



State Bank of Pakistan

Quarterly Housing Finance Review

For the Quarter ended June 30, 2016



Infrastructure, Housing and SME Finance
Department,
State Bank of Pakistan (SBP)

The Team

Team Leader

Mr. Ghulam Muhammad - Director

Members

Dr. Muhammad Saleem - Additional Director

Mr. Awais Shafi Mojai – Assistant Director

Executive Summary

The Infrastructure, Housing & SME Finance Department of State Bank of Pakistan presents its Quarterly Housing Finance Review for June, 2016 to reflect data on housing finance, collated on quarterly basis from public sector banks, private banks, Islamic banks, foreign banks, and DFIs. It portrays trend of different parameters pertaining to housing finance like disbursements, outstanding NPLs and recoveries. At present, twenty four banks, House Building Finance Company Limited (HBFCL) and one microfinance bank are catering to the housing finance needs.

During current quarter, overall housing finance portfolio stood at Rs. 65.70 Billion as of June 30, 2016; an increase of 4.35 percent over the quarter. HBFCL remained the largest shareholder, in terms of gross outstanding, with the share of 24 percent. However, based on category, Islamic Banks remained the largest players with 38 percent share in gross outstanding. Fresh disbursement for the quarter accounted for Rs. 6.08 billion with 1,213 borrowers. Furthermore, HBFCL, being the largest player in the housing finance market, accounted for 52.55 percent of new borrowers and contributed 18.05 percent of the new disbursements equivalent to Rs. 1.10 billion. Islamic banks disbursed Rs. 3.30 billion. The major portion of total outstanding remained directed towards “Outright Purchase” category as 65.52 percent of gross outstanding was used to finance this category of housing loans. It was followed by “Construction” and “Renovation” products with 23.32 and 11.16 percent respectively.

During the quarter ending June 30, 2016, Islamic banks and HBFCL remained active in extending housing finance. This rise in disbursements is reflection of efforts to create enabling environment for housing finance in Pakistan. This will be instrumental in increasing economic growth through positive changes in 40 industries allied to housing sector. Overall trends show that Housing finance in Pakistan is gradually growing.

Moreover, the current issue of quarterly housing finance review has been enriched with new dimensions to further strengthen the analysis and provide useful insights in market segmentation of existing housing finance portfolio. Specifically, bifurcation of Gross outstanding, NPLs, Disbursements and Number of borrowers, in terms of gender and income source, has been made part of this quarterly publication.

Contents

Major Trends	1
Gross Outstanding	1
Breakup of Total Outstanding in terms of loan size:	2
Breakup of Total Outstanding in terms of gender:	2
Breakup of total Outstanding in terms of income source:	2
Share of Banks	3
Non-Performing Loans (NPLs)	4
Breakup of NPLs in terms of loan-size:	5
Number of Borrowers	6
Disbursements	7
Breakup of Disbursements in terms of loan size:	7
Breakup of Disbursements in terms of gender:	7
Breakup of disbursements in terms of income source:	8
Products Category-Wise Share	9
Analysis of Financing Variables adopted by Banks/DFIs and HBFCL	10
Weighted average Markup rate	10
Average maturity periods	10
Loan to Value ratio (LTV)	10
Average loan size	11
Housing Finance Business of Microfinance Banks:	11
Gross Outstanding	11
Number of Borrowers	11
Non-Performing Loans	11
Mortgage to GDP Ratio:	11
Acronyms	12

Major Trends

Gross Outstanding

The gross outstanding finance as on June 30, 2016 of all banks and DFIs stood at Rs. 65.70 billion (Figure 1), compared to Rs. 62.96 billion in previous quarter, showing an increase of Rs. 2.74 billion (4.35 percent) over the quarter. Over the year, housing finance portfolio showed an impressive growth of 17.11 percent.

Banking sector-wise gross outstanding on quarters ending June 2015 and June 2016 are shown in Figure 2. Islamic Banks reported Rs. 25.07 billion followed by Private banks at Rs. 19.79 billion, public sector banks at Rs. 5.13 billion and others (Foreign Banks and other DFIs excluding HBFCL) with Rs. 0.25 billion. The outstanding loans of HBFCL were Rs. 15.46 billion; up by 16.15 percent over last year. The data confirms that primary housing finance market in Pakistan is gradually growing which is a very positive sign for the economy. It also confirms that Banks in Pakistan are taking interest in mortgage finance.

Islamic and Private Banks remained major contributors in gross outstanding of housing finance during the year. Islamic Banks showed an increase of 10.76 percent from previous quarter and reached to Rs. 25.07 billion by the end of June 2016.

The gross outstanding housing finance of Islamic Banking Industry (Five Islamic Banks (IBs) & fourteen Islamic Banking Divisions (IBDs) of Conventional Banks) stood at Rs. 28.38 billion as on June 30, 2016. Compared to quarter ended March 2015, gross outstanding of Islamic Banking Industry increased by 9.36 percent as shown in Figure 3. Islamic Banking Industry has maintained the increasing trend throughout the year.

