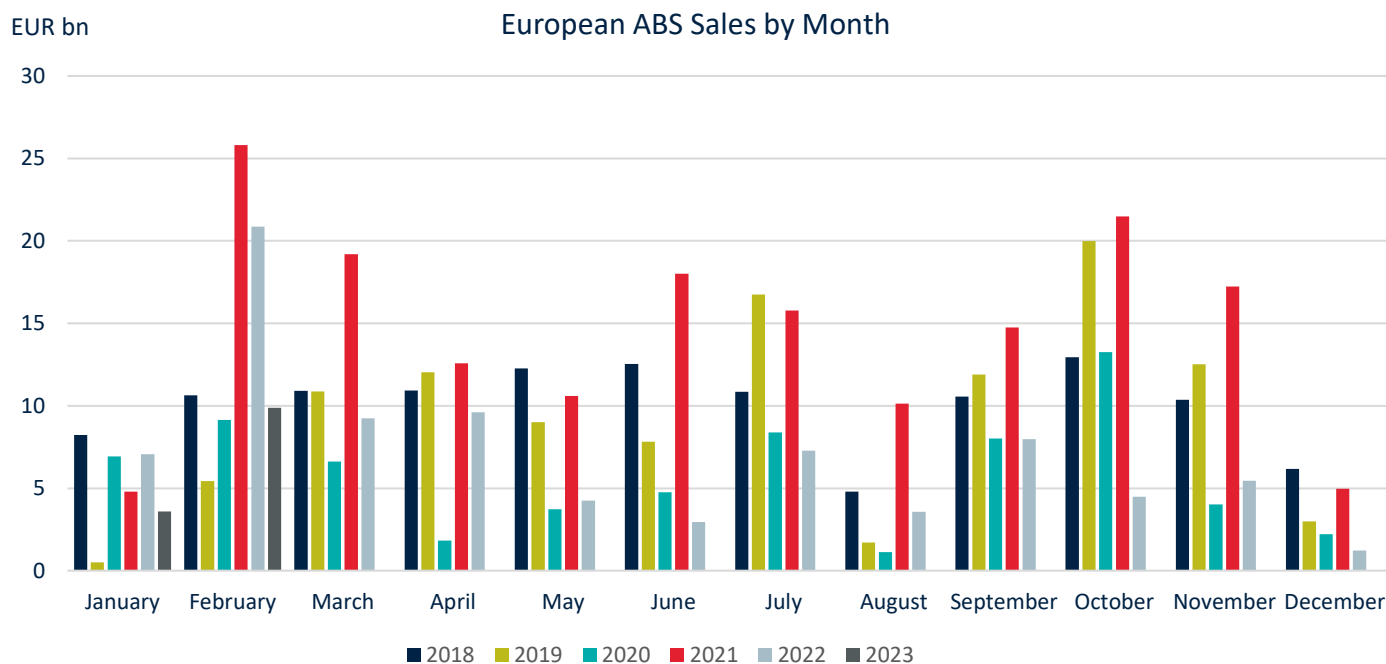


European Structured Finance February 2023 in Review

- ❖ Auto ABS and CLOs dominate February issuance with 16 deals in the asset classes
- ❖ RMBS sales ease from January level with just three trades offered
- ❖ Credit card ABS and social bond consumer deal top up supply
- ❖ STS structures favoured in ABS and RMBS transactions

