

PRESS RELEASE

WING HANG BANK LIMITED **2006 INTERIM RESULTS - HIGHLIGHTS**

- Profit attributable to shareholders was up 16.7% to HK\$817.4 million (New Record) (HK\$700.6 million for the first half of 2005)
- Earnings per share increased by 16.7% to HK\$2.78 (HK\$2.38 for the first half of 2005)
- Interim dividend increased by 17.1% to HK\$0.82 (HK\$0.70 for the first half of 2005)
- Operating profit before taxation up 17.1% to HK\$978.2 million (HK\$835.1 million for the first half of 2005)
- Total net interest margin fell slightly 3 basis points to 1.83%
- Total net interest income up 16.3% to HK\$1,020.2 million (HK\$877.0 million for the first half of 2005)
- Non-interest income up 3.7% to HK\$454.0 million (HK\$437.8 million for the first half of 2005)
- Operating expenses up 8.2% to HK\$518.2 million (HK\$478.8 million for the first half of 2005)
- Impairment losses and allowances for impaired loans was HK\$0.8 million (Release back for HK\$0.4 million for the first half of 2005)
- Advances to customers increased 3.1% to HK\$56.1 billion (HK\$54.4 billion as at 31st December, 2005)
- Total deposit increased 7.2% to HK\$97.8 billion (HK\$91.2 billion as at 31st December, 2005)
- Cost to income ratio at 35.2% (36.4% for the first half of 2005)
- Capital adequacy ratio at 15.1% (14.9% as at 31st December, 2005)
- Return on average shareholders' fund at 19.1% (18.5% for the first half of 2005)

Wing Hang Bank Reported a New Record First Half Profit of HK\$817.4 Million

For the first six months of 2006, the Group achieved record interim results. Profit attributable to shareholders grew by 16.7 percent to HK\$817.4 million compared with HK\$700.6 million in the same period last year or increase of 26.1 percent when compared with the second half of last year. Earnings per share rose 16.7 percent to HK\$2.78. The Group's operating profit before tax increased by 17.1 percent to HK\$978.2 million. Reflecting this strong performance, the Board has recommended an interim dividend of HK\$0.82 per share, 17.1 percent higher than last year.

Economic growth in Hong Kong has been impressive. First quarter real GDP grew by 8.2 percent over the same period in 2005. Increased household income – supported by growth in both employment and wages - has led to higher domestic consumption. The external trade situation has remained encouraging. Growth in private investment has also accelerated despite interest rate hikes and higher energy prices. As a result of the recovery in the property market in recent years as well as reduced corporate leveraging, the overall quality of loan portfolios in the banking sector has improved.

We have continued to diversify our loan portfolio and achieved good growth during the first half of the year. This was mainly supported by increased lending in Macau, equipment financing, residential mortgage lending on the Mainland as well as residential and consumer lending in Hong Kong. Total advances to customers increased by 3.1 percent to HK\$56.1 billion.

Total deposit growth was also very satisfactory increasing by 7.2 percent to HK\$97.8 billion. Customer deposits grew by 7.5 percent to HK\$92.1 billion. Promotional campaigns for our foreign currency services and attractive mortgage packages have been well received by customers.

Total net interest income rose 16.3 percent to HK\$1,020.2 million supported by the increase in loans. However this was partially offset by a slight decrease in the net interest margin. This declined from 1.86 percent to 1.83 percent because of reduced income from our treasury operations - caused by a flatter yield curve - and pressure from mortgage repricing. Partially offsetting this decrease was a higher return on shareholders' funds thanks to the higher interest rate environment and the wider spread between prime and HIBOR.

Higher contributions from brokerage commissions and foreign currency trading saw our non-interest income rise by 3.7 percent to HK\$454.0 million. However there was a decrease in loan prepayment penalties. Vigorous promotional campaigns have helped to broaden our customer base and enhance cross-selling opportunities.

The Group's cost-to-income ratio continued to improve from 36.4 percent to 35.2 percent thanks to a sustained higher growth in income over costs.

Impairment losses and allowances for impaired loans remained virtually unchanged at HK\$0.8 million due to the general improvement in the economy and stable property prices. For the first six months of 2006, the charge-off ratio for credit cards decreased to 1.52 percent of card receivables compared with 1.89 percent in the same period last year. The level of impaired loans also decreased to HK\$0.48 billion, equivalent to 0.86 percent of total loans.

The Group's adjusted capital adequacy ratio and average liquidity ratio improved to 15.1 percent and 50.8 percent respectively while the loan-to-deposit ratio decreased to 57.4 percent as deposit growth outstripped growth in lending.

