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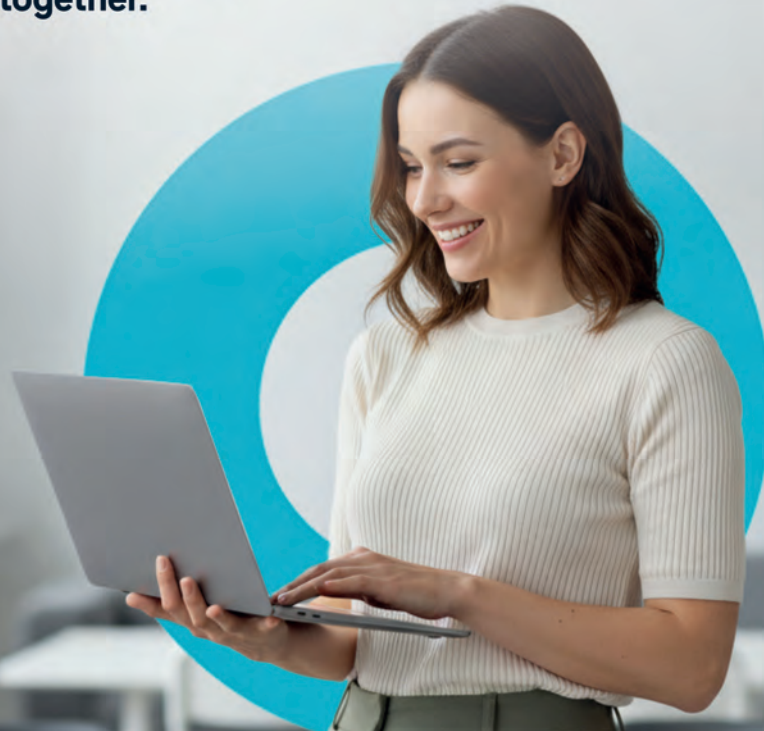
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Edited by Michelle Hallworth

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A decade of growth and innovation for the global leasing industry

By Dan Corazzi, CEO, Solifi

THE SOLIFI GLOBAL LEASING REPORT continues a history of tracking the worldwide market for leasing products for 35 years.

For this 47th edition of the *World Leasing Yearbook* we can report that the global leasing industry posted new business levels of US\$1,538bn in 2024. This is a slight decline over the 2023 levels we reported in the last Report of US\$1,554bn.

The Report shows that the global leasing industry has grown by a remarkable 63% in the past decade (see Table 3).

Three regions, North America, Europe and Asia, account for 96% of world leasing volume. North America experienced an increase in new business of 2.8%, Europe was down 3.9%, and business in Asia was down 1.9% making it the third largest region.

Elsewhere, South America was down 7% due to turbulence in some domestic markets. Africa was up 32% and Australia/New Zealand was down 10%.



Dan Corazzi, author of this article.

It is essential when analysing this data to stress that the Global Leasing Report employs the US dollar as the common currency baseline for country comparisons, using exchange rates prevailing at the end of the year. (For this Report the date of conversion is December 31, 2024).

During the fourth quarter of 2024, the US dollar appreciated

against most advanced and emerging market currencies. The dollar index, which measures the US currency against six other major units, stood at a two-year high at the end of 2024. The appreciation of the dollar impacts business levels for countries reported in US dollars in this year's Report.

Care should thus be taken when making comparisons year on year for individual countries and regions in this Report as currency fluctuations inevitably impact the US dollar figures in the data.

The growth figures we specify in Table 2 are as actually reported by each country, before conversion into US dollars, so they are unaffected by the vagaries of currency fluctuations. These figures give a true picture of domestic performance year on year.

North America

The North American region consists of the US, Canada, and Mexico. The sector maintains its position as the

Table 1: Volume and growth by region (2023-2024)

Rank by volume	Region	Annual volume (US\$bn)	Growth 2023-24 %	Percentage of world market volume 2023	Percentage of world market volume 2024	Change in market share 2023-24
1	N. America	564.22	2.8	35.32	36.67	1.3
2	Europe	474.14	-3.9	31.75	30.81	-0.9
3	Asia	448.47	-1.9	29.41	29.14	-0.3
4	Aus/NZ	24.96	-10.2	1.79	1.62	-0.2
5	S. America	20.28	-7.4	1.41	1.32	-0.1
6	Africa	6.75	31.8	0.33	0.44	0.1
	Total	1,538.82				

Source: Solifi Global Leasing Report

world's biggest leasing market, with new business volume of US\$564bn, representing 37% of the total global market share in equipment leased.

The US is the dominant player of the region, and the largest single leasing global market. New US business volume for the equipment finance industry increased by 3.1% in 2024 according to the ELFA Annual Survey of Equipment Finance (SEFA).

New business in Canada marginally declined by 0.1% in 2024. According to data supplied by the Alta Group, Mexico experienced an increase in new business in local currency of 22% in 2024.

Europe

Europe reported a decrease in new business of 3.9% in 2024 when expressed in US dollars, bringing total new business to US\$474bn and it is the second largest region in the world. Europe accounts for 31% of total world volume. Most of the national European leasing markets enjoyed growth as can be seen in Table 2.

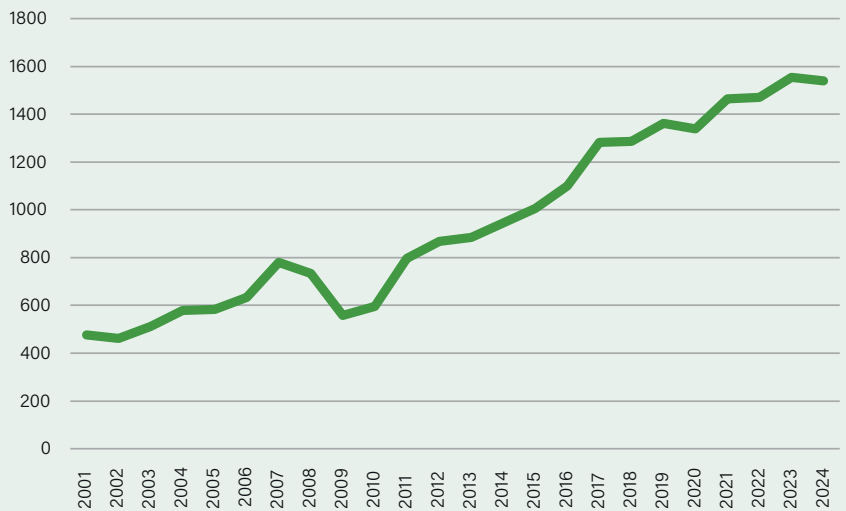
The leading five European countries (UK, Germany, France, Italy, and Poland) feature in the world's top 10 countries for new business, contributing 66% of the total European volume.

The United Kingdom and Germany are positioned as the third and fourth largest leasing markets in the world and remain the dominant players in Europe. They accounted for 39% of the European market and 12% of the world market in 2024.

In 2024, the UK leasing industry captured US\$98bn of new business registering an increase in business volumes of 2.6% (in local currency) as compared with previous year and locating it third in the global rankings after the US and China.

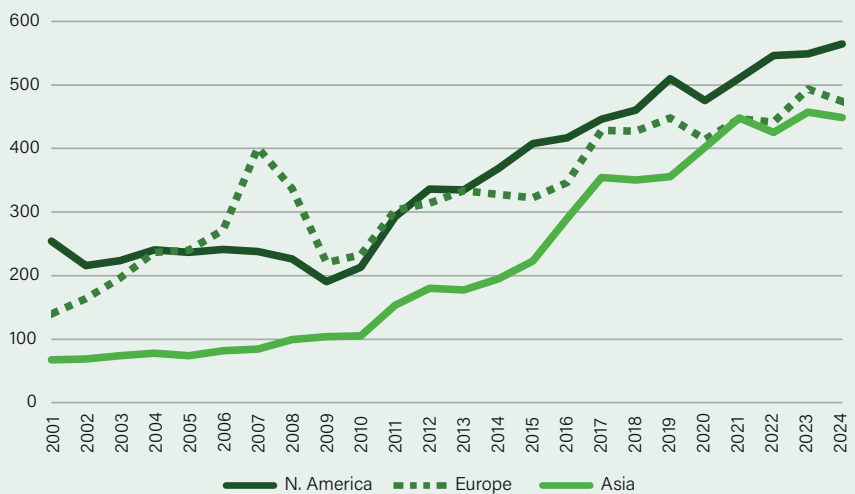
The second largest European

Figure 1: World leasing volume 2001-2024 (US\$bn)



Source: Solifi Global Leasing Report

Figure 2: Annual volume of leasing in North America, Europe and Asia 2001-2024 (US\$bn)



Source: Solifi Global Leasing Report

leasing market is Germany. New business was down 3% in 2024 to US\$89bn ranking it fourth.

France remains in 6th place in the top 50 rankings, with new business volume of US\$64bn and reporting an increase of 2.5%. Italy ranks as the 4th largest European market with new volume at US\$36bn. Poland registered impressive growth of 16% and ranks as the 5th largest European market.

Data from Russia was excluded for the Leaseurope 2024 statistical report as was Ukraine. We have made an estimate of new leasing business for Russia. We have excluded Ukraine and Belarus from the report due to a lack of data.

Overall, the members of Leaseurope (the European federation of leasing and finance companies) recorded a consolidated increase in new business of 3.1%.

Table 2: Global Leasing Report 2025

Ranking	Continent code	Country	Annual volume (US\$bn)	% Growth 2023-24	% Market penetration	Source
1	NA	United States	524.06	3.10	21.0	(8)
2	A	China	344.41	1.56	12.2	(9)
3	E	United Kingdom	97.61	2.60	43.0	(2)
4	E	Germany	88.84	-3.00	28.0	(2)
5	A	Japan	65.94	12.80	4.3	(1)
6	E	France	64.15	2.50	36.0	(2)
7	E	Italy	36.38	-3.90	19.0	(2)
8	NA	Canada	30.11	-0.10	34.6	(1)
9	E	Poland	26.56	16.40	44.0	(2)
10	ANT	Australia	24.96	1.45	n/a	(1)
11	E	Sweden	23.55	5.40	43.0	(2)
12	A	Taiwan	22.10	-4.00	11.0	(1)
13	E	Switzerland	17.01	1.20	10.0	(2)
14	E	Russia	16.00	n/a	n/a	(8)
15	E	Denmark	13.15	6.80	43.0	(2)
16	E	Spain	12.86	7.00	12.0	(2)
17	A	S. Korea	10.82	-4.36	8.0	(1)
18	E	Belgium	10.51	5.80	31.0	(2)
19	NA	Mexico	10.05	21.67	2.0	(4)
20	E	Austria	9.92	4.90	18.0	(2)
21	E	Netherlands	8.70	10.20	36.0	(2)
22	E	Norway	7.97	2.20	24.0	(2)
23	E	Czech Republic	6.33	-2.60	18.0	(2)
24	E	Turkey	5.13	33.00	n/a	(2)
25	A	India	4.83	20.00	0.5	(9)
26	E	Finland	4.75	n/a	n/a	(9)
27	E	Portugal	4.56	18.10	20.0	(2)
28	SA	Puerto Rico	3.88	28.90	12.7	(4)
29	SA	Chile	3.79	5.71	5.3	(4)
30	E	Slovakia	3.57	-2.30	24.0	(2)
31	SA	Colombia	3.51	97.00	2.4	(4)
32	SA	Costa Rica	3.38	1670.00	1.1	(4)
33	E	Hungary	2.98	3.00	12.0	(2)
34	E	Lithuania	2.73	-0.42	32.0	(1)
35	AF	Egypt	2.34	1.12	n/a	(1)
36	SA	Brazil	2.27	n/a	2.1	(4)
37	E	Slovenia	2.13	-1.70	14.0	(2)
38	E	Croatia	2.08	13.70	23.0	(2)
39	SA	Bolivia	2.02	n/a	0.8	(4)
40	E	Bulgaria	2.00	7.50	21.0	(2)
41	AF	South Africa	1.95	0.00	n/a	(8)
42	AF	Morocco	1.83	0.00	n/a	(2)
43	E	Serbia	1.55	26.93	n/a	(1)
44	E	Estonia	1.53	6.20	31.0	(2)
45	SA	Peru	1.03	-46.00	2.5	(4)
46	E	Latvia	0.89	-10.10	27.0	(2)
47	E	Greece	0.70	6.60	4.0	(2)
48	AF	Nigeria	0.63	4.02	n/a	(1)
49	SA	Argentina	0.40	n/a	1.6	(4)
50	A	Uzbekistan	0.37	18.06	1.3	(1)
Total			1,538.82			

Market penetration rates quoted by Leaseurope appear as those reported and defined in Leaseurope's 2024 Annual Survey.

Country growth figures display the figure reported by each country i.e. it is unaffected by the vagaries of currency fluctuations. It is intended to display true growth as experienced on the ground.

Key to Sources: (1) National Leasing Association (4) Alta Group (7) Central Bank Data
(2) Leaseurope (5) Other Trade Associations (8) Author's Estimate
(3) Asian Leasing Association (6) Government Statistics (9) Others' Data

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It is estimated that Leaseurope represented approximately 94% of the European leasing market in 2024. (See Leaseurope report elsewhere in this edition for an in-depth breakdown of the European data).

Note that Leaseurope excludes Ireland from its survey. We are unable to obtain reliable data on the size of the Irish leasing market and Ireland is excluded from the GLR. However, given the extensive aircraft leasing sector based in the country the Irish leasing market is significant.

The 3.1% increase in new business reported by Leaseurope differs

to the GLR Europe figure of -3.9% because The Global Leasing Report adopts the US dollar as its base rate, as published at the last day of the year (2024). Leaseurope employs the euro as its base currency, adjusted for exchange rate fluctuations.

Asia

The Asian leasing market decreased by 1.9% in 2024, and new business volume was US\$448bn. Asia occupies a 29% share of the world market.

China is the 2nd largest leasing market in the world by a considerable margin. New business

stood at US\$344bn in 2024 with growth of 1.6% over 2023.

Japan, which is the 5th largest leasing market in the world, experienced an increase in lease transaction volume in 2024 of 13% with new business volume of US\$66bn. It remains the second largest market in Asia after China.

The Taiwanese market is the third largest in the Asian region and new business declined 4% in 2024 with new business volume of US\$22bn ranking it 12th in the top 50.

The fourth biggest leasing market in Asia is S. Korea, which

Table 3: Leasing volume by region 2010-2024 (US\$bn)

US\$bn	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Europe	233.0	302.7	314.0	333.6	327.8	322.8	346.3	428.3	427.0	448.0	414.4	446.5	441.7	493.5	474.1
N. America	213.3	292.5	336.4	335.1	368.4	407.8	416.8	445.9	460.1	509.8	475.4	510.4	546.1	549.1	564.2
Asia	105.6	153.4	180.2	177.3	195.0	223.0	289.9	354.4	350.7	355.9	402.1	448.0	425.4	457.1	448.5
S. America	25.4	27.5	13.2	18.0	10.7	13.8	12.9	17.0	14.6	13.9	15.3	26.7	25.3	21.9	20.3
Australia/NZ	10.8	12.0	16.1	12.5	35.6	31.2	28.4	31.5	28.5	27.3	26.4	26.7	26.5	27.8	25.0
Africa	6.4	8.6	8.2	7.5	6.8	6.7	5.4	5.7	6.2	7.5	4.5	4.9	4.9	5.1	6.8
Annual Totals	594.5	796.7	868.0	884.0	944.3	1005.3	1099.8	1282.7	1287.0	1362.4	1338.2	1463.2	1470.0	1554.5	1538.8

Source: Solifi Global Leasing Report

Table 4: A comparison of the rate of equipment leasing market penetration (%)

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
US	17.1	21.0	22.0	22.0	22.0	22.0	21.5	21.6	21.5	22.0	22.0	22.0	22.0	21.0	21.0
Japan	6.0	5.9	6.2	6.2	5.4	5.7	5.7	5.3	5.2	5.7	5.1	4.6	4.2	4.2	4.3
Germany	14.3	14.7	5.8	16.6	16.4	16.7	17.0	17.2	15.9	18.1	16.2	18.6	25.0	28.0	28.0
Korea	4.8	8.7	8.5	8.1	9.8	9.4	9.1	8.9	9.6	9.0	9.0	9.0	9.0	9.0	8.0
UK	18.5	19.8	23.8	31.0	28.6	31.1	33.7	32.4	32.9	34.3	28.4	35.2	40.0	40.0	43.0
France	10.5	11.1	12.8	12.5	13.1	14.2	15.3	16.1	16.9	17.4	17.5	16.7	33.0	34.0	36.0
Italy	13.1	12.3	10.0	9.4	11.7	13.0	14.1	15.2	16.1	14.6	13.4	13.7	20.0	20.0	19.0
Canada	15.1	20.8	20.8	32.0	31.0	32.0	32.0	38.0	39.0	36.0	42.0	43.0	39.0	38.0	34.6
Australia	12.0	27.5	27.5	40.0	40.0	40.0	40.0	40.0	40.0	39.0	39.0	39.0	39.0	39.0	39.0
Sweden	19.2	18.2	24.6	24.4	22.7	22.9	26.0	27.1	22.4	22.8	22.3	26.6	41.0	38.0	43.0

Sources: (1) Australian Equipment Lessors Association (total leasing as a percentage of private capital investment)
 (2) US Dept. of Commerce, Economics & Statistics Administration, Bureau of Economic Analysis and Equipment Leasing Association of America
 (3) Japan Economic Planning Agency & Japan Leasing Association (equipment leasing as a percentage of private capital investment)
 (4) Leaseurope Annual Reports
 (5) Statistics Canada & Equipment Lessors Association of Canada (lessor purchases as a percentage of total equipment acquisitions in Canada)
 (6) Korea Leasing Association
 (7) London Financial Group
 (8) White Clarke Group Global Leasing Report
 (9) Solifi Global Leasing Report

ranks 17th in the world achieving new business volume of US\$11bn, which is flat compared to 2023.

Elsewhere in Asia, India registered growth in new business of 20%. We do not have reliable data for Hong Kong, Thailand, Singapore, Philippines, Pakistan, and Indonesia.

Rest of the world

Australia ranks in 10th place in the Top 50, with new business volume of US\$25bn in 2024. We have not been able to obtain reliable data for New Zealand. Australia/New Zealand represents approximately a 2% share of global leasing volume.

Africa accounts for 0.4% of the world market in leasing with four African countries achieving a placing within the GLR top 50: Egypt, Morocco, South Africa and Nigeria. The region accounted for US\$7bn of new business in 2024.

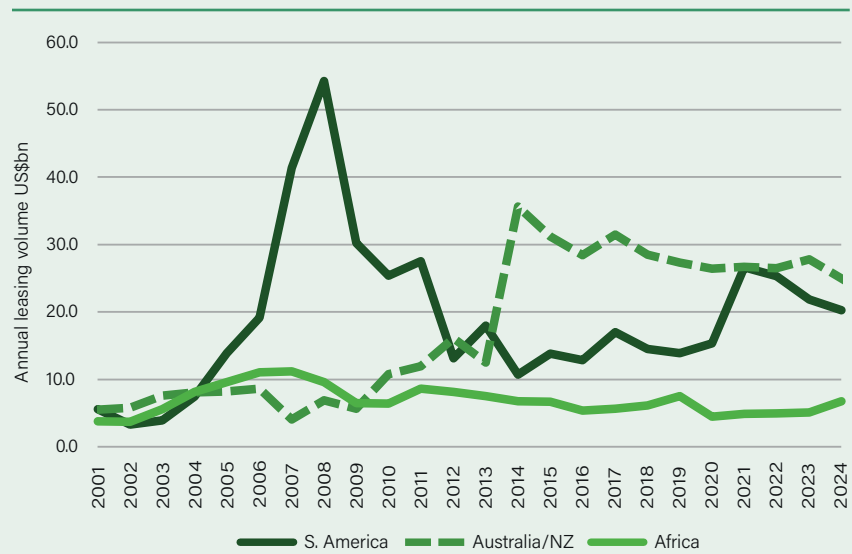
In South America new business volume figures are not always recorded by the national leasing associations where the emphasis is on portfolio value. This makes it difficult to ascertain annual new sales volume for the region and many of the figures in this report are therefore estimates.

We are most grateful to the CEO of the Alta Group – Latin American Region, Rafael Castillo Triana, for giving us access to his extensive research and facilitate us with his data which we use in this Report.

Overall new business volume for the South American region was US\$20bn, a decrease of 7% on 2023. This was due, in the main, to a significant fall in new business in Brazil.

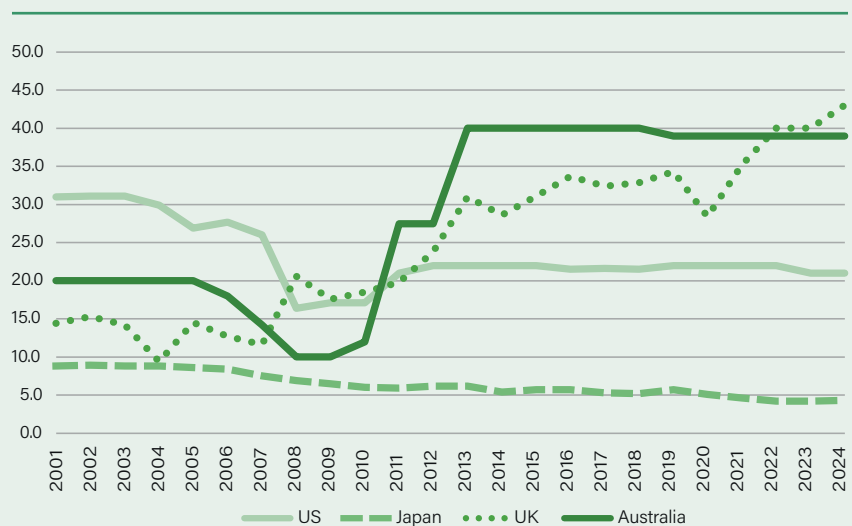
South America accounts for 1.3% of global lease volume. The largest leasing markets in South America by new business ranking are Puerto Rico, Chile, Colombia, Costa Rica, Brazil, Bolivia, Peru and Argentina.

Figure 3: Volume of leasing in Latin America, Africa and Australia/New Zealand 2001-2024 (US\$bn)



Source: London Financial Group, Solifi Global Leasing Report

Figure 4: Leasing market penetration in Australia, Japan, UK and US 2001-2024 (%)



Source: London Financial Group, Solifi Global Leasing Report

Leasing penetration

For countries where reliable data has been made available, Table 2 includes a measure of leasing penetration for the year 2024. We provide two measurements for leasing penetration. One shows the percentage of investment in a given country financed by leasing and hire purchase. It is calculated as total new business volume divided

by total investment, excluding real estate. For the largest countries, a back run of these figures for 20 years is given in Table 4.

The second method of expressing penetration, introduced into the Global Leasing Report in 1999, is in relation to gross domestic product (GDP), i.e. national output as a whole. Table 5 gives figures and rankings for each country for 2024.

Of the two measures, the first (investment penetration) is a better indication of how leasing compares in competition with alternative forms of financing. However, calculation of the investment penetration ratio depends on identifying the correct statistic for plant investment, against which leasing should be compared. The Solifi/GDP ratio is a more reliable indicator in that it is based on a broader denominator. Furthermore, information for all countries is more readily available.

In measuring leasing by reference to economic activity as a whole, this

ratio highlights which countries have relatively mature leasing industries, or, in some cases, where leasing is being promoted strategically as a source of investment funding.

The sources

The Global Leasing Report is assembled from several disparate sources, the most important primary sources being the national associations that represent leasing companies in most individual countries.

The chief role of the national associations is to act as lobbying

groups, with the aim of influencing the regulatory environment. These bodies almost all make efforts to extend their membership bases as widely as possible within the local leasing industry, and to measure and publicise local leasing business activity.

In several regions, including Europe, Asia and Latin America, continental leasing federations add substantial value to the process of recording activity at national as well as continental levels.

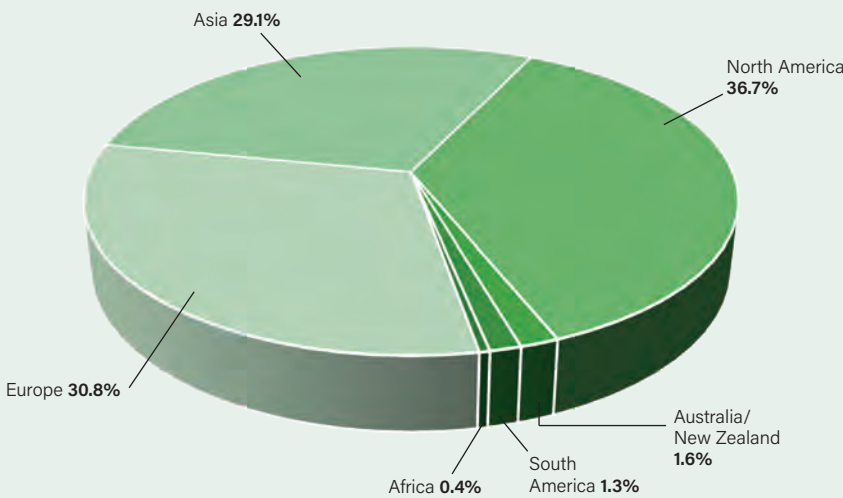
In Europe, the Leaseurope federation endeavours to standardise the measurement of equipment leasing business for each European country, on a basis that broadly matches the Global Leasing Report's concept of the scope of leasing. We are grateful to Leaseurope for the excellent quality and depth of their data which we use in this Report.

As mentioned before, readers will note some differences between figures quoted for European countries by the two organisations. This is because Leaseurope publishes its data in euros, using average exchange rates over the year for non-Euro countries, while the Global Leasing Report is published in US dollars, employing the last published exchange rates for the year.

National associations also remain important sources of information in Europe, with many of them providing significant information and narrative beyond that required by Leaseurope. We are grateful to the Alta Group for their assistance in preparing much of the Latin American data.

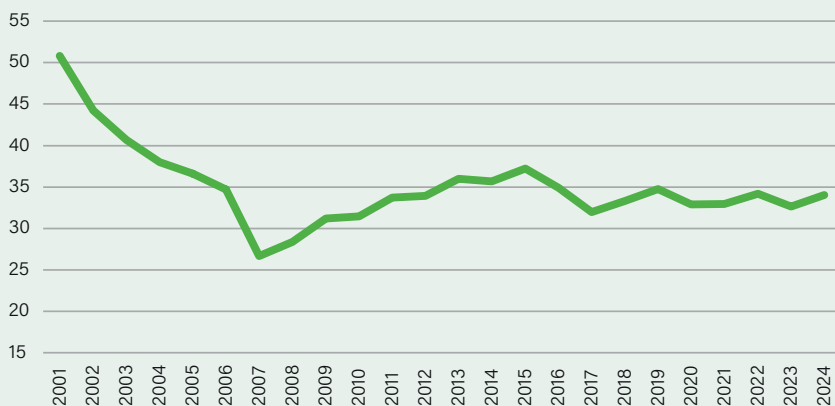
Other important sources of information for some countries include official statistics from central banks and finance ministries which have a wider remit than the leasing industry but who can make a clear differentiation between leasing

Figure 5: Volume by region (2024)



Source: Solifi Global Leasing Report

Figure 6: US share of the world leasing market 2001-2024 (%)



Source: Solifi Global Leasing Report

and other financial products.

In some of the less developed countries, International Finance Corporation (IFC), the private sector arm of the World Bank, has been active in promoting leasing activity. IFC is able to provide market volume estimates for several developing countries and has been a very helpful source of information for the Global Leasing Report for many years.

For a few countries, where locally based sources have provided data representing only part of total leasing activity, or where reasonably comprehensive information for earlier years had not been available, we have had to make an author's estimate of the national leasing total.

The various sources of information for each country are identified in the footnotes to Table 2.

Identifying the top 50

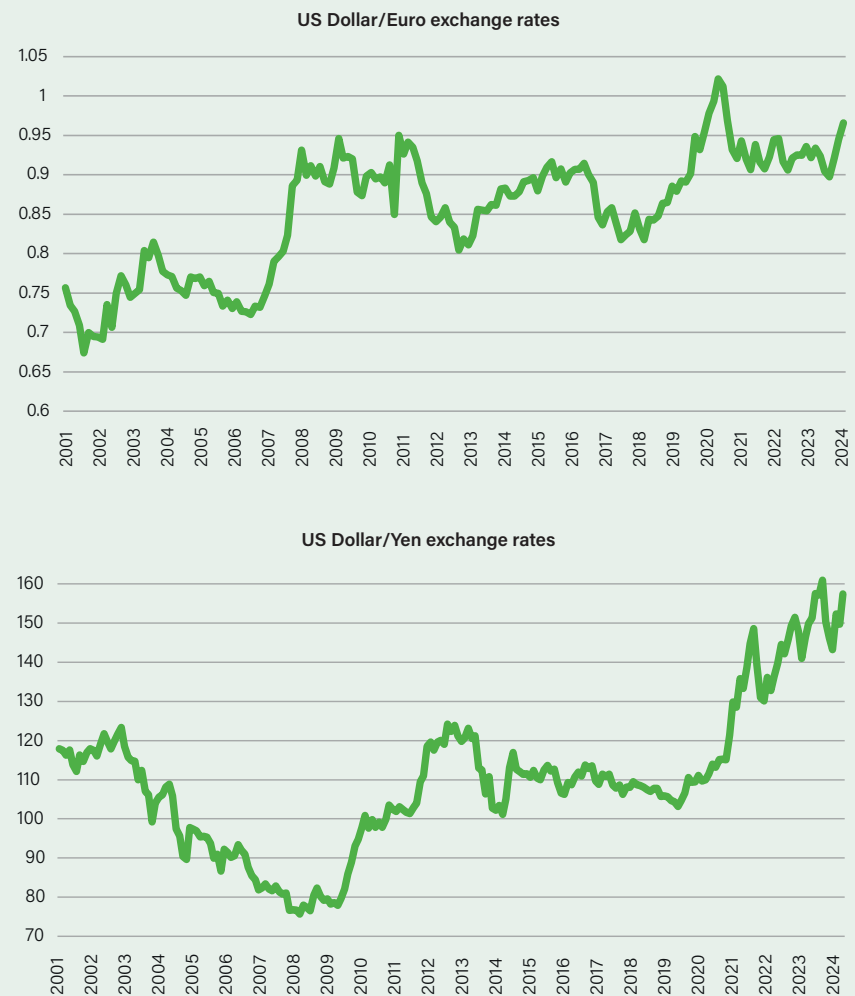
The global and continental aggregates are compiled from the top 50 countries only, and estimates are not made for countries outside that group. It is estimated that all the excluded countries together would probably have accounted for around US\$37bn of measurable leasing business in 2024.

For the purposes of identifying regional or continental groups, Turkey is taken as the eastern extremity of Europe. Africa is divided from Asia at the Suez Canal, with Egypt in Africa. The Americas are divided at the Panama Canal, with Panama itself in North America.

Australia and New Zealand together are treated as a separate region.

Cross-border leasing is included within the national total for the home state of the lessor, rather than that of the lessee. Strictly speaking, the national totals represent leasing industries rather than leasing markets.

Figure 7: Exchange rates (2001-2024)



Source: Solifi Global Leasing Report

Deriving the figures

The statistics measure new business value for each year, i.e. the value of equipment newly assigned on lease to customers during the year. Strictly speaking, that does not necessarily denote new equipment: it could include second-hand equipment, and sale-and-leaseback transactions for equipment already in use by the seller/lessee.

The widespread adoption of hire purchase as a financial instrument for equipment finance (in some countries, hire purchase has become the major source of revenue for leasing companies) prompted a change in our industry reporting

since 2011. Since then, all reference to leasing, and the leasing sector includes equipment hire purchase.

Real estate leasing is generally excluded from the Report. However, in some countries the national leasing associations (or other information sources) are concerned with the leasing of land and buildings as well as that of equipment.

Consumer credit financing is generally excluded from the data. In principle, the dividing line between leasing and consumer finance is a simple functional one, i.e. whether the equipment is largely for business use, or primarily for the customer's

Table 5: Solifi/GDP penetration ratio

Annual leasing volume as a percentage of gross domestic product

Ranking	Country	2024 ratio	Ranking	Country	2023 ratio	Ranking	Country	2022 ratio
1	Bolivia	4.19	1	Lithuania	3.77	1	Sweden	4.05
2	Sweden	3.87	2	Estonia	3.52	2	Estonia	3.79
3	Estonia	3.55	3	Slovenia	3.42	3	Slovenia	3.54
4	Costa Rica	3.55	4	Sweden	3.35	4	Lithuania	3.24
5	Lithuania	3.30	5	Poland	3.21	5	United Kingdom	3.14
6	Puerto Rico	3.21	6	Denmark	3.01	6	Taiwan	3.11
7	Denmark	3.19	7	United Kingdom	2.83	7	Denmark	3.10
8	Poland	3.08	8	Puerto Rico	2.73	8	Slovakia	2.99
9	Slovenia	2.91	9	Taiwan	2.72	9	Poland	2.91
10	Taiwan	2.85	10	Croatia	2.65	10	Colombia	2.70
11	United Kingdom	2.72	11	Slovakia	2.48	11	France	2.25
12	Slovak Republic	2.50	12	Latvia	2.44	12	Croatia	2.13
13	Croatia	2.32	13	Czech Republic	2.34	13	Latvia	2.09
14	France	2.02	14	Bulgaria	2.21	14	Austria	2.03
15	Latvia	1.96	15	France	2.11	15	Puerto Rico	2.02
16	Germany	1.89	16	Germany	2.05	16	United States	1.97
17	China	1.88	17	United States	1.96	17	Bulgaria	1.96
18	Serbia	1.88	18	Switzerland	1.94	18	Germany	1.93
19	Austria	1.85	19	Austria	1.87	19	Czech Republic	1.83
20	Czech Republic	1.85	20	Norway	1.76	20	Switzerland	1.81
21	Bulgaria	1.84	21	China	1.74	21	China	1.78
22	Switzerland	1.81	22	Italy	1.71	22	Italy	1.77
23	United States	1.80	23	Belgium	1.63	23	Australia	1.56
24	Japan	1.62	24	Australia	1.57	24	Belgium	1.55
25	Belgium	1.59	25	Portugal	1.43	25	Japan	1.50
26	Norway	1.58	26	Hungary	1.43	26	Hungary	1.44
27	Finland	1.55	27	Canada	1.42	27	Norway	1.44
28	Italy	1.53	28	Morocco	1.30	28	Canada	1.44
29	Portugal	1.50	29	Finland	1.21	29	Finland	1.41
30	Australia	1.39	30	Serbia	1.19	30	Chile	1.39
31	Canada	1.36	31	Japan	1.14	31	Portugal	1.34
32	Hungary	1.30	32	Chile	0.94	32	Morocco	1.34
33	Morocco	1.16	33	Russia	0.86	33	Serbia	1.18
34	Chile	1.15	34	Spain	0.81	34	Korea	0.88
35	Colombia	0.84	35	Netherlands	0.75	35	Mexico	0.86
36	Spain	0.74	36	Korea	0.64	36	Spain	0.86
37	Russia	0.73	37	Peru	0.56	37	Netherlands	0.77
38	Netherlands	0.71	38	Colombia	0.55	38	Russia	0.71
39	Egypt	0.62	39	Mexico	0.55	39	Peru	0.70
40	S. Korea	0.58	40	Brazil	0.51	40	South Africa	0.46
41	Mexico	0.54	41	Turkey	0.44	41	Turkey	0.40
42	South Africa	0.48	42	South Africa	0.41	42	Brazil	0.38
43	Turkey	0.38	43	Argentina	0.41	43	Uzbekistan	0.35
44	Peru	0.36	44	Uzbekistan	0.38	44	Nigeria	0.28
45	Uzbekistan	0.33	45	Costa Rica	0.31	45	Malaysia	0.28
46	Nigeria	0.32	46	Greece	0.30	46	Greece	0.25
47	Greece	0.28	47	Malaysia	0.27	47	Costa Rica	0.12
48	India	0.12	48	Nigeria	0.17	48	India	0.10
49	Brazil	0.10	49	India	0.12	49	Argentina	0.06
50	Argentina	0.07	50	Egypt	0.08	50	Hong Kong	0.04

Source: Solifi Global Leasing Report

private non-professional use as an individual or householder. However, some of the data can include leasing to consumers where the national association includes it within its own data. Cross referencing to the individual country reports in this edition is advisable for further clarification and detail.

This still leaves some problem areas as to what types of commercial equipment financing transaction should be counted as leasing. In many countries the line between leases and other forms of finance is reasonably clear.

There is no obvious solution as to where to draw the line on a consistent basis for all countries. In such problem areas the approach adopted by the Global Leasing Report (within the overriding parameters, such as excluding both real estate and consumer transactions) is to follow the local definition of leasing.

The Global Leasing Report employs US dollar as the common currency baseline for country comparisons, using exchange rates prevailing at 31/12/2024.

The outlook for 2026 and beyond.

As a conclusion to this Report, we always look forward and assess the economic climate and flavour of the leasing industry during the coming years.

Global trade activity was strong in the first quarter of 2025, driven by strong growth in US imports and in exports from Asia and the euro area due to the front-loading in anticipation of higher tariffs in the US.

There was initial economic turmoil following the introduction of higher tariffs by the US in February 2025, however there followed a reset which tempered extremes. A level

uncertainty about the stability of the global economy remains though.

Global growth according to the IMF is projected to slow from 3.3% in 2024 to 3.2% in 2025 and to 3.1% in 2026. Advanced economies are forecast to grow about 1.5% in 2025/26, with emerging market and developing economies at just above 4%.

Growth in the euro area says the IMF is expected to pick up modestly to 1.2% in 2025 and to 1.1% in 2026.

Much of 2025's equity market gains have come from a rally in artificial intelligence (AI) stocks and raise the risk of market volatility and asset price correction should uncertainty take hold. At the time of writing, November 2025, fears have been heightening that the AI-driven stock market rally in the US is not sustainable, and a number of investors have been gradually moving to hedge against a possible stock market correction.

The IMF has warned that the AI boom has led to excessive capital flows into a narrow set of firms and sectors, and that any unwinding of these positions could entail a slow economic recovery hampered by capital misallocation. These vulnerabilities, says the IMF, are compounded by constrained fiscal space, which may limit the effectiveness of policy responses.

Gold prices surged during 2025, breaking through the 4,000 dollars per ounce barrier and delivering impressive returns for traders holding the safe-haven investment. Gold offers investors a hedge against an uneasy financial environment and uncertainty over a possible stock market bubble.

Bank of America has raised its gold price forecasts, lifting its 2026 outlook for gold to \$5,000 an ounce. Goldman Sachs has

raised its December 2026 gold price forecast from \$4,300 to \$4,900 per ounce.

The five largest countries in the GLR ranking (US, China, UK, Germany, and Japan) account for more than 73% of world volume and performance in these countries drives the overall picture of total global business volume and the GLR data. A focus on these regions can give a good idea of where we are headed in future years. At the time of compiling this report (November 2025) information is available only for three quarters of 2025.

United States

Annual US GDP is forecast by the IMF at 2% in 2025. Growth is anticipated to grow marginally to 2.2% in 2026. This compares to 2.8% in 2024.

The US equipment finance industry growth increased from 1.1% in 2023 to 3.1% in 2024, according to the 2025 Survey of Equipment Finance Activity (SEFA). The top five most-financed equipment types were transportation, agricultural, construction, IT & related technology services, and materials handling.

SEFA has reported that credit is tightening with declining approval and booking rates signalling more cautious underwriting and tighter credit standards.

The Equipment Leasing & Finance Foundation's October 2025 Monthly Confidence Index reported steady confidence in the US equipment finance market. The index was relatively unchanged at 60.1 in October, compared to 59.9 in September.

Some 37.5% of the survey respondents believed demand for leases and loans to fund capital expenditures will increase over the four months to February 2026.

The ELFF index reports a qualitative assessment of both the prevailing business conditions and expectations for the future as reported by key US leasing executives.

China

According to the National Bureau of Statistics for China, GDP in the first half of 2025 showed a year-on-year increase of 5.5% at constant prices.

The IMF has reported that China's growth remains strong. Growth was 5% in 2024 and 4.8% in 2025. Four years after the property bubble burst, the sector has still not been put on a firm footing though and real estate investment continues to shrink in China. GDP growth is projected at 4.2% in 2026

There are signs says the IMF that large-scale subsidies to the manufacturing sector have reached their limit and are contributing to significant misallocation of resources in the economy. There is a contrast between strong productivity gains in some key industrial sectors, such as electric vehicles and solar panels, and the absence of aggregate productivity gains.

United Kingdom.

The UK economy grew by only 1.1% in 2024 according to the IMF, and growth is forecast at 1.3% in 2025 and 1.3% in 2026.

The Bank of England has revised its economic growth forecast for 2025 down to 0.75%, a significant decrease from the previous 1.5% forecast and this reflects concerns regarding depressed economic activity and stubborn inflation. Inflation is expected, says the Bank of England, to average 3.5% in 2025, up from an earlier estimate of 2.75%.

The Finance & Leasing

Association (FLA) reported that in the eight months to August 2025, new asset finance business was 1% higher than in the same period in 2024 reflecting generally sluggish market conditions. The FLA's Q3 2025 Industry Outlook Survey showed that more than half of UK leasing & asset finance respondents expected some decrease in business investment over the next year.

Germany

The German economy declined by 0.5% in 2024. Marginal growth is forecast by the IMF for 2025, rising to 0.9% for 2026.

According to the Deutsche Bundesbank exports will decline significantly in 2025 and increase only slightly in 2026. Reduced momentum in industrial production due to tariffs will contribute to a slowdown in the labour market and weigh on wage growth.

From 2026 onwards, the expansionary fiscal policy and the lessened growth-dampening impact of US economic policy will lead to a recovery for the German economy.

In particular, the sharp rise in government defence and infrastructure expenditure is likely to cause a marked surge in demand and an increase in gross domestic product (GDP) from 2026 onwards.

The German leasing market was stagnant in 2024. Vehicle leasing

continues to dominate the market, making up nearly two thirds of new business. Leasing's market share among new car registrations rose to about 48% in 2024.

According to the Bundesverband Deutscher Leasing-Unternehmen industry indicators suggest a return to growth in 2025 due to a political shift in Berlin, combined with reform plans and fiscal stimulus.

Japan

The Japanese economy grew by only 0.1% in 2024. The IMF forecasts GDP growth of 1.1% in 2025 and 0.6% in 2026.

Japan's economic growth will moderate as trade and other policies in each jurisdiction lead to a slowdown in overseas economies and to a decline in domestic corporate profits and other factors, says the Bank of Japan.

The year-on-year rate of increase in the CPI is likely to be in the range of 2.5% to 3% for fiscal 2025, in the range of 1.5% to 2% for fiscal 2026, and at around 2% for fiscal 2027, according to the Bank of Japan.

Total new leasing business in Japan was up 12.8% in 2024. However, the Japanese Leasing Association has reported that lease transaction volume for the first five months of financial year 2025 decreased by 1.3% compared with the same period of the previous year.

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European leasing sector strengthens its position with continued growth in 2024

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European market 2024 overview

The European economy entered 2024 in a state of cautious recovery, marked by declining inflation and early signs of monetary stabilisation. Although interest rates remained elevated, the broader financial environment began to show signs of easing, prompting firms to revisit

investment strategies with renewed, albeit measured, confidence.

Business investment remained subdued overall, with growth picking up only modestly after a sharp contraction in late 2023. Persistent geopolitical tensions and tight credit conditions continued to temper decision-making, yet the overall sentiment shifted

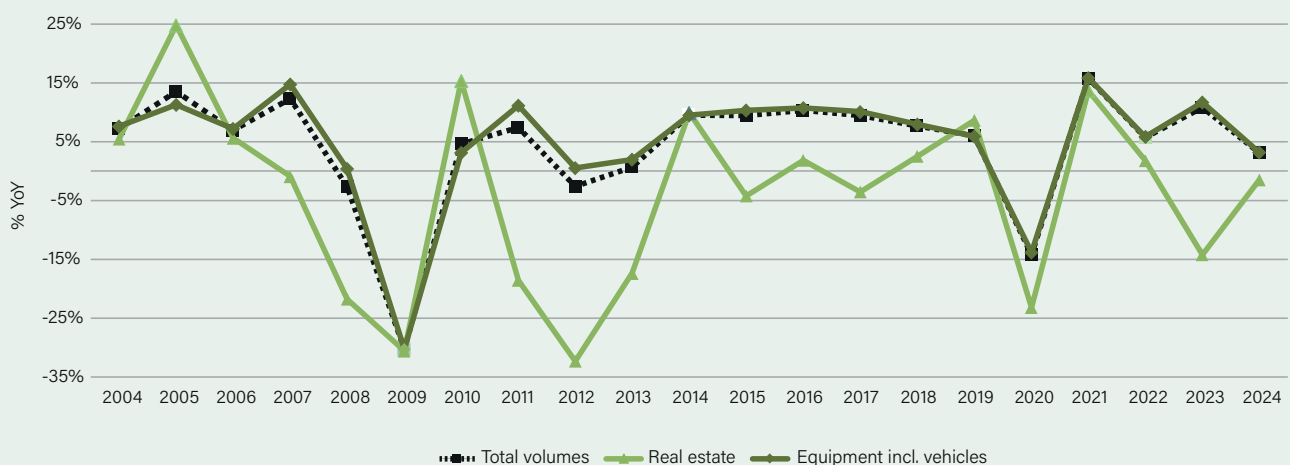
toward resilience and adaptation.

Within this evolving landscape, the leasing sector demonstrated notable momentum – strengthening its role as a flexible financing tool and registering continued growth across key markets.

The 2024 Survey on the Access to Finance of Enterprises (SAFE) revealed that leasing is the most preferred financing option among SMEs. Its prevalence is higher among high-growth enterprises, innovative SMEs, and exporters.

For the first time since the start of the survey series, the share of SMEs that view leasing or hire purchase as relevant (50%) has surpassed those that consider it irrelevant (49%). In particular, 21% of SMEs used leasing or hire purchase in the last

Figure 1: New leasing volume growth rates



Annual growth rates based on a homogenous sample of members reporting from year to year in Leaseurope's Annual Statistical Enquiries & adjusted for exchange rate fluctuations from 2007 onwards.

six months, making it the second most used form of external finance.¹

The 2024 Leaseurope Index, which tracks quarterly performance among European leasing companies, revealed a year marked by contrasts. Despite declines in a

few core financial metrics such as operating income, pre-tax profit, and operating expenses,² European lessors demonstrated resilience by expanding their portfolios and growing new business volumes.

According to the Leaseurope

Annual Surveys 2024,³ new leasing volumes reported by companies represented through Leaseurope's Member Associations rose by 3.1%⁴ (see Figure 1 and Table 1) from the previous year, reaching €454bn. The number of new leasing contracts

Table 1: New leasing volumes of Leaseurope members reporting in 2024

		New production (€m)	% Change of new volumes in 2024/2023	Share of Leaseurope market	Share of local market
AT	Verband Österreichischer Leasing-Gesellschaften - VÖL	9,209	4.9%	2.0%	96%
BE	Association Belge des Entreprises de Leasing	9,136	5.8%	2.0%	90%
BE	Fédération Belge des Loueurs de Véhicules - RENTA	7,110	-3.7%	1.6%	90%
BG	Bulgarian Association for Leasing - BAL	1,740	7.5%	0.4%	90%
CH	Schweizerischer Leasingverband - SLV	13,150	-2.3%	2.9%	80%
CZ	Czech Leasing and Finance Association - CLFA	5,263	-2.6%	1.2%	86%
DE	Bundesverband Deutscher Leasing-Unternehmen e.V. - BDL	81,541	2.5%	18.0%	95%
DK	Finans og Leasing	11,439	-3.0%	2.5%	90%
EE	Estonian Leasing Association	1,418	6.8%	0.3%	96%
ES	Asociación Española de Leasing y Renting - AELR	11,308	5.4%	2.5%	91%
FR	Association française des Sociétés Financières - ASF	57,018	6.2%	12.6%	92%
FR	Fédération Nationale des Loueurs de Véhicules - FNLV	14,271	7.0%	3.1%	85%
GR	Association of Greek Leasing Companies - AGLC	677	6.4%	0.1%	100%
HR	Croatian Chamber of Economy - Association of Leasing Companies	2,014	1.2%	0.4%	100%
HU	Hungarian Leasing Association	2,452	6.6%	0.5%	85%
IT	Associazione Italiana Leasing - ASSILEA	33,396	13.7%	7.4%	95%
LV	Finance Latvia Association - Leasing Committee	822	3.0%	0.2%	96%
MA	Association Professionnelle des Sociétés de Financement - APSF	1,769	-3.9%	0.4%	100%
NL	Nederlandse Vereniging van Leasemaatschappijen - NVL	7,984	-10.1%	1.8%	95%
NL	Vereniging van Nederlandse Autoleasemaatschappijen - VNA	14,163	6.4%	3.1%	87%
NO	Finansieringsselskapenes Forening	6,929	10.2%	1.5%	90%
PL	Polish Leasing Association	25,661	19.0%	5.7%	100%
PT	Associação Portuguesa de Leasing, Factoring e Renting - ALF	4,227	2.2%	0.9%	96%
SE	AFINA regrouping Finansbolagens Förening and Svenska Bankföreningen	18,205	-1.7%	4.0%	80%
SI	Leasing Committee of the Banking Association of Slovenia	1,645	18.1%	0.4%	80%
SK	Association of Leasing Companies of the Slovak Republic	3,068	16.4%	0.7%	89%
TR	Auto Leasing and Rental Companies Association - Tokkder	1,951	-21.6%	0.4%	72%
TR	Turkish Association of Financial Institutions - AFI/FKB	4,961	33.0%	1.1%	100%
UK	British Vehicle Rental and Leasing Association - BVRLA	11,590	12.5%	2.6%	
UK	Finance and Leasing Association - FLA	89,586	2.6%	19.7%	95%
TOTAL		453,703	3.1%	100.0%	94%

Notes (**)

Leasing figures include data for long term rental/operating leasing.

Growth rates shown are calculated based on a homogenous sample of members reporting in Leaseurope's 2024 Annual Statistical Enquiry and are not adjusted for inflation.

Association Espanola de Renting de Vehiculos – AER (ES) was excluded from the 2024 results.

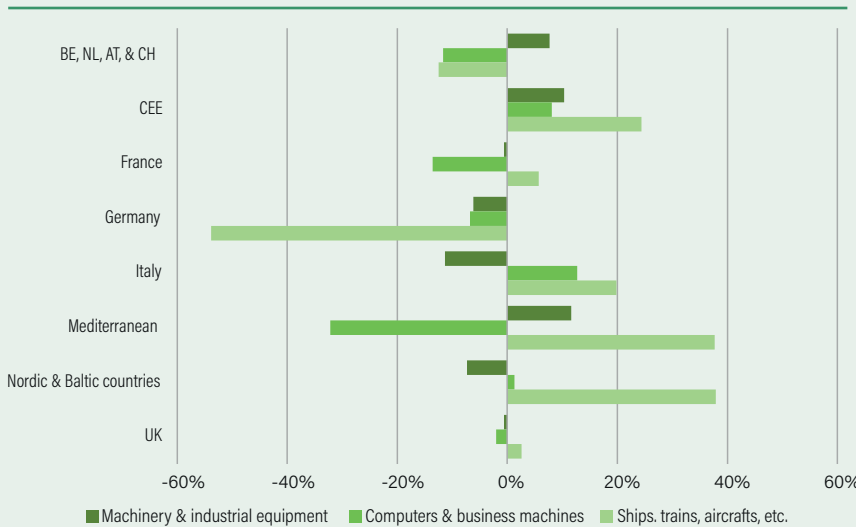
Figures reported by our UK member, British Vehicle Rental and Leasing Association - BVRLA are adjusted to a potential overlap in the automotive data with the Finance and Leasing Association - FLA, where possible. While best efforts have been made to avoid double counting, in countries where there is more than one Member Association reporting, there may be some overlap in the data.

Figures for Poland are estimates of the entire leasing markets in these countries. Our Polish member, the Polish Leasing Association, represents 90% of the leasing market in Poland.

** Leaseurope's representativity reflects its membership only

Share of local markets excludes associations for which data is not available.

Figure 2a: New leased equipment growth rates per asset type and cluster in 2024



Annual growth rates are based on a homogenous sample of members reporting 2024 and 2023 data in the Leaseurope's 2024 Annual Statistical Enquiry

5.7% rise in commercial vehicles, underscoring strong demand for mobility assets. Passenger car leasing continued to gain momentum, representing 57% of the total new leasing amount, and commercial vehicles accounted for 18%.

In 2024, demand for full Battery Electric Vehicles (BEV)⁶ surged, with the number of purchases and leases increasing by 21.6%. Hybrid cars also recorded growth of 5.7%, whereas combustion engine cars fell by -2.2%. According to ACEA's August 2025 update, new car registrations in the first eight months of the year remained stable at nearly 7.2m units. Battery-electric cars experienced robust growth, rising 24.8% compared with the same period in 2023, while registrations of traditional combustion cars dropped sharply by -21.3%.⁷

Other equipment categories also performed well, posting a solid 6.6% increase, while machinery and industrial equipment remained broadly stable. In contrast, leasing activity in ICT fell by -6.8%, and big-ticket assets such as ships, planes,

also increased by 3.0%, reflecting steady demand across key markets.

Meanwhile, the portfolio of leased assets in Europe surpassed €1 trillion, up 4.9% year-on-year, underscoring the sector's continued resilience and growth momentum.

Asset breakdown and client segments

Regional¹⁵ performance across Europe's leasing sector in 2024 showed clear signs of growth, though the pace varied significantly by market. Central and Eastern Europe (CEE) emerged as the standouts, recording a robust double-digit increase in new leasing volumes, surpassing 10% growth. Other regions posted more moderate gains. Notably, Italy and Germany were the only major markets to report declines in total new business volumes (see Figures 2a and 2b).

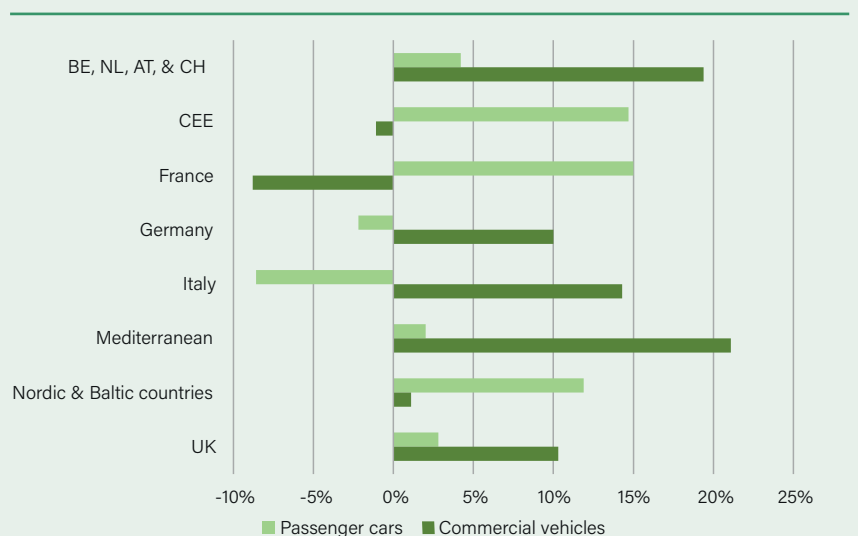
Except for the automotive sector and other equipment categories, which recorded growth in 2024, most asset classes saw declines. Meanwhile, new leasing volumes for machinery and industrial equipment showed

little change throughout 2024.

Automotive, i.e. passenger cars and commercial vehicles, remained the dominant asset type in 2024, accounting for around 75% of total new leasing volumes, or roughly €338bn (see Figure 3).

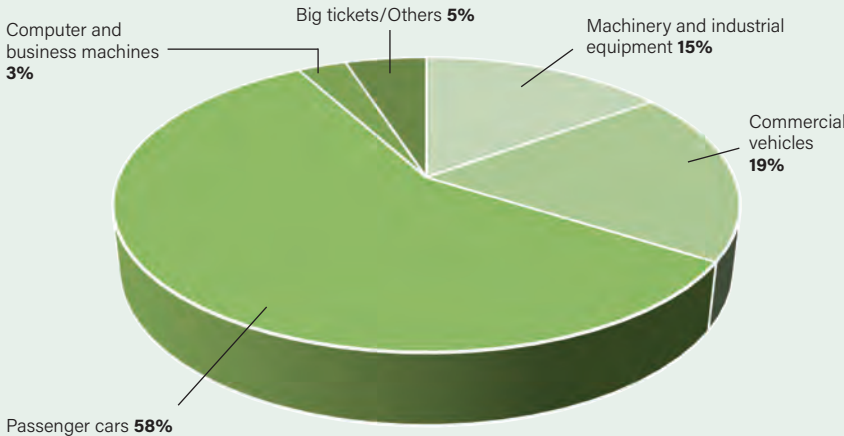
The segment's growth was driven by a 4.4% increase in passenger car leasing and a

Figure 2b: New leased vehicles growth rates and cluster in 2024



Annual growth rates are based on a homogenous sample of members reporting 2024 and 2023 data in the Leaseurope's 2024 Annual Statistical Enquiry

Figure 3: New leased equipment volume per asset type in 2024



and rail saw a steep -20.6% drop (see Figure 4).

As in previous years, the private sector continued to dominate new leasing volumes for equipment, including vehicles, accounting for three-quarters of total activity.⁸

Within this segment, 30% of volumes were attributed to corporations and 70% to SMEs. Outside the private sector, consumers accounted for 21% of new leasing volumes, while public authorities and other client types represented 3%

and 1%, respectively (see Figure 5).

Real estate leasing represented close to 3% of Leaseurope's total new business in 2024. The segment saw a modest decline of -1.5%, amounting to €12bn, while outstanding portfolios contracted by -2.9%. Despite this, the number of new contracts rose sharply by 179.7%.⁹ The real estate leasing market displayed uneven performance across regions, with roughly half of the clusters recording declines. In contrast, the Mediterranean countries and

Central and Eastern Europe (CEE), strongly driven by Turkey, posted robust double-digit growth in new business volumes in 2024.

Most property segments experienced declines in new business volumes, except for office buildings and utilities, which recorded strong increases of 42.6% and 64.4%, respectively. Industrial buildings remained the largest category, representing 38% of total new real estate leasing volumes (see Figure 6), though this segment contracted by -13.1%. Retail properties, meanwhile, remained broadly stable compared with 2023.

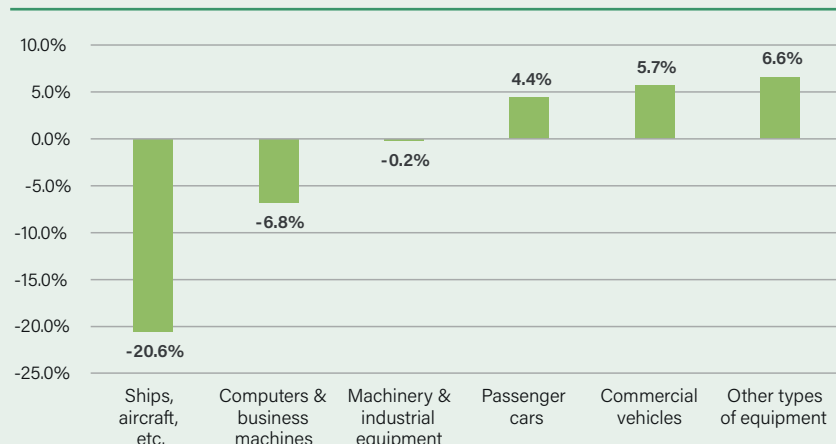
Long term industry growth and business investment

The EU economy is forecast to expand modestly by 1.1% in 2025, maintaining the same growth rate as in 2024. This represents a downward revision from previous projections, largely due to the effects of higher tariffs and increased uncertainty following recent shifts in US trade policy. Despite these headwinds, growth is expected to strengthen to 1.5% in 2026, supported by



The portfolio of leased assets in Europe surpassed €1 trillion in 2024, up 4.9% year-on-year, underscoring the sector's continued resilience and growth momentum.

Figure 4: Growth rates for new equipment leasing volumes per asset type in 2024



Annual growth rates are based on a homogenous sample of members reporting 2024 and 2023 data in the Leaseurope's 2024 Annual Statistical Enquiry

Over the past decade, European lessors have experienced rising demand for leasing, supported by stronger investment activity. Between 2014 and 2024, new leasing volumes for equipment grew at a compound annual growth rate (CAGR) of 5.4%, surpassing the 4.2% CAGR of total equipment investment across Europe. (See Table 2 for individual country CAGRs).¹²

The leasing penetration rate in 2024, which represents equipment investment financed by leasing, reached 28%, representing a one percentage point increase compared with 2023 on a homogeneous sample (see Figure 7). Some 65% of the market's equipment penetration rates surpass 20%. Equipment investment is anticipated to gradually recover after a period of weakness driven by elevated financing costs and economic uncertainty.¹³

steady consumer demand and a recovery in investment. Inflation is projected to ease from 2.6% in 2024 to 1.9% in 2026, reflecting moderating price pressures.¹⁰

The ECB Q2 2025 SAFE survey mentions that growth expectations

are slightly lower at 0.9% in 2025, rising to 1.4% in 2027. Forecasters note that fiscal spending and green-transition taxes could support investment, while financing costs and policy uncertainty continue to weigh on equipment investment.¹¹

Table 2: 10-year compound annual growth rates for equipment leasing and investment

		CAGR (2014-2024)	
		New equipment leasing volumes	Equipment investment
AT	Verband Österreichischer Leasing-Gesellschaften - VÖL	5.2%	4.4%
BE	Association Belge des Entreprises de Leasing	7.7%	5.1%
CH	Schweizerischer Leasingverband - SLV	4.5%	2.0%
CZ	Czech Leasing and Finance Association - CLFA	5.3%	5.1%
DE	Bundesverband Deutscher Leasing-Unternehmen e.V. - BDL	5.0%	3.0%
DK	Finans og Leasing	6.2%	1.9%
EE	Estonian Leasing Association	5.0%	5.1%
ES	Asociación Española de Leasing y Renting - AELR	5.6%	4.4%
FR	Association française des Sociétés Financières - ASF	6.6%	3.5%
GR	Association of Greek Leasing Companies - AGLC	12.2%	7.7%
IT	Associazione Italiana Leasing - ASSILEA	6.4%	5.2%
LV	Latvian Lessors Association	4.5%	4.9%
NL	Nederlandse Vereniging van Leasemaatschappijen - NVL	6.4%	6.1%
NO	Finansieringsselskapenes Forening	2.2%	5.9%
PL	Polish Leasing Association	9.6%	6.3%
PT	Associação Portuguesa de Leasing, Factoring e Renting - ALF	5.7%	7.4%
SE	AFINA regrouping Finansbolagens Förening and Svenska Bankföreningen	4.0%	3.3%
SI	Leasing Committee of the Banking Association of Slovenia	8.6%	6.9%
SK	Association of Leasing Companies of the Slovak Republic	4.7%	4.2%
UK	Finance and Leasing Association - FLA	3.9%	3.8%
TOTAL		5.4%	4.2%

Investment is defined as gross fixed capital formation in equipment. These figures are taken from AMECO.

Figure 5: New equipment (including vehicles) leasing volumes per client category in 2024

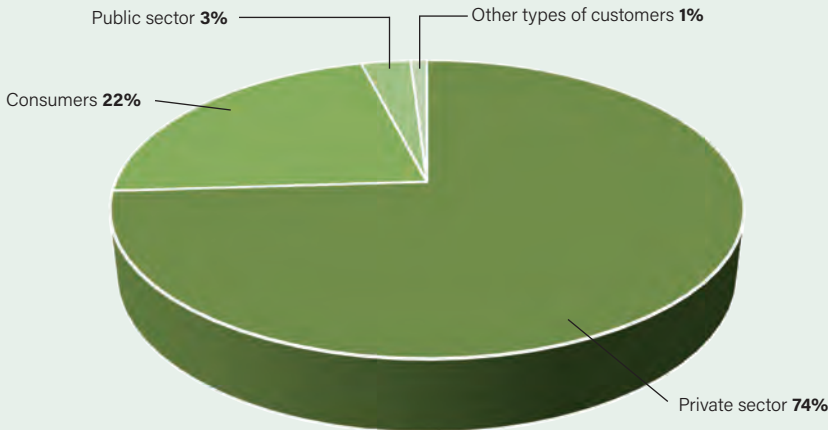
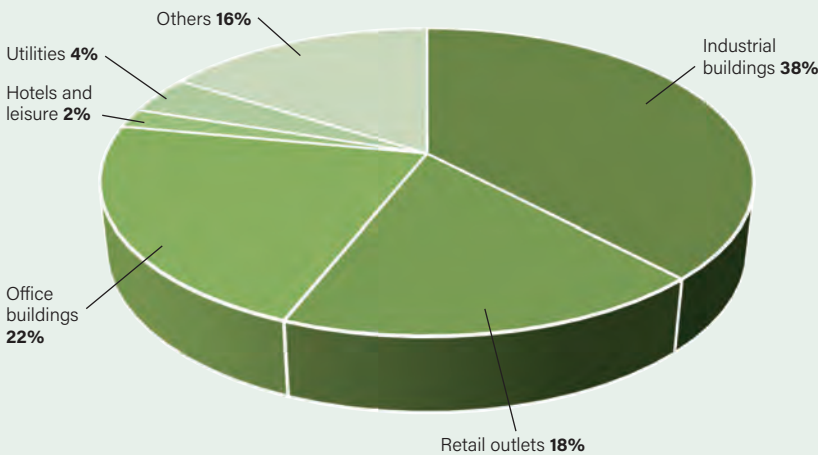


Figure 6: New real estate leasing volumes per building type in 2024



About Leaseurope

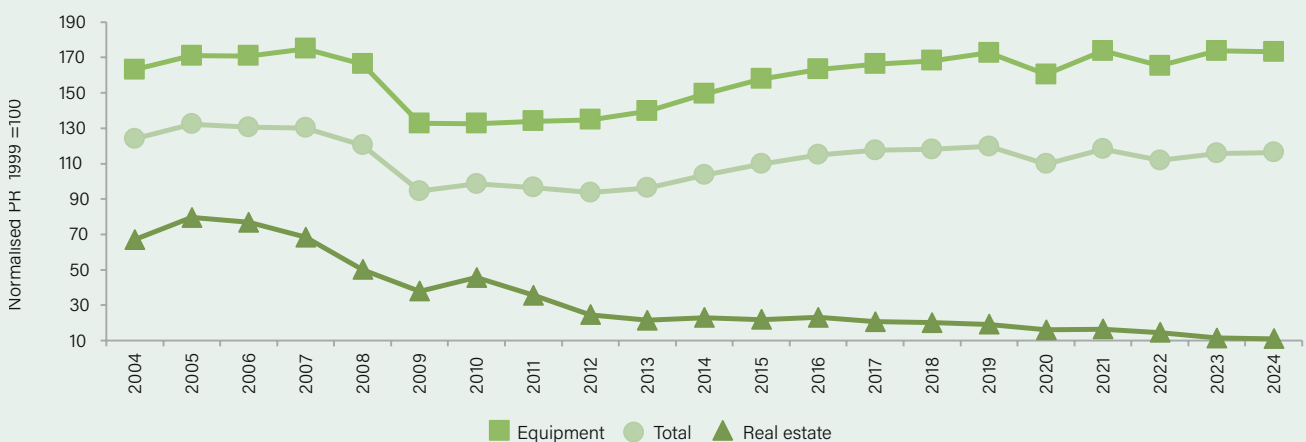
Leaseurope brings together 46 Member Associations representing the leasing, long term and/or short-term automotive rental industries in the 32 European countries in which they are present. In 2024, these associations represented more than 1,000 leasing firms and more than 600 short-term rental companies.

The scope of products covered by Leaseurope’s Members ranges from hire purchase and finance leases to operating leases of all asset categories (automotive, equipment and real estate) and includes the short-term rental of cars, vans and trucks.

It is estimated that Leaseurope represents approximately 94% of the total European leasing market and the firms represented via its Member Associations granted new leasing volumes worth €454bn in 2024.

Leaseurope

Figure 7: Leaseurope penetration rate (2004-2024)



Penetration rates reported here are calculated based on a homogenous sample of members reporting in Leaseurope’s Annual Statistical Enquiries

Endnotes

- ¹ Survey on the Access to Finance of Enterprises (SAFE) 2024, European Commission.
- ² Launched in 2011, the Leaseurope Index tracks key performance indicators of a sample of European lessors on a quarterly basis. For more information, visit the Leaseurope Index section of the Federation’s webpage on <https://www.leaseurope.org/data-research/leaseurope-index>
- ³ The Member Associations taking part in the 2024 Annual Statistical Enquiry are: Verband Österreichischer Leasing-Gesellschaften (AT), Fédération Belge des Loueurs de Véhicules (BE), Association Belge des Entreprises de Leasing (BE), Bulgarian Association for Leasing (BG), Schweizerischer Leasingverband – SLV (CH), Czech Leasing and Finance Association (CZ), Croatian Chamber of Economy - Association of Leasing Companies (HR), Bundesverband Deutscher Leasing-Unternehmen (DE), Finans og Leasing (DK), Estonian Leasing Association (EE), Asociación Española de Leasing y Renting (ES), Association française des Sociétés Financières (FR), Fédération Nationale des Loueurs de Véhicules (FR), Association of Greek Leasing Companies (GR), Hungarian Leasing Association (HU), Associazione Italiana Leasing (IT), Latvian Lessors Association (LV), Association Professionnelle des Sociétés de Financement – APSF (MA), Nederlandse Vereniging van Leasemaatschappijen (NL), Vereniging van Nederlandse Autoleasemaatschappijen (NL), Finansieringsselskapenes Forening (NO), Polish Leasing Association (PL), Associação Portuguesa de Leasing, Factoring e Renting (PT), Leasing Committee of the Banking Association of Slovenia (SI), AFINA regrouping Finansbolagens Förening and Svenska Bankföreningen (SE), Association of Leasing Companies of the Slovak Republic (SK), Auto Leasing and Rental Companies Association (TR), Turkish Association of Financial Institutions (TR), Finance and Leasing Association (UK), British Vehicle Rental and Leasing Association (UK).
- ⁴ All growth rates reported here are calculated based on a homogenous sample of Members reporting in Leaseurope’s 2024 Annual Statistical Enquiries. The growth rates are not adjusted for inflation.
- ⁵ Cluster composition: CEE (Bulgaria, Czech Republic, Croatia, Hungary, Poland, Slovenia, Slovakia, Turkey); Mediterranean (Spain, Portugal, Greece, Morocco); Nordic & Baltic countries (Denmark, Norway, Sweden, Estonia, Latvia); BE, NL, AT & CH (Belgium, Netherlands, Austria, Switzerland)
- ⁶ Based on data provided by 10 Member Associations
- ⁷ ACEA Press Release August 2025
- ⁸ Based on data provided by 23 Member Associations
- ⁹ This growth was mainly driven by AFI/FKB (TR), where an increase in real estate transactions boosted contract volumes in line with typical market dynamics. However, excluding AFI/FKB, new real estate contracts in 2024 amounted to 7,040, reflecting a -5.7% decrease compared with 2023.
- ¹⁰ European Economic Forecast, Spring 2025
- ¹¹ ECB SAFE Survey, Q2 2025
- ¹² Leaseurope’s Member Associations consistently reporting in its Annual Statistical Enquiries over the period 2014-2024: Austria, Belgium, Switzerland, Czech Republic, Germany, Denmark, Estonia, Spain, France, Greece, Italy, Latvia, the Netherlands, Norway, Poland, Portugal, Sweden, Slovenia, Slovakia and the United Kingdom
- ¹³ European Economic Forecast, Spring 2025. Growth rates are adjusted for inflation impact



The leasing penetration rate in 2024, which represents equipment investment financed by leasing, reached 28%, representing a one percentage point increase compared with 2023.

Insights from the US market and global implications – From silos to unified operations

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The Great Convergence: How multi-product integration redefines auto and equipment finance

The equipment finance industry faces unprecedented transformation in 2026. Prime lending rates stand at 7.25% following the US Federal Reserve’s recent cut¹. This level remains significantly higher than the near-zero rates of recent years.

The convergence of traditionally separate financing products into unified operational platforms has accelerated.

This trend aligns with the Bank of England’s frameworks, which advocate integrated risk measurement “across the complete balance sheet.”

For equipment finance providers, unified platforms need to model rate impacts across leasing, factoring, credit, and floorplan portfolios simultaneously.



Critical questions

- Why do product interconnections demand unified platforms?
- How does the floorplan to-retail cycle create integration imperatives?
- What refinancing capabilities must modern platforms provide?
- Which architectural principles enable seamless multi-product operations?

Why do product interconnections demand unified platforms?

The Office of the Comptroller of the Currency recognises that “floor plan lending requires continuous tracking

of collateral through complete cycle.”³ This regulatory insight underscores a fundamental truth: financial products cannot operate in isolation when they finance the same underlying assets across different lifecycle phases.

The market scale reality

The US Federal Reserve data reveals the vast scale of interconnected financing needs. By August 2025, total loans and leases in bank credit reached US\$13.05 trillion⁴, making extraordinary growth compared to historical levels.

Within this broader market, equipment-specific financing demonstrates similar interconnection patterns. Average amounts financed have grown significantly, reflecting both inflation and customers’ increased comfort with comprehensive financing.

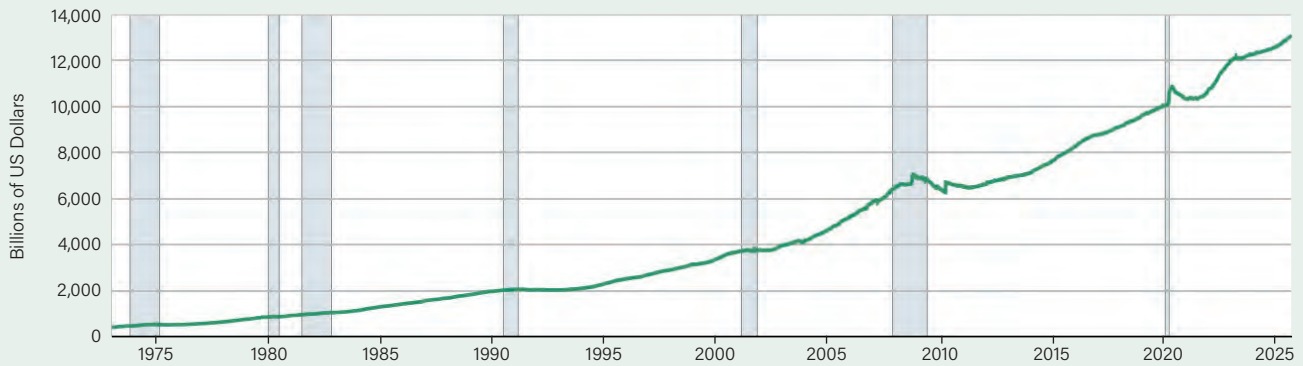
The interconnection reality

Consider a construction equipment dealer. The financial institution provides:

1. Floorplan financing for US\$2m inventory (20 excavators).
2. Retail leasing when the dealer sells equipment to contractors.
3. Factoring services for the dealer’s receivables optimisation.
4. Working capital credit for operational expenses.

Each product connects to the others. The same excavator moves from floorplan collateral to lease asset. The

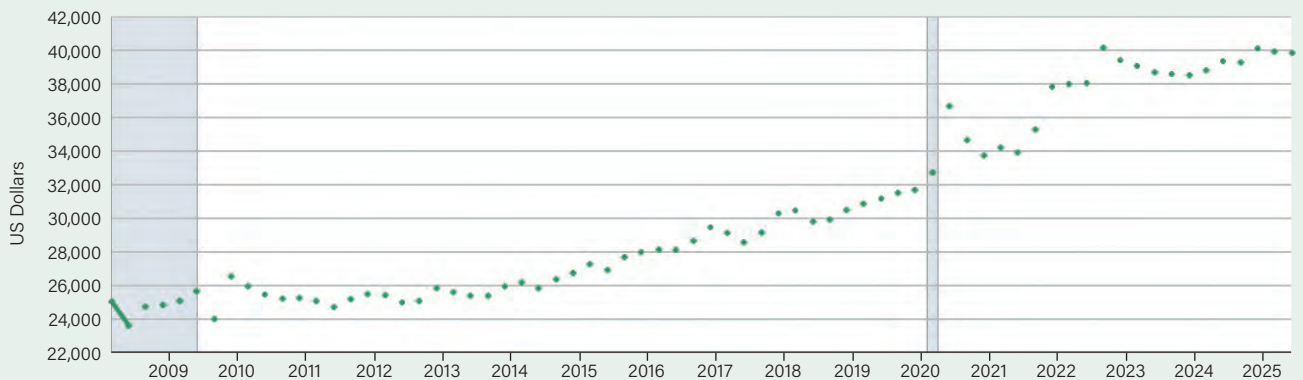
Figure 1: Total loans and leases in bank credit – all commercial banks



Shaded areas indicate U.S. recessions

Source: Federal Reserve Economic Data (FRED), Series TOTLL Shows exponential growth from ~\$1 trillion (1980) to \$13.05 trillion (2025)

Figure 2: Average amount financed – new car loans at auto finance companies



Shaded areas indicate U.S. recessions

Source: Federal Reserve Economic Data (FRED), Series DTCTLVENANM Growth from \$24,000 (2008) to \$39,833 (March 2025) – 66% increase

dealer’s cash flow depends on all four products working together.

The compensation challenge

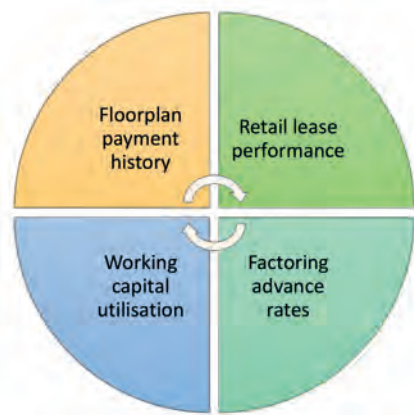
When a dealer sells equipment financed via floorplan, automatic compensation must occur. The floorplan balance reduces, and a new lease receivable is generated. This happens in real time.

Separate systems cannot handle this complexity. This results in errors, delays, and cash flow problems. Double-financing risks emerge.

Cox Automotive data shows dealers with multi-product access turn inventory faster, capture more market share, and generate higher profits.⁶

Risk assessment integration

Bank of England frameworks advocate integrated risk measurement for good reason.⁷ That reason is that a dealer’s creditworthiness spans multiple products:



Fragmented systems cannot provide a holistic view. Risk decisions become suboptimal, and pricing strategies fail.

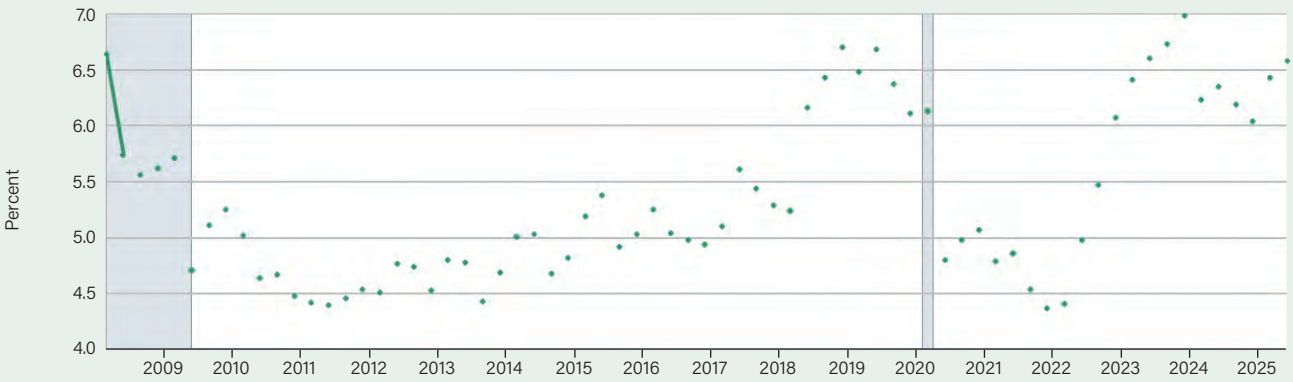
How does the floorplan-to-retail cycle create integration imperatives?

The floorplan-to-retail conversion cycle represents equipment finance at its most complex. Understanding this cycle highlights why unified platforms have become operational necessities.

Interest rate impact on financing decisions

Current market conditions

Figure 3: Average finance rate of new car loans at finance companies (amount of finance weight)



Shaded areas indicate U.S. recessions

Source: Federal Reserve Economic Data (FRED), Series RIELPCFANM Shows rate volatility: 4% (2021) → 7%+ (2023) → 6.43% (March 2025)

significantly influence financing strategies. Volatility creates many challenges and opportunities.

Higher rates drive customers toward providers offering comprehensive solutions, rather than shopping for individual products.

The integration imperative

This cycle demands unified platforms because:

1. Asset continuity: The same collateral moves through multiple product phases.
2. Risk correlation: Performance in one product affects others.

3. Cash flow optimisation: Timing across products impacts profitability.
4. Regulatory compliance: OCC requires continuous collateral tracking.

What refinancing capabilities must modern platforms provide?

Refinancing has evolved from periodic portfolio optimisation to a continuous strategic advantage. Modern platforms must integrate multiple refinancing models through sophisticated funding partner modules.

Real-time market analysis

The modular platforms should help banks leverage open banking data to deliver personalised refinancing strategies. This requires:

- Continuous rate monitoring across funding source
- Automated portfolio analysis for refinancing opportunities
- Integration with multiple funding partners
- Real-time decision-making capabilities

Funding partner integration

Advanced platforms support multiple refinancing models:

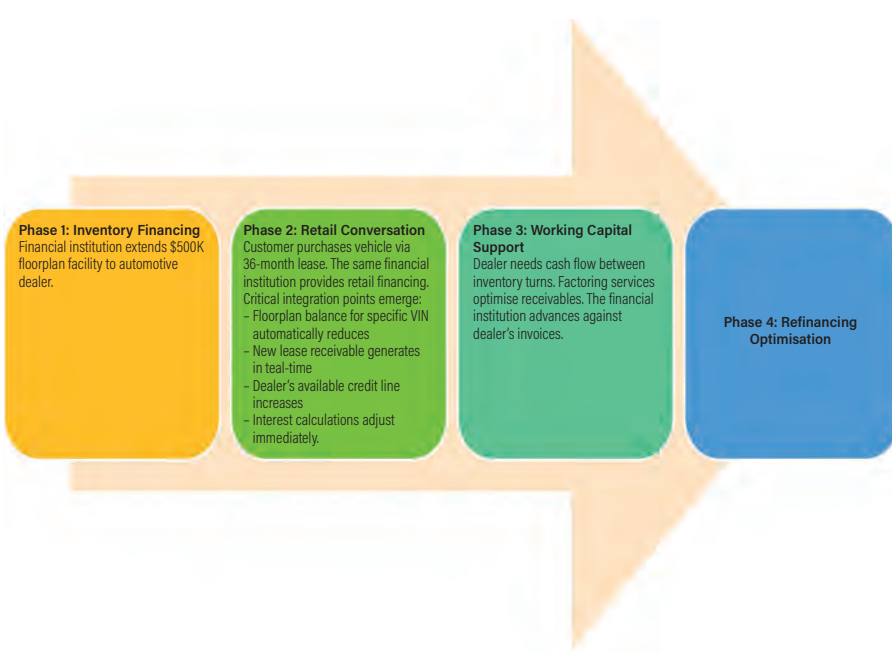
1. Securitisation Programs: Package diverse asset pools for capital markets
2. Bank Partnerships: Access wholesale funding at optimal rates
3. Institutional Investors: Direct placement of seasoned portfolios
4. Government Programs: Leverage SBA and other guaranteed facilities

Each funding source requires different data formats, compliance variance, and reporting standards.

Portfolio optimisation analytics

Sophisticated refinancing modules analyse:

- Asset performance across product types



- Geographic concentration risks
- Industry sector exposures
- Maturity profile optimisation
- Currency hedging requirements

The goal: Minimise weighted average cost of capital while maintaining operational flexibility.

Automated decision frameworks

Leading platforms utilise expert systems which analyse every portfolio change. Refinancing opportunities are triggered automatically when:

- Market rates drop below portfolio thresholds
- Asset performance exceeds projections
- Regulatory capital requirements change
- Funding partner terms improve

This automation requires event-driven architectures capable of processing thousands of variables simultaneously.

Which architectural principles enable seamless multi-product operations?

Successful unified platforms share common architectural principles which enable seamless operations across leasing, credit, factoring, and floorplan financing, while maintaining the flexibility to adapt rapidly to market changes.

Leading platforms feature highly configurable engines which accommodate unique requirements without custom development. Success in the American market demands sophisticated payment structure support, including TRAC leases with terminal rental adjustments, step payment schedules, Equipment Finance Agreements, and leveraged lease arrangements.

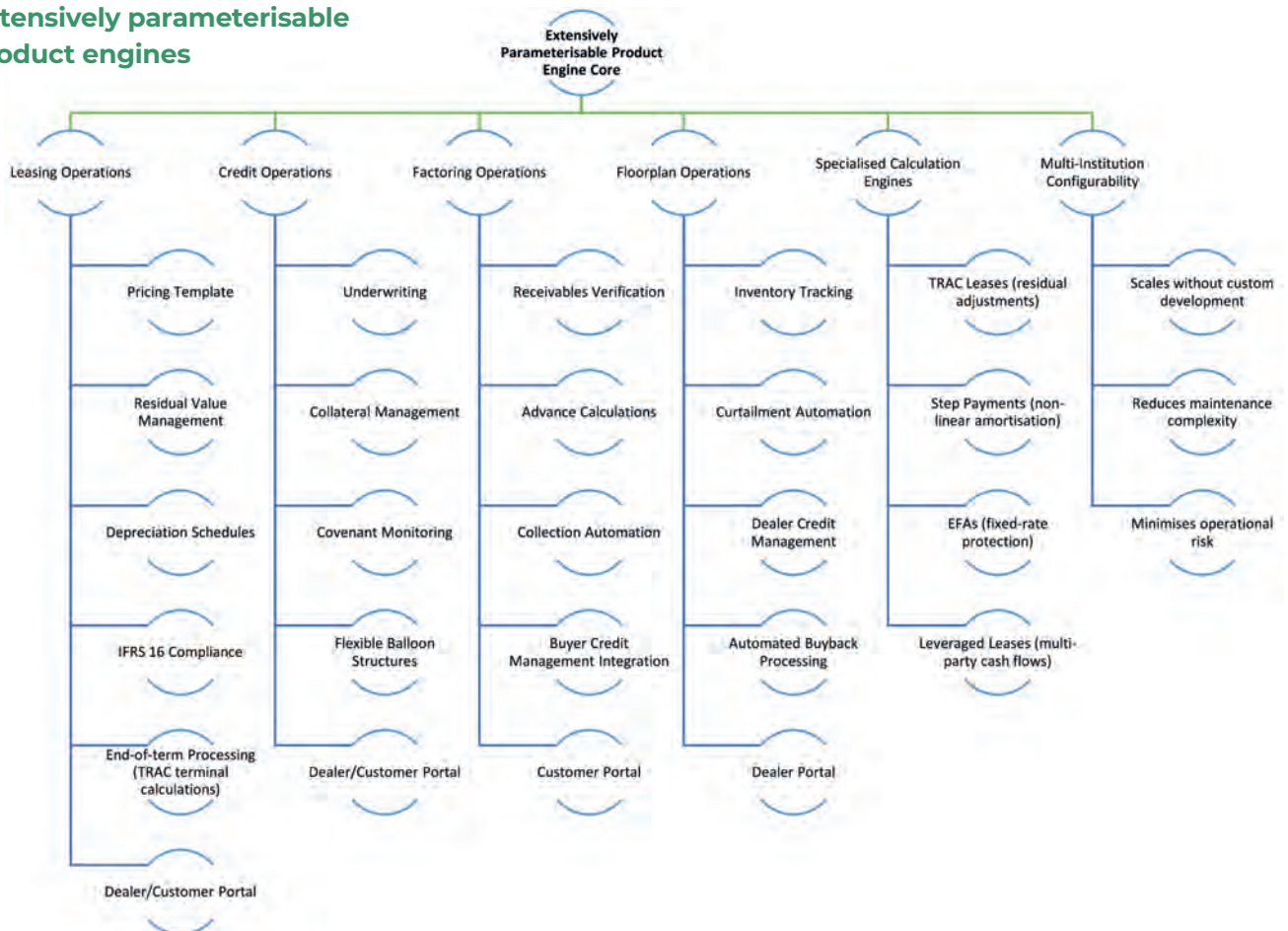
Critical capabilities span multiple product categories. Leasing

operations require residual value management, depreciation schedules, IFRS 16 compliance, and complex end-of-term processing, including TRAC terminal calculations. Credit operations demand traditional underwriting, collateral management, covenant monitoring, and flexible balloon structures.

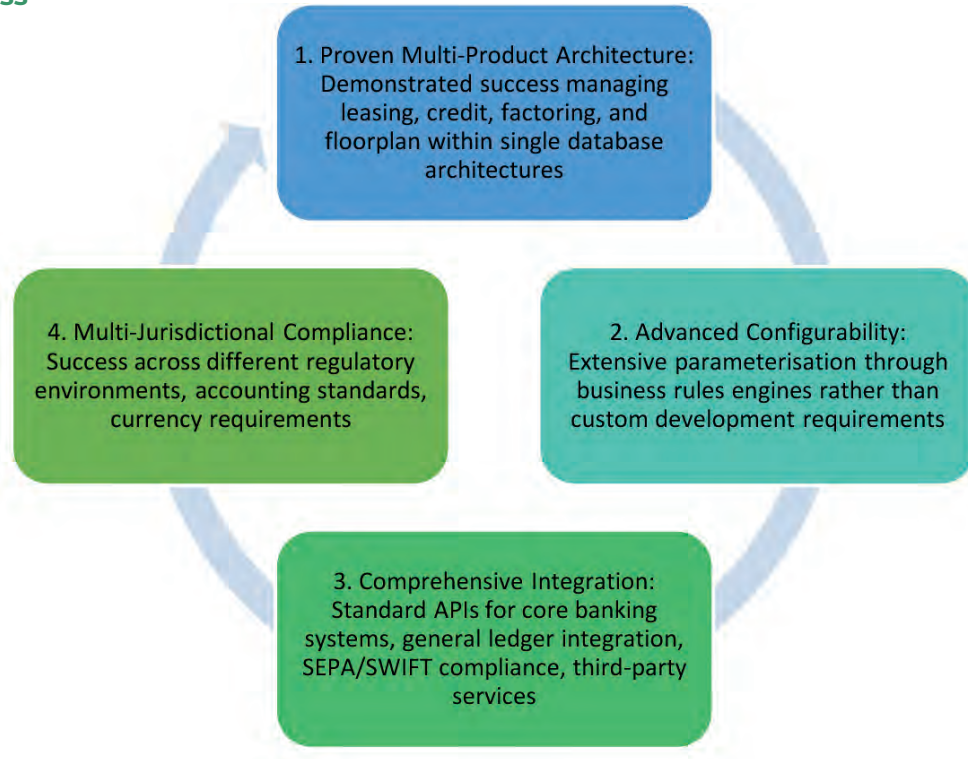
Factoring operations necessitate receivables verification, advance calculations, collection automation, and buyer credit management integration. Floorplan operations require inventory tracking, curtailment automation, dealer credit management, and automated buyback processing.

Each payment structure requires specialised calculation engines. TRAC leases demand real-time residual adjustments. Step payment schedules need non-linear amortisation

Extensively parameterisable product engines



Critical success factors



capabilities. EFA structures require fixed-rate protection mechanisms. Leveraged leases necessitate complex cash flow triangulation between multiple parties.

Configurability scales across multiple institutions without custom development. Customisation creates maintenance complexity and operational risk.

Event-driven expert system architecture

Advanced platforms analyse every database change in real-time. Corresponding actions are triggered automatically through parameterised business rules.

Benefits include:

- Automated portfolio management decisions
- Exception handling with appropriate escalation
- Consistent application of business rules
- Real-time responses to market conditions

- Multi-jurisdictional operational capabilities.
- Global financial institutions require platforms capable of handling:
- Varying accounting standards (IFRS, GAAP, local requirements)
 - Regulatory compliance across jurisdictions
 - Currency considerations within unified frameworks
 - Cultural and language adaptations.
- Workflows adjust automatically based on jurisdictional requirements while maintaining operational consistency.

Integrated capital management

Sophisticated platforms include built-in securitisation capabilities, enabling portfolio packaging across multiple product types. Functionality provides:

- Real-time analytics for optimal timing
- Automated asset-backed securities structuring
- Enhanced capital management flexibility
- Diversified asset pool creation

Market projections and strategic implementation

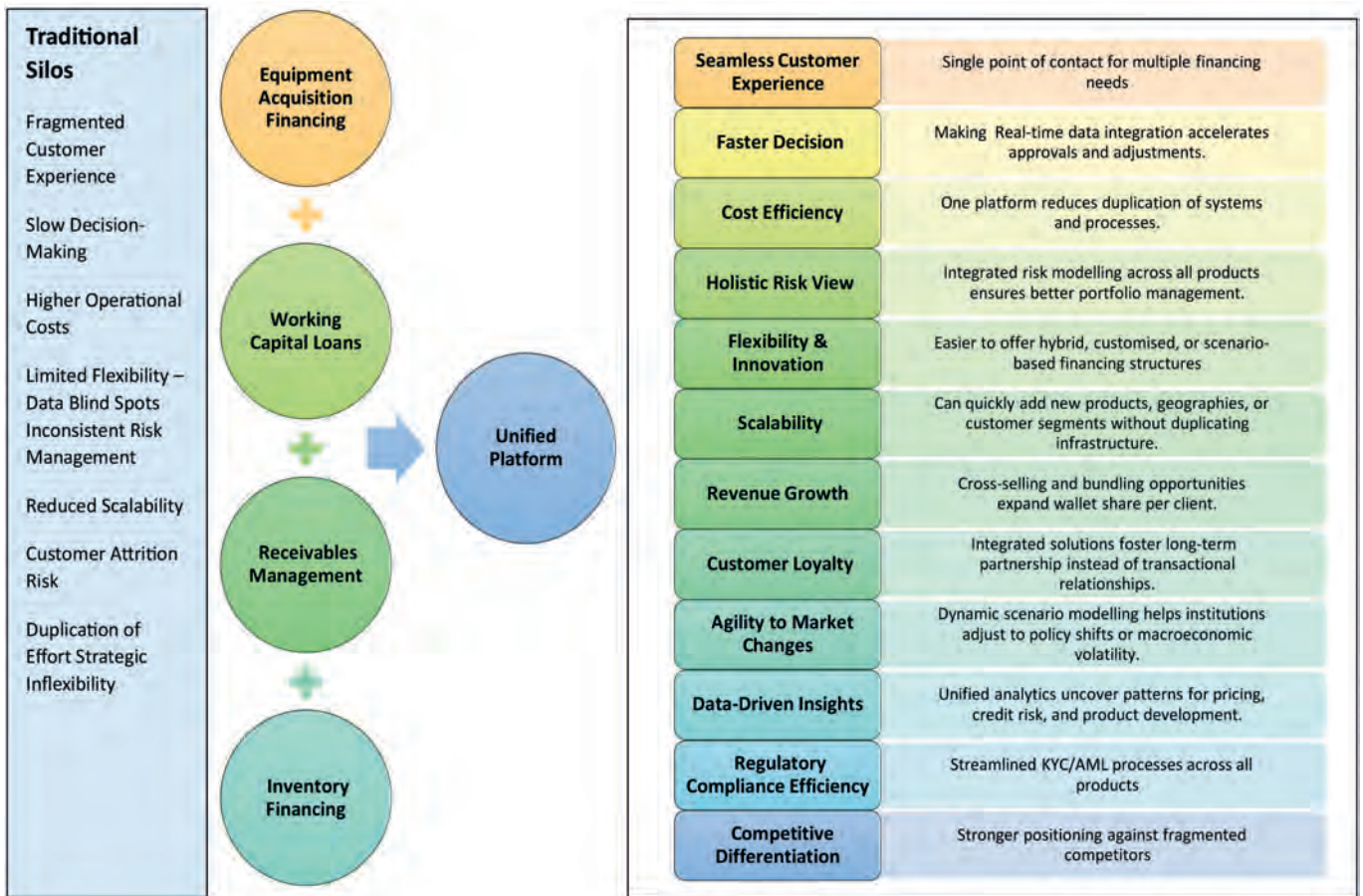
Market analysis through 2030 reveals extraordinary growth potential across interconnected financing segments.

Convergence market opportunity Current projections indicate:

- Equipment finance: US\$2.16 trillion by 2029 (10.6% CAGR)¹⁰
- Global factoring: \$5.92 trillion by 2030 (6.05% CAGR)¹¹
- Commercial lending: \$13.05 trillion by August 2025¹²

Combined markets represent US\$9+ trillion opportunity. The most significant growth occurs where financial institutions serve customers using multiple financing products simultaneously.

Federal Reserve data supports convergence trends. Average amount financed grew from \$24,000 (2008) to \$39,833 (March 2025)¹³. This 66% increase reflects customers' growing comfort with comprehensive financing relationships.



Critical success factors

Financial organisations evaluating platform unification should prioritise:

1. Proven Multi-Product Architecture: Demonstrated success managing leasing, credit, factoring, and floorplan within single database architectures.
2. Advanced Configurability: Extensive parameterisation through business rules engines rather than custom development requirements.
3. Comprehensive Integration: Standard APIs for core banking systems, general ledger integration, SEPA/SWIFT compliance, third-party services.
4. Multi-Jurisdictional Compliance: Success across different regulatory environments, accounting standards, currency requirements.

Implementation speed advantage

Early adopters gain competitive advantages which compound over

time. With prime rates at 7.25% and ongoing macroeconomic uncertainty, customers actively seek providers who optimise complete financing relationships.

However, few platforms offer the comprehensive capabilities required for true multi-product unification. The most robust solutions combine decades of financial services expertise with advanced technology architectures, extensive configurability, and proven implementation methodologies.

The competitive reality

The evolution of the equipment finance industry towards unified operations reflects both market necessity and competitive opportunity. Financial organisations which successfully integrate multiple financing products within sophisticated, configurable platforms capture a disproportionate share of the market.

The technology imperative

Bill Bosco, inducted into the Equipment Finance Hall of Fame in 2023, observed: “Today there are big opportunities for lessors willing to offer flexible structures.”¹⁴ However, capitalising on these opportunities requires platforms capable of dynamic scenario modelling and real-time portfolio adjustments.

McKinsey research confirms that financial institutions must enhance capabilities through “real-time data, scenario modelling, and integration of risks.” This transformation cannot be achieved through incremental improvements to existing silos.

The convergence acceleration

JPMorgan CEO Jamie Dimon warns about unknown impacts from policy changes.¹⁵ Goldman Sachs CEO David Solomon highlights macroeconomic uncertainty affecting growth. Such conditions

increase customer preference for integrated financial partnerships over transactional relationships.

Companies establishing domestic production require coordinated financing across equipment acquisition, working capital optimisation, receivables management, and inventory financing. Financial institutions managing these interconnected needs through unified platforms gain significant competitive advantages.

The path forward

Convergence will occur with or without the participation of individual financial institutions. Winners will be those recognising that operational efficiency and customer relationship optimisation are survival requirements in today's elevated rate environment.

The question is not whether convergence will happen, but which financial institutions will lead the transformation. Organisations implementing sophisticated, parameterisable platforms which adapt to rapidly changing market conditions while maintaining operational excellence across all product lines will dominate.

Few platforms offer the comprehensive capabilities required for true multi-product unification across leasing, credit, factoring, and floorplan financing, while supporting complex American payment structures such as TRAC leases, step payments, and leveraged arrangements. Among the most robust solutions, proven across multiple jurisdictions and regulatory environments, is the CODIX platform, which combines decades of financial services expertise with advanced technology architectures, extensive configurability, and proven implementation methodologies.

The future belongs to unified operations. The window for competitive advantage remains open, but it will not stay so indefinitely.

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- 2 McKinsey & Company, "Banking on interest rates: A playbook for the new era of volatility," 2024
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- 13 Federal Reserve Economic Data (FRED), Average Amount Financed for New Car Loans at Auto Finance Companies, Series ID: DTCTLVENANM
- 14 Equipment Finance Hall of Fame, ELFA Annual Conference, 2023
- 15 Reuters, "Big US banks lower prime lending rates after Fed rate cut," September 17, 2025

FRED Data Download Links:

- Total Loans & Leases: <https://fred.stlouisfed.org/series/TOTLL>
- Average Amount Financed: <https://fred.stlouisfed.org/series/DTCTLVENANM/>
- Finance Rates: <https://fred.stlouisfed.org/series/RIELPCFANMM>

CODIX



Financial organisations that successfully integrate multiple financing products within sophisticated, configurable platforms capture a disproportionate share of the market.

Latin America: New dimensions in a new world economic order

By Dr Rafael Castillo-Triana, CEO Latin America and Emerging Markets, The Alta Group



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in clean energy financing. We have witnessed the growth in the leasing portfolio for electric vehicles, hybrid, ethanol fueled and other, just to mention mobility. Solar plants and other alternative energy investments have been the subject of a significant number of new businesses in the Latin American region.

Mexico, Brazil and Colombia are the leaders by the size of businesses in Latin America. A common feature in the three countries is the clear shift from finance leases to operating leases. The emergence of operating lessors in the leasing landscape is more than evident in Brazil, where the leaders are operating lessors, such as Localiza and Unidas. Two interesting companies with interesting business models. Both independents have managed to generate resources out of the capital markets, and they

Macro perspective

Last year, we reported that the Latin American economies and the leasing industry in the region failed to learn the lessons of the Pandemic. We were short in addressing the degree of volatility that would bring the new normal after November 2024.

In 2024, the leasing industry grew. While we did not receive timely data from some Central

American countries such as Panama and Guatemala, the data show that the industry originated more new business in 2024 than in 2023.

However, our most important take away is not coming from quantitative data, it comes from our constant survey with the key stakeholders in the region. And according to such information, the industry is growing because there is an incoming boom

Table 1: Total leasing portfolio in Latin America (US\$m)

Country	2020	2021	2022	2023	2024
Mexico	\$22,548,489.21	\$22,631,016.48	\$28,417,568.97	\$28,685,315.21	\$28,286,838.08
Brazil	\$9,727,543.05	\$12,126,588.93	\$17,066,214.29	\$20,779,601.83	\$18,640,329.85
Colombia	\$18,125,801.85	\$11,716,890.64	\$15,439,600.00	\$17,431,184.92	\$17,626,114.88
Chile	\$12,062,493.09	\$10,894,392.56	\$10,209,472.65	\$10,192,140.28	\$10,188,340.57
Puerto Rico	\$1,310,052.00	\$5,342,431.00	\$5,879,749.00	\$6,914,045.00	\$8,501,620.00
Peru	\$4,518,119.29	\$4,325,364.02	\$4,725,815.31	\$4,634,339.17	\$4,520,096.54
Argentina	\$302,376.70	\$600,374.79	\$618,677.41	\$303,153.46	\$572,858.71
Costa Rica	\$445,778.30	\$414,702.88	\$353,913.19	\$736,907.36	\$3,850,160.00
Panama	\$457,606.88	\$405,324.31	\$491,443.21	\$402,593.17	
Guatemala	\$234,852.21	\$234,310.68	\$244,484.52	\$267,174.69	
Bolivia	\$125,473.09	\$134,480.95	\$131,833.20	\$122,719.87	\$117,650.03
Ecuador	\$123,703.05	\$107,306.27	\$130,484.02	\$102,090.00	
Honduras	\$58,895.02	\$73,796.91	\$130,310.12	\$191,211.33	
El Salvador			\$32,266.96	\$3,184.67	
Nicaragua			\$3,780.70	\$33,219.00	
Grand Total	\$70,041,183.74	\$69,006,980.43	\$83,651,549.17	\$90,798,879.97	\$92,304,008.66

Source: Alta LAR 100. The Alta Group Latin America Region

Table 2: Annual leasing volumes in Latin America

Country	Volume 2023	Volume 2024
Mexico	\$8,258,210.46	\$10,051,095.88
Puerto Rico	\$3,006,139.33	\$3,884,305.33
Chile	\$3,535,079.10	\$3,787,776.16
Colombia	\$1,800,910.72	\$3,551,306.51
Costa Rica	\$206,083.38	\$3,379,937.78
Brazil	\$10,858,664.69	\$2,275,359.41
Bolivia	\$74,901.01	\$2,023,738.51
Peru	\$1,497,175.03	\$1,023,521.74
Argentina	\$6,094.74	\$401,650.28
Total	\$29,243,258.46	\$30,378,691.61

Source: Alta LAR 100. The Alta Group Latin America Region

for growth. Operating leases have been growing faster than finance leases, the latter being the sweet spot of the banks. This however, is turning sour because the banks have been unable to answer the questions of the regulators about how to weight the risk associated with having equipment, vehicles and other mobile assets as collateral.

The volumes and penetration rates over the gross capital formation of their corresponding economies of the Latin American leasing industry illustrate that this industry has an enormous growth potential just to catch-up with other more advanced economies. On average, the Latin American annual volume can grow 20 times just to catch-up with the penetration rates of the US. This seems a huge enterprise, but it is possible because all the countries currently have the legal and business infrastructure that allows such growth. The only missing driver is the strategy of the leaders in the region.

As in 2023, penetration rates

deliver value both to their clients as well as to their investors.

The case of Mexico is of great interest: while three of the largest players in the Mexican leasing industry, namely Unifin, Operadora Mega and Tangelo (f.k.a. Docuformas) went into insolvency proceedings and stopped originations, new players are taking advantage of the market also with a clear value proposition centered in operating leases as opposed to finance leases. New foreign investors, mainly captives are coming to join the leasing industry in Mexico, so that the demise of these three companies will not be more than just a survival of the fittest.

In the meantime, Mexico is consolidated as one of the main sources of equipment manufacturing, being numbers four and five in some of the most critical equipment items (Behind China, the US, and Germany, and in some items, ahead of the US).

Brazil is also showing its gigantic size and economics, and the operating leasing industry has overshadowed the disappearing bank led leasing industry. Brazil is another important player in original equipment manufacturing and in a new order where the US is fading away due to the effects of its tariffs, immigration and education

policies. Brazil, as well as China, is taking advantage of such fields voluntarily abandoned by the US.

A few, but only a few European companies have observed and taken advantage of such opportunities. But the real influx of new players in Latin America is coming from Japan, China and Korea.

Colombia has one of the most mature leasing industries in Latin America, and it offers good conditions

Table 3: Penetration rates of leasing vs. capital formation

Country	Gross domestic product	Gross capital formation	Penetration rate
Puerto Rico	301,025,000.00	60,205,000.00	12.7%
Chile	1,920,096,000.00	384,019,200.00	5.3%
Peru	632,770,000.00	126,554,000.00	2.5%
Colombia	242,632,000.00	48,526,400.00	2.4%
Brazil	1,414,187,000.00	282,837,400.00	2.1%
Mexico	343,939,000.00	68,787,800.00	2.0%
Argentina	113,435,000.00	22,687,000.00	1.6%
Honduras	31,718,000.00	6,343,600.00	1.4%
Costa Rica	76,523,000.00	15,304,600.00	1.1%
Panama	68,381,000.00	13,676,200.00	0.9%
Dominican Republic	95,003,000.00	19,000,600.00	0.8%
Bolivia	15,672,000.00	3,134,400.00	0.8%
Guatemala	115,049,000.00	23,009,800.00	0.4%
Nicaragua	43,069,000.00	8,613,800.00	0.3%
Ecuador	32,489,000.00	6,497,800.00	0.2%
El Salvador	35,300,000.00	7,060,000.00	0.0%
		Average	2.2%

Source: Source IMF and Alta's assumptions

over Gross Capital Formation were estimated applying certain assumptions, since not all relevant data is available. The ratio between Gross Capital Formation and Gross Domestic Product is neither generally available nor updated for all Latin American countries, but observation of the trends of such ratios, when available show a trend line of 20% as the ratio between Gross Capital Formation and Gross Domestic Product. In a way this is an indication that for every US\$5 spent on an economy, US\$1 goes to capital goods. Therefore, based on that assumption and the data published by the International Monetary Fund, Table 3 contains an estimate of the penetration rates of the leasing industry as a percentage of Gross Capital Formation. That is to indicate that for each dollar spent on

Figure 1: Latin American resources

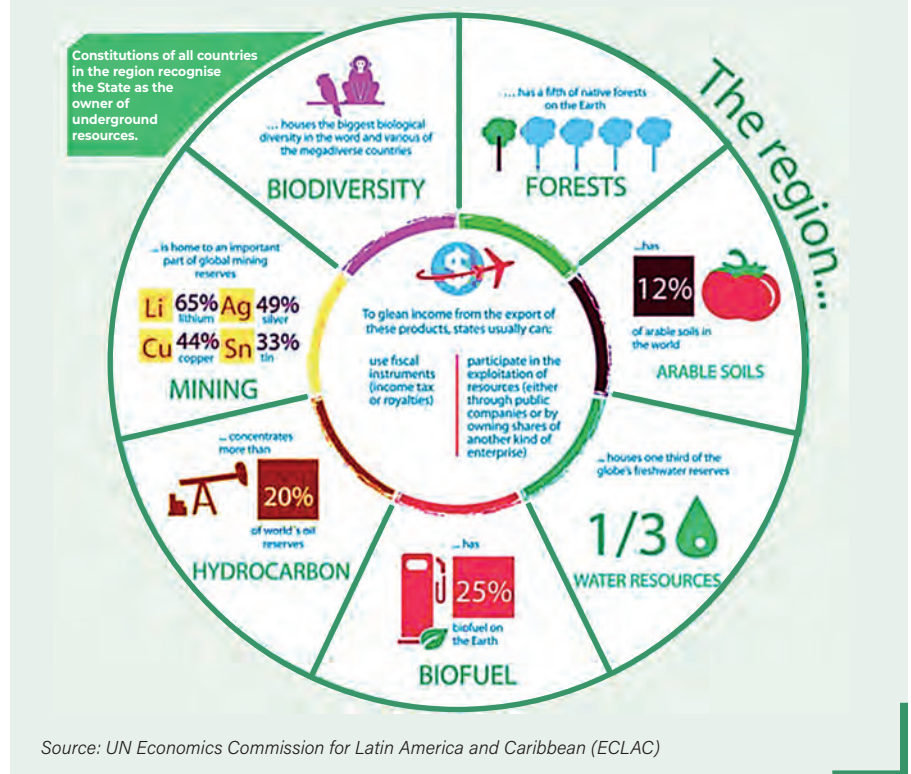


Figure 2: Where the owners of leasing companies originate

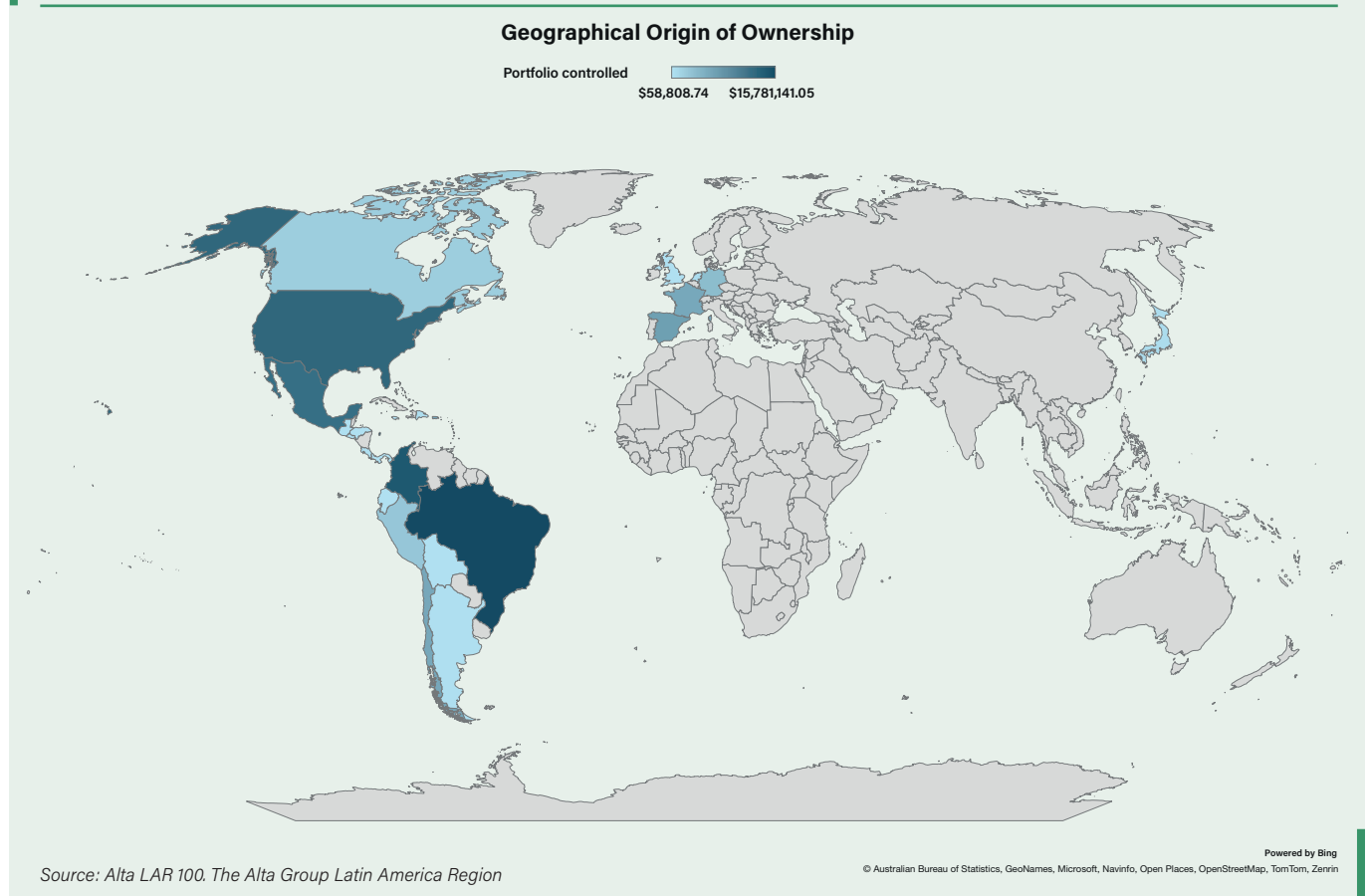
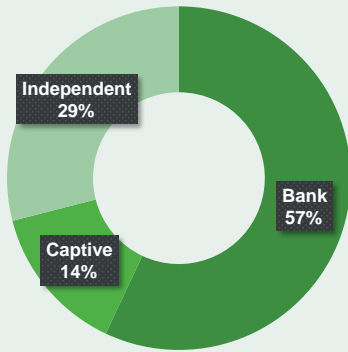
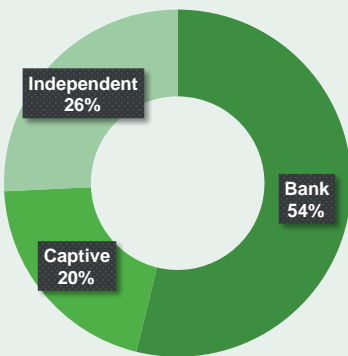


Figure 3: Distribution of lessors by type



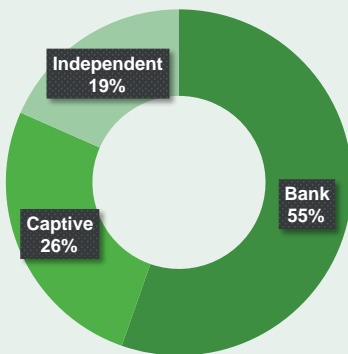
Source: Alta LAR 100. The Alta Group Latin America Region

Figure 4: Composition for the portfolio of The Alta LAR 100 lessors by type of company US\$ ('000)



Source: Alta LAR 100. The Alta Group Latin America Region

Figure 5: Distribution of new volumes by type of lessor



Source: Alta LAR 100. The Alta Group Latin America Region

the acquisition of capital goods, the corresponding percentage indicates if such purchase has been made by a leasing company or a leasing vehicle (such as an SPV, trusts or others in case of structured transactions).

Opportunities

An interesting observation, which comes from the World Trade Organisation, the US exports 8% of the world merchandises and imports 13% thereof. Building tariffs and other barriers opens the door to considering trade with other trading partners.

For such reasons, a few visionaries in equipment manufacturing and financing have started switching their strategies to other areas of the world, and Latin America is one of them, perhaps the most relevant for Europe.

There are several areas of development. The leasing industry in Latin America has focused its investments mainly on motor vehicles and transportation equipment. Construction, agriculture and mining equipment is still behind in terms of penetration mostly due to risk aversion from the main players. The same can be said about

information technology. Leasing has contributed extraordinarily little to the development of infrastructure, an area that has been taken by other financial sources. A shift in strategies would drive a change.

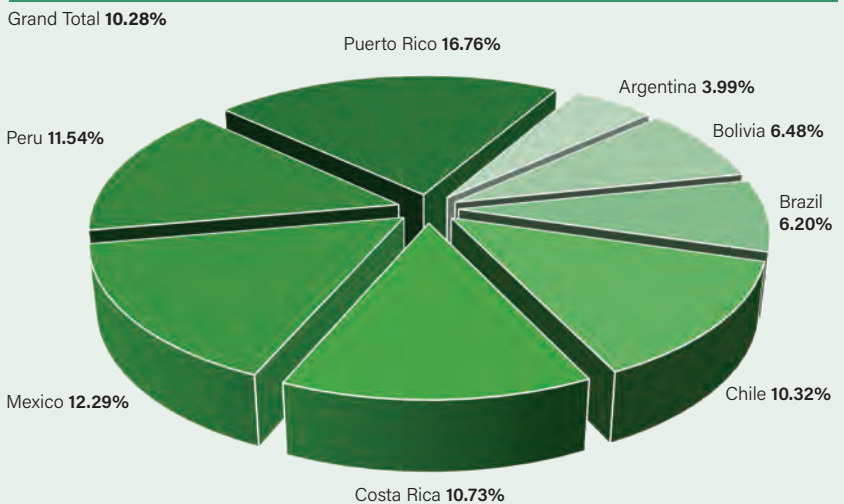
Considering that there is a nearshoring trend, while this trend remains Latin American countries can expect growth driven by the relocation of supply chains closer to the main global market. While Mexico leads this trend, all other countries certainly have the potential to become clusters of such a trend.

Brazil and Argentina, as well as Chile have retaken their roles as key strategic suppliers of natural resources: Agriculture and critical mining are the key drivers thereof. Critical mining includes resources such as lithium, copper, silver, tin, and iron ore. Figure 1 shows the potential of Latin American resources.

Who dares to invest in equipment leasing companies in Latin America?

Figure 2 shows the geographical provenance of the capital currently

Figure 6: Average profitability by country



Source: Alta LAR 100. The Alta Group Latin America Region

Table 4: ROE delivered by lessors within The Alta LAR in 2024

Company	Country	ROE
Siemens Financial Services Inc.	Puerto Rico	100.00%
Madison Capital LLC	Puerto Rico	44.83%
SIGMA SAFI	Peru	36.33%
Pride Leasing, Inc.	Puerto Rico	27.47%
Engen Capital (f.k.a. Engenium Capital, merged with TIP Mexico)	Mexico	24.4%
Banco Toyota do Brasil S/A	Brazil	22.8%
Itaú Unibanco Holding S.A.	Brazil	21.47%
Isla Lab Products Corp	Puerto Rico	21.01%
Finactiv S.A. de C.V., SOFOM ENR	Mexico	20.89%
Mercader Financial	Mexico	20.6%
Banco Consorcio	Chile	18.64%
Banco Interamericano de Finanzas BANBIF	Peru	16.85%
Unifin Financiera	Mexico	16.2%
Banco Bice	Chile	15.54%
NR Finance de Mexico	Mexico	15.3%
Navistar Financial	Mexico	15.3%
SKC Rental	Chile	15.29%
Volvo Leasing (now Volvo Financial Services Peru SA)	Peru	14.98%
Banco Credito del Peru	Peru	14.18%
Ford Credit	Mexico	13.6%
Arrendadora Banorte	Mexico	13.3%
STM Financial (f.k.a. FC Financial)	Mexico	13.0%
Banco de Lage Landen Brasil S/A	Brazil	12.9%
Banco Security	Chile	12.80%
Arrendadora Bepensa, hoy Financiera Bepensa	Mexico	12.5%
Banco Santander Chile	Chile	12.43%
Start Banregio antes Arrendadora Banregio	Mexico	12.3%
BCI - Credito e Inversiones	Chile	12.32%
Arrendadora Afirme	Mexico	12.1%
Banco Itau Corbanca Chile	Chile	11.89%
BCO KOMATSU S.A.	Brazil	11.8%
Forum Leasing	Chile	11.54%
Banco de Chile	Chile	11.46%
Paccar Financial (antes Paccar Arrendadora)	Mexico	11.0%
Scotiabank Peru	Peru	11.04%
Arrendadora Actinver	Mexico	10.8%
BCR Leasing	Costa Rica	10.7%
Interbank	Peru	10.45%
Arrendadora Ve Por Mas	Mexico	10.2%
Tanner	Chile	10.17%
Banco del Estado de Chile	Chile	9.48%
Banco Citibank S.A	Brazil	9.4%
Localiza	Brazil	9.3%
Banco Internacional	Chile	9.14%
Volkswagen Leasing	Mexico	8.9%
Element Fleet	Mexico	8.9%
BBVA -Banco Continental	Peru	8.04%
Santander Leasing S.A. Arrendamiento Mercantil	Brazil	8.0%
Factotal	Chile	7.84%
MERCEDES-BENZ AM S.A.	Brazil	7.7%
Banco IBM S/A	Brazil	7.7%
Santander Peru	Peru	7.52%
Financiera Bajio	Mexico	7.4%
Acrecent Financial	Puerto Rico	7.25%
GM Financial de Mexico	Mexico	7.2%

Source: Alta LAR 100. The Alta Group Latin America Region

invested in equipment leasing companies in Latin America.

