

Leaseurope



The Voice of Leasing and Automotive Rental in Europe

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INDEX

Survey of European leasing and rental firms

Leaseurope Index
Q3 2023

LEASEUROPE INDEX RESULTS: Q3 2023

The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 19 European lessors on a quarterly basis. This Q3 2023 is the fiftieth edition of the survey.

There were varied performances in weighted average KPIs in Q3 2023, with profitability and cost of risk moderately improving, while cost/ income, RoA, and RoE worsened. However, the trend in the median ratios, which excludes some large outlier values, revealed a different picture for the 'typical' company in the sample with improvements observed across all KPIs.

Total new business volumes reported by the sample of firms increased by 7.7% year-over-year, reaching over €27 billion. The portfolio of outstanding contracts expanded by 4.4% in the third quarter, while risk-weighted assets grew by 5.3%.

Profit & profitability

Aggregate pre-tax profit plunged by -9.5% in Q3 2023 compared to the same quarter of last year, with operating income declining by -8.4%. Consequently, weighted average profitability showed a moderate improvement compared to the Q3 2022 level, to 46.0% from 45.5%. The strengthening in median profitability of the 'typical' company in the sample was more pronounced in the third quarter of this year with a higher level of 50.2%.

Income, expenses & cost/income

Operating expenses experienced decreases of -5.9% in Q3 2023 compared to the same period last year. Due to a larger income decline, weighted average cost/income ratio worsened by 1.0 percentage point to reach 46.9% in third quarter of 2023. On the contrary, median cost/ income ratio remained stable at 47.0% compared to the same period a year ago.

Loan loss provision & cost of risk

Loan loss provision continued to drop for the third consecutive quarter in 2023. In Q3, it dropped by -22.7% compared to the same period one year ago. This resulted in an improvement of 0.06 percentage points in the weighted average cost of risk ratio, decreasing from 0.24% in Q3 2022 to 0.18% in Q3 2023. When excluding outlier effects, the median ratio also stood at 0.1% in the third quarter of this year.

RoA and RoE¹ indicators

The weighted average ratios of both RoA and RoE weakened in Q3 2023 in comparison with Q3 2022. When it comes to the median ratios, however, both ratios showed improvements.

İhsan Çakır, CEO of ING Lease commented, *“Economic headwinds continued to challenge the European leasing industry in the third quarter of 2023. However, European lessors managed to expand their portfolios while controlling operating costs. Looking ahead to 2024, another year of subdued macro-economic growth is expected. However, as the effects of the central banks’ monetary tightening are continuing to unfold, the disinflation will trigger rate cuts, thereby supporting a gradual recovery in the second half of 2024. Expansionary investment is likely to be put on hold in the first half of the year on the back of low-capacity utilisation. Nonetheless, the clear push for sustainable investments will continue as the demand for more energy-efficient assets becomes more pronounced by both businesses and regulators. Therefore, it will be essential for European lessors to maximize our internal strengths, minimize the impact of external challenges, and continue supporting European businesses, especially SMEs, during this crucial green transitional period.”*

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, Q1 2022 – Q3 2023²

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2023 Q3		2023 Q2		2023 Q1	
	Sum of values (€ millions)	% change versus 2022 Q3	Sum of values (€ millions)	% change versus 2022 Q2	Sum of values (€ millions)	% change versus 2022 Q1
1. Operating income	2,811	-8.4%	3,315	-0.5%	3,267	7.4%
2. Operating expenses	1,261	-5.9%	1,363	1.1%	1,363	3.0%
3. Loan loss provision	119	-22.7%	54	-11.4%	74	-44.0%
4. Pre-Tax Profit	1,408	-9.5%	1,922	-0.8%	1,812	14.1%
5. RWA at end of period	185,592	5.3%	188,886	7.8%	182,202	4.9%
6. Portfolio at end of period	270,436	4.4%	274,237	5.6%	265,907	2.5%
7. New business volumes	27,207	7.7%	29,663	17.3%	25,081	12.3%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2022 Q4		2022 Q3		2022 Q2		2022 Q1	
	Sum of values (€ millions)	% change versus 2021 Q4	Sum of values (€ millions)	% change versus 2021 Q3	Sum of values (€ millions)	% change versus 2021 Q2	Sum of values (€ millions)	% change versus 2021 Q1
1. Operating income	3,331	14.8%	3,068	12.5%	3,331	23.4%	3,041	19.6%
2. Operating expenses	1,431	7.4%	1,341	9.2%	1,349	8.8%	1,324	5.9%
3. Loan loss provision	149	-24.5%	154	20.6%	61	-7.1%	131	-28.0%
4. Pre-Tax Profit	1,717	25.6%	1,556	13.3%	1,938	39.2%	1,588	43.0%
5. RWA at end of period	181,819	5.1%	176,182	2.8%	175,286	3.5%	173,716	2.5%
6. Portfolio at end of period	266,650	2.6%	259,006	2.0%	259,594	1.9%	259,524	2.5%
7. New business volumes	31,245	10.9%	25,270	4.3%	25,297	-4.9%	24,471	2.8%

