

For Immediate Release

Hong Leong Bank announces 9MFY17 results: STRONG UNDERLYING PERFORMANCE SUSTAINED

Kuala Lumpur, 29 May 2017 - Hong Leong Bank Berhad ("Bank" or "Group"), (BM: HLBANK) today announced its results for the nine months ended 31 March 2017 ("9MFY17").

- ✦ *Net profit after tax for the third quarter ("Q3FY17") and nine months ("9MFY17") ended 31 March 2017 expanded by 14.4% year-on-year ("y-o-y") and 23.6% y-o-y to RM570 million and RM1,662 million respectively, compared to the corresponding periods last year*
- ✦ *Gross Loans & Financing grew to RM123.4 billion; whilst Gross Impaired Loan ("GIL") ratio remained stable at 0.88%*
- ✦ *Capital position remained robust with CET-1, Tier-1 and Total Capital ratios at 12.7%, 13.1% and 15.1% respectively.*

Mr. Domenic Fuda, the Group Managing Director/Chief Executive Officer of Hong Leong Bank Berhad commented, "We are pleased to announce a strong set of results for Q3FY17 and 9MFY17 on the back of improved top line growth with continued margin and efficiency improvements, coupled with steady recovery of our associate. Net profit of RM1,662 million for 9MFY17 grew 12.7% compared to the corresponding period business as usual ("BAU") net profit of RM1,475 million (excluding MSS costs). Underlying operating profit for the third quarter also saw a healthy acceleration of 17.5% y-o-y to RM623 million."

"We remain committed in delivering sustainable business growth, further augmented by the preservation of asset quality with still one of the lowest gross impaired loans ("GIL") ratio of 0.88% in the industry and solid loan impairment coverage ("LIC") ratio of 106%. Going forward, protection of our business franchise and profitability will remain our key priority."

Sustained Profitability for 9MFY17

- *Total income for 9MFY17 maintained its strong growth traction into the third quarter, improving by 9.7% y-o-y to RM3,399 million, underpinned by prudent cost of fund management as well as higher non-interest income contribution.*
- *Net interest income continued to improve for the third consecutive quarter to RM856 million for Q3FY17 which represented a 2.8% quarter-on-quarter ("q-o-q") and 12.9% y-o-y growth respectively. Consequently for 9MFY17, net interest income was 8.3% higher y-o-y at RM2,491 million. Accordingly, net interest margin has increased to 2.08% for the nine months and to 2.14% for Q3FY17.*
- *Non-interest income for 9MFY17 rose 13.7% y-o-y to RM908 million, mainly led by stronger wealth management fees, dividend income from investments and higher gains from treasury operations. Correspondingly, non-interest income ratio for 9MFY17 rose to 26.7% compared to 25.8% the year before.*

- BAU operating expenses remained well managed, delivering positive JAWS. Consequently, *cost-to-income ratio* (“CIR”) for 9MFY17 improved further to 43.9% compared to 45.9% in the corresponding period last year.
- Correspondingly, underlying *operating profit* for 9MFY17 expanded 13.6% y-o-y to RM1,906 million compared to the BAU operating profit for the same period last year of RM1,678 million.

Loan Growth Led by Retail and SME Segments

- *Gross loans, advances and financing* grew 3.9% y-o-y to RM123.4 billion led by growth in our key segments of domestic retail and SME.
- Domestic loans to the retail segment continued to drive the Bank’s loan growth, expanding 5.3% y-o-y. *Residential mortgages* continued to expand at a healthy pace of 11.2% y-o-y to RM55.7 billion, ahead of industry growth. *Transport vehicle loans* were lower at RM17.9 billion mainly as a result of softer industry growth.
- *Loans and financing to SME* continued to grow at a healthy pace of 7.5% y-o-y to RM20.1 billion, making up 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 81.1%.
- *Customer deposits* increased by 4.2% y-o-y to RM152.2 billion on the back of stronger CASA growth of 8.8% y-o-y. Correspondingly, CASA ratio improved to 25.5%.
- 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 55.9%.

Solid Asset Quality and Healthy Capital Position

- Maintaining the Bank’s strong asset quality remains a key focus. As at 31 March 2017, GIL ratio remained stable at 0.88%, whilst LIC ratio was prudent at 106%, both ratios far better than industry.
- The Bank’s capital position remains robust with *Common Equity Tier 1, Tier 1 and Total Capital Ratios* at 12.7%, 13.1% and 15.1% respectively.

Regional Contribution

- International operations accounted for 13.9% of the Bank’s pre-tax profit in 9MFY17, led by the recovery of Bank of Chengdu’s (“BOCD”) performance in the third quarter. Profit contribution from BOCD improved 3.7% y-o-y to RM242 million in 9MFY17, underpinned by a strong 25.9% y-o-y rebound in Q3FY17 and made up 11.7% of the Bank’s pre-tax profit.

Business Outlook

Mr. Domenic Fuda commented, “We expect the Malaysian economy to expand at a slightly faster pace this year led by sustained domestic demand and supported by an improving global economic outlook. Against this better macro backdrop, we expect loans and deposits to continue its moderate growth trend in the coming quarters.”

“Our resolve is to grow our domestic franchise and regional businesses through our Community Banking approach and we will continue to differentiate ourselves via our multi-channel banking services to cater to the evolving needs of the customers whilst striving for productivity growth and operational excellence.”

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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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