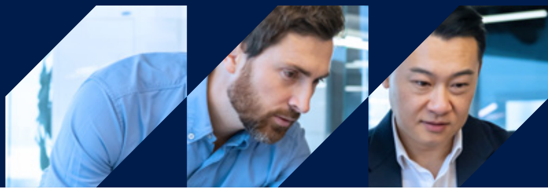
December 2025

Amundi
Investment Solutions

Trust must be earned

Insurance Investment Ideas



AUTHOR

Hubert Vannier
CFA, Head of Securitised Assets at Amundi

About the Author

Hubert Vannier is the head of Securitised Assets at Amundi, where he oversees investment strategies across securitisation and secured credit markets. With over two decades of experience in financial markets, he has developed deep expertise in structured credit, leading teams on major institutional initiatives, including advisory work for the ECB within its ABS Purchase Program. His previous roles span portfolio management and leadership of arbitrage strategies. Hubert holds a Master's degree in Econometrics from Paris I - Sorbonne University, a Master in management from ESCP Europe Business School and is a CFA charterholder.

Contact: hubert.vannier@amundi.com

CONTRIBUTORS

Sylvie Nonnon, Insurance Senior Advisor, at Amundi

Geoffrey Sauwala, Senior Portfolio Manager ABS/CLO, at Amundi

Amadou Loum, Senior Portfolio Manager ABS/CLO, at Amundi

EDITOR

Maëliss Odjo, Institutional marketing specialist, Insurance & Banks at Amundi

European Securitisation reforms: Strategic investment insights for insurers

KEY TAKEAWAYS

- The European Commission's **reform package, expected to be effective** early 2027, aims to revitalise the EU securitisation market under the Saving and Investment Union initiative.

- Changes affect the **Securitisation Regulation, CRR, including LCR and Solvency II,** primarily reducing capital charges and increasing the attractiveness of securitised assets for banks and insurers.

- **The Solvency Capital Requirement (SCR)** will be recalibrated, especially for **senior STS** tranches, aligning them to covered bonds.

- The reform adopts a **more risk-sensitive approach,** keeping higher charges for non-STS mezzanine tranches.

- Expected market effects: **broader investor participation, tighter spreads, improved depth and liquidity, a more resilient and efficient market.**

- From an investment perspective:
  - **STS ABS are immediately attractive** under current Solvency II rules.
  - **CLOs offer high spreads** but are limited by current SCR constraints.
  - **Securitisations under the new rules** unlock **broader, capital efficient opportunities** for insurers.

Introduction

Securitisation is making a strategic comeback in Europe.

On 29 October 2025, the European Commission published a Delegated Regulation amending Solvency II[1], **significantly lowering the standard formula Spread SCR for securitisation investments.**

This change is part of a broader reform package unveiled on 17 June 2025 under the Commission's **Saving and Investment Union** initiative, designed to "*facilitate securitisation activity in the EU while continuing to safeguard financial stability*"[2].

The ambition is clear: remove long-standing regulatory barriers that currently constrain issuance and investment, supporting additional lending to households and businesses.

To achieve this, the Commission has proposed targeted amendments to several key regulations[3]:

1 - **Securitisation Regulation** (Sec Reg, EU 2017/2402), to streamline operational constraints for issuers and investors.

2 - **Capital Requirements Regulation** (CRR, EU 575/2013) and Liquidity Coverage Ratio regulation (LCR, EU 2015/61) to improve the attractiveness of securitised assets for banks.

3 - **Solvency II** (S2, EU 2015/35 and amendments) to recalibrate capital charges and unlock greater insurance investment capacity by reducing Spread SCR.

With over €6 trillion in assets under management (excluding unit-linked), **the insurance sector is poised to play a pivotal role in the resurgence of the European securitisation market.**

In this article, we highlight how the proposed regulatory changes are set to unlock capital efficient investment opportunities, optimise portfolio allocation and enhance risk adjusted returns, providing insurers with actionable insights for both current and post reform environments.

I. Current European securitisation market

1) Key features

Securitisation uniquely allows originators to transfer assets off-balance-sheet and release regulatory capital

Securitisation allows a lender or a creditor to transform portfolios of loans, receivables or other financial assets into tradable securities. Beyond simple funding, securitisation uniquely allows originators to transfer assets off-balance-sheet and release regulatory capital, thereby significantly increasing their capacity to support new credit, an effect that neither unsecured nor covered bonds can achieve.

