Press Release

The Hong Kong Mortgage Corporation Limited (HKMC)

Annual Results Highlights for 2024

The Hong Kong Mortgage Corporation Limited (HKMC) today (Monday) announced the highlights of its annual results for 2024.

Business Highlights

In 2024, the HKMC and its subsidiaries continued to fulfil their core missions and social objectives, contributing to the steady growth of Hong Kong's economy amid an increasingly complex and evolving environment. The missions of the HKMC are to promote: the stability of the banking sector, wider home ownership, the development of the local debt market, and the development of the retirement planning market.

Asset Purchase and Securitisation

- Acquired HK$3.9 billion of loan assets (2023: HK$2.8 billion)

- Purchased HK$5.1 billion of loans (2023: HK$24.5 billion) from the Special 100% Loan Guarantee under the SME Financing Guarantee Scheme (SFGS) and HK$52 million of loans (2023: HK$189 million) from the Dedicated 100% Loan Guarantee Schemes (DLGS)

- Completed the second issuance of infrastructure loan-backed securities. The issuance consists of multiple classes of US dollar-denominated secured notes backed by the cash flows from a diversified portfolio of project and infrastructure loans across different geographies and sectors, with a total size of US$423.3 million

- Outstanding balance of loan portfolio was HK$95.5 billion as at 31 December 2024 (31 December 2023: HK$109.5 billion)

Debt Issuance

- Issued corporate debts of HK$103.5 billion for 2024 (2023: HK$98.3 billion), being the most active issuer in the domestic market of Hong Kong dollar (HKD) corporate bonds

- Successfully completed the issuance of multi-tenor HKD benchmark bonds of HK$12 billion, being the largest-ever HKD senior unsecured public bond transaction at the time of issuance

- Successfully completed the third social bond issuance of approximately HK$23.8 billion equivalent in triple-currency of HKD, Renminbi and US dollar, being the largest social bond issuance in Asia Pacific

- Outstanding balance of debt securities issued was HK$148.3 billion as at 31 December 2024 (31 December 2023: HK$161.7 billion)

- Credit ratings of AA+ from S&P Global Ratings and Aa3 from Moody's, same as those of the HKSAR Government

Mortgage Insurance Programme (MIP)

- New MIP loans drawn down amounted to HK$47.9 billion (2023: HK$83.1 billion), of which 56% were secured on properties in the secondary market

- It had facilitated home purchase for about 235,000 families in total since its launch in 1999, with an aggregate loan drawdown of HK$869.8 billion

SME Financing Guarantee Scheme

- For the 80% Guarantee Product, more than 27,400 applications were approved with a total loan amount of approximately HK$118.4 billion since its launch in 2012. For the 90% Guarantee Product, over 14,700 applications were approved with a total loan amount of approximately HK$26.5 billion since its launch in 2019. The application periods for both 80% and 90% Guarantee Products have been extended for two years until end-March 2026

- In respect of the Special 100% Loan Guarantee, more than 67,000 applications were approved with a total loan amount of approximately HK$143.7 billion since its launch in 2020, of which HK$143.6 billion of loan assets were purchased by the HKMC. The application period expired at end-March 2024

- Since the inception of each Guarantee Product, the 80% and 90% Guarantee Products had benefitted over 22,400 local small and medium-sized enterprises (SMEs) and 374,400 related employees. The Special 100% Loan Guarantee had benefitted more than 40,000 local SMEs and around 400,000 related employees

Dedicated 100% Loan Guarantee Schemes

- Under the DLGS for Travel Sector and the DLGS for Cross-boundary Passenger Transport Trade, 227 applications were approved with a total loan amount of approximately HK$0.22 billion since the launch of the DLGS in 2023. Their application periods expired in October 2024

- In respect of the DLGS for Battery Electric Taxis, more than 100 applications were approved with a total loan amount of approximately HK$36.3 million since its launch in 2023

Annuity Business

- Taking a total of 10,830 policies (2023: 2,205 policies), with total premiums of HK$4.4 billion (2023: HK$1.6 billion)

- Since its launch in 2018, it had helped about 22,000 senior citizens to convert their savings into lifelong stable income

Reverse Mortgage Programme (RMP)

- 1,033 applications were approved (2023: 797 applications), with an average property value of HK$4.7 million and an average monthly payout of HK$11,300

- Since its launch in 2011, 7,924 applications were approved

Financial Highlights

The audited consolidated loss after tax of the HKMC for 2024 was HK$418 million (2023: consolidated loss after tax of HK$260 million). The increase in accounting loss was largely due to the negative impact of property price drop on fast-growing reverse mortgage business which was partly mitigated by the increase in net interest income together with the return from the placements with the Exchange Fund.

Since the HKMC is mandated to promote the development of the retirement planning market in Hong Kong, it is dedicated to advancing the annuity and reverse mortgage businesses which are subject to the increasing sensitivity and volatility of mark-to-market accounting effects. For better assessment of the financial performance, after excluding (i) the accounting results of HKMC Annuity Limited (HKMCA), a wholly-owned subsidiary of the HKMC operating annuity business; (ii) the impact of property price changes on the reverse mortgage business given its long-term nature; and (iii) the consolidation adjustments in respect of loan portfolios with insurance cover provided by HKMC Insurance Limited (HKMCI), another wholly-owned subsidiary of the HKMC operating general insurance business, the adjusted profit after tax, return on equity and cost-to-income ratio for 2024 would be HK$787 million, 4.8% and 27.6% respectively (2023: HK$724 million, 5.3% and 28.1% respectively).

At the end of 2024, the embedded value of the annuity business was about HK$12.4 billion on the basis of the Insurance Ordinance, which comprised HK$11.2 billion of total equity and HK$1.2 billion of present value of future profits. This indicates a solid financial position of the HKMCA to develop the annuity business in the long term.

In accordance with the Guidelines on Capital Adequacy Ratio (CAR), the calculation of capital ratio follows the basis of consolidation for financial reporting with the exclusion of regulated subsidiaries which are subject to separate requirements on the maintenance of adequate capital (i.e. the HKMCA and the HKMCI, both being regulated by the Insurance Authority). Excluding the investment cost of such

unconsolidated regulated subsidiaries, the HKMC's CAR remained solid at 19.9% as at 31 December 2024 (31 December 2023: 21.6%), well above the minimum requirement of 8% stipulated by the Financial Secretary.

The solvency ratios of the HKMCA and the HKMCI as at 31 December 2024, calculated in accordance with Insurance (Valuation and Capital) Rules (Cap. 41R) under the new Risk-based Capital regime effective on 1 July 2024, were about 1.7 times and 4 times respectively, each well above the minimum regulatory requirements stipulated by the Insurance Authority.

Amid uncertain market conditions, the HKMC adopted prudent prefunding strategy and proactively communicated with local and international investment communities for debt issuance to support its sizable loan purchase and fulfil its refinancing needs. With strong financing capability and liquidity position, the HKMC's core operations remain resilient and stand ready to cope with any financial turbulence ahead in performing its strategic policy roles and attaining its social objectives.

The 2024 Annual Report of the HKMC containing detailed information of the financial results will be published on the HKMC's website in due course.

The Hong Kong Mortgage Corporation Limited
26 May 2025