

Monitoring report and 2026 rating outlook

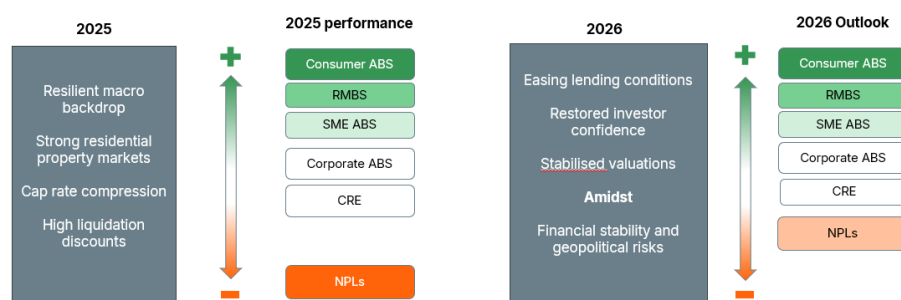
This report contains our rating outlook for the main structured finance asset classes that we rate and summarises the factors underpinning our annual transaction monitoring between October 2024 and October 2025.

Ratings drift was positive across consumer-related asset classes and balanced to mildly positive across SME and Corporate ABS. This was in line with the expectations in our 2025 outlook. CRE rating activity was mixed, with several upgrades and downgrades, but in general exceeded our expectations, reflecting a mild compression in capitalisation rates and improving investor sentiment. NPL ABS underperformed as anticipated, driven by elevated liquidation discounts and the slow pace of collections on predominantly secured portfolios backing Italian NPL transactions.

Entering 2026, our base case for the credit environment is defined by a resilient economy and tight labour markets, which will continue supporting borrower risk profiles and low levels of underlying portfolio defaults. Performance across asset classes will also be supported by a moderate easing of lending and refinancing conditions, even though long-term financing rates will remain elevated relative to pre-pandemic levels. Geopolitical risks and financial market vulnerabilities remain elevated, but the robustness of securitisation structures across our rated universe will generally support rating stability under mild stresses, barring legacy Italian NPL.

Figure 1 illustrates 2025 performance across the most important asset classes rated by Scope, and our outlook for 2026. On the left-hand-side, we display the most important drivers of performance. On the right-hand-side we disclose key insights supporting our forward-looking views.

Figure 1: asset-class outlooks



Source: Scope

Our positive outlook on Consumer, RMBS and SME ABS indicates upside rating pressure or improved rating stability for AAA rated tranches. Our balanced outlook on Corporate ABS and CRE ABS signals rating stability with a balanced mix of upgrades and downgrades. Our mildly negative outlook on NPL ABS reflects continued rating pressure on legacy Italian ABS, amid stronger NPL segments such as more recent Italian NPL cohorts, unsecured NPL and non-Italian NPLs.

Our 2026 outlook remains consistent with our 2025 outlook across most asset classes. The most notable exception is CRE ratings, which has turned to balanced from negative on restored investor confidence. Our NPL outlook has mildly improved due to the stabilisation of valuation haircuts, while risks remain skewed to the downside.

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The rest of this report discusses in more detail the main asset classes covered by Scope in dedicated sections, starting with the asset classes that have seen a change in outlook.

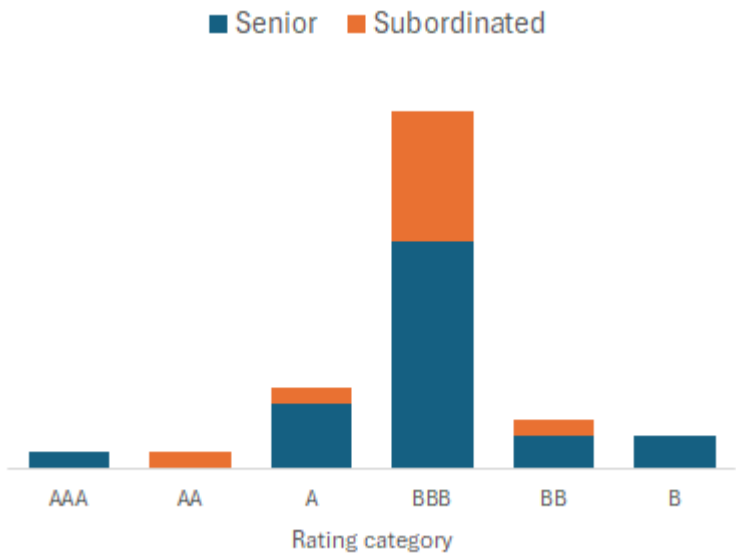
1. CRE ABS
2. Non-performing loan ABS
3. Consumer ABS
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Each section follows the same structure: an overview of our coverage, a summary of our annual monitoring reviews between October 2024 and October 2025, a discussion of key factors underpinning the monitoring outcomes, and our asset-class-specific rating outlook for 2026.

1. Commercial real estate (CRE) instruments

Scope's CRE ratings portfolio is primarily composed of senior and subordinated loans concentrated in the BBB category. The portfolio is collateralised by a diverse mix of property types (including logistics, office, residential, retail, hospitality, ground rents, data centres), exposed to both operational and transitional real estate segments. Geographically, the core exposures are in Germany, the United Kingdom and France, with additional coverage in Spain, Ireland and Portugal.

