

Leaseurope



The Voice of Leasing and Automotive Rental in Europe

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INDEX
Survey of European leasing and rental firms

Leaseurope Index Q1 2021

LEASEUROPE INDEX RESULTS: Q1 2021

The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 23 European lessors on a quarterly basis. This Q1 2021 is the forty-first edition of the survey.

The results of the Q1 2021 Index show a significant recovery for the European leasing business, with all KPIs improving on the back of Covid-19 restrictions easing and vaccination programs progressing across Europe. As a result, all weighted average ratios and median ratios have improved in Q1 2021 compared to Q1 2020. The trend in the median ratios (i.e., for the 'typical' company in the sample) also reflected a positive picture for the 'typical' company in the sample.

New business volumes increased slightly in Q1 2021 compared to the same period a year ago, with a rise of 1.0%. The portfolio of outstanding contracts expanded marginally by 0.6% in Q1 2021, while risk-weighted assets dropped by -1.5%.

Profit & profitability

Aggregate pre-tax profit surged by 57.0% in relation to Q1 2020 as a result of releasing provisions. Therefore, weighted average profitability also improved, reaching 40.8% compared to 32.0% in Q1 2020. The median profitability ratio (less susceptible to outlier values and more indicative of the 'typical' company) also showed an improvement in Q1 2021 at a higher level of 46.5%.

Income, expenses & cost/income

Operating income rose by 10.3% in the first quarter of 2021 compared to the same period a year ago. Despite the simultaneous increase of 2.8% in operating expenses, the weighted average cost/income ratio improved to 48.6% at the beginning of 2021, which was 2.2 percentage points lower than Q1 2020 while similar to the level of the full year 2019. The median cost/income ratio is more positive when excluding outlier effects, with an improvement of 3.2 percentage points to reach 44.9% in Q1 this year.

Loan loss provision & cost of risk

Loan loss provisions fell substantially in Q1 2021, down by -53.8% year-over-year from loan loss provisions in Q1 2020. As a result, the weighted average cost of risk halved compared to the level of Q1 2020, at 0.3% versus 0.6%. In terms of the median ratio, cost of risk reached 0.2% in Q1 2021.

RoA and RoE¹ indicators

The levels of both RoA and RoE were higher in Q1 2021 compared to Q1 2020. Weighted average RoA stood at 1.8% in Q1 2021, with the median ratio at 1.6% for the 'typical' leasing company.

Peter Hupfeld, CEO of Nordea Finance, commented that *“The first quarter of this year shows a positive performance with financial indicators improving, particularly income and profitability. Despite the uncertain environment remaining, an economic optimism has been reflected in the releasing of loan loss provisions. As uncertainties regarding the further evolution of the pandemic and EU-UK trade relations diminish, the European Commission has forecast that business investment will pick up more strongly in the second half of this year². Thus, after the difficulties of last year, it is a good moment for lessors to expand support for European businesses, especially SMEs, as they recover from the crisis.”*

¹ In order to ensure a feasible and comparable data collection across our sample, 10.5% of total risk weighted assets has been used as a proxy for equity. Therefore, the results reported here for RoE may not be directly comparable to the way leasing firms measure RoE internally or to some other measures of RoE.

² European Economic Forecast, Spring 2021.

Table 1: Aggregate Data, Q1 2020 – Q1 2021³

| Aggregated data provided by companies (all figures in millions of euro for the relevant period) | 2021 Q1 | | 2020 Q4 | | 2020 Q3 | |
|---|----------------------------|-------------------------|----------------------------|-------------------------|----------------------------|-------------------------|
| | Sum of values (€ millions) | % change versus 2020 Q1 | Sum of values (€ millions) | % change versus 2019 Q4 | Sum of values (€ millions) | % change versus 2019 Q3 |
| 1. Operating income | 2,817 | 10.3% | 2,681 | 0.6% | 2,584 | -1.4% |
| 2. Operating expenses | 1,364 | 2.8% | 1,414 | 7.6% | 1,266 | -5.0% |
| 3. Loan loss provision | 195 | -53.8% | 643 | 17.6% | 420 | 76.5% |
| 4. Pre-Tax Profit | 1,258 | 57.0% | 614 | -23.3% | 899 | -13.5% |
| 5. RWA at end of period | 195,670 | -1.5% | 195,975 | -1.9% | 193,970 | -1.8% |
| 6. Portfolio at end of period | 284,041 | 0.6% | 281,478 | -1.7% | 279,782 | 0.6% |
| 7. New business volumes | 25,625 | 1.0% | 29,015 | -4.2% | 25,105 | -10.4% |

