



WING HANG BANK

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PRESS RELEASE

WING HANG BANK LIMITED **2014 INTERIM RESULTS – HIGHLIGHTS**

- Profit attributable to shareholders down 7.4% to HK\$932.8 million compared to the first half of 2013
- Earnings per share was HK\$3.03
(HK\$3.33 for the first half of 2013)
- Operating profit up 4.3% to HK\$1,026.4 million
(HK\$984.2 million for the first half of 2013)
- Net interest margin of interest bearing assets remained unchanged at 1.68%
- Net interest income up 9.5% to HK\$1,753.3 million
(HK\$1,600.6 million for the first half of 2013)
- Other operating income remained unchanged at HK\$423.9 million
(HK\$423.8 million for the first half of 2013)
- Operating expenses up 4.4% to HK\$1,053.2 million
(HK\$1,009.1 million for the first half of 2013)
- Charge of impairment losses and allowances on loans decreased by 27.7% to HK\$31.2 million
(HK\$43.2 million for the first half of 2013)
- Advances to customers increased 4.8% to HK\$141.8 billion
(HK\$135.3 billion as at 31st December, 2013)
- Total deposit increased 4.3% to HK\$193.3 billion
(HK\$185.3 billion as at 31st December, 2013)
- Cost to income ratio at 49.9%
(49.6% for the first half of 2013)
- Tier 1 capital ratio at 11.7%
(12.0% as at 31st December, 2013)
- Total capital ratio at 15.4%
(15.9% as at 31st December, 2013)
- Return on average shareholders' fund at 8.5%
(10.1% for the first half of 2013)



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Wing Hang Bank Reported an Interim Profit of HK\$932.8 Million

In the first half of 2014, profit attributable to shareholders decreased by 7.4 percent to HK\$932.8 million from HK\$1,007.5 million the same period last year. The decrease was mainly due to decreases in capital gains on disposals of properties and unrealised losses on our subordinated liabilities. Excluding these extra adjustments, the profit attributable to shareholders should have increased by 11.5 percent. Earnings per share decreased by 9.0 percent to HK\$3.03. The Board has not recommended an interim dividend for the year 2014.

Economic growth in Hong Kong slowed to 1.8 percent year-on-year in the second quarter of 2014. It was due to slower growth in exports and consumption. In particular, export growth was undermined by the high base effect. The fall in retail sales has begun to reflect on falling work hours and has had a negative impact on consumption. On the other hand, strong investment growth from infrastructure projects supported the economy. Meanwhile slower residential rental growth continued to result in a downward trend of CPI inflation that was 3.6 percent in June.

In China the economy grew by 7.4 percent in the first half of 2014. A series of mini-stimulus has taken effect, including two targeted cuts in required reserve ratio, which has increased liquidity in Mainland, as a result, money supply grew by 14.7 percent in June, and interbank interest rates have fallen.

Total loans and advances increased by 9.6 percent whereas loans for use outside Hong Kong grew by 5.5 percent even trade finance decelerated. Meanwhile demand for mortgage loans revived due to increased supply of primary residential units and relaxed stamp duty measures.

Despite these challenges, Wing Hang was able to achieve moderate growth in customer loans and total deposits which increased by 4.8 percent and 4.3 percent respectively in the first half of 2014. Loan demand was largely supported by increased residential mortgages, wholesale and retail trade, auto and equipment leasing, corporate as well as consumer lending. This was supported by loan demand in Macau and on the Mainland. Deposit growth was fuelled by a significant increase in time deposits.



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The Group's asset quality remains sound supported by stable economic fundamentals and an effective credit risk monitoring policy.

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

- Return on average shareholders' funds: 8.5 percent
- Loan-to-deposit ratio as at 30th June, 2014: 73.3 percent
- Average liquidity ratio: 37.5 percent
- Total capital ratio as at 30th June, 2014: 15.4 percent
- Tier 1 capital ratio as at 30th June, 2014: 11.7 percent

Our network currently comprises 42 branches in Hong Kong, 13 branches in Macau and 15 branches / sub-branches on the Mainland. As at 30th June, 2014, the Group employed a total of 3,409 staff.

The key financial statistics for the period are:

- Profit before taxation decreased by 6.9 percent to HK\$1,101.2 million mainly due to decreases in capital gains on the disposal of properties and unrealized losses on our subordinated liabilities. Partially offsetting this decrease was increase in net interest income.
- Net interest income increased by 9.5 percent to HK\$1,753.3 million due to increase in interest income. Our net interest margin remained unchanged at 1.68 percent. The offsetting factors are increase in loan volume as well as reduction in interest expense on our subordinated debt issued which were fully offset by increase in interest expenses on customer deposits.
- Other operating income remained unchanged at HK\$423.9 million.
- Net unrealised loss from trading and financial instruments designated at fair value was HK\$66.5 million compared to a net gain of HK\$12.1 million the same period last year due to increase in unrealised loss on our subordinated debt issued.
- Total operating expenses increased by 4.4 percent to HK\$1,053.2 million due to increase in staff expenses and rental expenses. Our group's cost-to-income ratio slightly increased to 49.9 percent from 49.6 percent same period last year.



