

EMEA Structured Finance Chart Book

October 2024

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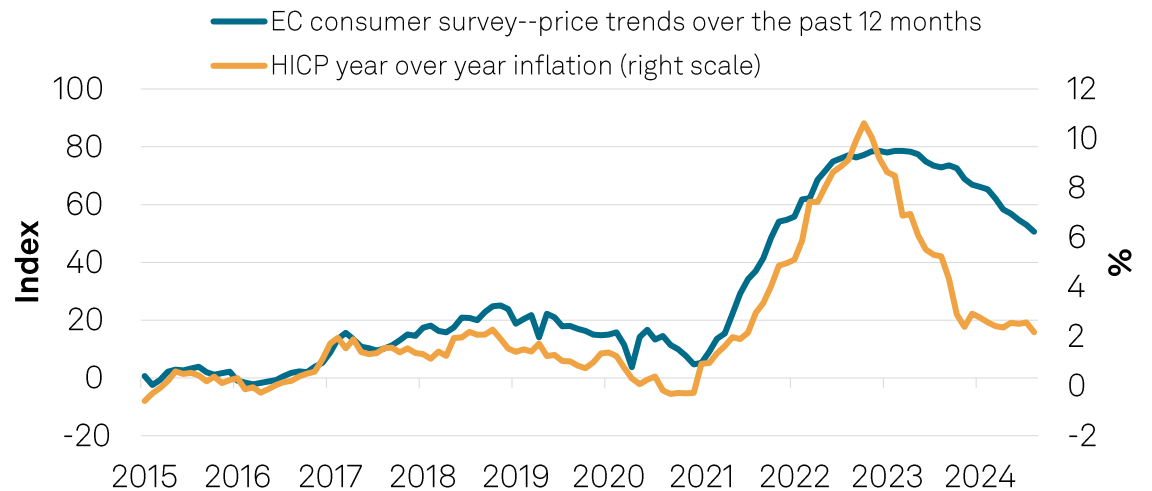
This report does not constitute a rating action



Highlights—News

- **Macro.** Eurozone economic growth should strengthen in 2025, while inflation will moderate and reach 2.0% in the second half of the year. Against this backdrop, the European Central Bank (ECB) will likely keep cutting rates until the deposit rate reaches 2.5% in the third quarter. Consumers' perception of disinflation has so far lagged the official measure (see chart), but their spending should begin to pick up and align more closely with purchasing power, driving GDP growth. Private sector loan demand is showing signs of life about six months earlier than in previous interest rate cycles, although the change in new credit as a percentage of GDP is likely to remain modest as long as monetary policy remains restrictive, which should be the case until late 2025.
 - **Issuance.** Investor-placed securitization issuance for September 2024 was close to €16 billion--the second-highest monthly volume of the year so far. Overall year-to-date issuance by the end of September had reached nearly €109 billion, comfortably exceeding the most recent high of €82 billion in 2021. European benchmark covered bond issuance in September was €12.6 billion--about the 10-year average for the month. Cumulative issuance reached €131 billion year-to-date. This is down 11% on the same period in 2023 when issuance was at a decade high.
- Rating actions.** In September 2024, we raised 28 of our ratings on European securitization tranches across a mix of sectors, including collateralized loan obligations (CLOs), and U.K. nonconforming and buy-to-let residential mortgage-backed securities (RMBS). There were also 14 downgrades, mostly in legacy U.K. nonconforming RMBS.

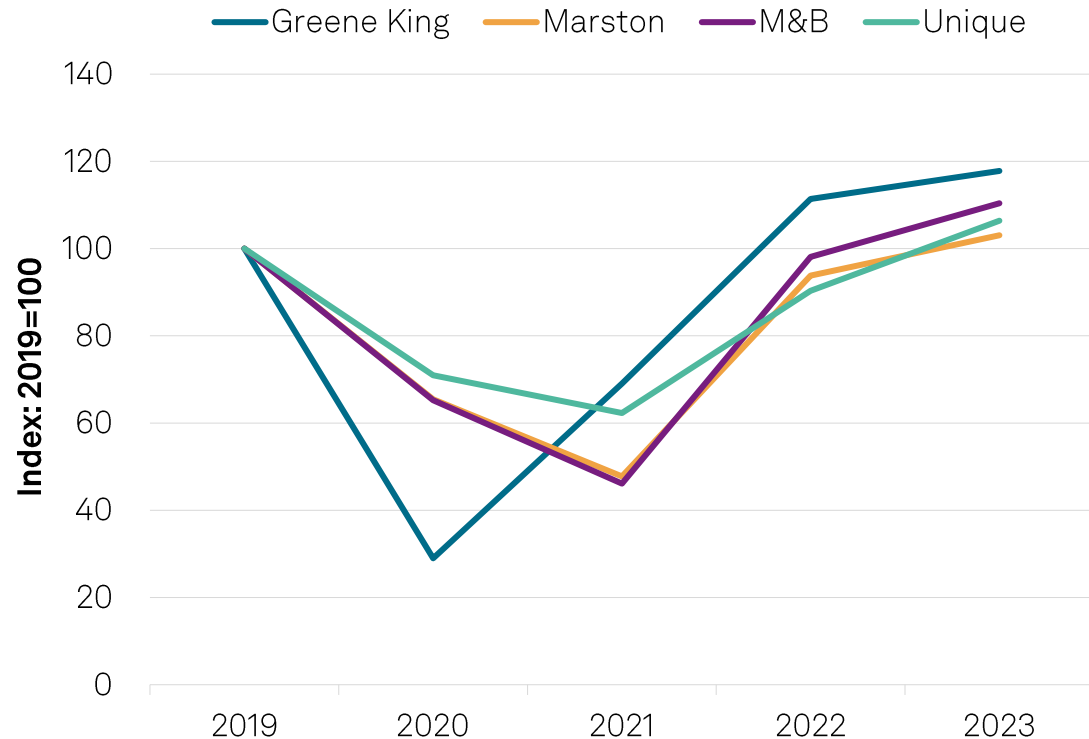
European consumers--perceived versus actual inflation



EC--European Commission. HICP--Harmonized index of consumer prices. Source: S&P Global Ratings.

Highlights—U.K. Corporate Securitization Issuers Can Withstand Higher Refinancing Rates

Revenues in U.K. pub securitizations



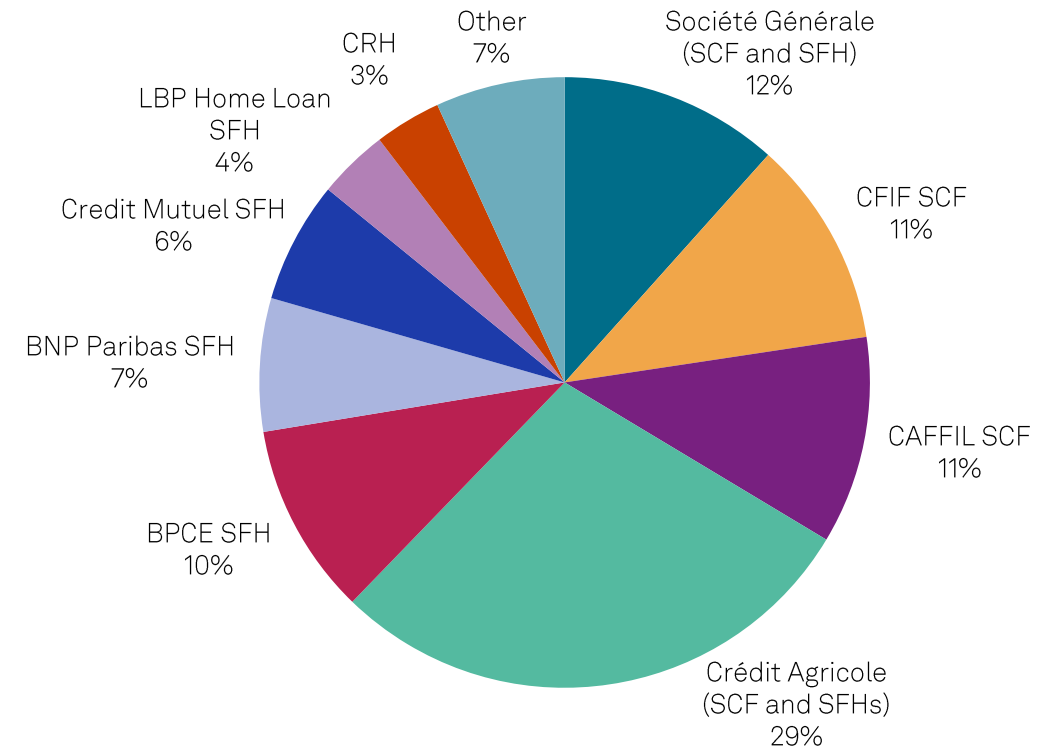
For Greene King, we consider year-end to be on Jan. 1. Source: S&P Global Ratings. For more details, see "U.K. Corporate Securitization Issuers Can Withstand Higher Refinancing Rates," published Sep. 18, 2024.

- Operating companies in most U.K. corporate securitizations now face structurally higher costs, which weigh on their EBITDA margins. Although energy prices have fallen from their peak in 2022-2023, the permanent increase in labor costs is undermining business models.
- Rising interest rates over the past two years have increased debt-servicing costs for U.K. corporate securitization issuers. Over this period, refinancing rates on the senior debt increased by an average of 2.5 percentage points to 7.0%, while those on the junior debt increased by an average of 3.0 percentage points to 8.0%.
- Our scenario analysis indicates that a 20% increase in refinancing rates could result in a one-notch downgrade on some tranches, while a 40% increase could result in a two-notch downgrade. We assume a flat fixed rate for each of the senior and junior notes, because of the limited number of transactions across the various sectors.

Highlights—French Covered Bond Market Insights 2024

- France remains the largest market for covered bond issuance, with local banks increasingly depending on covered bonds as a funding source. There are over €480 billion of French investor-placed and retained covered bonds outstanding.
- The French High Council for Financial Stability's legally binding guidelines on all new home loan origination in France have remained broadly unchanged. The debt service-to-income ratio is limited at 35%, the maximum loan term is 25 years, and up to 20% of residential loan origination can deviate from these limits.
- While these limits continue to constrain new home loan originations, improved affordability is contributing to a recovery in volumes.
- On May 31, 2024, we downgraded France to 'AA-'. Due to the high issuer credit ratings on French banks, this did not affect French covered bond ratings or the required credit enhancement for most programs. However, it did reduce the number of unused notches in some of our rated programs.

