

For Immediate Release

Hong Leong Financial Group Announces 9MFY17 Results: Pretax Profit Increased 30.7% Year-on-Year to RM2.32 billion

KUALA LUMPUR, 29 MAY 2017 - Hong Leong Financial Group Berhad (“HLFG”) today announced its results for the nine months ended 31 March 2017 (“9MFY17”).

- Group Profit Attributable to Owners of the Parent (“PAOP”) increased 29.3% year-on-year (“y-o-y”) to RM1.25 billion in 9MFY17 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 18.5% y-o-y in 9MFY17.
- Earnings momentum continued in the third quarter ended 31 March 2017 (“3Q17”) with Group PAOP growing 32.9% y-o-y to RM419 million.
- Book value per share increased from RM13.42 as at 30 June 2016 to RM14.48 as at 31 March 2017.

Hong Leong Financial Group’s President & Chief Executive Officer, Mr Tan Kong Khoon commented, “We are pleased with the financial results achieved for 9MFY17, reflecting the multiple business initiatives undertaken in our operating businesses amidst a 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 in tandem with our digital plans to build sustainable long-term value for our shareholders.”

Commercial Banking

- HLFG’s Commercial Banking division, HLB’s pretax profit grew 24.8% y-o-y to RM2.07 billion in 9MFY17 due to broad based growth in net interest income and non-interest income.
- Net interest income expanded 8.3% y-o-y to RM2.49 billion in 9MFY17, aided by both loan growth and an improvement in net interest margin (“NIM”). NIM improved 14bps y-o-y to 2.08%, despite the 25bps cut in the Overnight Policy Rate in July 2016, reflecting better cost of funds management.
- Non-interest income improved by 13.7% y-o-y to RM908 million in 9MFY17, mainly due to higher wealth management and treasury income. Non-interest income to total income ratio improved to 26.7% in 9MFY17 from 25.8% in 9MFY16.
- Gross loans grew by 3.9% y-o-y to RM123 billion as at 31 March 2017. Residential mortgages increased 11.2% y-o-y to RM55.7 billion. Loans to SMEs continued to grow at a healthy pace, increasing 7.5% y-o-y to RM20.2 billion.
- Customer deposits grew by 4.2% y-o-y to RM152 billion as at 31 March 2017. Individual deposits make up 55.9% of total deposits, leveraging on HLB’s strong retail franchise.

- HLB's Loan/Deposit ratio remained sound at 81.1% as at 31 March 2017, among the lowest in the industry.
- Asset quality continued to be strong with the Gross Impaired Loans Ratio standing at 0.88% as at 31 March 2017, which is amongst the lowest in the industry. Loan impairment coverage remained sound at 106%.
- Cost/Income ratio improved to 43.9% in 9MFY17, at the lower end of the industry range, as revenue growth outpaced expense growth.
- The Bank of Chengdu profit contribution rose 25.9% y-o-y in 3Q17.
- Capital position remained robust, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 12.7%, 13.1% and 15.1% respectively as at 31 March 2017.

Insurance

- HLA Holdings Sdn Bhd, HFLG's insurance division, recorded a pretax profit of RM245.2 million in 9MFY17, an increase of 100.5% 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 8.7% y-o-y to RM2.07 billion in 9MFY17 and importantly, new business premiums within our target segment of regular premiums increased by 19.3% y-o-y.
- HLA's management expense ratio was 5.9% in 9MFY17, 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 RM65.7 million in 9MFY17, up 34.6% 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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