

European Securitisation Data Reports



ESF Securitisation Data Report

Winter 2005

www.europeansecuritisation.com

- Issuance in the European securitisation market set a record in 2004 with €243.5 billion, up from the €217.2 billion issued in 2003.
- Mortgage-backed securities volume totaled €138.5 billion in 2004, an increase from €125.7 billion issued in 2003.
- New issuance in the asset-backed securities market increased to €105.1 billion, up from €91.4 billion a year ago.
- Pfandbriefe issuance declined 11.5 percent, to €209.0 billion.

European Securitisation Sets Issuance Record for Sixth Consecutive Year

Issuance in the European securitisation market set a year-end record for the sixth straight year, growing 12.1 percent, to €243.6 billion from €217.1 billion in 2003 and €157.7 billion in 2002. The fourth quarter was quite strong with a volume of €75.6 billion, a 42.1 percent improvement from a quarter earlier, though issuance was 8.3 percent less than the quarterly record set in the fourth quarter a year ago. While the European Central Bank (ECB) has recognised the potential threat of housing price inflation, interest rate policy remains accommodative. In the upcoming months, the economy may moderate, especially in the housing market sector that is dominated by the United Kingdom (UK). The effect of moderation suggests that the ECB will hold rates steady during the coming year creating issuance growth. The recent European Securitisation Forum's market outlook projected issuance to increase to €255 billion in 2005.

European mortgage-backed securities (MBS) issuance had a strong year, with volume rising 10.2 percent to €138.5 billion in 2004, up from €125.6 billion in 2003. On a linked-quarter basis, issuance rose 20.3 percent to €37.3 billion, but down by 15.0 percent from a year ago.

New issuance of non-mortgage asset-backed securities (ABS) volume totaled €105.1 billion, a 15.0 percent increase from €91.4 billion a year ago. The fourth quarter volume rose sharply to €38.2 billion, a 72.0 percent improvement from the third quarter, and marginally lower than the €38.5 billion in the fourth quarter a year earlier.

ABS spreads are tightening due to the low rate environment and improvement in credit quality. Furthermore, there is probably room for additional tightening. Yield spreads of Italian auto ABS to Euribor have narrowed by more than 8 basis points during the year and by 6 basis points in the fourth quarter alone. European MBS spreads tightened by similar amount, narrowing by 10 basis points in 2004 and 5 basis points in the fourth quarter.

Collateral Type

The residential mortgage-backed securities (RMBS) market continued to dominate the securitisation markets in Europe and accounted for €120.1 billion, or nearly 50.0 percent of total volume issued in 2004. Securities backed by receivables – including property rent, utility, health care, public house, trade, train, aircraft, oil, and

THE BOND MARKET ASSOCIATION

Washington Office
1399 New York Avenue, NW
Washington, DC 20005-4711

T +1.202.434.8400
F +1.202.434.8456

New York Office
360 Madison Avenue
New York, NY 10017-7111
www.bondmarkets.com

Michael Decker
Senior Vice President
Research and Policy Analysis

Steve Davidson, CFA
Vice President and Director of Research

Marcelo Vieira
Manager, Market Statistics

Tiffany Coln
Research Analyst

Bryan Gross
Research Analyst

EUROPEAN SECURITISATION FORUM

St. Michael's House
1 George Yard
London EC3V 9DH

T +44.20.77 43 93 00
F +44.20.77 43 93 01

www.europeansecuritisation.com

Scott C. Rankin
Head, ESF

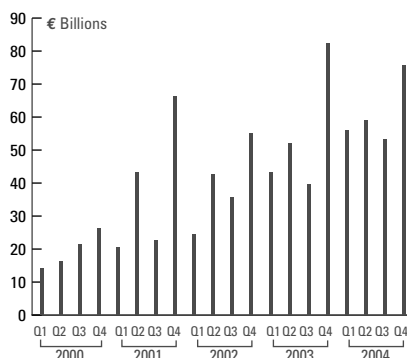
Peter Hansen
Managing Director, ESF

Dr. Marco Angheben
Associate Director, ESF

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European Securitisation Issuance*

2000:Q1–2004

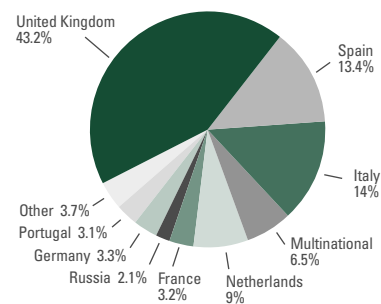


Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities, Inc., Structured Finance International

