



**永隆銀行**  
WING LUNG BANK

**2009 INTERIM FINANCIAL DISCLOSURE  
STATEMENTS**

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## WING LUNG BANK LIMITED

### FINANCIAL RESULTS AND OPERATION REVIEW

The Directors are pleased to present the Group's Interim Financial Disclosure Statements for the six months ended 30 June 2009. The financial information for the six month period ended 30 June 2009 set out in these statements is unaudited. With the exception of the consolidated statement of comprehensive income for the six months ended 30 June 2008, the comparative figures in respect of the consolidated income statement for the six months ended 30 June 2008, the consolidated balance sheet as at 31 December 2008 and the related explanatory notes are audited.

In 2009, central banks of the world's major economies orchestrated expansionary monetary policies, in order to break the vicious cycle of credit crunch that severely hindered capital flows and the real economy. With no capital flow restriction and additionally backed by the China factor, Hong Kong is one of the primary beneficiary regions from such policies. Substantive capital inflows brought interest rates for the HKD-denominated deposits down to nearly zero. Stimulated by ample liquidity, both the stock market and the property market have rebounded since the second quarter of the year. However, overall export figures kept declining and unemployment rate continued to rise. The overall economy in Hong Kong is predicted to remain weak in the second half of the year.

As we entered 2009, the Group operated at a steady even pace. Although market interest rates remained low, the financial market seemed to have stabilised. For the period ended 30 June 2009, the Group recorded an unaudited consolidated profit after tax of HK\$458 million, representing an increase of 30.7% over the corresponding period of the previous year.

As the market interest rates went down, the Group recorded only a net interest income of HK\$609 million for the first half of 2009, representing a decrease of 10.1% compared to the same period last year. Non-interest income (excluding insurance business) increased by a respectable 39.8% as compared to the corresponding period of the previous year, among which the debt securities investment generated substantial profit, while the insurance business achieved a turnaround from loss to profit with a net income of HK\$30.17 million (excluding gains or losses on investments). Moreover, the Group's impairment charge for credit losses decreased substantially by HK\$264 million. Its operating expenses amounted to HK\$559 million, an increase of 26.8% as compared to the same period of last year, which was partly attributable to the increase in provision for the Lehman Brothers Minibond incident, as well as the increase of approximately HK\$10.98 million in staff costs due to the increase in retirement benefit costs. If excluding the additional expenses relating to Lehman Brothers Minibond incident in 2009, the related promotion expenses for the Bank's 75th anniversary and the professional expenses for the merger and acquisition activities in 2008, operating expenses in the first six months of 2009 would only be HK\$17.67 million or 4.2% higher than that of 2008.

As at 30 June 2009, total assets and net assets of the Group increased by 10.2% and 4.5% to HK\$110.8 billion and HK\$10.9 billion respectively as compared to the end of 2008. Total deposits of the Group, including structured deposits, surged to HK\$91 billion or 9.4% higher than the total at the end of 2008, while total loans rose by 5.5% from year-end 2008 to HK\$45.8 billion. Overall loan quality remained sound with an impaired loan ratio of only 0.49%.

The consolidated capital adequacy ratio and core capital adequacy ratio as at the end of June 2009 were 12.4% and 10.7% respectively, and the average liquidity ratio for the first half of the year was 56.8%. On 14 July 2009, the Bank issued a subordinated note in the principal amount of HK\$800 million to China Merchants Bank ("CMB") to enlarge its capital base for future business development.

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### **FINANCIAL RESULTS AND OPERATION REVIEW**

After acquisition by CMB, the Bank not only receives strong support from CMB, but also expands its horizon for future business expansion with the proactive development of Renminbi-related businesses in Hong Kong. By virtue of the complementary advantages and mutual interaction between the two banks, a sustainable earnings growth driven by a gradually enhanced synergy is expected.

Detailed analysis of the Group's operations for the first half of 2009 is as follows:

#### **Deposits**

As at 30 June 2009, total deposits of the Group, including structured deposits, surged by 9.4% to HK\$91 billion as compared with that at the end of 2008. Deposit growth was mainly from new major corporate clients.

Among the various kinds of deposits, Hong Kong Dollar deposits accounted for the bulk of the increase, up by HK\$6.08 billion or 11.3% as compared with year-end 2008. Other foreign currency deposits surged by Hong Kong Dollar equivalent 2.13 billion or 14.5% over that at year-end 2008. Compared to 31 December 2008, RMB deposits rose by Hong Kong Dollar equivalent 400 million or 38.2%, while the US Dollar deposits decreased by Hong Kong Dollar equivalent 780 million or 5.8%.

With respect to business operation, mutual interaction between CMB and Wing Lung was launched, including "Account Opening Witnessed by CMB Manager" and "China – Hong Kong Express Link". Concurrently, PRC high-end customers were proactively invited to open accounts (including deposit, securities and wealth management accounts) with the Bank in Hong Kong.

#### **Advances to customers**

As at 30 June 2009, total loans to customers of the Group grew by 5.5% to HK\$45.8 billion as compared with that at the end of 2008; and the impaired loan ratio was only 0.49%. As such, its overall loan quality remained sound.

With respect to corporate banking business, the balance of loans at the end of June 2009 amounted to HK\$18 billion, an increase of 17.1% over that at the end of 2008. During the first half of the year, a number of projects were explored to expand the loan portfolio, to improve loan-to-deposit ratio and to generate more interest income, and the results were remarkable. In the second half of the year, the Bank will put efforts on closer cooperation with CMB. By leveraging on the advantages of internal and external linkage and interaction between the two banks, the Bank will strive to secure more trade finance customers, so as to generate more income.

As to commercial banking business, the balance of loans at the end of June 2009 amounted to HK\$369 million, representing a decrease of 28.6% as compared to that at the end of 2008. The performance of the Bank's trade finance business was affected as most of its customers received far less orders due to sluggish foreign trade environment. The Bank's Commercial Banking Department is currently taking a more aggressive approach to recommend the government-launched "Special Loan Guarantee Scheme" to its existing and new customers.

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### **FINANCIAL RESULTS AND OPERATION REVIEW**

With respect to mortgage and personal loan business, total loans (including all branches) at the end of June 2009 amounted to HK\$23.2 billion, representing a decrease of 2.4% from year-end 2008. Of the total, residential mortgage loan balance amounted to HK\$9.28 billion, a decrease of 2.9% compared with that at the end of 2008. In view of the improved sentiment in the property market and facing keen competition, the Bank will offer more flexible mortgage terms in line with the market and capitalise on its interactive cooperation with CMB. The Bank expects business will grow in the second half of the year with further improvement in the property market.

At the end of June 2009, the Bank's hire-purchase and leasing subsidiary, Wing Lung Finance Limited ("Wing Lung Finance"), recorded a portfolio amounting to HK\$517 million, up 5.2% as compared to that at the end of 2008. Given the uncertain global economic conditions, Wing Lung Finance took a prudent approach towards machinery financing. Business growth was mainly attributable to vehicle financing since the vehicle market has become stable since last year. Wing Lung Finance will strive to tap more vehicle financing business aiming at diversifying risk from machinery financing.

#### **Investments**

As at 30 June 2009, the Group had a debt securities investment portfolio of HK\$23.2 billion, representing an increase of 115% over that at the end of the previous year. The increment was mainly due to the fact that the Group purchased several tranches of high quality bonds during the period in order to increase interest income. More than 78% of such debt securities are rated A3 or above and their risks are comparatively low.

