



# ESF Securitisation Data Report

Spring 2005

www.europeansecuritisation.com

- European securitised issuance declined to €48.1 billion in the first quarter, lower than €62.3 billion a year ago.
- Mortgage-backed securities volume totaled €34.6 billion in the first three months of the year, down slightly from €36.9 billion in the comparable period of 2004.
- New issuance in the ABS market declined to €13.5 billion, 46.9 percent lower than the same period a year ago.
- Pfandbriefe issuance totaled €34.3 billion in the first three months of the year, up slightly from €33.3 billion in 2004.

## European Securitisation Issuance Totals €48.1 Billion in Q1 2005, Lower Than the Record Pace in Q1 2004

Issuance in the European securitisation market totaled €48.1 billion during the first three months of the year, a 13.8 percent decline from €55.8 billion issued over the same period in 2004. On a linked-quarter basis, issuance was 36.4 percent lower than the €75.6 billion issued in the fourth quarter of 2004 but only 9.6 percent less than the €53.2 billion issued in the third quarter of 2004. The European Central Bank's decision to maintain the target interest rate indicates a continuation of its accommodative policy in light of inflation remaining well contained and the still-modest rate of economic growth. While credit conditions can be characterised as good and spreads appear to be near a cycle low through the first quarter, market participants are aware of the risk of potential deterioration and spread widening at some point, especially if rates move up from their current historically low levels.

Mortgage-backed securities (MBS) issuance during the first quarter approached the high volume of a quarter ago, totaling €34.6 billion in the first quarter of 2005, a 6.2 percent decline from €36.9 billion issued in the first quarter of 2004. MBS issuance also fell slightly on a linked-quarter basis from €37.3 billion during the fourth quarter.

Issuance in the non-mortgage asset-backed securities (ABS) market, however, declined sharply to €13.5 billion in the first quarter of 2005, 28.6 percent lower than €18.9 billion in the first three months in 2004. On a linked-quarter basis, reported issuance was down 64.7 percent from €38.2 billion.

Yield spreads for securitised products in general were stable in the first quarter and tightened slightly during the second half of the quarter. Credit card ABS spreads to LIBOR, for example, were stable for most of the quarter and tightened by two basis points during the last month of the quarter. AAA auto-ABS securities spreads to Euribor also remained stable during much of the quarter, reaching the tightest levels in more than a year by quarter-end, reflective of a still-historically low rate and solid credit quality environment.

### Collateral Type

The residential mortgage-backed securities (RMBS) market continues to dominate the European securitised markets, accounting for nearly half of total European securitised issuance in the first quarter of the year. RMBS issuance was €26.2 billion in the first quarter. With substantial expansion in the European

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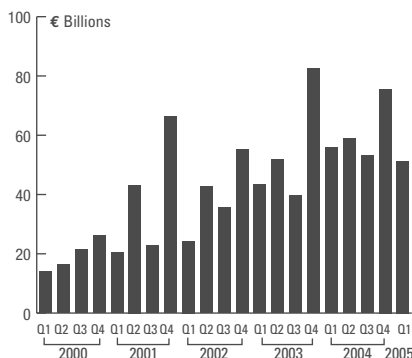
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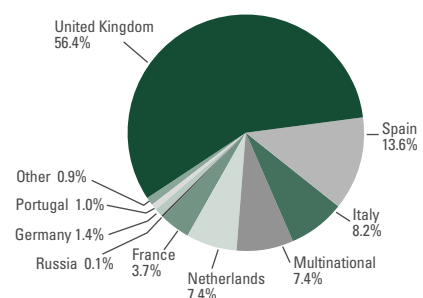
### European Securitisation Issuance\* 2000:Q1–2005:Q1



Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities, Inc., Structured Finance International

\*European issues consist of ABS and MBS issues placed in the Euromarket or in European domestic markets having underlying collateral from Europe.

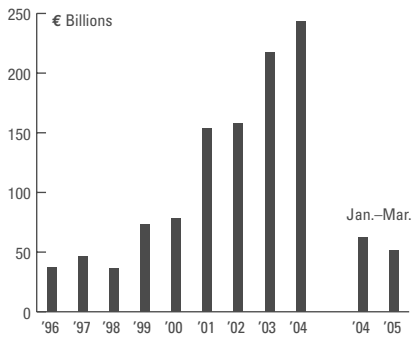
### European Securitisation Issuance Through Q1 2005 by Country of Collateral



Sources: Dealogic Bondware, Thomson Financial Securities Data

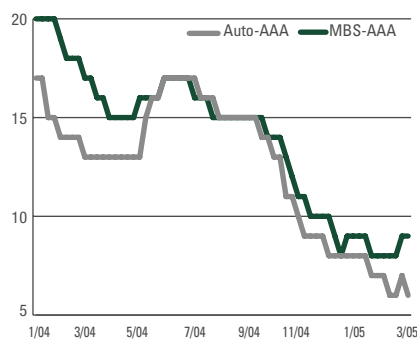
## Historical Securitisation Issuance

1996–2005:Q1



Sources: J.P. Morgan Securities Inc., Dealogic Bondware, Thomson Financial Securities Data, Structured Finance International

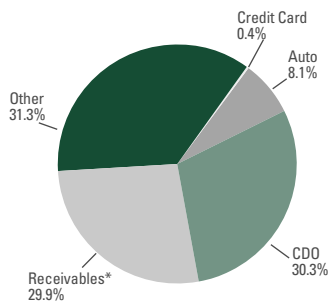
## European ABS/MBS Spreads to Euribor



Source: J.P. Morgan Securities Inc.

