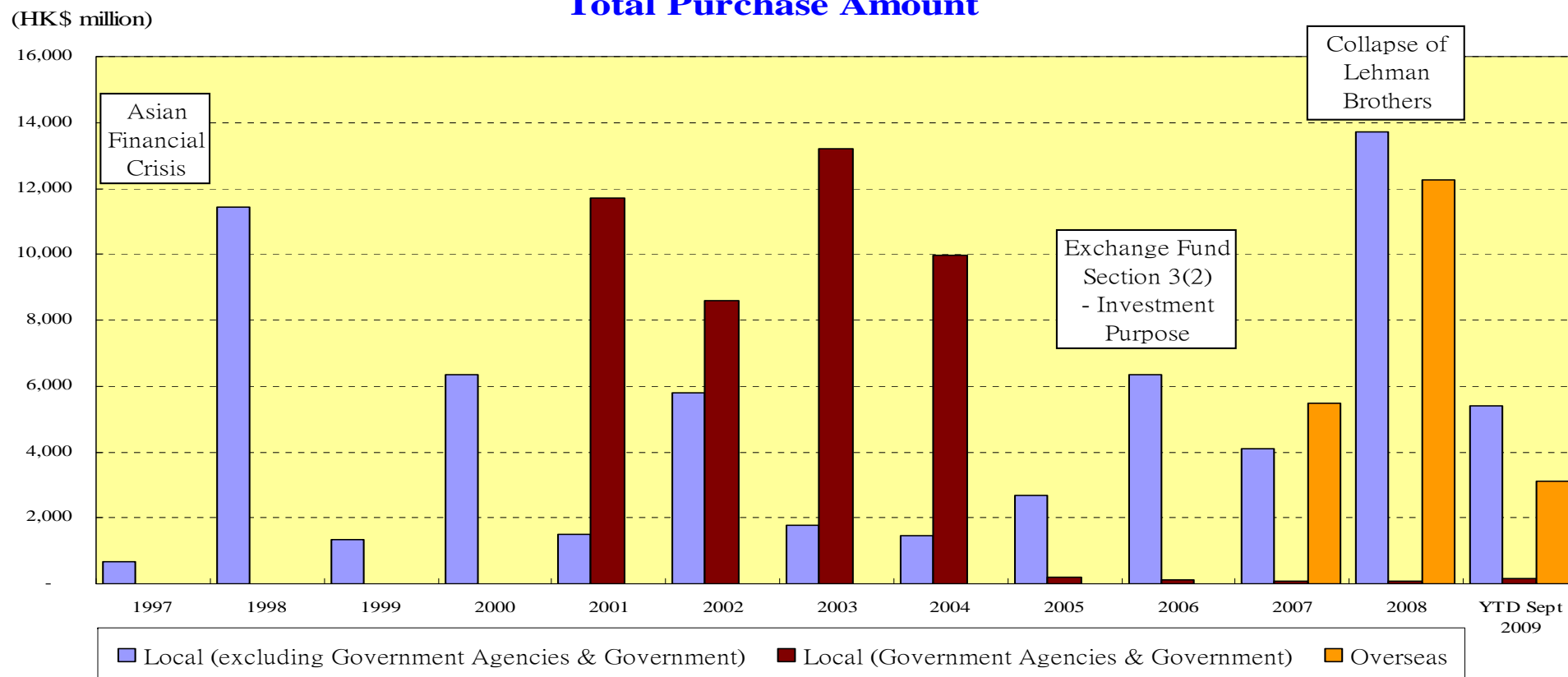


# Role of the HKMC

- To promote Hong Kong's banking and financial stability by offering a reliable source of liquidity to banks via asset acquisition;
- to promote wider home ownership in Hong Kong through the Mortgage Insurance Programme (MIP); and
- to facilitate the growth and development of debt securities and mortgage-backed securities markets in Hong Kong.

