

Leaseurope



The Voice of Leasing and Automotive Rental in Europe

Leas LEASEUROPE
INDEX

Survey of European leasing and rental firms

Leaseurope Index
Q4 2022

LEASEUROPE INDEX RESULTS: Q4 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 Q4 2022 survey is the forty-seventh edition.

All of the weighted average ratios continued to strengthen in Q4 2022 compared to the same period a year ago, except for cost/income ratio. When excluding some large outlier values, the trend in the median ratios showed an opposite picture for the 'typical' company in the sample, with all KPIs worsening in the fourth quarter of 2022. On an annual basis, all median ratios improved in 2022 with the exception of RoA.

Total new leasing volumes reported in Q4 2022 by the sample of firms were up by 10.9% in comparison to the same quarter of the previous year. The whole of 2022 experienced an increase of 3.6%, seeing over €107 billion in new business conducted. The portfolio of outstanding contracts in the sample expanded by 2.6% in 2021, with risk-weighted assets increasing by a higher level of 5.1%.

Profit & profitability

Aggregate pre-tax profit improved in 2022 compared to 2021, growing by 32.8%. This was largely a result of strong performance in the first half of the year, in which growth rose by over 40%. As a result, weighted average profitability for 2022 was up from 45.7% in 2021 to 48.5% in 2022.

Income, expenses & cost/income

Aggregate operating income increased by 14.8% in the last quarter of 2022 compared to the same period in 2021. While operating expenses escalated to a lower degree during this period, rising by 7.4%, the weighted average cost/income ratio deteriorated from 47.0% in Q4 2021 to 48.0% in Q4 2022. The whole of 2021 shared the same trend, with income growth of 18.7% exceeding cost escalation of 8.2%. This resulted in a decline in the average cost/income ratio, reaching a similar level of 46.1% for 2022.

Loan loss provision & cost of risk

Loan loss provisions in Q4 2022 experienced releases. As a result, the average annualised cost of risk improved from 0.31% in the fourth quarter of 2021 to 0.22% in 2022's same period. Over the full year 2022, while the weighted average cost of risk improved by 2 percentage points, the median ratio worsened by 1 percentage point, reaching the level of 0.2% each.

RoA and RoE indicators

Weighted average RoA and RoE¹ in Q4 2022 performed better compared to Q4 2021, reaching 2.6% and 33.1%, respectively. Similarly, both ratios experienced improvements in the whole year of 2021, with RoA of 2.7% and RoE of 34.5%.

Marcucci Sandro, CFO at Alba Leasing commented that *“Despite relatively strong performance in the fourth quarter, 2022 has been a challenging year. Macroeconomic uncertainty, soaring energy prices, and supply chain issues have resulted in increased operating expenses for European leasing business. Regardless of these headwinds, European lessors managed to expand their income and portfolio. While uncertainty has somewhat decreased and inflation is moderating, they remain high, with the impact of monetary policy tightening being set to weigh on business investment.² Therefore, it will be essential for European lessors to maximise our internal strengths, minimize the impact of external challenges, and continue to support European businesses, especially SMEs, during the difficult time of energy and climate crises.”*

¹ In order to ensure a feasible and comparable data collection across our sample, 10.5% of total risk weighted assets (RWA) 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 – Winter 2023.

Table 1: Aggregate Data, Q1 2022 – Q4 2022³

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%	3,063	12.3%	3,340	23.9%	3,063	20.2%
2. Operating expenses	1,431	7.4%	1,354	10.3%	1,353	9.0%	1,325	6.6%
3. Loan loss provision	149	-24.5%	152	19.5%	73	16.3%	155	-17.1%
4. Pre-Tax Profit	1,717	25.6%	1,538	12.0%	1,965	41.2%	1,587	42.1%
5. RWA at end of period	181,819	5.1%	177,287	3.5%	176,609	4.4%	174,873	3.5%
6. Portfolio at end of period	266,650	2.6%	259,559	2.2%	262,099	3.0%	261,214	3.5%
7. New business volumes	31,245	10.9%	25,542	5.4%	25,741	-3.0%	24,843	3.1%

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	12,796	18.7%	10,870	14.8%	9,425	-2.3%	9,642	3.0%
2. Operating expenses	5,463	8.2%	5,044	5.3%	4,763	-0.9%	4,804	4.5%
3. Loan loss provision	530	-11.2%	575	-70.4%	1,948	77.3%	1,099	45.9%
4. Pre-Tax Profit	6,807	32.8%	5,249	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	107,371	3.6%	103,033	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. Due to outlier values in a small pocket of the sample affecting the overall average, please refer to trends in median values for a more accurate representation of Q4 2022.

