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## Hong Leong Bank announces second quarter results: ACHIEVES NET PROFIT OF RM508 MILLION, UP 45.5%

**Kuala Lumpur, 22 February 2013** - Hong Leong Bank Berhad (the “Bank” or “Group”), (BM: HLBank) today announced its results for the second quarter ended 31 December 2012.

- ✦ Net profit after tax for the second quarter ended 31 December 2012 (“Q2FY13”) at RM508 million, up 45.5% from RM349 million in the corresponding quarter last year (“Q2FY12”)
- ✦ Net profit after tax for the six months ended 31 December 2012 (“H1FY13”) at RM986 million, a growth of 31.7% from RM749 million in the corresponding period last year (“H1FY12”)
- ✦ Gross Loans & Financing grew by 7.1% year-on-year to RM93.0 billion
- ✦ Customer Deposits expanded by 3.9% year-on-year to RM123.8 billion

Hong Leong Bank’s Group Managing Director/ Chief Executive, Datuk Yvonne Chia, said “We continue to achieve another set of strong results in the second quarter ended 31 December 2012. Net profit improved by 45.5% to RM508 million from the corresponding quarter last year on the back of higher non-interest income and improved operating efficiencies.”

“Net profit for the six months ended 31 December 2012 at RM986 million, was 31.7% higher than the restated corresponding period last year. The comparative net profit for the corresponding first six months of FY2012 was restated downwards by RM40 million to RM749 million mainly due to the retrospective application of MFRS139.”

“We continue to achieve satisfactory performance on our key shareholder value indicators. Return on equity in H1FY13 improved slightly to 16.4% from 16.3% for the same period last year. Basic earnings per share are also higher at 56 sen while net assets per share improved to RM7.05 from RM6.15 in the same period last year.”

### Summary of Financial Performance

<i>(Figures in RM 'million unless otherwise stated)</i>	<i>H1FY13 actual</i>	<i>H1FY12* restated</i>	<i>Change vs H1FY12</i>	<i>Q2FY13 actual</i>	<i>Q2FY12* restated</i>	<i>Change vs Q2FY12</i>
<b>EARNINGS &amp; EFFICIENCY</b>						
Net interest income ^	1,450	1,526	-5.0%	722	783	-7.8%
Non interest income ^	557	379	+47.0%	282	216	+30.5%
Total income	2,007	1,905	+5.4%	1,004	999	+0.5%
Operating expenses	(894)	(1,018)	-12.1%	(452)	(572)	-21.0%
Operating profit	1,112	887	+25.4%	553	428	+29.3%
Associates’ profit contribution	130	97	+34.5%	69	35	+96.4%
Profit before tax	1,276	954	+33.7%	638	440	+45.0%
Profit after tax	986	749	+31.7%	508	349	+45.5%
Net interest margin	2.13%	2.40%	-0.27%	2.12%	2.45%	-0.33%
Non interest income ratio	27.7%	19.9%	+7.8%	28.1%	21.6%	+6.5%
Cost-to-income ratio (“CIR”)	44.6%	53.4%	-8.9%	45.0%	57.2%	-12.3%