Figure 2: CRE rating distribution (October 2025)

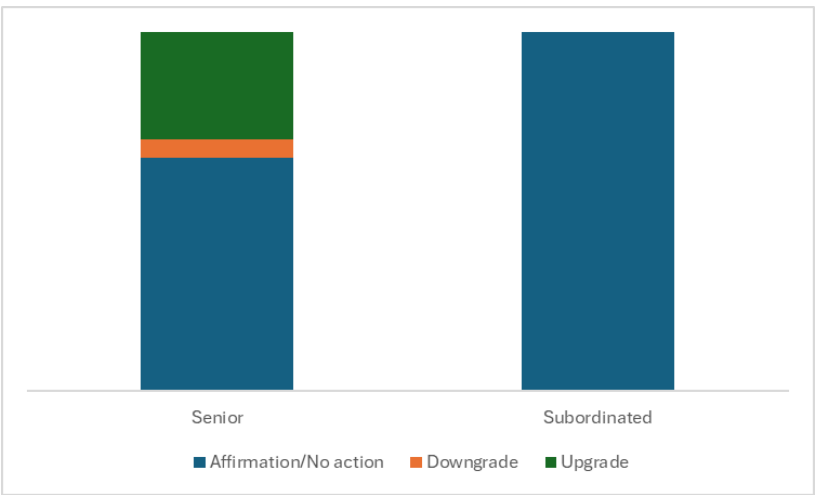


Source: Scope

1.1 Summary of monitored ratings activity

Between October 2024 and October 2025, our CRE ratings experienced slightly positive ratings drift. Transaction performance across the rated CRE portfolio varied by sector and deal type, though overall ratings remained broadly stable, with 77% of the reviews concluding with rating affirmations or no rating actions. We conducted rating upgrades on 25% of the periodic reviews, primarily driven by retail sector outperformance, while 8% resulted in downgrades, driven by highly geared transactions in the office and logistics sectors.

Figure 3: CRE monitoring outcome



Source: Scope

1.2 Key monitoring factors

European CRE markets have demonstrated resilience, with modest growth in property returns, despite persistent economic risks and evolving regulatory frameworks, such as stricter planning rules, ESG requirements for construction, and changes in capital treatment affecting CRE loan costs. Investment yields have broadly followed the trajectory of central bank lending rates. As a result, asset valuations have stabilised following a period of stress. This contributed to cautiously optimistic investor sentiment, evidenced by an uptick in transaction volumes across key sectors.

European CRE shows resilience amid global economic headwinds

In the logistics sector, ratings remained broadly stable as capitalisation rates edged lower, driven by robust asset performance and recent rate cuts. The sub-sector exhibited low vacancy rates and continued rental growth supported by indexation, sustained occupier demand and a shortage of high-quality space. Meanwhile, the supply of prime logistics assets remains constrained, despite strong investor interest, due to the time and capital required for new developments. We downgraded one transaction, triggered by covenant breaches on assets that had experienced significant valuation declines following the interest-rate increases of 2023.

Residential-backed instruments also exhibited stable performance, with no rating changes during the review period. This stability was underpinned by chronic under-supply in many European urban markets and continued household demand, resulting in strong occupancy and sustained rental growth. Newly developed schemes in urban centres rapidly achieved full occupancy. Capitalisation rates in the residential sector remained static or widened slightly, however. This was influenced by affordability challenges and the introduction of new tenant protection regulations, which weighed on investment returns.

The hospitality segment exhibited slightly positive ratings drift across the monitored portfolio. This was supported by steady growth in revenue and profitability, particularly in assets located in prime tourist destinations. Nonetheless, consumer confidence remained cautious, with wage growth lagging inflation, leading to heightened price sensitivity. As a result, asset-level analysis became increasingly important as location, operational efficiency, and market positioning significantly influenced performance outcomes.

While the broader retail market continues to face structural challenges, driven by the decline of traditional city-centre high street retail and the shift towards online shopping, transactions in our monitored portfolio exhibited positive rating drift. Various transactions secured by outlet retail villages were upgraded, supported by strong management, high footfall, robust occupancy and rising rental income. Meanwhile, rating instruments backed by prime shopping centres exhibited stable ratings, despite relatively low debt yields and slightly higher leverage. Rating stability was critically supported by sponsors' ability to sustain occupancy levels and profitability.

Office-backed transactions exhibited mixed rating performance. The sector was characterised by selective growth, with high-quality assets in prime locations outperforming while other segments faced valuation pressures and subdued transaction activity. Prime city-centre offices showed steady rent growth and low vacancies. By contrast, secondary office locations required active management to maintain income, often involving additional costs such as tenant incentives or lease restructuring. Assets previously valued at aggressive yields or above-market rents experienced devaluations, heightening refinancing risk and recourse to equity injections.

We assigned new ratings to data centre-backed securitisations during the year. These transactions benefit from a combination of strong credit fundamentals, including high-quality tenants, long lease terms, and supportive market dynamics. The data-centre sector has experienced significant growth over the past 12 months, driven by accelerating digitalisation, cloud computing and data storage needs, and the expansion of AI technologies. Downside risks include power capacity constraints, potential technological obsolescence, tightening efficiency regulations, and uncertainties related to construction and fit-out timelines.

1.3 2026 rating outlook

Scope's CRE ratings outlook for 2026 turns to balanced from negative. The market has entered a phase of stabilisation and consolidation following a period of turbulence driven by global economic uncertainty and evolving regulatory frameworks. Although financing costs remain high relative to historical norms, limiting liquidity and capital appreciation, investor sentiment is gradually recovering. Market participants are selectively re-engaging, focusing on assets that are appropriately priced or offer value-add potential capable of delivering adequate returns.