⁴ The aggregate annual data are shown here as reported in the Q4 2022 survey.

Table 3: Weighted Average Ratios, 2021 - 2022⁵

Weighted Average Ratios	2022					2021				
	Full year	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	48.5%	47.1%	45.0%	52.3%	46.0%	45.7%	42.1%	45.6%	54.2%	40.1%
Cost/Income (%) - operating expenses as a % of operating income	46.1%	48.0%	46.5%	44.8%	46.8%	46.6%	47.0%	45.6%	45.2%	48.2%
Cost of Risk (%) * - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.20%	0.23%	0.23%	0.11%	0.24%	0.22%	0.31%	0.20%	0.10%	0.30%
Return on Assets (%) * - net profit before tax (annualised) as a percentage of average portfolio over the period	2.7%	2.6%	2.4%	3.0%	2.4%	2.1%	2.1%	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	267	231	218	278	240	224	232	238	247	195

Table 4: Median Ratios, 2021 - 2022

Median Ratios	2022					2021				
	Full year	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	50.3%	45.7%	45.2%	53.6%	58.5%	49.8%	48.4%	51.7%	56.6%	46.3%
Cost/Income (%) - operating expenses as a % of operating income	47.3%	51.1%	47.4%	46.6%	47.6%	47.8%	49.8%	47.3%	47.8%	47.0%
Cost of Risk (%) * - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.17%	0.26%	0.16%	0.15%	0.11%	0.16%	0.17%	0.10%	0.13%	0.25%
Return on Assets (%) * - net profit before tax (annualised) as a percentage of average portfolio over the period	1.5%	1.7%	1.5%	1.8%	1.6%	2.0%	1.8%	2.2%	2.2%	1.7%
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	141	129	111	147	132	135	168	182	181	161

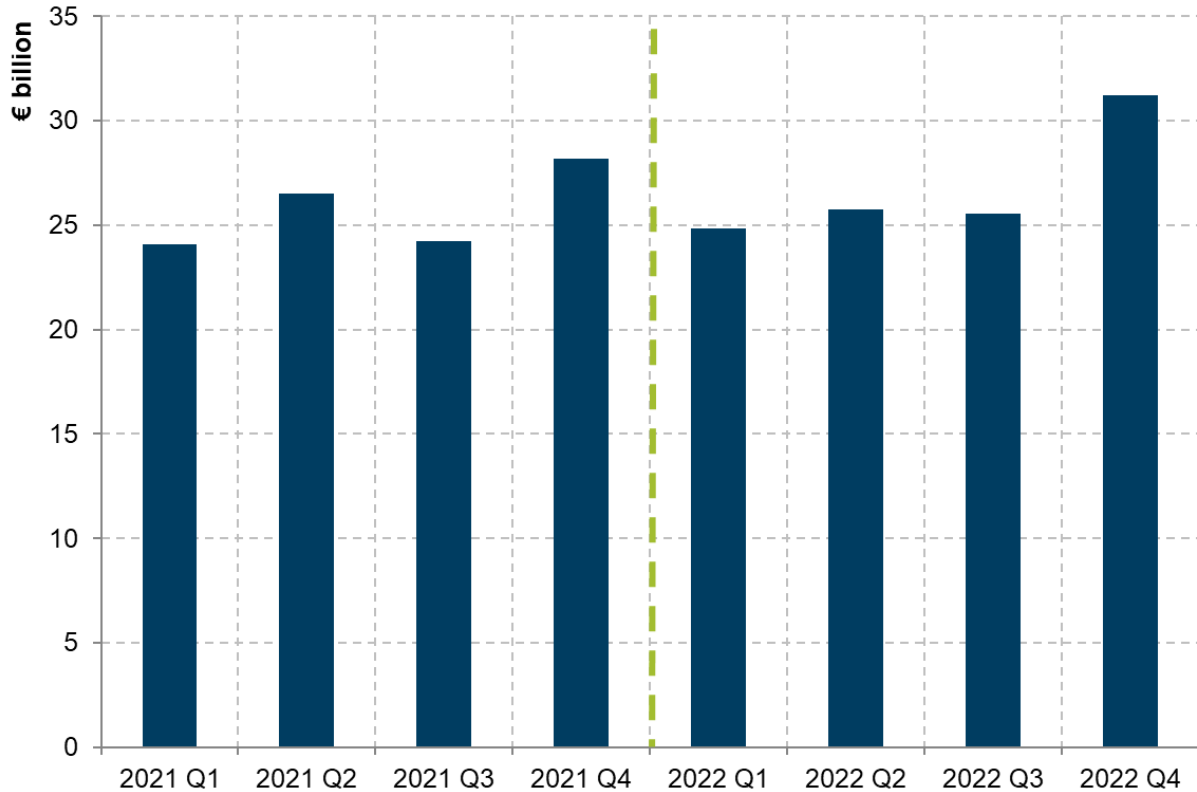
* denotes that the numerator (either loan loss provision or net profit) has been annualised in order to calculate the relevant ratio for each time period.

