

Housing (Mortgage) Loan Market in the First Half of 2015

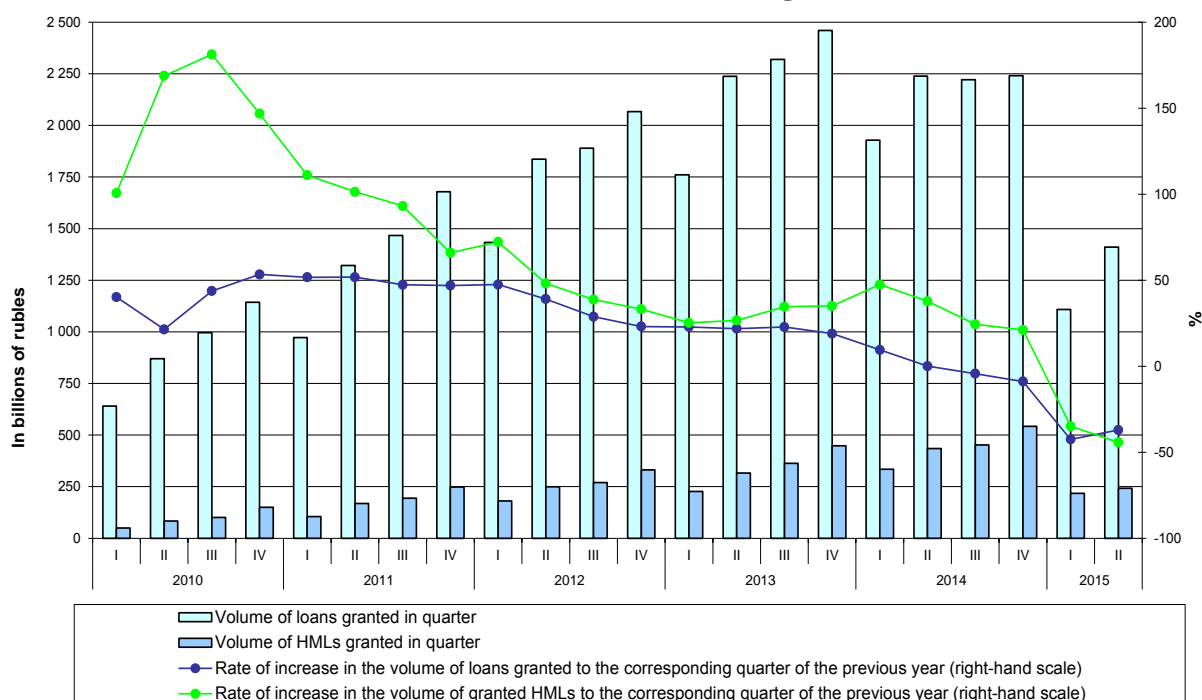
In the first half of 2015, the housing (mortgage) loan market demonstrated the following trends.

The number of credit institutions granting housing (mortgage) loans (hereinafter, HMLs) **decreased** against the backdrop of a decline in the number of operating credit institutions. As of 1 July 2015, the number of participants in the primary mortgage lending market fell by 63 credit institutions year-on-year to 572, of which 358 credit institutions granted new HMLs in the first half of 2015, while the rest serviced loans they granted earlier. 103 credit institutions granted HMLs in rubles regularly.

The majority of credit institutions granting HMLs (316) is located in the Central Federal District, of which 271 – in Moscow; 80 participants are located in the Volga Federal District, of which 20 – in the Republic of Tatarstan. The minimum number of credit institutions (two participants) is located in the Crimea Federal District.

The volume of granted HMLs has decreased, in conditions of deterioration the economic situation in the financial market. In the first half of 2015, credit institutions granted 280 489 HMLs to the total amount of 460.7 billion rubles. The share of HMLs in the total volume of household loans reached 18.3% decreasing by 0.2 percentage points in comparison with the same period of the last year (Chart 1). The average size of granted loans slipped from 1.72 million rubles to 1.64 million rubles, while in Moscow this figure reached 3.80 million rubles. In the first half of 2015, borrowers of the Central Federal District accounted for the largest share of granted HMLs – 31.2% of the total number of HMLs granted in the Russian Federation.