#### **Treasury**

For the six months ended 30 June 2009, revenue from foreign exchange trading amounted to HK\$32.13 million, representing a decrease of 33% over the corresponding period of the previous year; while revenue from foreign currency notes exchange amounted to HK\$17.73 million, representing an increase of 38.5% over the corresponding period of 2008. The Bank will introduce more proprietary transactions to increase revenue, and will also strengthen the cooperation with CMB to seek more trading opportunities at the same time.

With respect to the inter-bank placement and borrowing, interest rate remained at a low level due to weak funding requirement as a result of subdued business activities. It is expected that in the second half of 2009, the Group will increase its investment in government guaranteed debt instruments and achieve loan growth through corporate customer referrals by CMB, so as to increase its net interest income.

#### **Wealth management**

In the first half of 2009, the wealth management business of the Group realised a revenue of HK\$13.29 million, a decrease of 62.9% as compared to the corresponding period of last year. The decrease was primarily attributable to the sales suspension of certain relatively higher risk product pursuant to strengthened internal controls. Furthermore, the weakened market sentiments and certain investors' caution also dampened revenue generation.

## **WING LUNG BANK LIMITED**

### **FINANCIAL RESULTS AND OPERATION REVIEW**

Wealth Management Centre will focus on developing a new service branded “Sunflower” in the second half of 2009, with a view to providing a comprehensive service platform for high-end customers in both Mainland China and Hong Kong. Such services cover deposits, securities and wealth management. The detailed procedures and marketing plans for such services are currently being formulated and are expected to be completed by August 2009.

#### **Credit card**

As at 30 June 2009, the Bank has issued a total of 246,000 credit cards, down 2% from year-end 2008. The credit card receivables amounted to HK\$326 million, down 30.8% from the prior year-end. Merchant business turnover was HK\$1 billion, up 7.1% as compared to the corresponding period of 2008.

As the economic environment remains uncertain, the Bank adopted more prudent policies in granting credit cards, which led to the reduction in both the total number of credit cards issued and the receivable balance. The Bank will decide whether the relevant policies shall be relaxed in the second half of 2009 according to the developments of market conditions. In the third quarter, the Credit Card Centre will focus on the marketing of diamond credit card “Luxe Visa Infinite” and prepare for the introduction of the first World MasterCard Corporate Card in Greater China. In the second half of 2009, the Bank will continue to discuss with the Credit Card Centre of CMB for sharing more mutual promotion offers from merchants. In addition, the Bank will make efforts to secure merchant business, so as to increase its commission income.

#### **Securities broking**

In the first half of 2009, Wing Lung Securities Limited (“Wing Lung Securities”) realised a commission income of HK\$102 million, representing a slight year-on-year increase of 1.3%. Although the daily average total turnover of the Hong Kong stock market decreased by 33% during that period, Wing Lung Securities was able to achieve an increased turnover of 5.3%, which was much better than the market average, due to proactive expansion and the establishment of new securities centres. Consequently, its market share also increased. Market conditions have gradually improved since the second quarter as a result of the economic stimulations efforts by governments around the world. The Hang Seng Index broke through the 20,000 point level this July, evidencing an active market. In the second half of 2009, Wing Lung Securities will actively promote its securities services to corporate and institutional customers, so as to secure large amount orders.

#### **Wing Lung Insurance**

For the six months ended 30 June 2009, Wing Lung Insurance Company Limited (“Wing Lung Insurance”) recorded a gross premium income of HK\$349 million, representing a decrease of 9.7% as compared to the corresponding period of the previous year. Total insurance claims amounted to HK\$182 million, 39.7% lower compared to the prior year same period. Underwriting profit amounted to HK\$6.24 million compared to a HK\$112 million loss in the same period in 2008. Investments made a turnaround to gains. Wing Lung Insurance intends to increase premium for employee compensation policies to bolster underwriting profit. It also plans to expand its business to Chinese invested enterprises and to broaden its client base.

## **WING LUNG BANK LIMITED**

### **FINANCIAL RESULTS AND OPERATION REVIEW**

#### **Branches**

Following the acquisition of the Bank by CMB, the Bank has become the retail business platform of CMB in Hong Kong. The Bank is committed to developing retail market, with a view to gaining an important market position in Hong Kong. In order to increase distribution network for retail business, the Bank proactively expands its branch network. In April and August 2009, the Bank established its Des Voeux Road West Branch and its China Hong Kong City flagship branch, while its Mei Foo Sun Chuen Branch is expected to commence operation in September. Currently, the Bank has 38 branches in Hong Kong, two branches and a sub-branch in the PRC and two overseas branches, one in Los Angeles and the other in the Cayman Islands.

Our two branches and sub-branch in PRC have been developing steadily. They will cultivate business with large state-owned enterprises, private enterprises, as well as blue-chip and red-chip companies in Hong Kong, and will strengthen cooperative endeavours with CMB for more business opportunities.

Regarding the preparation of the Macao Branch, the Bank formally submitted application to the Monetary Authority of Macao immediately after obtaining consent for establishing such a branch from the Hong Kong Monetary Authority. The Macao regulator is now processing our application.

The Bank's Los Angeles Branch is proactively cooperating with CMB's New York Branch on the east coast, with a view to developing a mutual sharing platform to develop business in North America.

#### **Information Technology**

After merging with CMB, the Bank has revised its objectives, focusing more on customer centric service and providing unique cross border service. To facilitate these goals, the Information Technology Department has started various projects, including system modifications in line with new structural changes, service channel enhancement for improvement of service quality, upgrading back office operating systems, strengthening middle office risk management system, modernisation of IT infra-structure, etc.

#### **Human Resources**

As at 30 June 2009, the total number of employees of the Bank is 1,683 (31 December 2008:1,680), of which 1,592 are in Hong Kong, 78 are in the PRC and 13 are overseas. In order to upgrade the skills and overall competitiveness of its staff for further development, the Bank has been actively organising seminars related to the Bank's businesses and new products or services. Specialised training sessions on wealth management, insurance, new deposit products and services as well as sales techniques are regularly arranged for frontline staff. To enhance efficiency, online training program has been produced and uploaded to the distance learning centre of CMB, which was launched in July 2009.

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### **FINANCIAL RESULTS AND OPERATION REVIEW**

#### **Lehman Brothers Minibonds Repurchase Agreement**

On 22 July 2009, the Bank, without admission of any liability, entered into an agreement with the Securities and Futures Commission, the Hong Kong Monetary Authority and 15 other distributing banks for Lehman Brothers Minibonds ("Minibonds") to make an offer to eligible customers to repurchase their holdings in outstanding Minibonds subscribed through the Bank. Under the repurchase scheme, the Bank will offer to repurchase all outstanding Minibonds held by the Bank's eligible customers at a price equivalent to 60% of the nominal value of the principal invested (those who are below the age of 65 on 1 July 2009); or 70% of the nominal value of the principal invested (those who aged 65 or above on 1 July 2009). Subsequently, upon realising the underlying collateral of relevant Minibonds, the Bank will additionally make a payment of up to 10% (depending on actual recoveries) of the nominal value of the Minibonds to eligible customers who are below the age of 65. If such recoveries exceed 70% of the nominal value of the principal invested, the Bank will pay amounts in excess of 70% to its eligible customers. Based on the information currently available to the Bank, such repurchase scheme will involve an estimated aggregate amount of approximately HK\$203 million (including certain amounts already paid, but excluding any future payments following recovery of the collaterals) if all eligible customers accept the offer.

