

**The Hong Kong Mortgage Corporation Limited
("HKMC")**

**Presentation to
the LegCo Panel on Financial Affairs**

10 July 2012

Role of the HKMC

Operating according to prudential commercial principles to:

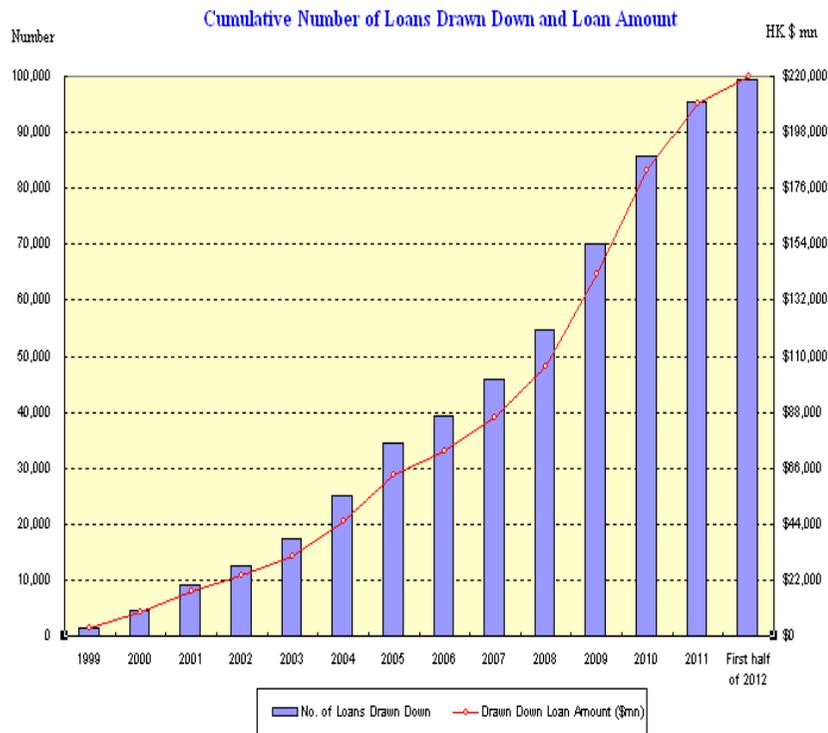
- promote Hong Kong's banking and financial stability by offering a reliable source of liquidity to banks via asset acquisition
- promote wider home ownership in Hong Kong through the Mortgage Insurance Programme
- facilitate the growth and development of debt market and mortgage-backed securities market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

Asset Acquisition to Provide Liquidity



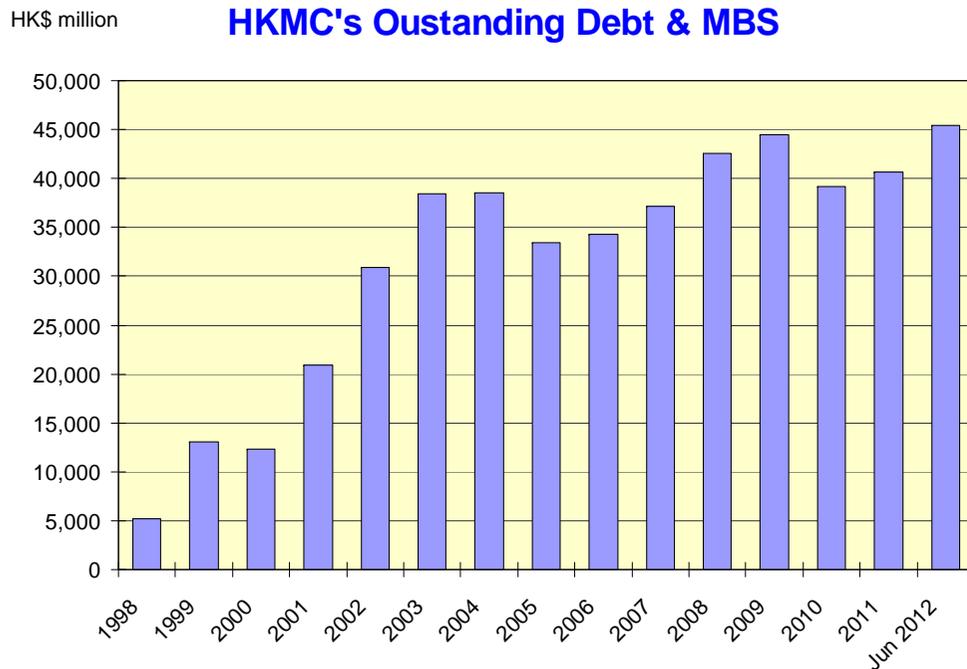
- Asset acquisition during crises (e.g. Asian Financial Crisis and Global Financial Tsunami) to provide liquidity to banks
- Assist banks in risk divestment and asset-liability management to avoid excessive concentration of risks
- Banks can recycle liquidity for further mortgage lending
- Purchased HK\$117.9 billion of local mortgage loans since inception