Similar to prior years, most of the capital that feeds equipment leasing and financing companies in Latin America comes from Latin America itself. But it is worthwhile to note that out of the region,

other investors come from Spain, France, Germany, the United Kingdom and Japan. The United States whose investors left the party when the 2008-2009 financial crisis emerged, have been coming back slowly, but still the dominants come from Latin America itself.

Are banks still dominating the industry?

While it appears that the banks still concentrate the largest number of equipment financing units and the largest portion of the portfolio, in 2024 banks managed to keep a majority of 57% within the

Table 4: ROE delivered by lessors within The Alta LAR in 2024 (continued)

Company	Country	ROE
Fortaleza Leasing S.A.	Bolivia	6.9%
SCANIA BCO S.A.	Brazil	6.9%
OMNI S.A. AM	Brazil	6.6%
Incofin	Chile	6.46%
Value Arrendadora	Mexico	6.2%
Banco GM (f.k.a. GMAC) S/A	Brazil	6.1%
Bisa Leasing S.A.	Bolivia	6%
Mitsui Auto Leasing (Fk Masa Leasing) Auto Finance	Peru	6.04%
BCO SANTANDER (BRASIL) S.A.	Brazil	5.8%
Banco de Comercio	Peru	5.75%
FIRMA CAR, S.A.P.I. de C.V.	Mexico	5.7%
BCO VOLVO BRASIL S.A.	Brazil	5.7%
Banco GNB (antes HSBC Bank Peru)	Peru	5.62%
Scotiabank Chile y Filiales (Fusiono Banco Bilbao Vizcaya)	Chile	5.00%
BCO BV S.A.	Brazil	4.6%
Unidas (Integrando OuroVerde)	Brazil	4.5%
BOC (antes CCB) Brasil Arrendamento Mercantil S.A	Brazil	4.5%
Arrendadora Invex	Mexico	4.5%
Banco Itaucard S/A	Brazil	4.5%
Eurocapital	Chile	4.29%
Lease Option Company	Puerto Rico	4.27%
Movida	Brazil	4.2%
Alfa Arrendamento Mercantil S/A	Brazil	4.2%
HP Financial Services Arrendamento Mercantil S/A	Brazil	4.0%
ROMBO COMPAÑÍA FINANCIERA S.A.	Argentina	4%
Techlease Corp	Puerto Rico	3.73%
CSILATINA A.M. S.A.	Brazil	3.6%
Bradesco Leasing S/A Arrendamento Mercantil	Brazil	3.6%
TENTOS S.A. CFI	Brazil	2.9%
SG Equipment Finance S.A. Arrendamento Mercantil	Brazil	2.7%
NOVO BCO CONTINENTAL S.A. - BM	Brazil	2.7%
BCO DO ESTADO DO RS S.A.	Brazil	2.6%
BCO CATERPILLAR S.A.	Brazil	2.6%
Capex Financial Company Inc (Merge Capital Lease)	Puerto Rico	2.39%
Popular Auto	Puerto Rico	2.35%
BANCO CNH INDUSTRIAL CAPITAL S.A	Brazil	2.3%
Siemens Medical Solution Diagnostics	Puerto Rico	2.03%
Ryder Puerto Rico, Inc.	Puerto Rico	1.82%
Banco Pichincha (antes Banco Financiero)	Peru	1.73%
Safra Leasing S/A Arrendamento Mercantil	Brazil	1.4%
Servicios Financieros Progreso	Chile	1.17%
Daycoval Leasing - Banco Múltiple S.A	Brazil	1.1%
Royal 2000 Rental and Leasing	Puerto Rico	0.37%
Puerto Rico Wire Product, Inc.	Puerto Rico	0.32%
BBC LEASING (BANCO BRASILEIRO DE CREDITO S/A/)	Brazil	0.2%

Source: Alta LAR 100. The Alta Group Latin America Region

number of the 100 largest lessors.

One possible explanation has to do with the still to be developed use of capital markets to fund independent and captive companies. Funding is one of the key factors preventing independents and captives from growing faster. Besides, the main casualties, especially those in Mexico, were all of them independent lessors.

As for the distribution in terms of the portfolio, as shown in Figure 4, the picture is less concentrated in banks.

Banks, who held 54% of leasing portfolios by year end 2022, held 51% in 2023 and returned to 54% in 2024. Independents, who grew their participation from 26% in 2022 to 29% in 2023, returned to 26% in 2024.

In terms of volume, Figure 5 shows the contribution of each company type.

Banks managed to originate 55% of new business volume (Net), while captives and independents represented 26% and 19%, respectively. Funding challenges were one of the most important explanations.

It is important to highlight that our methodology measures “net new volume,” that is the sum of new business less the runoffs that some companies experience during the year. Some companies show their runoffs faster than their new business volume, which can cause concerns about their standing and survival in the marketplace.

Profitability

Data analytics based on the traditional Gaussian mindset would drive us to the conclusion that the average return on equity delivered by the leasing companies of The Alta LAR 100 would be around 10.28% p.a.

To have the complete picture, Table 4 shows the ranking of profitability, up to the players over 5% return on equity.

The Alta LAR 100 List of 2025

Table 5 shows the list of the largest reported leasing companies in Latin America that form The Alta LAR 100 ranked by their portfolio as of December 31, 2024.

Table 5: The Alta LAR 100 list for 2024

Ranking 2024	Ranking 2023	Company	Country	Type	Portfolio US\$(000) 2024
1	1	Localiza	Brazil	Independent	\$8,831,334.98
2	3	Popular Auto	Puerto Rico	Bank	\$6,553,827.00
3	2	Bancolombia	Colombia	Bank	\$6,540,943.27
4	5	NR Finance de Mexico	Mexico	Captive	\$5,095,644.26
5	4	Davivienda Colombia	Colombia	Bank	\$4,359,116.84
6	6	Movida	Brazil	Independent	\$3,594,239.51
7	8	GM Financal de Mexico	Mexico	Captive	\$3,517,871.00
8	9	Volkswagen Leasing	Mexico	Captive	\$3,165,768.27
9	11	Arrendadora Banorte	Mexico	Bank	\$2,280,974.12
10	121	Element Fleet	Mexico	Independent	\$2,040,503.00
11	10	Banco de Chile	Chile	Bank	\$1,986,489.54
12	14	BCI - Credito e Inversiones	Chile	Bank	\$1,815,738.02
13	33	Unidas (Integrando OuroVerde)	Brazil	Independent	\$1,815,603.52
14	22	Ford Credit	Mexico	Captive	\$1,814,174.13
15	16	Banco de Occidente Colombia	Colombia	Bank	\$1,812,140.66
16	41	BBVA Colombia	Colombia	Bank	\$1,453,794.95
17	13	Banco Credito del Peru	Peru	Bank	\$1,453,085.90
18	17	STM Financal (f.k.a. FC Financal)	Mexico	Captive	\$1,435,574.30
19	21	Engen Capital (f.k.a. Engenium Capital, merged with TIP Mexico)	Mexico	Independent	\$1,303,799.89
20	26	Start Banregio antes Arrendadora Banregio	Mexico	Bank	\$1,298,768.51
21	122	BAC San jose Leasing S.A. Credomatic	Costa Rica	Bank	\$1,227,400.00
22	24	Banco de Bogota	Colombia	Bank	\$1,118,129.34
23	19	Paccar Financal (antes Paccar Arrendadora)	Mexico	Captive	\$1,103,263.21
24	15	Banco Santander Chile	Chile	Bank	\$1,087,699.07
25	25	Banco del Estado de Chile	Chile	Bank	\$1,049,719.79
26	20	Banco Itau Corbanca Chile	Chile	Bank	\$1,033,626.98
27	36	Bradesco Leasing S/A Arrendamento Mercantil	Brazil	Bank	\$1,022,824.15
28	29	BBVA Leasing	Mexico	Bank	\$956,206.14
29	27	Scotiabank Chile y Filiales (Fusiono Banco Bilbao Vizcaya)	Chile	Bank	\$927,538.00
30	28	BBVA -Banco Continental	Peru	Bank	\$880,268.23
31	7	Unifin Financiera	Mexico	Independent	\$859,842.40
32	32	Financiera Bajjo	Mexico	Bank	\$728,928.08
33	31	Scotiabank Peru	Peru	Bank	\$691,277.60
34	34	Mercader Financal	Mexico	Captive	\$686,329.00
35	123	CrediQ	Costa Rica	Independent	\$660,250.00
36	43	Itau Colombia	Colombia	Bank	\$644,115.08

Table 5: The Alta LAR 100 list for 2024 (continued)

Ranking 2024	Ranking 2023	Company	Country	Type	Portfolio US\$(000) 2024
37	124	Banco Popular (Leasing Portfolio)	Puerto Rico	Bank	\$585,000.00
38	65	SKC Rental	Chile	Independent	\$574,000.00
39	30	Navistar Financial	Mexico	Captive	\$572,437.64
40	35	Banco Bice	Chile	Bank	\$571,943.92
41	37	Santander Leasing S.A. Arrendamiento Mercantil	Brazil	Bank	\$548,363.54
42	40	Daycoval Leasing - Banco Múltiple S.A	Brazil	Bank	\$529,680.65
43	38	Banco Security	Chile	Bank	\$454,854.25
44	46	SIGMA SAFI	Peru	Independent	\$447,514.35
45	50	Interbank	Peru	Bank	\$425,053.09
46	52	Safra Leasing S/A Arrendamiento Mercantil	Brazil	Bank	\$416,295.21
47	125	Sunrun P.R. Operations, LLC	Puerto Rico	Independent	\$385,663.00
48	39	Banco IBM S/A	Brazil	Captive	\$317,867.53
49	126	First Bank (Merge First Leasing)	Puerto Rico	Bank	\$312,000.00
50	47	Value Arrendadora	Mexico	Independent	\$308,913.89
51	51	Arrendadora Bepensa, hoy Financiera Bepensa	Mexico	Independent	\$302,132.01
52	44	RENTING COLOMBIA SAS	Colombia	Bank	\$292,790.46
53	127	CSI Leasing de Costa Rica	Costa Rica	Independent	\$264,860.00
54	57	Banco Internacional	Chile	Bank	\$255,532.60
55	49	HP Financial Services Arrendamiento Mercantil S/A	Brazil	Captive	\$241,582.17
56	53	Arrendadora Ve Por Mas	Mexico	Bank	\$237,154.38
57	59	LEASEPLAN AM S.A.	Brazil	Independent	\$235,004.02
58	54	Banco Interamericano de Finanzas BANBIF	Peru	Bank	\$233,706.24
59	89	Corporacion Cafsa	Costa Rica	Captive	\$229,900.00
60	67	Grupo BNS (Scotiabank Costa Rica)	Costa Rica	Bank	\$228,000.00
61	128	Arrendadora Actinver	Mexico	Bank	\$223,011.26
62	129	Davivienda Costa Rica	Costa Rica	Bank	\$209,000.00
63	130	Oriental Bank	Puerto Rico	Bank	\$198,000.00
64	60	CHG-MERIDIAN DO BRASIL AM S.A.	Brazil	Independent	\$196,164.81
65	64	EQUIREN VEHICULOS Y MAQUINARIAS S.A.S	Colombia	Independent	\$162,478.11
66	71	Banco Consorcio	Chile	Bank	\$162,438.01
67	58	ATC SITIOS DE COLOMBIA SAS	Colombia	Independent	\$159,105.30
68	88	Volvo Leasing (now Volvo Financial Services Peru SA)	Peru	Captive	\$142,352.39
69	55	Santander Peru	Peru	Bank	\$142,065.34
70	131	Age Capital	Costa Rica	Independent	\$141,930.00
71	132	BCT Arrendadora	Costa Rica	Bank	\$140,600.00
72	70	Bancoldex	Colombia	Bank	\$138,348.66
73	69	Banco de Lage Landen Brasil S/A	Brazil	Bank	\$135,707.68
74	85	Scotiabank Colpatría	Colombia	Bank	\$133,812.64
75	101	Total Leasing	Costa Rica	Independent	\$122,170.00
76	75	CSILATINA A.M. S.A.	Brazil	Independent	\$117,933.31
77	133	BICSA	Costa Rica	Bank	\$114,380.00
78	134	ATI Capital	Costa Rica	Independent	\$110,200.00
79	135	Improsa	Costa Rica	Bank	\$109,250.00
80	79	BANCO COMAFI SOCIEDAD ANONIMA	Argentina	Bank	\$107,306.17
81	136	ARVAL COLOMBIA SAS	Colombia	Bank	\$104,622.43
82	137	Financiera Desyfin	Costa Rica	Independent	\$100,320.00
83	101	SG Equipment Finance S.A. Arrendamiento Mercantil	Brazil	Bank	\$94,992.04
84	105	Acrecent Financial	Puerto Rico	Independent	\$94,036.00
85	133	FIRMA CAR, S.A.P.I. de C.V.	Mexico	Independent	\$91,822.32
86	84	Arrendadora Afirme	Mexico	Bank	\$91,100.59
87	92	BB Leasing S/A Arrendamiento Mercantil	Brazil	Bank	\$89,790.54
88	68	Alfa Arrendamiento Mercantil S/A	Brazil	Bank	\$89,148.88
89	80	Leasing Total (now Total Servicios Financieros)	Peru	Independent	\$81,095.64
90	87	Arrendadora Invex	Mexico	Bank	\$79,615.70
91	78	Commercial Equipment Finance, Inc.	Puerto Rico	Independent	\$78,203.00
92	76	Corporación Financera Atlas	Mexico	Independent	\$76,505.82
93	81	HP Financial Services Argentina	Argentina	Captive	\$70,505.07
94	72	BCO CATERPILLAR S.A.	Brazil	Captive	\$70,193.06
95	137	Banco Finandina	Colombia	Bank	\$70,000.00
96	74	Banco Popular Colombia	Colombia	Bank	\$65,772.31
97	97	Servicios Financieros Progreso	Chile	Independent	\$63,287.17
98	139	BOC (antes CCB) Brasil Arrendamiento Mercantil S.A	Brazil	Bank	\$62,962.91
99	140	Altica	Costa Rica	Independent	\$62,320.00
100	112	BANCO SUPERVIELLE S.A.	Argentina	Bank	\$59,385.67

Source: Alta LAR 100. The Alta Group Latin America Region

Why domestic lessors should prioritise vendor partnerships – and how to win

By Ian Robertson and Nick Feasey, Invigors EMEA Ltd



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As a lessor, entering the vendor finance market is one of the most effective ways to drive origination volume, and build lasting, mutually beneficial relationships.

Vendor finance is not just about providing capital—it's about embedding yourself in the vendor's sales process, understanding their customers, products, and services and delivering value beyond the transaction.

For lessors looking to break into or expand in this space, the opportunity is significant. Domestic vendors and local subsidiaries of global organisations increasingly seek partners offering local market expertise, regulatory compliance,

and tailored solutions aligned with regional needs and evolving ESG and financial regulations.

Why vendor finance is a game-changer for lessors

1. Access to a reliable distribution channel. Vendor finance programs allow lessors to tap into the vendor's sales force, turning every vendor salesperson into a potential origination source

This channel is often more consistent and scalable than direct or broker-led origination, as vendors are motivated to close sales and value seamless financing options for their customers. However, it can take time to build a program

with lower volumes in early years – patience is required!

While program volumes may start modestly, the channel's reliability grows over time as trust, processes, and mutual understanding develop—patience and persistence are rewarded.

2. Higher volume and profit margins.

Vendor-originated transactions consistently generate incremental business volume, often at higher margins than direct or broker deals, the latter potentially having multiple funding avenues. At the point of sale, financing becomes a service; rates can be competitive without being commoditised, especially when bundled with value-added services

3. Stronger customer retention

and lifetime value. Vendor finance programs are designed for long-term customer relationships, with lessors often managing the full life cycle from origination to end-of-term.

This approach increases customer retention for both the vendor and lessor, creating opportunities for upgrades, extensions, and cross-sell. Vendors and lessors both benefit from higher stickiness—customers are less likely to refinance elsewhere when the process is embedded and relationship-driven.

4. Risk sharing and improved cash management.

Robust programs

allow for risk sharing, such as partial recourse or loss pools, aligning incentives and reducing exposure for both parties

Vendors benefit from immediate payment and no receivables risk, while lessors can structure programs to ensure timely funding and efficient collections. Speed and simplicity are critical for vendors, especially when it comes to being paid promptly. Efficient processes are a key differentiator for lessors

Why local expertise matters now more than ever

Domestic and regional vendors – as well as local arms of global organisations prioritise lessors who:

- Speak the local language and understand the culture: Relationship-building is critical; regular face-to-face engagement and deep local knowledge foster trust and responsiveness.

- Go deeper on customer needs: Local lessors can tailor credit models, documentation, and processes to fit regional business cycles and regulatory environments.
- Knowledge of and access to local subsidies are largely better understood by local players.
- Can help not just on standard deals, but on other opportunities e.g. new start businesses, flooring; receivables, project finance etc.
- Collaborate on program design: Vendors value lessors who act as true partners supporting go-to-market strategy, sales teams and joint marketing.

How to succeed: Best practices for local lessors to win in vendor finance

1. Treat the vendor as your primary customer: The vendor is your true partner; their success drives your

origination. Avoid competing for the vendor's customers and respect the vendor's ownership of the relationship and focus on enabling their sales.

2. Customise, don't commoditise:

Tailor programs to the vendor's sales cycle, customer base, and industry needs. Offer private label or co-branded solutions, flexible documentation, and value-added services such as billing, collections, and asset management.

3. Invest in relationship and operational excellence: Assign dedicated relationship managers and establish regular business reviews. Provide training to the vendor's sales team so they can confidently present financing as part of their sales pitch

4. Build robust operational processes: Streamline credit approval, documentation, and funding to



For lessors, vendor finance is more than a product—it's a strategic partnership model that delivers steady volume, higher margins, and long-term customer value.

match the vendor's sales cadence. Use technology to automate workflows, track performance, data and portfolio management and ensure compliance. Speed and simplicity are important for vendors too and especially being paid promptly! Make your processes as friction-less as possible.

5. Structure agreements for mutual success:

Negotiate clear terms: exclusivity, rights of first refusal, credit parameters, and program governance. Set up the right structure and approach: VJV, vendor finance, referral, etc. Ensure joint management committees and feedback loops for continuous improvement.

6. Do your due diligence: Evaluate the vendor's business reputation, sales force effectiveness, product quality, pricing strategies, and customer life-cycle management to ensure strong alignment and reduced risk.

Conclusion: The time for local lessors is now

For lessors, vendor finance is more than a product – it's a strategic partnership model that delivers steady volume, higher margins, and long-term customer value. The most successful vendor finance lessors are those who invest in local relationships, have patience, customise solutions, and commit to the vendor's success as much as their own.

As domestic vendors and local arms of global organisations seek partners who can deliver on these fronts, the window of opportunity for local lessors to lead, and win, in vendor finance has never been wider.

Key takeaways

- Vendor finance unlocks a scalable, reliable origination channel.
- Success depends on deep relationships, local expertise,

regulatory compliance and program customisation.

Local players can be nimbler and more entrepreneurial than the multinational vendor finance players.

- Supporting broader vendor needs such as flooring, project finance, and receivables finance adds significant value.
- The lessor who becomes a trusted vendor partner captures the largest share of this growing market.

Now is the time for lessors to step up, collaborate, and make vendor finance a core pillar of their growth strategy. Asset finance needs to develop a greater intimacy with its underlying point of difference vis a vis other financing offers. i.e. specialisation and understanding of the asset.

Invigors EMEA Ltd



Vendor finance unlocks a scalable, reliable origination channel.

Commercial aircraft engine values and lease rates

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In this article, I will provide commentary on notable asset class and generation changes and a quick reference guide to the movements in half-life market values and lease rates by engine model.

Forecast changes

The Pratt & Whitney Canada family base value forecasts have been altered to show a slow and gradual depreciation rather than flattening the curve as depicted in the previous update.

The PW1100G family has been reviewed to reflect the impending entry into service of the PW1100G Advantage engine. The engine value will soften in 2031. By this point, the Advantage engine and production standard are expected to be more established.

With the GENx-1B as the B787 fleet leader and having secured most engine selections for upcoming deliveries, IBA's value forecast reflects the expected transition from in-production to out-of-production for the Trent 1000 as we move beyond 2030.

The GE90-110/115 forecast post 2030 has also been amended to better reflect the GE9X's entry into service by this point.

Narrowbody engines

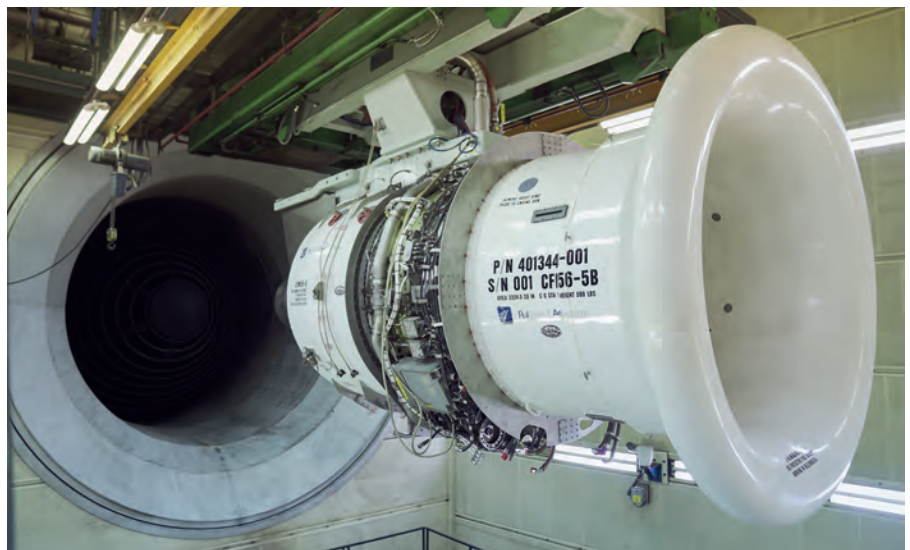
In the six months to September 2025, market values for narrowbody engines increased. New-generation engines such as the PW1100G and LEAP-1A continue to exhibit strong market performance despite the ongoing and well-publicised

engine performance-related and production supply issues.

The previous generation narrowbody engines have benefited from ongoing supply shortages of current in-production narrowbody engines. IBA continues to observe increased demand with operators maintaining and extending CFM56-5B/B/V2500-A5/CFM56-7B operations, which has led to increased market values.

IBA has observed trading, suggesting that the engine thrust rating can be less of a pricing differentiator when sourcing an engine. Lower thrust engines have been trading closer to more popular thrust options.

Feedback suggests that parties have been sourcing thrust plates from part-out engines, resulting in the ability to change the thrust at a significantly reduced price versus OEM rates.



The CFM56-5B leasing market is constrained by a lack of useful green time engines, pushing lease rates to US\$60k-US\$70k/month.



The V2500-A5 has fewer spares available in the market and sees typical lease rates ranging from US\$70k-US\$80k per month.

This has resulted in IBA reducing the value delta between the lower and higher thrust engines. All production build engines across the CFM56-5B/-7B family and V2500-A5 have been amended to reflect this better.

For example, the half-life market value for the baseline CFM56-7B24 in H1 2025 was US\$5.2m, and the CFM56-7B27 was US\$6.8m. For H2 2025, the CFM56-7B24 uplifted to US\$5.7m, whereas the CFM56-7B27 softened slightly to US\$6.4m. For the pre-tech-injection CFM56-7B, the value delta between the lowest and highest thrust was originally in the region of US\$2.5m, which has now narrowed to US\$700k.

Lease performance remains strong. The V2500-A5 has fewer spares available in the market and sees typical lease rates ranging from US\$70k-US\$80k per month. The CFM56-7B, on the other

hand, many operators must pay a premium to ensure lift for their fleets, especially for a -7B with a good amount of green time remaining.

Therefore, the short-term leasing market saw many extensions around and above six figures, whereas mid- to long-term leasing is currently in the US\$80k – US\$90k per month, dependent on the engine build standard.

The CFM56-5B leasing market is also constrained by a lack of useful green time engines, pushing lease rates to US\$60k-US\$70k/month.

One of the main talking points for narrowbody engines has been the resolution of aircraft on ground (AOG) instances. A continuing theme during 2025 was Maintenance, Repair, and Overhaul (MRO) facility licensing, capacity increases, and facility implementation.

Facilities and entities such as Delta TechOps, Iberia Maintenance,

ITP Aero, MTU Maintenance Dallas, MTU Zhuhai and Sanad Aerotech were cited during 2025 as current or future contributors to MRO capacity increases for new generation engines.

PW1100G powered aircraft continue to see above normal levels of parking and storage amidst powder metal inspections, hospital shop visits, shop visits, and bill of material retrofits and consequent causing supply issues. However, the feedback provided to IBA has suggested that material readiness to support supply chains has been improving, reducing the turnaround time for engines requiring shop visits.

The PW1100G Advantage engine is expected to enter service in early 2026. Pratt & Whitney has also announced a Hot Section Plus (HS+) package for the current build of PW1100G engines.

This is not expected to be a

Table 1: Market value and market lease rate changes by engine model

Aircraft Class	Aircraft Type	Aircraft Class	Market Value Changes			Aircraft Class		
			Min	Avg	Max	Min	Avg	Max
Previous Generation Narrowbody	AirbusA320ceo	CFM56-5B/P	8%	18%	36%	0%	9%	17%
		CFM56-5B/3	-3%	10%	28%	0%	3%	11%
		CFM56-5B/3PIP	5%	11%	24%	0%	3%	11%
		V2500-A5	-14%	-1%	23%	0%	3%	6%
		V2500-A5 Select	-2%	4%	13%	0%	2%	18%
	Boeing 737NG	CFM56-7B	-10%	4%	25%	0%	0%	0%
		CFM56-7B/3	-9%	3%	16%	0%	0%	0%
		CFM56-7BE	0%	8%	17%	0%	0%	0%
	Boeing 757	RB211-535	0%	0%	0%	0%	0%	0%
PW2000		0%	0%	0%	3%	3%	3%	
Current Generation Narrowbody	AirbusA320neo	PW1100G	2%	2%	2%	18%	19%	22%
		LEAP-1A	2%	2%	2%	1%	3%	4%
	Boeing 737 MAX	LEAP-1B	0%	2%	2%	0%	5%	11%
Regional and Turboprop	Bombardier CRJ	CF34-8C	-3%	-3%	-2%	0%	3%	4%
	Embraer E170/175	CF34-8E	-3%	-3%	-3%	4%	4%	4%
	Embraer E190/195	CF34-10E	-19%	-17%	-16%	0%	0%	0%
	ATR42	PW120	-6%	0%	11%	0%	0%	0%
	DHC-8 Q400	PW150	-8%	-8%	-8%	-16%	-16%	-16%
	Airbus A220	PW1500G	2%	2%	2%	5%	11%	19%
New Generation Widebody	Boeing 787	Trent 1000 (Package C)	0%	0%	0%	0%	0%	0%
		Trent 1000-TEN	0%	0%	0%	3%	3%	3%
		GEnx-1B PIP II	2%	2%	2%	4%	10%	20%
	Airbus A350	Trent XWB	0%	1%	3%	1%	1%	1%
	Airbus A330neo	Trent 7000	0%	0%	0%	0%	0%	0%
Current and Mature Widebody	Airbus A330ceo	Trent 700	7%	7%	7%	6%	12%	15%
		CF6-80E	1%	2%	2%	6%	8%	9%
		PW4000-100	0%	0%	0%	2%	2%	2%
	Boeing 767	CF6-80C2	0%	4%	10%	4%	4%	4%
	Boeing 747	CF6-80C2	0%	4%	10%	4%	4%	4%
	Boeing 747/767	PW 4000-94	-5%	4%	31%	5%	5%	5%
	Boeing 747-8	GEnx-2B	0%	0%	0%	0%	0%	0%
	Boeing 777	GE90-7/8/9	0%	0%	0%	0%	0%	0%
		Trent 800	0%	0%	0%	0%	0%	0%
		PW 4000-112	0%	0%	0%	0%	0%	0%
		GE90-110/115	13%	14%	14%	0%	4%	5%
	Airbus 380	GP7200	0%	0%	0%	0%	0%	0%
Trent 900		0%	0%	0%	0%	0%	0%	

complete retrofit but includes about 35-part numbers, which will be incorporated during maintenance events from 2026. GTF engines with HS+ will be fully intermixable and interchangeable with the current GTF and GTF Advantage engine models, simplifying operations with a combined fleet.

Widebody engines

Some of the most significant value changes witnessed during the September 2025 values update have been observed for current widebody generation engines. Within this sector, aircraft operations continue to expand, production limitations of replacement aircraft persist, and operators choose to retain existing fleets, resulting in value increases.

This is especially prevalent in the Trent 700 engine market

(powering the Airbus A330-200/300), with value increases of 5% since the retrospective update earlier in 2025. It is worth noting that the engine type has encountered long shop visit lead-times, which have also been impacting engines enrolled on a TotalCare package.

Rolls-Royce has reported an improvement in its supply chains with a 15% increase in final delivered parts, which should improve turnaround times. TotalCare customers will benefit the most from these improvements.

The CF6-80C2 platform, which powers the B767 and B747-400 and more mature Airbus A300/310 and McDonnell Douglas MD-11 aircraft, continues to see market values increase.

Like the narrowbody engines, IBA has received feedback that the

engine thrust rating can be less of a pricing differentiator when sourcing an engine, as there is the ability to alter the thrust plate without OEM intervention.

IBA has adjusted the engine values based on the thrust level for the aircraft they power and has ensured that the commonly traded engine types now hold the same value. This has impacted the CF6-80C2B1F and -B5F powering the B747-400 and the CF6-80C2B6F and -7F powering the B767.

With the B777X 's entry into service (EIS) delayed further, retention levels remain high on the current B777-300ERs, and therefore, the GE90-110/115 values have been increasing to reflect this demand.

This spike in demand for the engine is also due to high shop visit turnaround time, which increases



The CF6-80C2 platform, which powers the B767 and B747-400 and more mature Airbus A300/310 and McDonnell Douglas MD-11 aircraft, continues to see market values increase



Durability issues continue to impact Trent 7000 fleets, with operators being very vocal.

the demand for spares. Shop visit costs require a considerable investment, with the latest feedback to IBA suggesting that complete performance overhauls, excluding LLP replacements, can be ~ US\$22m. Thus, any example with a decent amount of green time left, or candidates earmarked for part out, is currently in high demand.

New Generation widebody engine values continue to increase in line with inflation and OEM price escalation, but Rolls-Royce's Trent 1000 has seen no value increase in recent months.

A shortage of spare engines has resulted in operators needing to park aircraft in their B787 fleets. Rolls-Royce has already taken steps to address these issues, with improvements to the HPT Blade and HP Nozzle introduced in 2026. The GEnx-1B continues to be the market leader with a large majority of new orders having selected the GEnx-1B to power the B787.

As a result, IBA forecasts a broader gap between the Trent 1000 and GEnx-1B as we progress to the end of this decade. Despite Rolls-Royce's improvements, the consensus is that it is too late to regain the lost market share.

The Trent 7000 has seen more order activity in the six months to September 2025, with some large orders, such as an additional 40-engine order by VietJet, following an order made at the Singapore Airshow back in 2024. Fleet replacement has been the main driver of orders from the Asia-Pacific region to replace ageing Airbus A330ceo aircraft.

Durability issues continue to impact Trent 7000 fleets, with operators being very vocal. Given time on the wing, expectations do not surpass previous engines. Just like the Trent 1000, Rolls-Royce are taking steps to address these issues.

Turboprops and regional jets

The CF34-8C core value has decreased nominally, although there could be upside into 2026, influenced by the impact of another expected shop visit run. IBA's outlook for the CF34-8C and 8E is stable.

Experienced participants in leasing and transacting the engines have had successes in 2025 with the successful placements of green-time engines. However, the engine bill of material standard is seen as a key driver of value, evidenced by

engines offered to market requiring shop visits and part sales.

Since the previous update, CF34-10e engines have softened. GE Aerospace and customers are not buying excess high-pressure engine material due to durability upgrades being installed through the shop. Material on the shelf is sitting idle since it is the previous build standard; however, a demand surge and an engine being short-built could see potential demand for this material.

In the regional turboprop and lower shaft horsepower markets, values have remained mostly stable within the six months to September 2025 despite value increases in the previous update. For higher thrust variants such as the PW127M, IBA has witnessed enough market feedback to prompt an increase in the Full-Life market value.

Still, IBA has adjusted the breakdown in how the engine is valued, with an additional value adjustment for the Hot Section Inspection (HSI) now being factored into the overall engine value. As a result, these engines have a minor reduction in the Half-life and Run-Out value.

Elsewhere, the PW150 engine powering the Q400 aircraft depicts a very different picture, with market value decreases arising from observed falling lease rates during 2025. There seems to be a continued lack of appetite for the engine, fuelling the downward trajectory in IBA's value opinion.

The accompanying table summarises market value and market lease rate changes by engine model. The percentage change is measured since IBA's previous value update (March 2025). Market values assume a half-life condition.

World Leasing software solutions report 2026

The definitive guide to software solutions for the asset finance and leasing markets



WORLD LEASING YEARBOOK 2026

A digital revolution reshapes the leasing marketplace

Artificial Intelligence will play a transformative role in the growth of the asset finance and leasing markets over the next decade. It will revolutionise the industry through enhanced customer experiences, customer support and decision-making capabilities.

AI will present significant opportunities, but it will also disrupt business models, investment and the workforce. And it will pose significant challenges and risks to leasing companies with concerns over data privacy and misinformation.

Asset finance and leasing companies with their data-rich and language-heavy operations are uniquely positioned to capitalise on the developments of AI and have an opportunity to drive innovation and ensuring both improved customer experiences and broader economic benefits.

With the growth of generative AI, research by the World Economic Forum (WEF) indicates that 32%-39% of the work performed across finance, banking and capital markets businesses has a high potential to be fully automated by 2027, and around 34%-37% holds high augmentation potential. This is driving a significant increase in new AI investment in the asset finance sector.

AI spending, with projected investments across banking, finance, capital markets and payments businesses is expected to reach US\$97bn by 2027, says the WEF.

Some 70% of financial services executives believe that AI will directly

tie to revenue growth in upcoming years by enhancing customer experiences, making products and services more personalised, enabling innovative new offerings, empowering cross- and up-selling, and improving security against potential threats, says the WEF.

Countries and regions are working to establish a standard set of AI policies and frameworks. The European Union has published the



“It’s not hyperbole to say that AI is revolutionising the way we work.”

Antony Clegg, Odessa

AI Act, and the US has published the AI Executive Order.

According to the Bank of England’s AI Survey the top use cases for AI in the finance sphere will be optimising internal processes, enhancing customer support and combatting financial crime.

Finance and leasing companies appear most willing to deploy AI in these types of operationally

focused use cases, which are expected, according to the Bank of England, to be among those delivering the biggest benefits.

The breakthrough in the AI field, says the Bank of England, has been the rapid development of generative AI, with models that can generate natural language text output. These models can be pre-trained and provided as cloud-based services by third-party providers.

These models, says the Bank of England, are being used to help streamline internal functions within financial institutions, such as code generation and information search and retrieval, helping improve productivity.

AI-based analytics are being used to enhance customer interactions, for example helping payment firms better predict a customer’s preferred payment option.

“It’s not hyperbole to say that AI is revolutionising the way we work,” says Antony Clegg SVP, Product Management at Odessa (www.odessainc.com).

“Assuming you’ve got the enabling fundamentals in place – you are running on the cloud and using modern API-driven end-to-end digital solutions – then you are probably already focused on not being left behind in the race to realise benefits from the various tools and techniques that fall under the umbrella of AI,” says Clegg.

“Intelligent automation of routine workflows, data-driven risk assessments, and customer

experience transformation through natural language interaction are all becoming an integral part of our daily work. Every department in every type of business will be impacted, for better or worse. Everyone everywhere needs to be prepared for the opportunities and risks that come with AI," he says.

Customer expectations are driving demand for seamless, omnichannel experiences says Amina Chakchouk, COO Leasing at Codix (www.codix.eu).

"Modern leasing platforms must provide self-service portals offering 24/7 access for customers, dealers, and suppliers to submit applications, track contract status, and manage accounts," says Chakchouk.

"Real-time data and transparency are essential, with stakeholders demanding instant visibility into transactions and portfolio performance. API-first architectures enable seamless integration with external systems including credit bureaus, payment gateways, dealer management systems, and accounting software," she says.

A critical aspect of this trend is the



“Customer expectations are driving demand for seamless, omnichannel experiences.”

Amina Chakchouk, Codix

move toward unified platforms that all consolidate products and services in one system, says Chakchouk.

"Rather than managing separate systems for different product lines (equipment leasing, vehicle leasing, consumer finance, factoring, floorplan, etc.), companies are adopting integrated platforms that handle the entire product portfolio.

This unification eliminates data silos,

reduces IT complexity and costs, provides a single view of customer relationships across all products, and enables cross-selling opportunities."

For leasing companies offering multiple financing products, a unified system is essential for operational efficiency and superior customer experience, says Chakchouk.

With general AI adoption, customer expectations will be increasing on lowered costs and shortened delivery timelines both in product development and professional services deliveries, says Per Högberg, Director Asset Finance at Banqsoft (www.banqsoft.com).

"AI adoption in financial services and banking business is expected to drive requirements on APIs to a level supporting AI based business process composing and execution," says Högberg.

"Exploratory initiatives in this area are starting, and expectation is that further exploiting potential in this area will increase process design empowerment within financial services and banking business operations."

"Real-time vehicle data integrated



With general AI adoption customer expectations will be increasing on lowered costs and shortened delivery timelines.



“Real-time vehicle data integrated into leasing contract management processes will drive competitiveness within sustainability as well as accuracy and automation in end-to-end contract management processing.”

Per Högberg, Banqsoft

into leasing contract management processes will drive competitiveness within sustainability as well as accuracy and automation in end-to-end contract management processing,” says Högberg.

New technologies and transformation

Over the next five years, new technologies will fundamentally reshape the leasing industry, says Jason Hurwitz, Sales Director for Netsol Europe (www.netsoltech.com). “Cloud-native platforms will enable continuous innovation, more creativity, faster go-to-market strategies and materially improved scalability across regions and product lines.”

“AI and machine learning will drive smarter credit risk models, real-time asset valuations and hyper-personalised customer offerings. Importantly, data will cement as a strategic asset, allowing lenders to anticipate customer needs and optimise portfolio performance,” says Hurwitz.

One of the most significant trends is the continued adoption of cloud-native, SaaS-based platforms, says Hurwitz, “which enhance scalability, materially increases the speed and agility of continual change, improves security and

unlocks further innovation. These systems support rapid deployment and deep integration with any tech ecosystem, which are crucial in delivering value fast in today’s dynamic leasing environment.”

“Secondly, AI and data analytics are transforming risk assessment, enabling richer customer insights and strengthening portfolio management with enhanced intelligence and predictive data-driven decision-making,” he says.

AI is inherently bringing much needed productivity gains to organisations that are weighed down with manual processes on growing loan books, which when combined with downward pressure on costs make adoption of AI a well-timed, but critically important development.

The rise of embedded finance is pushing leasing further upstream into dealer desks, OEM portals, and digital marketplaces, says Adam Tait, General Manager, Specialised Finance at SBS (www.sbs-software.com) “Open APIs, consented data sharing, and identity orchestration have become core enablers of customer experience and growth.”

“Lenders are moving away from monolithic systems toward modular, API-first architectures that can be configured around products, channels, and geographies enabling

faster product launches, safer change, and seamless integration with partners such as OEMs, dealers, fintechs, and data providers,” says Tait.

At the same time, says Tait, “real-time decision engines powered by data and AI are transforming every stage of the lifecycle from origination and pricing to risk, collections, and portfolio optimisation with a growing emphasis on explainable AI, champion-challenger strategies, and continuous learning loops where outcomes feed back into the data pool.”

Emily Hammond, Director of Product at Alfa Systems (www.alfasystems.com) identifies three significant developments in the market: cloud-native API-first ecosystems, elastic architecture and data storage.

“As asset finance companies look to build out a joined-up, auditable journey for their clients, they need to utilise software with exposed APIs,” she says. “Ideally that software would be cloud-native SaaS, which gives them flexibility to utilise different features at the click of a button and pilot new approaches and business models efficiently.”

Elastic architecture, she says, “allows more data storage and scaling on demand to maximise performance and efficiency, although scaling up and down also carries risk. Scaling up particularly with additional costs; and scaling down, especially if substantial, with potential data integrity, compliance and operational stability implications.”

There is a push for companies to have a more flexible data strategy, says Hammond, to efficiently meet demands for analytics, data-driven insights and mandatory reporting. “This also has the benefit of providing data required for implementing an AI strategy, whether it is based around

machine learning or agents pulling in just the information required.”

To do this, says Hammond, asset finance companies are modernising how data is stored, processed, and analysed. “Typical tools include data lakes, cloud data warehouses (e.g., Snowflake, BigQuery), real-time streaming ingestion and advanced analytics platforms, she says.

“Over the next five years Digital Labour will move the industry from automation to augmentation,” says Daypesh Patel, Managing Director at VIP Apps Consulting Ltd (www.vipappsconsulting.com).

“AI agents will handle high-volume credit decisions and portfolio monitoring autonomously, while human experts focus on complex structuring, client relationships, and strategic judgement.”

“Combined with usage-based and embedded finance products, this evolution will deliver faster



“Elastic architecture allows more data storage and scaling on demand to maximise performance and efficiency.”

Emily Hammond, Alfa Systems

turnaround, stronger compliance, and more inclusive lending,” he says.

Digital Labour is transforming efficiency by integrating agentic

AI, data and operations across the enterprise, says Patel. “We’re seeing turnaround times reduced from days to minutes, fewer manual touchpoints, and enhanced portfolio resilience.”

“Crucially, when AI operates across connected systems rather than isolated pilots, every new use case compounds ROI enabling sustainable, scalable growth,” he says.

Artificial intelligence and machine learning are now being actively deployed in production, not just tested in isolation, says Paul Decherf, co-founder and Chairman of NovaLend (www.novalend.com).

“Use cases include enhanced credit scoring, fraud detection, renewal optimisation, assisted collections, and embedded “co-pilots” supporting underwriting and servicing teams”, he says.

The shift to open, micro-service-based platforms is also accelerating. “API-first design enables faster integration with brokers, KYC providers, e-signature services, ERP systems and now electronic invoicing networks, and dynamic usage-based pricing, event-driven lifecycle management, RPA/ IPA deployment where ROI is immediate are redefining leasing operations,” says Decherf.

Karan Oberoi, Chief Product Officer at Solifi (www.solifi.com) highlights three major developments in the market:

“Agentic AI and intelligent automation. The industry is shifting from rule-based automation to AI agents that reason, decide, and act within defined guardrails. This enables faster, smarter, and safer decision-making across originations, underwriting, servicing, and collections.

Feature-and-scale-on-demand cloud platforms. Lenders are moving



Over the next five years, new technologies will fundamentally reshape the leasing industry.

away from monolithic systems toward composable, API-driven architectures that allow rapid configuration, modular upgrades, and partner ecosystem integrations. This is the move toward software platforms and away from collections of separate software packages.

Data unification and embedded intelligence. Modern finance platforms now unify portfolio, customer, and asset data into actionable intelligence layers. The result is stronger credit visibility, more precise pricing, and predictive risk management, all in real time," he says.

Assessing the impact of rapid change

Digital solutions are driving new levels of efficiency across the leasing industry. "Straight-through processing through digital KYC, e-docs, and automated verification removes manual rekeying and shortens turnaround times," says Adam Tait.

"Self-service and partner portals let dealers and customers manage lifecycle events such as variations and end-of-term activities directly, while telemetry-driven servicing uses asset data to enable proactive maintenance, usage-based billing, and more accurate residual-value management," he says.

Also, says Tait, "Decision orchestration combines rule logic and machine learning to cut unnecessary referrals, allowing human expertise to focus on genuine exceptions."

AI and automation will dramatically improve operational efficiency over coming years, says Amina Chakchouk. "Research suggests AI innovators can achieve a 5% to 15% improvement in cost-income ratios over the next five years,"

"Processing times will shrink from days to hours or minutes,

enabling companies to handle higher transaction volumes without proportional staff increases. Manual tasks will be largely eliminated, allowing employees to focus on complex cases and customer relationships."

"Predictive analytics will enable lessors to identify high-risk customers before defaults occur, optimise pricing based on sophisticated risk models, detect fraudulent



“ Digital Labour will move the industry from automation to augmentation.”

Daypesh Patel, VIP Apps Consulting

applications in real-time, and predict asset residual values more accurately," says Chakchouk. These capabilities, will minimise losses, improve portfolio quality, and enable more informed strategic decisions.

According to Clegg, the major commercial LLMs (such as those from OpenAI, Anthropic and Google) have reached a level of maturity that has opened the door to at least partially automate tasks that in the past have relied on highly skilled and experienced people.

"The question becomes not can you automate something using AI, but should you? LLMs work by generating new content

that is consistent with the massive amount of existing data on which they've been trained," says Clegg. "So, am I contributing to the public discourse on the topic if I choose to outsource my thinking to an LLM? I would argue not."

"One thing seems certain – as leasing companies automate more robotic day-to-day activities, we will see an increasing premium placed on great interpersonal skills, on the people who can ensure that customers and partners have a great experience when they interact with your organisation. The next five years will reward those who combine digital efficiency with strong emotional intelligence – EQ over IQ," says Clegg.

Emily Hammond says that asset finance houses that invest in new technologies and the resources required to run these technologies, will find it easier to scale and automate.

On the flip side, says Hammond, "they will also feel a need to scale to cover the fixed costs such as specialist skills and governance resources, and therefore will need to drive economies of scale."

"This may mean we see a consolidation of players within the industry, as the more efficient ones cannibalise the business of the smaller players who will need to find a niche (specific sector, complex products or customer focus) to survive."

The market is likely also to become increasingly connected, says Hammond, with partnerships and integrations supplying the more niche functionality or specialised resources to larger players.

"The introduction of more private equity and credit money into the sector could accelerate this into consolidation, as they look for quick ways to grow

revenue. This has the potential to reduce some excess competition in the market, allowing more sustainable margins and enabling continued investment,” she says.

Enhancing efficiency and growth

By automating manual processes businesses can reduce operating costs and unlock efficiency savings and thus drive growth. Digital solutions are key to the growth of the leasing industry.

“In the B2C and B2B SMB leasing areas,” says Per Högberg, “market expectations will continue to grow for having lease offerings readily presented digitally and with ability to process contracting fully digitally.”

“This will have an immense positive impact on productivity for financial service entities driving this business as well as enabling business growth, also leveraging underlying developments in EU sustainability



“ Digital transformation isn’t just operational, it’s strategic. It creates confidence in change and makes every process a growth engine.”

Karan Oberoi, Solifi

trends. EV transition in this context of course being key,” he says.

Digital solutions, says Amina Chakchouk, will drive both efficiency and growth through multiple

mechanisms: streamlining operations, improving decision quality, enhancing customer acquisition and retention, expanding market reach and accelerating innovation.

“Digital platforms eliminate data silos and create a single source of truth. Automated workflows reduce manual effort, faster processing cuts application-to-funding time from days to hours, lower error rates ensure consistency and compliance, and scalability enables handling increased volumes without proportional cost increases,” says Chakchouk .

“Modern, flexible platforms enable rapid product development and market testing. Configurable systems allow lessors to launch new products quickly, test new pricing models, adapt to regulatory changes efficiently, and respond to competitive threats rapidly,” she says.

“Digital Labour is transforming efficiency by integrating Agentic AI, data and operations across the



The shift to open, micro service-based platforms is accelerating.

enterprise,” says Daypesh Patel.

“We’re seeing turnaround times reduced from days to minutes, fewer manual touchpoints, and enhanced portfolio resilience. Crucially, when AI operates across connected systems rather than isolated pilots, every new use case compounds ROI enabling sustainable, scalable growth,” he says.

A modern cloud-based platform approach eliminates friction between systems, teams, and partners, says Karan Oberoi. “They replace manual rekeying and siloed data with seamless, integrated workflows that connect originations through portfolio management.”

“Platforms also provide cross-sector visibility that deliver comprehensive insights and create new business opportunities. Such efficiency translates directly into growth: faster time to fund, lower cost per transaction, and the ability to launch new products or enter new geographies without starting from scratch,” says Oberoi.

“Digital transformation isn’t just operational, it’s strategic. It creates confidence in change and makes every process a growth engine.”

Regional discrepancies

Across Europe, the pace of digital transformation in the leasing industry remains uneven, says Paul Decherf.

“While Northern Europe and the Benelux region have achieved high levels of automation, API connectivity and regulatory readiness, several markets still lag behind.”

In Southern Europe (France, Italy, Spain, Portugal), says Decherf, many lessors continue to rely on legacy systems and fragmented IT environments. “Manual document handling and paper-based workflows remain common, slowing down onboarding, credit decisioning and servicing.”



“Lenders are moving away from monolithic systems toward modular, API-first architectures.”

Adam Tait, SBS

Central and Eastern Europe, says Decherf, “is a growing market with strong potential, but digital maturity is often constrained by outdated infrastructure and heterogeneous data sources. Integration with credit bureaus, electronic invoicing networks and trust services is still limited.”

“The Nordic region having been early adopters of digitisation in society are still in the lead, but we see that several European regions are now starting to pick-up pace,” says Per Högberg.

The DACH region being a case in point, says Högberg. “Comparing the DACH region to the Nordic region the gap is expected to close as leasing operators in the DACH region are leaving legacy solutions which are limiting their ability to leverage potential to increase competitiveness with new technology,” he says.

The data show where cloud adoption is surging and where it is lagging, says Dan Corazzi, CEO at Solifi.

“However, the gaps in modernisation are not strictly geographic. The pace of adoption

is usually driven by cultural and organisational factors. The biggest lag often exists within institutions that still view technology as a cost centre rather than a strategic differentiator or growth engine.”

“These are organisations with deeply customised legacy systems, manual workarounds, and a “if it’s not broken, don’t fix it” mindset,” he says.

Resistance to modernisation tends to come from risk aversion and comfort with legacy processes, not from lack of access to technology, says Corazzi. “In many cases, these organisations fear disruption to long-established business models or worry about compliance complexity in the cloud. The irony is that these same concerns are exactly what modern SaaS and cloud platforms are built to solve.”

“The divide we see now,” says Corazzi, “isn’t between regions, it’s between those who are adapting and those who are relying on the status quo. Organisations that embrace modernisation will not only move faster but will shape the standards that everyone else will eventually follow.”

Anthony Clegg agrees that the progress that asset finance companies are making in implementing AI solutions varies more by size and type of organisation than it does by region or country according to.

“Those that are part of banks or are captives for large OEMs can take advantage of the investments that are being made by their parent organisations. However, independent finance companies will need to rely more on finding the right partners to develop and deliver their AI strategy,” he says.

One factor that will play a role, says Clegg, is regulation. “European companies already face the strictest AI regulations in the world and

will be desperate to ensure that the odds are not unfairly stacked against them as they work to improve operational efficiency.”

Many other parts of the world have adopted a lighter-touch approach including the UK, Canada, Japan and South Korea. “Some US states are adopting their own rules,” says Clegg, “albeit all significantly less stringent than those in Europe.”

“Across the globe, many financial services regulators are being proactive and encouraging innovation in controlled sandbox environments to ensure that they are part of the AI conversation as it evolves rather than trying to catch up afterwards. For example, in the UK, the FCA introduced its AI Lab in 2024, and under the EU AI Act, each member country is required to have a regulatory sandbox by mid-2026. The Unleashing AI Innovation in Financial Services Act looks to achieve similar goals across the US financial sector,” says Clegg.

Japan presents a particularly interesting case, says Chakchouk. “It is technologically advanced in manufacturing but showing inertia in financial services modernisation. Challenges include persistence of paper-based processes, heavy reliance on proprietary in-house systems, and cultural preference for face-to-face interactions. However, competitive pressure is driving change.”

The key differentiator, says Chakchouk, is whether leadership views technology as a cost centre to be minimised or a strategic enabler of competitive advantage. “Companies embracing the latter perspective, regardless of location, are investing in modern platforms and positioning themselves for success,” she says.

Many regions in Latin America, Africa, and parts of Southeast Asia face challenges including less

developed infrastructure, evolving regulatory frameworks, limited capital for technology investment, and skills gaps, says Chakchouk.

“However, these markets present significant “leapfrog” opportunities – unburdened by legacy systems, they can adopt the latest cloud-based, mobile-first technologies directly.”



“Concerns around AI bias and transparency underscore the need for ethical frameworks alongside technological adoption.”

Jason Hurwitz, Netsol

Challenges ahead

The leasing industry is navigating significant challenges with economic uncertainty, fluctuating interest rates, inflationary pressures and volatile asset valuations which are impacting customer confidence, demand and lessor profitability.

Modernising legacy systems without disrupting business remains a constant tension, says Adam Tait compounded by data quality issues across fragmented cores and spreadsheets.

“Regulatory demands are accelerating from consumer duty and fair value to IFRS, ESG, and AI governance placing further strain

on resources. At the same time, expanding digital ecosystems heighten exposure to cyber threats and third-party risk, making resilience a board-level priority,” he says.

Regulatory complexity and evolving compliance requirements are increasing the operational burden for many lessors, says Jason Hurwitz. “Whilst lessors work tirelessly to overcome and mitigate risks around these challenges, doing this whilst improving and tailoring customer experience, and enhancing shareholder return on equity, is a real challenge. A major hurdle is the continued reliance on legacy systems, which limits agility and elevates the cost of operating,” he says

Artificial intelligence presents both promise and complexity for the leasing industry, says Hurwitz. “While AI is rapidly gaining momentum across the industry and giving life to a new breed of innovations, many companies struggle with where to begin, how to scale responsibly and how to navigate emerging global regulations. Concerns around AI bias and transparency also underscore the need for ethical frameworks alongside technological adoption,” he says.

The biggest challenge facing the market says Dan Corazzi is balancing innovation with risk perception and stability. “Many institutions are constrained by technical debt and fragmented legacy systems, yet they are wary of large-scale transformation risk.”

“Add in heightened compliance expectations and market volatility,” says Corazzi, “and the challenge becomes building confidence in change. The industry must also confront a talent gap – modern leasing requires digital fluency, not just financial expertise. Bridging that human and technological divide is



Artificial intelligence presents both promise and complexity for the leasing industry.

essential for the next era of growth.”

The greatest threat to transformation is not AI itself, but organisational indecision, says Daypesh Patel. “Many companies approach AI by tactically adding tools for process efficiency rather than strategically rethinking their business model.”

“The core challenges remain data quality, legacy integration, ethical AI governance, and attracting the talent needed to scale,” says Patel. “Overcoming these requires a platform mindset and clear ROI driven AI strategy.”

We are in an environment of rapid change for asset finance and leasing companies. Those organisations that can adapt will do well, says Antony Clegg. “Those that stick to established business practices will struggle. And we may see new entrants looking to disrupt what many see as a traditional industry.”

As AI usage increases, says Clegg, so will the cloud computing costs, making it crucial to be diligent about the return on investment for specific use cases.

“While doing a quick AI proof-of-concept is easy, running AI at scale in a commercially viable way is much harder. It’s also difficult to predict how AI computing costs will evolve in future as AI providers come under increasing pressure to turn a profit. Therefore, retaining flexibility about the models and partners employed is a pragmatic step to mitigate the exposure to any one company hiking their prices,” says Clegg.

Environmental, Social, and Governance considerations have moved from optional to essential, says Amina Chakchouk.

“Customer demand for sustainable equipment financing, investor pressure for ESG transparency, and regulatory

requirements for disclosure are all increasing. For leasing companies, this means developing expertise in assessing environmental impact, creating circular economy products, implementing ESG tracking and reporting systems, and balancing profitability with sustainability. While challenging, ESG represents a significant differentiation opportunity,” says Chakchouk.

And as digitalisation accelerates, cyber risk has become critical. Leasing companies hold vast amounts of sensitive data – customer financial information, credit histories, asset data, and payment details. A breach can result in direct financial losses, regulatory penalties, reputational damage, and operational disruption.

“The challenge is compounded by sophisticated threats and evolving regulations (GDPR, CCPA). Companies must invest continuously

in cybersecurity infrastructure, employee training, and incident response capabilities,” she says.

Emily Hammond highlights residual values as an increasing risk for asset finance and leasing companies.

“This is much more pronounced for EVs and electric equipment with residual values for ICE vehicles and traditional equipment holding up well, and in some regions, such as the US, too well. EV residual value is affected by so many different parameters that it is difficult to predict, but with government policies in Europe and UK targeting the fleet market, this systemically leads to an overflow of EV vehicles to the used car market, outpacing market demand,” she says

More of this risk is going to the finance companies as they are encouraged to offer ‘guaranteed RV’ products to consumers to increase penetration rates and sales, says Hammond. “To counteract this, the leasing industry is having to turn more to additional services with fixed, stable income or find other sources of stable revenue.”

Across the world, we are also in a period of economic and financial volatility, which goes together with increased uncertainty, says Hammond.

“This makes planning and investment much more problematic not only for the asset finance industry itself, but also for its customers; for example, capital goods industries, transport and manufacturing where larger investment items might be deferred.”

“Tech and data infrastructure continue to have strong demand for finance globally, serving local markets with their AI needs, whereas export industries or heavy transportation are more subject to export pressures



“The next three years will likely see substantial catch-up investments in automation, API-based integration and compliance-ready SaaS platforms.”

Paul Decherf, NovaLend

and impacts of tariffs, which remain subdued outside the US,” she says.

Asset finance companies and their software vendors must be prepared to switch to support different products in different industries, so they need flexible systems and processes, says Hammond, and the ability to quickly originate from different sources.

Where are we heading?

Looking ahead, the software market will continue to drive convergence between mobility, finance and technology, says Jason Hurwitz.

“For the leasing industry, this means embracing platforms that support usage-based models, EV financing and cross-border leasing, all within a unified digital ecosystem,” he says.

“The rise of AI copilots and intelligent automation will streamline back-office operations and enhance decision-making. Moreover, sustainability reporting tools will become integral, as ESG

compliance gains importance across global markets.”

As customer expectations evolve, says Hurwitz, “software providers must prioritise modular, scalable and interoperable architectures that adapt quickly to changing demands.”

Paul Decherf highlights five major innovations which in his opinion will impact the sector over the coming years:

- Operational AI agents within platforms (such as operations agents), able to follow objectives, trigger actions via APIs, and justify decisions with full auditability.
- Real-time event-driven orchestration, enabling instant pricing, intelligent reminders and automated multi-contract cash application.
- Compliance-as-code components – policy engines embedding ESG metrics (including financed Scope 3 emissions) and standard e-invoicing connectors (Factur-X, PEPPOL).
- Sector-specific API marketplaces – plug-and-play KYC, alternative scoring, and IoT data for asset-as-a-service models.
- MLOps/LLMOps toolkits designed to maintain auditability and traceability for regulated lessors using AI models in production.

“As new regulatory frameworks (e-invoicing, DORA, ESG/CSRD) and growing cost pressures are accelerating digital adoption across Europe, the next three years will likely see substantial catch-up investments in automation, API-based integration and compliance-ready SaaS platforms,” says Decherf.

“We’re entering an era of platform intelligence where software isn’t just automated, it’s adaptive,” says Karan Oberoi.

Key innovations he says will include: Agentic AI ecosystems

capable of dynamically reviewing, servicing, and optimising portfolios; Composability at scale: finance solutions built like Lego blocks that integrate effortlessly with CRM, ERP, Core Banking, and payment systems; Regulatory-grade data and analytics frameworks that make compliance continuous, explainable, and auditable by design, and secure and scalable cloud architectures that bring enterprise reliability to the mid-market.

Over the next five years, says Adam Tait, “innovation will focus on creating domain-centric platforms that can be configured by product or country. Next-generation decision hubs will use explainable machine learning and real-time testing to optimise pricing and terms, while event streaming will capture asset

usage, condition, and location data to inform billing and residual values.”

“Advances in privacy-preserving analytics will improve model performance without moving sensitive data, and integrated ESG capabilities will embed green scoring and automated reporting directly into origination and servicing,” he says.

The next big technology revolution on the horizon, according to Antony Clegg, is quantum computing. “The most pressing concern is that the radical increase in processing speed could in theory render today’s information security practices redundant.”

“Encryption mechanisms that are virtually unbreakable today could be cracked in seconds. Some hackers are banking on a ‘steal now, decrypt later’ approach, where data that

is encrypted at rest is stolen in the expectation that when quantum computing technology matures, the data will be easy to access and sell to the highest bidder.”

“Companies need to start preparing for this world now,” says Clegg, “by ensuring that they are up to date with the latest post-quantum security standards such as NIST’s FIPS 203.”

In the longer term, says Clegg, it may be quantum computing that opens the door to powerful AI with the potential to profoundly change the leasing industry to an even greater degree than we are seeing today with classical AI.

“If I was a betting man, I would still put all my chips on great people and great products being the key to success,” he says.



Companies need to ensure they are up to date with the latest post-quantum security standards.

Legacy experience, not legacy tech: Why human-centred partnerships will outlast any platform

By Adam Tait, General Manager, SBS Financing Platform



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Everywhere you look, businesses are racing to digitise. Banks, manufacturers, and finance providers are investing billions in Cloud, apps, and self-service portals. But here is the paradox: the more digital they become, the more customers complain of feeling unseen, unheard, and undervalued.

In asset finance, the stakes are even higher. Customers don't just want efficiency they need trust, reassurance, and partnership. And too often, they are being forced into a false choice: either deal with outdated legacy systems or be pushed through a sterile, digital-only journey.

The truth is that the long-term winners won't be the ones with the shiniest technology or the biggest automation budget. They will be the ones who master the art of blending modern platforms with human insight. That balance creates a legacy experience: the kind of consistent, trusted relationship that customers remember and return to, long after technologies evolve.

The two extremes that fail customers

When it comes to customer experience, most providers drift toward one of two extremes:

1. The "digital only" trap: All in on self-service portals, automated chat, and slick apps. These journeys are efficient but often cold, alienating customers who need empathy and human judgement especially when decisions are financial and high stakes.

2. The "manual only" trap: Heavy reliance on people and paperwork, positioned as "personal touch." Customers may feel recognised, but the process is slow, inconsistent, and impossible to scale in today's market.

Neither model works. Modern consumers expect speed and simplicity but they also want to feel seen and supported. They are used to the seamlessness of Amazon, but when they finance a car, they also want reassurance from a person they trust. The difference isn't the core software it's how technology flexes around their priorities, and how people guide its application.

The differentiator is not choosing between human and digital but combining them. Technology should free people to focus where they add most value listening, advising, and building trust.



Modern consumers expect speed and simplicity they also want to feel seen and supported.



A Forrester survey found 19% of customers say they will never trust AI.

Why Cloud matters (But isn't the story)

The asset finance software market is booming, worth US\$3.6bn in 2023 and forecast to reach US\$5.5bn by 2028. Much of this growth is driven by the move from on premise to SaaS and Cloud platforms.

And the numbers are compelling. According to AWS:

- Cloud migration cuts infrastructure costs by 66%.
- It reduces licensing needs by 77%.
- It accelerates feature releases by 43%.

But Cloud is not the story it is the enabler. The mistake many businesses make is a simple “lift and shift,” moving outdated processes into a shiny new environment. It looks modern, but the customer still feels the drag of inefficiency.

The real value of Cloud comes

when organisations rethink processes at the same time:

- Simplifying onboarding for customers.
- Using APIs to connect systems so clients never repeat the same information twice.
- Automating repetitive checks while keeping humans in the loop for exceptions.

McKinsey has estimated Cloud could unlock US\$3 trillion in EBITDA by 2030, but more than 80% of that value will come not from IT savings but from new use cases and revenue streams. In other words, it's the innovation Cloud enables not the infrastructure savings that matters most.

When implemented well, Cloud gives you the scale to respond quickly to regulation, the resilience to handle market shocks, and the agility to

bring new services to customers faster. When done poorly, it is just a costly reshuffle of the status quo.

Data and AI: Personalisation that builds loyalty

If Cloud is the foundation, data and AI are the accelerants. The ability to analyse customer behaviour in real time is transforming how organisations anticipate needs and personalise interactions.

- In 2025, JP Morgan reported that using real time segmentation to personalise offers increased engagement by 25% and cut service costs by 30%.
- Deloitte research shows consumers spend 37% more with brands that deliver consistent, positive experiences across all touchpoints.
- Yet a Forrester survey found 19% of

customers say they will never trust AI, underscoring the need for transparency and human validation. Predictive analytics allows businesses to model Customer Lifetime Value (CLV) at the individual level helping them decide where to invest time, which journeys to personalise, and which customers may be at risk of churn.

AI also plays a growing role in risk and credit assessment. Instead of relying solely on static credit scores, AI can surface early warning indicators from transaction patterns, dealer behaviour, or open banking feeds. For staff, this means less time gathering information and more time advising customers on what to do next.

But here is the caution: automation without transparency erodes trust. Customers are comfortable when AI helps them onboard faster or makes their journey smoother. They are far less comfortable when decisions are

made without explanation or recourse.

The businesses that will win with AI are those who use it to empower staff and customers, not replace them.

Enhancing the buyer's journey

The first journey a client takes with you sets the tone for the entire relationship. In asset finance, that means not just customers but often end customers. Both expect journeys that are simple, fast, and transparent.

Where are the delays in your onboarding process today? Could customers be verified faster through Open Banking data or third-party ID verification tools? Could business customers be onboarded with the same ease consumers expect when opening a digital bank account?

These are no longer theoretical questions. Forward looking providers are already streamlining dealer and

customer onboarding with digital tools. The result isn't just speed; it is also insight. Wider access to data gives lenders a more holistic view of the customer, enabling better long-term relationship management.

Meanwhile, GenAI tools are freeing staff from low-value administrative tasks. In May 2025, JP Morgan reported that by deploying AI-driven tools, teams could focus on high-demand client work and saw a 20% increase in gross sales between 2023 and 2024 as a result.

Technology removes friction. Humans provide trust. The right mix creates loyalty.

Priorities for long-term success

For businesses charting their path forward, three sets of priorities matter most:

1. Measuring success

- What balance are we striking



The businesses that will win with AI are those who use it to empower staff and customers, not replace them.



GenAI tools free staff from low-value administrative tasks.

between cost efficiency and experience innovation?

- Which KPIs are we tracking for customer lifetime value, dealer satisfaction, and employee engagement?
- How will our systems adapt as customer expectations shift over the next 5–10 years?

2. Technology foundations

- Are we adopting Cloud to enable agility, or just to cut costs?
- Do we have the right data foundations clean, integrated, secure to leverage AI responsibly?
- How will we safeguard sensitive dealer and customer data?
- Have we stress-tested our platform against regulatory and customer change?

3. Customer experience

- Where is human interaction essential, and where can technology free staff to focus on it?
- How can we ensure transparency in

how AI is used to support decisions?

- How do we deliver digital journeys that are proactive, not just reactive?

Asking these questions forces organisations to focus not on tools, but on outcomes the experiences they want to be known for.

Building your legacy through partnership

At some point, every business faces the build vs buy debate. Some global giants can justify building inhouse platforms. Most cannot. For them, the smarter move is to buy a proven solution and partner with a provider who brings not just software, but experience.

The right partner is not simply a vendor. They are:

- Scalable and flexible ensuring the platform grows with you.
- Advisors as much as suppliers challenging you with new ideas and best practices.

Committed to sustainability building solutions responsibly for clients, staff, and the environment. Ultimately, the software you choose reflects your business. But what will define you long-term isn't the system alone it is the experience you build around it.

Efficiencies are found with technology. Trust is built with people. The organisations that thrive won't choose between the two; they will combine them. SaaS and Cloud provide scale. Data and AI provide personalisation. People provide empathy and judgement. Together, they create the legacy experience that your customers and their customers will remember.

Because in the end, customers don't stay for your systems. They stay for the experience you create and the trust you build over time.

SBS Financing Platform

Agentic AI: How it works, why it matters, and the future of leasing

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Across banking, equipment finance, and private capital, AI already delivers value in compliance, document review, underwriting, and customer experience. The next step is not only to move faster but to create intelligent ecosystems where AI agents learn, adapt, and collaborate across workflows. The result is that lenders create value faster and operate with greater confidence than ever before.

The secured finance industry has always revolved around one idea: confidence in capital. Every lender, lessor, and captive finance organisation depends on making good decisions faster, more consistently, and with greater visibility into risk and reward.

Now, the era of agentic AI has arrived. This is AI that can reason, decide, and act autonomously within established guardrails. Agentic AI represents the next major inflection point for leasing and asset finance.

It is not just automation. It is intelligence in action.

Why AI, why now

Lenders and lessors face tightening margins, changing regulations, and growing expectations from customers who now demand digital, transparent, and personalised experiences.

Traditional automation helped, but



Agentic AI represents a new class of intelligent systems that reason, decide, and act within defined limits.



Agentic AI is the new foundation of intelligent finance.

many processes remain rigid and manual.

Three major factors make this the right moment for agentic AI in secured finance:

1. **Technology readiness:** Cloud-native SaaS, large language models, and advanced machine learning now safely integrate into core finance systems.
2. **Data readiness:** Years of digitisation have created data reservoirs ready to train industry-specific models.
3. **Competitive pressure:** Early adopters show how AI accelerates originations, improves compliance, and enhances customer engagement. The rest must catch up.

The infrastructure, information, and incentives have aligned. The question is not whether the industry will adopt agentic AI, but how fast and how responsibly.

What makes AI “agentic”

Agentic AI represents a new class of intelligent systems that reason, decide, and act within defined limits. Unlike rule-based bots, agentic AI learns from context, adapts, and collaborates with humans to achieve shared goals. In secured finance, this means transforming routine processes such as document review, credit validation, and compliance checks into self-directed workflows that operate at market speed.

Agentic AI functions through three interconnected layers that mirror how modern finance operates:

Perception: understanding context. Agents use natural language processing and computer vision to interpret structured and unstructured data. They can read contracts, identify key terms in insurance certificates, and analyse communications to understand context.

Reasoning: making judgments. Large language models evaluate

relationships in data, identifying risks or missing elements. For example, an agent may detect a covenant breach or incomplete documentation before it becomes a compliance issue. Every reasoning step is documented for transparency and aligns with frameworks such as the EU AI Act.

Action: executing safely. Agents act within governed workflows, drafting risk summaries, routing exceptions, or updating records via secure APIs. Each action is explainable, traceable, and reversible.

Together, these layers transform AI from a passive tool into an active collaborator that enhances decision-making and accelerates lending cycles.

Five proven use cases in leasing and asset finance

Agentic AI delivers the greatest value when it is applied to specific, measurable challenges. In secured finance, success comes from



Tasks once handled manually are now executed by intelligent agents that act, learn, and adapt within modern finance platforms.

starting small, automating what is predictable, and then expanding toward intelligence that drives decisions and customer value.

These five focus areas form a practical roadmap for lenders and lessors who want to move from manual operations to intelligent, adaptive workflows.

1. **Automate high-impact workflows.**

Every transformation begins with automation. Start by targeting repetitive, data-heavy processes such as certificate verification, document completeness checks, or anomaly detection. These are ideal candidates for AI agents because the inputs are structured, the outcomes are measurable, and the benefits are immediate: reduced friction, faster cycle times, and higher accuracy. The result is what we call a measurable *Return on Intelligence*: time saved, errors reduced, and teams freed to focus on higher-value work.

Once operational workflows are automated, attention naturally shifts to the data itself.

2. **Unlock insights from unstructured data.** Some of the most valuable information in leasing lives inside unstructured content such as contracts, scanned statements, and correspondence. Traditional OCR tools can extract text, but they cannot interpret meaning. Agentic AI changes that.

It reads, classifies, and contextualises data to surface insights such as covenant breaches, missing collateral terms, or irregular borrower behaviour before they become compliance issues. This allows risk and operations teams to make faster, more confident decisions based on a fuller picture of the business.

With data now accessible and actionable, the next priority is ensuring trust.

3. **Strengthening explainability**

and governance. Trust is the foundation of finance, and explainability is the foundation of trustworthy AI. Agentic AI must not only make decisions, but it must also show its work. Each recommendation and action should be transparent and auditable so that regulators, auditors, and customers understand how conclusions were reached.

Our approach to AI governance ensures every decision pathway is documented and reviewable, aligning with both internal risk standards and emerging global regulations. Clear governance builds confidence both internally and across the broader market.

Once transparency is secured, AI becomes a true amplifier of human potential.

4. **Empower people with intelligent tools.** Agentic AI does not replace people. It

makes them faster, sharper, and more capable. By taking over repetitive or administrative work, agents free teams to focus on strategic decision-making and relationship management.

Employees spend less time searching for information and more time solving problems and serving customers. The result is stronger engagement, higher productivity, and a better experience for everyone involved.

With empowered teams and governed intelligence in place, AI maturity depends on scale.

5. Build a scalable data foundation.

Every intelligent system depends on clean, centralised, and accessible data. Investing in modern cloud infrastructure enables scalable, real-time processing and continuous model monitoring. Once data pipelines are standardised and AI-ready, organisations can reimagine entire workflows, from credit origination to servicing, with predictive accuracy and operational agility. A strong data foundation is the launchpad for every other AI initiative to follow.

Together, these five use cases form a progressive path forward. Each build on the last, starting with process automation, expanding into data insight and governance, empowering people, and culminating in scalable, intelligent operations. The outcome is not only efficiency but a smarter, faster, and more resilient finance ecosystem.

Real-world impact

Agentic AI is already transforming how lenders operate. Tasks once handled manually are now executed by intelligent agents that act, learn, and adapt within modern finance platforms.

Document intelligence agents validate borrower documentation in under 30 seconds, achieving up to 80%-time savings. They cross-check data, detect inconsistencies, and flag missing information before underwriting.

Workflow agents coordinate across origination, servicing, and compliance, ensuring information flows accurately and efficiently. They automate rule checks, route exceptions, and surface insights for faster decisions.

Conversational assistants make information access immediately. Employees and customers can find answers in plain language, improving satisfaction and speed.

These capabilities are embedded in Solifi's Open Finance Platform (OFP), which integrates AI directly into existing workflows without costly system replacements. Every agent action is explainable, auditable, and compliant by design.

The results are measurable: shorter cycle times, greater accuracy, stronger compliance, and better customer experience. What was once manual and reactive is now intelligent, proactive, and deeply integrated across the secured finance lifecycle.

Managing challenges

The path to AI maturity brings challenges, but each can be managed through governance, readiness, and communication.

1. **Data quality and integration.** Most lenders have valuable data trapped in silos. Establishing strong data hygiene through standardising, cleaning, and centralising, is essential.
2. **Explainability and accountability.** Black-box algorithms have no place in regulated finance. Every AI recommendation must be transparent and traceable.
3. **Change management and**

workforce readiness. Employees may worry about automation. Leaders must emphasise that agentic AI augments human judgment. By automating administrative work, teams can focus on higher-value activities such as customer engagement and innovation.

4. **Regulatory alignment and ethical use.** Global regulators are defining standards for fairness and accountability. Solifi aligns early with these principles, embedding oversight, bias monitoring, and model evaluation into every deployment.

Together, these four areas: data, transparency, people, and regulation, form the foundation of responsible AI adoption.

Solifi's agentic vision

Our vision is to make agentic AI the foundation of secured finance transformation. We believe the future of lending and leasing depends on intelligent systems that are transparent, explainable, and built directly into existing workflows.

Through the Open Finance Platform (OFP), Solifi integrates AI agents across origination, servicing, compliance, and customer engagement. This architecture lets organisations modernise without disrupting operations. Each agent operates under strict governance, ensuring every action is traceable, auditable, and measurable.

Our approach combines several layers of intelligence that work together:

- Document intelligence agents validate documentation with speed and precision.
- Workflow agents that coordinate complex, multi-step processes across teams.
- Conversational assistants



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Agentic AI does not replace people. It makes them faster, sharper, and more capable.

that guide users and customers in real time.

These agents form a connected ecosystem that learns and improves continuously. This orchestration turns Solifi's platform into a living network of intelligence that operates with transparency and adaptability at its core.

Beyond efficiency, agentic AI enables lenders to accelerate decisioning, reduce risk, and deliver personalised experiences. It also creates new capacity for innovation, allowing teams to focus on strategy and growth.

By embedding responsible, explainable AI throughout the Open Finance Platform, Solifi is redefining what modern secured finance can achieve. It is practical, governed intelligence that helps our customers move faster, operate smarter, and grow with confidence.

Why it matters

Agentic AI is already reshaping how financial institutions operate, make decisions, and serve customers. What began as isolated automation projects has evolved into connected systems that deliver speed, accuracy, and control.

By 2026, Gartner predicts that 80% of financial organisations will have at least one AI-enabled process in production. The implication is clear: the future of secured finance will be defined by intelligent systems that make speed, compliance, and value standard expectations.

For lenders and lessors, the opportunity is to act now. Those who adopt agentic AI early will redefine efficiency and customer experience. Those who wait risk falling behind as intelligence becomes the norm.

Agentic AI is not an experiment. It is the new foundation of intelligent

finance. The organisations that deploy it responsibly and transparently will shape what comes next.

We see this as the natural evolution of our mission: to guard, guide, and grow our customers' businesses with technology that unleashes potential. The Open Finance Platform brings this mission to life by combining trusted experience with next-generation intelligence that is explainable, auditable, and ready to scale.

The future of finance is not just faster, it's inevitable. Agentic AI allows lenders to move beyond automation toward intelligence that learns, adapts, and collaborates. Together we create smarter, safer, faster access to opportunity, and that is more human than ever before.

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Top 10 ways AI is changing asset finance right now

By Antony Clegg, SVP Product Management, Odessa



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The conversation around AI in asset finance and leasing has moved beyond theory. Companies across the industry are implementing AI solutions today, learning what works through practical experience rather than speculation.

What follows are 10 use cases where AI is making a measurable difference in asset finance operations – improving efficiency, reducing risk, and creating better experiences for customers and partners.

1. Intelligent introducer support

Any lender working with introducers knows the challenge. You want high-quality applications while keeping the process simple for those bringing you business.

Chatbots and machine learning (ML) provide a powerful mechanism to do both. A conversational assistant can guide introducers step by step, answering questions in real time. This isn't just an FAQ

bot, it is a system that understands context, remembers progress, and provides timely, relevant guidance.

Behind the scenes, ML analyses submitted data, flags errors and inconsistencies, and guides the user towards solutions that best suit the customer's needs. It can spot when a guarantor is needed to pass a credit decision, help the dealer explain calculations, and proactively recommend products and services.

The benefits are clear:

- Better data quality without adding friction
- Back-office staff spend less time fixing preventable mistakes
- Introducers get faster responses and clearer guidance
- Stronger relationships through operational excellence

This approach is a good example of how AI can be used to reduce the friction in a process so that people



AI provides a major competitive advantage by allowing pricing to respond dynamically to changing conditions.

can focus on doing what really matters – looking after relationships.

2. Dynamic pricing intelligence

Pricing in asset finance has always required judgement – weighing market conditions, funding costs, competition, and deal specifics. Traditionally, this has meant periodic reviews and manual adjustments.

However, markets move faster than scheduled pricing reviews. By the time you react, you may have already lost deals you should have won.

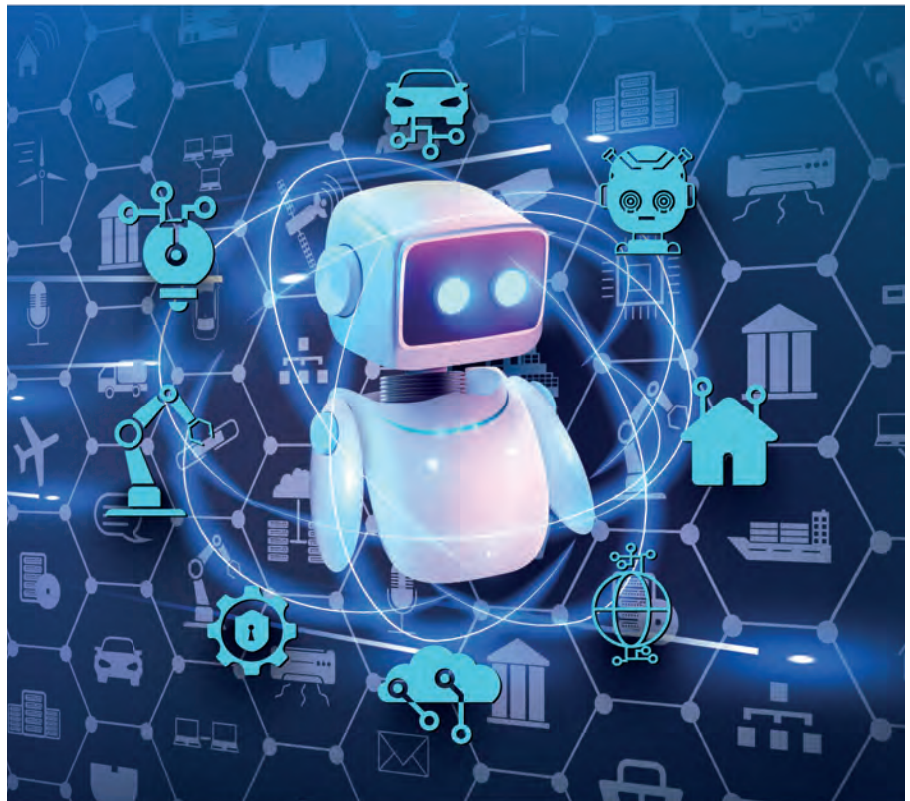
AI provides a major competitive advantage by allowing pricing to respond dynamically to changing conditions. An AI agent can gather data from multiple sources continuously, monitoring funding costs, tracking competitor rates, and analysing market trends – without requiring complex integration work.

The system uses this information to inform pricing decisions in real time with changing market conditions. This doesn't mean handing over pricing authority to an algorithm. Dynamic pricing intelligence gives you information to make better decisions. You're empowering human judgement with intelligence that would be impossible to gather manually.

3. Advanced credit decisioning

Traditional credit rules provide a foundation built on years of knowledge about what risk factors and appropriate thresholds. They work, but they're also somewhat static.

Advanced AI allows credit policies to evolve based on actual results. It can learn from real results, uncovering patterns and subtle correlations that humans might miss. ML models can



Chatbots and agents in financial services need strict guardrails.

adjust their weighting automatically based on portfolio performance and macroeconomic conditions.

This does not mean discarding your existing credit rules. It means augmenting your traditional approach with a layer of intelligence that learns from outcomes.

AI agents can also handle conditional acceptances more intelligently. Instead of simply declining a marginal application, an agent can analyse what changes would make it acceptable:

- A larger deposit that improves the loan-to-value ratio
- A guarantor that addresses income stability concerns
- Modified terms that work for both parties

The agent can suggest these modifications to the customer, turning a potential 'no' into a 'yes, if.' This expands your addressable market without increasing your risk appetite, while improving response times for turning around credit referrals.

4. Automated document verification

Handling supporting documentation has always been necessary but tedious. Someone needs to verify that documents are correct, information matches the application, and everything meets underwriting requirements.

Intelligent document processing removes much of this drudgery. AI can read, extract, and cross-check documentation automatically, and compare it against application data. It can analyse a bank statement to verify income claims, check identity documents for authenticity, and validate insurance certificates against coverage requirements.

What might take a person 20-30 minutes of careful review can happen in seconds. Multiply that across hundreds or thousands of applications and the efficiency gains become substantial.

There's also a customer experience benefit. Faster document verification

means faster decisions and almost immediate feedback for customers.

5. Payout review

Paying out funds represents one of the highest-risk moments in the asset finance lifecycle. Get it wrong and you might fund a fraudulent transaction, pay the wrong amount, or send money to the wrong account.

AI agents can automatically verify payments before they leave your bank account. They check that:

- All funding pre-conditions have been met
- The documentation supports the payout
- The amount matches what was approved
- The recipient details are correct and consistent

The value here is not just catching obvious mistakes, it's identifying patterns and inconsistencies that might indicate a problem even when each individual element

looks acceptable on its own.

AI can cross-reference information across multiple sources in milliseconds and apply consistent scrutiny to every transaction rather than relying on risk-based review that might miss critical cases.

This gives your team confidence that every payout has been properly validated using a rigorous automated verification process without human bottlenecks.

6. Fraud detection and handling

Fraud in asset finance takes many forms – falsified documents, misrepresented circumstances, identity theft, straw buyers, fake vendors, and inflated asset values. The methods evolve as quickly as the defences.

Traditional fraud prevention relies on identifying known patterns, which means you're always playing catch-up. ML excels at detecting

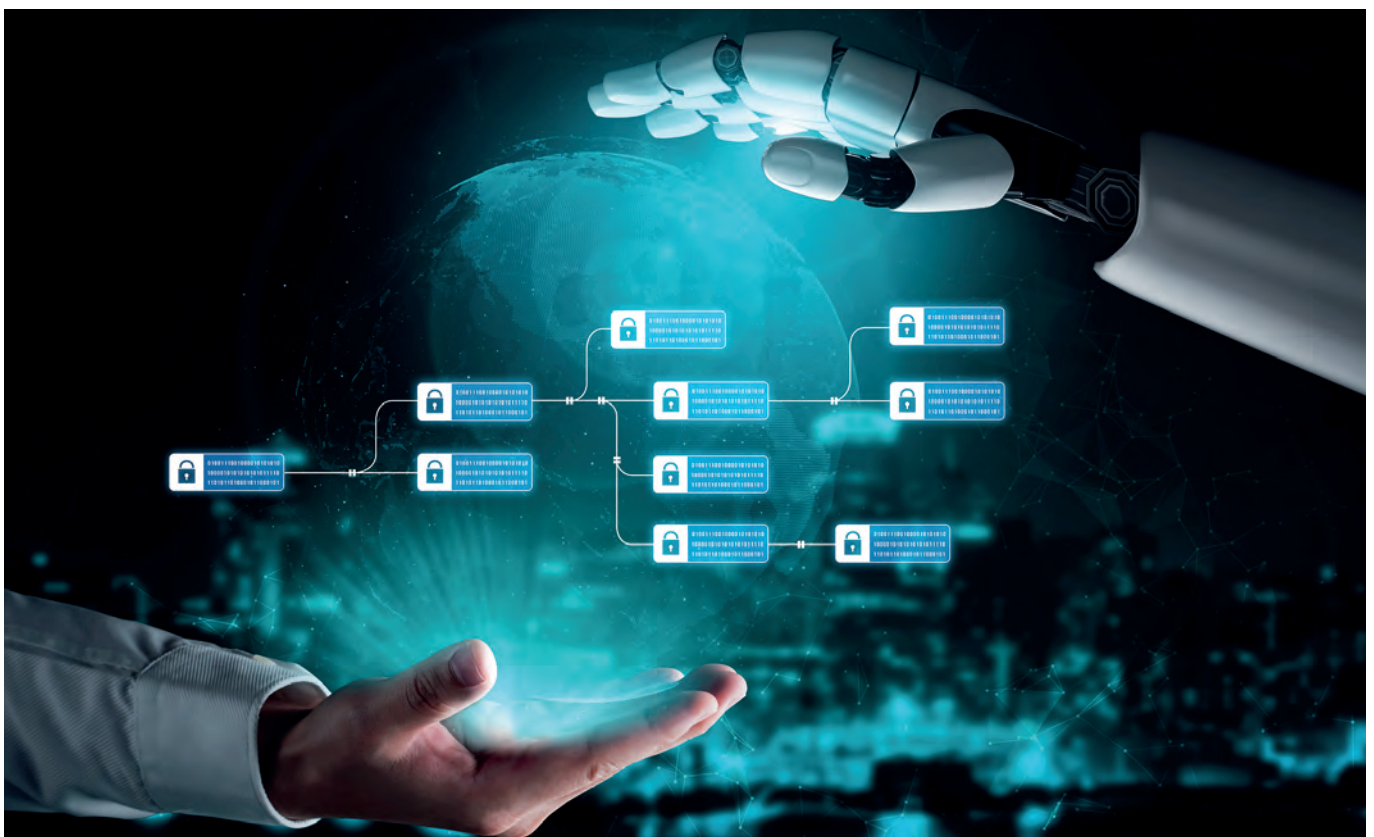
patterns that indicate fraud, including those humans might not recognise or articulate as rules.

The system identifies when certain combinations of characteristics, while individually innocent, together suggest elevated fraud risk. It spots when an applicant's behaviour matches patterns from previous fraud cases, even if circumstances differ.

Once a potential fraud is identified, AI agents can follow up automatically, investigate suspicious activity and take appropriate action such as flagging the account or blocking new business from that customer.

Identifying fraud quickly only helps if you can act on that information before additional damage occurs. Automation allows you to respond at the speed of the threat rather than the speed of human review processes.

That said, fraud detection requires careful oversight. False positives can



AI agents can automate follow-up actions and payment arrangements, escalating to human collectors only when it is needed.



ML allows you to optimise your collections strategy based on actual customer behaviour and payment patterns.

damage customer relationships. The goal is to use AI to identify cases that warrant scrutiny, not to automatically accuse customers of wrongdoing. Human judgement remains essential.

7. Enhanced in-life customer servicing

Your customers need quick answers to routine questions, but they also need access to knowledgeable people who can handle complex requests and manage important relationships.

Carefully controlled chatbots can handle customer interactions throughout the contract lifecycle, responding to queries and processing requests instantly within strict parameters. A chatbot can immediately help a customer wanting to update their contact information, obtain details on asset usage restrictions, or understand their payment schedule or end-of-term options.

For more complex requests, AI agents can securely automate

routine transactional elements while keeping humans in the loop for the parts requiring judgement. A lease extension request, for example, might involve automated eligibility verification. But the final decision might involve a human who can address concerns and exercise discretion.

This hybrid approach gives customers the speed they want for simple requests while maintaining the human touch for complex matters. The key phrase is 'carefully controlled'. Chatbots and agents in financial services need strict guardrails. They must be clear about their capabilities, maintain security, and escalate smoothly to human support when needed.

8. Streamlined maturity handling

Maturity handling has traditionally been one of the more cumbersome parts of asset finance operations. You need to communicate with

customers about their options, process their decisions, coordinate returns or renewals, and handle all the associated paperwork.

Months before the contract ends, customers need to understand their options: return the asset, renew the contract, purchase the asset, or perhaps upgrade. Chatbots can communicate these options clearly and consistently, answering questions and helping them understand their choices. For straightforward cases, this can all happen without requiring staff involvement.

AI agents can then automate the transactions themselves:

- Processing renewals
- Scheduling returns
- Updating systems
- Generating paperwork

Obtaining necessary approvals

This benefits everyone.

Customers get clarity about their options and quick resolution once they've made their decision. Your operations team spends less time

on administrative work and more time managing relationships.

The goal isn't to eliminate human involvement, but to ensure that human involvement happens where it matters most.

9. Optimised collections strategy

Collections is one area where asset finance companies have always sought to balance efficiency with effectiveness. Contact customers too aggressively and you damage relationships and reputation. Wait too long or use generic approaches and the recovery costs start to stack up.

ML allows you to optimise your collections strategy based on actual customer behaviour and payment patterns, tailoring your approach based on what the data suggests will work for each situation.

The system can predict:

- Which customers respond to gentle reminders versus those needing assertive follow-up.

- Which customers are experiencing temporary cash flow issues versus those with more serious problems.
- The optimal timing and channel for contact with each customer.

Chatbots can handle much of the customer communication, sending reminders, and providing payment options without requiring manual work from your collections team. The chatbot can explain the arrears situation, offer to set up payment arrangements, and answer basic questions.

AI agents can automate follow-up actions and payment arrangements, escalating to human collectors only when it is needed. Every interaction must feed the model, refining your approach over time. This data-driven approach can improve recovery rates while reducing cost and effort.

10. Accounting reconciliations

Month-end close in asset finance can be hard. Accounting teams work

long hours reviewing reconciliations, investigating discrepancies, and ensuring everything balances before the books can be closed.

AI can automatically detect accounting reconciliation differences as they occur rather than at month-end. The system can continuously monitor accounts, comparing balances and transactions across systems, flagging differences immediately.

In some cases, AI agents can propose resolutions automatically, distinguishing between straightforward corrections and cases that require human judgement. A timing difference might be resolved automatically once the delayed entry appears. A transaction coded to the wrong account might be corrected based on pattern matching.

This drastically reduces manual accounting work and helps achieve timely closing of month-end accounts. Accounting automation might not be the flashiest application of AI in asset finance, but it might be one of the most valuable for many organisations.

Moving forward

These 10 use cases represent practical applications of AI that are delivering value in asset finance today. None of them requires wholesale transformation of your business or replacement of your existing systems. All of them can be implemented incrementally, starting with the areas where you have the most pressing needs.

Most importantly, remember that even the most sophisticated AI depends on the judgement, oversight, and relationship skills of great people to deliver real business value.



ML excels at detecting patterns that indicate fraud, including those humans might not recognise or articulate as rules.

Odessa

Vehicle-fleet ESG reporting: from data dilemma to competitive advantage

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Accurate ESG reporting is now a priority for the vehicle-financing industry. Although fleet data is available, it's often fragmented and inconsistent. Banqsoft Vehicle Data Service closes this gap – strengthening ESG compliance while creating new growth opportunities.

There is an inherent contradiction in reporting on the emissions impact of a vehicle fleet.

Modern automobiles and other vehicles record a constant stream of operational data – from energy consumption and charging patterns, to driving profiles and engine performance. Proprietary or third-party telematics platforms can capture this information in real time, providing the building blocks for accurately modelling ESG reports.

In practice, however, the information that reaches fleet management software is rarely detailed or consistent enough at the vehicle level. There is often a

disconnect between what a car records and the data that appears in the lender's contract-management system. The root cause is that underlying vehicle records are often messy or incomplete, making it difficult to map operational data to financing contracts.

For example, a vehicle model with multiple variants may be listed in the system as a single emissions profile – even though actual CO₂ impact may differ between variants. Or emissions values for a specific vehicle may be missing, incomplete or out of date. Key details are sometimes buried in free-text fields that get overlooked. Hybrid vehicles introduce further complexity, as their fuel classifications may vary.

Faced with these limitations and yet under pressure to accurately report on emissions, vehicle-financing providers often fall back on national averages. These numbers may meet minimum disclosure requirements, but they do little to build confidence with investors or customers who



As ESG expectations rise, vehicle-financing providers will need to go further in linking asset data to risk models and credit decisions.



The information that reaches fleet management software is rarely detailed or consistent enough at the vehicle level.

expect more detailed insight. Relying on national averages also prevents vehicle-financing providers from using emissions data as a basis for new products or services.

This is the gap the industry must close: abundant data on one side, yet unreliable reporting on the other. Companies that solve this challenge will turn financed-emissions reporting from a compliance obligation into a source of differentiation and competitive advantage.

The rest of this paper explores how vehicle-financing providers can introduce the required asset-level accuracy. We look at how two large financial institutions are already setting higher standards for financed emissions than most fleet management systems were designed for. We then go deeper into how vehicle data should be cleaned and harmonised before live telematics services are introduced.

Our point of view is centred on **Banqsoft Vehicle Data Service**: a platform that brings vehicle registry information, telematics feeds and other metrics together at the vehicle-contract level. It is Banqsoft's

proactive approach to making financed-emissions reporting more consistent and valuable for our vehicle-financing customers and their stakeholders.

Financing leaders raise the bar on reporting

To put the challenge into context, consider how two major European banks are approaching financed emissions. Santander and Nordea each offer clear benchmarks for the vehicle-financing industry, with both banks having committed to measurable portfolio-level emission reductions backed by accurate reporting.

Santander has directly tied its auto-lending business to its emissions targets (Source: **Santander, Responsible Banking Targets 2024**).¹ The bank has committed to reducing the emissions intensity of its auto-loan portfolio to 75–89 grams of CO₂ per vehicle-kilometre by 2030, down from 137 grams of CO₂ per vehicle-kilometre in 2022.

Santander has set similar goals across power generation, aviation and steel – placing vehicle financing

alongside these traditionally high-emitting sectors.

The bank's commitments are backed by scale. Santander reached its 2019–2025 target of mobilising €120bn in green financing a full 18 months ahead of schedule. It then raised the bar to a target of €220bn by 2030 (Source: **Santander – Supporting the green transition**).² That capital is likely linked to financed-emissions outcomes. In practice, this means vehicle-financing providers with the right data foundation are better positioned to access sustainable finance.

Nordea has made financed-emissions reductions a central pillar of its net-zero strategy. By the end of 2024, the bank had cut portfolio emissions by 36% from its 2019 baseline – closing in on a 2030 target of a 40%–50% reduction (Source: **Nordea.com**).³

Nordea has embedded financed-emissions metrics into its internal analytics platform, giving relationship managers a direct view of emissions exposure by sector, customer and product (Source: **Nordea.com**).⁴ This enables the bank to consider



Vehicle-financing providers need to stop stacking assumptions on assumptions.

emissions alongside traditional risk factors when granting credit.

These two institutions illustrate how quickly financed-emissions reporting is evolving from a compliance exercise into a strategic management tool. Santander explicitly defines emissions intensity within vehicle lending, while Nordea demonstrates how financed-emissions data can be used in frontline decision-making.

The message is clear: financed emissions are now treated as a material risk and a strategic priority. Expectations for data quality will only continue to rise, as customers, investors and regulators benchmark reporting against the standards set by these leaders.

To stay ahead in this evolving environment, vehicle-financing providers need to stop stacking assumptions on assumptions. Doing so breeds uncertainty and undermines the reliability of conclusions. The answer is to build the capability to report at the vehicle-contract level.

From fragmented records to a harmonised vehicle dataset

With traditional leasing systems characterised by incomplete or inconsistent data, Banqsoft Vehicle Data Service introduces a structured process to clean, enrich and continuously update vehicle information at the contract level. The service is essentially the missing link between vehicle data and accurate financed-emissions reporting.

The workflow begins with onboarding fleet vehicles into Banqsoft Asset Finance, where all leasing contracts are created and maintained. This onboarding is a prerequisite for using Banqsoft Vehicle Data Service.

Each new vehicle contract is then automatically populated with baseline data, including registration status, inspection records, technical specifications, fuel classification and emissions values.

This information can come from national vehicle registries – such as *Bilregisteret* in Norway or

Transportstyrelsen in Sweden – or from commercial providers like JATO and Autovista, which supply WLTP (Worldwide Harmonised Light Vehicles Test Procedure) values and other static data.

To clean older vehicle records, Banqsoft Vehicle Data Service applies fuzzy-matching algorithms that automatically identify and correct errors. For example, a Porsche Cayenne should never appear in the dataset as “Cayene” or “Ceyenne.” When there is uncertainty about a specific data entry, the associated vehicle record is flagged for review – rather than left to propagate errors in downstream reporting.

Once the data is harmonised, manual free-text entry is replaced by pre-defined drop-down lists. Real-time APIs connect directly to external registries for automated updates, preventing errors from recurring and creating a future-proof vehicle dataset. The result is a clean, consistent and comprehensive record for every vehicle under financing.

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Building business value while delivering accurate emissions data

While harmonisation of vehicle records lays the foundation, the real power of Banqsoft Vehicle Data Service comes when live data is added on top. This transforms the dataset from a static register into a dynamic picture of how every financed vehicle is actually used.

Banqsoft makes this possible through open APIs that integrate with vehicle telematics providers. Metrics such as odometer readings, fuel consumption, charging patterns and diagnostic alerts flow in directly at the vehicle contract level. By acting as a single-entry point for feeds from different vehicle brands and systems, Banqsoft Vehicle Data Service also eases the technical burden on financing companies.

Instead of relying on estimates, financing providers now have an accurate and up-to-date picture of each vehicle. These live metrics are the essential building blocks for accurately calculating financed emissions at the contract level. The data also supports better operational fleet management.

For example, odometer readings provide a more accurate view of asset condition and residual value. This makes it possible to offer dynamic pricing that rewards low-mileage customers, while excess mileage is automatically flagged for reporting and billing. In parallel, diagnostic alerts ensure vehicles are brought in for maintenance when needed – protecting value for both the customer and the financing company.

Emissions reporting as a long-term strategic advantage

The contract-level live view makes emissions disclosures far more



As ESG expectations rise, vehicle-financing providers will need to go further in linking asset data to risk models and credit decisions.

credible. Rather than assigning national averages to entire fleets, financing providers can now report based on each vehicle's actual fuel consumption and emissions values.

This aligns with the European Corporate Sustainability Reporting Directive (CSRD), which places heavy emphasis on data quality. With Banqsoft Vehicle Data Service, financed-emissions reporting stands up to the scrutiny of regulators and investors.

In addition to ensuring compliance, this level of transparency creates opportunities for differentiation. Financing providers can use emissions data to design new green products, such as preferential rates for lower-emission vehicles, or incentives for switching to EVs. In this way, sustainability goals and business growth move forward together.

As ESG expectations rise, vehicle-financing providers will need to go further in linking asset data to risk models and credit decisions. That journey is only possible with a harmonised vehicle dataset at the

contract level. Clean datasets also provide the foundation for advanced analytics, AI-driven insights and integration with emerging green-finance frameworks.

For an industry under pressure to demonstrate corporate responsibility, the capabilities of Banqsoft Vehicle Data Service represent more than a technical upgrade. The service sets a new standard for vehicle financing and fleet management – turning a compliance obligation into long-term competitive advantage and balance-sheet resilience.

Notes:

- ¹ <https://www.santander.com/content/dam/santander-com/es/contenido-paginas/nuestro-compromiso/doc-responsible-banking-targets-2024-es.pdf>
- ² <https://www.santander.com/en/our-approach/inclusive-and-sustainable-growth/supporting-the-green-transition>
- ³ <https://www.nordea.com/en/news/emissions-from-lending-cut-by-more-than-one-third>
- ⁴ <https://www.nordea.com/en/news/financed-emissions-a-key-lever-in-the-net-zero-transition>

Driving the future: Why auto captives must embed AI to accelerate transformation

By Dario Morelli, Vice President of Artificial Intelligence, NETSOL Technologies



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In an era where adaptability defines competitive advantage, auto captive finance companies are embarking on a fundamental transformation – embedding artificial intelligence across operations to deliver smarter, faster and more customer-centric services.

As we head into 2026, the fusion of auto finance and leasing with AI is no longer an experimental luxury; it's becoming intrinsic to strategic resilience.

The AI imperative for auto captives

The World Economic Forum reports that the financial services sector is leading in AI adoption, leveraging the technology to enhance efficiency, reduce risk and combat fraud. Notably, 70% of industry executives believe AI will be a direct driver of revenue growth in the coming years.

The growing adoption of AI across financial services underscores its

transformative potential. AI investment in the financial services sector is expected to surge from US\$35bn in 2023 to US\$97bn by 2027, reflecting a robust compound annual growth rate (CAGR) of 29%.

According to Auto Finance News, 95% of financial institutions are either already leveraging AI or intend to do so soon – for purposes including loan processing, borrower evaluation and personalised credit targeting.

Auto captives – the finance arms of original equipment manufacturers (OEMs) face mounting imperatives: increasing operational efficiency, navigating regulatory complexity, enhancing customer experience and accelerating digital service delivery. AI offers a powerful antidote.

Accelerating auto finance: How AI is reshaping the industry

Intelligent credit scoring and risk assessment

AI enables lenders to move beyond

traditional credit scoring by incorporating alternative data, such as data from bank accounts, investment accounts, payment apps and social media as well as recurring payment history, public records and gig economy income, into credit models.

Machine learning algorithms assess this expanded data set to generate more accurate and inclusive risk profiles, especially for underbanked or first-time borrowers.

For auto captives, this not only increases loan approvals for qualified applicants, but also enhances predictive accuracy, reducing default rates. As a result, they can better balance risk and growth while offering more tailored financing options. The benefits extend beyond efficiency gains in processing speed; the resulting credit portfolio will be of higher quality. This, in turn, leads to lower delinquency rates and a corresponding reduction in downstream operational costs.

Loan application automation

AI, often in combination with Robotic Process Automation (RPA), can streamline the entire loan origination process – from document intake and identity verification to underwriting and approval. Optical Character Recognition (OCR) extracts and verifies customer data from physical or digital documents, while AI models assess applications in real-time providing additional context.

This reduces processing times from days to minutes, minimises manual errors and delivers smoother customer experience. Automated loan decisioning is especially valuable for high-volume lenders and digital-first financing platforms.

Personalised financing and optimisation

By analysing a customer’s financial history and preferences, AI models can generate highly personalised loan or lease offers. These systems dynamically tailor interest rates, down payments and term lengths to match individual profiles – improving conversion rates and customer satisfaction.

Predictive analytics also help identify the best time to present offers, increasing the likelihood of acceptance. This level of

personalisation enhances customer loyalty while optimising portfolio profitability.

According to Salesforce, 70% of Gen Z and millennial car buyers prefer AI agents to recommend the best financing options – significantly higher than the preference seen among older generations.

Fraud detection and prevention

The 2024 Auto Lending Fraud Trends Report by Point Predictive estimates that the auto industry faces a fraud loss exposure exceeding US\$7.9bn.

AI significantly strengthens fraud prevention efforts in auto finance by analysing transaction data, behavioural signals and digital footprints to detect anomalies. Machine learning models flag suspicious activities, such as synthetic identities, duplicate applications or

inconsistent data entries, far more efficiently than manual reviews.

Over time, these systems learn from new fraud patterns and evolve accordingly. Real-time fraud detection protects lenders from financial losses and regulatory penalties while safeguarding consumer trust.

Residual value forecasting

Accurate residual value estimation is critical for pricing leases and managing risk. AI models use historical vehicle data, market trends, mileage patterns and macroeconomic indicators to predict future vehicle values with high precision.

This helps captives and lenders set more accurate lease terms, avoid over- or under-valuing assets and improve end-of-term recovery strategies. Enhanced forecasting capabilities also support better portfolio planning and asset-backed securitisation efforts. As a result, capital that is currently tied up in reserves due to uncertainty can be more efficiently deployed. This unlocks opportunities for growth and helps protect margins in a competitive market.

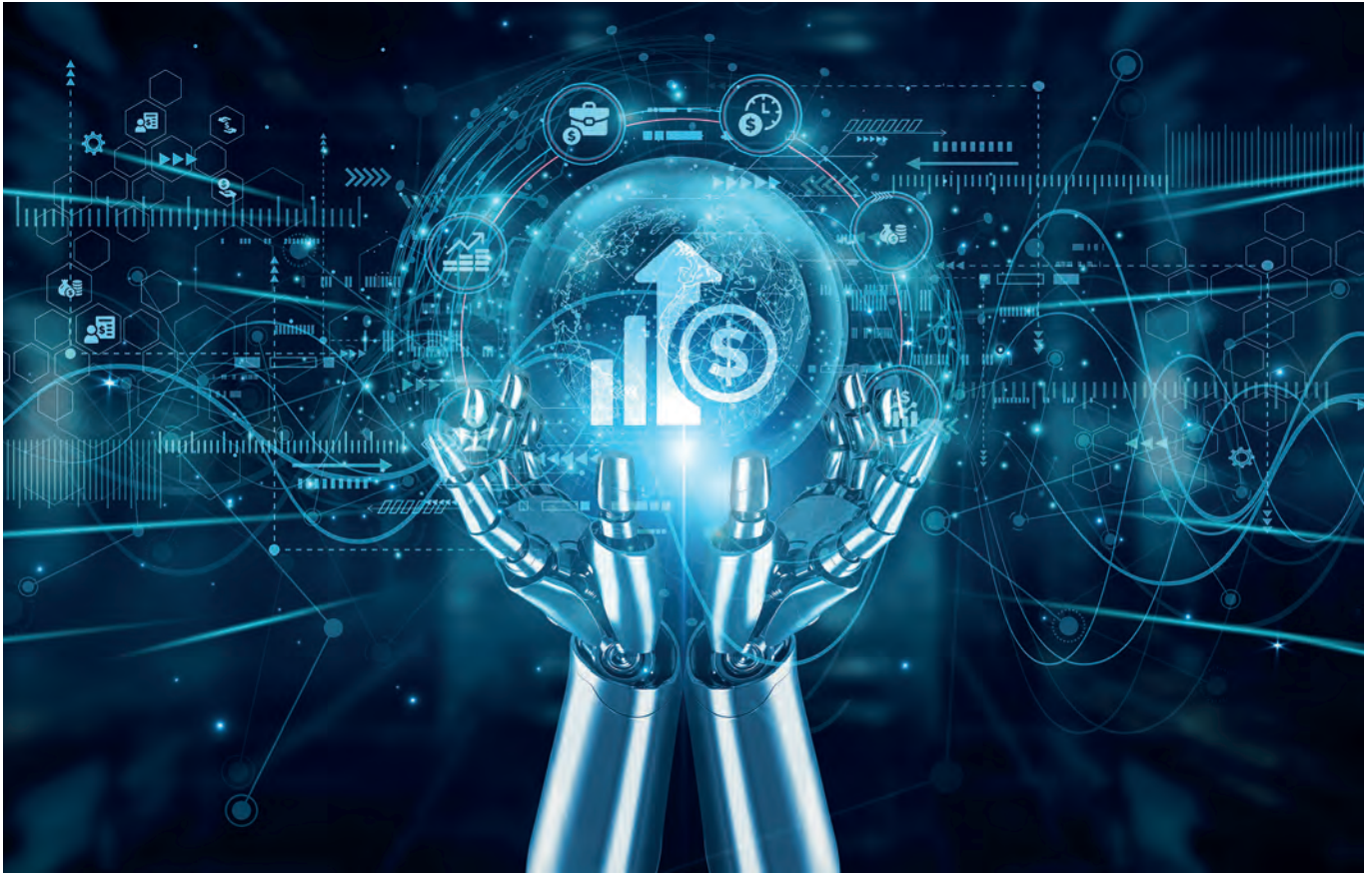
Collections optimisation

AI improves debt collection strategies by identifying the most effective communication channels, messaging and timing for each customer. Predictive models assess a borrower’s likelihood to repay, then recommend personalised outreach plans – ranging from automated reminders to restructuring options.

Natural language processing (NLP) can also power virtual assistants that interact empathetically with delinquent borrowers. This data-driven, personalised approach boosts recovery rates while maintaining a positive customer relationship.



Optical Character Recognition (OCR) extracts and verifies customer data from physical or digital documents, while AI models assess applications in real-time providing additional context.



Automated loan decisioning is especially valuable for high-volume lenders and digital-first financing platforms.

AI-powered assistants

AI-driven assistants are transforming customer service into auto finance. These virtual assistants can answer loan inquiries, provide payment schedules, assist with document uploads and guide users through lease-end processes – all in real-time, 24/7.

Natural language understanding allows bots to handle complex queries or escalate issues seamlessly to human agents. This improves operational efficiency, reduces support costs and enhances the customer experience, especially in digital channels.

By 2027, AI-powered assistants are expected to become the primary customer service channel for approximately 25% of organisations, as per Gartner. Interestingly, according to NVIDIA, over the past year, the use of generative AI for customer service, such as AI

assistants, has more than doubled in the financial services sector, increasing from 25% to 60%.

Lease-end management and upgrade prediction

AI can analyse customer usage patterns, payment behaviour and vehicle condition data to predict the likelihood of lease renewal, return or upgrade. Based on these insights, lenders can proactively offer trade-in deals, loyalty incentives or early buyout options tailored to individual customers.

This predictive capability helps auto captive finance companies reduce remarketing costs, improve vehicle retention rates and create a seamless end-of-lease experience.

Regulatory compliance and document verification

Captives and auto lenders operate in a highly regulated environment.

AI tools help ensure compliance by automating document verification, monitoring transactions for red flags and generating audit trails. Natural language processing can review contracts and disclosures for compliance gaps, while machine learning models track adherence to changing legal requirements.

These technologies reduce the risk of non-compliance, save on legal costs and ensure a faster, more transparent loan lifecycle.

Portfolio optimisation and scenario planning

AI enables finance teams to model various economic, regulatory and consumer behaviour scenarios to make better strategic decisions. Whether simulating interest rate shifts, inflation impacts or regional demand fluctuations, AI can help optimise portfolio allocation, pricing strategies and risk exposure. These

insights empower captives to be more agile, competitive and resilient in a rapidly evolving financial landscape.

According to industry reports, AI-driven tools are delivering measurable improvements across leasing operations – including a 20% uplift in lease renewals, a 22% boost in sales conversions and annual cost savings exceeding \$50,000 per firm. These outcomes provide valuable data points that inform portfolio optimisation strategies, helping finance teams better forecast revenue, allocate resources and model growth scenarios.

Intelligent automation with agentic AI

The agentic AI market is projected to grow from US\$7.06bn in 2025 to US\$93.2bn by 2032, registering a

CAGR of 44.6% during the forecast period, as per MarketsandMarkets. This technology is rapidly gaining traction and is here to stay.

AI agents are capable of autonomous reasoning, executing complex tasks and achieving specific goals – driving significant efficiencies across essential functions such as credit underwriting and fraud detection. This shift toward agentic AI represents a natural evolution in the automation journey of financial institutions. In many respects, it builds upon and enhances the groundwork established by traditional machine learning, traditional AI models and generative AI.

At its foundation, an agentic AI system is composed of autonomous agents that possess ‘agency’ – the capacity to initiate actions and pursue

specific objectives independently. Powered by large language models (LLMs) and enhanced through methods such as retrieval-augmented generation (RAG), these agents are designed to operate proactively, often requiring minimal to no human oversight.

Traditional AI bots can detect suspicious activity related to anti-money laundering (AML), but typically depend on human oversight to act. Agentic AI has the potential to transform this process by autonomously analysing large datasets, adapting to evolving fraud patterns and making data-driven decisions in real-time based on current market conditions.

Developing agentic AI systems may demand substantial investment and infrastructure that exceeds traditional

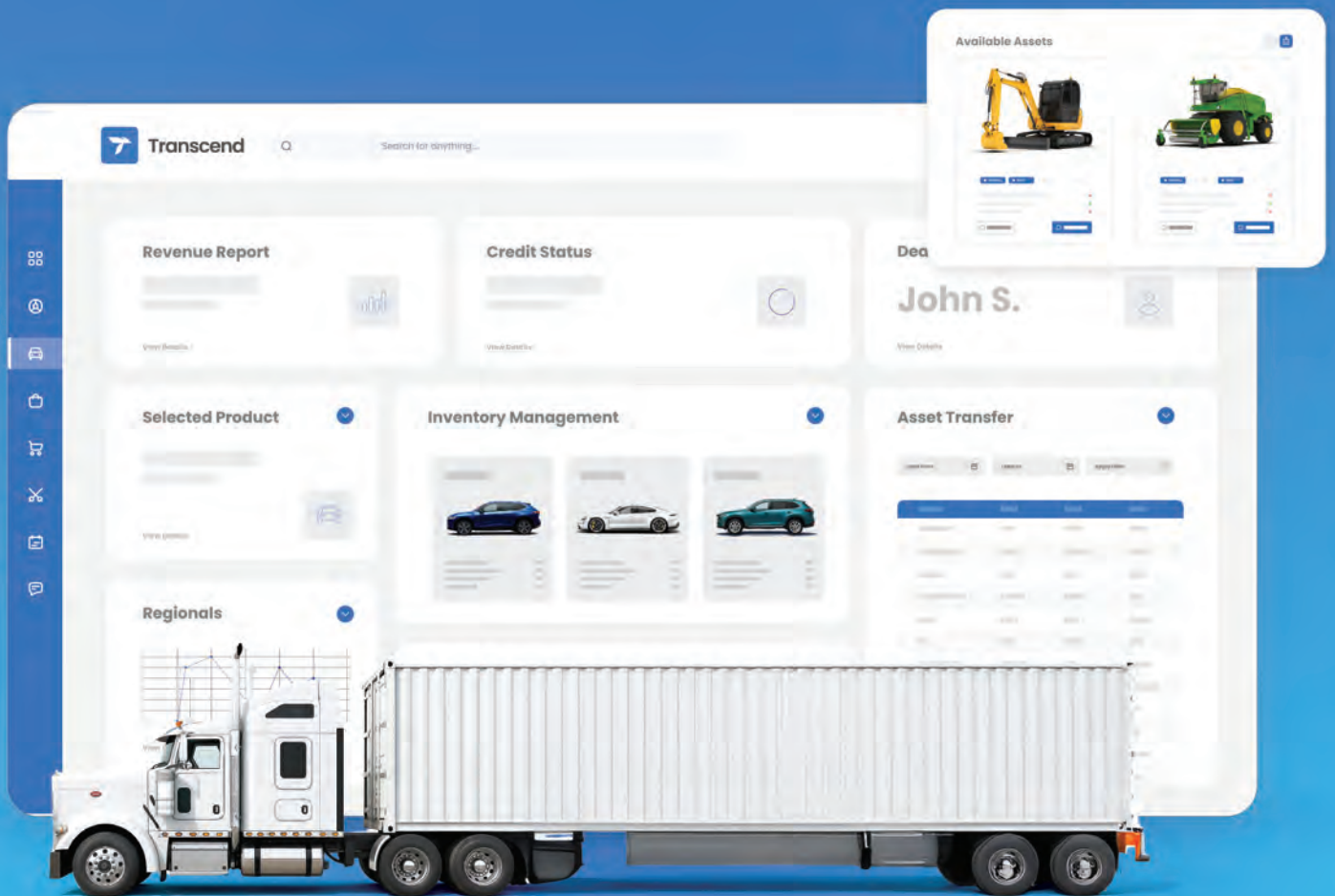


Captives must proactively invest in AI-specific cybersecurity solutions, including anomaly detection, real-time fraud analytics, and biometric verification.



Transcend the limits of technology

NETSOL delivers AI-powered solutions for the asset finance and leasing industry, serving financial institutions across over 30 countries.



AI requirements. To manage this complexity, auto captives can partner with specialised third-party vendors equipped with advanced capabilities – enabling internal teams to concentrate on governance, compliance and delivering measurable business outcomes.

Agentic AI should not be treated as a standalone initiative, isolated from broader AI and automation and real-time monitoring from the outset, they can ensure that AI agents operate securely and responsibly within regulatory frameworks.

It is imperative to mention that trust is a key factor in agentic AI adoption and usage. Following a recent Deloitte Center for Controllershship poll, Court Watson, a Controllershship and Treasury Transformation leader at Deloitte and Touche LLP stated: “Trust is the cornerstone of any successful AI implementation in finance.

Organisations should build trust into AI tools from inception, including establishing clear policies, processes and controls throughout the AI lifecycle to identify risks and defining roles and responsibilities to guide the human management of AI agents.”

Addressing AI risks and governance

As auto captives accelerate their use of AI, particularly generative models and advanced analytics, the importance of robust governance cannot be overstated. These technologies hold immense promise, but also introduce new layers of risk: from opaque decision-making and embedded bias to vulnerability against cyber threats and the pressure of fast-evolving regulatory expectations.

To ensure responsible, transparent and compliant deployment at scale, auto captives should focus on four key pillars:

Establish explainability protocols and AI documentation for audit readiness

AI models must not operate as black boxes – especially in regulated environments like automotive finance. Captives should implement standardised protocols to ensure AI output can be clearly interpreted, traced and explained to both internal stakeholders and external regulators.

This includes maintaining thorough documentation of data sources, model assumptions, training methods and version histories. Doing so not only facilitates audits, but also strengthens trust in AI-assisted decision-making.

Conduct adversarial testing and robustness validation

Models deployed for credit scoring, fraud detection or risk profiling are high stakes by nature. Captives must rigorously stress-test these models using adversarial inputs to uncover vulnerabilities that could be exploited or lead to systemic failures.

Robustness validation helps ensure models perform reliably across edge cases, evolving data patterns and unexpected scenarios – minimising the risk of operational disruptions or reputational damage.

Implement ethical guidelines and bias mitigation for fair lending

Bias in AI can lead to discriminatory outcomes, especially in lending and underwriting. Captives must embed ethical AI principles into every stage of the model lifecycle – from data selection and feature engineering to output validation. This includes conducting fairness audits, applying bias detection tools and ensuring diverse data sets.

Transparent governance around fairness helps ensure that AI supports equitable access to financing, regardless of demographics or geography.

Invest in cybersecurity to counter AI-generated threats

As generative AI becomes more sophisticated, so do the threats it enables – such as deepfake identities, synthetic documentation and impersonation fraud. Captives must proactively invest in AI-specific cybersecurity solutions, including anomaly detection, real-time fraud analytics and biometric verification. Security frameworks should evolve in parallel with AI capabilities, ensuring that innovation does not come at the cost of exposure.

By embedding these governance pillars into their AI strategies, auto captives can not only reduce risk, but also elevate confidence, among regulators, partners and customers alike, that their AI systems are both high-performing and ethically grounded.