Table 2: Aggregate Data, 2019 – 2022 Annual³

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%

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 as reported in the Q4 2022 survey.

Table 3a: Weighted Average Ratios, 2022 – Q3 2023⁴

Weighted Average Ratios	2023				2022			
	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	46.0%	53.0%	48.2%	48.5%	47.1%	45.5%	52.3%	45.9%
Cost/Income (%) - operating expenses as a % of operating income	46.9%	44.8%	47.8%	46.1%	48.0%	45.9%	44.8%	47.3%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.18%	0.08%	0.11%	0.20%	0.23%	0.24%	0.09%	0.20%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	2.1%	2.8%	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	193	252	243	267	231	221	277	241

Table 3b: Median Ratios, 2022 – Q3 2023

Median Ratios	2023				2022			
	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	50.2%	52.9%	50.1%	50.3%	45.7%	45.2%	53.6%	52.9%
Cost/Income (%) - operating expenses as a % of operating income	47.0%	49.2%	45.3%	47.3%	51.1%	47.4%	45.9%	48.8%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.10%	0.15%	0.15%	0.17%	0.26%	0.19%	0.17%	0.10%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	1.8%	1.8%	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	145	153	133	141	129	122	148	113

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 Q3 2023 to arrive at the weighted average ratio of 46.0% shown in the table.

