FitchRatings

PJSC LC Europlan

Ratings

Foreign Currency	
Long-Term IDR	BB
Short-Term IDR	B
Local Currency	
Long-Term IDR	BB
Sovereign Risk	
Long-Term Foreign-Currency IDR	BBB
Long-Term Local-Currency IDR	BBB
Country Ceiling	BBB
Outlooks	
Long-Term Foreign-Currency IDR	Positive
Long-Term Local-Currency IDR	Positive
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

Key Rating Drivers

Strong Financial Metrics: PJSC LC Europlan's ratings reflect its continued record of solid performance, good asset quality helped by rigorous collection function, adequate liquidity and reasonable funding diversification that mitigates refinancing risk. The ratings are constrained by the company's monoline business model contingent on a cyclical Russian auto-market.

Niche Leader: Europlan is an autoleasing monoliner and a leader in its niche. It has a nationwide sales network and a market share in autoleasing of 13%. The company focuses on financial leasing, predominantly to SMEs.

Solid Asset Quality: Europlan's historically strong asset quality was resilient during the pandemic. Due to rapid growth in 2020 a sizeable portion of the lease book has yet to season, although this risk is mitigated by monthly repayment and low loan-to-values (LTV) on core lease products. Fitch Ratings therefore expects that the company will keep credit costs under control over the next few years.

Record of Strong Profitability: Europlan maintained very strong profitability in 2020 despite the challenging operating environment and protected return on average assets at 7%. Commission income covered around half of operational expenses. Impairment charges consumed a modest 3% of operational profit in 2020 – the same as in 2018 and 2019.

Controlled Increase in Leverage: Leverage, defined as gross debt-to-tangible equity, was 4.7x at end-1Q21. This increased from 4.4x at end-2020 due to an interim dividend and growth. Continuing solid capital generation will underpin the capital position, provided growth slows down in 2H21–2022 compared to 2H20–1H21. We expect the company's leverage to stabilise at around 4.5x, in line with Europlan's management's target.

Adequate Wholesale Funding Profile: Europlan is predominantly funded by Russian banks but it has increased bond placements since 2019. There are seven local issues outstanding composing 43% of the total funding at end-1Q21. Refinancing risk is mitigated by a record of smooth market access and the short tenor of the lease book, which largely matches funding maturities. Cash and equivalents comprised RUB2.8 billion at end-1Q21, which, together with predictable cash generation, covers short-term liquidity needs.

Rating Sensitivities

Franchise Strengthening: Continued franchise strengthening and resilience of Europlan's business model to external shocks, assuming it maintains solid financial metrics (notably profitability and leverage), coupled with improvements in corporate governance could lead to a one-notch upgrade.

Leverage Increase; Deterioration of Performance: A significant weakening of the company's performance, for instance, due to higher impairment charges or lower net interest margin, as well as an increase in leverage to significantly above Europlan's management's target of 4.5x would lead to revision of the Outlook back to Stable. Shareholder intervention, leading to an increased risk appetite or weaker quality of Europlan's capital, would also lead to an Outlook revision to Stable.

A sharp increase in Europlan's leverage to above 5.5x as a result of aggressive shareholder distribution, outsized growth, net losses or a combination of the above factors would trigger a downgrade.

Applicable Criteria

Non-Bank Financial Institutions Rating Criteria (February 2020)

Related Research

Challenges for Emerging Europe Finance and Leasing in 2021 (December 2020)

Fitch Ratings 2021 Outlook: Emerging Europe Finance and Leasing Companies (December 2020)

Leasing Sector in Russia and CIS (December 2020)