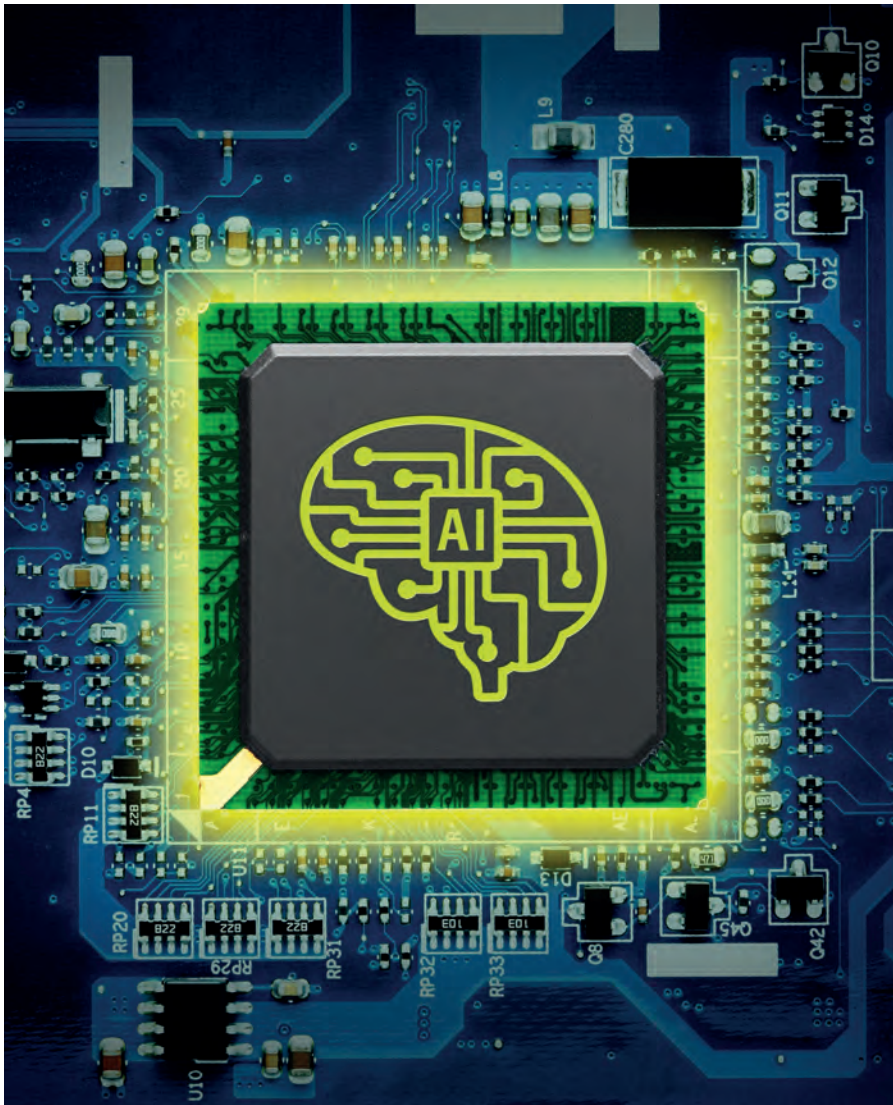
Equipping AI with guardrails is not optional – it is central to sustaining stakeholder trust and regulatory alignment.

Looking ahead: Strategic recommendations

As auto captives stand at the intersection of automotive innovation and financial transformation, the road ahead will be shaped by how boldly and strategically they embrace AI. For those aiming not just to adapt, but to lead, here are forward-looking steps designed to turn vision into value:

Scale proven AI use-cases first:

Before chasing moonshots, start with what’s working. Fraud detection algorithms and portfolio risk analytics are mature AI applications that deliver measurable ROI with minimal risk. By scaling these early successes, auto captives can build momentum, gain internal buy-in and create a foundation of trust in AI’s transformative power.



The pace of AI innovation is outstripping what most in-house teams can achieve alone.

Integrate across channels: Siloed systems are the enemy of customer-centricity. Auto captives should embed AI not just into back-end operations, but across every touchpoint – dealer networks, CRM systems, digital finance platforms and customer service tools. A truly integrated AI layer enables real-time personalisation, predictive insights and seamless omni-channel experiences that mirror consumer expectations shaped by digital-native disruptors.

Invest in data infrastructure: AI is only as good as the data that powers it. That means moving beyond fragmented data lakes and legacy systems to build clean, scalable and

compliant data pipelines. Investing in cloud-native platforms, real-time data ingestion and robust governance is essential – not just for training accurate AI models, but for unlocking enterprise-wide intelligence.

Foster talent and partnerships: The pace of AI innovation is outstripping what most in-house teams can achieve alone. Strategic partnerships – with technology and AI-powered solution providers, fintech innovators and industry-specific vendors – will be key. At the same time, upskilling existing talent and attracting new, AI-savvy professionals is crucial. A collaborative ecosystem mindset will separate the leaders from the laggards.

Institute governance and auditing: As AI becomes more embedded in decision-making, so does the need for transparency, accountability and ethical oversight. Auto captives must establish AI governance frameworks that include multi-disciplinary oversight boards, explainability standards and continuous performance monitoring. Regulatory compliance and consumer trust depend on it.

By adopting this roadmap, auto captives won't just keep pace with change – they'll drive it. The winners in the next chapter of auto finance will be those who treat AI not as a bolt-on tool, but as a core engine of transformation – one that reshapes how they operate, engage customers and create value across the vehicle lifecycle.

Conclusion

According to Forbes, the financial services industry's AI spend is projected to rise from US\$35bn in 2023 to US\$97bn by 2027, representing a 29% compound annual growth rate.

As we enter 2026, auto captives stand at a turning point. AI is no longer futuristic – it's the engine powering the next wave of innovation in auto finance. From personalisation and operational agility to risk control and immersive customer engagement, AI is accelerating transformation. By harnessing it responsibly, captives can redefine leasing, deliver unmatched value and secure their place at the forefront of the automotive industry.

With disciplined implementation, strong governance and relentless pursuit of customer-centric innovation, auto captives will not just adapt – they will lead.

NETSOL Technologies Europe Ltd

Beyond traditional leasing: building flexible models for a volatile market

By Ugne Kontare, Chief Business Development Officer, SOFT4Leasing



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Customers want access, not ownership

The traditional leasing contract – those rigid three-to-five-year agreements with fixed terms and confusing fine print – feels outdated in today's world. Modern customers, especially Millennials and Gen Z, care more about getting what they need when they need it than owning depreciating assets. They want mobility solutions, not car payments. They want equipment that works for their projects, not machinery sitting around collecting dust.

This shift in thinking is real and it's driving new business models:

Subscription leasing: Just like Netflix or Spotify, customers can swap assets as their needs change. A business might exchange equipment based on seasonal projects, or someone might switch from an SUV for winter trips to a compact car for city driving. These packages often include insurance, maintenance, and roadside assistance, giving customers one predictable monthly payment with no surprises.

Usage-based models: Using smart technology and sensors, payments are tied to actual use – miles driven, hours operated, or features used. This means customers only pay for what they actually consume, which feels fair and transparent. It also gives leasing companies

The world is changing faster than ever before, and the leasing industry needs to catch up. What used to be a steady, predictable business is now dealing with constant surprises and disruptions. Companies can no longer rely on the old playbook – they need to build flexibility into everything they do.

When disruption becomes the norm

Think about what happened when the US suddenly imposed a 25% tariff on auto imports. Overnight, car prices jumped, supply chains got scrambled, and all those carefully planned residual value forecasts went out the window. Manufacturers and dealers had to scramble to figure out their next move. This wasn't just a one-off political decision – it's become the new reality.

We are not just talking about trade wars here. Multiple forces are hitting the leasing sector all at once. The economy keeps throwing

curveballs with unpredictable inflation, changing interest rates, and recession fears that directly affect how much things cost and how much customers can spend. Political tensions around the world disrupt trade routes and supply chains.

New regulations, especially around environmental standards and data privacy, create compliance headaches and change how we value assets. Technology keeps advancing at breakneck speed – AI, IoT, blockchain, electric vehicles – making existing equipment outdated faster than ever.

On top of all of this, customer expectations are shifting. Younger generations don't want to own things anymore; they want access to them. They want flexibility, instant service, and digital convenience. All these forces together are not just causing minor adjustments – they are demanding that leasing companies completely rethink how they design products, manage risks, and run their operations.



Customers become hesitant to commit when they're worried about getting stuck with bad terms.

valuable real-time data to prevent breakdowns, manage assets better, and assess risks more accurately.

Short-term agreements: Instead of locking customers into long commitments, these agreements offer shorter terms that match how people live and work today. This appeals to customers who want to avoid getting stuck in situations that might not work for them down the road.

Digital-first service: Today's customers expect everything to be as easy as ordering food on their phone. That means instant approvals, clear pricing with no hidden fees, and mobile apps where they can manage everything themselves. These digital platforms let customers handle payments, schedule service, and get

support whenever they need it.

In a world where nothing feels certain, customers want control and options in their financial commitments. Leasing companies that can deliver this flexibility are seeing stronger customer loyalty and better growth.

Market shocks as stress tests

That 25% auto tariff is a perfect example of how external shocks can devastate an entire industry. Car affordability dropped overnight, leasing profits got squeezed, and all those residual value calculations that determine profitability became worthless. Existing contracts locked in pre-tariff pricing saw their profits disappear, while new deals faced higher costs and customers couldn't afford them.

But tariffs are just one type of disruption. Consider these other game-changers:

Supply chain problems: Covid showed us how fragile global supply chains really are. Remember the semiconductor chip shortage that shut down car production for years? Port delays and manufacturing disruptions directly impact when leasing companies can get assets and how much they cost.

Energy price swings: When gas prices spike, demand shifts to electric vehicles or smaller, more efficient equipment. Meanwhile, gas-guzzling assets in leasing portfolios lose value fast.

Technology is moving fast: Beyond electric vehicles, we are seeing

rapid advances in self-driving cars, connected devices, AI, and industrial automation. Equipment that's cutting-edge today might be obsolete in just a few years, throwing traditional depreciation schedules completely off track.

These shocks expose the weaknesses of rigid, long-term leasing models. Customers become hesitant to commit when they're worried about getting stuck with bad terms. Leasing companies without flexibility struggle to predict asset values accurately, leading to big losses. Flexibility has moved from being a nice-to-have competitive advantage to an essential survival skill.

The strategic value of flexibility

In this chaotic environment, flexibility

isn't just about offering a cool new product – it's about building a business that can adapt, survive, and even profit from change. It means completely overhauling operations and strategy to absorb shocks and stay balanced.

Here are the key building blocks for real flexibility:

Multiple model support: The ability to run traditional leases, subscriptions, and usage-based contracts all on the same platform. This requires sophisticated backend systems that can handle different billing methods, contract terms, asset tracking, and accounting rules without creating a mess.

Dynamic configuration: The power to quickly adjust pricing, contract terms,

product bundles, and risk settings as conditions change. This is powered by advanced analytics and automated systems that can take in market data – like used car prices, interest rates, energy costs – and immediately suggest or make changes to stay profitable and competitive.

Customer empowerment: Easy-to-use digital platforms and mobile apps that give customers real control over their contracts. This includes self-service options for payments, usage tracking, contract changes, and asset swaps. This transparency builds trust and reduces administrative work for everyone.

Integrated analytics: Powerful, real-time data analysis that brings together market conditions,



New regulations, especially around environmental standards and data privacy, create compliance headaches and change how we value assets.



Leaders who stick with outdated models, hampered by inflexible systems and old assumptions, risk being left behind.

geopolitical indicators, asset usage patterns, and customer behaviour. This data provides insights to manage risks proactively, prevent fraud, adjust residual value forecasts, optimise remarketing, and maximise profits.

Flexibility needs to be built into the company's technology, processes, and culture – not just bolted on as an afterthought.

Preparing for the next wave of change

The future will definitely bring more disruption: new tariffs, stricter climate regulations, faster adoption of electric vehicles, AI in asset management, and constantly evolving customer behaviour. The question isn't whether these shocks will happen, but whether leasing companies will be ready for them.

Leaders who stick with outdated models, hampered by inflexible systems and old assumptions, risk being left behind. They'll lose market share to more agile competitors

and see their profits shrink. On the other hand, leaders who embrace flexibility – not just in technology, but in operations and company culture – will build resilient organisations. They'll position themselves not just to

survive, but to thrive and capture new opportunities in an uncertain world.

The new leasing imperative

The leasing industry is at a turning point. Recent tariff shocks and other global disruptions have clearly shown the weaknesses of traditional, rigid business models. At the same time, customers are demanding more agile, personalised, and transparent leasing solutions that match their values around access and flexibility.

To succeed in this new era, leasing companies must move beyond traditional approaches. They need to design systems and strategies that don't just acknowledge volatility but actually embrace it, turning uncertainty into opportunities for innovation and competitive advantage.

Flexibility is no longer optional – it's become the fundamental competitive edge that companies need to succeed in today's volatile market.

SOFT4Leasing



Recent tariff shocks and other global disruptions have clearly shown the weaknesses of traditional, rigid business models.

Securing customer data in digital leasing platforms

By Mathieu Belle, Chief Technology Officer, NovaLend Tech Solutions



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surface area for potential attacks.

At Novalend Tech Solutions, we see data security not simply as a defensive necessity but as a core element of strategic differentiation. Our clients (banks, leasing companies, and financial institutions across Europe) entrust us with their most sensitive digital assets. Protecting that trust is therefore integral to who we are as a company.

As digital innovation accelerates across the leasing sector, data has become the beating heart of the industry. Every process, from instant credit scoring to contract generation and customer onboarding, depends on the secure handling of sensitive information.

In this environment, protecting customer data is no longer just a matter of compliance; it is the foundation of customer trust and business continuity.

Digital leasing platforms today operate as financial ecosystems. They manage a constant flow of

personal, financial, and behavioural data used to assess risk, automate decisions, and personalise customer experiences. This transformation brings efficiency and speed but also creates new vectors of vulnerability.

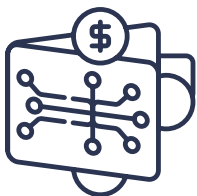
According to the European Union Agency for Cybersecurity (ENISA), the financial sector experienced a 37% increase in cyber incidents in 2023, with the majority involving data compromise or service disruption. In leasing and credit platforms specifically, the growing interconnection with open banking APIs has expanded the

Trusted by banks, compliant by design

Our technology is built from the ground up with compliance, resilience, and transparency at its core. As a trusted technology partner to leading European banks and leasing institutions, Novalend operates under the same scrutiny and regulatory expectations as the institutions it serves.

This is why we have designed our systems to meet not only existing regulatory frameworks but also the emerging obligations under the EU's Digital Operational Resilience Act

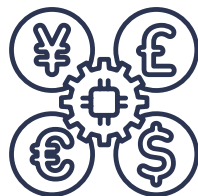
Embedded finance



**SEAMLESS
TRANSACTIONS**



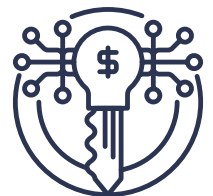
**INTEGRATED
ECOSYSTEM**



**OPERATIONAL
EFFICIENCY**



**SERVICE
INTEGRATION**



**SECURE
ACCESS**

The future of digital leasing is intertwined with the evolution of embedded finance and open banking.

(DORA), which takes effect in 2025.

DORA marks a profound shift in how technology providers interact with the financial ecosystem. It extends regulatory accountability to third-party service providers and demands operational transparency, auditability, and resilience that go well beyond traditional IT controls. This represents an opportunity to reinforce industry trust and establish a new benchmark for reliability.

To align fully with DORA, we have invested significantly in adapting our governance, processes, and infrastructure around the Act's five core pillars:

- **ICT risk management.** Implementing proactive frameworks to identify, assess, and mitigate digital risks before they impact operations.
- **Incident reporting.** Ensuring rapid, structured, and transparent communication with both clients and regulators in the event of any security incident.
- **Operational resilience testing.** Conducting regular scenario-based testing to validate system robustness under stress conditions.
- **Information sharing.** Promoting secure and standardised exchanges of threat intelligence to enhance collective defence across the industry.
- **Third-party risk oversight.** Applying rigorous due diligence and continuous monitoring to all vendors and partners that interact with our platforms.

These investments are not purely regulatory exercises. They represent a strategic commitment to operational excellence and a recognition that, in a connected financial ecosystem, resilience is shared.

By strengthening our internal controls, we simultaneously help



The EU's Digital Operational Resilience Act is not a burden; it is a blueprint for sustainable digital trust.

our clients, particularly banks, meet their own supervisory obligations under DORA and other evolving European frameworks.

Securing data at every level

Our approach to data protection is both holistic and deeply technical. At Novalend, data security begins with architecture and extends through every layer of the technology stack and organisational process.

Granular access controls ensure that only authorised personnel, those with a clear business justification, can access sensitive information. Every data interaction is logged, monitored, and reviewed within a strict least-privilege policy framework.

Annual penetration testing and continuous vulnerability monitoring allow us to detect potential weaknesses before they can be exploited. These tests, conducted by independent cybersecurity specialists, simulate real-world attack scenarios to validate the robustness of our defences.

Real-time monitoring and automated incident response tools ensure that any anomalies, whether related to data access, network traffic, or system behaviour, are immediately flagged and investigated. In many

cases, automated containment protocols can isolate suspicious activity within seconds.

Encryption standards and data lifecycle management form another critical component of our security framework. All data, whether in transit or at rest, is encrypted using strong, industry-approved algorithms.

Beyond encryption, we manage data lifecycles carefully, ensuring that personal information is retained only as long as legally necessary and securely deleted thereafter.

Every point where data enters, exits, or gets stored is scrutinised. This philosophy underpins our operations. DORA reinforces what we already consider best-in-class practice: designing systems with security as a fundamental, not an afterthought.

Transparency and customer empowerment

While regulatory compliance and technical resilience are essential, true data protection also depends on customer trust. We believe that transparency is key to maintaining that trust.

Our platforms include secure customer dashboards where users can view and manage their data permissions in real time. They can

opt in or out of specific data-sharing activities, request data corrections or deletions, and track the status of privacy-related inquiries.

By giving users control, we not only meet the requirements of the GDPR and DORA but also reinforce our commitment to ethical data stewardship.

Empowering customers with this level of control turns compliance into a competitive advantage. A recent PwC European survey found that 83% of consumers are more likely to do business with financial firms they perceive as transparent about data use. In a digital economy increasingly defined by trust, companies that respect customer agency over their data will naturally inspire stronger loyalty and advocacy.

From defence to advantage: the future of secure digital leasing

The future of digital leasing is intertwined with the evolution of embedded finance and open banking. Platforms are increasingly expected to integrate seamlessly with banks, insurers, and mobility providers via API-driven ecosystems. While this connectivity creates powerful new business opportunities, it also amplifies the complexity of data management and security.

In this new paradigm, traditional perimeter-based security models are no longer sufficient. Instead, companies must adopt zero-trust architectures, where every connection, every data exchange, and every user session is authenticated and monitored continuously. We have already begun implementing this philosophy across our cloud environments and client interfaces, ensuring that trust is verified at every stage.

Moreover, data security is evolving



The imperative for secure, transparent, and resilient leasing platforms has never been greater.

from being a cost centre to a source of strategic value. Institutions that can demonstrate verifiable, audited, and transparent security postures gain a distinct competitive edge. They can onboard clients faster, integrate with partners more easily, and operate with greater confidence in an increasingly regulated market.

DORA, in this sense, is not a burden, it is a blueprint for sustainable digital trust. By designing systems that meet the highest resilience thresholds, we are not merely ticking compliance boxes; we are future proofing our operations and helping the entire ecosystem become stronger.

A culture of accountability

Behind every technology lies a human factor. Our commitment to data security extends beyond infrastructure to include training, governance, and organisational culture. Every employee at NovaLend, regardless of their role, receives annual training on data protection, privacy principles, and incident response. Security awareness is embedded into onboarding and reinforced throughout the year through workshops and simulations.

We also maintain a dedicated data protection office, which operates independently from our technical teams to ensure full oversight and compliance with European and national data protection laws. This

dual-layer approach, technical and organisational, ensures that security is both implemented and verified.

Finally, we actively collaborate with industry associations, cybersecurity agencies, and financial regulators to stay ahead of emerging threats and evolving standards. The latest ENISA report recorded 488 publicly reported data breaches in the European finance sector between January 2023 and June 2024. These figures remind us that vigilance must be constant and collective.

Conclusion: building trust through resilience

In an era where data breaches dominate headlines and digital ecosystems become increasingly complex, the imperative for secure, transparent, and resilient leasing platforms has never been greater. For NovaLend Tech Solutions, securing customer data is not just about risk mitigation, it is about shaping the future of digital finance with integrity and accountability.

As the financial industry adapts to DORA and beyond, we remain committed to leading by example: combining technological innovation with regulatory excellence and human responsibility. Because in digital leasing, as in all areas of finance, trust is the ultimate currency, and it must be earned every day.

NovaLend Tech Solutions



Leasing software
Front to back solution



Business



SaaS platform



Technology



Security

For fast & growing companies

www.novalend.com

Digital labour for lending and leasing

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that struggled to communicate with each other, generating new data silos whilst operational costs remained largely unchanged.

The promised transformation became a collection of disconnected improvements that failed to compound. For our client, this fragmented approach revealed a fundamental flaw of using AI as a process optimiser rather than for strategic transformation.

The greatest threat to your business is not artificial intelligence. It is the paralysis that prevents you from embracing it. While journalists debate whether AI will eliminate jobs or transform industries, the real barriers to adoption remain frustratingly practical: securing expert talent and demonstrating clear return on investment.

These challenges keep organisations waiting for perfect conditions that never arrive.

With over two decades in digital transformation, I have witnessed countless organisations stumble at precisely this juncture. They implement isolated point solutions that deliver marginal improvements whilst missing the fundamental opportunity for enterprise reinvention. This incremental approach creates fragmented systems and delivers only modest returns on investment.

Consider one of our recent clients, who followed this typical journey. For a commercial finance company, their Director of Ops mandated AI to automate invoice

processing, returning a 60% reduction in manual data entry.

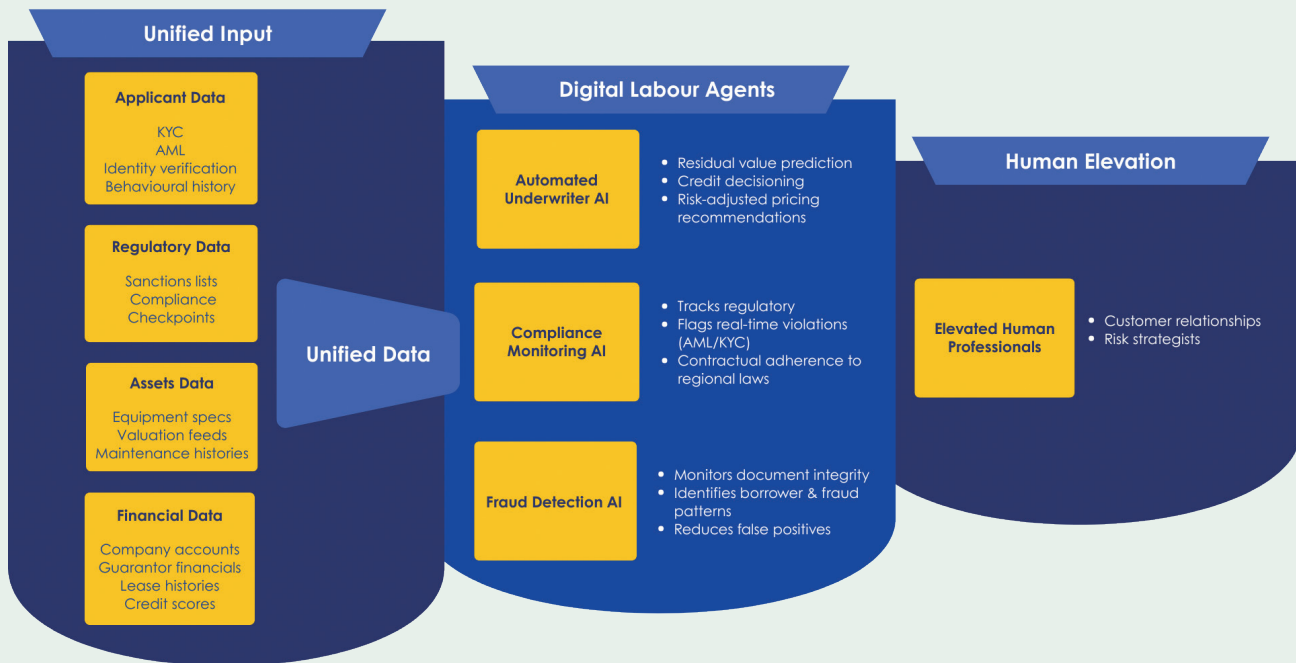
Around the same time, their customer service lead implemented a chatbot for routine enquiries, achieving 25% improvement in response time. Some 12 months later, these isolated successes created fragmented solutions

Digital labour

Let's clarify, digital labour represents the use of agentic AI technologies that execute operations requiring human judgment and cognitive capabilities, extending human capacity at speeds and scales impossible for human-only workforces.



Digital labour succeeds only when it elevates human capability rather than replacing it.

Figure 1: Strategic transformation with digital labour

Research indicates that 71% of organisations regularly using AI report decreased costs and increased revenue, with 97% of leaders investing in AI reporting positive ROI. This distinction shifts focus from job elimination to talent elevation, positioning digital labour as human workforce augmentation.

Economic uncertainty and intensifying competition demand this elevated approach to digital labour. Data volume is projected to reach 463 exabytes daily in 2025, outpacing human processing capacity whilst labour shortages persist across industries. Lenders face pressure from fintech disruptors who built their operations with AI from the ground up, whilst traditional players retrofit technology onto legacy processes.

Regulatory complexity continues to increase, requiring more sophisticated compliance monitoring.

Customer expectations for instant decisions and seamless experiences have now become non-negotiable.

Rethinking your technology foundation

The solution requires rethinking your technology foundation to support comprehensive digital labour deployment. Instead of adding AI features to existing systems, leading organisations are building integrated platforms where digital labour operates across every customer touchpoint and operational process.

This platform approach creates unified data flows that enable AI to understand patterns and relationships invisible to siloed implementations.

Once the data is organised, the outcomes are immense. Digital labour transforms lending operations through integrated intelligence. It revolutionises underwriting by analysing thousands of data points simultaneously, identifying risk patterns that human analysts might spend hours investigating. It monitors compliance in real time, flagging potential issues before

they become regulatory violations.

Customer service becomes predictive, addressing concerns before clients recognise problems themselves. Portfolio management shifts from reactive to anticipatory, optimising pricing and risk distribution continuously.

The security advantages of integrated digital labour are equally compelling. Comprehensive monitoring detects anomalies across multiple systems simultaneously. Fraud patterns emerge more clearly when AI observes transaction flows, communication patterns, and behavioural indicators holistically rather than through departmental fragments. This unified approach strengthens your security posture whilst reducing false positives that frustrate legitimate customers.

Elevating human capability

However, digital labour succeeds only when it elevates human capability rather than replacing it. The human



Data quality issues that seem minor in isolation can derail sophisticated implementations.

element determines transformation success or failure. Digital labour works when it frees talented professionals to focus on relationship building, complex problem solving, and strategic decision making.

Your underwriters become risk strategists rather than data processors. Customer service representatives become trusted advisers rather than transaction facilitators. This elevation of human capability creates competitive differentiation that pure technology cannot replicate.

Successful digital labour deployment requires clean, unified information flows as its foundation. Your AI strategy can only succeed with properly structured data. This means breaking down data silos, establishing consistent formatting standards, and creating reliable update processes.

Platform selection becomes critical because it determines your ability to scale AI capabilities

over time. Choose systems that grow with your ambitions rather than constraining them.

The change management challenge is substantial but manageable with proper planning and phased implementation. Teams need clear communication about how digital labour will enhance rather than replace their roles. Consider specific applications that deliver immediate value whilst building scalable foundations: automated fraud detection, instant loan eligibility decisions, and personalised customer service routing.

The scalability question distinguishes strategic digital labour deployment from tactical applications. Incremental improvements plateau quickly because they operate within existing constraints. Strategic platforms enable nonlinear capability growth where each new AI application leverages shared data, processing power, and algorithmic insights.

This compounding effect creates sustainable competitive advantages that incremental changes cannot match.

Strategic intentions

Your next step requires honest assessment of current capabilities and strategic intentions. An AI Readiness Review provides the diagnostic insight needed to chart an effective digital labour strategy. This evaluation examines your data infrastructure, system integration capabilities, regulatory requirements, and organisational readiness for transformation.

Crucially, it addresses implementation risks including data privacy regulations, model bias concerns, regulatory approval processes, and potential liability issues. Industry-specific metrics and benchmarks form a top priority during the review, establishing realistic ROI expectations and deployment timelines.

Common discoveries include legacy systems requiring significant integration work, data quality issues affecting 60%-80% of records, regulatory compliance gaps in model governance, and skills misalignments where technical teams lack domain expertise or business teams lack AI literacy.

The assessment identifies the sequence of implementations that will deliver early wins whilst building foundations for comprehensive change.

Value. Innovation. Process

This approach reflects the core principles that drive successful digital labour transformation, which is: delivering tangible value, fostering genuine innovation, and optimising underlying processes. When these elements work together, AI implementation moves beyond technology deployment to become genuine business evolution. However, the review process reveals gaps



Platform selection becomes critical because it determines your ability to scale AI capabilities over time.

that must be addressed before major investments proceed.

Data quality issues that seem minor in isolation can derail sophisticated implementations. Meanwhile, the competitive window is narrowing. The choice for lenders is clear, embrace digital labour as a strategic ROI capability or accept incremental relevance in an AI driven market. The AI Readiness Review provides the expert talent and insight needed to begin this transformation.

Sources:

- McKinsey Global Survey (March 2025) - 71% of respondents regularly using AI, showing decreased costs and increased revenue.
- Ernst & Young Survey - 97% of leaders whose organisations are investing in AI report positive ROI from those investments.
- PwC Analysis - Global GDP expected to be 14% higher in 2030 (\$15.7 trillion) driven by productivity gains from AI augmenting human labour.
- Statista - Global volume of data generated and replicated worldwide projected to increase to 284.3 zettabytes by 2027.

VIP Apps Consulting



Regulatory complexity continues to increase, requiring more sophisticated compliance monitoring.

World Leasing software guide

 **WLY26**

WORLD LEASING YEARBOOK 2026



Company: Alfa

Program names: Alfa Systems

Program types: Alfa Systems supports all types of automotive, equipment and wholesale finance with full functionality for originations, servicing and collections. Proven at volume and across borders, and trusted by leading brands to manage complex portfolios, drive efficiency and sustainability, and enhance the customer experience.

Transaction capabilities: Alfa Systems supports both retail and corporate business for equipment, automotive, wholesale and dealer finance. Manages both high-volume transactions and complex leases and loans, in any region, language and currency. Is fully extensible and provides real-time insights, integrated workflow and business rules, alongside business decisions driven by machine learning.

Recent enhancements: Alfa Systems 6 introduces a host of features and innovations designed to bring heightened productivity to providers.

Hardware compatibility: Cloud-native and secure Software-as-a-Service.

Availability: Alfa Systems represents an integrated point solution, a rapid off-the-shelf implementation, or an end-to-end platform for the complex global enterprise.

Price range: On application.

Country applications: Offices: Sydney, Auckland, Detroit, London, Lisbon, Düsseldorf, Paris, Stockholm, Warsaw. Customers conduct their business throughout Asia-Pacific, EMEA, the Americas.



Company: Banqsoft AS.

Program names: Banqsoft Asset Finance Solution

Program types: Banqsoft specialises in delivering advanced software solutions for the financial and debt collection industry, with a strong focus on asset finance. The Asset Finance solution is designed to manage the full lifecycle of asset-based lending, covering leasing and loan origination to contract management and end-of-lease processing. It supports various asset types and financial products such as leasing, secured loans, floor planning and hire-purchase, suitable for both consumer and commercial financing needs.

Transaction capabilities: Banqsoft's software comes with a rich API library, straight-through processing and capabilities enabling automation and digitalisation of the product's life cycle across different channels, distribution of the right information at the right time, in the right channel, and compliance built-in.

Recent enhancements: Banqsoft is continuously developing functionality to support customers within asset finance to deliver innovating products to the end-customers. Recent enhancements have been related to market trends such as digital identity, mobility, and the growth of electric vehicles. In addition to this, Banqsoft is currently working on strengthening the robustness of the product further, focusing on standardisation and preparing to deliver new functionality to the customer faster.

Hardware compatibility: Platform: Azure cloud services or installed with Microsoft.NET, Database: Microsoft SQL Server. OS: Windows Server as required by SQL/Server build. Modern Browser editions.

Availability: The solution is available through a SaaS (Software as a Service).

Price range: Pricing is based per module used and the number of contracts/accounts (up-front licence or delivered as a service).

Country applications: Full support for multiple currency contracts and language requirements. Banqsoft Asset Finance and digital banking solutions are used by leading leasing specialists, banks and captive finance companies in Europe, Asia and South America, and The Credit Management Suite is used primarily in the Nordic countries.



Be part of the solution

Company: Codix
Program name: iMX

Program types: iMX – global solution for all types of commercial finance, supply chain finance, trade finance, leasing/asset finance, trade credit insurance and debt collections, all-in-one system. iMX supports auto, equipment, real estate, mortgage, loans, consumer & commercial finance, vendor programs, AR, collection, legal, syndication, and more. It manages the full product lifecycle – from presales to accounting and recovery – offering real-time, intuitive web portal access for all counterparties on any device.

Transaction capabilities: iMX is a scalable, future-proof solution, supporting 10 to 1,000+ users and massive databases (8M+ cases, 2TB+ data). Trusted by leading banks, global credit managers, multinational retailers, telecoms, and auto-finance groups, iMX adapts to all business sizes and is designed for sustainable growth.

Recent enhancements: iMX v10 adds EV financing, ESG tools, Islamic finance, APIs, self-service, vendor management, e-invoicing, and usability upgrades.

Hardware compatibility: Responsive web technology, right-sized hardware/VMs, UNIX/LINUX supported, on-premises, private or public cloud deployment options. iMX SaaS based on Oracle Cloud.

Availability: On-prem or cloud/SaaS, Codix offers global support with local hours, SLA options for 24/7, high availability, continuity & DR.

Price range: Flexible deployment: fixed-price, subscription, or perpetual license with unlimited users – adapted to scope, complexity, and implementation needs.

Country applications: iMX powers clients in 50+ countries, 28 languages, and 15 offices worldwide. With 850+ experts, it supports any local regulations and offers full multi-country, multi-entity, and multi-product flexibility.



Company: NETSOL Ascent Europe
Program name: Transcend Platform

Program types: The Transcend Platform is an AI-driven unified ecosystem designed to automate and optimise every step – from sales to originations to servicing. Transcend leverages AI and ML to drive predictive insights and smarter decision-making. The Transcend Platform consists of: Transcend Retail, Transcend Finance, Transcend Marketplace, Transcend Consultancy and Transcend AI Labs.

Transaction capabilities: Transcend Finance is a state-of-the-art asset finance and leasing software solution for asset finance and leasing business operations covering the lease/loan lifecycle from origination, booking, payments, customer service, collections, midterm adjustments, end-of-term options until contract closure.

Recent enhancements: The Marketplace platform continues to evolve with enhanced product bundling, improved multi-tenant user and role management, usage-based analytics, an intelligent credit decisioning engine and ongoing upgrades in security and compliance to simplify product launches and strengthen governance at scale.

Hardware compatibility: Hardware and software (public/private cloud or self-hosted):

- *Cloud platforms:* Deployable on AWS, Azure or similar using managed Kubernetes or customer-managed clusters; supports hybrid and multi-cloud with cloud-neutral containers and IaC.
- *Client:* Latest Chrome, Edge and Firefox supported for thin-client access; SSO via Entra ID/Ping and MFA available. Data: SQL Server, PostgreSQL or Oracle; also supports cloud databases like Azure SQL, Amazon RDS Postgres; encryption with Key Vaults.

Availability: Deployed and supported across multiple countries with full multi-country, multi-currency, multi-language and data residency configurations. Global delivery with multi-region, multi-AZ architecture; HA tiers up to 99.99% with automated failover, backups, and DR exercises aligned to RTO/RPO SLAs.

Price range: Flexible commercial models: SaaS subscription, fixed-price or usage-based components and bespoke configurations; cost transparency via cloud cost centres, budgets and detailed reporting.

Country applications: The Transcend Platform is deployed and supported globally and offers complete multi-country functionalities. Service and delivery centres are located in major cities of the world, facilitating NETSOL's global client base.



Company: NovaLend
Program name: NovaLend

Program types: NovaLend offers a comprehensive, front-to-back SaaS solution tailored for leasing professionals, including banks, brokers, and manufacturers/dealers. It provides extensive features for automotive and equipment financing – pricing, credit review, documentation, administration, accounting, client and vendor portals, and reporting – along with multi-company and multilingual support for seamless global operations.

Transaction capabilities: NovaLend is a digital-native SaaS solution designed for fast-growing B2B companies. It offers extensive API integration, enabling straight-through processing, automation, and full digitisation of the customer journey across multiple channels. NovaLend streamlines lease and service management (ex. insurance, maintenance), ensuring a seamless and efficient experience for users.

Recent enhancements: Recent enhancements include multi-service management (as a service offer), comprehensive fleet management, and smooth integration with diverse front- and back-office solutions.

Hardware compatibility: N/A. Cloud native application.

Availability: 24 hr x 7 days.

Price range: Price on application.

Country applications: European countries.



Company: Odessa
Program name: Odessa Platform

Program types: Designed to meet global standards of scalability and performance, Odessa is the software platform of the modern asset finance business. Odessa automates financial operations while generating the underlying accounting entries for transactions. It enables self-service through low-code development, test automation, reporting, and business intelligence features to ensure organisations can more effectively align business and IT objectives.

Transaction capabilities: Asset-based design that supports leases, loans, and secured finance. Includes partner portals, configurable workflow, program and pricing management, credit decisioning, documentation, certificate of acceptance, vendor payment, booking, funding and syndication management, customer service, receivable management, fleet management, compliance and risk management, collections, asset management, termination, remarketing, and reporting.

Recent enhancements: Recent highlights include AI-powered contract and customer summaries, in-app push notifications for real-time task updates, and multicultural support that delivers documents and communications in each recipient's preferred language. Additional enhancements include integrations with PayNet, SuperTrump, and Tecnitasa, PPSA filing integration, and much more.

Hardware compatibility: Odessa renders wholly in the browser making it a next-generation thin client web application. With Odessa Cloud, leverage autoscaling for next-generation efficiency.

Availability: Software licensing is subscription-based, based on feature-level consumption and business volume. Customers can deploy Odessa as a SaaS solution in the cloud or on-premises.

Price range: Provided at proposal.

Country applications: Odessa enables customers across the Americas, Europe, MEA, LATAM, and Asia Pacific.



Company: SOFT4 (Softera Baltic)
Program name: SOFT4Leasing

Program types: SOFT4Leasing is a user-friendly business software for automotive, equipment, real estate, and other types of asset finance, leasing, and fleet management companies built on the Microsoft Dynamics platform. SOFT4Leasing supports the main asset financing concepts - finance (capital) lease, operating lease, hire purchase, chattel mortgage, novated lease, loans for corporate and private customers. The solution covers all financial business processes from a lease quote through entire contract management to financial reporting.

Transaction capabilities: Soft4Leasing integrates lease accounting, lease management and financial accounting in one system and has different configurations for large and small businesses to meet various requirements. Enjoy data integrity and consistency with a tight relation between G/L and lease contracts, analyse profitability, automate manual and repeatable routines (improve time-to-decision KPI using effective credit decision workflow, and improve time-to-documentation KPI using pre-defined document templates and document checklist). Easy to expand, maintain and upgrade, available on premises and in the cloud.

Hardware compatibility: All required infrastructure included in cloud subscription pricing. Supported browsers: Microsoft Edge, IE, Chrome, Mozilla Firefox, Safari. For on-premises installations: operating system: Windows. Microsoft SQL Server.

Availability: Available globally through purchased licence or monthly subscription, on client servers or in the Microsoft Azure cloud.

Price range: Per user and functional modules needed. Several types of user pricing are available, to meet various needs of small, medium and large leasing companies' needs.

Country applications: Available worldwide, through SOFT4 or local partners. Built globally, adjusted locally.



Company: Solifi
Program names: Solifi Open Finance Platform
 Leasepath by Solifi
 DataScan by Solifi

Program types: Complete secured finance platform solutions from originations to portfolio management, from lease and loan servicing to audit, risk, and compliance for the global equipment, working capital, wholesale, and automotive finance industries.

Transaction capabilities: The Solifi SaaS solution suites power customer's ability to deliver financial products, transaction support, and portfolio management strategies that cover small- to large-ticket transactions; simple to complex pricing structures (e.g., variable-rate, revolving accounts, syndications); emerging market financing; solution-based financing (e.g., usage-based, bundled services/solutions); and full-lifecycle tracking of asset and inventory details.

Recent enhancements: DataScan by Solifi: the leading wholesale and auto finance solution designed for scale and the only one to automate audit and compliance; Leasepath by Solifi: complete secured finance platform right-sized for the bespoke capital lending markets and built on Microsoft Dynamics; Solifi OFP comprehensive global SaaS solution for enterprise-scale equipment finance and working capital solutions.

Hardware compatibility: All modern cloud, private datacentre, and on-premises infrastructure. Full SOC compliance.

Availability: SaaS solution enables seamless customer extension through standard platform interfaces including data streaming powered by Kafka, API integration via developer portal, API gateway, and extensive integrations with leading 3rd party providers in the GRC, VAT, tax, asset and auto finance industries.

Price range: Solution accelerates time to value with numerous configurable modules and consumption-based pricing models to fit the scale, size, and needs of the customer.

Country applications: Solifi solutions are currently leveraged worldwide and support multiple languages, currencies, and GRC accounting requirements, including lease accounting.



Company: Sopra Banking Software

Program name: SBS Financing Platform (SFP)

Program types: The SBS Financing Platform (SFP) enables lenders to design and deliver exceptional customer experiences with the range of platform components including SFP Portfolio Management, SFP Wholesale, and SFP Digital Audit. All platform components are globally enabled, cloud-based, and connect through open APIs. The design and flexibility are based on decades of experience working with all types of lenders, including banks, captives, specialist lenders, as well as automotive and equipment dealers. At the core, the platform facilitates the front-to-back-office lending cycle for all types of assets, including automotive, heavy vehicles, yellow equipment, energy sector assets, medical equipment, and others.

Transaction capabilities: SFP offers a global solutions platform of transaction capabilities for managing origination, servicing, wholesale finance, and dealer auditing. Aligned in a single platform, the components are capable of being implemented across various accounting, legal, and tax jurisdictions with multilingual and multi-currency functionality, minimising the cost of entry into new markets, all in a single platform. Lenders gain the ability to customise and apply workflow, dashboards, and web-based reporting, to their financial terms and business rules to ensure maximum operational efficiency, while reducing and identifying credit risk scenarios faster. APIs allow integration with a wide range of IT and third-party ecosystems.

Recent enhancements: SBS employs a continuous improvement programme, constantly investing in platform enhancements and the people behind it to ensure an efficient and streamlined platform for the benefit of each customers' business and technology requirements.

Hardware compatibility: SFP runs on the AWS cloud platform utilising its Aurora database service, and scalable infrastructure services such as EKS, Elastic Beanstalk and Lambda to ensure we provide a robust and scalable service.

Availability: All core products are Software-as-a-Service (SaaS) ready and operate on-cloud.

Price range: Various pricing models available.

Country applications: SBS has resources in over 70 countries. With systems live in over 50 countries including: UK, US, Germany and France. Clients manage in excess of half a trillion dollars' worth of assets.

Country reviews

```
STATIC LIST_HEAD  
STATIC INT ROOT  
  
STATIC DEFINE_ID  
STATIC INT NEXT_  
STATIC DEFINE_SF  
  
STATIC INT NEED_  
INT CGROUP_LOCK  
RETURN LOCKO  
  
INT CGROUP_LOCK  
RETURN MUTEX  
  
EXPORT_SYMBOL_  
STATIC INT CES_A  
INT V = ATOMIC  
RETURN V >= 0
```

Argentina



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MARKET REVIEW

The Argentine Leasing Association (Leasing Argentina) comprises 27 lessors. State-owned or privately-owned local and foreign banks, as well as independent leasing companies and captives, participate in the association.

In 2025, the level of economic activity will record an expansion of 4.2%, according to the market expectations survey conducted by the Central Bank. This expansion will be the result of the stabilisation plan implemented by the Government, which combined a

sharp fiscal adjustment aimed at eliminating monetary financing of the National Treasury with an exchange rate anchor. These measures made it possible to balance public accounts and set the economy on a path toward disinflation and greater stability.

However, economic evolution for the year will also be marked by two clearly distinct stages. In the first half of the year, real GDP grew at a 6.4% rate year-on-year, building on the recovery that began in the third quarter of 2024. In the second half of the year, the economy has reached pre-crisis levels, and the

level of activity will be expected to increase by only 0.4% year-on-year.

The economic slowdown experienced in the second half of the year can be attributed to both the waning cyclical momentum of the recovery and heightened pre-election political uncertainty following the Government's defeat in the elections that took place in the country's largest province in September, an outcome which raised concerns about current economic policy and exacerbated the challenges faced by the National Treasury in restoring access to external credit, as well as by the Central Bank in bolstering its reserves.

Simultaneously, inflation has shown a sharp decline from a peak monthly rate of 25% in late 2023 to monthly rates lower than 2%, according to the market expectations survey conducted by the Central Bank.

The leasing market

This scenario of economic recovery and enhanced stability during the first half of the year undoubtedly benefited the leasing market, which has experienced remarkable



The Argentinian economy has reached pre-crisis levels and inflation has shown a sharp decline from its 25% high in 2023 to less than 2% in 2025.

growth in 2025. Following an initial contraction in 2024, financial activity and leasing activity, in particular, began to recover halfway through last year, a trend that has continued in 2025 so far.

In fact, financing through leasing experienced 93% real growth year-on-year in the second quarter of the year, following 12% real growth year-on-year in the fourth quarter of 2024, which reversed the drop suffered in 2023 (-30% real y/y rate).

This marked growth was the result of a sharp rise in the number of agreements executed, which totalled 3,812 in the first semester of the year – a year-on-year growth of 150% –, thus reaching the highest level of transactions for the first semester of the year since 2017. This was accompanied by a considerably low average delinquency rate of 0.5%, consistent with previous quarters, and an average term of 39 months for the agreements that came into force, slightly longer than in late 2024 (38 months) and 2023 (37 months).

This strong recovery in new transactions completed led to an increase in the portfolio balance of the sector, which amounted to US\$644m in June 2025, showing significant momentum in the first part of the year, with inflation-adjusted real growth of 93.2% year-on-year during this period.

Higher demand

The leasing upswing in the third quarter had two additional characteristics: (i) it was the result of higher demand for financing to acquire transportation and logistics equipment, which accounted for almost three-fourths of the total transactions in the sector, and (ii) it was fuelled by the demand of the provincial and municipal public sector, which ultimately increased its participation in the total portfolio balance, which rose from 6% to 11.2% between late 2024 and June 2025.

As regards the allocation of funds, 63.2% of the portfolio balance was allocated to transportation and logistics (including automobiles), 12% to technology and telecommunications, 9.6% to



Around 75% of Argentina's leasing upswing is due to increased transactions in the transportation and logistics equipment sector

construction machinery, 8.7% to industrial equipment, and 2.9% to agricultural machinery.

Leading leasing companies

The Capita Corporation / Banco Comafi was the institution that led financing for SMEs, followed by Supervielle, Mercedes-Benz, and BICE. This institution also topped the ranking for financing large companies, ahead of HPE Financial Services, Banco Supervielle, and BBVA. In the public sector, Provincia Leasing ranked first, followed by Banco Galicia, BPN, and Supervielle.

The prospects for 2026 point to a more moderate outlook. It is unlikely that the strong economic and leasing market recovery experienced in the first half of 2025 will be repeated with the same intensity in the coming quarters and throughout 2026.

Political environment

In addition to the slowdown of the cyclical recovery, political and electoral developments are expected to take place in the short term. The Government's electoral defeat in the country's largest province is likely to affect the business climate and delay some significant investment

decisions in the short term. In the longer term, the possibility of an election outcome worse than the Government expects in the upcoming late October elections – which would prevent it from reaffirming its economic policy at the polls – could lead to more prolonged delays in major investment decisions and make the economic environment more uncertain. This will particularly be the case if the Central Bank fails to build up its reserves and the National Treasury cannot regain access to external credit.

Nevertheless, with a relatively stable economic environment and starting from low levels of financial activity, we believe that there is room for the leasing industry to continue growing, particularly because economic activity will be driven by capital-intensive productive sectors with a high demand for financing.

Economic growth

The Market Expectations Survey (REM) conducted by the Argentine Central Bank projects that the economy will grow by 3.2% in 2026, in addition to 4.2% in 2025, following a 1.3% contraction recorded in 2024. On the inflation front, the trend is

also favourable: after reaching 120% in 2024, price increases are expected to drop to 28.0% in 2025 and to 17.7% annually in 2026. These conditions should allow the recovery of leasing-based financing to continue, though at a slower pace, which should also lead to improvements as regards term extensions and lower financial costs for lessees.

The energy, mining, agricultural, fishing, and transportation sectors, which are capital-intensive, could fuel the economic recovery and are projected to expand the most in the coming years, for multiple reasons:

- (i) the comparative advantage they have with respect to other sectors of the economy, which is reflected, for instance, in the vast oil and gas reserves in Vaca Muerta, one of the largest unconventional hydrocarbon reserves in the world, with great potential;
- (ii) the Government's promotion of capital-intensive sectors by means of the Incentive Scheme for Large Investments (RIGI), which offers tax, customs and foreign exchange incentives for 30 years to attract investments of over US\$200m (the sectors included are the forestry industry and the tourism, infrastructure, mining, technology, iron and steel, energy, oil, and gas sectors);
- (iii) the dynamism shown by these two sectors, regardless of the local economic backdrop. For

example, the oil and mining sector delivered a relative performance 33% higher than the average in the economy over the past 10 years.

The Argentine Leasing Association

Taking into account our Association's active policies which have improved the position of leasing in the financial industry, it is likely that new opportunities will arise for the sector to make the most of the more favourable economic environment, especially if we support the Government with its tax break and economic deregulation agenda, considering that leasing is a dynamic financing tool with significant traceability, which makes it an effective tool to develop economic policies intended to boost investment demand.

In this regard, the positive actions of our Association and the Argentine Government have provided benefits in the past, both for the leasing industry and for companies in general. It is estimated that, as a result of the increase in the leasing portfolio balance of lessor companies, leasing is directly contributing to the creation of almost 12,500 jobs.

In 2025, therefore, the continuity of these policies promoted by the National Government is key to ensuring a more stable economic environment, the expansion of

financial activity, and an incentive for investment, which should support the dynamism of the leasing industry.

Lastly, it is worth mentioning that leasing transactions in Argentina serve as a mechanism to purchase equipment, machinery, and vehicles by making a specific number of payments while receiving tax benefits at the same time. In our market, the option at the expiry of the leasing term is exercised under almost every agreement.

This option is not exercised automatically: the client must express the intention to do so. However, the financial product is developed and the price is set taking into account the potential exercise of the option by the client.

Association

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Argentina's energy, mining, agricultural, fishing, and transportation sectors, which are capital-intensive, are projected to expand the most in the coming years.

Australia



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MARKET REVIEW

Four main products dominate equipment capital expenditure in Australia: finance leases; operating leases; hire-purchase; and chattel mortgage or secured loans (the latter grouped as non-lease).

These products are offered as part of a portfolio of equipment financing techniques by both bank and non-bank providers. Non-bank providers include many with a relationship with equipment manufacturers. Customers include all private and public industry sectors.

Participants in the leasing market

In Australia, the main providers of lease finance were traditionally finance companies (including bank-owned lenders, general financiers, and captives) and banks. Over the last few decades, nearly all the bank-owned finance companies have been brought into the parent or sold.

While banks have been the predominant source of lease and other equipment finance more recently, improved access to funding has seen captives and independents improve their market share.

Australia is also experiencing the emergence of fintech equipment finance providers heavily reliant on digital processes to transact with their customers. Simpler and more efficient application processing, data and asset management is driving competition and innovation in the market.

The current market

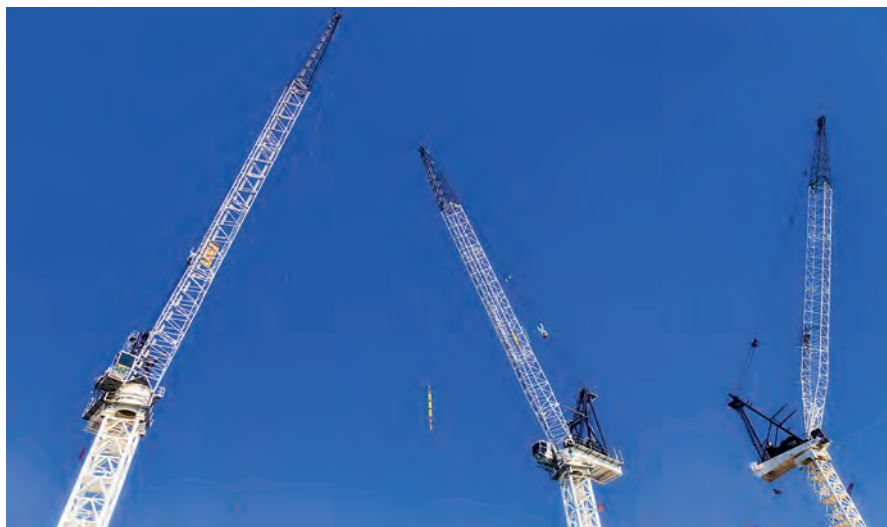
The second half of 2024 saw the Australian economy experience moderate growth with respect to Gross Domestic Product (GDP):

- Real GDP grew by 0.3% in Q3 of 2024, and by 0.6% in Q4, with an average growth per quarter of 0.325%. Overall, GDP grew by 1.3% in 2024 compared to the previous year.¹
- The labour market remains very strong, with the number of people employed increasing by nearly 400,000 people compared to December 2023, a 2.8% growth.²
- The rate of increase for the Consumer Price Index (CPI) in Australia also improved significantly in 2024, providing a form of relief from the continuous rise in cost of living. At the end of 2024 the

CPI rate decreased by nearly 30% to 2.5%, within the Reserve Bank of Australia's inflationary target of between 2 and 3%.³ As has been the case in many countries, Australia's central bank has sought to curtail high inflation by substantially tightening the stance of monetary policy. The Reserve Bank of Australia (RBA) raised its cash rate target 12 times in 2022 and 2023, to 4.10%. Following this, the cash rate was raised again by 25 basis points to 4.35% in November 2023 and has remained at that rate until present (as of the end of calendar year 2024).⁴

Goods credits (exports) increased by 1.1% in the 12 months to December 2024, driven largely by metal ores and minerals, highlighting the ever-increasing global demand for critical minerals. At the same time, goods debits (imports) also grew in the 12 months to December 2024, the 5.9% increase driven predominately by capital goods such as machinery, equipment and vehicles.⁵

The year to December 2024 also saw significant increases in loans for construction purposes, by nearly 50%, while purchases of property for business purposes improved by nearly 25%. The value of new loans for Construction Finance purposes increased by over 50%.⁶



As of December 2024, Australia's total new equipment finance leasing was worth A\$40.36bn, representing an increase of 1.46% on 2023's figures.

Equipment finance market data – lease and non-lease

AFIA estimates that as of December 2024, total new equipment finance (including fleet leasing) was worth A\$40.36bn, representing an increase of 1.46% on calendar year 2023's figures (see Figure 1).

Consistent with prior years, funding by equipment type in calendar year 2024 was mostly spread across:

- cars and light commercial vehicles
- trucks, trailers and buses
- mining and earthmoving equipment
- agricultural equipment (see Figure 2).

Chattel mortgage continues to be the favoured origination product (see Figure 3, accounting for over 85% of all Equipment Finance lending in 2024.

With regard to physical equipment type, cars and light commercial vehicles led the way once again in Australia, accounting for over 30% of all equipment financed in the year.

How the market functions

Leasing is generally offered as part of a range of equipment finance products. This allows its merits relative to other finance techniques to be weighed and tailored to the customer's particular needs and circumstances, taxation, and financial position.

The types of products offered within the Australian leasing market include:

- finance leases
- operating leases
- chattel mortgage
- fleet leases (i.e. cars and heavy vehicles)
- novated leases (i.e. salary packaging) and sales and leasebacks.
- Distribution channels include:
- direct sales by financiers with whom the customer has an existing relationship
- via point-of-sale providers linked to the financier or others independently operating in the market.

Sophisticated transaction packagers and lease brokers are also important in distributing the product.

An Operational Lease (or operating lease) is a short- to

Figure 1: Annual new business volume (A\$bn)

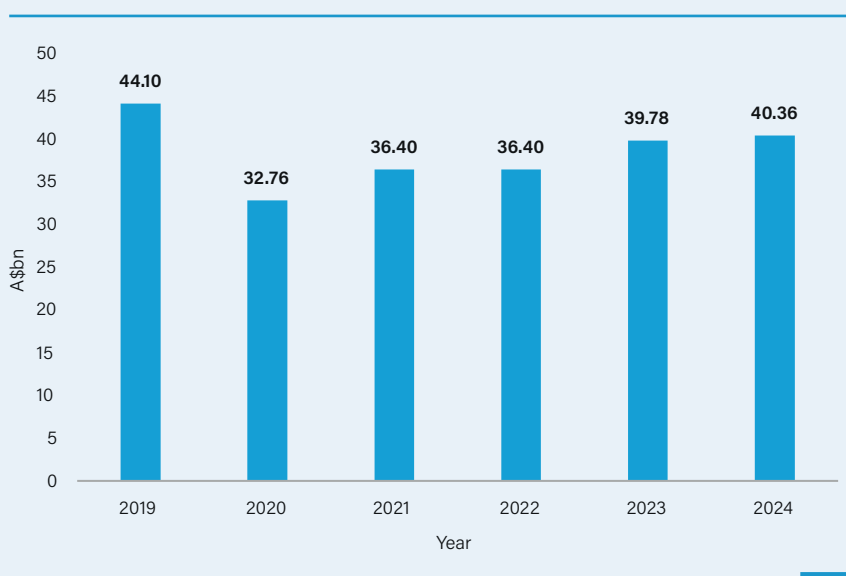
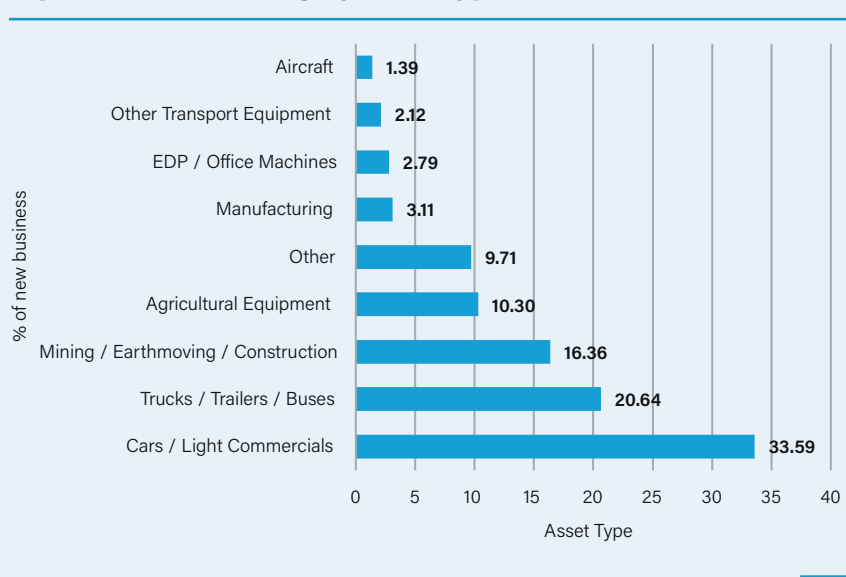


Figure 2: New lending by asset type 2024



medium-term rental agreement that allows a business to use an asset without transferring ownership; the asset is returned to the lessor at the end of the lease.

A Financial Lease is a long-term lease that transfers substantially all the risks and rewards of ownership to the lessee, often with an option to purchase the asset at the end of the term.

A Novated Lease in Australia is a three-way agreement between an employee, employer, and finance company, where the employer makes car lease payments from the employee's pre-tax salary under

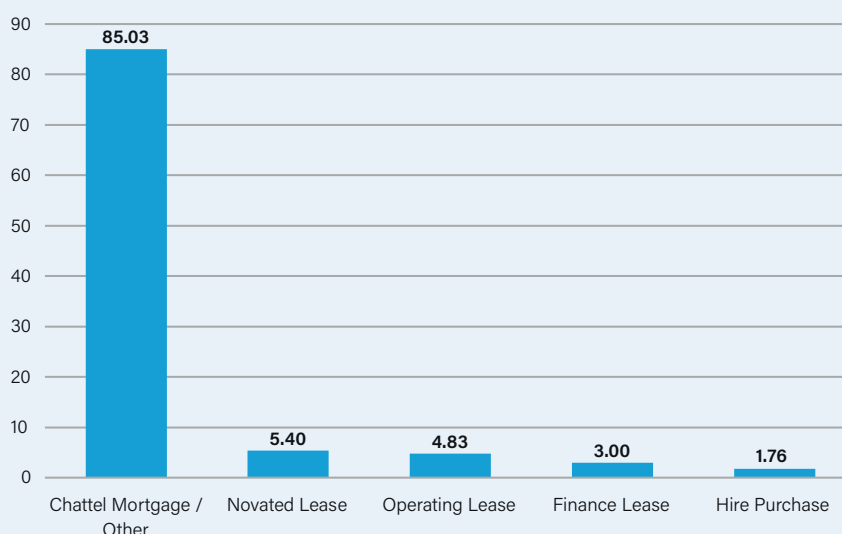
a salary sacrifice arrangement.

In terms of general market functioning, leases are written for most capital equipment items (provided they are used for commercial purposes). Terms range from between two and five years and implicit rates are competitive and are usually fixed for the period of the lease.

Lessees can claim the full amount of the lease rentals as a tax deduction, provided that the commercial use test is met, and no contrary law applies (e.g. for vehicles that exceed the luxury vehicle limit threshold).

In this instance, the lessor, as

Figure 3: New lending by financial product 2024



as often the guidelines change without particular and separate tax rulings being updated.

Tax rates, depreciation, incentives, and disincentives.

Government policy over recent years has seen a significant decrease in company tax rates, and an increase in businesses being eligible for these lower rates as outlined in Table 1.

As part of its goal to achieve net-zero carbon emissions in Australia by 2050, the Australian Government has introduced an exemption to the fringe benefits tax for some electric vehicles. The exemption applies to all eligible battery electric vehicles, however as of March 31, 2025, the exemption will cease for hybrid and plug-in hybrid vehicles. The vehicle must also not exceed the luxury car threshold (LCT) for fuel-efficient vehicles, which increased to A\$91,387 for the 2024-25 financial year.

Demand for battery electric and hybrid vehicles increased substantially in 2024. Over 104,000 EVs and Hybrids were purchased in 2024, representing a growth of over 63% year-on-year. Novated Leasing remains a major driver of fuel-efficient vehicle adoption, representing nearly 70% of all transactions.

Disincentives.

Tax disincentives have also impacted equipment lease products – primarily, the Motor Vehicle Depreciation Limit to deter “luxury” motor vehicles from being purchased by limiting the amount of depreciation that could be claimed.

Initially set at A18,000, the limit has been indexed in line with the motor component of the Consumer

owner, claims the depreciation and usually any investment incentives. There is no option to purchase the leased goods at the end of the term or make an offer to acquire them.

Law and regulation

The lease product is impacted by taxation and other laws at the national and state levels. In addition, general legal principles (including contractual requirements) and accounting standards apply.

Commonwealth taxation

Tax laws, primarily the *Income Tax Assessment Act 1997 (Cth)* ('ITAA'), recognise leasing as one of the few tax benefit transfers within the Australian taxation system.

A business lessee can claim a tax deduction for the full amount of the lease rentals. This contrasts with other forms of commercial equipment finance, such as hire-purchase or chattel mortgage, where deductions for depreciation and interest charges are claimable. The lessor, as owner, can claim the depreciation for the goods leased as an offset against rental income received.

The trade-off between choosing to lease over other financing methods lies in understanding the respective cashflow implications of write-off, including interest/ depreciation and lease rentals.

Leasing tax guidelines.

While many sections of the tax law deal with how leasing works in the context of the specific section, no overarching section covers leasing itself. Therefore, the ITAA gives discretionary powers to the Tax Commissioner to oversee leasing practices.

The broad thrust of this oversight has been to ensure that leases were not disguised purchase or conditional sale arrangements as this would make them a capital transaction and out of scope.

Hire purchase contracts have been ruled as capital in nature by the Australian Tax Office (ATO) – that is, the hirer claims depreciation and interest rather than the amount of the repayments.

Over the years, ATO guidelines on leasing have developed. However, care should be taken in interpretation,

Table 1: Progressive changes to the company tax rate

Income tax year	Aggregated turnover threshold (AA\$m)	Tax rate for base entities under the threshold rate (%)	Tax rate for all other companies (%)
2017-18	25	27.5	30.0
2018-19	50	27.5	30.0
2019-20	50	27.5	30.0
2020-21	50	26.0	30.0
2021-22 onwards	50	25.0	30.0



Cars and light commercial vehicles led the way once again in Australia 's 2024 leasing results, accounting for over 30% of all equipment financed in 2024.

Price Index to A\$68,108 in 2023-24 (A\$64,741 in 2022-23).¹

By limiting the depreciation claimed by the lessor, the disincentive worked to increase the rental paid by the lessee.

As can be seen from the commentary above, depreciation and other capital allowances can and do change depending on the government of the day's policy intentions for capital investment. Such policy changes have an immediate and obvious effect because leasing is effectively an after-tax product.

Goods and Services Tax (GST).

From July 1, 2000, a uniform 10% Goods and Services Tax (GST) has been applied to relevant goods and services.

From a financier perspective, a key element of the GST regime is the fact that financial supplies (e.g. chattel mortgages) are exempt from the GST. This means that the lender is unable to claim back the GST components of its input costs but is entitled to a reduced input tax credit.

In contrast, leases and hire-purchase contracts are taxable

supplies which means that businesses claim the GST component of their rentals as a reduction of their GST liability.

Other regulation

The regulatory environment for finance in Australia is complex. It varies according to the nature of the financier, the product, and the customer – the latter differing and overlapping depending on whether the customer is a consumer, business, or small business. A risk for all financiers, including lessors, is the application of lender liability and linked credit provider concepts, extending liability to financiers if the customer cannot meet their liability.

In addition, as with other areas of the law, the impact of judgments in cases coming before the courts in relation to contract terms and practices needs to be closely monitored. In particular, the introduction of laws against unfair contract terms in contracts involving small businesses.

Consistent with many other countries, Australia has laws dealing with privacy, anti-money laundering, and counter-terrorism financing,

as well as autonomous sanctions, covering facets of the leasing business:

- collection, use and disclosure of personal information
- customer identification, including customers and their beneficial owners, as well as politically exposed persons
- customer account monitoring
- identifying and reporting of suspicious matters to regulators
- reporting international transfers, cash and cryptocurrency transactions
- prohibitions of dealing with countries or customers who are subject to UN or autonomous sanctions.

Anti-money laundering laws do not apply to standard operating leases or consumer leases.

However, as federal and state laws operate with varying tests and exemptions, it would be advisable to carefully explore the legal requirements for contracts before contemplating any involvement in the Australian market.

Small businesses can also raise complaints against the conduct of leasing businesses through an external dispute resolution scheme, known as the Australian Financial

Complaints Authority,⁷ as well as the Australian Small Business and Family Enterprise Ombudsman.⁸

Accounting for leases

The IASB's IFRS 16 Leases was released in January 2016. It was ratified by the Australian Accounting Standards Board as AASB 16, which applies to annual reporting periods beginning on or after January 1, 2019.

Securities issues

Across the range of equipment finance products, from rentals to chattel mortgages, financiers have different security interests, registration requirements and realisation options.

For many years, AFIA has worked with all governments to harmonise the operation of the various registers of security interests, particularly for motor vehicles. This process came to fruition with the commencement of the *Personal Property Securities Act 2009* (PPSA) and a national register (the Personal Property Securities Register (PPSR) of all security interests in all non-real property assets, both tangible and intangible.

The PPSA marked a significant change in Australia's commercial legal framework and was based on comparable laws in Canada and New Zealand and, to some extent, Article 9 of the US Commercial Code.

Consumer Data Right

The Australian government is committed to enhancing competition through the development and implementation of the Consumer Data Right (CDR), an economy-wide data portability framework. The CDR has been rolled out to banking, and the rules have been designated for energy, telecommunications, and non-bank lenders to apply from 2025 onwards. The latter includes financial service providers involved in leasing.

Currently, banks are obliged to provide customers access to data to enable other providers to better assess credit risk, amongst other use cases. Further use cases involving payment initiation whilst legislated for, have not had rules developed and therefore are not expected to be available in the near term

Leasing outlook

Leasing, in all its forms, has for several decades proved to be an equipment financing technique suitable to all stages of the economic cycle. As the Australian economy continues to retreat from its peak inflation post-pandemic, we expect leasing will continue to be a key product that supports and enhances the Australian economy's productive base.

AFIA is well placed to ensure leasing remains an important, viable product offered by AFIA members to help finance Australia's future.

AFIA's Equipment Finance Industry Group is a group of specialist equipment financiers. They meet on a periodic basis. We also hold events covering general and specific issues for the equipment finance sector. Industry members from overseas are welcome to attend, by prior engagement with AFIA.

Australian Finance Industry Association background.

We represent more than 150 members, including bank and non-bank lenders, finance companies, fintech companies, providers of vehicle and equipment finance, car rental and fleet providers, and service providers in the finance industry.

We are the voice for advancing a world-class finance industry and our members are at the forefront of innovation in consumer and business finance in Australia. Our members finance Australia's future.

We collaborate with our members, governments, regulators and customer representatives to promote competition and innovation, deliver better customer outcomes and create a resilient, inclusive and sustainable future. We provide new policy, data and insights to support our advocacy in building a more prosperous Australia.

Endnotes

¹ Australian Bureau of Statistics, Australian National Accounts: National Income, Expenditure and Product, Table 2, <https://www.abs.gov.au/statistics/economy/national-accounts/australian-national-accounts-national-income-expenditure-and-product/latest-release>.

² Australian Bureau of Statistics, Labour Force, Australia, <https://www.abs.gov.au/statistics/labour/employment-and-unemployment/labour-force-australia/latest-release>

³ Australian Bureau of Statistics, Monthly Consumer Price Index Indicator, <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/monthly-consumer-price-index-indicator/latest-release>

⁴ Reserve Bank of Australia, Cash Rate Target, <https://www.rba.gov.au/statistics/cash-rate/>

⁵ Australian Bureau of Statistics, International Trade in Goods, <https://www.abs.gov.au/statistics/economy/international-trade/international-trade-goods/latest-release>

⁶ Australian Bureau of Statistics, Lending Indicators, <https://www.abs.gov.au/statistics/economy/finance/lending-indicators/dec-quarter-2024>

⁷ Australian Financial Complaints Authority (AFCA), Home, <https://www.afca.org.au/>

⁸ Family Enterprise Ombudsman (ASBFEO), Welcome, <https://www.asbfeo.gov.au/>

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MARKET REVIEW

Austrian leasing industry grows in 2024 despite economic challenges

The Austrian economy experienced its second consecutive year of recession in 2024. The GDP fell by 1.2% in 2024. The downturn had already begun in the second half of 2022, and since then GDP has not expanded for 10 consecutive quarters. This makes the recession the longest in post-war history.

Despite a challenging economic environment, the Austrian leasing industry continues to grow. New

business rose to €9.13bn in 2024 – an increase of 1.3% compared to the previous year. The existing volume reached €27.62bn, with a total of 806,131 leasing contracts in place as of December 31, 2024.

Vehicle leasing

With a domestic new business volume of €7,368m, vehicle leasing remains the growth engine of the industry and has increased by 5.8%. The volume of existing business grew to €16.17bn, an increase of €633m or 4.1% above the previous year's figure. The number of new vehicle leasing contracts

concluded in Austria also rose significantly: With 216,836 contracts, it was 7.6% (15,392 contracts) above the previous year's level.

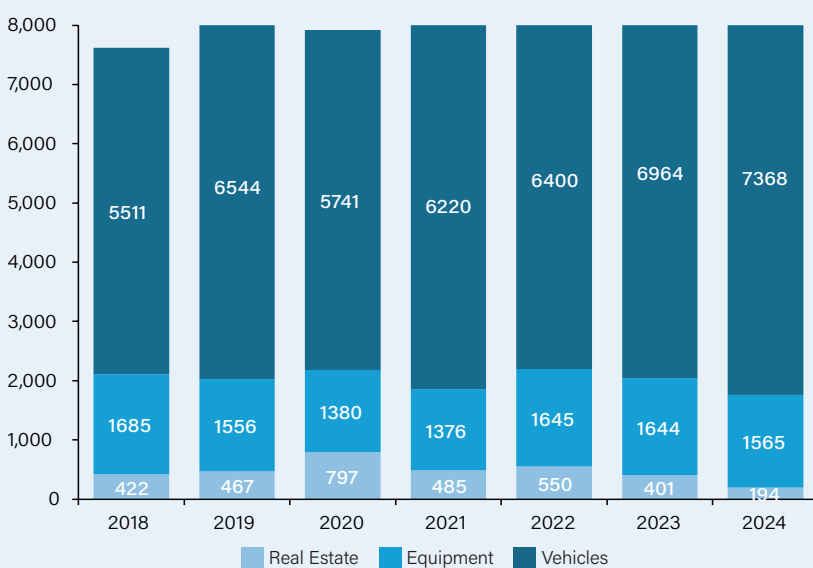
New vehicle registrations increased by 6.4% compared to the previous year, reaching a total of 292,342 in 2024. For passenger cars, new registrations grew by 6.1% compared to the previous year, for trucks and busses new registrations grew by 8.2%.

The portfolio volume of the vehicle fleet sector rose by 6.2% to €2.83bn. In 2024, the number of full-service leasing contracts amounted to 96,488 and was therefore almost at the same level of the previous year.

Decline in equipment and real estate leasing

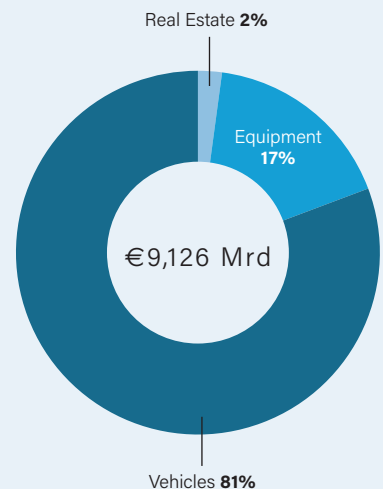
While vehicle leasing is proving to be the growth engine of the industry, equipment leasing recorded declines due to the weak economy. Equipment leasing applies to capital goods that are neither motor vehicles nor buildings. These include machinery, equipment, devices etc, such as

Figure 1: New business in Austria in 2024



Source: Association of Austrian Leasing Companies

Figure 2: New leasing business by asset type 2024



Source: Association of Austrian Leasing Companies

containers, tractors, harvesters, boats, rail vehicles, aircraft, cable cars, office and business equipment or IT hardware and software. The volume of new domestic business in equipment leasing fell by 4.8% after two years of growth. As of December 31, 2024, equipment assets totalled €4,565m. This represents a decrease of 2.3% or €106m compared to the previous year's figure. The number of equipment leasing contracts rose by 7.7% (9,827 contracts) in 2024. The total number of contracts for equipment assets is 137,590.

The volume of new business in real estate leasing shrank even more significantly with a drop of 51.6% (-€207m). The average contract amount of the new contracts concluded in 2024 increased by 4.2% compared to the previous year to €7.46m. The real estate leasing portfolio also declined by 3.0% in 2024 and stands at €6.887bn per December 31, 2024. Overall, there is a general reluctance to invest in this area.

Outlook

"2025 will be a year of adaptation and innovation - we expect

Table 1: Macroeconomic data for Austria

Rate of change in %	2023	2024
GDP, nominal	5.6	2.3
GDP, real	-1.0	-1.0
Gross fixed capital formation, real	-3.2	-2.1
Exports, real	-0.4	-3.5
Imports, real	-4.6	-3.3
Employment ¹⁾	1.2	0.2
Unemployment rate (national definition, in %)	6.4	7.0
Inflation (CPI)	7.8	2.9

Sources: Austrian Institute of Economic Research (WIFO), Federal Ministry of Finance (BMF), Statistics Austria (STAT)

sustainable and digital financing models will gain in importance and continue to support companies to grow, even in a difficult environment," says Dr. Alexander Nekolar, President of VÖL. After two and a half years of negative economic growth, the Austrian economy will stabilise in 2025, but it will be 2026 until we see a real rebound. A further decline in GDP is expected as investment and consumption remain weak and exports are affected by international trade tensions.

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Despite economic recession, Austrian leasing grew in 2024. New business rose to €9.13bn – an increase of 1.3% compared to the previous year.

Belgium



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Evolution of the leasing market in 2024

The total production (movable and immovable leasing) of the Febelfin Leasing Member Forum members, based on the contracts signed, was 1.8% higher in 2024 than in 2023 and amounted to €8.8bn. Leasing production growth in 2024 was negatively affected by less favourable economic conditions. Nonetheless, the preceding two years recorded exceptionally strong performance.

Movable leasing production climbed by 2.8%, while real estate leasing production based on signed contracts, was 8.8% lower in 2024 than in the previous year.

The members of the Febelfin Leasing Member Forum do not offer hire purchase.

The evolution of leasing production is related to developments in business investment. Gross fixed capital formation by companies at current prices increased by 3% in 2024. Because leasing production among members of the Leasing Member

MARKET REVIEW

Full integration of BLV into Febelfin

The Belgian Leasing Association (BLV vzw) has been a sub-association of Febelfin, the Federation of the Financial Sector in Belgium, since 2003.

In 2024, Febelfin proposed to several of its sub-associations, including the Belgian Leasing Association vzw (BLV vzw), to fully integrate their activities into Febelfin. This sought to increase efficiency and improve support from Febelfin.

Accordingly, on January 30, 2025, an Extraordinary General Meeting and a Special General Meeting of BLV vzw were held, during which the dissolution and liquidation of BLV vzw were approved.

Subsequently, BLV is no longer a sub-association of Febelfin, and its leasing activities have been fully integrated into Febelfin.

Instead of the former BLV Board of Directors, Febelfin has established the Leasing Committee. The former BLV members now constitute the Febelfin Leasing Member Forum.

Figure 1: Total production of movable and immovable leasing (€million)

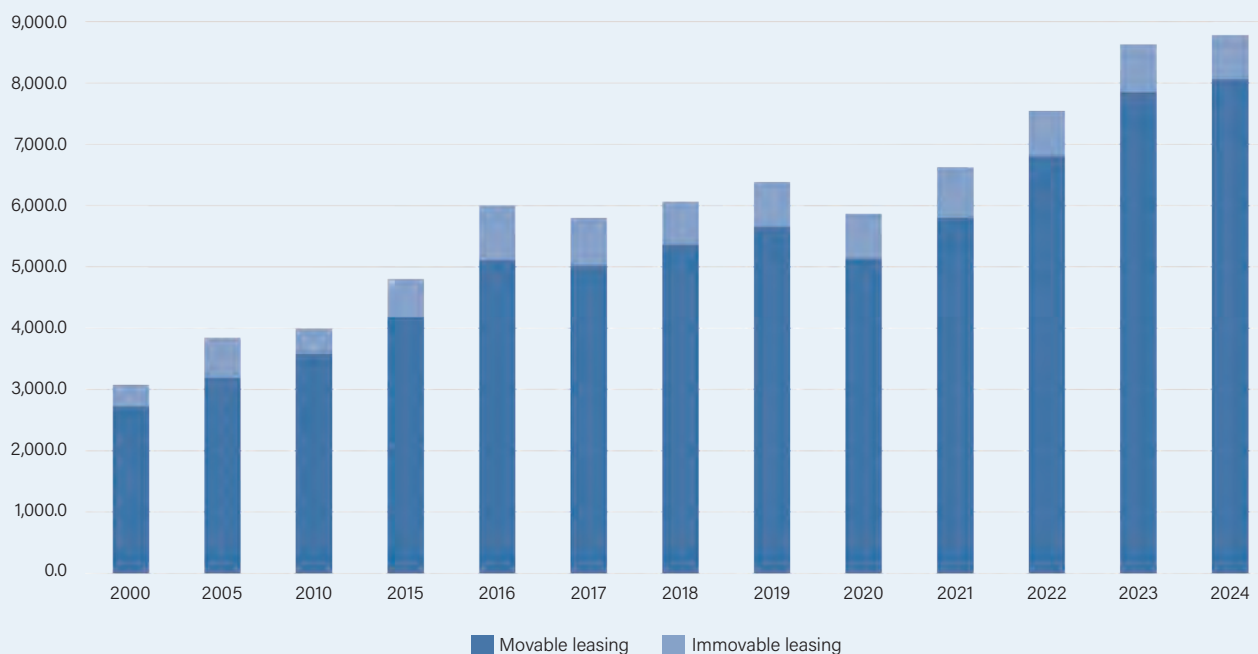
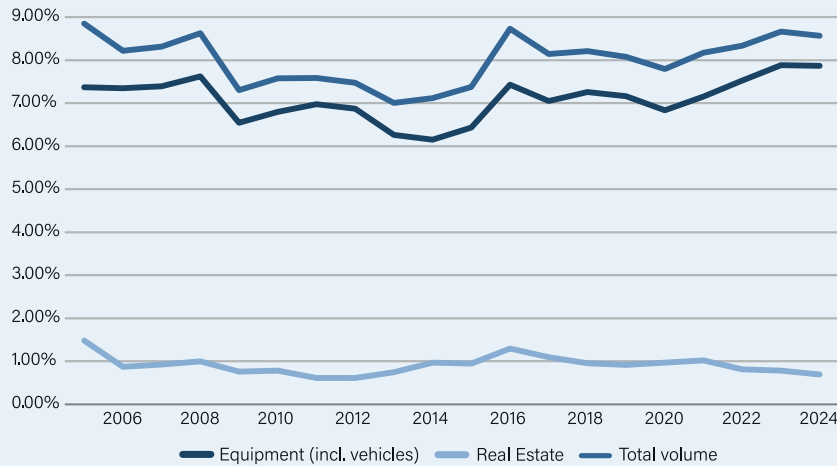


Figure 2: Penetration rate of leasing ⁽¹⁾



(1) Annual leasing production in proportion to the gross fixed capital formation by enterprises.

Forum only climbed by 1.8%, the penetration rate, which is the ratio of leasing production to companies' gross fixed capital formation, experienced a slight decline from 8.7% in 2023 to 8.6% in 2024.

Looking at the evolution of movable leasing by equipment type, a strong increase occurred in the leasing production of commercial vehicles (+9.8%), and in particular heavy commercial vehicles (> 3.5

tons) (+18.4%). In contrast, leasing production of passenger cars declined by 5.7%. Only leasing production of fully electric cars experienced an increase in 2024 (+7.2%). More than half of the leased cars in 2024 were fully electric. Leasing production of computers and office equipment, after the strong year 2023, fell 23.3% in 2024. Leasing production of machinery and industrial equipment increased by 6.7% in 2024. Leasing

production of renewable energy also increased again in 2024

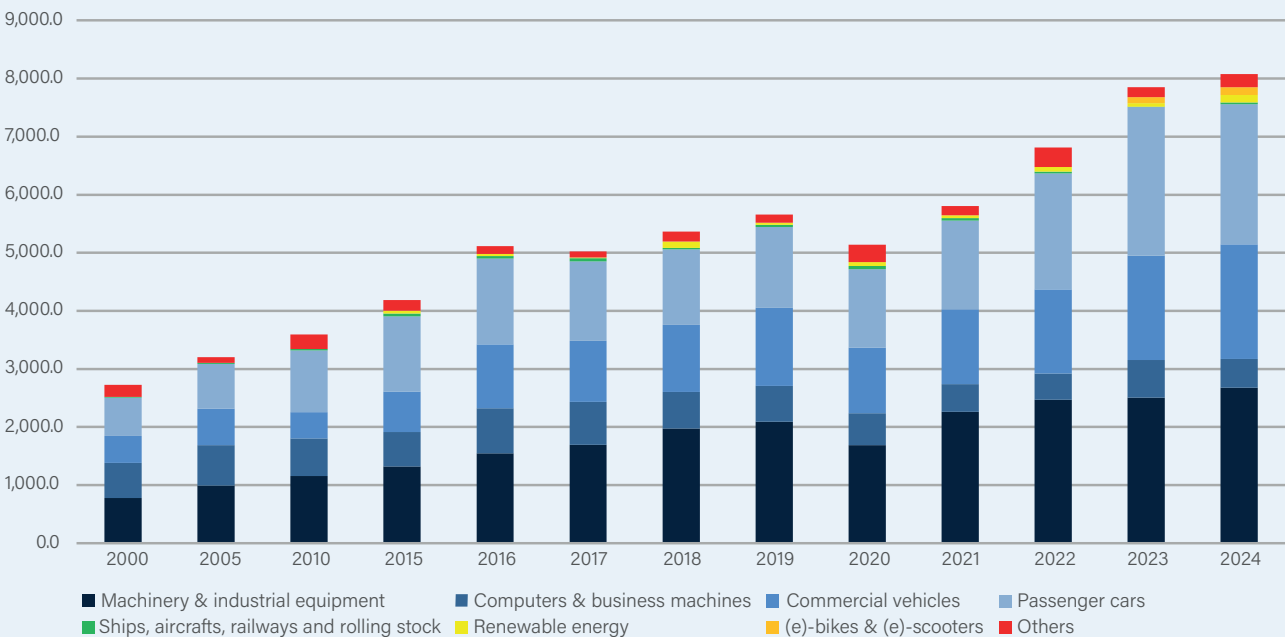
The total amount involved was €127.3m. In addition, the financial leasing companies also provided e-bikes and e-scooters amounting to €132.5m through leasing.

In terms of customer categories, more than half of all leasing contracts in 2024 were still concluded within the service sector (51.5%), but its share does continue to decline. In contrast, the share of leasing production to industry continued to increase from 30.3% in 2023 to 32.0% in 2024.

In terms of the number of new movable leasing contracts, subdivided by contract size, the proportion of new contracts for an amount up to €20,000 and of new contracts for an amount between €20,000 and €50,000 in 2024 was the same, 37.5%. The proportion of new contracts between €50,000 and €100,000 decreased from 16.4% in 2023 to 15.2% in 2024. Notable here was the increase in the share of new contracts whose amounts exceeded €100,000: from 8.6% in 2023 to 9.5% in 2024.

The annual leasing survey also examines the production of movable leasing based on the supply channel: in 2024, the majority of the

Figure 3: Movable lease production per equipment type (€million)



number of contracts were sourced through the banking channel (69.8%); 26.1% of new contracts were obtained through vendors and only 4.1% were obtained directly.

Among the members of the Leasing Member Forum, on-balance financial leasing accounted for 61.2% of total movable leasing production in 2024; while that of off-balance financial leasing accounted for 38.8%.

At the end of 2024, the outstanding amount of movable and real estate leasing was 7.7% higher than a year earlier, reaching €22.9bn.

Febelfin Leasing Member Forum

In mid-2025, the Febelfin Leasing Member Forum consisted of 28 effective members who provided leasing of industrial and office equipment, cars, trucks and real estate, and seven associate members. The associate members are natural persons or legal persons providing services to leasing companies in Belgium.

The most significant companies are subsidiaries of local Belgian banks.

There are also product specialised companies, for example car leasing companies and computer leasing companies.

Car leasing companies are often, but not always, owned by large car manufacturers and, to a lesser extent, by major car dealers.

Computer leasing companies are either ‘privateers’ or more independent enterprises.

Regulation

Belgium is one of the few EU countries where a legal definition of leasing exists.

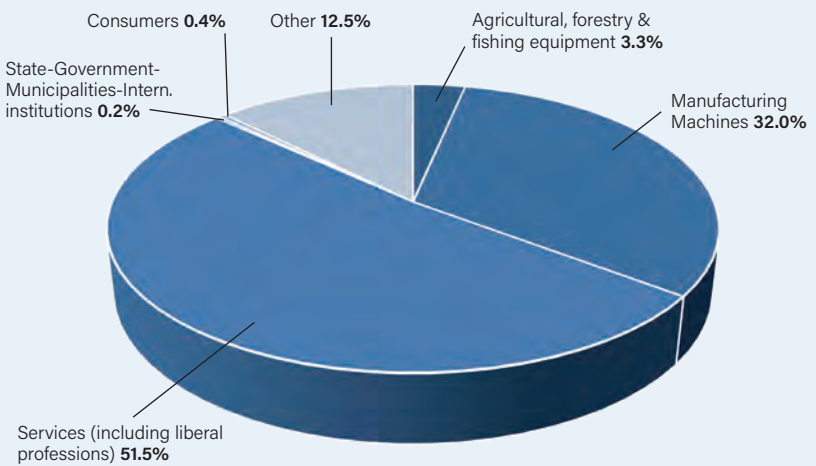
The legal position of companies specialising in movable leasing was laid down in Royal Decree No.

55 of November 10, 1967 on the leasing of capital goods which form an investment for the lessee.

Article 1 of the Decree specifies the requirements for a transaction to be considered a financial movable lease:

- the item must concern goods which the lessee uses exclusively for business purposes;
- the equipment must be purchased by the lessor for the sole purpose of leasing it to the lessee and in accordance with the lessees' specifications;
- the lease duration must

Figure 4: Movable lease production by customer type (2024)

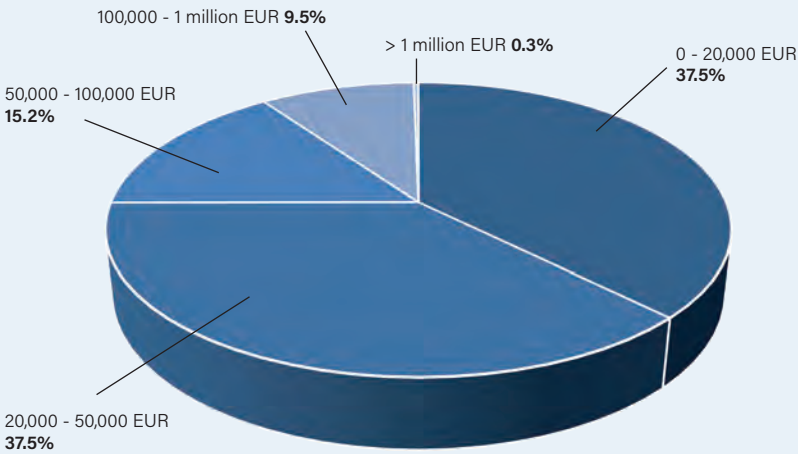


Only fully electric cars experienced a leasing upswing in 2024 (+7.2%). More than half of the leased cars in Belgium in 2024 were fully electric.



Belgium's leasing production of renewable energy increased to €127.3m in 2024.

Figure 5: Movable lease production according to contract size (2024)



correspond to the expected economic life of the equipment;

- the lease must be fixed to ensure that the equipment to be leased is fully depreciated over the lease term laid down in the contract; and
- the lease must include a purchase option, which means that the lessee must be given the opportunity to purchase the equipment at the end of the contractual period at the residual value fixed in the lease.

As of 1 November 2012, companies specialising in immovable leasing must be registered.

Article 1 of Royal Decree No. 55 of 10 November 1967 lists the characteristics of financial immovable leasing:

Figure 6: Movable lease production according to supply channel (2024)

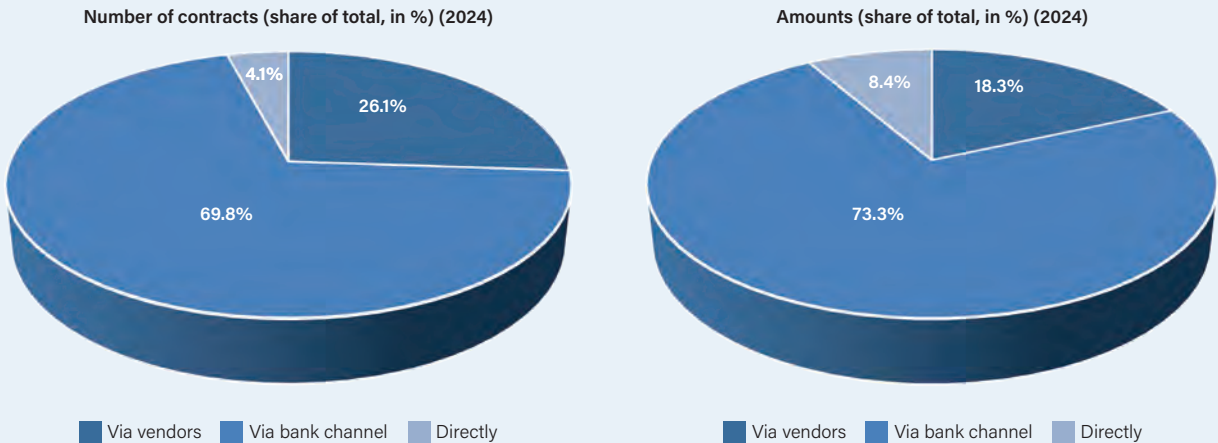


Table 1: Evolution of financial on-balance and financial off-balance lease production (amounts in €m)

	2000	2005	2010	2015	2020	2021	2022	2023	2024	2024/2023
A. Financial leasing – on balance (amount)	1,767.5	1,842.8	2,327.5	2,691.0	3,477.0	3,989.7	4,671.0	4,839.8	4,939.5	2.1%
B. Financial leasing – off balance (amount)	963.3	1,358.2	1,263.3	1,494.0	1,660.4	1,814.1	2,141.8	3,014.1	3,135.5	4.0%
Total (amount)	2,730.8	3,200.9	3,590.8	4,185.0	5,137.4	5,803.7	6,812.8	7,853.9	8,075.0	2.8%
A. Financial leasing – on balance (in % of the total)	64.7%	57.6%	64.8%	64.3%	67.7%	68.7%	68.6%	61.6%	61.2%	
B. Financial leasing – off balance (in % of the total)	35.3%	42.4%	35.2%	35.7%	32.3%	31.3%	31.4%	38.4%	38.8%	
Total (in % of the total)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	

Table 2: Movable and immovable leasing: outstanding amounts (in €m; numbers in units)

	2020		2021		2022		2023		2024		2024/2023	
	Number	Amounts	Number	Amounts	Number	Amounts	Number	Amounts	Number	Amounts	Number	Amounts
Movable leasing	388,170	12,740.7	420,811	13,191.6	441,570	14,312.2	486,440	16,269.0	521,376	17,749.5	7.2%	9.1%
Immovable leasing	3,019	4,849.2	3,043	4,764.6	3,004	4,793.4	3,022	4,962.1	3,126	5,115.2	3.4%	3.1%
Total	391,189	17,589.9	423,854	17,956.1	444,574	19,105.5	489,462	21,231.0	524,502	22,864.7	7.2%	7.7%

- it must cover real estate and buildings;
- the contract must have a fixed duration;
- the rent must be fixed so that the total rent fully covers the investment in real estate and buildings;
- the lessor must allow the lessee to use the buildings and land by virtue of an agreement which does not automatically transfer the lessor's real rights in rem;
- for the benefit of the lessee, the contract must offer the possibility of acquiring the rights in rem in the leased property at the end of the lease period, upon payment of the price stipulated in the contract.

Article 2 states that the lessor must be recognised as such by the Ministry of Economic Affairs. The conditions for registration were changed in September 2012. One of the conditions is a capital requirement of at least €750,000 for movable as well as immovable leases.

Since April 2012, the Belgian leasing companies have had to submit to the Central Corporate Credit Register several details concerning the contracts signed with companies for financial leasing of movables and real estate leasing.

The Central Corporate Credit Register was terminated on December 21, 2021 and has been replaced by the Corporate Credit

Register integrated into the Becris database. The National Bank of Belgium created Becris to meet the ECB's Anacredit obligations.

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whose declining production continues to slow growth. However, mining managed to partially offset this decline thanks to the still favourable international prices for certain minerals.

On the demand side, private consumption remained the main driver of growth, although its contribution declined due to the impact of imported inflation and the loss of purchasing power. Meanwhile, external demand again showed a limited contribution, driven by a moderation in export prices and the contraction in the volumes of gas and other traditional products.

Fiscal sector

In 2024, fiscal accounts continued to face structural pressures, with a deficit that could again reach double figures, similar to that of 2023 (10.9% of GDP). This result is contextualised by an increase in subsidies for hydrocarbons and food, which reached record levels of

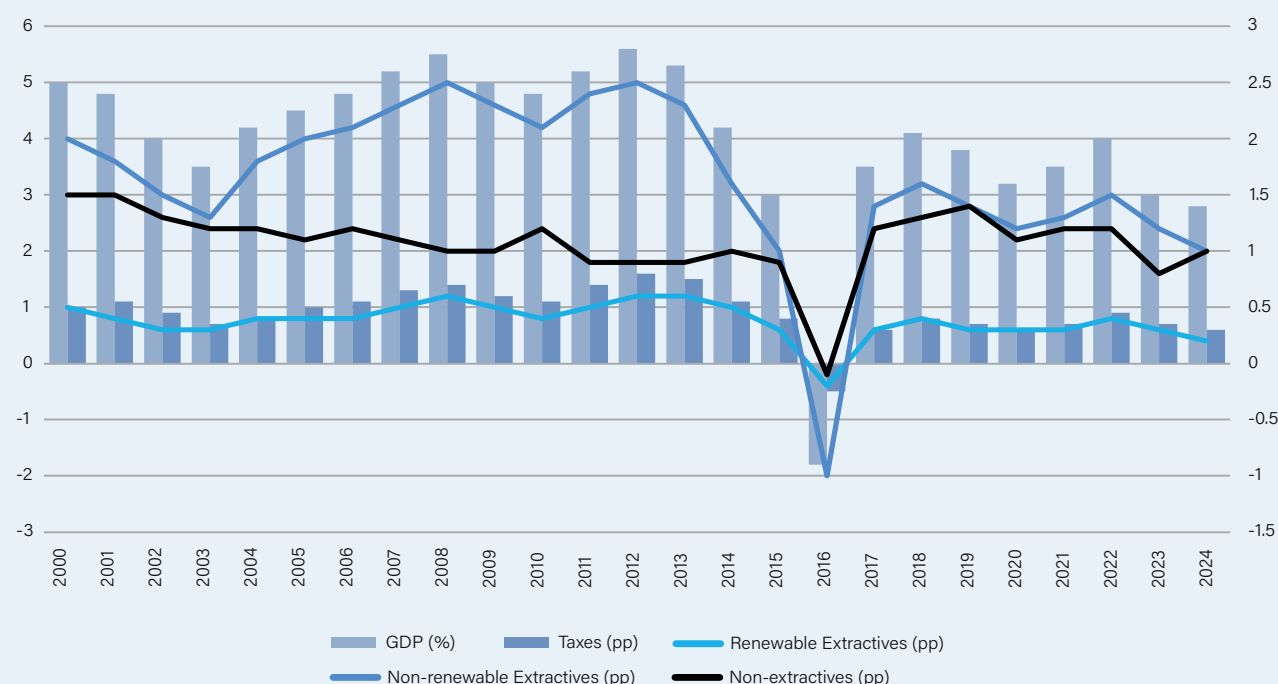
MARKET REVIEW

Preliminary data for 2024 confirm a more pronounced slowdown in economic activity, with estimated GDP growth of around 2.1%, according to international organisations, while official projections from the General State Budget (PGE) point to 3.51%. This gap reflects the growing divergence between domestic and external expectations, marked by

the weakening of the structural factors that sustained the Bolivian economy in previous years.

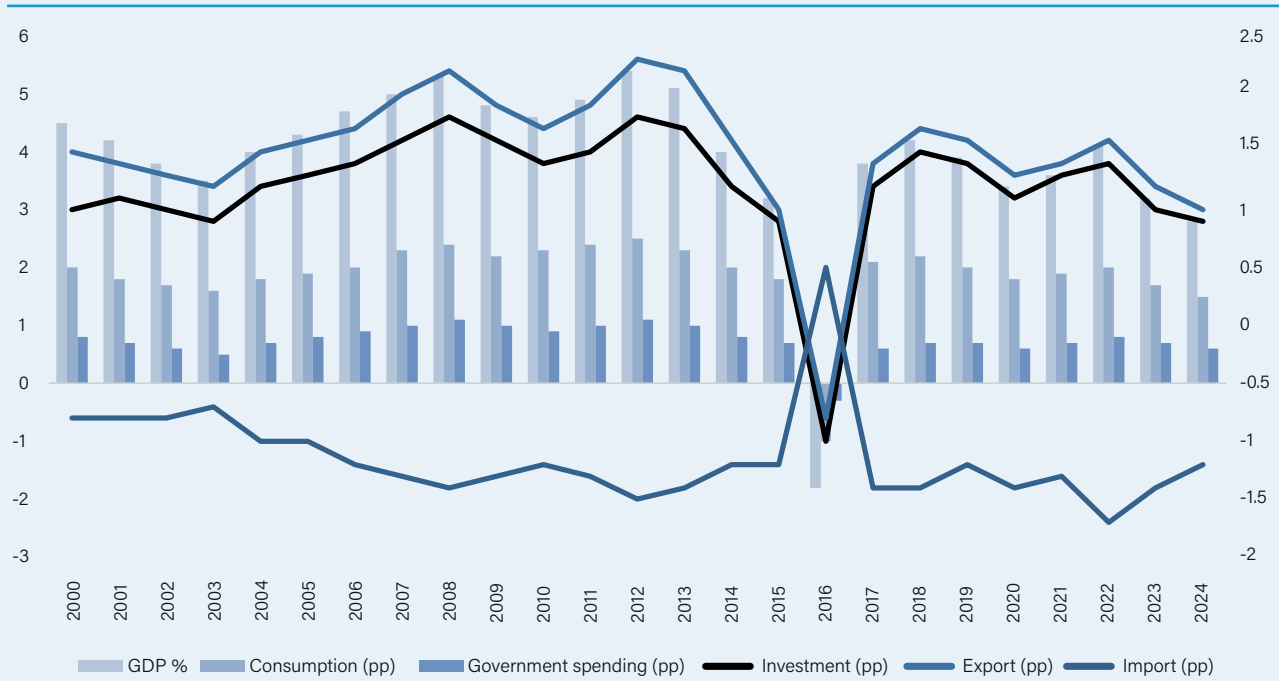
In sectoral terms, non-extractive activities such as agriculture, construction, and financial services continue to show positive performance, albeit with less dynamism than in previous years. In contrast, the extractive sector maintained a downward trend, particularly in hydrocarbons,

Figure 1: Cumulative GDP growth by extractive and non-extractive sectors (Percentages)



Source: Instituto Nacional de Estadística (Bolivia)

Figure 2: Impact on Gross Domestic Product growth from the demand side (In percentage points and percentages)



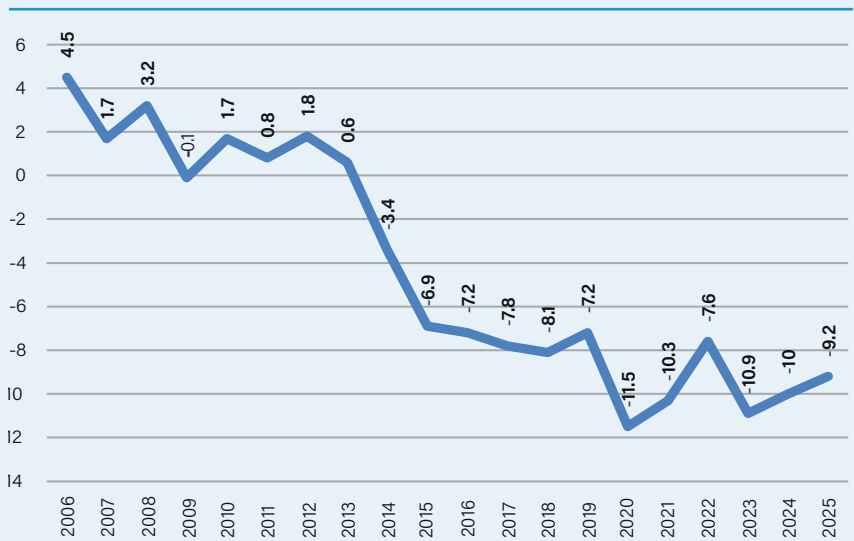
Source: Instituto Nacional de Estadística (Bolivia)

US\$1.65bn and US\$150m, respectively. These subsidies, although cushioning inflationary pressures, generate a significant burden on public finances.

During 2024, financing of the Non-Financial Public Sector (NFPS) continued to depend mainly on loans from the Central Bank of Bolivia (BCB). Consequently, the fiscal imbalance was transferred to monetary accounts, registering a cumulative issuance close to 12% of GDP. This level of issuance, although necessary to cover fiscal commitments in the short term, poses significant inflationary risks, given that the resulting pressures are usually transmitted to domestic prices within a range of six to 13 months.

The 2025 State Budget (PGE) once again admits a significant imbalance of around 9%. It includes measures aimed at diversifying sources of external financing, which were weakened in recent administrations due to political disputes. These include the CAF's contingent credit lines of US\$400m and the possibility of refinancing or renegotiating domestic and external debt for up to US\$1bn. Furthermore, it proposes access to international carbon markets as an innovative source of resources, in

Figure 3: Fiscal result of the non-financial public sector (NFPS) (As a percentage of GDP)



Source: Ministerio de Economía y Finanzas Públicas (Bolivia)

line with sustainability and climate mitigation commitments, in addition to empowering the Central Bank of Bolivia to use its remaining gold reserves as collateral to request external financing. In this context, domestic financing continued to show an exponential increase, resulting in a debt-to-GDP ratio of around 73%.

Inflation

Inflation in 2024 showed a significant rebound, reaching levels above 9.5% at the end of the year, influenced by rising import costs due to the parallel exchange rate. Indeed, imported inflation reportedly exceeded 15%, signalling a significant rebound since the onset of a shortage of dollars,

which are needed to finance imports. Although subsidies for hydrocarbons and food continued to partially moderate increases, inflationary dynamics began to reflect exchange rate uncertainty and adjustments in international prices for basic inputs.

Exchange rate policy

The Central Bank of Bolivia (BCB) maintained the fixed exchange rate policy that has prevailed since 2011, despite the growing pressure generated by the gap between the official and parallel exchange rates, which exceeded 11 bolivianos per dollar in 2024. Net International Reserves (NIR) closed at around US\$2bn, the lowest level in almost two decades, with a high concentration in gold.

Financial leasing market in Bolivia

The financial leasing market in Bolivia, from the perspective of service providers, is made up of three specialised companies: BISA Leasing S.A., BNB Leasing S.A., and Fortaleza Leasing S.A., all of which are linked to major financial groups in the country. Currently, the industry is led by BISA Leasing S.A., with a 50.61% market share, followed by BNB Leasing S.A. with 36.69% and Fortaleza Leasing S.A. with 12.70%

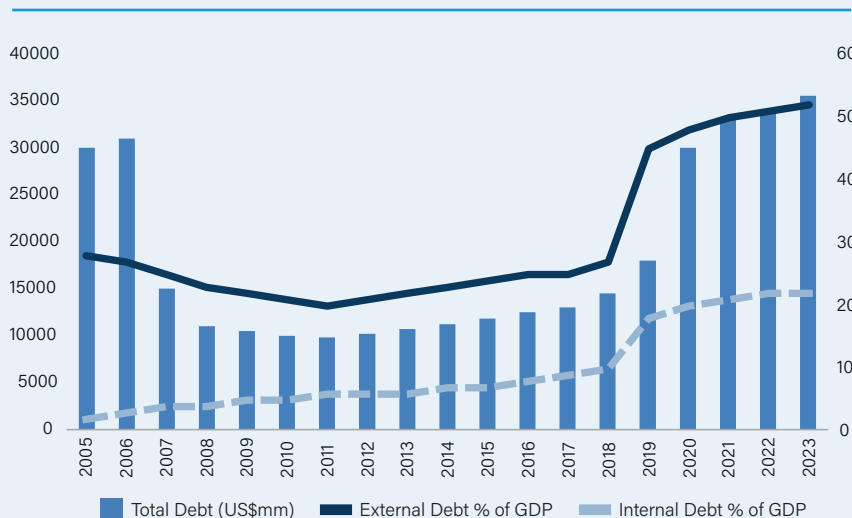
This distribution maintains the trend from the previous year, with a reduction in Fortaleza Leasing's portfolio, which resulted in a loss of market share for this company.

During the 2024 fiscal year, the financial leasing sector contracted by US\$1.3bn, closing December 31 with a gross portfolio of US\$113.92m.

This reduction was primarily due to a decrease in operations by one of the market players. However, the sector maintains high growth potential, and it is expected that this trend could reverse in the coming years as more companies adopt leasing as an efficient financing alternative.

Regarding the sector's delinquency rate, 2024 was a year marked by volatility in delinquency rates. However, at year-end, the weighted average NPL ratio fell to 1.74%, down from the 1.93% recorded in 2023. In turn, provisions for bad debts

Figure 4: Domestic and external debt (US\$m and percentage of GDP)



Source: Ministerio de Economía y Finanzas Públicas (Bolivia)



Whilst Bolivia's financial leasing sector did contract by US\$1.3bn, closing 2024 at a gross portfolio of US\$113.92m, the growth prospects are excellent.



Two of Bolivia's three principal leasing companies increased profits in 2024, with the sector achieving a net profit of US\$344,100 by December 2024.

established by companies in the sector amounted to US\$2.38m, achieving 120% coverage of the NPL portfolio. This coverage level reflects efficient collection management and improved portfolio recovery.

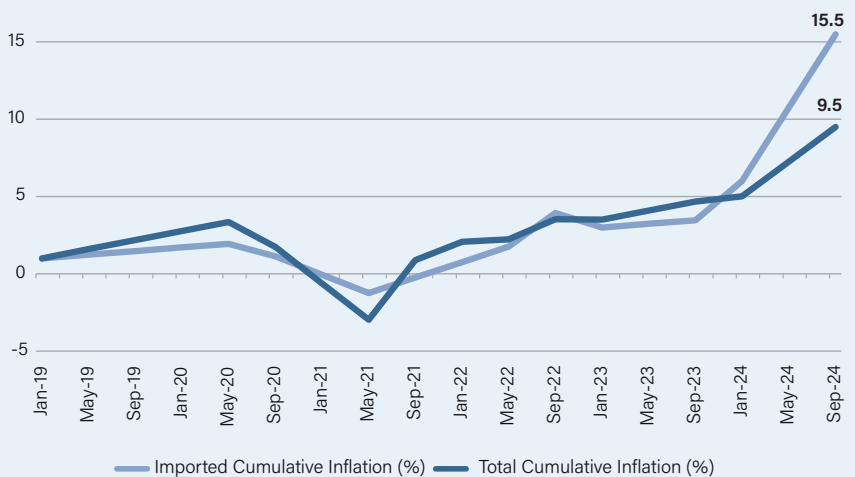
By December 2024, the industry had reversed the previous year's losses, achieving a net profit of US\$344,100. This positive performance is due to the improvement in the sector's profitability, with two of the three companies recording increasing profits compared to 2023. In line with these results, return on equity (ROE) showed a favourable trend, consolidating the sector's recovery.

By 2025, the portfolio is expected to continue growing, driven by increased demand for financial leasing from companies interested in optimising their investments in productive assets. In this regard, the sector seeks to strengthen its participation within the national financial system, not only from a commercial competitiveness perspective, but also through financial education initiatives, promoting leasing as a strategic alternative for the efficiency and financial sustainability of companies and individuals.

Endnote

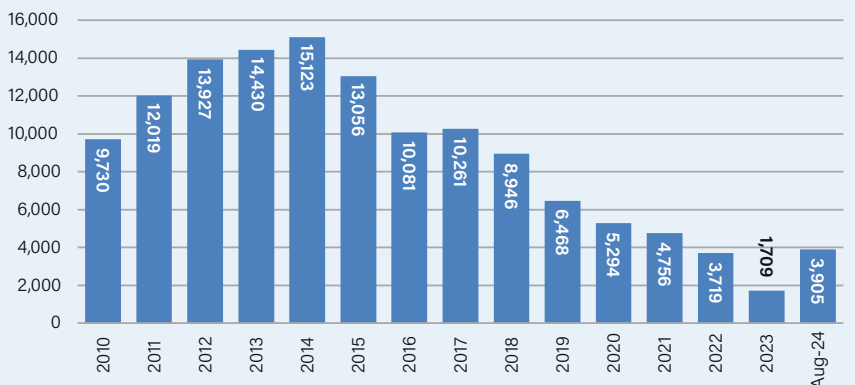
The data in this report were obtained from the 2024 Annual Report of BNB Leasing S.A.

Figure 5: Total and imported cumulative inflation (Percentages)



Source: Instituto Nacional de Estadística (Bolivia)

Figure 6: Net International Reserves (NIR) (In US\$m)



Source: Banco Central de Bolivia

Brazil



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scenario is beginning to change. Throughout the legislative process, the Brazilian Association of Leasing Companies (ABEL) played a decisive role, acting technically, proactively, and collaboratively.

The entity's active participation was crucial in ensuring that the pillars of commercial leasing were preserved and duly considered in the regulations. This articulation culminated in the recognition of leasing as an autonomous legal entity, both operationally and financially, under Constitutional Amendment No. 132 of 2023.

The reform is also seen as a lever for the country's economic growth. Estimates from the International Monetary Fund (IMF) indicate that the new tax system could increase the country's Gross Domestic Product (GDP) by between 6% and 11% over the transition period, which runs from 2026 to 2032.

For the leasing sector, this represents a window of opportunity to expand its operations. One of the most significant advances for the

MARKET REVIEW

Tax reform strengthens the leasing sector in Brazil

The promulgation of Complementary Law No. 214/2025, which regulates Tax Reform, after more than three decades of debate, represents a watershed moment in Brazil's fiscal and economic history. For the leasing sector, the new regulatory framework is more than a legal update; it is the formal recognition of a business model essential to the modernisation of the national economy.

The creation of the Value Added Tax (VAT), structured through the IBS (Tax on Goods and Services) and the CBS (Contribution on Goods and Services), brings rationality, simplification, and legal certainty to a system that, for years, was marked by complexity, overlapping jurisdictions, and federative disputes.

Activities such as leasing, essential for the renewal of productive assets, have historically been impacted by divergent interpretations and an environment of tax instability. With the new legislation, this

Table 1: New investments – Top lessors in 2024

Position	Company	Total (US\$)	Contracts	Share %
1	Bradesco Leasing S.A Arrendamento Mercantil	648,708,871	1,272	36.05%
2	Banco IBM S.A	310,350,702	23	17.24%
3	Santander Leasing S.A. Arrendamento Mercantil	249,999,252	1,422	13.89%
4	Daycoval Leasing - Banco Múltiplo S.A	249,633,200	1,070	13.87%
5	HP Financial Services Arrendamento Mercantil S.A	118,127,890	1,091	6.56%
6	BB Leasing S.A. - Arrendamento Mercantil	50,834,725	167	2.82%
7	Société Générale Equipment Finance S.A. Arrendamento Mercantil	49,391,194	97	2.74%
8	Banco de Lage Landen Brasil S.A	46,087,369	298	2.56%
9	CCB Brasil Arrendamento Mercantil S.A	36,244,656	29	2.01%
10	Banco Bradesco Financiamentos S.A	33,253,255	115	1.85%
11	Alfa Arrendamento Mercantil S.A	7,073,586	11	0.39%
12	Banco Itaucard S.A	0	0	0.00%
13	Banco RCI Brasil S.A	0	0	0.00%
14	Banco Toyota do Brasil S.A	0	0	0.00%
Total		1,799,704,701	5,595	100.00

Source: Abel - Brazilian Association of Leasing Companies



In December 2024, Brazil's leasing portfolio totalled BRL18.5bn. Machinery and equipment was the busiest sector with earnings making up 44.11% of the total figure.

sector is the replacement of the Tax on Circulation of Goods and Services (ICMS) and the Tax on Services (ISS) with the Tax on Goods and Services (IBS), eliminating disputes between states and municipalities that have historically generated legal uncertainty and limited the growth of leasing in Brazil.

This also includes the end of cumulative taxes such as the Social Integration Program (PIS) and the Social Security Financing Contribution (COFINS), with the establishment of the CBS (Contribution on Goods and Services), which increases the system's neutrality, reduces distortions, improves the business environment, and promotes competitiveness.

During the transition period, from 2026 to 2032, the tax rates will be defined and adjusted by the legislature, with periodic reviews, ensuring fiscal balance among federal entities and adaptability to economic changes. These advances are a direct result of the engagement of ABEL members, who contributed technical data, consistent proposals, and institutional dialogue with public policymakers. This leadership demonstrates the sector's strength and maturity in

Table 2: Equipment leased 2017 - 2024 (US\$m)

	2017	2018	2019	2020	2021	2022	2023	2024
Vehicles and related	1,088	757	749	376	247	297	194	204
Machinery and equipment	1,496	1,170	1,376	1,128	1,252	1,421	1,376	1,244
Aircraft	506	400	545	511	735	843	1,134	987
Computer equipment	384	287	259	229	267	347	371	293
Installations	15	31	32	23	18	9	6	5
Furniture	27	18	17	14	12	12	21	15
Ships	45	25	15	10	3	2	11	13
Real estate	17	6	5	3	2	7	8	6
Others	103	44	21	8	6	4	6	12
Total	3,681	2,738	3,019	2,302	2,542	2,942	3,127	2,779

Source: Abel - Brazilian Association of Leasing Companies

Table 3: Leases per sector 2017 - 2024 (US\$m)

	2017	2018	2019	2020	2021	2022	2023	2024
Individuals	452	337	297	139	106	143	156	120
Services	2,568	2,029	2,006	1,441	1,566	2,077	1,606	1,710
Commerce	618	597	568	375	461	831	724	601
Industry	673	632	525	417	471	763	661	628
Government	79	50	31	12	8	322	310	174
Others	70	70	83	79	135	146	141	116
Total	4,460	3,715	3,510	2,463	2,747	4,282	3,598	3,349

Source: Abel - Brazilian Association of Leasing Companies

Table 4: Present portfolio value – Top lessors in 2024

Position	Company	Total (US\$)	Contracts	Share %
1	Bradesco Leasing S.A Arrendamento Mercantil	1,022,824,222	4,497	33.55
2	Santander Leasing S.A. Arrendamento Mercantil	548,363,575	4,686	17.99
3	Daycoval Leasing - Banco Múltiplo S.A	529,680,626	4,018	17.37
4	Banco IBM S.A	317,867,604	70	10.43
5	HP Financial Services Arrendamento Mercantil S.A	241,580,779	5,266	7.92
6	Banco de Lage Landen Brasil S.A	135,707,698	1,230	4.45
7	Société Générale Equipment Finance S.A. Arrendamento Mercantil	94,992,002	272	3.12
8	BB Leasing S.A. Arrendamento Mercantil	89,790,514	601	2.95
9	CCB Brasil Arrendamento Mercantil S.A	62,962,840	112	2.07
10	Banco Itaucard S.A	4,663,928	8,035	0.15
11	Banco Toyota do Brasil S.A	103,493	13	0.00
12	Banco RCI Brasil S.A	50,486	109	0.00
13	Banco Bradesco Financiamentos S.A	0	0	
14	Alfa Arrendamento Mercantil S.A	0	0	
Total		3,048,587,765	28,909	100.00

Source: Abel - Brazilian Association of Leasing Companies

developing solutions for sustainable economic development.

In December 2024, the present value of the leasing portfolio totalled BRL18.5bn, with emphasis on the machinery and equipment (44.11%), aircraft (35.02%), IT goods (10.40%), and other assets (10.47%).

Tax Reform can also contribute to reducing banking spreads, historically high in Brazil. By reducing the tax burden on financial transactions, a more favourable environment for credit expansion is created, with

more competitive conditions for businesses and consumers. Leasing, as an efficient medium- and long-term credit instrument, plays a strategic role in this process.

The new tax model ends a cycle of uncertainty and paves the way for a more stable, predictable environment conducive to the resumption of productive investment. The leasing sector is poised to play an increasingly important role in transforming the Brazilian economy.

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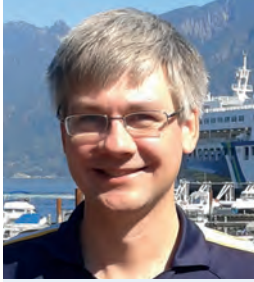
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Brazil's aircraft leasing industry was another active player in 2024, with a 35.02% share of the country's total leasing portfolio.

Canada



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MARKET REVIEW

All that matters now for the Canadian economy are tariffs and our future trading relationships with the United States and the rest of the world. The unfavourable economic environment and heightened uncertainty are impacting capital spending decisions now and for at least the next year. The Canadian government's response to encourage nation-building initiatives will, if successful, take time to materialise. For now, businesses must endure and survive the current crisis.

The improved access to capital for businesses from lower interest rates is more than offset by uncertainty and gloomy economic sentiments. Equifax's 30 and 90-day equipment finance delinquency rates in 2024 were at their highest levels since their records began in 2005 and have remained high through the first half of this year. The asset-backed finance (ABF) industry will continue to be an important source of equipment financing for small and medium-sized businesses.

