



The Voice of Leasing and Automotive Rental in Europe



Leaseurope Index

Q1 2024

LEASEUROPE INDEX LATEST RESULTS: Q1 2024

Brussels, 15 July 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 Q1 2024 is the fifty-second edition of the survey.

The Q1 2024 Index results reveal a weak momentum in the European leasing business. All of the weighted average ratios deteriorated in Q1 2024 compared to the same period a year ago. Conversely, the median ratios presented a mixed outlook, with Return on Assets (RoA) and Return on Equity (RoE) displaying improvement, while other KPIs such as profitability, cost of risk, and cost/income weakened.

Total new leasing volumes reported by the sample of firms increased by 2.5% in comparison to Q1 2023, reaching nearly €28 billion. The outstanding portfolio continued its expansion, growing by 5.0% during Q1 2024, while total risk-weighted assets (RWAs) also exhibited growth, albeit at a higher rate of 5.9%.

Profit & profitability

Pre-tax profit decreased by -26.7% while operating income experienced a decline of -14.2% compared to the same period in 2023. As a result, the weighted average profitability ratio worsened from 47.7% in Q1 2023 to 43.2% 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. It declined from the previous level of 50.1% to 42.7% in Q1 2024, indicating a significant deterioration.

Income, expenses & cost/income

During the first quarter of 2024, operating expenses showed a drop of -1.1%, and due to a larger decline in operating income, the weighted average cost/income ratio escalated to the level of 49.2% at the beginning of the year. This marked a 2.4 percentage point rise compared to Q1 2023. Excluding outlier effects, the median cost/income ratio also showed negative development, worsening by 6.6 percentage points to 51.4% in Q1 of this year.

Loan loss provision & cost of risk

Loan loss provisions saw a notable surge in Q1 2024, up by 60.9% year-over-year from Q1 2023. Consequently, the average annualised cost of risk slightly weakened, rising to 0.21% as opposed to 0.14% in Q1 2023. As for the median ratio, the cost of risk stood at 0.20% in Q1 2024.

RoA and RoE¹ indicators

In Q1 2024, both weighted average ratios for RoA and RoE performed worse than in the same period a year ago. However, the median ratios presented a contrasting picture. The median RoA slightly improved during the same period, while the median RoE improved.

Andy Hart, CEO of Investec Asset Finance, commented that "*The European leasing industry started the first quarter of the year with weak momentum, carrying over from the previous quarter. Despite a challenging business environment, the industry managed to expand its new business volumes and portfolios. However, with cost/income ratios showing signs of increase, lessors should be cautious about rising operating expenses. Looking ahead, business investment in Europe is expected to slow down due to prolonged weakness in the manufacturing sector, a subdued outlook for equipment investment, and depressed loan demand.² Although this sets the stage for potentially challenging market dynamics for the year, lessors will need to focus on our core strengths and be prepared to leverage on opportunities within a complex 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, Spring 2024.

Table 1: Aggregate Data, Q1 2023 – Q1 2024³

| Aggregated data provided by companies (all figures in millions of euro for the relevant period) | 2024 Q1 | | 2023 Q4 | | 2023 Q3 | |
|--|-------------------------------|----------------------------|-------------------------------|----------------------------|-------------------------------|----------------------------|
| | Sum of values (€ millions) | % change versus 2023 Q1 | Sum of values (€ millions) | % change versus 2022 Q4 | Sum of values (€ millions) | % change versus 2022 Q3 |
| 1. Operating income | 2,806 | -14.2% | 2,923 | -12.2% | 2,811 | -8.4% |
| 2. Operating expenses | 1,347 | -1.1% | 1,381 | -0.9% | 1,261 | -5.9% |
| 3. Loan loss provision | 146 | 60.9% | 216 | 68.6% | 119 | -22.7% |
| 4. Pre-Tax Profit | 1,312 | -26.7% | 1,299 | -24.6% | 1,408 | -9.5% |
| 5. RWA at end of period | 194,615 | 5.9% | 199,674 | 8.9% | 185,592 | 5.3% |
| 6. Portfolio at end of period | 281,193 | 5.0% | 285,175 | 6.5% | 270,436 | 4.4% |
| 7. New business volumes | 27,992 | 2.5% | 32,574 | 5.4% | 27,207 | 7.7% |