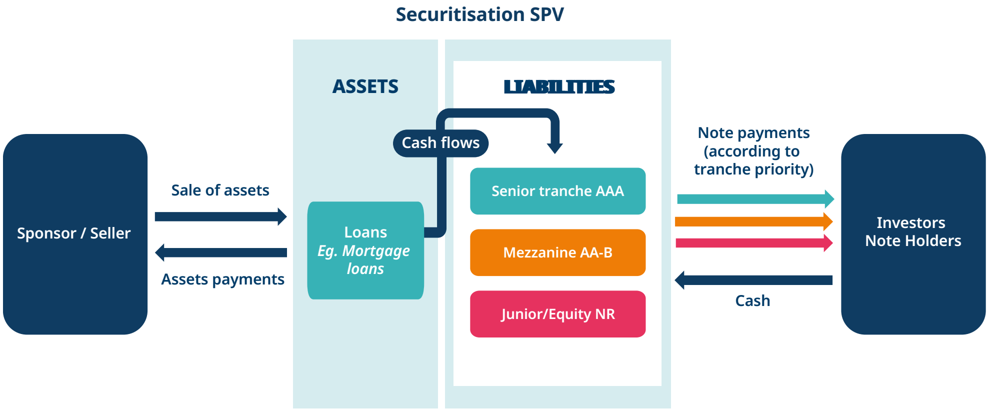
In Europe, securitisation is governed by a dedicated regulatory framework[4].

As illustrated in Figure 1, European securitisations typically rely on **two key features:**

- **Cash flow dependence:** Investor payments are sourced from the cashflows generated by the underlying asset pool. These assets are sold to a bankruptcy remote **Special Purpose Vehicle** (SPV), legally isolated from the originator.
- **"Tranching" and risk allocation:** Cash flows are distributed to investors according to a predefined **contractual priority-of-payments waterfall,** creating differentiated risk/return profiles across different classes of securities ("tranches"):
  - **Senior ("first pay"):** first in the payment priority, usually rated AAA or AA;
  - **Mezzanine:** subordinated to senior tranches, typically rated AA to B;
  - **"Junior" or "equity" or "first loss":** absorb initial losses and is generally unrated.

1. *European Commission, Commission Delegated Regulation (EU) of October, 29 2025 amending delegated regulation (EU) 2015/35 on Solvency II, available at https://finance.ec.europa.eu/regulation-and-supervision/financial-services-legislation/implementing-and-delegated-acts/solvency-2_en*
2. *https://finance.ec.europa.eu/publications/commission-proposes-measures-revive-eu-securitisation-framework_en*
3. *Although not included in the current package, potential refinements to UCITS control ratios are also being discussed in the market.*
4. *EU 2017/2402 Article 2. https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2402*

Figure 1: Simplified Securitisation Vehicle Structure



Source: Amundi. For illustration purposes only

The European securitisation market stands at €1.25 trillion outstanding

2) European market overview

Securitisation pools are typically composed of **homogeneous assets,** differentiated primarily by their underlying asset types[5].

As of Q2 2025, the European securitisation market stands at **€1.25 trillion outstanding.** Residential Mortgage-Backed Securities (RMBS) and Asset-Backed Securities (ABS) represent approximately **69%** of the market, while Collateralised Loans Obligations (CLOs) account for the remaining **31%**. Across these categories, the market offers exposure to a broad array of collateral types, spanning household loans, commercial real estate and corporate assets.

Figure 2: European securitisation market breakdown (outstandings) by asset type, Q2 2025

TOTAL EUR SECURITISED OUTSTANDING €1.25 tn

RMBS/ABS* (69%) ~€862bn | **CLO (31%) ~€392 bn**

Household loans

RMBS - €579bn (STS)
- Owner-occupied
- Buy-to-let
- Non-conforming/subprime

Consumer ABS - €124bn (STS)
- Credit cards
- Consumer loans

Auto ABS - €78bn (STS)
- Auto loans
- Auto leases

Commercial Real Estate

Commercial CMBS - €31bn
- Office
- Retail
- Logistics
- Others

Corporates

Other - €50bn
- Equipment leases (STS)
- Trade receivables (STS)
- Small & Medium Enterprises (SME) (STS)
- Whole business

Leveraged Loans CLO – €279bn

SME CLO – €113bn

Other CDO

Legend

ABS (Asset Backed Securities)
RMBS (Residential Mortgage-Backed Securities)
CMBS (Commercial Mortgage-Backed Securities)
CLO (Collateralized Loan Obligations)
CDO (Collateralized debt obligation)
STS Eligible to STS label subject to conditions

** Most RMBS/ABS are not sold to investors (i.e, not placed), but are instead retained by banks and used as collateral in repo transactions with central banks.*

Source: Amundi classification for illustration purposes only. Source for outstanding amounts: AFME Securitisation Report Q2 2025.

5. Due to jurisdiction-specific regulations of loans to households, pools of ABS and RMBS almost always rely on a specific country. On the contrary, leveraged loans are often comparable and CLOs are always diversified across Europe to benefit from diversification.

The STS label: Recognising safety and enhancing capital efficiency

Since 2019, European securitisations that meet the **Simple, Transparent, Standardised (STS) criteria benefit from regulatory recognition designed to increase investor confidence and capital efficiency.**

Eligible assets: Most ABS and RMBS, subject to granular pools, clear legal structures and strong performance criteria.

Non-eligible assets: CLOs, CMBS and non-performing loans ABS and RMBS.

