



A report by the Spanish Mortgage
Association

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Analysing the Spanish Mortgage Pool

Second Half of 2020

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Table of Contents

1. Preliminary Comments	3
2. Fundamental Data of the Cover Pool	4
3. Property Type Information	5
4. Loan to Value (LTV)	8
5. Distribution of Loans by Size.....	9
6. Loan Seasoning.....	10
7. Amortisation Profile	11
8. Geographical Distribution of the Pool.....	13
9. Interest rates	14
10. Amortisation Profile	15
11. NPLs Portfolio.....	16

Analysing the Spanish Mortgage Pool

1. Preliminary Comments

This report analyses the evolution of mortgage pool of the Spanish mortgage covered bond issuers with a Covered Bond Label by the European Covered Bond Council (ECBC)¹. The data are gathered from the information on the cover pool backing covered bond issuances that is available on the corporate websites of each credit institution (13 credit institutions at year end ²).

As a member of the ECBC, the Spanish Mortgage Association coordinates part of the publication process of this information as well as the definition of different concepts. Thus, all the variables presented in this analysis are subject to homogeneous definitions.

It should be clarified that as it is an information platform to which covered bonds issuers voluntarily adhere, the treatment and interpretation of all the information presented on this publication should be limited to the purpose pursued in the analysis, since although it allows to have an overview of the profile and composition of the Spanish mortgage pool, it does not provide information on the total number of credit institutions operating in the market. Nor has it been possible to take a homogeneous sample of entities in the entire time interval addressed (consequence of the reordering of the system and the importance that ECBC Label is gaining in the international community, with the incorporation of new Spanish entities in recent years). Having said that, we consider that this study can be very useful in providing stakeholders with an outlook of the market composition, since virtually the representativeness of the sample has been greater than 80%-90% of the entire mortgage volume as a whole throughout all the periods under analysis.

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¹ <https://coveredbondlabel.com/>

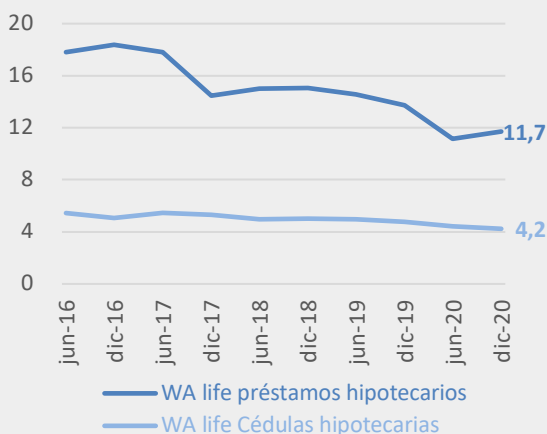
² *Banco Sabadell, Bankia, CaixaBank, Banco Santander, Kutxabank, Unicaja Banco, BBVA, Bankinter, Ibercaja Banco, Eurocaja Rural-Caja Rural Castilla-La Mancha, Caja Rural de Navarra, Abanca and Cajamar.*

2. Fundamental Data of the Cover Pool

2020 has been marked by the outbreak of a pandemic that has resulted in an unprecedented crisis and which has particularly affected all sectors of the economy due to the measures implemented in the health field. This crisis has not been only at the national level, but it has spread globally, with GDP falling in Spain by around 11% and 7% in the eurozone (according to the latest interim data).

Within this delicate context for the Spanish economy, the mortgage lending activity does not appear to have been one of the hardest-hit. According to data from both the Bank of Spain and the Registrars of Property (National Statistics Institute - INE), mortgage activity during this past financial year - after a particularly complicated second quarter - showed a gradual recovery in gross lending activity as the phases of de-escalation began, towards the end of May or June (depending on the Autonomous Region), to close the year with a 3% fall in terms of borrowed capital in the case of registry entries, or an adjustment of 2% in the case of the Bank of Spain (excluding the volume of renegotiations). In terms of outstanding balance, the mortgage portfolio of the institutions under analysis has decreased by 3.2% in the last year, up to a volume of 451.55 billion euros at the end of the year (excluding mortgage backed securities). In total, there are approximately 5,514,000 loans in the 'cover pool' of the credit institutions that make up the sample. On average, this implies that each loan's outstanding capital is almost 82,000 euros, compared to 150,000 euros in gross lending.

Chart 1: Mortgage pool repayment vs. *cédulas* (years)



Source: entities registered with the ECBC Label and own

Overall, from a global approach, the average repayment period of the pool ³ has been experiencing a slight contraction over the years. Nonetheless, this was in Q4 slightly higher than in Q2 2020, standing by the end in 11 years and 7 months. Regarding to the period taken by credit institutions to fund their mortgage portfolios through *cédulas hipotecarias* (covered bonds), significant differences are observed, as the weighted average term of mortgage bonds barely exceeded from 4 years and 2 months.

³ Weighted average life: Average pool repayment period according to the repayment schedule.

