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PRESS RELEASE

WING HANG BANK LIMITED **2012 FINAL RESULTS – HIGHLIGHTS**

- Profit attributable to shareholders was down 16.1% to HK\$1,802.4 million (HK\$2,148.9 million for 2011)
- Earnings per share decreased by 17.1% to HK\$6.00 (HK\$7.24 for 2011)
- Total dividends increased by 15.6% to HK\$2.08 (HK\$1.80 for 2011)
- Operating profit before impairment losses and allowances down 0.6% to HK\$2,039.0 million (HK\$2,050.5 million for 2011)
- Profit before taxation down 15.9% to HK\$2,119.7 million (HK\$2,520.8 million for 2011)
- Net interest margin of interest bearing assets down 5 basis points to 1.62%
- Net interest income up 2.9% to HK\$2,953.6 million (HK\$2,871.2 million for 2011)
- Non-interest income up 2.5% to HK\$937.2 million (HK\$913.9 million for 2011)
- Operating expenses up 6.8% to HK\$1,851.9 million (HK\$1,734.7 million for 2011)
- Impairment losses and allowances for loans was charged HK\$235.8 million (HK\$29.8 million for 2011)
- Advances to customers increased 3.1% to HK\$114.1 billion (HK\$110.6 billion as at 31st December, 2011)
- Total deposit increased 5.1% to HK\$169.6 billion (HK\$161.3 billion as at 31st December, 2011)
- Cost to income ratio at 47.6% (45.8% for 2011)
- Core capital adequacy ratio at 10.0% (10.1% as at 31st December, 2011)
- Capital adequacy ratio at 15.7% (15.9% as at 31st December, 2011)
- Return on average shareholders' fund at 9.8% (13.7% for 2011)



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Wing Hang Bank Reported a Profit of HK\$1,802.4 Million

For the year ended 31st December 2012, profit attributable to shareholders declined by 16.1 percent to HK\$1,802.4 million compared to HK\$2,148.9 million in 2011. If the gains on properties disposal had been excluded from the previous year's figures, earnings would have decreased slightly by 5.6 percent. Earnings per share correspondingly decreased by 17.1 percent to HK\$6.00. The Board has recommended a final dividend of HK\$1.62 per share. Together with the interim dividend of HK\$0.46 paid in October 2012, the total distribution for the year amounts to HK\$2.08 per share, an increase of 15.6 percent over 2011.

Hong Kong's economy rebounded modestly in the third quarter of 2012 as real GDP grew by 1.3 percent over the same period the previous year. Private consumption and fixed asset investments were the main drivers of economic growth. Consumption growth was spurred by reduced inflation and a relatively stable job market. Inflation fell to 3.7 percent in December 2012 from 6.1 percent at the beginning of the year. The unemployment rate remained within a range of 3.2 percent to 3.4 percent throughout the year. Investment growth was fuelled by a number of infrastructure projects in the pipeline. While exports remained weak, they rebounded by 4.0 percent in the third quarter in tandem with the gradual recovery of the U.S. economy.

A notable change in the main drivers of economic growth last year was a substantial downturn of tourism spending on luxury goods. Retail sales grew by only 9.8 percent in value, a sharp reduction from the 24.8 percent growth recorded in 2011. A moderate rebound was noted in December but its sustainability is not assured.

In China, economic growth slowed to 7.8 percent in 2012 from 9.3 percent in 2011. This reduced growth rate was a result of weaker exports and sustained efforts by the government to cool the residential property market.

In Hong Kong credit demand remained firm as total loans and advances jumped by 9.6 percent. However, most of the capital raised was for use outside Hong Kong. Domestically, the government implemented further increases on property transaction taxes including an additional stamp duty targeted at overseas purchasers. The HKMA also imposed tighter mortgage policies. These tightening measures have not yet had a significant impact on the mortgage market as outstanding residential mortgage loans increased by 8.4 percent in 2012, reflecting higher property prices and transaction volume in the residential property market before the tightening measures took effect.



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Meanwhile our customer loans and deposits increased by 3.1 percent and 5.2 percent respectively. The higher demand for loans was largely a result of increased residential mortgage financing, auto financing and equipment leasing, investment mortgages and corporate lending as well as robust loan demand in Macau. Deposit growth was mainly due to a surge in demand and savings deposits.

