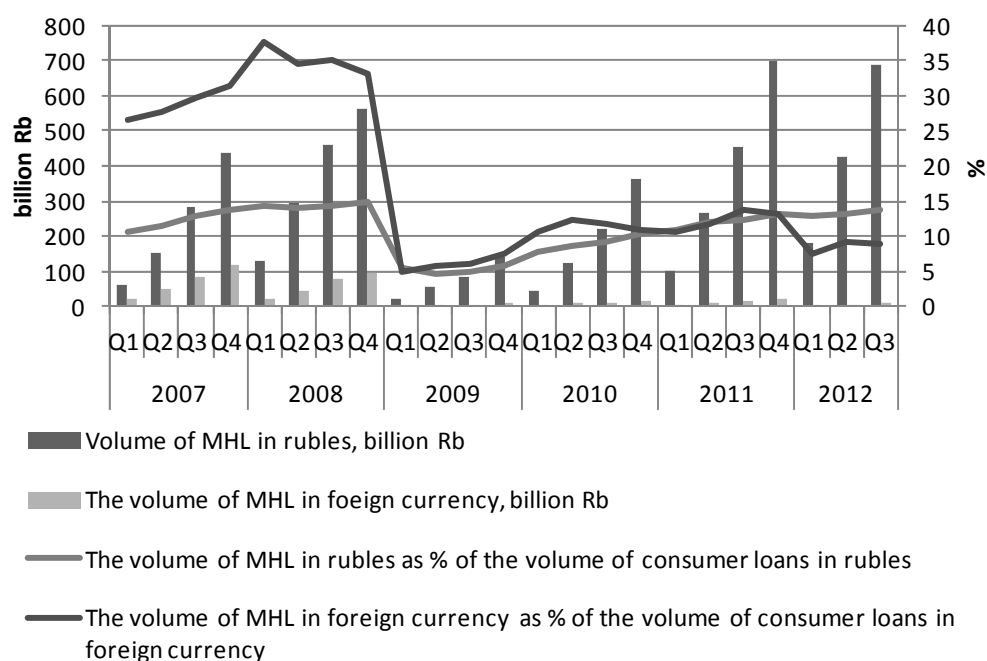


Georgy Zadonsky

Mortgage in the Russian Federation

Within three quarters of 2012, the volume of mortgage housing loans (MHL) (Rb 698.59bn) exceeded by 50% that extended in the respective period of 2011. With growth in lending volumes, a decrease in the overdue debt on MHL in rubles both in monetary terms and as a percentage of the outstanding debt (1.5% as of October 1, 2012) and growth in the share of the overdue debt on MHL in foreign currency in the foreign currency debt (14.86% as of October 1, 2012) points to the fact that the quality of MHL in rubles keeps getting better, while that of MHL in foreign currency is deteriorating.

According to the data of the Central Bank of the Russian Federation, within three quarters of 2012 credit institutions extended 514,403 housing loans (HL) for the amount of Rb 729,214bn, including 475,823 mortgage housing loans (MHL) for the amount of Rb 698.59bn of which number 474,634 MHL were extended in rubles for the amount of Rb 689,096bn and 1,189 loans, in foreign currency for the amount of Rb 9,494bn (*Table 1*). As of October 1, 2012, the volumes of MHL in rubles as a percentage of the respective volumes of ruble consumer loans amounted to 13.64% which figure is 1.25 p.p. higher than that as of October 1, 2011, while volumes of MHL in foreign currency as a percentage of the consumer loans in foreign currency, to 8.84% which figure is 4.75 p.p. lower than in the respective period of 2011 (*Fig. 1*). Within three quarters of 2012, the volume of MHL extended in monetary terms exceeded by 50% that of the respective period of 2011.

