

## LEASEUROPE INDEX LATEST RESULTS: Q2 2020

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**Brussels, 16 September 2020** – The Leaseurope Index is a unique survey that tracks key performance indicators of a sample of 23 European lessors on a quarterly basis. This Q2 2020 is the thirty-eighth edition of the survey.

The Covid-19 pandemic had a pronounced impact on the results of Q2 2020. Most of the KPIs considerably deteriorated, except for median cost/income. Compared to Q2 2019, total new business volumes shrank by nearly -30%, reaching €20.6 billion. The portfolio of outstanding contracts expanded by 1.1% in Q2 2020, while risk weighted assets remained relatively stable with a marginal increase of 0.3%.

### **Profit & profitability**

Aggregate pre-tax profit halved (-50.3%) in Q2 2020 compared to the same quarter of the previous year. This was largely driven by escalating loan loss provisions rather than any dramatic fall in income. As a result, weighted average profitability in Q2 2020 declined by almost one-third compared to the Q2 2019 level, from 40.6% to just 13.1%. The median profitability for the 'typical' company in the sample also shared a similar trend, despite at a higher level of 20.3% in the second quarter of 2020.

### **Income, expenses & cost/income**

Both operating income and expenses showed declines of -9.3% and -11.2% respectively in Q2 2020 compared to the same period last year. Notably, it was the first time that operating expenses experienced such a sharp improvement in the history of the index. Consequently, the median cost/income ratio improved by 1.3 percentage points to reach 45.3%, whereas the weighted average cost/income ratio remained relatively unchanged at around 50% in the second half of 2020.

### **Loan loss provision & cost of risk**

Loan loss provisions surged by 134.2% in Q2 2020 compared to the same period a year ago. As a result, the weighted average cost of risk significantly worsened, rising from 0.42% in Q2 2019 to 0.97% in Q2 2020. Although cost of risk was more positive when excluding outlier effects, the median ratio hit a record high in the second quarter of 2020 at 0.7%. These levels approach but are not as high as the levels experienced in 2010.

### **RoA and RoE<sup>1</sup> indicators**

In Q2 2020, both RoA and RoE were at their lowest levels since 2010. Weighted average RoA stood at 0.7%, with a median ratio at 0.8% for the 'typical' leasing company.

Jochen Jehmlich, CEO Societe Generale Equipment Finance commented, *“The KPIs tracked by the Leaseurope Index show that the European leasing industry was not exempt from the general downturn experienced as a result of the Covid-19 pandemic in the second quarter. At present, portfolios continue to expand despite a large drop in new business, and lessors have responded rapidly to the crisis by lowering costs and taking very conservative positions on loan loss provisions to reflect the highly uncertain economic environment. For the rest of the year, the European Commission has forecast a slow rebound in business investment due to lingering uncertainty surrounding demand and the future of UK-EU trading relations.<sup>2</sup> Although this environment certainly presents additional challenges, European lessors will continue leveraging their strengths to provide much needed asset financing to facilitate business recovery, particularly for SMEs.”*

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<sup>1</sup> 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.

<sup>2</sup> European Economic Forecast, Summer 2020.

**Table 1: Aggregate Data, Q1 2019 – Q2 2020<sup>3</sup>**

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2020 Q2		2020 Q1		2019 Q4	
	Sum of values (€ millions)	% change versus Q2 2019	Sum of values (€ millions)	% change versus Q1 2019	Sum of values (€ millions)	% change versus Q4 2019
1. Operating income	2,385	-9.3%	2,566	-2.7%	2,695	3.8%
2. Operating expenses	1,232	-11.2%	1,333	2.2%	1,322	6.7%
3. Loan loss provision	685	134.2%	422	79.8%	554	161.2%
4. Pre-Tax Profit	472	-50.3%	806	-26.4%	817	-26.4%
5. RWA at end of period	196,924	0.3%	198,947	2.9%	200,719	4.0%
6. Portfolio at end of period	280,495	1.1%	282,693	4.9%	288,379	4.9%
7. New business volumes	20,633	-29.7%	25,994	-0.6%	30,445	5.2%

