

Leaseurope



The Voice of Leasing and Automotive Rental in Europe

Leas LEASEUROPE
INDEX
Survey of European leasing and rental firms

Leaseurope Index
Q1 2023

LEASEUROPE INDEX RESULTS: Q1 2023

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 2023 is the forty-eighth edition of the survey.

The Q1 2023 Index results reveal a sustained growth momentum in the European leasing business. Most weighted average ratios demonstrated improvement compared to the same period the previous year, with the exception of cost/income. Conversely, the median ratios presented a mixed outlook, as cost/income and Return on Equity (RoE) displayed improvement, while other KPIs such as profitability, cost of risk, and Return on Assets (RoA) experienced a decline.

Total new leasing volumes reported by the sample of firms increased by 12.3% in comparison to Q1 2022, reaching €25.1 billion. The outstanding portfolio continued its expansion, growing by 2.5% during Q1 2023, while total risk-weighted assets (RWAs) also exhibited growth, albeit at a higher rate of 4.9%.

Profit & profitability

Pre-tax profit increased by 14.1% while operating income experienced a rise of 7.4% compared to the same period in 2022. As a result, the weighted average profitability ratio improved from 45.9% in Q1 2022 to 48.2% in the first quarter of this year. Conversely, the median profitability ratio (less susceptible to outlier values and more indicative of the 'typical' company) exhibited a contrasting trend, it declined from the previous level of 52.9% to 50.1% in Q1 2023, indicating a slight deterioration.

Income, expenses & cost/income

During the first quarter of 2023, operating expenses showed a 3.0% growth, leading to a marginal increase in the weighted average cost/income ratio, which stood at 47.8% at the beginning of the year. This marked a 0.5 percentage point rise compared to Q1 2022. However, when excluding outlier effects, the median cost/income ratio showcased a more positive trend, improving by 3.5 percentage points to reach 45.3% in Q1 of this year.

Loan loss provision & cost of risk

Loan loss provisions saw a significant decline in Q1 2023, down by -44.0% year-over-year from loan loss provisions in Q1 2022. Consequently, the average annualised cost of risk slightly improved compared to the level of Q1 2022, at 0.11% as opposed to 0.20%. As for the median ratio, the cost of risk stood at 0.15% in Q1 2023.

RoA and RoE¹ indicators

In Q1 2023, the weighted average ratios for RoA and RoE showed improvement compared to the previous year. However, the median ratios revealed a contrasting picture, with the median RoA slightly declining, while the median RoE exhibited progress.

Miranda Stokkingreef, CEO at ABN AMRO Asset Based Finance N.V., commented that *“The European leasing industry demonstrated resilience in the first quarter of this year, achieving positive performance with the expansion of new business volumes and portfolios. Despite facing challenges such as high inflation and interest rates, the industry managed to enhance its financial indicators, especially income and profitability. Looking ahead, the demand for business investment in Europe is expected to remain subdued due to ongoing uncertainties.² However, the energy transition initiatives present an opportunity for further investment growth, particularly in the domains of electric vehicles and greener assets. European lessors*

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, Spring 2023.

should maintain a cautious optimism regarding future growth prospects and be ready to capitalize on opportunities to support businesses of all sizes, particularly SMEs, within a complex business landscape.”

Table 1: Aggregate Data, Q1 2022 – Q1 2023³

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2023 Q1		2022 Q4		2022 Q3	
	Sum of values (€ millions)	% change versus 2022 Q1	Sum of values (€ millions)	% change versus 2021 Q4	Sum of values (€ millions)	% change versus 2021 Q3
1. Operating income	3,267	7.4%	3,331	14.8%	3,063	12.3%
2. Operating expenses	1,363	3.0%	1,431	7.4%	1,354	10.3%
3. Loan loss provision	74	-44.0%	149	-24.5%	152	19.5%
4. Pre-Tax Profit	1,812	14.1%	1,717	25.6%	1,538	12.0%
5. RWA at end of period	182,202	4.9%	181,819	5.1%	177,287	3.5%
6. Portfolio at end of period	265,907	2.5%	266,650	2.6%	259,559	2.2%
7. New business volumes	25,081	12.3%	31,245	10.9%	25,542	5.4%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2022 Q2		2022 Q1	
	Sum of values (€ millions)	% change versus 2021 Q2	Sum of values (€ millions)	% change versus 2021 Q1
1. Operating income	3,340	23.7%	3,041	19.6%
2. Operating expenses	1,353	9.1%	1,324	5.9%
3. Loan loss provision	73	11.9%	131	-28.0%
4. Pre-Tax Profit	1,965	41.1%	1,588	43.0%
5. RWA at end of period	176,609	4.3%	173,716	2.5%
6. Portfolio at end of period	262,099	2.9%	259,524	2.5%
7. New business volumes	25,741	-3.2%	24,471	2.8%

