

## **HONG LEONG BANK ANNOUNCES 9MFY23 RESULTS: RESILIENT PERFORMANCE ON SUSTAINED LOAN/FINANCING GROWTH MOMENTUM AND HEALTHY ASSET QUALITY**

**Kuala Lumpur, 31 May 2023** - Hong Leong Bank Berhad (“the Bank” or “HLB”), (BM: HLBANK) today announced its results for the nine months ended 31 March 2023 (“9MFY23”).

- ✦ ***Net profit after tax for 9MFY23 increased 24.0% year-on-year (“y-o-y”) to RM2,954 million.***
- ✦ ***Gross loans and financing growth momentum continues, expanding by 7.2% y-o-y to RM174.2 billion.***
- ✦ ***Solid asset quality preserved with a Gross Impaired Loan (“GIL”) ratio of 0.52% and prudent loan impairment coverage (“LIC”) ratio of 197%.***
- ✦ ***Robust capital and liquidity positions with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 12.9%, 13.9% and 16.0% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) were managed at 84.0% and 140% respectively.***

**Domenic Fuda, Group Managing Director and Chief Executive Officer of HLB commented,** “We remain cautiously optimistic with the business outlook for the remainder of 2023 and are pleased with the solid underlying performance of the Bank year-to-date underpinned by healthy loan/financing growth, solid asset quality and prudent funding and liquidity positions amid a slowing global landscape further challenged by the recent US & European banking sector turmoil which has heightened downside growth risks and highlighted financial stability risks.

Net profit after tax for 9MFY23 was reported at RM2,954 million, up 24.0% y-o-y driven by healthy topline growth, prudent cost management and robust contributions from our associates. Accordingly, the return on equity (“ROE”) improved to 12.3% for 9MFY23.

Gross loans and financing expanded 7.2% y-o-y to RM174.2 billion, led by expansion in our mortgage, SME and commercial banking segments, as well as overseas operations. We continue to closely monitor asset quality across all our portfolios, which resulted in a low GIL ratio of 0.52% as at 31 March 2023, with sufficient LIC of 197%.”

### **Solid Business Performance**

- ***Total income*** for 9MFY23 improved 6.9% y-o-y to RM4,382 million, underpinned by above industry loan growth and healthy non-interest income contribution.
- ***Net interest income*** was stable y-o-y at RM3,463 million for 9MFY23, on the back of still elevated funding cost pressure, which was mitigated by loan/financing expansion and discipline asset/liability management. Correspondingly, ***net interest margin (“NIM”)*** for 9MFY23 stood at 2.03%.

- *Non-interest income* for 9MFY23 increased 43.7% y-o-y to RM919 million with non-interest income ratio recorded at 21.0%. This is attributed to higher credit card related fees coupled with improved performance in trade finance, trading and foreign exchange due to the strengthening of our local currency.
- Operating expenses (“*opex*”) were tightly managed and remained stable for the quarter, cumulatively sums up to RM1,646 million for 9MFY23 as we continue to place emphasis on our strategic cost management initiatives. Accordingly, *cost-to-income ratio (“CIR”)* was commendable at 37.6%.
- Consequently, *operating profit before allowances* for 9MFY23 improved by 6.9% y-o-y to RM2,736 million.

### **Loan/Financing Growth Momentum Sustained**

- *Gross loans, advances and financing* continue to deliver solid growth of 7.2% y-o-y to RM174.2 billion, driven by expansion in our key segments of mortgages, SME and commercial banking, as well as overseas operations.
- *Domestic loans/financing* growth of 6.2% y-o-y continues to outperform the industry growth rate of 4.9% y-o-y.
- *Residential mortgages* increased 8.5% y-o-y to RM87.7 billion, supported by a healthy loan pipeline while *transport vehicle loans/financing* growth was up 11.7% y-o-y to RM19.2 billion, in line with the higher sales volume of motor vehicles.
- *Loans to domestic business enterprises* grew 7.3% y-o-y to RM55.5 billion, whilst our support of SMEs saw this loan/financing portfolio expanded by 10.6% y-o-y to RM31.3 billion. The Bank’s community banking initiative, within the SME segment, also maintained a solid trajectory of 14.7% y-o-y, attributable to a strong loan/financing pipeline and our innovative digital banking offerings that enhance customer experiences and streamline the loan application process.
- Loans and financing from overseas operations was 22.0% higher y-o-y, attributed to solid y-o-y growth of 26.5%, 17.3% and 10.7% in Singapore, Vietnam and Cambodia respectively.

### **Prudent Funding and Liquidity Position**

- Maintaining strong funding and liquidity positions continues to be the Bank’s priority in these challenging times. As at 31 March 2023, we have maintained our prudent approach with LDR of 84.0%, whereas LCR remained well above the regulatory requirements at 140%.
- *Customer deposits* for 9MFY23 increased by 6.6% y-o-y to RM203.0 billion, supported by solid growth in business deposits of 7.7% y-o-y to RM93.9 billion whilst CASA ratio was steady at 29.8%.
- The Bank’s stable funding base continues to be supported by an established individual deposit portfolio of RM102.3 billion, representing an individual deposit mix ratio of 50.4%.

