

**S&P Global**  
Ratings

# EMEA Structured Finance Chart Book

June 2023

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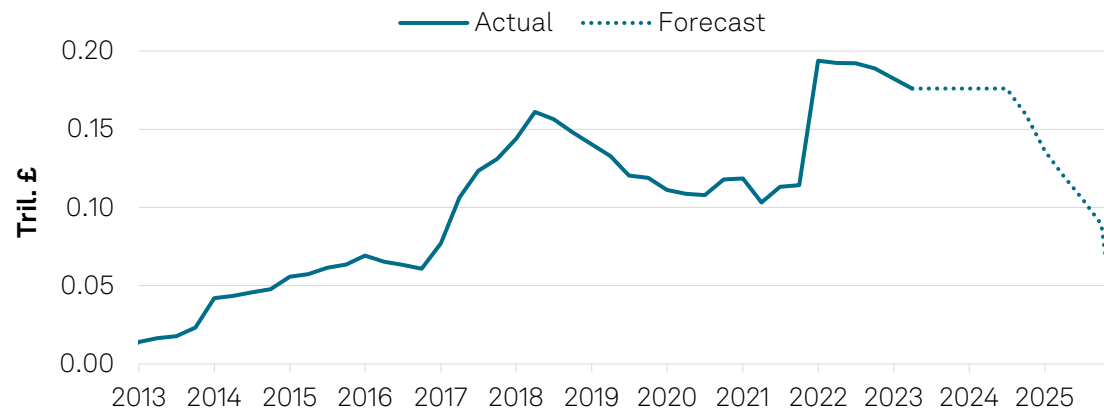
*This report does not constitute a rating action*



## Highlights—News

- **Bank-originated U.K. prime RMBS.** May saw the return of more significant prime RMBS issuance from U.K. banks, including those with master trust programs. In particular, Lloyds Banking Group placed a £1 billion tranche from its Permanent shelf, coming to market for the first time since October 2019 with the largest widely-marketed U.K. RMBS tranche since February 2020. Aldermore Bank also issued a standalone transaction from its Oak shelf for the first time since 2019. Rising bank supply is partly due to the wind-down of the Bank of England's alternative funding schemes, where borrowings will begin to mature in 2024 (see chart). In terms of demand, investors likely have mandates to fill in U.K. prime RMBS, given the recent dearth of issuance in the sector.
- **Issuance.** Investor-placed securitization issuance for May 2023 was €9.5 billion—more than double the volume in May 2022. This means that overall issuance for the first five months of the year—at €36 billion—was down 21% compared with 2022. By contrast, European benchmark covered bond issuance has continued to be robust, already exceeding €106 billion—up 25% on volumes recorded in the first five months of 2022. Although recent capital market volatility surrounding bank issuers has caused occasional pauses in the primary market, spreads and volumes have ultimately held up well. Benchmark issuance in May 2023 was €17.9 billion, compared with €20.0 billion in the same month a year earlier.
- **Rating actions.** In May 2023, we raised 34 of our ratings on European securitization tranches across a mix of sectors, including Dutch, Italian, Portuguese, and Spanish RMBS. There were six downgrades, mostly in a single Finnish CMBS transaction backed by office and retail property.

**Bank of England FLS and TFS(ME) borrowings outstanding**

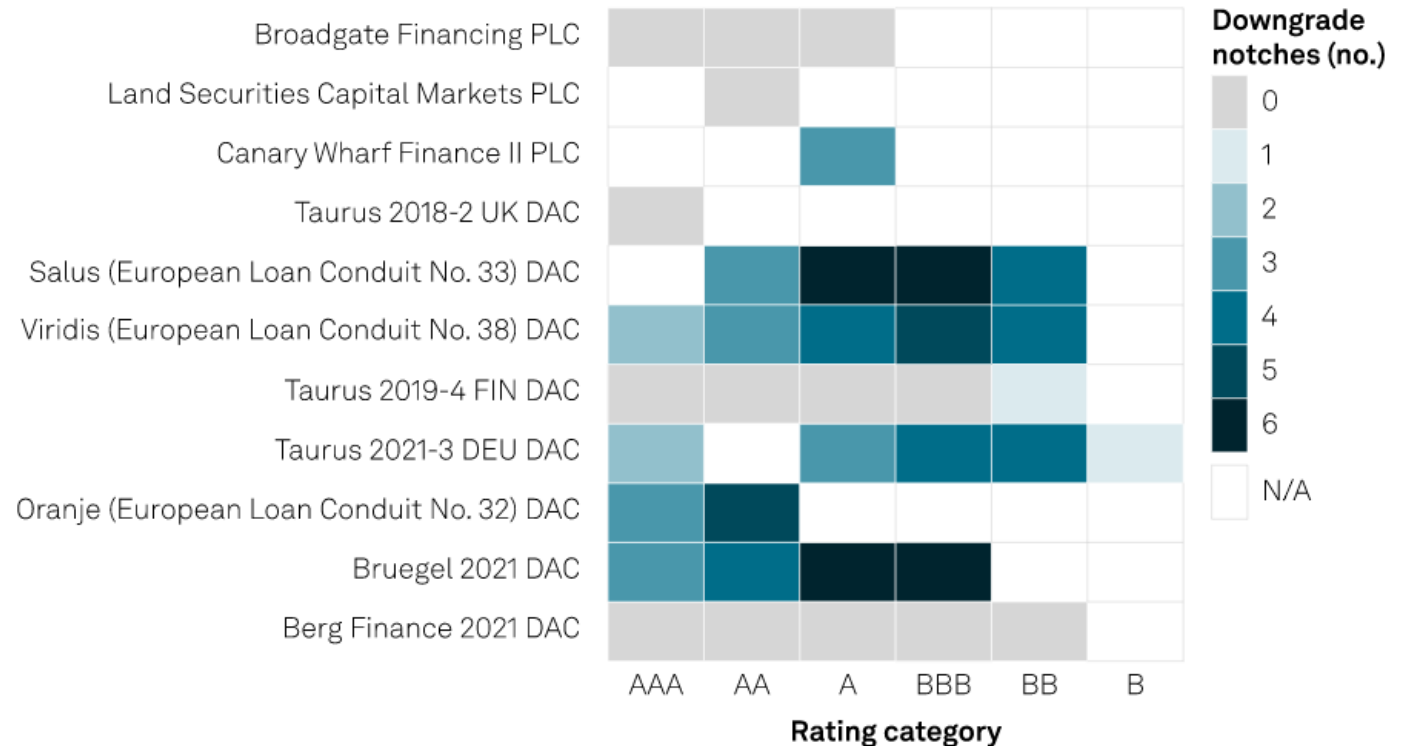


FLS--Funding for Lending Scheme. TFS(ME)--Term Funding Scheme (with additional incentives for small- and mid-sized enterprises). Forecasts based on original maturity profile, assuming no extension. Source: Bank of England, S&P Global Ratings

# Highlights—Scenario Analysis: Office CMBS Can Withstand Vacancy Stress

- European and U.K. office occupational demand has been dwindling as hybrid and working from home becomes the new way of work. Office values are also feeling the pressure from rising interest and cap rates.
- Our scenario analysis shows that 'AAA' and 'AA' rated office CMBS tranches could withstand increasing vacancy rates with relatively minimal downgrades, although lower-rated tranches are more vulnerable.
- Scenario analysis outcomes vary among transactions. While some CMBS ratings would not change, others might experience a multiple-notch downgrade.
- The chart shows how sensitive our CMBS ratings would be across capital structures if we were to increase our vacancy rate assumptions by 15 percentage points.

Heatmap of hypothetical impact on CMBS ratings, 15pp vacancy rate increase

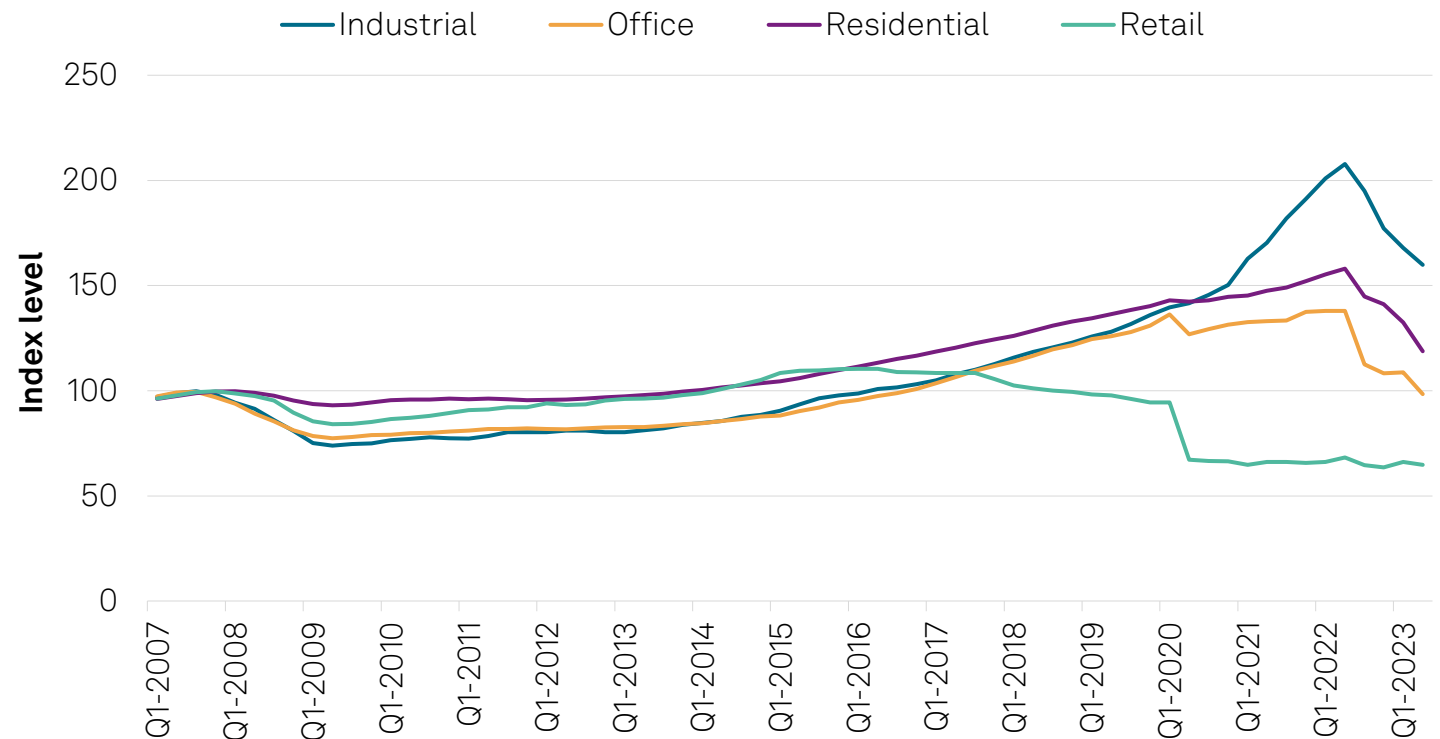


pp—Percentage points. N/A—Not applicable. Source: S&P Global Ratings. For more details, see "[Scenario Analysis: European Office CMBS Withstands Vacancy Stress](#)," published May 23, 2023.

# Highlights—Covered Bonds Could Ease The Pain In Commercial Real Estate

- European commercial real estate (CRE) is struggling with structural changes in the office property segment and repricing pressures induced by rising interest rates.
- Covered bonds' exposure to CRE—and the potential for further covered bond funding—varies significantly depending on the covered bond issuer and jurisdiction.
- Green covered bonds may offer a potential source for further CRE funding.
- Our covered bond ratings are well positioned to withstand a correction in real estate prices, suggesting that covered bonds could be a potential source of stable funding for such assets.

