

Development of Islamic Housing Finance



**TURNING DREAMS
INTO REALITY**

Lender of First Resort



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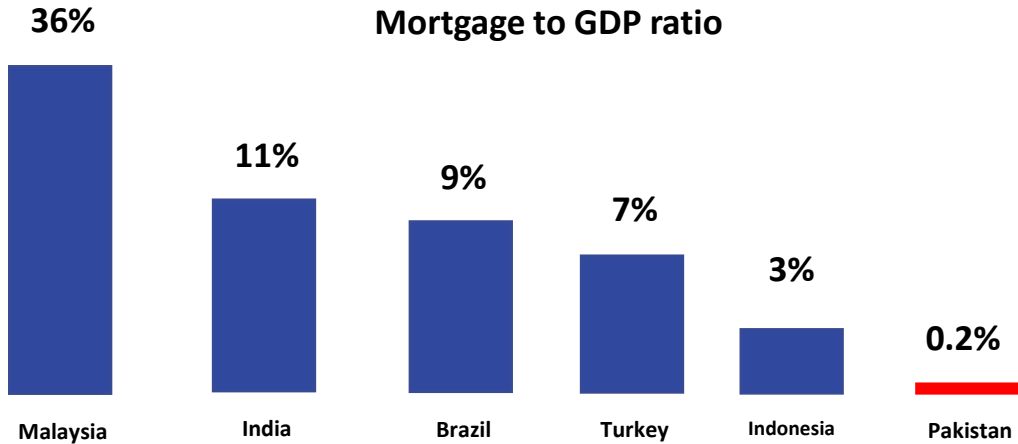
Why Mortgage Financing?

In Pakistan, Owning A Home Is Not Considered An Investment Rather A Commitment Towards Families.

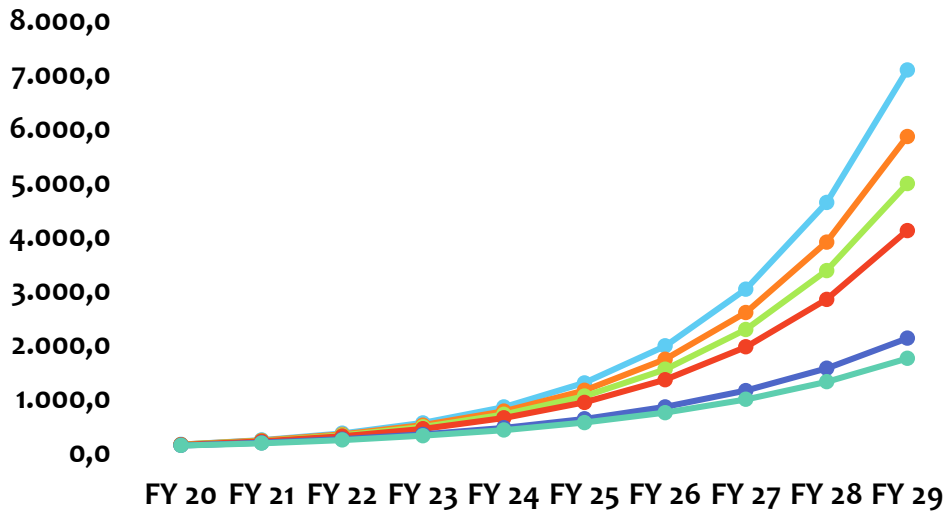
Housing Therefore Is Considered As Fundamental Need Of All Regardless Of Their Income Levels

It Is A Basic Human Need Which Is Profoundly Felt For Financially Under-served Segments