In this sense and in evidence of the guarantees offered by this funding instrument to investors, it should also be noted the overcollateralization of the pool, with a collateralization of about 123%, compared to the regulatory minimum of 25%. More than half of the outstanding issuances have been placed with a fixed coupon, in particular 54%.

Table 1: Mortgage Portfolio Basic Data

	MORTGAGE POOL SAMPLE (MM) ¹	No. of LOANS	AVERAGE AMOUNT	AVERAGE TERM (years)	AVERAGE LTV	AVERAGE SEASONING (years)
Jun-17	477,940	5,317,811	€93,726	17.8	57.4%	-
Dec-17	456,986	5,211,637	€91,111	14.4	55.5%	8.1
Jun-18	477,795	5,538,873	€88,335	15.0	57.8%	8.0
Dec-18	478,946	5,728,991	€86,054	15.0	57.4%	8.4
Jun-19	479,731	5,750,172	€85,943	14.6	58.3%	8.5
Dec-19	466,472	5,645,002	€85,322	13.7	58.7%	8.6
Jun-20	461,603	5,592,297	€82,543	11.1	58.4%	8.8
Dec-20	451,550	5,513,529	€81,899	11.7	59.2%	8.8

Source: entities registered with the ECBC Label and own elaboration

¹ Not including MBSs

3. Property Type Information

As for the nature of the underlying asset backing the mortgage portfolio, the bulk is concentrated by residential assets⁴, which have gained momentum over the years, accounting for 80.6% of the pool as of Q4 2020. Loans backed by a commercial guarantee⁵ accounted for 19.4% of the pool, after decreasing 0.8 percentage points in the last 12 months.

⁴ Residential loans meet the following criteria: loans with full recourse to the individual taking out the loan; and either (a) loans secured against a residential property in which the borrower resides or b) where the borrower rents out less than four properties.

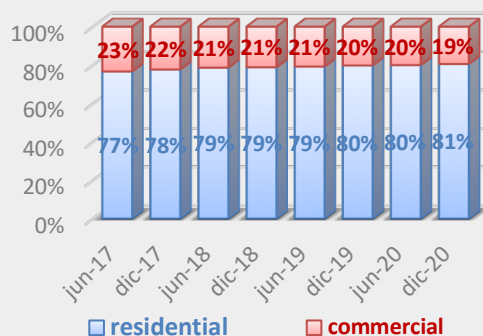
⁵ Commercial loans are loans backed by a mortgage and which have recourse to a borrower, excluding individuals and public-sector entities.

Table 2: Type of collateral (outstanding balance)

	RESIDENTIAL	COMMERCIAL
Jun-17	76.7%	23.3%
Dec-17	77.7%	22.3%
Jun-18	78.6%	21.4%
Dec-18	78.9%	21.1%
Jun-19	79.2%	20.8%
Dec-19	79.8%	20.2%
Jun-20	80.0%	20.0%
Dec-20	80.6%	19.4%

Source: entities registered with the ECBC Label and own elaboration

Chart 2: Type of collateral



Within the residential segment, the pool breakdown remains virtually unchanged from past years: the homes that constitute the debtor's main residence remain at high levels, accounting for 87% share; it is followed by lending for second home purchase, the outstanding balance of which represented just over 9% of the pool balance; and, with a significantly lower weight, Buy to Let homes, which increased their share, albeit very residually, as they continued to be below 1% of the residential balance of the pool. The remaining 3% corresponded to residential loans backed by any other type of collateral, different from the aforementioned.

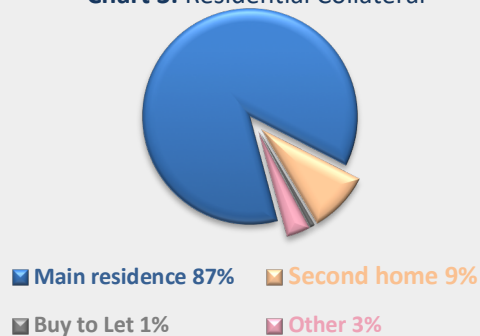
Table 3: Residential collateral by type¹

	MAIN RESIDENCE	SECOND HOME	BUY TO RENT	OTHER
Jun-17	85.7%	9.6%	0.7%	3.9%
Dec-17	85.2%	10.1%	0.7%	4.0%
Jun-18	84.3%	9.6%	0.7%	5.4%
Dec-18	85.6%	9.7%	0.7%	4.0%
Jun-19	86.3%	9.1%	0.7%	3.8%
Dec-19	86.7%	9.0%	0.7%	3.5%
Jun-20	86.6%	9.0%	0.8%	3.6%
Dec-20	86.6%	9.1%	0.8%	3.5%

Source: entities registered with the ECBC Label and own elaboration

¹ data reviewed and corrected

Chart 3: Residential Collateral



As for the ranking of the mortgage, the vast majority of residential loans in the pool, namely 97.9%, were first lien mortgages, where the credit institution has a preferential right in case of the borrower's bankruptcy. Compared to the previous year there was a slight upward variation, since at the end of 2019 the same coefficient was 97.7%.