Canadian workers continue to have less productive capital to work with than their counterparts in peer nations, and they are unlikely to

see a significant improvement in this situation as capital spending remains depressed this year. Public and private spending on machinery and equipment rose just 1.2% in 2024, while the financing of new equipment and commercial vehicle assets fell 0.1% to C\$43bn; nevertheless, the total value of assets financed in Canada rose 2.8% to \$118bn.

The CFLA's membership includes companies that finance machinery and equipment, including commercial vehicles and consumer vehicles. However, for this article, information on the retail consumer vehicle market has been excluded.

Economic and capital investment outlook

The shift in US trade policy has precipitated an existential crisis in Canada. The Canadian government intends to engage in 'nation-building' initiatives to reduce our dependence on the United States and promote trade with the rest of the world. This policy will, however, take time and political solidarity to succeed. In the interim, Canadian businesses must survive the current crisis.

Employment in Canada grew 1.9%

in 2024, but real GDP only grew 1.6% as rapid population growth pushed the unemployment rate up to 6.4% and reduced labour productivity. CPI inflation slowed to 2.4% allowing the Bank of Canada to reduce its policy target rate.

Canada's economic growth is expected to slow in 2025 to 1.4% and limit employment growth to 1.2%. The unemployment rate is expected to rise as more people enter the labour force seeking employment. The weak labour market will allow CPI inflation to continue falling to 2.0% in 2025, allowing the Bank of Canada to reduce its policy rate.

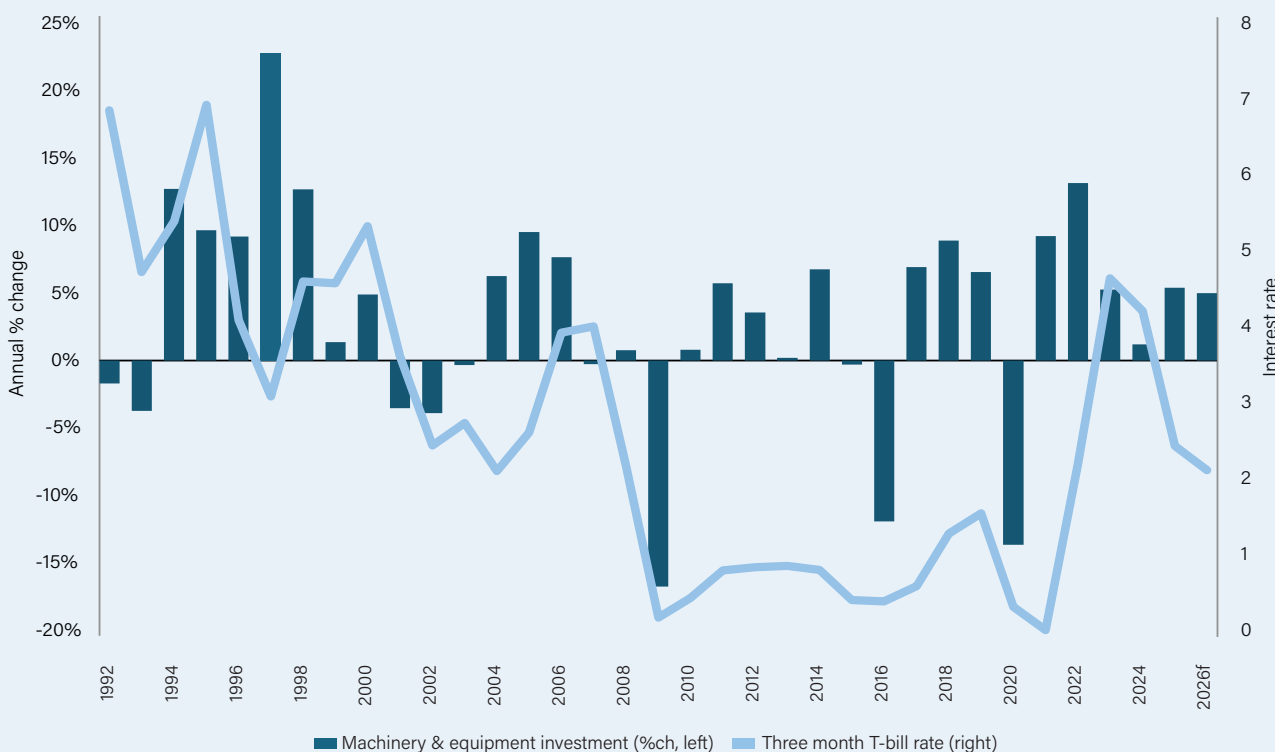
Higher prices for new capital continue to eliminate any gains in capital spending. Business spending on new machinery and equipment fell, in inflation-adjusted terms, by 2.9% in 2024, similar to the 2.7% decline in 2023, and it is expected to continue to contract in 2025. Non-residential construction is also expected to contract in 2025 as the private sector needs restored certainty and clear market opportunities to encourage capital spending.

Growth in real GDP had relatively small variations across the country in 2024, with Saskatchewan, Alberta, Nova Scotia, Prince Edward Island, and Newfoundland and Labrador leading the nation with over 2% growth, while Ontario and Quebec's economies were stagnant. Real GDP growth is expected to be weak across the country in 2025 and 2026, with only Alberta expecting growth of 2% or more.

Statistics Canada's February 2025 survey of capital spending intentions showed weak growth, with spending up 1.2% – C\$1.5bn – in 2024, but is expected to rise another 5.4% or C\$6.8bn in 2025.

Growth in capital spending on machinery and equipment varied across the country in 2024: from a high of 13% in the Atlantic Provinces to a low of -10% in Alberta.

Figure 1: Canadian asset-backed finance market determinants



Source: Public and Private Investment Survey, Statistics Canada; Quantitative Economic Decisions, Inc.

Saskatchewan, Quebec and Ontario performed above the national average while Manitoba was a laggard relative to the national average.

There were also substantial differences in machinery and equipment spending across industries in 2024. Spending in the following sectors grew by more than 15%:

- public administration (22%)
- utilities (18%); and
- arts, entertainment and recreation (16%).

The construction, manufacturing, transportation, warehousing, real estate, rental and leasing, and educational services sectors' expenditures grew by more than 5%. Spending by the mining, quarrying, and oil and gas extraction; wholesale trade; retail trade; information and cultural industries; professional, scientific and technical services sectors all fell by more than 10%

Statistics Canada's spending survey for 2025 reported growth of more than 10% for the following sectors: transportation and warehousing; manufacturing;

Table 1: Public and private spending on new machinery and equipment

Area	Millions of dollars		% growth	
	2025 F	2024	2025 F	2024
Canada	132,308	125,531	5.4%	1.2%
Atlantic Provinces	7,252	7,859	-7.7%	13.1%
Newfoundland & Labrador	1,706	1,786	-4.5%	16.6%
Quebec	23,321	22,455	3.9%	4.2%
Ontario	49,431	47,491	4.1%	3.4%
Manitoba	4,116	3,864	6.5%	-1.4%
Saskatchewan	7,733	7,111	8.7%	4.9%
Alberta	21,885	20,582	6.3%	-9.8%
British Columbia	17,879	15,555	14.9%	1.5%

Source: Statistics Canada (34-10-0035-01)

utilities; and accommodation and food services. Significant decreases are anticipated for the educational services, other services (except public administration), and real estate, rental and leasing sectors.

Financial market developments

Inflation continued to slow in 2025, but the current trade crisis has reduced employment growth and

raised the unemployment rate. As a result, the Bank of Canada will continue to lower its benchmark interest rate slowly but remains wary of allowing inflationary expectations to rise. The three-month treasury bill rate is expected to average 2.55% in 2025 and 2.23% in 2026, down from 4.33% in 2024. The yield on 10-year Government of Canada bonds is expected to drop from 4.26% in 2024 to 2.55% in 2025 and 2.23% in

2026. The Canada-US exchange rate is expected to remain relatively unchanged at \$US 0.72 in 2025 and appreciate to \$US 0.75 in 2026.

In 2020, the CFLA successfully lobbied the federal government to continue supporting the Funding Platform for Independent Lenders (F-PIL) program.¹ The program supports the securitisation of equipment and vehicle lease and loan portfolios through a public-private partnership between the Business Development Bank of Canada and TAO Asset Management. F-PIL provides funding on commercial terms and on a match-fund basis to independent, small- and medium-sized finance or leasing companies that extend the financing for vehicles and/or commercial equipment. This initiative should provide businesses with an important source of finance for new equipment during the current trade crisis.

Asset-based finance market in Canada

The Canadian asset-based finance market consists of public and private sector finance of new machinery and equipment, and the financing of fleet and retail vehicles. The

retail vehicle market segment has been removed from the statistics for the purposes of this article.

Economic trends influence asset-backed finance’s new business volumes. Current uncertainty regarding our trading relationships with the United States and the rest of the world is impacting the market in a similar fashion to previous shocks: the 1990s recession, 2008 financial crisis, 2014 oil price shock, and the pandemic.

However, over the long run, total new business volumes have risen by an average of 3.4% a year from an estimated C\$14bn in 1990 to C\$43bn in 2024. To put this performance into perspective, business spending on new machinery and equipment has

risen 2.7% yearly over the same period. The finance penetration rate has varied over the last couple of decades, dipping to a low of 26% in 2009 and bouncing back to 44% in 2013.

The finance penetration rate fell to 36% in 2019, but recovered to 39% in 2020, and slipped to 35% in 2023. Statistics Canada’s February survey of machinery and equipment spending intentions for 2025 indicates that the equipment and commercial vehicle penetration rate will slip again in 2025 to 33% as an unfavourable economic environment reduces demand for capital financing.

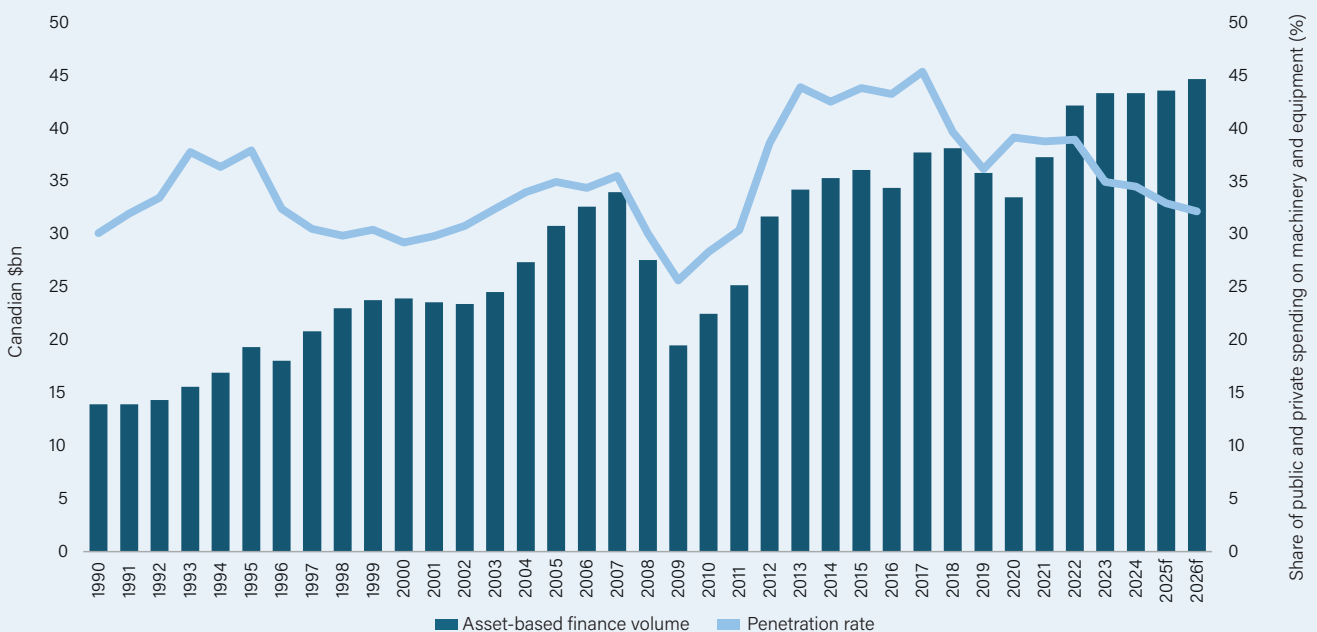
New business in the asset-based finance market fell 0.1% in 2024 following a modest gain of 2.8% in 2023. The total value of

Table 2: Asset-backed finance market in Canada: equipment and commercial vehicles

	2025 F	2024	2023
New business (C\$ millions)	43,614	43,375	43,409
% change	0.6%	-0.1%	2.8%
Finance assets (C\$ millions)		117,678	114,501
% change		2.8%	4.2%
Finance penetration rate	33.0%	34.6%	35.0%

Source: Canadian Finance and Leasing Association

Figure 2: Equipment and commercial vehicle finance market in Canada



Source: Canadian Finance and Leasing Association

assets financed by the industry is estimated to have grown 2.8% in 2024 to C\$118bn, down from the 4.2% increase in 2023.

QEDinc estimates that the ABF sector financed 35% of all spending on equipment and commercial vehicles in 2024; unchanged from 2023's rate. Statistics Canada revised its estimate of spending in 2023 up by C\$8.6bn, and spending exceeded its intentions survey by C\$2.9bn in 2024.

As a result, the equipment and equipment penetration rate in 2023 was reduced from the previous penetration rate estimate of 38%. Statistics Canada's February survey of machinery and equipment spending intentions for 2025 indicates that the commercial vehicle and equipment penetration rate could soften again in 2025.

Statistics Canada's survey optimistically anticipates capital spending rising 5% (C\$6.8bn), but new financing of equipment and commercial vehicles is expected

Table 3: New business finance by credit instrument and source in 2024

	Value C\$m	Share
Equipment & Commercial Vehicle Finance by Credit Instrument		
Lease	24,700	56.9%
Secured Loan	10,241	23.6%
Line of Credit	5,121	11.8%
Credit Card	3,313	7.6%
Equipment & Commercial Vehicle Finance by Source		
Banks	21,417	49.4%
Independent Finance Companies	7,464	17.2%
Manufacturers' Captive Finance Companies	12,734	29.4%
Other Finance Companies	1,760	4.1%

Source: Canadian Finance and Leasing Association

to increase by less than 1%.

Leasing accounts for an estimated 57% of the C\$43.4bn of equipment and commercial vehicles financed in 2024, secured loans account for 24% of new business finance, and lines of credit at 12%. In 2024, banks supplied 49% of all financing, followed by manufacturers'

captive finance companies and independent finance companies at 29% and 17%, respectively.

Endnote

¹ This program was formerly known as the Vehicle and Equipment Finance Partnership (VEFP) and was introduced as part of the federal government's response to the 2009 financial crisis.



Of the C\$118bn total of assets financed by Canada's ABF sector in 2024, QEDinc estimates 35% was spending on equipment and commercial vehicles.

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- Labour market: employment stagnation and informality are problems that require proactive policies to improve efficiency and working conditions.
- Sustainability: the government has ambitious decarbonisation goals, but greater investment and regulatory simplification are needed to achieve renewable energy and green hydrogen production targets.

Leasing industry

The leasing market in Chile is a mature industry that has been a highly relevant financing option for companies of all sizes for over 45 years but is especially important for small and medium-sized enterprises (SMEs).

Its growth over the years, driven by the country's economic strength, resilience, and benefits, has made it the most important financing method for companies to acquire capital assets in Chile.

In recent years, the industry has experienced low growth due to a slowing economy and a drop in investment levels in the country, which directly affects the financing of capital goods.

MARKET REVIEW

The Chilean economy experienced 2.6% GDP growth in 2024, exceeding expectations, driven by exports and a recovery in domestic consumption.

While this represents an improvement, private investment fell by 1.4% and the labour market stagnated, foreshadowing challenges for medium- and long-term growth. Inflation moderated, ending the year with a cumulative increase of 4.5%.

- Gross domestic product grew by 2.6%.
- Exports were the main drivers of growth, with a significant increase.
- Domestic demand grew by 1.3%, driven by increased consumption.
- Investment experienced a 1.4% drop, representing a warning sign for the economic future.
- Inflation (CPI) ended the year with a cumulative variation of 4.5%.
- The labour market showed stagnation in employment and a decline in formal employment, with an increase in interest in claiming unemployment insurance.

Economic sectors

- Mining was one of the main contributors to GDP growth.
- Trade registered a 7.7% increase in the last quarter and was a key sector throughout the year, according to the Federico Santa María Technical University and

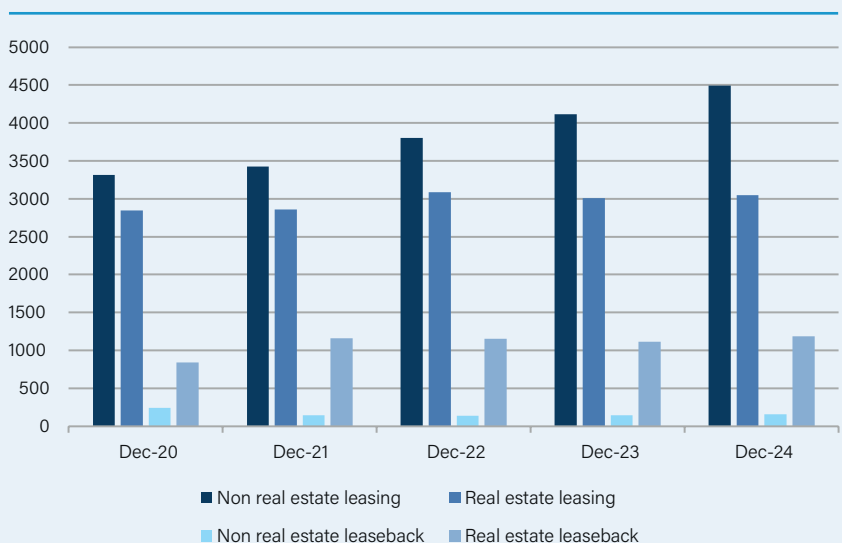
the Central Bank of Chile.

- Transport and personal services stood out as sectors that boosted growth, according to the Central Bank of Chile.

Outstanding challenges

- Low investment: the decline in investment is a key concern, as it affects long-term productive capacity.
- Economic diversification: despite progress, the economy remains heavily dependent on mining, making it necessary to strengthen other sectors such as agribusiness and technology services.

Figure 1: Portfolio value by type of operation (US\$m)



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In 2024, the growth in leasing placements was up 5.3% compared to the previous year and an increase of 2.2% in the stock of formalised contracts, ending the year 2024 with 219,976 financed assets.

The largest number of contracts generated in the industry were for equipment leasing, with trucks and vehicles being the most relevant, but in terms of the financing amount, real estate leasing is more relevant, which has grown during these years and represents 50% of the industry's business.

The main attributes of financing capital goods via leasing are:

1. Tax benefits: It allows for tax savings that benefit companies.
2. Flexibility: It allows for customised payment plans tailored to the company's cash flow.
3. Variety: It allows for financing any fixed asset or capital good that the company requires.
4. Digitalisation: Digitalisation has also

played a role in the leasing industry, and various financial institutions have developed their systems to streamline their processes.

In Chile, the industry is represented by the Chilean Leasing Association (ACHEL A.G.), which brings together the key players in the sector and promotes the development of a robust, transparent ecosystem committed to best practices.

This role has enabled it to drive the growth of companies that rely on leasing to modernise, provide clear information to the market, and strengthen confidence in a tool that is now crucial for the country's investment and productivity.

As an association, we continue working to ensure that more companies – from the smallest to the largest – have access to efficient and flexible financing solutions aligned with the challenges of a Chile that seeks to grow, innovate, and move toward more sustainable development."



In 2024, leasing placements increased by 5.3% compared to 2023. 2024 ended with a portfolio of 219,976 financed assets.

China



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private investment in infrastructure rose by 5.8%, indicating a recovery of confidence and vitality among private capital in the real economy.

These data clearly indicate that sectors directly related to equipment investment have become a focal point for current economic growth and policy support. This presents clear strategic opportunities for the leasing industry, which is undergoing a transition “back to its origins.” The robust growth in equipment and machinery purchases creates broad market demand for direct leasing services, while the recovery of private investment in manufacturing and infrastructure signals strengthening financing activity among end-client segments.

MARKET REVIEW

In 2024, China’s economy demonstrated steady growth, with a gross domestic product (GDP) of RMB134.9084 trillion, representing a year-on-year increase of 5.0%. By sector, the value-added of the primary industry reached RMB9.1414 trillion, up 3.5%; the secondary industry rose to RMB49.2087 trillion, growing 5.3%; and the tertiary industry expanded to RMB76.5583 trillion, increasing by 5.0%. This reflects the ongoing optimisation of the economic structure.

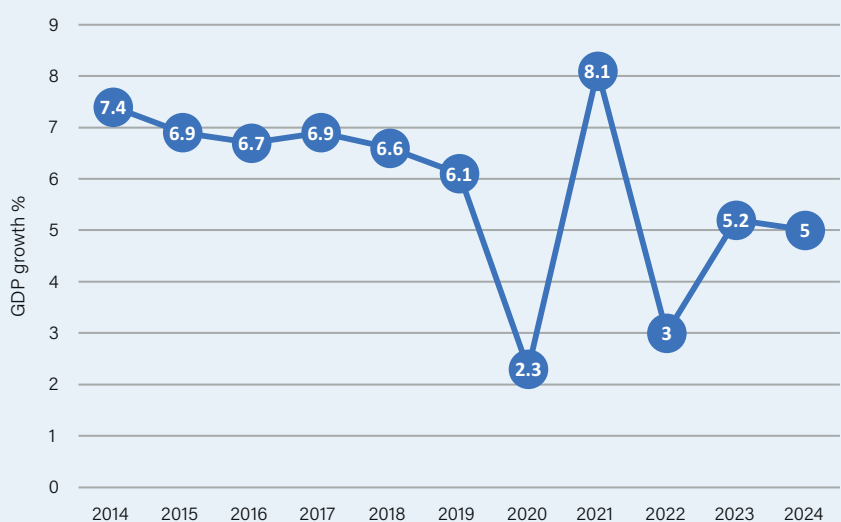
In terms of investment, national fixed asset investment (excluding rural households) amounted to RMB 51.4374 trillion, a year-on-year growth of 3.2%. Notably, driven by policies such as “large-scale equipment renewal and consumer goods trade-in programs,” investment in equipment and machinery purchases – highly relevant to the leasing industry – showed particularly strong performance, surging by 15.7% and contributing 67.6% to the overall investment growth. This has made it a key engine driving investment expansion.

From the perspective of investment entities, annual private investment totalled RMB25.7574 trillion, showing a slight decline of 0.1% overall. However, positive structural changes emerged: excluding real estate development, private project investment actually increased by 6.0%. By sector, private investment in manufacturing grew by 10.8%, while

Leasing market

As suggested last year, China’s leasing sector can be classified into two types in connection with the new regulation system: Non-bank financial institution (NBFIs) lessors, which are financial institutions and are subsidiaries of commercial banks or large-scale state owned group, and Quasi-financial-institution (QFI) lessors, which are not financial

Figure 1: 2014-2024 China’s GDP growth (year-on-year)



Source: National Bureau of Statistics

institutions but supervised referring to similar regulations for NBF1 lessors.

In line with last year, we consulted industry experts and learned that the leasing investment volume of NBF1 lessors was RMB1,792bn (equivalent to US\$251bn) and the volume of QFI lessors was roughly RMB1,351bn (equivalent to US\$189bn). So we estimate that China's total leasing investment reached roughly RMB3,143bn (equivalent to US\$440bn), which was a 1.6% increase compared with the year 2023.

Development of leasing sectors

From 2024 to 2025, China's financial leasing industry has entered the most stringent and systematic regulatory period in its history. Although these measures primarily target financial leasing companies, their policy spillover effects are exerting significant pressure on QFI leasing companies, especially those with state-owned backgrounds.

As the State-owned Assets Supervision and Administration Commission (SASAC) maintains close alignment with central financial policy, local SASAC authorities have begun actively supervising

the sale-leaseback ratios and asset quality of their affiliated leasing companies, mirroring the financial leasing regulatory spirit.

A notable trend is that some central enterprises are reassessing their financial sector investments, considering a strategic exit from various financial institutions (including leasing companies) invested in over the past two decades to refocus on their core businesses and comply with the "from the virtual to the real economy" regulatory direction. This places state-owned leasing companies under the dual pressure of business model transformation and shareholder strategic adjustment.

For the more numerous QFI leasing companies, regulatory responsibility lies with local financial supervision departments. Although the specific rules and enforcement intensity vary regionally, the direction of rectification and consolidation is clear. Widespread adoption of "white lists" and "advised exit/missing lists" is accelerating market consolidation. Compliant companies on the "white list" will receive more policy support, while a large number of "shell," "missing," and non-compliant

operators will be continuously purged from the market.

Under the dual pressures of regulation and the market, industry participants are undergoing a significant shake-up, shifting the industry landscape from "quantity expansion" to "quality focus." The number of leasing companies is experiencing a sharp decline. From a nominal existence of tens of thousands of companies, the industry is rapidly consolidating to an actively operating base of approximately 1,000 to 2,000 companies, driven by continuous strict regulatory cleanup.

This process is forcing out a large number of intermediary-type companies lacking core competencies, while leading institutions with industrial backgrounds, strong capital, and professional risk management capabilities are significantly increasing their market share, leading to ongoing industry concentration.

In the past, industry scale was primarily built on "sale-leaseback," which was essentially a corporate financing tool with little connection to the underlying equipment. In the future, genuine direct equipment leasing will become the core of industry development. This necessitates that leasing companies deeply understand equipment value, residual value management, and industry cycles, transforming from "lenders" into "asset managers".

Furthermore, the importance of financial leasing for the globalisation

Table 1: The Renminbi exchange rate

	Dec 30, 2023	Dec 31, 2024	2024 (average)
US\$1	7.0827	7.1884	7.1356

Source: <https://www.boc.cn/sourcedb/whpj/>

Table 2: China's leasing investment volume and penetration rate

Year	Leasing investment volume				Leasing market penetration		Leasing investment/GDP	
	Before adjustment		Adjusted		Before adjustment	Adjusted	Before adjustment	Adjusted
	Rmbbn	US\$bn	Rmbbn	US\$bn				
2024	3143	440	2514	352	15.28%	12.22%	2.33%	1.86%
2023	3094	440	2475	352	15.38%	12.30%	2.45%	1.96%
2022	2750	412	2200	330	12.02%	9.62%	2.27%	1.82%
2021	2713	421	2170	336	12.46%	9.96%	2.37%	1.90%
2020	2450	363	1960	290	11.80%	9.44%	2.41%	1.93%

Notes:

- Our figures quote leasing investment, including real estate. In line with the World Leasing Yearbook, we have made an adjustment based on an estimate of real estate representing around 20% of all Chinese leasing volume.
- Since we have found that the figure of equipment investment does not cover all the relevant leased assets and expenses, we adopt an estimate made by an officer from National Bureau of Statistics of China that total equipment expenditure accounts for about 40% of the total investment in fixed assets. In 2024, national fixed assets investment in fixed assets reached Rmb51437bn, giving an estimated total equipment expenditures of around Rmb51437bn*0.4=Rmb20575bn.



In 2024, China's total leasing investment reached roughly US\$352bn, a 1.6% increase on 2023.

of China's equipment manufacturing industry is becoming increasingly apparent. Its role is evolving from a mere sales promotion tool into a crucial strategic risk management and market development instrument. This trend is currently in a phase of continuous expansion, though its model refinement and capacity building still face core challenges.

The mainstream business model involves establishing localised leasing and sales entities in target markets. The legal characteristic of the lessor retaining ownership of the equipment provides Chinese enterprises with stronger asset protection and default recovery capabilities in unfamiliar judicial environments. However, lessors still face shortcomings in asset management capabilities, and the ultimate resolution of risk heavily relies on repurchase guarantees provided by manufacturers.

This means risks are not effectively dispersed, remaining essentially dependent on corporate credit rather than the asset itself. The industry's future development hinges on overcoming this reliance and mastering asset-centric risk management.

Infrastructure

Law, accounting and tax had no significant updates for the sector. The year 2024 marked a systemic regulatory overhaul in China's leasing

industry, decisively steering it away from its "shadow banking" past and back to its core mission of equipment-based leasing for the real economy.

Spearheaded by the National Financial Regulatory Administration (NFRA), a comprehensive regulatory framework has been rapidly established. This system aims to fundamentally shift the industry away from its past reliance on "credit-like" and "shadow banking" practices. It is comprised of:

- The *Notice on Promoting the Standardised Operation and Compliance Management of Financial Leasing Companies*,
- The *List of Encouraged Businesses, Negative List, and Positive List for Project Company Businesses of Financial Leasing Companies*,
- And, the newly revised *Administrative Measures for Financial Leasing Companies (2024)*

The core objective is to steer the industry back to its essential purpose: supporting the real economy through genuine equipment leasing.

The *Administrative Measures for Financial Leasing Companies (2024 Revision)* significantly raise the industry's entry barrier by substantially increasing the minimum registered capital requirement and raising the minimum shareholding ratio for primary investors to 51%. This reinforces the responsibility of major shareholders and ensures that both new and existing companies

possess the long-term capital and strategic commitment necessary to serve the real economy.

The *Notice on Promoting the Standardised Operation and Compliance Management of Financial Leasing Companies* imposes clear, quantitative targets for business structure. It sets a three-year transition period, explicitly requiring financial leasing companies to gradually increase the proportion of direct leasing in their new business to no less than 50%. It also strictly limits the assets eligible for sale-leaseback transactions to genuine, qualified equipment.

The *List of Encouraged Businesses, Negative List, and Positive List for Project Company Businesses of Financial Leasing Companies* provides clear operational boundaries for this transition.

Outlook for 2026

The future market size of China's leasing industry is subject to two opposing forces. On one hand, the scale of direct leasing business is constrained by the equipment investment willingness and capacity of enterprises. Its inherent size cannot match the historical scale of sale-leaseback operations that functioned as a "second bank". Consequently, the business volume grounded in genuine equipment leasing will inevitably see a substantial reduction compared to its historical peak.

On the other hand, driven by the performance evaluation culture among state-owned enterprises that emphasises "maintaining or expanding scale," some SOE-backed leasing companies may strive to sustain their total asset size by expanding direct leasing or other business lines.

In summary, while the total asset size of the leasing industry might remain stable due to non-market factors, the credit-like scale dominated by sale-leaseback will contract significantly. The proportion of equipment leasing business will substantially increase, steering the industry onto a healthier development path by returning to its origins.

Colombia



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US\$4.969m, highlighting a sustained recovery compared to the levels observed during the pandemic and underscoring the key role of this category in the economic reactivation and the modernisation of the productive sector.

Investment in machinery and equipment has faced both structural and cyclical challenges, even before the pandemic. Figure 2 shows how the pandemic severely affected investment, bringing it down to US\$2,700m. However, this category played a key role in the post-COVID-19 economic recovery, with increases of 22% in 2021 and 24,6% in 2022. Still, the sustained expansion of this type of investment remains limited by several factors. These include the high cost of capital use, the volatility of the real exchange rate and its dependence on aggregate demand and business confidence. In addition, a complex and unfavorable tax environment continues to negatively impact investment decisions.³

In Colombia, it is possible to finance virtually any type of machinery or equipment through this mechanism,

MARKET REVIEW

Leasing as a strategic tool for investment in machinery and equipment in Colombia

In Colombia, the acquisition of machinery and equipment is essential for companies, regardless of their size or sector, to increase productivity, adapt to technological advances, and strengthen their competitiveness. These strategic investment decisions are fundamental to preserving and expanding productive capital, a key factor in economic development.

In this context, leasing has become a consolidated, effective and flexible financing mechanism. Its cross-sectoral nature makes it a viable alternative for all economic sectors, positioning it as a key tool for boosting productive investment. Moreover, in Colombia, a country largely made up of SMEs, leasing becomes one of the main allies in democratisation of productive capital.

According to Figure 1, leasing has played an important role in financing machinery and equipment in the country. Although a decrease in this type of investment has been observed in recent years, the decline is largely associated with external factors, such as the depreciation of the Colombian peso against the dollar, rather than a weakening of the financial instrument itself. Despite this, as of December 2024, the use of finance leases for machinery and equipment reached US\$1815,8m, while operating lease totaled US\$233,75m.

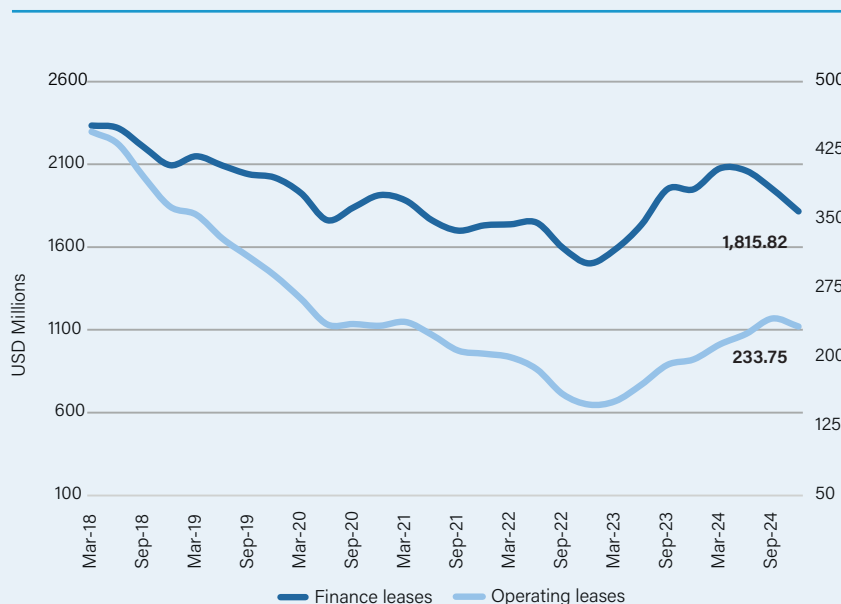
The relevance of leasing has grown

in parallel with businesses' necessity to acquire productive assets tailored to their technical requirements. In fact, the strengthening of private demand and the rebound in industrial confidence have been key factors in the increase of productive investment, especially in machinery and equipment.¹

This trend was reflected in 2024, when gross fixed capital formation grew 7.6%, reversing the 16% contraction recorded in 2023, while national GDP recovered with a growth rate of 1,7%.²

Moreover, Figure 2 illustrates how, in the past year, investment in machinery and equipment in Colombia reached

Figure 1: Finance leases and operating leases



Source: Asobancaria, own elaboration.

which has boosted the installed capacity of multiple industries. Examples include yellow machinery, excavators, trucks, forklifts and solar panels all of which have been financed through leasing, positioning this tool as a key ally in industrial development and a driver of the country's productive modernisation.

The country faced a challenging economic outlook in 2024. However, economic performance was higher than in 2023, with the year closing on a GDP growth of 1.7%, driven primarily by private consumption and investment.

Leasing performance

Regarding the leasing industry, the largest share corresponded to financial leasing, which at the end of 2024 accounted for 49.64% of the total (see Figure 1), followed by residential leasing (38.92%) and operating leasing (11.44%). Compared to 2023, the most significant change was observed in operating leasing, with an increase of 2.15 percentage points in its share, while residential (-1.03 pp) and financial leasing (-1.13 pp) recorded decreases.

For its part, the real annual growth of the portfolio showed

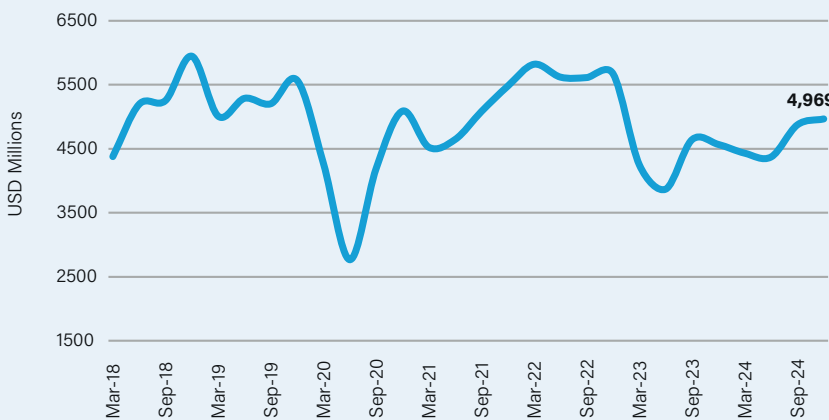
a significant upturn in operating leasing, which at the end of 2024 reached an annual real growth of 19%, compared to 5% registered at the end of 2023 (see Figure 4). In the case of financial leasing, the variation was -5.9% in the same period, while in residential leasing it stood at -6%. It is expected that the country's economic conditions, together with the evolution of various international factors, will foster a better performance in 2025.

Although the performance of the total leasing portfolio was positive in terms of real growth, the stock was lower than in previous years. In 2024, the total stood at around US\$16.5bn, representing a decrease of approximately US\$1.5bn compared to 2023, when it reached US\$18.0bn. Of this amount, the leasing portfolio accounted for US\$15.7bn, while advances totaled US\$780m.

Lastly, the penetration of the leasing industry in the Colombian economy has been decreasing in recent years. After reaching an average close to 5% until 2021, this rate stood at 4.2% in 2024, well below traditional credit (35.1%) and the total financial sector (39.3%).

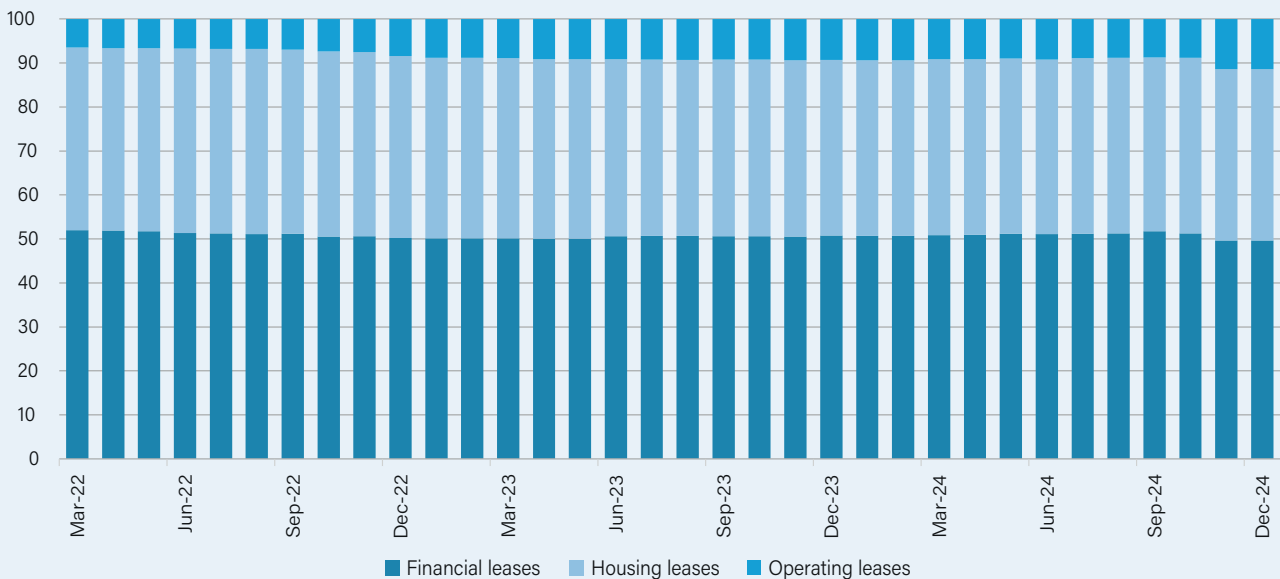
In conclusion, the Colombian leasing industry has faced a challenging outlook, being subject

Figure 2: Investment in machinery and equipment



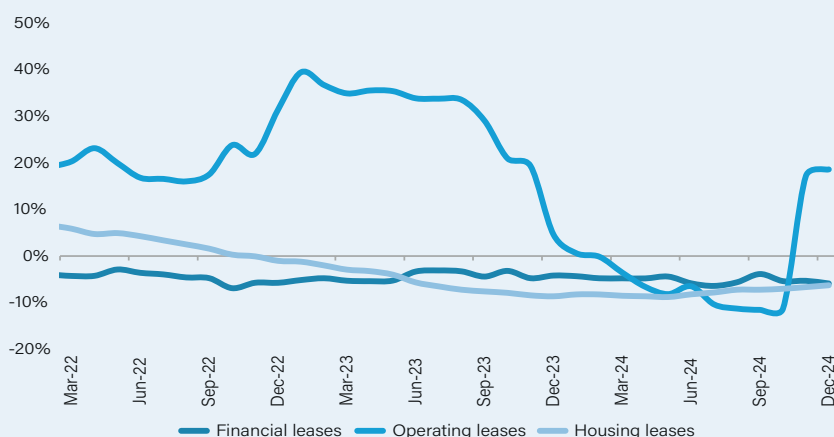
Source: Asobancaria, own elaboration

Figure 3: Leasing portfolio in Colombia



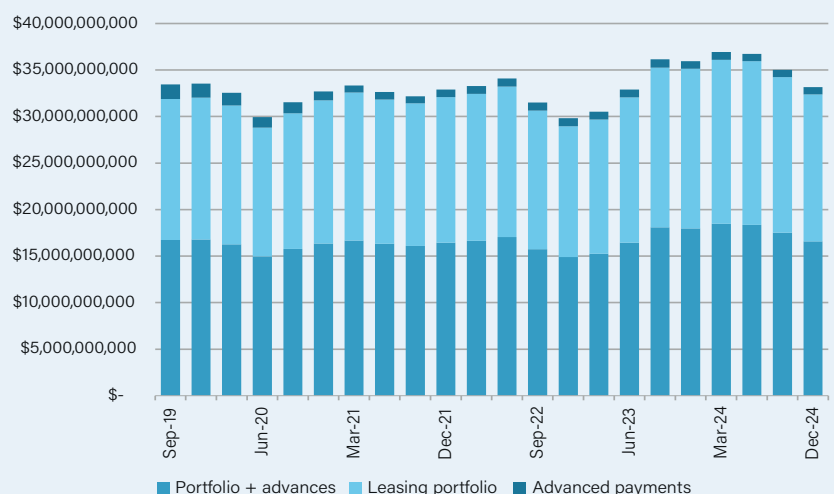
Source: Asobancaria

Figure 4: Real annual growth rate by leasing type



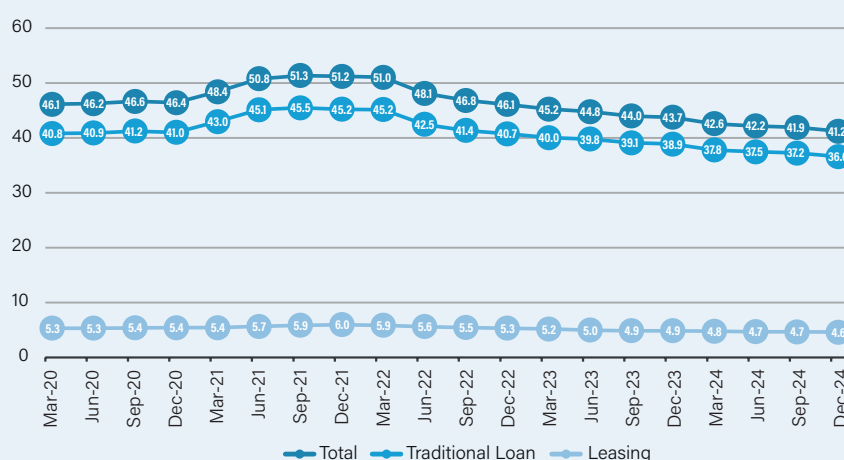
Source: Asobancaria, own elaboration

Figure 5: Evolution of the leasing portfolio in Colombia



Source: Asobancaria

Figure 6: Financial portfolio penetration in the Colombian economy (% of GDP)



Source: Asobancaria

to the country's economic and monetary dynamics. Nevertheless, its ability to adapt to financing different types of assets, including sustainable assets, has allowed it to remain an attractive financing mechanism within the financial system and a strategic ally for various economic sectors. A gradual recovery is expected in 2025, accompanied by greater economic and sectoral dynamism in the country.

Endnotes

- 1 Departamento de Estudios de Política Económica, DEPE-SGEE, Vásquez-Escobar, D., Granger, C., Rodríguez-Niño, N., Sánchez-Jabba, A., O. Vargas, C., Arias-Rodríguez, F., & Lozano-Espitia, I. (2023). Inversión en maquinaria y equipo en Colombia: determinantes de largo plazo y efectos del COVID-19 sobre su evolución (Borradores de Economía No. 1235). Obtenido de: <https://repositorio.banrep.gov.co/server/api/core/bitstreams/5271ab21-1510-4e66-8f9b-2d02c04f8a89/content>
- 2 DANE. (2024). Producto Interno Bruto – IV trimestre 2024. Obtenido de: <https://www.dane.gov.co/files/operaciones/PIB/cp-PIB-IVtrim2024.pdf>
- 3 Departamento de Estudios de Política Económica, DEPE-SGEE, Vásquez-Escobar, D., Granger, C., Rodríguez-Niño, N., Sánchez-Jabba, A., O. Vargas, C., Arias-Rodríguez, F., & Lozano-Espitia, I. (2023). Inversión en maquinaria y equipo en Colombia: determinantes de largo plazo y efectos del COVID-19 sobre su evolución (Borradores de Economía No. 1235). Obtenido de: <https://repositorio.banrep.gov.co/server/api/core/bitstreams/5271ab21-1510-4e66-8f9b-2d02c04f8a89/content>

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Contribution of non-bank financial products to economic development

In 2024, CLFA / AFS CR member companies provided the following through leasing, factoring and/or credits to consumers and entrepreneurs:

- The total funded sum of CZK198,53bn (CZK12,00bn more than in 2023, a year-on-year increase of 6.4%), of which:
 - CZK168,07bn for financing movable investments and real estate and operation of business entities (CZK8,49bn more than in the same period in 2023, the year-on-year increase by 5.3%)
 - and CZK30,45bn for the financing goods and services for households (CZK3,51bn more than in the same period of 2023, a year-on-year increase of 13.0%)
- They financed road vehicles (mostly new) in the amount of CZK98,79bn (49.8% of the whole amount funded), by CZK7,18bn more than in 2023, the year-on-year increase by 7.8%
 - of which: CZK62,99bn for acquisition of passenger cars (CZK3,73bn more than in 2023, the year-on-year incline being 6.3%) including CZK45,68bn for acquisition 73.007 new passenger cars (the CLFA member companies have financed 31.5% of new passenger cars first registered in the CR in 2024)
- They also provided CZK33,00bn to finance machinery and equipment (CZK0,13bn less than in 2023, the year-on-year decrease being -0.4%)
- They concluded 491.964 new leasing and credit transactions (23.396 more than in 2023, the year-on-year increase being 5.0%)
- At the end of 2024, they managed 947.236 active lease and credit agreements.
- Receivables from running lease and credit transactions reached CZK332,29bn at the end of 2024 (CZK35,06bn more than in 2023, a year-on-year increase of 11.8%).

MARKET REVIEW

Macro-economic framework

Demand for financial products increased in 2024 despite the negative impact of external economic factors.

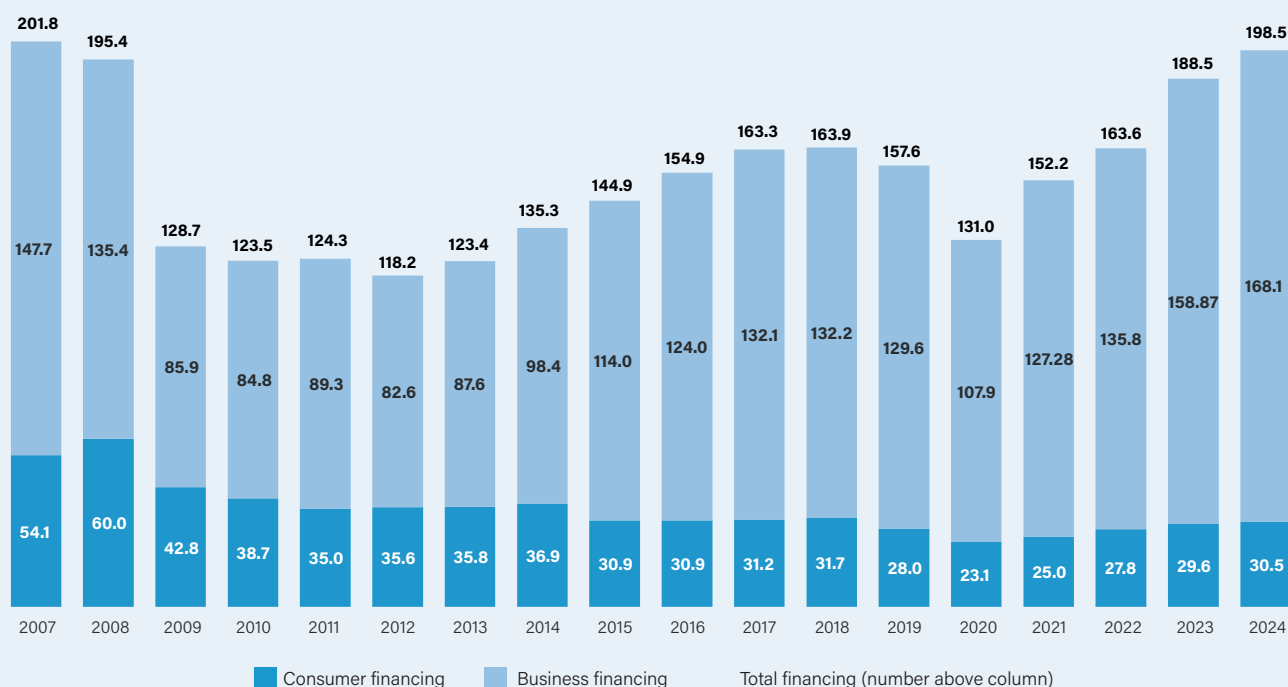
Data on the development of the Czech economy relevant for non-bank financing:

- According to the refined estimate, gross domestic product in Q3 grew by 0.4% quarter-on-quarter and by 1.3% year-on-year. The year-on-year GDP growth was mainly supported by higher final consumption spending. The change in gross capital formation had a negative impact.
- Industrial production fell by 2.7% year-on-year in real terms in November. The value of new orders fell by 1.4% year-on-year.
- Year-over-year, retail sales increased 4.3% in real terms in November.
- The average inflation rate for the full year 2024 was 2.4%.
- New passenger car registrations in 2024 increased by 4.6% compared to 2023 (from 221.422 units to 231.600 units, an increase of 10.178 units).

- The number of registered pure electric passenger cars increased by 64.7% (from 6.640 to 10.933 units).
- The overall unemployment rate increased by 0.4% compared to 2023 and increased to 4.1% at the end of the year.
- The CNB eased monetary policy restrictions during 2024. According to the latest (November) forecast, the CNB forecasts the following (**Table 1**) evolution of the basic macroeconomic indicators
A certain part of the demand for financing investment and/or consumer projects was accompanied by significant risks and could not be accepted after applying prudent criteria of the evaluation of the customer and of the funded commodity. Despite the negative effects of external economic influences, the total volume of financing of business entities and the volume of consumer credits provided increased. As part of the financing of business entities, the share of provided credits fell slightly compared to leasing financing. The volume of factoring transactions increased.

Table 1: Evolution of the basic macroeconomic indicators

	2024	2025	2026
Overall inflation (%)	2.5	2.6	2.2
Monetary policy inflation (%)	2.4	2.5	2.1
Gross domestic product (y/y change in%)	1.0	2.4	2.4
Interest rates 3M PRIBOR (%)	4.9	3.2	3.0
Exchange rate (CZK/EUR)	25.1	25.4	25.5

Figure 1: Development of non-bank financing provided by members of CLFA (bn. CZK)

Source: Czech Leasing & Finance Association

Development of financing of entrepreneurial entities in 2024

In 2024, CLFA member companies provided the following through leasing and/or credits to entrepreneurs the total funded sum of CZK168,07bn (CZK8,49bn more than in 2023, a year-on-year increase of 5.3%).

1. Leasing of movable investment (machinery, equipment and vehicles)

(Year-on-year increase of the share of the use of these non-bank products)

- Total amount financed (initial debt) – CZK46,66bn (CZK4,11bn more than in 2023, the year-on-year increase by 9.7%)
- Estimate of the whole market – CZK151,00bn (share of CLFA 86.3%)
- A year-on-year decrease of share of operating lease in the total lease of movable investments – it reached 64.9% (in 2023 – 65.3%)
- A commodity focuses of the leasing for entrepreneurs – leasing of road vehicles continued to dominate:
 - share of the leasing of passenger cars and light commercial vehicles – 55.8% (59.7% in 2023)

- share of new cars in the total leasing of passenger cars – 96.8% (96.1% in 2023)
- share of the leasing of trucks – 17.9% (17.8% in 2023)
- share of the leasing of machinery and equipment – 17% (19.2% in 2023)
- 48,347 new contracts for leasing of machinery, equipment and vehicles for entrepreneurs (161 less than in 2023, a year-on-year decrease of -0.3%) were entered into:
 - of which there were
 - 7,826 financial lease contracts (year-on-year decline by 1.961 contracts / -20%)
 - 7,638 operating lease contracts (year-on-year incline by 140 contracts / 1.9%)
 - 28,579 contracts on full-service leasing (year-on-year incline by 262 contracts / 0.9%) and 4304 contracts on short-term rental (year-on-year incline by 1398 contracts / 48.1%)
 - 550 vehicles were received in the fleet management provided by CLFA members.
 - At the end of 2024, leasing of machinery, equipment and vehicles

for entrepreneurs was taking place based on active 157,637 lease contracts, concluded by CLFA member companies:

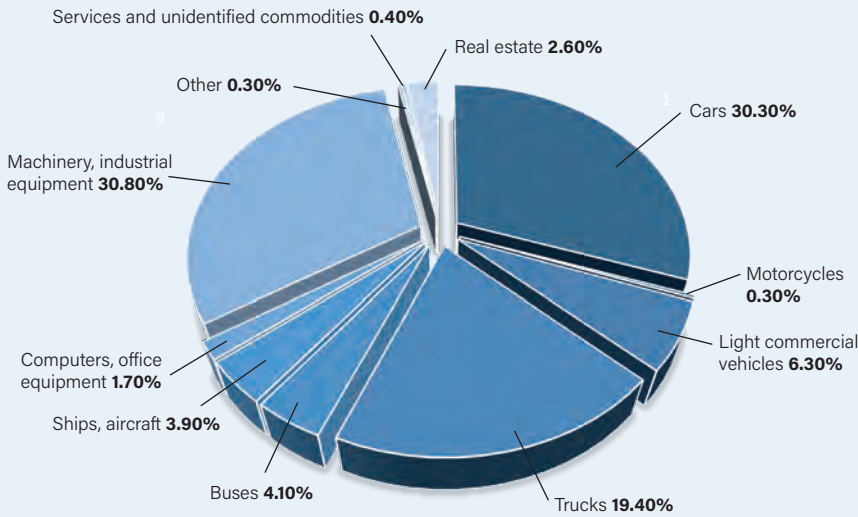
- of which there were
 - 40,615 financial lease contracts
 - 22,198 operating lease contracts
 - 93,796 contracts on full-service leasing
 - and 1,028 contracts on short-term rental

- At the end of the 2024 – 6,151 vehicles were in fleet management.
- Receivables from the contracts concluded for the leasing of movable assets for entrepreneurs reached CZK105,93bn at the end of 2024 (increase against the end of 2023 by CZK13,30bn / 14.4%).

2. Real estate leasing (Year-on-year decrease of the amount financed)

- Total amount financed (initial debt) – CZK1,67bn (year-on-year decrease of CZK2,12bn / -56%)
- Share of financing lease in the total lease of real estate leasing – 100%
- 12 new contracts on real estate leasing which were handed to use (year-on-year decrease by 24 contracts / -66.7%)

Figure 2: Financing of business investments – financial leasing and credits provided by members of CLFA in 2024 by type of asset



Source: Czech Leasing & Finance Association

- At the end of 2024, real estate leasing had 274 active lease contracts, concluded by CLFA member companies, – of which there were 272 financial lease contracts and 2 operating lease contracts.
- Receivables from the contracts concluded for the real estate leasing reached CZK12,38bn (an increase against the end of 2023 of CZK1,00bn / 8.8%)

3. Credit and instalment sales for entrepreneurs (movable investment)

A year-on-year increase in the volume of credits provided using non-bank products.

- Sales were provided by 20 CLFA member companies.
- Total credits– CZK81,02bn (CZK2,45bn more than in 2023, a year-on-year increase of 3.1%)
- Commodity focus:
 - share of credits for passenger cars and light commercial vehicles– 43.1% (43.6% 2023)
 - share of credits for trucks – 17.5% (16.7% in 2023)
 - share of credits for machines and equipment – 30.9% (31.7% in 2023)
- The total of 71,397 credits was provided.
- The number of credits provided increased by 2,356 contracts / 3.4%

- An average credit provided – CZK1,134,806
- The number of active credits at the end of 2024 – 238 455
- Receivables from credits at the end of 2024 – CZK1,73,05bn (an increase against 2023 of CZK17,09bn / 11.0%)

4. Real estate credit and instalment sales for entrepreneurs

Increase in the volume of financed amount

- Total amount financed (initial debt) - CZK0,95bn (year-on-year increase of CZK0,24bn / 33.6%)

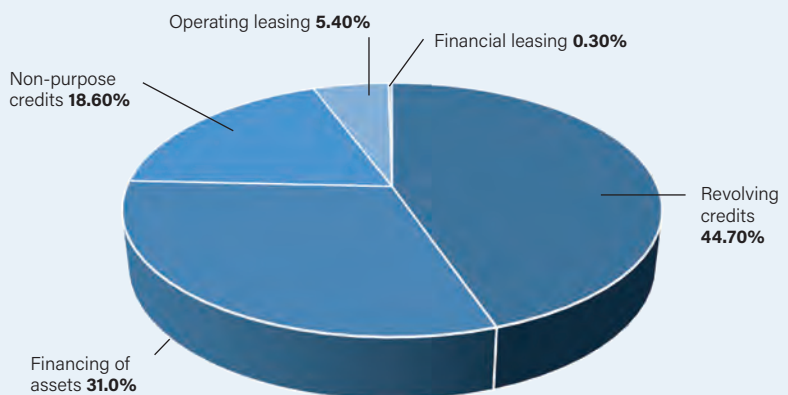
- 247 new contracts on real estate credits (year-on-year increase by 82 contracts / 49.7%)
- At the end of 2024, real estate credits were taking place on the basis of 1,517 active contracts.
- Receivables from the contracts concluded for the real estate credits reached at the end of 2024 CZK3,00bn (an increase against the end of 2023 of CZK0,20bn / 7.0%)

5. Factoring

Year-on-year increase in use of factoring

- In 2024, total receivables of CZK296.80bn were assigned to the members of the Association of Factoring Companies of the CR (AFS CR) – CZK8,32bn more than in the same period of 2023, a year-on-year increase of 2.9%
- Product focus:
 - recourse factoring – 35.6% (39.4% in 2023)
 - non-recourse factoring – 64.4% (60.6% in 2023)
- Direction of factoring:
 - domestic factoring – 72.2% (71.3% in 2023)
 - export factoring – 26.8% (27.4% in 2023)
 - import factoring – 1.0% (1.3% in 2023)
- Amount of funds provided by members of the CLFA to clients reached CZK37,78bn at the end of the 2024 – a year-on-year increase of CZK3,81bn / 11.2%

Figure 3: Consumer financing provided by members of CLFA in 2024



Source: Czech Leasing & Finance Association

Development of non-bank market of consumer credit in 2024

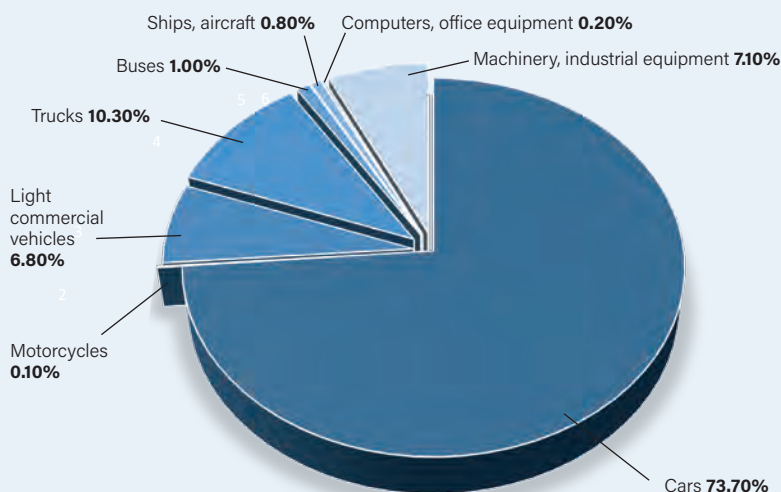
In 2024, CLFA member companies provided CZK30,45bn for financing goods and services for households (CZK3,51bn more than in 2023, a year-on-year increase of 13.0%)

1. Consumer credit (movable investment)

Growth in the use of these non-banking products

- They were provided by 13 members companies of the CLFA (licensed providers of consumer credits).
- Total credits provided for personal use amounted to CZK28,73bn (CZK3,28bn less than the same period of 2023, a year-on-year increase of 12.9%)
- Volume and share of products:
 - non-purpose credits– CZK5,67bn – 19.7% (year-on-year increase by CZK0,80bn / 16.4%)
 - revolving credits– CZK13,63bn – 47.4% (year-on-year increase by CZK1,87bn / 15.9%)
 - financing of assets – CZK9,44bn – 32.9% (year-on-year increase by CZK0,60bn / 6.8%)
- Volume of credit to finance cars year-on-year increased by CZK1,64bn / 23.6% to CZK8,60bn, their number increased by 5211 to 32 233 credits on the year-on-year basis.
- A total of 368,255 contracts on consumer credits were concluded (year-on-year increase by 21 122 contacts / 6.1%)
 - 175,697 non-purpose credits (year-on-year increase by 2.098 contracts / 1.2%)
 - 137,297 revolving credits (year-on-year increase by 22.719 contracts / 19.8%)
 - 55,261 credit and instalment contracts aimed at financing assets (year-on-year decrease by 3,695 contracts / -6.3%)
- Number of active credit contracts at the end of the 2024 – 533,451
- Volume of receivables from active contracts at the end of 2024 – CZK35,94bn (an increase against the end of 2023 by CZK2,83bn / 8.6%).

Figure 4: Operating leasing provided by members of CLFA in 2024 – by type of asset



Source: Czech Leasing & Finance Association

2. Consumer leasing (movable investment)

Year-on-year increase in the volume

- Total amount financed (initial debt) – CZK1,72bn (CZK0,23bn more than in the same period of 2023, a year-on-year increase of 15.5%)
 - share of financial leasing in the overall consumer leasing of movable assets – 4.7%
 - share of operating leases – 25%
 - share of full-service leasing – 39.7%
 - share on short-term rental – 30.6%
- Commodity focus – still completely dominated by leasing of road vehicles:
 - share of the consumer leasing and short-term rental of passenger cars – 99.9%
 - share of new cars in total consumer leasing and short-term rental of passenger cars – 97.1%
- 3,155 new consumer lease and short-term rental contracts were concluded (by 190 more than in 2023, a year-on-year increase of 6.4%,
 - of which there were:
 - 100 financial lease contracts (year-on-year decrease by 24 contracts)
 - 744 operating lease contracts (year-on-year increase by 265 contracts)
 - 1,307 contracts on full-service leasing (year-on-year increase by 543 contracts)
 - and 1,004 contracts on short-term

rental (year-on-year decrease by 594 contracts)

- At the end of the 2024, consumer leases were taking place on the basis of 9,749 active lease contracts concluded by CLFA member companies,
 - of which there were
 - 185 financial lease contracts
 - 1,520 operating lease contracts
 - 2,313 contracts on full-service leasing
 - and 5,731 contracts on short-term rental
- Receivables from lease contracts concluded with consumers reached CZK1,99bn at the end of 2024.

Association

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lease term will normally be from one to seven years. The leasing company keeps title of the equipment. At the end of the lease term the lessee has the following options:

- The lessee returns the leased objects or
- The lessee designates a buyer for the object or
- The lease contract may be prolonged

Law and regulation

A financial leasing company may carry out its activities without any public authorisation or supervision unless the leasing company is established as a bank or a subsidiary of a bank.

There is no legislation, which specifically applies to leasing contracts in Denmark. Therefore, the provisions of the contract mainly govern the transactions. If this is not sufficient, the Danish courts are able to a certain extent to apply analogies from the statutes governing purchase and hire.

In 1995 Finans & Leasing provided a standard contract for financial leasing agreements called ABL 95 (renewed in 2004, 2011 and 2014 with minor adjustments). This standard is generally applied by the members of the association, and it is therefore expected to become the industry standard. The ABL 95 is translated into English.

Some of the main provisions of ABL 95 are:

- The leased equipment is the property of the lessor, who retains the ownership on the equipment.

MARKET REVIEW

Finans & Leasing, The Association of Danish Finance Houses, consists of members with corporate activity within leasing, lending and factoring. The majority of the members are companies in the leasing business wholly or partially. The business activities of the members are estimated to cover approximately 90% of the leasing market in Denmark.

The Association is a member of Leaseurope. Please take a look at www.finansogleasing.dk for further information about its members.

At the end of 2024, Finans & Leasing had 57 members of which 45 were registered as leasing businesses.

2011 was the first year after the 2008 financial crisis where the turnover of the leasing business raised, but then we saw a slight decline again in 2012. The turnover raised a little again in 2013 and in 2014 to 2016 it really took off with increases by 17% to 20%. (See Table 1: The Danish Leasing Market). From 2021 onward we have, once again, seen a rise in turnover.

The Danish currency - DKK - and the Euro

Denmark is not part of the single European currency, the Euro. The Danish currency will, due to an agreement with the ECB, keep within a limit of +/- 2.25% to the Euro and thus manage an economy closely linked with the members of the EU.

Types of leasing

Financial leases as well as operating leases are offered in Denmark. Furthermore, some of the leasing companies also offer contract financing.

The bank-owned leasing companies dominate the market. Sales channels are often direct sale, sale through supplier and for some of the leasing companies, business transactions are also referred from their owners.

Leasing in Denmark is arranged like in many other countries. At the request of the customer, the leasing company buys equipment from the supplier according to the customer's specification. By signing the lease contract, the equipment is received and accepted by the customer. The

Table 1: The Danish leasing market 2017 – 2024 (DKKm)

	2017	2018	2019	2020	2021	2022	2023	2024
Number of members	57	55	55	55	55	57	57	57
New assets acquired during the year	45,170	46,625	45,522	43,522	46,877	53,979	56,325	63,007
Book value, end of year	82,999	85,725	88,650	89,437	89,117	98,409	101,000	113,387

- The lessee shall examine the leasing equipment when it is delivered. If the lessee discovers any defect, he is obliged to state this in writing to the supplier.
- The lessor is not held responsible for the condition of the leased equipment nor for any delay of delivery. The lessor transfers to the lessee his right to raise claims against the supplier. The lessee is obliged to inform the lessor of all matters regarding the possibility of executing a claim.
- The lessee has an obligation to take proper care of the equipment during the leasing period.
- The lessee has an obligation to take out insurance on loss and damage to the leased equipment as well as on the liability of either the lessee as user or the lessor as owner of the equipment.
- If the lessee commits any serious breach of the agreement, the lessor is entitled to terminate the agreement and claim damages for his loss.
- The lessor is entitled to inspect the equipment at any time during the leasing period.
- At the expiration of the leasing agreement the lessee shall surrender the equipment at any place within the country appointed by the lessor.

As per January 1, 2006, Denmark has adopted the concept of floating charges on equipment, which should be taken into account also by leasing companies before entering into a lease agreement.

Private leasing of cars

In 2007, Finans & Leasing provided a special standard contract for leasing of passenger cars to private customers taking care of all the EU and Danish legislation that is intended to protect the customer e.g. regulation concerning distance marketing selling and the Danish Act on Marketing.

Leasing to consumers has since 2010 been affected by a new general rule in "the Act on Agreements with Consumers" where it is said that one cannot make a binding agreement with a consumer for a period of

maximum 6 months. In case of leasing or other types of services of a value each year exceeding DKK20.000 (€2.680) the maximum period is however 12 months.

In August 2010 Finans & Leasing agreed with FDM (The Danish Organisation of Car Owners) upon a new standard contract for operational leasing of cars to private customers. It is part of the agreement, that the lease payment should be fixed for the whole length of the contract. It is only members of Finance and Leasing that can refer to the contract in their marketing.

In recent years the market for leasing of new cars to private consumers has increased, from around 22%-25% in past years to more than 40% by the end of 2024. Presumably, the introduction of electric vehicles is behind this increased demand.

Licensing scheme for leasing companies

The Danish parliament is expected to pass a new law on a licensing scheme for leasing companies at the end of 2025. This is an arrangement that Finans & Leasing itself introduced to politicians in 2020 and which is now on the verge of adoption.

We have proposed that the leasing sector should come under supervision by the authorities in order to address the few bad apples in the industry, combat crime, improve the sector's image, and enhance consumer protection. Until now, there have been no requirements for starting a leasing company in Denmark, but the forthcoming legislation will change that.

The law will, among other things, introduce fit & proper requirements for owners of leasing companies, requirements for anti-money laundering, and requirements for creditworthiness assessment for consumers.

Reckless driving

In the Spring of 2021 new laws were imposed in Denmark, dealing with reckless driving. The law means tougher penalties for the reckless drivers, which Finans &

Leasing supports wholeheartedly. Unfortunately, the law also means that the police now confiscate the vehicles used for reckless driving, which are then put up for auction and the revenue will befall the state.

Of course, we are strongly opposed to this, which is why we engaged in legal action in the Danish system where we had hoped to win. But in October 2022 the Danish Supreme Court ruled that the law stands, and that it is ok for the authorities to confiscate cars used for reckless driving, regardless of who owns it. How regrettable this may be, it's the state of the law in Denmark now.

Leasing of solar panels in Denmark

In May 2025, the Danish Parliament passed a law that now enables leasing companies in Denmark to lease solar panels for facades and roofs on commercial buildings. The legislation is the result of successful collaboration between Finans & Leasing and the Danish Association of Solar Panel Companies.

The challenge for our members was Section 38 of the Land Registry Act, which meant that objects that are placed in the building automatically belong to the mortgagee in the property (typically the mortgage company), although the environmental improvement measures are not financed via mortgage loans. As a result, the leasing company could not retain ownership of equipment such as solar cells that are installed on buildings, which is why the leasing model, which assumes ownership of the equipment for the entire leasing period, was not usable.

This was very regrettable for the green transition in that leasing companies were not able to meet the great demand we have seen from e.g. the business community for setting up solar cells for the production of cheap electricity for the company, but allow the leasing company to retain ownership against a declaration to this effect being registered in the Land Register.

We now continue our efforts to ensure that the regulations



Denmark's leasing of new cars to private consumers grew to more than 40% by the end of 2024 with demand for electric vehicles cited as the drive behind this increase.

will also apply to the leasing of solar panels on the roofs and facades of private households.

Accounting for leases

According to the Danish Annual Accounts Act financially leased asset meets the definition of an asset of the lessee and should therefore be recognised in the financial statements of the lessee.

In the legislative material of the Annual Accounts Act, reference is made to the provisions of "IAS17". The Danish accounting standard "21" is based on "IAS 17" and includes comparisons with both "IAS 17" and Annual Account Act.

The accounting practise under "IAS 17" can be summarised as follows:

- **Financial lease:** The lessor records the receivable to the amount of his net investment in the leased equipment. The receivable is shown in the balance sheet and as a net investment in the lease. If it forms part of the lease contract, the initial direct costs are deferred and allocated over the lease term.

The finance income should be based on a constant periodic rate of return on either the lessor's net investment outstanding or the net cash investment outstanding.

The lessee should record an asset and a liability of the lease at a fair value of the leased equipment net of grants and tax credit. The lessee should depreciate the

asset. The interest part of the lease payment is treated as operating expenses in the P/L account.

- **Operating Lease:** The lessor records the asset as a fixed asset in his balance sheet and depreciates it. If the lease company is under banking regulations, the asset is part of the item "loans and advances". The annual lease payment will be accounted for as revenue on a straight-line basis or it is being amortised accordingly to methods used.

The lessee's lease payment is a business expense in the P/L account. In some instances, there is a strong interest for the lessee to have the off-balance effect.

Taxation

For tax purposes, no general distinction is made between financial and operating leases in Denmark. The Danish Central Tax Administration has, however, continued its restrictive tax approach to finance leasing in the last couple of years.

The legal owner must capitalize the leased asset and is entitled to depreciate it. The figure for depreciation is a tax-deductible expense as is the interest on loans raised to fund the acquisition of the leased asset.

The lease payment from the lessee's is subject to corporate tax. The rate of corporate tax is 22%. The marginal

tax rate for individuals is 55.9%.

Since May 1993 there have been restrictions on allowances in the first year of the purchase of the asset for companies, using equipment for leasing purposes. Since the Whit Act of 1998 (aimed at reducing the risk of inflation by cutting household spending), that rule has however been eased.

If it can be applied and verified that the asset is a part of normal activity for the company (and not simply for tax deduction) it may be deducted in the first income year. Advance depreciation is not allowed any longer.

A statute, effective from January 1, 1999, states that it is no longer permitted to apply advanced depreciation to buildings for professional and business purposes. All buildings (together with installations in buildings) will be allowed a 5% tax depreciation rate per year over a 20- year period.

The maximum depreciation rate on plant and machinery is 25% per year and 12% on ships, using the reducing balance method. It is still possible to make advance depreciation on these assets.

After a period with competitive disadvantages for deduction of VAT on leased cars, a change in Danish laws, effective by July 1, 1998, made it possible to obtain certain VAT deduction on leased cars from Danish leasing companies (calculated as certain percentages on the cars' registration duty). VAT is currently 25% in Denmark.

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future green and sustainability-linked leasing instruments in a regulated voluntary carbon market can also help reinforce the role of leasing in the Egyptian market.

Value of new equipment leasing (year ended December 31, 2024)

According to FRA statistics, the number of registered leasing contracts fell by 10.3% year-on-year, from 2,003 contracts in 2023 to 1,796 in 2024 (January–December period). In contrast, the total value of leasing assets increased slightly, from US\$11.7bn in 2023 to US\$11.9bn in 2024, signalling a trend toward higher average transaction sizes and greater emphasis on large-scale asset financing.

While the number of overall contracts declined, average ticket sizes for equipment financing rose modestly, reflecting a strategic shift by lessors toward larger corporate clients and asset-backed projects in infrastructure, logistics, and industrial sectors. This suggests that, although smaller SME leasing activity was constrained by high borrowing costs and currency volatility, demand for capital-intensive equipment leasing remained intact. According to the Financial Regulatory Authority (FRA), the leasing industry has shown tremendous development during the past decade (2013–2024) in terms of the value of lease contracts.

MARKET REVIEW

Development of the Egyptian leasing market

According to the International Monetary Fund (IMF), Egypt's economy is beginning to show early signs of stabilisation following a series of bold policy moves for implementing critical reforms, including unifying the exchange rate and tightening both monetary and fiscal policies witnessed by a significant decline in annual inflation to 12%, improved investor sentiment, financial stability indicator and stronger-than-expected fiscal performance and economic growth strengthened to 4.4% in FY2024/2025.

Egypt's leasing sector has witnessed minimal growth in terms of the volume of leasing activity during the period 2024, despite dramatic changes in its macroeconomic conditions, such as the tight monetary policy during the first half of the year, coupled with inflationary pressures and currency float on the macro level and tightening funding on the micro level.

Statistics from the Financial Regulatory Authority (FRA) show that the asset-class composition remains heavily based on real estate and land-related assets, while equipment leasing, such as machinery, trucks, and heavy equipment, accounts for a smaller yet strategically key part of overall leasing volumes.

Nonetheless, regulatory

progress in 2024 paved the way for market development and product development, particularly through the introduction of micro-leasing and SMEs leasing across all the governorates in Egypt. The new leasing and factoring law introduced in 2018 will continue to play a major role in access to finance and capital investment and working capital needs for micro and small and medium enterprises MSMEs respectively.

This is especially the case after the FRA approved micro-leasing licenses. In this context, fintech and non-bank financial institutions expanded their presence through digital leasing platforms and cross-border partnerships, introducing micro-leasing and SME-focused financing models to the Egyptian market. Finally, the leasing sector opens the door for



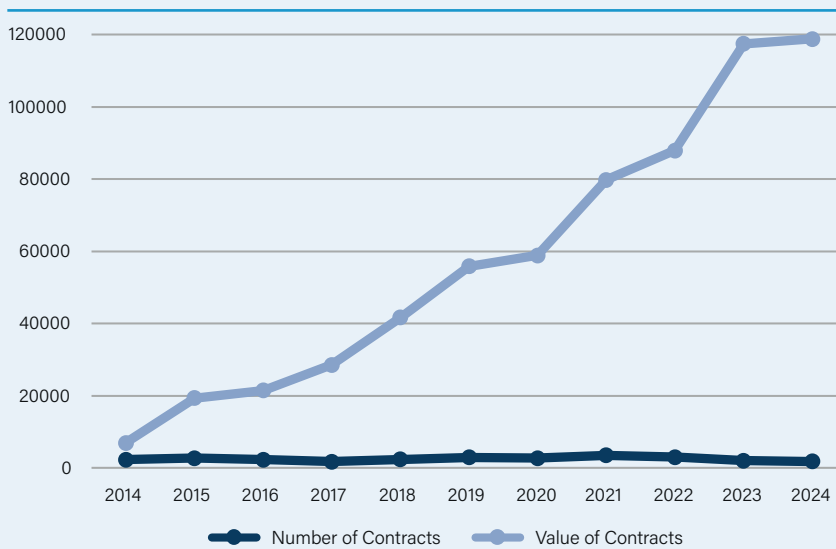
Although Egypt's new leasing business figures fell by 10.3% in 2024, the total value of leasing assets increased, signalling a trend toward more large-scale asset financing.

Table 1: Development of Egyptian leasing business (2014-2024)

Year	Value of contracts (EGPbns)
2014	6.9
2015	19.4
2016	21.5
2017	28.6
2018	41.7
2019	55.9
2020	58.9
2021	79.8
2022	87.9
2023	117.5
2024	118.8

Source: Financial Regulatory Authority (FRA)

Figure 1: Development of Egyptian leasing business (2014-2024)



Source: Financial Regulatory Authority (FRA)

The cumulative contracts' value grew exponentially by almost 19-fold from almost EGP6.9bn in December 2014 to reach approximately EGP118.5bn in December 2024, as shown in Table 1 and Figure 1.

The Financial Regulatory Authority (FRA) reported a slight increase in the value of leasing contracts cumulatively, reaching EGP118.8bn in December 2024, compared to EGP117.5bn in December 2023, an increase of EGP6.9bn, or 12% cumulatively for the period 2024 (January-July). In contrast, the total number of leasing contracts dropped to 1796 in July 2024, compared to 2003 in December 2023, as shown in Figure 2.

Value of booked leasing contracts per asset class

According to the Financial Regulatory Authority (FRA), "the value of booked leasing contracts per asset class during the year 2024 (January-July) included real estate and land sector accounted for 76.28% of total leasing financing, followed

by the transport vehicles sector at 7.15%, machinery and equipment at 3.89%, heavy equipment at 2.65%, passenger cars at 2.49%, production lines at 2.35%, and vessels at 3.03% as shown in Table 3 and Figure 3.

Development of regulations and leasing market

The leasing market in Egypt is growing steadily, with a major focus on bank-owned leasing companies and independents and real estate as an asset class. Most importantly, the new leasing law no 176 on leasing and factoring, that was promulgated in August 2018, addressed several impediments, including company requirements, corporate governance, and reporting requirements.

The new leasing law is generic enough to accommodate market changes through separate decrees issued by the FRA's Board of Directors rather than amending the law to cope with any changes ahead. In addition, the new law was complemented by newly issued decrees, including capital adequacy requirements, concentration risks, and new reporting requirements. The Financial Leasing and Factoring Law (August 2018), contributes to promoting financial inclusion and ensuring that non-banking financial tools reach segments of society that currently do not benefit from certain financial services.

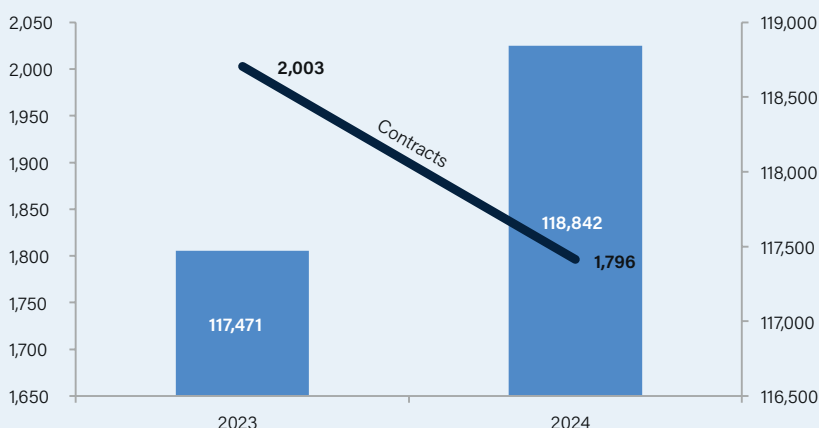
The law allows licensed companies, associations, and non-governmental organisations engaged in microfinance activities, as per Law No. (141) of 2014, to offer microfinancial leasing services under regulations set by the FRA Board. This aims to support and grow microfinance entities and expand the range of non-banking financial services they provide, utilising their

Table 2: Number and contract value of 2023-2024 (Jan-Dec)

Year	Number of contracts	Value of contracts (in Bn EGP)
2023	2,003	117,471
2024	1,796	118,842

Source: Financial Regulatory Authority (FRA)

Figure 2: Development of the leasing market (2023-2024)



Source: Financial Regulatory Authority (FRA)

Table 3: Asset classes in 2024 (July) – Value (in million EGP)

Asset Class	(%)
Real Estate	76.28%
Machinery	3.89%
Heavy Equipment	2.65%
Production Lines	2.35%
Passenger Cars	2.49%
Transport Vehicles	7.15%
Vessels	3.03%
Others	0.15%
	100.0%

Source: Financial Regulatory Authority (FRA)

reached 10 during the period. The top leasing companies are usually based on the total value of contracts registered during the period 2024 (as an indication of market share for this period), including but not limited to the following companies:

- BM Leasing
- Corporate Leasing Company – CORPLEASE
- EFG Hermes Leasing
- Global Corp
- Al Tawfeek Leasing Company (AT Lease)
- Arab African Leasing Company
- Cairo Leasing Corporation (CLC)
- GB Lease
- AlAhly Leasing
- Incollease
- QNB ALAHLI Leasing Company
- Bayt El Khebra for Leasing (Technolease)
- UE Finance -Global Corp Financial Services
- Egylease
- Adilease
- Enmaa Finance Company,
- Tameer Leasing, HD Leasing
- Global Corp Leasing Company
- Archer Finance Leasing
- Others

Financial Regulatory Authority (FRA)²

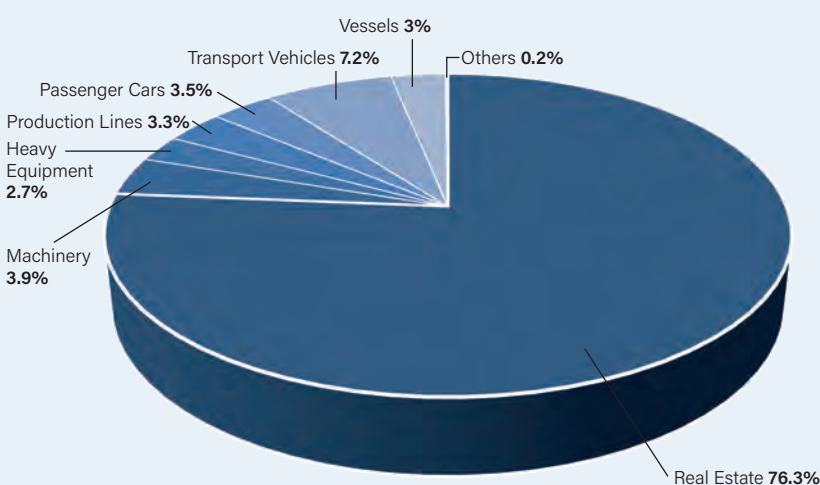
Leasing is governed by the leasing law in Egypt, which was originally introduced in 1995. The leasing law was initially governed by Law 95 of 1995, and its amendments

existing databases to reach a larger number of clients, especially in small or handicraft industries. This creates additional incentives for complementary small industries and opens broader horizons for creating new job opportunities.

Financial leasing is one of the most important financial tools supporting the national economy, providing funding for individuals and companies, as well as small projects and national projects included in the state budget. It also offers multiple financing options for companies, helping them achieve their investment and operational goals by comparing various financing alternatives and choosing the most suitable one. It is worth mentioning that the FRA historically cancelled the licenses of non-operating companies and post the introduction of new regulations. The leasing market

shows that the number of active leasing companies operating reached almost 50 companies in 2023/2024, and the top active market players

Table 3: Value of leased contracts per asset class (December 2024)



Source: Financial Regulatory Authority (FRA)

by Law 16 of 2001. The regulatory body responsible for leasing is the Financial Regulatory Authority – commonly known as FRA.

The FRA was established by Law No. 10 of 2009. The FRA is responsible for supervising and regulating non-banking financial markets and instruments, including the Capital Market, Futures Exchanges, Insurance Activities, Mortgage Finance, Financial Leasing, Factoring, and Securitisation.

The Authority plays a pivotal role in ensuring the stability and soundness of these markets and boosting their competitiveness to attract further domestic and foreign investments. Leasing is one of the most important financial tools supporting the national economy, providing funding for individuals and companies, as well as small projects and national projects included in the state budget.

The FRA has promoted an inclusive, pro-economic growth non-banking financial system through providing finance for economic sectors to accomplish sustainable development and achieve Egypt's Vision 2030. FRA aims to achieve this through the stability and integrity of non-banking financial markets, regulation and development of non-banking

financial markets, including the leasing industry, protecting investors and participants' rights, issuing various means, systems, rules and regulations which ensure efficiency and transparency of these markets and sustainability objectives.

The FRA has implemented a strategy to enhance the leasing sector to different levels. This initiative has been reflected both on the policy and facilitation levels. On the facilitation level, the FRA undertook steps to simplify procedures, such as facilitating contract registration and migration to electronic FinTech procedures.

Meanwhile, FRA has improved efficiency throughout the leasing registration process. In contrast, on a microeconomic level, the market started mostly at the “simple finance lease” life cycle stage, apart from the aviation and vehicle market, which allows for operating lease transactions as well as the recent existence of a few structured hybrid and leveraged leases and lease syndications among bank-related lessors. Even though the leasing market in Egypt is still considered to be more inclined towards conventional leasing than Ijarah (Islamic leasing), there is an urge for creating a dual system

as more leasing companies are interested in meeting the needs of Shariah-compliant clients.

Leasing is expected to continue to play an increasingly significant role as the most viable non-banking financial tool for micro, small and medium enterprises (MSMEs), who are Shariah compliant. Multinational banks and multilateral organisations such as the Islamic Development Bank obtained licenses for Islamic leasing Ijarah to meet the growing demand from that segment. Islamic banks and leasing companies that offer Islamic banking products and services are establishing Shari'ah advisory committees to advise them and to ensure that the operations and activities of the bank comply with Shari'ah principles.

Non-banking strategy

Considering the non-banking strategy announced by the FRA in 2018, the Authority has played a pivotal role in promoting the non-banking sector in general and the leasing sector in particular. The regulatory framework has improved as the leasing and factoring landscape has witnessed major reforms that encompassed a new leasing law and decrees issued since 2018 to date.



The total balance of financing for Egypt's medium, small, and micro enterprises reached EGP95.8bn at the end of 2024, compared to EGP72.6bn at the end of 2023, reflecting an increase of 41.7%.

This new law integrates with a range of other laws that contribute to the economic reform program's implementation. The two non-banking tools – namely leasing and factoring – are said to be of paramount importance as part of the Egyptian Government's initiatives for financial inclusion for Small, Medium and Micro Enterprises (MSMEs).

In this regard, FRA had previously issued a new decree number 60 in 2017, which allows a non-banking company to add more than one activity (leasing-factoring-mortgage) to support SMEs' access to finance across the various governorates. In addition, new laws and regulations introduced under the Leasing and Factoring law come as part of the country's attention towards developing its financial inclusion plans, as well as boosting investment and pushing economic activities to increase production and employment indicators.

This new law merges financial leasing and factoring activities into one law, which also allows firms and licensed non-governmental organisations to practice microfinance activities, in light of the FRA board members' new measures, aiming to support entities that practice microfinance activities.

The new regulations are expected to contribute to market development; that is, to help reach societal segments that do not benefit from many financial services. The new leasing law reinforces the role of leasing in Microfinance, Small & Medium Enterprises (MSMEs). Thus, Microfinance institutions under the FRA are expected to practice microleasing in addition to microloans. This is expected to contribute to financial inclusion, which in turn contributes to the growth of the volume of leasing business.

New trends in Egyptian leasing Financing for medium, small, and micro enterprises

According to the FRA, several regulatory and supervisory decisions were made that had positive impacts on the leasing sector. FRA allowed



Egypt's leasing industry is expected to play an increasingly significant role in green projects, as the most viable non-banking financial tool for micro, small and medium enterprises – MSMEs.

microfinance institutions to practice micro-leasing as part of its efforts to promote financial inclusion and empower women and youth as a key goal of sustainable development.

Moreover, FRA supported microfinance activities by enhancing the skills of its workforce and raising awareness in society about the role of microfinance.

According to FRA Statistics, "the total balance of financing for medium, small, and micro enterprises reached EGP95.8bn at the end of 2024, compared to EGP72.6bn at the end of 2023, reflecting an increase of 41.7%. The number of beneficiaries reached EGP3.4m by the end of 2024, compared to EGP3.7m at the end of 2023, showing a 5.0% decrease."

In addition, "Microfinance institutions expanded their geographic reach, increasing the number of financing outlets to 4,684 by the end of 2023, covering most of Egypt's cities and regions³.

Movable Collateral Registry

The FRA introduced the Movable Collateral Registry in its commitment to enhancing non-banking financial services and providing the necessary funding for leasing activities. Historically, the FRA contracted with the Egyptian Credit Bureau "I-Score" in late 2017 to establish and operate the electronic registry for movable collateral. The registry

became operational in March 2018.

According to the FRA, "by the end of 2024, the value of registrations on movable assets reached EGP3.1 trillion, with approximately 202,000 registrations. The value of registrations increased by around 30.5% at the end of 2024 compared to the end of 2023."⁴

New funding regulations

According to the Central Bank of Egypt (CBE), new guidelines were recently introduced in 2024 to govern the financing of financial leasing companies.

In a directive sent to banks, the CBE outlined that the combined direct and indirect credit facilities, along with investments in securitisation portfolios related to financial leasing firms, should not surpass 5% of the bank's total loan portfolio.

For any individual leasing company, this limit is capped at 1%. In addition, the CBE highlighted the importance of specifying whether the funding is intended for new financial leasing contracts or to refinance existing ones using the company's resources.

Banks must also monitor the appropriate utilisation of funds by obtaining all relevant documentation tied to the financed contracts. The new funding regulations imposed by the Central Bank hindered the growth of the leasing sector.

In this context, repayment should primarily stem from the cash flow

generated by the leasing contracts funded by the bank, and the repayment timeline should align with that of the leasing contracts.

Additionally, financial leasing companies are encouraged to thoroughly assess the financial stability and repayment ability of their customers and associated parties. The CBE advised against providing credit facilities to leasing companies for the benefit of only a small group of customers.

Moreover, CBE prohibited granting foreign currency credit facilities to financial leasing companies unless linked to an import transaction, ensuring customers have adequate foreign currency sources for repayment. Banks must also ensure that leasing companies adhere to the Financial Regulatory Authority's rules⁵.

Future outlook for Egyptian leasing

The leasing market's current outlook is positive in terms of the growing volume of contracts over the years (2013-2024), considering the Egyptian government's launch of an investment plan to implement the national climate change strategy. Leasing is even expected to continue to play an increasingly significant role in green projects, as the most viable non-banking financial tool for micro, small and medium enterprises - MSMEs.

Regulations have a vital role in supporting emerging markets. Regulations achieve market stability, which mitigates market systemic failures. Regulations may limit rapid market growth but rather support sustainable growth in the long run. In addition, regulations often enhance market development and product development. The leasing market in Egypt has grown steadily during the last decade, with a major focus on bank-owned leasing companies and independents and real estate as a main asset class.

The outlook on the macroeconomic level indicates that Egypt's economy is beginning to show early signs of stabilisation following a series of bold policy moves for implementing critical reforms, including unifying

the exchange rate and tightening both monetary and fiscal policies witnessed by a significant decline in annual inflation, improved investor sentiment, and stronger-than-expected fiscal performance and economic growth.

In addition, high interest rates are a challenge not only to businesses but also to leasing companies as they raise their cost of funds. Leasing companies are still relying mainly on banks in terms of their funding. According to the FRA, the lending limits to leasing companies were reduced in 2024 due to the new regulations imposed by the Central Bank of Egypt.

Accordingly, leasing companies have injected more capital on the one hand and are relying on securitisation and "sukuk" or Islamic bonds for funding on the other hand, which is a healthy sign to meet capital requirements and diversify their funding as an alternative source of financing.

Some economists argue that the leasing outlook is likely to improve in terms of the growing volume of contracts over the years once the Central Bank of Egypt puts a pause on interest rate hikes and starts to even reduce interest rates gradually. This move will allow banks to increase their lending limits to the non-banking sector rather than directing it towards relatively risk-free treasury bills. In addition, more consolidation or new funding tools, such as lease funds, should evolve to support this financing gap.

On a different note, a positive outlook is seen in the Egyptian government's launching an investment plan to implement the national climate change strategy. Leasing is even expected to continue to play an increasingly significant role in green projects and shall continue to be the most viable non-banking financial tool for micro, small and medium enterprises - MSMEs.

Finally, the contribution of leasing to the GDP is argued by some economists to be close to five%; however, it is expected that the leasing sector shall continue to play a pivotal role as a non-

banking financial tool to MSMEs, corporates and the government, considering the non-banking strategy announced by the FRA.

It is foreseen that the measures taken by the Financial Regulatory Authority (FRA) and the reform of the leasing legislative framework, specifically the new Leasing law, shall positively influence the potential for future growth for MSMEs. Financial leasing is one of the most efficient financial instruments that suits MSMEs. The development of Small and Medium, and Micro Enterprises (MSMEs), which contribute 80% of GDP and with a share of almost 25% of the number of contracts.

In light of this, the leasing sector size is expected to grow further both in terms of value and volume of contracts over the coming few years if it was to penetrate new market segments that do not benefit from many financial services, noting that the new regulations are an additional incentive for small industries, which will help new asset classes as well as microleasing and SMEs leasing to flourish across the Governorates

Finally, the leasing sector opens the door for future green and sustainability-linked leasing instruments in a regulated voluntary carbon market. At the same time, fintech and non-bank financial institutions expanded their presence through digital leasing platforms and cross-border partnerships, introducing micro-leasing and SME-focused financing models to the Egyptian market.

Endnotes

- ¹ www.FRA.org
- ² www.FRA.org
- ³ www.FRA.org
- ⁴ www.FRA.org
- ⁵ www.cbe.eg

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in 2024 was €3.2bn, an increase by 4% on the previous year. The main contract type according to the lease portfolio data was finance leasing by a share of 56%. Operating leasing held 43% and other forms of contracts only 1%. These figures have been stable for many years.

The quality of the credit portfolio continues to be very good in the leasing sector. Lease payments overdue for more than 60 days are 0.2% of the entire portfolio.

Many of our members are also providing factoring services. The total factoring portfolio balance was €355m, which is 5% less than in 2023. Factoring turnover decreased by 4,3%. Leasing plays an important part in the Estonian economy. According to the valuation of the Association and the World Leasing Yearbook, the annual leasing volume of Estonia, as a percentage of GDP has been one of world's highest for the last 15 years.

The Association, in cooperation with their Baltic colleagues, has launched the PanBaltic Non-Registered Assets Database (NRAD) to prevent double financing and to discover fraud - not only in Estonia, but also cross checking Latvian and Lithuanian leased asset databases. So, all assets financed by our members that are not registered on any other Baltic register are inserted into that database and cross examination is automatically performed.

The results have been very good, and all the partners are satisfied with the outcome. Access is granted also to Tax authorities and Police - Border Guard Office.

2025 will be a challenging year for the Estonian car leasing industry

From January 1st, for the first time in Estonian history, vehicle registration fees and yearly taxes have been implemented. The goal set when developing the taxation bases was to use the characteristics of vehicles that express their impact on the

MARKET REVIEW

In 2024 the Estonian GDP declined by -0.8%. Inflation dropped to 3.5%, which was considered a good result compared to the previous year's 9%. The unemployment rate stayed at a moderate rate of 7.6% level.

New leasing business carried out in 2024 by members of our Association was €1,4bn, a growth of nearly 6% compared to 2023.

All vehicles: In 2024, vehicles were lease-financed for a total of €1.1bn, which is 16% more than 2023. The total number of financed vehicles was 39,873, i.e. 5,393 pcs more than the year before.

Passenger cars were financed in the amount of €881m, which is 20% more than 2023, a total of 34,197 cars. The number of new cars financed was 16,823 pcs, i.e. 1,777 pcs more than in 2023.

In 2024 passenger car sales up to September 2024 were lower than the previous year. In September, however, sales began to grow rapidly month by month, reaching a maximum in December. In December, 4,671 passenger cars were lease-financed by our members, of which 2,642 were new passenger cars. The

corresponding numbers in 2023 were 2,643 pcs and 1,584 pcs.

In total in Estonia, 25,386 new passenger cars were sold in 2024, which was 11% more than the previous year and of these 66% were leased. By the end of 2024 there were 8,388 *electric passenger cars* registered in the TRA traffic register, nearly half of them having been lease-financed.

Lease-financing of *trucks/vans/buses* reached €235m, €10m more than 2023. Vans were pulling the sales by 3,307 pcs. In addition, 2,369 pcs of trucks, buses and heavy vehicles were financed.

There was a 20% decline in lease-financing of *machinery/equipment*. Financing of forestry equipment (-42%), medical equipment (-27%), agricultural equipment (-23%) and construction equipment (-21%) fell particularly sharply. Only financing of production equipment (7%) and goods handling equipment (4%) showed an upward trend. *Other categories* of new sales are of minor importance.

Primary contract terms show that 60% of the contracts were signed on contracts of up to five years. Leasing market portfolio balance

Table 1: Lease portfolio by assets, customer, contract and factoring residuals (€m) type

Assets	2014	2015	2016	2017	2019	2020	2021	2022	2023	2024
IT & Communication	1%	1%	1%	1%	2%	2%	2%	1%	2%	1%
Road transport vehicles	18%	19%	20%	19%	19%	18%	13%	14%	16%	16%
Ships, aircraft, rolling stock	7%	5%	3%	3%	1%	1%	1%	1%	1%	1%
Machinery, industrial equipment	26%	26%	27%	27%	25%	25%	25%	26%	25%	22%
Cars & other small vehicles	47%	48%	48%	49%	52%	53%	58%	57%	55%	59%
Other	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
Customer	2014	2015	2016	2017	2019	2020	2021	2022	2023	2024
Agriculture, forestry, fishing	12%	11%	12%	12%	11%	12%	11%	10%	13%	9%
Manufacturing, industry, construction	20%	20%	20%	20%	18%	19%	19%	22%	18%	16%
Services private sector	39%	38%	36%	37%	36%	34%	35%	37%	36%	41%
Services public sector	4%	4%	4%	3%	4%	3%	3%	2%	4%	3%
Other (incl. privates)	25%	27%	28%	28%	31%	32%	32%	29%	29%	31%
Contract type	2014	2015	2016	2017	2019	2020	2021	2022	2023	2024
Finance lease	58%	55%	54%	55%	55%	54%	58%	52%	57%	56%
Operating lease	37%	36%	40%	41%	44%	45%	41%	42%	41%	43%
Other contracts	5%	9%	6%	4%	1%	1%	1%	6%	2%	1%
Factoring	2014	2015	2016	2017	2019	2020	2021	2022	2023	2024
Residuals (€m)	249	303	314	378	366	332	448	432	372	355

Source: Liising Liit – the Estonian Leasing Association

environment – specific CO2 emissions and mass. Vehicle registration fees must be paid once for all cars and vans, as registered in Estonian traffic register. Motor vehicle tax is paid once a year depending on the vehicle and its parameters by all persons who are registered as the owner of the vehicle in the traffic register. The motor vehicle tax has established an environmental tax on vehicles in Estonia. Read more on this in our overview “Leasing Taxation in Estonia 2025” by KPMG that follows.

Leasing taxation in Estonia

Classification of lease agreements

The Estonian legal framework does not define or distinguish between subtypes of lease agreements. The distinction between operating leases and finance leases only exists for taxation and accounting purposes.

The legal form and operating license of lessors

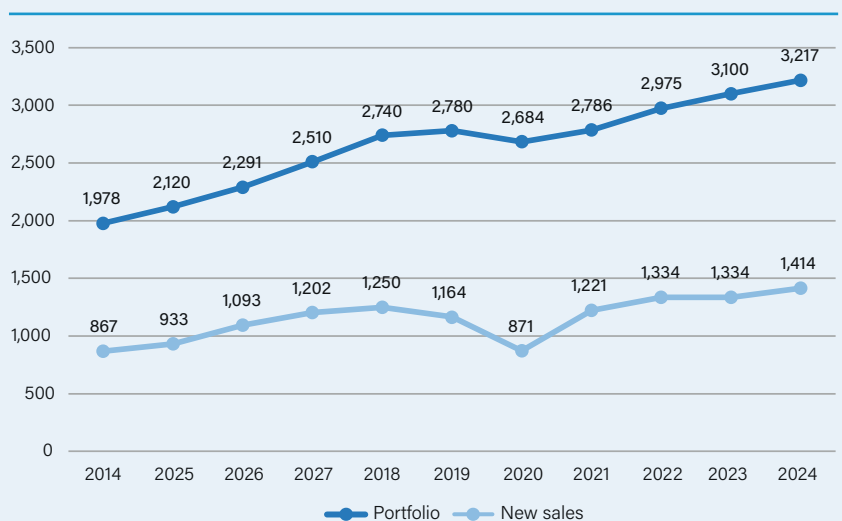
According to Estonian legislation, it is not mandatory for lessors to have a specific license to offer leasing services. However, to offer a lease, at least one of the following operating

licenses is a must: operating license of a credit institution, lender, or financial institution. When choosing an activity license, it is important to distinguish whether the service is offered only to legal entities or also to consumers.

Leasing, considered as consumer credit, may only be offered by companies that have the corresponding operating license

- credit institutions (including cooperative banks), lenders and intermediaries, and under limited conditions without a separate creditor's operating license, also savings and loan associations. In the latter case, if the exception provided for in the Creditors and Intermediaries Act applies to the savings and loan association. In such a case, both the

Figure 1: Estonian leasing market (€m)



Source: Liising Liit – the Estonian Leasing Association

savings and loan association and other companies (only when offering leasing to legal entities) must apply for a financial institution operating license from the Estonian Financial Intelligence Unit in accordance with the Money Laundering and Terrorist Financing Prevention Act.

Regulatory issues

There are no general requirements regarding the legal form of lessors under Estonian legislation. However, if a financing institution offers leasing to consumers, the choice of legal form may be restricted depending on the type of operating license under which the service is provided. If the lessor is a credit institution, then according to the Credit Institutions Act, the legal form may only be a public limited company or commercial association (in the case of an association bank).

If the lessor is a savings and loan association, the legal form is a profit cooperative according to the Savings and Loan Associations Act. If the lessor is a credit provider licensed under the Creditors and Credit Intermediaries Act, legal forms such as joint-stock company, limited partnership and profit-making cooperative are allowed. In the case of a lessor operating as a financial institution, the law does not set any restrictions regarding the legal form, except that it must be a company.

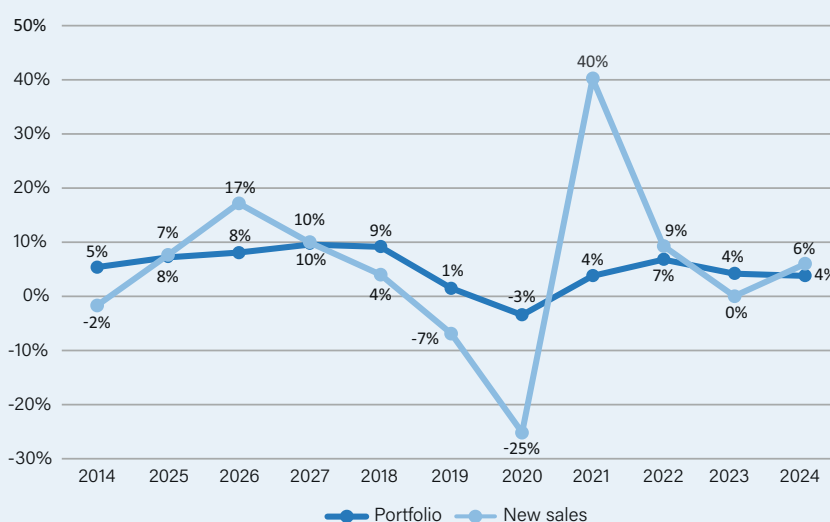
Lease accounting in Estonia

Classification of leases for accounting purposes

According to the Estonian financial reporting standard (the Estonian GAAP), leases are classified as either operating leases or finance leases. The basis for classification is established in the Accounting Standards Board guideline (ASBG) 9. A lease qualifies as a finance lease if it transfers to the lessee all or substantially all of the significant risks and rewards associated with ownership of the asset. Title may or may not eventually be transferred to the lessee.

An operating lease is a lease that does not meet the criteria of a finance lease. Classification is based on the nature of the

Figure 2: Estonian leasing market (%)



Source: *Liising Liit – the Estonian Leasing Association*

transaction rather than its legal form. According to the Accounting Standards Board guideline (ASBG) 9, it is also permitted to apply the Financial Reporting Standard (IFRS) 16, under which the lessee no longer distinguishes between operating leases and finance leases. Instead, all contracts that meet the definition of a lease are recorded in its accounting using the finance lease method (with certain exceptions). The application of IFRS 16 is mandatory for companies that prepare their financial statements in accordance with International Accounting Standards.

Rates of taxation

From January 1, 2025 the income tax rate in Estonia is 22% for resident companies and individuals as well as non-residents. Corporate income tax is calculated on the net amount of dividend by applying a rate of 22/78, which equals to 22% on the gross amount of distribution. The advance payment rate for income tax of credit institutions is 18%.

Taxation of lessors

Individual finance leases. The lessor is obliged to pay income tax on income derived from the lease and on interest. The lease payments are considered as income from transfer of property and any capital gain is taxed unless the income

was derived from the transfer of movable property in personal use or transfer of a dwelling used as the individual's usual place of residence up to that moment.

Individual operating leases. The lessor is obliged to pay income tax on all income derived from the lease.

Corporations

The corporate tax system in Estonia differs from those used by many countries, so that corporate income is taxable mainly upon profit distribution in the form of a dividend. Therefore, lease income is not taxable for companies before the income is distributed to the shareholders, or another taxable payment is made.

Taxation of lessee

If a leased asset is used for business purposes no income tax is payable. Non-business expenses are similar to a distribution of profit subject to tax. An expense is considered to be business related if it is incurred for the purpose of taxable income or is necessary or appropriate in order to preserve or develop such business, and if the expense is clearly made for business purposes. If the expense is not related to the business of the company, income tax at a rate of 22/78 on the net amount of the payment is applied.

Use of a leased asset in such a

Table 2: New leasing sales 2023 - 2024

	2023	2024	2023/24	2023	2024
By contract	1,334	1,414	%	100%	100%
Finance lease	788	770	-2.3%	59%	54%
Operating lease	524	625	19.3%	39%	44%
Other contracts	22	19	-13.6%	2%	1%
By asset	1,334	1,414		100%	100%
Motocars	737.0	881.0	19.5%	55%	62%
Machinery, industrial equipment	326.0	259.0	-20.6%	24%	18%
Road transport vehicles	226.0	235.0	4.0%	17%	17%
Ships, aircraft, rolling stock	6.0	7.5	25.0%	0%	1%
IT & Communication	19.0	18.0	-5.3%	1%	1%
Other	20.0	13.0	-35.0%	1%	1%
By client	1,334	1,414		100%	100%
Services private sector	560.0	582.0	3.9%	42%	41%
Manufacturing, industry, construction	217.0	225.0	3.7%	16%	16%
Agriculture, forestry, fishing	163.0	124.0	-23.9%	12%	9%
Public sector	45.0	43.0	-4.4%	3%	3%
Other (incl. privates)	349.0	440.0	26.1%	26%	31%

Source: *Liising Liit - the Estonian Leasing Association*

manner that an employee or a person equal to an employee (e.g. a spouse, a child, etc.) receives a monetarily appraisable benefit constitutes a fringe benefit and the costs incurred are subject to income tax and social tax. Taxes on fringe benefit related to the enabling of a use of a vehicle of the employer for activities not related to business are calculated according to engine power of the vehicle (kilowatt price).

International issues

Taxation of non-resident lessor / resident lessee

In the case of a finance lease, a non-resident lessor is obliged to pay income tax on income derived from the lease, i.e., on capital gains from the transfer of property, if the leased asset is either registered or to be registered in an Estonian register or immovable property is located in Estonia. Income derived from the lease is not subject to taxation in Estonia if payment is made to a person resident in a country with whom Estonia has concluded an agreement for the avoidance of double taxation (tax treaty) and lessee has received a certificate of residence to prove this. Income derived from the immovable property located in

Estonia is always taxable in Estonia.

In the case of an operating lease, a non-resident lessor's income derived from lease and royalties which were received from property registered in Estonia or the subject to entry in a register in Estonia, is subject to taxation. The resident lessee is obliged to withhold income tax at a rate of up to 10% from payments made to a non-resident, as operating lease can be considered as royalty payment. Estonia has tax treaties that allow Estonia, as a revenue source country, to tax license fees and the tax rate may turn out to be more favourable compared to the domestic law. Estonia has as well tax treaties in which only the country of residence has the right to tax, i.e. there is no obligation to pay income tax in Estonia. The tax treaty sets a lower withholding income tax rate of 5% to merchandise, commercial or scientific equipment and in the other cases the tax at a rate of 10% applies.

There are also tax treaties, according to which fees paid for the use or right to use industrial, commercial, or scientific equipment do not fall under the concept of license fee at all.

If the lessor is an EU or Swiss Confederation resident company, then also such payments are not

taxable, if the value of the lease payment corresponds to the market value and at least one of the following conditions is met:

- The lessee has owned at least 25% of the lessor's shares at the time of the transaction and for a minimum of two years prior to the transaction
- The lessor has owned at least 25% of the lessee's shares at the time of the transaction and for a minimum of two years prior to the transaction
- One and the same resident company of the EU or the Swiss Confederation owns at the time of payment and has owned during the period of two years or more immediately preceding the payment at least 25 per cent of the share capital of the lessee and the lessor.

If a non-resident receives rental payments under an operating lease contract for real estate located in Estonia, these are subject to Estonian income tax at a rate of 22%. The payment of income tax can be performed by withholding the tax when the Estonian resident lessee makes the payment.

A natural person who is a resident of a contracting state of the European Economic Area and has received taxable income in Estonia may make deductions from the income on the same basis as a resident of Estonia. Non-residents of other countries cannot make deductions from taxable income in Estonia.

Taxation of resident lessor / non-resident lessee

A resident lessor pays income tax similarly in Estonia regardless of whether the lessee is a resident or a non-resident.

Value Added Tax

The Estonian VAT Act broadly follows the European VAT directive 2006/112/EC. In the core aspects, the current system of VAT is identical to the common VAT system used in the EU.

VAT is due on any supply of goods or services made in Estonia, where it is a taxable supply made by a taxable person in the course or furtherance of a business carried on by said person, including the leasing or hire of goods,



In 2024, Estonia's lease-financing total for new vehicles reached €1.1bn, a 16% increase on 2023.

the transfer of rights, and obligations to refrain from an economic activity.

A company can deduct VAT, if the following conditions are met:

- a VAT liability has arisen
- the supply is used for the company's business purposes
- the company has an invoice from the supplier.

Goods imported into Estonia from outside the EU are liable to import VAT. Import VAT can be deducted on the basis of a customs declaration in the tax period during which the customs released the goods. Only a company that has a separate permit from the Tax and Customs Board need not pay VAT at the time of importation and can use the possibility of entering the import VAT amount (as subject to reverse charge VAT accounting) in the VAT return.

VAT Rate

Estonia applies a standard VAT rate of 24 percent as of 01.07.2025.

International issues

If a finance lease contract is concluded between an Estonian lessor and a person with a VAT registration number in another member state, the supply is taxed with zero-rated VAT when the goods are delivered from Estonia to another member state. If the lessee has no VAT registration number in the other country, then in certain cases the VAT registration obligation

might arise for the lessor. Finance lease is subject to VAT in Estonia if the delivery of the goods to another member state is not proven.

The exception is a transfer of new means of transport in terms of a finance lease and its delivery to other member state. This transaction would be taxed in Estonia at a zero VAT rate as the tax obligation would arise in the other country, despite of the VAT status of the customer.

In the case of an operating lease the EU Directive 2006/112/EC Art 44 is applied. It means that the service is taxable by the VAT registered customer in another member state, who accounts for the VAT on the service received under the reverse charge procedure. The prerequisite for applying this principle is that the lessee is VAT registered in another Member State.

Registration fees and motor vehicle tax

In Estonia, a registration fee and an annual motor vehicle tax applies to motor vehicles, with the amount depending on the characteristics of the vehicle.

When a vehicle is entered in the motor register in Estonia for the first time, a registration fee must be paid in accordance with the Road Traffic Act. The registration fee must also be paid before registering the first change of ownership of a vehicle, if the registration fee has not

previously been paid for that vehicle. The registration fee is paid to the Transport Administration. According to the law, the registration fee is paid by the party in whose interest the transaction is made, which may be the buyer, seller, or leasing company.

As an exception, the transfer of ownership is not regarded as a first change of ownership if, at the end of a lease agreement, the individual listed as the responsible user in the motor register during the lease period becomes the owner instead of the leasing company. In such a case, the registration fee is paid when the person who became the owner of the vehicle at the end of the leasing contract subsequently transfers the ownership, and the vehicle is re-registered. The motor vehicle tax applies to the following categories of vehicles:

- Passenger cars – M1 and M1G
- Vans, panel vans, pickups – N1 and N1G
- Motorcycles – L3e, L4e, L5e, L6e, and L7e
- Off-road vehicles – MS2
- Wheeled tractors – T1b, T3, and T5

The amount of the motor vehicle tax is determined based on the environmental characteristics of the vehicle and takes into account its specific CO2 emissions, mass, and, to a certain extent, its age, which are added to the base amount. The base amount is €50 for all vehicles. The motor vehicle tax is paid to the Tax and Customs Board. The payer of the motor vehicle tax is the owner registered in the motor vehicle register, or, if there is a responsible user, the latter – that is, the lessee.

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MARKET REVIEW

The ASF (Association française des Sociétés Financières) represents 92% of the French leasing market: 65 of its members are equipment leasing companies, 33 are real estate leasing companies, and a few, the SOFERGIE, are specifically active in the energy saving and sustainable development sectors. Approximately 33% of its members are credit institutions, the others are financing companies, a specific French legal and regulated status.

The ASF is very involved in Leaseurope (the European leasing association): it is a member of its Board and participates actively

in several working groups (legal, prudential, accounting and tax, real estate leasing). It plays a key role in Leaseurope's prudential committee which it chairs, in particular in acknowledging the very low risk levels of this activity in regulations. In the context of the transposition of Basel 3 agreements into the European regulation, the ASF, together with Leaseurope, have made concrete proposals to European institutions in order to better reflect the lower risk profile of leasing exposures compared with regular loans. The result is satisfying since a specific report is expected by the end of 2027 from the European banking authority on the adequate calibration of prudential

request concerning leasing activities.

In 2023, despite the increase in interest rates, the demand for equipment leasing remained strong, driven by a significant growth in professionals and companies investments. In 2024, the trend was much more mixed due to economic and political uncertainties, along with an increase in corporate failures.

While corporates demand remained relatively stable for equipment leasing, the real estate sector was impacted again, resulting in a new decrease in real estate leasing.

Leasing in France

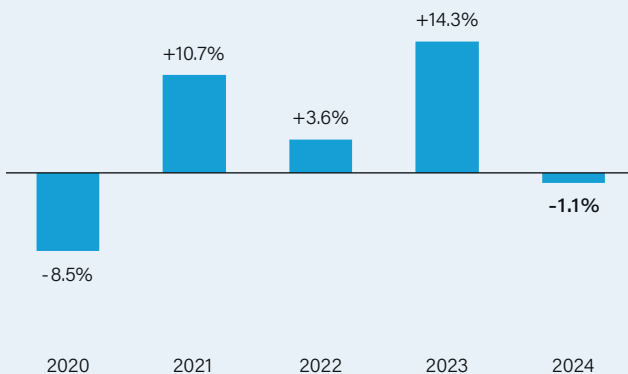
a. Equipment leasing for companies and professionals is marking time:

In France after a significant increase in 2023 (+14.3%), the equipment leasing market was down by -1.1% in 2024 for an amount of €38bn in new lease contracts.

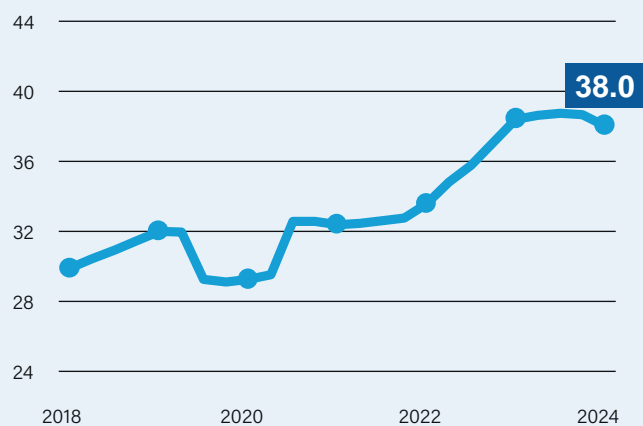
- Leasing transactions with a purchase option represented 29.5% of companies' total investments in manufactured goods in 2024, and 26.2% on average over the last 10 years. These transactions decreased by 0.6% in 2024 compared to 2023 and reached €23.8bn.

Figure 1: Equipment leasing for companies and professionals

Annual production change over previous year



Production – €bn. Quarterly data – sliding year



Source: ASF

- New investments made through leasing transactions without a purchase option decreased by 2% in 2024 compared to 2023 and reached €14.2bn.
- Taking all equipment leasing into account (with and without a purchase option), the figures are very disparate:
 - +0.5% compared to 2023 to €22.4bn for utility and industrials, vehicles and passenger cars,
 - -13.6% to €3bn for the IT and office automation sector,
 - -0.6% to €12.6bn for other equipment like machine tools, agricultural equipment, etc.

Overall, leasing is widely acclaimed by all segments: professionals, SMEs and large corporates.

b. Real estate leasing: a significant decrease

In 2024, the real estate leasing market decreased substantially by 10.5% to €3.8bn. The sector shows different trends depending on the type of premises concerned.

- Strongly impacted since the 2020 health crisis, the office sector rebounded sharply in 2024 by 91.6% to €1.0bn, after having collapsed by 44.3% in 2023.
- Investments in industrial premises (factories, workshops, warehouses...) decreased by 28.5% to €1.4bn.

- Investments in commercial premises (shops, supermarkets, hotels...) decreased by 4.9% to €1.1bn.
- The sector covering various premises (clinics, hospitals, cinemas...) decreased by 48.1% to €0.3bn.

In all these corporate real estate sectors, real estate leasing financed investments of more than €100bn¹ over the last 20 years. The French real estate leasing market is one of the most important markets in Europe.

c. Financing consumers: the growing market of car leasing with a purchase option

Car leasing with a purchase option has remained very popular with private individuals in France and car leasing activity has carried on increasing. Currently in France nine cars in 10 financed by ASF members are financed through a leasing contract. Indeed, the share of car leasing transactions with purchase option in the overall financing of new cars (excluding personal loans) increased from 35% in 2010 to 91% in 2024. These operations increased by 7.4% compared to 2023 to €9.9bn.

Leasing transactions with purchase options to finance used cars for individuals has also pursued its development trend in 2024: the share progressed from 14% in

2019 to 38% in 2024. The market continues to increase with +29.4% compared to 2023 to €2.1bn.

Real estate lease back

In order to try to contain the economic impacts of the health crisis and foster the recovery, the leasing profession made proposals in 2020 to government authorities (Treasury, ministry cabinets, MPs):

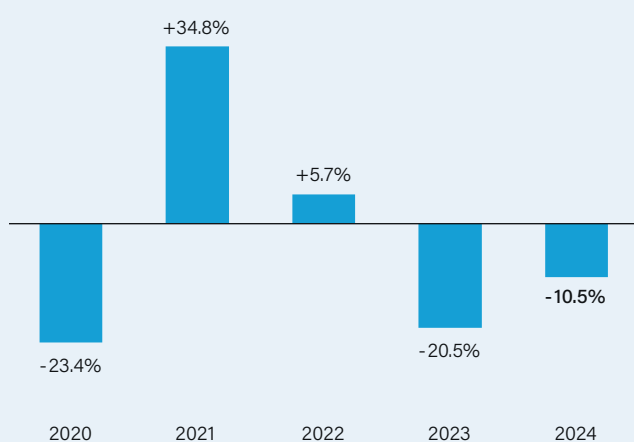
- support cash flow and real estate leasing investment: incentives for sale lease backs and “green” real estate leasing ;
- support investment in rental financing: extension of the over-amortization scheme.