Mortgage Sector in Pakistan



Demand growing at **0.7 million** new units per annum

Low GDP to Mortgage Ratio
0.2 %

Limited Access for **Low and Middle Income** Segment

Limited **Developer Finance**

Housing deficit estimated at **10 -12 million** units

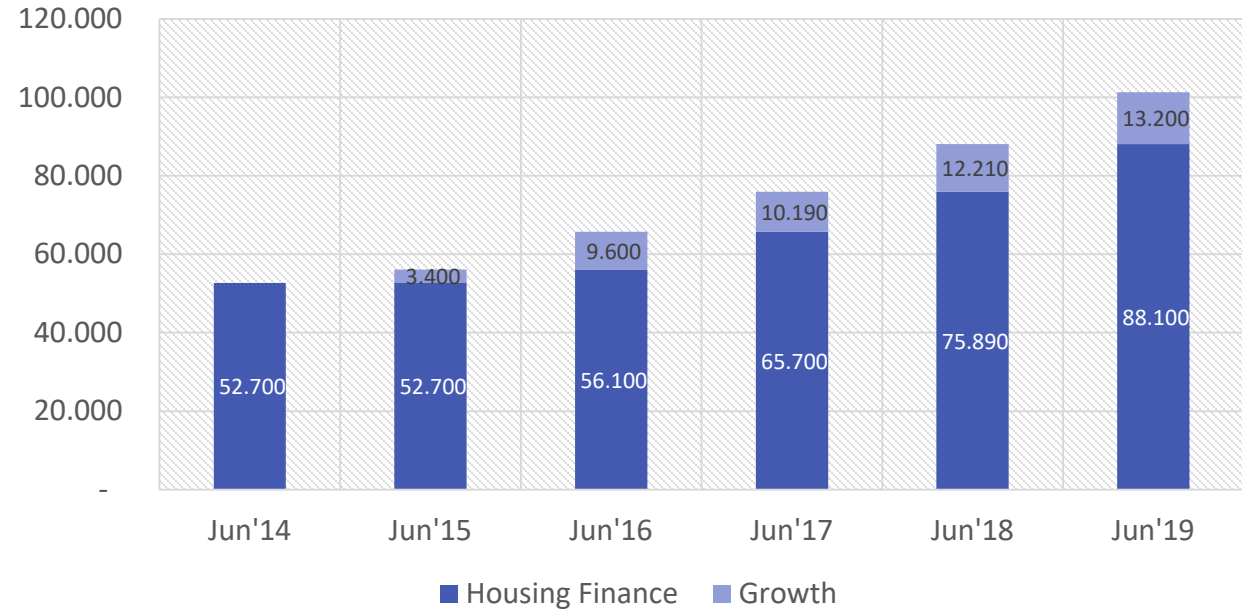
53% growth in Finance to reach 10% GDP to Mortgage

Mortgage advances witnessed a growth of 13.7% in FY19

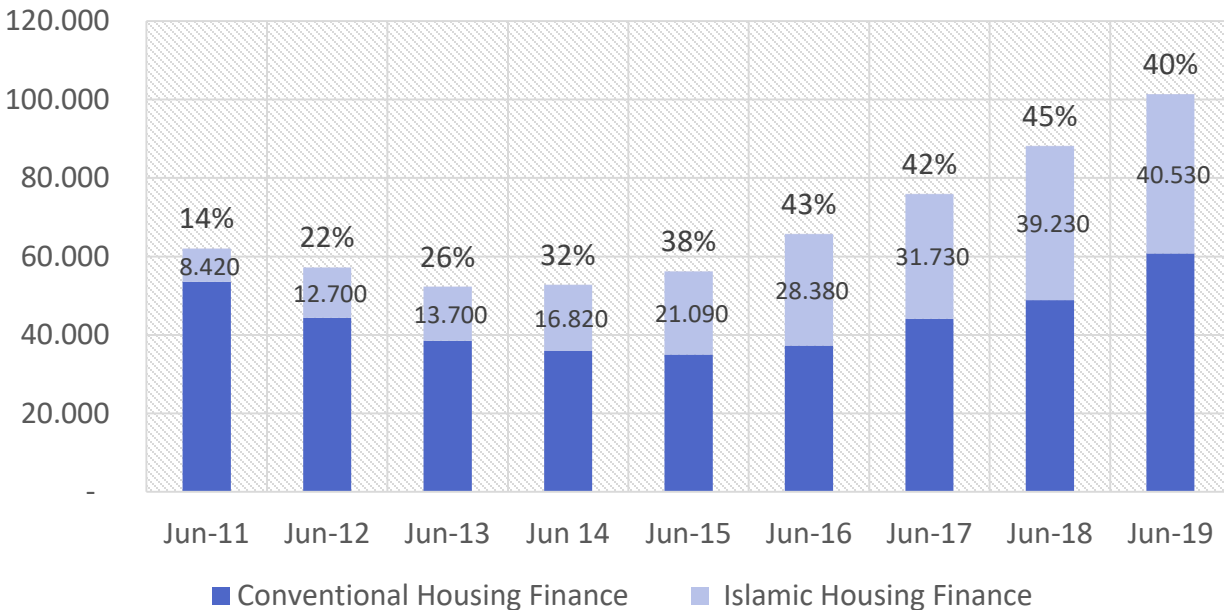
Increase in financing cost due to change in policy rate impacted the growth in advances during the year.

