

WING HANG BANK LIMITED
2007 FINAL RESULTS – HIGHLIGHTS

- Profit attributable to shareholders was up 22.3% to HK\$2,030.6 million (New Record) (HK\$1,660.7 million for 2006)
- Earnings per share increased by 22.0% to HK\$6.89 (HK\$5.65 for 2006)
- Total dividends increased by 21.6% to HK\$3.43 (HK\$2.82 for 2006)
- Profit before taxation up 18.3% to HK\$2,344.2 million (HK\$1,981.3 million for 2006)
- Net interest margin of interest bearing assets fell 5 basis points to 1.90%
- Net interest income up 13.7% to HK\$2,417.5 million (HK\$2,125.9 million for 2006)
- Other operating income up 41.2% to HK\$1,120.4 million (HK\$793.7 million for 2006)
- Operating expenses up 21.5% to HK\$1,305.7 million (HK\$1,074.4 million for 2006)
- Impairment losses and allowances for loans was HK\$1.5 million (HK\$0.8 million for 2006)
- Advances to customers increased 27.2% to HK\$74.6 billion (HK\$58.6 billion as at 31st December, 2006)
- Total deposit increased 11.7% to HK\$120.1 billion (HK\$107.5 billion as at 31st December, 2006)
- Cost to income ratio at 39.7% (36.6% for 2006)
- Capital adequacy ratio at 16.7% (15.2% as at 31st December, 2006)
- Return on average shareholders' fund at 20.5% (18.9% for 2006)

Wing Hang Bank Reported a New Record Profit of HK\$2,030.6 Million

The Group achieved record profits in 2007. Profit attributable to shareholders increased by 22.3 percent to HK\$2,030.6 million compared to HK\$1,660.7 million in 2006. Earnings per share rose 22.0 percent to HK\$6.89. The Board has recommended a final dividend of HK\$2.47 per share. Together with the interim dividend of HK\$0.96 paid on 24th September, 2007, the total dividend distribution amounts to HK\$3.43 per share, 21.6 percent higher than the previous year.

The strong performance followed another year of robust economic growth in Hong Kong. Real GDP grew by 6.2 percent in the third quarter of 2007 following an annual growth rate of 6.8 percent in 2006. Demand from consumption and investments were strong. Export of goods and services grew by 7.4 percent amid Mainland's substantial economic growth. Stock market turnover and investment also surged during the year with more new company listings and ample market liquidity. Despite the sub-prime mortgage crisis in the U.S. and uncertainty over the health of its economy, local property prices picked up substantially in the second half of the year as home buyers and investors anticipated lower mortgage rates. The unemployment rate fell to 3.4 percent while the inflation rate advanced moderately to 3.8 percent in December from 2.3 percent a year ago.

Short-term U.S. interest rates surged in the third quarter of 2007 due to tighter liquidity in the money markets and Hong Kong interest rates rose in parallel with those in the U.S. Subsequently, when the Federal Reserve started to cut interest rates and injected liquidity to the market in September, Hong Kong interest rate also began to fall in mid-October.

The robust economy has led to an improvement in asset quality. This has also enabled Wing Hang Bank to achieve satisfactory asset growth locally in areas such as residential and investment mortgages, share financing, consumer lending as well as its operations on the Mainland and in Macau. However, interest margin on loans, especially for mortgage, was under pressure as a result of high liquidity and fierce competition.

The Group's operating profit increased by 6.6 percent to HK\$1,984.4 million due to an increase in net interest income as well as other operating income. Excluding the net loss from financial instruments held for trading and measured at fair value, the operating profit increased 20.9 percent over the same period last year.

An increase in loan volumes offset lower interest margins leading to a 13.7 percent increase in net interest income to HK\$2,417.5 million. The net interest margin fell from 1.95 percent to 1.90 percent as a result of mortgage re-pricing pressure and a narrower spread between Prime and HIBOR.

As a result of record stock market turnover and a strong performance by our wealth management service, other operating income rose by 41.2 percent to HK\$1,120.4 million.

The net loss from financial instruments held for trading and measured at fair value stood at HK\$246.3 million reflecting markdown of debt investments in collateralised debt obligations.