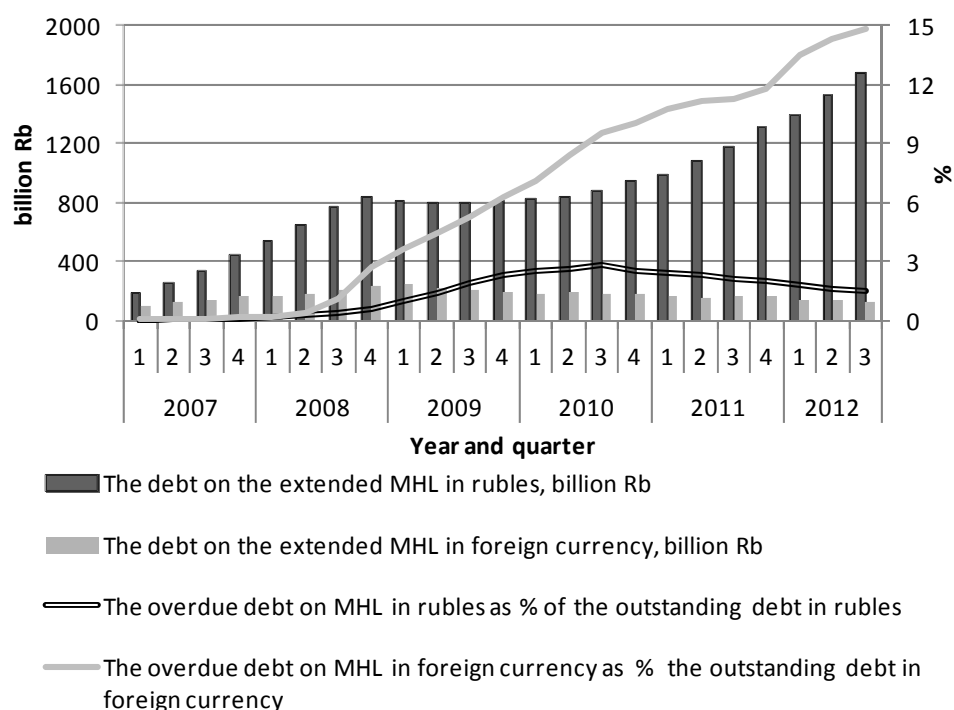


Source: on the basis of the data of the Central Bank of the Russian Federation.

Fig. 1. Dynamics of lending to individuals within a quarter with a cumulative result

As of October 1, 2012, the outstanding debt on MHL amounted to Rb1.81 trillion (in the 1st quarter of 2012 it was Rb 1.54 trillion, while in the first half-year, Rb 1.24 trillion), including Rb 1.68 trillion on loans in rubles (*Fig. 2*). As of the end of the 3rd quarter of 2012, the

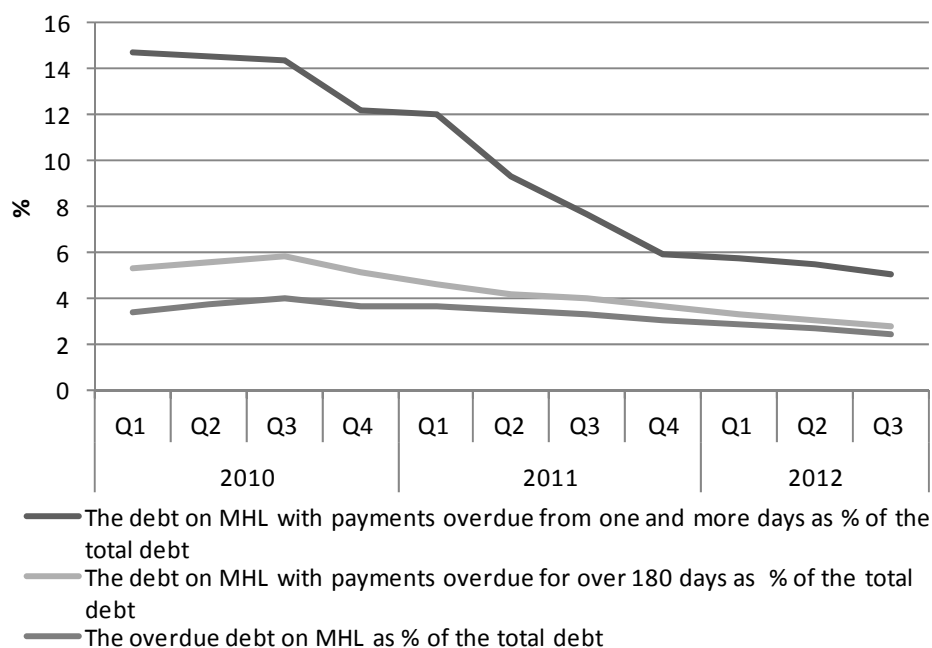
outstanding debt on MHL in rubles grew by 41.95% as compared to the respective period of 2011, while the overdue debt decreased in the same period by 1.63% and amounted to Rb 25.17bn. or 1.5% of the outstanding debt (*Fig. 2*). As of October 1, 2011, the outstanding debt on loans in foreign currency (Rb 129.07bn) decreased by 25.67% as compared to the end of the 3rd quarter of 2011. As of October 1, 2012, the volume of MHL in foreign currency as a percentage of the total volume of MHL decreased to 1.36% against 3.28% as of October 1, 2011. The share of the debt on MHL in foreign currency in the total debt fell from 12.81% as of October 1, 2011 to 7.14% as of October 1, 2012. In the same period, the overdue debt decreased by 2.05% and amounted to Rb 19,179bn or 14.86% of the outstanding debt on loans in foreign currency which figure is 3.58 p.p. higher than in the respective period of 2011 (*Fig. 2*). So, the debt quality of MHL in rubles keeps getting better, while that of loans in foreign currency is deteriorating.



