

## **HONG LEONG BANK ANNOUNCES FIRST QUARTER RESULTS: COMMENCING THE NEW FINANCIAL YEAR ON A POSITIVE NOTE**

**Kuala Lumpur, 29 November 2021** - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the quarter ended 30 September 2021 (“Q1FY22”).

- ✦ ***Net profit after tax was higher by 17.7% year-on-year (“y-o-y”) at RM858 million.***
- ✦ ***Gross loans and financing grew 5.2% y-o-y to RM155.8 billion, with asset quality remaining solid, reflected by a Gross Impaired Loan (“GIL”) ratio of 0.48%.***
- ✦ ***Healthy capital and liquidity positions with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 13.0%, 13.5% and 15.7% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) were resilient at 83.8% and 167.2% respectively.***

**Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented,** “The Malaysian economy is showing signs of gaining momentum following the implementation of the National Recovery Plan and the reopening of the economy as vaccination rates continue to rise. Resumption in domestic demand and expansion in exports complemented with improved confidence from both consumers and businesses are expected to contribute to the country’s growth prospects in the year ahead. Nonetheless, we remain vigilant and responsive to the needs of our existing and new clients to ensure that they receive the support needed in a timely manner as part of their recovery journeys.

Continued execution of our strategic priorities have provided us a strong foundation to begin the new financial year with an encouraging set of results for Q1FY22, underpinned by an effective cost management structure, continued discipline in our investments and loan/financing portfolio growth. Consequently, enabling us to deliver sustainable outcomes to all our stakeholders. Net profit after tax increased 17.7% y-o-y to RM858 million on the back of topline growth, disciplined expense management, lower loan impairment allowances and robust contributions from our associates.

Gross loans and financing growth was healthy at 5.2% y-o-y, driven by the positive business sentiment and economic recovery during the quarter as well as expansion in SMEs and corporate businesses. While ensuring all clients receive the necessary assistance, we continue to closely monitor and uphold our asset quality, ending the quarter with a solid GIL ratio of 0.48%. Amid the still uncertain business backdrop, we have leaned on the side of prudence and continue to build up additional pre-emptive impairment buffers.”

**Commendable business performance**

- *Total income* for Q1FY22 saw a growth of 2.3% y-o-y to RM1,380 million, led by loan/financing expansion, prudent asset-liability management and higher net interest income.
- *Net interest income* for Q1FY22 grew 13.0% y-o-y to RM1,121 million, with a corresponding *net interest margin ("NIM")* at 2.13%. This is mainly attributed to the Bank's concerted efforts in managing funding cost and loan/financing expansion.
- *Non-interest income* for Q1FY22 was compressed at RM259 million with a non-interest income ratio of 18.8%, mainly attributed to losses arising from the sale of financial assets which was alleviated by higher fee income from the wealth management segment.
- *Operating expenses ("opex")* for Q1FY22 was 2.7% y-o-y lower to RM507 million as the Bank continues to benefit from cost optimisation strategies. Accordingly, *cost-to-income ratio* improved to 36.8%.
- Consequently, *operating profit before allowances* for Q1FY22 was RM873 million, a 5.4% y-o-y increase compared to last year.

**Robust Growth in Loans/Financing**

- *Gross loans, advances and financing* maintained a robust growth, expanding 5.2% y-o-y to RM155.8 billion, as the Bank continues to provide financing support to clients in support of their business growth and personal financing needs. The Bank's healthy loan growth is predominantly led by expansion in key segments of mortgages, SME and commercial banking.
- *Domestic loans/financing* growth of 4.5% y-o-y continued ahead of industry growth rate of 2.9% y-o-y.
- *Residential mortgages* are 4.5% higher y-o-y at RM77.9 billion, on the back of a healthy loan pipeline while *transport vehicle loans/financing* remained muted at RM16.5 billion due to lower car sales performance during the reimplementations of movement restrictions.
- *Domestic loans to business enterprises* increased by 11.9% y-o-y to RM48.5 billion, whilst the Bank's support of SMEs saw this loan/financing portfolio up 10.8% y-o-y to RM26.4 billion. The Bank's community banking initiative, within the SME segment, maintained its solid growth rate of 15.2% y-o-y, attributed to its capability in improving customer experience by leveraging on technologies and customer insights, with the aim of personalising banking solutions around customers' needs.
- Loans and financing from overseas operations grew 21.2% y-o-y, attributed to solid y-o-y growth of 44.7%, 26.2% and 16.1% in Vietnam, Cambodia and Singapore respectively.

