



State Bank of Pakistan

Quarterly Housing Finance Review

For the Quarter ended September 30, 2016



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

The Team

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Executive Summary

Infrastructure, Housing & SME Finance Department of State Bank of Pakistan presents its Quarterly Housing Finance Review for September, 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.

During the quarter under review, overall housing finance portfolio stood at Rs. 65.85 billion; an increase of 0.23 percent over the previous quarter. HBFCL remained the largest shareholder, in terms of gross loan amount outstanding, with the share of 22 percent. However, based on category, Islamic Banks remained the largest players with 39 percent share in gross loan amount outstanding. Fresh disbursement for the quarter amounted to Rs. 4.12 billion with 851 borrowers. Furthermore, NPLs decreased to the level of Rs 11.28 billion compared to previous quarter's Rs 12.75 billion; a significant decrease of 11.53 percent during the quarter. HBFCL, being the largest player in the housing finance market, accounted for 42 percent of new borrowers and contributed 14.50 percent to the new disbursements equivalent to Rs. 597 million. Islamic banks disbursed Rs. 1.83 billion. Outright Purchase of houses was 66.16 percent of gross outstanding loan amount; while Construction and Renovation products were 23.30 percent and 10.54 percent respectively.

During the quarter ending September 30, 2016, Islamic and Private banks 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, housing finance in Pakistan is gradually growing.

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Major Trends

Gross Loan Amount Outstanding

The gross loan amount outstanding as on September 30, 2016 of all banks and DFIs stood at Rs. 65.85 billion (Figure 1). Compared to previous quarter, it showed an increase of Rs. 0.15 billion (0.23 percent). Over the year, housing finance portfolio showed an impressive growth of 13.48 percent.

Banking sector-wise gross outstanding loans, on quarters ending September 2015 and September 2016, are shown in Figure 2. Islamic banks reported Rs. 25.87 billion followed by private banks at Rs. 20.73 billion. Outstanding loans of HBFCL were Rs. 14.72 billion; up by 5.37 percent over last year.

Islamic and private banks remained major contributors in gross outstanding of housing finance during the year. Private banks showed an increase of 4.76 percent over previous quarter, reaching to Rs. 20.73 billion.

The gross outstanding housing finance of Islamic banking industry (Islamic banks & islamic banking divisions of conventional banks) stood at Rs. 30.27 billion as on September 30, 2016. Compared to quarter ended June 2016, gross outstanding of Islamic banking industry increased by 6.66 percent as shown in Figure 3. Islamic banking industry has maintained an increasing trend throughout the year.

Moreover, of the gross outstanding in Islamic housing finance, Islamic banks accounted for Rs. 25.870 billion; an increase of 3.18 percent over the quarter.

Figure 1 (Amount in Rs. Billion)

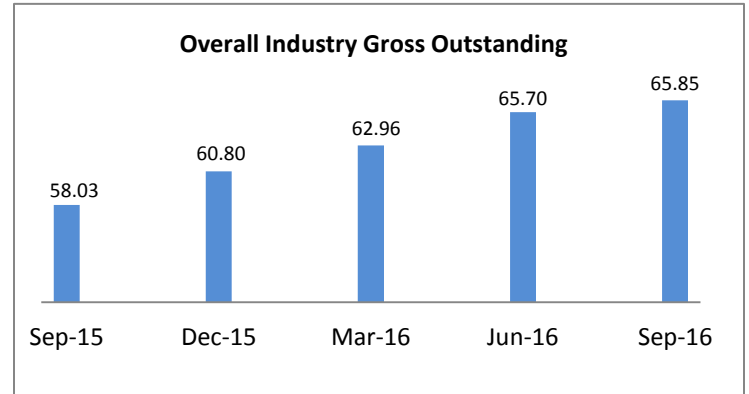


Figure 2 (Amount in Rs. Billion)

