

1H FY24 Results Analyst Presentation

28 February 2024

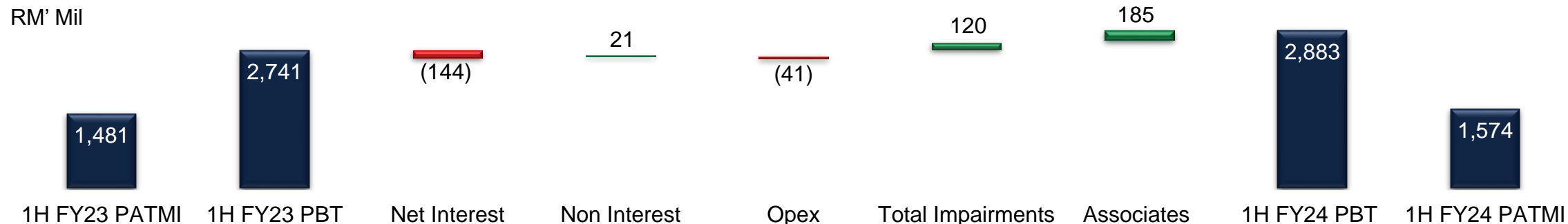
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Financial Highlights: 1H FY24

Performance Highlights

Higher 1H FY24 net profit from strong asset quality and improved contribution from associate



RM' mil	1H FY23	1H FY24	Change % (YoY)
Net Interest Income	2,478	2,334	▼ 5.8%
Non-Interest Income	872	893	▲ 2.5%
Total income	3,349	3,227	▼ 3.7%
Operating expenses	(1,207)	(1,248)	▼ 3.3%
Operating profit before allowances	2,142	1,979	▼ 7.6%
Allowances for loans and other impairments	(63)	57	▲ >100%
Share of profits from associates	662	848	▲ 28.0%
PBT	2,741	2,883	▲ 5.2%
PATMI	1,481	1,574	▲ 6.2%

- Operating Income marginally weaker from lower NII due to NIM compression, partially offset by improved NOI
- OPEX remains under control with CIR being one of the lowest in industry at 38.7%
- Associate contribution from BOCD and MSIG remains robust
- PATMI rose by 6.2%, translating to 1H FY24 ROE of 11.0%
- CET1 stood at 10.9% as at end Dec-23. Proposed interim dividend of 18 sen/share

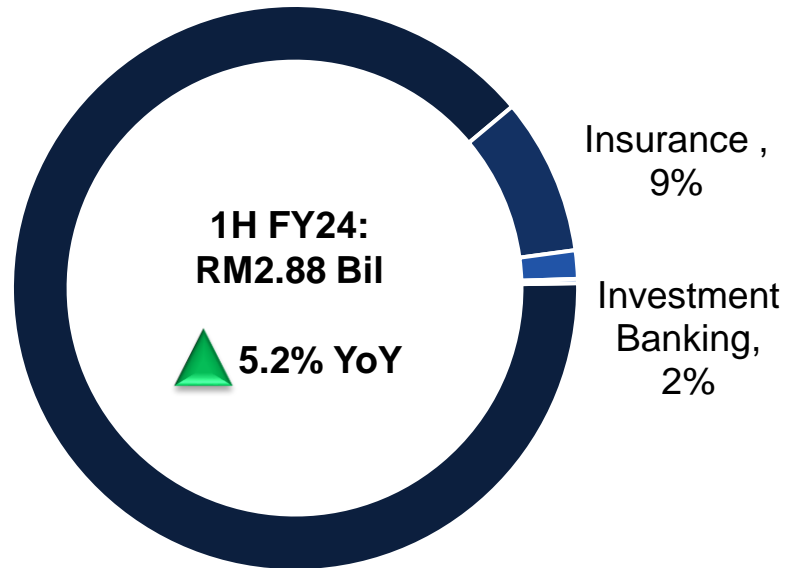


PBT by segments

Growth driven by overall improvement in all operating companies

HLFG PBT

Commercial
Banking ,
90%



Group

 **HongLeong** Financial Group

Commercial Banking

 **HongLeong** Bank

Insurance and Takaful

 **HLA** Holdings

Investment Banking

 **HongLeong** Capital

1H FY24
PBT
(RM' Bil)

YoY
(%)

2,883

▲ 5.2%

2,584

▲ 4.4%

259

▲ 3.1%

47

▲ 29.8%

Notes: PBT segment include consolidation entries. 1H FY24: -RM7 mil



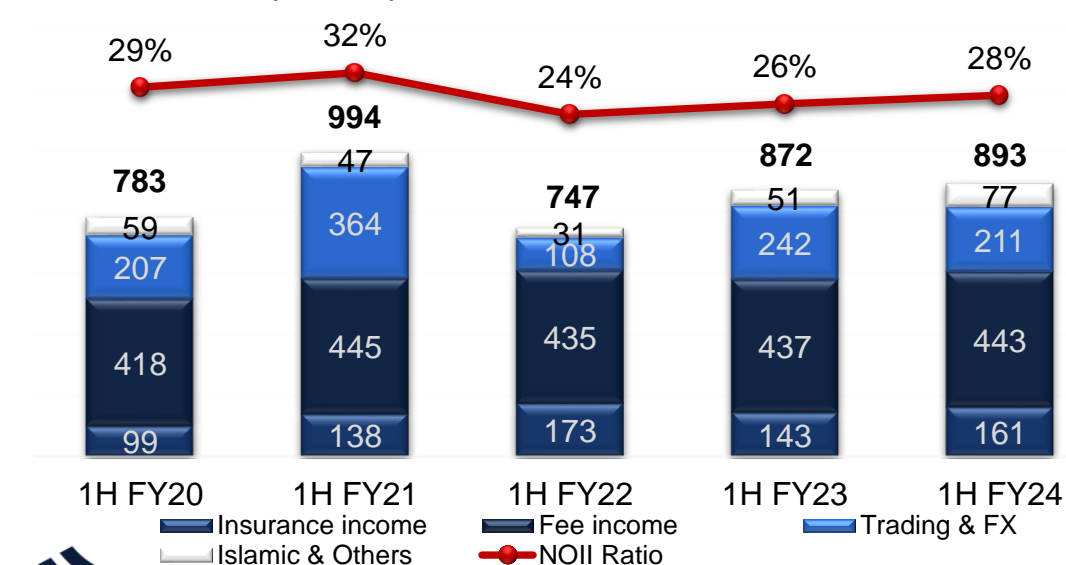
Net Interest Income & Non-Interest Income

