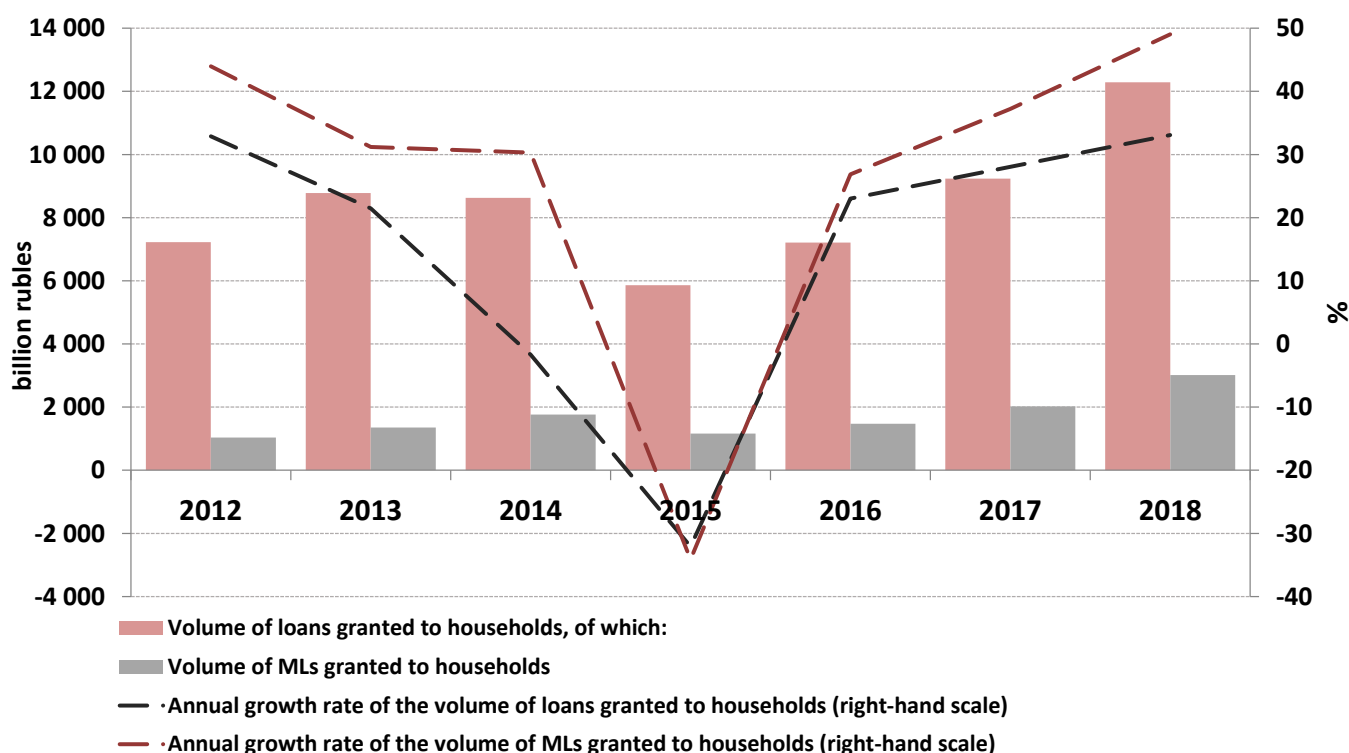


Mortgage Loan Market in 2018

In 2018, the mortgage loan market demonstrated the following trends.

