

## Mortgage Loan Market in 2016

In 2016, the mortgage loan market demonstrated the following trends.

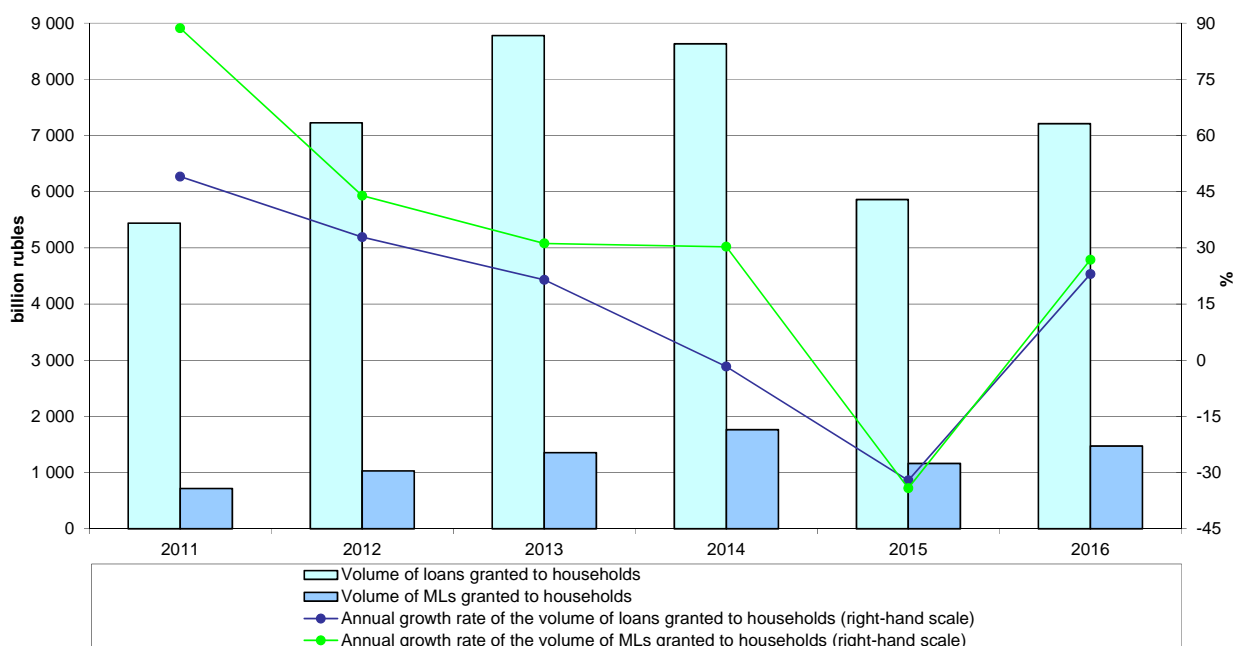
**The number of credit institutions granting mortgage loans (MLs) decreased** against the backdrop of a decline in the number of operating credit institutions. As of 1 January 2017, the number of participants in the primary mortgage loan market decreased by 75 credit institutions year-on-year to 484, of which 387 credit institutions granted new MLs in 2016, while the rest serviced loans they granted earlier. 98 credit institutions granted HMLs in rubles on a regular basis.

The majority of credit institutions granting MLs (254) is located in the Central Federal District, of which 218 – in Moscow; 75 participants are located in the Volga Federal District. The minimum number of credit institutions (4 participants) is located in the North-Caucasian Federal District.

**The volume of granted MLs increased drastically in relative and absolute terms.** In 2016, credit institutions granted 856 461 MLs worth 1473.3 billion rubles (Chart 1). The share of MLs in the total volume of household loans reached 20.4% increasing by 0.6 p.p. in comparison with the previous year, and thereby returned to the level of 2014. The average size of granted loans increased from 1.66 to 1.72 million rubles, while in Moscow this figure reached 3.73 million rubles.

