Press Release

The Hong Kong Mortgage Corporation Limited

Guaranteed Mortgage-Backed Securitisation Programme Signing Ceremony with American Express Bank

The Hong Kong Mortgage Corporation Limited (HKMC) jointly held a signing ceremony today (20 December 1999) with American Express Bank (AEB) to mark the issuance of a HK$630 million mortgage-backed securities (MBS) issue under the HKMC's Guaranteed Mortgaged-Backed Securitisation Programme (the Programme).

The MBS issue concluded with AEB adopts the standard back-to-back and pass-through structure. Under this structure, after acquiring mortgage loans from a bank, the HKMC will sell the mortgage pool to the HKMC Funding Corporation (1) Limited (Funding Corporation). The Funding Corporation, which is a "bankruptcy remote" special purpose vehicle, will issue MBS back to the bank with the HKMC's guarantee for the timely payment of principal and interest. The HKMC will pass through the monthly repayment of principal and interest of the underlying mortgage loans to the holders of the MBS after deducting the servicing fee and the guarantee fee. (Details of the scheme are set out in the Annex).

The Programme provides a new alternative for banks in Hong Kong to liquefy their residential mortgage loans in the market, thereby providing them with a powerful new balance sheet management tool. MBS guaranteed by the HKMC carry a 20% risk weighting for capital adequacy treatment, instead of the usual 50% risk weighting for mortgage loans. MBS issued under the Programme also qualify as liquefiable assets under the Banking Ordinance.

At the signing ceremony today, Mr Peter Pang, Chief Executive Officer of HKMC said "this MBS issue further confirms the positive reception of the HKMC's Mortgaged-Backed Securitisation Programme by the banking community. The Programme will help to further enhance the standardisation of the structure and documentation of MBS products, which will be beneficial to the long term development of the secondary mortgage market in Hong Kong."

"American Express Bank is proud to be the first international bank to participate in the HKMC's Mortgaged-Backed Securitisation Programme," said Mr Douglas Short, Senior Country Executive, Hong Kong & PRC. "We are confident that the program can support the growth of our mortgage business, enabling us to offer our customers more new products and services to meet their expectations."

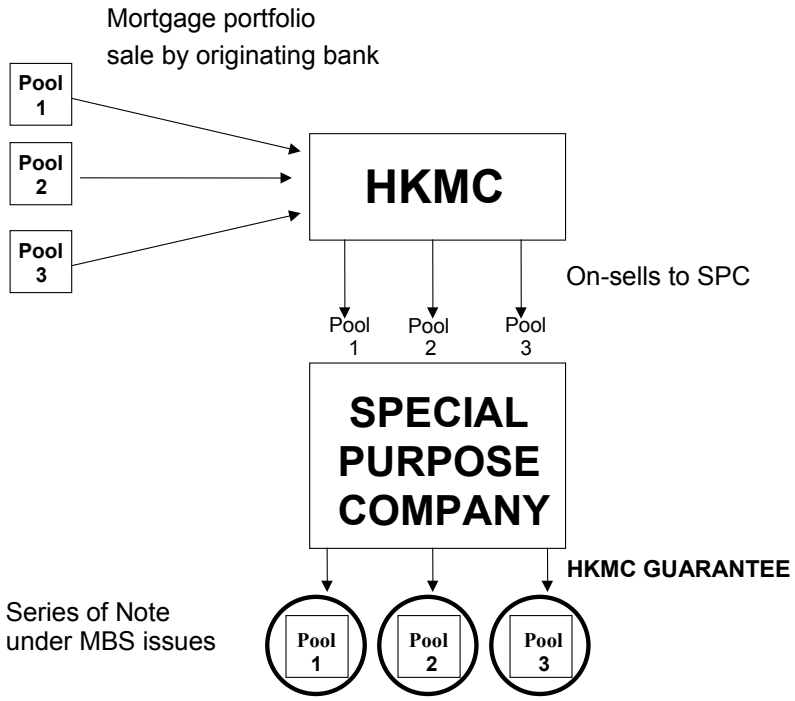
The Hong Kong Mortgage Corporation Limited

20 December 1999

Annex

OVERVIEW OF HKMC'S MORTGAGED-BACKED SECURITISATION PROGRAMME

Structure



Key features of the programme

- Back-to-back structure: after acquiring the mortgages from a bank, the HKMC will sell the mortgages pool to a "bankruptcy remote" Special Purpose Company (SPC) which will issue MBS back to the bank;

- Pass-through of mortgage receipts: all cash received on underlying loans after deducting the servicing fee and the guarantee fee will be passed through to the investor, including interest (at the stated pass-through rate) scheduled and unscheduled principal;

- HKMC will guarantee the timely payment of all scheduled principal and interest (monthly instalments and in case of repossession); and

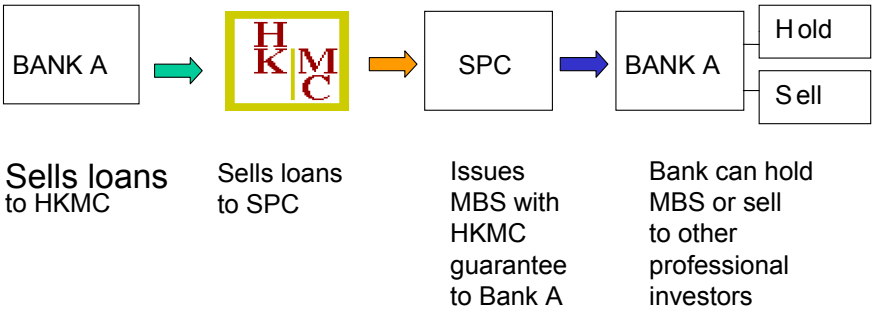
- Notes issued in HK dollars; and

- No additional credit enhancement needed (e.g. reserve fund or subordinated tranche).

Process flow of programme

Mortgage-Backed Securities

"Back-to-Back Structure"



Benefits of programme to the banks

- Regulatory Treatment
  - 20% risk-weighting for MBS guaranteed by HKMC vs. 50% for mortgage loans;
  - MBS qualified as liquefiable assets under the Banking Ordinance;
- Removes all credit risk of securitised mortgages (HKMC guarantee);
- Maintain cash flow on mortgages for as long as they hold the Notes (less the guarantee fee);
- Maintain relationship with customers for cross-selling opportunities; and
- Quicker and less costly compared with issuance of MBS on their own.

Cash flow of programme