Transactions backed by well-managed assets in prime locations supported by robust structural protections are expected to outperform. But transactions backed by assets located in secondary or fringe markets, particularly those exposed to obsolescence or significant reletting risk may face downward rating pressure. Our ratings outlook is also anchored on our sector-specific asset-performance expectations.

Logistics CRE demand will remain strong, supported by ongoing e-commerce expansion and supply-chain optimisation. Modern, flexible warehouses – s particularly those located in strategic locations –will attract the highest demand. Conversely, markets with significant speculative development may face oversupply and pricing pressure.

Older or non-compliant facilities may face elevated vacancy risk unless significant amounts of capital are injected to improve reletting prospects. We expect transactions with prudent leverage, strong debt yields, and exposed to high-quality tenants to perform well. Transactions with high leverage, low weighted average net debt yields, and exposed to weak sponsors may face refinancing challenges.

The residential sector will continue to see upward pressure on rental values, driven by migration trends and concentrated growth in urban areas where supply-demand imbalances are most pronounced. Supply remains constrained by planning regulations, government policy, and sustainability requirements on new housing starts.

However, weakening affordability is a key concern, as wage growth has not kept pace with rent inflation, potentially limiting further rental increases, while elevated mortgage rates continue to restrict homeownership. Rated transactions with robust debt service coverage are expected to maintain rating stability. In contrast, low- yielding, highly leveraged transactions may face worsening term default risk and increased refinancing risk.

Structural shifts in the retail sector continue to influence investor preferences. Traditional high street assets have lost their appeal due to the growth of e-commerce, while destination-led formats, including outlet villages, hyper-regional or branded shopping centres and retail parks, are attracting increased interest, supported by experience-based concepts and value-focused consumer behaviour. Rated transactions, predominantly exposed to retail outlets, branded shopping centres and retail parks are expected to remain stable, with potential upside subject to income growth and new lettings.

Our outlook on hospitality assets is cautiously optimistic, reflecting the post-lockdown sector recovery. However, performance remains highly asset-specific, while key downside risks include reduced business travel, weakening consumer confidence and disposable income, increased operating costs and capital expenditure requirements. The rating outlook across our monitored portfolio is stable, reflecting resilient transaction-specific performance underpinned by prime tourist locations, competitive pricing and experienced operators.

The office sector continues to exhibit a mixed performance profile. Traditional core markets, such as London's West End and the Paris CBD, have experienced strong rental growth driven by limited supply and increased return-to-office initiatives. Secondary office assets, particularly in markets more affected by remote working, face elevated vacancies, subdued rental growth and increased tenant incentives such as longer rent-free periods. Performance across rated transactions is expected to remain mixed. Transactions with high leverage and exposed to high tenant churn prior to refinancing face particular downside risks.

The outlook for data centres remains highly favourable, with demand expected to continue outpacing supply. Data centres are the engine of the digital infrastructure sector and provide the computing power needed to store, transport and process data. However, new supply in major hubs is constrained by power availability, grid limitations and land scarcity. Regulatory pressures are also intensifying, with a growing emphasis on energy efficiency and sustainability. At the same time, rapid technological evolution may render some existing infrastructure less competitive, underscoring the importance of adaptability. For our rated transactions, the long and stable stream of cash flows from predominantly strong investment-grade tenants supports a balanced outlook.

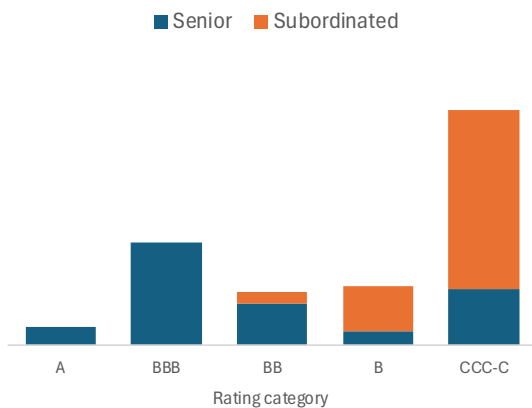
2. Non-performing loan (NPL) ABS

Scope’s NPL ABS-rated universe consists of transactions backed by mixed portfolios (portfolios that include unsecured and secured exposures), non-performing leases, reperforming portfolios, and portfolios composed solely of unsecured loans granted predominantly to individuals.

Most of our rated universe is in Italy but we also publicly rate transactions in Spain, Ireland, and the UK. The current rated universe is dominated by non-investment grade senior and mezzanine tranches.

NPL ABS ratings skew non-investment grade due to underperformance in secured Italian portfolios

Figure 4: NPL ABS rating distribution (October 2025)



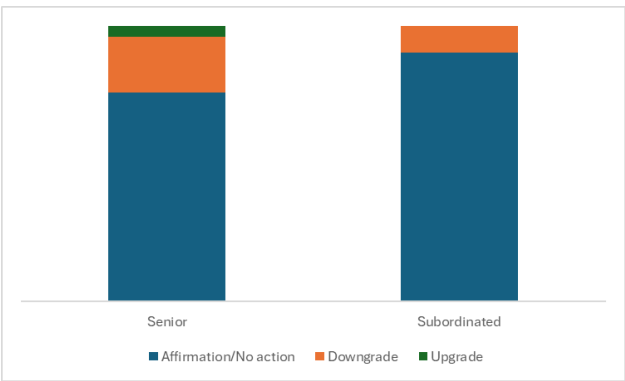
Source: Scope

2.1 Summary of monitored ratings activity

NPL ABS continued to show negative ratings drift between October 2024 and October 2025. Among senior tranches, 20% of annual reviews resulted in downgrades, 4% in upgrades, and the remaining 76% in affirmations or no action. For subordinated tranches, 10% of periodic reviews led to downgrades, while 90% were affirmations or no action.

