

FOR IMMEDIATE RELEASE

## Hong Leong Bank announces third quarter results: ACHIEVES NET PROFIT OF RM454 MILLION FOR Q3FY13

**Kuala Lumpur, 9 May 2013** - Hong Leong Bank Berhad (the “Bank” or “Group”), (BM: HLBANK) today announced its results for the third quarter ended 31 March 2013.

- ✦ *Net profit after tax for the third quarter ended 31 March 2013 (“Q3FY13”) at RM454 million, compared to the corresponding quarter ended 31 March 2012 (“Q3FY12”) which was **restated** mainly due to the write-back in collective assessment allowance from the retrospective application of MFRS139*
- ✦ *Net profit after tax for the nine months ended 31 March 2013 (“9MFY13”) at RM1,440 million, a growth of 7.6% from RM1,338 million in the corresponding period last year (“9MFY12”)*
- ✦ *Total income for 9MFY13 grew by 3.8% year-on-year to RM3,032 million*
- ✦ *Gross Loans & Financing grew by 7.7% year-on-year to RM94.5 billion*
- ✦ *Customer Deposits expanded to RM123.5 billion*

Hong Leong Bank’s Group Managing Director/ Chief Executive, Datuk Yvonne Chia, said “We achieved positive results once again in the third quarter ended 31 March 2013, reflecting the sustainable performance of our business.”

“Net profit for the nine months ended 31 March 2013 improved by 7.6% to RM1,440 million from the corresponding period last year on the back of higher non-interest income and improved operating efficiencies.”

“Net profit for the third quarter ended 31 March 2013 was RM454 million while pre-provisioning operating profit grew by 1.3% to RM567 million compared to the last corresponding quarter.”

“Our shareholder value creation remains robust with our return on equity at 15.8% in 9MFY13. Our return on asset improved 4 basis points to 1.22% for the nine months ended 31 March 2013.”

“Basic earnings per share remain unchanged at 82 sen while net assets per share improved to RM7.20 from RM6.40 in the same period last year.”

### Summary of Financial Performance

<i>(Figures in RM 'million unless otherwise stated)</i>	<b>9MFY13 actual</b>	<b>9MFY12* restated</b>	<b>Change vs 9MFY12</b>	<b>Q3FY13 actual</b>	<b>Q3FY12* restated</b>	<b>Change vs Q3FY12</b>
<b>EARNINGS &amp; EFFICIENCY</b>						
Net interest income <sup>^</sup>	2,201	2,281	-3.5%	750	755	-0.6%
Non interest income <sup>^</sup>	831	641	+29.7%	275	262	+4.6%
Total income	3,032	2,922	+3.8%	1,025	1,017	+0.8%
Operating expenses	(1,352)	(1,475)	-8.3%	(458)	(457)	+0.2%
Operating profit	1,679	1,447	+16.0%	567	560	+1.3%
Associates’ profit contribution	192	159	+21.3%	62	62	+0.6%

