WING HANG BANK

WING HANG BANK LIMITED
2008 INTERIM RESULTS – HIGHLIGHTS

- Profit attributable to shareholders down 1.9% to HK$938.1 million
(HK$956.3 million for the first half of 2007)

- Earnings per share was HK$3.18
(HK$3.25 for the first half of 2007)

- Interim dividend was HK$0.96 same as the first half of 2007

- Operating profit before impairment losses and allowances for loans up 10.3% to HK$1,146.9 million
(HK$1,039.7 million for the first half of 2007)

- Net interest margin of interest bearing assets up 2 basis points to 1.94%
(1.92% for the first half of 2007)

- Net interest income up 12.5% to HK$1,310.3 million
(HK$1,164.2 million for the first half of 2007)

- Non-interest income up 15.9% to HK$563.4 million
(HK$486.2 million for the first half of 2007)

- Operating expenses up 19.0% to HK$726.8 million
(HK$610.7 million for the first half of 2007)

- Impairment losses and allowances for loans was HK$45.2 million
(release of HK$2.5 million for the first half of 2007)

- Advances to customers increased 9.2% to HK$81.4 billion
(HK$74.6 billion as at 31st December, 2007)

- Customer deposit increased 3.4% to HK$117.8 billion
(HK$114.0 billion as at 31st December, 2007)

- Cost to income ratio at 38.8%
(37.0% for the first half of 2007)

- Capital adequacy ratio at 16.1%
(16.7% as at 31st December, 2007)

- Return on average shareholders' fund at 17.4%
(19.9% for the first half of 2007)

Wing Hang Bank Reported a Profit of HK$938.1 Million

For the first half of 2008, profit attributable to shareholders of Wing Hang Bank amounted to HK$938.1 million, representing a decrease of 1.9 percent compared with HK$956.3 million in the same period last year. Earnings per share was HK$3.18. The Board has recommended an interim dividend of HK$0.96 per share, the same as last year.

In spite of a weak stock market and global financial turbulence, Hong Kong's real GDP grew by 7.1 percent in the first quarter due to strong private consumption and investment demand. However, private investment was softer in the second quarter largely because of the weak US economy and continued problems in global credit markets. The property market consequently softened after a strong performance in late 2007 and early 2008.

The Group's loan portfolio continued to grow in the first half of the year. Most of this achievement was driven by our trade, auto and equipment financing divisions. It was also supported by investment and residential mortgage demand in Hong Kong and the Mainland. Total advances to customers increased by 9.2 percent to HK$81.4 billion.

Here are some other key financial statistics for the period under review:

- Total deposit growth increased by 0.8 percent to HK$121.1 billion while customer deposits were 3.4 percent higher at HK$117.8 billion.

- The Group's operating profit before impairment losses increased by 10.3 percent to HK$1,146.9 million due to a rise in net interest and non-interest income.

- Net interest income increased by 12.5 percent to HK$1,310.3 million as a result of higher loan volumes and a widening of net interest margins which increased from 1.92 percent to 1.94 percent. This was also supported by an improvement in treasury operations. Partially offsetting this increase was lower yield on our interest free fund.

- Non-interest income rose 15.9 percent to HK$563.4 million due to higher loan commissions, foreign exchange trading income and wealth management commissions. Net losses from financial instruments held for trading and designated at fair value was HK$7.1 million reflecting an unrealised loss arising from the change in fair value of the CDOs, debt security investments and credit derivatives held by the Bank. Partially offsetting these losses was the unrealised gain arising from a change of credit spread in our perpetual subordinated debt.

- Total operating expenses increased by 19.0 percent to HK$726.8 million mainly due to our business expansion. Consequently the Group's cost-to-income ratio increased slightly from 37.0 percent to 38.8 percent.

- Impairment losses and allowances for impaired loans for the first half of 2008 was HK$45.2 million and the impaired loans as of 30th June, 2008 stood at HK$405.6 million, equivalent to 0.50 percent of total loans. Meanwhile the charge-off ratio for credit cards decreased to 1.24 percent of credit card receivables compared with 1.93 percent previously.

- As at 30th June 2008 the Group's average liquidity ratio stood at 45.1 percent, the loan-to-deposit was 67.3 percent and the capital adequacy ratio was 16.1 percent.

The Group's branch network continues to expand. Currently we have 40 branches in Hong Kong, 12 branches in Macau and 4 branches and 2 sub-branches in the Mainland. As at the end of June 2008, we employed a total of 3,018 staff.

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

Retail Banking achieved steady growth in business and benefited from stronger trade financing demand, higher Renminbi ("RMB") deposits and wealth management services. As a result, profit before taxation increased by 11.2 percent.

Customer deposits grew by 3.4 percent following the success of our deposit marketing program.

