

HONG LEONG BANK ANNOUNCES FIRST HALF RESULTS: RESILIENT PERFORMANCE SUPPORTED BY ROBUST GROWTH IN LOAN/FINANCING PORTFOLIO

Kuala Lumpur, 28 February 2022 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the six months ended 31 December 2021 (“H1FY22”).

- ✦ ***Net profit after tax was higher by 14.1% year-on-year (“y-o-y”) at RM1,597 million.***
- ✦ ***Gross loans and financing maintained its growth momentum, grew by 6.7% y-o-y to RM160.1 billion, while upholding solid asset quality, reflected by an improved Gross Impaired Loan (“GIL”) ratio to 0.46%.***
- ✦ ***Capital and liquidity positions continue to be healthy with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 13.1%, 13.6% and 15.7% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) were resilient at 83.7% and 149.5% respectively.***

Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented, “The second quarter of our financial year saw the reopening of the economy and subsequent pickup in economic activities which correspondingly resulted in more demand from clients for loans/financing, as such, we were able to maintain the growth momentum we have seen over the past few quarters. The trajectory of the global recovery is expected to remain positive as the Omicron wave of COVID-19 has been manageable without resorting to lockdowns nor severe restrictions. As vaccination rates in Malaysia and in most of our key trading partners are relatively high, including the additional protection from the booster shots, we are optimistic that Malaysia should be able to sustain its recovery momentum. Additionally, accommodative fiscal and monetary policy measures in place are expected to help support the recovery, although some jurisdictions are expected to tighten monetary policy in coming quarters. We expect such tightening to be gradual so as not to negatively impact the global recovery underway.

Our ability to swiftly adapt to the changing circumstances and discipline in both investments and expenditure have provided us the impetus to execute our strategic priorities to deliver sustainable outcomes to our stakeholders. This has provided us a strong foundation to attain a resilient set of results for H1FY22 as net profit after tax increased 14.1% y-o-y to RM1,597 million on the back of solid loan/financing growth, prudent cost management, lower loan impairment allowances and robust contributions from our associates.

Gross loans and financing grew by 6.7% y-o-y, led by expansion in our mortgage portfolio and extensive financing provided to SMEs and corporate businesses which was driven by the economic recovery during the quarter. Our concerted efforts in working closely with our clients by extending support when necessary has allowed us to maintain our solid asset quality, with a GIL ratio of 0.46%.”

Resilient business performance

- *Total income* for H1FY22 remained stable y-o-y at RM2,751 million on the back of higher net interest income but was negated by a lower non-interest income contribution.
- *Net interest income* grew to RM1,176 million for the quarter ended 31 December 2021 (“Q2FY22”), up 8.6% y-o-y underpinned by strong loan/financing expansion and effective funding cost management. Correspondingly, net interest income for H1FY22 increased by 10.7% y-o-y to RM2,297 million. This translates into a *net interest margin (“NIM”)* of 2.19% and 2.16% for Q2FY22 and H1FY22 respectively.
- *Non-interest income* for H1FY22 was compressed at RM454 million with a non-interest income ratio of 16.5%, mainly attributed to lower revaluation and disposal gains of financial assets. This was alleviated by our stronger wealth management income stream and higher card fees backed by the recovery in retail customer spend.
- *Operating expenses (“opex”)* for H1FY22 were 1.2% y-o-y lower at RM1,020 million as we continuously manage our expenses with discipline. Accordingly, *cost-to-income ratio* was commendable at 37.1%.
- Consequently, *operating profit before allowances* for H1FY22 was higher at RM1,731 million as compared to the same period last year.

Expansion in Loans/Financing

- *Gross loans, advances and financing* picked up its growth momentum, expanding 6.7% y-o-y to RM160.1 billion, as the Bank continues to provide timely financing to clients to support their business recovery and growth. The Bank’s solid loan/financing growth is predominantly led by expansion in key segments of mortgages, SME and commercial banking.
- *Domestic loans/financing* growth of 5.7% y-o-y continued ahead of industry growth rate of 4.5% y-o-y.
- *Residential mortgages* were 5.5% higher y-o-y at RM79.6 billion, on the back of a healthy loan pipeline while *transport vehicle loans/financing* grew 2.5% q-o-q to RM17.0 billion driven by increase in vehicle sales activities resulted from the lifting of movement control order.
- *Domestic loans to business enterprises* expanded strongly by 13.3% y-o-y to RM50.4 billion, whilst the Bank’s support of SMEs saw this loan/financing portfolio up 16.6% y-o-y to RM28.1 billion. The Bank’s community banking initiative, within the SME segment, maintained its robust growth rate of 17.9% y-o-y. This is attributable to our strengths in technologies and innovation which enabled the Bank to personalise various banking solutions around customers’ needs to improve their banking experience with us.
- Loans and financing from overseas operations grew 25.7% y-o-y, backed by solid y-o-y growth of 51.5%, 34.2% and 18.9% in Vietnam, Cambodia and Singapore respectively.

Prudent Funding and Liquidity Position

- The Bank places strong emphasis in maintaining solid funding and liquidity positions as it is imperative in enabling the Bank to continuously provide the necessary support for clients throughout their recovery journey. Accordingly, our LDR was stable at 83.7% while LCR improved to 149.5%.
- *Customer deposits* for H1FY22 rose by 6.8% y-o-y to RM188.6 billion, with *CASA* growth of 18.6% y-o-y to RM62.3 billion, uplifting the *CASA* ratio to 33.1%. The strong growth is a result of the Bank's effective cash management solutions and improved cross-selling via product innovations.
- The Bank continued to maintain a stable funding base, supported by a sound individual deposit base, which increased by 4.5% y-o-y to RM96.7 billion, represented by an individual deposit mix ratio of 51.3%.

