

**Consolidated Financial Results for the Year Ended 31 December 2015**

	<b>2015</b> <b>HK\$'000</b>	2014 HK\$'000
Interest income	<b>838,496</b>	902,366
Interest expense	<b>(248,168)</b>	(251,411)
<b>Net interest income</b>	<b>590,328</b>	650,955
Net premiums earned	<b>378,613</b>	434,096
Other income	<b>142,826</b>	89,345
<b>Operating income</b>	<b>1,111,767</b>	1,174,396
Net claims written back / (incurred)	<b>7,583</b>	(10,144)
Net commission expenses	<b>(83,368)</b>	(110,809)
Operating expenses	<b>(266,648)</b>	(255,627)
Operating profit before impairment	<b>769,334</b>	797,816
Write-back / (charge) of loan impairment allowances	<b>242</b>	(906)
<b>Profit before taxation</b>	<b>769,576</b>	796,910
Taxation	<b>(44,424)</b>	(50,937)
<b>Profit for the year</b>	<b>725,152</b>	745,973
<b>Proposed dividend</b>	<b>725,000</b>	350,000
Return on shareholders' equity	<b>8.1%</b>	8.4%
Return on assets	<b>1.4%</b>	1.4%
Cost-to-income ratio	<b>25.7%</b>	24.3%
Net interest margin	<b>1.2%</b>	1.3%

	<b>As at 31 December 2015</b>	<b>As at 31 December 2014</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>		
Cash and short-term funds	21,007,367	18,421,490
Derivative financial instruments	473,403	556,962
Loan portfolio, net	11,502,312	15,571,649
Investment securities:		
- available-for-sale	6,638,367	5,734,162
- held-to-maturity	10,274,001	9,168,795
Reinsurance assets	128,653	144,179
Other assets	440,647	406,184
	<b>50,464,750</b>	<b>50,003,421</b>
<b>LIABILITIES</b>		
Derivative financial instruments	1,821,927	1,575,968
Tax payable	129,153	133,301
Insurance liabilities	978,845	1,112,089
Debt securities issued	33,463,211	33,270,129
Other liabilities	5,003,369	5,019,920
	<b>41,396,505</b>	<b>41,111,407</b>
<b>EQUITY</b>		
Capital and reserves attributable to the equity holders:		
Share capital	2,000,000	2,000,000
Retained profits	5,251,052	5,070,815
Contingency reserve	1,632,660	1,437,745
Fair value and other reserves	184,533	383,454
<b>Total equity</b>	<b>9,068,245</b>	<b>8,892,014</b>
<b>Total liabilities and equity</b>	<b>50,464,750</b>	<b>50,003,421</b>
Capital adequacy ratio	<b>21.9%</b>	<b>23.5%</b>

Note:

The financial information relating to the two years ended 31 December 2015 and 2014 respectively included in this press release of 2015 final results does not constitute the HKMC's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to those statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance is as follows:

The HKMC has delivered the consolidated financial statements for the year ended 31 December 2014 to the Registrar of Companies as required by the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2015 in due course.

The HKMC's auditor has reported on the consolidated financial statements of the HKMC for both years. The auditor's reports are unqualified; do not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and do not contain a statement under section 406(2), 407(2) or 407(3) of the Companies Ordinance.

## **Financial Review**

The consolidated profit after tax of the HKMC was HK\$725 million in 2015, representing a decrease of HK\$21 million or 2.8%, compared with 2014. Return on shareholders' equity was 8.1% (2014: 8.4%). The reductions in profitability were mainly due to loan portfolio rundown, partly offset by cost-effective pre-funding and increase in other income.

In 2015, the net interest income was HK\$590 million (2014: HK\$651 million) and the net interest margin of the average interest-earning assets was 1.2% (2014: 1.3%).

New loans drawn down under the MIP increased from HK\$16 billion to HK\$17.2 billion in 2015. The risk-in-force borne for the MIP by the HKMC maintained at HK\$11.3 billion (2014: HK\$11 billion). Net mortgage insurance premiums earned, after income amortisation, commission expenses and provision was HK\$289 million (2014: HK\$311 million).

Other income was HK\$143 million (2014: HK\$89 million), which mainly included gain on disposal of investments of HK\$122 million, dividend income of HK\$73 million, and an exchange loss of HK\$39 million primarily due to the effect of renminbi volatility in deposits and high-grade debt investments.

The HKMC continued to maintain stringent controls on operating expenses. Total operating expenses were HK\$267 million, HK\$11 million up from 2014. Amid the reduction in operating income coupled with resources devoted to support policy initiatives, the cost-to-income ratio increased to 25.7% in 2015 from 24.3% in 2014.

Having considered the HKMC's financial performance and solid capital position for business development, the shareholders in the Annual General

Meeting today approved a dividend of HK\$725 million for 2015. As at 31 December 2015, the capital adequacy ratio remained solid at 21.9%, well above the minimum requirement of 8% stipulated by the Financial Secretary.