

Housing (Mortgage) Loan Market in the First Half of 2014

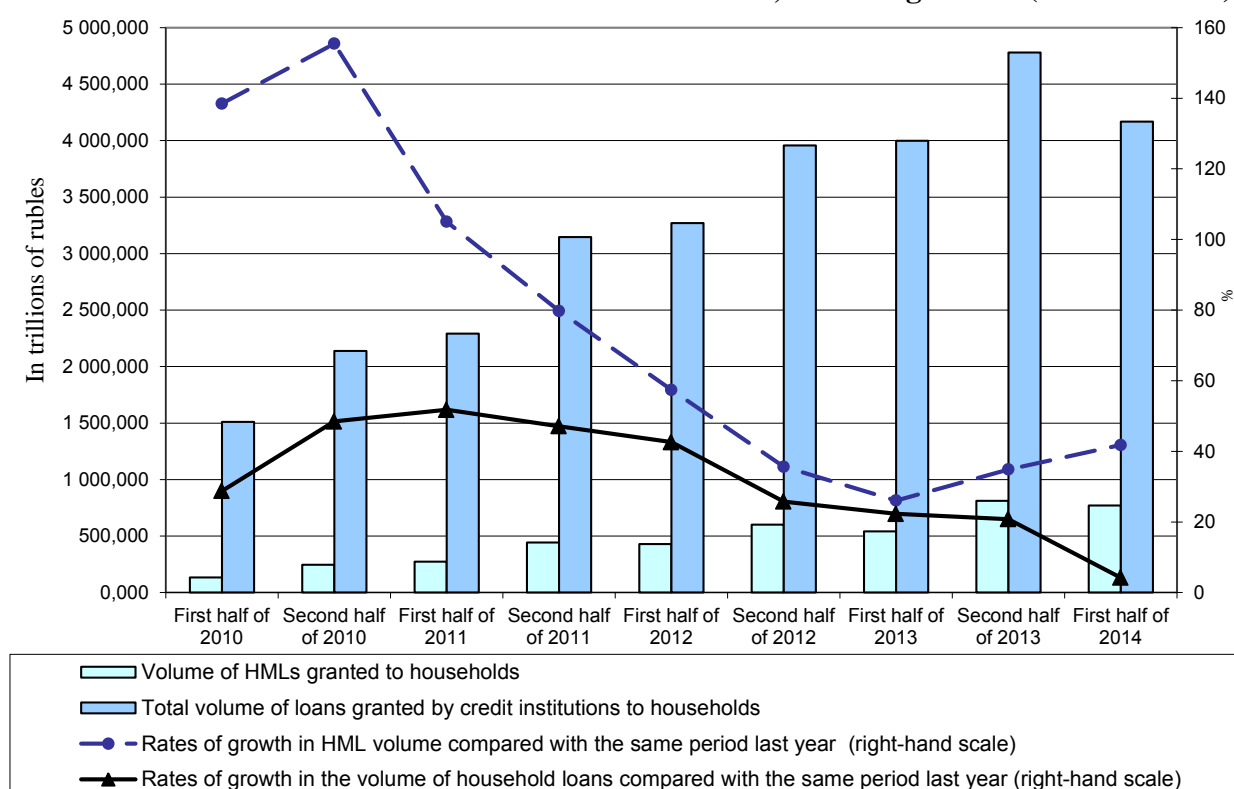
In the first half of 2014, the housing (mortgage) loan market demonstrated the following trends.

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 2014, the number of participants in the primary mortgage lending market fell by 30 credit institutions year-on-year to 635, of which 481 credit institutions granted new HMLs in the first half of 2014, while the rest serviced loans they granted earlier. As many as 176 credit institutions granted HMLs regularly in rubles and six credit institutions – in foreign currency.

The maximum number of credit institutions granting HMLs are located in the Central Federal District, 347, of which 300 – in Moscow; 90 participants are located in the Volga Federal District, of which 20 – in the Republic of Tatarstan. The minimum number of credit institutions, nine, are located in the North Caucasus Federal District.