NPL ABS: mixed rating actions amid challenging performance

Figure 5: NPL monitoring outcome



Source: Scope

2.2 Key monitoring factors

The performance of NPL ABS transactions over the review period was primarily influenced by the composition of underlying non-performing exposures. Mixed NPL portfolios continued to underperform, with Italian transactions contributing most significantly to the observed negative ratings drift. As we outlined in our 2025 Outlook, this underperformance remains driven by the weaker performance of secured exposures, larger-than-expected discounts realised during collateral liquidations, and limited profitability of extrajudicial strategies.

Despite ongoing challenges, several transactions backed by Italian mixed NPL portfolios were upgraded, supported by faster-than-expected recovery timelines. On average, these deals achieved collections at 187% of servicers' expectations. In contrast, downgraded transactions reached only 72% of their business-plan targets, while those receiving affirmations or no rating action achieved 110%, indicating broadly stable performance.

Observed discounts on Italian properties broadly stabilised between October 2024 and October 2025, averaging 50.3%, barely up from 48.6% in the previous year. In Spain, average discounts on repossessed properties continue to be relatively muted, averaging around 5% to 10%. Collateral properties in Ireland generally sold at premiums, averaging 28% above initial valuations, although recoveries on secured exposures progressed more slowly due to ongoing litigation.

Extended recovery timelines continue to exert pressure on secured segments, particularly in mixed NPL transactions. In Spain, repossessed assets incur high holding costs, while in Italy, average recovery expenses rose to 8.7% in 2025, up from 7.0% in the previous year. This increase reflects a greater reliance on judicial proceedings, which typically involve higher legal and court-related costs. The impact is more pronounced in granular portfolios, characterised by smaller borrowers or a higher incidence of individual debtors, where fixed procedural expenses represent a larger share of total costs. Servicers anticipate a moderation in recovery expenses over the medium term, as a significant portion of upfront judicial costs has already been incurred.

Securitisations backed by non-performing leases in Italy maintained stable ratings over the past year. While collections slowed, they remain broadly in line with our expectations at current rating levels. Structural protections such as hedging, amortisation and available buffers continue to mitigate risks from increased discounts and asset concentration, supporting rating stability.

Ratings assigned to transactions backed by unsecured and reperforming loans were stable, with recovery timelines broadly aligned with expectations. Performance remains closely tied to macroeconomic conditions and labour market dynamics, given full exposure to individual borrowers. Effective servicer oversight, -including early identification of delinquent borrowers and timely intervention, has supported a stable pace of collections.

2.3 2026 rating outlook

Our NPL rating outlook excluding mixed Italian NPL transactions is balanced. Recoveries on unsecured and reperforming exposures remain underpinned by the continued economic resiliency, tight labour markets, and effective portfolio management. Recoveries on secured exposures are also supported by strong residential property markets. However, the segment remains highly sensitive to economic and financial stability risks.

Regarding Italian mixed NPL transactions, we expect negative ratings drift to abate, as distressed valuations have stabilised and current ratings already reflect adjusted expectations after a prolonged period of rating adjustments. Collateral liquidation discounts will remain broadly unchanged, supported by stable transaction volumes and modest price appreciation in Italian real estate.

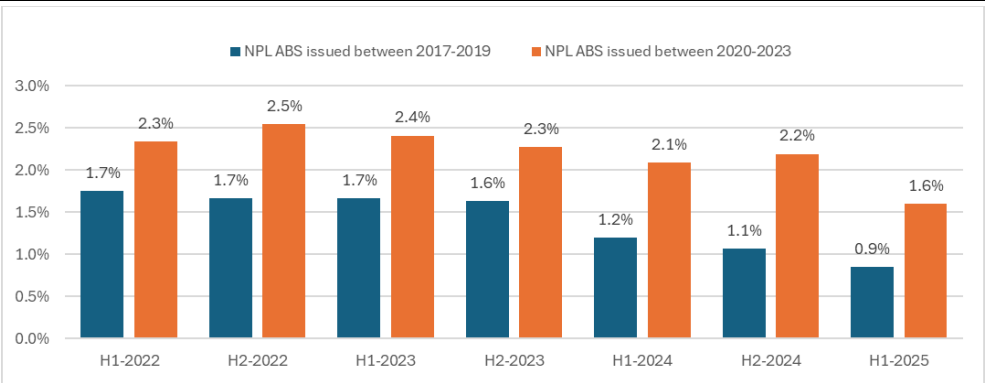
Our outlook on seasoned transactions remains negative, as the pace of collections is significantly slowing, reflecting the shrinking pool of recoverable assets and exposure to portfolio tail-end risks (see Figure 13). Indeed, remaining portfolios tend to consist of the most challenging and lower-quality assets, making them more vulnerable to performance shocks. This risk is especially pronounced in transactions where recoveries are concentrated in a small number of positions, heightening sensitivity to shortfalls and potentially leading additional rating pressure.