## European ABS Issuance

by Collateral Type Through Q1 2005

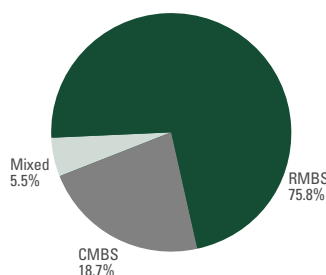


Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities Inc., Structured Finance International

\*Includes Healthcare Receivable, Public House Receivable, Train Receivable, Rent Receivable, Account Receivable, and Lease Receivables

## European MBS Issuance

by Collateral Type Through Q1 2005



Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities Inc., Structured Finance International

commercial real estate markets, commercial mortgage-backed securities (CMBS) surged during the first quarter, reaching €6.4 billion, nearly a seven fold increase over CMBS volume a year ago and became the second largest collateral sector behind RMBS. CMBS volume represented 18.7 percent of total MBS issuance in the quarter.

Collateralised debt obligations (CDOs) were the leading asset-backed product sector with a €4.1 billion issuance volume. Securities backed by receivables—including healthcare, public house, train, rent, account and lease receivables—accounted for €4.1 billion, or 8.1 percent, of the total European market. Auto loan receivables and credit card receivables totaled €1.1 billion, and €57.7 million, respectively.

### Country of Collateral

The United Kingdom (UK) continues to be the dominant country of collateral through the first quarter of 2005. The number of countries participating in the European securitised market is expanding, and issuance is becoming more widespread across the continent. There is a trend towards debt secured by collateral from multiple countries rather than single country collateral securities issuance.

Securitised debt backed by collateral in the UK accounted for €27.1 billion of issuance in the first quarter, a 16.9 percent decline from €32.6 billion a year ago, but slightly higher than €23.4 billion in the fourth quarter of 2004. Despite lower year-over-year issuance, UK has picked up market share over the past year. UK MBS issuance fell to €23.6 billion, down 11.6 percent from €26.7 billion a year ago, and UK ABS issuance fell to €3.6 billion, down from €5.9 billion in the first quarter a year ago.

Spanish issuance ranked second, totaling €6.5 billion, or 13.5 percent of the European total, through the first three months of 2005. Spanish issuance, though, rose 62.5 percent from €4.0 billion issued in the same period a year ago, affected by a reclassification of mortgage bond receivables to Pfandbriefe. Spanish ABS issuance totaled €1.6 billion in the first quarter.

Issuance of debt secured by Italian assets totaled €3.9 billion in the first

quarter of the year, accounting for 8.1 percent of European securitised issuance behind Spain and the UK. Italian issuance fell 56.2 percent from €8.9 billion issued a year ago and €11.9 billion in the fourth quarter of 2004.

### Pfandbriefe

New Pfandbriefe issuance increased slightly to €34.3 billion during the first three months of 2005, up 3.0 percent from €33.3 billion in the same period a year ago and a reversal of the declining issuance trend of recent quarters. Non-jumbo issuance has dominated the Pfandbriefe market over the past few years, but the differential has narrowed considerably over the past year and the jumbo volume nearly equaled the non-jumbo volume this quarter. Non-jumbo Pfandbriefe declined 10.1 percent to €16.9 billion in the first quarter, down from €18.8 billion in the first quarter of 2004, while jumbo Pfandbriefe issuance increased 20.0 percent to €17.4 billion, higher than the €14.5 billion issued in the first quarter of 2004.

Spanish Pfandbriefe dominated the market in part as a result of the mortgage bond receivables reclassification to Pfandbriefe issuance since the last ESF data report. Spanish issuance totaled €19.1 billion issued in the first quarter, a 15.8 percent increase over the €16.5 billion issued a year ago. Spanish non-jumbo issuance declined slightly to €7.1 billion, from €7.3 billion in 2004. German Pfandbriefe issuance, which ranked second behind Spain, accounted for €9.1 billion, declining from €11.0 billion a year ago. Germany's decline was concentrated in the non-Jumbo product, falling by 57.8 percent. Issuance of French Pfandbriefe also declined to €4.0 billion in the first quarter, down 21.6 percent from €5.1 billion issued at the same time a year ago. Pfandbriefe issuance in Italy, Luxembourg, and Austria increased to €1.0 billion, €86 million, and €32 million, respectively.