Against the backdrop of tensions in the financial and foreign exchange markets, **further growth in absolute indicators characterising the volume of granted HMLs was observed**. In the first half of 2014, credit institutions granted 448,529 HMLs for a total amount of 769.5 billion rubles. Their share in the total volume of household loans stood at 18.5% increasing by 4.9 percentage points as compared with the same period last year. The number of granted HMLs rose by 33.4% compared with the first half of 2013, while their volume increased by 41.8% (Chart 1). The average size of granted loans grew from 1.61 million rubles to 1.72 million rubles, amounting to 3.59 million rubles in Moscow. In the first half of 2014, borrowers of the Central Federal District accounted for the largest share of granted HMLs – 31.0% of the total number of HMLs granted in the Russian Federation.

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



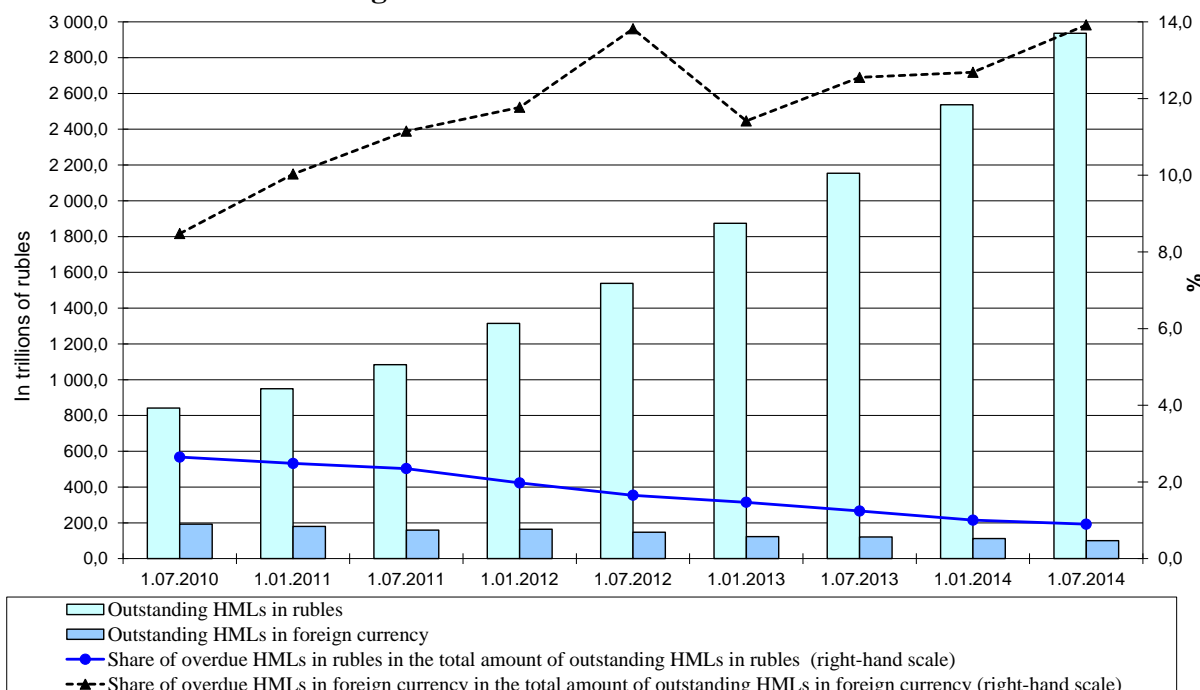
The share of HMLs granted in rubles continued to grow. In the first half of 2014, 448,115 loans were granted in rubles for a total amount of 765.9 billion rubles and 414 loans – in foreign currency for a total amount of 3.7 billion rubles (in ruble terms). The share of ruble loans in the total volume of HMLs increased by 0.9 percentage points year-on-year to reach 99.5%.

HMLs in foreign currency were granted largely to borrowers of Moscow and the Moscow Region accounting for 81.2% of the total volume of loans granted in foreign currency.

Outstanding HMLs in rubles increased further, while outstanding HMLs in foreign currency decreased. As of 1 July 2014, outstanding HMLs in rubles rose by 36.3% year-on-year and those in foreign currency fell by 17.2% to 2,936.2 billion rubles and 100.2 billion rubles (in ruble terms) respectively. The decline of outstanding HMLs in foreign currency was largely due to the early repayment of such HMLs.