According to the agreement, the Bank has also committed to make available to the Trustee of the Minibonds (HSBC Bank USA, National Association) an amount of approximately HK\$8 million (equivalent to the amount of commission income received by the Bank through the distribution of the outstanding Minibonds) to be used by the Trustee to fund collateral recoveries pursuant to a related agreement. The Bank agreed that it will not have any claim to the return of this money to the extent that it is utilised by the Trustee.

The Bank has made adequate provision for the abovementioned amounts in its 2008 annual accounts and its interim accounts for the first half of 2009 in accordance with its accounting policy. It is still uncertain at this stage whether the Bank can recover any amount from the Minibonds' underlying collateral.

Hong Kong, 17 August 2009



**WING LUNG BANK LIMITED**

**CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Note	Six months ended 30 June	
		2009 Unaudited HK\$'000	2008 Audited HK\$'000
Interest income	3	992,979	1,735,904
Interest expense	4	(383,977)	(1,058,727)
<b>Net interest income</b>		<u>609,002</u>	<u>677,177</u>
Fees and commission income		201,437	226,502
Fees and commission expense		(30,866)	(34,186)
<b>Net fees and commission income</b>	5	<u>170,571</u>	<u>192,316</u>
Insurance operating income	6	212,531	218,632
Net trading gain/(loss)	7	154,118	(205,629)
Net gain on disposal of available-for-sale securities		68,820	252,915
Other operating income	8	74,971	95,386
<b>Operating income</b>		<u>1,290,013</u>	<u>1,230,797</u>
Operating expenses	9	(559,077)	(440,818)
Impairment charge for credit losses	10	(27,483)	(291,335)
Charge for insurance claims	6	(182,361)	(302,538)
Net profit/(loss) on disposal of other properties and equipment		23	(337)
<b>Operating profit before gain/(loss) on certain investments</b>		<u>521,115</u>	<u>195,769</u>
Fair value adjustments on investment properties		2,221	186,676
Share of net profits/(losses) of jointly controlled entities		7,597	(37,800)
Share of net profits of associates		2,406	1,895
<b>Profit before taxation</b>		<u>533,339</u>	<u>346,540</u>
Income tax	11	(75,454)	3,690
<b>Profit attributable to shareholders</b>		<u><u>457,885</u></u>	<u><u>350,230</u></u>
Interim dividend		-	116,095

**WING LUNG BANK LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30 JUNE 2009**

	Six months ended 30 June	
	2009	2008
	Unaudited	Unaudited
	HK\$'000	HK\$'000
<b>Profit for the period</b>	457,885	350,230
	-----	-----
<b>Other comprehensive income/(expense) for the period</b>		
Surplus on revaluation of bank premises	4,039	780
Changes in fair value of available-for-sale securities	68,575	(645,849)
Transfer to income statement on disposal of available-for-sale securities	(68,820)	(252,915)
Transfer to income statement on impairment of available-for-sale securities	-	248,364
Share of associates' reserves	13	82
Share of jointly controlled entities' reserves	4,544	(231)
Effect of deferred taxation on other comprehensive items	(251)	11,953
Effect on opening deferred tax balances resulting from the change in tax rate in 2008	-	1,450
	-----	-----
<b>Other comprehensive income/(expense) for the period</b>	8,100	(636,366)
	-----	-----
<b>Total comprehensive income/(expense) for the period attributable to shareholders</b>	465,985	(286,136)
	=====	=====

**WING LUNG BANK LIMITED**

**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2009**

	Note	30/6/2009 Unaudited HK\$'000	31/12/2008 Audited HK\$'000
<b>Assets</b>			
Cash and short-term funds	12	24,144,621	36,060,920
Placements with and loans and advances to banks	13	11,896,285	4,869,242
Trading securities		2,508,082	2,809,833
Derivative financial instruments	14	87,258	40,375
Financial assets designated at fair value through profit or loss		3,640,278	2,356,318
Available-for-sale securities		6,877,396	1,539,543
Held-to-maturity securities		10,729,194	4,720,418
Advances and other accounts	15	47,528,873	44,788,117
Interests in jointly controlled entities		162,908	153,900
Interests in associates		6,260	5,867
Investment properties	16	2,260,810	2,346,550
Interests in leasehold land		235,087	237,173
Other properties and equipment	17	556,895	489,767
Tax recoverable		86,368	85,922
Deferred tax assets		87,918	88,909
Total assets		<u>110,808,233</u>	<u>100,592,854</u>
<b>Liabilities</b>			
Deposits and balances from banks		2,186,102	914,484
Trading liabilities		200,505	595,471
Derivative financial instruments	14	391,218	197,606
Financial liabilities designated at fair value through profit or loss	18	1,072,390	2,076,092
Deposits from customers	19	90,863,294	82,493,626
Certificates of deposit issued		1,199,528	1,020,970
Current taxation		14,590	5,118
Deferred tax liabilities		328,908	276,363
Other accounts and accruals	20	3,683,818	2,611,229
Total liabilities		<u>99,940,353</u>	<u>90,190,959</u>
<b>Equity</b>			
Share capital	21	1,160,951	1,160,951
Reserves	22	9,706,929	9,240,944
Total equity		<u>10,867,880</u>	<u>10,401,895</u>
Total equity and liabilities		<u>110,808,233</u>	<u>100,592,854</u>

## WING LUNG BANK LIMITED

### NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

#### 1 Basis of preparation

The interim financial disclosure statements are prepared in accordance with and fully comply with the requirements set out in the Banking (Disclosure) Rules issued by the Hong Kong Monetary Authority.

The Hong Kong Institute of Certified Public Accountants (“HKICPA”) has issued a number of new/revised Hong Kong Financial Reporting Standards (“HKFRSs”, a collective term which includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations), which are effective for accounting periods beginning on or after 1 January 2009. The Group adopted the following new/revised HKFRSs which are relevant to its operations:

HKAS 1 (Revised)	- Presentation of Financial Statements
Amendments to HK (IFRIC) – Interpretation 9 and HKAS 39	- Reassessment of Embedded Derivative
HK (IFRIC) – Interpretation 13	- Customer Loyalty Programmes

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. As a result of the adoption of HKAS 1 (Revised), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are presented in the consolidated income statement, if they are recognised as part of profit or loss for the period, or otherwise in a new primary statement, the consolidated statement of comprehensive income. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.

Amendments to HK (IFRIC) - Interpretation 9 and HKAS 39 clarify the accounting treatment for embedded derivatives regarding subsequent reassessment on whether embedded derivative should be separated from host contract. In addition to a change in the terms of contract that significantly modified the cash flows that otherwise would have been required under the contract, the amendments require a subsequent reassessment to be performed when there is a reclassification of a financial asset out of the fair value through profit or loss category, which shall be made on the basis of the circumstances existed on the later date of: (a) when the entity first became a party to the contract; and (b) a change in the terms of contract that significantly modified the cash flows that otherwise would have been required under the contract. The amendments to the interpretation are unlikely to have any financial impact on the Group.

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### **NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS**

#### **1 Basis of preparation (Continued)**

HK (IFRIC) - Interpretation 13 requires customer loyalty award credits to be accounted for as a separate identifiable component of the sales transaction in which they are granted. The fair value of the consideration received or receivable in respect of the sales transaction is allocated between the award credits and the other components of the sale. The consideration allocated to the award credits shall be measured by reference to their fair value and is deferred until the awards are redeemed or the liability is otherwise extinguished. The interpretation is unlikely to have any financial impact on the Group.