⁵ Please note that the estimate of equity has been updated in Q4 2018. As capital requirements in Europe have increased, we have increased the estimate of equity from 8% of RWA to 10.5% of RWA. This new treatment has been applied to the entire time series.

Fig. 1: Growth Rates of Financial Indicators, 2021 – Q4 2022⁶



Fig. 2: New Business Volumes, Q1 2021 – Q4 2022



⁶ A thick border around an individual bar in the chart is illustrative of a negative development in the indicator. Extraordinarily large positive or negative developments in a few individual company figures for loan loss provisions (and hence pre-tax profit) can have a disproportionately big impact on the averages shown here. These figures, while showing averages, are therefore not a good representation of the general condition of the whole sample.

Fig. 3: Profitability Ratio, 2019 – Q4 2022

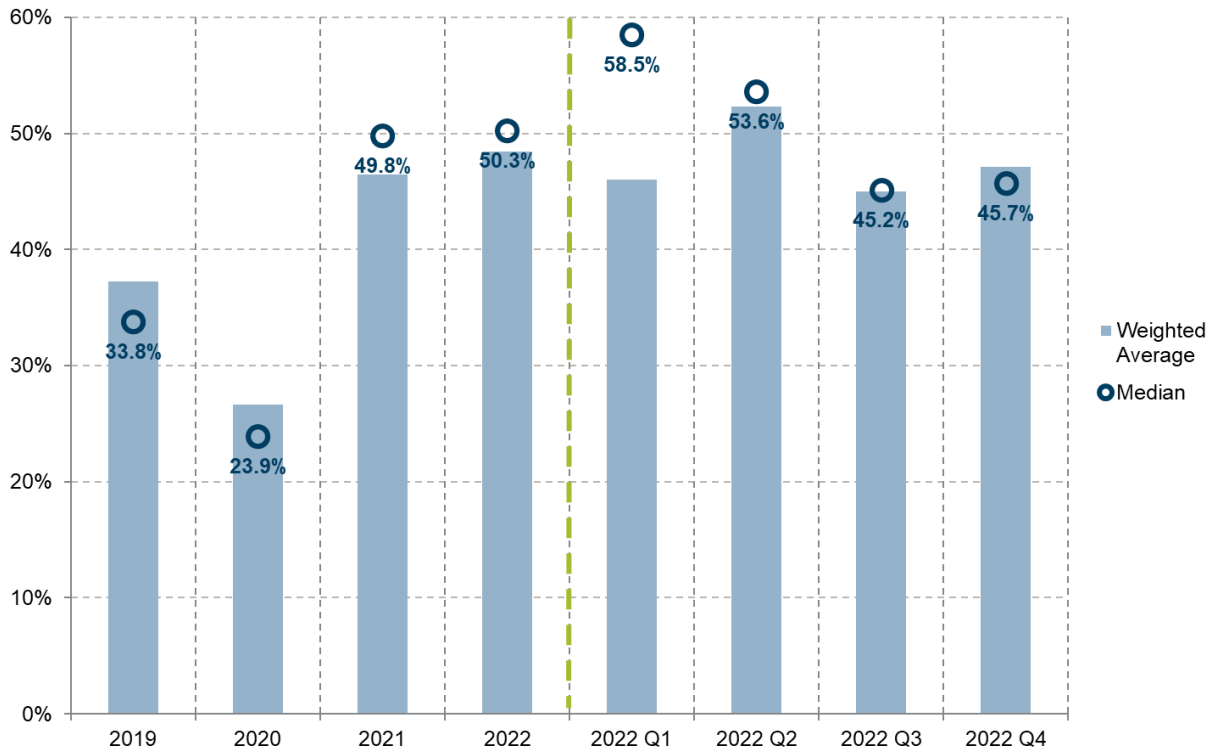


Fig. 4: Cost/Income Ratio, 2019 – Q4 2022

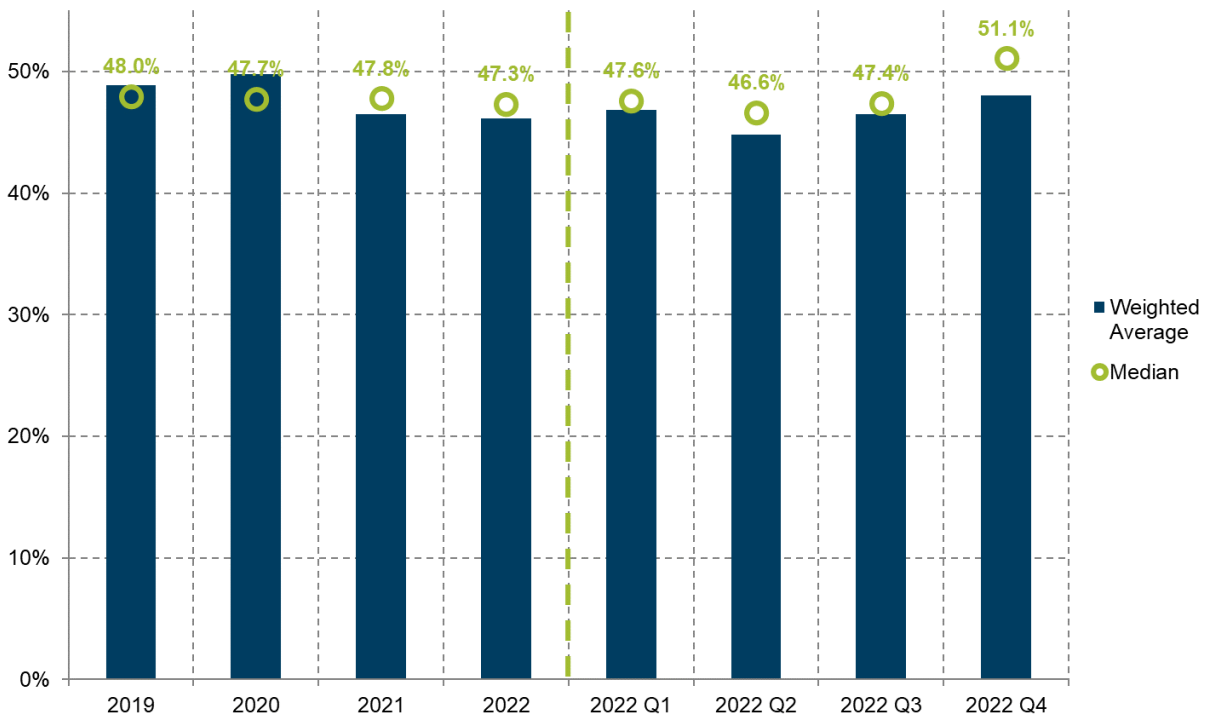


Fig. 5: Cost of Risk Ratio, 2019 – Q4 2022

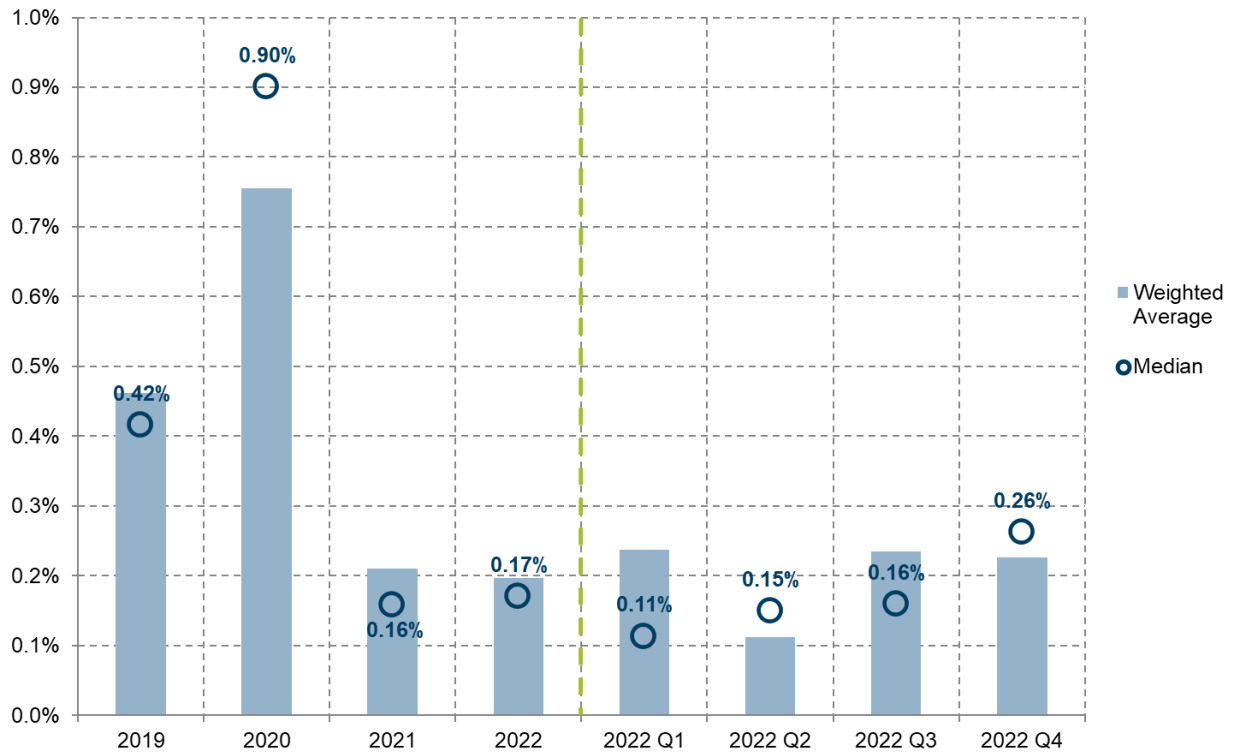
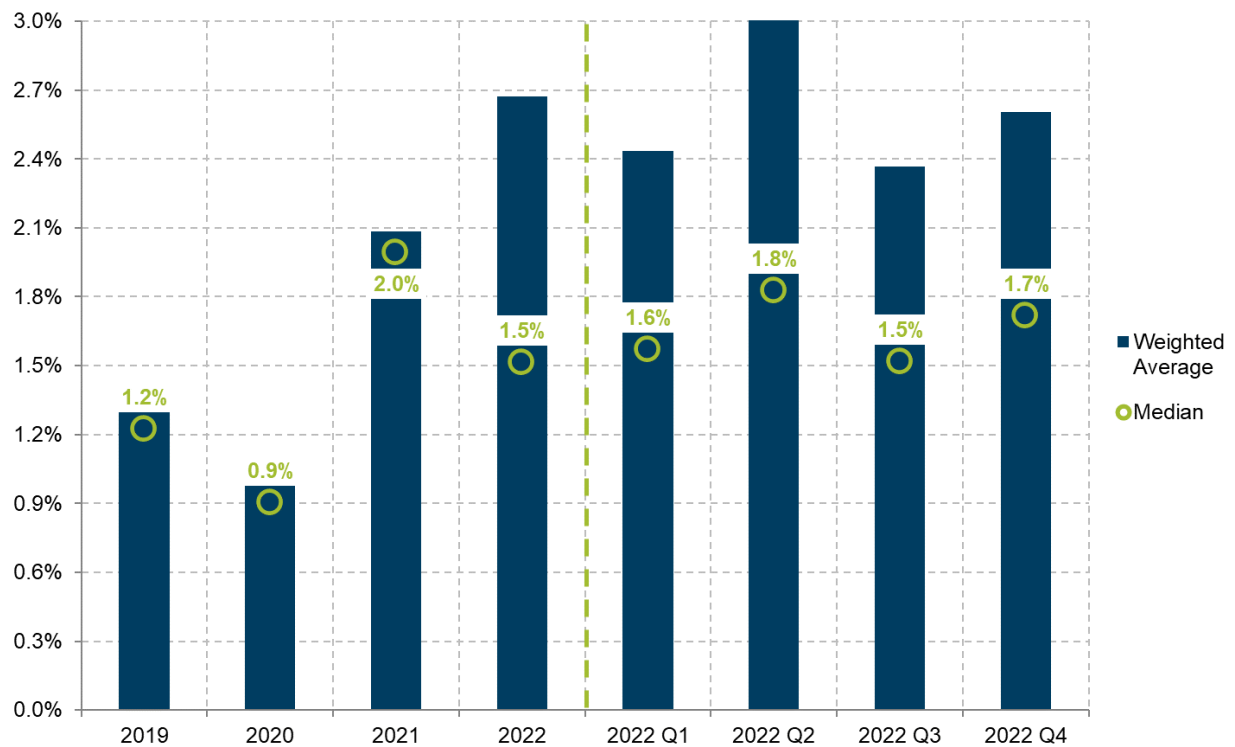