The leasing profession was successful in 2020 in proposing a measure encouraging real estate sale and lease back, identical to the one that had proved effective after the 2008 crisis. A dedicated measure was included in the Finance Bill for 2021 voted in Parliament and stayed in place for two years. It made it possible to “monetise” real estate assets while spreading the capital gains tax over the whole length of the leasing contract, thus helping the company's liquidity. Previously this tax arrangement had generated €1bn per year in financings between April 2009 and December 2012.

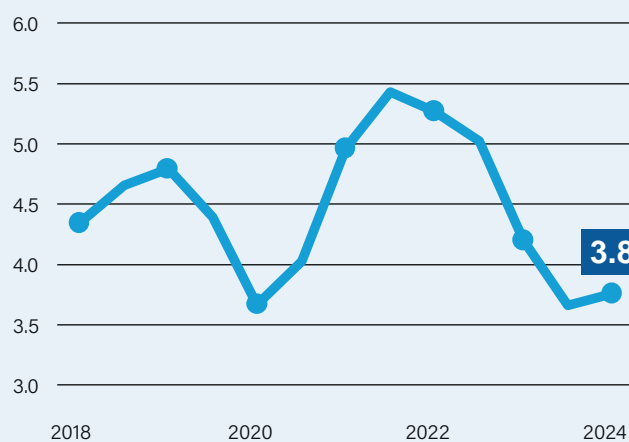
The fiscal incentive was in place until 2022 but despite the results of

Figure 2: Real estate leasing

Annual production change over previous year



Production – €bn. Semi-annual data – sliding year



Source: ASF

the statistical survey confirmed the interest to pursue its requests, the Government refused extension of the regime in 2023. The ASF remains convinced of the benefits of the measure for the French economy and keeps pushing the proposition.

Leasing's future is underpinned by a long-term social trend: the appeal of the functional economy

The French leasing profession is convinced that leasing has a main role in sustaining the economy and in promoting sustainable growth. To this end, the profession participates in the work of French and European market place related to the reporting and integration of ESG criteria (environment, social, governance) in investment strategies and communication, and to the Leaseurope workshops concerning the application of the rules of the European "green" taxonomy to leasing activities.

a. Leasing is a flexible financing method and a circular economy factor for companies

Renting and leasing offer significant benefits for companies, particularly in an uncertain climate :

- a better control of their budget,
- a quick adaptability of the production tool to market changes (in particular to meet an increase in volumes),
- more frequent renewals to take advantage of the most recent equipment and related maintenance services,
- a tax treatment that allows faster depreciation than with a purchase,
- company cash is preserved, particularly in the context of business development,
- 100% financing possible without any down payment,
- a way for very small businesses and SMEs in start-up phase (in particular the innovative and exporting kind) and companies in a difficult situation, to access finance.

Companies are well aware of these benefits, and for them the transition from ownership to use occurred several years ago, especially for



Unlike many other sectors, France's passenger, utility and industrial vehicle lease finance figures grew in 2024, totaling €24bn for the year.

IT equipment and vehicles.

It should be noted that leasing is directly linked to companies' investments and as such benefits from all the measures aimed at promoting investment, such as the 40% additional depreciation scheme, which was widely used since 2015 and regularly renewed by public authorities since then.

Leasing activities are also a very efficient way to help companies orient the economy towards a more sustainable model. As proposed by the ASF, real estate leasing for instance could be used to encourage building renovations that reduce energy consumption. In return for reducing energy consumption, companies could be helped by being exempted from the need to add back the additional depreciation when the buildings are sold when, in the event of an acquisition, including a sale-leaseback, an extension or renovation of buildings through a real estate lease contract is carried out to meet environmental requirements for energy efficiency.

In France, as in other EU member states, leasing is currently excluded from national or local subsidiary investment schemes. French leasing profession is very much involved to modify this state of play which does not allow a corporate to finance a subsidised investment with a leasing solution. In this

regard, the ASF participated actively to the Leaseurope works on this issue, which origin comes from the European legal framework.

b. Consumers increasingly attracted by the functional economy

The trend is more recent for individuals but is confirmed each year. Consumers are well aware of the leasing benefits: easier budget planning, expenses that are known in advance and a range of additional services.

The leasing market for individuals is currently mainly driven by the car manufacturing sector and should continue its growth in the coming years by extending to other consumer goods.

The digitalisation of offers and services proposed by the leasing sector's players is encouraging this trend by offering a simple, fluid and quick client experience.

c. Leasing involved in the gradual decarbonisation of the economy

Leasing activities are also engaged in the gradual decarbonisation of the economy and European actions. Hence, leasing finances renewable energy production infrastructure (wind turbine farms, solar photovoltaic plants, biomass via the SOFERGIE, specifically active in the energy saving and sustainable development

sectors) and the rapid change in decarbonisation mobility (electric or biogas or hybrid private and industrial motor vehicles, investment in electric charging points).

The leasing ASF members support the French recent legislation: for example, a decree provides that owners have to reduce by 2030 the energy consumption of tertiary buildings over 1000 square meters by 40%. They also produce an annual statistical enquiry on green financing leasing activity.

For 2024, we can particularly mention that:

- Electric or hybrid vehicle leasing agreements for companies increased by 2.4% to €3.1bn
- Against a backdrop of constrained corporate real estate financing (in 2024, overall real estate leasing production was down -10.5% in terms of value and -16.3% in terms of number of transactions), the share of 'green' buildings financed by leasing in total real estate leasing production has increased slightly: in 2024, it was 30% in terms of number (compared with 29.3% in 2023) and 55.8% in terms of value (compared with 50.2% in 2023).

At the national level, ASF members were also supporting the Mobilities Orientation Law whereby leasing companies have to manage a mandatory minimum percentage of clean vehicles for fleet renewal

(fleet of at least 100 vehicles). At the European level, the ASF is closely monitoring and is deeply involved in discussions initiated by the European Commission regarding the "clean corporate fleet".

The ASF considers that targeting leasing would be detrimental to the corporates car fleets financing market.

After in-depth discussions in France in 2024 and 2025, the 2025 French tax law, which has placed the obligations for greening car fleets solely on "user" companies, is a balanced legislation.

The neutrality of the ZEV (zero-emission vehicles) financing method (cash purchase, short- and medium-term credit, financial lease) has thus been preserved. This also avoided the risk of double taxation or penalties being applied to the lessor because of a choice and decision made by its customer. Targeting financial lessors with constraining measures would have led to the end of financial leasing – even though it contributes, at its level, to the decarbonisation and greening of fleets – since clients would have turned to other forms of credit to finance their investment.

Building on this experience, among the various strategic options to be evaluated by the European Commission, the ASF supports the setting of Member states national targets aiming at the "users" of the vehicles.

The French corporate car financing market is characterised by a large part of financial leasing, which is equivalent to a credit transaction. Thus, a financial lease (credit activity) that is not an operating lease (commercial activity) must therefore be considered differently.

A major feature of the financial lease model, particularly in comparison with operational leasing, is that the financial lessor does not build up its own fleet, even though it is legally the owner of the vehicles it finances.

The financial lessees – mainly SMEs – negotiate directly with their suppliers and then turn to the financial lessor to finance the investment.

If leasing had to be in the centre of a EU legislation with the objective of greening corporate fleets, at least financial leasing should be excluded from the field of this legislation.

Ultimately, leasing remains one of the most adequate tools to finance sustainable finance investments of both households and businesses.

Endnotes

- ¹ In constant 2024 euros.
- ² For information, in 2024, out of a total of €14.41 billion worth of company vehicles financed by ASF members through financial leasing, electric and hybrid vehicles accounted for €3.07 billion (+2.4% compared to 2023), or 21.3%.

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As part of ASF's commitment to green initiatives, electric or hybrid vehicle leasing agreements for companies increased by 2.4% to €3.1bn in 2024.

Germany



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MARKET REVIEW

Leasing industry realises investments worth €80.4bn in 2024

Even in a strained economic environment, the leasing sector continues to serve as a driver of investment. In 2024, it financed investments totalling €80.4bn in passenger and commercial vehicles, machinery, IT equipment, agricultural technology, renewable energy systems, real estate and other economic goods.

Leasing accounted for 26.1% of total equipment investment in Germany in 2024 (2023: 26.2%). In particular, companies currently limiting their investments due to economic challenges are increasingly turning to leasing.

The (non-price-adjusted) volume of new business in leasing and hire-purchase declined by 4.4% year-on-year. However, 2023 was marked by special effects – especially catch-up effects in the passenger car sector due to previous supply bottlenecks and unusually high volumes in big-ticket deals. Adjusted to these factors, new business remained roughly stable.

Key segment: equipment leasing

Equipment leasing remains the core business of the industry. The volume dropped from €72.31bn to €69.17bn (-4.3%). This decline mainly reflects the exceptional developments in 2023.

Hire-purchase business also declined by 5.3% to €10.42bn (from €11.00bn).

In public funded investment programs, accounting rules often require the equipment to be booked on the beneficiary's balance sheet, making hire-purchase an option.

Real estate leasing remains at a low level but showed slight momentum from 2023 to 2024, increasing from €0.74 to €0.80bn (+8.5%). As leasing of non-residential buildings depends on major projects, the market remains highly volatile.

As a result, total leasing new business (equipment and real estate) decreased from €73.0bn to €70.0bn, down 4.2%.

Equipment penetration rate is stable

Due to the importance of the car market, developments in this sector

heavily influence the leasing share of overall equipment investment. Over one-quarter of all such investments (26.1%) were financed through leasing in 2024 (2023: 26.2%).

The total leasing penetration rate (equipment and real estate) decreased from 16.1% in 2023 to 15.6% in 2024.

Vehicle leasing remains dominant

Vehicle leasing continues to dominate, making up nearly two-thirds of new business. While the volume of new contracts for passenger cars declined slightly by 2%, the number of contracts rose by 4.5%, indicating growing discount levels in the car market. Leasing's market share among new car registrations rose to about 48% in 2024.

Leasing as a catalyst for E-mobility

Leasing is a key enabler for electric mobility. Despite a sharp drop in new registrations of electric vehicles, around 60% of new battery-electric cars were leased in 2024. Although EV registrations fell by 27.4% according to the KBA (Federal Motor Transport Authority), the number of leasing contracts remained stable at +0.3%. Leasing thus drives the electrification



In 2024, leasing accounted for over one quarter (26.1%) of all equipment investment in Germany.

of mobility, offering companies predictable costs, flexibility, and risk mitigation. Those wishing to test an EV model often choose leasing.

Growth in commercial vehicles and agricultural equipment

Leasing of commercial vehicles (buses, trucks, trailers, vans) grew by 1.2%. Agricultural technology saw a 7.4% rise, and medical technology increased by 1.3%. These trends reveal the potential in these asset groups.

Decline in bicycle and micro-mobility leasing

In contrast, bicycle and e-scooter leasing declined by 4.1%, the first drop after years of growth. The number of leased bicycles also fell by 2.7%. After booming during the pandemic, e-bike sales slowed

in 2024 due to overstocking and increased competition, driving prices back to pre-covid levels.

Despite the downturn, leasing remains a crucial driver in the bicycle market. According to the German Bicycle Future Association ("Zukunft Fahrrad"), 100,000 employers now offer bicycle leasing to their employees – making it a valuable tool in talent acquisition and employer branding.

Strong growth in renewable energy leasing

Leasing in renewable energy experienced robust growth. Financing of green energy systems, especially photovoltaics – increased by 23%, surpassing €1bn in new business for the first time. This demonstrates leasing's strategic role in sustainable investment and energy independence.

Mixed results in other segments

Leasing in IT, cloud solutions, and software fell by 7.7% – despite the strategic importance of digitalisation. The biggest decline came from aircraft, rail, and marine transport (-53%), a highly volatile sector driven by large-scale investments.

Leasing of production machinery dropped by 7.1%, mirroring the situation in the machinery and plant engineering sector. Construction equipment leasing declined by 6.2%, impacted by the ongoing crisis in the construction industry.

Customer structure: services sector lead the market

The structure of leasing customers remained stable. The services sector remains the largest client group, accounting for 39% of the market. This includes banks, insurers, hospitality, consulting, and IT service providers. Key leased assets in this sector include cars and IT equipment.

The manufacturing sector ranks second with a 16% share. Three other sectors follow with 10% each: transportation & communication, private households, and trade. Households lease almost exclusively vehicles. Company bikes, though used by employees, are leased by employers – thus positioning them as investors in sustainability.

Construction, a traditionally strong leasing sector, holds an 8% share. Agriculture, energy & water supply, and mining account for 4%. The public sector has the smallest share, at just 2%. However, this figure excludes government-owned entities like research institutes and health institutions, which significantly increase the public share when included.

Table 1: Market penetration of leasing

	2018	2019	2020	2021	2022	2023	2024
Total investment in €(bn) *	363.7	378.2	351.6	375.1	411.8	433.7	433.7
Growth in %	6.0	4.0	-7.0	6.7	9.8	5.3	0.0
Leasing investment in €(bn)	60.5	67.8	61.4	60.2	59.4	73.0	70.0
Growth in %	2.5	12.1	-9.4	-2.0	-1.3	22.9	-4.1
Market penetration in %	16.6%	17.9%	17.5%	16.0%	14.4%	16.8%	16.1%

*without housing

Source: Federal Statistical Office, BDL

Table 2: Market penetration of equipment leasing

	2018	2019	2020	2021	2022	2023	2024
Total investment in €(bn)	261.2	241.125	223.1	235.4	263	275.7	265.3
Growth in %	5.2	-7.7	-7.5	5.5	11.7	4.8	-3.8
Leasing investment in €(bn)	59.0	66.2	60.5	59.4	58.3	72.3	69.2
Growth in %	2.1	12.1	-8.6	-1.8	-1.9	24.0	-4.3
Market penetration in %	22.6	24.8	27.1%	25.2%	22.2%	26.2%	26.1%

Source: Federal Statistical Office, BDL

Table 3: Market penetration of real estate leasing

	2018	2019	2020	2021	2022	2023	2024
Total investment in €(bn) *	297.9	313.0	331.5	348.5	446.5	466.1	464.8
Growth in %	7.0	5.1	5.9	5.1	28.1	4.4	-0.3
Leasing investment in €(bn)	1.4	1.7	0.9	0.8	1.1	0.7	0.8
Growth in %	16.7	21.4	-47.1	-11.1	37.5	-36.4	14.3
Market penetration in %	0.5%	0.5%	0.3%	0.2%	0.2%	0.2%	0.2%

*without housing

Source: Federal Statistical Office, ifo Institute, 2020: Wirtschaftsforschung Städtler, BDL

Sales channels for leasing companies

Most leasing contracts are arranged through manufacturers and dealers – 56% of total new business. Direct sales via in-house sales teams account for 31%.

Banks act as alternative financiers to loans, with an 8% share. Brokers acquire clients and arrange contracts,



Leasing's market share among new car registrations rose to 48% in 2024, making up nearly two-thirds of new business in 2024.

accounting for 5% of new business.

E-commerce leasing – fully online, without intermediaries – remains marginal at under 1%. Despite digital tools, most business customers still value personal consultation.

Outlook for 2025: optimism returns

In the second quarter of 2025, leasing faces improved conditions. A political shift in Berlin, combined with reform plans and fiscal stimulus, has changed the mood. The IFO Business Climate Index rose to 88.4 in June – the sixth consecutive increase –

signalling brighter expectations.

Industry indicators suggest a return to growth, especially in equipment leasing (e.g. vehicles, IT), driven by catch-up effects and digitalisation. Hire-purchase is also stabilising.

While surveys by the Institute for German Economic Research (IW Köln) still show cautious investment plans, pessimism is declining. Combined with falling interest rates and rising SME confidence, a slight rebound appears likely – though it depends on actual reform implementation.

Leasing enables modernisation and future viability

With modest GDP growth expected in 2025, leasing is a key enabler of corporate modernisation. The IW estimates an investment gap of €210bn in Germany, showing the urgent need. Many companies delay future investments due to global uncertainties and regulatory unpredictability.

Yet, these challenges also create opportunities: economic transformation through digital, green, and innovative technologies requires flexible financing. Leasing offers benefits like risk reduction and access to cutting-edge solutions, especially for SMEs.

Special fund offers Additional potential

A €500bn special state fund for infrastructure over 10 years could unleash massive investment potential. Public investment encourages private investment, from which leasing can benefit – particularly in defence, where capacities must grow.

Table 4: Equipment business by type of asset in 2024

	Breakdown (%)	Trend 2023-2024 (%)
Passenger cars & commercial vehicles	75.0	-1.5%
Production machinery	11.0	-7.0%
Office and IT equipment	3.0	-8.0%
Aircraft, ships and rail vehicles (Large-volume special projects)	4.0	-50.0%
Other equipment	7.0	-5.0%
	100	

Source: BDL

Table 5: Equipment business by type of customer in 2024

	Breakdown (%)
Agriculture, energy and water supply, mining	4
Manufacturing industry	16
Construction	8
Trade	10
Transport and communication	10
Services	40
Government	2
Private households	10
	100

Source: BDL

Table 6: Equipment business by distribution channels in 2024

	Breakdown (%)
In cooperation with manufacturers/retailers	57
Business acquired directly	26
At bank counters	8
Freelance Sales Consultants	9
	100

Source: BDL

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The mere announcement of public investment can create optimism, even before the first funds are spent. However, it must be used wisely – not competing with private investors or repeating outdated approaches.

While public-private partnerships (PPPs) may help in construction, leasing can support public modernisation in equipment. It is important that leasing is

recognised as investment equivalent under public accounting rules.

Conclusion

Despite the current economic challenges, leasing remains a key instrument for economic growth and technological progress, a stabilising factor in times of economic uncertainty and a jump-start for economic upswings.



In 2024, bicycle and e-scooter leasing declined by 4.1% in Germany – the first drop after years of growth. The number of leased bicycles also fell by 2.7% although bicycle leasing is offered by over 100,000 employers.

Greece


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new lease disbursements (+6.5% y-o-y), reaching the highest level of the last decade. It is worth noticing though, that there is a significant shift to the segment of vehicles and machinery and less to long-term investments as in real estate.

In terms of assets financed, in 2024 the vehicles segment contributed to almost half of the new leases (76% y-o-y), reflecting the outperformance of commercial vehicles for a second consecutive year (+% 119 y-o-y and +467% compared to 2022) mainly to the area of public transportation vehicles. The machinery segment did not exceed last year's record volumes having a small decrease (-8% y-o-y), followed by real estate segment downward trend for a third consecutive year (-19% y-o-y). Finally, the equipment segment suffered a big decrease of 57% y-o-y.

The increase in new leases in 2024 is at par with the increase in the investment spending for fixed assets (Gross fixed capital formation leases), thus retaining the leasing penetration ratio to same level as in 2023.

Following a drastic decrease

MARKET REVIEW

GDP growth reached 2.3% y-o-y in FY.2024, strongly outpacing the euro area average (+0.8% y-o-y), for a fourth consecutive year, driven by a strong gross fixed capital formation (+4.3% y-o-y vs -2.0%

y-o-y in the euro area), increased private consumption (+1.9% y-o-y) and increasing public investment and final spending, financed by the Recovery & Resilience Facility ("RRF").

The Greek leasing market in 2024 recorded a very good performance, achieving €677m



In 2024, Greece's leasing industry recorded its highest levels in the last decade, achieving €677m new lease disbursements – a 6.5% increase year-on-year.

in NPEs over the last three years, the outstanding capital in the market in 2024 reached the amount of €3.0bn, a 5% increase compared to 2023 (€2.8bn).

The analysis on the asset level shows that almost half of the outstanding capital (45%) still relates to the real estate segment, despite the continuous decrease in new real estate leases followed by the machinery and equipment segment with 34% of the outstanding capital, whereas the remaining 21% relates to the vehicles segment, significantly higher compared to the 14% registered in 2023.

Up to 2021, short and long-term rental, limited to passenger cars and selective types of equipment, was catered by rental companies that operate either as international franchises or local players. This segment is not reviewed in this article.

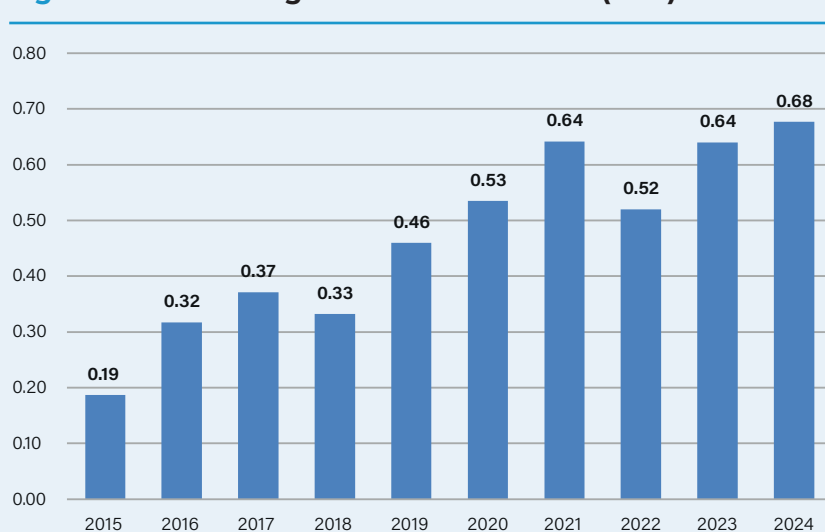
Outlook

Greece's growth performance in the current year, but also in the medium term, is expected to be supported by many factors, which are expected to cushion near term risks from global tensions, the most important of which are:

- (i) a solid investment growth on the back of a strong pipeline of private investment and increasing impact of the RRF, given that around €30.0bn of RRF and other Public Investment Budget funds are planned to be disbursed in 2025-26 (c. 6.0% of GDP annually)
- (ii) Supportive labour market conditions, with employment growth and labour force participation rates showing signs of further strengthening until the end of 2024 and are combined with solid hiring trends, increasing job vacancies and rising minimum wages
- (iii) Greece's consistent fiscal overperformance and the ongoing monetary policy easing set the stage for a positive fiscal and monetary impulse to economic growth in 2025 compared with a small drag in 2024.

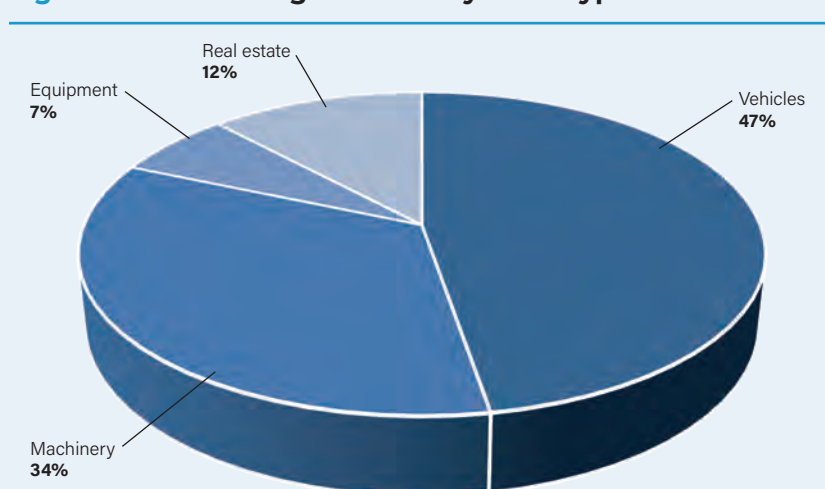
Nonetheless, the above estimates are subject to some considerable

Figure 1: New leasing business 2015 - 2024 (€bn)



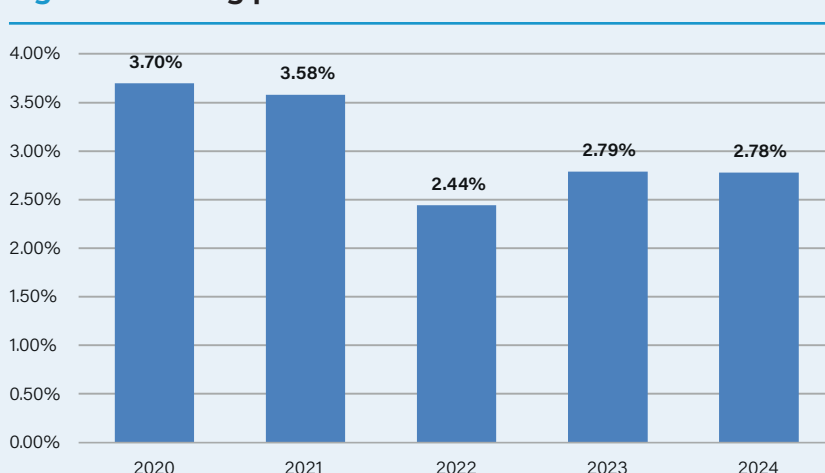
Source: Association of Greek Leasing Companies

Figure 2: New leasing business by asset type 2024



Source: Association of Greek Leasing Companies

Figure 3: Leasing penetration ratio 2020 – 2024



Source: Association of Greek Leasing Companies

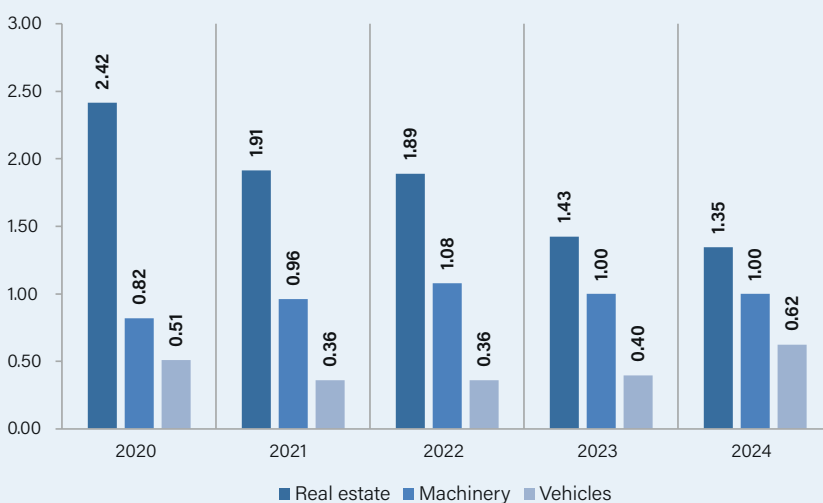


2024 saw commercial vehicle leasing outperform other sectors for a second year, contributing to almost half of all new leasing business in Greece, mainly in the area of public transportation.

downside risks, mainly from the uncertainty regarding the global economic growth outlook for 2025 which increased against a backdrop of rising trade protectionism – led by the US tariff policies and the announced countermeasures by China – weighing on economic prospects and the euro area growth outlook.

However, the Greek economy seems well positioned to deal with most of the challenges and continue outperforming its euro area peers, capitalising on sustainable growth catalysts, its solid fiscal position, the strong momentum built in previous years as well as its limited direct exposure to the US and low degree of integration in global value chains.

Figure 4: Outstanding capital 2020 – 2024 (€bn)



Source: Association of Greek Leasing Companies

Association

Association of Greek Leasing Companies (AGLC)

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increases and government support measures, consumer confidence remained cautious. Foreign trade contributed positively to growth, but export-oriented sectors were strongly dependent on the European economic environment.

The leasing market grew in 2024

In 2024, both the volume of new business and the number of new contracts increased compared to the previous year, continuing the trend of growth. At the same time, the overall picture was very mixed. While passenger cars and light commercial vehicles showed spectacular expansion, most productive asset categories performed worse and fell short of the 2023 results.

The interest rate environment presented a mixed picture, as the 1- and 3-month BUBOR, which are relevant for variable-rate contracts, showed a declining trend up to early October and then stabilised at 6.5%. By contrast, the 3- and 4-year BIRS indicators, which are the most indicative for the fixed-rate transactions that are more decisive for the market, exceeded their values at the start of the year by year-end.

MARKET REVIEW

In 2024, the Hungarian economy showed a slow recovery from the recession of 2023. Inflation decreased rapidly in the first half of the year but began to rise again towards the end of the year, mainly due to increases in food and service prices.

The forint weakened significantly, losing more than 7% of its value against the euro during the year,

which further increased the price of imported products.

Investments remained subdued, particularly in the industrial and agricultural sectors, while some service industries were able to expand. The construction industry was characterised by a high level of uncertainty, with several postponed or cancelled projects.

Although household consumption started to recover thanks to wage



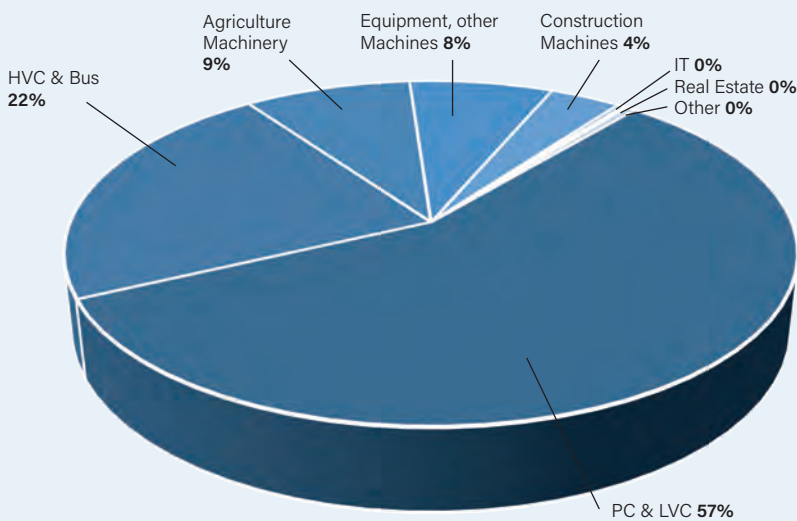
New business in Hungary's leasing market was up 2.9% in 2024.

Table 1: Economic indicators

Indicators	2024	2025	2026
GDP growth (%)	0.5	0.8	2.5
Inflation (%)	3.7	4.1	3.3
Unemployment (%)	4.5	4.4	4.3
General government balance (% of GDP)	-4.9	-4.6	-4.7
Gross public debt (% of GDP)	73.6	74.5	74
Current account balance (% of GDP)	2.4	2	1.5

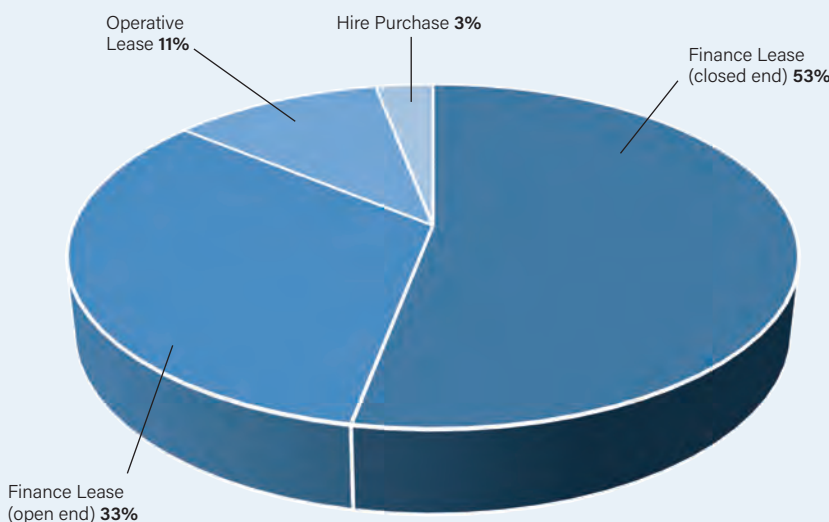
Source: European Commission/OECD

Figure 1: New business volume by asset



Source: Hungarian Leasing Association

Figure 2: New business volume by product type



Source: Hungarian Leasing Association

Leasing market results 2024

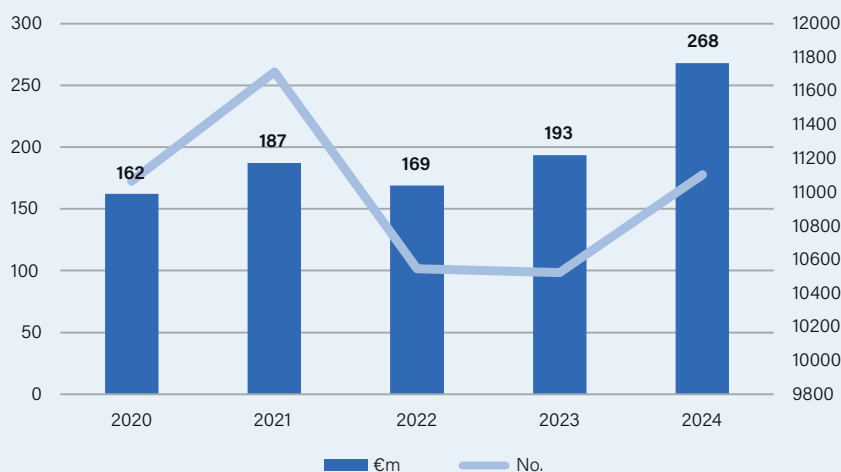
- Number of leasing contracts concluded: 84,262, which is 16.5% more than in 2023.
- Financed amount: €2,453m, a 2.9% increase compared to 2023.
- Total portfolio: €6,006m, a 7% expansion compared to the previous year.
- Number of contracts on book: 318,993, which corresponds to a 0.2% decrease.
- Client mix: The clients of leasing providers were 62% SMEs, 18% large corporations, and 8.6% individuals. The number of state contracts is negligible; the rest are other non-retail clients.
- New vs used assets: 80% of the financed amount went to new assets, 20% to used assets.
- Leasing types: Closed-end financial leasing is the most popular structure (52.6%); one third (33.1%) of financings are open-end financial leasing. Loans account for 3.4% of the market, and operating lease for 10.9%. Asset-backed loans are used by leasing companies where the investment is implemented from EU funds tied to title acquisition. The lower share of operating leasing is due to the fact that a relatively wide group does not supply data to the Association.

Breakdown by asset category

Auto leasing

- *Passenger cars – light commercial vehicles – motorcycles:* the financed amount reached €1,394m, 21% more than in the previous year, accounting for 56.8% of total placements. The number of contracts was 68,747, a 23% increase year-on-year.
- *Fleet:* 11,102 vehicles vs 10,545 a year earlier. The financed amount rose by 39% compared to 2023, with a total of €268m in leasing finance.
- *Retail auto financing:* €1,127m in new financing, a 16.9% increase year-on-year, and 57,645 contracts, which is 27% higher than in 2023. Financing increased despite the decline in passenger car sales. Manufacturers frequently used leasing as a marketing tool, in some cases even offering interest-

Figure 3: Fleet services



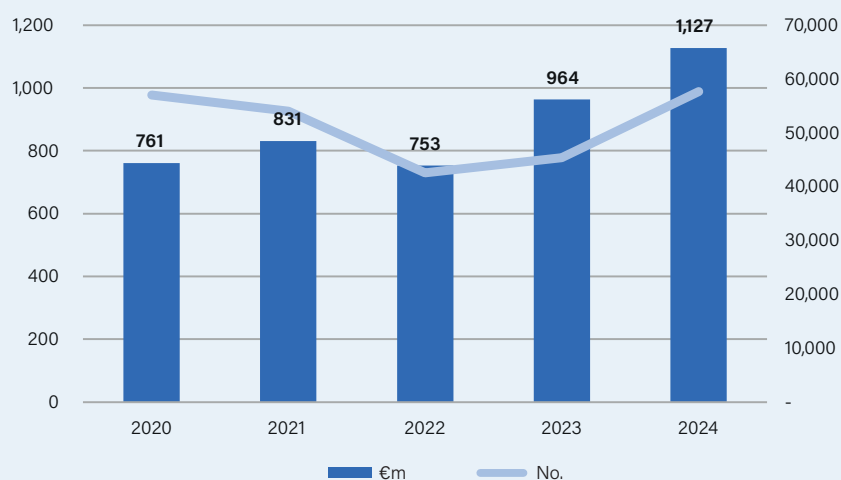
Source: Hungarian Leasing Association

The drying up of non-repayable grants encouraged a wait-and-see approach among farmers, which is also evident from the fact that in subsidised schemes the asset-backed loan volume fell to one third. Leasing penetration improved to 24% for new tractors and to 15% for new agricultural towing vehicles.

Other machinery

- Number of leasing contracts: 2,876, a 7% increase.
- Financed amount: €184m, a 22% decrease compared to the previous year.
- The sector is strongly feeling the negative investment sentiment and was particularly affected by the weakness of the automotive sector.

Figure 4: Retail auto financing



Source: Hungarian Leasing Association

Construction

- Number of leasing contracts: up 22% vs 2023, to 1,289 contracts.
- Financed amount: up 40% to €91m.

IT and real-estate leasing are still not preferred financing solutions. New financing amounted to €8m for the former and €5m for the latter.

State-supported financing

The still relatively high interest-rate level made it important that state-supported schemes continued in 2024, with the aim of preserving the competitiveness of enterprises and mitigating the energy crisis.

Széchenyi Card Program (Széchenyi

free financing. This is reflected in the fact that for both passenger cars and light commercial vehicles, leasing maintained around 30% penetration.

Heavy commercial vehicles

Leasing was hampered by the market, as registrations of new trucks, trailers and buses all declined compared to 2023. In total 7,916 contracts were concluded (-6%), with €544m in new financing (-9%). In this sector, leasing penetration is the highest, above 58%.

Agricultural machinery

Financed amount: €211m, 31% below the previous year; the number of contracts fell by 9% to 2,616.



Passenger cars, light commercial vehicles and motorcycles topped Hungary's most leased items in 2024, with the financed amount reaching €1,394m and accounting for 56.8% of total placements.

Figure 5: New business by HVC + bus, agricultural, other and construction machines (€m)



Source: Hungarian Leasing Association

Kártya Program): It also played a major role in 2024. 8,297 contracts accounted for €315m in financing. It was present in all asset categories except passenger cars. It primarily targeted SMEs, with a subsidised, fixed 3.5% HUF-based leasing.

Eximbank programs: 902 contracts were concluded, totalling €83m in financing. These also provided favourable interest-rate funding to enterprises. For this product there is a EUR-denominated version as well, which made it particularly successful for heavy commercial vehicles and industrial machinery.

Outlook for 2025

Forecasts for 2025 are cautious. Inflation remains above 4%, and the annual forecast also projects above this level, while the ambitiously planned 3%-6% GDP growth may in reality reach a much lower, around 1% figure. The corporate sector continues to wait, investments fall short of the desired level. Uncertainty due to next year's elections also reinforces the lack of confidence.

The Hungarian Leasing Association was established in 1991 as the representative association of the countries leasing and rental industry.

The Association represents 90% of the market with currently 32 member firms who finance all kind of assets: cars, trucks, equipment, real estate of roughly representing over 342 thousand of contract in an amount over €5bn. Financing forms: financial leasing, hire purchase, operational leasing. Rent a car activity is not covered by the Association.

Main task of the association:

- Advocacy and lobbying toward authorities, legislators
- Organise trainings for the leasing sector employees
- Help to improve financial awareness among citizens
- Organise professional workgroups (car, fleet, truck-equipment, accounting, legal etc.)
- Collecting data of the leasing market and make analysis.
- Member of Leaseurope and the Hungarian Bank Association.

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MARKET REVIEW

Leasing in India, like in several other countries, had flourishing or falling fortunes due to regulatory or tax environments. The major roadblock in the Indian leasing industry was indirect tax anomalies, which were resolved with the introduction of the Goods and Services Tax in 2017.

Now, the tax reasons that were holding back the growth of leasing have been substantially neutralised. Hence, it is the rules of economics that seem to be driving the business. Over the last few years, we have seen a slow but sure revival of leasing business, primarily driven by technology advancements and the preference for asset-light business models.

The Covid disruptions provided a strong reason for businesses to relook at their capital expenditure decisions. The need to minimise fixed commitments in form of fixed assets, fixed costs or fixed outflows, and instead, have scalability and flexibility in operations, was stressed like never before. While new investment decisions were obviously

affected, and consequently, overall leasing volumes, but looking at the interest of existing financial sector players, as well as new entry into business, it became obvious that leasing was getting a fresh impetus.

The strong push created by the pandemic was assisted by enabling technology. Present-day technology enables sharing of assets or capacity of assets by various users – leasing of assets and capacity sharing arrangements seem to be changing the way entities are looking at assets. Thus, subscription models have become popular in case of several asset classes, particularly passenger vehicles, electric vehicles and solar panels.

The business environment has faced challenges, mainly due to global factors - geopolitical disturbances, and lately, tariff barriers. While there is no major casualty domestically, and the country's GDP continues to register upwards of 6% rise in real terms, yet corporate investments have not been as strong as expected. In any situation of economic uncertainty, leasing has added advantages – both for

lessors and lessees. As for lessors, the reservation of legal ownership with the lessor ensures that the lessor has super-priority if the lessee gets into an insolvency or liquidation.

As for the lessee, the fact that the lessor places a substantial residual value at the end of the lease term implies that the lease rentals may be significantly lower than a full-payout loan. A lower monthly payout ensures the lessee saves monthly cashflow, which he may deploy for his business.

Evolution

Leasing in India originated in 1973 with the first leasing company named as such – First Leasing Company of India. Thereafter, in a short time span, the leasing business grew brilliantly. By late 1982, numerous financial institutions and commercial banks either started leasing or announced plans to do so. The trickle soon developed into flood, and leasing became the new gold mine. This was also the time when the profit-performance of the two dozen companies, First Leasing and 20th Century had been made public, which lured more companies to join the industry.

In the meantime, International Finance Corporation announced its decision to open four leasing joint ventures in India. To add to the leasing boom, the Finance Ministry announced strict measures for enlistment of investment companies on stock-exchanges, which made many investment companies turn overnight into leasing companies.

As per RBI's records, there were 339¹ equipment leasing companies in India by March 31, 1986 and their leased assets aggregated to INR2395.5m.

From 1986 till 1996 was the period of a significant boom in the leasing industry. Number of players entered the fray – most of the leading business houses started a leasing arm. Most banks also started leasing subsidiaries.

Around 1997, non-banking finance companies (NBFCs) in India came under a regulatory focus as many of them defaulted under severe asset liability mismatches. Public perception about NBFCs took a severe beating. Leasing was exploited as a tax shelter device – this typically has a tendency to be overdone.

Several sham leasing transactions came to the scanner of the tax officers causing regulators to label the primarily tax benefit driven lease transactions as undesirable.

Further, most states in India introduced sales-tax on lease transactions. The applicability of sales-tax on lease transactions served as an extra cost to be borne by the lessee, severely affecting the economics of the transaction. This tax was an incremental tax; that is, no offset was available for the lessee to absorb the same.

Post 1996, the volumes of lease transactions generally suffered.

Volumes of lease transactions continued to come down from 1996 to 2004. In 2004, most states in the country adopted the value-added taxation (VAT) system of sales-tax. The sales tax levied on the lease rentals was off-settable bringing down the tax burden in the lease transactions removing some of the disincentives in leasing.

The leasing industry in India which, since 1996, had gone into doldrums purely for regulatory reasons, started making a significant comeback around 2010 and has been growing steadily ever since.

From car companies to healthcare, education, IT equipment, vehicles, used vehicles, electric vehicles and construction equipment to unconventional leasing of telecom equipment, airplanes, windmills, solar panels, indefeasible right to use passive telecom infrastructure (IRUs) etc, leasing started gaining new acceptance as an aggressive funding option whether to boost up sales or to fund capex requirements.

Thus, from a device of tax or regulatory arbitrage, or things like off-balance-sheet treatment which had assisted the growth of leasing during its early phases, the

recent resurgence has been caused purely by rules of economics. The requirement for capital assets in an economy that was calling for substantial infrastructure investment saw the traditional funding sources for most infrastructure sector companies dry up soon – hence, most of them went for leasing as an additional option. Also, the advent of new-age businesses saw stress on asset-light balance sheets, where the entrepreneur focuses more on his core operations and cash flows rather than on fixed assets.

The motivations for which lessees are prepared to take assets on lease differ. Several leading corporates have opted to take furniture fixtures and office equipment on lease because that is the more tax efficient option. Some insurance companies have opted to take assets on lease as it helps in solvency capital requirements. Many of the large companies have

encouraged their employees to opt for leasing of cars, once again because of some tax arbitrage, and so on. Similarly, certain corporates have also promoted mobile device leasing as part of the employee's cost-to-company (CTC) packages.

The traditional distinction between lease and hire purchase has disappeared over time, as hire purchase, being a strict form of financial lease, is treated for most tax and accounting purposes, as a form of secured lending. At the same time, hire purchase leads to indirect taxation compliances which are not applicable in case of secured lending – hence, there does not seem to be any clear reason to opt for hire purchase at all. Even financial leases, a shade different from hire purchase, have also been less preferred over time, because such leases are not able to confer the benefits of off-balance sheet treatment or tax efficiency that users are mostly



India's new leasing volume for 2024-25 reached INR413.45bn, up from INR344.55bn in 2023-24.

searching for. Therefore, most of the leases in India until April 2019 have been in the form of operating leases.

Introduction of Ind AS 116, a near-replica of IFRS 16, has been a major cut-through in the age-old inclination towards operating lease. With the adoption of Ind AS 116, all kinds of leases whether financial lease or operating lease shall become part of the balance sheet, for entities which are required to adhere to the new accounting standard (see below). This may be one more reason why the regulatory or balance sheet reasons for leasing become less important going forward, and players are able to focus purely on the economics of lease transactions.

Performance of leasing business in India

Most of the lease transactions executed in India are operating leases; financial leases suffer tax disparity compared to secured loans and yet do not result in any significant benefit, thereby losing any competitive advantage vis-à-vis loans. A significant portion of the financial lease transactions in India are carried out by the Indian Railway Finance Corporation (IRFC), which happens to be a captive finance company for the Indian Railways².

There are a number of leasing entities in the country, some undertaking operating lease transactions only and therefore operating as non-banking non-financial companies. The others are conventionally offering various financial products including leasing across various asset classes, in particular operating leases.

As the market continues to search for innovations, there are a variety of transactions which have substantive similarity to leases but are not structured as leases. For example, there are several asset-backed loans with a substantial end-of-the-term payment, where the lender agrees to write a put option on the asset, and end-of-term payment may be set off with the customer putting the asset to the lender. Effectively, therefore, the risk of residual value is absorbed by the lessor. There

are also transactions structured as credit sales, conditional sales, etc., which substantively carry the same risks and rewards as leases. Particularly in case of IT equipment, there are leases which provide either a pay-per-use option, or provide the full range of services hence resulting into servitisation.

On the other end of the spectrum, there are obviously transactions which are structured as leases, but where the risks and rewards are overwhelmingly financial. Intensively competitive market practices refuse to be forced to fit into the textbook definition of leases; however, in our capturing of the data of leases below, we have had to be contented with the textbook/accounting standards definition of "leases".

There are some leasing players dedicated to certain asset classes only. Broadly the leasing players in India can be classified in the following categories:

- Non-banking finance companies (NBFCs)
- Non-banking non-financial companies (NBNCs), that is operating leasing companies
- Captive financing arms of leading manufactures
- Cab aggregators and four wheeler/two wheeler/ EV subscription utilities

• Rental operators

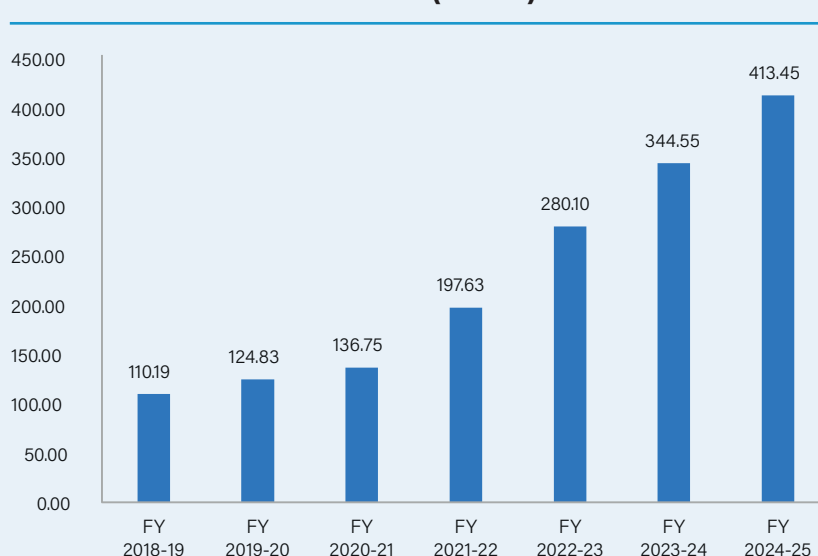
There is also a structured lease transaction where mobile handsets are given on lease to a leading mobile telephone company, and the lease rentals thereof are securitised into capital markets.

The distinct categories of leasing that surfaced in the recent times are a clear indicator of increasing interest in leasing, growing acceptability of leasing as a product and broadening the horizon of different market customer segments wherein leasing could find acceptability.

Another interesting development that is small in volumes still but notable due to the impact it is likely to make is the emergence of leasing "marketplaces". The marketplace does a lease, and the funding is sourced from a participating investor, who may be an individual, family office, or a company. In essence, the lease investment moves to a diverse investor base.

Having taken the meaning of lease as given above (and maintaining consistency with comparative data for earlier years), the new leasing business volume (ex IRFC) stood at around INR413.45bn for FY 24-25, as opposed to INR344.55bn for FY 23-24 and INR280.10bn for FY 22-23. Figure 1 shows the trend of leasing volumes in India during the past few years.

Figure 1: New business volume of leasing entities in India from FY 2018-19 to FY 2024-25 (INRbn)



Source: Data collected by Vinod Kothari Consultants

Table 1: Asset class performance of the Indian leasing industry (Volume INRbn)

		Plant & Machinery & Equipment	Data Processing/ Computer Software/ Computers	Vehicles - Passenger and Commercial	Furnitures & Fixtures	Lease receivables on assets given on financial lease	New Leasing data (Ex-IRFC)	Leasing by IRFC*	New Leasing data (Including-IRFC)
FY 2024-25	Volume	186.30	77.328	108	3.82525	38.00	413.45	142.72	556.17
	Market Share	45.1%	18.7%	26.1%	0.9%	9.2%			
FY 2023-24	Volume	155.25	85.92	90	3.4775	9.8975	344.55	167.05	511.60
	Market Share	45.1%	24.9%	26.1%	1.0%	2.9%			
FY 2022-23	Volume	135.00	57.6	75	3.25	9.25	280.10	323.926	604.03
	Market Share	48%	21%	27%	1%	3%			
FY 2021-22	Volume	27.53	108.62	44.09	2.9	14.49	197.63	606.834	804.46
	Market Share	14%	55%	22%	1%	7%			

*The volume of disbursements for IRFC represents the total amount transferred by the entity to the Indian Railways. This includes both, leased assets, as well as advance given against leases

Source: [InMNR]

The gross capital formation of the country during the year 2024-25 was INR107,952bn³ and the estimated new business leasing volume for the year stood at INR556.17bn (Including IRFC)⁴, therefore, the leasing penetration ratio works out to be 0.515% (Table 2).

It is important to highlight that IRFC, the largest lessor in India, has experienced a significant decline in volumes. Recent reports indicate that the Indian Railways may cease its procurement of wagons from the private sector, a practice it has long upheld under the wagon leasing scheme.

The wagon leasing scheme was initially introduced to encourage Indian Railways to lease wagons, thereby promoting greater involvement from the private sector. However, due to stringent eligibility criteria and the short license tenure, it remained an attractive option for only a select few steel goods manufacturers, excluding most financing companies from

competition. Nevertheless, market feedback has suggested that one of the largest non-banking financiers is considering entering this arena.

In case of passenger vehicles, the trend to opt for lease as compared to traditional purchase seems to be strongly catching up.

In the IT equipment leasing sector, volumes have declined. Industry feedback indicates that during the covid period, there was a surge in demand owing to the shift of employees to the work-from-home model. However, with most employees now returning to the work-from-office model, sales of laptops have reduced, leading to a drop in market volumes. Additionally, it was observed that there is limited awareness in the market about the benefits of leasing. As a result, only large corporates, who are familiar with the advantages of IT equipment leasing, are leveraging its cost benefits. There remains a need to promote and create awareness about leasing among Tier-2 companies.

The asset classes in the Indian market can be broadly classified under the following heads:

- Plant & Machinery & Equipment - including healthcare, and construction equipment as well
- Information technology - software and hardware
- Cars/ Motor Cars/ two wheelers/ electric vehicles;
- Vehicles - Passenger and Commercial vehicles;
- Furniture & Fittings; and
- Other Asset Classes (Including Solar Devices, Windmills, etc.)

The performance of each of these asset classes (ex-IRFC) have been presented in Table 1.

For several years, leasing in India continued to be a complex product, owing to ambiguities in the indirect taxation regime. However, the introduction of Goods and Services Taxes (GST) has brought the much-needed clarity. The impact of GST on lease transactions has been discussed at length below.

Policy developments affecting leasing:

Implementation of the GST was one of the biggest reforms the country underwent in recent times and the same is likely to change the way leasing is perceived in India. In addition to it, the announcement of Ind AS 116/IFRS 16 also opened up new questions on the traditional reasons for leasing in India. Besides,

Table 2: Leasing penetration ratio (INRbn)

	FY 21-22	FY 22-23	FY 23-24	FY 24-25
Gross Capital Formation	65,492.00	54,346.90	99,150.00	107,952.00
Leasing Volumes	804.46	604.03	511.60	556.17
Penetration	1.23%	1.11%	0.516%	0.515%

Source: ZPL

the Insolvency Bankruptcy Code, 2016 also offers protection to the lessor's right on the assets leased out to the lessee in the event of bankruptcy of the lessee.

i. India's Journey Towards Promoting Aircraft Leasing

Aircraft leasing is a crucial facet of the global financial services industry, and India has been making efforts to grab a piece of the pie, for a long time. These efforts gained momentum with the establishment of the Gujarat International Finance Tec-City (GIFT City), a financial hub that places a strong emphasis on the promotion of financial services and the only International Financial Services Centre in India.

The Ministry of Civil Aviation, Government of India, launched a project named Rupee Raftaar in order to promote aircraft leasing in India. The objective of the project was to create an aircraft leasing hub in the International Financial Services Centre, the Gift City. The project proposed several incentives to be offered to the financiers willing to participate in the program, in the form of tax exemptions, stamp duty exemptions.

A significant milestone in India's efforts to promote aircraft leasing occurred on October 16, 2020, when the Government of India, following the guidance of the International Financial Services Centres Authority (IFSCA), officially designated 'Aircraft lease' as a 'financial product' under the International Financial Services Centres Authority Act, 2019. This classification encompassed not only operating and financial leases but also any hybrid combination of the two, relating to aircraft, helicopters, engines, or any of their components. This important move empowered IFSCA to issue guidelines aimed at promoting aircraft leasing within the IFSC.

To further shape the regulatory landscape in this emerging sector, IFSCA released a consultation paper on Draft Aircraft Leasing Regulations on December 16, 2020. The paper solicited feedback from various stakeholders and participants, all of



Plant machinery and equipment retained its 45.1% domination of India's total assets leased, but increased its volume to INR186.30bn for 2024-25, up from INR155.25bn in 2023-24.

whom expressed a strong interest in nurturing the aircraft leasing industry in India. The culmination of these efforts resulted in the introduction of a 'Framework for Aircraft Operating Leases' by IFSCA. This framework laid the groundwork for the development and growth of the aircraft leasing sector in India.

For a considerable amount of time, the aircraft leasing segment in India remained relatively dormant.

However, this scenario took an exciting turn at the beginning of September 2023 when reports surfaced about Indian domestic operators venturing into aircraft leasing within the confines of IFSC. The news was soon followed by reports indicating that the first aircraft had been successfully leased out of IFSC by the end of September 2023.

As on March 31, 2024, 33 aircraft lessors have registered in the IFSC, facilitating the leasing of over 242 aviation assets, including aircrafts and engines. Leading airline operators such as Air India and Indigo have also set up their leasing arms in IFSC⁵

India's aviation sector is witnessing significant growth, with Indian airlines having already ordered

over 1,500 aircraft and an estimated requirement of 2,200 more by 2042. Currently, most of these aircraft are leased from offshore lessors due to the availability of lower capital costs abroad. However, with the support of the IFSC guidelines, the landscape is shifting.

These developments have opened up a significant opportunity for India in the multi-billion-dollar market of aircraft and ship leasing. Previously, the Indian leasing industry struggled to make a substantial impact in this lucrative market. Now, with the emerging enthusiasm and participation of Indian players in the sector, there is newfound hope for growth and prosperity in the aircraft leasing space.

ii. GST brings tax neutrality

Indirect tax regime underwent a massive change in India with the introduction of Goods and Services Tax (GST) with effect from July 1, 2017. The GST has replaced many indirect taxes which include VAT, sales tax and service tax. In the pre-GST regime, leases were subject to both VAT and Service Tax.

Under the GST regime, lease transactions are taxable, but the tax

incidence on the purchase of goods can be fully offset against the tax payable on lease rentals. Following pointers provide some highlights of GST as it applies to lease transactions:

- A. From the GST perspective, there is no difference between financial and operating lease. This is a clear departure from the indirect tax regime, where financial lease and operating lease were charged differently for tax purposes. GST categorises various transactions as supply for goods or supply of services. A lease is regarded as a supply of services.
- B. Rate of GST as applicable on lease will be the same as applicable on the goods that are leased. Therefore, though leasing will qualify to be supply of service under the GST regime, it will attract rates which are assigned to assets that are being leased out.
- C. GST exempts leasing of agro machineries and leasing of assets by (rolling stock assets including wagons, coaches, locos) Indian Railway Finance Corporation to Indian Railways. Therefore, tractors, tilling equipment or other agricultural machinery, used directly in agricultural operations, may be regarded as agricultural machinery and therefore leasing of such machines shall be exempt from GST. This may lead to a growth in leasing to agro machineries.
- D. Import transactions are also subject to GST and therefore benefits of undertaking lease in the case of import, as under the earlier regime, are no more applicable.
- E. A lease transaction has several other elements, apart from lease rentals, such as processing fees, lease management fees, security deposits, etc. Each of these elements/services may be separately chargeable to GST.

iii. Introduction of IFRS 16 for leases:

The global standard IFRS 16 has been implemented in India as IndAS 116. Not all Indian companies are required to adopt IFRS/IndAS. As per the current state of

implementation of IFRS, only listed entities, unlisted entities with a net worth of Rs2500mor above, and the subsidiaries and associates of such entities are required to prepare their financial statements in compliance with IFRS. Thus, the new standard, adopted in India with effect from April 1, 2019, affects the entities which have migrated to IFRS.

The crux of the new standard is that while lessor accounting virtually remains unchanged, lessee accounting has changed drastically. Under the new accounting standard, the distinction between financial and operating lease goes away completely, as far as lessee accounting is concerned, as every lease, subject to some exceptions, will be capitalised on the books of the lessee.

As for operating lease, which used to remain an off-balance sheet transaction, it shall now become a part of the balance sheet in the form of **right-of-use asset (ROU asset)** and a corresponding liability. The lessee, in an operating lease, is required to record the present value of the lease rentals to be paid over the remaining lease tenure, as ROU asset. The ROU asset is to be reduced by the amount of depreciation every year. A corresponding liability should also be created of an equal amount as that of ROU asset and the same shall be reduced over the years by the amount of principal component in the total lease rental.

India has formulated its own standard named Ind AS 116 in line with the IFRS 16. It must be noted that the new accounting methodology shall be applicable on only those entities on whom Ind AS is applicable. Entities outside the purview of Ind AS are also not required to comply with the changed accounting methodology under IFRS 16.

From changes in the disclosure in financial statements to impact on volumes in the leasing industry, the industry has a lot to witness. It also seems that a new trend towards either very short-term leases of 11 months term may begin to show, or leases with high components of residual value.

iv. Insolvency and Bankruptcy Code

The Insolvency and Bankruptcy Code (IBC) marks a big reform in insolvency and bankruptcy regime in the country, replacing a system that consisted of scattered provisions across various laws. While the part dealing with insolvency of non-corporate entities has still not been commenced, it has been over 5 years of implementation of the provisions towards insolvency and liquidation of companies, with substantial results.

As regards lease transactions, the following points need to be noted:

1. Every lease, financial or operating, is a case of legal ownership of the asset reserved with the lessor. Therefore, the lessor has the legal right to get back the asset on occurrence of events of default.
2. In case of a financial lease transaction, the same will count as "financial debt", and hence, will allow the lessor all the benefits of being a financial creditor. Notably, financial creditors have the right to participate in the process of resolution by being members of the committee of creditors. Besides, the debt owed to financial creditors has a higher priority in the liquidation waterfall.
3. During the period of moratorium (six months, extendable to nine months), during the insolvency resolution process, a lessor will not be able to exercise any rights of repossession. This is true both in case of a financial lease and operating lease.
4. Thus, if the value of the asset given on lease available to the lessor is strong enough, the lessor stands a good chance of having full recovery of the asset value despite the insolvency/bankruptcy of the lessee. This establishes the bankruptcy-remoteness of lease transactions.

However, the right of the lessors in case of lease transactions came under a serious challenge when a domestic airline, Go First Airlines, filed for insolvency after grappling with severe financial challenges for several years.

The airline-initiated insolvency proceedings due to a self-declared default of INR11.03crores, which

was part of a larger debt totalling INR2660crores owed to aircraft lessors and INR1202crores owed to vendors.

Despite staunch opposition from the financial creditors and the lessors of the aircraft leased by the company, the application for insolvency was accepted by the National Company Law Tribunal (NCLT), an Indian quasi-judicial body responsible for insolvency cases. Notably, some creditors had even cancelled the leasing agreements prior to the application's acceptance.

Surprisingly, the NCLT imposed a moratorium under Section 14 of the Insolvency and Bankruptcy Code (IBC), effectively halting the repossession of assets by creditors, including the lessors. This decision was seen as a departure from the rights accorded to lessors under the Cape Town Convention and Aircraft Protocol, to which India is a signatory. The National Company Law Appellate Tribunal (NCLAT), the appellate authority to the NCLT, upheld this decision.

However, in a move reaffirming India's commitment to the Cape Town Convention, the Ministry of Corporate Affairs of India⁶ issued a notification stating that the provisions of the moratorium shall not apply to transactions, arrangements, or agreements falling under the purview of the Cape Town Convention and Aircraft Protocol. This exemption specifically relates to assets such as aircraft, aircraft engines, airframes, and helicopters.

Future outlook

Leasing in the last few years has been doing well. New entrants into the industry, new asset classes being tried and old shamed structures being revisited are all indicators of the development of a leasing market in the country. While the growth of the leasing volumes had slowed down largely attributable to the macro-economic factors, rising NPA levels, stunted economic growth etc; the volumes are slowly reviving as the economy is too witnessing a revival.

Despite the slow growth, the market practitioners in India expect leasing to stay in India, owing to the



Gujarat's International Financial Services Centre, Gift City, where India's Ministry of Civil Aviation has launched a project named Rupee Raftaar to promote aircraft leasing in India, with Gift City as its hub.

government initiative, *Make in India* campaign, which is likely to boost the manufacturing industry in India, which would, in turn increase the demand for capital goods. Also, it is being predicted that introduction of Goods and Service Tax, which would change the indirect taxation regime completely, would also bring good fortune for the leasing sector in India.

Looking at the market demand and developments with respect to the various asset classes, we are of the view that following asset classes will witness growth in ensuing years.

a) **IT equipment:** While there has been a decline in the volumes the segment continues to show a lot of potential. There are several reasons why companies prefer acquiring IT equipment on lease. Several subsidiaries or affiliates of foreign companies are mostly subject to approval for capital expenditure. In case such companies opt for lease of IT equipment, this will result in operating expenditure. In view of the same, the process and timelines to obtain approval for such operating expenditure. Secondly, Computers including computer software are permitted depreciation allowance of 40% of the WDV. Lastly, by virtue of the norms of Ministry of Environment and Forest e-waste (Management

and Handling) Rules, 2011, effective from May 1, 2012⁷, the bulk consumers will not have to take the hassle of disposal of the electrical equipment as the same will be returned to the lessor at the end of lease term.

A new category of Mobile device leases, primarily corporate employees, is gradually emerging in the market. Current transaction volumes remain low as the market is in its early stages; however, both established large enterprises and fast-growing startups have begun offering Devices as part of their employment benefit, which are in turn acquired by employers under leasing.

Under these structures, the employer typically claims input GST credit on the leased devices, thereby reducing the effective acquisition cost. This cost advantage can be partially or fully passed on to employees, making the arrangement more attractive. As awareness and adoption increase, these tax efficiencies, combined with the operational convenience of leasing, may drive higher volumes in the coming years.

b) **Cars and two wheelers:** With new models being frequently rolled out the temptation to remain up to date is strong. The automobile

vendors, being well aware of the same, offer leasing facilities. The captives of major international manufacturers offering leasing solutions are mainly from the car and commercial vehicles sector. In India, there has been a sharp surge in the business of car aggregation and that has led to a surge in car rental business as well. Smart cab aggregators are tapping into the leasing space and some have announced operating through leasing arm to facilitate more arms to be added to the network. Considering that, the public transport services have not kept pace with the growing population and car ownership is low in several cities. Adding more cars to the network and locking in drivers under the leasing scheme is making the car aggregation business a more successful model. The rental operators are also offering cars for periods ranging from a few hours to a few weeks. Apart from short term rental offering, there is an active market of car leasing to the employees of corporates. Corporates are also keen on taking cars on lease for the employees as one of the mechanisms for offering perquisites.

Personal mobility solutions became important in the post-Pandemic scenario, and there has been a rapid move towards acquisition of self-use personal vehicles, including 2-wheelers. Electric vehicles are also being introduced at a speedy pace as their prices are coming down. There are several vehicle subscription models currently available; we expect the subscription business to grow faster than straight leasing solutions for vehicles.

c) **Furniture and fitouts:** The growing number of nuclear families, urbanisation and work-related migration has opened up the scope for furniture leasing in India. Several new furniture rental start-ups have opened up in cities like Bengaluru, Gurgaon,

Mumbai, Hyderabad etc. These entities offer furniture on lease to retail customers, start-ups and small-scale businesses.

- d) **Clean energy and other green equipment:** As concerns for climate change become more pronounced, there is an increasing stress on clean energy equipment and other green assets. This may include renewable energy devices, emission control devices, etc. Many of these, in time to come, may be funded on a pay-per-use basis. Leasing will provide an excellent mode of funding investments in this space.
- e) **Ship leasing:** India, with its rich maritime heritage and extensive coastline, holds significant potential for the growth of the shipbuilding and leasing industry. In January 2022, the IFSCA recognized 'ship lease' as a financial product, specifying that it would cover operating leases as well as hybrids of operating and financial leases for ships, ocean vessels, their engines, or any related parts. As of March 31, 2025, a total of 24 ship lessors has been registered in GIFT City, with 18 ships already leased, reflecting the growing prominence of ship leasing.

Besides, there is a strong demand in the construction equipment segment as well, which is now forcing the financiers to add leasing in their product offerings.

Leasing stands out as a promising alternative financing avenue for Micro, Small, and Medium Enterprises (MSMEs). In 2021, MSMEs contributed a substantial 27% to India's GDP⁸, underscoring the significant growth prospects of leasing. Despite the successful resolution of several taxation challenges surrounding the product, the market has not fully harnessed its potential.

Therefore, it is imperative for the government to take proactive measures to boost awareness and encourage the widespread adoption of leasing as a viable financial

solution for MSMEs. Such intervention has the potential to propel the leasing market to new heights.

Endnotes:

- ¹ The number of leasing entities surged from mere 2 in 1980 to 339 in 6 years.
- ² As per rules of government finances, Indian Railways, or any other government department, cannot borrow, except through Ministry of Finance. However, Railways may acquire assets on lease. Hence, Railways meets its asset requirements through IRFC, which raises funds from a variety of capital market sources to refinance itself.
- ³ Data published by World Bank as Open Data, can be accessed at this link < <https://data.worldbank.org/indicator/NE.GDI.TOTL.CN?locations=IN>>
- ⁴ Total Disbursements as per Annual Report of IRFC
- ⁵ <https://ifsc.gov.in/Document/ReportandPublication/ifsc-bulletin-jan-mar-202509052025055132.pdf>
- ⁶ <https://ibbi.gov.in/uploads/legalframework/8273e42bb4de11d39f37ab81f96f93ec.pdf>
- ⁷ http://www.moef.nic.in/downloads/rules-and-regulations/1035e_eng.pdf
- ⁸ <https://pib.gov.in/PressReleaseSelfframePage.aspx?PRID=1884734>

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Leasing types in Iran

Sales instalment

An instalment sale refers to a type of transaction in which goods are bought and sold under specific terms and conditions:

- Payments are made in instalments;
- The goods are delivered to the buyer immediately;
- Ownership of the goods is transferred to the buyer upon delivery.

In other words, an instalment sale is a payment method whereby the buyer pays a portion of the price upfront and settles the remaining balance through regular periodic payments until the debt is fully paid. This type of contract not only enables immediate access to goods but also serves as an effective financial tool to enhance consumers' purchasing power and facilitate economic transactions.

Rent-to-own (lease-purchase)

A rent-to-own contract – also referred to as lease-purchase or lease with option to own – is a legal agreement in which the owner leases a movable or immovable asset, such as vehicles, industrial equipment, or real estate, to a lessee in exchange for periodic payments (monthly or quarterly).

At the end of the lease term, provided that the lessee has fully met all financial obligations, the ownership of the asset is transferred to the lessee.

MARKET REVIEW

Leasing activity in Iran

According to the “Regulations on the Establishment, Operation, and Supervision of Leasing Companies” issued by the Central Bank of the Islamic Republic of Iran, these companies are authorised to conduct leasing operations exclusively through *lease-purchase* and *instalment sale* contracts. The purpose of these regulations is to enhance transparency, standardise operational, financial, and legal processes, and align leasing activities with supervisory frameworks and the country's monetary policies.

Based on the latest reports published by the Central Bank and the audited financial statements of leasing companies, the industry's operating income in 2024 reached IRR112,694bn, representing a 37% increase compared with IRR82,280bn in 2023.

This notable growth resulted from the expansion of leasing portfolios – particularly in the transportation and construction sectors – as well as asset revaluations.

Over the past two years, Iran's leasing industry has experienced a stable and upward trajectory. The increase in demand for vehicle and equipment financing, the growing role of leasing in enhancing business liquidity, and the limited access to traditional bank credit have been among the key drivers of this growth.

Overall, the industry's performance demonstrates that the leasing sector, despite exchange rate fluctuations and high interest rates, has maintained its resilience, profitability, and sustainability.



The commercial vehicle and transportation sector remained the dominant segment of Iran's 2024 leasing portfolio, accounting for over 41% of the total value (+/- US\$57.25m).

National Leasing Association of Iran (NLAI)

Management structure

The Board of Directors of the National Leasing Association of Iran (NLAI) is elected by the member companies of the Association. The Chairman of the Board, who also serves concurrently as the President of the Association, together with the Secretary General, is responsible for overseeing the executive affairs and formulating the Association's overall policies.

These two key positions serve as the main liaison between the Association's members, the Central Bank of the Islamic Republic of Iran (CBI), and the Iran Chamber of Commerce, Industries, Mines and Agriculture (ICCIMA), and are tasked with addressing issues and challenges related to the leasing sector.

Currently, Mr. Mohsen Moallemian serves as the Chairman of the Board, and Mr. Gholamreza Farsad acts as the Secretary General of the National Leasing Association of Iran.

Association's role in the Iranian leasing

Since 2017, the National Leasing Association of Iran has redefined its mission with a renewed focus on expanding its activities, strengthening international relations, and improving the financing framework of the leasing industry. In this regard, the Association has implemented a wide range of initiatives, including:

- Holding regular meetings with experts and officials of the Central Bank of Iran to propose regulatory and legislative reforms for the leasing sector;
- Establishing specialised committees to engage with Members of the Iranian Parliament in drafting supportive legislation and removing restrictive regulations;
- Creating taxation commissions to negotiate with the Iranian National Tax Administration (INTA) and develop tax regulations favourable to leasing clients;
- Organising specialised conferences and seminars on topics related to leasing;
- Conducting professional training programs aimed at enhancing

- the technical and managerial knowledge of industry practitioners;
 - Carrying out international comparative studies on leasing systems in selected countries, with the goal of drafting a comprehensive Leasing Act for Iran;
 - Providing legal, financial, and tax advisory services to member companies under its authorised mandates;
 - Holding general and specialised meetings with CEOs and board members of member companies;
 - And finally, offering other member services designed to strengthen the position of the leasing industry within the national economy.
- Overall, the National Leasing Association of Iran acts as a coordinating body among governmental, financial, and industry institutions, striving to promote sustainable growth, greater transparency, and enhanced efficiency within Iran's leasing sector.

Leasing companies by ownership-type

Leasing companies in Iran are categorised based on their ownership structure into several groups, including bank-affiliated companies, automaker-owned companies, public sector institutions, and independent private companies.

It should be noted that the information and data presented

in this report have been compiled based on disclosures from 47 active companies operating within Iran's leasing industry.

Dominance of bank-affiliated leasing companies

Bank-affiliated leasing companies, with 21 active firms and a 45% market share, constitute the largest segment of Iran's leasing industry.

This reflects the competitive advantage of banks in terms of access to substantial financial resources and extensive distribution networks.

The participation of banks in the leasing sector has significantly expanded their financing capacity and market reach, enabling them to outperform other players in both scale and influence.

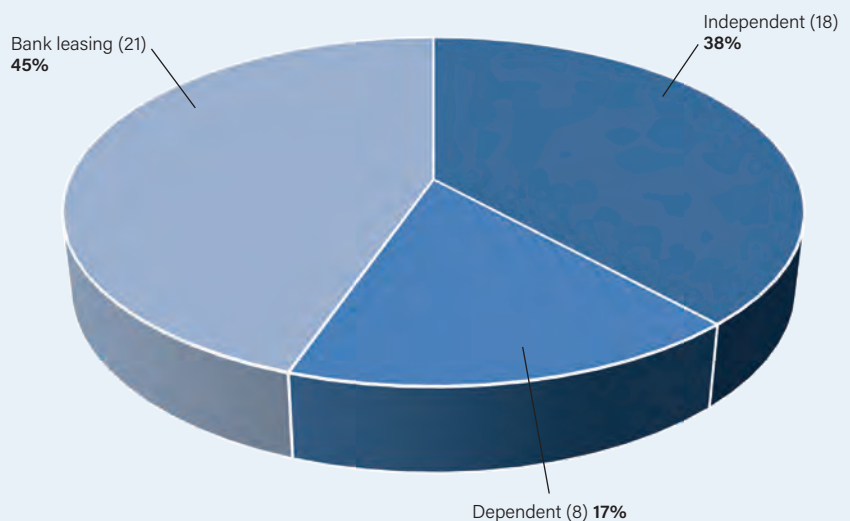
The key role of independent leasing companies

Independent leasing companies, comprising 18 active firms and accounting for 38% of the market, represent the second most influential segment of the industry.

These companies typically operate in more specialised sectors and are pioneers in offering innovative leasing models.

Their emphasis on addressing specific customer needs and their flexibility in contract design have granted them a distinct competitive position in the market.

Figure 1: Leasing companies by ownership type



Automaker-affiliated leasing companies

Automaker-affiliated leasing companies, with eight active firms and approximately 17% of the market share, play a highly influential and strategic role – particularly in the automotive leasing segment.

Due to their structural affiliation with major automobile manufacturers, these companies hold a considerable share of vehicle financing nationwide.

Thus, although their numerical share appears smaller compared to other segments, their practical influence and impact on Iran’s leasing industry – especially within the automotive sector – remain substantial and decisive.

Key regulatory conditions governing leasing operations in Iran

- Minimum capital requirement:** According to the regulations of the Central Bank of the Islamic Republic of Iran (CBI), the minimum paid-in capital required to establish a leasing company is IRR100bn. In 2024, this amount was equivalent to approximately US\$170,000, based on the exchange rate of that year. The purpose of this requirement is to ensure an adequate financial base for effective risk management and credit operations within leasing companies.
- Credit limit per customer:** Under current regulations, the maximum financing amount for any single customer is limited to 5% of the leasing company’s equity. This restriction aims to prevent excessive credit concentration and to maintain diversification within



A 76% increase in revenue, growing concentration in commercial vehicles and infrastructure projects, along with a 62% reduction in bank borrowing all indicate a clear shift toward financial solidity for Iran’s leasing industry.

the company’s loan portfolio.

- Allocation of financial resources:** Leasing companies are required to allocate at least 85% of their total financial resources to leasing activities. This provision ensures that companies remain focused on their core business – leasing operations – and refrain from engaging in speculative or non-productive investments.
- Borrowing capacity from banks:** Leasing companies are permitted to obtain credit facilities from banks up to a maximum of two times their equity capital. This limitation is intended to maintain a healthy balance between financial leverage and systemic risk control.
- Prohibition of additional fees:** According to supervisory directives issued by the CBI, charging customers any form of extra fees or service charges beyond the approved leasing rate is strictly prohibited.

This rule is designed to protect consumer rights and to prevent the imposition of hidden costs.

- Syndicated leasing authorisation:** In accordance with the articles of association prescribed by the CBI, leasing companies are authorised to engage in syndicated financing arrangements with other entities (excluding banks) for the purpose of extending credit facilities.
- Licensing authority:** The exclusive authority to issue, renew, or revoke licenses for leasing companies rests with the Central Bank of the Islamic Republic of Iran. This centralised licensing system ensures consistent and coordinated supervision across the entire industry.
- Leasing interest rate (2024):** The approved leasing interest rate for 2024 was set at 26% per annum. Despite high inflation and monetary policy fluctuations, this rate has been maintained as an equilibrium benchmark – balancing customer affordability with corporate profitability.

Table 1: Revenue and gross profit composition

Year	Leasing Revenue (Million IRR)	Cost of Goods Sold (Million IRR)	Gross Profit (Million IRR)	Gross Profit Margin (%)	YoY Change in Revenue (%)	YoY Change in Gross Profit (%)	US\$ Equivalent of Gross Profit US\$ Equivalent of Gross Profit (Million US\$, @580,000 IRR/US\$)
2022	63,920,633	35,502,972	28,417,661	44	79	31	49.0
2023	82,280,150	39,800,751	42,479,399	52	29	49	73.2
2024	112,694,486	60,972,287	51,722,199	46	37	22	89.2

Table 2: Portfolio comparison (in million IRR and US\$)

Asset Category	2023 Contracts	2023 Total Value	2024 Contracts	2024 Total Value	Value Growth (%)	2024 US\$ Equivalent (Million US\$)
Medical & Hospital Equipment	25	810,193	23	963,476	18.90%	1.66
Passenger Vehicles	2,131	8,636,681	1,687	9,149,658	5.90%	15.78
Used Vehicles	599	4,427,837	948	9,501,203	114.60%	16.38
Commercial & Transportation Vehicles	2,310	22,761,853	2,146	33,203,237	45.90%	57.25
Construction & Mining Equipment	9	583,500	48	2,466,000	322.50%	4.25
Residential Buildings	152	11,334,377	119	10,537,507	(7.0%)	18.17
Non-Movable Assets (Office, Clinic, etc.)	15	3,201,417	11	1,147,492	(64.2%)	1.98
Durable Consumer Goods	49,840	7,139,612	29,250	8,027,707	12.50%	13.84
Industrial Machinery & Equipment	205	3,426,228	59	1,883,224	(45.0%)	3.25
Network & IT Equipment	5	153,000	11	500,330	227.00%	0.86
Other Cases	105	2,808,940	106	2,581,288	(8.1%)	4.45
Total	55,396	65,283,637	34,408	79,961,122	22.50%	137.9

Economic analysis and interpretation:

In the economic context of 2024, characterised by high inflation, currency depreciation, and limited access to credit resources, the existing regulatory framework played a stabilising role in Iran's leasing market.

Although the real (US\$-based) value of the minimum capital requirement has declined, policymakers have shifted their focus from quantitative capital increases toward risk control, transparency enhancement, and maintaining sustainable leverage ratios.

This shift indicates that the new supervisory policies prioritise financial stability and long-term soundness of Iran's leasing system over short-term expansion or nominal growth.

Gross profit and revenue composition – Iran leasing (2022–2024)

Steady growth trend

Leasing revenues in Iran have demonstrated significant growth over the past three years, rising from IRR63.9 trillion in 2022 to IRR112.7 trillion in 2024.

This represents a cumulative growth of 76%, reflecting the continuous expansion of the leasing industry and the increasing

demand for asset financing within Iran's inflationary economy.

Volatility in gross profit margin

The gross profit margin increased to 52% in 2023, indicating improved operational efficiency and effective cost management.

However, in 2024, this ratio declined to 46%, likely due to higher financing costs and increased asset depreciation.

Such margin fluctuations highlight the sensitivity of leasing companies' performance to changes in interest rates and inflationary pressures.

Deceleration in profitability growth

Although gross profit rose by 49% in 2023, the growth rate declined to 22% in 2024.

This trend suggests that while revenues continue to grow, financial and operating costs are increasing at a faster pace. Such a pattern is typically observed in high-inflation economies, where rising financing expenses exert downward pressure on profitability.

Expansion of operational scale

The absolute value of gross profit reached IRR51.7 trillion (approximately US\$89m) in 2024.

This figure underscores the industry's strong market position and

gradual recovery from the downturn caused by the covid-19 pandemic.

The growing operational scale reflects rising market confidence and enhanced financial capacity among leasing companies to meet increasing demand.

Strategic outlook

Data analysis indicates a strategic shift toward volume-based growth among leasing companies.

Under this approach, management aims to increase the number of leasing contracts, even if accompanied by a slight reduction in profit margins, in order to expand market share.

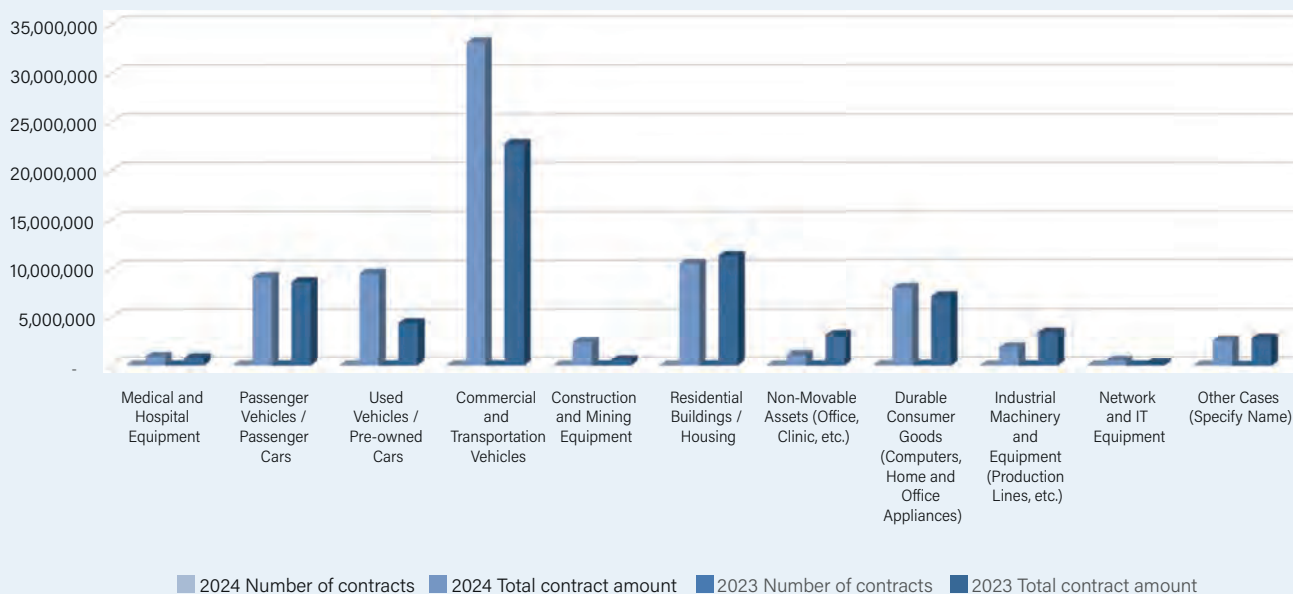
Such a strategy – common in inflationary markets with high asset demand – helps sustain stable cash flows and strengthen competitive positioning over the medium term.

Overall assessment

Taken together, these indicators suggest that Iran's leasing industry is on a path of steady and sustained growth, albeit facing rising cost pressures.

The continued profitability of the sector will depend largely on effective financial risk management and the optimisation of cost structures to maintain long-term resilience and competitiveness.

Figure 2: Portfolio comparison



Portfolio breakdown by product/service:

- The total value of the leasing portfolio in 2024 increased by 22.5%, despite a 38% decline in the total number of contracts.
- The commercial vehicle and transportation sector remained the dominant segment of the portfolio, accounting for over 41% of the total value.
- The used car segment recorded an impressive 114% growth, driven by the rising demand

for pre-owned vehicles.

- Significant growth was also observed in the construction and mining equipment sector (+322%) and the network and information technology equipment sector (+227%).
- In contrast, industrial machinery (-45%) and office real estate (-64%) experienced sharp declines, reflecting reduced investor interest in fixed assets.
- Leasing companies are increasingly shifting toward fewer but higher-value contracts – a strategy aligned

with inflationary conditions and capital optimisation objectives.

Funding structure analysis (2022–2024)

All amounts are in million IRR and equivalent million US\$(2024 exchange rate: 1 US\$= 58,000 IRR).

- **Reduced dependence on bank financing:**
The ratio of bank borrowings to shareholders’ equity declined from 1.68 in 2023 to 0.63 in 2024, indicating a substantial reduction

Table 3: Funding structure (million IRR)

Year	Capital	Funds for Capital Increase	Other Equity Items	Total Shareholder Funding	Short-Term Facilities	Long-Term Facilities	Total Bank Facilities
2024	78,508,810	18,960,173	41,451,902	138,920,885	76,789,269	10,835,173	87,624,442
2023	68,297,000	14,839,799	53,135,471	136,272,270	141,499,714	87,584,768	229,084,482
2022	53,208,000	14,277,255	35,619,121	103,104,376	89,006,334	4,035,387	93,041,721

Table 4: Funding structure (million US\$)

Year	Capital	Funds for Capital Increase	Other Equity Items	Total Shareholder Funding	Short-Term Facilities	Long-Term Facilities	Total Bank Facilities
2024	1,353.6	326.9	715.6	2,396.9	1,324.0	186.8	1,510.8
2023	1177.5	255.9	915.4	2350.5	2440.5	1509.4	3949.9
2022	917.4	246.2	614.1	1777.7	1534.6	69.6	1604.2

in financial leverage and a lower reliance on bank funding sources.

- **Stable shareholder participation:** Financing provided by shareholders remained steady in the range of IRR136–139 trillion (approximately US\$2.35–US\$2.4bn), reflecting continued investor confidence in the leasing industry.
- **Significant decline in bank liabilities:** Outstanding bank loans dropped from IRR229 trillion (around US\$3.95bn) in 2023 to IRR87 trillion (around US\$1.51bn) in 2024 – representing a 62% decrease.
- **Growth in registered capital:** Paid-in capital of leasing companies increased from IRR53 trillion in 2022 to IRR78 trillion in 2024, reflecting a 47% growth.
- **Healthier financial structure:** The Iranian leasing industry is shifting toward equity-based financing, a move that has reduced interest expenses and strengthened long-term financial stability.

Resources

- Statistics of the Central Bank of the Islamic Republic of Iran (CBI).
- Financial reports and performance of leasing companies, members of the National Leasing Association of Iran.

Conclusion and final analysis

During the 2022–2024 period, Iran’s leasing industry has achieved sustainable and structural growth despite challenges such as high inflation and the depreciation of the Rial. Under the strict supervision of the Central Bank of Iran (CBI), the sector has emerged as one of the country’s most effective non-bank financial instruments.

A 76% increase in revenue, growing concentration in commercial vehicles and infrastructure projects, along with a 62% reduction in bank borrowing and a 47% rise in paid-in capital, all indicate a clear shift toward financial solidity and reduced dependence on the banking network.

Although declining profit margins and rigid regulatory constraints remain key challenges, the active role of the National Leasing Association of Iran (NLAI) in policy advocacy and regulatory reform has paved the way for balanced and long-term growth across the industry.

Association

Iranian National Leasing Association (NLAI)

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Leasing revenues in Iran have demonstrated significant growth over the past three years, rising from IRR63.9 trillion in 2022 to IRR112.7 trillion in 2024.

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MARKET REVIEW

In 2024, Italy reported an increase of GDP (+0.7%), slightly lower than the EU average GDP growth (+0.9%), as well as of investments (+0.5%) (Table 1).

In this context, the Italian leasing market (after three consecutive years of growth) slowed down by -3.9%, largely influenced by the effects of tight monetary policy and economic uncertainty across

Europe. The leasing market volume totaled more than €33.4bn of new financing. In terms of number of transactions, more than 701,000 new leasing contracts were signed (-8.1% year over year) (Table 2, Fig. 1). The total lease outstanding portfolio volume declined to some €66.6bn, which is -2.1% compared to 2023.

Despite the 2024 slowdown, leasing remained a key driver of private investment, representing 1.5% of Italy's GDP, with a penetration rate to total investment of 6.9% and of 7.1% on equipment investment (Table 3).

Most importantly, leasing was confirmed to be the preferred source of finance by Italian SMEs which represent 96.4% of clients who took out new leasing contracts in 2024.

Total leasing, broken down by leased asset type, was as follows:

- 61.4% vehicles (passengers cars, commercial vehicles, trucks)
- 27.4% office and industrial equipment and machinery
- 9.1% real estate
- 1.7% ships, aircrafts and rolling stocks
- 0.4% plants for the energy production from renewable sources

Table 1: Macroeconomic data for Italy (% Var. at constant price)

	2022	2023	2024
GDP	4.8	0.7	0.7
Inflation rate (%)	8.7	5.9	1.1
National Consumption	0.8	0.6	1.1
Gross fixed capital formation	7.4	9.0	0.5
Exports	9.9	0.2	0.4
Imports	12.9	-1.6	-0.7
Unemployment rate (%)	8.1	7.7	6.5

Source: Istat, September 2024

Table 2: New leasing business

(€ m)	2024		% Var. 24/23	
	Number	Value	Number	Value
Car financial leasing*	77,781	4,555,792	-1.5%	+0.8%
Car operating L/LT renting*	311,297	9,590,141	-18.6%	-12.5%
Commercial vehicle financial leasing*	36,986	1,728,972	+12.8%	+19.6%
Commercial vehicle operating L/LT renting*	55,601	1,596,907	+4.3%	+14.5%
Industrial vehicle leasing	22,523	3,028,671	+5.7%	+11.4%
Vehicles	504,188	20,500,483	-11.3%	-2.5%
Equipment finance leasing	87,828	7,695,392	-10.6%	-12.9%
Equipment operative leasing	106,068	1,468,052	+14.3%	+14.3%
Equipment	193,896	9,163,444	+1.5%	-9.5%
Ships, aircrafts and rolling stocks	271	567,668	+9.3%	+19.7%
Real estate	2,165	1,905,063	-2.6%	+18.2%
Real estate under construction	427	1,127,608	-15.6%	-11.1%
Real estate	2,592	3,032,671	-5.0%	+5.3%
Renewable energy	451	131,293	-4.8%	-46.3%
Total	701,398	33,395,559	-8.1%	-3.9%

(* Assilea processing on UNRAE data for the automotive sector)

Source: Assilea

Figure 1: Leasing contract trends 2014-24 (€bn)



Source: Assilea

Table 3: Leasing penetration rate on GDP and investment

	2021	2022	2023	2024
Penetration rate on GDP	1.6%	1.6%	1.6%	1.5%
Penetration rate on total investment	7.5%	7.3%	7.2%	6.9%
Penetration rate on equipment investment	9.9%	9.4%	7.7%	7.1%

Source: Assilea and Istat



Despite the 2024 slowdown, leasing remained a key driver of private investment, representing 1.5% of Italy's GDP, with a penetration rate to total investment of 6.9%.

Overall, the leasing market demonstrated resilience amid a complex macroeconomic context, with high interest rates badly slowing down investments in the first part of the year and market conditions improving over the second half of the year.

The vehicle leasing sector in general decreased by -2.5%. Within this context, car financial leasing volumes remained substantially stable (+0.8% new business volume and -1.5% new vehicle numbers), while long term car rental volumes reported -12.5%. It is important to underline that more than 56% of cars leased in 2024, had 'green' powertrain, namely electric, hybrid, or plug-ins.

Commercial vehicle leasing showed a positive trend, both in financial leasing (+19.6%) and operating leasing/ long term renting (+14.5%). A double-digit increase was also observed in industrial vehicle leasing (+11.4%).

The equipment leasing sector reported a -9.5% decline in financed volume, badly affected by weak business investment climate, particularly in financial leasing (-12.9%), while operating leasing

showed a positive trend (+14.3%).

Real estate leasing reported a positive trend (+5.3%) driven by leasing transactions on commercial and industrial properties, such as logistics and warehouses.

Leasing new business volume for "completed" properties increased (+18.2% in value and -2.6% in number), while decreased for "properties to be built" (-11.1% in value and -15.6% decrease in number).

The air, rail, and naval leasing sector remained a niche within the market, showing a significant growth rate (+19.7%).

Despite the negative result reported in 2024 (-46.3%), leasing remains a great tool to facilitate access to green assets and technologies such as photovoltaic systems, energy-efficient machinery, and low-emission vehicles—essential components in reducing carbon emissions and meeting national decarbonisation targets.

As the European green legislative framework and requirements become more structured, leasing is expected to play a growing role in bridging the gap

between policy ambition and practical implementation.

The outlook for Italy's leasing market in 2025 is cautiously optimistic. While macroeconomic uncertainty remains—driven by global trade tensions, geopolitical instability, and inflationary pressures—the reduction in interest rates could support a gradual recovery in companies' investments.

Leasing is expected to benefit from growing demand for investments in digital transformation, green technologies and assets, especially among SMEs. Sectors such as real estate, industrial equipment and green mobility are likely to drive growth.

Leasing will remain a resilient and adaptable financing tool, particularly important in aligning private sector investments with Italy's sustainability and innovation goals.

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companies" (companies with capital of over ¥0.1bn) showed a rise (3.9% up) for the third consecutive year. "Public sector and others" showed a rise (32.3% up) for the second year in a row. "Manufacturing" (2.8% down) decreased for the first time in the last three years. "Non-manufacturing" (9.8% up) increased, for the third consecutive year.

MARKET REVIEW

Overview of lease market

Japan's total lease transaction volume for FY2024 was ¥5,084.7bn, an increase of 9.8% compared with FY2023; and leasing capital investment was ¥4,671.0bn, an increase of 8% compared with FY2023, total lease transaction volume and leasing capital investment showed increase for the third year in a row.

Leasing percentage (ratio of leasing capital investment to the total private capital investment) in FY2024 was 4.34%; i.e. approximately 4% of private capital investments were made through leasing.

Lease transaction volume by type of equipment in FY 2024

Information and communication

equipment (18.9% up), transport equipment (12.3% up), and commercial and service equipment (13.6% up) showed double-digit increase. In addition, office equipment (0.5% up), factory equipment (1.0% up) increased.

On the other hand, industrial equipment (9.7% down), construction equipment (4.5% down), and medical equipment (0.3% down) turned to negative growth.

Lease transaction volume by size of lessee and by lessee's business type in FY 2024

"Small and Medium Sized Companies" (companies with capital of ¥0.1bn or less or sole proprietors) which accounted for approximately 50% of total lessees showed a rise (9% up) for the third year in a row. "Large

Leasing capital investment for FY 2024 on a consolidated basis

Leasing capital investment for FY2024 on a consolidated basis was ¥10,379.9bn, an increase of 12.8% compared with FY2023. Components were ¥6,708.8bn for domestic leasing (7.5% up) and ¥3,671.1bn for overseas leasing (23.9% up).

Laws and government policies

Legal characteristics of finance lease contracts

In Japan, where civil law and commercial law have no provisions for finance lease contracts, a finance lease contract is formed between the parties to the contract in accordance with the principle of freedom of contract. However, the provisions contained in the lease contract form (developed by the Japan Leasing Association) has

Table 1: Lease transaction volume, leasing capital investment and level of penetration

Fiscal Year	(A) Lease transaction volume (¥bn)	Yearly change (%)	(B) Leasing capital investment (¥bn)	Yearly change (%)	(C) Total private capital investment (¥bn)	Yearly change (%)	Penetration (%) (B)/(C)
2015	5,039.3	4.4	4,721.3	7.0	86,962.4	3.8	5.43
2016	5,020.3	-0.4	4,724.8	0.1	87,000.6	0.0	5.43
2017	4,875.9	-2.9	4,642.8	-1.7	90,183.4	3.7	5.15
2018	5,012.9	2.8	4,740.3	2.1	92,385.8	2.4	5.13
2019	5,333.1	6.4	4,993.8	5.3	91,502.5	-1.0	5.46
2020	4,591.0	-13.9	4,290.3	-14.1	85,940.7	-6.1	4.99
2021	4,218.6	-8.1	3,961.7	-7.7	91,043.7	5.9	4.35
2022	4,310.6	2.2	4,034.7	1.8	98,389.0	8.1	4.10
2023	4,629.9	7.4	4,324.3	7.2	101,819.6	3.5	4.25
2024	5,084.7	9.8	4,671.0	8.0	107,582.9	5.7	4.34

Note: Total Private Capital Investment, based upon nominal value, is researched by the Cabinet Office. Total Private Capital Investment is retroactively revised due to the benchmark revision of GDP. Fiscal Year above is defined as the accounting period from April 1 to March 31. The statistics above do not include hire-purchase transactions.

Source: JLA

become an established commercial custom in lease transactions. Major provisions of the lease contract form can be seen below:

Lease-related laws and regulations

In Japan, there is no law that specifically regulates leasing business or leasing companies. However, leasing business carried on by subsidiaries of financial institutions (banks, insurance companies, etc.) is regulated by the Banking Act and other related laws and regulations.

As equipment that is the subject of lease transactions and parties to lease contracts are diverse, leasing companies need to comply with various laws and regulations that are applicable to them. For example, if leased equipment is to be disposed of at the expiration of the lease period, laws and regulations applicable to such a disposal include the Waste Disposal and Public Cleansing Act (*Waste Disposal Act*), the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics

(*Act on Pharmaceuticals, Medical Devices, etc.*), the Act on the Rational Use and Management of Fluorocarbons (Fluorocarbons Emission Control Act), and other environmental laws and regulations.

On the other hand, lease contracts with consumers are governed by the Consumer Contract Act and the Act on Specified Commercial Transactions. In addition, as finance lease contracts fall under the category of Specified Transactions prescribed by the Act on Prevention of Transfer of Criminal Proceeds (Criminal Proceeds Transfer Prevention Act), leasing companies are required to conduct, among others, customer identification and screening when a finance lease contract is concluded and reporting of suspicious transactions to the competent authority.

While leasing companies are naturally obligated to comply with these laws and regulations, the Japan Leasing Association annually submits recommendations to the government for the reform of any regulations that are clearly unreasonable for lease transactions

and systems under which the use of leases is prohibited or restricted.

Government policies using leases

Government policies using leases can be classified into the following three categories:

- (a) Tax credits for certain capital investments
- (b) Subsidies
- (c) Government insurance

(a) Tax credits for certain capital investments: When a corporation or individual has introduced certain specified machinery and equipment (limited to new machinery and equipment) through a finance lease transaction, they are entitled to tax credits of an amount calculated as a certain percentage of the total lease payments that can be deducted from the amount of their corporation tax or income tax liability in the year in which the machinery and equipment has been put to use for their business (i.e., the year in which the lease commences). Various tax credits for capital investment are currently applied to the installation of equipment under a finance lease

Major provisions of the lease contract

Purpose of Contract	A lessor purchases the equipment designated by a lessee from the seller designated by the lessee, and then leases it to the lessee. The lessee uses it. The contract is non-cancellable.
Delivery of Equipment	The seller delivers the equipment to the lessee. After inspecting it and confirming there being no defect, the lessee issues to the lessor a certificate for that leased equipment with the commencement date written, and the delivery of the equipment from a lessor to a lessee is regarded as being completed on that date.
Commencement of Lease	The lessee is allowed to use the equipment from the date written in the certificate. The lease term starts from the commencement date written in the certificate based on the appendix. The lessee must make lease payments as the appendix stipulates.
Equipment Ownership	The lessee puts a label indicating that the equipment belongs to the lessor, avoiding the lessor's right being violated.
Obligation to Maintain and Repair	The lessee is responsible for maintaining and repairing the equipment. When it is damaged, the lessee incurs the cost for the recovery.
Warranty	The lessor does not need to take any warranty against defects. The lessee directly makes a claim against the seller for the defects. The lessor proceeds in assigning to the lessee the buyer's right against the seller. In this case, the lessee still must make lease payments to the lessor.
Breach of Contract	When the lessee fails to pay lease payments, violates provisions of the contract, or has fallen into credit impairment or bankruptcy, the lessor is allowed to terminate the contract and to require the lessee to return the equipment and to pay the outstanding lease payments.
Renewal of Contract (Re-lease)	It is possible to renew the lease contract on the same equipment as long as the parties agree before the lease term expires. (There are two methods: One is to sign a new lease contract; the other is to renew the original contract for another year based on the conditions in the appendix of the contract.)
Return of Equipment/Settlement	When the contract is terminated by the expiry of the lease term or prematurely terminated, the lessee is responsible for returning the equipment to the place designated by the lessor. If the equipment is returned and the lessee pays the outstanding lease payments in the middle of the lease term in accordance with the clause 19, the difference between the estimated residual value and that of equipment at the termination should be settled down.

contract, including the taxation system for business enhancement of small and medium-sized enterprises, that for promoting capital investment by small and medium-sized enterprises and that for facilitating environment-related investment by small and medium-sized enterprises.

In Japan, fixed property tax is imposed on land, buildings, and depreciable operating assets. However, a tax exemption measure has been in place (and will continue to be effective through March 31, 2027) to cut fixed property tax to one-fourth for five years after the introduction when a small

and medium-sized enterprise introduces facilities (machinery and equipment, furniture and fixtures, measuring instrument and inspection tools, and facilities attached to buildings), provided that the lessee announces a wage increase.

In principle, the owner of the applicable machinery and equipment is required to pay fixed property tax (in the case of a leased property, the leasing company is the taxpayer). However, a leasing company is entitled to tax reduction mentioned above also in the case of the introduction of machinery and equipment under a finance lease,

provided that it has indicated to the lessee lease payments reflecting the reduction of fixed property tax that is available to the leasing company.

(b) Subsidies: Under specific policy objectives, the national or local governments grant subsidies to cover part of lease payments to persons engaging in certain specified businesses when they have introduced equipment under a lease contract. Today, subsidies for supporting labour-saving investment by small and medium-sized enterprises, subsidies for the purpose of facilitating the introduction of

Table 2: Trend in lease transaction volume by type of equipment

	Lease transaction volume (¥bn)				Component ratio (%)				Yearly change (%)			
	FY2021	FY2022	FY2023	FY2024	FY2021	FY2022	FY2023	FY2024	FY2021	FY2022	FY2023	FY2024
Information and Communication Equipment	1,660.2	1,625.2	1,731.2	2,058.0	39.4	37.7	37.4	40.5	-6.2	-2.1	6.5	18.9
Computer Hardware	849.6	934.8	1,058.2	1,233.5	20.1	21.7	22.9	24.3	-8.6	10.0	13.2	16.6
Computer Software	316.3	300.8	291.2	356.6	7.5	7.0	6.3	7.0	-4.1	-4.9	-3.2	22.5
Telecommunication Equipment	494.3	389.6	381.8	467.9	11.7	9.0	8.2	9.2	-3.0	-21.2	-2.0	22.6
Office Equipment	324.9	343.0	358.8	360.8	7.7	8.0	7.8	7.1	-12.1	5.6	4.6	0.5
Industrial Equipment	378.6	419.7	427.9	386.3	9.0	9.7	9.2	7.6	-14.5	10.8	2.0	-9.7
Factory Equipment	76.2	74.7	80.3	81.1	1.8	1.7	1.7	1.6	-19.3	-1.9	7.5	1.0
Construction Equipment	143.1	142.5	152.7	145.7	3.4	3.3	3.3	2.9	-2.3	-0.4	7.1	-4.5
Transport Equipment	643.0	630.0	742.4	834.0	15.2	14.6	16.0	16.4	-1.2	-2.0	17.8	12.3
Automobile	557.3	557.5	654.6	733.7	13.2	12.9	14.1	14.4	-5.0	0.0	17.4	12.1
Vessel	7.4	9.4	9.6	5.8	0.2	0.2	0.2	0.1	-8.3	28.2	1.1	-38.8
Medical Equipment	201.0	222.7	238.7	238.0	4.8	5.2	5.2	4.7	-3.9	10.8	7.2	-0.3
Commercial and Service Equipment	452.8	496.3	521.1	591.7	10.7	11.5	11.3	11.6	-7.1	9.6	5.0	13.6
Commercial Equipment	316.8	337.8	352.6	385.9	7.5	7.8	7.6	7.6	-6.8	6.6	4.4	9.4
Others	338.9	356.5	377.0	389.1	8.0	8.3	8.1	7.7	-19.5	5.2	5.7	3.2
Physical and Chemical Equipment	62.6	71.0	73.3	740.2	1.5	1.6	1.6	1.5	-24.6	13.4	3.2	0.9
Total	4,218.6	4,310.6	4,629.9	5,084.7	100.0	100.0	100.0	100.0	-8.1	2.2	7.4	9.8

Note: FY above is defined as the accounting period from April 1 to March 31. The statistics above do not include hire-purchase transactions.

Source: JLA

Table 3: Trend in lease transaction volume by size of lessee

	Lease transaction volume (¥bn)				Component ratio (%)				Yearly change (%)			
	FY2021	FY2022	FY2023	FY2024	FY2021	FY2022	FY2023	FY2024	FY2021	FY2022	FY2023	FY2024
Large Companies	1,496.3	1,600.0	1,618.1	1,681.6	35.5	37.1	34.9	33.1	-12.2	6.9	1.1	3.9
Listed companies	614.8	669.5	711.5	701.9	14.6	15.5	15.4	13.8	-17.8	8.9	6.3	-1.3
Small and Medium Sized Companies	2,128.7	2,229.6	2,494.5	2,718.6	50.5	51.7	53.9	53.5	-8.6	4.7	11.9	9.0
Public Sector and Others	593.6	481.0	517.3	684.5	14.1	11.2	11.2	13.5	6.3	-19.0	7.5	32.3
Total	4,218.6	4,310.6	4,629.9	5,084.7	100.0	100.0	100.0	100.0	-8.1	2.2	7.4	9.8

Note: FY above is defined as the accounting period from April 1 to March 3. The statistics above do not include hire-purchase transactions.

Source: JLA

energy-saving facilities and low carbon equipment by small medium-sized enterprises, etc. and the various subsidies for those who engage in agriculture and fishery are created.

(c) Government insurance: The "low carbon equipment lease credit insurance" is an insurance program under which 50% of the damage suffered by the lessor who had concluded a finance lease contract with a small and medium-sized enterprise, etc. for eligible carbon equipment when it can no longer receive lease payments due to, for example, the default of the lessee is compensated for by insurance proceeds paid by the government.

Initiative to realise a circular economy

In Japan, both public and private sectors are working together to promote initiatives to realise a circular economy for circulating resources within Japan.

One of the notable characteristics of leases in Japan (finance leases which do not transfer the title of the leased asset to the lessee and operating leases) is that the leased property is returned to the leasing company from the lessee upon the expiration of the contractual lease

term. The returned leased asset is sold by the leasing company to a second-hand dealer for effective utilization by an enterprise or government office.

While leased property is entrusted to an industrial waste disposal company for disposal if it cannot be sold, efforts are made to promote its recycling by selecting a disposal company with a high recycling rate.

In order to promote circular economy initiatives in the leasing industry, the Japan Leasing Association set the following FY2030 targets in September 2024: (i) Raise the utilisation rate of leased property upon the expiration of lease term to at least 95% and (ii) Raise the recycling rate of waste plastic (of leased property upon the expiration of lease term) to at least 90%.

Accounting for leases

Trends in new lease accounting standard

The Accounting Standards Board of Japan (ASBJ) has been developing an "accounting standard that recognises assets and liabilities for all leases," similar to IFRS 16 and Topic 842, and the new lease accounting standard was issued in September 2024. The new lease accounting standard will be applied from fiscal years beginning on or after April 1, 2027.

Outline of new lease accounting standard

• **Basic approach:** The basic approach of the new lease accounting standard is to ensure consistency of lessee accounting with IFRS 16 while retaining the treatment under the previous lease accounting standard for lessor accounting.

• **Scope:** The new lease accounting standard is applied to consolidated and non-consolidated financial statements of companies to which "Accounting Guidance for SME" or "Accounting Basic Outline for SME" is not applied.

In Japan, preparers are permitted to prepare their consolidated financial statements in accordance with IFRS 16 and Topic 842, and such companies will apply the new lease accounting standard to their non-consolidated financial statements.

• **Definition of lease:** A contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

• **Identification of a lease:** The lessee and the lessor assess whether a contract contains a lease when the contract is concluded. More specifically, if a contract conveys the right to control the use of an identified asset for a period of time



In 2024, Japan's total lease transaction volume and leasing capital investment showed growth for the third year in a row, with the former up by 9.8% to ¥5,084.7bn and the latter up by 8% to ¥4,671.0bn.

Table 4: Trend in lease transaction volume by lessee's business type

	Lease transaction volume (¥bn)				Component ratio (%)				Yearly change (%)			
	FY2021	FY2022	FY2023	FY2024	FY2021	FY2022	FY2023	FY2024	FY2021	FY2022	FY2023	FY2024
Agriculture, Forestry, Fisheries, and Mining and quarrying of stone and gravel	49.5	54.7	61.0	58.2	1.2	1.3	1.3	1.1	-3.3	10.4	11.6	-4.6
Construction	298.2	305.1	329.9	342.3	7.1	7.1	7.1	6.7	-4.6	2.3	8.1	3.8
Manufacturing	702.6	758.2	827.4	804.0	16.7	17.6	17.9	15.8	-9.3	7.9	9.1	-2.8
Manufacture of Food	112.8	117.3	120.0	125.8	2.7	2.7	2.6	2.5	7.7	4.0	2.3	4.8
Textile mill, Lumber and wood, and Pulp Products	50.6	58.9	69.2	66.3	1.2	1.4	1.5	1.3	-9.6	16.4	17.5	-4.2
Chemical and allied, Petroleum and coal, Plastic Products	72.8	80.7	84.8	90.2	1.7	1.9	1.8	1.8	-11.3	10.9	5.0	6.4
Iron and Steel, Non-ferrous Metal, and Fabricated Metal Products	97.9	105.1	116.5	121.7	2.3	2.4	2.5	2.4	-19.5	7.4	10.8	4.5
Production, Electrical, Information and Communication, Transportation Machinery	273.4	296.0	328.7	283.6	6.5	6.9	7.1	5.6	-11.3	8.3	11.0	-13.7
Others	95.1	100.2	108.2	116.4	2.3	2.3	2.3	2.3	-6.6	5.3	8.0	7.6
Non-manufacturing	2,630.4	2,685.9	2,912.8	3,199.3	62.4	62.3	62.9	62.9	-9.2	2.1	8.4	9.8
Electricity, Gas, Heat supply and Water	41.1	33.6	53.1	62.0	1.0	0.8	1.1	1.2	-47.7	-18.4	58.2	16.7
Information and Communications	314.5	255.5	230.3	252.4	7.5	5.9	5.0	5.0	-11.5	-18.8	-9.9	9.6
Transport and Postal activities	262.0	252.4	323.0	365.5	6.2	5.9	7.0	7.2	-6.6	-3.6	28.0	13.1
Wholesale and Retail trade	650.1	671.0	710.6	736.2	15.4	15.6	15.3	14.5	-6.1	3.2	5.9	3.6
Finance and Insurance	141.6	169.3	201.8	213.4	3.4	3.9	4.4	4.2	6.4	19.6	19.2	5.7
Real estate, Goods rental, and Leasing	221.0	214.3	249.5	246.7	5.2	5.0	5.4	4.9	-13.5	-3.0	16.4	-1.1
Accommodations, Eating and drinking services	76.4	95.0	101.3	114.9	1.8	2.2	2.2	2.3	-13.5	24.3	6.6	13.5
Medical, Health care and Welfare	285.5	339.1	373.3	390.3	6.8	7.9	8.1	7.7	-5.0	18.8	10.1	4.6
Services, N.E.C.	638.2	655.6	669.9	818.0	15.1	15.2	14.5	16.1	-10.5	2.7	2.2	22.1
Government, Except elsewhere classified	537.9	506.7	498.8	680.8	12.7	11.8	10.8	13.4	-3.1	-5.8	-1.6	36.5
Total	4,218.6	4,310.6	4,629.9	5,084.7	100.0	100.0	100.0	100.0	-8.1	2.2	7.4	9.8

Note: FY above is defined as the accounting period from April 1 to March 31. The statistics above do not include hire-purchase transactions.

Source: JLA

in exchange for consideration, the contract contains a lease.

• Separating the lease component and the service component:

In principle, the lessee and the lessor account for a contract that contains a lease by separating its lease component and non-lease component.

However, the lessee may account for a contract that contains a lease by deeming the entire lease as the lease component without separating its lease component and non-lease component.

• Lease term: The lessee determines the lease term as the non-cancellable period of a lease, together with both (a) and (b) below. In Japan, the same lessee often chooses to continue to

use the identical property after the expiration of the lease term ("re-lease"). Such an arrangement does not fall under an option to extend the lease unless it is clear that the lessee will re-lease the property.

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The lessor determines the lease term by choosing a method between (c) and (d) below. (c) is the same method as IFRS 16 while (d) is the same as the previous lease accounting standard.

- determine the lease term in the same manner as the lessee; or
- determine the lease term by adding together the non-cancellable period and the lease term of a re-lease into which the lessee has a clear intention to enter.

Lessee accounting for finance Lease

• Recognition of Right-of-use Assets and Lease Liability. On the lease commencement date, the lessee recognises a lease liability for the amount calculated as the present value of its lease payments less the interest component and right-of-use assets for the amount calculated as the lease liability plus the lessee's lease payments paid though the

lease commencement date, any incidental expenses, and retirement expenses corresponding to its asset retirement obligation, less the amount of lease incentives received.

• **Accounting for the interest component.**

The interest component is allocated over the lease term by using the interest method.

• **Depreciation of Right-of-use Assets**

1. **Cases in which the title of the underlying asset is considered to be transferred to the lessee.**

Depreciation shall be calculated by the same method as the method that would be applied if the lessee owned the underlying asset. In this case, the applicable useful life shall be expected economic life of the underlying asset, and the residual value shall be reasonably estimated.

2. **Cases other than the cases in which the title of the underlying asset is considered to be transferred to the lessee.**

An appropriate depreciation method, such as a straight-line method, shall be selected in view of the actual situation of the lessee. In this case, the applicable useful life shall, in principle, be the lease term of the lessee, and the residual value shall be zero.

- recognising interest expenses.
- ii) The simplified accounting method in which the lessee recognises the amount of the interest component of lease payments on a straight-line basis over the lease term. Although the lessee recognises both interest payment and depreciation expense, the amount of the interest component is allocated on a straight line basis over the lease term.

The ratio of the outstanding lease payments at the year-end

$$\frac{\text{The balance of the remaining lease payments at the year-end}}{\text{The balance of the remaining lease payments at the year-end} + \text{the balance of the fixed assets and intangible fixed assets}} < 10\%$$

• **Lease with small-assets and lease with short term.** A lessee of a short-term lease or a lease of a low-value asset may choose not to recognise the right-of-use assets and the lease liability in the balance sheet.

- a) Short-term lease. A lease that, at the commencement date, has a lease term of 12 months or less. A lease that contains a purchase

- option is not a short-term lease.
- b) Lease of a low-value asset. A lease of a low-value asset is a lease that falls under (i) or (ii) below. For (ii), either 1) or 2) must be selected.

- i) For a lessee that has adopted a method of recognising expenses for immaterial depreciable assets when they are purchased, a lease whose individual lease payments do not exceed the base amount for such treatment; or
- ii) 1) A lease that is considered to be immaterial in light of the business of the lessee and whose total lease payments per contract are not more than ¥3m.
- 2) A lease of an underlying asset whose brand-new value is not more than US\$5,000.

• **Lessor accounting for finance lease.**

A lessor is required to classify leases as finance or operating for accounting purposes. For finance leases, the same classification between finance leases which transfer the title of the leased asset to the lessee and finance leases which do not as under the previous lease accounting standard is retained in view of the actual situation of leases in Japan.

Simplified accounting requirements by lessee for finance lease

• **Right-of-use Assets without materiality of their total amount.**

A lessee is allowed to account for immaterial finance leases which do not transfer the title to leased asset to the lessee in accordance with a simplified accounting method if the ratio of the ending balance of prepaid lease payments is less than 10%. The simplified accounting method a lessee may adopt is either (i) or (ii) below.

- i) The simplified accounting method in which the lessee does not allocate lease payments between interest component and liability component. A lessee recognises a right-of-use asset and a lease liability for the amount of its lease payments. The lessee only recognises depreciation expenses in profit and loss without



Japan's leasing of Information and communication equipment retained its top spot in the rankings in 2024, and, at ¥2,058bn, showed 18.9% growth on the 2023 figures.

Table 5: Trend in leasing capital investment (consolidated basis)

		Leasing capital investment (¥bn)				Component ratio (%)				Yearly change (%)			
		FY2021	FY2022	FY2023	FY2024	FY2021	FY2022	FY2023	FY2024	FY2021	FY2022	FY2023	FY2024
Domestic	Finance Lease	4,303.3	4,344.1	4,608.1	4,955.6	57.7	52.0	50.1	47.7	-3.8	0.9	6.1	7.5
	Operating Lease	1,301.6	1,397.8	1,634.0	1,753.2	17.4	16.7	17.8	16.9	13.8	7.4	16.9	7.3
	Total	5,604.9	5,741.9	6,242.1	6,708.8	75.1	68.7	67.8	64.6	-0.2	2.4	8.7	7.5
Overseas	Finance Lease	579.6	1,142.1	1,115.6	1,300.7	7.8	13.7	12.1	12.5	37.4	97.0	-2.3	16.6
	Operating Lease	1,276.8	1,469.4	1,847.1	2,370.4	17.1	17.6	20.1	22.9	55.0	15.1	25.7	28.3
	Total	1,856.4	2,611.5	2,962.7	3,671.1	24.9	31.3	32.2	35.4	49.0	40.7	134.0	23.9
Total		7,461.3	8,353.4	9,204.8	10,379.9	100.0	100.0	100.0	100.0	8.7	12.0	10.2	12.8

Note: Companies subject to the consolidated lease statistics were the 27 companies to which the Association's directors and auditors belong (of which 22 companies were included in the statistics).

Calculated by adding the statistics, i.e. consolidated lease statistics (after adjustment for duplication) to the non-consolidated lease statistics.

FY above is defined as the accounting period from April 1 to March 31. The statistics above do not include hire-purchase transactions.

Source: JLA

• **Specific criteria for identifying**

a finance lease. A lease is determined to be a finance lease if it satisfies either (a) or (b) below:

- a) Present value criterion - The present value of lease payments receivable by the lessor is approximately 90% or more of the cash purchase price of the underlying asset.
- b) Economic life criterion - The lease term of the lessor is approximately 75% or more of the economic life of the underlying asset.

• **Finance lease which transfers the title of the leased asset to the lessee.**

A lease is determined to be a finance lease which transfers the title of the leased asset to the lessee if it falls under any of (i) through (iii) below. In Japan, the transaction volume of finance leases which transfer the title of the leased asset to the lessee is small.

- i) A lease which includes a title-transfer option - A lease grants a lessee an option which transfers the title of leased asset at a nominal price or nil during or at the end of the lease term.
- ii) A lease which includes a bargain purchase option - A lease whose contractual terms grant a lessee an option whose exercise is expected to be certain and which enables the lessee to purchase the leased asset during or at the end of the lease term at a nominal price or at a significantly

advantageous price for the lessee compared to the value of the leased asset at the time of the exercise of the option.

- iii) A lease of property made to special specifications - The leased property has been produced or constructed in accordance with special specifications that suit the use, etc. of the lessee, and it is difficult for the lessor to lease or sell the leased property to a third party after it is returned. Therefore, it is clear that the leased asset will be used only by the lessee throughout its useful life.

• **Finance lease which does not transfer the title of the leased asset to the lessee.** A finance lease which does not transfer the title of the leased asset to the lessee is a finance lease which is not classified as a finance lease which transfers the title of the leased asset to the lessee. In Japan, the transaction volume of finance leases which do not transfer the title of the leased asset to the lessee is larger than that of finance leases which transfer the title of the leased asset to the lessee.

• **Recognition of investment asset in leases or lease receivable.** For a finance lease which does not transfer the title of leased asset to the lessee, a lessor should initially recognise an investment in lease on its balance sheet at inception, while a lessor should initially recognise a lease receivable for a

finance lease which transfers the title to leased asset to the lessee.

