

## **HONG LEONG BANK ANNOUNCES FY2021 RESULTS: SUSTAINED PERFORMANCE AMID CHALLENGING OPERATING ENVIRONMENT**

**Kuala Lumpur, 30 August 2021** - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the financial year ended 30 June 2021 (“FY2021”).

- ✦ ***Challenging end to the financial year, requiring additional buildup of buffers to cover continued lockdowns and the extension of repayment assistance packages.***
- ✦ ***For the financial year, net profit after tax ended at RM2,861 million, up 14.7% compared to last year.***
- ✦ ***Gross loans and financing maintained its growth momentum, as we continued to help clients with their financial needs, expanding by 6.8% y-o-y to RM155.8 billion, with asset quality remaining solid, reflected by a record Gross Impaired Loan (“GIL”) ratio at 0.46%.***
- ✦ ***Capital and liquidity positions continue to be healthy with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 13.6%, 14.1% and 16.2% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) improved to 83.9% and 145.3% respectively.***

**Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented,** “Our financial year ended amid the reimplementing of the movement control order, reintroduced to combat the resurgence of COVID-19 positive cases, impacting the economic recovery momentum. Progress in the rate of vaccination remains key to the economic recovery in Malaysia and globally, as it is expected to help contain the rate and severity of infections, leading to the eventual opening of all economic sectors and social activities, followed by cross border activities in the future. We are cautiously optimistic that progress in this regard is underway and hence the local and global economies should enter 2022 with better recovery traction. In the meantime, we have been and remain steadfast in helping customers through this difficult period, enabling them to focus on their recovery efforts.

Amid the challenging business environment, we are pleased to deliver a resilient set of results for FY2021 as we continued to maintain a sharp focus on helping customers where it was needed, kept to a disciplined cost structure and continued investments in growth opportunities that will deliver sustainable positive outcomes to our stakeholders. Net profit after tax improved 14.7% y-o-y to RM2,861 million, underpinned by higher topline, tight cost management and robust contributions from our associates.

Gross loans and financing saw a healthy growth of 6.8% y-o-y, driven by expansion in key segments and funding disbursed to support SMEs and corporate businesses as part of their cashflow needs during the past year. Our asset quality remained healthy as we recorded a low

GIL ratio of 0.46% while concurrently, ensuring our customers receive the necessary assistance throughout their recovery journey. As the journey ahead remains uncertain until all economic sectors reopen, we have built up additional pre-emptive impairment buffers as cover for this uncertain business environment.”

### **Sustained Performance against a Challenging Backdrop**

- *Total income* for FY2021 recorded a 14.4% y-o-y growth to RM5,467 million, on the back of loan/financing expansion and prudent asset-liability management.
- Net interest income for FY2021 was up y-o-y to RM4,310 million, resulting in a 26bps increase in *net interest margin (“NIM”)* for FY2021 to 2.14%. This is mainly attributed to our continuing efforts in managing funding cost, loan/financing expansion and the absence of modification loss that was registered in the same period last year.
- *Non-interest income* for FY2021 was recorded at RM1,157 million with a non-interest income ratio of 21.2%. Card fees remained subdued on the back of cautious retail customers spend. However, the impact was partially mitigated by higher contribution from wealth management activities.
- *Operating expenses (“opex”)* for FY2021 continue to be managed prudently, leading to 1.2% y-o-y lower opex of RM2,078 million. Accordingly, *cost-to-income ratio* ended at 38.0%.
- Consequently, *operating profit before allowances* for FY2021 was RM3,389 million, a 26.7% y-o-y increase compared to last year.

### **Maintained Growth Momentum in Loans/Financing**

- *Gross loans, advances and financing* maintained its growth momentum, 6.8% higher y-o-y to RM155.8 billion, as the Bank continued to provide support to its customers in their personal and business endeavors. The Bank’s healthy loan growth is predominantly led by expansion in our key segments of mortgages, SME and commercial banking.
- *Domestic loans/financing* growth continued ahead of industry growth rate at 6.1% y-o-y.
- *Residential mortgages* are 5.3% higher y-o-y at RM77.2 billion, on the back of a healthy loan pipeline while *transport vehicle loans/financing* was stable at RM16.8 billion.
- *Domestic loans to business enterprises* increased by 12.6% y-o-y to RM48.8 billion, whilst our support of SMEs saw this loan/financing portfolio up 14.9% y-o-y to RM26.0 billion. The Bank’s community banking initiative, within the SME segment, sustained its solid growth rate of 26.6% y-o-y, attributed to concerted efforts in improving customer experience, utilisation of available data to analyse customers’ needs so that we can provide appropriate solutions as well as the continued support in their recovery journey.
- Loans and financing from overseas operations grew 18.9% y-o-y, attributed to solid y-o-y growth of 30.5%, 17.8% and 15.6% in Vietnam, Singapore and Cambodia respectively.

