

MORTGAGE LENDING ACTIVITY FIRST HALF OF 2022

November 2022

Overview

Mortgage lending remained positive for the second consecutive year after overcoming the slowdown caused by the pandemic. The tightening of loan financing conditions in the current inflationary environment does not seem to have affected the results so far. In fact, the progressive increase of interest rates in response to the normalization of monetary policy may have acted as a catalyst, precipitating some financing operations. In total, in the first eight months of the year the volume granted, at around EUR 45 billion, exceeds the annual production of the last ten years, except for 2021, when almost EUR 60 billion in mortgages were formalized. Even so, in year-on-year terms, cumulative production in 2022 is 15% higher than in the same period of the previous year.

Despite the dynamism of the market, outstanding mortgage balance continued to decline. In fact, in terms of stock, the deposit institutions operating in Spain have jointly reported a decrease of 1% in the mortgage outstanding balance as of June 2022, which was about EUR 6.5 billion less, from the EUR 631.3 billion as of June 2021 down to EUR 624.8 billion¹ recorded one year later. This dynamic is mainly attributable to the banks and saving banks segment, whose balance showed a year-on-year decline of 1.6%, somewhat sharper than in the previous year, although from an overall perspective the fall was more subdued. For its part, credit cooperatives, with a clearly lower volume in absolute terms, recorded an increase of 4.0% following the positive path of the last 12 months.

The negative evolution shown in aggregate terms by the mortgage balance sheet is understood to be the result of the unfavourable evolution shown by other types of obligations secured by mortgages other than home purchases. This latter segment of credit, which represented around 75% of financing, marked a turning point a year ago in the downward trend, reflecting since then positive rates of change. As of June 2022, the balance linked to deposit institutions for this item stood at EUR 486.9 billion² after registering a year-on-year increase of 1.1%, a positive but moderate rate due to the accelerated repayment process.

The combination of prolonged interest rates hikes and the generalized rise in prices under a cycle in which housing prices have so far shown no signs of slowing down could contribute to

¹ This data has been updated in accordance with the entry into force of Circular 2/2020, of June 11, whose main objective is to adapt Circular 4/2017, of November 27, to changes in the international order on information requirements to credit institutions. The difference with respect to the original series is that NPISHs are not included and securitised off-balance sheet assets are included. For further information, check the [methodological note](#) published on our website

² This data is obtained from chapter 4.14 of the [Bank of Spain Statistical Bulletin](#) in accordance with Circular 4/2017, of November 27, to credit institutions, on public and reserved financial information standards, and financial statement models.

moderating in part the positive path shown by new mortgage activity. Given the risk stemming from the uncertainty environment entities should be more prudent in the loan origination, as we should bear in mind that in the current context the disposable income of families is decreasing, tightening the affordability to those segments with less indebtedness capacity. Even so, it is not foreseeable a sharp contraction in new lending levels, but rather a moderation after several months of strong reactivation. This will be the case because the mortgage market is also largely fed by second-time buyers, usually with a sound financial basis.

**MORTGAGE CREDIT ACTIVITY FOR THE RESIDENT PRIVATE SECTOR
SPANISH BUSINESS**

	Outstanding lending <i>Million EUR</i>			Ratio OSR outstanding credit /GDP		NPL ratio	
	jun-21	jun-22	T ₁₂	jun-21	jun-22	jun-21	jun-22
Credit to the Resident Private Sector (Known in Spanish as SPR/OSR)	1.232.484	1.234.560	0,2%	106,5%	97,2%	4,4%	3,9%
Deposit-taking lenders	1.184.136	1.182.955	-0,1%	102,3%	93,1%	4,3%	3,8%
Other credit Institutions	7.901	7.633	-3,4%	0,7%	0,6%	2,9%	2,7%
Financial Credit Establishments	40.447	43.972	8,7%	3,5%	3,5%	6,5%	6,2%

Chart 1: y-o-y change in total outstanding lending (OSR)