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

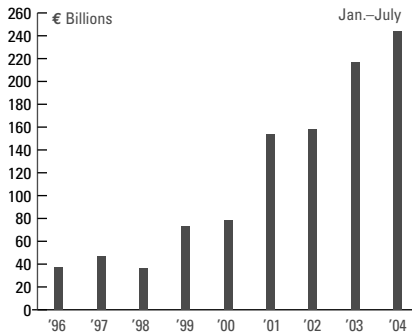
European Securitisation Issuance

2004 by Country of Collateral



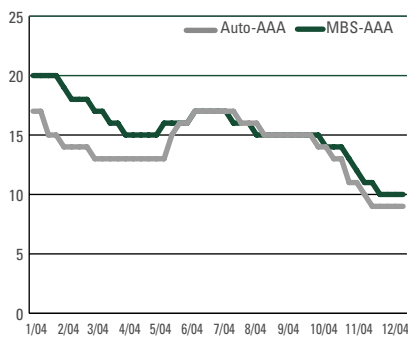
Sources: Dealogic Bondware, Thomson Financial Securities Data

Historical Securitisation Issuance 1996–2004



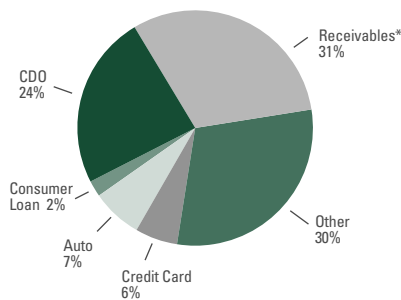
Sources: J.P. Morgan Securities Inc., Dealogic Bondware, Thomson Financial Securities Data, Structured Finance International

European ABS/MBS Spreads to Euribor



Source: J.P. Morgan Securities Inc.

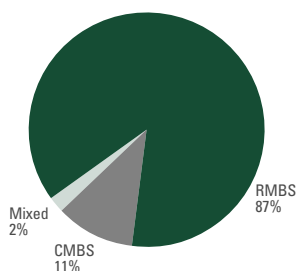
European ABS Issuance by Collateral Type 2004



Sources: Dealogic Bondware, Thomson Financial Securities Data

*Includes Property Rent, Utility Receivable, Health Care Receivable, Public House Receivable, Trade Receivable, Train Receivable, Aircraft Receivable, Oil Receivable, and Lease Receivables

European MBS Issuance by Collateral Type 2004



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

lease receivables – were the second largest category and accounted for 13.3 percent of total securitised volume with €32.5 billion issued. Previously, mortgage bond receivables were included in receivable totals and comprised a significant portion of the category totals. In this quarter and subsequent ESF data reports, mortgage bond receivables will be reclassified because of its status as a covered bond.

RMBS issuance volume declined 11.9 percent from a year ago. Issuance levels were relatively stable throughout the year, with the fourth quarter volume totaling €28.2 billion. Commercial mortgage-backed securities (CMBS) rose significantly in 2004, totaling €15.2 billion, a 36.9 percent improvement from a year ago, reflecting strength in the commercial real estate markets.

The CDO market continues to expand and totaled €25.2 billion in 2004, accounting for 24.0 percent of ABS securities. The auto loan, credit card receivable, and consumer loan markets issued €6.9 billion, €6.7 billion, and €2.6 billion, respectively.

Country of Collateral

The United Kingdom (UK) continued to dominate issuance in the European securitisation market during 2004, driven by a strong housing market and strong loan demand across consumer finance sectors, but Italy and Spain continued to account for a substantial portion of the European marketplace.

New issues of securitised debt in the UK totaled €105.3 billion in 2004, up 38.5 percent from the €76.0 billion issued in 2003. Collateralised securities in the UK accounted for 43.2 percent of total European securitised issuance in 2004, compared to 35.0 percent in 2003. Mortgage-backed securities totaled €77.4 billion, a 40.0 percent increase from €55.3 billion issued in 2003. Asset-backed securities in the UK totaled €27.8 billion in 2004, an increase of 34.3 percent from a year ago. Quarterly UK issuance, though, increased slightly in the fourth quarter to €23.4 billion, compared to €20.4 billion in the third quarter. Most of this decline can be attributed to the mortgage-backed market. This decrease is not surprising considering the effect that rising interest rates had on the housing market.

Italian issuance totaled €34.2 billion in 2004, compared to €33.9 billion

in 2003, and the fourth quarter volume totaled €11.9 billion, compared to €11.2 billion from a year ago. The fourth quarter accounted for nearly 35.0 percent of year-end total.