### **Healthy Asset Quality and Capital Positions**

- The Bank's asset quality positions remained healthy with a stable *GIL ratio* of 0.52% whilst *LIC ratio* stood comfortably at 197% as at 31 March 2023. Inclusive of the provisions made and the value of securities held on our GIL, the Bank's LIC ratio was 267%.
- Capital position of the Bank remained solid with *CET 1*, *Tier 1* and *Total Capital ratios* at 12.9%, 13.9% and 16.0% respectively as at 31 March 2023.

### **Regional Contribution**

- International operations make up 29.0% of the Bank's pre-tax profit in 9MFY23, primarily driven by the robust contribution from Bank of Chengdu ("BOCD"). Profit contribution from BOCD increased 31.7% y-o-y to RM934 million in 9MFY23, representing 26.1% of the Bank's pre-tax profit.

### **Strengthening Customers' Online Banking Security**

- As part of HLB's ongoing efforts to safeguard customers using our online and mobile banking services, the Bank has introduced the **Emergency Lock** feature for both HLB Connect online banking and mobile app. This security feature enables customers to immediately restrict activity on their account(s) from their own devices if they suspect they have fallen victim to a scam.
- This is in addition to previous initiatives to boost banking security and customers' awareness of safer online banking practices, such as the initiation of **AppAuthorise** and the "one mobile device per customer" security enhancements, as well as, a 'cooling' period when adding new payees for fund transfers.

### **Financial Inclusion and Digitalisation for the Community**

- HLB was proud to help the people of Sekinchan, Selangor to launch the town's "Visit Sekinchan 2023" following a successful roll-out of the Project Cashless Kampung in partnership with PayNet last year.
- The project was part of the Bank's ESG strategy to champion financial inclusion in the small town by ensuring all 24,000 Sekinchan residents have access to full-fledged banking facilities and services, and empowering 800 small business owners to digitalise their businesses through the acceptance of cashless and contactless payments.
- With the digital payment tools provided by the Bank, businesses in Sekinchan now have the flexibility to cater to more tourists and visitors who may prefer cashless transactions.

### **Community Disaster Assistance**

- In response to the major floods across several states in the country, the Bank activated its long-standing 'Flood Relief Assistance' programme for customers affected by the floods, offering payment deferments on loan and financing facilities, including credit cards, for up to six months, free replacements of debit and credit cards, cheques and bank statements that were damaged or lost in the floods.
- The Bank also offered additional financing to existing SME and micro-enterprise customers who required working capital to facilitate their business recovery.

**ESG Award Recognition**

- HLB's new data centre has received a **Titanium+ Tier** certification from the Green Climate Initiative ("GCI"), an industry-leading green technology accreditation organisation. With this accreditation, the Bank's data centre is officially a Certified Green Computing Facility and the only facility in Malaysia to achieve the prestigious Titanium+ ranking by scoring a near-perfect 99 out of 100 points in the Certified Green Computing Facility ("CGCF") Weighted Scorecard.
- The Bank's new data centre, which uses open-source, latest data governance architecture to enable real-time data processing, data mining, and in-depth analysis, was developed in line with the Bank's overall ESG framework.
- This recognition is a reflection of the Bank's continuous efforts in its strategic ESG initiatives towards being carbon neutral by 2050. In recent years, the Bank has continuously embedded ESG considerations throughout its business operations by implementing sustainability and environmental frameworks as part of its business strategy.
- In addition, HLB was once again named the winner of the "Sustainable Energy Financing" by a Domestic Bank at the National Energy Awards 2022 which was organised by the Malaysian Green Technology and Climate Change Corporation ("MGTC"), an agency of the Ministry of Natural Resources, Environment and Climate Change ("NRECC"). Winning the award two years in a row further affirms the Bank's commitment to assisting more customers in their sustainability journey.

**Business Outlook**

Fuda commented, "The Malaysian economy is expected to expand at a decent pace in the region of 4.0-5.0% in 2023, normalising from last year's exceptional growth. Resiliency in domestic demand underpinned by continuous expansion in private consumption and pick-up in investment activities are expected to help cushion external headwinds and uncertainties in the global financial markets. While the US banking turmoil appears contained for now, lingering recession risks among the major economies would continue to cloud global growth outlook.

In the journey to be a highly digital and innovative ASEAN financial services institution, we constantly strive to develop and tailor our banking solutions to our customers with the objective of optimising customer experience. Our initiatives are all anchored on our brand promise of "Built Around You", where customers are at the centre of everything we do. We continue to prudently manage our credit and liquidity risks and remain steadfast in navigating the ongoing business disruptions to ensure banking and financing requirements of individuals and businesses are met.

Amidst the challenging operating environment, we are disciplined in our investments and expenditures which allow us to invest in growth opportunities that will deliver sustainable outcomes to our stakeholders. In line with our carbon neutral ambition, the Bank will continuously integrate robust environmental, social and governance ("ESG") practices internally within our own business operations and engage proactively with all our external 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.

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