

For Immediate Release

**HONG LEONG BANK ANNOUNCES 9MFY19 RESULTS:
LOAN GROWTH GAINED MOMENTUM WITH
SOLID ASSET QUALITY**

Kuala Lumpur, 28 May 2019 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the nine months ended 31 March 2019 (“9MFY19”).

- ✦ ***Gross loans and financing expanded by 6.5% year-on-year (“y-o-y”) to RM133.6 billion, ahead of industry.***
- ✦ ***Solid asset quality with Gross Impaired Loan (“GIL”) ratio maintained at 0.80%.***
- ✦ ***Profit after tax marginally higher than prior year at RM2,028 million for the 9 months to 31 March 2019.***
- ✦ ***Robust capital position with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 12.6%, 13.6% and 16.4% respectively.***

Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented, “Despite on-going economic challenges, loan growth momentum for Hong Leong Bank accelerated to a healthy 6.5% y-o-y expansion to RM133.6 billion, whilst continuing to uphold our solid asset quality, signifying the Bank’s commitment towards delivering on sustainable results to our stakeholders.

Net profit after tax for the third quarter and nine months achieved RM634 million and RM2,028 million respectively, attributed to a healthy expansion in loan book despite lingering concerns in the operating environment, outstanding asset quality as well as consistently strong contribution from our associates. The 3rd quarter saw a pick-up in NIM to 2.00%, up 2bps on prior quarter.”

This positive performance is reflective of HLB’s commitment in further enhancing product offerings, such as the recent launch of its co-branded Emirates HLB cards aimed at accelerating growth in its payments’ business by leveraging on the growing Malaysian travel segment. HLB has also seen much progression within the SME market, being recognized as Best SME Bank in Malaysia for 2019 by The Asian Banker, and as Top Financial Institution Partner – Overall Category 2019 by Credit Guarantee Corporation Berhad for its effort and contribution to the growth of Malaysian SMEs.

In supporting its business growth, HLB continues to invest in developing its human resources through identifying and hiring fit-for-future talent through its second edition of the 24-hour hackathon, ‘Can You Hack It’. This event had created opportunities to discover new ways of thinking around delighting customers through even smarter banking experience, and helped earn HLB the Gold Award for Most Innovative Recruitment Strategy (In-House) at the Asia Recruitment Awards 2019.

HLB is also actively involved in creating a more sustainable future by launching the next instalment of its HLB Jumpstart programme with the addition of Green Hero, a social enterprise focused on reducing food waste across Malaysia.

Resilient Performance

- *Total income* for 9MFY19 stood at RM3,558 million, driven mainly by a healthy growth in loan book.
- *Net interest income* for 9MFY19 was lower at RM2,574 million, on the back of still elevated funding cost pressure during the period under review. Correspondingly, *net interest margin* (“NIM”) for 9MFY19 fell to 1.98% compared to the corresponding nine months. Regardless, NIM for Q3FY19 saw an uptick of 2bps quarter-on-quarter (“q-o-q”) to 2.00% on prudent pricing management.
- *Non-interest income* for 9MFY19 moderated slightly to RM984 million, with non-interest income ratio recorded at 27.7%. This is attributed to weaker performance in treasury market activities, mitigated by higher foreign exchange gains and gains on the divestment of joint venture.
- Operating expenses remain well-managed and were only marginally higher by 0.8% y-o-y at RM1,562 million for the nine months while we continue to reap benefits from our digitization efforts and strategic cost management initiatives. Quarterly expenses were 0.2% lower than the corresponding quarter the year before. Accordingly, *cost-to-income ratio* for 9MFY19 stood at 43.9%.

Loan Growth Led by Business Banking, Mortgages and International Operations

- *Gross loans, advances and financing* gained pace and expanded 6.5% y-o-y to RM133.6 billion despite a relatively slower domestic credit growth environment as well as generally soft business sentiments. Overall loan growth was predominantly driven by growth in our business banking and mortgages segments.
- *Domestic loans to business enterprises* increased by 11.4% y-o-y to RM38.8 billion. Our reported SME portfolio increased by 1.1% y-o-y to RM20.9 billion, wherein our community banking initiative continues to deliver promising growth of 34.1% y-o-y and 10.3% q-o-q.
- *Domestic loans to the retail* segment remains the key growth driver, expanding 6.3% y-o-y, making up 71% of the Bank’s total loans.
- *Residential mortgages* grew ahead of industry at 9.4% y-o-y to RM65.9 billion, sustained by a healthy loan pipeline and steady approvals while *transport vehicle loans* was stable with a 0.8% y-o-y growth to RM17.1 billion, also ahead of industry.
- Loans and financing from overseas operations continues to grow at a healthy pace of 6.5% y-o-y, driven by growth in Cambodia and Vietnam, which increased 28.4% and 62.1% y-o-y respectively.

Prudent Funding and Liquidity Position

- The Bank continues to adopt a prudent approach towards liquidity management with a *loan-to-deposit ratio* of 82.0%. *Liquidity coverage ratio* stood at 134% as at 31 March 2019, in excess of regulatory requirement.

- *Customer deposits* for 9MFY19 grew by 5.7% y-o-y to RM163.0 billion, supported by solid growth in business deposits of 9.5% y-o-y to RM66.7 billion whilst CASA ratio was steady at 24.3%.
- The Bank's stable funding base continues to be backed by solid individual deposit base, exemplified by an industry leading mix of 52.3%.

Solid Asset Quality and Strong Capital Position

- The Bank continues to maintain its solid asset quality with a GIL ratio of 0.80% amidst sound loan growth, whilst *loan impairment coverage ("LIC")* ratio remains prudent at 116% post MFRS9. Inclusive of regulatory reserve set aside as at 31 March 2019, the Bank's LIC ratio was at a comfortable level of 195%.
- The Bank's capital position remains robust, with *CET 1*, *Tier 1* and *Total Capital ratios* at 12.6%, 13.6% and 16.4% respectively as at 31 March 2019.

Regional Contribution

- International operations accounted for 18.3% of the Bank's pre-tax profit in 9MFY19, mainly contributed by strong contribution from Bank of Chengdu ("BOCD"). Profit contribution from BOCD improved 2.8% y-o-y to RM416 million in 9MFY19, representing 17.0% of the Bank's pre-tax profit.

Business Outlook

Domenic Fuda commented, "The Malaysian economy is expected to remain on a steady growth path in 2019. A steady labour market, ongoing fiscal reforms, and anticipation of revival in investment infrastructure spending are expected to provide much needed support for growth in domestic business activities and consumer demand, helping cushion fallouts from a more challenging external environment.

Meanwhile, we remain steadfast and focused on executing our digital strategy to strengthen our digital offerings and transform our products and services to further enhance customer experience. Leveraging on our branch footprint and digital capabilities, we continue to grow our domestic franchise and regional businesses by entrenching ourselves in the communities in which we operate. We strive to continue leading in the digital space and by reimagining banking to provide best-in-class experience and seamless 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.

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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