Within the commercial portfolio, the different purposes of mortgage-guaranteed lending remained, to a greater or lesser extent, in the line taken in recent years. The logistics segment stands out by funded volume, holding 21.2% market share as of December 2020, up to more than 18.6 billion euros of the accounted outstanding balance. It was closely followed by the heading 'other', usually housing backing a commercial activity, which lost some weight in relation to past years, with an allocation of the quota of 19.1% in the Q4 2020. The exposures linked to real estate development also represented a remarkable share in the pool, about 15.3% of the total commercial mortgage balance as of December 2020.

The remaining of the commercial pool corresponded to other credit purposes, including retail activities, which accounted for 13.4% of the pool; the office sector, with a 7.5% share compared to 6.8% a year ago; or, among others, mortgage-guaranteed loans for the tourism sector, which have been favoured through the moratorium ⁶ approved in mid-2020 to support the sectors most affected by the pandemic and increased their share by one percentage point in the last year, up to 10.5% of the pool.

Table 4: Commercial portfolio ¹

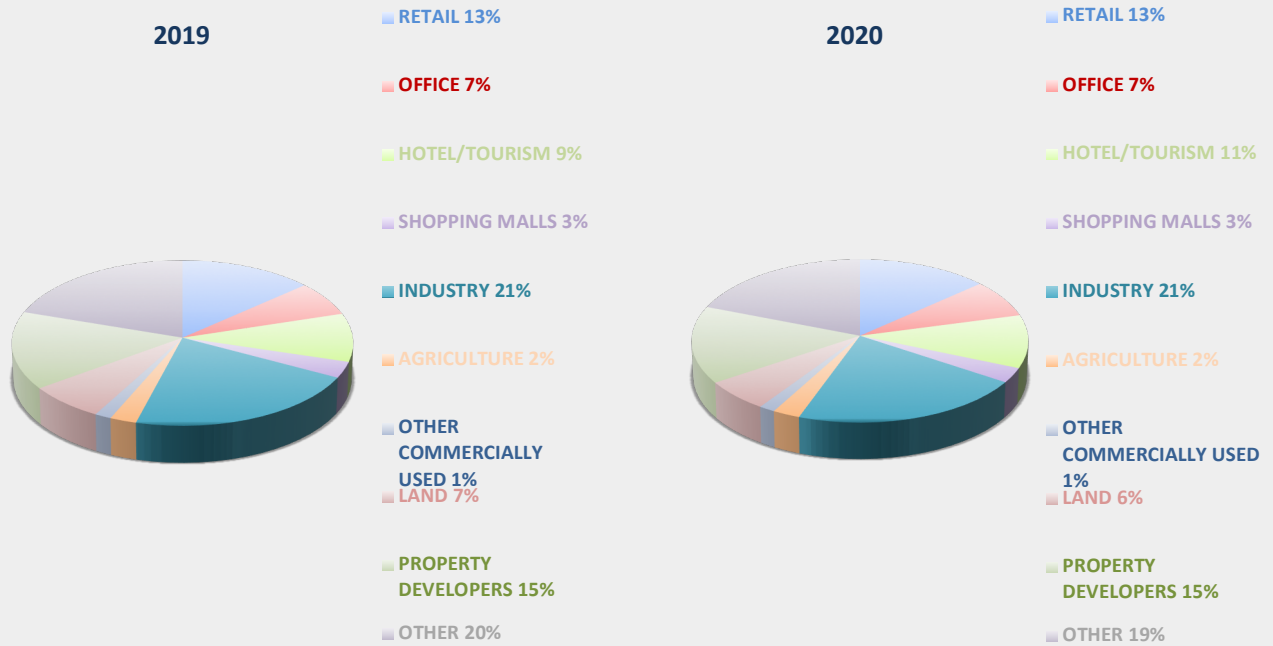
	RETAIL	OFFICES	HOTEL/ TOURISM	SHOPPING MALLS	INDUSTRIAL	AGRICULTURE	OTHER COMMERCIAL PURPOSES	LAND	DEVELOPERS /BUILDINGS	OTHER
Jun.-17	8.0%	4.6%	8.0%	2.8%	17.3%	1.5%	4.5%	8.2%	15.2%	30.0%
Dec.-17	13.6%	6.4%	10.2%	3.1%	14.0%	1.8%	0.6%	7.7%	13.7%	28.9%
Jun.-18	12.3%	5.1%	6.8%	2.6%	18.1%	2.5%	3.6%	7.2%	12.2%	29.5%
Dec.-18	12.3%	5.2%	8.5%	3.2%	19.0%	2.4%	1.6%	6.8%	16.3%	24.6%
Jun.-19	13.3%	6.3%	9.1%	3.0%	20.2%	2.5%	1.5%	6.8%	15.8%	21.5%
Dec.-19	13.4%	6.8%	9.5%	3.1%	21.3%	2.4%	1.5%	7.0%	15.2%	19.9%
Jun.-20	13.3%	7.3%	9.9%	3.0%	21.3%	2.4%	1.5%	6.3%	15.4%	19.7%
Dec.-20	13.4%	7.5%	10.5%	2.9%	21.2%	2.5%	1.5%	6.1%	15.3%	19.1%

Source: entities registered with the ECBC Label and own elaboration

¹ data reviewed and corrected

⁶ The moratorium on the tourism sector is regulated by Royal Decree-Law 25/2020 of 3 July 2020, of urgent measures to support economic recovery and employment in the context of the Covid-19 crisis.

