

For Immediate Release**Hong Leong Bank announces full year results:
ACHIEVES NET PROFIT OF RM1,856 MILLION FOR FY13**

Kuala Lumpur, 29 August 2013 - Hong Leong Bank Berhad (the “Bank” or “Group”), (BM: HLBANK) today announced its results for the financial year ended 30 June 2013.

- ✦ **Net profit after tax for the financial year ended 30 June 2013 (“FY13”) at RM1,856 million, up 6.5% from RM1,744 million in the corresponding period last year (“FY12”) which was restated mainly due to retrospective application of MFRS139**
- ✦ **Total income for FY13 grew by 3.3% year-on-year to RM4,007 million**
- ✦ **Gross Loans & Financing grew by 7.3% year-on-year to RM97.2 billion**
- ✦ **Customer Deposits expanded to RM123.6 billion**

Hong Leong Bank’s Group Managing Director/ Chief Executive Officer, Mr. Tan Kong Khoon, commented, “We achieved another set of commendable results in the financial year ended 30 June 2013. Against previous financial year, operating profit and net profit grew 10.6% to RM2,160 million and 6.5% to RM1,856 million respectively, led by higher non-interest income, improved operating efficiencies and higher profit contribution from associates.”

“Our shareholder value creation remains solid with our return on equity and return on asset at 15.0% and 1.2% respectively for the financial year ended 30 June 2013.”

“Earnings per share rose to 106 sen whilst net assets per share improved to RM7.41 from RM6.68 in the same period last year.”

Profitability, Efficiency and Interest Margin

- *Net profit after tax* of Hong Leong Bank Group for the FY13 was higher at RM1,856 million, up 6.5% from the corresponding period last year.
- *Total income* for FY13 improved by 3.3% to RM4,007 million from the same period last year.
- *Non-interest income* grew by 25.6% to RM1,069 million from the same period last year, mainly from treasury operations, led by higher gains from sale of securities, dividend income and positive mark-to-market (“MTM”) gains on interest rate derivatives.
- *Non-interest income ratio* was higher at 26.7% for FY13 compared to 22.0% in the corresponding period last year.
- With the continuing pressure on new loan pricing in a competitive environment, *net interest income* and *net interest margin* were at RM2,937 million and 2.13% respectively for FY13. The Bank will continue to manage cost of funds through active asset-liability management and prudent liquidity management.

- *Operating expenses* for FY13 was lower by 4.0% at RM1,847 million compared to the same period last year, mainly contributed by lower personnel cost and non-recurring integration costs.
- *Cost-to-income ratio* for FY13 improved further to 46.1% from 49.6% in the previous corresponding period. We continued to drive operating efficiencies, whilst investing for growth.
- *Net allowances for impairment loss* were higher at RM33.9 million for FY13, primarily due to higher individual assessment allowances, partially offset by lower collective assessment allowances.

Core Segments Continuing to Drive Loan Growth

- *Gross loans and financing* grew by 7.3% to RM97.2 billion for the financial year ended 30 June 2013, driven by both mortgages and business loans.
- Our core segment, *residential mortgages*, expanded by 11.5% for FY13 to RM34.2 billion.
- *Loans and financing to business enterprises*, from both the small-medium enterprises (SME) and middle market segments increased to RM34.1 billion. *Loans and financing to SME* gained pace and expanded by 20.5% to RM14.5 billion in FY13.
- *Working capital loans* expanded by 9.4% in FY13 to RM21.8 billion as a result of higher utilisation of credit lines. *Trade financing* which represented 41% of working capital loans, grew by 8.6% y-o-y in FY13.

Superior Retail Deposit Franchise & Liquidity

- *Total deposits* remain strong at RM123.6 billion as at 30 June 2013.
- *Deposits from individuals* expanded by 11.2% for FY13 to RM66.1 billion, leveraging on the strength of our franchise. Our mix of deposits from individuals improved further to 53.5%, representing one of the highest retail deposit concentration in the industry.
- Our *current accounts and savings accounts (CASA)* grew by 8.5% for FY13, further improving our CASA mix to 25.9% of our bank-wide customer deposits in FY13.
- *Loans-to-deposits ratio* expanded to 78.6%. Our liquidity position remains healthy and supportive of our business strategies.