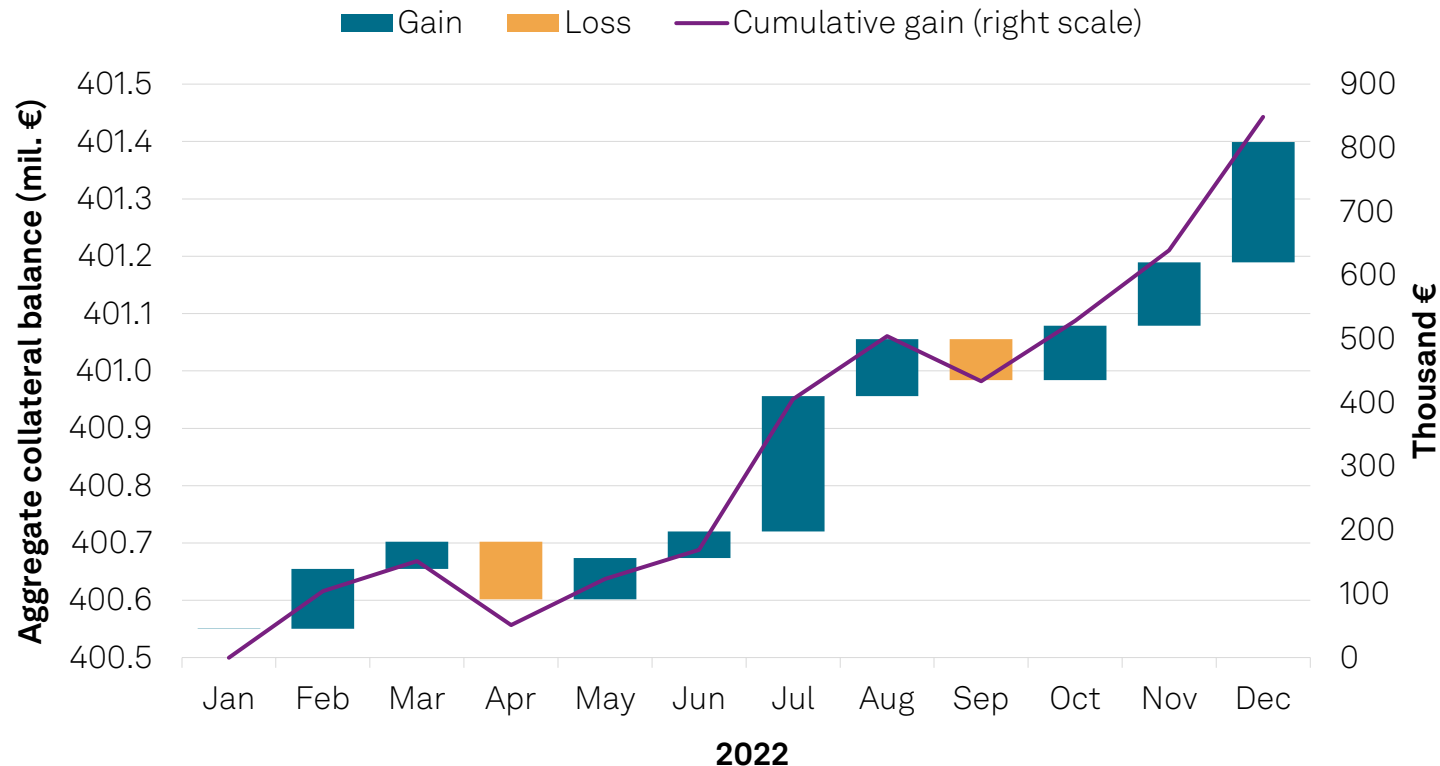
Commercial property price indices



Source: Green Street Advisors (U.K.), S&P Global Ratings. For more details, see "[Covered Bonds Could Ease The Pain In European Commercial Real Estate](#)," published May 16, 2023.

# Highlights—Is The Par Back In The European CLO Market?

## 2022 monthly par gain and loss

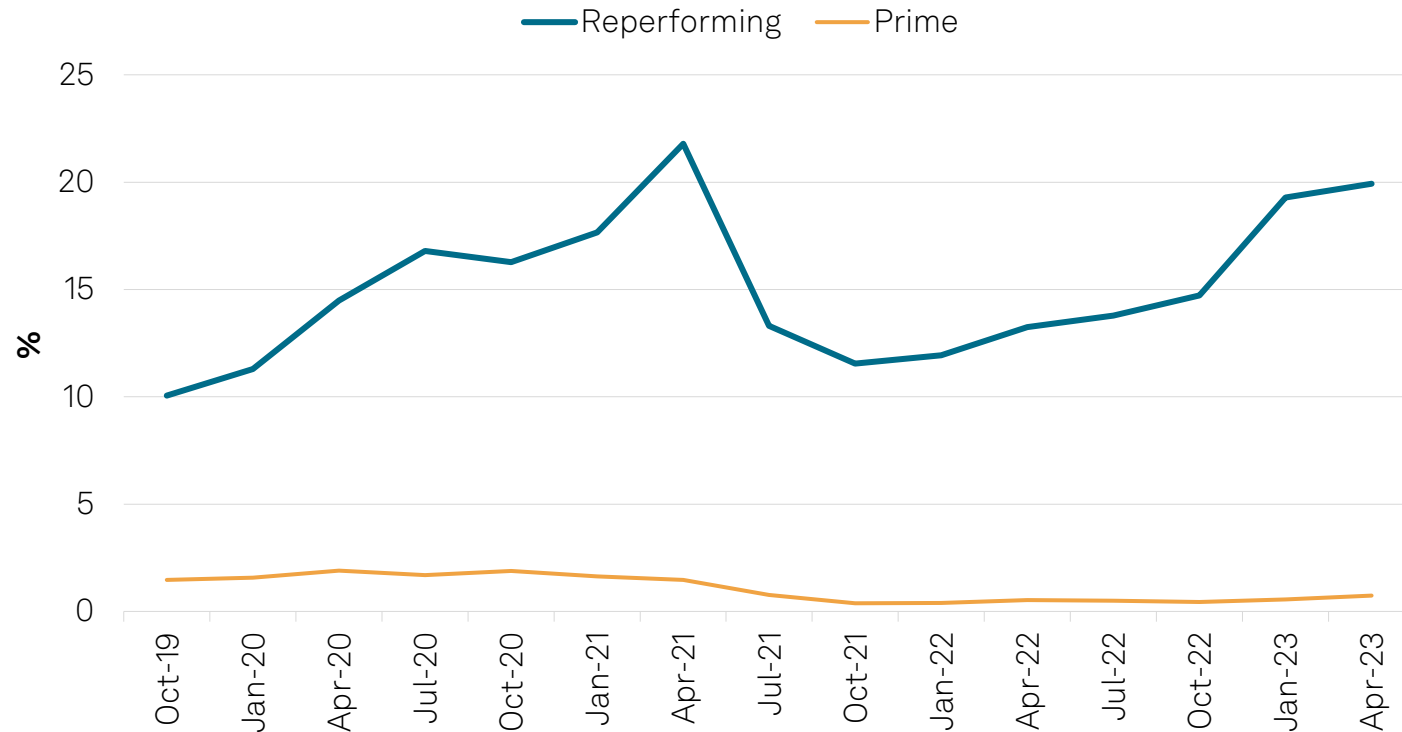


- The lack of mark-to-market triggers makes CLOs well-equipped to withstand volatility in underlying asset prices.
- During 2022, collateral managers regained some of the par lost during the COVID-19 pandemic by benefitting from opportunities stemming from market conditions and price movements.
- Over three quarters of the CLOs that we rate gained par during 2022, with nearly €0.85 million gained as an overall aggregate average.
- Strong trading activity by CLO managers at the start and end of 2022 saw transactions also improve other key benchmarks through purchasing loans at discounted prices.

Based on European CLOs that we rate that were reinvesting in 2022, normalized to €400 million target par. Source: S&P Global Ratings. For more details, see ["The European CLO Market: Is The Par Back?,"](#) published May 22, 2023.

# Highlights—Irish Court Ruling Leaves Servicers With Rate Setting Uncertainty

## Irish RMBS total arrears

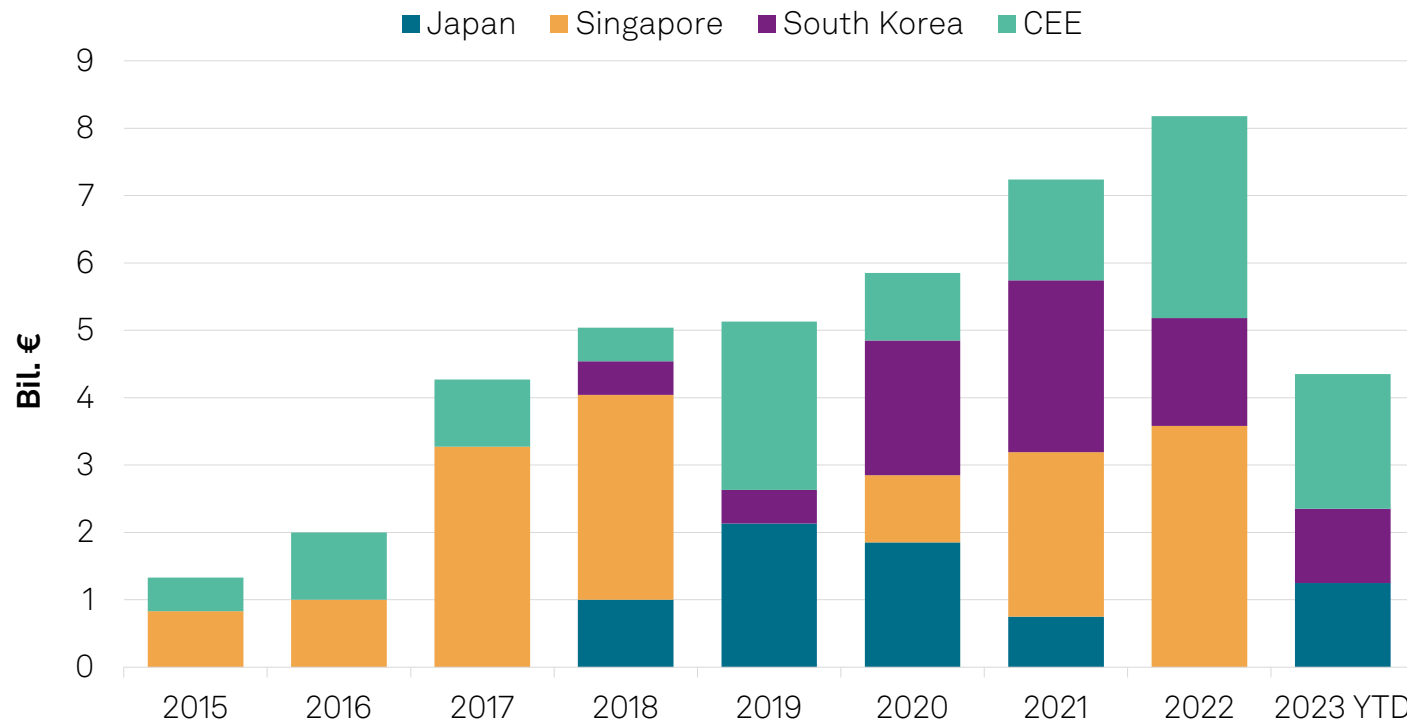


Note: Some movements in the arrears trends are due to composition effects as transactions are added and removed. Source: S&P Global Ratings. For more details, see "[Irish Court Ruling Leaves Third-Party Servicers Facing Uncertainty On Rate Setting](#)," published May 11, 2023.

- A regional Irish Circuit Court recently approved a personal insolvency arrangement (PIA) that included a provision for the borrowers to be offered a 2.5% fixed-rate mortgage for 25 years. If this decision serves as a precedent, servicers may be unable to effectively service loan pools backing Irish reperforming RMBS.
- Lower fixed rates for reperforming borrowers could lead to both liquidity stresses and interest rate risk due to a lack of hedging.
- About €3 billion of Irish owner-occupied mortgages are serviced by third-party servicers across nine reperforming transactions that we rate. While the uptake of PIAs has been relatively low, this ruling may encourage certain borrowers to take this option, regardless of the legal uncertainties.

# Highlights—Covered Bonds In New Markets: A Shifting Paradigm

## Investor-placed benchmark covered bond issuance in new markets



2023 year-to-date (YTD) figures as of May 22, 2023. CEE—Central and eastern Europe. Source: Bloomberg, S&P Global Ratings. For more details, see "[Covered Bonds In New Markets: A Shifting Paradigm](#)," published May 24, 2023.

- Covered bond issuance has remained strong despite the recent banking turmoil.
- We expect covered bond issuance in new markets to increase further this year, supported by new issuers in countries with an established legislative framework, such as Korea and Singapore. However, available liquidity and weakening economies could limit the scale of growth.
- The transposition of the EU's harmonization Directive will allow issuance in new markets in Central and Eastern Europe, while some of the existing frameworks outside the European Economic Area may be updated to achieve third-party equivalence.
- New issuers and markets will emerge, adopting innovative structures, using different assets, and challenging the current definition of covered bonds.