<i>(Figures in RM 'million unless otherwise stated)</i>	<b>9MFY13 actual</b>	<b>9MFY12* restated</b>	<b>Change vs 9MFY12</b>	<b>Q3FY13 actual</b>	<b>Q3FY12* restated</b>	<b>Change vs Q3FY12</b>
<b>EARNINGS &amp; EFFICIENCY</b>						
Profit before tax	1,864	1,718	+8.5%	588	764	-23.1%
Profit after tax	1,440	1,338	+7.6%	454	589	-22.9%
Net interest margin ("NIM")	2.15%	2.34%	-0.19%	2.14% <sup>#</sup>	2.24%	-0.10%
Non-interest income ratio	27.4%	21.9%	+5.5%	26.8%	25.8%	+1.0%
Cost-to-income ratio ("CIR")	44.6%	50.5%	-5.9%	44.7%	45.0%	-0.3%
<b>PERFORMANCE RATIOS</b>						
Return on equity (ROE)	15.8%	18.9%	-3.1%	14.5%	21.5%	-7.0%
Return on assets (ROA)	1.22%	1.18%	+0.04%	1.16%	1.52%	-0.36%
Basic earnings per share (sen)	82	82	-	26	36	-28.3%
Dividend per share (sen)	15	11	+36.4%	-	-	-
Net assets per share (RM)	7.20	6.40	+12.4%	7.20	6.40	+12.4%
<b>LENDING &amp; DEPOSITS</b>						
Total assets	157,765	157,071	+0.4%	157,765	157,071	+0.4%
Gross loans	94,454	87,670	+7.7%	94,454	87,670	+7.7%
Customer deposits	123,523	122,371	+0.9%	123,523	122,371	+0.9%
Loans to deposits ratio	76.5%	71.6%	+4.9%	76.5%	71.6%	+4.9%
<b>ASSET QUALITY</b>						
Gross impaired loans ratio	1.41%	1.96%	-0.55%	1.41%	1.96%	-0.55%
Loan loss coverage	141.1%	125.7%	+15.4%	141.1%	125.7%	+15.4%
Credit charge	0.02%	-0.16%	+18 bps	0.18%	-0.66%	+84 bps
<b>EQUITY &amp; CAPITAL RATIOS</b>						
Shareholders' equity	12,635	11,193	+12.9%	12,635	11,193	+12.9%
Common equity tier 1 capital ratio	10.1%	8.9%	+1.2%	10.1%	8.9%	+1.2%
Tier 1 capital ratio	11.8%	10.9%	+0.9%	11.8%	10.9%	+0.9%
Risk-weighted capital ratio (RWCAR)	14.9%	13.1%	+1.8%	14.9%	13.1%	+1.8%

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

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

*# NIM excludes one-off adjustment on FRS139 unwinding interest (actual NIM including the adjustment = 2.20%)*

## **Profitability, Efficiency and Interest Margin**

- *Net profit after tax* of Hong Leong Bank Group for the nine months ended 31 March 2013 was higher at RM1,440 million, up 7.6% from the corresponding period last year.
- *Total income* for 9MFY13 improved by 3.8% to RM3,032 million from the same period last year.
- *Non-interest income* grew by 29.7% to RM831 million from the same period last year, mainly due to higher gains from treasury operations.
- *Non-interest income ratio* was higher at 27.4% for 9MFY13 compared to 21.9% in the corresponding period last year.

- With the competitive asset yields, *net interest income* was slightly lower than the corresponding period however on a positive note, it improved to RM750 million from RM722 million in the second quarter ended 31 December 2012 (“Q2FY13”).
- *Net interest margin* for 9MFY13 declined to 2.15% from 2.34% in same period last year, due to the continuing pressure on new loan pricing in a competitive environment. Compared to Q2FY13, the margin for Q3FY13 was relatively stable at 2.14%. The Bank will continue to manage cost of funds through active asset-liability management and prudent liquidity management.
- *Operating expenses* for 9MFY13 was lower by 8.3% at RM1,352 million compared to the same period last year, mainly contributed by lower personnel cost and a non-recurring integration cost which was incurred one time in the previous corresponding period.
- *Cost-to-income ratio* for 9MFY13 improved further to 44.6% from 50.5% in the previous corresponding period as we continue with various management initiatives to enhance efficiencies and derive synergies.

### **Core Segments Continuing to Drive Loan Growth**

- *Gross loans and financing* grew by 4.3% for the nine months ended 31 March 2013 and 7.7% year-on-year (“y-o-y”) to RM94.5 billion in Q3FY13.
- Loans growth was led primarily by our core segment, *residential mortgages* which expanded by 8.3% for the nine-month period to RM33.2 billion. *Transport vehicle loans* increased to RM17.4 billion with our ongoing portfolio rebalancing initiatives.
- Overall, *loans and financing to individuals* grew by 4.1% for 9MFY13 to RM57.8 billion.
- *Loans and financing to business enterprises*, from both the small-medium enterprises (SME) and middle market segments increased to RM32.6 billion. *Loans and financing to SME* for the quarter increased by 8.1% to RM13.6 billion from RM12.6 billion in Q2FY13.
- *Working capital loans* expanded to RM20.2 billion as a result of higher utilisation of credit lines in the quarter. *Trade financing* was relatively flat resulting from the slowdown in external demand overseas however on a positive note, it grew by 3.3% in the third quarter.

