Press Release

The Hong Kong Mortgage Corporation Limited

Mortgage Insurance Programme
Streamlined Pricing of Insured Mortgage Loans

The Hong Kong Mortgage Corporation Limited ("HKMC") announced today (Sunday) that, responding to its questionnaire survey, 25 banks have indicated that they intend to offer the streamlined pricing arrangement (commonly known as "one-stop 90% mortgage service) for mortgages covered by the Mortgage Insurance Programme ("MIP") of the HKMC.

Under the streamlined pricing arrangement, the banks will build the insurance premium into the interest rate on the mortgage instead of adding the premium on the mortgage. This will make it easier for the homebuyers to compare the effective cost of borrowing at different loan-to-value ("LTV") ratios.

The HKMC conducted a questionnaire survey in November in order to gauge the response of the banks to this new arrangement. The response is encouraging:

(a) 25 of the responding banks have indicated that they intend to offer the "one-stop 90% LTV mortgage service" to customers (see Annex);

(b) the timing for launching the product varies amongst banks ranging from immediately to early 2003; and

(c) the common methods that the banks intend to adopt to hedge the early prepayment risk under the streamlined pricing arrangement include prepayment fee, higher mortgage rate in the initial period of the mortgage, and recovery of insurance premium from borrowers at the point of prepayment.

Mr Peter Pang, Chief Executive Officer of the HKMC, said, “I am very pleased to see the positive response of the banks to the streamlined pricing arrangement. It will help to promote the MIP by making the effective cost of the insured mortgages more transparent to the homebuyers. Working closely with the banks, the HKMC stands ready to facilitate mortgage arrangements that are considered helpful to homebuyers.”

The MIP was launched in March 1999 with the aim of promoting home ownership in Hong Kong. The Programme currently covers mortgage loans for both completed properties and properties under construction (equitable mortgages) up to a LTV ratio of 90%.

The Hong Kong Mortgage Corporation Limited
8 December 2002

Annex

List of Participating Banks

1. AIG Finance (Hong Kong) Limited
2. Asia Commercial Bank Limited
3. Bank of America (Asia) Limited
4. Bank of China (Hong Kong) Limited
5. Bank of Communications
6. The Bank of East Asia Limited
7. Chekiang First Bank Limited
8. Chiyu Banking Corporation Limited
9. CITIC Ka Wah Bank Limited
10. Dah Sing Bank Limited
11. Dao Heng Bank Limited
12. DBS Kwong On Bank, Limited
13. Fortis Bank Asia HK
14. Hang Seng Bank Limited
15. The Hongkong and Shanghai Banking Corporation Limited
16. Inchroy Credit Corporation Limited
17. Industrial and Commercial Bank of China (Asia) Limited
18. International Bank of Asia Limited
19. Liu Chong Hing Bank Limited
20. Nanyang Commercial Bank Limited
21. Orix Asia Limited
22. Overseas Trust Bank Limited
23. Shanghai Commercial Bank Limited
24. Wing Hang Bank Limited
25. Wing Lung Bank Limited