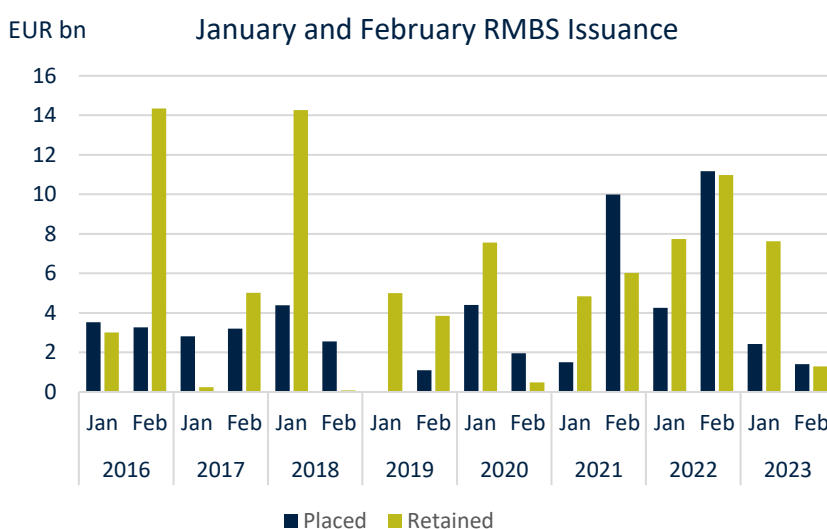
- Placed issuance in February fell just short of the EUR10bn equivalent mark across all asset classes. In total, bonds were sold from 21 deals for around EUR9.9bn, of which **auto ABS** contributed six deals and **CLOs** ten trades for EUR3.9bn and EUR3.8bn respectively, nonetheless helping the total along to the highest since February 2022.
- Auto ABS came from Germany (four deals), Italy and France. The Italian ABS was Europe's first backed 100% by alternative fuels, although not labelled a Green ABS, and the French issue was the second attempt at the partial re-offering of a previously retained deal (see below).
- CLO managers had an active month, printing ten deals. This is the first time since March 2022 that the deal tally hit double figures in a single month. Supply included the first static pool deal of 2023 while Triple A spreads were temporarily at their tightest since July 2022.
- **RMBS** supply eased to three deals from five in January, with a prime UK, a Dutch BTL and an Irish reperforming transaction all being offered. A French **credit card** and a German **consumer loan** deal (with a Triple A Social bond) completed the set.
- February began with a trio of major central bank hikes. The Fed hiked by 25bp and the Bank of England and ECB by 50bp apiece. Market talk of peak rates being achieved in the Autumn gave way to renewed expectations of 'higher for longer', as hot data prints suggested a need for further tightening.
- In just four weeks, peak rate estimates surged by up to 80bp in the UK and the Euro area from a low point in the month on the day of the rate cuts.



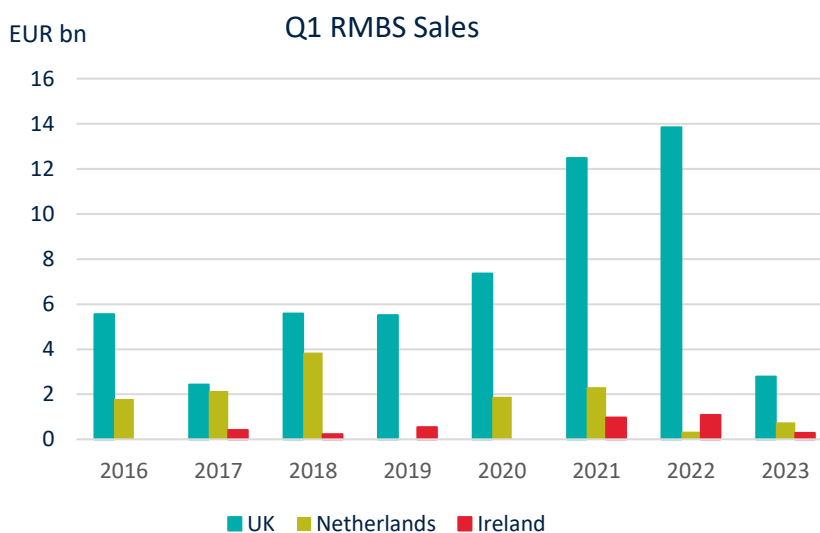
RMBS Issuance Slows To Three Deals

- ❖ Issuance slows to three deals from five in January
- ❖ UK, Dutch and Irish supply place EUR1.4bn
- ❖ Opening two-month total lowest since 2019

- RMBS issuance slowed to three deals in February from five in January, with the volume dropping by around EUR1bn to EUR1.4bn equivalent. Three countries were represented in the form of the UK, the Netherlands and Ireland.



