

White Paper

Unlocking the next chapter of securitisation: An opportunity for European insurers

This paper explains what is changing, where the opportunity is most compelling, how the portfolio trade-offs can translate into capital and income outcomes, and the practical considerations for implementation.



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European insurers have historically underallocated to securitised credit despite the asset class's strong credit performance since the Global Financial Crisis. They've been constrained in part by punitive capital treatment, but that's now set to change. Beginning in late January 2027, the Solvency II recalibration materially improves the treatment of selected senior securitisations, increasing their relative attractiveness and creating a timely opportunity to reassess the asset class.

- **A broader opportunity set.** Senior STS asset-backed securities (ABS) and non-agency residential mortgage-backed securities (RMBS), together with senior non-STs assets such as AAA collateralised loan obligations (CLOs) and commercial mortgage-backed securities (CMBS), provide diversified sources of spread, collateral exposure, and structural risk mitigants.
- **A practical portfolio solution.** This paper provides a case study that illustrates how securitised allocations can be designed to help insurance companies optimise regulatory capital and portfolio yield.
- **Multiple routes to implementation.** Insurers can combine pooled solutions, including ETFs, with segregated mandates to achieve the appropriate balance of scale, governance, efficiency, portfolio customization, liquidity, and regulatory optimisation, depending on their specific investment and balance sheet objectives.
- **Active expertise remains essential.** Regulatory tailwinds may improve the capital efficiency of securitised credit, but investment outcomes continue to be driven by manager expertise. Robust collateral analysis, prudent security selection, thoughtful diversification, and ongoing monitoring are critical to preserving credit quality, managing downside risk, and maximising risk-adjusted returns.

Why securitisation matters again

For much of the past decade, European insurers have faced a familiar challenge: how to preserve liquidity and enhance investment income without materially increasing credit risk or consuming additional regulatory capital, especially during times of stress. Higher interest rates have improved absolute yields across fixed income markets, but they have also renewed the search for diversified sources of income, capital efficiency, and portfolio resilience.

In this environment, securitised credit has become a promising option for insurers. Senior securitised assets can offer a combination of spread enhancement, diversification, and structural risk mitigants that is difficult to replicate through traditional corporate bond allocations. Through diversified pools of mortgages, consumer loans, and corporate credit exposures, they can also provide access to sources of return and risk that differ from traditional credit markets.

Yet despite these characteristics, securitisation remains significantly underrepresented in many European insurance portfolios. At the end of 2021, data from the European Insurance and Occupational Pensions Authority (EIOPA) suggested securitisation represented just 0.33% of total investments among insurers and reinsurers applying the Solvency II standard formula. A major contributor to the lack of allocation compared to other markets, like the US and Japan, stems from punitive current capital charges and the contraction of the EU securitised market following the Global Financial Crisis.

That may now be changing. A combination of regulatory reform, evolving policy priorities, and growing recognition of the asset class's historical performance is prompting insurers to reconsider an area of the market that has largely remained on the sidelines for more than a decade.

From crisis to recalibration: How we got here

Before the Global Financial Crisis, securitisation was an important source of funding for European banks and a well-established means for institutional investors to access diversified pools of mortgages, consumer loans, and corporate credit. The crisis fundamentally changed perceptions of the asset class. Despite European securitisations generally recording materially stronger credit performance than the US subprime structures at the centre of the crisis, policymakers increasingly associated the market with complexity, opacity, and systemic risk.

The regulatory response improved transparency, risk retention, and investor protection, but it also imposed disproportionately high capital requirements on banks and insurers holding securitised assets. Combined with extensive due diligence and operational obligations, these prudential charges made many high-quality securitisations uneconomic relative to corporate bonds and other spread assets. Bank demand and insurer participation fell sharply, issuance and secondary-market liquidity weakened, and the European securitisation market entered a prolonged decline.

In effect, regulation intended to make the market safer also contributed materially to its demise in Europe, despite resilient underlying credit performance and continued diversification benefits.

