

# Chairman's Statement

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Supporting society's recovery  
by delivering on core missions

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



Against a backdrop of slowing global economic growth, broad-based inflation and tightened monetary policies of major central banks, The Hong Kong Mortgage Corporation Limited and its subsidiaries continued to deliver on their core missions and social objectives in 2022.

## **Mortgage-Asset Purchases**

Over the past few years, the appetite for offloading mortgage assets was dampened by ample market liquidity. That continued into 2022, with the Corporation purchasing residential mortgage loans worth only about HK\$303.8 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 been a major corporate debt issuer in Hong Kong for more than two decades, playing a key role in debt-market development. Benefitting from its strong AA+ credit rating from S&P Global Ratings and Aa3 from Moody's (same as the HKSAR Government), the Corporation issued debt securities in major currencies amounting to HK\$97.6 billion in 2022, of which HK\$71.8 billion had a maturity of one year or more.

In 2022, the Corporation published its Social, Green and Sustainability Financing Framework, which was part of an extended effort to implement its sustainability strategy while issuing social, green and sustainability bonds and asset-backed securities. The Corporation's inaugural social bonds were launched in October 2022, marking the world's first social-bond issuance in dual currencies, Hong Kong dollar and renminbi. Net proceeds are being used to meet the funding requirements of the Special 100% Loan Guarantee Product under the SME Financing Guarantee Scheme. This issuance had helped meet growing investor demand for financial instruments fulfilling sustainability objectives, while providing a good opportunity for the Corporation to diversify its funding sources and investor base.

## **Home Ownership Support**

Promoting wider home ownership is a core mission of the Corporation. Through its Mortgage Insurance Programme, introduced in 1999, the HKMC Group had facilitated home purchase by about 211,000 families as at the end of 2022.

The Programme was enhanced in February 2022. But with the local residential property market correction, demand for the Programme eased over the year. The volume of loans drawn down under the Programme decreased to HK\$107.2 billion, from HK\$132.6 billion in 2021. Separately, the Group also continued to offer the Fixed Rate Mortgage Scheme to help homebuyers mitigate the risk of interest-rate volatility.

## Continuing Help for SMEs

To boost support for SMEs, the Group introduced various enhancements to the SME Financing Guarantee Scheme in 2022, including an increase in the maximum loan amount per enterprise and an extension of the maximum repayment period under the Special 100% Loan Guarantee Product. By the end of 2022, the Group had approved some 58,500 applications for the 100% Guarantee Product, involving a total loan amount of HK\$115.2 billion. From inception to the end of 2022, the 80%, 90% and 100% guarantee products under the Scheme have benefitted more than 53,000 SMEs, employing a total of 715,000 employees.

## Relief for Individuals

The fifth wave of COVID-19 heavily impacted the labour market in early 2022. In response, the Group introduced enhancements to the 100% Personal Loan Guarantee Scheme for unemployed individuals. These included increasing the maximum loan amount per borrower, as well as extending the application period, the maximum repayment period and the principal moratorium arrangement. From the Scheme's inception to the end of 2022, about 60,700 applications have been approved, with a loan amount totalling HK\$4.15 billion.

## Retirement Planning

The Group's proactive customer engagement, business-channel development and promotion generated positive results for its retirement products in 2022. In particular, the number of applications for the Reverse Mortgage Programme and the Policy Reverse Mortgage Programme recorded notable growth. With the resumption of face-to-face events in the latter part of the year, the Group arranged activities and educational seminars for existing and prospective customers.

Two enhancements to the HKMC Annuity Plan, namely the increase in the individual premium cap from HK\$3 million to HK\$5 million and the increase of the special withdrawal limit, were introduced in 2022 to better meet the different needs of senior citizens. Since its launch in 2018, the Plan has helped about 14,000 senior citizens convert their savings of HK\$12.5 billion into lifelong, stable income streams.

## Infrastructure Financing and Securitisation

The Corporation operates its infrastructure financing and securitisation business on prudent commercial principles under a robust, risk-based framework. Thanks to its strong credit standing and medium-to-long-term funding capability, the Corporation continued to accumulate infrastructure loan assets during the year. The Corporation is working on a pilot scheme of Infrastructure Loan-backed Securities for institutional investors. The objectives are to enhance the vital role of Hong Kong as an infrastructure financing hub, facilitate infrastructure investment and financing, enriching domestic debt capital market and promoting Hong Kong's securitisation market.

## Financial Performance

The Corporation reported a net loss of HK\$319 million for the year, following a net profit of HK\$831 million in 2021. The accounting loss was primarily due to the lower investment income amid volatile market conditions and the accounting treatment of the annuity business. This was partly offset by the increase in amortisation of net premium receipts from the mortgage insurance business in prior years, a drop in upfront commission expenses and a decrease in the Mortgage Insurance business in 2022.

After adjusting for the Mortgage Insurance Programme's amortisation of upfront commission expenses, and excluding the financial results of the annuity business, the Corporation's profit for the year was HK\$680 million, compared to HK\$868 million in 2021. The embedded value of the annuity business at the end of 2022 was about HK\$11.2 billion, including total capital injection of HK\$10 billion, indicating that the business should be sustainable in the long term.

The capital adequacy ratio of the Corporation stood at 27.9%, up from 23.4% in 2021, providing a solid capital base for business expansion. The respective solvency ratios of the Corporation's two insurance subsidiaries were 11 times (2021: 7 times) for the general insurance business and 15 times (2021: 15 times) for the annuity business. Both are well above relevant minimum regulatory requirements.

## Outlook for 2023

The external environment is complicated and challenging. High inflation and tight monetary policies in major economies are expected to dampen global economic growth. The effects of the recent banking failures in the United States and Europe are yet to be fully revealed. Heightened geopolitical tensions will also add to downside risks continuing. Fortunately, faster economic growth of the Mainland should alleviate some of the pressure and provide certain support in Hong Kong.

Overall, the economic sentiment of Hong Kong is set to improve in 2023, with economic activities strongly reviving after Hong Kong fully opening up to the Mainland and the rest of the world. The Corporation will continue to work hard to deliver on its core missions for the benefit of the Hong Kong people.

I am grateful to my fellow Board members for their guidance and advice, the management and staff of the Corporation and its subsidiaries, for their diligence, dedication and unfailing support.

A handwritten signature in black ink, appearing to read 'Chan Mo-po', with a stylized flourish underneath.

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