

SPANISH MORTGAGE POOL JUNE 2024

Latest Developments

October 2024

Since the beginning of the year, new mortgage lending has steadily gained momentum due to expectations of interest rate cuts. In both the first and second quarters, the volume of new mortgage transactions exhibited a positive trend, increasing by 9% and 18%, respectively. This marks a notable shift compared to the declines observed since the end of 2022.

This turning point, however, has not yet been reflected in the outstanding mortgage loan portfolio, which shows a negative trend compared to the balance a year ago. Specifically, the mortgage portfolio reported by deposit-taking entities has decreased from €606,491 million¹ observed in June 2023 to €593,509 million in June 2024, representing a net decrease of about €13 billion in absolute terms and 2.1% in relative terms.

Behind this fact lies the following:

- In the annualized and aggregated data (from July 2023 to June 2024), new origination still shows a negative variation due to the impact of the months corresponding to the second half of 2023, when activity showed an unfavorable trend.
- Although Euribor has been anticipating a more favorable outlook since the spring of this year, the data suggests that the volume of repayments may still have been high, both in housing acquisition transactions and in loans for other purposes.

In any case, it is worth noting that the downward trend in the outstanding mortgage portfolio has moderated by nearly one percentage point compared to the same month last year, when it recorded a decline of 3%. Furthermore, this deceleration is expected to intensify in the second half of this year, as mortgage credit gains momentum in response to improved financial costs, which in turn will make early repayment less attractive.

In gross mortgage lending, there has been a steady increase in fixed-rate transactions over the past decade. These now represent 33.5% of the portfolio, a rise from 30.5% just a year

¹ This data has been updated following the implementation of Circular 2/2020, dated June 11, which aims to align Circular 4/2017, dated November 27, with changes in the international framework concerning information requirements for credit institutions. For further details, please consult the [methodological note](#) available on our website.

ago and a significant jump from 10% five years ago. Recently, mixed-rate transactions have also seen an upward trend. This option, which combines features of both fixed and variable rates, allows borrowers to mitigate exposure to Euribor fluctuations, particularly during the initial years of their loans. It is important to note that Euribor has experienced unprecedented increases until a few months ago. Since the European Central Bank (ECB) tightened its monetary policy in mid-2022, the mixed-rate segment has expanded from 11% to nearly 15% of the outstanding balance as of June 2024.

Currently, only about 15% of new transactions are under a short-term initial fixed rate, a stark decline from a decade ago when such loans accounted for over 90% of outstanding loans. This shift has gradually affected the overall portfolio, with variable-rate loans now representing 52% of the total. Despite this decrease, they still make up the bulk of the portfolio. Within this segment, approximately 95% of loans are tied to the 12-month Euribor rate, with interest rate adjustments occurring every six or twelve months.

Additionally, when analyzing the mortgage portfolio based on eligibility for refinancing, we find that approximately 65% of total mortgage loans qualify as eligible assets for covered bond issuances under *Article 23 of Royal Decree-Law 24/2021 (RDL 24/2021)*. This means that 65% of mortgage credit consists of first-ranking loans, where the principal does not exceed 60% of the appraised value for commercial properties or 80% for residential properties, and the term does not exceed 30 years.

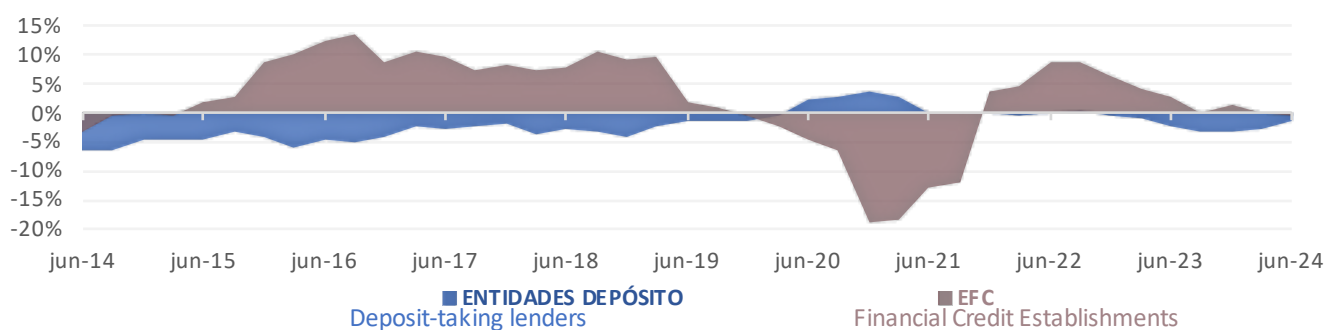
Of this amount, which is approximately €384,639 million, nearly 81% is allocated to covered bonds (cédulas hipotecarias) issuances, forming the cover pool. Covered bonds, totaling €188,540 million, have historically been one of the primary funding instruments for credit institutions. This mechanism provides investors with dual recourse: first, against the cover pool assets with preferential rights over other creditors, and second, against the issuer's entire asset balance, with the same priority as unsecured ordinary creditors.

