

HONG LEONG BANK ANNOUNCES Q1FY21 RESULTS: ENCOURAGING PERFORMANCE TO START THE NEW FINANCIAL YEAR

Kuala Lumpur, 27 November 2020 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the first quarter ended 30 September 2020 (“Q1FY21”).

- ✦ **Net profit for Q1FY21 was higher by 5.9% year-on-year (“y-o-y”) at RM729 million.**
- ✦ **Gross loans and financing expanded 6.8% y-o-y to RM148.1 billion, while upholding solid asset quality, as Gross Impaired Loan (“GIL”) ratio improved to 0.48%.**
- ✦ **Capital and liquidity position remained strong with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 13.5%, 14.1% and 16.3% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) were prudently managed at 84.1% and 157% respectively.**

Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented, “The environment which we operate in remains challenging, affected by the ongoing pandemic and cautious consumer and business sentiment. Nonetheless, our strategic and tactical plans provided us a strong foundation to start the financial year on a positive note, delivering net profit of RM729 million for the quarter, up 5.9% y-o-y underpinned by reasonable topline performance, prudent cost control and robust contributions from our associates.

Gross loans and financing sustained its growth momentum, with a 6.8% y-o-y expansion buoyed by signs of economic recovery during the quarter, coupled with funding disbursed to support SMEs and corporate businesses. We continue to closely monitor our asset quality during this period of uncertainty, ending the quarter with a healthy GIL ratio of 0.48%. In view of the prolonged recovery situation, to err on the side of caution, we have continued to proactively build up pre-emptive credit loss buffers during the quarter.”

Recovery in Business Performance

- *Total income* for Q1FY21 increased 11.0% y-o-y or 12.7% quarter-on-quarter (“q-o-q”) to RM1,349 million, attributable to loan/financing expansion, prudent asset-liability management and sustained non-interest income contribution.
- *Net interest income* was higher by 12.5% y-o-y at RM992 million, as a result of asset growth and lower funding cost from repricing of fixed deposits post OPR cuts. Consequently, *net interest margin (“NIM”)* for Q1FY21 recovered to 2.00%.

- *Non-interest income* for Q1FY21 rose 7.0% y-o-y to RM357 million with a stable non-interest income ratio of 26.5%. This was attributable to solid Markets/Treasury performance and pick up in wealth management and cards activities.
- Expenses continue to be prudently managed, with overall expenses relatively flat quarter on quarter.
- Consequently, *operating profit before allowances* for Q1FY21 increased 19.5% y-o-y or 22.5% q-o-q to RM828 million.

Maintained Loan/Financing Growth Momentum

- *Gross loans, advances and financing* maintained its growth trajectory into the new financial year with a 6.8% y-o-y expansion to RM148.1 billion, led by key segments of mortgages, SME and commercial banking, as well as overseas operations.
- *Domestic loans/financing* continues to outperform the industry growth rate, at 6.8% y-o-y.
- *Residential mortgages* increased 8.0% y-o-y to RM74.5 billion, supported by a healthy loan/financing pipeline while *transport vehicle loans/financing* growth remains muted with overall portfolio at RM17.2 billion.
- *Domestic loans/financing to business enterprises* expanded 8.4% y-o-y to RM43.3 billion, whilst *loans and financing to SME* increased by 9.4% y-o-y to RM23.8 billion. The Bank's community banking initiative continues to see strong growth of 37.9% y-o-y or 10.8% q-o-q, partially aided by disbursement of Special Relief Facility ("SRF") to support SMEs.
- *Loans and financing from overseas operations* recorded a 7.0% y-o-y growth, led by expansion in Cambodia and Vietnam by 19.2% and 21.0% y-o-y respectively.

Healthy Funding and Liquidity Position

- Maintaining a strong funding and liquidity positions during these unprecedented times is paramount. LDR remain prudent at 84.1% while LCR improved further to 157%, compared to 126% for the same period last year, well exceeding regulatory requirements.
- *Customer deposits* for Q1FY21 was higher by 6.8% y-o-y at RM174.7 billion, whilst CASA grew at a stronger pace of 21.0% y-o-y to RM50.6 billion, leading to an improved CASA mix of 29.0%.
- The Bank's stable funding base continues to be backed by strong individual deposit base which expanded 7.7% y-o-y to RM93.5 billion, represented by an industry leading mix of 53.5%.

Strong Asset Quality and Capital Position

- The Bank continues to focus on maintaining solid asset quality in preparation for unexpected headwinds ahead. GIL ratio ended lower at 0.48% as at 30 September 2020, down from 0.81% the prior year.
- With the pre-emptive credit loss buffer built up during the quarter, the Bank's *loan/financing impairment coverage ("LIC") ratio* improved to 190% as at 30 September 2020. Inclusive of regulatory reserve, the Bank's LIC ratio stood at a comfortable 295%.
- The Bank ensures that capital position remains robust to withstand shocks from the ongoing pandemic, with solid *CET 1, Tier 1 and Total Capital ratios* at 13.5%, 14.1% and 16.3% respectively as at 30 September 2020.

Regional Contribution

- International operations contributed 21.3% to the Bank's pre-tax profit in Q1FY21, mainly contributed by Bank of Chengdu ("BOCD"). In line with the encouraging rebound of China's GDP growth, profit contribution from BOCD remains robust, improving 17.1% y-o-y to RM165 million in Q1FY21, representing 18.6% of the Bank's pre-tax profit.

