



PROFESSIONAL ANALYSIS

Securitization

"Game Changer" for Flourishing European Financial Market

A comprehensive analysis of structured finance instruments
and market transformation opportunities

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Question 1: Main Thesis

Does the future
can be changed
despite the facts?



Market Evolution

Can European securitization markets transform despite historical challenges?



Regulatory Impact

Will new legislative frameworks unlock market potential?



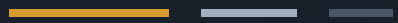
Innovation Drivers

How can new technologies and players reshape the landscape?

01

Introduction

Starting Hypothesis and Points



Introduction: Starting Hypothesis and Points



Long-term Theory Path

Securitization issues reveal a significant disparity between USA and Europe volumes over nearly 20 years, with European securitization processes and instruments not growing rapidly.



Draghi Report (September 2024)

"The future of European competitiveness" report identifies weak usage of securitization as one of the key limitations of the EU banking sector.



European Commission Aims

The Commission aims to make securitization in the EU simpler and more fit for purpose to boost lending across Europe. The key question remains: are the mentioned rules enough?



Main Originator Countries (Q1 2025)

The leading European originators include:

UK

France

Italy

Spain

Netherlands

Germany

Belgium



Market Concentration Challenge

Other European countries are notably absent from the securitization floor, indicating a significant market concentration challenge that limits broader European market development.

Key Insight: The disparity between USA and European securitization markets represents a critical challenge for European financial market competitiveness.

02

Nowadays Trends in Finance

Old and New Players in the Financial Market



Nowadays Trends in Finance

"Old School" Participants

USA Market

- **Market Instruments:** shares, bonds, MBS, ABS, SFI
- **Financial Institutions:** PF, IF, CB, IC

Europe Market

- **Core Instruments:** Loans and debt instruments
- **Key Players:** Banks (CI), IF, IC, PF
- **Recent Focus:** Government bonds and debt securities during high interest rate cycles

New Players at the "Floor"

Emerging participants reshaping the financial landscape:

NBF

New creditors of the economy

OFI

Other financial institutions

Shadow Bankers

Alternative lending channels

Crypto Issuers

Digital asset providers

Stablecoin Issuers

Digital payment solutions

Fintech Providers

Payment innovators

Market Transformation: The emergence of new financial players alongside traditional institutions creates a more complex, dynamic ecosystem that challenges conventional banking models and regulatory frameworks.

03

Process and Types

Understanding Securitization
Mechanics

Process and Types: In General

Triggers Today

- 1 Capital Requirements**
Regulatory capital optimization drives securitization activity
- 2 New Funds**
Access to alternative funding sources and liquidity
- 3 Risk Transfer**
Distribute credit risk across broader investor base

Key Questions

- **CMU:** State of arts from 2015?
- **Draghi report:** Impact analysis
- **Simplification:** Regulatory influencing or buzzword?

Structured Finance Instruments (SFI)

MBS

Mortgage-Backed Securities

ABS

Asset-Backed Securities

CDO

Collateralized Debt Obligations
(CBO, CLO)

WB SFI

Whole Business SFI

ABCP

Asset-Backed Commercial Paper

Other SFI

Additional instruments

Process and Types: Asset Classes

Traditional

Residential & commercial mortgages

Credit cards & auto loans

Leasing

Student loans

Insurance premiums

Trade receivables

Export receivables

Future revenues

Utilities

Intellectual property

Authors rights

Lottery

Whole business securitization

Contemporary

Loans for ships, trucks, agriculture equipment

Re-insurance

Tax claims

CBO

CLO

Worker remittances

Project financing

Sport revenues

TV rights

And more...

Market Evolution: Contemporary asset classes reflect the expanding boundaries of securitization into new, innovative territories beyond traditional financial instruments.

Process and Types: Simple Structure and Parties

Securitization Process Flow



Originator

The institution that creates the loans, including banks, NBFCs, and leasing companies. Forms the foundation of the securitization process.

