

# HKMC's financial results highlights for first half of 2021

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

The Hong Kong Mortgage Corporation Limited (HKMC) today (October 7) announced the highlights of its unaudited consolidated financial results for the first six months of 2021 (1H 2021) as follows:

## 2021 Half-year unaudited financial results highlights

The unaudited loss after tax of the HKMC for 1H 2021 was HK\$24 million (1H 2020: HK\$197 million), which was primarily due to:

- (a) the booking of commission expenses upfront for new mortgage insurance policies underwritten while the corresponding premium income was amortised over the life of the respective loans; and
- (b) the accounting loss of HKMC Annuity Limited (HKMCA), a wholly-owned subsidiary of the HKMC, as a result of maintaining prudent statutory reserves based on actuarial assumptions provided for the annuity business.

As compared to the results for 1H 2020, the decrease in accounting loss was mainly attributable to the non-recurrence in 1H 2021 of the unfavourable impacts taken place in 1H 2020 from:

- (a) the revaluation of investments that are classified as investment securities at fair value through profit or loss amid volatile market conditions; and
- (b) the revaluation of USD denominated assets due to strength of the HKD versus USD.

After adjusting the amortisation impact of upfront commissions expenses for new mortgage insurance policies underwritten to match the corresponding mortgage insurance premium income being recognised over the life of the respective loans and excluding the accounting loss of the HKMCA, the adjusted profit after tax, return on equity and cost-to-income ratio for 1H 2021 would be HK\$346 million, 6.0 per cent and 27.7 per cent respectively.

Despite the reported accounting loss of the HKMCA, the embedded value of the annuity business as at June 30, 2021 was about HK\$8.1 billion, which comprised HK\$6.5 billion of total equity and HK\$1.6 billion of present value of future profits. The total equity included a capital injection of HK\$2.5 billion during the period. This indicates that the annuity business should be sustainable in the long term.

The Capital Adequacy Ratio of the HKMC remained solid at 24.7 per cent as at June 30, 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 the HKMC Insurance Limited (HKMCI), a wholly-owned subsidiary of the HKMC operating general insurance business, and the HKMCA were about 9 times and 16 times respectively as at June 30, 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 the local and international investment community for debt issuance to fulfil its refinancing needs and accumulate cost-effective pre-funding to support its sizable loan purchases. 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.

## 2021 Half-year business performance highlights

### Asset purchase

- Purchased loan assets of HK\$790 million (1H 2020: HK\$0.9 billion) and loans of HK\$20.7 billion (1H 2020: HK\$14.3 billion) from the Special 100% Loan Guarantee under the SME Financing Guarantee Scheme (SFGS);
- Outstanding principal balance of loan portfolio was HK\$61.4 billion as at June 30, 2021 (December 31, 2020: HK\$43.1 billion).

### Debt issuance

- Issued a record of HK\$60.9 billion in corporate debts in 1H 2021, HK\$42.6 billion of which with tenor of one year or above (1H 2020: a total of HK\$25.8 billion, HK\$11.1 billion of which with a tenor of one year or above), being the most active corporate debt issuer in Hong Kong;
- The record issuance volume included the launch of a dual-tranche HK\$10 billion-equivalent Hong Kong dollar and offshore Renminbi public institutional bond issues in February 2021, being the largest public corporate bond issue with its book-building and pricing executed in Hong Kong;
- Outstanding balance of debt securities was HK\$93.5 billion as at June 30, 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\$60.6 billion (1H 2020: HK\$40.4 billion); and
- 90 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

- As at end of June 2021, approved around 20,400 applications under the 80% Guarantee Product with a total loan amount of approximately HK\$87.3 billion. Since its launch in May 2012, around 91 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 end of June 2021, approved around 4,000 applications with a total loan amount of approximately HK\$7.5 billion;
- Launched the Special 100% Loan Guarantee on April 20, 2020. As at end of June 2021, approved around 38,300 applications with a total loan amount of approximately HK\$61.8 billion, of which loan assets of HK\$58.3 billion were purchased by the HKMC.

#### Reverse Mortgage Programme (RMP)

- Approved 359 applications (1H 2020: 254 applications) under the RMP, with an average property value of HK\$6.3 million and an average monthly payout of HK\$19,700.

#### HKMC Annuity Plan

- Issued 1,654 policies (1H 2020: 987 policies), with total premiums received at around HK\$1.6 billion (1H 2020: HK\$0.9 billion) and an

average premium of HK\$952,000 (1H 2020: HK\$934,000).

#### 100% Personal Loan Guarantee Scheme (PLGS)

- Launched the PLGS on April 28, 2021. As at end of June 2021, approved around 15,400 applications with a total loan amount of approximately HK\$1.1 billion.

Further details of the HKMC's unaudited consolidated financial results and financial review for 1H 2021 are set out at Annex.