Figure 1 (Amount in Rs. Billion)

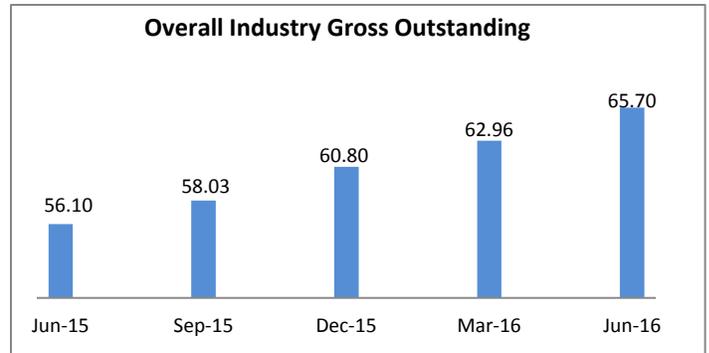


Figure 2 (Amount in Rs. Billion)

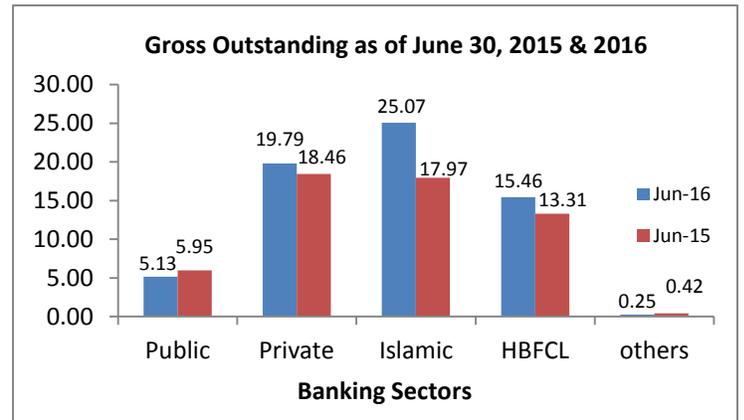
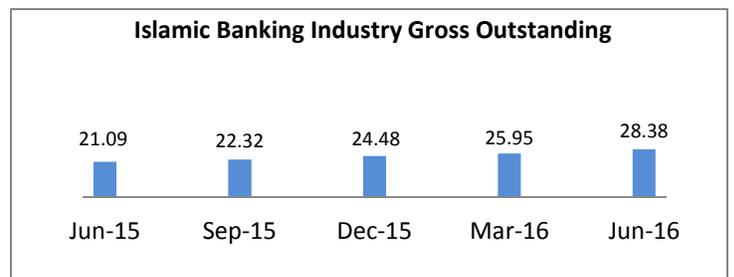


Figure 3 (Amount in Rs. Billion)



Breakup of Total Outstanding in terms of loan size:

Figure 4 shows the breakup of total outstanding in terms of loan size. As of June 30, 2016, HBFCL and All Banks & DFIs reported outstanding loans net of NPLs in the category 'Up to Rs. 1 million' as Rs. 4.17 billion and Rs. 1.33 billion respectively. In second category 'Above Rs. 1 Million to Rs. 5 Million', HBFCL reported Rs. 4.55 billion and all Bank & DFIs reported Rs. 10.44 billion outstanding. In the third category 'Above Rs. 5 Million', HBFCL reported Rs. 2.66 billion and all Banks & DFIs reported Rs. 29.80 billion outstanding. This reflects that major chunk of total outstanding in housing finance falls under the category "Above Rs. 5 M". Furthermore, it also shows that HBFCL has large portion of its portfolio in small-sized loans (Up to Rs. 1 M) compared to other institutions that are tilted towards larger loan size (Up to Rs. 5 M & above).

Breakup of Total Outstanding in terms of gender:

For the quarter ended June 30, 2016, 8.60 percent of total outstanding remained directed towards female borrowers and remaining 91.40 percent towards male borrowers (Figure - 5).

Breakup of total Outstanding in terms of income source:

Figure 6 reflects that housing finance is extended to borrowers with variety of income sources with the major chunk directed towards the salaried individuals with 58.54 percent of the total outstanding amount. This is followed by the borrowers with the primary source of income derived from business standing at 31.04 percent. Moreover, 10.43 percent of total outstanding remained with self-employed borrowers.

Figure 4 (Amount in Rs. Billion)

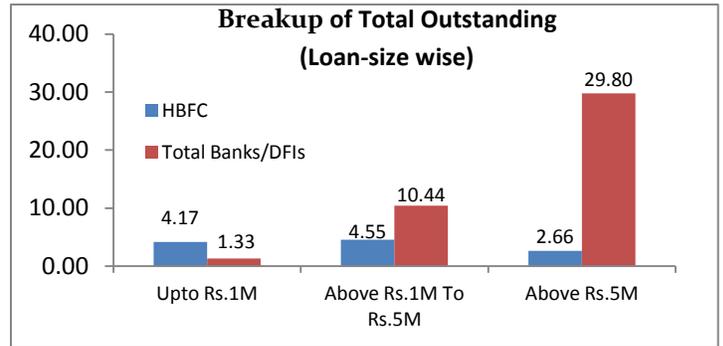


Figure 5 (Percentage)

