

For immediate release

Hong Leong Bank Announces Third Quarter FY2012 Results

- *Net profit after tax for 3Q FYE 30 June 2012 (“3Q2012”) at RM 465 million, a growth of 61% from RM 290 million in the corresponding quarter in the previous financial year*
- *Net profit after tax for nine months ended 31 March 2012 (“YTD2012”) at RM 1,254 million, a growth of 50% over RM 838 million in the corresponding period last year.*

Kuala Lumpur, 16 May 2012 : Hong Leong Bank, (BM : HLBANK) today announced its results for the third quarter ended 31 March 2012.

Highlights for 3rd Quarter FY2012

- ✦ **Net profit after tax** up 61% year-on-year to RM 465 million
- ✦ **Net profit after tax up 12% year-on-year over pro forma consolidated pre-merger accounts**
- ✦ **Net Income** for the quarter at RM 1,008 million, a growth of 74% over 3Q2011
- ✦ **Total Assets** at RM 156.7 billion, an annualised growth of 10% from 30 June 2011 levels
- ✦ **Total Shareholder Equity** increased to RM 10.9 billion from RM 7.5 billion as at 30 June 2011
- ✦ **Customer Loans, Financing & Securities** at RM 118.3 billion, an annualised growth of 22% from 30 June 2011 levels
- ✦ **Customer Deposits** at RM 122.4 billion, an annualised growth of 8.7% from 30 June 2011 levels
- ✦ **Earnings Per Share (basic)** at 28.5 sen, up 43% from 19.9 sen in 3Q2011
- ✦ **Successful technology integration** to single platform achieved within 1 year of legal merger

Hong Leong Bank’s Group Managing Director / Chief Executive, Datuk Yvonne Chia, said “Our third quarter performance continues to derive value from the merger and deliver benefits to our customers, staff, shareholders and the wider community. Hong Leong Bank’s net income remains robust and net profit for the quarter increased 61% over the same period last year, reflecting the consolidated strength of the merged Bank.

Shareholder value creation remains robust and our earnings per share in the period ended March 2012 rose to 76.8 sen, up 33% from 57.7sen for the same period last year. At the same time, the returns on average shareholder funds rose to 18.2% from 16.6% in the corresponding period last year.”

“Our success emanates from the business momentum built in the enlarged Bank and the rapid progress made towards integration within 9 months from vesting. The Group’s earnings reflect an increased diversification of business activities, expanding national presence, and resilience to challenges arising from an uncertain global economic environment” added Datuk Yvonne.

Summary of Financial Performance

RM million	3 Quarters FY2012	3 Quarters FY2011	Change (%)	3rd Quarter FY2012	3rd Quarter FY2011	Change (%)
Net interest income/funded income *	2,280.9	1,265.1	80.3%	754.6	425.9	77.2%
Non-funded income *	646.9	456.6	41.7%	253.1	152.0	66.5%
Total income	2,927.8	1,721.7	70.1%	1,007.7	577.9	74.4%
Operating expenses	(1,448.9)	(709.5)	104.2%	(448.5)	(242.9)	84.6%
Impairment allowances	(44.4)	(118.5)	-62.6%	(24.4)	(37.6)	-35.1%
Write back on impairment losses	12.3	-	-	2.0	-	-
Operating profit	1,446.8	893.7	61.9%	536.7	297.4	80.5%
Associaties	158.6	137.7	15.2%	61.7	57.0	8.4%
Profit before tax (and zakat)	1,605.5	1,031.4	55.7%	598.5	354.3	68.9%
Taxation & zakat	(351.9)	(193.1)	82.3%	(133.3)	(64.6)	106.3%
Net profit	1,253.6	838.3	49.5%	465.1	289.7	60.5%
Cost income ratio (%)	49%	41%	+ 8.3%	45%	42%	+ 2.5%
Net interest margin (%)	2.24%	2.03%	+ 0.20%	2.13%	2.04%	+ 0.09%
ROSF	18.2%	16.6%	+ 1.6%	17.3%	16.6%	+ 0.76%

* Income from Hong Leong Islamic Bank included in respective income lines

Net Profit

The Group's *net profit after tax* for the nine months ended 31 March 2012 stood at RM1,253.6 million, an increase of RM 415 million or 49.5% over the corresponding period last year.

