

Leaseurope



The Voice of Leasing and Automotive Rental in Europe

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INDEX
Survey of European leasing and rental firms

Leaseurope Index Q2 2024

LEASEUROPE INDEX RESULTS: Q2 2024

The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 19 European lessors on a quarterly basis. This Q2 2024 is the fifty-third edition of the survey.

The Q2 2024 Index results show deterioration across all financial KPIs. Both the weighted average and median ratios worsened compared to the same period last year.

New leasing volumes reported by the sample firms grew by 9.3% in the second quarter of 2024 compared to Q2 2023, nearing €30 billion. The portfolio of outstanding contracts in the sample expanded by 5.3%, with risk-weighted assets increasing by a higher level of 10.4%.

Profit & profitability

In Q2 2024, pre-tax profit fell by 20.2%, accompanied by a -2.3% drop in operating income compared to the same period a year ago. This resulted in the deterioration of the weighted average profitability ratio, from 52.6% in Q2 2023 to 42.7% in Q2 2024. The median profitability ratio, a more reliable measure of a typical company's performance as it is less affected by outliers, followed a similar path, falling from 52.4% to 35.5%.

Income, expenses & cost/income

During the second quarter of 2024, operating expenses experienced an escalation of 8.3%, while operating income declined by 2.3%. Consequently, the weighted average cost/income ratio surged to 47.4% from 45.5% in the second quarter of the previous year. When excluding outlier impacts, the median cost/income ratio demonstrated a similarly negative trend, deteriorating slightly by 0.6 percentage points to 49.8% in Q2 2024.

Loan loss provision & cost of risk

Loan loss provisions continued to escalate in the second quarter of this year, showing a substantial rise of 177% compared to the same quarter in 2023. As a consequence, the weighted average cost of risk ratio weakened from the level of 0.07% to 0.2% during the same time period. Additionally, the median cost of risk was recorded at 0.22% in Q2 2024.

RoA and RoE¹ indicators

In the second quarter of 2024, both the weighted RoA and RoE ratios worsened compared to the same period last year. The median ratios also reflected this downward trend.

Stefan Davidsson, Executive Vice President of DNB Finans, commented that: *“On the back of strong growth in previous years, the first half of 2024 showed some increasing headwinds for European lessors. Macroeconomic uncertainties and prolonged weakness in business investment are impacting indicators like profitability and cost/income ratios in Q2 2024. However, the ECB’s third interest rate cut this year, along with a continued drop in inflation, may support a gradual recovery in business investment as projected in the latest European Economic Forecast. With this forecast, together with a steady increase in the use of leasing, 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.

Table 1: Aggregate Data, Q2 2023 – Q2 2024²

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2024 Q2		2024 Q1		2023 Q4	
	Sum of values (€ millions)	% change versus 2023 Q2	Sum of values (€ millions)	% change versus 2023 Q1	Sum of values (€ millions)	% change versus 2022 Q4
1. Operating income	2,956	-2.3%	2,806	-14.2%	2,923	-12.2%
2. Operating expenses	1,384	8.3%	1,347	-1.1%	1,381	-0.9%
3. Loan loss provision	146	177.1%	146	60.9%	216	68.6%
4. Pre-Tax Profit	1,381	-20.2%	1,312	-26.7%	1,299	-24.6%
5. RWA at end of period	203,414	10.4%	194,615	5.9%	199,674	8.9%
6. Portfolio at end of period	292,563	5.3%	281,193	5.0%	285,175	6.5%
7. New business volumes	29,710	9.3%	27,992	2.5%	32,574	5.4%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2023 Q3		2023 Q2	
	Sum of values (€ millions)	% change versus 2022 Q3	Sum of values (€ millions)	% change versus 2022 Q2
1. Operating income	2,811	-8.4%	3,516	5.6%
2. Operating expenses	1,261	-5.9%	1,488	10.3%
3. Loan loss provision	119	-22.7%	54	-11.6%
4. Pre-Tax Profit	1,408	-9.5%	2,009	3.7%
5. RWA at end of period	185,592	5.3%	209,803	19.7%
6. Portfolio at end of period	270,436	4.4%	299,898	15.5%
7. New business volumes	27,207	7.7%	30,797	21.7%