- Less than EUR4bn equivalent has been placed over the first two months of the year, which is the lowest since 2019. Last year opened with a flurry of transactions, propelling volumes to EUR15.4bn equivalent. Although 2023 has started in a more subdued fashion there has been a higher proportion of STS transactions. Around EUR2.1bn or 55% of bonds sold to investors in January and February were STS, versus just 13% in 2022.
- Placed issuance from the UK, Netherlands and Ireland (the three countries represented YTD) has varied over the last few years. Assessing the markets over the whole first quarter show issuance peaking in different years. For the UK, issuance surged to EUR13.8bn equivalent in Q1 2022, Dutch issuance peaked at EUR3.9bn in 2018 and Irish sales at EUR1.1bn in Q1 2022.



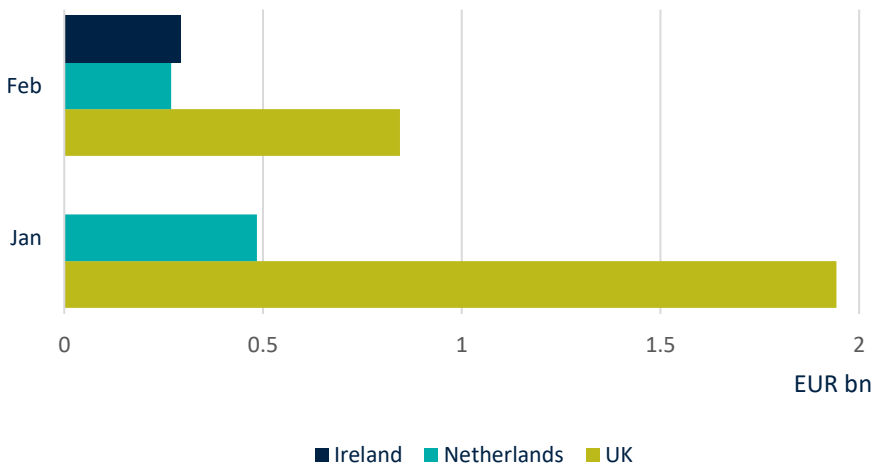
Source: IGM

STS RMBS Picks Up

- ❖ Santander boosts UK volumes
- ❖ STS notes outpace non-STs courtesy of UK and Dutch transactions

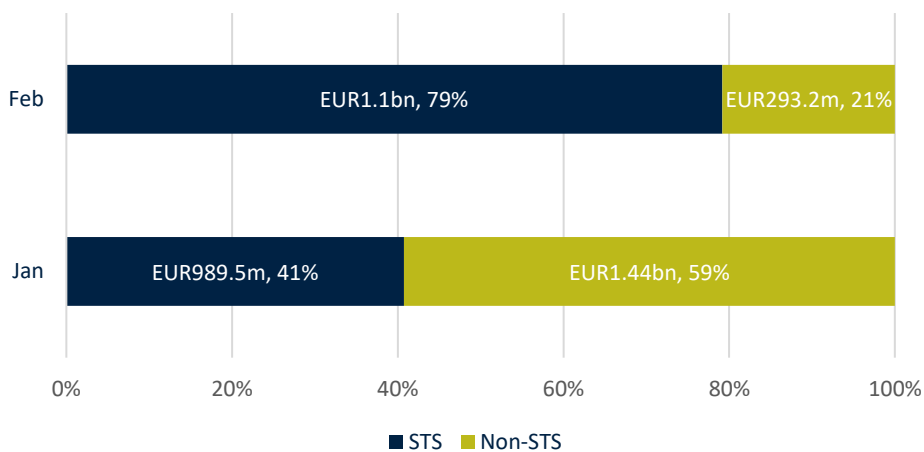
- UK RMBS issuance in February was less than half of that in January, at EUR845m equivalent versus EUR1.9bn, but sufficient to maintain a lead over other jurisdictions. STS transactions were in good demand as Santander upsized its deal and Dominvest cut pricing significantly.
- Issuance was recorded in the prime owner-occupied space (UK), in BTL format (the Netherlands) and also the combination of legacy reperforming portfolios (Ireland).
- February's only UK deal was a master trust transaction from Santander UK, where GBP750m was offered (its first marketed GBP tranche since March 2018) at SONIA+58bp, which was 3bp inside where the issuer's recent covered bond was trading.

