



ESF Securitisation Data Report

Winter 2004

www.europansecuritisation.com

Highlights

- New issuance in the European securitised debt set a new record in 2003 of €217.2 billion, up from the €157.7 billion issued in 2002.
- New issues in the mortgage-backed securities (MBS) sector totaled €125.7 billion in 2003, an increase of 60.1 percent over 2002.
- Non-mortgage asset-backed securities (ABS) issuance increased 15.4 percent, to €91.4 billion in 2003.
- Pfandbriefe issuance decreased 22.0 percent, to €174.0 in 2003.

European Securitisation Issuance Surges to a New Record in 2003

Issuance in the European securitisation market grew by 37.7 percent in 2003 to set a new annual record of €217.2 billion, surpassing the previous record of €157.7 billion set in 2002. A new quarterly record of €82.4 billion was also set in the fourth quarter, more than double the €39.7 billion issued in the third quarter, and 49.5 percent higher than the fourth quarter of 2002. The European Central Bank's accommodative position on interest rates continued to offer issuers the incentive to use the securitisation markets as a valuable funding strategy. Investors were attracted to the securitisation markets as defaults slowed and business confidence improved, signalling a possible turnaround in the economic environment.

According to the European Securitisation Forum's annual market forecast, securitised issuance volumes will increase to €235 billion in 2004. Higher new issue activity will be buoyed by prevailing low interest rates, improving credit quality and attractive yield spreads.

European mortgage-backed securities (MBS) capped off a very strong year, as increased mortgage origination activity and a strong housing market continued to be catalysts for issuance in the sector. MBS new issue volume totaled €125.7 billion in 2003, up 60.1 percent from the €78.5 billion in 2002. Issuance in the fourth quarter increased 98.6 percent, to €43.9 billion,

compared to the €22.1 billion issued in the third quarter of 2003, and 18.5 percent higher than the €32.5 billion issued in the fourth quarter of 2002.

Issuance in the non-mortgage asset-backed securities (ABS) sector rose 15.4 percent in 2003, to €91.4 billion, up from the €79.2 billion issued in 2002. ABS new issue volume totaled €38.5 billion in the fourth quarter, up 118.8 percent from the €17.6 billion issued in the third quarter and 70.4 percent higher than the €22.6 billion issued in the fourth quarter of 2002.

Yield spreads of Italian auto ABS to Euribor have narrowed by more than 60 basis points during 2003 and by nearly 10 basis points during the fourth quarter alone. Spreads of Italian RMBS tightened but at a less significant rate, by nearly 6 basis points during 2003, with spreads stable in the fourth quarter.

Collateral Type

The residential mortgage-backed securities (RMBS) sector continued to dominate the securitisation markets, totaling €107.3 billion in issuance during 2003. RMBS new issue volume was relatively stable in the first half of the year, totaling €25.9 billion in the first quarter and €28.0 billion in the second, declining in the third quarter, to €16.6 billion, and bouncing

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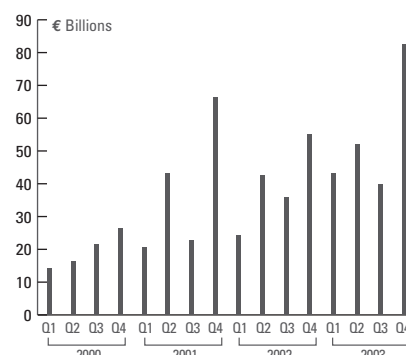
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European Securitisation Issuance*

2000:Q1–2003:Q4

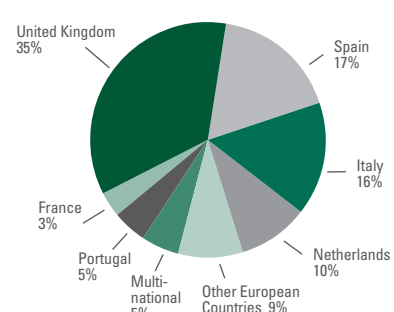


Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities, Inc., EuroWeek

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

European Securitisation

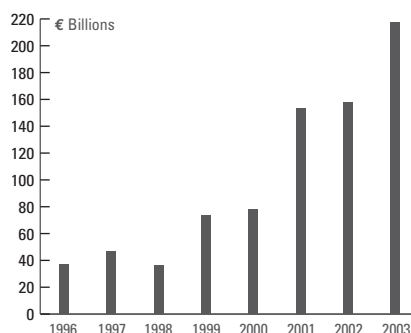
2003 by Country of Collateral



Sources: Dealogic Bondware, Thomson Financial Securities Data

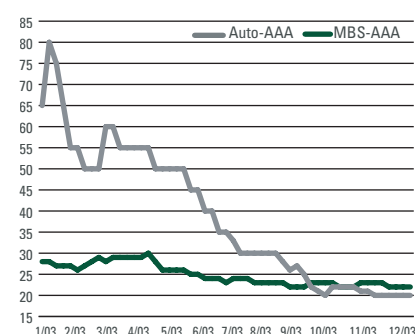
Historical European Securitisation

1996–2003:Q4



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

European ABS/MBS* Spreads to Euribor

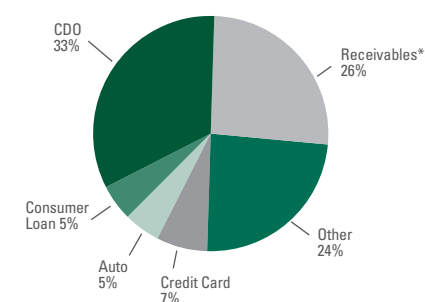


Source: J. P. Morgan Securities Inc.

