



Asociación Hipotecaria Española



A report by the Spanish Mortgage Association

MARCH 2016

Analysing the Spanish mortgage pool

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1. Preliminary comments

This report by the Spanish Mortgage Association presents a brief analysis on the composition of Spanish credit institutions' total mortgage pool.

The figures analysed comprise data from 12 credit institutions¹ whose outstanding mortgage portfolio accounts for 94% of the total national outstanding mortgage value excluding outstanding residential mortgage-backed securities (RMBs).

The data was extracted from the information published by each institution on their corporate websites relating to the cover pool backing their covered bond issues. As a member of the European Covered Bond Council (ECBC) the Spanish Mortgage Association manages part of the publication process of this information as well as the definition of the different concepts. Thus, all the variables presented in this analysis are subject to a homogeneous definition.

We believe that this short assessment offers interesting information on the Spanish mortgage pool profile which can help for further analysis and decision making. Its content may be quoted and reproduced with specific reference to the Spanish Mortgage Association.

¹ The data analysed is dated to December 2015 except for 3 institutions (which represent 17% of the cover pool) with data as of September 2015.

2. Fundamental data of the cover pool

The data in this report corresponds to 12 Spanish credit institutions² issuers of covered bonds that have for their issuance the ECBC's Covered Bond Label³.

The value of the cover pool analysed amounts to over 531 billion euro which represents 94% of the total national outstanding mortgage lending as of December 2015 (564 billion euro), not including on-balance sheet RMBs.

Taking into account the weighted average of each institutions as well as their weighting in the cover pool analysed, the average loan size in the pool is 99,353 euro with a remaining contractual life of 16.26 years (weighted average).

Similarly, the average pool LTV ratio is 62.23% and the loan seasoning weighted average is 84.74 months (7.06 years).

Table 1

Basic data	
National outstanding loans* (mill €)	564,228
Mortgage pool (mill €)	531,021
Mortgage pool/Outstanding	94.1%
Number of loans	5,382,223
Average loan size (euro)	99,353
Average maturity (years)	16.26
Average LTV	62.23%
Loan seasoning (months)	84.74%
Residential guarantees	72%
Commercial guarantees	28%

*Not including RMBs

Source: Spanish Mortgage Association

² Banco Sabadell, Bankia, Caixabank, Banco Santander, Kutxabank, Unicaja Banco, Banco Popular, BBVA, Bankinter, Ibercaja Banco, Banco Marenostrum and Caja Rural Castilla-La Mancha

³ <https://coveredbondlabel.com/>

3. Property type information

As shown in table 1, 72% of the pool analysed is guaranteed by residential properties⁴ while the remaining 28% is backed by commercial lending⁵.

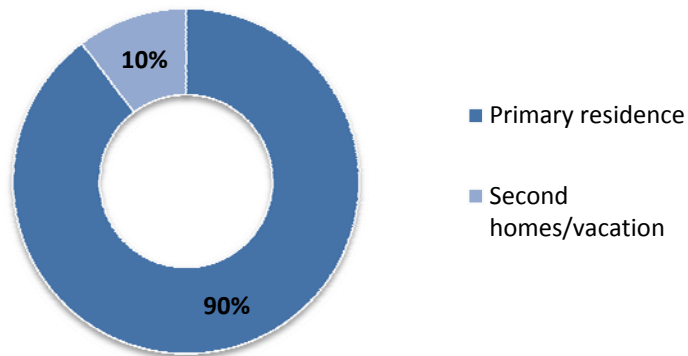
Table 2

Property type	
Residential	72%
Maximum in pool	84%
Minimum in pool	16%
Comercial	28%
Maximum in pool	60%
Minimum in pool	16%

Source: Spanish Mortgage Association

Within the residential segment, 90% of housing loans are guaranteed by primary residence.

Chart 1: Residential property composition



Source: Spanish Mortgage Association

Thus, residential loans for primary residence purchase accounts for 65% of the mortgage pool.

⁴ Residential loans meet the following criteria : loans that are full recourse to the individual taking out the loan; and either (a) loans secured against a residential property in which the borrower resides or b) where the borrower rents out less than four properties

⁵ Commercial loans are loans backed by a mortgage and which have recourse to a borrower excluding individuals and public sector entities.

4. Loan to value ratio (LTV)

The weighted average LTV for the total pool is 62.23%, nonetheless, substantial divergences of up to 30 pp. can be observed among institutions.

Additionally, based on the available data on 11 of the 12 institutions of the sample (which account for 89% of the pool), we can analyse the weighted distribution of the pool’s LTV in terms of LTV buckets for the entirety of the pool as well as the residential (housing) and commercial (rest of pool) segments.

