Press Release

The Hong Kong Mortgage Corporation Limited

Guaranteed Mortgage-Backed Pass-Through Securitisation Programme

Signing Ceremony with American Express Bank

The Hong Kong Mortgage Corporation Limited ("HKMC") jointly held a Signing Ceremony today (5 September 2001) with American Express Bank (AEB) to mark the issuance of a HK$633 million mortgage-backed securities (MBS) issue under the HKMC's Guaranteed Mortgage-Backed Pass-Through Securitisation Programme (the Programme). This is the second time that the HKMC has partnered with AEB to arrange issuance of MBS under the Programme since December 1999.

The MBS Programme adopts a back-to-back and pass-through structure. Under this structure, the HKMC acquires mortgage loans from a bank and sells them directly to a bankruptcy-remote special purpose company (SPC). The SPC then issues MBS back to the bank with the HKMC's guarantee for the timely payment of principal and interest. The SPC 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 Programme are set out in the Annex).

Banks can derive multiple benefits from participation in the MBS Programme. The credit risk associated with the mortgage loans is removed by the guarantee provided by the HKMC. The MBS guaranteed by the HKMC carry a 20% risk weighting for capital adequacy treatment, instead of the usual 50% risk weighting for mortgage loans under the capital adequacy regime. In addition, MBS issued under the Programme also qualify as liquefiable assets under the Banking Ordinance. The arrangement therefore provides a useful balance sheet management tool for banks in Hong Kong.

The HKMC also announced today that the Corporation is preparing for the launch of a multi-currency MBS Programme in the fourth quarter of 2001. The new programme will adopt the conventional bond-style structure that is tailored for a wider investor base. The Corporation intends to include initially two common products in the Programme:

(a) single class MBS with HKMC's guarantee on repayment of principal and interest; and

(b) multi-class MBS with credit-enhancement provided through segmentation of the issue into senior and junior tranches, or reserve fund/over-collateralization arrangements.

Mr. Peter Pang, Chief Executive Officer of HKMC said, "this MBS arranged for American Express Bank reflects the continued interest of the banking community in HKMC's Guaranteed Mortgage-Backed Pass-Through Securitisation Programme. The Programme represents a win-win solution that benefits both the bank and the HKMC. It provides a powerful tool for the banks to manage the credit and liquidity risks in their balance sheet. The Programme also serves as an effective platform for the Corporation to promote the development of a secondary mortgage market in Hong Kong."

"With a substantial purchase of over $13 billion of mortgage loans in 2001, the HKMC will launch a new MBS Programme in the fourth quarter of 2001. This new multi-currency Programme will adopt the conventional bond-style structure and will cater for a wider investor base that covers financial institutions, as well as institutional and other professional investors. The HKMC expects that the two complementary MBS Programmes will provide a highly effective platform to expedite the development of the secondary mortgage market in Hong Kong," added Mr Pang.

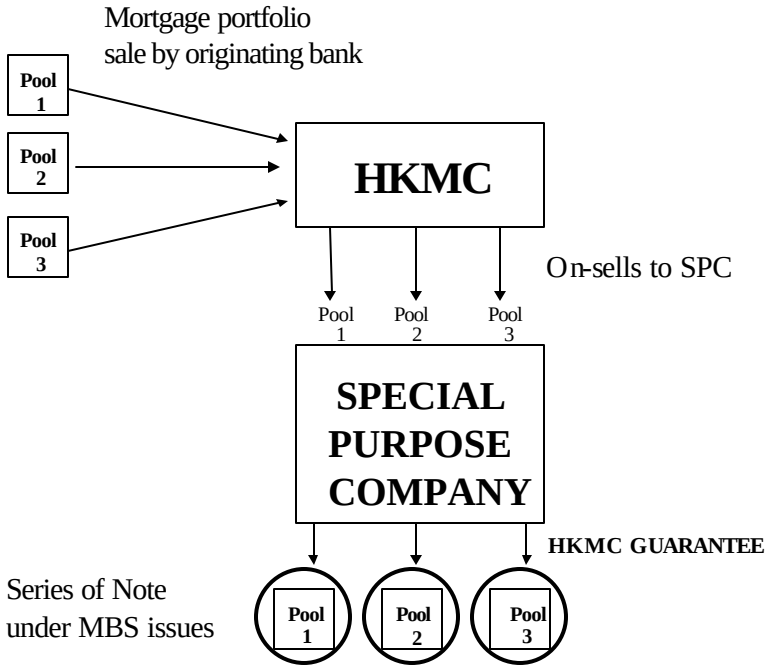
"We are very excited to announce the securitisation of another HK$633 million portfolio of Prime-based mortgage loans. This represents our strong support towards HKMC's effort of developing the secondary mortgage market in Hong Kong," said Mr Alan Tsang, Senior Country Executive for Hong Kong, American Express Bank. "The transaction signifies our confidence in the local mortgage market, and our long-term business strategy to further grow our mortgage business. It also re-affirms our commitment in providing our customers with more innovative mortgage products and services."

The Hong Kong Mortgage Corporation Ltd. American Express Bank Ltd.
5 September 2001

Annex

Overview of HKMC's Guaranteed Mortgage-Backed Pass-Through Securitisation Programme

STRUCTURE



KEY FEATURES OF 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 the underlying loans after deducting the servicing fee and the guarantee fee will be passed through to the note-holders, including interest (at the stated pass-through rate), as well as scheduled and unscheduled principal;

- HKMC will guarantee the timely payment of all scheduled principal and interest; and

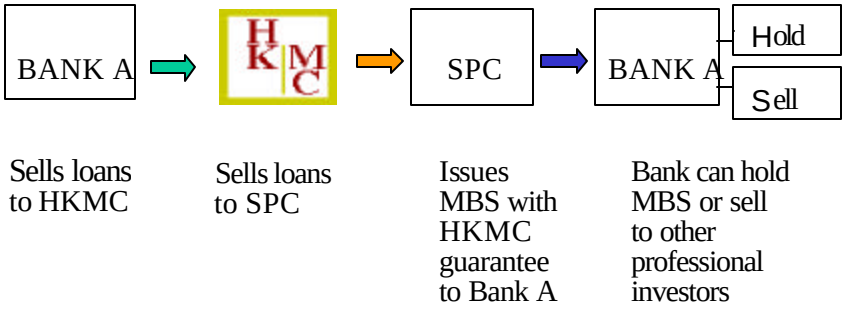
- Notes issued in HK dollars; and

- 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;
- Remove 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