| Aggregated data provided by companies (all figures in millions of euro for the relevant period) | 2023 Q2 | | 2023 Q1 | |
|--|-------------------------------|----------------------------|-------------------------------|----------------------------|
| | Sum of values (€ millions) | % change versus 2022 Q2 | Sum of values (€ millions) | % change versus 2022 Q1 |
| 1. Operating income | 3,315 | -0.5% | 3,272 | 7.6% |
| 2. Operating expenses | 1,363 | 1.1% | 1,363 | 3.0% |
| 3. Loan loss provision | 54 | -11.4% | 91 | -30.6% |
| 4. Pre-Tax Profit | 1,922 | -0.8% | 1,789 | 12.7% |
| 5. RWA at end of period | 188,886 | 7.8% | 183,831 | 5.8% |
| 6. Portfolio at end of period | 274,237 | 5.6% | 267,761 | 3.2% |
| 7. New business volumes | 29,663 | 17.3% | 27,308 | 11.6% |

Table 2: Aggregate Data, 2020 – 2024 Annual⁴

| 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% |

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, 2023 – Q1 2024⁵

| Weighted Average Ratios | 2024 | | 2023 | | | |
|--|-------|--------------|-------|-------|-------|-------|
| | Q1 | Full year | Q4 | Q3 | Q2 | Q1 |
| Profitability (%) - pre-tax profit as a % of total operating income | 43.2% | 48.0% | 40.2% | 46.0% | 53.0% | 47.7% |
| Cost/Income (%) - operating expenses as a % of operating income | 49.2% | 45.4% | 48.0% | 46.9% | 44.8% | 46.8% |
| Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period | 0.21% | 0.20% | 0.31% | 0.18% | 0.08% | 0.14% |
| Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period | 1.9% | 2.5% | 1.8% | 2.1% | 2.8% | 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 | 176 | 245 | 171 | 193 | 252 | 235 |

Table 3b: Median Ratios, 2023 – Q1 2024

| Median Ratios | 2024 | | 2023 | | | |
|--|-------|--------------|-------|-------|-------|-------|
| | Q1 | Full year | Q4 | Q3 | Q2 | Q1 |
| Profitability (%) - pre-tax profit as a % of total operating income | 42.7% | 45.3% | 37.6% | 50.2% | 52.9% | 50.1% |
| Cost/Income (%) - operating expenses as a % of operating income | 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 | 0.20% | 0.24% | 0.29% | 0.10% | 0.15% | 0.15% |
| Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period | 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 | 130 | 148 | 103 | 145 | 153 | 122 |