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2019 Q3		2019 Q2		2019 Q1	
	Sum of values (€ millions)	% change versus Q3 2018	Sum of values (€ millions)	% change versus Q2 2018	Sum of values (€ millions)	% change versus Q1 2018
1. Operating income	2,631	4.4%	2,628	-0.7%	2,636	2.9%
2. Operating expenses	1,334	8.5%	1,388	15.1%	1,304	5.3%
3. Loan loss provision	245	-30.6%	293	81.1%	235	10.6%
4. Pre-Tax Profit	1,049	11.8%	951	-24.9%	1,096	-1.2%
5. RWA at end of period	200,102	2.6%	196,372	2.9%	193,359	2.5%
6. Portfolio at end of period	282,450	4.5%	277,431	3.0%	275,563	3.8%
7. New business volumes	28,056	7.0%	29,368	1.1%	26,158	6.3%

**Table 2: Aggregate Data, 2016 – 2019 Annual<sup>4</sup>**

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2019		2018		2017		2016	
	Sum of values (€ millions)	% change versus 2018	Sum of values (€ millions)	% change versus 2017	Sum of values (€ millions)	% change versus 2016	Sum of values (€ millions)	% change versus 2015
1. Operating income	10,657	3.4%	10,307	2.1%	10,094	-0.4%	10,137	3.5%
2. Operating expenses	5,268	3.8%	5,074	4.6%	4,849	1.0%	4,802	6.6%
3. Loan loss provision	1,328	30.7%	1,016	34.6%	755	-57.5%	1,775	42.4%
4. Pre-Tax Profit	3,973	-6.5%	4,247	-5.7%	4,504	25.0%	3,605	-11.0%
5. RWA at end of period	200,473	3.4%	193,804	4.0%	186,297	3.7%	179,735	0.6%
6. Portfolio at end of period	288,379	4.9%	275,653	4.8%	263,060	3.5%	254,217	3.1%
7. New business volumes	113,337	4.0%	108,961	6.6%	102,247	4.5%	97,846	7.5%

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

<sup>4</sup> The aggregate annual data are shown here as reported in the Q4 2019 survey.