Analysts

Aslan Tavitov
+44 20 3530 1788
aslan.tavitov@fitchratings.com

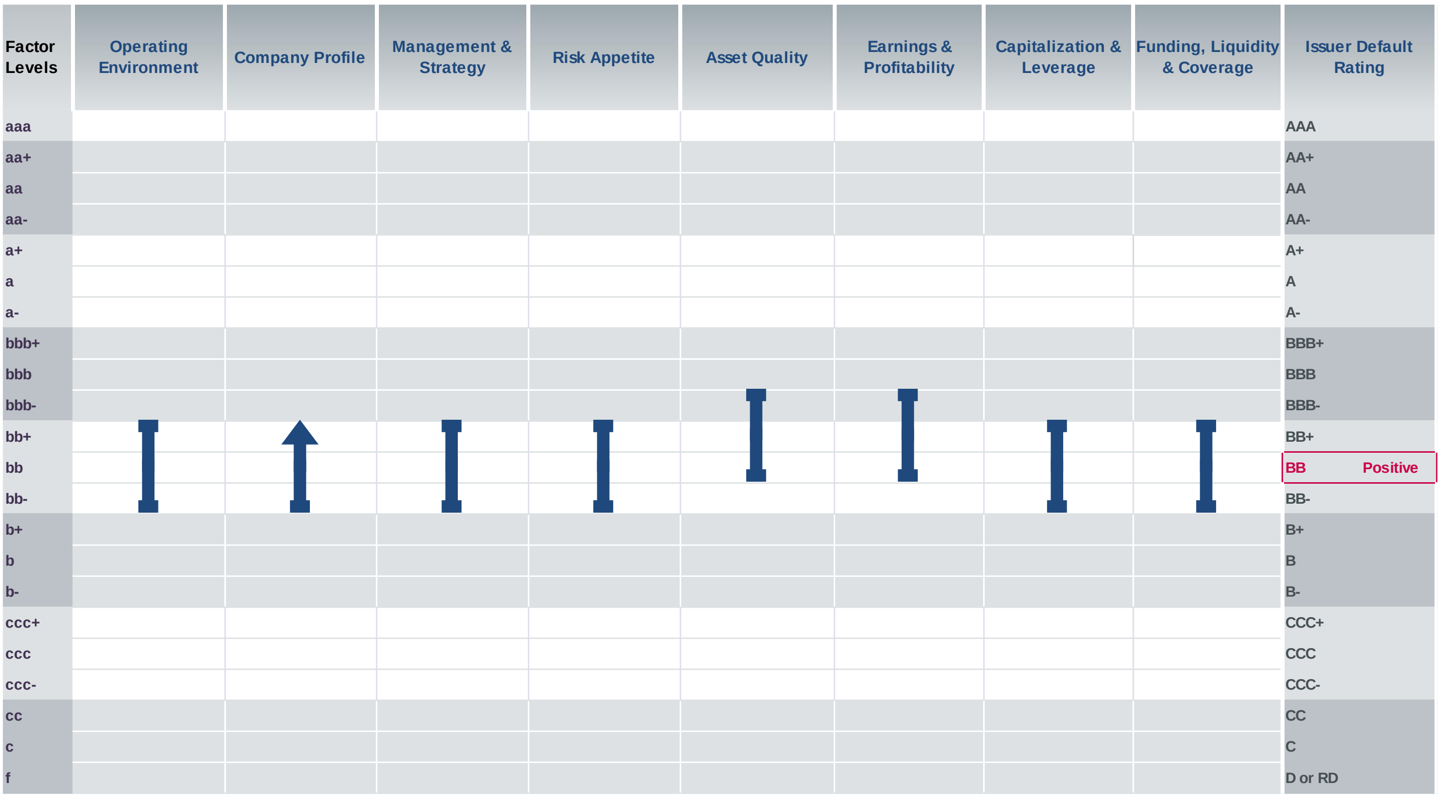
Ilya Makunin
+49 69 768076 169
ilya.makunin@fitchratings.com

Issuer Ratings (Including Main Issuing Entities)

Rating Level	Rating
Long-Term Foreign-Currency IDR	BB
Short-Term Foreign-Currency IDR	B
Long-Term Local-Currency IDR	BB
Outlook/Watch on Long-Term IDRs	Positive

Source: Fitch Ratings

Ratings Navigator



Bar Chart Legend

Vertical bars – VR range of Rating Factor

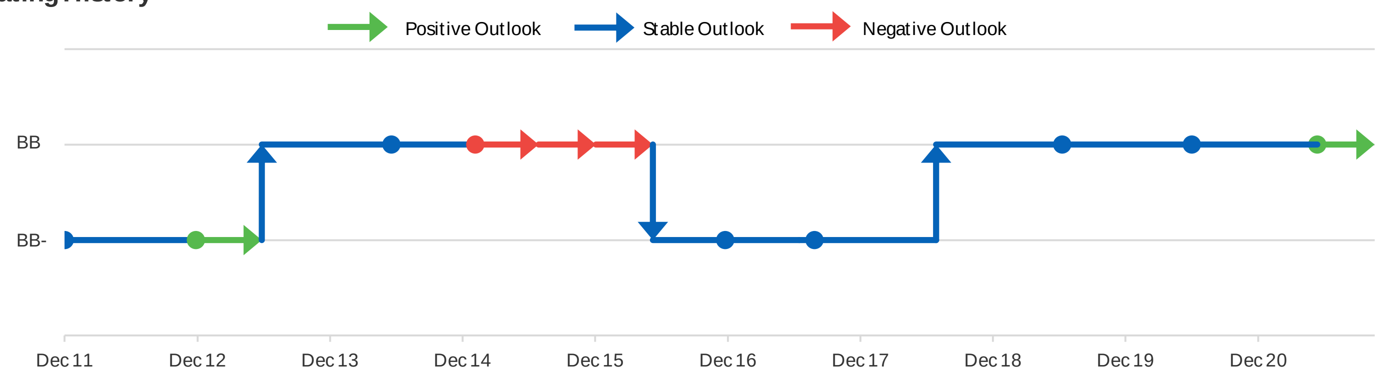
Bar Colors – Influence on final VR

- Higher influence
- Moderate influence
- Lower influence

Bar Arrows – Rating Factor Outlook

⇧	Positive	⇩	Negative
⇳	Evolving	▫	Stable

Rating History



Source: Fitch Ratings

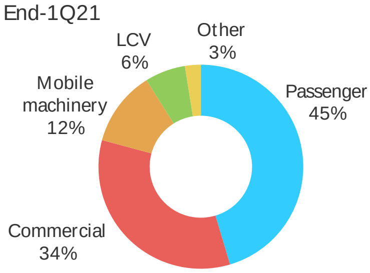
Brief Company Summary

Tested Business Model

Europlan was founded in 1999 and became a significant part of the market in 2003. It has been a market leader in the autoleasing segment in recent years. The company generally focuses on liquid vehicles. Passenger cars composed 45% of net investment in leases (NIL) at end-1Q21, and commercial vehicles 40% (including 6% LCV). The sales network included 80 offices across Russia and 700 staff at end-1Q21. Europlan's customer base includes over 110,000 companies, predominantly SMEs and 80,000 active contracts.