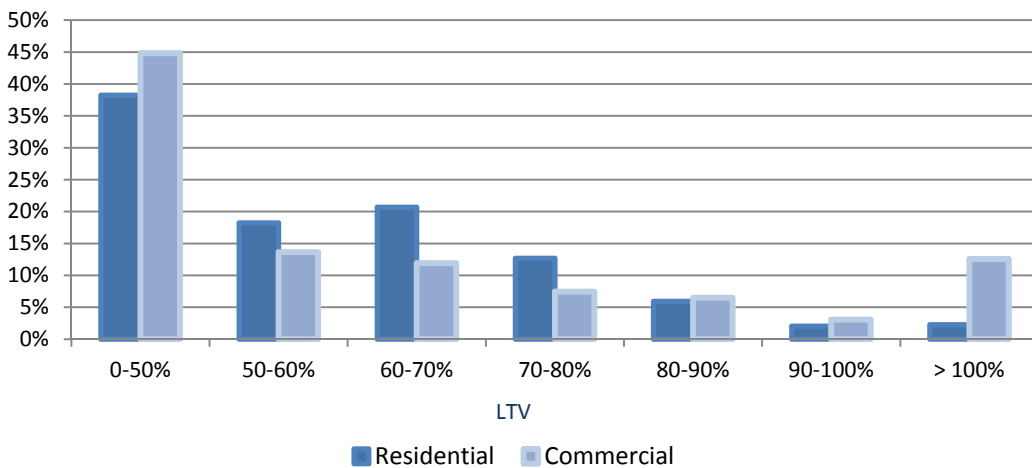
Table 3

LTV ratio distribution			
LTV	Total	Residential	Commercial
0-50%	40%	38%	45%
50-60%	17%	18%	14%
60-70%	18%	21%	12%
70-80%	11%	13%	7%
80-90%	7%	6%	6%
90-100%	2%	2%	3%
> 100%	4%	2%	13%

Source: Spanish Mortgage Association

Altogether, 90% of residential loans have been originated with an LTV inferior to 80% (78% in the case of commercial loans).

Chart 2: Residential and commercial loans LTV distribution



Source: Spanish Mortgage Association



5. Loan size

In this section we analyse the distribution of the pool's loans in terms of the amount lent by 10 of the 12 institutions that constitute the main sample (which represent 75% of the total pool).

Approximately 62.6% of loans have been originated by amounts that do not exceed 200,000 euro. For its part, approximately 16% of loans in the pool have been originated for amounts of over one million euro, which mainly correspond to company funding and real estate development projects.

Taking into consideration the complete sample (all 12 institutions) the weighted average loan size amounts to 99,353 euro. As a means of comparison, according to data from the Spanish National Statistics Institute (INE), the average mortgage housing loan size between January and December 2015 is 105,931 euro.

Table 4

Loan size	
Up to 100,000 euro	30.46%
100,000 - 200,000 euro	32.17%
200,000 - 300,000 euro	11.05%
300,000 - 500,000 euro	5.90%
500,000 - 1 million euro	4.10%
Over 1 million euro	16.33%
Weighted average loan size (euro)	99,353

Source: Spanish Mortgage Association

6. Loan seasoning

As seen in the first section, the weighted average loan seasoning of the mortgage cover pool is 84.74 months. 71.36% of the pool has a loan seasoning of less than 60 months (5 years). However, differences can be observed among residential and commercial loans between seasoning periods.

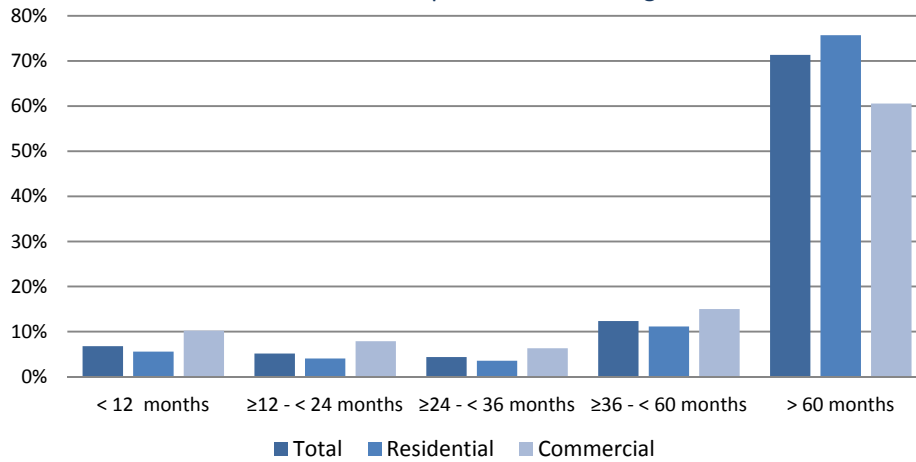
Table 5

Loan seasoning			
Antigüedad	Total	Residencial	Commercial
< 12 months	6.77%	5.56%	10.22%
≥12 - < 24 months	5.13%	4.03%	7.89%
≥24 - < 36 months	4.37%	3.54%	6.32%
≥36 - < 60 months	12.36%	11.14%	15.01%
> 60 months	71.36%	75.72%	60.55%

