

Leaseurope



The Voice of Leasing and Automotive Rental in Europe

Leas LEASEUROPE
INDEX

Survey of European leasing and rental firms

Leaseurope Index
Q4 2021

LEASEUROPE INDEX RESULTS: Q4 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 Q4 2021 survey is the forty-fourth edition.

All of the weighted average ratios continued to improve in Q4 2021 compared to the same period in 2020. When excluding some large outlier values, the trend in the median ratios revealed a similar picture for the 'typical' company in the sample, with profitability, cost/income and cost of risk performing better in the fourth quarter of 2021. On an annual basis, all KPIs show a strong rebound in 2021.

Total new leasing volumes reported in Q4 2021 by the sample of firms were up by 1.9% in comparison to the same quarter of the previous year. The whole of 2021 experienced an increase of 9.6%, seeing almost €110 billion in new business conducted. The portfolio of outstanding contracts in the sample expanded by 2.9% in 2021, with risk-weighted assets increasing by a similar level of 2.3%.

Profit & profitability

Aggregate pre-tax profit hit a record high in 2021, which was mainly driven by large declines in loan loss provisions and high operating income. As a result, weighted average profitability nearly doubled from 26.3% to 47.5% between 2020 and 2021, with median values showing similar performance.

Income, expenses & cost/income

Aggregate operating income rose by nearly one-fifth (19.1%) in Q4 2021 compared to 2020's same period. Since operating expenses escalated to a lower degree during this period, rising by 1.8%, the weighted average cost/income ratio dropped to 46.1% from 51.8%. The whole of 2021 shared the same trend, with income growth of 18.4% exceeding cost escalation of 5.7%. This resulted in a decline in the average cost/income ratio, reaching a similar level of the fourth quarter of 46.1% for 2021.

Loan loss provision & cost of risk

Loan loss provisions in Q4 2021 continued to experience releases for the fourth consecutive quarter. As a consequence, the average annualised cost of risk improved from 0.92% in the fourth quarter of 2020 to 0.26% in 2021's same period. Over the full year 2021, both median and weighted average cost of risk contracted by almost four times lower than the previous year, reaching the level of 0.2% each.

RoA and RoE indicators

Weighted average RoA and RoE¹ in Q4 2021 roughly doubled compared to Q4 2020. In the whole year of 2021, both ratios experienced improvements.

Patrick Beselaere, Global Head at ING Lease, commented that *“Regardless of the persistent uncertainties, 2021 marked a significant recovery for the European leasing sector with solid performances in financial KPIs observed throughout the year. Particularly, European lessors have managed to strengthen their income and portfolio, with the sizable releasing of loan loss provisions. This year will present unprecedented challenges for firms across Europe due to higher inflationary pressures, driven by soaring energy prices and supply chain disruptions.² Although the near-term outlook for business investment remains subdued, what is clear is the stronger need to invest in green and digital technologies, and we will stand ready to assist European firms of all sizes through their transitions.”*

¹ In order to ensure a feasible and comparable data collection across our sample, 10.5% of total risk weighted assets (RWA) 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 – Winter 2022.

Table 1: Aggregate Data, Q1 2021 – Q4 2021³

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2021 Q4		2021 Q3		2021 Q2		2021 Q1	
	Sum of values (€ millions)	% change versus 2020 Q4	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	3,187	19.1%	3,073	19.2%	3,014	24.9%	2,817	10.3%
2. Operating expenses	1,431	1.8%	1,362	8.2%	1,359	8.6%	1,364	2.8%
3. Loan loss provision	187	-70.8%	129	-68.7%	53	-92.3%	195	-53.8%
4. Pre-Tax Profit	1,562	151.5%	1,587	74.4%	1,600	233.9%	1,258	57.0%
5. RWA at end of period	199,371	2.3%	197,292	1.9%	196,472	0.5%	195,670	-1.5%
6. Portfolio at end of period	289,700	2.9%	287,827	3.1%	287,440	2.4%	284,041	0.6%
7. New business volumes	29,559	1.9%	26,104	4.3%	28,235	33.1%	25,625	1.0%