Source: on the basis of the data of the Central Bank of the Russian Federation

Fig. 2. Dynamics of the outstanding and overdue debt on mortgage housing loans

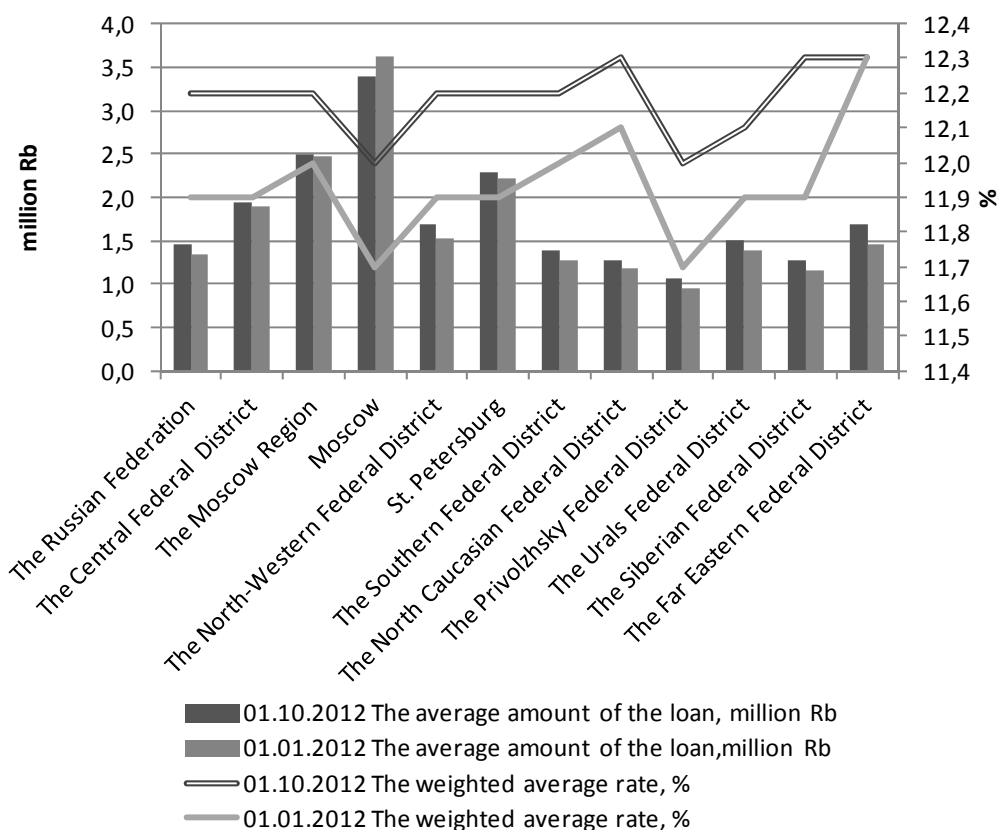
As of October 1, 2012, the total overdue debt on MHL amounted to Rb 44,345bn or 2.45% of the outstanding debt which is 0.88 p.p. lower than that as of October 1, 2011 (*Fig. 3*). According to the data of the Central Bank of the Russian Federation, the share of the debt on MHL with payments overdue from one or more days in the total debt as of the end of the 3rd quarter of 2012 decreased by 2.54 p.p. as compared to the respective period of 2011 and amounted to 5.08%. The share of the debt on MHL with payments overdue for more than 180 days (defaulted loans) in the total debt decreased in the same period by 1.23 p.p. and amounted to 2.76%.



