

For immediate release

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Hong Leong Bank Announces Second Quarter FY2012 Results

- *Net profit after tax for 2Q FYE 30 June 2012 (“2Q12”) reached RM 381 million, a growth of 30% compared to RM 291 million in the corresponding quarter last year*
- *Net profit after tax for 1H FYE 30 June 2012 (“1H12”) at RM 788 million, a growth of 43% compared to RM 549 million in the first half of previous financial year.*

Kuala Lumpur, 27 February 2012 : Hong Leong Bank, (BM : HLBANK) today announces its results for the second quarter ended on 31 December 2011

Results Highlights : Second quarter 2012

- ✦ **Net profit after tax** up 30.9% year-on-year to RM 381 million
- ✦ **Net Income** for the quarter crossed RM 1 billion mark, an increase of 66% over 2Q11
- ✦ **Total Assets** at RM 154 billion, annualised growth of 11.6% from 30 June 2011 levels
- ✦ **Total Shareholder Equity** increased to RM 10.6 billion from RM 7.5 billion as at 30 June 2011
- ✦ **Customer Loans, Financing and securities** at RM 114.8 billion, annualized growth of 26% from 30 June 2011 levels
- ✦ **Customer Deposits** at RM 119.2 billion, an annualised growth of 7.6% from 30 June 2011 levels
- ✦ **Earnings Per Share (basic)** at 24.2 sen, up 20% from 20.1 sen in 2Q11
- ✦ **Interim cash dividend** of 11 sen per share less 25% tax proposed
- ✦ **Integration** process on track and yielding merger benefits
- ✦ Annualised **Synergies** in 1H2012 ahead of full year target of RM 180 million

Commenting on the Group’s performance, Datuk Yvonne Chia, Group Managing Director / Chief Executive said “Our second quarter performance continues to deliver the value of the merger to our customers, staff shareholders and wider community. Our quarterly net income crossed the RM 1 billion threshold in the second quarter ended 31 December 2011. Net profit for the quarter increased 30% over the same period last year, reflecting the consolidated strength of the merged Bank.

Our focus on delivering merger synergies saw Hong Leong achieve annualised synergies of RM 191m in the first 6 months of vesting, well ahead of the first full year target of RM 180m annualized savings.

Our shareholder value creation remains robust. Earnings per share in the half year ended December 2011 rose to 50.1 sen, up 32.5% from 37.8 sen for the same period last year. In the first half, Returns on average shareholder funds, with new capital from a successful Rights Issue, rose to 17.5% from 16.4% in the previous financial year.”

“The success of the merger lies in the momentum we have built in the enlarged Bank and the integration process that has yielded results within 6 months of the vesting. The Group’s earnings reflect an increased diversification of business activities, growing national presence, and resilience to challenges that may emanate from headwinds in the global economic environment” added Datuk Yvonne Chia, Group Managing Director / Chief Executive.

Summary of Financial Performance

A summary of the financial performance headlines is outlined in the table below.

RM 'Million	Half Year ended 31-Dec-11	Half Year ended 31-Dec-10	Change (%)	Quarter ended 31-Dec-11	Quarter ended 31-Dec-10	Change (%)
Net interest income	1,526	839	81.9%	778	421	84.7%
Non-interest income	394	305	29.3%	225	183	23.3%
Total income	1,920	1,144	67.9%	1,003	604	66.1%
Operating expenses	(1,000)	(467)	114.4%	(565)	(249)	127.2%
Operating profit before allowances	920	677	35.8%	439	355	23.4%
Allowance for impairment losses on loans	(20)	(81)	-75.4%	3	(40)	-107.9%
Write back on impairment losses, advances and financing	10	0	-	7	-	-
Operating profit	910	596	52.6%	448	316	42.1%
Associaties	97	81	20.0%	35	44	-21.0%
Profit before tax (and zakat)	1,007	677	48.7%	483	360	34.3%
Taxation & zakat	(219)	(128)	70.1%	(102)	(68)	49.1%
Net profit	788	549	43.7%	381	291	30.9%
Cost income ratio (%)	52%	41%	+11.31%	56%	41%	+15.13%
Net interest margin (%)	2.50%	2.35%	+0.15%	2.58%	2.23%	+0.36%
ROSF	17.5%	16.4%	+1.04%	16.9%	17.5%	-0.6%

Total Income

Total income for the second quarter FY2012 surpassed the RM 1 billion mark reflecting a 66% growth over second quarter FY2011. Consequently *total income* for the First Half FY2012 reached RM 1.9 billion, an increase of 68% over First Half FY2011.

