

WING HANG BANK LIMITED
2006 FINAL RESULTS – HIGHLIGHTS

- Profit attributable to shareholders was up 23.1% to HK\$1,660.7 million (New Record) (HK\$1,348.7 million for 2005)
- Earnings per share increased by 23.1% to HK\$5.65 (HK\$4.59 for 2005)
- Total dividends increased by 22.6% to HK\$2.82 (HK\$2.30 for 2005)
- Profit before taxation up 22.6% to HK\$1,981.3 million (HK\$1,615.8 million for 2005)
- Net interest margin of interest bearing assets fell 4 basis points to 1.90%
- Net interest income up 11.0% to HK\$1,918.7 million (HK\$1,729.1 million for 2005)
- Non-interest income up 14.3% to HK\$1,018.7 million (HK\$891.6 million for 2005)
- Operating expenses up 10.1% to HK\$1,074.4 million (HK\$975.8 million for 2005)
- Impairment losses and allowances for loans was HK\$0.8 million (HK\$54.1 million for 2005)
- Advances to customers increased 7.8% to HK\$58.6 billion (HK\$54.4 billion as at 31st December, 2005)
- Total deposit increased 17.8% to HK\$107.5 billion (HK\$91.2 billion as at 31st December, 2005)
- Cost to income ratio at 36.6% (37.2% for 2005)
- Capital adequacy ratio at 15.2% (14.9% as at 31st December, 2005)
- Return on average shareholders' fund at 18.9% (17.1% for 2005)

Wing Hang Bank Reported a New Record Profit of HK\$1,660.7 Million

The Wing Hang Bank Group achieved record results in 2006 underpinned by strong economic growth in Hong Kong and China. Profit attributable to shareholders grew by 23.1 percent to HK\$1,660.7 million compared to HK\$1,348.7 million in 2005. Basic earnings per share rose 23.1 percent to HK\$5.65. The Board has recommended a final dividend of HK\$2.00 per share. Together with the interim dividend of HK\$0.82 paid on 18th September, 2006, the total distribution for the year amounted to HK\$2.82 per share representing an increase of 22.6 percent over 2005.

Hong Kong's economic expansion has been impressive. Real GDP grew by 6.8 percent in the third quarter of 2006 following an annual growth rate of 7.3 percent in 2005. Exports of goods and services grew by 8.9 percent reflecting China's substantial economic growth and a strong tourism industry. The stock market has also performed well since the second half of the year as a result of abundant liquidity and strong demand for new listings. In the property sector, prices have picked up slightly since 2005. The unemployment rate fell to a six-year low of 4.4 percent while the rate of inflation as measured by the CPI advanced to 2.3 percent in December 2006.

Short-term U.S. interest rates continued to rise in the first half of 2006 following increases in the Fed Funds rate. Hong Kong dollar interest rates rose in tandem but were reduced in the second half of the year due to the build-up of liquidity and a pause in tightening by the Federal Reserve in August.

Meanwhile asset quality continues to improve along with better economic conditions and the relatively low interest rate environment.

Profit before taxation increased 22.6 percent to HK\$1,981.3 million due to an increase in total operating income and a decrease in the impairment allowance. The Group's total operating income increased by 12.1 percent to HK\$2,937.4 million fuelled by a rise in both net interest income and non-interest income.

Net interest income increased by 11.0 percent to HK\$1,918.7 million as higher loan volumes partially offset by thinner net interest margins on interest bearing assets. These margins came

under pressure falling from 1.94 percent to 1.90 percent due to a reduction in income from our treasury operations (caused by a flatter yield curve) and pressure from mortgage re-pricing. This was partially offset by strong loan growth, higher returns on shareholders' funds and a wider spread between prime and HIBOR.

Non-interest income rose 14.3 percent to HK\$1,018.7 million supported by increases in share brokerage commissions, treasury dealing income and wealth management commissions.

Total operating expenses increased 10.1 percent to HK\$1,074.4 million due to higher staff costs and depreciation expenses. Nevertheless the Group's cost-to-income ratio improved from 37.2 percent to 36.6 percent due to sustained higher growth in income over costs.

The impairment allowance decreased to HK\$0.8 million thanks to higher property prices and a general improvement in the economy. For 2006, the charge-off ratio for credit cards remained unchanged at 1.52 percent of credit card receivables. The level of impaired loans decreased to HK\$0.36 billion, or 0.62 percent of total loans.

Total advances to customers increased 7.8 percent to HK\$58.6 billion on the back of higher demand for residential and investment mortgages, consumer financing and share financing. Loan demand was also robust at the Group's China and Macau operations where growth was recorded at 18.7 percent and 26.4 percent respectively.

Total deposits increased by 17.8 percent to HK\$107.5 billion and customer deposits increased 19.1 percent to HK\$102.1 billion, with a substantial increase in demand and savings deposits. Deposit growth was partly supported by increased stock market activity, an expanded branch network and the successful promotion of the Elite Banking concept targeting high net-worth customers.

Return on average assets and average shareholders' funds stood at 1.47 percent and 18.9 percent respectively. The Group's capital adequacy ratio as at 31st December, 2006 and average liquidity ratio in 2006 stood at 15.2 percent and 51.6 percent respectively while the loan to deposit ratio eased slightly to 54.6 percent due to an increase in deposit volumes.

The Retail Banking division achieved a 22.0 percent increase in profit before taxation over 2005, mainly fuelled by strong growth in both net interest income and non-interest income.

The stock market experienced a pronounced increase in turnover in the second half of 2006 and consequently income derived from stock trading grew by 82.7 percent. The 31.9 percent increase in demand and savings deposit growth was stimulated by this activity.

The popularity of our foreign exchange service was boosted by a marketing campaign in the first half of the year and as a result foreign currency deposits grew by 5.3 percent.