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- Impairment losses and allowances for loans and advances decreased by 27.7 percent to HK\$31.2 million from HK\$43.2 million same period last year. Impaired loans as of 30th June 2014 stood at HK\$495.9 million, equivalent to 0.35 percent of total loans.
- Net gains on revaluation and disposal of properties decreased by 100.6 percent due to gains on disposal of properties in last year.
- Net gains from disposal of available-for-sale financial assets decreased by 45.0 percent to HK\$49.2 million due to decrease in gain on disposal of debt securities.
- Total deposits increased by 4.3 percent to HK\$193.3 billion while customer deposits grew by 4.6 percent to HK\$186.1 billion. Certificates of deposit issued by the bank increased by 21.6 percent to HK\$5.1 billion.
- Total customer loans increased by 4.8 percent to HK\$141.8 billion. The increase in loans was due to demand from residential mortgages, wholesale and retail trade, auto and equipment leasing, corporate and consumer lending as well as increased loan demand in Macau and China.

Retail Banking Division recorded profit before taxation increment by 6.2 percent in the first half of 2014 compared to the same period last year.

In the residential mortgage business, we introduced a range of new and comprehensive loan packages such as HIBOR Flexi Mortgage Plan and RMB Repayment Plan that proved popular with our customers. Consequently we continued to outperform the market achieving growth of 11.5 percent despite keen market competition.

We were able to expand our deposits by 4.6 percent by introducing structured deposits and various promotion programs.

The key to success in our retail banking business is the continued expansion of our customer base. We successfully attracted new customers and new sources of funding by offering promotions in various product lines, such as Elite Gold Banking, securities trading, wealth management as well as loans under the SME Financing Guarantee Scheme.

In eBanking we continue to strengthen our range of services. For instance we now offer eIPO financing through the Internet in the first quarter.



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In terms of our branch network, we attach great importance to interior design features so that our customers can enjoy the user experience. Kwun Tong Branch has been renovated in January and new Elite Gold Banking Zone has been established in Shatin Plaza Branch in June while Gloucester Road Branch has been relocated in May.

Looking ahead we will continue to upgrade our branch network and develop new products and services to capture more cross-selling opportunities.

In the first half of 2014, Wing Hang Credit has successfully promoted their personal loan programs and satisfactory responses were received from customers, which enabled us to achieve a sustainable business volume. In addition, we are devoted to establish as a prominent consumer lending service provider with diversified loan products and promotional channels, as well as excellent customer services.

Looking forward, although the competition and the environment in the loan market are challenging, we will continue to focus on exploring new business opportunities and will further develop our loan products and promotional channels in order to sustain the leading position in the competitive market.

The Auto and Equipment Finance Division achieved a moderate overall portfolio growth in the 2014 interim. Our leading position in the Hong Kong vehicle finance market remained solid. Competition continued fierce despite the cost of funding was in a rising trend which had nibbled into our profit margin. Our higher margin equipment finance business in China was hampered by an increase in delinquency attributed to the tightening monetary policy in China. Profit was less satisfactory.

Total loan volumes of Corporate Banking Division recorded an increase of 4.5 percent in the first half of 2014 with growth momentum mainly on corporate bilateral loans. Credit quality of our loan portfolio, as reflected from the persistent low impaired ratio, has remained sound throughout the period. For the second half of the year, in view of the gradual economic recovery in most major export markets, our total loan volume is expected to continue on a steady and healthy growing trend with business focus on medium to large corporates of good credit quality. We shall keep on with our active participation on the cross-referral activities with our China's entity.



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Profit before taxation in the Treasury division decreased by 61.6 percent over the same period last year. The decrease was mainly due to decrease in debt securities investments, unrealised loss on our subordinated liabilities and decrease in gains on disposal of debt securities. Partially offsetting this decrease was reduction in interest expense due to early redemption of our subordinated debt.

China's economy was seen as stable in the first half of 2014 with GDP growth a moderate of 7.4 percent. Industrial production and exports were seen picking up. The People's Bank of China had continued to maintain good market liquidity and we have seen moderate loan growth during the first half. Our wholly-owned subsidiary, Wing Hang Bank (China) Limited ("WHBCL") recorded a strong results in the first half of 2014. Profit before taxation of our China operations increased by 170.7 percent due to strong growth in net interest income as well as decrease in impairment losses and allowances on loans. Customer loans increased by 4.5 percent while customer deposits remained unchanged when compared with the end of 2013.

WHBCL has continued to grow their loan portfolio targeting small enterprises with satisfactory results. Our Haizhu sub-branch in Guangzhou opened in October, 2013 has achieved good results as they were able to capture small enterprises business there.

Economic growth in Macau remained strong as the gaming and tourism industries continued to expand. Real GDP grew by 12.4 percent in the first quarter of 2014. Reflecting this strong growth, Banco Weng Hang achieved significant increase of 21.3 percent in operating profit before impairment losses and allowances to 199.5 million patacas. Net profit decreased by 4.2 percent to 187.6 million patacas due to net gain on disposal of property of 54.0 million patacas in the first half of last year.

Net interest income jumped 25.1 percent on the back of robust consumer loan demand coupled with an improvement in interest yields. Other operating income increased by 4.4 percent as fee revenues from several business divisions including credit cards, insurance and wealth management services all recorded healthy growth.



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Notwithstanding strong growth in high-yield consumer and cross-border trade loans, total loans increased by a relatively modest 3.5 percent as compared to the end of 2013. This was due to the sluggish growth in mortgage loans in the first quarter as a result of the drastic decrease in property transactions. Customer deposit grew by 7.0 percent, chiefly due to the launch of a number of successful campaigns to promote new savings products. As a result, the Bank's loan-to-deposit ratio lowered to 69.8 percent.

Looking ahead we expect the local economy to achieve moderate growth for the rest of 2014 supported by low unemployment and recovering external demand mainly from the United States and Europe. We will balance easing credit conditions with weakening credit condition in China.

With the backdrop of RMB internationalisation and interest rate differentials across the border, the Bank will continue to take part in offshore RMB business in Hong Kong and Macau proactively.