

HONG LEONG BANK ANNOUNCES 9MFY22 RESULTS: COMMENDABLE PERFORMANCE ON HEALTHY LOAN/FINANCING GROWTH AND SOLID FUNDAMENTALS

Kuala Lumpur, 30 May 2022 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the nine months ended 31 March 2022 (“9MFY22”).

- ✦ ***Net profit after tax for 9MFY22 improved 9.7% year-on-year (“y-o-y”) to RM2,382 million.***
- ✦ ***Gross loans and financing maintained a healthy growth momentum, expanding by 6.3% y-o-y to RM162.5 billion.***
- ✦ ***As part of our ESG commitment to financial inclusion, we continued to extend the necessary financial assistance to clients, where required.***
- ✦ ***Asset quality remains solid as reflected by a Gross Impaired Loan (“GIL”) ratio of 0.48%.***
- ✦ ***Robust capital and liquidity positions with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 12.7%, 13.3% and 15.4% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) were prudently managed at 83.5% and 137.1% respectively.***

Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented, “As we transition to the endemic phase, the strong vaccination rates continue to provide the necessary impetus for Malaysia’s economic recovery to pre-pandemic levels. Despite risks from elevated inflation, COVID-19 and geopolitical-related uncertainties, the recovery prospects will be underpinned by robust external demand, domestic private consumption and international borders reopening. Aligned with the pickup in economic activities, the Bank should see demand for loan/financing from clients remaining robust over coming quarters.

Within this backdrop of an economic recovery, we have been agile and adaptive in capturing new growth opportunities and executing our strategic priorities to deliver sustainable outcomes to our stakeholders. Accordingly, we have achieved a resilient set of results for 9MFY22 as net profit after tax improved 9.7% y-o-y to RM2,382 million on the back of solid loan/financing growth, effective cost management, lower loan impairment allowances and robust contributions from our associates.

Gross loans and financing expanded by 6.3% y-o-y, led by the continuing expansion in our mortgage, SMEs and corporate businesses portfolio, in line with the overall trajectory of economic growth. While we are steadfast in extending the necessary financial assistance to our clients, we consistently aim to maintain strong asset quality across all loan portfolios through our robust credit framework. Consequently, we have attained an overall GIL ratio of 0.48%, coupled with sufficient loan impairment coverage buffer of 217.8%.”

Resilient business performance

- *Total income* for 9MFY22 remained stable y-o-y at RM4,099 million, underpinned by higher net interest income but was negated by a lower non-interest income contribution against the backdrop of unfavourable market conditions.
- *Net interest income* grew to RM1,162 million for the quarter ended 31 March 2022 (“Q3FY22”), up 6.1% y-o-y backed by solid loan/financing growth and our concerted efforts in optimising funding costs. Accordingly, for 9MFY22, net interest income was 9.1% higher y-o-y at RM3,459 million. This translates into a *net interest margin (“NIM”)* of 2.15% and 2.16% for Q3FY22 and 9MFY22 respectively.
- *Non-interest income* for 9MFY22 was compressed at RM640 million with a non-interest income ratio of 15.6%, mainly attributed to lower revaluation and disposal gains on investment securities. This was alleviated by the stronger wealth management income stream and higher card fees, in line with the recovery in retail customer spend.
- *Operating expenses (“opex”)* for 9MFY22 were RM1,538 million, hovering at similar levels across several quarters as we tightly managed our expenses. Accordingly, the *cost-to-income ratio (“CIR”)* was commendable at 37.5%.
- Correspondingly, *operating profit before allowances* for 9MFY22 inched lower by 1.1% y-o-y to RM2,561 million.

Expansion in Key Segments of the Loans/Financing Portfolio

- *Gross loans, advances and financing* maintained their growth trajectories, expanding 6.3% y-o-y to RM162.5 billion, driven by expansion in our key segments of mortgages, SME and commercial banking.
- *Domestic loans/financing* growth of 5.3% y-o-y continued ahead of the industry growth rate of 4.6% y-o-y.
- *Residential mortgages* are 5.7% higher y-o-y at RM80.8 billion, supported by a healthy loan pipeline while *transport vehicle loans/financing* grew 1.3% y-o-y to RM17.1 billion.
- *Domestic loans to business enterprises* increased by 11.4% y-o-y to RM51.7 billion, whilst our support of SMEs saw this loan/financing portfolio grew 12.4% y-o-y to RM28.3 billion. The Bank’s community banking initiative, within the SME segment, maintained a robust growth rate of 18.1% y-o-y, attributed to our strong commitment in technologies and innovation which enabled the Bank to improve customer experience as well as provide the necessary support for clients in their recovery journey.
- Loans and financing from overseas operations grew 25.2% y-o-y, backed by solid y-o-y growth of 38.5%, 32.6% and 20.3% in Vietnam, Cambodia and Singapore respectively.