Fig. 1: Growth Rates of Financial Indicators, 2022 – Q3 2023⁵

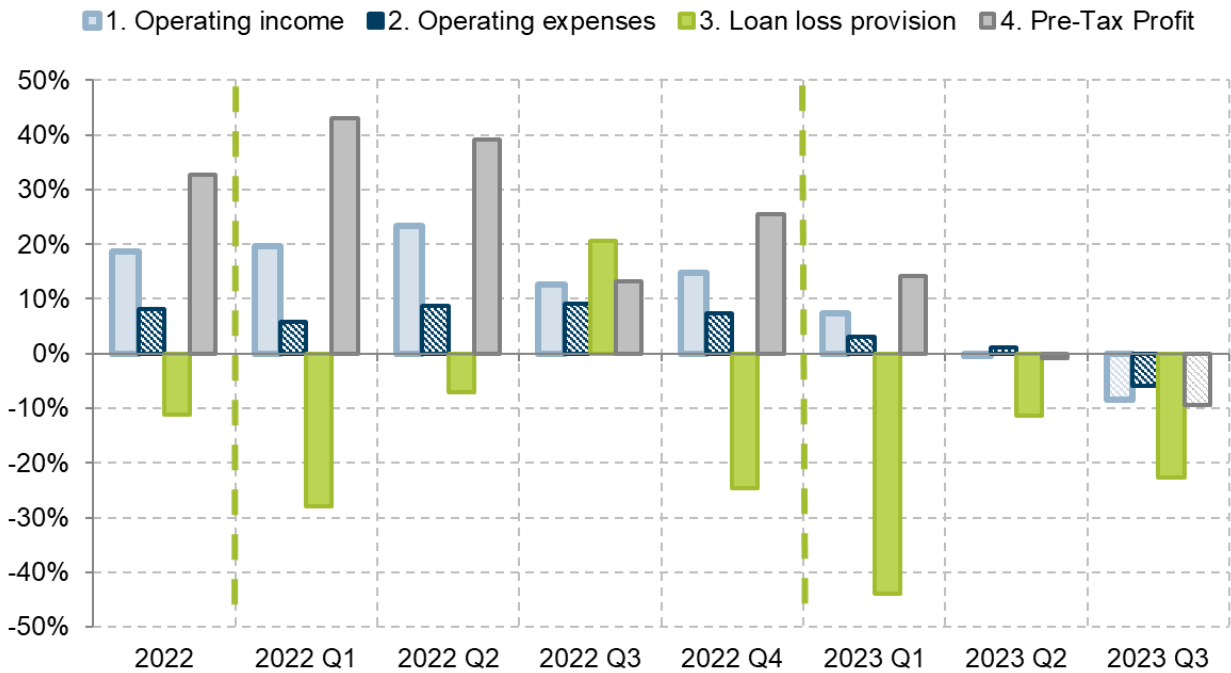
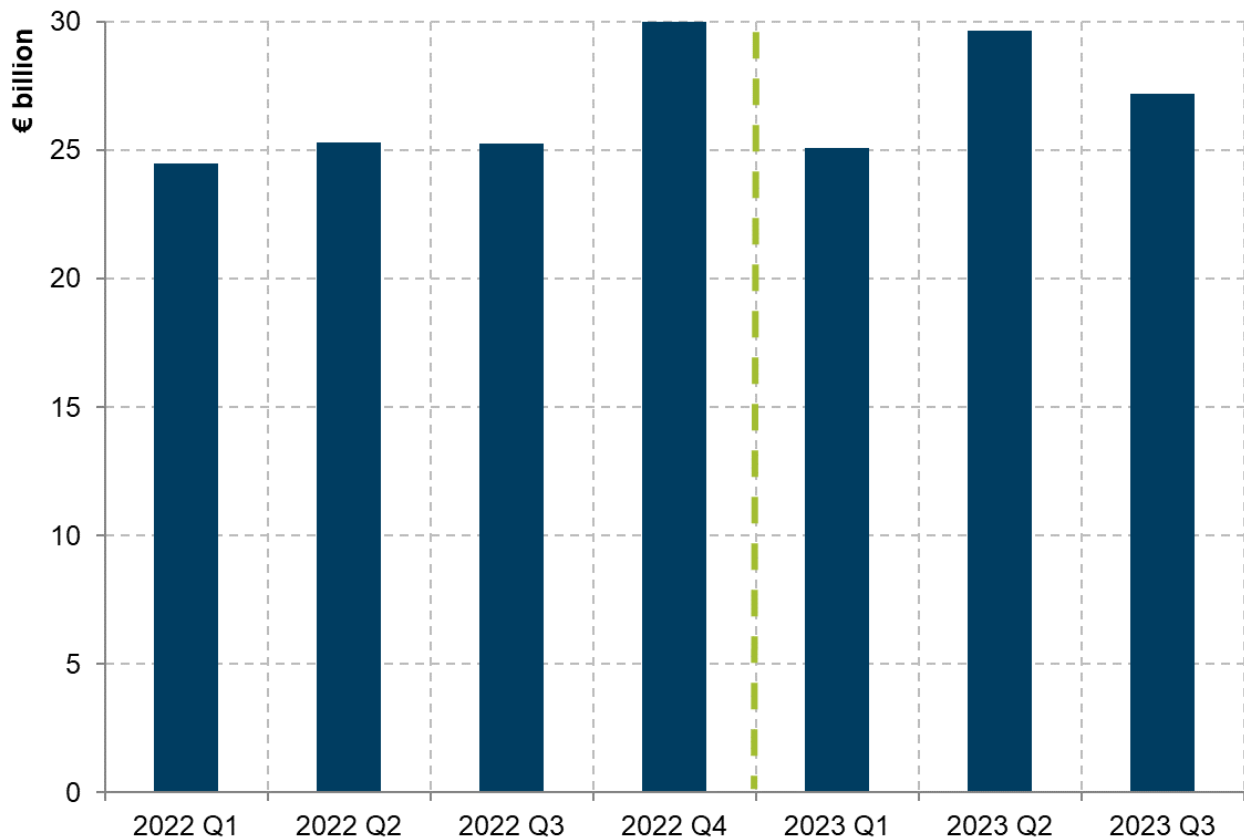


Fig. 2: New Business Volumes, Q1 2022 – Q3 2023



⁵ A thick border around an individual bar in the chart is illustrative of a negative development in the indicator.