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, 2022 – Q1 2024⁶

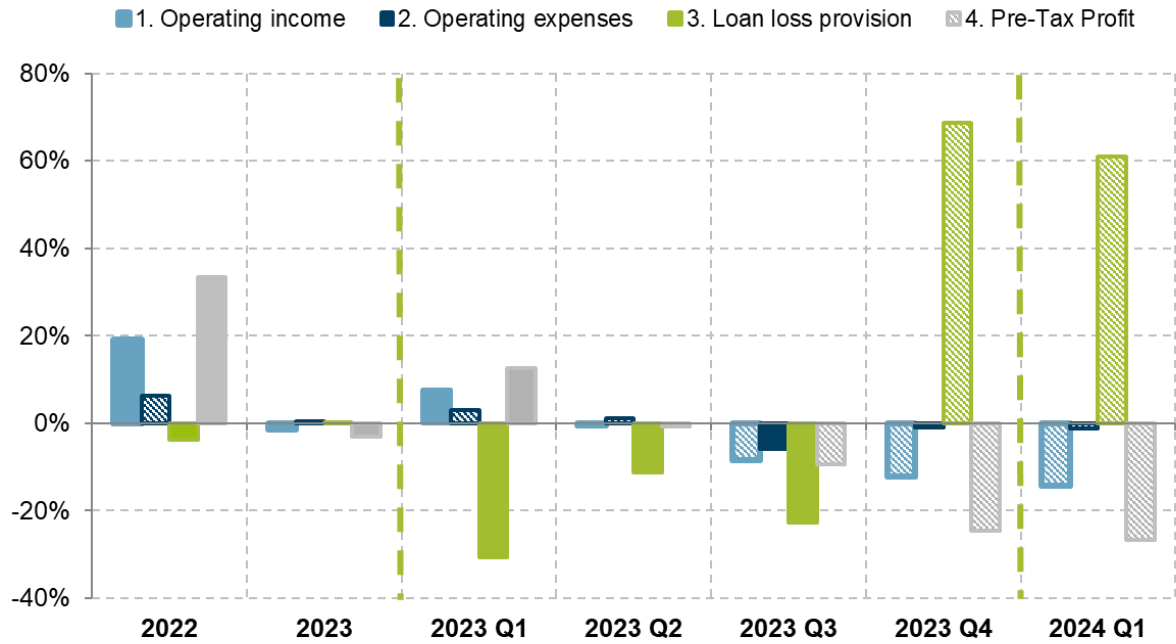
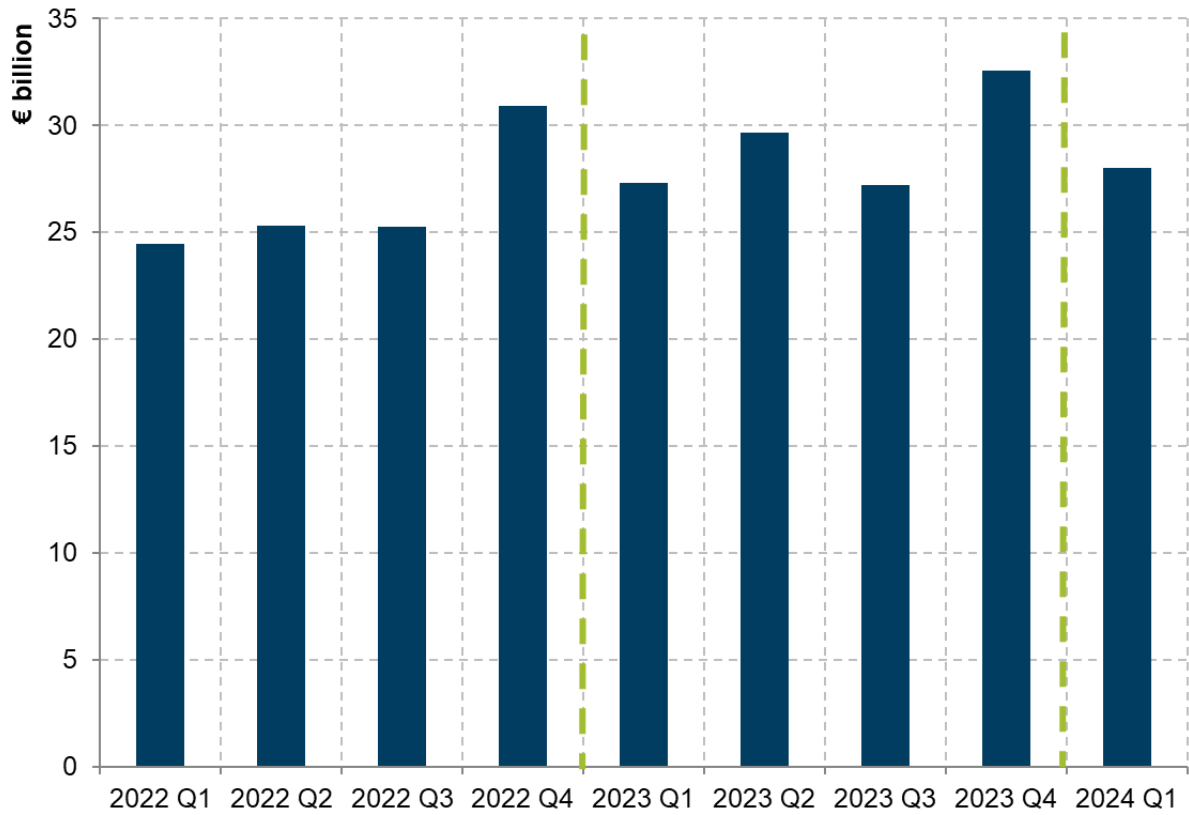