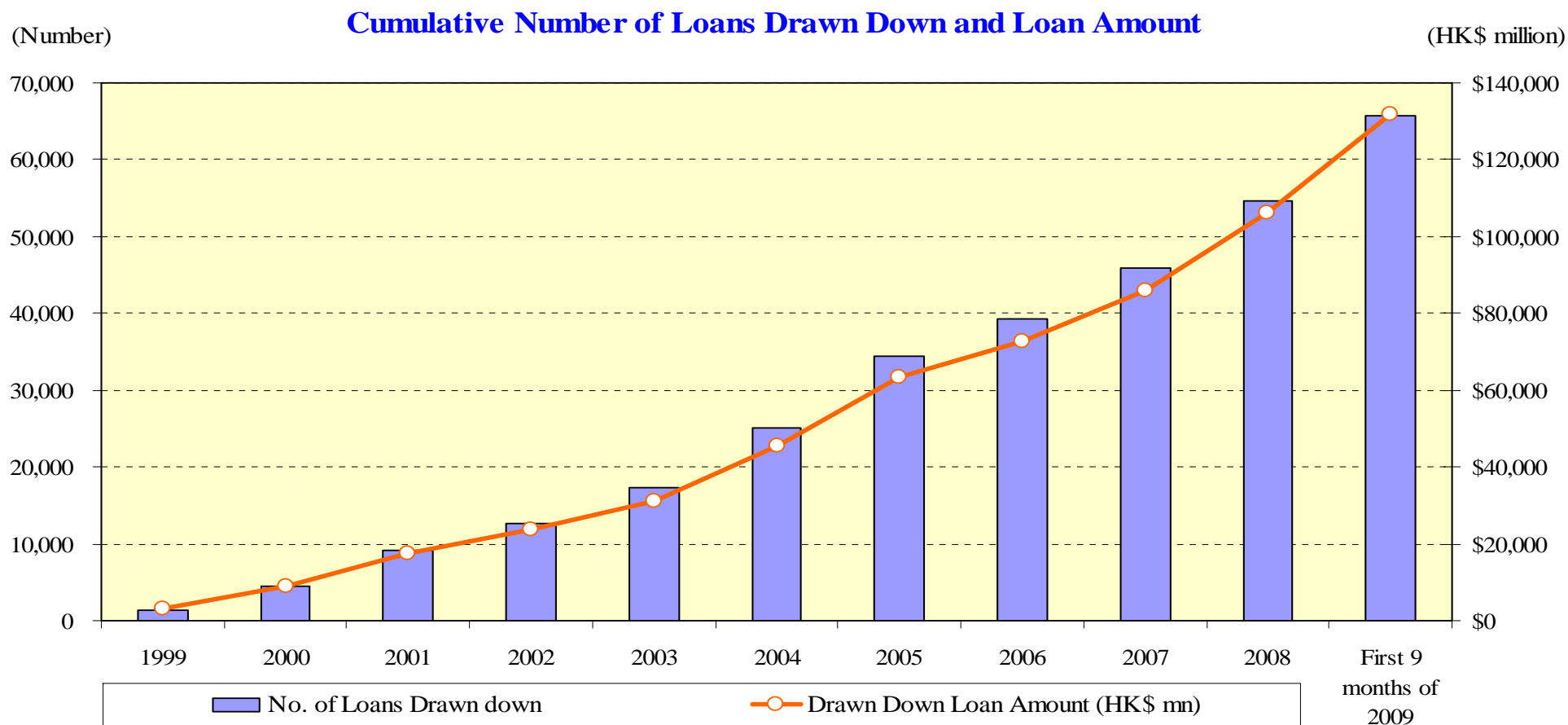
# Asset Acquisition to Provide Liquidity

## Total Purchase Amount



- Purchased HK\$11.4 billion from banks in 1998 after the Asian Financial Crisis and HK\$11.5 billion in late 2008 after the Lehman default
- Arms-length commercial terms – no stigma attached
- Helping the housing agencies in replenishing funds through mortgage purchases to develop Hong Kong housing policy
- Overseas asset purchase will supplement the local asset purchase so as to sustain the yearly purchase volume

