

For Immediate Release**Hong Leong Bank Announces 9MFY16 Results:
RESILIENT PERFORMANCE WITH SOLID ASSET QUALITY**

Kuala Lumpur, 24 May 2016 - Hong Leong Bank Berhad ("Bank" or "Group"), (BM: HLBANK) today announced its results for the nine months ended 31 March 2016 ("9MFY16").

- ✦ *Gross Loans & Financing expanded by 7.4% year-on-year ("y-o-y") to RM118.8 billion.*
- ✦ *Solid asset quality with Gross Impaired Loan ratio improving to 0.82%.*
- ✦ *Robust capital position with CET-1, Tier-1 and Total Capital ratios at 12.4%, 13.3% and 15.7% respectively.*

Mr. Domenic Fuda, the Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad commented, "Despite on-going macro concerns, loan growth momentum for the Group remained intact with a healthy 7.4% y-o-y expansion to RM118.8 billion, whilst continuing to uphold our best-in-class asset quality, reflective of the Group's commitment towards delivering on sustainable business and profitability."

"Net profit after tax for 9MFY16 stood at RM1,345 million, impacted by the one-off mutual separation scheme cost ("MSS") of RM172 million in December 2015. Excluding this one-off cost, the Business As Usual ("BAU") net profit would have been RM1,475 million, on the back of lower recoveries and lower contribution from our associates."

Resilient Performance

- *Total income* for 9MFY16 expanded 2.4% y-o-y to RM3,099 million, driven mainly by expansion in loans and improved non-interest income contribution.
- *Net interest income* for 9MFY16 was lower at RM2,301 million on the back of intense deposit competition particularly during the March 2016 quarter ("Q3FY16"). *Net interest margin* for 9MFY16 came in at 1.94%.
- *Non-interest income* performance expanded 24.9% y-o-y to RM798 million for 9MFY16, driven mainly by improved foreign exchange gains through revaluation profits and increased franchise business transactions, as well as higher dividend income arising from investment in wholesale funds. Consequently, *non-interest income ratio* for 9MFY16 was higher at 25.8%.
- Excluding the MSS costs, *operating expense* remained manageable at RM1,421 million with BAU *cost-to-income ratio* of 45.9% in 9MFY16, amidst higher personnel costs as well as increased costs arising from IT initiatives and GST implementation.

Loan Growth Intact

- *Gross loans and financing* expanded at 7.4% y-o-y or 0.7% q-o-q to RM118.8 billion as at 31 March 2016 which was in line with industry growth.
- The retail segment remained the key growth driver, expanding 8.7% y-o-y or 1.6% q-o-q, and contributing 70% of the Group's total loans.
- *Residential mortgages* increased to RM50.1 billion, an increase of 15.0% y-o-y, compared to industry growth of 11%. *Transport vehicle loans* grew 2.7% y-o-y to RM18.5 billion whilst *personal loans* continued its strong growth momentum with a 9.4% y-o-y expansion, albeit from a small base.
- *Loans and financing to SME* continued to grow at a healthy pace, increasing 9.8% y-o-y to RM18.7 billion and contributing 15.7% of the loan base.

Prudent Funding and Liquidity Position

- The Group continued to maintain a prudent liquidity position amidst the current economic headwinds, with a *loans-to-deposits ratio* of 81.3%.
- *Customer deposits* expanded 7.0% y-o-y to RM146.0 billion with CASA ratio of 24.4%.
- The Group's stable funding base was supported by amongst the highest industry *individual deposits mix ratio* of 53.5% leveraging on the Group's strong retail franchise.

Solid Asset Quality with Strong Capital Position

- The Group continued to maintain its solid asset quality indicators as the *gross impaired loan ratio* improved further to 0.82% following a 4.4% q-o-q or 1.9% y-o-y reduction in gross impaired loan balances despite sound loan growth. *Loan impairment coverage ratio* stood at 127%, the highest within industry.
- The Group's capital position remained robust with *Common Equity Tier 1*, *Tier 1* and *Total Capital Ratios* at 12.4%, 13.3% and 15.7% respectively.

Regional Contribution

- Profit contribution from Bank of Chengdu ("BOCD") was lower at RM233 million in 9MFY16, contributing 12.7% of the Group's BAU profit before tax, in view of the challenging operating environment. However, BOCD's profit contribution of RM90 million in Q3FY16 has improved against the previous two quarters.

Business Outlook

Mr. Domenic Fuda commented, “The operating environment remains challenging as uncertainties in global economies, market volatilities and lingering weakness in oil prices weighed on consumer sentiment and business activity whilst competition and margin compression continue to impact the profitability of the banking sector.”

“We are cautiously optimistic of the outlook and believe the Bank’s solid fundamentals will help navigate through the headwinds. The Group remains focused on strengthening our operating platform and strategies for sustainable profitability, through continuous effort in embedding service excellence, digitization and strategic cost management.”

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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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