

For Immediate Release

Hong Leong Financial Group Achieves Record Profit Before Taxation of RM3.09 billion for its Financial Year Ended 30 June 2017

KUALA LUMPUR, 24 AUGUST 2017 - Hong Leong Financial Group Berhad (“HLFG”) today announced its final results for the financial year ended 30 June 2017 (“FY17”).

- Group profit before taxation grew 20.5% year-on-year (“y-o-y”) to a record RM3.09 billion, with stronger contributions recorded from all three core businesses of banking, insurance and investment banking.
- Life insurance subsidiary Hong Leong Assurance Berhad’s (“HLA”) gross premiums surged above the RM3 billion mark for the first time, closing the financial year at RM3.01 billion, up 8.1% y-o-y.
- Book value per share increased from RM13.42 as at 30 June 2016 to RM14.52 as at 30 June 2017.

Hong Leong Financial Group’s President & Chief Executive Officer, Mr Tan Kong Khoon commented, “We are pleased to have achieved a record pretax profit in FY17. Our core businesses continue to show strong credit and liquidity risk metrics which are important in these times. Our continued focus remains on the execution of 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, Hong Leong Bank Berhad’s (“HLB”) pretax profit grew 15.4% y-o-y to RM2.75 billion in FY17 due to broad based growth in net interest income and non-interest income. Operating profit increased by 21.6% y-o-y to RM2.54 billion in FY17.
- Net interest income expanded 9.1% y-o-y to RM3.36 billion in FY17, aided by both loan growth and an improvement in net interest margin (“NIM”). NIM improved 15bps y-o-y to 2.09%, despite the 25bps cut in the Overnight Policy Rate in July 2016, reflecting prudent loan pricing and funding cost management.
- Non-interest income improved by 8.4% y-o-y to RM1,196 million in FY17, mainly due to higher wealth management and treasury income.
- Gross loans grew by 3.8% y-o-y to RM125 billion as at 30 June 2017. Residential mortgages increased 10.4% y-o-y to RM56.9 billion. Loans from international operations accelerated 17.0% y-o-y to RM6.6 billion.
- Customer deposits grew by 4.5% y-o-y to RM155 billion as at 30 June 2017. Individual deposits make up 55.5% of total deposits, leveraging on HLB’s strong retail franchise.
- HLB’s Loan/Deposit ratio remained sound at 80.6% as at 30 June 2017, among the lowest in the industry.

- Asset quality continued to be strong with the Gross Impaired Loans Ratio standing at 0.96% as at 30 June 2017. Loan impairment coverage remained sound at 96%. Inclusive of the regulatory reserve set aside as at 30 June 2017, HLB's coverage ratio would be higher at 151%.
- Cost/Income ratio improved to 44.1% in FY17, at the lower end of the industry range, as revenue growth outpaced expense growth.
- The Bank of Chengdu profit contribution rose 9.8% y-o-y in FY17 to RM342.9 million.
- Capital position remained robust, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 13.3%, 13.7% and 15.8% respectively as at 30 June 2017.
- HLB has raised its total dividend from 41.0 sen per share last year to 45.0 sen per share in FY17, and this will translate to better cash flows for HLFG.

Insurance

- HLA Holdings Sdn Bhd, HLFG's insurance division, recorded a pretax profit of RM337.8 million in FY17, an increase of 71.0% y-o-y, due to lower actuarial reserves arising from higher interest rates, higher revenue and lower impairment loss on securities.
- HLA's gross premiums grew by 8.1% y-o-y to RM3.01 billion in FY17 and importantly, new business premiums within our target segment of regular premiums increased by 8.3% y-o-y to a new record of RM585.7 million.
- HLA's management expense ratio was 5.5% in FY17, 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 RM84.0 million in FY17, up 30.3% y-o-y. All three core businesses of investment banking, stockbroking and asset management recorded higher contributions.

End

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:

Investor Relations

Chew Seong Aun
Chief Financial Officer

Tel: +603 21648228

Email: cfo-hlfg@hongleong.com.my

Media

Cairil Irwan

Group Corporate Affairs & Public Relations

Tel: +603 2081 8888 ext 61915

Email: CAPR@hongleong.com.my