

For Immediate Release

**HONG LEONG BANK ANNOUNCES 9MFY18 RESULTS:
STRONG UNDERLYING PERFORMANCE WITH SOLID ASSET QUALITY,
ON TRACK WITH DIGITAL TRANSFORMATION**

Kuala Lumpur, 30 May 2018 - Hong Leong Bank Berhad ("Bank" or "HLB"), (BM: HLBANK) today announced its results for the nine months ended 31 March 2018 ("9MFY18").

- ✦ *Net profit after tax for the third quarter ("Q3FY18") and nine months ("9MFY18") ended 31 March 2018 improved by 21.2% year-on-year ("y-o-y") and 21.1% y-o-y to RM690 million and RM2,012 million respectively, compared to the corresponding periods last year.*
- ✦ *Gross Loans & Financing grew to RM125.4 billion; with a solid Gross Impaired Loan ("GIL") ratio of 0.84%.*
- ✦ *Capital positions remained robust with CET-1, Tier-1 and Total Capital ratios at 12.0%, 12.7% and 15.3% respectively.*

Mr. Domenic Fuda, Group Managing Director & Chief Executive Officer of HLB commented, "I am delighted to report that the Bank has achieved another significant milestone for both the nine months and third quarter as net profits reached RM2,012 million and RM690 million, respectively attributed to solid top-line growth, prudent cost management as well as strong contribution from our associate company. This resulted in an improved return-on-equity ("ROE") of 11.7% and 11.9% for the 9MFY18 and Q3FY18, respectively.

"Our continued strong performance further underlines the strength of the Bank and reinforces our long-term strategy and commitment towards delivering consistent results and sustainable profits."

"Executing our digital strategy remains a key priority to transform our engagement with customers. The launch of our e-Ang Pow and interactive AngPow TAP game on the Hong Leong Connect mobile banking platform proved a hit during the Chinese New Year celebrations. We take pride in leading the digital and innovation space to provide the best experience through reimagining the banking journey of our customers."

Key Highlights for 9MFY18

- *Total income for 9MFY18 improved 7.8% y-o-y to RM3,663 million led by disciplined asset-liability management coupled with higher non-interest income contribution.*
- *Net interest income for 9MFY18 continued to grow at a healthy pace of 6.4% y-o-y to RM2,649 million. Correspondingly, net interest margin ("NIM") for 9MFY18 increased by 4 bps to 2.12% on the back of prudent pricing and funding cost management.*

- *Non-interest income* for 9MFY18 saw an 11.7% y-o-y improvement to RM1,014 million for a higher non-interest income ratio of 27.7% attributed to strong contribution from wealth management income and treasury operations, as the Bank continues to strive for income diversification.
- Cost-to-income ratio (“CIR”) improved further for both the 9MFY18 and Q3FY18 to 42.3% and 41.9% respectively, while delivering positive JAWS for seven consecutive quarters as we continue to reap benefits from our digitization and strategic cost management efforts.
- Consequentially, *operating profit* for 9MFY18 expanded 10.9% y-o-y to RM2,114 million versus RM1,906 million for the same period last year. For Q3FY18, operating profit expanded at a higher pace of 17.1% y-o-y to RM729 million.

Loan Growth Driven by Key Segments of Mortgages and SME

- *Gross loans, advances and financing* grew 1.6% y-o-y to RM125.4 billion in 9MFY18 on relatively slower credit environment as well as generally cautious business sentiments. Overall loan growth was led by expansion in our key segments of mortgages and SME whilst partially affected by corporate repayments.
- Domestic loans to the retail segment grew 3.3% y-o-y on the back of cautious consumer backdrop. *Residential mortgages* expanded by 8.2% y-o-y to RM60.2 billion supported by a healthy loan pipeline while *transport vehicle loans* were lower at RM17.0 billion, as a result of softer vehicle sales.
- *Loans and financing to SME* expanded 2.9% y-o-y to RM20.6 billion, representing 16.5% of the Bank’s loan base.

Funding and Liquidity Positions remain Prudent

- *Loan-to-deposit ratio* as at 31 March 2018 was 81.3% while *liquidity coverage ratio* for the same period stood at 134%, in excess of regulatory requirements.
- *Customer deposits* for 9MFY18 increased by 1.3% y-o-y to RM154.2 billion, supported by a robust CASA growth of 5.9% y-o-y to RM41.1 billion. Correspondingly, CASA ratio improved to 26.6% compared to 25.5% a year ago.
- The Bank’s stable funding base continues to be supported by strong individual deposit base, represented by an industry leading mix of 57.2%.

Solid Asset Quality and Robust Capital Position

- Asset quality remains solid with a gross impaired loan ratio and loan impairment coverage ratio of 0.84% and 96% respectively for 9MFY18, with both indicators being ahead of industry. Inclusive of the regulatory reserves set aside as at 31 March 2018, the Bank’s coverage ratio would be 162%.
- The Bank’s capital position remains robust with *Common Equity Tier 1*, *Tier 1* and *Total Capital Ratios* at 12.0%, 12.7% and 15.3% respectively, well ahead of regulatory requirements.

Regional Contribution

- International operations accounted for 18.8% of the Bank's pre-tax profit in 9MFY18, mainly contributed by a stronger performance from Bank of Chengdu ("BOCD"). Profit contribution from BOCD accelerated 67.3% y-o-y to RM404 million, representing 16.4% of the Bank's pre-tax profit.

Business Outlook

Mr. Domenic Fuda commented, "Continuous moderate growth in the world economy is expected to underpin further expansion in the Malaysian economy. The domestic sectors will continue to benefit from spillovers from a healthy external environment, keeping consumption and investment supported despite the anticipation of a review in certain investments and policies under the new government. We believe the overall macro fundamentals of the Malaysian economy will remain healthy and any negative market reactions are expected to be transitory in nature. We expect the return of consumers' and investors' confidence to be positive for demand for loans and deposits."

"We will continue to embed ourselves in the community to grow our domestic franchise and regional business."

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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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