From a growth rate of 6% in Mar'18 to Jun'18, the housing sector posted a mere growth of 1% from Mar'19 to Jun'19

CAGR of 14% in overall Mortgage Financing in the last 5 years



Mortgage Financing in Pakistan



Historical growth rate of 23% in Jun'17 to Jun'18 in Islamic mortgage financing

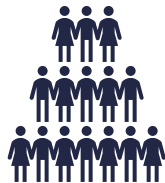
Remarkable market share of 40% compared to a mere 14% in Jun'11

CAGR of 19% Islamic Mortgage Financing growth in the last 5 years

Islamic Financing Potential in Mortgage Finance



Growing demand for Shari'ah-compliant products in Pakistan



About 95-98% population of Pakistan are Muslims.



Encouraging current trend of the Islamic mortgage financing performance presents an even greater potential for Islamic Financing



Capital Market development potential for Sukuk

Role of PMRC

Develop
Primary Mortgage
market

Providing medium & long
term funds at fixed rate

Promote sound mortgage
lending practices

Develop
Local Bond
market

Introduce new class of Long
term assets for investors

Promote fixed rate bonds /
sukuks

PMRC's Achievements



Credit Rating - **AAA** rated



First Islamic Refinance MESANA Region



Contributed in **14% annual** growth of mortgage financing.



TA/Training for banks on product development, standardization and E&S.



Accessibility – Specific products designed and launched for of **LIG** and **MIG** Products by multiple commercial banks and a DFI.



Fastest growing DFI in Pakistan.

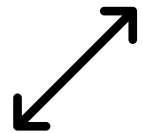


First 2 refinance facilities fully utilized by the customers



Improved affordability of end borrowers especially **Low Income Group (LIG)** and **Middle Income Group (MIG)** – (12% to 15% vs market rate of 17% to 18%).

Government & SBP Initiatives



Expansion of the Mortgage Market is a key policy agenda - **NFIS**.



Housing Task Force for **Low Income Housing**



Establishment of **Naya Pakistan Housing Development Authority**.



Improved Legal Framework & Foreclosure laws.



Setup of Real Estate Regulatory Authority and Developer Regulation.



Land Information Repository/Online Title Search



Setup of Land Bank- Improved Master Planning.



New Housing Finance Companies



Government & SBP Initiatives



No **General Reserve Requirement** for Banks/DFI –Low Income Group



Lower Risk-Weights for Low Cost Housing Finance – **25%** requirement instead of 35%.



