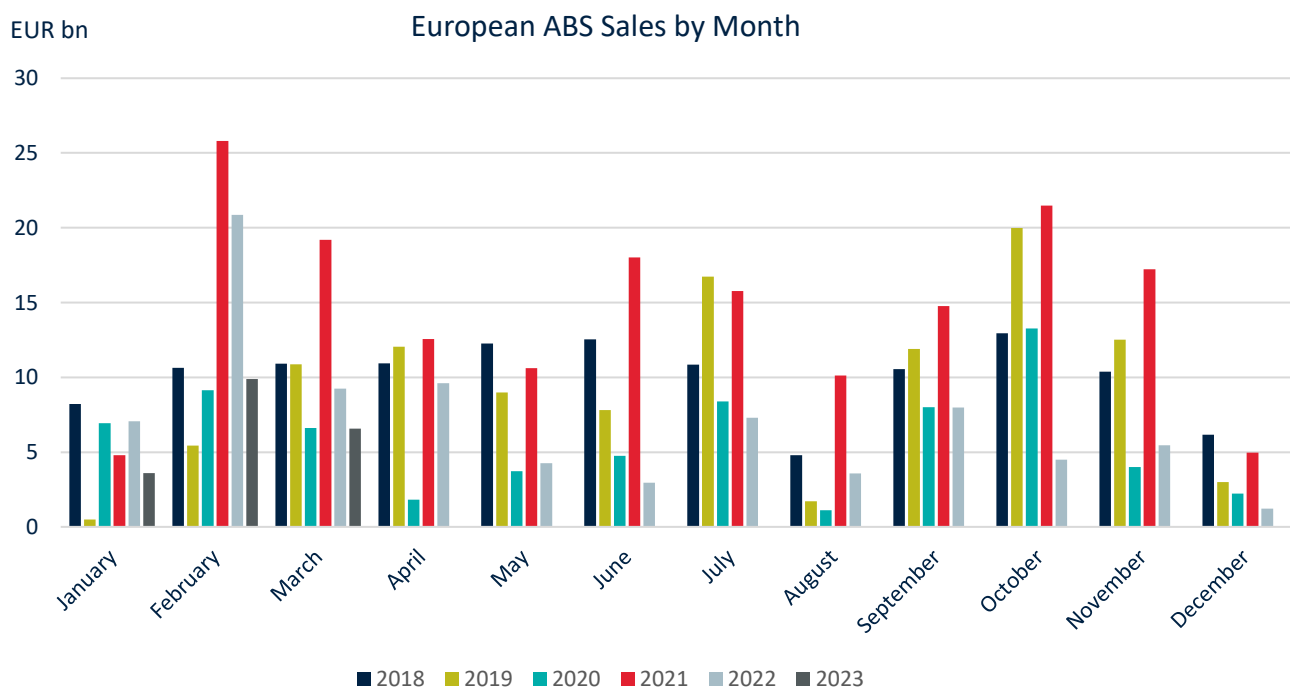


European Structured Finance Q1 2023 in Review

- ❖ Event risk and banking volatility stymies issuance in latter part of quarter
- ❖ CLOs issuance reaches EUR6.7bn from 18 transactions
- ❖ RMBS sales drop from Q1 2022, STS component tops 40%
- ❖ Auto ABS recovers from slow 2022 with busiest Q1 for five years

