

For Immediate Release

Hong Leong Financial Group Announces First Half Results: Pretax Profit Increased 31.6% Year-on-Year to RM1.56 billion

KUALA LUMPUR, 21 FEBRUARY 2017 - Hong Leong Financial Group Berhad (“HLFG”) today announced its first half results for the six months ended 31 December 2016 (“1H17”).

- Group Profit Attributable to Owners of the Parent (“PAOP”) increased 27.5% year-on-year (“y-o-y”) to RM829 million in 1H17 due to growth in all three divisions of commercial banking, insurance and investment banking. Excluding the one-time Hong Leong Bank Berhad (“HLB”) Mutual Separation Scheme (“MSS”) cost booked in December 2015, underlying PAOP rose 12.7% y-o-y in 1H17.
- Group PAOP in the second quarter ended 31 December 2016 (“2Q17”) expanded by a more pronounced 68.2% y-o-y to RM443 million. Excluding the one-time HLB MSS cost booked in December 2015, underlying PAOP rose 26.9% y-o-y in 2Q17.
- Book value per share increased from RM13.42 as at 30 June 2016 to RM14.10 as at 31 December 2016.

Hong Leong Financial Group’s President & Chief Executive Officer, Mr Tan Kong Khoon commented, “We are pleased with the financial results achieved for the first half of the financial year, reflecting the multiple business initiatives undertaken in our operating businesses in spite of the current challenging economic environment. Business growth remains intact and more importantly our core businesses continue to show strong credit and liquidity risk metrics which are important in these times. We will continue to execute our business strategies to build sustainable long-term value for our shareholders. Looking forward, we believe we are well positioned to take advantage of an eventual recovery in the domestic and global economy”.

Commercial Banking

- HLFG’s Commercial Banking division, HLB’s pretax profit grew 30.5% y-o-y to RM1,371 million in 1H17 due to broad based growth in net interest income and non-interest income. 2Q17 pretax profit grew by a larger quantum of 63.6% y-o-y to RM697 million.
- Net interest income expanded 6.0% y-o-y to RM1,635 million in 1H17, aided by both loan growth and an improvement in net interest margin (“NIM”). NIM improved 10bps y-o-y to 2.05%, despite the 25bps cut in the Overnight Policy Rate in July 2016, reflecting better yield and cost of funds management.
- Non-interest income improved by 15.5% y-o-y to RM640 million in 1H17, mainly due to higher transactional and treasury income. Non-interest income to total income ratio improved to 28.1% in 1H17 from 26.4% in 1H16.

- Gross loans grew by 4.6% y-o-y to RM123 billion as at 31 December 2016. Residential mortgages increased 11.4% y-o-y to RM54.2 billion. Loans to SMEs continued to grow at a healthy pace, increasing 10.5% y-o-y to RM20.2 billion.
- Customer deposits grew by 4.1% y-o-y to RM151 billion as at 31 December 2016. Individual deposits make up 55.2% of total deposits, leveraging on HLB's strong retail franchise.
- HLB's Loan/Deposit ratio remained sound at 81.9% as at 31 December 2016, among the lowest in the industry.
- Asset quality continued to be strong with the Gross Impaired Loans Ratio standing at 0.86% as at 31 December 2016, which is amongst the lowest in the industry. Loan loss coverage remained sound at 107%.
- Cost/Income ratio improved to 43.6% in 1H17, at the lower end of the industry range, as revenue growth outpaced expense growth.
- Capital position remained robust, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 13.4%, 13.8% and 15.3% respectively as at 31 December 2016.

Insurance

- HLA Holdings Sdn Bhd, HLF's insurance division, recorded a pretax profit of RM189.2 million in 1H17, an increase of 44.4% y-o-y, due to lower actuarial reserves arising from higher interest rates, higher revenue and lower impairment loss on securities.
- Hong Leong Assurance Bhd's ("HLA") gross premiums grew by 9.2% y-o-y to RM1,416 million in 1H17 and importantly, new business premiums within our target segment of regular premiums increased by 33.2% y-o-y.
- HLA's management expense ratio was 5.6% in 1H17, 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 RM39.9 million in 1H17, up 16.3% y-o-y due to higher investment banking and stockbroking contribution.

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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.hlfg.com.my or www.bursamalaysia.com, and for further clarification, please contact:

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