

*For Immediate Release*

## **Hong Leong Financial Group Announces First Half Results: Pretax Profit Increased 13.3% Year-on-Year to RM1.77 billion**

**KUALA LUMPUR, 26 FEBRUARY 2018** - Hong Leong Financial Group Berhad (“HLFG”) today announced its first half results for the six months ended 31 December 2017 (“1HFY18”).

- Group profit before tax grew 13.3% year-on-year (“y-o-y”) to RM1,765 million due to stronger contribution from Hong Leong Bank Berhad (“HLB”).
- HLB’s associate, the Bank of Chengdu, successfully completed its initial public offering on the Shanghai Stock Exchange on 31 January 2018.
- Book value per share increased from RM14.52 as at 30 June 2017 to RM15.10 as at 31 December 2017.

Hong Leong Financial Group’s President & Chief Executive Officer, Mr Tan Kong Khoon commented, “We are pleased to have turned in a strong performance in 1HFY18. Our core businesses continue to show strong credit and liquidity risk metrics. We have a clear and focused business and digital strategy, which we will continue to execute diligently and we remain focused on building long-term sustainable value for our shareholders.”

### **Commercial Banking**

- HLB’s profit before tax grew 17.7% y-o-y to RM1,614 million due to higher net interest income as well as higher associate contribution from the Bank of Chengdu, where profit contribution rose 111.7% y-o-y in 1HFY18 to RM273 million.
- Net interest income expanded 9.0% y-o-y to RM1,782 million in 1HFY18, aided by both loan growth and an improvement in net interest margin (“NIM”). NIM improved 8bps y-o-y to 2.13% in 1HFY18, reflecting prudent loan pricing and funding cost management.
- Residential mortgages increased 9.0% y-o-y to RM59.1 billion as at 31 December 2017.
- HLB’s Loan/Deposit ratio remained sound at 80.8% as at 31 December 2017, among the lowest in the industry. HLB’s liquidity coverage ratio stood at 118% as at 31 December 2017, well above regulatory requirements.
- Asset quality continued to be strong with the Gross Impaired Loans Ratio standing at 0.97% as at 31 December 2017. Loan impairment coverage ratio remained sound at 96%. Inclusive of regulatory reserves set aside as at 31 December 2017, HLB’s loan impairment coverage ratio would be higher at 151%.
- Cost/Income ratio improved to 42.5% in 1HFY18, at the lower end of the industry range, as revenue growth continued to outpace expense growth.

- Capital position remained robust, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 13.1%, 13.8% and 15.8% respectively as at 31 December 2017.

### Insurance

- HLA Holdings Sdn Bhd, HFLG's insurance division, recorded a pretax profit of RM152.4 million in 1HFY18, a decrease of 19.4% y-o-y. This is mainly due to higher profits in last year's comparative period resulting from a jump in interest rates. We continue to make significant progress in growing our Non Participating and Investment Link new business premiums.
- HLA's management expense ratio was 5.7% in 1HFY18, remaining among 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 slightly lower pretax profit of RM37.4 million in 1HFY18.

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](http://www.hlfg.com.my) or [www.bursamalaysia.com](http://www.bursamalaysia.com), and for further clarification, please contact:

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