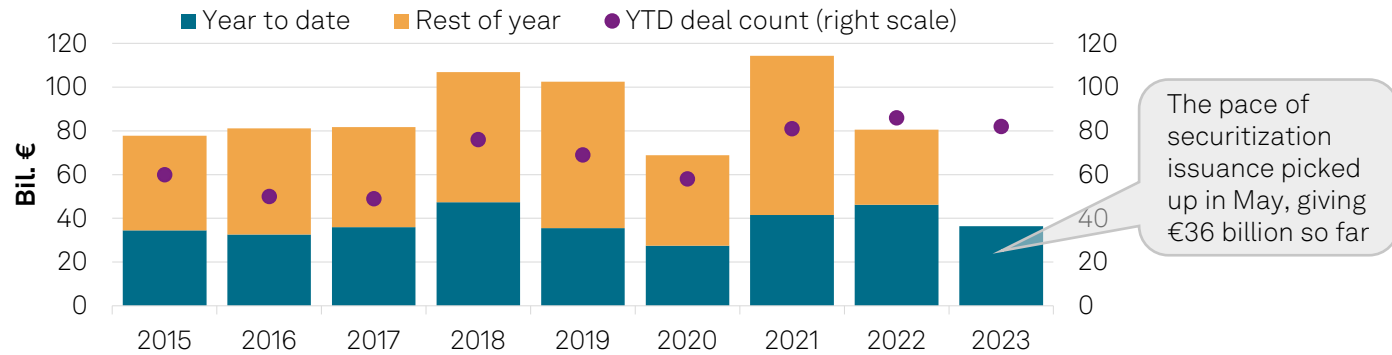
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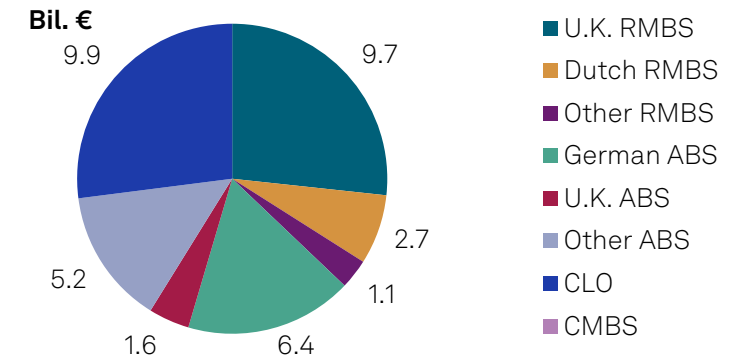


# Issuance—Securitizations

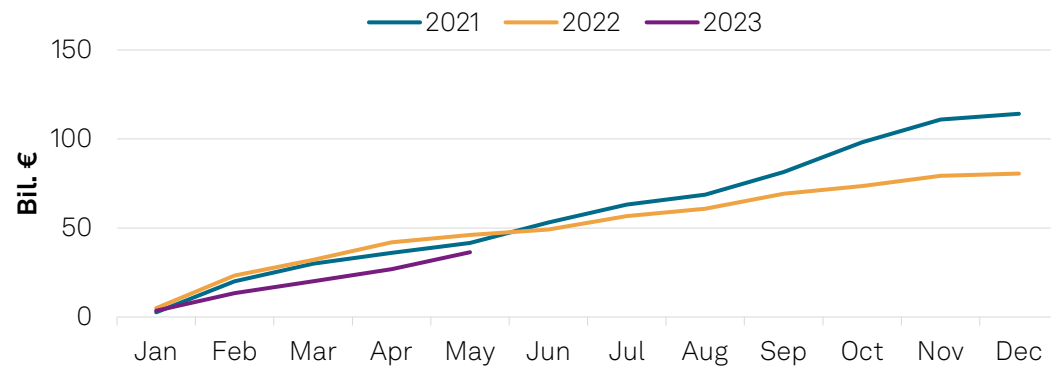
## 1. Investor-placed securitization issuance



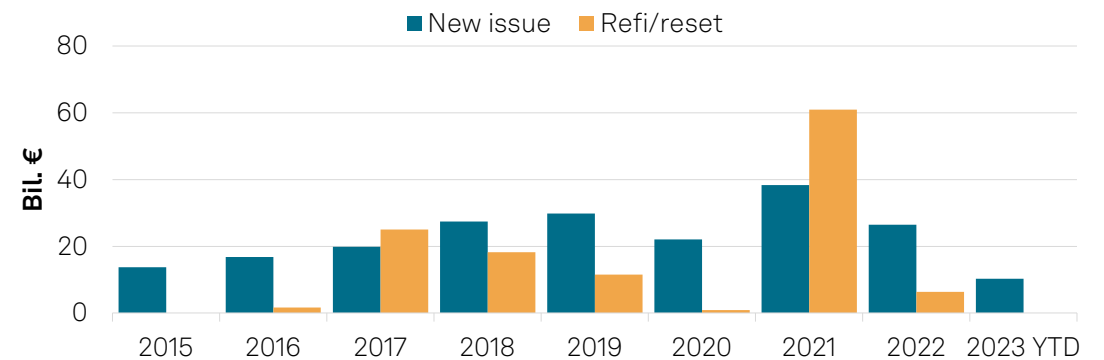
## 2. 2023 YTD investor-placed securitization issuance, by sector



## 3. Cumulative investor-placed securitization issuance



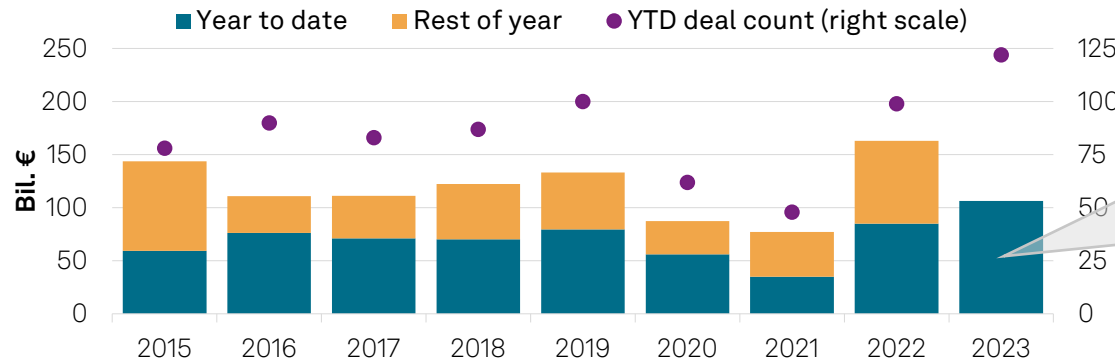
## 4. CLO refinancing and reset issuance



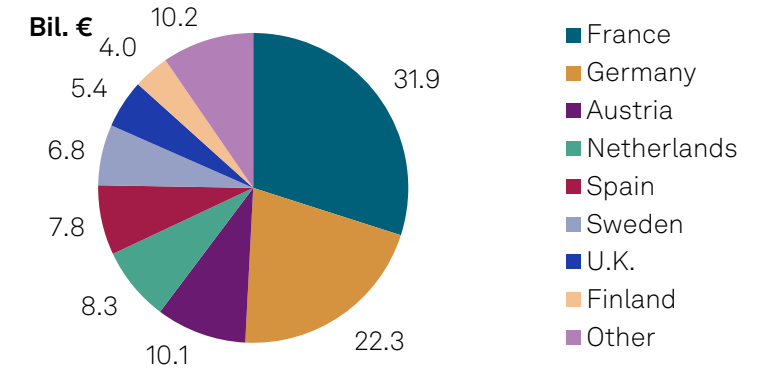
1-3. Year-to-date (YTD) figures as of end-May each year. Excludes CLO refinancings and resets. Source: S&P Global Ratings. 4. Source: S&P Global Ratings, Pitchbook LCD.

# Issuance—Covered Bonds

## 1. Benchmark covered bond issuance

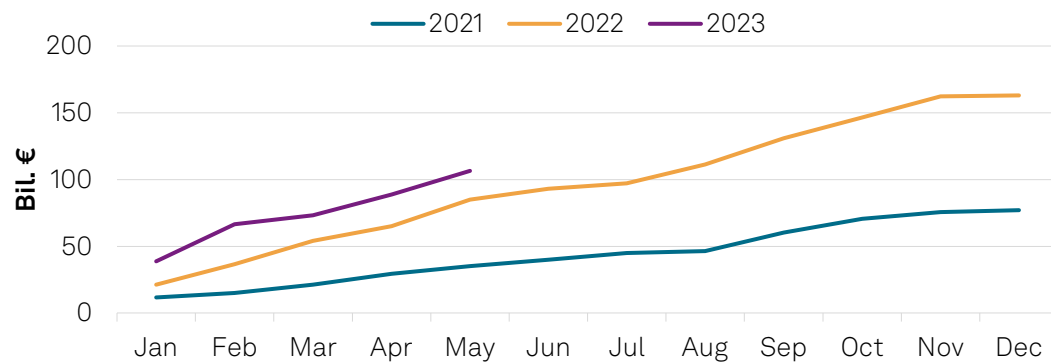


## 2. 2023 YTD benchmark covered bond issuance, by country

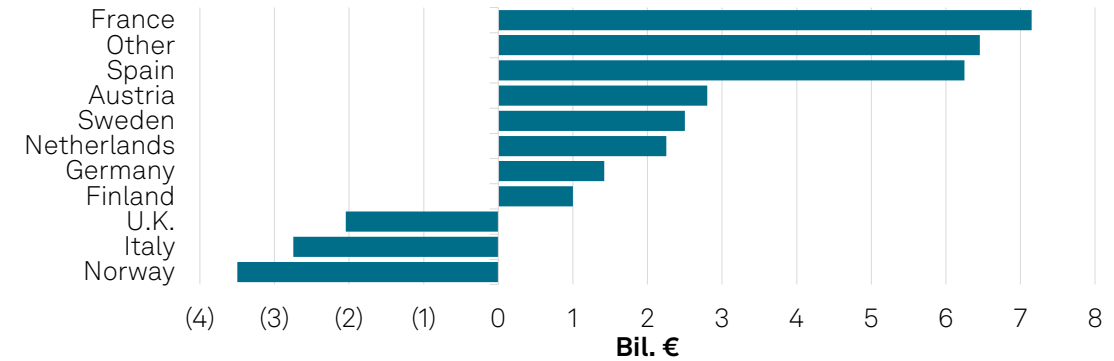


Benchmark covered bond issuance has already reached more than €106 billion, despite occasional pauses due to bank-related volatility

## 3. Cumulative benchmark covered bond issuance



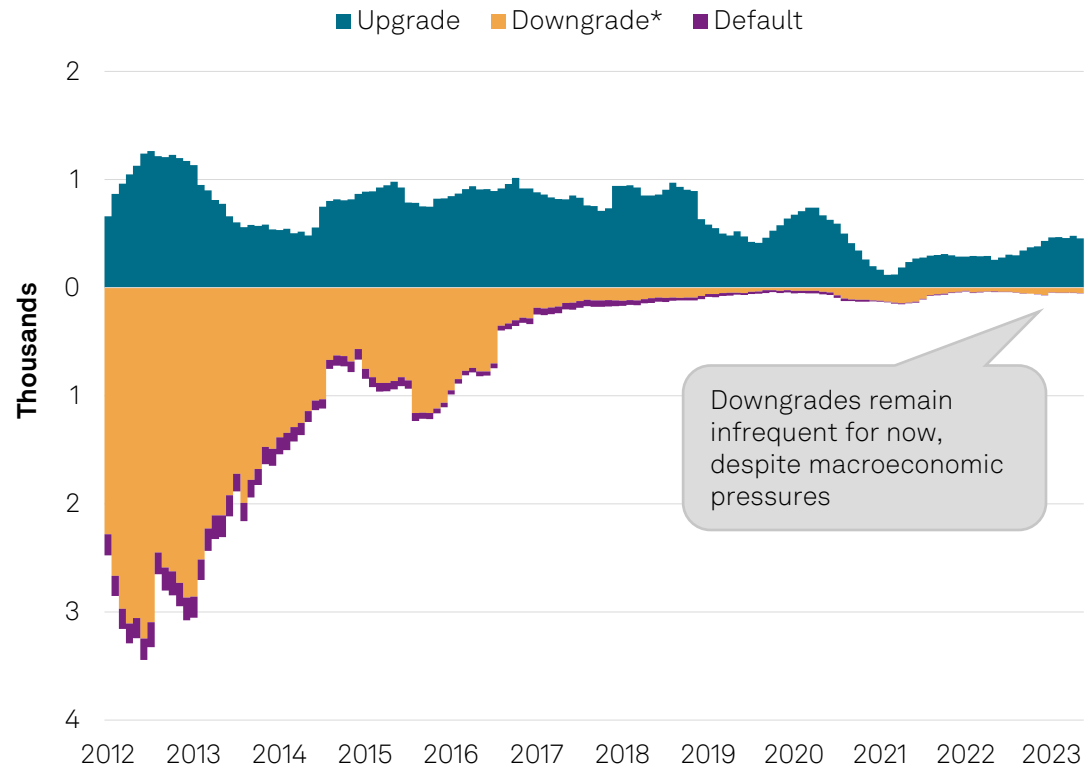
## 4. Change in YTD issuance, 2023 vs. 2022, by country