Fig. 2: New Business Volumes, Q1 2022 – Q1 2024



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

Fig. 3: Profitability Ratio, 2022 – Q1 2024

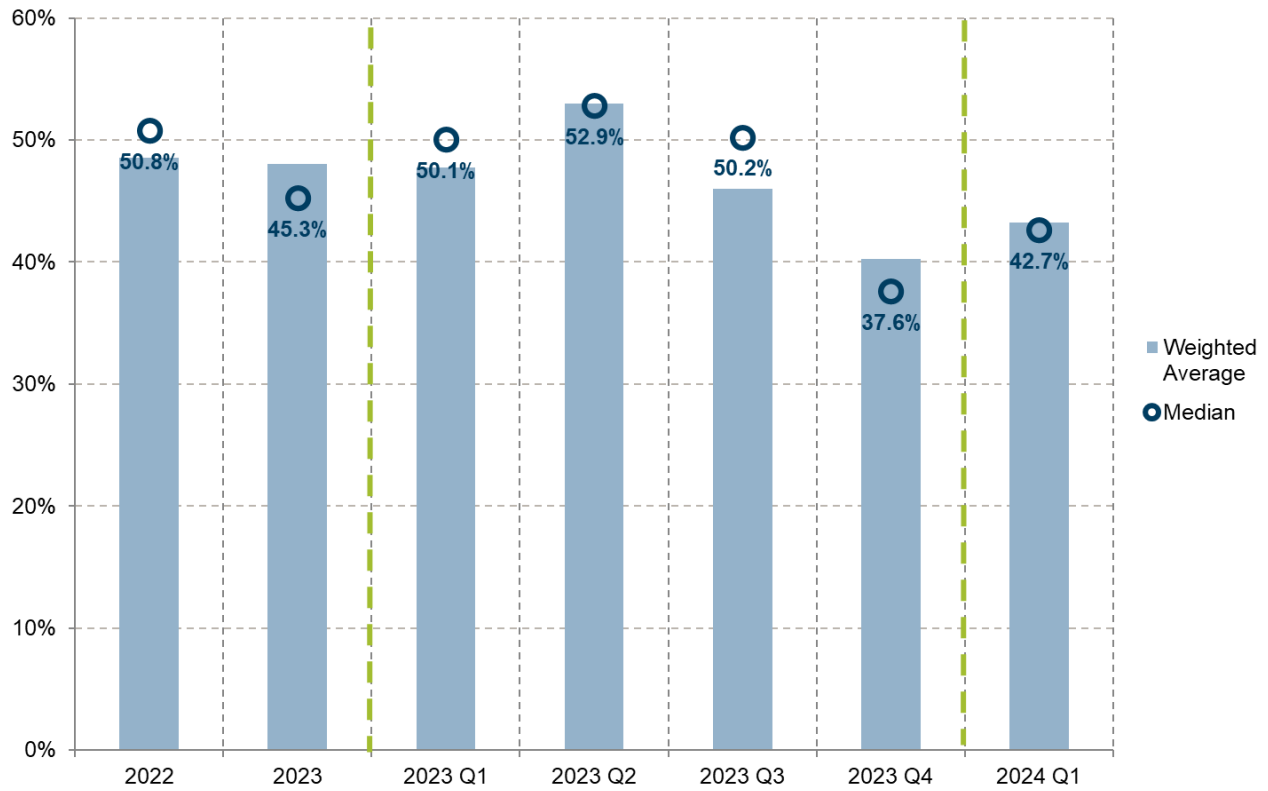


Fig. 4: Cost / Income Ratio, 2022 – Q1 2024

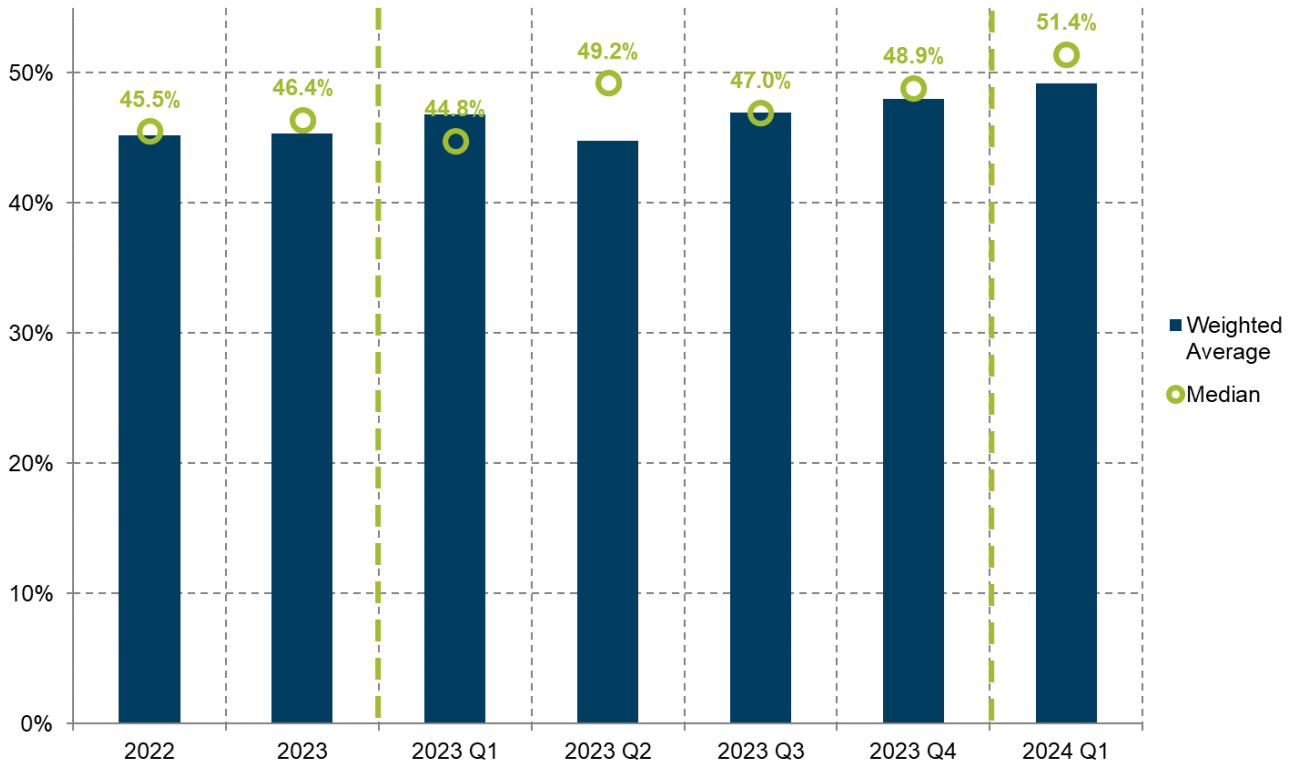


Fig. 5: Cost of Risk Ratio, 2022 – Q1 2024

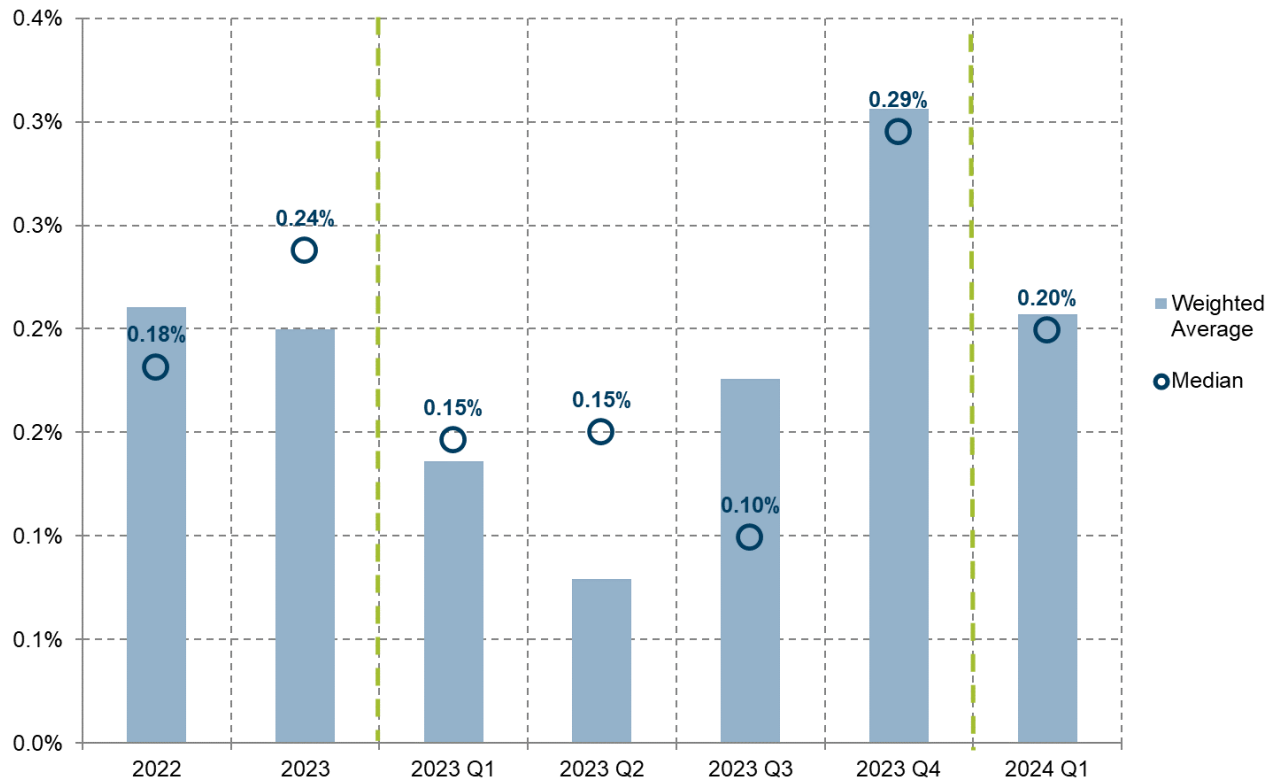