The adoption of the above HKFRSs did not result in significant changes to the Group's accounting policies and did not have significant impact on the Group's results of operations and financial position.

Up to the date of issue of these interim financial disclosure statements, the HKICPA has also issued certain new/revised HKFRSs which are not yet effective for accounting period beginning on 1 January 2009 and have not been early adopted by the Group. The Group is in the process of making an assessment of what the impact of these new/revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's result of operations and financial position.

#### **2 Basis of consolidation**

These interim financial disclosure statements cover the consolidated positions of the Bank and all its subsidiaries, unless otherwise stated, and include the attributable share of the results and reserves of its jointly controlled entities and associates. For regulatory reporting, the bases of consolidation are set out in notes 1, 2 and 6 of the supplementary financial information of these interim financial disclosure statements.

**WING LUNG BANK LIMITED****NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS****3 Interest income**

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Cash and balances with banks	289,936	695,331
Investments in securities	136,343	219,639
Advances to customers	530,967	773,404
Others	35,733	47,530
	<u>992,979</u>	<u>1,735,904</u>

Included in interest income are interest income from financial assets that are not at fair value through profit or loss of HK\$932,862,000 (2008: HK\$1,618,925,000) and unwinding of discount on impaired assets of HK\$3,848,000 (2008: HK\$1,002,000).

**4 Interest expense**

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Deposits and balances from banks and deposits from customers	331,068	950,622
Certificates of deposit issued	33,753	62,198
Others	19,156	45,907
	<u>383,977</u>	<u>1,058,727</u>

Included in interest expense is interest expense on financial liabilities that are not at fair value through profit or loss of HK\$341,459,000 (2008: HK\$988,338,000).

**WING LUNG BANK LIMITED**

**NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS**

**5 Net fees and commission income**

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Fees and commission income		
Securities brokerage and investment services	115,413	131,335
Credit cards	32,327	35,035
Credit related fees and commission	25,167	27,559
Trade finance	7,331	6,619
Other retail banking services	9,077	10,321
Other fee income	12,122	15,633
	<u>201,437</u>	<u>226,502</u>
	-----	-----
Fees and commission expenses		
Credit cards	(18,938)	(19,461)
Other fee expenses	(11,928)	(14,725)
	<u>(30,866)</u>	<u>(34,186)</u>
	-----	-----
Net fees and commission income	<u>170,571</u>	<u>192,316</u>
Of which:		
Net fees and commission income, other than amounts included in determining the effective interest rate, arising from financial assets or financial liabilities that are not held for trading nor designated at fair value through profit or loss		
- fees and commission income	46,291	51,833
- fees and commission expenses	(16,584)	(15,484)
	<u>29,707</u>	<u>36,349</u>
	-----	-----
Net fees and commission income on trust and other fiduciary activities where the Group holds or invests on behalf of its customers		
- fees and commission income	4,152	5,412
- fees and commission expenses	(4)	(51)
	<u>4,148</u>	<u>5,361</u>
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**NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS**

**6 Insurance operating income and charge for insurance claims**

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
<b>Insurance operating income</b>		
Gross		
Gross insurance premium written	349,183	386,469
Change in unearned premium provision	(29,029)	(54,345)
	<u>320,154</u>	<u>332,124</u>
Premium revenue arising from insurance contracts issued	320,154	332,124
Reinsurance		
Reinsurance premium outward	(58,856)	(63,085)
Change in unearned premium provision	4,790	8,326
	<u>(54,066)</u>	<u>(54,759)</u>
Premium revenue ceded to reinsurers arising from insurance contracts issued	(54,066)	(54,759)
Net earned premium income	266,088	277,365
Commission income	3,911	5,443
Other income	527	605
Commission expenses	(57,995)	(64,781)
	<u>212,531</u>	<u>218,632</u>
<b>Charge for insurance claims (note)</b>		
Gross		
Gross claims paid	(223,222)	(193,767)
Change in reported claims, incurred but not reported ("IBNR") and other insurance provision	28,384	(163,181)
	<u>(194,838)</u>	<u>(356,948)</u>
Reinsurance		
Claims recovered from reinsurers	13,170	12,161
Change in reported claims, IBNR and other insurance provision	(693)	42,249
	<u>12,477</u>	<u>54,410</u>
Total claims incurred	(182,361)	(302,538)
Net insurance operating income/(expense)	<u>30,170</u>	<u>(83,906)</u>

Note: Charge for insurance claims represents net claims incurred on the Group's insurance business and the related claims settlement expenses.



**WING LUNG BANK LIMITED****NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS****7 Net trading gain/(loss)**

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Net loss from trading securities	(13,510)	(39,414)
Net gain/(loss) arising from financial instruments designated at fair value through profit or loss	231,458	(302,298)
Net (loss)/gain arising from derivative financial instruments	(123,759)	62,521
Net gain from foreign exchange trading	59,929	73,562
	<u>154,118</u>	<u>(205,629)</u>

**8 Other operating income**

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Dividend income		
- Listed equity securities	3,747	25,343
- Unlisted equity securities	1,991	2,824
Rental income from investment properties less direct outgoings of HK\$13,738,000 (2008: HK\$16,444,000)	49,452	46,202
Net rental income on safe deposit boxes	12,071	12,203
Others	7,710	8,814
	<u>74,971</u>	<u>95,386</u>

**WING LUNG BANK LIMITED****NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS****9 Operating expenses**

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Staff costs		
- Salaries and other costs	248,329	250,851
- Retirement benefit costs	17,859	4,359
Premises and equipment expenses, excluding depreciation		
- Rental of premises	14,538	12,587
- Others	14,929	17,870
Depreciation	36,246	26,094
Amortisation of land lease premium	2,086	2,086
Advertising and business promotion	12,896	29,080
Electronic data processing	21,823	20,299
Postage and communications	14,832	13,816
Printing and stationery	5,536	6,385
Auditors' remuneration	1,732	7,277
Water and electricity	5,353	5,363
Legal and professional fee	8,593	11,195
Insurance	4,671	4,774
Securities related expenses	4,282	4,684
Others	145,372	24,098
	<u>559,077</u>	<u>440,818</u>

**10 Impairment charge for credit losses**

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Impairment losses on		
- loans and advances	23,974	6,240
- available-for-sale securities	-	248,364
- held-to-maturity securities	-	36,731
- other accounts	3,509	-
	<u>27,483</u>	<u>291,335</u>

WING LUNG BANK LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

10 Impairment charge for credit losses (Continued)

(a)	Impairment losses on loans and advances	Six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
	Individually assessed		
	- new allowances	25,118	15,780
	- releases	(2,252)	(8,927)
	- recoveries	(867)	(1,843)
		<u>21,999</u>	<u>5,010</u>
	Collectively assessed		
	- new allowances	14,920	1,230
	- releases	(11,885)	-
	- recoveries	(1,060)	-
		<u>1,975</u>	<u>1,230</u>
	Net charge to the income statement	<u>23,974</u>	<u>6,240</u>
(b)	Impairment losses on available-for-sale securities	Six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
	Individually assessed		
	- new allowances	-	248,364
		<u>-</u>	<u>248,364</u>
(c)	Impairment losses on held-to-maturity securities	Six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
	Individually assessed		
	- new allowances	-	36,731
		<u>-</u>	<u>36,731</u>
(d)	Impairment losses on other accounts	Six months ended 30 June	
		2009	2008
		HK\$'000	HK\$'000
	Individually assessed		
	- new allowances	3,509	-
		<u>3,509</u>	<u>-</u>

**WING LUNG BANK LIMITED****NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS****11 Income tax**

Taxation charged/(credited) in the consolidated income statement represents:

	Six months ended 30 June	
	2009	2008
	HK\$'000	HK\$'000
Current taxation:		
- Hong Kong profits tax	13,113	11,891
- Overseas taxation	9,056	6,913
Deferred taxation:		
- Relating to the origination and reversal of temporary differences	53,285	2,579
- Effect on opening deferred tax balances resulting from the change in tax rate in 2008	-	(25,073)
	<u>75,454</u>	<u>(3,690)</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 16.5%) on the estimated assessable profit for the period. Taxation on overseas profits has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries in which the Group operates.

