



Synthetic Securitization Market Volume

May 2022 – **Select Survey Results**

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What we Did

- As in prior years, this survey provides the IACPM community with the information needed to monitor the market of synthetic on balance-sheet securitizations. The collected data covers all public and private transactions, funded or unfunded, regardless of the instrument used for synthetic risk transfer, as long as these transactions are executed for banks' own balance-sheet management.
- With the support of the IACPM securitization working group, we utilized the feedback received after last year's collection - provided by regulators as well as the IACPM community - to update the data collection and to provide even greater aggregate transparency to survey participants and to support regulatory discussions.
- The European Banking Authority (EBA) continues to utilize the collected data to inform ongoing regulatory work on synthetic securitizations, to monitor the effectiveness of this regulatory framework, and to simplify where appropriate.
- The aggregate data included in this deck represents new production from 24 banks, 2016 through 2021.
- The data was collected per year and per trade based on inception date, with a yearly total of the new production.

Main messages – Markets dynamics and market players

Volumes	<ul style="list-style-type: none"> Since 2016, the 24 contributing banks issued 302 synthetic securitisations, mitigating risk on €553 bn of assets, by protecting €44bn of First Loss and Mezzanine tranches with average attachment and detachment points at 0.0% and 8.0% respectively.
Dynamics	<ul style="list-style-type: none"> For the large banks which participated in the survey, volumes of synthetic securitization issuance in 2021 returned close to the pre-pandemic level. Smaller local banks, mostly not captured in this survey, also started using CRT in 2021. Due to amortization, trades are mostly effective for risk/capital release in the first three years, after which the underlying pools drop by almost 50% compared to inception.
Originating Banks	<ul style="list-style-type: none"> While dominating 5 years ago, the share of EU loans continues to drop in the underlying assets.
Securitized Assets	<ul style="list-style-type: none"> Corporate loans, represent almost two-third of the assets, with SMEs at 17% and a growing share of income-producing real estate (IPRE) lending, mortgages, auto loans, trade and asset-based finance.
Investors	<ul style="list-style-type: none"> Investment funds are dominant sellers of credit protection with just a slight dip in 2020 at the height of the COVID crisis. Pension funds (investors in first loss tranches) and credit insurers (investors in mezzanine tranches) have gained some ground over the past three years.

Main messages – Structuring features

Protected Tranches and Risk Transfer Instruments

- Senior tranches continue to represent +/-85% of the underlying nominal, but synthetic securitization is not used for long term funding as senior tranches are retained in 99% of the deals.
- The share of deals issued without SPV increases year after year and represents now some 50% of the reported trades and 74% of the nominal of protected tranches.
- Financial guarantee (unfunded, collateralized or embedded in CLNs) is the main instrument used for risk transfer to SPVs (73% of the 48% protected tranche volume transferred to SPVs).
- The share of unfunded mezzanine tranches is increasing but is not (yet) the most important.

Sustainability

- At this point, less than 3% of all trades are sustainability linked. For those deals that are sustainable linked, most are linked through underlying assets.

Synthetic Securitization Market Volume 2022

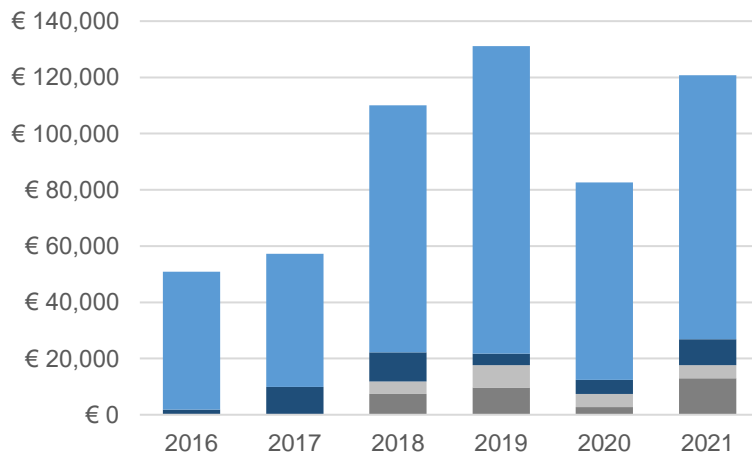
BALANCE SHEET SYNTHETIC SECURITIZATIONS

Submissions from 24 Banks are included

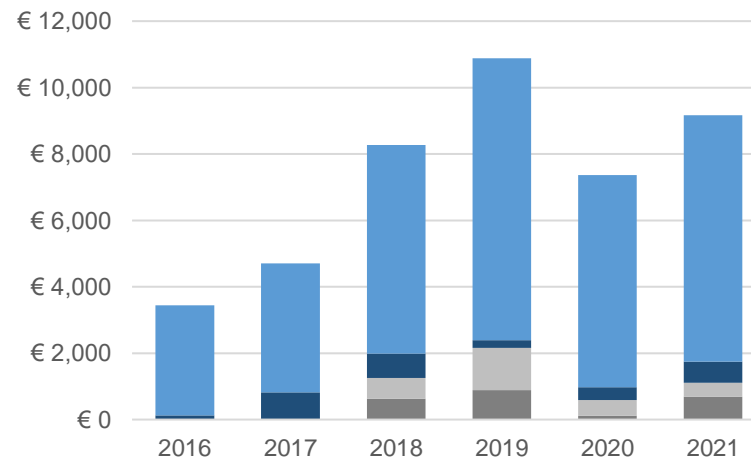
Synthetic Securitization Volume (in mIn Euro)

Over 80% of synthetic securitizations support commercial lending to SMEs and mid-Corps. By risk sharing with investors/insurers, synthetic securitizations sourced in the last six years more than €35 bn of capital for new lending to this asset class.