<i>(Figures in RM 'million unless otherwise stated)</i>	<i>H1FY13 actual</i>	<i>H1FY12* restated</i>	<i>Change vs H1FY12</i>	<i>Q2FY13 actual</i>	<i>Q2FY12* restated</i>	<i>Change vs Q2FY12</i>
<b>PERFORMANCE RATIOS</b>						
Return on equity (ROE)	16.4%	16.3%	+0.1%	16.5%	14.8%	+1.7%
Return on assets (ROA)	1.26%	1.00%	+0.26%	1.31%	0.94%	+0.37%
Basic earnings per share (sen)	56	48	+18.2%	29	22	+30.7%
Dividend per share (sen)	15	11	+36.4%	15	11	+36.4%
Net assets per share (RM)	7.05	6.15	+14.6%	7.05	6.15	+14.6%
<b>LENDING &amp; DEPOSITS</b>						
Total assets	154,283	153,900	+0.2%	154,283	153,900	+0.2%
Gross loans	92,957	86,760	+7.1%	92,957	86,760	+7.1%
Customer deposits	123,835	119,233	+3.9%	123,835	119,233	+3.9%
Loans to deposits ratio	75.1%	72.8%	+2.3%	75.1%	72.8%	+2.3%
<b>ASSET QUALITY</b>						
Gross impaired loans ratio	1.49%	2.02%	-0.53%	1.49%	2.02%	-0.53%
Loan loss coverage	139.2%	133.3%	+5.8%	139.2%	133.3%	+5.8%
Credit charge	-0.06%	0.10%	-16 bps	-0.06%	0.14%	-20 bps
<b>EQUITY &amp; CAPITAL RATIOS</b>						
Shareholders' equity	12,363	10,744	+15.1%	12,363	10,744	+15.1%
Tier-1 capital adequacy ratio ~	12.8%	11.7%	+1.2%	12.8%	11.7%	+1.2%
Risk-weighted capital adequacy ratio (RWCAR) ~	16.5%	14.3%	+2.2%	16.5%	14.3%	+2.2%

*Notes: \* restated with retrospective application of MFRS 139*

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

*~ before proposed dividend*

## Profitability, Efficiency and Interest Margin

*Net profit after tax* of Hong Leong Bank Group for the six months ended 31 December 2012 was higher at RM986 million, up 31.7% from the same period last year.

*Total income* for H1FY13 improved by 5.4% to RM2,007 million from the corresponding period last year mainly due to higher non-interest income, which contributed 27.7% of total income as compared to 19.9% in H1FY12. *Non-interest income* grew by 47.0% to RM557 million from the same period last year, mainly from fixed income and interest rate derivatives income contributed by positions in favourable rates movements. *Net interest income* was slightly lower at RM1,450 million with competitive asset yields.

*Net interest margin* for H1FY13 declined to 2.13% from 2.40% in same period last year, due to the continuing pressure on new loan pricing in a competitive environment. Compared to the first quarter ended 30 September 2012 ("Q1FY13"), the margin for Q2FY13 reduced slightly by one basis point to 2.12%. The Bank will continue to manage cost of funds through active asset-liability management and prudent liquidity management.

*Operating expenses* for H1FY13 was lower by 12.1% at RM894 million compared to the same period last year, mainly contributed by lower personnel cost and a non-recurring integration cost for voluntary separation scheme which was incurred only in H1FY12. *Cost-to-income ratio* for H1FY13 improved to 44.6% from 53.4% in the previous corresponding period. We will continue to put in various initiatives to extract efficiencies and capture synergies.

## Loan Growth Continues In Core Segments

*Gross loans and financing* grew by 2.6% for the six months ended 31 December 2012 and 7.1% year-on-year (“y-o-y”) to RM93.0 billion in Q2FY13. This was led primarily by the growth in our core segment, *residential mortgages* which expanded by 5.2% for H1FY13 to RM32.3 billion. *Transport vehicle loans* increased slightly by 0.6% for H1FY13 to RM17.4 billion with our ongoing portfolio rebalancing initiatives. Overall, *loans and financing to individuals* grew moderately by RM1.6 billion or 2.8% for H1FY13 to RM57.0 billion.

*Loans and financing to business enterprises*, from both the small-medium enterprises (SME) and middle market segments expanded marginally for H1FY13 to RM32.0 billion, with the moderation in working capital requirements as well as some paydowns in project loans. *Working capital loans* declined to RM19.7 billion due to the drop in trade financing resulting from the slowdown in external demand overseas.