| Aggregated data provided by companies (all figures in millions of euro for the relevant period) | 2020 Q2 | | 2020 Q1 | |
|---|----------------------------|-------------------------|----------------------------|-------------------------|
| | Sum of values (€ millions) | % change versus 2019 Q2 | Sum of values (€ millions) | % change versus 2019 Q1 |
| 1. Operating income | 2,385 | -9.3% | 2,553 | -3.1% |
| 2. Operating expenses | 1,232 | -11.2% | 1,326 | 1.7% |
| 3. Loan loss provision | 685 | 134.2% | 422 | 79.7% |
| 4. Pre-Tax Profit | 472 | -50.3% | 802 | -26.9% |
| 5. RWA at end of period | 195,263 | -0.5% | 198,608 | 2.0% |
| 6. Portfolio at end of period | 280,653 | 0.9% | 282,473 | 2.9% |
| 7. New business volumes | 20,633 | -29.7% | 25,374 | -3.0% |

Table 2: Aggregate Data, 2017 – 2021 Annual⁴

| Aggregated data provided by companies (all figures in millions of euro for the relevant period) | 2020 | | 2019 | | 2018 | | 2017 | |
|---|----------------------------|----------------------|----------------------------|----------------------|----------------------------|----------------------|----------------------------|----------------------|
| | Sum of values (€ millions) | % change versus 2019 | Sum of values (€ millions) | % change versus 2018 | Sum of values (€ millions) | % change versus 2017 | Sum of values (€ millions) | % change versus 2016 |
| 1. Operating income | 10,248 | -2.9% | 10,551 | 2.4% | 10,307 | 2.1% | 10,094 | -0.4% |
| 2. Operating expenses | 5,252 | -0.7% | 5,290 | 4.3% | 5,074 | 4.6% | 4,849 | 1.0% |
| 3. Loan loss provision | 2,181 | 66.1% | 1,313 | 29.2% | 1,016 | 34.6% | 755 | -57.5% |
| 4. Pre-Tax Profit | 2,799 | -28.4% | 3,909 | -8.0% | 4,247 | -5.7% | 4,504 | 25.0% |
| 5. RWA at end of period | 195,975 | -1.9% | 199,742 | 3.1% | 193,804 | 4.0% | 186,297 | 3.7% |
| 6. Portfolio at end of period | 281,382 | -1.8% | 286,414 | 3.9% | 275,653 | 4.8% | 263,060 | 3.5% |
| 7. New business volumes | 100,236 | -12.1% | 114,013 | 4.6% | 108,961 | 6.6% | 102,247 | 4.5% |

³ Historical figures have been revised slightly since the results were last published due to re-statements by some reporting companies.

⁴ The aggregate annual data are shown here as reported in the Q4 2020 survey.

Table 3a: Weighted Average Ratios, 2020 – Q1 2021⁵

| Weighted Average Ratios | 2021 | 2020 | | | | |
|--|-------|--------------|-------|-------|-------|-------|
| | Q1 | Full year | Q4 | Q3 | Q2 | Q1 |
| Profitability (%) - pre-tax profit as a % of total operating income | 40.8% | 25.9% | 22.2% | 31.2% | 13.1% | 32.0% |
| Cost/Income (%) - operating expenses as a % of operating income | 48.6% | 50.1% | 52.0% | 48.7% | 49.9% | 50.8% |
| Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period | 0.28% | 0.75% | 0.92% | 0.60% | 0.97% | 0.59% |
| Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period | 1.8% | 1.0% | 0.9% | 1.3% | 0.7% | 1.1% |
| Return on Equity (index, 2011=100)* - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period | 191 | 108 | 103 | 141 | 63 | 119 |