**Table 3a: Weighted Average Ratios, 2019 – Q2 2020<sup>5</sup>**

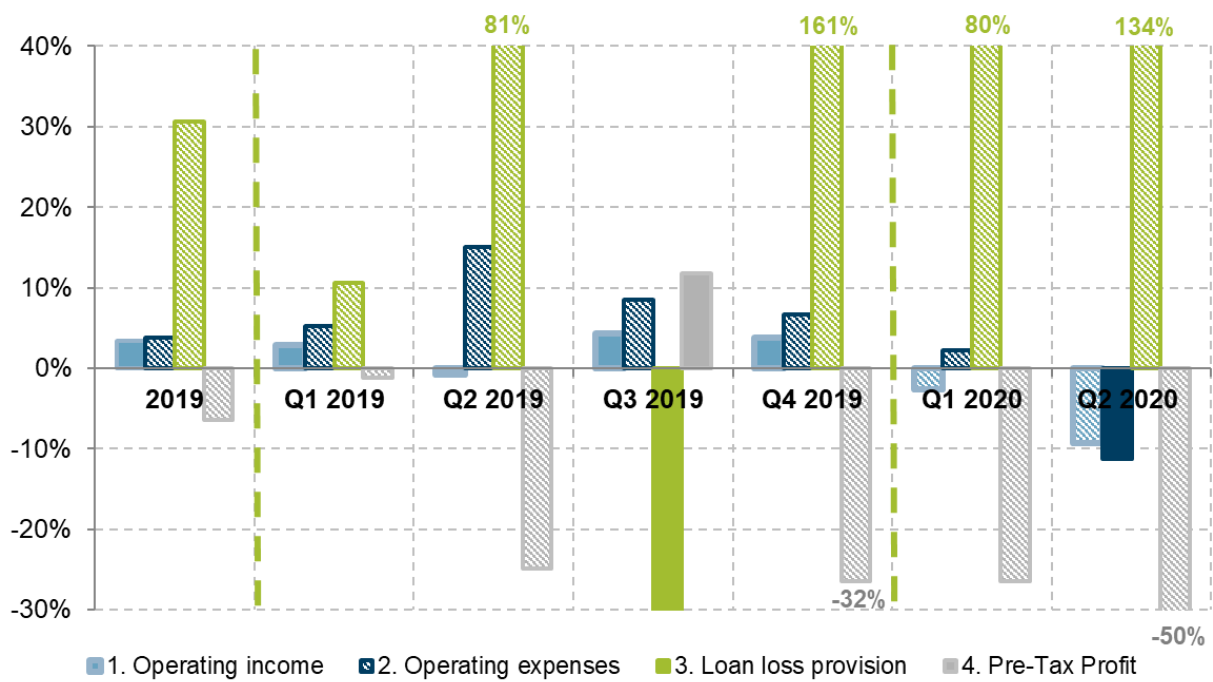
Weighted Average Ratios	2020		2019				
	Q2 2020	Q1 2020	2019 Full Year	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>Profitability (%)</b> - pre-tax profit as a % of total operating income	13.1%	32.1%	<b>38.0%</b>	29.7%	40.5%	40.6%	40.7%
<b>Cost/Income (%)</b> - operating expenses as a % of operating income	49.9%	50.8%	<b>48.4%</b>	49.1%	49.3%	49.7%	49.1%
<b>Cost of Risk (%)*</b> - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.97%	0.59%	<b>0.47%</b>	0.78%	0.35%	0.42%	0.34%
<b>Return on Assets (%)*</b> - net profit before tax (annualised) as a percentage of average portfolio over the period	0.7%	1.1%	<b>1.4%</b>	1.1%	1.5%	1.4%	1.6%
<b>Return on Equity (index, 2011=100)*</b> - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	63	119	<b>152</b>	128	159	149	165