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

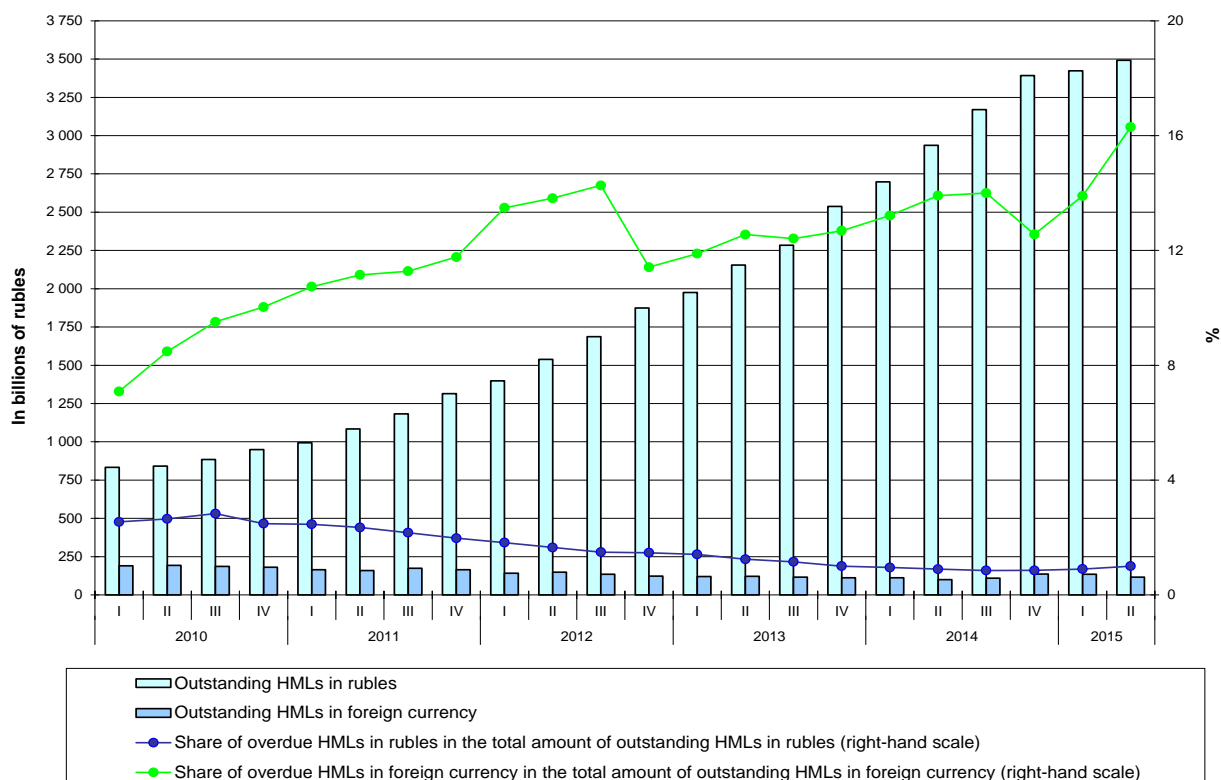


The share of HMLs granted in rubles continued to grow. In the first half of 2015, 280 434 HMLs in rubles were granted for a total amount of 459.0 billion rubles. Their share in the total volume of HMLs reached 99.6%. In comparison with the same period of 2014 the number of granted HMLs in rubles came down by 1.6 times against the volume reduction by 1.7 times. At the same time the number of granted HMLs in foreign currency decreased by 7.5 times to 55 loans; the volume of HMLs in foreign currency reduced by 2.2 times to 1.7 billion rubles (in ruble equivalent). HMLs in foreign currency were granted substantially to borrowers of Moscow and Moscow Region (96.1% of the total volume of loans granted in foreign currency).

Outstanding HMLs increased further. As of 1 July 2015, outstanding HMLs in rubles rose by 18.9% year-on-year and in foreign currency – by 15.4% to 3492.7 billion rubles and 115.7 billion rubles (in ruble equivalent) respectively.