Why policymakers are changing course

Today's policy debate looks very different from the immediate post-crisis period, with European policymakers increasingly focused on competitiveness, economic growth, and mobilising capital to support strategic priorities such as innovation, infrastructure investment, and the energy transition. This shift sits at the heart of the European Commission's Savings and Investments Union (SIU) agenda and is reflected in the Commissions June 2025 securitisation reform package¹, which seeks to simplify due diligence and transparency requirements, reduce operational frictions, and enhance the STS framework while maintaining robust investor protections. Together with Solvency II reforms and proposed revisions to the Capital Requirements Regulation (CRR)² and Liquidity Coverage Ratio (LCR)³, these measures aim to better align regulatory treatment with the risk characteristics of high-quality securitisations, support broader investor participation, and strengthen capital formation across Europe.

A similar reassessment is underway in the UK, where Solvency UK reforms and wider securitisation reviews seek to expand insurers' investment capacity and reduce barriers to long-term investment. While the UK and EU approaches differ in design, both reflect a growing recognition that high-quality securitisation can play a larger role in supporting economic growth, capital formation, and the mobilisation of institutional capital.

The Solvency II turning point

At the centre of the reform package sits the recalibration of Solvency II capital requirements, scheduled to apply from 30 January 2027. The European Commission's amendments⁴ to the Solvency II Delegated Regulation (EU) 2015/35 introduce targeted reductions in spread risk capital charges for securitisations, aligning capital requirements more closely with the underlying risk characteristics of high-quality securitisation exposures.

The reforms better differentiate between senior and subordinated exposures. Senior STS securitisations, including AAA RMBS and AAA ABS, will receive treatment broadly aligned with covered bonds, while highly rated senior non-STs securitisations, including AAA CLOs and AAA CMBS, will benefit from substantial reductions in capital requirements. This is particularly significant for CLOs, which cannot qualify for STS treatment and have historically faced some of the most stringent capital requirements under the Solvency II framework. By contrast, mezzanine and subordinated exposures also face meaningfully reduced SCR requirements, although capital charges remain materially higher than for other asset classes.

1. Regulation - 2017/2402 - EN - securitisation regulation - EUR-Lex
2. Regulation - 2017/2401 - EN - EUR-Lex
3. COMMISSION DELEGATED REGULATION (EU) 2015/ 61 - of 10 October 2014 - to supplement Regulation (EU) No 575/ 2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions
4. Delegated regulation - EU - 2026/269 - EN - EUR-Lex

Securitisation spread-risk charges: Current vs 2027

Standard-formula Spread SCR factor per year of spread duration. We show the current factor alongside the 2027 recalibrated factor so the scale of relief is visible at a glance.

Rating	STS				Non-STs			
	Senior		Non-Senior		Senior		Non-Senior	
	Now	2027	Now	2027	Now	2027	Now	2027
AAA	1.0%	0.7%	2.8%	2.0%	12.5%	2.7%	12.5%	7.4%
AA	1.2%	0.9%	3.4%	2.6%	13.4%	3.3%	13.4%	9.0%
A	1.6%	1.4%	4.6%	4.0%	16.6%	4.4%	16.6%	12.0%
BBB	2.8%	2.5%	7.9%	7.1%	19.7%	7.5%	19.7%	18.8%
BB	5.6%	4.5%	15.8%	12.7%	82.0%	14.3%	82.0%	38.9%

Headline reductions

AAA senior non-STs
12.5% → 2.7% (-78%)

AAA senior STs
1.0% → 0.7% (-30%)

BB senior non-STs
82.0% → 14.3% (-83%)

Reading the table. Senior STs securitisations move broadly into line with covered bonds, while senior non-STs securitisations — the category that captures AAA CLOs — see the deepest cuts (up to -78% at AAA). Non-senior tranches retain materially higher charges, preserving the reform's risk sensitivity between seniority levels.

Source: Current factors per Commission Delegated Regulation (EU) 2015/35 (Arts. 178, 180); 2027 factors per the securitisation recalibration adopted under Delegated Regulation (EU) 2026/269, applying 30 January 2027. Invesco analysis.

For many insurers, this represents the first meaningful improvement in securitisation capital treatment in over a decade and a significant step towards better alignment between regulatory capital requirements and underlying investment risk. The reforms are particularly significant for standard-formula insurers, many of whom have historically faced greater constraints when investing in securitised assets than their internal-model peers. By reducing the capital differential between securitisations and other spread products, the recalibration could materially broaden the investable universe available to a large part of the European insurance sector.

The benefits are unlikely to be distributed evenly across the market. Senior RMBS, prime consumer ABS, and AAA-rated CLOs [and CMBS] are expected to be among the principal beneficiaries of the reforms, reflecting their combination of structural risk mitigants, credit quality, liquidity, and improved capital treatment. As a result, securitisation may increasingly be assessed on its underlying investment merits and role within portfolio construction, rather than as a specialist allocation constrained by prudential treatment.