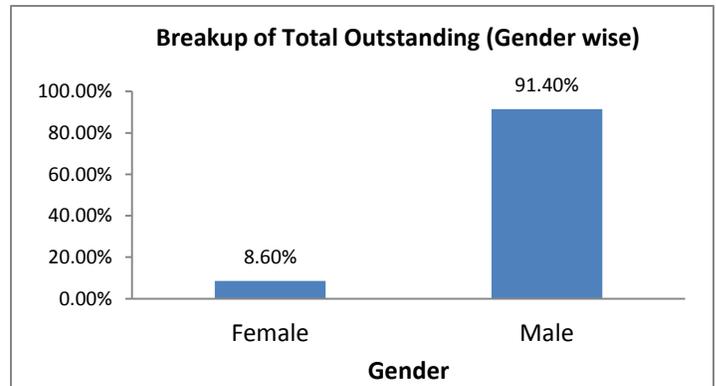
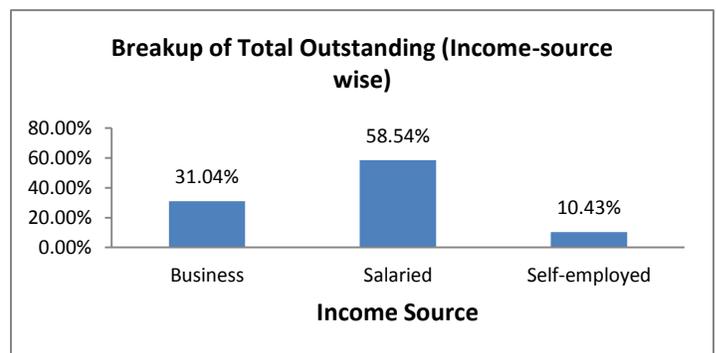


Figure 6 (Percentage)



Share of Banks

The share of Private Banks, Islamic Banks and HBFCL in the gross outstanding was 30 percent, 38 percent and 24 percent respectively as on June 30, 2016. IBDs (14 windows) and IBs (05 banks) have 12 percent and 88 percent share respectively in housing finance portfolio of Islamic Banking Industry (Figure 7.1). Compared to previous quarter, market share of Conventional Banking decreased and that of Islamic Banking Industry increased by 2 percent at 57 percent and 43 percent during current quarter respectively (Figure 7.2).

Figure 7

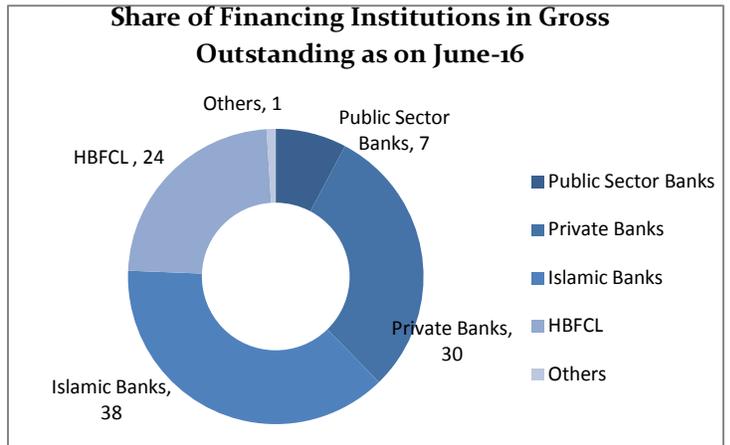


Figure 7.1

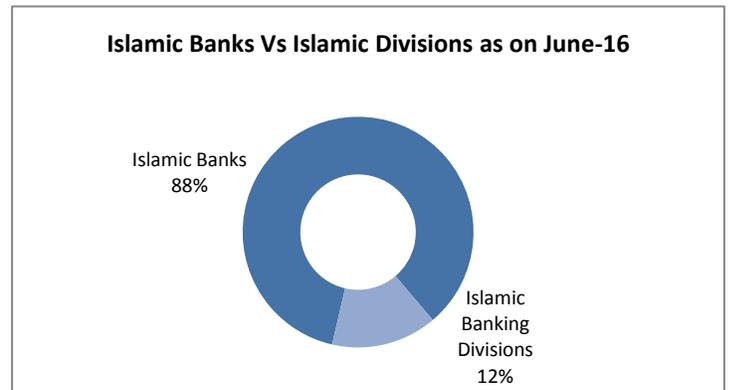
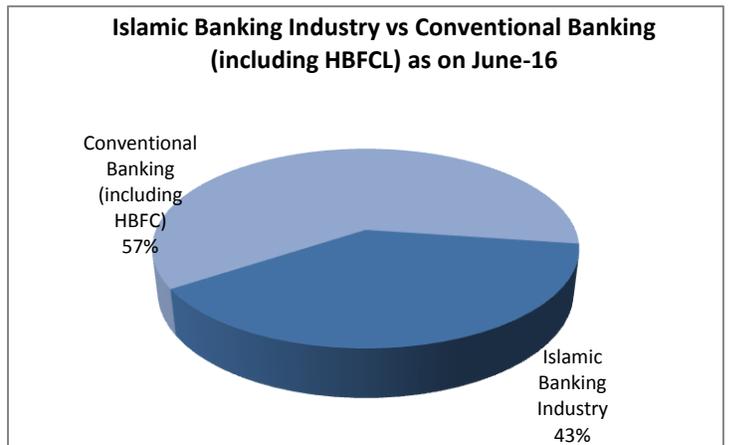


Figure 7.2



Non-Performing Loans (NPLs)

NPLs as a percentage of outstanding portfolios at the end of quarters on June, 2015 and 2016 are given in Figure 9 showing decreasing trend from Rs 13.48 to Rs 12.75; a marked decrease of 5.4 percent. While, a comparison of existing NPLs status of different banking sectors with last year is given in Figure 10.

