

28th Aug 2006

## **PRE-TAX PROFIT OF RM764 MILLION, AN INCREASE OF 7%**

### **Strong financial performance amidst challenging conditions**

The Bank delivered another good financial performance amidst a competitive environment. The operating environment continued to be challenging from higher interest rates, inflationary pressures and rise in global oil and energy prices.

The Bank continues to transform to focus on high performance, portfolio and business alignment, and new capabilities. This on-going business direction will better position the bank to seize market opportunities and fuel our organic growth.

The **operating profit (before loan loss provisions)** for the 12 months ended 30 June 2006 exceeded the one billion mark at **RM 1,023 million, up 16%** from the preceding year of RM 880 million. This was spurred by higher contribution from an improving **net interest income line (4% growth)**, **non-interest income (36% growth)** and stronger income from **the Islamic banking operations (10% growth)**. Operating expenses increased by 6% due to spending on new capabilities and infrastructure. Loan loss provisions were however higher by 50% attributable due to stringent provisioning formula for Hire Purchase NPLs and provisions for NPLs greater than 7 years. **Overall, the Group recorded a profit before tax for the full year ended 30 June 2006 of RM764 million, an increase of 7% versus the preceding year.**

On a quarter to quarter comparison, the **4Q profit before tax was at RM 201 million**, lower by 12% from the preceding quarter due to the loan provisions, whilst it was 30% better against the corresponding quarter last year.

### **Strengthening our franchise**

**Total Assets**, powered by a more vigorous loans growth, was up 5% to close at **RM 60.6 billion**. **Gross loans and advances grew by 12% year-on-year (10% last year)**, spearheaded by growth in consumer lending, which rose strongly by **14% of which Mortgages grew 22% and Credit Cards 28%**. Our Hire Purchase business was however held steady with flat growth, in view of the price war.

Our wealth management business continues to grow well, with the **Assets under Management (AuM) bankwide closing the year at RM6.6 billion, up 65%** as compared to last year.

We continue to **innovate and introduce new products and services** to the market:-

- Hong Leong Mobile Credit Card, the first proprietary virtual credit card that enables payments through SMS, won the Asian Banker's Best Credit Card 2005 award in conjunction with its 5<sup>th</sup> Excellence in Retail Financial Services Award Program
- Launched our Hong Leong Cash-on-Call for card-members that enables withdrawal of cash any-time, anywhere with just a phone call away
- Launched our 48 hour approval on the new Personal Lending product
- First local commercial bank to launch structured investment products

Our **Business Banking business** posted a satisfactory performance with gross loans growing by **5.5%**, in line with industry growth rates.

#### **HL Markets**

Our HL Markets, the re-branded Treasury Division actively participated alongside Personal Financial Services in the structured investment products for our Priority Banking customers. **Global HL Markets saw a 38% rise in full year segment profit before tax to RM 163 million**, further strengthening the Bank's diversification of revenue sources, boosted by structured solutioning to corporates.

#### **The Islamic business successfully transitioned from its window operations**

Our Hong Leong Islamic Bank (HLIB) had successfully transitioned from being a window operation into a full-fledged Islamic Bank. Leveraging on the mother bank's infrastructure, HLIB recorded a **profit before tax of RM 62.4 million** in its first year of operations as a full entity.

Together with the **Takaful license**, which will commence operation by the end of calendar year 2006, we will be able to further expand on our Islamic product offerings.

#### **Overseas franchise gain in strength**

Our overseas franchise in Singapore posted commendable performance. **HL Bank Singapore contributed 8.8% of Group's profit before tax**, up from 5% previously and **rankings rose to No 2 position in the Bloomberg Singapore League table for underwriter ranking for IPOs**. A feather in the cap was the global offering of Yanlord Land Group Limited, the largest Chinese IPO in Singapore.

### **Our Deposit franchise continues to grow**

The underlying strength in our **deposit franchise** remains, with deposits from customers growing **11% y-o-y (6% last year) to RM 44 billion**. The **retail portion contributed about 61% of the total deposit base**, which underlies our core deposit strength.

### **Improvement in loan quality**

Our loan asset quality remained at satisfactory level, with **gross NPL at 4.7% (6.3% last year)** and **net NPL at 3.1% (4.6% last year)**. The improvement came through robust credit control, active collections management and enhancements in collection processes. Our **loan loss coverage ratio improved to 66% (53% last year)**.

### **Strong capital position**

Our Group core capital and total capital ratio stood at **13.76% and 17.52%**, versus last year of 15.84% and 17.37%.

### **Final Dividend**

A stronger operating performance lifted the Group **earnings per share** for the reporting full year to **36.4 sen** as of 30th June 2006 from 32.8 sen last year. **Return on shareholder funds** was also higher at **12.5% (11.6% last year)**

The Board recommended a **final dividend of 15.0 sen** less 28% tax, subject to shareholders' approval. With this, the **total dividend for the year is 24 sen (24 sen last year)** or a (net) dividend payout to PAT of 47.1% for the financial year ended 30th June 2006. (51.2% last year).

For further details, visit [www.hlb.com.my](http://www.hlb.com.my) or  
[www.bursamalaysia.com/website/listing/lcannounce/lca.htm](http://www.bursamalaysia.com/website/listing/lcannounce/lca.htm)

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