January and February RMBS by Country



- Santander's deal, alongside the Domi 2023-1 Dutch BTL RMBS, pushed STS supply through the EUR1bn mark for the month (79%) whereas in January non-STs deals dominated with 59%.
- Whether other issuers that previously had access to TLTRO funding turn to securitisation as an alternative source of funding remains to be seen.

January and February RMBS STS vs non-STs



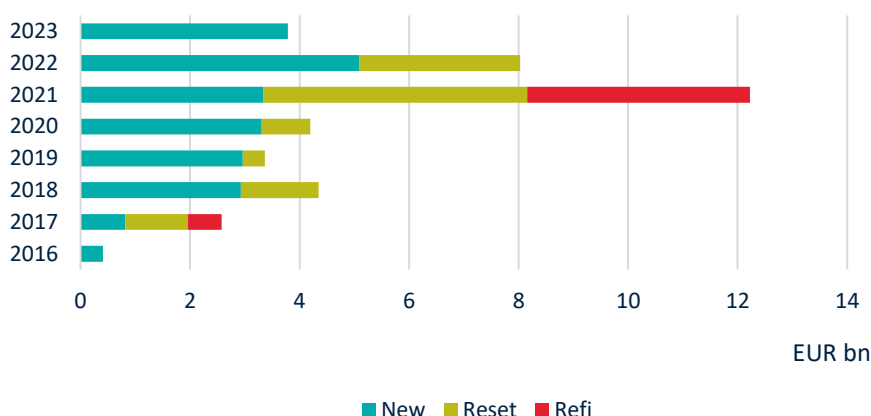
Source: IGM

CLOs Hit Double Figures in February

- ❖ New issue CLOs hit EUR3.8bn from ten deals
- ❖ Triple A spreads tighten before edging back out
- ❖ Monthly average still the tightest since June 2022

- February’s CLO supply reached EUR3.8bn from ten deals, including the tightest Triple A since July 2022, the year’s first static portfolio transaction and a deal structured to give Class A holders the final say before implementing certain clauses in the documentation. These took YTD supply to EUR4.8bn from 13 deals at the time of writing, adding to the three issues in January that priced for around EUR1bn.
- Spreads did trend tighter during the first half of February but widened 10-15bp (towards 180bp for Triple As), as the month closed and remain too wide for reset and refinancing possibilities. In fact, some managers are liquidating warehouses in the face of higher costs while one recently sought to extend the WAL test in the absence of being able to reset or refinance.

February Euro CLO Issuance by Type



- Average Triple A spreads have been trending lower since November. The February average is the lowest since June 2022 but still almost double the average of February 2022.

