

## MORTGAGE LENDING IN THE RUSSIAN FEDERATION IN Q2 2014

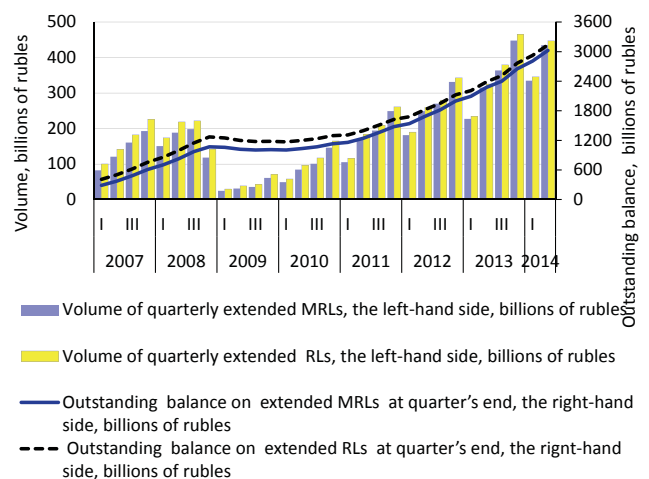
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*Mortgage loans kept growing in Q2 2014. A total of Rb 434,8bn mortgage residential loans (MRLs) were extended in the period between April and June of the current year, up by 37.87% compared to the lending volume in Q2 2013, and a total of Rb 769,5 of MRLs were extended in the first half of the current year. The share of delinquent outstanding balance on ruble denominated MRLs in the remaining mortgage balance kept diminishing steadily (0.9% as of July 1, 2014 against 0.96% as of April 1, 2014), whereas the respective share of delinquent outstanding balance on foreign currency denominated MRLs kept growing (13.92% as of July 1, 2014 against 13.22% as of April 1, 2014). The share of outstanding balance on defaulted MRLs, with payments delinquent for more than 180 days, in the total outstanding balance diminished to 1.73% at the second quarter's end. The weighted average rate on ruble denominated MRLs extended in June 2014 stood at 12.3% while the semiannual weighted average rate was 12.2%.*

According to the data provided by the Central Bank of Russia, credit institutions extended 471683 residential loans worth Rb 793,8bn in H1 2014, of which 263076 residential loans (RLs) worth Rb 447,5bn were extended in the second quarter. A total of 448,536 units of mortgage residential loans (MRLs) worth Rb 769,5bn were extended in the first half of the current year, of which 250449 loans worth Rb 434,8bn were extended in the second quarter (Fig. 1). The volume of the MRLs extended in Q2 2014 is 37.8% over that of the loans extended in Q2 2013, while the volume of the MRLs extended in Q2 2013 was 26.7% over the volume observed in Q2 2012. The share of foreign currency denominated MRLs extended in H1 2014 accounted for 0.48% of the total MRLs volume in value terms against 1.37% in H1 2013. The remaining mortgage balance on MRLs amounted to Rb 3,02 trillion as of July 1, 2014, including Rb 2,92 trillion on ruble denominated loans (Fig. 1). Furthermore, the outstanding balance on foreign currency denominated MRLs accounted for 3.32% of the total outstanding balance, 2.0 p.p. less than the value as of July 1, 2013.

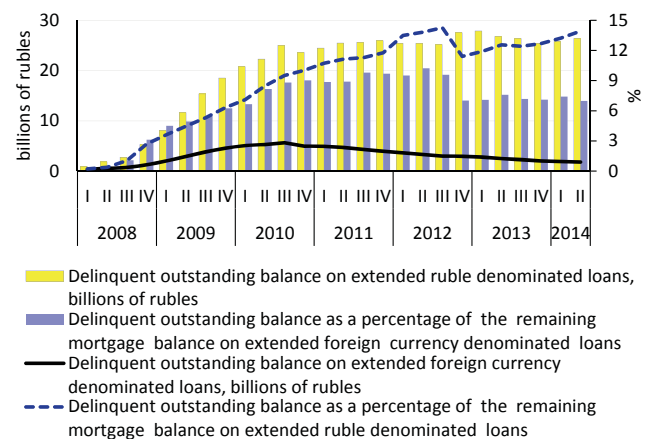
According to the data provided by the Central Bank of Russia, 676 credit institutions were operating in the primary residential lending market as of July 1, 2014, of which 635 extended MRLs, and 118 credit institutions undertook refinancing in the secondary mortgage lending market. As of July 1, 2013, 715 credit institutions extended RLs, 665 organizations issued MRLs, and 129 organizations undertook refinancing in the secondary market.