Solid Asset Quality and Healthy Capital Position

- Asset quality position of the Bank improved with a solid *GIL ratio* of 0.46% whilst *loan impairment coverage ("LIC")* is well positioned at 250.6% as at 31 December 2021. Inclusive of the value of securities the Bank holds on our *GIL*, the Bank's *LIC* ratio stood at 320.6%.
- Capital position of the Bank remains healthy and supportive of future growth with *CET 1*, *Tier 1* and *Total Capital ratios* at 13.1%, 13.6% and 15.7% respectively as at 31 December 2021.

Regional Contribution

- International operations accounted for 25.0% of the Bank's pre-tax profit in H1FY22, primarily driven by robust contributions from Bank of Chengdu ("BOCD"). Profit contribution from BOCD improved 39.6% y-o-y to RM462 million in H1FY22, representing 21.8% of the Bank's pre-tax profit.

Dividend

- The Board has declared an interim dividend of 18.0 sen per share for H1FY22.

Continued Repayments Assistance for Customers

- HLB mobilised a 'Flood Relief Assistance' programme offering up to a six-month payment deferment on loan and financing facilities, including credit cards, for affected individual, SME and Microenterprise customers.
- Additional financing was also made available to existing SME and Microenterprise customers who required working capital to facilitate their business recovery as a result of the floods.
- Affected customers who were receiving assistance under the Bank's Payment Relief Assistance Plans ("PRAP") or the PEMULIH Repayment Assistance, were also eligible to apply for the Flood Relief Assistance.
- The Bank also offered free replacement of bank-related documents such as debit and credit cards as well as cheques and bank statements that were damaged or lost in the floods.
- HLB and HLISB have extended RM26.4 billion as at 31 January 2022 of Payment/Repayment Relief Assistance plans, which include the PEMULIH Payment/Repayment Relief Assistance to its individual and SME customers.

Flood Relief Initiatives for Communities

- HLB mobilised a donation drive which resulted in over 3,000 essentials such as food, cleaning items, clothing, diapers, sanitary items, baby formula and pet food amongst others being donated towards Hong Leong Foundation's relief initiative for flood-stricken areas in Dusun Tua, Hulu Langat, Taman Sri Muda, Shah Alam, Kg Tengah, Puchong and Mentakab, Pahang through a donation drive held at the Bank's headquarters in Menara Hong Leong.

Community Investment

- Continued providing students with access to financial literacy and inclusion through the Bank's financial sustainability programme held over 4 sessions for students from Meritus, HELP and Sunway universities and Tzu Chi International school with many more similar initiatives lined up for the rest of the financial year.

Innovation and Building Solutions Around Customer's Needs

- Hong Leong Bank and Hong Leong Islamic Bank launched the new HLB Solar Plus Loan/Financing-i which allows home owners, including those with homes under construction, to seamlessly apply for financing of solar power energy systems together with their home loan/financing application, cutting down on the need for multiple financing applications.
- Through this facility, customers can obtain a margin of financing of up to 105% on the property value or a maximum of RM60,000 to finance the solar power energy system.

Recognition

- HLB consistently adopts a client focus approach to ensure that we deliver best-in-class banking and financial products and services to SMEs, Commercial and Corporate clients in Malaysia.
- For the third year in a row, HLB has been awarded the 'Best SME Bank' in Malaysia Awards 2021 by The Asian Banker, one of the most prestigious international awards in the financial services industry.
- HLB was recognised for its SME customer base and loan book growth despite a challenging 2020, as well as recognised for the digital banking products and services that have assisted SMEs in undergoing digital transformation during COVID-19. The Bank was also acknowledged for its robust PRAP that enabled simplified digital processes to ensure SMEs obtain the assistance needed timely to alleviate financial burdens and sustain their business through the pandemic.
- HLB's digital strategy combines innovation with a deep introspection into customers' experience and needs to make banking simple for customers. HLB also clinched two awards for Best Digital Bank in Malaysia from Asiamoney and The Digital Banker, reaffirming our ethos of being Digital at the Core and putting customers at the heart of our digital transformation and innovation journey.
- HLB was also recognised for our continuous commitment towards embedding sustainability as part of our normal business operations in The Asset ESG Corporate Awards 2021: Benchmark Award where we won the Gold Award. In addition to this, the Bank was also highly commended in the Sustainable Business Awards Malaysia 2020/21.

Business Outlook

Fuda commented, "The outlook of the world economy has improved since the middle of 2021, however, uncertainties remain due to the ongoing supply chain disruption, containment of virus variants, as well as the implications of inflationary risks on real demand, in addition to risks of untimely withdrawal of policy support. Nevertheless, the Malaysian economy is expected to see quicker growth in 2022, playing catch-up as continuous opening of economic sectors and extended accommodative monetary and fiscal policy support will continue to underpin growth prospects this year.

The Bank will continue to support the growth of the economy and our customers which include customers seeking for personal loan/financing, SMEs looking to get ahead in their recovery journey post pandemic and those taking steps to include resiliency measures to fortify their businesses by automating or digitising operations to better deal with future shocks.

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.

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