

PRESS RELEASE

WING HANG BANK LIMITED **2010 FINAL RESULTS – HIGHLIGHTS**

- Profit attributable to shareholders was up 35.0% to HK\$1,626.3 million (HK\$1,204.7 million for 2009)
- Earnings per share increased by 35.0% to HK\$5.51 (HK\$4.08 for 2009)
- Total dividends increased by 97.1% to HK\$1.38 (HK\$0.70 for 2009)
- Profit before taxation up 35.8% to HK\$1,947.6 million (HK\$1,433.9 million for 2009)
- Net interest margin of interest bearing assets up 2 basis points to 1.84%
- Net interest income up 7.5% to HK\$2,644.4 million (HK\$2,460.0 million for 2009)
- Non-interest income up 66.5% to HK\$653.8 million (HK\$392.7 million for 2009)
- Operating expenses up 2.5% to HK\$1,610.1 million (HK\$1,571.5 million for 2009)
- Impairment losses and allowances for loans was released HK\$51.2 million (Charged HK\$53.0 million for 2009)
- Advances to customers increased 20.8% to HK\$97.3 billion (HK\$80.5 billion as at 31st December, 2009)
- Total deposit increased 7.6% to HK\$137.1 billion (HK\$127.4 billion as at 31st December, 2009)
- Cost to income ratio at 48.8% (55.1% for 2009)
- Core capital adequacy ratio at 10.3% (10.7% as at 31st December, 2009)
- Capital adequacy ratio at 16.6% (17.8% as at 31st December, 2009)
- Return on average shareholders' fund at 12.2% (10.6% for 2009)

Wing Hang Bank Reported a Profit of HK\$1,626.3 Million

Group profit attributable to shareholders amounted to HK\$1,626.3 million for the year under review representing an increase of 35.0 percent compared to HK\$1,204.7 million in 2009. Earnings per share increased 35.0 percent to HK\$5.51. The Board has recommended a final dividend of HK\$1.08 per share. Together with the interim dividend of HK\$0.30 paid on 20th September 2010, the total distribution for the year amounts to HK\$1.38 per share, an increase of 97.1 percent compared to 2009.

The increase in earnings was fuelled by higher growth in operating income over operating expenses and reduced bad debt provisions. This favorable environment was a reflection of exceptionally low interest rates coupled with an improvement in the local economy due to strong growth in China as well as the Hong Kong Government's support for SMEs.

Real GDP in Hong Kong grew by 6.2 percent in the fourth quarter of 2010 compared to 2.5 percent during the same period in the previous year. China's robust economic growth of 9.8 percent in the final quarter of 2010 continued to benefit many sectors of the Hong Kong economy. In 2010 merchandise exports rose by 22.8 percent over 2009 as Hong Kong continued to serve in its well-established role as China's re-export hub. In contrast, demand from the United States and Europe grew only modestly.

Locally domestic demand recovered throughout the year due to higher household income and an improved job market. Tourists from China continued to drive strong growth in retail sales. However, the rate of inflation gathered pace as food prices and rents continued to rise. Hong Kong's CPI accelerated to 3.1 percent in December 2010 from 1.3 percent in last year. The combination of economic recovery and low interest rates pushed up asset prices. In November, this led the government to impose measures to deter speculation.

Turning to the Group's performance, we achieved satisfactory asset growth in areas such as trade finance, SME financing, vehicle financing, consumer lending as well as across our Macau and Mainland businesses. Our asset quality remained sound underpinned by the strong economies of China, Hong Kong and Macau and higher property prices.

Loan demand was higher supported by low interest rates and a buoyant IPO market in the third quarter. IPO lending and loans for use outside HK were the key engines of this growth. Fee income also increased across the board.

Here are some key financial ratios for the year under review:

- The Group's profit before taxation increased by 35.8 percent to HK\$1,947.6 million due to higher growth in operating income over operating expenses and reduced impairment allowances.
- Net interest income increased by 7.5 percent to HK\$2,644.4 million as a result of improved loan volumes. The net interest margin increased by 2 basis points to 1.84 percent.
- Other operating income increased 6.1 percent to HK\$912.6 million due to larger contributions from foreign exchange trading, trade commissions and loan commissions.
- Net unrealised losses from financial instruments held for trading and designated at fair value were reduced by 44.7 percent to HK\$258.8 million.
- Total operating expenses increased slightly by 2.5 percent to HK\$1,610.1 million. Consequently the Group's cost-to-income ratio moved from 55.1 percent to 48.8 percent. If the net unrealised losses associated with financial instruments at fair value were excluded, the cost-to-income ratio would be 45.3 percent.
- Impairment losses and allowances for loans and advances recorded a release of HK\$51.2 million due to an improvement in asset prices. Impaired loans as of 31st December 2010 stood at HK\$300.9 million, equivalent to 0.31 percent of total loans. The charge-off ratio for credit cards decreased to 0.24 percent of card receivables compared with 2.80 percent previously.
- Total deposits increased by 7.6 percent to HK\$137.1 billion while customer deposits grew by 7.5 percent to HK\$135.6 billion.
- Total loan volumes increased by 20.8 percent to HK\$97.3 billion. This significant increase was due to higher demand for trade finance, SME financing, vehicle financing and consumer loans as well as improved business operations in China and Macau.
- Return on average shareholders' funds: 12.2 percent
- Loan-to-deposit ratio as at 31st December: 71.0 percent
- Average liquidity ratio: 45.6 percent
- Capital adequacy ratio as at 31st December: 16.6 percent
- Core capital adequacy ratio as at 31st December: 10.3 percent

Our branch network continues to expand. Currently we have 43 branches in Hong Kong, 12 branches in Macau, 5 branches and 6 sub-branches on the Mainland. As at the end of December 2010, the Group employed a total of 3,241 staff.