3) Key portfolio benefits of securitisation for insurers

The European securitisation market provides several attributes that are relevant to insurers' portfolio construction and balance-sheet management

Building on its structural characteristics, the European securitisation market provides several attributes that are relevant to insurers' portfolio construction and balance-sheet management:

- **Attractive spreads:** European securitisations offer significant spread pick-ups relative to similarly rated corporate bonds, including AAA-rated tranches which provide spreads versus swaps ranging from 40bps (prime RMBS) up to 130bps (CLO primary)[6].
- **Low default rates:** European securitisation, particularly senior tranches, have demonstrated low default rates over the past four decades. According to the European Commission's latest market data and three regulatory proposals from June 2025, cumulative defaults remain below 0.1% for AAA-rated RMBS and are near zero across ABS and CLO senior tranches.[7]
- **Lower interest rate sensitivity:** most securitisation tranches are floating rate instruments, with coupons typically linked to short-term Euribor, which naturally limits interest rate sensitivity and helps support portfolio stability during volatile rate environment. This characteristic contributes to the historically low correlation of ABS with short-duration fixed income indices over the 2018-2025 period (see figure 3).
- **Liquidity:** some securitisation investors typically have long term management mandates and can tolerate price volatility. During periods of market stress, they are less likely to engage in forced sales and instead, often act opportunistically, buying securitisations at discounted prices, which supports overall market liquidity.
- **Diversification beyond traditional bonds:** securitisations provide exposure to assets with distinct risk drivers, which helps reduce correlation across credit segment and offers diversification beyond corporate or sovereign bond portfolios.

As an illustration, according to historical data from 2018 to 2025 ***(see figure 3)****, correlations between ABS (both all ABS and AAA ABS) and other short duration fixed income instruments remain relatively low. For example, all ABS range from approximately 0.16 to 0.51 while AAA ABS range from ~0.11 to 0.44.*

Figure 3: Weekly Correlation Matrix: Bloomberg ABS Index vs. iBoxx 1-3y Indices from September 2018 to September 2025

	Covered €	Sovereign	Corporate	Financials	IG Ultra Short	All ABS	AAA ABS
Covered €	1.00	0.94	0.79	0.67	0.28	0.16	0.13
Sovereign	0.94	1.00	0.75	0.62	0.22	0.12	0.11
Corporate	0.79	0.75	1.00	0.93	0.61	0.31	0.24
Financials	0.67	0.62	0.93	1.00	0.70	0.27	0.20
IG Ultra Short	0.28	0.22	0.61	0.70	1.00	0.51	0.44
All ABS	0.16	0.12	0.31	0.27	0.51	1.00	0.94
AAA ABS	0.13	0.11	0.24	0.20	0.44	0.94	1.00

Source: Bloomberg as of end of September 2025

6. *AFME Q2 2025 Securitisation Report*
7. *EUR-Lex - 52025PC0826 - EN - EUR-Lex*

II. Solvency II regulation changes: targeted capital relief for European securitisations

The European Commission's amendment to Delegated Regulation (EU) 2015/35 introduces targeted reductions to the Spread Solvency Capital Requirement (Spread SCR)

The European Commission's amendment to Delegated Regulation (EU) 2015/35 introduces **targeted reductions to the Spread Solvency Capital Requirement (Spread SCR)** for securitisation exposures held by insurance and reinsurance undertakings **under the standard formula.** These adjustments aim to better reflect the risk profile of securitisation.

1) Current Spread SCR framework under standard formula

For securitisation, the Spread SCR builds on traditional factors such as credit quality step and modified duration, with additional adjustments for tranche seniority (mezzanine tranches face higher SCR) and compliance with STS label (STS-certified transactions benefit from lower SCR). It is **always higher than for corporate or covered bonds of equivalent rating.**

Figure 4: Spread SCR per year of credit duration up to 5 years

	art 178.1	art. 178.4	art. 178.8	art. 180	art. 178.1
	STS		Non STS	Covered	Corporate
	Senior	Non Senior			
AAA	1.0%	2.8%	12.5%	0.7%	0.9%
AA	1.2%	3.4%	13.4%	0.9%	1.1%
A	1.6%	4.6%	16.6%	1.4%	1.4%
BBB	2.8%	7.9%	19.7%	2.5%	2.5%
BB	5.6%	15.8%	82.0%	4.5%	4.5%

Source: Commission Delegated Regulation (EU) 2015/35

2) Proposed changes

The proposed amendment aims to significantly reduce the inconsistency between high credit SCR and low historical default rates of European securitisations by:

- **Aligning Senior STS tranches with covered bonds**, reflecting their quality and very low historical default rates;
- **Significantly reducing the SCR for Non-STS transactions**, which will however remain much higher than for corporate exposures;
- **Introducing finer distinctions between Non-STS Senior vs non-senior**, allowing for more granular risk assessment and capital calibration, recognising the lower risk of senior tranches compared to subordinated ones.

