Business Review

Business Review

Performance Highlights

The major achievements of the Group for the year included:

- helping homebuyers borrow a total of HK$47.9 billion in mortgage loans through the Mortgage Insurance Programme (**MIP**)

- approving 7,924 applications since the launch of the Reverse Mortgage Programme (**RMP**) in July 2011, with an average property value of around HK$5.7 million

- taking a total of around 10,830 policies for the life annuity business in 2024 with total premiums of HK$4.4 billion

- extending the application period of the 80% Guarantee Product and the 90% Guarantee Product under the SME Financing Guarantee Scheme (**SFGS**) to end-March 2026 and extending the maximum loan guarantee periods of the 80% Guarantee Product and 90% Guarantee Product by three years to ten years and eight years respectively

- allowing the borrowing enterprises for both existing and new loans under the SFGS to apply for principal moratorium for up to 12 months during a 12-month application period which will end on 17 November 2025, and offering the partial principal repayment options to new loans under the 80% Guarantee Product and 90% Guarantee Product in order to alleviate the repayment pressure on the borrowing enterprises and help them address challenges brought about by economic restructuring

- approving more than 27,400 and 14,700 applications for loans amounting to HK$118.4 billion and HK$26.5 billion since the launch of the 80% and 90% Guarantee Products, respectively, benefitting around 22,400 local SMEs and 374,400 related employees[1]. Over 3,100 applications have chosen the principal moratorium option

- approving more than 67,000 applications for loans amounting to about HK$143.7 billion since the launch of the Special 100% Loan Guarantee (**100% Guarantee Product**), benefitting around 40,000 local SMEs and 400,000 related employees. Over 46,900 applications have chosen the principal moratorium option. The 100% Guarantee Product's application period expired at the end of March 2024

- extending the application period of the Dedicated 100% Loan Guarantee Schemes (**DLGS**) for the cross-boundary passenger transport and the travel industries for six months to the expiry on 28 October 2024. A total of 227 applications amounting to about HK$0.22 billion have been approved since their launch, benefitting about 120 licensed travel agents and helping some 650 vehicles resume service. Separately, more than 100 applications amounting to about HK$36.3 million have been approved under the DLGS for battery electric taxis since its launch for replacement of 110 existing non-electric taxis with battery electric taxis

- 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

[1] The numbers of benefitted enterprises and benefitted employees have been adjusted to avoid double counting of enterprises using both the 80% and 90% Guarantee Products.

- completing the second issuance of infrastructure loan-backed securities (**ILBS**). The public issuance consists of multiple classes of US dollar-denominated senior secured notes backed by the cash flows from a diversified portfolio of projects and infrastructure loans across multiple geographies and sectors, with a total size of US$423.3 million. Within the capital structure of the ILBS, there is an US$107 million sustainability tranche backed by social, green and sustainable assets. The Sustainability Tranche is issued in accordance with the HKMC's Social, Green and Sustainability Financing Framework, which aligns with the Green Bond Principles, Social Bond Principles and Sustainability Bond Guidelines released by the International Capital Market Association. It demonstrates the HKMC's commitment to green and sustainable development

- purchasing about HK$392.0 million of residential mortgage loans

- issuing HK$103.5 billion of debt securities (HK$88.4 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 (**HKD**) corporate bond market during the year, while being a major offshore Renminbi (**CNH**) corporate bond issuer in 2024

- issuing a triple-tranche HKD benchmark bonds totalling HK$12 billion in February 2024, marking it the largest-ever HKD senior unsecured public bond transaction and the largest 10-year HKD public bond issuance in the institutional market at the time of issuance

- launching its third social bond issuance of approximately HK$23.8 billion equivalent (or US$3 billion equivalent) in October 2024. The issuance marked the largest social bond issuance in Asia Pacific, breaking the record set by the Group in 2023

- 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-2024, same as the HKSAR Government

- safeguarding excellent credit quality, with a non-performing loan ratio of 0.13% across all asset classes and over-90-day delinquency ratios of 0.05% for the mortgage insurance portfolio and 0.16% for the Hong Kong residential mortgage portfolio

The Group maintained a solid financial position in 2024:

- capital adequacy ratio of 19.9% as at 31 December 2024, which is well above the minimum requirement of 8% stipulated by the Financial Secretary