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

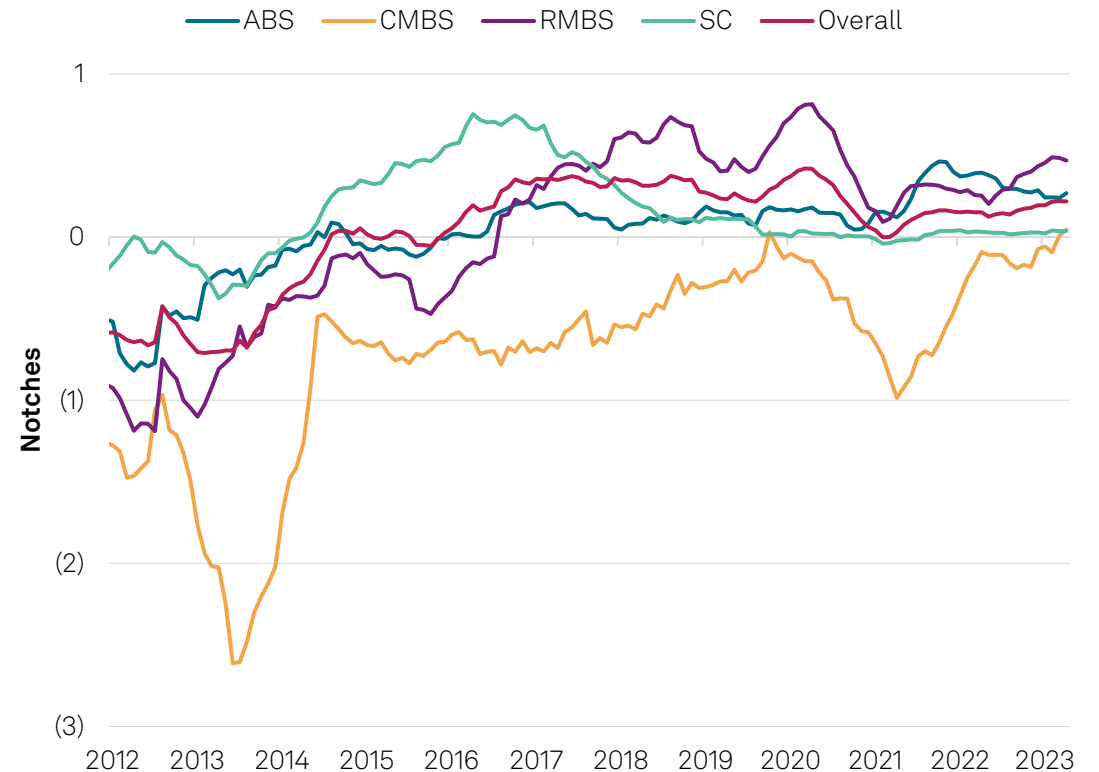
# Credit Performance—Long-Term Ratings Drift

Rating action count, 12-month rolling



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

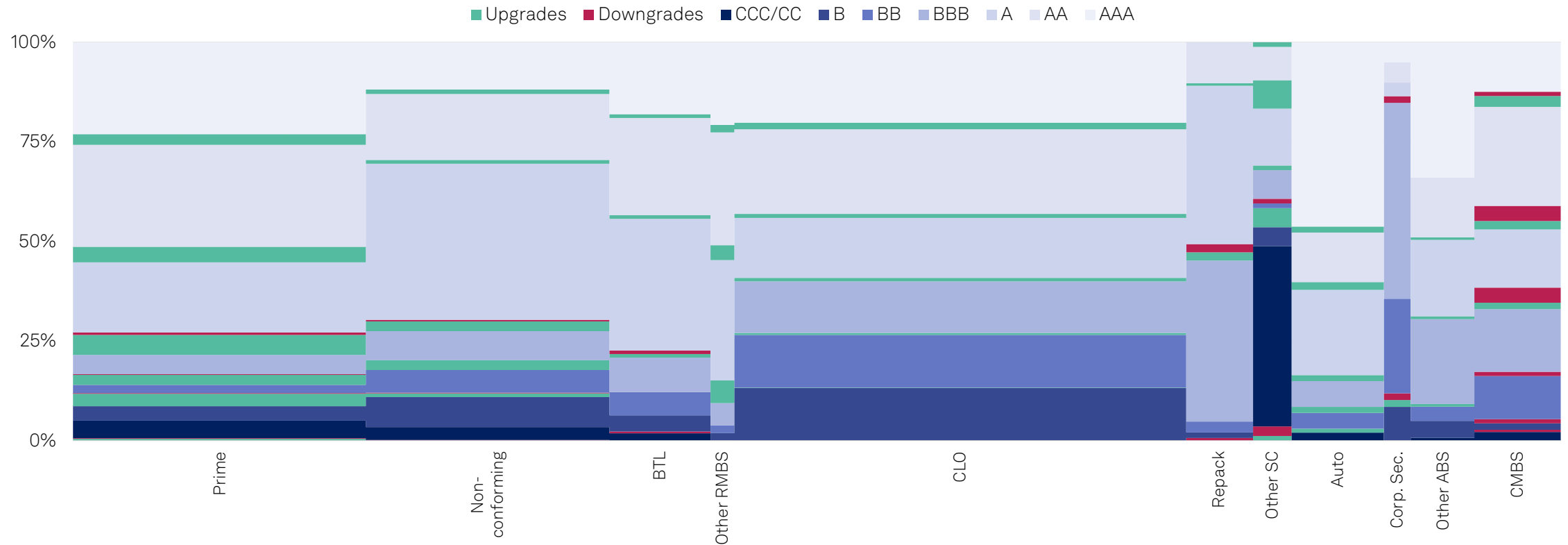
12-month trailing average change in credit quality



As of end-March 2023. 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

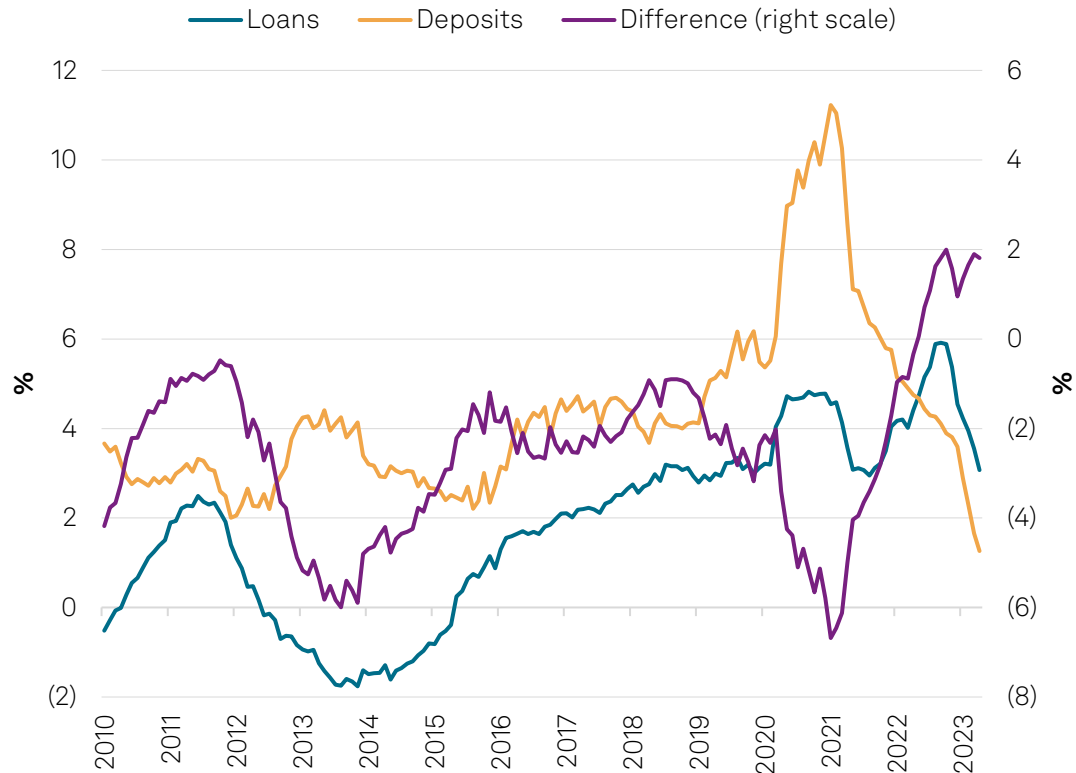
## Distribution of ratings and 12-month transitions



BTL--Buy-to-let. SC--Structured credit. Based on rating transitions over the previous 12 months as of end-May 2023. Excludes confidential ratings and covered bonds. Source: S&P Global Ratings.

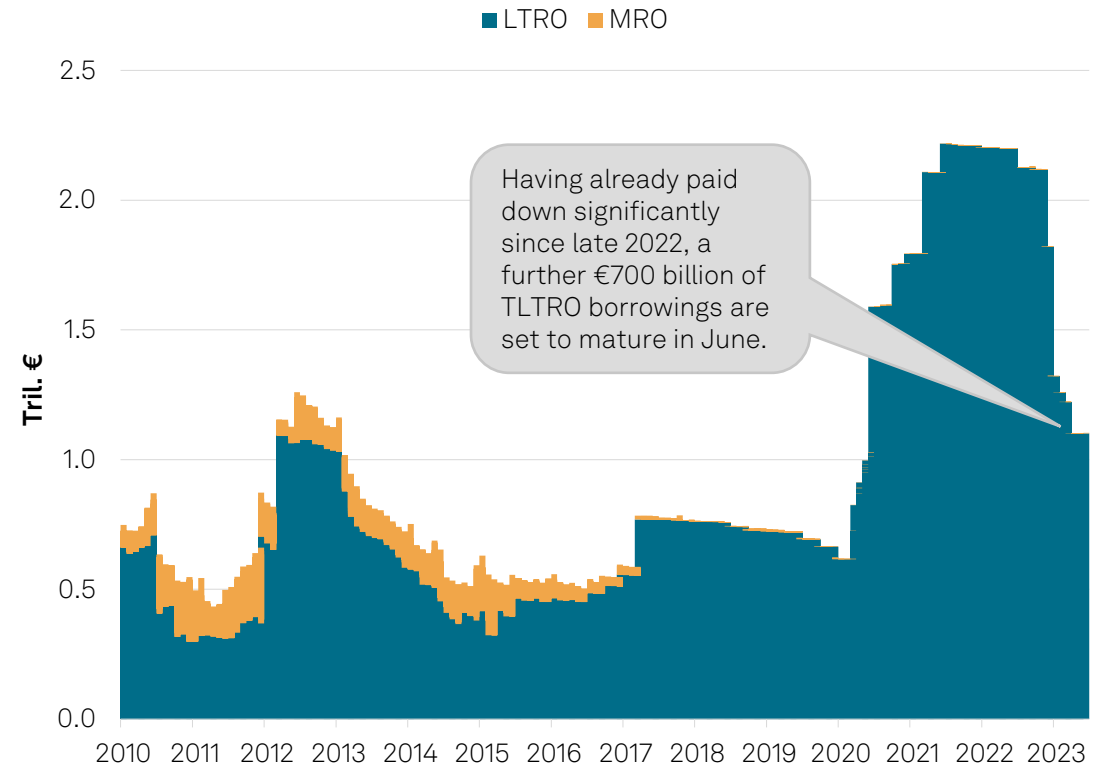
# Fundamentals—Issuance Drivers

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



(T)LTRO—(Targeted) long-term refinancing operations. MRO—Main refinancing operations. Source: European Central Bank.