If insurer allocations increase as anticipated, the effects may extend beyond individual portfolios. Greater demand for senior securitised assets could support increased issuance, improved secondary-market liquidity, and deeper European securitisation markets over time. A more detailed assessment of the changes to the European and UK regulations are outlined in the appendix.

Case study: Adding senior securitised credit to a model insurer portfolio

To translate the adopted Solvency II recalibration into portfolio outcomes, we combine a set of representative fixed income building blocks within a model European insurer credit book. Capital requirements are based on the standard formula spread-risk factors, incorporating the securitisation recalibration adopted under Delegated Regulation (EU) 2026/269, which becomes effective on 30 January 2027. Spread assumptions reflect representative market levels identified by Invesco as of mid-2026.

Asset building blocks

Asset	Rating	Spread (bps)	Spread duration (yrs)	SCR now	SCR 2027	Spread/SCR (2027)
Eu Govt/Supra	AAA	0	6.0	0.00%	0.00%	n.m.
Covered Bonds	AAA	32	4.0	2.80%	2.80%	11.4
Corporates AA	AA	48	4.8	5.28%	5.28%	9.1
Corporates A	A	72	4.7	6.58%	6.58%	10.9
Corporates BBB	BBB	102	4.5	11.25%	11.25%	9.1
Senior STS ABS	AAA	80	3.2	3.20%	2.24%	35.7
Senior AAA CLO	AAA	130	4.5	56.25%	12.15%	10.7

Sovereigns and covered bonds remain the low-capital anchors of insurer portfolios but offer limited spread. Corporate bonds provide additional income, although moving down the rating spectrum brings a broadly proportionate increase in capital requirements. Senior securitised assets (bolded) exhibit a different profile. Under the 2027 calibration, AAA STS ABS/RMBS pair higher spreads with capital in line with — and at these durations slightly below — covered bonds, while AAA CLO capital falls sharply versus today, transforming its portfolio relevance.

While senior STS securitisations have long carried favourable capital treatment, insurer uptake has remained limited — reflecting not the capital charge itself, but factors such as constrained supply and operational considerations. The 2027 reforms may help address several of these frictions, potentially supporting broader consideration of the asset class over time.

Three approaches to including securitisations as an allocation

Starting from a traditional insurer credit book, we test three reallocations — each with a distinct objective: releasing capital, enhancing spread, and optimising the overall trade-off.

- The **Release** portfolio is designed to improve capital efficiency by replacing a portion of A and BBB corporate exposure with senior STS ABS/RMBS, seeking to preserve income while reducing Spread SCR and improving overall credit quality.
- The **Enhance** portfolio focuses on increasing portfolio income by reallocating part of the corporate bond exposure into senior AAA CLOs, accepting a modest increase in capital consumption in exchange for higher spread.
- The **Optimise** portfolio combines both approaches, funding a blended allocation to senior STS ABS/RMBS and AAA CLOs from A and BBB corporates to target higher income while keeping overall capital requirements broadly unchanged.

Portfolio allocations

Asset	Reference	Release	Enhance	Optimise
Eu Govt/Supra	10%	10%	10%	10%
Covered Bonds	15%	15%	15%	10%
Corporates AA	15%	15%	15%	15%
Corporates A	35%	28%	25%	30%
Corporates BBB	25%	22%	25%	20%
Senior STS ABS/RMBS	–	10%	–	8%
Senior AAA CLO	–	–	10%	7%