NoII improvement partially offset NII decline attributed to commercial bank NIM compression

Operating Income Breakdown (RM' Mil)



NOII Breakdown (RM' Mil)



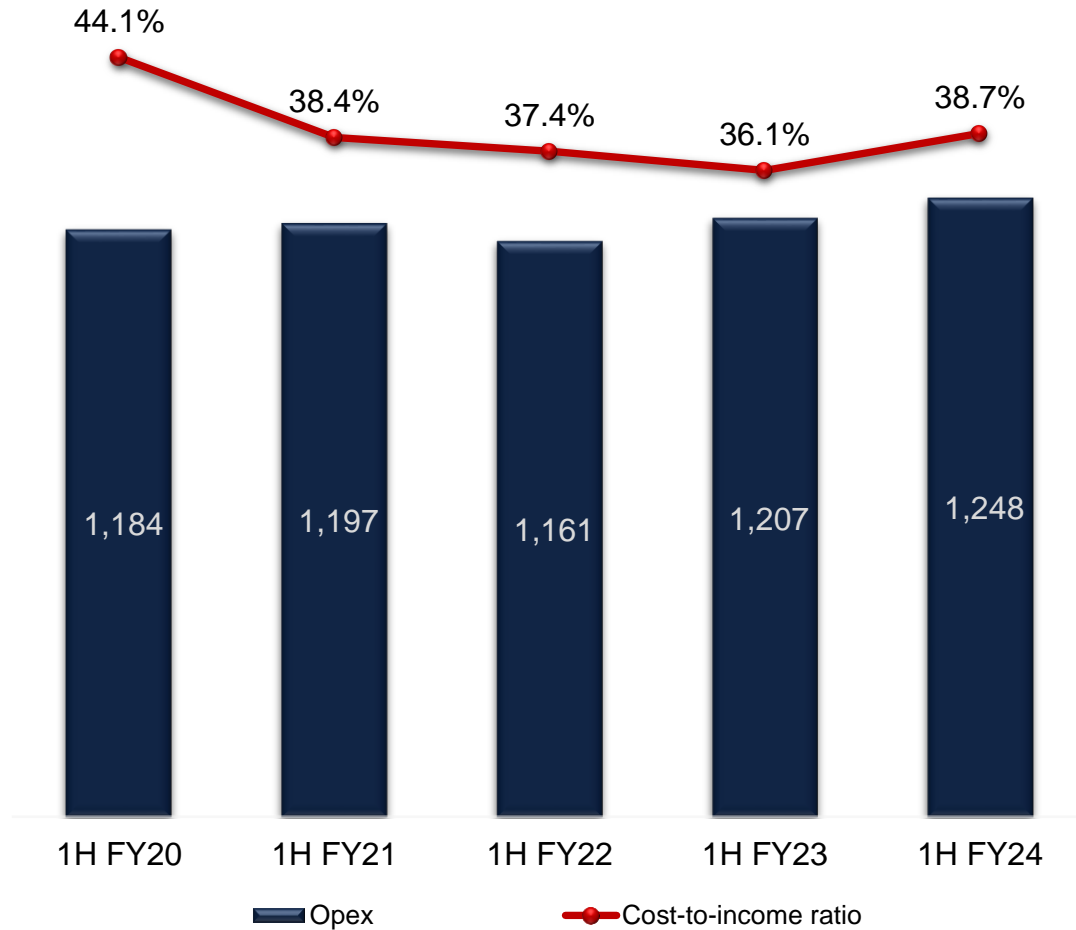
RM' mil	1H FY23	1H FY24	Change % (YoY)
Net Interest Income	2,478	2,334	-5.8%
Non Interest Income	872	893	+2.5%
Operating Profit	3,349	3,227	-3.7%

RM' mil	1H FY23	1H FY24	Change % (YoY)
Fee Income	437	443	+1.6%
Trading, Investment & Forex	242	211	-12.5%
Insurance and Takaful	143	161	+13.0%
Islamic and others	51	77	+51.9%
Total	872	893	+2.5%



Operating Expense

Prudent cost management results in sustainable CIR of 38.7%, one of the lowest in the industry



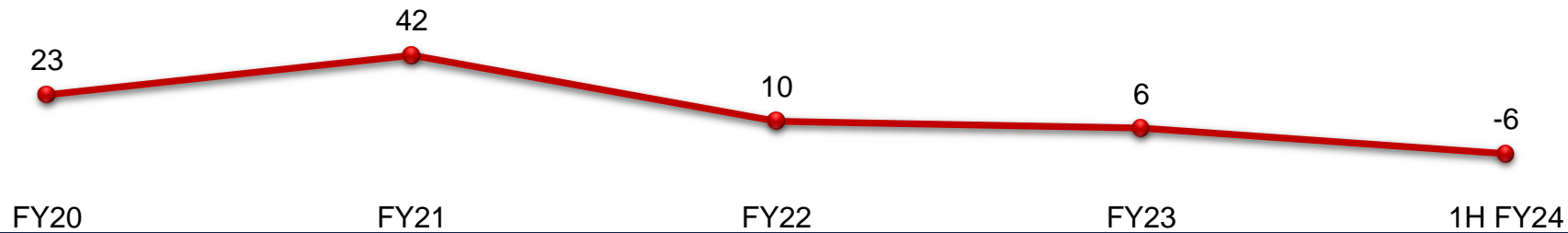
RM' mil	1H FY23	1H FY24	Change % (YoY)
Personnel	647	708	+9.4%
Establishment	285	279	-1.9%
Marketing	112	93	-16.5%
Administration and general	164	167	+2.2%
Total	1,207	1,248	+3.3%