**Prudent Funding and Liquidity Position**

- Maintaining prudent funding and liquidity positions is key in enabling the Bank to continuously provide the support clients need throughout their recovery journey. Accordingly, LDR was maintained at 83.8% while LCR improved to 167.2% compared to 157.3% a year ago.
- *Customer deposits* for Q1FY22 rose by 4.9% y-o-y to RM183.2 billion, with *CASA* growth at 16.9% y-o-y to RM59.2 billion, uplifting the *CASA* ratio to 32.3% as we continue to leverage on the Bank's effective cash management solutions and product innovations.
- The Bank's funding base remained stable, supported by a sound individual deposit base, which expanded by 1.2% y-o-y to RM94.7 billion, exemplified by an individual deposit mix ratio of 51.7%.

**Solid Asset Quality and Healthy Capital Position**

- Asset quality position of the Bank remained solid with a low *GIL ratio* of 0.48% whilst *loan impairment coverage ("LIC")* is well positioned at 239% as at 30 September 2021. Inclusive of the value of securities the Bank holds on our *GIL*, the Bank's *LIC* ratio stood at 309%.
- Capital position of the Bank is healthy and supportive of future growth opportunities with *CET 1*, *Tier 1* and *Total Capital ratios* at 13.0%, 13.5% and 15.7% respectively as at 30 September 2021.

**Regional Contribution**

- International operations accounted for 24.3% of the Bank's pre-tax profit in Q1FY22, primarily driven by robust contributions from Bank of Chengdu ("BOCD"). Profit contribution from BOCD improved 28.3% y-o-y to RM212 million in Q1FY22, representing 20.4% of the Bank's pre-tax profit.

The Bank has continued to reach out and offer assistance to customers and the communities impacted during the lockdown period between July to September 2021. Some of the initiatives undertaken in the first quarter of the financial year under review are:

### **Continued Repayments Assistance for Customers**

- HLB and HLISB have extended RM34.9 billion as at 31 October 2021 of Payment/Repayment Relief Assistance plans, which include the PEMULIH Payment/Repayment Relief Assistance introduced this July to its individual and SME customers.

### **COVID-19 Initiatives for Communities**

- Contributed RM30,000 to support UCSI University's COVID-19 PPV centre operations.
- Contributed RM34,650 towards FINCO initiative where cash were distributed to 77 students and their families to be used to provide them with grocery support for three months.
- In conjunction with the launch of the HLB Employee CSR activities, a staff volunteer programme, employees donated RM90,000 and 1.8 tonnes of food to 8 soup kitchens which went towards providing sustenance to 9,000 plus individuals. For its school food programme, employees donated 74.3 tonnes of food aid to 219 schools nationwide, helping 4,952 deserving students and their families.

### **Community Investment**

- Continued providing students with access to financial literacy and inclusion through the Bank's financial sustainability programme held over 4 sessions in Q1FY22 for students from Herriot Watt and Monash University, with many more similar initiatives lined up for the rest of the financial year.

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

- Launched the HLB Digital Business Day themed '*Transform Your Business in the Digital Era*', which is dedicated to help all businesses introduce smarter digital strategies and solutions, along with how to best leverage them to drive business growth and achieve a competitive advantage.
- Organised the 'Can You Hack It' virtual hackathon themed '*Environmental, Social and Governance ("ESG")*', which aims to generate creative ideas and unique solutions on how people in the region interpret ESG and how technology can be leveraged to improve digital banking products, services and experiences.

**Recognition**

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

- The Best Cash Management Bank for the Asian Banker Transaction Finance Awards 2021.
- The Best Digital Bank by, Asiamoney's Best Bank Awards 2021.
- Recognised as one of the Leaders for Women 2021 in Asia by Asiamoney.

**Business Outlook**

Fuda commented, "Recovery in the global economy has shifted to a lower gear, softened by disruptions in global supply chain and the resultant heightening in inflationary risks. On a more positive note, we observe added signs of recovery in the Malaysian economy, spurred by phased reopening of more economic sectors and the lifting of interstate travel ban. Continued accommodative policy stance will also help underpin recovery going forward."

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 customers are at the center 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 endeavor 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. With the increasing importance of Sustainability for financial institutions, the Bank has plans underway to play its part in promoting and integrating environmental, social and governance ("ESG") considerations in its business operations and practices. This would help the Bank in sustaining its competitive edge."

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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 centers 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)