

MORTGAGE CREDIT ACTIVITY

AS of JUNE 2019

October 2019

Overview

During the first half of 2019 the growth of the world economy has continued to lose momentum. Among the reasons for this performance are the trade tensions between the United States and China, the uncertainty related to Brexit and the weak economic performance of the German engine. Against this background, the Spanish economy has showed some signs of stabilization throughout the first half of the year, leading to a downward revision of the IMF's economic growth forecasts, down to 2.2% in 2019, and 1.8% in 2020.

In order to continue with its enhanced credit support approach, the ECB has decided to maintain its ultra-accommodative monetary policy, by resuming its Asset Purchase Programme (known as *QE*) and decreasing by 10 basic points, down to -0.5%, the interest rate on the deposit facility. Simultaneously, a two-tier system for reserve remuneration has been introduced -in order to mitigate the negative impact of low interest rates on the bank profitability-, which exempts from the deposit facility the volume of reserve holdings equivalent to six times the minimum reserves requirements.

So far, the stimulus package implemented by the ECB has not been accompanied by a sufficient increase in mortgage origination to offset the fall in amortisation and cancellation of mortgage loans in banks' balance sheets. In particular, as of June 2019, the net variation in the balance exceeded -20 billion euros, down to EUR 654.394 million¹. In turn, outstanding mortgage lending for housing purchase, which accounts for about 70% of the total mortgage credit, recorded a year-on-year decrease of almost 6 billion² for Deposit-Takers (-1.2%).

With respect to funding mechanisms, almost 50% of the mortgage portfolio is funded by mortgage securities, of which approximately 33% corresponds to Covered Bonds. As of June 2019, outstanding mortgage securities stood at 315,7 billion euros, recording a year-on-year decrease of 1.1%, according to data from *Bank of Spain*.

For its part, deposits from resident private sector (or other resident sectors) rebounded by almost 4% -despite low return context-, amounting the total volume to EUR 1,212.7 billion. The Loan to Deposit Ratio was 100.2% as of June 2019, reflecting the deleveraging process mentioned above.

¹ This figure is obtained from the financial statements that banks on a regular basis report to the Bank of Spain following 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 from Financial Credit Establishments (EFCs). For a greater contrast of data please refer to the methodological note of the mortgage credit series published on our website.

² Source Chapter 4 of the [Bank of Spain Statistical Bulletin](#)

MORTGAGE CREDIT ACTIVITY FOR THE PRIVATE SECTOR RESIDENT SPANISH BUSINESS

	Outstanding lending <i>Million EUR</i>			Ratio OSR outstanding credit /GDP		NPL ratio	
	jun-18	jun-19	T ₁₂	jun-18	jun-19	jun-18	jun-19
Credit to the Resident Private Sector (Known in Spanish as SPR/OSR)	1.229.717	1.214.790	-1,2%	104,0%	99,2%	6,4%	5,4%
Deposit-taking lenders	1.174.081	1.158.792	-1,3%	99,3%	94,6%	6,4%	5,3%
Other credit Institutions	7.775	7.307	-6,0%	0,7%	0,6%	8,5%	5,4%
Financial Credit Establishments	47.862	48.691	1,7%	4,0%	4,0%	5,6%	5,6%