Fig. 3: Profitability Ratio, 2022 – Q3 2023

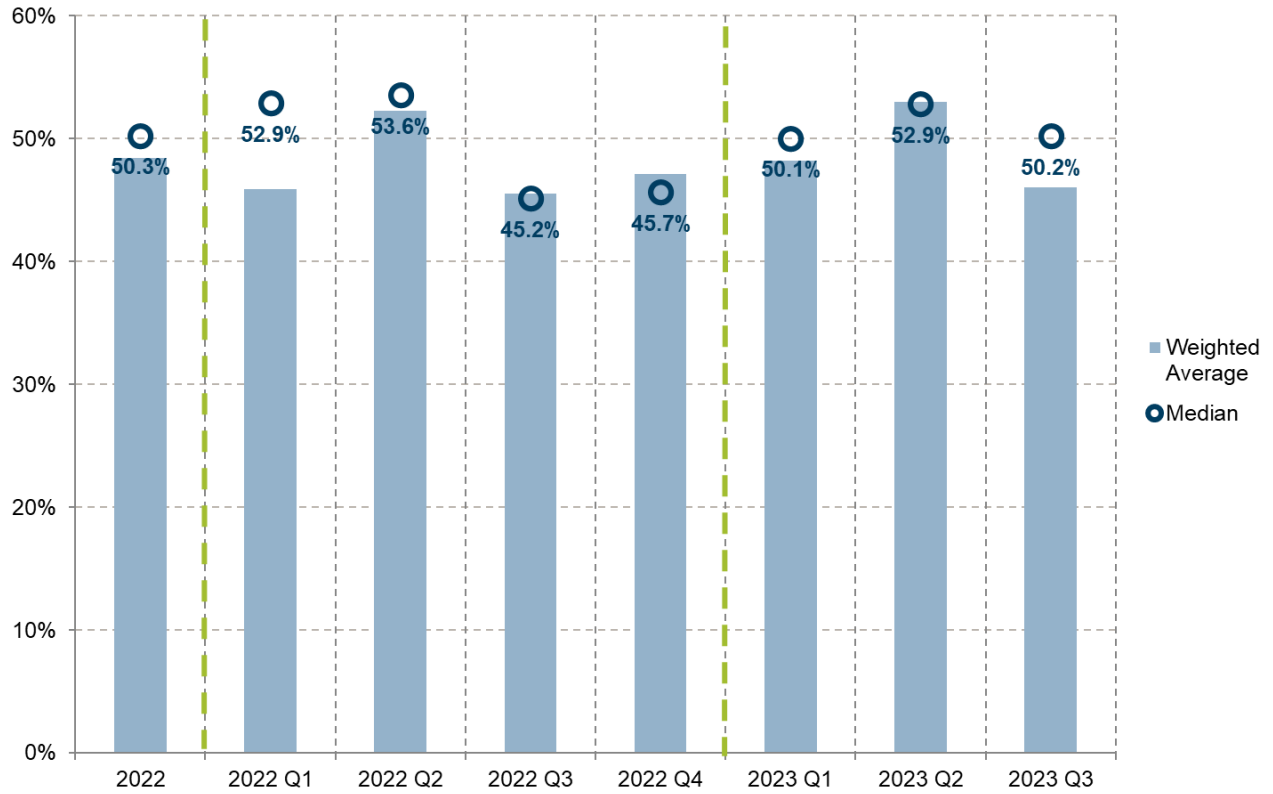


Fig. 4: Cost / Income Ratio, 2022 – Q3 2023

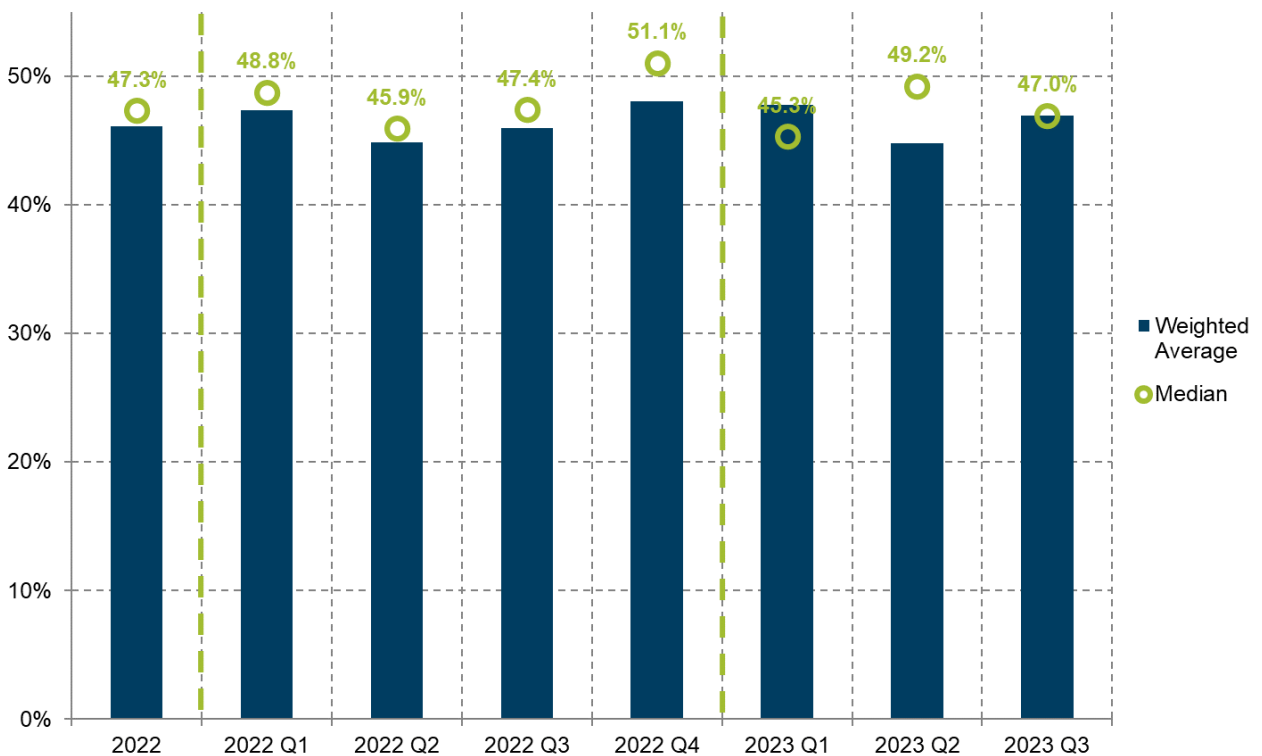


Fig. 5: Cost of Risk Ratio, 2022 – Q3 2023

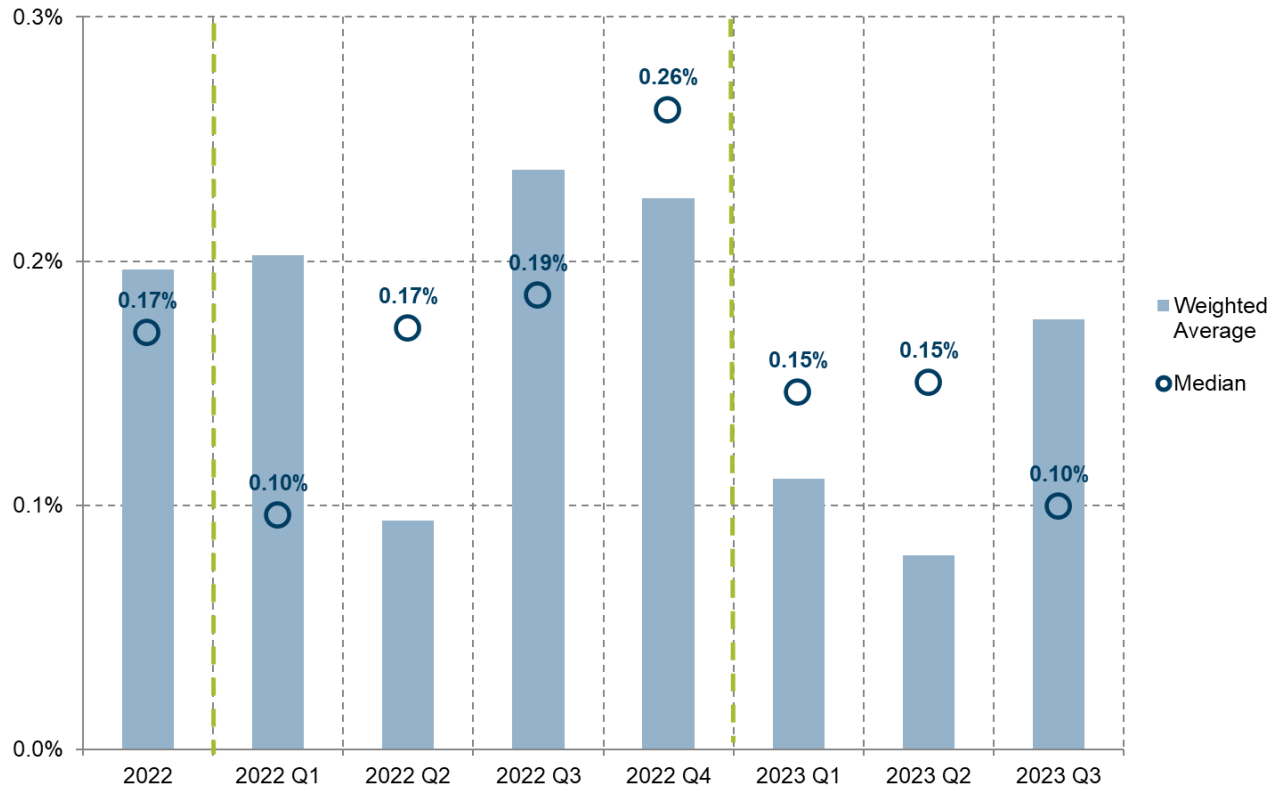