The regional distribution of granted MLs did not change. Borrowers from Moscow, Moscow Region, Saint Petersburg and Tyumen Region account for the largest volume of granted MLs in recent years. The largest share of loans, granted to borrowers of the Central Federal District, constituted 30.9% of the total volume of granted MLs in the Russian Federation.

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

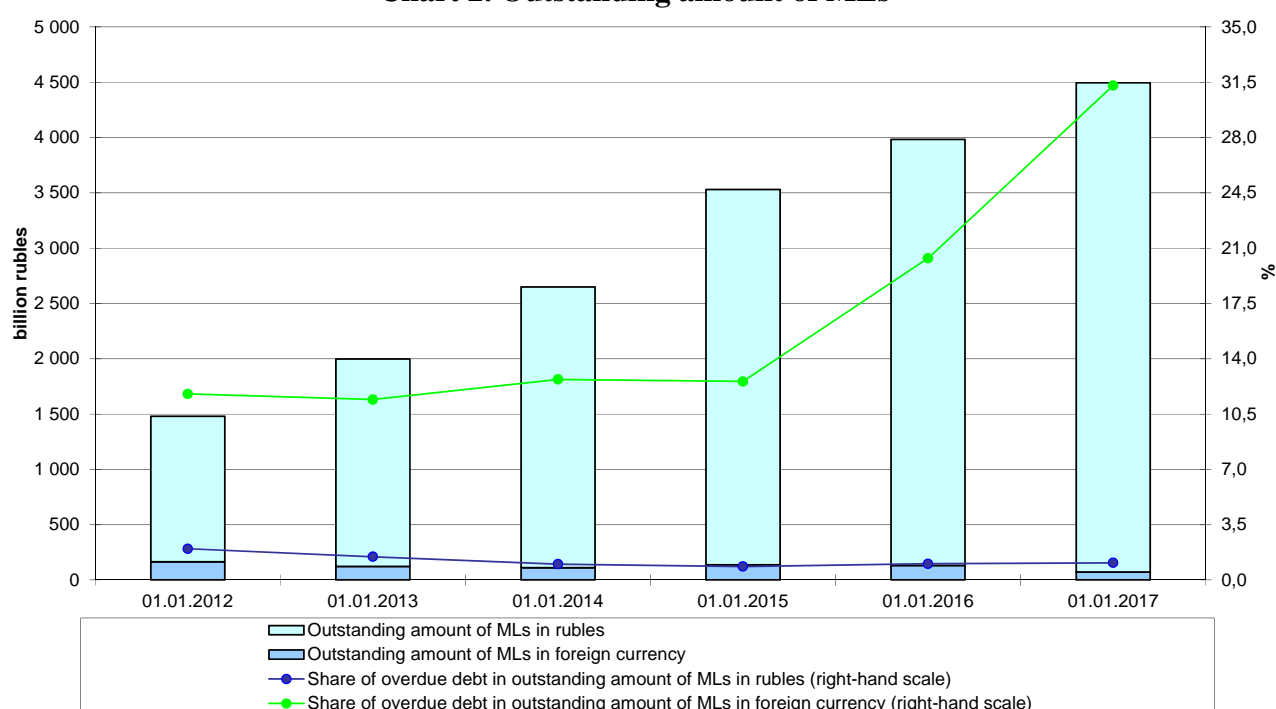


The share of MLs, granted under state program of interest rate subsidy, was 37.7% of the total volume of granted MLs (303.5 thousand loans for a total amount of 555.6 billion rubles<sup>1</sup>).

In 2016, the share of MLs, granted against the pledge of claims under share construction participation agreements (MLs under SCPAs), constituted 38.7% of the total volume of MLs. During 2016, there were 305.6 thousand granted MLs under SCPAs in the amount of 570.7 billion rubles, predominantly in rubles.

