

Leaseurope



The Voice of Leasing and Automotive Rental in Europe

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INDEX

Survey of European leasing and rental firms

Leaseurope Index
Q3 2021

LEASEUROPE INDEX RESULTS: Q3 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 Q3 2021 is the forty-third edition of the survey.

The results of Q3 2021 show that all KPIs continued to recover, with weighted average and median ratios improving compared to Q3 2020, albeit at a lower level relative to Q2 2021. Total new business volumes reported by the sample of firms increased by 4.1% year-over-year, reaching €26.1 billion. The portfolio of outstanding contracts expanded by 2.1% in Q3 2021, with risk-weighted assets growing marginally by 0.9%.

Profit & profitability

Aggregate pre-tax profit surged by 68.5% in Q3 2021 compared to the same quarter of last year, driven by lower loan loss provisioning. Consequently, weighted average profitability improved by 16.7 percentage points compared to the Q3 2020 level, from 32.0% to 46.7%. The median profitability of the 'typical' company in the sample also showed an improvement in Q3 2021 with a higher level of 53.1%.

Income, expenses & cost/income

Both operating income and expenses experienced increases of 16.8% and 6.7% respectively in Q3 2021 compared to the same period last year. As a result of larger income growth, both weighted average and median cost/income ratios improved by 3.0 and 2.1 percentage points to reach 45.3% and 43.5% respectively in the third quarter of 2021.

Loan loss provision & cost of risk

Loan loss provisions continued to drop significantly by -66.2% in Q3 2021 compared to the same period a year ago. This resulted in an improvement of 0.4 percentage points in the weighted average cost of risk ratio, decreasing from 0.6% in Q3 2020 to 0.2% in Q3 2021. When excluding outlier effects, the median ratio also stood at 0.2% in the third quarter of this year.

RoA and RoE¹ indicators

In Q3 2021, the level of both RoA and RoE remained high following strong performances observed. In the second quarter, weighted average and median ratios of these indicators relatively similar this quarter, with those of RoA reached 2.2% each.

Andy Hart, CEO Investec Asset Finance commented, *“Following an impressive recovery seen in Q2 2021, the European leasing industry continued to perform solidly in the third quarter with financial indicators improving. The provision of loan losses has been dropping for three consecutive quarters over the course of this year. Despite some remaining uncertainty and risks, the European Commission projects the European economy will keep expanding for the rest of the year and going into 2022 on the back of an improved labour market, favourable financing conditions and the full deployment of the Recovery and Resilience Fund. However, the surge in energy prices may have a knock-on impact on business investments, setting the stage for potentially challenging market dynamics going forward. Therefore, it will be essential for European lessors to maximise our internal strengths, minimize the impact of external challenges, and continue to support European businesses, especially SMEs, during the shifting economic environment.”*

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

Table 1: Aggregate Data, Q1 2020 – Q3 2021²

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2021 Q3		2021 Q2		2021 Q1	
	Sum of values (€ millions)	% change versus 2020 Q3	Sum of values (€ millions)	% change versus 2020 Q2	Sum of values (€ millions)	% change versus 2020 Q1
1. Operating income	3,011	16.8%	3,014	24.9%	2,817	10.3%
2. Operating expenses	1,342	6.7%	1,359	8.6%	1,364	2.8%
3. Loan loss provision	139	-66.2%	53	-92.3%	195	-53.8%
4. Pre-Tax Profit	1,532	68.5%	1,600	233.9%	1,258	57.0%
5. RWA at end of period	195,313	0.9%	196,472	0.5%	195,670	-1.5%
6. Portfolio at end of period	284,803	2.1%	287,440	2.4%	284,041	0.6%
7. New business volumes	26,056	4.1%	28,235	33.1%	25,625	1.0%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2020 Q4		2020 Q3		2020 Q2		2020 Q1	
	Sum of values (€ millions)	% change versus 2019 Q4	Sum of values (€ millions)	% change versus 2019 Q3	Sum of values (€ millions)	% change versus 2019 Q2	Sum of values (€ millions)	% change versus 2019 Q1
1. Operating income	2,681	0.6%	2,577	-1.6%	2,413	-8.2%	2,553	-3.1%
2. Operating expenses	1,414	7.6%	1,257	-5.6%	1,251	-9.9%	1,326	1.7%
3. Loan loss provision	643	17.6%	413	73.3%	688	135.2%	422	79.7%
4. Pre-Tax Profit	614	-23.3%	909	-12.5%	479	-49.6%	802	-26.9%
5. RWA at end of period	195,975	-1.9%	193,537	-2.0%	195,426	-0.4%	198,608	2.0%
6. Portfolio at end of period	281,478	-1.7%	279,077	0.3%	280,626	0.9%	282,473	2.9%
7. New business volumes	29,015	-4.2%	25,018	-10.7%	21,213	-27.8%	25,374	-3.0%

