

For Immediate Release**HONG LEONG BANK ANNOUNCES FIRST HALF RESULTS:
NET PROFIT GREW 5.5% to RM1,394 MILLION**

Kuala Lumpur, 26 February 2019 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBank) today announced its results for the six months ended 31 December 2018 (“H1FY19”).

- ✦ ***Net profit after tax for second quarter (“Q2FY19”) and six months (“H1FY19”) ended 31 December 2018 experienced some growth of 0.6% year-on-year (“y-o-y”) and 5.5% y-o-y to RM687 million and RM1,394 million respectively, compared to corresponding periods last year.***
- ✦ ***Gross loans and financing grew 4.8% y-o-y to RM131.6 billion; with a lower Gross Impaired Loan (“GIL”) ratio at 0.80%.***
- ✦ ***Capital position is robust with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 12.7%, 13.3% and 16.3% respectively.***

Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented, “Hong Leong Bank continues to maintain a resilient performance for Q2FY19 and H1FY19 amidst continuing soft business sentiments and intensifying deposit competition. We achieved a net profit after tax of RM1,394 million for the first half, growing 5.5% y-o-y compared to the same period last year. The result was mainly driven by a healthy expansion in loan book despite lingering challenges in the operating environment, improving asset quality as well as solid contribution from our associates.”

“Despite the overall economic challenges, our business momentum continues to gain traction. Furthermore, with a solid GIL ratio at 0.80% and a Loan Impairment Coverage (“LIC”) ratio at 122%, we have undeniably secured one of the strongest asset quality positions in the industry, as affirmed by Moody’s recent upgrade of our baseline credit assessment to be on par with the Malaysian sovereign rating. With this in mind, we remain steadfast in delivering consistent and sustainable results to our stakeholders over time,” Fuda added.

To achieve this, HLB focuses on strategic business growth through segmentation, market expansion and by continuing to leverage on digital and technology to improve efficiencies and to deliver ever-better value to stakeholders.

HLB continues to sustain and build deposits through festive campaigns which includes building a strong and consistent market presence. The Bank further expanded on its long-standing ‘Seeding Dreams’ theme supporting its Chinese New Year deposits campaign. The recent launch of the AirAsia Hong Leong Bank Credit Card, enhances HLB’s access to a growing market of travel and lifestyle-focused customers and provides them with an integrated credit card solution featuring simplicity in usage, superiority in value and a seamless experience. Furthermore, in reaffirming its digital journey, HLB in Singapore was also the first bank in Asia to implement Amazon Connect, a self-service, cloud-based contact center service aimed towards improving customer service levels and providing greater cost efficiency.

Stable Profitability

- *Total income* for H1FY19 achieved RM2,391 million, supported mainly by a healthy expansion in loan book.
- *Net interest income* came in lower at RM1,716 million, compared against the corresponding period in the previous year, underpinned mainly by rising funding cost from deposit competition during the period under review. Consequently, *net interest margin* (“NIM”) for H1FY19 stood at 1.98%, flat to Q1FY19, however was 15 bps lower than the precedent half year.
- *Non-interest income* for H1FY19 grew by 7.9% y-o-y to RM675 million, recording a higher non-interest income ratio of 28.2%. This is due to stable contributions from fee income, higher foreign exchange gains and gains from the divestment of a joint venture.
- *Cost-to-income ratio* (“CIR”) moderated to 43.3% for H1FY19, which was mainly due to the marginal decline in income. However, we continue to exercise prudent cost management with operating expenses maintaining a slight increase of 1.3% y-o-y while our digitization and strategic cost management initiatives account for savings of almost 3% of our operating expenses.
- Consequentially, *operating profit* for H1FY19 came in at RM1,355 million compared to RM1,384 million in the same period last year.

Loan Growth Driven by Mortgages, Business Banking and International Operations

- *Gross loans, advances and financing* grew 4.8% y-o-y to RM131.6 billion on the back of cautious business sentiments and a challenging economic environment. Overall loan growth was predominantly driven by expansion in our mortgages and domestic business segments, as well as overseas operations.
- *Domestic loans to the retail* segment continues to drive the Bank’s loan growth, steadily growing 5.1% y-o-y, contributing 71% of the Bank’s total loans.
- *Residential mortgages* grew ahead of industry at 8.8% y-o-y to RM64.3 billion, supported by a healthy loan pipeline while *transport vehicle loans* remained stable at RM17.2 billion, in line with industry continued anemic growth.
- *Domestic loans to business enterprises* expanded 9.9% y-o-y to RM38.5 billion. Our reported SME portfolio showed an uptick of 1.3% y-o-y to RM21 billion, in which our community banking initiative delivered an encouraging growth of 25.4% y-o-y and 9.2% quarter-on-quarter.
- Loans and financing from overseas operations came in higher at 3.0% y-o-y, led by encouraging growth in Cambodia and Vietnam, which grew 26% and 36% y-o-y respectively.

Emphasis on Maintaining Strong Funding and Liquidity Position

- The Bank continues to emphasize a prudent approach towards liquidity management, exemplified by its *loan-to-deposit ratio* at 81.0%. *Liquidity coverage ratio* maintained at 118%, well exceeding regulatory requirement.
- *Customer deposits* for H1FY19 increased by 4.7% y-o-y to RM162.6 billion, supported by strong growth in business deposits of 6.8% y-o-y to RM67.5 billion whilst CASA maintained at RM40.3 billion with a CASA ratio of 25%.
- The Bank's stable funding base continues to be supported by strong individual deposit base, represented by an industry leading mix of 52.2%.

Outstanding Asset Quality and Robust Capital Position

- Asset quality continues to be amongst the strongest in the industry with a GIL ratio at 0.80%, whilst LIC ratio remains solid at 122% post MFRS9. Inclusive of regulatory reserve set aside as at 31 December 2018, the Bank's LIC ratio stood at a comfortable 201%.
- The Bank's capital position is robust, with *CET 1*, *Tier 1* and *Total Capital ratios* at 12.7%, 13.3% and 16.3% respectively as at 31 December 2018.

Regional Contribution

- International operations remain stable and accounted for 17.6% of the Bank's pre-tax profit in H1FY19, led by solid contribution from Bank of Chengdu ("BOCD") during the period. Profit contribution from BOCD improved to RM278 million in H1FY19.

Dividend

- The Board has recommended an interim dividend of 16.0 sen per share for H1FY19.

Business Outlook

Mr. Domenic Fuda commented, "the Malaysian economy is expected to maintain similar growth in 2019 as that experienced during 2018, despite softer growth outlook in the world economy. A steady labour market, ongoing fiscal reforms, and anticipation of revival in investment spending are expected to provide the much needed support to growth in domestic demand, helping cushion fallouts from a more challenging external environment as a result of the shift in the US monetary and trade policies".

"Being digital at the core, executing our digital transformation strategy remains our key priority in strengthening our digital offerings, and transforming our products and services to improve efficiency and differentiation for customers. Leveraging on our branch footprint and digital capabilities, we continue to grow our domestic franchise and regional businesses by entrenching ourselves in the communities we operate in. We strive to continue leading the digital and innovation space to provide best-in-class experience and engage with our customers through reimagined customer journeys."

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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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