**The share of MLs granted in rubles continued to grow.** In 2016, 856 427 MLs in rubles were granted for a total amount of 1472.3 billion rubles. Their share in the total volume of MLs reached 99.9%. In comparison with 2015 the number of granted MLs in rubles went up in 1.2 times against the volume increase by 27.2%. At the same time the number of granted MLs in foreign currency decreased by 2.7 times to 34 loans; the volume of MLs in foreign currency reduced by 3.6 times to 1.1 billion rubles (in ruble equivalent). MLs in foreign currency were granted predominately to borrowers from Moscow and Moscow Region (74.4% of the total volume of loans granted in foreign currency).

**Chart 2. Outstanding amount of MLs**



**Outstanding amount of MLs in rubles increased, while outstanding amount of MLs in foreign currency reduced.** As of 1 January 2017, outstanding amount of MLs in rubles rose by 14.8% year-on-year to 4421.9 billion rubles. At that the share of overdue MLs in rubles in outstanding amount grew up by 0.06 p.p. year-on-year to 1.09% (Chart 2). The overdue debt of MLs in rubles rose by 21.6% attaining the

<sup>1</sup> Source: Ministry of Finance of the Russian Federation

amount of 48.0 billion rubles.

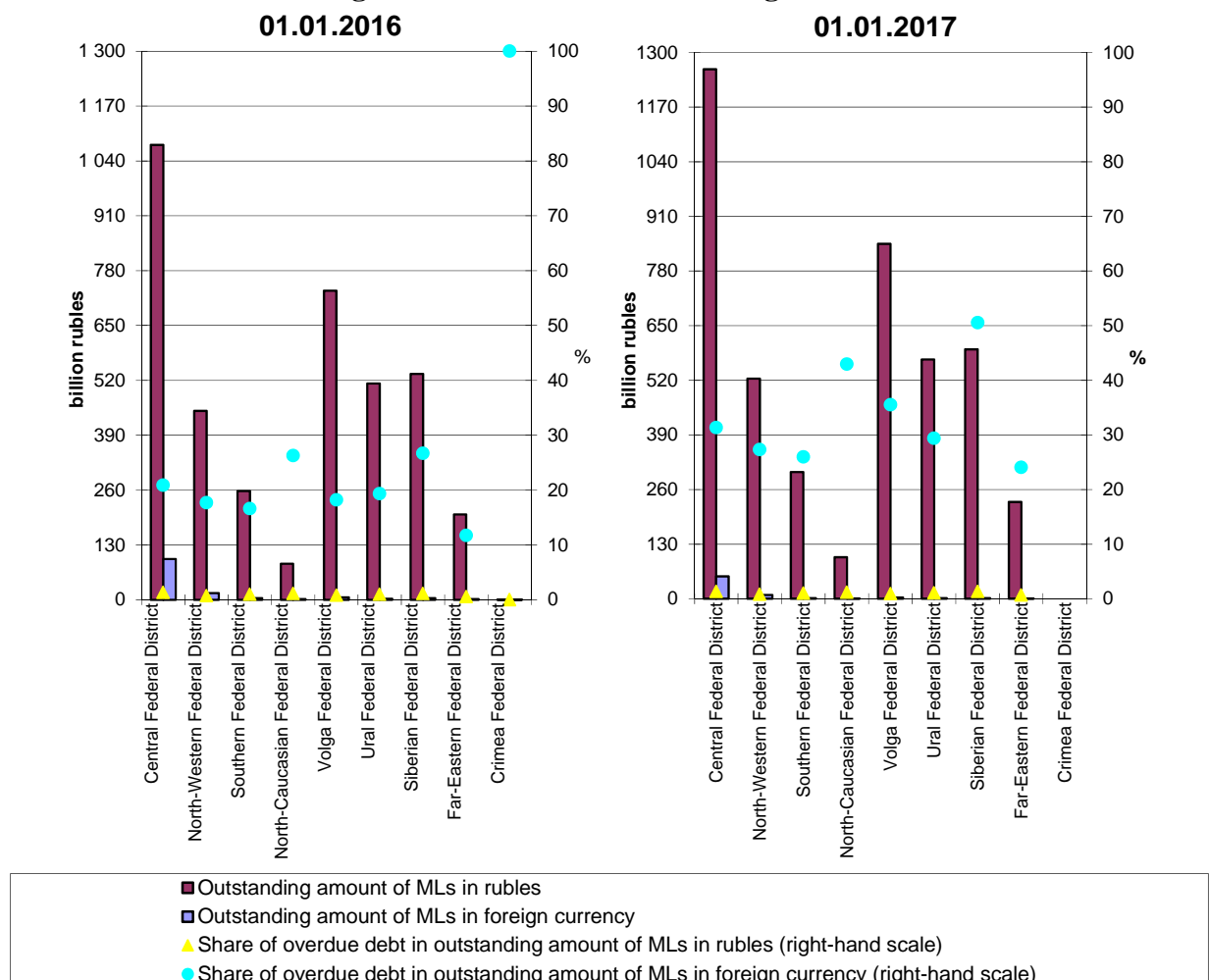
The outstanding amount of MLs in foreign currency fell by 1.8 times to 71.2 billion rubles (in ruble equivalent). The share of overdue MLs in foreign currency in outstanding amount grew up by 10.93 p.p. year-on-year reaching 31.29%. The overdue debt of MLs in foreign currency reduced by 16.5% to the amount of 22.3 billion rubles (in ruble equivalent).

