

SPANISH COVERED BOND & SECURITIZATION STATISTICS

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

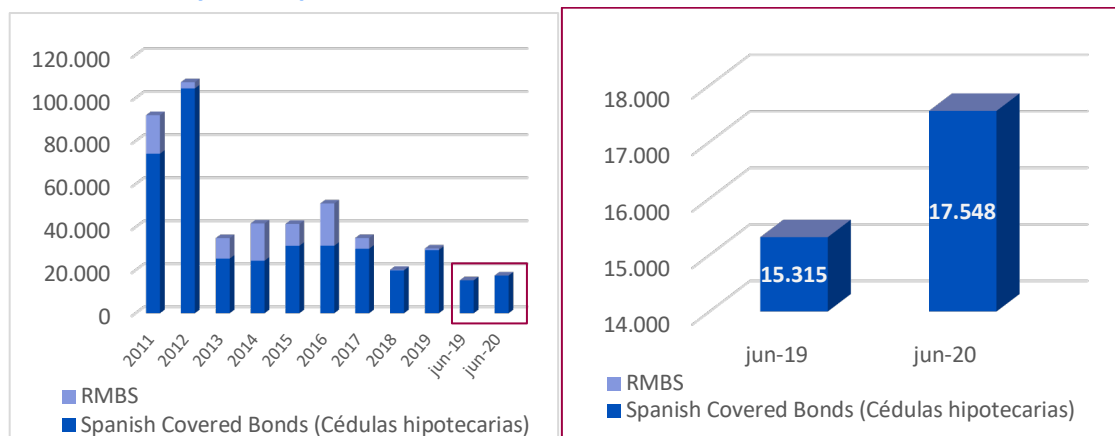
November 2020

1. Issuance

The period under analysis has been marked by the Covid-19 pandemic, which has led to an unprecedented economic deterioration due to the preventive measures undertaken to contain the spread of the virus at global scale. Against this backdrop, where the Spanish labour market has shown clear signs of deterioration while consumer confidence was also undermined, the mortgage activity has recorded significantly lower levels than in the previous year. Nonetheless, this drop in activity has been more pronounced during the months of lockdown, showing relative recovery after the progressive easing of the lockdown. The main funding instrument used by banks to finance their mortgage pools, i.e. covered bonds, has not however followed that downward trend, thus suggesting that banks may have obtained liquidity under the ECB's expansion of its covered bond purchase programme (CBPP). In fact, during the first half of 2020, **mortgage covered bonds (*cédulas hipotecarias*) issued by banks amounted to EUR 17.54 bn**, representing an 14.6% increase compared to EUR 15.31 bn recorded during the first half of the 2019. In this respect, after several years of moderate issuance levels, since 2019 this instrument seems to have recovered as it is conceived as a high quality and low risk asset.

In parallel, **mortgage backed securities (MBS)** followed the same path of the market in recent years, with no issuances during this first half of the year, as it happened in the first half of 2019.

> Chart 1: Yearly development of issuances



Source: own elaboration based on AIAF data

2. Outstanding Balance

As of June 2020, the total volume of **outstanding mortgage securities** amounted to EUR 315.88 bn, representing 2.1% increase compared to the same period of the previous year.

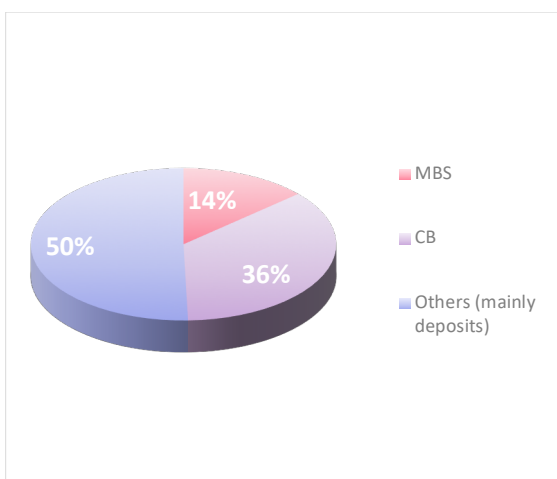
Within mortgage securities, the **Spanish mortgage-backed covered bonds** (*cédulas hipotecarias singulares*) accounted for about 66% of the portfolio, with an outstanding balance of EUR **207.47 bn** (+11.4% year-on-year). The total volume of mortgage covered bonds (*cédulas hipotecarias singulares*) together with that of **repackages of Spanish covered bonds** (*cédulas hipotecarias multicedentes*) - which today barely exceeded **EUR 22.22 bn** (-20.8% year-on-year) - would be funding more than 36% of the mortgage asset portfolio.

As for the eligible portfolio breakdown, the issuance of outstanding mortgage bonds, - despite the uptick in the first half of the year-, are still well below the 80% limit set in terms of overcollateralization, as the total outstanding issuances do not account for more than 60% of the eligible assets.

With regard to **mortgage securitizations**, the first half of 2020 confirmed the downward trend observed over the past few years, as the volume of mortgage securitizations, both on-balance-sheet and off-balance-sheet banking books, amounted to EUR **86.18 bn** as of June 2020 compared to EUR 95.17 bn a year ago (-9.4%). Given the lack of confidence towards this instrument in the previous crisis, compared to 2009 these securities have reduced their outstanding balance by more than EUR 100.00 bn.

> Annex: Additional information

Funding mix



Portfolio information (% and Mill. EUR)

	Jun-20
Mortgage credit *	637,780
Outstanding residential mortgage loans	482,704
Eligible Pool (% Total Mortgage Pool)	62%
Private Sector NPL	4.7%
Residential Mortgage Lending NPL	3.5%
Total outstanding covered bonds (<i>cédulas</i>)	229,698
% on mortgage pool	36%
Total Securitisation	86,184
% on mortgage pool	14%

* Not including Mortgage Backed Securities removed from banks' balance sheets.

Source: own elaboration from AIAF and Bank of Spain data

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ISSUANCE (Euro Million)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Residential Mortgage Backed securitites ²	Total mortgage securities
2015	31.375	0	10.133	41.508
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
jun.-19	15.315	0	0	15.315
jun.-20	17.548	0	0	17.548

OUTSTANDING VOLUME (Euro Million)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Residential Mortgage Backed securitites	Total mortgage securities
2015	194.073	58.310	114.992	367.375
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
jun.-19	186.246	28.070	95.169	309.484
jun.-20	207.478	22.220	86.184	315.883

Year on year variation of the outstanding volumes (%)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Residential Mortgage Backed securitites	Total mortgage securities
2015	-6,8%	-20,1%	-4,1%	-8,4%
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%
jun.-19	4,9%	-11,6%	-10,2%	-1,8%
jun.-20	11,4%	-20,8%	-9,4%	2,1%

Weight of the Mortgage securities over the outstanding mortgage lending (%) ²			
	Total Spanish Cédulas Hipotecarias (individual and multiseller)	Residential Mortgage Backed securitites	Total mortgage securities
2014	39,0%	16,6%	55,6%
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%
jun.-20	36,0%	13,5%	49,5%

¹ Multiseller covered bonds = Cédulas Hipotecarias in a CDO structure

² As of 2017 the data of outstanding mortgage lending used in the denominator of the ratio is subject to the introduction and adoption of the regulatory changes contained in **Circular 5/2014 of 28 November** on information rules public and reserved financial statements, and models of financial statements. It does not include information neither from Financial Credit Establishments (EFCs) nor of MBS removed from banks' balance sheets.