

For Immediate Release

Hong Leong Bank announces first half results: STRONG UNDERLYING PERFORMANCE

Kuala Lumpur, 21 February 2017 - Hong Leong Bank Berhad ("Bank" or "Group"), (BM: HLBANK) today announced its results for the six months ended 31 December 2016 ("H1FY17").

- ✦ *Net profit after tax for the second quarter ("Q2FY17") and six months ("H1FY17") ended 31 December 2016 expanded by 59.8% year-on-year ("y-o-y") and 29.0% y-o-y to RM550 million and RM1,093 million respectively, compared to the corresponding periods last year*
- ✦ *Gross Loans & Financing grew 4.6% y-o-y to RM123.4 billion; on sustained strong asset quality with Gross Impaired Loan ("GIL") ratio of 0.86%*
- ✦ *Capital position remained robust with CET-1, Tier-1 and Total Capital ratios at 13.4%, 13.8% and 15.3% respectively.*

Mr. Domenic Fuda, the Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad commented, "The Bank achieved a commendable set of results for Q2FY17 and H1FY17 on the back of strong top line growth, supported by healthy margin improvements and healthy balance sheet growth. Underlying core net profit of RM1,093 million for H1FY17 rose 11.8% compared to the corresponding period business as usual ("BAU") net profit of RM978 million (excluding MSS costs). The second quarter saw an acceleration of underlying operating profit growth of 15.5% y-o-y and 12.0% quarter-on-quarter ("q-o-q")."

"Loan growth momentum picked up in the second quarter, supported mainly by domestic loan growth. Asset quality remained stable with a gross impaired loans ("GIL") ratio of 0.86%, lower than the industry and reflective of the Bank's commitment towards achieving sustainable long term growth."

Improved Profitability for H1FY17

- *Total income* for H1FY17 improved by 8.5% y-o-y to RM2,275 million, underpinned by stable asset yield (despite the OPR cut in July 16) from focused loan pricing execution coupled with prudent management of cost of funds, as well as higher non-interest income contribution.
- *Net interest income* improved for the second consecutive quarter to RM833 million for Q2FY17 – up 4.0% from Q1FY17 and 7.5% from prior year Q2FY16. Consequently for H1FY17, net interest income was 6.0% higher y-o-y at RM1,635 million. Accordingly, net interest margin increased by 10 bps y-o-y to 2.05% for the half year and to 2.08% for Q2FY17.
- *Non-interest income* rose 15.5% y-o-y to RM640 million, mainly driven by higher transactional fees, dividend income and gains from treasury operations. Correspondingly, *non-interest income ratio* for H1FY17 rose to 28.1% versus 26.4% the same period last year.
- *Cost-to-income ratio* ("CIR") for H1FY17 improved further to 43.6% as revenue outpaced expenses growth by a significant margin. For Q2FY17, operating expenses remained well managed, a 2% q-o-q rise compared to a 7.5% q-o-q increase in total income.

- As a result, underlying *operating profit* for H1FY17 grew 11.9% y-o-y to RM1,284 million compared to H1FY16's BAU operating profit of RM1,148 million.

Still Decent Loan Growth

- *Gross loans, advances and financing* grew 4.6% y-o-y to RM123.4 billion underpinned by growth in our key segments of domestic retail and SME.
- Loans to the domestic retail segment continue to drive the Bank's loan growth, expanding 6.0% y-o-y, and contributed 70% of the Group's total loans.
- *Residential mortgages* continued to expand 11.4% y-o-y to RM54.2 billion, its growth coming in ahead of industry. *Transport vehicle loans* were lower slightly at RM18.1 billion mainly as a result of lower industry growth whilst *credit card receivables* expanded 2.4% y-o-y to RM4.0 billion.
- *Loans and financing to SME* continued to register strong growth of 10.5% y-o-y to RM20.1 billion, contributing 16.3% of the Bank's loan base.

Prudent Funding and Liquidity Position

- The Bank continues to adopt a prudent approach towards liquidity management with a loans-to-deposits ratio of 81.9%.
- *Customer deposits* increased by 4.1% y-o-y to RM150.6 billion whilst CASA ratio was stable at 25.1%.
- The Group's stable funding base continues to be supported by an industry leading retail deposit base, represented by an *individual deposits mix ratio* of 55.2%.

Solid Asset Quality and Healthy Capital Position

- Asset quality remains stable with a GIL ratio of 0.86% whilst loan impairment coverage ratio stood at a prudent 107% as at 31 December 2016, well ahead of the industry ratio.
- The Bank's capital position remains robust with *Common Equity Tier 1, Tier 1* and *Total Capital Ratios* at 13.4%, 13.8% and 15.3% respectively.

Regional Contribution

- International operations accounted for 11.7% of the Bank's pre-tax profit in H1FY17. Profit contribution from Bank of Chengdu ("BOCD") moderated to RM129.0 million in H1FY17, which made up 9.4% of the Bank's profit before tax, amidst a challenging operating environment.

Dividend

- The Board has recommended an interim dividend of 15.0 sen per share for H1FY17.

Business Outlook

Mr. Domenic Fuda commented, "Outlook of the world economy is showing signs of improvement with firmer traction in advanced economies and stabilization in China. The Malaysian economy appears to have bounced off its trough, with continued support from domestic demand and export recovery. In line with this, we expect continued moderate growth in loans and deposits in the coming quarters. Achieving sustainable long-term quality growth and profitability remain our key priorities."

"The Group will continue strengthening digital offerings and analytic capabilities, driving continuous improvement in operations efficiency through strategic cost management initiatives and striving to achieve balanced and diversified portfolio growth in both domestic and regional businesses while remain committed to our strong credit discipline."

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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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