Chart 4: Commercial Collateral breakdown (2019 vs. 2020)



Source: entities registered with the ECBC Label and own elaboration

4. Loan to Value (LTV)

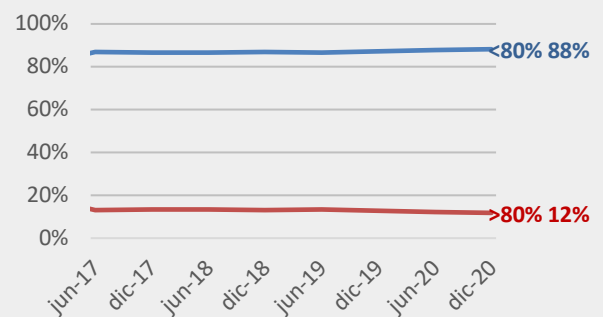
Looking at the pool in Loan-to-Value terms, it is noted that, in addition to a loose majority of loans have a more conservative risk profile, i.e. below 80% levels - approximately 88.2% of the portfolio as of December 2020-, over the years exposures of these characteristics have been gaining weight on an ongoing basis.

Table 5: Pool according to Loan-to-Value (LTV)

	<80%	>80%
Jun-17	86.8%	13.2%
Dec-17	86.5%	13.5%
Jun-18	86.7%	13.3%
Dec-18	86.8%	13.2%
Jun-19	86.7%	13.3%
Dec-19	87.3%	12.7%
Jun-20	87.8%	12.2%
Dec-20	88.2%	11.8%

Source: entities registered with the ECBC Label and own elaboration

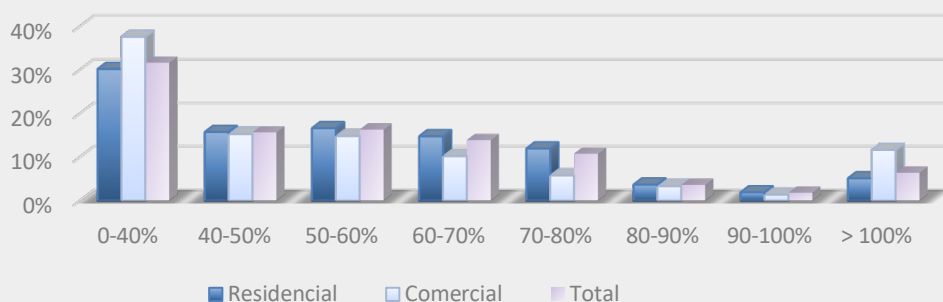
Chart 5: LTV evolution by tranches of the sample



Within the volume of loans with capital not exceeding 80% of the value of the property provided as collateral, almost half of the loans (47.3%) were located within the <50% LTV threshold. At the opposite extreme, with respect to portfolio loans with a LTV higher than 80% (i.e. the remaining 11.8%), there was 6.4% of the mortgage balance with positions above 100% of the collateral.

In general, this indicator is a very relevant valuation element not only for the purpose of approving a loan transaction, but also for the purpose of determining the necessary volume of provisions, as well as to know the regulatory levels of capital or the ability of institutions to issue mortgage bonds.

Chart 6: Residential and commercial LTV distribution



Source: entities registered with the ECBC Label and own elaboration

On average, the weighted LTV of the aggregate pool amounted to 59.2%, thus moving to slightly higher positions but remaining below the theoretical limit of 80% LTV.

5. Distribution of Loans by Size

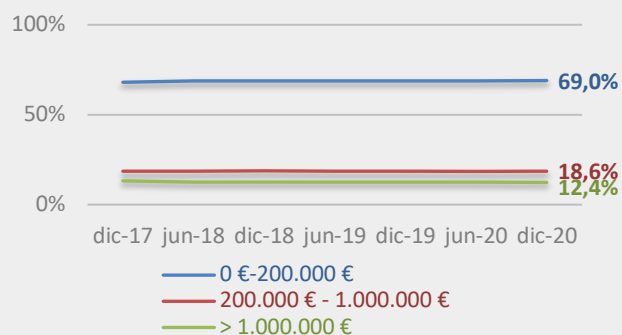
Considering the composition of the pool according to the outstanding capital, no significant variations were observed in its structure. It can be nonetheless seen that loans within the funding tranche of a principal under 200,000 Euros (69.0%) have been growing smoothly, mostly with mortgage loans guaranteed by a residential property. Specifically, in relative terms, the latter (residential collateral) accounted for approximately 94% of the aggregate balance.

