

*For Immediate Release*

## Hong Leong Bank announces H1FY16 results: SUSTAINED BUSINESS GROWTH MOMENTUM

Kuala Lumpur, 23 February 2016 - Hong Leong Bank Berhad ("Bank" or "Group"), (BM: HLBANK) today announced its results for the first half of FY2016, ended 31 December 2015 ("H1FY16").

- ✦ *Gross Loans & Financing expanded by 9.9% year-on-year ("y-o-y") to RM117.9 billion.*
- ✦ *Solid asset quality with Gross Impaired Loan ratio at 0.86%.*
- ✦ *Capital ratios amongst the best in the industry post rights issue with CET-1, Tier-1 and Total Capital ratios at 13.3%, 14.4% and 16.2% respectively.*

Mr. Domenic Fuda, the Group Managing Director/Chief Executive Officer of Hong Leong Bank commented, "The Group reported a net profit after tax of RM847 million in H1FY16. Excluding the one-off cost of RM172 million from the mutual separation scheme ("MSS") in December 2015, the Group's Business As Usual ("BAU") net profit for H1FY16 would have been RM978 million, underpinned by lower write-backs of loan impairment allowances coupled with lower contribution from our associates."

"Notably, the BAU operating profit for the December 2015 quarter ("Q2FY16") recorded a respectable 4.7% improvement against the previous quarter amidst a challenging macroeconomic environment on both the domestic and external front."

"The Group's key underlying business performance remained intact whilst sustaining its loan growth momentum in H1FY16, underpinned by a healthy 9.9% y-o-y expansion, with our domestic loans growth outpacing industry while continuing to uphold our solid asset quality."

"Following the completion of a rights issue in December 2015, the Group's capital adequacy ratio is among the highest in the banking industry, which will allow the Group to focus on executing its strategies towards achieving sustainable long term growth."

### Resilient performance

- *Total income* for H1FY16 improved 2.9% y-o-y to RM2,097 million, driven mainly by healthy expansion in loan books and higher non-interest income contribution .
- *Net interest income performance* improved for the second consecutive quarter to RM782 million for Q2FY16. For H1FY16, *net interest income* was 5.6% lower y-o-y at RM1,542 million mainly due to higher cost of deposits albeit that funding cost has stabilized over the last two quarters.
- *Net interest margin ("NIM")* for H1FY16 was at 1.95%. Against the preceding quarter, NIM improved by 2 bps q-o-q, a respectable outcome amidst persistent competition for both loans and deposits.
- *Non-interest income* continued to gain traction in H1FY16, expanding by 37.3% y-o-y, bolstered mainly by higher foreign exchange gain and dividend income from investment in wholesale funds.

- *Operating expense* continued to be well-contained with the BAU *cost-to-income ratio* of 45.3% for H1FY16.

### Loan Growth Momentum Sustained

- *Gross loans and financing* improved 9.9% y-o-y or 1.3% quarter-on-quarter (“q-o-q”) to RM117.9 billion as at December 2015, with our domestic loan growth outpacing industry.
- *Retail segment* continues to drive the Group’s loan growth, expanding 9.9% y-o-y or 2.4% q-o-q, and contributing 69% of the Group’s total loan. Our core segment, *residential mortgages* grew a robust 15.9% y-o-y to RM48.7 billion whilst *transport vehicle loans* growth momentum continued at 4.6% y-o-y to RM18.4 billion.
- *Business and Corporate Banking* segment made up 27% of the Group’s total loan portfolio, expanding 4.9% y-o-y and driven by working capital loans which increased 9.8% y-o-y to RM23.4 billion.
- *Loans and financing to SME* remained strong with an 8.2% y-o-y expansion to RM18.2 billion.
- Overseas operations recorded a robust 50.5% y-o-y loan expansion, led by Singapore and Cambodia.

### Prudent Funding and Liquidity Position

- The Group continued to adopt a prudent approach to liquidity management with a *loans-to-deposits ratio* of 81.5%. The Group continues to maintain a strong liquidity position amidst the current macro headwinds.
- In line with loan growth, *Customer deposits* expanded 9.5% y-o-y to RM144.6 billion as CASA improved 8.5% y-o-y whilst CASA mix remained relatively stable at 25.5% and generally in line with industry.
- The Bank’s stable funding base continues to be supported by an industry leading retail deposit base as represented by *individual deposits mix* of 49.5%.

### Superior Asset Quality with Strong Capital Position

- Ensuring prudent credit risk management has always been the Bank’s utmost priority. Our key asset quality metrics continued to be amongst the best in the industry.
- *Gross impaired loans ratio* remained solid at 0.86% as at H1FY16 whilst *loan impairment coverage ratio* was prudent at 126%.
- The Bank has successfully completed a RM3 billion renounceable rights issue on 28 December 2015 with an encouraging total subscription of 119%. The completion of the capital raising has enhanced the Bank’s capital position to be one of the strongest in the banking system with *Common Equity Tier 1*, *Tier 1* and *Total Capital Ratios* at 13.3%, 14.4% and 16.2% respectively.

### Regional Contribution

- Profit contribution from Bank of Chengdu (“BOCD”) moderated to RM143.5 million in H1FY16 contributing 11.7% of the Group’s BAU profit before tax, amidst a challenging operating environment.

### Dividend

- The Board has recommended an interim dividend of 15.0 sen per share for H1FY16.

### Business Outlook

Mr. Domenic Fuda commented, “The global growth environment continues to be challenging amid ongoing concerns over a global slowdown and extended weakness in commodity prices which has affected many of the oil producing countries including Malaysia. However, we remain cautiously optimistic that the outlook of the Malaysian banking sector will remain resilient despite some moderation in loans and deposits growth. In addition, asset quality is expected to remain sound. Protection of our business franchise and profitability will continue to be our key priorities.”

“The Group remains focused in growing our customer franchises and strengthening the foundation for sustainable profitability. We will continue to drive growth through our strategic priorities, embedding service excellence to improve customer experience and invest in digitization of banking services and operations.”

-END-

**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.

For further information, please visit [www.hlb.com.my](http://www.hlb.com.my) or contact:

**Media:**

Norlina Yunus  
Head, Group Corporate Affairs & Public Relations  
DID: 03-2180 0965  
Email: [norlina.yunus@hlbb.hongleong.com.my](mailto:norlina.yunus@hlbb.hongleong.com.my)

**Investor Relations:**

Jason Teh  
Head, Corporate Finance & Investor Relations  
DID: 03-2180 8781  
Email: [IR@hlbb.hongleong.com.my](mailto:IR@hlbb.hongleong.com.my)