Competition in the mortgage market has been very keen. Residential mortgages, which accounted for 21.0 percent of our total loan portfolio, increased by 1.8 percent over the end of last year. However, there was stronger demand for Home Ownership Scheme mortgages which grew by 23.2 percent following a successful marketing program. As always we will continue to respond quickly to market changes and provide flexible mortgage packages to meet our customers' needs.

The Securities Trading business experienced a slowdown as share prices declined. Revenues decreased by 12.7 percent. However, the Wealth Management and Investment businesses achieved steady growth of 6.6 percent in spite of keen competition and relatively quiet equity markets. This growth was largely fueled by increased demand for currency-related structured products. We have also taken the opportunity to cross sell investment products across our SME customer network.

Wing Hang Credit launched several impressive and creative advertising campaigns in the first half of 2008. The subsidiary has regularly benchmarked its marketing program against those of its competitors to ensure that its customers continue to benefit from the best deals.

Wing Hang Credit now has 21 branches and business centres in Hong Kong and is committed to introducing innovative loan products and providing professional services to a range of customer segments. The company plans to further consolidate its leading market position by attracting new customers and expanding the business.

Wing Hang Finance Company Ltd. has maintained steady growth of 8.5 percent in loan assets, with profitability enhanced by the lower cost of funding coupled with a higher yield from equipment financing.

Its sister unit Inchroy Credit Corporation Ltd., which was acquired in early 2007, has also maintained a steady business portfolio and contributed good returns in the current low interest rate environment.

Both companies have successfully elevated the Group to its current position as a market leader in the local auto and equipment financing sector.

Corporate Banking recorded a 21.6 percent increase in operating income driven by the good performance of several key businesses. Firstly we continued to participate actively in the Government's SME Loan Guarantee Scheme. Secondly, in cooperation with Wing Hang Bank (China) Ltd. ("WHBCL"), we have continued to offer financing solutions to our corporate clients who have shifted their operations to the Mainland. Thirdly, there was increased demand for trade financing - which grew by 14.9 percent - as we actively encouraged our customers to utilise their credit facilities.

Loans for use in the Mainland increased by 14.9 percent to HK$13.9 billion due to continued strong demand. WHBCL was established in Shenzhen in 2007 to serve our expanding customer base in the Mainland and to support our business expansion strategy. WHBCL now has 3 branches and 2 sub-branches across the country and through this network we soon plan to introduce RMB services to local individuals. In addition, we plan to expand the network by opening more branches particularly in the Pearl River Delta region in cities such as Shenzhen and Guangzhou. In other parts of the country, we will open a sub-branch in Shanghai and plans are under way to upgrade the Beijing representative office to full branch status. The decision to devote more resources to upgrade the branch network and increase product variety mirrors our overall expansion strategy in China's banking sector. The China business is expected to deliver strong growth in the coming years.

Treasury accounted for 17.1 percent of the Group's profit before taxation. This was achieved through yield enhancement of our fixed rate portfolio due to lower interest rate environment as well as increases in foreign exchange trading service and treasury products.

Banco Weng Hang achieved satisfactory results in a challenging environment. While Macau's GDP continued to grow at a torrid pace, near double-digit inflation exerted considerable pressure on operating expense. Net profit for the period increased by 3.2 percent to 170.6 million Macau patacas, while the 10.2 percent increase in total operating profit was partly offset by an increase in costs. Net interest income grew by 13.0 percent as a result of improved interest margins, while non-interest income recorded a more modest increase of 4.3 percent as growth in fee income from share brokerage services and wealth management eased. Loans grew by 1.9 percent compared with the end of last year or increased 32.9 percent compared with a year ago. Customer deposits shrank by 7.3 percent reflecting a general market trend in Macau.

Looking forward the Group believes that building a reputation in Corporate Social Responsibility ("CSR") will earn the respect and trust of all our stakeholders including customers, employees, business partners, shareholders and the public. We recognise that good corporate citizenship reflects the strength of our brand and our values.

Apart from volunteer services supporting the local communities and energy conservation programs in Hong Kong and Macau, our CSR activities have extended to the Mainland. For instance, during the winter months, the Group donated HK$200,000 to the Hong Kong Red Cross China Relief Fund to assist people affected by snowstorms. In late May, the Group, its staff and customers offered help to the victims of the Sichuan earthquake by donating more than HK$5 million to Oxfam, the Macau Red Cross and various charity organisations in the Mainland.

The operating environment will remain challenging in the second half of the year due to higher inflation and the continued uncertainty in global financial and credit markets. Profitability will continue to be affected by the intense price competition on deposits and pressure on net interest margins. In response to this challenging environment we will continue to expand our business in the high-growth markets of Macau and the Mainland as well as by cross-selling products among subsidiaries. This will be enhanced by our commitment to provide more innovative products and a superior level of service to our customers. Growth will also be achieved by broadening the non-interest income side of our business and expanding consumer lending while managing costs. With a bigger customer base and operational platform we remain confident of maintaining our successful track record on delivering long-term growth.