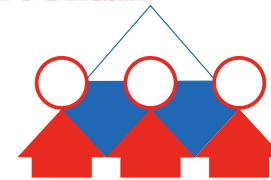


# AHML's role in housing market development and providing housing to low-income families in Russia

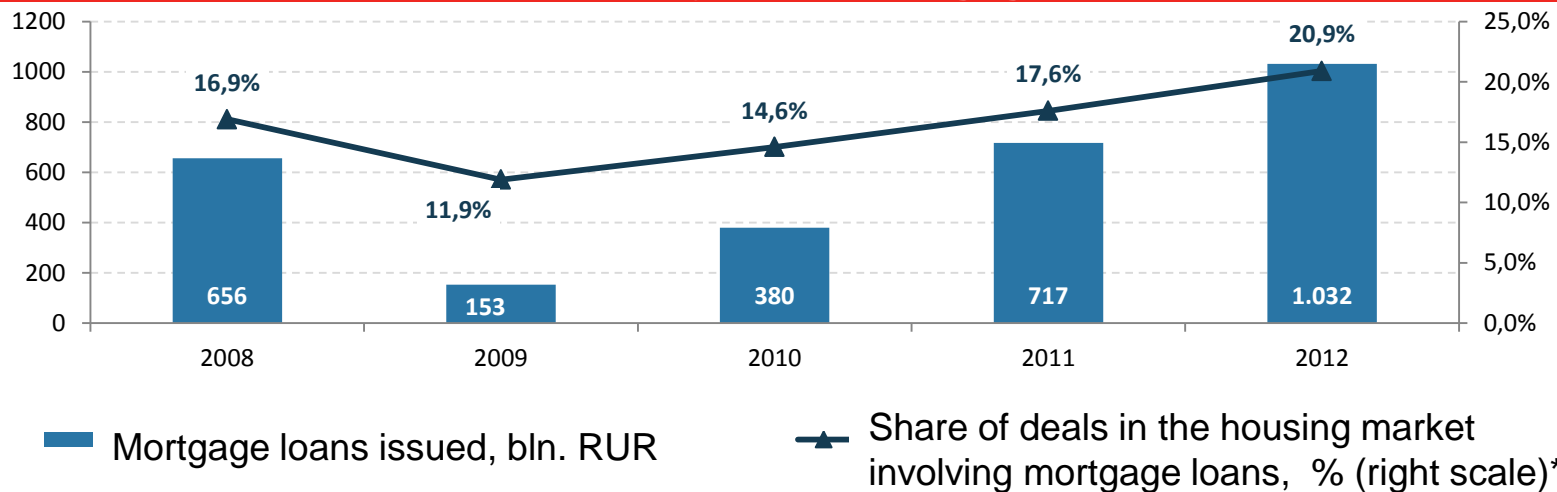
N.Yu. Koltsova, AHML Deputy CEO

2013

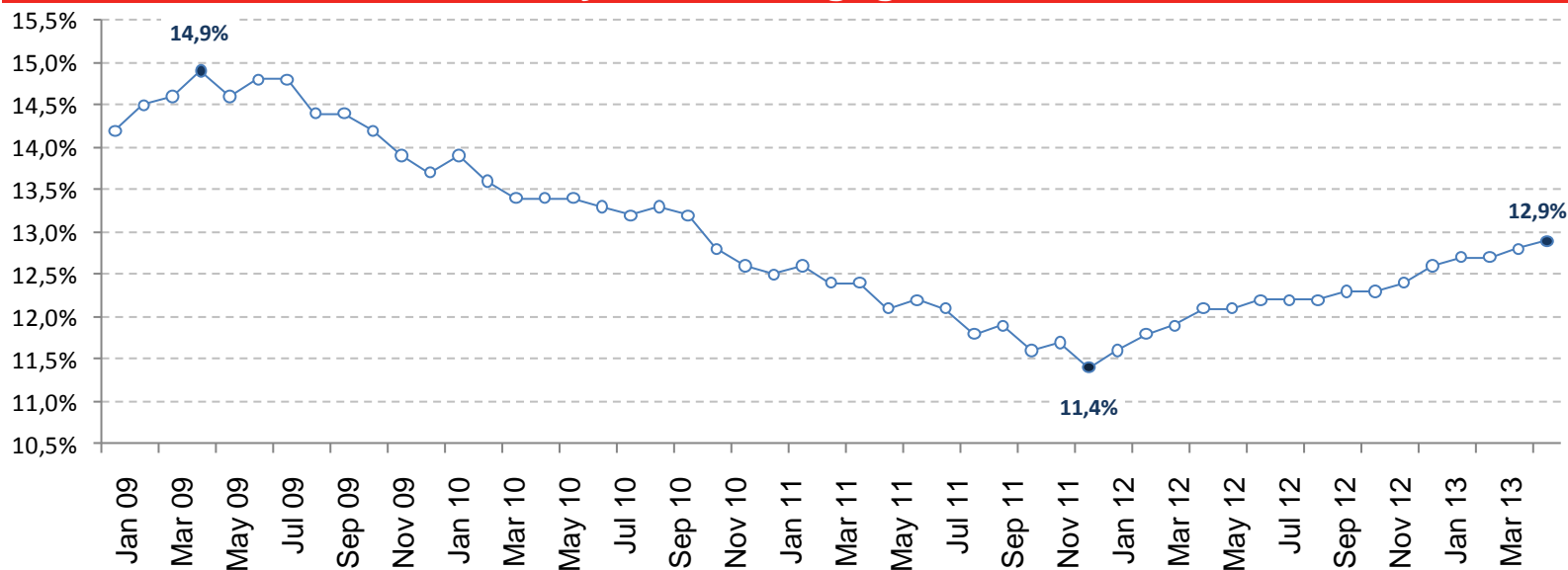
# Russian mortgage market dynamics



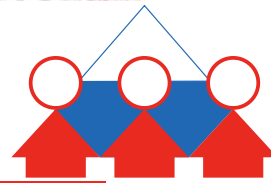
## Post-crisis recovery of the mortgage market



