

S&P Global
Ratings

EMEA Structured Finance Chart Book

March 2024

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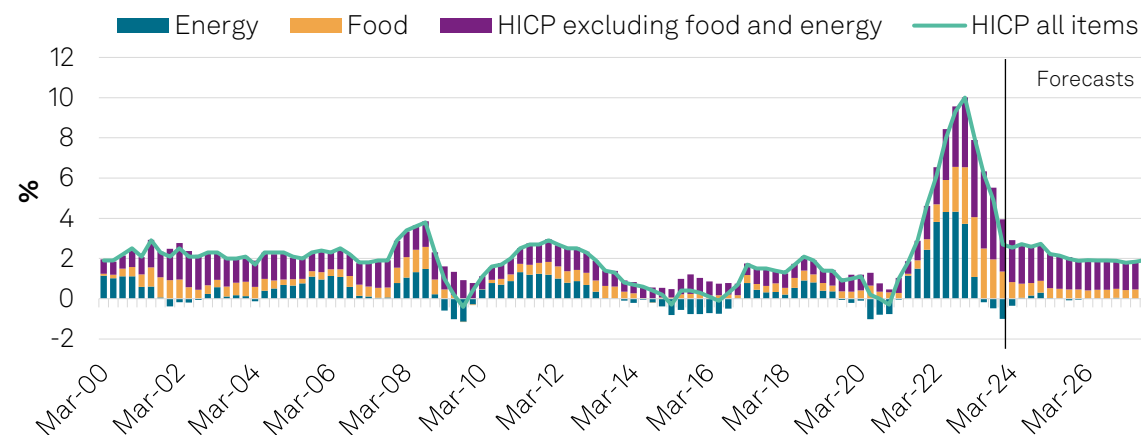
This report does not constitute a rating action



Highlights—News

- **Macro.** The eurozone economy is on track for activity to improve and employment growth to moderate, but uncertainty over productivity trends may cause the rebound in growth to be weaker than we previously expected. We have revised our 2025 GDP growth forecast down to 1.3% from 1.5%. Record high labor costs are limiting the scope for disinflation (see chart), and we have increased our inflation forecasts to 2.1% in 2025 and 1.9% in 2026, reflecting prolonged high wage growth against a backdrop of sluggish productivity. We expect the European Central Bank to start cutting rates in June and the deposit facility rate could bottom out at 2.5% in 2025. In the U.K., consumers' purchasing power is gradually improving amid a resilient labor market, paving the way for a recovery in consumption. Monetary policy will likely start easing in August as inflation cools, with rate cuts this year and next spurring investment and potentially adding about two percentage points to economic activity, though most of the impact will come in 2026 and 2027.
- **Issuance.** Investor-placed securitization issuance for February 2023 was €9.1 billion. Overall year-to-date issuance of €17 billion at end-February exceeded the previous year's equivalent by 20%, mostly due to strong volumes in January. European benchmark covered bond issuance reached €57 billion year-to-date by the end of February 2024, down 14% on the previous year. Benchmark issuance for the month was €14 billion--down almost 50% on volumes in February 2023.
- **Rating actions.** In February 2024, we raised 34 of our ratings on European securitization tranches, mostly in the leveraged loan CLO sector, where some older transactions are beginning to delever. There were 10 downgrades, mostly in two related U.K. auto ABS transactions.

Eurozone inflation and sub-indices



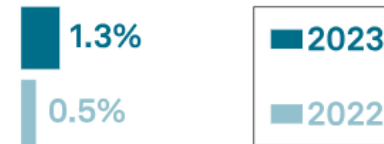
HICP--Harmonized indices of consumer prices. Source: Eurostat, S&P Global Ratings.

Highlights—2023 Global Structured Finance Default And Transition Study

- The global structured finance default rate nearly tripled to 1.3% in 2023 from a 15-year low of 0.5% in 2022. However, it remained well below the long-term one-year average of 3.6%.
- Of the 33,851 global structured finance ratings outstanding at the start of 2023, we lowered 3.3% (up from 2.3% in 2022) and raised 12.4% (up from 9.1% the prior year).
- The CMBS sector led downgrades in the U.S. and Europe in 2023, while defaults were highest globally in U.S. RMBS, particularly among legacy transactions. Structured credit led defaults in Europe. The RMBS sector also led upgrades in the U.S. and Europe.
- By region, 2023 defaults were concentrated in the U.S., with a handful from Europe, one from Latin America, and none from any other regions. Latin America had the highest downgrade rate, at 4.2%.

2023 global structured finance default and transition snapshot

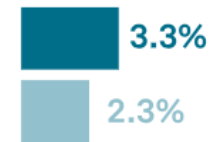
Default rate



Downgrade rate

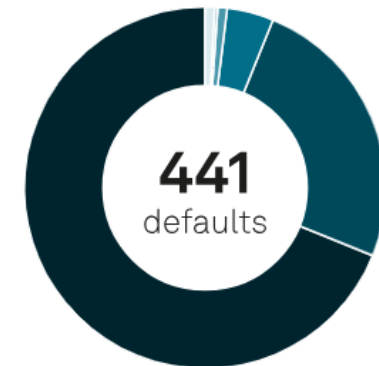


Upgrade rate



Defaults by rating category

■ A ■ BBB ■ BB ■ B ■ CCC ■ CC

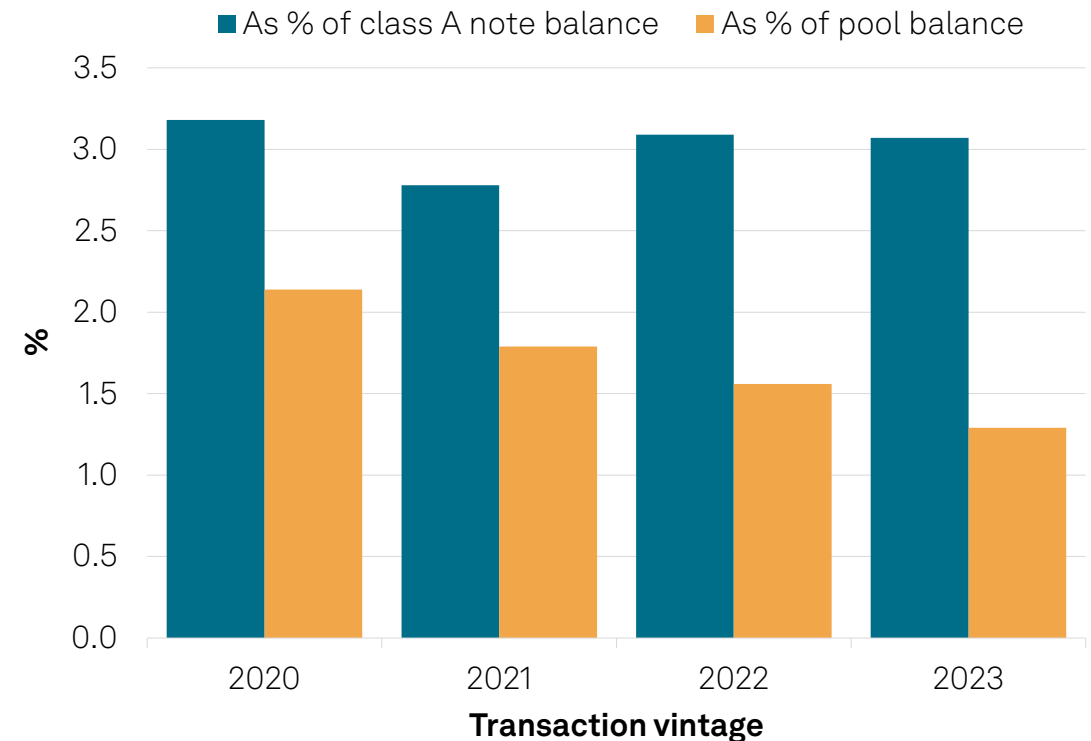


Source: S&P Global Ratings. For more details, see "[Default, Transition, and Recovery: 2023 Annual Global Structured Finance Default And Rating Transition Study](#)," published March 18, 2024.

Highlights—ABS, RMBS External Liquidity Reserves Withstand Rising Rates

- External liquidity support ensures the timely payment of interest on the notes and is usually calculated as a percentage of the closing asset balance.
- Despite rising interest rates, the size of external liquidity reserves at closing in most European ABS and RMBS transactions have remained broadly unchanged since 2020.
- Between the first quarter of 2022 and the second quarter of 2023, ABS and RMBS originators did not reflect higher interest rates for borrowers, while at the same time funding spreads and swap costs increased, which has resulted in depleted excess spread and increasing reliance on external liquidity support.
- Consequently, some transactions have less available external liquidity to address significant event-driven liquidity disruptions, such as those deriving from commingling or cyberattack risks.
- Generally, transactions have structural features to mitigate liquidity events, such as using principal to pay interest and deferrable notes. However, such mechanisms may affect the timing and repayment of the junior notes.

Average external liquidity at closing for European RMBS



External liquidity is the sum of the general and liquidity reserves. Source: S&P Global Ratings. For more details, see ["European ABS And RMBS: External Liquidity Reserves Withstand Rising Rates,"](#) published March 22, 2024.

Highlights—ABS Frontiers: U.K. Bridging Loan RMBS Explained

U.K. bridging market snapshot



£7.6 billion

Loan book size at end-2023



>50

Active lenders

~12 months

Typical loan duration



~0.75%-1.25%

Typical monthly interest rate



£250 million

Average loan book size per lender



~60%

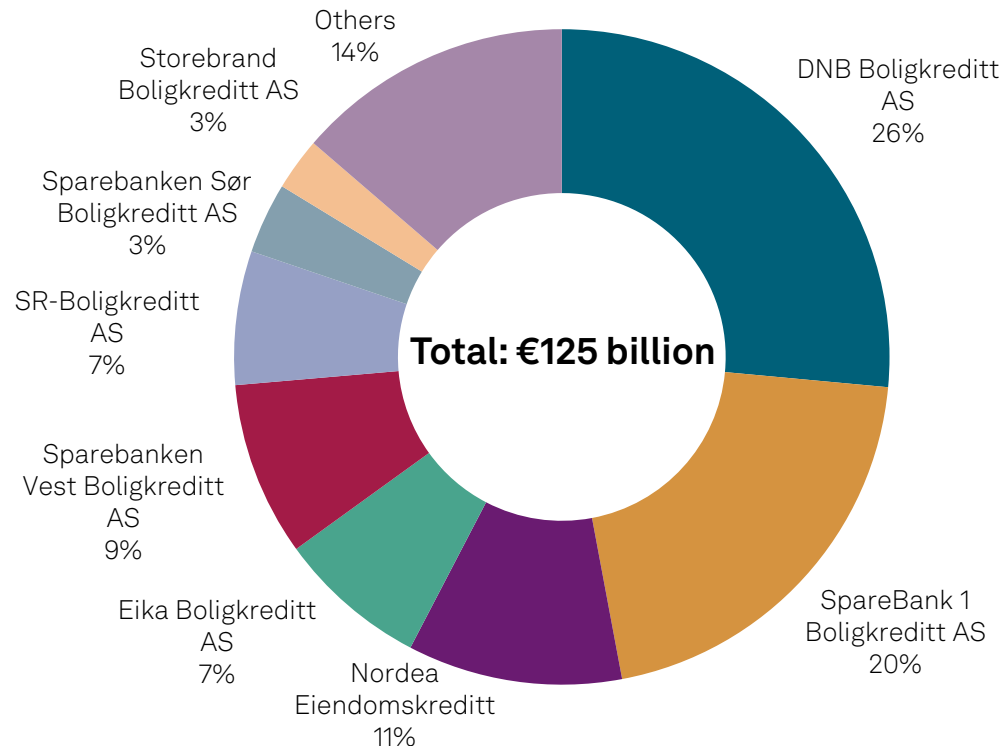
Average loan-to-value

- In this credit FAQ, we take a closer look at granular residential bridging lending in the U.K., summarizing the current market structure, possibility of bridging loan securitizations, our analytical considerations, and key structural features.
- A bridging loan is a type of short-term finance, which the borrower intends to replace with a longer-term loan or to repay if certain events occur, such as the sale of the related property.
- In Europe, there have been some bridging loan securitizations (e.g., in Spain), and there have also been transactions in the U.S. In the U.K., we understand issuance has been private. However, as bridging lenders have wanted to increase their funding diversity, inquiries on potential securitizations have increased.

Source: Association of Short Term Lenders, EY Bridging Market Survey, May 2023. For more details, see "[Credit FAQ: ABS Frontiers: U.K. Bridging Loan RMBS Explained](#)," published March 20, 2024.