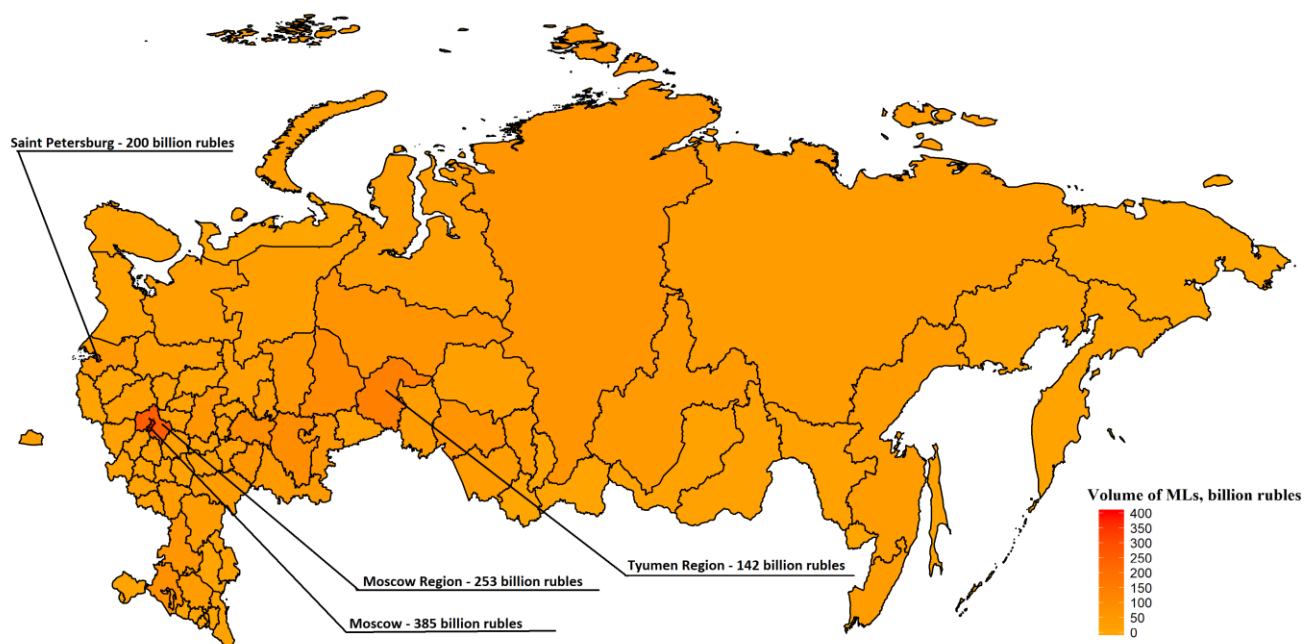
Due to decline of interest rates in 2018, **the mortgage lending grew intensively**. As a result of record amount of granted loans (1.5 million units), in 2018 the volume of loans went up by 49.0% reaching 3 trillion rubles and exceeded the levels of previous years.

Chart 1. Volume of Loans Granted to Households, Including MLs (New Business)



The regional distribution of granted MLs remained constant. Borrowers of Moscow, Moscow Region, Saint Petersburg and Tyumen Region (chart 2) have been representing the largest volume of granted MLs during the recent years. The share of loans, granted to borrowers of these regions, constituted 32.5% of the total volume and 20.8% of the total number of granted MLs in the Russian Federation. Moreover, the average size of MLs granted in these regions was higher than the average size of MLs granted in the Russian Federation, most significantly - in Moscow (4.4 million rubles against 2.0 million rubles).

Chart 2. Choropleth map of granted MLs in 2018



In 2018, the share of MLs, granted against the pledge of claims under share construction participation agreement (MLs under SCPAs) in the total volume of granted MLs, decreased by 3.8 p.p. to 28.9% in comparison to 2017. In 2018, there were 368 340 granted MLs under SCPAs in the amount of 871.0 billion rubles, exclusively in rubles.

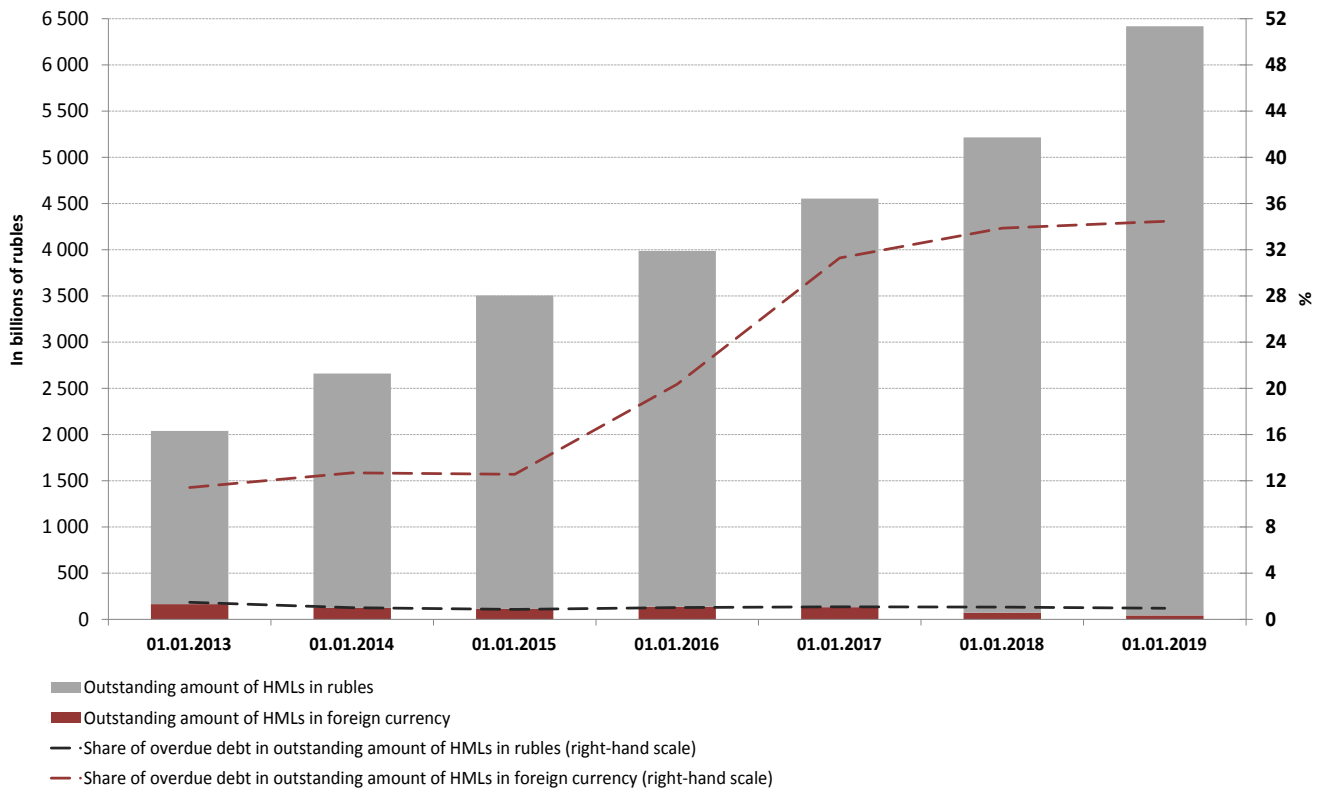
Increase of MLs was mainly determined by ruble-denominated loans. The share of MLs in foreign currency in 2018 was all-time low – 0.01% (only 12 credits granted).