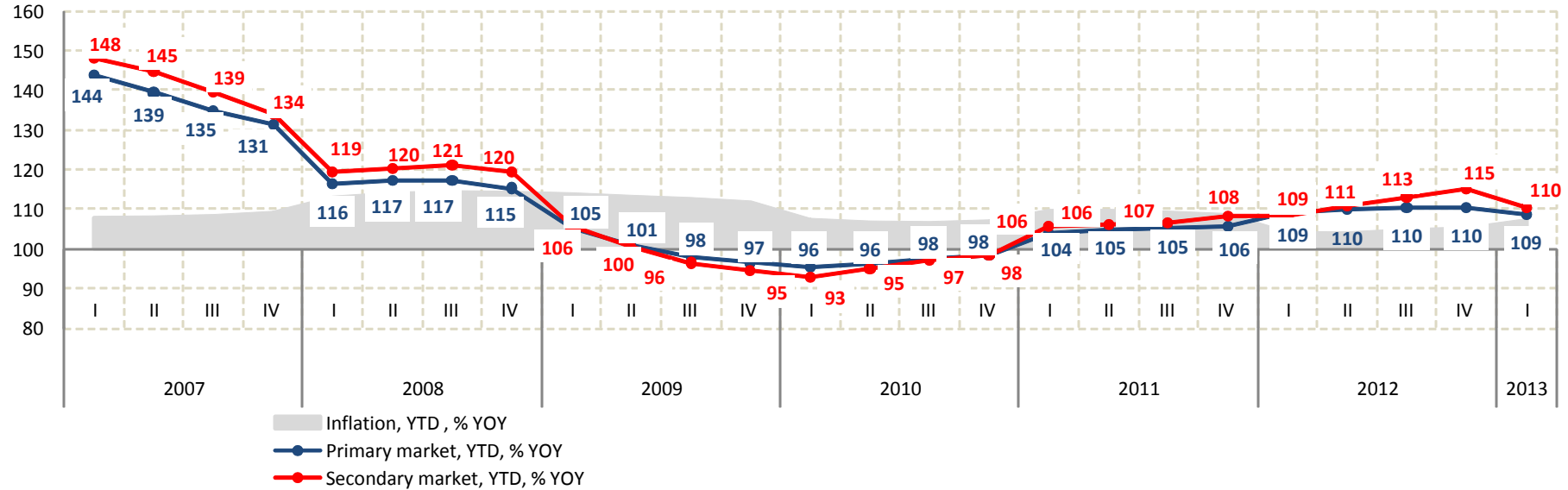
## Monthly ruble mortgage loan rates, %



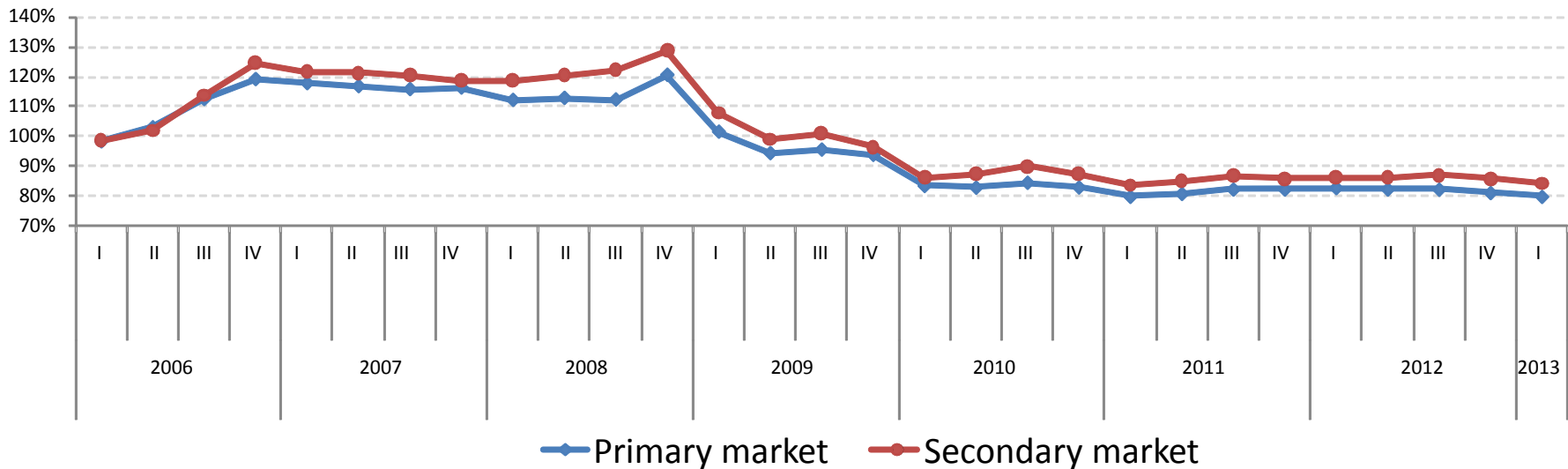
# Housing affordability



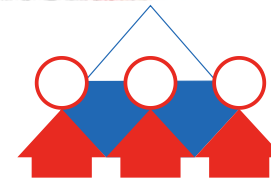
## Housing market price index and inflation, %