**Table 3b: Median Ratios, 2019 – Q2 2020**

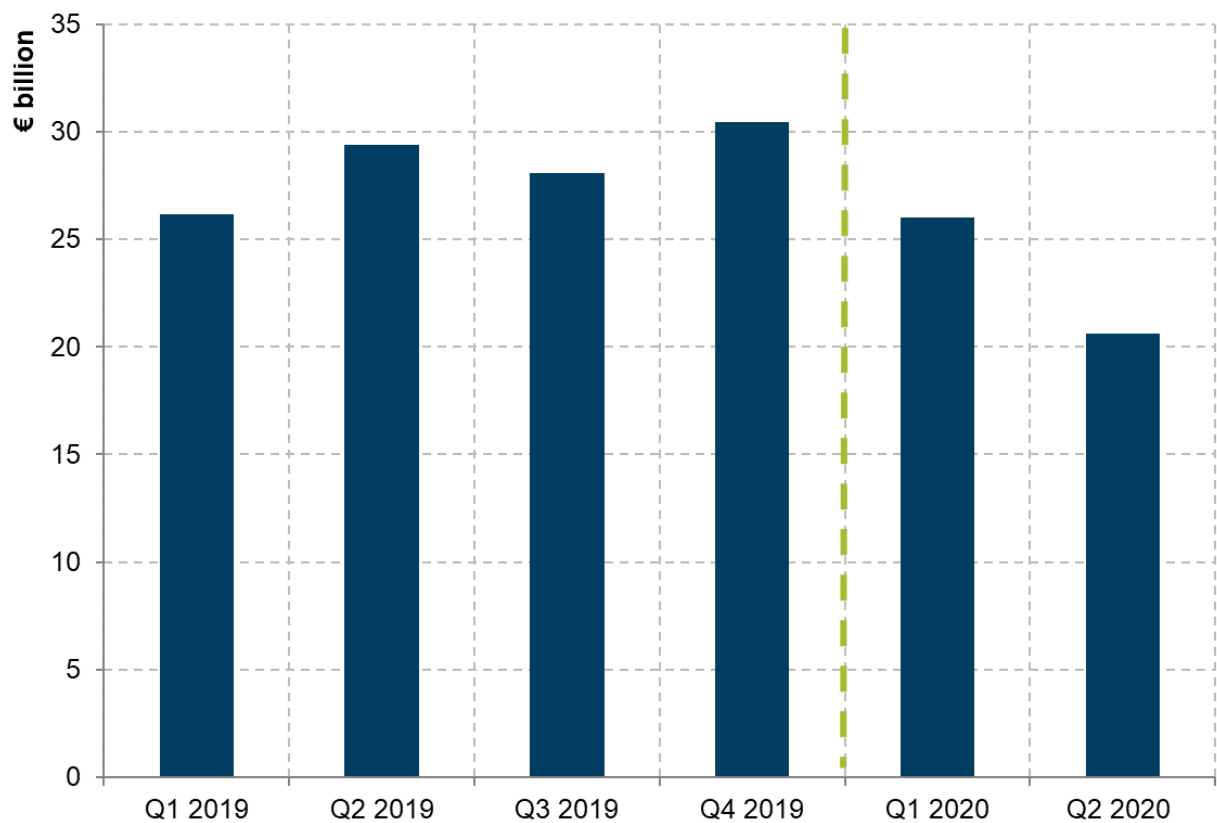
Median Ratios	2020		2019				
	Q2 2020	Q1 2020	2019 Full Year	Q4 2019	Q3 2019	Q2 2019	Q1 2019
<b>Profitability (%)</b> - pre-tax profit as a % of total operating income	20.3%	34.5%	<b>34.4%</b>	35.8%	40.0%	43.5%	40.6%
<b>Cost/Income (%)</b> - operating expenses as a % of operating income	45.3%	48.1%	<b>48.5%</b>	48.6%	48.2%	46.6%	48.3%
<b>Cost of Risk (%)*</b> - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.70%	0.52%	<b>0.38%</b>	0.39%	0.38%	0.23%	0.30%
<b>Return on Assets (%)*</b> - net profit before tax (annualised) as a percentage of average portfolio over the period	0.8%	1.0%	<b>1.3%</b>	1.1%	1.2%	1.3%	1.4%
<b>Return on Equity (index, 2011=100)*</b> - net profit before tax (annualised) as a percentage of 10.5% of total risk weighted assets over the period	54	93	<b>117</b>	124	116	107	112

<sup>5</sup> 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 Q2 2020 to arrive at the weighted average ratio of 13.1% shown in the table.

