WING HANG BANK

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PRESS RELEASE

WING HANG BANK LIMITED
2013 FINAL RESULTS – HIGHLIGHTS

- Profit attributable to shareholders was up 21.3% to HK$2,187.1 million (A record profit) (HK$1,802.4 million for 2012)
- Earnings per share increased by 19.5% to HK$7.17 (HK$6.00 for 2012)
- Total dividends was HK$2.08
- Profit before taxation up 20.6% to HK$2,555.5 million (HK$2,119.7 million for 2012)
- Net interest margin of interest bearing assets up 9 basis points to 1.71%
- Net interest income up 13.0% to HK$3,338.5 million (HK$2,953.6 million for 2012)
- Other operating income up 4.1% to HK$845.6 million (HK$812.4 million for 2012)
- Operating expenses up 20.8% to HK$2,236.2 million (HK$1,851.9 million for 2012)
- Impairment losses and allowances for loans decreased by 63.4% to HK$86.3 million (HK$235.8 million for 2012)
- Advances to customers increased 18.6% to HK$135.3 billion (HK$114.1 billion as at 31st December, 2012)
- Total deposit increased 9.3% to HK$185.4 billion (HK$169.6 billion as at 31st December, 2012)
- Cost to income ratio at 52.0% (47.6% for 2012)
- Tier 1 capital ratio at 12.0% (10.0% as at 31st December, 2012)
- Total capital ratio at 15.9% (15.7% as at 31st December, 2012)
- Return on average shareholders' fund at 10.6% (9.8% for 2012)

Wing Hang Bank Reported a Record Profit of HK$2,187.1 Million

The Group achieved record profit in 2013 with satisfactory growth across all business divisions. Profit attributable to shareholders rose by 21.3 percent to HK$2,187.1 million for the year ended 31st December 2013 compared to HK$1,802.4 million in 2012. Earnings were boosted by an increase in net interest income as well as capital gains on disposals of properties and financial assets. Earnings per share increased by 19.5 percent to HK$7.17. The Board has recommended a final dividend of HK$1.62 per share. Together with the interim dividend of HK$0.46 paid on 9th October, 2013 the year's total distribution amounts to HK$2.08 per share.

Hong Kong's economy grew moderately during the first three quarters of 2013. Real GDP growth in the third quarter was 2.9 percent higher than the same period in 2012. The economy was underpinned by exports and stable labor market conditions. By the end of the year the unemployment rate stood at just 3.2 percent. Merchandise imports and exports staged a recovery on the back of stronger economic growth in the United States and a modest pick-up in Europe. Meanwhile underlying inflation trended down to 4.0 percent in 2013 from 4.7 percent previously as a result of slower residential rental growth.

In China the economy grew by 7.7 percent in 2013. A modest recovery in external demand has given rise to improved merchandise trade conditions. In addition an increasingly affluent middle class boosted retail sales by more than 13 percent. However, in an effort to rein in credit growth, the government announced new regulations on risk controls in the shadow banking sector in July. This has led to a deleveraging of the economy. Both factors have driven interbank interest rates in China to higher levels.

The tight liquidity conditions in China have prompted growing demand for loans in Hong Kong. Total loans and advances jumped by 16.0 percent whereas loans for use outside Hong Kong grew by 21.5 percent. Meanwhile demand for mortgage loans was relatively subdued following the implementation of additional stamp duty measures by the Hong Kong authorities. Outstanding residential mortgage loans increased by just 4.1 percent in 2013.

Despite these challenges, Wing Hang was able to achieve moderate growth in customer loans and total deposits which jumped by 18.6 percent and 9.3 percent respectively over the previous year. Loan demand was broad-based across the various business units including residential mortgages, the wholesale and retail trade, auto and equipment leasing as well as corporate and consumer lending. This was supported by higher loan demand in Macau and on the Mainland. Deposit growth was fuelled by a significant increase in demand and time deposits.