**12 Cash and short-term funds**

	30/6/2009	31/12/2008
	HK\$'000	HK\$'000
Cash and balances with banks	1,719,483	2,140,487
Balances with central bank	386,056	37,517
Money at call and short notice	22,039,082	33,882,916
	<u>24,144,621</u>	<u>36,060,920</u>

**13 Placements with and loans and advances to banks**

	30/6/2009	31/12/2008
	HK\$'000	HK\$'000
Placements with banks maturing between one and twelve months	11,479,762	4,457,429
Gross loans and advances to banks	416,523	411,813
	<u>11,896,285</u>	<u>4,869,242</u>

WING LUNG BANK LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

14 Derivative financial instruments

The following is a summary of the notional or contractual amounts, fair values and credit risk weighted amounts of each significant type of derivatives, without taking into account the effects of bilateral netting arrangements:

	Notional/ contractual amount 30/6/2009 HK\$'000	Fair values		Notional/ contractual amount 31/12/2008 HK\$'000	Fair values	
		Assets 30/6/2009 HK\$'000	Liabilities 30/6/2009 HK\$'000		Assets 31/12/2008 HK\$'000	Liabilities 31/12/2008 HK\$'000
<b>Derivatives held for trading</b>						
Exchange rate contracts						
Forward contracts	292,295	3,674	3,341	99,470	1,859	1,546
Currency swaps	52,825	202	20	211,104	1,761	162
Cross currency interest rate swaps	-	-	-	426,250	-	2,457
Options written	535,510	-	2,044	218,258	-	6,654
Options purchased	514,689	2,129	-	237,466	6,863	-
	<u>1,395,319</u>	<u>6,005</u>	<u>5,405</u>	<u>1,192,548</u>	<u>10,483</u>	<u>10,819</u>
Interest rate contracts						
Interest rate swaps	143,379	-	8,375	143,375	-	9,443
Equity contracts						
Options written	337,454	-	5,848	208,487	-	7,196
Options purchased	337,457	5,848	-	208,489	7,196	-
	<u>674,911</u>	<u>5,848</u>	<u>5,848</u>	<u>416,976</u>	<u>7,196</u>	<u>7,196</u>
	<u>2,213,609</u>	<u>11,853</u>	<u>19,628</u>	<u>1,752,899</u>	<u>17,679</u>	<u>27,458</u>
<b>Derivatives managed in conjunction with financial instruments designated at fair value through profit or loss</b>						
Interest rate contracts						
Interest rate swaps	4,140,848	75,405	208,673	3,967,499	22,696	170,148
Equity contracts						
Options written	2,239,505	-	162,917	-	-	-
	<u>6,380,353</u>	<u>75,405</u>	<u>371,590</u>	<u>3,967,499</u>	<u>22,696</u>	<u>170,148</u>
Total	<u>8,593,962</u>	<u>87,258</u>	<u>391,218</u>	<u>5,720,398</u>	<u>40,375</u>	<u>197,606</u>

The trading transactions are mainly positions arising from the execution of trade orders from customers or transactions taken to hedge these positions.

**WING LUNG BANK LIMITED**

**NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS**

**14 Derivative financial instruments (Continued)**

	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Credit risk weighted amount		
Exchange rate contracts	11,043	12,688
Interest rate contracts	45,458	11,964
Equity contracts	26,143	19,867
	<u>82,644</u>	<u>44,519</u>

The contractual amounts of these instruments indicate the volume of transactions outstanding as at the balance sheet date and they do not represent amounts at risks. The derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates, foreign exchange rates or equity prices relative to their terms. The aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

Credit risk-weighted amount refers to the amount as computed in accordance with the Banking (Capital) Rules. The amount depends on the status of the counterparty and the maturity characteristics of the instrument. The risk weights used range from 0% to 150%.

**WING LUNG BANK LIMITED**

**NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS**

**15 Advances and other accounts**

	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Advances to customers	45,770,127	43,368,102
Impairment allowances		
- Collectively assessed	(110,870)	(117,026)
- Individually assessed	(86,284)	(42,664)
	<u>45,572,973</u>	<u>43,208,412</u>
	-----	-----
Trade bills	70,233	113,692
Impairment allowances		
- Collectively assessed	(257)	(338)
	<u>69,976</u>	<u>113,354</u>
	-----	-----
Accrued interest	161,191	199,004
Impairment allowances		
- Individually assessed	(6,006)	(1,595)
	<u>155,185</u>	<u>197,409</u>
	-----	-----
Other accounts		
- Insurance premium receivable	164,241	176,085
- Recoverable from reinsurers	160,050	155,953
- Accounts and other receivable	1,509,560	1,076,611
	<u>1,833,851</u>	<u>1,408,649</u>
Impairment allowances		
- Individually assessed	(103,112)	(139,707)
	<u>1,730,739</u>	<u>1,268,942</u>
	-----	-----
	<u><u>47,528,873</u></u>	<u><u>44,788,117</u></u>
	=====	=====

**WING LUNG BANK LIMITED****NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS****15 Advances and other accounts (Continued)**

Gross loans and advances to customers individually impaired

	30/6/2009	31/12/2008
	HK\$'000	HK\$'000
Impaired loans	<u>224,624</u>	<u>82,482</u>
Percentage of total advances to customers	<u>0.49%</u>	<u>0.19%</u>
Individual impairment allowances made in respect of such advances	<u>86,284</u>	<u>42,664</u>
Total value of collateral taken into account in respect of the assessment of individual impairment allowances	<u>123,146</u>	<u>35,896</u>

At 30 June 2009, there were no impaired loans and advances to banks (31 December 2008: Nil).

The above individual impairment allowances were made after taking into account the value of collateral in respect of such advances.

**16 Investment properties**

	2009	2008
	HK\$'000	HK\$'000
At the beginning of the period/year	2,346,550	2,254,600
Additions	-	10,866
Reclassifications, net	(87,961)	(56,502)
Fair value gains on revaluation	2,221	137,586
At the end of the period/year (professional valuation)	<u>2,260,810</u>	<u>2,346,550</u>

All investment properties were revalued as at 30 June 2009 by capitalising the net rental income using the Investment Method of Valuation or as appropriate, by making reference to comparable market transactions using the Comparison Method. The valuations were carried out by an independent firm of surveyors, A.G. Wilkinson & Associates, who have among their staff Fellows of the Hong Kong Institute of Surveyors with recent experience in the location and category of property being valued.



