

THE MORTGAGE IN THE RUSSIAN FEDERATION IN OCTOBER 2014

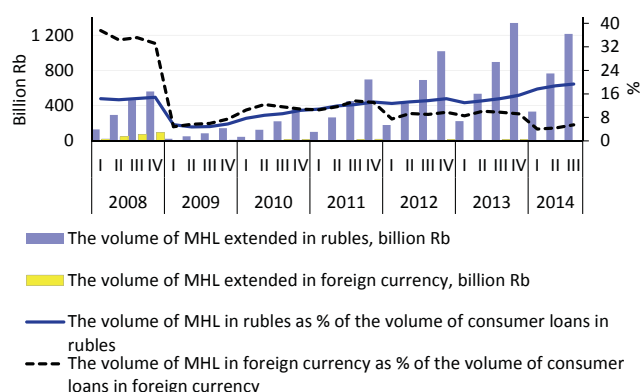
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Within three quarters of 2014, the volume of the extended MHL (703,160 loans for the amount of Rb 1219.38bn) exceeded by 34.57% and 26.12% in monetary terms and quantitative terms, respectively, the volume of loans extended in the same period of 2013. As of October 1, 2014, the share of MHL in rubles as percentage of the volume of consumer loans exceeded by 4.91 p.p. the respective share as of October 1, 2013 and amounted to 19.34%. The value of the overdue debt on MHL in rubles as percentage of the outstanding debt (1.15% as of October 1, 2013.) fell to 0.85% as of October 1, 2014. In the Russian Federation, the average weighted interest rate on loans in rubles extended in September 2014 rose to 12.45% against the minimum value of 11.97% in March 2014.

According to the data of the Central Bank of the Russian Federation, within three quarters of 2014 credit institutions extended 738,658 housing loans (HL) for the total amount of Rb 1,258.66bn, including 703,160 mortgage housing loans (MHL) for the total amount of Rb 1,219.38bn. Out of the above volume, 702,544 MHL were extended in rubles for the amount of Rb 1,213.02bn and 616 loans in foreign currency for the amount of Rb 6.35bn (Fig. 1). As of October 1, 2012 the volume of MHL as percentage of the volume of consumer loans amounted in rubles and foreign currency to 19.34% (which is 4.91 p.p. higher than that as of October 1, 2013) and 5.44% (which is 4.31 p.p. lower than that as of October 1, 2013), respectively (Fig. 1). The volume of MHL extended within three quarters of 2014, exceeds the volume of loans extended in the respective period of 2013 by 34.57% and 26.12% in monetary terms and quantitative terms, respectively.

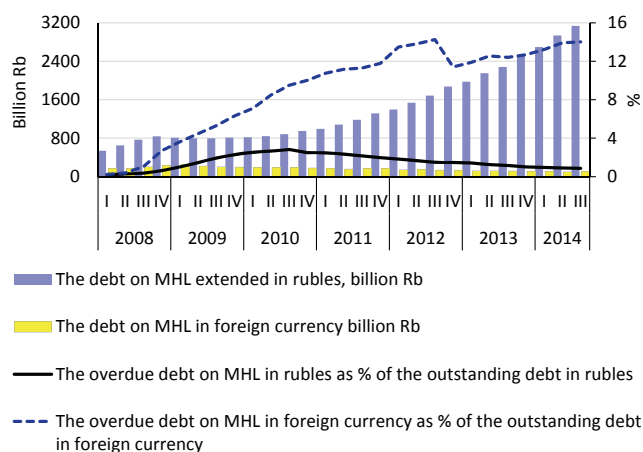
As of October 1, 2014, the outstanding debt on MHL amounted to Rb 3.24 trillion (Rb 2.81 trillion and Rb 3.04 trillion as of April 1 2014 and July 1, 2014, respectively), including Rb 3.14 trillion on loans in rubles (Fig. 2). As of the end of Q3, 2014, the outstanding debt on MHL in rubles rose by 37.32%, while the overdue debt, by 1.65% as compared to the respective period of 2013. The overdue debt in rubles amounted to Rb 26.75bn or 0.85% of the outstanding debt (Fig. 2), which is 0.30 p.p. lower than that as of October 1, 2013.

As of October 1, 2014, the outstanding debt on loans in foreign currency (Rb 108.50bn) decreased by 6.28% as compared to the end of Q3 2013. The volume of MHL extended in foreign currency as percentage of the total volume of MHL decreased to 0.52% as of October 1, 2014 against 1.27% as of October 2013. The share of the debt on MHL in foreign currency in the total debt fell from 4.83% as of October 1, 2013 to 3.34% as of October 1, 2014; it is to be noted that the share of the overdue debt on MHL in foreign currency



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

Fig. 1. Dynamics of accrued MHL to individuals



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

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

in the total overdue debt increased within the same period by 0.92 p.p. to 36.24%. In monetary terms, the overdue debt in foreign currency increased within the same period by 5.81% and amounted to Rb 15.21bn or 14.02% of the outstanding debt on loans in foreign