Source: Spanish Mortgage Association

Regarding the residential segment, 76% of loans have a seasoning of over 60 months, 14.7% is between 36 and 60 months, and the rest of the residential pool has a loan seasoning of less than 36 months.

Chart 3: Cover pool loan seasoning



Source: Spanish Mortgage Association

7. Amortisation profile

The weighted average maturity of the loan pool is 16.26 years.

With data from 11 institutions of the sample (89% of the pool), 69.25% of loans have a maturity period of over 10 years, 15.15% between 5 and 10 years and 15.75% of the pools has a maturity of under 5 years.

Table 6

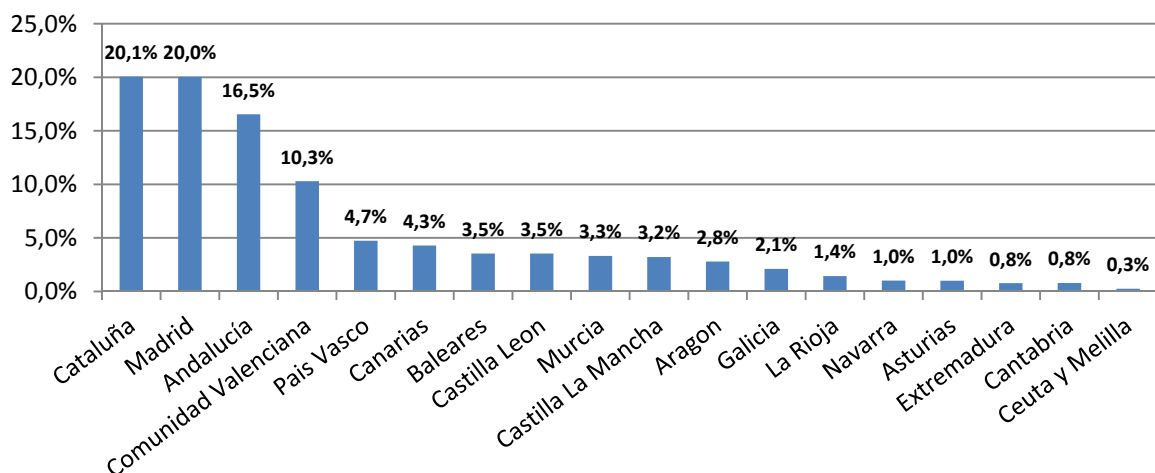
Amortisation profile	
0 - 1 years	4.3%
1 - 2 years	3.2%
2 - 3 years	2.8%
3 - 4 years	2.7%
4 - 5 years	2.7%
5 - 10 years	15.1%
10+ years	69.3%
Average maturity (years)	16.26

8. Geographic distribution

The majority of loans in the pool are concentrated in 4 Autonomous Regions, namely, Catalonia (20%), Madrid (20%), Andalusia (17%) and Valencia (10%).

The proportion of loans in the rest of regions does not surpass 5%, with 8 regions whose presence in the pool is less than 3%.

Chart 4: Geographic distribution by Autonomous Regions

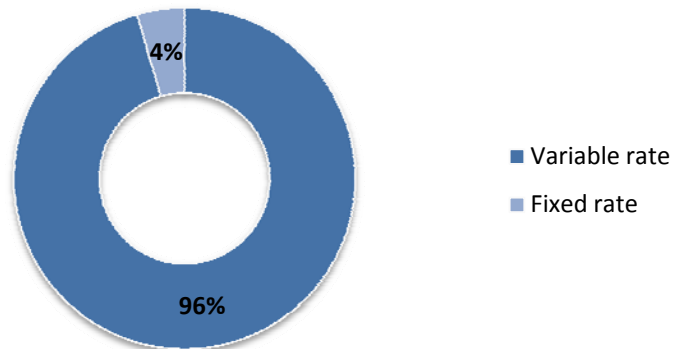


Source: Spanish Mortgage Association

9. Interest rates

Regarding the interest rate profile of the pool, 95.5% of loans have been signed on variable rate (fixed period under a year) while 4.5% have been formalized on fixed rate (fixed period over a year).

Chart 5: Cover pool interest rate distribution



Source: Spanish Mortgage Association