- solvency ratios of the Group's two insurance subsidiaries, calculated in accordance with Insurance (Valuation and Capital) Rules (Cap. 41R) under the new Risk-Based Capital regime effective from 1 July 2024, were about 4 times for general insurance business and 1.7 times for annuity business as at 31 December 2024, both well above the minimum statutory requirements stipulated by the Insurance Authority

Market Overview

General Economic Conditions

Global economic growth generally sustained in 2024. Interest rates in the advanced economies stayed high during the year and the future pace of interest rate cuts by the US Federal Reserve remains uncertain. In Mainland China, the economy continued to expand steadily due in part to strengthened policy support.

The Hong Kong economy recorded moderate growth in 2024 with growing exports of goods and services. However, various factors including geopolitical tensions and global economic and interest rates outlook posed uncertainties on different fronts. Against this backdrop, the Hong Kong economy grew modestly during the year at 2.5% year-on-year in real terms.

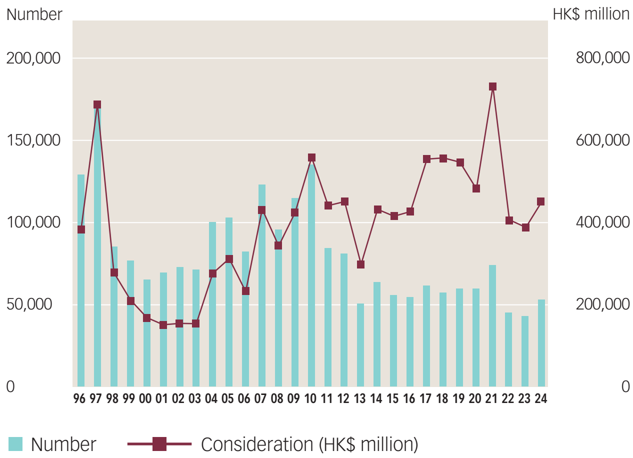
Property Market

Following the abolition of the demand-side management measures for residential properties by the Government and the adjustments of the supervisory measures for property mortgage loans by the Hong Kong Monetary Authority (**HKMA**), sentiment in the residential property market improved in the first quarter of 2024. However, following a period of stabilisation, the local residential property market retreated from April 2024 and market sentiment stayed cautious for the rest of the year.

Overall, the number of residential property transactions in 2024 increased by 23.5% year on year to 53,099, while the consideration of transactions recorded a 16.7% year-on-year increase (**Figure 1**).

Figure 1

Agreements for Sale and Purchase of Residential Building Units

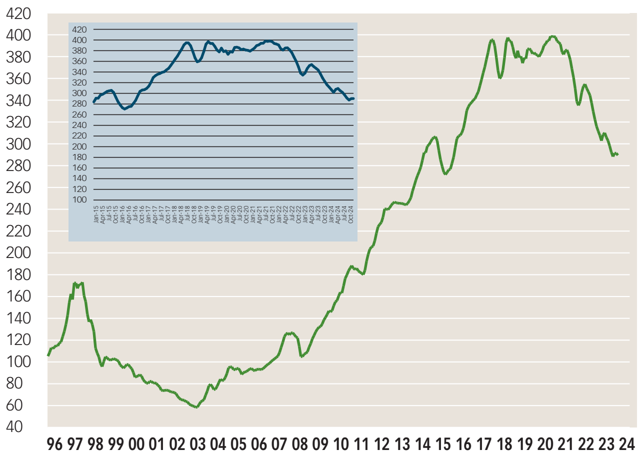


Source: Land Registry

Transaction volumes in the primary and secondary markets fluctuated throughout the year. In general, residential property prices[2] recorded a 7.1% cumulative decrease in 2024, compared with a 7.0% drop in 2023 (**Figure 2**).

