

# Chairman's Statement

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Contributing to society's full return to normalcy and economic recovery.

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



In 2023, The Hong Kong Mortgage Corporation Limited and its subsidiaries continued to deliver on their core missions and social objectives, contributing to Hong Kong's economic recovery, despite tightened global financial conditions and heightened geopolitical tensions.

## **Mortgage-Asset Purchases**

The Corporation purchased residential mortgage loans of about HK\$139.6 million in 2023. Despite the limited appetite of banks to offload mortgage assets, the Corporation stands ready to purchase mortgage loans from the sector should the need arise with a view to performing its role to reinforce banking stability.

## **Debt Market Promotion**

With strong rating from credit rating agencies, the Corporation remains a major corporate debt issuer in Hong Kong. In 2023, the Corporation issued debt securities in major currencies amounting to HK\$98.3 billion. Of that, HK\$89.9 billion had a maturity of one year or more.

To promote sustainable finance, the Corporation issued social bonds close to HK\$20 billion in September 2023. This second issuance followed its Social, Green and Sustainability Financing Framework formulated in 2022. It marked the largest social bond issuance in Asia and was the first time Hong Kong had issued Hong Kong dollar, Renminbi and US dollar tranches in one transaction. The issuance responded to growing investor demand for financial instruments that met sustainability objectives, while helping the Corporation diversify its funding sources and broaden its investor base.

## **Home Ownership Support**

Promoting wider home ownership is a core mission of the Corporation. Since the introduction of its Mortgage Insurance Programme in 1999, the HKMC Group has facilitated home purchases for about 226,000 families by the end of 2023.

In July and September 2023, the Programme was amended to offer extended coverage to homebuyers. However, with cautious sentiment in the local property market resulting from rising interest rates, new loans under the Programme decreased to HK\$83.1 billion, down from HK\$107.2 billion in 2022.

## Continuing Help for Businesses

The Group approved loans totalling HK\$270 billion under the SME Financing Guarantee Scheme by the end of 2023, benefitting more than 60,000 local small and medium-sized enterprises and 772,000 related employees. The application period for the Special 100% Loan Guarantee was extended to the end of March 2024, giving recovering companies room to adjust. Flexible, partial-principal repayment options were also introduced under the Scheme, enabling borrowers to gradually resume normal loan repayments. To assist SMEs in tackling cash-flow problems, it was announced in the 2024-25 Budget that the application period for the 80% and 90% Guarantee Products would be extended for another two years, to the end of March 2026.

The Government has entrusted the Group to launch and administer Dedicated 100% Loan Guarantee Schemes to help the travel sector and cross-boundary passenger transport trade resume their businesses in the post-pandemic period. From the Schemes' commencement in April 2023 to the end of the year, the Group approved about 200 applications, with loan amount totalling some HK\$200 million. This benefitted more than 100 licensed travel agents and helped about 600 local or cross-boundary vehicles resume services. In addition, a new Dedicated 100% Loan Guarantee Scheme for electric taxis was launched in September 2023, encouraging taxi owners to replace their liquefied petroleum gas, petrol or hybrid taxis with electric taxis.

## Relief for Individuals

The application period for the 100% Personal Loan Guarantee Scheme expired at the end of April 2023. A total loan amount of about HK\$4.7 billion was approved, tiding over more than 59,000 borrowers who lost main recurrent income during the pandemic.

## Retirement Planning

The Group continued to engage the retired community and expand distribution channels for its retirement products

in 2023. Enhancements were introduced to the Reverse Mortgage Programme and the Policy Reverse Mortgage Programme to better meet the needs of customers. The Group also arranged promotional and educational activities to raise public awareness about financial planning for retirement.

The elevated interest-rate environment has posed challenges for the life annuity business. To sustain business growth, the Group strategically diversified its distribution channels and strengthened outreach efforts, producing a solid performance with total premiums of HK\$1.6 billion for the year.

## Infrastructure Financing and Securitisation

The Corporation's infrastructure financing and securitisation business operates on prudent commercial principles under a robust, risk-based framework. In 2023, the Corporation continued to accumulate infrastructure loan assets riding on its strong credit standing and funding capability. In May, it also completed its first infrastructure loan-backed securities' issuance, totalling US\$404.8 million. That marked an important step in the development of infrastructure-financing securitisation in Hong Kong.

## Financial Performance

The Corporation reported a net loss of HK\$260 million for the year, following a restated net profit of about HK\$2.2 billion in 2022, with the restatement made in accordance with the retrospective application requirements of the Hong Kong Financial Reporting Standard 17 "Insurance Contracts", effective January 2023. The accounting loss in 2023 was primarily attributable to the increase in insurance contract liabilities for the annuity business, driven by reduced discount rates. That reflected the relatively lower market interest rates at the end of the year compared to the previous year, as well as the negative impact of the property-price drop on the reverse mortgage insurance business. This was partly mitigated by favourable returns from placements with the Exchange Fund and the increase in the amortisation of unearned profits from the accumulative mortgage insurance business.

The Corporation's adjusted profit for the year was HK\$724 million, compared to HK\$445 million in 2022. That was after excluding the accounting results of the annuity business, the impact of the property-price change on the reverse mortgage insurance business and the effect of valuation and corresponding adjustments of certain loan portfolios with insurance cover provided by the Corporation driven by the aforementioned financial reporting standard at consolidation level. At the end of 2023, the annuity business had an embedded value of about HK\$13.9 billion (which included a capital injection of HK\$12.5 billion), indicating that the business should be sustainable over the long term.

The capital adequacy ratio of the Corporation stood at 21.6% (2022: 27.9%), providing a solid capital base for business expansion. The respective solvency ratios of the Corporation's two insurance subsidiaries were 13 times (2022: 11 times) for the general insurance business and 18 times (2022: 15 times) for the annuity business. Both are well above relevant minimum regulatory requirements.

## Outlook for 2024

The external environment remains complex in 2024. Global economic growth will continue to be affected by the sharp monetary tightening policies implemented over the past two years, alongside international trade and capital flows, which have been distorted by geopolitical tensions. However, major central banks are expected to start cutting interest rates later this year, lending some support to global economic confidence and activities. These and other external factors will continue to put pressure on Hong Kong's economy.

Nonetheless, improvement in local household income should support private consumption. Government initiatives should help boost consumption sentiment. In addition, inbound tourism is likely to improve as the Government continues to promote mega-event economy. Against such environment, the Corporation will continue to work diligently in delivering 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, as well as the management and staff of the Corporation and its subsidiaries for their unwavering dedication and support.



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