WING HANG BANK LIMITED
2010 INTERIM RESULTS – HIGHLIGHTS

- Profit attributable to shareholders up 48.5% to HK$761.4 million
  (HK$512.6 million for the first half of 2009)
- Earnings per share increased by 48.3% to HK$2.58
  (HK$1.74 for the first half of 2009)
- Interim dividend increased by 50.0% to HK$0.30
  (HK$0.20 for the first half of 2009)
- Profit before taxation up 54.8% to HK$927.4 million
  (HK$599.0 million for the first half of 2009)
- Net interest margin of interest bearing assets up 12 basis points to 1.91%
  (1.79% for the first half of 2009)
- Net interest income up 13.6% to HK$1,320.4 million
  (HK$1,161.9 million for the first half of 2009)
- Other operating income up 9.9% to HK$436.0 million
  (HK$396.6 million for the first half of 2009)
- Operating expenses down 2.7% to HK$775.8 million
  (HK$797.5 million for the first half of 2009)
- Impairment losses and allowances for loans released HK$50.2 million
  (Charged HK$84.0 million for the first half of 2009)
- Advances to customers increased 12.0% to HK$90.2 billion
  (HK$80.5 billion as at 31st December, 2009)
- Customer deposit decreased 1.6% to HK$124.2 billion
  (HK$126.2 billion as at 31st December, 2009)
- Cost to income ratio at 48.8%
  (53.4% for the first half of 2009)
- Core capital adequacy ratio at 10.4%
  (10.7% as at 31st December, 2009)
- Capital adequacy ratio at 17.0%
  (17.8% as at 31st December, 2009)
- Return on average shareholders' fund at 12.0%
  (9.4% for the first half of 2009)

Wing Hang Bank Reported a Profit of HK$761.4 Million

For the first half of 2010, profit attributable to the shareholders of Wing Hang Bank increased by 48.5 percent to HK$761.4 million compared to the same period last year. Earnings per share rose 48.3 percent to HK$2.58. The Board has recommended an interim dividend of HK$0.3 per share. This represents an increase of 50.0 percent over the previous period.

Hong Kong's economy improved significantly in the first half. This was supported by strong growth in China, the Hong Kong Government's ongoing support for SMEs, a steady recovery in the United States as well as a low interest-rate environment.

Real GDP grew at 8.2 percent in the first quarter over the same period the year before, higher than the moderate growth of 2.5 percent achieved in the fourth quarter of 2009. There was robust growth in merchandise trade and retail sales in the first half. Exports in the first half of 2010 grew by 25.1 percent and imports jumped 31.9 percent over the same period last year. Higher import growth compared to export growth reflected strong domestic demand. Retail sales grew by 17.9 percent in the same period supported by a recovering job market and a rise in visitor spending.

The buoyant economy has been generally good for the banking industry. Our asset quality has remained sound as a result of an effective credit risk monitoring system. We were also able to achieve good loan growth in areas such as residential mortgages, SME financing, consumer lending as well as our Mainland and Macau operations.

Loan demand was supported by the strong GDP growth and increased demand for loans for use outside Hong Kong. This led to a substantial increase in the loan-to-deposit ratio and consequently higher deposit rates in the second quarter as competition for deposits heightened. Low mortgage rates and increases in property prices and transaction volumes fueled an increase in mortgage lending. Total loan volume increased by 12.0 percent during the first half of 2010. In contrast, customer deposits decreased slightly by 1.6 percent due to fierce competition. The situation in Macau was similar as loans increased by 17.4 percent. Loan growth for use in Mainland China reached 26.4 percent because of strong demand for credit as China's economic recovery gathered pace. Overall, the total loan-to-deposit ratio increased to 72.1 percent.

Other financial ratios remained sound. The Group's capital adequacy ratio and core capital adequacy ratio stood at 17.0 percent and 10.4 percent respectively. The annualised return on average shareholders' funds was 12.0 percent.

Profit before taxation increased by 54.8 percent to HK$927.4 million thanks to an increase in operating income together with decreases in operating expenses and impairment charges. Net interest income increased by 13.6 percent to HK$1,320.4 million supported by an improvement in treasury operations and an increase in loan volumes. The Group's net interest margin increased to 1.91 percent from 1.79 percent during the same period last year due to a higher loan-to-deposit ratio. Higher credit commissions and foreign exchange income boosted other operating income by 9.9 percent.

Meanwhile, net losses from financial instruments held for trading and designated at fair value increased to HK$166.5 million following an increase in the fair value of our perpetual subordinated debt. Total expenses decreased slightly by 2.7 percent partly due to a reduction in the provision for the sale of structured products. Consequently, the Group's cost-to-income ratio decreased from 53.4 percent to 48.8 percent. If the net losses from financial instruments were excluded, the Group's cost-to-income ratio would stand at 44.2 percent.

The continued rise in asset prices led to a release of loan impairment allowances for HK$50.2 million. Impaired loans stabilised at HK$336.0 million, equivalent to 0.37 percent of total loans. The charge-off ratio for credit cards decreased to 0.41 percent of receivables compared with 3.67 percent previously due to effective credit risk monitoring.

The Group currently has 42 branches in Hong Kong, 12 branches in Macau and 5 branches and 6 sub-branches on the Mainland. As at 30th June 2010, the Group employed a total of 3,129 staff.

Here is an overview of the performance of our individual business units:

Pre-tax profit in the Retail Banking division increased by 83.1 percent in the first half of 2010, largely as a result of higher loan volumes and credit commissions.