Negative ratings drift in NPL ABS driven by Italian transactions

Balanced outlook, excluding mixed Italian NPLs

By contrast, our outlook on more recent mixed Italian mixed NPL transactions issued between 2020 and 2023 is stable, and we would not be surprised to see some upgrades even on investment grade rated tranches. These transactions benefit from higher coverage ratios, providing a buffer against collection volatility, and their performance has beaten servicer business-plan expectations in some cases.

Figure 6: Italian NPLs average rate of collections (% of initial gross book value)



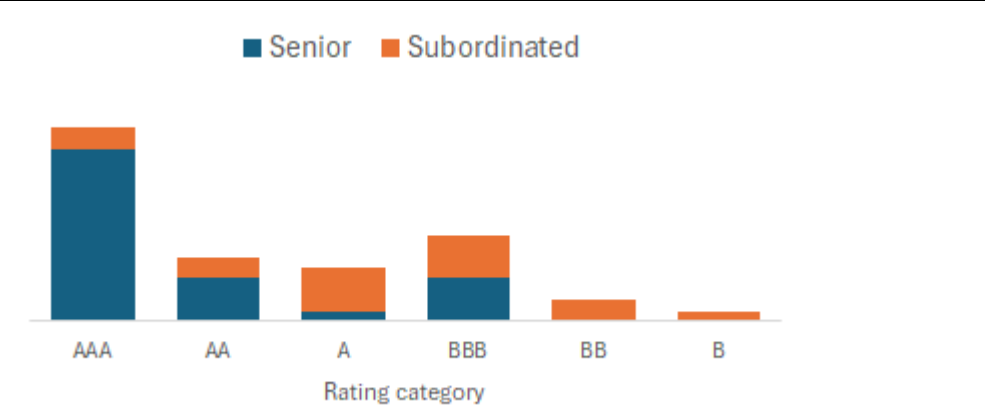
Source: Scope

3. Consumer ABS

Our universe of consumer ABS consists of transactions backed by Spanish unsecured consumer loans, Italian payroll-deductible loans (CQS), and vehicle financings in Austria, Germany, Poland and Spain. The current rating distribution is concentrated in AAA ratings for senior tranches, while other tranches are dispersed across the rating scale.

High concentration of AAA ratings on senior tranches

Figure 7: Consumer ABS rating distribution (October 2025)



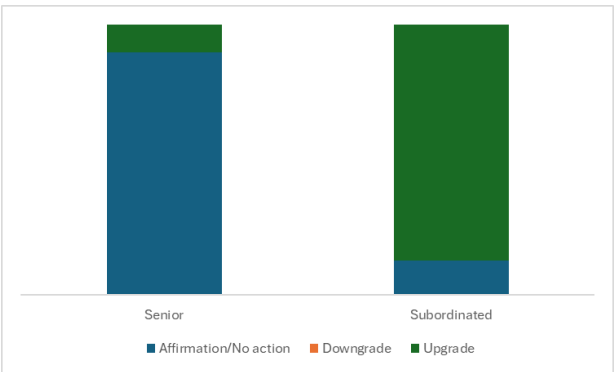
Source: Scope

3.1 Summary of monitored ratings activity

Between October 2024 and October 2025, consumer ABS transactions experienced strong positive ratings drift, primarily driven by upgrades on mezzanine tranches. Ratings on senior tranches exhibited significant stability, with 89% of periodic reviews of senior tranches resulting in rating affirmations or no action, 11% upgrades and no downgrades. For subordinated tranches, 88% led to upgrades, while 12% of the reviews resulted in rating affirmations or no action, with no downgrades.

Strong ratings drift driven by mezzanine upgrades; senior tranches stable

Figure 8: Consumer ABS monitoring outcome



Source: Scope

3.2 Key monitoring factors

The performance of Consumer ABS remained robust throughout 2025, in line with expectations outlined in our 2025 outlook. No rating downgrades were recorded during the year and the key rating drivers remained broadly unchanged.

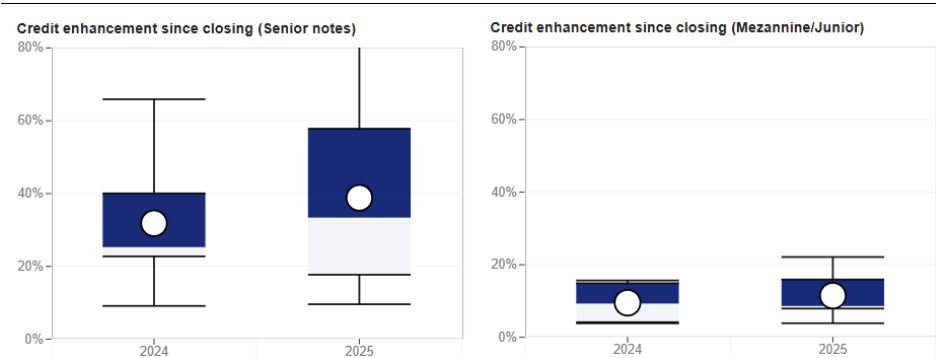
Positive ratings drift was primarily driven by the combined effect of robust borrower performance, rapidly amortising portfolios, and sequentially amortising tranches. In addition, the prevalence of fixed-rate loans continued to shield borrowers from the adverse effects of high interest rates and inflationary pressures experienced in prior periods, while floating-rate liabilities were effectively hedged.

Average credit enhancement ratios increased to about 46% in 2025 from 36% in 2024 for senior tranches, and to 14% from about 10% for mezzanine tranches. Credit enhancement on senior notes backed by CQS portfolios experienced the steepest increase (from 34% to 47%, as illustrated in the whiskers-plot in Figure 3) due to high prepayments.

