

# LCQ21: Corporate applications for loans secured by non-residential properties

Following is a question by the Hon Tang Fei and a written reply by the Secretary for Financial Services and the Treasury, Mr Christopher Hui, in the Legislative Council today (February 28):

Question:

It is learnt that amid geopolitical tensions and uncertainty in global economic outlook, some corporates face hindrance when making applications to banks for loans secured by non-residential properties for the purpose of financing their business operation. In this connection, will the Government inform this Council:

(1) in respect of the aforesaid applications made by corporates to banks, whether the Hong Kong Monetary Authority has formulated vetting and approval criteria and limitations; if so, of the details;

(2) for corporate loans secured by non-residential properties, of the current loan-to-value ratios offered by banks; and

(3) of the number of applications for corporate loans secured by non-residential properties which were approved by banks in the past year, together with a breakdown by quarter?

Reply:

President,

Regarding the various parts of the question, having consulted the Hong Kong Monetary Authority (HKMA), my reply is as follows:

(1) The HKMA requires banks to prudently manage their lending business and develop specific credit underwriting standards. Banks must comply with the HKMA's countercyclical macroprudential measures when approving property mortgage loans. In light of changes in the property market, the HKMA twice increased, in August 2020 and July 2023 respectively, the maximum loan-to-value (LTV) ratio for non-residential properties to the current 60 per cent.

For credit facilities secured by (residential or non-residential) properties for the purpose of financing corporates' business operations, such as overdrafts and trade lines, banks will develop a set of prudent credit underwriting standards based on their risk appetites. These include taking suitable measures to understand a corporate's background and the purpose of the credit, and to conduct a detailed assessment of the corporate's financial

position and repayment ability.

(2) and (3) The HKMA at present mainly collects mortgage data relating to residential properties on a regular basis, and will actively consider collecting mortgage data on non-residential properties.

The HKMA has not prescribed a financing cap for credit facilities secured by properties for the purpose of financing corporates' business operations. Banks when assessing each loan application will conduct a comprehensive evaluation of a corporate's condition and make their credit decision based on their risk appetites and credit underwriting standards. In other words, depending on the credit risk level, some corporates may obtain from banks partially secured loans, or even unsecured loans, with a financing ratio that exceeds 100 per cent of the property value.

Based on the HKMA's understanding from banks, while the overall credit landscape is affected by the uncertain global and domestic economic outlooks and high interest rate environment, the banking industry continues to support corporates' financing needs without tightening the credit underwriting standards. According to the data provided by banks to the HKMA, the aggregate credit facility limits granted by banks to small and medium-sized enterprises (SMEs) declined slightly in the fourth quarter of 2023 due to weakened credit demand. Meanwhile, the proportion of SMEs with increased or unchanged credit facility limits remained stable at over 95 per cent consistently.