HBFC's NPLs decreased by Rs. 0.1 billion (2.38 percent) over the last quarter. Furthermore, HBFC's percentage share of NPLs in its total outstanding has decreased by 7.4 percentage points over the year. At the end of current quarter, 26.37 percent of its total outstanding constitutes NPLs (Figure 9). HBFC's percentage share in total NPLs was 32.16 percent.

The percentage share of NPLs of all banks and other DFIs (excluding HBFC) was 67.84 percent in total NPLs as on June 30, 2016.

Among banks, as shown in Figure 10, NPLs of Islamic banks marginally increased during the year and stood at Rs. 1.51 billion. Their NPLs constituted 11.84 percent of total industry NPLs as of June 2016. NPLs of the public sector banks decreased by 21.43 percent from Rs. 1.96 billion to Rs. 1.54 billion, over the year, which remained 30.04 percent of their gross outstanding as on June, 2016. Private Banks' NPLs increased by 2.66 percent; from Rs. 5.27 billion to Rs. 5.41 billion. NPLs of other Financial Institutions decreased to Rs. 0.21 Billion over the year.

NPLs for Islamic Banking Industry (IBs & IBDs) shown in Figure 11 were reported as Rs. 1.83 billion on June 30, 2016, which were Rs. 1.64 billion at the end of March, 2016, showing an increase of 11.58 percent over the quarter.

Figure 8: (Amount in Rs. Billion)

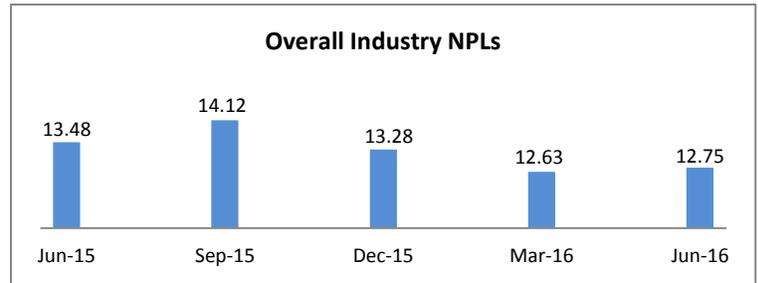


Figure 8.1: (Amount in Rs. Billion)

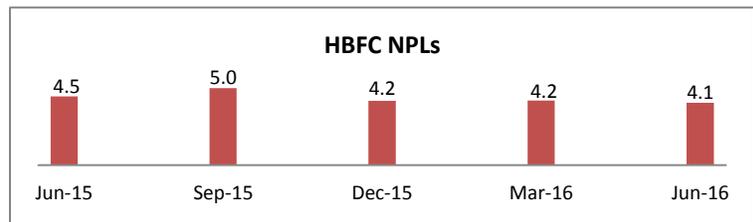


Figure 9 (Percentage)

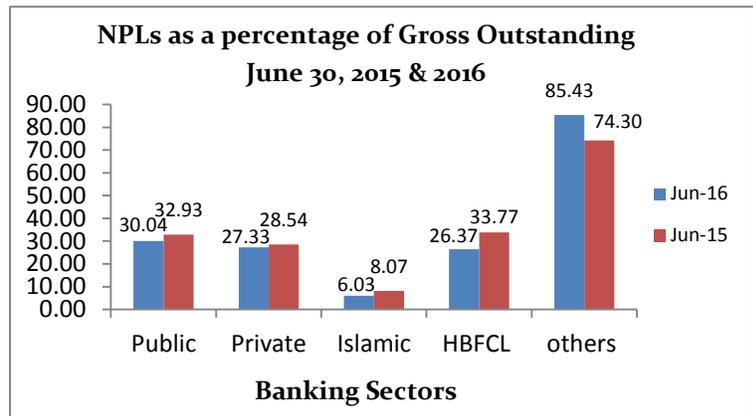
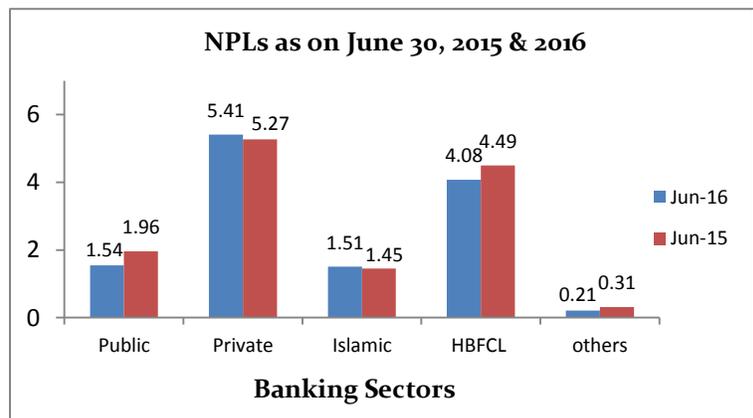


