Business Review

Business Review

Performance Highlights

The major achievements of the Group for the year included:

- helping homebuyers borrow a total of HK$107.2 billion in mortgage loans through the Mortgage Insurance Programme (**MIP**)
- receiving 155 applications since the launch of the Fixed Rate Mortgage Scheme in May 2020
- approving 6,094 applications since the launch of the Reverse Mortgage Programme (**RMP**) in July 2011, with an average property value of around HK$5.9 million
- issuing a total of 3,254 policies of the HKMC Annuity Plan (**Annuity Plan**) in 2022 with total premiums of HK$2.5 billion
- introducing enhancement measures to the 100% Personal Loan Guarantee Scheme (**PLGS**) for unemployed individuals. The application period of the PLGS has been extended to end-April 2023. The maximum loan amount per borrower has been increased from six times to nine times the average monthly income during employment, subject to a ceiling of HK$100,000 (originally HK$80,000). The maximum repayment period under the PLGS has also been extended from six years to 10 years, and the principal moratorium arrangement has been extended from 12 months to 18 months. A total of around 60,700 applications have been approved involving loan amount of HK$4.1 billion since its launch in April 2021
- implementing the Government's initiative to provide interest-free loans under the PLGS for individual landlords who lived off rental income but were affected by rental enforcement moratorium. The application period was from 6 May 2022 to 31 October 2022
- extending the application period of the 80% Guarantee Product, the 90% Guarantee Product and the Special 100% Loan Guarantee (**100% Guarantee Product**) under the SME Financing Guarantee Scheme (**SFGS**) to end-June 2023 to alleviate cash flow burden of SMEs
- introducing further enhancement measures to the 100% Guarantee Product. The maximum loan amount per enterprise has been raised from the total amount of employee wages and rents for 18 months to that for 27 months, subject to a ceiling of HK$9 million (originally HK$6 million), and the maximum repayment period has been extended from eight years to 10 years
- extending the maximum duration of principal moratorium for the 80% Guarantee Product, the 90% Guarantee Product and the 100% Guarantee Product by six months for three times to a total of 42 months, and also extending the application period for principal moratorium to end-June 2023
- approving more than 23,300 and 7,900 applications for loans amounting to HK$102.4 billion and HK$15.3 billion since the launch of the 80% and 90% Guarantee Products respectively, benefitting more than 18,700 local SMEs and 353,000 related employees. Over 2,400 applications (around 8%) have chosen the principal moratorium option
- approving more than 58,500 applications for loans amounting to about HK$115.2 billion since the launch of the 100% Guarantee Product, benefitting around 35,000 local SMEs and 362,000 related employees. Over 40,900 applications (around 70%) have chosen the principal moratorium option

- being on track in executing the implementation plan of the Group's Infrastructure Financing and Securitisation (**IFS**) business to accumulate infrastructure loan assets and develop the IFS brand of the Group

- commencing the process for the Infrastructure Loan-Backed Securities (**ILBS**) issuance as announced by the Financial Secretary the 2022-23 Budget

- purchasing about HK$303.8 million of residential mortgage loans

- issuing HK$97.6 billion of debt securities (HK$71.8 billion of which with maturity of one year or above), thus promoting the development of the local debt market and maintaining the Group's position as the most active issuer of the Hong Kong dollar and offshore Renminbi (**CNH**) corporate bond markets during the year

- launching the inaugural dual-tranche HK$8 billion two-year and CNH3 billion three-year social bonds in October 2022 pursuant to the Social, Green and Sustainability Financing Framework established during the year. The transactions marked the world's first social bond issuance in dual-tranche denominated in Hong Kong dollar and offshore Renminbi, and were awarded the "Best Social Bond" in the public sector category by The Asset Triple A Sustainable Capital Markets Awards 2022

- maintaining the Group's long-term foreign and local currency ratings of AA+ by S&P Global Ratings (**S&P**) and Aa3 by Moody's Investors Service, Inc. (**Moody's**) as at end-2022, same as the HKSAR Government

- safeguarding excellent credit quality, with a non-performing loan ratio of 0.10% across all asset classes and over-90-day delinquency ratios of 0.01% for the mortgage insurance portfolio and 0.16% for the Hong Kong residential mortgage portfolio (banking sector: 0.06%) as at 31 December 2022

The Group maintained a solid financial position in 2022:

- capital adequacy ratio of 27.9%, which is well above the minimum requirement of 8% stipulated by the Financial Secretary

- solvency ratios of the Group'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, well above the respective 200% and 150% minimum regulatory requirements stipulated by the Insurance Authority

Market Overview

General Economic Conditions

Global economic growth remained modest in 2022 as inflationary pressure continued to build and became increasingly broad-based. Major central banks continued to tighten their monetary policies in order to keep inflation expectations anchored. In Mainland China, the economy showed a moderate revival, but the growth slowed in the second half of the year amid weakened global demand and an increasing number of COVID-19 cases in various localities in the fourth quarter.

