



State Bank of Pakistan

Housing Finance Review

July - December, 2016



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

The Team

Team Leader

Syed Basit Aly - Director

Members

Dr. Muhammad Saleem - Additional Director

Mr. Awais Shafi Mojai – Assistant Director

Executive Summary

Infrastructure, Housing & SME Finance Department of State Bank of Pakistan presents its half yearly housing finance review for the period ending December, 2016 to reflect data on housing finance, collated from public sector banks, private banks, Islamic banks and DFIs. It portrays trend of different parameters pertaining to housing finance like disbursements, outstanding NPLs and recoveries.

During the period under review, overall housing finance portfolio stood at Rs. 69.26 billion; an increase of 5.42 percent since June 2016. HBFCL remained the largest shareholder, in terms of gross loan amount outstanding, with the share of 23 percent. However, based on category, Islamic Banks remained the largest players with 38 percent share in gross loan amount outstanding. Fresh disbursement for Jul-Dec amounted to Rs. 10.10 billion with 1,661 borrowers. Furthermore, NPLs decreased to the level of Rs 12.07 billion and remained 17.43 percent of gross outstanding amount; a decrease of 1.97 percentage points over past six months in the infection ratio. HBFCL, being the largest player in housing finance market, accounted for 35.04 percent of new borrowers and contributed 11.09 percent to the new disbursements equivalent to Rs. 1.12 billion. Islamic banks disbursed Rs. 4.20 billion. Outright Purchase of houses was 65.79 percent of gross outstanding loan amount; while Construction and Renovation products were 23.70 percent and 10.51 percent respectively.

During Jul-Dec 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.

Contents

Major Trends	1
Gross Loan Amount Outstanding.....	1
Breakup of total Outstanding in terms of income source:	2
Share of Banks	3
Non-Performing Loans (NPLs)	4
Disbursement of Loans	5
Breakup of loans disbursed in terms of loan size:.....	5
Breakup of loans disbursed in terms of gender:.....	5
Breakup of loans disbursed in terms of income source:	6
Number of Borrowers.....	7
Product's Category-wise Share.....	7
Analysis of Financing Variables adopted by Banks/DFIs and HBFCL	8
Weighted average markup rate.....	8
Average maturity period of outstanding loans.....	8
Loan to Value ratio (LTV) of loans disbursed	8
Average loan size	9
Housing Finance Business of Microfinance Banks:	9
Gross Outstanding Loan Amount	9
Number of Outstanding Borrowers	9
Non-Performing Loans.....	9
Mortgage to GDP Ratio:.....	9
Acronyms.....	10

Major Trends

Gross Loan Amount Outstanding

The gross loan amount outstanding as on December 31, 2016 of all banks and DFIs stood at Rs. 69.26 billion (Figure 1). Compared to June 2016, it showed an increase of Rs. 3.56 billion (5.42 percent). Over the year, housing finance portfolio showed an impressive growth of 13.90 percent.

Banking sector-wise gross outstanding loans, for the periods ending December 2015 and December 2016, are shown in Figure 2. Islamic banks reported Rs. 26.62 billion followed by private banks at Rs. 22.31 billion. Outstanding loans of HBFCL were Rs. 15.56 billion; up by 5.56 percent over last year.

The gross outstanding housing finance of Islamic banking industry (Islamic banks & Islamic banking divisions of conventional banks) stood at Rs. 31.25 billion as on December 31, 2016. Compared to June 2016, gross outstanding of Islamic banking industry increased by 10.11 percent as shown in Figure 3. Islamic banking industry has maintained an increasing trend throughout the year.

Breakup of total outstanding loans in terms of loan size:

Figure 4 shows breakup of total outstanding portfolio in terms of loan size. As of December 31, 2016, HBFCL and all banks & DFIs reported outstanding loans, net of NPLs, in the category 'Up to Rs. 1 million' as Rs. 3.60 billion and Rs. 1.60 billion respectively. In second category, i.e. 'Above Rs. 1 million to Rs. 5 million', HBFCL reported Rs. 4.53 billion and all bank & DFIs reported Rs. 11.01 billion outstanding loans. In third category, i.e. 'Above Rs. 5 million', HBFCL reported Rs. 2.50 billion and all banks & DFIs reported Rs. 33.99 billion outstanding loans. This reflects that HBFCL has

Figure 1 (Amount in Rs. Billion)

