



Press Release

For release at 6:00 A.M., July 14, 2021

Issuance of Asset-Backed Securities, First Half 2021

The amount of asset-backed securities (ABS) issued in the first six months of 2021 came in at KRW35.4 trillion in total, down KRW8.2 trillion or 18.8% from the same period a year earlier. The Korea Housing Finance Corporation (KHFC) decreased its mortgage-backed securities (MBS) issuance by KRW5.9 trillion from a year ago. In addition, financial companies and non-financial companies also cut their issuance by KRW1.3 trillion and KRW1.1 trillion, respectively, compared to the previous year.

Table. ABS Issuance, First Half 2021

	2019				2020				(In trillions of KRW) 2021	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2
Amount	9.8	12.2	9.6	20.1	22.7	20.9	18.7	16.8	13.7	21.8
Number of issues	30	43	29	51	31	58	46	49	34	53

ABS Issuers

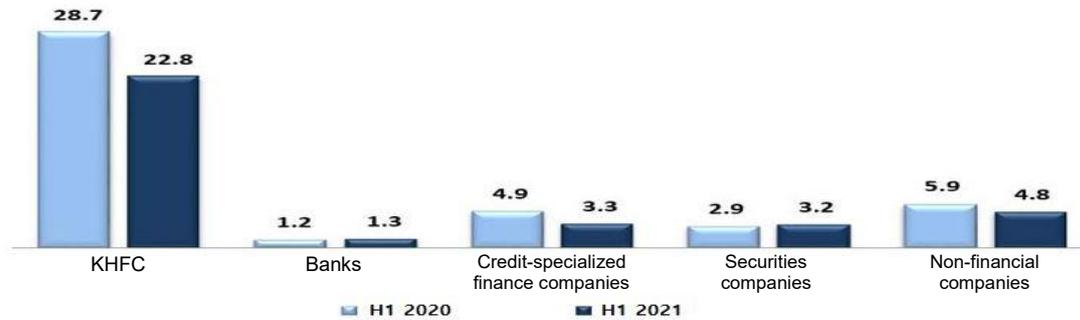
MBS issuance by the KHFC totaled KRW22.8 trillion in the first half of 2021, down KRW5.9 trillion or 20.5% from a year earlier. The government's policy to help those who got loans at higher rates to receive loans at lower rates came to an end, which contributed to decreasing MBS issuance year on year.

When it came to financial companies, ABS issuance shrank KRW1.3 trillion or 14.1% year on year to KRW7.8 trillion. In particular, credit-specialized companies reduced their issuance by 33.4% to KRW3.3 trillion. By contrast, banks increased NPL-based issuance by 4.7% to KRW1.3 trillion as well as P-CBO issuance by securities companies expanded 10.0% to KRW3.2 trillion.

Meanwhile, non-financial companies' ABS issuance came in at KRW4.8 trillion in the January-to-June period of 2021, down KRW1.1 trillion or 18.4% from the same period a year earlier.

Figure 1. Breakdown of ABS Issuers

(In trillions of KRW)



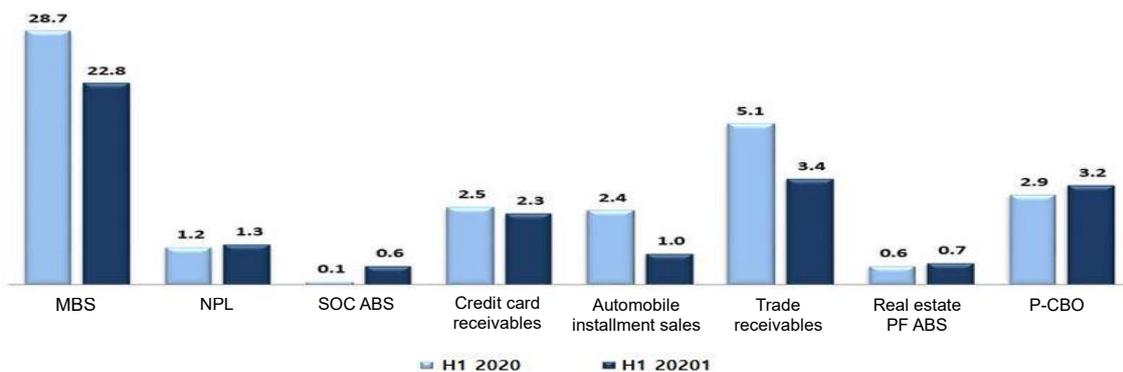
Underlying Assets

Loan-backed ABS issuance decreased KRW5.3 trillion or 17.8% to KRW24.7 trillion in the first six months of 2021. While MBS issuance shrank 20.5%, NPL-based ABS issuance grew 3.5% to KRW1.3 trillion. Furthermore, SOC ABS surged by 369.5% to KRW0.6 trillion in the January-to-June period.

Meanwhile, ABS backed by accounts receivables came in at KRW7.5 trillion in the first half, down KRW3.2 trillion or 29.7% from a year ago. Credit card receivables-based ABS decreased 8.7% to KRW2.3 trillion as well as automobile installment sales ABS fell 57.8% to KRW1.0 trillion. Also, ABS issuance backed by trade receivables decreased 33.6% to KRW3.4 trillion. However, real estate PF ABS expanded 30.8% to KRW0.7 trillion year on year. When it came to primary collateralized bond obligation (P-CBO), issuance jumped 10.0% to KRW3.2 trillion.

Figure 2. Breakdown of Underlying Assets

(In trillions of KRW)





Key Characteristics of ABS Issuance in the first half 2021

- MBS issuance by the KHFC plunged from KRW28.7 trillion in the first half 2020 to KRW22.8 trillion in the first half 2021

MBS issuance dramatically increased between the second half of 2019 and the first half of 2020 as the government introduced a low interest rate mortgage program. Afterwards, MBS issuance tended to decrease.

- ABS issuance backed by trade receivables decreased from KRW5.1 trillion to KRW3.4 trillion year on year

ABS issuance based on air ticket receivables totaled KRW1.3 trillion in the first half of 2020, but there was no issuance in the first half of 2021 as air travel considerably decreased because of the pandemic. Meanwhile, handset installment receivables-based ABS shrank from KRW3.7 trillion to KRW3.4 trillion year on year.

- Installment finance companies' ABS issuance by decreased KRW1.4 trillion to KRW1.0 trillion in the first half of 2021

Installment finance companies expanded financing through corporate bond issuance based on the long-run of low rates. This contributed to year-on-year decline in ABS issuance by installment finance companies.

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