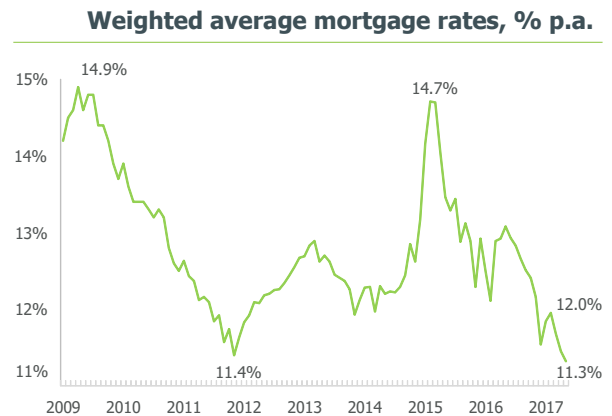




PRELIMINARY MORTGAGE MARKET DATA FOR 1H 2017: HISTORICALLY LOW RATES, RECORD HIGH VOLUMES

AHML: The total volume of mortgage loans issued in 1H 2017 reached the record high of 2014, with Q2 accounting for the bulk of that increase. In May, the mortgage lending market hit a new high, while June estimates confirmed further growth. In total, some RUB 150 bn of mortgage loans (+31%) were issued in Q2 as mortgage interest rates fell to an all-time low.

- In May 2017, mortgage interest rates were cut to **their historic low**, with the average rate standing at 11.3% and rates in the primary and secondary markets – at 10.9% and 11.5%, respectively.
- The trend continued unabated into June, as the leading banks were bringing down their mortgage rates and AHML set the first ever **single-digit** (9.75%) interest **rate** for a wide range of borrowers.
- In June, the rates of Top 15 mortgage lenders went down to 10.2% in the primary market and 10.9% in the secondary market.

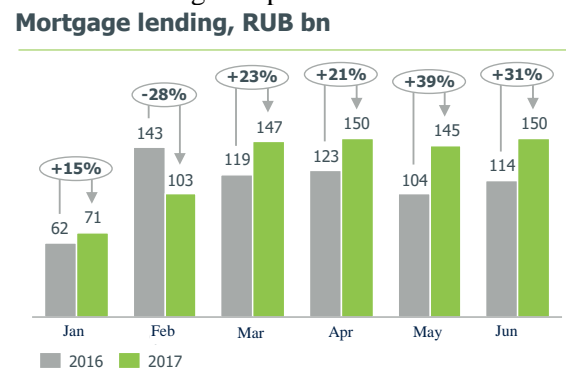


- As a result, growth in the mortgage market exceeded 20% for the fourth month in a row. According to AHML's preliminary estimates, mortgage lending in June 2017 totalled RUB 150 bn (up 31% y-o-y) hitting the historic high for the second month running: the previous record was set in June 2014 with RUB 138 bn of mortgage loans.

- In 1H 2017, over 420 thousand mortgage loans were issued for a total of RUB 765 bn, up 15% y-o-y and **fully in line with the record high of 2014**.

- The current state of the market gives rise to no concerns. The banks' mortgage portfolios have **low overdue debt levels**, with the share of 90+ overdue loans coming in at 2.6% as at 1 June 2017 compared to 3.16% just a year ago.

- As at 1 June 2017, the overall mortgage market¹ reached RUB 4.7 tn, up 37% from the level of late 2014, with overdue loans **denominated in roubles** rising by 32% and **those denominated in foreign currencies falling by 57% or 2.3 times**. **In just five months of 2017, the volume of foreign currency loans overdue went down from RUB 91.9 bn to RUB 73.2 bn**, which proves that the restructuring of the banks' foreign currency mortgage loans was a success. In 5M 2017, banks issued only four foreign currency mortgage loans for a total of RUB 270 m (the average size of RUB 67.5 m), whereas, in 2008, over 17 thousand of issued loans were denominated in foreign currencies.



The preliminary mortgage market estimates are provided by AHML 3–4 weeks prior to the release of the Bank of Russia's official statistics. The estimates rely on the Agency's in-house econometric model, mortgage lender surveys and Frank Research Group data. Thanks to the high quality of AHML's models and analysis methodology, the preliminary estimates are generally confirmed by the official statistics of the Bank of Russia. For example, the preliminary estimates for mortgage lending in May stood at RUB 140 bn, whereas the official data from the Bank of Russia put it at RUB 144.5 bn.

¹ Including mortgage claims purchased by credit institutions