The outstanding amount of MLs under SCPAs in rubles and foreign currency reached 922.3 billion rubles and 1.7 billion rubles (in ruble equivalent) respectively; the share of it reached 20.6% of the total MLs portfolio. The outstanding amount of MLs under SCPAs in rubles and foreign currency was marked by lower level of overdue loans (as of 1 January 2017 – 0.3% in comparison with 1.6% for all MLs).

The share of loans without arrears in the total volume of outstanding amount of MLs as of 1 January 2017 increased by 0.90 p.p. year-on-year to 95.56%. The share of loans with overdue payments over 180 days in the total volume of outstanding amount of MLs decreased by 0.13 p.p. to 2.34%.

The data on regional structure of outstanding amount of MLs in rubles and in foreign currency, as well as on the share of overdue loans are presented on Chart 3.

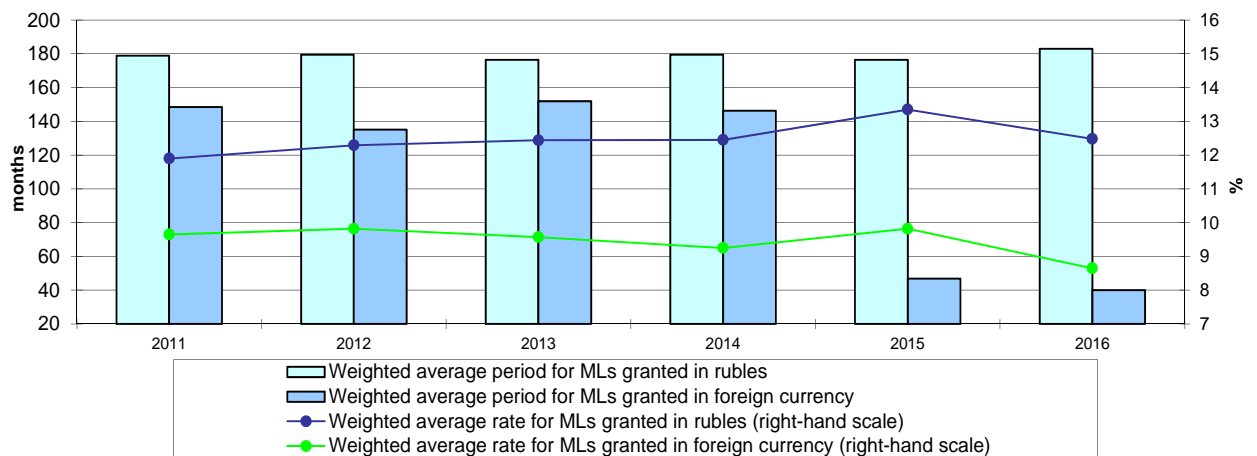
**Chart 3. Regional Structure of Outstanding amount of MLs**