Table 6: Pool breakdown by loan outstanding balance

	0 €-200.000 €	200.000 € - 1.000.000 €	> 1.000.000 €
Jun-17	67,2%	18,9%	14,0%
Dec-17	68,0%	18,7%	13,3%
Jun-18	68,8%	18,6%	12,7%
Dec-18	68,7%	18,8%	12,5%
Jun-19	68,7%	18,8%	12,6%
Dec-19	68,8%	18,7%	12,5%
Jun-20	68,8%	18,5%	12,7%
Dec-20	69,0%	18,6%	12,4%

Source: entities registered with the ECBC Label and own elaboration

Chart 7: Pool evolution by principal granted



18.6% of the pool's balance fell under the tranche of loans with an outstanding balance ranging from 200,000 euros and 1 million euros, while loans amounting to more than one million euros lost volume slightly (12.4% of the pool compared to 12.5% of the previous year). Noteworthy are the divergences between the residential and commercial portfolio in terms of borrowed capital. While for the tranche not exceeding 200,000 euros, the residential portfolio represented 94% of the 451,55 bn euros total balance, in the case of outstanding loans amounting to more than one million euros, it is the commercial portfolio the one standing out, since about 87% of the balance is made up of this type of loans and even though the commercial portfolio has an ostensibly lower weight over the whole pool (less than 20%).

6. Loan Seasoning

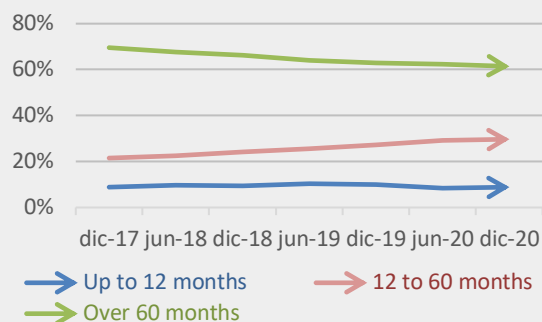
When analysing the pool in terms of loan seasoning, different dynamics are observed depending on the time frame. If we relate the results of Q4 2020 to those from Q4 2019, there is clearly a loss of dynamism in terms of new credit inflow: loans up to 12 months accounted for 9.9% of the balance in 2019, down to 8.9% in 2020. However, Q4 2020 compared to that of mid-2020, the diagnosis changes: growth of 0.5 percentage points is seen between them, due to the recovery path taken by the middle of the year, with less restrictive measures in terms of social distance.

Table 7: Loan seasoning

	Up to 12 months	Between 12 and 60 months	> 60 months
Jun-17	7,8%	21.1%	71.1%
Dec-17	8.9%	21.5%	69.6%
Jun-18	9.8%	22.5%	67.7%
Dec-18	9.5%	24.3%	66.2%
Jun-19	10.3%	25.5%	64.2%
Dec-19	9.9%	27.3%	62.8%
Jun-20	8.4%	29.2%	62.4%
Dec-20	8.9%	29.7%	61.4%

Source: entities registered with the ECBC Label and own elaboration

Chart 8: Pool evolution by loan seasoning



Regardless of whether 2020 has been marked by the pandemic, slowing the origination of loans due to the deterioration of the fundamentals, credit activity has been showing favourable behaviour with its corresponding reflection on the pool since 2014. In this sense, it is noteworthy the tranche of loans that were formalized more than 12 months ago, but with a seasoning not exceeding 60 months (5 years). They showed a clear upward trend registering a share of 29.7% as of the end of 2020 in contrast to the data observed over the preceding half-year (29.2%) or at the end of 2019 (27.3%). On the contrary, loans that were granted more than 5 years ago decreased in relative terms, despite continuing to dominate over the pool as a whole, with a share of 61.4% as of December 2020 compared to 62.4% in the previous half-year or 62.8% observed in December 2019.

Considering 11 of the 13 entities that make up the sample, which accounted for about 74% of the total, the average seasoning of the pool remained in 8 years and 8 months as in the previous half-year and it grew slightly when compared to the preceding years.

7. Amortisation Profile

According to the amortisation profile of the pool, an upward trend has been observed in the time interval ranging from 0 to 10 years. In particular, loans expected to be repaid over the next 10 years accounted for 34.7% of the pool in Q4 2020 compared to 34.1% in Q2 2020 or 32.7% in Q4 2019.

