

SPANISH COVERED BOND & SECURITISATION STATISTICS

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

November 2019

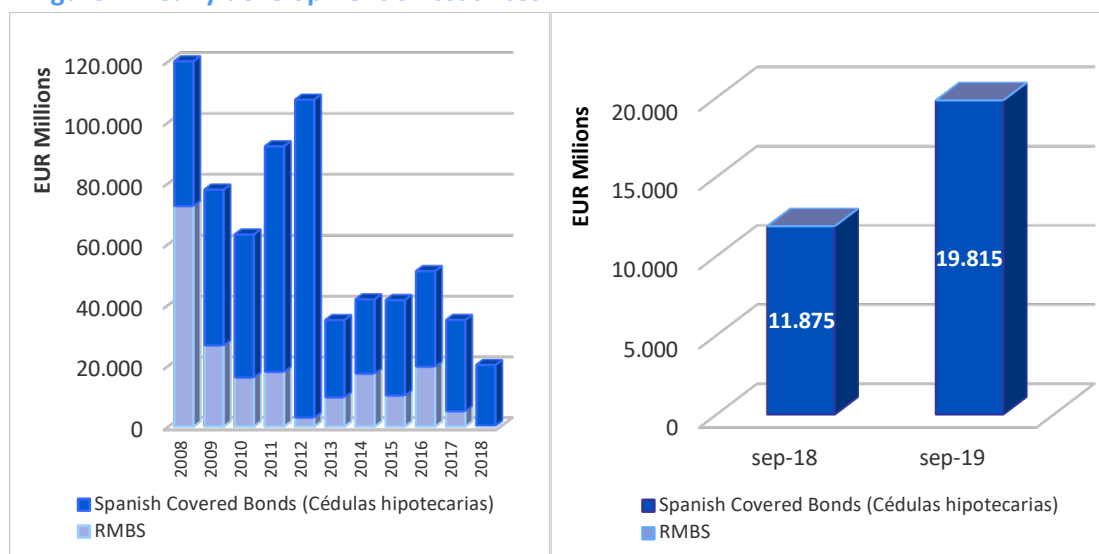
1. Issuance

As a result of the high level of liquidity in the financial system after an extended period of monetary policy accommodation, the issuing activity of the institutions has been less dynamic over the last few years. However, the market for the Spanish Covered Bonds (*cédulas hipotecarias*), -an instrument with double-resource both against the issuing entity and, on a preferential basis, against the whole mortgage portfolio-, has recovered part of its activity in the course of the present year, in a context of very low interest rates.

In particular, **the total volume of mortgage securities admitted to trading** between January and September amounted to EUR 19.82 bn, almost the same volume of activity compared to late 2018. In relation to the volume of issuances placed between January and September 2018, the Spanish covered bonds (*cédulas hipotecarias singulares*) have experienced, over this year, an uptick close to 70%.

For its part, the activity levels of issuance of **mortgage backed securities (MBS)** remained at virtually zero. In fact, over the first three quarters of 2019, MBS have not registered any issuance, in line with what happened in the same period of the previous year.

> Figure 1: Yearly development of issuances



Source: own elaboration from AIAF data.

2. Outstanding Balance

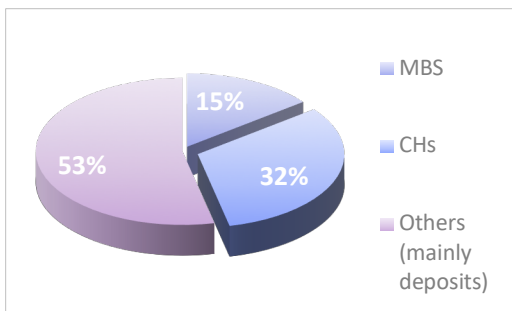
In September 2019, the total volume of **outstanding mortgage securities** stood at EUR 309.39 bn, a decrease of 2.1% compared to the same period of 2018.

By type of instrument, **Spanish covered bonds (*cédulas hipotecarias singulares*)** continued to stand out, representing over 60% of the total outstanding volume issued. In particular, the balance amounted to EUR 189.25 bn as of September 2019, an increase of 4.6% compared to September 2018. For its part, **multi-seller Spanish covered bonds (*cédulas hipotecarias multicedentes*)** accounted for only 9% of the outstanding portfolio, without having recorded any activity for almost 6 years in a row.

Over the last few years a generalised downward trend in the outstanding balance of **mortgage-backed securities** can be spotted, recording a drop of 11.1% over the last 12 months (from EUR 103.52 bn in the third quarter of 2018 to EUR 92.10 bn in the same period of 2019). As a result of the distrust of markets in this source of investment, more than EUR 97 bn have been lost over the last decade for this concept.

> Annex: Additional information

Funding mix



Source: own elaboration from AIAF and Bank of Spain data.

Portfolio information (% and € million)*

	jun-19
Total outstanding mortgage loans **	654,394
Outstanding residential mortgage loans	489,237
Eligible pool (% over total mortgage pool)	62%
Private sector NPL	5,4%
Residential mortgage lending NPL	3,8%
Total outstanding covered bonds	209,238
% of the mortgage pool	32%
Total outstanding RMBS	95,169
% of the mortgage pool	15%

* All values correspond to June 2019 as it is the latest data available for the mortgage credit series

** Not including Mortgage Back Securities removed from banks' balance sheets

Apart from the aforementioned abundant liquidity in the banking system, the moderate deleveraging of the Spanish economy and the use of alternative funding methods by banks, could in general explain the lower activity of these funding instruments over recent months. In addition to senior bonds, the issuance of other hybrid debt securities that, under certain conditions, allow banks to strengthen its anti-crisis buffer, while offering attractive returns to investors in an environment of extremely low interest rates, could have made traditional debt instruments less attractive over the years.

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ISSUANCE (Euro Million)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Residential Mortgage Backed securitites ²	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
sep.-18	11.875	0	0	11.875
sep.-19	19.815	0	0	19.815

OUTSTANDING VOLUME (Euro Million)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Residential Mortgage Backed securitites	Total mortgage securities
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
2018	183.258	28.495	100.238	311.991
sep.-19	189.246	28.070	92.071	309.386

Year on year variation of the outstanding volumes (%)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Residential Mortgage Backed securitites	Total mortgage securities
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%
2018	1,1%	-19,0%	-11,2%	-5,3%
sep.-19	4,6%	-11,6%	-11,1%	-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
2013	43,2%	15,1%	58,4%
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%
jun.-19	32,8%	14,5%	47,3%

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.