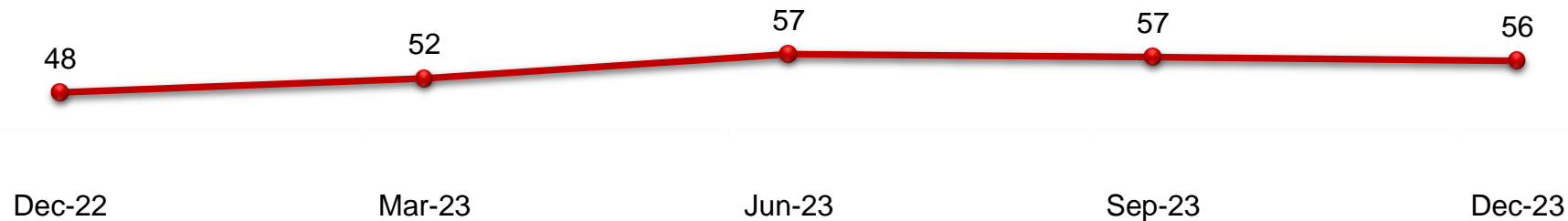
Asset Quality

Solid asset quality with a stable GIL ratio and comfortable coverage ratio

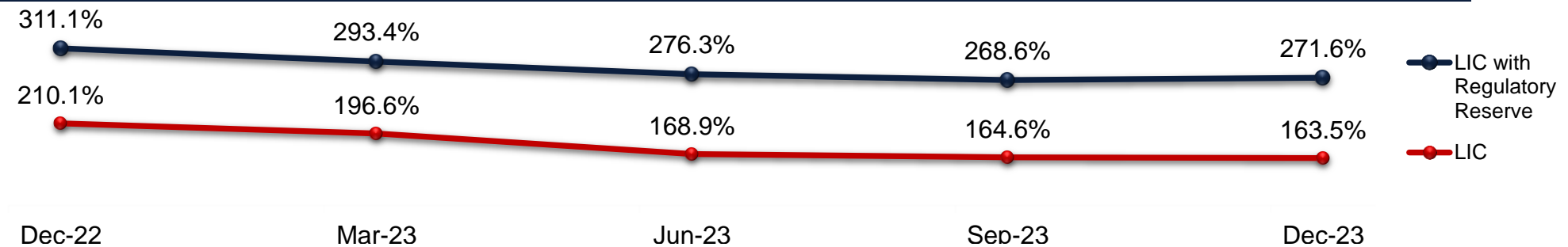
Credit Cost (Bps)



Gross Impaired Loans Ratio (Bps)



Loan/Financing Impairment Coverage (%)

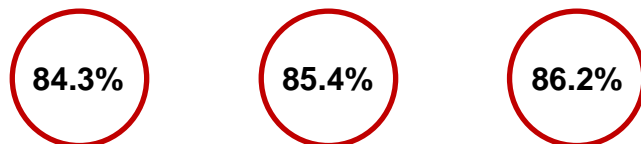


Liquidity & Capital

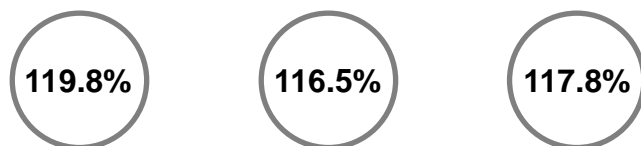
Capital and liquidity remains sound and comfortably above regulator thresholds

Liquidity

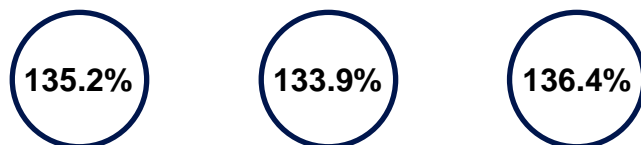
HLB Loan-to-Deposit Ratio (LDR)



Net Stable Funding Ratio (NSFR)



Liquidity Coverage Ratio (LCR)