Asset Mix

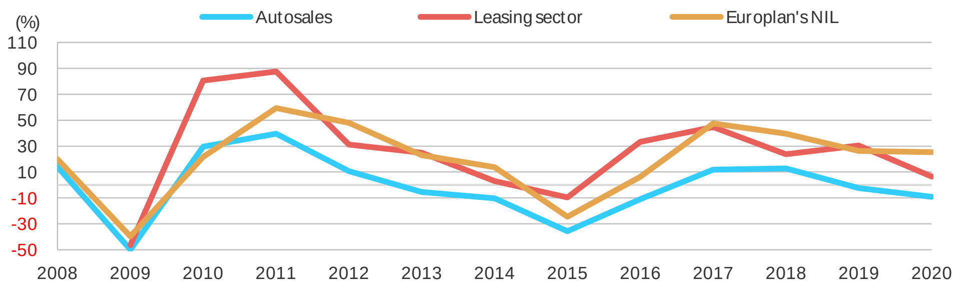
End-1Q21



Source: Fitch Ratings, Europlan

Sector Dynamics

Annual Growth



Source: Fitch Ratings

Key Latest Developments

Rapid Growth Bears Risk

Europlan grew with 20% CAGR (NIL) in 2011–2019. The company demonstrated above-sector growth during the pandemic: 25% in 2020 and 37% annualised in 1Q21. Europlan's management expects positive sector dynamics to continue over the next few years and plans to grow at least in line with the sector to preserve its leading position.

The gradual increase of the penetration of leasing in the Russian autosales supports growth in the leasing sector. We expect leasing penetration to flatten and nominal growth for the sector to moderate down towards the inflation level.

Europlan has the flexibility to scale down its operating expenses if necessary due to significant share of variable costs. This flexibility could also allow the company to remain profitable in a deleveraging scenario, as was the case in 2009 and 2015 when the lease book contracted by 38% and 18%, respectively, but the company protected return on average equity at around 15%.

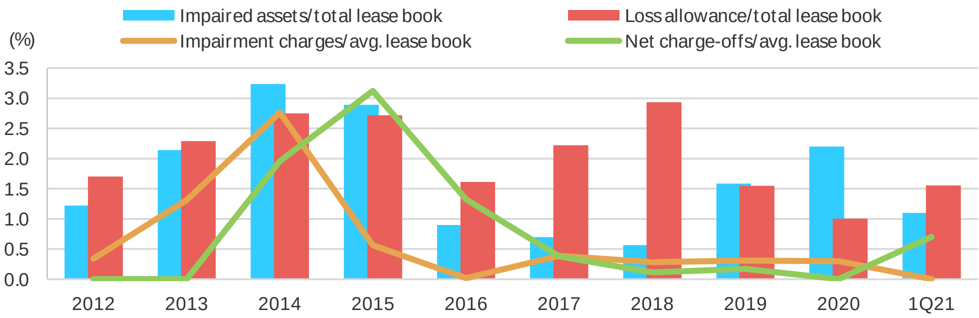
Collateral Mitigates Risky Clients' Segment

The risk profile of the SME segment in which Europlan operates is characterised by lessees with short operational records, volatile performance and modest capitalisation. Europlan uses scoring-based evaluation models for 95% of lessees. Decision-making is centralised to minimise operational risk. High downpayment (21% in 2020) remains the most efficient factor in mitigating credit risk. This ensures that the market value of the leased object always exceeds the NIL, stimulating payment discipline and underpinning workout efficiency.

Good Foreclosure Offsets Impairment Loss

The share of impaired assets booked on Europlan's balance sheet at any given moment is low due to rapid foreclosure and sale of impaired assets. The loss allowance coverage rate was comfortable at 1.4x at end-1Q21. Fitch estimates that in most recent years the recovery of problem assets exceeded outstanding investments. Therefore, the rate of final credit loss has not exceeded a modest 1% of the average lease book since its peak of 3.7% in 2009. It has remained negative in the past seven years as profit on foreclosure exceeded credit losses.