**Fig. 1: Growth Rates of Financial Indicators, 2019 – Q2 2020<sup>6</sup>**

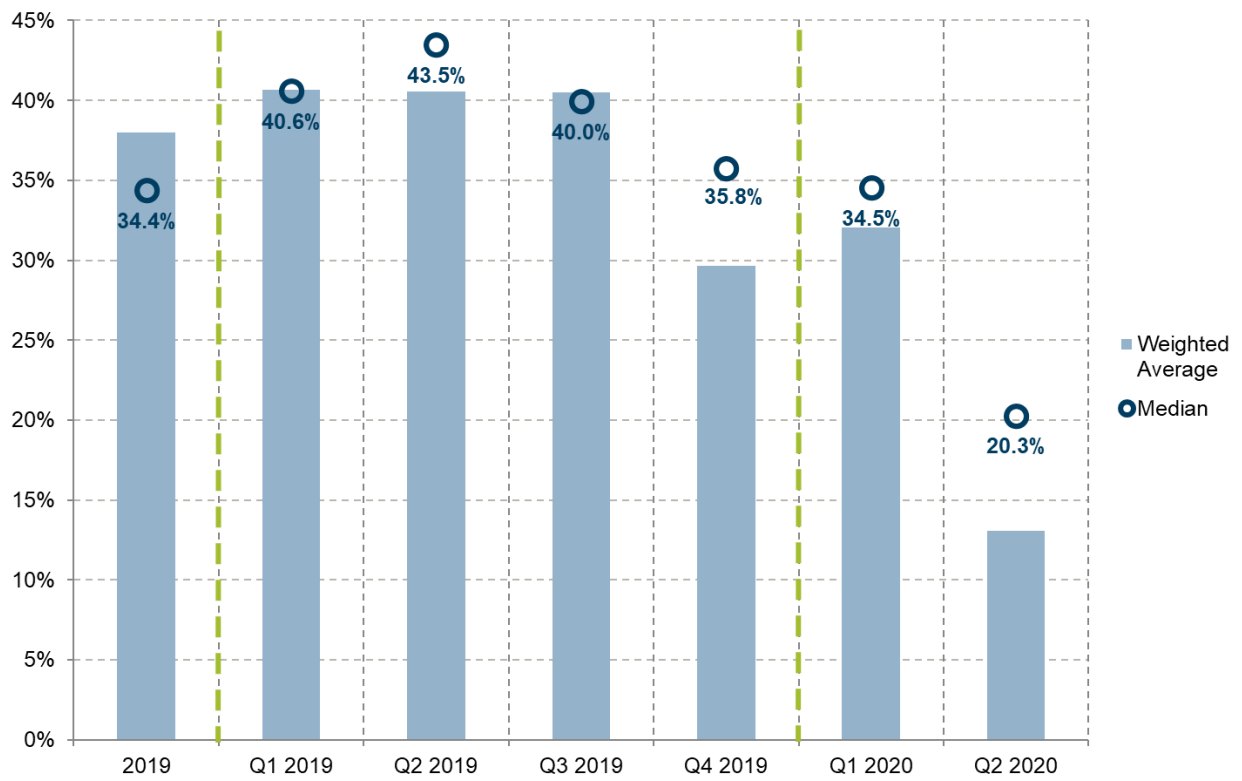


**Fig. 2: New Business Volumes, Q1 2019 – Q2 2020**

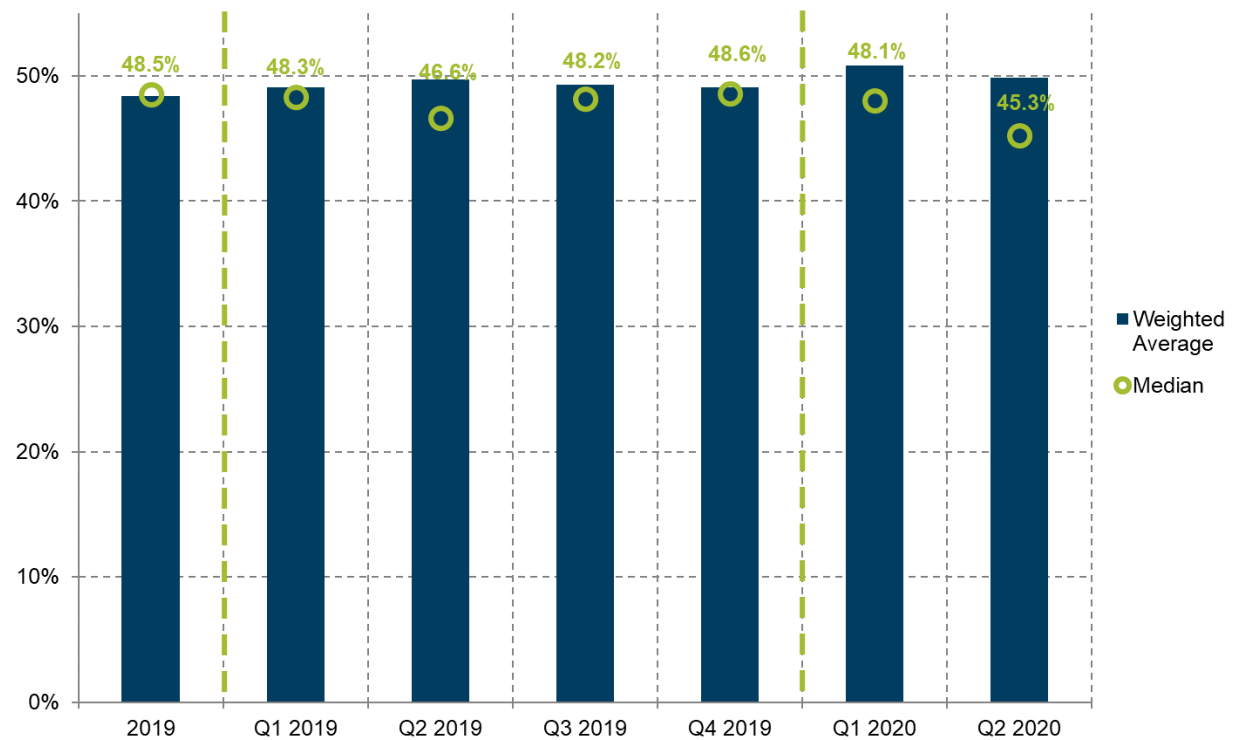