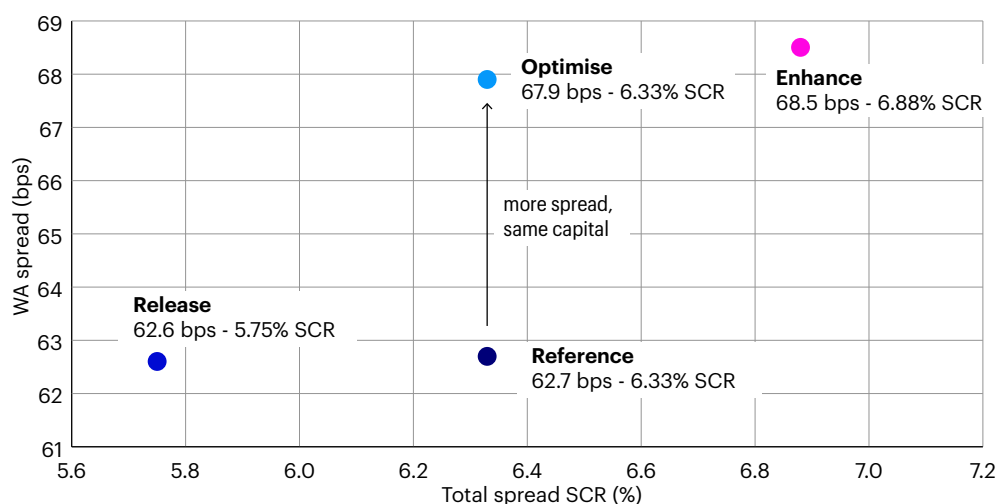
Portfolio outcomes and change vs reference

Asset	Reference	Release	Enhance	Optimise
Capital basis	Current	2027	2027	2027
WA spread (bps)	62.7	62.6	68.5	67.9
WA spread duration (yrs)	4.69	4.55	4.67	4.60
Total spread SCR	6.33%	5.75%	6.88%	6.33%
Spread/SCR (efficiency)	9.91	10.88	9.95	10.73
Change in spread	–	-0.1 bps	+5.8 BPS	+5.2 bps
Change in spread SCR	–	-0.57 PTS	+0.56 pts	-0.00 pts

Methodology & caveats. Capital charges derive from Solvency II standard-formula spread-risk factors (Delegated Regulation (EU) 2015/35) as amended by the securitisation recalibration adopted under Delegated Regulation (EU) 2026/269, applying from 30 January 2027. Spreads are illustrative Invesco representative levels as at mid-2026. Figures are illustrative, exclude concentration, liquidity, FX, operational, and due-diligence requirements, and do not constitute investment advice.

Figure 1: More spread from the same capital budget

Plotting spread against capital brings the trade-offs into focus



Weighted-average spread versus total Spread SCR across the reference book and three scenarios. Source: Invesco calculations. For illustrative purposes only.

Practical applications for insurers

The three scenarios illustrate that senior securitised credit can be used to solve different balance sheet objectives, depending on an insurer's capital position, earnings profile and strategic priorities.

- **Release capital: For capital-constrained insurers.** The Release portfolio demonstrates how senior STS ABS/RMBS can improve capital efficiency without sacrificing portfolio income. By replacing a portion of A and BBB corporate bonds with senior STS securitisations, the model portfolio releases approximately €57 million of Spread SCR on a €10 billion portfolio while maintaining virtually identical spread income and improving overall credit quality. This approach is likely to be most relevant for insurers operating with tighter solvency buffers, businesses preparing for growth initiatives, or firms seeking to redeploy capital into higher-return activities such as underwriting, new business strain, or less liquid credit opportunities. In these cases, the objective is not necessarily to increase yield, but to make the existing capital budget work harder.
- **Enhance income: For earnings-focused insurers.** The Enhance portfolio targets insurers with comfortable solvency positions but greater pressure on earnings generation. Introducing a 10% allocation to AAA CLOs increases portfolio spread by 5.8 basis points, equivalent to approximately €5.8 million of additional annual investment income on a €10 billion portfolio. While capital consumption rises modestly, the portfolio retains a broadly similar level of capital efficiency. This outcome may appeal to insurers with strong SCR ratios but operating businesses facing pressure on profitability, such as non-life insurers managing a competitive combined ratio, or life insurers seeking additional investment margin to support shareholder returns. For these investors, improving recurring investment income can be more valuable than releasing capital.
- **Optimise risk-adjusted returns: For well-balanced insurers.** The Optimise portfolio combines STS ABS/RMBS and AAA CLOs to improve the overall balance between income and capital consumption. The result is approximately €5.2 million of additional annual income on a €10 billion portfolio while keeping total Spread SCR essentially unchanged. Capital efficiency improves materially, with the spread-to-SCR ratio rising from 9.9 to 10.7. This approach may be most relevant for insurers that are already well-capitalised and are not constrained by either earnings or solvency, but instead seek to maximise risk-adjusted returns across the balance sheet. Rather than pursuing a single objective, the portfolio uses securitised credit as a portfolio construction tool to improve the overall efficiency of the asset mix.