Impaired Leases



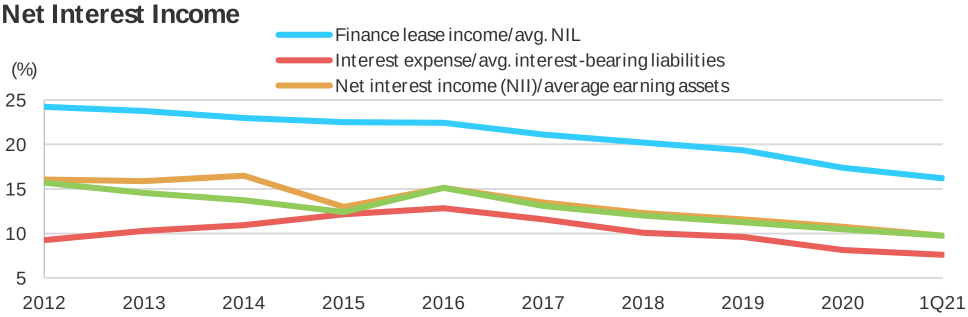
Source: Fitch Ratings, Europlan

Pre-impairment profit was a strong 10% of average lease book in 2020. While we expect this metric to moderate down towards the peer average, this would still provide a solid buffer against potential increase in the credit risk.

Strong Margins Determine Profitability

High lease yield in combination with controlled funding costs translates into a robust net interest margin. It fell gradually to 11% in 2020 and 10% in 1Q21 (from 12% in 2018–2019) due to competitive pressure on the interest rates, and therefore on the lease yield. We expect the margin pressure to ease in the medium term amid increasing interest rate cycle. Economy of scale, operational efficiency and controlled cost of risk resulted in healthy risk-adjusted margins (8.2% in 2020), providing a comfortable cushion against a potential further narrowing of margins or a rise in credit costs.

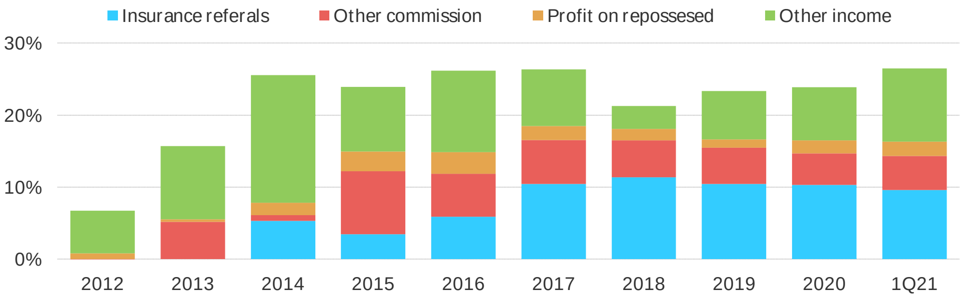
Net Interest Income



Source: Fitch Ratings, Europlan IFRS

Europlan's profitability was very strong in 2020 despite the challenging operating environment caused by the pandemic. Return on average assets was 7%, with return on average equity at 40%. Commission income covered around half of operational expenses. Impairment charges made up a modest 3% of operational profit in 2020 – as in 2018 and 2019.

Non-Interest Income as a % of Operational Income

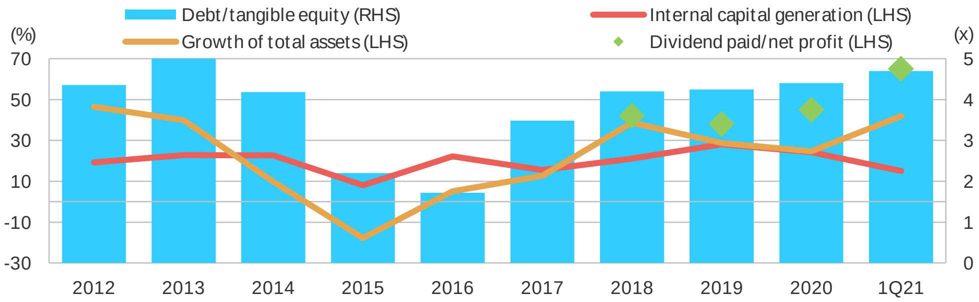


Source: Fitch Ratings, Europlan

Manageable Leverage

Europlan's leverage has increased gradually over the past four years as asset growth exceeded capital generation. The leverage, determined as gross debt-to-tangible equity, increased to 4.7x at end-1Q21 from 4.4x at end-2020. The 1Q21 increase was triggered by above-average growth (9%) and interim dividend distribution (RUB1.2 billion). Europlan's management is aiming for leverage to be at 4.5x and our rating case assumes the company will plan capital distributions accordingly.

Growth versus Internal Capital Generation



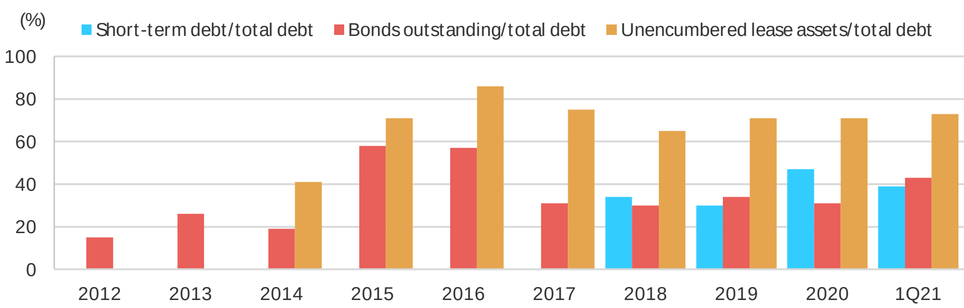
Source: Fitch Ratings, Europlan's IFRS

Europlan's policy limits dividend at 100% of the previous year's IFRS profit. In 2018–2020 the payout ratio (to the previous year profit) was around 60%. Europlan's return on equity normally exceeds growth – the four-year (2017–2020) averages for return on equity and growth were 33% and 26%, respectively.