Total outstanding amount on MLs increased by 23.6% during the year and reached 6 410.4 billion rubles. Portfolio of foreign currency-denominated loans continued to shrink.

As of 1st of January 2019, the outstanding amount on MLs *in rubles* was by 23.9% higher than the year before and reached 6 376.8 billion rubles. The proportion of overdue loans in rubles remained the same (around 1.0%) (Chart 3).

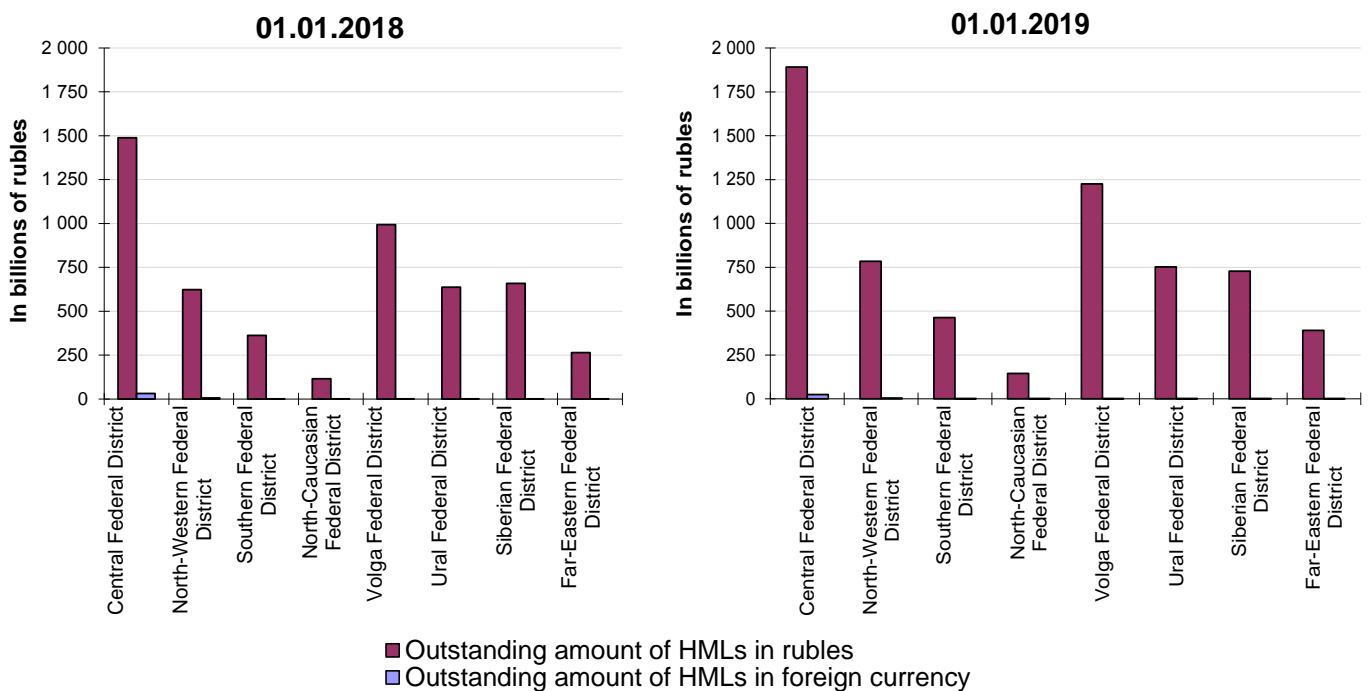
At the end of the year, the outstanding amount of MLs *in foreign currency* decreased by 21.1% (reached 33.6 billion rubles). As of 1st of January 2019, the proportion of overdue loans in foreign currency increased from 33.9% to 34.5%.