**An interest rate decline for MLs in rubles and foreign currency, an extension of weighted average maturity for MLs in rubles and a contraction in MLs in foreign currency were registered.**

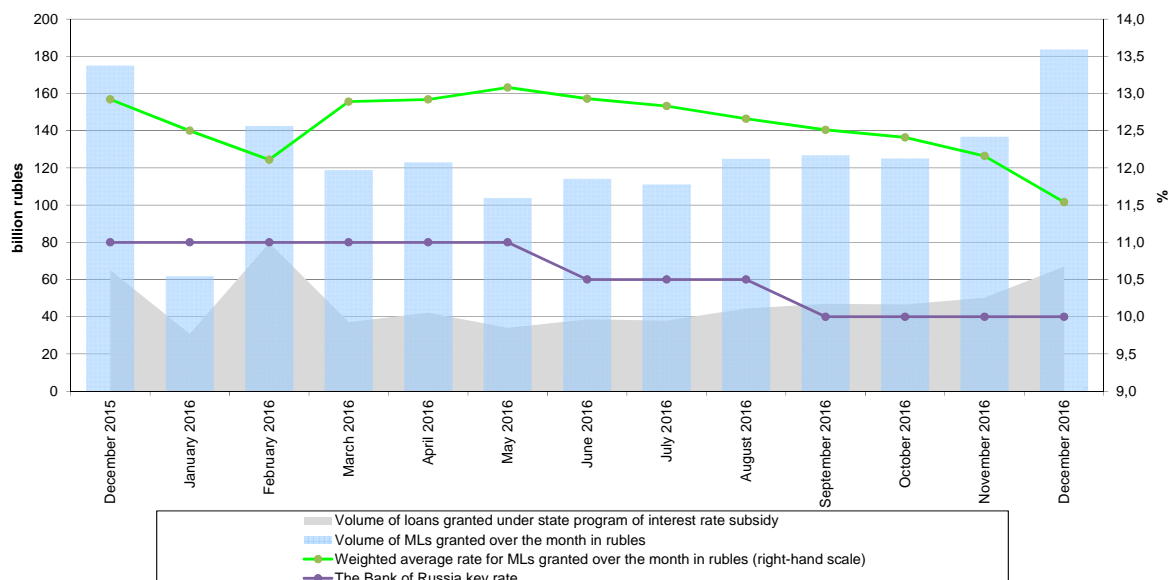
The weighted average interest rates on MLs in comparison with previous year, has diminished: MLs in rubles slipped by 0.87 p.p. to 12.48%; and for MLs in foreign currency – by 1.17 p.p. to 8.65%. The weighted average maturity for MLs granted by credit institutions in rubles went up by 6.6 months year-on-year to 183 months (15.3 years) and MLs in foreign currency slipped by 6.7 months to 40.1 months (3.3 years). The dynamics of weighted average lending periods and interest rates are shown on Chart 4.

