

PMRC: a catalyst for housing finance

THE Pakistan Mortgage Refinance Company (PMRC) Limited was set up as a mortgage liquidity facility by the government along with the State Bank of Pakistan (SBP) and the World Bank Group to address the long-term funding constraints in the banking sector.

PMRC's participation has acted as a catalyst for the sector. The fact is evident by its growth in advances to Primary Mortgage Lenders (PMLs) only for mortgage financing increasing from Rs 5.19bn in March 2019 to Rs17.4bn in March 2021; which is a growth in advances of more than 200% despite tough market con-

ditions and the COVID-19 situation.

Mr. Shahzad Khan, Head of Business, speaking to Dawn, said: "The company offers Shariah-compliant as well as conventional financing. PMRC is proud that the PMLs, backed by PMRC's subsidised funding rates, have introduced medium and long-term mortgage financing for end-borrowers at fixed rate, which effectively lowers the rate of the end-borrower, making it affordable and promoting housing finance in the country."

PMRC is also mandated to issue capital market instruments. Mr. Farrukh Zaheer, Head of Treasury, said: "PMRC is mandated to issue only fixed-rate debt instruments. We have issued

Rs10.3bn worth of debt instruments and PMRC remains among only a handful of issuers in Pakistan who are issuing fixed-rate paper." He said PMRC utilises the proceeds to further lend it to PMLs, thus ensuring it remains committed to its core business of promoting affordable housing finance."

Separately, the government of Pakistan and the PMRC have established the Credit Guarantee Trust for Low-Income, under which PMRC provides partial credit guarantee for low-income housing to qualified financial institutions. Mr. Mudassar Khan, MD/CEO, said: "The guarantee is to partially alleviate the credit risk for PMLs who are providing mortgage financing to low-in-

come category, particularly those in the informal sector, as it encourages the banks to lend to this segment."

PMRC is also playing a key role for market development working with the regulators, Naya Pakistan Housing Development Authority and other stakeholders. It provides technical assistance to PMLs and has worked with international agencies and Asian and International mortgage market participants.

The government and the SBP have worked aggressively towards promoting housing and construction finance. During FY21, housing and construction finance outstanding increased by Rs111bn, or 75%, over FY20, and touched Rs259bn by the end of June 2021. Mr. Mudassar remarked that these numbers are evidence of strong growth in the segment and it remains unprecedented in Pakistan's history. He said he is confident that PMRC is fully geared to ensure it keeps playing the vital role of promoting this sector. ■

BOP all set to make diversified progress

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profitability.

- Investment in people and technology upgradation.
- Network growth in rural areas under National Financial Inclusion Strategy (NFIS).
- Partnering with GoPb to devise G2P/P2G solutions (Khidmat Cards, PSPA, e-stamps, government revenue/fee collections).
- In recognition of the outlook of the bank, as well as strong financial performance and considerable progress made in the areas of risk, compliance, governance and all other facets of oper-

ations the Pakistan Credit Rating Agency (PACRA), after the lapse of five years has upgraded the long-term entity rating of BOP to AA+, with the short-term highest rating of A1+.

- BOP is well supporting GoPb in public welfare campaigns. Support in establishing first ever Drive through COVID-19 vaccination centre in Lahore and then in Islamabad is a recent example.
- BOP actively participated in several large infrastructure projects in the power sector, like Punjab Thermal Power & Scatec Solar. We also acted as lead arranger in several large project finance transactions, like Fauji Cement and Attock Cement, as well as major syndicated telecom sector transactions, like

Jazz (PML).

- BOP was appointed as the Primary Dealer by State Bank of Pakistan for the first time.
- BOP has become market maker for debt securities on PSX and also selected as member of KIBOR banks.

Most recently, we have closely worked with GoP to launch Kamyab Pakistan Programme, and we have been actively participating in other important government initiatives aimed at improving the health sector, safeguarding employment and supporting industry amid the COVID-19 crises. Our contribution for these initiatives clocks to around Rs41bn.

BOP is a market leader in Kamyab Jawan Scheme with the highest disbursements in the industry, amounting to Rs1bn in core Agri business, and collateral-free loans to Rs2.7bn.