Table 3b: Median Ratios, 2020 – Q1 2021

| Median Ratios | 2021 | 2020 | | | | |
|--|-------|--------------|-------|-------|-------|-------|
| | Q1 | Full year | Q4 | Q3 | Q2 | Q1 |
| Profitability (%) - pre-tax profit as a % of total operating income | 46.5% | 21.9% | 27.0% | 34.9% | 20.3% | 34.5% |
| Cost/Income (%) - operating expenses as a % of operating income | 44.9% | 48.7% | 47.0% | 45.4% | 45.3% | 48.1% |
| Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period | 0.22% | 0.78% | 0.56% | 0.49% | 0.70% | 0.52% |
| Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period | 1.6% | 0.8% | 1.0% | 1.0% | 0.8% | 1.0% |
| Return on Equity (index, 2011=100)* - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period | 127 | 71 | 83 | 99 | 54 | 98 |

⁵ The profitability and cost/income ratios are weighted by new business volumes, while the cost of risk, RoA and RoE ratio are weighted by the average portfolio over the relevant period. For example, each company's individual profitability ratio is weighted by its new business over the period Q1 2021 to arrive at the weighted average ratio of 40.8% shown in the table.

Fig. 1: Growth Rates of Financial Indicators, 2019 – Q1 2021⁶

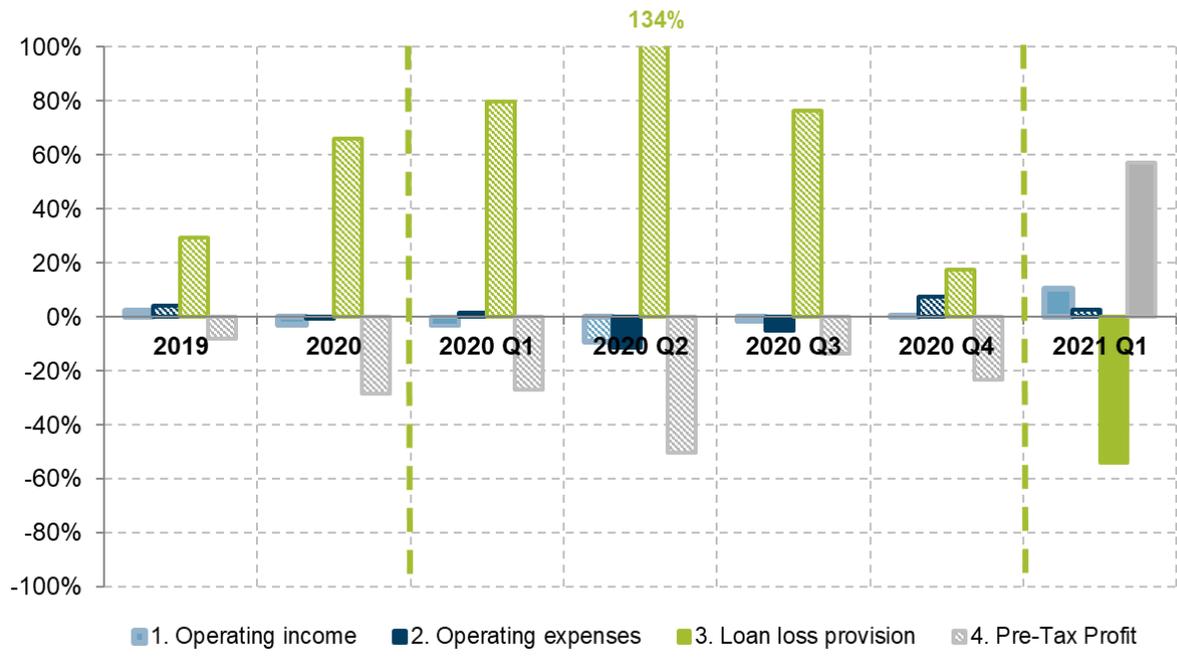
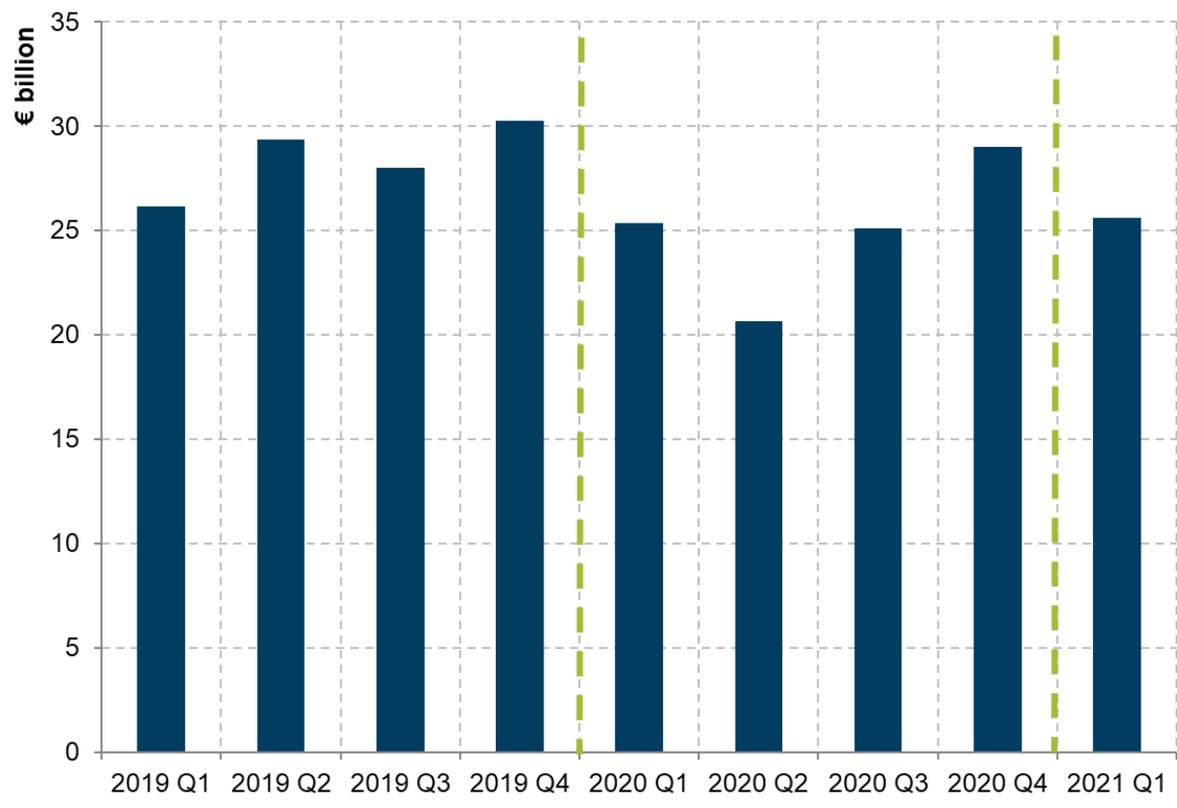


