

Hong Leong Financial Group Records a Net Profit Attributable to Shareholders of RM2,165 Million for its 9 Months Financial Results Ended 31 March 2023

KUALA LUMPUR, 31 May 2023 - Hong Leong Financial Group Berhad (“HLFG” or the “Group”) today announced its nine months results for the period ended 31 March 2023 (“9MFY23”).

- The Group recorded a net profit attributable to shareholders (“PATAMI”) of RM2,165 million, an increase of 21.8% year-on-year (“y-o-y”) for the period due to higher contribution from the commercial banking division, Hong Leong Bank Berhad (“HLB” or the “Bank”) and the insurance division, HLA Holdings Sdn Bhd (“HLAH”) while the investment banking division, Hong Leong Capital Berhad (“HLCB”) recorded lower contributions.
- Total income from our Islamic banking and Takaful businesses for the period increased to RM816.9 million, higher by 12.6% y-o-y. The Islamic businesses contributed 11.3% towards HLFG Group’s total profit before tax.
- Book value per share increased from RM22.28 as at 31 December 2022 to RM22.95 as at 31 March 2023.

Hong Leong Financial Group’s President & Chief Executive Officer, Tan Kong Khoon commented, “Looking ahead, the global economy is expected to face headwinds from weaker demands, rising geopolitical polarisation and financial stability risk following the recent banking sector turmoil in the US and Europe. Although the Malaysian external trade momentum is expected to moderate following two consecutive years of double-digit expansion, our economy is projected to expand at 4% - 5% in 2023 supported by a recovery in the tourism sector and normalisation of domestic demand backed by a low unemployment rate. Given the challenging global headwinds, we maintain a cautious outlook on the economic landscape and shall take necessary precautions to safeguard the financial health and stability of our businesses.”

Commercial Banking

- HLB recorded an improved net profit after tax of RM2,954 million for the period, an increase of 24.0% y-o-y underpinned by healthy top-line growth, prudent cost management and robust contribution from associates. Consequently, the return on equity (“ROE”) improved to 12.3%.
- The Bank’s operating expenses (“OPEX”) remained prudently managed at RM1,646 million and our disciplined approach to strategic cost management initiatives contributed to a commendable cost-to-income ratio (“CIR”) of 37.6%.

- Gross loans, advances and financing grew by 7.2% y-o-y to RM174.2 billion led by expansion in our key segments of mortgages, SME and commercial banking, as well as overseas operations.
- Residential mortgages increased 8.5% y-o-y to RM87.7 billion while transport vehicle loans/financing expanded by 11.7% y-o-y to RM19.2 billion, corresponding to the higher sales volume of motor vehicles. Loans to domestic business enterprises, including SME improved by 7.3% y-o-y to RM55.5 billion.
- Loans to domestic business enterprises improved by 7.3% y-o-y to RM55.5 billion, with our financing support to the SME segment increased by 10.6% y-o-y to RM31.3 billion. The Bank's community banking initiative, within the SME segment registered an encouraging growth of 14.7% y-o-y, attributable to a strong loan/financing pipeline and our innovative digital banking offerings.
- Asset quality positions remained stable with a Gross Impaired Loans ("GIL") ratio of 0.52% whilst Loan Impairment Coverage ("LIC") ratio recorded 197% as at 31 March 2023. Inclusive of the provisions made and the value of securities held on our GIL, the Bank's LIC ratio stood at 267%.
- The Bank's Capital position remained solid with *CET 1*, *Tier 1* and *Total Capital ratios* at 12.9%, 13.9% and 16.0% respectively as at 31 March 2023.

Insurance

- HLAH recorded a net profit after tax of RM292.4 million, an increase of 11.3% y-o-y. This was mainly contributed by improved investment income, positive mark-to-market ("MTM") valuation gains on investment, and higher operating surplus from its subsidiaries.
- Hong Leong Assurance Berhad ("HLA"), our key insurance operating subsidiary, registered a net profit after tax of RM235.1 million, an increase of 16.1% y-o-y. Gross premiums decreased by 2.5% to RM2,287 million while new business regular premiums declined by 12.6% y-o-y to RM404.1 million due to consumers' caution and competitive bank deposit rates.
- Our Family Takaful operating subsidiary, Hong Leong MSIG Takaful Berhad ("HLMT") delivered a strong business growth trajectory with 34.0% y-o-y increase in gross contribution as the business continues to strengthen its agency and bancassurance distribution channels.
- Our overseas general insurance companies, HL Assurance Pte. Ltd and Hong Leong Insurance (Asia) Limited's gross premiums have rebounded and improved by 34.0% and 12.3% y-o-y respectively.

Investment Banking

- HLCB recorded a net profit after tax of RM41.8 million, a decrease of 34.9% y-o-y due to lower profit contribution from its key operating subsidiaries; Hong Leong Investment Bank Berhad (“HLIB”) and Hong Leong Asset Management Bhd (“HLAM”).
- HLIB reported a lower net profit after tax of RM27.5 million, arising from reduced profit contribution from both stockbroking and investment banking division. The stockbroking division was affected by a significantly lower Bursa market activity with traded value declining by 28.0% lower y-o-y. The investment banking division registered lower profit contribution mainly attributable to lesser trading income from our treasury & markets operations adopting a more conservative position amidst strong market volatility and thinner liquidity trading conditions.
- The fund management business under HLAM and its subsidiary, Hong Leong Islamic Asset Management Sdn Bhd (“HLISAM”) recorded a net profit after tax of RM6.1 million, a decrease of 62.9% y-o-y mainly due to lower management fee income attributable to a weak investment climate, higher Fixed Deposit interest rates and the continued redemptions in our retail money market funds as they become less attractive with the end of tax exemption of this product.
- Our funds’ performance remains robust and we were awarded a total of 20 individual fund awards at the Refinitiv Lipper Fund Awards Malaysia 2023 and Refinitiv Lipper Fund Awards Global Islamic 2023. We remain committed to deliver consistent and competitive investments scheme to our customers.

Sustainability Journey

HLFG has increased focus on managing Environmental, Social and Governance (“ESG”) and associated issues under a Group-Wide approach. While we continue our efforts to improve shareholders’ returns, we also ensure that our operating companies are strengthening their sustainable efforts to create a positive impact on our stakeholders, communities and the environment.

- The **Titanium+ Tier** certification from the Green Climate Initiative (“GCI”), an industry-leading green technology accreditation organisation was awarded to HLB’s new data centre. With this accreditation, the bank’s data centre is officially a Certified Green Computing Facility. This recognition is a reflection of the Bank’s continuous efforts in its strategic ESG initiatives towards being carbon neutral by 2050.
- HLB was awarded for the second consecutive time, the “Sustainable Energy Financing” by a Domestic Bank at the National Energy Awards 2022 which was organised by the Malaysian Green Technology and Climate Change Corporation, an agency of the Ministry of Natural Resources, Environment and Climate Change.

- HLCB's focus on Diversity and Inclusion has achieved over 30% women representation on HLIB's Board of Directors and their launch of Women's Day Campaigns had successfully reached out to more than 500 women to promote literacy on investing.

At HLFGB company level, we affirmed our commitment to support local communities in collaboration with Kechara Soup Kitchen's School Mission Project to contribute school bags, stationery, multi-purpose cases, drinking containers, and goodie bags that had benefited 1,100 Orang Asli children across 28 villages.

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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.hlfgb.com.my or www.bursamalaysia.com, and for further clarification, please contact:

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