



State Bank of Pakistan

Quarterly Housing Finance Review

For the Quarter ended March 31, 2016



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

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Executive Summary

The Infrastructure, Housing & SME Finance Department of State Bank of Pakistan presents its Quarterly Housing Finance Review for March, 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. 62.96 Billion as of March 31, 2016; an increase of 3.55 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 36 percent share in gross outstanding. Fresh disbursement for the quarter accounted for Rs. 5.35 billion with 1,114 borrowers. Furthermore, NPLs decreased to the level of Rs 12.63 billion compared to previous quarter's Rs 13.28 billion; a marked decrease of 4.89 percent during the quarter. HBFCL, being the largest player in the housing finance market, accounted for 46.77 percent of new borrowers and contributed 16.39 percent of the new disbursements equivalent to Rs. 877.5 million. Islamic banks disbursed Rs. 3.14 billion. The major portion of total outstanding remained directed towards "Outright Purchase" category as 63.55 percent of gross outstanding was used to finance this category of housing loans. It was followed by "Construction" and "Renovation" products with 24.95 and 11.49 percent respectively.

During the quarter ending March 31, 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. Keeping in view overall trends, it shows that Housing finance in Pakistan is gradually growing and NPLs are declining.

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.

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Major Trends

Gross Outstanding

The gross outstanding finance as on March 31, 2016 of all banks and DFIs stood at Rs. 62.96 billion (Figure 1), compared to Rs. 60.80 billion in previous quarter, showing an increase of Rs. 2.16 billion (3.55 percent) over the quarter. Over the year, housing finance portfolio showed an impressive growth of 15.44 percent.

Banking sector-wise gross outstanding on quarters ending March 2015 and March 2016 are shown in Figure 2. Islamic Banks reported Rs. 22.64 billion followed by Private banks at Rs. 18.84 billion, public sector banks at Rs. 5.60 billion and others (Foreign Banks and other DFIs excluding HBFCL) with Rs. 0.77 billion. The outstanding loans of HBFCL were Rs. 15.11 billion; up by 15.60 percent over last year. The data confirms that primary housing finance market in Pakistan is gradually growing.

Islamic and Private Banks remained major contributors in gross outstanding of housing finance during the year. Islamic Banks showed an increase of 6.94 percent from previous quarter and reached to Rs. 22.64 billion by the end of March 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. 25.95 billion as on March 31, 2016. Compared to quarter ended December 2015, gross outstanding of Islamic Banking Industry increased by 6 percent as shown in Figure 3. Islamic Banking Industry has maintained the increasing trend throughout the year.

Figure 1 (Amount in Rs. Billion)

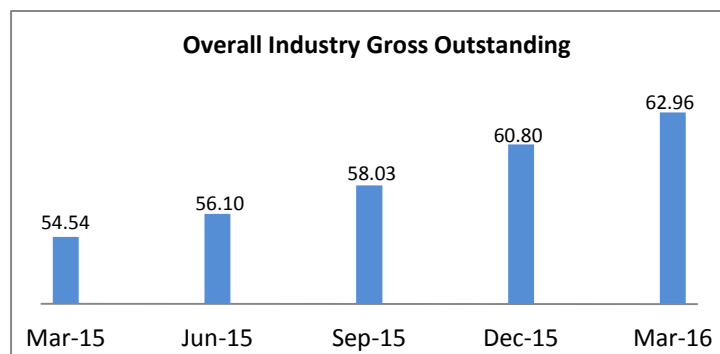


Figure 2 (Amount in Rs. Billion)

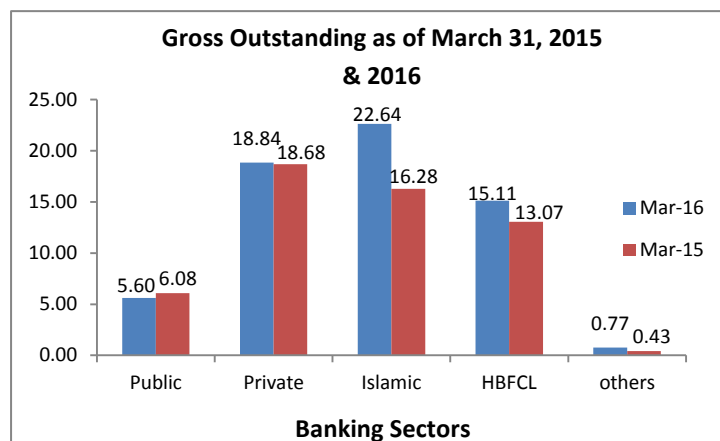
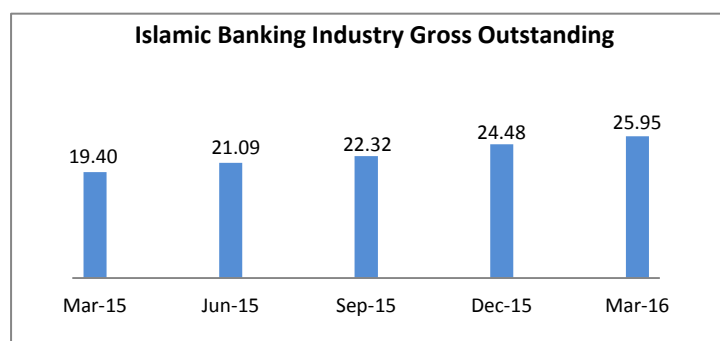