## Housing affordability index (2005=100%), %

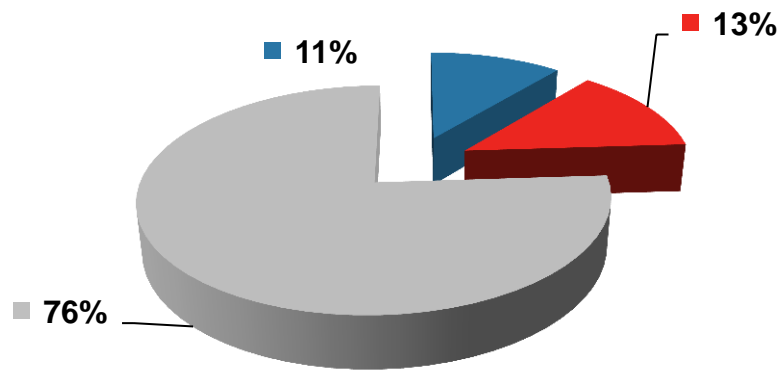


# Features of Russia's housing market and demand



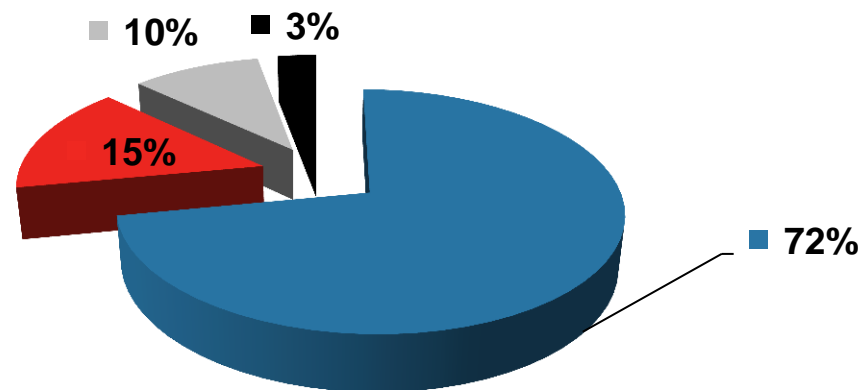
## Demand for housing over the next five years, as self-assessed by the population

- Market demand
- Need, but cannot buy
- Do not plan to buy housing

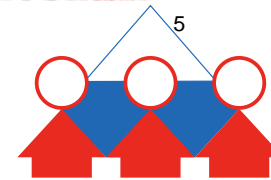


## Households distribution by type of tenure

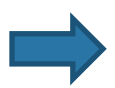
- Own housing
- Municipal or state housing
- Rent from an individual
- Rent from a legal entity



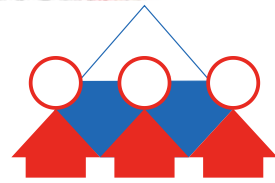
# Target groups of the housing policy



TARGET GROUP	NEED		
	% of total in need of housing	under 13 sq.m. per person	under 20 sq.m. per person
Group 1 - property is available for purchase on the market with a mortgage loan	16,30%	4,60%	11,80%
Group 2 – the market provides for an extension of living space with use of a mortgage loan	14,40%	4,90%	9,50%
Group 3 – no housing improvement is available on the market, even with a mortgage loan, but the households themselves do not belong to the lowest-income category	53,20%	20,20%	33,10%
Group 4 – the lowest-income households	16,00%	8,00%	8,00%
<b>Total</b>	<b>100%</b>	<b>37,60%</b>	<b>62,40%</b>



**Development of subsidies for households of group 2 and development of lease (including social lease) as an alternative to housing ownership for not solvent households of groups 3 and 4.**

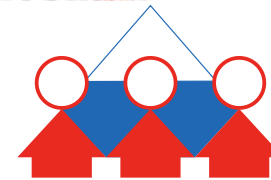


## FEDERAL PROGRAMS

- In the framework of the Federal Target Program "Housing":
  - Downpayment subsidies for young families, young teachers
  - State Housing Certificates (discharged military personnel, firemen, migrants)
- Rental subsidies for certain categories of the population (military personnel, employees of national security agencies, etc.)
- Maternal subsidy (for down payment, loan repayment)

## REGIONAL PROGRAMS

- Interest rate subsidy programs (e.g. Kaliningrad – subsidy for house purchase in the primary market granted to residents of the Kaliningrad Region in need of housing)
- Programs that take over a part of the rental payments (e.g. for health care workers, workers in the field of culture and education)



## Facts

- AHML was founded in 1997 by decision of the Government of the Russian Federation as a national institution for the housing mortgage market development
- Fully owned by the government
  - Included in the list of strategic enterprises of the Russian Federation
- Sovereign investment ratings
  - Moody's: Baa1 (stable outlook)
  - Standard & Poor's: BBB (stable outlook)