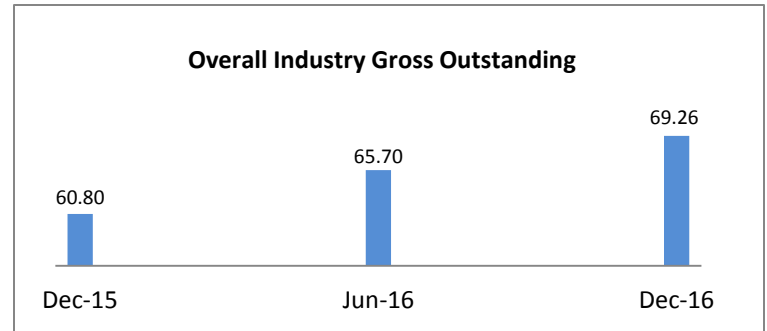


Figure 2 (Amount in Rs. Billion)

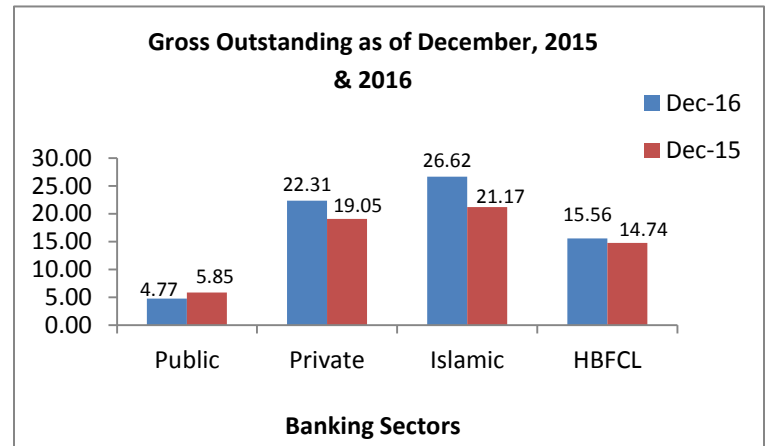
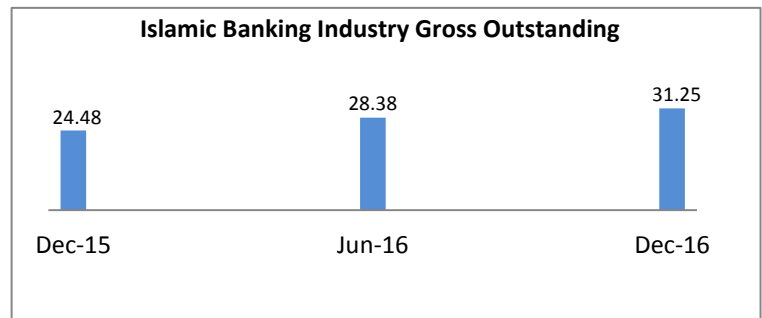


Figure 3 (Amount in Rs. Billion)



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 in terms of income source:

Figure 5 reflects that 61.30 percent of the total outstanding amount was directed towards the salaried individuals, 7.70 percent towards self-employed borrowers and 31 percent towards the borrowers with the primary income derived from business.

Figure 4 (Amount in Rs. Billion)

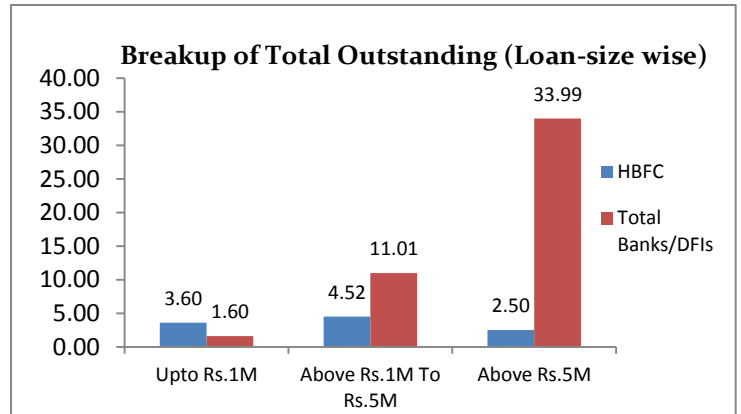
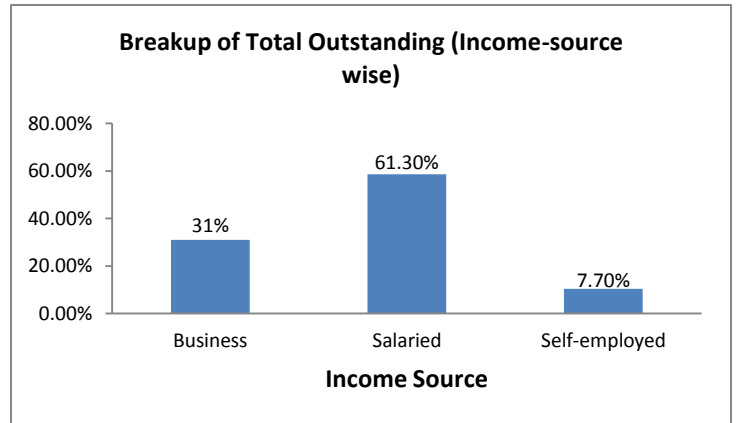