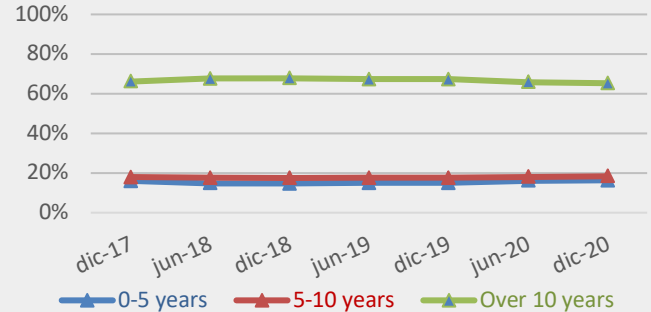
Within it, there are 16.3% of the loans that will be repaid as contractually agreed over the course of the next 5 years, while the remaining 18.4% will do so from that date.

Table 8: Amortisation profile

	0-5 YEARS	5-10 YEARS	> 10 YEARS
Jun-17	15.8%	16.4%	67.8%
Dec-17	16.0%	17.9%	66.1%
Jun-18	14.9%	17.5%	67.6%
Dec-18	14.7%	17.5%	67.8%
Jun-19	15.1%	17.5%	67.4%
Dec-19	15.1%	17.6%	67.3%
Jun-20	16.1%	18.0%	65.9%
Dec-20	16.3%	18.4%	65.3%

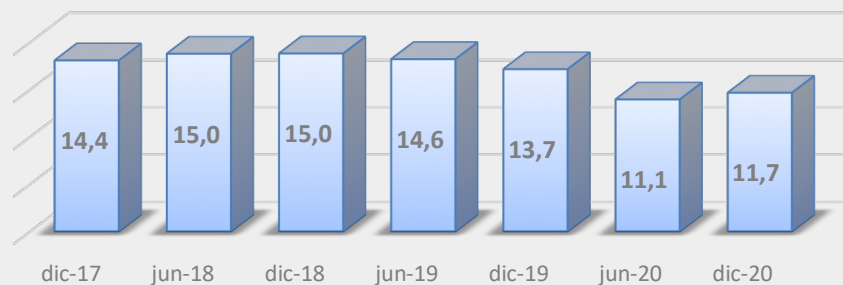
Source: entities registered with the ECBC Label and own elaboration

Chart 9: Amortisation profile of the sample portfolio



Loans with a repayment period of more than 10 years predominated within the pool (in a business characterized by high financing periods, between 20 and 30 years), with an outstanding balance representing 65.3% of the pool. Although, through time, this heading has been showing a declining trend.

Chart 10: Evolution of the Weighted Average Life (Years)



Source: entities registered with the ECBC Label and own elaboration

However, the weighted average life⁷ was 11 years and 7 months in Q4 2020, with weighted average maturity⁸ at 19 years and 9 months. If we add to the outstanding repayment period (19.9 years) the

⁷ The weighting of the loan life according to the repayment schedule accrued by the loan is considered. This is especially significant for loans under the French repayment system, where the principal is progressively amortised as the instalments are paid. Thus, in the case of a new loan, as the years gradually go by, a higher proportion of the instalment will be devoted to amortise capital.

⁸ It is exclusively considered the residual term of the loan from the time of reference (the year under analysis) until maturity, without considering the planned repayment schedule. This data has been calculated on 11 of the 13 entities that make up the sample, which account for about 74% of the mortgage portfolio under analysis, since the details of the 2 excluded entities are not available.

seasoning of the pool (8.8 years) the average duration per loan obtained is approximately a bit more than 28 years .

8. Geographical Distribution of the Pool

As in previous analyses, the profile of the pool according to the geographical location of the underlying asset showed no noteworthy variations over time.

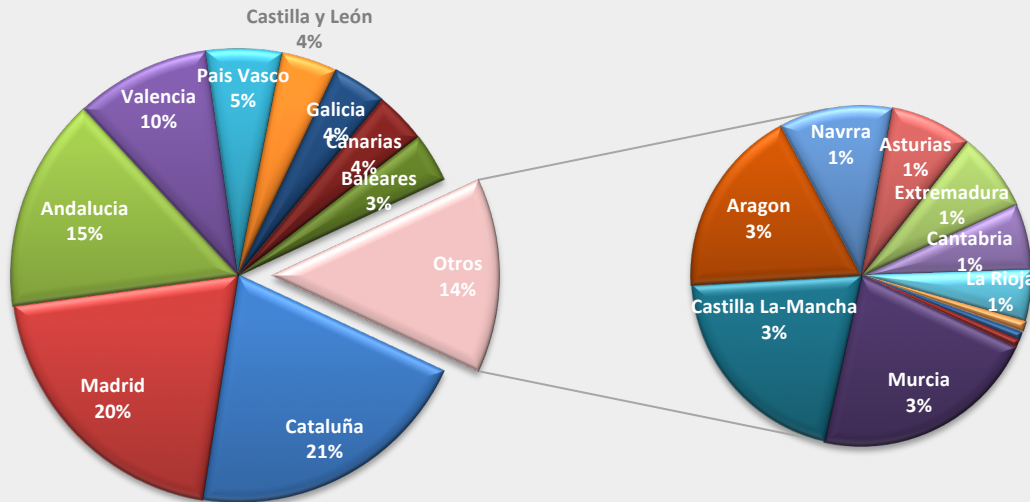
Table 9: Portfolio evolution by asset location