<sup>6</sup> A thick border around an individual bar in the chart is illustrative of a negative development in the indicator.

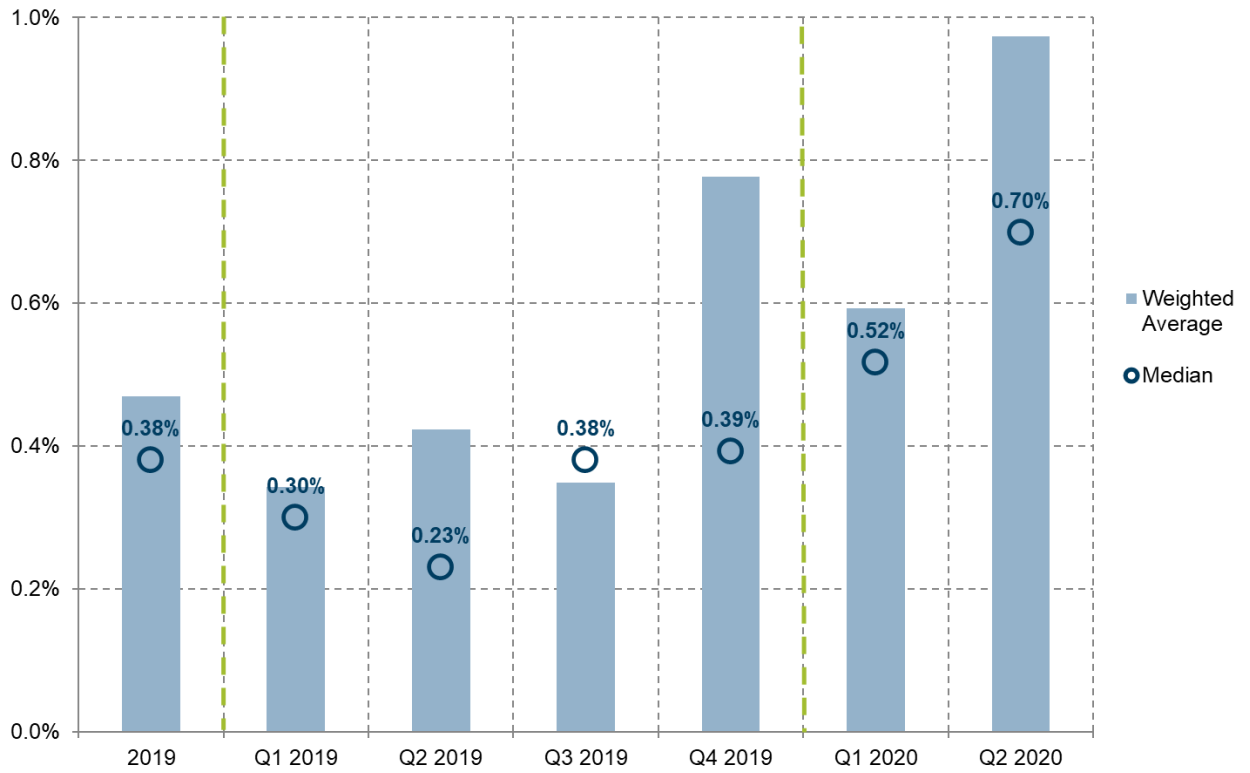
**Fig. 3: Profitability Ratio, 2019 – Q2 2020**