Spain has increased its volume over the last few years and now stands as an important issuer of European debt, though issuance slipped in 2004. Spanish new issues totaled €32.5 billion in 2004, a 14.3 percent decline from a year ago. The fourth quarter was particularly strong in Spain, setting a quarterly record of €11.7 billion. In the previous three quarters combined, Spanish ABS volume had only totaled nearly €900 million.

Pfandbriefe

New issuance of Pfandbriefe totaled €209.0 billion in 2004, a decline of 16.6 percent from the €250.5 billion issued in 2003. It was lower than any of the previous three years that the European Securitisation Forum has been tracking Pfandbriefe issuance. Non-Jumbo Pfandbriefe which comprises the majority of Pfandbriefe issuance, totaled €142.6 billion in 2004, a 20.2 percent decline from 2003 totals. Total volume for jumbo Pfandbriefe totaled €66.3 billion, a 19.1 percent decline from a year ago.

Slower issuance in Germany explains the Pfandbriefe decline. Excluding Germany, Pfandbriefe issuance in 2004 was higher than in 2003, with a surge in French and Spanish issuance. German Pfandbriefe, however, continues to dominate the Pfandbriefe market, accounting for 69.5 percent of total volume and totaled €145.3 in 2004, a 19.9 percent decline from 2003. Non-jumbo German Pfandbriefe volume totaled €103.7 billion, a decline of 25.8 percent from a year ago. Spanish Pfandbriefe issuance ranked second, totaling €38.1 billion in 2004, an increase of 19.4 percent from 2003. The increase in Spanish activity comes from the 78.5 percent improvement in non-jumbo Pfandbriefe. French Pfandbriefe increased 14.0 percent to €19.6 billion in 2004. In addition to these relatively large issuers, it should be noted that Ireland and Switzerland had volumes of €2.7 billion and €2.1 billion, respectively.

The information provided in the report can be downloaded from the ESF website www.europeansecuritisation.com under the statistics and data section.

European Securitisation by Country of Collateral

	BILLIONS	ASSET-BACKED SECURITIES			MORTGAGE-BACKED SECURITIES			TOTAL*		
		2003	2004	ANNUAL CHANGE	2003	2004	ANNUAL CHANGE	2003	2004	ANNUAL CHANGE
AUSTRIA	€	0.22	0.50	0.28	-	-	-	0.22	0.50	0.28
	\$	0.25	0.62	0.37	-	-	-	0.25	0.62	0.37
BELGIUM	€	0.21	0.95	0.74	2.27	1.05	-1.22	2.48	2.00	-0.48
	\$	0.25	1.18	0.93	2.76	1.31	-1.45	3.01	2.49	-0.52
CZECH REPUBLIC	€	-	-	-	0.01	0.02	0.01	0.01	0.02	0.01
	\$	-	-	-	0.01	0.03	0.02	0.01	0.03	0.02
FRANCE	€	1.56	3.15	1.59	6.08	4.69	-1.39	7.64	7.84	0.20
	\$	1.76	3.92	2.16	7.09	5.88	-1.21	8.85	9.80	0.95
GERMANY	€	4.28	6.84	2.56	2.86	1.13	-1.73	7.14	7.97	3.83
	\$	5.08	8.65	3.57	3.37	1.42	-1.95	8.45	10.07	1.62
GREECE	€	0.15	-	-0.12	0.25	0.75	0.50	0.37	0.75	0.38
	\$	0.12	-	-0.15	0.29	0.92	0.63	0.44	0.92	0.48
IRELAND	€	1.48	2.46	0.98	1.82	-	-1.82	3.30	2.46	-0.84
	\$	1.73	3.06	1.33	2.05	-	-2.05	3.78	3.06	-0.72
ITALY	€	24.86	26.25	1.39	9.07	7.92	-1.15	33.93	34.17	0.24
	\$	28.28	32.92	4.64	10.05	9.88	-0.17	38.33	42.80	4.47
LATVIA	€	-	-	-	-	0.06	0.06	-	0.06	-0.06
	\$	-	-	-	-	0.08	0.08	-	0.08	-0.08
LUXEMBURG	€	0.28	-	-0.28	-	-	-	0.28	-	-0.28
	\$	0.32	-	-0.32	-	-	-	0.32	-	-0.32
NETHERLANDS	€	3.08	2.16	-0.92	17.90	16.06	-1.84	20.98	18.22	-2.76
	\$	3.64	2.67	-0.97	20.08	19.99	-0.09	23.73	22.66	-1.06
POLAND	€	-	-	-	0.06	-	-0.06	0.06	-	-0.06
	\$	-	-	-	0.08	-	-0.08	0.08	-	-0.08
PORTUGAL	€	2.17	2.58	0.41	8.00	4.92	-3.08	10.17	7.50	-2.67
	\$	2.47	3.15	0.68	9.35	6.51	-2.84	11.82	9.66	-2.16
RUSSIA	€	-	5.15	5.15	-	-	-	-	5.15	5.15
	\$	-	6.27	6.27	-	-	-	-	6.27	6.27
SPAIN	€	21.93	12.36	-9.57	15.91	20.18	4.27	37.84	32.54	-5.9
	\$	25.24	15.85	-9.39	18.37	24.86	6.49	43.61	40.71	-2.9
SWEDEN	€	-	-	-	1.00	1.53	0.53	1.00	1.53	0.53
	\$	-	-	-	1.16	1.87	0.71	1.16	1.87	0.71
SWITZERLAND	€	-	0.23	0.23	4.32	0.54	-3.78	4.32	0.77	-3.55
	\$	-	0.28	0.28	4.98	0.70	-4.28	4.98	0.98	-4.00
TURKEY	€	-	1.00	1.00	-	-	-	-	1.00	1.00
	\$	-	1.28	1.28	-	-	-	-	1.28	1.28
UK	€	20.73	27.83	7.10	55.30	77.43	22.13	76.03	105.26	22.23
	\$	23.56	34.42	10.86	62.18	96.03	33.85	85.74	130.45	44.71
UKRAINE	€	-	0.00	0.00	-	-	-	-	0.00	0.00
	\$	-	0.00	0.00	-	-	-	-	0.00	0.00
MULTINATIONAL	€	10.49	13.62	3.13	0.85	2.19	1.34	11.34	15.81	4.47
	\$	12.01	16.76	4.75	0.98	2.68	1.70	12.99	19.44	6.45
TOTAL*	€	91.44	105.08	13.64	125.64	138.47	15.83	217.08	243.55	26.47
	\$	104.71	131.03	26.32	142.72	172.16	29.44	247.43	303.19	55.76