Mortgage Insurance to Promote Home Ownership



- From 1999 to June 2012, nearly 100,000 families have enjoyed home ownership with the help of MIP, with total drawdown loan amount of HK\$220 billion
- MIP usage rate:
 1999: 3%
 Jan - May 2012: 14%
- MIP loan drawdown: average size of HK\$2.2 million, benefiting first-time homebuyers in particular

Active in Promoting Debt Market Development



- HKMC has been the most active corporate issuer in the HKD debt market for 11 consecutive years: meeting the strong demand for high-grade debt investment from insurance companies, pension funds and investment funds
- Promote the mortgage-backed securitisation market development in Hong Kong
- Pioneer the retail bond issuance
- Standardisation of mortgage origination documents

Reverse Mortgage to Meet the Needs of Elderly



- By end-June 2012, 254 applications have been approved with total property value around HK\$900million
 - Average age of borrowers: 71 years old
 - Payment terms: 10-year (35%), 15-year (21%), 20-year (11%), life (33%)
 - Average property value: HK\$ 3.6 million
 - Average monthly payout: HK\$13,200

SME Financing Guarantee Scheme (“SFGS”)

- A market-oriented platform launched in January 2011
- Shares up to 70% of SME loan risks to help banks manage their credit risk, thereby contributing to the stability of the banking industry
- Encourages banks to provide liquidity to SMEs
- On the request of the Government, the HKMC introduced a new 80% guarantee product on 31 May 2012
 - Received 895 applications between 31 May and 30 June 2012, involving a total loan amount of HK\$4.886 billion, with average loan amount of HK\$5.46 million
 - Weighted average overall interest rate: 4.58% p.a.
 - Weighted average guarantee fee: 0.53% p.a.

Microfinance Scheme to Strengthen Social Capital

- A three-year pilot scheme commissioned by the Financial Secretary, with a tentative aggregate loan amount of HK\$100 million
- HKMC works with banks and NGOs to provide funding as well as ancillary support and mentorship to borrowers for business start-up and self-employment when needed
- Launched on 29 June 2012 to offer three types of loans for business start-up, self-employment and self-enhancement (with loan ceilings at \$300,000, \$200,000 and \$100,000 respectively and interest rates capped at 8% p.a. or 9% p.a.)
- Six banks and five non-government organisations participate in the Scheme

Market Positioning

- The HKMC operates on the basis of prudent, commercial principles
- No monopoly or special franchise in its business activities
- Banks, insurance companies and other market participants operate alongside the HKMC in the area of mortgage purchase, guarantee, debt issuance and mortgage securitisation
- The HKMC will be subject to the new competition legislation, and will not engage in anti-competitive agreements or conduct; nor will the Corporation abuse its market power to prevent, restrict or distort competition in Hong Kong