

HONG LEONG BANK ANNOUNCES Q1FY23 RESULTS: STARTING THE NEW FINANCIAL YEAR WITH SOLID PERFORMANCE ON HEALTHY LOAN/FINANCING GROWTH

Kuala Lumpur, 29 November 2022 - Hong Leong Bank Berhad (“the Bank” or “HLB”), (BM: HLBANK) today announced its results for the quarter ended 30 September 2022 (“Q1FY23”).

- ✦ ***Net profit after tax for Q1FY23 was higher by 14.3% year-on-year (“y-o-y”) at RM981 million.***
- ✦ ***Gross loans and financing expanded 8.8% y-o-y to RM169.5 billion, maintaining its strong growth momentum.***
- ✦ ***Asset quality remained solid with a Gross Impaired Loan (“GIL”) ratio of 0.49% and healthy loan impairment coverage (“LIC”) ratio of 212.2%.***
- ✦ ***Robust capital and liquidity positions with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 12.9%, 14.0% and 16.1% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) were resilient at 84.2% and 136.9% respectively.***

Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented, “We commenced the new financial year with a set of encouraging results for the first quarter led by continued loan/financing growth, prudent balance sheet and funding management as well as cost optimisation. Amidst the challenging macroeconomic environment, the Malaysian economy did well during the quarter with growth underpinned by a healthy labour market, diversified export base and ongoing policy support.

Our net profit after tax grew 14.3% y-o-y to RM981 million for the first quarter underpinned by topline growth, effective cost management, low credit costs and robust contribution from associates. Consequently, we recorded an improved return on equity (“ROE”) of 12.6%.

Gross loans and financing portfolio expanded 8.8% y-o-y to RM169.5 billion, supported by expansion in our mortgage, SME and commercial banking segments, as well as overseas operations. In line with our robust credit underwriting process, our overall GIL ratio is stable at 0.49%, with adequate LIC of 212.2%.”

Solid Profitability Growth

- *Total income* for Q1FY23 recorded a growth of 8.7% y-o-y to RM1,500 million, driven by expansion in net interest income and sustained non-interest income contribution.
- *Net interest income* for Q1FY23 was higher by 9.9% y-o-y or 6.2% quarter-on-quarter (“q-o-q”) at RM1,232 million, as a result of solid loan/financing growth and effective asset/liability management. Correspondingly, *net interest margin (“NIM”)* improved 5bps y-o-y or 8bps q-o-q to 2.18%.
- *Non-interest income* for Q1FY23 rose 3.4% y-o-y to RM268 million with a non-interest income ratio of 17.9%. This is mainly attributed to higher fee income and sustained performance in treasury market activities.
- Operating expenses for the quarter continue to be prudently managed at RM541 million. Revenue continued to outpace expenses growth for Q1FY23, delivering positive JAWS with an improved *cost-to-income ratio (“CIR”)* of 36.0%.
- Consequently, *operating profit after allowances* for Q1FY23 grew by 11.9% y-o-y to RM922 million on the back of strong underlying business performance.

Robust Expansion in Loans/Financing

- *Gross loans, advances and financing* maintained a robust growth trajectory, expanding 8.8% y-o-y to RM169.5 billion. The growth is led by expansion in our key segments of mortgages, SME and commercial banking, as well as overseas operations.
- *Domestic loans/financing* growth of 7.1% y-o-y continues to outperform the industry growth rate of 6.5% y-o-y.
- *Residential mortgages* increased 8.4% y-o-y to RM84.4 billion, supported by a healthy loan pipeline while *transport vehicle loans/financing* growth momentum picked up and expanded by 10.1% y-o-y to RM18.2 billion, benefitting from higher vehicle sales.
- *Loans to domestic business enterprises* were 13.0% higher y-o-y at RM54.8 billion, whilst our support of SMEs saw this loan/financing portfolio up 14.5% y-o-y to RM30.2 billion. The Bank’s community banking initiative, within the SME segment, maintained a solid growth rate of 18.1% y-o-y, attributable to a strong loan/financing pipeline led by our digitalised processes to improve the turnaround time from loan application to approval and disbursement.
- Loans and financing from overseas operations grew 34.3% y-o-y, led by solid y-o-y growth of 52.3%, 32.5% and 27.9% in Vietnam, Singapore and Cambodia respectively.

