

# SPANISH COVERED BOND & SECURITISATION STATISTICS

Data provided by AIAF (Rector Society of the Financial Market)

January 2019

## 1. Issuance

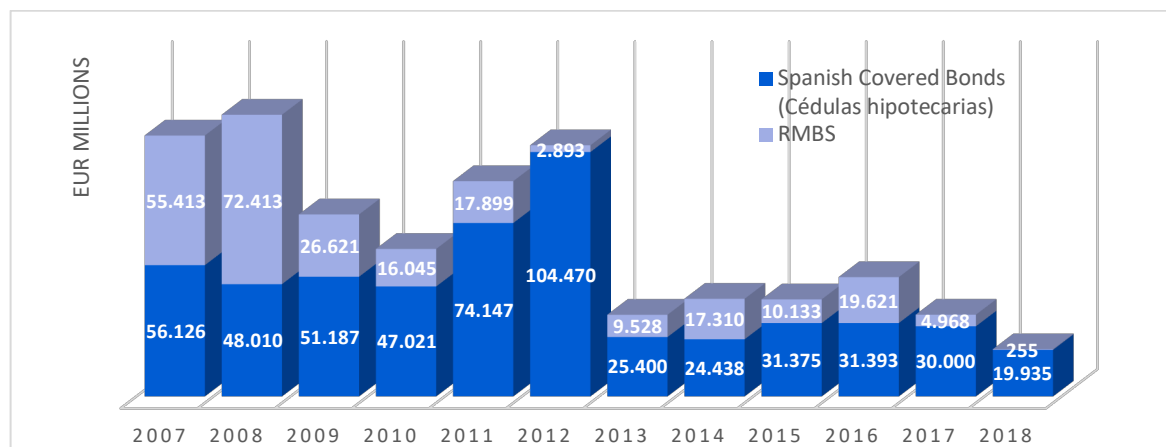
During 2018 funding activity was characterised by a very moderate evolution. The slowdown seen in recent years coincides with the third phase on the package of non-standard measures carried by the ECB under the asset purchase programme (APP) and the targeted longer-term refinancing operations (TLTRO).

According to the data provided by AIAF market, during 2018 the **total volume of mortgage securities admitted for trading** (including CBs and MBSs) amounted to EUR 20.2 bn, a sizeable decrease compared to the EUR 35.0 bn recorded in 2017 (-42.3%).

By type of asset, over the past year Spanish **Covered Bonds** (CBs-Cédulas Hipotecarias) -that accounted for 99% of the total volume of mortgage securities issued- closed with an issuance volume of EUR 19.9 bn. Despite CBs remain as an important funding tool for banks, this banking liability has experienced the 2<sup>nd</sup> consecutive year with annual decreases, recording a decrease of 33.5% from 2017 and 4.4% from 2016. The vast majority of the issuance activity was concentrated in the last quarter of the year.

**Mortgage backed securities (MBSs)** decreased by 94.9% from EUR 5.0 bn in 2017 to barely EUR 0.3 bn in 2018. This asset has experienced an important slowdown after the sub-prime mortgage crisis.

### > Chart 1: Yearly development of issuances



Source: Spanish Mortgage Association own calculation base don AIAF data

As shown in chart 1, the current picture differs substantially from that used in the pre-crisis period. Back then, mortgage backed securitisations played an important role in fueling capital markets, issuing by this funding mechanism in 2008 EUR 72.4 bn vs. EUR 48.0 bn by CBs.

## 2. Outstanding

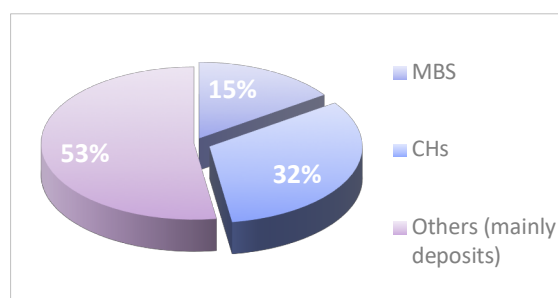
In Q4 2018 **outstanding mortgage securities** fell by 5.3% on a yearly basis to EUR 312.0 bn, marking 2018 as the sixth consecutive year of decline.

**Spanish Covered Bonds outstanding** (which includes singular CBs and multi-seller CBs) showed a decrease of 2.2%, due to both the non-issuance activity of multi-seller CBs and the modest growth rate recorded by single CBs (+1.1%), ascribed mainly to a slowdown in the pace of its maturity.