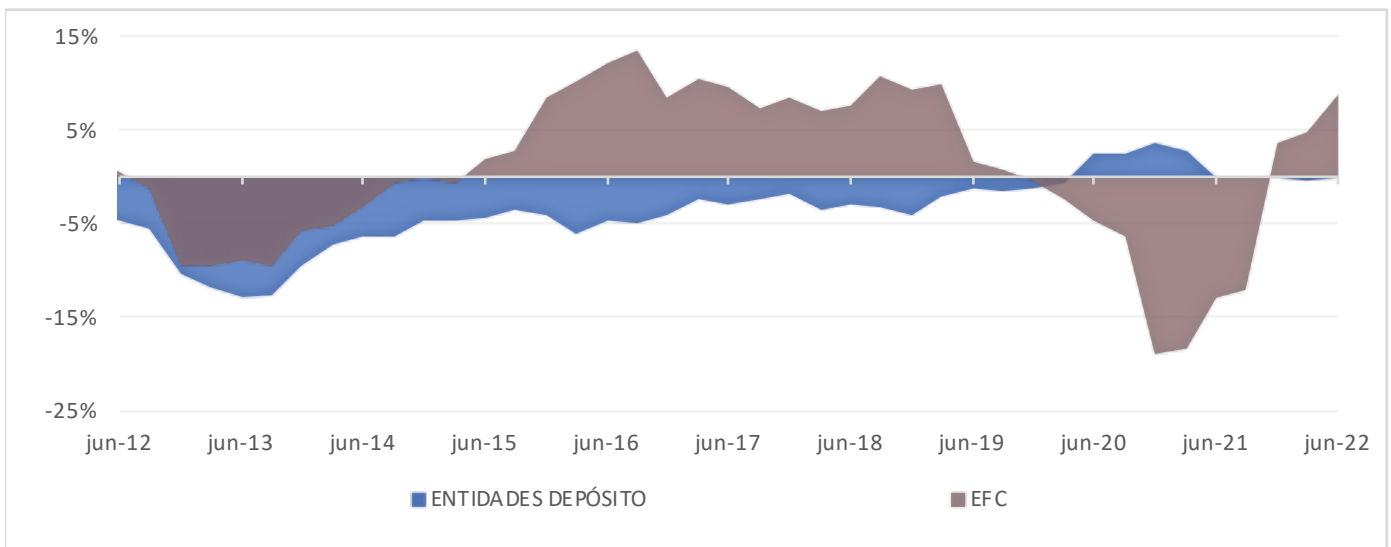
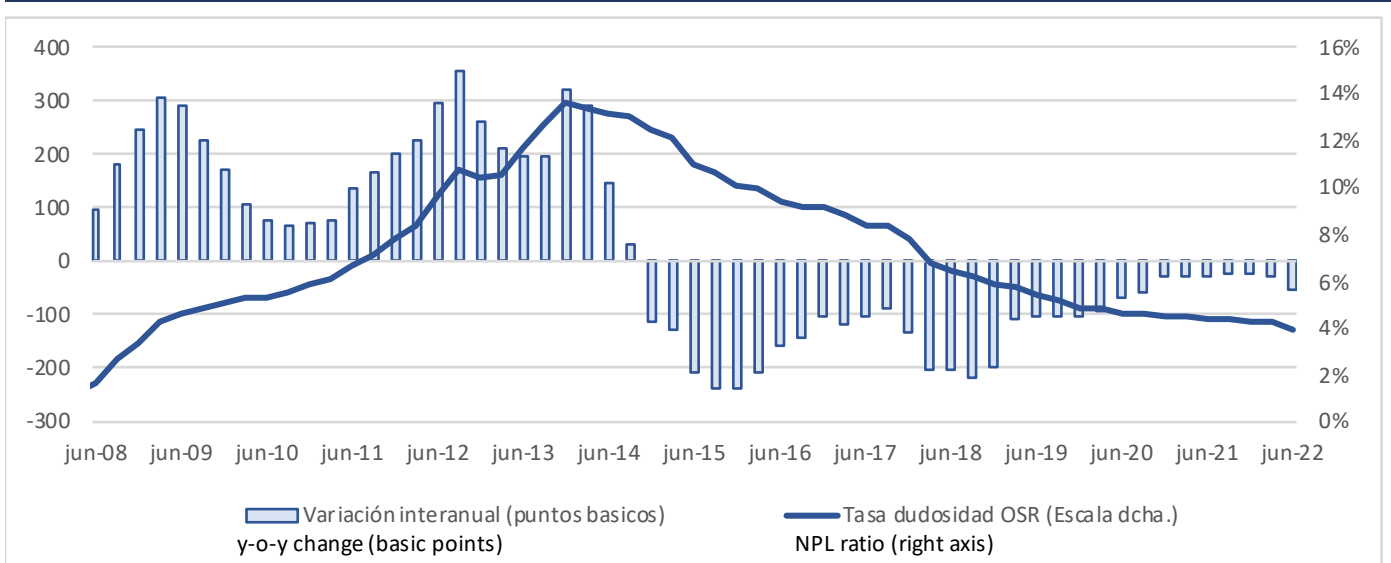