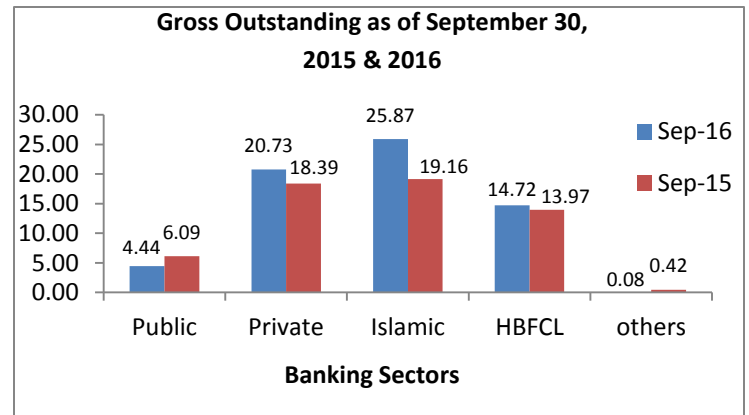
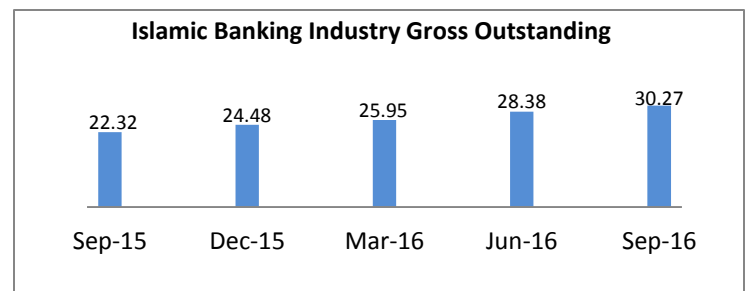
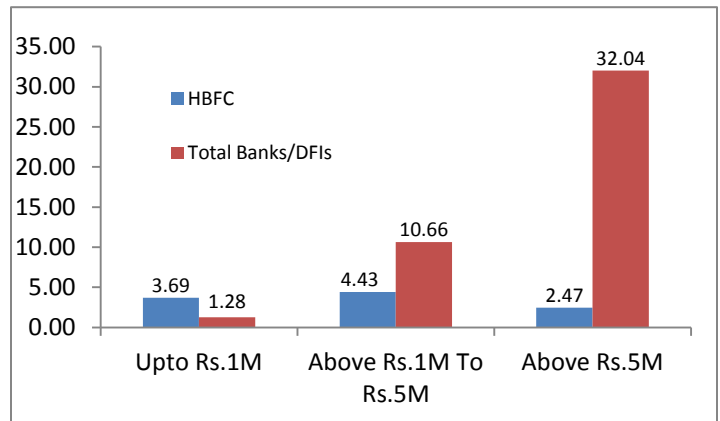


Figure 3 (Amount in Rs. Billion)



Breakup of total outstanding loans in terms of loan size: Figure 4 (Amount in Rs. Billion)

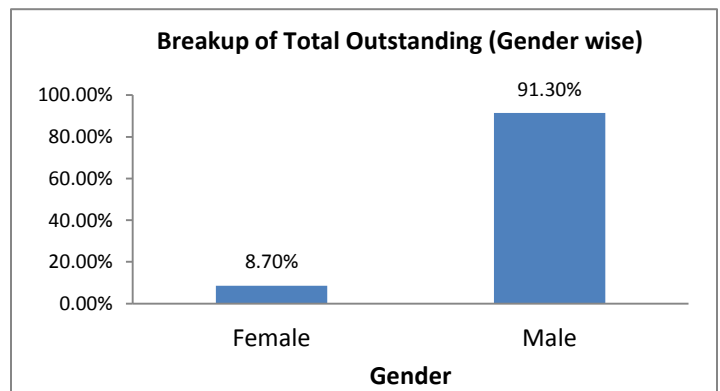
Figure 4 shows breakup of total outstanding portfolio in terms of loan size. As of September 30, 2016, HBFCL and all banks & DFIs reported outstanding loans, net of NPLs, in the category 'Up to Rs. 1 million' as Rs. 3.69 billion and Rs. 1.28 billion respectively. In second category, i.e. 'Above Rs. 1 million to Rs. 5 million', HBFCL reported Rs. 4.43 billion and all bank & DFIs reported Rs. 10.66 billion outstanding loans. In third category, i.e. 'Above Rs. 5 million', HBFCL reported Rs. 2.47 billion and all banks & DFIs reported Rs. 32.04 billion outstanding loans. This reflects that HBFCL has large portion of its portfolio in small-sized loans (up to Rs. 1 million) compared to other institutions that are tilted towards larger loan size (Above Rs. 5 million).



Breakup of total outstanding loans in terms of gender:

At the end of current quarter, 91.30 percent of total outstanding borrowers were male and remaining 8.70 percent were female (Figure - 5).

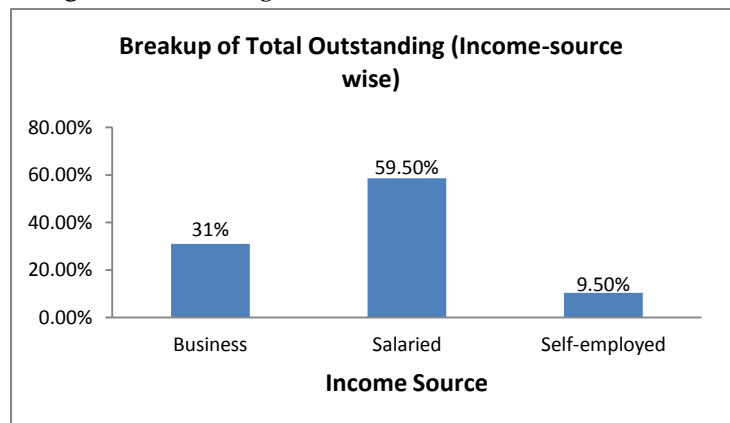
Figure 5 (Percentage)



Breakup of total outstanding loans in terms of income source:

Figure 6 reflects that 59.50 percent of the total outstanding amount was directed towards the salaried individuals, 9.50 percent towards self-employed borrowers and 31 percent towards business borrowers.

