

European Structured Finance October 2024 in Review

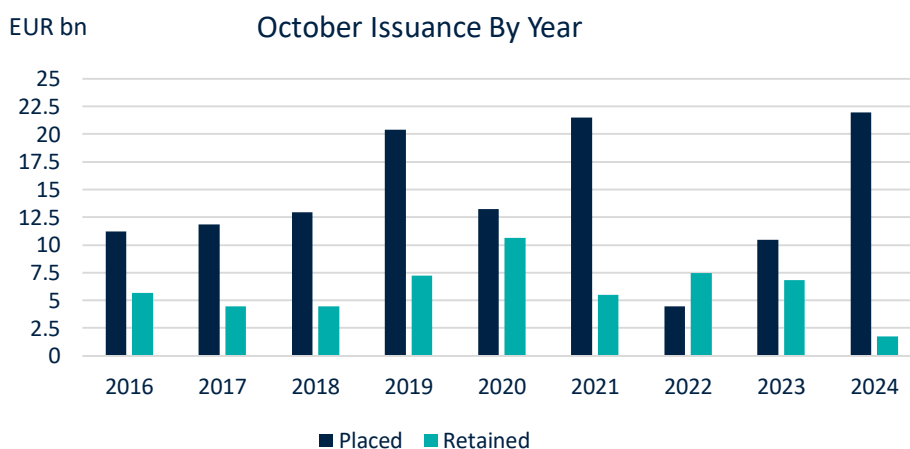
- ❖ Busy month as deal tally tops 50 and volumes reach EUR22bn
- ❖ RMBS sales surge with refinancings prevalent, but variation still seen in offerings
- ❖ EUR5.5bn more on new issue CLOs allow new YTD record; Autos extend lead
- ❖ Esoteric supply includes debut solar loan ABS; consumer, cards and CMBS top up total

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- A total of 51 public deals were issued in the European structured finance market in October, edging ahead of May's tally, although volumes fell short at less than EUR22bn equivalent versus close to EUR27bn. The numbers were helped by busy RMBS and CLO markets (which broke the 2021 record), as well as continued activity in the auto and consumer space.
 - Several issuers made use of the preplacement strategy, which would add some certainty to the bookbuilding process. In some cases, entire senior lines were preplaced, and for the smaller junior tranches BWIC strategies were implemented to introduce a little more price tension.
 - In October government bond yields did exhibit some volatility and interest rate cut expectations were continually adjusted. That was just ahead of the main risk event, the US Presidential election on 4 November.
 - For the SF sector, new issue spreads were rangebound for the repeat issuers while the debut offerings required a little more price discovery. Preplacements aside, subscription levels were generally solid, even if some issuers went from IPTs straight to final guidance once the senior tranche was fully covered. On the whole tranches were well covered and most priced inside IPTs.
 - The RMBS and CLO markets dominated volumes while autos also had a strong showing, as each asset class recorded gains over preceding years, even the whole year totals. There was a healthy mix of repeat issuance and debut deals.
 - There was also activity in the auto, credit card, consumer loan, CMBS and solar loan (first of its kind) sectors as October sales exceeded September by 9% (EUR20.2bn achieved), and were up more than 100% versus October 2023 (EUR10.5bn).
 - How busy the final two months of 2024 are remains to be seen, and in previous years supply levels have varied quite significantly. In 2023 November provided EUR9bn and December over EUR4bn. In 2022, November and December issuance tallied just EUR5.5bn and EUR1.2bn. But in 2021, the public deal count across all asset classes was EUR17.2bn and EUR5bn in the final two months of that year. Some EUR6.7bn of new issue CLOs played a key role in November 2021, with EUR3.8bn of resets and refinancings.
 - Several cleansing notices have been published by CLO managers in recent weeks so there is still scope for the 2024 total of resets and refinancings to grow, while the new issues sector continues to perform.
 - As for the other leading asset classes such as RMBS and auto, the flow of deals could recommence now that the US election is out of the way to leave rate decisions as the main influences. The Fed has November and December meetings, as does the Bank of England, but the ECB has only one decision left to announced in December.

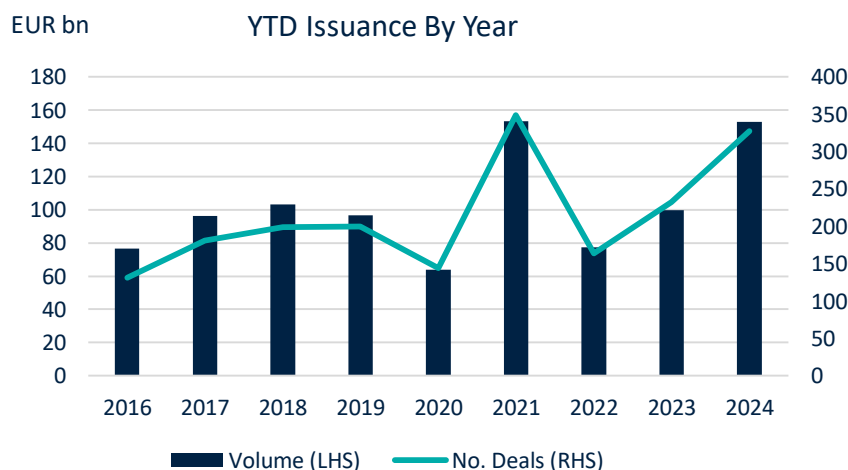
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- ❖ Placed issuance more than double October 2023
- ❖ Market recovers after lower October volumes in the past two years
- ❖ Total YTD placed issuance tops EUR150bn across all asset classes
- ❖ First year since 2021 for placed volumes to top EUR100bn YTD