Figure 10 (Amount in Rs. Billion)



Breakup of NPLs in terms of loan-size:

Figure 12 shows the breakup of NPLs in terms of Loans disbursed i.e. up to Rs. 1 million, above Rs. 1 million to Rs. 5 Million and above Rs. 5 million. As of June 30, 2016, Rs. 3.68 billion against 33,141 borrowers was recorded as NPLs in the category of ‘up to Rs. 1 Million’ out of which Rs. 3.32 billion belonged to HBFCL and Rs. 0.37 billion was reported by All Banks & DFIs. In the second category ‘Above Rs. 1 million to Rs. 5 million’, total defaulters were 1,632 with an amount Rs. 3.24 billion, out of which Rs. 0.57 billion was reported by HBFCL and Rs. 2.67 billion were reported by All Banks & DFIs. In the third category ‘Above 5 Million’, total NPLs were Rs. 5.50 billion against 671 borrowers. Out of these, Rs. 0.19 billion were of HBFCL and Rs.5.64 belonged to All Banks & DFIs.

Figure 11 (Amount in Rs. Billion)

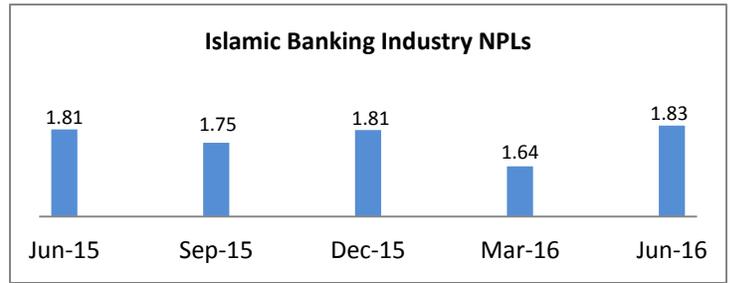
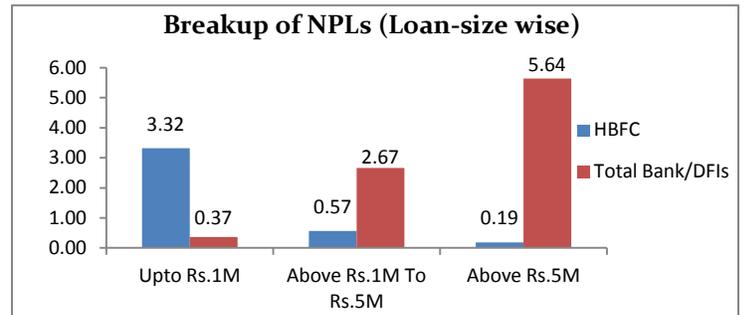


Figure 12 (Amount in Rs. Billion)



Number of Borrowers

Number of borrowers decreased from 70,080 to 68,275 since June, 2015; largely due to decrease in NPL borrowers. Number of NPL borrowers decreased from 38,064 in June 2015 to 35,444 in June 2016; a decrease of 6.8 percent over the year.

Moreover, 10.60 percent of total outstanding borrowers were female and 66.62 percent had primary source of income as *salary*.

Figure 13 (Number of Borrowers)

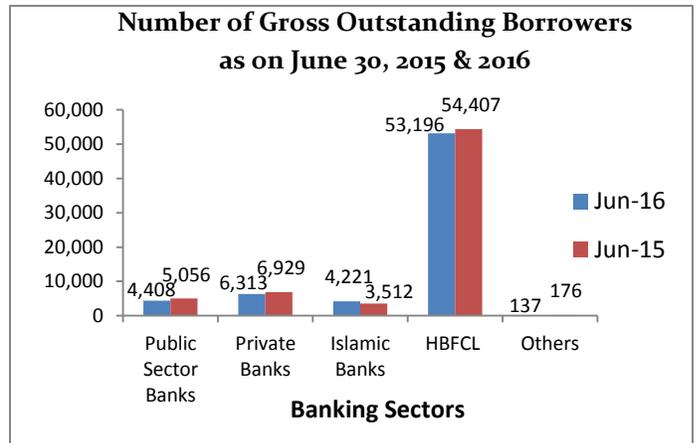


Figure 14 (percentage)

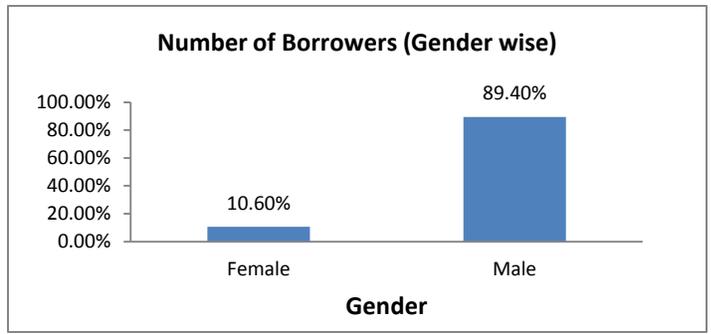


Figure 15 (percentage)