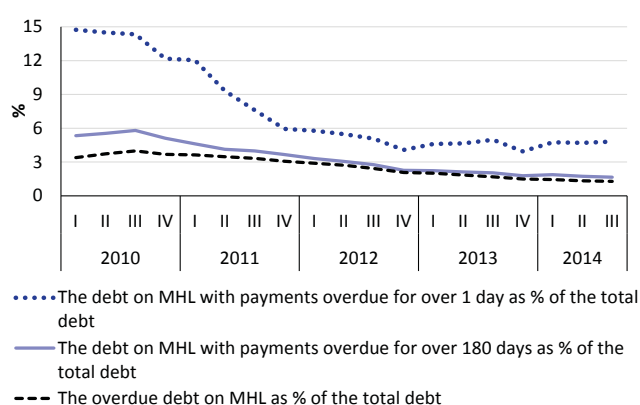
currency which value is 1.60 p.p. higher than that as of October 1, 2013 (Fig. 2).

As of October 1, 2014, the total overdue debt on MHL amounted to Rb 41.96bn or 1.29% of the outstanding debt; the above value was 0.40 p.p. lower than that as of October 1, 2013 (Fig. 3). According to the data of the Central Bank of the Russian Federation, the debt on MHL with payments overdue for over 1 day as percentage of the overdue debt as of the end of Q3 2014 fell by 0.16 p.p. as compared to the respective period of 2013 and amounted to 4.82%, that is, the debt on MHL without overdue payments amounted to 95.18% of the total debt. The debt on MHL with payments overdue for over 180 days (defaulted loans) as percentage of the total debt decreased within the same period by 0.38 p.p. and amounted to 1.66%.

As of October 1, 2014, the weighted average rate on MHL in rubles extended from the beginning of the year amounted in general to 12.24%, which is 0.36 p.p. lower than in the same period of 2013. A decrease in the rate as compared to 2013 took place in all the federal districts (Fig. 4). In the Russian Federation in general, the weighted average rate on loans in rubles extended in September rose to 12.45% against the minimum value of 11.97% in March 2014. Within three quarters of 2014, in the Russian Federation the average value of the loan in rubles rose by 7.33% as compared to the respective period of 2013 and amounted to Rb 1.73m. Growth in the average value of the loan in rubles took place in all the federal districts (Fig. 4). The average value of the loan in Moscow (Rb 3.68m) still exceeds considerably the value of that index in other regions, in particular, as of October 1, 2014 it exceeded 2.13 times over the average value of the loan nationwide. The lowest value of the average loan (Rb 1.35m) was registered in the Privolzhsky Federal District (Fig. 4).

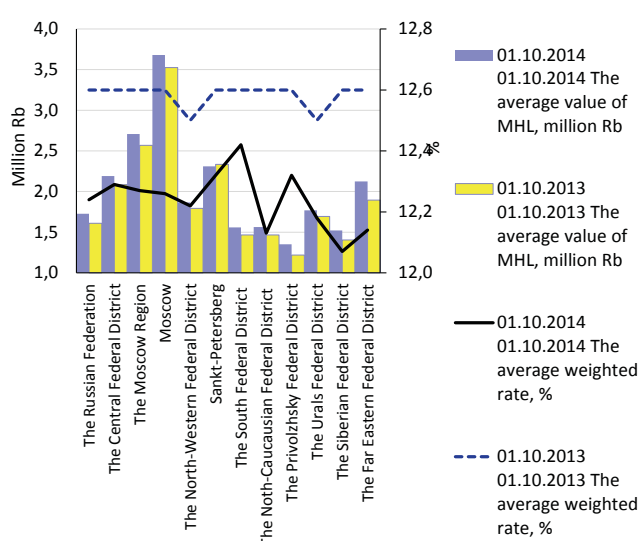
According to the data of the Central Bank of the Russian Federation, as of October 1, 2014 the weighted average period of MHL in rubles extended from the beginning of the year amounted to 14.9 years, while that of MHL in foreign currency, to 11.7 years.

According to the data of the Central Bank of the Russian Federation, as of July 1, 2014 the volume of MHL repaid early by borrowers in the Russian Federation in general increased by 36.79% in monetary terms as compared to July 1, 2013. Within the same period, the volume of early repaid MHL as percentage of the volume of the extended MHL fell by 0.74 p.p. and amounted to 20.10% (Fig. 5). A change in the relative volume of the early repaid loans is of a mixed direction for Russian federal districts (Fig. 5). Moscow continues to be the leader as regards the relative volume of early repaid MHL which amounted to 43.32% as of July 1, 2014 (Fig. 5).



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

Fig. 3. Dynamics of the debt with overdue payments



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

As of July 1, 2014, the volume of funds collected from borrowers as a result of realization of mortgaged property in the Russian Federation in general increased by 21.56% as compared to July 1, 2013. Growth in the volume of funds collected from borrowers in monetary terms was also registered in St. Petersburg, Moscow and the Moscow Region, as well as in federal districts of the Russian Federation, except for the Privolzhsky Federal District, the Ural Federal District and the Siberian Federal District. As of July 1, 2014, the volume of funds collected from borrowers as a percentage of the overdue debt in the Russian Federation in general amounted to 4.93%, which is 1.02 p.p. more than that as of July 1, 2013. If as of July 2013 the highest value of that index was registered with St. Petersburg (7.19%), as of July 1, 2014 it was registered with the Far Eastern Federal District (13.00%) (Fig. 5).