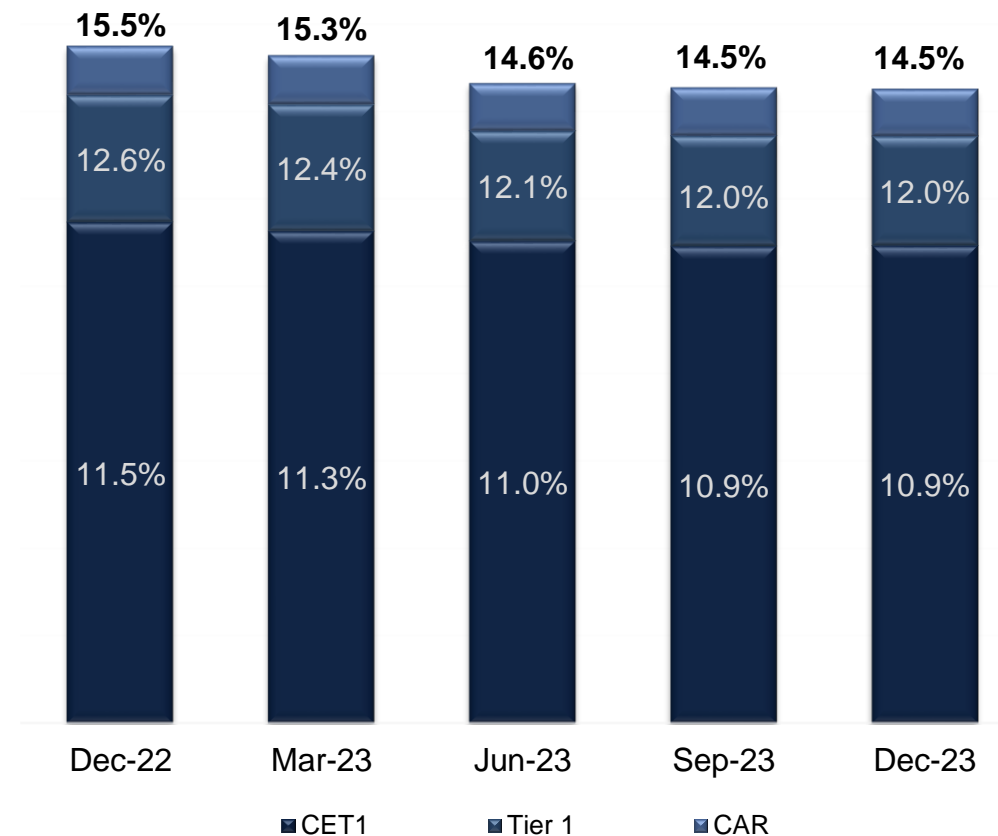


Jun-23

Sep-23

Dec-23

Capital Adequacy



Note: Capital base & ratio after proposed dividends

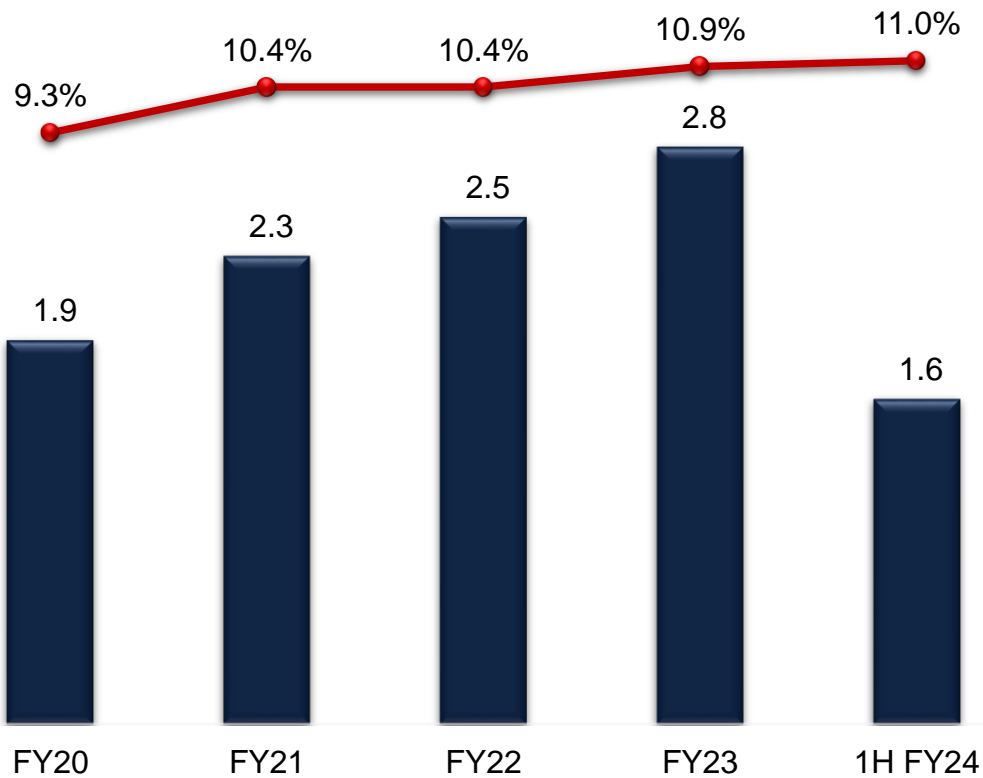


Shareholder Value

Improved results led higher 1H FY24 ROE of 11.0%; Declared 18sen interim dividend

PATMI & ROE

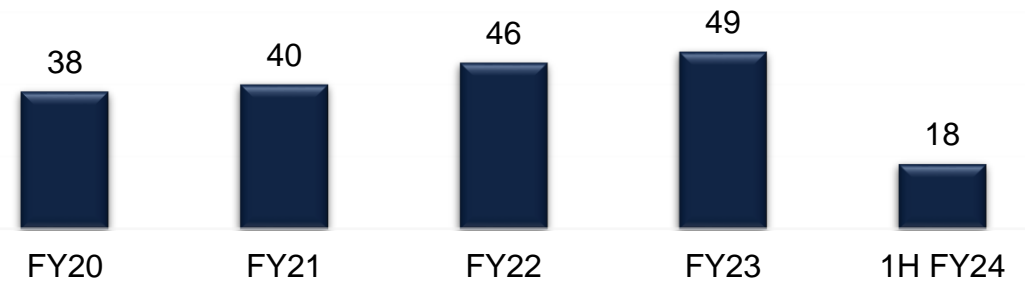
RM' Bil



■ PATMI ● ROE

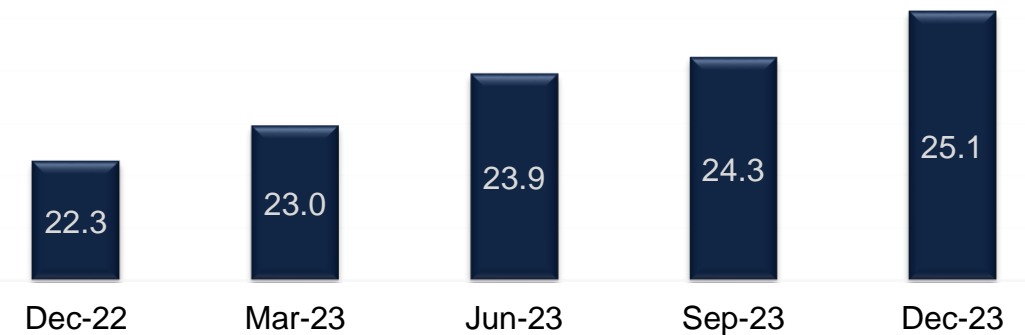
Dividend Per Share

Sen



Book Value Per Share

RM



Commercial Banking: Hong Leong Bank

Resilient performance driven by robust loan growth, strong associate contribution & asset quality

Income Statement (RM' mil)	1H FY23	1H FY24	Change % (YoY)
Net Interest Income	2,430	2,282	-6.1%
Non-Interest Income	556	577	3.7%
Total income	2,986	2,859	-4.3%
Operating expenses	(1,087)	(1,134)	-4.4%
Allowances for loans and other impairments	(63)	57	>100.0%
Operating Profit	1,837	1,781	-3.0%
Share of profits from associates	638	803	+25.8%
PBT	2,475	2,584	+4.4%
PAT	2,024	2,118	+4.7%
Balance Sheet (RM' bil)	Dec-22	Dec-23	Change % (YoY)
Gross Loan	172.3	185.2	+7.5%
Deposits	198.9	211.2	+6.2%

