

## Highlights

- Issuance in the European securitisation market increased to €43.2 billion in the first quarter of 2003, up 77.5 percent from the €24.3 billion issued in the first quarter of 2002.
- Mortgage-backed securities totaled €27.1 billion during the first quarter, up from the €12.7 billion issued in the first quarter of 2002.
- New issuance in the asset-backed securities market increased 38.4 percent, to €16.1 billion in the first quarter of 2003.
- Pfandbriefe issuance totaled €74.9 billion in the first three months of 2003, up 18.8 percent from the €63.1 billion issued during the same period in 2002.

## European Securitisation Issuance Increases to €43.2 Billion in the First Quarter of 2003

The European securitisation market continued to be a valuable alternative for issuers seeking to meet their capital needs. Historically low interest rates combined with equity market volatility set the stage for substantial growth in European securitisation activity during the first quarter of 2003. In spite of the generally weak economic environment, European asset- and mortgage-backed issuance grew as issuers and investors sought the relative stability of—and continued to be more comfortable with—the securitisation market. New issue activity totaled €43.2 billion in the first quarter of 2003, a 77.5 percent increase from the €24.3 billion issued during the same period last year. However, issuance was 21.6 percent lower than the €55.1 billion issued in the fourth quarter of 2002.

The mortgage-backed securities (MBS) sector accounted for most of the increase between the first quarter of 2003 and first quarter of 2002. MBS issuance totaled €27.1 billion, more than twice the €12.7 billion issued in the first quarter of 2002. The asset-backed securities (ABS) sector increased 38.4 percent, to €16.1 billion in the first quarter of 2003, up from the €11.7 billion issued during the first quarter of last year.

There was some spread volatility in the first quarter, especially in the asset-backed sector. Spreads to Euribor narrowed in January, but widened again to the December level by the middle of February. ABS spreads ended the quarter slightly tighter than the levels seen at the end of 2002. MBS spreads were less volatile and ended the quarter slightly above year-end levels.

The residential mortgage-backed securities (RMBS) sector continued to dominate the European securitisation market, accounting for close to sixty percent of all securitisation activity in the first quarter of the year. Securities backed by receivables—including phone bill, healthcare, train, project, and lease receivables—accounted for 13.4 percent, and collateralised debt obligations accounted for another 12.2 percent of total securitisation volume.

RMBS strengthened its already dominant position in the MBS sector in the first quarter, accounting for 95.4 percent or €25.7 billion of MBS issuance. During the first quarter of 2002, RMBS accounted for 80.4 percent of all MBS market issuance. The RMBS issuance increase is consistent with the growth trend in the residential

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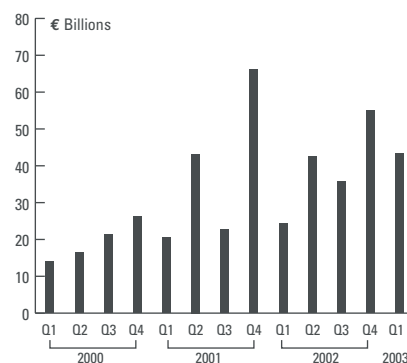
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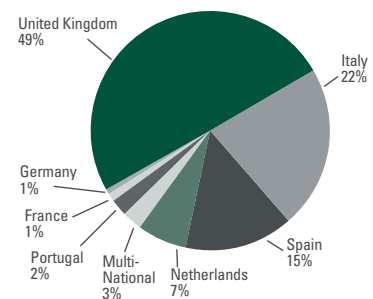
European Securitisation Issuance\*  
2000:Q1–2003:Q1



Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities, Inc., EuroWeek

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

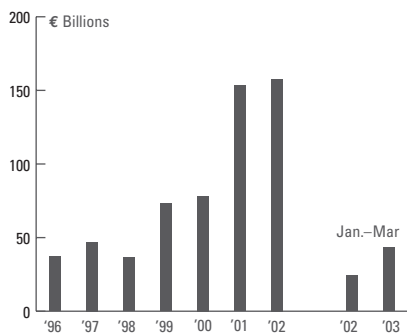
European Securitisation  
By Country of Collateral —2003:Q1



Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities, Inc., Euroweek

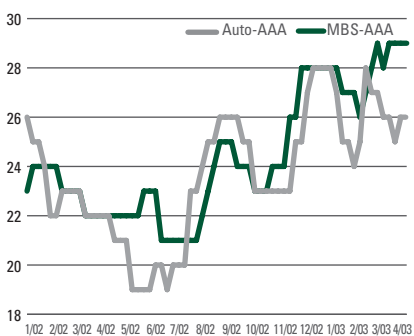
## Historical European Securitisation

1996–2003:Q1



Sources: J.P. Morgan Securities, Inc., Dealogic Bondware, Thomson Financial Securities Data, EuroWeek

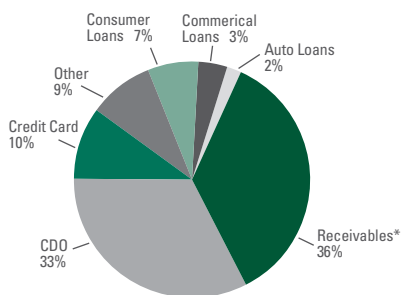
## European ABS/MBS Spreads to Euribor



Source: J.P. Morgan Securities, Inc.

## European ABS Issuance

by Collateral Type Through 1Q 2003

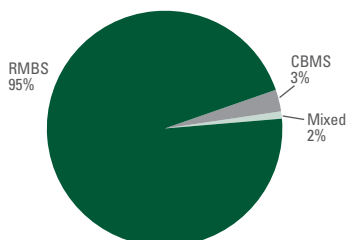


\*Includes Lease, Phone Bill, Healthcare, Train and Project Receivables

Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities, Inc., EuroWeek

## European MBS Securitisation

By Collateral Type Through 1Q 2003



Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities, Inc., EuroWeek

housing sector, as interest rates remain historically low, especially in the United Kingdom. Commercial mortgage-backed securities (CMBS) accounted for 3.1 percent of new issue volume in the first quarter, while securitisation of collateral consisting of both commercial and residential mortgages accounted for 1.5 percent of the MBS market. During the first quarter of 2002, CMBS and mixed collateral-commercial and residential mortgages-accounted for 17.2 percent and 2.4 percent of total MBS issuance, respectively.

In the ABS sector, non-loan receivables had the largest share of issuance volume, accounting for 35.9 percent or €5.8 billion of securitised issuance in the first quarter of 2003. Collateralised debt obligations, which were the largest collateral type in 2002, slipped to second in the first quarter of 2003, accounting for 32.6 percent or €5.3 billion. Credit card receivables accounted for 10.4 percent of the securitised issuance. Securities backed by consumer loans, commercial loans and auto loans accounted for 6.7 percent, 3.4 percent and 1.8 percent, respectively.

## Country of Collateral

The United Kingdom continued to lead the market in terms of European securitisation issuance. New issues of securitised debt consisting of collateral from the United Kingdom totaled the equivalent of €21.5 billion in the first quarter of 2003, a 75.4 percent increase from the €12.3 billion securitised in the first quarter of 2002. Collateralised securitisation issuance in the U.K. represented 50 percent of total European securitisation issuance in the first quarter. In addition, the United Kingdom accounted for 68.7 percent of total RMBS market issuance in the European market during the first quarter. Economic and geopolitical uncertainty contributed to the absence of CMBS and mixed collateral issuance volume in the United Kingdom during the quarter.

Italy ranked second in terms of securitisation issuance. As a result of several large deals, Italian securitisation volume increased to €9.5 billion from €3.7 billion issued in the first quarter of 2002. Italy was second behind the UK in RMBS issuance with 13.0 percent issuance market share. Italian CMBS issuance was 38.8 percent of the total commercial mortgage

securitisation in the first quarter. The increase in issuance enhanced Italian fiscal flexibility and budget management.

In terms of percentage growth, the strongest increase occurred in Spain where securitisation grew from €1.7 billion in the first quarter of 2002 to €6.4 billion in the first three months of this year. The ABS sector in Spain increased significantly as a result of more favorable market conditions in the first quarter. Issuance in the MBS sector also increased. Despite a decline in ABS issuance, the Netherlands also showed a strong increase in securitisation issuance with €2.9 billion issued in the first quarter, a result of the booming MBS market. Portuguese securitisation issuance in the first quarter of 2003 totaled \$1.0 billion compared to no issues in the first quarter of 2002.

By contrast, several other European countries experienced lower issuance activity in the first quarter. German securitisation volume decreased to €290.0 million in the first quarter of 2003, down from the €2.6 billion in the same period of 2002. Along with the lack of German MBS issuance volume, ABS issuance declined 88.1 percent. Luxembourg also showed a decline in issuance of securitised debt to total €50.0 million, completely attributable to less issuance activity in the ABS market. In addition, multinational issuance totaled €1.1 billion in the first quarter of 2003, down from €2.1 billion in the same period of 2002.