In practice, the optimal outcome will vary by insurer. Some firms will value the ability to release capital, others will prioritise additional income, while many will seek a balanced solution that improves both. The key implication of the 2027 recalibration is that senior securitised credit can now support all three objectives, allowing insurers to tailor allocations to their specific balance-sheet constraints rather than treating securitisations as a specialist allocation in isolation.

An opportunity requiring expertise

Securitised debt is not a passive allocation, and lower capital charges do not diminish the responsibility to understand the underlying exposures. Investors must analyse an investment's underlying collateral, underwriting standards, structure, servicing arrangements, prepayment behaviour and payment waterfall, while ensuring that risk retention and due diligence requirements are satisfied.

While many investment managers rely on external credit ratings when making investment decisions, Invesco Fixed Income (IFI) conducts an independent review of each investment. Our analysis incorporates insights from IFI's Macro Research Team, while our proprietary models project defaults and corresponding loss severities across underlying collateral exposures. We use these projections to perform scenario analysis and estimate bond cash flows under a range of potential outcomes. In addition, we continuously monitor collateral pool performance to assess evolving credit conditions and emerging risks. Investment decisions are ultimately guided by a relative value analysis of opportunities across the broader investment universe. We believe our robust research capabilities and seasoned investment team enable us to identify attractive income opportunities and anticipate spread tightening, supporting timely sector allocation and careful security selection.

Practical implementation considerations

The appropriate implementation route will depend on allocation size, governance resources, liquidity requirements, and the level of portfolio customisation sought by the insurer. In practice, AAA CLOs and STS securitisations can be viewed as complementary tools, each providing a different route to accessing the benefits of securitised credit.

Senior AAA CLO exposure can be implemented through pooled vehicles, including ETFs, or through segregated mandates. The growth of the CLO ETF market has provided insurers with a scalable and operationally efficient way to establish an allocation, offering diversified exposure and daily liquidity. For larger strategic allocations, segregated mandates provide greater control over portfolio construction, concentration limits, and collateral characteristics, allowing portfolios to be tailored to specific capital, accounting, and risk objectives. STS ABS and RMBS allocations are often more naturally implemented through customised mandates, where insurers can target specific collateral types, jurisdictions, durations, and cash-flow profiles to align more closely with liability and capital management requirements.

Liquidity considerations are also important. While securitised credit is sometimes perceived as less liquid than traditional corporate bonds, periods of market stress have demonstrated both the liquidity and resilience of senior securitised markets. In the United States, AAA CLOs continued to trade actively through the pandemic-related volatility of 2020 and subsequent periods of market disruption. In Europe, the 2022 LDI crisis provided another meaningful test, during which senior AAA CLOs remained highly tradable and, in many cases, proved more liquid than comparable fixed income assets due to their floating-rate structure, established investor base and deep dealer market.

For insurers, the benefit extends beyond liquidity alone. Senior securitised assets have historically exhibited lower interest-rate sensitivity and lower volatility than many traditional fixed income sectors while continuing to offer attractive income levels. AAA CLOs, for example, have historically delivered higher yields than similarly rated corporate bonds with materially lower volatility, rapid recovery from market drawdowns, and low correlation to broader investment grade markets. Combined with structural credit enhancement and diversified collateral pools, these characteristics can help reduce mark-to-market volatility and support solvency ratio stability through changing market environments.

The opportunity also extends beyond AAA-rated securities. While the examples in this paper focus on the most senior tranches, insurers can selectively allocate across the investment grade capital structure to balance income, capital efficiency, and risk tolerance. The 2027 recalibration therefore expands the role of securitised credit from a specialist allocation into a flexible portfolio construction toolkit, enabling insurers to pursue capital release, income enhancement, or broader portfolio optimisation through a range of implementation approaches.

Conclusion

The 2027 Solvency II recalibration represents a meaningful shift for European insurers. For the first time in more than a decade, selected senior securitisations can compete on a more level footing with traditional fixed income assets from a regulatory capital perspective. The result is a broader portfolio construction toolkit that allows insurers to pursue different objectives, whether releasing regulatory capital, enhancing investment income, or improving risk-adjusted returns without materially increasing overall capital consumption.