- The 51 public deals in October yielded around EUR22bn, marking a substantial increase on the EUR10.5bn in October 2023 from 27 deals. The years of 2019 and 2021 also saw strong volumes in October, at EUR20.4bn and EUR21.5bn from 41 and 27 deals respectively.
- There was a steady increase from 2016 to 2019 and in 2020 October supply dipped back towards pre-2019 levels. However, the resurgence of the CLO market in 2021 drove volumes higher as new issues and repriced trades dominated. Issuance slumped in October 2022 to just EUR4.5bn, as the market took some time to settle following the infamous UK mini-budget of 23 September 2022. Central banks were also still in their hiking phase.
- About EUR10.5bn was issued in October 2023, another difficult month due to the commencement of Middle East tensions. But volumes more than doubled in October 2024.



- The YTD performance follows a similar trend to 2021, with sales over the EUR150bn mark. This year, EUR152.9bn has been recorded from 327 transactions, versus EUR153.1bn from 349 issues in 2021. These two years are the only two out of the last nine for EUR100bn+ to be recorded, although 2023 fell marginally short at EUR99.85bn.

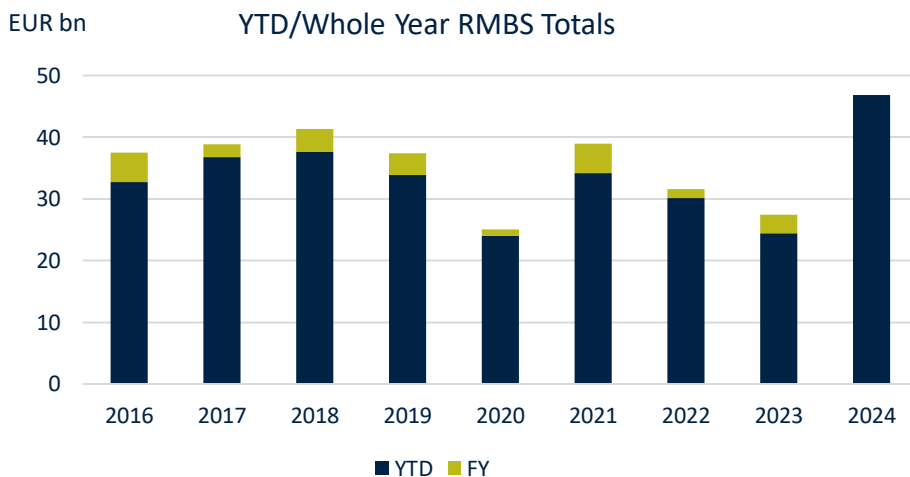


Source: IGM

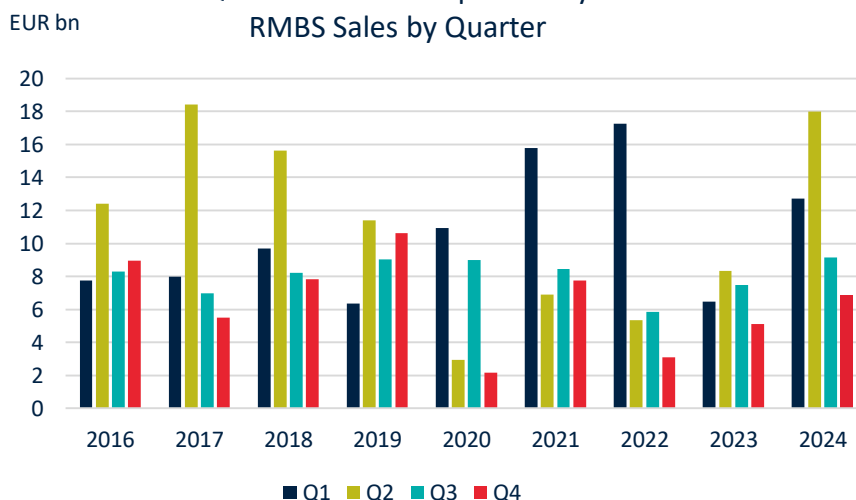
Busy Month For RMBS As Sales Near EUR7bn

- ❖ October second busiest month for RMBS
- ❖ UK issuers account for 14 of the 17 deals placed with investors
- ❖ YTD sales of EUR46.8bn up 91% in 2023

