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34% PROFIT GROWTH FOR FIRST HALF TO DEC 2007

34% growth in profits, shareholder value creation improves

Hong Leong Bank continues its steady pace of profitable growth with its latest set of financial results for the second quarter and first half of its financial reporting year

The six-month pre-tax profit rose 34% YoY to RM 549 million, from RM 411 million for the same corresponding period last year. QoQ profits also expanded by 14% and were significantly stronger than the same quarter last year by 38%.

Earnings per share for the six months was up 36% to 27.7 sen (annualised 55.5 sen) compared to 20.4 sen (annualised 40.8 sen) for the same period last year. Similarly, returns on average shareholder funds also improved to 17.0% (annualised), compared to 13.8% reported for the whole 12 months as of June 2007. Net assets per share rose to RM 3.35 compared to RM 3.18 as of June 2007.

The Board has recommended an interim dividend of 9.0 sen per share less income tax of 26% for the half-year interim results.

Operating profitability has been commendable, supported by higher top-line revenue and lower loan loss provisions from the current operations. On the whole, the underlying business has been growing well, on the back of a growing loan base, strong non-interest income, rising assets under management, and improving net interest margins.

"Over the past quarters, the momentum of our investments in people, capacity and capex is showing up strongly in our results. We are executing well on our strategies," says Group Managing Director, Yvonne Chia.

"We will continue to build a core and profitable domestic operation, and enhance the franchise value and brand through our embedment in the community. The Bank has started to expand its regional footprint and grow its overseas businesses. In addition, the Hong Leong Islamic Financial Services franchise, consisting of Hong Leong Islamic Bank and Hong Leong Tokio Marine Takaful are showing encouraging results."

The Bank recently announced that it had received China Banking Regulatory Commission's approval for its 20% stake in the equity of Chengdu City Commercial Bank Co., Ltd ("Chengdu Bank"). This officially marks the first strategic foray by any Malaysian bank into the banking sector in China.

Highlights of the Group's Financial Performance

§ Pre-tax profit for 1H08 expanded by 33.5% YoY to RM 549 million

§ Net profit attributable to shareholders improved by 34.4% YoY to RM402 million

§ Returns on average shareholder funds increased to 17.0% on an annualised basis, from 13.8% for FYE Jun 07

§ Earnings per share grew by 36% to 27.7 sen (annualised 55.5 sen)

§ Pre-tax profit and net profit rose 14% QoQ

§ Revenue growth was 2.4 times operating expense growth YoY, and cost-to-income ratio was 40.5% for 1H08

- Balance sheet assets grew 9% QoQ to RM 67.8 billion
- Gross loans grew 4.2% for the first half, or 10.4% YoY (vs industry's 8.6%)
- Customer deposits expanded 17% YoY (vs industry's 7%)
- Gross non-performing loan (NPL) ratio and net NPL ratio decreased to 2.9% and 1.6%
- Loan loss coverage expanded to 96.5%
- The Group's capital position remained strong, with the risk-weighted capital ratio (RWCR) at 16.7%

Topline growth

Total assets expanded 9% QoQ to RM 67.8 billion. Gross loans growth continued to rise, with a 3% QoQ growth. This pace translated to 10.4% rise on a YoY basis when compared to December 2006.

The Bank continued to register good growth in both the Personal Financial Services as well as Wholesale Banking segments. Loans to domestic business enterprises expanded by 6.3% for 1H08. Over the same period, credit card receivables grew 11.7%, while mortgages rose 5.3%. Personal loans grew 66%, albeit from a smaller base.

The wealth management business, inclusive of the Singapore branch, has also shown an encouraging momentum. Assets under management were up 43% YoY.

Total net income for 1H08 was higher at RM 999 million, up 16.4% YoY. This was driven by a 16.2% growth in net interest income, 19.2% growth in net income from Islamic banking and 16% growth in other operating income (non-interest income).

Net interest income expanded 4.4% QoQ, driven by a combination of loans growth and margin enhancement from a proactive management of portfolio asset yields and cost of funds.

Non-interest income also showed improvements at RM 239 million or up 16% YoY, the result of improved earnings from core transactional sources, wealth management, trade finance, forex as well as IPO fees from the Singapore branch. The Personal Financial Services segment expanded its non-interest income by 17.5% YoY, driven by a 25% and 17% growth in contributions from the Wealth Management and Credit Card segments. On the Wholesale Banking side, forex profit expanded by 3.2 times QoQ, and trade finance-related non-interest income rose 12% YoY.

Deposits a core franchise strength

The Bank continued to be well supported by a strong depositor base and embedment in the community, with total deposits at RM 58 billion versus RM 49 billion as of Dec06, or a growth of 17%. The contribution from individual depositors continued to be significant at 68% (if exclude corporate money market placements).

Strong asset quality a continuing mantra in the Group

Asset quality remained strong, with the gross NPL ratio improving to 2.9%, down from 3.2% last June 2007. The net NPL ratio improved to 1.6% from 1.9% last June 2007. Total NPL also fell 5.7% to RM 976 million, from RM 1,033 million last June 2007.

The loan loss coverage was also higher at 96.5%, versus 86.6% last June 2007.

Strongly capitalised

The Bank's capital position remains strong, with the risk-weighted capital ratio (RWCR) at 16.7%. Capital management via treasury shares buyback is ongoing, with 5.1% of total issued shares purchased. We will remain optimally capitalised on RWCR with the Chengdu Bank acquisition which will be funded by internally generated funds.

For further details, visit www.hlb.com.my or www.bursamalaysia.com

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