

For Immediate Release

**Hong Leong Bank announces first quarter results:
ENCOURAGING START TO THE NEW FINANCIAL YEAR**

Kuala Lumpur, 22 November 2016 - Hong Leong Bank Berhad ("Bank" or "Group"), (BM: HLBANK) today announced its results for the first quarter ended 30 September 2016 ("Q1FY17").

- ✦ *Net profit after tax for Q1FY17 of RM543 million, up 7.9% year-on-year ("y-o-y") compared to the corresponding quarter last year ("Q1FY16").*
- ✦ *Gross Loans & Financing expanded 4.0% y-o-y to RM121.0 billion; asset quality remained solid with Gross Impaired Loan ("GIL") ratio of 0.84%*
- ✦ *Robust capital positions with CET-1, Tier-1 and Total Capital ratios improving to 12.9%, 13.3% and 14.8% respectively.*

Mr. Domenic Fuda, the Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad commented, "It was an encouraging start to the new financial year as the Bank recorded a net profit after tax of RM543 million for the first quarter, growing 7.9% y-o-y compared to the same period last year. The improvement was supported by a healthy growth in top-line coupled with improved contributions from our overseas associates."

"Business growth remained intact despite persistent challenges in the operating environment, with loan balances reaching RM121.0 billion while maintaining our market share position in key business segments. Preserving a sound asset quality position continues to be an imperative as we achieved a GIL ratio of 0.84% which is amongst the best in the industry."

Improved Profitability for Q1FY17

- *Total income* for Q1FY17 improved by 7.1% y-o-y and 1.6% q-o-q to RM1,096 million, underpinned by prudent management of loan pricing, funding cost as well as higher non-interest income.
- *Net interest income* for Q1FY17 expanded by 5.4% y-o-y and 3.5% q-o-q to RM801 million, benefitting from focused loan pricing, lower cost of funding ("COF") due to the maturity of higher cost fixed deposits ("FD") campaigns and redemption of capital securities in preceding quarter. Consequently, net interest margin rose 7 bps y-o-y or 6 bps q-o-q to 2.01%, despite the 25 bps cut in Overnight Policy Rates in July 2016.
- *Non-interest income* sustained its growth momentum, with a 12.2% y-o-y growth to RM295 million, mainly supported by higher income from treasury operations. *Non-interest income ratio* for Q1FY17 rose to a healthy 26.9% compared to 25.7% last year.
- *Operating expenses* for the quarter was relatively stable at RM491 million whilst *cost-to-income ratio* ("CIR") improved to 44.8% for Q1FY17 as revenue outpaced expenses growth as the Group continued to pursue operating efficiencies.
- Correspondingly, the *operating profit* for the Group grew 8.0% y-o-y or 3.5% q-o-q to RM606 million in Q1FY17.

Resilient Loan Growth, whilst maintaining our market share in key business segments

- *Gross loans, advances and financing* grew 4.0% y-o-y to RM121.0 billion underpinned by a cautious business environment and led by growth in our key segments of retail and SME.
- Loans to domestic retail segment expanded 7.0% y-o-y, outpacing industry growth and contributed 70% of the Group's total loans.
- *Residential mortgages* continued to grow strongly by 12.1% y-o-y to RM52.8 billion, with domestic loan growth ahead of industry. *Transport vehicle loans* were relatively stable at RM18.3 billion whilst *credit card receivables* expanded 3.8% y-o-y to RM4.0 billion.
- *Loans and financing to SME* registered a healthy 8.2% y-o-y growth to RM19.3 billion contributing 16.0% of the Group's loan base.

Prudent Funding and Liquidity Position

- Liquidity remains robust and continues to be supportive of business growth with a loans-to-deposits ratio of 81.0%.
- *Customer deposits* increased by 4.0% y-o-y to RM149.3 billion whilst CASA ratio was maintained at 24.6%.
- The Group's stable funding base continues to be supported by an *individual deposits mix ratio* of 55.3%, reflecting the Group's strong retail franchise.

Strong Asset Quality and Robust Capital Position

- Asset quality remains amongst the best in the industry with a gross impaired loan ratio of 0.84% whilst loan impairment coverage ratio stood at a prudent 113% as at 30 September 2016.
- The Group's capital position remained robust with *Common Equity Tier 1*, *Tier 1* and *Total Capital Ratios* at 12.9%, 13.3% and 14.8% respectively.

Regional Contribution

- Contribution from international operations rose by 21.5% y-o-y and 10.8% q-o-q, accounting for 16.1% of the Group's pre-tax profit in Q1FY17. The Group's associate, Bank of Chengdu ("BOCD") improved 11.0% y-o-y to RM89.2 million in the first quarter as BOCD demonstrated prudent management of its loan book quality.

Business Outlook

Mr. Domenic Fuda commented, "Global growth prospects are expected to stay subdued despite tentative signs of reducing downside risks. The Malaysian economy remains on a moderate growth trajectory, amid continued support from domestic demand especially private sector activities. In line with this, we expect moderate growth in loans and deposits in the coming quarters."

"The Group will continue to strengthen digital offerings and customer analytics capabilities to add value and differentiate our multi-channel banking services for both domestic and regional businesses. At the same time, there will also be strong emphasis on improving operations efficiency and scaling productivity through strategic cost management for superior return and sustainable 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 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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