The share of overdue HMLs in the total outstanding amount increased. As of 1 July 2015, the share of overdue HMLs in the total outstanding amount grew up: of HMLs in rubles – by 0.08 percentage points year-on-year to 0.98%, in foreign currency – by 2.41 percentage points reaching 16.32%, due to the weakening of the ruble against the majority of world currencies. The overdue debt of HMLs in rubles rose by 29.3% and in foreign currency – by 35.4% attaining the amount of 34.1 billion rubles and 18.9 billion rubles (in ruble equivalent) respectively (Chart 2).

Chart 2. Outstanding HMLs

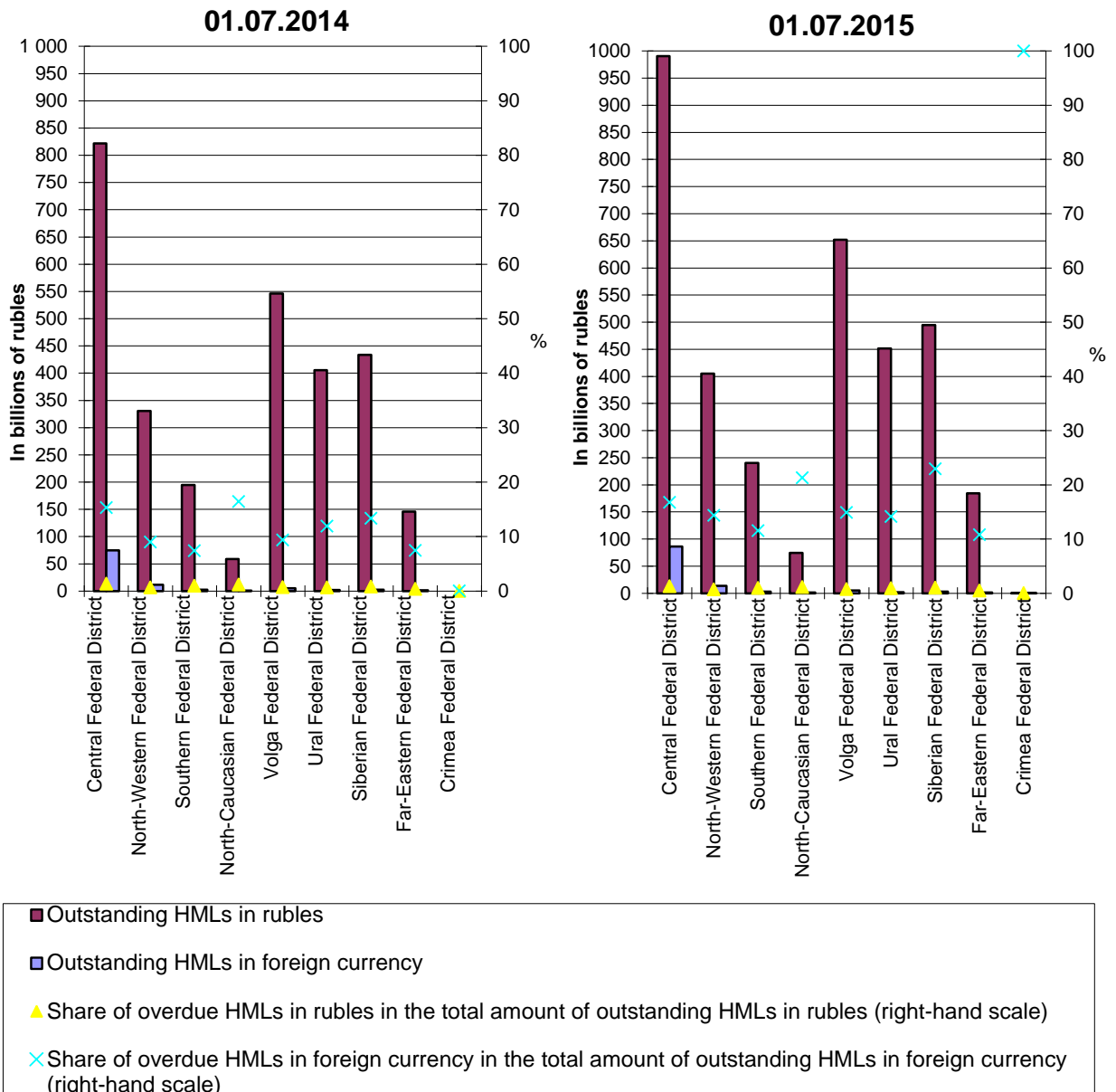


The share of loans without arrears in the total volume of outstanding HMLs as of 1 July 2015 decreased by 1.28 percentage points year-on-year to 94.02%. Therefore,

the share of loans with overdue payments over 180 days in the total volume of outstanding HMLs increased by 0.35 percentage points to 2.08%.