Fig. 6: Return on Assets Ratio, 2022 – Q1 2024

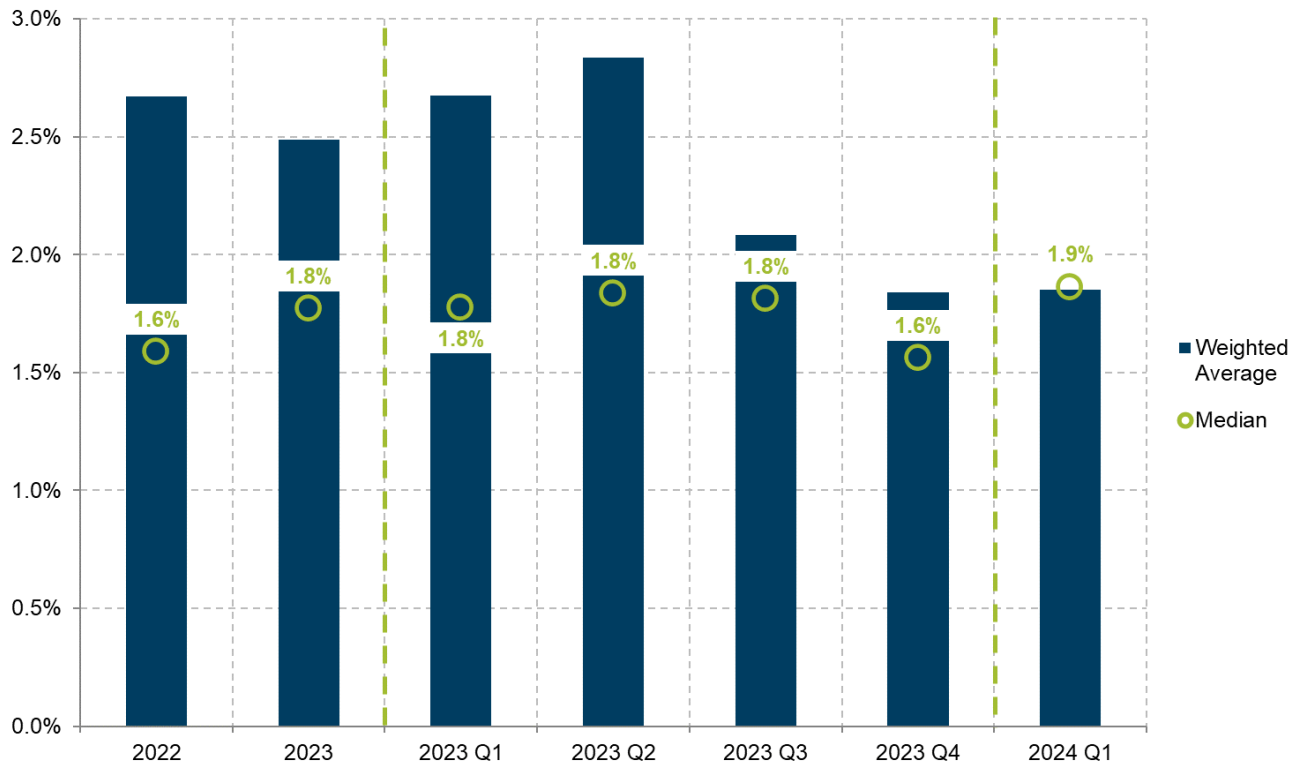


Fig. 7: Weighted Average Return on Equity Index, 2022 – Q1 2024

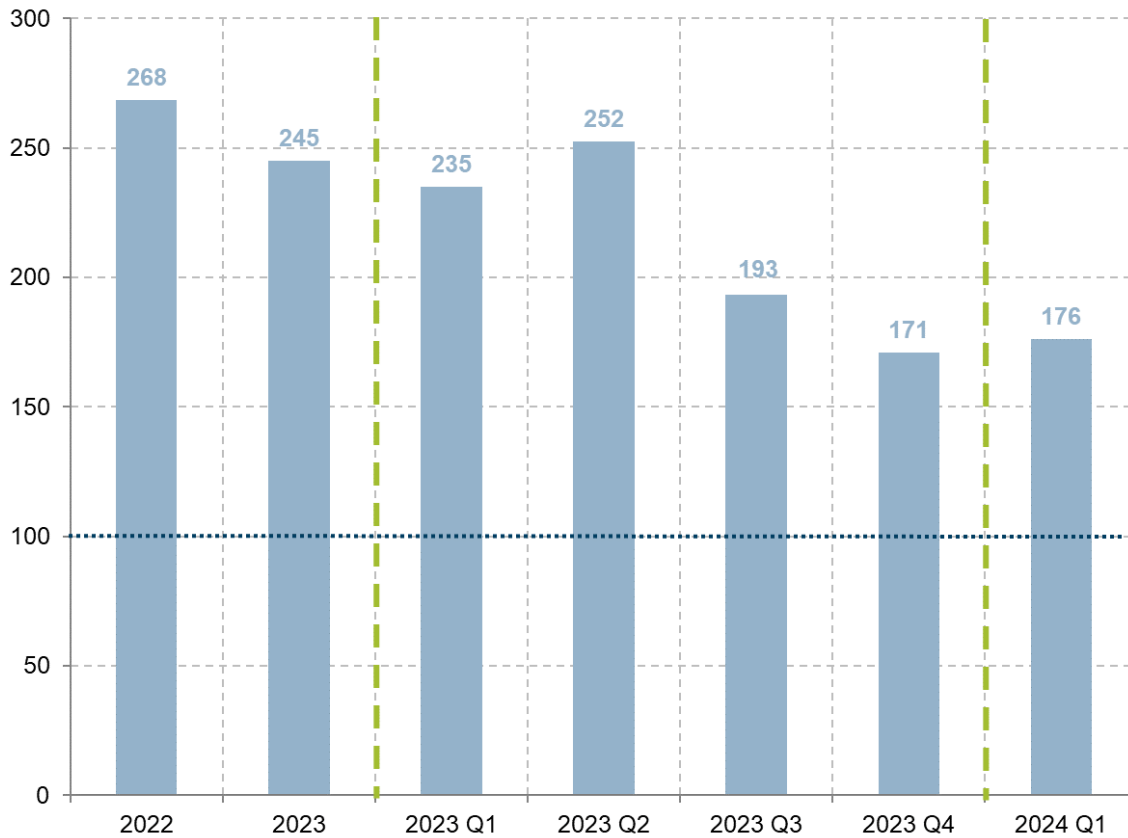


Table 4: Quartiles⁷ for Ratios in Q1 2024

| | Profitability Ratio | Cost / Income Ratio | Cost of Risk Ratio | RoA Ratio |
|---|---------------------|---------------------|--------------------|-----------|
| Minimum | 21.9% | 7.1% | -0.98% | 0.4% |
| Quartile 1 (25%) | 33.2% | 40.1% | 0.11% | 1.0% |
| Quartile 2 (50%) i.e. median | 42.7% | 51.4% | 0.20% | 1.9% |
| Quartile 3 (75%) | 64.4% | 57.6% | 0.37% | 2.5% |
| Maximum | 94.3% | 67.9% | 2.13% | 5.4% |
| Weighted Average | 43.2% | 49.2% | 0.21% | 1.9% |

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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 42 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 91% 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?

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 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.