

# SPANISH COVERED BOND & SECURITIZATION STATISTICS

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

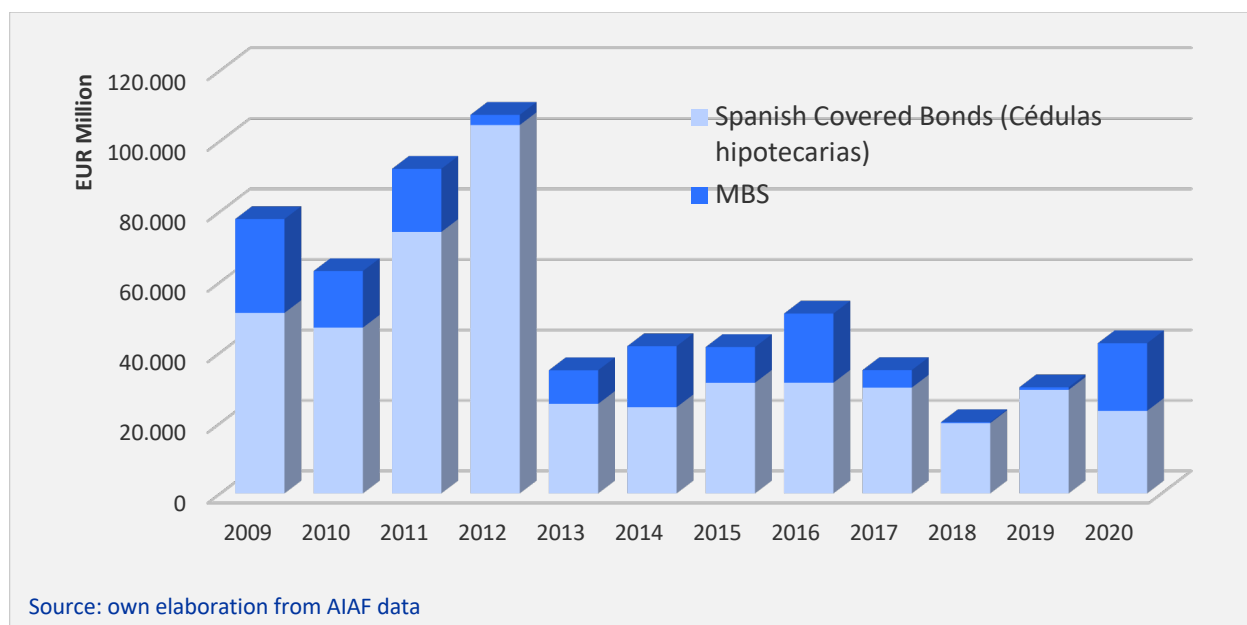
January 2021

## 1. Issuance

During this unique year marked by an unprecedented crisis, the placement of mortgage securities ended 2020 in positive territory, as happened in 2019, with an increase of about 42%. In total, **the volume of securities issued and admitted to trading throughout 2020 amounted to EUR 42,594 million**, although the improved financing conditions through targeted long-term refinancing operations (TLTRO III) at negative interest rates have reduced liquidity needs.

Contrary to what happened in 2019, **the Spanish mortgage bonds (cédulas hipotecarias)** have not been the vector for this growth during the period under analysis. In fact, the total issued volume amounted to **EUR 23,408 million**, about 20% less than the volume issued during the period under analysis, when this funding tool experienced an increase of about 50%. Not for nothing, it is noted that while in the first half of the year this instrument showed great dynamism, as the second half of the financial year progressed, cédula issuances stabilized in favour of mortgage securitisations that, after several years without hardly issuances, showed a remarkable growth. In particular, **mortgage-backed securities (MBSs)** went from registering a balance issued from around EUR 725 million throughout 2019 to **EUR 19,186 million in 2020**, a figure not reached since 2016.

➤ Figure 1: Yearly development of issuances



## 2. Outstanding Balance

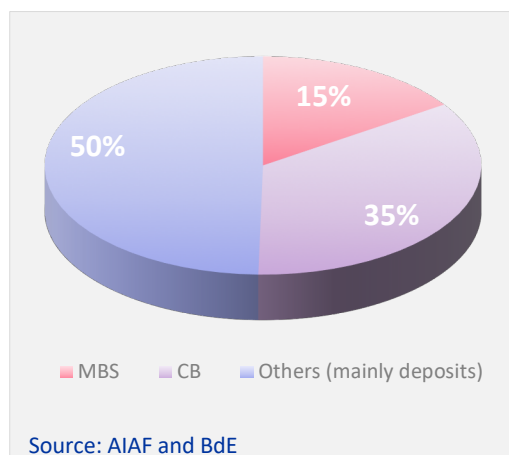
In total, the evolution of the outstanding balance of **cédulas and MBSs** was settled with a year-on-year increase of 3.1% at the end of the year, accounting its balance for **EUR 321,070 million**.

Although the placing balance of Spanish mortgage-backed covered bonds (*cédulas hipotecarias singulares*) was negative during 2020, the outstanding balance of these **securities** rose to **EUR 199,449 million** - 1.9% more than the balance accounted for at the end of 2019 -, although since the middle of the year at a slower pace of growth. Meanwhile, **the repackages of Spanish covered bonds (*cédulas hipotecarias multicedentes*)**, an instrument used by former savings banks due to their smaller size, continued its downward trend (-11.0% in December 2020) with an outstanding balance of **EUR 22,220 million**. Together, the sum of the two types of funding instruments recorded a balance of EUR 221,669 million, which, in annual terms, resulted in a slight increase of 0.5%. These instruments would be financing about 35% of the mortgage portfolio, one of the highest ratios in Europe.