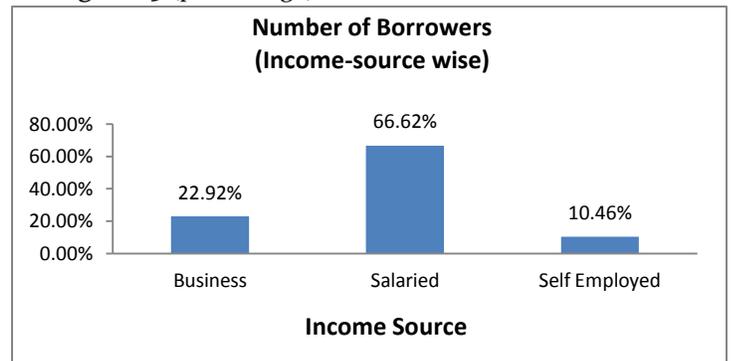


Table 1

Banks/DFIs	June - 16			June- 15		
	No. Active Borrowers	No. of Borrowers classified as NPLs	Total O/s Borrowers	No. Active Borrowers	No. of Borrowers classified as NPLs	Total O/s Borrowers
Public Sector	3,680	728	4,408	4,015	1,041	5,056
Private Banks	4,824	1,489	6,313	5,282	1,647	6,929
Islamic Banks	3,920	301	4,221	3,249	263	3,512
HBFCL	20,387	32,809	53,196	19,419	34,988	54,407
Others	20	117	137	51	125	176
Total	32,831	35,444	68,275	32,016	38,064	70,080

Disbursements

Fresh disbursements of Rs. 6.08 billion (Figure 18) were made to 1,213 borrowers during the quarter ending June 30, 2016 (Table 2). Over the year, total disbursement made by banks & DFIs amounted to Rs. 26 billion. Islamic banks extended new disbursements of Rs. 3.30 billion followed by Private Bank's fresh disbursements amounting to Rs. 1.58 billion. HBFCL and Public Sector Banks reported fresh disbursement of Rs. 1.10 billion (Figure 19) and Rs. 97 million respectively.

Among commercial banks, the number of new borrowers totaled 575, with Islamic banks serving 336 new borrowers, private banks serving 203 and Public Sector Banks 36 new customers. HBFCL extended loans to 638 new borrowers during the quarter under review.

Fresh disbursement for Islamic Banking Industry was Rs. 3.60 billion to 372 new borrowers during the quarter ended June 30, 2016. This includes new disbursements of Rs. 297.36 million to 36 customers by IBDs of conventional banks.

Breakup of Disbursements in terms of loan size:

Figure 20 shows the disbursement break-up in terms of loan size. Commercial Banks/DFIs (excluding HBFCL) disbursed Rs. 4.12 billion in terms of loans above Rs. 5 million and Rs. 0.04 billion against the category up to Rs. 1 million during the quarter under review.

Breakup of Disbursements in terms of gender:

7.12 percent of the total disbursements amounting to Rs 6.10 billion were extended to female borrowers during the quarter ended June 30, 2016. Male borrowers accounted for 92.88 percent of the total disbursement made during current quarter (Figure 21).

Figure 16: (Amount in Rs. Billion)

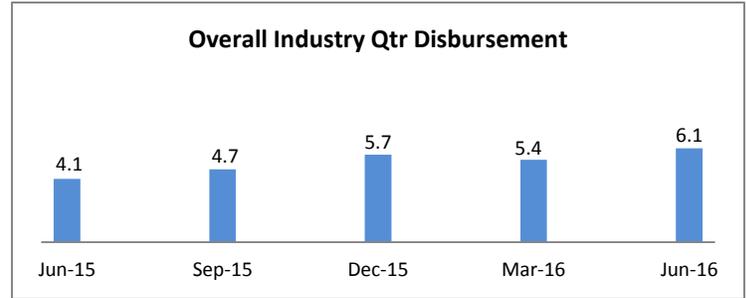


Figure 17: (Amount in Rs. Billion)

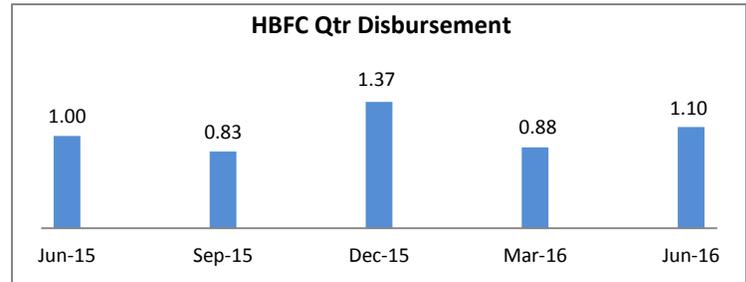


Figure 18 (Amount in Rs. Billion)