Positive performance was supported by resilient economic conditions. Observed defaults and arrears have remained broadly below expectations across all three sub-asset classes. Annualised periodic defaults averaged roughly 1% below projected levels, while delinquency ratios consistently remained below 3% across all sub-asset classes. Recovery rates for both unsecured consumer and auto loan portfolios were closely aligned with expectations under benign economic conditions, outperforming Scope’s expectations for stressed scenarios.

Italian CQS pools reported cumulative recoveries of 68.4%, consistent with expectations, supported primarily by proceeds from insurance contracts offering life and unemployment coverage, which remain a key mitigant of credit losses in this segment (see [Italian CQS ABS report](#) for more details).

Figure 9: Consumer ABS credit enhancement evolution¹



Source: Scope

3.3 2026 rating outlook

We maintain a positive rating outlook for European consumer ABS in 2026, supported by resilient collateral performance, tight labour market conditions and robust structural protections.

Positive outlook on consumer ABS

Scope expects ratings across consumer and auto ABS transactions to remain broadly resilient under a range of economic scenarios. Upgrades are likely, particularly across junior and mezzanine tranches, as transactions continue to deleverage; with senior tranche ratings gaining further strength.

Structural features, including sequential amortisation, cash reserves and excess spread provide effective protection against performance volatility. The short life and granularity of underlying pools further enhance resilience against idiosyncratic and cyclical stress.

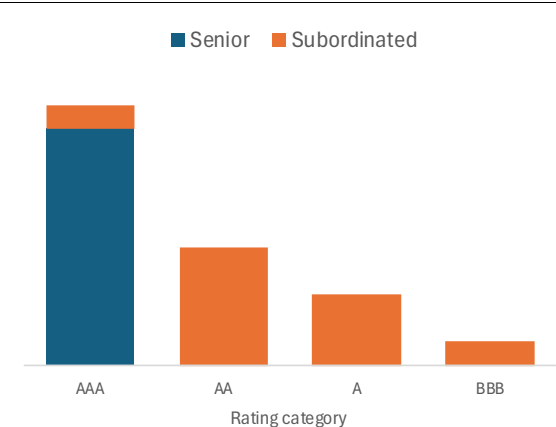
While risks such as geopolitical instability and trade tensions could weigh on economic activity, our sensitivity analysis indicate that most transactions can absorb moderate economic shocks..

4. RMBS

Our rated RMBS universe consists of transactions backed by prime and non-conforming mortgages, mainly in Spain but also in the United Kingdom, Italy and the Netherlands. The current rating distribution has all senior tranches at AAA while other tranches are distributed across the rating scale.

All senior RMBS tranches rated AAA

Figure 10: RMBS rating distribution (October 2025)



Source: Scope

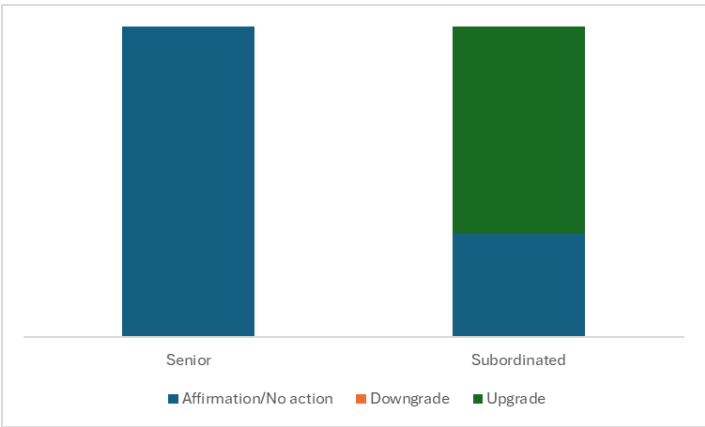
¹ The 'box and whiskers' plot provides a visual representation of the distribution of the data set, excluding outliers (which are shown as dots): the cross represents the mean; the divisor line in the box represents the median value, whereas the top and the bottom of the box represent the upper and lower quartiles; the whiskers represent the maximum and minimum values.

4.1 Summary of monitored ratings activity

Prevailing positive ratings drift on RMBS persisted over the past year. Between October 2024 and October 2025, 35% of our rating review resulted in upgrades, while the rest resulted in stable ratings. Senior notes predominantly received affirmations or no actions. A notable development was the upgrades of the majority (67%) of the subordinated tranches.

RMBS shows stable performance with continued positive ratings drift.

Figure 11: RMBS monitoring outcome



Source: Scope

4.2 Key monitoring factors

Borrower performance across rated prime RMBS transactions has remained exceptionally strong, continuing the positive trajectory observed over several past periods. Three-month arrears ratios remained within a low and stable range of 0.1% and 0.5% over the past 12 months, reflecting ongoing borrower discipline and effective servicing practices. Cumulative defaults have remained well below 0.1%, consistently outperforming our modelled lifetime default assumptions.

Prime RMBS: low arrears, near-zero defaults.

Prepayment rates ranged between 2.5% and 10.0%, averaging 5.6% across monitored transactions, a moderate increase from 2024 levels. This uptick is likely attributable to changes in the interest-rate environment and easing mortgage lending conditions, prompting borrowers to refinance at lower rates and/or switch to fixed-rate products.

