

S&P Global
Ratings

EMEA Structured Finance Chart Book

May 2024

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This report does not constitute a rating action



Highlights—News

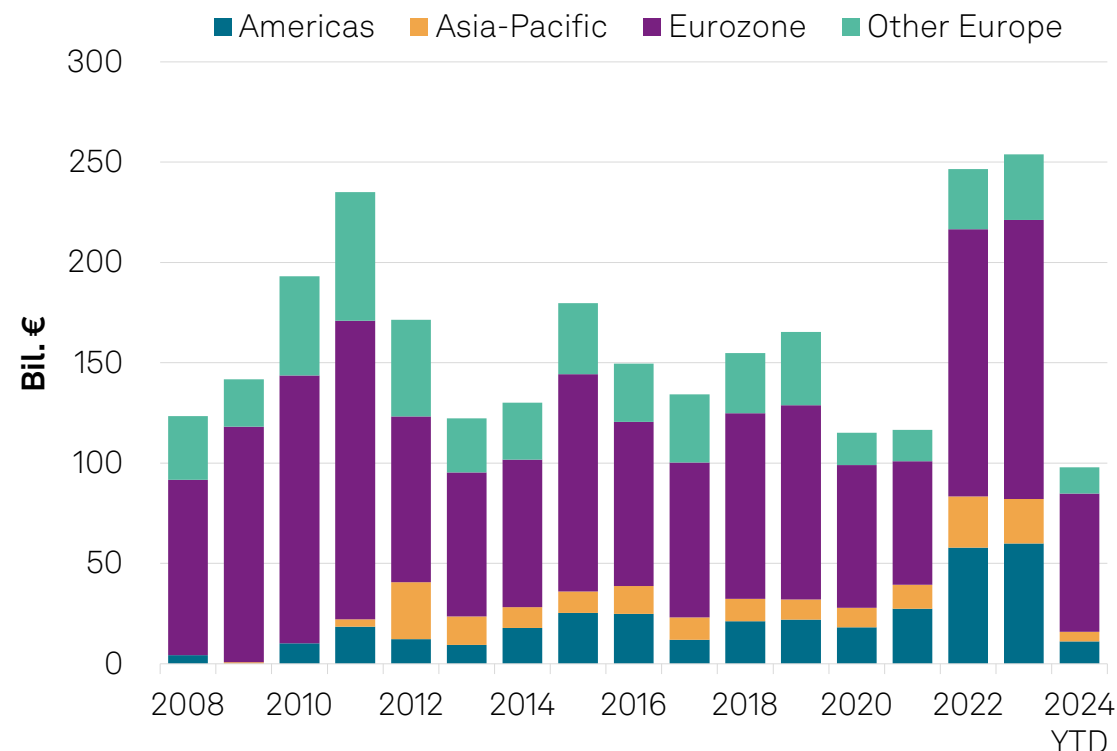
- **Regulation.** On April 30, the U.K.'s Financial Conduct Authority (FCA) and Prudential Regulation Authority (PRA) each published policy statements laying out their final rules for the U.K. securitization market. This marks a milestone in the process of repealing and replacing securitization-related law that was previously retained from the EU after Brexit. According to the PRA, the rules include a more principles-based approach to due diligence obligations on certain institutional investors. They also clarify that in certain circumstances where an institutional investor instructs a managing party to fulfill its due diligence obligations, only this managing party is responsible for any failure to comply with the relevant obligation. The new rules will be implemented on Nov. 1, 2024, subject to the existing U.K. securitization regulation and related technical standards being revoked. The FCA and PRA plan to consult on further changes to their securitization rules in the fourth quarter of 2024 or the first quarter of 2025, although timings may change. This could include further changes to the definitions of public versus private transactions and their associated disclosure rules, for example.
- **Issuance.** Investor-placed securitization issuance for April 2024 was €13.9 billion. Overall year-to-date issuance of €45 billion at end-April exceeded the previous year's equivalent by more than 65%, mostly due to a pickup in CLO and U.K. RMBS, with the latter partly due to the expected refinancing of some large transactions backed by collateral originated before the financial crisis. European benchmark covered bond issuance reached €85 billion year-to-date by the end of April 2024. While this was down 4% on the previous year, it remains high by the standards of at least the past decade. Benchmark covered bond issuance for the month was €12.5 billion--down about one-fifth on volumes in April 2023.
- **Rating actions.** In April 2024, we raised 19 of our ratings on European securitization tranches, mostly in the leveraged loan CLO and RMBS sectors, due to older transactions deleveraging. There were six downgrades, including five defaults in CMBS and legacy structured credit transactions. Three of the defaults were due to debt restructuring in a single CMBS transaction backed by U.K. shopping centers--SGS Finance PLC--which originally closed in 2013.

Source: S&P Global Ratings.

Highlights—Covered Bonds In New Markets: Issuance Holds Up In 2024

- In this report, we take a closer look at the issuance outlook, regulatory and legislative developments, and key characteristics of covered bond markets in Central and Eastern Europe, Asia, Latin America, and Africa.
- Global covered bond issuance remained strong in the first quarter of 2024, and we expect year-end volumes to come close to the record highs of 2023.
- The implementation of the EU's harmonization directive--which introduced a common definition of covered bonds across Europe--has not yet led to a significant increase in issuance in EU countries that previously lacked dedicated legislation, such as Croatia and Bulgaria.
- However, established local markets in Central and Eastern Europe remain vibrant.
- Singaporean and Korean banks still dominate Asian markets, but legislative developments may attract new issuers.

Benchmark covered bond issuance, by region



YTD--Year to April 23, 2024. Source: S&P Global Ratings. For more details, see "[Covered Bonds In New Markets: Issuance Holds Up In 2024](#)," published April 29, 2024.

Highlights—European CLOs Are Twenty-Five Years Strong

Summary of defaults in European CLOs

	CLO 1.0			CLO 2.0		
	No. of original ratings	No. of defaults	Currently rated	No. of original ratings	No. of defaults	Currently rated
AAA	481	0	0	846	0	495
AA	227	0	0	917	0	648
A	249	0	0	594	0	406
BBB	296	4	0	567	0	391
BB	211	17	0	528	0	381
B	11	1	0	474	0	366
Total	1,475	22	0	3,926	0	2,687

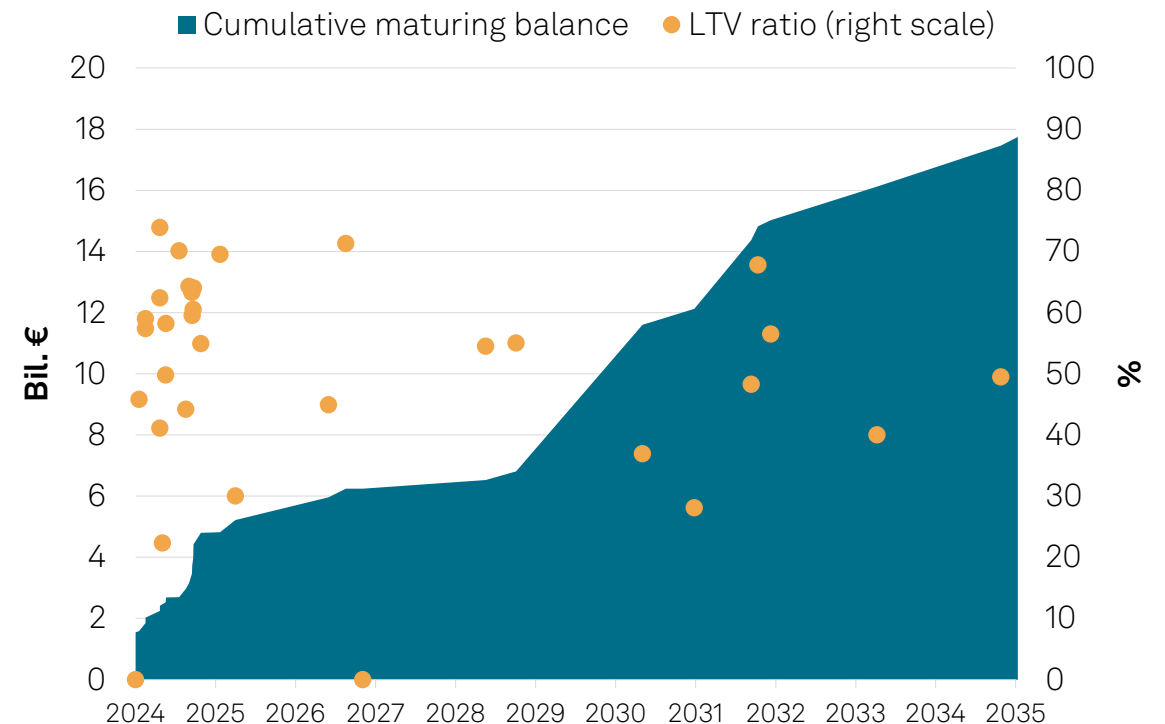
Source: S&P Global Ratings. "CLO 2.0" refers to European CLOs that closed since 2013. For more details, see "[CLO Spotlight: Twenty-Five Years Strong: European CLOs' Lifetime Default Rate Is Only 1.5%](#)," published April 18, 2024.

- European collateralized loan obligations (CLOs) have proved remarkably stable since S&P Global Ratings first rated such a transaction in 2000.
- During this time, European CLOs have resisted several upheavals, including the global financial crisis, the dotcom bubble, and the pandemic, and have seen very few defaults.
- In Europe, we refer to CLOs issued since 2013 as CLO 2.0 and those issued before the global financial crisis as CLO 1.0.
- European CLO 1.0 transactions saw only 1.5% of rated tranches suffering a loss since 2000.
- European CLO 2.0 performance has also been strong, with zero defaults in the past 11 years.

Highlights—European CMBS Can Ride The Refinance Wave

- Several of the commercial real estate (CRE) loans due to mature in 2023 followed the amend and pretend route, which not all loans will continue to take this year.
- Nevertheless, five loans out of 13 did repay in 2023.
- Higher-for-longer interest rates are affecting the CMBS space, but not in a uniform way.
- A higher interest rate environment affects CRE loans in different ways. Borrowers feel the squeeze as higher financing and hedging costs make floating-rate loans more expensive. Higher interest rates also tend to reduce CRE values, which increases leverage in the loans and requires borrowers to drum up more equity.
- We take a more negative view of the office and retail sectors, although we believe that most borrowers are in a good position to refinance.

Upcoming maturities and LTV ratios for U.K. CMBS loans

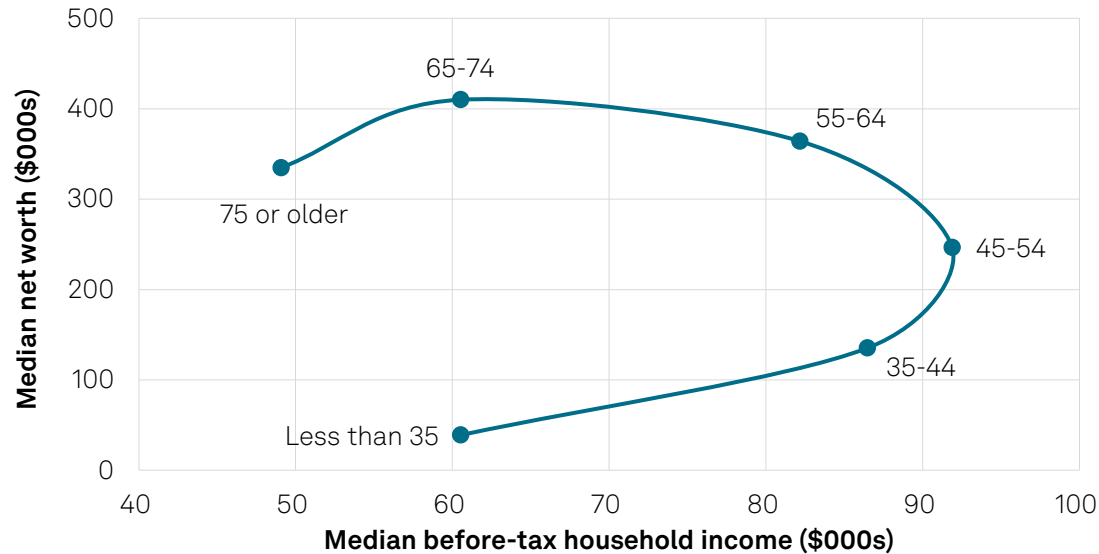


Source: S&P Global Ratings. LTV--Loan-to-value. For more details, see "[European CMBS Can Ride The Refinance Wave](#)," published April 11, 2024.