### **Superior Retail Deposit Franchise & Liquidity**

- *Deposits from individuals* expanded by 6.8% for 9MFY13 and 9.9% y-o-y to RM63.5 billion, leveraging on the strength of our franchise. Our mix of *deposits from individuals* which is one of the highest retail deposit concentration in the industry, grew to 51.4%.
- Our *current accounts and savings accounts (CASA)* grew by 4.5% for the nine-month period, further improving our CASA mix to 24.9% of our bank-wide customer deposits in Q3FY13.
- *Total deposits* remain strong at RM123.5 billion while with *loans-to-deposits ratio* at 76.5%, our liquidity position remains supportive of growth.

## 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 1.41% in Q3FY13 from 1.49% Q2FY13 through proactive credit and recovery management.
- Our *loan loss coverage ratio* at 141% in Q3FY13 is still amongst the highest in the banking system.
- With effect from 1 Jan 2013, the Bank adopted the new Basel III capital adequacy guidelines under the BNM's Capital Adequacy Framework (Capital Components).
- *Common equity tier 1 capital ratio* which is the highest quality capital, improved to 10.1%. *Tier 1 capital* and *risk-weighted capital ratios* also strengthened to 11.8% and 14.9% respectively. We will continue to maintain comfortable capital levels to support our asset growth and business strategies.

## Contribution from Hong Leong Islamic Bank ("HLISB")

- HLISB's *gross islamic financing and advances* grew by 7.7% for the nine months ended 31 March 2013 to RM13.4 billion, contributing 14.1% of the Group's total loans, advances and financing.
- *Total assets* contracted slightly to RM21.2 billion in Q3FY13 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 9MFY13 improved by 17.2% on proforma basis to RM166 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 9MFY13 grew by 20.8% against previous corresponding period to RM191 million, representing 10.2% of the Bank's profit before tax.
- BOCD will continue with its transformation into the consumer and SME segments to be a more market-oriented bank. At the same time, BOCD will also continue to invest in technology and infrastructure to support growth in new businesses as well as new markets.
- 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, HLBVN has gained good momentum on consumer loan acquisitions since the launch of its recent consumer finance campaign.
- HLBVN's *gross loans and financing* grew by 8.3% from the second quarter and by 102.4% y-o-y to RM160 million in Q3FY13.

- The National Bank of Cambodia had on 11 January 2013 granted an approval-in-principle to the Bank to incorporate and operate a 100% wholly owned, locally incorporated commercial bank subsidiary in Cambodia (“HLBCAM”) with a start-up capital of USD37.5 million (which is approximately equivalent to RM116.2 million).
- HLBCAM is expected to commence operations in Cambodia within six months from the date of the approval-in-principle.

### **Mach by Hong Leong Bank**

- We continue to expand our “Mach by Hong Leong Bank” footprint with the opening of a new branch at Sunway Pyramid in April 2013, our first Mach branch that comes together with a Bureau de Change, bringing the total branches under this sub-brand to six.

### **Business Outlook**

Commenting on business outlook, Datuk Yvonne Chia said, “The key ASEAN economies are expected to stay resilient against external headwinds. We expect strong domestic demand, private consumption and private investments to be the key catalysts to drive GDP growth in Malaysia.”

“There are some signs that US economic recovery in 2012 has extended into 2013, although downside risks to advanced economies remain.”

“Hong Leong Bank will continue to pursue efficiencies in our operations in delivering sustainable returns and 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.”

**– END –**

---

## 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.

For further information, please visit [www.hlb.com.my](http://www.hlb.com.my) or contact:

### **Media:**

Norlina Yunus  
GM, Group Corporate Affairs & Public Relations  
DID: 03-2180 0965  
Email: [norlina.yunus@hlbb.hongleong.com.my](mailto:norlina.yunus@hlbb.hongleong.com.my)

### **Investor Relations:**

Tan Hong Ian  
AGM, Corporate Finance & Investor Relations  
DID: 03-2180 8781  
Email: [IR@hlbb.hongleong.com.my](mailto:IR@hlbb.hongleong.com.my)