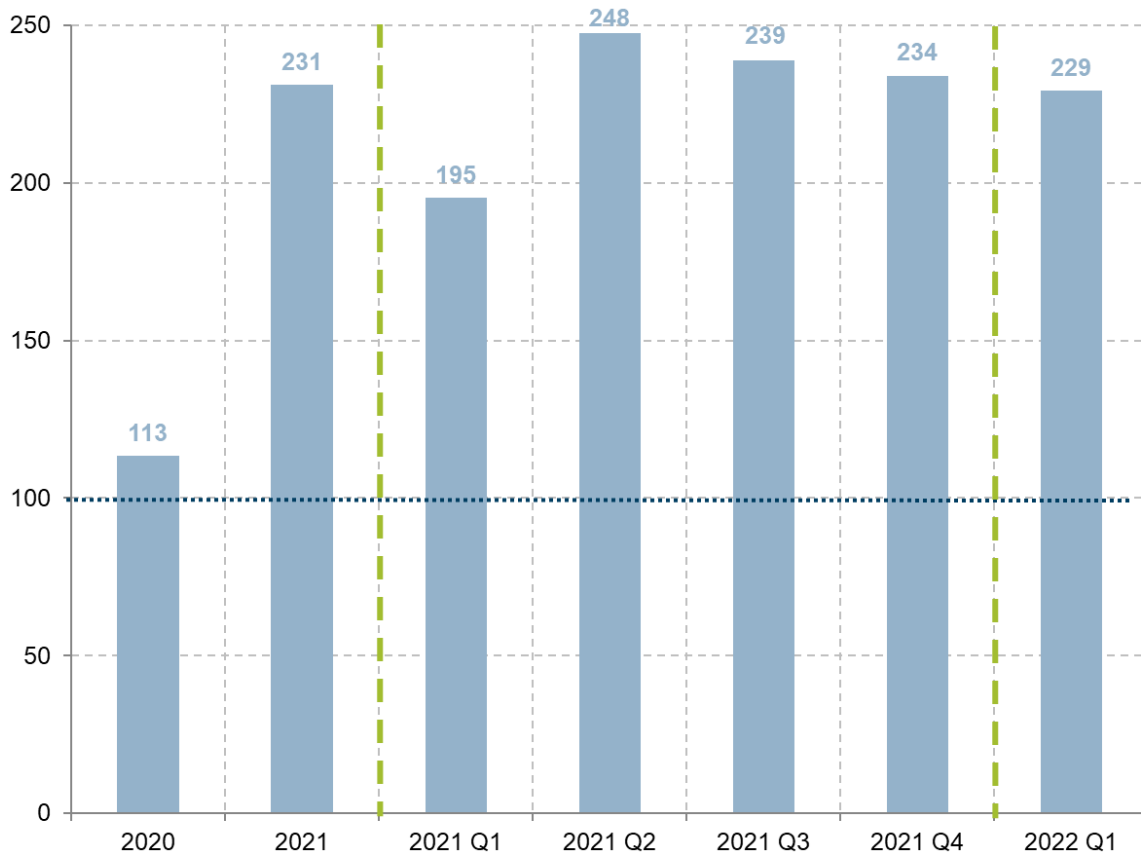


Table 4: Quartiles⁷ for Ratios in Q1 2022

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-44.9%	14.4%	-0.98%	-2.2%
Quartile 1 (25%)	36.6%	35.6%	-0.01%	0.9%
Quartile 2 (50%) i.e. median	52.2%	46.8%	0.13%	1.3%
Quartile 3 (75%)	64.7%	53.9%	0.48%	2.9%
Maximum	82.6%	73.5%	4.31%	5.9%
Weighted Average	45.4%	47.2%	0.26%	2.3%

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⁷ 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 that 3/4 of the population members have a value below this quartile figure. The median value shows the middle value of the 20 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.

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About Leaseurope

As a Federation, Leaseurope brings together 44 associations throughout Europe representing either the leasing, long term and/or short term automotive rental industries. The scope of products covered by Leaseurope's members ranges from hire purchase and finance leases to operating leases of all asset types (automotive, equipment and real estate) and also includes the rental of cars, vans and trucks. It is estimated that Leaseurope represents approximately 90% of the European leasing market. More information on Leaseurope at www.leaseurope.org.

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, risk weighted assets, 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) **Risk weighted assets at end of period:** Total risk weighted assets (RWA) as defined by currently applicable prudential requirements (under the approach used by each firm, be it standardised or IRB) at the end of each period
- 6) **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.
- 7) **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.

Return on equity index: Indexation of the weighted average of all companies' net profit (annualised) as a percentage of 10.5% of average risk weighted assets 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?

20 companies participate on a voluntary basis: ABN AMRO Asset Based Finance N.V., ALD Automotive, Aldermore, Arval, BNP Paribas Leasing Solutions, Credit Agricole Leasing & Factoring, De Lage Landen, DnB Finans, Novuna, Iccrea Bancalmpresa, ING Lease, Investec, Lombard, Leaseplan, Nordea Finance, Siemens Financial Services, Société Générale Equipment Finance, UBI Leasing, UniCredit 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.

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. The United Kingdom, 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 (IFRS16).

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 eight 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.