

## HOUSING MORTGAGE IN THE RUSSIAN FEDERATION IN JANUARY 2015

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In 2014, the volume of housing mortgage lending (HML) in the Russian Federation continued to grow despite the development of crisis phenomena in the Russian economy. The volume of housing mortgage credits (HMC) allotted in 2014 (Rb 1.762 trillion) was 30.18% above the same index for 2013, while their number grew by 22.7% on the previous year. The quality of the ruble-denominated HMC portfolio improved: the amount of stale debt against HMC denominated in rubles shrank by 0.15 p.p. on 2013, to 0.86%. The quality of the HMC portfolio denominated in foreign currencies also improved: the amount of stale debt against HMC denominated in foreign currencies shrank by 0.12 p.p., to 12.57%. Over the course of the year, the average monthly weighted interest rate on HMC denominated in foreign currencies grew by 1.06 p.p. on 2013, to 13.16% for December 2014. The average weighted interest rate on HMC denominated in rubles shrank by 0.35 p.p. on 2013, to 9.25%.

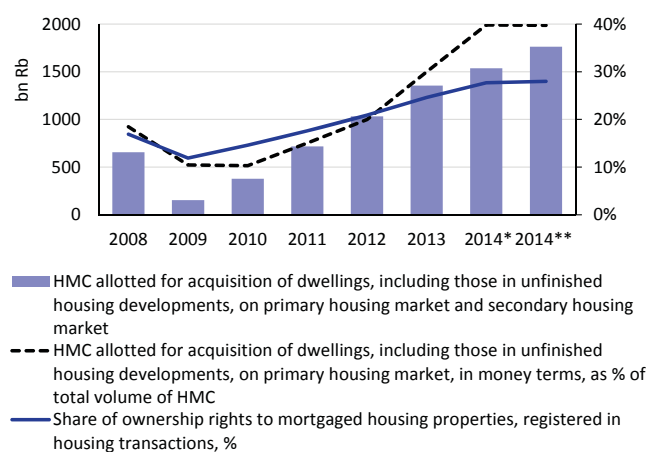
According to data published by the RF Central Bank, over the course of 2014, credit institutions issued a total of 1,012,301 HMC in the amount of Rb 1.76 trillion. In 2014, the number of HMC increased by 22.7%, or 3.42 p.p. on 2013. However, in money terms, the volume of HMC allotted in 2014 dropped by 1.2 p.p. on the previous year.

According to the expert estimation carried out by the Agency for Housing Mortgage Lending (OJSC AHML), in 2014 the share of HMC in the primary housing market, including construction projects in progress, amounted to about 40.0% of the total volume of HMC. In 2014, the share of housing mortgage in the housing market amounted to 28% (Fig. 1).

According to data released by the RF CB, the total number of HMC denominated in rubles was 129,784, their total volume was Rb 222.7bn. In annual terms, the number of housing mortgage credits allotted in December 2014 grew by 22.81% on December 2013, while their volume in money terms increased by 25.13%. Thus, the annual growth rate of HMC in December 2014 was by 10.98 p.p. and 20.55 p.p. lower in numerical and money terms respectively than that in December 2013 (Fig. 2).

In December 2014, credit institutions allocated 42 HMC denominated in foreign currencies, equivalent to Rb 2.27bn. Although the number of such credits allotted in December 2014 was only 29.58% higher than that in December 2013, the volume of HMC credits increased to 332.84% (Fig. 3).

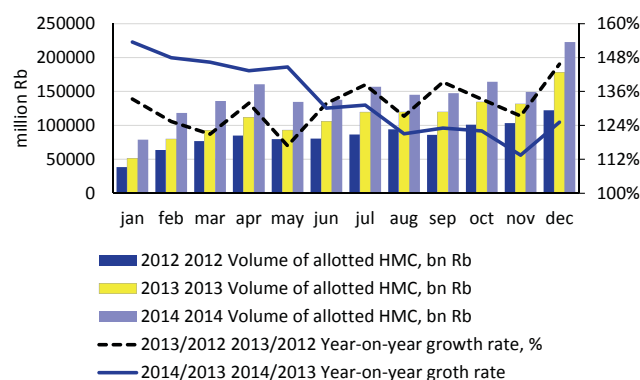
While the difference between the lowest (Rb 1.66m in January) and highest (Rb 1.78m in September) average monthly sizes of a ruble-denominated HMC allotted in 2014 amounts to just Rb 0.12m, the average size of a HMC denominated in foreign currency rapidly grew in Q4 – to Rb 54.05m in December vs. Rb 4.92m in January (Fig. 4).



2014\* data for January–November;  
2014\*\* for the whole of 2014, according to OJSC AHML's estimates.

Source: data released by the RF Central Bank and Rosreestr; estimates by OJSC AHML.