Table 2: Aggregate Data, 2018 – 2021 Annual⁴

Aggregated data provided by companies (all figures in millions of euro for the relevant period)	2021		2020		2019		2018	
	Sum of values (€ millions)	% change versus 2020	Sum of values (€ millions)	% change versus 2019	Sum of values (€ millions)	% change versus 2018	Sum of values (€ millions)	% change versus 2017
1. Operating income	12,083	18.4%	10,205	-3.3%	10,551	2.4%	10,307	2.1%
2. Operating expenses	5,508	5.7%	5,212	-1.5%	5,290	4.3%	5,074	4.6%
3. Loan loss provision	550	-74.7%	2,175	65.7%	1,313	29.2%	1,016	34.6%
4. Pre-Tax Profit	6,055	116.4%	2,798	-28.4%	3,909	-8.0%	4,247	-5.7%
5. RWA at end of period	199,371	2.3%	194,975	-2.4%	199,742	3.1%	193,804	4.0%
6. Portfolio at end of period	289,700	2.9%	281,553	-1.7%	286,414	3.9%	275,653	4.8%
7. New business volumes	109,452	9.6%	99,852	-12.4%	114,013	4.6%	108,961	6.6%

³ Historical figures have been revised slightly since the results were last published due to re-statements by some reporting companies. Due to outlier values in a small pocket of the sample affecting the overall average, please refer to trends in median values for a more accurate representation of Q4 2021.

⁴ The aggregate annual data are shown here as reported in the Q4 2021 survey.

Table 3: Weighted Average Ratios, 2020 - 2021⁵

Weighted Average Ratios	2021					2020				
	Full year	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	47.5%	43.9%	47.2%	55.5%	40.8%	26.3%	23.0%	32.0%	13.4%	32.0%
Cost/Income (%) - operating expenses as a % of operating income	46.1%	46.1%	45.1%	44.6%	48.6%	50.0%	51.8%	48.2%	50.9%	50.8%
Cost of Risk (%)* - loan loss provisions (annualised) as a percentage of average portfolio over the period	0.19%	0.26%	0.18%	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	2.1%	2.2%	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	227	230	235	244	191	109	106	143	64	119

Table 4: Median Ratios, 2020 - 2021

Median Ratios	2021					2020				
	Full year	Q4	Q3	Q2	Q1	Full year	Q4	Q3	Q2	Q1
Profitability (%) - pre-tax profit as a % of total operating income	53.7%	50.5%	53.1%	59.2%	46.5%	22.5%	27.0%	34.9%	20.9%	34.5%
Cost/Income (%) - operating expenses as a % of operating income	45.1%	44.3%	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	0.15%	0.15%	0.16%	0.11%	0.22%	0.78%	0.54%	0.49%	0.70%	0.52%
Return on Assets (%)* - net profit before tax (annualised) as a percentage of average portfolio over the period	2.1%	1.7%	2.2%	2.2%	1.6%	0.9%	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	166	163	173	157	127	71	83	99	58	98