Figure 5: Proposed spread SCR per year of credit duration up to 5 years & variation versus current framework

	STS				Non STS				Covered	Corporate
	Senior		Non Senior		Senior (NEW)		Non Senior (NEW)			
AAA	0.70%	↓ -30%	2.00%	↓ -29%	2.70%	↓ -78%	7.40%	↓ -41%	0.70%	0.90%
AA	0.90%	↓ -25%	2.60%	↓ -24%	3.30%	↓ -75%	9.00%	↓ -33%	0.90%	1.10%
A	1.40%	↓ -13%	4.00%	↓ -13%	4.40%	↓ -73%	12.00%	↓ -28%	1.40%	1.40%
BBB	2.50%	↓ -11%	7.10%	↓ -10%	7.50%	↓ -62%	18.80%	↓ -5%	2.50%	2.50%
BB	4.50%	↓ -20%	12.70%	↓ -20%	14.30%	↓ -83%	38.90%	↓ -53%	4.50%	4.50%

Source: Commission Delegated Regulation (EU) 2015/35, European Commission draft amendment October 29, 2025

EU Securitisation Regulation and CRR changes: the bigger picture[8]

Simultaneously, **the proposed changes to the EU Securitisation Regulation, which applies to all institutional investors in EU securitisations**, introduces a more principle-based verification process to reduce operational costs.

Furthermore, **amendments to the Capital Requirement Regulation (CRR), the prudential framework applicable to EU credit institution**s, establish lower risk weights especially for "resilient" securitisations, often STS transactions benefiting from a sufficient credit enhancement. The liquidity coverage ratio (LCR) framework is also adjusted providing greater flexibility for securitisation notes eligibility, including those rated A- or above and applying lower haircuts.

III. A new deal for the European securitisation market

1) Expected impact of regulatory changes

We expect that the combined effect of the Solvency II, CRR and securitisation Regulation amendments will reshape the European securitisation landscape.

A broader investor base

Lower capital charges, spread SCR for insurers and Risk Weights for banks, will encourage them to increase their securitisation allocations, especially by aligning the capital treatment of senior STS tranches with that of covered bonds.

Compression of spread

As demand increases, we expect spreads to tighten.

Issuance volumes set to surge

Tighter spreads will drive issuers to turn to securitisations as an efficient funding tool. Compared with covered bonds or other secured instruments, securitisations offer an efficient way to raise capital and free up balance sheet capacity. Particularly in the ABS and RMBS segments, we expect this dynamic to unlock significant issuance volumes, creating new opportunities for capital deployment.

Diverging growth dynamics across securitisation segments

- Currently, the majority of ABS and RMBS amounts are retained on sponsors' balance sheets and used as collateral in central bank repo operations. As these securities become cheaper to issue, we anticipate a substantial market expansion.
- In contrast, the CLO market faces structural constraints that should naturally cap potential growth. These include regulatory treatment for non-STS transactions and a limited supply of underlying leveraged loans (over 80% of which are already held by CLO managers).

Market depth and liquidity enhancement

Overall, higher issuance volumes and broader investor participation should enhance market depth and liquidity, providing investors with a wider choice of issuers and issuances.

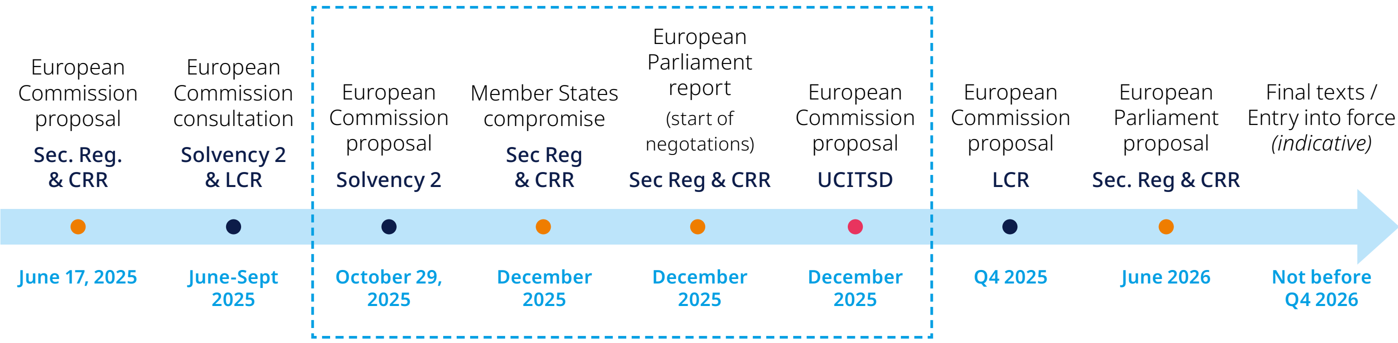
8. Source: European Commission, Proposal for amending regulation (EU) 2017/2402 on securitisation, COM (2025) 325 final, June 2025, URL

2) Expected timeline for implementation

The upcoming amendments to the CRR and Securitisation Regulation, as EU-Level 1 acts, will require a European trilogue and will therefore take time to finalise. We currently expect the revised regulations to enter into force in early 2027, alongside the implementation of the Solvency II measures expected to be implemented at the end of January 2027.

Regardless of the exact timetable **(see our expectations in figure 6 below)** market participants are likely to enter the market or increase their exposure promptly to capture the anticipated spread compression. In this context, we consider European securitisations present an immediate opportunity to seize.