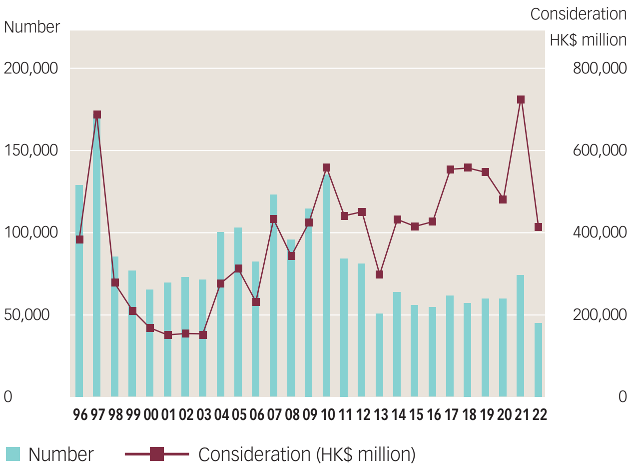
Hong Kong's economy faced the challenges of a worsening external environment in 2022, with export performance recording a notable decline. Nevertheless, local consumption was supported by the improved labour market conditions and the hard-earned momentum of steady recovery. Following the successive interest rate hikes in the US, Hong Kong interest rates picked up during the second half of the year. Against this backdrop, Hong Kong's economy contracted by 3.5% in 2022 from a year earlier, following the 6.4% annual growth in 2021.

Property Market

The residential property market softened in 2022 amidst the weakened global and local economic outlooks. The number and consideration of residential property transactions were on a downward trend for most times of the year. Overall, the number of residential property transactions in 2022 declined by 39.4% year on year to 45,050, while the consideration of transactions recorded a 44.4% year-on-year decrease (**Figure 1**).

Figure 1

Agreements for Sale and Purchase of Residential Building Units

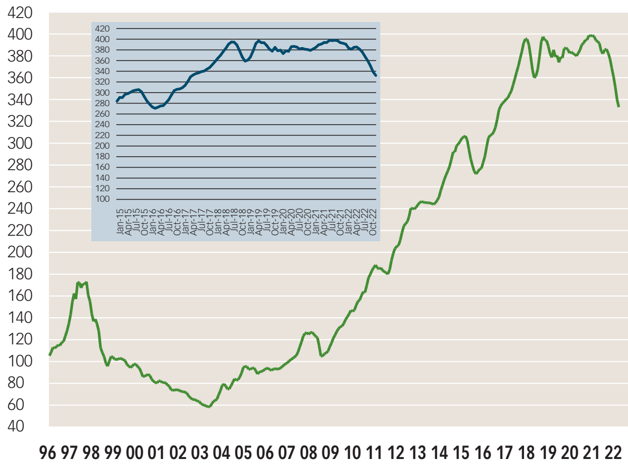


Source: Land Registry

Transaction volumes in the primary and secondary markets were fluctuating throughout the year. In general, residential property prices[1] recorded a 15.3% cumulative decrease in 2022, compared with a 3.5% increase in 2021 (**Figure 2**).

Figure 2

Private Domestic Price Index (1999 = 100)



Source: Rating and Valuation Department

Mortgage Market

As of December 2022, the Best Lending Rates (**BLRs**) were adjusted upwards to the range of 5.625% and 5.875% amid the interest rate hikes by the US Federal Reserve. The Hong Kong Interbank Offered Rate (**HIBOR**) recorded an overall upward trend throughout the year. According to the Monthly Statistics Bulletin announced by the Hong Kong Monetary Authority (**HKMA**), the one-month HIBOR in terms of period average[2] stayed low in the range of 0.15% and 0.27% during the first five months of 2022 but has started to increase since June reaching 4.77% in December. Mortgage lending recorded a steady growth, with the total outstanding value of all residential mortgage loans rising by 4% to HK$1,914.7 billion. The gross value of new loans drawn down[3] decreased by 23.9% year on year in 2022, compared with an increase of 34.2% in 2021 (**Figure 3**).

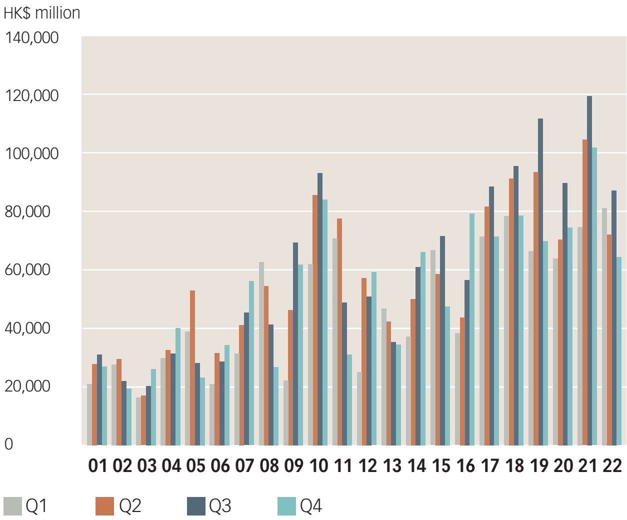
1 Source: The Private Domestic Price Index published by the Rating and Valuation Department