Fig. 1. Dynamics of Allotted Housing Mortgage Credits on the Housing Market



Source: data released by RF Central Bank.

Fig. 2. Dynamics of Monthly Allotment of HMC Denominated in Rubles

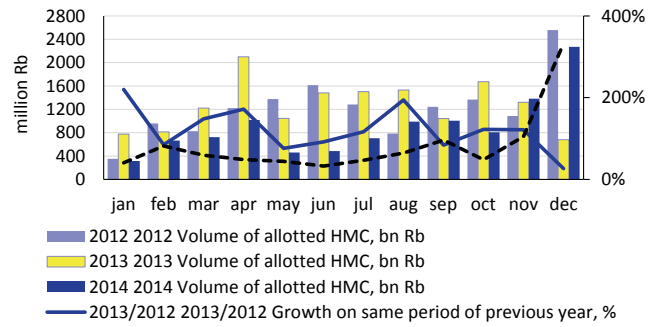
As of 1 January 2015, the amount of debt outstanding against HMC was Rb 3,250.1 trillion. As of 1 January 2015, the amount of stale debt outstanding against HMC was Rb 46.1bn, thus shrinking to 1.31% of the amount of residual debt, which represented a 0.19 p.p. drop on 1 January 2014. As of 1 January 2015, the share of effective stale debt in effective residual debt declined by 0.15 p.p. to 0.86% with regard to HMC denominated in rubles, and by 0.12 p.p. to 12.57% with regard to HMC denominated in foreign currencies. This means that the quality of the HMC portfolio continued to improve, and that the quality of the HMC portfolio denominated in foreign currencies also saw a marginal improvement.

According to data released by the RF Central Bank, as of 1 January 2015, the share of residual debt against HML with no overdue payments (Rb 2,648.3bn) in the total amount of debt amounted to 95.51%, which represents a 0.54 p.p. drop on its index as of 1 January 2014. As of 1 January 2015, the share of debt against HML with payments more than 180 days overdue (debt against defaulted loans) in the total amount of debt was at the level of 1.76%, or by 0.02 p.p. below its level as of 1 January 2014.

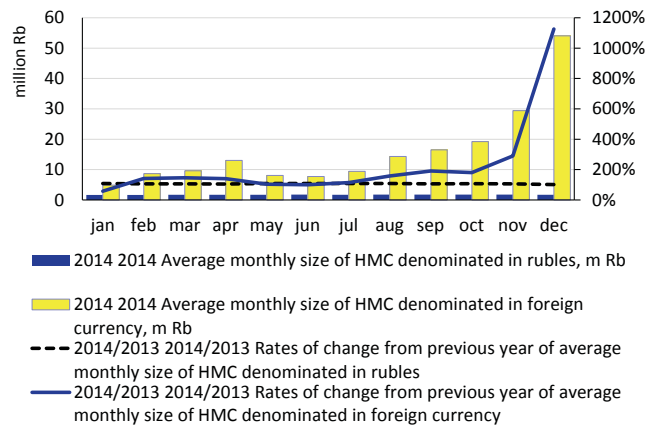
In 2014, the share of HMC denominated in foreign currencies in the volume of allotted credits continued to decline – by 0.51 p.p., to 0.61% in money terms, and by 0.15 pp., to 0.07% in numerical terms. As of 1 January 2015, the share of such credits in the total amount of residual debt dwindled by 0.35 p.p., to 3.87%, while the share of stale debt outstanding against HMC denominated in foreign currencies in the total amount of stale debt rose by 1.36 p.p., to 37.19%.

According to data released by the RF Central Bank, of the investigated 6 groups of credit institutions ranked in descending order by asset size, the share of the topmost group of credit institutions with the largest assets, comprising 5 such entities, in the total volume of HMC issued over the course of 2014 amounted to 74.74% in money terms, and to 77.7.13% in numerical terms, having gained 2.52 p.p. and 0.2 p.p. respectively on 2013.

