

For Immediate Release

**HONG LEONG BANK ANNOUNCES FIRST QUARTER RESULTS:
AN ENCOURAGING START TO A NEW FINANCIAL YEAR**

Kuala Lumpur, 28 November 2018 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBank) today announced its results for the first quarter ended 30 September 2018 (“Q1FY19”).

- ✦ **Net profit after tax for Q1FY19 of RM707 million, up 10.6% compared to the corresponding quarter last year (“Q1FY18”).**
- ✦ **Gross loans and financing grew 4.0% year-on-year (“y-o-y”) to RM129.8 billion; with a lower Gross Impaired Loan (“GIL”) ratio of 0.81%.**
- ✦ **Capital positions remain strong after adoption of MFRS9 with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 12.4%, 13.1% and 16.1% respectively.**

Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented, “It is an encouraging start to the new financial year as the Bank recorded a net profit after tax of RM707 million for the first quarter, growing 10.6% y-o-y compared to the same period last year. The improvement was driven by a robust growth in non-interest income contribution coupled with prudent cost control and lower impairment allowances.”

“Business momentum has gained pace with gross loans and financing expanding 4.0% y-o-y despite persistent challenges in the operating environment. We maintained a very solid asset quality position with GIL ratio of 0.81%, whilst Loan Impairment Coverage (“LIC”) ratio at 128% is one of the strongest in the industry post adoption of MFRS9. We remain committed in delivering sustainable business growth and profitability to our stakeholders,” Fuda added.

Key to the Bank’s growth is digital innovation in its products and services and to this end, HLB has continued to roll out new and innovative solutions, including being the first bank in Malaysia to enable customers to bind their debit cards to WeChat Wallet and use WeChat Pay as an alternative payment option, and a Smart Terminal, a first-in-market point-of-sale payment solution for merchants which integrates and accepts all cards and e-payment/wallet transactions.

In addition to bringing innovative solutions to the market, HLB also brings innovative approach in fortifying its talent and capabilities with HLB LaunchPad Activate 2018, which is a mentorship programme developed in collaboration with Cradle Fund Sdn Bhd (CFSB), Malaysian Business Angel Network (MBAN) and the ASEAN Angels Alliance to nurture tech savvy start-ups in reimagining the financial services industry. This popular initiative which is in its second year has concluded its final pitching on November 24th, with three winners soon to be announced. The Bank also reimagined the way of hiring fit-for-future talent as well as rewarding great ideas with the introduction of Can You Hack It, a 24-hours hackathon in October, where 160 participants came up with exciting and creative solutions for banking and business-related challenges under such a short window of time.

The commitment towards becoming a highly digital and innovative financial institution in ASEAN has seen the Bank recently recognized in prestigious industry events, including as 'Best Innovation in Retail Banking Malaysia 2018' by the International Banker magazine as well as 'Best Domestic Bank 2018' and 'Best Digital Bank 2018' by Asiamoney magazine. The Bank also picked up the Omni-Experience Innovator for Malaysia award at the IDC Digital Transformation Awards 2018 (DXa), as well as Gold Awards for 'Excellence in HR Innovation' and 'Excellence in Innovative Use of HR Tech' at the recent HR Excellence Awards 2018.

Solid Profitability Growth

- *Total income* for Q1FY19 improved by 6.0% y-o-y and 6.2% quarter-on-quarter ("q-o-q") to RM1,249 million, driven mainly by robust non-interest income contribution and expansion in loan book.
- *Net interest income* came in lower at RM852 million, compared against the corresponding period in the previous year, underpinned mainly by rising funding cost from intensifying deposits competition over the past one year. Consequently, *net interest margin ("NIM")* for Q1FY19 stood at 2.0%, 5 bps lower compared to the precedent quarter.
- *Non-interest income* for Q1FY19 surged 35.4% y-o-y to RM397 million to a higher non-interest income ratio of 31.8%, as a result of improved performance in treasury market activities and gain on divestment of joint venture.
- *Cost-to-income ratio ("CIR")* improved further to 42.0% for Q1FY19, while again delivering positive JAWS for two straight years, as we continue to reap benefits from our digitization and strategic cost management initiatives.
- Consequentially, *operating profit* for Q1FY19 expanded 7.8% y-o-y to RM724 million compared to RM671 million in the same period last year.

