PRESS RELEASE

WING HANG BANK LIMITED
2011 FINAL RESULTS – HIGHLIGHTS

- Profit attributable to shareholders was up 30.4% to HK$2,121.3 million (A record profit)
  (HK$1,626.3 million for 2010)
- Earnings per share increased by 29.6% to HK$7.14
  (HK$5.51 for 2010)
- Total dividends increased by 30.4% to HK$1.80
  (HK$1.38 for 2010)
- Operating profit up 14.2% to HK$2,002.2 million
  (HK$1,752.9 million for 2010)
- Profit before taxation up 29.4% to HK$2,520.8 million
  (HK$1,947.6 million for 2010)
- Net interest margin of interest bearing assets down 17 basis points to 1.67%
- Net interest income up 8.6% to HK$2,871.2 million
  (HK$2,644.4 million for 2010)
- Non-interest income up 39.8% to HK$913.9 million
  (HK$653.8 million for 2010)
- Operating expenses up 7.7% to HK$1,734.7 million
  (HK$1,610.1 million for 2010)
- Impairment losses and allowances for loans was charged HK$29.8 million
  (Released HK$51.2 million for 2010)
- Advances to customers increased 13.7% to HK$110.6 billion
  (HK$97.3 billion as at 31st December, 2010)
- Total deposit increased 17.7% to HK$161.3 billion
  (HK$137.1 billion as at 31st December, 2010)
- Cost to income ratio at 45.8%
  (48.8% for 2010)
- Core capital adequacy ratio at 10.1%

(10.3% as at 31st December, 2010)

- Capital adequacy ratio at 15.8%
  (16.6% as at 31st December, 2010)

- Return on average shareholders' fund at 13.6%
  (12.2% for 2010)

Wing Hang Bank Reported a record Profit of HK$2,121.3 Million

The Group achieved record profit in 2011. Group profit attributable to shareholders rose by 30.4 percent to HK$2,121.3 million for the year ended 31 December 2011 compared to HK$1,626.3 million in 2010. Earnings were boosted by an increase in operating income and capital gain on the disposal of properties. Earnings per share increased by 29.6 percent to HK$7.14. The Board has recommended a final dividend of HK$1.34 per share. Together with the interim dividend of HK$0.46 paid on 7th October, 2011, the total distribution for the year amounts to HK$1.80 per share, an increase of 30.4 percent over 2010.

The local economy slowed moderately towards the end of last year. Real GDP grew by 3.0 percent in the fourth quarter of 2011 compared to 6.6 percent in the same period the previous year. Domestic demand was robust supported by higher household income and a vibrant job market. The unemployment rate stood at just 3.3 percent in the final quarter. Demand from private consumption, government consumption and infrastructure investment continued to increase. Last year merchandise exports rose by 10.1 percent over 2010, but a significant drop in trade volume was recorded in the second half of the year. This decline was largely attributed to a fall in demand from Europe as fiscal austerity measures there dampened consumption and business investment. As food prices and rents continued to rise, Hong Kong's CPI accelerated to 5.7 percent in December 2011 from 2.9 percent the previous year.

In China, economic growth slowed to 8.9 percent in the fourth quarter of 2011. As Hong Kong's economy is becoming increasingly integrated with the Chinese economy, the slowdown in local GDP growth at the end of last year had been expected. However, China continued to make a positive contribution to the local economy through tourism and retail sales.

Loan volumes were boosted by strong demand for loans for use outside Hong Kong. This in turn led to higher deposit and lending rates. However mortgage loan demand declined in the second half as property transaction volume shrank due to rising mortgage rates and various government policies to stabilise property prices. Consequently residential property prices fell in the fourth quarter. Sentiment was also dampened by the weaker economic outlook as anxiety mounted over the European sovereign debt issue.

Growth in customer loans and deposits reached 13.7 percent and 16.3 percent respectively. The increase in loans was largely fuelled by strong demand for letter of credit financing, auto and equipment leasing, investment mortgages, corporate and consumer lending as well as higher loan demand on the Mainland. The increase in deposit was mainly due to significant increase in letter of credit margin deposit and customer deposit. Our asset quality remains sound supported by strong economic fundamentals and an effective credit risk monitoring policy.

