



# ESF Securitisation Data Report

Spring 2004

www.europansecuritisation.com

## Highlights

- Issuance in the European securitisation market increased to €62.3 billion in the first quarter of 2004, up 44.1 percent from the same period one year ago.
- Mortgage-backed securities totaled €36.9 billion during the first three months of the year, up from the €27.1 billion in the comparable period of 2003.
- New issuance in the asset-backed securities market increased 57.7 percent, to €25.4 billion in the first quarter of 2003.
- Pfandbriefe issuance totaled €65.5 billion in the first quarter of the year, down 19.3 percent from the €81.2 billion issued in the same period of 2003.

## European Securitisation Issuance Remained Strong in the First Quarter of 2004

First quarter European securitisation issuance remained strong as issuers continue to use the markets as an important and efficient source of new capital. Consistently low interest rates and a positive economic outlook, which in turn has led to improved credit quality, contributed to a year-over-year volume increase. We expect additional growth in the European securitisation market. The positive market environment is supported by well controlled inflation which remains slightly below the target 2 percent level. According to its May statement, the European Central Bank (ECB) expects continued price stability despite the effect of rising global oil and other commodity prices, enabling the ECB to maintain its current monetary policy. Forecasts of faster economic growth in the region and increased consumer loan originations also contribute to a favorable outlook for securitisation in Europe. We should note the effect of a potential trend of rising rates at the longer end of the yield curve.

After a record year in 2003, first quarter issuance increased substantially to €62.3 billion, a 44.1 percent increase from the €43.2 billion issued in the same period one year ago. Issuance, however, was 24.4 percent lower than

the €82.4 billion issued in the fourth quarter of 2003, when many issuers went to the market in anticipation of high rates.

New issuance of European mortgage-backed securities (MBS) rose significantly, totaling €36.9 billion in the first quarter, up 36.1 percent from €27.1 billion in the first quarter a year ago. On a linked-quarter basis, however, issuance decreased 15.9 percent from the €43.9 billion issued in the fourth quarter of 2003. The resilient housing market, especially in the UK, has led to a rising level of mortgage originations and provides for continued strong MBS issuance activity going forward.

Asset-backed securities (ABS) issuance volume increased 57.7 percent, to €25.4 billion in the first quarter, up from the €16.1 billion issued during the first quarter of last year. ABS activity was down 34.0 percent when compared to the €38.5 billion issued in the fourth quarter of 2003.

Yield spreads of Italian auto ABS and Italian RMBS narrowed about 6 basis points during the first quarter of the year. Tighter spreads were driven by the low rate environment, improving credit quality and investor search for higher yields.

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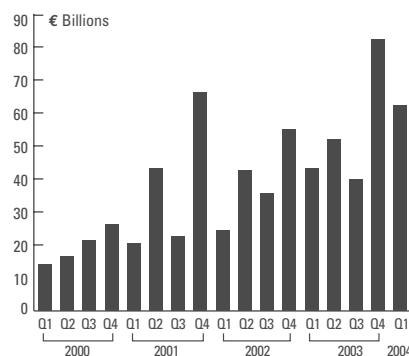
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### European Securitisation Issuance

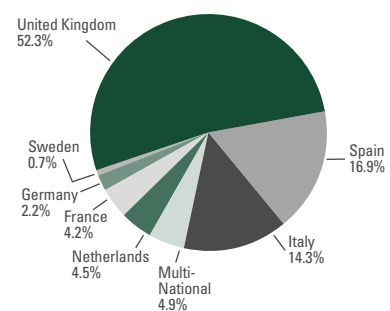
2000:Q1-2004:Q1



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

### European Securitisation

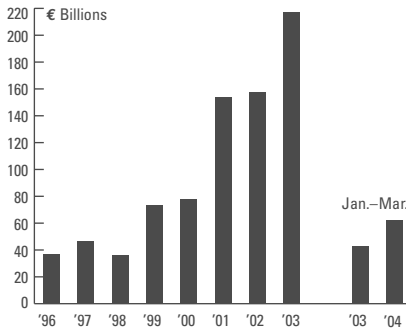
Through 2004:Q1 by Country of Collateral