Loan Growth Driven by Mortgages, Business Banking and International Operations

- *Gross loans, advances and financing* grew 4.0% y-o-y to RM129.8 billion, predominantly led by growth in our mortgages and business segments, as well as overseas operations.
- Domestic loans to the retail segment continued to be a driver of the Bank's loan growth, expanding 4.3% y-o-y, contributed 71% of the Bank's total loans.
- *Residential mortgages* grew ahead of industry at 8.0% y-o-y to RM62.6 billion, supported by a healthy loan pipeline while *transport vehicle loans* gained traction in the first quarter and accelerated 2.6% q-o-q to RM17.3 billion, benefitting from the surge in vehicle demand during the three months tax holiday.
- *Domestic loans to business enterprises* expanded 3.5% y-o-y, whilst overall loans and financing to SME was marginally lower at RM20.0 billion, attributable to re-tagging of SME accounts in accordance with BNM new guidelines on SME definition. The Bank's community banking initiative, Group SME Banking ("GSME") portfolio continues to see a convincing growth of 19.0% y-o-y and 4.6% q-o-q.
- Overseas operations recorded a 3.8% y-o-y and 4.7% q-o-q loan expansion, led by Cambodia and Vietnam.

Strong Funding and Liquidity Position

- Liquidity remains robust and continues to be supportive of business growth with a *loans-to-deposits ratio* of 81.7%. *Liquidity coverage ratio* for the same period stood at 117%, well exceeding regulatory requirements.
- *Customer deposits* for Q1FY19 increased by 4.0% y-o-y to RM158.8 billion, largely from fixed deposits whilst CASA ratio was stable at 25.0%.
- The Bank's stable funding base continues to be supported by strong individual deposit base, represented by an industry leading mix of 54.0%.

Superior Asset Quality and Robust Capital Position

- Asset quality amongst the best in the industry with a GIL ratio of 0.81% whilst LIC ratio was enhanced to a prudent 128% post MFRS9 as at 30 September 2018. Inclusive of regulatory reserve, the Bank's LIC ratio stood at a comfortable 199%.
- The Bank's capital position remains strong even after the adoption of MFRS9, with *CET 1*, *Tier 1* and *Total Capital ratios* at 12.4%, 13.1% and 16.1% respectively as at 30 September 2018.

Regional Contribution

- International operations accounted for 17.6% of the Bank's pre-tax profit in Q1FY19, led by strong contributions from Bank of Chengdu ("BOCD") during the quarter. Profit contribution from BOCD remains solid at RM145 million in Q1FY19, representing 17.0% of the Bank's pre-tax profit.

Business Outlook

Mr. Domenic Fuda commented, "The Malaysian economy is expected to maintain a steady growth trajectory as domestic economic activities remain supportive of growth despite looming external risks arising from shift in monetary policies and ongoing trade and geopolitical tensions. While there could be short-term trade-offs between growth and fiscal restoration, increased governance and subsequent return of market confidence are expected to augur well with the longer term growth prospects of the Malaysian economy".

"By entrenching ourselves in the communities, leveraging on our branch footprint and digital capabilities, we continue to grow our domestic franchise and regional businesses. We also take pride in leading the digital and innovation space to provide best-in-class experiences and engage with our customers through reimagined customer journeys."

-END-

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.

For further information, please visit www.hlb.com.my or contact:

Media:

Vivian Tan

General Manager, Corporate Communication & CSR

DID: 03-2081 8888 ext 61914

Email: CAPR@hlbb.hongleong.com.my

Investor Relations:

Chow Sheng Wai

Head, Corporate Finance & Investor Relations

DID: 03-2181 2972

Email: IR@hlbb.hongleong.com.my