Prudent Funding and Liquidity Position

- Liquidity remained robust and continues to be supportive of business growth with a LDR of 84.2%. LCR for Q1FY23 stood at 136.9%, comfortably above regulatory requirements.
- *Customer deposits* for Q1FY23 rose by 7.7% y-o-y to RM197.4 billion, with *CASA* growth at 7.7% y-o-y to RM63.7 billion and maintaining a stable *CASA* ratio at 32.3%, signifying effectiveness of the Bank’s cash management solutions and product innovations.

- The Bank's stable funding base continues to be backed by an established individual deposit portfolio, which expanded 4.7% y-o-y to RM99.1 billion, representing an individual deposit mix ratio of 50.2%.

Strong Asset Quality and Capital Positions

- The Bank's asset quality positions remained solid with a stable *GIL ratio* of 0.49% whilst *LIC ratio* is well positioned at 212.2% as at 30 September 2022. Inclusive of the provisions made and the value of securities held on our GIL, the Bank's LIC ratio comfortably stood at 282.2%.
- Capital position of the Bank remains strong with *CET 1*, *Tier 1* and *Total Capital ratios* at 12.9%, 14.0% and 16.1% respectively as at 30 September 2022.

Regional Contribution

- International operations accounted for 25.2% of the Bank's pre-tax profit in Q1FY23, primarily driven by the robust contribution from Bank of Chengdu ("BOCD"). Profit contribution from BOCD improved 22.6% y-o-y to RM259.9 million in Q1FY23, representing 21.9% of the Bank's pre-tax profit.

Financial and Digital Inclusion and Literacy

- In line with HLB's 'Digital at the Core' strategy and its ESG values, the Bank continuously strives for digital and financial inclusion and literacy among the various communities where it operates.
- This year, to improve digital and financial inclusion in Malaysia, the Bank has formed a partnership with Payments Network Malaysia Sdn Bhd ("PayNet") to roll out the first '**Project Cashless Kampung**' at Sekinchan, Selangor, making Sekinchan the first non-urban area in the country to be cashless-enabled. Since the roll-out, HLB has worked closely with local community leaders to ensure all 24,000 Sekinchan residents have access to full-fledged banking facilities and services. This initiative serves to empower 800 small businesses, schools and places of worship to digitalise their operations through the acceptance of cashless and contactless payments.
- Moreover, with Malaysians becoming increasingly more digital and spending more time online, the risk for financial fraud and scams also increases. Over the course of 2022, HLB has stepped up its digital and financial literacy communications with customers to enhance their knowledge and awareness of safer online banking practices and security enhancements. These initiatives are fully aligned with, and support, the five security measures outlined recently by the banking industry, along with the concerted industrywide initiatives to combat financial scams.

Business Outlook

Fuda commented, “The global economic outlook remains susceptible to potential fallout from aggressive monetary policy tightening, persistent inflation, financial market volatility, a slowdown in the China economy, and rising geopolitical risks. The Malaysian economy, however, is still expected to chart impressive growth of 6.5% to 7.0% this year, before normalising to 4.0% to 5.0% in 2023, supported by favourable domestic demand as a result of continuous improvement in the labour market and ongoing policy support. However, in tandem with the rest of the world, spillover effect from protracted inflationary pressures which are expected to impinge on real consumption would likely dampen growth prospects.

In line with our “Digital at the Core” ethos to become a highly digital and innovative ASEAN financial service institution, we constantly innovate and optimise our products and services to provide customers with a simple and seamless banking experience. Ringing true to our brand promise of “Built Around You”, customer centricity is our main priority as we ensure the necessary financing and support are provided to our customers in a timely manner.

Amid the dynamic business landscape, we are disciplined and focused in our investments and expenditure that allows us to capture opportunities that will deliver sustainable outcomes to our stakeholders. In our journey of becoming carbon neutral, we will continuously integrate robust ESG practices internally within our own business operations and engage proactively with all our external stakeholders to ensure that we make meaningful progress overtime.”

-END-

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 or contact:

Media:

Vivian Tan

General Manager, Corporate Communication & CSR

DID: 03-2081 8888 ext 61914

Email: 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