

SPANISH COVERED BOND & SECURITIZATION STATISTICS

Data provided by AIAF (Spain's benchmark market for Corporate Debt and Private Fixed Income)

January 2022

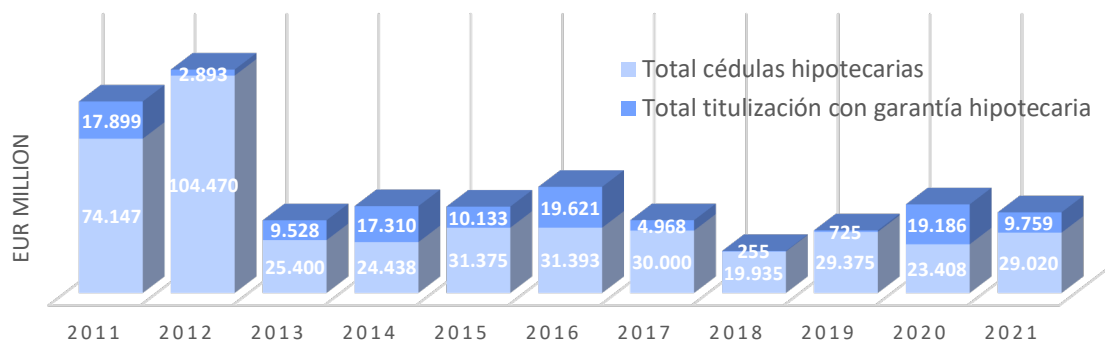
1. Issuance

In the year 2021, the **total volume of mortgage securities admitted to trading** has experienced a slight decrease compared to the volume accumulated during 2020. In particular, throughout this year there have been issuances worth **38,779 million euros**, about 4,000 million euros less than those registered in 2020 (-9%), although above the levels observed in the previous three years.

This evolution occurred in a context in which mortgage backed securities reduced their volume of new issuances by around 50%, while the mortgage covered bonds (*cédulas hipotecarias*) showed a positive trend. In this sense, **securities backed by a mortgage pool** with an issuance volume of 19,186 million euros in 2020 rose to a balance of **9,759 million euros** over the following 12 months, around 9,500 million less in 2021 compared to one of the best years of the last decade along with 2016 in terms of new issuances.

For its part, the *cédulas market* -which represents around 35% of housing financing- remained above the issuances of securitizations as it has been happening for years now. Its growth in the second half of the year should be especially noted, when the volume of placement exceeded 70% of the total issuances with this funding source during 2021. Specifically, this figure, which will be affected from July of 2022 by virtue of the transposition into national legislation of [Directive 2019/2162](#), has resulted in a volume of new issuances amounting to **29,020 million euros**, which represented an increase of 24% compared to 2020, in a year when the residential market has shown clear symptoms of reactivation after the debacle of the crisis.

> Chart 1: Yearly development of issuances



Source: own elaboration from AIAF data

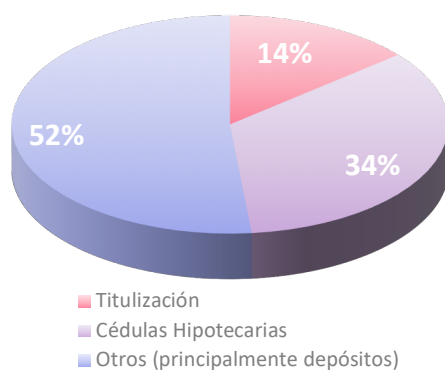
2. Outstanding Balance

The data provided by AIAF indicate that, at the end of the year, the net maturities pace of mortgage securities has accelerated, thus resuming the downward path registered by this market before the outbreak of the pandemic. In total, the outstanding amount of **mortgage securities**, which amounted to **305,439 million euros** as of December 2021, is almost 5% below the balance recorded in 2020 compared to the 3% increase shown the previous year.

In parallel with the dynamics of new issuances, this negative evolution has been more pronounced by the **mortgage backed securities** that registered an annual decline of 11%, down to **88,259 million euros**, while the **cédulas hipotecarias** showed a more moderate performance although also with signs of deceleration in the balance sheet. In particular, **cédulas** recorded a decrease rate of 2%, from 221,669 million euros observed in December 2020 to **217,180 million euros** registered 12 months later. Although, it should be clarified that this result with a negative sign has been mainly due to the null activity of the **packages of Spanish covered bonds (cédulas hipotecarias multicedentes)** -without new issuances as a consequence of the restructuring process accomplished by the savings banks from 2013 – which have recorded a variation rate of -23% in the last year, reaching a share of only 6% of the market with an outstanding principal of **17,160 million euros**. **Spanish mortgage-backed covered bonds (cédulas hipotecarias singulares)** that, as noted above, have been especially dynamic in the last stretch of the year, have increased their circulated volume by 0.3% in relative terms, reaching a net balance of **200,020 million euros**.

