

For Immediate Release

HONG LEONG BANK ANNOUNCES FY2023 RESULTS: COMMENDABLE BUSINESS PERFORMANCE AMIDST CHALLENGING OPERATING ENVIRONMENT AND GLOBAL HEADWINDS

Kuala Lumpur, 30 August 2023 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the financial year ended 30 June 2023 (“FY2023”).

- ***Net profit after tax for FY2023 improved 16.1% year-on-year (“y-o-y”) to RM3.8 billion.***
- ***Gross loans and financing maintained commendable growth trajectory, expanding by 8.0% y-o-y to RM181.7 billion.***
- ***Healthy asset quality as reflected by a Gross Impaired Loan (“GIL”) ratio of 0.57% and prudent Loan Impairment Coverage (“LIC”) ratio of 168.8%.***
- ***Capital and liquidity positions remained robust with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 12.8%, 13.9% and 15.9% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) were resilient at 84.3% and 136.4% respectively.***

Kevin Lam, Group Managing Director and Chief Executive Officer of HLB commented, “We are pleased to announce that the Bank has achieved a set of commendable results for the FY2023 underpinned by robust loan/financing growth, healthy asset quality and reasonable returns amidst the ongoing external headwinds and volatility in global markets. We continue to navigate through an evolving business operating environment by remaining agile in executing our key strategic priorities and driving business growth.

Our net profit after tax for FY2023 improved 16.1% y-o-y to RM3.8 billion led by continued loan/financing expansion, sustained non-interest income and robust contributions from our associates. Consequently, we recorded an improved return on equity (“ROE”) of 11.8%.

Our gross loans and financing portfolio grew 8.0% y-o-y to RM181.7 billion, led by expansion in our mortgage, auto loans, SMEs and commercial banking segments as well as overseas operations. We continue to closely monitor our asset quality and place strong emphasis in our credit underwriting process as evidenced by a healthy GIL ratio of 0.57% as at 30 June 2023, with a sufficient LIC of 168.8%.”

Resilient Business Performance

- *Total income* for FY2023 recorded a 1.6% y-o-y growth to RM5,686 million, attributed to healthy loan/financing growth and improved non-interest income contribution.
- *Net interest income* was stable y-o-y at RM4,552 million for FY2023, on the back of elevated funding cost pressure, which was mitigated by expansion in loan/financing portfolio and effective asset/liability management. Accordingly, this translates to a *net interest margin* (“NIM”) of 1.98% for FY2023. We have seen that a stabilisation of funding cost pressure coupled with the OPR hike in May would provide further relief to the NIM moving forward.
- *Non-interest income* for FY2023 improved 15.8% y-o-y to RM1,133 million with a non-interest income ratio of 19.9%. This is mainly attributed to growth in credit card related fees in line with economic recovery and improved performance in trade finance and foreign exchange during the year.
- *Operating expenses* (“opex”) for FY2023 were prudently managed at RM2,233 million, as we continue to tightly manage our expenses through strategic cost management initiatives. Accordingly, the *cost-to-income ratio* (“CIR”) was solid at 39.3%.
- Correspondingly, we recorded an *operating profit after allowances* of RM3,337 million for FY2023, while *profit before tax* increased 6.0% y-o-y to RM4,627 million.

Commendable Loans/Financing Growth

- *Gross loans, advances and financing* maintained a commendable growth trajectory, expanding 8.0% y-o-y to RM181.7 billion, driven by expansion in our key segments of mortgages, auto loans, SME and commercial banking, as well as overseas operations.
- *Domestic loans/financing* growth of 7.2% y-o-y continues to outperform the industry growth rate of 4.3% y-o-y.
- *Residential mortgages* grew 8.1% y-o-y to RM89.1 billion, supported by a healthy loan pipeline while *transport vehicle loans/financing* extended its growth momentum of 10.9% y-o-y to RM19.6 billion, corresponding to the strong growth in motor vehicle sales.
- *Domestic loans to business enterprises* increased 10.2% y-o-y to RM60.8 billion, whilst our support of SMEs saw this loan/financing portfolio grow 9.7% y-o-y to RM33.0 billion. The Bank’s community banking initiative, within the SME segment, continued to maintain solid growth of 13.2% y-o-y, attributable to a strong loan/financing pipeline, innovative solutions that meet the clients’ needs and digitalised onboarding initiatives that enhance customer experience.
- Loans and financing from overseas operations grew 18.8% y-o-y, backed by strong y-o-y growth of 22.9%, 18.3% and 5.6% in Singapore, Vietnam and Cambodia respectively.

Stable Funding and Liquidity Position

- The Bank continues to maintain funding and liquidity positions that are supportive of business growth with a LDR and LCR of 84.3% and 136.4% respectively as at 30 June 2023, whereby LCR remains comfortably above regulatory requirements.