Table 2: Aggregate Data, 2020 – 2023 Annual³

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2023		2022		2021		2020	
	Sum of values (€ millions)	% change versus 2022	Sum of values (€ millions)	% change versus 2021	Sum of values (€ millions)	% change versus 2020	Sum of values (€ millions)	% change versus 2019
1. Operating income	12,686	-1.6%	12,888	19.1%	10,817	14.8%	9,425	-2.3%
2. Operating expenses	5,354	0.4%	5,330	6.3%	5,014	5.3%	4,763	-0.9%
3. Loan loss provision	555	0.2%	555	-3.8%	577	-70.4%	1,948	77.3%
4. Pre-Tax Profit	6,756	-3.1%	6,972	33.4%	5,227	89.8%	2,754	-26.2%
5. RWA at end of period	199,674	8.6%	183,917	6.3%	173,041	1.1%	171,115	-2.0%
6. Portfolio at end of period	285,175	6.1%	268,775	3.4%	259,881	2.6%	253,226	-1.2%
7. New business volumes	117,613	11.2%	105,722	3.2%	102,473	10.5%	92,756	-12.2%

² Historical figures have been revised slightly since the results were last published due to re-statements by some reporting companies.

³ The aggregate annual data are shown here adjusted from the Q4 2023 survey.

Table 3a: Weighted Average Ratios, 2023 – Q2 2024⁴

Weighted Average Ratios	2024		2023				
	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	42.7%	43.2%	48.0%	40.2%	46.0%	52.6%	47.7%
Cost/Income (%) - operating expenses as a % of operating income	47.4%	49.2%	45.4%	48.0%	46.9%	45.5%	46.8%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.20%	0.21%	0.20%	0.31%	0.18%	0.07%	0.14%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	1.9%	1.9%	2.5%	1.8%	2.1%	2.7%	2.7%
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	185	176	245	171	193	240	235

Table 3b: Median Ratios, 2023 – Q2 2024

Median Ratios	2024		2023				
	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	35.5%	42.7%	45.3%	37.6%	50.2%	52.4%	50.1%
Cost/Income (%) - operating expenses as a % of operating income	49.8%	51.4%	46.4%	48.9%	47.0%	49.2%	44.8%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.22%	0.20%	0.24%	0.29%	0.10%	0.12%	0.15%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	1.7%	1.9%	1.8%	1.6%	1.8%	1.8%	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	106	130	148	103	145	138	122

⁴ 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 Q2 2024 to arrive at the weighted average ratio of 42.7% shown in the table.