Fig. 2: New Business Volumes, Q1 2019 – Q1 2021



⁶ A thick border around an individual bar in the chart is illustrative of a negative development in the indicator.

Fig. 3: Profitability Ratio, 2019 – Q1 2021

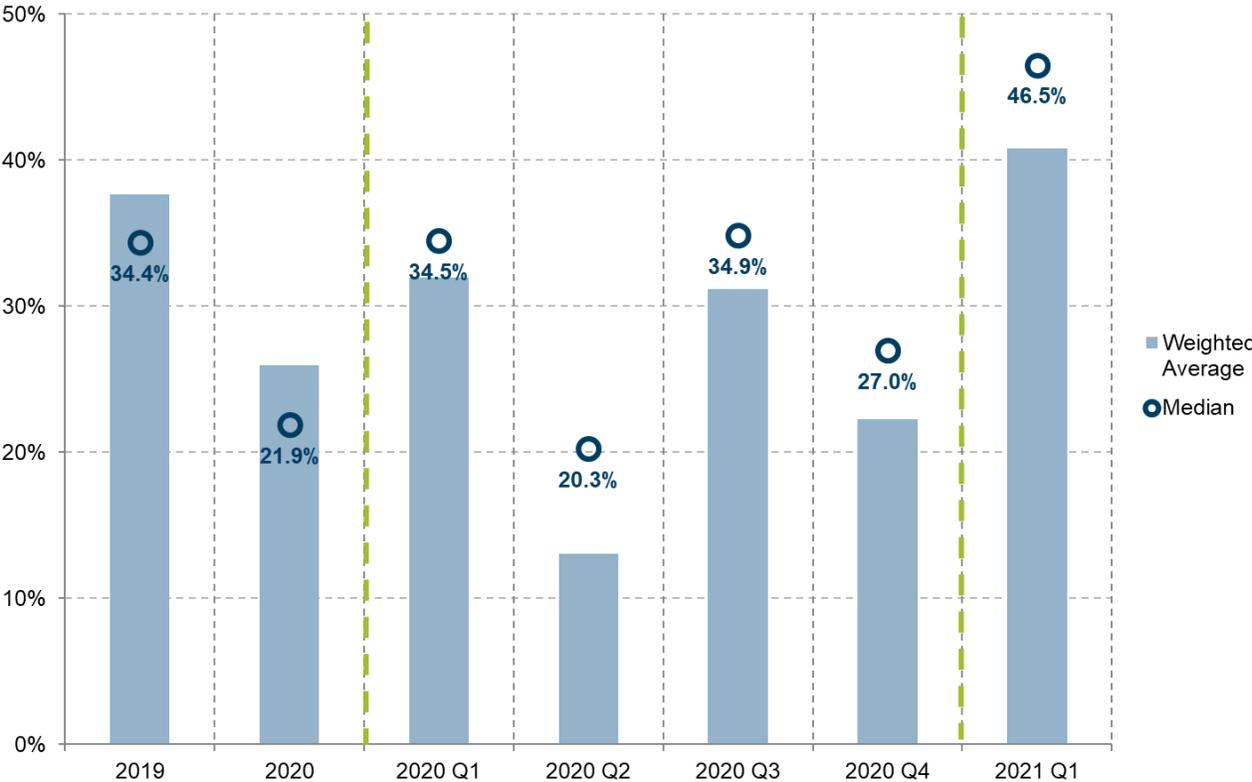


Fig. 4: Cost / Income Ratio, 2019 – Q1 2021

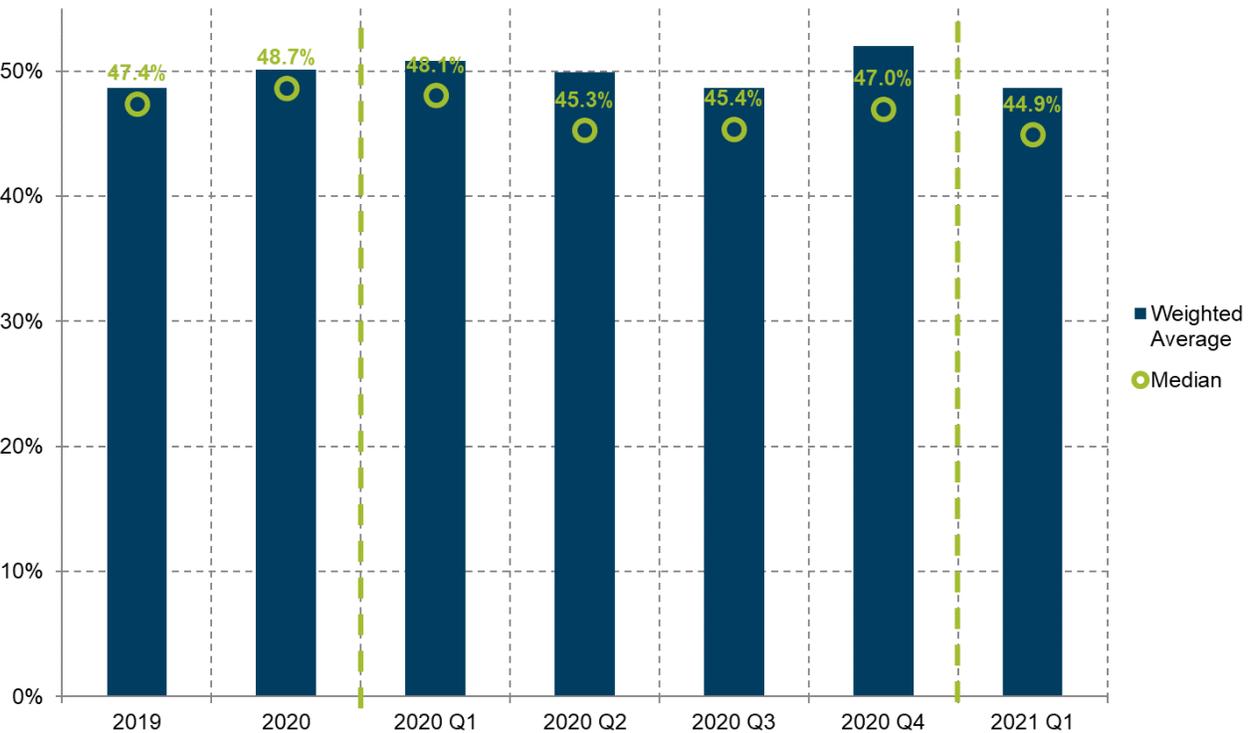


Fig. 5: Cost of Risk Ratio, 2019 – Q1 2021



Fig. 6: Return on Assets Ratio, 2019 – Q1 2021

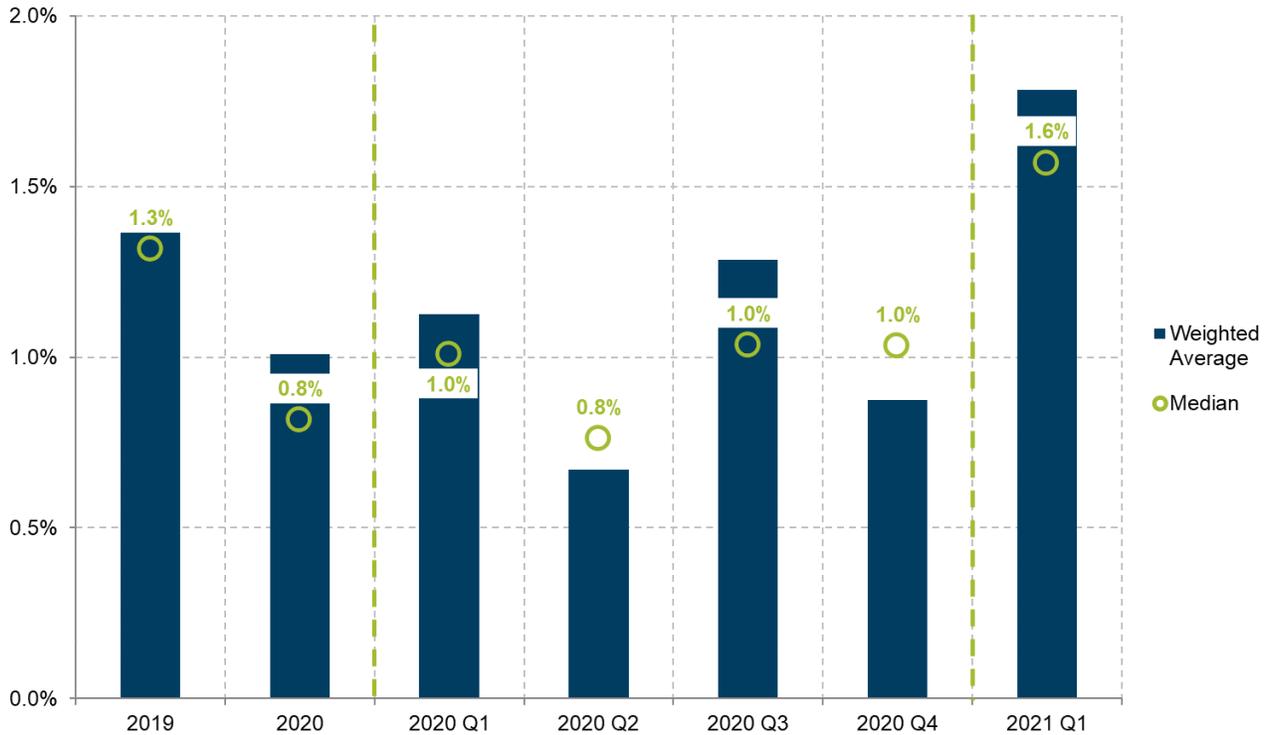


Fig. 7: Weighted Average Return on Equity Index, 2019 – Q1 2021

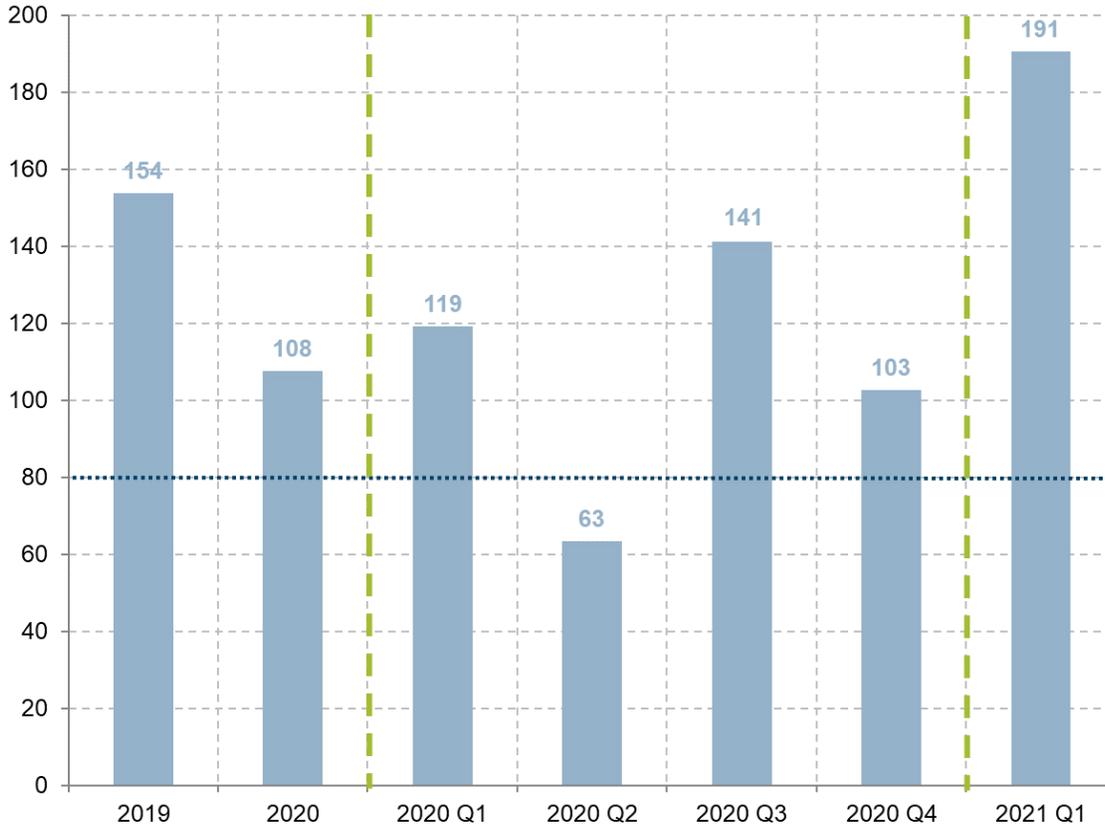


Table 4: Quartiles⁷ for Ratios in Q1 2021

| | Profitability Ratio | Cost / Income Ratio | Cost of Risk Ratio | RoA Ratio |
|---|---------------------|---------------------|--------------------|-----------|