• **Accounting for Finance Leases.** The lessor accounts for finance leases in accordance with (a) or (b) below depending on its actual practice. The method of recognising sales revenue and cost of sales as the lessor receives lease payments, which was prescribed by the previous lease accounting standard, has been abolished.

- a) A lease offered, in the course of its business, by a lessor engaged in a manufacturing or sales business
 1. At the inception of the lease, recognize sales revenue for the amount calculated as lease payments receivable by the lessor less the interest component and investments in leases for the same amount. Cost of sales is also recognized at the carrying amount of the underlying asset; and
 2. Separate lease payments received each period by the lessor into the interest component and investments in leases and recognize the interest component in profit or loss for each period; or
- b) A lease offered, in the course of its business, by a lessor engaged in a business other than a manufacturing or sales business.
 1. At the inception of the lease, recognise investments in leases at the cash purchase price of the underlying asset; and



Three of Japan's leasing categories experienced negative growth in 2024: industrial equipment (9.7% down), construction equipment (4.5% down), and medical equipment (0.3% down).

2. Separate lease payments received each period by the lessor into the interest component and investments in leases and recognize the interest component in profit or loss for each period

• **Accounting for Operating Leases.**

An operating lease is a lease other than a finance lease. The lessor recognises leased assets and depreciates them while recognising lease payments received as revenue.

• **Accounting for sale and leaseback transactions.**

The new lease accounting standard has adopted the guidance provided by Topic 842. If a sale and leaseback transaction satisfies either (a) or (b) below, the seller-lessee shall account for the transaction as a finance transaction by deeming it as one transaction that combines asset transfer and lease back. If the transaction does not satisfy any of these requirements, the seller-lessee shall recognise the transfer of asset in profit or loss in accordance with other applicable accounting standards, such as the accounting standard for revenue recognition, and account for the leaseback as a lessee in accordance with applicable accounting standards and this application guidance.

- a) According to other applicable accounting standards, such as the accounting standard for revenue

recognition, the transfer of asset by the seller-lessee does not fall under a sale for which profit or loss should be recognized.

- b) According to other applicable accounting standards, such as the accounting standard for revenue recognition, the transfer of asset by the seller-lessee falls under a sale for which profit or loss should be recognized, but the seller-lessee receives substantially all economic benefits and bears substantially all costs arising from the use of the asset under the leaseback.

The buyer-lessor accounts for a sale and leaseback transaction as a finance lease or an operating lease.

Accounting for small and medium sized companies

A small and medium sized company which is classified as neither (i) nor (ii) below is able to adopt "Accounting Guidance for SME", instead of adopting the new lease accounting standard.

- i) A company, its consolidated company, and its affiliated company to which the Financial Instruments and Exchange Act apply
- ii) A company with an accounting auditor and its consolidated company, including a company which meets the conditions below.

- A company whose capital stock is equal to or more than ¥500m
- A whose liability is equal to or more than ¥20bn

A lessee who applies the "Accounting Guidance for SME" may alternatively choose to account for a finance lease which does not transfer the title to leased asset to the lessee in accordance with the accounting method for a rental transaction (i.e. off-balance sheet treatment).

• **Accounting basic outline for small and medium sized companies.**

"Accounting Basis Outline for SME" is intended to be applied to SMEs which should apply an easier and more understandable standard than "Accounting Guidance for SME". Under the "Accounting Basis Outline for SME", a lessee would generally account for a finance lease as a rental transaction (i.e. off-balance sheet accounting).

Taxation

2025 Tax Reform

The 2025 tax reform has been enacted to incorporate new requirements in response to the introduction of the new lease accounting standard. For tax purposes, the classification between finance lease and operating lease has been retained for both the lessee and the lessor.

Lease payments paid by a lessee who has accounted for operating leases in accordance with accounting requirements for a rental transaction have been treated as deductible expenses in accordance with the general provisions of the Corporation Tax Act. However, the 2025 tax reform has indicated that lease payments for operating leases whose obligations have been finalised are deductible.

As a result, the expenses recognised by the lessee in accordance with the new lease accounting standard (depreciation of right-of-use assets pertaining to operating leases and their interest component) are not considered to be deductible for tax purposes while lease payments for operating leases whose obligations have been finalised are deductible provided that the lessee has filed a tax adjustment.

A lessee who does not adopt the new lease accounting standard will not be affected by the 2025 tax reform.

Corporation Tax

• **Definition of finance lease transaction.**

Under the current lease taxation, a lease is defined as a rental transaction of assets which meets both criteria below.

- i) A lease which is non-cancellable for the lease term, or a lease that is similar to that.
- ii) A lease in which the lessee is able to substantially derive all the economic benefits arising from the leased asset, and the lessee pays substantially all of the costs arising from the use of assets.

• **Classification for Finance Lease.**

A finance lease is classified as either a finance lease which transfers the title of the leased asset to the lessee or a lease which does not. If a finance lease meets one of the criteria below, that finance lease is classified as a finance lease which transfers the title of leased asset to the lessee.

- i) **A lease which includes a title-transfer option.** A lease grants a lessee an option which transfers the title of leased asset at a nominal price or nil during the lease term or at the end of the lease term.
- ii) **A lease which includes a bargain purchase option.** A lease grants a lessee an option which enables the lessee to purchase the leased asset at a significantly advantageous price for the lessee during the lease term or at the end of the lease term.
- iii) **A lease in which the leased asset is not be able to be distinguished from lessee's own assets, and a lease in which only the specific lessee will or can use the leased asset.** It is expected that only the specific lessee will or can use the leased asset for the economic life of the asset, from the standpoint of the type, usage, and location of the leased asset. In addition, a leased asset is not able to be distinguished from the other assets owned by the lessee.
- iv) **A lease whose lease term is**

significantly shorter than the legal economic life of the leased asset. A lease term is significantly shorter than the legal economic life of the leased asset (only if it is expected that the short-term lease causes substantial tax reduction for the lessee.).

There is no criterion (iv) in the lease accounting standard. If a lease term is much shorter than the legal economic life of the leased asset, the lease (a finance lease) is treated as a finance lease which transfers the title of leased asset to the lessee under the tax treatment even if the lease does not legally transfer the title to the leased asset to the lessee.

• **Basis of taxation on finance lease transaction.** A lessor and a lessee would calculate their taxable income by each fiscal year, as if a leased asset were sold or purchased when the leased asset was delivered from the lessor to the lessee.

• **Depreciation on leased assets.** A lessee should depreciate its leased asset under a finance lease which does not transfer the title of the leased asset to the lessee based on a specified depreciation method, which is called "straight line method during the lease term". While a lessee who has adopted the new lease accounting standard is required to depreciate right-of-use assets, depreciation of right-of-use assets pertaining to a finance lease which does not transfer the title of the leased asset to the lessee is treated as depreciation of leased assets.

$$\frac{\text{(Acquisition cost of leased asset) (*)}}{\text{The number of months in the lease term}} \times \frac{\text{The number of months in the lease term in the FY}}{\text{in the FY}}$$

* *Under the tax treatment for leases, a lessee treats the amount of the total lease payments as the acquisition cost of the leased asset in principle. If a lessee recognises the leased asset at the estimated purchase price or the present value of the total lease payments in accordance with the new lease accounting standard,*

the lessee is allowed to treat that amount as the acquisition cost. If the amount of the total lease payments includes a residual value of leased asset guaranteed by a lessee, the lessee should exclude that residual value when calculating the depreciable amount.

A lessee is not allowed to account for a leased asset in accordance with the straight-line method during the lease term, if that leased asset arises from a finance lease which transfers the title of leased asset to the lessee. The lessee would depreciate that leased asset over its legal life, using the same depreciation method the lessee applies to the assets owned by the lessee.

• **Lease payment.** A lessee who has separated the interest component from lease payments for a finance lease may account for the interest component as interest expenses and, for tax purposes, as deductible expenses.

• **Tax treatment for finance lease accounted for in accordance with accounting requirements for a rental transaction.** Under the lease accounting standard, there are some cases in which a lessee and a lessor are allowed to account for a finance lease which does not transfer the title of leased asset, according to the accounting method for a rental transaction (i.e. off-balance sheet treatment for lessees). However, under the tax treatment for leases, such finance leases are still treated as sale/purchase transaction of leased asset (that is, the amount a lessee recognises as lease expense in profit and loss statement is classified as depreciation in the tax treatment.). In this case, a lessee is not required to submit a statement for how the lessee calculates the expenses recognized as depreciation expenses.

• **Tax treatment on lessor.** The lessor is permitted to recognize revenue for tax purposes in the same manner as the accounting treatment under the new lease accounting standard.

• **Sale and lease back transaction.** A sale and leaseback transaction is a transaction in which a lessee sells its own asset to a lessor,



Japan's leasing capital investment in FY2024 on a consolidated basis was ¥10,379.9bn, an increase of 12.8% compared with FY2023.

and the lessee uses the asset through a lease with the lessor.

Some sale and lease back transactions are regarded as not sale and purchase transactions but loans to a lessee, based on the type of leased asset as well as the situation and the circumstance. If a sale and lease back transaction is regarded as a loan to a lessee, the lessee and the lessor should calculate the amount of the taxable income by each fiscal year, as if there were not a sale/purchase transaction of leased asset, but a loan from the lessor to the lessee.

Consumption Tax

Consumption tax is levied on the amount of consideration paid in certain transactions (i.e., transfer of assets, rental of assets, and provision of services) carried out by business operators for consideration in the course of its business in Japan and the amount of acceptance value (including customs duty) of foreign goods that are accepted from the bonded area.

For finance lease transactions (lease transactions under the Corporation Tax Act), consumption tax is levied on the total lease payments when the asset is delivered (date of inception of the lease).

The lessee deducts the consumption tax amount levied on the total lease payments as the consumption tax amount pertaining to taxable purchase from the consumption tax amount

pertaining to its taxable sales at once in the tax period to which the date of inception of the lease belongs. However, if the lessee accounts for lease payments as a rental transaction, it may deduct only the consumption tax amount levied on the lease payments paid during each tax period as the consumption tax amount pertaining to taxable purchase (deduction in instalments).

The lessor accounts for the total lease payments for finance leases as taxable sales for the taxable period containing the lease commencement date.

As for operating lease transactions (rental transactions other than lease transactions under the Corporation Tax Act), consumption tax is levied on lease payments paid each month.

Personal Property Tax

Personal property tax is imposed on fixed assets such as a land, a house, a depreciable asset, based on the Local Tax Law. The personal property tax is imposed on the value of the assets, and the tax rate for depreciable assets is 1.4%.

As explained above, the Corporation Tax Act treats a finance lease which does not transfer the title of leased asset, as if a lessor sells the leased asset to a lessee, while the Local Tax Law regulates that an entity or person who is registered as an owner of the asset in the book for depreciable assets should pay the personal property tax. Therefore, a lessor

would pay the personal property tax associated with leased assets if the lessor is registered as an owner of the leased assets. In almost all the lease transactions in Japan, lessors pay the personal property tax associated with leased assets in practice.

No personal property tax is imposed on a leased asset, if the purchase price of the leased asset is less than ¥0.2m.

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MARKET REVIEW

Economic overview

According to the Kenya National Bureau of Statistics (KNBS) Economic Survey 2025, Kenya's real GDP grew by 4.7% in 2024, down from a revised 5.7% in 2023. This growth was primarily driven by:

- Agriculture, Forestry & Fishing (4.6%)
- Financial & Insurance
- Activities (7.6%)
- Transportation & Storage (4.4%)
- Real Estate (5.3%)

Import expenditure rose from US\$ 20bn to US\$21.2bn, with industrial machinery accounting for 8%.

The number of newly registered road motor vehicles fell by 21.4% to 93,646 in 2024. On the fiscal front, Central Bank Rate (CBR) was reduced to 11.25% in December 2024 from 12.50% in December 2023, as part of monetary policy measures to stimulate economic activity. However, commercial bank interest rates rose to 16.89% during the review period. Credit to the private sector declined, while investment in government securities increased.

Asset finance and leasing market overview

Kenya's asset finance and leasing market was dominated by banks, independent lessors, and vendor lessors. In 2024, these players underwrote a total

business volume of US\$628m, a 15% increase from 2023. Leasing and asset finance accounted for approximately 10% of total expenditure on plant, machinery, and motor vehicles. Despite the low penetration rate, most plant and machinery acquisitions are financed. Leasing has primarily been adopted by government entities, corporates, and medium enterprises, with motor vehicles being the dominant asset class.

Current market and emerging opportunities

Motor assets accounted for over 90% of the 2024 business volume. Emerging opportunities in renewable energy and healthcare particularly under the National Equipment Support Programme (NESP) aligned with the Universal Health Coverage (UHC) agenda are expected to drive leasing growth in 2025/2026.

The electric vehicle (EV) segment grew to 1% of total business volume, driven by a vendor lessor focused on public service vehicles. This segment is expected to expand as more vendor lessors acquire dealership rights for private and commercial EVs. A national government EV leasing tender is anticipated in 2026.

Private sector transactions dominated, with government-related projects accounting for less than 5% due to the absence of government leasing contracts in 2024. Medium

Enterprises (annual turnover between US\$1m and US\$20m) were the largest customer segment. SME participation remained minimal, presenting a growth opportunity.

Business was spread across sectors including Transport and Logistics, Manufacturing, Agriculture, Financial Services, Renewable Energy, ICT, Retail, and Hospitality. Government focus on agriculture, healthcare, MSMEs, digitalisation, and youth empowerment is expected to further stimulate leasing growth.

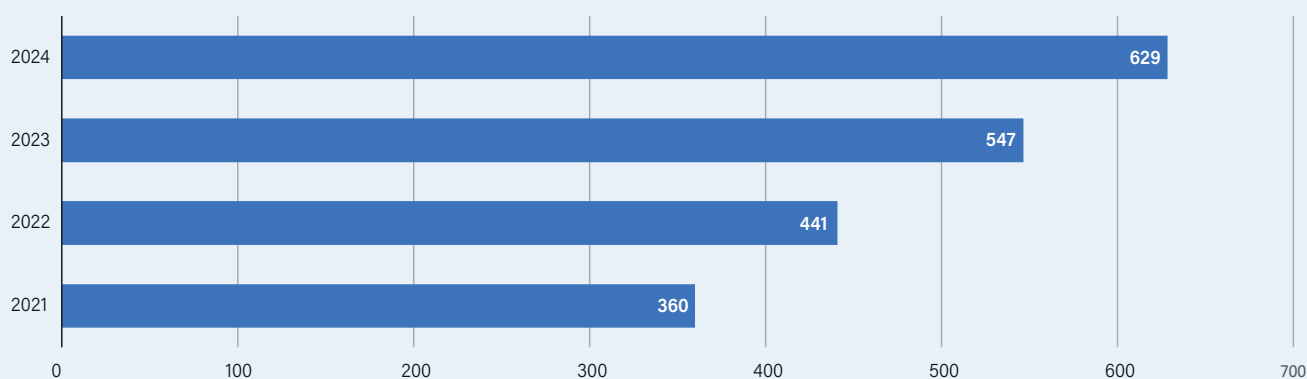
Public-private partnerships for infrastructure projects such as geothermal energy, data centres, and digitisation are likely to require significant capital investment and could be structured under Build-Operate-Transfer (BOT) models, a form of leasing.

Funding

Most players relied on own capital and bank financing. The cost of credit continues to impact industry growth. In 2024, the Central Bank of Kenya (CBK) pushed to lower credit costs, as banks prioritised government securities over private sector lending. This funding gap presents an opportunity for non-bank financial institutions such as pension funds and development finance institutions – to partner with leasing firms and drive industry growth.

Technology

The industry survey revealed widespread adoption of technology, including ERP systems and leasing/banking platforms. However, AI integration remains limited. This is expected to change, as Kenya ranks highest globally in ChatGPT user penetration and third in web traffic to the platform, according to the July 2025 Global Digital Report by Data Reportal and Meltwater. Corporate institutions are likely to adopt AI for operations, including leasing where it can help enhance credit scoring for risk profiling and asset management.

Table 1: Market disbursements (US\$m)

Source: 2025 Economic Survey, Kenya National Bureau of Statistics and Leasing Association of Kenya, Industry Statistics Survey 2024

Industry challenges

Key challenges identified in the LAK survey include:

- Funding and liquidity constraints
- Limited customer acquisition
- Defaults and delayed payments
- Competitive pricing pressure
- Taxation and compliance burdens

Despite these challenges, the low market penetration indicates significant growth potential. Strategic partnerships with funders, equipment manufacturers, and professional service providers alongside technology adoption for credit scoring and asset management can positively impact the industry. The growth opportunities are across asset class, economic sectors and customer segments.

Regulatory framework

The Movable Properties Securities Rights Act (2017, revised 2023) aimed to enhance asset securitisation. However, many banks have yet to fully embrace its collateralisation provisions, limiting its impact on equipment leasing. The Act allows financiers to register financial rights on leased assets, potentially expanding funding sources for lessors.

The Government Transport Policy (2024), developed by the National Treasury and Economic Planning, addresses fleet management weaknesses and serves as a pilot for public sector leasing. The government is also developing

standard leasing guidelines, expected to boost leasing adoption in procurement of public assets.

Leasing is currently unregulated in Kenya. However, the Business Laws Amendment Act (2024) mandates regulation of non-deposit-taking credit providers under CBK. Draft CBK Non-Deposit Taking Providers Regulations (2025) are likely to capture leasing companies, though the regulations have a focus on business-to-consumer debt structures. LAK has submitted feedback to ensure the unique attributes of leasing are considered.

The Association will continue monitoring regulatory developments to safeguard industry growth.

Association overview

The Leasing Association of Kenya (LAK) is the umbrella body for asset finance and leasing practitioners in Kenya. Its membership comprises organisations from various sectors of the leasing market, including:

- Commercial banks
- Bank owned leasing companies
- Equipment vendors
- Vendor leasing companies
- Independent leasing firms
- Professional firms that support

lease operations such as audit, legal, tax, insurance, fleet management.

As of 2025, the Association had 33 paid-up members. Of these, 64% were independent lessors, banks and bank-owned leasing companies and vendor lessors. While membership growth remained relatively stable,

it is expected to increase as leasing gains traction as an alternative asset acquisition method, particularly for equipment in Kenya.

LAK is governed by an Executive Committee elected by its members and operates under a constitution that was updated and ratified during the July 2024 Annual General Meeting.

Association

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MARKET REVIEW

Leasing market in Lithuania holds firm as growth moderates

After several years of strong performance, Lithuania's leasing market in 2024 entered a period of moderate slowdown. The total leasing portfolio continued to expand, reaching almost €3.9bn by year-end – up from €3.7bn in 2023 – while the value of new leasing contracts edged down slightly.

Despite the softer pace, the market remained resilient: longer contract maturities and higher average asset values helped maintain steady portfolio growth at record levels.

Activity indicators remained broadly stable. According to the Lithuanian Banking Association, the number of new leasing agreements increased slightly in 2024, even as the total value of newly signed contracts declined by around 3%.

Financial leasing continued to dominate the market, accounting for nearly all new transactions, while operating leasing contracted marginally. Movable assets – primarily vehicles and equipment

– remained the backbone of the market, representing virtually all new leasing value, whereas real estate leasing stayed negligible and declined further in volume.

Two sectors that have long dominated the Lithuanian leasing market – transport and agriculture – both showed signs of fatigue. Financing for trucks, trailers, and agricultural machinery declined as companies faced weaker profitability.

Farmers struggled with higher input costs and lower commodity prices, while road haulers continued to feel the effects of reduced demand in European logistics and

tougher competition following the buying surge of 2022–2023.

By contrast, the passenger car segment showed signs of improvement. After several years of elevated prices and supply constraints, competition among dealers intensified, with discounts reappearing even in the premium category. Although the number of car leasing contracts decreased slightly, the share of new vehicles increased, and longer-term contracts (five to 10 years) overtook the traditionally dominant two-to-five-year segment. This shift reflects both higher vehicle prices and persistently elevated interest rates.

The overall stability of the leasing market in 2024 was supported by longer contract durations and ongoing digitalisation. Nearly all leasing agreements in Lithuania are now signed electronically, making the market one of the most digitalised in the region.

Digital transformation continues to streamline leasing operations, improving efficiency for both customers and financial institutions.



Lithuania's total leasing portfolio continued to expand, reaching almost €3.9bn by 2024's year-end – up from €3.7bn in 2023.

Table 1: Leasing portfolio

Year	Value of new contracts (€m)	Leasing portfolio (€m)
2022	2018.1	3405.5
2023	1875.6	3686.7
2024	1816.0	3914.0



In 2024, movable assets – primarily vehicles and equipment – remained the backbone of Lithuania's leasing market, representing virtually all new leasing value.

Climate impact and sustainable finance

Sustainability remained on the agenda, though growth in “green” leasing slowed. Many leasing companies continue to offer preferential rates for lower-emission or electric vehicles, but financing for fully electric cars declined during the year.

The VAT deduction for M1-class electric vehicles valued up to €50,000, which came into effect in 2023, has had limited impact, as many models still exceed that price threshold. Instead, demand shifted toward plug-in hybrids and conventional hybrids, whose popularity continued to grow among private and corporate clients.

Electric vehicles are also appearing more often in light commercial fleets, especially for parcel and last-mile deliveries. However, fully electric heavy-duty trucks remain rare in Lithuania, largely due to the current market conditions and limited charging infrastructure.

Market and structure

No major structural changes occurred in 2024. The leading leasing companies retained their market positions, and the overall market structure remained stable. Leasing market penetration – the share of national spending on equipment and machinery financed through leasing – was broadly unchanged at around 13%.

Passenger car leasing continues to dominate the market: in the first quarter of 2024, more than half of all new cars registered in Lithuania were acquired through leasing, underlining its key role in consumer mobility and corporate fleet financing.

Outlook

The Lithuanian leasing market is entering a more cautious phase after several years of expansion. With borrowing costs beginning to ease and inflation stabilising, financing conditions are gradually improving, though demand in key export sectors remains under pressure.

2025 is likely to bring moderate recovery in new leasing volumes, particularly if confidence strengthens in agriculture and logistics.

Agricultural financing could begin to rebound if commodity prices stabilise, while vehicle leasing should remain resilient as corporate fleets continue their gradual transition toward more sustainable transport. Overall, the sector remains mature, resilient, and increasingly digital – well positioned to adapt to evolving economic and regulatory conditions.

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MARKET REVIEW

Navigating an uncertain landscape, embracing untapped opportunity

Mexico's economy in 2024, marked by moderate growth and high interest rates, placed significant pressure on the non-bank financial sector.

Leasing companies, in particular, had to navigate an environment of rising funding costs, lower investment demand, and increased risk – prompting them to strengthen their risk management strategies and pursue operational efficiencies to maintain their relevance within the country's financial ecosystem.

For the upcoming years, Mexico's leasing and non-bank financial (IFNB) sector will stand at a crossroads. On one hand, navigating a turbulent macroeconomic and political landscape; on the other, facing a largely untapped market in urgent need of financing solutions, particularly among small and medium-sized enterprises (SMEs). The challenges are real – but so is the opportunity.

A complex global and national outlook

Interest rates remain a key headwind for the leasing industry. Although Mexico's central bank has begun a gradual easing cycle, borrowing costs are still high enough to constrain credit demand and

delay investment decisions. This is particularly damaging for leasing, where growth depends heavily on businesses seeking to modernise equipment, acquire productive assets, or optimise their liquidity through structured financing.

The international environment adds further uncertainty. The upcoming U.S. federal elections bring with them the potential return of policies that could disrupt trade dynamics. One notable risk is the reinstatement of aggressive tariff regimes, as proposed by President Donald Trump. Should these measures materialise, Mexican exporters – and by extension the businesses that finance their growth

through leasing – would face renewed pressure and unpredictability.

Domestically, Mexico's own election cycle has introduced a layer of political risk that weighs heavily on business confidence. According to INEGI, (National Institute of Statistics and Geography), the confidence level of Mexican entrepreneurs remains stubbornly low, reflecting concerns about regulatory continuity, fiscal policy, and overall rule of law. These concerns have only deepened with the proposed judicial reforms that, if enacted, would centralise judicial appointments and severely weaken the perception of legal certainty in the country. It is difficult to overstate the impact such uncertainty has on investment sentiment.

The data supports this cautious mood. INEGI also reports low growth in foreign direct investment (FDI), a red flag for a country that should be capitalising more aggressively on global nearshoring trends. While there has been much discussion about Mexico's unique opportunity to become a logistics and manufacturing hub for North America, the reality on the ground suggests we are not moving fast enough. Bottlenecks in infrastructure,



There has been much discussion about Mexico's unique opportunity to become a logistics and manufacturing hub for North America.

inconsistent local policies, and an absence of coherent federal strategy have slowed the momentum that was so palpable just two years ago.

A sector under scrutiny

Within the financial system, IFNBs – particularly leasing companies – face a credibility gap. Regulatory oversight has been tightening, and while necessary, this has often been accompanied by public narratives that paint non-bank institutions with broad strokes of suspicion. This has created an environment of skepticism that affects access to funding, partnerships, and even customer trust. Transparency and accountability within our sector must remain a top priority, but so too must the defence of the legitimate and essential role we play in expanding access to credit.

The opportunity still stands

Despite these headwinds, the fundamentals that support long-term growth in the leasing sector remain intact. The SME market in Mexico is still vastly underserved in terms of financing. According to multiple industry analyses, less than 30% of SMEs have access to formal credit,

and leasing penetration remains in single digits. This is not just a challenge – it’s an open invitation.

Furthermore, the downward trend in interest rates, however modest, provides a window of opportunity for proactive players to structure more attractive leasing products. Coupled with digital tools, risk models, and agile operations, IFNBs are uniquely positioned to serve this market in ways traditional banks simply cannot.

Looking ahead

The coming year will test the resilience of the leasing industry in Mexico. We must remain clear-eyed about the political and economic challenges we face – both external and domestic. But we must also stay confident in the role we play. The leasing sector has always thrived in moments when businesses needed flexibility, creativity, and trust. We have every reason to believe that 2026, with all its uncertainty, will be no different.

At AMSOFAC, we continue to advocate for stronger institutions, smarter policy, and a renewed commitment to financial inclusion. The road ahead may not be easy, but it is still full of promise.

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According to multiple industry analyses, the fact that less than 30% of SMEs in Mexico have access to formal credit, and leasing penetration remains in single digits, is both a challenge and an opportunity.

Morocco



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Leasing in Morocco in brief

- **1965:** Introduction du leasing par the 'BNDE' (Banque Nationale du Développement Economique).
- **1992:** Realisation of the first operation of real estate leasing.
- **1993:** Integration of leasing in the banking law, giving it a definition for the first time.
- **1996:** Integration of leasing in the Commercial Code, which incorporates the definition of the Banking Act.
- **2003:** Introduction of lease with the option to purchase.
- **2006:** New definition of leasing in the Banking Act and the extension of the leasing scope to goodwill rental operations.
- **2020:** Establishment of a National Electronic Collateral Registry.

- VAT provisions in the 2024 Finance Law;
- Launch of an online platform exchange for vehicle registration;
- Tax procedures;
- Judicial procedures.

Strategic leasing assessment

In 2025, the APSF Delegation conducted a strategic diagnostic of the leasing sector to identify major trends and encourage strategic thinking on potentially developing it as a tool to support investment and economic growth.

Initial findings, based on commercial performance data from operators, were presented at the General Assembly of the Moroccan Leasing Association (APSF) on June 28, 2025.

Further work will continue in dedicated workshops involving all necessary expertise.

MARKET REVIEW

Environment

General census of population and housing

Morocco conducted its 7th General Census of Population and Housing in September 2024. According to this census:

- The legal population reached 36.8m, an increase of nearly 3m since the last (6th) census in 2014.
- The demographic growth rate stood at 0.85% between 2014 and 2024, down from 1.5% between 2004 (date of the 5th census) and 2014. This rate has been steadily declining since the first census in 1960.
- The number of households rose to 9.3m, with an average annual increase of 2.4% since 2014 while the average household size decreased from 4.6 to 3.9 persons over the same period.

Key interest rate

Following rate hikes in 2022 (+50 basis points to 2% in September, then +50 basis points to 2.5% in December) and in 2023 (+50 basis points to 3% in March), Bank Al-Maghrib, Morocco's Central Bank, lowered the key interest rate on three occasions:

- By 25 basis points to 2.75% in June 2024.
- By 25 basis points to 2.5% in mid-December 2024.
- By 25 basis points to 2.25% in mid-March 2025.

These reductions reflect progress in controlling inflation, which fell to 0.9% in 2024, down from 6.1% in 2023 and 6.6% in 2022.

In June 2025, the Central Bank maintained the key interest rate unchanged at 2.25%, taking into particular consideration the evolution of inflation trends to levels in line with the objective of price stability in the medium term. According to its projections, inflation would come out at 1% in 2025 and 1.8% in 2026.

New law on Credit Information Bureaus "BIC"

In 2024, Morocco adopted a law on Credit Information Bureaus to unlock financing opportunities for microenterprises and enhance financial inclusion.

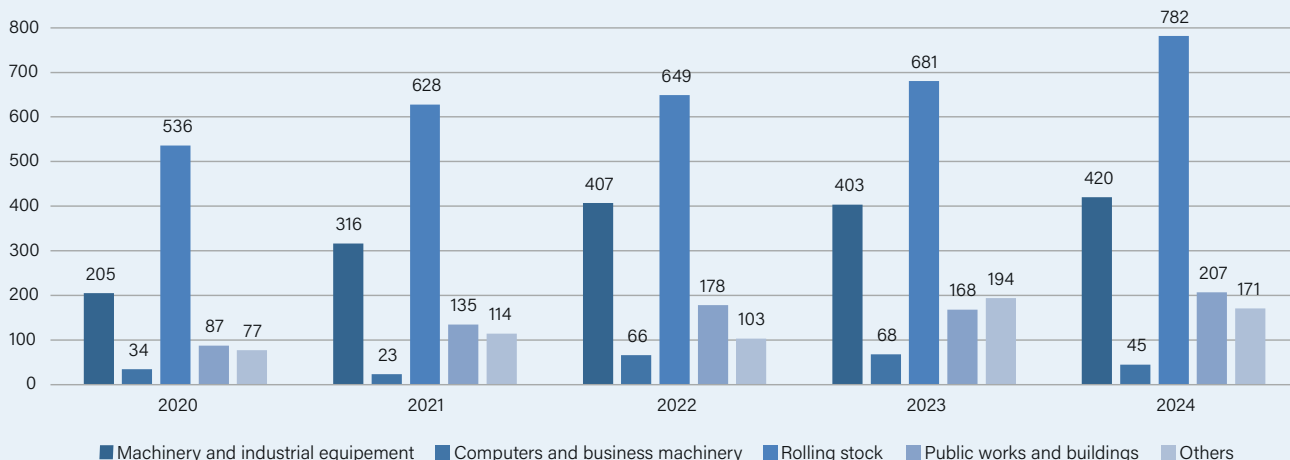
This law enables credit institutions – including leasing companies – to have access to non-financial data, knowing that these institutions share already credit data (negative and positive data) with the Credit Bureaus and consult them in return. The new law enables them access to additional data, helping to better assess risk for SMEs and individuals.

Professional action

In 2024 and 2025, the Moroccan Leasing Association (APSF) focused its professional actions:

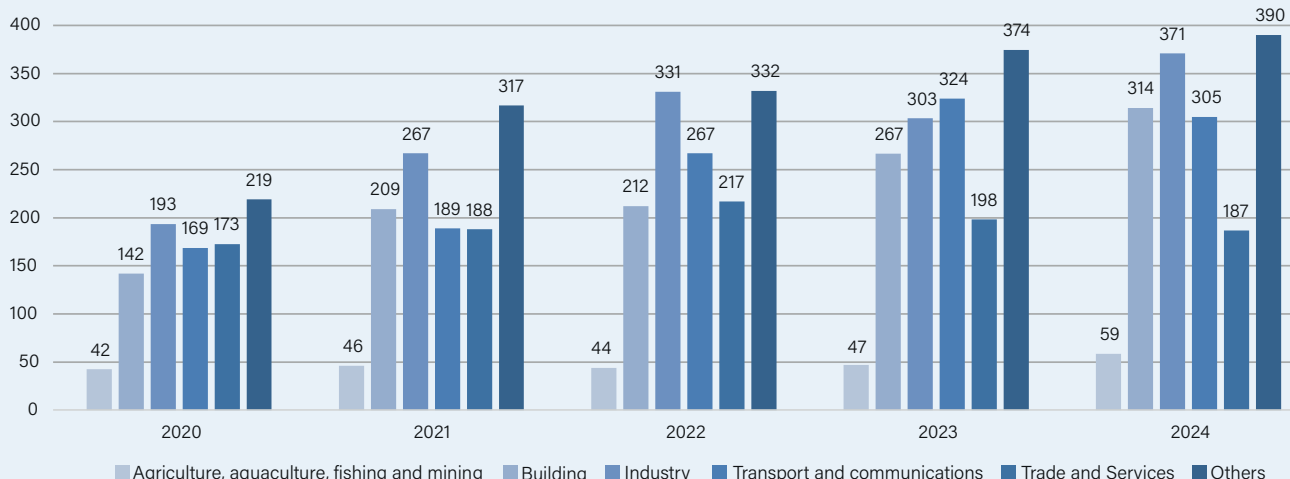
- Internally, on strategic assessment of the leasing sector;
- Externally, on:

Figure 1: Equipment leasing: evolution and distribution of funds by asset type (€m)



Source: Association Professionnelle des Sociétés de Financement

Figure 2: Equipment leasing: evolution and distribution by sector (€m)



Source: Association Professionnelle des Sociétés de Financement

VAT provisions in the 2024 Finance Law

Regarding VAT, the 2024 Finance Law reinstated the requirement to retain investment assets listed in fixed asset accounts for 60 months. Otherwise, previously deducted or exempted VAT must be regularised.

As part of the usual consultations before the adoption of the Finance Law, and after examination of the draft law, the Moroccan Leasing Association (APSF) proposed exempting credit institutions from this regularisation requirement. This proposal was approved.

Launch of a digital exchange solution for vehicle registration

Following collaboration between the Moroccan Leasing Association and NARSA (National Road Safety Agency which is responsible for vehicle registrations), 2024 saw the launch of a digital exchange solution between NARSA and leasing companies for vehicle registration.

This solution aims to secure registration procedures for vehicles financed through leasing and reduce fraud risks.

This solution ensures:

- that, beforehand, the vehicle

pledges are properly registered with the registration services;

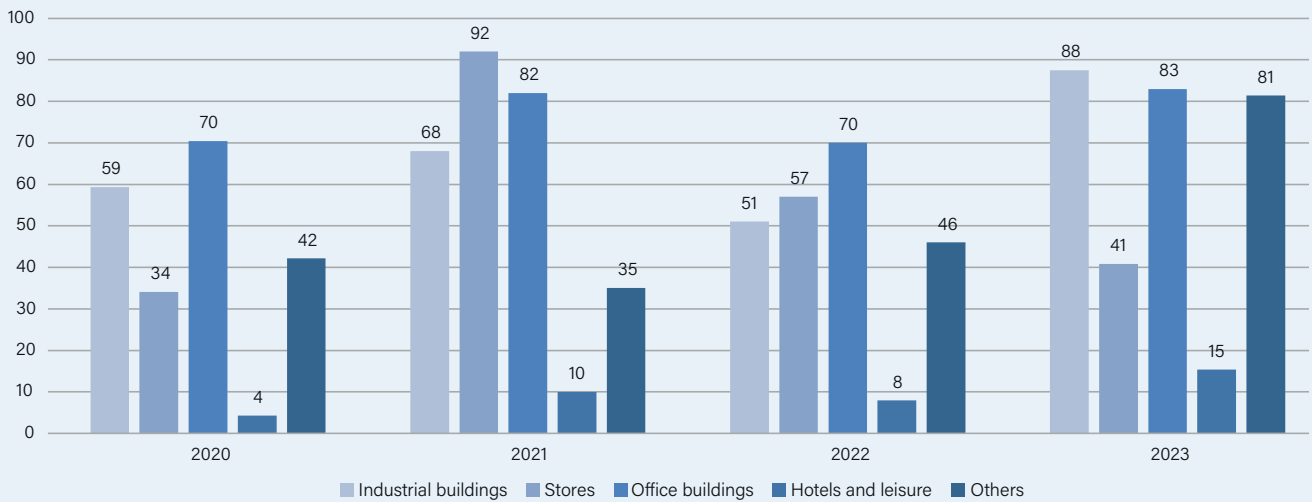
- that, afterwards, verification that the release submitted by the client at the end of the lease was indeed issued by the financing company.

Tax procedures

Under the 2007 law on local taxation, leasing companies are subject to TSC - the local services tax - due to ownership of equipment, tools, and buildings subject to professional tax.

The management and collection of this tax has long posed challenges immediately following the

Figure 3: Real estate leasing: evolution and distribution of funding by property type (€m)



Source: Association Professionnelle des Sociétés de Financement

enactment of the 2007 law, as:

- TSC is assessed annually on the location where the taxable assets are operated;
- their clients operate across all regions of the Kingdom of Morocco.

This situation requires leasing companies to undertake complex and costly operations to ensure proper tax compliance across different jurisdictions, but above all to clarify their actual tax liabilities.

Additionally, since the tax payment is made on the basis of a role, leasing companies face the risk of not receiving this document on time or of having it issued in the name of the customer.

In 2024 and early 2025, leasing companies reopened discussions on this issue while members still encountering blockages in the field to which leasing companies proposed solutions to authorities, who expressed preliminary agreement, in order to overcome these blockages.

New fact, the 2007 law was amended in 2025, prompting a temporary pause in resolving this matter.

Judicial procedures

In 2023 and as part of their usual consultations, the Moroccan Leasing Association (APSF), submitted a comprehensive action plan to the Central Bank, outlining concerns

of the financing companies as well as the actions to be taken relating to issues for which the support of this institution is necessary. Among these concerns judicial procedures.

The discussions on this matter have gained renewed momentum since the consultations were initiated, in early 2025, between the Ministry of Justice, the Central Bank, and credit institutions. These

consultations are undoubtedly aligned with the Moroccan Leasing Association (APSF) proposed action plan to the Central Bank's

These discussions cover all judicial matters affecting the banking sector. On the judicial aspect of recovering Non-Performing Loans, the discussions focus on:

- Legal procedures;
- Judicial expertise;



In 2024, Morocco recorded assets financed through leasing of €8.4bn, an increase of €659m, or 8.5%, compared to the end of 2023.

- Enforcement of guarantees;
- the application of Book 5 of the Commercial Code, relating to the treatment of business difficulties;
- Leasing. The Moroccan Leasing Association was duly designated to lead work on leasing. It surveyed practical challenges faced by its members in the Leasing and Lease with Option to Purchase sectors, and thus submitted a summary note to the Central Bank, including proposed solutions.
- It should be noted that the consultations with the Ministry

of Justice and the Central Bank covers aspects other than the judicial aspect of recovering Non-Performing Loans. The partners have decided to work on:

- the digital management of cases brought before the courts;
- strengthening of the different functions of the National Electronic Collateral Registry.

Leasing in 2024

Assets financed through leasing reached €8.4bn, an increase of €659m, or 8.5%, compared to

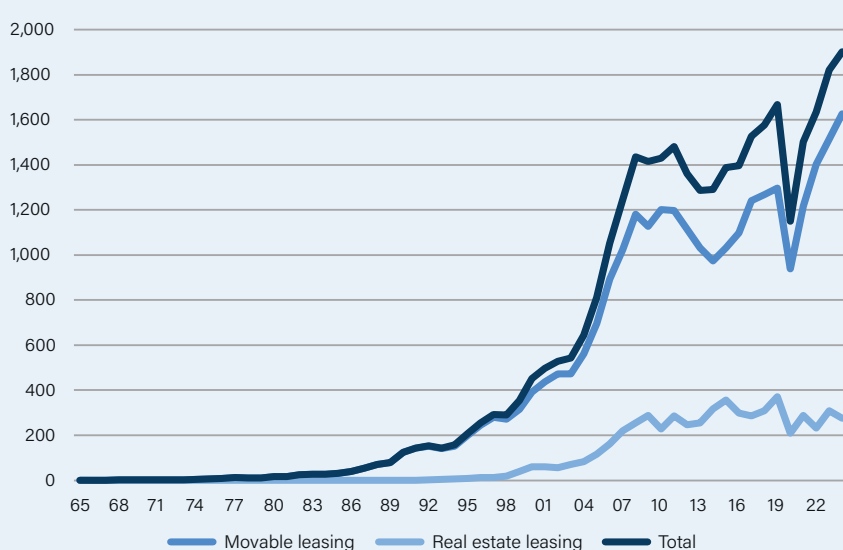
the end of 2023. This amount breaks down as follows:

- €5.6bn for leasing to businesses and professionals, an increase of €281m, or 5.3%.
- €2.8bn for leasing with an option to purchase (LOA) to individuals, an increase of €378m, or 15.5%.

Leasing activities to companies and professionals

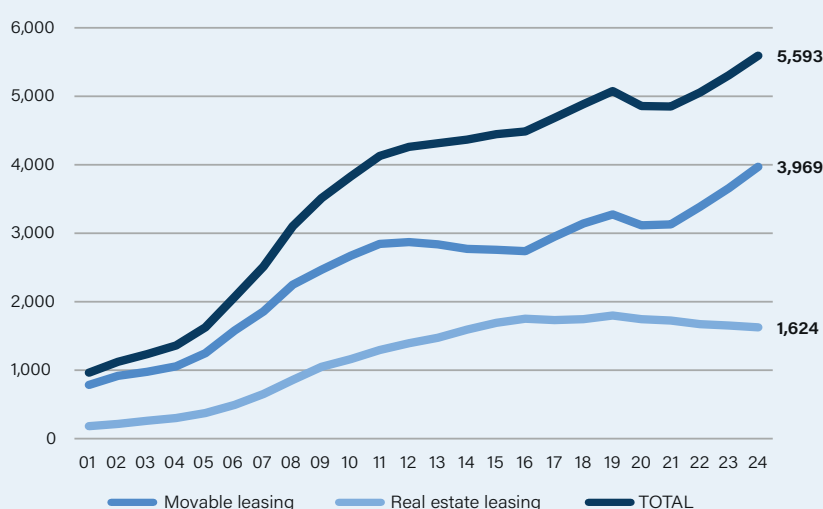
In Morocco, leasing contracts for companies and professionals date back to 1965. Before being extended to real estate leasing in 1992, it involved the only equipment leases.

Figure 4: Overview of funding in leasing since 1965 (€m)



Source: Association Professionnelle des Sociétés de Financement

Figure 5: Overview of leasing outstandings 2001-2024 (€m)



Source: Association Professionnelle des Sociétés de Financement

Funding in 2024

Financing of the fiscal year 2024, totalled €1.902bn, an increase of €80m or 4.4%. These funds are divided up to:

- €1.625bn for equipment leasing, an increase of €111m or 7.4%.
- €276m for real estate leasing, a decrease of €32m or 10.3%.

These global funds represent 16,188 cases instead of 15,278 in 2023. According to the nature of the leasing operation, the number of cases funded in 2024 was as follows:

- Equipment leasing: 15,748 cases instead of 14,737 in 2023;
- Real estate leasing: 440 cases instead of 541 in 2023.

Movable leasing: financing by type of goods

The evolution and distribution of equipment lease financing by type of goods for the last five years are presented in Figure 1.

The amount of money drained by rolling stock in 2024 (€782m) was divided as follows:

- €480m for commercial vehicles, an increase of €92m or 23.6%.
- €302m for passenger vehicles, an increase of €10m or 3.5%.

Financing by sector

The evolution and distribution of equipment lease financing by sector for the last five years are presented in Figure 2.

Real estate leasing

The evolution and distribution of funds in real estate leasing

by property type for the last five years are presented in Figure 3.

Overview of funding in leasing since 1965

Leasing was introduced in Morocco in 1965 and was limited to the only equipment leasing operations until 1992. In 1992, the first operation of real estate leasing was carried out. Figure 4 shows the evolution of financing leasing since 1965.

Leasing financial outstanding at the end of December 2024

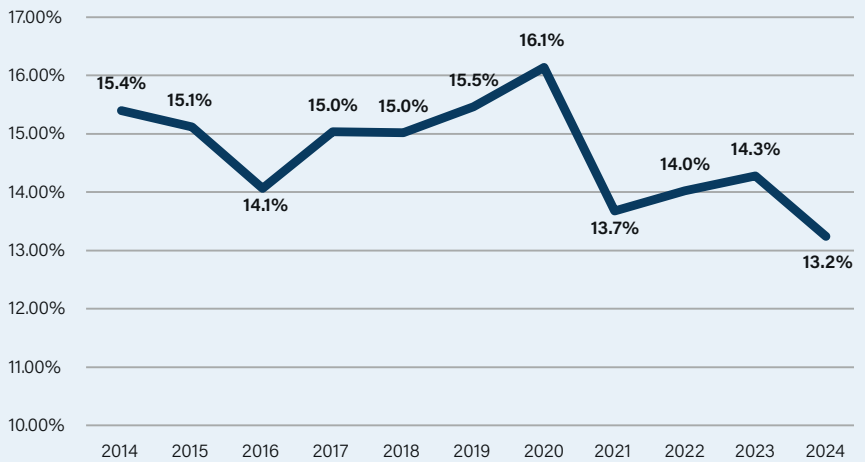
Funding in 2024 raised the leasing financial outstanding at the end of 2024 to €5 593m, an increase of 281m or 5.3%. At the end of December 2024 this outstanding was divided up:

- €3,969m for equipment leasing, an increase of €308m or 8.4%.
- €1,624m for real estate leasing, a decrease of €26m or 1.6%.

The outstanding on December 31, 2024 was 72,919 cases. According to the nature of the leasing operation, the number of cases in progress at the end of 2024 and the average in terms of cases are as follows:

- 69,424 cases for equipment

Figure 6: Leasing market share of total investment 2014-24



Source: Association Professionnelle des Sociétés de Financement

- leasing, an average of €53,170;
- 3,495 cases for real estate leasing, an average of €464,170.

Contribution to investment financing

The contribution of leasing to investment as measured by the outstanding leasing to companies and professionals related to gross fixed capital formation, reached

13.2%, after 14.3% in 2023. The evolution of this rate over the last 10 years is shown in Figure 6.

Lease option – Lease with the option to purchase activity

In Morocco, a lease option was introduced on the market in the early 2000s. At the end of 2024, the number of companies practicing the lease option has reached seven.



In 2024, Morocco's highest grossing leasing category was equipment leasing – €1.625bn, an increase of €111m or 7.4%. This total broke down into €480m for commercial vehicles and €302m for passenger vehicles.

Financing with lease option in 2024

In 2024, lease option financing totalled €876m, an increase of €166 m or 23.4%.

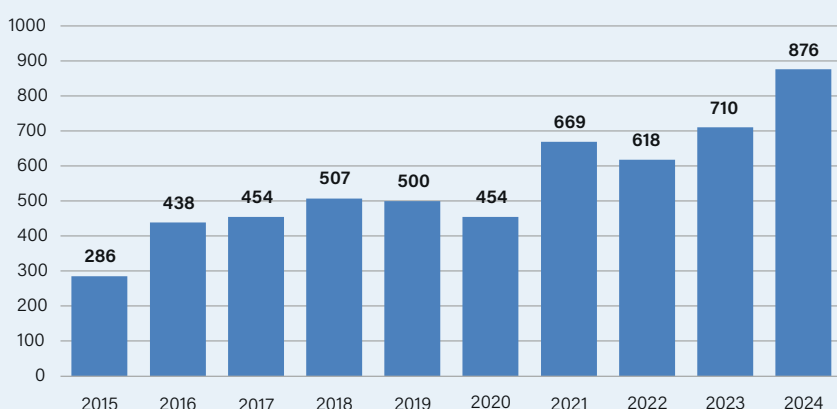
The evolution of financing in lease option since 2015 is presented in Figure 7.

Lease options outstanding at the end of December 2024

In total, the lease option outstanding stood, at the end of 2024, at €2,814m an increase of €378m or 15.5%.

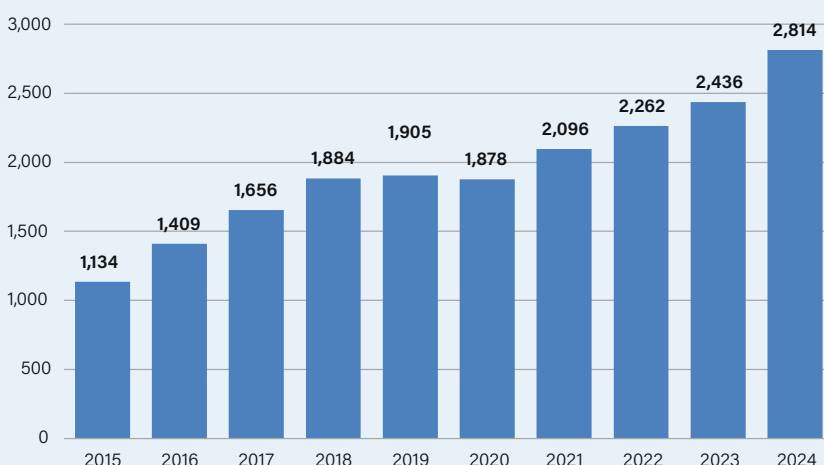
The evolution of this outstanding since 2015 is presented in Figure 8.

Figure 7: Evolution of financing with lease option (€m)



Source: Association Professionnelle des Sociétés de Financement

Figure 8: Lease option financial outstandings (€m)



Source: Association Professionnelle des Sociétés de Financement

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(After the Council meeting of December 17, 2024)

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Abdallah Benhamida, Dar Salaf

Deputy Chairmen and Presidents of Sections:

Driss Fedoul (Wafasalaf)
Lahoussine Hassani Idrissi (Saham Leasing)

Nahid El Massnaoui (CAM Leasing),
Section Leasing, Factoring,
Guaranty and Mobilisation of re-
ceivables, President

Khalid Dbich (Sofac), Section Con-
sumer Credit, Mortgage, President

Treasurer:

Abdesselam El Hadaj, Axa Crédit

Delegated General:

Mostafa Melsa

Members

Aziz Boutaleb (Maroc Leasing)
Aziz Cherkaoui (Salafin)
Aziz Dalaoui (Eqdom)
Houda El Kohen (Attijari Factoring)
Abdelhak El Marouani (CDM
Leasing et Factoring)
Noureddine Fadouach (Vivalis Salaf)
Karim Idrissi Kaitouni (Wafabail)
Hicham Karzazi (Sofac)
Anass Mikou (Maroc Factoring)
Tarik Raghieb (BMCI Leasing)
Mohamed Tehraoui, emeritus
member

About the APSF

Under the banking law, leasing companies are required to adhere to the “Association Professionnelle des Sociétés de Financement” ‘APSF’ – which was itself created by this law.

The ‘APSF’ includes all finance companies, which are considered to be credit institutions just as banks are.

The ‘APSF’ brings together several businesses: leasing, factoring, mobilisation of receivables, consumer credit, mortgage, financing of microcredit

associations, financing of solidarity-based agricultural development.

The ‘APSF’ is a member of ‘UBM’ (Union des Banques Maghrébines - Maghrebian Banks Union) and a corresponding member of Leaseurope (European Federation of Leasing Company Associations) and Eurofinas (European Federation of Finance House Associations). Morocco has twice hosted the joint annual congresses of these two European federations.

Netherlands



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MARKET REVIEW

Recovery and consolidation

After years of volatility, marked by supply chain disruptions and investment hesitancy, the Dutch leasing market made a strong recovery in 2024. Both the equipment leasing and vehicle leasing segments showed significant growth. The figures speak for themselves: nearly €8bn in new lease contracts for equipment (+10%), and a 2.5% increase in the total vehicle lease fleet, reaching 1.368 million vehicles.

While recent years were characterised by cautious investing, 2024 marked a renewed confidence in leasing as a financing method. Most notably, the final quarter of the year, traditionally a strong period, delivered a record performance, restoring a sense of normalcy and reliability to the equipment lease market.

Equipment leasing: robust rebound in Q4

The market for leasing business assets, ranging from machinery to transport vehicles, closed the year with an all-time high of €8bn in new contracts, a 10% increase compared to 2023. The fourth quarter alone accounted for €2.2bn, representing a quarterly growth of 23%.

It should be noted that the end of the BPM exemption for vans, effective in 2025, spurred a surge in contract volumes under €50,000. This segment grew by 40%, driven primarily by entrepreneurs opting

to invest in new vans (<3,5 tons) before the tax advantage expired.

Importance of SMEs and non-bank lessors

SMEs remain the backbone of the equipment leasing segment, responsible for 74% of total volume, or €5.9bn. A notable trend is the growing share of non-bank leasing companies, which provided nearly €2bn in lease contracts in 2024, a growth of 18% compared to the previous year. This reflects the increasing importance of alternative financing sources beyond traditional bank-linked leasing companies.

Electrification

Transport-related assets saw substantial growth in both volume

and number of contracts, while leasing activity for industrial machinery declined. As for powertrain technologies, the electrification of equipment remains limited: just 4.9% of construction machines and 8.1% of trucks leased in 2024 were fully electric. This is largely due to limited availability, high purchase costs, and the lack of charging infrastructure. The transition to clean energy in construction and logistics is therefore seen as a long-term process.

In the Netherlands the shift towards electric powered construction equipment is driven by a Covenant and Roadmap towards zero-emission construction sites, signed by both public bodies as well as private organizations in the construction sector.

Car leasing¹

The car leasing segment also expanded in 2024. Growth was observed across all categories, but the strongest increase was in leased vans (+5.3%), again linked to the end of the BPM exemption. The total leased vehicle fleet increased by 2.5%, distributed as follows:

- Business passenger
- cars: +2.1% (to 859,700)

Figure 1: New business volumes in 2024 (€m)

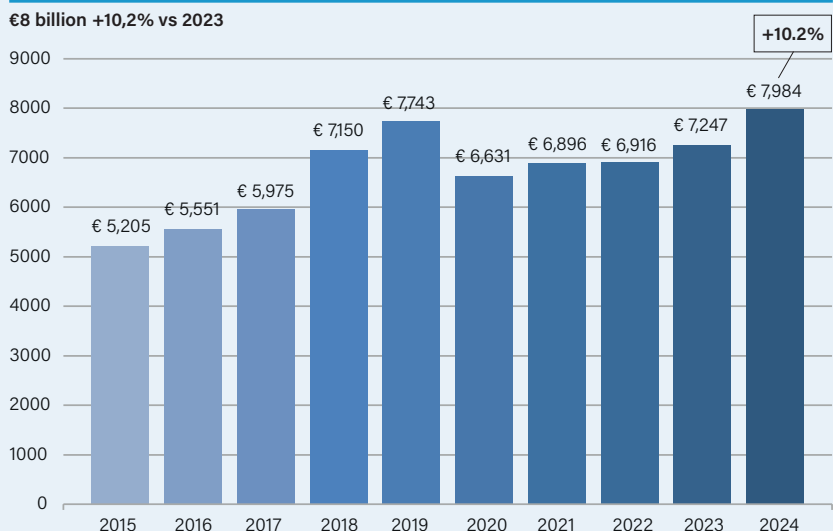
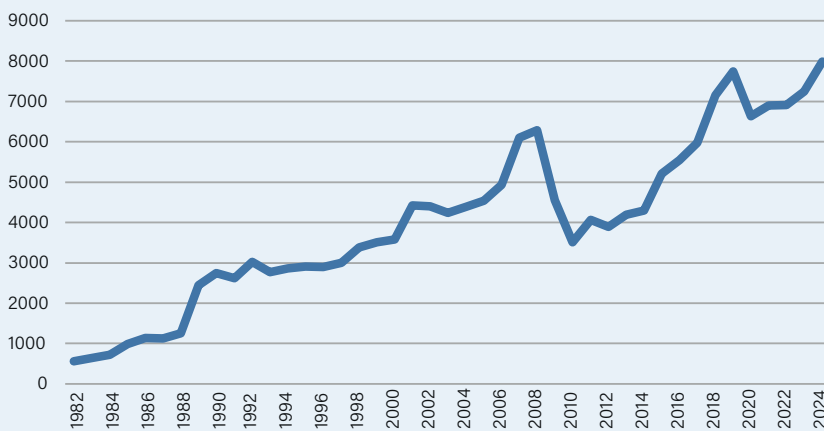


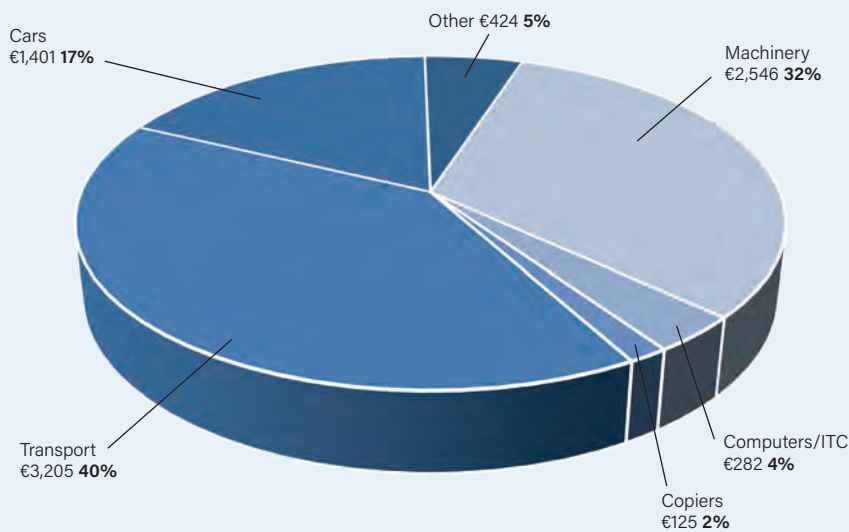
Figure 2: Total new business 1982-2024 (€m)



- Private lease: +1.1% (to 247,900)
- Vans: +5.3% (to 260,400)

The transition to electric mobility made definitive inroads in the business lease segment. In 2024, the share of fully battery electric vehicles (BEVs) in the business fleet reached 36.4%, surpassing the share of petrol vehicles (36.1%) for the first time. Including plug-in hybrids (PHEVs) at 8.5%, nearly 45% of the business fleet now features plug-in technology. Diesel cars, which made up over 40% of the fleet in 2018, have nearly disappeared. In leased vans Diesel powertrain remains dominant, but the share of electric vans grew to 10%, reaching double digits for the first time.

Figure 3: Asset categories – new business 2024 (€m)



Private lease

Electrification progressed more slowly in the private lease market. Here, 20% of vehicles were fully electric, with an additional 4% PHEVs and 23% hybrids. Petrol vehicles still dominate the segment, accounting for 52%, although this was down from 60% in 2023.

Distribution channels

Another trend in 2024 was the evolution of distribution channels. While vendor leasing (via manufacturers or dealers) remained dominant with 38% market share, online leasing platforms gained traction and rose to 3% of all contracts.

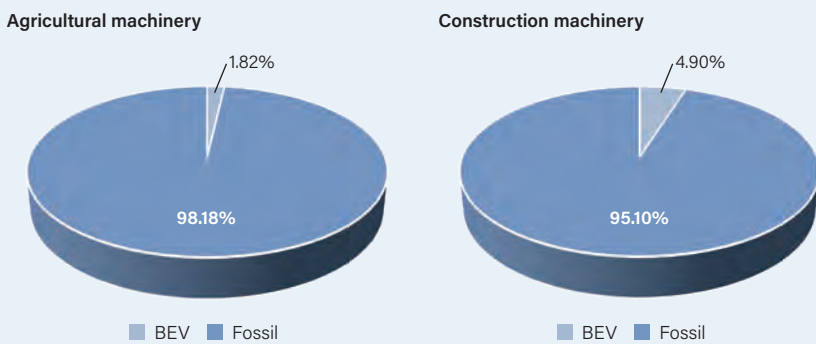


The Dutch market for leasing business assets, ranging from machinery to transport vehicles, closed 2024 with an all-time high of €8bn in new contracts, a 10% increase compared to 2023.



SMEs remain the backbone of Netherlands's equipment leasing segment, responsible for 74% of total volume, or €5.9bn. Non-bank leasing companies provided nearly €2bn in lease contracts in 2024, a growth of 18% compared to the previous year.

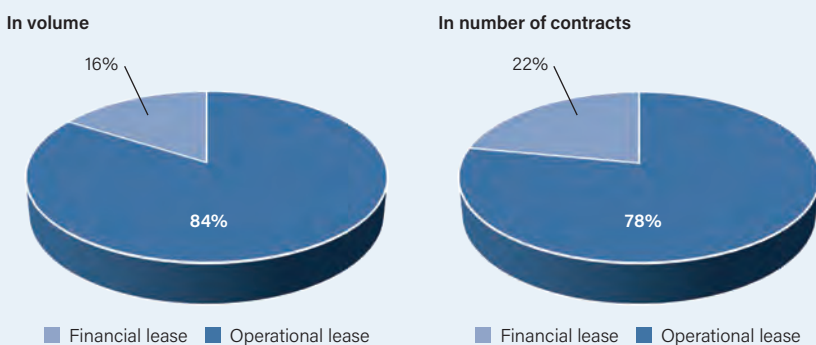
Figure 4: Powertrain agricultural and construction equipment



In terms of financing structure, for equipment financial lease continues to be the most common type, making up 84% of all lease volumes. This structure appeals to business clients who intend to retain ownership of the asset after the lease term ends.

Even if large players like banks dominate the equipment leasing market, there remains space for smaller and more specialised providers, particularly in niche areas like electric construction equipment, IT assets, or SME-targeted financing solutions.

Figure 5: Financial vs operational lease in NL



Sustainability and long-term outlook

Leasing plays an essential role in driving sustainability in the Dutch economy. It allows businesses to adopt cleaner technologies with reduced upfront risk, thanks to asset pooling, residual value management, and service bundling. However, several challenges persist.

Sustainable alternatives, especially for heavy-duty equipment, are often three times more expensive than fossil-fuel counterparts. Charging infrastructure and energy

capacity are still inadequate, especially at construction sites.

Thus, the pace of electrification, particularly in transport and construction segments, depends on a mix of innovation, policy support, and long-term demand signals.

Conclusion: stability in motion

The year 2024 marks a pivotal point for the Dutch leasing sector. After a turbulent period, both equipment and vehicle leasing have rebounded strongly. Seasonality has returned to normal, especially in equipment leasing, and vehicle leasing continues to grow steadily, with electric mobility clearly gaining ground.

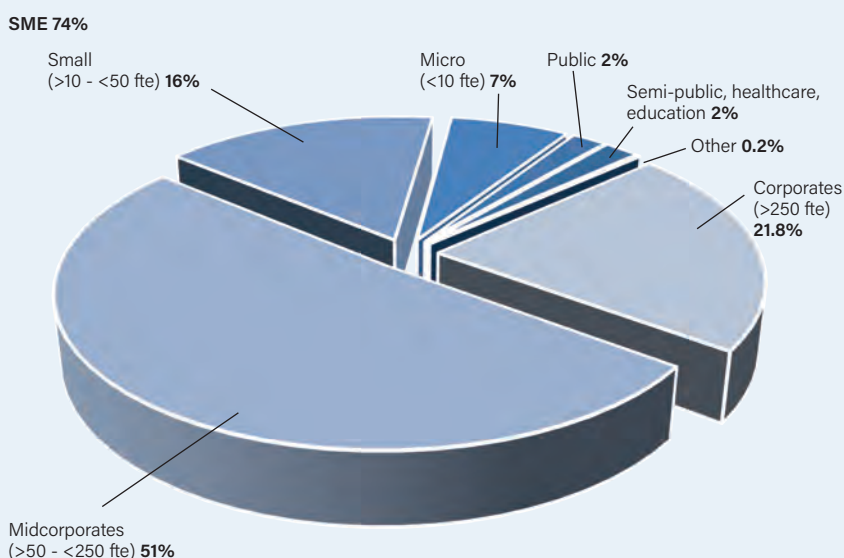
That said, the sector still faces a set of structural challenges, from the financing of costly sustainable equipment to infrastructural constraints and market incentives. Yet the overall trajectory is positive.

The leasing sector is positioning itself not just as a financing tool, but as a key enabler of the energy transition and sustainable growth in the Dutch economy.

Endnotes

¹ Source: VNA

Figure 6: Distribution in segments by business type in 2024



Growth was observed across all categories of Netherlands' car leasing in 2024, but the strongest increase was in leased vans (+5.3%), as businesses hurried to purchase new vans before the end of the BPM tax exemption.

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The Government has maintained this stance for the past two years, and the economy continues to witness a progressive recovery, although the challenges are still evident.

Positive economic developments

GDP Growth: Nigeria's Gross Domestic Product (GDP) grew by 3.84% (year-on-year) in real terms in the fourth quarter of 2024, as against 3.46% recorded in the corresponding period in 2023. The recent figure released by the National Bureau of Statistics (NBS) indicates that in the second quarter of 2025, Nigeria's real GDP grew 4.23% year-on-year. This represents a notable acceleration compared to the same quarter in 2024, when growth stood at 3.48%.

The real growth of the oil sector was 20.46 (year-on-year) in Q2'25, indicating an increase of 10.38 percentage points relative to the rate of 10.08% recorded in the corresponding quarter of 2024. (driven by improved output and favourable base effects)

The non-oil sector continued to drive the expansion, growing by 3.64%. This sector was driven in the second quarter of 2025 mainly by Agriculture (Crop production); Information and Communication (Telecommunications); Real Estate; Financial and Insurance (Financial

MARKET REVIEW

The Nigerian economy has been struggling for some time now, as major indicators showed adverse performance against the background of global economic uncertainties, geopolitical tensions, and the aftermath of the covid-19 pandemic, as well as increasing domestic macroeconomic vulnerability.

Since May 2023, Nigeria has implemented significant reforms to stabilise the economy, resulting in modest growth, improved fiscal health, and rising foreign exchange reserves. Two of the cardinal reforms are the removal of petrol subsidies and the floating of the Naira. The Federal Government has now moved towards market-based pricing of petrol to address the enormous fiscal cost of subsidised pricing, while

the Central Bank of Nigeria (CBN) initiated major foreign exchange policy reforms in a move towards a unified, better-regulated, and market-reflective official exchange rate.

While these measures were necessary to urgently avert a fiscal crisis and place Nigeria on a stronger development path, they have imposed short-term pressures on households and businesses. Some economic watchers believe that these tough measures are needed to take the economy out of the woods. The World Bank, for instance, in its Nigeria Development Update Report (*“Staying the Course: Progress Amid Pressing Challenges, October 2024”*), highlights the need to sustain these policies while addressing structural issues to combat inflation and promote long-term investment, growth, and job creation.

Table 1: Equipment leasing table by sector (2020 – 2024) ('N'000)

Sector	2024	2023	2022	2021	2020
Manufacturing	734,283,063.35	607,750,636.51	476,771,571.40	375,965,188.00	279,725,073.00
Transport/Logistics	1,181,474,427.67	977,075,892.00	761,895,999.32	614,046,637.00	490,720,981.00
Agriculture	378,616,640.76	300,750,531.93	216,549,704.36	176,227,151.00	148,565,322.00
Oil/Gas	1,380,802,431.27	1,127,737,577.58	893,846,389.89	739,276,602.00	602,120,031.00
Government	345,266,843.31	267,400,734.48	201,911,201.92	154,868,223.00	127,206,394.00
Telecoms	462,249,362.09	374,649,989.66	299,804,809.60	232,600,554.00	177,853,183.00
Others	686,005,834.68	540,006,880.63	409,027,815.52	294,780,581.00	185,285,839.00
Total	5,168,698,603.13	4,195,372,242.79	3,259,807,494.01	2,587,764,938.00	2,011,476,831.00

NB: Others include Education, Healthcare, Construction and Consumers sectors

Institutions); Trade; Construction; and Electricity, Gas, Steam & Air Conditioning Supply, accounting for positive GDP growth.

According to NBS, "In real terms, the non-oil sector contributed 95.95% to the nation's GDP in the second quarter of 2025, lower than the share recorded in the second quarter of 2024, which was 96.49% and lower than the first quarter of 2025, recorded as 96.03%."

Fiscal improvements: The fiscal position also improved, with the Federal Government's fiscal deficit narrowing to 5.44% as of December 2024, helping to mitigate debt-related risks. Also, as part of the tax reforms, the Nigeria Tax Act 2025 was enacted, to come into effect on the January 1, 2026. The Act is intended to modernise the tax system, improve fairness, enhance revenue, and reduce burdens on lower-income earners, among other things.

Foreign exchange reserves: The nation's foreign reserves rose to US\$42.03bn, providing a buffer against external shocks as of September 2025

The debt service-to-revenue ratio has fallen to under 70%, while foreign direct investments worth over US\$30bn have been recorded in the past year.

Trade surplus: stood at N3.43 trillion, reflecting rising exports and restricted imports due to the high cost of FX.

These numbers suggest that macroeconomic reforms, improved oil production, and adjustments in fiscal policy are beginning to yield positive outcomes. However, the recovery remains uneven and fragile.

High inflation: Inflation remained a significant challenge, rising to 34.80% in December 2024, marking a fourth consecutive monthly increase and the highest level in almost three decades. This rise was driven by increasing food and non-alcoholic beverage prices, along with escalating transportation and accommodation costs. The high inflation rate – this remains a major concern, eroding purchasing power and impacting the cost of living.

However, the headline inflation rate has shown signs of moderation in 2025. In July 2025, the year-on-year inflation stood at 21.88%, down from 22.22% in June and further dropped to 20.12% as of August 2025. These figures suggest that while inflationary pressures remain significant, there is potential for continued easing, particularly if supply constraints, currency volatility, and monetary policy remain in check. Though predicted to fall further before the end of 2025, the government's projection of 15% appears very ambitious, and inflation will continue to be a major headwind during the year.

Currency volatility – the Naira remains volatile, though relatively stable in 2025, creating uncertainty

for businesses and investors.

Indeed, the success of the government's reforms and the ability to address these challenges will determine the long-term trajectory of the economy. However, the overriding essence of policies is to improve the standard of living of the citizenry, especially the most vulnerable. The government appears to recognise this and is making efforts to strike a balance between policy reforms and the welfare of the

The Nigerian leasing industry

The Nigerian leasing industry continued to thrive in the face of challenges, including a background of global economic uncertainties, geopolitical tensions, the aftermath of the covid-19 pandemic, and increasing domestic macroeconomic vulnerability. New leases in 2024 peaked at N973.3bn against N935.6bn in 2023, recording a 4.02% growth.

The oil and gas sector represented 26% of the new leases with N253bn, followed by the Transportation & Logistics sector with N204bn, 21%. Manufacturing had N127bn, with 13%; Telecoms – N87bn, representing 9%. Agriculture and Government – N78bn with 8% each; while Others (including Healthcare and Education) generated N146bn, accounting for 15% of the new leases.

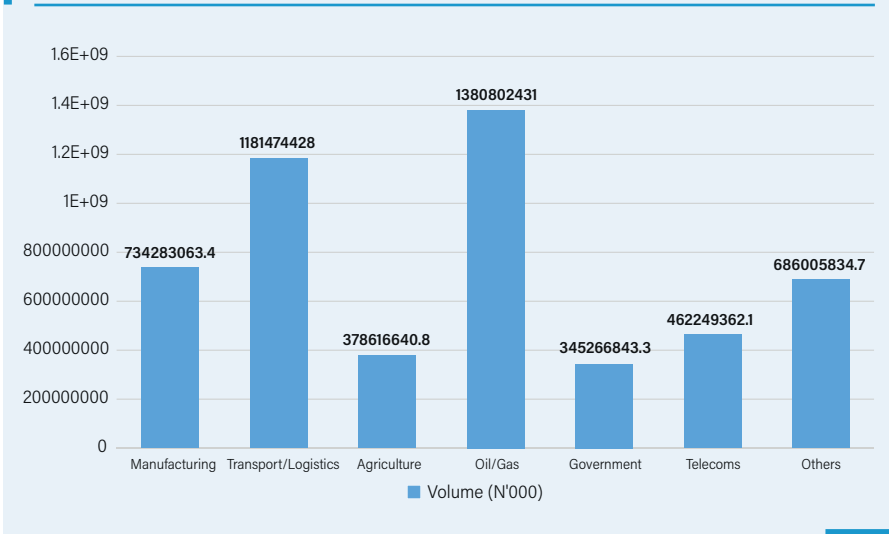
The growth in lease volume was driven by the astronomical rise in the cost of assets, occasioned by two of the cardinal reforms of government – the removal of petrol subsidies and the floating of the Naira, as more money was required to finance leases. Other factors include more new entrants and investment in the industry; increasing innovations and strong resilience by the industry's players; increasing level of awareness of the benefits of leasing, which continues to be more compelling given the increasing cost of assets.

Finance leasing maintained its lead position with 52% of the total transactions, with operating lease increasing its market share in recent times, due to its continued preference and patronage by corporate bodies. Operating lease allows these companies to focus on

Table 2: Trends in Nigerian leasing market (2010 – 2024)

Year	Leasing volume ('000)	Growth (%)
2010	537,907,637.75	21
2011	622,907,637.75	16
2012	671,494,433.53	8
2013	780,661,932.99	16
2014	869,017,875.10	11
2015	1,107,041,794.67	27
2016	1,262,027,642.73	14
2017	1,445,021,651.11	14.5
2018	1,680,560,180.25	16.3
2019	1,927,712,680.21	14.5
2020	2,011,476,831.90	4.3
2021	2,587,764,938.20	28.6
2022	3,259,807,494.01	25.97
2023	4,195,372,242.79	28.7
2024	5,168,698,603.13	23.2

Figure 1: Distribution of lease volume by sector (2024)



their core activities, while outsourcing other operational functions such as transportation and other logistics services. Also, many lessors have been shifting to operating leases in recent years as a risk-mitigating product and to create a niche market for themselves. Essentially, some major lessors have stopped finance lease completely, focusing on operating lease to balance their risk appetite and meet the outsourcing needs of clients. In a bid to create a further niche, some of these lessors have set up workshops of their own, providing services to outside customers as well.

Vehicle leasing remained dominant as the largest leased asset segment, constituting about 53% of the leased assets. Vehicle leasing, including staff shuttles, commercial buses, trucks for haulage, and operational vehicles, continued to be a major attraction in recent times.

Indeed, the industry is expected to maintain its resilience, given the growth potential of the industry – the wide financing gap in various sectors of the economy and increasing demand for creative financing options to meet asset needs by the investing public, the economic agenda of the Governments across all levels especially, increasing spending in critical infrastructure in key sectors such as transportation – the CNG initiatives for instance, power, health care, construction, agriculture, manufacturing, and technology

present rich menu of leasing opportunities, notwithstanding the continued challenges posed by macroeconomic environment.

Also, it is expected that with the kickoff of operations of the Equipment Leasing Registration Authority (ELRA), the industry is set to witness enhanced growth, as the Authority is expected to provide the integral booster for the faster development of the leasing industry, as it gives effect to the full implementation of the Equipment Leasing Act 2015.

Generally, the leasing industry continued to be significantly impacted by the tough macroeconomic conditions, which were more heavily impacted by the policy reforms of the Federal Government. Key highlights include:

- **The astronomical increase in prices of goods and services** affected the capacity of leasing companies to finance new transactions and maintain service-oriented leases, as more money is needed than ever before. Cost profile, including energy, repairs and maintenance, and other ancillary services, has been very challenging. These exert more pressure on lessors and customers.
- **High cost of borrowing.** The CBN's continued increase in the Monetary Policy Rate (MPR), aimed to curb inflation (27.5% as at December, presently 27.0%, September 2025),

led to an increase in the cost of borrowing (averaging between 35-40%) and consequently the lease rate, which further constrained leasing businesses. In existing leases, many lessors were under pressure from their financiers, who reflected the increases in MPR by adjusting their rates in facilities given to the lessors to finance leases in which the lessors already had locked in fixed lease rates for the customers.

- **The absence of an appropriate funding mechanism** continued to constrain the depth of lease penetration in the market. The predominance of short-term funds, which are even dwindling and expensive, cannot support more meaningful development of the industry, thus confining most leases to within 12-48 months to avoid mismatch. The limited sources and high cost of funds have constrained the capacity of most lessors to finance more leases and engage in big-ticket transactions, thereby limiting their scope to small and medium markets.
- **Increased default rate** arising from the combination of intervening events, such as higher rentals necessitated by rising costs of borrowing and assets and provision of services, as well as the general adverse effect of the economy on businesses.
- **Continued improvement in new business origination amid a challenging operating environment.** The relatively stable economic activities and subsequent demand for asset financing manifested themselves in the increased portfolio of leasing companies, though economic conditions hindered the capacity to fully expand lease offerings.
- **The growing interest in operating leasing.** This is increasingly being used as a risk-mitigating strategy by many lessors and for large corporate organisations, as an outsourcing strategy to achieve operational efficiency. In recent times, the industry has been witnessing a total shift from finance leasing to operating

leasing by some major lessors to balance their risk appetite and meet the outsourcing needs of customers. Operating leases remain the main attraction and dominant in the Oil and Gas and Maritime sectors for the financing of large ticket transactions involving operational assets like vehicle fleets, vessels, barges, and other heavy-duty equipment.

- **The continued dominance of vehicle leasing.** Vehicles, including staff shuttles, commercial buses, trucks for haulage, and operational vehicles, remained dominant as the largest leased asset segment, constituting about 60% of the leased assets. Aside from vehicles,

a wide range of equipment is leased including Construction equipment: excavators, bulldozers, cranes, etc.; Industrial equipment: generators, compressors, forklifts, etc.; Agricultural equipment: tractors, harvesters, irrigation systems, Health care equipment for diagnosis and treatment, Office equipment: computers, printers, copiers, etc and general household assets to other heavy duty and specialised equipment in Oil and Gas and Maritime Sectors.

- **Expansion of SME leasing.** Small and medium-sized enterprises (SMEs) continued to represent a major market segment for many leasing companies that tap into

the opportunity of better margins, though with higher risk. Aside from leasing being regarded as the “last resort” for SMEs, because of its flexibility and convenience, many lessors are constrained by the financial and technical capacity to venture into big-ticket and specialised leases.

- **Growing partnerships in vendor leasing,** between leasing companies and vendors necessitated by the increasing cost of assets. The interest in vendor leasing is gradually expanding from vehicles to other assets such as renewable energy and medical equipment.
- **Continued attraction of new entrants into the leasing industry** from various sectors, ranging from financial services to service providers in telecommunications, construction, transport, and logistics, as well as oil and gas. The market potential and ease of entry are major drivers attracting investors to the industry.
- **Increased leveraging of technology** to enhance business operations and processes in response to prevailing conditions.

Figure 2: Leasing market share by sector 2024

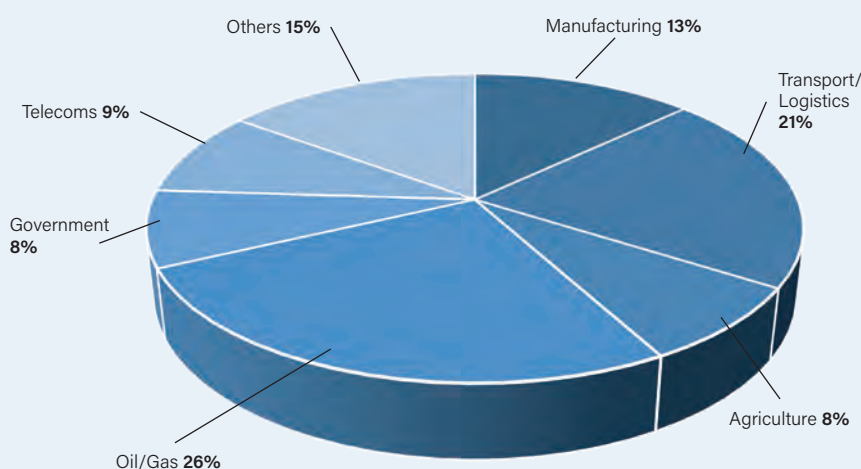
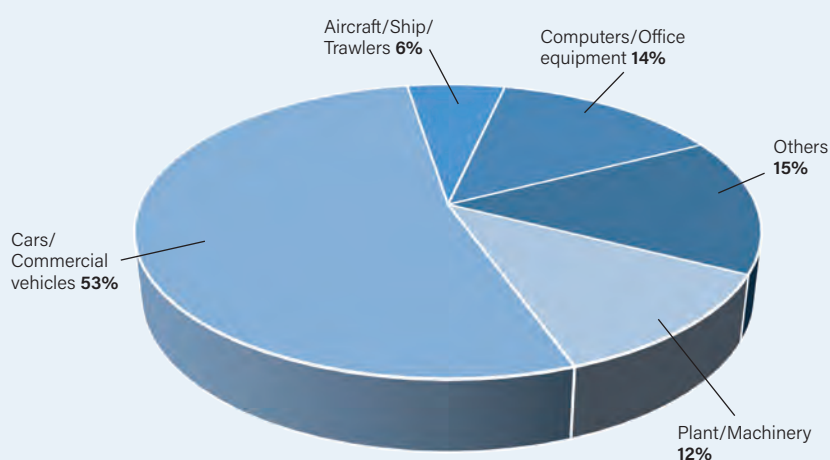


Figure 3: Leasing market share by asset type 2024



Regulatory environment

Legal: Nigeria is now among the countries with specific legislation on leasing with the coming into force of the Equipment Leasing Act 2015. Essentially, leasing practice in Nigeria is now being governed by the Act and general principles of Common Law supported by provisions of other relevant laws such as the Companies and Allied Matters Act. It is expected that the new legal regime would build confidence among investors and increase participation in leasing, given the evolving nature of the industry in Nigeria.

The Act, for instance, tends to address some of the uncertainties and ambiguities, especially on the legal nature of leasing, that pose challenges to practitioners and often lead to huge losses of investment when these issues are brought to the fore in legal disputes.

The main attribute of the Act is the establishment of the Equipment

Leasing Registration Authority, formally inaugurated in May 2023. The Authority, intended to give full effect to the purport and intent of the Act, is constituted by (11) members from the public and private sectors, empowered to:

- Register lease agreements & lessors.
- Determine eligibility of persons & requirements
- Register and investigate the incidence of default
- Establish & maintain a register of persons entitled to carry on the business of leasing
- Undertake other activities to give effect to the Act and other functions conferred by the Act

Accounting: The accounting environment has changed in line with the International Financial Reporting Standard (IFRS) 16. The Financial Reporting Council of Nigeria (FRCN) usually adopts the International Financial Reporting Standards (IFRS), and this was applied to the new standard on leases, IFRS 16. The standard was intended to improve the financial reporting of leasing activities. IFRS 16 replaced IAS 17 and came into effect on January 1, 2019. The changes in the new Standard, mainly affect the accounting for operating leases by the lessee, focusing on the elimination of off-balance sheet financing.

In essence, a lessee is generally now expected to account for all leases similarly to the accounting for finance leases under IAS 17, except assets of low value, such as furniture and laptops (value not exceeding \$5,000) and leases of 12 months or less. The lessor accounting for leases remains unchanged.

However, it will affect the business model of the lessor as demand for operating leases, motivated by off-balance sheet benefits, will decline.

Taxation: Nigeria has no specific law relating to the taxation of leasing companies. Leasing organisations are therefore subject to the tax laws applicable to all companies, although there are specific sections on leasing, such as those relating to capital allowance claimable on leased assets.

Two types of leases exist for tax purposes. A lease is either a tax



In Nigeria, new leases in 2024 peaked at N973.3bn against N935.6bn in 2023, recording a 4.02% growth. The oil and gas sector represented 26% of the new leases with N253bn.

lease or a non-tax lease. A tax lease qualifies for tax purposes, while a non-tax lease is considered to be a loan. Generally, in some countries (including Nigeria) considered as “substance” countries, guidelines have been made to distinguish between these two types of leases.

If a lease has features such as a purchase option that indicates ownership, it will be treated as a purchase or loan. Thus, it could be said that a finance lease under this circumstance would not qualify as a true lease, since the true intention of the parties is for the lessee to own the asset at the end of the transaction. Operating lease, with its characteristics, is regarded by the tax authorities as a true lease and would entitle the lessor to claim tax depreciation and the lessee, the rent expense.

Some of the laws that have a direct impact on leasing include:

1. Companies Income Tax Act (Cap C. 21, LFN 2004)
2. Value Added Tax Act (cap VI LFN 2004)
3. Capital Gains Tax Act (Cap CI, LFN 2004 as amended)
4. Equipment Leasing Act 2015

The Nigeria Tax Act, 2025, has now consolidated virtually all major tax laws — including VAT, Companies Income Tax, Personal Income Tax, Stamp Duty, Capital Gains Tax,

Petroleum Profits Tax, etc., into a single statutory framework, streamlining what was previously a patchwork of separate laws.

The Federal Inland Revenue Service (FIRS), now Nigeria Revenue Service (NRS), had in April 2010 issued a circular “Guidelines on the Tax Implications of Leasing” pursuant to the provisions of these Acts, to explain the principles guiding lease arrangements in Nigeria.

The FIRS adopted the treatment of leasing by the Statement of Accounting Standard on Leases SAS 11 (*the old local standard that has similar provisions with IAS 17*) and accordingly classifies leases for tax purposes as either finance or operating leases, together with other variants of leasing such as leverage leases, sale and lease back and sale – type lease (The FIRS maintains the position, notwithstanding the capitalisation treatment of the leased asset by the lessee in qualifying operating leases).

Finance lease treatment for the lessor. Lease rental is made up of the interest and capital portions. The interest portion of the rental earned by the lessor constitutes taxable income in the hands of the lessor, and the capital portion is a repayment of the initial investment and has no tax implications. Also,

the lessor is not allowed to claim capital allowance (Tax depreciation) on the leased assets. Only the lessee is allowed to make such a claim. If the lessor makes such a claim, it will be disallowed by the FIRS. The basis for this is that the lessee is regarded in substance as the owner of the asset since all risks and rewards of ownership are transferred to him.

However, in practice the lessee may not have any use for such allowance because of low income to offset such allowance and therefore it is being canvassed by some stakeholders in the leasing industry, that tax authorities should follow the "form" of the transaction, regarding the lessor as the owner of the asset and thus entitling the lessor to claim capital allowance as is done in many other countries, to serve as a major incentive to drive the development and growth of leasing. In these 'form' countries, the policies are formulated with the objective that leasing should be incentivised to grow, the essence being to motivate lessors to do more leases.

- *Withholding Tax (WHT)* is computed only on the interest portion of the total lease payment due from the lessee. The lessor receives a lease rental less 10% WHT. The credit note is issued in the name of the lessors, who can use it to offset their income tax liability for the relevant period.
- *Value Added Tax (VAT)* is not imposed on interest earned by the lessor; the interest is a return on investment of the lessor and, as such, is not liable to VAT.
- *Capital Gain Tax (CGT)* is imposed on any capital gain realised if an asset is disposed of at the expiration of the lease period.

Finance lease treatment for lessee. The Companies Income Tax Act (CIT) regards the interest portion of the periodic lease rental and other related expenses, such as insurance and maintenance costs, as deductible expenses for income tax purposes. Also, the lessee is entitled to claim capital allowance on the capital portion of the value of the leased assets.

- *Withholding Tax (WHT)* is withheld by the lessee at 10% on the interest portion of the lease rental and remitted to FIRS.
- *Value Added Tax (VAT)* on the purchase of the asset is regarded as input tax and should be capitalised with the cost of the asset.
- *Capital Gains Tax (CGT)* will not apply to the lessee unless the gain arose from the sale of the lessee's interest in the lease. However, the lessee will be liable to CGT if the leased asset is sold by him after exercising the purchase option.

Operating lease treatment for the lessor

- *The total lease rental* received or receivable by the lessor is income and it's wholly taxable, and the lessor is entitled to claim capital allowance on the leased assets
- *Withholding Tax (WHT)* computed on the total lease rental must be deducted from the sums due from the lessee. The Withholding tax due is 10% of the total rental income due on the lease
- *Value Added Tax* is imposed on the lease rental income. The lessor is obliged to include a 7.5% VAT charge on its invoice to the lessee.

Operating lease treatment for lessee

- *The Rental charges* and other associated expenses are allowable deductions for tax purposes.
- *Capital allowance* cannot be claimed by the Lessee.
- *Withholding Tax (WHT)* at 10% of the rental payment to the lessor shall be withheld by the lessee and remitted to the relevant tax authority.
- *Value Added Tax (VAT)* charged by the lessor on the lease rental is not an input tax to the lessee; it is to be charged to the Profit & Loss Account.

Role of ELAN

The Equipment Leasing Association of Nigeria Ltd/GTE (ELAN) was established in 1983 primarily to promote the business of leasing in Nigeria. Membership of the Association consists of banks, finance houses, independent leasing

companies, insurance companies, equipment vendors, as well as professional firms and individuals.

Over the years, ELAN has been promoting economic and developmental growth through leasing, working with the government and development partners, to provide the much-needed integral support for national economic growth.

Today, ELAN is regarded as the sole authority on leasing in Nigeria and has equally earned considerable recognition from the global leasing industry through its promotional lease activities. ELAN's lease awareness campaigns, research, and publications, as well as consultancy and advisory services, particularly in the areas of policy compliance, market intelligence, lease accounting, taxation, and general operations, continue to make positive impacts in the industry.

The Association remains committed to the development of the Nigerian leasing industry to the benefit of stakeholders and the economy.

Association

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This stabilisation has given firms and households a chance to adjust to the new interest rate landscape.

Inflation has shown further signs of moderating, but is still above Norges Bank's target. Although prices are rising less quickly than in 2023, both firms and households remain under pressure from higher living costs. This has affected consumption patterns and investment decisions throughout the economy.

MARKET REVIEW

The Association of Norwegian Finance Houses (FINFO)

FINFO is a trade body for financing companies operating in Norway. At present the Association has 39 member companies and 24 of these are engaged in leasing. The Association covers more than 90% of the leasing market. The head offices of most of our members are situated in Oslo. The large companies operate on a nationwide basis, the others mainly servicing their local market.

In last year's report, we wrote that 2023 was a year of continued turmoil and uncertainty, but with signs of stabilisation. Looking back

now on 2024, we can see that this trend continued, albeit with some fresh challenges emerging. Global conflicts and tensions remain a reality, but the global community has shown a greater ability to handle these challenges. Economically, we have seen a gradual adaptation to the new normal after the pandemic years and subsequent inflation crisis.

Interest rates were again a key topic in 2024. Norges Bank kept its policy rate unchanged throughout the year, with a slight downward adjustment of its projections in December. This signals cautious optimism about the economy, but interest rates will remain relatively high compared to previous years.

A year of growth

For FINFO's members, 2024 was a year of healthy growth. Their total loan and leasing portfolio grew to NOK466.4bn, an increase of NOK19.8bn or 4.4%.

This can be seen as a very pleasing outcome given the economic circumstances, and reflects members' important role in supporting economic activity and investment.

New leasing business continued to grow, climbing NOK3.1bn to a total of NOK80.5bn. This is a growth rate of 4% and shows that leasing remains an attractive form of financing for firms in a variety of sectors. There was a particularly strong increase in leasing for heavy goods vehicles and buses,



2024 saw a particularly strong increase in leasing for heavy goods vehicles and buses in Norway. This jumped 11.6% to NOK28.3bn, indicating increased investment in the transport sector and more environmentally friendly transport solutions.

which jumped 11.6% to NOK28.3bn. This points to increased investment in the transport sector and perhaps a trend towards more environmentally friendly transport solutions.

On the other hand, new car leasing business fell NOK1.4bn to NOK18.7bn, a decrease of 7.0%. This could reflect changes in the car market, consumer preferences and economic incentives for buying and leasing cars.

New business for other forms of lending, including car loans, fell NOK2.2bn, or 3.1%, to NOK68.6bn. This could be a result of a slight cooling of demand and the effects of higher interest rates. Car prices have also fallen, and consumers are tending to go for cheaper cars than before.

Factoring turnover, including bulk factoring, jumped NOK22.5bn to NOK317.7bn. This is an increase of 7.6% and points to increased use of factoring as a financing solution by firms. Outstanding credit rose NOK1.3bn to NOK27.5bn, an increase of 5.0%.

Credit card turnover continued its strong upward trajectory in 2024, rising NOK36.9bn to NOK274.4bn. This leap of 15.5% from the year before may be a reflection of increased consumption and economic activity, as well as continued growth in digital payment solutions. E-commerce is also playing a major role here.

Card-based credit and unsecured loans climbed a moderate NOK2.2bn to NOK79.7bn. This increase of 2.8% indicates stable demand for consumer credit and largely confirms the trend we have seen since the debt register for unsecured credit was launched in 2019.

Summary

Together, these numbers show that financing companies continued to play an important role in the Norwegian financial market in 2024, with solid growth in a number of key segments, particularly factoring and credit cards. We are also seeing signs of challenges in some areas, such as car leasing and traditional loans, which may reflect changes in market conditions and consumer behaviour.

While 2024 brought its challenges, FINFO's members proved robust and adaptable in the face of changing economic conditions. Member companies navigated a complex landscape of regulatory changes, technological developments and evolving customer preferences.

We look forward to 2025 with cautious optimism and expect a gradual normalisation of the economy. FINFO will persevere in its efforts to look after the interests of members, promote innovation in the financial industry, and contribute

to the healthy development of the Norwegian financial sector. Our role as a liaison between the sector, the authorities and other stakeholders will remain crucial for work on ensuring good operating conditions for financing companies in Norway.

Legislation

In Norway there is no special legislation relating exclusively to leasing. The provisions of the lease agreement will therefore mainly govern leasing transactions and, when that is not sufficient, by analogies from statutes governing hiring and purchasing and the Act of December 18, 2020 on Financial Contracts.

The Norwegian Lien Act of 1980 considers in large extent equal a financial leasing contract and a seller's chattel mortgage (security interest). In order for the lessor to obtain legal protection against creditors of the lessee, a financial leasing agreement must expressly state the leased asset, the leasing period and the rental fees. Furthermore, the lease must be agreed no later than the time the asset is delivered to the lessee.

For the financial leasing agreements pertaining to registered motor vehicles, there is a special requirement, as the lease must be



For FINFO's members, 2024 was a year of healthy growth. Their total loan and leasing portfolio grew to NOK466.4bn, an increase of NOK19.8bn or 4.4%.

registered with The National Register of Movables. This requirement does not apply to renting or leases with high residual value guaranteed by other than the lessee. Such registration not only gives legal protection against creditors of the lessee, but also protects the lessor against bona fide acquisition by third parties. The relevant register must register lessor's ownership of movables subject to registration, such as aircrafts and ships.

The act of Financial Institutions of April 2015 no 17 has important implications for financial leasing by the fact that public authorisation is required for institutions providing financial leasing in Norway. Producers or distributors of goods may, however, lease their own products without permission from the authorities, since this law does not encompass credit from suppliers.

Foreigners have the same ownership possibilities and restrictions as domestic owners as a consequence of the agreement between the EU and EFTA on the European Economic Area. The law also has other provisions such as the requirement of minimum solvency capital. These solvency ratios correspond to the risk-weighted ratios applying to credit institutions in the EU.

Types of leases

In Norway one traditionally differs between the following kinds of leases:

1. **Financial lease** – according to the Unidroit convention on international financial leasing. The rentals payable under the leasing agreement are calculated so as to take into account the amortisation of the whole or a substantial part of the cost of the equipment.
2. **Operating lease** – where the condition above is not fulfilled. There is some ambiguity in what extent financial institutions may participate in operating leases if the residual value is not covered.
3. **Lease with residual value** – where the lessee is committed to pay only a part of the investment and the lessor have a put-option against the supplier for the rest.

This is a financial lease from the lessor's point of view and an operating lease for the lessee. It is important to be sure that the lease is regarded as an executory contract in substance ("true lease") and not a sale of the underlying object. It must not from the beginning be the intention that the lessee should become owner of the equipment. Therefore, it is not common to give the lessee an option to buy the equipment. He only has a right to renew the lease at a nominal rent not descending 1/12 of the previous rent (the limit is tax-related). Hire purchase contracts are sales contracts and are not defined as leases under Norwegian law (civil law, tax, vat, financial reporting etc.).

To remedy the lack of legislation directly regulating leasing, Norwegian leasing companies as early as the late 1960s drew up standard leasing contracts.

Taxation and VAT

Legislation provides no special tax rules relating to leasing. With the exception for hire purchase contracts, favourable purchase options etc, leasing is regarded as executory contracts which means that rent is deductible by the lessee while the leasing company in its capacity as owner effects depreciation on the leased item. Lease capitalisation is not an option under Norwegian tax law. Hence, the various alternatives represented by financial accounting regulations (see below) have no impact on taxable income. Norwegian VAT broadly follows income tax.

Accounting for leases

All Norwegian companies may elect to base the financial reporting on IFRS (including IFRS 16), but very few do.

It is, however, mandatory for listed companies to use IFRS in the consolidated reports, but a considerable number even within this group use local GAAP (for leases NRS 14-see below) in the corporate (company) accounts. An important exception to this "freedom of choice" are banks and financial institutions (including

most leasing companies) subject to financial solvency regulation etc. where IFRS is mandatory for both consolidated and corporate reporting.

The Accounting Act of July 17, 1998 explicitly "protects" small companies from lease capitalisation. For small companies neither IFRS 16, nor the current leasing regulation in IFRS for SME, can be implemented by standard setter. The definition of a "small" entity mirrors the definition of the EU accounting directive and is currently defined as an entity that fulfils two out of the following three conditions:

- less than NOK70m in turnover;
- less than 50 employees; and
- a balance sheet total of less than NOK35m.

Due to the size of the Norwegian economy approximately 95 % of Norwegian companies with limited liability (and almost all partnerships with unlimited liabilities) are exempted by law from capitalising all (financing as well as operating) leases. For all practical matters this imply that financial reporting can be based on tax reporting for this group of companies.

The remaining companies follow the local accounting standard for leases (NRS 14) whereby only financial leases are capitalised. Broadly NRS 14, with some exceptions, mirrors the leasing regulation in Section 20 of IFRS for SMEs.

Association

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and decisive tightening of monetary policy, followed by cautious easing. The financial sector continued to demonstrate strength and profitability.

Leasing growth

Perú's leasing industry is ranked as the sixth largest in the region in 2024, with a market value of US\$4.1bn (LARI00 - The Alta Group). Financial leasing is the main type of financing to boost private investment, including the acquisition of fixed assets by Peruvian companies through its tax advantages. It ranks after Mexico, Brazil, Colombia, Chile, and Puerto Rico. The Leasing Law (DL 299 enacted in 1984) regulates the financial leasing market, which is comprised of 12 authorised entities supervised by the Superintendencia de Banca, Seguros y AFP (SBS): ten banks, one financial institution, and two credit institutions. The number of specialised leasing companies in the market increased from just two in 2020 to 44 by 2024.

Regarding the renting market, it is estimated to reach a volume close to US\$1bn, which includes operational leasing of machinery, light and heavy equipment, technological elements, vehicles, medical equipment, etc. It is worth noting that the leasing sector manages approximately 21,000 vehicles, representing a 10% penetration of the total corporate vehicle fleet. The vehicle leasing sector in the country is being expanded by new investments from the main market players (Arval, Mareauto, Eurorenting, etc.). Added to this are the trends in electric vehicles and natural gas, whose share is growing.

The rapid expansion of financial leasing institutions is due not only to regulatory changes (Decree 013-2020), which only requires registration with the SBS, but mainly to the dynamics of specialised companies that are seeking growth alternatives in business niches not served by the banking system, which implies a substantial expansion of the financial leasing offer in Perú.

MARKET REVIEW

Economic recovery

Perú's economic activity showed a recovery in 2024, with growth of 3.3% after a 0.4% contraction in 2023, according to the Peruvian Central Bank (Banco Central de Reserva del Perú -BCRP). The year-on-year inflation rate was 2.0%, with a gradual recovery in formal employment and business confidence in line with the announcement of major infrastructure projects, such as the port of Chancay and the new Jorge Chávez International Airport in Lima.

Public investment also grew at a double-digit rate (14.1%), registering its highest growth in 12 years

excluding the pandemic period. Private investment grew 2.6%, after contracting 7.3% in 2023 and 0.5% in 2022. Domestic demand grew 3.8%, after a 1.9% decline in 2023. In the first half of the year, the recovery was driven by the primary sectors (mining, fishing, agriculture, and primary manufacturing). In the second half of the year, non-primary sectors (construction industry and commerce sector) increased the recovery.

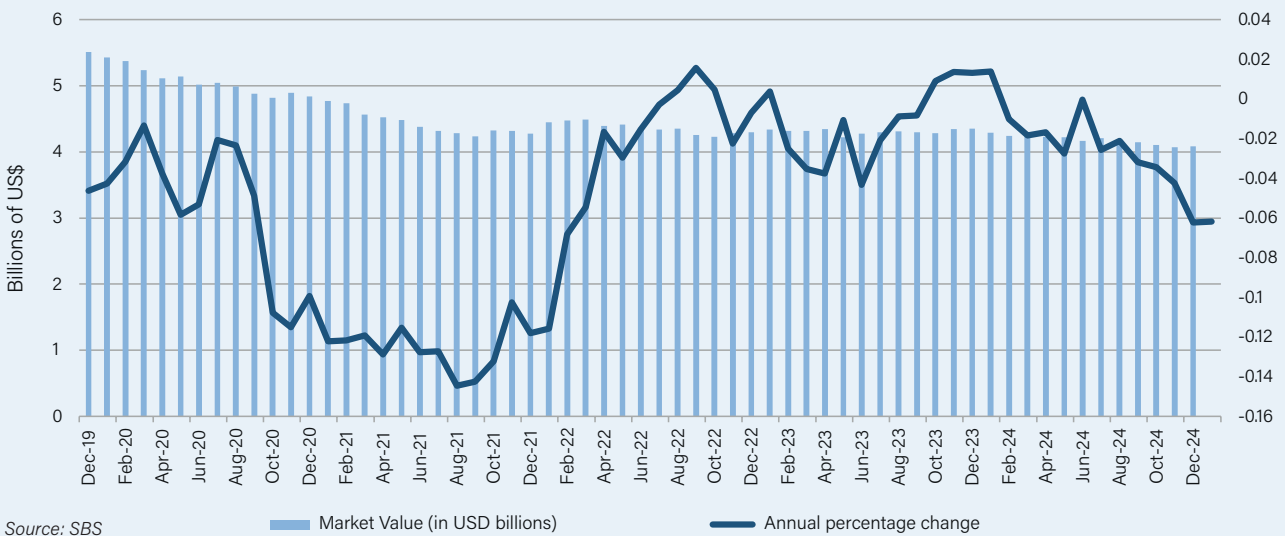
The International Monetary Fund (IMF) forecasts Perú's annual GDP growth of 2.8% for 2025. The economy has recovered from consecutive shocks related to natural disasters and social unrest. Inflation is firmly within the target range, due to BCRP early

Table 1: Leasing market in Peru 2024 (US\$m)

Institution /Period	2024	Market share
Banco de Crédito del Perú BCP	1,453,086	35.6%
Banco BBVA Perú	880,268	21.5%
Scotiabank Perú	691,278	16.9%
Banco Interbank	425,053	10.4%
Banco Interamericano de Finanzas	233,706	5.7%
Volvo Finance	142,352	3.5%
Banco Santander Perú	142,065	3.5%
Total Servicios Financieros	81,096	2.0%
Banco ICBC	14,821	0.4%
Mitsui Auto Finance MAF	7,938	0.2%
Banco GNB	5,246	0.1%
Banco Pichincha	4,747	0.1%
Banco de Comercio	3,698	0.1%
Total	4,085,355	

Source : SBS (10 Banks, 1 Financial institution, 2 Credit Institution)

Figure 1: Market value of leasing and annual percentage change 2020 – 2024



The industry's market value, with financial leasing loan balances at US\$4.1 trillion, represents a year-over-year decrease of -6.2% compared to the same period last year, as shown in Figure 1. It is worth noting that 61% of the leasing portfolio volume is denominated in US dollars. Leasing market penetration rose to 4.37% in 2024.

The number of contracts totalled 17,119 as of June 2024, representing a 14% annual decrease compared to the same period last year. Financial leasing accounts for 17% of the total loan balance in the Small and Medium Enterprise segment. The positive trend in the country's productive activity contributed to the improved performance of the financial system, reflected in a decrease in non-performing loans and a gradual recovery in credit.

Financial leasing remains at around 1.42% of gross domestic product in 2024, a lower proportion than the previous year, which reached 1.62%. This is reflected in Figure 2. Traditional lending – the remaining lending sector – received 0.2% growth in 2024 (total financing to the private sector grew by 0.4% year-over-year).

According to SBS statistics as of June 2024, the largest share by economic sector remains in the manufacturing industry (23%), followed by real estate, commercial and rental activities

(18%), transportation (16%), and mining (15%). Companies in these sectors frequently need financing to expand their production plants, acquire commercial and industrial premises, offices, land, vehicles, equipment, and machinery¹.(1)

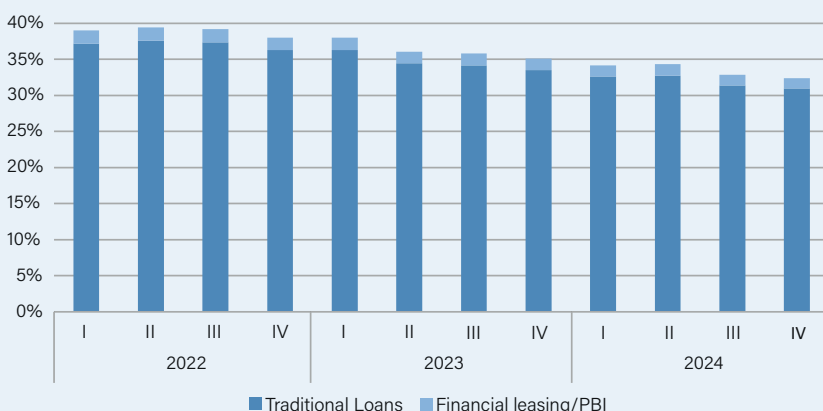
In the first half of 2024, the following share was recorded by asset type (loan balance): real estate stands out with the largest share (30%), the industrial machinery and equipment sector reported a 26% share, and land transportation units reached a 22% share. These three types of assets represent 78% of the total loan balance. However, in terms of the number of contracts, transportation units represent 59% and equipment and machinery 23%.

The delinquency rate for the financial leasing portfolio has shown a favourable trend, reaching 4.8% after the post-pandemic period. It now stands at 2.3% as of December 2024, reflecting the excellent performance of the country's financial leasing portfolios.

Outlook

For 2025, Perú's economy is projected to continue its recovery and grow more dynamically than the previous year, primarily in sectors such as mining, agribusiness, and infrastructure. This also reflects improved business confidence, considering political instability and the need to control the country's crime rate as structural challenges.

Figure 2: Credit modality as a percentage of GDP



Source: SBS and Peru's Central Bank

On the sectoral front, increased private spending is expected to boost non-primary activities. In particular, construction is expected to grow at a faster rate due to the anticipated increase in public investment, while the services sector will benefit from increased private consumption.

In the financial leasing market, the largest offer of leasing companies is consolidated, consisting of 10 banking entities, 1 specialised entity, two credit institutions (within the framework of the General Law of the Financial System supervised by the SBS) to which have been added more than 44 financial leasing companies registered in the SBS Registry not included in the General Law, which constantly expand their services to unattended niches and clusters with specific characteristics (micro segmentation).

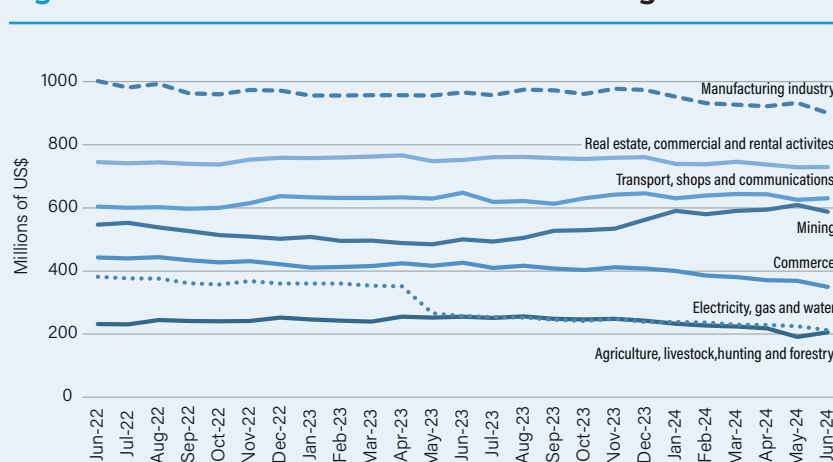
This increased supply of financial leasing has enhanced access to financing for small businesses, microentrepreneurs, and entrepreneurs, as well as enabled new assets to be leased: medical equipment (ophthalmology, aesthetics, diagnostic imaging, etc.), production equipment, vehicles for various uses (taxis, cargo, logistics, motorcycles, etc.), laptops and technological equipment, etc. in various productive sectors.

It is worth highlighting the robust supply and growing penetration of the operating leasing and renting sector in the country, with a wide variety of underlying assets offered in the Peruvian market: vehicles, light machinery, technological equipment, metal structures, etc. Although the operating leasing industry does not record official statistics, the market volume is estimated at approximately US\$1bn by the end of 2024.

Likewise, the leasing and renting market has been experiencing growing innovation in the management of its activities, both in terms of process efficiency and new businesses, grouped into the following areas:

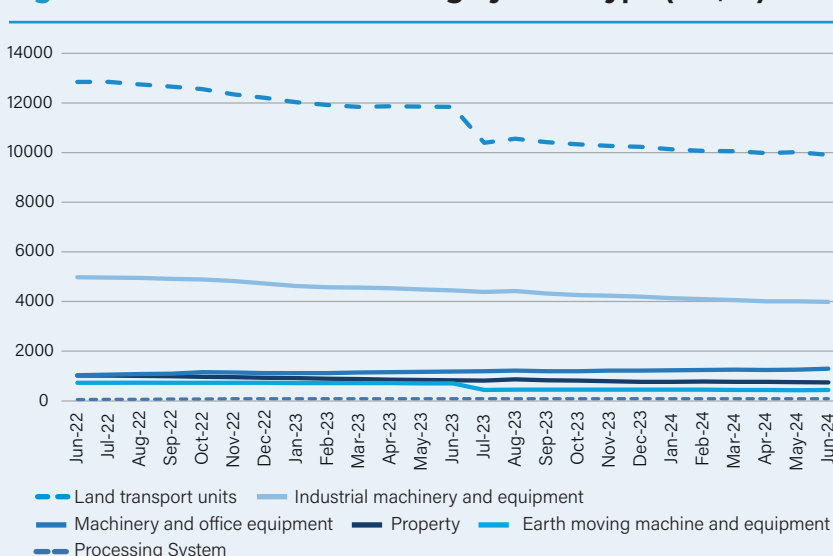
- (i) Innovation and Technology: application of Artificial Intelligence (simplification and automation of repetitive processes, customer service,

Figure 3: Main economic sectors of the leasing market



Source: SBS

Figure 4: Market value of leasing by asset type (US\$m)



Source: SBS

- after-sales), Digital Transformation (APIs, focus on Front Office).
- (ii) Commercial strategy, employing technology (blockchain, big data - leads, models, etc. -, IoT - data mining, traceability, etc.), new sources of innovation in pricing, synergies with asset suppliers, vehicle dealers, vendors, distributors, fintechs (technology platforms), asset managers, etc., as well as promoting cross-selling.
- (iii) Process efficiency and cost reduction, through operational standardisation, asset management, use of, specialised training, mastery of residual values and secondary markets for fixed assets, etc.

Indeed, in the current climate, Artificial Intelligence (AI) is a strategic pillar for the Leasing and Renting industry. Its application accelerates origination, reduces risks, optimizes asset management, and expands its reach. In the near future, the competitive standard will be to offer smart contracts, scoring, dynamic pricing, and predictive after-sales integrated from origination to asset remarketing/sale. Whoever achieves this will lead the next wave of growth.

Endnote

¹ Annex 22 "Financial leasing contracts by type of asset" was eliminated with SBS Resolution No. 4218-2023 (12/20/23) entities were only required to report the Annex until June 2024

Poland


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is a new risk map: trade tensions, delays in transfers from the KPO (National Recovery Plan), asset price adjustments (especially heavy transportation), and on the positive side, the legislative breakthrough of e-leasing. It will be one of the main points of reference for the entire market in the coming years, because it technically simplifies processes, reduces costs and opens the door to further automation.

MARKET REVIEW

Double-digit growth in 2024 and digital transformation in 2025

Poland's leasing industry grew faster than the overall economy for another year in a row. It closed 2024 with a result of PLN110.5bn – 10.4% higher than a year earlier – and its structural driver was light vehicles. The first half of 2025 brought stabilisation with a strong rebound in the second quarter, but also a revision of forecasts for the full year. However, a systemic change is playing out in front of the market's eyes: as of July 13, 2025, a lease agreement can be concluded in documentary form, fully remotely.

At the same time, the sector is actively participating in the European debate on fleet decarbonisation and faces an uncertain macroeconomic environment.

The year 2024 has gone down as another period in which leasing has remained the most accessible and predictable input financing tool for Polish companies – especially in the SME sector. The dynamics were clearly cyclical: a very strong first half of the year, a temporary deceleration in the third quarter and a return to double-digit gains at the end of the year. In the background, there was a shift within the market: an increasing role for cars and vans, weakness in the heavy road transport segment, and selectively good performance in machinery, especially construction equipment. What distinguished

2024 from previous years was the simultaneous intensification of regulatory discussions – from farmers' access to financing to the digitisation of processes, as well as the surprising halt to the electric vehicle subsidy program. Thus, the regulatory sphere began to have a stronger impact not only on sentiment, but also on volumes.

The beginning of 2025 confirmed the sector's resilience to external turbulence. Data from the first half of the year show a moderate but positive trend – with a marked acceleration in the second quarter – with a change in the product mix: loans are growing dynamically, while leasing in value terms is increasing more slowly. On top of these numbers

Results 2024: market structure and dynamics

The value of financing provided by leasing companies in 2024 amounted to PLN110.5bn, an increase of 10.4% year-on-year. The quarterly profile was clearly fluctuating +14.6% year-on-year in Q1, +12.4% in Q2, followed by +4% in Q3 and again a double-digit performance of +10.2% in Q4. "In line with our forecasts, the deceleration in investment activity was limited to one quarter. We are also optimistic about the future," stressed Monika Constant, president of ZPL (Polish Leasing Association), while pointing to the expected revival of investment with the acceleration of EU and KPO funds.

Vehicles dominate the asset structure – a total of 71.8% of

Table 1: New business by asset type 2023 - 2024 (PLNm)

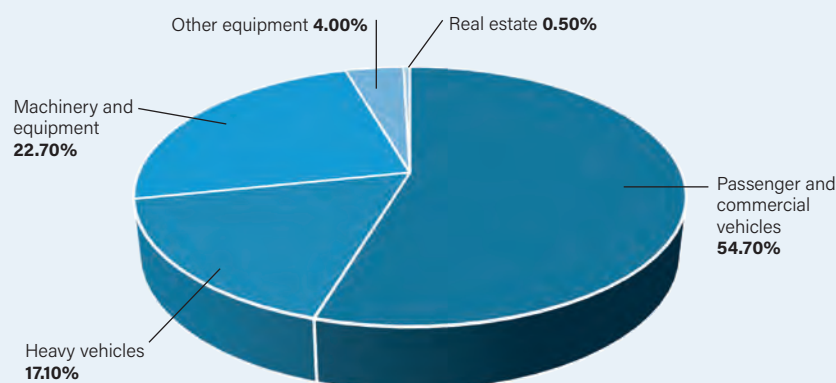
	2023	2024	Change
Vehicles	71,159.1	80,230.1	12.7%
passenger	41,491.0	52,199.9	25.8%
commercial	6,989.9	8,232.9	17.8%
heavy vehicles	21,850.5	18,847.8	-13.7%
typical trucks	4,490.3	4,850.2	8.0%
truck tractors	11,668.4	8,683.0	-25.6%
semi trailers / trailers	4,720.1	3,673.2	-22.2%
buses	971.7	1,641.4	68.9%
others	827.7	949.5	14.7%
Machines	25,031.8	26,237.5	4.8%
IT	1,035.1	994.2	-4.0%
Ships, aircrafts, railway	1,658.6	1,784.4	7.6%
Others	515.5	742.2	44.0%
Equipment	99,400.1	109,988.4	10.7%
Real estate	690.5	508.9	-26.3%
Total financing	100,090.7	110,497.3	10.4%

Source: ZPL

Table 2: New business comparison 2024 - 2025 (PLNm)

	First half 2024	First half 2025	Change
Vehicles	39,437.5	41,917.2	6.3%
passenger	25,316.3	28,067.3	10.9%
commercial	4,126.0	3,930.9	-4.7%
heavy vehicles	9,484.4	9,434.6	-0.5%
typical trucks	2,130.2	2,079.3	-2.4%
truck tractors	4,812.4	4,410.2	-8.4%
semi trailers / trailers	1,894.6	2,054.7	8.4%
buses	647.2	890.5	37.6%
others	510.9	484.5	-5.2%
Machines	12,580.6	12,744.0	1.3%
IT	499.3	594.5	32.3%
Ships, aircrafts, railway	689.6	869.8	26.1%
Others	245.1	237.3	-3.2%
Equipment	53,402.1	56,362.8	5.5%
Real estate	297.8	365.6	22.8%
Total financing	53,700.0	56,728.4	5.6%

Source: ZPL

Figure 1: Structure of financing of assets in 2024

Source: ZPL

financing – both in value and volume," commented Marcin Nieplowicz, chief economist at the Polish Leasing Association and EFL. It is worth noting that initial fluctuations in the agricultural segment were strongly influenced by the issue of equalising farmers with consumers and temporary restrictions on access to financing, which were only reversed by the April amendment.

On the demand side, the SME sector remained a key customer. Micro-companies (turnover of up to PLN5m) accounted for 54.7% of customers, companies with a turnover of PLN5m-PLN20m accounted for 18%, and entities above PLN20m accounted for 25%. Significantly, the share of the smallest companies rose year-on-year from 49% to 55%, mainly at the expense of the largest. Leasing in the Polish reality is therefore primarily a "democratic" instrument: fast, simple and operationally predictable for the smallest entrepreneurs.

Highlights of 2024: regulations that change behaviour

In regulatory terms, 2024 began with confusion over the status of farmers. As a result of changes treating them as consumers, access to lease and loan financing has actually been restricted. It wasn't until the April amendment that farmers were able to take advantage of leasing companies' offerings under the previous rules again. This is important because farmers account for about one-third of leasing loans, and their long-term investments in machinery have a real impact on demand across the segment.

The second issue was the so-called deregulation project, the core of which – from the industry's point of view – was to allow leasing contracts to be concluded in documentary form, without the requirement of a qualified signature, i.e. fully remotely. The project has set out the future: digital standardisation and full process remoteness.

The third stage of regulation was electromobility. The August abrupt suspension of the "Mój Elektryk" program – in which nearly 70% of the

financing – with 23.7% of machinery and equipment and 4.5% of other movable and immovable property. In vehicles, cars and vans play a key role, with financing rising by as much as 25% to PLN60.4bn. As a result, the share of light vehicles in the overall market increased from 48.9% to 54.7% year-on-year, shifting the industry's focus even more firmly toward "light mobility" – both fleet and typically SME.

The heavy-vehicle segment had an opposite trajectory: financing fell 14% to PLN18.8bn. In detail, the poor performance was mainly due to truck tractors (down about ¼) and semi-trailers and trailers (-22%). On the

other hand, trucks stood out positively (up 8%) and – especially important – buses, which increased the value of financing by as much as 1.5 times. Heavy transport performance was affected by industry weakness in the eurozone, the poorer financial condition of carriers and uncertainty in international transport demand.

There was a mixed picture in the machinery and equipment. Overall, the segment grew by 5%, to PLN26.2bn, but the distribution within was uneven: construction equipment recorded a dynamic +22% (PLN5.3bn), while agricultural machinery fell 2% to just over PLN6bn. "In 2024, we have seen a real rebound in machinery

total grant pool (about PLN960m) went through the "leasing path" to entrepreneurs – hit the market. The "NaszEauto" program that replaced it admittedly maintained leasing as a form of financing, but de facto excluded entrepreneurs other than sole proprietors from subsidies. According to ZPL, such a narrowed scope could lead to underutilisation of funds and weaken the stimulus effect for EVs, especially in the fleet segment.

The fourth area was the announcement of e-registration of vehicles. The Ministry of Digitisation has pointed to 2027 as the horizon in which the registration of leased cars will be done remotely, without visits to traffic departments. This is no small relief – with more than half of new registrations handled by leasing and rental companies, digitising this activity will bring tangible time and cost savings to the industry and customers.

First half of 2025: stabilisation, other proportions of demand and revision of forecasts

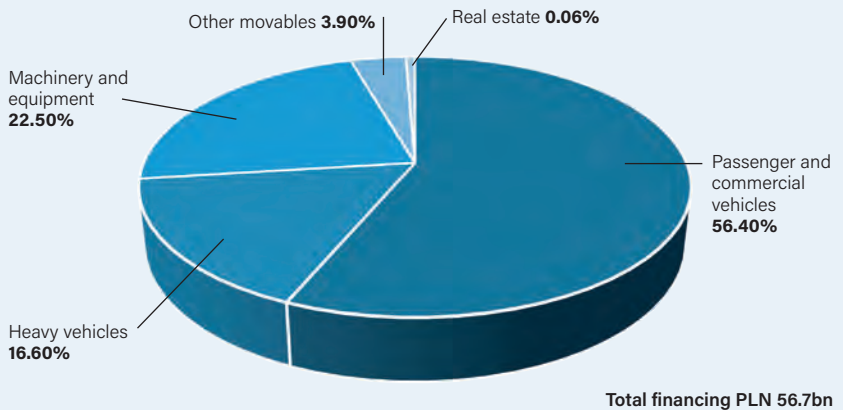
In H1 2025, leasing companies financed investments worth PLN56.7bn, up 6% year-on-year. After a rather weak Q1 (+1.3%), Q2 saw a marked recovery (+9.7%), supporting the thesis of a short-term, rather than structural, slowdown in demand. "The results show that the industry remains resilient and flexible, although it operates in an environment of high economic uncertainty," Monica Constant commented.