Return on shareholders' funds reached 18.2% for the first nine months of FY2012 compared to 16.6% for the corresponding period of FY2011.

Total Income

Total income in 3Q2012 exceeded RM 1 billion mark for the second consecutive quarter, reflecting a 74% growth over 3Q2011. Consequently, *total income* for YTD2012 reached RM 2.9 billion, an increase of 70% over the corresponding period in the previous financial year.

The growth recorded reflects the merged Bank's position in this period, as well as in client base and continuing cross-selling momentum across the enlarged customer base.

Net interest income reached RM 755 million in 3Q2012, an increase of 77% over 3Q2011 driven by growth in customer loans & deposits and improved net interest margins. *Net interest margins* strengthened to 2.13% in 3Q2012 from 2.04% in the corresponding quarter last year led by efficient yield management and focus on maintaining cost of funds.

The Bank had also successfully managed its cost of funds during the current financial year despite intensifying competition for customer deposits.

Non-interest income for 3Q2012 reached RM 253 million, a 12% growth over RM 225 million in 2Q2012. The Bank recorded healthy growth for forex, trading and mark to market gains. This was partially offset by decline in credit card annual fee due to higher credit cards anniversary in 2Q2012 and dividend income of RM12 million received in 2Q2012

Operating Efficiency

Operating costs in 3Q2012 (excluding integration costs of RM 2.6 million) at RM 446 million declined 2.4% from the combined pre-merger costs of both banks at RM457 million in 3Q2011, reflecting continued success in synergies realisation and increasing operating efficiencies

Cost/Income Ratio in 3Q2012 (excluding integration costs of RM 2.6 million) is consequently lower at 44.2% compared to combined pre-merger costs of both banks at 45.6% in 3Q2011

Credit Quality & Impairments

The Bank continues to maintain strong focus on asset quality through proactive credit and recoveries management. The gross impaired loan ratio declined to 1.96% as at end of March 2012 from 2.24% as at the end of June 2011.

Loan loss coverage remains robust at 149% as at end of March 2012, up significantly from 119% as at end of June 2011.

Credit charge continues to benefit from our strong credit discipline and declined to 0.1% for the nine months of FY2012 from 0.4% recorded in the corresponding period of FY2011.

The Bank's impaired loan & Coverage ratios continue to be leading measures across the sector.

Customer Franchise

Total Deposits reached RM 122 billion, an annualised growth of +8.7% over June 2011 levels, reflecting strong franchise and Bank's continued prudent liquidity management

Deposits from individuals and business enterprise customers reached RM 117.6 billion in 3Q2012, reflecting an annualised growth of 22.5% over June 2011 levels that was led by strengthening client relationships across network.

Deposits from individuals continued to record strong expansion and reached RM 57.8 billion, an annualised growth of 16.3% during the nine months of FY2012. *Deposits from business enterprises* at RM 59.9 billion recorded an annualised growth of 29.1% during the nine months of FY2012. This was driven by the Bank's focus on deepening its relationship with consumers and community businesses.

Loans, financing and securities reached RM 118.3 billion, an annualised growth of 21.7% from 30 June 2011 levels reflecting a strong momentum in core underlying businesses and increased diversification of earnings.

Loans and financing reached RM 85.1 billion, reflecting an annualised growth of 5.2% in the nine months of FY2012. Loans to individuals reached RM 54.8 billion, charting an annualised growth of 5.5% achieved through continued strong growth in core products partially offset by portfolio rebalancing efforts reflected in improved credit metrics. Loans to SMEs reached RM 13.0 billion, an annualised growth rate of 8.9% during the nine months of FY2012 strengthening the foundation for Hong Leong Bank's community business franchise.

Trade finance improved its market share of the industry circa 12.1% as at March 2012.

Global Markets' franchise business witnessed good growth with YTD2012 revenues rising 32.8% year-on-year. The enhanced client flows was achieved through strengthening of product offerings and execution capabilities serving the extended post-merger client.

Liquidity & Balance Sheet Management

Hong Leong Bank's liquidity franchise remains strong with loan to deposits ratio improved to 71.6% at the end of 3Q2012 from 73.3% at the end FY2011.

