

For Immediate Release

**HONG LEONG BANK FY2019 RESULTS:
ACHIEVES SUSTAINABLE NET PROFIT OF RM2,665 MILLION ON HEALTHY
LOAN GROWTH AND SOLID ASSET QUALITY**

Kuala Lumpur, 28 August 2019 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the financial year ended 30 June 2019 (“FY2019”).

- ✦ ***Gross loans and financing expanded by 6.6% year-on-year (“y-o-y”) to RM137.6 billion, ahead of industry.***
- ✦ ***Solid asset quality with Gross Impaired Loan (“GIL”) ratio enhanced to a record 0.78%.***
- ✦ ***Profit after tax for the full year improved to RM2,665 million, a 1% increase compared to the corresponding period last year.***
- ✦ ***Robust capital position with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 13.1%, 14.1% and 16.3% respectively.***

Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented, “FY2019 was a challenging year, with ongoing funding cost pressure, coupled with global economic challenges and cautious business sentiment. Nonetheless, we are proud to present a resilient set of results supported by sustained loan growth momentum, whilst continuing to uphold our solid asset quality, solidifying the Bank’s commitment towards delivering sustainable results to our stakeholders.

“Total income and net profit after tax for the year stood at RM4,726 million and RM2,665 million respectively, attributed to expansion in loan book and continued outstanding asset quality complemented with consistently strong contribution from our associates. Owing to the OPR cut in May 2019, net interest margin (“NIM”) for the year fell to 1.96%. Even so, we remain sanguine as impact to NIM for the 4th quarter (“Q4FY19”) was managed within 11bps quarter-on-quarter (“q-o-q”) despite a 25bps cut in OPR in early May 2019. This is achieved through a mix of strategic and tactical decisions that leaves us confident moving forward that we can improve our NIM%, especially off the back of such commendable growth in our loan book without compromising asset quality.”

This solid business performance is reflective of HLB’s continued efforts in enhancing and expanding services through customer-centred approach in products and services offerings. Recent business developments, including formalising its partnership with the Malaysia Motorcycle and Scooter Dealers Association, which would help to provide a boost to the motor vehicle SMEs through solutions tailored specifically to their needs. This would additionally serve as a foundation to spur more association specific partnerships in the future.

Alongside these initiatives, HLB also continues its focus on driving the enhancement and adoption of a cashless payment ecosystem for both consumers and businesses through various offerings during the year as well as during its annual Digital Day activities. Meanwhile, the continuation of the 'Menyemai Impian' or 'Seeding Dreams' theme during its Hari Raya campaign continues to drive deposits through encouraging financial literacy awareness and seeding the dreams of the less fortunate amongst us in a more sustainable and meaningful manner.

For its efforts in empowering social enterprises, such as SURI and Green Hero, through the HLB Jumpstart programme, the Bank was recognized as 'Company of the Year (Supporting Social Enterprises)' at the CSR Malaysia Award 2019. This CSR platform reflects the HLB's strong entrepreneurial spirit and long-term commitment to giving back to our local communities by equipping social enterprises to operate in a sustainable manner.

Resilient Performance

- *Total income* for FY2019 came in at RM4,726 million, mainly supported by the healthy growth in loan book.
- *Net interest income* for FY2019 moderated lower to RM3,392 million, on the back of still elevated funding cost pressure during the year and the OPR cut in May 2019. Consequently, NIM for the year fell to 1.96%.
- *Non-interest income* for FY2019 stood at RM1,334 million, with non-interest income ratio higher at 28.2% versus 27.8% the prior year. This is attributed to higher credit card fees, foreign exchange gains and gains on the divestment of joint venture, mitigated by weaker performance in treasury market activities. For Q4FY19, non-interest income improved 5.7% y-o-y and 12.9% q-o-q owing to higher fee income and trading gains.
- Operating expenses inched upwards marginally by 1.5% y-o-y to RM2,092 million for the year while our digitization efforts and strategic cost management initiatives continue to provide benefits and cost savings. Correspondingly, *cost-to-income ratio* for FY2019 stood at 44.3%.