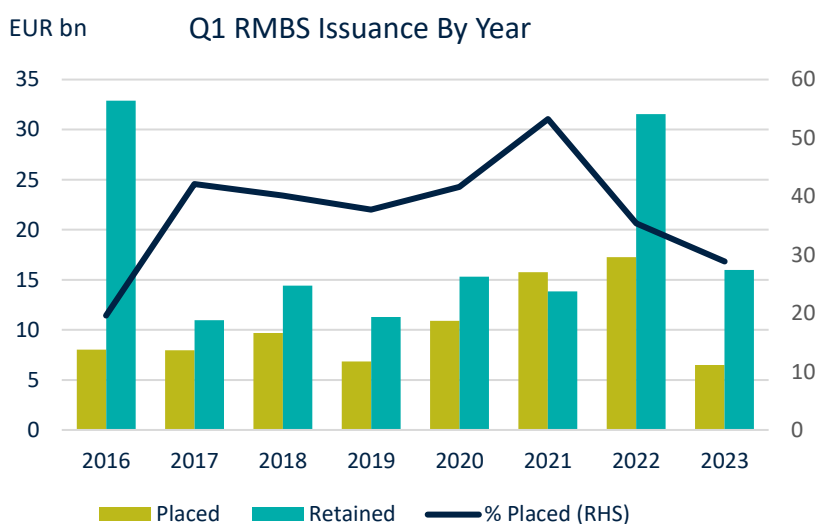
- Significant event risk, some already timetabled in the form of monetary policy meetings and others unforeseen such as the volatility in the bank market, complicated issuers' paths to the public market in Q1. The quarter began in measured fashion with EUR3.6bn placed in January but increased to almost EUR10bn in February, before falling back to about EUR6.5bn in March.
- In the three-month period the Fed, Bank of England and ECB each raised rates twice, in early February and then mid/late March. But the banking crisis that unfolded from Silicon Valley Bank's collapse and the forced take-over of Credit Suisse by UBS introduced more uncertainty to the second meeting. The ECB hiked 50bp while the Fed and Bank of England raised by 25bp as they continue in their fight to bring inflation under control.
- The CLO and RMBS sectors led issuance in Q1 2023 with EUR6.7bn and EUR6.6bn equivalent, with autos following in third place with around EUR5.7bn.
- Issuance in CLOs and RMBS was significantly lower than in previous years but the auto sector made up for lost ground with the highest volume for five years. Once again, German issuers claimed top spot.
- Overall placed issuance in Q1 2023 was higher than Q2-Q4 in 2022, but significantly lower than Q1 2022 when over EUR37bn was placed, mainly in a very busy CLO sector.
- Nonetheless, retained issuance dominated, with EUR21bn not offered. Most of that was in the RMBS market (EUR16bn, with one deal for EUR6.6bn).



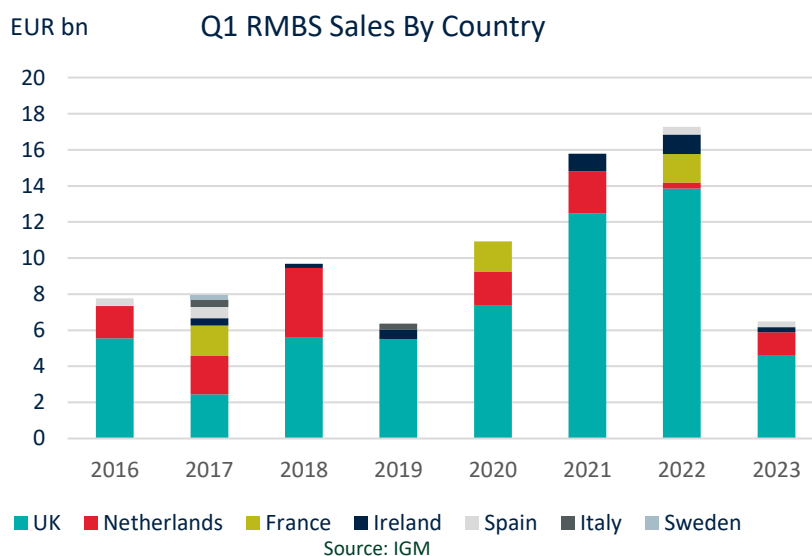
Slow Opening Quarter For RMBS Sales

- ❖ RMBS sales slump in Q1 to EUR6.5bn, down 62% on Q1 2022
- ❖ Placed proportion of notes lowest since Q1 2016
- ❖ Green duo add to variety

- Placed RMBS volumes slumped in Q1 2023 to around EUR6.5bn equivalent, from EUR17.3bn in Q1 2022 (although a large, preplaced refinancing contributed heavily to that) and EUR15.8bn in 2021. In fact, it was one of the slowest quarters for several years, with just 13 deals recorded as placed across the opening three months of the year.
- Retained volumes dominated the quarter, with EUR16bn kept by issuers either from entire deals or selected tranches of placed trades. Q1 retained issuance was, however, significantly lower than in Q1 2022 when EUR31.5bn was not sold. Around 29% of all notes were sold to investors in Q1 2023, the lowest proportion since 2016 when just 20% was placed.