Figure 5 (Percentage)



Share of Banks

The share of Private banks, Islamic banks and HBFCL in the gross outstanding loans was 32, 38 and 23 percent respectively at the end of December, 2016.

Moreover, during the half year ended December 2016, market share of conventional banking decreased and that of Islamic banking increased by 2 percent and stood at 55 percent and 45 percent respectively (Figure 6.1).

Figure 6 (Percentage)

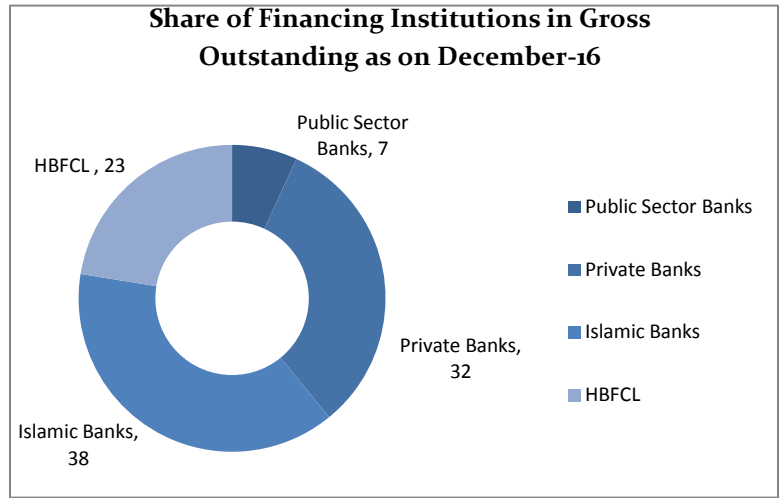
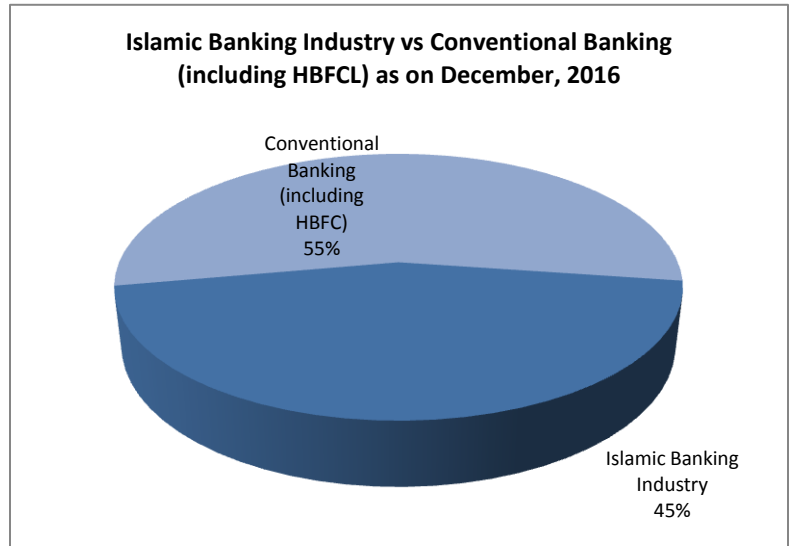


Figure 6.1 (Percentage)



Non-Performing Loans (NPLs)

NPLs decreased by 1.21 billion, over Jul-Dec, to Rs. 12.07 billion.