Highlights—Demand Could Grow For Reverse Mortgage Securitization

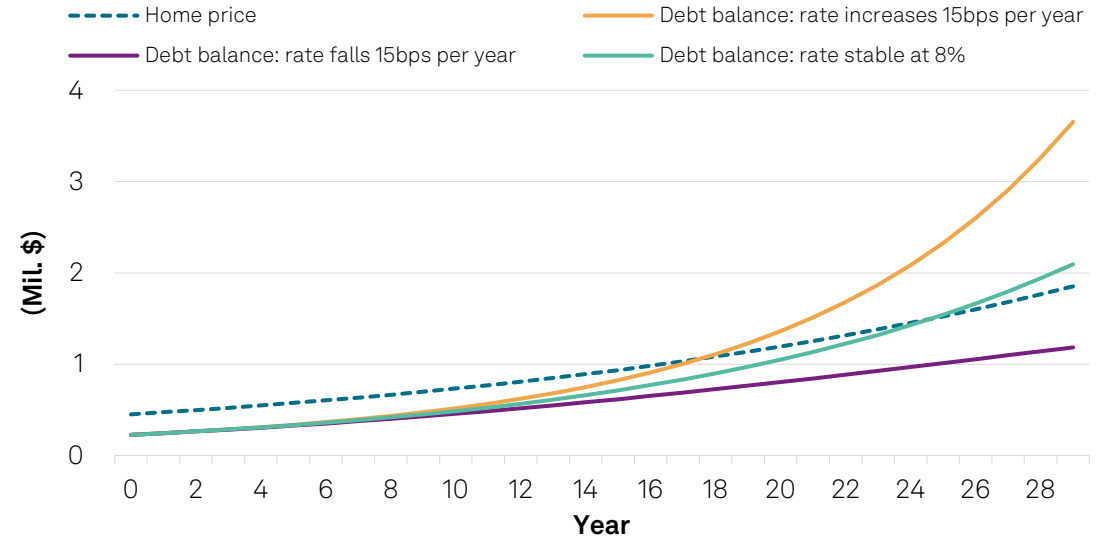
- Typically, as people age beyond their mid-50s, net worth increases while income decreases.
- Many regions (e.g., Japan, Italy) have aging populations. Reverse (or equity release) mortgages allow asset-rich/cash-poor individuals to tap their home equity.
- Depending on the path of interest rates and home prices, reverse mortgages can present risks to homeowners and lenders.

Annual income and net worth by age cohort



Data as of 2022. Source: U.S. Federal Reserve.

Lump sum reverse mortgage crossover point by rate path



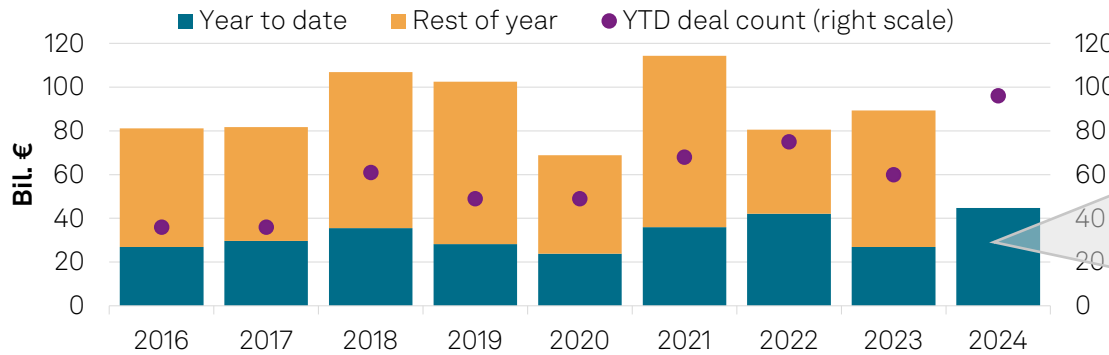
Bps--Basis points. Analysis assumes a beginning home price of \$450,000, 5% annual price appreciation, a base annual coupon rate of 8%, and a 50% loan-to-value ratio. Source: S&P Global Ratings.

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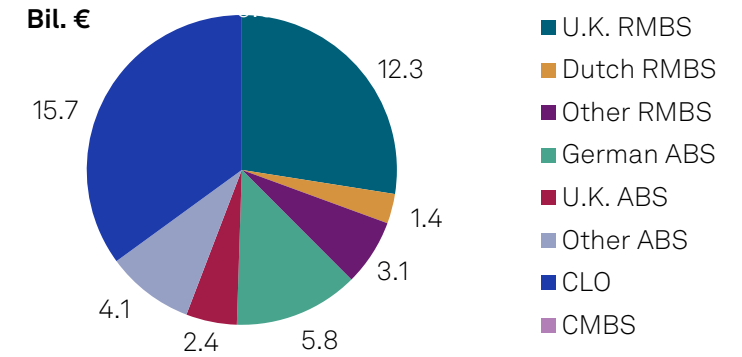
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Issuance—Securitizations

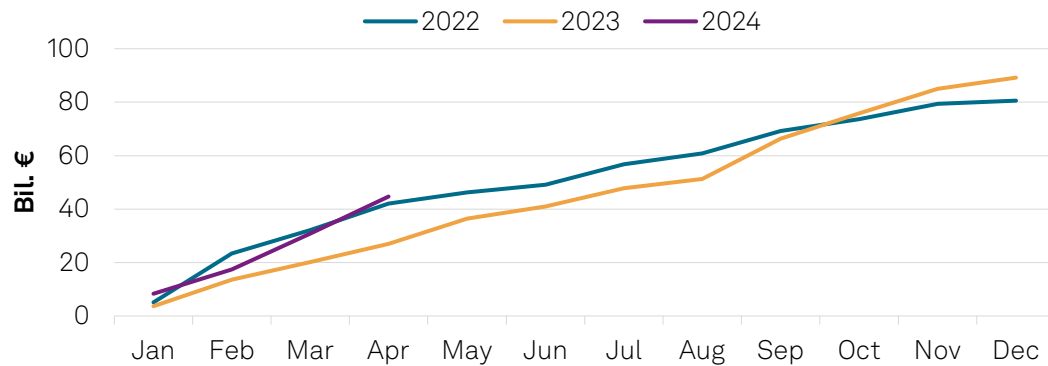
1. Investor-placed securitization issuance



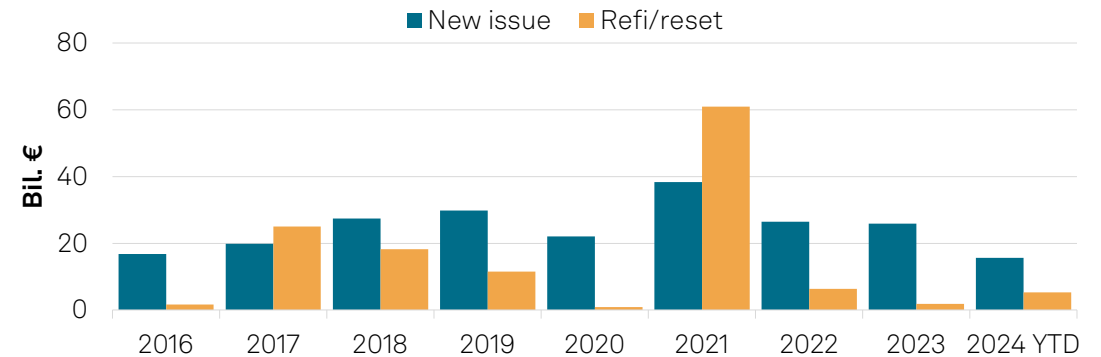
2. 2024 YTD investor-placed securitization issuance, by sector



3. Cumulative investor-placed securitization issuance



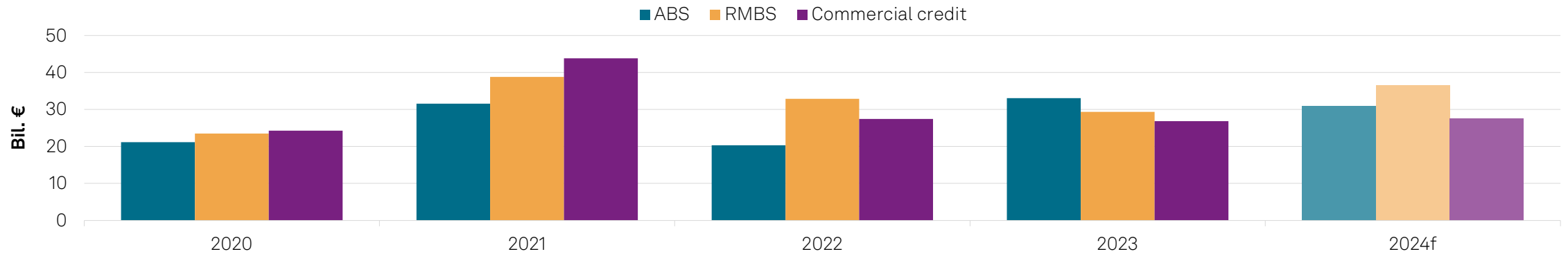
4. CLO refinancing and reset issuance



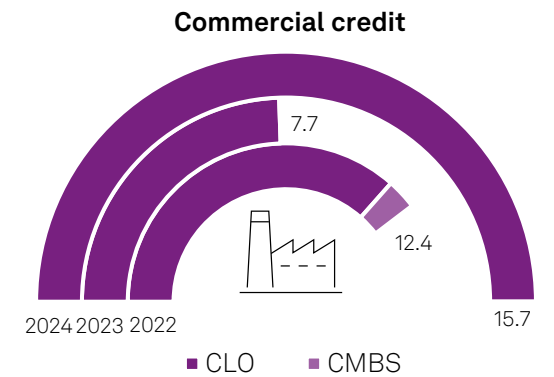
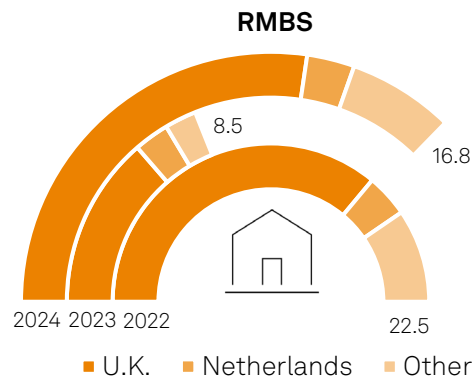
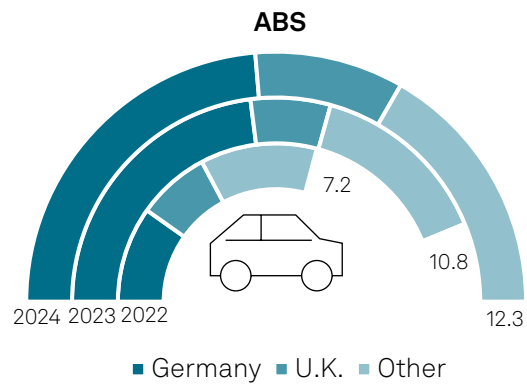
1-3. Year-to-date (YTD) figures as of end-April each year. Excludes CLO refinancings and resets. Source: S&P Global Ratings. 4. Source: S&P Global Ratings, Pitchbook LCD.