Fig. 1: Growth Rates of Financial Indicators, 2022 – Q2 2024⁵

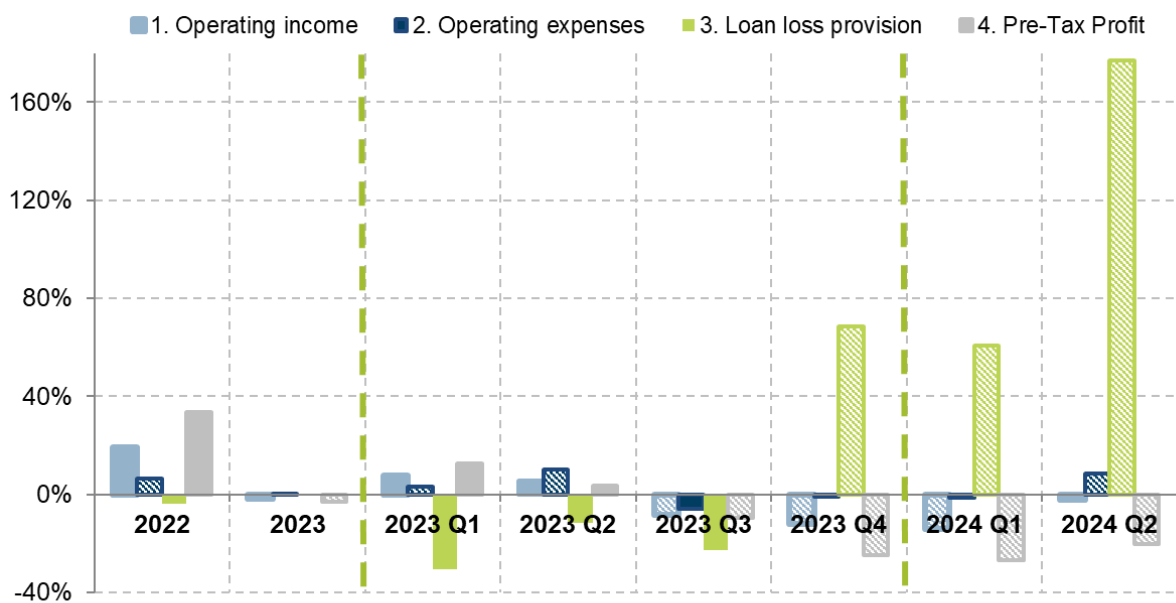
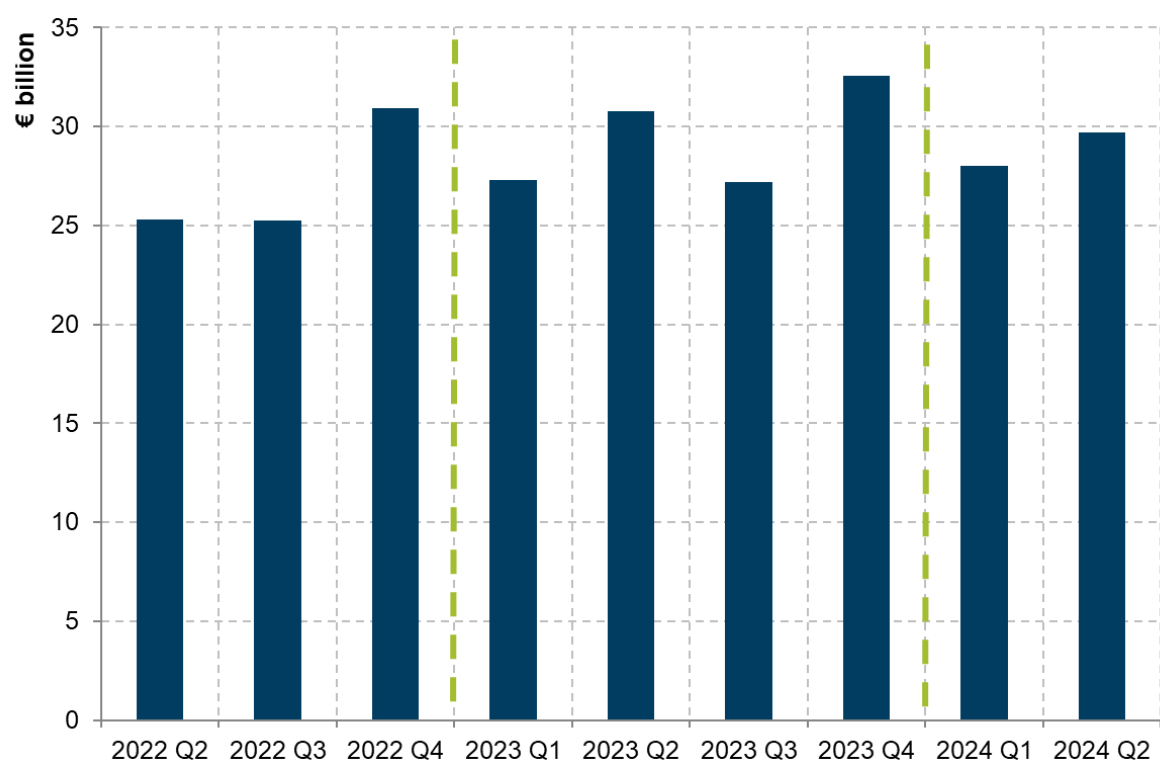


Fig. 2: New Business Volumes, Q2 2022 – Q2 2024



⁵ Dotted bars in the chart is illustrative of a negative development in the indicator.