Outstanding French covered bond balances



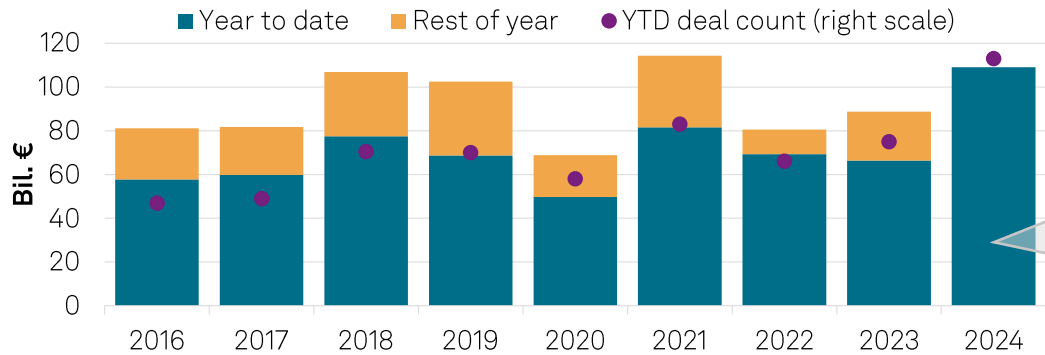
Includes both investor-placed and retained issuance. Source: Harmonized transparency templates, June 2024, S&P Global Ratings. For more details, see "[French Covered Bond Market Insights 2024](#)," published Sep. 18, 2024.

Contents

Issuance	6
Credit Performance	9
Fundamentals	11
RMBS	12
ABS	15
Structured Credit	18
CMBS	22
Covered Bonds	25
Recent Research	28

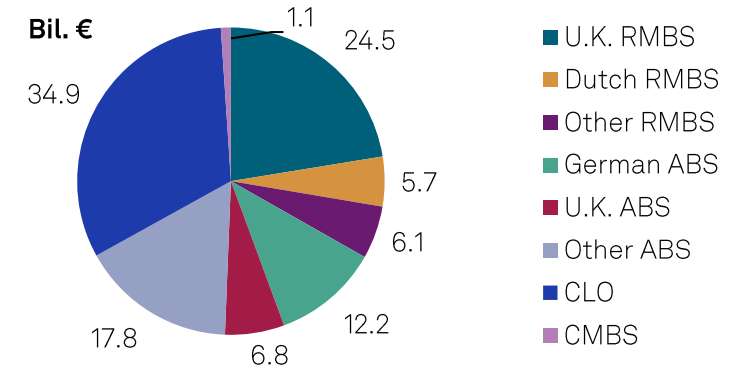
Issuance—Securitizations

1. Investor-placed securitization issuance

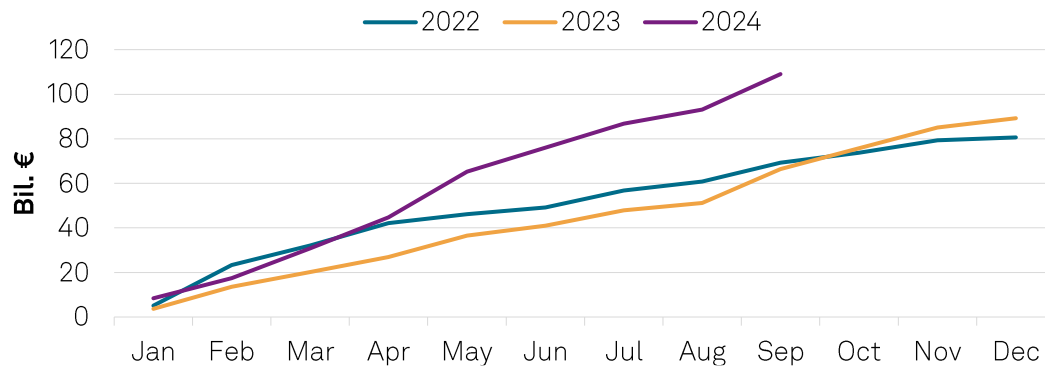


Year-to-date securitization issuance is running at a multiyear high of €109 billion, thanks to strong U.K. RMBS and CLO activity.

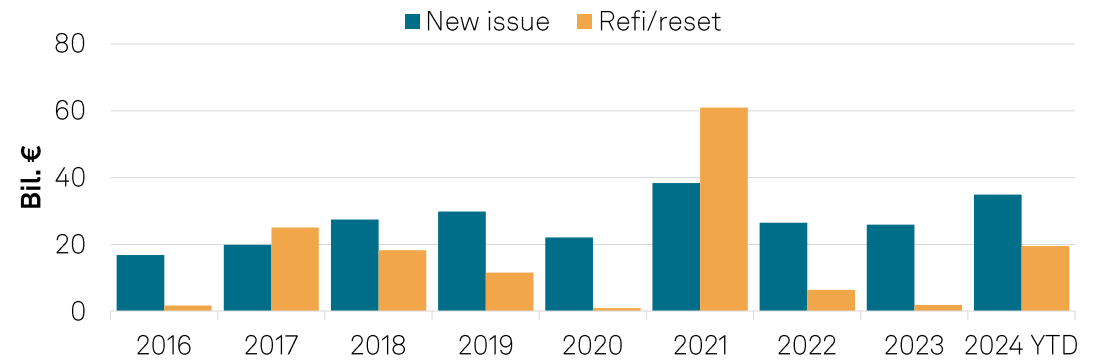
2. 2024 YTD investor-placed securitization issuance, by sector



3. Cumulative investor-placed securitization issuance



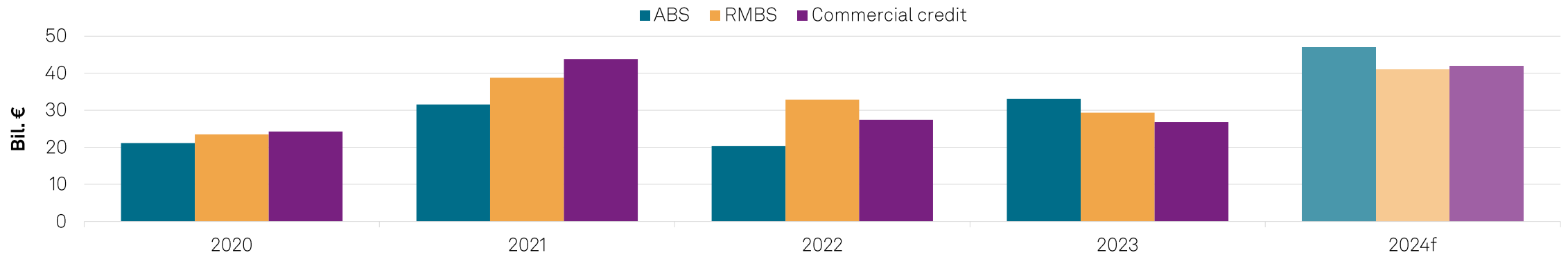
4. CLO refinancing and reset issuance



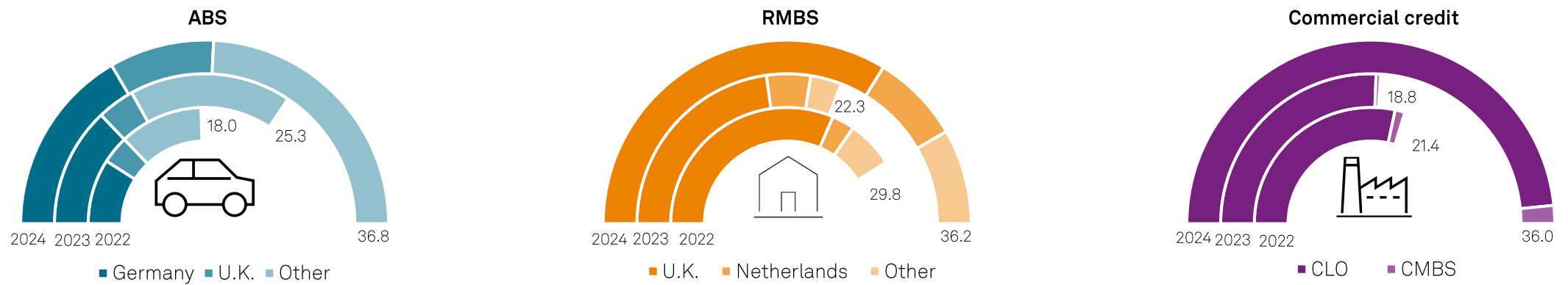
1-3. Year-to-date (YTD) figures as of end-September each year. Excludes CLO refinancings and resets. Source: S&P Global Ratings. 4. Source: S&P Global Ratings, Pitchbook LCD.

Issuance—Securitizations

Annual investor-placed securitization issuance



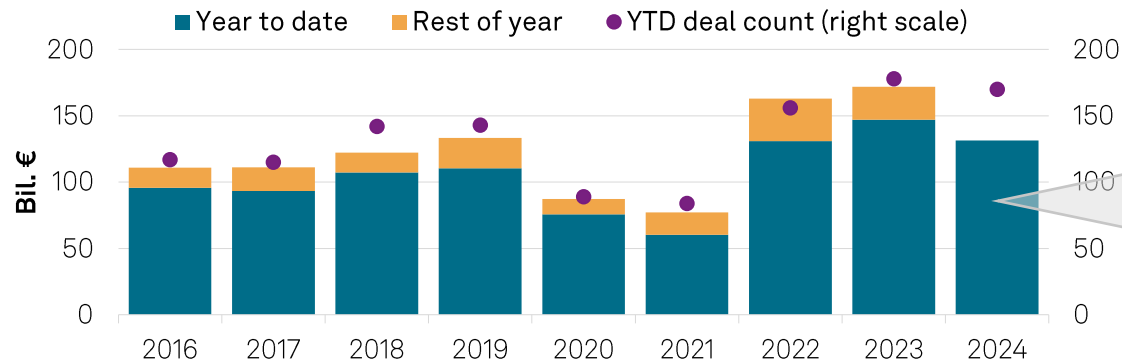
YTD investor-placed securitization issuance, by subsector (bil. €)