2 Source: Hong Kong Monetary Authority

3 Source: Hong Kong Monetary Authority

Figure 3

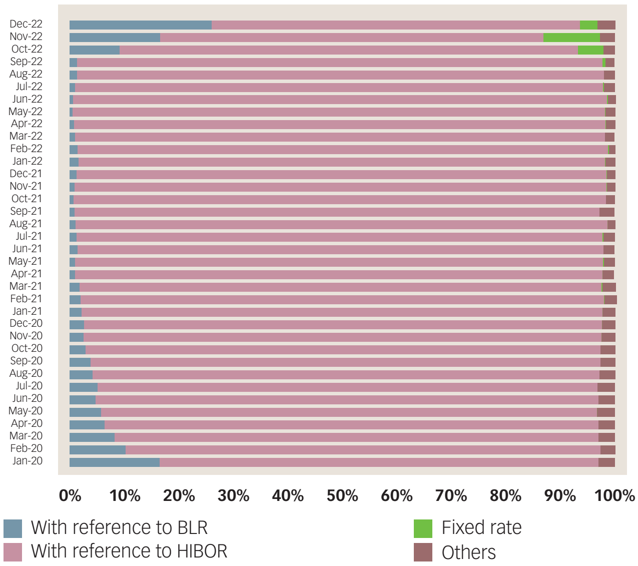
New Residential Mortgage Loans Drawn Down



Source: Hong Kong Monetary Authority

Figure 4

Pricing of New Residential Mortgage Loans Approved



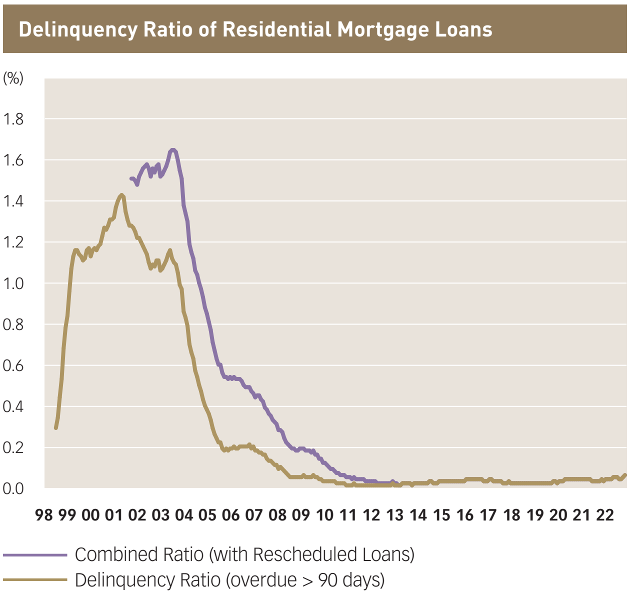
Source: Hong Kong Monetary Authority

The proportion of BLR-based mortgages and fixed-rate plans remained low in the first nine months of the year but started to rise in October, resulting in a lower proportion of HIBOR-based mortgages since that month. Overall, HIBOR-based mortgages still appeared to be more favoured by borrowers during the year, although the market proportion of HIBOR-based mortgages declined in the fourth quarter. As at December 2022, 67.5% of new mortgage loans were benchmarked against HIBOR, while BLR-based mortgages and fixed-rate plans accounted for 26% and 3.3% respectively. (**Figure 4**).

Under the HKMA's prudent supervision of the mortgage lending sector, the asset quality of residential mortgage loans remained excellent in 2022. The over-90-day delinquency ratio of mortgage loans stayed low at 0.03–0.06% throughout the year, reflecting banks' prudent underwriting standards. The combined ratio, which includes both the delinquent and rescheduled loans, also maintained at a low level at 0.03–0.06% during the year (**Figure 5**). The estimated number of residential mortgage loans in negative equity increased to 12,164, with an aggregate value of HK$66,252 million recorded[4]. These cases were related to bank staff housing loans or residential mortgage loans under mortgage insurance programme, which generally have a higher loan-to-value ratio.

[4] Source: Hong Kong Monetary Authority

Figure 5

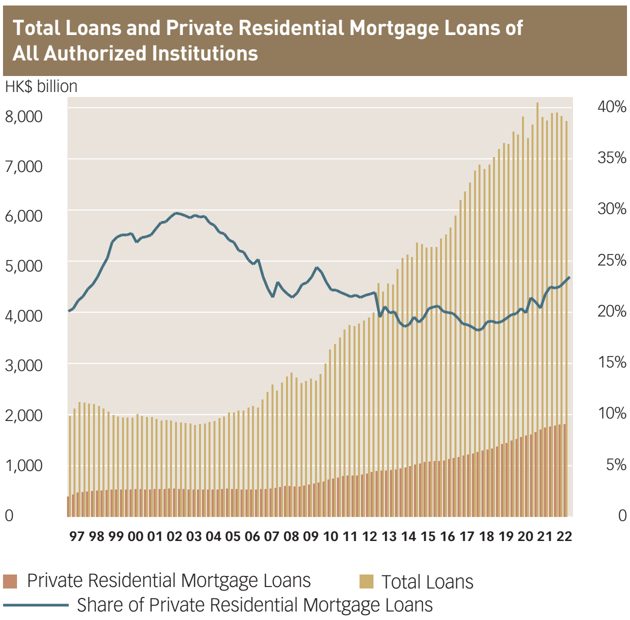


Source: Hong Kong Monetary Authority

Banking-Sector Exposure

The total outstanding value of property-related loans in 2022 amounted to HK$3,520.75 billion, representing about 45.7% of banks' total loans (**Figure 6**). Of these property-related mortgage loans, private residential properties accounted for HK$1,808.37 billion (end-2021: HK$1,735.1 billion) and subsidized flats accounted for HK$106.33 billion (end-2021: HK$105.99 billion).