- *Customer deposits* for FY2023 rose by 7.3% y-o-y to RM211.7 billion, with a stable *CASA* of RM65.1 billion. This represents a *CASA* ratio of 30.8%, supported by the Bank's community acquisition initiatives and cash management solutions.
- The Bank's funding base remained stable as bolstered by an established individual deposit portfolio, which grew 5.2% y-o-y to RM104.6 billion, representing an individual deposit mix of 49.4%.

Healthy Asset Quality and Capital Positions

- Asset quality position of the Bank remained healthy with a stable *GIL ratio* of 0.57% whilst *LIC ratio* is adequate at 168.8% as at 30 June 2023.
- In view of the current operating environment, the Bank maintained our prudent stance with a sizable amount of preemptive buffer of RM574 million, after a writeback of RM39 million in the quarter. Inclusive of the value of securities held on our *GIL*, the Bank's *LIC* ratio comfortably stood at 238.8%.
- Solid capital position of the Bank with *CET 1*, *Tier 1* and *Total Capital ratios* at 12.8%, 13.9% and 15.9% respectively as at 30 June 2023.

Dividend

- The Board has declared a final dividend of 38.0 sen per share, bringing the total dividend to 59.0 sen per share for FY2023, with a dividend payout ratio of 32.0%.

Continued Focus on Customer-Centric Products and Services

- HLB has remained true to its "Built Around You" promise, launching customer-centric products and services that cater to the diversified needs of customers.
- The Bank launched the HLB Salary Advance Employer Solution, becoming the first bank in Southeast Asia to back an Earned Wage Access ("EWA") solution. The new solution allows employees to withdraw up to 25% of their monthly earned salaries when needed, and aims to transform the way employers offer advanced salary payouts.
- Besides that, Hong Leong Bank Vietnam ("HLBVN") has launched its first range of personal insurance solutions in partnership with Chubb Life Vietnam. The new products provide comprehensive, personalised protection packages for customers to diversify their wealth preservation and risk management portfolios, ensuring financial protection for themselves and their next of kin.

Empowering Business Communities through Strategic Partnerships

- HLB is dedicated to being community-centric, and looks to support business communities in areas of entrepreneurship, sustainability, and beyond through strong, strategic partnerships.
- This year, HLISB participated as a key partner in the Penang International Halal Expo & Conference 2023 ("PIHEC 2023"), highlighting its commitment to supporting entrepreneurs and businesses in the global halal industry.
- With a deep-rooted entrepreneurial heritage and a focus on Value Based Intermediation ("VBI"), HLISB is dedicated to empowering businesses in the halal sector, helping customers

gain a competitive edge through strategic collaborations, personalised advisory, and a comprehensive range of Islamic financial solutions.

- Moreover, the Bank organised an exclusive Sustainability Roundtable session themed ‘Sustainability Meets Strategy: Building Competitiveness with Green Supply Chains’ with the Small and Medium Enterprise Association (“SAMENTA”), helping SMEs integrate ESG considerations into their operations and future-proof their businesses while contributing to the country’s sustainability agenda.
- The Bank also has a longstanding partnership with the SME Association of Malaysia (“SME Malaysia”), and this year became the main sponsor of its Platinum Business Awards. The awards aim to foster and incentivise an environment that encourages innovation and produces transformation amongst the SME community.

Increasing Brand Awareness through Celebrity Ambassadors

- In a move to increase brand awareness, HLB and HLISB have appointed local celebrities as the Bank’s first brand ambassadors, who will represent the Bank in various campaigns and initiatives.

Business Outlook

Kevin Lam commented, “Growth trajectory in the Malaysian economy is expected to stay modest in the region of 4.0% in 2023. Resilient domestic demand will remain the main growth pillar, cushioning slower external demand as recovery in the world economy slows down. Geopolitical uncertainties, spillover effects from earlier policy tightening, protracted inflation, as well as slower-than-expected recovery of China’s economy, are key downside risks to contend with.

Anchoring on our brand promise of being “Built Around You”, where customers are at the center of everything we do, the Bank strives to develop and tailor our banking solutions to meet the banking and financing needs of individuals and businesses. We remain steadfast in supporting our employees in their development to achieve their greatest potential as well as integrating and enhancing environmental, social and governance (“ESG”) strategies internally within our operations and collaborating proactively with all our external stakeholders to ensure we make substantive progress overtime.

We prudently manage our credit and liquidity risks and are disciplined in our investments and expenditure with a focus to build a strong ASEAN franchise driven by new engines of growth. Deepening of commitment to the SME community and capturing opportunities in Wealth Management will be our top priorities, amongst other transformative programs that we will soon undertake.”

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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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