Figure 6: Expected legislative pathway from consultation to entry into force



Source: Amundi. November 2025. This timeline reflects Amundi's expectations regarding the legislative pathway as of November 2025. It is provided for illustrative purposes only. Dates and steps are subject to change based on official legislative developments and do not constitute legal, financial or regulatory advice. Amundi expressly disclaims any liability for reliance on this information.

IV. How to seize the opportunity: illustrative investment scenarios for insurers

The following scenarios illustrate how insurers can explore potential ways to enhance portfolio resilience, improve capital efficiency and access higher yields through securitisation, both under the current Solvency II framework and the proposed 2027 SCR recalibration. These examples are illustrative and based on representative market data, designed to help insurers understand how securitisations could complement traditional fixed income portfolios. Figures are indicative only and not a recommendation for investment.

1) Scenario 1 - Enhancing capital efficiency with STS ABS (current Solvency II framework)

Context

Under today's Solvency II standard formula, STS ABS offer attractive spreads relative to their Spread SCR, making them an actionable opportunity for insurers. This scenario illustrates how a disciplined allocation to high quality STS ABS can improve capital adjusted returns.

Initial Portfolio set-up

We model an illustrative insurer credit portfolio with:

- Allocation weights aligned with EIOPA-reported insurer credit portfolios[9];
- Weighted Average **Spread of 52.7bps and Spread Duration of 4.46 years**[10];
- Initial Spread **SCR of 6.53%** and Initial spread / SCR of **8.25%**;
- Market data as of November 30, 2025.

Strategy applied

- Reallocating **5%** of corporate and covered bond exposure into senior STS high-grade ABS;
- STS ABS Portfolio composed, high-grade STS tranches, predominantly senior, with a shorter Weighted average life than the market (2.1 years).

Key outcomes

- The portfolio's capital efficiency improves materially: Spread/SCR increases by **0.42 points (+5.1%)**;
- Portfolio characteristics remain consistent with a marginal decrease in duration;
- The improvement is driven by high spreads for STS ABS (70bps over swaps) and low spread SCR per year (1.2%).

Figure 7: Impact of a 5% shift into STS ABS on capital efficiency (before /after allocation)

	Allocation		Spread (November 30, 2025)		Spread SCR		Efficiency
	Initial Portfolio	Suggested Portfolio	Spread (bps)	Spread Duration (years)	SCR per Year	Total SCR	Spread / SCR
Corp AA	28%	27%	41	4.8	1.1%	5.3%	7.8%
Corp A	26%	25%	61	4.7	1.4%	6.5%	9.4%
Corp BBB	26%	25%	79	4.3	2.5%	10.8%	7.3%
Covered Bonds AAA	20%	19%	24	4.0	0.7%	2.8%	8.6%
STS High Grade ABS	0%	5%	70	3.5	1.2%	4.2%	16.7%

	Spread (bps)	Spread Duration	SCR	Spread / SCR
Initial portfolio	52.7	4.46	6.53%	8.25%
Suggested portfolio	53.6	4.42	6.41%	8.67%
δ	+0.9	-0.05	-0.12%	+0.42%

Source: Bloomberg, representative European credit benchmarks, November, 30 2025. For illustration purpose only.

9. *Source: EIOPA Financial Stability Report June 2025, Credit quality of bond portfolios. For simplicity, non-investment grade (1.6%) and not rated bonds (5.5%) have not been taken in consideration; AAA are supposed to consist in Covered Bonds, other ratings in corporate bonds.*
10. *Source Bloomberg, ICE BofA Euro Corporate Index as of 30/11/2025.*

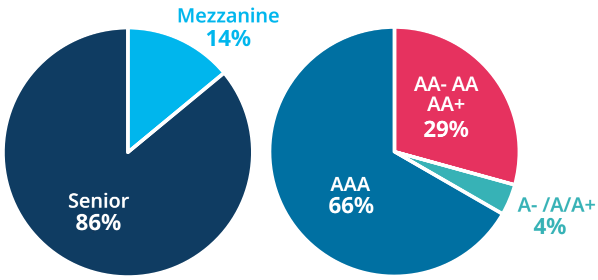
Illustrative Real-life implementation

We have implemented a portfolio composed of high-grade STS tranches, predominantly senior (86%) with a Weighted Average life (WAL) of 2.1 years for a Solvency II-regulated insurer using the standard formula, delivering:

- Spread: **+60bps** (over swaps, September 30, 2025);
- SCR: **below 3%;**
- Spread/SCR: **above 20%.**

This real-life portfolio illustrates that even under current SCR rules, insurers can unlock substantial capital-adjusted returns with a disciplined allocation to high-quality STS ABS.

