

23rd February 2006

**HONG LEONG BANK CLOSED 6 MONTHS ENDED 31st DECEMBER 2005 WITH
RM334 MILLION PRE-TAX PROFIT**

Hong Leong Bank Berhad today announced a **pre-tax profit of RM 136 million and RM 334 million** for the **2nd quarter and year-to-date** respectively for its **financial year ended 30 June 2006**.

Total revenue was ahead by 2.0% for the first 6 months. However **pre-tax profits was 10% lower** as a result of **investments in revenue generating marketing activities and IT spend for new capabilities**. Loan loss provisions rose slightly as a result of adopting a more stringent provisioning formula on the vehicle collateral values of Hire Purchase non-performing loans.

The requirements of the 'Revised Guidelines on Financial Reporting for Licensed Institutions (BNM/GP8)', which took effect in this financial year reporting, have been incorporated. Also, the results for the corresponding quarter in the previous year have been restated to comply with BNM/GP8.

RAM upgrades Hong Leong Bank Berhad's credit rating

Rating Agency Malaysia (RAM) **upgraded** Hong Leong Bank Berhad's long-term general rating **from AA3 to AA2** on 6th Feb 2006.

Net Interest Income – buffeted by continued loan growth

The net interest income revenue line came in slightly lower at RM232 million versus RM 245 million for the same corresponding quarter despite a sustained underlying business momentum and loans growth. The industry margin compression continues to be a challenge with the excess liquidity in the banking system

Our **gross loan book grew by 10.7%** (on annualized basis) for the first 6 months and this was driven by the retail lending especially for Mortgage (by 23% annualized), Hire Purchase (by 6% annualized) and Cards (by 12% annualized).

The net income business from Islamic banking was higher at RM 43.5 million versus RM 33.6 million for the corresponding 2nd quarter, mainly due to the growing Islamic financing business and increasing consumer demand for Islamic products.

Fee income – growing contributor to revenue stream

Non-interest income ratio improved from 24.0% to 25.4% for the 1st 6 months reflecting our continued success in pushing for non-interest income business. This is on the back of improvements of fee income from branch transaction services and higher foreign exchange income. We have been gathering momentum to push for fee-based business through our wealth management proposition and personal financial services.

Deposits – our franchise value

The balance sheet has **ample funding from diverse sources**, with the **funding coming mainly from customer deposits**. Total **deposits** from customer base **grew** to RM 42.9 billion, up 7.4% from RM 39.9 billion as of 30th June 2005. The franchise value continues to be well supported from individuals, who make up 57.8% of the customer deposit base.

Islamic Banking

Building on its good impetus, the **Islamic Bank** registered a **healthy net profit before tax of RM32.4 million** for the financial period ended 31st December 2005. Balance sheet growth was positive, with a financing base of RM 3.8 billion and customers' deposits of RM 5.3 billion. The Financing to Deposit ratio stood at 72%, allowing room for future asset growth.

In line with the vision to expand and further innovate on a comprehensive range of offerings, we have continued to enhance the feature of our Financing and Deposit products, providing needs-based financial solutions to increasingly sophisticated customers in the marketplace today.

Improving loan quality and stringent loan loss provisioning

Asset quality continued to **strengthen** with increased emphasis on collection management. The net **NPL ratio improved to 4.0%** from 4.3% in the preceding quarter.

Strong capital ratio

The **risk-weighted capital ratio was at 18.66%** (after deducting proposed dividends) as of 31st December 2005, **up from 16.74%** as at 30th June 2005, with the USD 200 million Subordinated Bonds issuance. Additionally, as part of capital management strategy, the Bank had to-date bought back a total of 58,221,000 shares or RM308 million, representing 3.7% of the issued and paid-up capital. None of the Treasury shares held have been sold nor canceled.

Dividends declared

Earning per share for the 6 months reported period is at 15.7 sen (basic as well as fully diluted) versus 16.8 sen as of 31st December 2004.

The Board has declared an interim dividend of 9 sen less 28% tax. With this, the total dividend for the half-year is 9 sen (previous year: 8.5 sen) **or a payout of 41% of total group PAT** for the half-year ended 31st December 2005.

For further details, visit www.hlb.com.my or
www.bursamalaysia.com/website/listing/lcannounce/lca.htm

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