*Totals may not add due to rounding

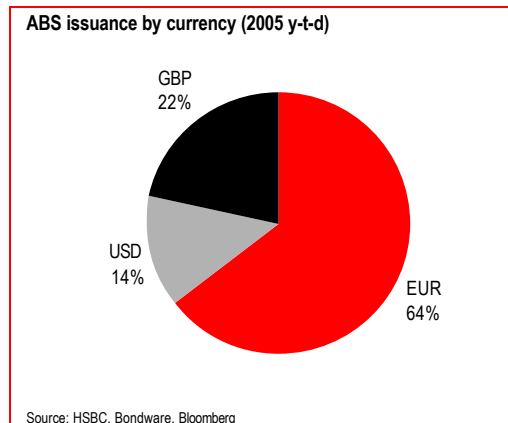
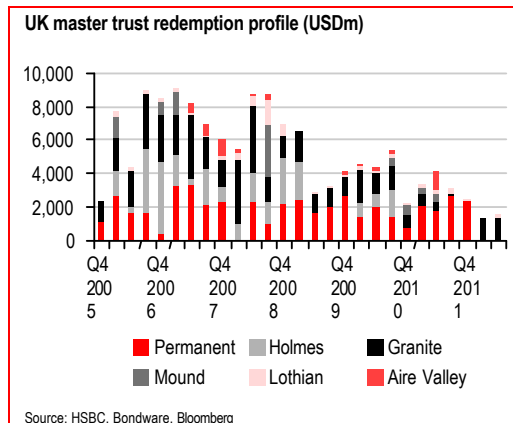
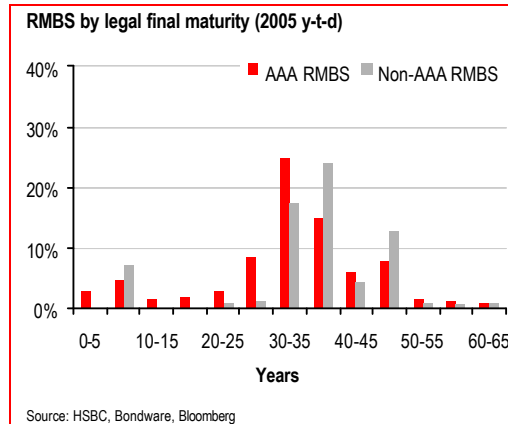
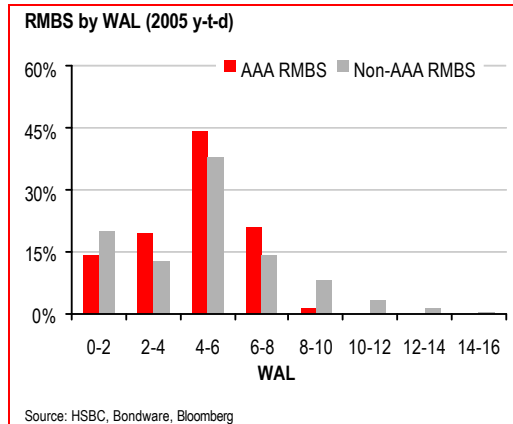
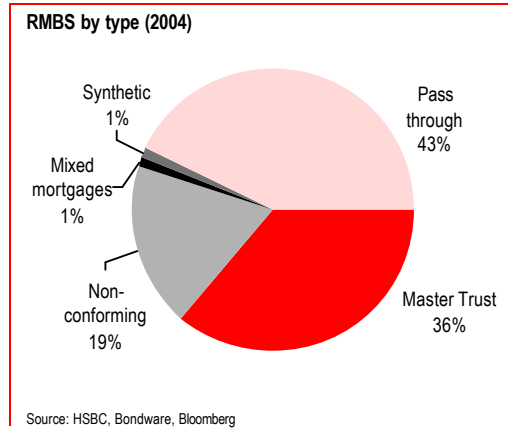
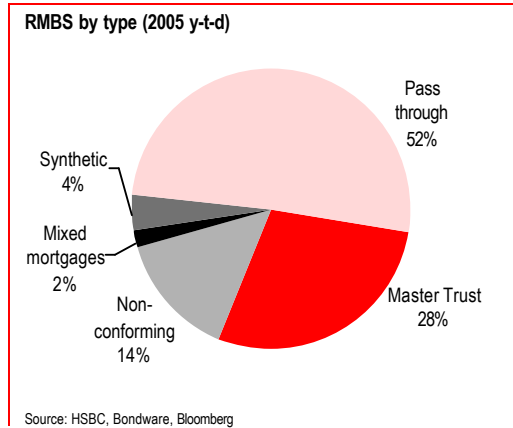
Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities Inc., Structured Finance International

