

SPANISH COVERED BOND & SECURITIZATION STATISTICS

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

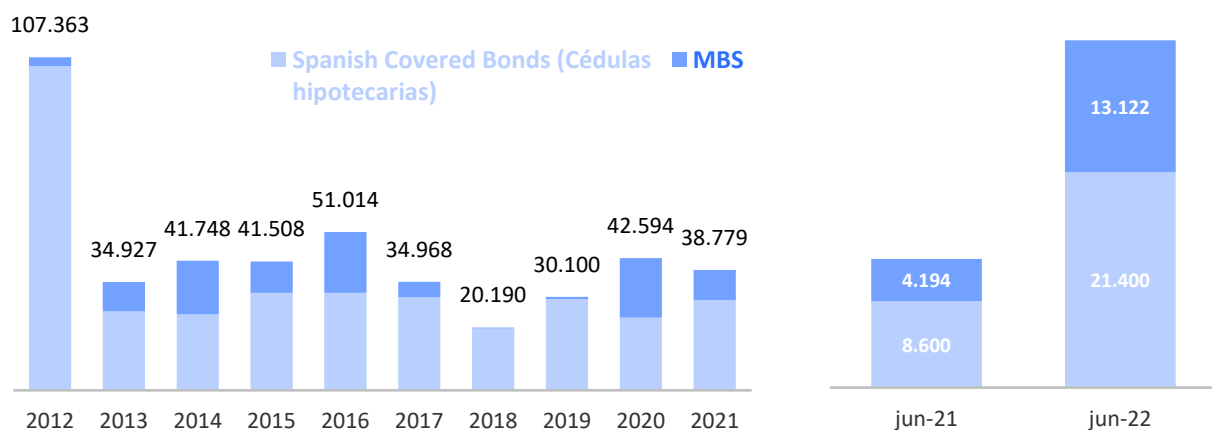
July 2022

1. Issuance

In line with the favorable trend that mortgage activity has been maintaining, in the first half of 2022 new issuances of **mortgage securities admitted to trading** amounted to **EUR 34.5 billion**, almost EUR 22 billion more than in the same period of 2021 and only EUR 4.5 billion less than the total volume in 2021 (almost EUR 39 billion).

This upward trend has been followed by both *cédulas hipotecarias* (Spanish covered bonds) and *asset-backed securities*. New issuances of *cédulas hipotecarias*, which are the main mortgage funding tool, have grown by 150% compared to the same period of 2021. During the first half-year, new issuances amounted to **EUR 21.4 billion**, which is the maximum recorded since 2012. While **mortgage-backed securities** amounted to **EUR 13.1 billion**, which is more than three times the issuances of the same period of 2021 (EUR 4.2 billion). This significant increase may be due to their use as collateral in the ECB auctions.

➤ Chart 1: Yearly development of issuances (million euros)



Source: own elaboration from AIAF data

2. Outstanding balance

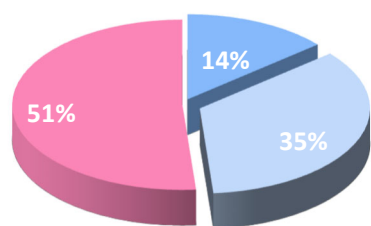
In June 2022, the **total outstanding balance of mortgage securities** fell to **EUR 305,5 billion**, after registering a slight decrease of 0.5% in year-on-year terms. This fall, however, constitutes one of the most moderate in the last 10 years together with that recorded in 2019 (-0.2%) and the year 2020, marked by the pandemic and which promptly showed a net increase above 3%.

The net positive performance showed by the issuances of **cédulas hipotecarias**, with a growth rate of 150% in the last 12 months, had also a positive impact on their outstanding volume, albeit at a significantly lower growth rate (4.9%) due to the portfolio maturity. Specifically, in absolute figures, the net variation of the balance was EUR 10.3 billion, increasing the outstanding balance to **EUR 218.6 billion** in June 2022. This figure accounted approximately for 35% of the mortgage funding granted, keeping it at similar levels over the last years.

