

PRESS RELEASE

WING HANG BANK LIMITED **2005 FINAL RESULTS – HIGHLIGHTS**

- Profit attributable to shareholders was up 15.6% to HK\$1,348.7 million (New Record) (HK\$1,166.7 million for 2004)
- Earnings per share increased by 15.6% to HK\$4.59 (HK\$3.97 for 2004)
- Total dividends increased by 17.3% to HK\$2.30 (HK\$1.96 for 2004)
- Operating profit before impairment allowances up 17.4% to HK\$1,645.0 million (HK\$1,401.3 million for 2004)
- Total net interest margin fell 11 basis points to 1.88%
- Total net interest income up 3.9% to HK\$1,865.0 million (HK\$1,794.3 million for 2004)
- Non-interest income up 18.1% to HK\$755.8 million (HK\$640.0 million for 2004)
- Operating expenses down 5.5% to HK\$975.8 million (HK\$1,033.0 million for 2004)
- Impairment losses and allowances for impaired loans decreased 0.7% to HK\$54.1 million (HK\$54.4 million for 2004)
- Advances to customers increased 10.6% to HK\$54.4 billion (HK\$49.2 billion as at 31st December, 2004)
- Total deposit increased 8.1% to HK\$91.2 billion (HK\$84.4 billion as at 31st December, 2004)
- Cost to income ratio at 37.2% (42.4% for 2004)
- Capital adequacy ratio at 14.9% (15.7% as at 31st December, 2004)
- Return on average shareholders' fund at 17.1% (16.7% for 2004)

Wing Hang Bank Reported a New Record Profit of HK\$1,348.7 Million

Wing Hang Bank Group achieved a new record in profit attributable to shareholders of HK\$1,348.7 million, representing an increase of 15.6 percent compared to HK\$1,166.7 million in 2004. Earnings per share rose 15.6 percent to HK\$4.59. The Board has recommended a final dividend of HK\$1.60 per share. Together with the interim dividend of HK\$0.7 paid on 12th September, 2005, total dividends for the year amounted to HK\$2.30 per share, an increase of 17.3 percent over 2004.

We were able to achieve good asset growth in China and Macau. Our consumer financing, investment mortgages, trade financing and equipment financing also did very well.

This excellent performance took place on the back of an improving economic climate. Hong Kong's real GDP grew at a robust rate of 7.3 percent after 8.6 percent growth in 2004. Exports of goods and services grew due to buoyant trade flows with China, and the economy was further boosted by continued strong inbound tourism. Consumer spending rebounded as a result of rising employment. The unemployment rate declined to 5.2 percent, its lowest level in four years. Household income also gradually improved while inflation remained benign with consumer prices rising by just 1.1 percent.

Short-term US interest rates continued to rise at a gradual pace, taking the federal funds rate to 4.5 percent by January 2006. Local interbank interest rates closely followed that trend after the HKMA refined the operation of the Linked Exchange Rate system last May. However, the Hong Kong dollar exchange rate hovered on the strong side of the peg on continued speculation about a revaluation of the Renminbi.

Asset quality continues to improve amid stable conditions in the domestic economy and property market. Rises in real estate prices in the first half of the year helped the number of residential mortgage loans in negative equity to fall by 90 percent to 11,000 units compared with the recent peak in 2003.

Operating profit before impairment allowances increased 17.4 percent to HK\$1,645.0 million due to an increase in total operating income and a decrease in operating expenses. The Group's total operating income rose by 7.7 percent to HK\$2,620.8 million due to an increase in net interest income and non-interest income.

Total net interest income was 3.9 percent higher at HK\$1,865.0 million as a result of an increase in loan volumes which offset a narrowing of net interest margins. Net interest margins fell 11 basis points to 1.88 percent due to mortgage re-pricing and an increase in the cost of funding as a result of the higher interest rate environment.

Non-interest income rose 18.1 percent to HK\$755.8 million following increases in loan commissions, treasury dealing profits and wealth management commissions.

Meanwhile total operating expenses decreased 5.5 percent to HK\$975.8 million thanks to a decline in depreciation expenses and an absence of amortisation of goodwill. The Group's cost-to-income ratio improved from 42.4 percent to 37.2 percent due to cost synergies from the acquisition of Chekiang First Bank ("CFB").

Impairment losses and allowances on impaired loans and advances decreased 0.7 percent to HK\$54.1 million due to the recovery in property prices, declining personal bankruptcies and a general improvement in the economy. The charge-off ratio for credit cards dropped to 1.50 percent of card receivables from 2.46 percent last year. For the year under review, the level of impaired loans decreased to HK\$560 million, or 1.03 percent of total loans.