Underlying Pool Size at Inception In mIn Euro, By Underlying Asset Class



Protected Tranches at Inception In mIn Euro, By Underlying Asset Class



■ Business/ Real Economy Finance (1) ■ Asset Based Finance (2) ■ Retail Finance (3) ■ Other

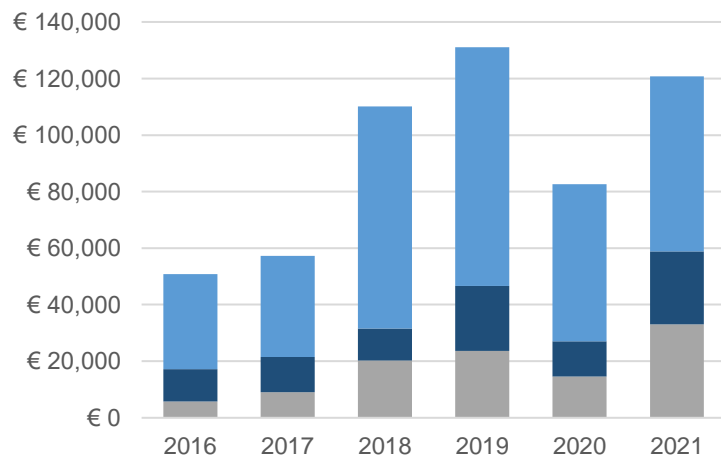
(1) Corporate, SMEs, Trade Finance, Mixed | (2) Project Finance, Commercial Mortgages, Income-producing Real Estate (IPRE) Lending | (3) Residential Mortgage Loans, All Other Retail Exposures

Source: IACPM 2022 Synthetic Securitization Market Volume Survey

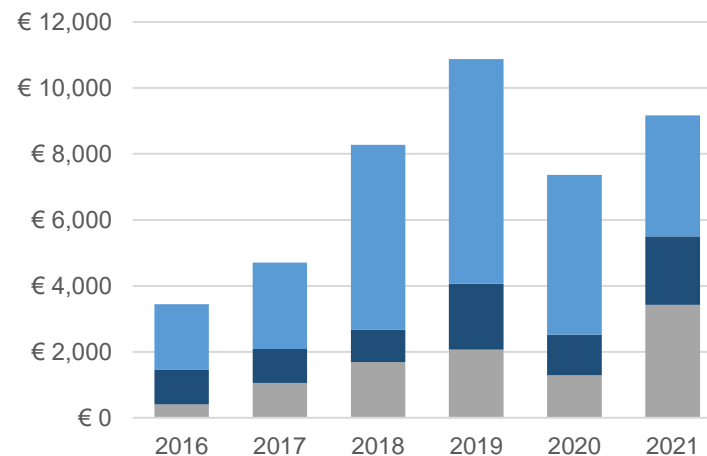
Synthetic Securitization Volume (in mIn Euro)

While dominated by European banks in the past with over 80% of the assets, the market is now opening to banks domiciled in the US and in other regions.

Underlying Pool Size at Inception In mIn Euro, By Issuer Region



Protected Tranches at Inception In mIn Euro, By Issuer Region



■ European Union (EU) excl. UK ■ UK ■ Other Regions (1)

Source: IACPM 2022 Synthetic Securitization Market Volume Survey

(1) Other regions include Switzerland, United States, Canada, and Asia.