**WING LUNG BANK LIMITED**

**NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS**

**17 Other properties and equipment**

	Premises HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 1 January 2009	455,552	586,811	1,042,363
Exchange adjustments	1	11	12
Additions	-	11,537	11,537
Disposals	-	(1,205)	(1,205)
Reclassifications, net	87,961	-	87,961
Surplus on revaluation	4,039	-	4,039
Less: elimination of accumulated depreciation on revaluation	(380)	-	(380)
At 30 June 2009	<u>547,173</u>	<u>597,154</u>	<u>1,144,327</u>
Accumulated depreciation			
At 1 January 2009	114,984	437,612	552,596
Exchange adjustments	-	10	10
Charge for the period (note 9)	4,591	31,655	36,246
Written back on disposal	-	(1,040)	(1,040)
Elimination on revaluation	(380)	-	(380)
At 30 June 2009	<u>119,195</u>	<u>468,237</u>	<u>587,432</u>
Net book value			
At 30 June 2009	<u><u>427,978</u></u>	<u><u>128,917</u></u>	<u><u>556,895</u></u>

**WING LUNG BANK LIMITED**

**NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS**

**17 Other properties and equipment (Continued)**

	Premises HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
Cost or valuation			
At 1 January 2008	398,774	540,993	939,767
Exchange adjustments	(220)	268	48
Additions	-	65,671	65,671
Disposals	-	(20,121)	(20,121)
Reclassifications, net	56,502	-	56,502
Surplus on revaluation	780	-	780
Less: elimination of accumulated depreciation on revaluation	(284)	-	(284)
At 31 December 2008	<u>455,552</u>	<u>586,811</u>	<u>1,042,363</u>
Accumulated depreciation			
At 1 January 2008	108,007	407,340	515,347
Exchange adjustments	(11)	82	71
Charge for the year	7,272	48,239	55,511
Written back on disposal	-	(18,049)	(18,049)
Elimination on revaluation	(284)	-	(284)
At 31 December 2008	<u>114,984</u>	<u>437,612</u>	<u>552,596</u>
Net book value			
At 31 December 2008	<u><u>340,568</u></u>	<u><u>149,199</u></u>	<u><u>489,767</u></u>

**WING LUNG BANK LIMITED**

**NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS**

**17 Other properties and equipment (Continued)**

The analysis of cost or valuation of the above assets is as follows:

	Premises HK\$'000	Furniture and equipment HK\$'000	Total HK\$'000
At 30 June 2009			
At cost	154,477	597,154	751,631
Reclassification from investment properties stated at professional valuation			
- 1995	50,560	-	50,560
- 1998	64,726	-	64,726
- 2001	12,164	-	12,164
- 2002	12,600	-	12,600
- 2003	8,190	-	8,190
- 2005	46,592	-	46,592
- 2006	27,910	-	27,910
- 2007	16,824	-	16,824
- 2008	55,889	-	55,889
- 2009	97,241	-	97,241
	<u>547,173</u>	<u>597,154</u>	<u>1,144,327</u>
At 31 December 2008			
At cost	154,476	586,811	741,287
Reclassification from investment properties stated at professional valuation			
- 1995	50,560	-	50,560
- 1998	64,726	-	64,726
- 2001	12,164	-	12,164
- 2002	12,600	-	12,600
- 2003	11,540	-	11,540
- 2005	46,592	-	46,592
- 2006	27,910	-	27,910
- 2007	16,824	-	16,824
- 2008	58,160	-	58,160
	<u>455,552</u>	<u>586,811</u>	<u>1,042,363</u>

**WING LUNG BANK LIMITED****NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS****18 Financial liabilities designated at fair value through profit or loss**

	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Certificates of deposit issued	911,563	1,372,172
Structured deposits (note 19)	160,827	703,920
	<u>1,072,390</u>	<u>2,076,092</u>

**19 Deposits from customers**

	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Deposits from customers		
- As stated in the balance sheet	90,863,294	82,493,626
- Structured deposits reported as financial liabilities designated at fair value through profit or loss (note 18)	160,827	703,920
	<u>91,024,121</u>	<u>83,197,546</u>
Analysed by:		
- Demand deposits and current accounts	4,659,782	3,641,552
- Savings deposits	26,353,419	20,153,945
- Time, call and notice deposits	60,010,920	59,402,049
	<u>91,024,121</u>	<u>83,197,546</u>

**WING LUNG BANK LIMITED**

**NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS**

**20 Other accounts and accruals**

	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Interest payable	85,935	174,733
Insurance liabilities	1,494,008	1,490,414
Accounts and other payable	2,103,875	946,082
	<u>3,683,818</u>	<u>2,611,229</u>

**21 Share capital**

	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Authorised:		
300,000,000 (2008: 300,000,000) ordinary shares of HK\$5 each	<u>1,500,000</u>	<u>1,500,000</u>
Issued and fully paid:		
232,190,115 (2008: 232,190,115) ordinary shares of HK\$5 each	<u>1,160,951</u>	<u>1,160,951</u>

WING LUNG BANK LIMITED

NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

22 Reserves

	Capital reserve HK\$'000	Bank premises revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Statutory surplus HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2009	57,500	36,145	173,794	25	1,003,730	7,969,750	9,240,944
Available-for-sale securities							
- Changes in fair value	-	-	68,575	-	-	-	68,575
- Transfer to income statement on disposal	-	-	(68,820)	-	-	-	(68,820)
Surplus on revaluation	-	4,039	-	-	-	-	4,039
Share of associates' reserves	-	-	13	-	-	-	13
Share of jointly controlled entities' reserves	-	-	4,544	-	-	-	4,544
Effect of deferred taxation on fair value adjustments	-	(666)	415	-	-	-	(251)
Profit for the period	-	-	-	-	-	457,885	457,885
At 30 June 2009	57,500	39,518	178,521	25	1,003,730	8,427,635	9,706,929

	Capital reserve HK\$'000	Bank premises revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Statutory surplus HK\$'000	General reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 January 2008	57,500	35,069	972,543	-	1,003,730	9,250,310	11,319,152
Available-for-sale securities							
- Changes in fair value	-	-	(989,828)	-	-	-	(989,828)
- Transfer to income statement on disposal	-	-	(131,202)	-	-	-	(131,202)
- Transfer to income statement on impairment	-	-	309,785	-	-	-	309,785
Surplus on revaluation	-	780	-	-	-	-	780
Share of associates' reserves	-	-	(175)	-	-	-	(175)
Share of jointly controlled entities' reserves	-	-	(5,119)	-	-	-	(5,119)
Effect of deferred taxation on fair value adjustments	-	296	17,790	-	-	-	18,086
Loss for the year	-	-	-	-	-	(816,155)	(816,155)
Transfer to statutory surplus	-	-	-	25	-	(25)	-
2007 Final dividend paid	-	-	-	-	-	(348,285)	(348,285)
2008 Interim dividend paid	-	-	-	-	-	(116,095)	(116,095)
At 31 December 2008	57,500	36,145	173,794	25	1,003,730	7,969,750	9,240,944

## WING LUNG BANK LIMITED

### NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

#### 22 Reserves (Continued)

- (a) The Group's capital reserve was set up in relation to the capitalisation by certain subsidiaries of their retained earnings for the issue of new shares to the Bank.
- (b) Bank premises revaluation reserve has been set up and is dealt with in accordance with the accounting policies adopted for the revaluation of properties.
- (c) Investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale securities until the securities are derecognised or impaired and is dealt with in accordance with the accounting policies adopted for the revaluation of financial assets.
- (d) Statutory surplus reserve is provided at 10% of the audited profit after tax of a subsidiary of the Bank which is incorporated in the People's Republic of China, until the reserve balance is equal to 50% of its registered share capital. Surplus reserve can be used to offset accumulated losses or capitalised as paid-up capital with the approval of shareholders.
- (e) General reserve comprises previous years' transfers from retained earnings.
- (f) At 30 June 2009, included in retained earnings is an amount of HK\$394,351,000 (31 December 2008: HK\$361,127,000) which was earmarked as regulatory reserve. The regulatory reserve is maintained to satisfy the provisions of the Hong Kong Banking Ordinance for prudential supervision purposes. Movements in the reserve are made directly through retained earnings and in consultation with the Hong Kong Monetary Authority.