Highlights—Norwegian And Finnish Covered Bond Market Insights 2024

Norwegian covered bond market



As of Dec. 31, 2023. Source: S&P Global Ratings. For more details, see "[Norwegian And Finnish Covered Bond Market Insights 2024](#)," published March 11, 2024.

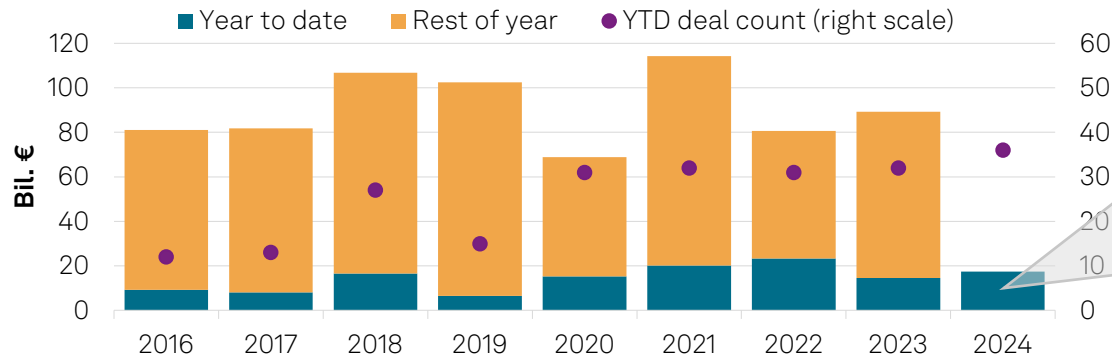
- Finnish and Norwegian households' debt servicing capacity remains sound despite rising interest rates, which have cooled the housing markets. Despite house price corrections, we expect mortgage credit performance in both countries to remain relatively stable.
- Healthy rating buffers in most covered bond programs continue to support rating performance, despite a weakening economic growth outlook.
- Both Norway and Finland have well-established covered bond markets, with issuance growing steadily over the past decade. The Norwegian market is the 10th largest market, and the Finnish market is the 14th largest in terms of volume of outstanding covered bonds.
- Together, the two countries comprise below 6% of the covered bond market, with Norwegian banks issuing approximately double the volume of their Finnish peers.

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CMBS	23
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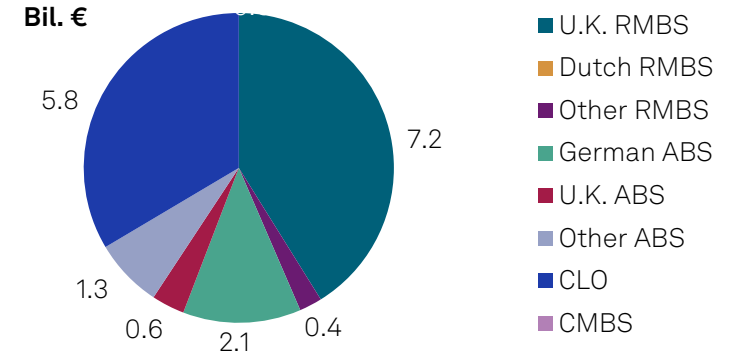
Issuance—Securitizations

1. Investor-placed securitization issuance

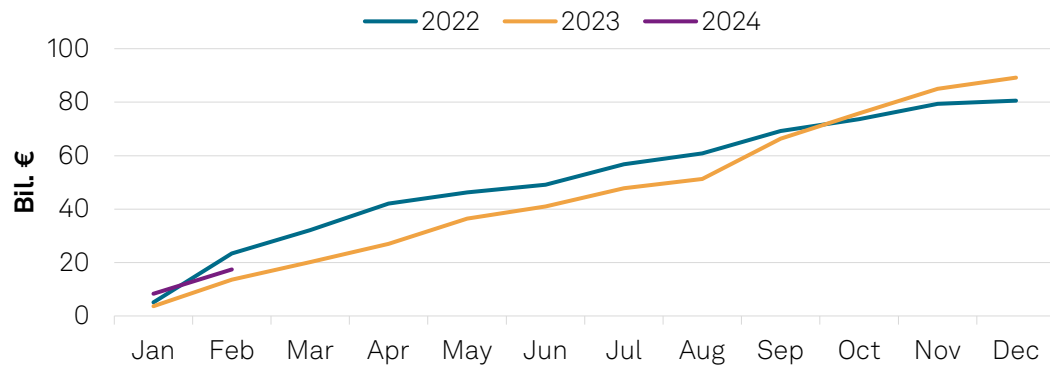


Year-to-date securitization issuance is ahead of 2023 at more than €17 billion, thanks to strong U.K. RMBS and CLO activity

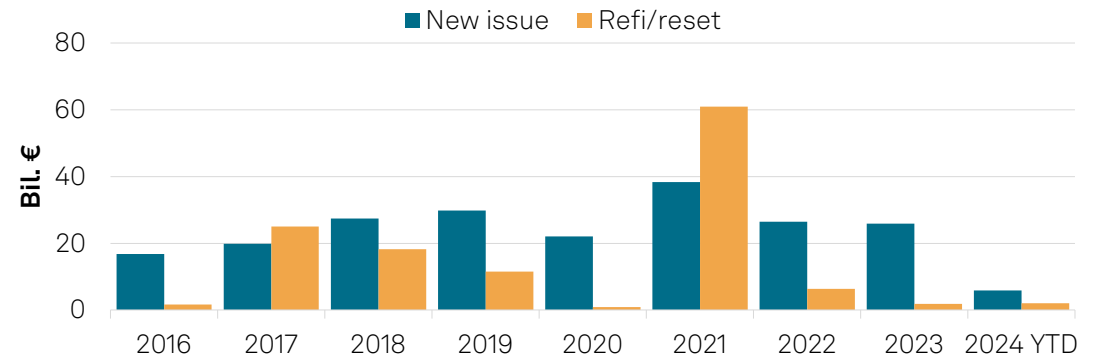
2. 2024 YTD investor-placed securitization issuance, by sector



3. Cumulative investor-placed securitization issuance



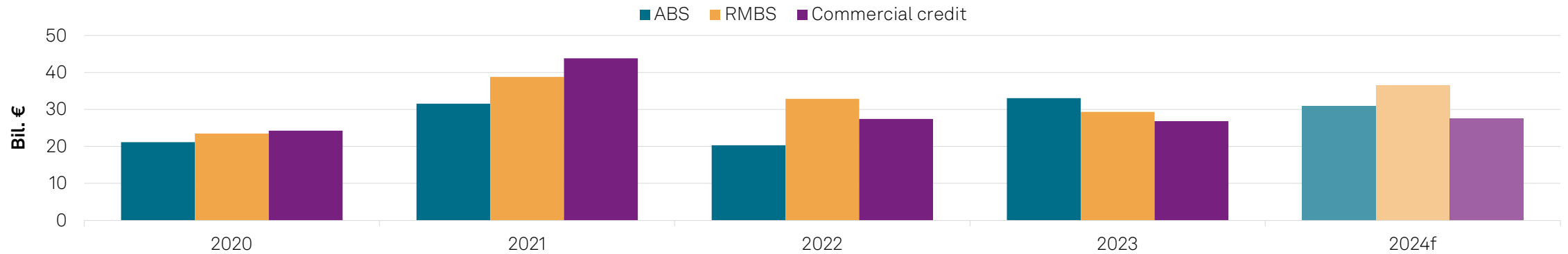
4. CLO refinancing and reset issuance



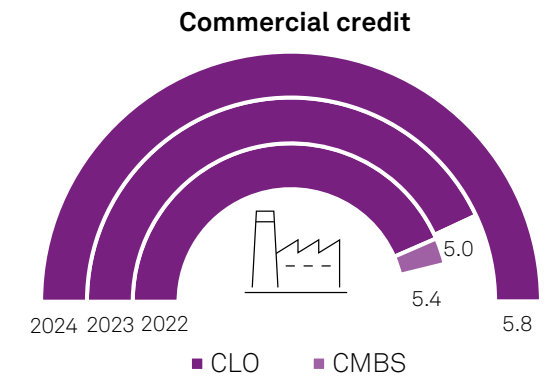
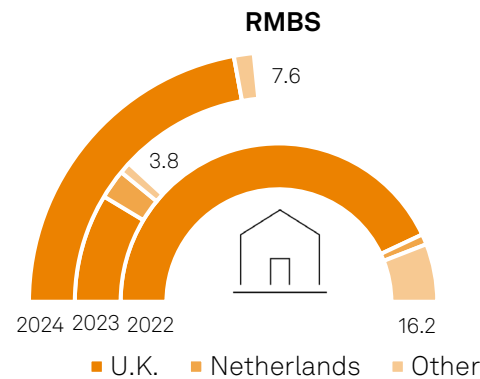
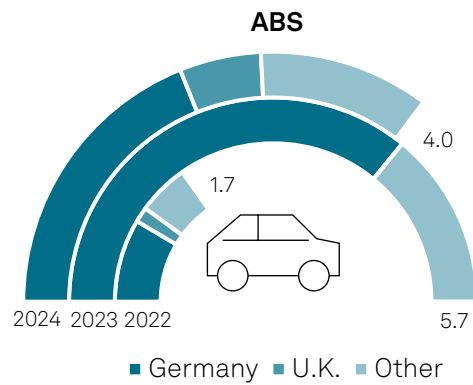
1-3. Year-to-date (YTD) figures as of end-February each year. Excludes CLO refinancings and resets. Source: S&P Global Ratings. 4. Source: S&P Global Ratings, Pitchbook LCD.

Issuance—Securitizations

Annual investor-placed securitization issuance



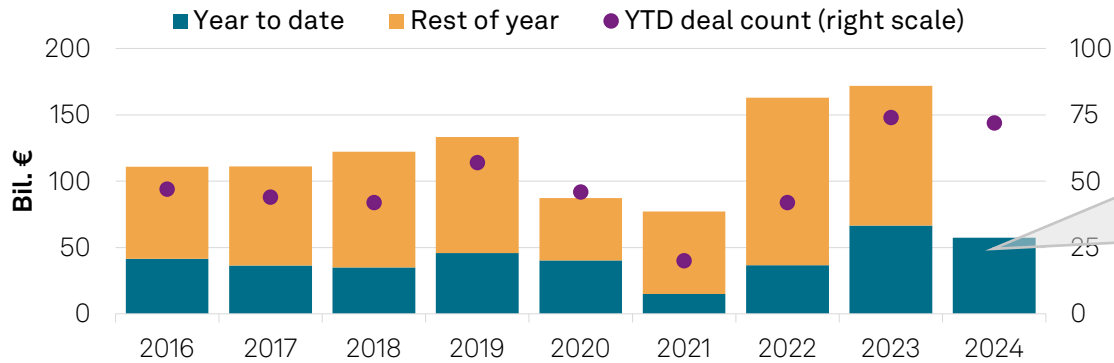
YTD investor-placed securitization issuance, by subsector (bil. €)



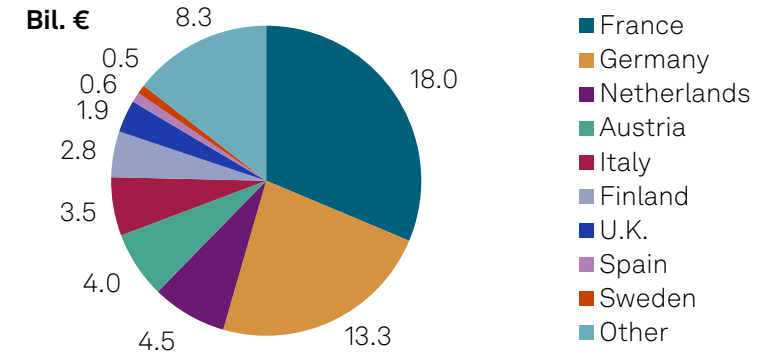
f--Forecast. Year-to-date (YTD) figures as of end-February each year. Commercial credit includes CLOs and CMBS. Excludes CLO refinancings and resets. Source: S&P Global Ratings.