Helping Customers Recover with Resilience

For as long as the situation requires, the Bank is committed to providing targeted HLB Payment Relief Assistance Plans ("HLB PRAP") to help customers impacted by the COVID-19 pandemic. This includes customers who have started making their regular payments, but could face challenges down the road where they will still be able to apply for HLB PRAP before 30 June 2021. As at 16 November 2020, the Bank has helped more than 44,000 customers under HLB PRAP, comprising 8% of total gross loans/financing base.

Fuda said, "Since the start of COVID-19, HLB has been focused on helping affected customers recover with resilience from the socio-economic repercussions which have been keenly felt by businesses and individuals alike. While the industry-wide loan/financing payments deferment period has been important in providing relief to all Malaysians during the MCO and RMCO periods, the Bank is fully committed to providing further assistance to those who needed it by proactively reaching out to customers since early on in February to engage in conversation as to their financial stability and to extend assistance where needed and will continue to do so to ensure our customers can focus on the recovery efforts with the knowledge that we are here to help."

Acceleration of Digital Innovations

Despite the pandemic, HLB continued to accelerate product innovation and push digital offerings to enable greater business efficiency and cost optimisation for its customers while contributing towards building a cashless society. In fact, COVID-19 has accelerated the rapid shift to a digital and contactless way of life – from buying essentials to working online.

In an effort to further assist SMEs, especially the micro and smaller businesses and traders to be more digital and embrace cashless as a way to improve resiliency, recover and eventually grow their businesses, the Bank introduced the **Hong Leong Bank Tap on Phone** POS terminal to help them adapt to the new way of payment transactions. This new contactless mobile payment acceptance service is a simple, seamless and secure payment solution that is low-cost and accessible to all types of businesses targeted at increasing sales as it allows consumers to have more cost-effective payment options.

To serve both young savers and their parents, the Bank launched **HLB Pocket Connect** which is the first in-market interactive digital banking platform for school going children and teenagers. It enables young savers to take charge of their own pocket money and savings and for parents to cultivate a responsible and healthy financial lifestyle in their children from a young age in a fun and interactive way. **HLB Pocket Connect** is the manifestation of a fit-for-purpose digital banking experience for customers who are raising a family consisting of young digital natives who are exposed to hyper personalisation, real-time gratification and highly interactive content and experiences.

Additionally, following the publication of Bank Negara Malaysia's guidelines on Electronic Know-Your-Customer ("e-KYC") on 30 June 2020, the Bank made history by becoming the **first bank in Malaysia** to offer a truly digital onboarding experience for Malaysians looking to open a bank account. The experience is fully digital, eliminating the need to visit a physical branch or Self-Service Terminal where customers only need to download the '**Apply@HLB**' mobile app to open an account anytime, anywhere and their Debit Card will be delivered to them wherever they are in Malaysia. This simple, hassle-free and convenient way of banking is timely given the ongoing COVID-19 health concerns and corresponding shift to digital 'everything'. In addition to account opening, a fully digital credit card and personal loan application, without requiring customers to meet face-to-face or visit any physical branches, will be introduced soon.

According to Fuda, "We are pleased to be able to help Malaysians bank safely amidst the ongoing pandemic and we are proud to be doing our part in pushing for greater digital innovation in the financial sector which would further stimulate the growth of the country's digital economy, while meeting the needs and expectations of an increasingly digital and mobile-first generation of consumers. We also hope that this will deliver a significantly higher value-added customer experience which will set a new benchmark for the industry."

Building a Vibrant and Sustainable Community

With over 110 years of deeply rooted history in Malaysia, HLB has truly embraced the value of being here for the long term, long before sustainability became a common business practice. From innovating banking products to talent management, the Bank always maintains a long-term mindset which includes the essential role it has in creating and sustaining a vibrant ecosystem of communities and the environment. To further drive this, the Bank introduced its **ESG Framework** which incorporates Environmental, Social and Governance ("ESG") considerations in the credit evaluation of SME and Corporate Customers. This framework not only underlines HLB's commitments towards building a vibrant and sustainable ecosystem in

the communities it operates in, but also promotes adoption of sustainable business strategies and practices amongst customers and business partners.

The COVID-19 crisis is a prime example of disruptive change exposing the vulnerabilities in old structures and practices. However, it has also prompted acceptance, and hence further investments, into areas that will enhance the prospects of a more sustainable and resilient recovery. With the introduction of the ESG Framework, the Bank looks forward to working with customers to transform business operations, encouraging sustainability and promoting that we all play a part in building a better legacy to leave for future generations.

To take care of the less fortunate, we also enhanced a few ATMs to cater for the blind, underlining our commitment to ensuring inclusivity in providing services to all segments of society.

Business Outlook

Fuda commented, “We continue to see recovering signs in the global as well as domestic economy, although growth momentum appears to have lost some steam in recent weeks because of the CMCO and increased number of infections in some other countries. Lingering weaknesses in the labour market and still soft sentiments would dampen consumer spending, while resurging new cases could pose further risks to overall economic activities.

Nevertheless, we remain focused in our vision to build a highly digital and innovative ASEAN financial services institution. Emphasis continues to be on building products and services propositions that ring true to our brand promise of “Built Around You” where clients are at the centre of everything we do.

We will ensure that we continue to provide targeted assistance to clients that are and might experience financial difficulties emanating from the economic impact of the COVID-19 crisis. The new normal operating environment will no doubt present us with new growth opportunities which we will endeavour to capture by being agile and responsive to the changing landscape. Concurrently, we continue to revamp our cost structure, enabling us to invest in growth opportunities and deliver sustainable results to our stakeholders.”

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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 115 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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