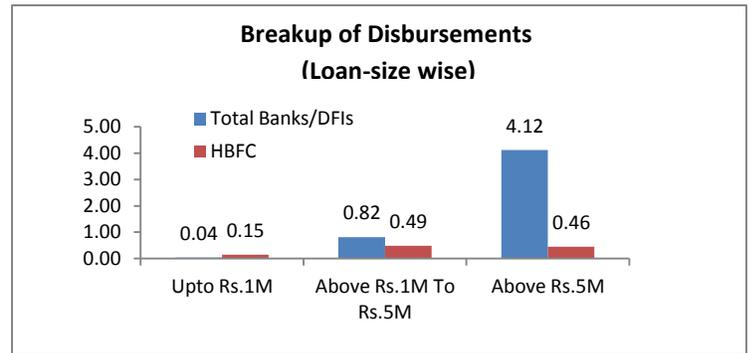
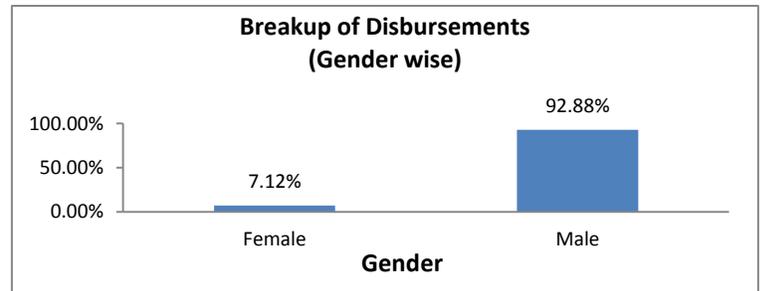


Figure 19 (Percentage)



Breakup of disbursements in terms of income source:

During current quarter, 26.80 percent of the disbursement amount was extended to borrowers with primary source of income declared as Business, 67.98 percent was extended to the borrowers with primary source income as Salary and 5.22 percent of current quarter disbursement was extended to Self Employed borrowers. In line with the trend witnessed in total outstanding, salaried borrowers represent the highest proportion (Figure 22).

Figure 20 (Percentage)

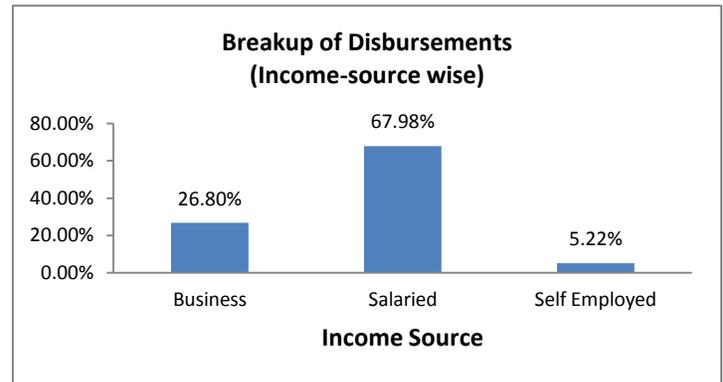


Table 2

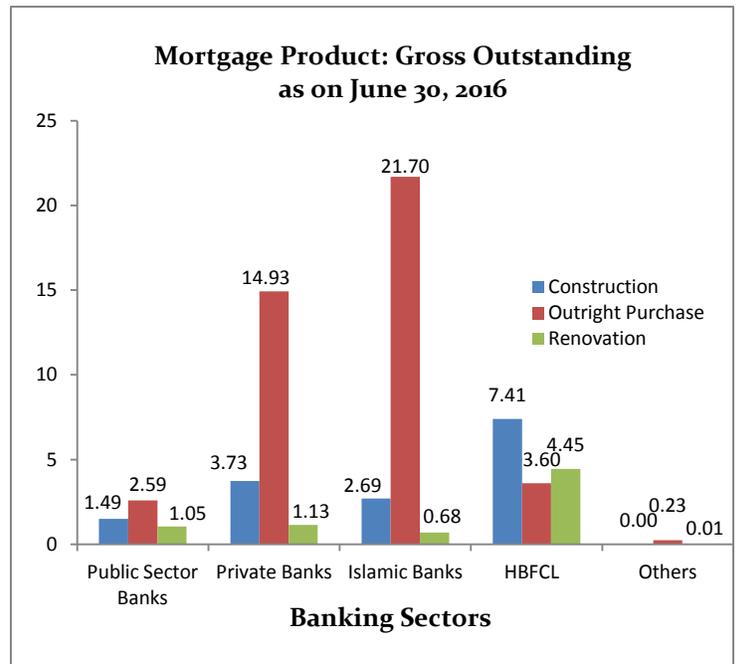
New Disbursements during the quarter ending June 30, 2016		
	Amount (Rs. Millions)	No. of Borrowers
Public Sector Banks	97	36
Private Banks	1,584	203
Islamic Banks	3,304	336
HBFCL	1,098	638
Total	6,083	1,213
Islamic Industry	3,601	372

Products Category-Wise Share

The biggest share of housing finance continued to be attracted towards outright purchase (Figure 23).

The gross outstanding for 'outright purchase' stood at Rs. 43.05 billion as on June 30, 2016; a 65.52 percent share in gross outstanding of Rs. 65.70 billion. This is followed by the 'construction' category where gross outstanding reported at quarter-end stood at Rs. 15.32 billion and that of 'renovation' stood at Rs. 7.33 billion. Active portfolio shows that Islamic Banks took a lead in financing for outright purchase at 50.40 percent followed by Private Banks that have the share of 34.67 percent in outright purchase financing. HBFCL has taken lead in financing two sectors i.e. construction category 48.33 percent and renovation category 60.73 percent.