Chart 3. Outstanding amount of ML



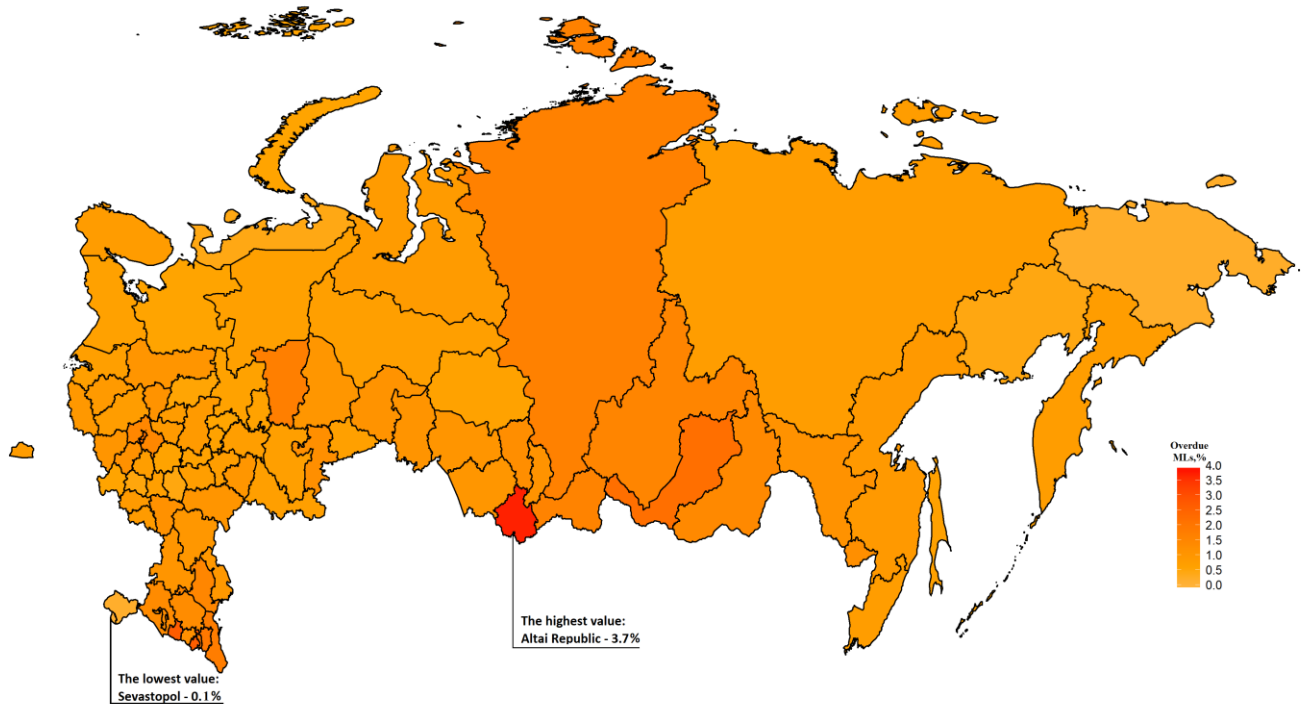
The data on regional structure of outstanding amount of MLs in rubles and in foreign currency and the share of overdue MLs are presented on Chart 4a and 4b.

Chart 4a. Regional Structure of Outstanding amount of MLs



Altai Republic had the highest value of overdue MLs - 3.7%, while Sevastopol had the lowest value of 0.1%.

Chart 4b. Choropleth map of overdue MLs as of 01.01.2019¹



Interest rate decline for MLs *in rubles* and foreign currency while extension of weighted average maturity for MLs were registered.

Weighted average interest rate on MLs in rubles continued to decline during the first half of the year, but increased by the end of the year and reached level of 9.66% in December, 2018 (9.79% - December, 2017). The weighted average maturity for MLs granted in rubles, which reached 196 months in 2018, was higher than recorded at any time in the last 8 years (chart 5).

¹ Determined as a share of overdue debt in outstanding amount by region.