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

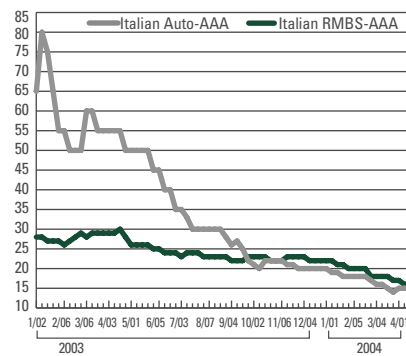
## Historical European Securitisation

1996–2004:Q1



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

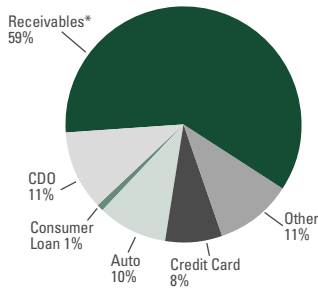
## European ABS/MBS Spreads to Euribor



Source: JP Morgan Securities Inc.

## European ABS Issuance

by Collateral Type—Through Q1 2004

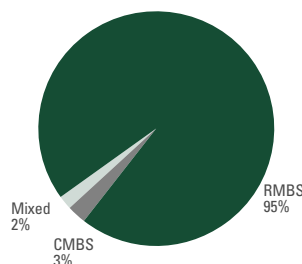


Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities Inc., SFI

\*Includes Train, Mortgage Bond, Property Rent and Lease Receivables

## European MBS Issuance

by Collateral Type—Through Q1 2004



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

## Collateral Type

The residential mortgage-backed securities (RMBS) sector continued to dominate securitisation in Europe with €35.2 billion issued during the first quarter of the year, accounting for over 56 percent of total first quarter issuance. Securities backed by receivables—including train receipt, mortgage bond, property rent, and lease receivables—were the second largest sector and accounted for nearly 25 percent of total securitised volume, or €15.3 billion. The first quarter securitised receivable growth surge came from gains in mortgage bond receivables, which accounted for 42.5 percent of all receivable issuance, and serves as another indication of the vibrant European mortgage market.

The first quarter RMBS issuance volume of €35.2 billion accounted for 95.4 percent of total MBS volume, up from €25.9 billion a year earlier. CMBS sector issuance totaled €963 million, or 2.6 percent of all MBS issuance. Securitised MBS consisting of mixed collateral from both residential and commercial mortgages totaled €710 million, accounting for the remaining 1.9 percent of the MBS issuance volume. During the first quarter of 2003, CMBS and mixed mortgage collateral accounted for 3.1 and 1.5 percent, respectively.

Non-mortgage ABS issuance activity increased substantially over the first quarter a year ago due to an improving economy and market conditions. While issuance of securitised receivables increased significantly during the first quarter, collateralised debt obligation (CDO) issuance declined to €2.8 billion from the €5.2 billion in the first quarter of last year. Auto loan new issue volume surged to €2.4 billion in the first quarter, a more than an eight-fold increase over last year, followed by credit card receivables and consumer loans at nearly €2.0 billion and €238 million, respectively.

## Country of Collateral

The collateral by country market shares have remained relatively steady, with the United Kingdom accounting for the largest volume. Spain, France and Italy also continued to play leading roles in European securitisations.

Securities backed by collateral from the UK totaled €32.6 billion in the first quarter of 2004, up 51.7 percent from the €21.5 billion securitised in the same period of 2003 and accounting for 52.3 percent of total European securitisation dollar volume during the first quarter. UK MBS issuance totaled €26.7 billion, up 50.2 percent from the €17.8 billion in 2003, and ABS issuance totaled €5.9 billion in the first quarter, up 58.2 percent from the €3.7 billion securitised in the first quarter of 2003.

Spain ranked second with about a 17 percent share, totaling €10.5 billion in the first quarter, up 65.1 percent from the €6.4 billion securitised in 2003. Issuance of Spanish ABS and MBS totaled €6.5 and €4.0 billion, respectively.

Issuance backed by Italian collateral decreased slightly, totaling €8.9 billion in the first three months of the year compared to €9.5 billion in the same period of 2003. Italian ABS totaled €6.9 billion, and Italian MBS reached €2.0 billion in the first quarter of 2004.