Issuance—Securitizations

Annual investor-placed securitization issuance



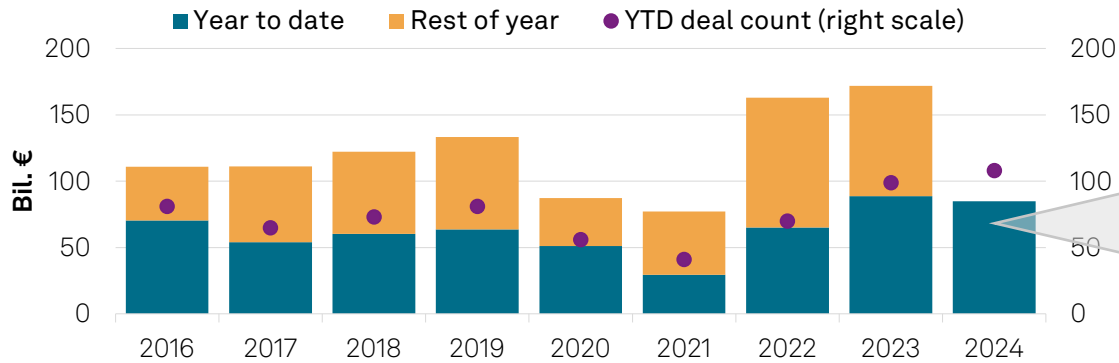
YTD investor-placed securitization issuance, by subsector (bil. €)



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

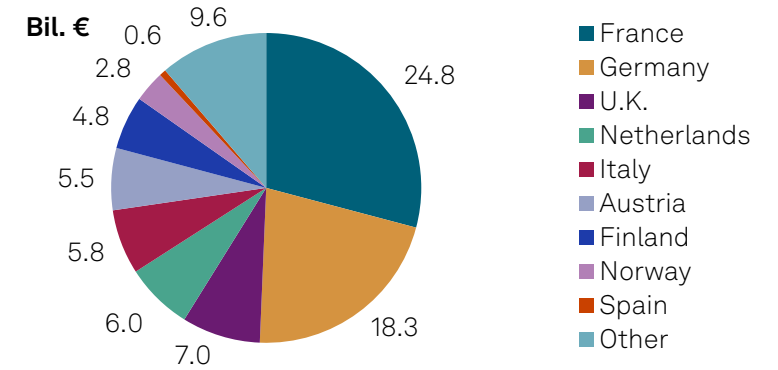
Issuance—Covered Bonds

1. Benchmark covered bond issuance

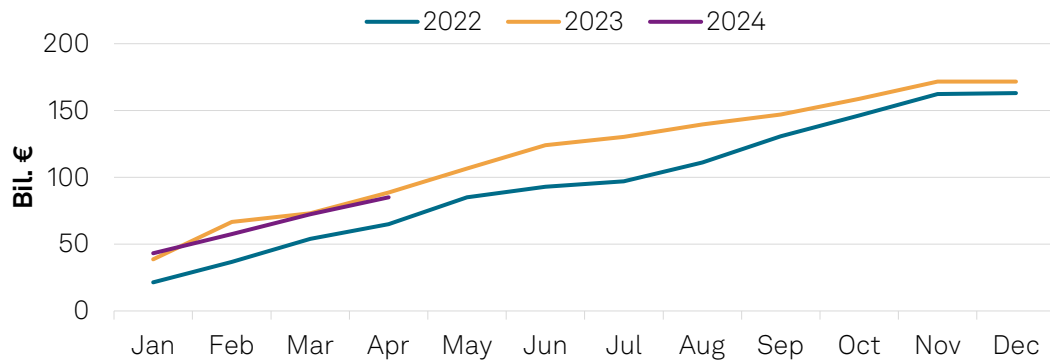


2. 2023 YTD benchmark covered bond issuance, by country

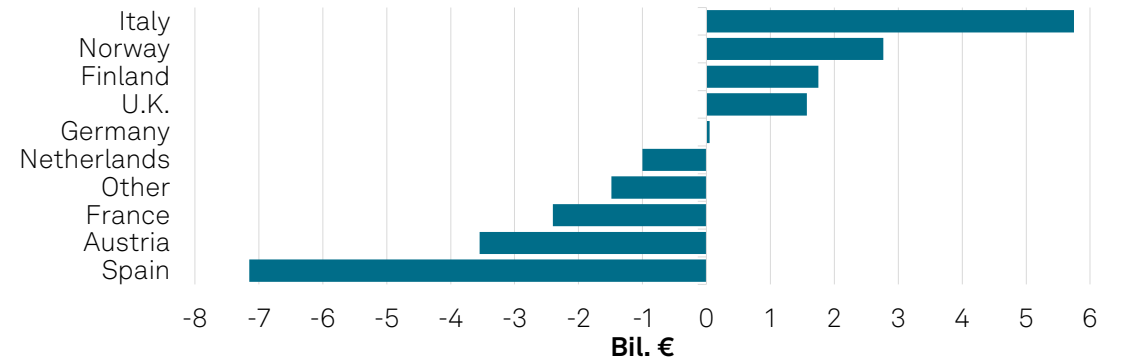
Benchmark covered bond issuance is down on last year at €85 billion, but this is still strong compared with other recent years and the deal count is up.



3. Cumulative benchmark covered bond issuance



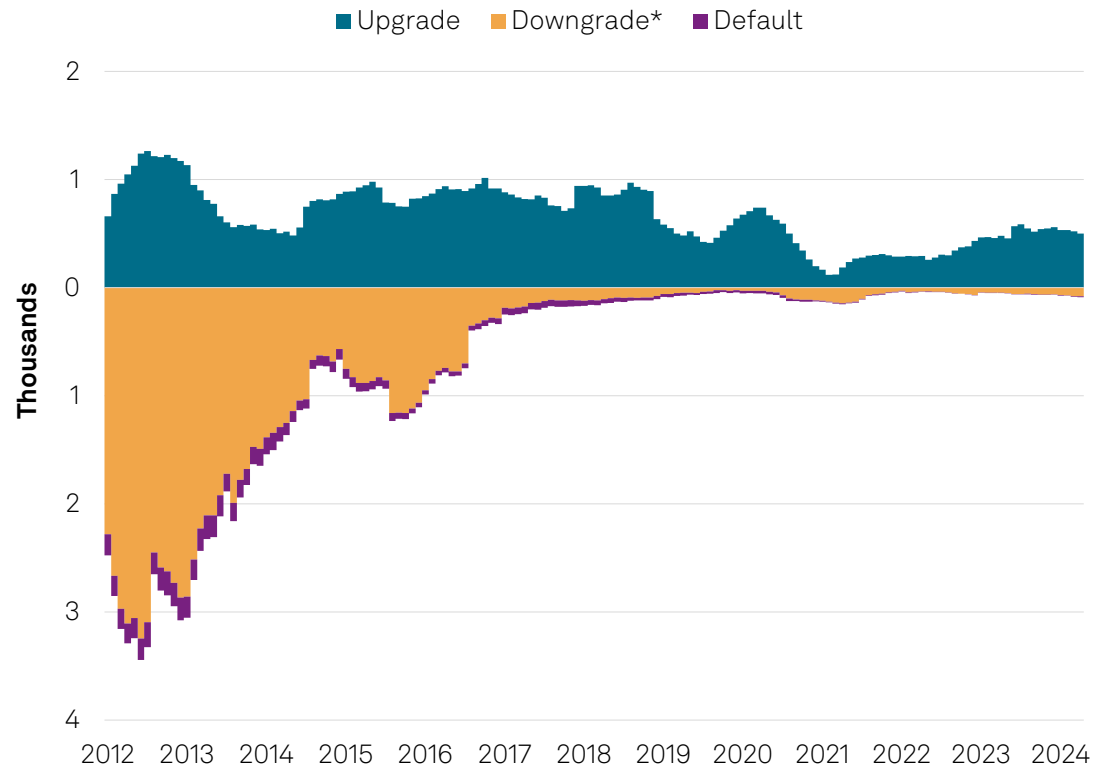
4. Change in YTD issuance, 2024 vs. 2023, by country



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

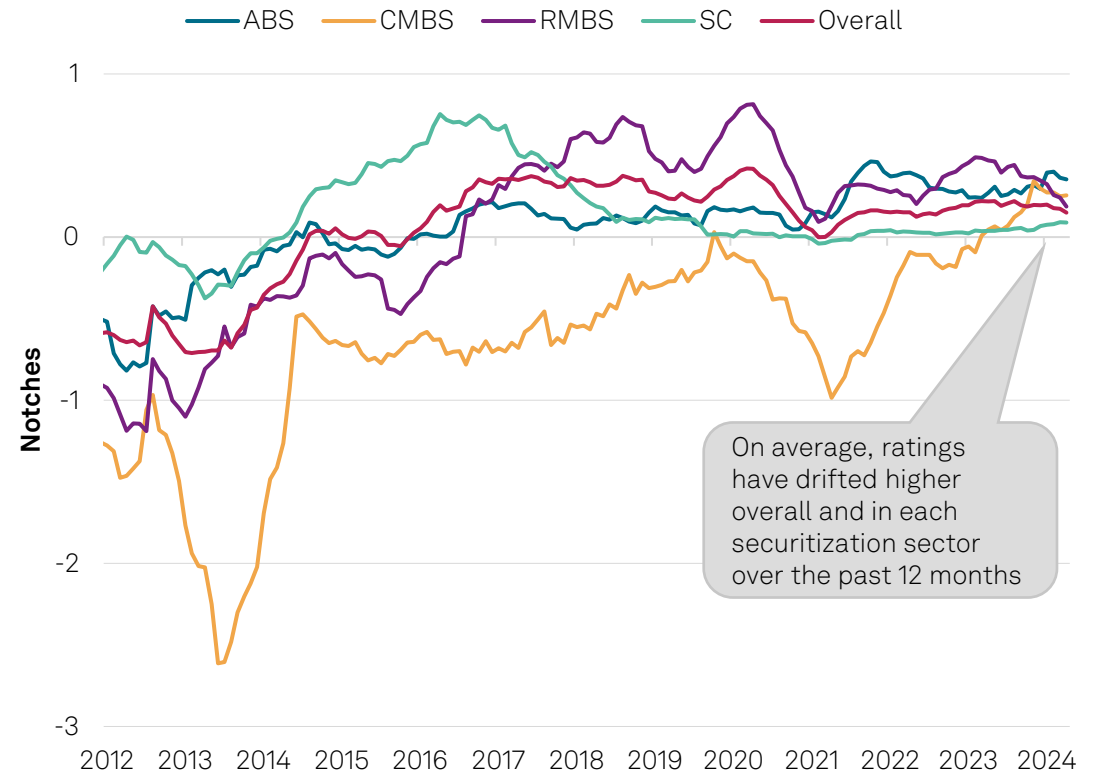
Credit Performance—Long-Term Ratings Drift

Rating action count, 12-month rolling



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

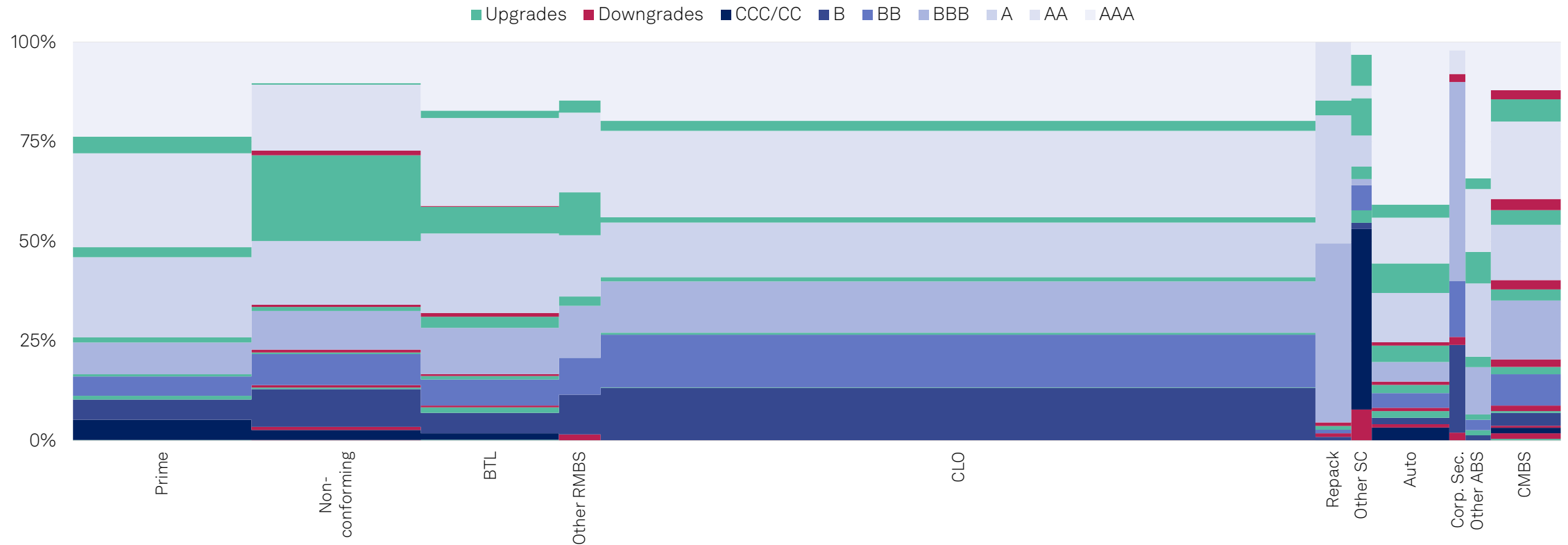
12-month trailing average change in credit quality