Fig. 6: Return on Assets Ratio, 2022 – Q3 2023

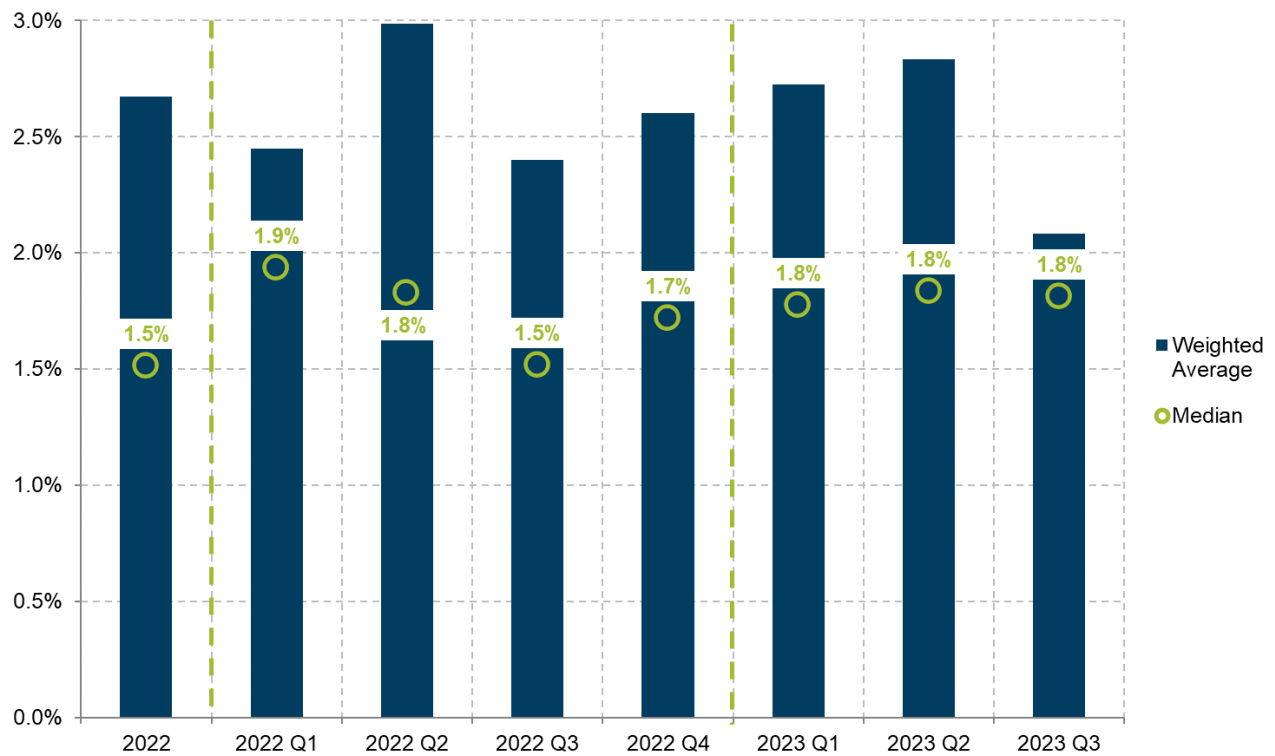


Fig. 7: Weighted Average Return on Equity Index, 2022 – Q3 2023

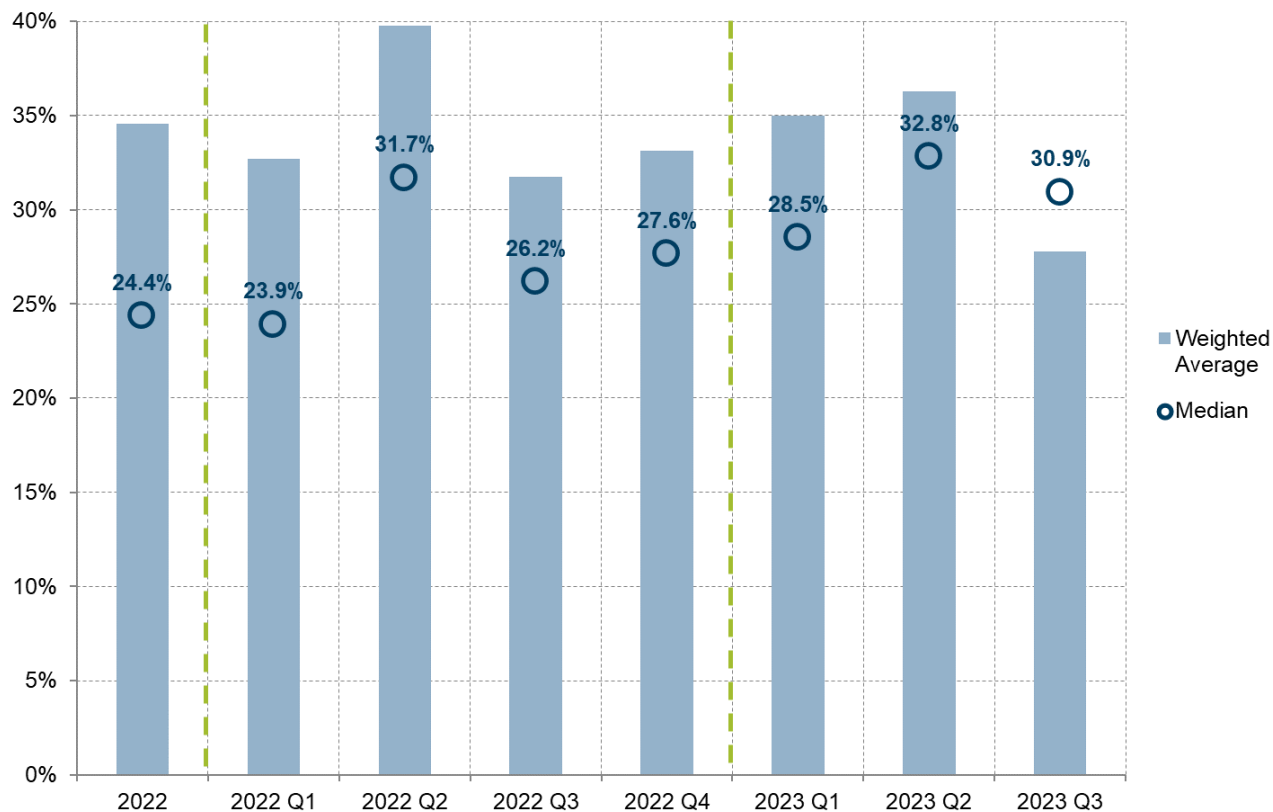


Table 4: Quartiles⁶ for Ratios in Q3 2023

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	9.0%	14.5%	-0.33%	0.1%
Quartile 1 (25%)	36.7%	37.8%	-0.02%	1.0%
Quartile 2 (50%) i.e. median	50.2%	47.0%	0.10%	1.8%
Quartile 3 (75%)	64.1%	54.9%	0.36%	3.2%
Maximum	76.7%	82.8%	1.34%	4.8%
Weighted Average	46.0%	46.9%	0.18%	2.1%

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 (former ALD Automotive I LeasePlan), BNP Paribas Leasing Solutions, Credit Agricole Leasing & Factoring, De Lage Landen, DnB Finans, Novuna, Iccrea Bancalmpresa, 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.