Chart 2: NPLs in OSR credit

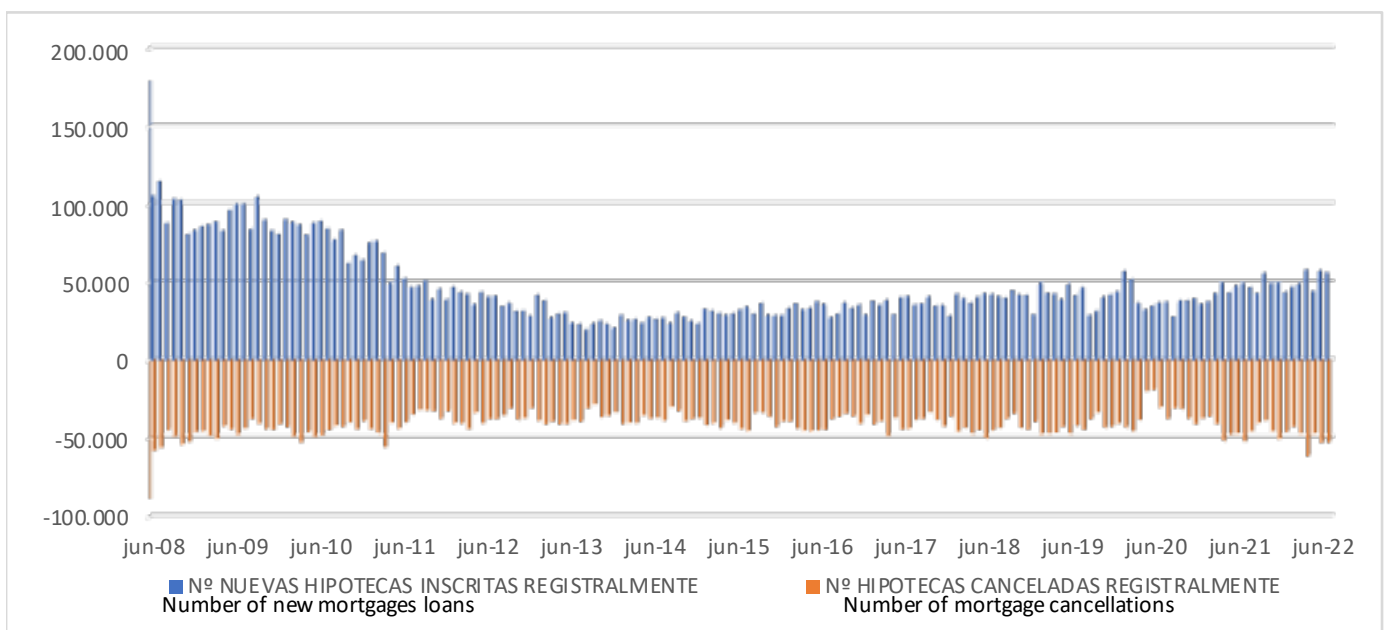


MORTGAGE CREDIT ACTIVITY FOR THE RESIDENT PRIVATE SECTOR
SPANISH BUSINESS

	Outstanding lending <i>Million EUR</i>		y-o-y change		Ratio outstanding mortgage activity/ total outstanding lending	Ratio residential mortgage lending/ total outstanding mortgage lending
	jun-21	jun-22	In absolute terms	In relative terms	jun-22	jun-22
Outstanding mortgage lending to OSR with real estate collateral						
Credit Institutions	631.345	624.833	-6.513	-1,0%	52,8%	77,0%
Banks and Saving Banks	571.150	562.206	-8.944	-1,6%	-	-
Credit Cooperatives	60.195	62.626	2.431	4,0%	-	-