During the period, customer deposits declined slightly by 1.6 percent due to fierce competition amongst banks resulting in higher deposit rates. We endeavor to improve the retail business by offering a greater range of services such as internet-based account opening, instant remittances and same-day interbank fund transfers. We believe that innovation and a focus on customer service are critical to success.

At the same time we continue to upgrade our branch network by improving interior design and selecting more convenient locations for our customers. Later this year, we plan to open one new branch and renovate the Tokwawan branch to create a more spacious environment.

We have also continued to expand our stock brokerage business by enhancing our trading system and undertaking marketing programs targeting new customers. Sixteen new investment corners have been established in our branches so as to clearly separate investment product services from general retail banking services.

In the increasingly competitive mortgage market we successfully grew our residential mortgage loan portfolio by 6.1 percent.

In other areas of the retail business, the Special Loan Guarantee Scheme has proved popular with our customers. We also participate actively in the RMB business in Hong Kong. In fact, we are now well positioned to provide a wide spectrum of RMB trade settlement and related finance services for our corporate clients.

Wing Hang Credit maintained its leading market position during the period in spite of increasing competition. In response to market needs, we opened a new branch in Gloucester Road to help expand our customer base. This brings its total number of branches and business units in Hong Kong to twenty two.

In response to increasing loan demand as the economy recovered, the company took the opportunity to promote different types of loan products including personal loans, revolving credit, mortgage loans and business loans for professional firms. It always strives to innovate and keep one step ahead of the competition by identifying new business opportunities. The company is also dedicated to providing an excellent level of customer service in order to consolidate its market leadership.

Our Auto and Equipment Finance division's loan portfolio achieved moderate growth and good returns in a low-cost funding environment. During the period, vehicle sales in Hong Kong and demand for equipment hire have improved. Consequently, we have managed to consolidate our market leader position. At the same time we have started to expand our operations to the Mainland.

The Corporate Banking division has benefited from the government's support program for SMEs together with the gradual revival of the global economy. Trade loan volumes and commercial loan volumes delivered growth of 9.8 percent and 9.0 percent respectively during the first half of this year. Pre-tax profit improved by 66.2 percent due to reduced impairment allowance. In the second half, we expect loan volumes to grow at a modest rate in spite of the European debt crisis and low consumer confidence.

Pre-tax profit in the Treasury division increased by 18.9 percent in the first half of 2010. Fee income generated from foreign exchange trading increased by 12.5 percent as a result of increased volatility in the U.S. dollar exchange rate. Net interest income grew by 12.7 percent on the back of an improvement in treasury operations. However, net losses from financial instruments held for trading and designated at fair value increased to HK$166.5 million following an increase in the fair value of our perpetual subordinated debt.

The Chinese economy continued to expand rapidly in the first half of 2010. Loans for use in Mainland China increased by 26.4 percent to HK$17.7 billion compared to the end of 2009. In line with the measures taken by the Chinese Government to tighten loan growth and the implementation of new regulations to stabilise property prices, we expect loan growth to slow down in the second half of the year.

The performance of our Zhuhai branch which was opened last year has been encouraging as it has created synergies with Banco Weng Hang in Macau to develop our customer base on both sides of the border. Benefiting from CEPA VI, our first cross-location sub-branch was opened in Foshan in March 2010.

Wing Hang Bank (China) Ltd. ("WHBCL") now has a network of 10 branches and sub-branches on the Mainland - four in Shenzhen, three in Guangzhou, two in Shanghai and one in Zhuhai. We have already obtained approval to open another branch in Beijing and this is expected to become operational in the first quarter of 2011. We shall also continue to open more sub-branches in the Pearl River Delta.

WHBCL successfully launched in May 2010 a new debit card that was well received by customers. The company has also obtained approval to provide derivative products to our customers in China.

Banco Weng Hang recorded a moderate decrease in pre-tax profit amid a challenging interest rate environment on both deposit gathering and lending side. Nevertheless, economic growth has been robust. Riding on the recovery of the gaming and tourism industry, Macau's GDP grew by 30.1 percent in real terms in the first quarter of 2010. Net interest income decreased by 6.8 percent as fierce competition drove up customer deposit rates. The decrease in non-interest income was mainly due to unrealised losses on the revaluation of interest-rate derivatives used to hedge the Bank's fixed-rate mortgage products. Excluding these unrealised losses, the operating income would have increased by 17.1 percent because of higher credit commissions and insurance commission. Loans increased by 17.4 percent compared to the end of 2009. This was mainly due to an increase in residential mortgage business which was boosted by the Government's Interest Subsidy Scheme. Withdrawals by corporate customers to meet business needs during the economic upturn led to a 8.6 percent decrease in customer deposits.

Being a small open economy, Hong Kong's business environment is heavily exposed to changes in external conditions. Growth in the second half of the year is likely to slow down due to reduced growth in the Chinese and U.S. economies as well as continued uncertainty over the European sovereign debt situation. However, China is in a better position to achieve sustained growth and this is expected to provide important support for both Hong Kong and Macau. Interest rates are expected to remain at low levels as the global economy recovers.

In terms of business strategy, we shall continue to focus on expansion in China where the economy remains resilient. Having successfully incorporated our business in China, we are now able to provide a full range of RMB services there. We also plan to expand wealth management services across our China branch network following regulatory approval, enabling us to provide derivative products. In Hong Kong and Macau, we shall build on the long-term business opportunities arising from the provision of RMB-denominated services.

In summary, we believe that in addition to our solid business platform locally, we have a clear and focused strategy in China. We are well positioned to capture opportunities in that high growth market. At the same time we shall remain prudently cautious about the uncertainties that remain in the external environment.