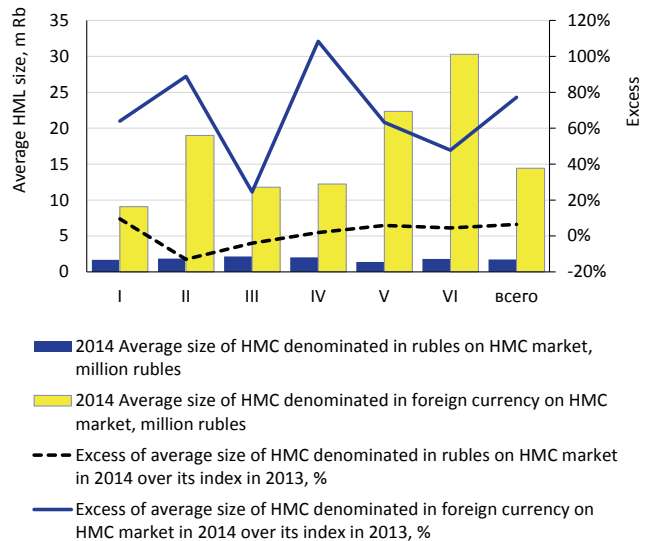
In 2014, the smallest average size of a HMC denominated in rubles (Rb 1.384m, 32,752 credits) was registered by Group V, while the largest average size of a HML denominated in foreign currency (Rb 30.3m, 10 credits) was registered by Group VI (Fig. 5). By comparison with 2013, the average size of a HMC denominated in foreign currency increased in each of the 6 groups of credit institutions. The largest growth in the average size of a HMC denominated in foreign currency was shown by Groups II and IV – by 12.98% and 108.41% respectively. A decline in the average size of a HMC denominated in rubles was shown by Groups II and IV – by 12.98% and 4.04% respectively (Fig. 5).



Source: data released by RF Central Bank.  
Fig. 3. Dynamics of Monthly Allotment of HMC Denominated in Foreign Currencies



Source: data released by RF Central Bank.  
Fig. 4. Dynamics of the Monthly Average HMC size



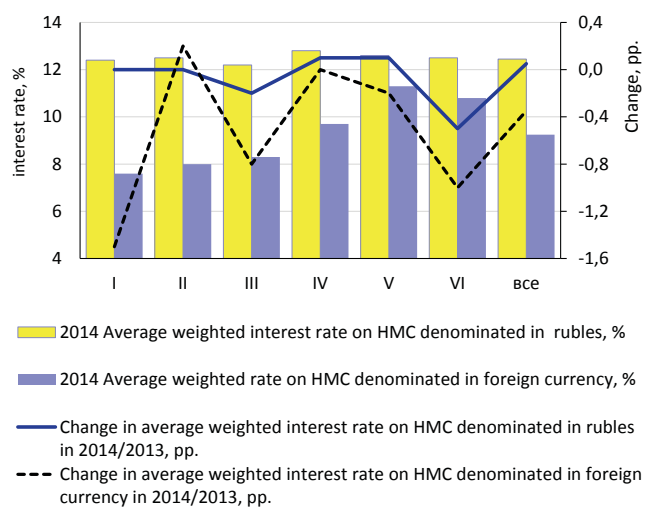
Source: data released by RF Central Bank.  
Fig. 5. Dynamics of the Average Size of a HMC, by Each of the 6 Groups of Credit Institutions Ranked (in Descending Order) by Asset Size

In 2014, the average weighted interest rate on a HMC denominated in rubles increased by 0.05 p.p. on 2013, to 12.45%. The only groups where this rate declined were Group II and Group IV, which showed a decline by 0.2 p.p. and 0.5 p.p. respectively. Over the

course of 2014, the average weighted interest rate on a HMC denominated in foreign currency dwindled by 0.35 p.p., to 9.25% (Fig. 6). The average weighted rate on a HMC denominated in foreign currency grew only in one group, Group II (8.0), where it rose by 0.2 p.p. (Fig. 6).

It is noteworthy that the average weighted interest rate on a HMC denominated in rubles responded to the drop in the exchange rate of the ruble in late 2014 by a 0.54 p.p. rise to 13.6%, while the average weighted interest rate on a HMC denominated in foreign currency dwindled in 2014 by 0.35 p.p. on its index in 2013.

In 2014, the average weighted crediting period for HMC denominated in rubles was 15 years, while that for HMC denominated in foreign currencies was 12.2 years. According to data released by the RF Central Bank, in 2014, the volume of acquisition, by credit institutions, of claims under HMC rose by 23.32% on 2013, to Rb 106.32bn. The volume of acquisition of claims under HMC denominated in rubles grew by 17.05%, to Rb 72.23bn, while the volume of acquisition of claims under HMC denominated in foreign currencies increased by 39.26%, to Rb 33.8bn. As in 2013, the largest volume of acquired claims under HMC denominated in rubles and foreign currencies was shown by credit institutions belonging to Group IV.



Source: data released by RF Central Bank.

Fig. 6. Dynamics of the Average Weighted Interest Rate on a HMC, by Each of the 6 Groups of Credit Institutions Ranked (in Descending Order) by Asset Size

In 2014, the Agency for Housing Mortgage Lending (OJSC AHML) refinanced a total of 32,392 HMC in the amount of Rb 50.27bn, which accounted for 3.2% of the housing mortgage market's total number of ruble-denominated HMC and for 2.87% of their volume in money terms. According to OJSC AHML's estimates, the total volume of housing mortgage securities issued in 204 amounted to Rb 230.81bn (vs. Rb 140.27bn in 2013).