	Outstanding lending <i>Million EUR</i>		y-o-y change		Eligible asset portfolio / mortgage portfolio	CBs/eligible asset portfolio
	jun-21	jun-22	In absolute terms	In relative terms	jun-22	jun-22
Eligible assets portfolio						
Credit Institutions	391.076	398.316	7.240	1,9%	63,7%	54,9%
Banks and Saving Banks	368.407	374.295	5.888	1,6%	66,6%	55,8%
Credit Cooperatives	22.670	24.021	1.352	6,0%	38,4%	42,3%

Chart 3: Mortgage portfolio y-o-y change



DETAIL OF FUNDING MECHANISMS
SPANISH BUSINESS

	Outstanding lending Million EUR		y-o-y change		MARKET SHARE OVER TOTAL ISSUANCE	MORTGAGE SECURITIES/ OUTSTANDING MORTGAGE LENDING
	jun-21	jun-22	In absolute terms	In relative terms	jun-22	jun-22
OUTSTANDING MORTGAGE SECURITIES						
Credit Institutions	295.438	296.160	722	0,2%	100,0%	47,4%
Banks and Saving Banks	280.134	281.378	1.244	0,4%	95,0%	50,0%
Credit Cooperatives	15.304	14.782	-522	-3,4%	5,0%	23,6%

BREAKDOWN BY FUNDING INSTRUMENT - OUTSTANDING LOANS

	Outstanding lending Million EUR		y-o-y change		WEIGHT MORTGAGE SECURITIES	WEIGHT MORTGAGE SECURITIES OVER MORTGAGE CREDIT
	jun-21	jun-22	In absolute terms	In relative terms	CBs/MORTGAGE SECURITIES	CBs/OUTSTANDING MORTGAGE LENDING
Spanish Covered Bonds (CBs)						
Credit Institutions	214.475	218.849	4.375	2,0%	73,9%	35,0%
Banks and Saving Banks	204.275	208.699	4.425	2,2%	74,2%	37,1%
Credit Cooperatives	10.200	10.150	-50	-0,5%	68,7%	16,2%
Mortgage Participations (known in Spain as Participaciones Hipotecarias (PH)) *						
Credit Institutions	11.545	15.530	3.985	34,5%	5,2%	2,5%
Banks and Saving Banks	9.828	14.080	4.251	43,3%	5,0%	2,5%
Credit Cooperatives	1.716	1.450	-266	-15,5%	9,8%	2,3%
Mortgage Certifications (known in Spain as Certificados de Transmisión Hipotecaria (CTH)) **						
Credit Institutions	69.419	61.780	-7.638	-11,0%	20,9%	9,9%
Banks and Saving Banks	66.031	58.599	-7.432	-11,3%	20,8%	10,4%
Credit Cooperatives	3.388	3.181	-206	-6,1%	21,5%	5,1%

* It refers to those Mortgage Backed Securities that meet the requirements set out in Section II Law 2/1981, on the balance sheets of credit institutions.

** It refers to those Mortgage Backed Securities that do not meet the requirements set out in Section II Law 2/1981, on the balance sheets of credit institutions.

	Outstanding lending Million EUR		y-o-y change		Loan to Deposit Ratio (LTD) OSR CREDIT	LTD MORTGAGE CREDIT
	jun-21	jun-22	In absolute terms	In relative terms	jun-22	jun-22
SAVING DEPOSITS RESIDENT PRIVATE SECTOR (OSR)						
Credit Institutions	1.367.753	1.418.362	50.609	3,7%	87,0%	44,1%
Banks and Saving Banks	-	-	-	-	-	-
Credit Cooperatives	-	-	-	-	-	-