**Chart 4. Weighted Average Lending Periods and Interest Rates for Granted MLs (New Business)**



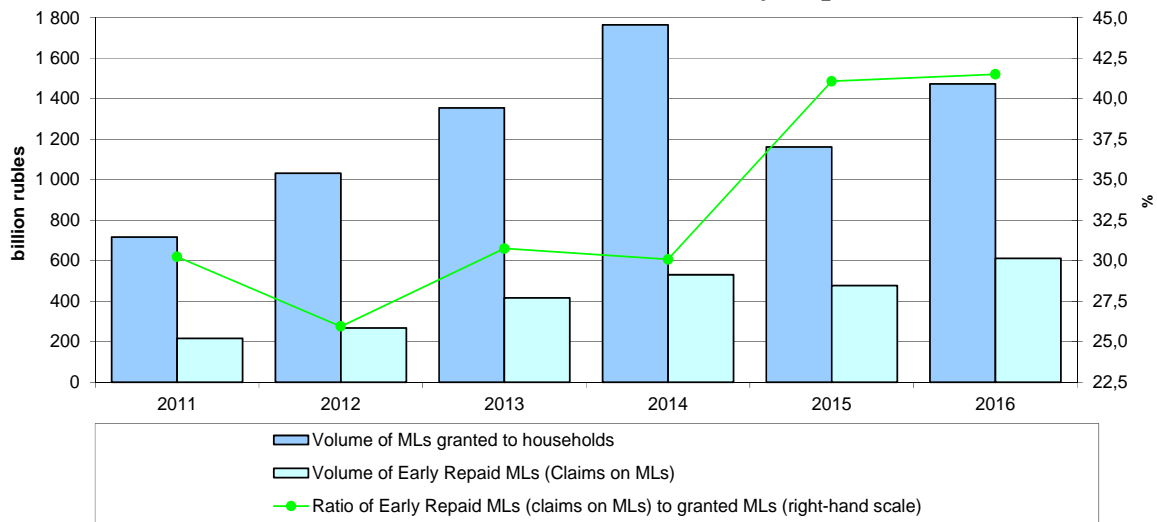
The state program of interest rate subsidy and the reduction of the Bank of Russia key rate in 2016 from 11.00 to 10.00% influenced on the decrease of the weighted average interest rates on MLs in rubles granted over the month: in the period from January to November 2016 rate value varied from 13.08 to 12.11%, amounting to 11.54% in December 2016 (Chart 5).

**Chart 5. Volume and Interest Rates on Granted MLs**



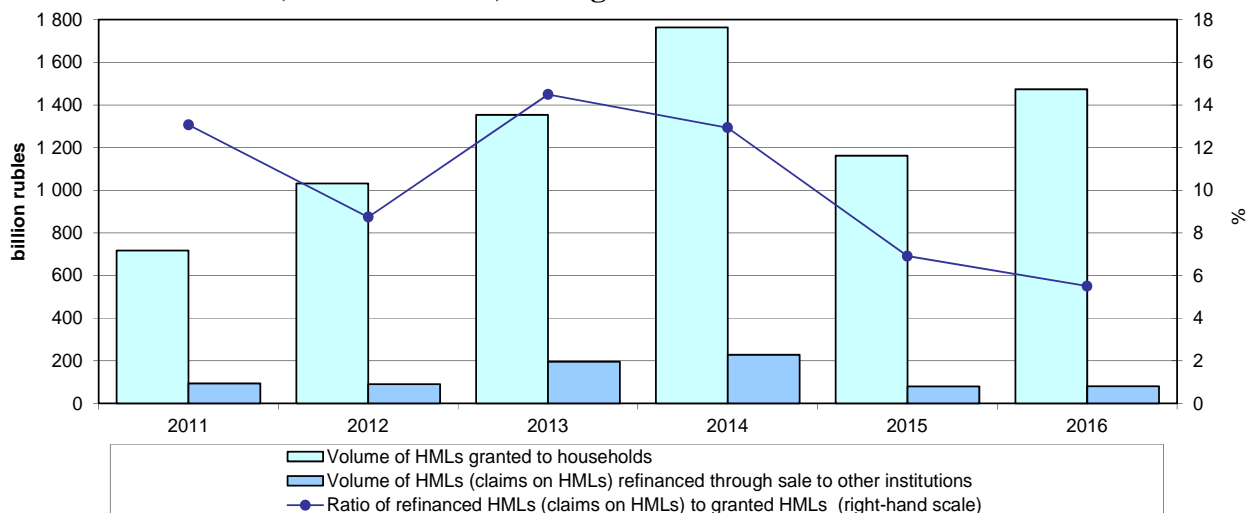
**The volume of early repaid MLs has increased.** In 2016, MLs for an amount of 611.4 billion rubles, including 11.9 billion rubles on claims on MLs, were repaid ahead of schedule. In 2015, the amount of early repaid MLs (claims on MLs) stood at 477.1 billion rubles. The early repayment was mostly performed on MLs (claims on MLs) granted (acquired) in rubles – 584.2 billion rubles. The share of early repaid MLs (claims on MLs) by borrowers' own funds accounted for 75.6%. The ratio of early repaid MLs (claims on MLs) to granted MLs stood at 41.5% (in 2015 - 41.1%) (Chart 6).