Among banks, as shown in Figure 8, NPLs of Islamic banks remained 5.98 percent of their gross outstanding portfolio. Moreover, NPLs of Public and Private sector banks remained 27.63 and 18.93 percent of their gross outstanding portfolio respectively.

NPLs for Islamic banking industry (IBs & IBDs), were Rs. 1.83 billion as on December 31, 2016.

Breakup of NPLs in terms of loan-size:

Figure 9 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 Jul-Dec 2016, Rs. 3.95 billion, against 34,146 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. 3.26 billion with 2193 borrowers. In third category 'Above Rs. 5 million', total NPLs were Rs. 4.86 billion against 1821 borrowers.

Figure 7: (Amount in Rs. Billion)

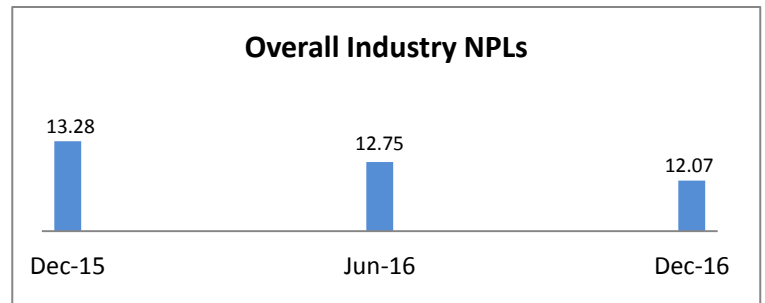


Figure 8: (Percentage)

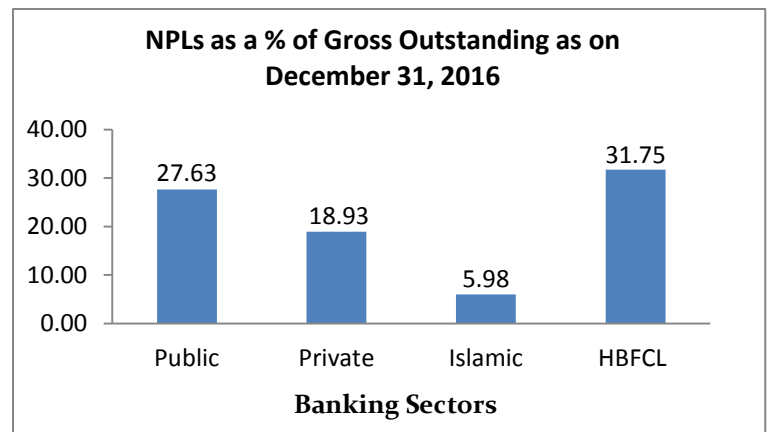
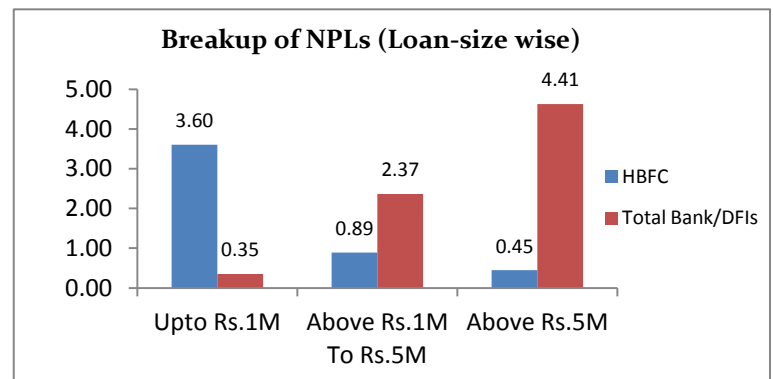


Figure 9 (Amount in Rs. Billion)



Disbursement of Loans

Fresh loans of Rs. 10.10 billion (Figure 10) were disbursed to 1775 borrowers during Jul-Dec (Table 1). Over the year, total disbursements amounted to Rs. 21.6 billion. Islamic banks extended new loan disbursements of Rs. 4.20 billion followed by Private banks with Rs. 3.60 billion. HBFCL and Public sector banks reported fresh loan disbursements of Rs. 1.12 billion (Figure 11) and Rs. 126.16 million, respectively.

Among commercial banks, number of new borrowers totaled 1079, with Islamic banks serving 543, Private banks serving 459 and Public sector banks serving 77 new customers. HBFCL extended loans to 582 borrowers during the period under review.