Figure 6



Source: Hong Kong Monetary Authority

Asset Acquisition

While the ample liquidity in the market has led to a weak incentive for banks to offload their assets, the Group is prepared to provide liquidity to the market as and when required. In 2022, the Group acquired about HK$303.8 million of residential mortgage loans.

Funding

In 2022, global financial markets and the real economy remained uncertain, hinging on factors such as the development of the COVID-19 pandemic, rising inflation pressure, the tightening monetary policies in major economies and ongoing geopolitical tensions. Amidst the volatile market conditions, the Group managed to secure prudent pre-funding for loan purchases and refinancing activities. Given the Group's strong background as a wholly government-owned entity and solid credit ratings, the Group raised debts totalling HK$97.6 billion in 2022, with HK$71.8 billion having maturity of one year or above, in a cost-effective manner. At the end of the year, the Group's total outstanding debts amounted to HK$131.1 billion. Being one of the most active bond issuers in Hong Kong, the Group will continue to issue debt securities in both the local institutional and retail markets and diversify its funding sources and investor base to overseas institutional markets. This will not only help broaden the Group's funding base, but also provide institutional and retail investors with high-quality debt instruments to satisfy their need for portfolio diversification and yield enhancement. The Group has three debt issuance programmes that allow the issuance of debt securities in an efficient and effective manner. With its strong credit ratings, the Group's debt issues have been well received by the investment community.

During the year, the Group established its Social, Green and Sustainability Financing Framework ("**SGS Framework**") as part of its extended effort to expand and implement its sustainability strategy as an integral part of its business strategy. It focuses on the Group's sustainable initiatives, and demonstrates how the Group and its subsidiaries support, and are aligned with, Hong Kong's long-term sustainability visions.

The Group will use the SGS Framework as the basis to structure and issue social, green and/or sustainability bond(s) and asset-backed securities. Net proceeds will be allocated to support projects falling within one or more of the eligible social asset categories or eligible green asset categories.

The Group received an opinion on the SGS Framework from Morningstar Sustainalytics, a globally-recognised provider of ESG research, ratings and data, that its SGS Framework is credible and impactful and aligns with the relevant industry standards.

Medium Term Note Programme

The Group established the multi-currency Medium Term Note (**MTN**) Programme in June 2007 to broaden its investor base and funding sources in the international market. It was set up with an initial size of US$3 billion, which was increased to US$30 billion in June 2022 to meet growing demand from investors. The programme enables multi-currency issuances and incorporates flexible product features to increase its appeal to local and overseas investors with different investment horizons and requirements. An extensive dealer group comprising major international and regional financial institutions is appointed to support future MTN issuance and provide secondary market liquidity. In 2022, the Group launched 215 MTN issues with total issuance amount of HK$97.6 billion under the MTN Programme. This included the successful launch of the inaugural dual-tranche HK$8 billion two-year and CNH3 billion three-year social bonds pursuant to the SGS Framework established during the year. The transactions marked the world's first social bond issuance in dual-tranche denominated in Hong Kong dollar and offshore Renminbi, and were awarded the "Best Social Bond" in the public sector category by The Asset Triple A Sustainable Capital Markets Awards 2022. These not only helped diversify the Group's funding sources and broadened its investor base with the growing demand for sustainability objectives, but also supported the Group to achieve its core policy missions and social objectives. Out of the total, 165 issues amounting to HK$71.8 billion were of one year or longer maturity, while the remaining 50 MTN issues totalling HK$25.8 billion were of less than one year.

Debt Issuance Programme

The Debt Issuance Programme (**DIP**) was established in July 1998 targeting institutional investors in the Hong Kong dollar debt market. It was set up with an initial programme size of HK$20 billion, which was doubled to HK$40 billion in 2003. The DIP provides a flexible and efficient platform for the Group to issue debt and transferable loan certificates with a tenor of up to 15 years.

Retail Bond Issuance Programme

Dedicated to the promotion of the retail bond market in Hong Kong, the Group pioneered a new offering mechanism in November 2001 and established the HK$20 billion Retail Bond Issuance Programme in May 2004. Since 2001, the Group has issued retail bonds totalling HK$13.7 billion. When the market environment is conducive, the Group aims to issue retail bonds regularly to provide an additional investment tool for Hong Kong's retail investors.

