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Net Profit Up 10%

Operating Growth Momentum Continues

For its first quarter for the Financial Year ending 30 June 2011 ("FY11"), Hong Leong Bank Berhad ("Bank" or "Group") reported a 10% rise in net profit against the corresponding quarter last year.

"It has been a satisfactory start to FY11, and the operating results are robust. We are optimistic of the growth momentum and will continue to forge ahead with our strategies. The conditions are conducive for us to assert our liquidity franchise strongly for growth," reports Ms. Yvonne Chia, Group Managing Director / Chief Executive.

Profit before tax expanded to RM 317 million, up RM 29 million or 10% year-on-year. Net profit after tax for the first quarter of FY11 ("1Q11") strengthened to RM 257 million, also rising 10% year-on-year.

All key shareholder value indicators are on track. Annualised earnings per share saw a 9% year-on-year expansion to 70.8 sen. Net assets per share grew 6% this quarter to RM 4.69 against RM 4.43 in June 2010.

Return on assets was resilient at 1.2%, while return on average shareholder funds was 15.6%.

Loans Growth

"Our organic growth agenda remains firmly on track. We continued where we left off when we closed our financial year ended 30 June 2010. Loan growth has been broad-based this quarter, and we are encouraged with the growth direction. On a quarter-to-quarter basis, gross loans grew 4.2% this quarter against June 2010."

"We continue to strongly support our community of individual and business customers. We extended 3.3% more loans to individuals this quarter against June 2010, and loans to small and medium enterprises ("SMEs") increased 8.7% quarter-on-quarter," Ms. Chia continues.

For the three months ending September 2010, loans for the purchase of residential properties grew 11.4% against June 2010 while loans for the purchase of non-residential properties saw an 11.3% increase. For the same period, against June 2010, loans for the purchase of transport vehicles grew 6.2% and credit card receivable expanded by 4%.

Working capital loans increased 3.3% this quarter when compared to June 2010.

"Our loan-to-deposit ratio of 57% means we have a very strong capacity to continue funding our loan growth. Deposits grew 1% this quarter against June 2010 or 11% year-on-year, further strengthening our competitive ability to assert our liquidity franchise. In particular, our retail deposits grew RM 1.3 billion from a year ago," Ms. Chia clarifies.

FRS Reporting

The Group has adopted Financial Reporting Standard ("FRS") 139 with Bank Negara Malaysia's transitional arrangement for 1Q11. The adoption of FRS 139 has been accounted prospectively with a positive impact of an additional RM 104 million to the Group's reserves as at 1 July 2010.

Arising from the adoption of FRS 139, there is a change of policy on the recognition of interest income from a contracted rate basis to Effective Interest Rate ("EIR"), which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the loan. Another notable change in accounting policy is in relation to the impairment of loans, advances and financing. Prior to the adoption of FRS 139, allowances for impaired loans, advances and financing (previously referred to as non-performing loans) were computed in conformity with the BNM/GP3 Guidelines on

Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts, but is now provided based on an evidence of impairment.

Summary Highlights of the Group's Financial Performance

- Profit before tax for the 1st quarter of Financial Year ended 30 June 2011 increased by RM29 million as compared to last corresponding period to RM317 million.

- Net profit after tax attributable to shareholders increased by 10% year-on-year ("y-o-y") to RM 257 million.

- Returns on average shareholder funds remained resilient at 15.6% on an annualised basis.

- Earnings per share on an annualised basis increased to 70.8 sen from 64.7 sen last corresponding quarter .

- Total net income increased 6% y-o-y to RM 540 million.

- Net interest income increased 12% y-o-y to RM 375 million.

- Cost-to-income ratio was 40.4%.

- Total assets grew 15% y-o-y to RM 89 billion.

- Gross loans grew 12% y-o-y to RM 40 billion.

- Customer deposits grew 11% y-o-y. Core deposits grew 9% y-o-y.

- Gross impaired loan ratio stood at 2.2%, lower than the banking sector's gross impaired loans ratio of 3.5% as at the end of August 2010.

- Loan loss coverage stood at 113.9% as at September 2010.

- The Group's capital position remained healthy, with the risk-weighted capital ratio (RWCR) at 15.1%.

- Operations of Hong Leong Islamic Bank Berhad (the Group's wholly-owned subsidiary) contributed 6% to Group net profit after tax.

- Profits from the Group's 20% shareholding in Bank of Chengdu grew 21% y-o-y.

Business Outlook

"Overall, we are more upbeat with the market outlook compared to a year ago. But the effects from the global quantitative easing efforts will have some impact on a trading economy like ours, while on the domestic front, there are opportunities to revitalise private investments as the main catalyst for growth under the Economic Transformation Programme," Ms. Chia commented.

For further details, visit www.hlb.com.my or www.bursamalaysia.com, and for further clarification, please contact:

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