The above growth whilst reflecting the merged Bank’s position, also reflects growth in client base and cross-selling momentum across the enlarged customer base.

Net interest income reached RM 778 million in 2Q2012, an increase of 85% over 2Q2011, driven by growth in customer loans and deposits and increase in improved net interest margins to 2.35% from 2.02% in the corresponding quarter last year.

Net interest margins strengthened further to 2.35% in 2Q2012 as a result of continued focus on yield enhancements and portfolio management. The Bank had also successfully managed its cost of funds at a level that is supportive of growth in the asset base.

Non-interest income for 2Q2012 stood at RM 394 million, a growth of 29% over 2Q2011.

Operating Efficiency

The Management continued to focus on driving operating efficiencies and effective cost management is yielding positive results. Core cost-to-income ratio (excluding integration costs of RM 127million) continues to decline for the First Half FY2012.

Excluding integration costs, the core cost-income ratio for the merged bank declined to 43.6% in 2Q2012 from 47.5% in 1Q2012. Operating costs (excluding integration costs) in 2Q2012 reached RM 437.7 million, a decline from the combined pre-merger costs of both banks at RM 452.3 million in 2Q2011.

Credit Quality and Impairments

Asset quality continues to improve with the gross impaired loan ratio improving to 2.0% as at end of December 2011 from 2.2% as at the end of June 2011. Loan loss coverage continues to strengthen and exceed pre-merger levels to reach 142% as at end of December 2011 from 119% as at end of June 2011, remaining well above industry standards.

Both the coverage and NPL ratios continue to be preeminent in the sector.

Credit charge continues to benefit from our strong credit discipline and declined to 0.05% for First Half FY2012 from 0.39% recorded in First Half FY2011.

Customer Franchise

Deposits from individuals and business enterprises reached RM 111.9 billion in 2Q2012, reflecting an annualized growth of 22% over 4Q2011 levels.

Deposits from individuals continued to build momentum and reached RM 56.6 billion, an annualised growth of 20% during the First Half FY2012.

Deposits from business enterprises at RM 55 billion recorded an annualised growth of 24.6% during the First Half FY2012. This was driven by the Bank's focus on deepening its relationship with community businesses.

Loans, financing and securities reached RM 114.8 billion, annualized growth of 26% from 30 June 2011 levels reflecting a strong momentum in core underlying businesses and increased diversification of earnings.

Loans and financing reached RM 84.5 billion, reflecting an annualised growth of 6.4% in the First Half of FY2012. Loans to individuals reached RM 54.9 billion, reflecting an annualised growth of 8.4% achieved through continued strong growth in core products. Loans to SMEs reached RM 13.3 billion, an annualised growth rate of 17.7% during the First Half FY2012 strengthening the foundation for Hong Leong Bank's community business franchise.

Trade finance retained its market share of the industry circa 11.7% for First Half FY2012 despite a decline in volumes across the sector.

Global Markets' franchise business witnessed strong growth in its forex, fixed income and structured products business in the First Half FY2012 recording a growth of 77.0% year on year. This was achieved through enhanced client flows of forex volumes from the enlarged post-merger client base through strengthening product offerings and execution capabilities.

Liquidity and Balance Sheet Management

Hong Leong Bank's liquidity franchise remains strong.

Loan to deposits ratio improved to 72.9% at the end of 2Q2012 from 73.3% at the end FY2011.

Within our Consumer Banking franchise, loans-to-deposits ratio declined to 96.8% at end of 2Q2012 from 102.2% at the end of FY2011. As a result, the First Half of FY2012 saw share of deposits from individuals rise to 47.5% from 44.8% as at end of FY2011, reflecting the strength of customer franchise and leveraging enlarged network of 329 branches including 18 dedicated Priority banking centres across the country.

