

*For Immediate Release*

## **HONG LEONG BANK ANNOUNCES H1FY24 RESULTS: RESILIENT PERFORMANCE UNDERPINNED BY ROBUST LOANS GROWTH AND SOLID ASSET QUALITY**

**Kuala Lumpur, 28 February 2024** - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the six months ended 31 December 2023 (“H1FY24”).

- ***Net profit after tax for H1FY24 improved 4.7% year-on-year (“y-o-y”) to RM2,118 million, with Return on Equity (“ROE”) of 12.2%.***
- ***Gross loans and financing maintained its strong growth trajectory, expanding 7.5% y-o-y to RM185.2 billion.***
- ***Asset quality remained solid with a Gross Impaired Loan (“GIL”) ratio of 0.56% and prudent Loan Impairment Coverage (“LIC”) ratio of 163.4%.***
- ***Capital and liquidity positions remained robust with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios at 12.9%, 13.9% and 15.9% respectively while Loans to Deposits ratio (“LDR”) and Liquidity Coverage ratio (“LCR”) were strong at 86.2% and 137.6% respectively.***

**Kevin Lam, Group Managing Director and Chief Executive Officer of HLB commented,** “Further to the Bank’s 3-5 Year Strategic Plan that we unveiled during our Investor Day 2023, the focus now is on the execution of the business strategies and initiatives. Along with that, we are pleased to announce that our H1FY24 performance has been marked by robust loans/financing growth, solid asset quality, as well as prudent funding and liquidity positions.

Our net profit after tax for H1FY24 improved 4.7% y-o-y to RM2,118 million led by continued strong loans/financing expansion, improved non-interest income and robust contributions from our associates. Consequently, we record a commendable ROE of 12.2%.

Our gross loans and financing portfolio grew 7.5% y-o-y to RM185.2 billion, led by growth across our mortgage, auto loans, SME and commercial banking segments as well as overseas operations. We consistently monitor our asset quality and place strong emphasis on our credit underwriting process, as evidenced by a stable GIL ratio of 0.56% and a sufficient LIC of 163.4%.”

### **Resilient Business Performance**

- *Total income* for H1FY24 was RM2,859 million, driven by expansion in loans/financing portfolio and sustained non-interest income contribution.
- The lower *net interest income* of RM2,282 million was attributed to funding cost pressure, though it was partially mitigated by expansion in loans/financing portfolio and effective asset/liability management. Through these efforts, net interest margin (“NIM”) for the quarter

has improved to 1.85% from 1.84% in the precedent quarter, marking a consecutive third quarter of improvement, while NIM for H1FY24 stood at 1.85%.

- *Non-interest income* for H1FY24 grew 3.7% y-o-y to RM577 million with an improved non-interest income ratio of 20.2%. This is mainly supported by higher wealth management income in line with our wealth expansion plan and growth in credit card-related fees as economic recovery translates to stable consumer spending growth, coupled with improvement in foreign exchange gain during the period.
- *Operating expenses (“opex”)* for H1FY24 continue to be managed with discipline at RM1,134 million through strategic cost management initiatives. Accordingly, the *cost-to-income ratio (“CIR”)* for the period remained sustainable at 39.7%.
- Consequently, we recorded an *operating profit after allowances* of RM1,781 million for H1FY24, while *profit before tax* increased 4.4% y-o-y to RM2,584 million.

### **Robust Growth in Loans/Financing**

- *Gross loans, advances and financing* maintained a strong growth momentum, with an expansion of 7.5% y-o-y to RM185.2 billion, driven by expansion in our key segments of mortgage, 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 5.3% y-o-y.
- *Residential mortgages* grew 7.2% y-o-y to RM92.3 billion, supported by a healthy loan pipeline while *transport vehicle loans/financing* maintained a robust growth of 10.1% y-o-y to RM20.6 billion, underpinned by the Bank’s strategic collaborations to strengthen dealer coverage and higher motor vehicle sales arising from attractive year-end promotional offers from car manufacturers.
- *Domestic loans to business enterprises* recorded a y-o-y expansion of 8.7% to RM60.3 billion, whilst our support of SMEs saw this loans/financing portfolio grew 9.6% y-o-y to RM34.3 billion. The Bank’s community banking initiative, within the SME segment, contributed 12.6% y-o-y growth, attributed to our strong loans/financing pipeline, innovative customer-centric solutions and digitalised onboarding initiatives that enhance customer experience.
- Loans and financing from overseas operations continue to expand strongly, underpinned by y-o-y growth of 14.2% and 19.8% in Singapore and Vietnam respectively.

