

For Immediate Release

HONG LEONG BANK ANNOUNCES FIRST HALF RESULTS: NET PROFIT GREW 21.0% to RM1,322 MILLION

Kuala Lumpur, 26 February 2018 - Hong Leong Bank Berhad ("Bank" or "HLB"), (BM: HLBANK) today announced its results for the six months ended 31 December 2017 ("H1FY18").

- ✦ *Net profit after tax for the second quarter ("Q2FY18") and six months ("H1FY18") ended 31 December 2017 expanded by 24.2% year-on-year ("y-o-y") and 21.0% y-o-y to RM683 million and RM1,322 million respectively, compared to the corresponding periods last year.*
- ✦ *Gross Loans & Financing expanded to RM125.5 billion; on sustained strong asset quality with Gross Impaired Loan ("GIL") ratio of 0.97%.*
- ✦ *Healthy capital positions with CET-1, Tier-1 and Total Capital ratios at 13.1%, 13.8% and 15.8% respectively.*

Mr. Domenic Fuda, Group Managing Director & Chief Executive Officer of HLB commented, "We continue to maintain a strong set of results for H1FY18 and Q2FY18 despite a subdued credit growth environment, largely contributed by solid income growth, coupled with stable margins and prudent cost control as well as healthy recovery from our associates' contributions. Net profit for H1FY18 rose a strong 21.0% y-o-y to RM1,322 million whilst the second quarter accelerated 24.2% y-o-y to RM683 million".

Solid Performance for H1FY18

- *Total income* for H1FY18 continued to record a healthy growth momentum, improving 5.8% y-o-y to RM2,407 million anchored by disciplined asset-liability management and stable franchise-led non-interest income contributions.
- *Net interest income* for the second quarter rose for a 7th consecutive quarter on the back of a 7.6% y-o-y growth to RM896 million. Consequently for H1FY18, net interest income was 9.0% higher at RM1,782 million compared to the corresponding period last year.
- *Net interest margin ("NIM")* remained healthy at 2.13% for both H1FY18 and Q2FY18, which represented an increase of 8 bps y-o-y and 5 bps y-o-y respectively on prudent pricing and funding cost management.
- *Non-interest income* stood at RM625 million with a corresponding non-interest income ratio of 26.0%, underpinned by robust contribution from wealth management income and stable treasury operations income, as the Bank continues to strive for income diversification.
- *Operating expenses* for H1FY18 remained well managed at RM1,023 million, leading to an improved cost-to-income ratio ("CIR") of 42.5%, as revenue continued to outpace expenses growth. For Q2FY18, operating expenses was relatively stable compared to the same period last year with CIR improving further to 42.0% and as we continue to reap the benefits from our digitisation and strategic cost management efforts.

Hong Leong Bank Berhad (97141-X)

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- Consequently, *operating profit* for H1FY18 expanded 7.8% y-o-y to RM1,384 million versus RM1,284 million for the same period last year.

Loan Growth Driven by Mortgages, SME and International

- *Gross loans, advances and financing* growth expanded 1.8% y-o-y to RM125.5 billion in H1FY18 on the back of moderate industry credit growth as well as still cautious business sentiments. Overall loan growth was led by expansion in our key segments of mortgages, SME and overseas operations whilst partially negated by some unscheduled corporate loans repayments.
- Domestic loans to the retail segment continued to grow at 3.8% y-o-y amid a cautious consumer backdrop. *Residential mortgages* expanded by 9.0% y-o-y to RM59.1 billion supported by a healthy loan pipeline while *transport vehicle loans* were lower at RM17.3 billion, affected by weaker vehicle sales.
- *Loans and financing to SME* continued to grow at a pace of 3.1% y-o-y to RM20.8 billion, representing 16.5% of the Bank's loan base.
- Loans and financing from international operations rose 2.7% y-o-y to RM6.4 billion.

Emphasis on Maintaining Strong Funding and Liquidity Position

- The Bank continues to emphasize on a prudent approach towards liquidity management which is reflected by its *loan-to-deposit ratio* of 80.8% whilst *liquidity coverage ratio* stood at 118%, well above regulatory requirements.
- *Customer deposits* for H1FY18 increased by 3.1% y-o-y to RM155.3 billion, supported by a strong CASA growth of 9.3% y-o-y to RM41.3 billion which gave rise to an improved CASA mix of 26.6%.
- The Bank's stable funding base continues to be supported by strong individual deposit base, represented by an industry leading mix of 54.3%.

Solid Asset Quality and Capital Position

- The Bank maintained a solid gross impaired loan ratio and loan impairment coverage ratio of 0.97% and 96% respectively for H1FY18 with no significant credit stresses in our portfolio. Inclusive of the regulatory reserves set aside as at 31 December 2017, the Bank's coverage ratio would be 151%.
- The Bank's capital position remains amongst the highest in the industry with *Common Equity Tier 1*, *Tier 1* and *Total Capital Ratios* at 13.1%, 13.8% and 15.8% respectively.

Regional Contribution

- International operations accounted for 20.0% of the Bank's pre-tax profit in H1FY18, mainly driven by strong recovery from Bank of Chengdu ("BOCD"). Profit contribution from BOCD was solid and soared 111.7% y-o-y to RM273 million in H1FY18, contributing 16.9% of the Bank's pre-tax profit.

Dividend

- The Board has recommended a higher interim dividend of 16.0 sen per share for H1FY18.

Business Outlook

Mr. Domenic Fuda commented, “The brighter economic growth outlook and prospects has prompted Bank Negara to raise OPR by 25bps to 3.25% in January 2018. Moving forward, the Malaysian economy is expected to remain on a steady growth path underpinned by continuous expansion in exports anchored by continued global growth outlook. In addition, firm labour market conditions are expected to boost private consumption and support domestic demand. Correspondingly, loans and deposits are expected to continue its moderate growth trend on the back of a resilient macro landscape.”

“In line with our strategy of being digital at the core, we remain focused in executing our digital strategy which includes strengthening our digital offerings, transforming our products and services as well as improving our engagement with our customers. We will continue to grow our domestic franchise and regional businesses through our multi-channel banking approach.”

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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. Hong Leong Bank, which has won awards for its innovations in the financial services space, also has one of the largest service and distribution network of branches and business centres in Malaysia.

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 and Hong Kong and wholly owned subsidiaries in Vietnam and Cambodia. In China, the Bank is a substantial shareholder in Bank of Chengdu Co., Ltd., Sichuan and in 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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