

SPANISH COVERED BOND & SECURITIZATION STATISTICS

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

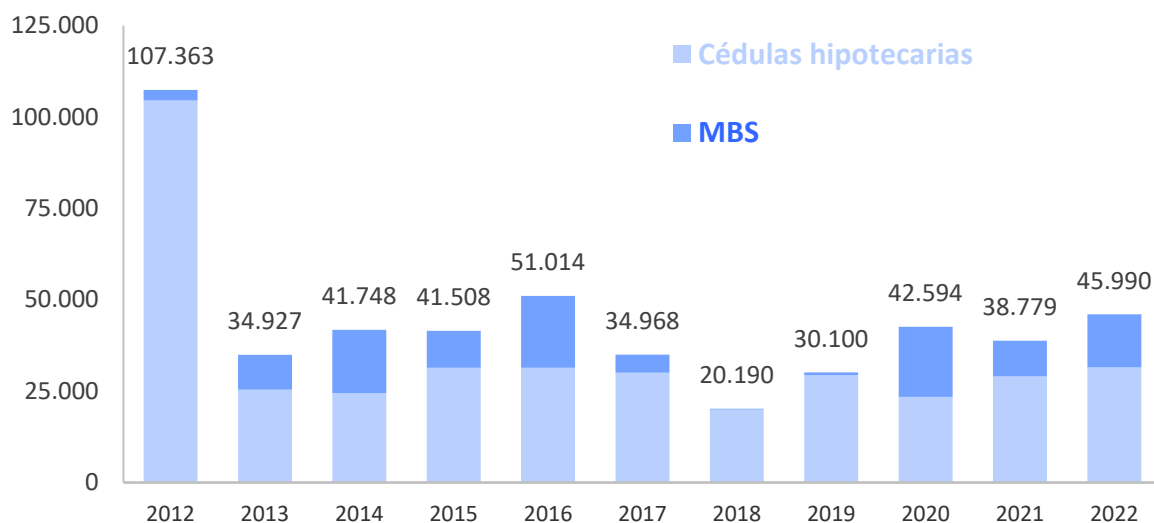
February 2023

1. Issuance

Over the past year 2022, **EUR 46.0 billion of mortgage securitised products** were issued, representing an increase of 18.6% from 2021. This significant growth was particularly noticeable in the first half of the year, the period prior to the entry into force in our regulatory system of the Royal Decree-law 24/2021 which transposes the European Directive on covered bonds.

This upward trend was followed by both *cédulas hipotecarias* (Spanish covered bonds) and *asset-backed securities*, albeit at different rates. Namely, new issuances of *cédulas hipotecarias* showed an annual stride of 8.4%, with a volume amounting to **EUR 31.4 billion**. This figure represented the highest volume issued of the last decade in spite of keeping away from the levels of 2011 and 2012, when the global financial shock increased the attractiveness of this funding tool with dual-recourse for the bondholders. Meanwhile, the new issuance of **mortgage-backed securities (MBSs)**, although in the last years financial entities have resorted to a lesser extent to this product, it is noteworthy that it experienced a marked increase of about 49.0% over the past year, from EUR 9.8 billion in 2021 to **EUR 14.5 billion** in 2022.

➤ Chart 1: Yearly development of issuances (EUR million)



Source: own elaboration from AIAF data

2. Outstanding balance

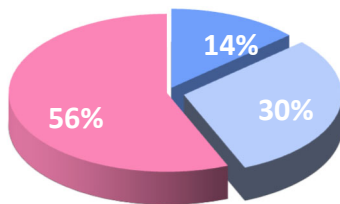
In net terms, the positive performance showed by the new issuance of mortgage securities (+18.6%) in 2022 -slowed in the second half of the year- could not offset the repayments of outstanding bonds during the year. As a result, **total outstanding balance of mortgage securities** fell to **EUR 273.0 billion**, after an annual decrease of 10.6%

This negative variation was more notable in the outstanding portfolio of *cédulas hipotecarias*, which declined even more sharply by end-year. In particular, this dual-recourse tool, which is the funding source for more than 30% of the mortgage portfolio, showed an annual drop of 12.8% after standing at **EUR 189.3 billion**.