Following the same path, **mortgage backed securities** continued its contraction. Nearly EUR 12.7 bn have been lost over the last year, which leads to an outstanding of EUR 100.2 bn in Q4 2018 (-11.0%). Since 2008 cumulative MBS portfolio amounts to EUR 86.5 bn.

### > Annex: Additional information

#### Mortgage funding composition



#### Portfolio related information (% and € million)

	2018
Total outstanding mortgage loans **	654,914
Outstanding residential mortgage loans (sept-18)	493,176
Eligible pool (% over total mortgage pool) **	61%
Private sector NPL (sept-18)	6,2%
Residential mortgage lending NPL (sept-18)	4,3%
Total outstanding covered bonds (dec-18)	211,753
% of the mortgage pool	32%
Total outstanding RMBS (dec-18)	100,238
% of the mortgage pool	15%

\*\* March 2017 data (last data available)

Source: Spanish Mortgage Association own calculation base don AIAF and Bank of Spain

According to the data provided by the Bank of Spain in terms of ECB' monetary policy, in Q4 2018 the Spanish banking sector had in its liability around 23% of the monetary stimulus vis-a-vis 29% in mid-2014. Despite this relative decrease, the Spanish system remain at the forefront of the aids provided by the Eurosystem, only behind Italy. The outstanding lending for longer-term refinancing operations (TRTLOs) of Spanish banking amounted to EUR 167.2 bn in Q4 2018, while the main refinancing operations conducted on a weekly basis amounted to a minor EUR 0.17 bn.

The Spanish monetary securities issued under the asset purchase programme (APP) through its different tools (PSPP, CSPP, CBPP, ABSPP) amounted to EUR 338.2 bn in Q4 2018, of which EUR 260.8 bn corresponded to sovereign debt while the remaining EUR 77.4 bn was issued by private sector (Corporate bonds, Covered bonds and Asset back securities).



In 2019 does not seem that liquidity injections in the banking system will end, albeit it is expected a deceleration in its pace. Despite in December 2018 the APP formally ended, the Eurosystem has decided to extend the APP in order to reinvest principal payments from maturing securities for as long as necessary. In addition, the implementation of new TLTRO liquidity lines is not ruled out in order to meet with sustainable growth and price stability objectives.

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ISSUANCE (Euro Million)				
	Cédulas Hipotecarias (single)	Multiseller Covered Bonds (*)	Residential Mortgage Backed securitites	Total mortgage securities
2012	103.470	1.000	2.893	107.363
2013	25.400	0	9.528	34.927
2014	24.438	0	17.310	41.748
2015	31.375	0	10.133	41.508
2016	31.393	0	19.621	51.014
2017	30.000	0	4.968	34.968
<b>2018</b>	<b>19.935</b>	<b>0</b>	<b>255</b>	<b>20.190</b>

OUTSTANDING VOLUME (Euro Million)				
	Cédulas Hipotecarias (single)	Multiseller Covered Bonds (*)	Residential Mortgage Backed securitites	Total mortgage securities
2012	293.143	108.397	124.247	525.786
2013	246.968	86.970	117.006	450.944
2014	208.314	72.985	119.931	401.231
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
<b>2018</b>	<b>183.258</b>	<b>28.495</b>	<b>100.238</b>	<b>311.991</b>

Year on year variation of the outstanding volumes (%)				
	Cédulas Hipotecarias (single)	Multiseller Covered Bonds (*)	Residential Mortgage Backed securitites	Total mortgage securities
2012	21,6%	-15,4%	-25,8%	-2,0%
2013	-15,8%	-19,8%	-5,8%	-14,2%
2014	-15,7%	-16,1%	2,5%	-11,0%
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%
<b>2018</b>	<b>1,1%</b>	<b>-19,0%</b>	<b>-11,2%</b>	<b>-5,3%</b>

Weight of the Mortgage securities over the outstanding mortgage lending (%)			
	Total Cédulas Hipotecarias (single and multiseller)	Residential Mortgage Backed securitites	Total mortgage securities
2012	45,8%	14,2%	60,0%
2013	43,2%	15,1%	58,4%
2014	38,5%	15,5%	54,0%
2015	36,4%	16,6%	53,0%
2016	35,1%	18,7%	53,7%
2017 (**)	33,1%	17,2%	50,3%
<b>2018 (**)</b>	<b>32,3%</b>	<b>15,3%</b>	<b>47,6%</b>

(\*) Multiseller covered bonds = Cédulas Hipotecarias in a CDO structure

(\*\*) Estimation by using the outstanding mortgage lending data from March 2017 (last data available)