Healthy Funding and Liquidity Position

- The Bank's healthy funding and liquidity positions enable us to continuously capture business growth opportunities that deliver sustainable outcomes to our stakeholders. Our LDR and LCR were comfortably positioned at 83.5% and 137.1% respectively.
- *Customer deposits* for 9MFY22 rose by 5.4% y-o-y to RM190.4 billion, with *CASA* expanding 11.7% y-o-y to RM63.0 billion which uplifted the *CASA* ratio to 33.1% from 31.2% in the corresponding period last year. Our robust deposit base is a result of the Bank's effective cash management offerings and improved cross-selling efforts.
- The Bank's funding base remained stable as bolstered by an established individual deposit portfolio, which grew 8.0% y-o-y to RM99.6 billion, representing an individual deposit mix ratio of 52.3%.

Asset Quality and Capital Positions Remained Solid

- Asset quality position of the Bank remained solid with a stable *GIL ratio* of 0.48% whilst *loan impairment coverage ("LIC") ratio* as at 31 March 2022 was higher y-o-y at 217.8%. Inclusive of the provisions made and the value of securities held on our *GIL*, the Bank's *LIC* ratio comfortably stood at 287.8%.
- Capital position of the Bank is healthy with *CET 1*, *Tier 1* and *Total Capital ratios* at 12.7%, 13.3% and 15.4% respectively as at 31 March 2022.

Regional Contribution

- International operations accounted for 25.7% of the Bank's pre-tax profit in 9MFY22, primarily driven by the robust contribution from Bank of Chengdu ("BOCD"). Profit contribution from BOCD improved 39.8% y-o-y to RM709.7 million in 9MFY22, representing 22.5% of the Bank's pre-tax profit.

Building Solutions Around Customer's Needs

- Hong Leong Bank Cambodia unveiled a new full-fledged bank branch at Borey Peng Huoth Boeung Snor to serve as another touchpoint for Cambodians to easily access banking services as part of its commitment to financial inclusion.

Sustainability

- HLB kick-started its mangrove swamp ecosystem rehabilitation and conservation project with the Malaysian Nature Society ("MNS"). Together with MNS, the Bank will restore 15 hectares of degraded forest land by planting approximately 50,000 new mangrove trees in the Kuala Selangor Nature Park over the next three years as part of the Bank's commitment to help mitigate climate change, and offset its own operations' environmental impact.

Repayments Assistance for Customers

- In response to the recent floods in Kelantan and Terengganu, HLB activated its 'Flood Relief Assistance' programme which offers 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 already receiving assistance under the Bank's Payment Relief Assistance Plans ("PRAP"), PEMULIH Repayment Assistance or URUS 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 damaged or lost in the floods.
- While assistance through URUS has ended, HLB continues to support customers by customising assistance plans based on their needs.

Recognition

HLB's consistent adoption of a holistic approach towards sustainability, digital innovations and client-centric to ensure that we deliver best-in-class banking and financial products and services have seen the Bank winning the following awards:

- Environmental Finance Bond Awards - Asset-backed/asset-based/covered sustainability bond of the year 2021 for its inaugural RM 300 million Socially Sustainable Securitisation to Cagamas
- The Global Good Governance Awards for 3G Leadership in Corporate Governance Award 2022, 3G Best CSR Campaign Award 2022, and the 3G Best Sustainability Disclosure & Reporting Award 2022 by Cambridge IFA
- Anugerah Pembayar Cukai Terbaik Tahun 2021 - In recognition of HLB's continuous commitment in good tax governance and compliance by Lembaga Hasil Dalam Negeri (LHDN)
- The only Malaysian Bank recognised as Most Helpful Traders in Domestic Currency Asian Bonds, Top 4 Ranking in Asia Ex Japan and 2nd Most Helpful Analysts in Domestic Currency Asian Bonds in Asia Ex Japan in the Asian Fixed Income Highlights 2021 by CRISIL.

Business Outlook

Fuda commented, "The Malaysian economy is on the path of recovery and is expected to gather pace to between 5.3% to 6.3% in 2022. The expansion will be primarily driven by domestic demand as consumption spending picks up steam underpinned by improvement in the labour market and higher commodity prices. There are also tentative signs of improvement in investment activities as the economy reopens. This shall help cushion potential fallout arising from external uncertainties including the Russia-Ukraine conflict, and slowdown in China.

In the journey to be a highly digital and innovative ASEAN financial services institution, we are committed in emphasising innovation as well as building products and services propositions for our customers that ring true to our brand promise of "Built Around You" where clients are at the centre of everything we do. Aligned with the pickup in economic activities and the transition to

the endemic phase, we are resolute in providing the necessary financial assistance timely to both our existing and new clients to ensure that they can concentrate on their recovery efforts.

The evolving business backdrop will undoubtedly present us with new growth opportunities, which we will strive to capture by swiftly adapting to the constantly changing circumstances, and being disciplined in our investments and expenditures that will deliver sustainable outcomes to our stakeholders. The Bank is also committed to promoting and integrating ESG considerations into our business practices as we believe sustainable banking practices will serve as the foundation to our continued competitive advantage in the long term.”

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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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