| Minimum | -49.7% | 15.4% | -0.15% | -0.7% |
| Quartile 1 (25%) | 36.4% | 34.5% | 0.14% | 0.9% |
| Quartile 2 (50%) i.e. median | 46.5% | 44.9% | 0.22% | 1.6% |
| Quartile 3 (75%) | 52.6% | 51.2% | 0.53% | 2.7% |
| Maximum | 70.4% | 73.2% | 1.34% | 5.3% |
| Weighted Average | 40.8% | 48.6% | 0.28% | 1.8% |

⁷ Quartiles show the value of the boundary at the 25th, 50th, or 75th percentiles of a frequency distribution divided into four parts, each containing a quarter of the values in the dataset. In the table, Quartile 3 (75th percentile or upper quartile) identifies that 3/4 of the population members have a value below this quartile figure. The median value shows the middle value of the 23 observations in the data set. The median is not influenced by outliers at either end of the dataset and can therefore be a useful metric of the ratio of the “typical” company in the sample.

About the Leaseurope Index

Who conducts this survey?

Leaseurope conducts this survey. Individual companies report their figures for each indicator to Leaseurope, which aggregates the results on a confidential basis.

What is the purpose of this survey?

The purpose of the Leaseurope Index is to provide timely and regular information on the European leasing and automotive rental market. This is the only survey to report statistics on both volume of business and value creation metrics at European level.

What indicators are covered by the Leaseurope Index?

The survey tracks operating income, operating expenditure, loan loss provision, pre-tax profit, risk weighted assets, portfolio of leased assets and new business volumes for each quarter.