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

- Profit before taxation decreased by 15.9 percent to HK\$2,119.7 million largely due to the impact of a capital gain on the disposal of properties in the previous year which boosted the base figure.
- Net interest income increased by 2.9 percent to HK\$2,953.6 million on improved loan volumes and debt securities investments. However, an increase in deposit funding costs impacted our net interest margin which narrowed 5 basis points to 1.62 percent. In China, the decline in interbank interest rate also reduce yield on our excess funds.
- Other operating income decreased 4.2 percent to HK\$812.4 million as a result of reduced bills, loans and share brokerage commissions.
- Net unrealised gains on financial instruments held for trading and designated at fair value rose by 89.7 percent to HK\$124.9 million as the market value of our debt securities portfolio increased.
- Total operating expenses increased by 6.8 percent to HK\$1,851.9 million. Consequently, the Group's cost-to-income ratio increased to 47.6 percent from 45.8 percent in 2011.
- Impairment losses and allowances for loans and advances stood at HK\$235.8 million. This mainly comprised HK\$251.8 million for our China operations. Impaired loans as of 31st December 2012 stood at HK\$511.8 million, equivalent to just 0.45 percent of total loans.
- Net gains on the revaluation and disposal of properties decreased by 56.2 percent to HK\$185.4 million. This decline was largely due to the disposal of properties in the previous year.
- Total deposits increased by 5.1 percent to HK\$169.6 billion while customer deposits grew by 5.2 percent to HK\$165.9 billion supported by a jump in demand and savings deposits.
- Total customer loans grew by 3.1 percent to HK\$114.1 billion. This was largely supported by increased demand for residential mortgages, auto financing and equipment leasing, investment mortgage loans and corporate lending as well as higher loan demand in Macau. The increase was partially offset by a decline in the letter-of-credit financing business.
- Return on average shareholders' funds: 9.8 percent.



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- Loan-to-deposit ratio as at 31st December: 67.3 percent.
- Average liquidity ratio: 38.6 percent.
- Capital adequacy ratio as at 31st December: 15.7 percent.
- Core capital adequacy ratio as at 31st December: 10.0 percent.

The Group's network currently comprises 43 branches in Hong Kong, 12 branches in Macau and 15 branches and sub-branches on the Mainland. As at 31st December 2012, we employed a total of 3,394 staff.

Profit before taxation in the Retail Banking division increased by 4.1 percent over 2011.

Although market competition remained fierce in 2012, we managed to achieve respectable growth in the deposits and loans businesses. Our continued focus on excellent customer service and innovative products saw deposits grow by 5.2 percent while residential mortgage loans also increased by 18.0 percent.

In order to expand our customer base, we launched an array of promotional offers in deposit services, securities trading services, payroll services, retail shops programs, Elite Gold Banking and loans under the SME Financing Guarantee Scheme. These programs successfully attracted new retail shop customers, SME customers as well as high net worth individuals. Our total market share of loans under the SME Financing Guarantee Scheme now stands at over 3.0 percent.

In addition, we continue to strengthen our range of investment services; for instance with the adoption of a Computer Telephony Integration (CTI) system for securities trading. We have also expanded our range of online and mobile banking services. Fixed deposits and bill payment functions can now be accessed through mobile banking. Other new electronic services include instant inter-bank transfers, e-statements and e-advice services. Apart from advancing our range of eBanking services, we are also committed to enhance the personal experience of our customers at branches. Several of the branches were upgraded last year.

In spite of a fiercely competitive environment, Wing Hang Credit delivered solid growth across a range of product lines including personal loans, revolving loans and mortgages. In order to meet the individual need of our customers, our focus is always on providing the highest standard of customer services and professionalism. One highlight during the year was the launch of a new Online Loan Centre in Kwai Fong. This aims to provide a convenient and simple way of



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making loan applications. It has the additional benefit of expanding our business scale and enlarging our customer base.

The Auto and Equipment Leasing division continued to win new business leading to solid growth in our portfolios. Despite the rise of funding costs in 2012, we have continued to maintain our position as one of the Group's main profit generating centers. In Hong Kong we have successfully maintained our leading position in the highly competitive vehicle finance market by offering quality customer services. Meanwhile in China we are expanding the high-margin equipment leasing business.

Insurance commissions increased by 14.3 percent in 2012 supported by the promotion of general insurance products as well as special lines of insurance. By working closely with our branches and business units, we have also been very successful in cross selling life insurance to our customers. Our insurance associates have continued to flourish. Hong Kong Life achieved very good results on premium products while Bank Consortium Trust made record profits.