Synthetic Securitization Trade Flow: Underlying Pool

Grand Total

Year of New Production	# of Trades	RWA approach underlying loans			STS (2) qualification		Underlying pool size (notional) Sum (in mln Euro)		Underlying Pool Size at Inception By Region (in mln Euro)					Protected Tranches (in mln Euro)		% Placed with public trades (3)
		# of Trades			# of Trades				at inception	at reporting date	Multi Region	European Union (EU) excl. UK	UK	North America	Other Regions (1)	
		Advanced IRB	Foundation IRB	Standardized	Yes	No	Weighted Average %									
2016	27	23	2	1	0	25	€ 50,841	€ 5,741	€ 13,125	Not enough data				€ 3,445	€ 1,287	0.0%
2017	39	30	6	1	1	34	€ 57,270	€ 13,449	€ 16,000	€ 20,585	€ 5,495	Not enough data		€ 4,702	€ 1,754	0.0%
2018	53	46	4	3	1	51	€ 110,114	€ 56,574	€ 54,762	€ 31,725	€ 1,879	€ 7,598	€ 14,149	€ 8,275	€ 5,523	2.8%
2019	68	53	7	7	0	65	€ 131,103	€ 99,505	€ 50,565	€ 40,305	€ 13,921	€ 8,312	€ 18,001	€ 10,881	€ 8,855	0.9%
2020	50	44	2	4	4	43	€ 82,638	€ 66,314	€ 28,321	€ 29,459	€ 3,758	Not enough data		€ 7,366	€ 6,271	0.0%
2021	65	53	3	9	11	51	€ 120,754	€ 114,528	€ 54,851	€ 21,152	€ 7,643	€ 13,547	€ 23,559	€ 9,169	€ 9,169	1.5%
2016 - 2021	302	249	24	25	17	269	€ 552,720	€ 356,112	€ 217,625	€ 163,996	€ 41,428	€ 42,990	€ 86,682	€ 43,838	€ 32,858	1.1%
	100%	82.5%	7.9%	8.3%	6%	94%	100%	64%	39.4%	29.7%	7.5%	7.8%	15.7%	7.9%	9.2%	
													% of Underlying Pool Size			

- (1) Western Europe outside the EU, Central & Eastern Europe, South/Latin America, Asia, Multi-country (same region), Unknown
(2) EU designation. Prior to April 2021, trades qualified as STS under prior Article 270 regime.
(3) "Public trades" is referring to tranches that are distributed and quoted on public markets, i.e., non private transactions.

Source: IACPM 2022 Synthetic Securitization Market Volume Survey

Synthetic Securitization Market Volume 2022

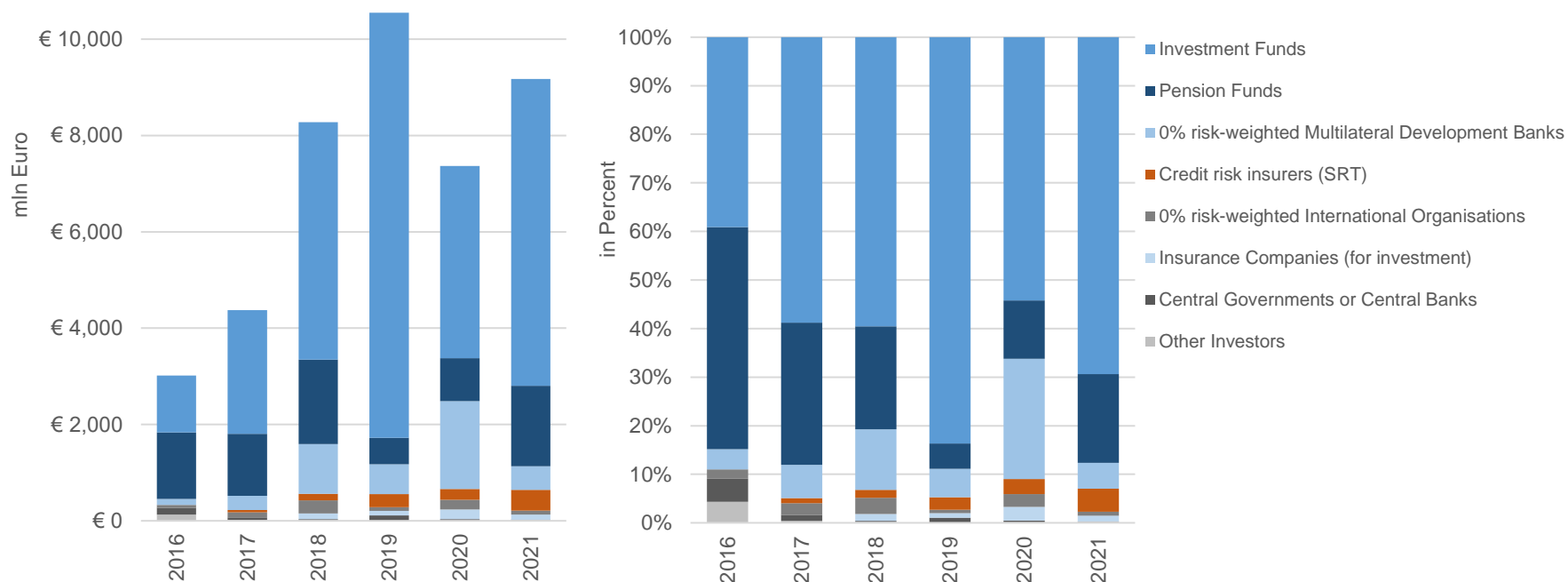
INVESTOR BASE

Submissions from 24 Banks are included

Synthetic Securitization Trade Flow:

Protected Tranche Volume at Inception, By Investor Type over Time

Investment funds, dominant sellers of credit protection up to 2019, are now losing some market share at the benefit of pension funds (investors in junior tranches) and credit insurers (investors in mezzanine tranches).



Source: IACPM 2022 Synthetic Securitization Market Volume Survey

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