Funding and Liquidity

Europlan finances itself independently and has no funding from the parent group. Its funding profile is diversified across 11 Russian banks and seven bond issues in circulation. All the funding is denominated in roubles, matching the assets.

Debt Metrics



Source: Fitch Ratings, Europlan IFRS

Europlan attracted sufficient funds to support its growth during the pandemic, proving it has capital market access, even during lockdown.

Europlan has RUB36 billion outstanding bonds. These comprised 43% of end-1Q21 total funding. The bonds are not amortising; however, maturities and put option dates are staggered across 2021–2024 with no significant spikes in repayments. Coupon rates are fixed to the maturity or put option date. All the bonds are senior unsecured.

Europlan's liquidity position is underpinned by its short-term lease book, which has an average tenor of 36 months, and predictable cash flows with virtually no committed capex.

Key Financial Metrics – Latest Developments

	(RUBm)	3M21	2020	2019	2018	2017	2016	2015	2014	2013
A.	**Balance sheet**									
	Lease book									
1	Net investment in leases (before reserves)	98,590	90,217	71,929	56,918	40,725	27,587	25,953	34,742	30,182
2	Residual value on BS:	822	861	797	306	277	237	667	930	634
3	Debtors on leasing activities (before reserves)	116	138	90	44	56	104	227	373	262
4	Foreclosed assets on BS	706	723	707	262	221	133	440	557	372
5	Other revenue generating assets (incl. operating lease)	2,557	1,731	1,018	619	797	571	398	6,905	5,417
6	Performing assets (net of NPLs and foreclosed assets)	100,870	90,816	72,574	57,421	41,508	28,140	26,239	41,405	35,564
7	Av. performing assets (net of NPLs and forecl. assets)	95,843	79,305	63,156	48,216	34,281	26,280	33,822	38,484	29,864
	Funding									
8	Total borrowings	83,443	74,141	58,126	45,870	31,485	23,567	23,417	33,647	33,125
9	Average borrowing	78,792	63,941	49,961	37,985	27,960	20,232	28,532	33,386	27,571
10	Adjusted equity	17,915	17,138	13,931	10,988	9,127	13,844	10,656	8,411	6,746
B.	**PnL**									
1	Finance lease income	3,813	14,107	12,465	9,862	7,209	6,009	6,793	7,460	6,485
2	Operating commission income	742	2,724	2,516	2,068	1,617	965	614	724	398
3	Gains on vehicle sales, net	105	333	185	157	141	180	243	173	27
4	Interest income from deposits	43	179	109	105	666	677	767	400	838
5	Interest expense	-1,507	-5,429	-5,042	-3,891	-3,184	-2,545	-3,541	-3,447	-2,887
6	OPEX	-1,366	-5,110	-4,791	-4,323	-3,763	-2,588	-2,832	-3,054	-2,606
7	Provisioning expense	-31	-364	-339	-187	-135	-5	-172	-555	-366
8	Core leasing-related pre-tax profit	2,259	7,572	6,054	4,123	2,703	3,000	1,848	1,726	1,835
C.	**Movement of problems on BS**									
1	NPLs 90+ in lease book	291	1,115	352	111	12	16	97	238	54
2	NPLs 90+ in debtors	58	147	108	43	46	95	199	302	177
3	NPLs 90+ in other earning assets	44	8	2	6	12	11	43	75	66
4	Total NPLs 90+	393	1,270	463	160	70	122	339	615	297
5	Total defaulted assets (incl. foreclosed assets)	1,099	1,993	1,170	422	290	255	779	1,172	669
6	Average defaulted assets	1,546	1,484	671	304	287	457	976	920	489
7	Total defaulted assets (%) Total earning assets	1	2.1	1.6	0.7	0.7	0.9	2.9	2.8	1.8
8	NPL originated in period [a]	-877	807	302	90	-52	-217	-276	318	214
9	Δ foreclosed [b]	5	131	522	89	149	-208	-53	246	201
10	NPLs 360+ in receivables (considered loss)	59	31	6	19	23	83	142	100	60
D.	**Write-off and sales of foreclosed assets**									
1	Revenue on foreclosed assets sold	642	2,778	1,871	1,042	886	1,134	1,819	1,392	416
2	Cost of foreclosed assets sold	-515	-2,331	-1,609	-838	-684	-855	-1,512	-1,158	-334
3	Impairment of foreclosed assets	-22	-115	-77	-48	-61	-99	-64	-61	-55
4	Profit (loss) on foreclosed assets sales [c]	105	332	185	157	141	180	243	173	27
5	Δ Loss assets (NPLs 360+)	28	25	-13	-5	-60	-59	42	40	23
6	Write-off	32	135	111	56	131	106	180	125	53
7	Fines & penalties received	0	0	0	0	0	0	27	15	
8	Credit (loss)/profit [d]	46	172	87	106	69	133	47	23	-49
9	Default in the period [e]	-325	3,404	2,544	1,073	912	536	1,363	1,847	802
10	PD (%) av. earning assets [f]	-1.4	4.3	4.0	2.2	2.7	2.0	4.0	4.8	2.7
11	LGD (%) av. defaulted assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	10.0
12	Final credit loss (%) av. earning assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.2