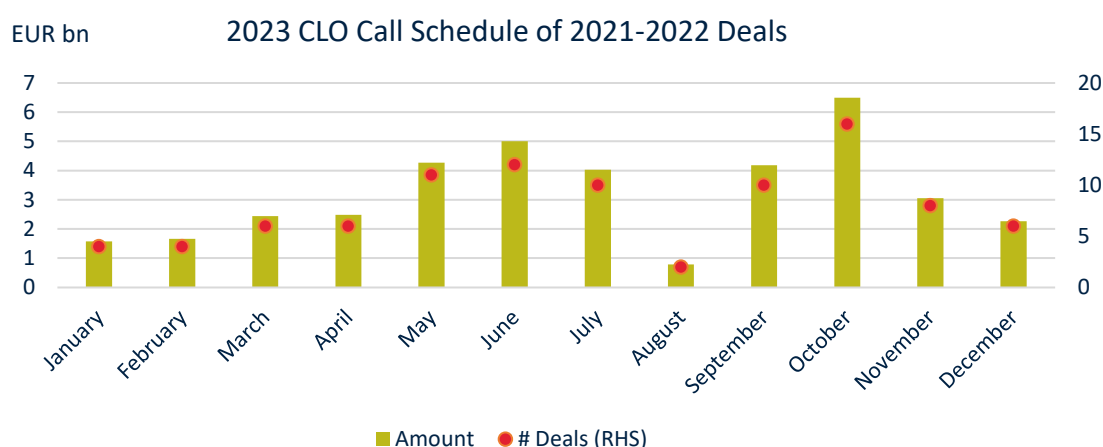
Month	EUR avg(m)	AAA avg	NC avg	RP avg	AAA CE avg
Feb-22	417.57	92.9bp	1.65y	4.7y	38.45%
Mar-22	428.31	110.4bp	1.41y	3.8y	38.06%
Apr-22	404.48	113.75bp	1.46y	3.6y	38.75%
May-22	398.03	115.8bp	1.48y	3.72y	39.63%
Jun-22	344.8	140bp	2y	5y	40.50%
Jul-22	375.68	184.57bp	1.4y	3.5y	41.32%
Aug-22	386.6	193.17bp	1.53y	3.35y	40.69%
Sep-22	367.6	196.4bp	1.32y	3.12y	39.75%
Oct-22	325.13	205.2bp	1.2y	2.13y	40.27%
Nov-22	396.38	218.3bp	1.7y	4.08y	41.47%
Dec-22	370.34	213.3bp	1.8y	3y	39.60%
Jan-23	343.4	191.67	1.47y	4.53y	40.39%
Feb-23	376.89	179.33bp	1.73y	4.5y	39.14%

Source: IGM

Solid February But YTD Total Lower Than 2022

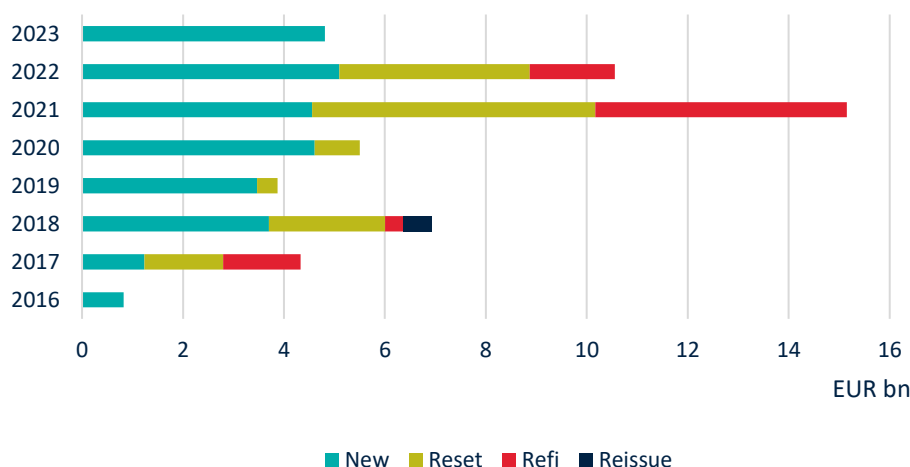
- ❖ Opening two months worth of deals all in new issues
- ❖ January and February total of EUR4.8bn ahead of record 2021, but down on 2022
- ❖ Callable Deals Total Grows

- Since the start of the year another EUR3.2bn of CLOs that were launched in 2021 and 2022 have become callable and the total swells in the coming months. However, as has been the case since April 2022, there is limited scope to re-price due to prevailing market levels.



- As this chart below shows, January and February's entire CLO supply has come in new issue format in the absence of reset or refinancing options. By comparison, in 2021 EUR10.6bn of CLOs were reset or refinanced in January and February. In 2022 this figure dropped to EUR5.5bn.
- The last reset was back in April 2022 and the previous refinancing was even further back, over one year ago in January 2022.
- The EUR4.8bn of new issuance recorded in the opening two months is even higher than that seen in what eventually became a record-breaking 2021, when EUR4.6bn was issued. The full-year 2021 total surged to EUR38.6bn though. In 2022, January and February yielded EUR5.1bn but subsequent market deterioration meant final year supply fell 32% to EUR26.2bn.