Fig. 3: Profitability Ratio, 2022 – Q2 2024

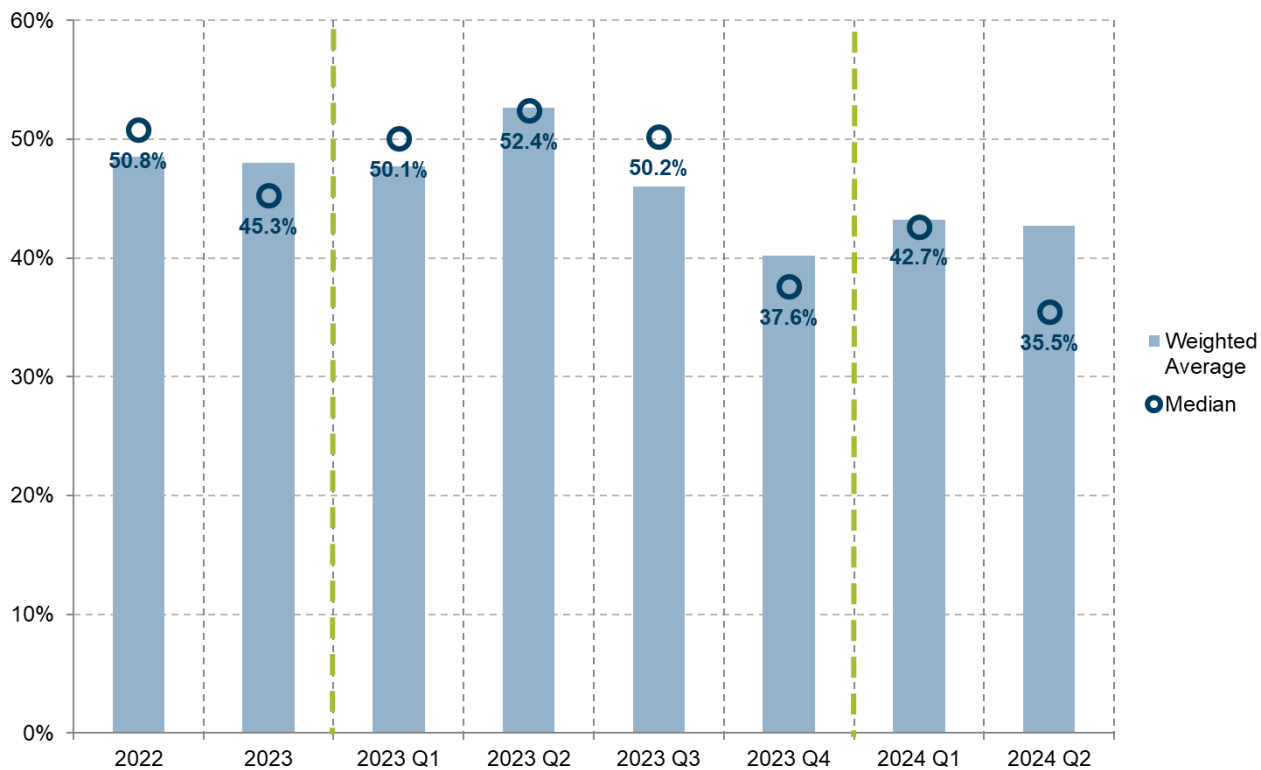


Fig. 4: Cost / Income Ratio, 2022 – Q2 2024

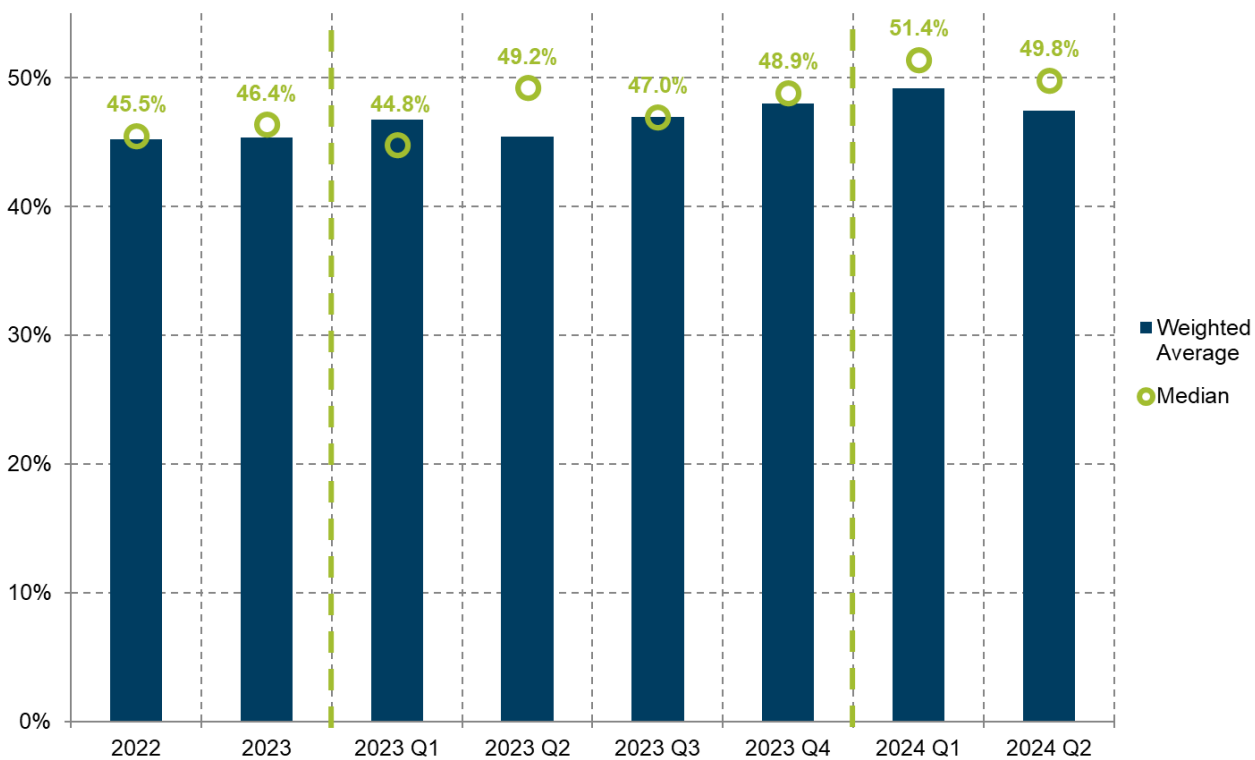


Fig. 5: Cost of Risk Ratio, 2022 – Q2 2024

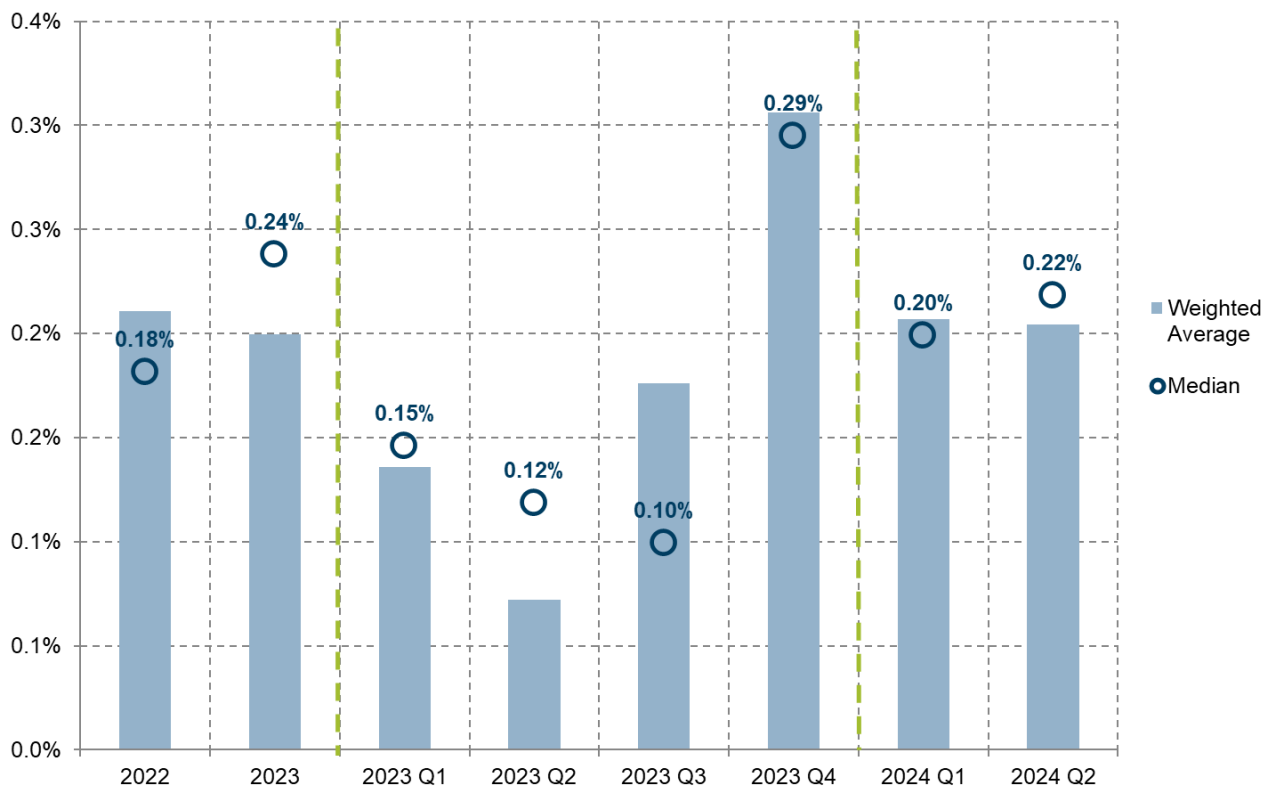


Fig. 6: Return on Assets Ratio, 2022 – Q2 2024