	Andalusia	Catalonia	Madrid	Valencian Community	Basque Country	Castile and Leon	Galicia	Canary islands	Balearic	Rest of communities
Jun-17	15.9%	21.8%	19.9%	9.9%	5.1%	3.3%	2.0%	4.1%	3.5%	14.4%
Dec-17	15.9%	21.6%	20.2%	9.8%	5.3%	3.3%	2.0%	4.0%	3.5%	14.3%
Jun-18	15.9%	20.7%	17.7%	10.2%	5.1%	3.3%	3.4%	4.0%	3.5%	16.3%
Dec-18	15.7%	20.5%	19.6%	10.0%	5.1%	4.2%	3.6%	3.8%	3.4%	14.2%
Jun-19	15.4%	20.4%	19.6%	9.9%	5.1%	4.1%	4.0%	3.8%	3.5%	14.2%
Dec-19	15.4%	20.4%	20.1%	9.7%	5.2%	4.1%	3.9%	3.7%	3.5%	14.0%
Jun-20	15.3%	20.4%	20.5%	9.6%	5.3%	4.0%	3.9%	3.7%	3.5%	13.8%
Dec-20	15.3%	20.6%	20.3%	9.6%	5.4%	4.0%	3.9%	3.6%	3.5%	13.9%

Source: own elaboration from ECBC Label data

Catalonia and Madrid, two of the communities with the greatest economic influence, remained at the forefront by volume of mortgage balance, as they together concentrated 40.9% of the total pool balance. On a disaggregated level, Catalonia -ranking first- stood out with 20.6% of the balance of the pool. It was closely followed by Madrid, with 20.3% of the balance. Andalusia and the Valencian Community also featured prominently, with 15.3% and a 9.6% share respectively, both with virtually no variations from recent periods. Basque Country, Castile-Leon, Galicia, the Canary Islands and Balearic Islands brought together 20.3% of the pool, all of them with a share above 3.5%. The rest of the pool is distributed heterogeneously, led by Murcia (3.0%) and Castile-La Mancha (2.8%).

Chart 11: Geographical distribution of the mortgage pool assets (Dec.20)



Source: own elaboration from ECBC Label data

By collateral type, the structural scheme has little variation from the aggregate pool, with Catalonia, Madrid, Andalusia, Valencia and the Basque Country being the five communities that concentrate the highest volume of assets.

In the case of the residential portfolio, these five communities accounted for 71.0% of the residential mortgage balance, just one percentage point below the commercial segment, where this same magnitude stood at 72.0%.

As in previous analyses, almost all credit exposures in the pool fall within the territory of the European Union (99.9%) and, more specifically, 99.5% are guaranteed by properties based in Spain.

9. Interest rates

The growing trend of fixed-rate loans⁹ continued to consolidate as new loans entry the pool. The ratio between loans at a variable interest¹⁰ and those with a fixed interest was around 35% and 65%, respectively (according to Bank of Spain data on the new residential portfolio).

⁹ Loans with an initial rate fixation over 1 year.

¹⁰ Loans with an interest rate up to 1 year of initial rate fixation.

Table 10: Pool breakdown by subscribed interest rate

	FIXED RATE	VARIABLE TYPE
Jun-17	8.3%	91.7%
Dec-17	9.4%	90.6%
Jun-18	11.6%	88.4%
Dec-18	12.6%	87.4%
Jun-19	14.7%	85.3%
Dec-19	15.9%	84.1%
Jun-20	17.3%	82.7%
Dec-20	19.6%	80.4%

Source: entities registered with the ECBC Label and own elaboration

Gráfico 12: Pool share by interest rate



As for this outstanding pool, in the last three years, the share of fixed rate loans has increased from 9.4% as of December 2017 to grow more than 10 percentage points, up to 19.6% currently. In both the residential and commercial portfolios, these differences are relatively the same, accounting the fixed-rate loan segment for 18.8% and 23.1%, respectively.

This modality of lending is presented as a better alternative in terms of profitability for entities within the current ultra-lax monetary policy, while the debtor is protected against possible interest rate rises. This trend is likely to be further consolidated, as significant rises in interest rates are not very probable, at least in the short term.

10. Amortisation Profile

When analysing the pool over time based on the amortisation system used, there is a very vague decrease in the transactions that follow a French repayment system¹¹, despite still representing the bulk of the transactions. In aggregate terms, the composition of the pool is as follows: the volume of transactions which follow a French repayment system accounts for 95.7% of the balance; while only 2.2% of the pool is repaid on the basis of a bullet-interest only system, while the remaining 2.1% of the pool followed another repayment method (such as the increasing or declining instalment system).