SPV

Separate legal entity that holds the assets and issues securities, providing bankruptcy remoteness and structural protection.

Investors

Buy securities based on risk appetite, including pension funds, mutual funds, insurance companies, and hedge funds.

Rating Agencies

Assess and rate tranches based on credit risk analysis, providing independent evaluation for investors.

Servicer

Collects loan repayments and manages the underlying asset pool throughout the transaction lifecycle.

Trustee

Ensures compliance with transaction documents and protects investors' interests through ongoing monitoring.



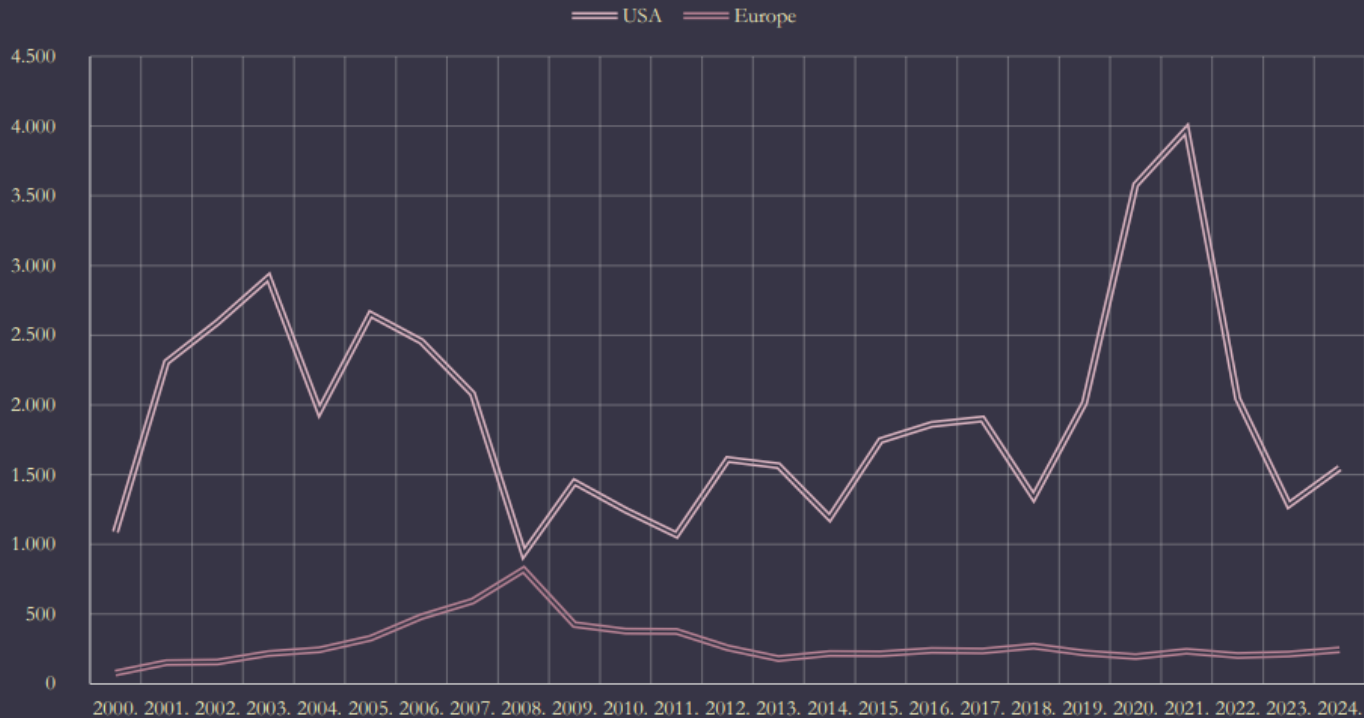
04

Market Facts and Figures

Data-Driven Insights on Securitization
Markets

Market: Facts and Figures - USA vs Europe

SECURITIZATION ISSUES IN USA AND EUROPE BILLION EURO



USA Market

Consistently higher volumes with peak activity during 2003-2007 period, demonstrating mature market infrastructure.