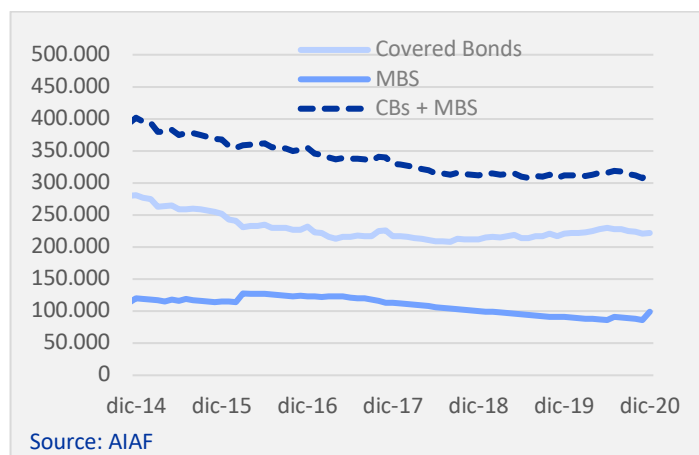
For its part, the outstanding portfolio of **mortgages securitizations (MBSs)** recorded a positive development, with a total balance of **EUR 99,401 million**, representing net growth of around EUR 9,300 million and an increase, in relative terms, of 9.6% compared to the previous year. It should be noted that the revival which appears to accompany the securitisation market in the latter tranche of the year could be understood as within the current juncture in which the ECB would have lowered the requirements to admit this tool as collateral, which is also less demanding compared to the *cédulas* by not requiring Spanish legislation to provide the eligible portfolio with loans operating with *LTVs* below 80%.

### ➤ Annex: additional information

#### Funding mix



#### Outstanding issuances (million Euros)



On the other hand, it is worth noting the increase observed in the volume issued and admitted to trading of **covered bonds secured by public sector loans (*cédulas territoriales*)**, in line with the greater financing needs of local administrations. In absolute terms, the issued balance increased by about EUR

5,850 million throughout 2020, up to EUR 9,150 million. Nevertheless, in net terms the balance sheet did not reflect this increase due to debt maturities, as the outstanding balance of issues fell from EUR 20,762 million recorded at the end of 2019 to **EUR 18,262 million** in 2020 (-12.0% y-o-y change).

### 3. New legislative framework for the covered bond market

[Directive 2019/2162 of the European Parliament and of the Council on the issue of covered bonds and covered bond public supervision](#) was published at the end of 2019. This Directive seeks to harmonise the legislative frameworks of different European jurisdictions, for greater integration of capital markets. In our jurisdiction, in particular, the transposition of this Directive could introduce new aspects such as: the clearest segregation of portfolio assets; the redefinition of hedging assets; the adjustment of minimum levels of overcollateralization (currently set at 25% for mortgage bonds and 43% for territorial bonds); the introduction of the figure of the specific insolvency administrator, as well as that of the 'cover pool monitor' that ensures the rights of all parties involved in the operation and ensures compliance with the regulations; in addition to -among other possible issues- the incorporation of a 'soft bullet' mechanism in the maturity of bonds, which avoids, exceptionally, any liquidity problems.

In March 2020, Spain's Treasury Directorate-General opened a period of public consultation on some of the key aspects of the Covered Bonds Directive. Currently, the competent authorities are working on the Draft Law, which will be submitted to public hearing in the first quarter of this year, for future transposition into the national framework. This it is initially expected for the middle of this new year, although there might be some delay.

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

| ISSUANCE (Euro Million) |   |  |  |                           |
|-------------------------|---|--|--|---------------------------|
|                         | Spanish Cédulas Hipotecarias (individual) | Multiseller Covered Bonds <sup>1</sup> | Residential Mortgage Backed securitites <sup>2</sup> | Total mortgage securities |
| 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                    |
| 2018                    | 19.935                                    | 0                                      | 255  | 20.190                    |
| 2019                    | 29.375                                    | 0                                      | 725  | 30.100                    |
| 2020                    | 23.408                                    | 0                                      | 19.186   | 42.594                    |

| OUTSTANDING VOLUME (Euro Million) |   |  |   |                           |
|-----------------------------------|---|--|---|---------------------------|
|                                   | Spanish Cédulas Hipotecarias (individual) | Multiseller Covered Bonds <sup>1</sup> | Residential Mortgage Backed securitites | Total mortgage securities |
| 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                   |
| 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                   |

| Year on year variation of the outstanding volumes (%) |   |  |   |                           |
|---|---|--|---|---------------------------|
|   | Spanish Cédulas Hipotecarias (individual) | Multiseller Covered Bonds <sup>1</sup> | Residential Mortgage Backed securitites | Total mortgage securities |
| 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%                     |
| 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%                      |

| Weight of the Mortgage securities over the outstanding mortgage lending (%) <sup>2</sup> |   |   |                           |
|--|---|---|---------------------------|
|  | 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%                     |
| 2020   | 34,8%   | 15,6%                                   | 50,3%                     |

<sup>1</sup> Multiseller covered bonds = Cédulas Hipotecarias in a CDO structure

<sup>2</sup> 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.