Revolving Credit Facility Provided by the Exchange Fund

In January 1998, during the Asian Financial Crisis, the Exchange Fund extended a HK$10 billion Revolving Credit Facility to the Group. This Facility has provided the Group with an important liquidity fallback to enable the Group to maintain smooth operation under exceptional circumstances so that it can better fulfil its mission to promote banking and financial stability in Hong Kong. Following the outbreak of the global financial crisis in 2008, the size of the Facility was increased to HK$30 billion in December that year. In October 2020, the Facility was further increased to HK$80 billion to provide the Group with additional support to achieve its policy objective. Both actions demonstrated the HKSAR Government's recognition of the importance of, and further support for, the Group. The Revolving Credit Facility was used by the Group during times of market stress in 1998 and 2008 to partially fund the acquisition of Hong Kong residential mortgage assets from the local banks. In both cases, the loans drawn under the Facility were fully repaid with funds raised from the Group's cost-effective debt issuance when the markets stabilised. There was no drawdown under the Facility in 2022.

Credit Rating

The Group's ability to attract investment in its debt securities is underpinned by its strong credit ratings, which are equivalent to those of the HKSAR Government, according to S&P and Moody's.

Credit Ratings of the HKMC

	S&P		Moody's	
	Short-term	Long-term	Short-term	Long-term
Local Currency	A-1+	AA+	P-1	Aa3
Foreign Currency	A-1+	AA+	P-1	Aa3
Outlook	Stable		Stable	

(as at 31 December 2022)

The credit rating agencies have made favourable assessments on the Group's credit standings. The following comments are extracts from the credit rating reports of S&P and Moody's in August and November 2022 respectively:

S&P

"We equalise our ratings on HKMC with the ratings on the government of Hong Kong, the corporation's sole ultimate owner. This reflects our view of an almost certain likelihood of timely and sufficient extraordinary support from the Hong Kong government to HKMC if needed. … We believe HKMC's undertaking of additional policy initiatives over the past several years has further solidified its ties with the Hong Kong government, and reinforced its integral link with the government."

"HKMC has a well-established market position with a unique policy role to address local banks' liquidity and balance sheet management needs by purchasing mortgage and loan portfolios from banks, especially in times of stress. … A variety of stressful market conditions have tested HKMC's business model. For example, when global financial markets and the local economy were under stress in late 2008 and early 2009, HKMC enlarged its mortgage acquisitions in response to banks' requests, and enhanced its mortgage insurance program."

"We believe HKMC benefits from the presence and effective oversight of its experienced and competent board members. The management team is capable, effective, and experienced, in our view. HKMC's strategic positioning is clear and consistent with its capability and market conditions. The corporation has always operated within its financial and risk management standards, which we consider to be rigorous and clear."

"We expect HKMC to manage its funding and liquidity with reasonable prudence. It has very strong debt capital market access through its three senior debt programs. We expect HKMC to maintain a healthy buffer of highly liquid assets, which is more than sufficient to cover its short-term funding needs."

Moody's

"HKMC is fully owned by the Hong Kong government through the Exchange Fund. The company carries out policy mandates, which include the promotion of financial and banking stability in Hong Kong; homeownership; and the development of the local debt capital markets and retirement planning market through purchase of mortgages from commercial banks, debt issuance, and the provision of mortgage insurance, reverse mortgages, small and medium-sized enterprise (**SME**) financing guarantee, personal financing guarantee and annuity business through its general insurance and annuity subsidiaries. As part of its mandate to promote banking stability, the company acts as an alternative lender of last resort through the purchase of residential mortgages from banks in times of stress."

"The Hong Kong government, through the Exchange Fund, provides HKMC with an HK$80 billion revolving credit facility and additional equity capital when necessary. If the company's credit profile is weakened in a stress scenario, we expect the government to provide timely extraordinary support. The company's public policy mandates are closely aligned with the government's objectives, and its close relationship with the government increases the likelihood of future government support. The government has provided the company with a HK$5 billion capital injection to set up the annuity business and an additional HK$5 billion aggregate capital injection in H1 2021 and H1 2022, and is prepared to provide more if the business continues to expand."

"The company has maintained very sound asset quality metrics since its establishment. … Hong Kong's residential mortgages have historically performed very well through economic cycles. Even when property prices declined by up to 70% between 1997 and 2003, the company's overall mortgage delinquencies never exceeded 2%. The current average loan-to-value ratio of the company's Hong Kong mortgages is below 40%."

"The company has very good access to capital markets because of its strong financial fundamentals and government affiliation. … The company had sufficient liquid assets, including the government facility, to repay all of its outstanding debt as of the end of June 2022."

"HKMC's ESG Credit Impact Score is neutral-to-low (CIS-2), reflecting limited impact from environmental and social risks on the ratings, as well as low governance risks. HKMC has low environmental risks because of its policy role to finance housing and infrastructure."

Mortgage-backed Securitisation

The Group strives to promote the development of the mortgage-backed securities (**MBS**) market in Hong Kong. MBS is an effective financial instrument that can channel long-term funding from the debt market to supplement the need for long-term financing generated by mortgage loans. Banks and financial institutions can make use of MBS to manage risks inherent in mortgage loans, such as credit risks, liquidity risks, interest rate risks and asset-liability maturity mismatch risks.

The Group has issued a total of HK$13.2 billion MBS since 1999. All MBS had been redeemed by 2013.