Europe Market

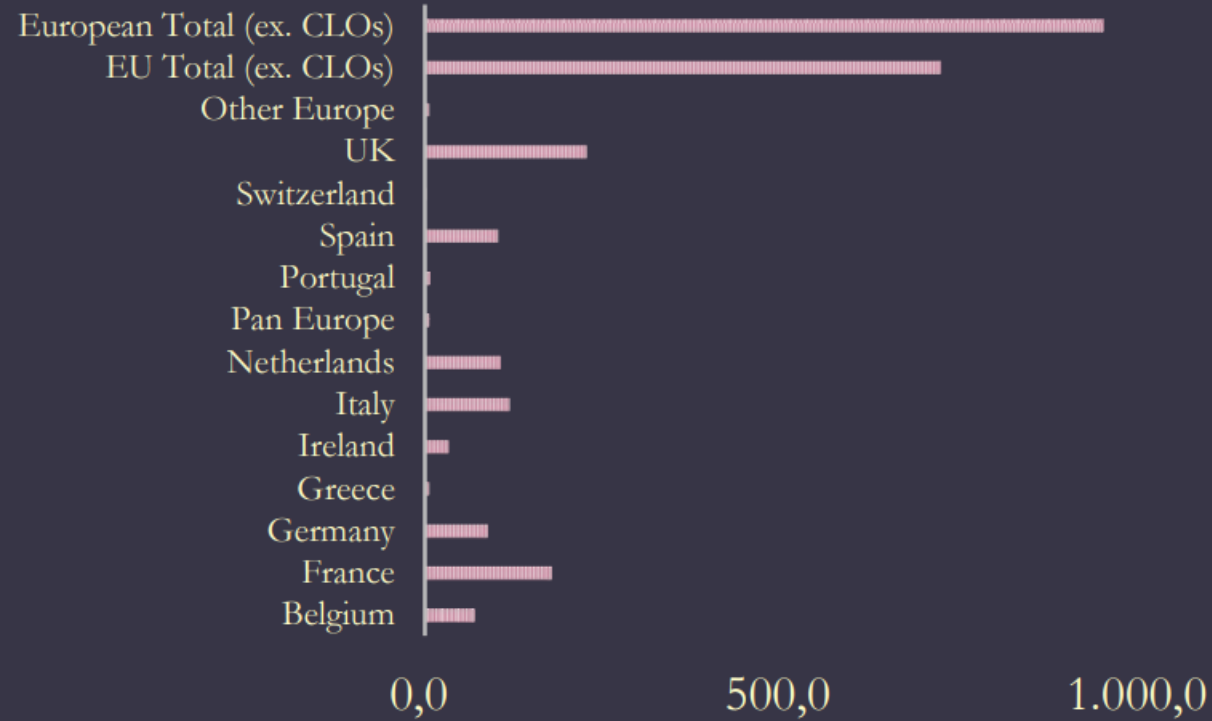
More conservative growth pattern with significant gap to USA, highlighting untapped potential for European markets.

Data Source

Pavković, Anita (ed.), AFME, official data, 2025.
AFME Key Performance Indicators, 2026.

Market: Facts and Figures - European Outstandings by Collateral

European Outstandings by Collateral Country (Q1 2025) Billion Euro



Top Markets

UK leads European outstandings, followed by Netherlands, Italy, and France, demonstrating market concentration.

