

For Immediate Release

Hong Leong Bank Announces Full Year Results: SUSTAINED BUSINESS MOMENTUM WITH SOLID ASSET QUALITY

Kuala Lumpur, 29 August 2016 - Hong Leong Bank Berhad ("Bank" or "Group"), (BM: HLBANK) today announced its results for the financial year ended 30 June 2016 ("FY16").

- ✦ *Gross Loans & Financing expanded by 6.3% year-on-year ("y-o-y") to RM120.6 billion.*
- ✦ *Solid asset quality with Gross Impaired Loan ratio improving to 0.79%.*
- ✦ *Robust capital position with CET-1, Tier-1 and Total Capital ratios at 12.7%, 13.1% and 14.7% respectively.*

Mr. Domenic Fuda, the Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad commented, "Loan growth momentum continued to be healthy and came in within industry growth at 6.3% y-o-y to RM120.6 billion whilst continuing to uphold asset quality despite the challenging economic and operating environment. This is in-line with our strategic focus of delivering sustainable business growth and profitability."

"Consequently, the Group achieved a net profit after tax of RM1,903 million for FY16, impacted by a one-off mutual separation scheme cost ("MSS") of RM172 million during the financial year. For the quarter ended 30 June 2016 ("Q4FY16"), net profit after tax improved 12.3% quarter-on-quarter ("q-o-q") on the back of strong top-line expansion which outpaced growth in expenses coupled with a net write-back in loan impairment allowances, as loan portfolio quality continued to improve."

Resilient Operating Performance

- *Total income* for FY16 expanded 2.7% y-o-y to RM4,178 million whilst Q4FY16 saw a 7.6% q-o-q improvement to RM1,079 million, on the back of healthy loans expansion and improved non-interest income contribution.
- *Net interest income* for FY16 was slightly lower at RM3,075 million on the back of higher funding costs from increased deposit competition particularly during the second half of the financial year. *Net interest margin ("NIM")* for FY16 was at 1.94%. For Q4FY16, NIM was 1.95%, up 4 bps q-o-q compared to the preceding quarter.
- *Non-interest income* expanded 25.0% y-o-y (after excluding one-off gain on sale of building last year) to RM1,103 million for FY16, mainly due to improved foreign exchange gains, higher transactional fee income as well as higher investment income. *Non-interest income ratio* for FY16 was higher at 26.4% compared to 21.9% in the prior year.
- Excluding the MSS costs, *operating expense* were at RM1,915 million with business as usual ("BAU") *cost-to-income ratio* of 45.8% for FY16, amidst higher personnel costs as well as increased costs arising from GST implementation.
- Going forward, the Group will continue to pursue operating efficiencies and productivity gains whilst investing prudently for future business growth.

Loan Growth Intact

- *Gross loans and financing* growth remained intact whilst expanding 6.3% y-o-y or 1.5% quarter-on-quarter (“q-o-q”) to RM120.6 billion as at 30 June 2016.
- Loans to the retail segment expanded by 7.8% y-o-y or 1.4% q-o-q, outpacing industry growth and contributed 69% of the Group’s total loans.
- *Residential mortgages* maintained its growth momentum with a strong 13.7% y-o-y to RM51.5 billion, ahead of industry growth. *Transport vehicle loans* grew 2.4% y-o-y to RM18.4 billion whilst *personal loans* continued its strong growth trajectory with a 9.6% y-o-y expansion.
- *Loans and financing to SME* registered a healthy growth of 8.2% y-o-y to RM19.2 billion and comprised 15.9% of the loan base.

Prudent Funding and Liquidity Position

- The Group continues to maintain a prudent liquidity position with a *loans-to-deposits ratio* of 81.2%.
- *Customer deposits* expanded 5.9% y-o-y to RM148.5 billion with CASA ratio of 25.0%, similar to prior year.
- The Group’s stable funding base was supported by amongst the highest industry *individual deposits mix ratio* of 54.8% attributed to the Group’s strong retail franchise.

Improvement to Asset Quality with Robust Capital Position

- The Group’s key asset quality metrics continued to be amongst the best in the industry as gross impaired loan ratio improved further to a record low of 0.79% whilst loan impairment coverage ratio stood at a prudent 120% as at 30 June 2016.
- The Group’s capital position remained robust with *Common Equity Tier 1*, *Tier 1* and *Total Capital Ratios* at 12.7%, 13.1% and 14.7% respectively.

Regional Contribution

- Profit contribution from Bank of Chengdu (“BOCD”) has improved in the second half of the financial year albeit for the full year it was lower at RM312 million, contributing 12.2% of the Group’s BAU profit before tax, on the back of a challenging operating environment in China.

Dividend

- The Board has proposed a final dividend of 26.0 sen per share, bringing the total dividend to 41.0 sen for FY16.

Business Outlook

Mr. Domenic Fuda commented, “The macro landscape remains challenging amid subdued global demand. However, domestic demand will remain the main growth pillar supporting continued expansion in the Malaysian economy. Competition as well as subdued loan and deposit growth will continue to put pressure on margins.”

“We will continue to focus on quality loan growth in both our domestic and regional businesses, whilst maintaining a strong discipline around operating efficiency and productivity. We will focus on accelerating the digitization of the business to enable us to effectively compete in the evolving financial services landscape, where customers are increasingly using technology tools to consume financial products.”

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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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