SIGNING CEREMONY WITH AMERICAN EXPRESS BANK FOR THE GUARANTEED MORTGAGE-BACKED PASS-THROUGH SECURITISATION PROGRAMME OF THE HONG KONG MORTGAGE CORPORATION LTD.

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SPEECH

by

Mr. Peter Pang

Chief Executive Officer

The Hong Kong Mortgage Corporation Limited

Ladies and Gentlemen,

1. It gives me great pleasure to welcome you all to this Signing Ceremony. We are very pleased to have American Express Bank as our partner again for the issuance of this HK$633 million MBS issue.

2. This is the third issue arranged under the HKMC's Guaranteed Mortgage-Backed Pass-Through Securitisation Programme since its launch in 1999, and the second issue arranged for American Express Bank. The total amount issued under the Programme, including this issue, amounted to HK$2.3 billion. We are very grateful to American Express Bank for their strong support of the Programme. Through active cooperation in the past

three years, our two institutions have forged a strong relationship as business partners. We both pride ourselves as product innovators and share a common goal of developing the secondary mortgage market in Hong Kong. With the considerable scope for cooperation, I expect our relationship will further go from strength to strength.

3. The experience of the past issues has clearly demonstrated the significant benefits the banks in Hong Kong can derive from the HKMC's Guaranteed Mortgage-Backed Pass-Through Securitisation Programme. It enables them to keep a substantial portion of the cash flow from the mortgage loans, whilst reducing the credit risk and capital cost through HKMC's guarantee. It also provides them the option of off-loading at any time a part of or the whole issue to suit their liquidity management or trading objectives.

4. Through the Guaranteed Mortgage-Backed Pass-Through Securitisation Programme, in particular the standardization of the structure and documentation of the MBS product, the HKMC has made a solid start in advancing its goal of developing the secondary mortgage market in Hong Kong. The substantial growth in the Corporation's mortgage portfolio, which is expected to exceed HK$20 billion by the end of 2001, has made it possible for us to embark on the development of a new MBS Programme which caters for a wider investor base that includes financial institutions, as well as institutional and other professional investors.

5. In order to reach out effectively to the enlarged investor base, the new MBS Programme will adopt multi-currency and the conventional bond style features. In terms of issuance structure, the HKMC intends to include initially two common products that are familiar to the capital market participants. These include a single class MBS with HKMC's guarantee on repayment of principal and interest, and multi-class MBS with credit-enhancement provided through segmentation of the issue into senior and junior tranches or over-collateralization arrangements.

6. Experience in the more mature markets, such as the US and Australia, indicates that there is substantial demand for MBS adopting the intended structure. Total MBS outstanding in the US and Australia amounted to US$3.3 trillion and A$4.6 billion, accounting for 60% and 16% of the total outstanding mortgage loans in these two markets respectively.

7. Apart from promoting the development of the MBS market in Hong Kong, the launch of the new Programme will also bring significant benefits to the HKMC. It will add an important funding vehicle for the HKMC as the proceeds from issuance of MBS can be used to finance further mortgage purchases. The Programme will also provide useful tools for the Corporation to manage the credit, interest rate and prepayment risks of its mortgage portfolio.

8. The existing Pass-Through MBS Programme and the new Bond-style MBS Programme will serve as the two main vehicles for the HKMC to promote the development of the MBS market in Hong Kong. The two programmes are complementary to each other. The Pass-Through MBS Programme targets the major mortgage originating banks as it can serve as a balance-sheet management tool for these banks. The Bond-style MBS Programme, on the other hand, caters for a wider group of investors that are interested in the income stream from HKMC's high quality mortgage assets.

9. I now pass the stage to Mr. Alan Tsang. Thank you.