

SPANISH COVERED BOND & SECURITISATION STATISTICS

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

October 2016

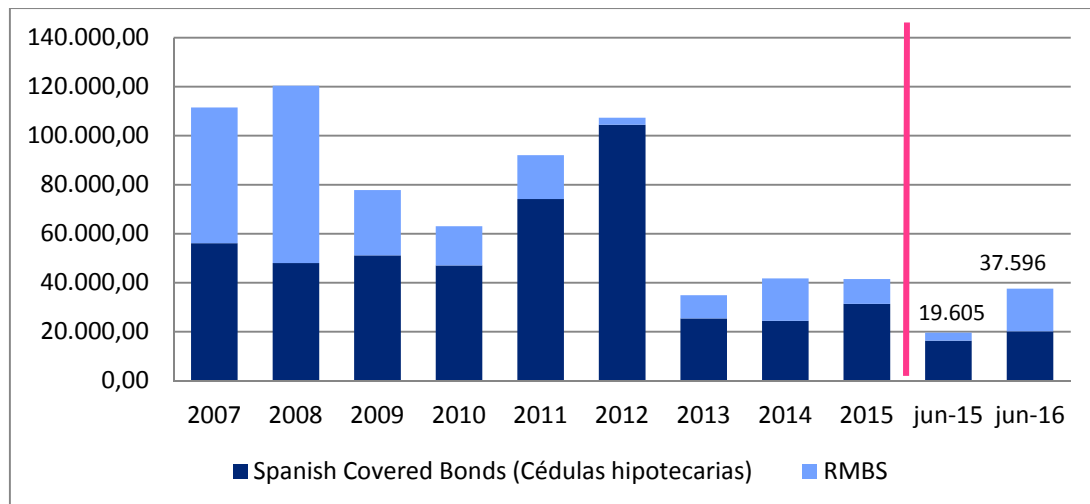
1. Issuance

The **total volume of mortgage securities admitted to trading** increased by 67% in the second quarter of 2016 with respect to the previous quarter. Total issued volume amounted to EUR 37,596 million, a 92% increase in yearly terms (EUR 19,605 million in June 2015).

Issuance of Spanish covered bond (cédulas hipotecarias) reached EUR 20,143 million between January and June 2016, accounting for 54% of total issuance. When comparing with the same period of 2015, issuance of cédulas hipotecarias increased by 23.4%. As in the two preceding years, there was no issuance of multi-seller covered bonds.

Issuance of mortgage securitisations also increased, both in quarterly and yearly terms. Issuance of these instruments reached EUR 17,453 million in June 2016, 14% more q-o-q and an increase of 400% y-o-y.

> Chart 1: Yearly development of issuances



Source: Spanish Mortgage Association own calculation base don AIAF data.

2. Outstanding

Outstanding mortgage securities amounted to EUR 361,721 million in June 2016, a slight increase with respect to the previous quarter even though a 3.4% decrease was registered in yearly terms.

Cover bonds (single and multi-seller) represent 64% of outstanding securities, amounting to EUR 235,035 million in June 2016, 9% less in yearly terms. **Mortgage backed securities represent 36% of outstanding securities** with a volume of EUR 126,686 million, an increase of 9.3% y-o-y.

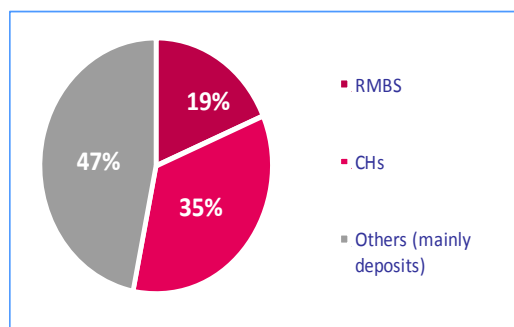
Mortgage securities represent 53.2% over total outstanding mortgage loans (35% cédulas and 19% MBS).

The main drivers in issuing activity during the second quarter of 2016 remain the same as in the previous quarter. It is expected that issuance levels will remain low compared to previous years. Although Spanish economic fundamentals are sound, issuance of securities is negatively affected by the continued deleveraging process of the financial system and the ECB's expansive monetary policy which introduces high levels of liquidity and other funding mechanisms – which can imply fewer costs to the institutions.

Given than funding is no longer a problem for the Spanish financial system, the focus of attention is now in achieving a greater volume of activity and improving profitability.

> Annex: Additional information

Mortgage funding composition



Portfolio related information (% and € million)

	jun-16
Total outstanding mortgage loans (jun-16)	680,086
Outstanding residential mortgage loans (jun-16)	555,049
Eligible pool (% over total mortgage pool)	60%
Private sector NPL (jun-16)	9,5%
Residential mortgage lending NPL (jun-16)	4,6%
Total outstanding covered bonds (jun-16)	235,035
% of the mortgage pool	35%
Total outstanding RMBS (jun-16)	126,686
% of the mortgage pool	19%

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

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ISSUANCE (Euro Million)				
	Cédulas Hipotecarias (single)	Multiseller Covered Bonds (*)	Residential Mortgage Backed securitites (**)	Total mortgage securities
2011	68.347	5.800	17.899	92.045
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
jun-16	20.143	0	17.453	37.596

OUTSTANDING VOLUME (Euro Million)				
	Cédulas Hipotecarias (single)	Multiseller Covered Bonds (*)	Residential Mortgage Backed securitites (**)	Total mortgage securities
2010	195.735	147.666	182.794	526.195
2011	241.150	128.058	167.537	536.745
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
jun-16	187.480	47.555	126.686	361.721

Year on year variation of the outstanding volumes (%)				
	Cédulas Hipotecarias (single)	Multiseller Covered Bonds (*)	Residential Mortgage Backed securitites (**)	Total mortgage securities
2010	5,6%	-2,5%	-3,4%	0,1%
2011	23,2%	-13,3%	-8,3%	2,0%
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%	-8,6%
jun-16	-3,7%	-25,8%	9,3%	-5,5%

Weight of the Mortgage securities over the outstanding mortgage lending (%)			
	Total Cédulas Hipotecarias (single and multiseller)	Residential Mortgage Backed securitites (**)	Total mortgage securities
2010	31,9%	17,0%	48,9%
2011	36,7%	16,6%	53,3%
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%
jun-16	34,6%	18,6%	53,2%

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

(**) Estimation