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

- Funding and liquidity positions are kept at prudent levels in support of business growth, with a LDR of 86.2% as at 31 December 2023. LCR stood at 137.6%, comfortably above regulatory requirements.
- *Customer deposits* for H1FY24 increased 6.2% y-o-y to RM211.2 billion, with *CASA* expanding y-o-y by 5.8% to RM65.8 billion. The *CASA* ratio stood at 31.1%, supported by the Bank’s community acquisition initiatives and effective cash management solutions.
- The Bank continues to maintain a stable funding base, supported by a sound individual deposit portfolio which grew 7.9% y-o-y to RM108.0 billion, representing an improved individual deposit mix of 51.1%.

**Healthy Asset Quality and Capital Positions**

- Asset quality position of the Bank remained healthy with a *GIL ratio* of 0.56% whilst *LIC ratio* is well positioned at 163.4% as at 31 December 2023. Inclusive of the value of securities held on our GIL, the Bank's LIC ratio is comfortably at 233.4%.
- Capital position of the Bank is healthy and supportive of future growth opportunities with *CET 1*, *Tier 1* and *Total Capital ratios* at 12.9%, 13.9% and 15.9% respectively as at 31 December 2023.

**Dividend**

- The Board has declared an interim dividend of 25.0 sen per share for H1FY24.

**Commitment to Innovation, Financial and Digital Inclusion**

- As part of HLB's sustainability effort in promoting financial and digital inclusion across the region, the Bank has collaborated with Payments Network Malaysia Sdn Bhd (PayNet) to introduce e-Duit Desa Program in Bagan Nakhoda Omar, Sabak Bernam, Selangor, which offers residents and businesses access to e-payment services, empowering communities to adapt to digitalisation and fostering comprehensive digital transformation in the region.
- In a pioneering move, HLB organised Malaysia's first Generative AI Hackathon as part of the sixth annual 'HLB Can You Hack It' event. Over 340 participants, including more than 50% undergraduates from across Malaysia, took part in designing solutions to "Unleash the Potential of Generative AI" in the financial sector. These teams utilised generative AI software and technology to enhance customer and workplace experiences, using the Bank as a case study.

**Excellence in Islamic Banking**

- Hong Leong Islamic Bank ("HLISB") has been honored with the GIFA Excellence Award (Islamic Banking) in 2023, acknowledging its dedication to serving as a proficient financial intermediary and leading the market in Islamic wealth management, the Halal sector, and investment intermediation.
- This comes as HLB, HLISB, and Cagamas Berhad's recent announcement of the successful completion of HLB's green housing loans and financing (green asset) transactions valued at RM300 million. Notably, this included funding through a one-year ASEAN Green SRI Sukuk worth RM90 million, underlining HLB and HLISB's commitment to expanding its capabilities and venturing into green financing, aligning with its ambition to drive sustainable financial solutions.

**Empowering Social Enterprises and Promoting Financial Literacy**

- HLB has onboarded Primus Wellness, a holistic wellness social enterprise, under the Bank's entrepreneurial CSR platform, HLB Jumpstart. This 6th social enterprise collaboration underscores the Bank's dedication to nurturing and empowering social enterprises to drive positive societal impact. As part of this initiative, HLB will offer digitalisation solutions, business advisory services, and establish a new e-commerce platform for Primus Wellness, enabling more than 2,000 beneficiaries to explore fresh income generation avenues.

- As part of the Bank's ongoing effort to promote financial literacy under HLB DuitSmart, the Bank's flagship financial literacy platform, HLB has been actively conducting financial literacy and scam awareness workshops in schools, universities, companies, and communities across Malaysia. Notably, from July to December 2023, the Bank has successfully organised 43 workshops, benefiting over 6,000 participants by imparting essential financial knowledge to help them build a solid financial foundation.

### **Upholding Sustainability Practices and Integrating ESG Principles**

- In recognition of its commitment to upholding ESG principles and integrating sustainable practices into all layers of operation, the Bank has been awarded the **Gold Award** in the Financial Services sector at **The Edge ESG Awards 2023** for the second year in a row.

### **Business Outlook**

Kevin Lam commented, "The Malaysian economy is expected to maintain a moderate growth pace of 4-5% in 2024, as domestic policy support is anticipated to cushion lingering external headwinds. Resilient consumption aside, anticipated pick-up in investment activities is also expected to provide an added impetus to domestic growth prospects this year. Prospects of a soft landing in the world economy as lagged effects from earlier policy tightening gained momentum, as well as mounting challenges in China, intensifying geopolitical risks and rerouting of shipping routes would inevitably cloud the global economic landscape.

With that, it is imperative that we stay true to our core values and strategic boundaries, as we execute our 3-5 Year Strategic Plan. We have gained alignment with our key stakeholders, and will stand firm in our brand promise of "Built Around You" by delivering innovative and customer-centric banking solutions to our customers while pursuing opportunities where we can deliver business growth and drive franchise value.

To make this possible, it remains crucial for us to build world-class digital capabilities and continue to support and enable our employees to develop to their greatest potential. In line with our carbon-neutral ambition, we will continue 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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