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

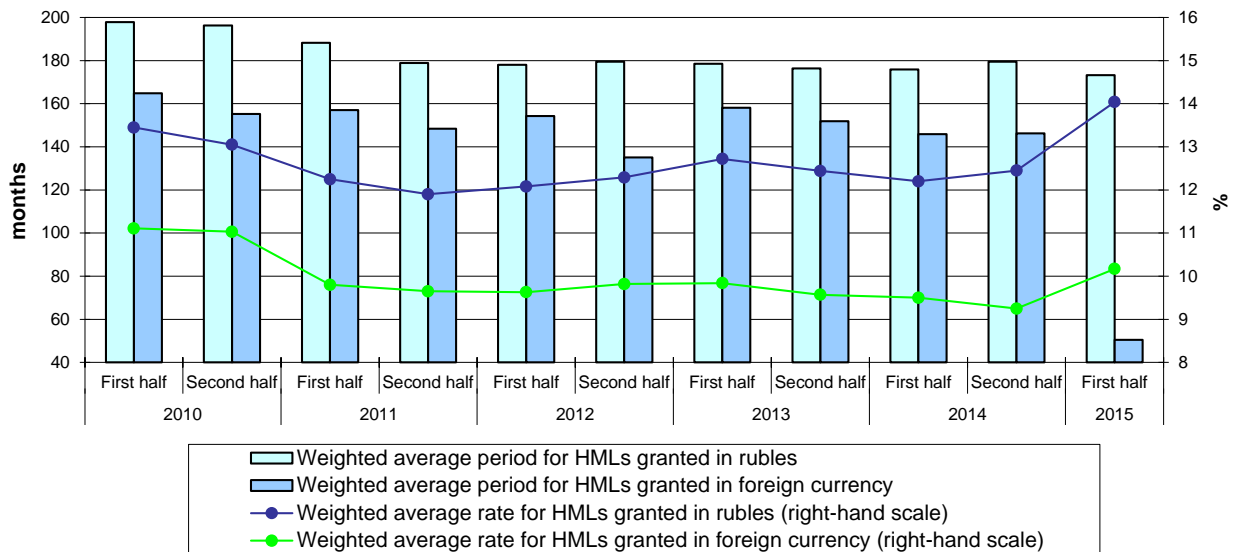
Chart 3. Regional Structure of Outstanding HMLs



The decline in weighted average periods and the rise in rates for HMLs in rubles and in foreign currency were registered. In the first half of 2015, the weighted average period for HMLs granted by credit institutions in rubles decreased by 2.6 months year-on-year to 173.3 months (14.4 years) and HMLs in foreign currency – by 8 years to 50.5 months (4.2 years). In comparison with the same period of 2014 the weighted average interest rates on HMLs extended since the beginning of the year in rubles rose by 1.84 percentage points to 14.04%; and for HMLs in foreign