## Pfandbriefe

New issuance of Pfandbriefe totaled €65.5 billion in the first quarter of 2004, down 19.3 percent from €81.5 billion in the first quarter of 2003 but up 45 percent from the last quarter. Germany continues to account for most of the Pfandbriefe issuance, even though its volume declined to €49.6 billion, from the €63.1 billion issued in the first quarter of last year. Spanish Pfandbriefe issuance was €9.2 billion in the first quarter of the year, a slight increase from €8.5 billion at the same time a year ago. French Pfandbriefe, which was also third in issuance a year ago, totaled €4.8 billion this quarter, down 28.7 percent from €6.7 billion in 2003. Pfandbriefe issuance in Luxemburg, Switzerland and Austria decreased slightly to €906 million, €870 million and €192 million, respectively.

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

# European Securitisation by Country of Collateral

	BILLIONS	ASSET-BACKED SECURITIES			MORTGAGE-BACKED SECURITIES			TOTAL*		
		2003: Q1	2004:Q1	ANNUAL CHANGE	2003: Q1	2004:Q1	ANNUAL CHANGE	2003: Q1	2004:Q1	ANNUAL CHANGE
FRANCE	€	0.17	2.38	2.21	0.32	0.25	-0.08	0.49	2.62	2.13
	\$	0.17	2.98	2.81	0.35	0.31	-0.04	0.52	3.29	2.77
GERMANY	€	0.29	1.02	0.73	-	0.35	0.35	0.29	1.37	1.08
	\$	0.31	1.25	0.94	-	0.44	0.44	0.31	1.68	1.37
ITALY	€	5.42	6.87	1.45	4.08	2.04	-2.04	9.50	8.91	-0.59
	\$	5.85	8.57	2.72	4.41	2.55	-1.86	10.26	11.12	0.86
LUXEMBURG	€	0.05	-	-0.05	-	-	-	0.05	-	-0.05
	\$	0.06	-	-0.06	-	-	-	0.06	-	-0.06
NETHERLANDS	€	0.16	0.02	-0.14	2.74	3.04	0.30	2.90	3.07	0.17
	\$	0.17	0.03	-0.14	2.92	3.80	0.88	3.09	3.83	0.74
PORTUGAL	€	0.50	-	-0.50	0.50	-	-0.50	1.00	-	-1.00
	\$	0.53	-	-0.53	0.54	-	-0.54	1.07	-	-1.07
SPAIN	€	4.88	6.50	1.62	1.49	4.02	2.53	6.37	10.52	4.15
	\$	5.26	8.02	2.76	1.61	4.94	3.33	6.87	12.97	6.10
SWEDEN	€	-	-	-	-	0.46	0.46	-	0.46	0.46
	\$	-	-	-	-	0.57	0.57	-	0.57	0.57
UK	€	3.73	5.90	2.17	17.78	26.71	8.93	21.51	32.62	11.11
	\$	4.01	7.37	3.36	19.14	33.34	14.20	23.15	40.70	17.55
MULTINATIONAL	€	0.93	2.72	1.79	0.19	-	-0.19	1.12	2.72	1.60
	\$	1.00	3.36	2.36	0.21	-	-0.21	1.21	3.36	2.15
TOTAL*	€	16.13	25.42	9.29	27.10	36.87	9.77	43.23	62.29	19.06
	\$	17.36	31.38	14.22	29.18	45.95	16.77	46.54	77.52	30.98

\*Totals may not add due to rounding

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

## Pfandbriefe Issuance by Country of Collateral Through Q1, 2004

	EURO (BILLIONS)			DOLLAR (BILLIONS)		
	2003:Q1	2004:Q1	CHANGE*	2003:Q1	2004:Q1	CHANGE*
AUSTRIA	0.25	0.19	-0.06	0.27	0.25	-0.02
FRANCE	6.70	4.78	-1.92	7.18	6.02	-1.16
GERMANY	63.10	49.56	-13.54	67.32	62.10	-5.22
LUXEMBURG	1.49	0.91	-0.58	1.58	1.14	-0.44
SPAIN	8.50	9.20	0.70	9.06	11.52	2.46
SWEDEN	0.13	-	-	0.13	-	-
SWITZERLAND	1.04	0.87	-0.17	1.10	1.08	-0.02
ALL WESTERN EUROPE	0.02	-	-	0.02	-	-
MULTINATIONAL	0.31	-	-	0.33	-	-
TOTAL	81.54	65.51	-15.70	86.99	82.11	-4.53

\*Figures may not add due to rounding

Source: Dealogic Bondware