Flat Risk-Weight of 10% on Banks/DFI investments in PMRC Bonds

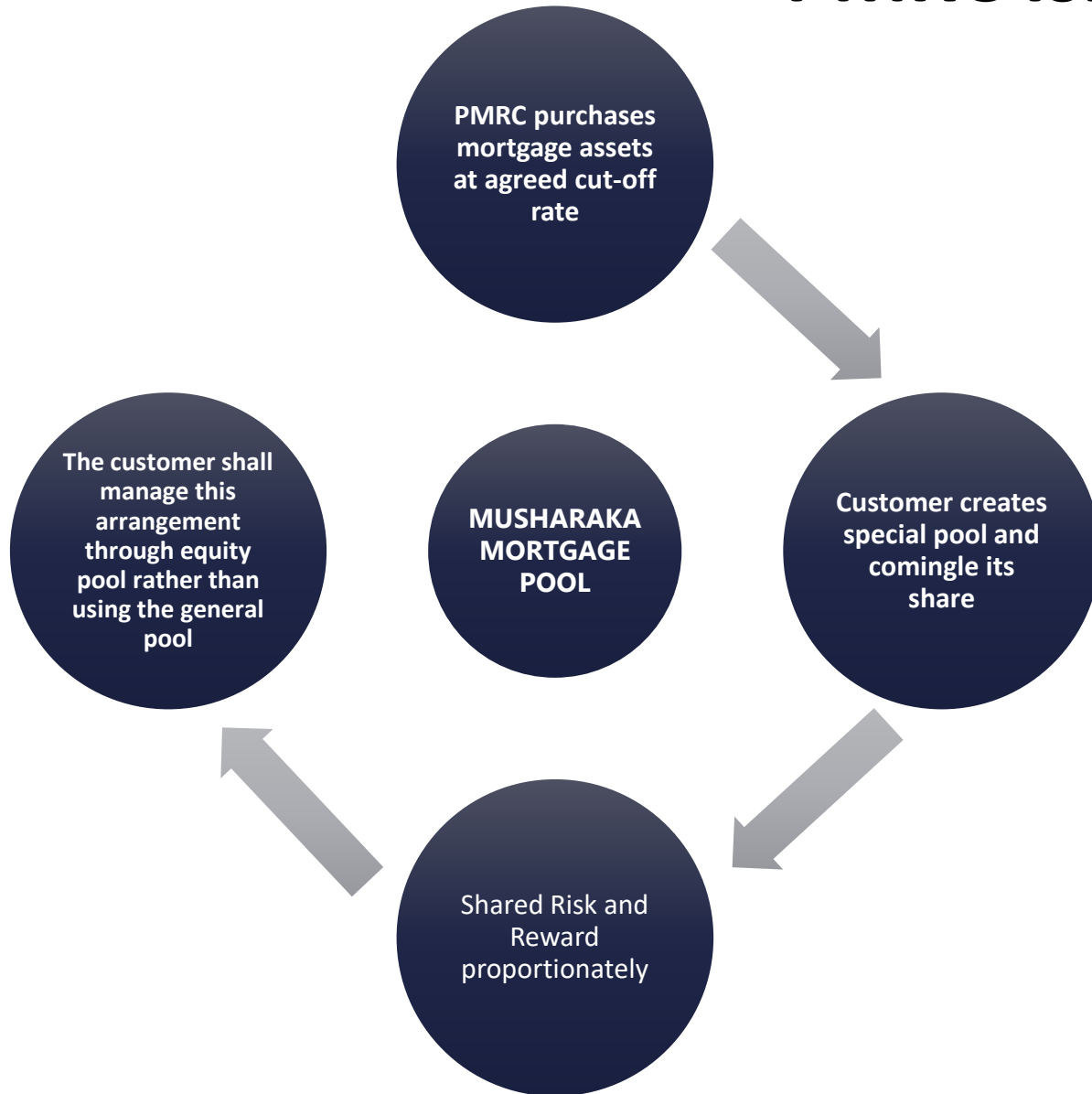


Exemption from **10% exposure limit** on real estate sector



Reduced Income Tax rate of **20%** from 35% on Low-Cost Housing Finance

PMRC Islamic Refinance Structure





THANK YOU

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