**Chart 6. Volume of MLs Granted to Households and Early Repaid MLs (Claims on MLs)**



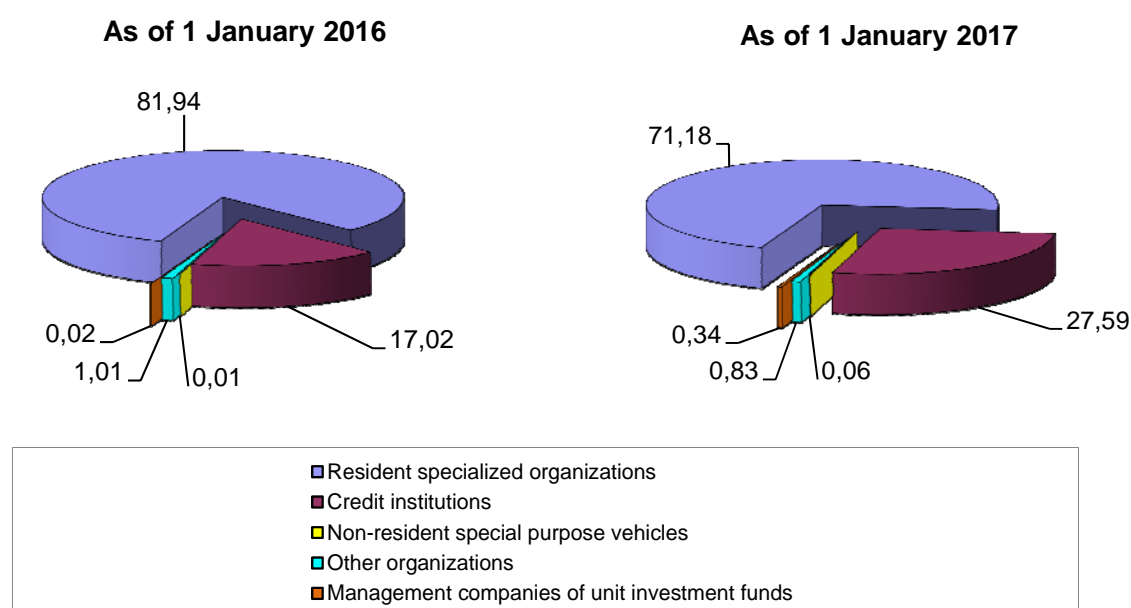
**The volume of refinanced MLs remained approximately the same.** In 2016, 93 credit institutions refinanced MLs (claims on MLs) for an amount of 114.5 billion rubles, of which sold to other institutions for an amount of 81.1 billion rubles (in 2015 – 113 credit institutions for an amount of 92.7 billion rubles, of which sold to other institutions for an amount of 80.3 billion rubles). The ratio of MLs (claims on MLs), refinanced by selling them to other institutions, to granted MLs stood at 5.5% (Chart 7).

**Chart 7. Volume of MLs Granted to Households and Refinancing of MLs (Claims on MLs) through Sale to Other Institutions**



Resident specialized organizations were among the main sources of refinancing MLs through sale to other institutions: in 2016 they accounted for 71.2% of the total volume of refinanced MLs (claims on MLs). In comparison with the previous year, the share of operations conducted by resident specialized organizations decreased by 10.8 p.p., the volume of MLs (claims on MLs) refinanced by these organizations decreased by 12.3% to 57.7 billion rubles. The share of credit institutions in refinancing sources rose by 10.6 p.p. to 27.6%, at that the volume of MLs (claims on MLs) refinanced by these organizations drastically increased by 63.7% to 22.4 billion rubles. The share of non-resident special purpose vehicles accounted for 0.06% or 0.05 billion rubles, the share of management companies of unit investment funds – 0.3% or 0.3 billion rubles, the share of other organizations – 0.8% or 0.7 billion rubles (Chart 8).