Key Operating Ratios	1H FY23	1H FY24	Change % (YoY)
Probability & Efficiency (%)			
Return on Equity	12.8%	12.2%	-0.6%
Net Interest Margin	2.14%	1.85%	-0.29%
NII ratio	18.6%	20.2%	1.5%
Cost to Income Ratio	36.4%	39.7%	-3.3%
Asset Quality (bps)			
Gross Impaired Loans Ratio	49	56	-7
Net Credit Cost	4	-3	-7
Liquidity and Capital (%)			
Liquidity Coverage Ratio	129.7%	137.6%	+7.9%
CET1	13.0%	12.9%	-0.1%
CAR	16.1%	15.9%	-0.2%



Sustainability Updates

Renewable Energy
Cumulatively Approved: **RM3.4 bil**

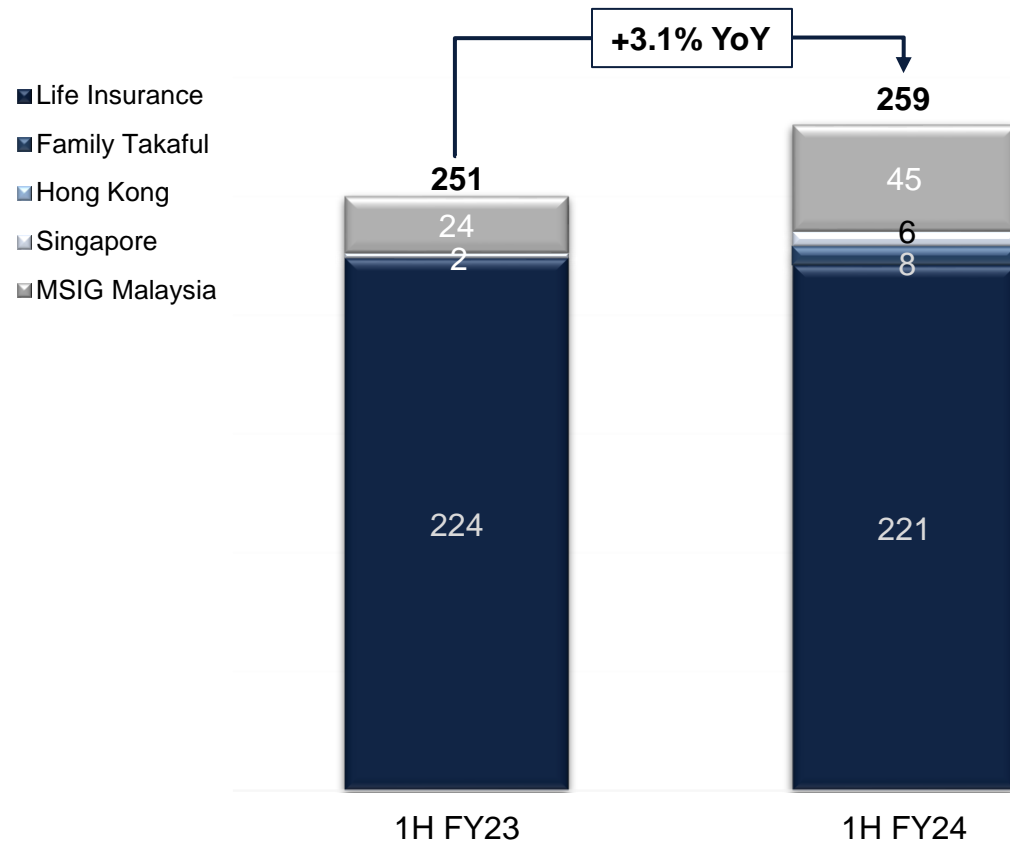
Green Auto Disbursement:
RM385 mil

Green & Affordable Mortgages
Loans Outstanding: **RM13.5 bil**



Insurance & Takaful: HLA Holdings

Profit Before Tax (RM' mil)*

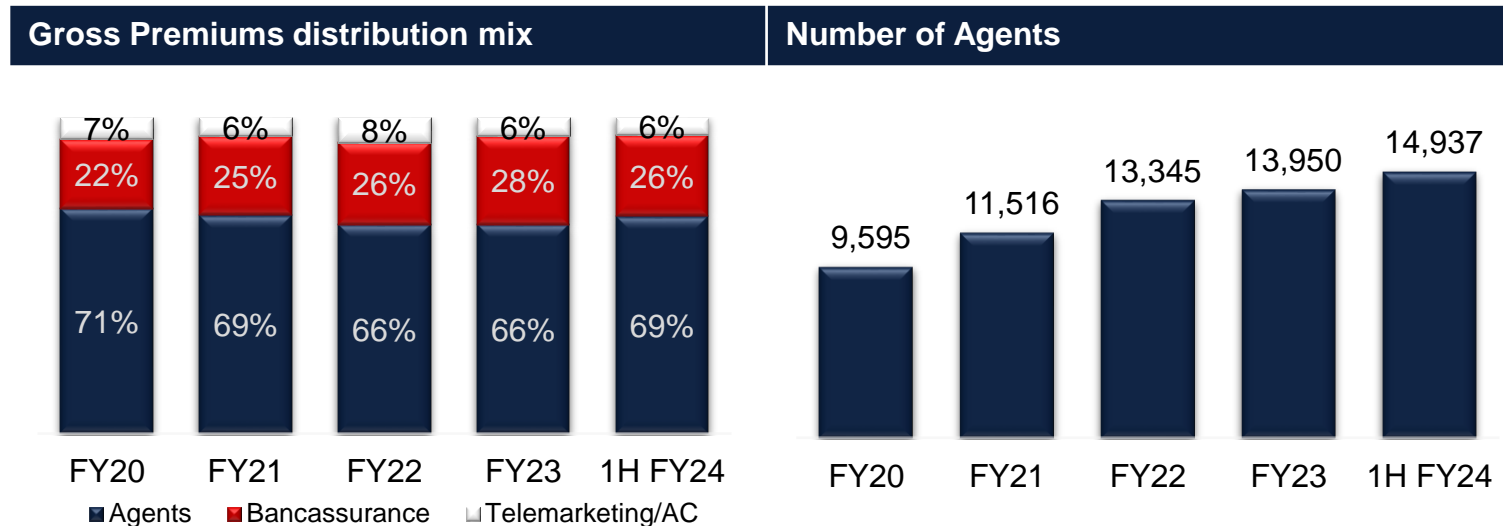
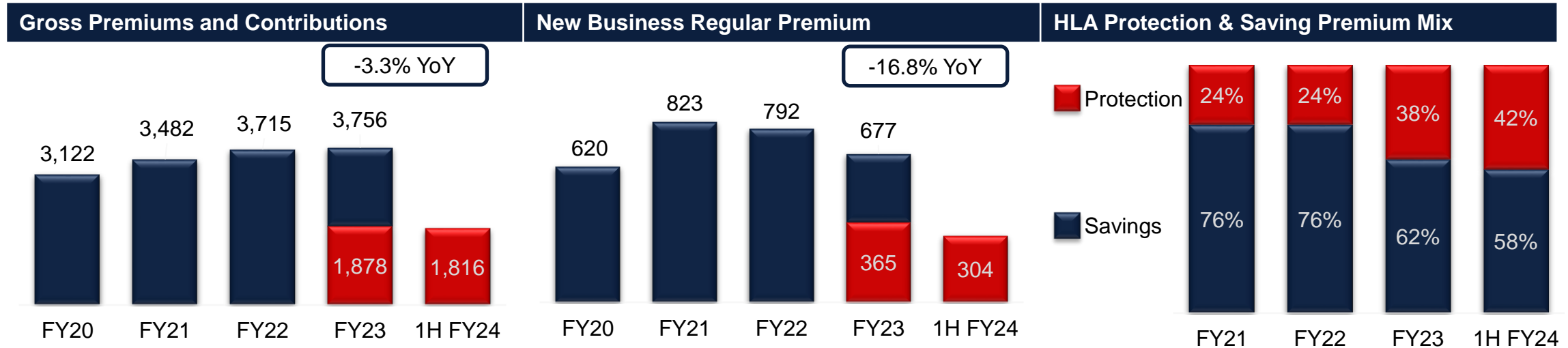


Key Drivers

- PBT YoY +3.1% YoY driven by improved takaful and Singapore contributions as well as higher share of profits from its associate
- Our life Insurance business under HLA registered a PBT of RM220.8 million, marginally declining by -1.3% yoy from lower insurance income as a result of higher expected claims reserves and a decline in investment income attributable to lower fair value gains, partially offset from lower management expenses.
- For Family Takaful, Hong Leong MSIG Takaful recorded a positive 1H FY24 PBT of RM7.6 million on the back of improved takaful service results and higher investment income.
- PAT increased by +2.4% YoY