The information provided in the report can be downloaded from the ESF website [www.europeansecuritisation.com](http://www.europeansecuritisation.com)

## European Securitisation by Country of Collateral

	BILLIONS	ASSET-BACKED SECURITIES			MORTGAGE-BACKED SECURITIES			TOTAL*		
		2004:Q1	2005:Q1	ANNUAL CHANGE	2004:Q1	2005:Q1	ANNUAL CHANGE	2004:Q1	2005:Q1	ANNUAL CHANGE
FRANCE	€	2.38	1.71	-0.67	0.25	0.07	-0.18	2.63	1.78	-0.85
	\$	2.98	2.23	-0.75	0.31	0.09	-0.22	3.29	2.32	-0.97
GERMANY	€	1.02	0.65	-0.37	0.35	-	-0.35	1.37	0.65	-0.72
	\$	1.25	0.87	-0.38	0.44	-	-0.44	1.69	0.87	-0.82
IRELAND	€	-	0.06	0.06	-	-	-	-	0.06	0.06
	\$	-	0.08	0.08	-	-	-	-	0.08	0.08
ITALY	€	6.87	2.00	-4.87	2.04	1.94	-0.10	8.91	3.94	-4.97
	\$	8.57	2.65	-5.92	2.55	2.57	0.02	11.12	5.22	-5.90
NETHERLANDS	€	0.02	0.33	0.31	3.04	3.21	0.17	3.06	3.54	0.48
	\$	0.03	0.43	0.40	3.80	4.18	0.38	3.83	4.61	0.78
PORTUGAL	€	-	0.47	0.47	-	-	-	-	0.47	0.47
	\$	-	0.63	0.63	-	-	-	-	0.63	0.63
RUSSIA	€	-	0.06	0.06	-	-	-	-	0.06	0.06
	\$	-	0.08	0.08	-	-	-	-	0.08	0.08
SPAIN	€	-	1.62	1.62	4.02	4.90	0.88	4.02	6.52	2.50
	\$	-	2.12	2.12	4.94	6.47	1.53	4.94	8.59	3.65
SWEDEN	€	-	-	-	0.46	-	-0.46	0.46	-	-0.46
	\$	-	-	-	0.57	-	-0.57	0.57	-	-0.57
TURKEY	€	-	0.37	0.37	-	-	-	-	0.37	0.37
	\$	-	0.50	0.50	-	-	-	-	0.50	0.50
UK	€	5.90	3.57	-2.33	26.71	23.57	-3.14	32.61	27.14	-5.47
	\$	7.37	4.67	-2.70	33.34	30.83	-2.51	40.71	35.50	-5.21
MULTINATIONAL	€	2.72	2.69	-0.03	-	0.86	0.86	2.72	3.55	0.83
	\$	3.36	3.55	0.19	-	1.13	1.13	3.36	4.68	1.32
TOTAL*	€	18.91	13.53	-5.38	36.87	34.55	-2.32	55.78	48.08	-7.70
	\$	23.56	17.81	-5.75	45.95	45.27	-0.68	69.51	63.08	-6.43

\*Totals may not add due to rounding

Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities Inc., Structured Finance International

## European Pfandbriefe Issuance by Country of Collateral

	BILLIONS	JUMBO			NON-JUMBO			TOTAL*		
		2004:Q1	2005:Q1	ANNUAL CHANGE	2004:Q1	2005:Q1	ANNUAL CHANGE	2004:Q1	2005:Q1	ANNUAL CHANGE
AUSTRIA	€	-	0.32	0.32	-	-	-	-	0.32	0.32
	\$	-	0.42	0.42	-	-	-	-	0.42	0.42
FRANCE	€	2.19	3.88	1.69	2.90	0.15	-2.75	5.09	4.03	-1.06
	\$	2.74	5.06	2.32	3.67	0.20	-3.48	6.41	5.26	-1.15
GERMANY	€	8.96	3.80	-5.16	2.00	5.25	3.25	10.96	9.05	-1.91
	\$	11.23	4.97	-6.26	2.57	6.86	4.29	13.80	11.83	-1.97
ITALY	€	-	1.00	1.00	-	-	-	-	1.00	1.00
	\$	-	1.35	1.35	-	-	-	-	1.35	1.35
LUXEMBURG	€	0.32	0.86	0.54	0.40	-	-0.40	0.72	0.86	0.14
	\$	0.40	1.13	0.73	0.50	-	-0.50	0.90	1.13	0.23
SPAIN	€	7.30	7.08	-0.23	9.20	12.00	2.80	16.50	19.08	2.58
	\$	8.99	9.38	0.39	11.52	15.56	4.04	20.51	24.94	4.43
TOTAL*	€	18.77	16.93	-1.84	14.50	17.40	2.90	33.27	34.33	1.07
	\$	23.36	22.31	-1.05	18.26	22.62	4.36	41.62	44.93	3.31

\*Totals may not add due to rounding

Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities Inc., Structured Finance International