

For Immediate Release

HONG LEONG BANK ANNOUNCES Q1FY25 RESULTS: COMMENCING THE NEW FINANCIAL YEAR STRONG WITH GROWTH IN CORE FRANCHISE

Kuala Lumpur, 28 November 2024 - Hong Leong Bank Berhad (“Bank” or “HLB”), (BM: HLBANK) today announced its results for the quarter ended 30 September 2024 (“Q1FY25”).

- ***Net profit after tax for Q1FY25 improved 5.8% year-on-year (“y-o-y”) to RM1,090 million.***
- ***Gross loans and financing continues to maintain strong growth momentum of 6.9% y-o-y to RM194.2 billion.***
- ***Strong asset quality metrics sustained with Gross Impaired Loan (“GIL”) ratio of 0.54% and Loan Impairment Coverage (“LIC”) ratio of 145.5%.***
- ***Prudent capital and liquidity positions with Common Equity Tier 1 (“CET 1”), Tier 1 and Total Capital ratios stood at 13.2%, 14.2% and 16.2% respectively.***

Kevin Lam, Group Managing Director and Chief Executive Officer of HLB commented, “It is my pleasure to announce that we have commenced the new financial year on a strong note, as steadfast execution of our 3-5 Year Strategic Plan led to growth in our core businesses, giving rise to a set of encouraging results in the first quarter. This was supported by continued loans/financing expansion, sound CASA ratio, strong asset quality, along with prudent funding and liquidity positions.

Our profit after tax for Q1FY25 grew 5.8% y-o-y to RM1,090 million, underpinned by robust loans/financing growth, improved non-interest income and stable contributions from our associates. Correspondingly, we delivered an encouraging return on equity (“ROE”) of 11.8%.

Our gross loans and financing portfolio grew 6.9% y-o-y to RM194.2 billion, contributed by expansion in our mortgage, auto loans, SME and commercial banking segments. We continue to monitor our asset quality in line with our prudent risk management culture and tight credit underwriting process, ending the first quarter with a solid GIL ratio of 0.54% and LIC ratio of 145.5%.”

Commendable Profitability Growth

- ***Total income*** for Q1FY25 achieved a promising 14.6% y-o-y growth to RM1,598 million, as loans/financing portfolio and non-interest income contribution maintained their upward growth trajectory.
- ***Net interest income*** for Q1FY25 sustained a 10.5% y-o-y growth to RM1,244 million, as a result of solid loans/financing growth and effective asset/liability management. Correspondingly, ***net interest margin (“NIM”)*** continued its upward trend with a remarkable expansion of 8bps y-o-y or 3bps quarter-on-quarter (“q-o-q”) to 1.92%.

- *Non-interest income* for Q1FY25 surged 32.0% y-o-y to RM354 million with a non-interest income ratio of 22.1%, complemented by healthy fee income, higher realised investment income and improved foreign exchange gains.
- *Operating expenses* (“opex”) were tightly managed at RM626 million for Q1FY25, delivering positive JAWS with a solid *cost-to-income ratio* (“CIR”) of 39.1%, optimised by strategically paced investments in areas of technology and people.
- Consequently, *operating profit after allowances* grew by 8.6% y-o-y to RM965 million in Q1FY25, while *profit before tax* improved by 7.7% y-o-y to RM1,339 million.

Robust Expansion in Loans/Financing

- *Gross loans, advances and financing* maintained its growth momentum, with 6.9% y-o-y growth to RM194.2 billion, driven by expansion in our key segments of mortgage, auto loans, SME and commercial banking.
- *Domestic loans/financing* increased 7.6% y-o-y, outperforming industry growth rate of 5.6%.
- *Residential mortgages* increased 5.7% y-o-y to RM96.0 billion, supported by a healthy loans/financing pipeline while *transport vehicle loans/financing* rose 11.7% y-o-y to RM22.2 billion as we continued to reap benefits from initiatives and collaborations that strengthen dealer coverage, on the back of vibrant domestic economy and the launch of new electric vehicle models with tax-free and competitive pricing.
- *Loans to domestic business enterprises* were higher by 8.6% y-o-y to RM64.3 billion. Loans/financing to SMEs rose 11.4% y-o-y to RM37.1 billion, while the Bank’s community SME banking segment saw a notable 12.1% y-o-y growth, as our digital onboarding platform, customer-centric solutions, as well as cross-selling efforts collectively served to drive business growth.
- Loans from key overseas markets, Singapore and Vietnam recorded y-o-y expansion of 3.1% and 1.2% respectively.

Prudent Funding and Liquidity Positions

- Funding and liquidity positions were upheld at healthy levels to allow for sustainable business growth, with *loans to deposits ratio* (“LDR”) of 87.0% and *liquidity coverage ratio* (“LCR”) of 139.9% as at 30 September 2024, adequately above regulatory requirements.
- *Customer deposits* for Q1FY25 saw a 4.9% y-o-y increase to RM219.4 billion, with CASA registering a commendable growth of 13.6% y-o-y to RM70.4 billion, which corresponded to CASA ratio of 32.1%. This was attributable to effective cross-selling initiatives coupled with customer-centric cash management offerings, while targeted efforts in community deposit acquisition contributed to attaining new-to-bank customers.
- By continuously refining our product offerings, the Bank retained a diversified funding base, achieving 5.3% y-o-y growth in our individual deposit portfolio to RM110.7 billion, which accounted for an individual deposit mix of 50.4%.