- Two Green transactions launched in Q1, as Obvion printed its latest Green Storm Dutch trade while UCI part placed a Green tranche from its debut ethical Spanish RMBS. This follows UCI's Green Portuguese deal from April 2020. UK issuers led the way again, with 71% of supply in Q1 2023 followed by the Netherlands with 19% and Ireland and Spain with about 5% each.

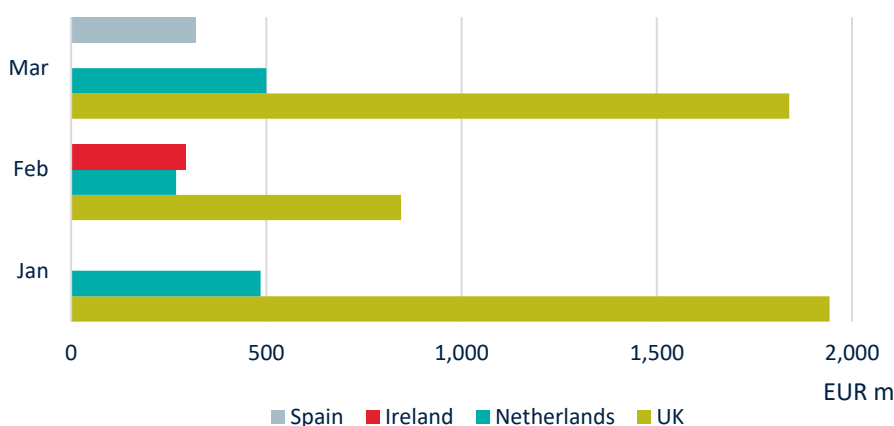


STS RMBS Proportionally Higher vs Q1 2022

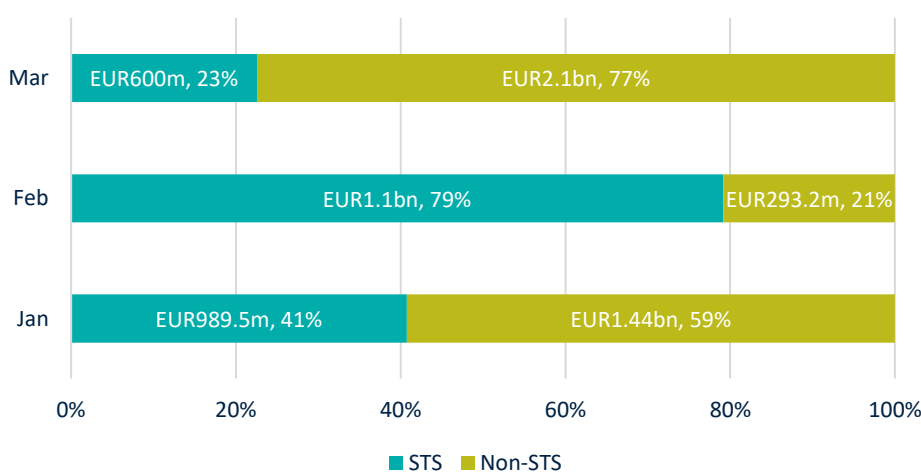
- ❖ STS supply tops 40% in Q1, underpinned by UK trio
- ❖ Dutch and Spanish deals supplement totals

- RMBS sales in STS format accounted for a respectable 42% in Q1 2023 (EUR2.7bn versus EUR3.8bn non-STS), up from 17% in Q1 2022. However, the actual volume was lower than the equivalent period last year, when EUR3bn of STS sales were recorded. Non-STS sales surged to EUR14.3bn in Q1 2022.
- This year’s STS supply was aided by a trio of prime UK RMBS, where Coventry Building Society, Santander UK and Yorkshire Building Society all brought deals.
- YBS in January reoffered a tranche it had tried to sell but retained in October 2022 amid the volatility and Coventry returned after 18-months. In February, Santander placed its first marketed GBP deal since 2018 (there was a preplaced issue in July 2022).
- There were also two Dutch STS deals (from Obvion as well as Dominvest’s buy-to-let RMBS) and one from Spain, as UCI partially placed a Green Class A note.