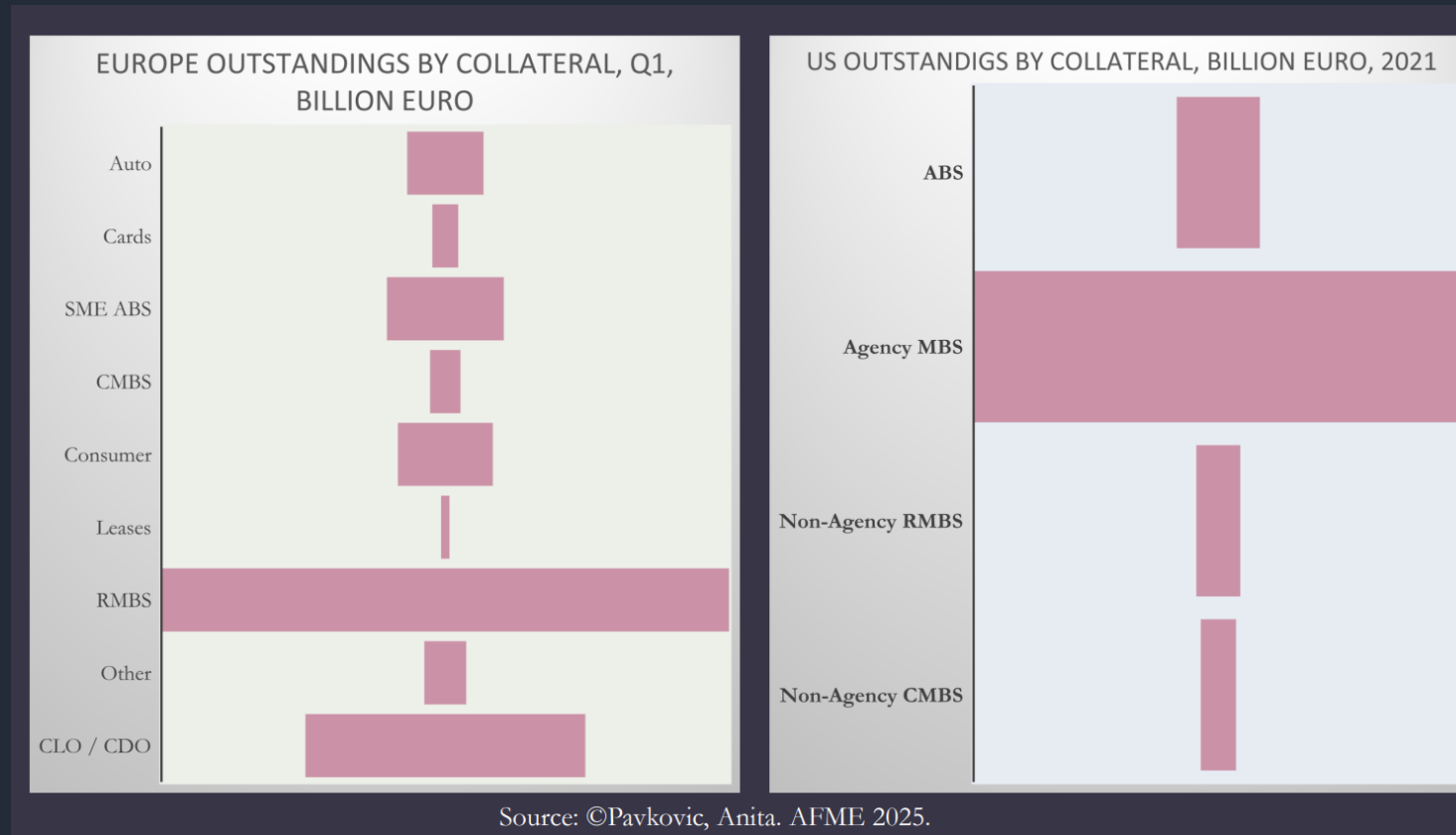
Market Distribution

Significant variation across countries highlights the uneven development of securitization markets in Europe.

Data Sources

©Pavkovic, Anita, JP Morgan, 2025. AFME 2025. AFME Key Performance Indicators, 2026.

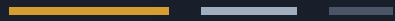
Comparison of European vs US Outstandings by Collateral



05

Legislation

STS and SFI, CRR
Framework



Legislation: STS and SRT

STS Simple, Transparent, Standardised

High Quality Standard

STS designation represents high-quality securitization with simple structure and transparent underlying assets.