Chart 5. Volume and Interest Rates for MLs Granted in Rubles

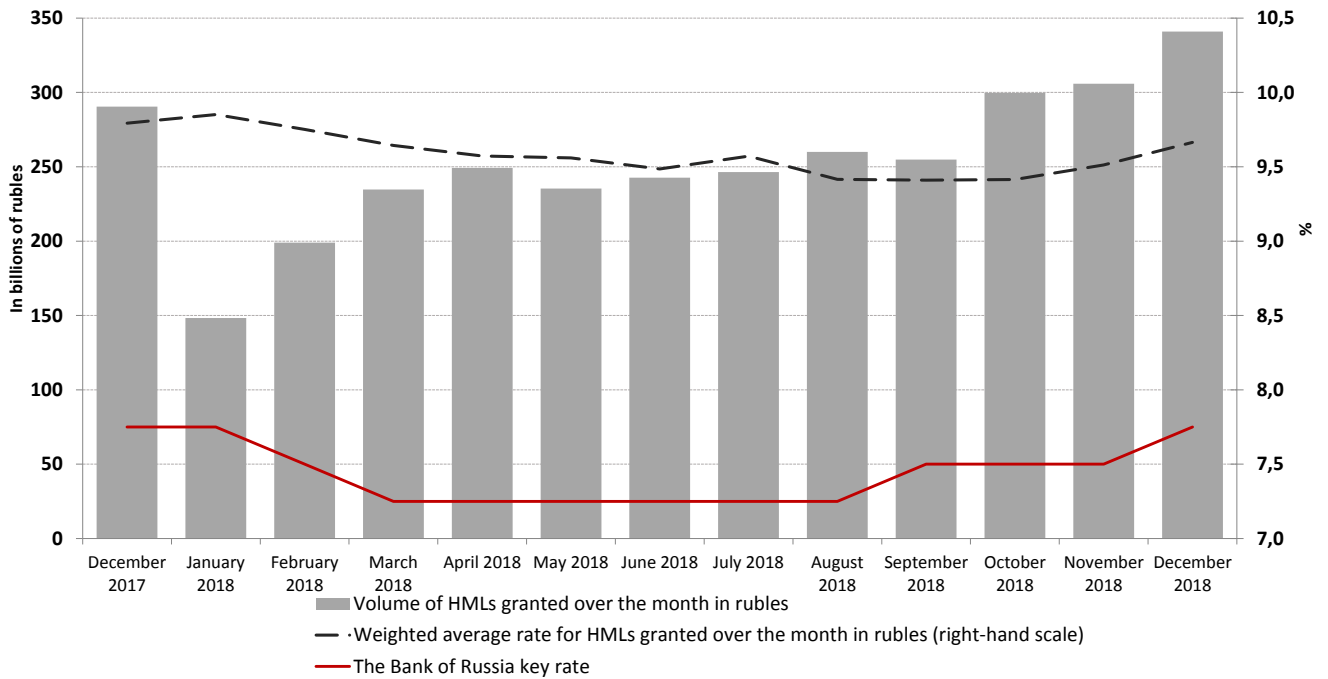