January and February CLOs by Type



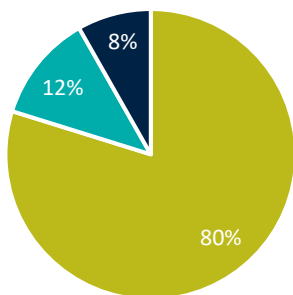
Source: IGM

Autos accelerate

- ❖ Six auto ABS hit the market in February
- ❖ Four German deals accompanied by one Italian and a French re-offering
- ❖ First alternative fuel deal hits the market

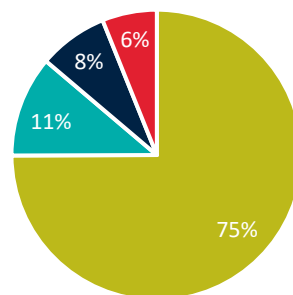
- Auto ABS sales ramped up in February with six transactions pricing, following just one deal in January. Issuance was dominated by German issuers, a familiar theme in the market, while an Italian debut deal was backed 100% by alternative fuels and a French transaction was re-offered at the second attempt (postponed in October due to market volatility).
- The German deals came, in chronological order, from LeasePlan Deutschland GmbH (first since October 2019), Volkswagen Leasing GmbH, BNP Paribas’ German branch (debut) and BMW Bank GmbH. And there could have been one more as RCI Banque announced a deal for ‘as early as 24 February’ but it was held back, possibly due to recent competing supply.
- The Italian deal was issued by Toyota Financial Services Italia S.p.A and the French re-offering was from CA Consumer Finance.
- Placed auto ABS sales in February reached EUR3.93bn, following EUR254.5m equivalent in January, to give a running total of around EUR4.2bn. German issuance accounted for EUR3.13bn or 79.8%. The Italian deal added 12% and the French re-offering 8.2%.

February Auto ABS by Country



■ Germany ■ Italy ■ France

2023 YTD Auto ABS by Country



■ Germany ■ Italy ■ France ■ Switzerland

Source: IGM

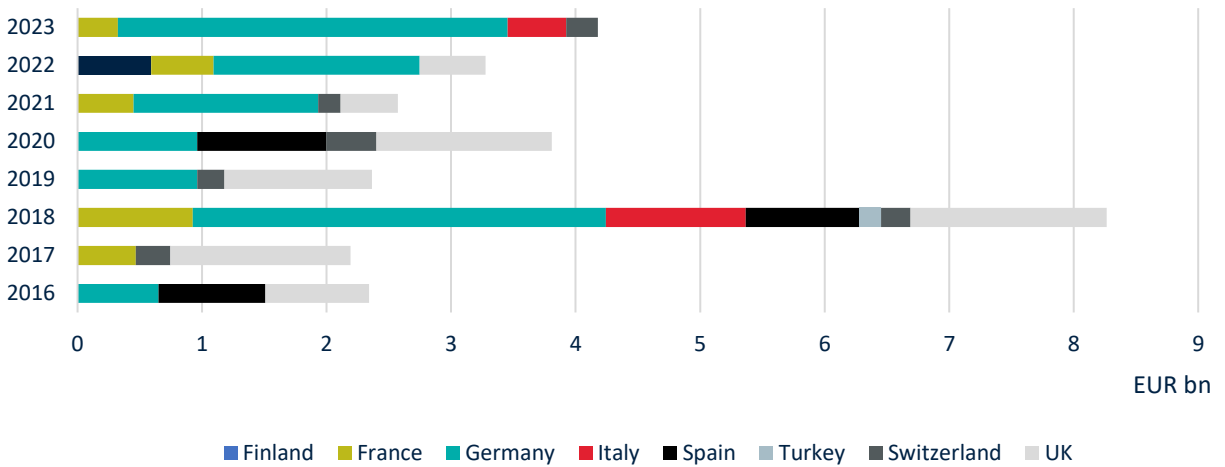
- The Italian auto was notable for being the first 100% alternative fuels auto ABS in Europe, although it was not marketed as a Green transaction. Around 98.5% was labeled as plug-in hybrid, but these only qualify if certain emissions thresholds are met. And while marking a positive development for the market it may not be the start of a flurry of repeat transactions.
- BMW Bank and Volkswagen both upsized their deals on the back of strong demand while BNP Paribas cut pricing significantly on the mezzanine and junior tranches of its full capital structure transaction.
- German issuance accounts for 75% of placed auto ABS so far this year, with over EUR3bn sold.