Fresh loan disbursements of Islamic banking industry amounted to Rs. 5.25 billion to 657 borrowers during the period. These disbursements included Rs. 1.05 billion to 114 customers by IBDs of conventional banks.

Breakup of loans disbursed in terms of loan size:

Figure 12 shows the loan disbursements' break-up in terms of loan size. Commercial banks/DFIs (excluding HBFCL) disbursed Rs. 7.05 billion in terms of loans 'Above Rs. 5 million' and Rs. 0.12 billion in the category 'Up to Rs. 1 million' during Jul-Dec.

Breakup of loans disbursed in terms of gender:

Male and female borrowers received 92.62 percent and 7.38 percent share respectively in disbursements during the period (Figure 13).

Figure 10: (Amount in Rs. Billion)

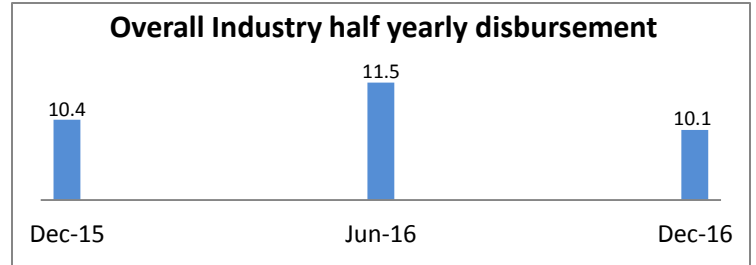


Figure 11: (Amount in Rs. Billion)

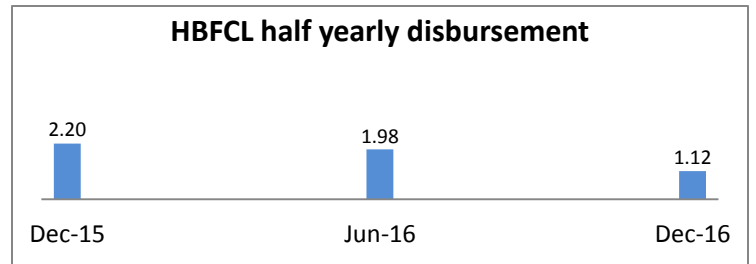


Figure 12 (Amount in Rs. Billion)

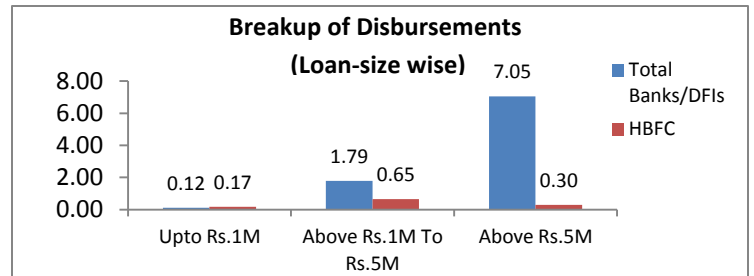
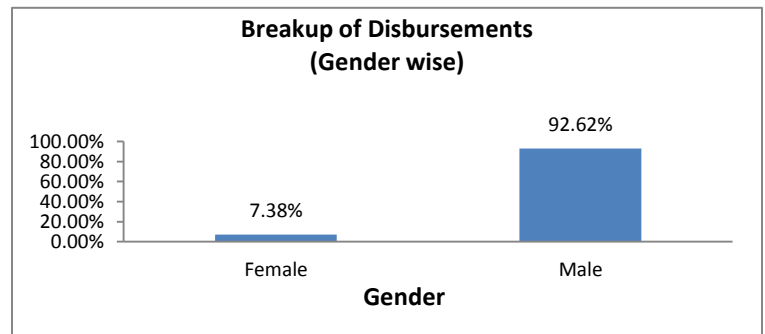


Figure 13 (Percentage)



Breakup of loans disbursed in terms of income source: Figure 14 (Percentage)

During current period, 71.95 percent of loan disbursements were extended to the borrowers with primary source income as 'Salary', 25.36 percent to borrowers with primary source of income declared as 'Business', and 2.69 percent to 'Self Employed' borrowers.