Total advances to customers increased 10.6 percent to HK\$54.4 billion due to satisfactory growth in demand for investment mortgages, consumer financing, equipment financing and trade financing as well as higher credit demand in the Group's China and Macau operations.

Total deposits increased 8.1 percent to HK\$91.2 billion and customer deposits increased 9.0 percent to HK\$85.7 billion, mainly as a result of a larger pool of fixed-term accounts. Deposit growth was partly helped by increased brand awareness following the CFB acquisition as well as an expanded branch network and the successful promotion of the Elite Banking service targeting high-net-worth customers.

The Retail Banking operations recorded a 16.1 percent increase in profit before taxation in 2005, mainly brought about by a decrease in the impairment allowances and strong growth in loan commissions and the wealth management businesses.

Local property prices consolidated in the second half of 2005 after a pronounced increase in the first quarter of 2005. Our proportion of residential mortgages remained unchanged at 25.6 percent of the total loan portfolio. Looking ahead, there are signs of revived price competition in the residential mortgage sector and renewed margin pressure on new mortgage lending.

Wing Hang Credit, a well-known niche player in consumer lending, continues to provide a broad range of loan services through its 15 branches and business centres. This unit has taken advantage of an expanded network to increase its loan portfolio over 20.0 percent during 2005. In 2006, we plan to further increase the number of point-of-sales by opening two or three new branches and to promote personal loan products across the Wing Hang Bank and Wing Hang Credit network.

Wing Hang Finance Company Limited, a market leader in the auto and equipment leasing industry, extends credit facilities to small and medium enterprises (SMEs), both in Hong Kong and to those with operations in China. In 2005 the company achieved good growth in loan assets despite keen price competition in the local vehicle financing business. In view of the enormous growth potential in equipment and vehicle financing in Mainland China, the company has expanded its marketing workforce to target customers with operations in the Pearl River Delta Area.

In China, we provide credit facilities to Hong Kong manufacturers who have shifted their operations to the Mainland. We also offer project financing for Hong Kong developers operating across the border. Our residential mortgage financing portfolio grew by 71.9 percent in 2005. However, the foreign currency mortgage business faced stiff competition as mortgage lending rates in HKD and USD increased relative to the RMB lending rate.

In Macau, Banco Weng Hang continues to perform exceptionally well despite more moderate economic growth. Macau's GDP grew 6.2 percent in real terms during the first three quarters of 2005 compared with the same period in the previous year. This compares with an unprecedented 28.0 percent economic growth rate in 2004. Profits increased by 48.8 percent to 217 million Macau patacas in 2005. This strong performance was mainly due to improved organic growth and was also partly helped by a reduction in the corporate tax rate from 15.75 percent to 12.0 percent. Net interest income increased by 21.9 percent while non-interest income increased by 24.5 percent. Advances to customers and customers deposits have grown by 21.9 percent and 27.6 percent respectively since the end of 2004.

The return on average assets and average shareholders' funds reached 1.35 percent and 17.1 percent respectively. The Group's capital adequacy ratio and average liquidity ratio stood at 14.9 percent and 50.8 percent respectively while the loan to deposit ratio increased slightly to 59.7 percent due to an increase in loan volume.

Another important achievement was the successful integration of CFB as a result of a carefully executed merger exercise. This has resulted in a stronger and more substantial bank with an expanded branch network. In addition, significant revenue and cost synergies were achieved in 2005. The Group currently has 37 branches in Hong Kong, 11 branches in Macau and one branch each in Shenzhen and Shanghai. As at the end of December 2005, the Group employed a total of 2,301 staff.

Looking ahead, global economic expansion should continue in 2006 despite uncertainties about interest rates and energy prices. Trade protectionism in Europe and the US as well as continued pressure for a revaluation of the Renminbi may cast a shadow on the outlook for economic growth in China and Hong Kong. However, there are signs that the US interest rate cycle is near its peak, and domestic credit growth is likely to increase in line with strong economic activity.

After the successful integration of CFB, we now have a larger operating platform and customer base to grow our business. We will continue to expand our business in high growth areas such as Macau and China. While pursuing such a growth strategy, we are keenly aware that the key to success is a prudent lending policy.

We will continue to control costs by carefully streamlining our operations as well as broadening our fee income and expanding our consumer lending businesses through cross selling to an enlarged customer base. We will focus on enhancing our franchise by introducing innovative products and delivering superior service.