The shift in the product mix is noteworthy: the value of leasing loans rose by as much as 30%, to PLN8.2bn, while leasing – although dominant – increased more modestly, to PLN48.5bn (+2.4%).

The loan is strengthening its role in projects supported by EU funds and in agriculture, where demand has begun to rebound after a brief period of regulatory uncertainty.

Vehicles still reign supreme in the asset breakdown: 41.9 billion (+6.3%). Within that figure, passenger cars grew by 10.9%, buses by 37.6%, while the heavy segment remained

Figure 2 Structure of financing of assets in H1 2025



Source: ZPL

essentially flat (-0.5%), with a sharp decline in tractor-trailers (-8.4%). Machinery and equipment rose 1.3% to PLN12.7bn, but internally we see a dichotomy: the construction segment recorded a decline (-9%), while the agricultural segment recorded a very strong +32%. The prosperity was also confirmed by "niches" of increasing importance: IT (+32.3%) and rail, air and sea transportation equipment (+26.1%). In real estate – after a weak

start to the year – the first half of the year closed with a rebound to PLN365.6m (+23% year-on-year).

Despite these figures, the Polish Leasing Association has lowered its annual forecast for market growth from 13% to 6%, which translates into a value of about PLN116.6bn for the whole of 2025. Why? First, geopolitical and trade uncertainty has increased – Donald Trump's "aggressive new tariff policy" has worsened investment sentiment, which at the beginning of the year did not assume an escalation of trade wars. Second, delays in the transfer of money under the KPO have slowed down infrastructure projects, followed by demand for construction equipment. Third, there has been a significant adjustment in the prices of leased assets – particularly in heavy transportation – which has resulted in a decline in the average values of individual transactions.

"We are seeing growing truck registrations, but because of the decline in the average value of a single contract, this is not translating into a more dynamic increase in the value of financing," Marcin Nieplowicz explained.

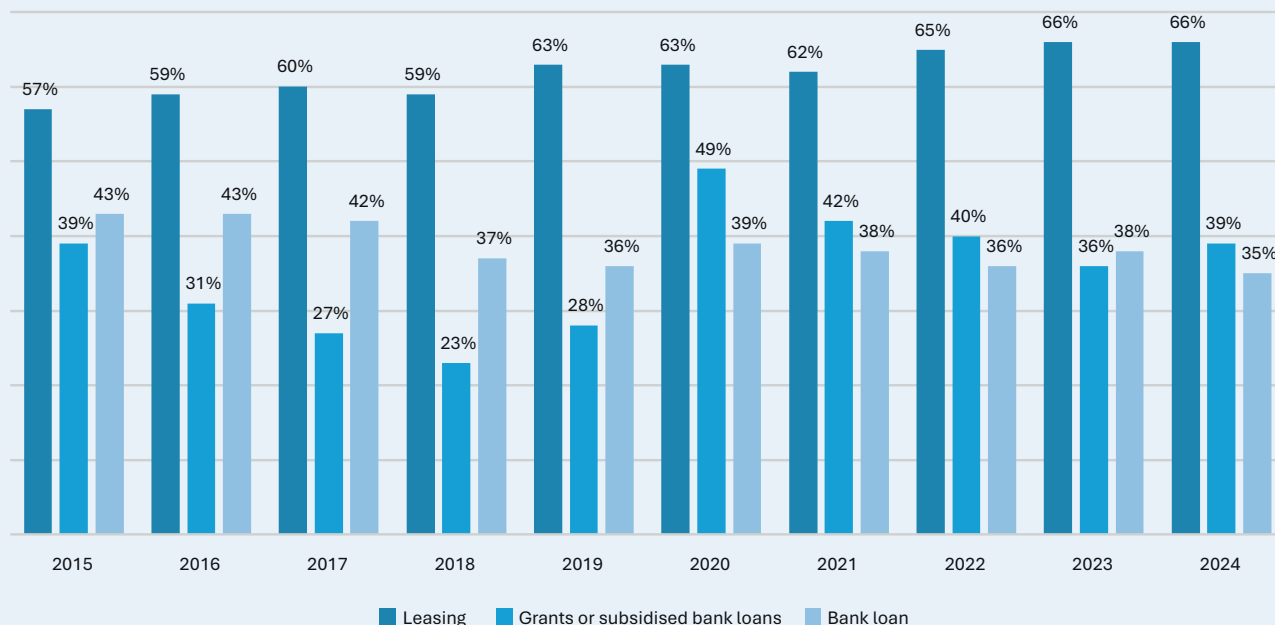
2025: digitisation of processes and decarbonisation of fleets

On July 13, 2025, an amendment to the Civil Code went into effect, which, after 25 years, abolished the requirement of written form under penalty of invalidity for a lease agreement. From this date, it

Table 3: Penetration rate by asset and by country (2023)

Country	PR (Equipment)
Poland	45%
United Kingdom	40%
Denmark	39%
Sweden	38%
Lithuania	34%
Belgium	34%
Netherlands	34%
France	34%
Estonia	32%
Germany	28%
Croatia	25%
Norway	24%
Latvia	24%
Bulgaria	23%
Slovakia	22%
Spain	21%
Italy	20%
Portugal	19%
Austria	18%
Czech Republic	16%
Slovenia	15%
Hungary	11%
Switzerland	9%
Greece	4%
Total	28%

Source: Leaseurope

Figure 3: Relevance of leasing, bank loan and grants for SMEs in Poland

Source: European Commission – survey on the access of enterprises to finance (SAFE) – December 2024

is possible to conclude contracts in document form – remotely, based on e-mail, SMS or a "click" in the application, as well as to handle annexes, consents and changes in terms and conditions in this formula. This is a fundamental breakthrough: it lowers transaction costs, reduces contracting time, facilitates scaling and automation, and ultimately increases the competitiveness of the entire sector. "This is a solution that ZPL has been pushing for years. – The leasing industry is officially entering the era of e-leasing – with the benefit of more than one million active customers and a real impact on market efficiency, Monica Constant emphasized.

Parallel to digitisation is the growing importance of fleet decarbonisation. In response to the European Commission's March communication on the matter, ZPL – together with the Polish Vehicle Rental and Leasing Association – presented a position paper indicating the pillars of a successful transition: stable, predictable and supportive regulations (without rigid mandates of EV participation in fleet purchases), strengthening of

the incentive system (subsidies and concessions for EVs also in leasing and rental, and support for the secondary market), development of charging infrastructure (including simplification of installation of chargers in multi-family buildings), as well as education and appreciation of transition solutions – HEVs and PHEVs – in regions with poor infrastructure.

This catalogue corresponds to market realities: leasing and rental companies finance a significant portion of corporate and SME fleets, but the final model decision is made by the customer, not the financier. Regulations that ignore this relationship risk the opposite effect.

Poland's macroeconomic situation and implications for leasing

Against the backdrop of a moderately favourable global outlook, Poland remains an economy with solid demand fundamentals. According to the IMF, GDP growth is expected to be around 3.2% in 2025 and 3.1% in 2026, with the eurozone accelerating slightly to around 1% in 2025. The government's "Multi-Year Macroeconomic Assumptions

for 2025-2029" draws an even more optimistic path: 3.7% GDP growth in 2025 and 3.5% in 2026, with a strong investment boost – especially in 2026, when outlays are expected to grow by 8% and the investment rate to reach 18.1% of GDP. Support remains from the KPO transfers (infrastructure, digitisation and energy transformation projects) and high defence spending.

How does this translate into leasing? First, the investment channel. Accelerating public and private spending – if the KPO money materialising drives infrastructure construction and the energy transition – is good news for the construction machinery, specialized equipment, TSL and IT/automation segments. Second, the cost channel.

Moderately falling inflation and stabilising asset prices improve the predictability of instalment streams and residual values, which shortens the decision-making horizon on the part of customers as well as financiers. Third, the demand channel. Rising real wages and a low unemployment rate support the demand for fleet mobility and modernisation in the SME segment,

which is traditionally the "heart" of Polish leasing (almost 3/4 of the customers of leasing companies in Poland are micro and small businesses). Finally – risks: the potential escalation of trade wars (e.g., tariffs), the still-uncertain industrial picture in the Eurozone, and the cost of financing (sensitive to the path of monetary policy in Euroland and the US) may periodically weaken the propensity to invest in international transportation and heavy industry.

Thus, in the shorter horizon, the key issues will be the pace of real mobilisation of the KPO funds (especially infrastructure projects), the consequences of new trade barriers on the price and availability of assets (including EV components and machinery), and the implementation of e-government solutions (e-leasing is already in place, e-registration ahead). In the longer term, the digital standardisation of the entire chain, from contracting to service and remarketing, and the cost-effectiveness of drive transformation in the realities of Polish fleets.

Methodology, data sources and market representativeness

The Polish Leasing Association

publishes a quarterly summary of market performance based on reports from member companies and cooperating organisations. ZPL's reports – with upscaling – cover 100% of the Polish market, which gives them a reference character for both industry participants and public policy makers.

Two leasing companies – Nest Lease and VeloLeasing – have recently joined the association. Thus, the number of ZPL-focused entities has increased to 34. That's 33 leasing companies and the Polish Vehicle Rental and Leasing Association. In total, ZPL represents more than 90% of the leasing market in Poland, including all major players.

The values and indicators cited in this paper are taken from these reports, as well as from official government announcements and forecasts by international institutions on the macroeconomic outlook for Poland and the eurozone.

Summary and outlook

Poland's leasing industry remains one of the pillars of investment financing and an important vehicle for modernising the economy. The year 2024 confirmed its ability to generate double-digit growth,

while highlighting a shift in weight toward light vehicles and a selective recovery in machinery. The first half of 2025 – despite revisions to forecasts – showed the sustainability of demand and the rapid adaptation of the product mix to reality.

Two megatrends are at work in the background: digitisation of processes, which will also accelerate in registration and operation after e-leasing, and decarbonisation of fleets, requiring regulations, incentives and infrastructure tailored to Polish conditions.

For leasing companies, it will therefore be crucial to combine operational efficiency (digital end-to-end, remote signatures, risk assessment automation) with consulting competencies in fleet transformation (TCO of new powertrains, customer car policy, residual value management). For customers – especially SMEs – leasing will remain a natural, quick and easy way to finance growth.



New leasing business was up 10.4% in Poland in 2024.

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vehicles, amounting to €579m. Overall, vehicle financing represents more than 70% of equipment and vehicle leasing, while machinery and equipment reached €629m.

The penetration rate of Equipment and vehicle leasing in national investment in machinery and equipment was 14.5%, confirming the relevance of this financing solution in the Portuguese business landscape.

Real estate leasing recorded an impressive 32.8% growth, totalling €911m, representing 3.6% of national investment in construction.

Looking at the sector's trajectory over the last decade, a general trend of moderate growth can be observed, with some contraction periods associated with crisis contexts, notably in 2020 with the pandemic, and in 2022 with inflation and global disruptions. Even so, leasing has maintained a central role in supporting productive investment, especially in high-value assets and those with short technological renewal cycles.

Leasing of light and heavy transport equipment continued

MARKET REVIEW

The year 2024 marked a period of sustained growth for the leasing sector in Portugal, which experienced a solid recovery after the challenges faced in 2022 and 2023. Despite an international environment still pressured by geopolitical uncertainties, high interest rates and adjustments to value chains, Portuguese leasing has shown a remarkable ability to adapt, consolidating itself as a strategic financial instrument

for companies in all sectors.

The recovery of corporate investment, particularly among SMEs, was reflected in an increase in the value of new leasing contracts signed in 2024, totalling €3.1bn, representing a 19.9% growth compared to the previous year.

Vehicle and equipment leasing exceeded €2bn in production for the first time, reaching €2.2bn – a growth of 15.2%. Vehicles accounted for the largest share of this figure, with 32,417 light vehicles financed for a total of €948m, and 5,395 heavy



Portugal's 2024 vehicle and equipment leasing exceeded €2bn in production for the first time, reaching €2.2bn – a growth of 15.2%.

Figure 1: Leasing production 2015 – 2024 (€m)

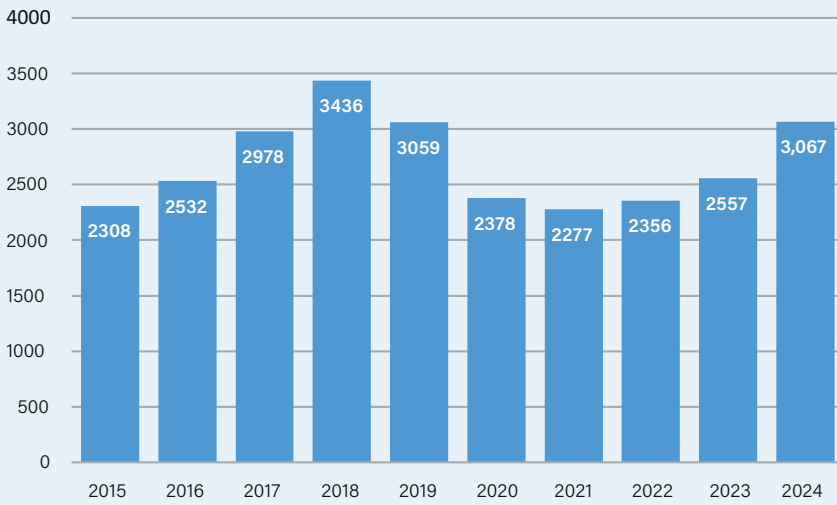
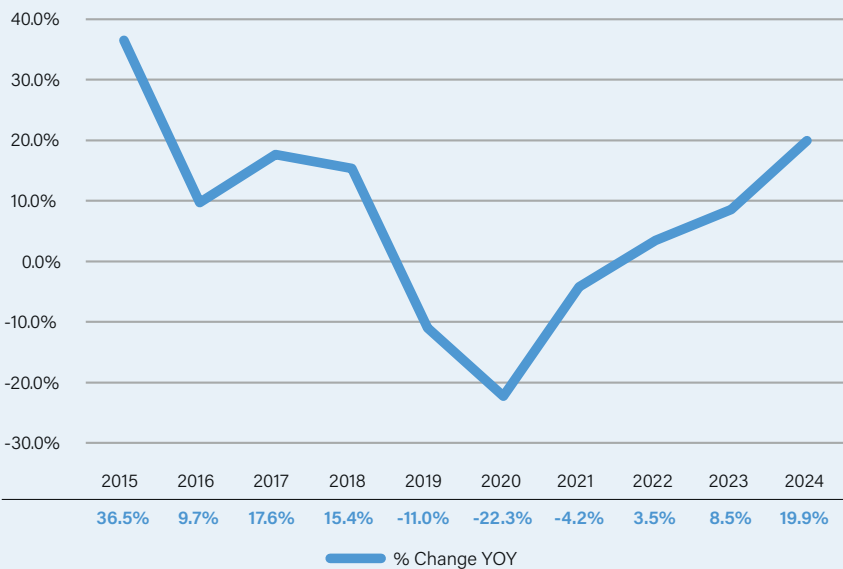


Figure 2: Total leasing growth 2015 – 2024



to represent the largest share of the market, reflecting the strong logistics and distribution component of the Portuguese economy. In 2024, there was also a significant increase in contracts associated with equipment related to the energy transition and digitalisation – two strategic pillars supported by European programs such as the Recovery and Resilience Plan (PRR).

Growing environmental awareness, combined with European and national incentives, boosted the financing of electric and plug-

in hybrid vehicles, renewable energy production equipment (solar panels, heat pumps), and energy efficiency systems in buildings and infrastructure.

Leasing and ESG

Leasing institutions have been aligning their portfolios with ESG criteria, anticipating future reporting requirements and seeking to attract investors with environmental and social concerns. This evolution has been supported by the Portuguese Association of Leasing, Factoring

and Renting (ALF), which has promoted dialogue with national and European regulators to ensure the recognition of leasing as a facilitator of the green transition.

The digitalisation of the sector was another relevant factor in 2024. Several operators introduced digital platforms that simplify leasing contracts, promote greater transparency, and offer personalized experiences. These innovations meet customer expectations, particularly among younger generations and SMEs, who value agility and automation in processes.

The use of technologies such as digital signatures, automated risk scoring, and integration with ERP platforms has contributed to greater operational efficiency and cost reduction.

The Portuguese market remained relatively stable in terms of the number of operators, with the dominant presence of financial institutions (bank and non-bank) operating in equipment, vehicle, and real estate Leasing.

Despite the market concentration in large players, competition has encouraged differentiation through service quality and contractual flexibility.

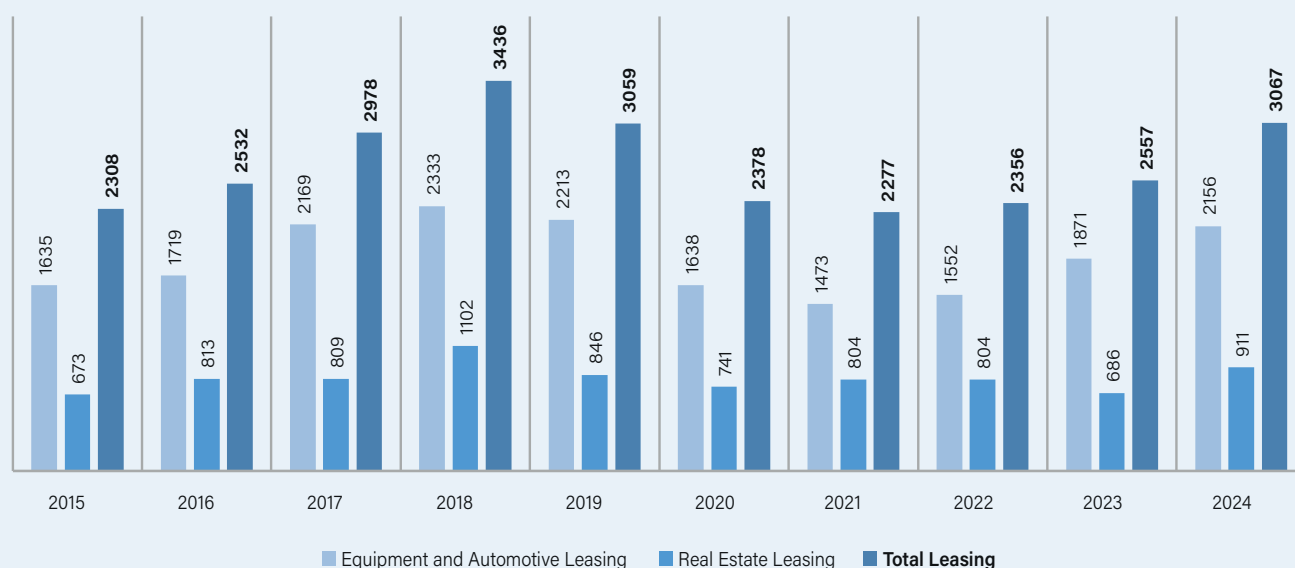
Legislation

During 2024, no relevant legislative changes with direct impact on the leasing sector in Portugal were recorded. However, ALF maintained an active role in negotiations with the central government and the European Commission, through the European Federation of Leasing (Leaseurope), to improve the legislative framework of this product.

Also noteworthy is the strengthened dialogue between ALF and national and European regulators to ensure that leasing is recognized as a key instrument for achieving carbon neutrality targets set for 2050.

The association has developed information and training initiatives for its members, preparing the sector for upcoming regulatory challenges, including ESG reporting requirements, integration of environmental criteria in risk

Figure 3: Total leasing business by asset type (€m)



models, and digital interoperability in the financial sector.

ALF also advocates the recognition of leasing as a central instrument for meeting national and European climate goals, particularly in financing electric mobility, industrial decarbonisation, and energy efficiency.

Increased public and corporate investment, supported by European funds, may accelerate the adoption of leasing solutions in new sectors, from healthcare to education.

Outlook

However, challenges remain: the evolution of interest rates, the

European political context, and the pace of the energy transition may significantly influence the sector’s performance.

Additionally, regulatory pressure related to ESG requirements and the need to adapt to new prudential standards may demand greater efforts from institutions. Growing international competition, with specialised operators introducing innovative digital leasing models and flexible mobility solutions, will also require domestic players to accelerate technological modernisation and invest in strategic partnerships.

Despite these uncertainties,

leasing in Portugal is well positioned to consolidate its role as a driver of sustainable and digital financing for the economy, establishing itself as a central part of supporting corporate investment in the coming years.

Based on the positive performance of 2024 and structural trends in green investment, digitalisation, and mobility, the leasing sector in Portugal is expected to continue growing in 2025.

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Table 1: Gross fixed capital formation in €m

	Equip. + Auto Leasing and Equipment GFCF				Real Estate Leasing and Real Estate (construction) GFCF			
	Equipment GFCF	% Change	Equipment. + Auto Leasing	% Change	Real Estate (construction) GFCF	% Change	Leasing Imobiliário	% Change
2020	10,770		1,638		22,938		741	
2021	12,206	13.3%	1,473	-10.1%	24,456	6.6%	804	8.6%
2022	13,112	7.4%	1,552	5.4%	24,673	0.9%	804	0.0%
2023	14,292	9.0%	1,871	20.5%	24,980	1.2%	686	-14.7%
2024	14,896	4.2%	2,156	15.2%	25,265	1.1%	911	32.8%

Kingdom of Saudi Arabia



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MARKET REVIEW

Saudi Arabia's finance-leasing market is playing an increasingly strategic role within the Kingdom's long-term transformation agenda under Vision 2030. While precise public numbers for leasing-only companies are limited, the broader non-bank finance sector including firms licensed for leasing has grown under SAMA's regulatory supervision. As of mid-2024, SAMA had licensed an estimate of 61 finance and finance-support companies.

The leasing opportunity is underpinned by the non-oil economy's resilience. According to Moody's, Saudi Arabia's non-oil growth is expected to remain in the 4.5%–5.5% range over the medium term. Meanwhile, Jadwa forecasts 4.4% non-oil real GDP growth in 2026 driven by ongoing private investment and policy reforms.

This growth trajectory reflects Saudi Arabia's broader push to reduce dependence on oil and encourage capital deployment into sectors such as infrastructure, industrial assets and technology.

Infrastructure and construction remain core drivers of finance leasing demand. While detailed data on leasing contract breakdowns by sector are not publicly disaggregated, strong public and private investment in giga-projects and national infrastructure is expected to sustain demand for leased heavy equipment, commercial

vehicles, modular construction and industrial machinery.

On the demand side, high-growth non-oil sectors such as technology, healthcare and logistics are becoming increasingly important. Digital infrastructure investment, healthcare-equipment needs and smart-city projects are all likely to support leasing as a financing tool particularly for firms looking to avoid large upfront capital expenditure.

From a regulatory perspective, SAMA's oversight framework gives credence to market confidence. Licensed finance companies operate under SAMA's Finance Companies Control Law with a formal system for registering finance lease contracts which helps reinforce transparency and enforceability.

Key growth opportunities for 2026

Giga-Projects and infrastructure expansion: Saudi Arabia's giga-project ecosystem continues to be a multi-year catalyst for leasing demand. Albeit some projects seeing some stress towards the end of 2025, in 2026 the scale and phasing of these developments will generate high volumes of leasing activity across heavy equipment, construction technology, temporary buildings, transport fleets and specialised machinery.

- NEOM – Covering 26,500 sq km, phased development across The Line, Oxagon, and Trojena

drives ongoing demand for construction and industrial assets.

- Qiddiya – Spanning 376 sq km, the entertainment and infrastructure projects support equipment and fleet leasing needs.
- Red Sea Global – Controlled visitor growth ensures steady demand for hospitality, energy and operational assets.
- ROSHN – National housing projects aligned with Vision 2030's homeownership targets create continued requirements for construction, utilities and community infrastructure leasing. Complementary initiatives including King Abdullah Economic City expansions, public transport projects in Riyadh and Makkah and Expo 2030 preparations further underpin leasing-driven capital activity.

Expansion of the non-oil economy:

With a national goal of achieving 60% non-oil GDP by 2030, leasing demand is rising in growing sectors such as tourism, entertainment, logistics, professional services and advanced manufacturing.

Technology and digitalisation

growth: Saudi Arabia's digital economy is expanding rapidly, supported by investments in data centres, ICT infrastructure, cybersecurity and automation technologies.

Healthcare sector scaling: The Saudi healthcare market is projected to grow substantially over the next decade with increasing investments in medical infrastructure.

SME sector momentum: SMEs account for nearly 99% of Saudi businesses and contribute a significant share of GDP. Many SMEs continue to face limitations in accessing traditional bank financing making finance leasing an important channel to acquire machinery, vehicles and technology assets.

Renewable energy and sustainability: Saudi Arabia is actively pursuing renewable energy targets,

including generating a significant portion of national power from renewable sources by 2030. This policy drives leasing opportunities in solar systems, energy storage solutions, electric vehicle fleets and industrial efficiency technologies

Challenges impacting the 2026 finance-leasing market in Saudi Arabia

SME awareness & adoption

- Low leasing literacy: Market-research firms identify limited understanding of leasing especially among SMEs as a persistent barrier.
- Preference for ownership: Many small and medium enterprises still lean toward outright ownership rather than leasing reducing uptake of leasing solutions.
- Credit information gaps: According to lending-market research, incomplete credit information for smaller firms remains a constraint making it difficult for lessors to assess risk.

Economic & macro-volatility

- Oil-price exposure: Despite diversification, Saudi's non-oil sectors remain indirectly vulnerable to oil-price swings. The IMF identifies project delays (especially in non-oil infrastructure) as a material risk if volatile conditions return.
- Elevated funding costs: Higher non-deposit funding costs for non-bank lenders (like leasing companies) may squeeze margins during economic stress.

Regulatory & compliance complexity

- Stringent SAMA requirements: Leasing firms must navigate complex licensing, borrower assessments and capital rules under SAMA's "Financing Rental Regulations."
- Risk-management constraints: Non-bank finance companies often rely on wholesale funding. That model increases risk when provisioning for bad leases or market downturns.

Competition from traditional bank lending

- Dominance of banks: Despite the growth of non-bank lenders, bank loan portfolios remain extremely large making lending via leasing less immediately attractive.
- Higher cost of funds: Many non-bank

leasing firms don't take deposits, so they fund via equity or debt, pushing up costs and making it challenging to price very competitively.

Project risk & execution delays

- CapEx timing risk: Large infrastructure or construction projects (a big source of leasing demand) could face delays, rephasing or reprioritisation as economic forecasts shift.
- Liquidity stress: As corporates delay payments or scale back, leasing companies are exposed to cash-flow risk on committed leases particularly if they pre-finance asset purchases.

Credit risk & default exposure

- Lessee credit risk: Leasing companies must contend with the risk of default especially among SMEs with less predictable cash flows.
- Repo & enforcement hurdles: Legal and administrative costs for repossessing assets can be high especially if leasing contracts are poorly structured or enforcement mechanisms are weak.
- Liquidity mismatch: Given their funding structure, leasing companies may be more exposed to losses if defaults spike because they rely on non-deposit funding.

Market perception & structural complexity

- Perceived complexity: Many businesses still perceive leasing (especially Islamic leasing) as legally or operationally more complex than a simple loan.
- Regulatory uncertainty: Changes in Sharia-finance regulation (e.g., as Islamic finance legal frameworks evolve) could introduce unpredictability for leasing products.

Macro-financial system risk

- Systemic funding risk: The IMF has flagged that credit growth (especially outside the banking system) could stress funding liquidity particularly for non-bank lenders.
- The IMF noted that SAMA may implement a 100-basis-point countercyclical capital buffer to guard against credit overheating which could raise capital costs for lenders.

Implications for 2026 & strategic priorities

- **Education & outreach:** Lessors should invest in SME education programmes, explaining leasing benefits, lease structures and end-of-term options.
- **Product innovation:** Develop



Infrastructure and construction remain core drivers of finance leasing demand in Saudi Arabia. Investment in giga-projects and national infrastructure is expected to sustain demand for leased heavy equipment, commercial vehicles, modular construction and industrial machinery.

leasing products tailored for SMEs and Sharia-compliant models with transparent contracts.

- **Risk analytics:** Strengthen credit scoring frameworks, perhaps using alternative data or AI to better assess SME leasing risk.
- **Operational efficiency:** Leverage digital platforms to reduce approval time, lower cost of operations and improve customer experience.
- **Liquidity management:** Build more resilient funding models, e.g., through diversified funding sources or better asset-liability matching.
- **Regulatory engagement:** Work with SAMA and policymakers to streamline licensing and compliance processes especially for smaller leasing firms.

Industry achievements to date

Saudi Arabia's finance leasing market has achieved remarkable progress, underpinned by economic diversification, regulatory reforms and sectoral expansion.

1. Strong market growth: The market expanded from SAR35bn in 2020 to over SAR50bn by 2023, maintaining an average annual growth rate of between 12%–14%. Early 2024–2025 trends indicated a potential market value of between SAR60bn–65bn driven by giga-project mobilisation and growing SME adoption. Corporate asset leasing volumes have increased around 18% cumulatively while active lease contracts have risen an estimate of between 20%–25% reflecting strong commercial uptake. Non-performing leases have decreased by around 1–1.5 percentage points demonstrating strengthened credit governance and risk management.

2. Broader sector penetration: Construction remains the largest segment, contributing to an estimate of 40% of contracts but technology, logistics, healthcare and renewable energy now account for over 30%, up from less than 20% in 2019. Healthcare equipment leasing has achieved between 35%–40% cumulative growth and technology/digital asset leasing is growing around 10%–12% annually driven by demand for data centres,



NEOM – Covering 26,500 sq km, phased development across The Line, Oxagon, and Trojena drives ongoing demand for construction and industrial assets.

automation and ICT infrastructure.

3. Enhanced regulatory framework: SAMA's regulatory oversight has produced an estimate of 92% compliance among leasing companies, up from ~80% in 2018. Digital compliance tools have reduced average approval times by around 15%–20% while over 70% of companies report improvements in contract enforceability and security-perfection processes.

4. Increased awareness and adoption: SME adoption has risen above 25% over the past three years aided by government-backed finance programs and digital onboarding. Online enquiries have grown around 40% since 2021 indicating a shift toward digital engagement. Lease-to-purchase models have increased around 15% year-on-year reflecting growing flexibility preferences among SMEs.

5. Product diversification: Sector-specific offerings have expanded: renewable/green leasing now represents between 5%–7% of total market volume (up from <1% five years ago), medical equipment leasing continues at around 12%–15% annual growth and fleet/mobility solutions have grown between 8%–10% annually aligned with logistics and e-commerce sector growth.

6. Digital transformation: Digital platforms are now operational in around 40% of leasing companies reducing processing times by up to around 30%. It is estimate that over 50% of customers interact via digital channels while digital credit scoring has shortened approvals from weeks to days and in low-risk cases to under 24 hours.

Future outlook – 2026 and beyond

The finance leasing sector in Saudi Arabia is likely to experience continued growth through 2026 and beyond, supported by structural reforms, regulatory strength and increasing demand for non-bank financing.

1. Non-bank credit growth

- As of Q2 2025, non-bank (finance) companies in Saudi Arabia held an estimate of SAR99.37bn in outstanding credit, marking around 10.2% year-over-year increase according to SAMA data.
- This growth underscores the rising role of finance companies including leasing firms as alternative sources of capital.

2. Shariah-compliant leasing (Ijārah)

- Shariah-compliant financing contracts (including ijarā / leasing) reached an estimate of around

- SAR2.47 trillion by Q4 2024.
- By Q1 2025, that number rose further to an estimate of SAR2.58 trillion.
- Specifically, ijarā (finance leasing) contracts alone were estimated at SAR219.4bn at the end of 2024.
- This strong base in Islamic leasing supports a robust opportunity for finance leasing firms that can serve both Islamic and conventional segments.

3. Regulatory & institutional backbone

- Regulatory frameworks, such as the requirement to register lease contracts with SAMA's lease registry (SAJIL), provide increased legal certainty for lessors and lessees.
- As the non-bank finance sector continues to grow, a solid regulatory foundation will help mitigate risks tied to credit, repossession and contract enforcement.

4. Strategic imperatives for leasing players

- Digital transformation:** Leasing firms will need to continue investing in digital platforms, automated credit-risk scoring and streamlined customer journeys to scale efficiently.
- Product innovation:** Flexible lease structures (e.g., step-up payments, ESG-linked leases, hybrid Sharia/conventional products) will be

critical to address the diverse needs of corporates and SMEs.

- Data and analytics:** Firms that build tools to track asset utilisation, remarketing potential and client lifecycle will have strategic advantages in managing risk and optimising returns.
- Education and outreach:** Raising awareness especially among SMEs about the benefits, structure and long-term value of leasing will be essential to drive broader adoption.

5. Risks & mitigants

- Macroeconomic risk:** A drop in public-sector capex or a re-prioritisation of government spending could slow leasing demand especially for large infrastructure assets.
- Credit risk:** As non-bank lessors scale, maintaining underwriting discipline will be essential to control default risk.
- Competition:** Traditional bank financing continues to be a strong alternative; leasing companies will need to differentiate on speed, flexibility, and product design.
- Adoption risk:** Not all SMEs or corporates may fully embrace digital leasing or understand the advantages of structured lease agreements ongoing education efforts will be key.

6. Long-term growth potential

- Assuming current non-bank credit growth continues and leasing companies scale their digital and risk-analytics infrastructure, a mid-single to low double-digit growth rate (e.g., 8%–10%) p.a. through 2026 is a reasonable projection.
- Over the longer term (beyond 2026), demand could accelerate further as Saudi Arabia continues to build out its infrastructure, industrial base, and digital economy particularly if leasing firms can tap into ESG-aligned and Sharia-compliant asset-finance segments.

Potential implications for the leasing market

- Growth opportunity:** With finance companies growing fast, and increased regulatory certainty, leasing could become a more prominent product line for non-bank lenders especially targeted at SMEs and corporates needing asset financing.
- Credit risk sensitivity:** As lessors, non-bank finance firms will need to carefully manage credit risk. Their growth in SMEs combined with pressure on funding costs could make risk assessment and pricing more challenging.
- Margin pressure:** If funding costs rise (due to non-deposit reliance),

Table 1: Saudi Arabia finance leasing market – key metrics & growth (2020–2026)

Metric	Value / Growth	Notes / Context
Market Size 2020	SAR35bn	Base year
Market Size 2023	SAR50+bn	12–14% CAGR since 2020
Market Size 2025	SAR60–SAR65bn (est.)	Projected, based on NBFC and SAMA data
Market Size 2026	SAR68–SAR70bn (est.)	Forecast based on continued growth of non-oil economy, infrastructure, SMEs, and technology leasing
Construction share	40%	Largest contributor to finance leasing contracts
Tech / Logistics / Healthcare share	30%–35%	Rapid growth segments; includes hospitals, ICT, data centres, and industrial equipment
SME adoption	+25%	Past 3 years; expected to continue growing in 2026 with targeted awareness campaigns
Online enquiries / digital engagement	+40%	Growth since 2021; trend expected to increase as digital adoption rises
Lease-to-purchase growth	+15% YoY	SMEs prefer flexible asset acquisition options
Compliance rate (SAMA)	92%	Regulatory improvement, supporting market confidence
Digital platforms adoption	40%	Processing time down 30%; projected to reach 45% in 2026
FDI in financial services	SAR10+bn	Strong foreign confidence; further investment expected in digital leasing and ESG assets
Cross-border leasing growth	8%–10%	Driven by construction and energy projects; trend expected to continue into 2026



Qiddiya – Spanning 376 sq km, the entertainment and infrastructure projects support equipment and fleet leasing needs.

then lessors will need to price leasing products carefully to maintain margins especially for long-term or high-value leases.

- **Innovation & digitisation:** There's a real opportunity to build digital leasing platforms. Finance companies may leverage fintech infrastructure to streamline lease origination, approvals and servicing reducing operational costs and speeding up deal flow.

Key trends & drivers (2026–2027)

1. Strong credit growth for finance companies

- Finance companies' outstanding credit reached an estimate of SAR99.37bn by Q2 2025, up 10.2% YoY.
- In Q4 2024, total credit from finance companies was estimated at SAR96.3bn, up around 13.6% YoY.
- This indicates solid growth momentum in the non-bank finance segment, which could support expanding leasing activity (if leasing is a growth line for these firms).

2. Asset base growth

- According to SAMA, the total assets of the finance-company sector grew by around 13% in 2023 reaching an estimate of SAR64.2bn.
- A growing asset base could provide more capacity for finance companies to expand into more capital-intensive

products such as leasing assuming they allocate part of that growth to leasing lines.

3. SME and consumer focus

- In Q3 2024, non-individual (SMEs, corporates) credit from finance companies was around SAR20.86bn.
- The share of SME (micro, small, medium) in the lending book of finance companies is non-negligible (SAMA data shows a portion of their portfolio goes to these segments).
- This SME exposure may feed leasing demand since leasing is a good way for SMEs to access capital-intensive assets without upfront CAPEX.

4. Regulatory & legal developments

- SAMA introduced a *Close-out Netting Regime* in February 2025. This improves legal certainty for netting and collateral enforcement in qualified financial contract which could reduce counterparty credit risk for lessors.
- Stronger legal infrastructure may make leasing less risky from a counterparty enforcement perspective, potentially reducing risk premium on lease finance.

5. Macro & systemic risk

- The IMF's 2025 Article IV mission warns of rising funding pressures because credit growth is outpacing deposit growth.
- Given non-bank finance companies often rely on wholesale or equity funding

(rather than deposits) rising funding costs could squeeze their margins or limit how much they can expand leasing lines.

6. Fintech & innovation

- There is a growing fintech component in non-bank finance: firms offering BNPL, auto finance and other consumer/SME products are expanding.
- This could help finance companies scale quickly, but also increases competition. For leasing, it means more potential entrants or greater pressure to innovate / digitise leasing processes.

Key risks (2026–2027)

- **Funding risk:** Non-bank finance companies may face tighter funding conditions if credit growth continues to outpace deposits in the wider banking system.
- **Regulatory risk:** While legal certainty is improving, regulatory change (e.g., for Shariah-compliant contracts) could still pose a risk.
- **Credit risk concentration:** If finance companies lean heavily into SME leasing without adequate risk frameworks, default risk could rise.
- **Competition:** Traditional banks, plus fintech lenders could compete aggressively on leasing or other financing products.
- **Macro shocks:** Oil price volatility, geopolitical risk or macroeconomic downturns could slow corporate capex / leasing demand.

Conclusion (2026–2027 outlook)

- The non-bank finance sector is growing strongly, supported by regulatory reforms, fintech innovation and a rising asset base.
- This growth, combined with improving legal infrastructure (e.g., netting regime) provides a favourable environment for leasing expansion.
- However, funding risks, credit risk and macro volatility remain significant constraints.
- For leasing players, 2026–2027 could be a window of opportunity but only those who manage risk well, scale efficiently and leverage digital platforms will likely succeed.

Serbia



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MARKET REVIEW

In 2024 new business volumes for financial leasing in the Republic of Serbia reached a value of €981.1m. Compared to 2023's figure, this represents a growth of 27%.

The data for the first half of 2025 shows an increase in new business volumes of 10.7%, compared to the same period in the previous year.

The financial leasing portfolio increased by 20.4 % in 2024 compared to 2023, amounting to €1.547,03m. This increase was driven by a strong increase in vehicle financing.

Macroeconomic indicators

The real GDP growth in 2024 was 3.9%, while slower growth is expected for 2025, amounting to 2.75%. A higher GDP growth of 4.5% is projected for 2026.

Inflation in Serbia slowed to 4.6% at the end of 2024 (from 12.1% in 2023). The same trend continued in the first half of 2025 with the inflation rate remaining at 4.6%.

The National Bank of Serbia's key policy rate in 2024 was reduced from 6.25 (June 2024) to 5.75 (September 2024). This rate was maintained in August 2025, emphasising caution due to global uncertainties, particularly trade tensions and geopolitical risks.

The unemployment rate decreased to 8.6% by the end of 2024, compared to 9.4% the previous year, but the estimate for the end of 2025 is that the unemployment rate will be 9.1%.

Financial leasing market

The financial leasing sector continued to record positive results in 2024. The sector's balance sheet assets increased further, while the share of non-performing receivables stayed unchanged from the year before.

At the end of 2024, financial leasing companies' total assets amounted to €1.73bn. At this point, there were



In 2024 new business volumes for financial leasing in Serbia reached a value of €981.1m. Compared to 2023's figure, this represents a growth of 27%.

Figure 1: Annual growth rates of new leasing volume

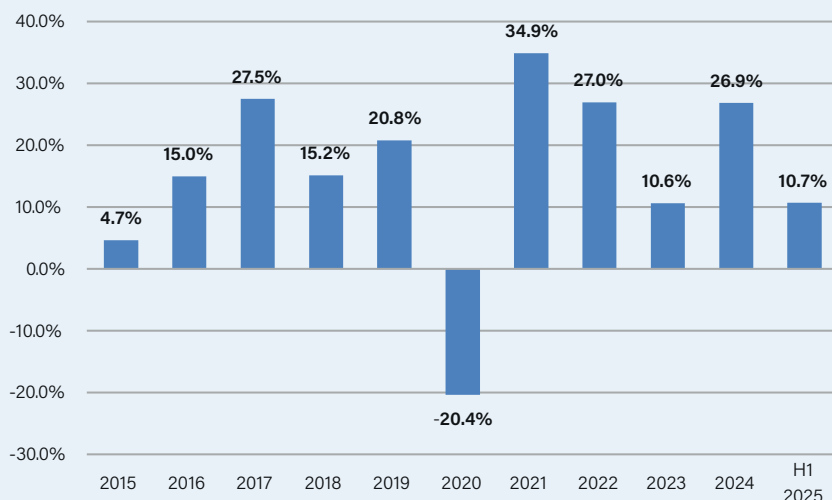
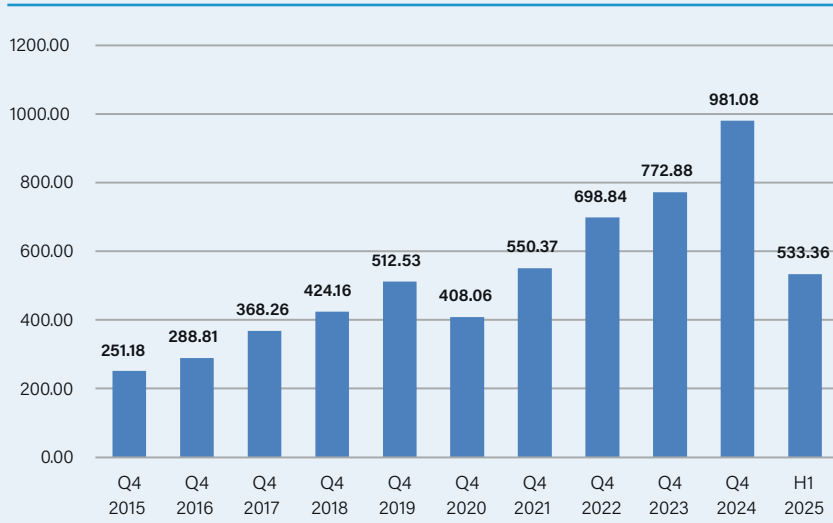


Figure 2: New business in €m



15 lessors in the Serbian financial leasing sector, two of which were undergoing voluntary liquidation. The majority of the financial leasing companies (12) are owned by banks, banking group members or other financial institutions.

The pre-tax results of the financial leasing sector amounted to approximately €21.36m (RSD2.5bn), up from €17.09m (RSD2bn) at the end of 2023. Net profit reached around €15.02m (RSD1.8bn), with most lessors (11) posting a positive net result.

At the end of 2024, ROA and ROE were higher than at the end of 2023. ROA rose from 1.27% to 1.35%, and ROE from 16.23% to 17.46%

Lessees and products by type

The structure of lessees stayed broadly unchanged. As in previous years, the most dominant lessees were corporates, with an 85.8% share of total investment, slightly higher than in 2023 (84.6%). As shown in Figure 3, entrepreneurs accounted for 6.5% of total investment (6.4% in 2023), public enterprises for 2.6% (3.2% in 2023), private persons for 2.3% (2.7% in 2023) and farmers for 2.3% (2.8% in 2023).

As regards new financial leasing product types in 2024, the financing of passenger vehicles took the highest percentage (44%), compared to financing of commercial and other vehicles (39%), 15% of placements was related to machinery and equipment and 2% to real estate. Presently, one finance leasing company is financing real estate projects. See Figure 4.

As at December 31, 2024, the transport and information sector took the highest share in financial leasing with 28.5% (€279.3m).

Leasing outlook

Projections for the leasing market in 2025 and 2026 indicate continued growth, but at a slower pace, driven by global geopolitical effects as well as the positive impact of the organisation of EXPO 2027 in Serbia.

Law and regulation

Finance leasing is regulated by the law on financial leasing. The National



Serbia's financial leasing portfolio increased by 20.4 % in 2024 compared to 2023, amounting to €1.547,03m. This increase was driven by a strong increase in vehicle financing.

Figure 3: Investment structure by lessee as at December 31, 2024

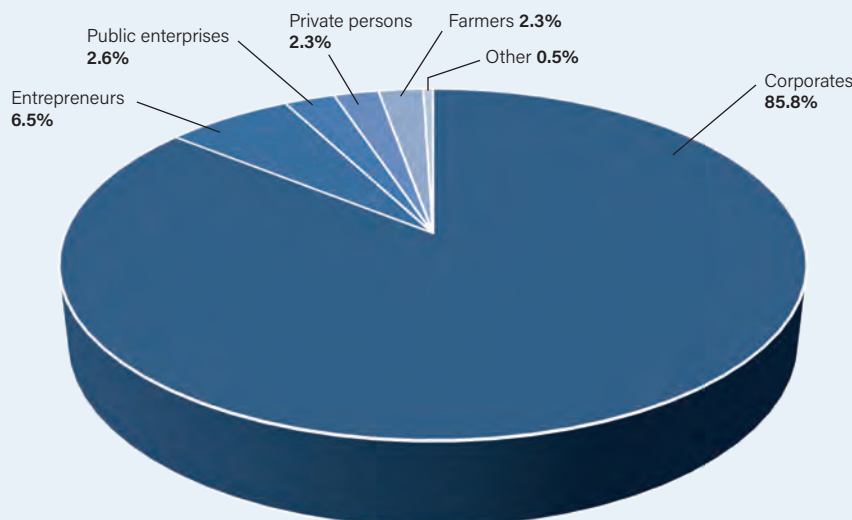
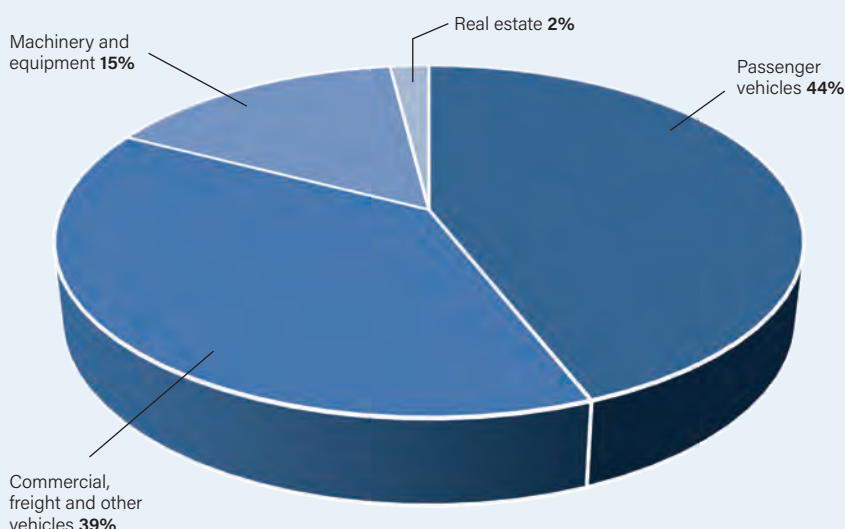


Figure 4: Structure of new production Q4 2024



Bank of Serbia performs supervision of financial leasing companies, issues licences to perform financial leasing operations, grants consent regarding the appointment of members of management bodies and issues secondary legislation.

In December 2020, the National Bank of Serbia adopted the Decision on Management of risks arising from the introduction of new products/ services by lessors. A new service is one which lessors did not provide prior to this Decision and which is similar to financial leasing and is customarily provided along with financial leasing (operational leasing, sale & lease back etc.). In 2024 three financial leasing companies were performing operative leasing as a new product/service.

Association of Leasing Companies in Serbia

The (ALCS) was established in June 2004 as a non-profit organisation, in line with the initiative of SEED (Southeast Europe Enterprise Development) - a World Bank initiative for the development of small and medium-sized enterprises (SMEs) in South East Europe.

The ALCS represents the common interests of the members of the Association, is committed to the improvement, promotion and development of the leasing industry, together with its members and associate members to actively participate in creating a better business environment and improving the legal framework of business.

Association

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As at December 31, 2024, the transport and information sector took the highest share (28.5%) of Serbia's financial leasing, totalling €279.3m.

South Korea



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in July 2025, when the government granted a regulatory exception enabling leasing companies to play a more active role on their own online used-car trading platforms.

Under this special regime, lessors can deliver a set of non-financial services that previously required separate authorisations, including: (i) advisory and consultation for used-car purchases conducted via the platform; (ii) execution of online sale and purchase contracts; and (iii) safeguarded payment and settlement (safe-transfer) arrangements that enhance transactional integrity. By integrating these services with conventional financial offerings, platforms can provide a true one-stop experience.

The expected benefits are threefold. First, consumers gain convenience, transparency, and improved safety across the online used-car journey – from discovery and evaluation to contracting and settlement. Second, used-car dealers onboarding to these platforms obtain expanded digital sales channels, supported by standardised workflows and embedded trust mechanisms. Third,

MARKET REVIEW

Expansion of the Korean leasing industry into non-financial automotive services

South Korea's leasing industry is broadening its scope beyond traditional finance to capture value along the wider automotive lifecycle. This shift is driven by rapid digitalisation, the blurring of industry boundaries, and the spread of subscription and sharing-based consumption models. While lease finance remains the commercial backbone, leading lessors are leveraging their accumulated

expertise in the car market – deep product knowledge, dense customer touchpoints, and established operational infrastructure – to enter adjacent non-financial businesses and create finance–non finance synergies.

Leasing companies' automotive focus is significant. As of end-2024, annual lease originations totalled KRW16.0 trillion, of which roughly 80% (KRW12.8 trillion) related to vehicle leases. This scale underpins the industry's intent to serve customers not only at the moment of financing but throughout vehicle ownership and usage.

A pivotal development occurred



South Korean leasing volumes by asset at the end of 2024 were dominated by transportation (80.5%), with industrial machinery and equipment (5.7%), medical equipment (7.0%), and educational, scientific, and technological equipment (2.0%) making up the rest,



South Korean leasing companies' automotive focus is significant. As of end-2024, annual lease originations totalled KRW16.0 trillion, of which roughly 80% (KRW12.8 trillion) related to vehicle leases.

market stability is strengthened as platform-based processes reduce information asymmetry and help mitigate counterparty and payment risks that have historically hampered confidence in the used-car segment.

Looking ahead, the industry plans a phased expansion into additional non-financial services that are essential to vehicle operation and maintenance. Priority areas include automotive repair and maintenance, consumables and parts replacement, and the distribution or bundling of insurance products tailored to vehicle usage profiles. Coordinated work with government counterparts will be important to refine applicable norms, consumer-protection standards, and data-governance rules as finance and commerce converge on platform rails.

In strategic terms, the trajectory is clear: Korean leasing companies are repositioning from product-centric financiers to lifecycle service orchestrators. By embedding advisory, contracting, fulfilment, and risk-mitigation features directly into online platforms – and by complementing finance with maintenance, parts, and insurance – the sector aims to deepen customer relationships, grow fee-based revenues, and lift overall market efficiency.

Execution discipline will matter: rigorous compliance with the scope and conditions of the July 2025 regulatory exception, robust safeguards around payments and data, and transparent merchant onboarding will determine whether the promised finance–non finance synergy translates into durable consumer trust and scalable economics.

Financial status review

Assets

Since the end of 2022, the overall assets of companies engaged in the leasing business – including leasing companies and instalment financing companies – have demonstrated a continuous upward trajectory. This positive development has been underpinned by the expansion of assets in leases, instalments, and venture financing, which together contributed to a 3.0% increase in the total assets of these companies on a year-on-year basis as of the end of 2024.

Equity capital

As of the end of 2024, leasing and instalment financing companies recorded a year-on-year growth of 5.2% in equity capital. This

sustained increase reflects not only the industry's stable financial performance but also the impact of the leverage regulation that has been in effect since late 2015.

Under this regulatory framework, companies have been required to maintain stronger capital positions, and in response, a number of leasing companies have steadily raised their equity levels to ensure compliance and to reinforce financial soundness.

Profit and loss

The annual growth rate of net income from leasing business stood at -31.9% at the end of 2024, marking a second consecutive year of negative performance. Notably, the growth rate of net income derived solely from leasing activities in the final quarter of 2024 declined sharply, falling by 40.7% compared with the corresponding figure at the end of 2023.

Although interest and lease-related income recorded a modest increase during the year, overall profitability weakened as expenses – particularly interest on borrowings, lease-related costs, and selling and administrative expenses – expanded at a relatively faster pace than revenues.

This divergence between revenue growth and cost escalation highlights

the mounting financial pressures faced by companies in the sector, underscoring the importance of prudent cost management and capital efficiency in sustaining long-term profitability.

Market structure

As of the end of 2024, a total of 52 companies were engaged in the leasing business, consisting of 27 leasing companies and 25 instalment financing companies.

Leasing acquisition volumes by class of goods at the end of 2024 were as follows: transportation equipment (80.5%), industrial machinery and equipment (5.7%), medical equipment (7.0%), and educational, scientific, and technological equipment (2.0%).

Acquisition volumes declined in transportation equipment, while industrial machinery, medical equipment, and educational/scientific/technological equipment all recorded increases. (See Table 1).

In addition, leasing acquisition volumes by industry type at the end of 2024 were as follows: manufacturing (12.7%), wholesale and retail (14.3%), social and individual services (12.2%), and medical professions (7.7%), excluding "others" (42.7%). These four industry types together accounted for nearly half of the total leasing acquisition volume. (See Table 2)

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Table 1: Leasing analysis by asset type

Asset Type	2024	(%)	2023	2022
Industry machinery equipment	917.9	5.7%	897.2	1,310.1
Industry machinery	472.5	3.0%	504.4	737.7
Electrical machinery	11.6	0.1%	8.3	33.5
Machine tool	433.9	2.7%	384.5	538.9
Transportation equipment	12,883.2	80.5%	13,659.9	147,95.2
Construction equipment	49.7	0.3%	34.5	39.6
Motor vehicles	12,833.3	80.2%	13,625.1	14,754.9
Vessels	0.1	0.001%	0.3	0.7
Planes	-	-	-	-
Railroad vehicles	-	-	-	-
Medical equipment	1,119.5	7.0%	1,000.4	1,062.1
Anti-Pollution equipment	0.4	0.002%	-	-
Educational, scientific & technological equipment	321.7	2.0%	183.4	592.1
Office equipment	2.8	0.02%	14.5	54.7
Computer	128.7	0.8%	82.3	140.9
Others	190.2	1.2%	86.7	396.5
Communication equipment	12.0	0.1%	11.5	55.4
Machinery & equipment for distribution industry	0.7	0.004%	0.3	0.0
Others	754.7	4.7%	957.1	768.8
Total	16,010.1	100.0%	16,709.5	18,533.7

Note: As of the end of year, in billions KRW and %

Table 2: Leasing analysis by industry type

Industry Type	2024	(%)	2023	2022
Agriculture and Fisheries	92.2	0.6%	106.0	118.0
Mining	37.0	0.2%	41.2	38.9
Manufacturing	2,030.8	12.7%	2,464.2	2,358.8
Food and Drink	177.9	1.1%	203.1	128.3
Textile/Clothes/Leather	46.6	0.3%	85.2	79.6
Lumber/Paper/Printing	63.3	0.4%	85.6	91.6
Chemical/Petrochemical/Coal/Rubber	91.8	0.6%	127.3	118.8
Non-metallic Mineral	35.1	0.2%	58.3	45.1
Primary Metal	61.1	0.4%	80.8	58.8
Fabricated Metal/Machine Equipment	474.7	3.0%	486.1	603.0
Telecommunication/Broadcasting/Sound System	124.7	0.8%	158.2	190.0
Others	955.6	6.0%	1,179.7	1,043.6
Construction	494.5	3.1%	666.9	714.0
Wholesale and Retail	2,285.6	14.3%	2,666.2	2,616.1
Accommodations and Tourism	434.7	2.7%	473.9	510.2
Transportation and Warehousing	308.4	1.9%	257.8	281.2
Communication Service	131.3	0.8%	203.3	173.2
Finance and Insurance Service	153.5	1.0%	209.4	336.7
Medical Profession	1,231.4	7.7%	1,158.7	1,125.6
Environmental(Anti-Pollution)	17.9	0.1%	24.3	29.4
Social and Individual Service	1,960.6	12.2%	2,374.6	2,667.0
Others	6,832.1	42.7%	6,062.9	7,564.6
Total	16,010.1	100.0%	16,709.5	18,533.7

Note: As of the end of year, in billions KRW and %

Spain



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restrictive levels for most of last year.

This growth is due to the good performance of the foreign sector, tourism and the gradual reactivation of private consumption, which became more important than public consumption, especially in the latter part of the year.

2025

Spanish companies leased €3,410.2bn to finance movable and immovable assets in the first five months of 2025, representing an increase of 6.5% over the same period in the previous year.

New investment through leasing of movable assets fell by 9.4% to €3,145m, and that of immovable assets reached €265.1m, up 49.6%.

The duration of contracts in the first five months of 2025 was 68.6 months, up from 59.8 months in the same period of the previous financial year. The arrears stood at 3%, slightly higher than the 2.8% of the previous comparable period.

MARKET REVIEW

2024

Spanish companies invested €8,718.3m through leasing to finance movable and immovable assets in 2024, representing an increase of 8.3% compared with the previous year, in a financial year that was generally favourable for the sector.

New investment through leasing of movable assets grew by 7.4% to €8,139.3m, and that of property

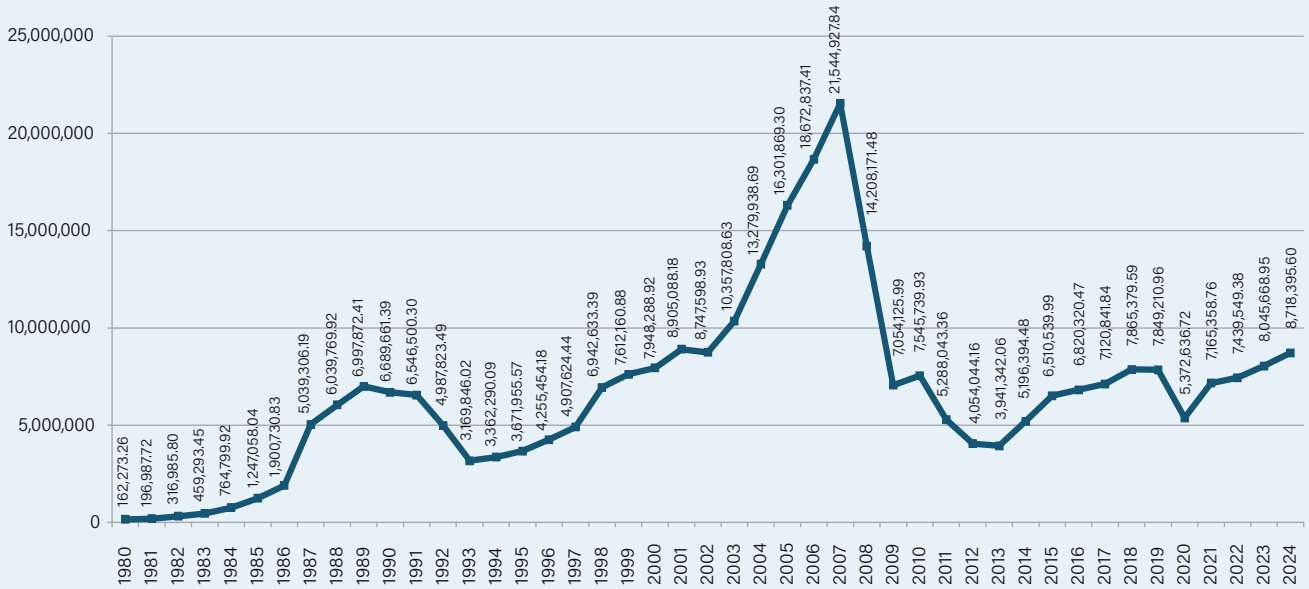
reached €579m, up 23.4%. The average contract term in 2024 was 70.3 months, down from 55.6 months when compared with the previous financial year, while arrears stood at 3.1%, compared with 3.2% a year earlier.

The Spanish economy grew by 3.2% in 2024, setting itself apart from the general sluggishness in activity seen in most countries on the European periphery, despite geopolitical uncertainty, high inflation, and interest rates that remained at



2024 was a growth year for Spain. New investment through leasing of movable assets grew by 7.4% to €8,139.3m.

Figure 1: Evolution of business growth through leasing 1980-2024 (in € thousands)

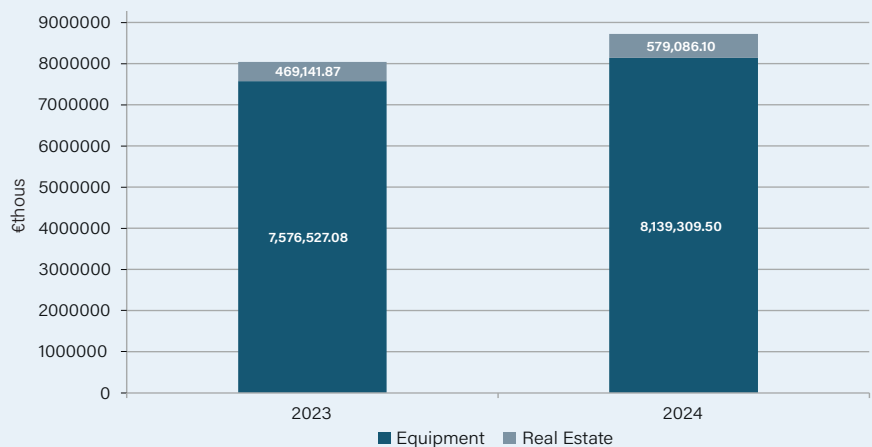


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The PwC Economic and Business Consensus, prepared by this consultancy firm with the opinions of 450 experts, businessmen and executives, estimates a growth in Spain's Gross Domestic Product (GDP) of 2.3% in 2025 and 1.8% in 2026, while ruling out that, "for the time being", the tariff war will have a full impact on the Spanish economy.

Nevertheless, most public and private macroeconomic analysts have recently reduced their forecasts for Spain's growth for 2025 and for the coming years by a few tenths of a percentage point.

Figure 2: Total new leasing business as at December 31, 2024



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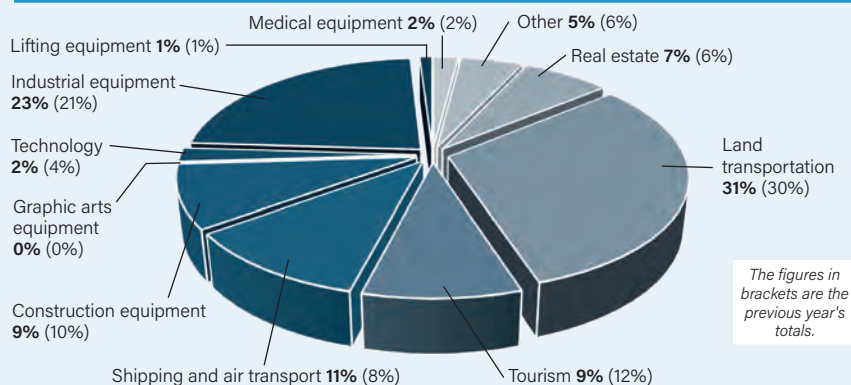
Chairman:

José Coronel de Palma y Martínez
-Agulló

General Secretary:

Manuel García Fernández

Figure 3: New leasing business by sector, as at December 31, 2024



The figures in brackets are the previous year's totals.

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Sweden



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In the Swedish economy the GDP increased by 1.0% and the rate of inflation was 2.8%, during 2024. The average rate of unemployment was 8.5%.

Structure of the industry

The finance houses shown in Table 4 are members of the Association of Swedish Finance Houses or Finance Sweden. These two associations co-operate on the international level in matters relating to leasing through a joint organisation, AFINA (Associations of Swedish Finance Houses). AFINA is a member of Leaseurope.

Finance leasing is offered by finance companies, by companies owned by manufacturers, and by vendor companies. Some of these require authorisation as credit market companies but others do not (see Law and regulation, below). The total outstanding book value of leased objects, sorted by class of assets of authorised finance companies, is shown in a separate Table 2. There are no official statistics available for lessors that are not authorised as credit market companies. However, it is estimated that the volume provided by such lessors is approximately 30% of all finance leasing in Sweden.

Besides leasing, finance companies offer several other forms of financing, such as instalment sales, hire purchase, factoring, stock financing, loans, and various forms of consumer credits (credit cards, instalment credits, etc.).

MARKET REVIEW

Leasing is well established in Sweden, both as a form of financing equipment and as a form for vendors to promote their products.

The book value in 2024 increased by just 3.5% for finance companies authorised as credit market companies (from SEK91.142m to SEK94.330m) compared to 2023. The value of new contracts increased by 7.9% (from SEK36.139m to SEK39.006m) compared to 2023.

The book value for all credit institutions, including banks, showed an increase by 3.7% (from SEK246.363m to SEK255.557m) compared to 2023. The value of new contracts (all credit institutions) increased by 13.2% from SEK114m to close to SEK129m. However, the figures are not representative for the market development as, for example, some large automotive finance companies changed status from credit market companies to financial institutes in recent years, which resulted in their businesses not being included in the official statistics.

The actual market is larger, especially if the automotive segment is included. Leasing is furthermore an important and reliable source for corporate finance, especially for small and medium-sized companies in need of good and efficient solutions for new investments in equipment.

Leasing has spread into almost every area of business investment in Sweden. Of all investments in

machinery and other types of equipment, approximately 20% are financed by way of leasing. International leasing is mostly carried out by a few big leasing companies, owned by the export industry and banks. Approximately 20% of all lessees are foreign companies.

All types of companies – small, medium-sized and large – of almost every trade take the advantage of leasing as lessees. Also, public bodies lease equipment to a significant extent. Consumer leasing of cars has been rapidly growing for several years but has declined a little in recent years, but still 45% of all new consumer cars were leased in 2024. The small decline is due to higher interest rates and the new government's decision to implement a total stop on green incentives (bonus up to SEK70.000 for new electric cars, before the stop) by November 8, 2022. Equipment acquired for leasing makes up approximately 50% of the total assets of finance companies.

Table 1: Trends in Swedish leasing contracts*

Year	New equipment purchased (SEKm)	Yearly change %	Book value (SEKm)	Yearly change %
2020	28,785	-22.8	87,037	-3.3
2021	33,812	+17.47	87,201	+0.19
2022	32,646	-3.45	88,359	+1.33
2023	36,139	+11.1	91,142	+1.03
2024	39,006	+7.93	94,330	+3.5

* The lessor/creditor being a finance company authorised as credit market company

Table 2: Growth by asset sector in Sweden (book values, end-of-year. SEKm*)

Sector	2020	2021	2022	2023	2024
Buildings	155	221	353	496	499
Passenger cars	9,640	9,752	10,365	11,900	12,860
Other road vehicles	8,490	8,613	9,111	9,752	10,290
Other transport equipment	10,878	10,591	7,796	6,500	5,945
Contracting equipment	7,062	7,638	7,069	7,733	7,668
Engineering equipment	20,029	20,790	22,101	23,874	27,199
Computer equipment	11,767	11,648	12,369	12,533	12,425
Mobile telephones, communication equipment	2,287	2,549	2,276	2,188	2,023
Office, hotel, restaurant and store equipment	725	713	615	674	583
Graphical equipment	291	287	310	310	296
Medical equipment	1,349	1,414	1,414	1,368	1,174
Other	14,365	12,987	13,928	13,815	13,368
TOTAL	87,037	87,201	88,359	91,142	94,330

* The lessor/creditor being a finance company authorised as credit market company

Lease contracts

There is no Swedish legislation dealing especially with lease contracts. In case of operational leasing, the lessor will sometimes undertake a greater responsibility for the delivery and functioning of the equipment. Financial lease contracts dominate the Swedish B2B leasing market. Some typical clauses of finance lease contracts are as follows:

- The lessee is obliged to receive, examine and accept the leased equipment when it is delivered by the supplier. If the lessee at the receipt of the equipment discovers any defect or fault therein, he is obliged to report that in writing to the lessor.
- The equipment remains the property of the lessor throughout the lease term and thereafter. Consequently, ownership to the leased equipment is not transferred to the lessee by means of the lease contract. Nameplates stating the lessor's ownership are or may be mounted on the equipment.
- The lessee is prohibited to transfer the equipment to any third party and to take any other action that may jeopardise the lessor's ownership of the equipment.
- The lessor is entitled to inspect the equipment during the lease term.
- Whilst the lessee requires the equipment to be without faults and defects, the lessor is not held responsible for the condition or functioning of the equipment.

Table 3: "Hire purchase" (Avbetalningsköp)¹ in Sweden (book values, end of year, SEKm*)

	2020	2021	2022	2023	2024
Total	50,286	54,154	50,105	48,575	46,712

* The lessor/creditor being a finance company authorised as credit market company

Different ways are used to achieve this. One way is that the lessor declares that he bears no responsibility in these respects but transfers to the lessee his right to raise claims against the supplier. Another way is that the lessor undertakes liabilities in these respects but limits such liabilities, to his right to raise the corresponding claims against the supplier and to the supplier performing his corresponding obligations.

- During the lease term, the lessee is responsible for the quality, performance, condition and suitability of the equipment.
- The lessee is required to take proper care of the equipment during the lease term and obliged to have the equipment properly serviced and maintained. Sometimes the lessee must enter into an agreement with a third party for the maintenance and repair of the equipment.
- Inability of the lessee to utilise the equipment does not constitute ground for withholding payment of the leasing fees. The amount of the leasing fees may vary with respect to a certain interest

rate, for example STIBOR.

- The lessee is held liable for all damage to and for the loss of the equipment, whether or not caused by any fault of his own.
- If the equipment causes any such personal injury or damage to property of any third party for which the lessor is legally responsible, then the lessee shall indemnify the lessor.
- The equipment is to be insured throughout the lease term. If paid by the lessor, insurance premiums are either included in the rentals or charged to the lessee separately. The lessee may take out additional insurance to cover himself. Clauses regulating the sharing of insurance compensation paid under insurance policies are common.
- At the expiry of the lease, the lessee shall deliver the leased equipment to the lessor, often by sending it – on behalf of the lessor – to the supplier or to such other place, as the lessor designates.

Lease contracts for consumers

There is no Swedish legislation dealing specifically with leasing of

movable property to consumers. The Association of Swedish Finance Houses has issued guidelines, known as FF 5, Consumer leasing/Private leasing (also available in English at www.finansbolagen.se). Leasing to consumers is referred to as a lease of movable property for private use for a fixed period.

After the lease period the leased property is to be returned to the lessor. The lessee is responsible for damage/loss of property during the lease term but not the object's market value beyond. FF 5 contains guidance on for example:

- Lease Period
- Early Termination
- Leasing Fee
- Amendments to lease payment
- Addendum to the lease fee
- Delivery and errors, shortages, etc.
- The lessee's liability for the item

The Association's members have been recommended to follow the guidelines. FF 5 was revised in June 2019. The Association has also helped the MRF (Swedish Association for Motor Retail Trades and Repairs) to develop a popular and easy-to-read user guide to private leasing and an order form to be used when ordering a private leasing car.

Law and Regulation

• Leasing companies

Finance companies may be specialised leasing companies or general finance companies that provide other kinds of financing besides leasing. There is no specific legislation concerning leasing contracts. Finance as well as operating lease contracts are concluded in the market. Leasing can be offered by credit institutions such as banks and authorised finance companies (credit market companies), regulated under the Banking and Financing Business Act. Leasing is also provided by finance companies that in legal terms are 'financial institutes'. Such 'financial institutes' are subject to registration by the Swedish FSA but are not under the authority's supervision. One important difference between a 'financial institute' and a 'credit market company' is that only the

Table 4: Finance houses engaged in leasing

Members of the Association of Swedish Finance Houses	Owners
BMW Financial Services Scandinavia AB	BMW Holding BV
BNP Paribas Leasing Solutions AB	BNP Paribas
DNB Bank ASA, filial Sverige (branch office)	DNB Norway
De Lage Landen Finans AB	De Lage Landen International BV
Göteborgs Stads Leasing AB	Göteborgs Stadshus AB
Ikano Bank Företag	Ikano SA
Jyske Finans Filial (branch office)	Jyske Finans A/S
Lantmännen Finans AB	Lantmännen ek. för
Mercedes-Benz Finans Sverige AB	Mercedes-Benz Danmark AS
Nordea Finance Equipment AS, Sverige filial	Nordea
Nordic Finance Business Partner AB	Private owners
Santander Consumer Bank (branch office)	Santander Consumer Bank, Norway
Scania Finans AB	Scania CV AB
Siemens Financial Services AB	Siemens AG
Svea Bank AB	Private owners
Telia Finance AB	Telia Company AB
Toyota Kreditbank GmbH Tyskland, Sverige filial (branch office)	Toyota Motor Corporation, Japan
Toyota Material Handling Commercial Finance AB -TMHCF	Toyota Industries Corporation
Volkswagen Finans Sverige AB	Volkswagen Finance Overseas BV.
Members of Finance Sweden	Owners
Danske Bank Sverige (branch)	Danske Bank, Denmark
DNB Bank (branch)	DNB Norway
Handelsbanken Finans	Svenska Handelsbanken
Ikano Bank	IKANO S.A., Luxemburg
Marginalen Bank	Marginalen
Nordea Finans	Nordea, Finland
Santander Consumer Bank (branch)	Santander Consumer Bank, Norway
SEB	Listed on Nasdaq Stockholm
Svea Bank	Private owners
Swedbank	Listed on Nasdaq Stockholm
Ziklo Bank	Volverinvest (50%), Volvo Personvagnar (50%)
Wasa Kredit	Länsförsäkringar Bank

latter may acquire funding/deposits from the public. In principle, also companies which are not authorised or registered can offer leasing.

The Swedish FSA supervises banks, 'credit market companies', consumer credit institutions and intermediaries, insurance companies, securities dealers and investment funds ('financial institutes' are not subject to supervision by the Swedish FSA). Regulations are based on applicable EU-directives regarding credit institutions, capital requirement, supervision of credit institutions, etc. But there are some important exceptions to this e.g. requirements not based on EU-law. Consumer credit providers and consumer credit intermediaries are as of 1 July 2014 subject to supervision. According to changes in national law during 2025, consumer credit providers and consumer credit intermediaries need to apply for a bank license or credit market company license by 2026.

Sweden is also implementing the new Consumer Credit Directive (CCD), including licenses for ancillary consumer credit providers and ancillary intermediaries (if they are large companies according to the EU definition). However, the Swedish law does not regulate consumer leasing. As mentioned above there is no Swedish legislation/regulation that deals especially with leasing.

Even if the general criterions for authorisation as a 'credit market company' are at hand there are a few exceptions to the requirement of authorisation:

1. An undertaking that provides financing in connection with the sales of services which are offered, or goods produced or sold by the undertaking, and
2. An undertaking which meets the financing requirements solely of other undertakings which are part of the same group, provided that the group

does not have the main aim of engaging in financial business. The temporary exemption for an undertaking that provides financing in connection with the sales of services which are offered, or goods produced or sold by another undertaking of the same group provided that the group does not have the main aim of engaging in financial business, became permanent in July 2009 (with some adjustments). To benefit from this exemption, the funding from the public is to have a duration time of minimum one year.

Another exception is related to the securitisation of receivables, for instance leasing claims. Under this exception no authorisation is required for a company that only a few occasions acquire receivables from the originator, again if funding is not obtained from the public. The company acquiring the claims may not grant credits or enter new lease contracts as lessor.

Under the single license system of the EU, banks and other credit institutions that are established in a country belonging to the European Economic Area may set up affiliates in Sweden for the conduct of leasing in Sweden. Such companies may also from their home country offer leasing in Sweden as a regular line of business. In none of these cases a Swedish authorisation is required but in both cases some formalities must be observed. A Swedish subsidiary of a foreign credit

institution will, however, require Swedish authorisation to be able to conduct leasing business in Sweden.

• General private law legislation

Even if there is no Swedish legislation dealing directly with leasing transactions general private law legislation is directly applicable to lease contracts, such as the 1915 Act on Contracts and the 1984 Act on Contract Terms between Enterprises. Other legislation, like the 1936 Act on Promissory Notes and the 1990 Sales Act, are to some extent applicable to leasing by analogy.

Taxation

• Income taxation of profits

In Sweden, income tax is charged on business profits. The income tax rate on company profits is 22%. For such purposes, all leasing income is included in the profits, except for VAT paid to lessors. The cost of the acquisition of equipment for leasing may be deducted only as the equipment depreciates in value. Lessors having the legal title to the equipment make such deductions. In respect of machinery, office equipment and many other assets, the deductions may be made either at a straight-line rate of 20% or at a declining balance rate of 30%. Either method can be used in different years. The same method of depreciation must be applied to all assets, whether they are under lease or not.

These different methods of

depreciation result in differences between the taxable profit and the commercial account profit before tax. The accumulated difference is known as "excess depreciation", 70% of which forms a part of tier one capital for the purpose of determining capital adequacy of the finance houses.

However, if an asset is not expected to last for more than three years, then the cost of acquisition may be deducted from the company profits in whole during the year of the acquisition. Also, single acquisitions of low value (approximately SEK29,000) may be deducted from the company profits in whole during the year of the acquisition.

A lessee may deduct all rentals from his company profits as a business expense except for the amount of VAT charged on rentals for cars where only 50% are deductible. However, if the lessee is not liable to report VAT (which is the case, for example, in the case of banks) then the lessee may from his company profits deduct also the amount of VAT that is charged on the rentals.

If the lessee is an individual and the lease does not form part of any business conducted by him in his own name, then he may not deduct any part of the rentals, not even an amount that would correspond to the cost of interest.

• Legislation on the income taxation of leasing

The current rules are in force as of January 1, 2019. In short, the law means that ceiling for interest deduction by 30% of a company's EBITDA and that an element of financial lease payments is treated as interest (rules essentially based on IAS 17). The rules will have a negative effect on leasing, especially towards SMEs (not used to complex IAS 17 type of rules) as they will face increasing administrative burdens and costs.

• VAT

As a member of the EU, Sweden is obliged to follow the EU directives on VAT. Consequently, VAT paid on rentals is in its entirety deductible by the lessee from his VAT liability (with some exceptions, for example



Leasing is well established in Sweden. In 2024, the value of new contracts increased by 7.9% (from SEK36.139m to SEK39.006m) compared to 2023.

in the case of cars, where only 50% is deductible). The VAT rate is 20% (25% of the pre-tax price). If the lessor is liable to report VAT, then the lessor shall pay VAT received to the Government. Normally, VAT is reported monthly. In January 2019 the tax authority published a position on VAT and leasing. As the position was somewhat incomplete and unclear the Association of Swedish Finance Houses and Finance Sweden published a commentary in July 2019. In March 2024 the tax authority published a new position on VAT and leasing and then again, in August 2025, a new position was published.

Accounting

• Legislation

The accounting legislation in Sweden consists of mandatory accounting acts: The 1995 Annual Accounts Act, the 1995 Act on Annual Accounts of Credit Institutions, Investment Firms and Insurance Enterprises, and the 1999 Bookkeeping Act being the most important ones, offering a general framework for accounting and built on 'generally accepted accounting principles'.

The two first Acts are based on the EU Fourth, Seventh and Eleventh company law Directives. However, this legislation does not contain any specific rules for leasing.

IFRS applies for listed companies.

According to the EU's 'IAS-regulation' all listed companies must follow IFRS in their consolidated accounts.

• The Swedish Corporate Reporting Board

The Financial Reporting Board (Rådet för hållbarhets- och finansiell rapportering) has issued a recommendation, 'RFR 2 Accounting for Legal Entities'. According to RFR 2 the parent company/legal entity should also apply IFRS in the non-consolidated financial statements. However, there are some exemptions from IFRS for example due to the tax legislation. RFR 2 provides exemptions from IAS 17 which permits all financial leases to be treated as operational leases in the accounts and financial statements for the legal entity. RFR was revised in

2016 to prepare for IFRS 16 so that all leases can be treated as operational leases in the accounts and financial statements for the legal entity for example due to the tax legislation.

• IFRS applies for financial companies under FSA supervision

Since January 1, 2007 all financial companies under supervision² of the Swedish FSA must apply the 'IFRS-adjusted' accounting regulations issued by the Swedish FSA. In principle, this means that companies under supervision – among other IFRS-standards – shall apply IAS 17. However, due to for example the tax legislation in principle the same exemptions as in RFR 2 applies for all companies under the Swedish FSA's supervision.

According to the Swedish FSA's regulation the exemption is only applicable on the legal entity level (individual company). On group level, no such exemption applies. When financial leases are treated as operational leases, the rules for operational leases are (in principle) applicable, in other words, IFRS 16. Even if the annuity method is not explicitly mentioned in IFRS 16 a recommendation issued by the Swedish FSA confirms that the annuity method can be applied.

• Swedish Accounting Standards Board

The Swedish Accounting Standards Board (Bokföringsnämnden, BFN) is a governmental body with the main objective of promoting the development of generally accepted accounting principles regarding current recording as well as the drawing up of annual accounts.

The Board has developed a set of guidelines: K1 for very small companies with one physical person as owner, K2 for small, limited companies, and K3 for larger limited but unlisted companies. K3, applicable from 2013, is to a large extent based on IFRS for SME. Accordingly, K3 prescribes that accounting for leasing is to be based on the concept of economic ownership rather than on the legal title to the equipment. However,

this principle is mandatory only at group level. With respect to individual companies, K3 permits accounting to be based on the legal ownership of the equipment, even when the owner is a member of a company group.

• The Association of Swedish Finance Houses

The Association of Swedish Finance Houses has issued guidelines, known as FF 3, for lease accounting. The Association's members have been recommended to follow the guidelines. To take into account the introduction of IFRS etc., the guidelines were reviewed 2011.

Notes:

¹ Ownership is transferred to the buyer/debtor at the inception, but the creditor has a legal right to take the object back if the buyer/debtor fails to pay.

² Companies with authorisation from the Swedish FSA, i.e. credit market companies and banks.

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CHF stagnated year-on-year with a slight decrease of -0.3%, the contract portfolio value in CHF increased by +14.33%. At the same time, the number of transactions rose by +1.9% from 2023 to 2024, while the number of contracts grew by +10.41%.

Fleet leasing

In 2024, the fleet leasing business was significantly shaped by the ongoing transition to electromobility. Due to the generally higher investment costs for new vehicles with alternative powertrains such as electric or plug-in hybrid models, sales also increased.

Fleet leasing sales rose from CHF591m in 2023 to around CHF788m in 2024, representing an increase of +33%. This substantial growth is primarily attributable to the higher purchase prices of new vehicles, as the shift to electric models entails higher costs. The book value of the fleet leasing portfolio also increased by +23%, from CHF1,616m in 2023 to CHF1,981m in 2024. Here too, the rise in vehicle prices contributed to the above-average growth.

The number of vehicles under fleet leasing likewise developed positively, growing from 57,247 vehicles in 2023 to 66,998 vehicles in 2024 – an increase of +17%. This

MARKET REVIEW¹

By year-end 2024, 36 members submitted their figures. This means that the SLV represents around 80% of the overall market. The overall market showed only moderate growth in new business volume compared with the previous year, while inventories increased significantly.

In 2024, the members reported total sales of CHF13.1bn and total inventories of CHF28.5bn. This corresponds to growth of +1% in sales and +14% in inventories.

Consumer leasing

As in the previous year, thanks to the feedback from five captive and eight non-captive vehicle financing companies, we can once again rely on representative survey data, allowing us to trace the development of the Swiss consumer goods leasing market.

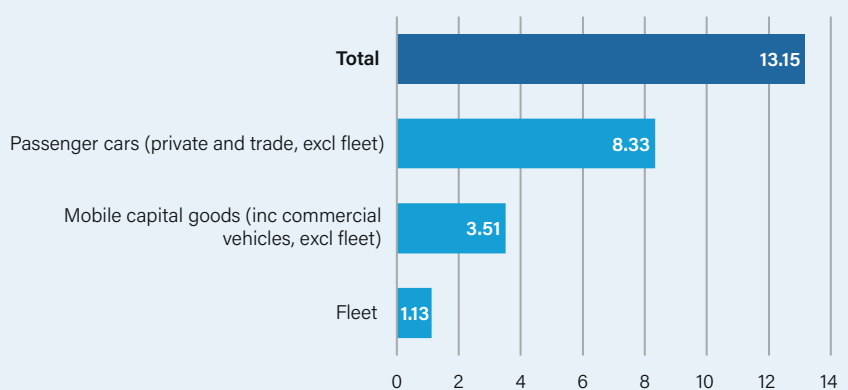
The performance of the automotive industry remains a key factor for consumer leasing. Since the car market experienced a setback in 2024, the situation was also challenging for automotive financiers. According to figures from *auto-schweiz*, passenger car registrations at the end of 2024 stood at 239,535 units, representing a decline of 5% compared with 2023.

The sector thus continues to operate well below the pre-covid level of around 300,000 registrations per year. The moderate recovery that had begun in 2023 therefore failed to

continue. Due to persistently cautious consumer sentiment, driven by the overall economic environment and various (geo-)political uncertainties, there are still no signs of a “catch-up effect” toward pre-crisis levels.

Against this backdrop, the development of the consumer leasing market can be viewed as quite positive. The strong results may be partly explained by a generally higher leasing penetration – for example in the case of electric vehicles – as well as by the significantly lower interest rate environment. According to our members’ reports, the volume of consumer leasing (for both new and used vehicles) was maintained or even expanded in 2024 compared with the previous year. While sales in

Figure 1: New transactions involving association members in 2024 (sales in CHFbn)



Commentary: Newly acquired assets fully paid during the year as lease objects. The asset value corresponds to the cash purchase price (or acquisition cost or total investment cost) excluding VAT, including any initial large lease instalment.

development reflects solid organic growth in the fleet leasing segment.

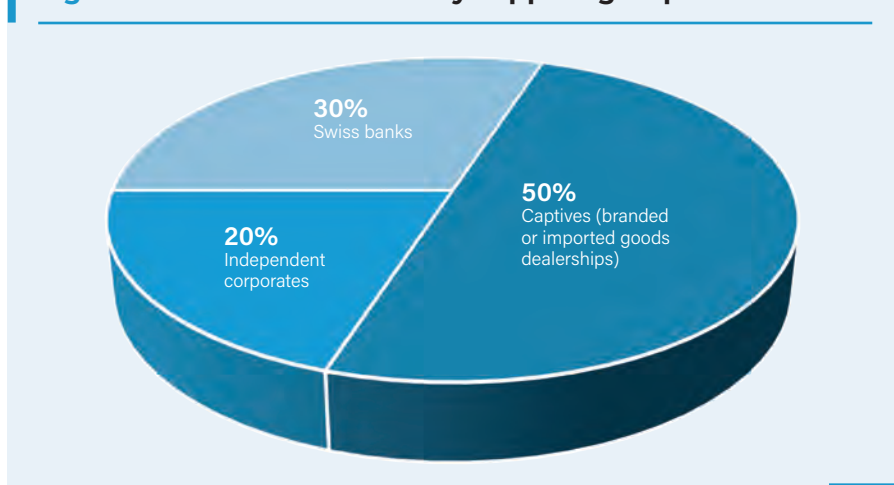
Capital goods leasing

2024 brought a slowdown in growth in Switzerland. After moderate expansion in 2023, the market stagnated and failed to maintain the previous year's momentum. Switzerland's economic growth stood at around +1.3% in 2024, reflecting the prevailing uncertainties and challenges in the markets. The geopolitical situation remained a dominant factor weighing on the economy. In particular, the ongoing war in Ukraine and the conflicts in the Middle East created significant uncertainty. Conditions worsened further in the final quarter of the year: Donald Trump's election victory in the United States and German Chancellor Olaf Scholz's loss of a confidence vote did little to restore confidence.

In 2024, the sales in capital goods leasing by banks declined by -5.5% compared with 2023. The portfolio volume remained nearly unchanged at CHF4.85bn. The machinery, electrical, and metal industries were particularly affected, and their downturn contributed significantly to the lower sales. In contrast, investments in data center systems, devices, software, and IT services increased.

In addition to banks, there are other leasing companies that invest in capital goods. In

Figure 3: 2024 market share by supplier group



2024, sales among non-bank leasing companies amounted to CHF789.4m, with a portfolio volume of CHF1.73bn. Altogether, the reported leasing companies held assets totaling CHF6.58bn.

Outlook

The outlook is marked by considerable uncertainty. Geopolitical tensions remain high, and ongoing trade frictions between the United States, China, and the rest of the world could further weigh on global economic performance. The US Federal Reserve has therefore revised its economic growth forecast for 2025 downward by 0.4%, which may also affect Switzerland's export industry.

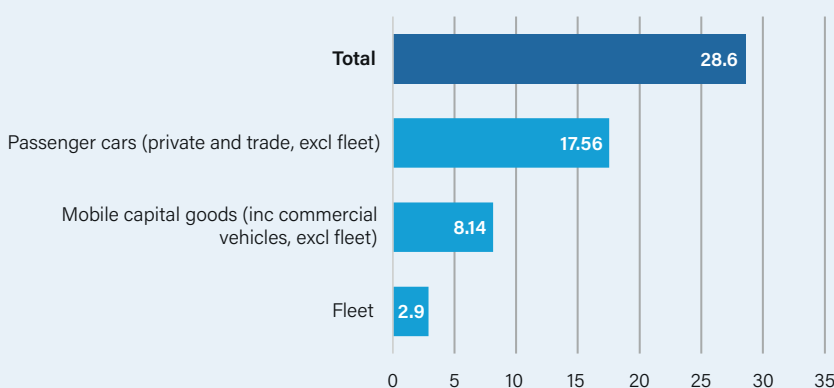
The State Secretariat for Economic Affairs (SECO) forecasts growth of

0.8% for 2025, with a significant share of these investments expected to flow into the IT and defence sectors.

Endnote

¹ Taken from the Swiss Leasing Association's Annual Report 2024.

Figure 2: Portfolio volume of association members in 2024 (in CHFbn as of December 31, 2024)



Commentary: Contract portfolio: Stock of all ongoing leasing contracts at the end of the year (book value or portfolio value).

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increase in import-derived demand.

Private investment gained traction because Taiwan's semiconductor firms, boasting a leading edge in related technologies, continued to increase capital expenditure and expand advanced production capacity. Overall, with the increase in gross national saving exceeding that in gross national investment, the difference between saving and investment as a percentage of GDP rose from 14.57% in 2023 to 15.58% in 2024.^{1,2}

MARKET REVIEW

Economic overview

Taiwan's economy expanded faster in 2024 because of strong demand for emerging technology applications (e.g., AI, cloud computing, high-performance computing, etc.) spurred growth in ICT (information and communication technology) exports and drove a steady increase in private investment while private consumption also gained momentum from continuous wage growth.

The balance of payments was healthy, recording a continued current account surplus and a net asset increase in the financial account. In respect of prices, with international commodity prices softening and domestic services inflation easing, the annual growth

rate of the CPI registered 2.18% in 2024 and that of the core CPI (excluding fruit, vegetables, and energy) was 1.88%, both slower than the previous year. In the labour market, a pickup in economic growth drove the unemployment rate down from the previous year to a yearly average of 3.38% in 2024, the lowest since 2001.

By expenditure, the 4.84% rate of economic growth was the combined result of robust exports, the ensuring steady increase in private investment, and rising private consumption amidst continued wage growth. By contribution, domestic demand accounted for 5.76 percentage points of that growth, whereas net external demand contributed -0.16 percentage points as robust exports and investment also led to an

Prospects for 2025

The US tariff measures continue to disrupt global trade and economic activity. According to the International Monetary Fund (IMF), world trade volume is projected to grow by 2.6% in 2025, down from 3.5% in 2024. Weak aggregate demand and the recent appreciation of the New Taiwan dollar against the US dollar have further pressured the exports of some traditional industries already hit by overcapacity.

Fortunately, demand for AI and emerging technology applications has remained strong. Moreover, the leading manufacturer in AI server has enhanced server rack cabinets designs to reduce assembly complexity and precision requirements, thereby improving delivery speed and boosting Taiwan's exports of electronic components and information, communication, and audio-video products. In aggregate with services exports, real exports of goods and services will grow by 23.74% in 2025.

Real private consumption is projected to grow by 0.85%. Tariff-related uncertainties have dampened stock market trading activities in the first half of the year, while consumer caution over automobile import tariffs has delayed automobile purchases, restraining the momentum of consumption growth.

Real private fixed capital formation is anticipated to increase by 9.89%. To

Table 1: Major economic indicators in 2024

		Unit	Change %
Economic Growth Rate	4.84	%	3.56%
Nominal GDP	7,969	US\$100m	5.53%
Nominal Per Capita GDP	34,040	US\$	5.33%
Nominal GNI	8,250	US\$100m	5.83%
Nominal Per Capita GNI	35,241	US\$	5.62%
Consumer Price Index	2.18	%	-0.31%
Investment Ratio (Gross domestic investment as the percent of GNI)	26.50	%	1.7%
Total Imports on Customs Basis	3,943.7	US\$100m	12.15%
Total Export on Customs Basis	4,750.0	US\$100m	9.85%
Unemployment Rate	3.38	%	-0.10%

Source: Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan)

Table 2: Year 2020-2024 contract amount of leasing and instalment sales (NT\$bn)

Business	2020	2021	2022	2023	2024
Leasing	78	92	108	112	88
Installment Sales	439	546	618	640	636
Total	517	638	725	752	724
Growth Rate %	11%	23%	14%	4%	-4%

Source: The Taipei Leasing Association, R.O.C. (Taiwan)

Table 3: Year 2020-2024 market penetration of leasing (NT\$bn)

Item	2020	2021	2022	2023	2024
Contract Amount of Leasing and Installment Sales	517	638	725	752	724
Gross Domestic Investment	4,790	5,847	6,310	5,838	6,829
Penetration %	11%	11%	11%	13%	11%

Source: The Taipei Leasing Association, R.O.C. (Taiwan); Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C. (Taiwan)

4% decrease compared to 2023.

While this marks a slight year-on-year decline, the overall trend since 2011 has shown steady growth—particularly in instalment sales. Over the past decade, leasing has gained increasing popularity among Taiwanese clients, reflecting a gradual shift in financing preferences despite short-term market fluctuations.

Market penetration

The contract amount of leasing and instalment sales has generally been on an upward trend since 2011 and amounted to NT\$724bn in 2024, despite a 4% decrease compared to the previous year. The gross domestic investment increased by 17%, rising from NT\$5,838bn to NT\$6,829bn. In 2024, Taiwan's leasing penetration rate showed a decrease of 2% compared to 2023, dropping to 11%.

The penetration rate of leasing in Taiwan was comparatively lower than in mature markets such as the US and the UK, implying huge potential for market growth in Taiwan.

Major market players

The Taipei Leasing Association has 40 members. These companies were among the major market players in the Taiwan leasing market as of December 2024. These players can be divided into categories with different business characteristics

meet the ongoing AI-driven demand, leading domestic semiconductor firms have been expanding their capacity in advanced process and packaging technologies, prompting supply chain vendors to ramp up their investments.

These firms have also been scaling up their investments in R&D to strengthen their competitiveness. In addition, the establishment of R&D and data centres in Taiwan by several major international corporations, along with the government's Ten

Major AI Infrastructure Projects, will further support private investment momentum.

Combining the above components, Taiwan's real GDP is projected to grow by 4.45% in 2025, revised upward by 1.35 percentage points from the previous forecast.³

Leasing market

Market conditions

The total contract amount of leasing and instalment sales reached NT\$724bn in 2024, representing a



In spite of a slight (4%) decline in 2024, total leasing volume in Taiwan reached NT\$724bn and leasing is gaining increasing popularity among Taiwanese clients.

Table 4: Categories of members of The Taipei Leasing Association in 2024

Category	Characteristics of business	No. of Members	%
Bank affiliate	Sufficient funding source supported by the parent company. Heavily rely on the customer list for marketing provided by the banking parent companies and often focus on large-scale equipment leasing.	16	40%
Captive finance company	Mainly established by automobile manufacturers. Provides financing services via the expertise of leasing assets, but the customer base is also constrained.	10	25%
Enterprise group subsidiaries	Independent business operation. Provide diverse and customized products with flexibility and efficiency.	12	30%
Foreign finance Company	Mainly established by foreign equipment vendors or leasing companies to develop the Taiwan market.	2	5%
Total		40	100%

Source: The Taipei Leasing Association, R.O.C. (Taiwan)

Table 5: Percentage of business types 2015-2024

Business Type	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Leasing (%)	19%	21%	19%	16%	16%	15%	14%	15%	15%	12%
Installment Sales (%)	81%	79%	81%	84%	84%	85%	86%	85%	85%	88%
Total	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%

Source: The Taipei Leasing Association, R.O.C. (Taiwan)

and stakeholder structures. The four major types of members – bank affiliates, captive finance companies, enterprise group subsidiaries and foreign finance companies – are outlined in Table 4.

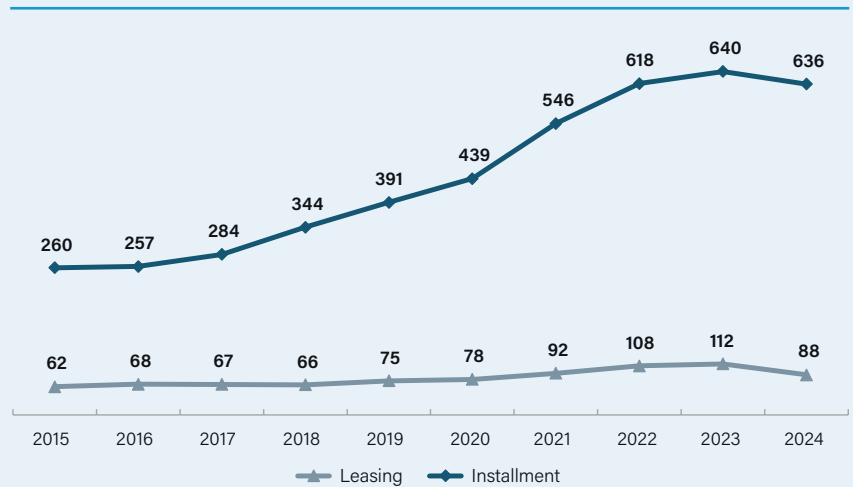
As we can see from Table 4, the largest group by number of companies was bank affiliates with 16 members; however, those did not dominate the market in terms of share. The enterprise group subsidiaries lead with more than half of the market share.

Among the major players, the market leader in Taiwan’s leasing industry is Chailease Finance Co., Ltd., which has been established for over 40 years. Chailease Finance Co., Ltd delivered new contract amounts of NT\$360.8bn in 2024 and has been maintaining the leading position in Taiwan’s lease and instalment sales industry.

Business types

There are two business types in Taiwan’s Leasing Industry: leasing and instalment sales. Since 2018, the instalment business has

Figure 1: 10-year evolution in contract totals in leasing & instalment sales in NT\$bn



Source: The Taipei Leasing Association

experienced significant growth, while the leasing business in Taiwan has shown relatively stable growth.

By 2024, the contract value of instalment sales reached NT\$636bn. The contract amount of both leasing and instalment sales decreased slightly by approximately 4% from 2023 to 2024, reaching NT\$88bn

and NT\$636bn, respectively. Table 5 shows that leasing and instalment sales accounted for 12% and 88% of total contract values in 2024.

Types of purchasing

According to the statistics from The Taipei Leasing Association, the contract value of domestic purchases

reached NT\$697bn, accounting for 96% of the total purchases in 2024, showing a 2% decline compared to 2023. The contract amounts from domestic purchases accounted for over 90% of total contract amounts for 9 consecutive years since 2016.

Prospects for Taiwan's leasing industry

Taiwan's economic growth in 2025 is expected to be primarily driven by three major pillars: consumption, investment and exports. Within this broader economic context, the equipment leasing market is poised for continued expansion, supported by developments across various sectors.

Domestic consumption is expected to remain stable. Inflation in Taiwan is gradually easing, and the economic outlook is bolstered by a narrowing Taiwan-US interest rate differential and rising private investment. These factors contribute to sustained private consumption and are expected to support a positive trajectory for exports, especially as global trade shows signs of recovery.

In terms of investment, the rapid advancement of AI-related industries – from front-end semiconductors to downstream assembly – will play a central role. These developments are not only expected to stimulate overall economic growth but also have a significant impact on related industries, such as machinery and electronic components. This industrial momentum provides a strong foundation for increased demand in equipment leasing as companies seek to upgrade or expand their production capabilities.

In 2025, Taiwan's equipment leasing

Table 6: Domestic vs foreign purchasing 2020-2024 in NT\$bn

Type	2020	2021	2022	2023	2024
Domestically purchased	482	598	654	712	697
Imported	36	40	71	40	27
% of Domestically purchased	93%	94%	90%	95%	96%

Source: The Taipei Leasing Association, R.O.C. (Taiwan)

market is projected to grow in tandem with broader economic development. The manufacturing sector has shown signs of recovery, as evidenced by the Purchasing Managers' Index (PMI), which rose to 50.1% at the end of 2024 – marking an improvement in overall sentiment. This uptick in manufacturing activity reflects growing confidence and increased demand for updated equipment.

Furthermore, national policies focused on eliminating outdated equipment and upgrading the manufacturing industry are opening new opportunities for leasing companies. The increasing demand for intelligent equipment, driven by the digital economy, adds further momentum to the leasing market.

Additionally, global investment in energy transition is increasing year by year, and the rising domestic and international demand for renewable energy continues to benefit the energy business. This trend is expected to further support the leasing market, particularly in the areas of energy-related equipment and infrastructure.

On the global front, according to the World Bank's Global Economic Prospects published in January 2025, global economic growth is expected to hold steady compared

to the previous two years, primarily supported by stabilising inflation and firm investment. However, several downside risks remain, including heightened policy uncertainty, adverse trade policy shifts, geopolitical tensions, worsening inflation, extreme weather events related to climate change, and slower growth in major economies.

In conclusion, the outlook for Taiwan's equipment leasing market is optimistic, supported by strong investment in AI and manufacturing, stable consumption, growing energy-related markets, and recovering global trade. While global risks remain, the sector's adaptation to new technologies and regulatory environments positions it well for continued growth.

Endnotes

- ¹ Annual Report 2024, Central Bank of the Republic of China (Taiwan)
- ² Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.(Taiwan)
- ³ Directorate-General of Budget, Accounting and Statistics, Executive Yuan, R.O.C.(Taiwan)

Association

The Taipei Leasing Association

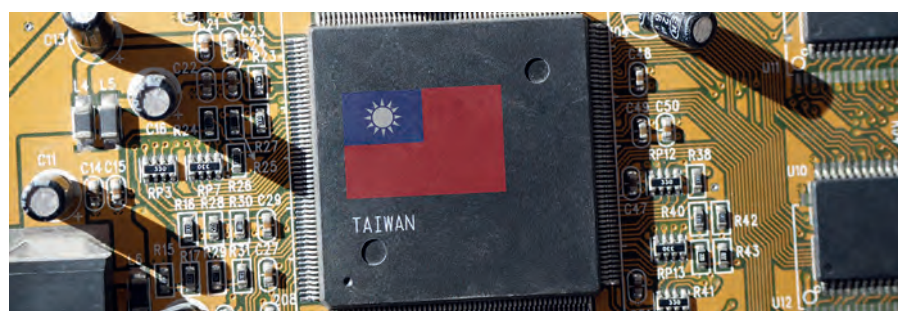
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The outlook for Taiwan's equipment leasing market in 2025 is optimistic, supported by strong investment in AI and manufacturing, stable consumption, growing energy-related markets, and recovering global trade.

Turkey



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2025 Estimated volume of transactions

The volume of transactions in 2025 is projected to be realised at US\$11,48bn. This amount indicates a projected increase of 4.6% as compared to the volume of transactions for 2024.³

Estimated volume of leasing transactions projected to realise between 2025 and 2028

The Turkish economy grew by 3.3% (at fixed prices) in 2024. GDP registered an increase of 40% (at current prices) in the first half of 2025 as compared to the same period of the previous year.

The Turkish economy is expected to grow by 3.3% in 2025 as per the 2026-2028 Medium Term Program issued by the Ministry of Treasury and Finance and the Presidency of Strategy and Budget. It is assumed that the growth rate will be 3.8% in 2026, 4.3% in 2027 and 5% in 2028.

MARKET REVIEW

2025 H1

New transactions amounting to US\$5,184bn were carried out in the first half of 2025. The amount of transactions realised in the same period of 2024 was US\$5,104bn. These amounts indicate that the new transactions carried out in the first half of the year

increased by 1.57% as compared to the same period of last year.¹

2024

New transactions carried out in 2024 came to a total of US\$11,635bn. The volume of transactions in 2023 amounted to US\$12,150bn. The volume of transactions in 2024 registered a decrease of 4.24% as compared to 2023.²

An overview of the Turkish leasing industry

The Association of Financial Institutions (Financial Leasing, Factoring and Finance Corporations Association) was established on July 25, 2013 in accordance with the Financial Leasing, Factoring and Financial

Table 1: Estimated volume of transactions for 2025-2028 in TL/US\$bn

	2025	2026	2027	2028
GDP (TL)	62,179	77,257	89,406	101,397
GDP (USD)	1,569	1,658	1,763	1,886
Machinery Investments (TL)	8,481	10,490	12,075	13,632
Machinery Investments (US\$)	214	225	238	254
Leasing Penetration Ratio (Excl. Real Estate)	0.045	0.047	0.048	0.049
Leasing volume (TL) (Excl. Real estate)	382.37	490.95	584.41	673.43
Real Estate Leasing Volume (TL)	72.65	63.82	58.44	67.34
Total Leasing Volume (TL)	455.02	554.78	642.85	740.77
The Growth Rate (TL)	76%	22%	16%	15%
Total Leasing Volume (US\$)	11.48	11.91	12.68	13.78
The Growth Rate (US\$)	4.6%	4%	6%	9%

Note: Excluded operational leasing of fleet rental companies Participation Banks Association of Turkey (TKBB) figures are included.

Table 2: Macroeconomic outlook

Population Prospects (Million People):

2025 - 85.8
2026 - 86.4
2027 - 86.8
2028 - 87.2

Demographic Profile (as of 2023)

Age 0-14: 21.4%
Age 15-64: 68.3%
Age 65+: 10.2%

GDP Growth Rate Projections (%)

2025: 3.3%
2026: 3.8%
2027: 4.3%
2028: 5%

Per Capita GDP Projections (US\$)

2025: 17,748
2026: 18,621
2027: 19,710
2028: 20,987

Corporations Act 6361 of Dec.13, 2012. The FIDER, the former Turkish Leasing Association, was wound up and all financial leasing, factoring and finance companies that are active in Turkey are obliged to be a member of Association of Financial Institutions.

In 2021, the name of the law was amended to the Financial Leasing, Factoring, Finance and Saving Financing Companies Law. This meant that post 2021, asset management companies become members and in 2022, savings companies were admitted. The AFI now represents five financial sectors.

In Turkey, the right of engagement into financial leasing operations is exclusively granted to the financial leasing companies, investment & development banks (non- deposit taking) and participation banks. The number of leasing companies are currently 20. There are 16 bank affiliates, two supplying companies (vendor) affiliates and two independent entities.

Leasing under Turkish legislation

In order to replace the Law on Leasing No. 3226, which entered into force on June 28, 1985 (now referred to as Previous Law), the Law on Leasing, Factoring and Financing Firms No. 6361 (hereinafter referred to as Law) was adopted by the Turkish Grand National Assembly on November 21, 2012. The Law contains the following provisions:

- a) Article 5 regulates the legal structure of firms and the establishment of firms as joint stock companies,
- b) Article 4 stipulates that before the establishment of firms, preliminary authorisation must be procured from the BRSA (Banking Regulation and Supervision Agency),
- c) Paid-in capital regulated by Article 5 must be a minimum of TL50m (around US\$1.2m),
- d) Article 7 stipulates that firms having procured the establishment authorisation must also obtain activity authorisation from the BRSA,
- e) From the definition of a company in Article 3 of the Law and the definition of a branch in Article 8, it appears that the authority allowed by the previous Regulation for firms established abroad to open branch offices in Turkey will not be granted anymore. The branch-office can be opened by local or foreign leasing companies resident in Turkey.

New products provided to the leasing sector by Law no.6361

- a) Paragraph 3 of Article 2 of the Law, entitled "Scope", stipulates that the provisions of this law related to leasing operations will not apply for operating leasing operations made by leasing companies. The definition of operating leasing is provided in sub-paragraph (b) of the first paragraph of Article 3 of the Law, entitled "Definitions". These two articles stipulate that leasing companies can carry out operating leasing operations. With this provision, another dimension has been added to the

leasing sector and the interest of global companies to the leasing market is expected to increase.

- b) Article 18 of the Law stipulates that the goods purchased from lessee can be subject to leasing and sale and leaseback type operations can be made. As there was no such provision in the previous law, and there were court decisions stating that sale and leaseback is not a leasing operation, such leasing operations could not be made since 1995 up to date. With Article 18 of the new Law, a new and important product has been introduced to the sector.
- c) It is indicated in the first paragraph of Article 19 of the Law that computer software's reproduction can be subject to leasing. Under the previous law, regardless of the "reproduction" distinction, computer software was out of scope. A new product has been introduced to the sector.
- d) In the second paragraph of Article 19, it is indicated that "complementary parts and accessories" can also be subject to leasing. The previous law covered only independent, integral goods, by leasing. This new provision is expected to make an important contribution in terms of volume to the sector. For instance, under the previous law, it was not possible to lease a ship engine, to make the external coating, or the roof of a building, energy efficiency attachments. Under the new regulation, such operations will be possible.

Table 3: Financial leasing industry performance indicators

	December 2022	December 2023	December 2024	June 2018	June 2019	June 2020	June 2021	June 2022	June 2023	June 2024	June 2025
Financial Leasing Receivables(Net) / Shareholder's Equity	5.43	4.79	3.91	6.78	5.92	5.04	5.00	5.54	5.68	4.14	3.81
Non-performing loans(gross) / Lease Receivables(Net) (%)	4.07%	3.89%	3.17%	5.29%	8.23%	7.46%	6.06%	4.94%	2.96%	3.69%	2.47%
Period's Profit / Shareholder's Equity (%)	26.05%	35.28%	27.77%	7.14%	5.78%	7.44%	7.98%	15.29%	23.09%	17.03%	15.93%
Period's Profit / Total Assets(%)	3.65%	5.33%	5.14%	1.00%	0.89%	1.31%	1.35%	2.17%	3.08%	2.95%	2.94%
Balance Sheet Foreign Currency Net Position / Shareholder's Equity (%)	47.65%	6.38%	4.19%	64.10%	56.13%	45.66%	38.67%	60.62%	33.81%	0.44%	15.51%

Note: June figures are half year based.

Table 4: Financial leasing industry main balance sheet quantities (TLbn)

	Growth % 20-21 (I. Half)	Growth % 21-22 (I. Half)	Growth % 22-23 (I. Half)	Growth % 23-24 (I. Half)	Growth % 24-25 (I. Half)	2020 H1 Balance sheet Share	2021 H1 Balance sheet Share	2022 H1 Balance sheet Share	2023 H1 Balance sheet Share	2024 H1 Balance sheet Share	2025 H1 Balance sheet Share
Financial leasing receivables (net)	21%	59%	61%	25%	45%	82.06%	79.50%	74.78%	73.60%	69.11%	68.70%
Non-performing loans (Gross)	-3%	28%	-6%	57%	-4%	6.62%	5.13%	3.88%	2.24%	2.64%	1.74%
Specific Provisions	18%	58%	5%	-7%	13%	4.74%	4.45%	4.16%	2.68%	1.87%	1.44%
Banks	33%	63%	76%	57%	30%	6.93%	7.36%	7.11%	7.66%	9.04%	8.05%
Total assets	25%	69%	64%	33%	46%						
Credits taken	22%	69%	68%	27%	37%	72.42%	70.19%	70.21%	71.96%	68.34%	63.87%
Shareholder's Equity	21%	42%	54%	73%	56%	17.60%	16.93%	14.20%	13.36%	17.35%	18.47%
Profit/Loss (Net)	29%	172%	132%	28%	46%	1.31%	1.35%	2.17%	3.08%	2.95%	2.94%

Source: BRSA

Operational conveniences provided under Law No. 6361

- a) Under the previous law, there was a provision stating that leasing agreements cannot have a term of less than four years. For certain goods, the BRSA was authorised to reduce this term down to two years. Under the new Law, there is no restriction provision on this subject. The parties can determine the term of the agreement freely.
- b) In the first paragraph of Article 22 of the Law, entitled "Form and Registration of the Agreement", it is indicated that the agreement will be made in writing. Under the previous law, the agreement should be made at a notary public and in statutory form, (the parties should personally go to the notary public). The new Law removed the obligation to make the agreement in a notary public and accepted as sufficient the conclusion of the agreement in writing.
- c) The fourth paragraph of Article 7 of the Law stipulates that, "Provided that all partners are leasing firms established in Turkey, without obtaining an establishment and activity authorisation, a leasing company can be established only for the leasing of a ship. The provision "such companies are subject to articles of this Law other than the provisions related to agreements" is included. With this regulation, leasing companies can, if they

so desire, establish a separate leasing company for each ship they will lease. In this way, due to a risk occurring in relation with the leased ship, ship creditors cannot address the ships of the leasing company leased to others. Furthermore, as indicated in the article, such companies not being subject to the articles other than the provisions of this Law related to agreements, can be single shareholder joint stock companies established according to the related provisions of the Turkish Commercial Code. In short: A leasing company can carry out ship leasing business, without procurement of an establishment and activity authorisation, through

a joint stock company which is its participation and of which it is the single founding partner. At the end of the term of the agreement, this company will be liquidated.

- d) In the first paragraph of Article 22 of the Law it is indicated that agreements related to movable goods (such as automobiles) having special register, will be registered and annotated on that register and notified by the leasing company to the Association. In the second paragraph of the same article, it is indicated that agreements related to goods with no special register will be registered on a special register kept by the Association. Under the previous law, agreements were



In Turkey, the largest market share of leased assets financed was the heavy equipment and construction machinery sector. It is made up 31% of the total leasing volume for the country.

registered on a special register at the notary public in the place of residence of the lessee. Such a dispersion of the registration system prevented it from being functional. The new Law made the registration system a centralised system, providing the possibility to the concerned parties to inquire easily. As a matter of fact, in the third paragraph of Article 22, it is indicated that the special register at the Association will be open to everyone and that no one can argue that it was not aware of the registration on the register. In the fifth paragraph of Article 22 of the Law, it is indicated that after registration and annotation, third persons cannot refer to leasing companies for the acquisition of real rights on the goods subject to leasing, thereby determining clearly the function of the registration.

- e) The sixth paragraph of Article 22 of the Law stipulates that under Article 940 of the Turkish Commercial Code No. 6102, the lessee is considered as the owner of the ship, and in the seventh paragraph, that under Article 49 of the Law on Civil Aviation No. 2920, the lessee is considered as the owner of the aircraft. With these two articles of the new Law, foreign capital leasing companies have an equal status with Turkish capital firms, for ship and aircraft activities. Under the general application related to certain restrictions imposed on foreign companies engaged in air and sea transport, the rule has been set to consider whether the lessee's shareholders and not the leasing company has Turkish capital or not. As a result of these new regulations, obstacles to foreign capital leasing firms operating in Turkey to engage in ship and aircraft activities has been removed.
- f) In the first paragraph of Article 37 of the Law, on exemptions and tax rate determination, as problems arose because it was not indicated clearly in the previous law, it is stipulated expressly that transfer

Table 5: New leasing business volume by year (including real estate)

	US\$m	Rate Of Increase In Business Volume
1999	945	-52.00%
2000	1,630	72.49%
2001	732	-55.09%
2002	1,328	81.42%
2003	2,166	63.10%
2004	2,921	34.86%
2005	4,236	45.02%
2006	5,271	24.43%
2007	8,203	55.63%
2008	5,303	-35.35%
2009	2,197	-58.57%
2010	3,183	44.88%
2011	4,891	53.66%
2012	5,360	9.59%
2013	6,990	30.41%
2014*	11,007	9.26%
2015*	9,492	-13.76%
2016*	9,454	-0.40%
2017*	10,663	12.79%
2018*	7,247	-32.04%
2019*	3,644	-49.72%
2020*	5,299	45.42%
2021*	6,761	27.59%
2022*	7,781	15.09%
2023*	12,150	56.15%
2024*	11,635	-4.24%
2024 March*	2,717	
2025 March*	2,680	-1.36%
2024 June*	5,104	
2025 June*	5,184	1.57%

* Participation Banks Association of Turkey (TKBB) and Fleet Rental Companies Association of Turkey (TOKKDER) figures are included.

Source: AFI (Association of Financial Institutions)

- and amendment agreements and guarantees will be exempt from stamp duty and fees.
- g) According to the second paragraph of Article 37 of the Law, registration to the land register of real estate leased under leasing agreements made by the method of sale and leaseback, at the end of the agreement term, will be exempt from the land register fee. Together with this regulation, with Article 51 of the Law, the following paragraph has been added to the twentieth paragraph of the section entitled "I-Land Register Transactions" of the tariff No. 4 entitled fees to be collected from Title Deed and Cadastre

operations, of the Law on Fees: "g) 4.55 per thousand from the transferer, during the sale to the lessor of the immovable on condition to be taken back by the lessee at the expiry of the leasing agreements made via sale and leaseback method (in case it is observed that the immovable has not been taken back for any reason whatsoever by the lessee, the amount of fee corresponding to the difference between the rate indicated in sub-paragraph (a) and the rate indicated in this sub-paragraph will be collected from the concerned persons, together with delay

Table 6: New leasing business volume by year (excluding real estate (US\$m))

	Total volume	Real Estate leasing volume	New business volume (excluded real estate)	Rate of increase in business volume
1999	945	71	874	-52%
2000	1,630	64	1,566	79%
2001	732	67	665	-58%
2002	1,328	69	1,259	89%
2003	2,166	144	2,022	61%
2004	2,921	200	2,721	35%
2005	4,236	344	3,892	43%
2006	5,271	390	4,881	25%
2007	8,203	919	7,284	49%
2008	5,303	584	4,719	-35%
2009	2,197	264	1,933	-59%
2010	3,183	365	2,818	46%
2011	4,891	597	4,294	52%
2012	5,360	429	4,931	15%
2013	6,990	1,315	5,675	15%
2014*	11,007	2,478	8,529	-5%
2015*	9,492	2,002	7,490	-12%
2016*	9,454	1,579	7,875	5%
2017*	10,663	1,415	9,248	17%
2018*	7,247	920	6,327	-32%
2019*	3,644	657	2,987	-53%
2020*	5,299	527	4,772	60%
2021*	6,761	449	6,312	32%
2022*	7,781	353	7,428	18%
2023*	12,150	827	11,323	52%
2024*	11,635	1,279	10,356	-9%
2024 March*	2,717	245	2,472	
2025 March*	2,680	271	2,409	-3%
2024 June*	5,104	488	4,616	
2025 June*	5,184	723	4,461	-3%

* Participation Banks Association of Turkey (TKBB) and Fleet Rental Companies Association of Turkey (TOKKDER) figures are included.

Source: AFI (Association of Financial Institutions)

interest according to the provisions of the Law No. 213)"

With this provision, an important cost element in sale and leaseback transactions has been nearly removed and the feasibility of the application has been increased.

- h) With Article 40 of the Law, the establishment within six months of a Association of Leasing, Factoring and Financing Companies, as a professional association in the nature of a public organisation, is decreed. Leasing, Factoring and Financing Companies must register with the Association within one month as of their procurement of operating authorisation from

the BRSA (Banking Regulation and Supervision Agency)

Cross-border leasing

Companies which are not resident in Turkey but which are authorised to engage in leasing activities in the country where they operate can make leasing agreements with firms resident in Turkey. Registration of these agreements will be made by the AFI (Association of Financial Institutions). The Association does not register agreements covering goods other than aircraft, ships, medical devices and high technology products.

Therefore, goods other than those indicated cannot be subject to

cross border leasing. Goods must be under the ownership of the lessor and insured. Goods subject to cross border leasing will be imported in Turkey in the scope of the provisional import regime.

There is no restriction or special provision related to leasing operations made by leasing companies established in Turkey to lessees established abroad. The said operations can be realised in accordance with regulations on customs, imports and exchange.