As of end-March 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

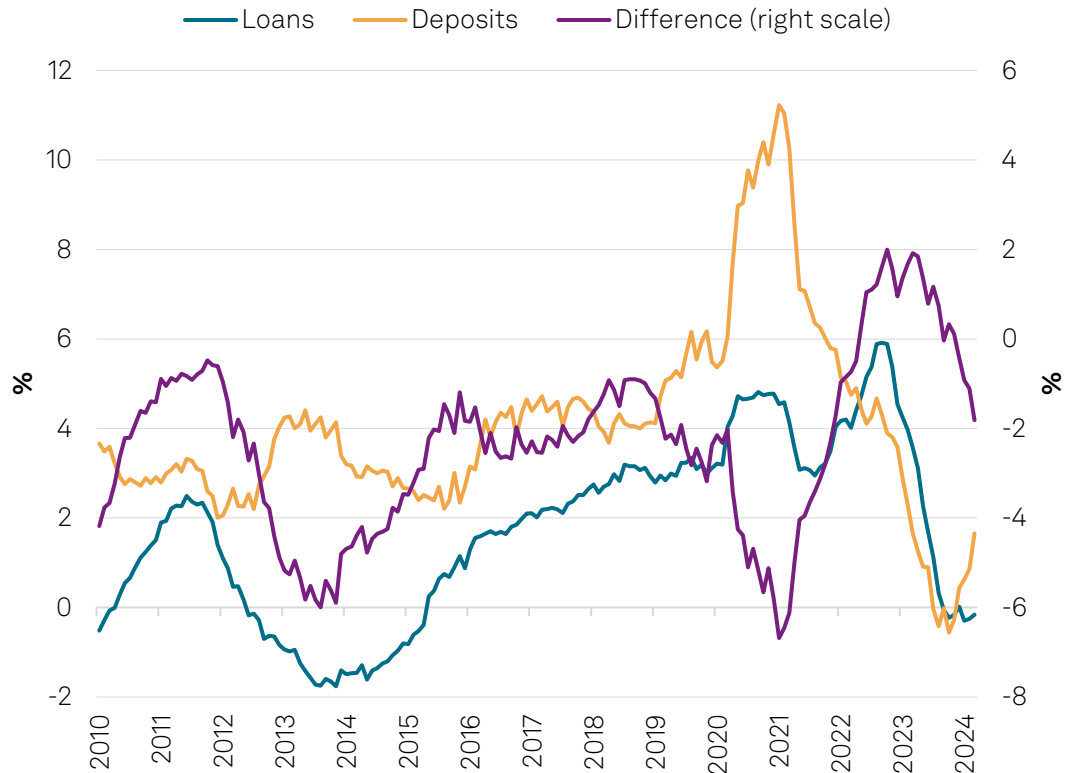
Distribution of ratings and 12-month transitions



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

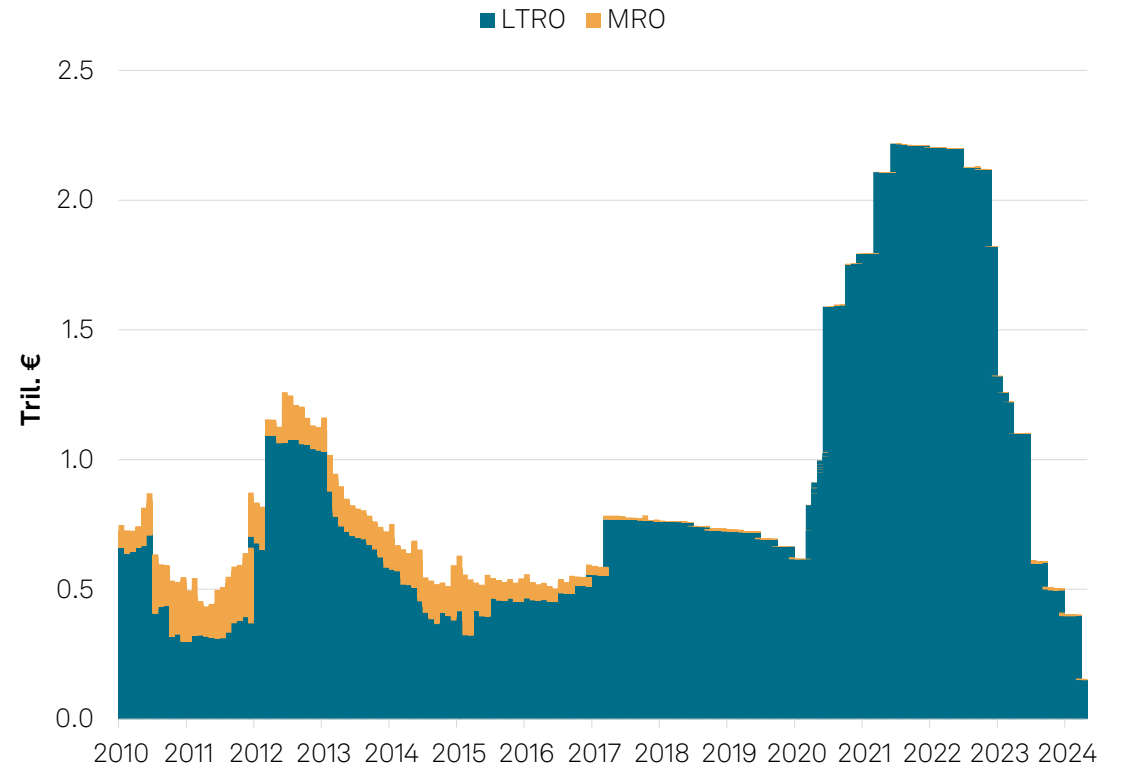
Fundamentals—Issuance Drivers

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



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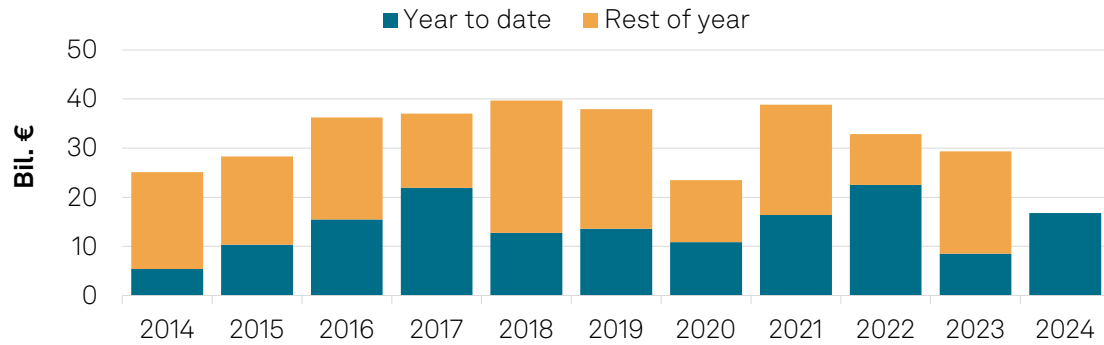
Managing Director

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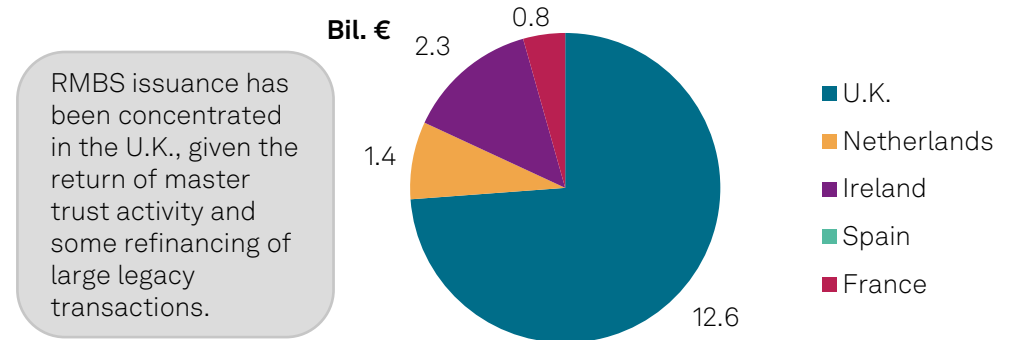
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RMBS—Issuance

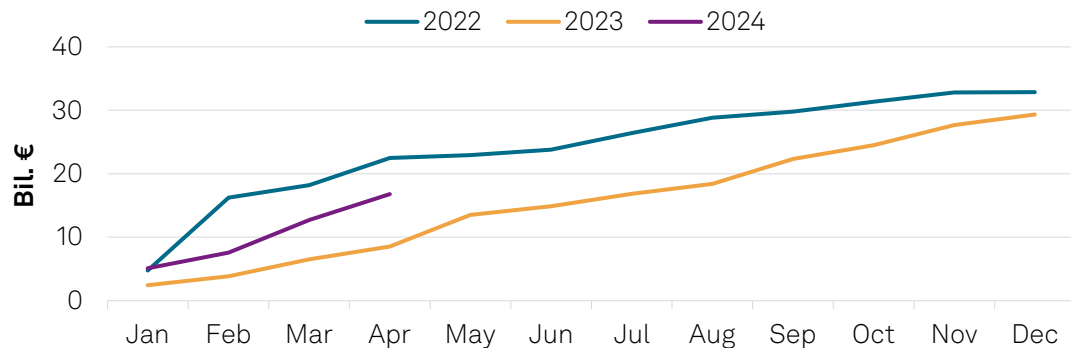
Investor-placed RMBS issuance



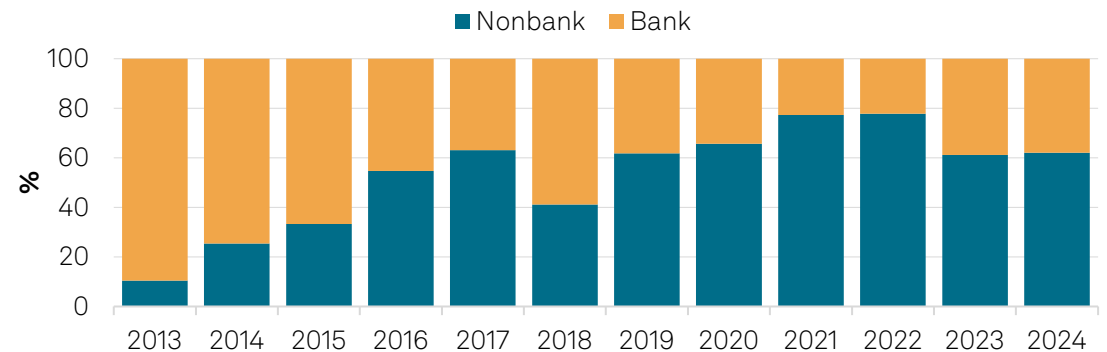
2024 YTD investor-placed RMBS issuance, by country