# RMBS



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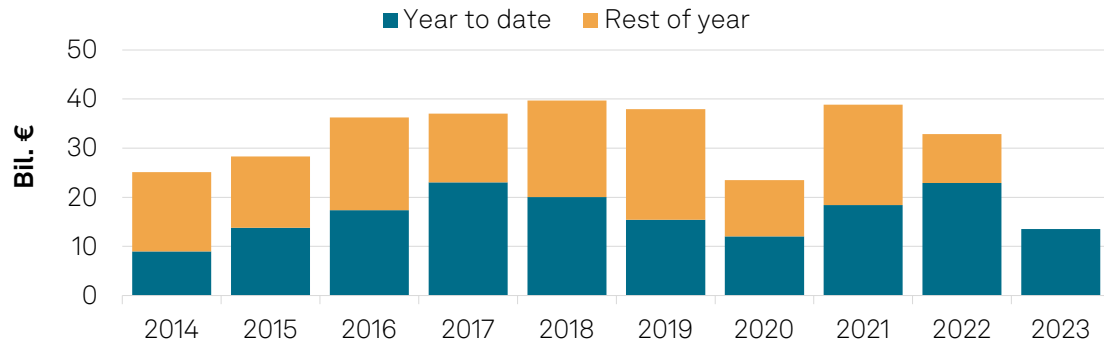
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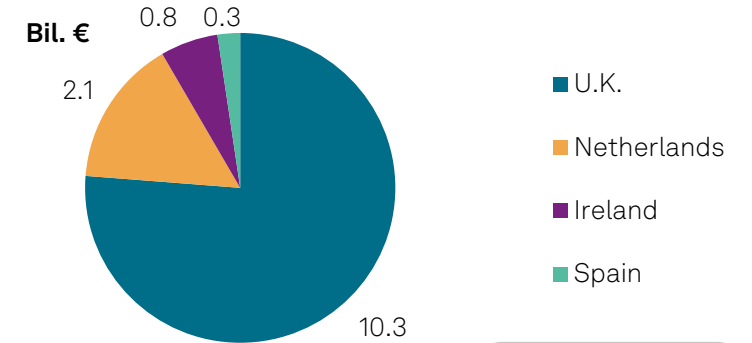
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# RMBS—Issuance

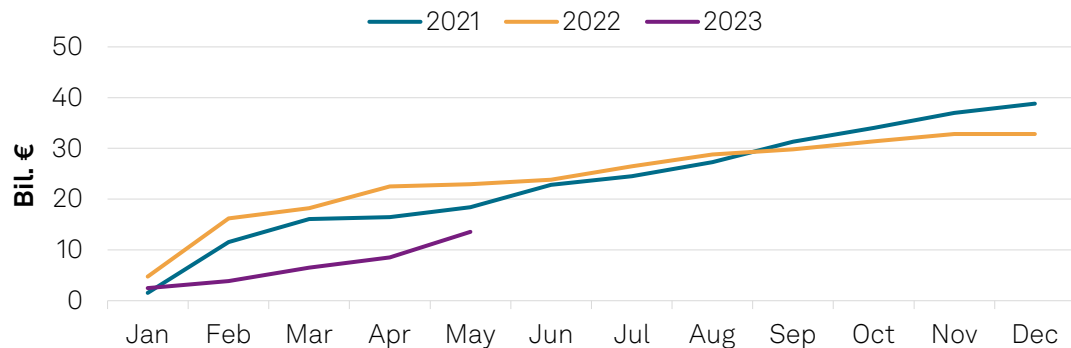
Investor-placed RMBS issuance



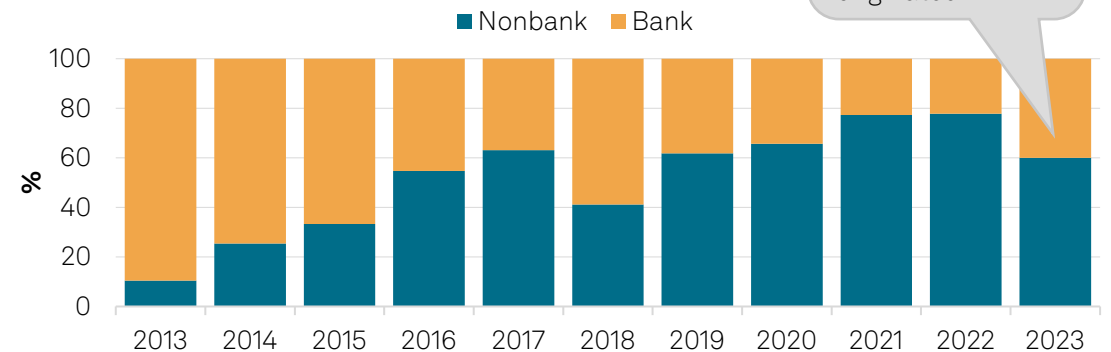
2023 YTD investor-placed RMBS issuance, by country



Cumulative investor-placed RMBS issuance



RMBS issuance mix, by originator type

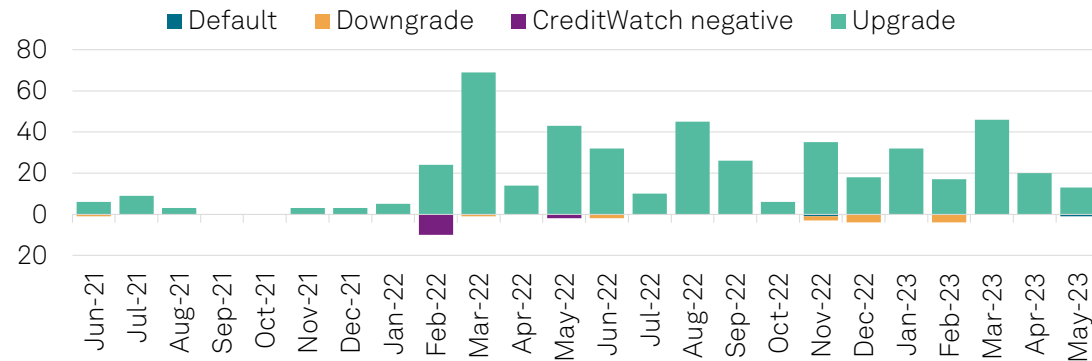


So far this year, a greater share of RMBS issuance has been bank-originated.

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

# RMBS—Rating Actions And Performance Metrics

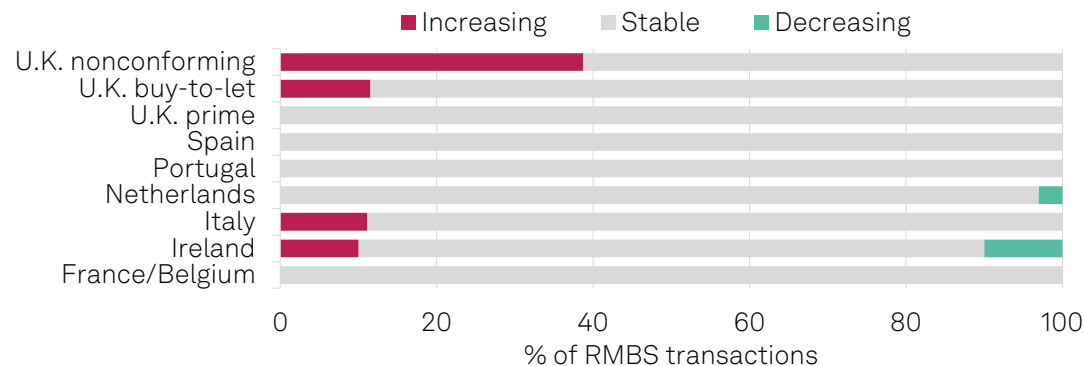
## 1. Monthly rating actions count, last 24 months



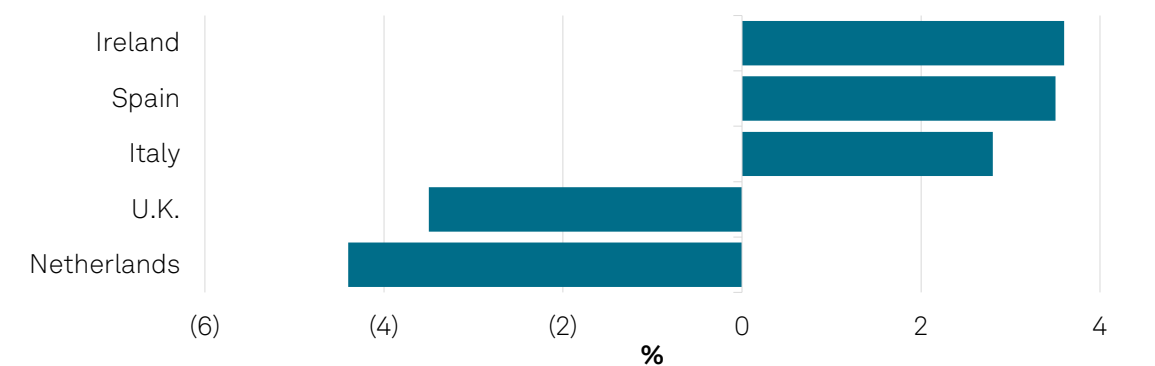
## 2. Cumulative rating actions count, last 12 months

	Prime	Nonconforming	BTL	Other RMBS
Upgrade	140	72	74	14
CreditWatch neg.	0	0	0	0
Downgrade	6	3	3	0
Default	1	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 March and May 2023. Source: National statistical offices, Nationwide (U.K.).



# ABS



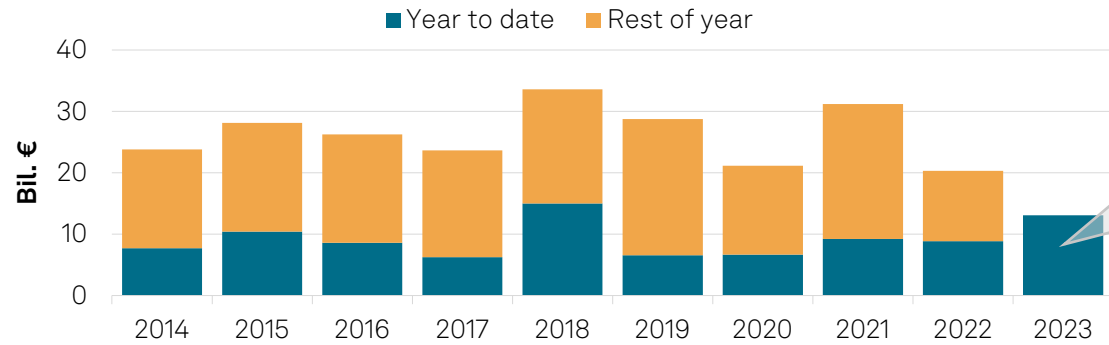
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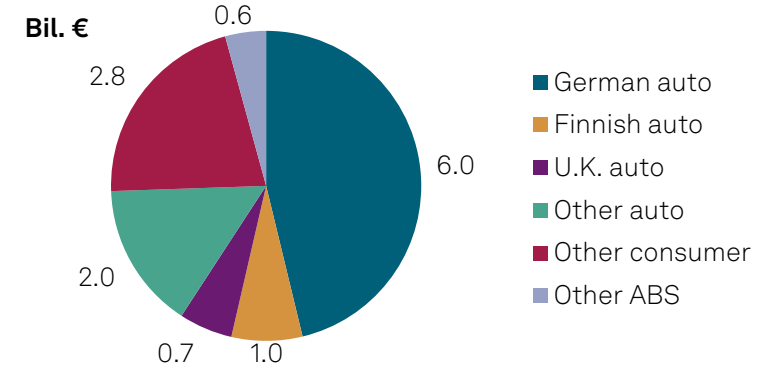
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# ABS—Issuance