- RMBS sales surged in October, but a spate of refinancings and preplacements propped up supply. 17 deals launched for EUR6.9bn equivalent, making October the second busiest month of the year after May (EUR11.2bn). That exceptional month was the biggest since February 2021 (coincidentally, also EUR11.2bn). October 2023 yielded just EUR2.16bn of placed paper.
- UK supply was dominant. Deals in GBP have always led RMBS volumes but October was particularly strong for the jurisdiction with 14 of the 17 issues. The other deals included a French Green RMBS, a Dutch refinancing and a Spanish refinancing. These all took YTD supply to EUR46.8bn equivalent, up a massive 91% on the EUR24.5bn in the first ten months of 2023.
- In recent years, the average November/December RMBS placement was about EUR3bn, dating back to 2016. That year and 2021 were very similar with ~EUR4.7bn, propping up the average following disappointing levels of supply in 2020 (EUR1bn) and 2022 (EUR1.5bn). Should that average extend to 2024, this year will achieve around EUR48bn of placed bonds. The YTD tally has already exceeded the full year total of each of the previous eight years.



- The near EUR7bn of supply in October also gets the fourth quarter off to a decent start, and has already exceeded the full Q4 total for several previous years.

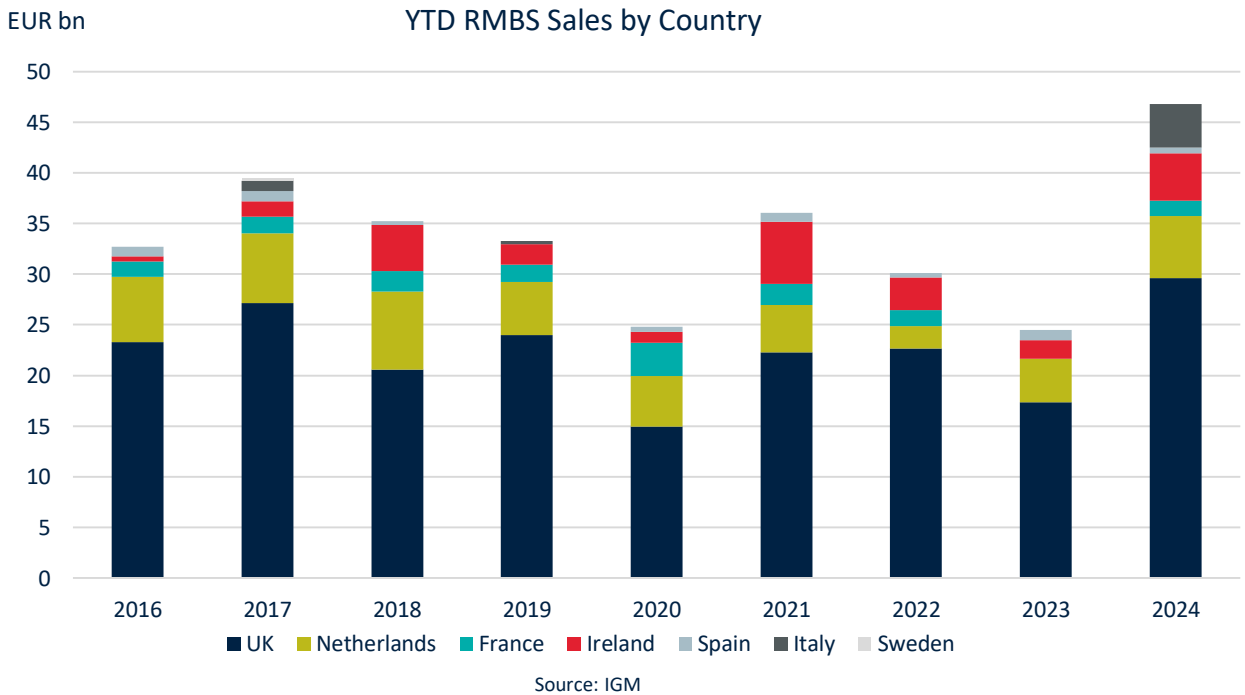


Source: IGM

UK Still Leads RMBS

- ❖ UK offerings make up 75% of October, but YTD proportion dips to 63%
- ❖ Dutch, French and Spanish trades complete jurisdiction list
- ❖ Green bond, new issuers and refinancings among the supply

- As noted on the previous slide, there were 14 UK deals in October, and these provided EUR5.2bn equivalent of supply. This worked out to 75% of the month's EUR6.9bn. Other jurisdictions represented included Spain with EUR400m (6%), Spain with EUR581m (8%) and France with EUR750m (11%).
- YTD, UK supply is at EUR29.6bn equivalent, or 63% of the EUR46.8bn tally. Dutch deals are in second place with EUR6.1bn (13%), followed by Ireland with EUR4.7bn (around 10%), Italy with EUR4.3bn (9%), France with EUR1.5bn (over 3%) and Spain with EUR581m (above 1%).