Table 2: Aggregate Data, 2017 – 2020 Annual³

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%

² Historical figures have been revised slightly since the results were last published due to re-statements by some reporting companies.

³ The aggregate annual data are shown here as reported in the Q4 2020 survey.

Table 3a: Weighted Average Ratios, 2020 – Q3 2021⁴

Weighted Average Ratios	2021				2020			
	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	46.7%	55.5%	40.8%	25.9%	22.2%	32.0%	13.4%	32.0%
Cost/Income (%) - operating expenses as a % of operating income	45.3%	44.6%	48.6%	50.1%	52.0%	48.3%	50.9%	50.8%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.20%	0.07%	0.28%	0.75%	0.92%	0.59%	0.98%	0.59%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	2.2%	2.2%	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	231	244	191	108	103	143	64	119

Table 3b: Median Ratios, 2020 – Q3 2021

Median Ratios	2021				2020			
	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	53.1%	59.2%	46.5%	21.9%	27.0%	34.9%	20.9%	34.5%
Cost/Income (%) - operating expenses as a % of operating income	43.5%	45.7%	44.9%	48.7%	47.0%	45.6%	45.3%	48.1%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.16%	0.11%	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	2.2%	2.2%	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	173	157	127	71	83	99	58	98

⁴ The profitability and cost/income ratios are weighted by new business volumes, while the cost of risk, RoA and RoE ratio are weighted by the average portfolio over the relevant period. For example, each company's individual profitability ratio is weighted by its new business over the period Q3 2021 to arrive at the weighted average ratio of 53.1% shown in the table.