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

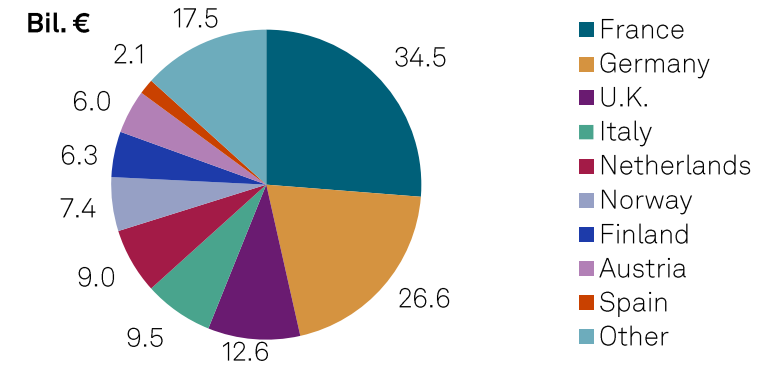
Issuance—Covered Bonds

1. Benchmark covered bond issuance

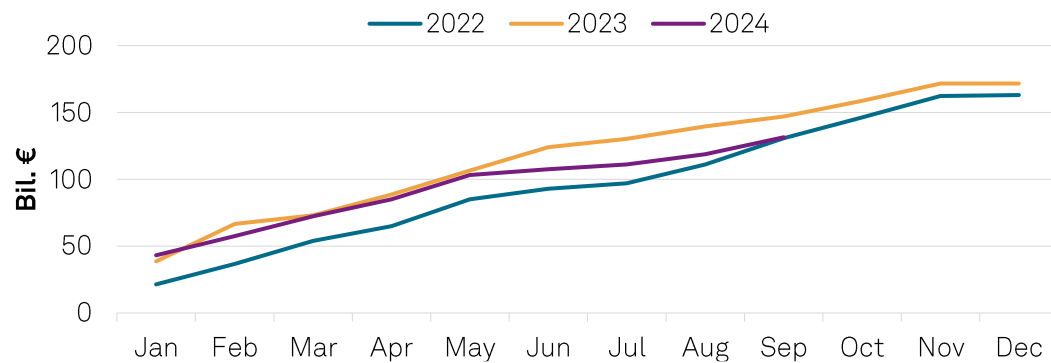


2. 2024 YTD benchmark covered bond issuance, by country

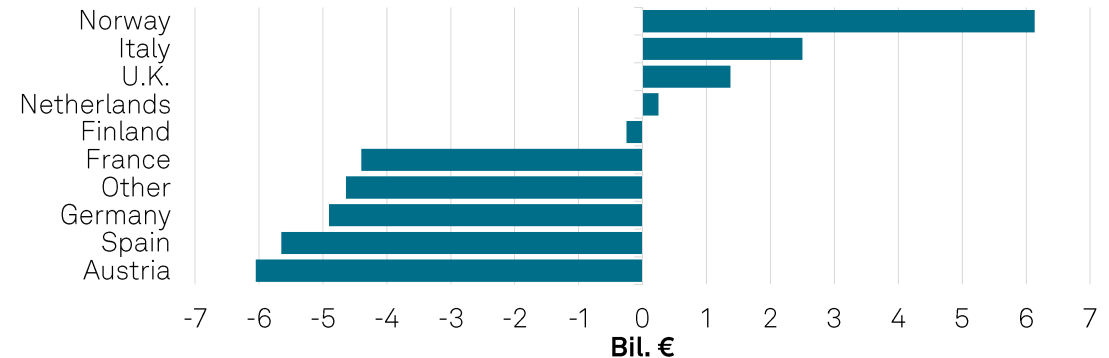
Benchmark covered bond issuance is down on last year at €131 billion, but is still strong compared with most other recent years.



3. Cumulative benchmark covered bond issuance



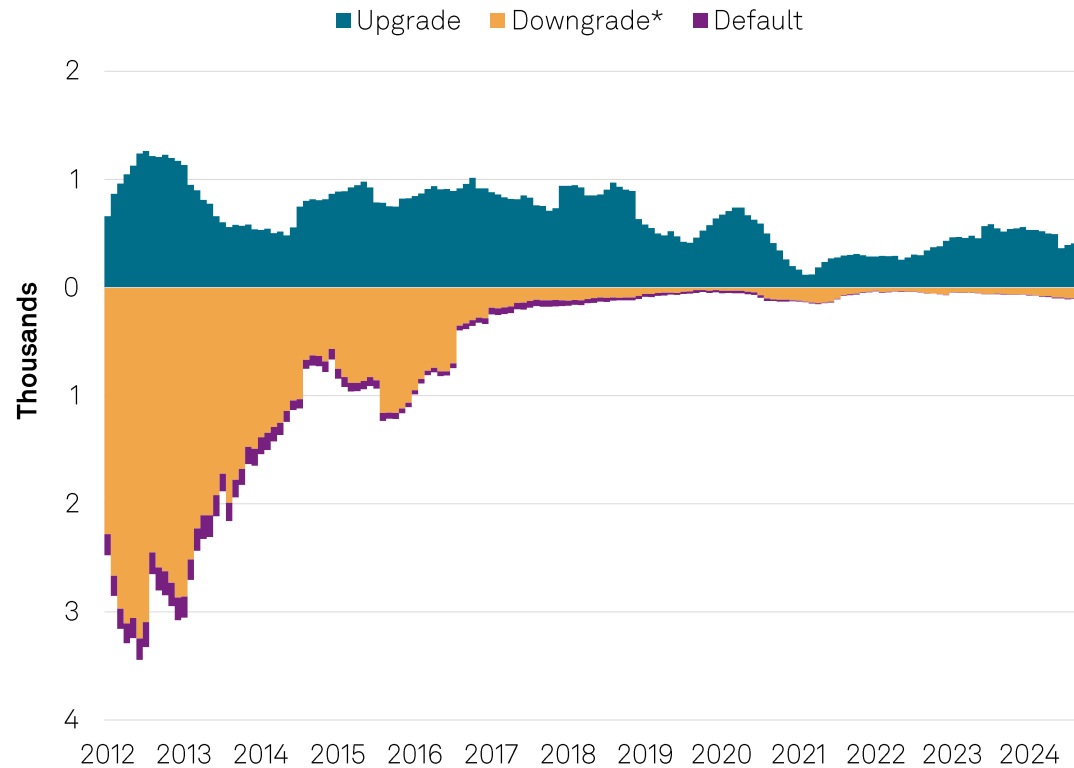
4. Change in YTD issuance, 2024 vs. 2023, by country



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

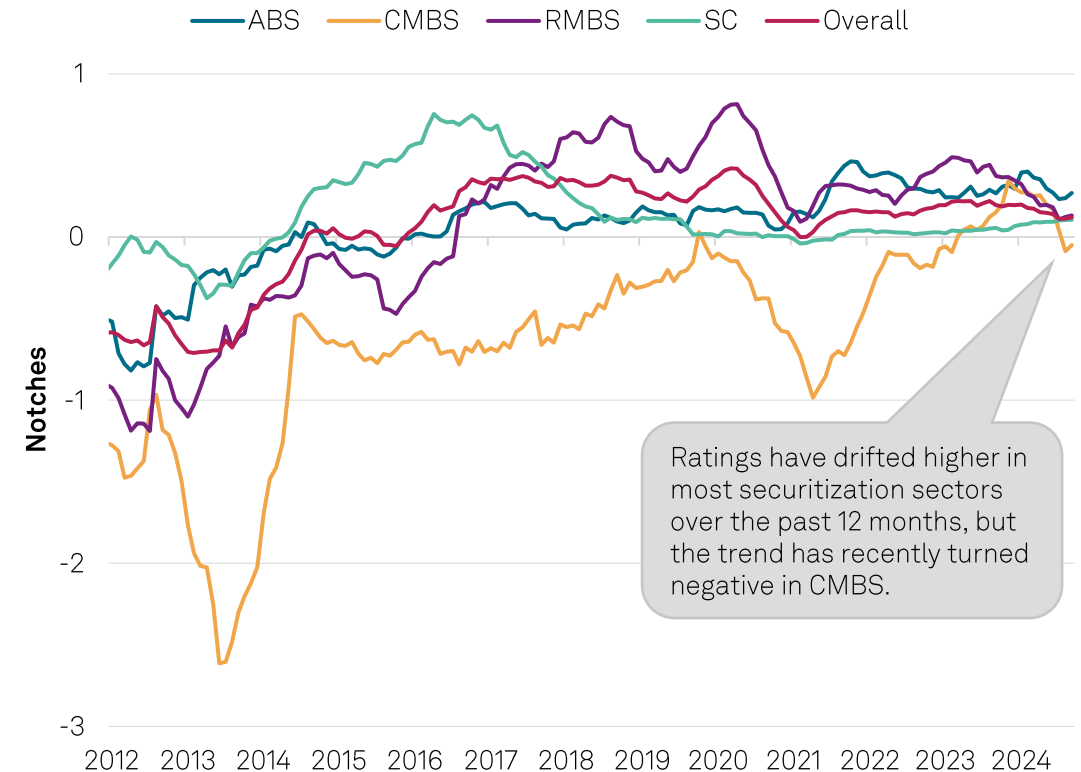
Credit Performance—Long-Term Ratings Drift

Rating action count, 12-month rolling



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

12-month trailing average change in credit quality

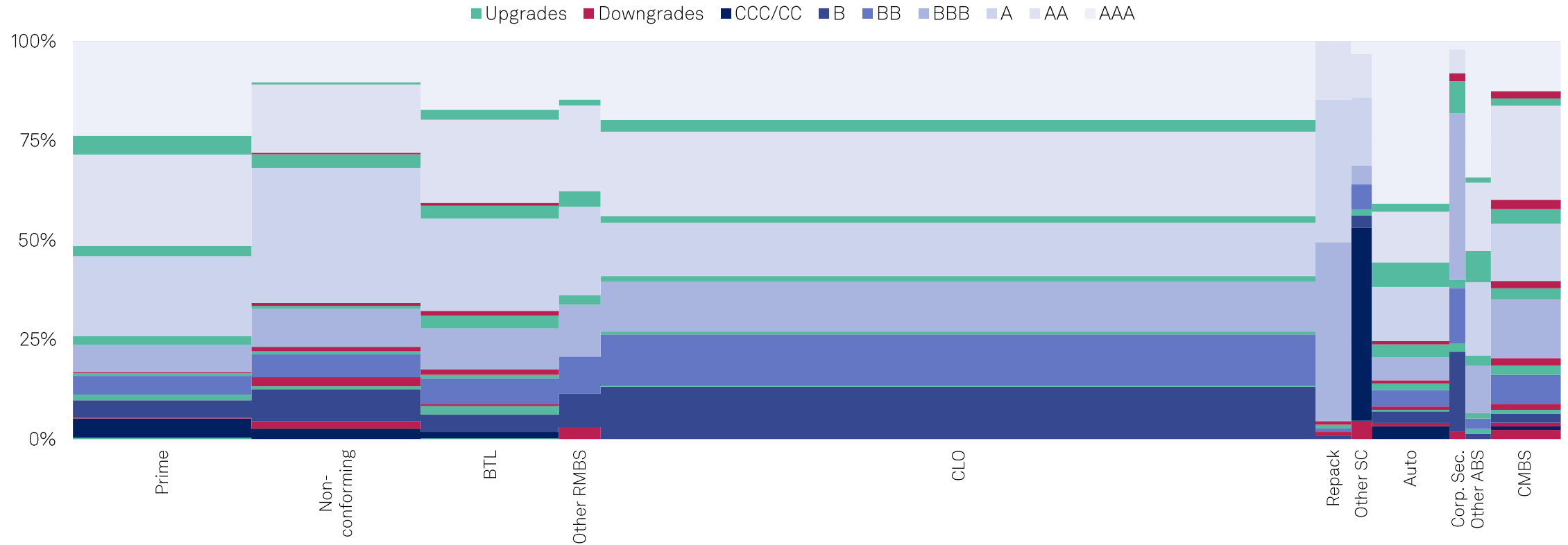


Ratings have drifted higher in most securitization sectors over the past 12 months, but the trend has recently turned negative in CMBS.