- RMBS supply levels have certainly received a significant boost in 2024, and those UK trades go a long way towards explaining it. While the overall numbers are dominant, the actual proportion of UK supply is lower than the past three years (74% in 2023, 75% in 2022 and 66% in 2021). The final year volumes for those years were EUR20bn, EUR24bn and EUR26bn equivalent.
- Supply this October included prime STS paper (with a new master trust from Yorkshire Building Society deployed, and also a reoffer), BTL bonds, a mix of owner-occupied and BTL mortgages, as well as second-lien collateral. Legacy mortgages were also securitised in a series of refinancings that hit the market as replaced issues.
- The French deal (from BPCE) was structured to comply with Green criteria on a use of proceeds basis, as it did in September 2021. The Dutch deal from the EDML programme refinanced two issues from 2019 (one of which was itself a refinancing), the Spanish issue refinanced Miravet trades from 2019 and 2020 (that 2019 issue was also a refinancing).

UK And EU Mortgage Demand Recovering

- ❖ UK mortgage approvals at reach two-year high in September
- ❖ Lower rates and outlook see EU housing loan demand at strongest since Q2 2015
- ❖ If bank expectations met, EU Q4 demand would be strongest since Q4 2005

- RMBS supply levels have certainly received a significant boost in 2024, and the stock of underlying collateral is showing signs of recovery too with mortgage origination levels stepping up. In the UK, the figures for September (the most recent available) showed the highest origination level since August 2022.



Source: Bank of England

- In the EU, the ECB reported in its Bank Lending Survey that “Banks reported a strong net increase” in housing loan demand, at 39% in Q3 (highest since 42% in Q2 2015). And in an upbeat assessment of the numbers the central bank commented on “a further signal of the start of a recovery from the strong declines over the monetary policy tightening cycle.”
- Actual loan demand exceeded lender expectations (26%) by some margin, and in Q4 banks see the upward trajectory maintained. In Q4 2024, a net 44% of banks see rising loan demand. If that is realised it would mark the highest level since 45% was seen in Q4 2005. Falling interest rates and improving housing market prospects were the main driving factors.

Changes in demand for loans to households for house purchase, and contributing factors

(net percentages of banks reporting an increase in demand, and contributing factors)



Source: ECB Bank Lending Survey

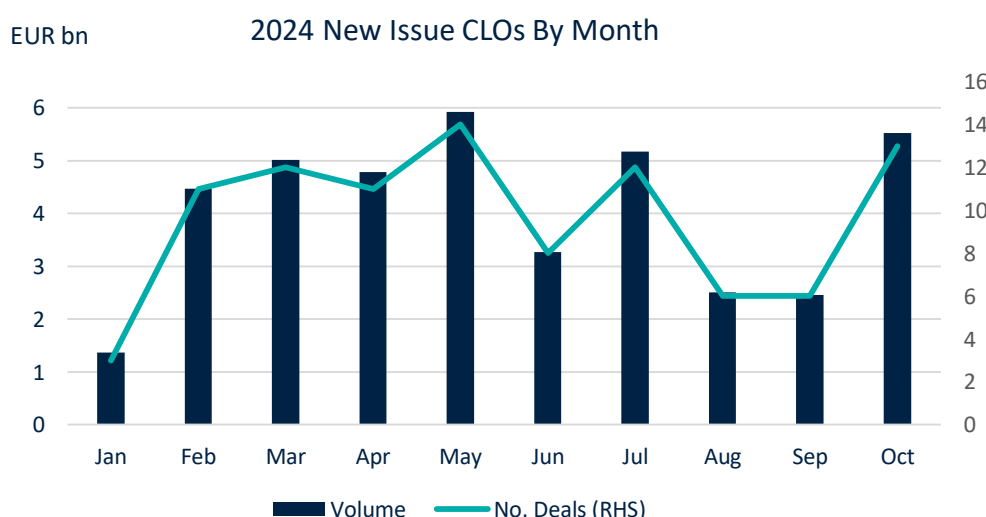
New Record Issuance For Euro CLOs

- ❖ Busy month as EUR5.5bn of new supply prints to break 2021 record
- ❖ EUR40.5bn of new deals recorded YTD to the end of October
- ❖ October tally of 13 new CLOs just one deal behind May

- A succession of new issue CLO pricings in October, a total of 13 (second busiest month YTD after 14 in May), raised EUR5.5bn to help the YTD 2024 total to EUR40.5bn and overtake the 2021 post-GFC whole-year record of EUR38.6bn. With all of November and some December still to come there is scope for the final 2024 tally to be significantly higher.
- Issuance in 2021 came from 94 deals, and the YTD 2024 total to the end of October was 96. This gave an average deal size of EUR421.7m YTD, versus an average transaction size of around EUR411m in the previous record year of 2021.
- October was just one deal short of the May tally, where 14 deals produced EUR5.9bn, but even so it makes it four months of the year so far where new issue volumes have topped EUR5bn. It ranks the third busiest month in recent years following EUR6.7bn in November 2021 and EUR5.9bn in May 2024. Five months of the ten in 2024 rank in the top ten biggest months when looking back to 2016.

Rank	Year	Month	Volume
1	2021	Nov	6,707,820,000
2	2024	May	5,921,880,000
3	2024	Oct	5,519,240,000
4	2021	Oct	5,450,321,000
5	2019	Jul	5,432,400,000
6	2021	Jul	5,214,822,000
7	2024	Jul	5,174,930,000
8	2022	Feb	5,097,010,000
9	2024	Mar	5,019,850,000
10	2024	Apr	4,783,591,000

- After a slow January, issuance picked up from February to May, before dips in June and then August and a somewhat surprisingly flat September. October's volume doubled September.

