

For Immediate Release

Hong Leong Financial Group Delivers Steady Performance for its Nine Months Financial Results Ended 31 March 2022

KUALA LUMPUR, 30 MAY 2022 - Hong Leong Financial Group Berhad (“HLFG” or the “Group”) today announced its results for the nine months ended 31 March 2022 (“9MFY22”).

- The Group recorded a net profit attributable to shareholders (“PATAMI”) of RM1.8 billion, an increase of 5.1% year-on-year (“y-o-y”) for the period due to higher contribution from the commercial banking division, Hong Leong Bank Berhad (“HLB”) while the insurance division, HLA Holdings Sdn Bhd (“HLAH”) and the investment banking division, Hong Leong Capital Berhad (“HLCB”) recorded lower contributions.
- Net income from our Islamic banking and Takaful businesses for the period was RM717 million, slightly lower by 2.3% y-o-y. The Islamic businesses contributed 7.5% towards HLFG Group’s total profit before tax.
- Book value per share increased from RM20.13 as at 30 June 2021 to RM20.99 as at 31 March 2022.

Hong Leong Financial Group’s President & Chief Executive Officer, Tan Kong Khoon commented, “We expect a broad-based economic recovery spurred by the reopening of borders as Malaysia and most of the world transition to an endemic phase of COVID-19 management. Fiscal policies are expected to remain expansionary to support consumer spending and encourage business investment to create job opportunities. Notwithstanding the improved outlook within Malaysia, there remains uncertainty and downside risks from inflationary pressures, persistent global supply chain disruptions, fallout from the armed conflict in Europe and a slowdown in China’s economy. Against this uncertain global backdrop, the Group continues to deliver steady performance in 9MFY22. Bank Negara Malaysia’s recent 25 basis points increase in the overnight policy rate may be mildly positive to our commercial banking business but the upward inflation trend would most likely put some pressure on our operating cost that calls for more stringent cost discipline going forward.”

Commercial Banking

- HLB recorded a net profit after tax of RM2,382 million for the period, an increase of 9.7% y-o-y, supported by top-line growth, prudent cost control, lower loan impairment allowances and robust contributions from associates.

- The Bank's operating expenses ("Opex") remained tightly controlled with Cost-to-Income ratio of 37.5%. This was contributed by the operating businesses' digitalisation efforts and effective cost management.
- Loans grew by 6.3% y-o-y to RM162.5 billion. The Bank's domestic loans growth of 5.3% y-o-y continued to outperform the industry growth rate. Residential mortgages grew modestly by 5.7% y-o-y while domestic loans to business enterprises expanded by 11.4% y-o-y. The Bank's community banking initiative focusing on customers within the SME segment registered a solid 18.1% y-o-y loan growth.
- Asset quality position remained stable with a Gross Impaired Loans ("GIL") ratio of 0.48% as at 31 March 2022. Loan Impairment Coverage ("LIC") ratio as at 31 March 2022 was at 217.8%. Inclusive of the provisions made and value of securities the Bank holds on our GIL, the Bank's LIC ratio stood at 287.8%.
- Capital position remained robust, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 12.7%, 13.3% and 15.4% respectively as at 31 March 2022.

Insurance

- HLAH recorded a profit after tax of RM263 million, lower by 7.8% y-o-y. This was mainly attributed by the absence of one-off tax credit item in prior year. Excluding this one-off tax credit item, the profit after tax for the 9 months ended 31 March 2022 would have increased by 9.2% y-o-y on a normalised basis. HLAH's performance was also supported by its overseas general insurance companies. HL Assurance Pte. Ltd. in Singapore increased its gross premiums by 45% while Hong Leong Insurance (Asia) Limited's gross premiums fell by 5% due to the tougher market conditions in Hong Kong.
- Hong Leong Assurance Berhad ("HLA"), our key insurance operating subsidiary, registered a profit after tax of RM202 million, an increase of 8.8% y-o-y for the period mainly due to lower net losses from mark to market valuation on investments and higher gross premiums. Gross premiums increased by 1.6% to RM2.3 billion while the new business regular premiums declined 17.9% y-o-y to RM463 million as new customer acquisition was hindered by the cautious operating environment due to the lingering threat of COVID-19 during the period.
- Our Takaful operating subsidiary, Hong Leong MSIG Takaful Berhad ("HLMT") showed a robust business growth trajectory, with a 49.3% y-o-y increase in its gross contribution, as the business continues the build-up of its agency distribution channel.

Investment Banking

- HLCB recorded a profit after tax of RM64 million, a decrease of 51.5% y-o-y in comparison to last year due to lower income contribution from both investment banking and stockbroking division which were affected by a slower pace of mandated-deals completion and lower traded volume on Bursa Malaysia.
- The stockbroking division under our investment banking subsidiary, Hong Leong Investment Bank Berhad, experienced significant lower market activity with Bursa Malaysia traded volume declining by 47.5% y-o-y in 9MFY22. The lower retail participation in the market during this period had also resulted in our lower total market share.
- Our investment banking division's performance was affected by delays in completion of mandated deals within the current financial year caused by disruption from the movement restrictions.
- The fund management business under Hong Leong Asset Management Berhad ("HLAM") recorded an increase in profit after tax by 12.7% to RM16.5 million contributed by higher management fee income from enlarged equity funds under management that carry higher net fee rate.

Sustainability Journey

HLFG has increased focus in managing Environmental, Social and Governance ("ESG") and associated issues under Group-Wide approach. While we continue our efforts to improve shareholders' return, we also ensure that our operating companies are strengthening their sustainable efforts to create a positive impact for our stakeholders, communities and the environment. In March 2022, HLB embarked on carbon sequestration with mangrove tree planting in Kuala Selangor Nature Park. The volunteers were employees from the Company, our Commercial banking division, Insurance and Takaful arms, Investment bank and our Asset Management company.

Our fund management business, HLAM launched its first ESG fund - Hong Leong Global ESG Fund in April 2022 that represents a milestone for HLAM as investor demand for responsible and sustainable investments increases. The Global ESG Fund aims to provide investors with medium-to long-term capital growth by investing in a globally diversified portfolio of companies focusing on ESG criteria in the investment process. HLAM will continue to grow its sustainable investing solutions and committed to deliver superior returns to investors while meeting their ethical and sustainability goals.

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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 and Islamic banking, treasury, insurance and Family Takaful, investment banking, 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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