The cover pool plays a crucial role in measuring the degree of over-collateralization in the portfolio relative to total covered bonds issuances. Although the implementation of *RDL 24/2021* reduced the minimum over-collateralization requirement for covered bond issuers from 25% to 5%, this change, which might initially appear detrimental to investors, has had a limited impact in practice. Data as of June 2024 indicate that over-collateralization levels far exceed the legal limit, standing at over 65%, not including other liquid or substitute assets distinct from primary assets (mortgage loans), which also count for these purposes.

**MORTGAGE CREDIT ACTIVITY FOR THE RESIDENT PRIVATE SECTOR
SPANISH BUSINESS**

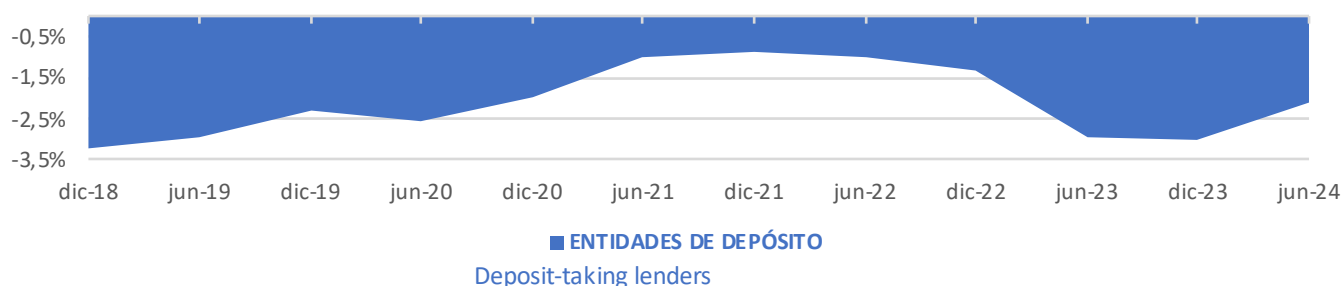
	Outstanding lending <i>Million EUR</i>		Year-on-year change		NPL RATIO	
	jun-23	jun-24	En valores absolutos	En valores relativos	jun-23	jun-24
CREDIT TO RESIDENT PRIVATE SECTOR (OSR)	1.205.595	1.192.169	-13.426	-1,1%	3,5%	3,4%
Deposit-taking lenders	1.152.994	1.139.023	-13.971	-1,2%	3,4%	3,3%
Other credit Institutions	7.420	8.287	867	11,7%	2,4%	2,1%
Financial Credit Establishments	45.181	44.859	-322	-0,7%	6,3%	6,4%

Chart 1: y-o-y change in total outstanding lending (OSR)



	Outstanding lending <i>Million EUR</i>		Year-on-year change		% MORTGAGE CREDIT/ TOTAL CREDIT	% HOUSING LENDING/ MORTGAGE CREDIT
	jun-23	jun-24	En valores absolutos	En valores relativos	jun-24	jun-24
OUTSTANDING MORTGAGE LENDING						
Deposit-taking lenders	606.491	593.509	-12.982	-2,1%	52,1%	78,1%
Banks and saving banks	544.672	531.295	-13.376	-2,5%	46,6%	-
Credit Cooperatives	61.819	62.214	395	0,6%	5,5%	-