## Key areas of activity

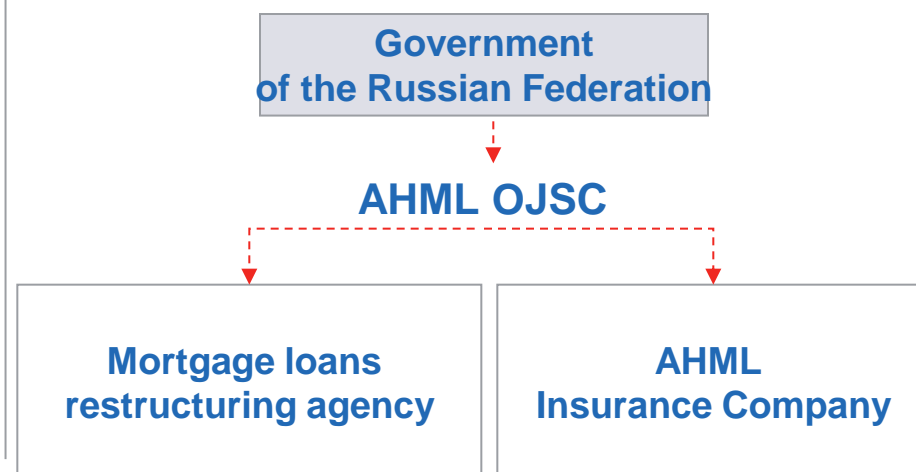
- Providing liquidity to other market participants by purchasing of mortgage loans and mortgage-backed securities
- Providing targeted loans for housing construction
- Increasing availability of mortgage loans for certain categories of citizens
- Credit support through provision of guarantees for issues of mortgage-backed securities
- Development of mortgage insurance market

## Key financial indicators

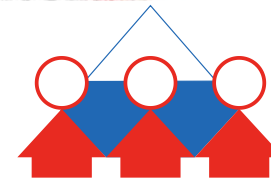
bln. RUR	2010	2011	2012
<b>Assets</b>	197.5	268.9	295.8
- Mortgages	131.9	156.8	187.0
- Mortgage-backed securities	4.7	8.0	20.9
<b>Equity</b>	106.9	114.0	121.0
<b>Net profit</b>	7.3	8.0	8.3

