

HONG LEONG BANK ANNOUNCES 9MFY21 RESULTS: COMMENDABLE THIRD QUARTER AND YEAR TO DATE PERFORMANCE ON THE BACK OF SUSTAINED LOAN/FINANCING GROWTH

Kuala Lumpur, 27 May 2021 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the nine months ended 31 March 2021 (“9MFY21”).

- ✦ ***Net profit after tax for 9MFY21 improved 12.8% year-on-year (“y-o-y”) to RM2,171 million with sustained ROE above 10% at 10.4%.***
- ✦ ***Gross loans and financing maintained its growth momentum, expanding by 7.3% y-o-y to RM152.8 billion as we continued to support clients with their financing needs.***
- ✦ ***Asset quality remained robust with Gross Impaired Loan (“GIL”) ratio stable at 0.53%, significantly lower than industry average, coupled with a solid Loans Impairment Coverage (“LIC”) ratio of 205%.***
- ✦ ***Capital and liquidity positions continue to be healthy with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios stable at 13.0%, 13.5% and 15.7% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) were prudently managed at 83.6% and 147.7% respectively.***

Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented, “The Malaysian economy has rebounded from a negative growth last year, following the recovery in global economy. This was supported by pent-up demand and continuous accommodative policies. Accordingly, the Bank continued in our steadfast support of existing and new clients to ensure that they can focus on their recovery efforts, knowing that the Bank is here to help. The commendable performance of the Bank is attributed to the continuing discipline in executing our strategy, prudent cost management, disciplined loan/financing growth and proactive management of clients that are facing cashflow or income disruption because of the pandemic. As such, the Bank’s net profit after tax for 9MFY21 improved 12.8% y-o-y to RM2,171 million, underpinned by solid top line growth, lower operating expenses and robust contributions from our associates.

Gross loans and financing expanded by 7.3% y-o-y as global and domestic economic activities rebound driven by improved private and public sectors expenditure, accompanied with funding disbursed to support SMEs and corporate businesses. While providing the necessary assistance to customers, we also closely and consistently monitor our asset quality, ending the quarter with a stable GIL ratio of 0.53%. In anticipating further headwinds ahead of the recovery journey, the Bank remained prudent and built up additional pre-emptive impairment buffers during the quarter.”

Resilient Business Performance

- *Total income* for 9MFY21 increased 15.4% y-o-y to RM4,135 million, underpinned by expansion in loan/financing and prudent asset-liability management.
- *Net interest income* rose for the third consecutive quarter to RM1,096 million for the quarter ended 31 March 2021 (“Q3FY21”), up 30.6% y-o-y attributed to our continuing efforts in managing funding cost and loan/financing expansion. Accordingly, for 9MFY21, net interest income was 20.4% higher y-o-y at RM3,170 million. Consequently, *net interest margin (“NIM”)* improved to 2.20% and 2.12% for Q3FY21 and 9MFY21 respectively.
- *Non-interest income* for 9MFY21 grew 1.6% y-o-y to RM964 million with a corresponding non-interest income ratio of 23.3%, predominantly led by increased wealth management activities and sustained Markets/Treasury gains.
- *Operating expenses (“opex”)* for Q3FY21 were tightly managed, leading to 9MFY21’s lower opex by 2.4% y-o-y to RM1,545 million, with an improved *cost-to-income ratio (“CIR”)* of 37.4%.
- Correspondingly, *operating profit before allowances* for 9MFY21 grew by 29.5% y-o-y to RM2,589 million.

Maintained Growth Momentum in Loans/Financing

- *Gross loans, advances and financing* maintained its growth trajectory, expanding 7.3% y-o-y to RM152.8 billion, driven by expansion in our key segments of mortgages, SME and commercial banking.
- *Domestic loans/financing* growth continued ahead of industry growth rate at 7.4% y-o-y.
- *Residential mortgages* are 6.6% higher y-o-y at RM76.5 billion, supported by a healthy loan pipeline while *transport vehicle loans/financing* remained muted at RM16.9 billion.
- *Domestic loans to business enterprises* increased by 14.4% y-o-y to RM46.4 billion, whilst our support of SMEs saw this loan/financing portfolio grew 18.6% y-o-y to RM25.2 billion. The Bank’s community banking initiative, within the SME segment, maintained a robust growth rate of 31.3% y-o-y, attributed to concerted efforts in improving customer experience, understanding their needs as well as the continued support in their recovery journey.
- Loans and financing from overseas operations expanded 5.1% y-o-y, mainly contributed by Vietnam and Cambodia which grew y-o-y by 25.3% and 7.7% respectively.

Prudent Funding and Liquidity Position

- Focus and disciplined funding and liquidity positions allows us to continue to support and help clients through the recovery journey. Accordingly, *LDR* and *LCR* remained solid at 83.6% and 147.7% respectively.
- *Customer deposits* for 9MFY21 rose by 7.5% y-o-y to RM180.6 billion, with *CASA* growth at 27.4% y-o-y to RM56.4 billion, uplifting the *CASA ratio* to 31.2%, signifying effectiveness of the Bank’s cross-selling efforts and cash management offerings.

- The Bank's funding base remained stable as supported by a sound individual deposit base of RM92.2 billion, representing an individual deposit mix ratio of 51.0%.

