

**RESPONSE TO QUESTION RECEIVED FROM SHAREHOLDER**

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The Board of Directors of Hong Leong Finance Limited (“**HLF**” or the “**Company**”) refers to the Company’s announcement of 27 March 2024 on its Notice of 64<sup>th</sup> Annual General Meeting to be held on 25 April 2024 (“**AGM**”), in particular, the invitation to shareholders to submit questions related to the resolutions to be tabled for approval at the AGM, by 11 April 2024 (“**Cut-Off Date**”). No questions from the shareholders were received as of the Cut-Off Date. The Company, however, had received a question from a shareholder relating to the Company’s Annual Report 2023 after the Cut-Off Date on 12 April 2024, and the Company’s response to the question raised is set out below:

**Question:**

HLF’s profits have in general been flat over the years, in stark contrast to the banks. ROEs are poor. HLF appears to face an existential threat in the not-so-distant future as its business models are outdated. Has the management done a strategic review of its business, and if not, would it consider about it?

**HLF’s response:**

While the banks are governed by the Banking Act, HLF being a Finance Company is governed by the Finance Companies Act 1967 with restricted business activities and different business models from the banks. We are domestically based and focus on our key pillars of business such as property financing, small and medium enterprises (“**SME**”) loans, motor vehicles financing and housing loans. All our activities are in Singapore only, unlike the banks which can leverage their overseas operations for profit growth. Our loans are funded mainly by customer deposits so our cost of funds is generally higher than the banks’.

Our financial performance has remained resilient and profitable through the pandemic and business cycle. Over the past three years (after Covid-19), HLF attained an average net profit of \$103 million per year with good dividend yields of approximately 5% to 7.1%.

Economic growth, inflation rates, and monetary policies of major economies can impact interest rates and overall market sentiment. Interest rates set by central banks that influence borrowing costs, asset yields, and funding costs are the key drivers of the net interest margin and overall profitability of HLF, and in turn impact on our performance ratio such as return on equity (ROE).

HLF management carries out a review of business strategies at least once a year. In the most recent review with the Board of Directors in April 2024, key focus areas to ensure sustainable business growth were identified. These included improving operating income by such means as diversifying loan portfolios, driving high yield products and managing the cost of funds and repricing gaps to optimise net margins; and, strategically integrating digital solutions into our business offerings to expand product offerings and customer engagement.

The management actively monitors the business environment and adapts our strategies to ensure long-term viability and sustainable business growth. We continually focus on staying relevant to the evolving needs of our customers and creating sustainable long-term value for our shareholders.

By Order of the Board

Yeo Swee Gim, Joanne  
Ng Siew Ping, Jaslin  
Company Secretaries

Date: 19 April 2024