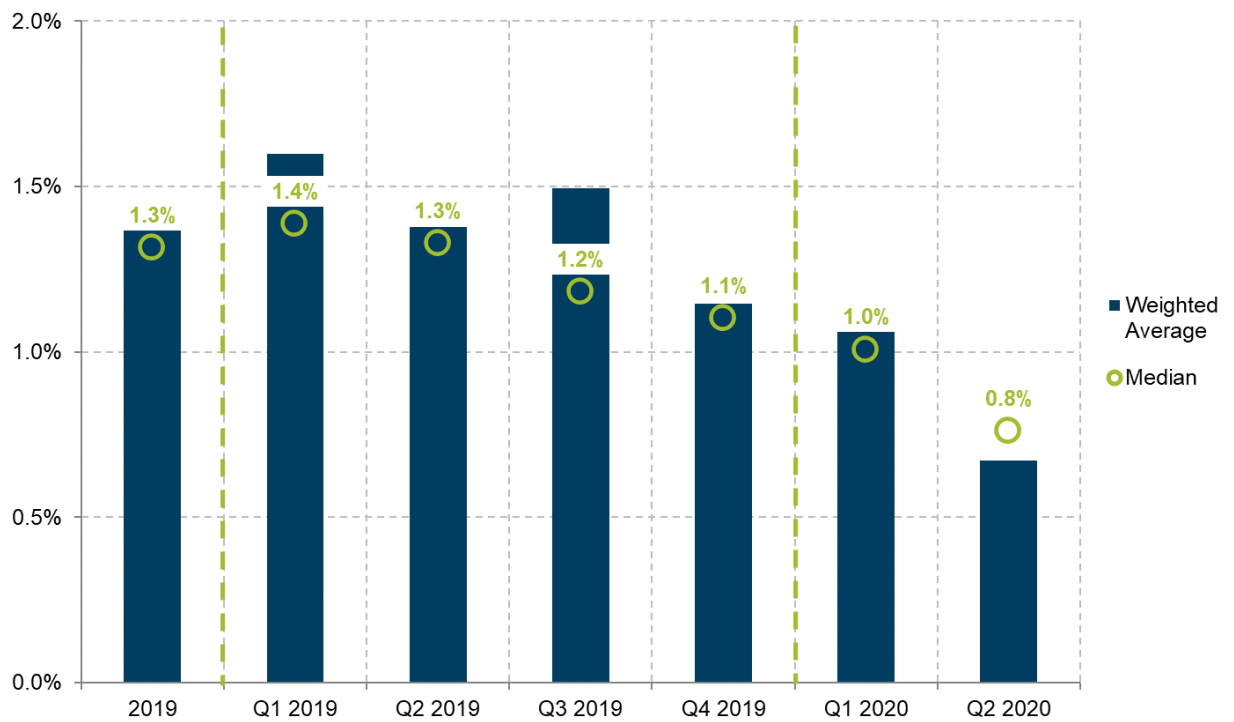
**Fig. 4: Cost / Income Ratio, 2019 – Q2 2020**