The Group's 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 20.6 percent to HK$2,555.5 million. This improvement was largely due to an increase in net interest income and capital gains on disposals of properties and financial assets.
- Net interest income increased by 13.0 percent to HK$3,338.5 million as a direct result of higher interest income and reduced interest expenses. Our net interest margin improved by 9 basis points to 1.71 percent thanks to higher loan volumes coupled with lower interest expenses on our subordinated debt.
- Other operating income increased by 4.1 percent to HK$845.6 million supported by higher insurance, credit card and share brokerage commissions.
- Total operating expenses increased by 20.8 percent to HK$2,236.2 million. The Group's cost-to-income ratio increased to 52.0 percent compared to 47.6 percent the previous year.
- Impairment losses and allowances for loans and advances decreased by 63.4 percent to HK$86.3 million. Impaired loans as of 31st December 2013 stood at HK$594.6 million, equivalent to 0.44 percent of total loans.
- Net gains on the revaluation and disposal of properties increased by 70.2 percent to HK$315.5 million.
- Net gains from the disposal of available-for-sale financial assets increased by 143.2 percent to HK$210.6 million following the sale of available-for-sales debt securities and equity investment.

- Total deposits increased by 9.3 percent to HK$185.4 billion while customer deposits grew by 7.2 percent to HK$177.9 billion. Certificates of deposit issued by the bank increased by 63.3 percent to HK$4.2 billion.
- Total customer loans increased by 18.6 percent to HK$135.3 billion. This significant increase was supported by broad-based loan demand in residential mortgages, the wholesale and retail trade, auto and equipment leasing, corporate and consumer lending as well as in Macau and China.
- Return on average shareholders' funds: 10.6 percent
- Loan-to-deposit ratio as at 31st December: 73.0 percent
- Average liquidity ratio: 38.6 percent
- Total capital ratio as at 31st December: 15.9 percent
- Tier 1 capital ratio as at 31st December: 12.0 percent

Our network currently comprises 42 branches in Hong Kong, 13 branches in Macau and 15 branches / sub-branches on the Mainland. As at 31st December 2013, the Group employed a total of 3,446 staff.

Retail Banking enjoyed solid growth in 2013 as profit before taxation jumped by 11.1 percent over the previous year.

In the residential mortgage business, we introduced a range of new and comprehensive loan packages that proved popular with our customers. Consequently we continued to outperform the market achieving growth of 16.2 percent despite keen market competition.

We were also able to further expand our customer base by launching timely promotions in a range of other products and services such as deposits, securities trading, payrolls, retail shop programs, Elite Gold Banking as well as loans under the SME Financing Guarantee Scheme. In May we launched an Integrated Account through which customers can simultaneously manage their savings accounts, time deposit accounts and current accounts. Customers can now review the balances of their investment accounts, credit cards and gold accounts in a single consolidated statement. The launch of the Integrated Account also facilitates the cross-selling of our other products and services. In eBanking we continue to strengthen our range of services. For instance we now offer online services for unit trusts, equity-linked and currency-linked deposits and bill payments through credit card accounts.

In terms of our branch network, we attach great importance to interior design features so that our customers can enjoy the user experience. A new branch was opened in Sheung Shui in January while several other branches were renovated and/or expanded over the past year. In a further development, we opened our first Wing Hang Elite Gold Banking Zone at the North Point branch in August. Customers visiting the zone, which is equipped with a stock quote machine, can now enjoy various high-level banking services such as share trading and wealth management. The aim is to provide a cozy and quiet environment for our premium customers to enjoy our banking services in privacy.

In October the Hong Kong Monetary Authority launched the "Treat Customers Fairly (TCF) Charter" which compels banks to protect the interests of their customers. As a signatory to the charter, Wing Hang announced the cancellation of its service fees on all dormant accounts.

Despite tough competition, Wing Hang Credit continued to maintain its leading market position by offering a wide range of high quality loan products to our customers. Throughout the year successful brand building campaigns and company promotions enabled us to boost personal and tax loans by 22.9 percent. The opening of a new branch in Jordan increased our network across Hong Kong to 24 offices. This has enabled us to broaden our business scale and customer base.

Demand for auto and equipment financing in Hong Kong remained relatively robust throughout the year. Our loan portfolio grew by 8.1 percent enabling us to maintain our leading market position. Despite a rise in funding costs in the second half of 2013, we have strived to keep profitability at a similar level to last year. This was achieved by further improving customer service while taking measures to stabilise the cost of funding. In the equipment finance sector, we have been impacted by the tightening of monetary policy in China. However we were still able to achieve moderate growth in this comparatively high margin business.