*Spreads of Italian Auto ABS and RMBS

European ABS Issuance

by Collateral Type—2003

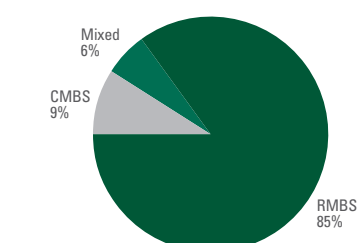


Sources: Dealogic Bondware, Thomson Financial Securities Data, J.P. Morgan Securities Inc., EuroWeek

*Includes Aircraft, Oil, Property Lease, Rent Receivables, Lease, Trade and Shipping Receivables

European MBS Issuance

by Collateral Type—2003



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

back strongly to €36.9 billion in the fourth quarter. Collateralised debt obligations (CDOs) were the second largest sector accounting for 13.7 percent or €29.8 billion of total securitisation issuance. Securities backed by receivables—including aircraft, healthcare, lease, loan, oil, phone bills, rent and train receivables—ranked third with €24.0 billion of total securitisation. The next largest sectors were the commercial mortgage-backed securities (CMBS), credit card receivables and auto loan ABS, accounting for 5.1 percent, 2.8 percent and 2.2 percent of the total European market, respectively.

RMBS accounted for 85.4 percent of total MBS in Europe in 2003. Issuance in the CMBS sector totaled €11.1 billion in 2003, accounting for 8.8 percent of the category. Securitised MBS consisting of collateral from both residential and commercial mortgages accounted for an additional 5.8 percent of the MBS issuance volume. In 2002, RMBS, CMBS and mixed mortgage collateral were 67.3 percent, 25.2 percent and 7.5 percent of total MBS issuance, respectively.

CDOs accounted for 32.6 percent of ABS issuance in 2003. Receivables had the second largest volume and represented 26.2 percent of ABS issue volume. Securities backed by credit card receivables comprised 6.6 percent or €6.0 billion of total ABS issuance, and auto loan ABS accounted for 5.3 percent or €4.9 billion.

Country of Collateral

While the UK maintained its dominant share of the market, securities with collateral domiciled in Spain, Italy and the Netherlands continued to grow and play an increasingly significant role in the European marketplace.

Securities backed by collateral from the United Kingdom totaled €76.0 billion in 2003, up 37.3 percent from the €55.4 billion issued in 2002. UK collateralised debt accounted for 35.0 percent of total European securitisation during 2003, virtually unchanged from 2002. ABS issuance in the UK totaled €20.7 billion in 2003, up only slightly from the €20.1 billion in 2002. MBS issuance of collateral from the UK continued to grow, reaching €55.3 billion in 2003. UK domiciled MBS increased 56.8 percent from

the €35.3 billion issued in 2002. Looking at quarterly UK issuance in 2003, debt collateralised by UK domiciled assets reached €21.5 billion in the first quarter, falling to €17.9 billion and €16.1 billion in the second and third quarters, respectively, but picking up in the fourth quarter to €20.4 billion.

Securitised debt backed by collateral domiciled in Spain has risen sharply over the past few years on both an absolute and relative basis and now ranks second to the UK. Issuance of debt secured by Spanish assets rose from 11.8 percent in 2002 to 17.4 percent in 2003. Spanish collateralised debt issuance doubled to total €37.8 billion in 2003, compared to €18.6 billion in 2002. Growth of the ABS market, which tripled to €21.9 billion in 2003, explains the rapid securitisation growth in Spain. MBS volume was €15.9 billion in 2003, compared to €11.5 billion in 2002. Befitting from low interest rates, Spanish issuance peaked at €16.7 billion in the fourth quarter, with volumes lowest during the first and third quarters.

Pfandbriefe

New issuance of Pfandbriefe totaled €236.2 billion in 2003, an increase of 5.8 percent from the €223.2 billion issued in 2002. German Pfandbriefe issuance was €192.3 billion, slightly up from the €190.8 billion issued in 2002. Spain ranked second in Pfandbriefe issuance in 2003 at €19.8 billion, 71.3 percent higher than the €11.5 billion issued in 2002. Issuance of French Pfandbriefe increased slightly to €15.9 billion from the €14.2 billion issued in 2002. Beyond the top three countries, Austrian Pfandbriefe ended the year with €967 million; Swiss Pfandbriefe with €2.77 billion; and Swedish Pfandbriefe with €13.0 million. Multinational Pfandbriefe totaled €31.0 million in 2003. Issuance in Austria, Sweden, Switzerland and collateral from multiple European countries was flat in the fourth quarter. Pfandbriefe issuance volumes were revised on 5, May 2004.