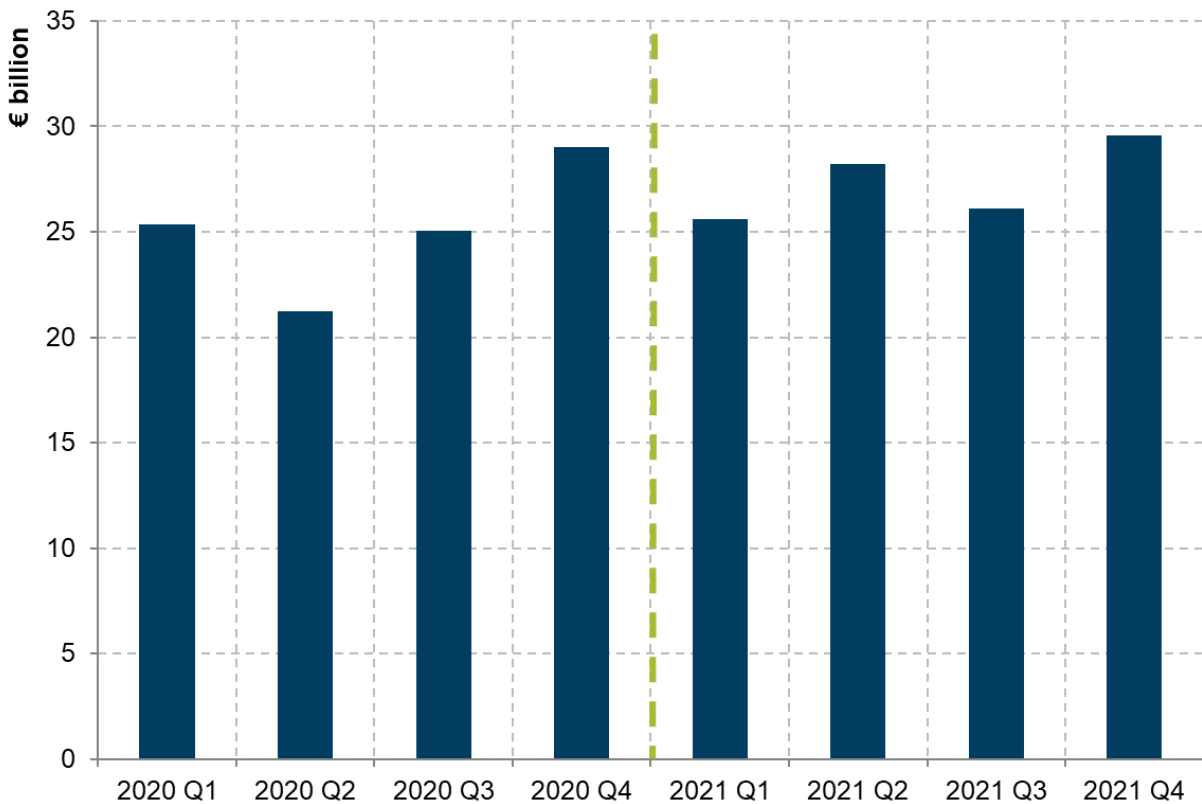
* denotes that the numerator (either loan loss provision or net profit) has been annualised in order to calculate the relevant ratio for each time period.

⁵ Please note that the estimate of equity has been updated in Q4 2018. As capital requirements in Europe have increased, we have increased the estimate of equity from 8% of RWA to 10.5% of RWA. This new treatment has been applied to the entire time series.

Fig. 1: Growth Rates of Financial Indicators, 2020 – Q4 2021⁶



Fig. 2: New Business Volumes, Q1 2020 – Q4 2021



⁶ A thick border around an individual bar in the chart is illustrative of a negative development in the indicator. Extraordinarily large positive or negative developments in a few individual company figures for loan loss provisions (and hence pre-tax profit) can have a disproportionately big impact on the averages shown here. These figures, while showing averages, are therefore not a good representation of the general condition of the whole sample.