## Superior Retail Deposit Franchise & Liquidity

*Deposits from individuals* grew by 1.0% for H1FY13 to RM60.0 billion. Our mix of *deposits from individuals* of 48.5% in H1FY13 remains one of the highest retail deposit concentration in the industry, leveraging on our extensive branch network and strength of our customer franchise.

Our *current accounts and savings accounts (CASA)* grew by 3.5% for the six-month period, improving our CASA mix slightly to 24.7% of our bank-wide customer deposits in H1FY13.

Total deposits remain strong at RM123.8 billion, while our liquidity position remains supportive of growth with loans-to-deposits ratio at 75.1%.

## Asset Quality & Capital Strengthening

The Bank’s impaired loans and loan loss coverage ratios continue to outperform the banking system post MFRS 139 implementation. *Gross impaired loans ratio* improved further to another record breaking low at 1.49% in H1FY13 from 1.61% in Q1FY13 through proactive credit and recovery management.

Our *loan loss coverage ratio* at 139% in H1FY13 is still amongst the highest in the banking system.

*Tier-1 capital ratio* improved to 12.8% in H1FY13 whilst *risk-weighted capital ratio (RWCAR)* improved to 16.5% on the back of higher retained earnings. Our capital position is consistently strong to support our asset growth and business strategies.

## Contribution from Hong Leong Islamic Bank (“HLISB”)

HLISB’s *gross islamic financing and advances* expanded by 5.8% for the six months ended 31 December 2012 to RM13.1 billion, contributing 14.1% of the Group’s total loans, advances and financing. *Total assets* contracted to RM20.0 billion in H1FY13 from RM21.9 billion in June 2012 as part of our initiative in optimising asset yields from the rebalancing of the funding and liquidity needs.

HLISB’s net profit for H1FY13 improved by 73.1% on proforma basis to RM110 million, on the back of improved yields and net profit margin. *[note: financial year ended 30 June 2012 is based on the proforma merged accounts of HLISB and EONCAP Islamic Bank Berhad (“proforma basis”)]*.

HLISB continues to build capabilities to grow new segments and enhance offerings in wholesale and Islamic investment banking.

### Regional Contribution

Profit contribution from Bank of Chengdu (“BOCD”) for H1FY13 improved by 33.7% against previous corresponding period to RM129 million, representing 10.1% of the Bank’s profit before tax. BOCD continues to leverage on its strong network, expanded customer base and new core IT platform enabling stronger business momentum.

Contribution from Hong Leong Vietnam Limited (“HLBVN”) remains subdued on the back of net interest margin compression amidst the current economic slowdown there. Despite the economic condition, with the addition of a new branch recently bringing to a current total of four outlets in the country, HLBVN’s *gross loans and financing* expanded by 34.8% for Q2FY13 (quarter-on-quarter) and 84.5% y-o-y to RM147 million in H1FY13.

### Mach by Hong Leong Bank

“*Mach by Hong Leong Bank*” broke new ground in January 2013 with the official launch of Mach FD, the first-of-its-kind fixed deposit product specifically designed with flexibility in mind to cater to the tech savvy Gen Y market. At the same time, we opened our flagship branch at Sunway Giza, our fifth branch under this sub-brand.

### Business Outlook

Commenting on business outlook, Datuk Yvonne Chia said, “Amidst the uncertainties in the advanced economies, the key ASEAN economies have shown resilience to the external headwinds and Malaysia will likely see its GDP growth continue to be driven by strong domestic demand and private consumption. Hong Leong Bank will continue to extract efficiencies in our operations in delivering sustainable returns and to bring value and convenience in our offerings and services to our customers. With increasing competition in the industry, we will continue to invest to transform our technology and operations in both branch banking and digital channels to support business growth.”

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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 consumer banking, business banking and trade finance, treasury, branch and transaction banking, wealth management, investment banking, private banking and Islamic financial services. Its merger with EON Bank Group in 2011 sees the creation of a core domestic franchise with an expanded distribution network of more than 300 branches nationwide.

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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