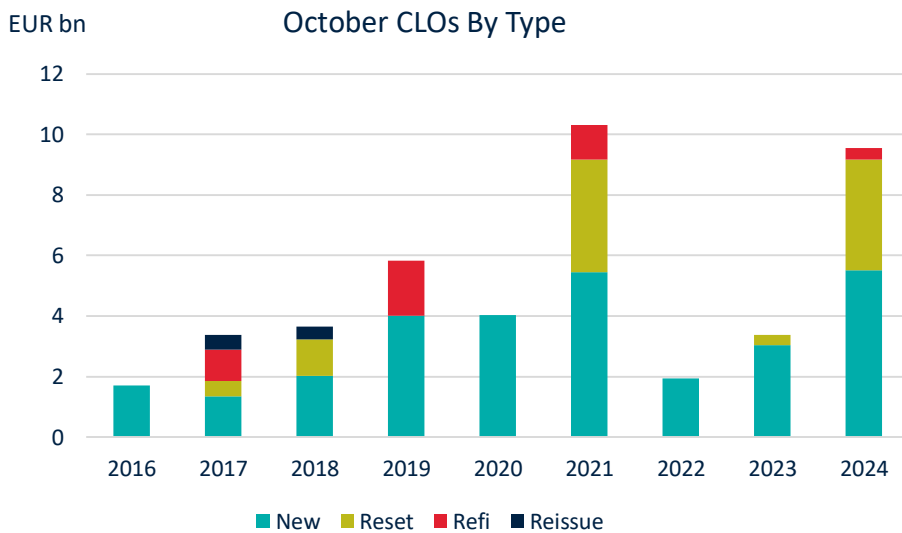


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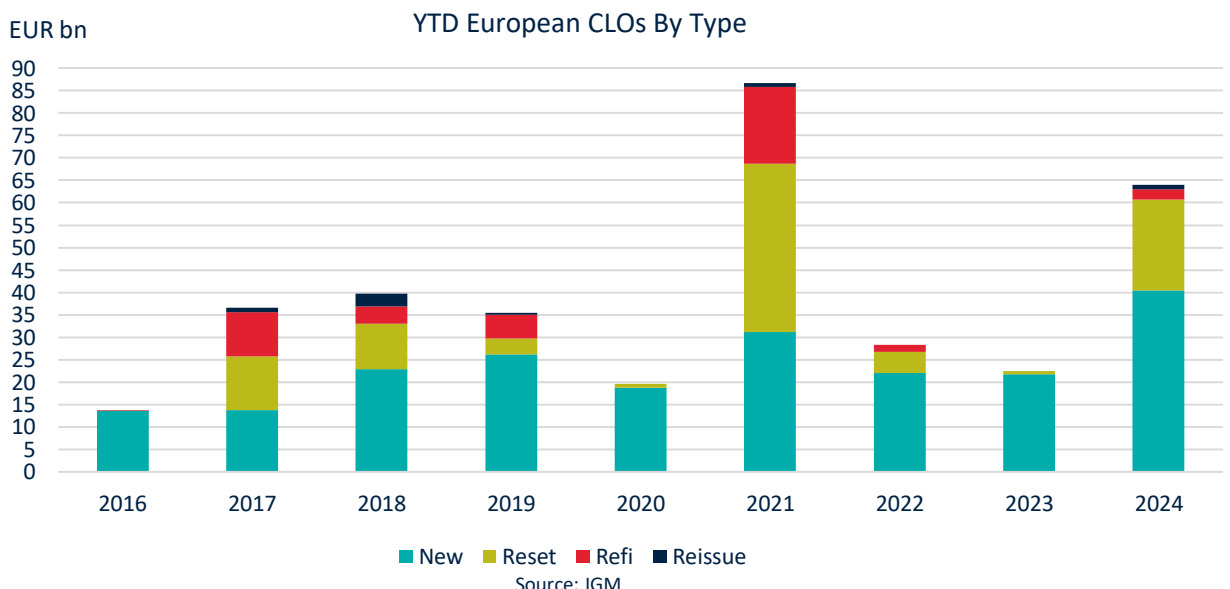
Over EUR4bn Of CLOs Repriced

- ❖ Over EUR4bn of resets and refis help total CLO monthly tally towards EUR10bn
- ❖ Despite uptick in new issues, total volumes down on previous record
- ❖ Repricings make up 36% of CLO sales YTD

- October's EUR5.5bn of new issue supply made 2024 the busiest October in recent years, overtaking 2021 by the smallest of margins, as supply closed that month out at EUR5.45bn. Total CLO issuance for October 2024 was EUR9.6bn, with the difference made up by resets which totaled EUR3.7bn and one refinancing. In October 2021 the overall tally was EUR10.3bn, with EUR3.7bn of resets and EUR1.1bn of refinancing playing supporting roles.