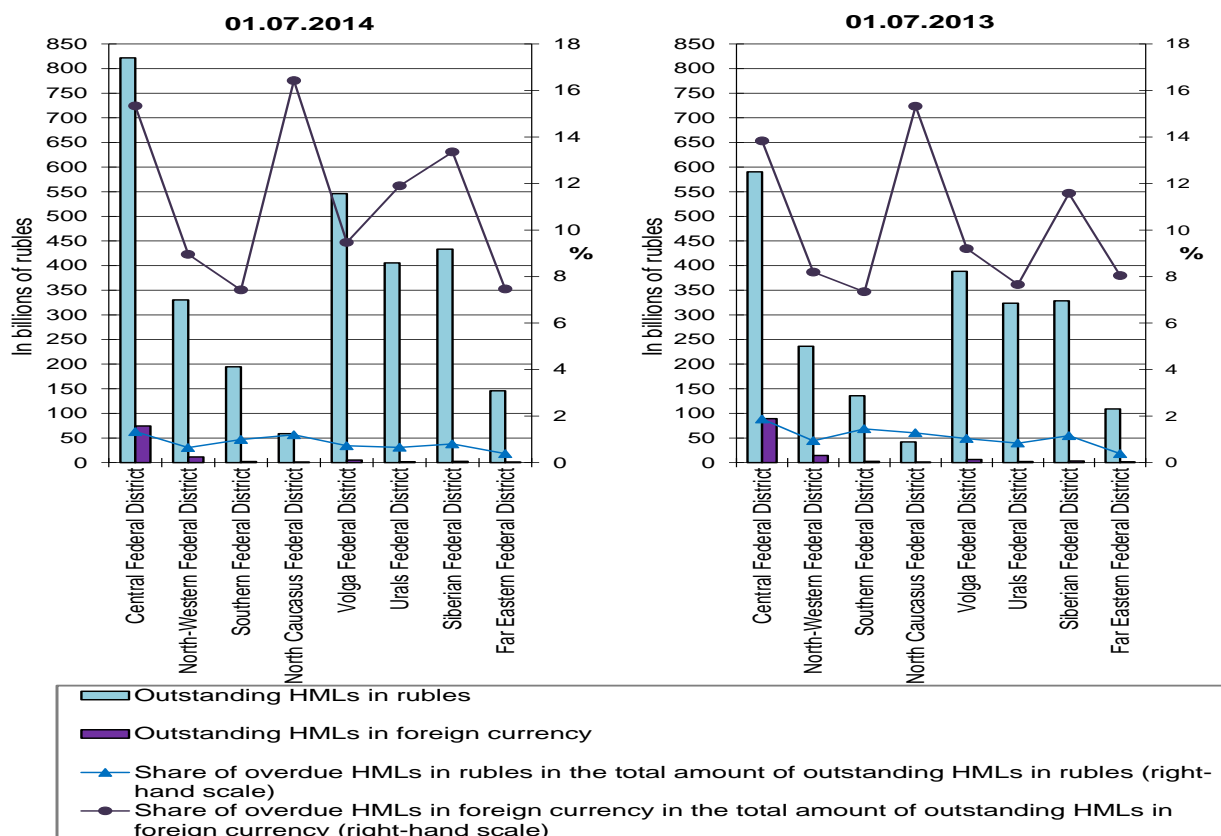
The share of overdue HMLs in rubles in the total outstanding amount continued to decrease, while the share of overdue HMLs in foreign currency went on growing. As of 1 July 2014, the share of overdue ruble HMLs in the total outstanding amount dropped by 0.3 percentage points year-on-year to 0.9%, while that of HMLs in foreign currency grew by 1.3 percentage points reaching 13.9%. In the said period, the overdue amount of HMLs in rubles reduced in money terms by 1.4% and that of HMLs in foreign currency – by 8.1% standing at 26.4 billion rubles and 14.0 billion rubles (in ruble terms) respectively (Chart 2). The share of loans without arrears in the total volume of outstanding HMLs amounted to 95.3% as of 1 July 2014, testifying to the sufficiently high quality of the mortgage portfolio.