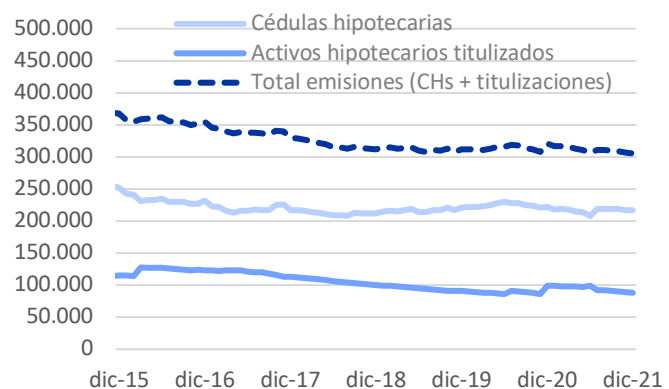
➤ Annex: additional information

Funding mix



Source: AIAF and Bank of Spain

Outstanding issuances (million Euros)



Source: AIAF

3. New legislation framework for the covered bond market

[Directive 2019/2162 of the European Parliament and of the Council on the issuance and public supervision of covered bonds](#) was published at the end of 2019. Among other objectives, this Directive seeks to harmonise the legislative frameworks of the different Member States in order to achieve greater integration of the covered bond market. In our jurisdiction, in particular, the transposition of this Directive has resulted in the publication on November 3, 2021 of [Royal Decree-Law 24/2021](#), whose scope is not limited exclusively to *cédulas hipotecarias*, but also to other funding tools such as mortgage bonds, covered bonds secured by public sector loans (*cédulas territoriales*) or internationalization covered bonds (*cédulas o bonos de internacionalización*).

Under it, the new regulation introduces some novel aspects to further strengthen their security such as the requirement to provide a liquidity buffer that allows covering the payment of interest and capital for at least 180 days; the use of a 'soft bullet' mechanism that allows the payment of bonds to be deferred in certain circumstances to avoid possible liquidity tensions; or, among others, the segregation of assets to facilitate their liquidation in case of bankruptcy. In addition, in order to ensure compliance with the issuance programs, the appointment of a cover pool monitor is foreseen and, in the event of bankruptcy of the issuer, a control will be articulated through the figure of the special insolvency administrator who will exclusively watch over the rights of the holders of these bonds and the counterparties of the derivatives against other creditors. From another perspective, it is intended to reduce the minimum levels of overcollateralization to levels clearly below those currently existing. This will maximize the issuance capacity of the entities on the eligible pledgable portfolio (losing the preferential right of the bondholders who until now had over the entire portfolio of credit assets, whether mortgages, granted to the public sector or intended for the export and import of goods and services, depending on the nature of the bond).

In this sense, it will be important to ensure the proper functioning of the bond market in the future, also considering the positive correlation between new originations -which have increased significantly during 2021-, and the liquidity needs generated by the creditor. Not in vain, it should be remembered that the *cédulas* have traditionally been a key funding resource for the entities. In addition, these issuances are not only used to obtain direct funding from institutional investors but also often retained by the institutions on their balance sheets as they serve as collateral to obtain financing on very advantageous terms from the ECB.

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ISSUANCE (Euro Million)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Mortgage Backed securitites (RMBSs)	Total mortgage securities
2016	31.393	0	19.621	51.014
2017	30.000	0	4.968	34.968
2018	19.935	0	255	20.190
2019	29.375	0	725	30.100
2020	23.408	0	19.186	42.594
2021	29.020	0	9.759	38.779

OUTSTANDING VOLUME (Euro Million)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Mortgage Backed securitites (MBSs)	Total mortgage securities
2016	186.528	44.980	123.426	354.934
2017	181.328	35.170	112.938	329.436
2018	183.258	28.495	100.238	311.991
2019	195.699	24.970	90.708	311.376
2020	199.449	22.220	99.401	321.070
2021	200.020	17.160	88.259	305.439

Year on year variation of the outstanding volumes (%)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Mortgage Backed securitites (MBSs)	Total mortgage securities
2016	-3,9%	-22,9%	7,3%	-3,4%
2017	-2,8%	-21,8%	-8,5%	-7,2%
2018	1,1%	-19,0%	-11,2%	-5,3%
2019	6,8%	-12,4%	-9,5%	-0,2%
2020	1,9%	-11,0%	9,6%	3,1%
2021	0,3%	-22,8%	-11,2%	-4,9%

Weight of the Mortgage securities over the outstanding mortgage lending (%) ²			
	Total Spanish Cédulas Hipotecarias (individual and multiseller)	Mortgage Backed securitites (MBSs)	Total mortgage securities
2015	36,4%	16,6%	53,0%
2016	35,1%	18,7%	53,7%
2017	31,7%	16,5%	48,2%
2018	32,1%	15,2%	47,2%
2019	34,3%	14,1%	48,4%
2020	35,1%	15,7%	50,8%
2021	34,4%	14,0%	48,4%

¹ Multiseller covered bonds = Cédulas Hipotecarias in a CDO structure

² The entry into force of Circular 2/2020, of June 11, amending Circular 4/2017, of November 27, has introduced a slight variation with regard to the former series of mortgage credit data (denominator in the ratio). Since 2020, inclusively, the data does not include loans granted to Non-Profit Institutions Serving Households (NPISHs), while it does include MBS off-balance sheet assets. The latest available data corresponds to June 2021.