- The YTD new issue total of EUR40.5bn is certainly impressive, and outpaces the previous record year of 2021 by 30% (versus EUR31.1bn), but overall volumes this year are still down 27% on the same stage in 2021, at EUR63.6bn versus EUR86.6bn.
- In 2021 resets were the dominant strategy, accounting for EUR37.6bn or 43% of total issuance. The EUR31.1bn of new issues contributed 36%, refinancings with EUR17.2bn made up 20% and reissues the residual amount. In 2024, new issues account for 63% of total issuance and resets, with EUR20.2bn, about 32%, refis of EUR2.4bn with 4% and reissues 1%.

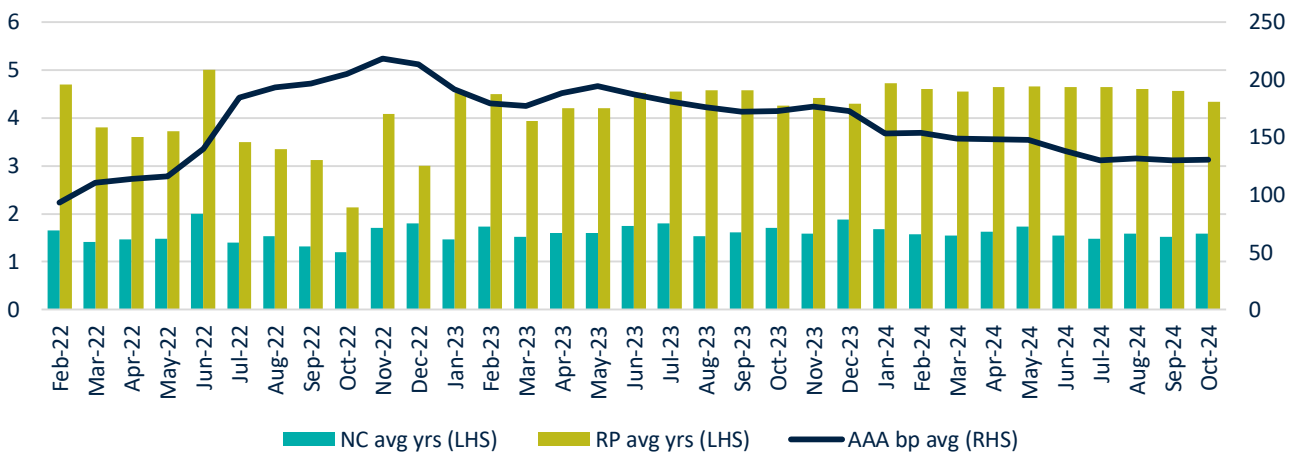


CLO Averages Maintain Trend

- ❖ Average reinvestment Triple A spread 130.2p in October
- ❖ Non-call and reinvestment periods average ~1.6-years and ~4.3-years in October

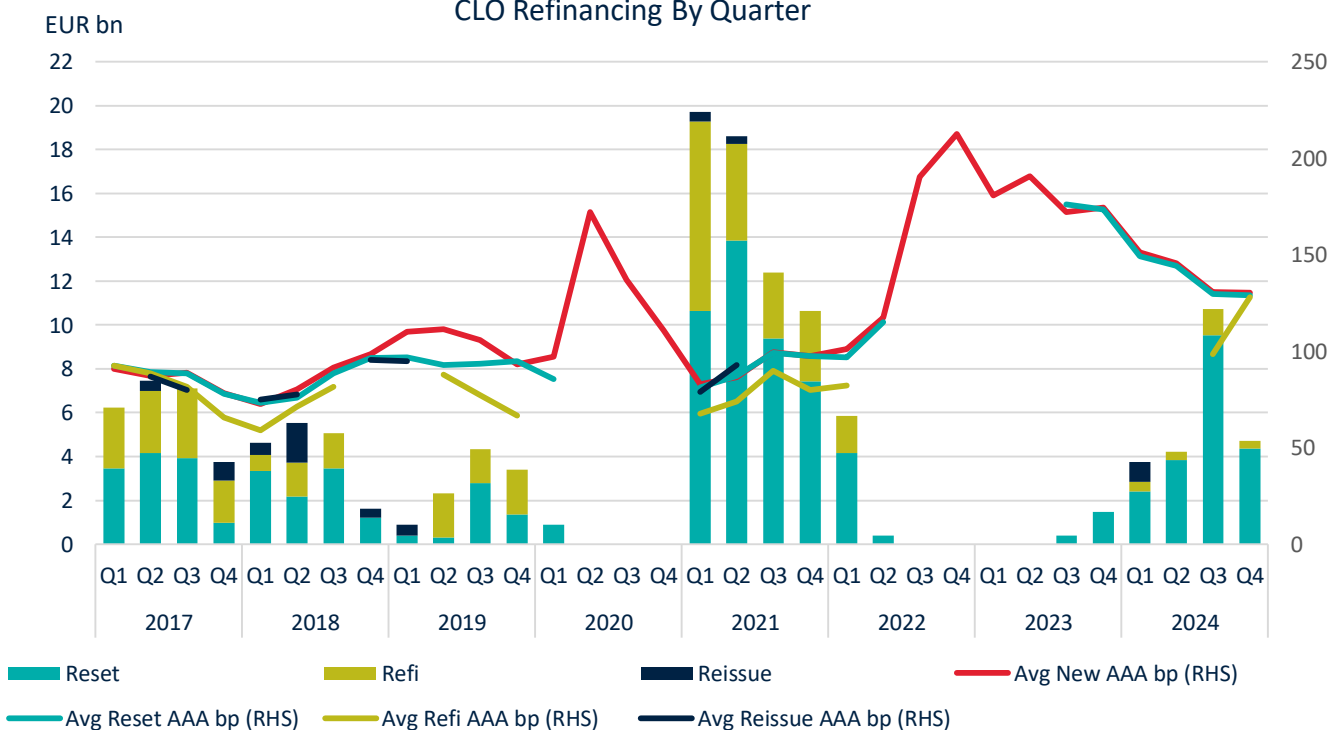
- In October, new issue Triple As (reinvestment deals) averaged 130.2bp, representing a marginal uptick from 129.8bp in September as one new borrower priced at 145bp, the widest level since the end of May. YTD, average monthly senior spreads have ranged from 129.8bp (in July and September) to 153.5bp (in February). The average non-call and reinvestment periods in the month were 1.58-years and 4.34-years. Of the 12 reinvestment deals in October three had a 2-year non-call period while the longest reinvestment period was 5.1-years (two deals).