Infrastructure Financing and Securitisation

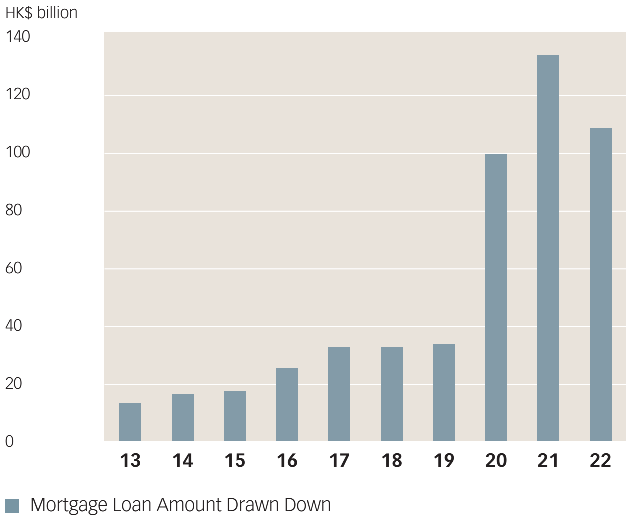
The Group launched the IFS business in 2019 to accumulate infrastructure loan assets and develop the IFS brand of the Group. In the early stage, the Group purchases and accumulates infrastructure loans from the secondary loan market, as well as co-finances infrastructure projects with multilateral development banks and commercial banks in the primary market. The Group continues to participate in a step-by-step manner in the infrastructure financing market on commercially viable and financially sustainable terms, while observing prudent commercial principles and risk management policies. In response to the rapidly changing macro-economic environment, the Group has taken a prudent approach with corresponding adjustment in its asset acquisition strategy and will remain vigilant on their development. Since formal launch of the business in 2019, the Group has accumulated over US$1 billion of infrastructure loans spreading over Asia Pacific, Middle East and Latin America. The Group continues to team up with industry players to facilitate the development of commercially viable infrastructure projects globally, leveraging on the Master Cooperation Agreement with International Finance Corporation, Memoranda of Understanding with China Export & Credit Insurance Corporation and twenty investment and commercial banks, and is currently working on a pilot scheme of ILBS issuance to investors in institutional market.

Mortgage Insurance Programme

The Mortgage Insurance Programme (**MIP**) helps potential homebuyers who have limited resources for substantial down payment for the purchase of a property. From a banking industry perspective, the MIP allows banks to engage in higher loan-to-value (**LTV**) lending without incurring additional credit risk and jeopardising the stability of the banking system. The MIP creates a win-win situation for both homebuyers and banks. Over the years, the MIP has been established firmly as an integral part of mortgage financing in Hong Kong. Demand for the MIP has eased in 2022, and the volume of loans drawn down under the MIP decreased to HK$107.2 billion in 2022 from HK$132.6 billion in 2021 (**Figure 7**). About 81% of the MIP loans drawn, in terms of loan amount, were secured on properties in the secondary market. This demonstrates the importance of the MIP to homebuyers in the secondary market. Since 1999, the MIP has helped around 211,000 families achieve their dream of home ownership, with an aggregate loan drawdown of HK$738.8 billion.

Figure 7

Mortgage Loan Amount Drawn Down under HKMC MIP



Source: HKMCI

Fixed Rate Mortgage Scheme

Announced in the Financial Secretary's 2020-21 Budget, the Group introduced a scheme of fixed-rate mortgages for 10, 15 and 20 years under the Fixed Rate Mortgage Scheme in May 2020. It aims to provide an alternative financing option to homebuyers for mitigating their risks arising from interest rate volatility, thereby enhancing banking stability in the long run. The maximum loan amount of each private residential mortgage under the scheme is HK$10 million. To continue filling the market gap in respect of fixed-rate mortgage products, the scheme was made permanent in November 2021. Starting from February 2022, the Group determines the fixed interest rates from time to time in accordance with factors such as cost of funds, business and market conditions. As at end-December 2022, nine banks had joined the scheme and a total of 155 applications had been received since launch in May 2020.

HKMC Retire 3

To reinforce its positioning as a unique market player and trustworthy provider of retirement planning solutions that cater for the needs of people at different life stages, the Group launched in late June 2021 the "HKMC Retire 3" brand, with the Reverse Mortgage Programme (**RMP**), the Policy Reverse Mortgage Programme (**PRMP**) and the HKMC Annuity Plan (**Annuity Plan**) promoted together as a holistic solution for retirement planning. These three products share the characteristics of providing retirees with an immediate, stable and lifelong stream of income after retirement. The Group has implemented a new business strategy for developing and promoting the products under "HKMC Retire 3". It involves more proactive marketing, doubling customer engagement efforts to facilitate repeated purchases or business referrals, as well as expanding distribution channels. A more systematic and effective platform has been set up to facilitate direct communication with customers regarding RMP and PRMP applications through the "HKMC Retire 3" hotline and designated consultants. In April 2022, the Group launched a marketing campaign which proved very successful in raising public awareness on the benefits of "HKMC Retire 3". A video series of six episodes under this campaign recorded some 5 million viewings on online platforms.