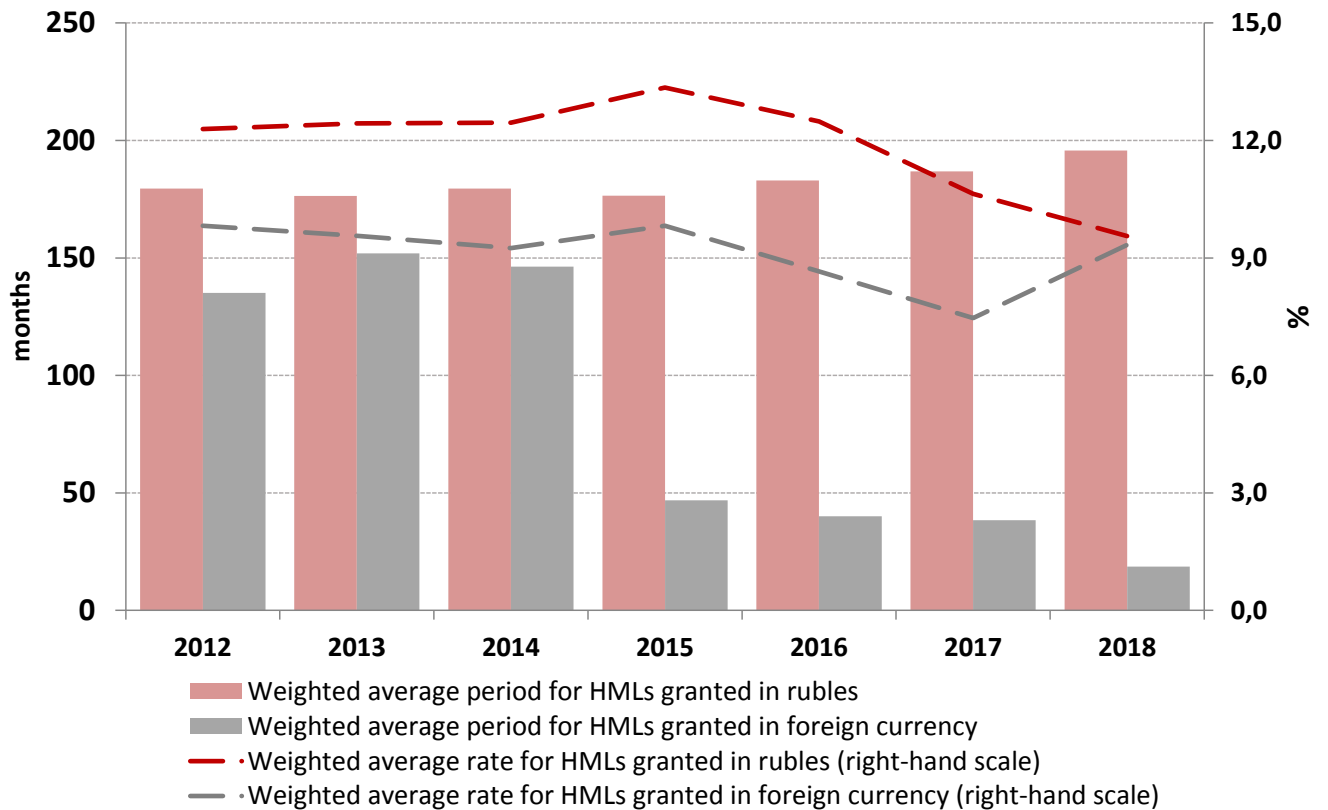
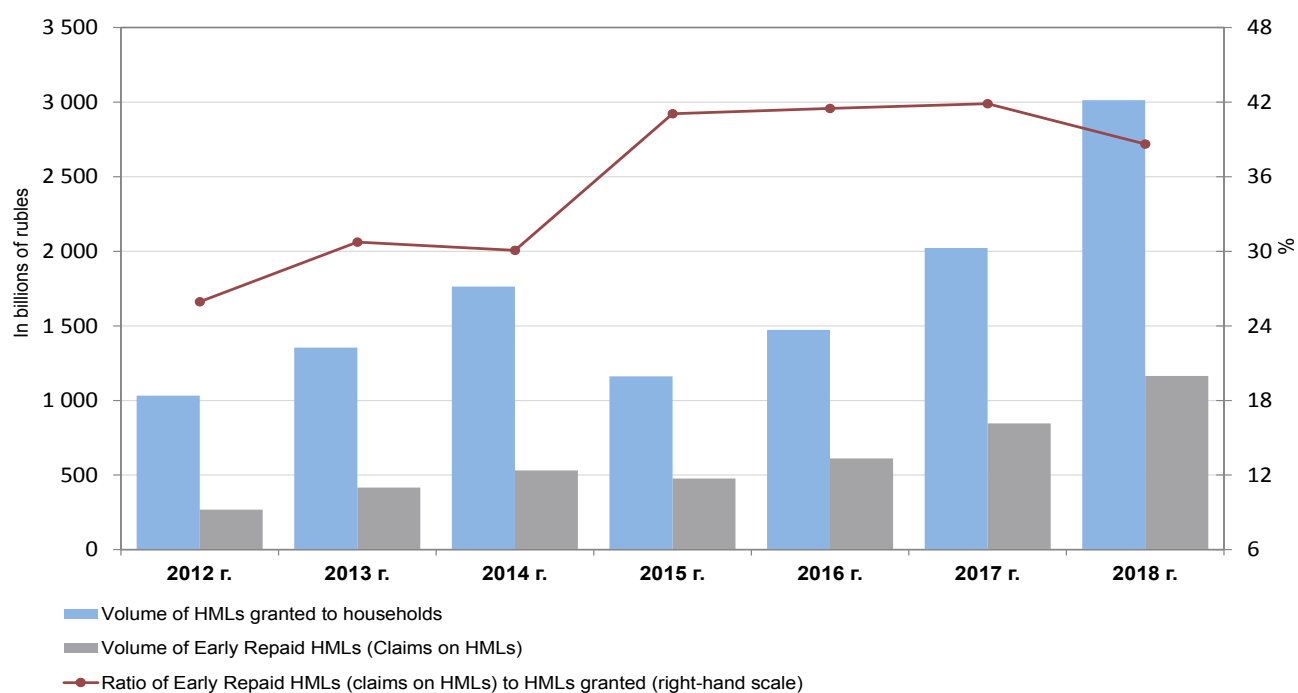