Fig. 1: Growth Rates of Financial Indicators, 2020 – Q3 2021⁵

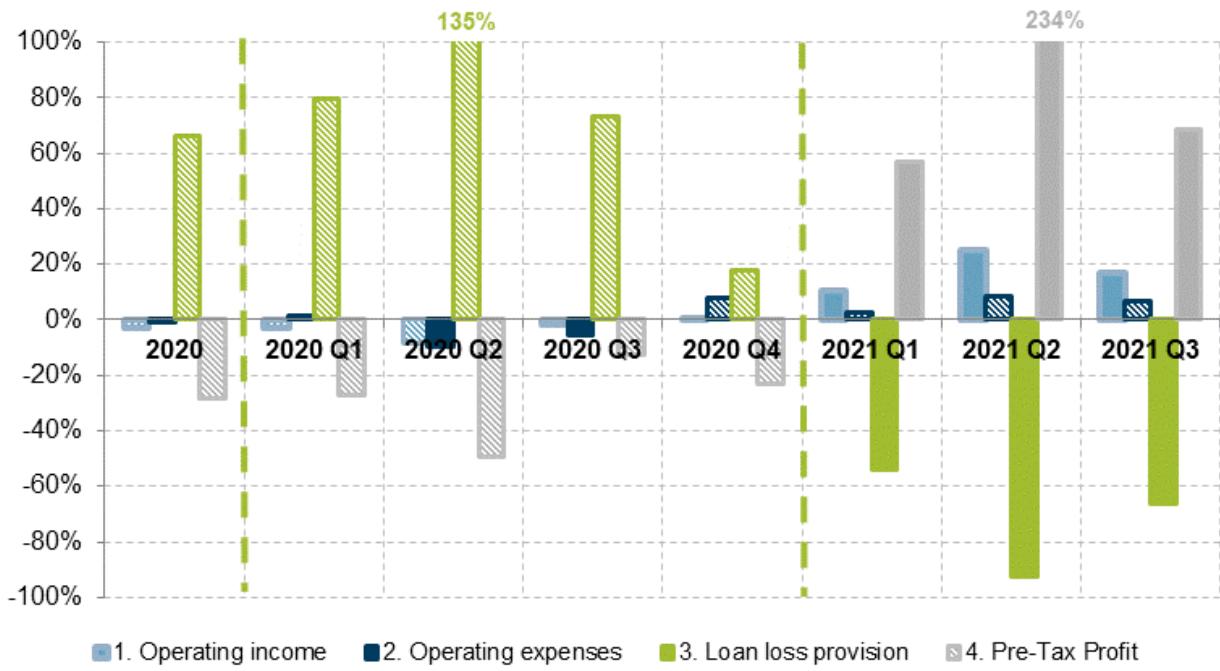
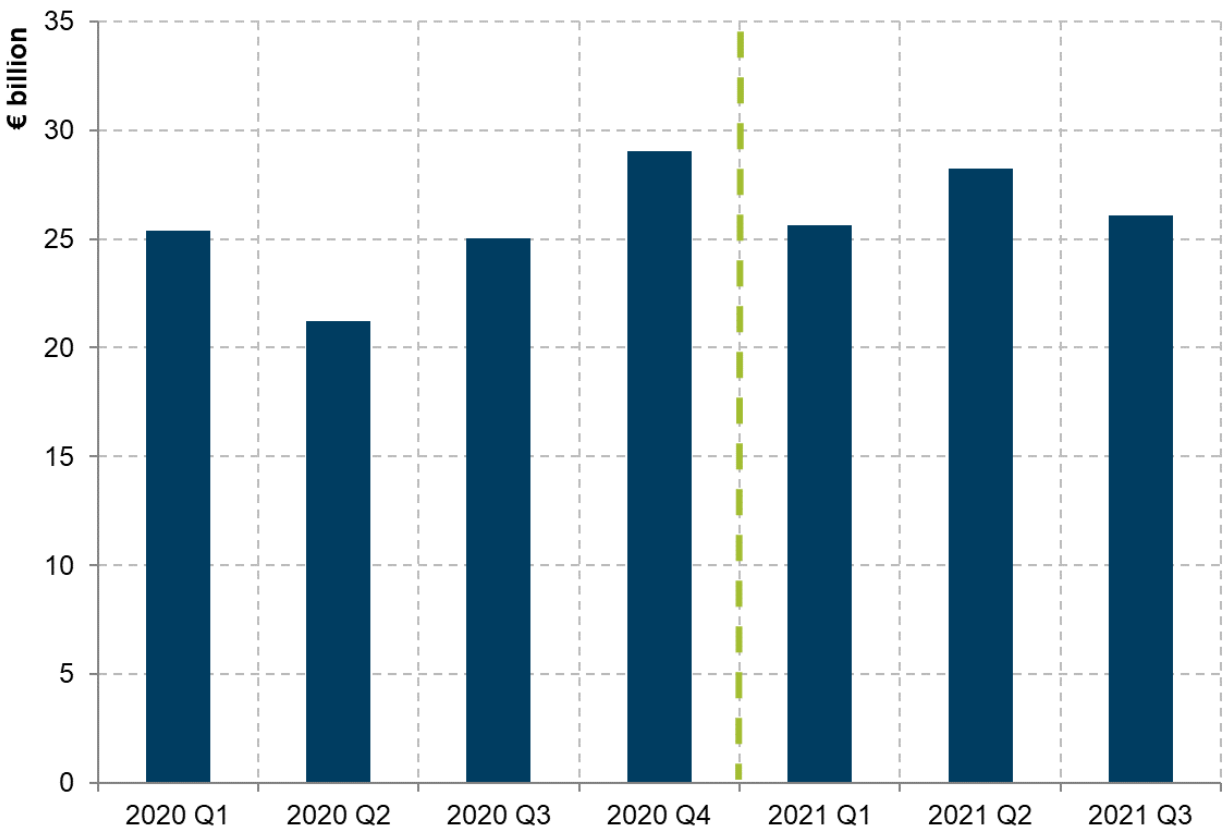