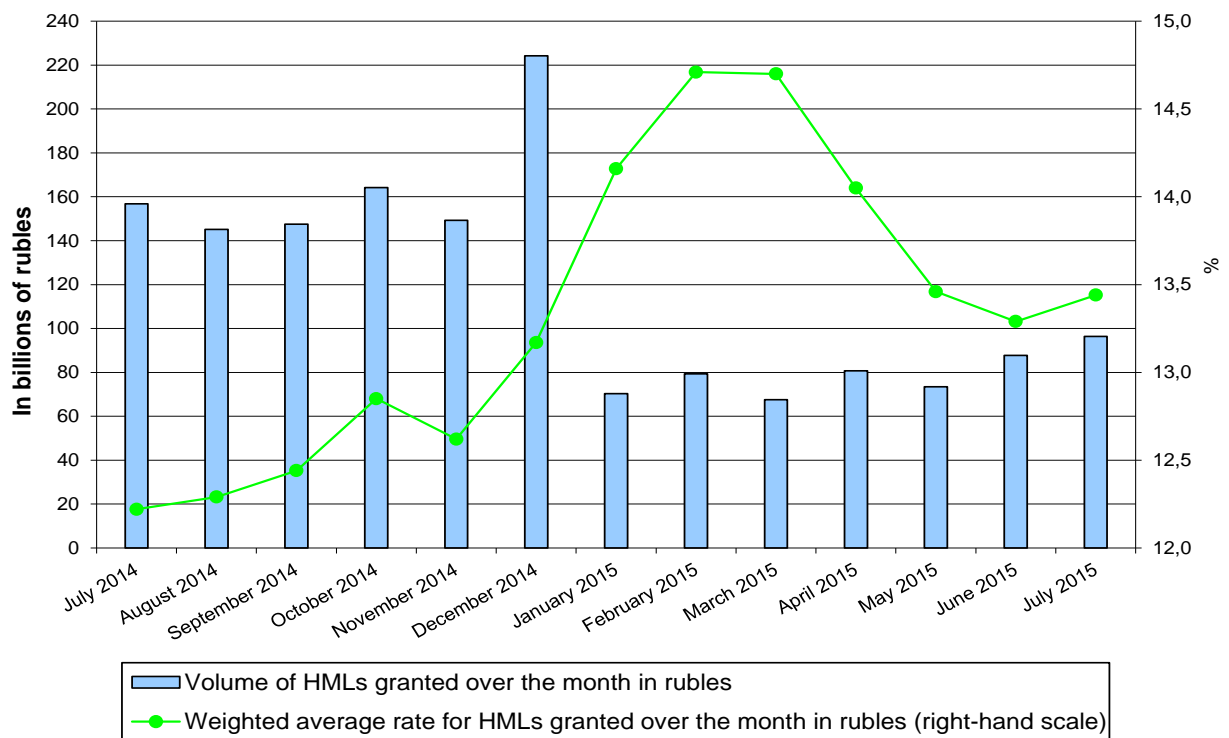
currency – by 0.67 percentage points to 10.17%. The dynamics of weighted average lending periods and interest rates are shown on Chart 4.

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



Against the Bank of Russia key rate gradual reduction in the first half of 2015 to 11,50% the weighted average interest rates on HMLs in rubles granted over the month in the period from January to June fell by 0.87 percentage points to 13.29% (Chart 5).