Chart 2. Outstanding HMLs and Share of Overdue HMLs



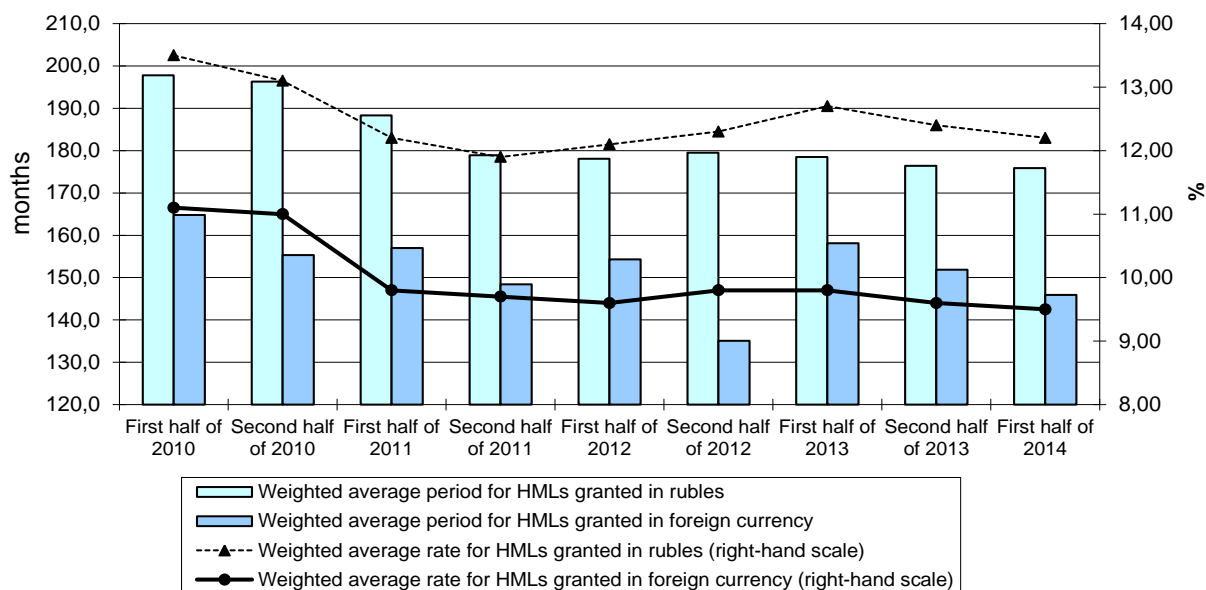
The data on regional structure of outstanding HMLs in rubles and foreign currency, as well as on the share of overdue loans are presented in Chart 3.

Chart 3. Regional Structure of Outstanding HMLs



A decline in weighted average periods and rates for HMLs granted in rubles and foreign currency was registered. In the first half of 2014, the weighted average period for HMLs granted by credit institutions in rubles decreased by three months year-on-year to 176 months (14.7 years) and HMLs in foreign currency – by 12 months to 146 months (12.2 years). Over the same period, the weighted average interest rates on HMLs in rubles fell by 0.5 percentage points to 12.2% and on HMLs in foreign currency – by 0.3 percentage points to 9.5%. The dynamics of weighted average lending periods and interest rates are shown in Chart 4.

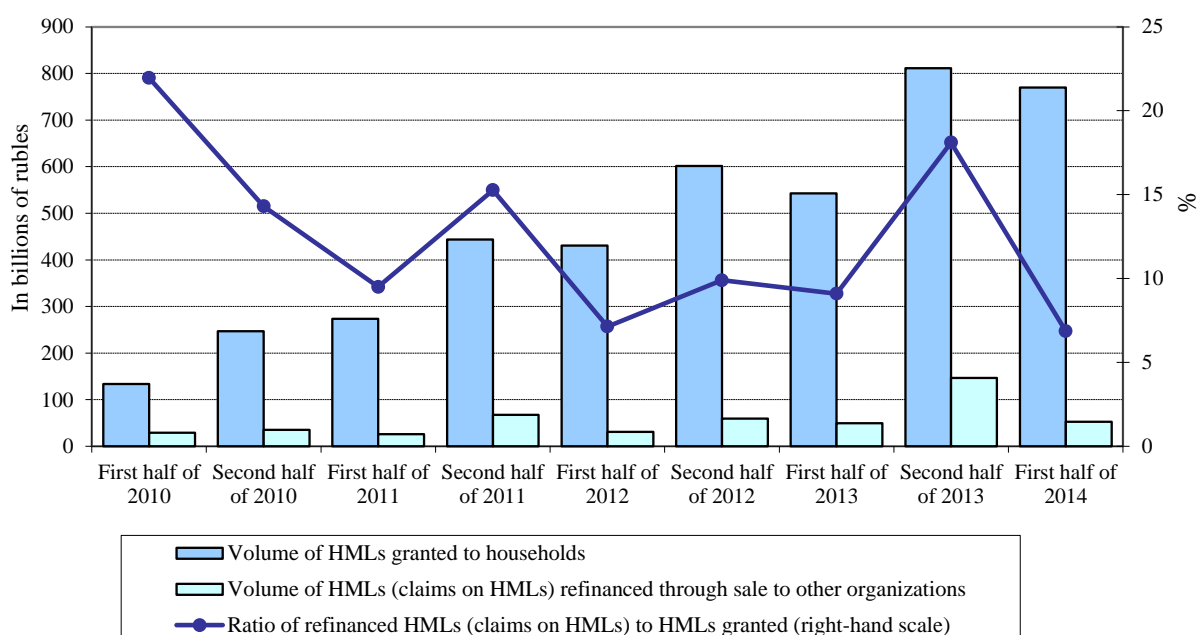
Chart 4. Weighted Average Lending Periods and Interest Rates for Granted HMLs (New Business)