Issuance—Covered Bonds

1. Benchmark covered bond issuance

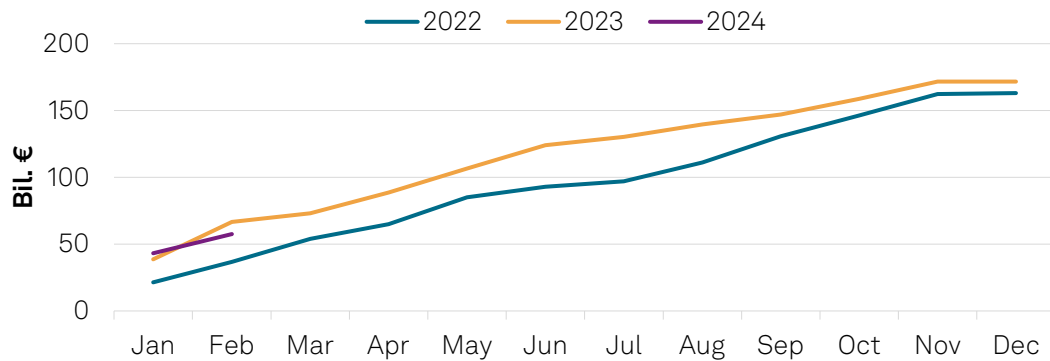


2. 2023 YTD benchmark covered bond issuance, by country

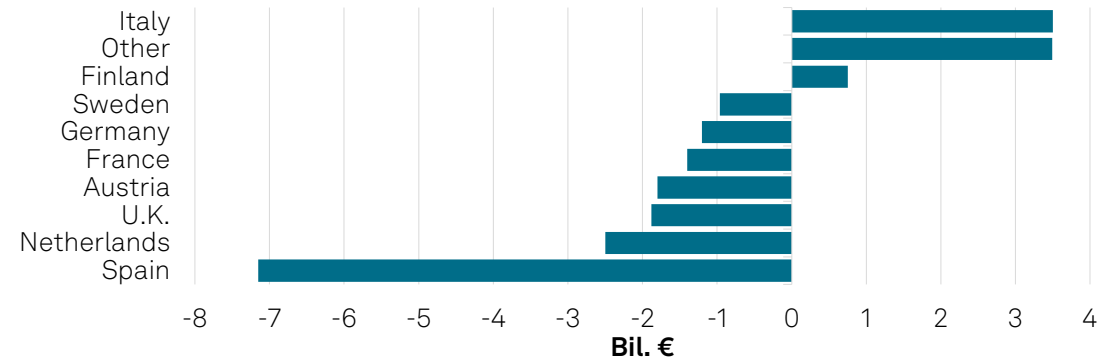


Benchmark covered bond issuance is down on last year at €57 billion, but this is still strong compared with other recent years

3. Cumulative benchmark covered bond issuance



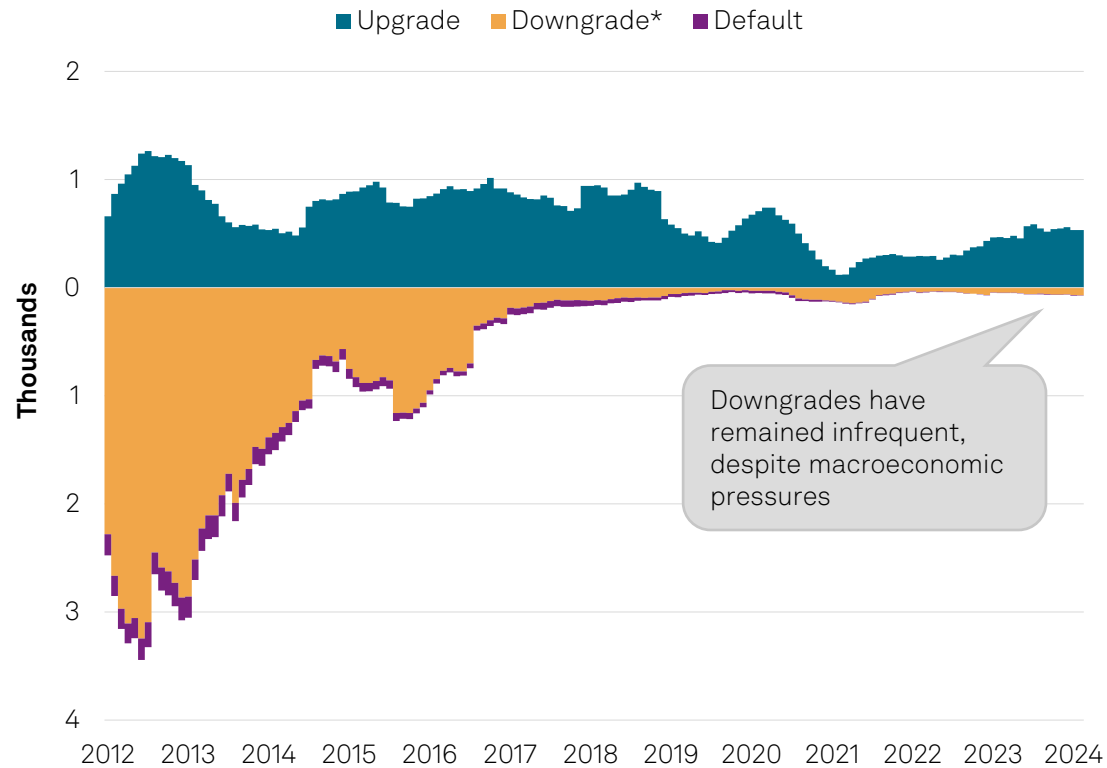
4. Change in YTD issuance, 2024 vs. 2023, by country



1-4. Year-to-date (YTD) figures as of end-February each year. Source: S&P Global Ratings.

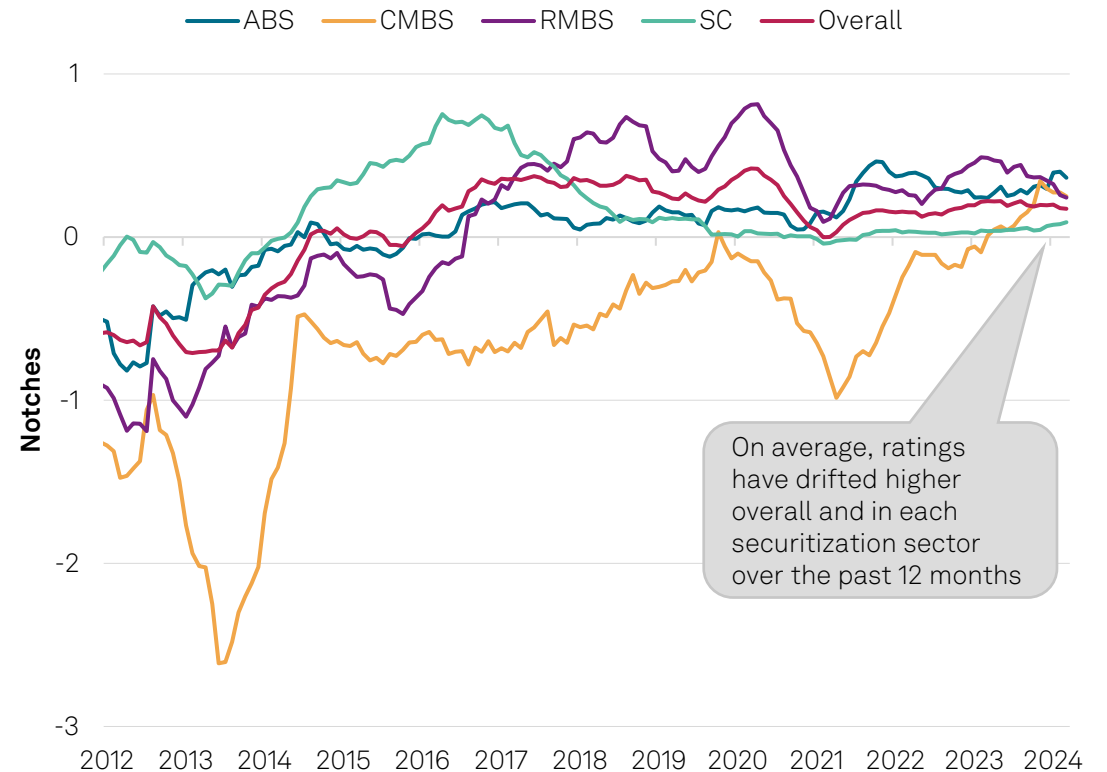
Credit Performance—Long-Term Ratings Drift

Rating action count, 12-month rolling



*Excluding defaults. Excludes covered bonds. Source: S&P Global Ratings.

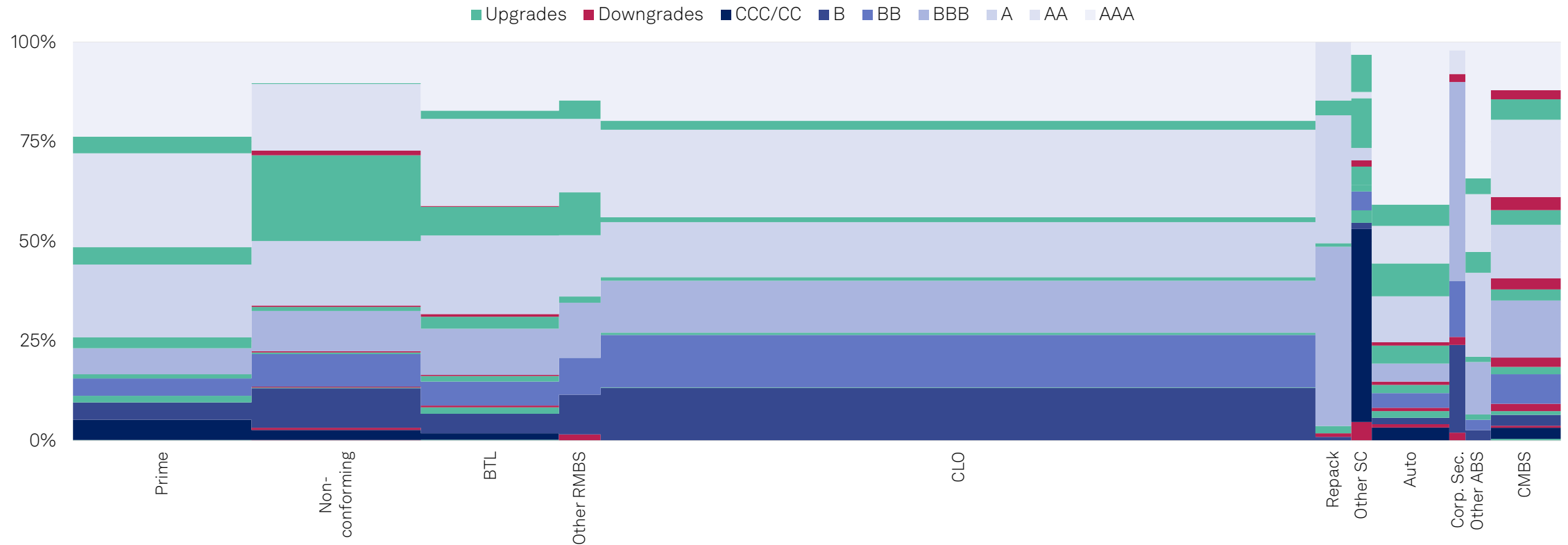
12-month trailing average change in credit quality



As of end-February 2024 SC--Structured credit. Securities whose ratings migrated to 'NR' over the period are classified based on their rating prior to 'NR'. Source: S&P Global Ratings.

Credit Performance—Ratings Heatmap

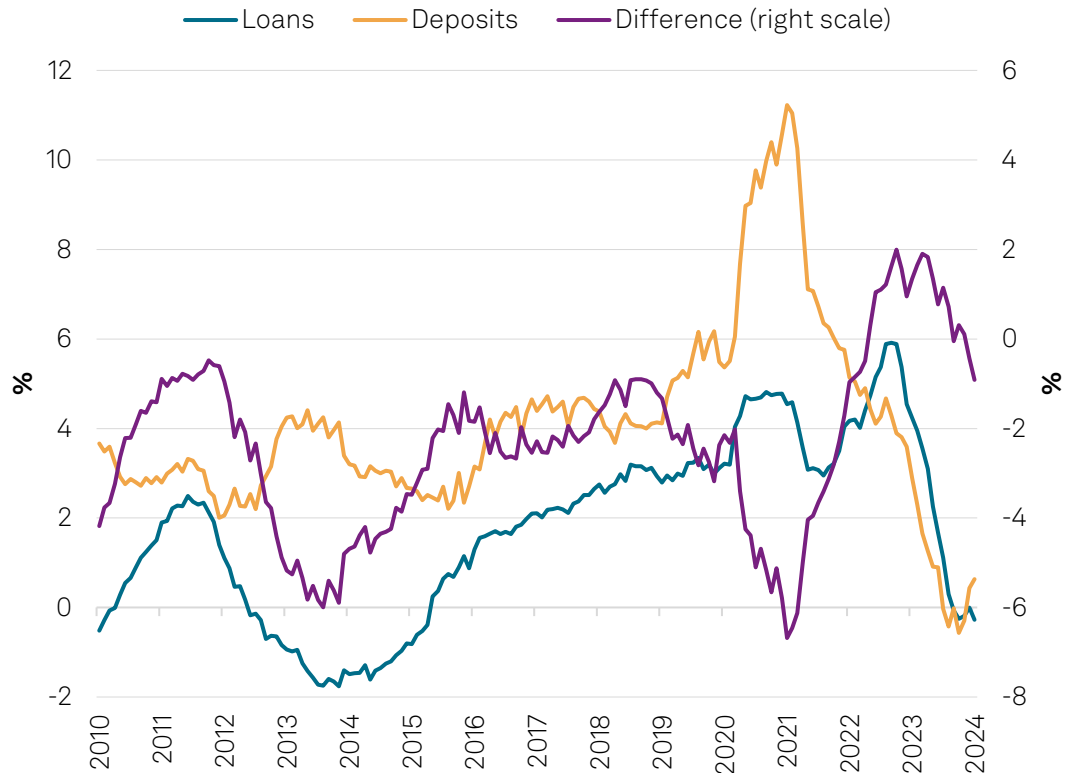
Distribution of ratings and 12-month transitions



BTL--Buy-to-let. SC--Structured credit. Based on rating transitions over the previous 12 months as of end-February 2024. Excludes confidential ratings and covered bonds. Source: S&P Global Ratings.

