

For Immediate Release

Hong Leong Financial Group Recorded a Profit Before Tax of RM1.8 Billion For Its First Half Financial Results

KUALA LUMPUR, 26 February 2019 - Hong Leong Financial Group Berhad (“HLFG”) today announced its first half results for the six months ended 31 December 2018 (“1HFY19”).

- The Group’s profit before tax grew RM41.4 million or 2.3% year-on-year (“y-o-y”) to RM1,806.6 million, mainly contributed by its commercial banking division, Hong Leong Bank Berhad (“HLB”).
- Net Income from our Islamic banking and Takaful businesses increased RM28.4 million or 8.3% to RM371.6 million compared to the previous corresponding period. Our efforts to drive the Islamic financial services had continued to show results, where the contribution of the Islamic businesses to HLFG Group’s profit before tax (excluding one-off) improved from 10.2% to 13.4%.
- Non-interest income increased RM41.8 million or 4.9% to RM894.7 million, due mainly to higher net income from our insurance business, and better unit trust and asset management income.
- Book value per share increased from RM15.88 as at 30 September 2018 to RM16.21 as at 31 December 2018.

Hong Leong Financial Group’s President & Chief Executive Officer, Mr Tan Kong Khoo commented, “Despite a challenging business environment, we are pleased to record a steady first half financial result from our core businesses. The Group continues to show strong key balance sheet and liquidity risk metrics. We have a clear and focused business and digital strategy, where we will continue to execute diligently to build long-term sustainable value for our shareholders”.

Commercial Banking

- HLB’s profit after tax grew RM72.1 million or 5.5% y-o-y to RM1,394.2 million. The result was mainly driven by a healthy expansion in its loan books, improving asset quality metrics as well as solid contributions from its associates.
- Non-interest income for 1HFY19 grew by 7.9% y-o-y to RM674.9 million, recording a higher non-interest income ratio of 28.2%. This is due to stable contributions from fee income, improved foreign exchange gains and gains from the divestment of a joint venture.
- Cost-to-income ratio slightly increased to 43.3% in 1HFY19, but it was still at the lower end of the industry range. The Bank reinvests much of its cost saving initiatives and productivity gains into its digital programs and IT infrastructure.

- Residential mortgages grew ahead of industry at 8.8% y-o-y to RM64.3 billion, supported by a healthy loan pipeline, whilst domestic loans to business enterprises expanded by 9.9% y-o-y to RM 38.5 billion.
- Asset quality continued to be strong, with its Gross Impaired Loans Ratio improving further to 0.8% as at 31 December 2018; one of the strongest asset quality positions in the industry.
- Loan impairment coverage ratio remained sound at 121.8%. Inclusive of regulatory reserves set aside as at 31 December 2018, HLB's loan impairment coverage ratio would be higher at 200.5%.
- Loan-to-deposit ratio remained among the lowest in the industry at 81.0%. The Bank's Liquidity Coverage ratio stood at 117.8% as at 31 December 2018, well above regulatory requirements.
- Capital position remained robust, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 12.7%, 13.3% and 16.3% respectively as at 31 December 2018.

Insurance

- HLA Holdings Sdn Bhd, HLFG's insurance division, recorded a pretax profit of RM140.9 million in 1HFY19, a decrease of RM11.6 million or -7.6% y-o-y. The decrease in profit was mainly due to lower contributions from HLA and HLIA of RM5.6 million and RM5.4 million respectively arising from lower premiums and equity market volatilities.
- The Group continues to make good progress in growing our Non Participating and Investment Link new business premiums at over 90% of new business premiums. This is important to our efforts to create higher new business embedded value in the current business environment.
- HLA's management expense ratio was 6.1% in 1HFY19, 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 pretax profit of RM37.5 million in 1HFY19, maintaining last year's profit.

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:

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