Figure 8: Main portfolio features



Asset type	100% STS Senior Floating Rate Notes (FRNs)
WA life	2.1 years
WA duration	<0.1 year
Spread	Swaps + 60 bps
SCR	2.94%
Spread/SCR	20.4%

Source: Amundi. Data as of September 30, 2025. Past spreads and SCR results are for illustrative purposes only and do not predict future outcomes

2) Scenario 2: Evaluating CLO opportunities despite elevated SCR charges

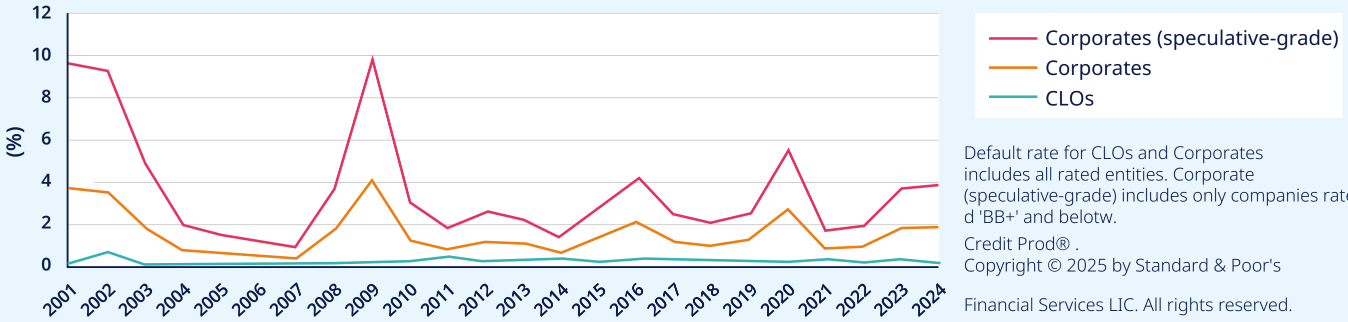
Context

CLOs offer some of the most compelling spreads in liquid credit markets. However, under the current Solvency II framework, their SCR charges remain high, even for AAA tranches, limiting their relevance for Solvency II investors.

For non-Solvency-II-regulated investors, CLOs are highly attractive for thanks to:

- **Low historical default risk,** including during the Great Financial Crisis (fig. 9);
- **Enhanced structural robustness:** CLO issued since 2010, so-called "CLO 2.0", incorporates stronger protections than pre-GFC vintages and are more robust (fig. 10);
- **Attractive spreads:** CLOs offer higher spreads than other credit segments, even at high rating levels. For example, as of November 2025, AAA-rated tranches offered spreads of around 130bps points over swaps.

Figure 9: S&P Annual global default rates: CLOs versus corporates



Default rate for CLOs and Corporates includes all rated entities. Corporate (speculative-grade) includes only companies rate d 'BB+' and belotw.

Credit Prod® .
Copyright © 2025 by Standard & Poor's

Financial Services LIC. All rights reserved.

Source: S&P Default, Transition, and Recovery: 2024 Annual Global Leveraged Loan CLO Default and Rating Transition Study

Figure 10: S&P European CLO Default History 2002-2023

Original Rating	EUR CLOs (2001-2022) Total Tranche Number	EUR CLOs (2001-2022) Number of defaulted tranches	EUR CLO 1.0 (2001-2009) Number of defaulted tranches	EUR CLO 2.0 (2010-2023) Number of defaulted tranches
AAA	1327	-	-	-
AA	1144	-	-	-
A	843	-	-	-
BBB	863	4	4	-
BB	739	17	17	-
B	485	1	1	-
Total count	**5401**	**22**	**22**	**0**
Cumulative default (% issuer count)		**0.41%**	**1.5%**	**0.0%**

Source: S&P, Default transition and recovery: 2023 Annual Global Leveraged Loan CLO default and rating transition study

In this scenario we explore how a hypothetical AAA CLO allocation could affect a standard credit portfolio spreads and capital efficiently.

Strategy applied

- We model a typical insurer credit portfolio (same methodology as scenario 1) – allocation weights aligned with EIOPA reported insurer portfolio;
- Scenario: we reallocate 5% of corporate and covered bond exposure into senior AAA CLOs.

Key outcomes

- The WA portfolio spread improves by a significant **+3.9bps (+7.3%);**
- Portfolio characteristics remain consistent with only a marginal shift in duration (+0.03 year);
- Spread/SCR ratio **drops from 8.25% to 7.94% (-3.7%)** due to the high SCR of CLOs (62.5%).

Implications

- For Solvency II insurers: CLOs offer attractive spreads, but their high SCR limits capital efficient allocations;
- For non-Solvency II investors: CLOs can provide appealing risk-adjusted returns due to spreads and structural robustness.

Figure 11: Impact of a 5% shift into CLOs AAA on WA spread and capital efficiency (before /after allocation)

	Allocation		Spread (November 30, 2025)		Spread SCR		Efficiency
	Initial Portfolio	Suggested Portfolio	Spread (bps)	Spread Duration (years)	SCR per Year	Total SCR	Spread / SCR
Corp AA	28%	27%	41	4.8	1.1%	5.3%	7.8%
Corp A	26%	25%	61	4.7	1.4%	6.5%	9.4%
Corp BBB	26%	25%	79	4.3	2.5%	10.8%	7.3%
Covered Bonds AAA	20%	19%	24	4.0	0.7%	2.8%	8.6%
CLO AAA	0%	5%	130	5.0	12.5%	62.5%	2.1%

	Spread (bps)	Spread Duration	SCR	Spread / SCR
Initial IG portfolio	52.7	4.46	6.53%	8.25%
Suggested portfolio	56.6	4.49	9.32%	7.94%
δ	+3.9	0.03	2.80%	-0.31%

Source: Amundi, Bloomberg as of end of November 2025, Current and proposed Solvency 2 regulation, Amundi calculations. Analyses are illustrative only and do not constitute investment advice. Actual portfolio performance and capital requirement may differ.