## WING LUNG BANK LIMITED

### NOTES TO THE INTERIM FINANCIAL DISCLOSURE STATEMENTS

#### 23 Contingent liabilities and commitments

The following is a summary of the contractual amounts of each significant class of contingent liabilities and commitments, and the aggregate credit risk weighted amounts:

	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Contractual amount		
Direct credit substitutes	455,049	287,168
Transaction-related contingencies	86,929	122,324
Trade-related contingencies	144,967	121,539
Other commitments which are unconditionally cancellable	10,686,706	9,050,982
Other commitments with an original maturity of one year or less	4,658,139	655,300
Other commitments with an original maturity of over one year	5,231,755	3,796,778
	<u>21,263,545</u>	<u>14,034,091</u>
Credit risk weighted amount	<u>3,675,130</u>	<u>2,187,860</u>

The risk weights used in the computation of credit risk weighted amounts range from 0% to 150%.

#### 24 List of subsidiaries for financial reporting consolidation

Hongnet Limited #  
Sea Wing Investments Limited  
Wing Lung Agency Limited  
Wing Lung Bank (Nominees) Limited #  
Wing Lung Bank (Trustee) Limited #  
Wing Lung Credit Limited  
Wing Lung Finance Limited  
Wing Lung Futures Limited #  
Wing Lung Information Technology (Shenzhen) Limited #  
Wing Lung Insurance Brokers Limited  
Wing Lung Insurance Company Limited #  
Wing Lung Property Management Limited #  
Wing Lung Securities Limited #  
Wingspan Incorporated

# Companies excluded in the computation of the consolidated capital ratios at 30 June 2009 and 31 December 2008 for regulatory reporting purposes



## WING LUNG BANK LIMITED

### SUPPLEMENTARY FINANCIAL INFORMATION

The following information is unaudited and disclosed as part of the accompanying information to the interim financial disclosure statements.

#### 1 Capital adequacy ratio and capital base

	30/6/2009	31/12/2008
Capital ratios		
- Capital adequacy ratio	12.4%	13.8%
- Core capital adequacy ratio	10.7%	12.0%

The capital base after deductions used in the calculation of the above capital ratios as at 30 June 2009 and 31 December 2008 is analysed as follows:

	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Core capital:		
Paid up ordinary share capital	1,160,951	1,160,951
Reserves	5,843,454	6,249,989
Profit and loss account	(39,467)	(482,180)
Less: Deferred tax assets	(23,527)	(22,689)
Core capital	6,941,411	6,906,071
Less: Deductions from core capital	(451,788)	(407,402)
Total core capital after deductions	6,489,623	6,498,669
Supplementary capital:		
Reserves attributable to fair value gains on revaluation of holdings of land and buildings	824,416	824,416
Reserves attributable to fair value gains on revaluation of holdings of available-for-sale equities and debt securities	36,235	18,245
Unrealised fair value gains arising from holdings of equities and debt securities designated at fair value through profit or loss	127,872	35,610
Regulatory reserve for general banking risks	394,351	361,127
Collective impairment allowances	111,127	117,364
Supplementary capital	1,494,001	1,356,762
Less: Deductions from supplementary capital	(451,788)	(407,402)
Total supplementary capital after deductions	1,042,213	949,360
Total capital base after deductions	7,531,836	7,448,029

## WING LUNG BANK LIMITED

### SUPPLEMENTARY FINANCIAL INFORMATION

#### 1 Capital adequacy ratio and capital base (Continued)

The capital ratios at 30 June 2009 and 31 December 2008 were calculated in accordance with the Banking (Capital) Rules issued by the Hong Kong Monetary Authority (“HKMA”) under section 98A of the Hong Kong Banking Ordinance. In accordance with the Banking (Capital) Rules, the Group has adopted the “standardised approach” for the calculation of the risk-weighted assets for credit risk and market risk, and the “basic indicator approach” for the calculation of operational risk.

The basis of consolidation for calculation of the capital ratios at 30 June 2009 and 31 December 2008 follows the basis of consolidation for financial reporting but excludes certain subsidiaries as set out in note 24 to the interim financial disclosure statements. The investment costs of these subsidiaries are therefore deducted from capital.

#### 2 Liquidity ratio

	Six months ended 30 June	
	2009	2008
Liquidity ratio	56.8%	49.4%

The liquidity ratio is calculated as the simple average of each calendar month’s average consolidated liquidity ratio for the period calculated for the Bank and a subsidiary as specified by the HKMA during the period in accordance with the Fourth Schedule of the Hong Kong Banking Ordinance.

## WING LUNG BANK LIMITED

### SUPPLEMENTARY FINANCIAL INFORMATION

#### 3 Currency concentrations

The US dollar net position constitutes 10% or more of the total net position in all foreign currencies and is reported in Hong Kong dollar equivalent as follows:

	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Spot assets	18,390,215	15,113,826
Spot liabilities	(14,431,500)	(14,717,978)
Forward purchases	967,180	2,183,351
Forward sales	(1,638,676)	(1,580,935)
Net option position	(1,597)	(2,323)
	<hr/>	<hr/>
Net long position	<u>3,285,622</u>	<u>995,941</u>

The net option position is calculated based on the model user approach set out in the prudential return "Foreign Currency Position" issued by the HKMA.

The RMB and US dollar net structural positions constitute 10% or more of the total net structural position in all foreign currencies and are reported in Hong Kong dollar equivalent as follows:

	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Net structural position		
US dollar	289,260	273,454
RMB	352,634	328,082
	<hr/>	<hr/>
	<u>641,894</u>	<u>601,536</u>

**WING LUNG BANK LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**4 Segmental information**

**(a) Gross advances to customers by industry sectors**

	30/6/2009		31/12/2008	
	HK\$'000	% of gross advances covered by collateral	HK\$'000	% of gross advances covered by collateral
Loans for use in Hong Kong				
Industrial, commercial and financial				
Property development	5,036,347	18.6	4,133,346	23.8
Property investment	13,320,339	91.9	13,185,748	93.9
Financial concerns	750,018	33.3	271,809	98.5
Stockbrokers	-	-	229	100.0
Wholesale and retail trade	1,188,666	63.5	851,923	88.6
Manufacturing	524,993	62.0	526,514	67.8
Transport and transport equipment	1,296,307	26.4	1,365,053	25.4
Recreational activities	24,911	59.9	20,372	82.3
Information technology	2,712	85.3	3,084	82.4
Others	3,602,369	60.8	3,357,481	55.1
Individuals				
Loans for the purchase of flats in the Home Ownership Scheme, Private Sector Participation Scheme and Tenants Purchase Scheme	1,680,510	100.0	1,765,912	100.0
Loans for the purchase of other residential properties	9,276,518	99.9	9,552,132	99.8
Credit card advances	325,659	-	470,908	-
Others	1,349,745	91.6	1,410,419	93.9
Trade finance	515,628	69.3	622,556	62.5
	<u>38,894,722</u>	<u>76.1</u>	<u>37,537,486</u>	<u>79.9</u>
Loans for use outside Hong Kong	6,875,405	42.3	5,830,616	45.0
	<u>45,770,127</u>	<u>71.0</u>	<u>43,368,102</u>	<u>75.2</u>