Beyond the capital benefits, senior securitised credit offers access to diversified underlying collateral pools, attractive structural safeguards, strong historical credit performance, and differentiated risk drivers relative to traditional corporate bonds. Combined with improving implementation options, growing market liquidity, and demonstrated resilience through periods of market stress, these characteristics make securitised credit an increasingly practical tool for insurers seeking to balance income generation, solvency management, and portfolio resilience. As capital treatment becomes more aligned with underlying risk, the question for many insurers may no longer be whether securitised credit has a role in the portfolio, but how large that role should be.

Appendix 1

Expected market impact

Regulatory changes have the potential to meaningfully reshape the European securitised credit market by improving the relative attractiveness of the asset class for insurance investors. Lower Solvency II capital charges, particularly for highly rated senior securitisations, should enhance the risk-adjusted economics of holding these assets, while the UK's reforms to the Matching Adjustment framework may expand the universe of securitised investments that can be appropriately matched against long-dated insurance liabilities. Together, these changes are likely to encourage insurers to reassess strategic allocations that have historically been constrained by regulatory considerations rather than underlying credit fundamentals.

Meanwhile, demand may rise across the securitised universe as insurers and other institutional investors broaden their opportunity set beyond traditional fixed income markets, seeking diversified sources of spread, income, and structural risk mitigation. Over time, increased participation from insurers, alongside more supportive bank capital and liquidity treatment, could improve secondary market liquidity and support new issuance across several securitised asset classes.

Greater and more diversified demand may contribute to more resilient markets and provide issuers with a broader investor base. While the ultimate impact will depend on implementation details, asset availability, and insurers' internal governance requirements, the reforms represent a meaningful step toward aligning regulatory treatment more closely with the historical performance and risk characteristics of high-quality securitised credit.

Regulation is turning more supportive in both the EU and the UK, though through different mechanisms. From January 2027, the EU reduced Solvency II spread risk charges on selected senior securitisations, with the deepest relief for highly rated senior non STS assets such as AAA CLOs. The UK, by contrast, is easing Matching Adjustment eligibility alongside more proportionate due diligence and reporting.

Beyond capital relief: The real question for insurers

The proposed reforms could have implications far beyond lower capital charges, prompting insurers to revisit investment mandates, asset allocation strategies, and portfolio assumptions that were shaped by an environment where securitisations faced disproportionately high capital requirements. The impact may be greatest for standard-formula insurers, which have historically been more constrained by the existing framework than internal-model firms. While a more favourable capital treatment could expand the investable universe and increase interest in securitised assets, insurers will remain subject to due diligence requirements under the Securitisation Regulation, including risk retention verification, underwriting assessment, and ongoing monitoring of underlying exposures. As a result, insurers must navigate a period where capital requirements are becoming more supportive even as the broader operational and regulatory framework continues to evolve.

Comparison of Solvency II and Solvency UK reforms

Dimension	Solvency II (EU)	Solvency UK (UK)	Investor takeaway
Capital charges for securitisation	Introduces targeted reductions in spread risk capital charges for securitisations, aligning capital requirements more closely with underlying risk characteristics. Senior STS securitisations move closer to covered bonds and corporates, while non-STs securitisations also benefit from meaningful capital relief.	No direct recalibration of securitisation capital charges.	The most significant EU reform for securitised credit investors. The reforms improve the capital efficiency of both STS and senior non-STs securitisations. While ABS and RMBS continue to benefit from STS recognition, the enhanced treatment of senior non-STs assets broadens the investable universe for insurers and is particularly supportive of allocations to highly rated CLOs.
Risk margin	Moderate reduction through a lower cost-of-capital rate (6% → 4.75%).	Cost-of-capital rate reduced from 6% to 4%, resulting in a significant reduction in risk margins, particularly for life insurers.	Improves insurers' capital efficiency and balance-sheet capacity, supporting additional investment in long-duration assets.
Matching Adjustment (MA) flexibility with the introduction of a highly predictable bucket	No equivalent reform.	Introduces the Highly Predictable Cash Flows framework, broadens MA eligibility, removes the BBB cliff, and allows a limited allocation to assets with non-fixed cash flows.	Expands the range of assets that can support MA portfolios, particularly benefiting RMBS, ABS, and select senior CMBS exposures with predictable cash flow profiles.