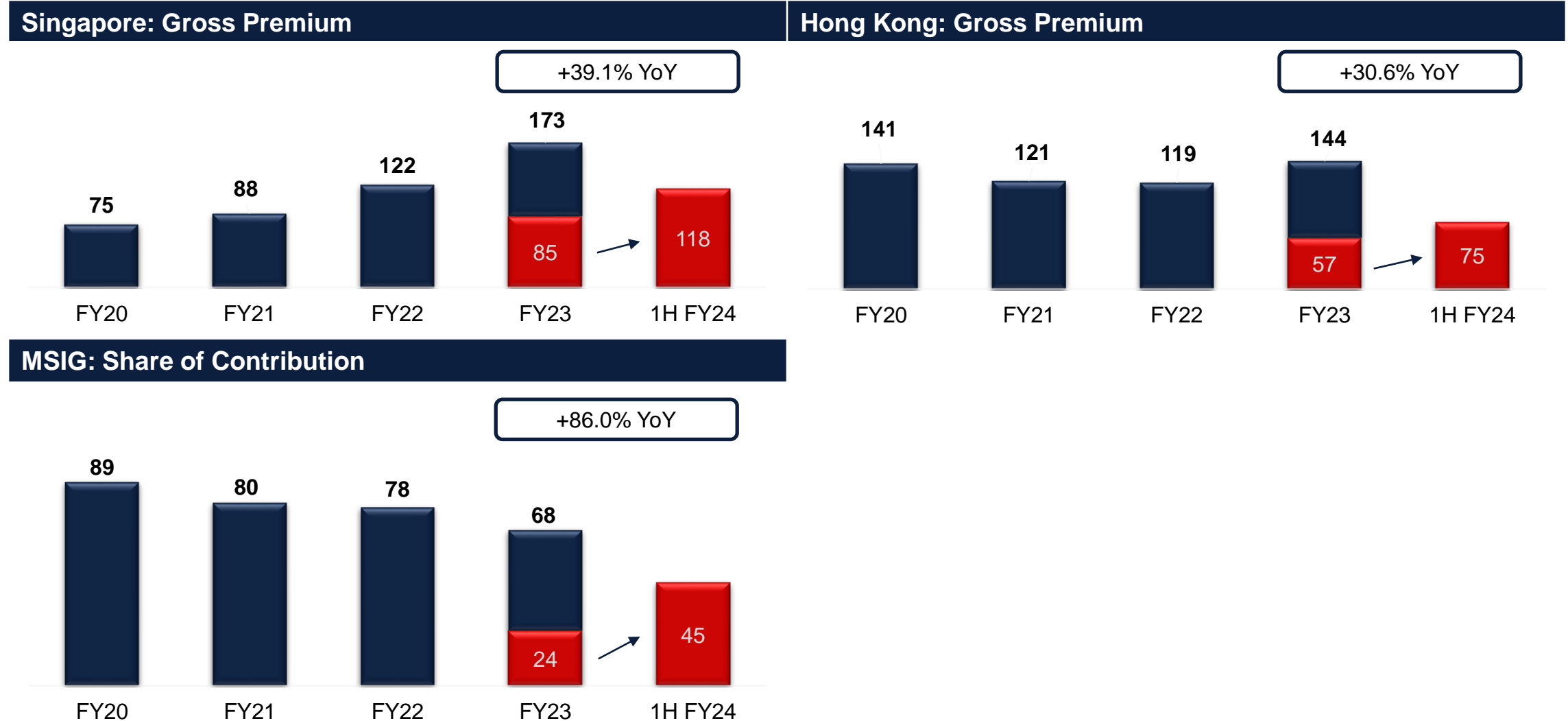


Life Insurance



General Insurance

Overseas Insurance recorded exponential gross premium growth

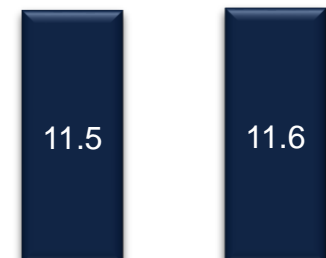


Investment Banking: HLCB

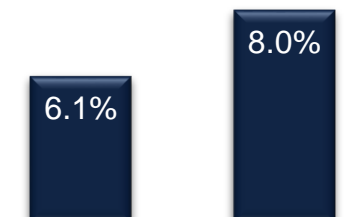
+35.1% PATMI from higher brokerage and client trust income, as well as equity investment

RM' mil	1H FY23	1H FY24	Change % (YoY)
Net Interest Income	27	25	-6.6%
Non-Interest Income	74	89	20.6%
Total income	101	114	13.3%
Operating expenses	(64)	(67)	-4.2%
PBT	36	47	29.8%
PAT	29	39	35.1%
Stockbroking	13	21	58.3%
Investment Banking	11	7	-34.9%
Asset Management	6	5	-17.8%
Others	5	13	>100%
PBT	36	47	29.8%

Asset Management Average AUM (RM' bil)



HLCB ROE (%)



Dec-22 Dec-23 1H FY23 1H FY24

Stockbroking Market Share (%)



FY20 FY21 FY22 FY23 1H FY24

HLIB Capital (%)

Dec-23

CET1

36.5%

CAR

46.7%

Sustainability Updates



- 3 new ESG debt financing mandates amounting to programme size of up to RM3.0 billion in 1H FY24.



Closing Remarks



Closing Remarks

- 1H FY24 on a good trajectory driven by healthy asset quality, robust loan growth, improving NOII and robust associate contributions.
- NIM remains a priority focus as we continue to strengthen CASA and deposit franchise.
- Prudent cost management for sustainable levels of CIR, while we continue to invest on technology.
- Cautious amid sluggish external trade, tight monetary conditions and renewed geopolitical concerns. Nonetheless, we expect sustained domestic economic growth
- To strengthen our sustainability efforts with added focus across our operating companies on encouraging our customers to adopt more sustainable practices.
- The Group remain focused on delivering sustainable performance by growing targeted segments, developing new product offerings and enhancing customer centricity. We will maintain strong capital and liquidity position to support asset growth.