Figure 3 (Amount in Rs. Billion)



Of the gross outstanding in Islamic housing finance, Islamic banks accounted for Rs. 22.64 billion; an increase of 7 percent over the quarter. IBDs of conventional banks posted Rs. 3.31 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 March 31, 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. 1.45 billion respectively. In second category 'Above Rs. 1 Million to Rs. 5 Million', HBFCL reported Rs. 4.21 billion and all Bank & DFIs reported Rs. 10.39 billion outstanding. In the third category 'Above Rs. 5 Million', HBFCL reported Rs. 2.50 billion and all Banks & DFIs reported Rs. 27.60 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 March 31, 2016, 8.40 percent of total outstanding remained directed towards female borrowers and remaining 91.60 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 59.62 percent of the total outstanding amount. This is followed by the borrowers with the primary source of income derived from business standing at 29.95 percent. Moreover, 10.43 percent of total outstanding remained with self-employed borrowers.

Figure 4 (Amount in Rs. Billion)

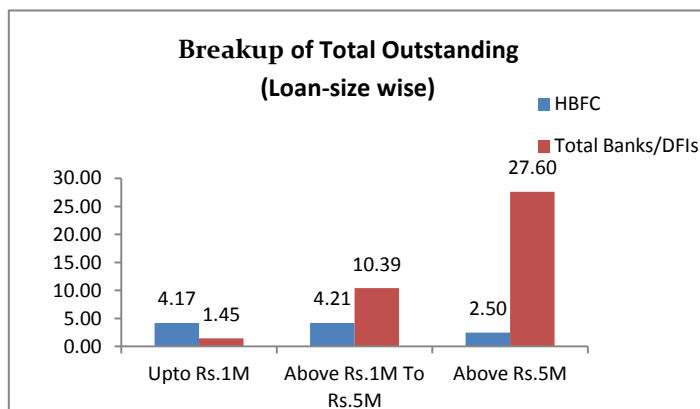


Figure 5 (Percentage)

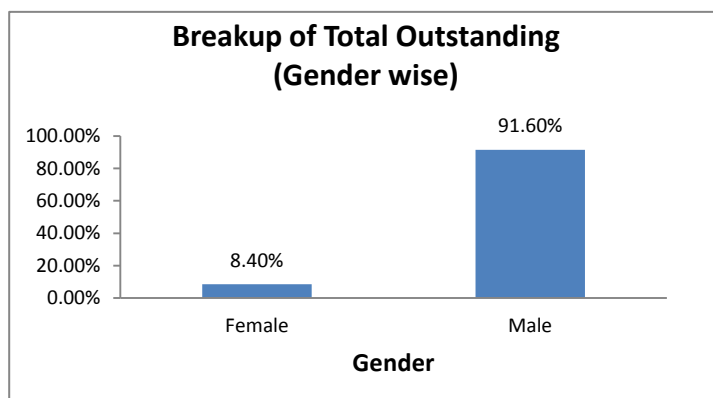
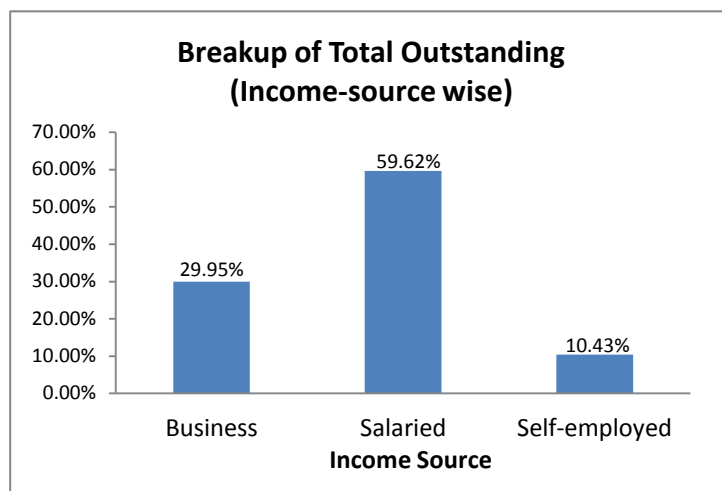


Figure 6 (Percentage)



Share of Banks

The share of Private Banks, Islamic Banks and HBFCL in the gross outstanding was 30 percent, 36 percent and 24 percent respectively as on March 31, 2016. IBDs (14 windows) and IBs (05 banks) have 13 percent and 87 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 1 percent at 59 percent and 41 percent during current quarter respectively (Figure 7.2).

Figure 7

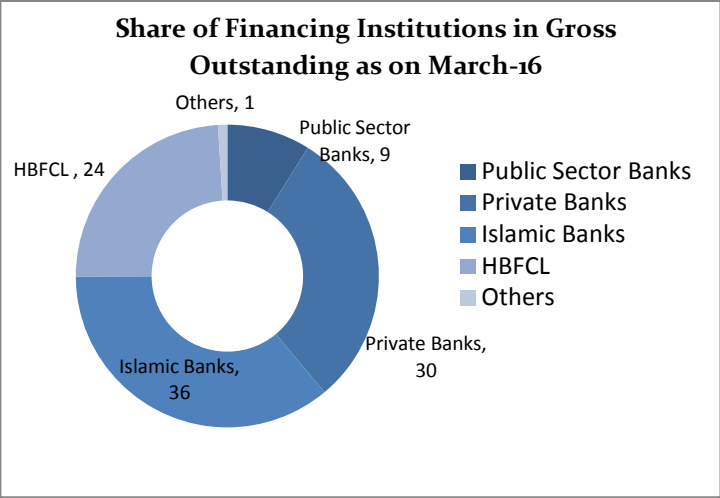


Figure 7.1

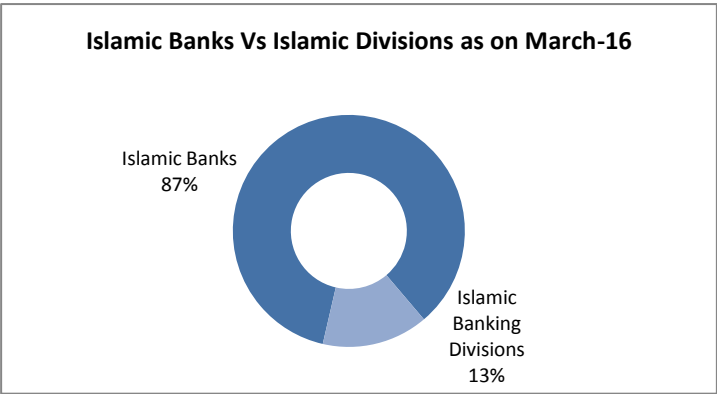
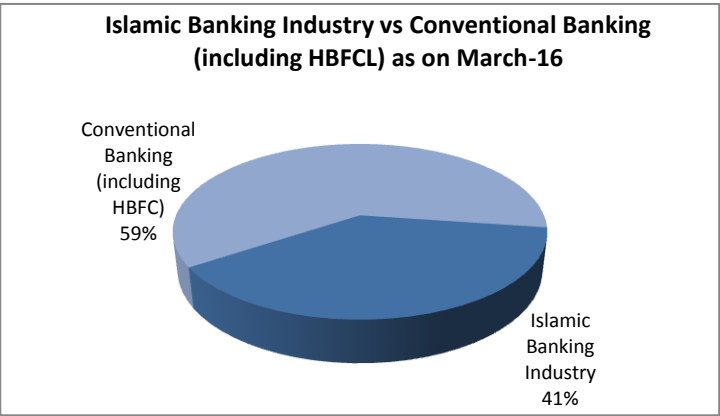


Figure 7.2



Non-Performing Loans (NPLs)

NPLs decreased from Rs. 13.28 billion (December, 2015) to Rs. 12.63 billion (March, 2016); a marked decrease of 4.9 percent as shown in Figure 8. NPLs as a percentage of outstanding portfolios at the end of quarters on March, 2015 and 2016 are given in Figure 9. While, a comparison of existing NPLs status of different banking sectors with last year is given in Figure 10.

HBFCL's NPLs decreased by Rs. 0.8 billion (16 percent) over the last quarter. Furthermore, HBFCL's percentage share of NPLs in its total outstanding has decreased significantly by 10 percentage points over the year. At the end of current quarter, 27.93 percent of its total outstanding constitutes NPLs (Figure 9). HBFCL's percentage share in total NPLs was 33.42 percent.

The percentage share of NPLs of all banks and other DFIs (excluding HBFCL) was 66.58 percent in total NPLs as on March 31, 2016.

Among banks, as shown in Figure 10, NPLs of Islamic banks decreased during the year and stood at Rs. 1.32 billion. Their NPLs constituted 10.45 percent of total industry NPLs as of March 2016. NPLs of the public sector banks increased by 11.46 percent from Rs. 1.83 billion to Rs. 2.04 billion, over the year, which remained 32.62 percent of their gross outstanding as on March, 2016. Private Banks' NPLs decreased by 7.48 percent; from Rs. 5.35 billion to Rs. 4.95 billion. NPLs of other Financial Institutions remained unchanged over the year.

NPLs for Islamic Banking Industry (IBs & IBDs) shown in Figure 11 were reported as Rs. 1.64 billion on March 31, 2016, which were Rs. 1.81 billion at the end of December, 2015, showing decrease of 9.4 percent over the quarter.

Figure 8: (Amount in Rs. Billion)

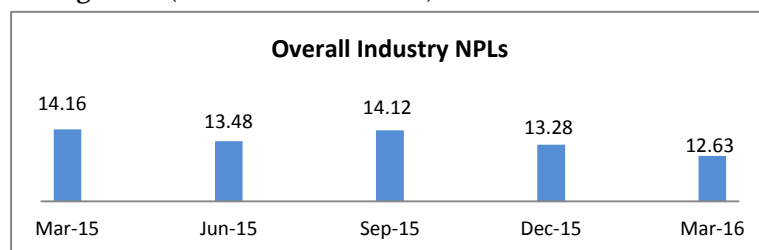


Figure 8.1: (Amount in Rs. Billion)

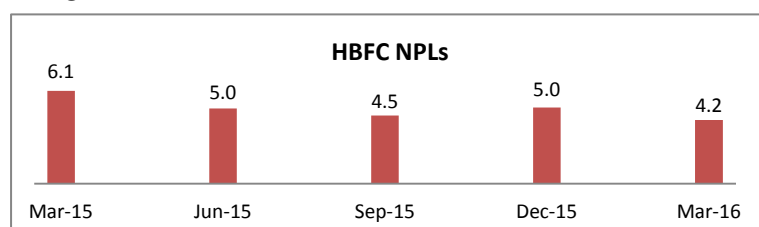


Figure 9 (Percentage)

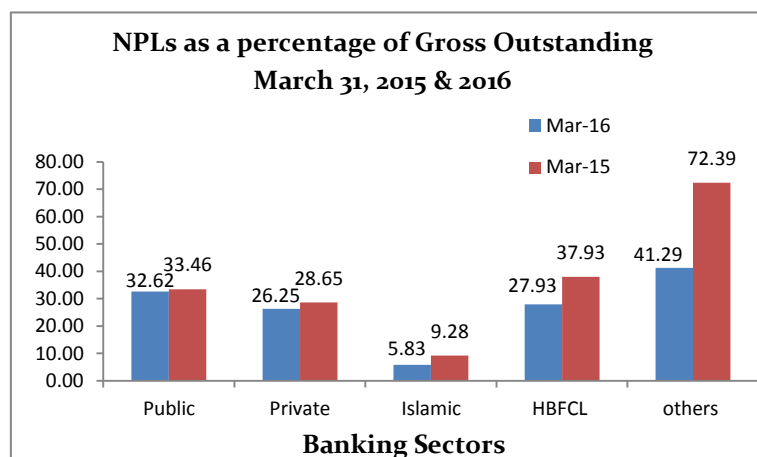
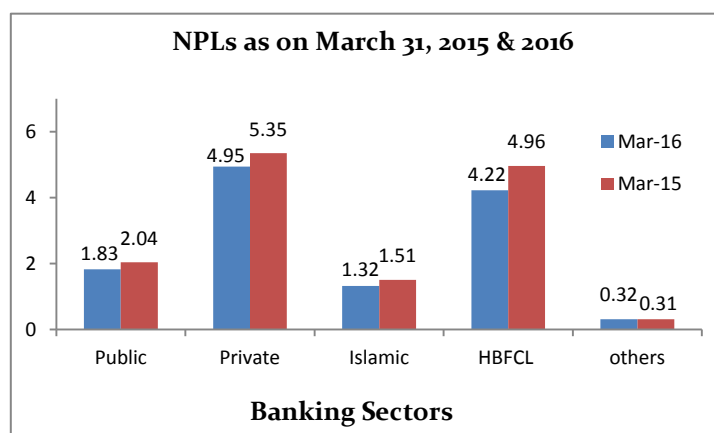


Figure 10 (Amount in Rs. Billion)



Breakup of NPLs in terms of loan-size:

Figure 10 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 March 31, 2016, Rs. 3.85 billion against 35,208 borrowers was recorded as NPLs in the category of 'up to Rs. 1 Million' out of which Rs. 3.43 billion belonged to HBFCL and Rs. 0.42 billion was reported by All Banks & DFIs. In the second category 'Above Rs. 1 million to Rs. 5 million', total defaulters were 1,749 with an amount Rs. 3.29 billion, out of which Rs. 0.59 billion was reported by HBFCL and Rs. 2.70 billion were reported by All Banks & DFIs. In the third category 'Above 5 Million', total NPLs were Rs. 5.50 billion against 712 borrowers. Out of these, Rs. 0.20 billion were of HBFCL and Rs. 5.29 billion belonged to All Banks & DFIs.

Breakup of NPLs in terms of gender:

Figure 13 shows that 9.38 percent of the total NPL amount in housing finance belonged to female borrowers. Moreover, 90.62 percent of the NPL amount was associated with male borrowers.

Breakup of NPLs in terms of income source:

Figure 14 reflects breakup of housing finance NPLs with respect to source of income. The major chunk of NPLs remained directed towards the salaried individuals with 44.23 percent of the total NPL amount. This is followed by the borrowers with the primary source of income derived from business standing at 40.99 percent. Moreover, 14.79 percent of total NPLs remained with self-employed borrowers.

Figure 11 (Amount in Rs. Billion)

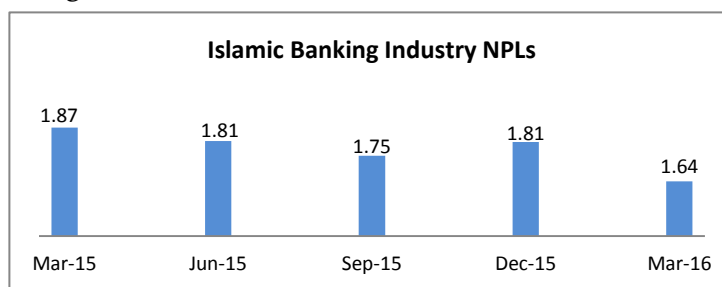


Figure 12 (Amount in Rs. Billion)

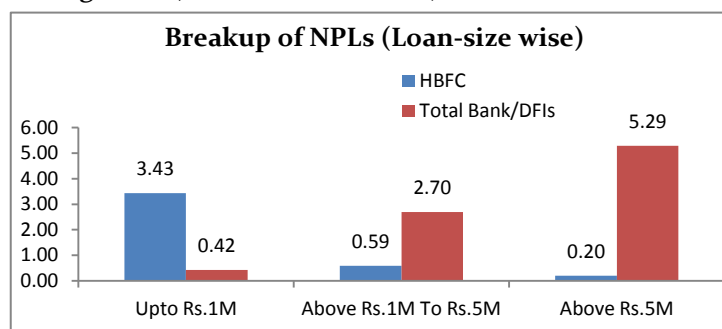


Figure 13 (Percentage)

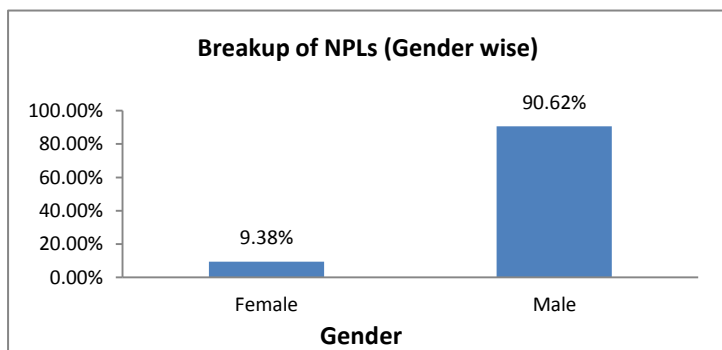
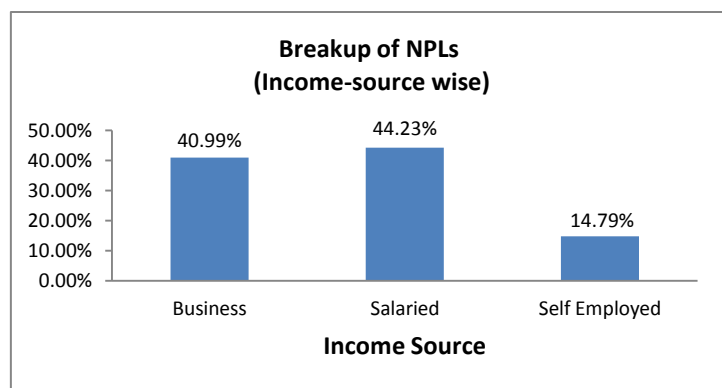


Figure 14 (Percentage)



Number of Borrowers

Number of borrowers decreased from 70,368 to 67,625 since March 2015; a decline of 3.89 percent over the year. As shown in Table 1, there was a decrease in number of borrowers in each category except in Islamic Banks.

Moreover, 10.27 percent of total outstanding borrowers were female and 57.72 percent had primary source of income as *salary*.

Figure 15 (Number of Borrowers)

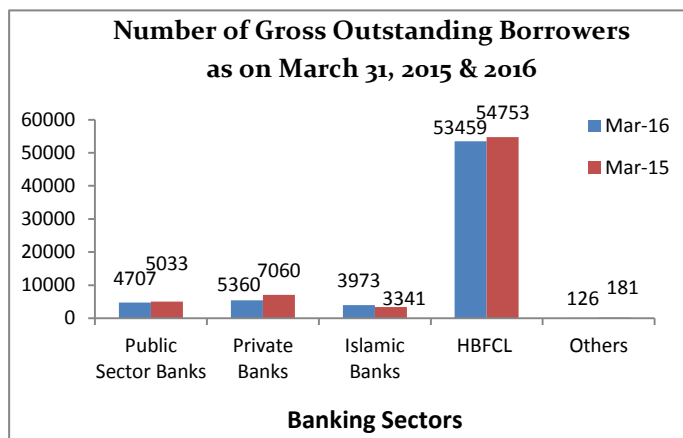


Figure 16 (percentage)

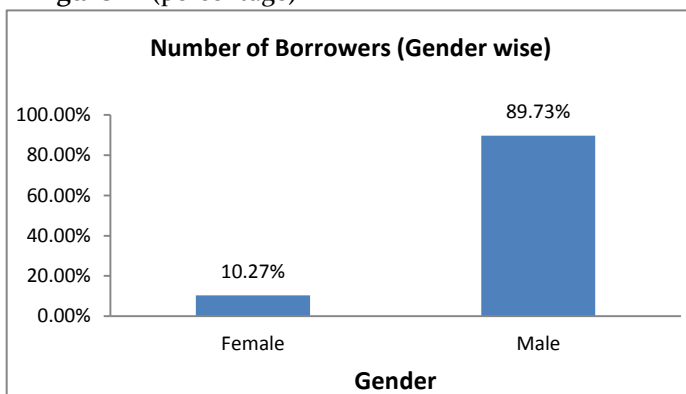


Figure 17 (percentage)

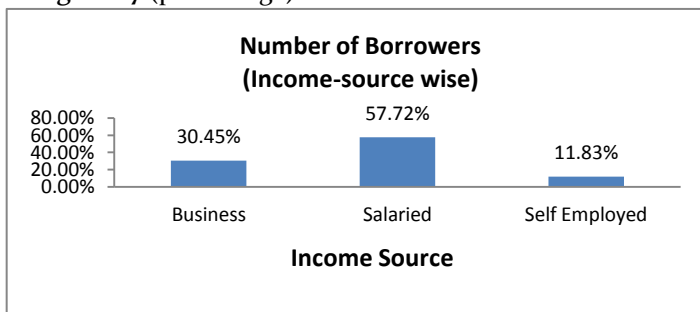


Table 1

Banks/ DFIs	March - 16				March- 15			
	No. Active Borrowers	No. of Borrowers classified as NPLs	Total O/s Borrowers	No. Active Borrowers	No. of Borrowers classified as NPLs	Total Borrowers	O/s Borrowers	
Public Sector	3,793	914	4,707	4,091	942	5,033		
Private Banks	3,490	1,870	5,360	5,392	1,668	7,060		
Islamic Banks	3,746	227	3,973	3,071	270	3,341		
HBFL	20,089	33,370	53,459	18,173	36,580	54,753		
Others	22	104	126	59	122	181		
Total	33,835	37,669	67,625	30,786	39,582	70,368		

Disbursements

Fresh disbursements of Rs. 5.35 billion (Figure 18) were made to 1,055 borrowers during the quarter ending March 31, 2015 (Table 2). Over the year, total disbursement made by banks & DFIs amounted to Rs. 23.2 billion. Islamic banks extended new disbursements with Rs. 3.14 billion followed by Private Bank's fresh disbursements amounting to Rs. 1.11 billion. HBFCL and Public Sector Banks reported fresh disbursement of Rs. 878 million (Figure 19) and Rs. 216 million respectively.

Among commercial banks, the number of new borrowers totaled 535, with Islamic banks serving 324 new borrowers, private banks serving 175 and Public Sector Banks 35 new customers. HBFCL extended loans to 521 new borrowers during the quarter under review.

Fresh disbursement for Islamic Banking Industry was Rs. 3.44 billion to 360 new borrowers during the quarter ended March 31, 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. 3.66 billion in terms of loans above Rs. 5 million and Rs. 0.11 billion against the category up to Rs. 1 million during the quarter under review.

Breakup of Disbursements in terms of gender:

12.24 percent of the total disbursements amounting to Rs 5.35 billion were extended to female borrowers during the quarter ended March 31, 2016. Male borrowers accounted for 87.76 percent of the total disbursement made during current quarter (Figure 21).

Figure 18: (Amount in Rs. Billion)

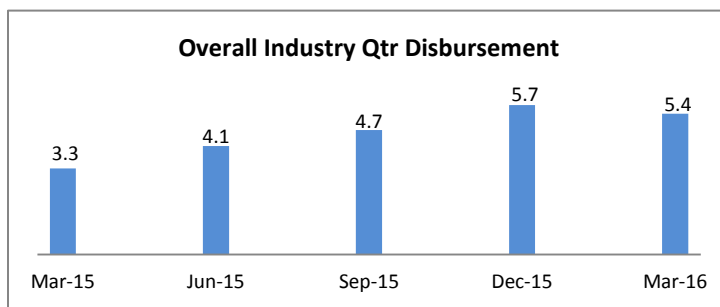


Figure 19: (Amount in Rs. Billion)

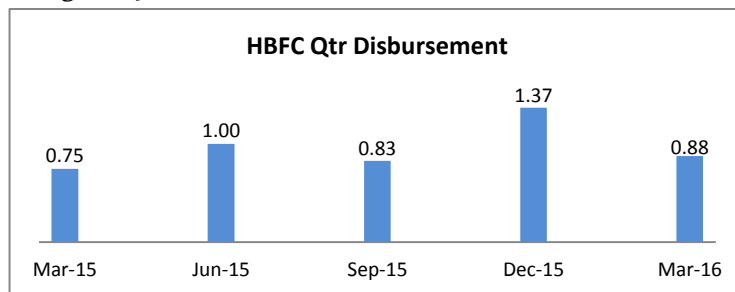


Figure 20 (Amount in Rs. Billion)

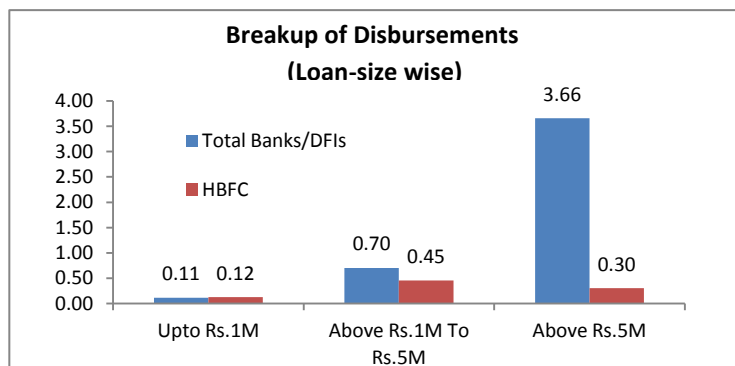
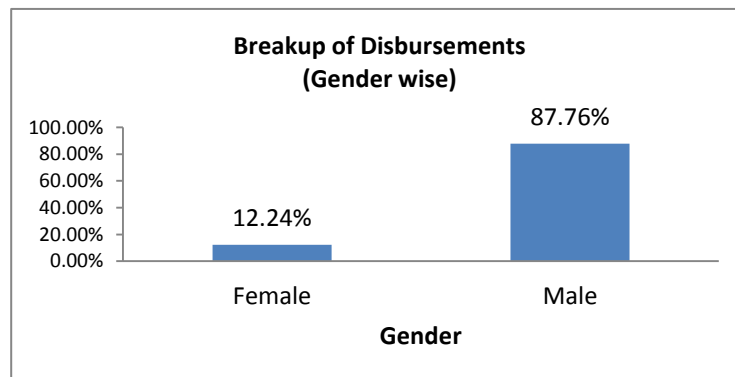


Figure 21 (Percentage)



Breakup of disbursements in terms of income source:

During current quarter, 35.40 percent of the disbursement amount was extended to borrowers with primary source of income declared as Business, 55.55 percent was extended to the borrowers with primary source income as Salary and 9.05 percent of current quarter disbursement was extended to Self Employed borrowers. In line with the trend witnessed in total outstanding, salaried borrowers represent highest proportion (Figure 22).

Figure 22 (Percentage)

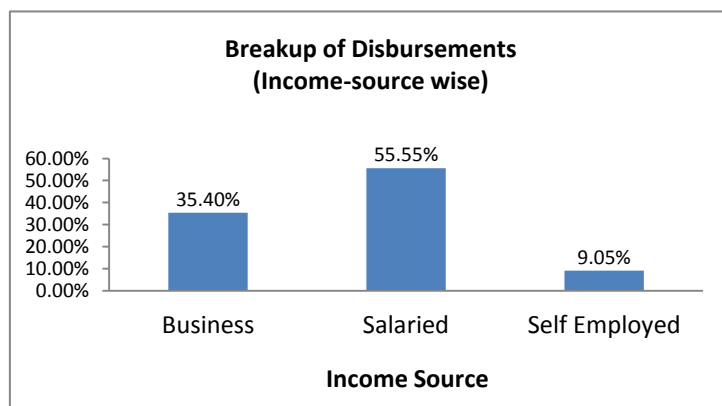


Table 2

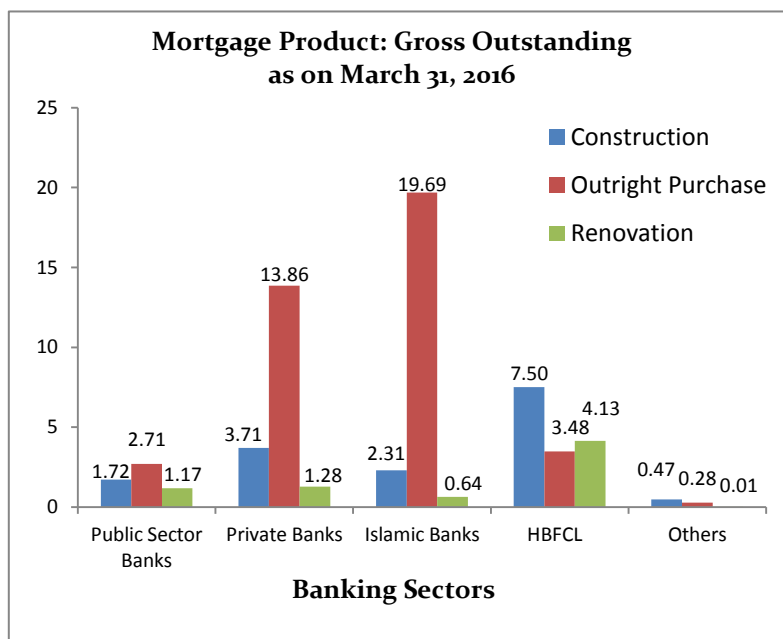
New Disbursements during the quarter ending March 31, 2016		
	Amount (Rs. Millions)	No. of Borrowers
Public Sector Banks	216	35
Private Banks	1,108	175
Islamic Banks	3,143	324
HBFL	877	521
Total	5,344	1,055
Islamic Industry	3,440	360

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. 40.02 billion as on March 31, 2016; a 63.55 percent share in gross outstanding of Rs. 62.96 billion. This is followed by the 'construction' category where gross outstanding reported at quarter-end stood at Rs. 15.71 billion and that of 'renovation' stood at Rs. 7.24 billion. Active portfolio shows that Islamic Banks took a lead in financing for outright purchase at 49.21 percent followed by Private Banks that have the share of 34.64 percent in outright purchase financing. HBFCL has taken lead in financing two sectors i.e. construction category 47.75 percent and renovation category 57.13 percent.

Figure 23 (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 markup 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 10.1 percent at the end of the current quarter as shown in Table 3. Highest weighted average profit rate was reported at 11 percent by Islamic Banks. HBFCL's rate stood at 10 percent and Private Sector banks at 8.8 percent.

Table 3

		Weighted Average Interest Rate (%)				
		Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
Public Sector	Banks	9.6	9.6	9.2	11.2	13.7
	Private Banks	8.8	8.8	9.4	9.7	10.8
	Islamic Banks	11.0	11.0	11.6	12.2	13.4
	All Banks	11.0	11.0	11.6	12.2	13.4
	Others	-	-	-	-	-
	All Banks & DFIs	11.0	11.0	11.6	12.2	13.4
	HBFCL	10.0	10.0	11.0	11.0	14.0
	Total Average	10.1	10.1	10.7	11.1	13.1

Average maturity periods

Average maturity period of outstanding loans as on March 31, 2016 was 12.5 years. HBFCL's average maturity period was 12.1 years, while that of Public Sector Banks is 10.5 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 10.7 years.

Table 4

		Average Maturity Period (Years)				
		Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
Public Sector	Banks	10.5	10.0	12.3	12.3	10.0
	Private Banks	14.0	14.6	14.3	11.2	13.6
	Islamic Banks	10.7	10.3	10.0	10.3	11.2
	All Banks	12.7	12.5	11.4	11.2	12.2
	Others	-	-	-	-	-
	All Banks & DFIs	12.7	12.5	11.4	11.2	12.2
	HBFCL	12.1	12.4	11.7	11.7	12.8
	Total Average	12.5	12.4	11.6	11.7	12.8

Loan to Value ratio (LTV)

The percentage of financing (Loan to Value ratio) extended by banks and DFIs remained 46.1 percent during the quarter (Table 5). Average LTVs of commercial banks remained 49.3 percent over the quarter. The average LTV for HBFCL was reported at 41.3 percent at the end of quarter January-March, 2016.

Table 5

		Loan to Value Ratio (%)				
		Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
Public Sector	Banks	46.5	46.7	46.7	46.7	46.7
	Private Banks	30.2	29.4	27.1	40.4	33.2
	Islamic Banks	47.2	46.1	45.7	42.0	38.9
	All Banks	49.3	48.4	47.7	48.6	41.0
	Others	-	-	-	-	-
	All Banks & DFIs	49.3	48.4	47.7	48.6	41.0
	HBFCL	41.3	41.3	41.6	32.0	33.4
	Total Average	46.1	44.9	44.6	40.3	37.2

Table 6

	Average Loan Size (Rs. Millions)				
	Mar-16	Dec-15	Sep-15	Jun-15	Mar-15
Public Sector Banks	4.7	1.1	2.8	4.5	3.0
Private Banks	6.3	7.5	7.8	9.0	5.8
Islamic Banks	9.7	8.3	5.9	5.8	5.1
All Banks	7.2	6.9	6.5	7.2	5.1
Others	-	-	-	-	-
All Banks & DFIs	7.2	6.9	6.5	7.2	5.1
HBFCL	1.7	1.7	2.8	3.1	2.5
Total Average	4.7	4.1	4.6	5.1	3.8

Average loan size

Average loan size for disbursements made during the quarter ending March 31, 2016 (Table 6) was Rs. 4.7 million. The average loan size for HBFCL was Rs. 1.7 million. Private Banks reported an average financing size of Rs. 6.3 million and Islamic Banks reported an average financing size Rs. 9.7 million. Public sector bank's average loan size stood at Rs. 4.7 million.

Housing Finance Business of Microfinance Banks:

Gross Outstanding

The outstanding housing finance of Microfinance Bank (MFB) remained Rs. 198.24 million as on March 31, 2016 which was Rs. 198.85 million at the end of previous quarter. It registered a decrease of 0.31 percent, over the last quarter.

Number of Borrowers

The number of outstanding borrowers decreased from 1,865 to 1,792 over the quarter; a decrease of 3.91 percent.

Non-Performing Loans

NPLs for MFBs were reported 0.27 million for the current quarter.

Mortgage to GDP Ratio:

Mortgage to GDP ratio in Pakistan stood at **0.50%** as of March 31, 2016.

Acronyms

ABAD	Association of Builders and Developers
DFI	Development Finance Institution
GDP	Gross Domestic Product
HAG	Housing Advisory Group
HF	Housing Finance
HBFCL	House Building Finance Company Limited
HFCs	House Finance Companies
IB	Islamic Bank
IBD	Islamic Banking Division
LSDF	Large Scale Developer Finance
LTV	Loan to Value Ratio
MRC	Mortgage Refinance Company
NPL	Non Performing Loan
NPF	Non Performing Fund