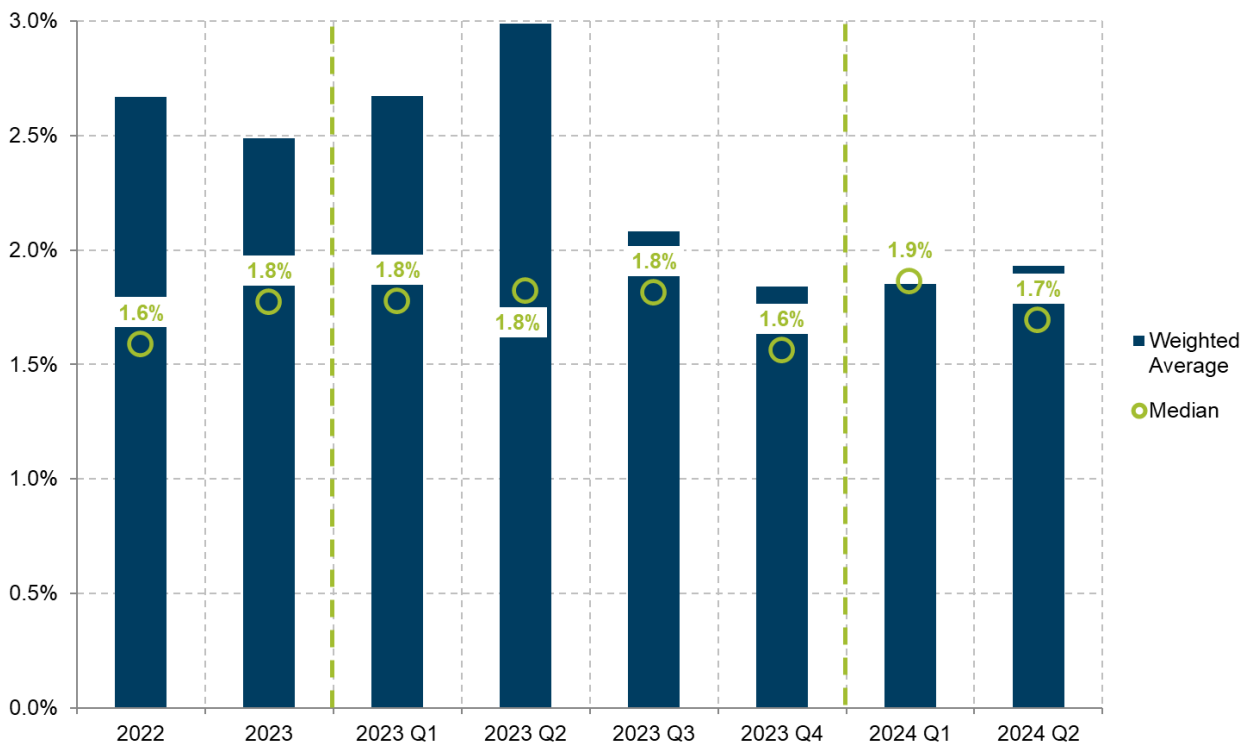


Fig. 7: Weighted Average Return on Equity Index, 2022 – Q2 2024

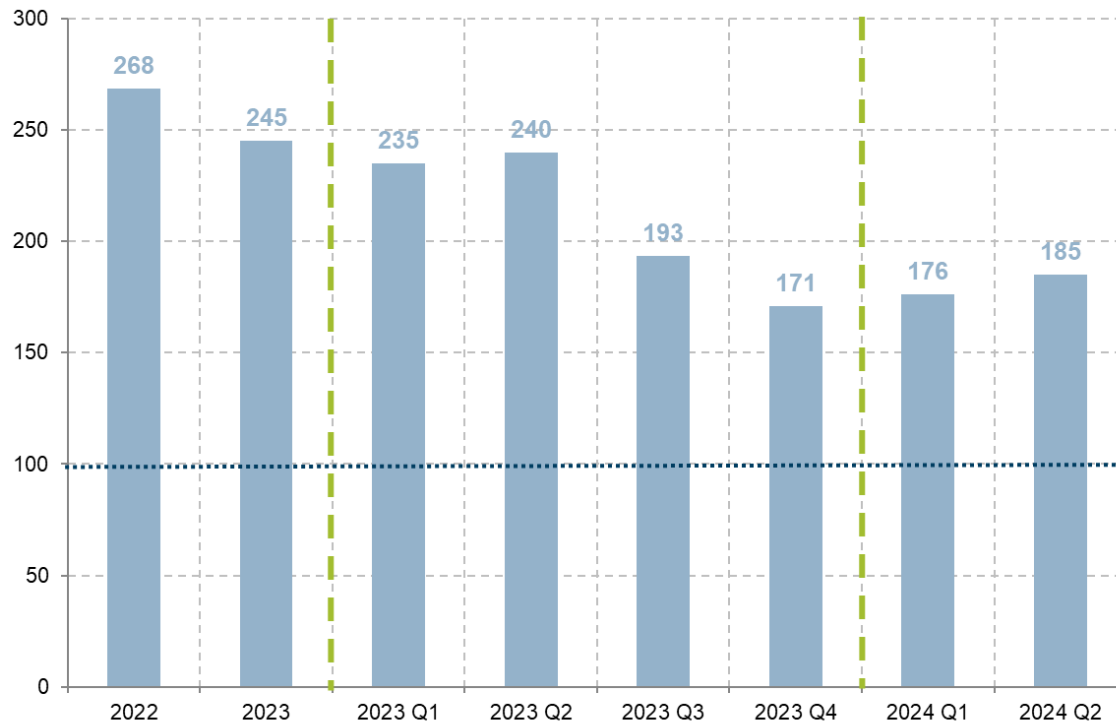


Table 4: Quartiles⁶ for Ratios in Q2 2024

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio	RoE Ratio
Minimum	14.3%	2.9%	-0.64%	0.3%	7.8%
Quartile 1 (25%)	31.3%	34.2%	0.07%	0.9%	13.8%
Quartile 2 (50%) i.e. median	35.5%	49.8%	0.22%	1.7%	22.3%
Quartile 3 (75%)	59.1%	62.0%	0.41%	2.1%	33.6%
Maximum	91.3%	70.4%	1.32%	6.4%	64.6%
Weighted Average	42.7%	47.4%	0.20%	1.9%	25.7%

⁶ 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?

19 companies participate on a voluntary basis: ABN AMRO Asset Based Finance N.V., Aldermore, Arval, Ayvens, BNP Paribas Leasing Solutions, Credit Agricole Leasing & Factoring, De Lage Landen, DnB Finans, Novuna, Iccrea BancaImpresa, ING Lease, Investec, Lombard, 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, 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.