Rigorous Asset Quality and Capital Management

- Asset quality of the Bank continued to be in an industry-leading position with *GIL ratio* of 0.54%, whilst *LIC ratio* was maintained prudently at 145.5% as at 30 September 2024. Inclusive of the value of securities held on our GIL, the Bank's LIC ratio stood at a comfortable 215.5%.
- With CET 1, Tier 1 and Total Capital ratios at 13.2%, 14.2% and 16.2% respectively, the Bank's capital position remains solid to support future growth.

Increasing Payment Options with Weixin Pay

- HLB's DuitNow QR merchants are now able to accept payments made via Weixin Pay (commonly known in Malaysia as "WeChat Pay"), providing an added payment option for Weixin Pay users and especially tourists visiting from China. This is in line with the Bank's vision of being customer-centric and digital-focused, as it looks to make payment and transaction more convenient for its customers.

Enhancing Wealth Management Ecosystem

- One of HLB's key growth areas is its wealth management segment, where it is committed to enhancing and improving its wealth management and investment offerings to better serve its customers. This includes providing a comprehensive, end-to-end ecosystem, ranging from industry-leading investment products, advisory services in the form of wealth symposiums and investment podcasts, and customer surveys.
- As part of this, Hong Leong Islamic Bank ("HLISB") conducted a survey among Malaysian Muslims regarding their perceptions towards investments and how they invest. The results showed that 47% of Malaysian Muslims are currently investing, with 65% who will exclusively choose Shariah-compliant investment products.
- In line with enhancing its wealth management offerings, HLISB has also launched its partnership with SEDANIA As Salaam Capital Sdn. Bhd., allowing customers to apply for Hibah financing and access information about Hibah through a seamless digital experience, reinforcing the Bank's commitment to digital innovation and a holistic wealth management approach.

Excellence in SME & Retail Banking

- HLB has continued proving itself as the choice bank for SMEs on the Malaysian stage, securing the '**Best SME Bank in Malaysia**' award at the prestigious Euromoney Awards for Excellence 2024.
- The Bank also received the award for '**Best Deposit Product in Malaysia**' by The Asian Banker for its multi-currency Pay & Save Account/-i, which simplifies money management by allowing customers to manage, spend, and withdraw their finances in both Malaysian Ringgit and 12 other major foreign currencies while offering higher interest/profit on everyday transactions.
- Besides that, HLISB was recently named the '**Best Domestic Islamic Retail Bank**' by the Digital Banker, after it recorded an 11% y-o-y growth in its retail financing portfolio in FY2024. It was also recognised for its multi-currency **HLB Wallet-i** e-wallet, which was named '**Best Digital Financial Inclusion Initiative - Islamic**' by the Digital Banker. Aside from allowing

for multi-currency conversion and transactions, the e-wallet also provides a fully online account opening experience, in line with the Bank's commitment to promoting financial and digital inclusion and promoting cashless transactions.

Focus On Sustainability Transformation

- Sustainability transformation remains a key focus for HLB, with the Bank committed to providing financing, support, and advisory for customers who look to embark on their sustainability journey.
- HLB has announced that it is committing RM20 billion over the next five years to support and finance Green Projects. This will be mobilised through the newly-launched **Sustainable Finance Framework (“SFF”)**, which will enable continued green financing for the Bank and solidify HLB's commitment to environmentally-sustainable financing.
- As part of helping the wider ecosystem through its sustainability transformation journey, the Bank also recently convened its 11th **Sustainability Roundtable**, which saw industry leaders addressing the greening of supply chains in the Malaysian corporate sector, and opportunities in transitioning towards a low-carbon economy.

Business Outlook

Kevin Lam commented, “Positive growth momentum in the Malaysian economy was seen spilling over to Q3, signalling sustained growth momentum in the second half of the year that will bring full year growth to be in line with the official forecast range of 4.8% to 5.3%, barring black swan events from geopolitical conflicts and hard landing from the US and China economies. Externally, we expect continuous expansion in external demand reinforced by global tech upturn. Domestically, sustained household spending and faster implementation of investment projects, coupled with greater spillovers from the global tech upswing and tourism activities, shall all augur well with growth prospects of the Malaysian economy.

As the Bank pursues the aspiration to be the best-run bank in Malaysia, we remain committed in the execution of our 3-5 Year Strategic Plan while upholding our core values and prudent culture. We continue to offer innovative products and customer-centric banking solution to customers that stay true to our brand promise of “Built Around You”.

In order to drive the growth of our core businesses and build a strong ASEAN franchise in the backdrop of a dynamic business environment, we will continue to double down on our digital capabilities, foster strategic partnerships and develop a world class talent pool. In our journey towards carbon neutrality, the Bank remains committed to step up environmental, social and governance (“ESG”) efforts to deliver meaningful impact to all of our 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 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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