## Pfandbriefe

New issuance of Pfandbriefe totaled €74.9 billion in the first quarter of 2003, up 18.8 percent from the €63.1 billion issued in the first three months of 2002. Despite the overall issuance increase, German Pfandbriefe decreased slightly to total €52.3 billion, down from the €53.4 billion issued in the first quarter of 2002. Spain, with a Pfandbriefe market second to that of Germany, increased sharply from €2.5 billion to €8.5 billion in the first quarter. Belgium and France increased Pfandbriefe issuance from first-quarter 2002 levels to €5.6 billion and €4.15 billion respectively.

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

## European Securitisation by Country of Collateral

	ASSET-BACKED SECURITIES			MORTGAGE-BACKED SECURITIES			TOTAL*			
	BILLIONS	2002:Q1	2003:Q1	ANNUAL CHANGE	2002:Q1	2003:Q1	ANNUAL CHANGE	2002:Q1	2003:Q1	ANNUAL CHANGE
FRANCE	€	0.15	0.17	0.01	0.64	0.32	-0.32	0.79	0.48	-0.31
	\$	0.13	0.17	0.04	0.57	0.35	-0.22	0.70	0.52	-0.18
GERMANY	€	2.40	0.29	-2.11	0.24	-	-0.24	2.63	.29	-2.34
	\$	2.09	0.31	-1.78	0.21	-	-0.21	2.30	.31	-1.99
ITALY	€	1.70	5.42	3.72	1.95	4.08	2.13	3.65	9.50	5.85
	\$	1.50	5.85	4.36	1.71	4.41	2.70	3.21	10.27	7.06
LUXEMBURG	€	-	0.05	0.05	0.17	-	-0.17	0.17	0.05	-0.12
	\$	-	0.05	0.05	0.15	-	-0.15	0.15	0.05	-0.10
NETHERLANDS	€	0.44	0.16	-0.28	0.58	2.74	2.16	1.01	2.90	1.89
	\$	0.38	0.17	-0.21	0.41	2.92	2.52	0.79	3.10	2.31
PORTUGAL	€	-	0.50	0.05	-	0.50	0.05	-	1.00	1.00
	\$	-	0.53	0.53	-	0.54	0.54	-	1.07	1.07
SPAIN	€	0.83	4.88	4.05	0.92	1.49	0.58	1.74	6.37	4.63
	\$	0.72	5.26	4.54	0.79	1.61	0.82	1.52	6.87	5.35
UK	€	4.50	3.73	-0.78	7.76	17.78	10.02	12.26	21.51	9.24
	\$	4.04	4.01	-0.03	6.79	19.14	12.35	10.83	23.15	12.32
MULTINATIONAL	€	1.63	0.93	-0.71	0.45	0.19	-0.25	2.08	1.12	-0.96
	\$	1.43	1.00	-0.43	0.39	0.21	-0.19	1.82	1.20	-0.62
TOTAL	€	11.65	16.12	4.47	12.70	27.10	14.40	24.34	43.22	18.88
	\$	10.29	17.36	7.07	11.03	29.18	18.16	21.31	46.54	25.23

\*Totals may not add due to rounding

Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities, Inc., EuroWeek

## Pfandbriefe Issuance By Country of Collateral

Through Q1, 2003

	Euro (Billions)			Dollar (Billions)		
	2002	2003	CHANGE*	2002	2003	CHANGE*
AUSTRIA	0.06	0.25	0.19	0.05	0.27	0.22
BELGIUM	3.23	5.57	2.34	2.81	5.97	-2.84
FRANCE	1.07	4.15	3.08	0.94	4.43	3.49
GERMANY	53.41	52.32	-1.10	46.82	55.73	8.91
NETHERLANDS	0.32	1.37	1.05	0.28	1.47	1.19
SPAIN	2.50	8.50	6.00	2.19	9.06	6.86
SWEDEN	1.54	1.73	0.19	1.34	1.85	0.51
SWITZERLAND	0.92	1.04	0.11	0.81	1.10	0.29
TOTAL	63.05	74.93	11.87	55.26	79.88	24.62

\*Figures may not add due to rounding

Sources: Dealogic Bondware