The underlying drivers of this performance remain broadly unchanged from the prior year. Labour markets across relevant European jurisdictions continue to be resilient, with low unemployment rates supporting household affordability and reinforcing timely mortgage repayments. In parallel, the sustained strength of residential property markets has underpinned borrower commitment and confidence.

Transaction structures have continued to benefit from steady deleveraging, contributing to increased levels of credit enhancement across the capital stack. On average, credit enhancement for outstanding senior tranches has increased to 19.4% from 14.0% at closing. For tranches rated in AA and A categories, credit enhancement has similarly risen to 9.0% from 6.9% since closing, reflecting a healthy build-up of structural support.

4.3 2026 rating outlook

We maintain our positive rating outlook for European prime RMBS in 2026, underpinned by strong borrower affordability, high collateral quality, and conservative origination standards. These pillars continue to support stable credit performance and ratings stability.

Positive 2026 outlook for prime RMBS backed by strong fundamentals

While the performance of European RMBS remains solid, several economic factors could introduce downside risks. Inflationary pressures may re-emerge due to tight labour markets, increased public spending, and regulatory changes, such as the EU’s upcoming energy trading regime. In addition, a steeper yield curve and elevated long-term rates could weigh on debt affordability, particularly for borrowers with floating-rate loans.

Prime RMBS transactions remain well-positioned to absorb moderate stress. Key structural features, such as low loan-to-value ratios, prudent debt-to-income limits, and sequential amortisation, provide substantial buffers. Senior tranches exhibit strong resilience, with sensitivity analysis (assuming a 50% increase in mean default rates) indicating no ratings migration.

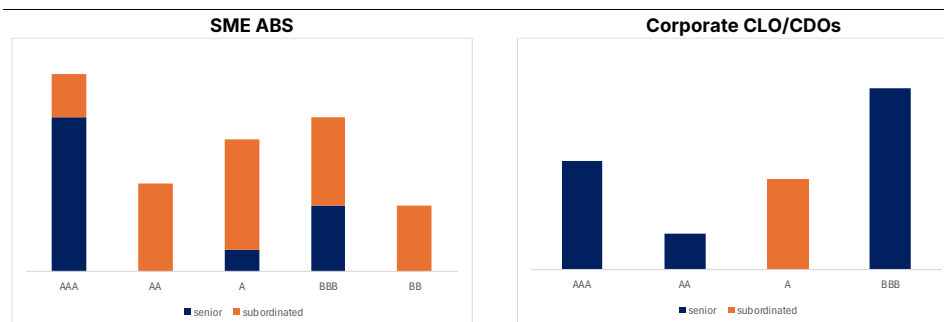
As transactions deleverage, credit enhancement levels are expected to rise, particularly benefiting mezzanine and junior tranches. This trend supports the potential for selective rating upgrades, reinforcing the overall robustness of the RMBS market heading into 2026.

5. SME and corporate ABS

Scope's universe of SME ABS includes transactions primarily backed by SME loans and leases, with a smaller proportion backed by commercial real estate loans. This coverage is concentrated in Italy, France, Spain, and the UK.

Scope's corporate ABS portfolio encompasses corporate loans, commercial real estate loans, project finance loans, and trade finance. Portfolios are concentrated in the UK with smaller exposures in the rest of Europe, North America and Asia. Half of these transactions are passively managed balance-sheet CLOs. For the remaining transactions, the underlying investments consist of less granular and actively managed private debt funds and co-investments.

Figure 12: SME and corporates ABS rating distributions (October 2025)



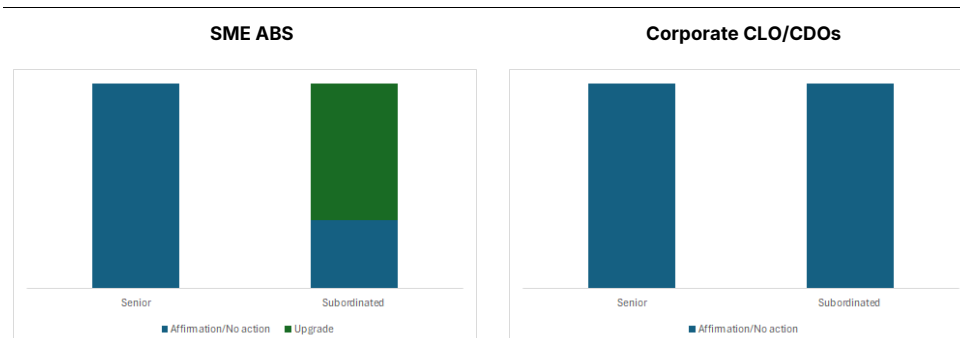
Source: Scope

5.1 Summary of monitored ratings activity

SME ABS ratings remained stable between October 2024 and October 2025. All annual periodic reviews conducted by Scope on senior tranches resulted in rating affirmations or no action. For subordinated tranches, 83% of reviews led to affirmations or no action, while 17% resulted in upgrades. There were no downgrades during the period.

Corporate CLO/CDO senior tranches also demonstrated exceptional rating stability. All reviews conducted, on both senior and subordinated tranches, resulted in affirmations or no action.

Figure 13: SME and corporates ABS monitoring outcome



Source: Scope

5.2 Key monitoring factors

European SME ABS transactions continued to perform in line with our initial expectations throughout 2024 and into 2025. Despite a prolonged period of elevated policy rates, underlying borrower fundamentals remained broadly resilient, supported by strong balance sheets, disciplined cost management, and conservative leverage. The phase-out of extraordinary support measures, -such as national loan guarantee schemes introduced during the Covid-19 crisis, did not result in a noticeable deterioration in performance. Nonetheless, several portfolios continue to benefit from ongoing guarantee schemes that support recovery proceeds.