Figure 6 (Percentage)



Share of Banks

The share of Private banks, Islamic banks and HBFCL in the gross outstanding loans was 31, 39 and 22 percent respectively at the end of current quarter.

IBDs and IBs had 15 percent and 85 percent share respectively in gross outstanding portfolio of Islamic banking industry (Figure 7.1). Compared to previous quarter, market share of conventional banking decreased and that of Islamic banking increased by 3 percent and stood at 54 percent and 46 percent respectively (Figure 7.2).

Figure 7

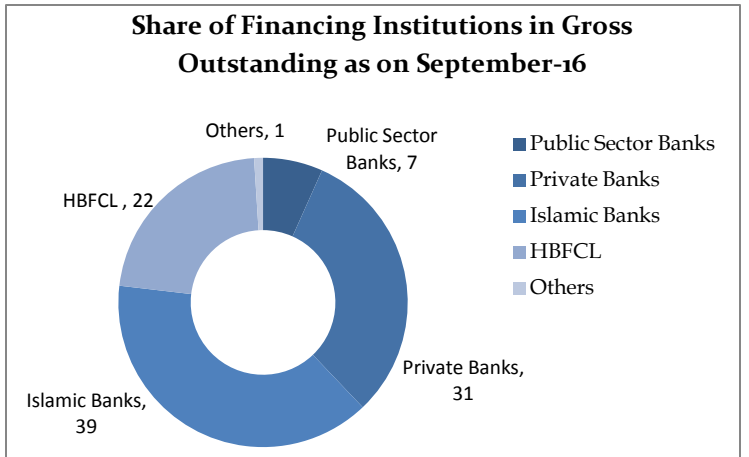


Figure 7.1

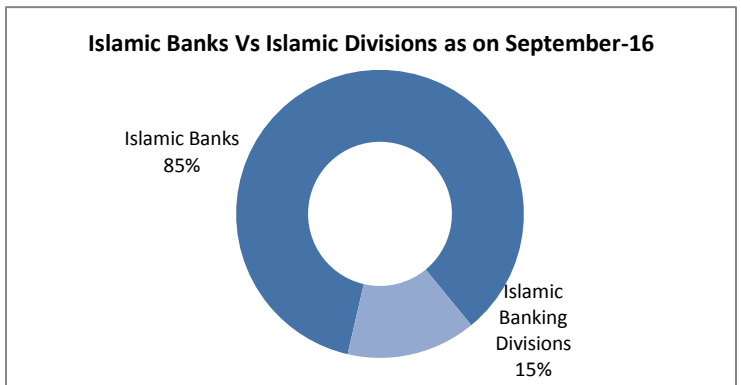
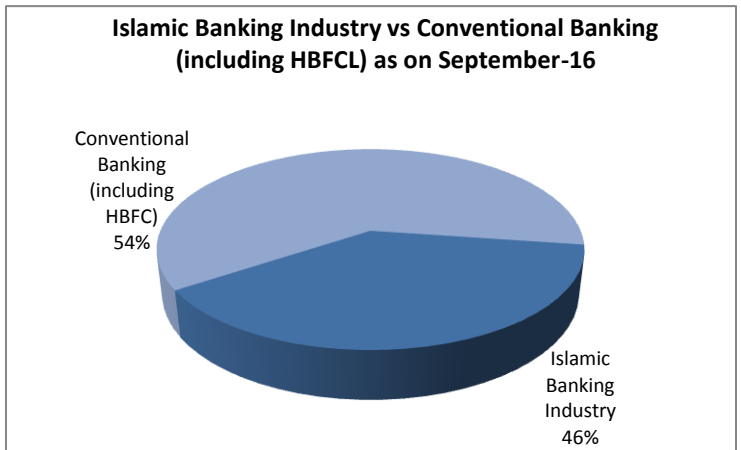


Figure 7.2



Non-Performing Loans (NPLs)

NPLs decreased by 1.47 billion over the quarter to Rs. 11.28 billion; a decrease of 11.53 percent as shown in Figure 8.