Fig. 3: Profitability Ratio, 2018 – Q4 2021

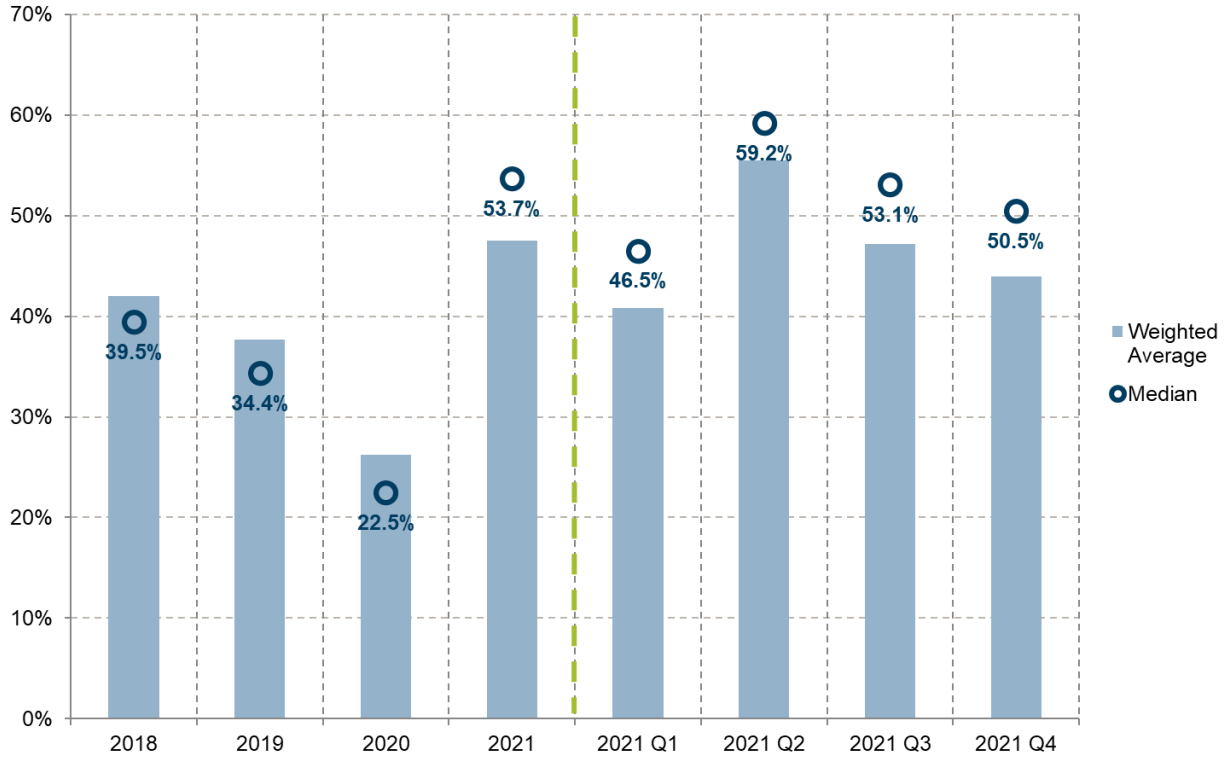


Fig. 4: Cost/Income Ratio, 2018 – Q4 2021

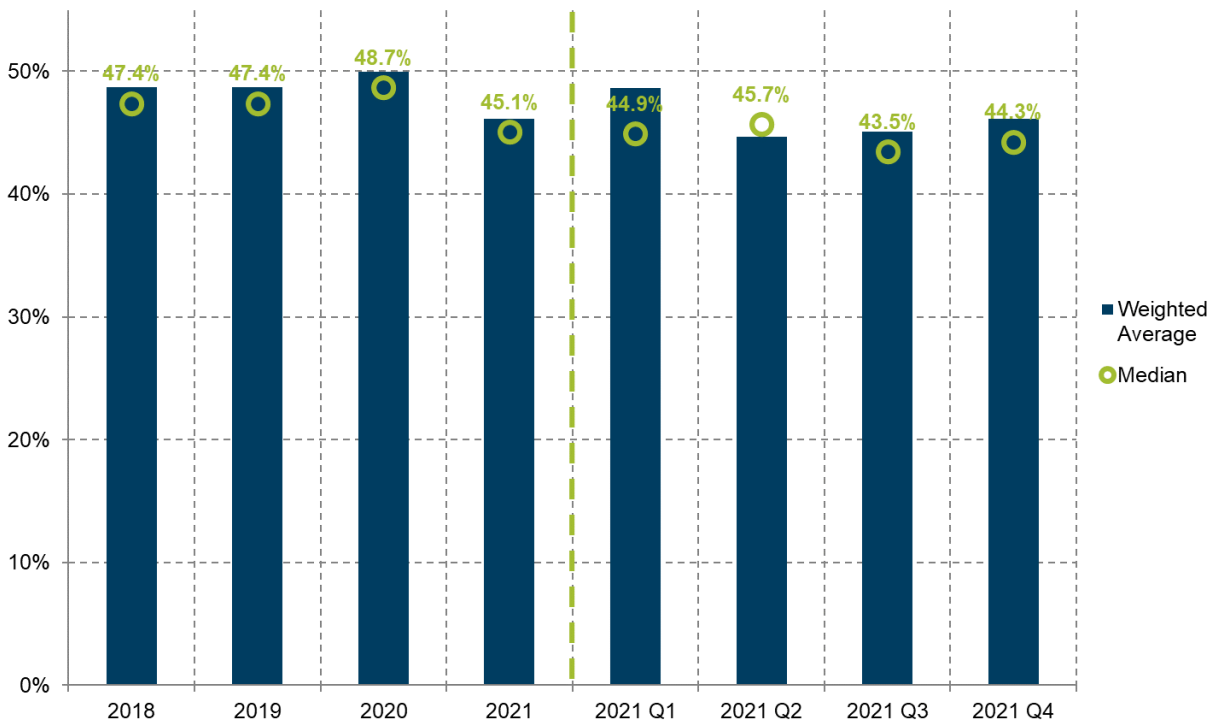