The Group's network currently consists of 38 branches in Hong Kong, 12 branches in Macau and one branch each in Shenzhen and Shanghai. As at the end of June 2006, we had a total of 2,338 employees.

Below is a summary of the performances of our individual business operations and the outlook for the second half of the year.

The Retail Banking division recorded a 5.6 percent increase in profit before taxation over the first half of 2005. This was due to strong growth in the retail banking business, especially mortgage, stock trading and wealth management services as well as the foreign currency businesses.

Although demand for loans has remained weak and the competition in the mortgage market has been keen, residential mortgages, which accounted for a substantial 26.0 percent of the total loan portfolio increased 4.6 percent from the beginning of the year. Several of our mortgage packages have proved very popular and competitive compared to other similar products on the market. These include our SuperFirst Mortgage Financing Program, Flexi-Mortgage Plan and HIBOR-Linked Mortgage. We will continue to respond quickly to market changes and provide an innovative range of mortgage packages to directly meet our customers' needs.

The brokerage business has performed extremely well as a result of heavy trading on the local stock market. Growth in brokerage income reached 85.9 percent.

While the wealth management business experienced keen competition in the first half of the year, growth remained stable at 6.3 percent.

Meanwhile the popularity of our foreign currency services has been boosted by large-scale promotional activities. Compared to other market players, both our exchange rates and interest rates remain highly competitive leading to a 5.5 percent increase in total foreign currency deposits.

As a well-known niche player in consumer lending, Wing Hang Credit Ltd. continues to provide a full range of loan services through its 16 branches and business centers. Our enlarged network and increasing number of point-of-sales outlets have helped to promote a full range of loan products across Wing Hang Bank and Wing Hang Credit. For instance there was an overwhelming response to our Personal Loan Program and Tax Loan Program creating significant demand for new loans. As a result, total consumer loans grew by 10.3 percent compared to the same period last year.

Indeed the consumer lending division has continued to expand its branch network, diversify loan services and explore new business opportunities. While professionalism and a customer-oriented approach are strong characteristics of the company, Wing Hang Credit has also strived to establish a brand image in new market segments. Taking advantage of this strong position, the company will further enhance its performance over the forthcoming years as it strives to become a pioneer in the consumer lending industry.

The Corporate Banking division recorded a 23.7 percent increase in profit before taxation. We continued to participate actively in the Government's SME Loan Guarantee Scheme and, in cooperation with our Shenzhen Branch, provide credit facilities to local clients who have shifted their manufacturing operations to the Mainland.

Turning to our vehicle and equipment-financing business, Wing Hang Finance has achieved consistent growth as more effort has been placed on developing the business in China where returns are higher. This has also helped to improve the overall yield of the loan portfolio despite the rising costs of funds.

In Macau, Banco Weng Hang continues to perform well, helped by a buoyant economy. Macau's GDP growth surged by 18.8 percent in the first quarter following the relatively mild growth of 6.7 percent achieved in 2005. Profit after tax grew by 14.6 percent to 115.5 million Macau patacas. This increase would have been 24.3 percent if a tax refund had been excluded from last year's figures. Net interest income grew by 36.6 percent while non-interest income remained flat due to last year's significantly higher treasury

income, the exclusion of which would have seen growth of 32.1 percent. Total advances to customers and customer deposits have grown by 15.7 percent and 14.1 percent respectively since the end of last year.

We continue to make improvements to our branch network. Recently a new branch was opened in a prominent location in Hong Kong and we will continue to look for other strategic locations to open more branches. We also plan to open more wealth management centers in convenient locations in order to provide a seamless service to our high net-worth customers.

We will also continue our expansion program in Mainland. In the first quarter, we opened our Shenzhen sub-branch. Meanwhile our new Guangzhou branch will be operative in the fourth quarter of the year. More sub-branches will be opened in other cities as part of our strategy of expanding our Mainland network in preparation for the complete opening of China's banking sector by the end of 2006.

The business outlook for the second half of the year remains challenging due to the risk of rising domestic interest rates impacting loan growth. Consumer price inflation has crept up, however, reduction in import prices of consumer goods will alleviate inflationary pressure. Due to increasing intra-regional trade especially with the Mainland, exports and re-exports are expected continue to grow. Domestically, increasing wages with increasing job openings should bolster consumer spending. Rising investment spending indicates a robust investor confidence on economic outlook. With a stronger economic growth, activity in the property market should return. We will continue to expand our business in the high-growth markets of Macau and Mainland. With a larger operating platform and customer base, we will focus on broadening our non-interest income and expanding our consumer lending businesses while maintaining tight control over costs.