

*For Immediate Release*

## **HONG LEONG BANK ANNOUNCES Q1FY24 RESULTS: COMMENCING THE NEW FINANCIAL YEAR ON A POSITIVE NOTE**

**Kuala Lumpur, 30 November 2023** - Hong Leong Bank Berhad (“the Bank” or “HLB”), (BM: HLBANK) today announced its results for the quarter ended 30 September 2023 (“Q1FY24”).

- **Net profit after tax for Q1FY24 was higher by 4.9% year-on-year (“y-o-y”) at RM1,030 million.**
- **Gross loans and financing expanded 7.2% y-o-y to RM181.7 billion, maintaining its commendable growth momentum.**
- **Healthy asset quality as reflected by a Gross Impaired Loan (“GIL”) ratio of 0.57% and prudent Loan Impairment Coverage (“LIC”) ratio of 164.6%.**
- **Capital and liquidity positions remained robust with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 12.6%, 13.6% and 15.7% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) stood at 85.4% and 137.5% respectively.**

**Kevin Lam, Group Managing Director and Chief Executive Officer of HLB commented,** “We commenced the new financial year with a set of encouraging results for Q1FY24 led by sustained loan/financing growth, healthy asset quality, prudent funding and liquidity positions amidst the ongoing external headwinds and volatility in global markets. We remain vigilant and resolute in executing our strategic priorities and driving our continued business expansion.

Our net profit after tax for Q1FY24 improved 4.9% y-o-y to RM1,030 million, mainly contributed by strong loan/financing expansion, sustained non-interest income and improved asset quality metrics, coupled with solid contributions from our associates. Consequently, we achieved a higher return on equity (“ROE”) of 12.1% for the first quarter.

Our gross loans and financing portfolio grew 7.2% y-o-y to RM181.7 billion, led by growth across our mortgage, auto loans, SMEs and commercial banking segments as well as overseas operations. In line with our robust credit underwriting process, we continue to closely monitor our asset quality, ending the quarter with a stable GIL ratio of 0.57% and a solid LIC of 164.6%.”

### **Resilient Business Performance**

- *Total income* for Q1FY24 was RM1,394 million, driven by expansion in loans/financing portfolio and sustained non-interest income contribution.
- We are encouraged to see *net interest income* improved 3.4% quarter on quarter (“q-o-q”) to RM1,126 million due to solid loan/financing growth and effective asset/liability management. Correspondingly, net interest margin (“NIM”) has improved to 1.84% from 1.83% in the precedent quarter, which marks a consecutive second quarter of improvement.
- *Non-interest income* for Q1FY24 was sustained at RM268 million with a non-interest income ratio of 19.2%. This is mainly supported by higher wealth management income, growth in credit card-related fees in line with economic recovery, coupled with improved performance in trade finance and foreign exchange during the quarter.

- *Operating expenses (“opex”)* for Q1FY24 continued to be prudently managed at RM556 million through strategic cost management initiatives. Accordingly, the *cost-to-income ratio (“CIR”)* for the first quarter was healthy at 39.9%.
- Correspondingly, we recorded an *operating profit after allowances* of RM889 million for Q1FY24, while *profit before tax* increased 4.7% y-o-y to RM1,243 million.

### **Sustained Loans/Financing Growth**

- *Gross loans, advances and financing* maintained a commendable growth trajectory, expanding 7.2% 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 7.5% y-o-y continues to outperform the industry growth rate of 4.3% y-o-y.
- *Residential mortgages* grew 7.5% y-o-y to RM90.8 billion, supported by a healthy loan pipeline while *transport vehicle loans/financing* maintained a robust growth of 9.2% y-o-y to RM19.9 billion, reflective of strengthened dealer coverage from our strategic collaborations and higher motor vehicle sales.
- *Domestic loans to business enterprises* increased 8.0% y-o-y to RM59.2 billion, whilst our support of SMEs saw this loan/financing portfolio grew 10.4% y-o-y to RM33.4 billion. The Bank’s community banking initiative, within the SME segment, continued its momentum of 12.6% y-o-y growth, attributed to its strong loans/financing pipeline and capability in enhancing customer experience by leveraging on customised cash management solutions and digitalised onboarding initiatives that meet the customers’ needs.
- Loans and financing from overseas operations maintained reasonable expansion, attributable to y-o-y growth of 8.2% and 6.2% in Vietnam and Singapore respectively.

