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PRESS RELEASE

WING HANG BANK LIMITED
2012 INTERIM RESULTS – HIGHLIGHTS

- Profit attributable to shareholders down 14.2% to HK$1,026.0 million compared to the first half of 2011 but increase 7.7 % compared to second half of 2011
- Earnings per share was HK$3.43
  (HK$4.05 for the first half of 2011)
- Interim dividend was HK$0.46 same as the first half of 2011
- Operating profit up 19.3% to HK$1,132.5 million
  (HK$949.0 million for the first half of 2011)
- Net interest margin of interest bearing assets down 4 basis points to 1.67% compared to the first half of 2011 but increased 3 basis points compared to the second half of 2011
- Net interest income up 6.6% to HK$1,492.1 million
  (HK$1,399.3 million for the first half of 2011)
- Non-interest income up 70.1% to HK$567.9 million
  (HK$333.9 million for the first half of 2011)
- Operating expenses up 18.3% to HK$927.5 million
  (HK$784.2 million for the first half of 2011)
- Impairment losses and allowances for loans charged HK$46.4 million
  (HK$3.5 million for the first half of 2011)
- Advances to customers decreased 0.9% to HK$109.5 billion
  (HK$110.6 billion as at 31st December, 2011)
- Total deposit increased 0.5% to HK$162.1 billion
  (HK$161.3 billion as at 31st December, 2011)
- Cost to income ratio at 45.0%
  (45.2% for the first half of 2011)
- Core capital adequacy ratio at 10.1%
  (10.1% as at 31st December, 2011)
- Capital adequacy ratio at 15.8 %
  (15.9% as at 31st December, 2011)
- Return on average shareholders’ fund at 11.7%
  (16.1% for the first half of 2011)

Wing Hang Bank Reported an Interim Profit of HK$1,026.0 Million

In the first half of 2012 the Group's profit attributable to shareholders was HK$1,026.0 million. This represented a decrease of 14.2 percent compared to the same period last year but an increase of 7.7 percent compared to the second half of last year. If the gain from properties disposal had been excluded, the comparable figure for the first half of 2012 would have grown by 6.8 percent as our core operations continued to grow. The Board has recommended an interim dividend of HK$0.46 per share, same as last year.

The local economy slowed substantially during the first half as the external environment turned weak. Real GDP grew at an annual rate of just 0.4 percent in the first quarter compared to 7.6 percent in the same period last year. The main factor leading to weaker growth was a contraction in merchandise exports and imports.

Retail sales growth also slowed to 11 percent in June compared to 28.8 percent in the previous period as spending by tourists from China leveled off. This is an important indication of the changing growth pattern of the local economy as it becomes more and more integrated with the Mainland. Its increasing reliance on re-exports from China and retail spending by Chinese tourists supports this trend.

On a positive note, Hong Kong's labor market remained stable due to continued demand in the retail sector and an increase in public spending. The unemployment rate stood at just 3.2 percent in June.

In China, economic growth slowed to 7.6 percent in the second quarter mainly as a result of weak external demand, especially from Europe and Japan. The economy has also been affected by the implementation of government policies aimed at cooling growth in the residential property sector.

Lending in Hong Kong has been affected by the weak growth of the local economy. Total loans and advances by the banking sector increased by just 4.7 percent for the six months ended June 2012 compared to 14.0 percent in the same period last year. Stiff competition in the mortgage market kept rates low in the first half of the year.

A significant drop in letter of credit financing led to a decrease in customer loans by 0.9 percent in the period under review. However, satisfactory growth in residential mortgages, property investment mortgages, auto and equipment financing as well as loan growth in Macau partially offset the decline. Loans for use in China decreased by 9.8 percent reflecting generally weaker demand.

Total deposits increased 0.5 percent while customer deposits decreased slightly by 0.6 percent.

Key financial ratios for the first half of 2012:

- Loan-to-deposit ratio as at 30th June, 2012: 67.6 percent
- Capital adequacy ratio as at 30th June, 2012: 15.8 percent
- Core capital adequacy ratio as at 30th June, 2012: 10.1 percent
- Average liquidity ratio: 37.1 percent
- Annualised return on average shareholders' funds: 11.7 percent

Key financial statistics for the first half of 2012:

- Operating profit before impairment losses and allowances increased 19.3 percent to HK$1,132.5 million due to improved operating income.
- An increase in debt securities investments coupled with an increase in yield on interest bearing assets saw net interest income rise 6.6 percent to HK$1,492.1 million. Net interest margin stood at 1.67 percent which was 4 basis points lower than the same period last year but 3 basis points higher than the second half of last year.
- Other operating income decreased 1.6 percent to HK$417.3 million as a result of lower share brokerage commission and credit commission.

- Unrealised net gains on the fair value of our debt securities investments were HK$150.7 million compared to net losses of HK$90.1 million for the same period last year.
- Total expenses increased 18.3 percent to HK$927.5 million as a result of higher staff costs and a write-back of provision for sale of structured products last year. If this write-back had been excluded, total expenses would have increased by 8.0 percent.
- The Group's cost-to-income ratio decreased from 45.2 percent to 45.0 percent.
- Impairment losses and loan allowances stood at HK$46.4 million while non-performing loans were stable at 0.22 percent of the total loan book. This low level has been supported by our prudent monitoring systems coupled with rising asset values.
- Net gains on revaluation and disposal of properties decreased 72.5 percent due to the disposal of one of our branch premises last year.

