

For Immediate Release

Hong Leong Financial Group Announces First Quarter Results: Achieving Growth in Challenging Times

KUALA LUMPUR, 22 NOVEMBER 2016 - Hong Leong Financial Group Berhad (“HLFG”) today announced its first quarter results for the period ended 30 September 2016 (“1Q17”).

- Group pretax profit increased 4.1% year-on-year (“y-o-y”) to RM726 million in 1Q17 due to improved contributions from the commercial banking and investment banking divisions, with continued strong credit and liquidity risk metrics maintained.
- Hong Leong Capital Berhad’s (“HLCB”) pretax profit increased 43.1% y-o-y to RM18.4 million in 1Q17 arising from better results across all its businesses; namely investment banking, stockbroking and asset management businesses.
- Book value per share increased from RM13.42 as at 30 June 2016 to RM13.87 as at 30 September 2016.

Hong Leong Financial Group’s President & Chief Executive Officer, Mr Tan Kong Khoon commented, “It has been a good start to the new financial year despite the challenging economic environment. Business growth remains intact and most importantly our core businesses continue to show strong credit and liquidity risk metrics which is important in these times. We are pleased to have been able to grow our earnings base and will continue to execute our strategies to build sustainable long-term value for our shareholders.”

Commercial Banking

- HLFG’s Commercial Banking division, Hong Leong Bank Berhad’s (“HLB”) pretax profit grew 8.0% y-o-y to RM675 million in 1Q17 due to higher net interest income and non-interest income.
- Net interest income expanded 5.4% y-o-y to RM801 million in 1Q17, aided by both loan growth and net interest margin expansion. Net interest margin improved 7bps y-o-y, despite the 25bps cut in the Overnight Policy Rate in July 2016.
- Non-interest income improved by 12.2% y-o-y to RM295 million in 1Q17, mainly due to higher treasury income. Non-interest income to total income ratio improved to 26.9% in 1Q17 from 25.7% in 1Q16.
- Gross loans grew by 4.0% y-o-y to RM121 billion as at 30 September 2016. Residential mortgages increased 12.1% y-o-y to RM52.8 billion. Loans to SMEs continued to grow at a healthy pace, increasing 8.2% y-o-y to RM19.3 billion.
- Customer deposits grew by 4.0% y-o-y to RM149 billion as at 30 September 2016. Individual deposits make up 55.3% of total deposits, leveraging on HLB’s strong retail franchise.

- HLB's Loan/Deposit ratio remained sound at 81.0% as at 30 September 2016, among the lowest in the industry.
- Asset quality continued to be strong with the Gross Impaired Loans Ratio standing at 0.84% as at 30 September 2016, which is amongst the lowest in the industry. Loan loss coverage remained sound at 113%.
- Cost/Income ratio improved to 44.8% in 1Q17, at the lower end of the industry range, aided by the completion of the MSS exercise last year.
- Contributions from international operations rose by 21.5% y-o-y to account for 16.1% of HLB's pretax profit in 1Q17. Contribution from the Bank of Chengdu improved by 11.0% y-o-y to RM89.2 million in 1Q17.
- Capital position remained robust, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 12.9%, 13.3% and 14.8% respectively as at 30 September 2016.

Insurance

- HLA Holdings Sdn Bhd, HLFG's insurance division, recorded a pretax profit of RM53.6 million in 1Q17.
- Hong Leong Assurance Bhd's ("HLA") gross premiums grew by 7.3% y-o-y to RM643 million in 1Q17 and importantly, new business premiums within our target segment of regular premiums increased by 14.5% y-o-y.
- HLA's management expense ratio was 6.0% in 1Q17, remaining amongst the lowest in the industry.
- The focus remains on growing and improving the quality of HLA's premium base, increasing profitability drivers as well as growth across multiple distribution channels.

Investment Banking

- The Investment Banking division under Hong Leong Capital Berhad, recorded a pretax profit of RM18.4 million in 1Q17, up 43.1% y-o-y.

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About Hong Leong Financial Group

Hong Leong Financial Group Berhad, as the listed financial services arm of Hong Leong Group, is a leading provider of financial services through its subsidiaries and associate companies.

The Group's financial services companies provide a broad spectrum of financial services – commercial banking, treasury, insurance, investment banking, capital markets, stockbroking and asset management throughout Malaysia, Singapore, China, Hong Kong, Vietnam and Cambodia. Based in Kuala Lumpur, our products and services are distributed via a diverse range of distribution channels.

Our vision is to be an integrated financial services group that consistently meets our customers' needs. Our goal is to become a leader in the financial services industry; a leader in each of the markets that we operate in.

For further details, visit www.hlfng.com.my or www.bursamalaysia.com, and for further clarification, please contact:

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