Key Financial Metrics – Latest Developments

	(RUBm)	3M21	2020	2019	2018	2017	2016	2015	2014	2013
E.	**Margin of safety (annualised; % of av. performing assets)**									
1	Interest yield	15.9	17.8	19.7	20.5	21.0	22.9	20.1	19.4	21.7
2	Commission yield	3.1	3.4	4.0	4.3	4.7	3.7	1.8	1.9	1.3
3	Funding expense [h]	-6.1	-6.6	-7.8	-7.9	-7.3	-7.1	-8.2	-7.9	-6.9
4	OPEX	-5.7	-6.4	-7.6	-9.0	-11.0	-9.8	-8.4	-7.9	-8.7
5	Loss rate	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2
6	Risk adjusted margin [g]	7.2	8.2	8.3	7.9	7.4	9.6	5.3	5.4	7.3
7	Cost of funding (as % of interest-bearing liabilities)	-7.7	-8.5	-10.1	-10.2	-11.4	-12.6	-12.4	-10.3	-10.5

[a] Increase/(decrease) in total NPL in the period
[b] Increase/(decrease) in foreclosed assets in the period, adjusted for impairment
[c] D1+D2+D3
[d] D4-D5-D6+D7
[e] C8+C9-D2+D6
[f] Default in the period (annualised) divided by average lease book
[g] Σ(E1:E5)
[h] Interest expense less interest income from deposits
Source: Fitch Ratings, Europlan IFRS

Balance Sheet

	RUBm											USDm
	2012	**2013**	**2014**	**2015**	**2016**	**2017**	**2017[a]**	**2018**	**2019**	**2020**	**1Q21**	**1Q21**
Assets												
Cash & equivalents	1,867	3,787	2,415	9,017	8,726	1,034	1,034	1,540	2,812	2,574	2,828	37
Revenue generating equipment	24,429	30,154	34,637	25,905	27,479	40,565	40,565	56,636	71,812	90,207	98,631	1,303
Operating lease and rental fleet	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	213	395	436	6
Net investment in lease (NIL)	24,407	30,049	34,520	25,832	27,471	40,551	40,551	56,627	71,563	89,747	98,137	1,296
Debtors in leasing activities	23	105	118	73	8	14	14	9	36	65	58	1
Total net loans	832	4,908	6,140	56	-	-	-	-	-	-	-	-
Trade receivables	464	415	719	299	492	675	675	345	823	1,445	2,068	27
Foreclosed assets	224	371	557	440	133	221	221	262	707	723	706	9
Goodwill & intangibles	169	303	162	41	140	88	88	65	63	49	94	1
Deferred tax assets	-	-	-	-	-	-	-	-	-	-	-	-
PP&E	309	368	372	306	328	338	338	427	1,427	1,179	1,077	14
Other assets	1,431	1,304	2,147	1,493	2,165	1,581	1,581	2,442	1,777	2,892	4,051	53
Total assets	**29,726**	**41,610**	**47,149**	**37,557**	**39,462**	**44,503**	**44,503**	**61,716**	**79,421**	**99,069**	**109,454**	**1,446**
Liabilities												
Secured debt	16,882	19,479	22,457	9,101	7,714	19,723	19,723	29,040	35,744	39,354	35,812	473
Unsecured debt	6,085	13,646	11,190	14,316	15,853	11,762	11,762	16,830	22,382	34,787	47,631	629
Total interest bearing liabilities	22,967	33,125	33,647	23,417	23,566	31,485	31,485	45,870	58,126	74,141	83,443	1,102
Accounts payable & accrued expenses	696	644	804	414	610	1,207	1,207	1,547	2,209	1,987	1,900	25
Other liabilities	622	1,095	2,772	3,070	1,441	2,685	2,685	3,312	5,155	5,803	6,197	82
Total liabilities	**24,285**	**34,865**	**37,223**	**26,901**	**25,618**	**35,377**	**35,377**	**50,729**	**65,490**	**81,931**	**91,540**	**1,209**
Total shareholder's equity	**5,441**	**6,746**	**9,926**	**10,656**	**13,844**	**9,127**	**9,127**	**10,988**	**13,931**	**17,138**	**17,915**	**237**
Total liabilities & shareholder's equity	**29,726**	**41,610**	**47,149**	**37,557**	**39,462**	**44,503**	**44,503**	**61,716**	**79,421**	**99,069**	**109,455**	**1,446**
Tangible equity	**5,272**	**6,443**	**9,764**	**10,615**	**13,704**	**9,038**	**9,038**	**10,923**	**13,868**	**17,089**	**17,821**	**235**
Income statement												
Revenues												
Operating lease & rental income	-	-	-	-	-	-	-	-	35	111	49	1
Financial lease income	4,956	6,485	7,460	6,793	6,009	7,209	7,209	9,862	12,465	14,107	3,813	50
Commission income	210	398	1,039	1,091	965	1,617	1,801	2,068	2,516	2,724	742	10
Gains on vehicle sales, net	43	27	173	244	180	141	141	157	185	332	105	1
Interest income (other)	148	838	400	767	677	666	724	107	109	179	44	1
Other revenues	(46)	(53)	21	32	308	152	1,106	331	944	1,083	433	6
Total revenues	**5,312**	**7,695**	**9,092**	**8,926**	**8,139**	**9,785**	**10,981**	**12,525**	**16,254**	**18,536**	**5,187**	**69**
Expenses												
Revenue generating equipment depreciation	-	-	-	-	-	-	-	-	(11)	(34)	(15)	(0)
Interest expense	(1,742)	(2,887)	(3,447)	(3,541)	(2,545)	(3,184)	(3,184)	(3,891)	(5,042)	(5,429)	(1,507)	(20)
Direct operating expenses	-	-	-	-	-	-	-	-	(12)	(28)	(10)	(0)
SG&A expenses	(2,172)	(2,606)	(3,054)	(2,833)	(2,588)	(3,763)	(3,819)	(4,323)	(4,791)	(5,110)	(1,366)	(18)
o/w personnel expenses	-	(1,919)	(2,311)	(2,180)	(1,960)	(3,060)	(3,032)	(3,262)	(3,607)	(3,935)	(1,049)	(14)
Impairment charges	(71)	(366)	(555)	(172)	(5)	(135)	(135)	(187)	(339)	(364)	(31)	(0)