Supplementary Information

Key Financial Summary

RM' mil	1H FY23	1H FY24	Change % (YoY)	1Q FY24	2Q FY24	Change % (QoQ)
Net Interest Income	2,478	2,334	-5.8%	1,152	1,174	+1.8%
Non-Interest Income	872	893	2.5%	413	488	+18.2%
Total income	3,349	3,227	-3.7%	1,565	1,662	+6.2%
Operating expenses	(1,207)	(1,248)	-3.3%	(641)	(606)	-5.5%
Operating profit before allowances	2,142	1,979	-7.6%	924	1,055	+14.1%
Allowances for loans and other impairments	(63)	57	>100%	51	6	>-100%
Share of profits from associates	662	848	28.0%	378	470	+24.5%
PBT	2,741	2,883	+5.2%	1,352	1,530	+13.2%
PATMI	1,481	1,574	+6.2%	742	832	+12.2%
EPS (sen)	130.6	138.7	+8.1 sen	65.4	73.3	+7.9 sen
Balance Sheet	Dec-22	Dec-23	Change % (YoY)	Sep-23	Dec-23	Change % (QoQ)
Book value per share (RM)	22.3	25.1	+12.8%	24.3	25.1	+3.3%
Dividend per Share (Sen)	17	18	+1 sen	-	18	
Gross Loan (RM' Bil)	172.9	185.5	+7.3%	182.1	185.5	+1.9%
Customer Deposits (RM' Bil)	197.9	210.1	+6.1%	207.6	210.0	+1.2%



Key Financial Summary

(%)	1H FY23	1H FY24	YoY	1Q FY24	2Q FY24	QoQ
Profitability						
Return on Equity (ROE)	11.5%	11.0%	▼	10.8%	11.7%	▲
Non-interest income / total income	26.0%	27.7%	▲	26.4%	28.9%	▲
Cost-to-income Ratio	36.1%	38.7%	▼	41.0%	36.5%	▲
Asset Quality						
LIC (excl. Reg. Reserves)	210.1%	163.5%	▼	164.6%	163.5%	▼
LIC (incl. Reg. Reserves)	311.1%	271.6%	▼	268.6%	271.6%	▲
Credit Cost	0.50%	-0.06%	▲	-0.11%	-0.01%	▼
Gross Impaired Loans Ratio	0.49%	0.56%	▼	0.57%	0.56%	▲
Liquidity						
Liquidity Coverage Ratio (LCR)	130.2%	136.4%	▲	133.9%	136.4%	▲
Net Stable Funding Ratio (NSFR)	123.9%	117.8%	▼	116.5%	117.8%	▲
Capital Adequacy						
Common Equity Tier I Capital Ratio (CET1)	11.5%	10.9%	▼	10.9%	10.9%	▬



Strategy

Pursue transformative strategies to add new business lines, exponentially scale up customer acquisition and add dimension to their business