Fig. 6: Return on Assets Ratio, 2019 – Q4 2022⁷



⁷ Please refer to the trend in the median value for a more accurate representation of annual figures. The weighted average for 2022 Q4 was heavily influenced by extreme outlier values.

Fig. 7: Weighted Average Return on Equity Index, 2019 – Q4 2022

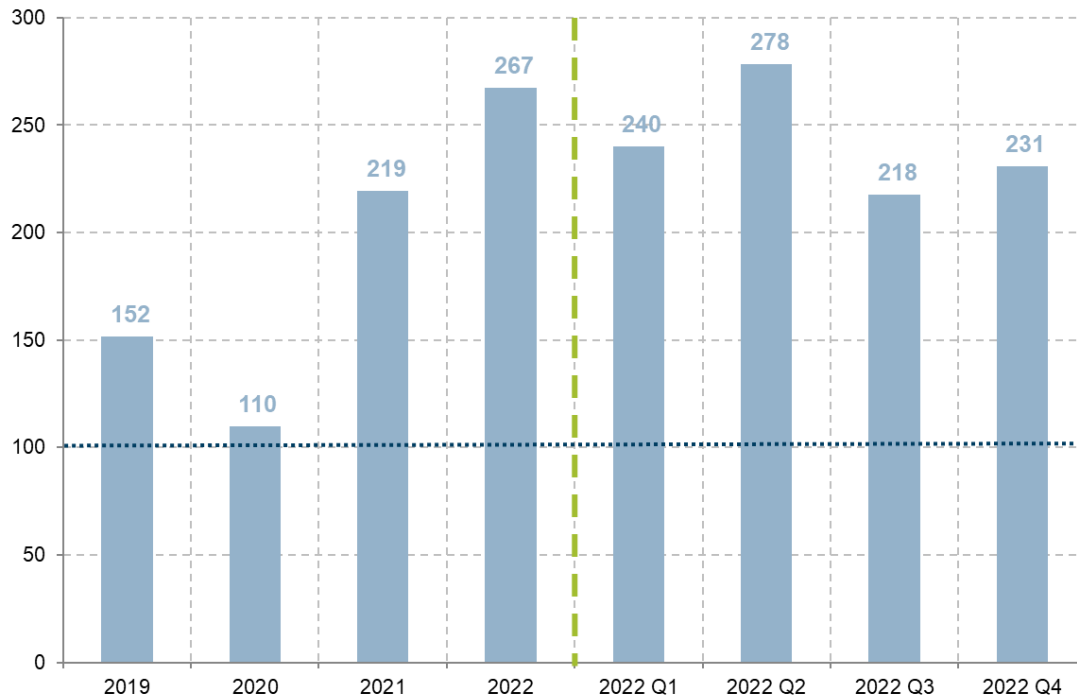


Table 5: Quartiles⁸ for Ratios in Q4 2022

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-69.8%	12.7%	-2.18%	-1.1%
Quartile 1 (25%)	29.9%	34.7%	0.09%	0.8%
Quartile 2 (50%) i.e. median	45.7%	51.1%	0.26%	1.7%
Quartile 3 (75%)	56.5%	60.0%	0.60%	2.8%
Maximum	203.8%	94.3%	2.65%	6.8%
Weighted Average	47.1%	48.0%	0.23%	2.6%

⁸ 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 23 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, Hitachi Capital UK, 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.