Source: on the basis of the data of the Central Bank of the Russian Federation

Fig. 3. Dynamics of the overdue debt

In 2012, the weighted average rate on MHL in rubles extended from the beginning of the year increased in the Russian Federation as a whole from 11.9% to 12.2%, while that on loans extended within a month, from 11.6 % to 12.3%. The above trend is typical of all the regions, except for the Far Eastern Federal District (*Fig. 4*). The average amount of the loan in the Russian Federation increased from Rb 1.34m to Rb 1.45m. It is to be noted that it rose in all the regions, except for Moscow. However, the average amount of the loan in Moscow (Rb 3,398m) still exceeds a great deal that index in other regions. In particular, as of October 1, 2012 it exceeds by 130% the average amount of the loan in the Russian Federation. The lowest values as regards both the average amount of the loan (Rb 1,056m) and the weighted average rate (12.0%) were registered in the Privolzhsky Federal District (*Fig. 4*).



Source: on the basis of the data of the Central Bank of the Russian Federation

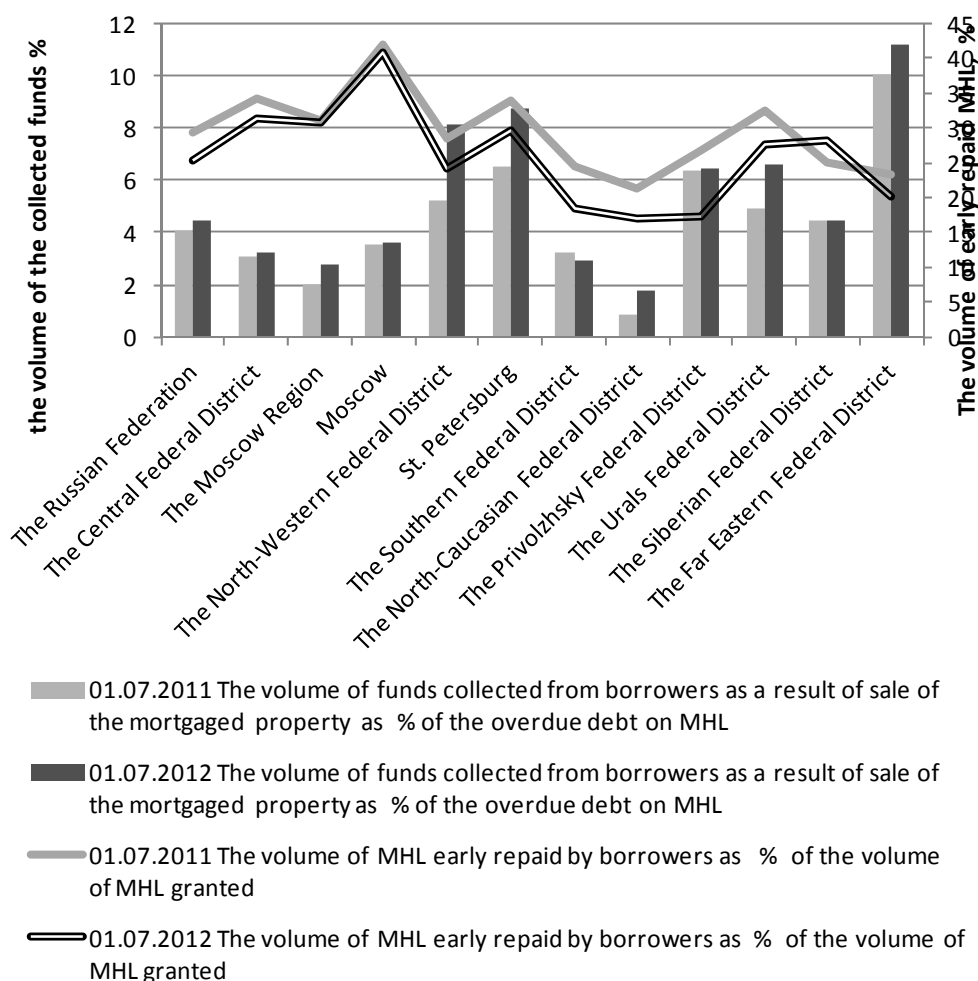
Fig. 4. The weighted average data on mortgage housing loans in rubles extended from the beginning of the year