Definitions:

- 1) **Total operating income:** Net interest income + net fee and commission income + net insurance result + trading profit + other net income (including rental income net of depreciation on operating leases and profit on sales of assets linked to leasing activities)
- 2) **Total operating expenses:** includes inter alia staff costs, other administrative expenses, depreciation and amortisation
- 3) **Loan loss provision:** Net loan loss provision - write offs + recoveries over the period (including write-offs/recoveries of assets)
- 4) **Pre-tax profit:** Total operating income – costs – provisions
- 5) **Risk weighted assets at end of period:** Total risk weighted assets (RWA) as defined by currently applicable prudential requirements (under the approach used by each firm, be it standardised or IRB) at the end of each period
- 6) **Portfolio at end of period:** Total portfolio of leased assets including outstanding loans to customers and assets on operating lease at the end of each period (non-performing loans are included). The figures reflect the depreciated value of assets at the end of the period.
- 7) **New business volumes:** Total value of new contracts approved & signed by both sides (lessor and lessee) during the period during the reporting period, excluding VAT and finance charges

Based on the data provided in millions of euro by each company, Leaseurope calculates weighted average ratios, defined as follows:

Profitability ratio: weighted average of all companies' pre-tax profit as a % of total operating income. The weight used is the new business volume for the relevant period.

Cost/Income ratio: weighted average of all companies' operating expenses as a % of operating income. The weight used is the new business volume for the relevant period.

Cost of risk ratio: weighted average of all companies' loan loss provision (annualised) as a percentage of average portfolio over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

Return on assets ratio: weighted average of all companies' net profit (annualised) as a percentage of average portfolio over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

Return on equity index: Indexation of the weighted average of all companies' net profit (annualised) as a percentage of 10.5% of average risk weighted assets over the period. The weight used is the average portfolio over the period. Average portfolio is calculated as the mean of the value of the portfolio of leased assets at the beginning and end of each period.

Which companies take part in the survey?

23 companies participate on a voluntary basis: ABN AMRO Asset Based Finance N.V., ALD Automotive, Aldermore, Alphabet, Arval, BNP Paribas Leasing Solutions, Caterpillar S.A.R.L., Credit Agricole Leasing & Factoring, De Lage Landen, DnB Finans, Hitachi Capital UK, Iccrea Bancalmpresa, ING Lease, Investec, Lombard, Leaseplan, Mediocredito Italiano, Nordea Finance, Siemens Financial Services, Société Générale Equipment Finance, UBI Leasing, UniCredit Leasing, Xerox Financial Services Europe

This sample is broadly representative of the European market in terms of geographic coverage and asset coverage. The sample represents a significant share of the total European leasing market.

How should the survey results be interpreted?

The survey tracks trends in key performance indicators at European level. The results are only presented in aggregate and no inferences can be made about any individual company's performance based on this aggregate data.

Extreme care should be taken in comparing individual company performance with the Leaseurope Index, which spans a sample of lessors active in different market segments. For example, the sample includes general leasing companies, automotive lessors, captive equipment vendors etc. The companies in the sample are also active in different geographic markets.

For this survey, Leaseurope aggregates self-declared information. While the Leaseurope Secretariat monitors the plausibility of the data, this is not audited data. As such, the Leaseurope Index should only be used for indicative purposes and care should be taken in interpreting the results. Although the sample is broadly representative, care should be taken in making inferences about market trends for the industry as a whole.

What is the geographic scope of this survey?

Consolidated figures are reported for the entire European activities of the participating companies. Europe is defined in the widest sense as EU27 + EFTA + other countries e.g. The United Kingdom, Turkey, Ukraine, Russia, Serbia, Croatia etc. Each company reports figures in euro regardless of which countries they operate in or which currencies they report in.

What is meant by "leasing"?

The term "leasing" is used in its broadest sense, covering hire purchase, finance and operating leasing which includes long term rental. Leasing is defined according to International Financial Reporting Standards (IFRS16).

When will the next Leaseurope Index results be released?

The survey is conducted on a quarterly basis. For future editions of this survey, Leaseurope aims to publish the results on the [Leaseurope Index website](#) within eight weeks of the close of quarter.

Disclaimer

Please note that the information contained in the Leaseurope Index is of a general nature. Nobody should act upon such information without first seeking appropriate professional advice and after a thorough examination of a particular situation. Neither Leaseurope nor participating companies can be held responsible or liable for any losses or damages of any kind arising out of or in connection with the use of the information contained in the Leaseurope Index.