**Prudent Funding and Liquidity Position**

- The Bank continues to place emphasis in maintaining prudent funding and liquidity positions as this is pivotal in allowing us to support and help clients throughout the recovery journey. Accordingly, LDR ended the financial year at 83.9% while LCR improved to 145.3% compared to 136.8% a year ago.
- *Customer deposits* for FY2021 increased by 5.6% y-o-y to RM183.3 billion. Leveraging on the Bank's cash management solutions, *CASA* grew 22.5% y-o-y to RM59.2 billion, uplifting the *CASA* ratio to 32.3%.
- The Bank's funding base remained stable, supported by a sound individual deposit base, exemplified by an individual deposit mix ratio of 51.2%.

**Solid Asset Quality and Healthy Capital Position**

- The Bank's asset quality positions ended with a record low *GIL ratio* of 0.46%. With additional pre-emptive impairment buffers built up during the quarter, *loan impairment coverage ("LIC") ratio* as at 30 June 2021 was solid at 247%. Inclusive of regulatory reserve, the Bank's *LIC* ratio stood at 304%.
- Capital position of the Bank is healthy and supportive of future growth opportunities with *CET 1*, *Tier 1* and *Total Capital ratios* at 13.6%, 14.1% and 16.2% respectively as at 30 June 2021.

**Regional Contribution**

- International operations accounted for 23.3% of the Bank's pre-tax profit in FY2021, primarily driven by robust contributions from Bank of Chengdu ("BOCD"). Profit contribution from BOCD improved 14.1% y-o-y to RM721 million in FY2021, representing 21% of the Bank's pre-tax profit.

**Dividend**

- The Board has declared a final dividend of 35.22 sen per share, bringing the total dividend to 50.0 sen per share for FY2021, with a dividend payout ratio of 36%.

Although it has been a challenging year due to the pandemic and its effects on businesses and livelihoods, the Bank continued to innovate and find ways where we could do more to serve customers, communities and employees. In this regard, we stepped up embedding sustainability in our operations. Our strategic focus on sustainability will serve as a strong guide, whether it is in extending assistance to customers who require financial help in navigating their recovery journey, enabling digital capabilities to help customers to live and operate in the new normal seamlessly or whether it is helping businesses embarking on their ESG journey, so as to 'future proof' their businesses. Similarly, the COVID-19 pandemic changed familiar routines for employees, where we have made numerous changes to the way we work to ensure continued uninterrupted operations as well as new ways of engaging and maintaining employee inclusion to ensure morale and health are cared for during these difficult times. Some of the initiatives undertaken in the year under review are:

**Continued Repayments Assistance for Customers**

- Payment Relief Assistance Plans continues to be available for individuals, SMEs and Corporate borrowers affected by the COVID-19 pandemic. In conjunction with the most recent lockdown that began in June, we extended PEMULIH relief assistance, via straight through processes to help SMEs and individual customers quickly and effectively, as the latest Movement Control Order was introduced.
- Over the course of the year, the Bank waived various fees including interbank transfer fees, stamp duties, late payment charges, interest/profit reduction for customers who caught up on their late payments and absorbing principal shortfalls from various initiatives such as Car Surrender Programmes and lower interest rate to Credit Card customers who converted their balance outstanding into term loans. The total amounts of these many initiatives totaled RM93 million.

**Community Investment**

- Nurturing FinTechs and startups that focus on providing communities with innovative solutions that are Digital, Adaptable and Sustainable to help Malaysians adapt and thrive in this new and next normal.
- Expanded access to financial literacy and inclusion through the financial sustainability programme, HLB DuitSmart, to the visually impaired community.
- Further driving the financial inclusion agenda for the visually impaired through the development of the first-of-its-kind 'talking ATM', allowing the visually impaired to be guided by audio instructions when using ATM machines at selected locations.
- Continued support for sustainability-focused social enterprises such as the Asli Co and Benak Raya Enterprise by onboarding them to the Bank's CSR platform, HLB Jumpstart.

**Innovation and Building Solutions Around Customer's Needs**

- Introduced various product enhancements on the HLB Connect mobile banking platform such as cardless ATM withdrawals, an 11 multi-currency account and in-app 'App Authorise' transaction to improve security and peace of mind when conducting banking online. It is also the first multi-lingual mobile banking app in Malaysia offering 3 language selections (English, Malay and Mandarin) to ensure that customers are able to transact in the language of their choice.
- Introduced first in-market interactive digital banking platform HLB Pocket Connect - an extension of the HLB Connect ecosystem developed for young digital natives to learn the value of 'Earn, Save and Spend'.
- Enabled mobile banking for business customers with everyday functionalities with Hong Leong ConnectFirst, easing banking affairs for business customers via mobile enabled platform.
- Introduced 'Hong Leong Bank Tap on Phone', a mobile-based contactless payment solution to turn Android mobile devices into a payment acceptance terminal, improving COVID-19 safety measures for micro, small and medium enterprises.