Chart 2: Amount (million €) and y-o-y variation of outstanding mortgage stock



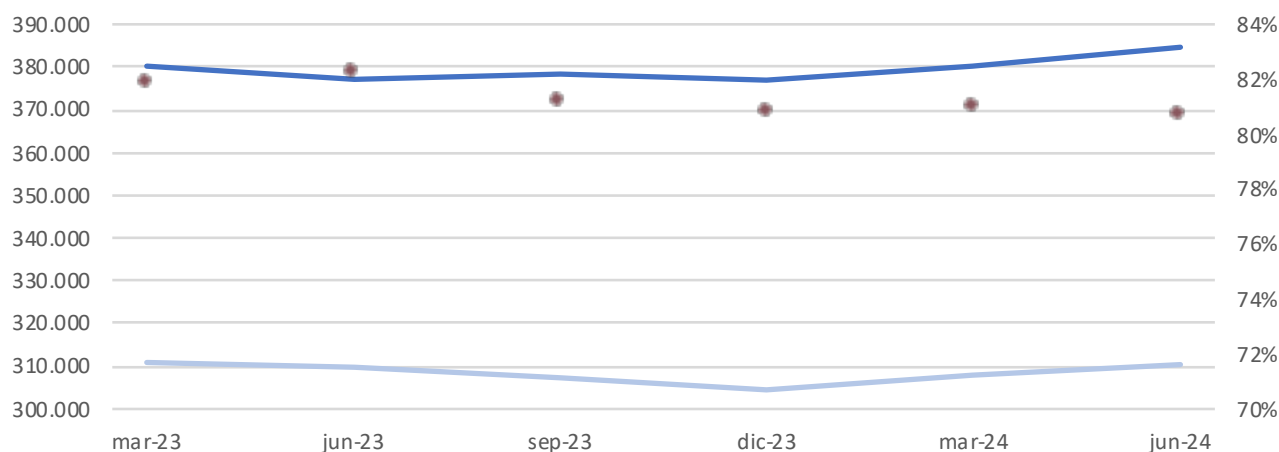
MORTGAGE CREDIT ACTIVITY FOR THE RESIDENT PRIVATE SECTOR

SPANISH BUSINESS

ELIGIBLE ASSETS UNDER RDL 24/2021	Outstanding lending Million EUR		y-o-y change		ELIGIBLE ASSETS / OUTSTADING MORTGAGE CREDIT	
	jun-23	jun-24	In absolute terms	In relative terms	jun-23	jun-24
Credit Institutions	377.113	384.639	7.525	2,0%	62,2%	64,8%
Banks and Saving Banks	357.827	360.930	3.103	0,9%	65,7%	67,9%
Credit Cooperatives	19.286	23.708	4.422	22,9%	31,2%	38,1%

LOANS AS COLLATERAL FOR THE ISSUANCE OF MORTGAGE COVERED BONDS (CBS)	Outstanding lending Million EUR		y-o-y change		% COLLATERAL / OUTSTANDING MORTGAGE CREDIT	% COLLATERAL / ELIGIBLE ASSETS
	jun-23	jun-24	In absolute terms	In relative terms	jun-24	jun-24
Credit Institutions	310.070	310.525	456	0,1%	52,3%	80,7%
Banks and Saving Banks	295.751	295.721	-29	0,0%	55,7%	81,9%
Credit Cooperatives	14.319	14.804	485	3,4%	23,8%	62,4%

Chart 3: Recent evolution of the mortgage stock



— Préstamos admisibles como cobertura de Cédulas y Bonos Hipotecarios (A)
Loans eligible as covering assets for mortgage covered bonds

— Préstamos en garantía de emisiones de CHs (B)
Loans included in the Cover Pool

• (B)/(A)

DETAIL OF FUNDING MECHANISMS

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	Outstanding lending Million EUR		y-o-y change		MARKET SHARE OVER TOTAL ISSUANCE	MORTGAGE SECURITIES/ OUTSTANDING MORTGAGE LENDING
	jun-23	jun-24	In absolute terms	In relative terms	jun-24	jun-24
OUTSTANDING MORTGAGE SECURITIES						
Credit Institutions	284.759	268.449	-16.310	-5,7%	100,0%	45,2%
Banks and Saving Banks	268.909	253.436	-15.473	-5,8%	94,4%	47,7%
Credit Cooperatives	15.850	15.013	-837	-5,3%	5,6%	24,1%

BREAKDOWN BY FUNDING INSTRUMENT - OUTSTANDING LOANS

	Outstanding lending Million EUR		y-o-y change		WEIGHT MORTGAGE SECURITIES	WEIGHT MORTGAGE SECURITIES OVER MORTGAGE CREDIT
	jun-23	jun-24	In absolute terms	In relative terms	CBs/MORTGAGE SECURITIES	CBs/OUTSTANDING MORTGAGE LENDING
Spanish Covered Bonds (CBs)						
Credit Institutions	197.249	188.540	-8.708	-4,4%	70,2%	31,8%
Banks and Saving Banks	185.762	176.833	-8.930	-4,8%	69,8%	33,3%
Credit Cooperatives	11.487	11.708	221	1,9%	78,0%	18,8%
Mortgage Participations (known in Spain as Participaciones Hipotecarias (PH)) *						
Credit Institutions	17.118	14.482	-2.636	-15,4%	5,4%	2,4%
Banks and Saving Banks	15.378	12.979	-2.399	-15,6%	5,1%	2,4%
Credit Cooperatives	1.740	1.503	-238	-13,7%	10,0%	2,4%
Mortgage Certifications (known in Spain as Certificados de Transmisión Hipotecaria (CTH)) **						
Credit Institutions	70.392	65.427	-4.965	-7,1%	24,4%	11,0%
Banks and Saving Banks	67.768	63.624	-4.144	-6,1%	25,1%	12,0%
Credit Cooperatives	2.624	1.803	-821	-31,3%	12,0%	2,9%

* It refers to those Mortgage Backed Securities that meet the requirements set out in Section II Law 2/1981, on the balance sheets of credit institutions.

** It refers to those Mortgage Backed Securities that do not meet the requirements set out in Section II Law 2/1981, on the balance sheets of credit institutions.

	Outstanding lending Million EUR		y-o-y change		LTD OSR CREDIT	LTD MORTGAGE CREDIT
	jun-23	jun-24	In absolute terms	In relative terms	jun-24	jun-24
SAVING DEPOSITS RESIDENT PRIVATE SECTOR (OSR)						
Credit Institutions	1.382.907	1.455.765	72.858	5,3%	78,2%	40,8%
Banks and Saving Banks	-	-	-	-	-	-
Credit Cooperatives	-	-	-	-	-	-