Figure 2

Private Domestic Price Index (1999 = 100)



Source: Rating and Valuation Department

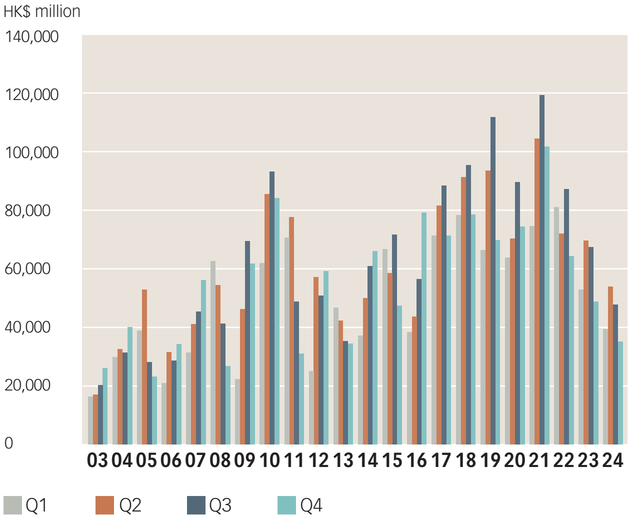
[2] Source: The Private Domestic Price Index published by the Rating and Valuation Department

Mortgage Market

As of December 2024, the Best Lending Rates (**BLRs**) were at the range of 5.25%–6% following the interest rate cuts by the US Federal Reserve. The Hong Kong Interbank Offered Rate (**HIBOR**) recorded a fluctuating pattern throughout the year. According to the Monthly Statistics Bulletin published by the HKMA, the one-month HIBOR in terms of period average[3] started high in the first three months of the year at the range of 4.53%–4.76%. It began to decrease in April reaching 3.89% in September before returning to a higher track and be at 4.46% in December 2024. Mortgage lending grew, with the total outstanding value of all residential mortgage loans rising by 1.37% to HK$2,006.25 billion. The gross value of new loans drawn down[4] decreased by 26.2% year on year in 2024, following a drop of 21.6% in 2023 (**Figure 3**).

Figure 3

New Residential Mortgage Loans Drawn Down

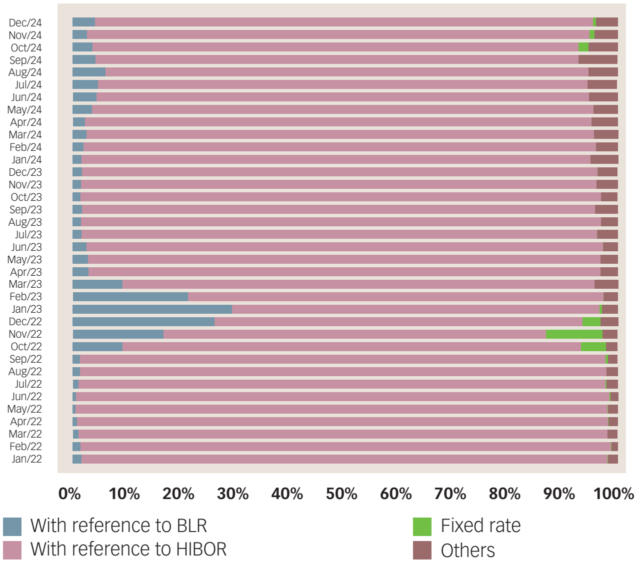


Source: Hong Kong Monetary Authority

Overall, HIBOR-based mortgages appeared to be more favoured by borrowers during the year. As at December 2024, 91.3% of new mortgage loans were benchmarked against HIBOR, while BLR-based mortgages and fixed-rate plans accounted for 4.1% and 0.6% respectively. (**Figure 4**).