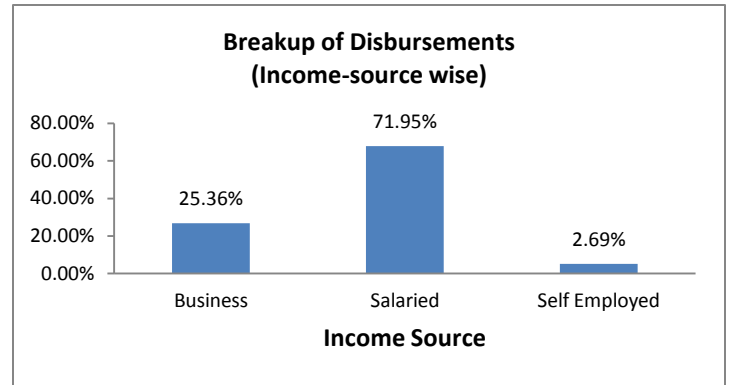


Table 1

New Disbursements during the half year ending December 31, 2016

	Amount (Rs. Millions)	No. of Borrowers
Public Sector Banks	126	77
Private Banks	3,595	459
Islamic Banks	4,200	543
HBFL	1,119	582
Total	9,039	1661
Islamic Industry	5,249	657

Number of Borrowers

Number of borrowers increased from 69,365 to 69,523 since December, 2015. Moreover, 89.17 percent of total outstanding borrowers were male and 10.83 were female.

Product's Category-wise Share

During the half year ended December 31, 2016, gross outstanding housing finance for 'Outright Purchase' stood at Rs. 45.56 billion; 65.79 percent share in gross outstanding. This is followed by the 'Construction' and 'Renovation' category where gross outstanding stood at Rs. 16.41 billion Rs. 7.28 billion respectively.

Active portfolio shows that Islamic banks took a lead in financing for outright purchase with 50.11 percent share, followed by private banks having the share of 36.55 percent. HBFCL took lead in financing of two sectors i.e. 'Construction' (46.49 percent) and 'Renovation' (57.11 percent).

Figure 15 (Number of Borrowers)

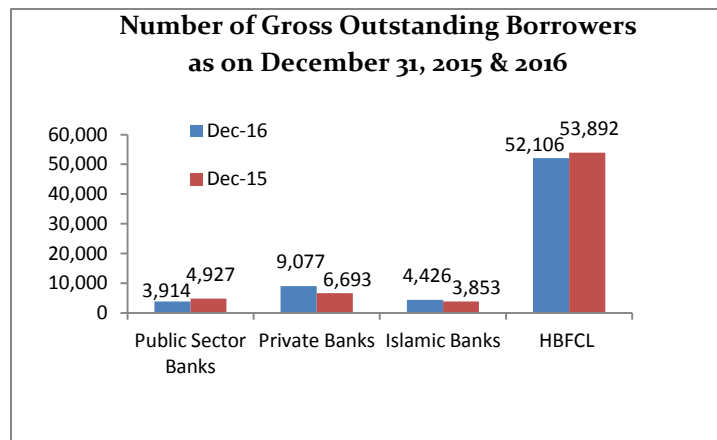


Figure 16 (percentage)

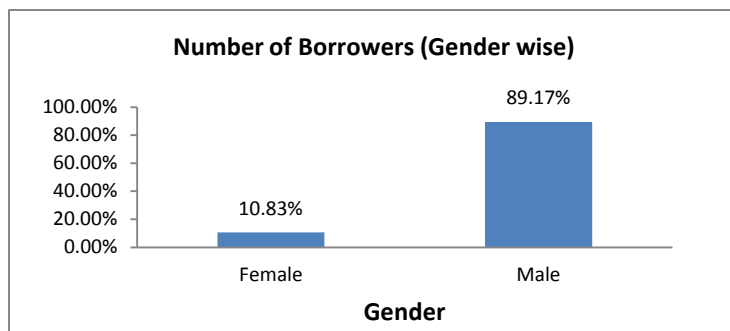
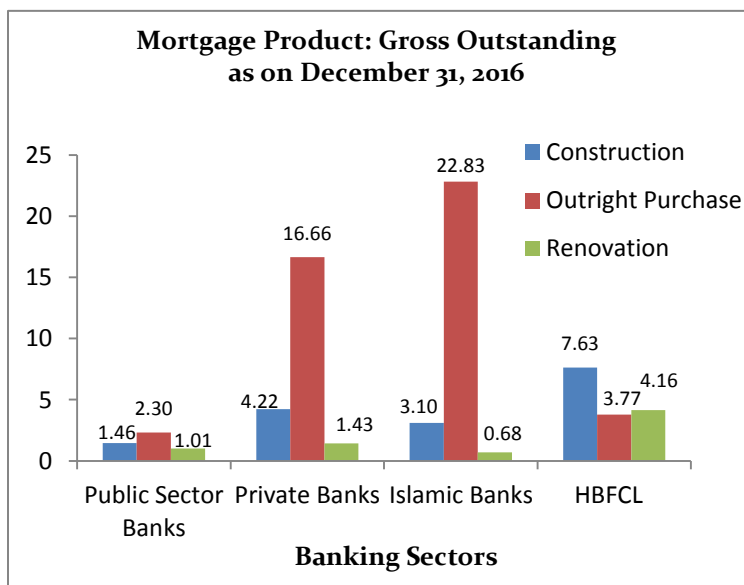