Hong Leong Islamic Bank

Hong Leong Islamic Bank's total assets rose to RM 20.9 billion following successful vesting of EonCap Islamic Bank's assets and liabilities on 1 November 2011, the first vesting of an Islamic Bank in Malaysia. The consolidated Assets of RM 20.9 billion as at end of December 2011 and account for 13% of the Group's total assets. The Islamic financing and advances at RM 11.7 billion, account for 13.5% of the Groups customer, loans and financing. Hong Leong Islamic bank will continue to build capabilities on the merged platform, to grow new segments and improved offerings in wholesale banking and investment banking.

Associate Company : Bank of Chengdu ("BOCD")

The Bank's share of profits of BOCD for the First Half FY2012 improved by 20% to RM 97 million from First Half FY2011. BOCD remain strongly capitalised with enhanced portfolio and income diversification with increased contribution from its consumer businesses.

More recently, in order to build a strong and sustainable momentum in the business, BOCD had invested in a new core IT platform to strengthen and widen its product offerings.

Net Profit

The Group *pre-tax profit* for the six months ended 31 December 2011 stood at RM1 billion. This represents an increase of RM330 million or 48.7% over the corresponding period last year.

Return on shareholders' fund reached 17.5% for the First Half FY2012 compared to 16.4% for the First Half FY2011.

Capital

Total capital base has improved to RM 13.5 billion at the end of 2Q2012, up from RM 12.6 billion at the end of FY2011. This was contributed mainly by a successful RM 2.6 billion rights issue, repayment of interim capital cumulative subordinated loan to the holding company (Hong Leong Financial Group) and increase in retained profits.

As at end of 2Q2012, the Bank increased its issued and *paid-up capital* from 1,580,107,034 to 1,879,909,100 via issuance of 299,802,066 new ordinary shares of RM 1.00 each on the basis of 1 Rights Share for every 5 existing shares held by HLBB's entitled shareholders on 21 September 2011 at an issue price of RM 8.65 per rights share.

During the same period, HLB had also fully repaid the RM 2.3 billion Interim Tier 2 capital cumulative subordinated loan extended by HLFG following the completion of HLB Rights Issue.

Risk-weighted capital ratio strengthened further to 14.5% at the end of the 2Q2012 from 13.9% as at the end of 2Q2011.

Integration Update

Post Customer Day 1 on 12 August 2011 and the rebranding of Branches and customer touch points under the Hong Leong brand, integration process is well underway.

All businesses are driving value creation through leveraging the enhanced distribution capabilities and product range across the combined customer base of the Bank. This is complemented by our continued focus on business intelligence and enhancing our customer value proposition.

Management is continually optimising the balance sheet and respective business portfolios to strengthen the Bank's liquidity franchise and net interest earnings, more so in the backdrop of today's volatile backdrop.

Robust capital management plans are in place and delivering on plan.

Bank's migration of all processes to unified technology platforms in under way with *Single Platform Day 1* (SPD1) planned for May 2012. This progress is on track and is at an advanced stage of testing.

The Voluntary Separation Scheme conducted toward the end of 2011 was also concluded successfully.

During the first half of FY2012, the Bank has spent RM 127 million towards integration costs.

Synergies : Delivering merger benefits

In May 2011, Hong Leong Bank estimated annualised synergies of RM 400 million. The synergies were estimated to be delivered over 3 years with RM 180 million delivered in FY2012, RM 300 million by FY 2013 and fully delivered by FY 2014.

In the First Half of FY2012, Hong Leong Bank successfully executed initiatives to deliver annualised recurring synergies of RM 191 million. This demonstrates the Bank's commitment to seamless completion of integration and to build on the strong foundation of the merged Bank.

Early realisation of synergies demonstrates noteworthy progress in integration and Bank's continued focus on ensuring that the merger is delivering value to our customers, staff, shareholders and the community.

Business Outlook

Commenting on business outlook, Datuk Yvonne Chia said, "Clearly we are witnessing a fundamental shift of the global banking landscape towards Asia. Within Asia, the Asean region has demonstrated resilience to external headwinds in recent years and we are optimistic that the underlying economic fundamentals support continued resilience.

We remain optimistic on the Malaysian economy with the continued growth in consumption and investment. This belief is reinforced by country's ambitious initiatives including the Economic Transformation Program and the complementary supply value chain opportunities as well as Bank Negara's Financial Services Masterplan."

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