

PRESS RELEASE

EURO AREA FINANCIAL VEHICLE CORPORATIONS STATISTICS FOURTH QUARTER 2011

In the fourth quarter of 2011, net acquisitions of loans by euro area financial vehicle corporations (FVCs) engaged in securitisation amounted to €63 billion. Over the same period, net issuance of debt securities by euro area FVCs totalled €59 billion.

Selected balance sheet items of financial vehicle corporations

(EUR billions and annual growth rates; not seasonally adjusted; amounts outstanding at the end of the quarter, transactions during the quarter)

| | 2010 | 2011 | | | |
|--|-------|-------|-------|-------|-------|
| | Q4 | Q1 | Q2 | Q3 | Q4 |
| <u>Securitised loans held by FVCs:</u> | | | | | |
| Amounts outstanding | 1,526 | 1,485 | 1,461 | 1,466 | 1,530 |
| Transactions ¹ | 25 | -40 | -26 | 3 | 63 |
| Annual percentage change | 0.5 | -0.3 | -1.1 | -2.5 | 0.0 |
| <u>Debt securities issued</u> | | | | | |
| Amounts outstanding | 1,971 | 1,884 | 1,840 | 1,824 | 1,881 |
| Transactions ¹ | 25 | -83 | -48 | -23 | 59 |
| Annual percentage change | -3.8 | -4.7 | -6.0 | -6.6 | -4.8 |

Source: ECB.

¹ Financial transactions are defined as the net acquisition of financial assets or the net incurrence of liabilities. Transactions take the value at which assets are acquired/disposed of or liabilities are issued, redeemed, liquidated or exchanged. This includes the repayment of principal by borrowers on securitised loans or to holders of debt securities issued. Changes in outstanding amounts may be due to transactions, revaluations of securities, write-offs/write-downs of loans and exchange rate effects.

Holdings of securitised loans

The amount outstanding of **securitised loans** – which account for most of the assets of euro area FVCs – increased to €1,530 billion in the fourth quarter of 2011, from €1,466 billion in the previous quarter. Net transactions in securitised loans amounted to €63 billion in the fourth quarter of 2011. Net transactions of **securitised loans originated by euro area monetary financial institutions (MFIs)** totalled €62 billion in the same quarter.

Turning to the **borrowing sector of the loans originated by euro area MFIs**, securitised loans to **households** stood at €828 billion in the fourth quarter of 2011, with net

transactions of €32 billion. Loans to **non-financial corporations** which were originated by euro area MFIs totalled €262 billion, with net transactions of €6 billion.

Holdings of securities other than shares

Euro area FVCs' holdings of **securities other than shares** totalled €229 billion in the fourth quarter of 2011, with transactions amounting to a net disposal of €3 billion during the quarter. Holdings of securities other than shares **issued by other euro area FVCs** amounted to €33 billion. The latter provide an indication of "re-securitisations", in which debt securities issued by euro area FVCs are held within the sector and may back new securitisations.

Debt securities issued

Regarding the liabilities of euro area FVCs, issuance of debt securities is the predominant funding source. The amount outstanding of **debt securities issued by FVCs** increased to €1,881 billion in the fourth quarter of 2011, from €1,824 billion in the previous quarter. Over the same period, transactions amounted to a **net issuance** of €59 billion. The annual growth rate of debt securities issued, calculated on the basis of transactions, was -4.8% in the fourth quarter of 2011. This compares with a growth rate of -6.6% in the previous quarter.

Notes

- Securitisation is a transaction whereby an asset or a pool of assets, often consisting of mortgage loans, consumer loans or loans to non-financial corporations, is transferred from an originator (usually a credit institution) to an FVC. The FVC converts these assets into marketable securities by issuing debt instruments (sold to the public or on the basis of private placements), with the principal and interest being serviced through the cash flows generated by the asset or asset pool.
- The latest data on FVCs and on the securitisation transactions of MFIs can be downloaded from the ECB's Statistical Data Warehouse (<http://sdw.ecb.europa.eu/browse.do?node=9484280> and <http://sdw.ecb.europa.eu/browse.do?node=2019173>). More details on these statistics are available in the "Statistics" section of the ECB's website under "Euro area financial vehicle corporations" (<http://www.ecb.europa.eu/stats/money/fvc/html/index.en.html>).

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Table 1. Assets and liabilities of euro area financial vehicle corporations¹⁾

(EUR billions and annual percentage changes, not seasonally adjusted; outstanding amounts at end of period; transactions during the period)