Asset Quality & Capital Strengthening

- Asset quality continues to outperform the banking system post MFRS 139 implementation.
- *Gross impaired loans ratio* improved further to 1.4% in FY13 from 1.7% in FY12 with continued focus on proactive credit and recovery management.
- *Loan loss coverage ratio* remained prudent at 131.3% in FY13, amongst the highest in the banking system.
- Our capital levels are consistently strong with *Common Equity Tier 1, Tier 1 and Risk Weighted Capital Ratios* at 10.2%, 11.9% and 14.8% respectively.

Contribution from Hong Leong Islamic Bank (“HLISB”)

- HLISB’s *net profit* for FY13 improved by 62.0% on proforma basis to RM227 million, on the back of higher gains from treasury operations and write-back in financing loss allowances. *[note: financial year ended 30 June 2012 is based on the proforma merged accounts of HLISB and EONCAP Islamic Bank Berhad (“proforma basis”)]*
- HLISB’s *gross islamic financing and advances* grew by 10.2% for FY13 to RM13.7 billion, contributing 14.0% of the Group’s total loans, advances and financing.
- HLISB’s *customer deposits* increased by 5.8% to RM17.2 billion in FY13. *Retail deposits* grew by 16.2% to RM4.4 billion, with *retail deposit ratio* improved to 25.5% from 23.2% in the corresponding period last year.
- HLISB continues to build capabilities and strengths to grow new segments and enhance offerings in wholesale and Islamic investment banking.

Regional Contribution

- Profit contribution from international operations accounted for 13.2% of the Group’s pre-tax profit for FY13, with a growth of 11.1% year-on-year (“y-o-y”).

Bank of Chengdu (“BOCD”)

- *Profit contribution* from BOCD for FY13 grew by 21.7% against previous corresponding period to RM264 million, representing 11.0% of the Bank’s profit before tax.
- BOCD has gained traction in its consumer and SME segments with loan growth at 18.3% and 23.8% respectively for the six months ended 30 June 2013, underpinned by its ongoing business transformation and expansion.
- BOCD has expanded outside Chengdu with a total of 19 branches/outlets in Chongqing, Xi’an and 4 other cities in Sichuan.

Hong Leong Bank Vietnam Limited (“HLBVN”)

- Contribution from 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. HLBVN’s *gross loans and financing* grew by 59.6% y-o-y to RM244 million in FY13.
- As at June 2013, HLBVN has expanded its network to 4 outlets. (Binh Duong branch was set up in September 2012)

Hong Leong Bank (Cambodia) PLC (“HLBCAM”)

- HLBCAM was granted license to carry out full commercial banking operations. The soft launch to commence operations took place on 8 July 2013.
- HLBCAM will complement the Bank’s existing regional network, with full range of personal financial services and business banking products.

Mach by Hong Leong Bank

- The Bank continues to expand “Mach by Hong Leong Bank” footprint to other major market centers outside Klang Valley with the opening of Gurney Paragon branch in July 2013, bringing total branches under this sub-brand to seven.
- The Bank will also accelerate brand awareness through Digital Advertising, Viral Video, Ground Activation, Ambient Advertising and Out-Of-Home platform to create differentiation towards our target segment.

Business Outlook

Commenting on business outlook, Mr. Tan Kong Khoon said, “There are tentative signs the ASEAN economies are bracing for more trying times ahead, though in varying degrees, by slower recovery in global economies and more moderate growth in China. Amid prevailing external headwinds, sustained private consumption and investment will continue to underpin expansion in the Malaysian economy going forward.”

“Hong Leong Bank will continue to strive for sustainable profitability through a universal banking model. Domestically, we will leverage on our close engagement with Personal, Business and Islamic Banking customers to offer a more comprehensive community banking proposition while continuing to build our deposit franchise and strengthening our Wealth Management, Treasury and Transaction Banking offerings. In the meantime, we will also concentrate on the convergence of Digital Banking and Customer Analytics capabilities to give us the critical edge. We will continue to scale up our regional business while seeking organic transformational growth opportunities.”

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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 financial services covering consumer banking, business banking and trade finance, treasury, branch and transaction banking, wealth management, private banking and Islamic financial services. Its merger with EON Bank Group in 2011 has further embedded its position as a core banking franchise with an expanded distribution network of around 300 branches 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, Hong Kong and wholly owned subsidiaries in Vietnam and Cambodia. 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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