Mortgage-backed securities, which account for almost 15% of the mortgage portfolio, also showed a negative yearly change (-5.2%) in December 2022, although somewhat more subdued when compared to *cédulas hipotecarias*. Its outstanding balance stood at **EUR 83.7 billion**, slightly less than half of the amount of *cédulas*.

➤ Annex: additional information

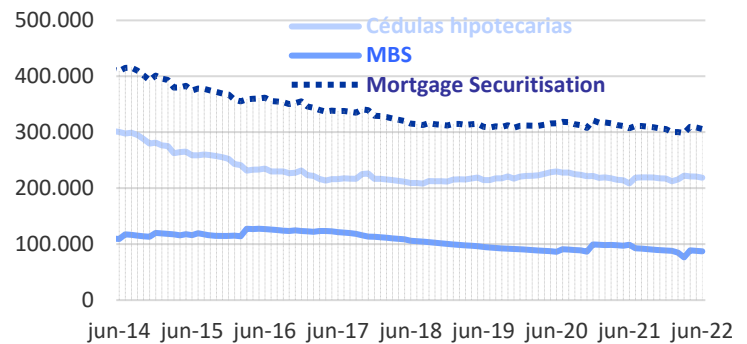
Funding mix



■ MBS ■ CHs ■ Others (mainly deposits)

Source: AIAF and Bank of Spain

Outstanding issuances (mill. euros)



Source: AIAF

As stated above, the year 2022 was marked by the entry into force by mid-year of the new regulation on covered bonds, an important milestone that took place against a background of geopolitical tensions and volatility in the financial markets which led to an upward adjustment in the profitability of fixed-income investments.

For 2023, the expected lower support from the ECB through TLTRO lines could lead to higher liquidity needs to be obtained by means of the *cédulas hipotecarias*, a situation that would be favored as long as some pending clarification of the new legal framework of this product is solved. Both factors may offset the foreseeably lower needs stemming from a somewhat less dynamic new lending activity in 2023.

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ISSUANCE (Euro Million)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Mortgage Backed securitites (RMBSs)	Total mortgage securities
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
2021	29.020	0	9.759	38.779
2022	31.450	0	14.540	45.990

OUTSTANDING VOLUME (Euro Million)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Mortgage Backed securitites (MBSs)	Total mortgage securities
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
2021	200.020	17.160	88.259	305.439
dic.-22	176.086	13.260	83.692	273.038

Year on year variation of the outstanding volumes (%)				
	Spanish Cédulas Hipotecarias (individual)	Multiseller Covered Bonds ¹	Mortgage Backed securitites (MBSs)	Total mortgage securities
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%
2021	0,3%	-22,8%	-11,2%	-4,9%
dic.-22	-12,0%	-22,7%	-5,2%	-10,6%

Weight of the Mortgage securities over the outstanding mortgage lending (%) ²			
	Total Spanish Cédulas Hipotecarias (individual and multiseller)	Mortgage Backed securitites (MBSs)	Total mortgage securities
2016	35,1%	18,7%	53,7%
2017	31,7%	16,5%	48,2%
2018	32,1%	15,2%	47,2%
2019	34,2%	14,1%	48,2%
2020	35,0%	15,7%	50,8%
2021	34,4%	14,0%	48,4%
dic.-22	30,3%	13,4%	43,7%

¹ Multiseller covered bonds = Cédulas Hipotecarias in a CDO structure

² The entry into force of Circular 2/2020, of June 11, amending Circular 4/2017, of November 27, has introduced a slight variation with regard to the former series of mortgage credit data (denominator in the ratio). Since 2020, inclusively, the data does not include loans granted to Non-Profit Institutions Serving Households (NPISHs), while it does include MBS off-balance sheet assets. The latest available data corresponds to June 2022.