Table 2: Aggregate Data, 2019 – 2022 Annual⁴

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2022		2021		2020		2019	
	Sum of values (€ millions)	% change versus 2021	Sum of values (€ millions)	% change versus 2020	Sum of values (€ millions)	% change versus 2019	Sum of values (€ millions)	% change versus 2018
1. Operating income	12,840	18.7%	10,817	14.8%	9,425	-2.3%	9,642	3.0%
2. Operating expenses	5,424	8.2%	5,014	5.3%	4,763	-0.9%	4,804	4.5%
3. Loan loss provision	512	-11.2%	577	-70.4%	1,948	77.3%	1,099	45.9%
4. Pre-Tax Profit	6,939	32.8%	5,227	89.8%	2,754	-26.2%	3,733	-7.9%
5. RWA at end of period	181,819	5.1%	173,041	1.1%	171,115	-2.0%	174,571	4.2%
6. Portfolio at end of period	266,650	2.6%	259,881	2.6%	253,226	-1.2%	256,259	5.0%
7. New business volumes	106,178	3.6%	102,473	10.5%	92,756	-12.2%	105,651	4.8%

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 2022 survey.

Table 3a: Weighted Average Ratios, 2022 – Q1 2023⁵

Weighted Average Ratios	2023	2022				
	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	48.2%	48.5%	47.1%	45.0%	52.3%	45.9%
Cost/Income (%) - operating expenses as a % of operating income	47.8%	46.1%	48.0%	46.5%	44.8%	47.3%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.11%	0.20%	0.23%	0.23%	0.11%	0.20%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	2.7%	2.7%	2.6%	2.4%	3.0%	2.4%
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	243	267	231	218	278	241

Table 3b: Median Ratios, 2022 – Q1 2023

Median Ratios	2023	2022				
	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	50.1%	50.3%	45.7%	45.2%	53.6%	52.9%
Cost/Income (%) - operating expenses as a % of operating income	45.3%	47.3%	51.1%	47.4%	46.6%	48.8%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.15%	0.17%	0.26%	0.16%	0.15%	0.10%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	1.8%	1.5%	1.7%	1.5%	1.8%	1.9%
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	133	141	129	111	147	113