Q1 RMBS By Month/Country



Q1 RMBS STS vs non-STS By Month

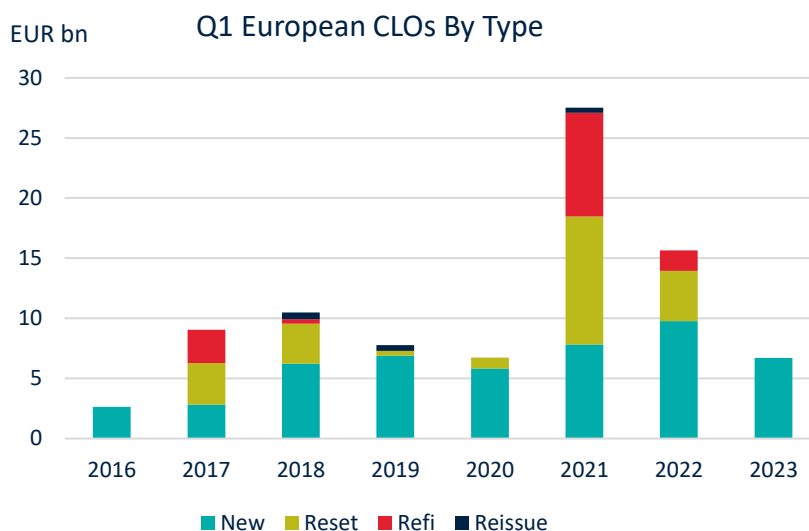


Source: IGM

EUR6.7bn Issued In New CLO Supply

- ❖ New issue supply reaches EUR6.7bn from 18 transactions
- ❖ Debut transaction and static portfolio among the list
- ❖ Monthly average Triple A coupons trend lower despite late widening

- New issue CLOs got off to a reasonable start in 2023, with EUR6.7bn placed from 18 transactions. This is roughly in line with the opening quarters of 2018 to 2020, but down on the EUR7.8bn in Q1 2021 and the EUR9.8bn in Q1 2022.
- Among the supply was a debut euro deal from Canyon CLO Advisors and there was one static deal, from Palmer Square. All CLO issuance in Q1 came in new issue format, as there has not been a reset since April 2022 or a refinancing since January 2022.



- In January, Triple As averaged less than 200bp for the first time since September 2022 and have trended lower since. An early February print of 165bp on Invesco Euro CLO IX being the tightest since July 2022 helped, although subsequent Triple As priced in a 170-180bp range.

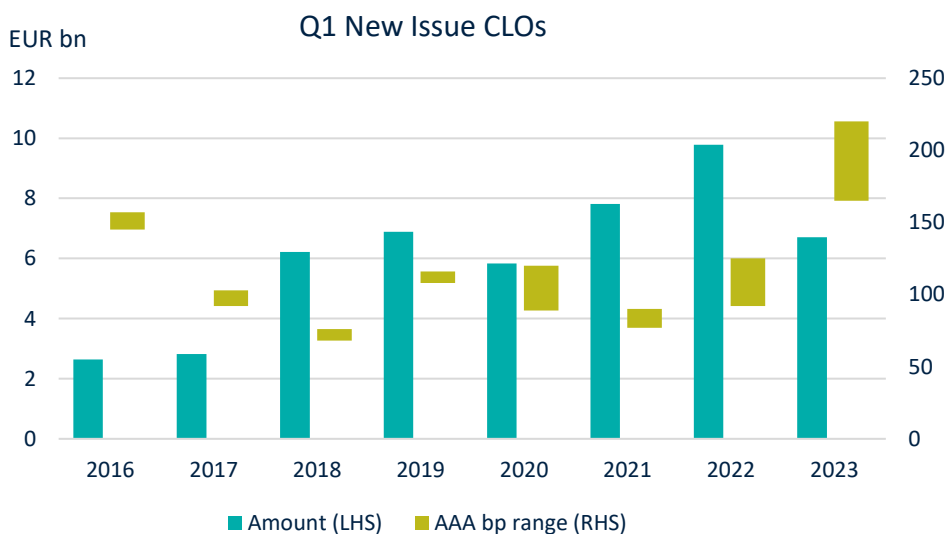
Month	EUR avg(m)	AAA avg	NC avg	RP avg	AAA CE avg
Feb-22	417.57	92.9bp	1.65y	4.7y	38.45%
Mar-22	428.31	110.4bp	1.41y	3.8y	38.06%
Apr-22	404.48	113.75bp	1.46y	3.6y	38.75%
May-22	398.03	115.8bp	1.48y	3.72y	39.63%
Jun-22	344.8	140bp	2y	5y	40.50%
Jul-22	375.68	184.57bp	1.4y	3.5y	41.32%
Aug-22	386.6	193.17bp	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%
Mar-23	378.1	177bp	1.52y	3.94y	39.31%

