

# HKMC's Financial Results Highlights for 2021

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

The Hong Kong Mortgage Corporation Limited (HKMC) today (May 19) announced the highlights of its audited consolidated financial results for 2021 as follows:

## 2021 Financial Results Highlights

The audited profit after tax of the HKMC was HK\$831 million (loss after tax for 2020: HK\$362 million). The profit turnaround was primarily attributable to:

- (1) the annuity business's turn into profit from the preceding year's accounting loss as a result of higher investment returns from placements with the Exchange Fund;
- (2) foreign exchange gains arising from US dollar and strategic offshore Renminbi exposures in deposits and debt investments; and
- (3) increase in net premium receipts the mortgage insurance business.

The embedded value of the annuity business as at December 31, 2021 was about HK\$9 billion indicating that the business should be profitable in the long term. The embedded value comprised HK\$7.2 billion of total equity and HK\$1.8 billion of present value of future profits, and the total equity included a capital injection of HK\$2.5 billion during the year.

The Capital Adequacy Ratio (CAR) of the HKMC remained solid at 23.4 per cent as at December 31, 2021 (December 31, 2020: 37.3 per cent), well above the minimum ratio of 8 per cent stipulated by the Financial Secretary. The solvency ratios of HKMC Insurance Limited (HKMCI) operating general insurance business and HKMC Annuity Limited (HKMCA) operating annuity business (both being the HKMC's wholly-owned subsidiaries) were about 7 times and 15 times respectively as at December 31, 2021, well above the respective 200 per cent and 150 per cent minimum regulatory requirements stipulated by the Insurance Authority.

Amid uncertain market conditions, the HKMC proactively communicated with both local and international investor communities in debt issuance activities to satisfy refinancing needs and to obtain cost-effective pre-funding support for sizable loan purchases. With strong financing capability and liquidity position, the HKMC remains resilient and stands ready to face any financial turbulence ahead in fulfilling its core missions and social objectives.

## 2021 Business Performance Highlights

### Asset Purchase

- Purchased loan assets of HK\$3.1 billion (2020: HK\$1.3 billion), and from the Special 100% Loan Guarantee under the SME Financing Guarantee Scheme (SFGS), loans of HK\$42.9 billion (2020: HK\$37.6 billion); and
- Outstanding principal balance of loan portfolio was HK\$79.6 billion as at December 31, 2021 (December 31, 2020: HK\$43.1 billion).

#### Debt Issuance

- In 2021, issued a new record amount of corporate debts totalling HK\$109.5 billion, of which HK\$84.2 billion with a tenor of one year or above (2020: totalling HK\$58.4 billion, of which HK\$29.4 billion with a tenor of one year or above), being the most active issuer in the domestic market of Hong Kong dollar and offshore Renminbi corporate bonds;
- It included a HK\$10 billion-equivalent dual-tranche issuance of Hong Kong dollar- and offshore Renminbi-denominated bonds, being the largest ever public corporate bond offering with book-building and pricing all conducted in Hong Kong;
- Outstanding balance of debt securities was HK\$115.7 billion as at December 31, 2021 (December 31, 2020: HK\$61.9 billion); and
- Credit ratings of AA+ from S&P Global Ratings and Aa3 from Moody's, same as those of the Hong Kong Special Administrative Region Government.

#### Mortgage Insurance Programme (MIP)

- New MIP loans drawn down amounted to HK\$132.6 billion (2020: HK\$98.3 billion); and
- 87 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 home buyers in the secondary market.

#### SME Financing Guarantee Scheme

- In respect of the 80% Guarantee Product, approved more than 21,300 applications for a total loan amount of approximately HK\$92.5 billion since its launch;
- In respect of the 90% Guarantee Product launched in December 2019, approved more than 5,500 applications for a total loan amount of approximately HK\$10.6 billion since its launch;
- In respect of the Special 100% Loan Guarantee launched in April 2020, approved more than 47,000 applications for a total loan amount of approximately HK\$81.6 billion since its launch, of which HK\$80.5 billion were purchased by the HKMC; and
- The 80% and 90% Guarantee Products and the Special 100% Loan Guarantee had benefitted more than 45,000 local small and medium-sized enterprises and 640,000 related employees by the end of 2021.

#### Reverse Mortgage Programme

- Approved 786 applications (2020: 630 applications), with an average property value of HK\$6.6 million and an average monthly payout of HK\$20,800.

#### HKMC Annuity Plan

- Issued 4,059 policies (2020: 2,606 policies), with total premium received of around HK\$3 billion (2020: HK\$2.5 billion) and an average premium of HK\$740,000 (2020: HK\$974,000).

#### 100% Personal Loan Guarantee Scheme

- Launched in April 2021, approved around 36,000 applications for a total loan amount of approximately HK\$2.5 billion.

Further details of the HKMC's consolidated financial results and financial review for 2021 are set out at Annex.