According to the data of the Central Bank of the Russian Federation, as of October 1, 2012 the weighted average period of lending as regards MHL in rubles extended from the beginning of the year amounted to 14.9 years and decreased as compared to the 1st quarter of 2012 (14.7 years) and the first half-year of 2012 (14.8 years). As of October 1, 2012, the weighted average period of lending as regards MHL in foreign currency extended from the beginning of the year amounted to 11.6 years, while that in the 1st quarter of 2012 and the first half-year of 2012, to 12.6 years and 12.8 years, respectively.

According to the data of the Central Bank of the Russian Federation, as of July 1, 2012 the volume of MHL early repaid by borrowers in the Russian Federation in general increased in money terms by 35.13% as compared to July 1, 2011. In the same period, the volume of MHL early repaid by borrowers in the volume of MHL granted decreased by 4.10 p.p. and amounted to 25.3% (Fig. 5). Both growth in the volume of MHL early repaid by borrowers in monetary terms and a decrease in the relative volume of early repaid loans in the same period are typical of all the regions of the Russian Federation, except for the Siberian Federal District where the volume both in monetary terms and as a percentage of the volume of loans granted increased (Fig. 5). Moscow is still the leader as regards the relative volume of early repaid MHL which volume amounted to 40.95% as of July 2012 (Fig. 5).

As of July 1, 2012, in the Russian Federation in general the volume of funds collected from borrowers as a result of sale of mortgaged property increased in money terms by 16.7% as compared to July 1, 2011. Growth in the volume in money terms took place in all the regions of the Russian Federation, except for the Privolzhsky Federal District and the Siberian Federal

District. As of July 1, 2012, the volume of funds collected from borrowers as a percentage of the overdue debt amounted in the Russian Federation in general to 4.48%, which is 0.41 p.p. more than that as of July 1, 2011. As of July 1, 2012, growth in that index is typical of all the regions, except for the Southern Federal District and the Siberian Federal District (*Fig. 5*).



Source: on the basis of the data of the Central Bank of the Russian Federation

Fig. 5. Dynamics of the early repaid MHL and the volume of funds collected from borrowers as a result of sale of mortgaged property by the region

In the first half-year of 2012, the volume of refinancing of MHL with a sale of the pool of loans (rights of claim as regards MHL) amounted to Rb 30.71bn which is 18.23% more than in the first half-year of 2011. In the same period, the share of the refinanced loans in the volume of MHL granted decreased by 2.35 p.p. and amounted to 7.15%.

In the 3rd quarter of 2012, OAO AHML repurchased by all the products 12,390 mortgages worth Rb 17.13bn which is 16.03% more than in the 2nd quarter of 2012. In January-October 2012, OAO AHML repurchased 36,650 mortgages worth Rb 49.07bn which is Rb 5.6bn less than the 2010 record result. The above entitles us to believe that the record index will be surpassed on the basis of the results of 2012.

The State Duma Committee on Financial Markets considered a number of amendments to the draft law passed in the first reading; it was proposed by means of the above amendments to make insurance of MHL mandatory on behalf of the creditor if the amount of the loan exceeded 70% of the cost of housing to be purchased, legislatively restrict the maximum amount of the

mortgage loan (no more than 90% of the cost of the housing to be purchased) and exempt the received insurance compensation from the income tax payment.

The Federal Financial Markets Service of the Russian Federation registered issues of mortgage-backed bonds of three series of ZAO Ipotekny Agent AHML 2011-1 for the total amount of Rb 5.3bn and class “A” and class “B” housing mortgage-backed bonds of ZAO Ipotekny Agent ITB 1 (Investtorgbank) for the total amount of Rb 3.3bn.

Late in October, the government of the Moscow Region and AHML signed an agreement under which Rb 15bn would be spent on building of commercial apartment houses for 3,000 families within the next five years in the Moscow Region. Under the AHML program, from summer 2012 a commercial apartment house has been under construction in the Nizhny Novgorod Region for employees of enterprises of the military-industrial complex in Arzamas.