Balance Sheet

	RUBm											USDm
	2012	2013	2014	2015	2016	2017	2017[a]	2018	2019	2020	1Q21	1Q21
Valuation loss	-	-	-	-	-	-	-	-	-	-	-	-
Other expenses	(23)	(104)	304	100	(2)	13	13	10	7	10	(1)	(0)
Total expenses	**(4,009)**	**(5,963)**	**(6,752)**	**(6,446)**	**(5,141)**	**(7,070)**	**(7,125)**	**(8,390)**	**(10,188)**	**(10,955)**	**(2,930)**	**(39)**
Equity accounted profit	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a	n.a
Income before taxes	1,303	1,731	2,340	2,480	2,998	2,716	3,856	4,135	6,066	7,581	2,257	30
Income tax	(361)	(486)	(556)	(538)	(634)	(571)	(1,008)	(843)	(1,240)	(1,537)	(444)	(6)
	-	-	-	(527)	-	-	-	-	-	-	-	
Net income	**941**	**1,245**	**1,785**	**1,415**	**2,364**	**2,144**	**2,847**	**3,292**	**4,826**	**6,044**	**1,814**	**24**
Memo: Dividends paid in the period	-	-	-	737	-	-	-	1,409	1,883	2,801	1,200	16

[a] including income from insurance segment discontinued in course of 2017
Source: Europlan IFRS, Fitch Ratings