The Group currently has 43 branches in Hong Kong, 12 branches in Macau and 14 branches / sub-branches in the Mainland. As at 30th June 2012, the Group employed a total of 3,354 staff.

Profit before taxation of the Retail Banking decreased 20.5 percent in the first half. This was largely a result of keen market competition and higher operating costs.

In spite of the fierce competition, we continued to gain market share by offering a wide range of products and quality services. For instance, we successfully launched a series of marketing programs that resulted in growth of residential mortgage loans by 9.6 percent.

Recognising the importance of electronic delivery channels, we launched the first ATM chip card in Hong Kong and installed the first chip-enabled ATM. This ushers in a new era for local ATM card services. We also plan to introduce electronic statements and an electronic advice service. Moreover, we plan to further enhance our internet banking and mobile banking platforms in the second half of the year.

Demonstrating our continued focus on customer services, our Aberdeen Branch was relocated to a more convenient location during the period. Meanwhile the newly established Phone Banking Department achieved satisfactory results conducting direct marketing programs for cash installment loans. Looking forward, we shall extend the scope of these programs to boost fee income.

Wing Hang Credit has made good use of its competitive strengths to serve the various financial needs of our customers. In the first half of 2012, we achieved solid growth despite intense market competition. Our loan programs and diversified product range have contributed to an increase of 7.1 percent while maintaining market leadership in the local consumer finance market.

Wing Hang Credit currently has 22 branches in Hong Kong and we plan to open one more branch by the end of this year. We will continue to focus on reinforcing our market leader position and promoting business over the long-term by proactively identifying new business opportunities, strengthening our product range and expanding our customer base.

During the first half of the year we achieved 4.5 percent increase in our auto and equipment finance portfolio while minimising bad debts. By offering quality service and competitive pricing, we comfortably maintain our market leadership position. Nevertheless, the increasingly intensive competition has squeezed interest margins. In the equipment finance business, we have continuously expanded our loan portfolio in spite of the slowing economy in China.

Profit before taxation of the Corporate Banking increased by 13.1 percent due to increase in non-interest income. However, trade financing declined by 20.3 percent compared to the end of last year due to the decline in letter of credit financing and sluggish demand in most of the developed countries. This decline was partially offset by the steady growth of bilateral corporate loans and SME financing.

In the second half of the year we will further participate in the SME Financing Guarantee Scheme ("SFGS") and support the local SMEs during this difficult period.

Profit before taxation of the treasury operation increased by 219.2 percent boosted by both higher net interest and non-interest income. Net interest income grew by 7.5 percent, supported by our expanded portfolio in debt securities. Non-interest income was 861.8 percent higher representing unrealised gains in the fair value of our debt securities investments.

In China, GDP grew by 7.6 percent in the second quarter compared with 8.1 percent in the first quarter. In line with the economic slowdown, new loan demand has also weakened. In response, the People's Bank of China ("PBoC") began cutting interest rates in June. In a further boost to provide liquidity to the market, the PBoC also cut banks' reserve requirements twice in the first half of the year.

The new policy to increase loan pricing discount and deposit pricing premium will affect net interest margins and therefore profitability. Nevertheless, we continued to grow our SME loan book and equipment finance portfolio with encouraging results.

Turning to our network expansion in China, the Huaqiang sub-branch in Shenzhen was opened in June. This brings our total network to 14 offices across China. Our second cross-location sub-branch, the Huizhou sub-branch, is scheduled to open in August.

The development of Wing Hang Bank (China) Ltd's internet banking platform has been smooth and a business application has been filed with the CBRC. The service is expected to be launched in the second half of the year.

Economic growth in Macau has remained robust as a result of the continuous expansion of the gaming and tourism industries. GDP surged by 18.4 percent in real terms in the first quarter of this year. Reflecting this strong growth, Banco Weng Hang delivered a solid 6.4 percent increase in net profit to 141.6 million patacas.

Net interest income increased 6.7 percent despite a challenging environment. While fierce competition drove up interest costs, this was more than offset by loan growth and an improvement in yields. Non-interest income decreased by 18.5 percent as fee income from our share brokerage and wealth management services was impacted by a sluggish stock market. However, there was healthy growth in other areas such as insurance and credit cards.

The lending business remained robust as loans and trade financing increased 5.8 percent compared to the end of 2011. This was largely supported by an increase in the residential mortgage business as the property sector remained buoyant. Customer deposits increased 3.3 percent following a series of successful campaigns to promote a range of new products.

Economic growth in the second half of the year is likely to weaken as a result of the recession in Europe coupled with slower growth in the US and China.

The current economic structure of China is still highly dependent on external demand. Faced with a weaker outlook, we expect more policy actions to stimulate infrastructure development and domestic consumption. This should provide support to the economic growth of both China and Hong Kong in the second half of 2012. However, due to uncertainties created by the unfolding European debt crisis, we remain cautious about the global economic growth and financial environment.

With the continuing liberalization of China's current and capital accounts and the rapid development of offshore RMB businesses, we are well positioned to benefit from the progressive economic integration of China, Hong Kong and Macau. Therefore, we plan to further expand offshore RMB-related products and services in Hong Kong and Macau. We are committed to provide integrated cross border banking services in the region, so that our customers can easily capture the immense and unprecedented opportunities arising from cross border investment and business activities.