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Profits Up 30%

Hong Leong Bank Berhad ("Bank" or "Group")'s after-tax profit for the quarter ending 31 December 2010 rose to RM 291 million, up 30% against the corresponding quarter ending December 2009.

"The Group turned in a very strong set of results for the first fiscal half ended 31 December 2010 ("1H FY10/11") with the 6-month after-tax profit expanding 20% to RM 549 million against the corresponding period last year.

On a pre-tax profit basis, the quarter's RM 360 million profit marks the strongest quarter for the Group in the past 5 financial years. All key business and growth drivers are robust, and we are satisfied that the underlying operations are sound to strongly support the growth opportunities," commented Ms. Yvonne Chia, Group Managing Director / Chief Executive.

"The Bank's track record of sustainably creating shareholder value remains firm, with return on average shareholder funds at 16.4% and annualised earnings per share at 75.5 sen. We remain well capitalised and highly liquid. With a loan to deposit ratio of 68%[1], we have ample capacity to continue to fund our organic growth trajectory," added Ms. Chia.

Growth momentum continues for sustainable profit growth

"Lending growth has been broad based and gross loans grew at 16% year-on-year, above the sector growth rate. In the first six months of the financial year, we continued to fund more of the needs of our business community and retail customers.

Loans to domestic small and medium enterprises (SME) expanded 19% year-on-year

[1] Excluding deposits from market placements

while lending to other domestic business enterprises rose 26%. The robust growth is underpinned by a 27% growth in working capital lending. Over the same period, retail loans to our individual customers grew 10% year-on-year. Lending out of our Singapore Branch also expanded by 69%, albeit from a smaller base. The lending growth traction has been satisfactory," clarified Ms. Chia.

For the first six months to December 2010, the lending portfolio for the purchase of residential properties grew 16% while that for the purchase of non-residential properties saw an expansion of 15%. The auto loans portfolio saw an improved growth momentum, rising 8% over the period while credit card receivables expanded 10%.

The Group's strong liquidity franchise continues to be a hallmark with deposits growing 8% against the corresponding period last year. Business deposits grew by 25% year-on-year, while retail deposits rose a further 9%. Core deposits saw a 12% steady growth.

Business segmental results improved in tandem. The segmental 6-month pre-tax profit of the Personal Financial Services division rose 24% year-on-year while that of the Business Banking division strengthened by 48%. Profit contributions from Global Markets, the treasury division, remained resilient at 22% of bankwide profits.

Hong Leong Islamic Bank Berhad, the Group's wholly-owned subsidiary, contributed 7% of the Group's pre-tax profits in the first half of the financial year. Profits from the Group's 20% shareholding in Bank of Chengdu Co., Ltd. grew 41% year-on-year to RM 81 million for the six months ended 31 December 2010.

Highlights of the Group's 1H FY10/11 Financial Performance

- Pre-tax profit for 1H FY10/11 rose by 17% year-on-year to RM 677 million.
- Net profit after tax attributable to shareholders grew 20% year-on-year to RM 549 million.
- Returns on average shareholder funds strengthened to 16.4% on an annualised basis,

against 15.6% in the first half ended 31 December 2009 last financial year.

- Earnings per share on an annualised basis increased to 75.5 sen, up 19% from 63.3 sen last corresponding period.
- Total net income grew 11% year-on-year to RM 1,144 million.
- Net interest income rose 10% year-on-year to RM 749 million.
- Non-interest income rose 18% year-on-year to RM 299 million.
- Cost to income ratio was satisfactory at 40.8%. The ratio of income growth to cost growth was 6.3 times.
- Total assets grew 10% year-on-year to RM 88.3 billion.
- Gross loans grew 16% year-on-year to RM41.8 billion, with business loans growing by 29% year-on-year to RM 9.4 billion.
- Customer deposits grew 8% year-on-year to RM71.4 billion.
- Gross impaired loan ratio improved further to 2.1% when compared to 2.2% in the previous quarter.
- Loan loss coverage stood at 118.4% as at 31 December 2010.
- The Group's capital position remained strong, with the risk-weighted capital ratio (RWCR) at 15.4% (after deduction of the proposed dividend).
- The share of profit from Bank of Chengdu Co., Ltd for the first half year ended 31 December 2010 amounted to RM81 million, contributing 12% of overall group's pre-tax profit.

Dividend

The Board has recommended an interim dividend of 9.0 sen per share less income tax of 25% for the half-year interim results.

Business Outlook

"We remain optimistic of the prospects of the Bank. The rebound in economic activities offers many participative opportunities for the Bank to continue to be a strong and embedded anchor in the community. It is of course prudent to always remain cautious on the external outlook as various economies come to grips with the effects of quantitative easing efforts and a more volatile geopolitical landscape in certain parts of the world," 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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