Fig. 2: New Business Volumes, Q1 2020 – Q3 2021



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

Fig. 3: Profitability Ratio, 2020 – Q3 2021

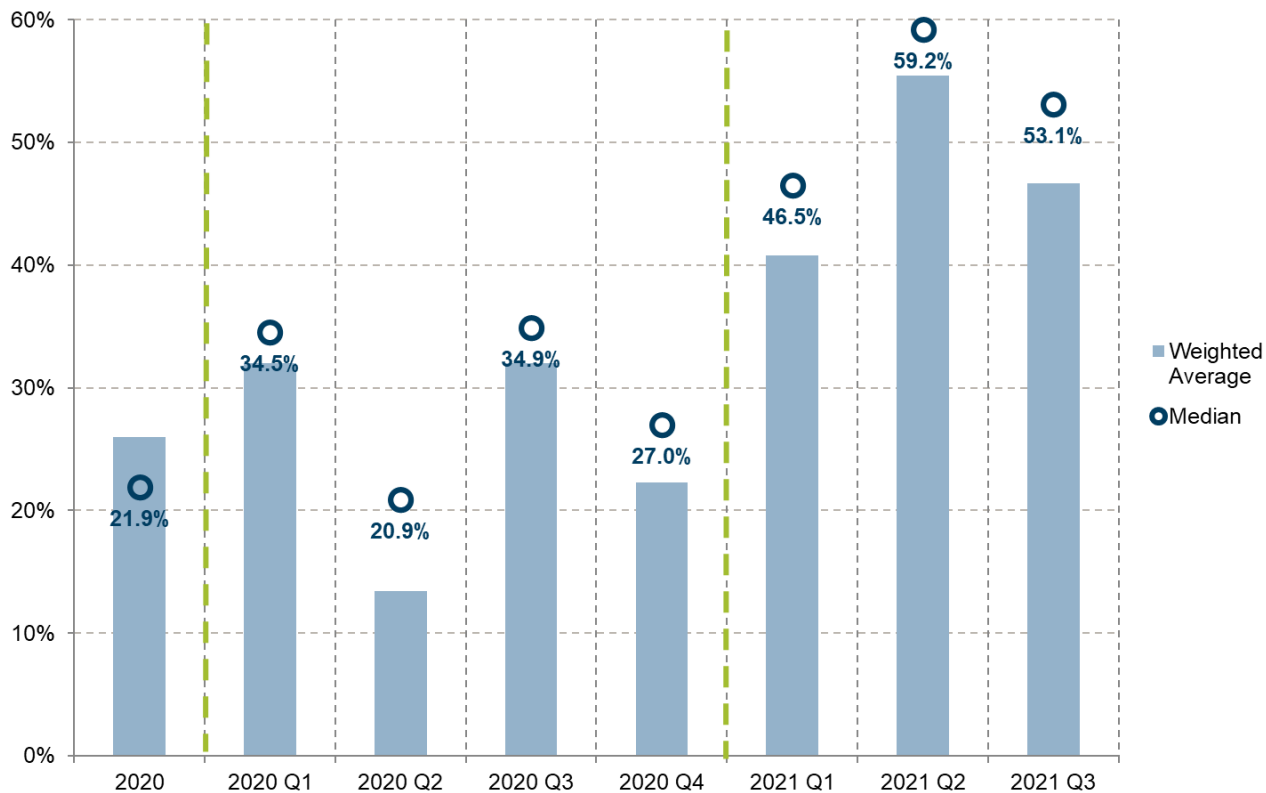


Fig. 4: Cost / Income Ratio, 2020 – Q3 2021

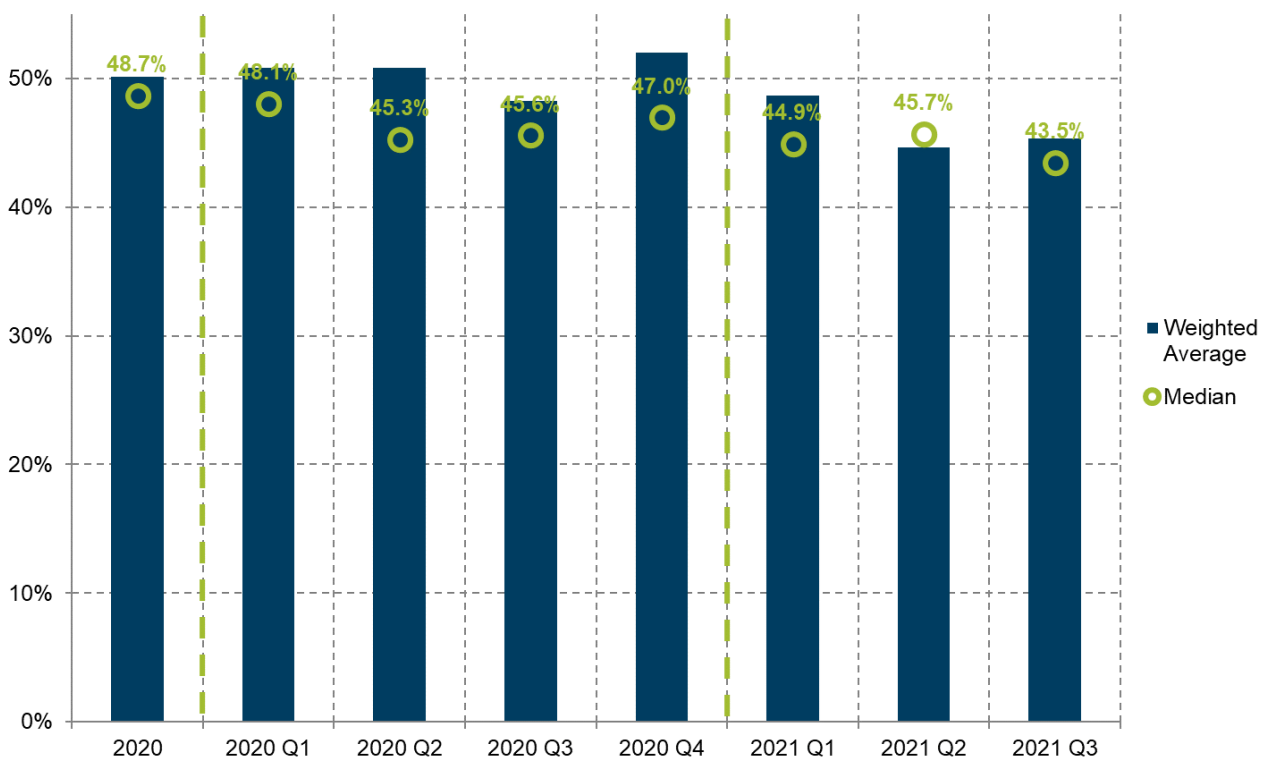


Fig. 5: Cost of Risk Ratio, 2020 – Q3 2021