Source: IGM

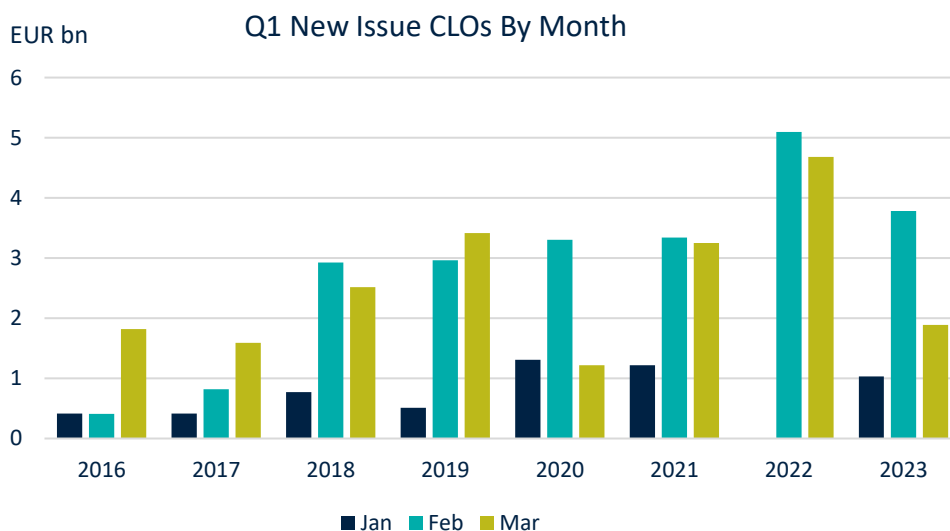
Widest Spread Range In Recent Years

- ❖ Triple A hits tightest level since July 2022 but levels push wider amid volatility
- ❖ 55bp separates tightest and widest Triple A in Q1
- ❖ March supply half of February tally at EUR1.9bn

- Spreads had tightened in February, with Triple As at the lowest since July 2022, but renewed volatility pushed levels wider once again. Even so, issuance around the 170-180bp mark meant Triple As averaged 177bp in March, down from 179.33bp in February and 191.67bp in January.
- The Triple A spread range graph shows Q1 2023 having the highest coupons in the opening three months of the year (220bp) and also the biggest range with 55bp between the tight and wide. Even in 2020 and the start of the pandemic it was only 31bp.



- Just over EUR1bn was placed in January, with EUR3.8bn in February and EUR1.9bn in March. By comparison, the busiest month in the opening quarters of previous years was in February 2022, when EUR5.1bn was issued, followed by EUR4.7bn the following month.

