

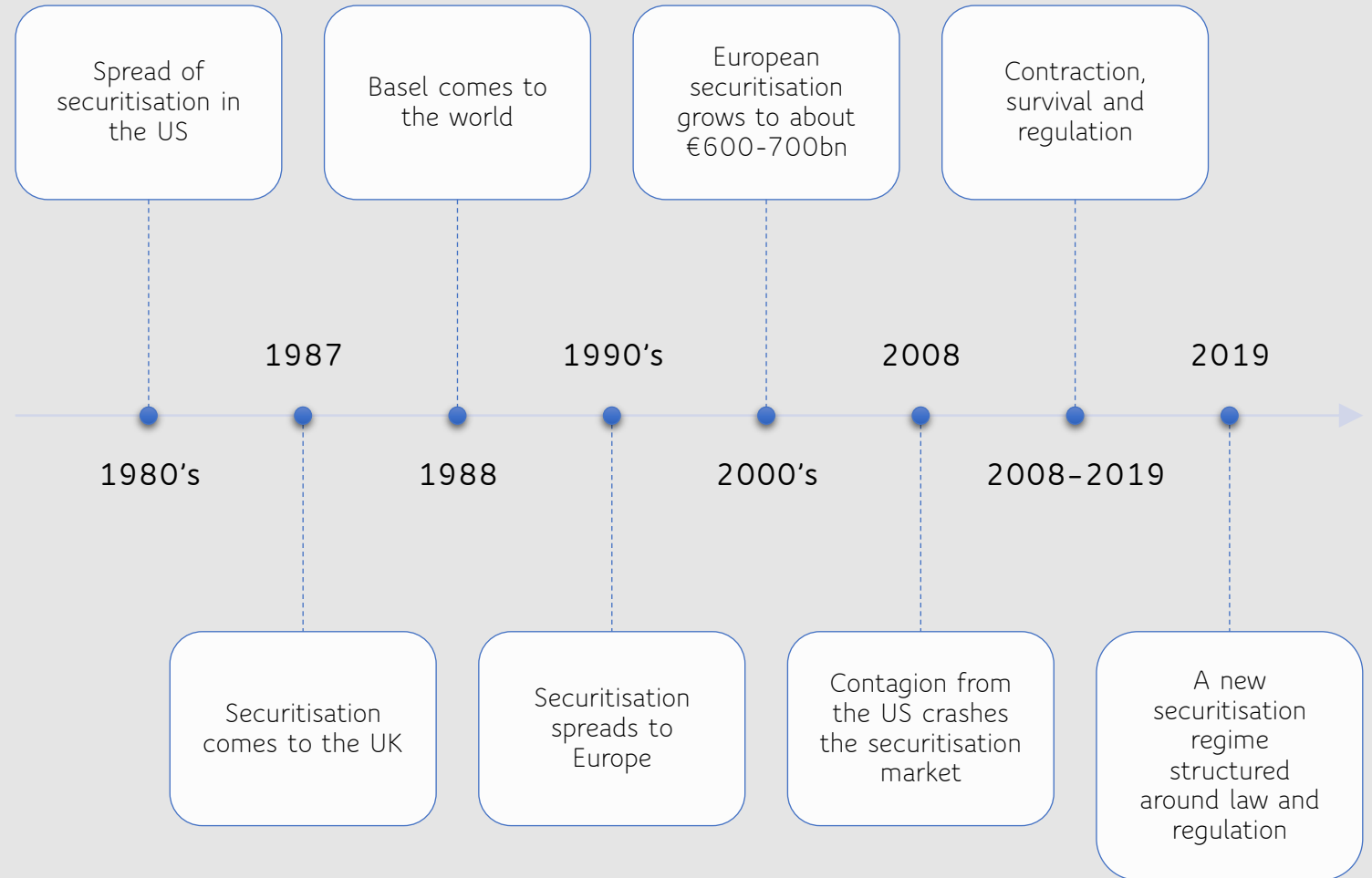
Securitisation
Short
History

European Markets

Introduction

Securitisation Short History

Milestones..



Securitisation Short History

80's – "Its not
about size"



1980's ROE and ROA eclipses Asset Size in bank rankings

This change drives "securitisation" because...