3) Scenario 3: optimising portfolio allocation under the proposed Solvency II SCR recalibration

Context

As discussed in the first part of this article, securitisations offer attractive investment features: high spreads, low default rates, low interest rates sensitivity and meaningful diversification benefits when combined with other asset classes.

The 2027 reform is expected to materially reduce spread SCR for senior STS tranches and introduce a more risk-sensitive treatment for non-STS assets, expanding the investable universe.

This hypothetical scenario illustrates **how an insurer could optimise its credit portfolio under the proposed SCR recalibration,** balancing capital efficiency and risk-adjusted returns.

Strategy applied

- **Objective:** maximise excess return per unit of SCR, while controlling volatility and maintaining the total portfolio spread SCR
- **Approach:** Efficient frontier optimisation based on excess returns and historical volatility
- **Portfolios universe**

We suggest a securitisation portfolio allocation of **69% STS ABS** and **31% Non-STS** assets (limited to AAA CLO 2.0 tranches[11]) in order to maintain a **6.50% portfolio spread SCR,** in line with the **6.53% SCR of the reference IG portfolio.** As a result, the use of securitisations improves the weighted-average rating of the initial IG portfolio.

11. Among non-STS securitisations, AAA CLO tranches were selected as the sole non-STS exposure due to their strong historical performance in Europe (no default over 15 years), highly diversified collateral and the most attractive risk adjusted return. Other non STS options (non-STS ABS and CMBS) were less suitable due to higher SCR, limited liquidity and concentrated default risk.

Figure 12: Securitisation portfolio composition

	Securitisation allocation	Spread Duration in years	NEW SCR per year	Total NEW SCR
STS ABS	69%	3.50	0.96%	3.3%
CLO AAA	31%	5.00	2.70%	13.5%
Total SCR				**6.50%**

Source: S&P Default, Transition, and Recovery: 2024 Annual Global Leveraged Loan CLO Default and Rating Transition Study

Assumptions:

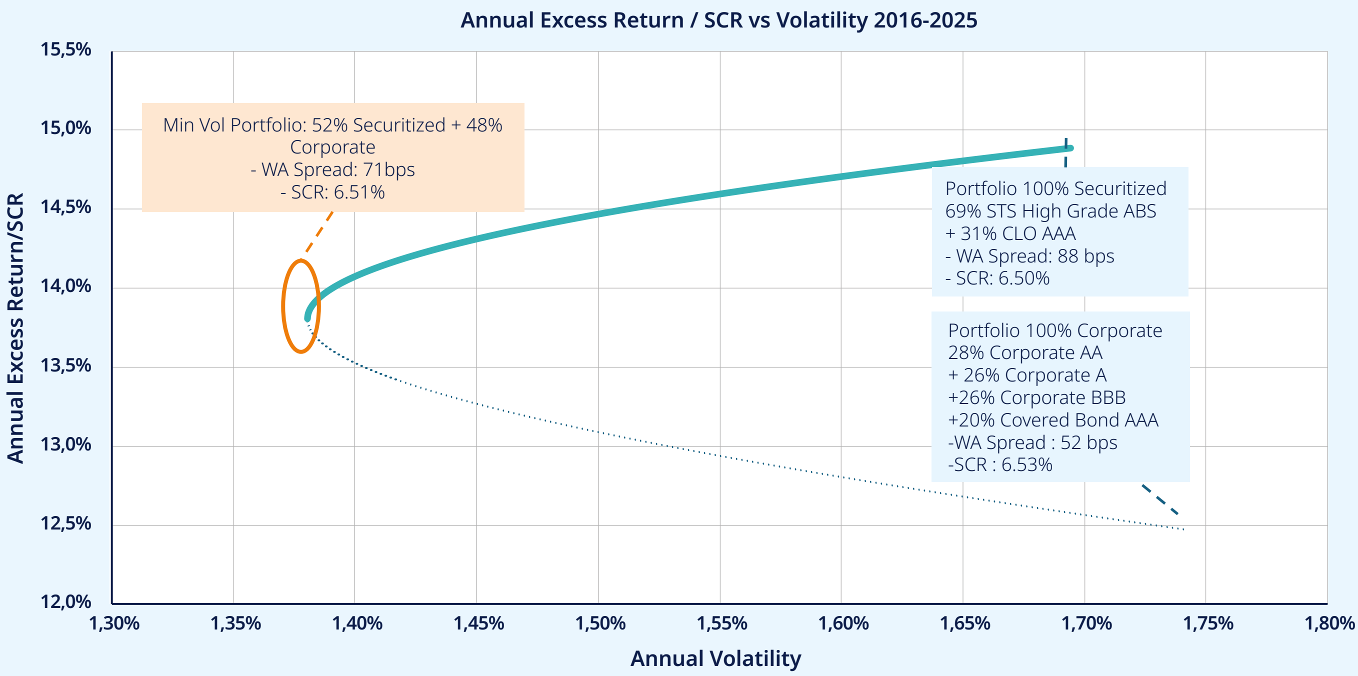
- **Excess returns**: Euro corporates, covered bonds, ABS and CLOs indices[12] excess return over swaps measured from February 2016 to November 2025;
- **Volatility** calculated from historical excess returns;
- **Spread SCR calculated** based on the **new standard formula** under the Solvency II reform package.