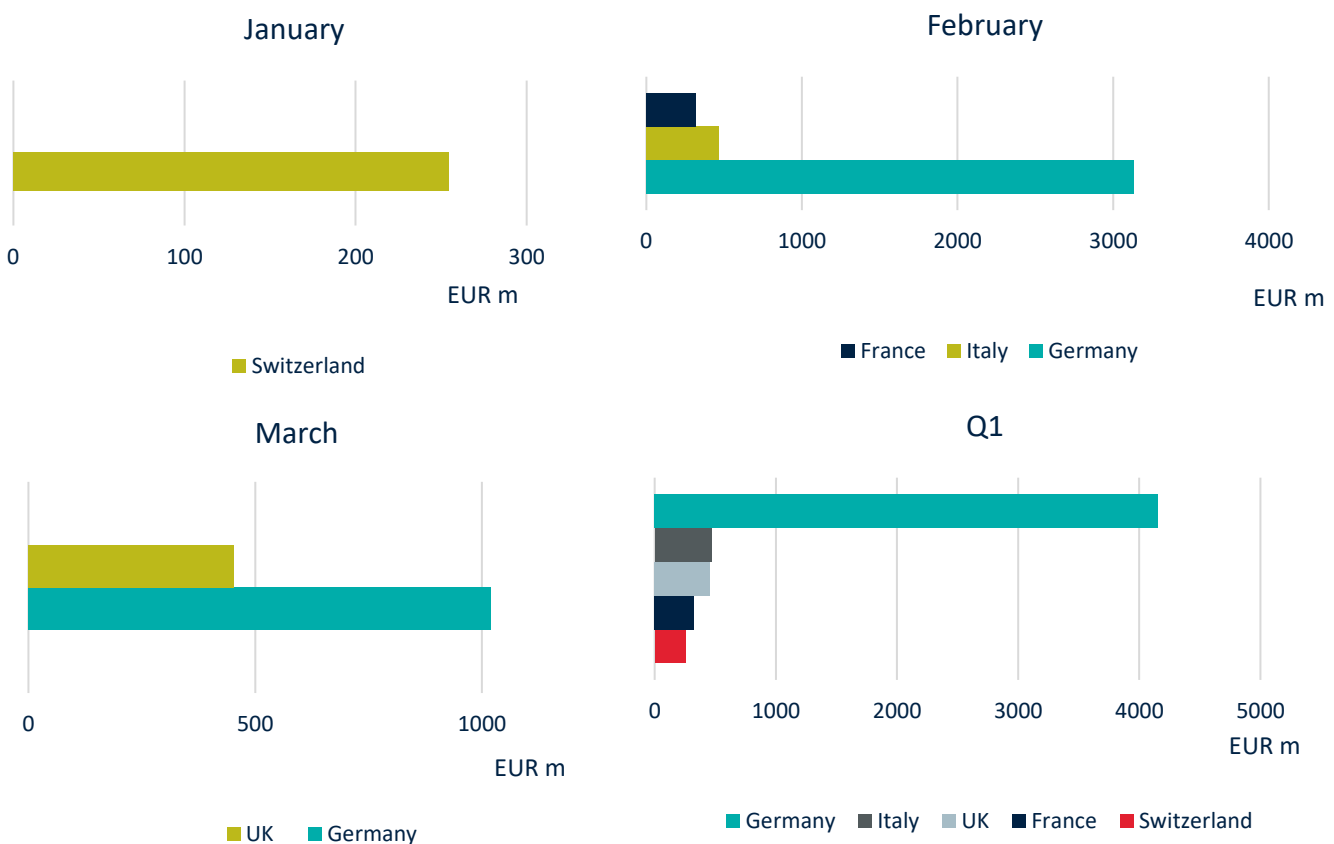


Source: IGM

Auto ABS Issuance Climbs

- ❖ Busy first quarter for auto ABS with EUR5.7bn of supply
- ❖ Supply includes Europe’s first 100% alternative fuels issue, from Toyota
- ❖ Two issuers reoffer, BMW returns to UK after near two-year gap

- Auto ABS issuance accelerated in Q1 2023 with EUR5.7bn marking the busiest first quarter since 2018 with issuance from five countries (France, Germany, Italy, Switzerland and the UK).
- Included in that was Europe’s first auto deal backed 100% by alternative fuels, as Toyota printed an Italian transaction. The deal was not labelled a Green bond, as the marketing information had no link to Green Bond Principles or a Framework, but it was backed 100% by electric and hybrid vehicles.
- In addition, BMW priced its first UK deal for almost two years, reopening UK auto ABS supply in the process and two other issuers reoffered of the Triple A tranches. CA Consumer Finance succeeded at the second time of asking, having postponed a previous attempt due to the September/October 2022 volatility to reoffer a tranche retained in March 2022. And FCA Bank S.p.A reoffered a German tranche retained in August 2021.
- That deal helped German issuers maintain their lead in European auto ABS, with EUR4.2bn of supply equating to 73.5% of all placed auto bonds in Q1 2023. In fact, German supply on its own outpaced that of all jurisdictions combined in the opening quarter since 2018.
- Captive auto issuers as well as finance lenders enjoyed stronger underlying loan/lease origination levels from the second half of 2022 but some have warned of difficult times ahead. VW Financial Services, for example, said operating profit in 2023 would be lower than 2022.