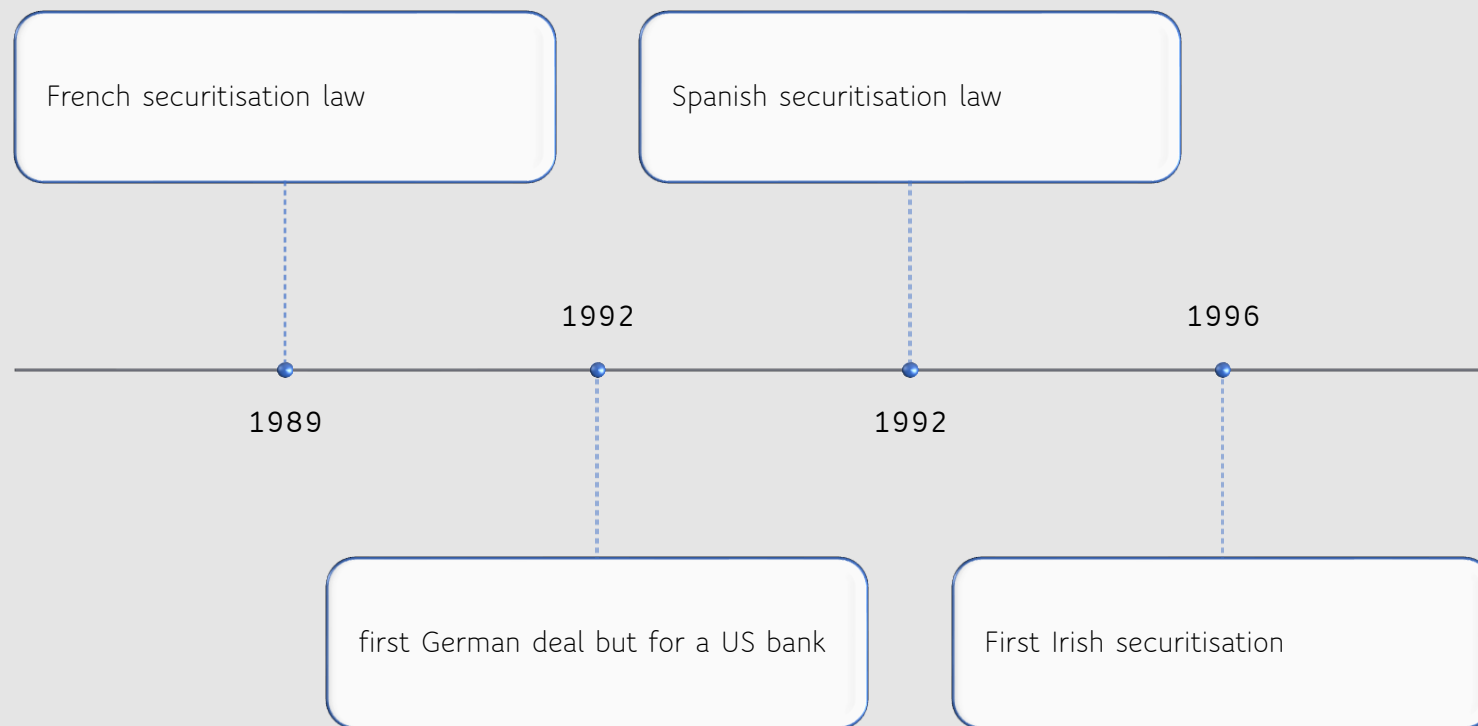
Capital follows accountancy and accountancy allows the deconsolidation of "securitised" assets

So excess spread gives you infinite returns making securitisation the trend of the 80s in the US

Securitisation Short History

Europe

Securitisation is the cutting edge but still seen as suspiciously American in the 90's but spreads at different speeds through Europe



Note: transactions were done, eg in Italy before the law was passed

Securitisation Short History

European
Growth

From the 90's to 2007/2008 securitisation grows across Europe

We have seen transactions in the following asset classes:

Residential mortgages

Commercial mortgages

SMEs

Auto Loans

Auto Leases

Credit cards

Consumer loans

Broadcasting entitlements of soccer

Corporate Loans

Equipment Leases

Shipping Loans

Aircraft Loans

Non-performing Loans

Whole Businesses and

...movies, diamonds and champagne

Securitisation Short History

European
Growth

European countries with securitisation issuance before the GFC

Austria

Belgium

Finland

France

Germany

Greece

Ireland

Italy

Portugal

Russia

Spain

Sweden

Switzerland

The Netherlands

United Kingdom

Securitisation Short History

World
Growth

Countries outside Europe with meaningful securitisation markets then and today

Canada

Mexico

South Africa

Russia

Japan

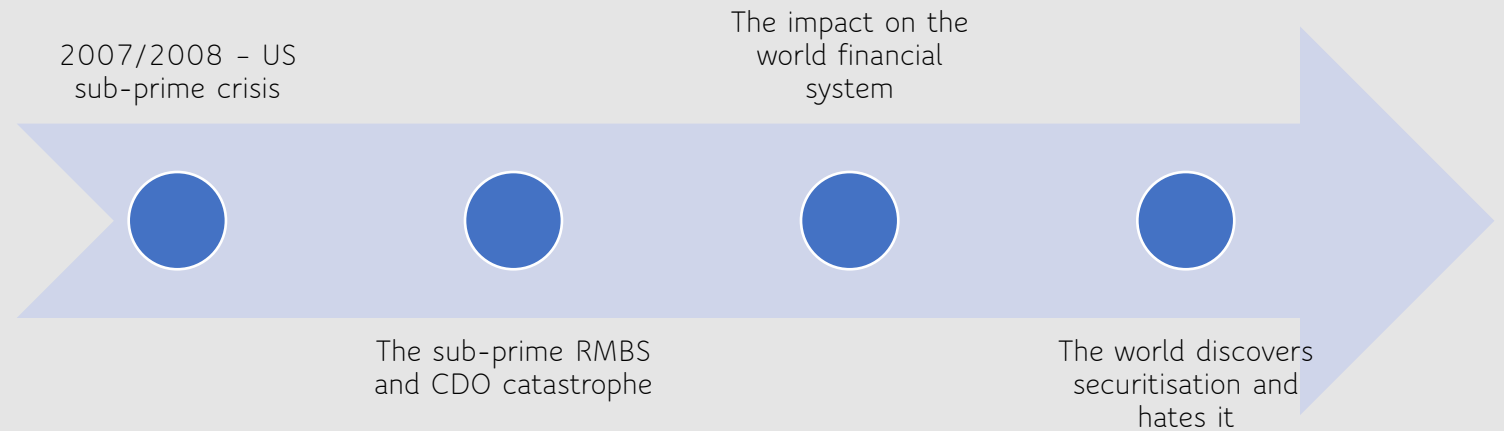
China

Australia

New Zealand

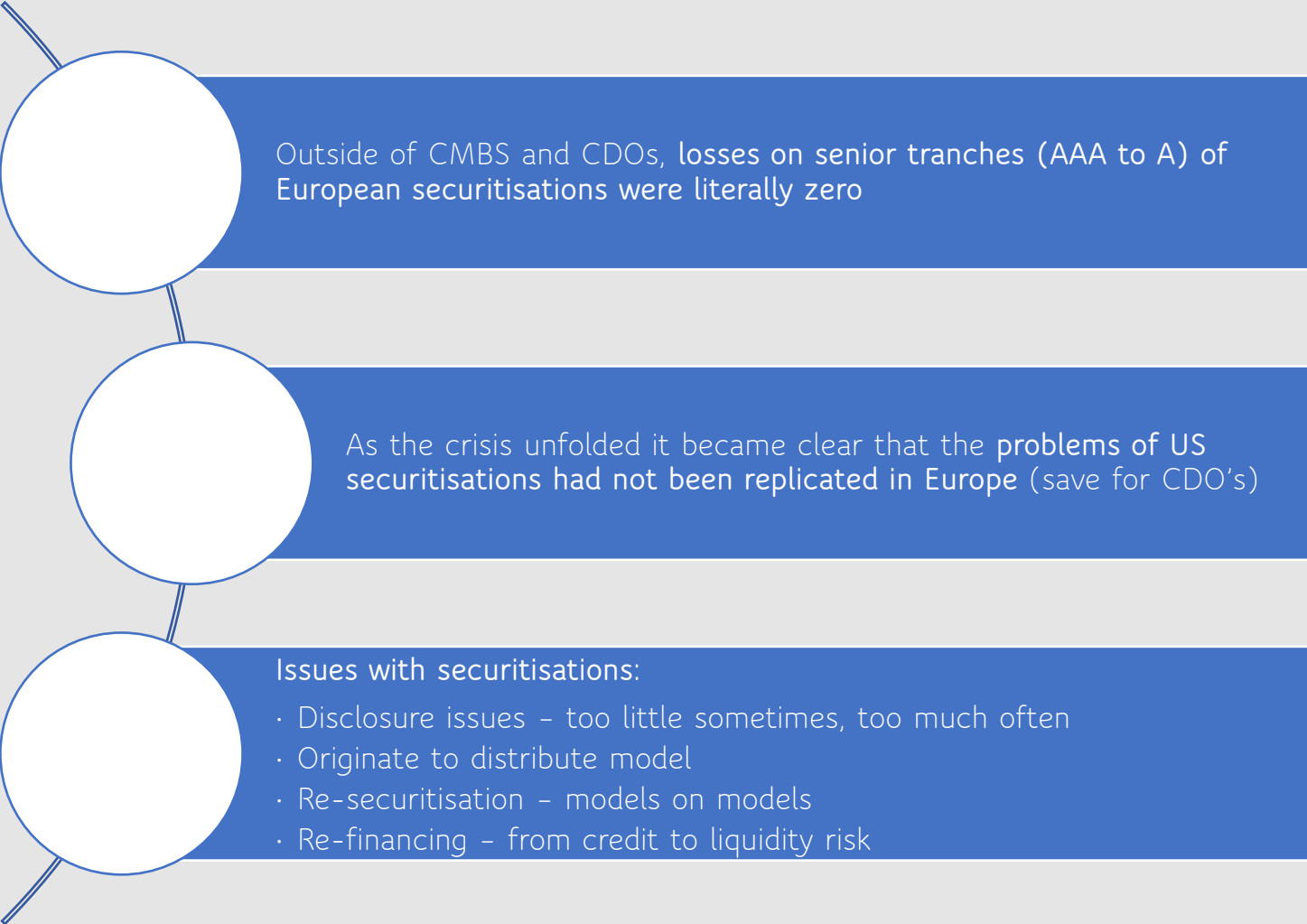
Securitisation Short History

After the rise,
the fall



Securitisation Short History

Lessons from the crisis



Outside of CMBS and CDOs, losses on senior tranches (AAA to A) of European securitisations were literally zero

As the crisis unfolded it became clear that the **problems of US securitisations had not been replicated in Europe** (save for CDO's)