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

- Profit before taxation increased by 29.4 percent to HK$2,520.8 million largely due to an increase in operating income and capital gain on the disposal of properties.
- Net interest income increased by 8.6 percent to HK$2,871.2 million on improved loan volumes. Increased deposit funding costs impacted our net interest margin which narrowed 17 basis points to 1.67 percent.
- Other operating income decreased 7.1 percent to HK$848.1 million as a result of reduced foreign exchange trading income and share brokerage commission.
- Net unrealised gains from financial instruments held for trading and designated at fair value were HK$65.8 million compared to a loss of HK$258.8 million the previous year.
- Total operating expenses increased by 7.7 percent to HK$1,734.7 million moderated by a write-back of provision for the sale of structured investment products. Consequently the Group's cost-to-income ratio declined from 48.8 percent to 45.8 percent.
- Impairment losses and allowances for loans and advances were HK$29.8 million following an improvement in asset prices that have been supported by the favorable low interest-rate environment and a healthy economy. Impaired loans as of 31st December 2011 stood at HK$336.0 million, equivalent to 0.30 percent of total loans. Meanwhile, the charge-off ratio for credit cards increased to 0.39 percent of card receivables compared with 0.24 percent previously.
- Net gains on the revaluation and disposal of properties increased 3.6-fold to HK$423.1 million following the disposal of properties.
- Total deposits increased by 17.7 percent to HK$161.3 billion while customer deposits grew by 16.3 percent to HK$157.8 billion supported by an increase in letter of credit margin deposit and customer deposit. Certificates of deposit issued by the bank increased 8.3-fold to HK$2.8 billion.

- Total customer loans increased 13.7 percent to HK$110.6 billion. The significant increase in loans was due to higher demand from the letter of credit financing business, auto and equipment leasing, investment mortgage loans, corporate and consumer lending as well as increased loan demand in the Mainland.
- Return on average shareholders' funds: 13.6 percent
- Loan-to-deposit ratio as at 31st December: 68.5 percent
- Average liquidity ratio: 39.9 percent
- Capital adequacy ratio as at 31st December: 15.8 percent
- Core capital adequacy ratio as at 31st December: 10.1 percent

The Group currently has 43 branches in Hong Kong, 12 branches in Macau and 13 branches / sub-branches in the Mainland. As at 31st December 2011, the Group employed a total of 3,407 staff.

Profit before taxation in the Retail Banking division decreased 9.5 percent over 2010. This decline was largely caused by an increase in deposit funding costs and a decrease in fee income.

We are growing our wealth management business. In addition to increasing the number of investment corners in our branches, we also launched mobile banking service which allows our customers to conduct securities trading, foreign currency and gold trading transactions using their mobile phones. We also expanded our range of online investment services such as an online securities account opening service, Stock Monthly Investment Plan. In the card business, we launched the first and only custom-made *My Moment* credit card in Hong Kong that allow customers to design their own card face by using their favorite photo or picture.

One of the most important trends in Hong Kong's banking sector is the development of the RMB business. We provide stock trading services in RMB and facilities for RMB bond investment. Moreover we provide integrated RMB trade finance services for our corporate clients, including inward and outward RMB trade settlement and trade financing. The Bank has been designated as one of the two Hong Kong clearing banks for RMB-denominated gold bar trading. We also aim to provide a more comprehensive wealth management service across China and Hong Kong. At present, we offer account opening and stock trading services in simplified Chinese on our internet banking platform to attract high net worth Mainland customers to our bank and creates new source of revenues.

We recognise the importance of quality customer service. In addition to expanding our branch network to new strategic locations, we also improve the interior design of existing branches. Our Causeway Bay Branch was moved to larger premises in 2011 to improve the overall service level.

Unsecured loans grew by 6.2 percent in 2011 as Wing Hang Credit comfortably maintained its leadership position in the local consumer finance market. During the year, we launched a range of competitive loan programs that enabled us to increase our market share and maintain our brand in the marketplace.

Demand for vehicle financing and equipment hire remained strong in 2011. As a result, our Auto and Equipment Finance division continued to grow and maintain its market leader position. Total loans increased by 10.6 percent over the previous year. Despite increasing funding costs and intense price competition in vehicle financing, we managed to maintain our competitiveness and profitability. In 2011 the division was relocated to a larger office in Shaukeiwan to take advantage of operational synergies and lower premises costs.