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

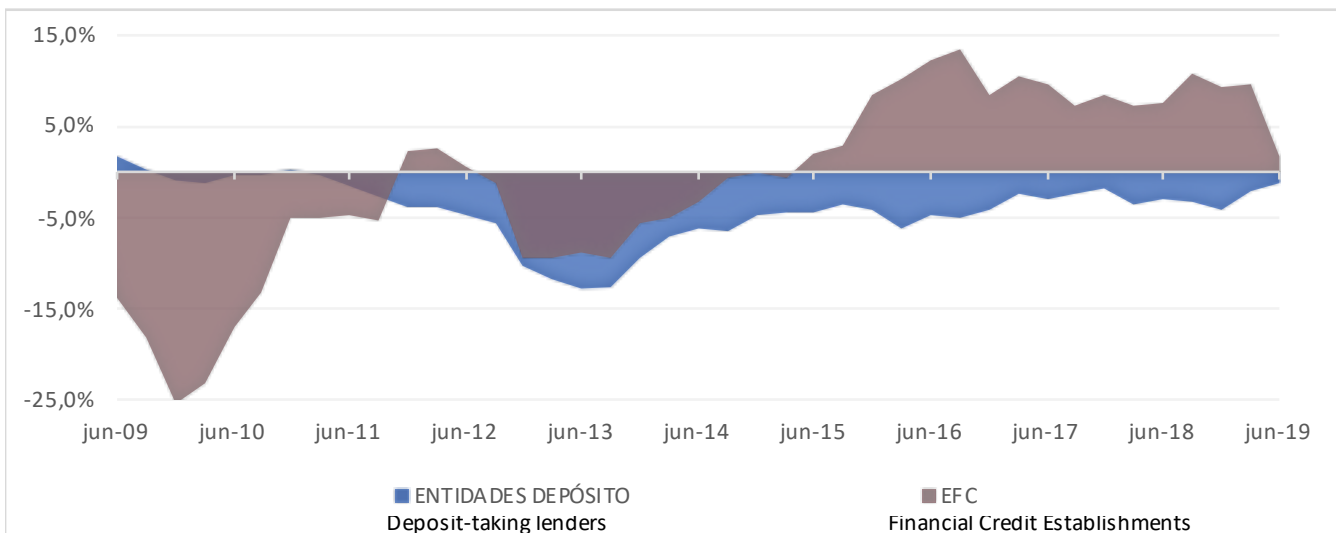
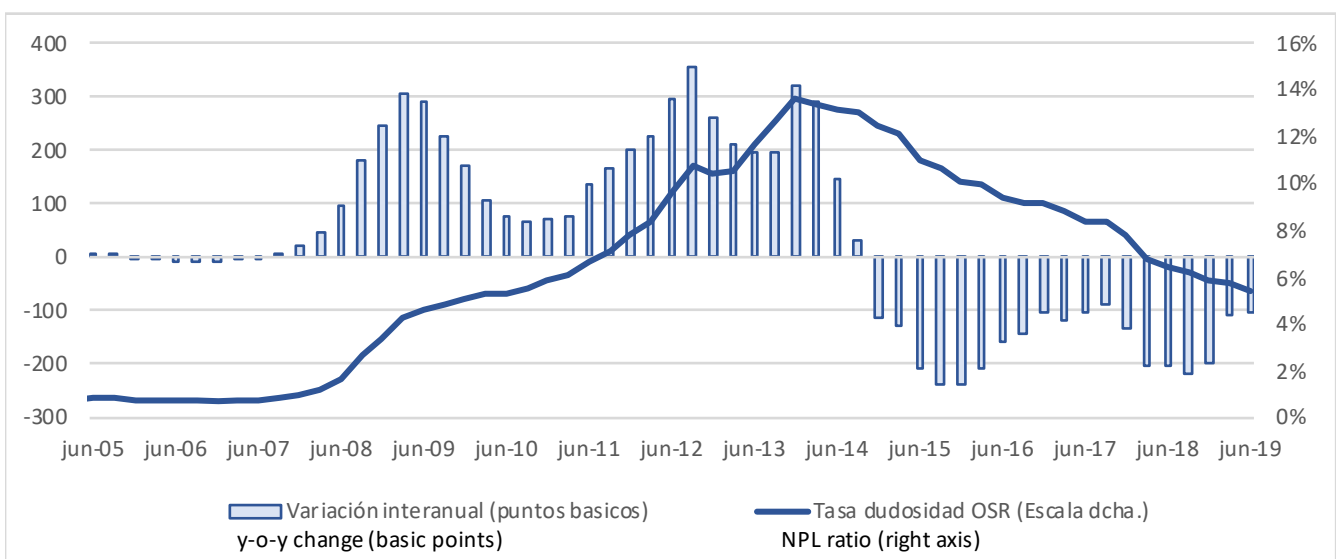


Chart 2: NPLs in OSR credit



MORTGAGE CREDIT ACTIVITY FOR THE PRIVATE SECTOR RESIDENT

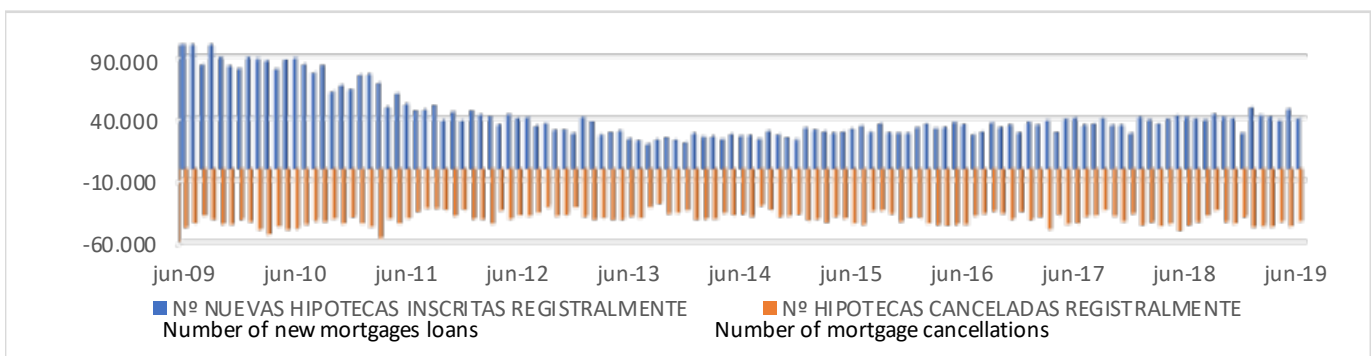
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Outstanding mortgage lending to OSR with real estate collateral	Outstanding lending Million EUR		y-o-y change		Outstanding mortgage loans/Total outstanding loans (OSR)	Outstanding residential mortgage loans/ Total outstanding loans (OSR)
	jun-18	jun-19	In absolute terms	In relative terms		
Credit Institutions	674.549	654.394	-20.155	-3,0%	56,5%	73,2%
Banks and Saving Banks	615.237	595.219	-20.017	-3,3%	-	-
Credit Cooperatives	59.312	59.174	-138	-0,2%	-	-