Source : AHML IFRS

## Structure of AHML Group



# AHML standards and programs for certain categories of population

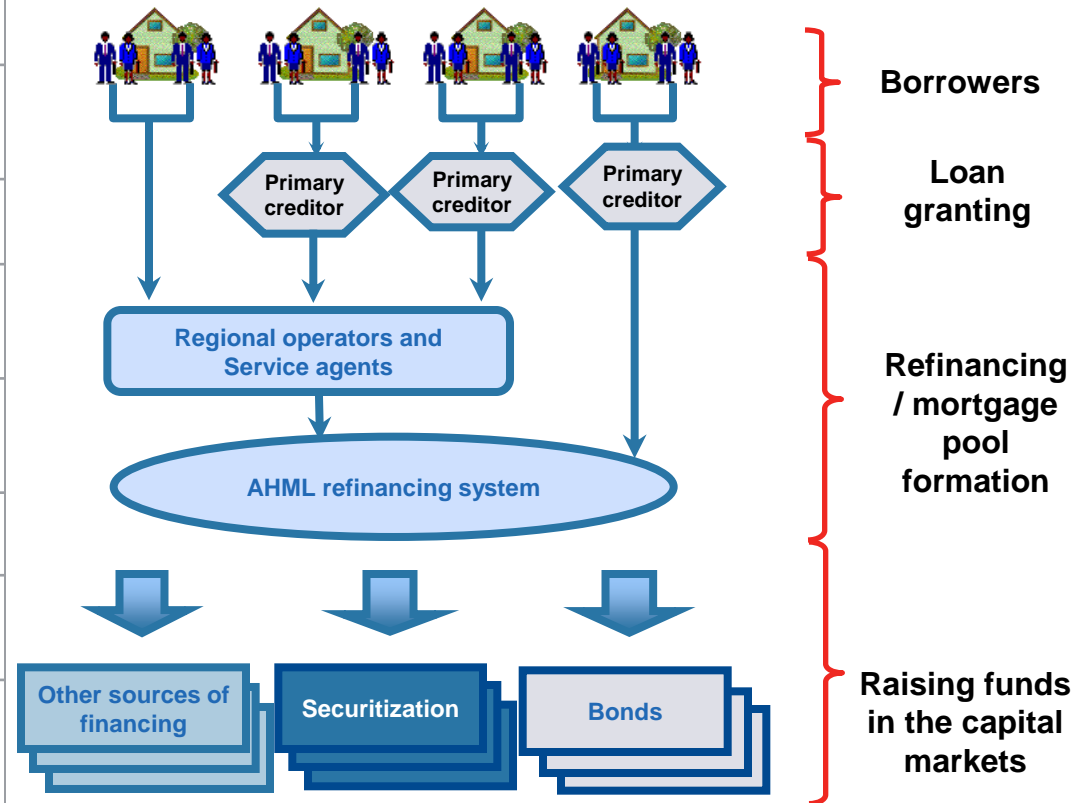


## AHML standards

<b>Currency</b>	Rubles
<b>Down payment</b>	Min 30% (min. 10% subject to mortgage insurance)
<b>Maximum loan amount</b>	Depends on the region and LTV
<b>Maximum loan period</b>	30 years (loan maturity date must occur no later than the borrower reaches the age of 65)
<b>Payment-to-income ratio</b>	Maximum 45% (the remaining borrower income shall be no less than one minimum living wage per person)