Commercial Banking: HLB Transformative 3-5 Year Plan

Personal Financial Services

- Branch Transformation: Transform branch for value-added sales and services

Regional Wealth Management

- Wealth Expansion: Drive customer value proposition and generate effort-based income

Business & Corporate Banking

- SME & Middle Market: Build up HLB SME and Corporate loans market share via segment-specific strategies
- Transaction Banking: Transaction Banking to anchor cross-selling & deliver returns

Global Market

- Franchise Sales: Expand GM client coverage to grow franchise sales capabilities

Regional Markets

- Singapore Uplift: Capture opportunities to drive profitability and loans contribution

Targets in 3-5 Years

ROE

>12.5%

Cost-to-income ratio

~40%

Credit charge (5Y average)

~0.10%

CASA ratio

~35%

NOII Ratio

>25%



ESG / Sustainability



HLFG, HLB and HLCB have been listed as a constituent of **FTSE4Good Bursa Malaysia index**, as a recognition of our Group's efforts in embracing sustainability

HLB

As at Dec-23, HLB have:

- Cumulatively approved over RM13 billion for Green Mortgage & Affordable Property Financing
- Financed RM358 million for battery electric vehicles, hybrid electric vehicles and plug-in hybrid electric vehicles in 1H FY24
- Cumulatively approved over RM3 billion for Solar, Bioenergy, Small Hydro & Any RE projects
- Reduced approximately 21% of Scope 1 & 2 carbon emissions since base year FY2019, ahead of the targeted reduction of 15% to 25% by the year 2026
- Target Net Zero Emission by 2030 for GHG Scope 1 and 2, as well as Scope 3 by 2050

HLA

- Reduced approximately 20% of carbon emissions since base year FY2019
- HLA has installed a solar photovoltaic system at its headquarters and has commenced usage in Nov-23
- Organised “Hong Leong Assurance Run For A Better Tomorrow” with over 1,800 participants to raise awareness on sustainability practices and raise RM30,000 for ROSE foundation.
- Investment Department introduced ESG Policy which will progressively integrate ESG considerations into investment process.

HLCB

- 3 new ESG debt financing mandates amounting to programme size of up to RM3.0 billion in 1H FY24
- Appointed as the principal adviser, sponsor, sole underwriter, and sole bookrunner for a cooling energy company, KJTS Group Berhad, which are poised to help customers reduce carbon dioxide emissions by lowering electricity consumption.
- Won the Best Green Securitisation, Best Sustainable Finance Deal and Best ASEAN Green SRI Sukuk for two debt financing deals.

S&P Global

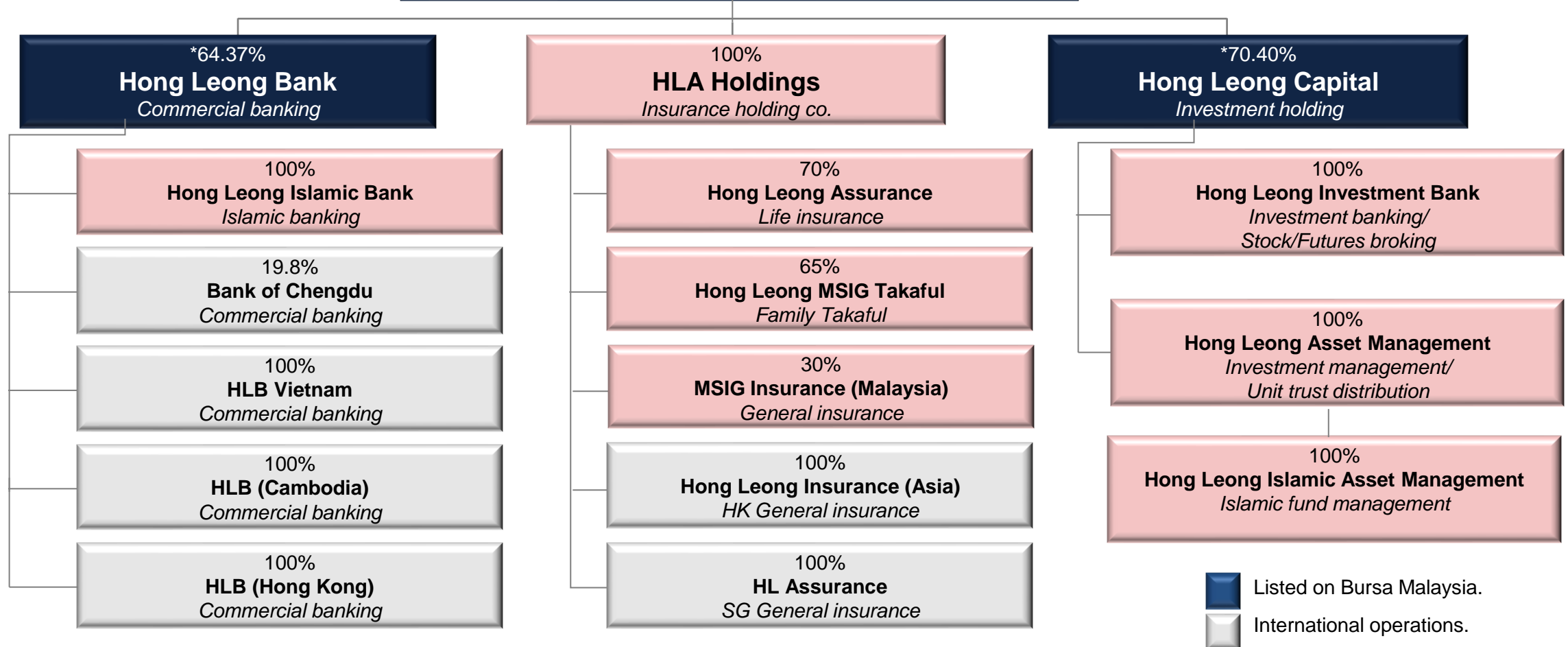
MSCI 





Percentile Rank (Max. 100)		MSCI Rating (Max. 10)		ESG Risk Rating (Lower is better)	
87 TH	54	A	5	Low Risk	18.6



HLFG Corporate Structure



 Listed on Bursa Malaysia.
 International operations.



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