Figure 4

Pricing of New Residential Mortgage Loans Approved



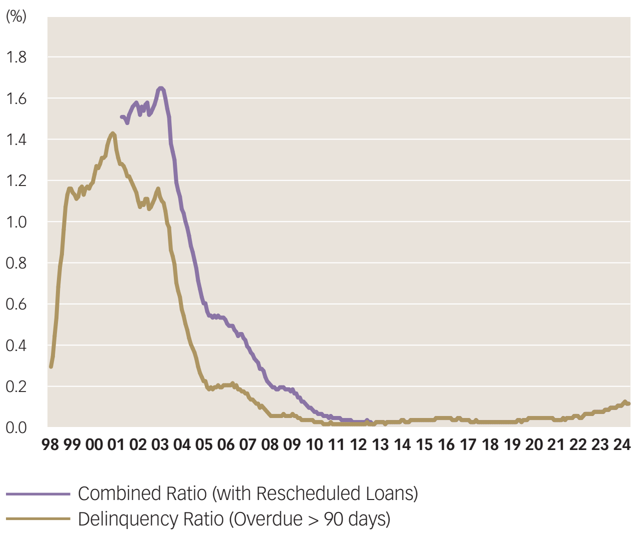
Source: Hong Kong Monetary Authority

3 Source: Hong Kong Monetary Authority
4 Source: Hong Kong Monetary Authority

Under the HKMA's prudent supervision of the mortgage lending sector, the asset quality of residential mortgage loans remained excellent in 2024. The over-90-day delinquency ratio of mortgage loans was steady at 0.08%-0.12% throughout the year, reflecting banks' prudent underwriting standards. The combined ratio, which includes both the delinquent and rescheduled loans, also maintained at 0.08%-0.12% during the year (**Figure 5**). The estimated number of residential mortgage loans in negative equity was 38,389 cases at end-December 2024, with an aggregate value of HK$195.1 billion recorded[5]. These cases were mainly related to bank staff housing loans or residential mortgage loans under mortgage insurance programme, which generally have a higher loan-to-value ratio.

Figure 5

Delinquency Ratio of Residential Mortgage Loans



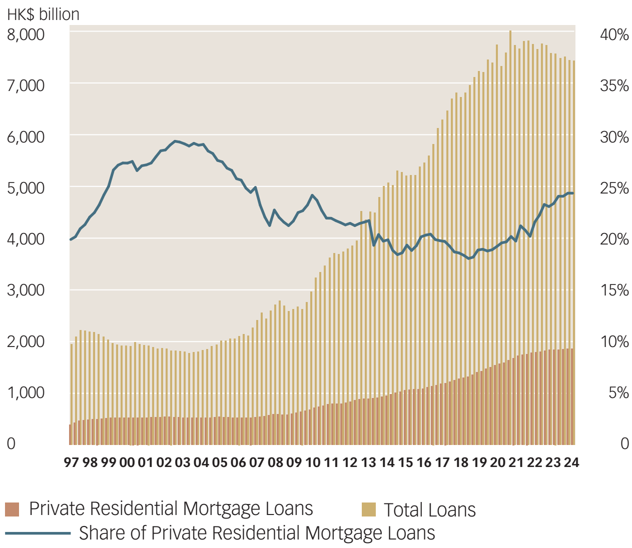
Source: Hong Kong Monetary Authority

Banking-Sector Exposure

The total outstanding value of property-related loans in 2024 amounted to HK$3,426.02 billion, representing about 45.7% of banks' total loans (**Figure 6**). Of these property-related mortgage loans, private residential properties accounted for HK$1,873.53 billion (end-2023: HK$1,853.59 billion) and subsidised flats accounted for HK$132.72 billion (end-2023: HK$125.52 billion).

Figure 6

Total Loans and Private Residential Mortgage Loans of All Authorized Institutions



Source: Hong Kong Monetary Authority

5 Source: Hong Kong Monetary Authority

Asset Acquisition

On the back of liquidity in the market, banks have no urgency to offload mortgage loans or other assets to the Group. The Group is prepared to provide liquidity to the market as and when required. In 2024, the Group acquired mortgage assets of around HK$392.0 million being staff mortgage loans from the Hospital Authority.

Funding

Global financial markets and the real economy remained uncertain in 2024, hinging on factors such as the sticky inflationary pressure and escalating 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$103.5 billion in 2024, with HK$88.4 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$148 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 various 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.

In 2022, 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. The SGS Framework 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.

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. To meet growing funding demand, the size of MTN Programme was expanded gradually to US$30 billion from its initial size of US$3 billion. 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 MTN issuance and provide secondary market liquidity. In 2024, the Group launched 154 MTN issues with total issuance amount of HK$103.5 billion under the MTN Programme. There were 123 issues amounting to HK$88.4 billion of one year or longer maturity, while the remaining 31 MTN issues totalling HK$15.1 billion were of less than one year.

The Group successfully launched its triple-tranche HKD benchmark bonds totalling HK$12 billion, making it the largest-ever HKD senior unsecured public bond transaction and the largest 10-year HKD public bond issuance in the institutional market at the time of issuance. The triple-tranche issuance comprised HK$8 billion two-year, HK$3 billion five-year and HK$1 billion ten-year bonds. The issuance was well received by a diverse group of high-quality local and overseas institutional investors with strong orderbook of over HK$37 billion and final allocation to over 180 accounts.