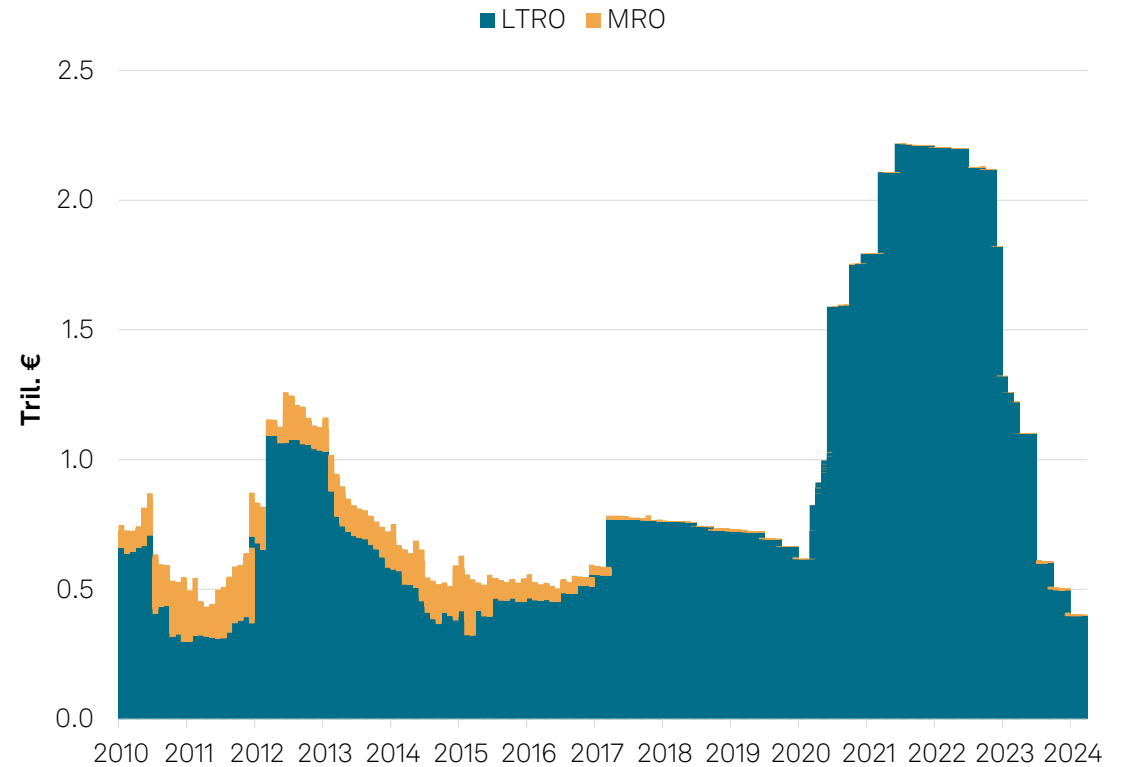
Fundamentals—Issuance Drivers

12-month lending and deposit growth, eurozone real economy



Difference is loan book growth minus deposit growth. Real economy includes households and nonfinancial corporates. Source: European Central Bank.

Eurozone credit institutions' use of central bank funding



LTRO--Long-term refinancing operations. MRO--Main refinancing operations. Source: European Central Bank.

RMBS



Alastair Bigley

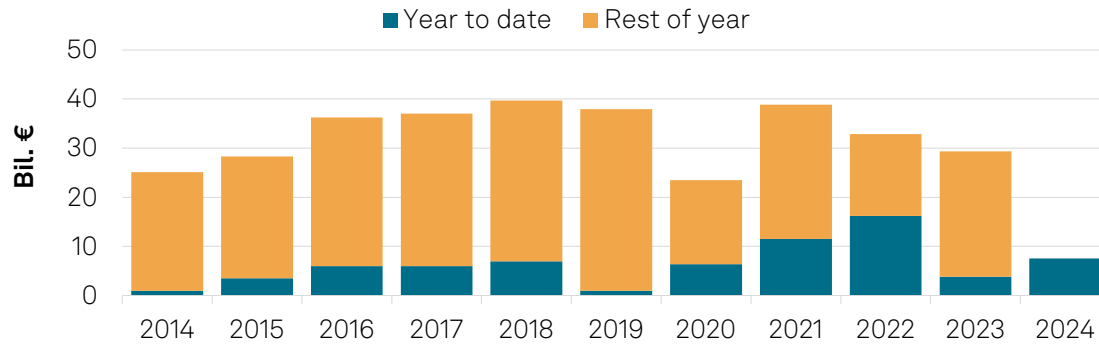
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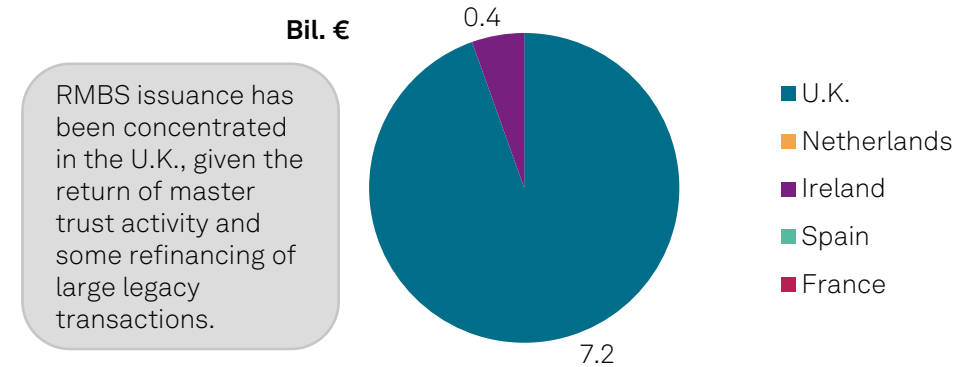
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RMBS—Issuance

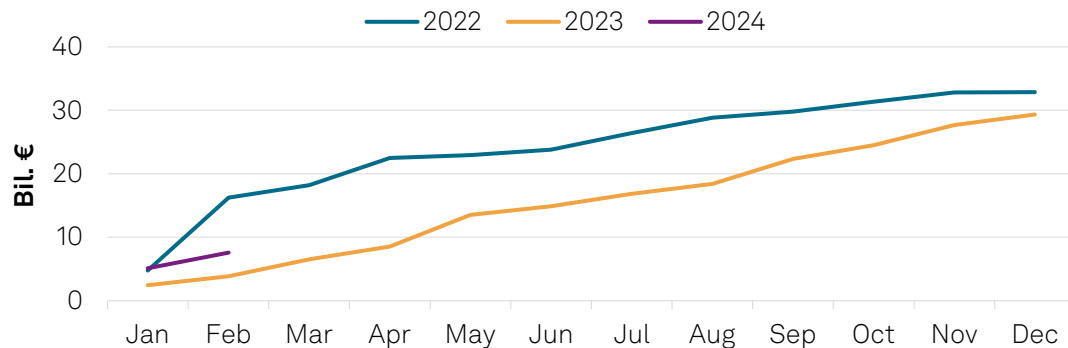
Investor-placed RMBS issuance



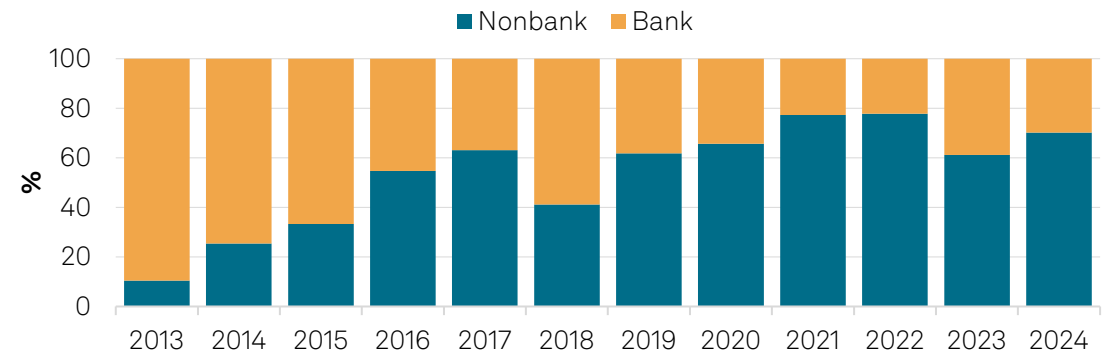
2024 YTD investor-placed RMBS issuance, by country



Cumulative investor-placed RMBS issuance



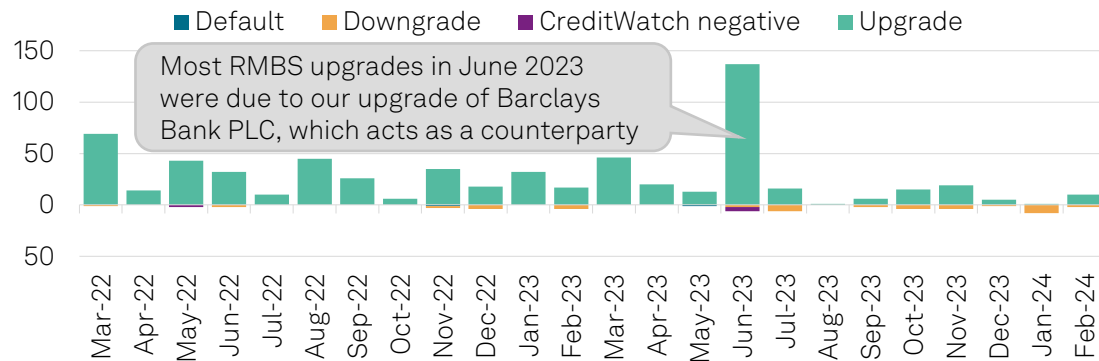
RMBS issuance mix, by originator type



Year-to-date (YTD) figures as of end-February each year. Source: S&P Global Ratings.