As of end-August 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

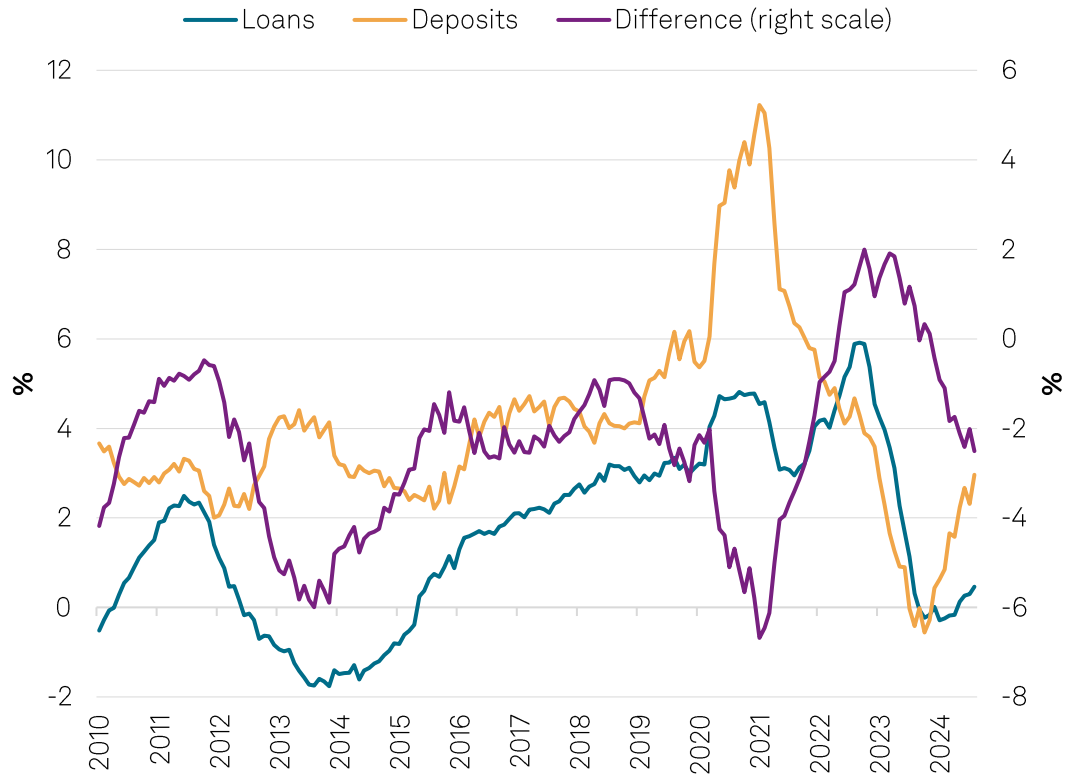
Distribution of ratings and 12-month transitions



BTL--Buy-to-let. SC--Structured credit. Based on rating transitions over the previous 12 months as of end-September 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 non-financial 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

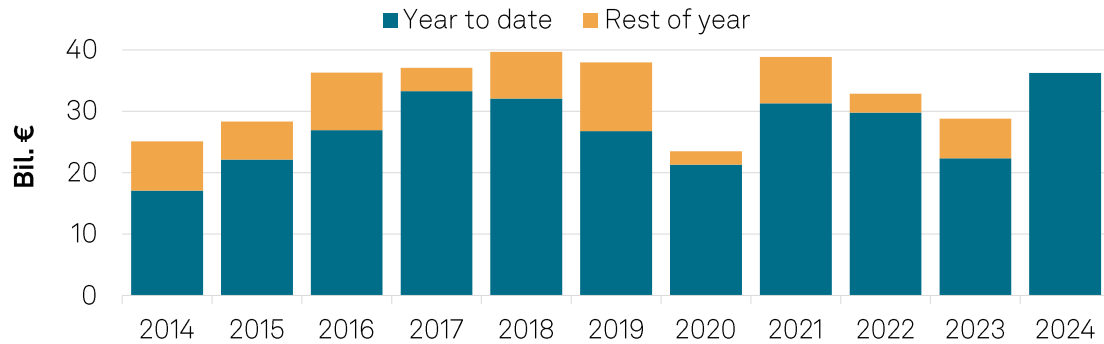
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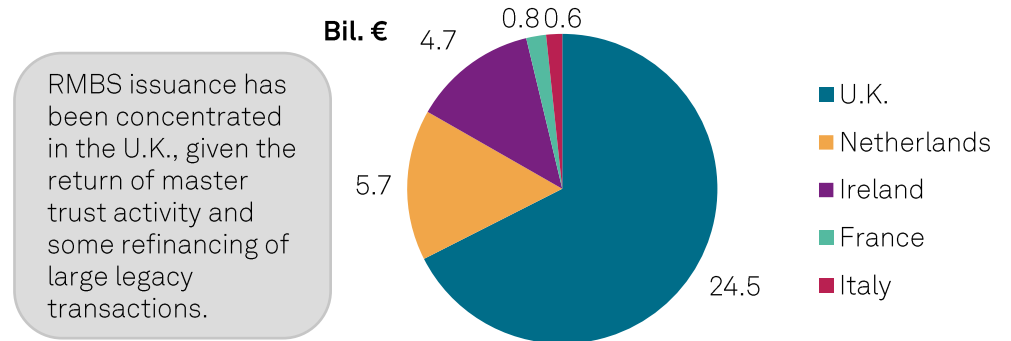
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RMBS—Issuance

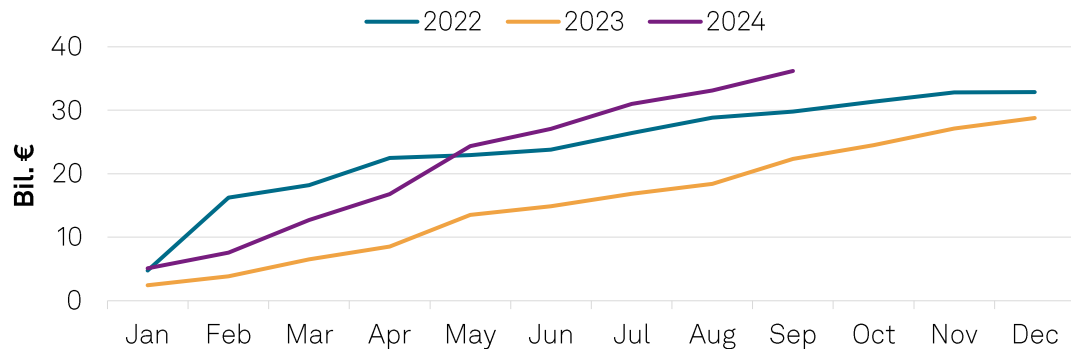
Investor-placed RMBS issuance



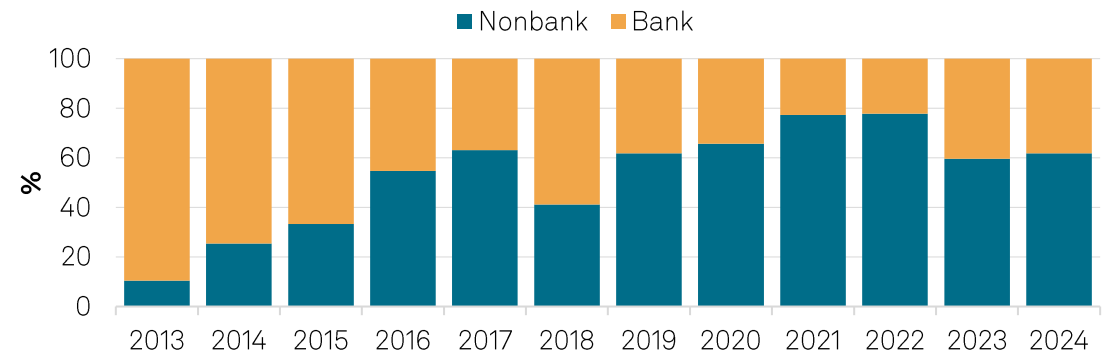
2024 YTD investor-placed RMBS issuance, by country



Cumulative investor-placed RMBS issuance



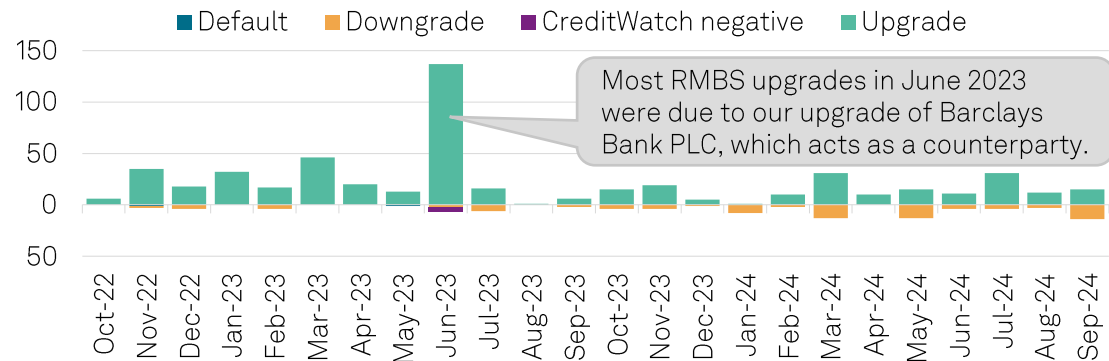
RMBS issuance mix, by originator type



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

RMBS—Rating Actions And Performance Metrics

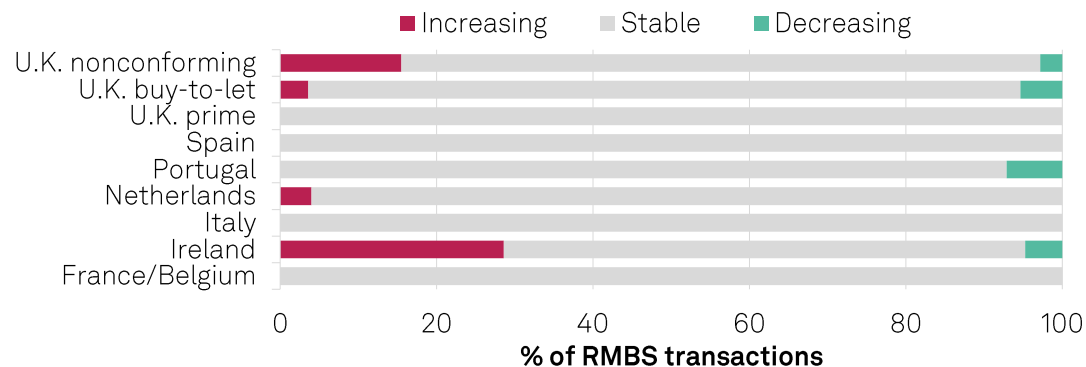
1. Monthly rating actions count, last 24 months



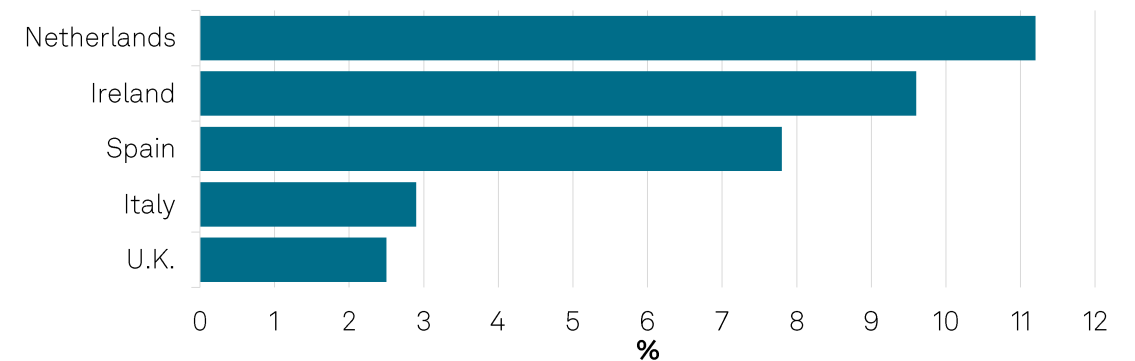
2. Cumulative rating actions count, last 12 months

	Prime	Nonconforming	BTL	Other RMBS
Upgrade	73	33	59	10
CreditWatch neg.	0	0	0	0
Downgrade	5	37	22	6
Default	0	0	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 July and September 2024. Source: National statistical offices, Nationwide (U.K.).