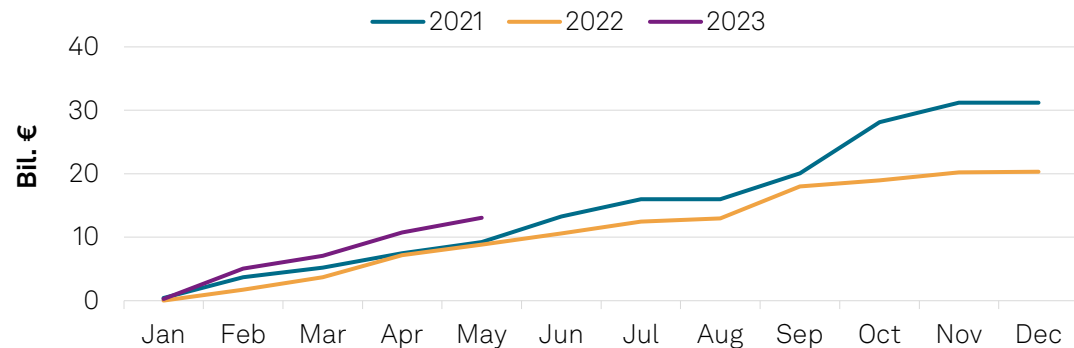
Investor-placed ABS issuance



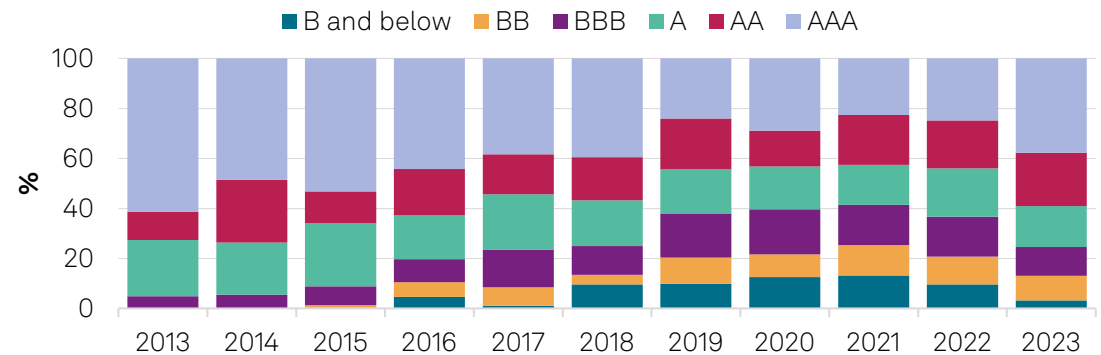
2023 YTD investor-placed ABS issuance, by subsector



Cumulative investor-placed ABS issuance



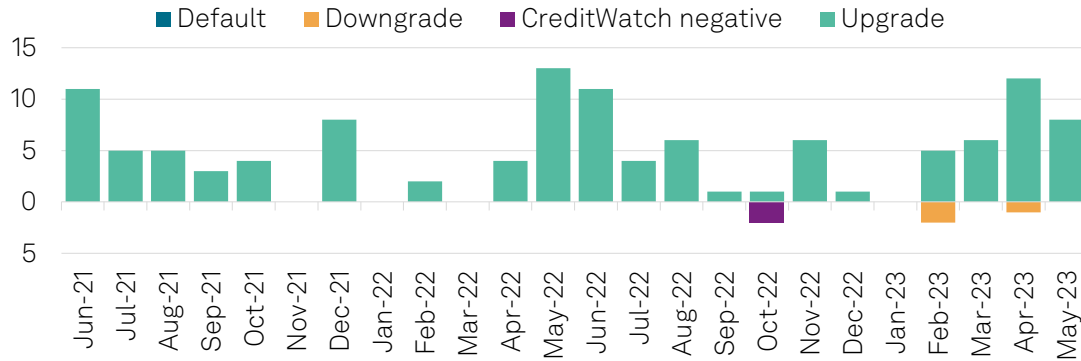
ABS issuance mix, by tranche rating category count



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

# ABS—Rating Actions And Performance Metrics

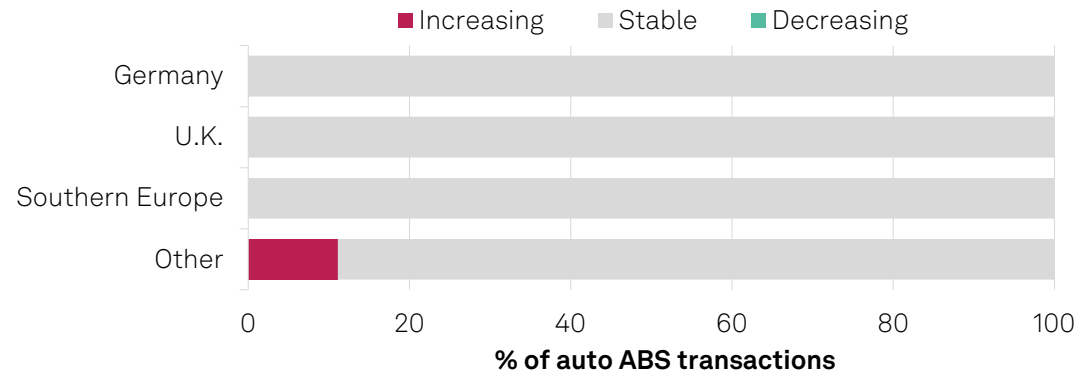
## 1. Monthly rating actions count, last 24 months



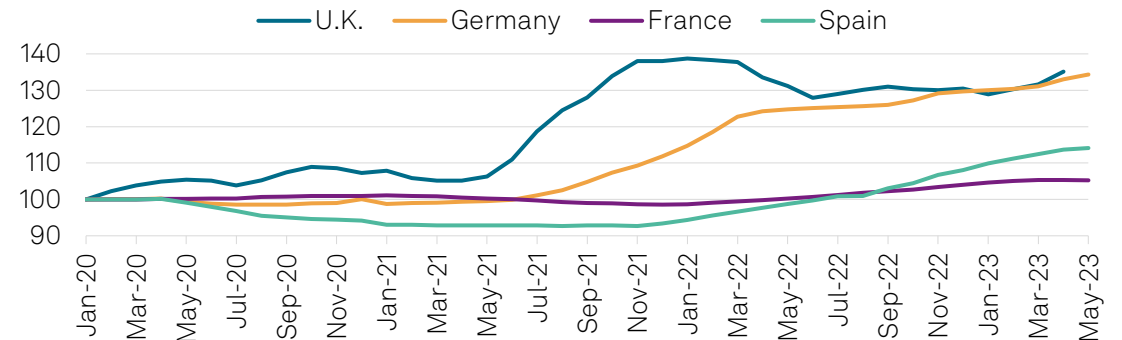
## 2. Cumulative rating actions count, last 12 months

	Auto/ consumer	Credit cards	Corp. sec.	Other ABS
Upgrade	53	0	3	5
CreditWatch neg.	0	0	2	0
Downgrade	1	0	2	0
Default	0	0	0	0

## 3. Prevalence of increasing/decreasing total 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 total arrears rate is greater than/less than one percentage point. Source: S&P Global Ratings. 4. Source: National statistical offices.

# Structured Credit



Sandeep Chana

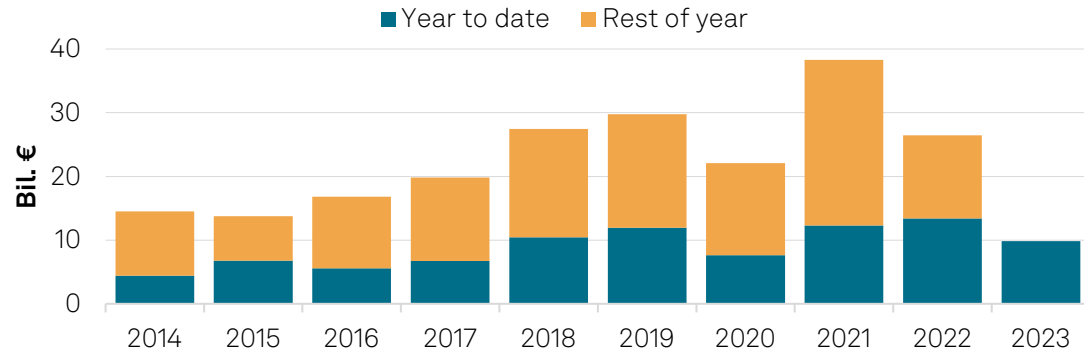
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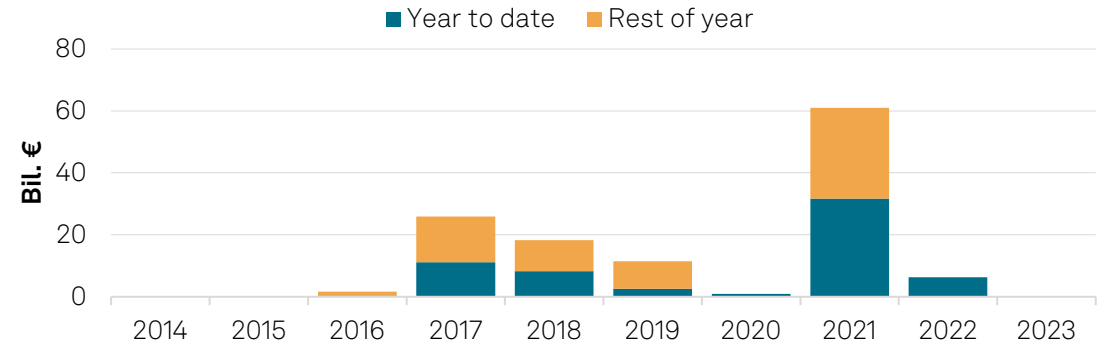
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# CLO—Issuance

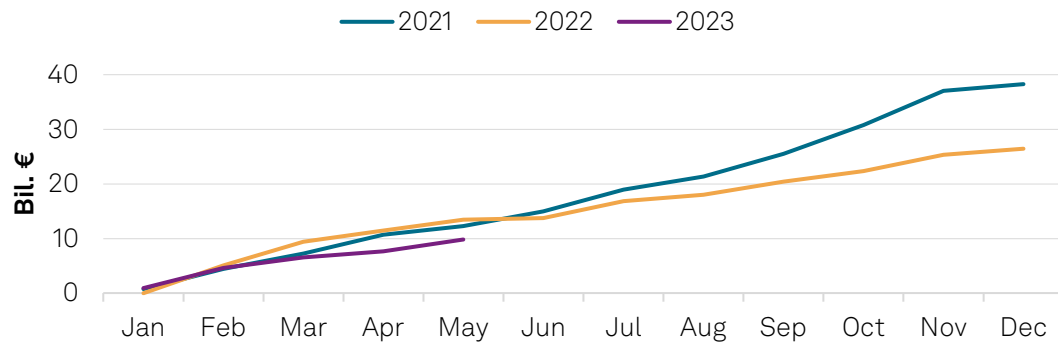
## 1. Investor-placed CLO new issuance



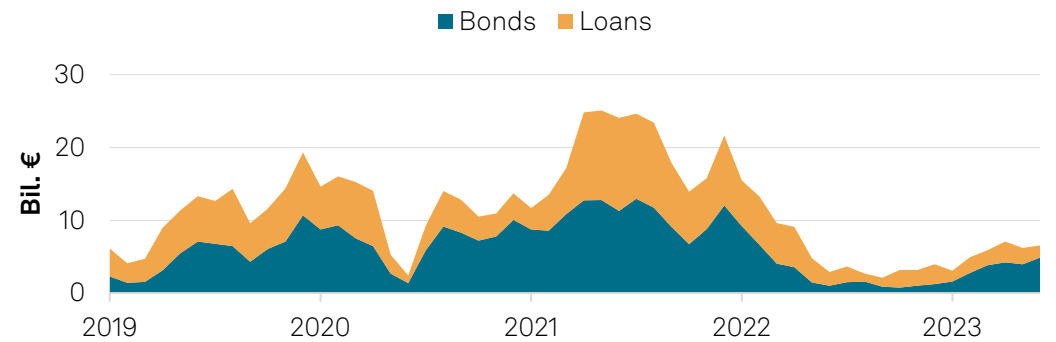
## 2. Investor-placed CLO refi/reset issuance



## 3. Cumulative investor-placed CLO new issuance



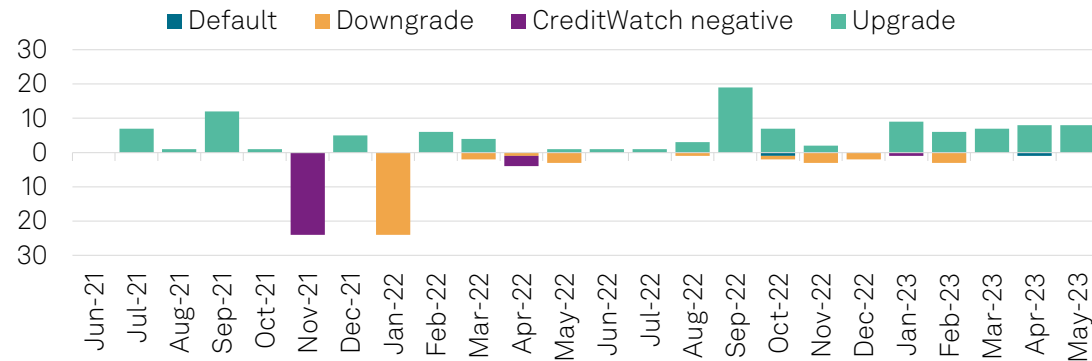
## 4. Monthly European leveraged finance origination volumes