BOP is spearheading various initiatives under housing and construction initiative of the government. BOP has been appointed as the financial advisor to the Ravi Urban Development Authority (RUDA) scheme being developed next to Lahore. We are also acting as the coordinating bank amongst six others financing banks in the massive Land Development Authority (LDA) City Project. Similarly, we are also the coordinator bank amongst nine other lending banks for GoPb's Peri Urban Project, which shall provide affordable housing to the low-income / blue-collar segment through development of housing projects in proximity to major cities. We have also collaborated with the private sector and are financing both the developer and end-user legs of a state-of-the-art housing project being developed for low-income segment in Gujranwala. BOP is also working closely with international multilaterals and DFIs, benefiting from their expertise to execute the low-cost housing initiative of the government effectively and efficiently.

Q. How do you compare BOP's interaction with conventional and Islamic finance entities?

A. BOP offers a full suite of services both to its Islamic banking and conventional banking clients. Our Islamic Banking operations — under the brand name Taqwa Islamic Banking — have grown exponentially over the past decade and we now have 100 dedicated Islamic branches in addition to nine window operations. Our Islamic book size has now grown to over PKR70bn and our product suite is expanding in retail, commercial and corporate segments.

I am a firm believer that shariah-compliant financing will continue to outpace conventional banking in mid to long term with all the means available to support this which includes Capital, Human Resource and Technology. We are already focusing on Islamic banking as the engine of growth which is visible in our balance sheet. Today, every one in five of our branches is an Islamic banking branch and we are in the process of expanding the footprint through establishing Islamic windows in our conventional branches to satiate the appetite for shariah-compliant services.

Q. How does BOP promote financial inclusion and diversity in terms of customer profile and product offerings?

A. BOP has always strived to create an inclusive and supportive environment for all of its customers. The focus in BOP has been on two levels; one is internal integration and inclusivity under which we have introduced policies for Diversity and Inclusion, inducted a batch of 100 DAPs, as well as signed MOUs with NOWPDP, STEP and COMCON to provide relevant trainings and support to persons being hired.

The second is financial empowerment through our commercial outreach programmes. I have already mentioned that most of our branches during the recent years have been opened in underserved areas of the country which are effectively being leveraged to support financial inclusion.

In collaboration with GoPb, we introduced "Hamqadam Programme" exclusively managed by us for disbursements of funds to differently abled persons under G2P through cash-out at 15,000 plus agent locations and 20,000 plus ATMs at no additional cost. PKR6bn has been disbursed so far.

We are also the number one bank in the Prime Minister's Kamyab Jawan Youth Entrepreneur Scheme in terms of disbursements in phase 1, and are attempting to maintain this pole position in phase 2 as well.

The Punjab Rozgar Scheme, launched by Punjab Small Industries Corporation in collaboration with BOP, is another way for the bank to extend the option of accessing financial services to minority and neglected segments. In this scheme, the bank aims to provide small subsidised business loans between the range of Rs100,000 to Rs10,000,000 to its target audiences; male/female/transgender university/college graduates with entrepreneurial skills, diploma/certificate holders from TEVTA having technical/vocational training, and artisans and skilled workers.

The loans are available for a flexible term of 2-5 years with a debt equity ratio of 80:20 for males, and 90:10 for females and trans-genders. Low-cost housing, a niche segment, is another area in which BOP is leading the housing and construction initiative of the government.

Furthermore, BOP is highly supportive of infrastructure financing, and has partnered in many power projects. Such initiatives are a major part of BOP's strategy, a separate infrastructure unit is being developed within Investment Banking, with the purpose of handling all mega infrastructure-related government projects. In addition, a China desk is also under the process of being established by BOP for overseeing the financial arrangements under CPEC. With the successful setting up of the Infrastructure Unit and the China desk, BOP hopes to increase its service suite in these projects considerably. Some other notable steps enabling financial inclusion are as follows:

- SUNRISE branches which are 120 branches opened in rural areas of the country, as per SBP license categories; 'Kissan Card' and PSPA programmes in cooperation with GoPb target service delivery to lower income sections of society; 'Kissan Dost' deposit product for our farming sector; 'Aasaan' accounts; Direct pension accounts; 'Aasaan Remittance' accounts to increase financial inclusion; and the launch of local PayPak Debit Cards.