ABS



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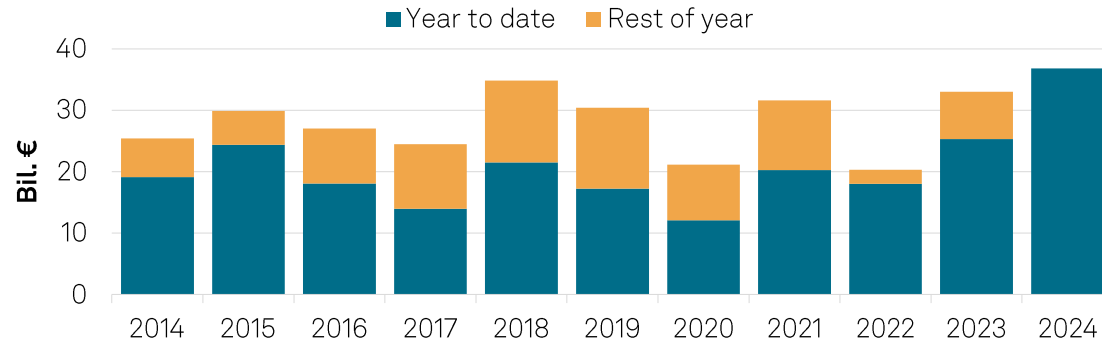
Director

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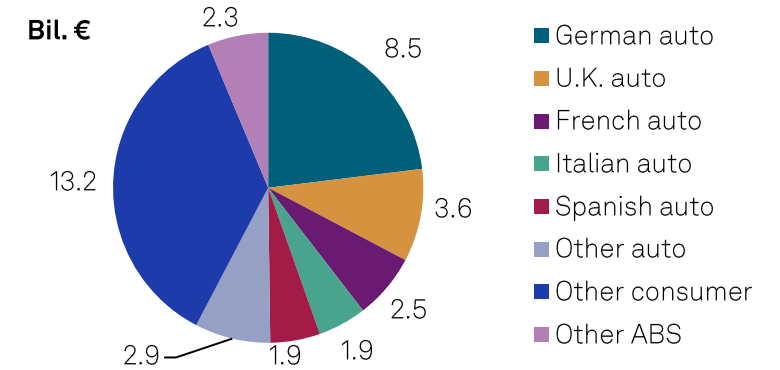
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ABS—Issuance

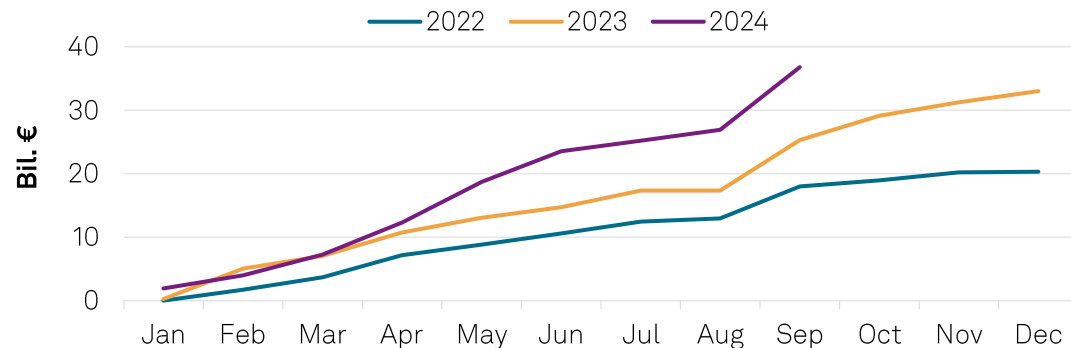
Investor-placed ABS issuance



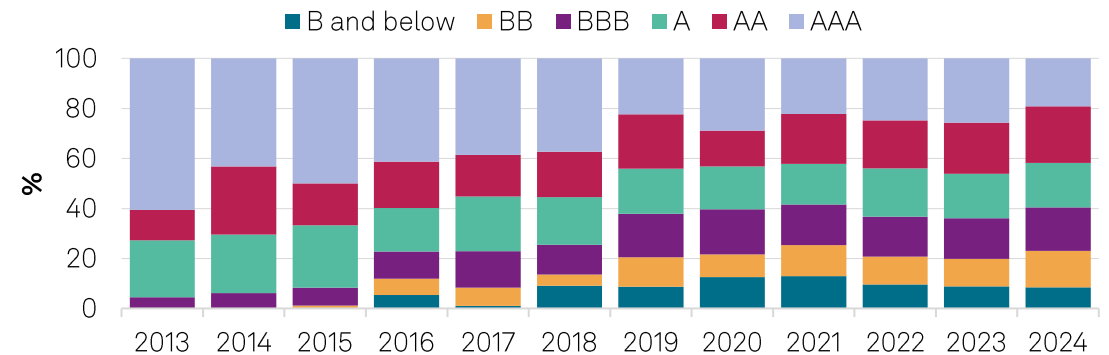
2024 YTD investor-placed ABS issuance, by subsector



Cumulative investor-placed ABS issuance



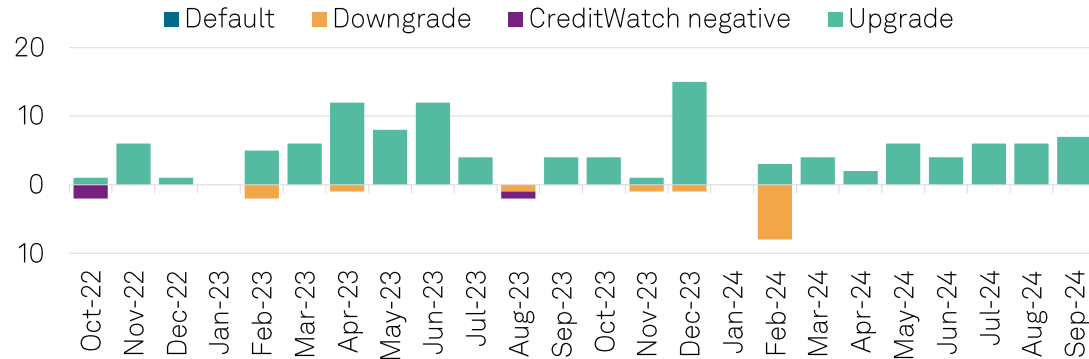
ABS issuance mix, by tranche rating category count



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

ABS—Rating Actions And Performance Metrics

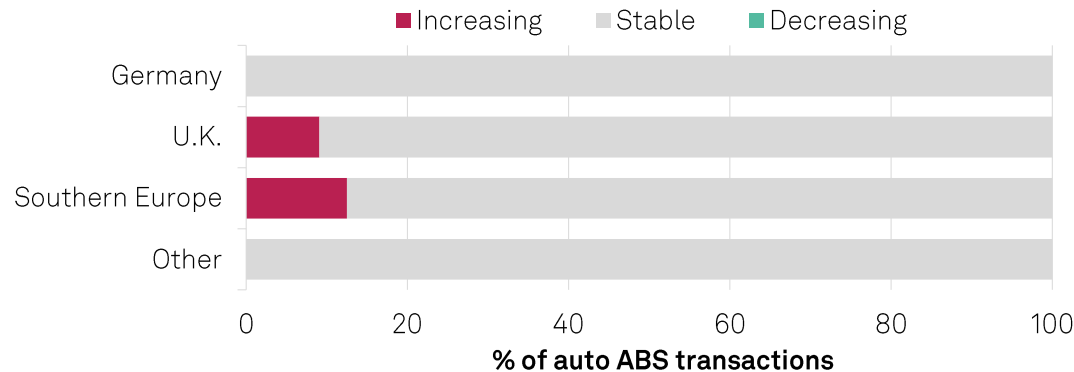
1. Monthly rating actions count, last 24 months



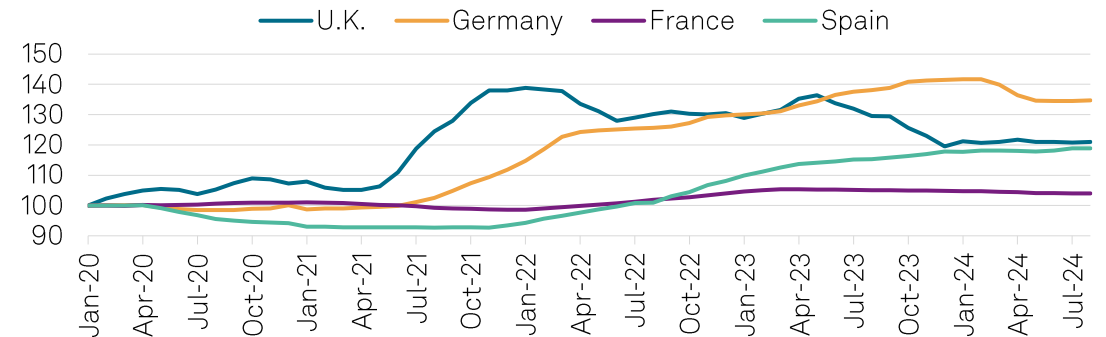
2. Cumulative rating actions count, last 12 months

	Auto/ consumer	Credit cards	Corp. sec.	Other ABS
Upgrade	40	0	8	10
CreditWatch neg.	0	0	0	0
Downgrade	8	0	2	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