Chart 5. Volume and Interest Rates for Granted HMLs

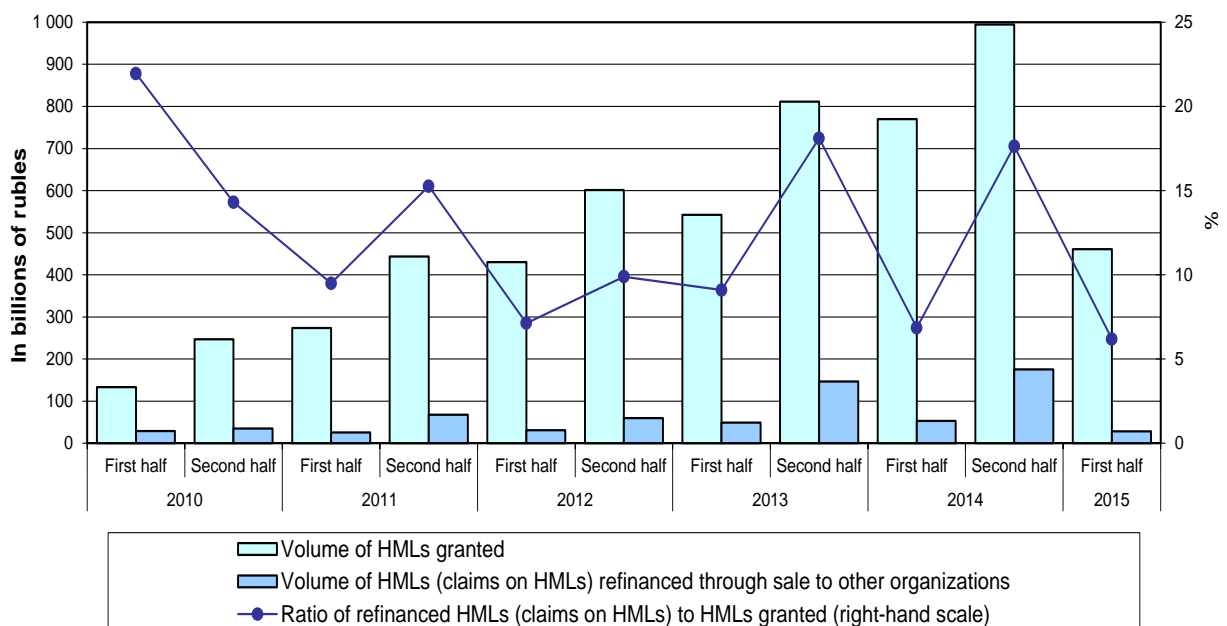


In the first half of 2015, HMLs (claims on HMLs) for an amount of 220.8 billion rubles, including 3.5 billion rubles on claims on HMLs, were repaid ahead of schedule. At the same period of 2014, the amount of early repaid HMLs (claims on

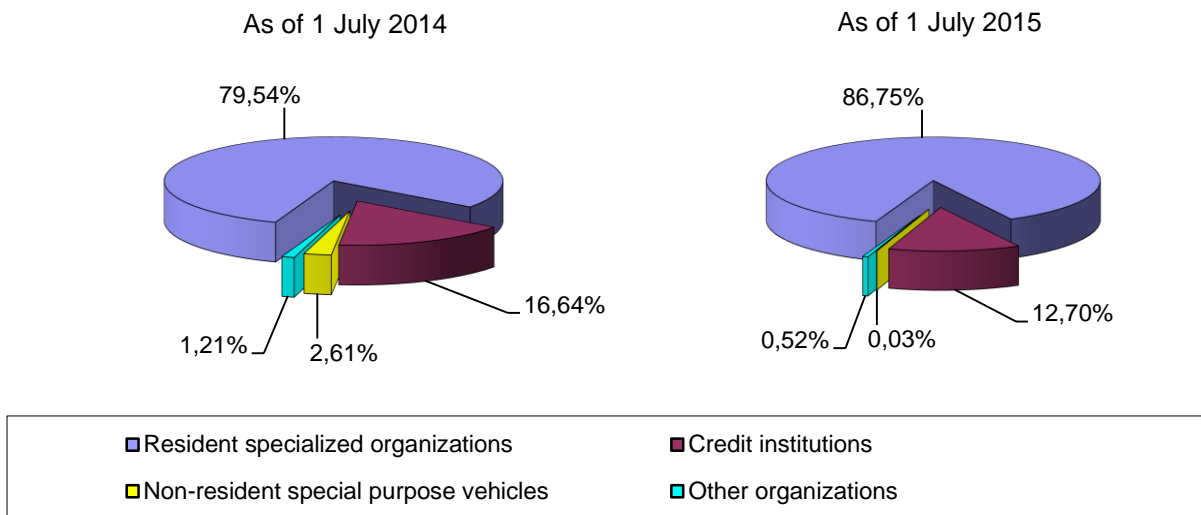
HMLs) stood at 197.1 billion rubles. The early repayment was mostly performed on HMLs (claims on HMLs) granted (acquired) in rubles – 205.0 billion rubles. The share of early repaid HMLs (claims on HMLs) by borrowers' own funds accounted for 73.4%. The ratio of early repaid HMLs (claims on HMLs) to granted HMLs stood at 47.9% (25.6% in the first half of 2014).

In the first half of 2015, 88 credit institutions refinanced HMLs (claims on HMLs) by selling them to other institutions for an amount of 28.5 billion rubles (in the first half of 2014, 118 credit institutions for an amount of 52.8 billion rubles). The ratio of refinanced HMLs (claims on HMLs) to granted HMLs stood at 6.2% (Chart 6).