HBFCL's NPLs remained unchanged at Rs. 4.1 billion over the quarter. Furthermore, HBFCL's percentage share of NPLs, in its total outstanding amount, has decreased by 7.94 percentage points over the year. At the end of current quarter, 28.04 percent of its gross outstanding amount constituted NPLs (Figure 9). HBFCL's percentage share in total NPLs was 36.35 percent.

Among banks, as shown in Figure 10, NPLs of Islamic banks decreased to Rs. 1.43 billion during the year. Their NPLs constituted 12.68 percent of total industry NPLs. NPLs of the public sector banks decreased by 43.18 percent to Rs. 1.25 billion, over the year, and remained 28.04 percent of their gross outstanding portfolio at the end of the quarter. Private Banks' NPLs decreased by 13.84 percent; from Rs. 5.13 billion to Rs. 4.42 billion. NPLs of other financial institutions decreased to Rs. 0.05 billion over the year.

NPLs for Islamic banking industry (IBs & IBDs), shown in Figure 11, were Rs. 1.83 billion as on September 30, 2016, and remained unchanged over the quarter.

Figure 8: (Amount in Rs. Billion)

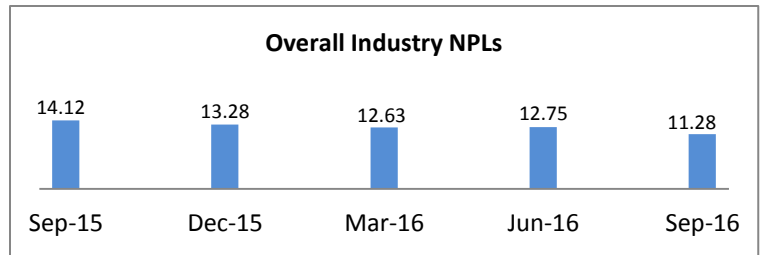


Figure 8.1: (Amount in Rs. Billion)

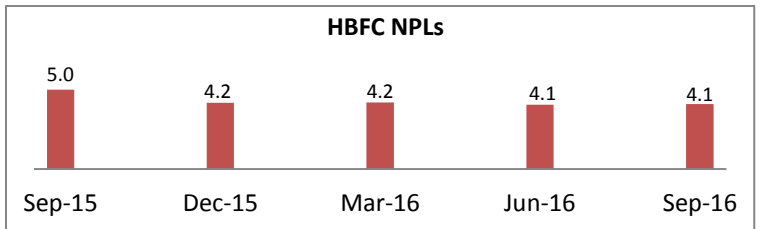


Figure 9 (Percentage)

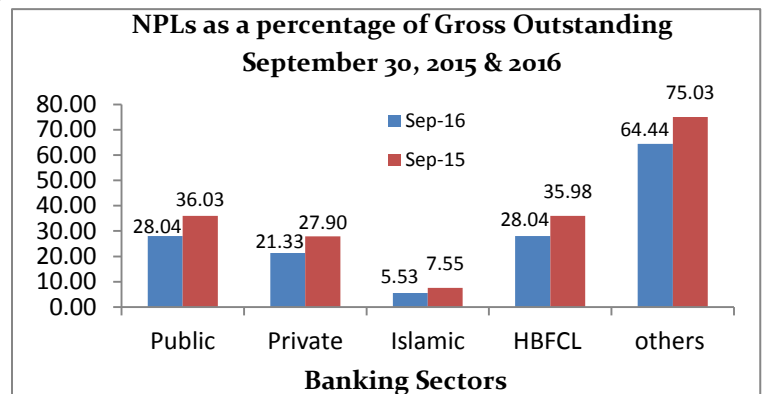
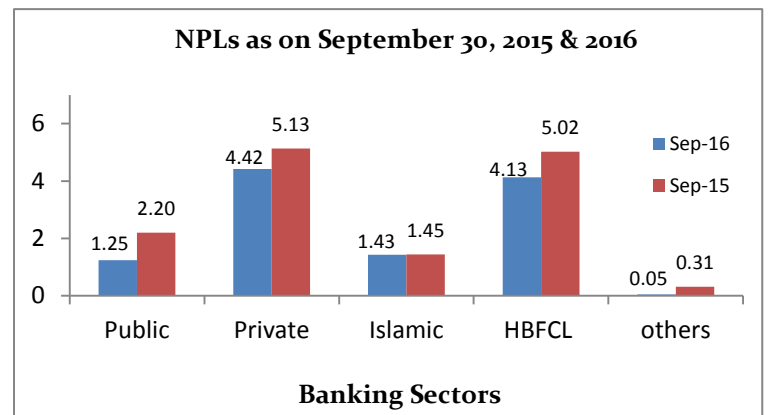


Figure 10 (Amount in Rs. Billion)



Breakup of NPLs in terms of loan-size:

Figure 12 shows breakup of NPLs with respect to size of loans, i.e. ‘Up to Rs. 1 million’, ‘Above Rs. 1 million to Rs. 5 million’ and ‘Above Rs. 5 million’. During the current quarter, Rs. 3.64 billion, against 33,007 borrowers was recorded as NPLs in the category of ‘Up to Rs. 1 million’. In the category of ‘Above Rs. 1 million to Rs. 5 million’, total NPLs amounted to Rs. 2.87 billion with 1500 borrowers. In third category ‘Above Rs. 5 million’, total NPLs were Rs. 4.77 billion against 598 borrowers.

