

HKMC's financial results highlights for 2018

The following is issued on behalf of the Hong Kong Monetary Authority:

The Hong Kong Mortgage Corporation Limited (HKMC) today (April 30) announced the highlights of its audited consolidated financial results for 2018 as follows:

2018 Financial Results Highlights

- Consolidated profit after tax was HK\$127 million (Note 1)(2017: HK\$806 million)
- Return on shareholders' equity was 0.9% (Note 1)(2017: 8.6%)
- Cost-to-income ratio was 86.0% (Note 1)(2017: 26.8%)
- Capital adequacy ratio was 26.8% as at December 31, 2018 (December 31, 2017: 21.0%)
- The Board recommended no dividend be declared (2017: Nil)

The decrease in profitability mainly reflected the accounting loss due to the annuity business of HKMC Annuity Limited (HKMCA), a wholly-owned subsidiary of the HKMC operating annuity business, for maintaining prudent statutory reserves based on actuarial assumptions, the non-recurrence in 2018 of a one-off investment disposal gain in 2017, the decrease in exchange gains mainly arising from the revaluation of US dollar exposures in cash and debt investments, and resources utilised for supporting certain policy initiatives. Notwithstanding the accounting loss on HKMCA, which is normal for a new insurance company in its initial years of business due to statutory reserving requirement, the annuity business should be sustainable in the long term. With solid capital position and funding capacity, the HKMC will conduct new and existing businesses prudently in furtherance of its core missions and social objectives.

2018 Business Performance Highlights

Asset Purchase

- Purchased HK\$288 million loan assets (2017: HK\$316 million)
- Outstanding principal balance of loan portfolio was HK\$6.4 billion at the end of 2018 (December 31, 2017: HK\$7.8 billion)

Debt Issuance

- Issued in total HK\$12.4 billion corporate debts (Note 2)(2017: HK\$17.9 billion), being the most active corporate debt issuer in Hong Kong
- Outstanding balance of debt securities was HK\$37.3 billion at the end of 2018 (December 31, 2017: HK\$34.8 billion)

- Credit ratings of AA+ from Standard & Poor's Global Ratings and Aa2 from Moody's, same as those of the Hong Kong Special Administrative Region Government

Mortgage Insurance Programme (MIP)

- New mortgage loans drawn down amounted to HK\$32.5 billion (2017: HK\$32.3 billion)
- 88% of loans drawn down (in terms of loan amount) were secured on properties in the secondary market, demonstrating the importance of the MIP to homebuyers in the secondary market

SME Financing Guarantee Scheme

- Approved 1,714 applications under the Special Concessionary Measures (i.e. the 80% guarantee product) with a total loan amount of approximately HK\$7.3 billion in 2018. Since the launch of the 80% guarantee product in May 2012, 91% of the benefitted borrowers were small and medium-sized enterprises each with less than 50 employees

Reverse Mortgage Programme (RMP)

- Approved 782 applications (2017: 757 applications) under the RMP, with an average property value of HK\$5.8 million and an average monthly payout of HK\$15,900

HKMC Annuity Plan (Plan)

- As at December 31, 2018, a total of 5,422 policies had been issued, with total premiums received at around HK\$2.8 billion and an average premium of HK\$513,000 since launch

Further details of the HKMC's consolidated financial results and financial review for 2018 are set out at the Annex.

Note 1: For comparison purposes, the adjusted profit after tax, return on shareholders' equity and cost-to-income ratio for 2018 would be HK\$515 million, 5.1% and 36.7% respectively after excluding an accounting loss made by the HKMC Annuity Limited, a wholly-owned subsidiary of the HKMC, for maintaining prudent statutory reserves based on actuarial assumptions for the annuity business.

Note 2: For debts with tenor of one year or above.