

**Consolidated Financial Results for the Year Ended 31 December 2021**

	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Interest income	<b>906,148</b>	1,158,286
Interest expense	<b>(451,260)</b>	(670,560)
<b>Net interest income</b>	<b>454,888</b>	487,726
Net premiums earned	<b>3,834,633</b>	2,992,723
Other income	<b>2,146,210</b>	807,841
<b>Operating income</b>	<b>6,435,731</b>	4,288,290
Net claims incurred, benefits paid and movement in policyholders' liabilities	<b>(4,079,450)</b>	(3,541,468)
Net commission and levy expenses	<b>(962,127)</b>	(666,467)
Operating expenses	<b>(491,896)</b>	(514,886)
Operating profit / (loss) before impairment	<b>902,258</b>	(434,531)
Charge of impairment allowances	<b>(8,185)</b>	(5,178)
<b>Profit / (loss) before taxation</b>	<b>894,073</b>	(439,709)
Taxation	<b>(62,975)</b>	77,585
<b>Profit / (loss) for the year<sup>1</sup></b>	<b>831,098</b>	(362,124)
Return on equity <sup>1</sup>	<b>5.1%</b>	(2.4%)
Cost-to-income ratio <sup>1</sup>	<b>35.3%</b>	640.8%
Net interest margin	<b>0.4%</b>	0.8%

<sup>1</sup> For comparison, after adjustments to (a) amortise the MIP upfront commission expenses with the corresponding recognition of MIP premium income and (b) exclude the financial results of the HKMCA, the adjusted profit after tax, return on equity and cost-to-income ratio for 2021 would be HK\$868 million, 7.3% and 25.2% respectively (2020: HK\$376 million, 3.5% and 44.8% respectively).

	<b>As at 31 December 2021</b>	<b>As at 31 December 2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>ASSETS</b>		
Cash and short-term funds	45,249,382	21,900,341
Derivative financial instruments	812,397	797,352
Loan portfolio, net	79,633,967	43,141,592
Investment securities	14,864,884	14,414,667
Placements with the Exchange Fund	28,633,258	16,336,835
Reinsurance assets	491,049	377,502
Other assets	3,493,297	1,388,780
<b>Total assets</b>	<b>173,178,234</b>	<b>98,357,069</b>
<b>LIABILITIES</b>		
Derivative financial instruments	334,529	281,230
Current tax liabilities	136,260	136,745
Insurance liabilities	16,784,290	11,186,971
Debt securities issued	115,652,967	61,909,148
Other liabilities	22,072,393	9,983,899
<b>Total liabilities</b>	<b>154,980,439</b>	<b>83,497,993</b>
<b>EQUITY</b>		
Share capital	9,500,000	7,000,000
Retained profits	6,618,097	6,075,082
Contingency reserve	2,062,654	1,774,571
Fair value and hedging reserves	17,044	9,423
<b>Total equity</b>	<b>18,197,795</b>	<b>14,859,076</b>
<b>Total liabilities and equity</b>	<b>173,178,234</b>	<b>98,357,069</b>

Capital adequacy ratio

23.4%

37.3%

Note:

The financial information relating to the two years ended 31 December 2021 and 2020 respectively included in this press release of 2021 financial results does not constitute the HKMC's respective statutory annual consolidated financial statements for both 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 2020 to the Registrar of Companies as required by the Companies Ordinance and will deliver the consolidated financial statements for the year ended 31 December 2021 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 draws attention by way of emphasis without qualifying its report; and do not contain a statement under section 406(2), 407(2) or 407(3) of the Companies Ordinance.

## **Financial Review**

The audited profit after tax of the HKMC for 2021 was HK\$831 million (loss after tax for 2020: HK\$362 million). The profit turnaround was mainly attributable to the annuity business's turn into profit from the preceding year's accounting loss, foreign exchange gains arising from the US dollar and strategic offshore Renminbi exposures in deposits and debt investments, increase in net premiums earned from the MIP business, and less net loss on investments in listed real estate investment trusts and exchange-traded bond funds.

The net interest income for 2021 was HK\$455 million (2020: HK\$488 million) and the net interest margin of the average interest-earning assets was 0.4% (2020: 0.8%). Excluding the loans purchased from the Special 100% Loan Guarantee under the SFGS at zero net interest margin with all loan interests received from borrowers passing through to the HKSAR Government against the Government's reimbursement of the relevant funding costs to the HKMC, the adjusted net interest margin would be 0.8%.

Drawdown amount of new MIP loans increased to HK\$132.6 billion in 2021 as compared to HK\$98.3 billion in 2020. The risk-in-force borne for the MIP by the HKMCI was HK\$80.6 billion (31 December 2020: HK\$47.6 billion). The net mortgage insurance premiums earned, after income amortisation and provision, were HK\$765 million (2020: HK\$398 million). The net upfront commission expenses surged to HK\$961 million (2020: HK\$666 million) in the light of the significant increase in new MIP loans underwritten.

Other income was HK\$2,146 million (2020: HK\$808 million), mainly representing the investment income of HK\$1,991 million (2020: HK\$889 million) from placements with the Exchange Fund and exchange gain of HK\$117 million (2020: loss of HK\$44 million) arising primarily from revaluation of US dollar and strategic offshore Renminbi exposures in cash and debt investments.

In accordance with the Guidelines on the CAR, capital ratio calculation follows the basis of consolidation for financial reporting to the exclusion of regulated subsidiaries, namely, the HKMCI and the HKMCA, that are regulated by the Insurance Authority and subject to separate requirements for maintaining adequate capital. Excluding the investment costs on such unconsolidated regulated subsidiaries, the HKMC's CAR remained solid at 23.4% as at 31 December 2021 (31 December 2020: 37.3%), well above the minimum requirement of 8% stipulated by the Financial Secretary.

The solvency ratios of the HKMCI and the HKMCA were about 7 times and 15 times respectively as at 31 December 2021, well above the respective 200% and 150% minimum regulatory requirements stipulated by the Insurance Authority. In June 2021, the Exchange Fund injected capital of HK\$2.5 billion into the HKMCA via the HKMC in order to maintain a strong capital base and to meet the regulatory solvency requirement for the HKMCA.

Having considered the capital requirements for business development, the Board recommended that no dividend be declared for 2021.