For their part, **mortgage-backed securities**, which accounted for around 15% of the mortgage portfolio, recorded in June an outstanding balance of **EUR 86.9 billion**, which represents an 11.9% decrease compared to the balance of June 2021.

➤ Annex: additional information

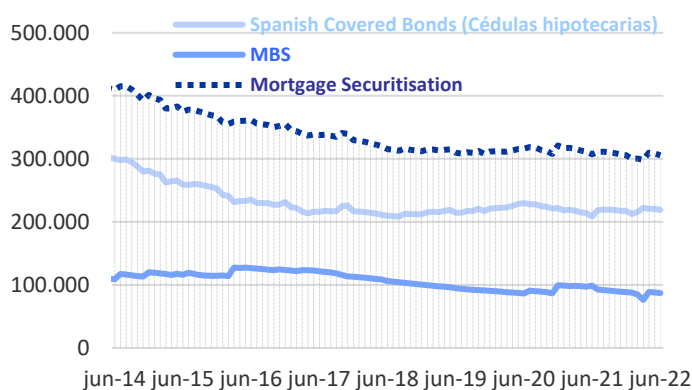
Funding mix



■ MBS ■ CHs ■ Others (mainly deposits)

Source: AIAF and Bank of Spain

Outstanding issuances (mill. euros)



Source: AIAF

The present year is developing in a macroeconomic context marked by uncertainty and the volatility of financial markets, which among other consequences, is leading to an upward adjustment of profitability. The expectation of further spikes in funding costs on the horizon could have prompted the early search for liquidity as a measure to hedge against hikes that may come later.

Against this background, Royal-Decree Law 24/2021, which entered into force on 8 July 2022, represents a new legal framework for the Spanish covered bond issuers and seeks to reinforce the market to make it more competitive and efficient, not only at the national level but also at European level.

The new regulation, which includes a set of rules that will guarantee a more robust system, sets the requirement of a liquidity buffer covering principal and interest over the following 180 days to mitigate the default risk; it regulates the segregation of the cover pool assets and cash flows into a separate estate from the institution's assets for the case of insolvency; it requires the designation of a cover pool monitor -whether part of the credit institution or independent- as well as the designation of an independent insolvency administrator, who shall protect the bondholders and the derivative counterparties' claims (by *pari passu* among themselves) against any other creditor. Also, it is required to consider the updated value of the real estate collateralized upon inclusion in the cover pool. Nevertheless, as an exception for the first incorporations, it is admitted the lending value used by the credit institution pursuant to Circular 4/2017 if there are no signs of a significant depreciation of the assets; a soft limit solution is introduced after the loans have been incorporated in the cover pool when loans exceed 80% of the lending value if it is a residential property or 60% if it is a commercial property in the event of supervened depreciation of collaterals; in addition, a minimum level of overcollateralization is set by law at 5%, a clear minor percentage compared to the previous 25% applicable to *cédulas hipotecarias* and 43% to covered bonds secured by public sector loans (*cédulas territoriales*) or internationalization covered bonds (*cédulas o bonos de internacionalización*).

These regulatory changes should serve to foster this type of issuances, precisely at present when funding through LTRO lines are not ensured, according to the announcements made by the ECB in the current context of sizeable price increases.

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ISSUANCE (Euro Million)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Mortgage Backed securitites (RMBSs)	Total mortgage securities
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
jun.-21	8.600	0	4.194	12.794
jun.-22	21.400	0	13.122	34.522

OUTSTANDING VOLUME (Euro Million)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Mortgage Backed securitites (MBSs)	Total mortgage securities
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
jun.-22	202.751	15.860	86.922	305.533

Year on year variation of the outstanding volumes (%)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Mortgage Backed securitites (MBSs)	Total mortgage securities
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%
jun.-22	6,1%	-7,6%	-11,9%	-0,5%

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
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	35,0%	15,7%	50,8%
2021	34,4%	14,0%	48,4%
jun.-22	34,9%	13,9%	48,7%

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 December 2021.