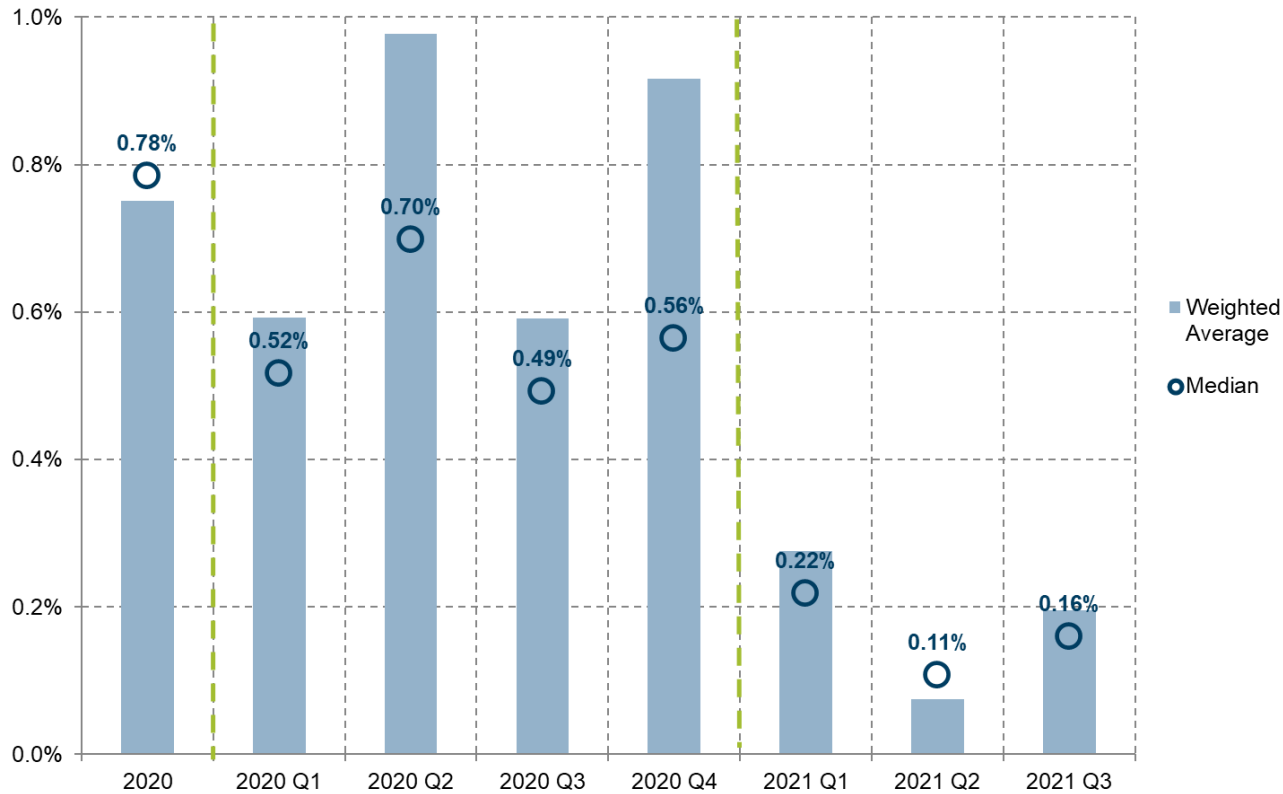


Fig. 6: Return on Assets Ratio, 2020 – Q3 2021

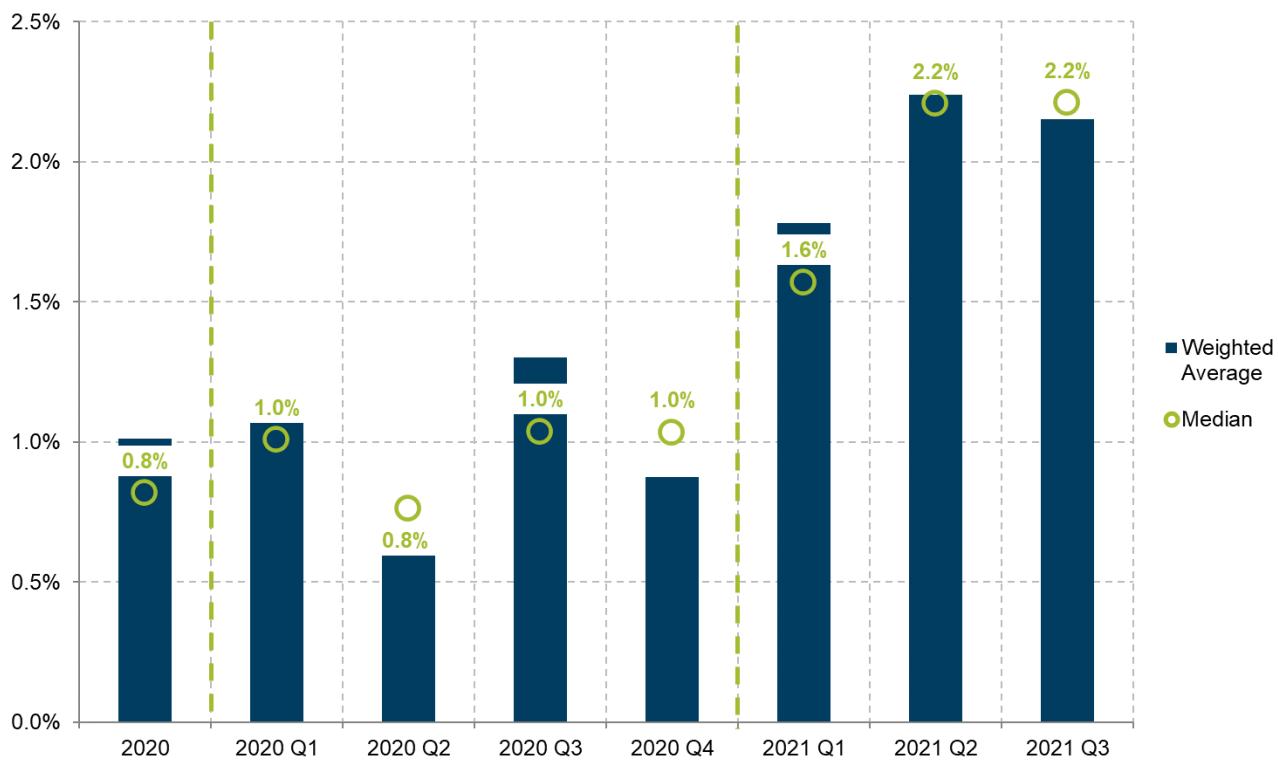


Fig. 7: Weighted Average Return on Equity Index, 2020 – Q3 2021

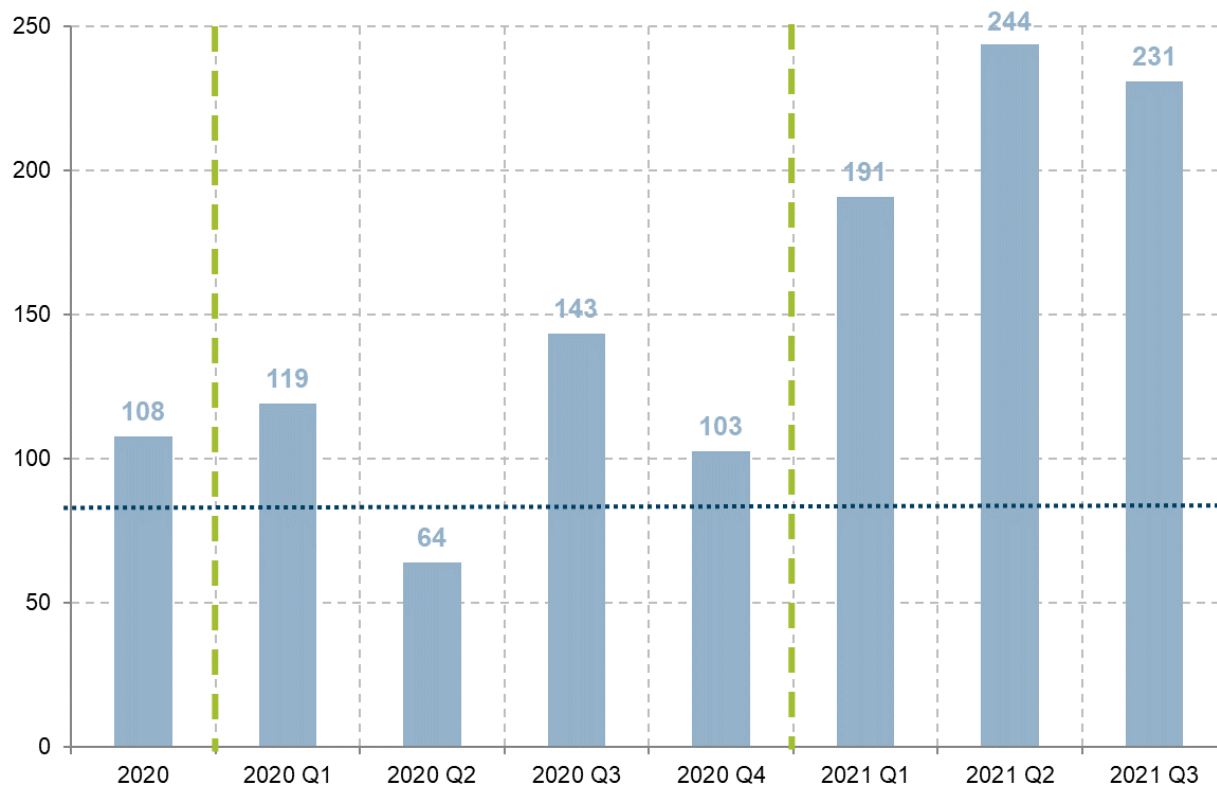


Table 4: Quartiles⁶ for Ratios in Q3 2021

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-62.8%	16.2%	-1.54%	-0.9%
Quartile 1 (25%)	41.3%	34.4%	0.00%	1.0%
Quartile 2 (50%) i.e. median	53.1%	43.5%	0.16%	2.2%
Quartile 3 (75%)	65.8%	51.3%	0.41%	3.2%
Maximum	92.8%	73.2%	1.61%	6.4%
Weighted Average	46.7%	45.3%	0.20%	2.2%

⁶ Quartiles show the value of the boundary at the 25th, 50th, or 75th percentiles of a frequency distribution divided into four parts, each containing a quarter of the values in the dataset. In the table, Quartile 3 (75th percentile or upper quartile) identifies that 3/4 of the population members have a value below this quartile figure. The median value shows the middle value of the 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.