Fig. 5: Cost of Risk Ratio, 2018 – Q4 2021

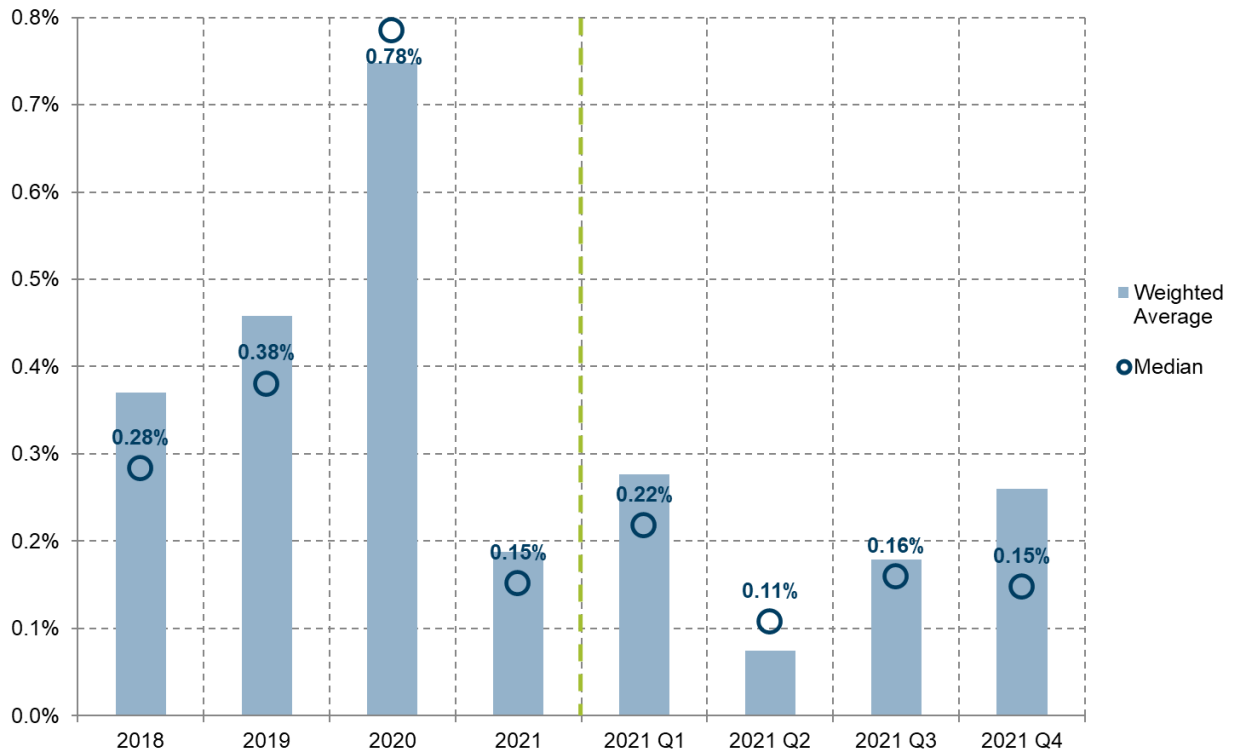
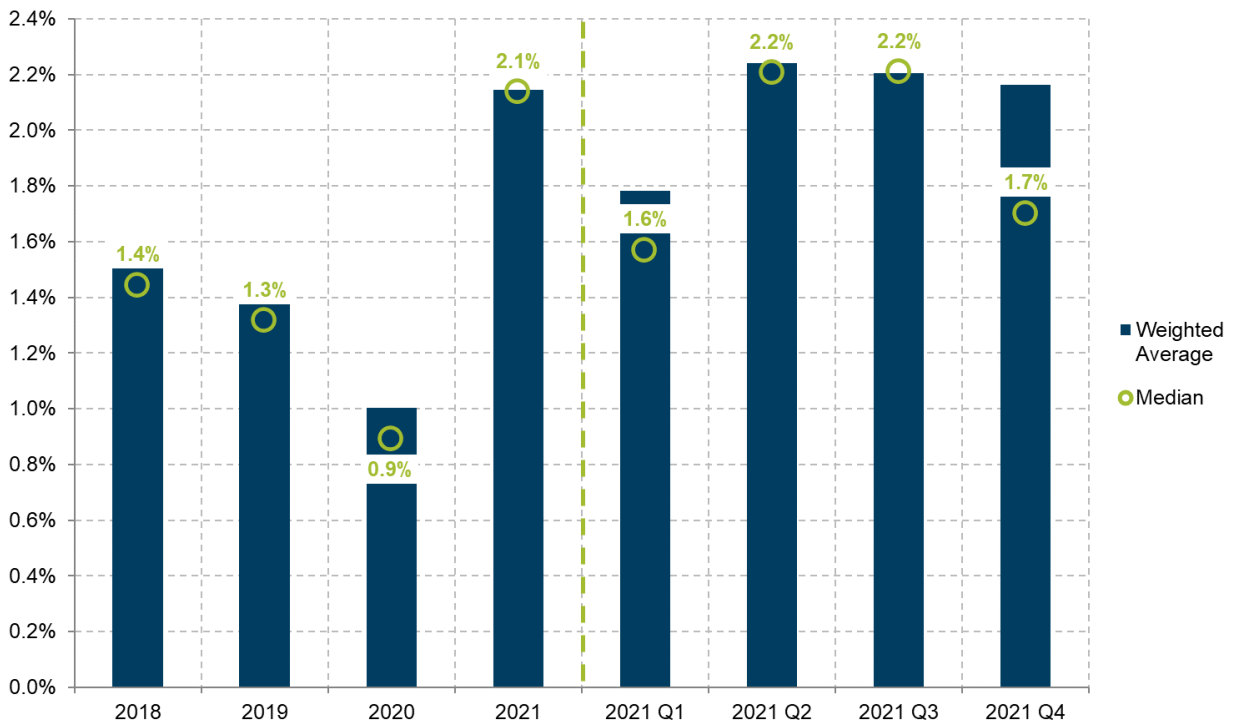


Fig. 6: Return on Assets Ratio, 2018 – Q4 2021⁷



⁷ Please refer to the trend in the median value for a more accurate representation of annual figures. The weighted average for 2021 Q4 was heavily influenced by extreme outlier values.