European CLO Averages



- The chart below shows a continuing downward trend in spreads for refinancing, with the average Triple A reset at 129.125bp being the tightest since Q2 2022 (115bp). There was just one refinancing in October (average spreads based on reinvestment deals only).

CLO Refinancing By Quarter

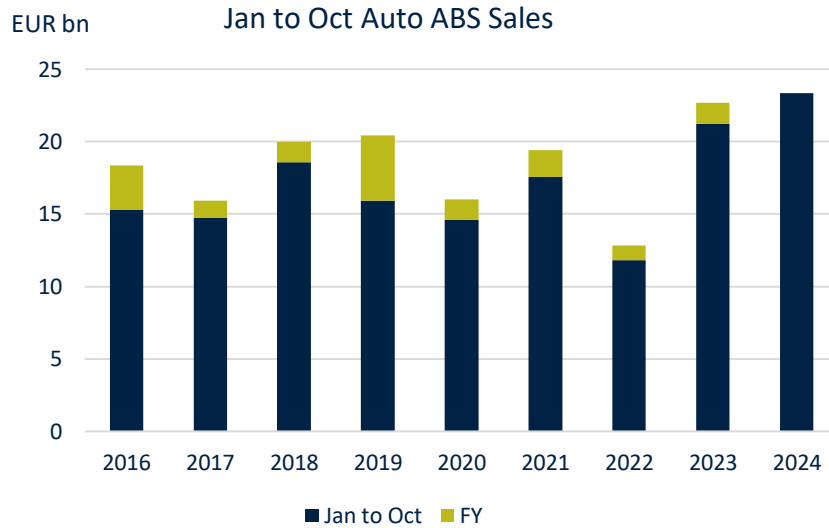


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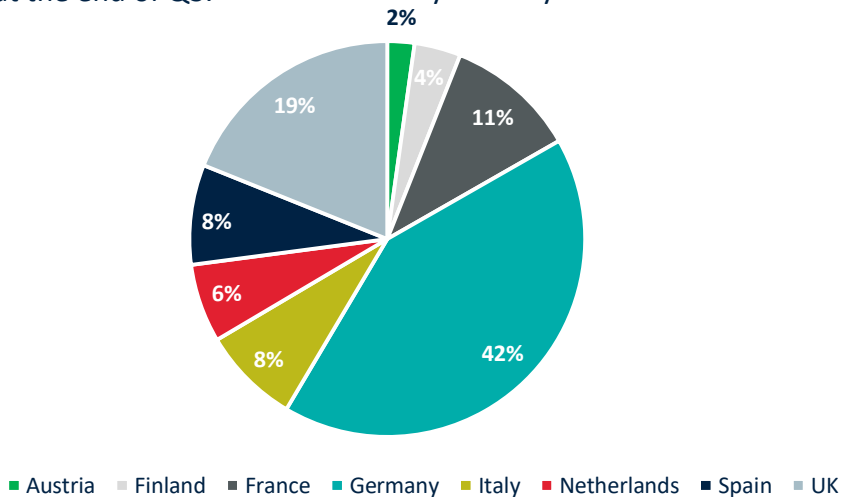
Auto Sales Up 10% 2023

- ❖ Auto ABS YTD sales of EUR23.4bn up 10% y-o-y
- ❖ Market could double 2022 total
- ❖ German and UK paper sold in the month

- Four more auto ABS printed in October for EUR2.1bn equivalent, pushing the YTD tally up to EUR23.4bn equivalent, which is up 10% on the EUR21.2bn at the same stage in 2023. Last year, just EUR1.5bn more was added to that tally (all in November), with 2023 closing out at EUR22.7bn.
- The YTD figure for 2024 has already exceeded that, and brings into view the possibility of EUR25bn by year-end. That would represent a decent increase on 2023 and a virtual doubling of the 2022 tally (EUR12.8bn). Between 2016 and 2023, November ABS sales averaged EUR1.8bn.