Chart 6. Volume of HMLs Granted to Households and Refinancing of HMLs (Claims on HMLs) through Sale to Other Institutions

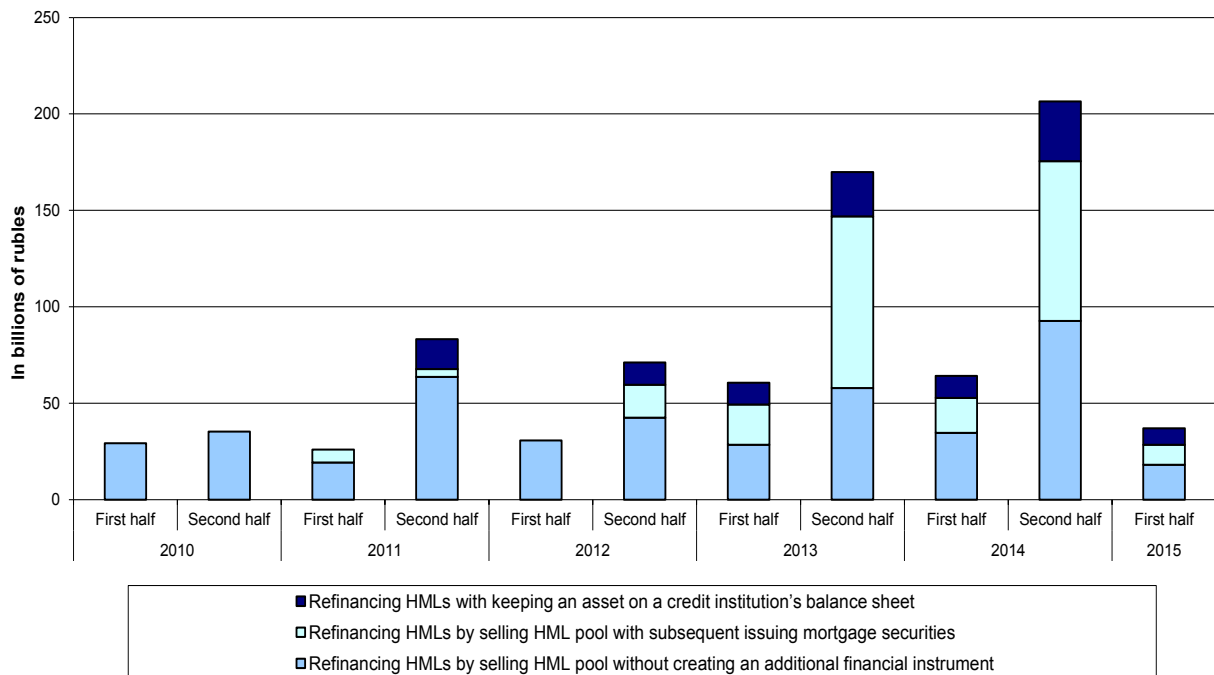


Resident specialized organizations are among the main sources of refinancing HMLs through sale to other institutions: in the first half of 2015 they accounted for 86.8% of the total volume of refinanced HMLs (claims on HMLs). In comparison with the same period of 2014, the share of operations conducted by resident specialized organizations rose by 7.2 percentage points. However, the volume of HMLs (claims on HMLs) refinanced by these organizations fell by 1.7 times to 24.7 billion rubles. The share of credit institutions in refinancing sources decreased by 3.9 percentage points to 12.7%, while the volume of HMLs (claims on HMLs) refinanced by these organizations considerably dropped by 2.4 times to 3.6 billion rubles. The share of non-resident special purpose vehicles accounted to 0.03% or 0.01 billion rubles and the share of other organizations – 0.5% or 0.15 billion rubles (Chart 7).

Chart 7. Sources of Refinancing HMLs (Claims on HMLs) by Selling Loan Pool

In the first half of 2015, the volume of HMLs (claims on HMLs) that was refinanced through issuing mortgage-backed bonds with keeping an asset on a credit institution's balance sheet stood at 8.4 billion rubles (by two banks).

Thus, in the first half of 2015, almost the entire volume of HMLs (claims on HMLs) was refinanced in the domestic financial market. The dynamics of the volume of HMLs refinancing are given on Chart 8.

Chart 8. Refinancing HMLs (Claims on HMLs) 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 July 2015, 61 mortgage-backed bonds of 46 issuers for a total value of 358.7 billion rubles and 24 bonds issued by the Agency for Housing Mortgage Lending for a total value of 165.0 billion rubles were included in the Bank of Russia Lombard List).