Total operating expenses increased by 21.5 percent to HK\$1,305.7 million mainly as a result of the acquisition of Inchroy Credit Corporation Ltd and investment in business expansion. Consequently the Group's cost-to-income ratio increased from 36.6 percent to 39.7 percent. Excluding the loss from financial instruments held for trading and measured at fair value, the cost-to-income ratio remained the same as last year at 36.9 percent.

Impairment losses and allowances charged on loans and advances of HK\$1.5 million remained unchanged due to higher property prices and the continued improvement in the economy. The charge-off ratio for credit cards decreased to 1.30 percent of credit card receivables from 1.52 percent in 2006. The level of impaired loans decreased to HK\$0.33 billion, or 0.44 percent of total loans and advances to customers.

Advances to customers increased by 27.2 percent to HK\$74.6 billion amid satisfactory growth in residential and investment mortgages, consumer lending and share financing as well as the strong performance of our China and Macau operations. The acquisition of Inchroy Credit Corporation Limited in January 2007 also contributed to this growth.

Total deposits increased 11.7 percent to HK\$120.1 billion and customer deposits also increased 11.7 percent to HK\$114.0 billion, with a substantial increase in both demand and savings deposits. Deposit growth was partly fuelled by the higher turnover on the stock market, an expanded branch network and the successful promotion of the Elite Gold Banking concept targeting high-net-worth customers.

The return on average assets and average shareholders' funds stood at 1.53 percent and 20.5 percent respectively. During the year, the Bank successfully completed an issue of step-up perpetual subordinated notes with a nominal value of US\$400 million. The funds raised provide the Group with considerable scope to expand our business while maintaining an efficient capital structure. The Group's capital adequacy ratio stood at 16.7 percent as at 31st December 2007. In May 2007, the Bank's credit rating was raised one notch from A3 to A2 by Moody's Investors' Service, Inc.

Our retail banking operations recorded a 27.1 percent increase in profit before taxation compared with 2006 largely as a result of solid loan growth, a strong performance in wealth management services and higher stock trading commissions.

In the first half of 2007 the residential mortgage business performed very well achieving better pricing than in the corresponding period in 2006. Although market competition continued to be keen in the second half of the year, careful strategic planning enabled the business to flourish. A direct marketing program boosted Home Ownership Scheme loan growth by 38.3 percent. For the year as a whole the residential mortgage business grew by 14.4 percent. One innovative program launched during the year was the "Step-up Repayment Mortgage Plan". This proved very popular and was well received by our customers.

Activity on the local stock market was extremely buoyant in 2007. As a result, commission income from customer stock trading services grew by 139.2 percent over the previous year. In tandem with this growth, our demand and savings deposits grew by 9.0 percent.

Several branches were renovated to create a more comfortable environment for our customers. We will continue to focus on branch network expansion as well as enhancement of our existing branches. In addition there will be a sustained effort to further improve the level of service to our customers and offer more innovative products to meet their needs.

The Group's distribution network currently comprises 40 branches in Hong Kong, 13 branches in Macau and 4 branches and 2 sub-branches in the Mainland. As at the end of December 2007 the Group employed a total of 2,833 staff.

Favourable economic conditions coupled with buoyant equity market sentiment led to strong demand for wealth management products offering higher returns. As a result, our wealth management business performed well achieving 55.9 percent profit growth over the previous year. This excellent performance resulted from private placements and investments bought by high-net-worth customers. In addition, the introduction of the Elite Gold Banking service helped to expand our customer base. Moving forward, we commit to provide enhanced services and more structured products to meet the needs and investment objectives of our high-net-worth clients.

The Group continued to expand its personal loan business through its wholly owned subsidiary Wing Hang Credit Limited with the introduction of a series of tax and revolving loan products. For the year under review, the company maintained its leading position in the consumer lending market by achieving 13.0 percent growth in total loans. This was a reflection of the successful promotional campaigns for both tax loan and personal loan products. Brand building efforts and product diversification were reinforced to sustain the company's market competitiveness.

Wing Hang Credit is committed to maintaining its position as a market leader by delivering excellent customer service through its network of 20 branches and business centers. The company will further strengthen its market position by expanding its customer base and exploring new sales channels.