Opening Two Months Rival Previous Q1 Totals

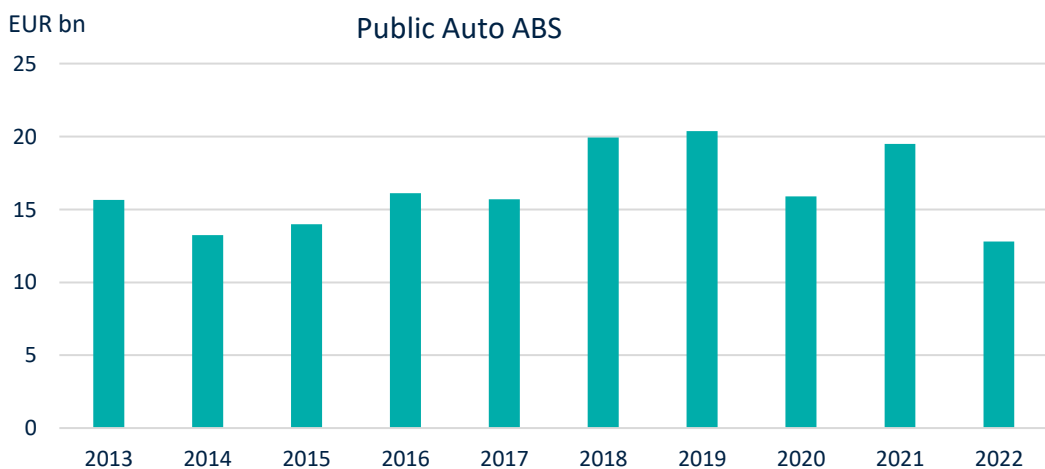
- ❖ Sluggish 2022 gives way to rapid start for auto issuers in 2023
- ❖ January and February supply exceeds full Q1 total in six of last seven years

- The quick start to the year for European auto ABS has driven issuance over the first two months past the whole Q1 total seen in six of the seven previous years.
- 2022 had got off to a steady start with EUR3.3bn in Q1 but only EUR9.5bn more was recorded in the next three quarters for a final year tally just short of EUR13bn, the lowest in around a decade.
- The auto market has faced several headwinds over the last few years, first with Covid and then the Ukraine invasion, and origination levels were hampered. But the new car registration figures did show signs of improvement in late 2022 so there is hope for improved ABS issuance levels.

Q1 Auto ABS Issuance



- The chart below shows auto ABS peaking around the EUR20bn mark in 2018, 2019 and 2021, before dropping off significantly in 2022.



Source: IGM

European SF Volume Report Appendix

- [European Structured Finance Volume Report – January 2023](#)
- [European Structured Finance Volume Report – Full Year 2022](#)
- [European Structured Finance Volume Report – November 2022](#)
- [European Structured Finance Volume Report – October 2022](#)
- [European Structured Finance Volume Report – Q3 2022](#)
- [European Structured Finance Volume Report - August 2022](#)
- [European Structured Finance Volume Report – July 2022](#)
- [European Structured Finance Volume Report – H1 2022](#)
- [European Structured Finance Volume Report – May 2022](#)
- [European Structured Finance Volume Report – April 2022](#)
- [European Structured Finance Volume Report – Q1 2022](#)
- [European Structured Finance Volume Report – February 2022](#)
- [European Structured Finance Volume Report – January 2022](#)