Below is a summary of the performance of our individual business operations and the outlook for the next year.

Improved fee income and a reduction in impairment allowances led to a better performance in retail banking. Profit before taxation increased by 23.6 percent over 2009. As pricing competition in the mortgage market remained intense, we shifted our focus to trade finance and SME financing across our branch network. The Special Loan Guarantee Scheme has helped to expand our SME business portfolio.

A comprehensive range of RMB banking services has also been extended to our customers in Hong Kong. Now they can gain convenient access to services across our China and Macau branch network. We continued to improve our internet platform to facilitate more efficient share trading and to provide a wider range of investment products for our customers.

The economic environment in 2010 helped to create buoyant consumer demand for Wing Hang Credit's services. The consumer lending business achieved good progress. In spite of a very competitive environment, the success of our new loan products resulted in a steady increase in draw-downs enabling us to maintain our prominent market position. Demand for unsecured lending was also fuelled by low interest rates and strong economic growth.

The Auto and Equipment Finance division achieved a substantial increase in new business volume and recorded double-digit growth in loan assets. In terms of profitability, this was a record year for the division which as a result became an increasing contributor to Group revenues. This strong performance was attributed to a persistent low-cost funding environment, an expanded business portfolio and minimal bad debts.

Wing Hang Insurance achieved good growth in the sale of life insurance products in 2010. We also continued to focus on increasing our market share in the general insurance business through our agency and brokerage services. In China, we maintained our strategy of promoting general and life insurance products. The life insurance business delivered good results in 2010 as we continued to allocate resources to the regional branches and offer products with the best growth prospects.

Stock market conditions were volatile throughout 2010. Commission income from securities broking decreased slightly compared with the previous year amidst a highly competitive market environment. To increase our market penetration, we plan to launch promotional campaigns to attract new customers. In addition, we will further upgrade our trading system to make it easier and faster for customers to execute trades.

The economic recovery in both the domestic and overseas markets created surging demand for corporate loans and trade finance. As a result we recorded 25.6 percent growth in total loan volumes over the previous year. A healthy loan portfolio was maintained as impairment allowances were continuously reduced.

China's GDP expanded by 10.3 percent in 2010 as the country overtook Japan to become the second largest economy in the world. Loan growth remained strong despite measures taken by the Chinese Government to moderate growth momentum and curb property investment. Loans for use in China increased by 37.9 percent to HK\$19.3 billion compared to the previous year. Our first cross-location sub-branch at Foshan was opened in March 2010 with encouraging results. We shall continue to expand our network in Guangdong Province taking advantage of the favorable terms under CEPA. Meanwhile, our new Beijing branch is almost complete and is expected to commence business in the second quarter of 2011. In May 2010, Wing Hang Bank (China) Ltd. successfully launched a new debit card that was well received by customers. In November, an enhanced debit card - the Elite Banking Card - was also launched targeting high-end customers. The subsidiary has also obtained approval to provide derivative products to our Mainland customers. Our equipment financing business has been well received by our customers in Guangdong and we are now expanding the business to other parts of the country.

The Treasury division produced good results in 2010 as profit before taxation increased by 154.1 percent compared with the previous year. This was mainly achieved through a decrease in unrealised losses on financial instruments designated at fair value. Partially offsetting this improvement was a decrease in net interest income as we reduced the investments in debt securities to fund advances to customers.

Macau's economic growth has been robust. Riding on the recovery of the gaming and tourism industries, Macau's GDP grew by 25.3 percent in real terms in the first three quarters of 2010. Reflecting this strong growth Banco Weng Hang recorded a healthy increase of 8.5 percent in net profit to 242.1 million Macao patacas. Amidst a challenging interest-rate environment, net interest income decreased by 2.1 percent as fierce competition drove up deposit rates. While strong growth was observed across the board in areas such as insurance, credit cards and foreign exchange, the results were affected by unrealised losses in the change in fair value of interest rate derivatives. Excluding these losses would have seen non-interest income increase by 8.7 percent. The lending business remained healthy as loans increased by 22.5 percent compared to the end of the previous year. This was mainly due to an increase in the 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 small decrease in total customer deposits.

Looking ahead at the prospects for this year, the local economy should continue to improve. Private consumption is expected to continue to grow due to the improved labor market. As the U.S. economy continues to slowly recover, we expect external demand to gradually pick up. This should be advantageous to China's export-oriented industries and Hong Kong's smaller open economy. However, rising inflation in a competitive business environment will eventually lead to higher interest costs. And any sudden reversal of capital inflows could lead to volatility in both interest rates and asset prices.

Currently our business strategy is focused on expansion in the high-growth markets of Macau and China with our headquarters in Shenzhen and geographical focus in Pearl River Delta, we offer a full range of RMB services in China. We will also continue to develop the long-term opportunity to expand RMB-related businesses in Hong Kong and Macau and are committed to offer a seamless service connecting all our customers in our three core markets. As the number of high-net-worth individuals continues to grow, we will focus our attention on Wealth Management business by further improving our range of investment products.

In summary, I believe that in addition to our solid and well-established business platform in Hong Kong, we have a clear and focused growth strategy in Macau and China. We are well positioned to capture opportunities in these high-growth markets. At the same time we will remain vigilant about the changing global economic environment as governments and central banks start to withdraw fiscal stimuli and contemplate strategies for tightening monetary policies.