Breakup of NPLs in terms of gender:

Figure 13 shows that 88.21 percent of the total NPL belonged to male borrowers and remaining 11.79 percent to female borrowers.

Breakup of NPLs in terms of income source:

Figure 14 reflects breakup of NPLs with respect to source of income. The major chunk of NPLs, i.e. 54.68 percent, was associated with salaried individuals, 30.15 percent with business borrowers and 15.17 percent with self employed borrowers.

Figure 11 (Amount in Rs. Billion)

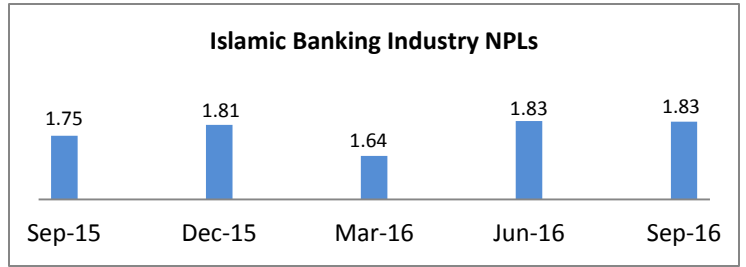


Figure 12 (Amount in Rs. Billion)

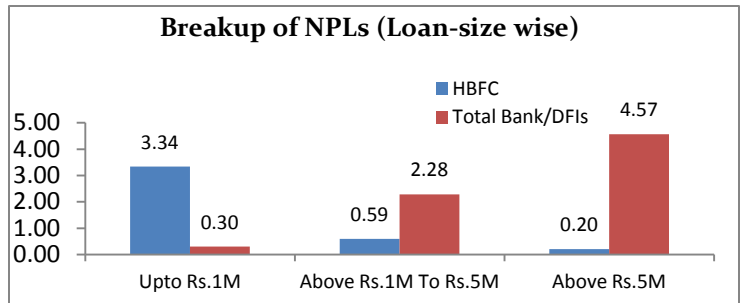


Figure 13 (Percentage)

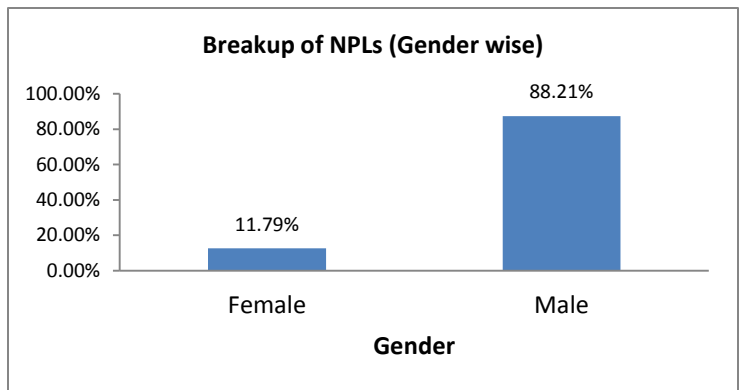
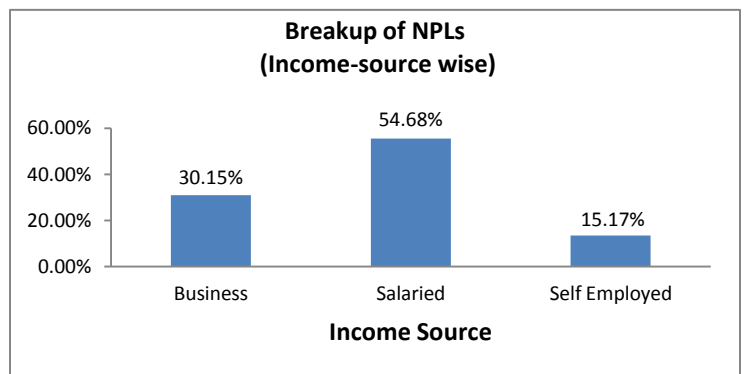


Figure 14 (Percentage)



Number of Borrowers

Number of borrowers decreased from 69,695 to 65,830 since September, 2015; largely due to decrease in NPL borrowers. Number of NPL borrowers decreased from 39,232 in September 2015 to 35,105 in September 2016; a decrease of 10.52 percent over the year.