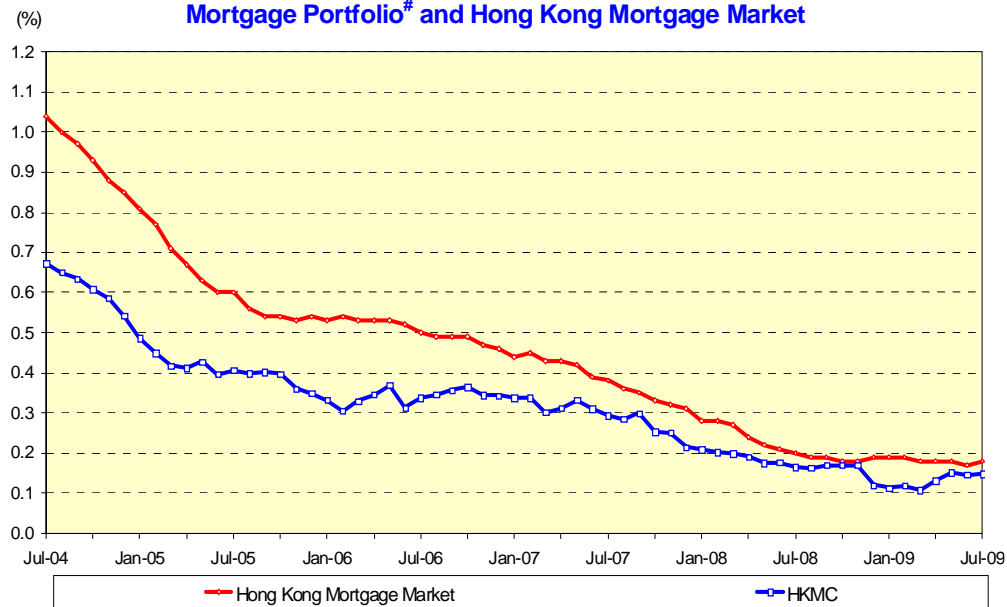
# Mortgage Insurance to Promote Homeownership



- In between 1999 to Sep 2009, over 65,600 families enjoyed homeownership with the help of MIP, with total drawdown loan amount of HK\$132 billion
- MIP usage rate:
  - 1999 : 3%
  - Jan-Aug 2009: 18%
- Average MIP loan size of HK\$2 million, benefiting first-time homebuyers in particular

# Excellent Credit Performance

Comparison of Combined Ratio\* between HKMC's Retained Mortgage Portfolio# and Hong Kong Mortgage Market

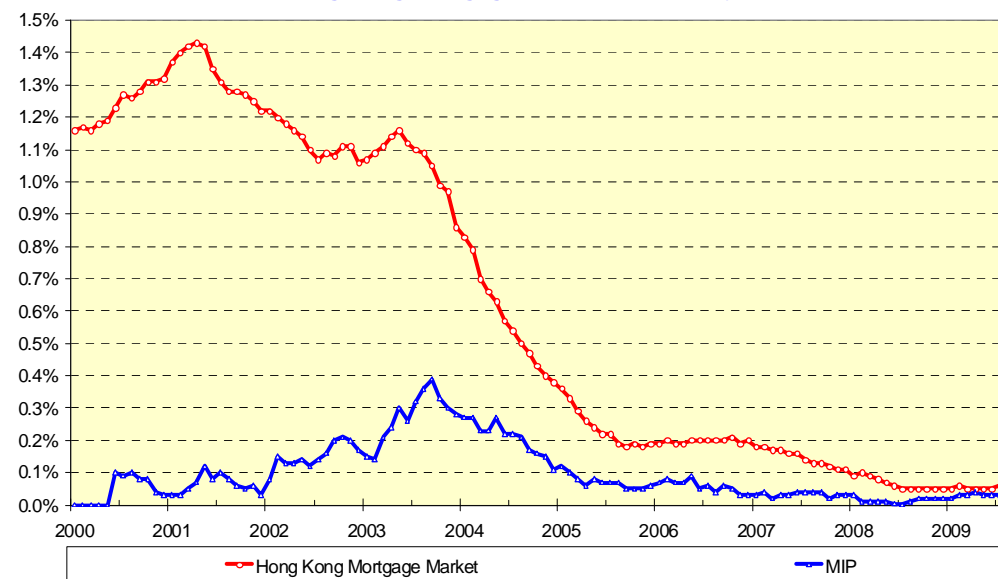


# including securitised mortgage loans

\* including delinquent loans (over 90 days) and rescheduled loans

Sources: The Hong Kong Monetary Authority; The Hong Kong Mortgage Corporation

Comparison of Delinquency Ratio between HKMC's MIP Portfolio and Hong Kong Mortgage Market (over 90 days)

