

For Immediate Release**Hong Leong Bank announces first quarter results:
ACHIEVES NET PROFIT OF RM503 MILLION FOR Q1FY16**

Kuala Lumpur, 17 November 2015 - Hong Leong Bank Berhad ("Bank" or "Group"), (BM: HLBANK) today announced its results for the first quarter ended 30 September 2015 ("Q1FY16").

- ✦ *Net profit after tax at RM503 million, representing an earnings per share of 28.5 sen.*
- ✦ *Gross Loans & Financing expanded by 11.5% year-on-year ("y-o-y") or 2.6% quarter-on-quarter ("q-o-q") to RM116.3 billion.*
- ✦ *Strong asset quality with Gross Impaired Loan Ratio improved to 0.83%.*

Mr. Tan Kong Khoon, the Group Managing Director/Chief Executive Officer of Hong Leong Bank commented, "Outlook for the banking sector remains challenging, amidst external headwinds, regulatory requirements and market forces. Despite this, the Group achieved a resilient set of results in the first quarter with a net profit after tax of RM503 million whilst underlying business performance remained intact. Operating profit grew 6.7% q-o-q to RM560 million (excluding the one-off gain from sale of building in the prior quarter) whilst return on equity was at 11.6%. Correspondingly, net asset per share rose to RM10.06, up 17.4% from RM8.57 in the same quarter last year."

"The Group's loan growth momentum intensified in Q1FY16, underpinned by a strong 11.5% y-o-y expansion or 2.6% q-o-q, as domestic loan grew in line with the industry, despite the numerous headwinds faced by the industry whilst maintaining our excellent asset quality."

Resilient performance

- *Total income* for Q1FY16 improved slightly to RM1,023 million, driven mainly by higher non-interest income contribution and expansion in loan book.
- *Net interest income* came in lower at RM760 million, compared against the corresponding period in the previous year, underpinned mainly by rising funding cost as a result of intensifying deposits competition over the past one year. Against the precedent quarter, net interest income has improved by 1.0% on the back of expansion in our loan base.
- *Net interest margin* for Q1FY16 was at 1.94%, a 2bps uptick compared to the precedent quarter, amid persistent competition for both loans and deposits.
- *Non-interest income* rebounded strongly in the first quarter, growing 36.1% y-o-y or 8.1% q-o-q (excluding the one-off gain from sale of building), underpinned mainly by higher foreign exchange gain and dividend income from wholesale fund.
- *Operating expenses* were well contained at RM463 million for the first quarter, a decrease of 1.7% compared to the prior quarter, as we continue to pursue operating efficiencies. On 20 October 2015, the Bank announced a mutual separation scheme as part of the Bank's initiative to strengthen operational efficiencies in a challenging operating environment.

Loan Growth Continued to Gain Traction

- The Bank's *gross loans and financing* accelerated 11.5% y-o-y or 2.6% q-o-q for Q1FY16 to RM116.3 billion, with our domestic loan growth expanding in line with the banking system.
- *Retail segment* expanded by 10.0% y-o-y or 2.1% q-o-q, outpacing industry growth, and contributed 68% of the total loan portfolio. Our key segment, *residential mortgages*, increased to RM47.0 billion, representing a strong 16.2% y-o-y growth whilst *transport vehicle loans* continued to gain traction, growing at 4.3% y-o-y to RM18.2 billion.
- *Business and Corporate Banking* loans expanded 9.9% y-o-y, driven mainly by higher utilisation of working capital lines.
- *Loans and financing to SME* continued to be healthy with a 8.4% y-o-y growth to RM17.8 billion.
- Overseas operations recorded a robust 58.8% y-o-y and 21.0% q-o-q loan expansion, led by Singapore and Cambodia.

Strong Funding and Liquidity Position

- *Customer deposits* expanded 10.5% y-o-y or a 2.3% q-o-q to RM143.6 billion as at Q1FY16 with CASA expanding at 4.8% y-o-y, making up 24.9% of *customer deposits*, whilst *individual deposit mix* stood at 49.2%.
- The Bank's *loans-to-deposits ratio* of 81.0% is amongst the lowest in the industry and continues to be supportive of business growth.

Superior Asset Quality with Healthy Capital Position

- The Bank continued to place utmost priority in prudent credit risk management with its key asset quality indicators outperforming the industry.
- *Gross impaired loans ratio* improved significantly by 31bps to another record low of 0.83% in Q1FY16. *Loan impairment coverage* stood at 131%, still amongst the most prudent in the banking system.
- *Capital levels* remained healthy with *Common Equity Tier 1*, *Tier 1* and *Total Capital Ratios* at 10.5%, 11.6% and 13.7% respectively, well above regulatory minimum.

Regional Contribution

- Total profit contribution from international operations accounted for 14.3% of the Bank's pre-tax profit in Q1FY16.
- Profit contribution from Bank of Chengdu ("BOCD") stood at RM80.4 million in Q1FY16 amidst a tough business environment, contributing 12.9% of the Bank's profit before tax.

Business Outlook

Mr. Tan Kong Khoon commented, "The Malaysian economy is expected to expand at a softer pace of 4-5% in 2016 amid more moderate growth in domestic and still soft external demand, as a result of emerging market risks and shift in global monetary policies. Outlook of the banking sector will nonetheless remain stable despite some moderation in loans and deposits growth. However, asset quality is expected to remain healthy. Protection of our business franchise and profitability will continue to be key priorities."

"The Group remains focused in executing our strategy in building a high performance business and strengthening the foundation for sustainable profitability. Given a tougher operating environment, we continue to place emphasis on scaling efficiency and productivity through strategic cost and portfolio management, and embedding service excellence to optimise customer experience. On the digital front, we remain focused on introducing new innovative features and products as part of our efforts to offer "Best-in-Class" digital platform and e-payment capabilities."

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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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