The Group also successfully launched its third social bonds of approximately HK$23.8 billion equivalent in October 2024. The issuance marked the largest social bond issuance in Asia Pacific, breaking the record set by the Group in 2023. The triple-currency social bond issuance with four tranches comprised HK$7 billion two-year, HK$8 billion five-year, CNH2 billion seven-year and US$850 million three-year social bonds. The issuance was well received by local and overseas institutional investors, with a combined peak orderbook of around HK$55 billion equivalent and final allocation to over 200 accounts. Moreover, the two HKD tranches totalling HK$15 billion was the largest-ever institutional bond denominated in HKD, while the CNH tranche was the first ever 7-year institutional bond denominated in CNH at the time of issuance. The issuance helped to establish new benchmarks across the yield curve for the market and further facilitated the bond market development in Hong Kong.

For this landmark social bond transaction launched during the year, the Group was presented with notable awards by the following well recognised organisations locally and internationally:

— HKQAA's Hong Kong Green and Sustainable Finance Awards 2024

  - Outstanding Award for Green and Sustainable Bond Issuer (Public Sector) — Largest Amount of Social Bonds

— The Asset Triple A Sustainable Finance Awards 2025

  - Best Social Bond in Hong Kong

These awards demonstrated the Group's successful achievement and market recognition in promoting ESG and sustainable finance in Hong Kong, thereby underscoring the pivotal role of the Group in the development of local debt market and investor confidence in Hong Kong's economy.

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. All debt securities issued under the DIP were matured by end-2023.

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 (**RCF**) to the Group. This RCF 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 RCF was increased to HK$30 billion in December that year. In October 2020, the RCF 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 RCF 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 RCF were fully repaid with funds raised from the Group's cost-effective debt issuance when the markets stabilised. There was no drawdown under the RCF in 2024.

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		Negative	

(as at 31 December 2024)

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 December and November 2024 respectively:

S&P

"We equalize 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 if needed. We do not assign a stand-alone credit profile (SACP) to HKMC because it is not a significant ratings driver. Our view of an almost certain likelihood of extraordinary government support for HKMC is based on our assessment of the corporation's critical policy role to, and integral link with, the Hong Kong government."

"HKMC has a well-established market position, with a unique 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. The corporation has very strong debt capital market access through its senior debt programs. It has been issuing medium-term notes to finance its special 100% loans guaranteed under the SFGS. We expect HKMC to maintain adequate levels of highly liquid assets to cover its short-term funding needs."

Moody's

"HKMC is wholly owned by the Hong Kong government for the account of the Exchange Fund. The company carries out policy mandates, including the promotion of financial and banking stability in Hong Kong; wider homeownership; development of the local debt capital markets; and development of the retirement planning market. ... As part of its mandate to promote banking stability, the company acts as an alternative lender of last resort, as it purchases residential mortgages from banks in times of stress. ... HKMC has several important policy mandates in Hong Kong. In the past five years, the company undertook additional policy initiatives to reinforce its links with the government. We expect the government to continue to leverage HKMC to support the provision of financial services and economic development in Hong Kong. We expect HKMC's policy role to continue."

"We expect the government to continue to provide capital and liquidity support to HKMC because of the company's policy roles and importance. ... The government provided HKMC with a HKD5 billion capital injection to set up the annuity business in 2018, and an additional HKD7.5 billion of aggregate capital injection in 2021, 2022 and 2023. It also increased its Revolving Credit Facility (RCF) for HKMC to HKD80 billion in October 2020 from HKD30 billion."

"HKMC has very close links with the government, which directly influences and supervises HKMC's operations by appointing its board members and management. Most of the members on the board of directors are from government departments, the executive council and the legislative council. The financial secretary serves as the chairman and executive director of HKMC, and the Hong Kong Monetary Authority's chief executive serves as deputy chairman and executive director."

"The company has very good access to capital markets because of its strong financial fundamentals and government affiliation. … As of 30 June 2024, the company had sufficient liquid assets, including the Exchange Fund's RCF, to repay all of its outstanding debt."