RMBS—Rating Actions And Performance Metrics

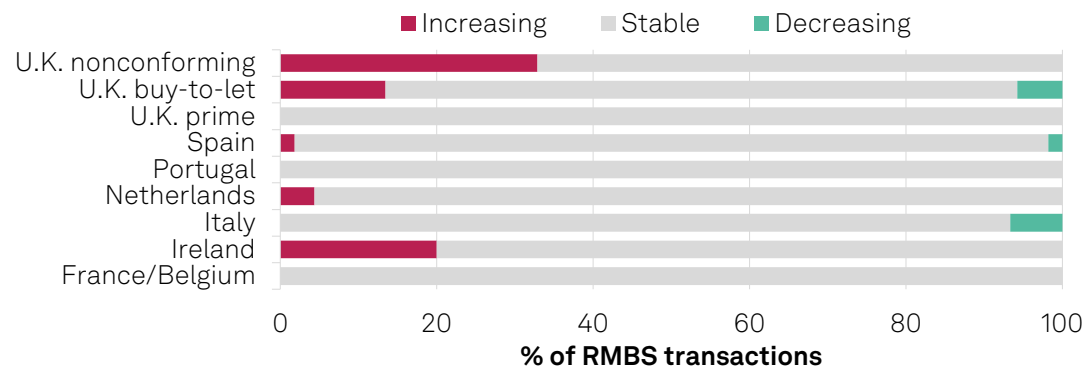
1. Monthly rating actions count, last 24 months



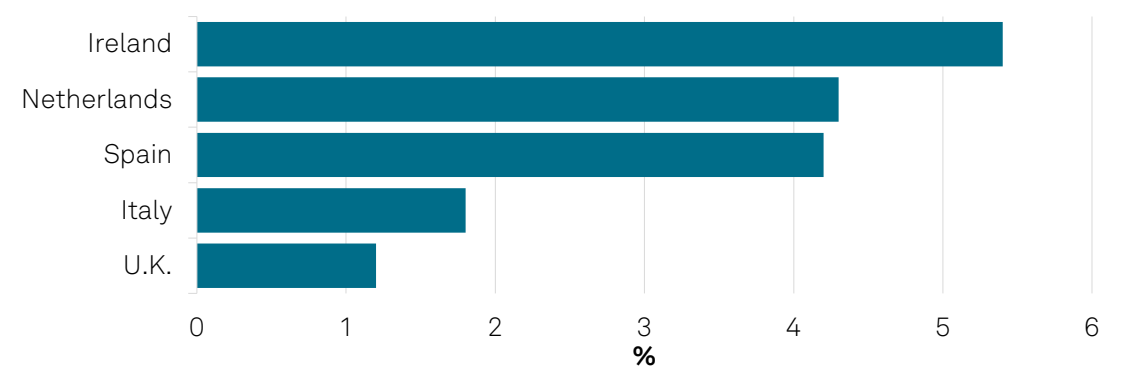
2. Cumulative rating actions count, last 12 months

	Prime	Nonconforming	BTL	Other RMBS
Upgrade	78	122	67	22
CreditWatch neg.	0	0	4	0
Downgrade	0	14	13	2
Default	0	1	0	0

3. Prevalence of increasing/decreasing total arrears rate



4. Latest annualized house price growth



1. Excludes confidential ratings. Source: S&P Global Ratings. 2. BTL--Buy-to-let. Excludes confidential ratings. Source: S&P Global Ratings. 3. Transaction arrears classified as increasing/decreasing if quarter-on-quarter change in total arrears rate is greater than/less than two percentage points. Source: S&P Global Ratings. 4. Latest data available between December 2023 and February 2024. Source: National statistical offices, Nationwide (U.K.).

ABS



Doug Paterson

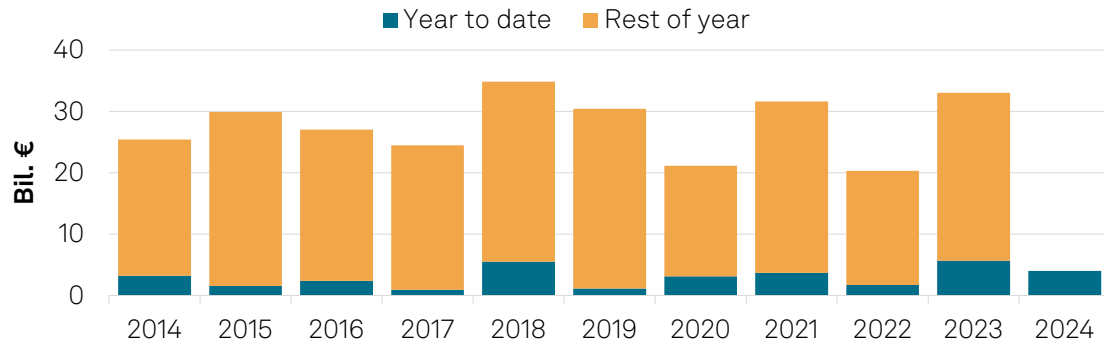
Director

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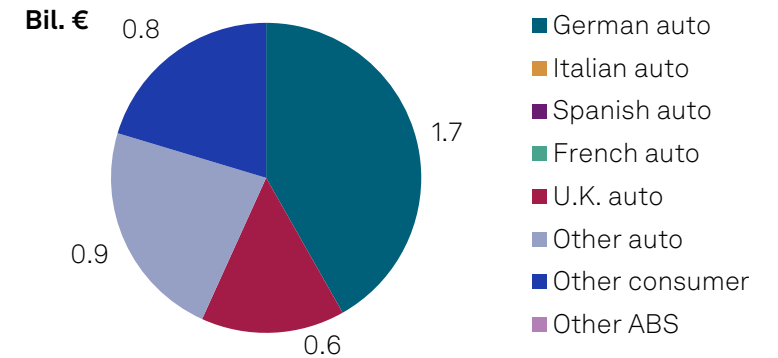
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ABS—Issuance

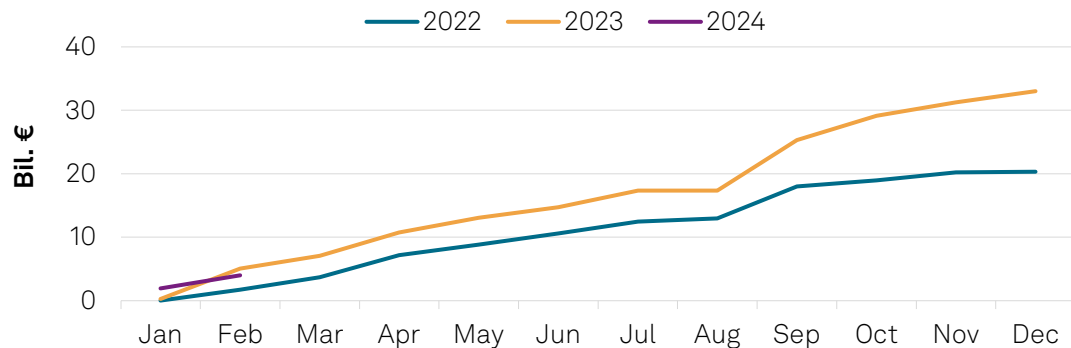
Investor-placed ABS issuance



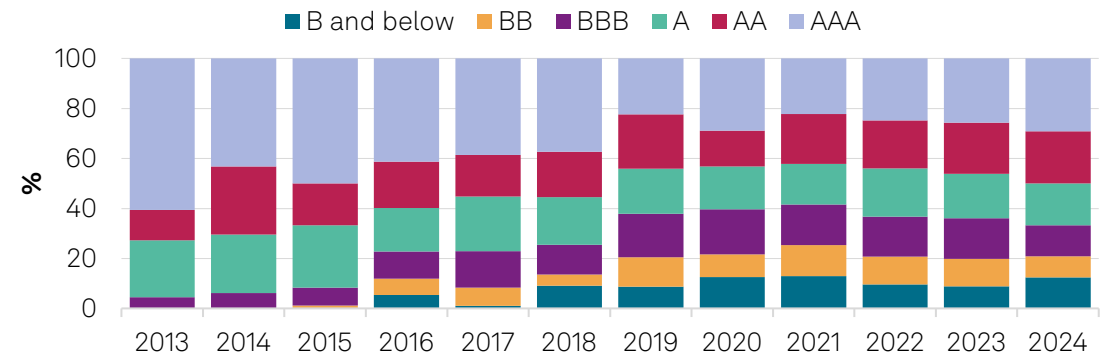
2023 YTD investor-placed ABS issuance, by subsector



Cumulative investor-placed ABS issuance



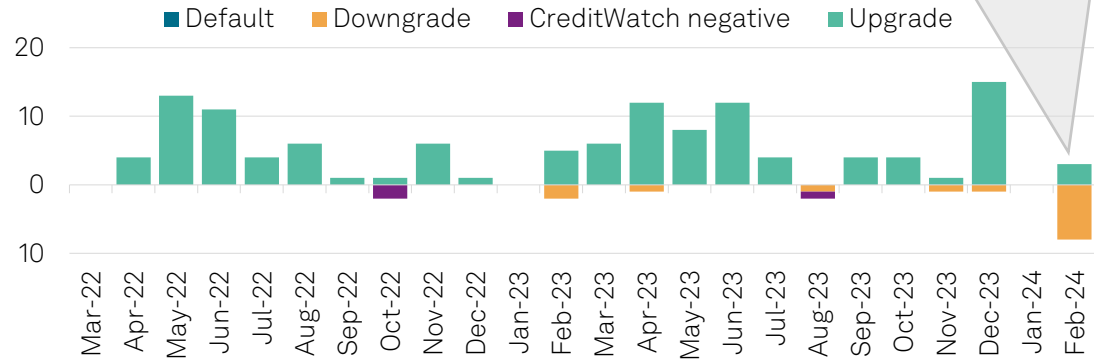
ABS issuance mix, by tranche rating category count



Year-to-date (YTD) figures as of end-February each year. Source: S&P Global Ratings.

ABS—Rating Actions And Performance Metrics

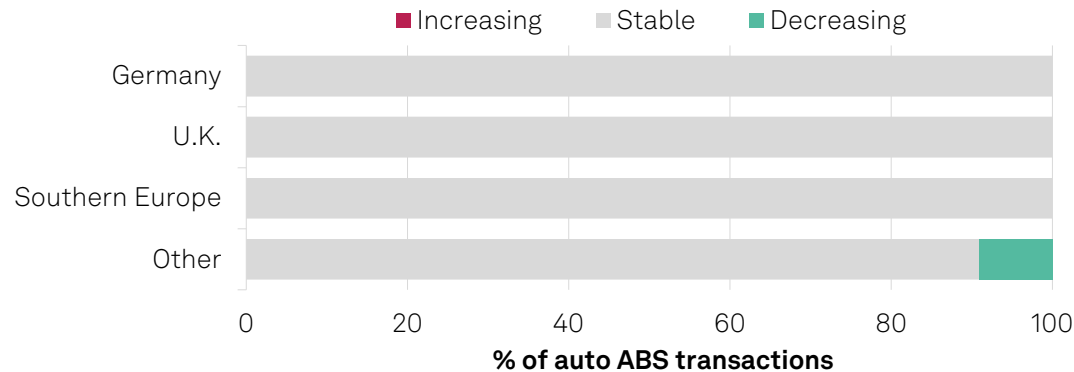
1. Monthly rating actions count, last 24 months



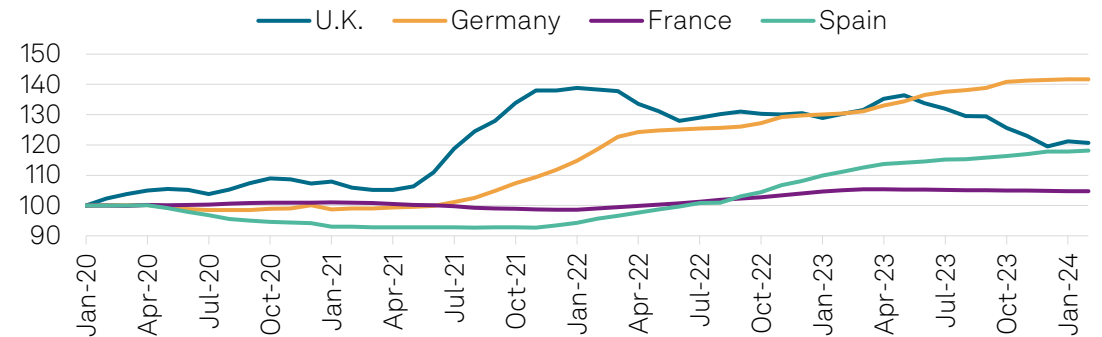
2. Cumulative rating actions count, last 12 months

	Auto/ consumer	Credit cards	Corp. sec.	Other ABS
Upgrade	65	0	0	6
CreditWatch neg.	0	0	1	0
Downgrade	9	0	3	0
Default	0	0	0	0

3. Prevalence of increasing/decreasing 30+ day arrears rate



4. Used car price index



1. Excludes confidential ratings. Source: S&P Global Ratings. 2. Excludes confidential ratings. Source: S&P Global Ratings. 3. Transaction arrears classified as increasing/decreasing if month-on-month change in 30+ day arrears rate is greater than/less than 50 basis points. Source: S&P Global Ratings. 4. Source: National statistical offices.