**WING LUNG BANK LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**4 Segmental information (Continued)**

**(a) Gross advances to customers by industry sectors (Continued)**

The gross amount of impaired loans and impairment allowances for those industry sectors which constitute not less than 10% of gross advances to customers is analysed as follows:

	Impaired loans HK\$'000	Individual impairment allowance HK\$'000	Collective impairment allowance HK\$'000
<b>At 30 June 2009</b>			
Loans for use in Hong Kong			
Industrial, commercial and financial			
Property development	-	-	4,518
Property investment	14,196	9,877	19,870
Individuals			
Loans for the purchase of other residential properties	5,936	949	6,704
Loans for use outside Hong Kong	111,272	30,379	22,551
	<u>131,404</u>	<u>41,205</u>	<u>53,643</u>
<b>At 31 December 2008</b>			
Loans for use in Hong Kong			
Industrial, commercial and financial			
Property development	-	-	5,422
Property investment	4,707	3,982	24,177
Individuals			
Loans for the purchase of other residential properties	9,537	419	8,032
Loans for use outside Hong Kong	28,076	25,118	22,581
	<u>42,320</u>	<u>29,519</u>	<u>60,212</u>

**WING LUNG BANK LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**4 Segmental information (Continued)**

**(b) Geographical analysis of gross advances to customers, overdue advances, impaired loans and impairment allowances**

The following geographical analysis of gross advances to customers, overdue advances, impaired loans and impairment allowances is based on the location of the counterparty, after taking into account the transfer of risk in respect of such advances where appropriate.

	Gross advances to customers HK\$'000	Overdue advances HK\$'000	Impaired loans HK\$'000	Individual impairment allowance		Collective impairment allowance HK\$'000
				Overdue advances HK\$'000	Impaired loans HK\$'000	
<b>At 30 June 2009</b>						
Hong Kong	41,761,431	1,199,744	135,421	29,779	76,602	103,580
Others	4,008,696	90,546	89,203	9,682	9,682	7,290
	<u>45,770,127</u>	<u>1,290,290</u>	<u>224,624</u>	<u>39,461</u>	<u>86,284</u>	<u>110,870</u>
<b>At 31 December 2008</b>						
Hong Kong	39,440,052	1,328,541	81,233	37,695	41,415	108,592
Others	3,928,050	2,762	1,249	1,249	1,249	8,434
	<u>43,368,102</u>	<u>1,331,303</u>	<u>82,482</u>	<u>38,944</u>	<u>42,664</u>	<u>117,026</u>

**(c) Cross-border claims**

The Group analyses cross-border claims by exposures to foreign counterparties on which the ultimate risk lies, and is derived according to the location of the counterparties after taking into account any transfer of risk. The transfer of risk from one country to another is recognised if the claims against a counterparty are guaranteed by another party in a different country or if the claims are on an overseas branch of a bank whose head office is located in a different country. Those areas which contribute 10% or more of the aggregate cross-border claims are as follows:

	Banks HK\$'000	Public sector entities HK\$'000	Others HK\$'000	Total HK\$'000
Asia Pacific excluding				
Hong Kong	18,001,036	158,828	4,274,839	22,434,703
North and South America	3,264,352	48,449	1,958,936	5,271,737
Europe	27,997,789	25,595	312,567	28,335,951
<b>At 31 December 2008</b>				
Asia Pacific excluding				
Hong Kong	19,662,960	91,997	3,125,949	22,880,906
North and South America	3,538,507	395,172	1,632,923	5,566,602
Europe	20,337,435	-	76,123	20,413,558

**WING LUNG BANK LIMITED****SUPPLEMENTARY FINANCIAL INFORMATION****5 Overdue and rescheduled assets****(a) Overdue advances**

The Group's overdue advances to customers are analysed as follows:

	30/6/2009		31/12/2008	
	HK\$'000	% of total advances to customers	HK\$'000	% of total advances to customers
Gross amount of advances which have been overdue for:				
- Six months or less, but over three months	102,091	0.22	11,570	0.03
- One year or less, but over six months	12,113	0.03	9,656	0.02
- Over one year	30,281	0.07	24,144	0.06
	<u>144,485</u>	<u>0.32</u>	<u>45,370</u>	<u>0.11</u>
Secured overdue advances	105,398		17,964	
Unsecured overdue advances	39,087		27,406	
	<u>144,485</u>		<u>45,370</u>	
Market value of collateral held against the secured overdue advances	<u>115,690</u>		<u>25,728</u>	
Individual impairment allowances made	<u>35,605</u>		<u>24,659</u>	

At 30 June 2009, there were no advances to banks which were overdue for over three months (31 December 2008: Nil).

**WING LUNG BANK LIMITED**

**SUPPLEMENTARY FINANCIAL INFORMATION**

**5 Overdue and rescheduled assets (Continued)**

**(b) Other overdue assets**

The Group's other overdue assets are analysed as follows:

	30/6/2009		31/12/2008		
	Other accounts HK\$'000	Accrued interest HK\$'000	Other accounts HK\$'000	Trade bills HK\$'000	Accrued interest HK\$'000
Gross amount of other assets which have been overdue for:					
- Six months or less, but over three months	-	4,526	109,441	421	72
- One year or less, but over six months	167,307	83	-	-	39
- Over one year	-	4,600	-	-	4,707
	<u>167,307</u>	<u>9,209</u>	<u>109,441</u>	<u>421</u>	<u>4,818</u>

**(c) Rescheduled advances**

The Group's rescheduled advances (net of those which have been overdue for over three months and reported in item (a) above) are as follows:

	30/6/2009		31/12/2008	
	HK\$'000	% of total advances to customers	HK\$'000	% of total advances to customers
Rescheduled advances to customers	<u>106,165</u>	<u>0.23</u>	<u>83,829</u>	<u>0.19</u>

At 30 June 2009, there were no rescheduled advances to banks (31 December 2008: Nil).

**(d) Repossessed assets**

	30/6/2009 HK\$'000	31/12/2008 HK\$'000
Reposessed assets	<u>2,592</u>	<u>2,620</u>



## WING LUNG BANK LIMITED

### SUPPLEMENTARY FINANCIAL INFORMATION

#### 6 Non-bank Mainland exposures

The analysis of non-bank Mainland exposures is based on the categories of non-bank counterparties and the type of direct exposures defined by the HKMA under the Banking (Disclosure) Rules with reference to the HKMA return for non-bank Mainland exposures, these include exposures extended by the Bank and its overseas branches only.

##### At 30 June 2009

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000	Individual impairment allowance HK\$'000
Mainland entities	5,950,162	1,373,269	7,323,431	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	2,010,166	900,243	2,910,409	5,483
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	20,590	-	20,590	-
<b>Total</b>	<b>7,980,918</b>	<b>2,273,512</b>	<b>10,254,430</b>	<b>5,483</b>

##### At 31 December 2008

	On-balance sheet exposure HK\$'000	Off-balance sheet exposure HK\$'000	Total HK\$'000	Individual impairment allowance HK\$'000
Mainland entities	4,360,669	331,369	4,692,038	-
Companies and individuals outside Mainland where the credit is granted for use in Mainland	1,709,150	322,530	2,031,680	4,839
Other counterparties where the exposure is considered by the Bank to be non-bank Mainland exposure	21,407	-	21,407	-
<b>Total</b>	<b>6,091,226</b>	<b>653,899</b>	<b>6,745,125</b>	<b>4,839</b>