Fig. 7: Weighted Average Return on Equity Index, 2018 – Q4 2021

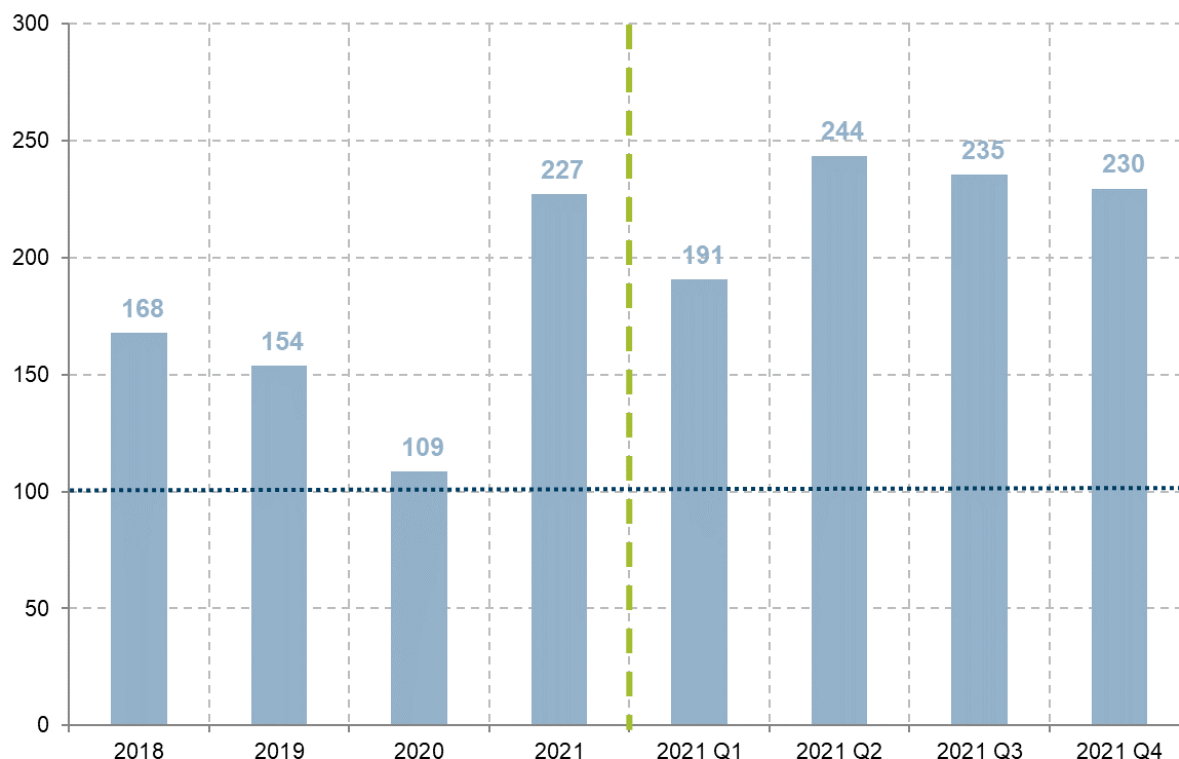


Table 5: Quartiles⁸ for Ratios in Q4 2021

	Profitability Ratio	Cost / Income Ratio	Cost of Risk Ratio	RoA Ratio
Minimum	-166.1%	14.5%	-0.94%	-4.8%
Quartile 1 (25%)	37.6%	34.9%	0.00%	1.1%
Quartile 2 (50%) i.e. median	50.5%	44.3%	0.15%	1.7%
Quartile 3 (75%)	64.2%	52.5%	0.30%	3.0%
Maximum	93.2%	73.2%	6.58%	6.9%
Weighted Average	43.9%	46.1%	0.26%	2.2%

⁸ 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, Novuna, 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.