Insurance commission grew by 7.9 percent in 2011 over the previous year. This increase was largely a result of promoting general insurance products to target business sectors. We also worked closely with our branches and other business units to cross-sell life insurance products to our customers. The share of profits from our 2 associates rose by 79.6 percent to HK$50.3 million. Hong Kong Life achieved very good results by focusing on new products while Bank Consortium Trust also achieved record profits.

In 2011, investment sentiment towards local equities was impacted by the ongoing European sovereign debt issue and the tightening of monetary policy in China. This, coupled with intense market competition, negatively affected our fee income in the securities broking business. In order to expand our market share, we will continue to roll out competitive marketing campaigns and upgrade our trading system to provide reliable and user friendly trading platform for our customers.

Our trade finance business in 2011 enjoyed remarkable success as loan volume surged by 134.6 percent over the previous year. This achievement was supported by both an increase in our conventional trade business and our participation in RMB cross-border trade settlement transactions. Coupled with the steady growth in bilateral corporate loans, total corporate loan and trade financing at year-end grew by 26.6 percent over 2010. Bad debts were kept at very low level throughout the year.

Amidst the current global economic uncertainty, one of our main goals is to maintain a healthy loan portfolio. We will therefore maintain our focus on corporations with sound credit quality. The division also achieved good cross-selling results in capturing customer deposits for the Bank.

Our China operations achieved strong growth in 2011. Profit before taxation grew by 47.0 percent compared with the previous year. Deposits also increased significantly enabling our wholly-owned subsidiary, Wing Hang Bank (China) Limited ("WHBCL"), to meet the loan-to-deposit ratio stipulated by the CBRC. Amidst the tight liquidity environment in the Mainland, loans for use in China increased by 20.1 percent by the end of the year. We continued to extend our support to SMEs in Shenzhen as well as other parts of Guangdong Province and China. This included high-yielding products such as small business loans and vehicle and equipment financing. In regard our China network, the new Beijing branch was opened in August to help serve our customers in the north. Our Nanshan sub-branch in Shenzhen was opened in May as part of our sub-branch expansion program under CEPA 6.

Profit before taxation from our Treasury division increased by 90.7 percent compared with the previous year. The increase was due to unrealised gains on change in fair value of our subordinated liabilities. However our net interest income was decreased as we reduced our investments in debt securities to fund loan demand. At year end, our direct exposure to Continental European debt is not material.

Economic growth in Macau has been robust as a result of the continuous expansion of the gaming and tourism industries. GDP surged by 21.8 percent in real terms in the first three quarters of 2011. Amid an increase in deposit funding costs, Banco Weng Hang's net profit increased 1.9 percent to 246.9 million patacas. Net interest income decreased 0.5 percent amid a challenging interest rate environment. Fierce competition drove up interest costs to a level that could not be offset by the positive effects of loan growth and an improvement in yields. A 7.1 percent increase in non-interest income was mainly due to the reduction in unrealised losses on interest rate derivatives. There was also reasonable growth in credit card commissions. Loans grew by 3.0 percent compared to the end of 2010. This was largely supported by an increase in the residential mortgage business as the property market remained buoyant during the first half of the year. Customer deposits grew by 10.4 percent following a series of successful campaigns to promote a range of new products.

In the current year, we expect economic growth to remain weak in the first half. This is mainly a result of reduced export demand from Europe as fiscal tightening takes effect. This will affect not only the local economy but also the Chinese economy. As a result, retail sales in Hong Kong could slow down slightly. This in turn could affect the job market as currently the strong demand for labor mostly comes from the retail sector. Private consumption may then be negatively impacted. In this scenario, inflation should subside somewhat while asset price movements will largely depend on sentiment. Any sudden reversal of capital inflows will create volatility in interest rates and asset markets.

Strategically we will continue to focus on the large and growing domestic market in China. At the same time, with the continued liberalisation of the RMB and the rapid development of offshore RMB business in Hong Kong and Macau, we will aim to further expand our RMB lending services and wealth management products. As more customers take advantage of our seamless integrated banking services across China, Hong Kong and Macau, we envisage increasing opportunities to expand the cross-border lending business.