Figure 17 (Amount in Rs. Billion)



Analysis of Financing Variables adopted by Banks/DFIs and HBFCL

Tables 2 to 5 summarize financing variables across all banking sectors including weighted average markup 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 period under review. Public sector banks reported the rate at 10.6 percent and Islamic banks at 10.5 percent. HBFCL's rate stood at 9.9 percent.

Table 2

	Weighted Average markup rate (%)		
	Dec-16	Jun-16	Dec-15
Public Sector Banks	10.6	10.6	9.6
Private Banks	8.5	8.5	8.8
Islamic Banks	10.5	10.5	11.0
All Banks	10.0	10.0	11.0
HBFCCL	9.9	9.9	10.0
Total Average	9.8	9.8	10.1

Average maturity period of outstanding loans

Average maturity period of outstanding loans during Jul-Dec was 14.2 years. HBFCL's average maturity period was 14.8 years and that of public sector banks was 12.5 years. Table 3 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 3

	Average Maturity Period (Years)		
	Dec-16	Jun-16	Dec-15
Public Sector Banks	12.5	12.5	10.0
Private Banks	14.0	14.0	14.6
Islamic Banks	11.3	11.3	10.3
All Banks	13.1	13.1	12.5
HBFCCL	14.8	13.4	12.4
Total Average	14.2	13.2	12.4

Loan to Value ratio (LTV) of loans disbursed

Average LTV of the financing extended by banks and DFIs was 48.2 percent (Table 4). Average LTV of commercial banks remained 52.3 percent and that of HBFCL was 40.1 percent.

Table 4

	Loan to Value Ratio (%)		
	Dec-16	Jun-16	Dec-15
Public Sector Banks	46.7	46.7	46.7
Private Banks	30.5	30.4	29.4
Islamic Banks	54.4	54.4	46.1
All Banks	52.3	52.3	48.4
HBFCCL	40.1	40.1	41.3
Total Average	48.2	48.2	44.9

Table 5

	Average Loan Size (Rs. Millions)		
	Dec-16	Jun-16	Dec-15
Public Sector Banks	1.4	2.7	1.1
Private Banks	8.5	7.8	7.5
Islamic Banks	7.6	9.8	8.3
All Banks	7.5	8.7	6.9
HBFCL	2.3	1.7	1.7
Total Average	6.1	5.0	4.1

Average loan size

Average size of the loans disbursed during the period was Rs. 6.1 million (Table 5). The average loan size for HBFCL was Rs. 2.3 million. Private banks reported an average financing size of Rs. 8.5 million, Islamic banks reported Rs. 7.6 million and Public sector banks reported Rs. 1.4 million.

Housing Finance Business of Microfinance Banks:**Gross Outstanding Loan Amount**

The gross outstanding housing finance of Microfinance Bank (MFB) stood at Rs. 176.78 million as on December 31, 2016. It was Rs. 182.05 million at the end of June 2016; registering a decrease of 2.89 percent.

Number of Outstanding Borrowers

The number of outstanding borrowers decreased from 1,622 to 1,517 over the period; a decrease of 6.47 percent.

Non-Performing Loans

NPLs for MFBs were 0.27 million at the end of December 2016.

Mortgage to GDP Ratio:

Mortgage to GDP ratio in Pakistan stood at **0.5 percent** as on December 31, 2016.

Acronyms

DFI	Development Finance Institution
GDP	Gross Domestic Product
HF	Housing Finance
HBFCL	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