Cumulative investor-placed RMBS issuance



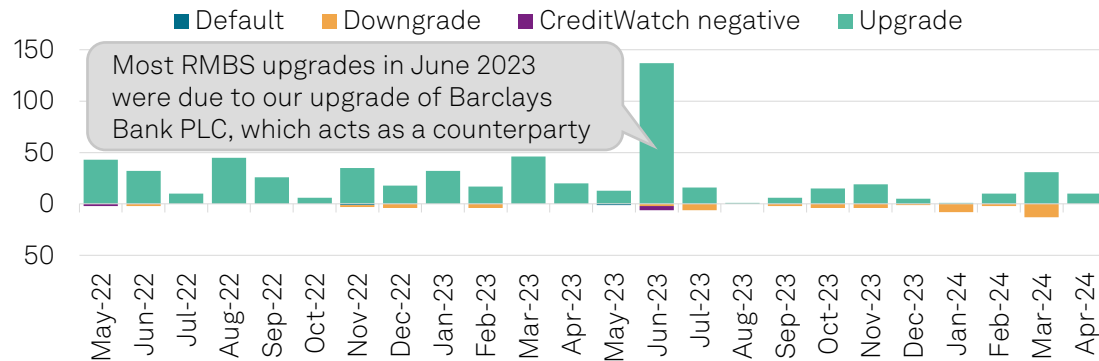
RMBS issuance mix, by originator type



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

RMBS—Rating Actions And Performance Metrics

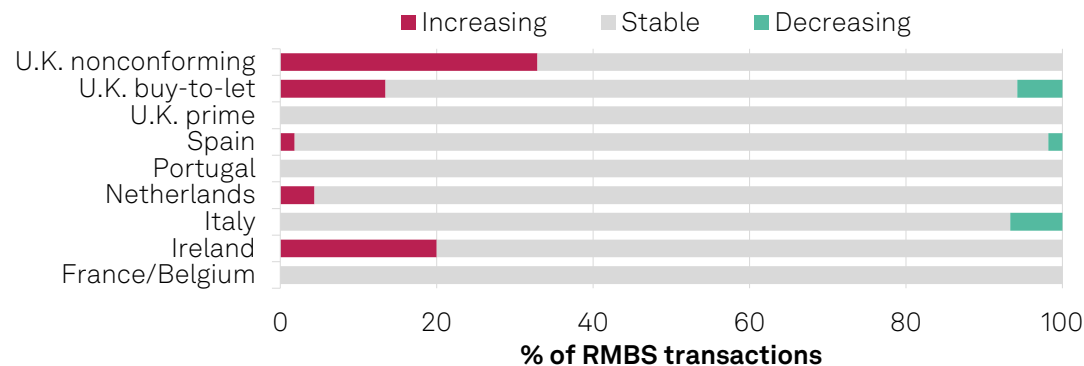
1. Monthly rating actions count, last 24 months



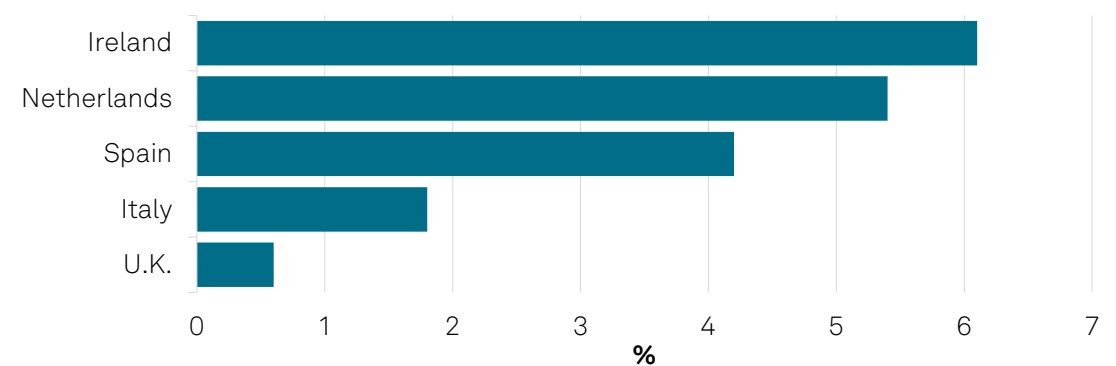
2. Cumulative rating actions count, last 12 months

	Prime	Nonconforming	BTL	Other RMBS
Upgrade	59	124	60	21
CreditWatch neg.	0	0	4	0
Downgrade	3	20	15	4
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 February and April 2024. Source: National statistical offices, Nationwide (U.K.).

ABS



Doug Paterson

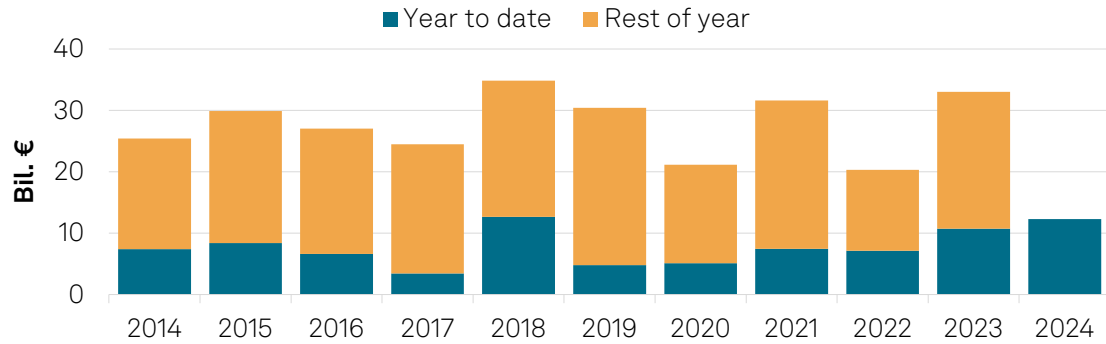
Director

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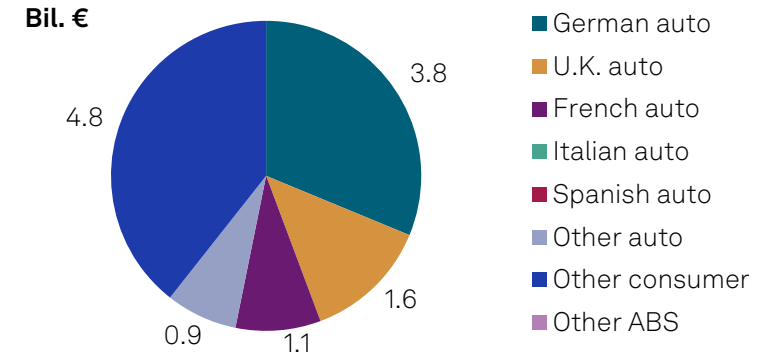
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ABS—Issuance

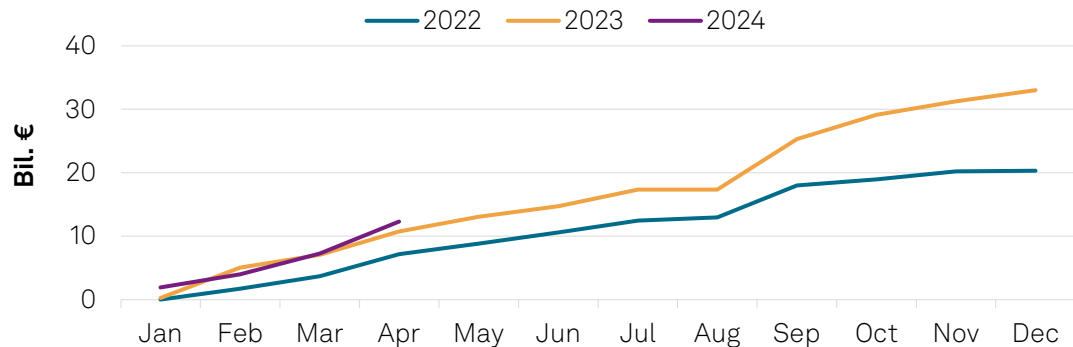
Investor-placed ABS issuance



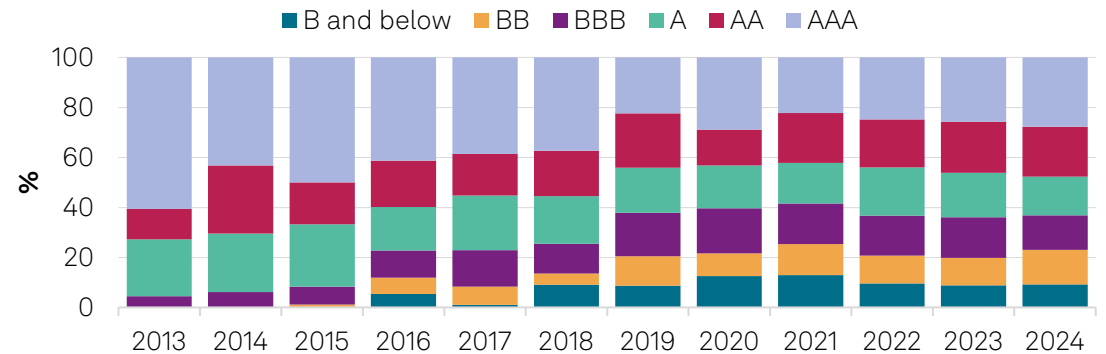
2023 YTD investor-placed ABS issuance, by subsector



Cumulative investor-placed ABS issuance



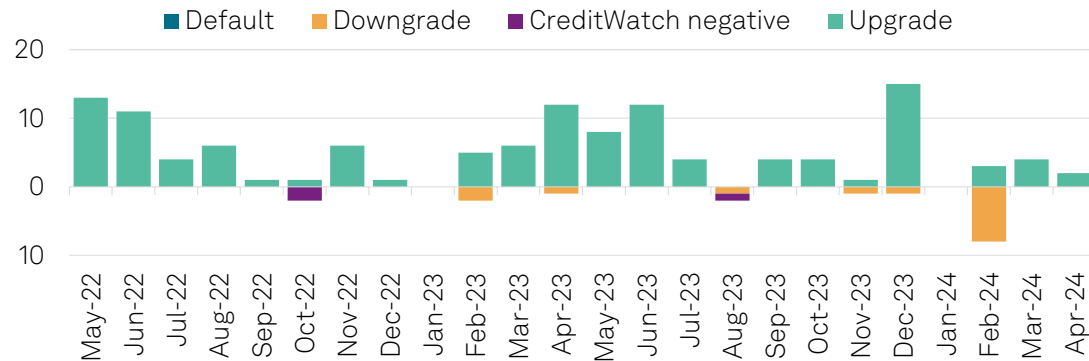
ABS issuance mix, by tranche rating category count



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

ABS—Rating Actions And Performance Metrics

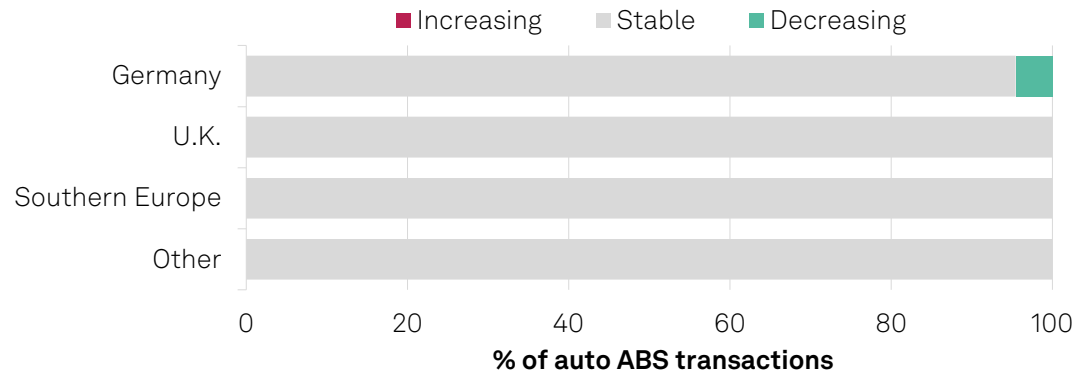
1. Monthly rating actions count, last 24 months