Moreover, 89.40 percent of total outstanding borrowers were male and 10.60 were female.

Figure 15 (Number of Borrowers)

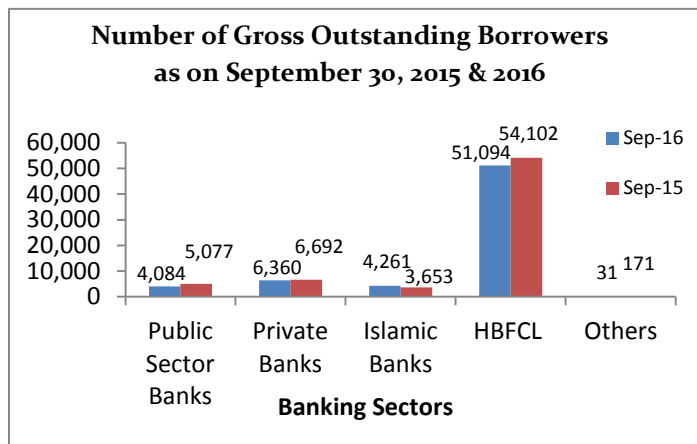


Figure 16 (percentage)

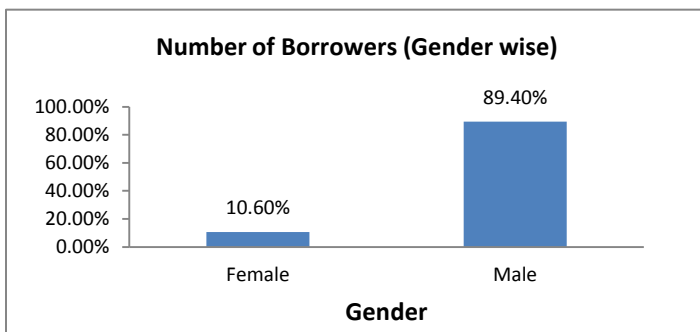


Table 1

Banks/DFIs	September - 16			September- 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	3,519	565	4,084	3,946	1,131	5,077
Private Banks	4,975	1,385	6,360	5,100	1,592	6,692
Islamic Banks	3,971	290	4,261	3,391	262	3,653
HBFL	18,242	32,852	51,094	17,982	36,120	54,102
Others	18	13	31	44	127	171
Total	30,725	35,105	65,830	30,463	39,232	69,695

Disbursement of Loans

Fresh loans of Rs. 4.12 billion (Figure 17) were disbursed to 851 borrowers during the quarter (Table 2). Over the year, total disbursements amounted to Rs. 26 billion. Islamic banks extended new loan disbursements of Rs. 1.83 billion followed by Private banks with Rs. 1.62 billion. HBFCL and Public sector banks reported fresh loan disbursements of Rs. 597 million (Figure 18) and Rs. 66.44 million, respectively.

Among commercial banks, number of new borrowers totaled 494, with Islamic banks serving 232, Private banks serving 227 and Public sector banks serving 35 new customers. HBFCL extended loans to 357 borrowers during the quarter under review.

Fresh loan disbursements of Islamic banking industry amounted to Rs. 2.40 billion to 291 borrowers during the quarter. These disbursements included Rs. 566.74 million to 59 customers by IBDs of conventional banks.

Breakup of loans disbursed in terms of loan size:

Figure 20 shows the loan disbursements' break-up in terms of loan size. Commercial banks/DFIs (excluding HBFCL) disbursed Rs. 2.73 billion in terms of loans 'Above Rs. 5 million' and Rs. 0.05 billion in the category 'Up to Rs. 1 million' during the quarter under review.

Breakup of loans disbursed in terms of gender:

Male and female borrowers received 92.96 percent and 7.04 percent share in disbursements during the quarter (Figure 20).

Figure 17: (Amount in Rs. Billion)

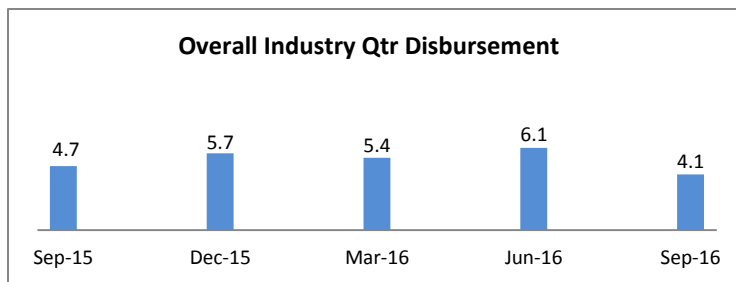


Figure 18: (Amount in Rs. Billion)