Chart 6. Weighted Average Lending Periods and Interest Rates for Granted MLs (New Business)



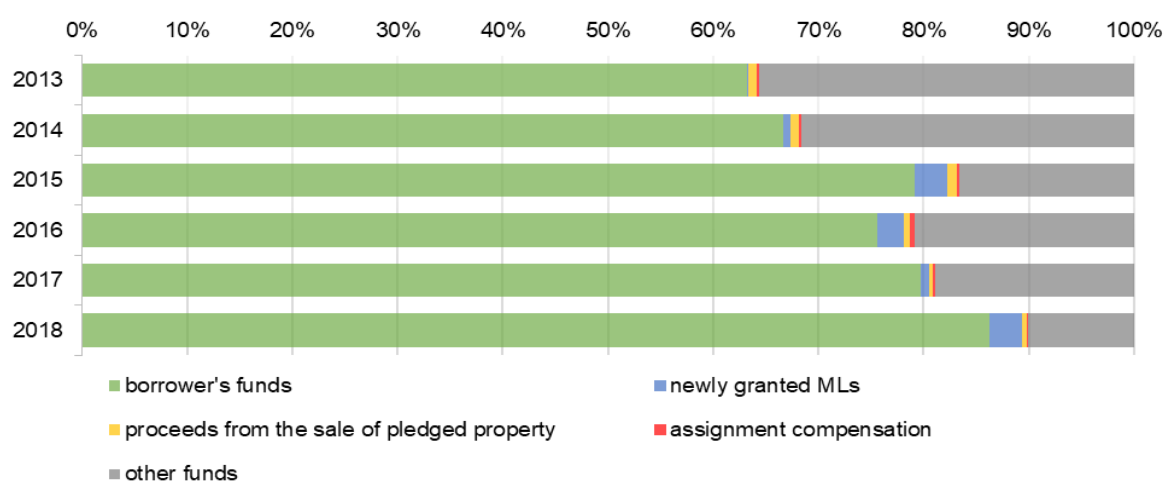
In 2018, the volume of early repaid MLs has increased substantially against the backdrop of ML market gain. MLs for an amount of 1 163.8 billion rubles were early repaid and it is on 317.0 billion rubles higher than the volume of 2017, the volume of early repaid on claims on MLs reached 24.8 billion rubles (chart 7).

Chart 7. Volume of Early Repaid MLs (Claims on MLs) and MLs Granted to Households



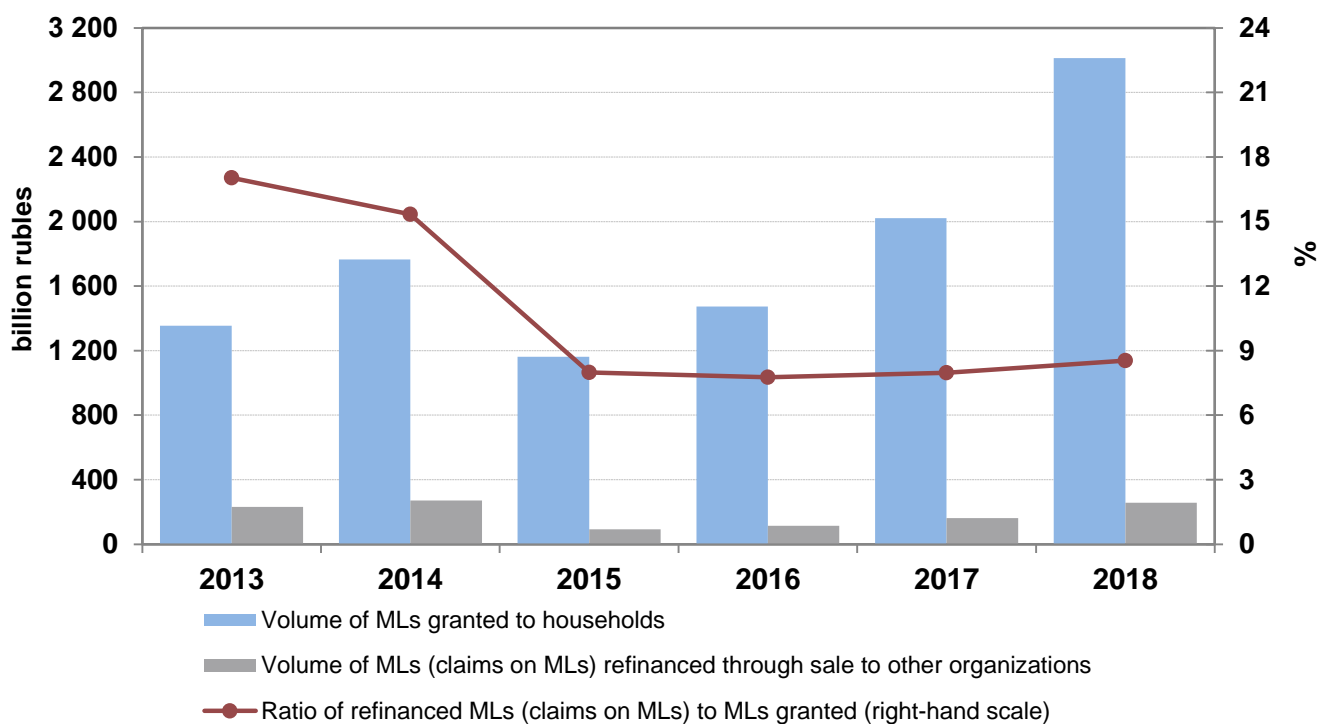
Considering that share of MLs in foreign currency was less than 1%, early repayment of MLs was primarily made on ruble loans (99.3%) – 1 155.5 billion rubles. Advanced repayment of loans traditionally was made by borrowers' own funds and constituted 85.2% of aggregate early repayment.