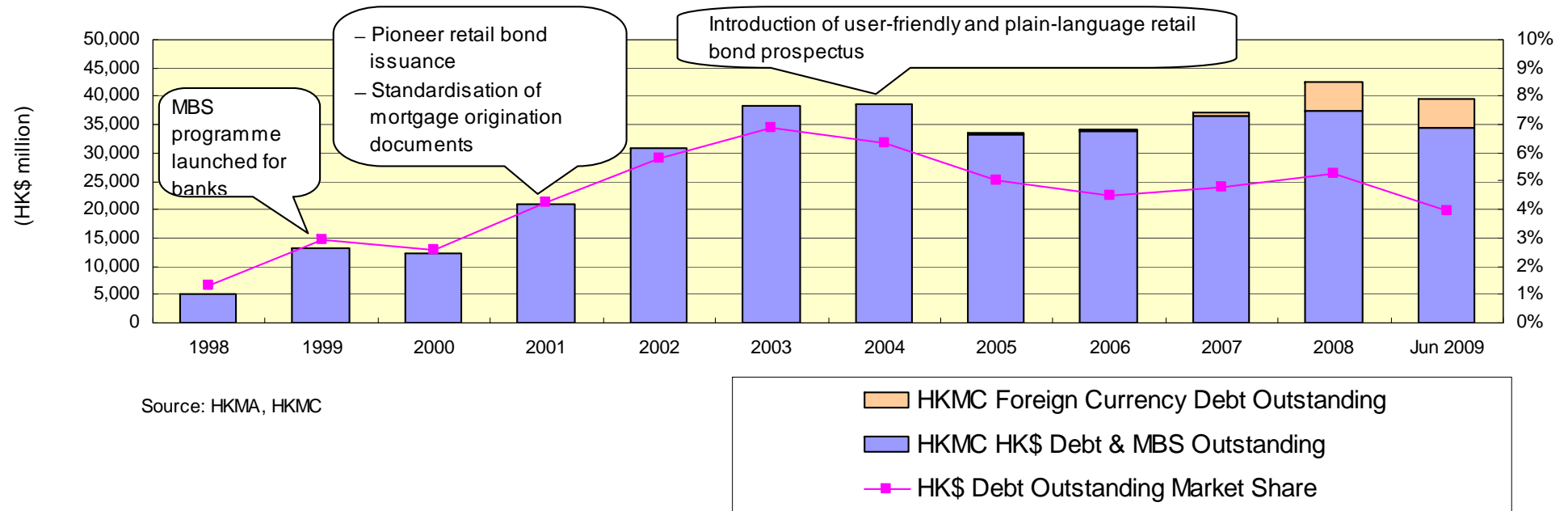


Sources: The Hong Kong Monetary Authority; The Hong Kong Mortgage Corporation

- For retained portfolio, low delinquency plus rescheduled loan ratio of 0.15%, compared to 0.18% for market
- For MIP, low 90-day delinquency ratio of 0.03%, compared to market average of 0.05%
- HKMC's stringent mortgage underwriting criteria help to maintain banks' mortgage portfolio quality

# Active Role in Promoting the Debt Market Development

## HKMC Debt & MBS Outstanding



- Promotes development of debt and securitisation markets: HKD debt market as a proportion of GDP < 60% (developed market: 150% to 200%; Singapore / Korea / Malaysia: around 100%)
- HKMC's outstanding HKD debt is HK\$34.3 billion, represents around 4% of total HKD debt market of HK\$862 billion

# Outlook

The HKMC will continue:

- to be a critical liquidity provider to promote banking and financial stability
- to promote homeownership for the household of Hong Kong through enhancement of MIP
- to maintain high benchmark for mortgage quality at banks through the HKMC's stringent mortgage purchasing criteria and underwriting criteria of MIP