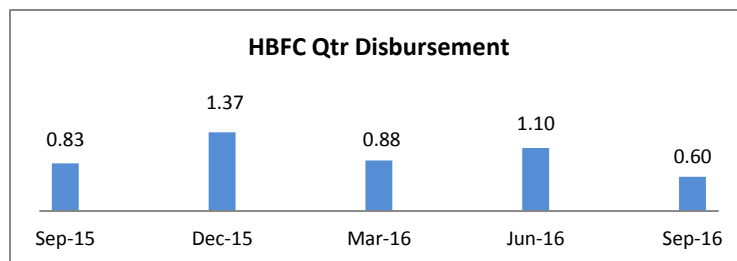


Figure 19 (Amount in Rs. Billion)

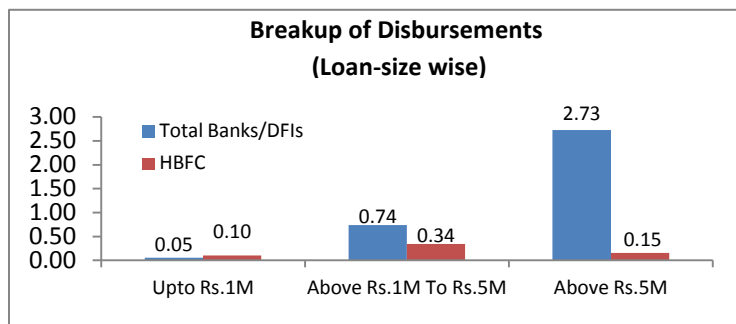
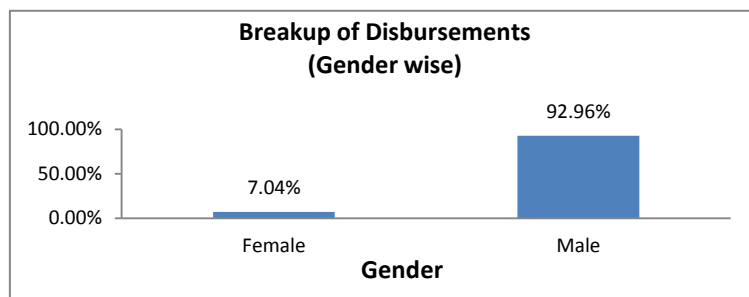


Figure 20 (Percentage)



Breakup of loans disbursed in terms of income source: Figure 21 (Percentage)

During current quarter, 68.53 percent of loan disbursements were extended to the borrowers with primary source income as 'Salary', 27.40 percent to borrowers with primary source of income declared as 'Business', and 4.07 percent to 'Self Employed' borrowers.

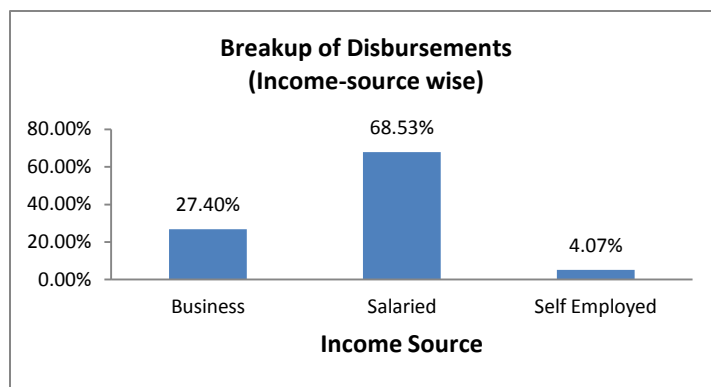


Table 2

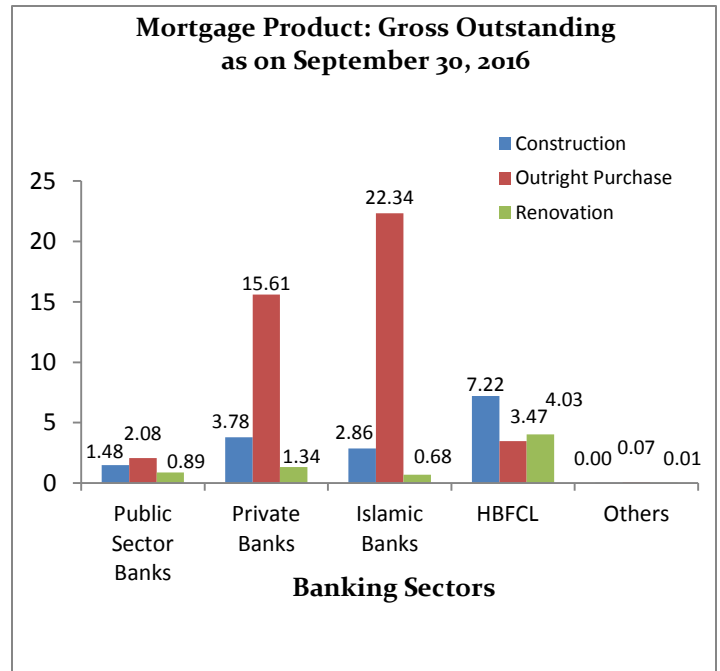
New Disbursements during the quarter ending September 30, 2016		
	Amount (Rs. Millions)	No. of Borrowers
Public Sector Banks	66	35
Private Banks	1,622	227
Islamic Banks	1,830	232
HBFL	597	357
Total	4,115	851
Islamic Industry	2,397	291