Figure 21 (Amount in Rs. Billion)



Analysis of Financing Variables adopted by Banks/DFIs and HBFCL

Tables 3 to 6 summarize financing variables across all banking sectors including weighted average mark-up rate, average maturity period, Loan-to-Value ratio (% financing by banks) and average loan size.

Weighted average Markup rate

The overall weighted average Markup rate was 9.8 percent at the end of the current quarter as shown in Table 3. Highest weighted average profit rate was reported at 10.6 percent by Public Sector Banks. HBFCL's rate stood at 9.9 percent and Islamic banks at 10.5 percent.

Table 3

		Weighted Average Interest Rate (%)				
		Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Public Sector Banks		10.6	9.6	9.6	9.2	11.2
Private Banks		8.5	8.8	8.8	9.4	9.7
Islamic Banks		10.5	11.0	11.0	11.6	12.2
All Banks		10.0	11.0	11.0	11.6	12.2
Others		-	-	-	-	-
All Banks & DFIs		10.0	11.0	11.0	11.6	12.2
HBFCL		9.9	10.0	10.0	11.0	11.0
Total Average		9.8	10.1	10.1	10.7	11.1

Average maturity periods

Average maturity period of outstanding loans as on June 30, 2016 was 13.2 years. HBFCL's average maturity period was 13.4 years, while that of Public Sector Banks is 12.5 years. Table 4 shows that among commercial banks, Private Banks extended housing finance loans for average tenure of 14 years followed by Islamic Banks with 11.3 years.

Table 4

		Average Maturity Period (Years)				
		Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Public Sector Banks		12.5	10.5	10.0	12.3	12.3
Private Banks		14.0	14.0	14.6	14.3	11.2
Islamic Banks		11.3	10.7	10.3	10.0	10.3
All Banks		13.1	12.7	12.5	11.4	11.2
Others		-	-	-	-	-
All Banks & DFIs		13.1	12.7	12.5	11.4	11.2
HBFCL		13.4	12.1	12.4	11.7	11.7
Total Average		13.2	12.5	12.4	11.6	11.7

Loan to Value ratio (LTV)

The percentage of financing (Loan to Value ratio) extended by banks and DFIs remained 48.2 percent during the quarter (Table 5). Average LTVs of commercial banks remained 52.3 percent over the quarter. The average LTV for HBFCL was reported at 40.1 percent at the end of quarter April-June, 2016.

Table 5

		Loan to Value Ratio (%)				
		Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Public Sector Banks		46.7	46.5	46.7	46.7	46.7
Private Banks		30.4	30.2	29.4	27.1	40.4
Islamic Banks		54.4	47.2	46.1	45.7	42.0
All Banks		52.3	49.3	48.4	47.7	48.6
Others		-	-	-	-	-
All Banks & DFIs		52.3	49.3	48.4	47.7	48.6
HBFCL		40.1	41.3	41.3	41.6	32.0
Total Average		48.2	46.1	44.9	44.6	40.3

Table 6

	Average Loan Size (Rs. Millions)				
	Jun-16	Mar-16	Dec-15	Sep-15	Jun-15
Public Sector Banks	2.7	4.7	1.1	2.8	4.5
Private Banks	7.8	6.3	7.5	7.8	9.0
Islamic Banks	9.8	9.7	8.3	5.9	5.8
All Banks	8.7	7.2	6.9	6.5	7.2
Others	-	-	-	-	-
All Banks & DFIs	8.7	7.2	6.9	6.5	7.2
HBFCL	1.7	1.7	1.7	2.8	3.1
Total Average	5.0	4.7	4.1	4.6	5.1

Average loan size

Average loan size for disbursements made during the quarter ending June 30, 2016 (Table 6) was Rs. 5.0 million. The average loan size for HBFCL was Rs. 1.7 million. Private Banks reported an average financing size of Rs. 7.8 million and Islamic Banks reported an average financing size Rs. 9.8 million. Public sector bank's average loan size stood at Rs. 2.7 million.

Housing Finance Business of Microfinance Banks:

Gross Outstanding

The outstanding housing finance of Microfinance Bank (MFB) remained Rs. 189.07 million as on June 30, 2016 which was Rs. 198.24 million at the end of previous quarter. It registered a decrease of 4.62 percent, over the last quarter.

Number of Borrowers

The number of outstanding borrowers decreased from 1,792 to 1700 over the quarter; a decrease of 5.13 percent.

Non-Performing Loans

NPLs for MFBs were reported 0.60 million for the current quarter.

Mortgage to GDP Ratio:

Mortgage to GDP ratio in Pakistan stood at **0.50%** as of June 30, 2016.

Acronyms

DFI	Development Finance Institution
GDP	Gross Domestic Product
HF	Housing Finance
HBFCCL	House Building Finance Company Limited
HFCs	House Finance Companies
IB	Islamic Bank
IBD	Islamic Banking Division
LTV	Loan to Value Ratio
NPL	Non Performing Loan
NPF	Non Performing Fund