- First bank in Malaysia to launch 'Apply@HLB' a fully digital account onboarding process leveraging on eKYC technology. Started offering banking products and services via an e-commerce platform in partnership with Shopee, as well as fully deploying Google Workspace bank-wide, harnessing the power of working on cloud, enabling the utilisation of virtual meetings capabilities among employees, customers and business partners.

### **Sustainability journey and transformation**

- The Bank held its inaugural virtual Sustainability Briefing in June to inform the investment community about its various sustainability initiatives and milestones since it has first embarked on this strategic initiative.
- Topics covered during the session includes the Bank's strong governance culture; the incorporation of sustainability into lending practices and various initiatives of the Bank in managing its own environmental footprint.
- In its efforts to strengthen sustainable financing practices, HLB has further enhanced its Business & Corporate Banking ESG Framework since its launch last year. The Bank has also held roundtable sessions to engage SME and corporate clients on a sustainability transformation conversation. On top of that, the Bank has introduced climate-positive financing to promote adoption of sustainable business strategies amongst its customers. To date, the Bank has approved RM1.4 billion in renewable energy financing for solar, biomass, biogas and small hydropower projects.
- Apart from that, consumer/retail banking has been exploring and identifying opportunities to provide green financing and incentive for individual customers for amongst others, e-cars/green cars loan/financing.
- HLB has continued making incremental improvements to its ability to better manage its environmental footprint. The Bank is currently looking into further refining its GHG emissions disclosures as well as exploring carbon offset initiatives in effort to becoming a carbon neutral bank.

### **Employee and Community Focus**

- Engaged and supported employees through strong employee engagement amid the pandemic using platforms such as Google Connect, the PlusVibes app and Brown Bag sessions.
- Donated RM255,368.86 to Mercy Malaysia as part of a community disaster response effort to aid in ongoing COVID-19 response mobilisation and support.
- Donated RM27,000 to the University of Malaysia Medical Centre to a High Flow Nasal Cannula Oxygen ("HFNC") non-invasive ventilator unit to help critical patients suffering from COVID-19.

**Recognition**

The focus on innovation, community and employees has earned HLB accolades such as:

- Malaysia's Best SME Bank and Best Digital Bank by Asiamoney, recognising its leadership position in providing holistic banking solutions powered by digital innovation, efforts to accelerate digital transformation and enable customers' digital engagement.
- The IRBA Excellence Award 2020 for Islamic Digital Banking for Hong Leong Islamic Bank's efforts to innovate and shape the Islamic digital retail banking landscape in Malaysia.
- Excellence in Leadership in Asia 2020 award recognising HLB as one of the top six banks in Asia and the only Bank from Malaysia by Euromoney Awards for Excellence 2020 for its commitment in extending support to its business, SME and individual customers and communities at large during the COVID-19 health and economic crisis.
- Global Good Governance Award for Best Social Impact for HLB Jumpstart and Human Resources Development.
- HR Excellence Awards winning silver in the categories of HR Leader of the Year, Young HR Talent of the Year and Excellence in HR Innovation.
- Employee Experience Awards 2021, winning in the categories of Best Digital Transformation Strategy (Gold) for efforts in reimagining HR through technology and Best Soft Skills Training Program (Silver) for providing its employees with the best opportunities to realise career aspirations.

**Business Outlook**

Fuda commented, "The economic environment remains challenging, with some economies seeing steady recovery although signs of plateauing have emerged. Continued policy support and vaccine progress should help cushion uncertainties surrounding the pandemic and the resurging cases caused by new variants. Domestically, containment measures pose downside risks to growth outlook but favourable vaccination rates and growth in our major trading partners, plus accommodative policy measures, should underpin a reasonable level of growth going into 2022.

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. We remained steadfast in supporting existing and new clients over the course of the past year, to ensure that they can focus on their recovery efforts. In this new normal environment, it will undoubtedly present us with growth opportunities which we will endeavour to capture by being agile and responsive to the changing landscape. Concurrently, we will continue to be disciplined in our investments and expenditure to ensure a cost structure that enables us to invest in growth opportunities that will deliver sustainable outcomes 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.

For further information, please visit [www.hlb.com.my](http://www.hlb.com.my) or contact:

**Media:**

Vivian Tan

General Manager, Corporate Communication & CSR

DID: 03-2081 8888 ext 61914

Email: [VivianTan@hlbb.hongleong.com.my](mailto:VivianTan@hlbb.hongleong.com.my)

**Investor Relations:**

Chow Sheng Wai

Head, Corporate Finance & Investor Relations

DID: 03-2181 2972

Email: [IR@hlbb.hongleong.com.my](mailto:IR@hlbb.hongleong.com.my)