"In line with our general view on finance companies, HKMC has low exposure to environmental risks. … The company's public policy mandates are in line with supporting the well-being of most Hong Kong residents and companies. … HKMC has not shown any governance shortfall in recent years and its risk management framework is commensurate with the company's risk appetite."

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 Infrastructure Financing Securitisation (**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$2.2 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 20 investment and commercial banks.

On 11 September 2024, the Group, via Bauhinia ILBS 2 Limited (the special purpose vehicle established for the ILBS issuance), successfully closed a publicly rated securitisation transaction which consists of multiple classes of US dollar-denominated senior secured notes backed by the cash flows from a diversified portfolio of projects and infrastructure loans across multiple geographies and sectors, with an issuance size of US$423.3 million. The notes (except for the subordinated notes) are listed on The Stock Exchange of Hong Kong and offered to a diversified group of professional investors. The Group has multiple roles in this transaction, including the Sponsor, Retention Holder of the subordinated notes and Collateral Manager.

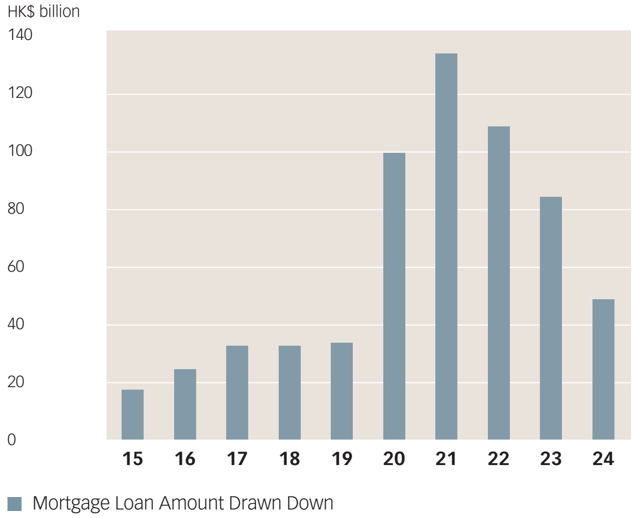
The ILBS issuances are widely recognised by industry players and professional investors. In 2024, Bauhinia ILBS 1 issuance was awarded "The Asset Triple A Awards 2024 — Most Innovative Deal of the Year" by The Asset whilst Bauhinia ILBS 2 issuance was awarded the "Outstanding Award for Green and Sustainable Bond Issuer (Infrastructure Financing and Securitisation) — Largest Single Sustainability Bond" by Hong Kong Quality Assurance Agency, "Best Bond Deal", "Best Infrastructure Deal" in Hong Kong and "Best Structured Finance Deal" in Hong Kong and Asia-Pacific by FinanceAsia. The issuances aim at enriching the local debt capital market and promoting the securitisation market in Hong Kong.

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 2024, and the volume of loans drawn down under the MIP decreased to HK$47.9 billion in 2024 from HK$83.1 billion in 2023 (**Figure 7**). Since 1999, the MIP has helped around 235,000 families achieve their dream of home ownership, with an aggregate loan drawdown of HK$869.8 billion.

Figure 7

Mortgage Loan Amount Drawn Down of HKMCI MIP



Source: HKMCI

During the year, technical adjustments to the MIP were made in light of the HKMA's adjustments on the countercyclical macroprudential measures on property mortgage loans. For instance, the requirement to lower the debt-to-income ratio limit of mortgage applicants who borrowed or guaranteed other outstanding mortgages was lifted.

In August 2024, a new arrangement was put in place under the MIP to approve on a case-by-case basis applications from eligible homebuyers to rent out their self-occupied properties with conditions, so as to meet their special needs arising from changes in personal or family circumstances.

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 2024, 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 continued to develop and promote the products through marketing them under the "HKMC Retire 3" brand, proactive customer engagement, and expanding the distribution channels. In 2024, the Group launched a marketing campaign which was effective in raising public awareness on the benefits of "HKMC Retire 3". A video series under this campaign has recorded over 10 million viewings and more than 25,000 responses on online platforms. Other channels including public transport (e.g. bus, MTR and taxi), television and radio have also been used to deliver the message. The HKMC YouTube Channel, with over 9,500 subscribers, continues to be an effective platform for financial education and promotion.