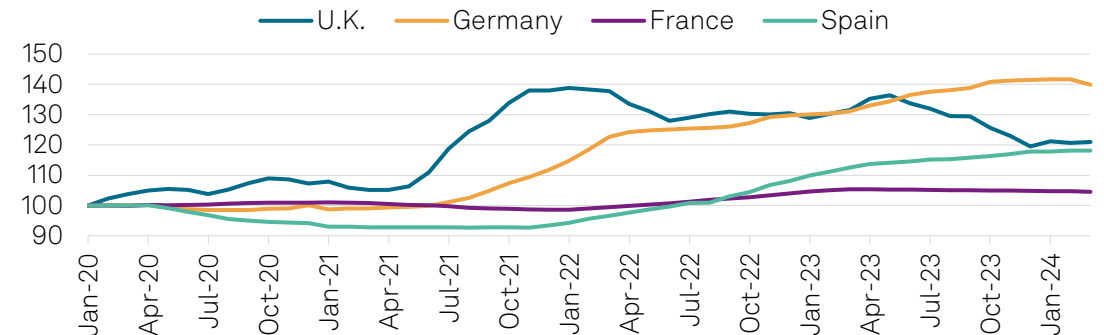
2. Cumulative rating actions count, last 12 months

	Auto/ consumer	Credit cards	Corp. sec.	Other ABS
Upgrade	49	0	0	8
CreditWatch neg.	0	0	1	0
Downgrade	8	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

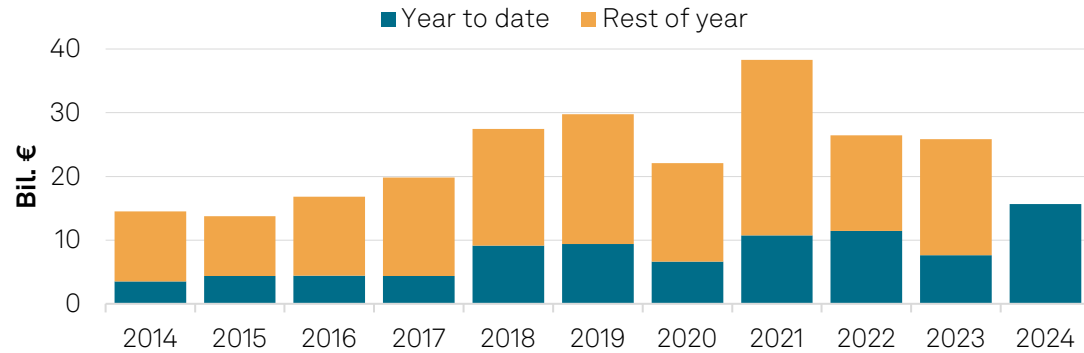
Director

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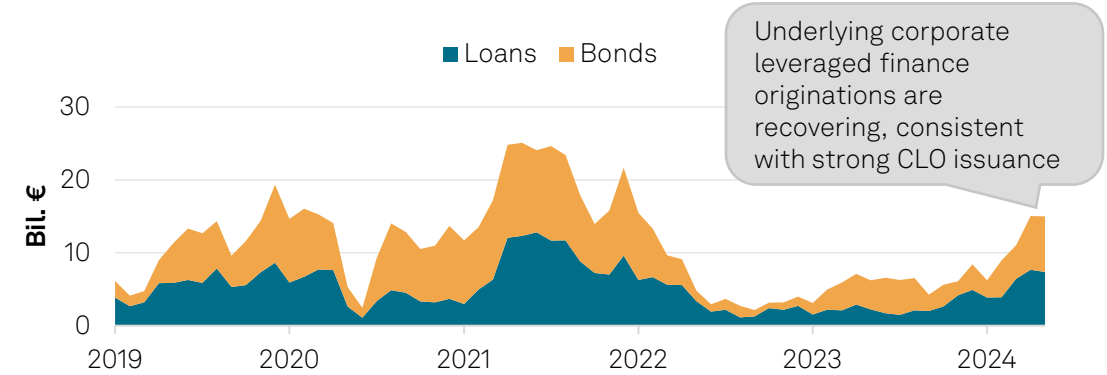
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CLO—New Issuance

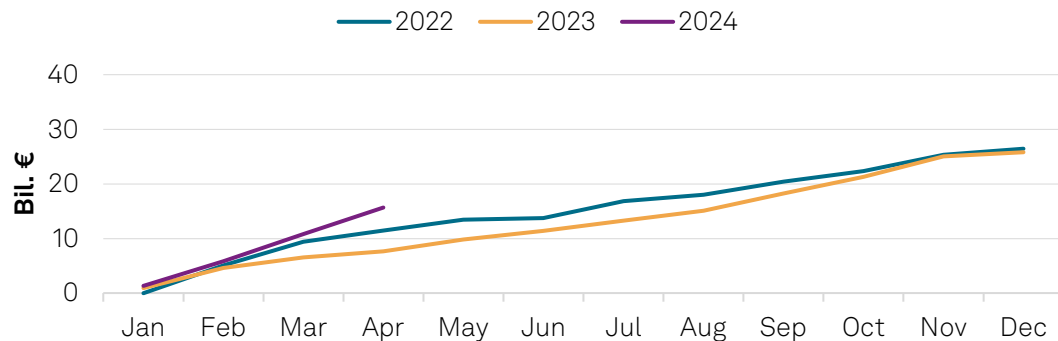
1. Investor-placed CLO new issuance



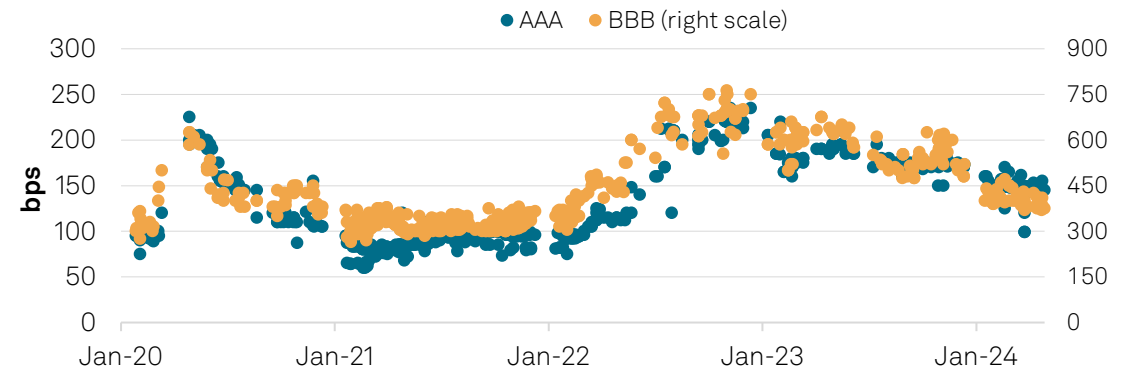
2. Monthly European leveraged finance origination volumes



3. Cumulative investor-placed CLO new issuance



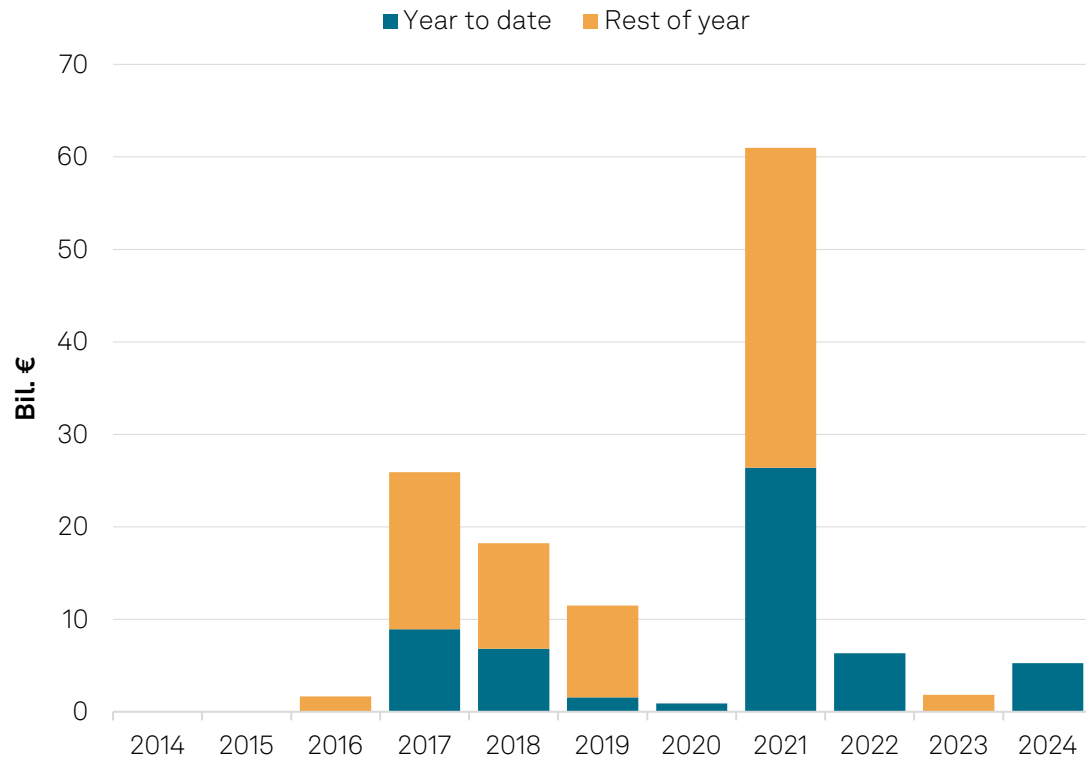
4. European new issue CLO tranche discount margins



1. Year-to-date (YTD) figures as of end-April 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. Bps--Basis points. Pitchbook LCD.

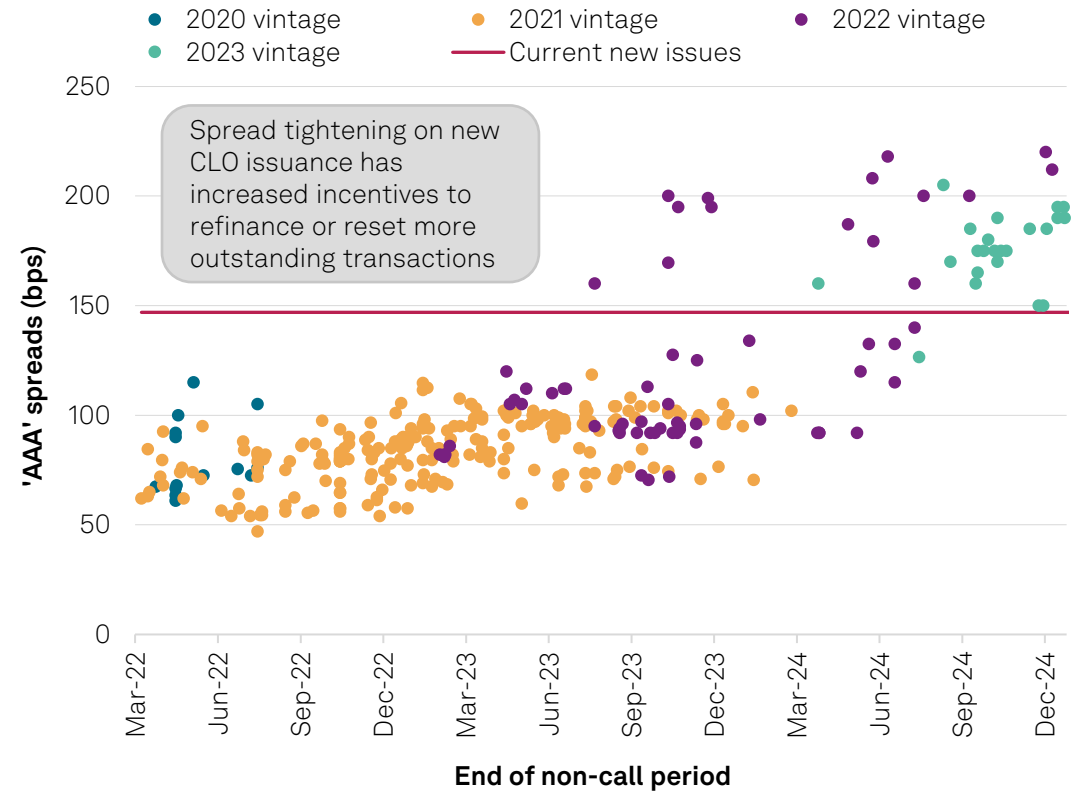
CLO—Refi/Reset Issuance

Investor-placed CLO refi/reset issuance



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

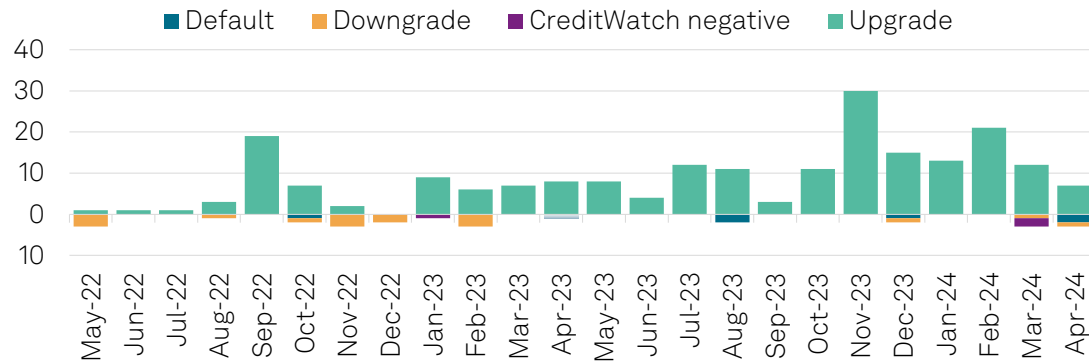
CLO refi/reset candidates: existing vs. current 'AAA' spreads