Product's Category-wise Share

During current quarter, gross outstanding housing finance for 'Outright Purchase' stood at Rs. 43.55 billion; a 66.16 percent share in gross outstanding. This is followed by the 'Construction' and 'Renovation' category where gross outstanding stood at Rs. 15.34 billion Rs. 6.94 billion respectively.

Active portfolio shows that Islamic banks took a lead in financing for outright purchase with 51.27 percent share, followed by private banks having the share of 35.84 percent. HBFCL took lead in financing of two sectors i.e. 'Construction' (47.07 percent) and 'Renovation' (58.04 percent).

Figure 22 (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 (LTV) ratio and average loan size.

Weighted average markup rate

The overall weighted average markup rate was 9.8 percent at the end of the quarter under review. Public sector banks reported the highest rate at 10.6 percent. HBFCL's rate stood at 9.9 percent and that of Islamic banks at 10.5 percent.

Average maturity period of outstanding loans

Average maturity period of outstanding loans during the quarter was 14.2 years. HBFCL's average maturity period was 14.8 years and that of public sector banks was 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.

Loan to Value ratio (LTV) of loans disbursed

Average LTV of the financing extended by banks and DFIs was 48.2 percent during the quarter (Table 5). Average LTV of commercial banks remained 52.3 percent and that of HBFCL was 40.1 percent.

Table 3

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

Table 4

	Average Maturity Period (Years)				
	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15
Public Sector Banks	12.5	12.5	10.5	10.0	12.3
Private Banks	14.0	14.0	14.0	14.6	14.3
Islamic Banks	11.3	11.3	10.7	10.3	10.0
All Banks	13.1	13.1	12.7	12.5	11.4
Others	-	-	-	-	-
All Banks & DFIs	13.1	13.1	12.7	12.5	11.4
HBFCL	14.8	13.4	12.1	12.4	11.7
Total Average	14.2	13.2	12.5	12.4	11.6

Table 5

	Loan to Value Ratio (%)				
	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15
Public Sector Banks	46.7	46.7	46.5	46.7	46.7
Private Banks	30.5	30.4	30.2	29.4	27.1
Islamic Banks	54.4	54.4	47.2	46.1	45.7
All Banks	52.3	52.3	49.3	48.4	47.7
Others	-	-	-	-	-
All Banks & DFIs	52.3	52.3	49.3	48.4	47.7
HBFCL	40.1	40.1	41.3	41.3	41.6
Total Average	48.2	48.2	46.1	44.9	44.6

Average loan size

Average size of the loans disbursed during current quarter was Rs. 4.7 million (Table 6). The average loan size for HBFCL was Rs. 1.7 million. Private banks reported an average financing size of Rs. 7.2 million, Islamic banks reported Rs. 7.9 million and Public sector banks reported Rs. 1.9 million.

Table 6

	Average Loan Size (Rs. Millions)				
	Sep-16	Jun-16	Mar-16	Dec-15	Sep-15
Public Sector Banks	1.9	2.7	4.7	1.1	2.8
Private Banks	7.2	7.8	6.3	7.5	7.8
Islamic Banks	7.9	9.8	9.7	8.3	5.9
All Banks	7.1	8.7	7.2	6.9	6.5
Others	-	-	-	-	-
All Banks & DFIs	7.1	8.7	7.2	6.9	6.5
HBFCCL	1.7	1.7	1.7	1.7	2.8
Total Average	4.7	5.0	4.7	4.1	4.6

Housing Finance Business of Microfinance Banks:

Gross Outstanding Loan Amount

The gross outstanding housing finance of Microfinance Bank (MFB) stood at Rs. 182.05 million as on September 30, 2016. It was Rs. 189.07 million at the end of previous quarter; registering a decrease of 3.71 percent.

Number of Outstanding Borrowers

The number of outstanding borrowers decreased from 1,700 to 1,622 over the quarter; a decrease of 4.59 percent.

Non-Performing Loans

NPLs for MFBs were 0.71 million for the current quarter.

Mortgage to GDP Ratio:

Mortgage to GDP ratio in Pakistan stood at **0.5 percent** as on September 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