Doubtful mortgage portfolio	Outstanding lending Million EUR		y-o-y change		NPL ratio mortgage credit	
	jun-18	jun-19	In absolute terms	In relative terms	jun-18	jun-19
Credit Institutions	51.068	43.192	-7.876	-15,4%	7,6%	6,6%
Banks and Saving Banks	46.470	39.440	-7.030	-15,1%	7,6%	6,6%
Credit Cooperatives	4.598	3.752	-846	-18,4%	7,8%	6,3%

Eligible assets portfolio	Outstanding lending Million EUR		y-o-y change		Eligible asset portfolio / mortgage portfolio	
	jun-18	jun-19	In absolute terms	In relative terms	jun-18	jun-19
Credit Institutions	397.871	405.109	7.238	1,8%	59,0%	61,9%
Banks and Saving Banks	374.434	375.880	1.446	0,4%	60,9%	63,1%
Credit Cooperatives	23.437	29.229	5.792	24,7%	39,5%	49,4%

Chart 3: Mortgage portfolio y-o-y change



DETAIL OF FUNDING MECHANISMS
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	Outstanding lending Million EUR		y-o-y change		MARKET SHARE OVER TOTAL ISSUANCE	MORTGAGE SECURITIES/MORTGAGE LENDING (OUTSTANDING)
	jun-18	jun-19	In absolute terms	In relative terms		
OUTSTANDING MORTGAGE SECURITIES						
Credit Institutions	319.061	315.692	-3.369	-1,1%	100,0%	48,2%
Banks and Saving Banks	302.916	299.145	-3.772	-1,2%	94,8%	50,3%
Credit Cooperatives	16.145	16.547	402	2,5%	5,2%	28,0%

BREAKDOWN BY FUNDING INSTRUMENT - OUTSTANDING LOANS

	Outstanding lending Million EUR		y-o-y change		WEIGHT MORTGAGE SECURITIES	WEIGHT MORTGAGE SECURITIES OVER MORTGAGE CREDIT
	jun-18	jun-19	In absolute terms	In relative terms		
Spanish Covered Bonds (CBs)						
Credit Institutions	209.798	215.045	5.247	2,5%	68,1%	32,9%
Banks and Saving Banks	199.275	204.972	5.697	2,9%	68,5%	34,4%
Credit Cooperatives	10.523	10.073	-450	-4,3%	60,9%	17,0%
Mortgage Participations (known in Spain as Participaciones Hipotecarias (PH)) *						
Credit Institutions	13.330	16.552	3.222	24,2%	5,2%	2,5%
Banks and Saving Banks	12.130	14.412	2.282	18,8%	4,8%	2,4%
Credit Cooperatives	1.201	2.141	940	78,3%	12,9%	3,6%
Mortgage Certifications (known in Spain as Certificados de Transmisión Hipotecaria (CTH)) **						
Credit Institutions	95.933	84.094	-11.838	-12,3%	26,6%	12,9%
Banks and Saving Banks	91.511	79.761	-11.750	-12,8%	26,7%	13,4%
Credit Cooperatives	4.422	4.334	-88	-2,0%	26,2%	7,3%

* 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		Loan to Deposit Ratio (LTD) OSR CREDIT	LTD MORTGAGE CREDIT
	jun-18	jun-19	In absolute terms	In relative terms		
SAVING DEPOSITS PRIVATE SECTOR RESIDENTS (OSR)						
Credit Institutions	1.168.235	1.212.749	44.514	3,8%	100,2%	54,0%
Banks and Saving Banks	-	-	-	-	-	-
Credit Cooperatives	-	-	-	-	-	-