

HONG LEONG BANK ANNOUNCES FIRST HALF RESULTS: RESILIENT PERFORMANCE AMID ONGOING HEADWINDS

Kuala Lumpur, 26 February 2021 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the six months ended 31 December 2020 (“H1FY21”).

- ✦ ***Net profit after tax for H1FY21 stable at RM1,400 million.***
- ✦ ***Gross loans and financing maintained a growth of 6.2% year-on-year (“y-o-y”) to RM150.0 billion while emphasising on asset quality as Gross Impaired Loan (“GIL”) ratio remained resilient at 0.54% with a strong Loans Impairment Coverage (LIC) ratio of 193%.***
- ✦ ***Healthy capital and liquidity positions with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios strengthened to 13.8%, 14.4% and 16.6% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) were conservatively managed at 84.1% and 166.0% respectively.***

Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented, “The Bank continues to face a challenging environment with the resurgence in COVID-19 cases and subsequent restrictions on people movement and economic activities resulting from actions taken to manage the evolving health situation. Nevertheless, we continue to be agile and responsive to the changing landscape to ensure that we continue to provide the support to clients and staff needed to see the recovery journey through. Our unwavering support of clients has enabled us to deliver a resilient set of results for H1FY21 as net profit was stable with growth of 0.7% y-o-y to RM1,400 million on the back of top line growth, disciplined cost management and robust contributions from our associates.

Gross loans and financing expanded by 6.2% y-o-y as economic activities adjust to the new norm, coupled with funding disbursed to support SMEs and corporate businesses. Working closely with clients to extend support where required, we were able to maintain a relatively low GIL ratio at 0.54%. Further, in anticipation of the ongoing uncertainties surrounding the business environment, we remained prudent by building up additional pre-emptive impairment buffers during the quarter.”

Commendable Business Performance

- *Total income* for H1FY21 saw growth of 12.1% y-o-y to RM2,749 million, underpinned by growth in loan/financing, prudent cost control and higher net interest income.
- *Net interest income* grew for the second consecutive quarter to RM1,083 million for the quarter ended 31 December 2020 (“Q2FY21”), up 18.8% y-o-y due to effective funding cost management. Accordingly, for H1FY21, net interest income was 15.7% higher y-o-y at RM2,075 million. As a result, *net interest margin (“NIM”)* improved to 2.15% and 2.08% for Q2FY21 and H1FY21 respectively.
- *Non-interest income* for H1FY21 increased by 2.3% y-o-y to RM674 million with a corresponding non-interest income ratio of 24.5%. The improvement was driven by good Markets/Treasury performance as well as the continued recovery from wealth management activities. Card fees on the other hand remained subdued, on the back of cautious retail customer spend.
- *Operating expenses (“Opex”)* for Q2FY21 remained around the same levels across the past few quarters, leading to H1FY21’s Opex lower by 1.6% y-o-y to RM1,033 million, with an improved CIR of 37.6%.
- Correspondingly, *operating profit before allowances* for H1FY21 recorded a growth of 22.3% y-o-y to RM1,716 million, allowing the Bank to further build pre-emptive provisions to cover credit risk that might materialise in the quarters ahead.

Expansion in Loans/Financing

- *Gross loans, advances and financing* sustained its growth momentum, expanding by 6.2% y-o-y to RM150.0 billion, predominantly led by growth in our key segments of mortgages, SME and commercial banking.
- *Domestic loans/financing* growth continued ahead of industry growth rate at 6.4% y-o-y.
- *Residential mortgages* are 6.8% higher y-o-y at RM75.4 billion, on the back of a healthy loan pipeline while *transport vehicle loans/financing* remained muted at RM17.2 billion.
- *Domestic loans to business enterprises* expanded strongly by 10.3% y-o-y to RM44.5 billion, whilst our support of *SMEs* saw this loan/financing portfolio grow 16.2% y-o-y to RM24.1 billion. The Bank’s community banking initiative, within the SME segment, maintained a robust growth rate of 33.4% y-o-y or 4.3% quarter-on-quarter, attributed to concerted efforts in improving customer experience by enhancing loan-processing turnaround time and our stepped up utilisation of available data to better understand the needs of these customers.
- Loans and financing from overseas operations maintained reasonable expansion, attributed to healthy y-o-y growth of 9.4% and 8.2% in Vietnam and Cambodia respectively.

Prudent Funding and Liquidity Position

- Emphasis continues to be placed in maintaining strong funding and liquidity positions as enablers to continue to help clients through the recovery journey. The prudent LDR of 84.1% was maintained whilst LCR improved to 166.0%.
- *Customer deposits* for H1FY21 rose by 5.7% y-o-y to RM176.5 billion, with CASA growth at 21.5% y-o-y to RM52.5 billion, raising the CASA ratio to 29.8%. The solid growth is predominantly due to the collaboration and cross-selling efforts throughout the Bank and our effective cash management offerings.
- The Bank's stable funding base continues to be supported by a sound individual deposit base which expanded 3.1% y-o-y to RM92.5 billion, exemplified by an individual deposit mix ratio of 52.4%.

