Press Release

HKMC Annual Report 2002 Published

The Hong Kong Mortgage Corporation Limited (HKMC) today (5 May) published its Annual Report for 2002.

"The HKMC recorded a sound performance in 2002, which was particularly satisfactory in the context of largely unfavourable operating conditions. It is now five years since the HKMC was established. During this time, the Corporation has achieved robust growth in its core businesses. Since 1998, the size of the retained mortgage portfolio has grown at an annual compound rate of 25.6% to the current amount of HK$28.3 billion, which is close to 5% of the residential mortgage loan market," said Mr. Antony Leung, Chairman of the Board of Directors of the HKMC in the report. "By steadily expanding the eligibility criteria for its mortgage purchases and insurance, as well as serving as a funding vehicle for Government housing agencies, the HKMC has also made a major contribution to bringing home ownership within reach of more people in Hong Kong," he added.

The Report highlights the following achievements of the HKMC in 2002:

(a) purchased a total of HK$14.4 billion of mortgage loans, 9.1% more than in 2001;

(b) issued HK$15 billion in debt securities, including HK$5.5 billion in retail bonds;

(c) provided insurance for mortgage loans of HK$6.1 billion and introduced the "90% one-stop mortgage service" with banks to provide greater transparency in mortgage pricing;

(d) introduced the Home Owner Mortgage Enhancement (HOME) Pilot Programme to help relieve the financial burden of homeowners in negative equity and to provide a tool for banks to hedge the risk of mortgages in negative equity;

(e) maintained an excellent asset quality, with year-end figures of 0.31% and 0.17% for loans overdue for more than 90 days in the retained mortgage and mortgage insurance portfolios respectively, as compared with the industry average of 1.06%; and

(f) maintained its A3/A+ foreign-currency and Aa3/AA- local-currency long-term credit ratings from Moody's and Standard & Poor's, which are the same as those of the HKSAR Government.

According to the Annual Report, the HKMC recorded a 20.5% growth in profit-after-tax to HK$263.8 million in 2002 after an adjustment for tax write-back booked in 2001. The Corporation also produced a return on equity of 8.9% and a return on assets of 0.9%. Its capital-to-assets ratio of 8.9% is well above the minimum requirement of 5%.

In his conclusion to the Chairman's statement, Mr. Leung said, "Looking ahead, the HKMC will continue to work in close co-operation with the banks, capital markets participants, insurers and regulators to bring further liquidity, stability and choice to the Hong Kong mortgage and financial markets."

The Hong Kong Mortgage Corporation Limited
5 May 2003