European Pfandbriefe Issuance by Country of Collateral

	BILLIONS	JUMBO			NON-JUMBO			TOTAL*		
		2003	2004	ANNUAL CHANGE	2003	2004	ANNUAL CHANGE	2003	2004	ANNUAL CHANGE
AUSTRIA	€	-	-	-	0.94	0.32	-0.61	0.94	0.32	-0.61
	\$	-	-	-	1.08	0.39	-0.68	1.08	0.39	-0.68
FRANCE	€	11.97	7.51	-4.46	5.19	12.08	6.89	17.16	19.59	2.43
	\$	13.25	9.25	-4.00	5.97	15.01	9.04	19.22	24.27	5.05
GERMANY	€	53.51	41.58	-11.94	139.73	103.69	-36.03	193.24	145.24	-47.97
	\$	59.56	51.31	-8.25	156.79	129.97	-26.82	126.34	181.28	-35.06
IRELAND	€	-	-	-	-	2.66	2.66	0.00	2.66	2.66
	\$	-	-	-	-	3.28	3.28	0.00	3.28	3.28
LUXEMBURG	€	1.67	0.81	-0.86	2.81	0.10	-2.71	4.48	0.91	-3.57
	\$	1.86	1.00	-0.86	3.15	0.12	-3.03	5.01	1.12	-3.88
SPAIN	€	19.75	16.45	-3.30	12.15	21.69	9.54	31.90	38.14	6.24
	\$	21.75	20.40	-1.35	14.02	27.30	13.28	35.77	47.70	11.93
SWITZERLAND	€	-	-	-	2.77	2.07	-0.70	2.77	2.07	-0.70
	\$	-	-	-	2.77	2.52	-0.25	2.77	2.52	-0.25
WESTERN EUROPE	€	-	-	-	0.02	-	-0.02	0.02	0.00	-0.02
	\$	-	-	-	0.02	-	-0.02	0.02	0.00	0.02
TOTAL*	€	86.90	66.35	-20.55	163.60	142.60	-20.99	250.50	208.95	-41.55
	\$	96.41	81.96	-14.45	183.79	178.60	-5.19	280.20	260.56	-19.64

*Totals may not add due to rounding

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



European ABS market overview

Below is an extract from HSBC ABS Strategy's European ABS Weekly:

