



**State Bank of Pakistan**

# Quarterly Housing Finance Review

*For the Quarter ended December 31, 2015*



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 December, 2015 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. 60.80 Billion as of December 31, 2015; an increase of 4.77 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 35 percent share in gross outstanding. Fresh disbursement for the quarter accounted for Rs. 5.67 billion with 1,369 borrowers. Furthermore, NPLs decreased to the level of Rs 13.28 billion compared to previous quarter's Rs 14.12 billion; a marked decrease of 6 percent during the quarter. HBFCL, being the largest player in the housing finance market, accounted for 59.88 percent of new borrowers and contributed 24.17 percent of the new disbursements equivalent to Rs. 1.37 billion. Islamic banks disbursed Rs. 2.98 billion. The major portion of total outstanding remained directed towards "Outright Purchase" category as 63.10 percent of gross outstanding was used to finance this category of housing loans. It was followed by "Construction" and "Renovation" products with 25.20 and 11.71 percent respectively.

During the quarter ending December 31, 2015, 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.

## Contents

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

## Major Trends

### Gross Outstanding

The gross outstanding finance as on December 31, 2015 of all banks and DFIs stood at Rs. 60.80 billion (Figure 1), compared to Rs. 58.03 billion in previous quarter, showing an increase of Rs. 2.77 billion (4.77 percent) over the quarter. Over the year, housing finance portfolio showed an impressive growth of 13.33 percent.

Banking sector-wise gross outstanding on quarters ending December 2014 and December 2015 are shown in Figure 2. Islamic Banks reported Rs. 21.17 billion followed by Private banks at Rs. 18.63 billion, public sector banks at Rs. 5.85 billion and others (Foreign Banks and other DFIs excluding HBFCL) with Rs. 0.42 billion. The outstanding loans of HBFCL were Rs. 14.74 billion; up by 16.34 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 10.50 percent from previous quarter and reached to Rs. 21.17 billion by the end of December 2015.

The gross outstanding housing finance of Islamic Banking Industry (Five Islamic Banks (IBs) & 14 Islamic Banking Divisions (IBDs) of Conventional Banks) stood at Rs. 24.48 billion as on December 31, 2015. Compared to quarter ended September 2015, gross outstanding of Islamic Banking Industry increased by 9.68 percent as shown in Figure 3. Islamic Banking Industry has maintained the increasing trend throughout the year.

Figure 1 (Amount in Rs. Billion)

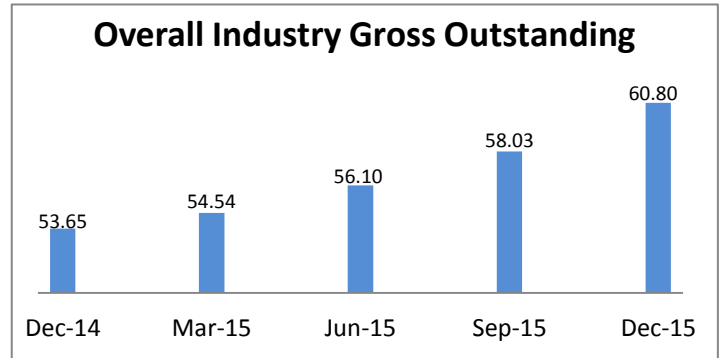


Figure 2 (Amount in Rs. Billion)

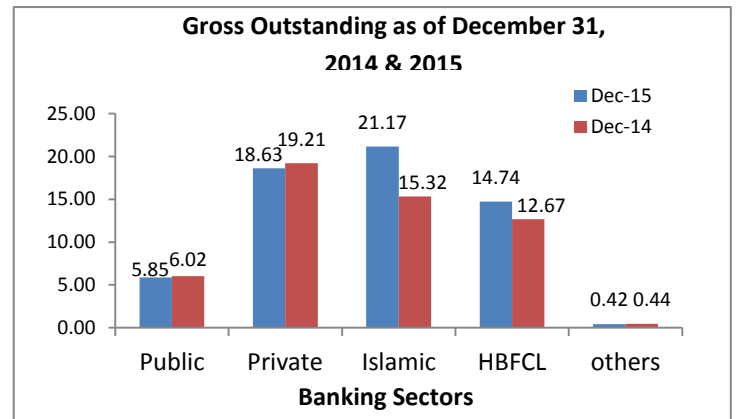
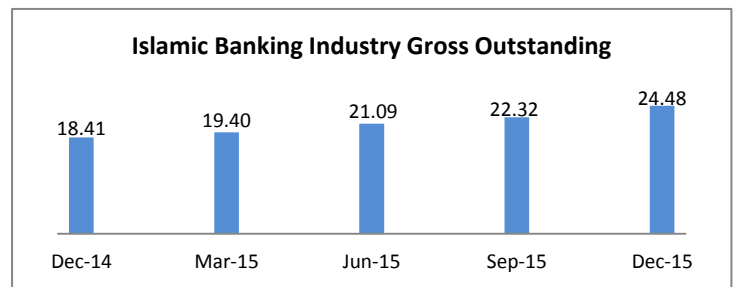


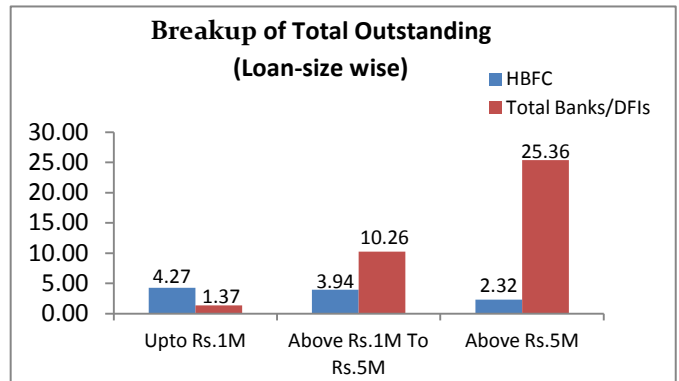
Figure 3 (Amount in Rs. Billion)



Of the gross outstanding in Islamic housing finance, Islamic banks accounted for Rs. 21.16 billion; an increase of 10.44 percent over the quarter. IBDs of conventional banks posted Rs. 3.31 billion.

Figure 4 shows the breakup of total outstanding in terms of loan size. As of December 31, 2015, HBFCL and All Banks & DFIs reported outstanding loans net of NPLs in the category ‘Up to Rs. 1 million’ as Rs. 4.27 billion and Rs. 1.37 billion respectively. In second category ‘Above Rs. 1 Million to Rs. 5 Million’, HBFCL reported Rs. 3.94 billion and all Bank & DFIs reported Rs. 10.26 billion outstanding. In the third category ‘Above Rs. 5 Million’, HBFCL reported Rs. 2.32 billion and All Banks & DFIs reported Rs. 25.36 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).

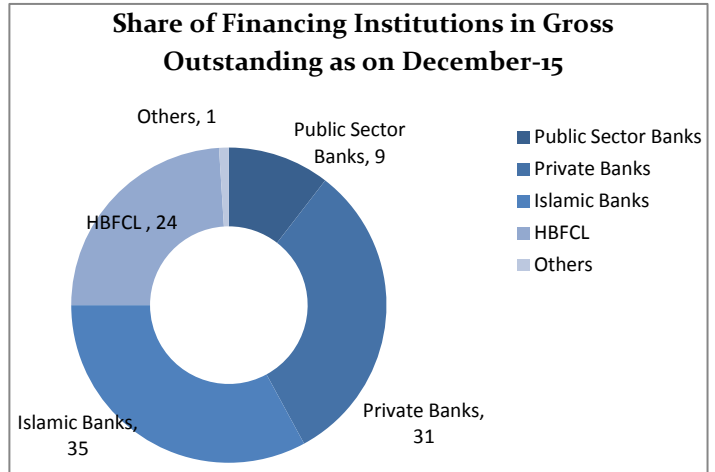
**Figure 4** (Amount in Rs. Billion)



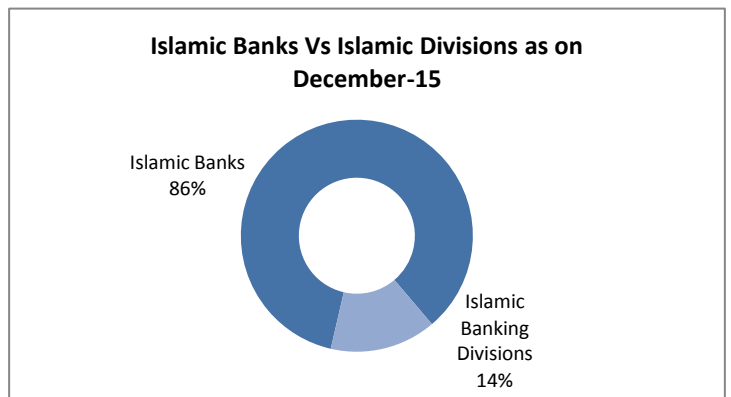
**Share of Banks**

The share of Private Banks, Islamic Banks and HBFCL in the gross outstanding was 31 percent, 35 percent and 24 percent respectively as on December 31, 2015. IBDs (14 windows) and IBs (05 banks) have 14 percent and 86 percent share respectively in housing finance portfolio of Islamic Banking Industry (Figure 5.1). Compared to previous quarter, market share of Conventional Banking decreased and that of Islamic Banking Industry increased by 2 percent at 60 percent and 40 percent during current quarter respectively (Figure 5.2).

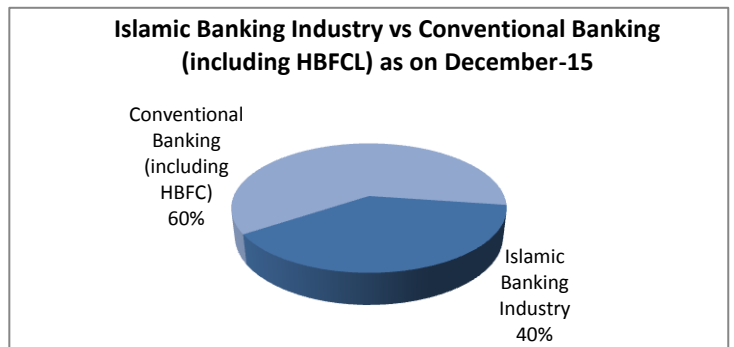
**Figure 5**



**Figure 5.1**



**Figure 5.2**



## Non-Performing Loans (NPLs)

NPLs decreased from Rs. 14.12 billion (September, 2015) to Rs. 13.28 billion (December, 2015); a marked decrease of 6 percent as shown in Figure 6. NPLs as a percentage of outstanding portfolios at the end of quarters on December, 2014 and 2015 are given in Figure 7. While, a comparison of existing NPLs status of different banking sectors with last year is given in Figure 8.

HBFC's NPLs decreased by Rs. 0.8 billion (16 percent) over the last quarter. Furthermore, HBFC's percentage share of NPLs in its total outstanding has decreased significantly by 20 percentage points over the year. At the end of current quarter, 28.52 percent of its total outstanding constitutes NPLs (Figure 7). HBFC's percentage share in total NPLs was 31.67 percent.

The percentage share of NPLs of all banks and other DFIs (excluding HBFC) was 68.33 percent in total NPLs as on December 31, 2015.

Among banks, as shown in Figure 8, NPLs of Islamic banks remained unchanged during the year at Rs. 1.49 billion. Their NPLs constituted 11.23 percent of total industry NPLs as of December 2015. NPLs of the public sector banks increased by 10.32 percent from Rs. 1.84 billion to Rs. 2.03 billion, over the year, which remained 34.74 percent of their gross outstanding as on December, 2015. Private Banks' NPLs decreased by 8.55 percent; from Rs. 5.73 billion to Rs. 5.24 billion. NPLs of other Financial Institutions remained unchanged over the year.

Figure 6: (Amount in Rs. Billion)

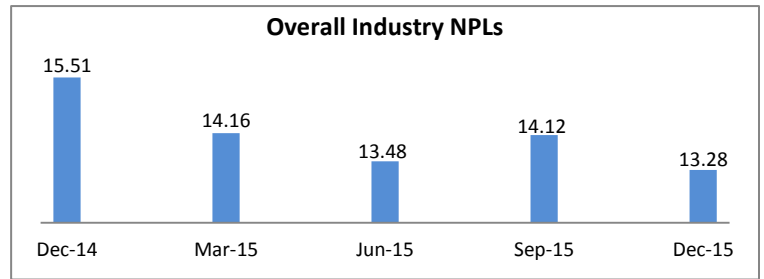


Figure 6.1: (Amount in Rs. Billion)

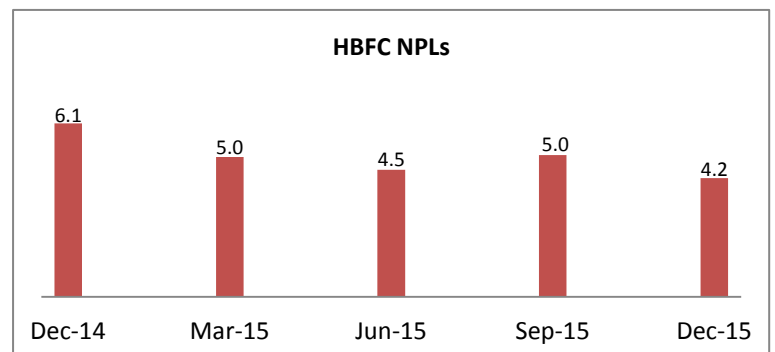
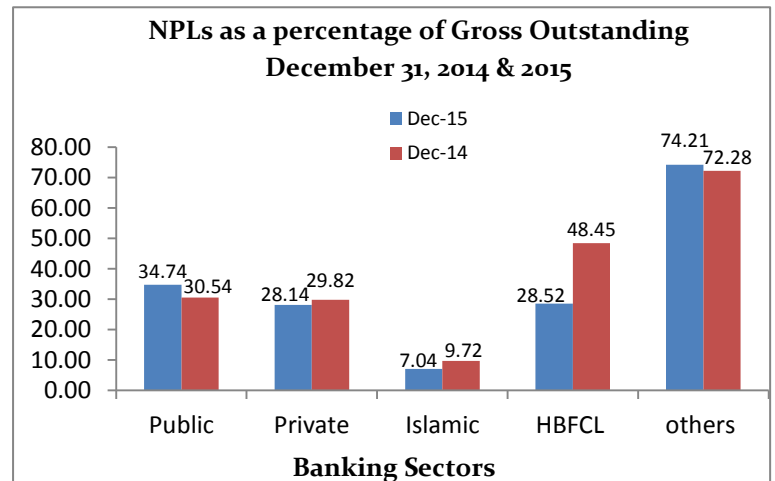


Figure 7 (Percentage)

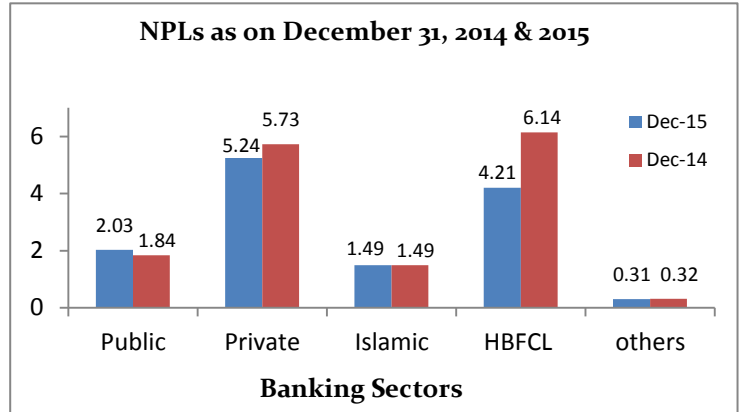




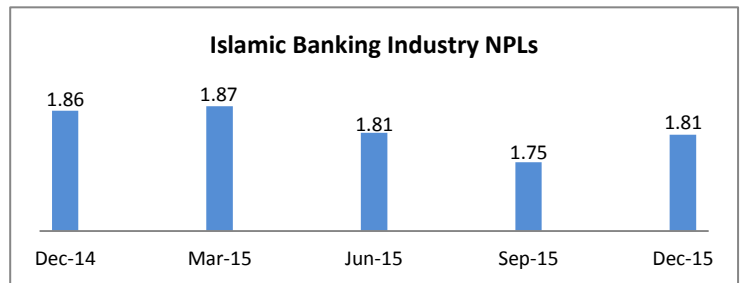
NPLs for Islamic Banking Industry (IBs & IBDs) shown in Figure 9 were reported as Rs. 1.81 billion on December 31, 2015, which were Rs. 1.86 billion at the end of December, 2014, showing decrease of 2.69 percent over the year.

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 December 31, 2015, Rs. 3.82 billion against 34,092 borrowers was recorded as NPLs in the category of 'up to Rs. 1 Million' out of which Rs. 3.46 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 1,883 with an amount Rs. 3.64 billion, out of which Rs. 0.57 billion against 385 borrowers was reported by HBFCL and Rs. 3.06 billion against 1,499 borrowers were reported by All Banks & DFIs. In the third category 'Above 5 Million', total NPLs were Rs. 5.82 billion against 844 borrowers. Out of these, 70 defaulters with the amount of Rs. 0.18 billion were of HBFCL and Rs.5.64 against 774 borrowers belonged to All Banks & DFIs.

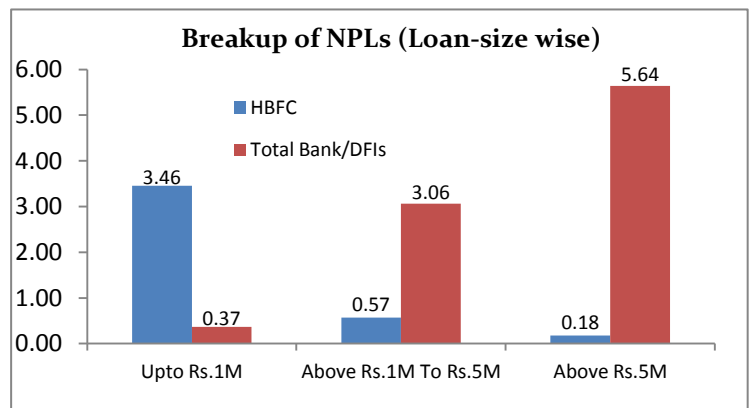
**Figure 8 (Amount in Rs. Billion)**



**Figure 9 (Amount in Rs. Billion)**



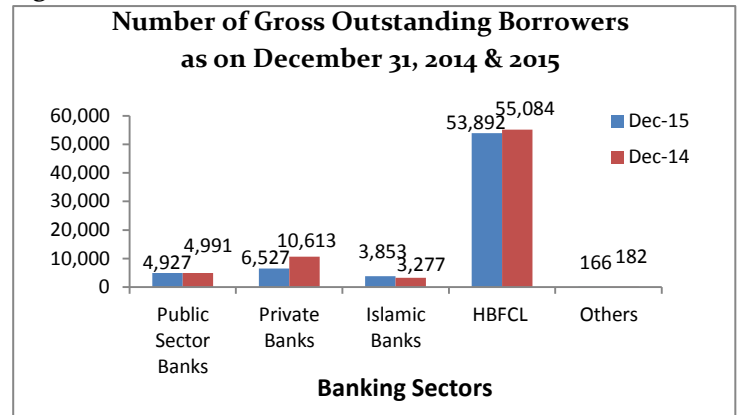
**Figure 10 (Amount in Rs. Billion)**



## Number of Borrowers

Number of borrowers decreased from 74,147 to 69,366 since December 2014; a decline of 6.45 percent over the year. As shown in Table 1, there was a decrease in number of borrowers in each category except in Islamic Banks.

**Figure 11 (Number of Borrowers)**



**Table 1**

Banks/DFIs	December - 15				December - 14			
	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	3,884	1,043	4,927	4,268	723	4,991		
Private Banks	4,706	1,821	6,527	8,848	1,765	10,613		
Islamic Banks	3,594	259	3,853	3,023	254	3,277		
HBFCL	20,318	33,574	53,893	14,733	40,351	55,084		
Others	44	122	166	59	123	182		
<b>Total</b>	<b>32,546</b>	<b>36,819</b>	<b>69,366</b>	<b>30,931</b>	<b>43,216</b>	<b>74,147</b>		

## Disbursements

Fresh disbursements of Rs. 5.67 billion (Figure 12) were made to 1,369 borrowers during the quarter ending December 31, 2015 (Table 2). Over the year, total disbursement made by banks & DFIs amounted to Rs. 21.2 billion. Islamic banks extended new disbursements with Rs. 2.98 billion followed by HBFCL's fresh disbursements amounting to Rs. 1.37 billion (Figure 13). Private Banks and Public Sector Banks reported fresh disbursement of Rs. 1.30 billion and Rs. 19 million respectively.

Among commercial banks, the number of new borrowers totaled 548, with Islamic banks serving 358 new borrowers, private banks serving 173 and Public Sector Banks 17 new customers. HBFCL extended loans to 821 new borrowers during the quarter under review.

Fresh disbursement for Islamic Banking Industry was Rs. 3.28 billion to 394 new borrowers during the quarter ended December 31, 2015. This includes new disbursements of Rs. 297.36 million to 36 customers by IBDs of conventional banks.

Figure 14 shows the disbursement break-up in terms of loan size. Commercial Banks/DFIs (excluding HBFCL) disbursed Rs. 3.46 billion in terms of loans above Rs. 5 million and Rs. 0.07 billion against the category up to Rs. 1 million during the quarter under review.

Figure 12: (Amount in Rs. Billion)

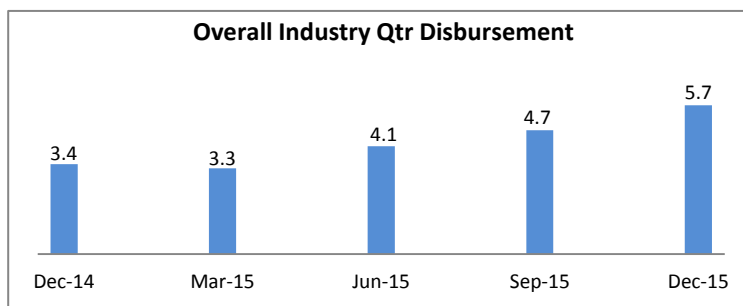


Figure 13: (Amount in Rs. Billion)

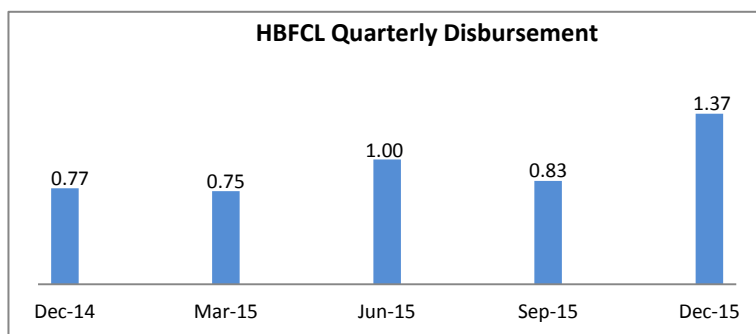


Figure 14 (Amount in Rs. Billion)

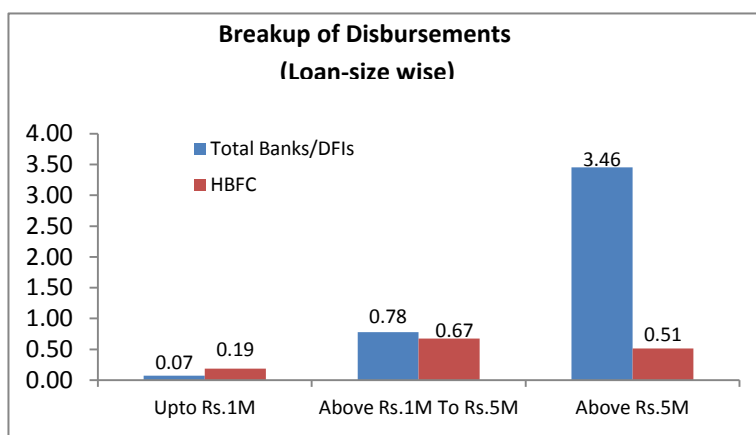


Table 2

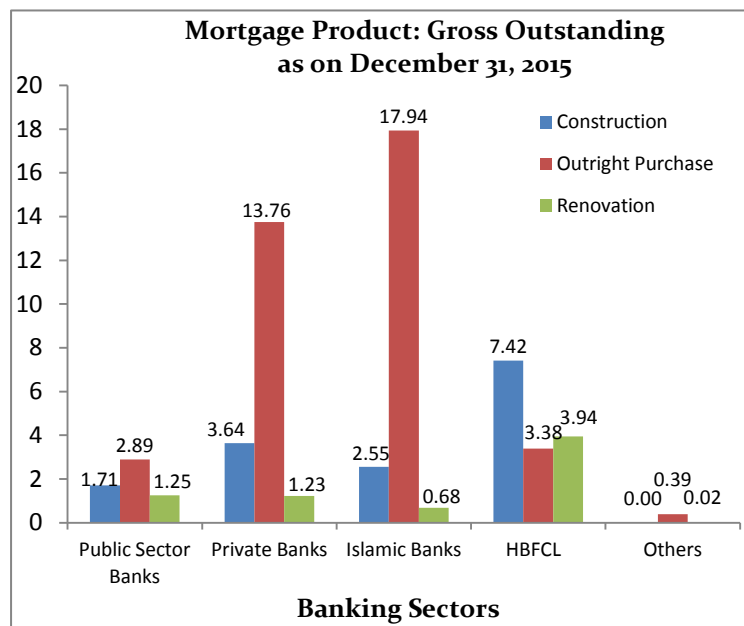
New Disbursements during the quarter ending December 31, 2015		
	Amount (Rs. Millions)	No. of Borrowers
Public Sector Banks	19	17
Private Banks	1,302	173
Islamic Banks	2,979	358
HBFCL	1,371	821
<b>Total</b>	<b>5,671</b>	<b>1,369</b>
<b>Islamic Industry</b>	<b>3,276</b>	<b>394</b>

## Products Category-Wise Share

The biggest share of housing finance continued to be attracted towards outright purchase (Figure 15).

The gross outstanding for 'outright purchase' stood at Rs. 38.37 billion as on December 31, 2015; a 63.10 percent share in gross outstanding of Rs. 60.80 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. 7.12 billion. Active portfolio shows that Islamic Banks took a lead in financing for outright purchase at 46.75 percent followed by Private Banks that have the share of 35.86 percent in outright purchase financing. HBFCL has taken lead in financing two sectors i.e. construction category 48.42 percent and renovation category 55.36 percent.

Figure 15 (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 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 (%)				
		Dec-15	Sep-15	Jun-15	Mar-15	Dec-14
Public Sector Banks		9.6	9.2	11.2	13.7	13.7
Private Banks		8.8	9.4	9.7	10.8	10.8
Islamic Banks		11.0	11.6	12.2	13.4	13.4
<b>All Banks</b>		11.0	11.6	12.2	13.4	13.4
Others		-	-	-	-	-
<b>All Banks &amp; DFIs</b>		11.0	11.6	12.2	13.4	13.4
HBFCL		10.0	11.0	11.0	14.0	14.0
<b>Total Average</b>		10.1	10.7	11.1	13.1	13.1

### Average maturity periods

Average maturity period of outstanding loans as on December 31, 2015 was 12.4 years. HBFCL's average maturity period was 12.4 years, while that of Public Sector Banks is 10 years. Table 4 shows that among commercial banks, Private Banks extended housing finance loans for average tenure of 14.6 years followed by Islamic Banks with 10.3 years.

**Table 4**

		Average Maturity Period (Years)				
		Dec-15	Sep-15	Jun-15	Mar-15	Dec-14
Public Sector Banks		10.0	12.3	12.3	10.0	10.0
Private Banks		14.6	14.3	11.2	13.6	13.6
Islamic Banks		10.3	10.0	10.3	11.2	11.2
<b>All Banks</b>		12.5	11.4	11.2	12.2	12.2
Others		-	-	-	-	-
<b>All Banks &amp; DFIs</b>		12.5	11.4	11.2	12.2	12.2
HBFCL		12.4	11.7	11.7	12.8	12.8
<b>Total Average</b>		12.4	11.6	11.7	12.8	12.8

### Loan to Value ratio (LTV)

The percentage of financing (Loan to Value ratio) extended by banks and DFIs remained 44.9 percent during the quarter (Table 5). Average LTVs of commercial banks remained 48.4 percent over the quarter. The average LTV for HBFCL was reported at 41.3 percent at the end of quarter October-December, 2015.

**Table 5**

		Loan to Value Ratio (%)				
		Dec-15	Sep-15	Jun-15	Mar-15	Dec-14
Public Sector Banks		46.7	46.7	46.7	46.7	46.7
Private Banks		29.4	27.1	40.4	33.2	33.2
Islamic Banks		46.1	45.7	42.0	38.9	38.9
<b>All Banks</b>		48.4	47.7	48.6	41.0	41.0
Others		-	-	-	-	-
<b>All Banks &amp; DFIs</b>		48.4	47.7	48.6	41.0	41.0
HBFCL		41.3	41.6	32.0	33.4	33.4
<b>Total Average</b>		44.9	44.6	40.3	37.2	37.2

**Table 6**

	Average Loan Size (Rs. Millions)				
	Dec-15	Sep-15	Jun-15	Mar-15	Dec-14
Public Sector Banks	1.1	2.8	4.5	3.0	3.0
Private Banks	7.5	7.8	9.0	5.8	5.8
Islamic Banks	8.3	5.9	5.8	5.1	5.1
<b>All Banks</b>	6.9	6.5	7.2	5.1	5.1
Others	-	-	-	-	-
<b>All Banks &amp; DFIs</b>	6.9	6.5	7.2	5.1	5.1
HBFCL	1.7	2.8	3.1	2.5	2.5
<b>Total Average</b>	4.1	4.6	5.1	3.8	3.8

### Average loan size

Average loan size for disbursements made during the quarter ending December 31, 2015 (Table 6) was Rs. 4.1 million. The average loan size for HBFCL was Rs. 1.7 million. Private Banks reported an average financing size of Rs. 7.5 million and Islamic Banks reported an average financing size Rs. 8.3 million. Public sector bank's average loan size stood at Rs. 1.1 million.

## Housing Finance Business of Microfinance Banks:

### Gross Outstanding

The outstanding housing finance of Microfinance Bank (MFB) remained Rs. 198.85 million as on December 31, 2015 which was Rs. 203 million at the end of previous quarter. It registered a decrease of 2.04 percent, over the last quarter.

### Number of Borrowers

The number of outstanding borrowers decreased from 1,938 to 1,865 over the quarter; a decrease of 3.77 percent.

### Non-Performing Loans

NPLs for MFBs were reported 0.79 million for the current quarter.

## Mortgage to GDP Ratio:

Mortgage to GDP ratio in Pakistan stood at **0.50%** as of December 31, 2015.

## Acronyms

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