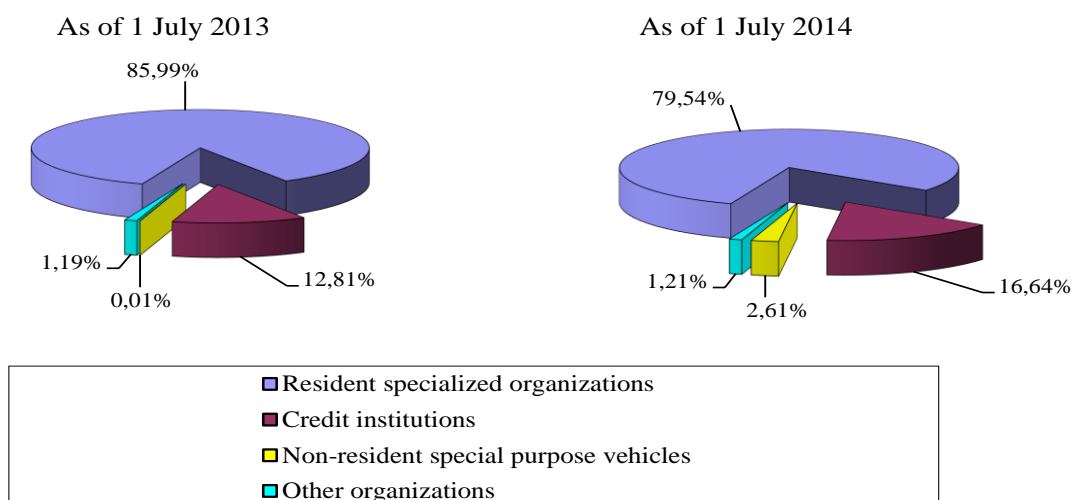
In the first half of 2014, HMLs (claims on HMLs) for an amount of 197.1 billion rubles, including 5.3 billion rubles on claims on HMLs, were repaid ahead of schedule. In the same period of 2013, the amount of early repaid HMLs (claims on HMLs) stood at 145.6 billion rubles. The early repayment was made largely on HMLs (claims on HMLs) granted (acquired) in rubles; this indicator amounted to 184.6 billion rubles. The share of HMLs (claims on HMLs) repaid earlier from the borrowers' own funds accounted for 78.5%. The ratio of early repaid HMLs (claims on HMLs) to granted HMLs stood at 25.6% (26.8% in the same period of 2013).

In the first half of 2014, 118 credit institutions refinanced HMLs (claims on HMLs) by selling them to other institutions for an amount of 52.8 billion rubles (in the first half of 2013, 129 credit institutions for an amount of 49.4 billion rubles). The ratio of refinanced HMLs (claims on HMLs) to granted HMLs stood at 6.9% (Chart 5).