Structured Credit



Sandeep Chana

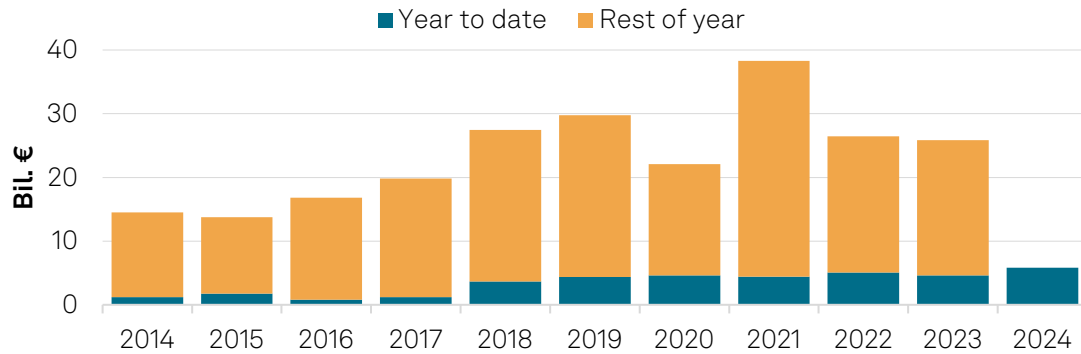
Director

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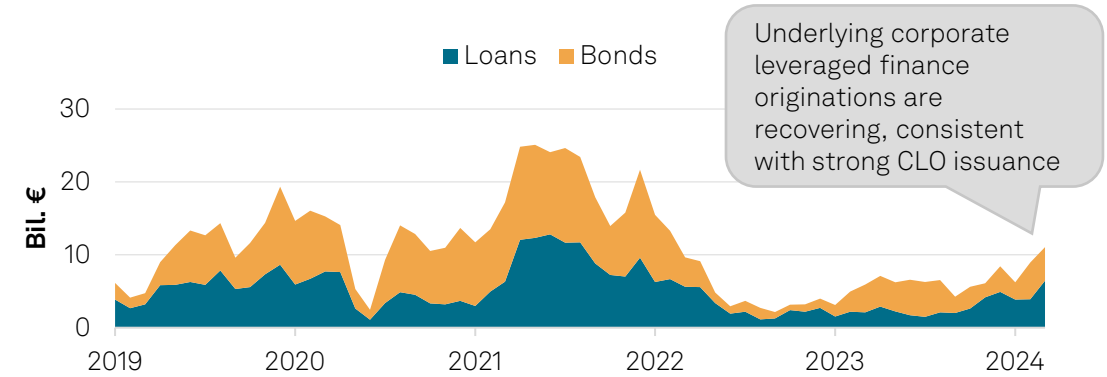
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CLO—New Issuance

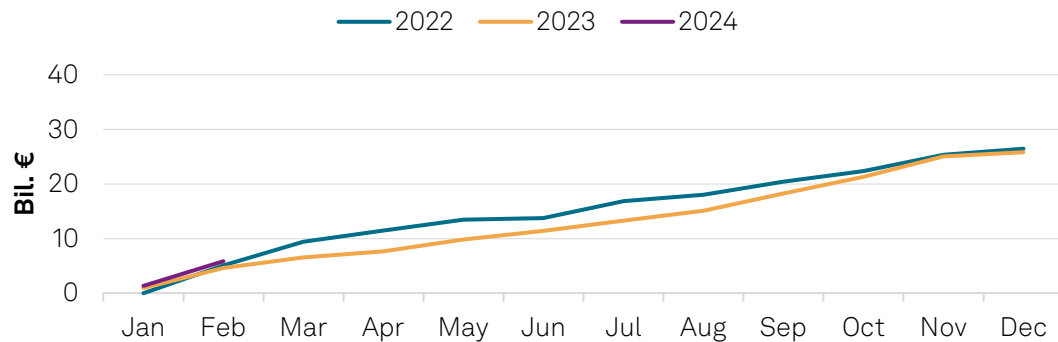
1. Investor-placed CLO new issuance



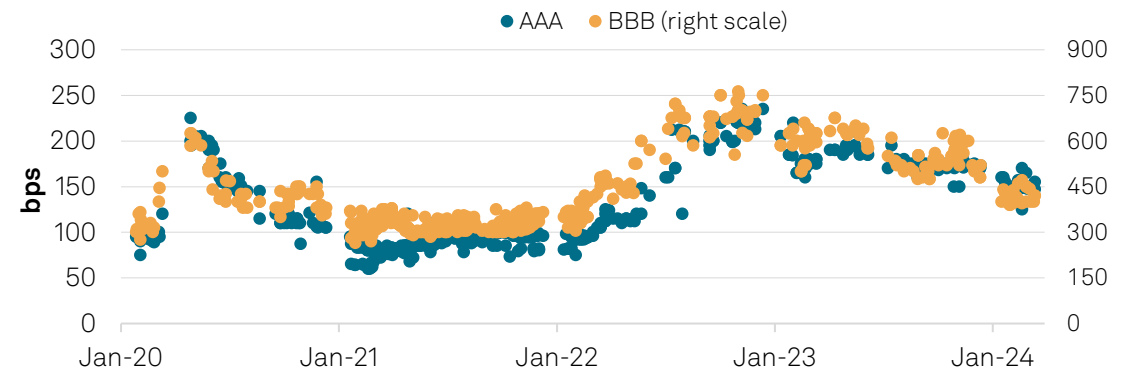
2. Monthly European leveraged finance origination volumes



3. Cumulative investor-placed CLO new issuance



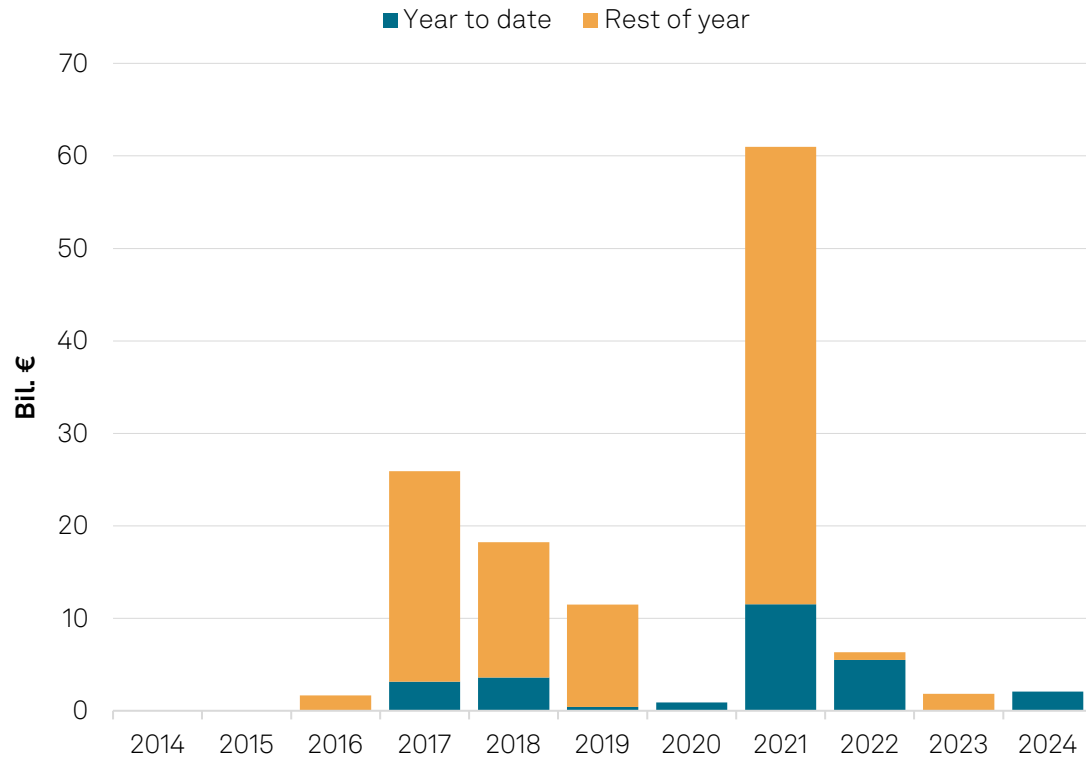
4. European new issue CLO tranche discount margins



1. Year-to-date (YTD) figures as of end-February each year. Source: S&P Global Ratings. 2. Three-month rolling average. Loan figures are institutional only. Source: Pitchbook LCD, S&P Global Ratings. 3. Source: S&P Global Ratings. 4. Pitchbook LCD.

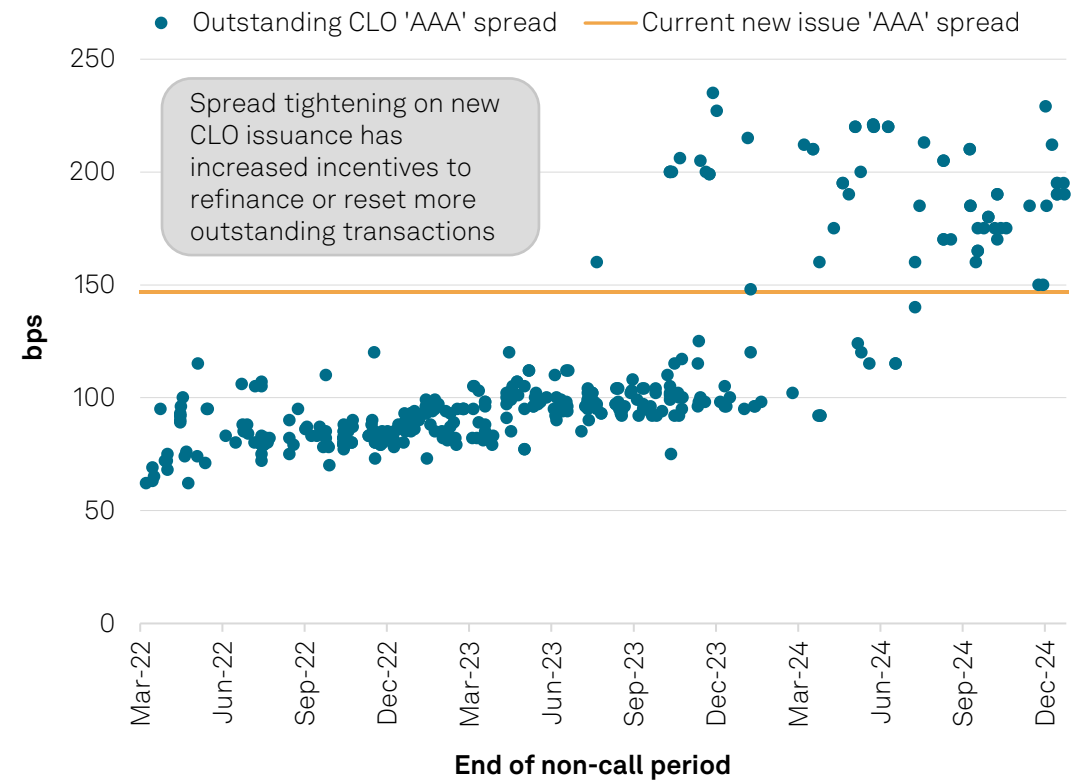
CLO—Refi/Reset Issuance

Investor-placed CLO refi/reset issuance



Year-to-date (YTD) figures as of end-February each year. Source: S&P Global Ratings, Pitchbook LCD.

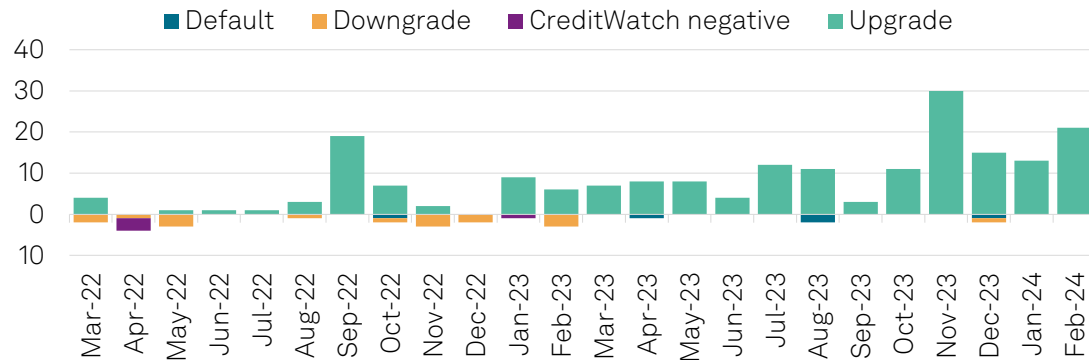
CLO refi/reset candidates: existing vs. current 'AAA' spreads



bps--Basis points. Source: Pitchbook LCD, S&P Global Ratings.