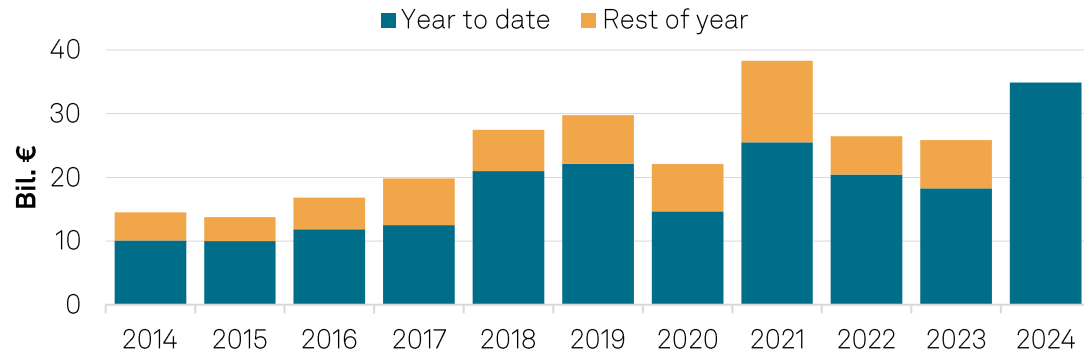
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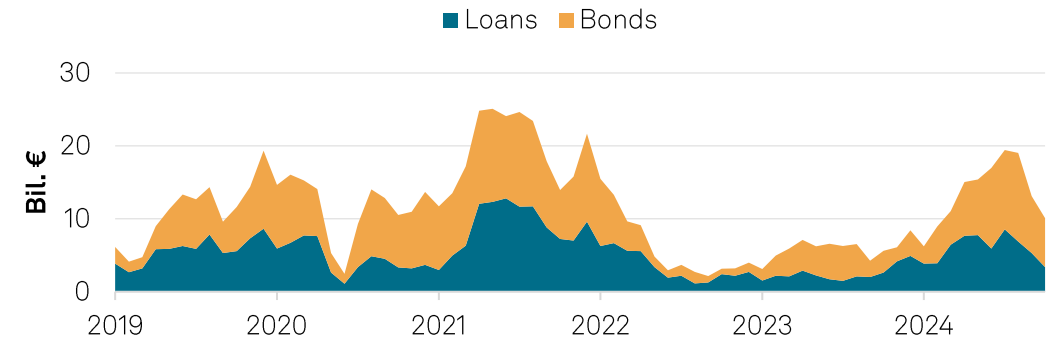
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CLO—New Issuance

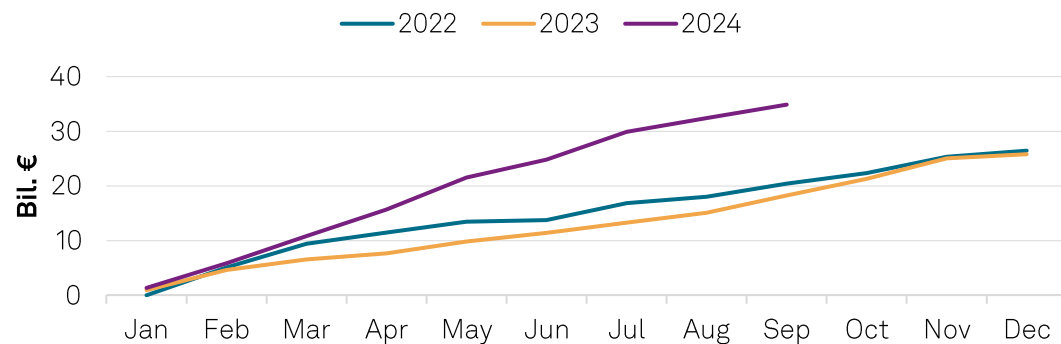
1. Investor-placed CLO new issuance



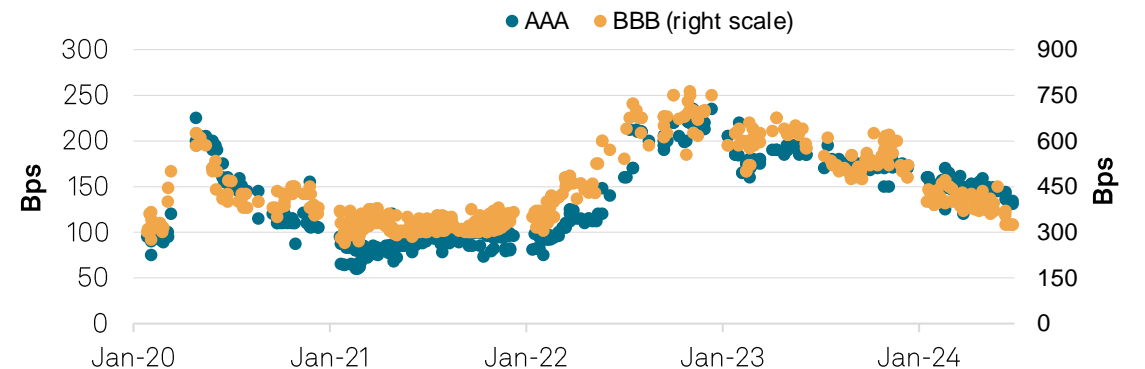
2. Monthly European leveraged finance origination volumes



3. Cumulative investor-placed CLO new issuance



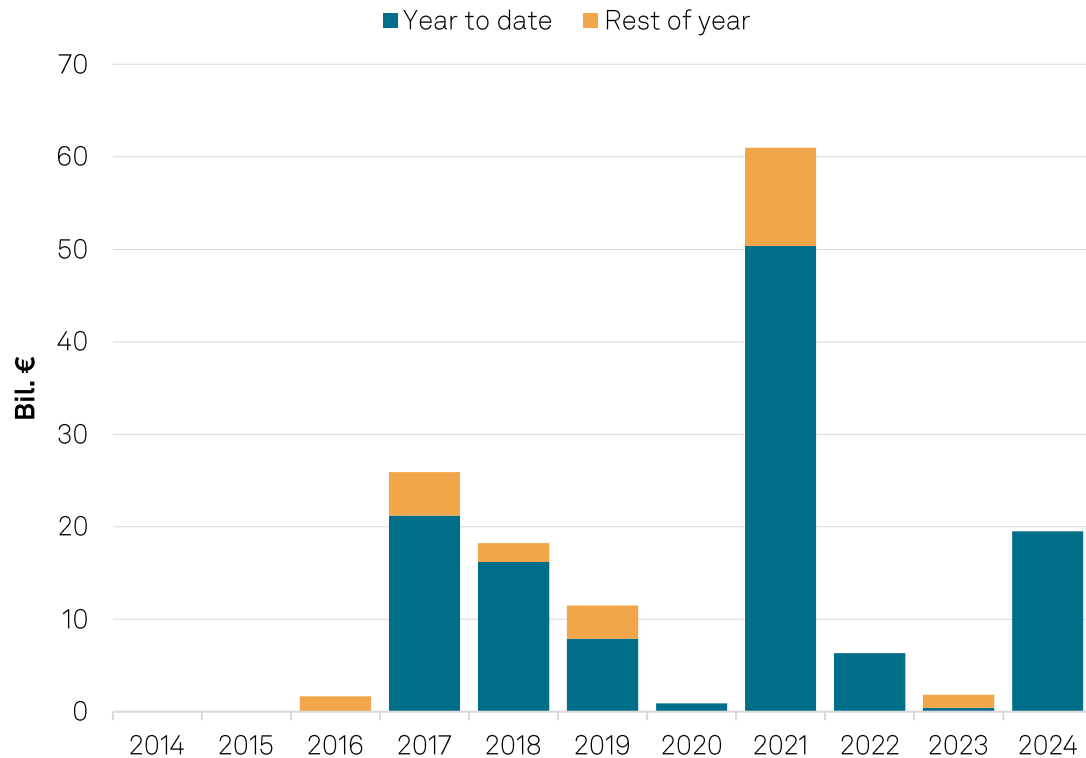
4. European new issue CLO tranche discount margins



1. Year-to-date (YTD) figures as of end-September 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.

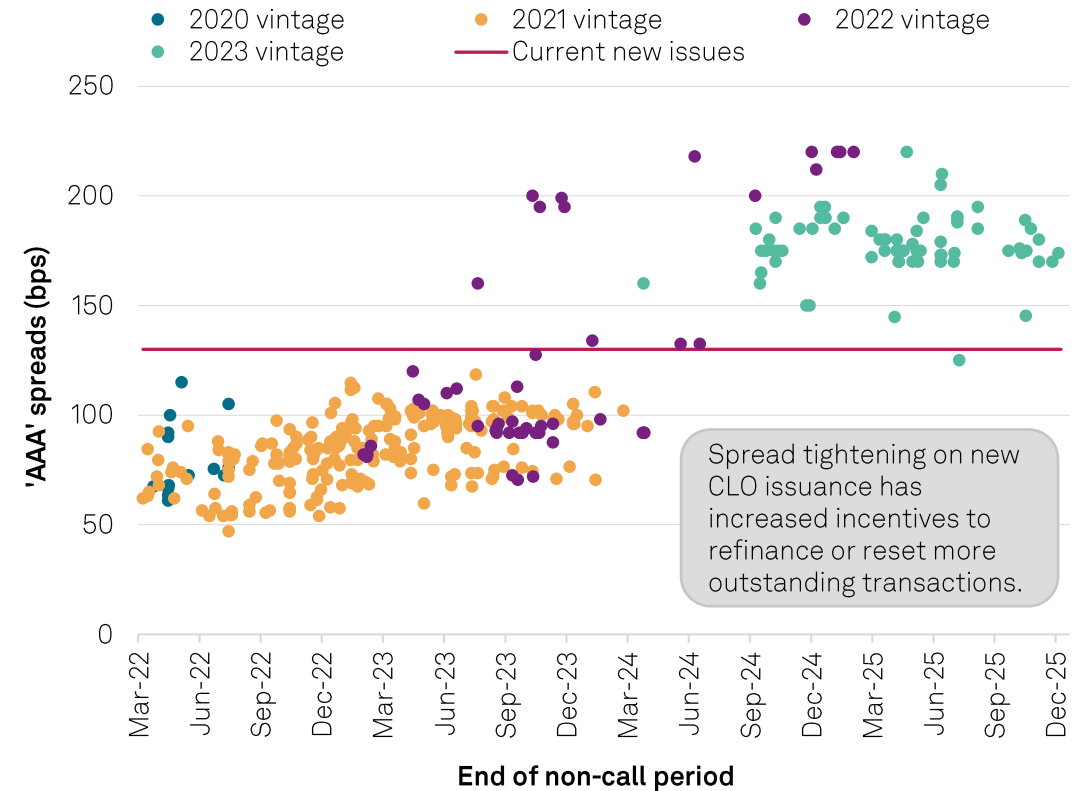
CLO—Refi/Reset Issuance

Investor-placed CLO refi/reset issuance



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

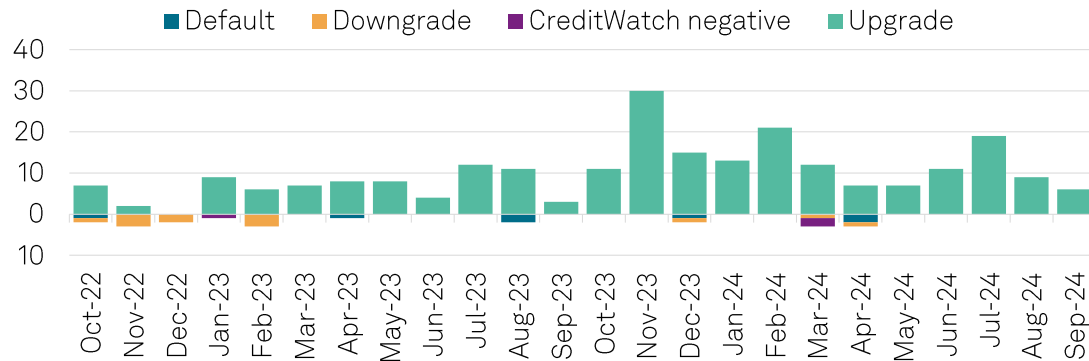
Refi/reset candidates: existing versus current 'AAA' spreads