Issues with securitisations:

- Disclosure issues – too little sometimes, too much often
- Originate to distribute model
- Re-securitisation – models on models
- Re-financing – from credit to liquidity risk

Securitisation Short History

After the fall,
the rehabilitation

	Original Issuance (EUR billions)	Default Rate (%)
Europe		
Total PCS eligible asset classes	960.2	0.18
Credit Cards	33.2	0.00
RMBS	756.0	0.14
Other Consumer ABS	65.0	0.16
SMEs	106.0	0.56

Only senior tranches to be PCS labelled, the default rate for which is zero, like Covered Bonds

Total non PCS eligible asset classes	711.5	5.85
Leveraged loan CLOs	70.6	0.10
Other ABS	68.8	0.00
Corporate Securitisations	47.9	0.17
Synthetic Corporate CDOs	254.4	2.88
CMBS	163.3	10.56
Other CDOs	77.8	6.54
CDOs of ABS	28.9	41.08

Total European securitisation Issuance	1571.7	2.60
Covered Bonds	1385.0	0.00
Total European Issuances	2756.7	1.56

Select US asset classes		
Credit Cards	296.4	0.14
Autos	196.2	0.04
Student loans	266.8	0.35
RMBS	3254.9	22.97

Stats for issuance before the GFC

Securitisation Short History

From fall to
rehabilitation