As for public engagement, the Group organised four public seminars in 2024 to introduce the "HKMC Retire 3" brand and its retirement products. These seminars, which targeted the general public from all walks of life, received overwhelming response in registration and were effective in arousing the interest of participants. Many of them were enthusiastic to enquire into the benefits of the "HKMC Retire 3" products, some of whom joined consultation sessions to explore further on how the products could suit their personal financial needs and enrich their retirement life. To reach a wider audience, a mobile information centre, in the form of a roving truck, was deployed to tour across Hong Kong and station in various residential neighbourhood to familiarise the public with the "HKMC Retire 3" products through interactive games, exhibitions and product enquiries. The Group also organised a series of talks in collaboration with institutional partners and non-governmental organisations to promote the development of the retirement planning market. The various activities and the roving exhibition successfully reached over 15,000 persons.

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 end-December 2024, the AMIGOS had recruited over 10,000 members. During the year, AMIGOS organised a series of engagement activities, including workshops, guided tours and luncheons which were well received. These activities not only encouraged members to live a fulfilling retirement life, but also provided ample opportunities for direct interactions with members who could potentially refer more new customers to the Group. AMIGOS also proactively recruited a number of information subscribers who were not yet eligible for AMIGOS membership but were interested in receiving relevant information. Some of the information subscribers subsequently joined the PRMP, the RMP and/or the Annuity Plan and became members of the AMIGOS.

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 Certificate of Appreciation 2024 by the Investor and Financial Education Council. The Group continues to help citizens establish proper retirement financial planning concepts through continuous education and promotion. What's more, the Group has been disseminating information to AMIGOS members and information subscribers to raise their awareness of phishing financial scams and safeguard their financial well-being.

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 June 2024, the interest rate of the standard fixed-rate mortgage plan was adjusted to 4.5% p.a. from 4% p.a. for the first 25 years of the loan tenor. During the year, 881 applications were received under the fixed-rate mortgage plan, accounting for 87% of the 1,017 RMP applications received in 2024.

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. As at the end of December 2024, around 140 PRMP applications had been received since the programme's launch, among which around 50 were drawn down during the year. The Group has established a mechanism with insurance companies and insurance broker companies for the referral of potential customers, which contributed to the majority of PRMP applications received in 2024. Joint promotions were staged with the insurance companies and insurance broker companies to promote the PRMP and the RMP as a holistic solution of retirement planning.

The Group has also established collaboration with large organisations in Hong Kong to provide retirement planning information and PRMP and RMP promotional offers to their existing and retired staff.

Life Annuity Business

The Group introduces promotional offers periodically to promote the Annuity Plan while addressing the needs of senior citizens. During the year, the Group launched "Lifelong Monthly Income Booster" and premium discount campaign for the Annuity Plan in order to provide greater protection to senior citizens. This campaign offered a 25% increase in lifetime monthly annuity payouts for the first HK$300,000 premium of new applications per customer, and a 2% premium discount for the remaining premium amount. These initiatives enhanced retirees' peace of mind and enabled senior citizens to enjoy increased financial flexibility. As of the end of 2024, the life annuity business achieved around 170% year-on-year sales volume growth, empowering more senior citizens to transform their savings into a life-long stream of retirement income. The overwhelming response also underscores growing market receptiveness to the Annuity Plan.

In respect of public education initiatives for retirement financial planning, while awareness of the Annuity Plan has grown over the years, there are rooms to further enhance public understanding of the benefits of annuities. Accordingly, the Group has strengthened public education initiatives in this respect. Central to this strategy is the new publicity campaign featuring a new character, "Mr. Well-Planned". Using relatable, everyday life scenarios, this campaign effectively addresses common questions from the public, thereby promoting retirement financial planning and encouraging the adoption of the Annuity Plan in a light-hearted yet effective manner.

Furthermore, to enhance the financial well-being of senior citizen communities, the Group organised over 80 outreach activities and strengthened collaborations with corporations and professional organisations to promote the understanding of longevity risk and highlight the importance of life annuity products for retirement financial planning.

