

# Chairman's Statement

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Delivering on core missions and social objectives for the benefit of society.



**Chan Mo-po, Paul**  
*Chairman*

For The Hong Kong Mortgage Corporation Limited and its subsidiaries, 2021 was a remarkable year for its sound performance, despite the epidemic-produced uncertainties that continue to disrupt Hong Kong and the world at large.

The rapid spread of new virus variants in the latter part of the year weakened the growth momentum globally. At the same time, rising energy prices and supply bottlenecks fuelled inflation, raising concerns about the tightening of monetary policies in major economies.

Nevertheless, there was a notable rebound in the global economy last year, thanks to the roll-out of vaccination programmes worldwide and strong fiscal and monetary support. The Mainland economy improved steadily throughout the year, its growth rate exceeding that of most other economies.

The Hong Kong economy also staged a visible recovery in 2021, reflecting a sharp revival in global demand, stable COVID-19 situation and the Government's relief measures. Supported by low interest rates and firm end-user demand, the residential property market was active in the first half of 2021. Property prices were broadly stable for the year, notwithstanding weakened market sentiment in the fourth quarter, amid interest rate concerns.

## **Mortgage Asset Purchases**

Over the past few years, bank appetite for offloading mortgage assets has been dampened by ample market liquidity. That continued into 2021, with the Corporation purchasing residential mortgage loans worth about HK\$199.6 million. Given its pivotal role in reinforcing banking stability, the Corporation stands ready to purchase mortgage loans from the sector should the need arise.

## **Debt Market Promotion**

The Corporation has maintained its position as a major corporate debt issuer in Hong Kong for more than two decades, playing a key role in debt market development. Taking advantage of its strong AA+ credit rating from S&P and Aa3 from Moody's (mirroring those of the HKSAR Government), the Corporation issued a record amount of debt securities in varying currencies in 2021. The total, about HK\$109.5 billion, almost doubled the 2020 issuance, and HK\$84.2 billion of which offered a maturity of one year or more.

This included a HK\$10 billion-equivalent, dual-tranche issuance of Hong Kong dollar- and offshore renminbi-denominated bonds. That, I am pleased to say, was a record-high public corporate bond offering, with book-building and pricing all conducted in Hong Kong. The successful issuance provided investors with high-quality debt instruments, set a good benchmark for other issuers and allowed the Group to meet the funding needs of its various businesses, including the SME Financing Guarantee Scheme.

### Home Ownership Support

Expanding home ownership is a core mission of the Corporation. To that end, its Mortgage Insurance Programme is an integral part of the local property mortgage market. From its inception in 1999 to the end of 2021, the Programme has helped more than 192,000 families buy homes.

Demand for the Programme continued to grow in 2021, with the volume of loans drawn down under the Programme increased by 34.9% to HK\$132.6 billion, up from HK\$98.3 billion in 2020. In my 2022-23 Budget speech, I announced that the Programme would be amended to assist first-time home buyers and families seeking a self-occupied flat. The amendments took effect on the day of my announcement. In addition, late last year, the Group turned a pilot, fixed-rate mortgage scheme into a permanent product, helping home buyers mitigate risks arising from interest rate volatility.

### Continuing Help for SMEs

To boost support for SMEs amid the epidemic, the Group introduced various enhancements to the SME Financing Guarantee Scheme in 2020 and 2021. These included successive increases in the maximum loan per enterprise, application period extensions, as well as extensions of the maximum repayment period and principal moratorium arrangements. The Scheme's enhancements have been well-received by the business sector. At the end of 2021, the Group had approved some 47,000 applications for the 100% Guarantee Product under the Scheme, for a total loan amount of HK\$81.6 billion. The Scheme, together with the 80%, 90% and 100% Guarantee Products, had benefitted more than 45,000 local SMEs and 648,000 related employees by the end of last year.

From the beginning of 2022, the fifth wave of the epidemic has been hurting local business. With a view to providing businesses with liquidity support to sail through the hard times, I announced in my 2022-23 Budget that the application period for all Scheme products would be extended to the end of June 2023, and that the 100% Guarantee Product would enjoy a higher maximum loan amount and longer maximum repayment period.