The Group values the overall quality of retirement life of its customers, hence the loyalty programme "AMIGOS By HKMC" (**AMIGOS**) was launched in 2019 to facilitate a close connection between the Group and its customers. Response to the loyalty programme has been encouraging. As at the end of December 2022, AMIGOS had recruited more than 6,800 members. In view of the pandemic situation, the Group stayed in touch with the retirement community via the digital platform for most times of the year before starting to offer some physical activities to AMIGOS members in November. Events held during the year included public seminars on financial planning for retirement. The HKMC YouTube Channel also continues to be an effective platform for financial education and promotion. The number of subscribers increased from 4,500 to around 6,800 after the launch of the marketing campaign.

In November 2022, the Group opened the AMIGOS venue in Cheung Sha Wan and launched the AMIGOS mobile application. Apart from providing useful information on "HKMC Retire 3", AMIGOS activities, members' benefits and other interesting topics, the AMIGOS mobile application also allows members to enrol for activities and book facilities at the AMIGOS venue. The mobile application, together with the AMIGOS venue, helps the Group strengthen its relationship with members of the retirement community. Meanwhile, the Group remains a staunch supporter of improving financial literacy in Hong Kong. In recognition of its ongoing effort and contribution, the Group was awarded the "Investor and Financial Education Award 2022" by the Investor and Financial Education Council. The Group will continue to help citizens establish proper retirement financial planning concepts through continuous education and promotion.

Reverse Mortgage Programme

With the Group's ongoing efforts in educating the public on retirement solutions, receptiveness to the RMP has continued to grow. More and more people welcome the idea of using the RMP as an instrument to generate a stable stream of monthly income after retirement. The Group has been offering fixed-rate mortgage plans under the RMP since September 2018. In July 2021, as a promotional offer for AMIGOS members, the Group launched a higher payout fixed-rate mortgage plan (**Enhanced 3% Fixed-rate Mortgage Plan**) under which borrowers can choose to pay a higher monthly mortgage insurance premium in return for a higher amount of monthly payout and lump-sum payout. In view of the positive customer response to the Enhanced 3% Fixed-rate Mortgage Plan, the Group extended its offering period to end-December 2022. During the year, 665 applications for the Enhanced 3% Fixed-rate Mortgage Plan were received, accounting for 69% of all RMP applications received in 2022. For the year, RMP applications received recorded significant growth of around 22%, compared to that in 2021.

The Group from time to time reviews the RMP and introduces enhancement features to cater for the needs of retirees. During the year, the RMP was enhanced by expanding the lump-sum payout purposes to include expenses for estate planning and works to improve the environmental friendliness of one's home or housing estate. Operational arrangements were also improved, such as accepting the electronic version of various documents, to enhance customer experience. Meanwhile, the Group continued to cooperate with different stakeholders via multiple platforms for public education on the RMP. Joint promotions with banks continued leveraging on their branch networks and online channels to reach out to more potential customers. The Group is expanding the distribution network with new business counterparts including insurance companies which will refer potential customers on the RMP.

Policy Reverse Mortgage Programme

To better meet the needs of retirees through an alternative retirement planning option, the Group launched the PRMP in May 2019 by replicating the business model of the RMP. The PRMP has achieved a breakthrough in 2022, with a significant growth in applications. Four insurance companies and insurance brokers have been engaged on the referral mechanism under the "HKMC Retire 3" brand. The Group will keep exploring collaboration opportunities with insurance companies as referrers of new life insurance policies that are potentially eligible under the PRMP. During the year, the PRMP was enhanced by expanding the lump-sum payout purposes to include expenses for estate planning and works to improve the environmental friendliness of one's home or housing estate.

HKMC Annuity Plan

The Group launched the Annuity Plan with the aim of offering the public an alternative option for retirement financial planning and fostering the development of the annuity market. Since its launch in 2018, the Annuity Plan had helped about 14,000 senior citizens convert their savings into a life-long stream of guaranteed retirement income to support a hassle-free retirement, and it has become the most popular "HKMC Retire 3" product.

During the year, the Group continued to enhance the Annuity Plan in order to provide a better retirement financial solution to its target segments. The Group introduced two enhancements, namely the increase in the individual premium cap of the Annuity Plan to HK$5 million from HK$3 million and the increase of the limit of the Special Withdrawal for Medical and Dental Expenses in June 2022 to meet different customers' needs.

In September 2022, the Group launched the "Team Up for Life" publicity campaign featuring a local celebrity, Mr Louis Cheung Kai-chung, and a renowned retired basketball coach, Mr Cheng Wai-ming, focusing on the importance of intergeneration support. A story-driven online micro movie was launched on various social media platforms and accumulated 1.8 million views in the first two weeks. The micro movie ranked third in the "Facebook Top 5 Branded Videos" in September 2022. The publicity campaign successfully raised public awareness and highlighted the need for the middle-aged generation to support their senior family members both emotionally and financially in their retirement years.

As at 31 December 2022, total premiums received of the Annuity Plan during the year stood at HK$2.5 billion, with an average premium amount of HK$777,000.

Enhancements to the 100% Personal Loan Guarantee Scheme

Following the Financial Secretary's announcement in the 2021–2022 Budget, the Group launched the 100% Personal Loan Guarantee Scheme (**PLGS**) in April 2021. The PLGS is backed by the Government's financial commitment of HK$15 billion. The Group is designated as the loan purchaser and the administrator of the PLGS.