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, 2021 – Q1 2023⁶

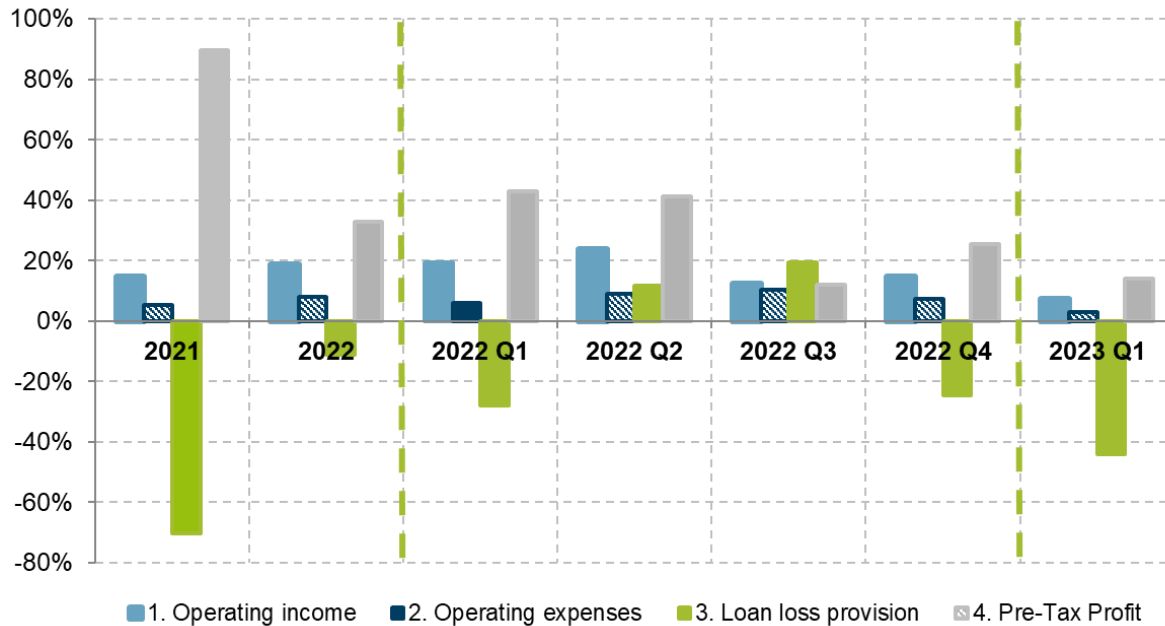
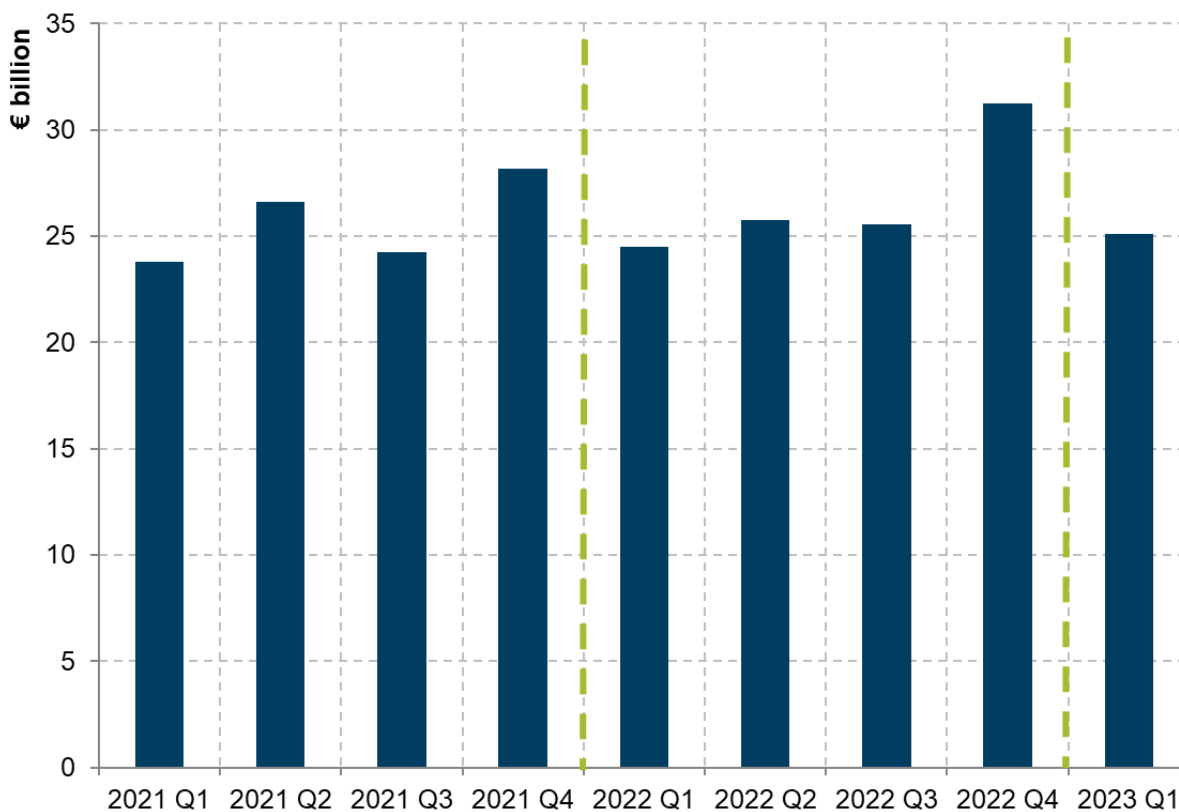


Fig. 2: New Business Volumes, Q1 2021 – Q1 2023



⁶ Dotted bars in the chart is illustrative of a negative development in the indicator.