| | END QUARTER LEVEL | QUARTERLY TRANSACTIONS | | | ANNUAL PERCENTAGE CHANGE ²⁾ | | |
|---|-------------------|------------------------|------------|-----------|--|-------------|-------------|
| | Q4 2011 | Q2 2011 | Q3 2011 | Q4 2011 | Q2 2011 | Q3 2011 | Q4 2011 |
| Assets | | | | | | | |
| Deposits and loan claims ³⁾ | 325 | -11 | -18 | 3 | -6.5 | -8.6 | -13.7 |
| Securitised loans | 1,530 | -26 | 3 | 63 | -1.1 | -2.5 | 0.0 |
| Originated by euro area MFIs | 1,245 | -21 | 13 | 62 | 0.0 | -1.7 | 0.8 |
| Remaining on the MFIs' balance sheet ⁴⁾ | 582 | - | - | - | - | - | - |
| By borrowing sector | | | | | | | |
| To euro area households | 828 | -21 | 6 | 32 | -5.6 | -6.0 | -4.1 |
| To euro area non-financial corporations | 262 | 0 | 1 | 6 | 8.7 | 8.6 | 4.3 |
| To other euro area residents | 119 | 3 | 7 | 24 | 50.0 | 17.5 | 51.3 |
| To non-euro area residents | 35 | -4 | -1 | 0 | -8.9 | -11.6 | -16.6 |
| Originated by euro area general government | 5 | 0 | 0 | 0 | -13.8 | -13.3 | -14.0 |
| Originated by euro area other financial intermediaries and insurance corporations and pension funds | 148 | 2 | -2 | 4 | 0.2 | 0.2 | 6.7 |
| Originated by euro area non-financial corporations | 21 | -1 | 0 | 0 | -11.4 | -11.0 | -3.8 |
| Originated by non-euro area residents | 112 | -5 | -8 | -3 | -8.7 | -9.9 | -12.9 |
| Securities other than shares ⁵⁾ | 229 | -8 | -2 | -3 | -14.4 | -9.9 | -9.3 |
| Issued by euro area FVCs | 33 | -1 | -1 | 0 | -22.1 | -11.5 | -6.1 |
| Other securitised assets ⁶⁾ | 90 | 0 | -2 | 2 | -3.9 | -5.8 | -2.4 |
| Originated by euro area general government | 57 | 0 | 0 | -1 | -2.1 | -2.1 | -2.9 |
| Originated by euro area non-financial corporations | 21 | 0 | -1 | 2 | -0.8 | -7.0 | -1.8 |
| Shares and other equity | 37 | 0 | -1 | -1 | -12.9 | -16.2 | -17.1 |
| Issued by euro area FVCs ⁷⁾ | 23 | -1 | -1 | -2 | -18.6 | -21.4 | -25.7 |
| Other assets ⁸⁾ | 59 | 2 | -3 | 3 | -10.6 | -16.5 | -16.2 |
| Liabilities | | | | | | | |
| Loans and deposits received ⁹⁾ | 150 | 1 | -2 | 16 | 25.0 | 11.5 | 10.7 |
| From euro area FVCs | 42 | 0 | 0 | 1 | 90.3 | 72.8 | 2.2 |
| Debt securities issued | 1,881 | -48 | -23 | 59 | -6.0 | -6.6 | -4.8 |
| Up to 2 years | 79 | -6 | -3 | 5 | -15.9 | -15.8 | -15.7 |
| Over 2 years | 1,802 | -42 | -20 | 53 | -5.5 | -6.2 | -4.3 |
| Capital and reserves | 34 | -1 | -2 | -1 | -20.3 | -23.9 | -22.5 |
| Other liabilities ¹⁰⁾ | 204 | 4 | 3 | -7 | 0.6 | 5.2 | -2.2 |
| Total | 2,269 | -43 | -24 | 67 | -4.2 | -5.0 | -4.0 |

Source: ECB.

1) Securitisation generally involves the transfer of an asset or pool of assets to a financial vehicle corporation (FVC), which are reported on its balance sheet as securitised loans, securities other than shares, or other securitised assets. Alternatively, the credit risk relating to an asset or pool of assets may be transferred to an FVC through credit default swaps, guarantees or similar mechanisms. In this case, collateral held by the FVC against these exposures is typically a deposit with an MFI or invested in securities other than shares. Inter-FVC positions and transactions are reported for some items as securitisation structures may involve multiple vehicles.

2) Annual percentage changes are calculated on the basis of transactions.

3) Consists of funds lent by FVCs to borrowers, including: (i) deposits placed with MFIs; (ii) loans granted to FVCs; (iii) claims under reverse repos or securities borrowing against cash collateral. It also includes securitisation of non-negotiable securities backed by the loan portfolio of MFIs.

4) Refers to loans securitised through euro area FVCs which still remain on the MFI balance sheet, i.e. have not been derecognised. Derecognition of loans from the balance sheet of the MFI depends on the application of the relevant accounting rules.

5) Holdings of debt securities other than 'shares and other equity', which are negotiable and usually traded on secondary markets. Holdings of securities issued by other euro area FVCs mainly comprise re-securitisations, i.e. securitisations of asset backed securities.

6) Includes securitised assets other than loans and securities, such as trade and tax receivables.

7) Refers to holdings of securitisation fund units issued by euro area FVCs.

8) Includes: (i) financial derivatives (e.g. options, warrants, futures, credit default swaps) subject to on-balance-sheet recording according to national rules; (ii) fixed assets; and (iii) accrued interest on deposits and loans, securities other than shares and accrued rent on fixed assets.

9) Includes the amounts owed to creditors by FVCs and consists of: (i) loans granted to the reporting FVCs; (ii) non-negotiable debt instruments issued by FVCs; and (iii) repos.

10) Includes: (i) where applicable, any differences between the nominal amount of principal outstanding of securitised loans and the transaction value paid by the FVC in purchasing such loans; (ii) financial derivatives liabilities (e.g. options, warrants, futures, credit default swaps) subject to on-balance-sheet recording according to national rules; and (iii) accrued interest payable on loans and deposits and other amounts payable not related to the FVC's main business.