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

CLO & Structured Credit—Rating Actions And Performance Metrics

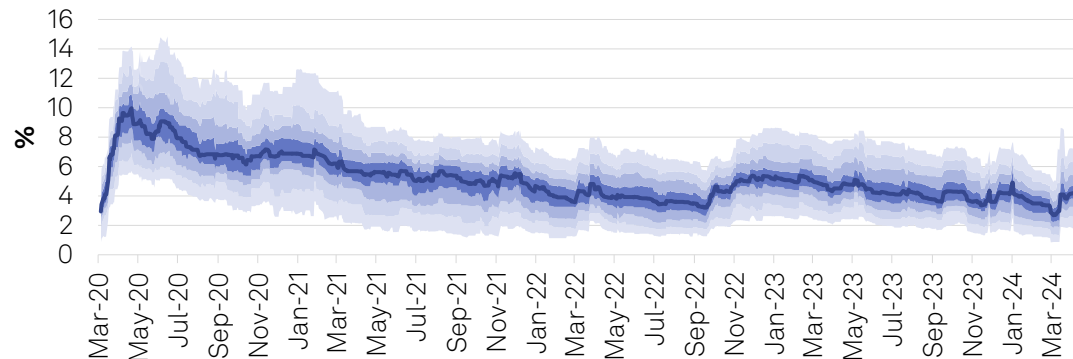
1. Monthly rating actions count, last 24 months



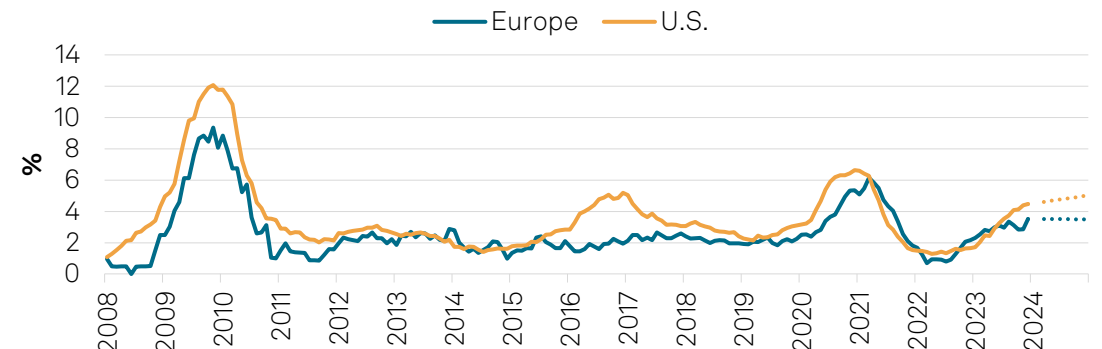
2. Cumulative rating actions count, last 12 months

	CLO	SME	Repack	Other SC
Upgrade	123	13	6	5
CreditWatch neg.	0	0	2	0
Downgrade	1	0	2	0
Default	0	1	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

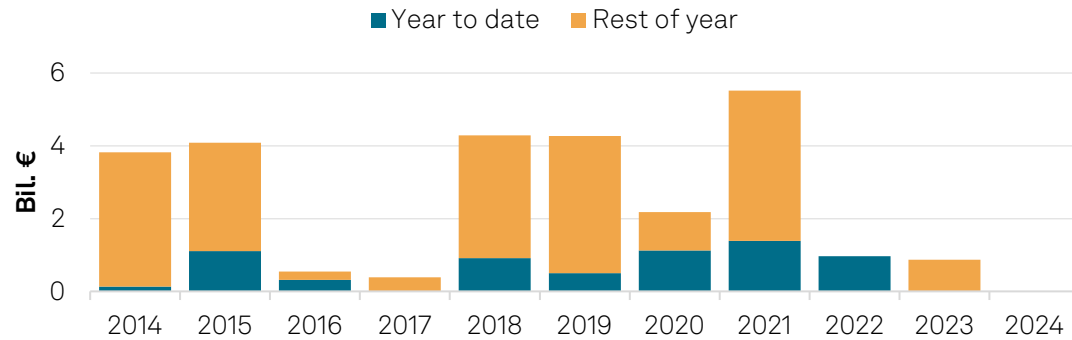
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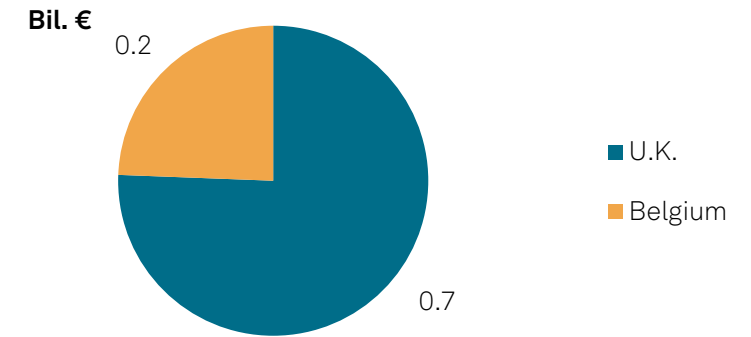
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CMBS—Issuance

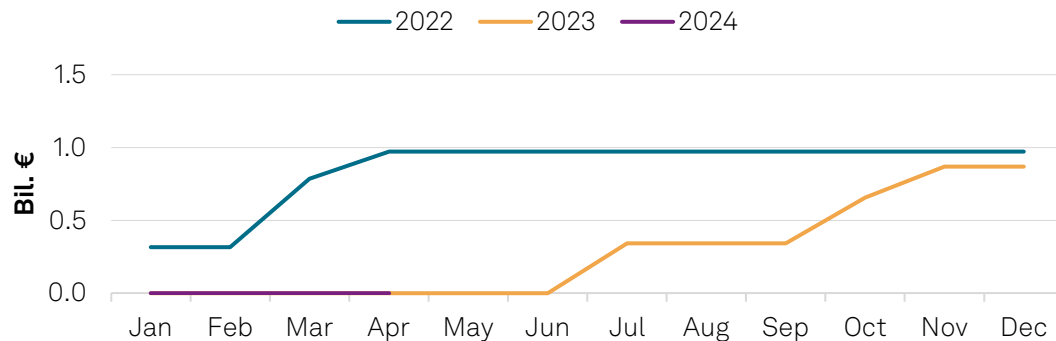
Investor-placed CMBS issuance



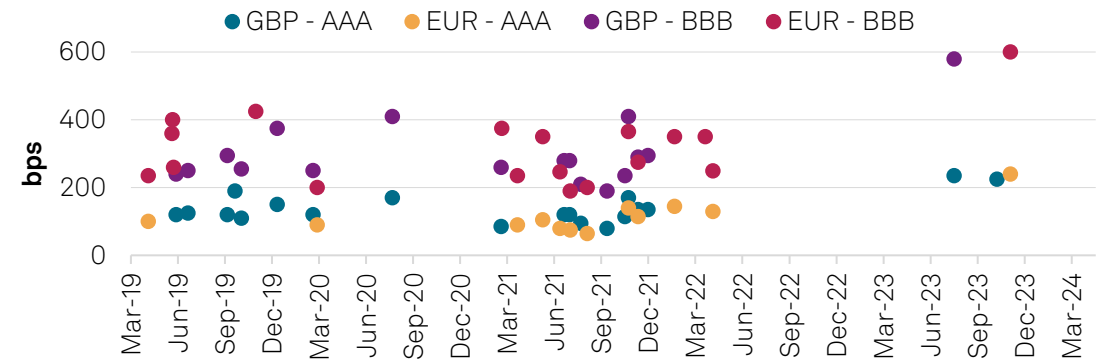
2023 investor-placed CMBS issuance, by country



Cumulative investor-placed CMBS issuance



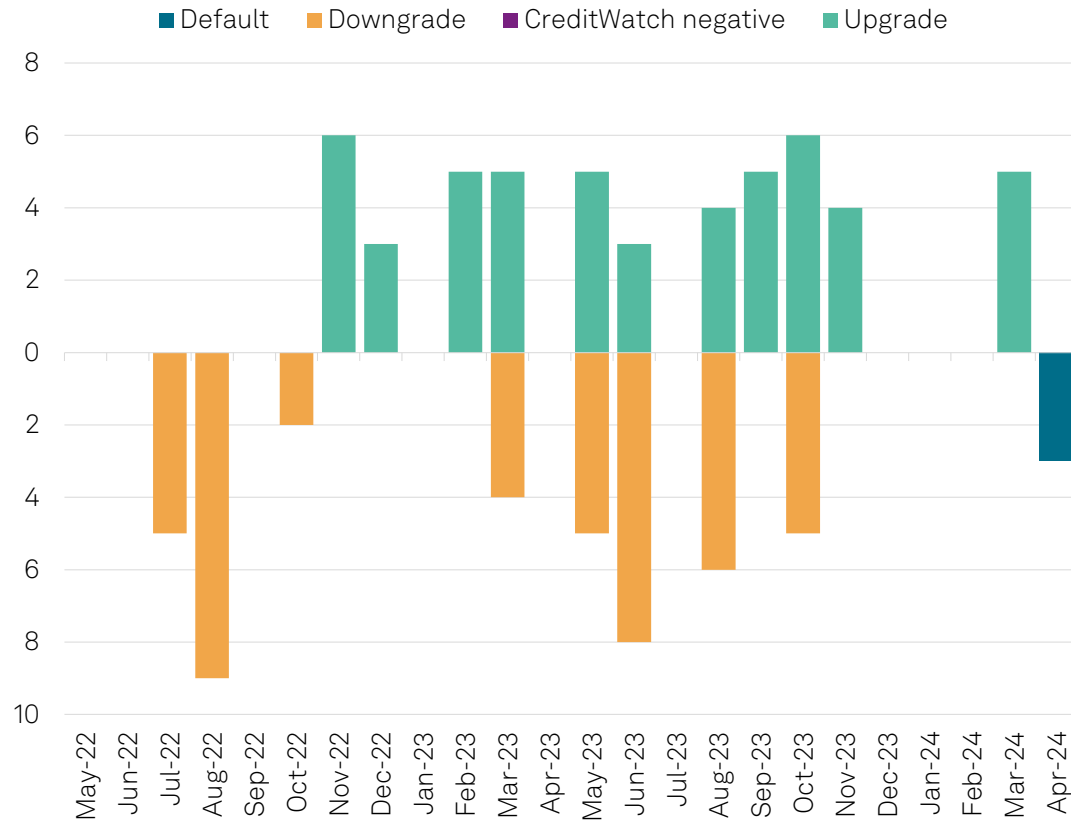
Primary spreads on European CMBS issuance