General insurance commissions maintained steady growth throughout the year as premiums rose on a number of different types of insurance products. There have also been more cross-selling opportunities for products like life insurance across our branch network. Total commission income increased by 12.1 percent compared with the previous year.

There was an improvement in market sentiment in Hong Kong last year leading to a more active stock trading environment. Average daily market turnover on the stock exchange surged by

14.8 percent over the previous year. As a result brokerage income grew by 17.6 percent despite keen competition from various brokers and other retail banks.

An increase in net interest income helped to boost profit before taxation in Corporate Banking by 70.7 percent. Total loan volumes recorded an increase of 26.6 percent over 2012 with respectable business growth particularly in the corporate bilateral loan sector. With an emphasis on our prudent lending policy and risk diversification, the credit quality of our loan portfolio has remained sound. This is reflected in our low impaired loan ratio. In view of a brighter global economic outlook in the year ahead, we aim to grow total loan volumes in the low double-digits while maintaining a reasonable interest-rate spread in line with market conditions. We shall continue to develop the business by focusing on high-credit-quality medium to large corporations while at the same time enhancing customer cross-referral initiatives between Hong Kong and China.

Profit before taxation in the Treasury division rose by 3.4 percent over the previous year. The profit growth was supported by the reduction in interest expense due to early redemption of our subordinated debt. Partially offsetting this increase was the partial sale of our debt securities portfolio to fund new loan demand.

Our China operations remained profitable in 2013 due to a 74.1 percent reduction in impairment losses. This helped to boost profit before taxation by 57.9 percent over 2012. In line with market demand, loan assets at our wholly-owned subsidiary Wing Hang Bank (China) Limited ("WHBCL") achieved moderate growth. Meanwhile WHBCL has continued to explore cross-border trade business opportunities by leveraging our China/Hong Kong/Macau platform. Our business focusing on small enterprises in China has continued to grow at a good pace resulting in the expansion of our unsecured loan portfolio. To meet the growing business needs of these small enterprises we have also launched a new secured loan product with encouraging results. The equipment financing business also maintained satisfactory growth during the year. Looking ahead WHBCL will continue to seek opportunities to strengthen its branch network in the Pearl River Delta. In October last year we opened a new sub-branch in the Haizhu District of Guangzhou to capture more mortgage lending opportunities in the area as well as to provide loans for SMEs and equipment financing. Currently WHBCL’s network comprises a total of 15 branches / sub-branches in China.

Macau's economy continues to power ahead as the gaming and tourism industries flourish. Real GDP grew by 10.5 percent in the first three quarters of 2013. Reflecting this strong growth, Banco Weng Hang's net profit surged 31.2 percent to 356.3 million patacas. Net interest income jumped 25.4 percent on the back of strong consumer loan demand coupled with lower deposit funding costs. Non-interest income also increased by a healthy 11.3 percent as fees from several business divisions including share trading, foreign exchange and credit cards all recorded double digit growth. The lending business remained robust as total loans increased by 19.9 percent compared to the end of 2012. This was supported by an increase in mortgage, consumer and corporate loans. Encouragingly, customer deposit growth almost matched loan growth rising by 15.4 percent. This followed the launch of a number of successful campaigns to promote new savings products. Our loan-to-deposit ratio remained at a healthy level of 72.5 percent. Finally net gains from a property disposal increased by 28.2 million patacas to 54.0 million patacas.

Looking ahead we expect the local economy to achieve moderate growth in 2014 supported by low unemployment and recovering external demand mainly from the United States and Europe. Tighter credit conditions in China could cause the deposit environment more competitive this year. There is also a risk of capital flight as the Federal Reserve continues to reduce its quantitative easing operations.

With the growing internationalisation of the RMB, interest rate differentials between Hong Kong and the Mainland will give rise to ample opportunities for our onshore and offshore RMB businesses. As China's economy continues to develop we will remain strategically focused on these RMB-related businesses.