Chart 8. Sources of Early Repaid MLs (Claims on MLs), %

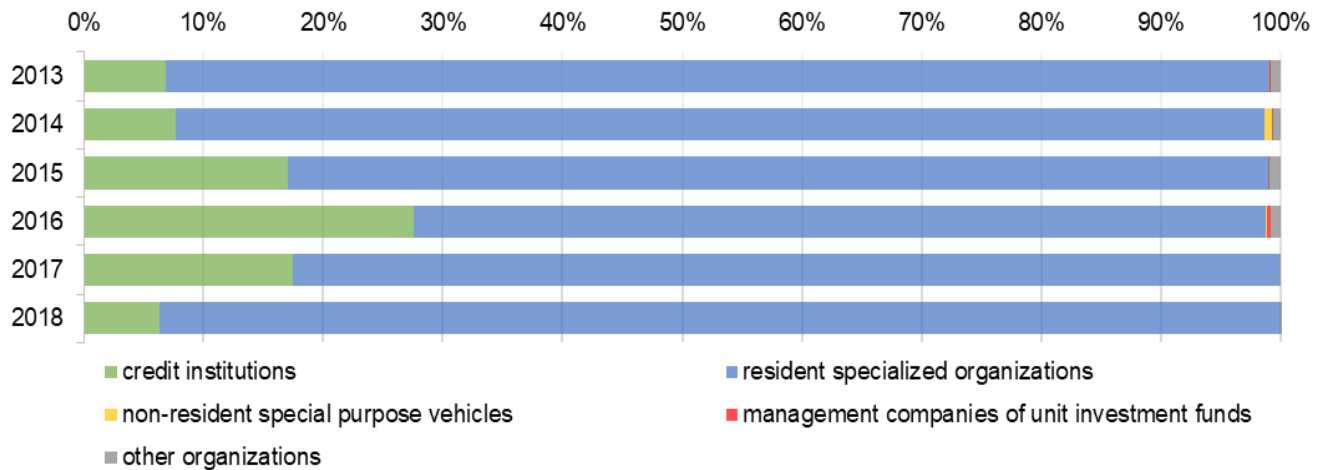


In 2018, 51 credit institutions refinanced MLs against 72 credit institutions in 2017. As a result of 2018, **the volume of refinanced MLs has increased** to 257.0 billion rubles, which is on 59.5% higher in comparison with 2017 (chart 9).

Chart 9. Volume of MLs Granted to Households and Refinancing of MLs (Claims on MLs) through Sale to Other Institutions



Resident specialized organizations had leading position among the main sources of refinancing MLs (claims on MLs) by selling to other institutions – 87.6% of the total volume of refinanced MLs in the Russian Federation. In comparison with 2017, the share of operations conducted by resident specialized organizations increased by 11.2 p.p., the volume of MLs (claims on MLs) refinanced by these organizations increased in 1.6 times to 207.9 billion rubles (chart 10).

Chart 10. Sources of Refinancing of MLs (Claims on MLs) by Selling Loan Pool, %

Refinancing MLs (claims on MLs) through issuing mortgage-backed bonds with keeping an asset on a credit institution's balance sheet in 2018 was not provided by any bank. However, in 2017 their volume stood at 7.2 billion rubles (by 1 bank).

Key ideas

- *In 2018, the mortgage loan market demonstrated all-time high growth due to interest rate decline. The volume of granted MLs increased by 49.0% to 3 trillion rubles. The amount of granted MLs reached 1.5 million units.*
- *Mortgage lending peaked in December 2018 when banks granted over 157 thousand loans worth 340 billion rubles (151 thousand loans worth more than 290 billion rubles in 2016), the rate of increase was 3.97% and 17.4% respectively.*
- *Increase of MLs was mainly determined by ruble-denominated loans.*
- *Weighted average interest rate on MLs in rubles continued to decline during the year and reached its lowest level of 9.66% in December, 2018 (9.79% - December, 2017).*
- *Total outstanding amount on MLs was up 23.6% during the year and reached 6 410.4 billion rubles, increased by 23.6%. Portfolio of foreign-currency denominated loans continued to shrink. At the end of the year it decreased by 21.1% and its share in the portfolio of MLs loans was only 0.5%.*
- *The volume of early-repaid MLs continued to grow four years in a row. In 2018, volume of early-repaid MLs, which reached 1 163.8 billion rubles, grew by more than a third in comparison with 2017 (by 1,9 and 2,4 times with 2016 u 2015 respectively).*
- *Market of mortgage loan refinancing continued to recover after significant reduction in 2015. The volume of refinanced MLs constituted 257.0 billion rubles in 2018.*