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

CLO & Structured Credit—Rating Actions And Performance Metrics

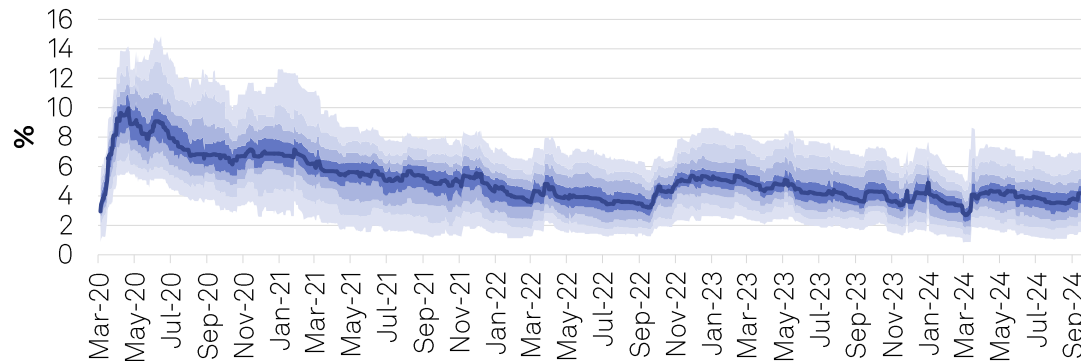
1. Monthly rating actions count, last 24 months



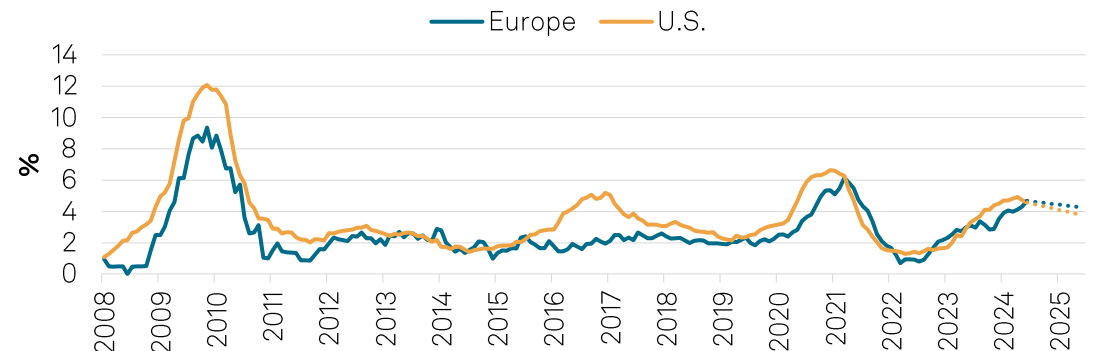
2. Cumulative rating actions count, last 12 months

	CLO	SME	Repack	Other SC
Upgrade	158	0	2	1
CreditWatch neg.	0	0	2	0
Downgrade	1	0	2	0
Default	0	1	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

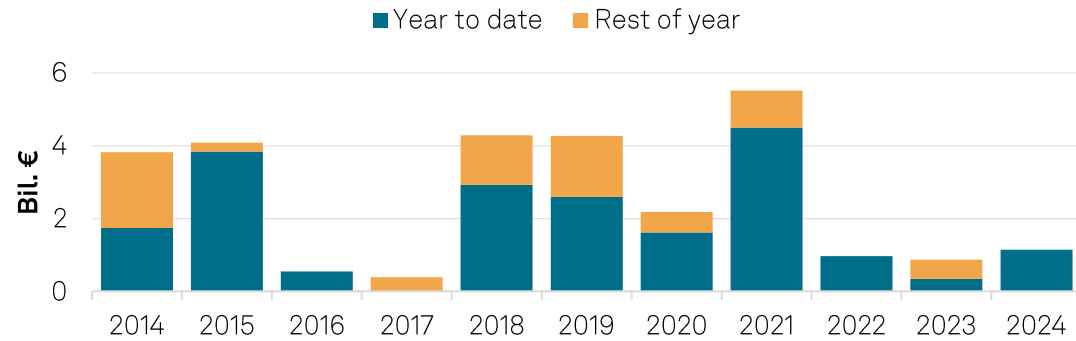
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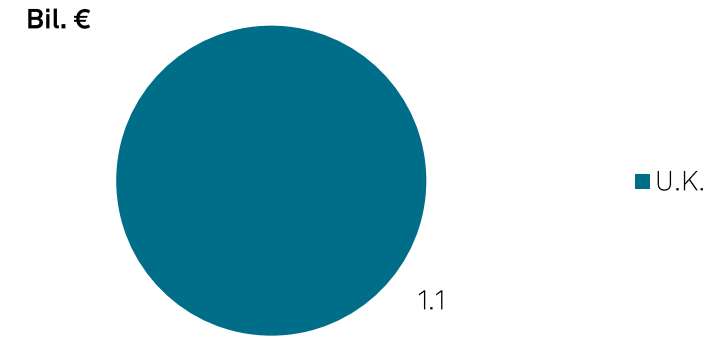
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CMBS—Issuance

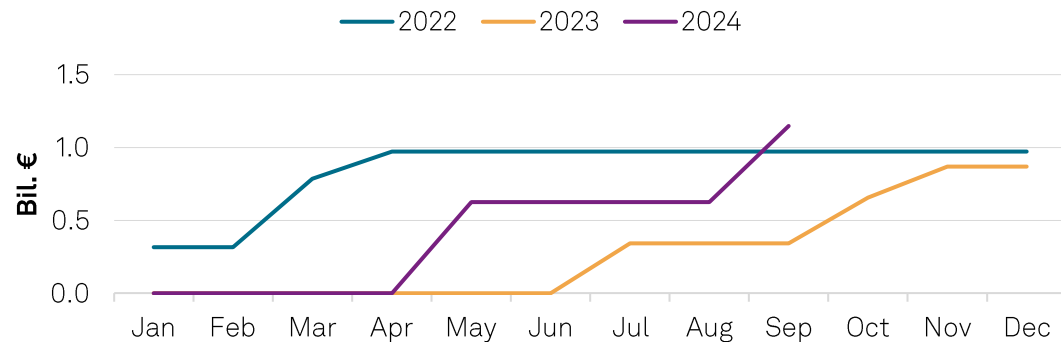
Investor-placed CMBS issuance



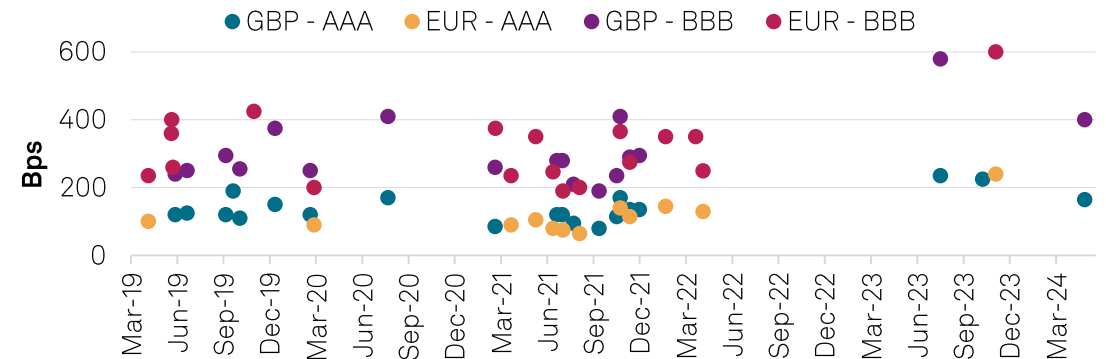
2024 YTD investor-placed CMBS issuance, by country



Cumulative investor-placed CMBS issuance



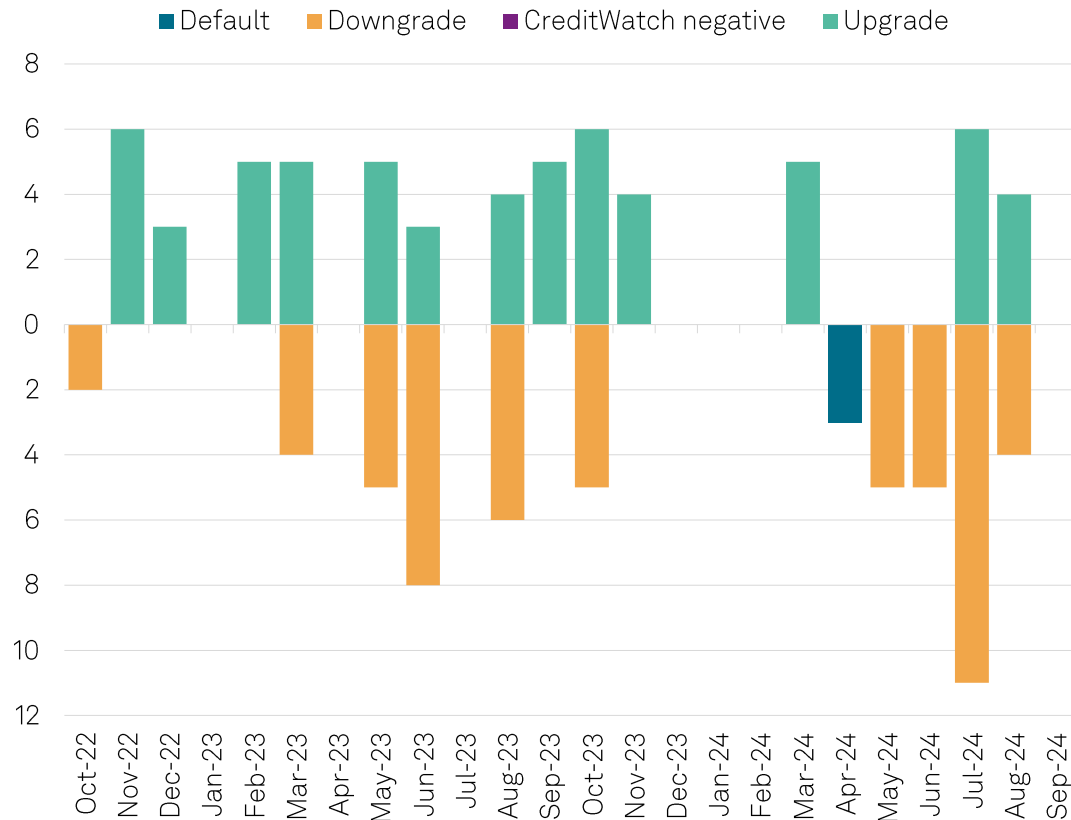
Primary spreads on European CMBS issuance



Year-to-date (YTD) figures as of end-September each year. Bps--Basis points. 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