According to the data provided by the Central Bank of Russia, as of July 1, 2014 the delinquent outstanding balance on MRLs amounted to Rb 40,28bn (Rb 26,33bn on ruble denominated loans and Rb 13,95bn on foreign currency denominated loans). Furthermore, the



Source: According to the data provided by the Central Bank of Russia.

Fig. 1. Dynamics of mortgage residential loans



Source: According to the data provided by the Central Bank of Russia.

Fig. 2. Dynamics of delinquent outstanding balance on mortgage residential loans at quarter's end

delinquent outstanding balance on ruble denominated MRLs increased 2.19% in money terms as of July 1, 2014 compared to the delinquent outstanding balance as of April 1, 2014, 0.05 p.p. down as a percentage of the remaining mortgage balance (0.9%). During the same period the delinquent outstanding balance on foreign currency denominated MRLs declined by 5.97% in money terms and gained 0.7 p.p. as percentage of the remaining mortgage balance (13.92%) (Fig. 2).

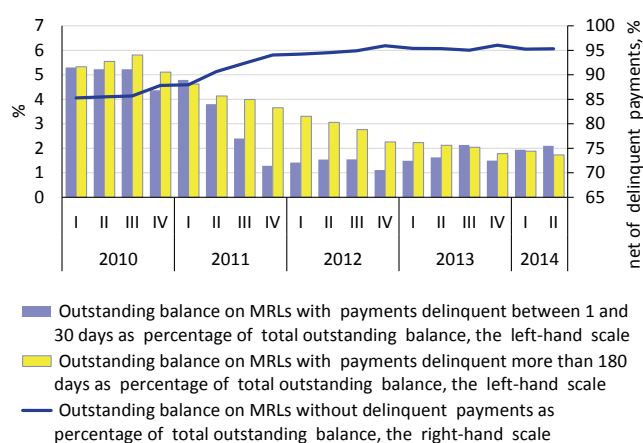
According to the data provided by the Central Bank of Russia, the amount of outstanding balance on MRLs without delinquent payments as of July 1, 2014 increased Rb 710,4bn compared to July 1, 2013 in money terms and accounted for 95.3% of the total outstanding balance. (Fig. 3). During the same period, the outstanding balance on MRLs with payments delinquent between 1 and 30 days increased Rb 26,37bn and accounted for 2.10% of the total outstanding balance, while on defaulted MRLs (on loans with payments delinquent for more than 180 days) it increased Rb 4,05bn and accounted for 1.73% of the total outstanding balance, being 0.39 p.p. less than that as of July 1, 2013 (Fig. 3).

According to the data provided by the Central Bank of Russia, in H1 2014 the weighted average rate on ruble denominated MRLs on loans extended within a month reached a minimum value of 12.0% in March and then got back to 12.3% in June (Fig. 4). The weighted average rate on ruble denominated MRLs extended since the beginning of the year stood at 12.2% in H1 2014.

According to the data provided by the Central Bank of Russia, in H1 2014 the group of major credit institutions ranked 1<sup>st</sup> to 5<sup>th</sup> by the volume of assets showed the lowest weighted average rate (12.1%) in the market of ruble denominated MRLs, while credit institutions ranked 51<sup>st</sup> to 200<sup>th</sup> by the volume of assets demonstrated the highest value (12.6%). In H1 2014, the weighted average rate on foreign currency denominated MRLs extended since the beginning of the year stood at 9.5% against 9.6% during the entire 2013.

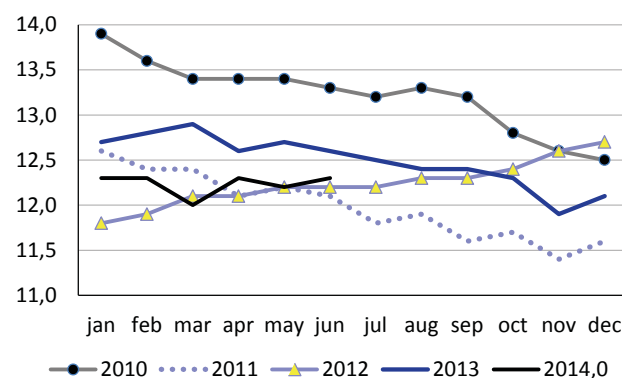
As of July 1, 2014, the weighted average term on MRLs extended since the beginning of the year was shortened by 4.35% to 14.66 years on ruble denominated loans and by 12.1% to 12.16 years on foreign currency denominated loans, compared to April 1, 2014.

