Press Release

HKMC's Financial Results Highlights for 2015

The Hong Kong Mortgage Corporation Limited (HKMC) today (Monday) announced the highlights of its audited financial results for 2015 as follows:

2015 Financial Results Highlights

- Consolidated profit after tax was HK$725 million (2014: HK$746 million)
- Return on shareholders' equity was 8.1% (2014: 8.4%)
- Cost-to-income ratio was 25.7% (2014: 24.3%)
- Capital adequacy ratio was 21.9% as at 31 December 2015 (31 December 2014: 23.5%)
- Dividend was HK$725 million (2014: HK$350 million)

2015 Business Performance Highlights

Asset Purchase

- Purchased HK$337 million loan assets (2014: HK$245 million)

- Outstanding principal balance of the loan portfolio was HK$11.5 billion at the end of 2015 (2014: HK$15.6 billion)

Debt Issuance

- Issued in total HK$14 billion corporate debts[1] (2014: HK$13.9 billion), being one of the most active issuers in Hong Kong. The HKMC issued 30-year bonds totalling HK$1 billion for the first time to support potential new fixed-rate businesses

- Outstanding balance of debt securities was HK$33.5 billion at the end of 2015 (2014: HK$33.3 billion)

- Credit ratings of AAA from Standard & Poor's and Aa1 from Moody's, same as the ratings of the HKSAR Government

Mortgage Insurance Programme (MIP)

- New mortgage loans drawn down amounted to HK$17.2 billion (2014: HK$16 billion)

- 88% of the loans drawn down (in terms of the loan amount) were secured on properties in the secondary market, demonstrating the importance of the MIP to homebuyers in the secondary market

[1] For debts with tenor of one year or above.

SME Financing Guarantee Scheme

- Approved about 1,000 applications under the Special Concessionary Measures (i.e. 80% guarantee products) with a total loan amount of approximately HK$3.4 billion in 2015, of which 92% of the benefitted borrowers were small enterprises with less than 50 employees

Reverse Mortgage Programme

- Approved 363 applications, with an average property value of HK$5.7 million and average monthly payout of HK$16,200

Microfinance Scheme

- Approved 21 applications with a total loan amount of HK$4.53 million

Premium Loan Insurance Scheme

- Launched in mid-September and there were 3 applications approved up to end of the year, with an average property value of HK$4.75 million and average lump-sum payout of HK$1.2 million

Further details of the HKMC's consolidated financial results and financial review for 2015 are set out at Annex.

The Hong Kong Mortgage Corporation Limited
25 April 2016

Annex

Consolidated Financial Results for the Year Ended 31 December 2015

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

	As at 31 December 2015	As at 31 December 2014
	HK$'000	HK$'000
ASSETS		
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
	50,464,750	50,003,421
LIABILITIES		
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
	41,396,505	41,111,407
EQUITY		
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
Total equity	**9,068,245**	8,892,014
Total liabilities and equity	**50,464,750**	50,003,421
Capital adequacy ratio	**21.9%**	23.5%

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.