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

# CLO & Structured Credit—Rating Actions And Performance Metrics

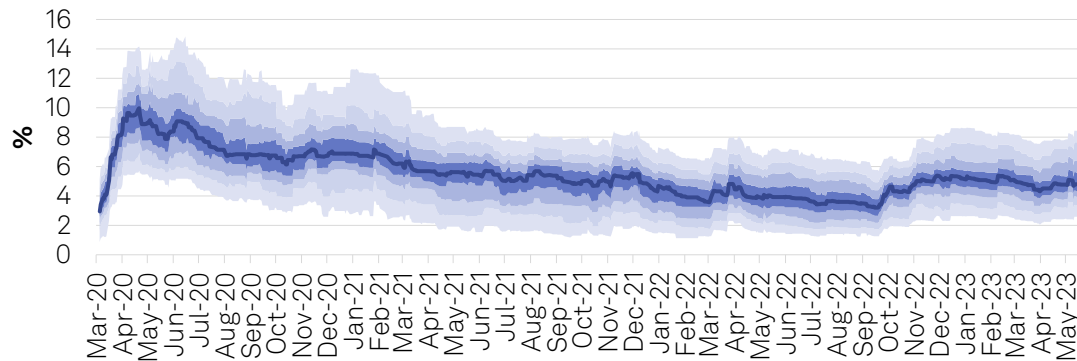
## 1. Monthly rating actions count, last 24 months



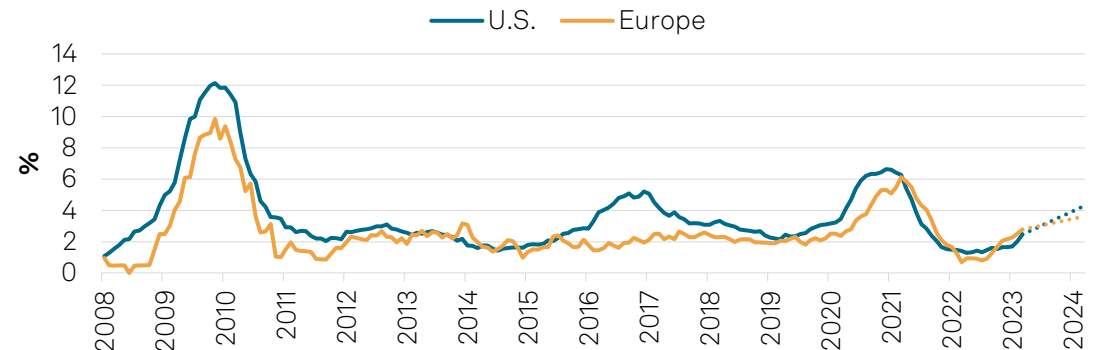
## 2. Cumulative rating actions count, last 12 months

	CLO	SME	Repack	Other SC
Upgrade	47	14	6	4
CreditWatch neg.	0	0	0	1
Downgrade	0	0	9	1
Default	0	0	0	2

## 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

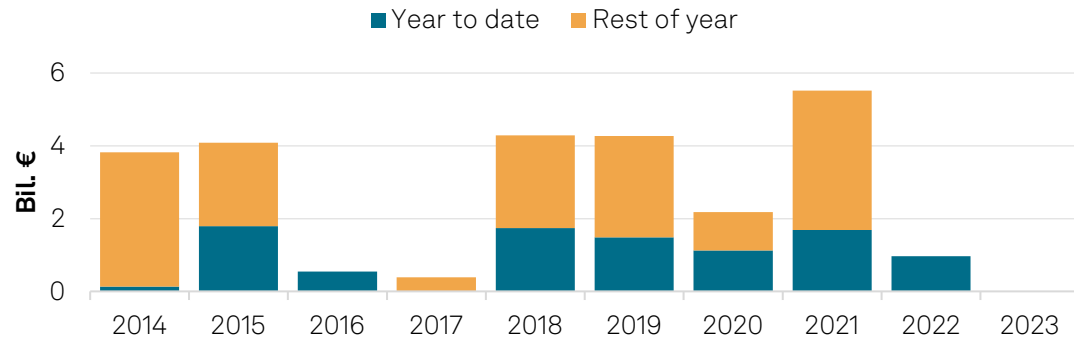
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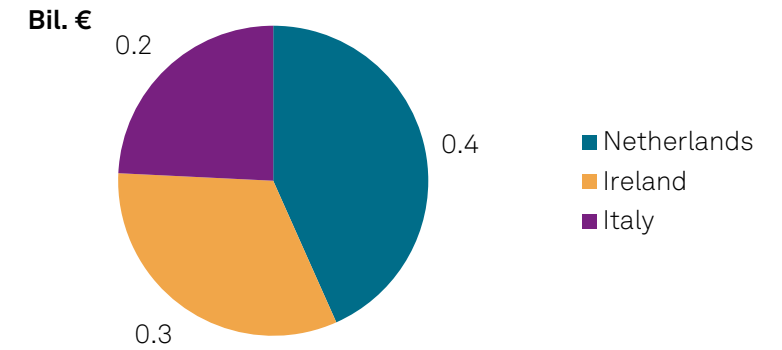
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# CMBS—Issuance

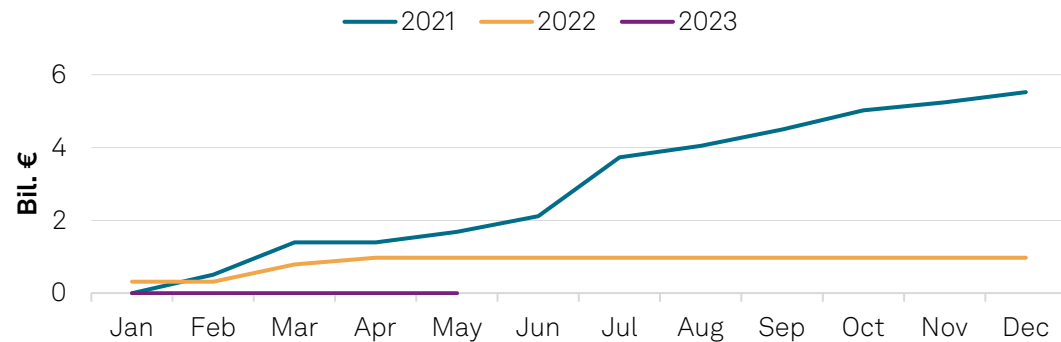
Investor-placed CMBS issuance



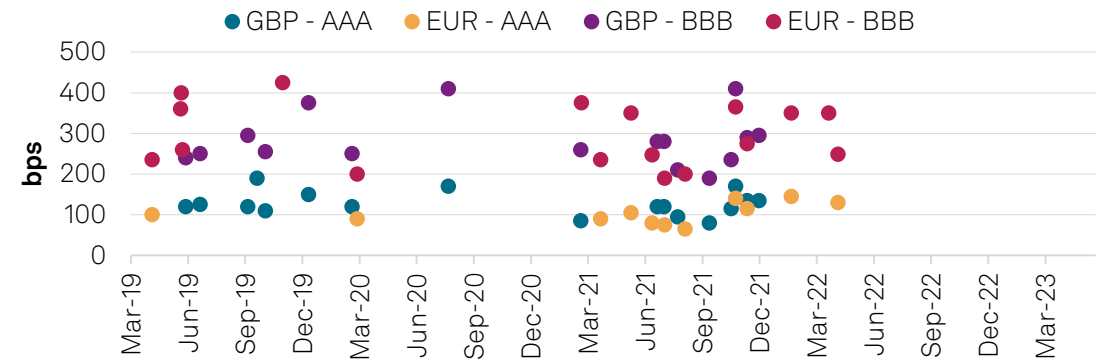
2022 investor-placed CMBS issuance, by country



Cumulative investor-placed CMBS issuance



Primary spreads on European CMBS issuance

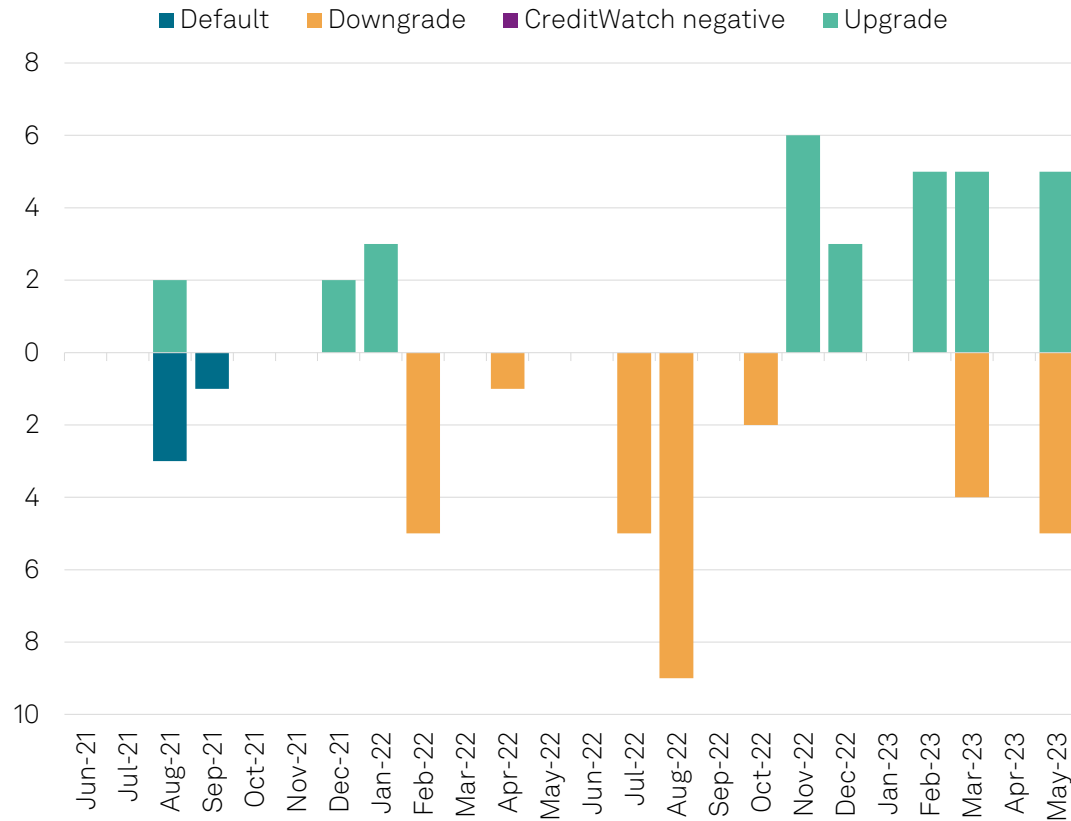


Year-to-date (YTD) figures as of end-May each year. Sterling spreads are over three-month LIBOR before 2020 and subsequently over Sterling Overnight Index Average (SONIA). Source: S&P Global Ratings.