Accounting and taxation

Repetitive Article No. 290 has been supplemented by Law No. 4842 published in the Official Gazette of April 24, 2003 to Law No. 213 on Tax Procedures. Repetitive Article No. 290 defines specific transactions, which may be recognised as financial leasing, for application to such financial leasing contracts concluded from July 1, 2003, setting forth in detail the method of the calculation of tax bases in transactions meeting the definition of financial leasing on the part of both lessees and lessors. Financial leasing is defined as follows: they are such leases which result in the transfer to the lessee of any risks and benefits arising from having possession of an economic value regardless of whether the title is transferred to the lessee upon the expiry of the lease term.

A given leasing operation is treated as financial leasing in the case of the existence of any of the following in a leasing operation:

- Transfer to the lessee of the title to the economic value upon the expiry of the lease term
 - Granting the lessee the right to sell the economic value at a cost lower than the economic current market price upon the expiry of the lease term
 - A lease term covering such a part larger than 80% of the economic life period of the economic value
 - Current value sum of rent payments to be made as per the contract constituting such a value larger than 90% of the current market price of the economic value
- This regulation introduced in 2003

Table 7: Financial leasing industry penetration ratio

Years	GDP	Machinery investments	New business volume (Including Real Estate)	New business volume (Excluding Real Estate)	Penetration*	Penetration**	World leasing volume*** (1000 US\$)
1998	71,944,700	8,231,200	535,644	511,370	0.71%	6.21%	432,500,000
1999	107,374,258	8,739,969	428,606	396,085	0.37%	4.53%	473,500,000
2000	171,494,210	16,935,399	1,050,579	1,009,778	0.59%	5.96%	498,900,000
2001	247,266,207	16,289,675	947,880	861,409	0.35%	5.29%	476,600,000
2002	362,109,648	25,745,309	2,099,069	1,992,536	0.55%	7.74%	461,600,000
2003	472,171,775	38,493,150	3,136,819	2,927,706	0.62%	7.61%	511,300,000
2004	584,693,672	63,431,620	4,127,527	3,849,272	0.66%	6.07%	579,100,000
2005	682,962,332	76,189,662	5,702,014	5,239,521	0.77%	6.88%	582,000,000
2006	799,459,602	92,179,719	7,702,221	7,140,153	0.89%	7.75%	633,700,000
2007	892,805,430	92,966,790	10,230,726	9,089,259	1.02%	9.78%	780,400,000
2008	1,009,220,911	92,147,661	6,811,738	6,077,874	0.60%	6.60%	732,800,000
2009	1,013,510,242	90,050,577	3,385,834	2,983,390	0.29%	3.31%	557,330,000
2010	1,176,047,969	122,081,899	4,844,359	4,289,083	0.36%	3.51%	594,500,000
2011	1,413,984,461	160,909,254	8,448,456	7,437,519	0.53%	4.62%	796,700,000
2012	1,590,049,295	170,939,462	9,582,278	8,814,766	0.55%	5.16%	868,000,000
2013	1,831,743,971	195,123,081	13,888,066	11,254,193	0.61%	5.77%	884,000,000
2014****	2,062,358,179	216,212,110	24,899,676	19,306,904	0.94%	8.93%	944,310,000
2015****	2,354,059,127	270,447,221	26,405,400	20,924,705	0.89%	7.74%	1,005,300,000
2016****	2,629,987,972	279,966,156	30,081,291	25,229,983	0.96%	9.01%	1,099,770,000
2017****	3,151,529,153	330,622,508	38,856,414	33,461,386	1.06%	10.12%	1,282,730,000
2018****	3,806,479,219	385,017,874	33,554,406	29,261,370	0.77%	7.60%	1,287,010,000
2019****	4,402,050,311	440,772,762	20,879,522	17,088,126	0.39%	3.88%	1,362,380,000
2020****	5,141,710,601	623,790,485	37,632,733	33,983,425	0.66%	5.45%	1,338,190,000
2021****	7,433,799,908	990,006,090	61,550,422	57,155,444	0.77%	5.77%	1,463,190,000
2022****	15,325,857,492	2,324,481,440	129,440,873	123,943,325	0.81%	5.33%	1,470,000,000
2023****	27,091,469,065	4,343,061,024	287,032,340	267,066,445	0.99%	6.15%	1,554,500,000
2024****	44,587,225,440	6,074,919,944	348,160,635	308,779,123	0.69%	5.08%	
2024 Q1****	9,858,106,606	1,344,512,096	84,295,873	76,626,093	0.78%	5.70%	
2025 Q1****	13,474,511,737	1,564,992,811	98,050,226	88,058,590	0.65%	5.63%	
2024 H1****	20,444,587,227	2,723,695,186	162,028,024	146,506,105	0.72%	5.38%	
2025 H1****	28,621,565,409	3,416,961,723	195,534,846	167,968,030	0.59%	4.92%	

* Annual leasing volume (including lease statistics of fleet rental companies) as a percentage of GDP.

** Annual leasing volume (including lease statistics of fleet rental companies) as a percentage of machinery-equipment investments.

*** Source: World Leasing Yearbook 2024

**** Leasing statistics of participation banks and operating lease statistics of fleet rental companies are included.

Note: At current prices TL thousands

is in compliance with International Accounting Standard (IAS) No. 17. Repetitive Article 290 of VUK (Tax Procedural Law) is not a regulation relevant to accounting records; rather, it is a regulation relevant to calculation of tax base.

The Communiqué on the Forms and Contents of Financial Sheets prepared by BRSA and published in the Official Gazette of May 17, 2007 strictly stipulates that accounting records shall be entered in compliance with the Turkish Accounting Standards with effect from January 1, 2008. The Turkish Accounting Standards are in compliance with the International Accounting Standards in terms of

contents and Standard numbers. Therefore, the financial sheets and book records of financial leasing company have been rendered compliant with the international standards from January 1, 2008.

The applicable rate of Corporate Tax is 30% for the financial institutions. Corporate Tax is paid under Pre-Paid Taxes in quarterly periods. Pre-paid taxes paid in the interim periods are deducted from Corporate Tax calculated upon close of a fiscal year.

Value Added Tax

Implementation of the Value Added Tax (VAT) is briefly as follows: A leasing company pays VAT all at once upon

procurement of commodities covered by leasing. And it collects VAT from the lessee along with the monthly rents as calculated on the basis of invoices issued for rents (meeting the applicable renting period; namely monthly, quarterly, bi-annual, etc.)

The company recovers such VAT paid on the basis of the commodity value (principal claims at the same time) all at once from the lessee throughout the lease term such as 36, 48 and 60 months. It deducts the sum of VAT collected from the lessor from the sum of VAT paid to the suppliers.

When the sum of VAT collected from the lessee is in excess of the sum of VAT paid to the supplier (this

Table 8: Leasing share by asset type 2021-2025 H1 (US\$'000)

Asset type	2021	Share	2022	Share	2023	Share	2024	Share	2025 H1	Share
Road Vehicles	447,405	11%	734,346	18%	1,431,684	28%	1,066,134	19%	554,871	17%
Air Transport Conveyance	1,529	0%	47,477	1%	32,870	1%	85,733	2%	4,342	0%
Ships And Other Sea-Going Vessels	70,526	2%	33,135	1%	24,580	0%	21,772	0%	10,819	0%
Railroad Transport Vehicles	34	0%	351	0%	1,467	0%	23,197	0%	194	0%
Heavy Equipment And Construction Machinery	932,508	23%	863,416	21%	1,299,208	25%	1,709,612	31%	1,071,360	34%
Health Industry And Aesthetic Instruments	95,275	2%	79,883	2%	88,784	2%	87,035	2%	42,479	1%
Metal Processing Machines	371,363	9%	367,508	9%	458,862	9%	420,669	8%	210,067	7%
Textile Machines	472,482	12%	431,907	11%	229,978	4%	126,689	2%	100,228	3%
Electronic And Optical Devices	52,719	1%	33,935	1%	40,996	1%	28,974	1%	16,272	1%
Information Technologies And Office Systems	62,758	2%	58,666	1%	48,162	1%	46,374	1%	26,830	1%
Real Estate	356,906	9%	255,511	6%	477,318	9%	901,796	16%	513,851	16%
Plastic Processing Machines	106,141	3%	105,666	3%	109,469	2%	82,761	2%	45,401	1%
Tourism Equipment	18,716	0%	21,128	1%	20,564	0%	36,812	1%	10,438	0%
Printing And Paper Processing Machines	105,070	3%	57,717	1%	39,624	1%	60,275	1%	29,605	1%
Agricultural And Livestock Farming Machines	160,499	4%	132,854	3%	122,756	2%	108,177	2%	50,660	2%
Renewable Energy Production Equipment	216,108	5%	281,166	7%	195,202	4%	260,495	5%	181,887	6%
Non-renewable Energy Production Equipment	1,124	0%	1,053	0%	27,093	1%	5,701	0%	2,621	0%
Energy Efficiency Equipment	532	0%	2,748	0%	0	0%	0	0%	33,817	1%
Other Machines And Equipment	517,841	13%	542,887	13%	491,064	10%	434,077	8%	275,556	9%
Total	3,989,537	100%	4,051,353		5,139,680		5,506,284		3,181,296	
Leasing transaction volume of participation banks	1,030,627		1,608,719		3,892,222		2,358,581		1,306,478	
Operational leasing volume of fleet rental companies	1,740,390		2,121,456		3,117,932		3,770,190		696,110	
Grand total	6,760,554		7,781,528		12,149,834		11,635,054		5,183,884	

calculation is made on the basis of all the contracts, not a single contract), any excess VAT thereof is paid directly to the tax administration. Because the mechanism operates in this way, leasing companies are regularly net VAT creditors.

In other words, they have to refinance VAT. As in some country applications, any sum of VAT for which they are credited are not refunded by the tax administration in any such periods when they have credits to VAT.

The general VAT rate is 20%. The VAT rate has been reduced to 10% for some commodities (like medical equipment, tractors) as the VAT rate has been further reduced to 1% for some other commodities. The general rule is that a VAT rate applicable for a given commodity is also applicable for leasing in case that commodity is acquired by way of leasing.

However, as an exception to this rule, the VAT rate is 1% in case the machines specified by the Decree on the VAT Rates on the basis of their GTIP (Harmonised Commodity Description and Coding

System). Numbers are imported through leasing. However, the following conditions must be met so that a VAT at a rate of 1% may be applied to the machines specified on the basis of GTIP:

- They are not used
- They are not in the nature of parts and accessories
- The lessee is a VAT payer or has such income determined on the basis of balance sheets.

Machines for which the VAT rate is 1% to account for their leasing possibilities are listed below:

- Construction machines
- Agricultural machines (excluding tractors)
- Textiles dyes and finishing machines
- Food and drink manufacturing machines for industrial purposes
- Cranes, elevators, conveyor belts, escalators (excluding forklifts)
- Machinery used in mining
- Electric energy generation equipment
- Steam boilers

- Furnaces and stoves
- Cooler and heater pumps

Registration of financial leasing contracts

Registration of financial leasing contracts concluded domestically

By virtue of Art.22 of Law No:6361 on Financial Leasing, Factoring, Finance and Saving Financing Companies (the English translation of the Law is available at www.fkb.org.tr), contracts related to immovable properties must be registered and annotated in the annotations box of the land register where the immovable property is located, and contracts related to movable properties having a special register will be registered and annotated in that register, and will be also notified to the Association by the lessor.

Contracts related to movable properties which have no special register will be registered to a special register kept by the Association. In summary, records and electronically signed image files of all financial leasing contracts concluded in

Table 9: Leasing volume by sector 2023-2025 H1

	2023**		2024**		2025 H1**	
	Purchase cost 1,000 US\$	Share %	Purchase cost 1,000 US\$	Share %	Purchase cost 1,000 US\$	Share %
Agriculture	175,325	1.44%	187,085	1.61%	77,932	1.50%
Agriculture, livestock, forestry	169,207	1.39%	182,815	1.57%	75,500	1.46%
Fishing	6,118	0.05%	4,270	0.04%	2,432	0.05%
Manufacturing industry	3,806,493	31.33%	3,197,026	27.48%	1,734,825	33.47%
Mining of energy producing materials	82,478	0.68%	37,234	0.32%	50,069	0.97%
Mining except of energy producing materials	134,113	1.10%	124,915	1.07%	67,409	1.30%
Food,beverage and tobacco industry	336,024	2.77%	251,147	2.16%	147,748	2.85%
Textile	795,483	6.55%	557,863	4.79%	296,148	5.71%
Leather industry	72,119	0.59%	28,499	0.24%	14,827	0.29%
Wood and timber industry	63,705	0.52%	34,468	0.30%	22,951	0.44%
Paper industry	132,505	1.09%	116,196	1.00%	46,939	0.91%
Nuclear fuel, oil and coal products	14,614	0.12%	10,926	0.09%	10,851	0.21%
Chemical industry	142,034	1.17%	128,596	1.11%	43,191	0.83%
Rubber and plastic processing industry	259,593	2.14%	205,117	1.76%	130,484	2.52%
Other mining industry	233,535	1.92%	160,002	1.38%	104,328	2.01%
Metallurgical industry	517,431	4.26%	545,699	4.69%	283,843	5.48%
Machine-building industry	355,827	2.93%	364,427	3.13%	135,959	2.62%
Electricity and optical equipments industry	93,223	0.77%	70,413	0.61%	63,124	1.22%
Transportation vehicles industry	245,571	2.02%	269,451	2.32%	99,712	1.92%
Other manufacturing industry	206,553	1.70%	137,948	1.19%	98,387	1.90%
Electricity, gas and water supplying	121,684	1.00%	154,124	1.32%	118,857	2.29%
Services	8,040,435	66.18%	8,062,023	69.29%	3,304,954	63.75%
Construction	1,978,895	16.29%	1,979,923	17.02%	1,193,857	23.03%
Vehicle servicing	1,334,529	10.98%	849,142	7.30%	560,299	10.81%
Tourism	129,368	1.06%	134,958	1.16%	74,585	1.44%
Transportation warehousing and communication	419,372	3.45%	441,934	3.80%	191,020	3.68%
Financial intermediation*	3,216,195	26.47%	3,869,654	33.26%	740,733	14.29%
Real estate brokerage	566,118	4.66%	459,557	3.95%	347,015	6.69%
Defence and social security	19,399	0.16%	26,797	0.23%	6,679	0.13%
Education	21,062	0.17%	29,522	0.25%	41,304	0.80%
Health and social services	233,591	1.92%	189,545	1.63%	92,410	1.78%
Other social services	120,575	0.99%	79,292	0.68%	52,196	1.01%
Individual persons employing workers	1,331	0.01%	1,699	0.01%	4,857	0.09%
International organizations	0	0.00%	0	0.00%	0	0.00%
Consumer housing finance	33,070	0.27%	116,293	1.00%	28,196	0.54%
Other	94,767	0.78%	72,628	0.62%	37,975	0.73%
Total	12,150,090	100%	11,635,055	100%	5,183,882	100%

Notes: * Operating lease statistics of fleet rental companies are included.

**Leasing Statistics of Participation Banks Association of Turkey (TKKB) are included.

Turkey are kept by the AFI, in a highly secure and easily accessible environment. The software of the Contract Registration System has been created by the Central Registry Agency (MKK). MKK also operates and hosts the system.

To summarise the functioning of the system: financial leasing firms register financial leasing contracts related to goods owned by them having a special register to the

related special register. Special registers are indicated hereunder:

- a) The registration of contracts related to immovables will be made to land registers in land registry directorates,
- b) The registration of contracts related to road transport vehicles will be made to the traffic register,
- c) The registration of contracts related to air transport vehicles will be made to the register retained by the Civil Aviation General Directorate,
- d) The registration of contracts related to sea vessels will be made to the ship registry,
- e) The registration of contracts related to railway vehicles will be made to the Railways Regulation General Directorate
- f) The registration of contracts related to construction equipment will be made to chambers of commerce,

g) The registration of contracts related to agricultural machines will be made to Chambers of Agriculture.

Financial leasing contracts related to the goods mentioned above will be registered to the registers which are indicated and notified to the AFI by the leasing company which enters them in the Contract Registration System. Notification will be considered made to the AFI when at least the information relating to the contract indicated hereunder and the contract's e-signed image file are loaded on the system:

- a) General code of the goods,
- b) Tradename of the lessor,
- c) Tax identification number of the lessor,
- d) Official of the lessor recording the entry
- e) Type of contract (Original, amended, lessee transfer, lessor transfer)
- f) Date of the contract,
- g) Number of the contract,
- h) Value of the goods subject to contract,
- i) Lessee's name/surname or tradename:
- j) Lessee's address,
- k) Turkish Republic identity number or tax identification number of the lessee

The registration of financial leasing contracts related to goods other than those mentioned above will be made to the AFI. There is no operational difference between notification and registration operations.

The registration of contracts is not a constituent condition in legal terms. However, registered contracts can benefit from the legal security provided by the Law. The legal security provided by the registration has been expressed as follows in the reasoning of art.22 of the Law, related with registration:

“Reasoning of Article 22 – The article regulates the form of the financial leasing contract and the registration to a special register. In the financial leasing relationship, although the lessee holds the possession of the goods and the economic ownership, the legal owner of the goods is the financial leasing company. For the system to operate regularly, this situation must not be deteriorated within the term of the contract. The Turkish Civil Code provides for the acquisition by well-intentioned third persons of property or other limited rights in kind of a person who is not owner. In this way, the acquisition of the goods from the lessee, in good faith, will always be possible. This article stipulates that immovable

properties will be registered to the declarations section of the land register of the place where they are located and movable properties which have their own special register will be registered or annotated to the registry where these goods are registered and movable goods which have no special register will be registered at the special register kept by the AFI, renouncing from their registration at the notary public which was a system that did not meet the needs in practice..

It is stipulated that the special register to be kept by the AFI will be open to everyone and nobody can argue not being aware of the record in the registry and well-intentioned third persons are prevented from acquiring ownership or other limited rights in kind from non-owner persons.”

In addition to the above-mentioned legal protection, Art.28 of Law No:6361 stipulates that in case the lessee goes bankrupt or is subject to enforcement proceedings, the goods subject to financial leasing cannot be attached and will not be covered by the bankruptcy. In order to benefit from this article of the law, the contract must have been registered.

For detailed information on

Table 10: Lease volume when the lessor is outside Turkey and the lessee is in Turkey (US\$m)

Year	Aircraft		Other		Railway Vehicles		Total	
	Purchase cost	Leasing rentals	Purchase cost	Leasing rentals	Purchase cost	Leasing rentals	Purchase cost	Leasing rentals
2013	741	437					741	437
2014	3,442	2,582					3,442	2,582
2015	5,067	4,083			2,46	2,95	5,070	4,086
2016	4,744	4,008					4,744	4,008
2017	2,932	2,501					2,932	2,501
2018	1,771	1,545					1,771	1,545
2019	3,576	2,704	40,61	71,60			3,617	2,776
2020	3,734	3,448	13,21	24,41			3,747	3,472
2021	2,448	2,383	41,61	49,55			2,490	2,433
2022	4,452	3,699					4,452	3,699
2023	5,300	4,803					5,300	4,803
2024	4,825	4,490					4,825	4,490
2024	2,009	1,648					2,009	1,648
Total	45,042,74	38,330,79	95,43	145,56	2,46	2,95	45,141	38,479

the functioning of the Contract Registration System, you may examine the document entitled "Circular On Rules And Procedures Regarding The Registration Of Financial Leasing Contracts To The Special Registry" which can be found on our website at www.fkb.org.tr.

Leasing companies operating in Turkey are members of the AFI. Furthermore, development, investment and participation banks are also authorised to provide leasing. The banks mentioned are not members of the AFI, however, they must register the financial contracts they conclude to the register kept by the AFI or if they lease goods having their special register, they must notify them to the AFI.

Registration of financial leasing contracts concluded abroad

By virtue of Art.21 of the Law No:6361 on Financial Leasing, Factoring, Finance and Saving Financing Companies; the registration of financial leasing contracts related to operations to be realised in Turkey by financial leasing companies established abroad, with lessees established in Turkey will be made the Financial Institutions' Association.

For the realisation of the registration operation, first the compliance of the contract with

the definition of financial leasing within the framework of the Law No: 6361 must be determined by the AFI official, following which the contract will be registered. The customs administration will not initiate the operations for the entry into Turkey of the goods subject to contract, without seeing the registration certificate prepared by the AFI. The AFI is also responsible for the deletion from the register of the contract, at its expiry.

The Customs Administration will not initiate operations related to the exit from Turkey of the goods covered by the contract, without seeing the certificate of deletion prepared by the AFI. For detailed information on the subject cf. "Circular on Registration of Financial Lease Contracts Covering Financial Lease of Persons Residing Abroad to Persons Residing in Turkey" on our website.

As the AFI is authorised for the registration of operations where the lessor is outside Turkey and the lessee is in Turkey, statistics related to these operations started to be published as of 2014. As these operations are included in the volume of operations of the country where these leasing companies reside, they are published only for information purposes. They are not included in the volume of leasing transactions of Turkey.

Endnotes

- 1 Participation Banks Association of Turkey (TKBB) and Fleet Rental Companies Association of Turkey (TOKKDER) figures are included.)
- 2 Participation Banks Association of Turkey (TKBB) and Fleet Rental Companies Association of Turkey (TOKKDER) figures are included.)
- 3 Excluded operational leasing of fleet rental companies. Participation Banks Association of Turkey (TKBB) figures are included)

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In Turkey, new transactions carried out in 2024 came to a total of US\$11,635bn, with Services (US\$8,062,023) and Manufacturing (US\$3,197,026) earning the greatest market share of that total.

United Arab Emirates



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- Key opportunities in 2026 are concentrated across several sectors.
- The automotive and commercial vehicle segment, including increasing adoption of Chinese and other international brands is expected to benefit from fleet expansion and cost-effective financing solutions.
- Construction and infrastructure projects aligned with initiatives such as Dubai's 2040 Urban Master Plan will drive demand for heavy machinery and construction equipment leasing.
- SMEs and corporates pursuing digitalisation will rely on leasing as a flexible financing tool for IT infrastructure, healthcare equipment and other high-value assets.

Overall, regulatory clarity combined with growing market adoption and tailored solutions for SMEs and corporates is anticipated to sustain a strong growth trajectory in the UAE leasing market, positioning lessors offering well-structured finance leases to capitalise on the evolving ecosystem.

MARKET REVIEW

In 2026, the UAE leasing market is expected to experience robust growth, underpinned by regulatory reforms, rising demand across key sectors and a gradual shift in corporate and SME financing practices. Federal Decree Law No. 32 of 2023 on Finance Lease provides a modern legal framework, clarifying the definition of finance leases, strengthening asset-recovery mechanisms and offering greater transparency for lessors, vendors and SMEs. Although practical adoption of the law is ongoing, broader implementation is anticipated by Q2 2026 supporting a more predictable and stable leasing environment.

The UAE leasing market is projected to expand significantly across multiple segments.

- The truck leasing market, valued at approximately US\$1.12bn in 2024, is estimated to grow at a CAGR of roughly 9.44% reaching around US\$1.45bn by 2026. Similarly, the construction equipment leasing segment which stood at US\$1.37bn in 2024 is expected to increase to approximately US\$1.62bn–US\$1.65bn in 2026 supported by the region's infrastructure and mega-project developments.
- Vendor and OEM-backed leasing valued at around US\$4.2bn in 2025 is projected to reach approximately US\$4.46bn by 2026 as suppliers increasingly leverage finance leases to support

sales and improve customer access to high-value assets.

- Technology and IT leasing is also expected to grow as companies pursue digital transformation requiring flexible access to high-value, rapidly depreciating assets, the investments in data centres in Dubai and Abu Dhabi are significant
- Additionally, SME-focused leasing is anticipated to expand as smaller enterprises increasingly recognise finance leasing as a viable alternative to traditional bank loans enabling them to preserve liquidity while acquiring essential capital assets.



UAE's construction equipment leasing market, valued at US\$1.37bn in 2024, is expected to grow at a CAGR of approximately 8.46%, reaching around US\$1.62bn in 2026.



Driven by fleet expansion of logistics and transportation operators, and the competitive pricing of Chinese brands, the commercial vehicle sector was valued at US\$2.61bn in 2025.

Regulatory and licensing landscape

Federal Decree Law No. 32 of 2023 remains the cornerstone of the UAE’s modern finance leasing framework.

- The law clarifies the definition of a “finance lease,” placing particular emphasis on the lessee’s purchase option rights. It explicitly allows tripartite lease structures where a lessee selects a supplier while the lessor owns the asset and subleasing arrangements, wherein the lessee can lease the asset to a third party.
- Licensing and regulatory oversight are dual-layered: the Central Bank regulates and supervises finance leasing for banks and financial institutions, while non-bank lessors are licensed by authorities designated by the Cabinet, this is still to be decided. Ministerial Decision No. 197 of 2024 establishes accounting standards for finance leases, prioritising the lessee’s purchase option as the key classification criterion.
- Additionally, the law integrates with the UAE Movable Security Law (Law No. 4 of 2020), allowing lessors to register security interests and enforce asset-recovery rights. Non-compliance is subject to financial and criminal penalties and designated judicial officers can enforce compliance.

By 2026, these regulatory reforms are expected to reduce uncertainty and legal risk for lessors, encouraging both banks and non-bank financial institutions to expand or launch finance-leasing operations. The dual licensing regime ensures that new entrants are capital adequate and meet robust governance and operational standards, contributing to a stable and sustainable market environment. Clear accounting treatment under Ministerial Decision No. 197 further supports consistent balance-sheet recognition, valuation and risk management for both lessors and lessees.

Sector-specific outlook and opportunities

Truck and commercial vehicle leasing

The commercial vehicle sector is projected to grow from approximately

US\$2.61bn in 2025 to an estimated US\$2.84bn–US\$2.90bn by 2027 assuming a steady CAGR of around 8.65%. Growth is driven by fleet expansion for logistics and transportation operators, as well as the increasing presence of Chinese automotive brands which offer competitively priced internal combustion engine (ICE) and electric vehicles (EVs). Finance leasing enables operators to acquire vehicles without large upfront capital expenditure supporting both operational efficiency and sustainability targets in line with the UAE’s Net Zero 2050 initiative.

Construction and infrastructure equipment leasing

The construction equipment leasing market, valued at US\$1.37bn in 2024, is expected to grow at a CAGR of approximately 8.46%, reaching around US\$1.62bn in 2026. This growth is supported by the UAE’s ongoing infrastructure developments, including the Dubai 2040 Urban Master Plan and expansion of logistics hubs. Finance leases allow contractors and SMEs to access capital-intensive machinery without tying up liquidity, accelerating project delivery while mitigating financial risk.

Vendor and OEM leasing

The vendor leasing segment, which was valued at US\$4.2bn in 2025 is projected to reach around US\$4.46bn by 2026. Supplier-backed leasing supports sales of high-value assets, allowing clients to spread costs over time. The explicit recognition of tripartite and sublease structures under the 2023 law provides additional flexibility for vendors and lessors, enabling

Table 1: Segment forecast (estimates)

Segment	2024 (US\$bn)	2025 (US\$bn)	2026 (US\$bn)	2027 (US\$bn)	CAGR 2024–2027
Truck leasing	1.12	1.22	1.45	1.58	~9%–9.5%
Construction equipment leasing	1.37	1.48	1.62	1.75	~8.5%
Vendor / OEM leasing	4.20	4.33	4.46	4.63	~5.5%
Commercial vehicles (automotive, incl. Chinese brands)	2.61	2.70	2.84	2.90	~8.6%
Technology / IT leasing	0.75	0.82	0.89	0.95	~7%–8%



The UAE finance leasing market is demonstrating consistent growth, with SME awareness of its benefits increasing 30% in the last two years alone.

innovative financing solutions across industrial and technology sectors.

Technology and IT leasing

Technology and IT leasing, while representing approximately 15% of the overall market is estimated to grow steadily as SMEs and corporates pursue digital transformation. Leasing allows access to high-value IT infrastructure, healthcare and education equipment without the burden of rapid technological obsolescence, enabling organisations to maintain competitiveness and operational efficiency.

Market position, trends, and challenges

The UAE finance leasing market remains fragmented but is demonstrating consistent growth. Equipment and vehicle leasing dominate, supported by rising SME awareness, digital adoption and sector-specific demand. Key trends include the increasing adoption of Chinese automotive brands, growth in EV and green equipment leasing, and the integration of digital leasing platforms which are currently utilised by an estimated 40% of companies. Awareness of leasing benefits among SMEs has increased by approximately 30% over the past two years.

Challenges persist, particularly around regulatory complexity, credit risk for SMEs with limited histories, gaps in financial literacy, and exposure to macroeconomic cycles, especially in construction and real estate. Traditional bank lending still dominates, with over 60% of firms favouring bank loans due to familiarity and broader credit options. Addressing these challenges will require education, risk management improvements and technology integration by lessors.

Opportunities for new entrants

New entrants can capitalise on several market opportunities.

- SME-focused leasing solutions remain critical as SMEs often face barriers to traditional financing.
- Construction and infrastructure equipment leasing continues to expand alongside large-scale projects. Green and sustainable asset leasing is gaining traction in line with UAE sustainability goals.
- The automotive sector, particularly Chinese EV and ICE brands, presents opportunities for corporate and SME fleet financing. Leasing for digital transformation in high-tech sectors, including IT, healthcare,

and education equipment, provides another growth avenue. Additionally, the regulatory framework encourages foreign investment, enabling international lessors to offer liquidity, structured financing solutions and risk-sharing mechanisms.

Outlook 2026 and beyond

By 2026, the UAE finance leasing market is expected to demonstrate steady growth, underpinned by strong SME adoption, expansion of vehicle and equipment leasing, alignment with sustainability initiatives and increased foreign investor confidence.

Technological integration and digital leasing platforms will further enhance market efficiency and reach. Assuming effective market adoption of the 2023 law, strategic product design and increased awareness and trust among lessees, finance leasing is positioned to become a critical instrument for capital financing across infrastructure, transport, SME and technology sectors.

The market’s growth aligns with the UAE’s broader economic diversification goals and Vision 2030 objectives, offering both local and foreign investors significant strategic opportunities.



What is AFPA TRUST

AFPA Trust, born from the 'Asset Finance Professionals Association,' brings together the finance and leasing industry with a charitable cause.

Originally built from networking, AFPA has now evolved into a recognised charity, dedicated to raising funds for recommended third-party charities by its members.

Membership Benefits



Philanthropic
Collaboration



Industry Credibility
and Recognition



Innovative
Fundraising Initiatives



Exclusive Event
Access



Sponsorship
Opportunities



Meaningful
Social Impact



BECOME A MEMBER

<https://afpatrust.com/registration/>

See below inspiring testimonials from the AFPA Trust community.

The AFPA Trust expertly delivers on its key objectives of supporting charitable causes and providing a framework to develop collaboration and networking across the asset finance industry. There is a large amount of generosity from the volunteers and the community that participates in ensuring events are a success. Acquis encourages a wide attendance from a cross-section of our business and after every event the feedback is positive.

James Rudolf
Chief Commercial Officer – Acquis

AFPA Trust events have proved to be an invaluable way to make new connections, spend time with industry peers and share ideas and experiences. The events are always fun and informal and sees the industry proactively coming together to raise money for some amazing charitable causes.

Andy Taylor
Sales Director – Haydock Finance

Our team are delighted to support the AFPA Trust. Most importantly, thank you AFPA Trust for the opportunity to help raise £100,000 for all our deserving Charities. The Asset Finance Industry is full of kind and caring people and the hard work you put in is rewarded. The 'BIG' events are always at great venues, well organised, well attended, and great fun. These events allow our team to enjoy valuable time networking with our industry partners, and industry friends old and new.

Daypesh Patel
VIP Apps Consulting Limited



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increased by 10% to £11.1bn. The plant and machinery finance and business equipment finance sectors reported modest new business contractions in 2024 of 2% (to £7.6bn) and 3% (to £3.0bn) respectively.

The first quarter of 2025 saw businesses bring forward some expenditure ahead of increases in vehicle excise duty from April 2025 and ahead of announced US tariff changes. However, increases in employer NICs, the prospect of further tax rises, weak demand and financial constraints have all combined to weigh on investment intentions.

Business investment is expected to grow by 2.5% in 2025, but to increase by only 0.4% in 2026.

The performance of the asset finance market in 2025 so far has reflected this subdued investment picture. In the nine months to September 2025, total new business was 2% higher than in the same period in 2024.

Over this period, the vehicle finance sectors reported new business up by 1%, while the machinery and equipment finance sectors saw new business grow by 2%.

The FLA's Q3 2025 Industry Outlook Survey suggested that asset finance

The UK leasing and asset finance market

The UK asset finance industry continued to grow in 2024 but at its slowest rate since the pandemic.

Total asset finance new business provided by members of the Finance & Leasing Association (FLA) was £39.7bn in 2024, 3% higher than in 2023.

New asset finance lending to SMEs held relatively steady at £23.6bn in 2024, while new lending to larger businesses increased by 6% to £14.4bn.

The industry continued to support businesses across all sectors of the UK economy as the proportion of new business provided in 2024 was 67% to services; 15% to construction and other production; 7% to manufacturing; 6% to agriculture and 4% to the public sector.

The business new car finance sector saw growth slow significantly from 52% in 2023 to 1% in 2024, reflecting wider trends in fleet new car registrations as car manufacturers attempted to hit the

Government's ZEV mandate amid challenging demand conditions.

Of the main asset sectors, the commercial vehicle finance sector reported the strongest growth performance in 2024 as new business



Total asset finance new business provided by members of the Finance & Leasing Association (FLA) was £39.7bn in 2024, 3% higher than in 2023.

providers are concerned about the economic outlook as 65% of respondents anticipated conditions to worsen over the next year.

When asked about market performance respondents were more optimistic. Two-thirds anticipated an increase in new business over the next 12 months. Supporting businesses to invest in greener assets, use of generative AI to drive operational efficiencies, and a lower interest rate environment should contribute to single-digit new business growth in 2026.

The FLA’s overview

2024 saw big policy wins for the UK leasing sector, with the Government committed to including leasing in full expensing, reforming the Mandatory Referral Platform and the rules around the sharing of business credit data.

2025 should have been a year of implementation but as the saying goes, the best-laid plans of mice and men.

Leasing in full expensing

We have yet to see whether the Government will begin the legislative process of including leasing in full

Table 1: Asset finance business by product type (£m)

New business	2020	2021	2022	2023	2024
Finance leasing	3,482	3,238	3,427	3,475	3,210
Operating leasing	5,289	6,218	6,466	9,271	10,134
Hire purchase	14,477	17,361	19,413	20,378	20,687
Other finance	4,195	4,984	4,991	5,359	5,706
Total	27,444	31,801	34,297	38,483	39,737

Source: © FLA (Finance & Leasing Association)

Table 2: Asset finance business by asset type (£m)

New business	2020	2021	2022	2023	2024
New cars	5,974	7,097	7,388	11,234	11,302
Used cars	1,299	1,413	2,155	1,908	1,939
Commercial vehicles	7,007	8,402	9,134	10,149	11,143
Aircraft, ships & rolling stock	343	336	360	325	337
Plant and machinery	5,902	7,344	8,167	7,767	7,613
Equipment	4,261	3,592	3,537	3,063	2,965
Other	2,563	3,509	3,450	3,949	4,347
International assets	95	107	106	90	92
Total	27,444	31,801	34,297	38,483	39,737

Source: © FLA (Finance & Leasing Association)

expensing. What we have right now is a commitment to do it - but it's yet to happen. HM Treasury laid down a caveat that it would be implemented when fiscal conditions

allow, so, we are in the strange position of Schrodinger's Lease – it's policy - and at the same time it isn't.

Unsurprisingly, the FLA continued to campaign for the inclusion and



Of the main asset sectors, the commercial vehicle finance sector reported the strongest growth performance in 2024 as new business increased by 10% to £11.1bn.

worked with HM Revenue & Customs and HM Treasury officials on the technical details of implementation, ready for a change of fiscal conditions. That might be in the Chancellor's Budget in November. Perhaps by the time you read this, we will know the outcome.

Mandatory Referral Scheme

The Government committed to consult on the Mandatory Referral Scheme and business credit data sharing in May 2025, with the consultations announced in October.

Given all the other issues that the Labour administration has dealt with, it is not surprising that there was a delay. Broadly, the consultations are going in the right direction and by 2026, we may see a more sensible approach to both issues.

Motor finance

The motor finance commissions issue has evolved over a long period of time, escalating in recent years with speculative activity in our markets by Claims Management Companies and Claimant Law Firms, decisions by the Financial Ombudsman Service (FOS), intervention by the Chancellor to review FOS' remit, a Supreme Court judgment and now a redress consultation from the Financial Conduct Authority (FCA).

While the FCA initially estimated redress to fall between £9bn - £18bn, the FLA's view is that the proposed scheme is so broad that it would compensate customers who have suffered no loss at all. That breaks the fundamental



New asset finance lending to SMEs held relatively steady at £23.6bn in 2024, while new lending to larger businesses increased by 6% to £14.4bn.

link between harm and remedy. Redress must restore fairness, not create windfalls, otherwise it risks undermining confidence in both lenders and the regulation itself.

The British Business Bank

We believe that smaller businesses must be equipped with the right information when they seek finance, and in 2025 we were pleased to see the British Business Bank (BBB) enhance its online finance hub to help smaller businesses find the right funding. This was very positive news, and we look forward to the site developing further.

The Government accepted our recommendation that the BBB's funding should be put on a more solid footing. It was gratifying to see £4.5bn allocated to the BBB to extend and expand key initiatives, including the ENABLE and Growth Guarantee Schemes that channel much needed funding to small businesses.

Table 3: Leasing penetration

Year	Total investment ¹ (£m)	Total financed ² (£m)	Finance penetration ² (%)	Total leasing ² (£m)	Leasing penetration ² (%)
2020	86,433	26,461	30.6%	8,771	10.1%
2021	89,635	30,279	33.8%	9,455	10.5%
2022	106,159	32,873	31.0%	9,872	9.3%
2023	114,206	36,968	32.4%	12,701	11.1%
2024	114,520	38,092	33.3%	13,342	11.7%

Notes:

- Investment in machinery, equipment and purchased software. National Accounts, National Statistics © Crown Copyright 2025.
- © FLA (Finance & Leasing Association). Based on adjusted figures.



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Driving the transition: leasing foundation of UK's zero-emission mobility

In the UK's journey towards net zero transport, leasing is quietly doing much of the heavy lifting. By offering access, flexibility, and risk mitigation, the leasing model is central to road transport decarbonisation, with businesses and consumers valuing the cost and sustainability benefits it can offer.

More households and businesses are choosing to lease their vehicles, gaining the ability to adopt newer, greener models without shouldering all of the upfront cost or long-term residual uncertainty.

Momentum in the UK leasing market is being driven by cars, which are propelling the BVRLA lease fleet towards the two-million-vehicle milestone.

The fleet share for cars has climbed from 72% in Q2 2024 to 76% a year later, as the volume of light commercial vehicles (LCVs) contracts due to economic pressures hitting SMEs in particular. Behind this shift lies intense competition among car manufacturers, including a wave of new electric entrants, all vying for market share in a rapidly changing landscape. Alongside some targeted support from government, generous manufacturer discounts

and tactical pricing have stimulated demand, helping fleets and drivers transition to newer, cleaner vehicles.

Such actions have also created new risks. Many of the most aggressive deals are tied to 'commit-to-purchase' arrangements, leaving leasing companies exposed to residual value volatility in a market where prices can change as fast as the technology itself.

Salary sacrifice gains ground in UK leasing mix

In the UK, salary sacrifice car schemes sit between a business and consumer product. Employees lease a car through their employer, paying via a reduction in gross salary. This structure delivers tax and National Insurance savings for both parties, making it an affordable route into new and often electric vehicles. It's a key reason why this hybrid model has become one of the fastest-growing funding types in the BVRLA's leasing fleet. Fair taxation via Benefit-in-Kind (BiK) rates for zero-emission cars has fuelled this growth.

Salary sacrifice is a powerful lever for enabling EV access to a host of new employees and firms. Employees have an ever-expanding choice

of lower-priced cars, while their employer benefits from a highly valued recruitment and retention tool.

Business Contract Hire (BCH) still accounts for the largest slice of the leasing fleet and continues to grow. It is up 7.8% year-on-year, its best growth rate for at least a decade. As with salary sacrifice, its dominance is reinforced by favourable tax treatment for zero-emission company cars, delivering a financial benefit alongside helping firms meet their own sustainability targets.

Why incentive structure is essential

BVRLA members are driving the UK's decarbonisation efforts. Almost half (46%) of the leasing car fleet is now battery electric, among certain customer segments the percentage is much higher. The hardest-to-transition segment is that of private motorists, for whom financial incentives to drive electric are limited. Where support exists, adoption accelerates.

The BEV growth in leasing is not happening organically in a vacuum. It is underpinned by targeted incentives that make the numbers work, aligning environmental ambition with commercial viability.

BiK tax regime for ZEVs

Fair Benefit-in-Kind tax rates for zero-emission vehicles has been a critical enabler of the EV uptake to date. With BiK rates for EVs locked in at comparatively low levels through to 2029-30, fleet operators and employees can better forecast costs, improving confidence in lease decisions. This is proving to be a strong incentive that is making the leasing of electric vehicles more affordable to more motorists.

ZEV Mandate and OEM pressure

The UK's Zero Emission Vehicle (ZEV) Mandate has been in place since January 2024. It sets quotas for manufacturers to deliver increasing

shares of zero-emission vehicles and is having a material impact on supply chain dynamics. For OEMs with mixed portfolios, the need to balance supply of ICE vehicles with those with electric powertrains in influencing what vehicles are being made available throughout the year, and what level of discounting they are happy to offer.

This can present to the leasing channel and fleets as more affordable new vehicles. It can also result in orders being required for less desirable vehicles in order to secure the first-choice stock, particularly in the van sector when diesel remains the overwhelming preference for many operators.

Support stops at 'New'

The launch of the Electric Car Grant in Summer 2025 seeks to further support the supply of new electric cars. Its structure means only certain vehicles apply, and only those below a certain price to keep the incentive focussed on smaller, more affordable models.

Such political and fiscal levers are helping some use cases bridge the gap between green ambitions and financially driven business cases.

Targeted incentives have been shown to create a positive behaviour change, with new registrations of electric cars continuing to rise. While needed to get the transition into a strong position, the incentives are disproportionately concentrated at the front end of the lifecycle. This is creating distortions and leaving the used EV transition under-supported. A growing number of EVs are hitting the used market at pace, with attention needed to bring demand up to absorb that supply.

With multiple measures in place to drive adoption of new electric vehicles, that imbalance between supply and demand is set to inflate in an unsustainable way without measures to bring equilibrium. The leasing sector has funded deeper-than-expected depreciation on EVs to date. This is causing many to adjust their forecasts and risk profiles, pushing rates on new agreements up.

The quiet rise of used leasing

Another response to this residual value volatility, and after a year or two of moderate growth from a very low base, we have now seen a dramatic 166% year-on-year uplift

across the fleet for used car leasing.

Leasing companies are warning to the re-lease of used EVs as a potential solution to the depreciation they have suffered. It gives them another option to manage their fleet and their finances once the initial agreement has concluded. Used volumes are still low compared to new vehicle contracts, but supply is increasing and finding a customer base.

The role of used leasing in the wider transition to electric vehicles can't be understated. It opens up EVs to more drivers and use cases, offering the stability and reduced risk that a lease can provide, but at a reduced monthly cost.

A genuinely sustainable EV transition cannot rest solely on new vehicle adoption. At scale, the used car market must function robustly, enabling more consumers and smaller fleets to access EVs at lower cost and with greater flexibility. Without it, growth in the 'tail' of mobility – smaller fleets, personal use, private leasing – will stall.

The used EV market faces fierce headwinds: residual value volatility, uncertain battery depreciation, limited consumer confidence, and



Leasing is doing a lot of the heavy lifting as we journey towards net zero. More households and businesses are choosing to lease their vehicles, gaining the ability to adopt newer, greener models without shouldering all of the upfront cost or long-term residual uncertainty.

mismatches in supply-demand timing. In commercial contexts, these challenges are magnified and causing business appetite to wane.

The uphill climb for van electrification

For vans, economic pressures and unsuitable products are stopping the sector in its tracks. Year-on-year, the BVRLA LCV fleet shrunk by -6.7% in Q2 2025 as customers extended rather than renewed contracts. Inflation in the price of new vehicles, OEM pressure to include electric LCVs in large orders, and a lack of confidence in the UK economy have seen van customers run their current vehicles for longer.

Delaying replacement cycles cannot continue indefinitely, with older LCVs starting to require costlier maintenance and experience more downtime, but leasing executives are concerned about how some customers will afford new vans.

While car electrification makes visible progress, vans present a more complex and uneven picture.

Many businesses remain unconvinced of electric van suitability. Concerns over range, payload loss due to battery weight, charging infrastructure (particularly for depots and rural routes), and residual value uncertainty remain active, high barriers.

Van electrification is a slow burn. It demands sectoral adaptation, infrastructure scaling, and risk mitigation strategies beyond what's needed for cars. None of those requirements are easy.

The macro and regulatory pressures shaping leasing

The generational transformation of transport is unfolding against a backdrop of acute economic and regulatory turbulence.

Economic headwinds and affordability

Households are under pressure, with rising inflation, cost-of-living stress, and higher interest rates constraining willingness to commit to new leases.

For businesses, tighter margins and greater scrutiny of capital



Van electrification is a slow burn with many businesses unconvinced of suitability, due to concerns over battery weight, charging infrastructure and residual value.

deployment mean every contract must justify deeper value. We are seeing a rise in contract extensions and more flexible re-contracting to manage affordability pressures.

In the van space especially, rising National Insurance contributions and squeezed budgets make new electric van procurement more difficult, further compounding the sector's inertia.

Regulatory uncertainty

Throughout 2025 the leasing and vehicle industry has faced a continually shifting regulatory environment: evolving ZEV Mandate rules, changes to grant frameworks, shifting fiscal signals, and periodic reinterpretations of tax policy. The lack of long-dated clarity creates friction and caution in planning. But signals suggest that 2026 should see more stable goalposts. Such stability will be critical for anchoring investment and confidence in both new and used electric leasing strategies.

Conclusion

Leasing is more than just an enabler; it is a strategic linchpin on the UK's road to cleaner, greener mobility. Decarbonisation is a once-in-a-generation challenge and many foundations have been laid. The transition now risks becoming lopsided, at which point those foundations will start to creak.

If incentives and market design continue to favour new EVs at the expense of a stable used EV ecosystem, large swathes of the market will be left behind.

Whether looking at decarbonisation or the wider landscape in which the sector operates, consistency and clarity are critical. The ability to predict effectively underpins all activities and planning, be them operational or financial. Volatile markets and unpredictable policies ramp up risk, which remains a cornerstone of every decision made in the boardrooms of leasing companies nationwide.

The numbers are telling and the trajectory continues to be an upward one. In the face of regulatory change, economic turbulence and an entire industry modernising at an accelerated pace, the UK's leasing sector is in a strong position. Leasing is showing its ability to meet the changing needs of consumers and company fleets alike. Good customer outcomes are being put first, while new products and services come to market to adapt to new habits, desires and requirements.

2026 will undoubtedly bring with it some new challenges, but all the signs suggest that the sector will again come out on top.

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Recent developments in the UK aviation market

Regardless of what we may be told, 2025 marked the end of using Covid-19 as the excuse for every aviation problem. The airline industry must move on.

The statistics agree with me and on most routes during 2025 volumes were more than 2019. Short haul, long haul, business, and non-business passenger with one or two exceptions were all performing at or better than 2019 levels. Freight is a separate issue.

This does not mean that the financial performance is better or that balance sheets have fully recovered from the shock. Equally the fundamental structure of the global fleet has not recovered. More on these issues later.

If we look back at the supply of capacity equal to demand, capacity crossed the two trillion RPK (Revenue Passenger Kilometres) in about 1990 and hailed at the time as a triumph. Just in the foothills as today (2025) there are about nine trillion RPKs. This provides an average growth of about 4.3% per year.

Global GDP grew at about 3% during that period and so we have evidence that air travel growth grows at about GDP +1%. The GDP figure over this period is only a guide. Over the long term the desire to travel, and that portion by air of GDP +1% sounds reasonable.

Clearly not every year is the same and during that period we had, 1991 economic downturn; 2002 dot com downturn; 2008 banking collapse; 2021 Covid. These four world events caused periods of no growth or short-term decline.

If we look back before 1990 to the period when modern aviation commenced, say post WW2, a similar growth with short term setbacks is also the trend.

We can conclude from this that there is a perpetual growing world demand for air travel, and any economic hiccup only causes a short-term problem in a long-term trend.

Yes – that statement is supported by history stretching back hundreds of years, through all forms of transport, road canal, rail and aviation.

Drivers to support that statement are population growth, migration, growing economic wealth, growing education about other cultures and lifestyle.

If we assume that this state holds what issues can stop long term aviation growth, in my view there are only four:

- Long term economic slump.
- Contagious disease.
- Government action (deliberate) to reduce aviation e.g. tax, limits on flights (Emissions – see below).
- Government action by

accident e.g. war zones, mismanagement of airspace.

We have seen short term contagious disease and what that does to air travel on two occasions, Sars being the first (2002/4) and Covid-19 in 2020/2021. Interestingly Sars had under 1,000 confirmed deaths worldwide, yet it impacted peoples' desire to travel.

Covid had a much wider impact, brought about by Government action. One suspects that had a greater impact than if the market had been allowed to decide.

If we look at the airlines and what generates its management of capacity and fleet. Clearly there must be a regulatory/legislative structure that allows air travel with few restrictions. There must be aircraft available, and this will depend on new deliveries, and retirements. There must also be the staff and infrastructure available. All this at a cost that is attractive to the demand.

Supply side issues

The current supply side of aircraft is an issue, it is way below that required to meet basic replacement, growth, and the switch from old technology to new.

The total jet passenger fleet excluding turbo props and regional aircraft is more than 40,000. Assuming aircraft average an age of 20 years, which is probably an overestimate at a time of governments pushing for better technology to reduce emissions, it means that there should be about 2,000 retirements per year. Currently retirements are running at barely half that.

New deliveries are also well below the required level from both Airbus and Boeing. It is not sufficient to cover the gap, despite aircraft being used more intensively.

This means that the average age of aircraft is rising at a time when it might be expected to be falling as new generation aircraft

are brought in. This assumption is supported by the strength both in purchase price and lease rental rate for older aircraft. Both are hard and rising for older aircraft. In addition, as leases end so roll-overs are becoming the normal event.

This is causing a change in the normal depreciation curve. Theoretical depreciation of real value as opposed to the accounting values is greater in the earlier years than later in life tailing off at the end. The curve may be called a ski slope. However, the current curve has an end-of-life rump which continues to push out.

Commentators talk about a fundamental shift in the value curve, normally when I hear this about any aspect of aircraft value, I know that we are a couple of years away from an adjustment in the market.

Is this likely with older aircraft values? My answer is yes for the following reasons.

- Global economies look relatively weak with risks. This could cause a slackening of demand allowing older aircraft to be released.
- The MRO and supply side of new aircraft and heavy maintenance must sort themselves out and increase supply, coupled with growing aircraft productivity this may take strain off the existing fleet.

- Government action to move to new generation aircraft may well increase making old aircraft less economic.
- Older aircraft burn more fuel, so fuel price is critical to retaining older aircraft profitably. If there was to be a shift upwards in oil prices and that was forecast to last, then older aircraft would more rapidly be dropped from a fleet. An argument against that is in a lean time cash management may become all that matters and that can work in several ways. For example, selling an old "owned" aircraft may generate cash, which can be replaced by a new fuel-efficient leased aircraft. Alternatively, an older leased aircraft may cost less cash than a newer one.

At the beginning of the article, I set out the four problems that could cause a downturn in aviation demand, government action, either focused or unfocused could cause a drop in demand. The major government inspired issue now is the control of emissions and the impact on the aviation world.

The bottom line is that all aircraft fly and need high density power or energy, and high-density power creates emissions when burnt to a greater or less degree.

The industry can work on reducing

outputs, both real and those that achieve positive press, but it can never, within current or likely technology, reach zero. Unfortunately, few are willing to say so.

This is the biggest threat facing the continued expansion of aviation. Europe is leading the way, and somehow, I doubt that the US or China will ever fully embrace Europe's view. European aviation is likely to suffer.

Unless there are changes, we have a lengthy list of costs that will be added to every airline in Europe from 2025 to 2026, undoubtedly these will only grow.

It would have been good for the UK industry to remain outside the EU scheme so we could explore the best solution for the UK, tying matters to the EU is unlikely to favour UK airlines.

Sustainable Aviation Fuel

From 2025 airlines must use 2% SAF (Sustainable Aviation Fuel) which is a biofuel. The exact specifications vary. Then in 2026 Europe will remove all free allowances for aviation in respect of EU ETS allowances. In 2027 aviation activities aligned with EU taxonomy criteria. 2030 9.5% SAF (UK) Europe 6%. Maybe increasing to 22% by 2040.

The World Bank has set out basic rules for obtaining the raw material for SAF if it is to count as a true sustainable biofuel but in general the issues are:

- Slow growth of production.
- Cost: five – seven times jet fuel.
- Infrastructure: lack of global facilities
- Regulatory: lack of global standards

It is extremely unlikely that sufficient compliant SAF can be produced for airlines to meet the deadlines. They are likely to suffer a financial penalty.

Unless the rules are changed or abuse of the rules to qualify sustainable SAF take place the output is limited. Sustainable SAF must come from waste or surplus feedstock without affecting native people, reducing the rain forest or other abuse, there is simply not sufficient material to generate the quantity of SAF that is required. Are there alternatives to reduce emissions?



In 2025, Revenue Passenger Kilometres reached about nine trillion RPKs. Measuring from 1990, this represents an average growth of about 4.3% per year.



In 2024 lessors and cash were the main tools used to service the US\$50bn demand for aircraft finance with the rest coming from debt and capital markets.

Probably the most likely within current or “near to” knowledge are the normal technology advances that happen as each generation of airframe and engine is developed. As a rough rule of thumb engine developments gain 1% of fuel burn each year. In fact, modern new generation aircraft burn about 15% less fuel than the classic models.

An Airbus A321 in tourist configuration is compliant with the Paris Accord until the mid-2030s. Currently battery power is not sufficiently dense for the battery weight other than in small, short flights.

Two alternatives are hydrogen or nuclear. A nuclear-powered aircraft concept was developed during the Cold war, however protection of the crew, ground staff, and dealing with a crash were among issues not solved and it is not believed that any aircraft was successfully operated in flight.

Hydrogen has obvious issues, it is less energy dense than fossil fuels, storage as a gas is difficult and almost impossible on an aircraft. To achieve the energy density required for an ordinary aircraft requires cold storage under pressure.

This may work if the aircraft is redesigned, current thinking is that the centre fuselage would be used for fuel and the

passengers seated in the wings.

However, the logistics of getting hydrogen to most airports, redesigning aircraft and new fleets being acquired must be 20 years plus away.

A possible half-way house enroute to full direct hydrogen operation would be to use green hydrogen to manufacture SAF. Hydrogen manufacture can either be green or not, as the name suggests “green hydrogen” is manufactured using zero carbon electricity: e.g. hydro, solar, wind, or nuclear.

An interesting idea, airports are closed and safe areas, so it would on large airports be possible to build a small nuclear power station generating hydrogen to produce SAF. All these issues add cost and so rising ticket price.

Other interesting areas are what impact will artificial intelligence have on travel demand and will single or no pilot operation ever happen. Interesting to see where we go from here and will governments use these issues to control access to travel?

What does all this mean for financing?

Prior to Covid the demand for new aircraft financing was about \$120bn, since it has fallen to about US\$80bn. In addition, there was the financing

of older and second-hand aircraft.

While there are several sources of finance, the four main ones are bank debt, capital markets, lessors, and cash. In 2018 bank debt, capital markets and cash accounted for about US\$100bn, with a substantial but smaller amount contributed by lessors.

However, in 2024 only about US\$25bn – US\$30bn was from debt and capital markets and lessors and cash were the main tools used to finance at maybe US\$50bn.

There is no doubt that lessors continue to make greater penetration in the market, in effect separating the asset ownership risk from operations.

There are issues on the horizon, will governments force either through ticket price or legislation cause a reduction or levelling of demand. This may not dull demand for new aircraft but affect value for older ones.

Alternatively, will high ticket prices following carbon emission pricing cause a downturn, maybe but if the economy grows unlikely to dull demand as global wealth grows.

Will aviation be able to sustain the demand for debt, a question often asked in the past and always answered with a definite, YES.

Aircraft financing is always an exciting area and with enormous potential. Long may it remain so.

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equipment and software investment growth in Q4 and beyond remains uncertain. Aircraft investment is notoriously volatile and difficult to predict, as single orders can cause large fluctuations and US government data are recorded at time of delivery, which can occur years after an order is placed.

Key economic factors

Overall, the US economy continued to demonstrate resilience to the crosscurrents that characterised the first 10 months of 2025. The improvement in consumer demand over the summer eased concerns of a near-term economic downturn, and another quarter of solid economic growth appeared likely in Q3. At the same time, weak job growth underscored the potential need for the Federal Reserve to shore up growth by lowering interest rates over the coming months, despite worries that such a move could fuel more inflation.

The US asset finance and leasing market

US equipment and software investment—the lifeblood of the equipment finance industry—surged during the first half of 2025. The main driving force behind this expansion was technology equipment and software spending fuelled by the AI boom.

Driven by massive outlays from a handful of tech giants building new data centres and other AI infrastructure, the Q4 update of the *2025 Equipment Leasing & Finance US Economic Outlook* revised its 2025 equipment and software investment forecast to 9.9% (up from 6.3% in Q3) and its US GDP forecast to 2.0% (up from 1.3% in Q3).

In fact, AI-related commodities accounted for roughly one-third of real US GDP growth over the first half of 2025. While the level of investment activity in these sectors is remarkable, it also raises questions about the trend's sustainability and the implications of a potential AI bubble.

Another key driver in Q2 was transportation equipment, especially non-defence aircraft, which added 3.2 percentage points to overall equipment and software investment growth. New aircraft orders rose

22% in August, even as backlogs reached a record 17,000 units.

However, the extent to which transportation will support



US equipment and software investment is the lifeblood of the US equipment finance industry and is surging, fuelled by the AI boom.

Labour market

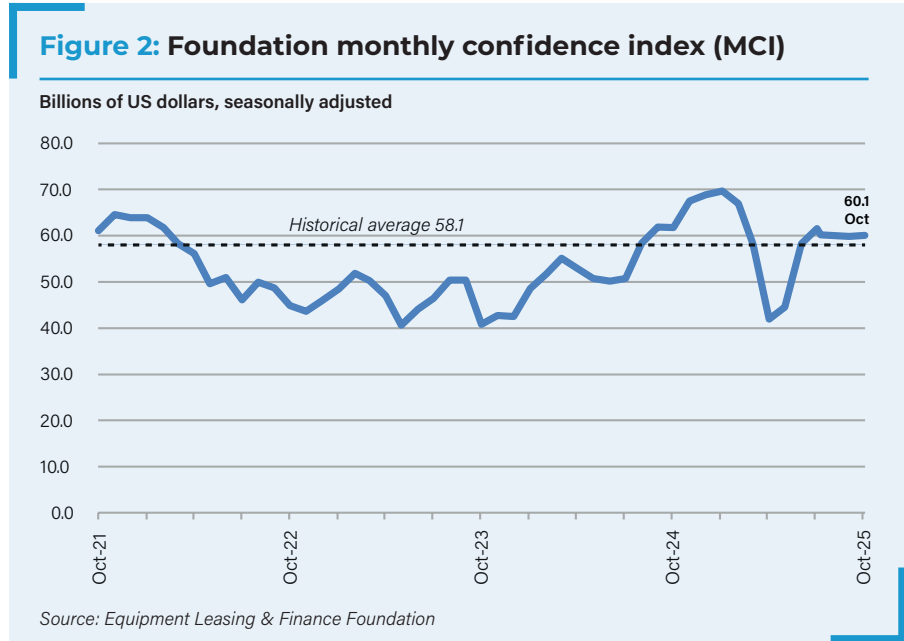
The US labour market is stagnant with the economy adding a total of just 107,000 jobs from May to August, less than the monthly average during the first four months of the year. The slowdown is broad-based: outside of health care and social assistance, job growth averaged just 10,000 jobs per month in 2025, with contractions in three of the last four months leading up to October. The slowdown reflects a combination of weaker demand, in part driven by AI and the substitution of capital for labour, and supply-side impacts.

Inflation

After easing earlier in the year, inflation remains above the Federal Reserve's target. 60%-80% of tariff-related costs are being passed through to consumers. A key question for the Fed is whether price pressures will be limited primarily to imported goods, or whether they will spread across the broader economy.

Federal Reserve's role

At its September meeting, the Federal Reserve's Open Market Committee lowered the federal funds rate by 25 basis points. The move was expected, and while the Fed's path for the rest of the year was less clear, markets anticipated two additional cuts by the end of 2025. Ultimately, we believe



the Fed is likely to prioritise labour market health in the months ahead, even if price growth remains elevated.

US equipment finance industry indicators

CapEx Finance Index.

The Equipment Leasing & Finance Association's (ELFA) CapEx Finance Index (CFI) is the only real-time dataset that tracks nationwide conditions in the US equipment finance industry. The CFI rose in August as new business volume (NBV) increased 2.8% from July

The increase marked the second

consecutive month of growth, though it remained below the two-year trend and year-to-date volume was 2.7% below the same period in 2024.

NBV at banks rose 6% in August, marking their fastest growth since March, while activity at captives and independents declined by 4% and 5%, respectively. Notably, volumes at captives are down 20% year-to-date from 2024, partly due to a strong 2024 and a drop-off in activity in early 2025.

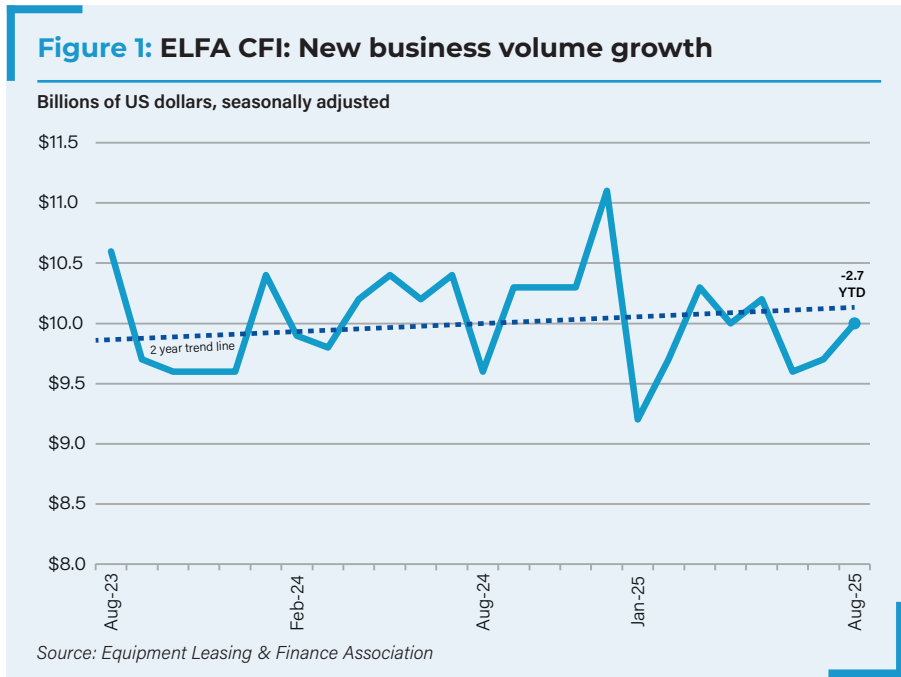
Financial conditions were generally encouraging in August. Credit approval rates climbed to a two-year high of 79%, and while charge-offs and delinquency rates both ticked up, levels remained modest by historical standards.

Employment levels were 2% lower in August than a year earlier, a slight improvement from July's 4% decline

This marked the 10th consecutive month of industry employment contraction, a trend that is aligned with the broader hiring slowdown across the US economy.

Monthly confidence index

The Foundation's Monthly Confidence Index for the Equipment Finance Industry (MCI-EFI) indicates that industry confidence remains above historical levels. It edged up to 60.1 in October, relatively unchanged from September's 59.9 reading. October marked the fifth consecutive month that the



Index stayed above its historical average, indicating that industry leaders remained more optimistic about the near-term outlook compared to the start of the year.

In October most respondents (54%) expected near-term business conditions to remain the same (up from 52% in September), while 38% expected them to improve (up from 30%). Additionally, 38% expected demand for leases and loans to fund capex to improve (down from 39%) over the next four months, though the share expecting demand to hold steady increased to 54% (up from 39%).

A majority of respondents (75%) expected access to capital to remain the same in coming months (down from 78%), while 25% of respondents anticipated an increase in access (up from 22%). All respondents evaluated the current US economy as “fair” (up from 91%).

Business sentiment.

Businesses remain generally optimistic with both large and small firms planning capital expenditures in the coming months. The Business Roundtable’s CEO Economic Outlook capital spending index rebounded to 77.4 in Q3, while the National

Federation of Independent Businesses (NFIB) reported in September that 21% of respondents are planning capital expenditures over the next six months.

In summary

With business confidence improving amid an ongoing investment boom, the equipment finance industry is well-positioned to capitalise. The AI buildout has triggered robust investment growth in information processing equipment

and software, and new energy infrastructure will be necessary to meet projected demand. These trends should serve as an industry tailwind for the foreseeable future.

How to access the study

The Equipment Leasing & Finance US Economic Outlook is updated quarterly and is available for free download at <https://www.leasefoundation.org/industry-research/u-s-economic-outlook/>.

About the Foundation

The Equipment Leasing & Finance Foundation is a 501c3 non-profit organisation with a mission to advance the US\$1.3 trillion equipment finance sector by producing data-forward research and market outlooks, as well as cultivating the next-generation workforce through Campus to Career programs, including curriculum development and collegiate scholarships. Founded in 1989 and 100% funded through charitable donations, the Foundation drives innovation and career development for the future of the industry. www.leasefoundation.org

About ELFA

The Equipment Leasing & Finance Association (ELFA) represents financial services companies and manufacturers in the US\$1.3 trillion US equipment finance sector. ELFA’s 600+ member companies provide essential financing that drives business growth, creates jobs, and supports economic expansion. Learn more at www.elfaonline.org



Another key driver of US equipment finance growth was transportation equipment, especially non-defence aircraft, which added 3.2 percentage points to overall equipment and software investment growth.

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1. **Removes** the requirement for US companies to report beneficial ownership information (BOI) to FinCEN under the CTA and removes the requirement to update or correct BOI previously reported to FinCEN.
2. **Removes** the requirement for US persons to report their information to FinCEN under the CTA.
3. **Retains** the obligation for entities previously defined as foreign reporting companies that are registered to do business in the United States to provide their BOIR to FinCEN. These foreign entities, however, will not be required to report any US persons as beneficial owners, and US persons will not be required to report BOI with respect to any such entity for which they are a beneficial owner.

Legal developments in the US equipment finance industry

The ULC and the 2022 amendments

As reported in last year's *World Leasing Yearbook*, the Uniform Law Commission (the "ULC") in July 2022, approved amendments (the "2022 Amendments" and the "Amended UCC") to 10 existing Articles of the Uniform Commercial Code (the "UCC") and creation of an entirely new Article 12 (dealing with controllable electronic records).

As of August 1, 2025, the ULC web site disclosed that 32 states had adopted the 2022 Amendments. In six other states, including New York, the Amendments were pending.

These revisions accomplished profound changes regarding so-called equipment lease and loan bundled contracts (or "hybrid transactions" under the 2022 Amendments) involving equipment leases or equipment financing agreements which include not only specific equipment, but also software, services, and materials.

Those changes expand 1) what constitutes chattel paper, (so that a security interest can be perfected by possession of the agreement), 2) the extent to which UCC Article 2A (Leases) can apply to a bundled lease (so that, for instance, the statutory hell or high water clause would

apply to the lessee's equipment obligations), 3) what constitutes a "hybrid transaction", and 4) how a secured party can perfect a security interest in electronic chattel paper.

The Corporate Transparency Act (CTA)

The CTA attracted considerable attention during the first quarter of 2025. Effective January 1, 2024, both existing and newly-formed "Reporting Companies" were required to obtain a federal identification number and submit its Beneficial Ownership Information Report (BOIR) to the US Department of the Treasury's Financial Crimes Enforcement Network (FinCEN).

The CTA as written is broad enough to cover both small equipment finance companies and special purpose entities (SPEs) created to facilitate securitisations or syndications. Violations of CTA carry both civil and criminal penalties.

To the relief of many, FinCEN published an interim final rule on March 26, 2025, significantly narrowing the application of the CTA to focus only on those entities previously defined as foreign reporting companies and to limit the burden on US businesses and individuals. The interim final rule:

The New York LLC Transparency Act (NYLTA)

On the other hand, there remains the NYLTA. The effective date for this State law will be January 1, 2026 (the "Effective Date") and will apply to all LLCs formed under New York law or foreign LLCs that are authorized to do business in New York State.

Such LLCs formed or authorised on or prior to the Effective Date must file beneficial ownership reports by January 1, 2027; LLCs formed or authorised after the Effective Date must file the beneficial ownership report within 30 days of filing their articles of organisation or application for registration as a foreign LLC.

Even though the New York statute contains essentially the same exemptions as the CTA, the NYLTA requires every affected LLC to submit a statement, under penalty of perjury and within the same time frame, indicating the specific exemption for which the LLC qualifies. Once an LLC has filed the initial beneficial ownership report, it must file an annual statement confirming or updating its previous statement.

NYLTA and other similar state laws

could be attacked on grounds that they may violate constitutional rights such as the Fourth Amendment prohibition on unreasonable searches and seizures. Plus, the NYLTA imports the definitions of key terms from the CTA and it will be interesting to see how enforcement of the NYLTA is affected by the FinCEN narrowing the scope of the CTA. As of August 1, 2025, the New York Secretary of State has not issued regulations to enforce the NYLTA as contemplated by Section 1(h) of that Act.

Cases of note

Noteworthy court cases focused on hell or high water (and waiver of defences) clauses; calculation of damages; and electronic signatures.

- The lessee in *Macquarie Equip. Cap. v. LA Semiconductor LLC* skipped several rent payments and refused the lessor's inspection requests, so Macquarie sued for breach of contract, conversion and replevin. The court denied the lessee's defences, noting that the hell-or-high-water clause ("HHW") in the lease was of "ironclad enforceability" under New York law, the governing law for the contract.
- In *American Cruise Lines v. United States*, the Second Circuit Court of Appeals upheld the HHW clause against a challenge that it amounted to an "impermissible transfer of control" to a non-citizen corporation. The Court rejected this complaint, even though the agreement's hell-or-high-water clause allocated certain costs and risks to a non-US entity, noting that the United States Maritime Administration and federal courts had previously allowed such provisions in similar agreements.
- *Volvo Financial Services v. Little* was an action to enforce a personal guaranty of a loan, for a deficiency remaining after disposition of the financed property. The Court upheld the waiver of defences clause in various credit sale agreements for the purchase of trucks from an affiliate of the lender. Even if the vehicles were defective, the guarantor had

waived the right to assert against the lender any defences which it might have had against the seller of the trucks "or any other party".

- Two court decisions in *Equip. Leasing Grp. of Am., LLC v. MCG Cane Bay, LLC* illustrated painfully the principle that the lessor, in an action against a defaulting lessee, must prove that it has actually been damaged. There, the lower court determined that the rent payments received pre-default "exceeded the amounts it paid to purchase the equipment" and that the lessor "realised a net profit as a result of the breach". The appellate court further rejected the lessor's argument that the lease entitled it to accelerated rent and payments for loss of the equipment's residual value and certain tax depreciation benefits—all items that had been agreed to the parties in the lease agreement—because such a "contract formula should only be applied when a party has actually been damaged".

Although the general principle underlying the decision—that damages will not be awarded unless the lessor has been damaged—is correct, the court overlooked that the gross

rentals received prior to the lessor's default did not recognise the time value of the lessor's equipment purchase price and that the anticipated depreciation deductions had enabled it to charge lower rentals.

- *AVT California, L.P. v. Bizzarro* involved enforcement of an electronic signature on a guaranty. In denying the lessor's motion for summary judgment, the Utah court admonished the lessor that it should have adduced more evidence that the guarantor's signature was genuine.

Perhaps the court was splitting hairs, when it remarked that the evidence was "sufficient" to support a finding that the guarantor's signature was valid, but not sufficient to "compel" the conclusion that the signature was that of the guarantor's. It is possible that this decision was motivated by the court's reluctance to grant summary judgment without conducting a full trial, but the ruling demonstrates that lessors and lenders which rely on their lessee's or borrower's electronic signature must have procedures in place to demonstrate their authenticity.



The ULC and its 2022 Amendments and the new Corporate Transparency Law, have brought profound operating changes to US equipment leasing and financing companies.



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Aviation

FAA privacy, CARES and the 40B–45Z transition

On March 28, 2025, the FAA announced that private aircraft owners and operators can electronically request that the agency withhold their aircraft registration information from public display on FAA websites, using CARES as the submission platform.

This initiative implements Section 803 of the FAA Reauthorization Act of 2024, which added 49 USC §44114 and directs the FAA to establish, by May 16, 2026, a procedure under which, upon request, the Administrator must withhold personally identifiable information (PII), including owner names, mailing addresses, email addresses and telephone numbers, from “broad dissemination or display” by the FAA, including on publicly available websites.⁴

The FAA has issued and later extended a request for comment asking stakeholders to address how removal of this information from public search tools and reports would affect privacy, safety, commerce and regulatory compliance, with implementation to occur through CARES-based electronic workflows.⁵

For lenders, lessors and title companies, this comment process matters because the FAA is still determining how to balance privacy concerns against the registry’s role as a public title index, including what information will remain visible in CARES for credentialed users and what will be withheld from general public search tools, which will directly affect how aircraft title, lien and KYC diligence is performed.

The aviation title and legal community, particularly the Aircraft Title Lawyer & Title Company Coalition based in Oklahoma City, responded with joint comment letters emphasising that, while enhanced privacy protections are welcome for individuals, the FAA Registry has long served as a foundational public index

Developments in US transportation leasing and finance markets

In this article, we highlight recent regulatory developments, litigation, legislation and market trends in the US affecting the transportation equipment leasing and finance industry across aviation, rail and maritime sectors.

The 2025 landscape was marked by the Federal Aviation Administration’s (FAA) implementation of new privacy protections under 49 U.S.C. §44114 and continued rollout of the Civil Aviation Registry Electronic Services (CARES) system; the transition from the short-lived Section 40B Sustainable Aviation Fuel (SAF) credit regime to the broader Section 45Z Clean Fuel Production Credit; and new rail safety rules and court decisions curbing regulatory overreach in rail and maritime.¹ For transportation lenders and lessors, these developments collectively influence underwriting standards, transaction documentation

and long term portfolio and residual value risk across asset classes.

For tax-motivated buyers and lessors, the One Big Beautiful Bill Act (OBBBA), often referred to in the industry simply as the Big Beautiful Bill, is a defining development.

Among other changes, the OBBBA permanently restores the 100% bonus depreciation under Section 168(k) for qualifying property, including business aircraft and other transportation equipment, placed in service after January 19, 2025, and raises the Section 179 expensing cap to US\$2.5m while relaxing the business interest limitation under Section 163(j) back to an EBITDA-based standard.²

Together with changes to the Section 45Z credit, these provisions will drive structuring decisions for aircraft, railcar and vessel acquisitions in the coming years.³

for aircraft title, lien, KYC and anti-money-laundering due diligence.

These commenters urged the FAA to preserve a workable level of access for lenders, lessors and title companies, for example by allowing credentialed users or contract counterparties to view owner information in CARES while still limiting broad web-scraping and casual browsing.⁶

In parallel, the FAA continued to implement the CARES modernisation program. In January 2025, the FAA adopted a final rule amending Part 47 to allow electronic issuance of aircraft registration and dealer's registration certificates, with email delivery of electronic certificates as the primary method of issuance for online applications.⁷

CARES is intended ultimately to become the central legal repository of all civil-aircraft registration and to replace legacy paper-based workflows; full implementation is expected by late 2025, with users able to submit applications, upload supporting documents, sign digitally and track status through a personal portal.⁸

For lessors and financiers, CARES promises faster closing timelines and more predictable recordation, but its privacy features, and recent

temporary restrictions on access to "ancillary documents", have highlighted an emerging tension between registry transparency and data minimisation trends.

Credit and legal teams will need to monitor how CARES implementation affects closing conditions, perfection timing and the evidentiary record available to support future enforcement or remarketing.

Sustainable aviation fuel tax incentives remain a core strategic issue for aviation stakeholders. The short-term SAF credit under Section 40B, added by the Inflation Reduction Act of 2022, provides an income or excise tax credit of \$1.25 per gallon for qualifying SAF mixtures, plus \$0.01 per gallon for each percentage point of lifecycle emissions reduction above 50%, for SAF sold or used after 2022 and before 2025.⁹

The US Department of the Treasury (Treasury) and the IRS issued Notice 2024-37 in April 2024, creating safe harbours based on the 40BSAF-GREET 2024 model and allowing producers to rely on specified pathways to substantiate lifecycle greenhouse gas reductions.¹⁰

As of January 1, 2025, however, new production of SAF and other low-carbon transport fuels is governed by Section 45Z, the Clean Fuel

Production Credit, which consolidates and replaces a suite of fuel credits that expired at the end of 2024.¹¹

The original 45Z framework provided a higher base credit rate for SAF than for other transportation fuels, but the OBBBA eliminates that differential beginning at the end of 2025 and extends 45Z credits for qualifying fuel sold through December 31, 2029.¹²

The combined effect is a near-term window of enhanced economics for SAF projects already in motion, followed by a more level but still meaningful credit for SAF relative to renewable diesel and other fuels.

For aviation lessors and lenders, long-term offtake structures and residual value models will need to account for both the time limited premium for SAF under current 45Z rules and the risk that airlines may pivot back toward cheaper renewable diesel pathways if SAF incentives weaken.

Safe harbour litigation under 49 USC §44112 also continued to shape risk allocation between aircraft owners, operators and financiers. Section 44112(b), as amended in 2018, provides that an aircraft owner, lessor or secured party is liable for personal injury, death or property damage caused by an aircraft



2024/25 has seen federal legislation passed that is having a significant impact on the leasing market, in particular with the CARES and OBBA developments.

only when the aircraft, engine or propeller is in the party's "actual possession or operational control," and the injury or damage occurs because of the aircraft or its flight.¹³

In *Murphy v Airway Air Charter, Inc.*, arising from a Cessna 402B crash on a charter flight from Florida to The Bahamas, involved a traditional lessor-operator structure in which the aircraft owner, Venture Air Solutions, leased the aircraft on an exclusive basis to the charter operator. The Southern District of Florida granted summary judgment to Venture, holding that Section 44112 narrowed liability to owners or lessors in "actual possession or control" (now 'actual possession or operational control') and that, under the exclusive lease, only the charter operator and its pilot had possession or control of the aircraft at the time of the accident.¹⁴

In *Blue Air Training Corp. v. Hadley*, the US District Court for the District of New Mexico applied this safe harbour to an individual aircraft owner who was neither a lessor nor a lender. In this case, the owner had authorised a pilot to use his Aeronca aircraft but did not participate in initiating, conducting or terminating the accident flight.

The court distinguished the statutory term "operational control" from broader notions of "control," emphasising that operational control requires concrete, actual exercise of authority over a particular flight, not merely the power to do so or post-hoc communications about the flight.¹⁵ For the purposes of applying this statutory safe harbour, the term 'operational control' should be interpreted as contemplated in the definition of that term in Section 1.1 of Title 14 of the Federal Aviation Regulations.¹⁶ On that basis, the owner was held shielded from liability, and the court found that Section 44112 pre-empted state law negligence claims against him.

For aircraft lessors and secured lenders, these cases reinforce both the breadth and the conditions of the federal safe harbour. The related guidance to aircraft lessors and lenders is that lease and loan documents should clearly reflect

that the lessee, borrower or third party operator will have and maintain operational control under the FARs, but prudent lessors and lenders will also require indemnifications, liability insurance coverage and other protections and not merely rely on the statutory protection of Section 44112.

Rail

Crew-size rules, reciprocal switching, hazmat and consolidation

Rail safety remained a primary regulatory focus in 2024/25. In April 2024, the Federal Railroad Administration (FRA) issued a final rule on Train Crew Size Safety Requirements that generally mandates a minimum of two crewmembers for most railroad operations, with limited exceptions for certain low-risk one-person crew operations and a notification and risk-assessment process for railroads seeking to run one-person crews.¹⁷

The rule, which responds in part to concerns raised after the 2023 East Palestine derailment in Ohio involving hazardous materials releases, requires railroads operating one-person crews under specified conditions to adopt mitigation measures that provide a level of safety equal to or greater than two-person operations, particularly in the context of hazardous materials incidents and grade-crossing emergencies.¹⁸

Several Class I railroads, including BNSF and Union Pacific, have

challenged the rule in federal court as arbitrary and capricious and unsupported by data, and that litigation remains pending.

For lenders and lessors, the rule and the associated litigation may affect operating costs, labour flexibility and safety related reputational risk for railroads, which in turn can influence covenant packages, financial covenants and stress case assumptions for long term leases and loans.

In *Grand Trunk Corp. v. Surface Transportation Board*, the US Court of Appeals for the Seventh Circuit vacated the STB's 2024 "Reciprocal Switching for Inadequate Service" rule. The rule would have allowed shippers and receivers to obtain mandatory reciprocal switching orders when incumbent carriers failed to meet specified performance standards, effectively creating a new, data-driven avenue for forced access to competing carriers.¹⁹

The Seventh Circuit held that the STB exceeded its statutory authority by prescribing reciprocal switching without first making the findings of inadequate service required by 49 USC §11102, and it set aside the rule in its entirety.²⁰ As a result, the status quo remains in place: reciprocal switching remains available, but only under the narrower, case-specific standards previously recognised, and shippers cannot rely on the vacated service metric framework.



CARES is intended ultimately to become the central legal repository of all civil-aircraft registration and to replace legacy paper-based workflows. For lessors and financiers, CARES promises faster closing timelines and more predictable recordation.



For tax-motivated buyers and lessors, the One Big Beautiful Bill Act (OBBBA), often referred to in the industry simply as the Big Beautiful Bill, is a defining development whose provisions will drive structuring decisions for aircraft, railcar and vessel acquisitions in the coming years.

For lenders and lessors financing captive rail *infrastructure* or fleets tied to single-served facilities, the decision removes a potential regulatory lever for shippers but also reduces uncertainty about forced traffic diversions during the term of long-dated leases.

Hazardous materials and tank-car safety continued to attract regulatory and legislative attention. The Pipeline and Hazardous Materials Safety Administration (PHMSA) has proposed significant revisions to the Hazardous Materials Regulations to modernise and clarify requirements, including rail-specific changes to the definition of “tank car facility” and other provisions intended to improve safety and reduce compliance uncertainty.²¹

PHMSA also finalised a rule implementing FAST²² Act requirement for real-time information on a train’s cars and their contents, with compliance dates in June 2025 for Class I railroads and June 2026 for smaller carriers, and issued a tank car safety advisory urging shippers and tank car owners to accelerate retirement of DOT-111 and CPC-1232 cars in flammable liquid service in favour of DOT-117 cars.²³

In parallel, the D.C. Circuit set aside a Trump-era rule that would

have allowed transport of liquefied natural gas (LNG) by rail, finding PHMSA’s environmental review inadequate.²⁴ These developments collectively signal to lessors and lenders that continued pressure exists on legacy tank car fleets, with implications for collateral and residual valuation, and operating lease terms, retrofit strategies and the allocation of capital expenditures between lessees and lessors.

Industry consolidation also accelerated. In May 2025, GATX Corporation and Brookfield Infrastructure announced a joint venture to acquire Wells Fargo’s North American rail operating lease portfolio, approximately 105,000 railcars, while Brookfield Infrastructure will separately acquire Wells Fargo’s rail finance lease portfolio of roughly 23,000 railcars and 440 locomotives.²⁵

For the operating leasing market, this transaction further concentrates railcar ownership in a small number of global scale lessors, with potential benefits in terms of standardised documentation and fleet management, but also increased counterparty concentration risk for shippers and sublessors.

Separately, Union Pacific and Norfolk Southern have confirmed

advanced merger discussions to create a coast-to-coast freight railroad, and the STB has received a notice of intent and initiated a proceeding to establish a procedural schedule.²⁶

The proposed US\$85bn combination has generated vigorous opposition from labour unions and shippers, who cite concerns about safety, service, pricing power, and job losses, and is likely to receive “rigorous and objective” scrutiny from the STB under its post-Canadian Pacific–Kansas City Southern merger framework.²⁷

For railcar lessors and lenders, the prospect of a transcontinental carrier heightens the importance of diversification of lessee exposure and careful analysis of how consolidation may affect fleet allocation, route structures and interchange patterns.

Maritime

Demurrage and detention billing, Jones Act and charter enforcement

On the maritime side, courts and regulators continued to wrestle with how to allocate costs and control in increasingly complex supply chains. In February 2024, the Federal Maritime Commission (the FMC) adopted its Demurrage and Detention Billing Requirements

rule.²⁸ The rule prescribed who could be billed for demurrage and detention charges, which are fees assessed when containers are not picked up or returned within allotted free-time periods. It also imposed detailed invoice content requirements under the Ocean Shipping Reform Act of 2022.²⁹

In September 2025, the D.C. Circuit issued its decision in *World Shipping Council v. Federal Maritime Commission*, vacating the key invoicing provision of the FMC’s rule, codified at 46 C.F.R. Part 541. The rule had limited who could be billed for demurrage and detention charges to (1) the person for whose account the billing party provided ocean transportation or storage and who contracted with the billing party, or (2) the consignee.

After initially suggesting in its preamble that motor carriers in contractual relationships with ocean carriers could still be billed, the FMC issued a “Correction” effectively excluding motor carriers from the permitted billing universe.³⁰

The D.C. Circuit held that the Commission’s categorical exclusion of motor carriers, combined with its categorical inclusion of consignees regardless of contractual privity, was inadequately explained and internally inconsistent with OSRA’s focus on contractual relationships, and it therefore set aside §541.4

in its entirety while leaving the remainder of the rule in place.³¹

In practical terms, the ruling reopens the question of which party in the logistics chain can be properly invoiced for demurrage and detention, at least until the FMC undertakes a new rulemaking.

Lessors and financiers of containers, chassis and related equipment will need to pay closer attention to contractual allocations of demurrage and detention risk in charters, leases and service contracts, rather than relying on regulatory defaults to fill gaps when agreements are silent.

Separately, US trade policy introduced a new layer of uncertainty for ship-finance structures. In April 2025, following a Section 301 investigation of China’s shipbuilding and maritime logistics sectors, the US Trade Representative adopted a phased port-entry service fee regime targeting Chinese-owned or -operated vessels and operators of Chinese-built tonnage, with fees scheduled to take effect beginning October 14, 2025.³²

Although implementation was suspended for one year following a November 2025 US–China agreement, the Action’s broad definition of “vessel owners of China” – and its reliance on CBP Form 1300 to identify the “vessel owner” for fee-assessment purposes – creates material classification and cost-allocation

challenges for lease-driven structures.

These include sale-and-leaseback and so-called “Chinese lease” arrangements, in which non-Chinese operators charter vessels under finance bareboat (demise) charters from China-controlled leasing houses.

For lessors, financiers and charterers, the development underscores the need to analyse which party will bear any revived port-fee exposure and related compliance obligations in newbuild, sale-and-leaseback and finance-charter structures.

At the same time, post-*Chevron* developments – including the Supreme Court’s decision in *Loper Bright Enterprises v. Raimondo* curtailing judicial deference to agency interpretations – have prompted renewed scrutiny of how US Customs and Border Protection (CBP) and The Maritime Administration (MARAD) interpret and enforce Jones Act and Passenger Vessel Services Act requirements, including in offshore wind and other project-cargo sectors.

For vessel lessors and their financiers, these developments reinforce the importance of structuring charter arrangements and corporate ownership in a manner that fits clearly within established time-charter or bare-boat paradigms, and of remaining attuned to potential shifts in how courts review CBP and MARAD rulings.³³

This may translate into tighter charter covenants around cabotage compliance, more detailed representations from charterers and sponsors in offshore projects, and greater reluctance to finance structures that depend on aggressive interpretive positions.

Cross-cutting topics

Tax, sanctions, privacy and credit conditions.

As noted above, the OBBBA is the most important federal tax development for transportation leasing and finance in 2025.

OBBBA permanently restores 100% bonus depreciation under Section 168(k) for qualified property acquired and placed in service after January 19, 2025, introduces



For vessel lessors and their financiers, the latest US trade policy implementations reinforce the importance of tighter and more detailed charter and corporate ownership arrangements, as well as the need to monitor new CBP and MARAD rulings.



Large-scale rail and maritime transactions, including the proposed UP/NS merger and continued Jones Act-related offshore wind activity, will test regulatory appetites for consolidation and novel charter structures in a post-Chevron environment.

an elective new §168(n) regime for “qualified production property,” significantly increases the Section 179 expensing limit and relaxes the business interest deduction limitation under Section 163(j) by restoring a 30% of EBITDA standard.³⁴

For lessors and sponsors with sufficient taxable income, these provisions create powerful incentives to structure transactions to maximise bonus depreciation and expensing, including sale-leasebacks timed to placed-in-service dates, and to reevaluate whether to hold equipment on balance sheet versus through passthrough or fund structures.

Credit and tax teams should coordinate early in deal structuring to ensure that documentation, closing mechanics and asset deployment timeline align with eligibility requirements for these enhanced deductions.

Export control and sanctions compliance continue to be a central

theme across all transportation asset classes, driven largely by ongoing sanctions against Russia, Belarus, and Iran and stepped-up enforcement efforts.

The US Bureau of Industry and Security (BIS) has repeatedly expanded Russia- and Belarus-related sanctions under the Export Administration Regulations, tightened licensing requirements and added hundreds of entities to the “Entity List,” a BIS-maintained roster of foreign persons and organisations subject to additional license requirements and licensing presumptions of denial due to national security or foreign policy concerns.³⁵

BIS has also imposed and renewed temporary denial orders against multiple Russian and Iranian airlines for operating aircraft subject to the US Export Administration Regulations without required authorisation, and has made clear that any US-origin aircraft, or foreign aircraft

with more than 25% controlled US-origin content, that is owned, controlled by or operated for Russian persons is subject to licensing requirements for travel to Russia.³⁶

Enforcement authorities are increasingly focused on indirect routing of aircraft parts and components through third countries to reach sanctioned Russian operators. These trends raise the stakes for robust KYC, end-use and end-user diligence in leases, loans, conditional sales, and engine swaps and underscore the need for precise export control covenants and monitoring mechanisms.

For transportation lenders and lessors, this translates into more intrusive ongoing monitoring, heightened use of lessee reporting and audit rights and a greater willingness to exercise termination and repossession remedies where sanctions risk escalates.

Data and privacy considerations are likewise becoming more salient. CARES is explicitly designed to collect and process PII from aircraft owners and operators in an electronic environment, and the Department of Transportation has published a Privacy Impact Assessment describing how CARES data will be handled and shared.³⁷

At the same time, state level privacy statutes and evolving expectations about cybersecurity and data minimisation are pushing lessors, lenders and servicers to reevaluate their own handling of lessee flight data, AIS and GPS tracking, and KYC information.

Combined with the FAA’s implementation of Section 44114, these developments suggest a gradual shift from reliance on open public registries toward more controlled, contractual data flows between counterparties, regulators and registries.

Finally, credit conditions in the equipment finance industry remain tight even as interest rate policy shows signs of easing. The Equipment Leasing & Finance Association’s 2025 Survey of Equipment Finance Activity reported that overall new business volume grew 3.1% in 2024, but that

growth occurred against a backdrop of tightening credit, declining approval and booking rates, and rising interest expense, which increased by roughly one-third and contributed to a double-digit drop in pre-tax income despite higher lease and loan yields.³⁸

Lenders report continued pressure on spreads, more conservative underwriting and elevated bad debt provisions. For transportation equipment lessors, this environment reinforces the importance of long-term committed funding, diversified lender relationships and careful management of residual value and remarketing risk.

Outlook for 2026.

Looking ahead, several themes warrant close attention from transportation lessors and financiers. First, the FAA must finalise and implement its Section 44114 privacy program by May 16, 2026; the final rule and any associated CARES access tiers will determine how much of the aircraft registry remains publicly searchable and what additional burdens fall on transaction participants to verify title, liens, and beneficial ownership.³⁹

Second, guidance under the Section 45Z Clean Fuel Production Credit will continue to evolve as the Treasury and the IRS refine emissions rate methodologies and respond to the OBBBA's extension and modification of the credit.

Questions around lifecycle greenhouse gas modelling, feedstock eligibility and stacking with state-level incentives will influence the investment viability of SAF, renewable diesel and other low-carbon fuel projects, and thus the appetite of lessors and lenders to finance related aviation and other transportation assets.

Third, regulators in both rail and maritime are likely to revisit rules that have been partially or wholly invalidated. Even after the Seventh Circuit's invalidation of the reciprocal switching rule, shipper and political pressure for improved rail service remains high, and the STB may explore alternative remedies within its statutory authority.⁴⁰

Likewise, the FMC will need to determine whether and how to promulgate a new demurrage and detention billing framework that satisfies OSRA 2022's mandate while addressing the D.C. Circuit's concerns, and Congress may consider further refinements if billing disputes persist.⁴¹

Finally, large-scale rail and maritime transactions, including the proposed UP/NS merger and continued Jones Act-related offshore wind activity, will test regulatory appetites for consolidation and novel charter structures in a post-*Chevron* environment.

Notes and contributions.

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¹ See *infra* notes 3–8, 11–22, 25–26 and accompanying text (detailing FAA privacy and registry modernisation, clean-fuel tax transition, rail and maritime rulemakings).

² See, e.g., PwC, OB3 Provides Bonus Depreciation, Qualified Production Property, and More (Aug. 26, 2025), <https://www.pwc.com/us/en/services/tax/library/pwc-ob3-provides-bonus-depreciation-qualified-production-property.html> (describing One Big Beautiful Bill Act's permanent restoration of 100% bonus depreciation under I.R.C. §168(k) and introduction of new §168(n)); BDO, One Big Beautiful Bill Act Expands 100% Depreciation Expensing Opportunities (Sept. 30, 2025), <https://www.bdo.com/insights/tax/one-big-beautiful-bill-act-expands-100-depreciation-expensing-opportunities> (summarising expanded expensing opportunities for qualified property, including transportation assets); Warren Averett, One Big Beautiful Bill Breakdown: Section 179 Expensing (July 31, 2025), <https://warrenaverett.com/insights/one-big-beautiful-bill-section-179-expensing> (explaining increased §179 expensing limits under the OBBBA).

³ See American Farm Bureau Fed'n, 45Z Clean Fuel Production Credit (Market Intel, July 24, 2025), <https://www.fb.org/market-intel/45z-clean-fuel-production-credit> (providing overview of 45Z design and implications for fuel producers); see also Univ. of Neb.-Lincoln, Clean

Fuel Production Credit: What It Is, Who Qualifies, and How It's Changing (Aug. 13, 2025), <https://nec4.unl.edu/news/clean-fuel-production-credit-what-it-who-qualifies-and-how-its-changing> (explaining how legislative changes affect clean fuel project economics).

⁴ See 49 U.S.C. §44114 (2024), <https://www.law.cornell.edu/uscode/text/49/44114> (creating statutory framework for the FAA to withhold aircraft registration PII from public dissemination); see also FAA Reauthorization Act of 2024, Pub. L. No. 118-63, §803, 138 Stat. 138 (codifying §44114 and setting May 16, 2026 deadline for implementation).

⁵ Request for Comment To Withhold Certain Aircraft Registration Information From Public Dissemination, 90 Fed. Reg. 14,590 (April 3, 2025), <https://www.federalregister.gov/documents/2025/04/03/2025-05738/request-for-comment-to-withhold-certain-aircraft-registration-information-from-public-dissemination> (soliciting public comment on FAA's proposed process for withholding aircraft registration information under § 44114); Request for Comment To Withhold Certain Aircraft Registration Information From Public Dissemination; Reopening of Comment Period, 90 Fed. Reg. 18,632 (May 1, 2025), <https://www.federalregister.gov/documents/2025/05/01/2025-07539/request-for-comment-to-withhold-certain-aircraft-registration-information-from-public-dissemination> (reopening the comment period and extending response deadline).

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- ¹² See Univ. of Neb.-Lincoln, *supra* note 3 (explaining that OBBBA eliminates the enhanced SAF credit rate under § 45Z after Dec. 31, 2025 and extends the credit through 2029); see also T. Geraghty et al., *One Big Beautiful Bill Enacted – Tax Implications*, VEDDER PRICE (July 10, 2025), [https://www.vedderprice.com/-/media/files/vedder-thinking/publications/2025/7/one-big-beautiful-bill-enacted--tax-implications-\(1\).pdf?rev=20c4530c04e54fa9ba1d16a9d4a91602](https://www.vedderprice.com/-/media/files/vedder-thinking/publications/2025/7/one-big-beautiful-bill-enacted--tax-implications-(1).pdf?rev=20c4530c04e54fa9ba1d16a9d4a91602) (summarising OBBBA's broader changes to tax provisions enacted under the TCJA and IRA).
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- ³¹ See *World Shipping Council*, No. 24-1088, at 18 (vacating 46 C.F.R. §541.4 while leaving remaining portions of demurrage and detention billing rule intact); see also Benesch, *Demurrage and Detention Billing After WSC v. FMC* (October 9, 2025), <https://www.beneschlaw.com/resources/demurrage-and-detention-billing-after-wsc-v-fmc.html> (discussing legal and commercial consequences and options for FMC on remand).
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- ³³ PAC. LEGAL FOUND., *Koloa Rum Company Challenges Jones Act in Court, Argues Century-Old Shipping Law Violates the Constitution's Port Preference Clause* (Feb. 25, 2025), <https://pacificalegal.org/press-release/koloa-rum-company-challenges-jones-act-in-court-argues-century-old-shipping-law-violates-the-constitutions-port-preference-clause/> (highlighting a challenge to CBP's Jones Act interpretations under the Port Preference Clause); Eric Boehm, *Is the Jones Act Unconstitutional?*, REASON (Feb. 25, 2025), <https://reason.com/2025/02/25/is-the-jones-act-unconstitutional/> (discussing the lawsuit and broader questions about the legality of CBP and MARAD's enforcement of coastwise laws).
- ³⁴ See PwC, *supra* note 2 (discussing permanent 100% bonus depreciation and elective §168(n) regime); BDO, *supra* note 2 (summarising expensing rules for qualified property); Warren Averett, *One Big Beautiful Bill Breakdown: Interest Expense Limitation* (July 25, 2025), <https://warrenaverett.com/insights/one-big-beautiful-bill-interest-expense-limitation> (explaining restoration of 30% of EBITDA standard under § 163(j)); Grant Thornton, *OBBBA Restores Previous § 163(j) Benefits, Adds Some New Limitations* (Aug. 7, 2025), <https://www.grantthornton.com/insights/alerts/tax/2025/legislative-updates/obbba-restores-previous-163-benefits-adds-some-new-limitations> (analyzing interest deduction changes under OBBBA).
- ³⁵ Bureau of Indus. & Sec., U.S. Dep't of Commerce, *Russia/Belarus – Country Guidance*, <https://www.bis.doc.gov/index.php/policy-guidance/country-guidance/russia-belarus> (last visited November 13, 2025) (summarising export-control measures targeting Russia and Belarus, including license requirements for aircraft and related items); Implementation of Additional Sanctions Against Russia and Belarus Under the Export Administration Regulations, 89 Fed. Reg. 50,430 (June 18, 2024), <https://www.federalregister.gov/documents/2024/06/18/2024-13148/implementation-of-additional-sanctions-against-russia-and-belarus-under-the-export-administration> (expanding Entity List and restrictions on certain aircraft-related exports).
- ³⁶ See Commerce Dep't, *Commerce Department Identifies Aircraft Exported to Russia in Apparent Violation of U.S. Export Controls* (Mar. 18, 2022), <https://www.bis.doc.gov/press-release/commerce-identifies-aircraft-exported-russia-apparent-violation-export-administration-regulations-ear> (listing aircraft subject to EAR that have flown to Russia and warning that refueling, maintenance or service may violate export controls); *Order Renewing Temporary Denial of Export Privileges*: PJSC Aeroflot, 90 Fed. Reg. 67,018 (September 19, 2025), <https://www.federalregister.gov/documents/2025/09/19/2025-18126/order-renewing-temporary-denial-of-export-privileges-pjsc-aeroflot-1-arbatst-119019-moscow-russia> (renewing temporary denial order against Aeroflot for apparent export-control violations).
- ³⁷ See U.S. Dept of Transp., *Privacy Impact Assessment for the Civil Aviation Registry Electronic Services (CARES)* (2023), linked at FAA, Civil Aviation Registry Electronic Services (CARES), <https://www.faa.gov/about/initiatives/cares> (last visited November 13, 2025) (describing PII collected in CARES and how it is stored and shared); FAA, *Aircraft Certification – Civil Aviation Registry*, https://www.faa.gov/licenses_certificates/aircraft_certification/aircraft_registry (last visited November 13, 2025) (noting migration of registry services to CARES).
- ³⁸ Equip. Leasing & Fin. Ass'n, *2025 SEFA Dives Deep into Equipment Finance Data*, Equip. Leasing & Fin. Mag., October 2025, <https://www.elfaonline.org/news-and-publications/magazine/issue/article/october-2025/2025-sefa-dives-deep-into-equipment-finance-data> (reporting 3.1% growth in new business volume, ~33% increase in interest expense and ~14.5% drop in pre-tax income for 2024); ELFA, *Equipment Finance Industry Sees 3.1% Growth in New Business Volume Amid Tightening Credit in 2024* (August 4, 2025), <https://www.elfaonline.org/news-and-publications/industry-news/read/2025/08/04/equipment-finance-industry-sees-3.1--growth-in-new-business-volume-amid-tightening-credit-in-2024> (summarizing key survey findings relevant to credit conditions).
- ³⁹ See Request for Comment To Withhold Certain Aircraft Registration Information, *supra* note 5 (setting forth implementation timeline and noting statutory May 16, 2026 deadline for FAA to establish privacy procedures under §44114).
- ⁴⁰ *Grand Trunk Corp. v. Surface Transp. Bd.*, No. 24-1811 (7th Cir. July 8, 2025), <https://cases.justia.com/federal/appellate-courts/ca7/24-1811/24-1811-2025-07-08.pdf?ts=1751997618> (vacating the STB's performance standard-based reciprocal-switching rule for exceeding statutory authority under 49 U.S.C. §11102); Thompson Hine, *supra* note 19 (noting continued shipper pressure for service improvements).
- ⁴¹ *World Shipping Council v. Fed. Mar. Comm'n*, No. 24-1088 (D.C. Cir. September 23, 2025), <https://cases.justia.com/federal/appellate-courts/cadc/24-1088/24-1088-2025-09-23.pdf?ts=1758637889> (vacating 46 C.F.R. §541.4—the FMC's billing recipient rule – as arbitrary and inconsistent with OSRA's contractual relationship framework); Holland & Knight, *supra* note 27 (discussing potential FMC responses and congressional interest).

Uzbekistan



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Leasing market indicators

The volume of leasing transactions in 2023 constituted UZ\$3,925.6bn (US\$318.1m), whereas, by the end of 2024 it was UZ\$4,634.5bn (US\$ 358.7m).

As indicated below, the lessors concluded more than 11,265 new leasing transactions in 2024, valuing at more than UZ\$4,634.5bn (US\$358.7m.). The figures exceed previous volumes and, compared to 2023, the volume of new lease transactions has increased by UZ\$708.9bn or 18.1%.

According to the Leasing Association of Uzbekistan, in 2024 there were 155 players in Uzbekistan's leasing market, 120 of them operated

MARKET REVIEW

The GDP of the country in 2024 amounted to UZ\$1,454.5 trillion (US\$115bn). In 2024, GDP grew by 6.5% against growth by 6.6% in 2023 and by 6.0% in 2022.

The following sectors have made a positive contribution to GDP growth:

- services – 47.4%.
- industry – 26.4%.
- agriculture, forestry and fisheries – 19.2%.
- construction – 7.0%.

In 2024 for the development of the economy and social sphere of the Republic of Uzbekistan UZ\$493.7 trillion of investments in fixed assets were disbursed from all sources of financing, which is 27.6% more than in 2023.

During 2023, 75.9%, or UZ\$374.7 trillion, of investments in fixed assets were financed through borrowed funds; 24.1 %, or UZ\$119.0 trillion, through the own funds of enterprises, organisations and the population.

Leasing market penetration

Leasing services in the agriculture sector had significant growth (up to 67.6%) and remains the leading sector this year. The vehicle sector has decreased over the last two years and in 2024 declined to 13.6% of the total market, however still remains in second place among the sectors in 2024.

The results for 2024 show that

leasing made up 0.9% of total investments made into fixed capital nation-wide, with leasing share in GDP of 0.3% and leasing portfolio share in GDP of 0.6%.

Table 1: Investments in fixed assets through leasing

Year	Exchange rate (UZS per US\$1)	Cost of transferred leasing assets (US\$m.)	Share of leasing in capital investment (%)	Share of leasing in GDP (%)	Share of leasing portfolio in GDP (%)
2017	8,120.0	191.3	2.6	0.6	1.1
2018	8,336.3	316.0	2.5	0.6	1.0
2019	9,507.6	294.1	1.5	0.5	1.0
2020	10,476.9	176.8	0.9	0.3	1.0
2021	10,837.7	239.3	1.1	0.3	0.8
2022	11,225.5	277.6	1.2	0.4	0.7
2023	12,338.7	318.1	1.1	0.4	0.7
2024	12,920.5	358.7	0.9	0.3	0.6

Figure 1: Leased property volume (UZSbn)

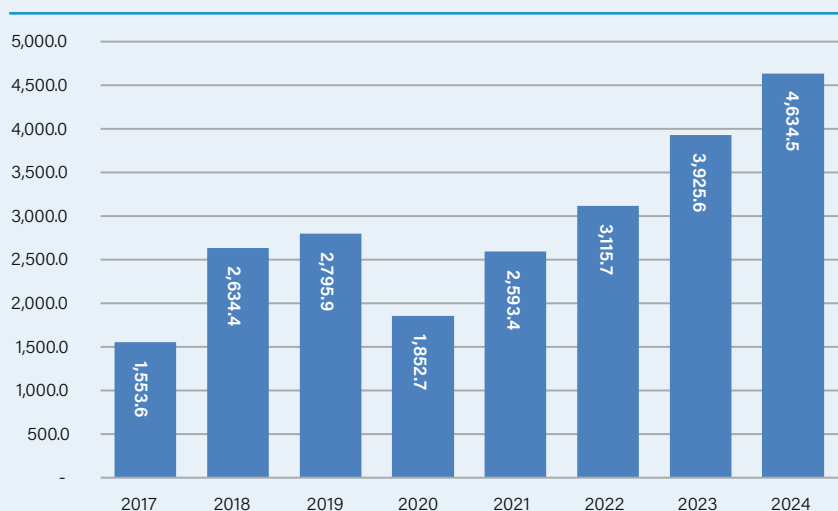
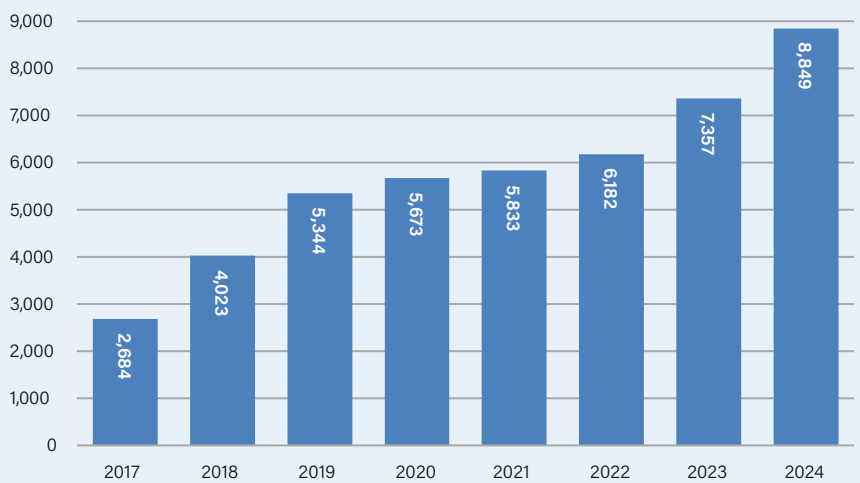


Table 2: Share of leasing by market players (in UZSbn)

	2017	2018	2019	2020	2021	2022	2023	2024
Leasing companies								
Cost of assets (UZSbn)	963.2	1,912.5	2,539.4	1,668.6	2,102.5	2,681.5	3,302.0	4,181.7
Share	62.0%	72.6%	90.8%	90.0%	81.1%	86.1%	84.1%	90.2%
Banks								
Cost of assets (UZSbn)	590.4	721.9	256.5	184.1	490.9	434.2	623.6	452.8
Share	38.0%	27.4%	9.2%	10.0%	18.9%	13.9%	15.9%	9.8%
Total	1,553.6	2,634.4	2,795.9	1,852.7	2,593.4	3,115.7	3,925.6	4,634.5

Figure 2: Volume of leasing portfolio (UZSbn)



as leasing companies, while the rest were state and private banks.

Another important aspect of the market is the distribution of the types of lessors. According to the data, leasing companies occupied 90% of the leasing market in 2024 and banks occupied the remaining 10%.

The top five lessors in the Uzbekistan leasing market constitute UZS 3,874.8bn or 83.6% of all new leasing transactions in 2024.

The volume of the leasing portfolio at the end of 2024 amounted to UZS8,849bn. In 2024, the leasing portfolio in Uzbekistan increased by UZS1,492bn or 20% compared to 2023.

Leasing market indicators by asset type in 2024 show that the lease of agricultural machinery once again became the leading industry in the market, reaching a record-high 67.6% of market share or UZS3,135.9bn (US\$242.7m.). Leasing of motor vehicles dropped to 13.6% (27.0% in 2023).

Such a decrease appeared due to changes in regulations for motor vehicle import; while in 2022-2023 the demand for consumer car leasing was high.

A similar situation occurred with

construction machinery — there was an increase in duty on construction equipment and non-crediting of leasing equipment in the Shaffof construction company rating system. Both of these significantly affected this segment, resulting in a record-low 5.5% share of the total market by the end of 2024 (17.5% in 2023).

Leasing of equipment and machinery for agriculture

The amount of new leasing transactions concluded in the agricultural sector in 2024 amounted to UZS3135.9bn Among lessors providing services in this sector, the leader is O'zagrolizing JSC (UZS2390.8bn), followed by Mikro Leasing LLC (UZS454.4bn) and Autosanoat Agro Lizing LLC (UZS128.2bn)

Leasing of motor vehicles

In the field of motor vehicle leasing, the volume of new leasing

Figure 3: Breakdown of leasing transactions by fixed asset type

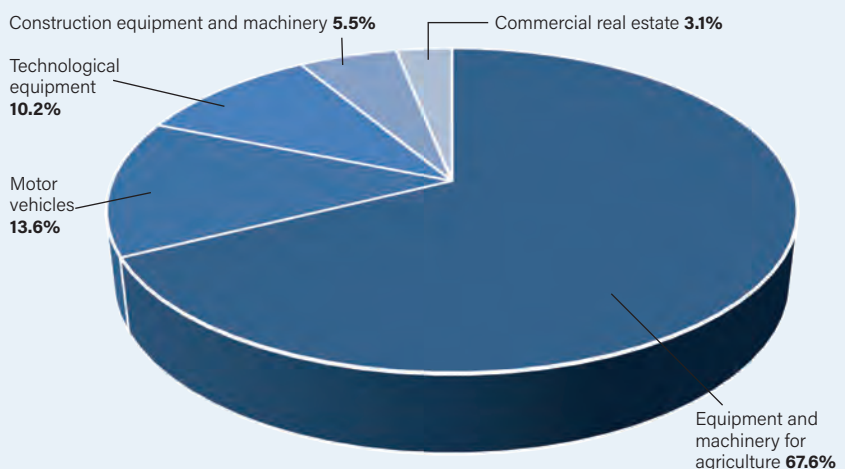


Table 3: Leasing development by asset type

Type of equipment/property	2019		2020		2021		2022		2023		2024	
	No. of deals	Cost (US\$m)	No. of deals	Cost (US\$m)	No. of deals	Cost (US\$m)	No. of deals	Cost (US\$m)	No. of deals	Cost (US\$m)	No. of deals	Cost (US\$m)
Light industry	45	3.2	35	0.5	24	5.7	12	9.7	4	4.7	14	5.2
Food production	21	5.9	9	10.9	18	6.8	7	1.2	12	2.8	10	12.4
Printing/Paper production	5	0.7	5	1.0	9	2.7	11	9.1	14	2.4	3	0.6
Trading	185	0.6	50	1.2	18	5.6	5	0.7	4	0.2	58	5.5
Medical equipment	22	0.9	21	3.1	8	0.8	8	0.9	12	6.8	17	2.0
Construction/manufacturing of construction materials	257	59.3	164	18.5	162	52.2	377	52.7	344	55.6	242	19.6
Woodworking	-	-	2	0.01	2	0.2	1	0.5	2	3.3	1	0.03
Computer, office equipment, telecommunications	3	14.9	-	-	-	-	2	0.4	9	8.0	3	0.8
Chemical	2	0.6	3	0.8	-	-	8	1.7	8	3.3	-	-
Melioration	151	11.8	16	0.9	48	2.2	22	1.9	16	0.9	7	0.4
Agricultural machinery	6,630	88.7	3,903	80.4	4,705	64.4	3,781	72.7	3,653	116.4	8,350	242.7
Freight transport	252	37.5	318	16.0	440	32.6	317	34.4	348	27.1	205	12.1
Cars	2,939	40.9	1,183	18.8	1,636	29.8	4733	76.1	2,997	57.3	2,300	36.6
Passenger transport	3,293	48.6	1,199	19.6	1,655	30.6	18	1.3	38	1.4	3	0.1
Real estate	32	5.2	17	4.4	39	5.6	30	6.8	20	18.1	18	11.0
Other	201	16.2	133	19.5	66	29.9	111	7.6	30	9.9	34	9.7
Total	11,099	294.1	5,875	176.8	7,194	239.3	9,443	277.6	7,511	318.2	11,265	358.7

deals amounted to UZ\$629.0bn. The largest lessor in this sector is the group of companies Fincom Leasing Group (UZ\$258.8bn). Next are Mikro Leasing LLC (UZ\$126.8bn) and Mogo Lend LLC (UZ\$85.6bn).

Leasing of technological equipment

The total volume of technological equipment leasing amounted to UZ\$474.5bn. Among the principal lessors in terms of the volume of the process equipment leased, Hamkorbank JSCB is the leader (UZ\$275.6bn), followed by Uzbek Leasing International A.O. (UZ\$174.3bn) and InfinLeasing LLC (UZ\$25.3bn).

Leasing of machinery and equipment for construction

The volume of deals in the construction sector amounted to UZ\$ 253.2bn. The largest volume among lessors in this sector was provided by Hamkorbank JSCB (UZ\$93.6bn), followed by Uzbek Leasing International A.O. in second place (UZ\$50.3bn), in third place – Mikro Leasing LLC (UZ\$34.5bn).

Leasing of commercial real estate

The amount of new leasing

Table 4: Top 5 leasing companies in 2024

Position	Name	Volume of transaction (in UZ\$bn)
1	O'zagrolizing JSC	2,390.8
2	FE Mikro Leasing LLC	622.2
3	Fincom Leasing Group	226.3
4	Uzbek Leasing International A.O. JSC	205.4
5	Artum Leasing Group LLC	152.3

Table 5: Top 3 banks providing leasing services in 2024

Position	Name	Volume of transaction (in UZ\$bn)
1	Hamkorbank JSCB	388.4
2	Trust Bank JSCB	60.0
3	Invest Finance Bank JSCB	4.4

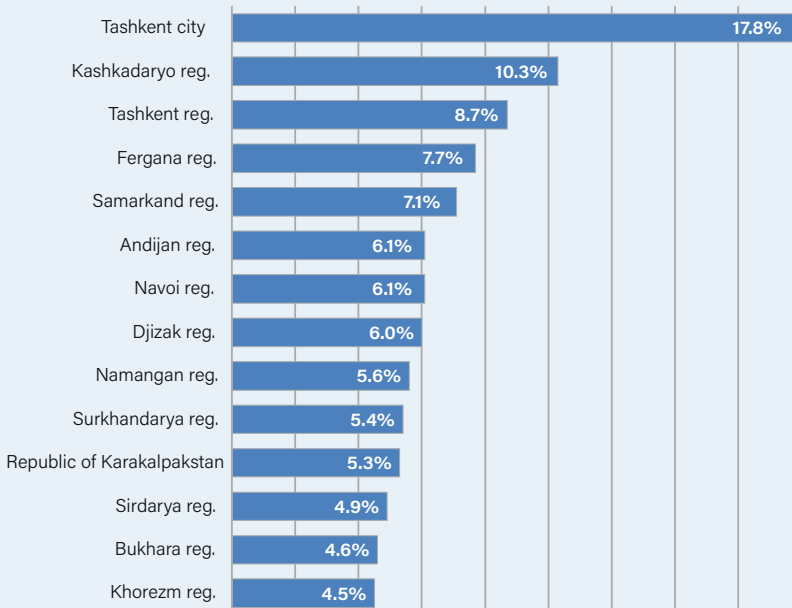
deals in the real estate sector amounts to UZ\$141.6bn. The largest transaction amount was demonstrated by Asaka-Trans-Leasing LLC (UZ\$62.9bn), followed by Trustbank PJSC (UZ\$60.0bn) and Mikro Leasing LLC (UZ\$6.7bn).

The other banks either did not conduct any new leasing operations in 2024 or did not submit their reports to the Leasing Association of Uzbekistan.

Distribution of leasing transaction by region

The distribution of leasing operations throughout the republic is quite uniform, with the exception of Tashkent city, which accounts for 17.8% of all new leasing operations carried out on the country's market. Among the regions, according to the results of 2024, the lead leasing regions in the republic are Kashkadaryo region

Figure 4: Breakdown of leasing by region



(10.3%) and Tashkent region (8.7%).

The growth in the Kashkadaryo region was due to Uzagroleasing JSC: 586 deals totalling UZS378.5bn (including more than 100 units of cotton harvesting machines).

Uzbekistan leasing outlook

Agricultural equipment showed a record share of the total market at year-end 2024. This is due to the increased volumes of Uzagroleasing JSC, which specialises in agricultural equipment leasing.

2024’s leasing volume increased compared to 2023. However, despite the positive growth marker, this was due mainly to the market leader as there was a slight decrease in the deal volumes of the other leasing companies.

At their AGM at year-end 2024, the Leasing Association of Uzbekistan analysed the current triggers of impact on the leasing market faced by the participants of the domestic leasing market and specified prospective lines for 2025. The current status of delivered proposals on improvement of the leasing industry of Uzbekistan was also discussed.

The main triggers of impact on the leasing market:

- Lack of available and long-

term credit resources;

- Increased state budget deficit;
- Geopolitical instability;
- Increase in overdue accounts receivable between enterprises;
- Changes in vehicle imports;
- Increase in duty on construction machinery;
- Non-crediting of leasing equipment in the Shaffof construction company rating system.

Goals for 2025:

- Development of new leasing products (including Islamic leasing, operating leasing);
- Expanding sources of financing, entering the international financial market;
- Improving scoring models and risk management;
- Digitalisation of leasing company processes.

Leasing industry proposals:

- Introduction of the notification procedure for the establishment of leasing companies;
- Exclusion from the Leasing Law of the requirement on the compulsory use of the leasing unit for entrepreneurial purposes, on the accounting of the leasing unit on the balance sheet of the lessee;
- Combine the categories of "lease"

and "finance lease", leaving only the "lease" concept;

- Introduction of an extrajudicial procedure for foreclosure of collateral;
- Authorisation of collection companies.

A call to investors and lenders

The Uzbek leasing sector is poised for continued growth, with an increasing demand for innovative products and the integration of advanced technologies. The market is ripe for the entry of experienced international players who can bring new expertise and leverage the significant opportunities available in this expanding industry.

Investors and financial institutions are welcome to explore partnerships and joint ventures, as there is a strong need for innovative leasing solutions across industries, particularly in agriculture, construction, and technological equipment. The market is actively seeking fresh capital inflows to support the development of new leasing products, while fostering competition that will further drive industry standards and efficiency.

As Uzbekistan continues its economic modernisation, the leasing sector will play a critical role in supporting SMEs and large enterprises alike, offering flexible financing options and helping to build the nation’s productive capacity. Now is the time for strategic international players to engage with this promising market and take advantage of its dynamic growth trajectory.

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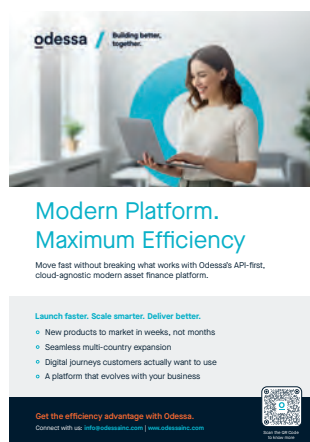
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