In the first half of 2006, residential mortgages performed very well. Although market competition was keen in the second half of the year, careful strategic planning allowed us to sustain a good overall performance. For the year as a whole, residential mortgages grew by an above-market rate of 5.6 percent.

There was further branch expansion during the year. One new branch was opened and two branches were relocated to larger sites. Several branches were renovated to create a more comfortable environment for our customers. The Group will continue to look for strategic locations to expand our branch network and to search for larger premises for existing branches so we can better cross sell our various products.

The Group currently has 38 branches in Hong Kong, 13 branches in Macau and 3 branches and 1 sub-branch in the Mainland employing at total workforce of 2,436 as at the end of December 2006.

A real-time HK-Macau remittance service was launched in the first quarter of 2006. This enables our customers to switch their funds between Hong Kong and Macau instantly.

Wing Hang Credit, which maintains a leading position in the consumer lending market, achieved record volumes in its loan portfolio in 2006 growing by 11.1 percent. There was continued emphasis on product diversification and service excellence throughout the year.

Wing Hang Credit has developed a strong reputation for its range of loan services provided through its 17 branches and business centers. The company will further expand its business in 2007 by reinforcing its brand image and exploring more delivery channels.

Wing Hang Finance is a market leader in the auto and equipment finance industry. It extends credit facilities to consumers and small and medium enterprises (SMEs) both in Hong Kong and China. During the year, Wing Hang Finance maintained its loan assets despite keen price competition in the local auto finance business.

Taking advantage of the enormous growth potential in equipment and auto financing in China, the company has expanded its business activities in that market. Growth in 2006 reached 9.0 percent.

The introduction of a wider range of investment products and greater emphasis on promotion to our high net worth customers helped the Wealth Management commission increased by 18.9 percent over the year. New openings of wealth management centers in Causeway Bay and Tsuen Wan also enabled us to increase business development opportunities.

It was a very challenging year for the general insurance business because of the keenly competitive environment. Although we also faced increased competition in 2006, our insurance subsidiaries and associated companies achieved favorable results in investment income.

The ongoing promotion of life insurance and MPF services will continue to be our main focal point in 2007. The Insurance Agency License acquired by our Shenzhen Branch has been activated to provide insurance services to our customers in China.

Wing Hang Share Brokerage, the Bank's share broking arm, performed very well with a 82.7 percent growth in commissions due to active trading on the stock market. To improve efficiency, we will continue to encourage retail investors to execute transactions through automatic channels such as our Internet trading platform.

The Corporate Banking Division recorded a 41.4 percent increase in profit before taxation. The volume of trade financing remained steady in 2006 due to a repayment by a large corporate borrower. Throughout the year we actively encouraged customers to utilize credit facilities while closely monitoring the business performances of various industry sectors. The Corporate Tax Loan program launched in the last quarter of 2006 received an encouraging response and attracted a number of good quality SME customers.

The division will continue to focus on developing more trade related businesses such as Factoring and Invoice Discounting for our export customers. We also plan to cross sell more financial products to our existing corporate customers.

The Bank's Treasury division accounted for 6.42 percent of Group operating profit before impairment allowances through yield enhancement of our surplus funds. This has been partly achieved by investing excess liquidity in high-grade investment bonds and debt securities. The decrease in operating profit was mainly due to a flatter yield curve in 2006. We believe performance should improve with the re-pricing of our debt portfolio in 2007.

Advances to customers for use in China increased by 18.7 percent as our customers continued to expand their businesses. During the year, we added Guangzhou branch to our network which includes branches in Shanghai and Shenzhen as well as a Beijing representative office and a sub-branch in Shenzhen. We plan to devote more resources to develop the distribution network and increase product variety in the retail banking business.

In Macau, Banco Weng Hang ("BWH") continues to perform exceptionally well as the territory experiences robust economic growth. Macau's GDP grew by 11.4 percent in real terms in the first three quarters of 2006 compared with 6.5 percent growth for the whole of 2005. Operating profit before impairment allowances increased by 27.0 percent to Macau patacas 284.8 million underpinned by continuous expansion in the recreation industry and a buoyant property market. Net interest income increased by 27.6 percent while non-interest income increased by 22.2 percent. Loans and deposits grew by 26.4 percent and 35.1 percent respectively since the end of the previous year.

Looking ahead, global economic growth should stabilize in 2007 despite uncertainties over the U.S. housing market. Gradual banking and financial liberalization in China should also provide more opportunities for Hong Kong's financial industry.

Consequently we will continue to expand our business in high growth areas such as Macau and China. In this respect, we have obtained preliminary approval to establish a subsidiary bank in China. This subsidiary will be able to provide Renminbi banking service to Chinese nationals and will, therefore, offer immense opportunities to expand our Renminbi deposit. We expect the subsidiary bank will begin operation in the third quarter of 2007. We also plan to upgrade Beijing Representative Office to a Branch and open sub-branches in Shenzhen and Guangzhou. The growth strategy in China will be complimented by the additional hiring of 100 staff. Similarly, to cope with the business growth we will add 40 new staff for BWH.

In another move to expand our customer base and gain more cross-selling opportunities, we acquired Inchroy Credit Corporation in January 2007. The company is engaged in the hire purchase and lease financing business. Assets from Inchroy will help double the volume of hire-purchase business of Wing Hang Finance and we expect the acquisition to be income accretive in 2007.

Domestically, we will strive to continuously improve our businesses through product innovation and better service. In an effort to broaden our wealth management business and expand our consumer lending businesses, we plan to open three more branches and add two Wing Hang Credit outlets in 2007. In line with our growth plan, we will add 60 new staff. At the same time we will continue to improve efficiency across the Group's operations by streamlining the operation where appropriate.