¹¹ A system characterised by constant periodic instalments, including principal and interests. Under this formula, in the first years of the loan more interests are paid rather than principal, and as the loan life pass the opposite occurs.

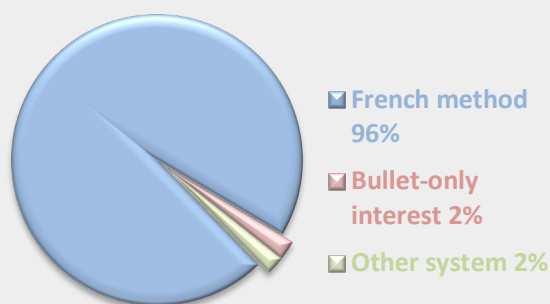
Table 12: Repayment system

	French	BULLET - INTEREST ONLY	OTHER
Jun-17 ¹	95.6%	2.7%	1.7%
Dec-17	96.6%	2.1%	1.3%
Jun-18	96.3%	2.0%	1.8%
Dec-18	96.5%	1.8%	1.7%
Jun-19	96.1%	2.1%	1.9%
Dec-19	95.9%	2.2%	1.9%
Jun-20	95.8%	2.2%	2.0%
Dec-20	95.7%	2.2%	2.1%

Source: entities registered with the ECBC Label and own elaboration

¹ revised data

Chart 14: Pool composition by repayment system (dic.20)



Due to the characteristics of each collateral, in the residential portfolio virtually all the transactions follow the French repayment system, accounting for more than 99% of the residential outstanding balance. For its part, in the commercial portfolio, although the volume that is repaid following this system remained very relevant, its rate is more than 10 points below, with a share of 88%.

11. NPLs Portfolio

After Q2 2020 where a slight deterioration in the quality of collateral assets was observed, Q4 2020 has been taken us back to the cleaning-up situation before the pandemic, with a slight improvement in the Non-Performing Loan (*NPL*)¹² ratio. Specifically, in the aggregate pool the weighted ratio of NPL was 0.3 percentage points less compared to Q2 2020, although it showed a slight improvement of 0.1 percentage points compared to Q4 2019. In a disaggregated way, both residential and commercial portfolios showed very similar developments. The residential portfolio recorded a weighted NPL rate of 3.1% in the Q4 2020, resulting in a decrease of 0.2 percentage points compared to the Q2 2020 and an improvement of 0.1 percentage points compared to Q4 2019. For its part, the commercial portfolio also showed favorable developments compared to the Q2 2020, with a cut in the rate of 0.2 percentage points. However, in year-on-year terms, it showed little variation, keeping the rate at 7.3%. In the latter segment, NPL levels remained high despite the important efforts made by entities over the years,

¹² Loans with more than 90 days past-due considering the total amount of the loan.

through the massive sale of problematic assets in the wholesale market and the implementation of debt restructuring operations, all within an economic context that showed signs of recovery.

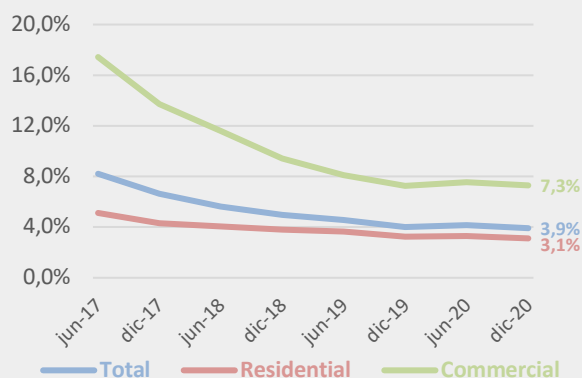
Table 11: Evolution of Non-Performing Loans (NPL) ¹

	TOTAL	RESIDENTIAL	COMMERCIAL
Jun-17	8.2%	5.1%	17.4%
Dec-17	6.6%	4.3%	13.7%
Jun-18	5.6%	4.0%	11.6%
Dec-18	5.0%	3.8%	9.4%
Jun-19	4.5%	3.6%	8.1%
Dec-19	4.0%	3.2%	7.3%
Jun-20	4.2%	3.3%	7.5%
Dec-20	3.9%	3.1%	7.3%

Source: entities registered with the ECBC Label and own elaboration

¹ data reviewed and corrected

Chart 12: Evolution of Non-Performing Loans



However, current situation is quite different. Until now, the easing of the accounting treatment of loans backed by financial support measures, -including moratoriums or loans guaranteed by the ICO (which also incorporate principal deferred over the first few years)- as well as providing significant relief on the financial burden for borrowers, has also prevented an increase in the classification of loans considered as "doubtful risk", with the corresponding decrease in the volume of provisions to be endowed by risk of insolvency in credit institutions' balance sheets. Moratoriums on some of these mortgage loans will begin to expire by the first quarter of 2021. This will have an impact on NPL levels, to a greater or lesser degree, depending on the course of the pandemic and on the progress of the Covid-19 vaccination campaign.