- October's volumes came from EUR1.23bn of German paper and around EU860m equivalent of UK bonds. YTD German sales reached EUR9.76bn at the end of October, contributing 42% of supply. The UK was in second place with EUR4.4bn or 19% while France was in third with EUR2.5bn or 11%.
- German issues still lead the way but their dominance has been easing throughout 2024. For instance, at the end of Q1 Germany accounted for 59% of sales, dropping to 48% at the end of H1, and 40% at the end of Q3. YTD Auto ABS By Country

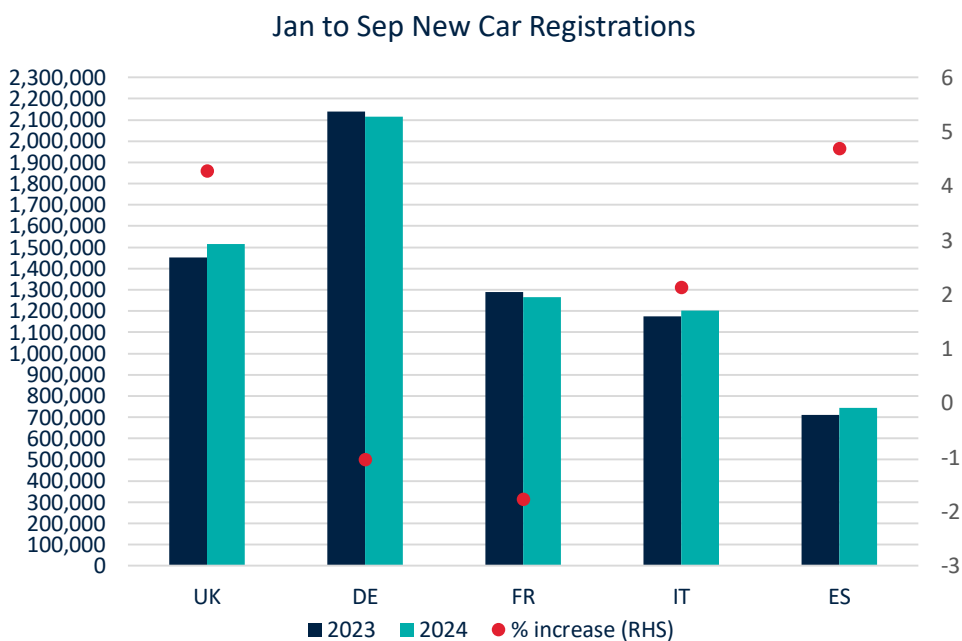


Source: IGM

Solar Loan Debut Offers Variation

- ❖ German and French car registrations down Q1-Q3, but UK, Italy and Spain up
- ❖ Variation in 'other' sectors as solar loan debuts and EUR logistics CMBS reopens

- Looking at the performance of the asset class, and the underlying origination levels between jurisdictions varies considerably. Between January and September (the months for which the most recent data is available) new car registrations in Germany and France fell 1% and 1.8% versus 2023. The UK (+4.3%), Italy (+2.1%) and Spain (+4.7%) all showed gains though.



Source: UK data SMMT/ EU data ACEA

- The main three asset classes of RMBS, CLOs and auto ABS all recorded substantial gains over preceding years, but issuance in October was more varied than the headlines may suggest.
- For instance, Enpal BV priced Europe's first solar loan ABS. The deal was structured to meet ICMA Green Bond Principles. It came with a Triple A note that was guaranteed by the EIF and was preplaced, but the remaining offered notes were well subscribed.
- The biggest of the 'other' asset classes is consumer loan ABS. And in October one German deal and two Spanish trades printed for around EUR2.5bn. Santander was involved in two deals (the German and one Spanish) and preplaced the bulk of the senior notes.
- Additional ABS paper came from the credit card market, as repeat issuer NewDay brought a UK deal and WiZink Bank sold paper backed by Portuguese receivables.
- There was also the first EUR logistics CMBS since July 2021, as Blackstone printed a deal taking out financing from Goldman Sachs and SG. That previous deal over three years ago was also sponsored by Blackstone.

European SF Volume Report Appendix

- [European Structured Finance Volume Report – Q3 2024](#)
- [European Structured Finance Volume Report – August 2024](#)
- [European Structured Finance Volume Report – July 2024](#)
- [European Structured Finance Volume Report – H1 2024](#)
- [European Structured Finance Volume Report – May 2024](#)
- [European Structured Finance Volume Report – April 2024](#)
- [European Structured Finance Volume Report – Q1 2024](#)
- [European Structured Finance Volume Report – February 2024](#)
- [European Structured Finance Volume Report – January 2024](#)
- [European Structured Finance Volume Report – Full Year 2023](#)
- [European Structured Finance Volume Report – November 2023](#)
- [European Structured Finance Volume Report – October 2023](#)
- [European Structured Finance Volume Report – Q3 2023](#)
- [European Structured Finance Volume Report – August 2023](#)