In H1 2014, the volume of refinancing of MHL with a sale of a pool of loans (rights of claim on MHL) without formation of additional financial instruments and with future issuing of mortgage-backed securities amounted to Rb 52.8bn which is 6.95% higher than in H1 2013 (Fig. 6), while the share of the refinanced loans in the volume of the extended MHL fell by 2.24 p.p. and amounted to 6.86% (Fig. 6).

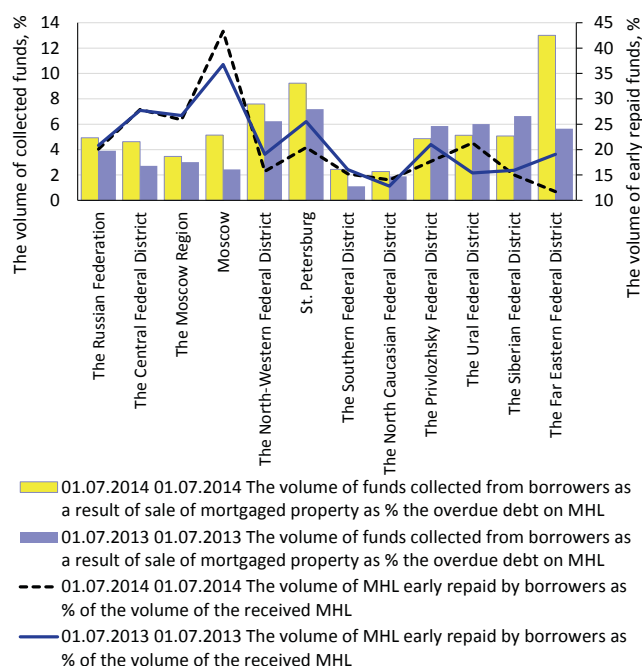
As of November 1, 2014, the OAO AHML bought back Rb 37.61bn worth of 24,204 mortgages by all the products which is 6.10% lower and 0.42% higher in quantitative terms and monetary terms, respectively, than as of November 1, 2013.

In September 2014, the share of mortgage loans refinanced by the OAO AHML in the total number of the extended mortgage loans amounted to 2.87%, which is 0.49 p.p. lower than that as of September 2013, while the share of loans refinanced by the OAO AHML in the total number of loans accrued from the beginning of the year amounted to 3.02% as of September 1, 2014 which value is 1.07 p.p. lower than that as of September 1, 2013.

Proceeding from the positive experience of 2013, the OAO AHML carries out at the end of the year a promotional event under which all the penalties will be written off in full from the borrowers if they repay overdue debt and interests until December 25, 2014. Simultaneously, with the overdue debt repaid borrowers can make monthly payments and pay before maturity, that is, funds will not be directed on payment of penalties.

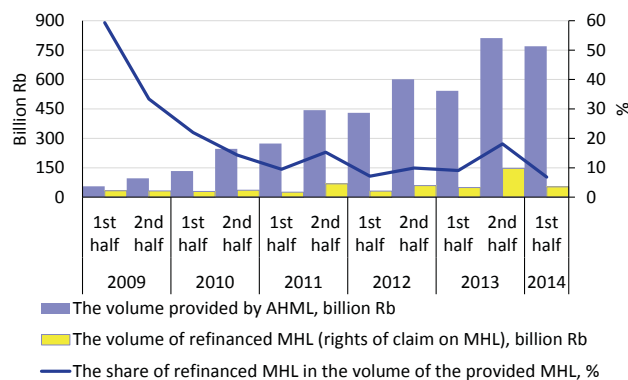
The Strategy of Development of Mortgage Housing Lending in the Russian Federation till 2020 was approved by Resolution No.2242-r of the Government of the Russian Federation of November 8, 2014. The targets of the Strategy in the 2017–2020 period are as follows:

- The share of families which can afford to buy housing with use of own and borrowed funds in the total number of families (26.5% in 2012 and over 28% in 2013) will amount to 37–50%;
- The share of mortgage deals in the total number of deals on the housing market (24.6% in 2013) will amount to 27–30%;
- The number of MHL extended a year within the frameworks of social mortgage programs amounts to 100,000 to 110,000.;
- The number of MHL extended a year amounts to 0.92–1.05 m;
- The volume of mortgage-backed securities issued a year amounts to Rb 250–350bn.



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

Fig. 5. Dynamics of early repayment of MHL and the volume of funds collected from borrowers as a result of realization of mortgaged property by regions



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

Fig. 6. Refinancing of MHL with a sale of a pool of loans (rights of claim on MHL) without formation of a financial instrument and with future issuing of mortgage-backed securities