CLO & Structured Credit—Rating Actions And Performance Metrics

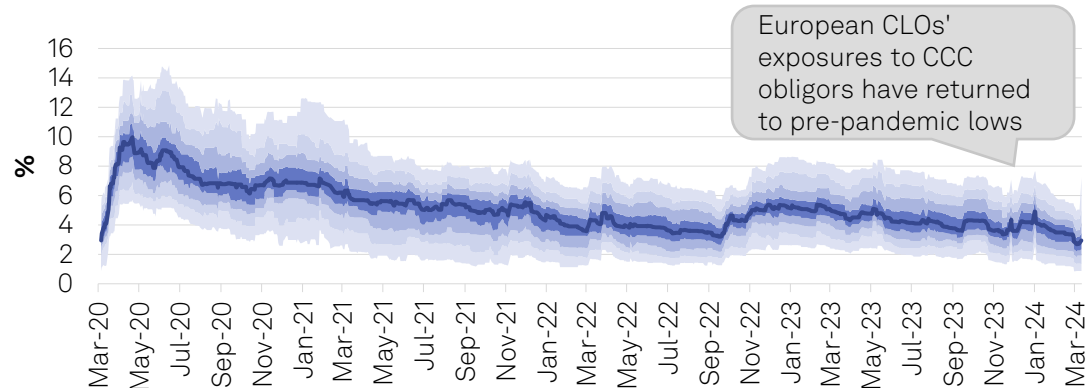
1. Monthly rating actions count, last 24 months



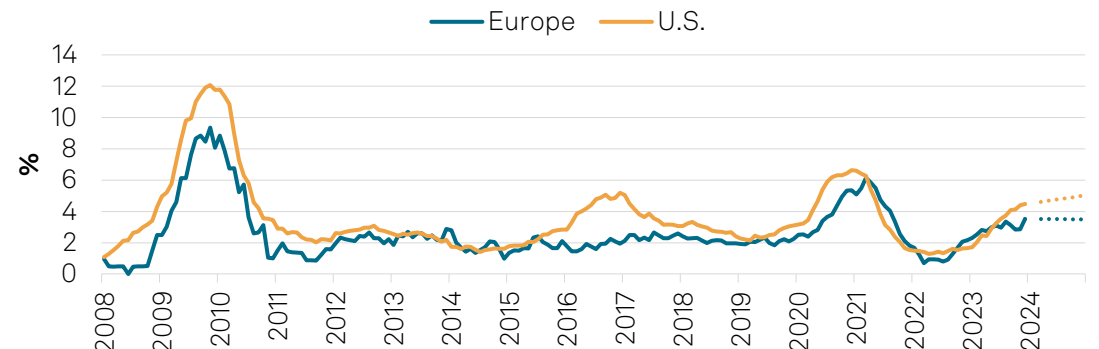
2. Cumulative rating actions count, last 12 months

	CLO	SME	Repack	Other SC
Upgrade	112	18	8	5
CreditWatch neg.	0	0	0	0
Downgrade	0	0	1	0
Default	0	0	0	4

3. European CLO exposure to 'CCC' category corporate obligors



4. Speculative-grade corporate default rate



1. Excludes confidential ratings. Source: S&P Global Ratings. 2. SME—Small and midsize enterprises. SC—Structured credit. Excludes confidential ratings. Source: S&P Global Ratings. 3. Solid line is the median, with each band representing a decile, from 10th to 90th percentiles. Estimates based on portfolios from latest available trustee reports, with ratings updated. Source: S&P Global Ratings. 4. Dashed lines represent forecasts. Source: S&P Global Ratings.

CMBS



Mathias Herzog

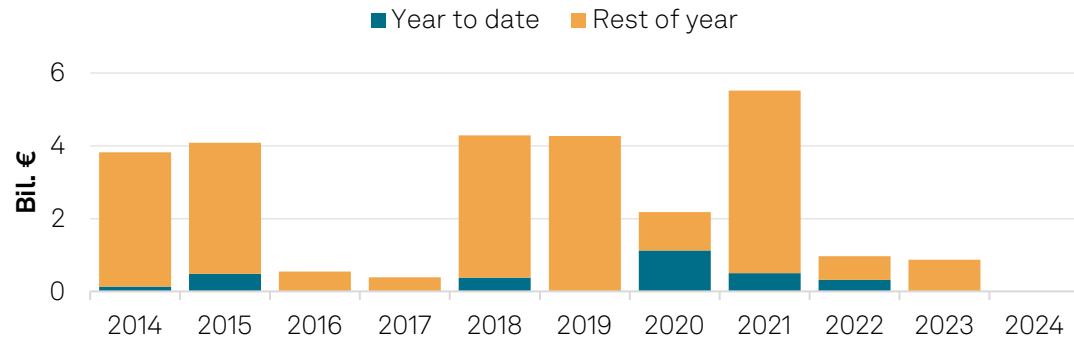
Director

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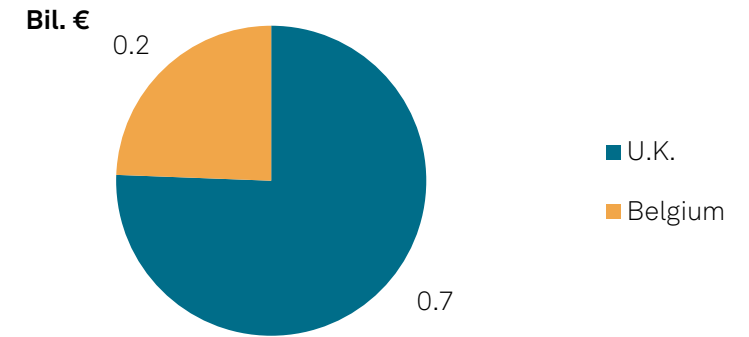
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CMBS—Issuance

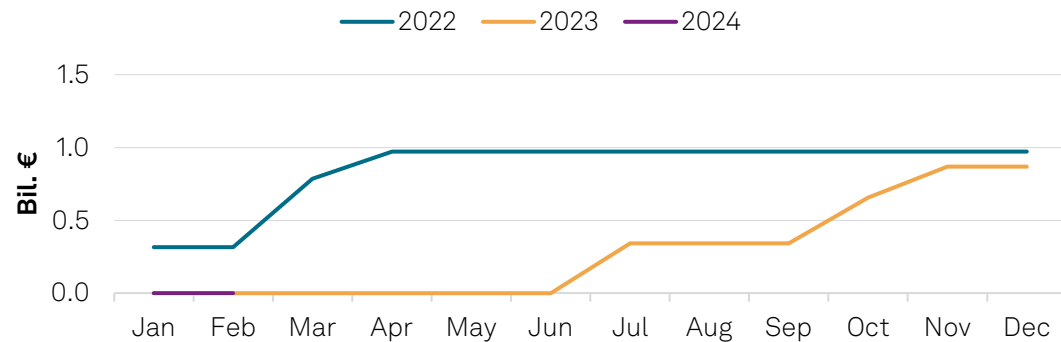
Investor-placed CMBS issuance



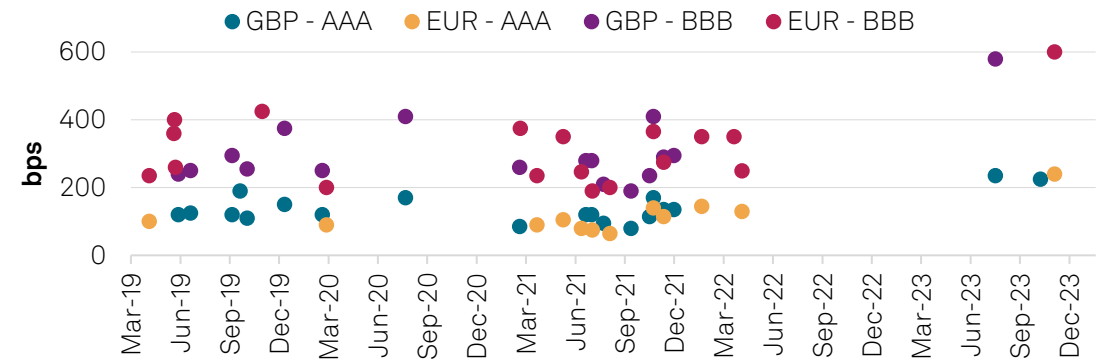
2023 investor-placed CMBS issuance, by country



Cumulative investor-placed CMBS issuance



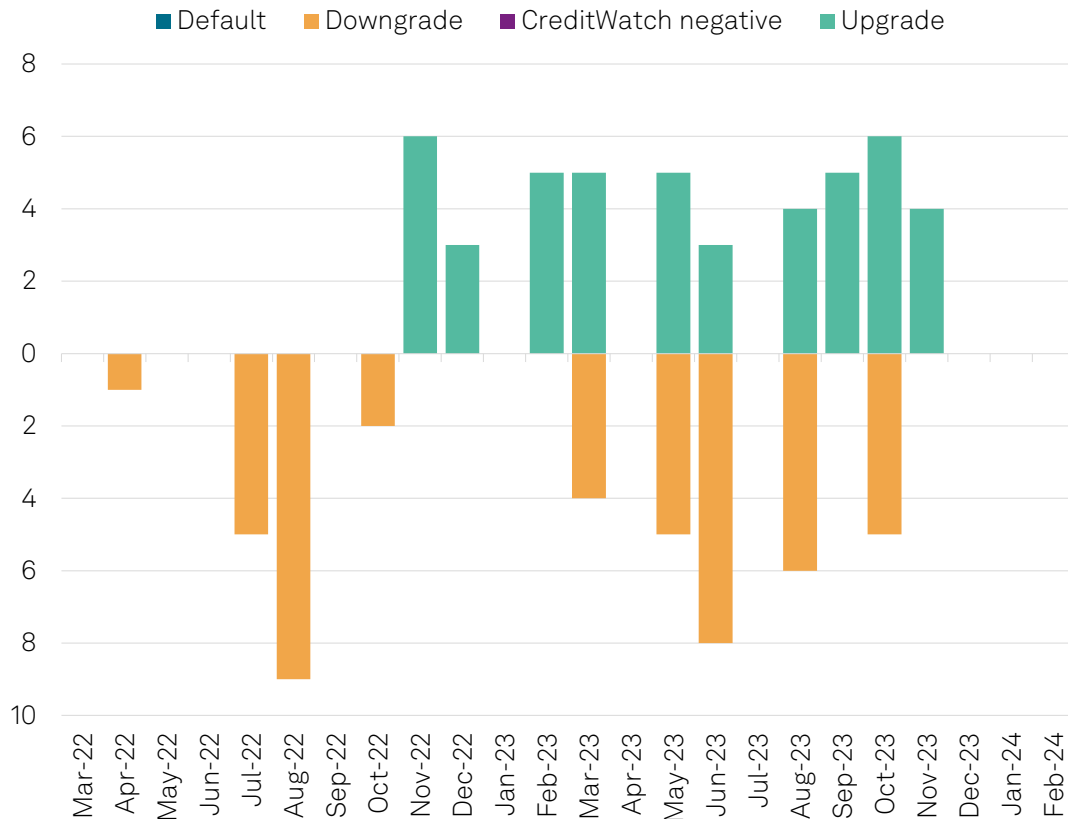
Primary spreads on European CMBS issuance



Year-to-date (YTD) figures as of end-February each year. Sterling spreads are over three-month LIBOR before 2020 and subsequently over Sterling Overnight Index Average (SONIA). Source: S&P Global Ratings.

CMBS—Rating Actions

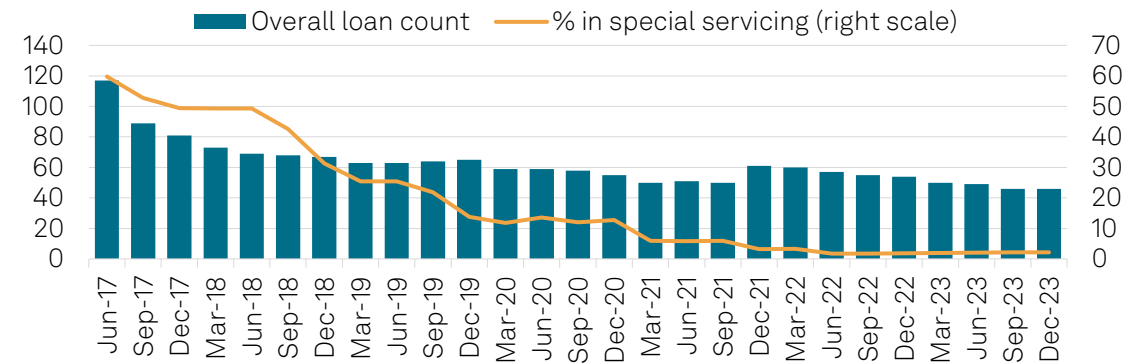
1. Monthly rating actions count, last 24 months



2. Cumulative rating actions count, last 12 months

	Hotel	Retail	Mixed	Other CMBS
Upgrade	3	2	15	12
CreditWatch neg.	0	0	0	0
Downgrade	0	1	16	11
Default	0	0	0	0

3. European CMBS loans in special servicing



1. Excludes confidential ratings. Source: S&P Global Ratings. 2. Excludes confidential ratings. Source: S&P Global Ratings. 3. Based on loans backing European CMBS rated by S&P Global Ratings. Source: S&P Global Ratings.