The Group's wholly owned subsidiary Wing Hang Finance Company Limited, which engages in auto and equipment leasing business, specialises in providing financing to Hong Kong manufacturers with operations in the Pearl River Delta region. During the year, the company achieved 16.2 percent growth in loan assets. Profitability for this fixed rate portfolio was enhanced due to the lower cost of funds in the last quarter of 2007.

Inchroy Credit Corporation, which was acquired by the Group in January 2007, maintained a stable business portfolio and contributed better-than-expected returns.

The success of these two companies has enabled the Group to become a market leader in the local auto and equipment financing sector.

The Group's corporate banking customers are primarily small to medium sized enterprises engaged in a broad range of industries in Hong Kong, Macau and the Pearl River Delta region. In 2007, the Corporate Banking division recorded a 9.7 percent increase in operating income. Our corporate customer base was further broadened during the year attracting leading companies from various trade and industrial sectors. A receivable financing service was introduced to boost the trade business. The division will continue to work jointly with Wing Hang Bank (China) Ltd by providing trade services to corporations in both territories.

Loans for use in China increased by 30.5 percent to HK\$12.1 billion due to strong demand as many of our long-standing customers continue to expand their operations in the Mainland. In June 2007, we reached a new milestone when Wing Hang Bank (China) Ltd was established in Shenzhen. Wing Hang Bank (China) will offer a full range of RMB services to local residents. This enables us to better service our existing customers as well as expand our customer base. At present, we have four branches and two sub-branches in the Mainland.

It was another challenging year for the insurance business in the face of keen competition. Bancassurance is one way to diversify fee income and our aim is to offer a full range of insurance services to our customers. During the year, our insurance division managed to achieve a modest growth in business volume.

Our Insurance Agency Department was set up in Shenzhen in 2007 and since then it has been running smoothly. This year we plan to provide a comprehensive range of insurance services to our customers in the Mainland.

Our strategic investments in Wing Hang Zurich Insurance, Hong Kong Life and Bank Consortium Trust achieved excellent returns in 2007. However, with uncertainty over the economic environment in 2008, we expect it will be more challenging.

Wing Hang Share Brokerage, the Bank's share broking arm, achieved excellent growth of 139.2 percent in commission over the previous year mainly due to the robust stock market and pro-active promotion of our services to customers. To further improve efficiency, the brokerage division will continue to upgrade its trading capacity and encourage retail investors to execute transactions through automatic channels including the Internet trading platform.

The major source of income in the treasury business is from services provided to customers in foreign exchange and treasury products. In 2007 the treasury business experienced a difficult year as a result of unrealised losses on financial instruments held for trading and measured at fair value. Partially offsetting these mark-to-market losses was an increase in net interest income on our fixed-rate debt investments. The lower interest rate environment should continue to benefit our fixed rate portfolio.

In Macau, Banco Weng Hang continued to perform exceptionally well amidst robust economic growth. In the first three quarters of 2007 Macau's GDP grew by 29.5 percent in real terms over the previous year after recording 17.0 percent growth in 2006. Profit before taxation increased by 34.7 percent to 383.2 million Macau patacas fuelled by the continuous expansion of the leisure industry and the property market. Net interest income grew by 20.2 percent while non-interest income grew by 63.8 percent partly due to an increase in fee income from wealth management and share trading. Loans and deposits grew by 43.6 percent and 6.1 percent respectively from the end of 2006.

In the year ahead, Asian economic growth should continue to improve despite uncertainties regarding the U.S. economy and tighter monetary policies imposed by the Mainland. Gradual banking and financial liberalisation on the Mainland should provide more opportunities for expansion.

We will continue to expand our business in high growth areas such as Macau and the Mainland. There are also opportunities to broaden our customer base across our network of branches and wealth management centers through cross selling. This will enable us to further diversify our fee income and expand our consumer lending businesses. Product innovation and excellent customer service are critical to success in the banking business and these are two core areas that we will continue to focus on. At the same time, we are keenly aware of the importance of maintaining a prudent lending policy.

Cost control is another important area for the bank. We will achieve this by investing in information technology and streamlining our operations.