Consumer Banking franchise continues to expand as share of deposits from individuals in Hong Leong Bank reached 47.2% in 3Q2012 from 44.8% as at end of FY2011, reflecting the strength of customer franchise and enlarged network of 329 branches including 18 dedicated Priority banking centres across the country.

US\$ 300 million Senior Notes Issuance

On 9 April 2012, Hong Leong Bank established a Euro Medium Term Note Programme of up to USD 1.5 billion (or its equivalent in other currencies) in nominal value.

On 19 April 2012, Hong Leong Bank successfully completed its inaugural US Dollar senior unsecured notes issuance of USD 300 million with an order book that was 4.3 times oversubscribed. The Senior Notes are rated A3 by Moody's Investors Service & BBB+ by Fitch Ratings and have a tenor of five years, maturing on April 19, 2017. The Senior Notes pay a coupon of 3.125% per annum which is equivalent to a yield to investors of 3.269% (5-year US Treasury + 238bps).

Hong Leong Islamic Bank

Hong Leong Islamic Bank's total assets of RM 21.0 billion as at 31 March 2012 account for 13.4% of the Group's total assets. The Islamic financing and advances at RM 11.7 billion, account for 13.7% of the Groups customer loans and financing.

Hong Leong Islamic Bank continues to build capabilities on the merged platform, to grow new segments and improved offerings in wholesale and investment banking.

Bank of Chengdu ("BOCD")

The Bank's share of profits of BOCD for the nine months of FY2012 grew 13.8% to RM 157.8 million from the corresponding nine month period of FY2011. BOCD remains strongly capitalised with enhanced portfolio and income diversification with increased contribution from its consumer businesses.

BOCD's investment in a new core IT platform to strengthen and widen its product offerings has also helped in building a stronger and more sustainable business momentum.

Capital

Total capital base reached RM 13.2 billion at the end of 3Q2012, up from RM12.6 billion at the end of FY2011. This was achieved mainly from a successful RM 2.6 billion rights issue and increase in retained profits partially offset by repayment of interim capital cumulative subordinated loan to the holding company (Hong Leong Financial Group).

Risk-weighted capital ratio remained robust at 13.8% at the end of the 3Q2012.

Integration Update

Hong Leong Bank is pleased to announce a successful delivery of the *Single Platform Day 1 (SPD1)* on 5th May 2012 when the Hong Leong Bank and ex-Eon Bank's processes and systems were consolidated on to a single unified technology platforms.

With the completion of the merger, we remain focused on delivering the Hong Leong Bank promise of being a bank for our communities. We will continue to transform to meet the needs of our customers and grow our business in pursuit of prime value creation, scale efficiencies and product innovation.

During the nine months of FY2012, the Group has spent RM 130 million towards integration costs.

Business Outlook

Commenting on the bank's business outlook, Group Managing Director Datuk Yvonne Chia said, "Developments in the most recent period in Europe have continued to increase uncertainties. Nevertheless, we are optimistic of Malaysian domestic investment and consumption to spur growth. The banking system's good liquidity will also see pressures on margins to continue."

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About Hong Leong Bank Berhad

Hong Leong Bank Berhad is one of the leading financial services organisations in Malaysia. With a heritage of more than 100 years, it provides comprehensive services in personal financial services, business banking and trade finance, treasury, branch and transaction banking, wealth management, investment banking, private banking and Islamic financial services. It has recently acquired EON Bank Group and the merger sees the creation of a core domestic franchise with an expanded distribution network of 330 branches for customers across the country.

With a proven track record in value creation and a highly recognised brand, Hong Leong Bank has also been extending its footprint in the region, with branches in Singapore and Hong Kong and a wholly owned subsidiary in Vietnam. In China, the Bank has a 20% shareholding in Bank of Chengdu Co., Ltd., Sichuan and a consumer finance joint venture.

Hong Leong Bank is a subsidiary of Hong Leong Financial Group Berhad, the financial services arm of the Hong Leong Group. Apart from banking, Hong Leong Financial Group is involved in the provision of insurance and takaful, as well as investment banking, unit trust, fund management and stock broking services.

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