<b>Documents</b>	Official confirmation of employment and income
<b>Insurance</b>	Property insurance is obligatory, life insurance - optional

## Key specialty products

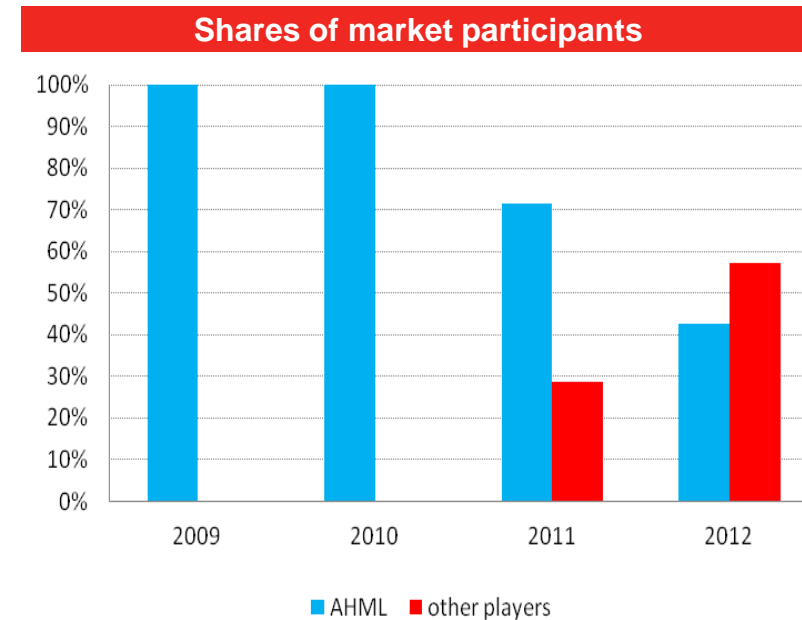
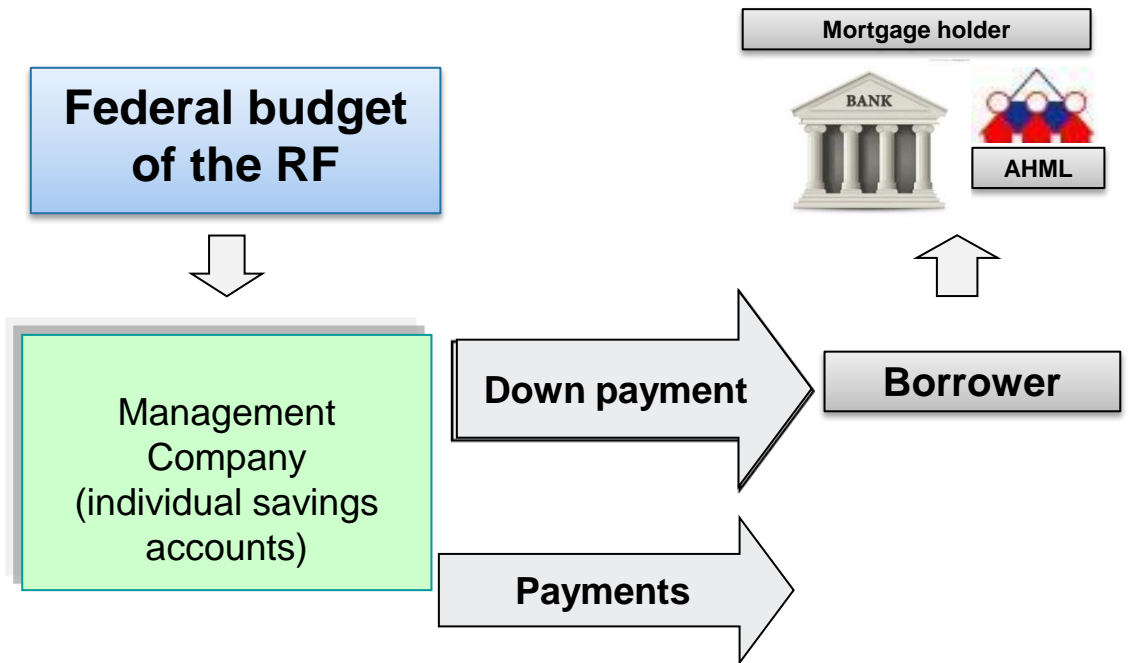
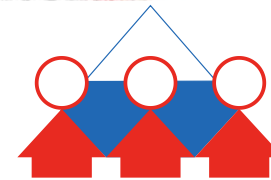
- Military mortgage loan
- Maternal subsidy loan
- Newly built house loan
- Low-rise housing loan
- Loan for Young scientists
- Loan for Young teachers