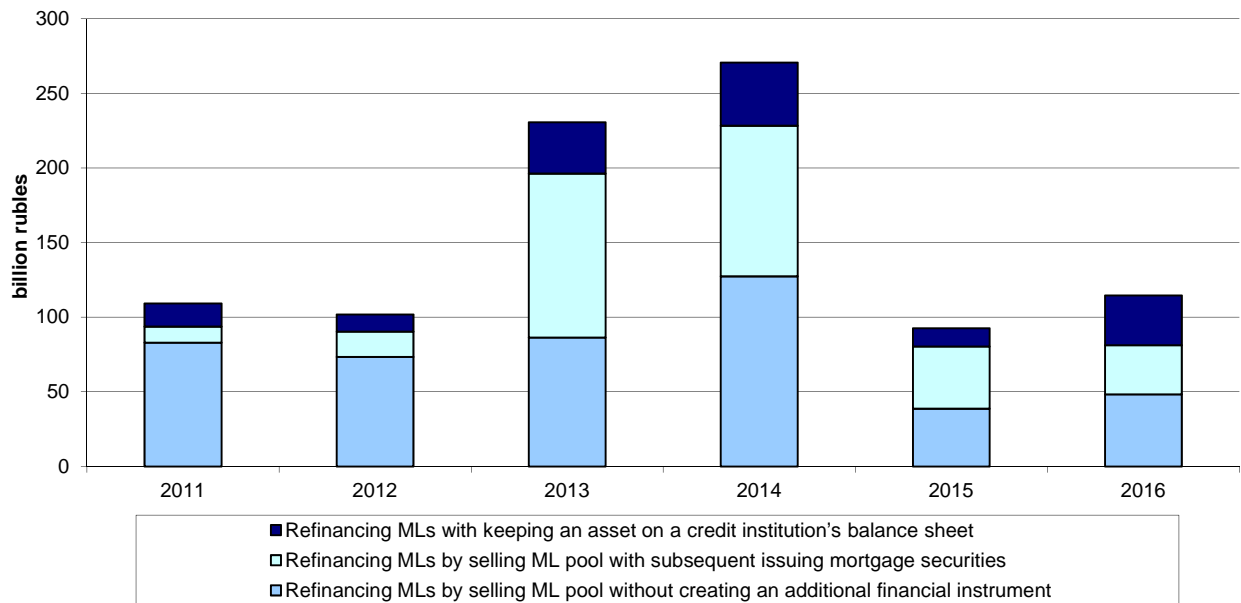
**Chart 8. Sources of Refinancing of MLs (Claims on MLs) by Selling Loan Pool, %**



In 2016, the volume of MLs (claims on MLs) that was refinanced through issuing mortgage-backed bonds with keeping an asset on a credit institution's balance sheet stood at 33.4 billion rubles (by 2 credit institutions).

Thus, in 2016, almost the entire volume of MLs (claims on MLs) was refinanced on the domestic financial market. The dynamics of the volume of MLs refinancing are given on Chart 9.

**Chart 9. Refinancing MLs (Claims on MLs) with Selling to Other Institutions and with Keeping Asset on a Credit Institution's Balance Sheet**



Credit institutions are allowed to use both bonds issued by the Agency for Housing Mortgage Lending (AHML) and mortgage-backed bonds issued in compliance with the Russian Federation legislation (including mortgage-backed bonds secured by AHML joint guarantee) as collateral for the Bank of Russia refinancing operations (as of 1 January 2017, 63 mortgage-backed bonds of 49 issuers for a total value of 373.8 billion rubles and 23 bonds issued by the Agency for Housing Mortgage Lending for a total value of 163.0 billion rubles were included in the Bank of Russia Lombard List).