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

- The Bank continues to maintain prudent funding and liquidity positions that are supportive of business growth with a LDR of 85.4% as at 30 September 2023. LCR stood at 137.5%, comfortably above regulatory requirements.
- *Customer deposits* for Q1FY24 rose by 6.0% y-o-y to RM209.2 billion, with CASA standing at RM61.9 billion. The Bank’s community acquisition initiatives and effective cash management solutions have supported the CASA ratio at 29.6%.
- The Bank’s funding base continues to be boosted by an established individual deposit portfolio, which grew 6.0% y-o-y to RM105.1 billion, representing an individual deposit mix of 50.3%.

### **Stable Asset Quality and Capital Positions**

- Asset quality position of the Bank remained stable with a *GIL ratio* of 0.57% whilst *LIC ratio* is well positioned at 164.6% as at 30 September 2023. Inclusive of the value of securities held on our GIL, the Bank’s LIC ratio comfortably stood at 234.6%.
- Capital position of the Bank is healthy and supportive of future growth opportunities with *CET 1*, *Tier 1* and *Total Capital ratios* at 12.6%, 13.6% and 15.7% respectively as at 30 September 2023.

### **A Value-Adding Partner for Malaysian SMEs and Small Businesses**

- HLB aims to be a value-adding partner for SMEs in the global marketplace, as the country adapts to uncertain economic conditions and rising inflation. SMEs account for about 37% of Malaysia's GDP, and offer around two-thirds of employment for Malaysians, making the SME space a key growth area for HLB moving forward.
- As a testament to the Bank's commitment to growing our SME customers and providing businesses with tailor-made financial solutions, HLB was recently named the **Best SME Bank in Malaysia** by Asian Banking and Finance and The Asian Banker for the second and fifth times respectively.
- Apart from that, the Bank is dedicated to uplifting local small businesses and investing in the community, in line with its environmental, social and governance ("ESG") aspirations. Following the launch of the **HLB JumpStart Micro Business** initiative, Hong Leong Islamic Bank has partnered with SURI, a social enterprise that provides upskilling training and business opportunities for the community. This flagship program looks to empower low-income, single mothers with opportunities to earn a steady income by starting their own business, building a strong foundation towards achieving financial freedom.

### **Driving Community Investment Through Digitalisation**

- In line with the Bank's "Digital At The Core" strategy, HLB has continued to be active in promoting the uptake of cashless payments among its customers, and is dedicated to creating a seamless, hyper-personalised digital banking ecosystem for our customers across all touchpoints.
- With this, the Bank has received two awards at the **Malaysia e-Payments Excellence Awards**, being named Malaysia's **Best e-Payments Bank** and **Best e-Payment Acquirer Bank**, reflecting its commitment to championing digitalisation in the financial space through tailor-made digital banking solutions.

### **Continued Focus On Sustainability**

- With increasing global environmental concerns and a growing responsibility for corporations to be ESG-friendly, HLB strives to be "Here For The Long Term", incorporating ESG considerations into all areas of operation.
- In its commitment to providing ESG-compliant financial products and solutions, the Bank has successfully concluded a total of **RM300 million in green housing loans and green asset financing transactions**, alongside Hong Leong Islamic Bank and Cagamas Berhad. These are Malaysia's first corporate issuances relating to green housing loans and financing, and represent the Bank's commitment to supporting the growth of green housing, and the broader objective of transitioning to a low-carbon economy.
- For its effective widespread integration of sustainability considerations throughout its operations, HLB was also awarded the Bank of The Year - ESG Leadership Award at the Sustainability and CSR Malaysia Awards and The Edge Malaysia ESG Awards for the second consecutive year, in recognition of its impactful sustainability and CSR initiatives.

**Business Outlook**

Kevin Lam commented, “The Malaysian economy is expected to expand at a moderate pace of around 4.0% this year before picking up to grow 4.0-5.0% in 2024. Sustained domestic demand, underpinned by private sector growth as well as government fiscal spending is expected to be the main anchor with further impetus from an anticipated recovery in exports. That said, lagged effects from earlier policy tightening, elevated inflation, and geopolitical uncertainties would be the biggest wildcard exerting downside risk to the world as well as domestic economy.

In our endeavor to establish ourselves as a highly digital and innovative ASEAN financial services institution, we are firmly dedicated to execute our strategic priorities to achieve sustainable outcomes. We will continue our efforts in elevating our customer experience by providing customer-centric banking solutions that anchor on our brand promise of “Built Around You”.

Amid the dynamic business landscape, forming new and enhancing existing strategic partnerships will be our top priority, as we leverage on our digital expertise as a competitive advantage. We believe that seizing opportunities through new growth engines and building world class talents will enable us to build a robust ASEAN franchise. In line with our carbon-neutral ambition, we remain steadfast in our sustainability commitments by continuously enhancing our ESG strategies and practices, while working with our stakeholders to create positive impact across our customers, communities and environment.”

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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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