Loan Growth Led by Business Banking, Mortgages and International Operations

- *Gross loans, advances and financing* momentum continued in the fourth quarter and expanded 6.6% y-o-y for the full year to RM137.6 billion, demonstrating that our efforts to build the retail and corporate loan business is showing strong results. Mortgages and business banking segments in Malaysia experienced robust growth and continued to be the primary driver of our overall loan growth, whilst Vietnam and Cambodia had a very strong year in building the lending franchise.
- *Domestic loans to business enterprises* increased by 10.5% y-o-y to RM40.7 billion. Our reported SME portfolio grew by 5.0% y-o-y to RM21.5 billion, wherein our community banking initiative continues to deliver solid growth of 40.1% y-o-y and 11.2% q-o-q to RM5.2 billion.
- *Domestic loans to the retail* segment remains a key growth driver, expanding 6.7% y-o-y, contributing 71% of the Bank's total loans.

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- *Residential mortgages* grew ahead of industry at 9.9% y-o-y to RM67.4 billion, supported by a healthy loan pipeline and steady approvals while *transport vehicle loans* grew by 3.5% y-o-y to RM17.5 billion, also ahead of industry.
- During the financial year, we approved loans to SMEs to the value of RM3.7 billion, an increase of over 100% from prior year.
- For residential properties, we approved over RM7.0 billion of loans to properties valued RM500k or below (an increase of 26% over prior year), helping more Malaysians getting their own home.
- Loans and financing from overseas operations continued their momentum with an affirming growth of 9.0% y-o-y, driven by growth in Cambodia and Vietnam, which increased 24.1% and 52.3% y-o-y respectively.

Prudent Funding and Liquidity Position

- The Bank continues to adopt a prudent approach towards liquidity management with a prudent *loan-to-deposit ratio* of 84.4%. *Liquidity coverage ratio* stood at 134% as at 30 June 2019, well in excess of regulatory requirement.
- *Customer deposits* for FY2019 grew by 3.6% y-o-y to RM163.1 billion, predominantly attributed to solid growth in business deposits of 6.8% y-o-y to RM67.0 billion whilst CASA ratio was steady at 25.6%.
- The Bank continued to maintain a stable funding base, with its individual deposit at RM85.5 billion and a mix of 52.4%, amongst the highest in the industry.

Solid Asset Quality and Strong Capital Position

- The Bank continues to maintain its solid asset quality with a record GIL ratio of 0.78% amidst sound loan growth, whilst *loan impairment coverage ("LIC")* ratio remains prudent at 118% post MFRS9. Inclusive of regulatory reserve set aside as at 30 June 2019, the Bank's LIC ratio was at a comfortable level of 197%.
- The Bank's capital position remains robust, with *CET 1*, *Tier 1* and *Total Capital ratios* at 13.1%, 14.1% and 16.3% respectively as at 30 June 2019.

Regional Contribution

- International operations accounted for 18.8% of the Bank's pre-tax profit in FY2019, led by continued solid contribution from Bank of Chengdu ("BOCD"). Profit contribution from BOCD grew 7.4% y-o-y to RM554 million in FY2019, representing 17.4% of the Bank's pre-tax profit.

Dividend

- The Board has recommended a final dividend of 34.0 sen per share, bringing the total dividend to 50.0 sen per share for FY2019, an increase compared to 48.0 sen per share last year.

Business Outlook

Domenic Fuda commented, “Growth prospects of the Malaysian economy is expected to remain moderate in 2020, against a challenging global landscape. A healthy labour market and anticipation of pick-up in investment spending following the revival of numerous major infrastructure projects are expected to help underpin domestic demand. This shall help negate some of the fallouts from a softer external environment possibly still mired in spillover effects from the geopolitical tensions currently impacting global trade.

Being digital at the core, we remained steadfast in becoming a highly digital and innovative ASEAN financial services institution. Our focus is to provide clients with simple and relevant, personal and fair banking experiences while strengthening our organisational culture within which our people continue to thrive. We should continue to see growth opportunities in the coming year while we will maintain our efforts to revamp our cost structure through a pervasive digital transformation, enabling us to achieve sustainable growth and enhance stakeholders' value.”

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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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