SME ABS shows resilient borrower fundamentals despite high rates

Structural features across rated SME ABS transactions contributed to the sector's strength, with upgrades driven by sequential deleveraging, low borrower default rates, and natural interest-rate hedges. Only one transaction showed continued collateral pool underperformance due to its concentration in underbanked borrowers. However, the impact was mitigated by high excess spread and loan guarantees.

Rated corporate ABS structures, including SME CLOs and fund securitisations, remained in ramp-up or reinvestment phases, limiting observable deleveraging and resulting in rating affirmations or no actions. Portfolio quality remained stable, with few transactions showing modest changes. Most managed SME CLO portfolios remained free of defaults, with impaired assets effectively removed in line with transaction mechanisms.

Currency volatility in 2025, particularly the weakening US dollar, had limited credit impact across SME ABS and corporate ABS. Most transactions with currency mismatches between issued notes and underlying exposures were structured with natural or derivative hedging arrangements, effectively mitigating FX risk.

5.3 2026 rating outlook

Scope maintains its positive outlook on SME ABS and its stable outlook on corporate ABS. Rating upgrades are likely to occur on deleveraging SME ABS, supported by static pool structures. For fund securitisations, rating stability is supported by the expansion of private credit and mid-market direct lending, with a growing investor base enhancing liquidity and refinancing options, thereby reducing structural risk. While these factors are supportive, the outlook assumes stable funding and market conditions, as leverage risk remains a key consideration.

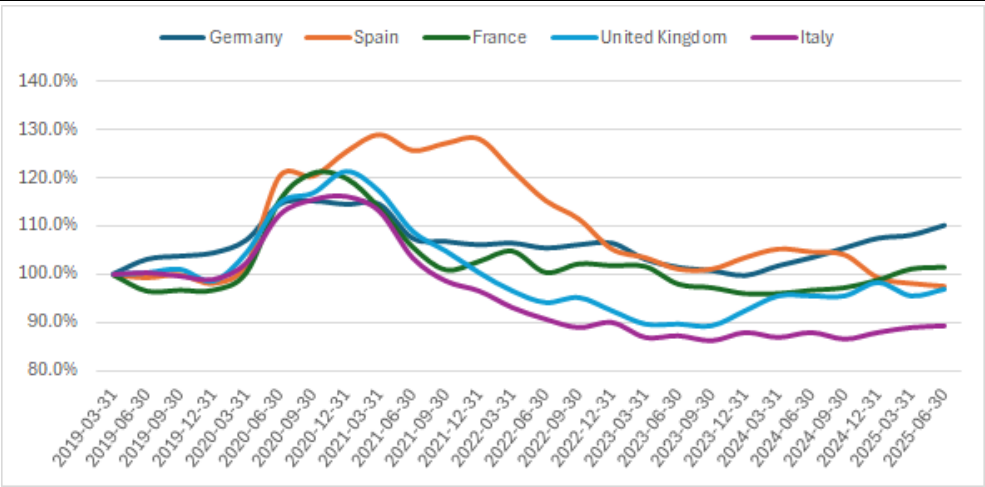
Stable outlook for SME and corporate ABS

While increased demand may compress yields, it also signals stronger market depth and resilience, supporting the long-term viability of underlying strategies. Scope-rated transactions are currently in ramp-up or revolving phases, actively deploying capital into senior secured and in some cases mezzanine exposures across Europe and the US. These structures benefit from diversified portfolios, strong manager expertise, and active risk management, including currency and interest-rate hedging.

Borrower-level risks include slower-than-expected transmission of monetary policy easing, persistent input cost pressures (particularly in energy-input-intensive sectors) and refinancing challenges for firms with near-term debt maturities. However, most rated portfolios have limited exposure to the most vulnerable sectors, as underlying collateral is primarily concentrated in industries such as energy, technology, and banking, which continue to exhibit solid fundamentals. In addition, downside risks are generally mitigated by solid transaction structures.

Debt service coverage ratios for non-financial companies continued to improve across jurisdictions, trending toward pre-Covid levels (March 2019 used as a benchmark).

Figure 14: Changes to debt service coverage ratios since Q1 2019 (non-financial corporations)



Source: BIS (calculations by Scope)

Country-specific features will reinforce rating stability. In Italy, static and naturally hedged structures contribute to predictable cash flows. French transactions benefit from partial state guarantees, enhancing credit protection. Spanish portfolios are supported by improving liquidity and fiscal conditions. Meanwhile, UK synthetic ABS deals are static and free from interest-rate risk, although their pro-rata structures limit the potential for ratings uplift.

Related research

[Global Economic Outlook 2026](#), December 2025

[German Banks Outlook 2026: robust earnings needed to offset cost-of-risk, asset quality concerns](#), November 2025

[Italian NPL collections: volumes rebound sharply in September but remain below three-year average](#), October 2025

[Climate-change risk framework: introducing issuer-specific Key Climate Risk Indicators](#), October 2025

[European CRE/CMBS: retail leads the way in loan repayments, signaling improved fundamentals](#), October 2025

[French banks quarterly: political vulnerabilities cloud uncertain year-end](#), October 2025

[EU Banks NPL Heatmaps: poor economic outlook, high corporate NPLs in core countries underpin caution](#), October 2025

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