Key Ratios

(%, unless stated otherwise)	2012	2013	2014	2015	2016	2017	2018	2019	2020	3M21
A. Interest Ratios										
1. Finance lease income / average gross NIL	24.2	23.8	23.0	22.4	22.4	21.1	20.2	19.3	17.4	16.2
2. Interest expense/ average interest-bearing liabilities	9.2	10.3	10.3	12.2	12.8	11.6	10.1	9.7	8.2	7.7
3. Net interest income (NII) / average earning assets	16.0	15.9	13.2	12.9	15.1	13.5	12.3	11.6	10.8	9.8
4. NII less impairment charges/ av. earning assets	15.7	14.6	11.6	12.3	15.1	13.1	11.9	11.1	10.3	9.6
B. Other operating profitability ratios										
1. Non-interest income/ gross revenues	5.8	7.7	21.8	25.4	26.0	28.9	29.6	32.9	32.4	36.1
2. Cost / income	60.9	54.2	54.1	52.6	46.3	57.0	50.1	42.7	39.0	37.1
3. OPEX / average assets	8.7	7.3	6.9	6.7	6.7	9.0	8.1	6.8	5.7	5.2
4. Salary / total OPEX	n.a	73.6	75.7	77.0	75.7	81.3	75.5	75.3	77.0	76.8
5. Pre-impairment op. profit/ average equity	27.1	36.1	31.1	24.8	24.5	24.7	42.9	51.4	51.1	52.2
6. Pre-impairment op. profit/ average total assets	5.6	6.2	5.8	6.0	7.8	6.8	8.1	9.1	8.9	8.8
7. Impairment charges/ pre-impairment op. profit	5.1	16.6	21.4	6.5	0.2	4.8	4.3	5.3	4.6	1.3
C. Other Profitability Ratios										
1. Net income/ average total equity (ROAE)	18.3	20.4	21.4	13.7	19.3	18.7	32.7	38.7	38.9	41.4
2. Net income/ average total assets (ROAA)	3.8	3.5	4.0	3.3	6.1	5.1	6.2	6.8	6.8	7.0
3. Taxes/ pre-tax profit	27.7	28.1	23.7	21.7	21.1	21.0	20.4	20.4	20.3	19.7
D. Capital & Leverage	2012	2013	2014	2015	2016	2017	2018	2019	2020	3M21
1. Balance sheet leverage (gross debt / equity), (x)	4.2	4.9	3.4	2.2	1.7	3.4	4.2	4.2	4.3	4.7
2. Tangible leverage (gross debt / tangible equity), (x)	4.4	5.1	3.4	2.2	1.7	3.5	4.2	4.2	4.3	4.7
3. Net debt / tangible equity, (x)	4.0	4.6	3.2	1.4	1.1	3.4	4.1	4.0	4.2	4.5
4. Internal capital generation	19.3	22.9	26.5	6.8	22.2	15.5	20.6	26.8	23.3	14.3
E. Asset Quality	2012	2013	2014	2015	2016	2017	2018	2019	2020	3M21
1. Growth of total assets	46.4	40.0	13.3	(20.3)	5.1	12.8	38.7	28.7	24.7	10.5
2. Growth of NIL	47.9	23.1	14.9	(25.2)	6.3	47.6	39.6	26.4	25.4	9.3
3. Impaired assets, gross / total lease book, gross	1.2	2.1	3.2	2.9	0.9	0.7	0.6	1.6	2.2	1.1
4. Reserves on receivables / impaired receivables	139.2	107.0	84.3	94.1	179.3	319.0	518.7	97.6	45.6	141.4
5. Foreclosed assets / total assets	0.8	0.9	1.2	1.2	0.3	0.5	0.4	0.9	0.7	0.6
6. Problem assets net of loss allowance/ total assets	0.8	1.0	1.4	1.3	0.3	0.5	0.4	0.9	1.4	0.7
7. Loan impairment charges/ average receivables, gross	0.3	1.3	1.7	0.6	0.0	0.4	0.4	0.5	0.4	0.1
8. Net charge-offs/ average receivables, gross	-	0.0	1.4	3.1	1.3	0.4	0.1	0.2	0.2	0.7
9. Operating lease assets / total assets	n.a	n.a	n.a	n.a	n.a	n.a	n.a	0.3	0.4	0.4
F. Funding & Liquidity										
1. Liquid assets / total assets	6.3	9.1	5.1	24.0	22.1	2.3	2.5	3.5	2.6	2.6
2. Liquid assets + unencumbered NIL / unsecured liabilities	355.1	103.9	116.9	145.1	162.4	157.8	146.1	152.4	133.0	116.2
3. Secured debt / total debt	73.5	58.8	66.7	38.9	32.7	62.6	63.3	61.5	53.1	42.9
4. Secured debt / pledged assets		108.3	112.9	99.5	106.5	115.6	108.4	120.7	107.7	96.5
5. ST minimal future lease payments/ ST undiscounted debt	340.9	213.1	185.5	113.3	286.6	302.8	173.1	193.6	144.5	145.9

Source: Fitch Ratings, Europlan IFRS,

Environmental, Social and Governance Considerations

FitchRatings **Leasing company Europlan**

Non-Bank FI Ratings Navigator
Finance & Leasing Companies

Credit-Relevant ESG Derivation

Leasing company Europlan has 1 ESG rating driver and 4 ESG potential rating drivers

- Leasing company Europlan has exposure to organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership which, in combination with other factors, impacts the rating.
- Leasing company Europlan has exposure to regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc. but this has very low impact on the rating.
- Leasing company Europlan has exposure to operational implementation of strategy but this has very low impact on the rating.
- Leasing company Europlan has exposure to board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions but this has very low impact on the rating.
- Leasing company Europlan has exposure to quality and timing of financial reporting and auditing processes but this has very low impact on the rating.

			Overall ESG Scale
key driver	0	issues	5
driver	1	issues	4
potential driver	4	issues	3
not a rating driver	5	issues	2
	4	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	3	Regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc.	Operating Environment	5
Energy Management	2	Investments in or ownership of assets with below-average energy/fuel efficiency which could impact future valuation of these assets	Risk Appetite	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	2	Fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above	Operating Environment; Risk Appetite; Asset Quality	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy; Earnings & Profitability; Capitalization & Leverage; Funding, Liquidity & Coverage	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core activities	Company Profile; Earnings & Profitability	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
Management Strategy	3	Operational implementation of strategy	Management & Strategy	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy	4
Group Structure	4	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Management & Strategy	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

Europlan has an ESG Relevance Score of '4' for Group Structure stemming from an ownership by Safmar FI holding and ultimately by Said Gutseriev. Europlan reports no meaningful credit exposure to related parties and company's policy limits dividend payout at 100%. The latter remained below 50% in 2018–2020 but there are potential risks as the parent group seeks cash to settle the obligations under agreement with the Central Bank of Russia, which stretches the leverage further up in the structure. This has a negative impact on Europlan's credit profile, and is relevant to the ratings in conjunction with other factors.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.