Covered Bonds



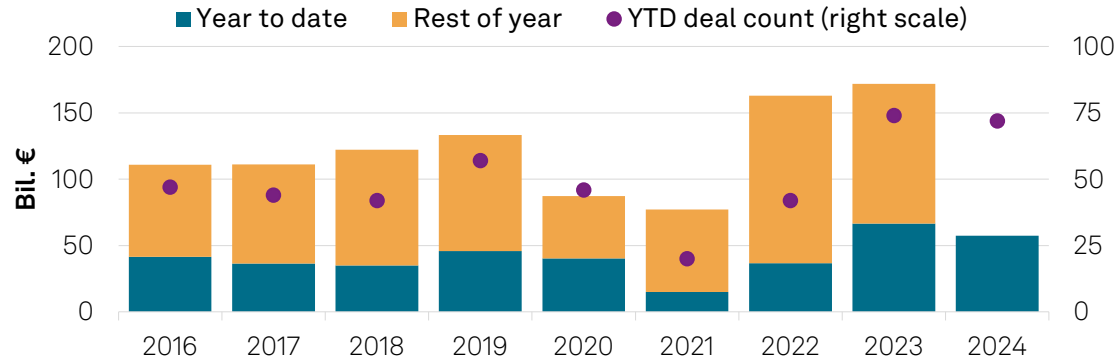
Antonio Farina
Managing Director
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antonio.farina@spglobal.com



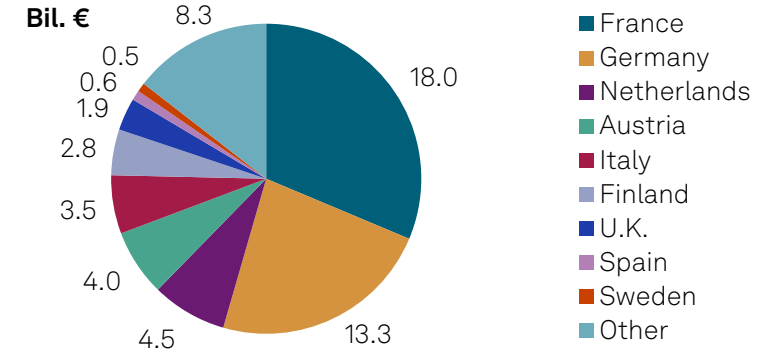
Casper Andersen
Managing Director
+49 69 3399 9208
casper.andersen@spglobal.com

Covered Bonds—Issuance

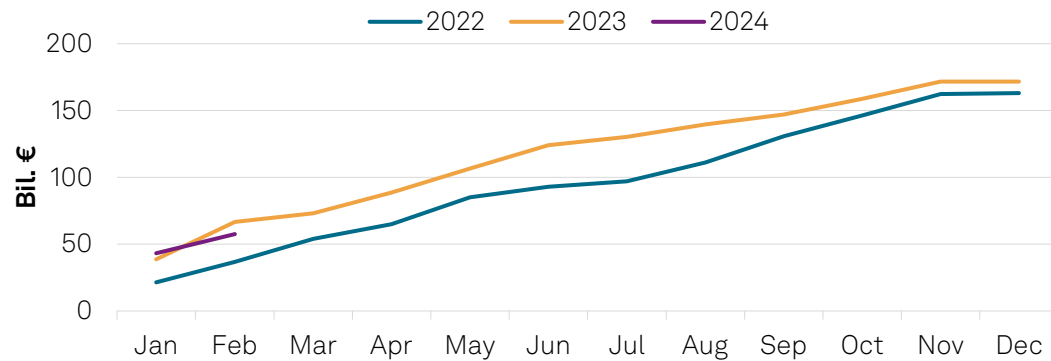
Benchmark covered bond issuance



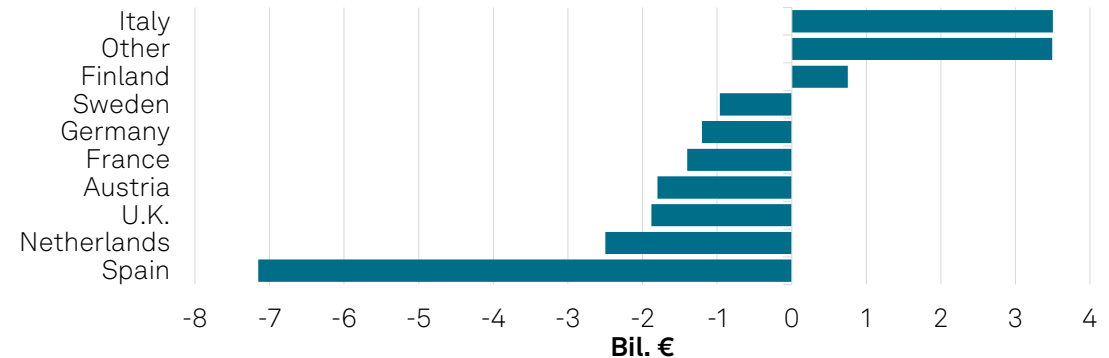
2024 YTD benchmark covered bond issuance, by country



Cumulative benchmark covered bond issuance



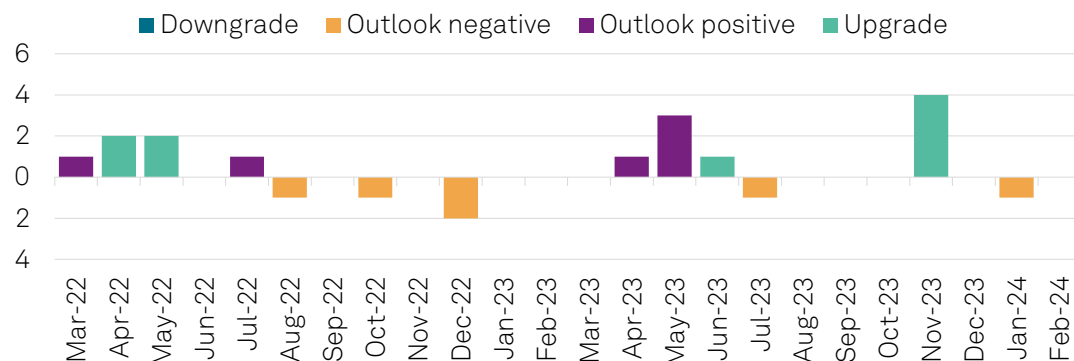
Change in YTD issuance, 2024 vs. 2023, by country



Year-to-date (YTD) figures as of end-February each year. Source: S&P Global Ratings.

Covered Bonds—Rating Actions And Performance Metrics

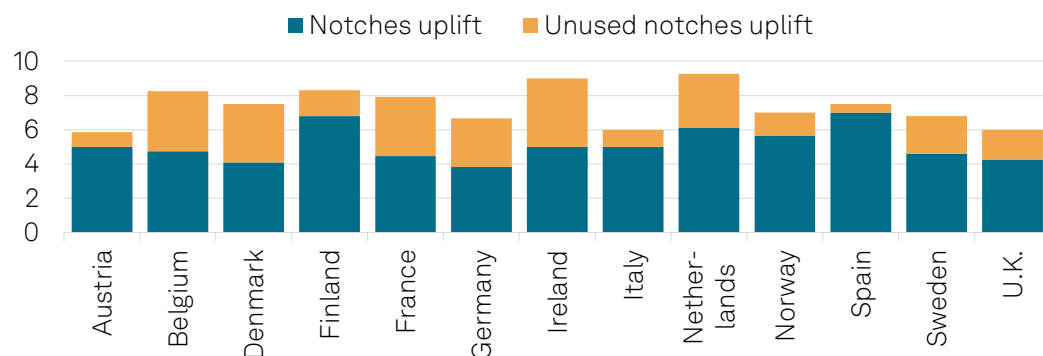
1. Monthly rating actions count, last 24 months



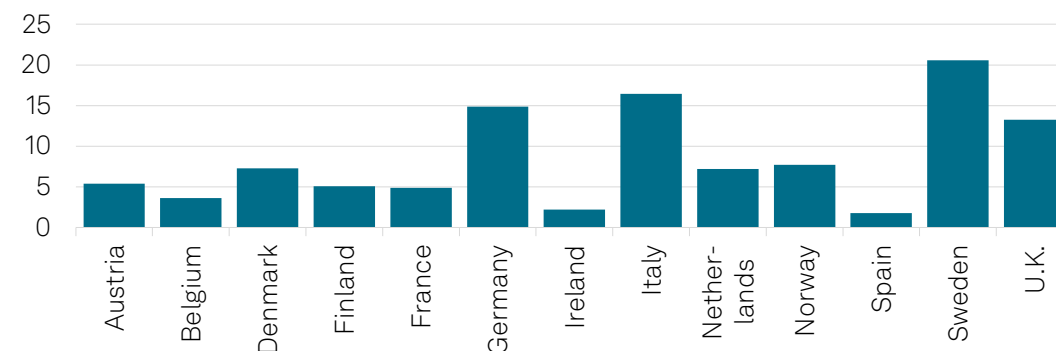
2. Cumulative rating actions count, last 12 months

	Northern Europe	Southern Europe	Central & Eastern Europe	Other CB
Upgrade	3	2	0	0
Outlook positive	3	0	1	0
Outlook negative	2	0	0	0
Downgrade	0	0	0	0

3. Average notches of uplift



4. Average overcollateralization multiple



1. & 2. Based on count of issuers with covered bond rating actions in the time period. Excludes confidential ratings. CB—Covered Bonds. Source: S&P Global Ratings. 3. As of Q4 2023. Source: S&P Global Ratings. 4. Multiple of credit enhancement available over that required for the current rating. As of Q4 2023. Excludes programs with available overcollateralization exceeding 100%. Source: S&P Global Ratings.

Recent Research (1)

- [European ABS And RMBS: External Liquidity Reserves Withstand Rising Rates](#), March 22, 2024
- [ABS Frontiers: U.K. Bridging Loan RMBS Explained](#), March 20, 2024
- [Covered Bonds Primer](#), March 19, 2024
- [2023 Annual Global Structured Finance Default And Rating Transition Study](#), March 18, 2024
- [Norwegian And Finnish Covered Bond Market Insights 2024](#), March 11, 2024
- [Banks Ramp Up Credit Risk Transfers To Optimize Regulatory Capital](#), Feb. 22, 2024
- [ABS Frontiers: Music Royalty Securitizations Are Getting The Bank Back Together](#), Feb. 20, 2024
- [EMEA ABS And RMBS Counterparty Monitor Q4 2023](#), Feb. 12, 2024
- [European RMBS Index Report Q4 2023](#), Feb. 9, 2024
- [European And U.K. Credit Card ABS Index Report Q4 2023](#), Feb. 7, 2024
- [European Auto ABS Index Report Q4 2023](#), Feb. 7, 2024
- [A Primer On Spain's RMBS Market](#), Feb. 6, 2024
- [Credit FAQ: How We Assess Government Guarantees In European Securitizations](#), Feb. 6, 2024
- [Dutch Covered Bond Market Insights 2024](#), Feb. 5, 2024
- [How Will The Probe Into Discretionary Commission Models Affect U.K. Auto ABS Transactions?](#), Feb. 1, 2024
- [ABS Frontiers: The Blurring Of Private Credit Funds And CLOs](#), Jan. 30, 2024

Recent Research (2)

- [Unraveling Irish Reperforming RMBS Uncertainty](#), Jan. 30, 2024
- [European CMBS Monitor Q4 2023](#), Jan. 29, 2024
- [European CLO Monitor 2023](#), Jan. 25, 2024
- [European RMBS And ABS Monitor Q4 2023](#), Jan. 25, 2024
- [European Structured Finance Outlook 2024: Pushing On Through](#), Jan. 9, 2024
- [Global Covered Bond Insights Q1 2024: Issuance Still Strong As Market Exits Central Bank Funding](#), Dec. 15, 2023
- [U.K. RMBS Is Set To Withstand Payment Shock](#), Dec. 11, 2023
- [Covered Bonds Outlook 2024: Stability Amid Turbulence](#), Dec. 11, 2023
- [Sustainability Insights: Electric Vehicles Amp Up European Auto ABS Risk](#), Nov. 29, 2023
- [Danish Covered Bond Market Insights 2023](#), Nov. 29, 2023
- [A Primer On European Auto ABS](#), Nov. 21, 2023
- [Credit FAQ: Is There A Middle Ground For European Middle Market CLOs?](#), Nov. 16, 2023
- [Credit FAQ: How Do Product Switches Affect U.K. RMBS?](#), Oct. 30, 2023
- [Credit FAQ: How We Analyze Credit-Linked Notes Referencing Credit Derivative Definitions And Documentation](#), Oct. 26, 2023
- [A Primer On Ireland's RMBS Market](#), Oct. 13, 2023
- [Swedish Covered Bond Market Insights 2023](#), Oct. 5, 2023

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