

# HKMC's Financial Results Highlights for 2020

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

The Hong Kong Mortgage Corporation Limited (HKMC) today (May 12) announced the highlights of its audited consolidated financial results for 2020 as follows:

## 2020 Financial Results Highlights

The audited loss after tax of the HKMC was HK\$362 million (profit after tax for 2019: HK\$317 million). The decrease in profitability was primarily attributable to:

- (1) the booking of increasing upfront commission expenses arising from the significant surge in the volume of new mortgage insurance policies underwritten while the corresponding premium income was amortised over the life of the respective loans;
- (2) an increase in accounting loss of HKMC Annuity Limited (HKMCA), a wholly-owned subsidiary of the HKMC, as a result of the prudent provisions for statutory reserves for policies underwritten and an increase in annuity payments; and
- (3) unfavourable impact by the revaluation of investments that were classified as investment securities at fair value through profit or loss upon the adoption of the Hong Kong Financial Reporting Standard 9 "Financial Instruments" since 2018.

For comparison purposes, the adjusted profit after tax, return on equity and cost-to-income ratio for 2020 would be HK\$376 million, 3.5 per cent and 44.8 per cent respectively after adjusting for the amortisation impact of upfront commissions expenses to match with the corresponding mortgage insurance premium income being recognised over the life of the respective loans and excluding the accounting loss of the HKMCA.

Despite the reported accounting loss of the HKMCA, the embedded value of the annuity business as at December 31, 2020 was about HK\$5.4 billion, which comprised HK\$4.1 billion of total equity and HK\$1.3 billion of present value of future profits. This indicates that the annuity business should be sustainable in the long term.

The Capital Adequacy Ratio of the HKMC remained solid at 37.3 per cent as at December 31, 2020 (December 31, 2019: 30.2 per cent), well above the minimum ratio of 8 per cent stipulated by the Financial Secretary. The Board recommended that no dividend be declared for 2020 (2019: Nil). With strong financing capability and liquidity position, the HKMC's core operations remain resilient and stand ready to face any financial turbulence ahead in performing its strategic policy roles and attaining its social objectives.

## 2020 Business Performance Highlights

### Asset Purchase

- Purchased HK\$1.3 billion loan assets (2019: HK\$1.9 billion) and HK\$37.6 billion loans from the Special 100% Loan Guarantee under the SME Financing Guarantee Scheme (SFGS); and
- Outstanding principal balance of loan portfolio was HK\$43.1 billion as at December 31, 2020 (December 31, 2019: HK\$6.9 billion).

### Debt Issuance

- Issued a record HK\$58.4 billion in corporate debts, HK\$29.4 billion of which with tenor of one year or above (2019: a total of HK\$31.9 billion, HK\$17.7 billion of which with a tenor of one year or above), being the most active corporate debt issuer in Hong Kong;
- Outstanding balance of debt securities was HK\$61.9 billion as at December 31, 2020 (December 31, 2019: HK\$39.7 billion); and
- 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 mortgage loans drawn down amounted to HK\$98.3 billion (2019: HK\$33.3 billion); and
- 86 per cent 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 around 19,000 applications under the 80% Guarantee Product with a total loan amount of approximately HK\$82.2 billion. Since its launch

in May 2012, around 90 per cent of the benefitted borrowers were small and medium-sized enterprises each with less than 50 employees;

- Launched the 90% Guarantee Product on December 16, 2019. As at the end of December 2020, approved around 2,700 applications with a total loan amount of approximately HK\$4.9 billion; and
- Launched the Special 100% Loan Guarantee on 20 April 2020. As at the end of December 2020, approved more than 25,000 applications with a total loan amount of approximately HK\$39.7 billion, of which HK\$37.6 billion loan assets were purchased by the HKMC.

#### Reverse Mortgage Programme (RMP)

- Approved 630 applications (2019: 676 applications) under the RMP, with an average property value of HK\$6.4 million and an average monthly payout of HK\$18,700.

#### HKMC Annuity Plan

- Issued 2,606 policies (2019: 2,188 policies), with total premiums received at around HK\$2.5 billion (2019: HK\$1.6 billion) and an average premium of HK\$974,000 (2019: HK\$745,000); and
- Lowered the minimum eligible age to 60 from 65 on February 26, 2020.

Further details of the HKMC's consolidated financial results and financial review for 2020 are set out at the Annex.