Fig. 3: Profitability Ratio, 2021 – Q1 2023

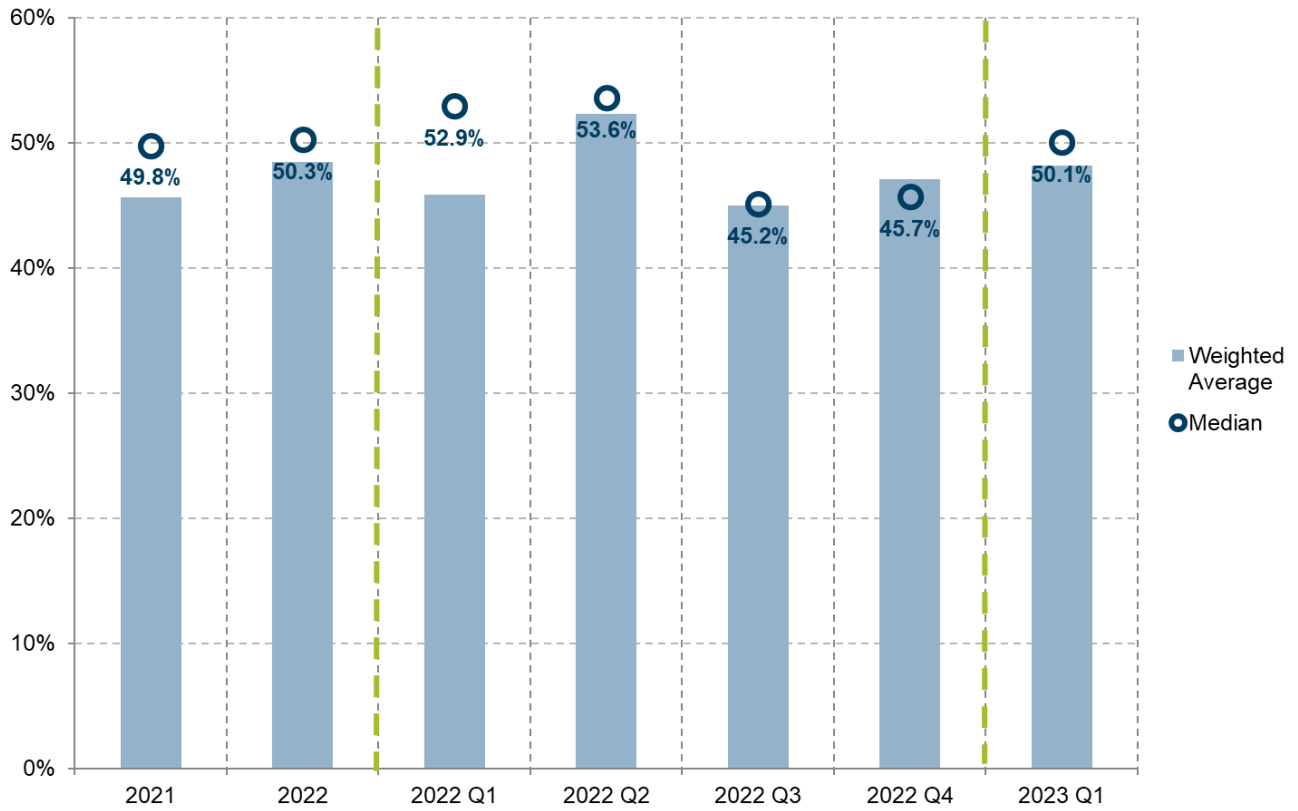


Fig. 4: Cost / Income Ratio, 2021 – Q1 2023

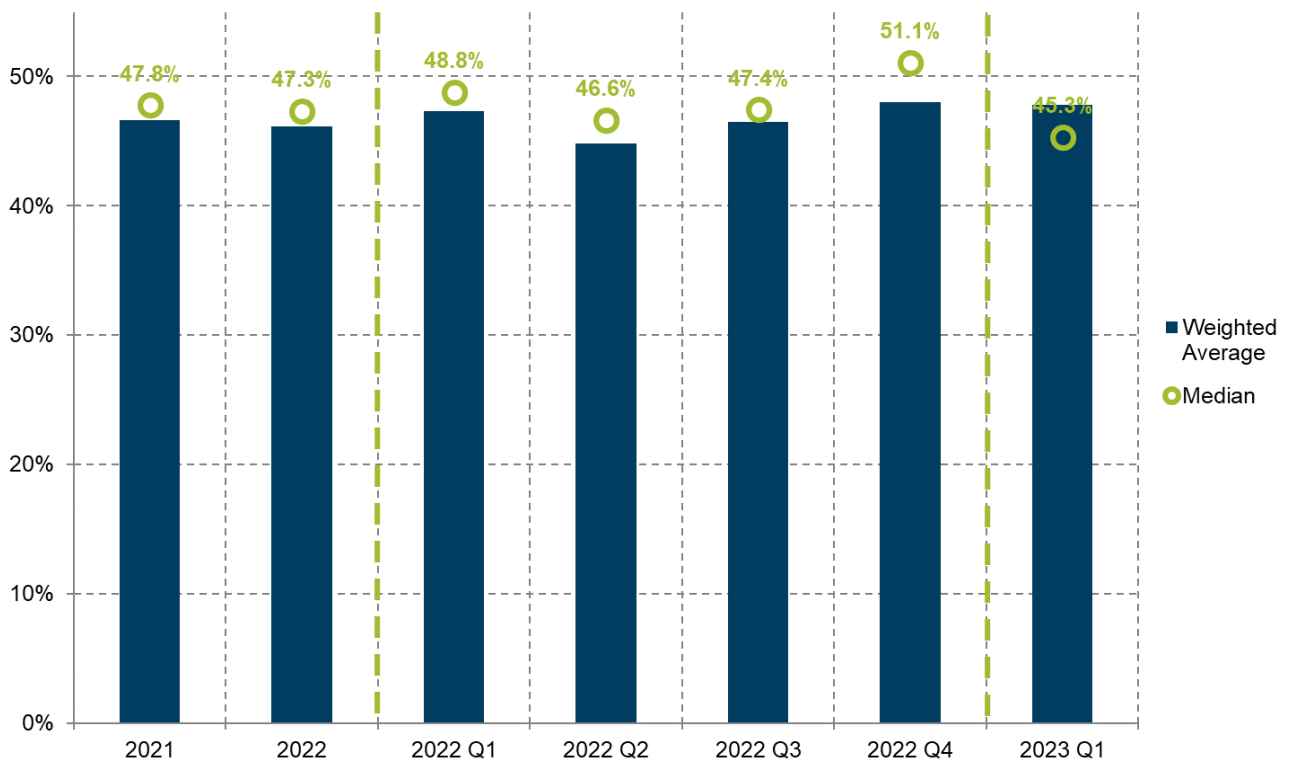


Fig. 5: Cost of Risk Ratio, 2021 – Q1 2023