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

	ASSET-BACKED SECURITIES				MORTGAGE-BACKED SECURITIES			TOTAL*		
	BILLIONS	2002	2003	ANNUAL CHANGE	2002	2003	ANNUAL CHANGE	2002	2003	ANNUAL CHANGE
AUSTRIA	€	0.16	0.22	0.06	-	-	-	0.16	0.22	0.06
	\$	0.16	0.25	0.09	-	-	-	0.16	0.25	0.09
BELGIUM	€	0.32	0.21	-0.11	-	2.27	2.27	0.32	2.48	2.16
	\$	0.32	0.25	-0.07	-	2.76	2.76	0.32	3.01	2.69
CZECH REPUBLIC	€	-	-	-	-	0.01	.01	-	0.01	0.01
	\$	-	-	-	-	0.01	.01	-	0.01	0.01
DENMARK	€	0.14	-	-0.14	-	-	-	0.14	-	-0.14
	\$	0.13	-	-0.13	-	-	-	0.13	-	-0.13
FINLAND	€	0.37	-	-0.37	-	-	-	0.37	-	-0.37
	\$	0.37	-	-0.37	-	-	-	0.37	-	-0.37
FRANCE	€	5.32	1.56	-3.76	4.59	6.08	1.49	9.91	7.64	-2.27
	\$	5.16	1.76	-3.40	4.45	7.09	2.64	9.61	8.85	-0.76
GERMANY	€	5.96	4.28	-1.68	3.03	2.86	-0.17	8.99	7.13	-1.85
	\$	5.41	5.08	-0.33	3.00	3.37	0.37	8.41	8.45	0.04
GREECE	€	-	0.15	0.15	-	0.25	.25	-	0.40	0.40
	\$	-	0.12	0.12	-	0.29	.29	-	0.42	0.42
IRELAND	€	1.08	1.48	0.40	0.52	1.82	1.31	1.59	3.30	1.71
	\$	1.07	1.73	0.66	0.52	2.05	1.53	1.59	3.78	2.18
ITALY	€	22.62	24.86	2.24	7.49	9.07	1.58	30.11	33.93	3.82
	\$	21.91	28.28	6.37	7.13	10.05	2.92	29.04	38.33	9.29
LUXEMBURG	€	0.81	0.28	-0.53	0.17	-	0.17	0.98	0.28	-0.71
	\$	0.78	0.32	-0.46	0.15	-	0.15	0.93	0.32	-0.61
NETHERLANDS	€	2.75	3.08	0.33	8.95	17.90	8.94	11.70	20.98	9.28
	\$	2.61	3.64	1.03	8.60	20.08	11.47	11.21	23.71	12.50
POLAND	€	-	-	-	-	0.07	.07	-	0.07	0.07
	\$	-	-	-	-	0.09	.09	-	0.09	0.09
PORTUGAL	€	1.67	2.17	0.50	1.90	8.00	0.25	3.57	10.17	6.59
	\$	1.59	2.47	0.87	1.88	9.35	0.23	3.47	11.81	8.34
SPAIN	€	7.10	21.93	14.83	11.47	15.91	4.44	18.57	37.84	19.27
	\$	6.81	25.24	18.43	11.21	18.37	7.16	18.02	43.61	25.59
SWEDEN	€	-	-	-	0.28	1.00	.73	0.28	1.00	0.73
	\$	-	-	-	0.27	1.16	.89	0.27	1.16	0.89
SWITZERLAND	€	0.16	-	-0.16	-	4.32	4.32	0.16	4.32	4.16
	\$	0.15	-	-0.15	-	4.98	4.98	0.15	4.98	4.84
UK	€	20.12	20.73	0.61	35.27	55.30	20.03	55.39	76.03	20.65
	\$	19.33	23.56	4.23	33.45	62.18	28.74	52.78	85.74	32.96
MULTINATIONAL	€	10.62	10.49	-0.13	4.79	0.85	-3.94	15.41	11.34	-4.07
	\$	10.10	12.01	1.91	4.60	0.98	-3.61	14.70	12.99	-1.71
TOTAL	€	79.20	91.44	12.23	78.45	125.72	47.26	157.66	217.15	59.50
	\$	75.90	104.71	28.81	75.26	142.81	67.55	151.15	247.52	96.36

*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 Q4, 2003

	Euro (Billions)				Dollar (Billions)		
	2002	2003	CHANGE*		2002	2003	CHANGE*
AUSTRIA	0.40	0.97	0.57		0.39	1.11	0.72
FRANCE	14.22	15.95	1.73		13.50	17.80	4.30
GERMANY	190.75	192.25	1.50		179.98	215.20	35.22
LUXEMBURG	3.25	4.10	0.85		2.94	4.57	1.63
SPAIN	11.50	19.75	8.25		11.08	21.75	10.67
SWEDEN	-	0.13	0.13		-	0.13	0.13
SWITZERLAND	3.12	2.77	0.36		2.93	3.06	0.13
MULTINATIONAL	-	0.31	0.31		-	0.33	0.33
TOTAL	223.24	236.22	12.98		210.82	263.94	53.12

*Figures may not add due to rounding

Source: Dealogic Bondware