Source: Invesco, EIOPA, PRA

Asset class implications

The impact of the reforms will vary across securitised sectors and individual securities. The table below outlines where the regulatory changes are likely to be most supportive, differentiating between the EU's enhanced capital treatment for qualifying securitisations and the UK's broader Matching Adjustment reforms. Ultimately, investment attractiveness will continue to depend on security-specific characteristics, including seniority, credit quality, structural resilience, collateral composition, cash flow certainty, and eligibility under the relevant regulatory regime.

Sector	EU impact	UK impact	Primary driver
RMBS	Positive: Benefits from lower capital charges and strong insurer demand, particularly for STS structures.	Positive: Senior RMBS are already being used within Matching Adjustment (MA) portfolios given their cash flows are predictable in timing and amount (i.e., satisfy Highly Predictable Cash Flow framework).	STS eligibility, MA eligibility and predictable cash flows.
ABS	Strong Positive: One of the biggest beneficiaries given favourable STS treatment and predictable cash flows.	Positive: High-quality consumer and auto ABS may benefit from MA eligibility where cash flows are sufficiently predictable and structurally robust.	Predictable amortisation diversified collateral and predictable cash flows make them a good fit for match funding liabilities.
CLOs	Strong Positive: Despite being non-STs, senior CLOs benefit from lower capital charges and improved capital efficiency.	Positive: Senior CLOs are already utilised within some MA portfolios through structures designed to provide fixed cash flows, and the reforms may further support their eligibility.	Existing MA-compatible structures, predictable cash flows, and enhanced treatment of senior non-STs securitisations.
CMBS	Moderate: Capital relief supports senior tranches but investment universe is limited.	Limited: Commercial mortgage loan cash flow uncertainty prevents MA eligibility.	Commercial mortgage loan cash flow uncertainty.
Mezzanine / Esoteric ABS	Limited: Higher-risk tranches continue to face elevated capital requirements.	Limited: Restricted benefit from MA reforms due to less predictable cash flows.	Lower seniority, complexity and weaker MA/STS fit.

Source: Invesco, EIOPA, PRA

Appendix 2

What Are Securitised Investments?

Securitised investments are fixed income securities backed by pools of loans that generate contractual cash flows. Rather than lending directly to a borrower, investors purchase bonds whose principal and interest payments are supported by a diversified pool of underlying loans or receivables. These structures provide investors with access to consumer, residential, commercial real estate, and corporate credit exposures through tradable securities with the added benefit of tranching providing additional credit support.

The securitisation process typically involves:

- Originating loans
- Transferring those loans into a special purpose vehicle
- Issuing multiple classes of securities (“tranches”)
- Distributing cash flows based on a priority of payments (“waterfall”)

The securities issued often benefit from:

- Diversification across underlying exposures
- Structural credit enhancement or subordination
- Asset-backed collateral protection
- Tailored duration, rating, and cash flow profiles.

What securitised investments are eligible for European investors?

European investors have historically faced constraints on the scope of securitised investments available to them, though upcoming regulatory reforms are expected to broaden this opportunity set. Both US and European frameworks require securitisations to comply with a 5% economic risk-retention rule, obligating the originator, sponsor, or original lender to retain at least 5% of the economic risk, aligning issuer and investor interests and promoting sound underwriting. What differentiates the two regimes is that the EU and UK frameworks are generally more stringent, requiring investors to independently verify compliance with risk-retention, transparency, and disclosure requirements before investing, a due diligence burden that largely explains why a meaningful portion of US securitised product does not qualify as EU/UK compliant. As a result, European investors may invest in both US dollar-denominated and non-US dollar-denominated securitised assets; however, the universe of eligible securities is a subset of the broader global market, limited to transactions satisfying applicable EU and/or UK regulatory requirements. Additionally, post-GFC, European and UK regulatory frameworks have generally made it less favourable for European banks and insurers to hold securitised assets relative to their US counterparts.