### Financing Options for the Unemployed

Last April, the Group introduced the 100% Personal Loan Guarantee Scheme, providing low-interest loans as a supplementary financing option for unemployed persons suffering under the weight of the epidemic. By the end of 2021, about 36,000 applications had been approved, with a loan amount totalling HK\$2.48 billion. As announced in the recent Budget, the Scheme would be extended for one year till end of April 2023, with successful applicant enjoying a higher maximum loan amount and longer maximum repayment period.

### Retirement Planning

In the summer of 2021, the Group launched "HKMC Retire 3" branding to promote its retirement products – the Reverse Mortgage Programme, the Policy Reverse Mortgage Programme and the HKMC Annuity Plan – as an all-inclusive solution for retirement planning. The three products provide retirees with immediate, stable and lifelong streams of income, a rarity in the market. Receptiveness to the products is growing, thanks to the Group's promotional initiatives. An enhanced, fixed-rate mortgage plan launched last July under the Reverse Mortgage Programme also increased reverse mortgage applications in the second half of the year.

With product enhancements and continuous public education efforts, the Group's annuity business grew strongly over the past two years, despite the immense challenges of the epidemic. Total premiums soared 56% over 2019, to HK\$2.54 billion in 2020, and by 18% over 2020, to HK\$3.0 billion in 2021.

## Infrastructure Financing and Securitisation

The Corporation operates its infrastructure financing and securitisation business on prudent commercial principles under a robust risk management framework. Leveraging on its strong credit standing and medium-to-long term funding capability, it continued to accumulate infrastructure loan assets during the year. The Corporation signed Memoranda of Understanding with fourteen commercial banks in February 2022 to strengthen collaboration with industry players in the infrastructure financing space. To enhance the vital role of Hong Kong as an infrastructure financing hub and a premier financing platform under the Belt and Road Initiative, the Corporation is currently conducting a study on the implementation of a pilot scheme on infrastructure financing securitisation as announced in the 2022-23 Budget.

## Financial Performance

The Corporation's profit after tax for the year was HK\$831 million, a marked improvement over the net loss of HK\$362 million in 2020. The encouraging results were mainly attributable to (a) the annuity business' turn to profit from the preceding year's accounting loss, a result of higher investment returns from the Exchange Fund; (b) foreign exchange gains from US dollar and strategic offshore Renminbi deposits and debt investments; and (c) an increase in net premiums earned from amortisation over new premium receipts, thanks to significant growth in the Mortgage Insurance Programme business since 2020.

After adjusting for the amortisation of upfront commission expenses of the Mortgage Insurance Programme, and excluding the financial results of the annuity business, the profit of the Corporation for the year was HK\$868 million, a cheering 130% increase over 2020 results. The embedded value of the annuity business last year was about HK\$9 billion, indicating that the business should be profitable in the long term.

The capital adequacy ratio of the Corporation stood at 23.4%, from 37.3% in 2020, providing a solid capital base for business expansion. The respective solvency ratios of the Corporation's two insurance subsidiaries were 7 times (2020: 12 times) for the general insurance business and 15 times (2020: 12 times) for the annuity business. Both are well above the relevant minimum regulatory requirements.

## Outlook for 2022

Year 2022 is likely to be another year of uncertainties for the Hong Kong and global economies, given the pace of monetary policy tightening in major economies, along with the volatile geopolitical environment and the pandemic developments.

That said, with the Government's relief measures, the concerted efforts of our community and continuing and robust support from our country, I am hopeful that the Hong Kong economy will improve in the second half of the year. The Corporation will continue to work towards its core missions for the benefit of the people of Hong Kong.

Finally, I would like to express my heartfelt gratitude to my fellow Board Directors, the management and staff of the Corporation, for their dedicated work and unfailing support.



**Chan Mo-po, Paul**

*Chairman*

June 2022