

**Annex**

**Unaudited Consolidated Financial Results  
For the Six Months Ended 30 June 2013**

	<b>Unaudited 1H 2013 HK\$'000</b>	<b>Unaudited 1H 2012 HK\$'000</b>
Interest income	467,633	583,906
Interest expense	(130,206)	(159,579)
<b>Net interest income</b>	<b>337,427</b>	424,327
Net premiums earned	247,557	257,007
Other income	128,139	37,149
<b>Operating income</b>	<b>713,123</b>	718,483
Net claims written back	8,760	5,827
Net commission expenses	(67,486)	(49,077)
Operating expenses	(104,606)	(103,031)
Operating profit before impairment	549,791	572,202
Write-back of loan impairment allowances	3,107	1,862
<b>Operating profit</b>	<b>552,898</b>	574,064
Share of profit of a jointly controlled entity	-	1,452
<b>Profit before taxation</b>	<b>552,898</b>	575,516
Taxation	(44,525)	(54,040)
<b>Profit for the period</b>	<b>508,373</b>	521,476
<b>Profit attributable to:</b>		
Equity holders of the Company	508,285	521,401
Non-controlling interest	88	75
	<b>508,373</b>	521,476
Return on shareholders' equity (annualised)	10.7%	11.8%
Return on assets (annualised)	1.9%	1.7%
Cost-to-income ratio	16.0%	15.3%
Net interest margin	1.4%	1.5%

	<b>Unaudited</b> <b>As at</b> <b>30 June 2013</b>	<b>Audited</b> <b>As at</b> <b>31 December 2012</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>		
Cash and short-term funds	12,779,793	9,715,544
Loan portfolio, net	21,912,739	25,895,399
Investment securities:		
- available-for-sale	3,945,460	5,812,827
- held-to-maturity	9,778,540	9,237,808
Derivative financial instruments	888,887	1,443,013
Reinsurance assets	199,604	222,007
Other assets	456,272	538,359
	<b>49,961,295</b>	<b>52,864,957</b>
<b>LIABILITIES</b>		
Tax payable	144,370	101,587
Insurance liabilities	1,419,879	1,545,863
Debt securities issued	33,283,291	36,404,627
Mortgage-backed securities issued	-	214,672
Derivative financial instruments	964,380	175,095
Other liabilities	4,909,759	4,810,276
	<b>40,721,679</b>	<b>43,252,120</b>
<b>EQUITY</b>		
Capital and reserves attributable to the equity holders:		
Share capital	2,000,000	2,000,000
Retained profits	5,678,246	5,302,410
Contingency reserve	1,110,222	977,773
Fair value reserve	433,648	569,109
Other reserves	4,791	1,122
Proposed dividend	-	750,000
	<b>9,226,907</b>	<b>9,600,414</b>
<b>Non-controlling interest in equity</b>	<b>12,709</b>	<b>12,423</b>
<b>Total equity</b>	<b>9,239,616</b>	<b>9,612,837</b>
<b>Total liabilities and equity</b>	<b>49,961,295</b>	<b>52,864,957</b>
Capital adequacy ratio	<b>23.1%</b>	20.2%

## **Financial Review**

The unaudited consolidated profit after tax of the HKMC was HK\$508 million for 1H 2013, a decrease of HK\$13 million or 2.5% compared with 1H 2012. The annualised return on shareholders' equity was 10.7% (1H 2012: 11.8%). The slight reduction in profitability was mainly due to rundown in loan portfolio, drop in net interest income and decrease in new mortgage insurance business.

In 1H 2013, the net interest income was HK\$337 million (1H 2012: HK\$424 million). The net interest margin of the average interest-earning assets was 1.4% (1H 2012: 1.5%).

New loans drawn down under the MIP was HK\$7 billion in 1H 2013 (1H 2012: HK\$10.5 billion) amid a slower housing turnover. The risk-in-force borne by the HKMC decreased by 5.8% to HK\$13.1 billion (1H 2012: HK\$13.9 billion). Net mortgage insurance premium earned, after income amortisation, commission expenses and provision, was HK\$187 million (1H 2012: HK\$213 million).

Other income increased to HK\$128 million (1H 2012: HK\$37 million), which included dividend income from investments of HK\$49 million (1H 2012: HK\$44 million), exchange gain of HK\$45 million (1H 2012: HK\$20 million exchange loss) mainly arising from the revaluation of renminbi and US dollar exposures in deposits and debt investments, and net disposal gain of investments of HK\$33 million (1H 2012: HK\$5 million).

The HKMC continued to maintain stringent controls on operating expenses. Total operating expenses were HK\$105 million, HK\$2 million more than 1H 2012. Coupled with the mild reduction in operating income, the cost-to-income ratio increased slightly from 15.3% in 1H 2012 to 16% in 1H 2013.

The capital adequacy ratio (CAR) remained solid at 23.1% as at 30 June 2013 (31 December 2012: 20.2%), well above the minimum of 8% stipulated in the CAR guidelines issued by the Financial Secretary. With a strong CAR, the Corporation will continue fulfilling its strategic policy roles and social objectives.