Year-to-date (YTD) figures as of end-April 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

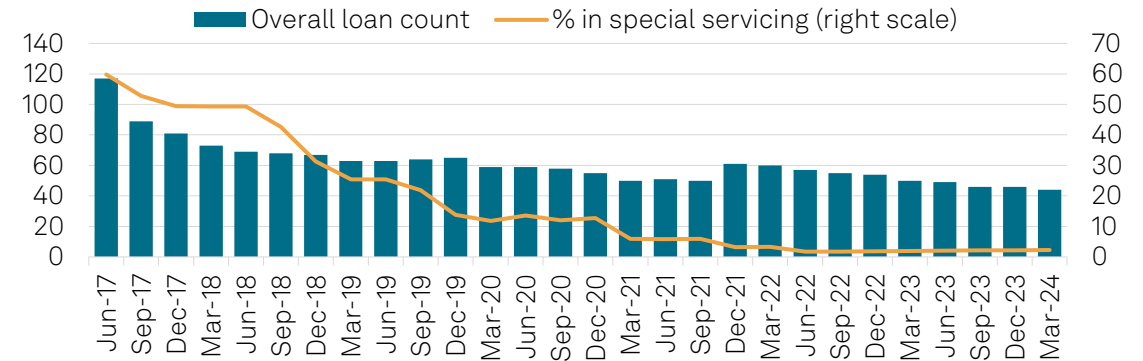
1. Monthly rating actions count, last 24 months



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	12	11
Default	0	3	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



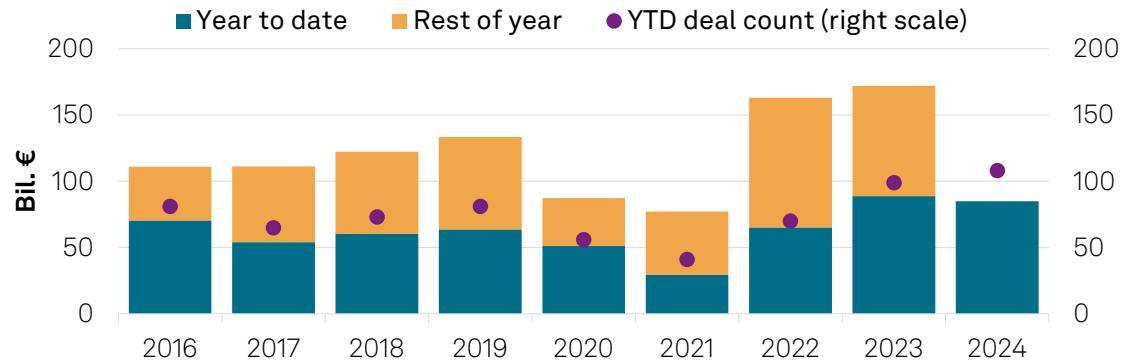
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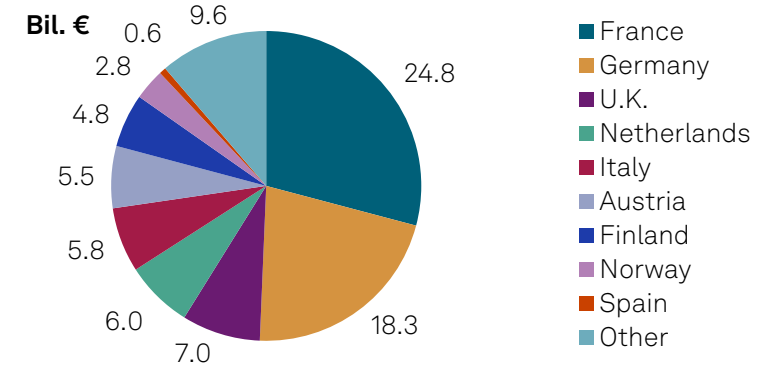
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Covered Bonds—Issuance

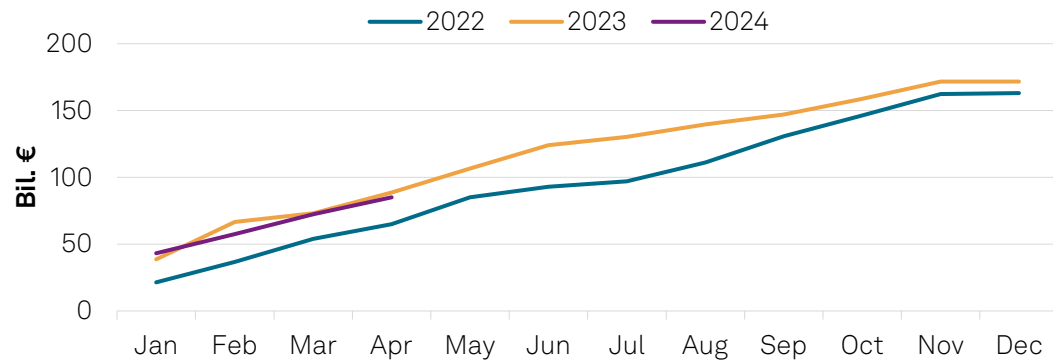
Benchmark covered bond issuance



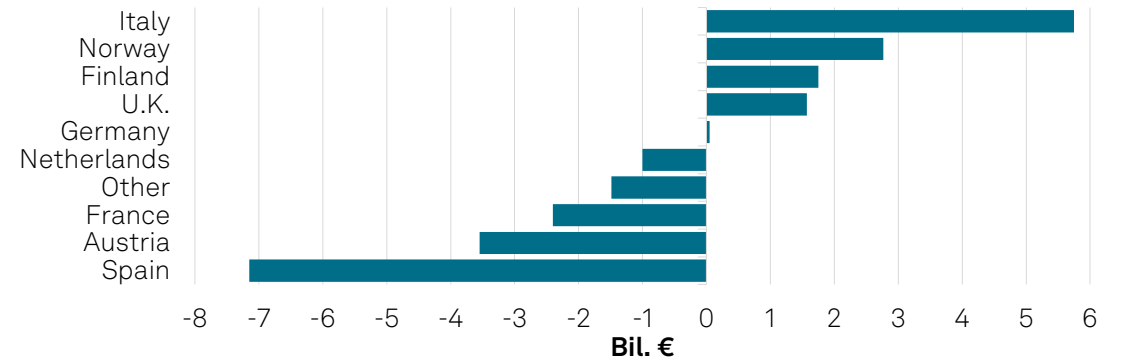
2024 YTD benchmark covered bond issuance, by country



Cumulative benchmark covered bond issuance



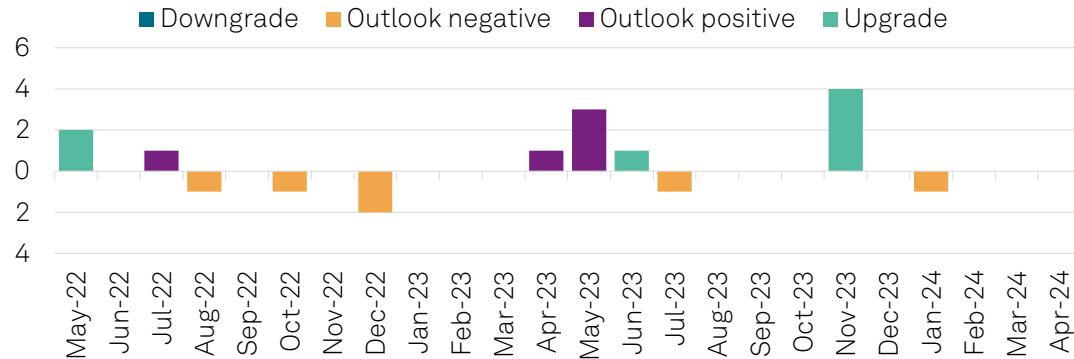
Change in YTD issuance, 2024 vs. 2023, by country



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

Covered Bonds—Rating Actions And Performance Metrics

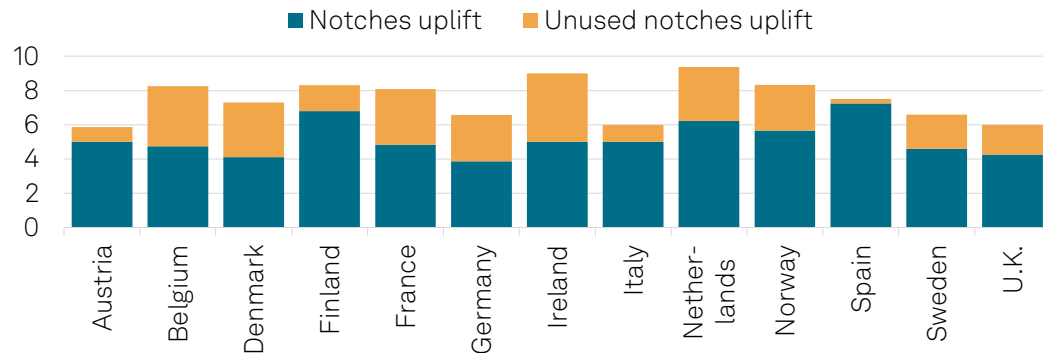
1. Monthly rating actions count, last 24 months



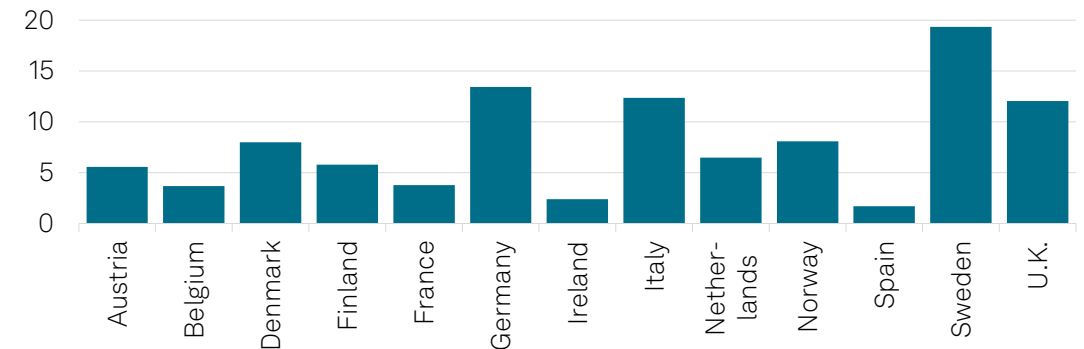
2. Cumulative rating actions count, last 12 months

	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 and Spanish multi-credulas. CB—Covered Bonds. Source: S&P Global Ratings. 3. As of Q1 2024. Source: S&P Global Ratings. 4. Multiple of credit enhancement available over that required for the current rating. As of Q1 2024. Excludes programs with available overcollateralization exceeding 100%. Source: S&P Global Ratings.

Recent Research (1)

- [European CMBS Monitor Q1 2024](#), April 29, 2024
- [European RMBS And ABS Monitor Q1 2024](#), April 29, 2024
- [Covered Bonds In New Markets: Issuance Holds Up In 2024](#), April 29, 2024
- [CLO Spotlight: Twenty-Five Years Strong: European CLOs' Lifetime Default Rate Is Only 1.5%](#), April 18, 2024
- [European CLO Monitor Q1 2024](#), April 18, 2024
- [European CMBS Can Ride The Refinance Wave](#), April 11, 2024
- [European ABS And RMBS Counterparty Monitor Q1 2024](#), April 4, 2024
- [Global Covered Bond Insights Q2 2024: Strong Start To The Year For Issuance](#), March 27, 2024
- [Your Three Minutes In European CLOs: Altice France Isn't A Big Problem For Now](#), March 27, 2024
- [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

Recent Research (2)

- [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
- [Unraveling Irish Reperforming RMBS Uncertainty](#), Jan. 30, 2024
- [European Structured Finance Outlook 2024: Pushing On Through](#), Jan. 9, 2024
- [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
- [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

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