The PLGS for unemployed individuals aims to provide a supplementary financing option to individuals suffering from cessation of main recurrent incomes from employment in Hong Kong amid the COVID-19 pandemic. Under the PLGS, low-interest loans are taken out by eligible borrowers to help them tide over interim difficulties. The PLGS started receiving applications on 28 April 2021. Eligible borrowers should be Hong Kong permanent residents aged 18 or above and unemployed for at least two months at the time of loan application, and who can demonstrate cessation of main recurrent incomes from employment in Hong Kong. Interest rate is 1% per annum and interest collected will be refunded after the loans are fully repaid by the end of the scheduled repayment period.

In view of the impact of a new wave of the epidemic in early 2022, the PLGS's application period has been extended for one year until end-April 2023. The scheme was further enhanced in April 2022, including an increase of the maximum loan amount per borrower from six times to nine times the average monthly income during employment, subject to a ceiling of HK$100,000; an extended maximum repayment period from six years to 10 years; and an extended maximum duration of principal moratorium from 12 months to 18 months.

Since the launch of the PLGS up to 31 December 2022, the Group had approved around 60,700 applications, involving a total loan amount of HK$4.1 billion. The average loan size per borrower was about HK$77,400. Over 51,000 applications (around 84%) have chosen the principal moratorium option.

PLGS for Affected Landlords

The Temporary Protection Measures for Business Tenants (COVID-19 Pandemic) Ordinance (Ordinance) came into effect on 1 May 2022 to provide temporary protection for business tenants in specified premises (as defined under the Ordinance) whose businesses were hard hit by the fifth wave of the COVID-19 pandemic. The Ordinance imposed a moratorium to prohibit landlords from taking certain actions in respect of their business tenants of specified sectors for failing to settle rent on schedule for a specified short period. In this connection, the Government announced the provision of interest-free loans under the PLGS to affected individual landlords who lived off rental income from specified business premises they held.

Eligible landlords were Hong Kong residents aged 18 or above, who legally and beneficially owned premises which were used wholly or primarily as specified premises, lived off rental income but had been affected by rental enforcement moratorium, and could demonstrate a temporary loss of monthly rental income of at least 20% from the specified premises for at least one month during the period from 1 January 2022 to the end of the protection period on 31 July 2022, as specified in the Ordinance. The maximum loan amount was three times the monthly rent receivable in respect of their specified premises, subject to a ceiling of HK$100,000. The maximum repayment period was five years, with an option of repayment holiday for the first six months to alleviate the immediate repayment burden of the borrowers.

The application period of PLGS for affected landlords was from 6 May to 31 October 2022. Four applications involving a total loan amount of HK$260,000 were approved.

Enhancements to the SME Financing Guarantee Scheme

The 80% and 90% Guarantee Products under the SFGS are backed by the Government's guarantee commitment. The 80% Guarantee Product was launched in May 2012 to help SMEs obtain loans for general working capital or purchase of equipment or other assets to support business operations. The 90% Guarantee Product was launched in December 2019 to provide additional support to smaller-sized enterprises and businesses with relatively less operating experience to obtain financing. The guarantee fees are set aside to pay default claims from participating lenders and out-of-pocket expenses to be incurred under the arrangement, with any shortfall to be borne by the Government.

Introduced in April 2020, the 100% Guarantee Product aims to alleviate the burden of paying employee wages and rents by SMEs which are suffering from reduced income, thereby help minimise enterprise shutdowns and layoffs. The 100% Guarantee Product is applicable to SMEs in all sectors. The loans are fully guaranteed by the Government and sold to the HKMC after loan drawdown by participating lenders.

To further alleviate the cash flow pressure of SMEs, the Financial Secretary announced in the 2022-23 Budget in February 2022 the extension of the application period for the 80%, 90% and 100% Guarantee Products to end June 2023 and further enhancements to the 100% Guarantee Product. Under the enhancement measures, eligible enterprises should have been operating for at least three months as at 31 March 2022, and have suffered at least a 30% decline in sales turnover in any month since February 2020 compared with the monthly average of any preceding quarter from January 2019 to March 2022. The maximum amount of loan per enterprise has been raised from the total amount of employee wages and rents for 18 months to that for 27 months, or HK$9 million (originally HK$6 million), whichever is lower. The maximum repayment period of the guaranteed loans has been increased from 8 years to 10 years. These enhancements have taken effect from 1 April 2022.

The application period for principal moratorium has been extended several times to end-June 2023, and the maximum duration of principal moratorium for the 80%, 90% and 100% Guarantee Products has also been extended several times to a maximum of 42 months.

The total guarantee commitment of the Government under the SFGS, which can be used interchangeably for the 80%, 90% and 100% Guarantee Products, has been further increased from HK$218 billion to HK$280 billion since May 2022.

A total of 34 AIs participate as lenders under the SFGS. As at 31 December 2022, the Group had approved more than 23,300, 7,900 and 58,500 applications for loans amounting to HK$102.4 billion, HK$15.3 billion and HK$115.2 billion since the launch of the 80%, 90% and 100% Guarantee Products respectively, benefitting more than 53,000 local SMEs and 715,000 related employees.