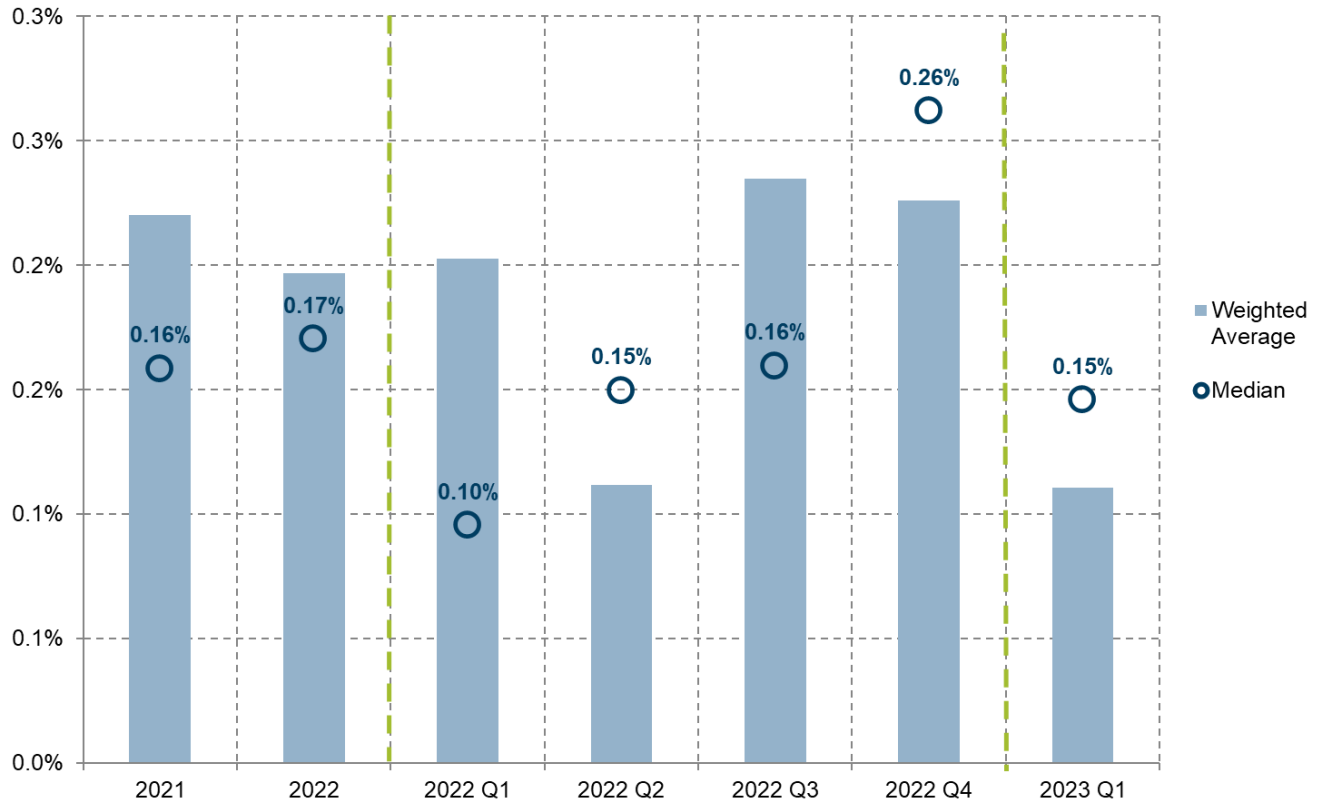


Fig. 6: Return on Assets Ratio, 2021 – Q1 2023

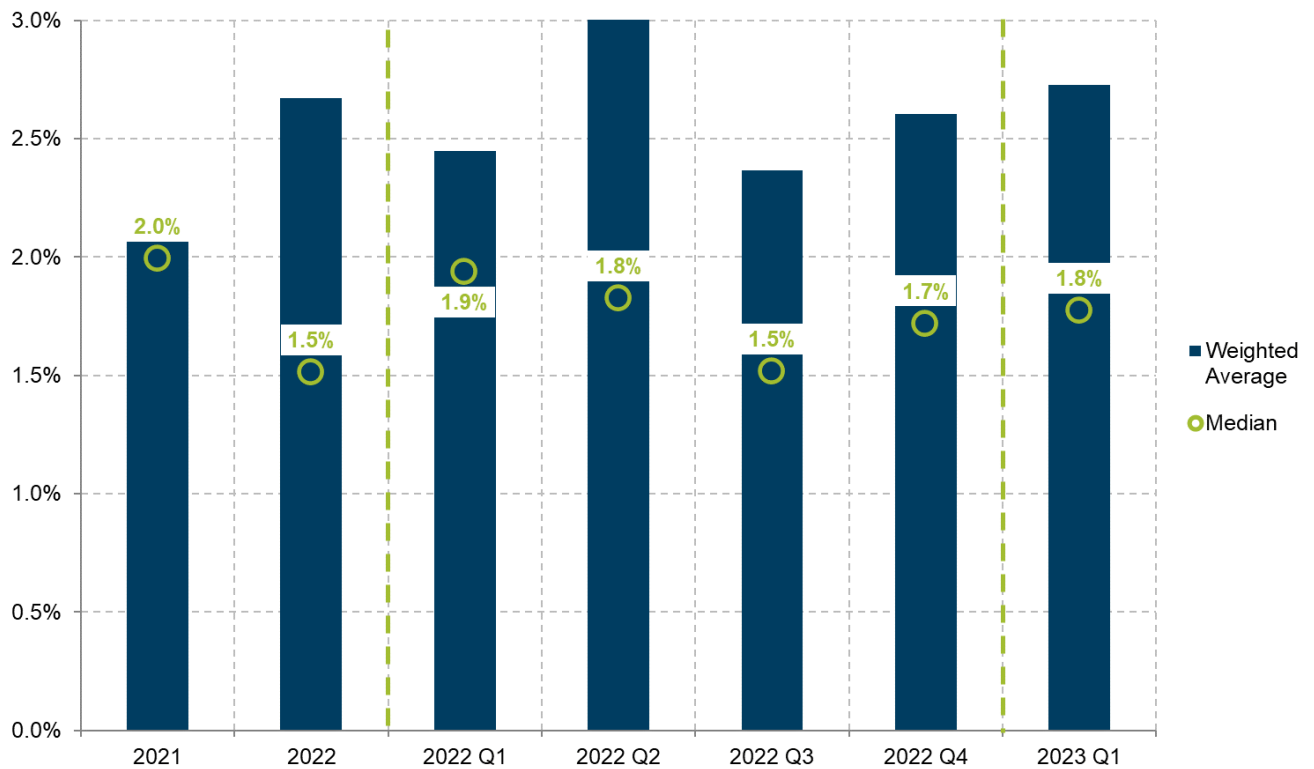


Fig. 7: Weighted Average Return on Equity Index, 2021 – Q1 2023

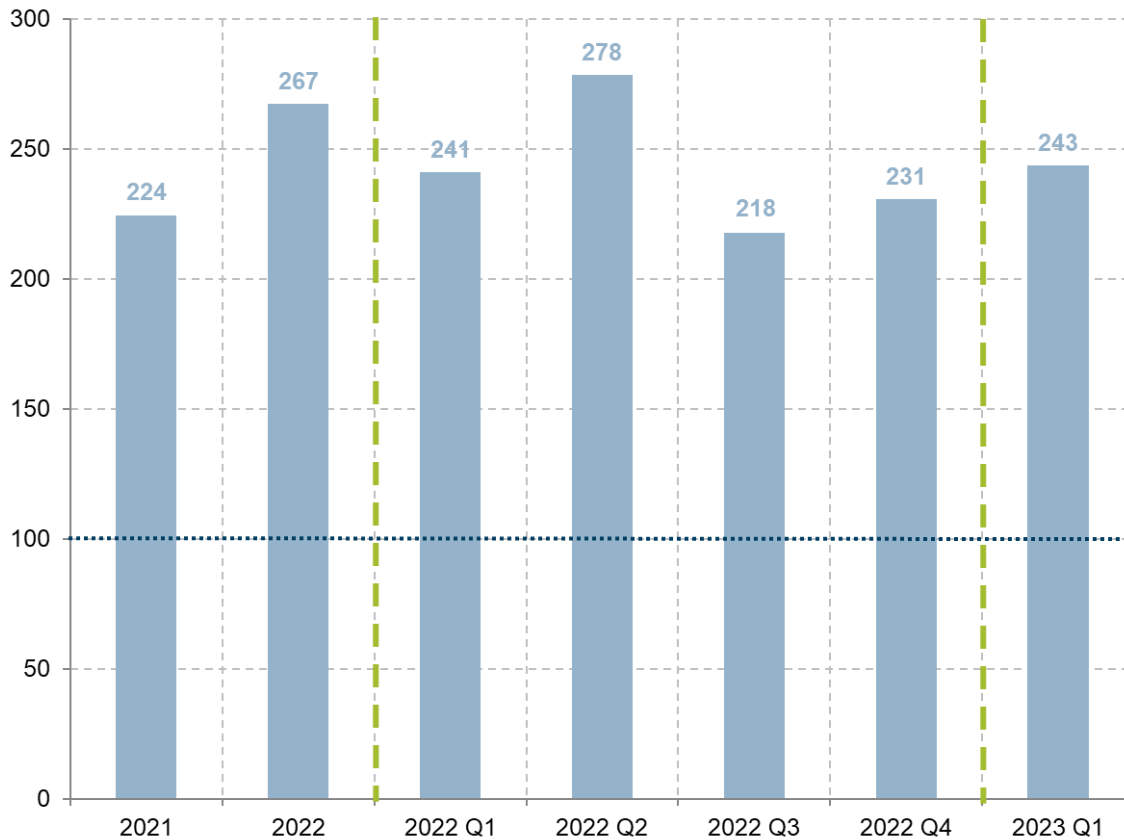


Table 4: Quartiles⁷ for Ratios in Q1 2023

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-8.3%	11.9%	-0.66%	-0.1%
Quartile 1 (25%)	40.4%	32.2%	0.04%	1.2%
Quartile 2 (50%) i.e. median	50.1%	45.3%	0.15%	1.8%
Quartile 3 (75%)	62.0%	51.5%	0.40%	3.6%
Maximum	87.1%	93.1%	1.35%	6.8%
Weighted Average	48.2%	47.8%	0.11%	2.7%

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.

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, Alba 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.