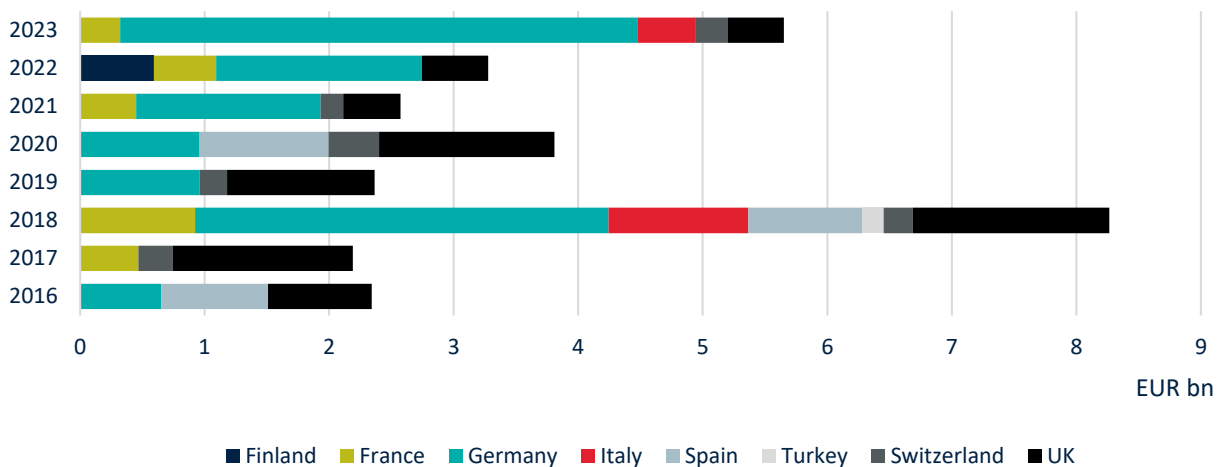
Source: IGM

German Issuers Continues To Lead Autos

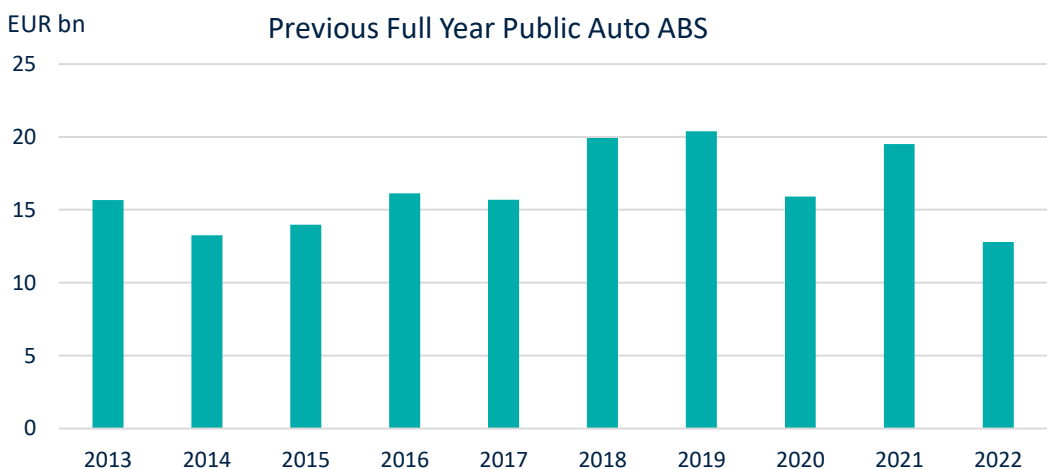
- ❖ Ten auto deals drive Q1 2023 supply 72% higher than Q1 2022
- ❖ Five countries represented, Germany once again in first place

- Ten deals in Q1 propelled auto ABS issuance to over EUR5.7bn in the quarter, which was up 72% on issuance in Q1 2022. In fact, supply in this quarter is only slightly short of the combined total for both Q1 2021 and 2022 (EUR5.9bn split 2.6bn and EUR3.3bn).
- With just the first quarter of the year done, 2023 issuance is around 45% of that seen in the whole of 2022, when auto ABS sales dropped below EUR13bn equivalent after a difficult period for the auto market.
- Full-year issuance peaked around the EUR20bn level in 2018, 2019 and 2021 and so 2023 is currently on pace to at least match that. The first deal for April is already in the pipeline as Blue Motor Finance is lining up a UK hire purchase deal, its first for almost three years.

Q1 Auto ABS Issuance



- Supply in Q1 2023 came, in chronological order, from MultiLease in Switzerland, LeasePlan in Germany, VW in Germany, Toyota in Italy, CA Consumer Finance in France, BNP Paribas in Germany, BMW in Germany, RCI Banque in Germany, FCA Bank in Germany and finally BMW in the UK.



Source: IGM

European SF Volume Report Appendix

- [European Structured Finance Volume Report – February 2023](#)
- [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](#)
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