

For Immediate Release**Hong Leong Bank announces first quarter results:
ACHIEVES NET PROFIT OF RM548 MILLION FOR Q1FY15**

Kuala Lumpur, 25 November 2014 - Hong Leong Bank Berhad ("Bank" or "Group"), (BM: HLBANK) today announced its results for the first quarter ended 30 September 2014 ("Q1FY15").

- ✦ ***Net profit after tax at RM548 million***
- ✦ ***Gross Loans & Financing grew by 6.1% year-on-year ("y-o-y") to RM104.4 billion***
- ✦ ***Strong asset quality with Gross Impaired Loan Ratio improved to 1.15%***

Hong Leong Bank's Group Managing Director/ Chief Executive Officer, Mr. Tan Kong Khoon, commented, "We started the new financial year with a resilient set of results despite a challenging operating environment. Net profit after tax closed at RM548 million for the Q1FY15, underpinned by growth in net interest income, improved operating efficiencies and higher profit contribution from associates."

"Key shareholder value indicators remain sound. Return on equity was at 14.8% while net assets per share grew to RM8.57, up 10.7% against RM7.74 in the same quarter last year."

"Whilst business environment has seen a moderating growth during the quarter, we remain committed towards our strategic imperatives, operational improvements and business growth execution".

Resilient Profitability with continued growth momentum in net interest income

- *Pre-provisioning operating profit* improved by 1.9% y-o-y to RM585 million in Q1FY15, led mainly by growth in net interest income and lower operating expenses.
- *Net interest income* enhanced by 8.3% to RM821 million, supported by expansion in loan book and improved funding cost management.
- Benefiting from the recent OPR hike as well as our active asset-liability management, *net interest margin* registered a 3 bps improvement y-o-y, to 2.09% for the Q1FY15 amidst persistent intense competition for both loans and deposits.
- *Non-interest income* was lower at RM193 million for the Q1FY15, mainly due to softer gains from treasury operations.
- Whilst investing for future growth, we continue holding tight on cost discipline. Overall *operating expenses* were lower by 5.7% to RM429 million, and *cost-to-income ratio* improved further to 42.3% in Q1FY15.
- *Net credit charge* for the quarter was -6bps, led by a net write-back in individual assessment allowances.

Core Segments Continue to Grow

- *Gross loans and financing* expanded by 6.1% y-o-y for Q1FY15 to RM104.4 billion.
- *Loan growth from retail segment (“PFS”)* continued to be led by *residential mortgages* which expanded a robust 15.2% y-o-y to RM40.5 billion, while *credit card financing* grew 1.8% against Q1FY14 to RM4.2 billion.
- *Loans and financing from business and corporate segment (“BCB”)* was marginally lower at RM29.1 billion, mainly due to corporate repayments during the quarter. Growth in *trade loans* however, was on track with a growth of 7.3% y-o-y to RM8.8 billion.
- In respect of customer segment, *individual* segment contributed 62.9% of total gross loan with healthy growth of 9.8% y-o-y. *Loans and financing to SME* continues its growth momentum, at 11.3% y-o-y to RM16.5 billion.
- *Loans and financing from international operations* expanded strongly, by 11.6% y-o-y growth to RM3.2 billion.

Funding and Liquidity Position Supportive of Growth

- *Loans-to-deposits ratio* remains prudent at 80.3%, with a healthy funding and liquidity position supportive of growth.
- *Customer deposits* for Q1FY15 expanded by 3.6% y-o-y to RM129.9 billion, with *CASA mix* maintained at 26.3%.
- Our deposits from individuals remained strong at RM67.2 billion with individual deposits mix at 51.7%, amongst the highest retail concentration in the industry.

Superior Asset Quality with Healthy Capital Position

- The Bank continues upholding its superior asset quality, with key asset quality indicators outperforming the industry.
- This was achieved through proactive credit and recovery management. Consequently *gross impaired loans (“GIL”)* balance was reduced by 10.4% y-o-y, with *GIL ratio* improved further to record low of 1.15% as at Q1FY15. *Loan impairment coverage* at 128.7%, amongst the highest in the banking system.
- *Capital levels* remained healthy with *Common Equity Tier 1*, *Tier 1* and *Total Capital Ratios* at 10.1%, 11.5% and 14.0% respectively.

Regional Contribution led by BOCD

- Total profit contribution from international operations accounted for 15.5% of the Group’s pre-tax profit in Q1FY15.
- Bank of Chengdu (“BOCD”) remains the key contributor with profit contribution grew 6.6% y-o-y to RM95.4 million for Q1FY15, representing 13.6% of the Group’s profit before tax.

Business Outlook

Mr. Tan Kong Khoo commented, “We are cautiously optimistic of the Malaysian economy which is expected to chart a steady growth path going into next year, with anticipated boost from investment spending and continued exports growth. In the regional context, growth will continue to be supported by gradual recovery in the world economy.”

“The Group remains highly focused on our strategic priorities, strengthening all businesses for sustainable profitability and portfolio growth. We will also continue to develop our new digital banking capabilities and improve the convergence of multi-channels network distribution through our Community Banking approach and analytics, for a seamless customer experience.”

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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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