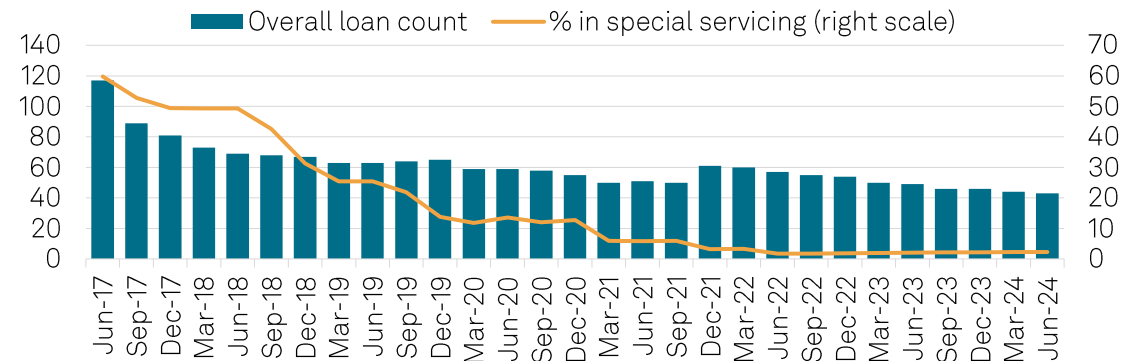
1. Monthly rating actions count, last 24 months



2. Cumulative rating actions count, last 12 months

	Hotel	Retail	Mixed	Other CMBS
Upgrade	0	3	15	7
CreditWatch neg.	0	0	0	0
Downgrade	0	0	20	10
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



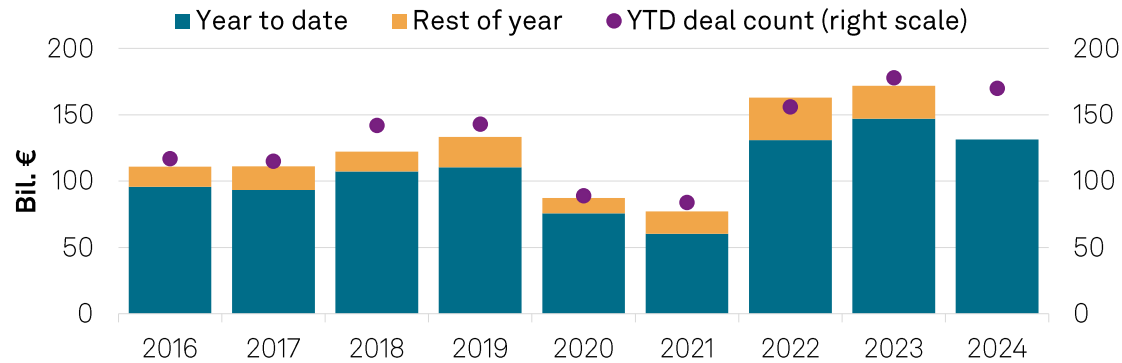
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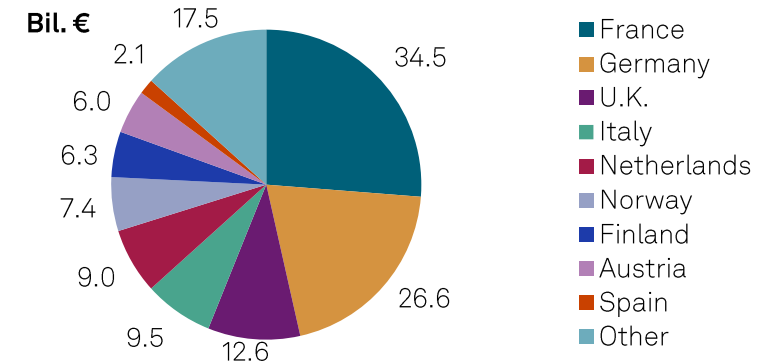
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Covered Bonds—Issuance

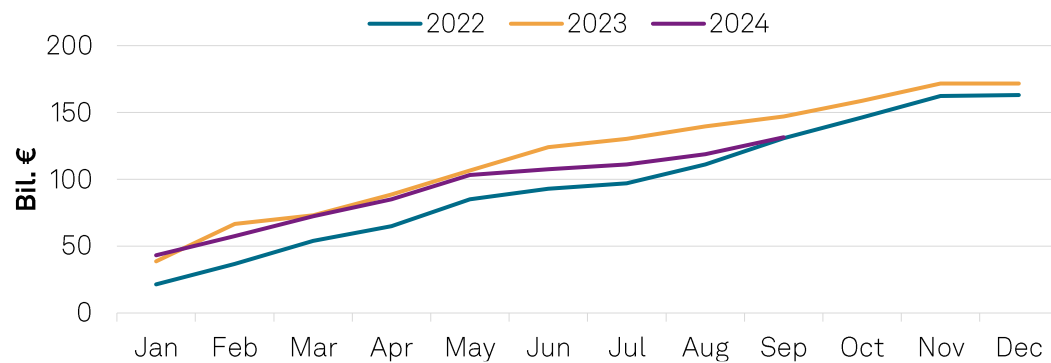
Benchmark covered bond issuance



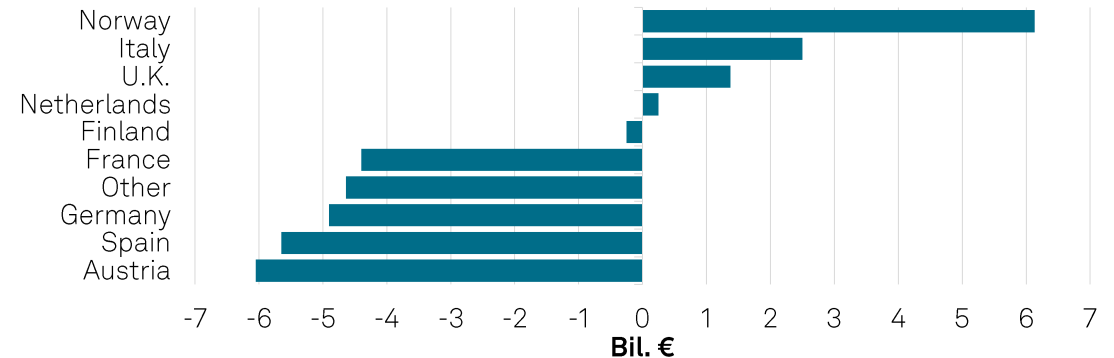
2024 YTD benchmark covered bond issuance, by country



Cumulative benchmark covered bond issuance



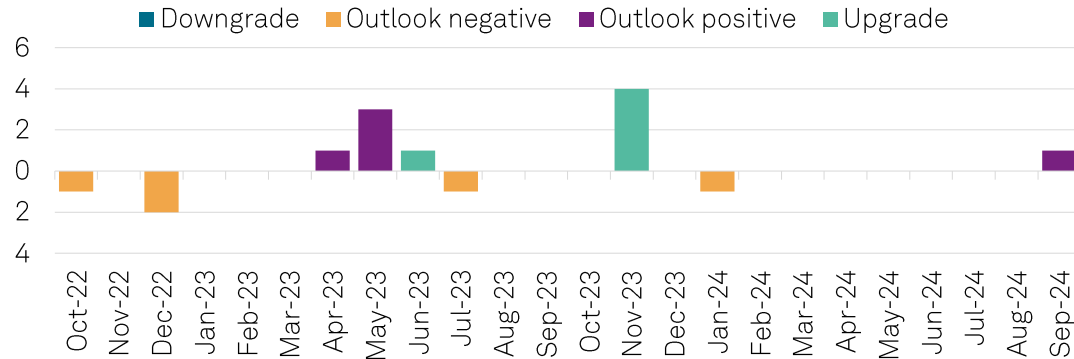
Change in YTD issuance, 2024 versus 2023, by country



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

Covered Bonds—Rating Actions And Performance Metrics

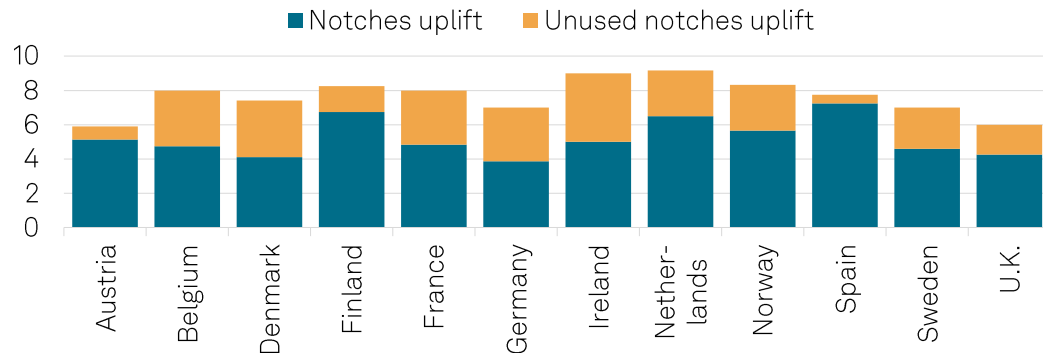
1. Monthly rating actions count, last 24 months



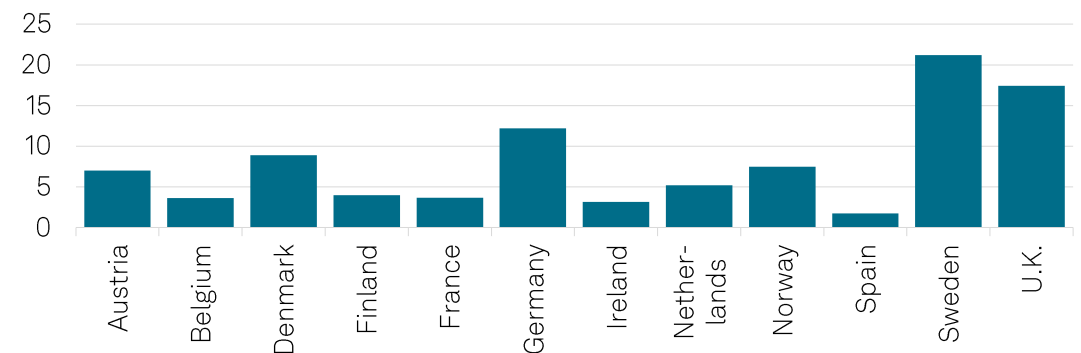
2. Cumulative rating actions count, last 12 months

	Northern Europe	Southern Europe	Central & Eastern Europe	Other CB
Upgrade	4	0	0	0
Outlook positive	0	0	0	0
Outlook negative	1	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-cedulas. CB—Covered Bonds. Source: S&P Global Ratings. 3. As of Q4 2024. Source: S&P Global Ratings. 4. Multiple of credit enhancement available over that required for the current rating. As of Q4 2024. Excludes programs with available overcollateralization exceeding 100%. Source: S&P Global Ratings.

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- [U.K. Corporate Securitization Issuers Can Withstand Higher Refinancing Rates](#), Sept. 18, 2024
- [Global Covered Bond Insights Q4 2024: On Course For A Strong Year](#), Sept. 18, 2024
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- [Highlights From S&P Global Ratings' European Structured Finance Conference 2024](#), Sept. 9, 2024
- [ABS Frontiers: The Credit DNA Of Synthetic Risk Transfer Securitizations](#), Sept. 3, 2024
- [European CLOs: Awash With Cash](#), Sept. 3, 2024
- [European Covered Bonds Resist Commercial Real Estate Jitters](#), Aug. 27, 2024
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- [European Auto ABS Index Report Q2 2024](#), Aug. 12, 2024
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