Capital Requirements

Lower capital requirements compared to non-STS, though higher than covered bonds (CB), creating balanced incentives.

ECB Approval (2026)

ECB reduced approval times from **3 months to 2 weeks** for STS transactions, significantly improving market efficiency.

Market Significance

1/3

of New Issuance

STS represents one-third of new securitization issuance

~80%

Retention Share

High retention rate aligning originator and investor interests

Transaction Types

SRT Transactions

Significant

Non-SRT Transactions

Active

ECAI with ECB

-70%

06

Opportunities and Challenges

The Case of NPL Securitization



NPL Securitization: Governance and Management

NPL Through History

Historical cases demonstrate recurring patterns and lessons in NPL management across different jurisdictions and time periods.

Japan

"Lost Decade"

USA

S&L Crisis (1980s)

South Korea

1997 Crisis

Sweden

1991-1993

Turkey

2001-2002

Subprime Crisis

USA (2008)

EU Countries

Ireland, Spain, UK

Learned Lessons



Early Recognition

Proactive identification and classification of NPLs is critical. Delayed recognition exacerbates losses and complicates resolution strategies.



Comprehensive Tools

Effective NPL management requires a comprehensive toolkit including asset management companies, securitization, and legal reforms.



Regulatory Framework

Clear legal frameworks, efficient judicial systems, and supportive government policies are essential for successful NPL resolution.

NPL Facts Today: Could It Become a Problem?

Performing Loans

Stage 1 and Stage 2 loans representing healthy portfolio segments with regular payment patterns.

NPL EU Average

<2%

European average remains below 2%, with Czech Republic around 43%

NPL Croatia 2024

Construction	9%
Non-purpose cash loans	5.5%
Processing industry	8.5%
Average	2.5%

Non-Performing Loans

Stage 3 loans including past due, UTP (unlikely to pay), and doubtful categories requiring specialized management.



Bankers' Perspective

"Loans have to be fully paid!" – Traditional view emphasizing full recovery, sometimes leading to delayed recognition of reality.



Entrepreneurs

Be careful! Business realities require pragmatic approaches to debt restructuring and resolution strategies.

Strategic Approach

COMPREHENSIVE NPL GOVERNANCE

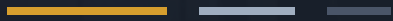
Key Solution

FROM BALANCE SHEET TO OFF BALANCE SHEET

07

Concluding Remarks

Key Takeaways and Future
Outlook



Concluding Remarks: Takeaway



Dissertation Thesis (Completed 2 Decades Ago)

SECURITIZATION IS EFFICIENT FINANCIAL MECHANISM!

This fundamental thesis remains as relevant today as it was two decades ago, particularly for European financial market development.



USA Market

Securitization in the USA dates from the 1960s, demonstrating six decades of successful market development and innovation.



EU Market Decline

EU market capitalization of listed shares declined from **18% in 2000** to **10% of global market capitalization in 2022**.

Regulatory Framework

Impairment (IAS 9) · Default (CRR) · Non-performing (EBA)

Ana Credit Potential

Jumbo and multijurisdictional portfolios offer significant opportunities

Green Securitization

Hybrid vehicles, green buildings, batteries, storage (PACE ABS)

Main Sources & Publications

Academic and Professional References

Key Publications (2007-2025)

- **Pavković, Anita (2007), PhD:** Doctoral thesis. "The impact of asset securitization on financial sector development." Zagreb, Faculty of Economics and Business, Zagreb, Croatia.
- **Securitization Academy (2021):** Certified education, "Securitisatio: Regulation and Practice", Florence School of Banking & Finance, European University Institute 2021. Certificate (exam 92%).
- **CFA Society Croatia (2023-2024):** Working group member: Capital market strategy Croatia.




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 [Professional Profile](#)

 [Croatian Research Portal](#)

Research Focus Areas

Securitization

Structured Finance

Financial Markets

NPL Management

Capital Markets

Green Finance

Thank you for your attention

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