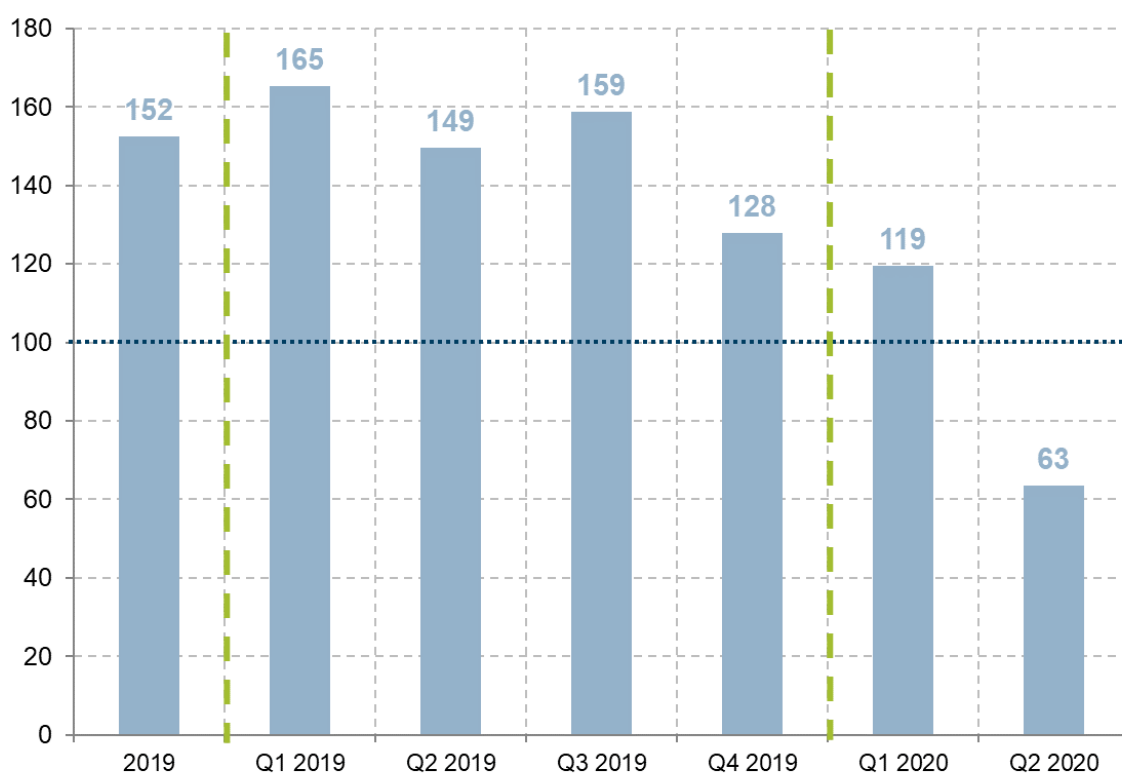
**Fig. 5: Cost of Risk Ratio, 2019 – Q2 2020**



**Fig. 6: Return on Assets Ratio, 2019 – Q2 2020**



**Fig. 7: Weighted Average Return on Equity Index, 2019 – Q2 2020**



**Table 4: Quartiles<sup>7</sup> for Ratios in Q2 2020**

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-50.9%	16.1%	0.10%	-1.9%
Quartile 1 (25%)	-10.0%	36.1%	0.38%	-0.3%
Quartile 2 (50%) i.e. median	20.3%	45.3%	0.70%	0.8%
Quartile 3 (75%)	35.9%	54.9%	1.76%	1.3%
Maximum	74.4%	96.4%	4.46%	4.8%
Weighted Average	13.1%	49.9%	0.97%	0.7%

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<sup>7</sup> 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 (75<sup>th</sup> 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.

## Media Contact

For further information, please contact:

Hayley McEwen  
Senior Advisor, Business Development & Stakeholder Engagement  
+32 2 778 05 71  
[h.mcewen@leaseurope.org](mailto:h.mcewen@leaseurope.org)

Tham Giang  
Adviser, Statistics & Economic Affairs  
+32 2 778 05 66  
[t.giang@leaseurope.org](mailto:t.giang@leaseurope.org)

## 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. The scope of products covered by Leaseurope members' ranges from hire purchase and finance leases to operating leases of all asset categories (automotive, equipment, machinery, ICT and real estate). It also includes the short-term rental of cars, vans and trucks. It is estimated that Leaseurope represents over 90% of the European leasing market. In 2019, the leasing firms represented through Leaseurope's members helped European businesses and other customers invest in assets worth more than €407 billion, reaching about €919 billion in outstanding portfolio at the end of the year. Find out more at [www.leaseurope.org](http://www.leaseurope.org).



## About the Leaseurope Index

### Who conducts this survey?

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

### What is the purpose of this survey?

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

### What indicators are covered by the Leaseurope Index?

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

Definitions:

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

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

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

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

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

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

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

#### Which companies take part in the survey?

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 Banca Impresa, 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

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