SME Financing Guarantee Scheme

The 80% and 90% Guarantee Products under the SME Financing Guarantee Scheme (**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 during the COVID-19 epidemic, the 100% Guarantee Product aimed to alleviate the burden of paying employee wages and rents by SMEs which are suffering from reduced income, thereby helping to minimise enterprise shutdowns and layoffs. The loans are fully guaranteed by the Government and sold to the HKMC after loan drawdown by participating lenders. The application period for the 100% Guarantee Product expired in end-March 2024.

The Financial Secretary announced in the 2024-25 Budget in February 2024 the extension of the application period for the 80% Guarantee Product and 90% Guarantee Product to end-March 2026 based on the Government's total guarantee commitment of HK$290 billion.

To alleviate the repayment pressure on borrowing enterprises, and help them address challenges brought about by economic restructuring, the Chief Executive announced in "The Chief Executive's 2024 Policy Address" in October 2024 that, for both existing and new loans, borrowing enterprises could apply for principal moratorium for up to 12 months; the maximum loan guarantee periods of the 80% Guarantee Product and 90% Guarantee Product would be extended by three years to ten years and eight years respectively; and partial principal repayment options would be offered to new loans under the 80% Guarantee Product and 90% Guarantee Product. These measures took effect on 18 November 2024.

A total of 35 Authorized Institutions participate as lenders under the SFGS. As at 31 December 2024, the Group had approved more than 27,400, 14,700 and 67,000 applications for loans amounting to HK$118.4 billion, HK$26.5 billion and HK$143.7 billion since the launch of the 80%, 90% and 100% Guarantee Products respectively, benefitting around 22,400 local SMEs and 374,400 related employees[6] under the 80% and 90% Guarantee Products, and around 40,000 local SMEs and 400,000 related employees under the 100% Guarantee Product. Over 50,000 applications have chosen the principal moratorium arrangement by borrowers under all Guarantee Products.

Dedicated 100% Loan Guarantee Schemes

Following the Financial Secretary's announcement in the 2023–24 Budget, the Group launched the Dedicated 100% Loan Guarantee Schemes (**DLGS**) to support the business resumption of the cross-boundary passenger transport and travel industries, and to encourage taxi owners to replace their existing liquefied petroleum gas, petrol or hybrid taxis with battery electric taxis (**e-Taxis**).

The DLGS for Travel Sector aimed to assist licensed travel agents and local tour coach registered owners in resolving short-term funding difficulties, hiring staff as soon as practicable and accelerating operational capability enhancement, to complement the pace of resumption of inbound and outbound tourism activities.

The objective of the DLGS for Cross-boundary Passenger Transport Trade was to allow eligible registered vehicle owners or ferry operators/owners of cross-boundary passenger transport to apply for loans for the purpose of vehicle or ferry repair and maintenance, buying insurance, etc. with a view to resuming services as soon as possible.

The DLGS for e-Taxis, which aims to promote the use of e-Taxis as one of the Government's measures to develop green transport and help achieve the carbon neutrality target of Hong Kong, provides low interest rate loans fully guaranteed by the Government for eligible taxi owners to purchase e-Taxis to replace their liquefied petroleum gas, petrol or hybrid taxis.

The DLGS for the cross-boundary passenger transport and travel industries were launched on 29 April 2023. As at the end of December 2024, 227 applications for a total loan amount of HK$0.22 billion had been approved, benefitting about 120 licensed travel agents and helping some 650 vehicles resume service. The application period expired on 28 October 2024.

The DLGS for e-Taxis was launched separately on 4 September 2023 for a five-year application period. As at the end of December 2024, 105 applications for a total loan amount of HK$36.3 million had been approved for replacement of 110 existing non-electric taxis with battery electric taxis.

The 100% Personal Loan Guarantee Scheme

Following the Financial Secretary's announcement in the 2021–22 Budget, the Group launched the 100% Personal Loan Guarantee Scheme (**PLGS**) in April 2021 to provide a supplementary financing option to individuals suffering from cessation of main recurrent incomes from employment in Hong Kong amid the COVID-19 epidemic. 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.

Given the local economic recovery and decreased unemployment rate, the application period of the PLGS expired at the end of April 2023. The Group has approved around 67,000 applications for a total loan amount of HK$4.7 billion, benefitting more than 59,000 borrowers.

[6] The numbers of benefitted enterprises and benefitted employees have been adjusted to avoid double counting of enterprises using both the 80% and 90% Guarantee Products.