Q. How does Bank of Punjab portray its commitment to responsible finance management?

A. BOP strives to follow responsible finance practices in all of its operations. We have an entire function by the name of service quality to ensure that our clients are treated fairly and ethically and dedicated efforts are made to guide them to conduct their financial transactions in a responsible manner. BOP's commitment to responsible finance is more important than ever due to the rapid rise of digital financial services in the world. By integrating credit scoring, tablets, e-wallets and mobile credit and savings into its business practices, BOP is now able to offer responsible financial services to those segments which the bank was previously unable to serve under the traditional business model. In line with its goals of improving financial inclusion and supporting its customers, BOP is also teaching its clients how to efficiently manage their financial resources, which includes how they can keep track of their household expenses, and the importance of savings, which is a key contributing factor in helping the people make their own economic decisions.

Q. Where do you see Bank of Punjab in next 05 years?

A. From day one, my vision is very clear. I want BOP to be amongst the top five banks in the next five years. Our core competence is the risk appetite of a public-sector organisation merged with service excellence of a private sector. With this overarching vision, BOP has chalked out a calculated aggressive growth plan on the business side, with enhanced focus on governing control regime and ensuring robust Compliance, Risk and Audit environment.

Our strategic roadmap had been divided into three phases, beginning with 'Control'; in which we strengthened the controls in the bank to build a solid foundation for growth, followed by 'Consolidation' where we are consolidating the controls before we move to our final phase of 'Growth' focusing on aggressive growth.

The strategic areas of focus for growth will be in the Agri, SME and housing sectors where BOP will endeavour to become the market leader in the next three years. At the same time, we will also be planning to be more aggressive in consumer financing and home remittances while focusing on Trade, Cash Management, and Investment Banking.

The most important part of Bank's strategy and a game changer is Digitization. We are already leveraging technology to automate all processes for stronger controls, improved efficiency, and enhanced customer experience. The target is to be one of the leading banks in terms of automation, technology-driven products and platforms, with combination of optimal brick-and-mortar and technology mix-and-match.

Improving customer focus and customer deposit profile is another major area that will be worked upon to improve the profile. This growth is planned organically through rationalisation of existing branch network, expansion in Southern and Northern regions to ensure effective presence in all key business areas.

CSR remains another area of focus to ensure that growth in business must go hand in hand with contribution to society.

Last, but not the least, our goal is to become the employer of choice, thus motivated employees are the heart of the bank's strategy and experienced and well-trained Human Resource Capital will remain key to our success in future. ■

PMRC registers success

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sustainable, it is mandated to issue fixed-rate bonds/Sukuks. In less than two years, PMRC has issued more than PKR10 billion worth of debt securities. All these securities are fixed payout in nature.

Along with Meezan Bank and an overwhelming support from the State Bank of Pakistan, the PMRC structured a first of its kind Sukuk in Pakistan based on 'Shirkat-ul-Aqd' under which PMRC and

investors have created a housing portfolio.

We are thankful to all our investors for their participation and for supporting the housing finance market. We are confident that going forward PMRC will play a key role in the development of the Capital Market becoming a regular issuer and introducing new asset classes, such as mortgage-backed securities.

Q. Environmental and social (E&S) sustainability has been a core part of PMRC's

commitment to responsible finance management. How do things stand on that front?

A. PMRC believes in responsible financing, therefore compliance of E&S is one of the key requirements for PFIs. This ensures that mortgage loans are in compliance with E&S standards.

PMRC has a comprehensive E&S policy which prescribes the standards, processes and requirements. We have also arranged several training sessions of PFIs for better understanding as E&S standards are in their own favour, reduce the credit risk and protect the bank's as well as the borrower's interest. ■

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Making housing finance accessible and affordable

Pakistan Mortgage Refinance Company (PMRC) is set up as a mortgage liquidity facility to address the long term funding constraint in the financial sector.



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