The loan average amount of the ruble denominated MRLs extended in H1 2014 increased compared to H1 2013 in all the regions, except the city of Moscow, of the Russian Federation. Like in H1 2013, the Volga Federal District showed the smallest loan value (Rb 1,39m), whereas the city of Moscow demonstrated



Source: According to the data provided by the Central Bank of Russia.

Fig. 3. Breakdown of the outstanding balance on MRLs by term of delinquent payments at quarter's end



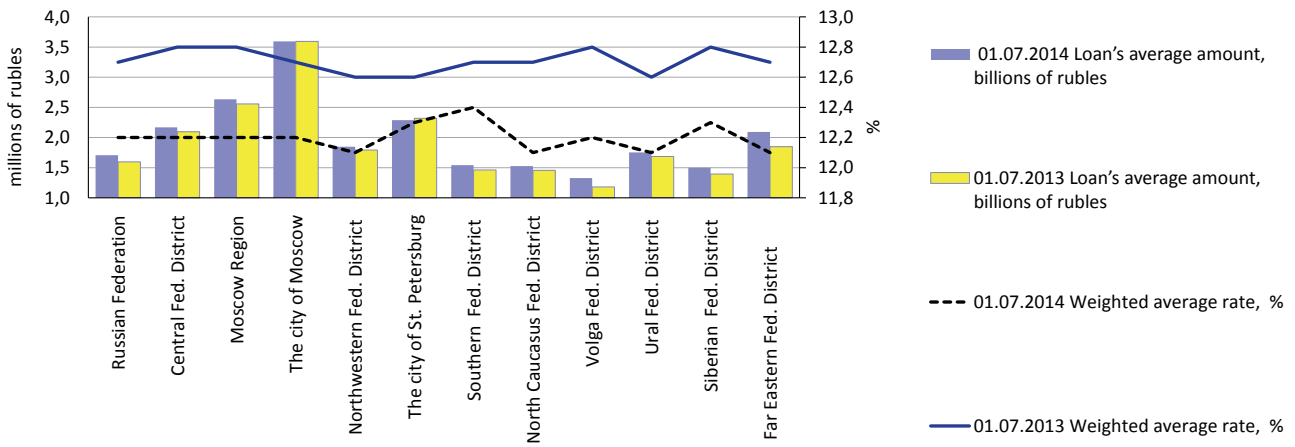
Source: According to the data provided by the Central Bank of Russia.

Fig. 4. Weighted average rate on ruble denominated MRLs extended within a month

the biggest value (Rb 3,59m). As of July 1, 2014, semi-annual weighted average rates on ruble denominated MRLs diminished compared to July 1, 2013 across all the regions, with the Southern Federal District showing the highest value of 12.4% (Fig. 5).

The Agency for Housing Mortgage Lending (AHML) refinanced 14134 loans worth Rb 21,5bn in H1 2014, which is 9.35% less in quantitative terms and 3.6% less in value terms than during the same period in 2013. The amount of mortgages redeemed by the AHML accounted for 2.81% in money terms and 3.15% in quantitative terms of the market of ruble denominated mortgage loans.

According to the data provided by the AHML, during the first seven months of 2014 the AHML redeemed mortgage residential loans at a weighted average rate of 10.8% and social products at 10% (including 9.8% under the Military Mortgage program), which is below the benchmark for 2014 established in the state program for *Affordable and Comfortable Housing and Utility Services to Russian Citizens* (11.4%).



Source: According to the data provided by the Central Bank of Russia.

Fig. 5. Weighted average data on ruble denominated mortgage residential loans extended since the beginning of the year, by region.

Twelve issues of mortgage securities secured by home equity loans were issued in H1 2014, according to the data provided by the AHML. Total issuing volume amounted to Rb 108bn, which is three times the va-

lue observed during the corresponding period of 2013 (Rb 36,5bn). The funds raised through mortgage securities accounted for 11% of the total volume of extended loans, compared to 6.8% in the preceding year.