The Hong Kong stock market remained volatile throughout 2012 as investor sentiment was buffeted by the unresolved euro-zone debt crisis and low global economic growth. Market turnover declined by 22.5 percent compared with the previous year despite the gradual recovery of the Hang Seng Index. This subdued trading environment inevitably affected our business. Nevertheless, we have continued to invest in new technology in an effort to further expand our market share and provide value-added services to our customers.

After several years of developing and strengthening our relationship with large corporations, total corporate loan volumes increased by 8.1 percent over 2011. However, this increase was partially offset by the slowdown of letter-of-credit financing and lower-yield syndication loans. One very successful business line was trade bills which surged by more than 80 percent. As always, particular attention has been paid to the prudent credit management of our loan portfolio throughout the year. In 2013, we will continue to focus on medium to large corporations offering high credit quality. As exports gradually recover, we will maintain close contact with our customers to capture business opportunities from any rebound in the trade financing business.

Business in the Treasury division was boosted by increases in net interest and non-interest income as well as gains on the disposal of some debt securities investments. As a result, profit before taxation jumped 40.4 percent over the previous year. Partially offsetting this gain were



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unrealised losses on the change in fair value of our subordinated liabilities. At year end, our direct exposure to euro-zone debt was not material.

As expected, economic growth slowed markedly in China last year. This slowdown has led to the creation of financial difficulties for some enterprises on the mainland. In view of the increasing underlying credit risks, particularly for enterprises in the Zhejiang region, we have tightened our risk control regarding our corporate loan portfolio in China. Along with this prudent measure, our wholly-owned subsidiary Wing Hang Bank (China) Limited ("WHBCL") has focused more on retail lending. Our unsecured loan business targeting SMEs in Shenzhen and Guangzhou has been very well received. It has also won recognition from the respective local governments as we are seen to be actively supporting the local economy. Building on this initial success, we are now expanding the business model to Shanghai and Beijing. At the same time, WHBCL has also been expanding its auto financing and equipment leasing business, mirroring the success of our Hong Kong operation. Turning to network expansion in China, we have opened a fifth sub-branch in Shenzhen in June 2012. Our second cross-location sub-branch in Huizhou was opened in August 2012 bringing our total network in China to 15. As economic growth has slowed, the People's Bank of China has focused on easing market liquidity. It has also made the first step towards interest-rate liberalisation by allowing banks to offer deposit rates at up to 10 percent above the standard deposit rate. At the same time, banks are now able to quote lending rates at up to 30 percent below the standard rate. These measures have resulted in a narrowing of interest margins and consequently affected our profitability. In October 2012, WHBCL officially launched its internet banking platform. This marked an important milestone in the development of our business in China. We believe the new platform will generate more interest in our products and services as customers are now able to enjoy all the benefits and convenience of internet banking.

Economic growth in Macau has remained strong as a result of the continuous expansion of the gaming and tourism industries. Real GDP grew by 10.0 percent in the first three quarters of 2012. Reflecting this strong growth, Banco Weng Hang delivered a solid 10.0 percent increase in net profit to 271.6 million patacas. Net interest income increased 13.2 percent despite a challenging interest rate environment. While fierce competition drove up interest costs, this was more than offset by loan growth and an improvement in yields. Lower commissions from our share brokerage and wealth management service drove down non-interest income by 7.5 percent. This was largely a result of a sharp fall in trading volumes on the stock market last year.



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However, there was healthy growth in other business lines such as insurance and credit cards. The lending business remained robust as total loans increased 19.0 percent compared to 2011. This was primarily supported by an increase in our residential mortgage business. Customer deposit growth was able to keep pace with loan growth. Deposits jumped 21.4 percent following a series of successful marketing campaigns to promote new savings products.

Looking forward, we expect a moderate rebound of the Hong Kong economy in 2013, especially in the second half of the year. Investment growth should also remain strong supported by infrastructure development. Exports should improve supported by local infrastructure projects and the recovery of the U.S. economy. However, the euro-zone economy remains fragile and any further deterioration in the situation there could impact the global recovery.

Turning to inflation, the outlook looks less benign as we are seeing price rises across a broad spectrum of the economy including both property values and rentals as well as food imported from the Mainland. However, interest rates are expected to remain low as a result of the Federal Reserve's exceptionally low interest rate policy coupled with quantitative easing in other major developed economies.

In terms of strategy, we will continue to focus on China as the growth potential there remains firmly intact. The gradual liberalisation of China's capital account and the continued development of the offshore RMB business are creating new opportunities for our customers who can now enjoy seamless RMB banking services across the region.