

For Immediate Release

Hong Leong Financial Group Delivers Steady Performance for Financial Results Ended 30 June 2022

KUALA LUMPUR, 30 AUGUST 2022 - Hong Leong Financial Group Berhad (“HLFG” or the “Group”) today announced its final results for the financial year ended 30 June 2022 (“FY22”).

- The Group recorded a net profit attributable to shareholders (“PATAMI”) of RM2.5 billion, an increase of 8.3% year-on-year (“y-o-y”) for the year 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 its Islamic banking and Takaful businesses for the period was RM991 million, slightly lower by 0.4% y-o-y. The Islamic businesses contributed 8.9% towards HLFG Group’s total profit before tax.
- Book value per share increased from RM20.13 as at 30 June 2021 to RM21.41 as at 30 June 2022.
- The Group declared a final dividend of 31 sen per share. Including the interim dividend of 15 sen per share, HLFG would have paid/ declared a total dividend of 46 sen per share for the financial year.

Hong Leong Financial Group’s President & Chief Executive Officer, Tan Kong Khoo commented, “Looking forward, we expect Malaysia’s economy to remain resilient supported by firm domestic demand, rebound in tourism-related sectors, improvement in the job market and double-digit growths in external trade surplus for the first half of 2022. However, the post-pandemic recovery momentum is facing external headwinds from a slowing global economy, sharp interest rate hikes in advanced economies, the prolonged Russia-Ukraine war and strains in China’s economy are likely to weigh on the outlook of the global economy in the second half of 2022. The normalisation of interest rates by Bank Negara Malaysia may be mildly positive to our commercial banking business but the risk of softening of economic activities with consumer sentiment turning cautious may curtail private sector consumption and further dampen the outlook in investment climate. While many factors remain at play, the downside risks and uncertainties coupled with rising domestic inflation trend would likely put some pressure on our operating cost, that calls for more stringent cost discipline and vigilance to adapt to a volatile business environment in the new financial year.”

Commercial Banking

- HLB recorded a net profit after tax of RM3,289 million for the period, an increase of 15.0% 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 8.0% y-o-y to RM168.2 billion. The Bank's domestic loans growth of 6.7% y-o-y continued to outperform the industry growth rate. Residential mortgages grew modestly by 6.8% y-o-y while domestic loans to business enterprises expanded by 13.3% y-o-y. The Bank's community banking initiative focusing on customers within the SME segment registered a solid 17.0% y-o-y loan growth.
- Asset quality position remained stable with a Gross Impaired Loans ("GIL") ratio of 0.49% as at 30 June 2022. Loan Impairment Coverage ("LIC") ratio as at 30 June 2022 was at 211.8%. Inclusive of the provisions made and value of securities the Bank holds on our GIL, the Bank's LIC ratio stood at 281.8%.
- Capital position remained robust, with Common Equity Tier 1, Tier 1 and Total Capital Ratios at 13.4%, 14.5% and 16.7% respectively as at 30 June 2022.

Insurance

- HLAH recorded a profit after tax of RM339 million, lower by 14.1% 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 year ended 30 June 2022 would have slightly decreased by 3.1% y-o-y on a normalised basis.
- Hong Leong Assurance Berhad ("HLA"), our key insurance operating subsidiary, registered a profit after tax of RM257 million, a decrease of 0.9% y-o-y for the year mainly due to higher MTM loss on investment despite higher operating surplus. Gross premiums increased by 0.8% to RM3.2 billion while the new business regular premiums declined 12.6% y-o-y to RM641 million due to lower contribution from agency channels disrupted by movement restrictions and resurgence in COVID-19 cases.
- HLA's New Business Embedded Value ("NBEV") showed a 13.1% y-o-y improvement, mainly driven by the positive impacts from higher long term MGS rates and refinement in actuarial methodology. Our digital transformation and product re-positioning plans have also contributed to the improved NBEV.

- Our Takaful operating subsidiary, Hong Leong MSIG Takaful Berhad (“HLMT”) showed a strong business growth trajectory, with a 61.9% y-o-y increase in its gross contribution, as the business continues the build-up of its agency distribution channel.
- Our overseas general insurance companies, HL Assurance Pte. Ltd. in Singapore increased its gross premiums by 37% while Hong Leong Insurance (Asia) Limited ‘s gross premiums fell by 2.4% due to the tougher market conditions in Hong Kong.

Investment Banking

- HLCB recorded a profit after tax of RM73 million, a decrease of 64.4% y-o-y in comparison to last year due to lower income contribution from both investment banking and stockbroking division which were affected by delayed completion of mandated-deals 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 trading volume declined by 46.7% y-o-y. The increase in foreign trading activity coupled with lower retail participation in the market during the year had resulted in our reduced total market share.
- Our investment banking division’s performance was mainly affected by delays in completion of mandated deals in FY22 caused by disruption from the movement restrictions.
- The fund management business under Hong Leong Asset Management Berhad (“HLAM”) and its subsidiary, Hong Leong Islamic Asset Management (“HLISAM”) recorded an increase in profit after tax by 2.3% to RM19.0 million.

Sustainability Journey

GHG measuring and monitoring

In FY22, HLFGB initiated the measuring of its Greenhouse Gas (“GHG”) emissions together with the key operating companies, namely HLB, HLA, HLMT and HLCB. The report on GHG emissions has been prepared in accordance with the GHG Protocol Corporate Accounting and Reporting Standard by World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD). HLB embarked on carbon sequestration and partnered with the Malaysian Nature Society to restore degraded forest land by planting new mangrove trees in the Kuala Selangor Nature Park.

Policies with ESG consideration

We have developed policies taking consideration of ESG and sustainability best practices across our businesses within the Group. At HLFG, we have updated our procurement policy to embed ESG considerations into our selection of vendors. To align to best practice and transparency in the management of tax matters, we have set out the Company's tax strategy and approach in conducting our tax affairs and tax compliance.

For our commercial banking group, it has embedded various ESG considerations into their product and services such as investment products onboarding and further enhancement to its Business & Corporate Banking lending ESG assessment framework that includes new sector-specific guidelines. HLAM and HLISAM have introduced an ESG Framework into their Investment Policy, and similarly at HLA, it had implemented an ESG Policy for the investment department to incorporate ESG factors into their investment decisions in both the conventional and Shariah-compliant funds.

Sustainability Governance

During the year, our operating companies namely HLA and HLCB have set out their respective sustainability framework to guide and accelerate the sustainability agenda with the objective of delivering sustainability-linked value to stakeholders. They have established a sustainable governance policy that sets out the governance structure, roles and responsibilities of the Board and Board level committee as well as the composition of the sustainability working committee that will be responsible for implementing the sustainability strategies and in managing and mitigating identified ESG risks.

Recognition

HLFG was recognised as the Best Managed Bank and Financial Holding group in Malaysia by the prestigious The Asian Banker Leadership Achievement Awards 2022. Held once every three years, the Leadership Achievement Awards program is highly coveted and we are honoured to have received this award for the second consecutive time.

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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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