

Annex A

Consolidated Financial Results for the Year Ended 31 December 2013

	2013 HK\$'000	2012 HK\$'000
Interest income	902,246	1,135,362
Interest expense	(250,253)	(323,263)
Net interest income	651,993	812,099
Net premiums earned	476,956	533,536
Other income	297,470	232,471
Operating income	1,426,419	1,578,106
Net claims written back	8,767	6,642
Net commission expenses	(135,890)	(162,541)
Operating expenses	(235,043)	(219,267)
Operating profit before impairment	1,064,253	1,202,940
Write-back of loan impairment allowances	3,545	5,680
Operating profit	1,067,798	1,208,620
Share of profit of a joint venture	-	2,450
Profit before taxation	1,067,798	1,211,070
Taxation	(85,214)	(85,524)
Profit for the year	982,584	1,125,546
Profit attributable to:		
Equity holders of the Company	982,404	1,125,393
Non-controlling interests	180	153
	982,584	1,125,546
Proposed dividends:		
Ordinary	500,000	750,000
Special	1,000,000	-
	1,500,000	750,000
Return on shareholders' equity	10.4%	12.4%
Return on assets	1.9%	1.9%
Cost-to-income ratio	18.1%	15.4%
Net interest margin	1.4%	1.5%

	As at 31 December 2013 HK\$'000	As at 31 December 2012 HK\$'000
ASSETS		
Cash and short-term funds	11,757,533	9,715,544
Derivative financial instruments	831,426	1,443,013
Assets held for sale	129,767	-
Loan portfolio, net	22,268,397	25,895,399
Investment securities:		
- available-for-sale	3,860,455	5,812,827
- held-to-maturity	8,560,595	9,237,808
Reinsurance assets	180,742	222,007
Other assets	430,915	538,359
	48,019,830	52,864,957
LIABILITIES		
Derivative financial instruments	785,458	175,095
Tax payable	144,665	101,587
Insurance liabilities	1,294,712	1,545,863
Debt securities issued	31,355,185	36,404,627
Mortgage-backed securities issued	-	214,672
Other liabilities	4,865,630	4,810,276
	38,445,650	43,252,120
EQUITY		
Capital and reserves attributable to the equity holders:		
Share capital	2,000,000	2,000,000
Retained profits	4,548,760	5,302,410
Proposed dividends	1,500,000	750,000
Contingency reserve	1,213,827	977,773
Fair value reserve	290,605	569,109
Other reserves	8,016	1,122
	9,561,208	9,600,414
Non-controlling interests in equity	12,972	12,423
Total equity	9,574,180	9,612,837
Total liabilities and equity	48,019,830	52,864,957
Capital adequacy ratio	21.0%	20.2%

Financial Review

The consolidated profit after tax of the HKMC was HK\$983 million in 2013, representing a decrease of HK\$143 million or 12.7%, compared with 2012. Return on shareholders' equity was 10.4% (2012: 12.4%). The reductions in profitability were mainly due to loan portfolio rundown and reduced contributions from the mortgage insurance business.

In 2013, the net interest income was HK\$652 million (2012: HK\$812 million). The net interest margin of the average interest-earning assets was 1.4% (2012: 1.5%).

New loans drawn down under the MIP reduced from HK\$22 billion to HK\$13.3 billion in 2013 amid a slower housing turnover. The risk-in-force borne by the HKMC decreased to HK\$12 billion (2012: HK\$13.8 billion). Net mortgage insurance premium earned, after income amortisation, commission expenses and provision, was HK\$346 million (2012: HK\$376 million).

Other income increased to HK\$297 million (2012: HK\$232 million), which mainly included net disposal gain of investments of HK\$136 million (2012: HK\$90 million), dividend income of HK\$89 million (2012: HK\$90 million) and exchange gain of HK\$72 million (2012: HK\$30 million).

The HKMC continued to maintain stringent controls on operating expenses. Total operating expenses were HK\$235 million, HK\$16 million up from 2012. The increase was mainly attributable to costs related to office move. Coupled with the reduction in operating income, the cost-to-income ratio increased from 15.4% in 2012 to 18.1% in 2013.

Taking into account the HKMC's future business development, financial performance and ample capital base, the Shareholders in the Annual General Meeting today approved an ordinary dividend of HK\$500 million for 2013 and a special dividend of HK\$1 billion from the accumulated earnings of the previous years. As at 31 December 2013, the capital adequacy ratio still remained solid at 21%, well above the minimum requirement of 8% stipulated by the Financial Secretary.

Annex B

Board of Directors

The Hon. John TSANG Chun-wah, GBM, JP (Chairman and Executive Director)	Financial Secretary
Mr Norman T. L. CHAN, GBS, JP (Deputy Chairman and Executive Director)	Chief Executive Hong Kong Monetary Authority
Mr Peter PANG Sing-tong, JP (Executive Director)	Deputy Chief Executive Hong Kong Monetary Authority
Mr Eddie YUE Wai-man, JP (Executive Director)	Deputy Chief Executive Hong Kong Monetary Authority
Professor the Hon. K C CHAN, GBS, JP	Secretary for Financial Services and the Treasury
Professor the Hon. Anthony CHEUNG Bing- leung, GBS, JP	Secretary for Transport and Housing
The Hon. Ms Starry LEE Wai-king, JP	Member of Executive Council Member of Legislative Council
The Hon. Abraham SHEK Lai-him, GBS, JP	Member of Legislative Council
The Hon. CHAN Kin-por, BBS, JP	Member of Legislative Council Member of the China Advisory Board Munich Reinsurance Company Hong Kong Branch
The Hon. Andrew LEUNG Kwan-yuen, GBS, SBS, JP	Member of Legislative Council Chairman, Sun Hing Knitting Factory Limited
Miss Tanya CHAN	Barrister-at-law
Mr Lester Garson HUANG, JP	Partner, P. C. Woo & Co.

Mr Andrew FUNG Hau-chung, JP	Executive Director and Head of Global Banking and Markets Hang Seng Bank Limited
Mr LEE Huat-oon	General Manager/Chief Executive Public Finance Limited
Professor WONG Yuk-shan, BBS, JP	Chairman, Consumer Council President of the Open University of Hong Kong
The Hon. NG Leung-sing, SBS, JP	Member of Legislative Council Chairman, Bank of China (Hong Kong) Trustees Limited Vice-Chairman, Chiyu Banking Corporation Limited
Mr T. Brian STEVENSON, SBS, JP	Chairman, The Hong Kong Jockey Club
Mr Jason YEUNG Chi-wai	Deputy Chief Executive Bank of China (Hong Kong) Limited