

HKMC's financial results highlights for first half of 2024

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 2024 (1H 2024) noted below.

2024 half-year unaudited financial results highlights

The unaudited profit after tax of the HKMC for 1H 2024 was HK\$9 million (1H 2023: HK\$1,175 million (Note)). The decline in profitability was primarily due to the unfavourable impact of property price drop in 1H 2024 on the reverse mortgage business as compared to the favourable impact of property price rebound in 1H 2023.

After excluding the accounting results of the HKMC Annuity Limited (HKMCA), a wholly-owned subsidiary of the HKMC operating annuity business, the impact of property price changes on the reverse mortgage insurance business, and the effect of valuation and corresponding adjustments as required by Hong Kong Financial Reporting Standard 17 "Insurance Contracts" (HKFRS 17) at consolidation level in respect of the loan portfolios with insurance cover provided by the HKMC Insurance Limited (HKMCI), another wholly-owned subsidiary of the HKMC operating general insurance business, the adjusted profit after tax, annualised return on equity and cost-to-income ratio for 1H 2024 would be HK\$468 million, 6.2 per cent and 22.4 per cent respectively (1H 2023: HK\$365 million, 5.2 per cent and 26.6 per cent respectively).

Despite the reported accounting loss of the HKMCA, the embedded value of the annuity business as at June 30, 2024, was about HK\$14.0 billion on the basis of the Insurance Ordinance, which comprised HK\$11.3 billion of total equity and HK\$2.7 billion of present value of future profits. This indicates a sound financial position of the HKMCA to develop its business in the long term.

The capital adequacy ratio of the HKMC remained solid at 20.7 per cent as at June 30, 2024, well above the minimum ratio of eight per cent stipulated by the Financial Secretary. The solvency ratios of the HKMCI and the HKMCA were about 22 times and 16 times respectively as at June 30, 2024, 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 adopted prudent prefunding strategy and proactively communicated with local and international investment communities for debt issuance to support its sizable loan purchase and fulfil its refinancing needs. With strong financing capability and liquidity position, the HKMC's core operations remain resilient and stand ready to cope

with any financial turbulence ahead in performing its strategic policy roles and attaining its social objectives.

2024 half-year business performance highlights

Asset purchase

- Acquired HK\$2.1 billion of loan assets (1H 2023: HK\$1.2 billion)
- Purchased HK\$4.6 billion of loans (1H 2023: HK\$15.6 billion) from the Special 100% Loan Guarantee under the SME Financing Guarantee Scheme (SFGS), and HK\$32.0 million of loans (1H 2023: HK\$15.8 million) from the Dedicated 100% Loan Guarantee Schemes (DLGS)
- Outstanding balance of loan portfolio was HK\$107.1 billion as at June 30, 2024 (December 31, 2023: HK\$109.5 billion)

Debt issuance

- Issued corporate debts totalling HK\$57.1 billion for 1H 2024, of which HK\$48.4 billion with tenor of one year or above (1H 2023: totalling HK\$65.6 billion, of which HK\$58.6 billion with a tenor of one year or above), being the most active issuer in the domestic market of Hong Kong dollar (HKD) corporate bonds
- Successfully completed the issuance of triple-tranche HKD benchmark bonds of HK\$12 billion comprising HK\$8 billion 2-year, HK\$3 billion 5-year and HK\$1 billion 10-year bonds, being the largest-ever HKD senior unsecured public bond transaction and the largest 10-year HKD public bond issuance in the institutional market
- Outstanding balance of debt securities issued was HK\$144.6 billion as at June 30, 2024 (December 31, 2023: HK\$161.7 billion)
- 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\$28.3 billion (1H 2023: HK\$51.4

billion)

- 52 per cent of loans drawn down (in terms of loan amount) were secured on properties in the secondary market

SFGS

- In respect of the 80% Guarantee Product, as at the end of June 2024, more than 26 400 applications were approved with a total loan amount of approximately HK\$114.4 billion since its launch in May 2012
- In respect of the 90% Guarantee Product, as at the end of June 2024, more than 12 600 applications were approved with a total loan amount of approximately HK\$23.4 billion since its launch in December 2019
- In respect of the Special 100% Loan Guarantee, as at the end of June 2024, more than 66 900 applications were approved with a total loan amount of approximately HK\$143.2 billion since its launch in April 2020, of which HK\$143.1 billion of loan assets were purchased by the HKMC
- As at the end of June 2024, the 80% and 90% Guarantee Products and the Special 100% Loan Guarantee had benefitted more than 63 000 local small and medium-sized enterprises and approximately 792 000 related employees since their inception. The application period for the 80% and 90% Guarantee Products has been extended for two years until end-March 2026 while the application period for the Special 100% Loan Guarantee expired at end-March 2024

DLGS

- The DLGS for Travel Sector and the DLGS for Cross-boundary Passenger Transport Trade were launched on April 29, 2023. As at the end of June 2024, 220 applications were approved with a total loan amount of approximately HK\$218.2 million
- Promoting the use of battery electric taxis (e-Taxis) is one of the Government's measures to develop green transport, and the DLGS for e-Taxis was launched on September 4, 2023, to provide loans for eligible taxi owners to purchase e-Taxis to replace their liquefied petroleum

gas, petrol or hybrid taxis. As at the end of June 2024, 16 applications were approved with a total loan amount of approximately HK\$5.3 million

Reverse Mortgage Programme

- 546 applications were approved (1H 2023: 277 applications), with an average property value of HK\$4.9 million and an average monthly payout of HK\$12,600

Annuity business

- Taking a total of 2 295 policies (1H 2023: 814 policies), with total premiums of HK\$1.1 billion (1H 2023: HK\$0.7 billion)

Further details of the HKMC's unaudited consolidated financial results and financial review for 1H 2024 are set out in the Annex.

Note: After adoption of HKFRS 17 with effect from January 1, 2023, accounting adjustments are required to be made at consolidation level in respect of the loan portfolios with insurance cover provided by the HKMCI. The Group has finalised the accounting adjustments when the 2023 audited financial statements were prepared. Accordingly, the comparative figures reported in this press release have been restated with the same accounting treatment applied consistently.