# CMBS—Rating Actions

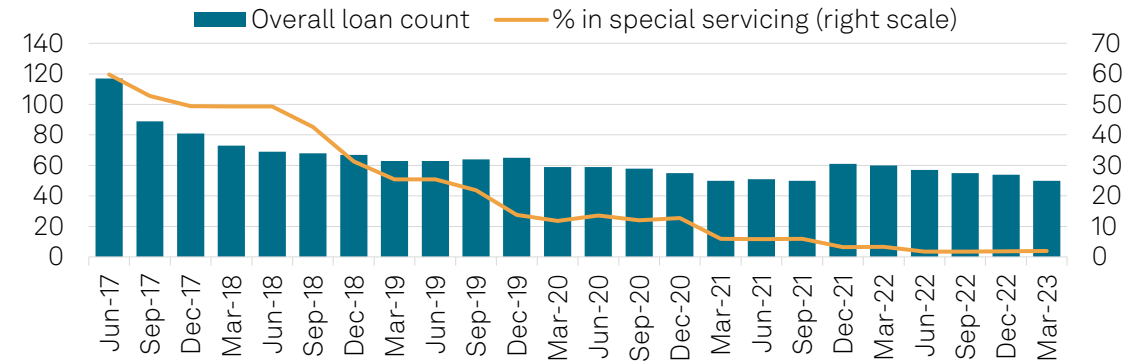
## 1. Monthly rating actions count, last 24 months



## 2. Cumulative rating actions count, last 12 months

	Hotel	Retail	Mixed	Other CMBS
Upgrade	3	1	13	7
CreditWatch neg.	0	0	0	0
Downgrade	0	9	14	2
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



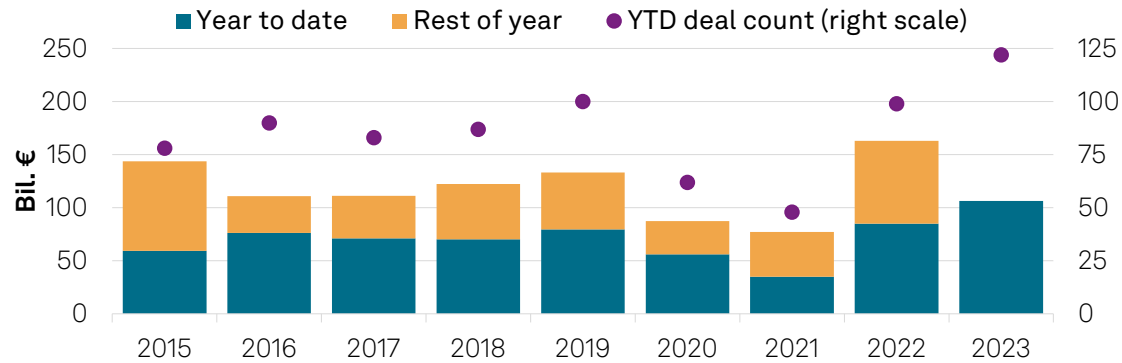
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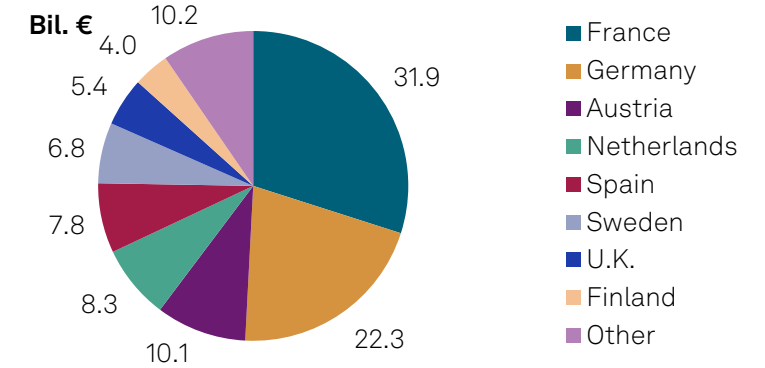
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# Covered Bonds—Issuance

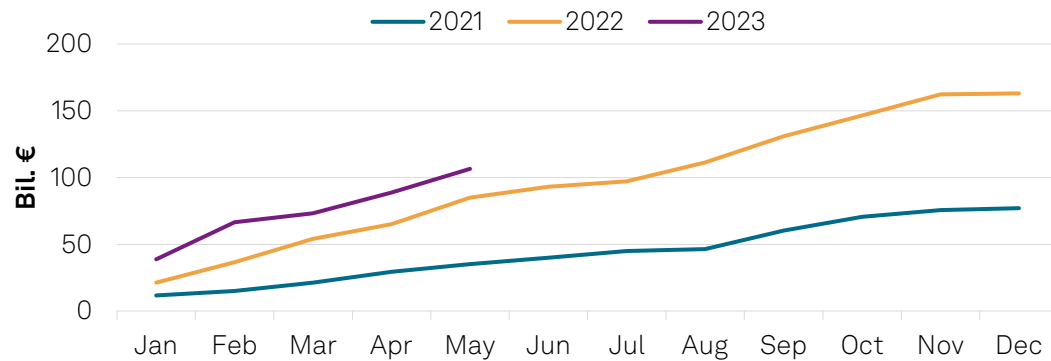
Benchmark covered bond issuance



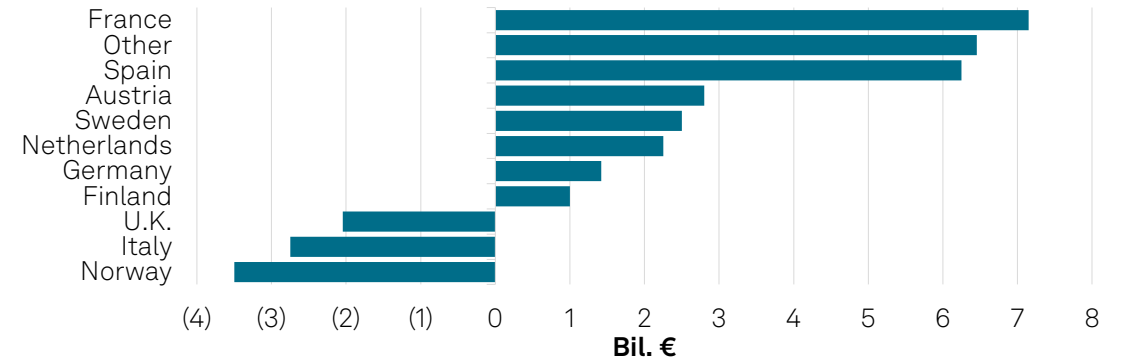
2023 YTD benchmark covered bond issuance, by country



Cumulative benchmark covered bond issuance



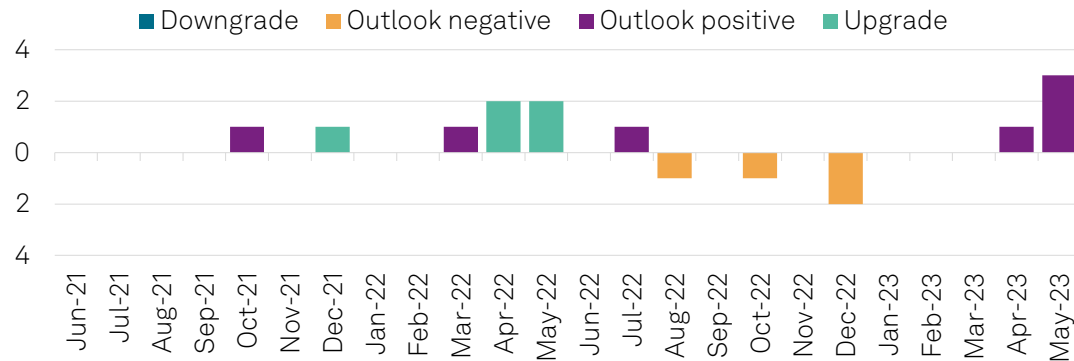
Change in YTD issuance, 2023 vs. 2022, by country



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

# Covered Bonds—Rating Actions And Performance Metrics

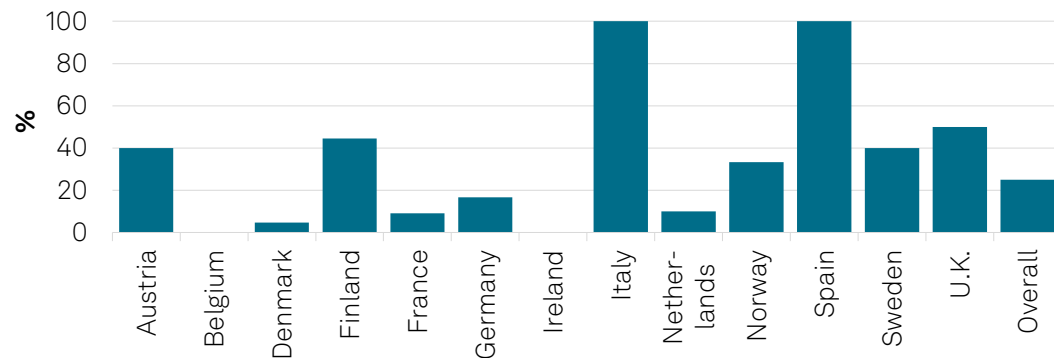
## 1. Monthly rating actions count, last 24 months



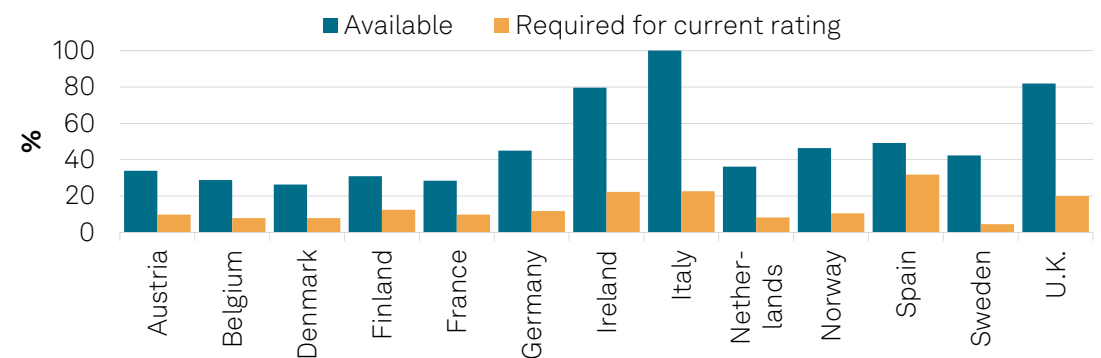
## 2. Cumulative rating actions count, last 12 months

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

## 3. Proportion of ratings affected by a two-notch issuer downgrade



## 4. Average overcollateralization



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 Q1 2023. Source: S&P Global Ratings. 4. As of Q1 2023. Excludes programs with available overcollateralization exceeding 100%. Source: S&P Global Ratings.

# Recent Research (1)

- [Covered Bonds In New Markets: A Shifting Paradigm](#), May 24, 2023
- [Scenario Analysis: European Office CMBS Withstands Vacancy Stress](#), May 23, 2023
- [The European CLO Market: Is The Par Back?](#), May 22, 2023
- [European Auto ABS Index Report Q1 2023](#), May 22, 2023
- [European And U.K. Credit Card ABS Index Report Q1 2023](#), May 22, 2023
- [Covered Bonds Could Ease The Pain In European Commercial Real Estate](#), May 16, 2023
- [European RMBS Index Report Q1 2023](#), May 15, 2023
- [Irish Court Ruling Leaves Third-Party Servicers Facing Uncertainty On Rate Setting](#), May 11, 2023
- [Landlord Exodus Sustains Higher Irish RMBS Prepayments](#), April 27, 2023
- [U.K. Residential Mortgage Servicing Flexibility Could Ease Arrears Pain](#), April 26, 2023
- [European CMBS Monitor Q1 2023](#), April 25, 2023
- [Dutch Buy-To-Let RMBS: Down But Not Out](#), April 19, 2023
- [Norwegian And Finnish Covered Bond Market Insights 2023](#), April 18, 2023
- [Cost Of Living Crisis: Payment Shock In Swedish Covered Bond Pools](#), April 18, 2023
- [Toward Net Zero: Shining A Light On European Solar ABS](#), April 12, 2023
- [Global Covered Bond Insights Q2 2023: The Implications Of Rising Rates](#), April 12, 2023

## Recent Research (2)

- [The French Covered Bond Legal Framework: A Closer Look](#), April 3, 2023
- [EMEA ABS And RMBS Counterparty Monitor Q1 2023](#), March 22, 2023
- [Sharing Is Caring: U.K. Shared-Ownership RMBS Explained](#), March 21, 2023
- [U.K. RMBS Audit Fees Could Heighten Tail Risk](#), March 16, 2023
- [Scenario Analysis: How Much Shock Can U.K. RMBS Take?](#), March 1, 2023
- [European CMBS Faces Crunch Time With Loan Maturities Amid Higher Interest Rates](#), Feb. 23, 2023
- [Credit FAQ: A Closer Look At U.K. RMBS Master Trusts](#), Feb. 6, 2023
- [CLO Pulse Q3 2022: Sector Averages Of Reinvesting European CLO Assets](#), Jan. 26, 2023
- [Cost Of Living Crisis: Southern European RMBS Grapples With Rising Rates](#), Jan. 25, 2023
- [Credit FAQ: What's Next For European Nonperforming And Reperforming Loan Markets?](#), Jan. 18, 2023
- [European Structured Finance Outlook 2023: Close To The Edge](#), Jan. 12, 2023
- [European RMBS Outlook 2023: Permafrost Or Thaw?](#), Jan. 12, 2023
- [European ABS Outlook 2023: Under Pressure](#), Jan. 12, 2023
- [Cost Of Living Crisis: Payment Shock Greatest In Legacy U.K. Nonconforming RMBS](#), Dec. 15, 2022
- [Covered Bonds Outlook 2023: Sailing Through Choppy Waters](#), Dec. 6, 2022
- [Asset Price Risks: European Auto ABS Appear Resilient To A Potential Fall In Used Car Prices](#), Nov. 29, 2022

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