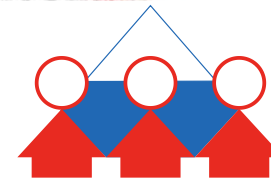
Source: AHML



# Key Principles of Military Mortgage Plan



- Provision of savings contributions to military servicemen is governed by the corresponding Federal Law.
- The loan amount does not depend on the military serviceman income.
- The plan allows military servicemen to purchase housing with little or no involvement of own funds.
- Interest rates under the Military Mortgage Plan are lower than the market rates.
- The agency was the first to start implementing the program in 2007 as part of trial implementation. Then, market players – major state and private banks – followed.



# Rental Housing, AHML's new activity

## **MECHANISM:**

- Long-term mortgage loans to legal entities (housing companies) for the purpose of purchasing rental property

## **TARGET GROUP:**

- Governments of regions and towns of Russia, large enterprises, investors in rental housing

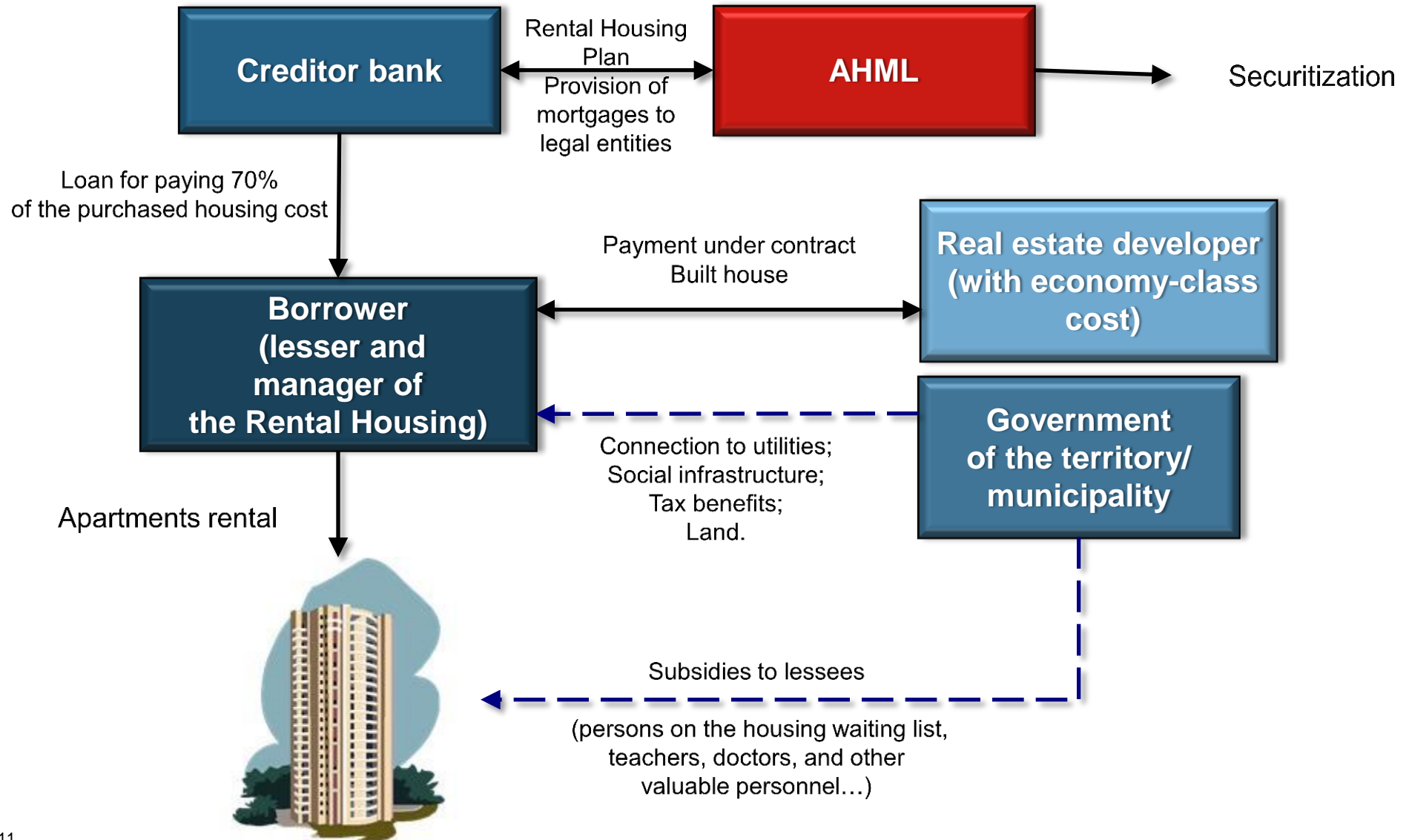
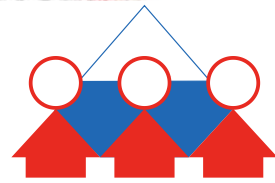
## **GOAL:**

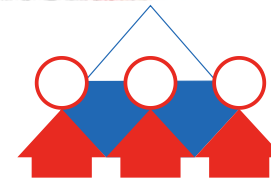
- Creation/ enlargement of the housing rental market by housing companies/ legal entities
- Increase housing construction volumes
- Defuse the housing "queue" problem, reduce social tensions
- Create conditions for growth of population migration activity and ensure influx of labor in cost-effective industries and regions
- Create conditions for the efficient management of an apartment house by a single owner of all the apartments.

## **FEATURES:**

- The product can be combined with federal, regional and local programs for commercial housing development, including:
  - preferential allocation of land plots
  - financial participation of budgets of all levels
  - compensation of interest on infrastructure and construction loans
  - legal entity mortgage guarantees
  - subsidies to individuals.

# Rental Housing Plan





## **Key drivers for improving the availability of mortgage loans:**

- National currency
- Targeted subsidies
- Macroeconomic stability
- Funding cost reduction
- Lower operating and credit margins of market participants
- Assistance programs for borrowers

## **Key drivers of housing availability improvement:**

- Macroeconomic stability
- Development of the rental housing sector and social rent
- Lower developers' costs at the stage of project registration
- Public-private partnership