Solid Asset Quality and Healthy Capital Position

- Asset quality positions of the Bank remained solid with a stable *GIL ratio* of 0.53%. With additional pre-emptive impairment buffers built up during the quarter, *LIC ratio* as at 31 March 2021 was higher at 205%. Inclusive of regulatory reserve, the Bank's *LIC ratio* is comfortably positioned at 274%.
- Capital position of the Bank is healthy with *CET 1*, *Tier 1* and *Total Capital ratios* at 13.0%, 13.5% and 15.7% respectively as at 31 March 2021.

Regional Contribution

- International operations accounted for 21.8% of the Bank's pre-tax profit in 9MFY21, spearheaded by robust contributions from Bank of Chengdu ("BOCD"). Profit contribution from BOCD improved 8.3% y-o-y to RM508 million in 9MFY21, representing 19.2% of the Bank's pre-tax profit.

HLB continues to be a strong partner to customers and the communities it operates in and remains focused on extending assistance to customers who require financial help in navigating their recovery journey. In enabling customers to live and operate in the new normal seamlessly, the Bank continuously innovates to provide relevant products and quality services which assist customers to concentrate in the recovery of their businesses and personal finances as quickly as possible from the effects of the COVID-19 pandemic.

HLB Payment/Repayments Relief Assistance Plans for Individuals, SMEs and Commercial Customers

- Made available to help customers in their recovery journey.
- The loan/financing payments/repayments restructuring is available to all of those that have or are experiencing cash flows and income reduction, including credit card payments to alleviate the financial burden faced by customers impacted by the pandemic.
- Additional financing continues to be made available to SME and Commercial customers to help business recovery.
- For more details of the Bank's Payment Relief Assistance Plans ("PRAP"), including customers under B40, M40 and Microenterprises, should proactively refer to our website, visit any of our branches or talk to their Relationship Manager so that we can provide the right support based on their particular circumstances.

HLB Debuts on Shopee Mall

- The first bank to have an official store on Shopee, offering banking products to cater for the growth of digital savvy consumers.
- Provides customers convenience where they can now sign-up for banking products and services anytime, from their familiar eCommerce platform.
- The three bank accounts offered on the HLB's official store on Shopee are the **3-in-1 Junior Account** which features a savings account, a reloadable debit card and a high interest FD account for young savers below the age of 18; the **Pay&Save**, a high-interest savings account with a built-in multicurrency feature for salary earners and, the fuss free **Basic Savings Account**.

HLB Renewable Energy Financing

- HLB continues to support green sectors, evidenced by our approval of RM1 billion in financing for renewable energy and energy efficient related projects and investments over the past 2 years.
- HLB SME Solar Financing, a green energy financing facility, was also introduced for Malaysian SMEs looking to install cost effective energy efficient small-scale solar photovoltaic systems.
- This programme offers financing of up to RM1 million per SME customer to facilitate the shift to renewable energy which helps in reducing their operational expenses and lowering their carbon footprint.

Sustainability Transformation

- In its efforts to strengthen sustainable financing practices and promote adoption of sustainable business strategies amongst its customers, HLB has further enhanced its Business & Corporate Banking ESG Framework since its launch last year. On top of the General Exclusion List, HLB has included Internal Environmental & Social risks rating system and additional guidelines to deal with high risks sectors such as forestry, metals & mining/quarrying, non-renewable energy and palm oil in its ESG Framework.
- HLB launched the '**Sustainability Roundtable**' to engage industries on best practices in sustainability transformation, spearheaded with **Plastics Manufacturing: Industry Outlook and Preparing for a Sustainable Future**, involving key opinion leaders from the plastic manufacturing industry and specialists from WWF Malaysia.
- This inaugural virtual roundtable serves as a platform to engage SME and Corporate clients on a sustainability transformation conversation to raise awareness and inspire change with regards to best practices and the challenges faced by several key industries as they embark on their sustainability journey.
- The roundtable enables industry stakeholders including related associations, organizations and companies embarking on sustainability transformations to share and discuss the benefits and challenges in sustainability practices. The Bank will be organizing more

roundtable sessions in partnership with relevant trade associations, authorities and leaders from industries in manufacturing of rubber, chemicals, metals, forestry, agriculture, palm oil, and mining or quarrying, in the pipeline throughout the rest of the year.

Community Investment

- HLB will work with the winners of the third HLB Launchpad program - Food Market Hub, Pay:Watch and ERTH (e-Waste Recycling Through Heroes) to tackle challenges in food security, gig economy and electronic waste management respectively in the next six months.
- This year's Launchpad carried the theme "**Reboot: Thriving Together in the New Normal**" and was focused on identifying startups with innovative solutions that are Digital, Adaptable and Sustainable to help Malaysians adapt and thrive in this new and next normal.

Community Focus

- HLB donated RM200,000 to Mercy Malaysia as part of a community disaster response efforts.
- The contributions helped to aid Mercy Malaysia in health and COVID-19 related safeguarding and services, food supply, logistics support for response mobilization and lastly, for water, sanitation and hygiene support.

Business Outlook

Fuda commented, "Global economic recovery is gaining traction as the rollout of vaccination programmes and ongoing policy support provide the impetus to growth. Global demand and trade are bouncing back from the restrictions and downturn experienced last year, although the pace of recovery remains uneven, depending on successful containment of infection rates, as well as the particular sectors of the economy.

On our part we continue apace executing our strategic priorities to entrench ourselves as a highly digital and innovative ASEAN financial services institution. The focus is 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 continue to provide unwavering support needed to ensure clients can focus on the recovery efforts emanating from the COVID-19 crisis. The new operating environment has and 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 maintain our focus on ensuring a disciplined 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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