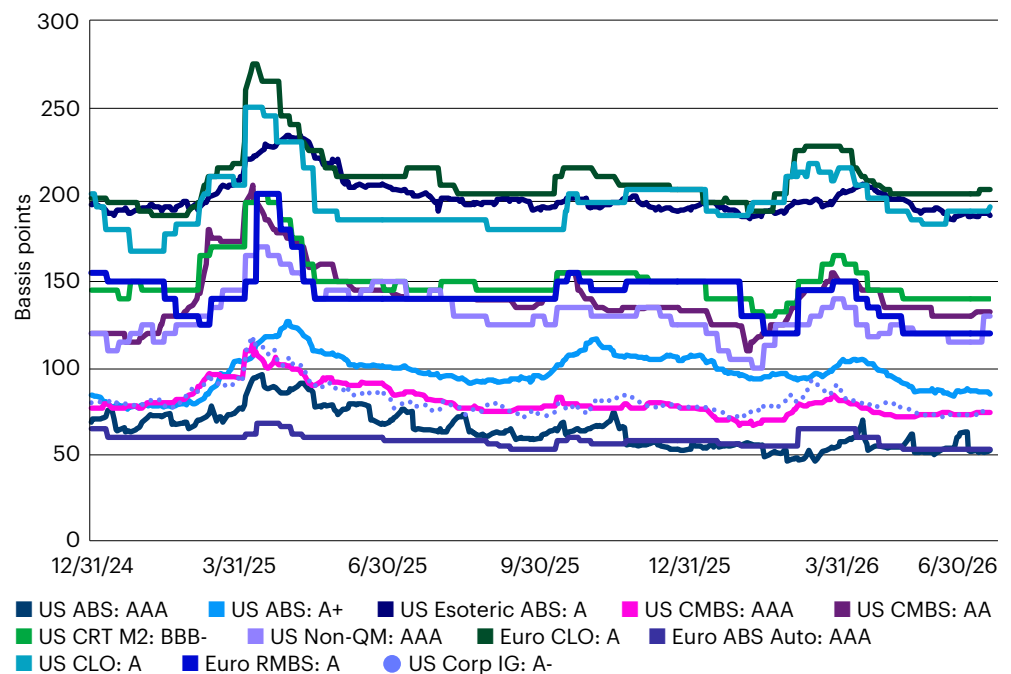
The United States represents the largest and most liquid securitised market globally, encompassing Agency RMBS, Non-Agency RMBS, asset-backed securities (ABS), commercial mortgage-backed securities (CMBS), and collateralised loan obligations (CLOs). USD-denominated investments currently total \$14.4 trillion and annual issuance averages around \$2.5 trillion¹. Within Non-Agency RMBS, we favor Non-Qualified Mortgage securities for their attractive risk-adjusted returns, supported by strong borrower credit, meaningful home equity, structural features designed to mitigate risk, and favourable relative valuations. Within ABS, opportunities span consumer and commercial sectors meeting EU/UK standards, with the most compelling value currently in digital infrastructure and whole business securitisations, given their essential-service models and resilient cash flows.

In CMBS, we favor a highly selective approach focused on single-asset/single-borrower (SASB) transactions secured by institutional-quality properties with strong sponsorship, durable tenant demand, predictable cash flows, and long weighted-average lease terms. These investments provide targeted exposure to high-quality real estate while benefiting from the structural features designed to mitigate risk and transparency characteristic of securitised credit. CLOs are particularly attractive for European investors, as they generally satisfy both EU and UK risk-retention requirements and offer access to a large, liquid market with an attractive return profile. Collectively, the breadth of the US securitised market gives European investors access to a diverse range of risk-adjusted opportunities.

While smaller than the US market, the European securitised market remains deep and diverse, with approximately €1.26² trillion outstanding across RMBS, CMBS, ABS, and CLOs. Tactical allocations to non-USD investments merit consideration, particularly as forthcoming regulatory changes could boost issuance. We see the most attractive value in UK RMBS and CMBS, given consistently strong credit performance and conservative structures, as well as in European CLOs, which offer attractive spreads, high-quality collateral, and low historical defaults.

The illustration below demonstrates the incremental yield that securitised credit offers relative to US corporate investment grade credit.

Figure 2: Securitized Spread Advantage



Source: As of June 30, 2026; **US Corporate IG (Corporates)**: Bloomberg U.S. Corporate Investment Grade Index. **US ABS**: ICE BofA Fixed/Float ABS Index. **US Esoteric ABS**: ICE BofA AA-BBB Misc ABS Index. **US RMBS**: Wells Fargo Non-QM. **US CMBS**: Wells Fargo Conduit. **US CRT M2 and Non-QM AAA**: Wells Fargo. **Euro CLO A, Euro ABS Auto 2-3y, US CLO A, Euro RMBS A**: Citi Velocity

Investment risks

For complete information on risks, refer to the legal documents. The value of investments, and any income from them, will fluctuate. This may partly be the result of changes in exchange rates. Investors may not get back the full amount invested.

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