Key outcomes

Base case (efficient frontier optimisation):

- The securitisation sleeve delivers higher excess return per unit of SCR with a volatility profile comparable to a pure IG credit portfolio;
- Efficient frontier optimisation shows that a **balanced portfolio with approximately 50% securitisations and 50% IG credit provides material improvement in excess return/SCR** from 12.2% (IG only) to 13.5% (blended) and the lowest volatility (from 1.74% to 1.41%). The suggestion of such a high proportion of securitisations, as often obtained when optimising allocations without constraint, demonstrates the interest of considering these instruments in a blended allocation;
- Increasing the weight of securitisations above 50% further improves excess return/SCR but comes with higher volatility.

Figure 13: Efficient frontier chart



Source: EIOPA, Bloomberg, JP Morgan, Amundi calculations. November 2025

12. ICE BofA Euro Corporate, Bloomberg Euro ABS, JP Morgan CLO spreads

20% securitisations spread compression scenario

- The optimal 50:50 allocation remains unchanged;
- Portfolio risk remains stable;
- Excess return/SCR stays above that of a pure IG portfolio.

Limited use of securitisation – scenario analysis

More realistic portfolio scenarios assume a constrained use of securitisations to maintain credit diversification.

The examples below illustrate the benefits of increasing securitisation exposure within these limits.

Figure 14: Portfolio metrics by securitisation allocation

Securitisation share	Spread (%)	δ	Excess Return / SCR	δ	Volatility	δ
0%	0.527%		12.47%		1.74%	
3%	0.538%	+0.011%	12.55%	+0.081%	1.70%	-0.037%
6%	0.549%	+0.022%	12.64%	+0.162%	1.67%	-0.072%

Source: Amundi, Bloomberg as of end of November 2025, Current and proposed Solvency 2 regulation, Amundi calculations. Analyses are illustrative only and do not constitute investment advice. Actual portfolio performance and capital requirement may differ.

The analyses and results presented are for illustrative purposes only and do not constitute investment advice, or a recommendation to buy or sell any security. They are based on assumptions, historical data and the proposed Solvency II package as of October 29, 2025, which may be subject to change. Actual portfolio performance and regulatory capital requirements may differ. Investors should conduct they own due diligence and consider their individual circumstances.

4) Strategic summary

- **Before the 2027 reform:** STS ABS have the potential to improve capital efficiency and portfolio diversification, while CLO use remains constrained by high SCR charges under the current Solvency II framework;
- **After the 2027 reform:** lower SCRs and a more risk-sensitive treatment of non-STS assets are expected to broaden capital-efficient investment opportunities;
- **Overall:** applying a disciplined and optimised allocation framework to securitisation could enhance risk-adjusted performance and diversification, reinforcing its relevance within insurers' credit portfolios;
- **Looking ahead:** As the European securitisation market evolves with the upcoming reforms, insurers should assess how structured credit may complement traditional credit strategies in a capital-efficient and diversified way.

LEARN MORE

To get more insurance-focused contents visit:
https://research-center.amundi.com/topics/insurance

Important information

Important information Investing involves a risk of capital loss. Non-contractual promotional information not constituting investment advice, a recommendation or a solicitation to buy or sell. For further information, visit www.amundi.com.

Les Past performance is no guarantee of future results. The accuracy, completeness or relevance of the information, forecasts and analyses provided are not guaranteed. They are based on sources believed to be reliable and are subject to change without notice. Information and forecasts are inevitably partial, provided on the basis of market data observed at a specific time and are subject to change. Unless otherwise indicated, all information contained in this document is deemed to be accurate as of November 2025.

This information is not intended for use by residents or citizens of the United States of America and 'U.S. Persons' as that term is defined by Regulation S of the Securities and Exchange Commission under the U.S. Securities Act of 1933. The definition of 'U.S. Person' is provided in the legal notice on the www.amundi.com.

First use: December 2025.

Doc ID: 5038630

The content of this document is approved by Amundi Asset Management, a French société par actions simplifiée, a portfolio management company approved by the "Autorité des marchés financiers" or"AMF" underthe number GP 04000036 whose registered office is located 91-93 boulevard Pasteur, 75015 Paris, France, under the Paris trade register number 437 574 452 RCS.

Conception: Atelier Art6 – Photo credit: © iStock