Chart 5. Volume of HMLs Granted to Households and Refinancing of HMLs (Claims on HMLs) through Sale to Other Institutions



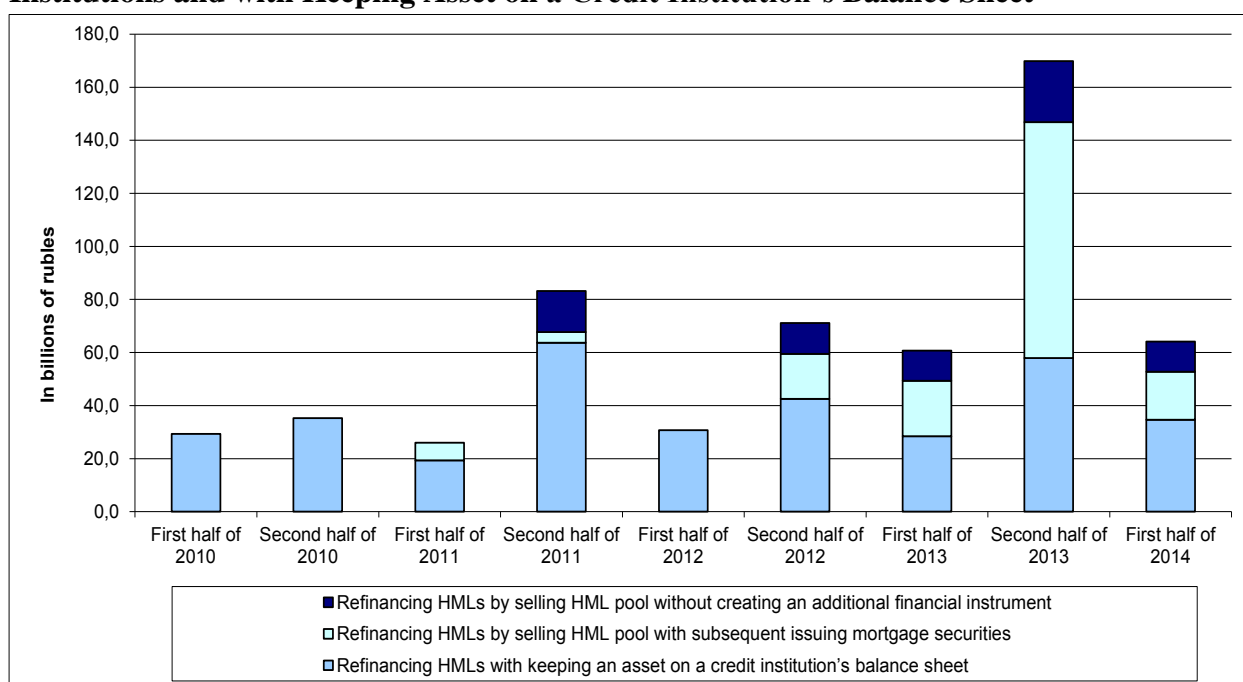
Resident specialized organizations are among the main sources of refinancing HMLs through their sale to other institutions: in the first half of 2014 they accounted for 79.5% of the total volume of refinanced HMLs (claims on HMLs). However, compared with the same period of 2013, the share of operations conducted by resident specialized organizations fell by 6.4 percentage points with the volume of HMLs (claims on HMLs) refinanced by them decreased by 1.1% to 42.0 billion rubles. The share of credit institutions in refinancing sources increased by 3.8 percentage points to reach 16.6%, while the volume of HMLs (claims on HMLs) refinanced by them grew by 39.0% to 8.8 billion rubles. The share of non-resident special purpose vehicles amounted to 2.6% or 1.4 billion rubles and the share of other organizations – 1.2% or 0.6 billion rubles (Chart 6).

Chart 6. Sources of Refinancing HMLs (Claims on HMLs) by Selling Loan Pool, %

In the first half of 2014, the volume of HMLs (claims on HMLs) refinanced through issuing mortgage-backed bonds with keeping an asset on a credit institution's balance sheet amounted to 11.3 billion rubles (the issues were made by two banks).

Thus, in the first half of 2014, almost the entire volume of HMLs (claims on HMLs) was refinanced in the domestic financial market.

The dynamics of the volume of HML refinancing are given in Chart 7.

Chart 7. Refinancing HMLs (Claims on HMLs) with Selling them 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 2014, mortgage-backed bonds of 37 issuers for a total value of 280.28 billion rubles were included in the Bank of Russia Lombard List).