Solid Asset Quality and Capital Position

- The Bank's asset quality positions remained healthy with a stable GIL ratio of 0.54%. With additional pre-emptive impairment buffers built up during the quarter, *Loan Impairment Coverage ("LIC") ratio* as at 31 December 2020 stood high at 192.7%. Inclusive of regulatory reserve, the Bank's LIC ratio is well positioned at 262.6%.
- Capital position of the Bank remains strong with *CET 1, Tier 1 and Total Capital ratios* at 13.8%, 14.4% and 16.6% respectively as at 31 December 2020.

Regional Contribution

- International operations accounted for 22.0% of the Bank's pre-tax profit in H1FY21, primarily driven by robust contributions from Bank of Chengdu ("BOCD"). Profit contribution from BOCD improved 8.0% y-o-y to RM330.8 million in H1FY21, representing 19.4% of the Bank's pre-tax profit.

Dividend

- The Board has declared an interim dividend of 14.78 sen per share for H1FY21.

With the current economic climate, HLB continues to be a resilient, resourceful and valuable partner to its customers and communities it operates in. The Bank has been able to provide the financial help needed, as well as products and services that ensures its customers can focus on the recovery efforts safely with the knowledge that the Bank is here to help. With the recent resurgence of COVID-19 cases across the country, the Bank efforts were once again refocused to ensure we proactively extend help where it is needed. Various payments relief plans remain in place and are reviewed regularly to ensure that they remain relevant to the evolving environment.

HLB Payment Relief Assistance Plans (“HLB PRAP”) for Individuals, SMEs and Corporate Customers

- Made available to help customers in their recovery journey and provides payment flexibility to suit customers’ current or evolving financial needs.
- Relief assistance includes, but is not limited to, an additional payment deferment period for customers who have lost their jobs, or have seen a reduction in income or cashflow. Monthly loan/financing instalments can be deferred or reduced to match incomes/cashflows.
- Help has been extended to those that have restarted their regular payments, but could face challenges down the road where they will still be able to apply for HLB/HLISB PRAP before 30 June 2021.

Credit Card Conversion Relief Plan

- Helps customers manage credit card debt by converting outstanding credit card balance into a term loan with the option to opt-in for a 36-month instalment plan at an effective interest rate of 13% p.a. (Flat interest rate 7.1% p.a.), lower than the normal cards interest rate.

Targeted Relief and Recovery Facility (“TRRF”)

- Established to provide relief and support recovery for eligible SMEs in the services sector affected by reintroduction of COVID-19 containment measures.

Microenterprise Payment Relief Assistance Plans (“MPRAP”)

- For eligible microenterprises to apply for a 3-month loan deferment or a 50% reduction in monthly instalments for 6 months, with just a declaration that their business has seen reduced income due to COVID-19 and CMCO.

Simplified Application for PRAP

- Applications for PRAP were further simplified during the CMCO period especially the B40, M40 and Microenterprise customers.
- B40 customers could choose either a 3-month loan deferment plan or 50% reduction in monthly instalments for 6 months. The Bank also offered a 25% reduction in monthly instalments for 6 months for customers who wished to manage repayments whilst reducing the additional interest/profit accrued.
- M40 category customers, did not have to submit documentation at the point of application for the Bank's PRAP as validation of documents would be performed after the application process.

We are pleased to also have been able to maintain our drive to continually innovate our digital and product offerings. This saw the Bank launching the following initiative to encourage Sustainability awareness amongst young customers:

Earth Hero

- It is a new digital initiative that combines financial and environmental literacy, leveraging on the HLB Pocket Connect, a first-in-market interactive and personalised banking platform launched in August 2020.
- It is a digital banking platform for school going children and teenagers which inspires children to be environmentally conscious while practicing good money habits.
- It is also a result of the Bank's effort in expanding its sustainability initiatives and community investment with the promotion of financial inclusion and literacy through the Bank's products and services.

Awards & Recognition

- In recognition of various developments within the Bank, HLB was recognised as the Best SME Bank and Best Payments Bank in Malaysia by the AsiaMoney Award and Best SME Bank in Malaysia by the Asian Banker.
- On the Islamic Bank front, HLISB won the IRBA Excellence Award 2020 for Islamic Digital Banking, awarded by the prestigious global Islamic Retail Banking Awards ("IRBA") for being a front-runner in innovating and shaping the Islamic digital retail banking landscape in Malaysia.

Business Outlook

Fuda commented, “The year 2021 started in a mixed note. While there are rising COVID-19 cases in selected regions, positive vaccine developments and continuous policy pledges to ensure sustainable recovery are reasons to believe that 2021 should see a robust economic recovery from the 2020 contraction. We are cautiously optimistic that recovery will pick up pace as the year progresses, but the recovery journey is likely to remain uneven.

In the journey to be a highly digital and innovative ASEAN financial services institution, we focus 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. In view of the ongoing pandemic situation, 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 operating environment has presented us with new growth opportunities, especially around digitally enabled products and services, which we have focused on, and will continue to do so, as we endeavour to capture them 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 returns 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 more than 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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