

INVESTOR PRESENTATION

28 August 2019



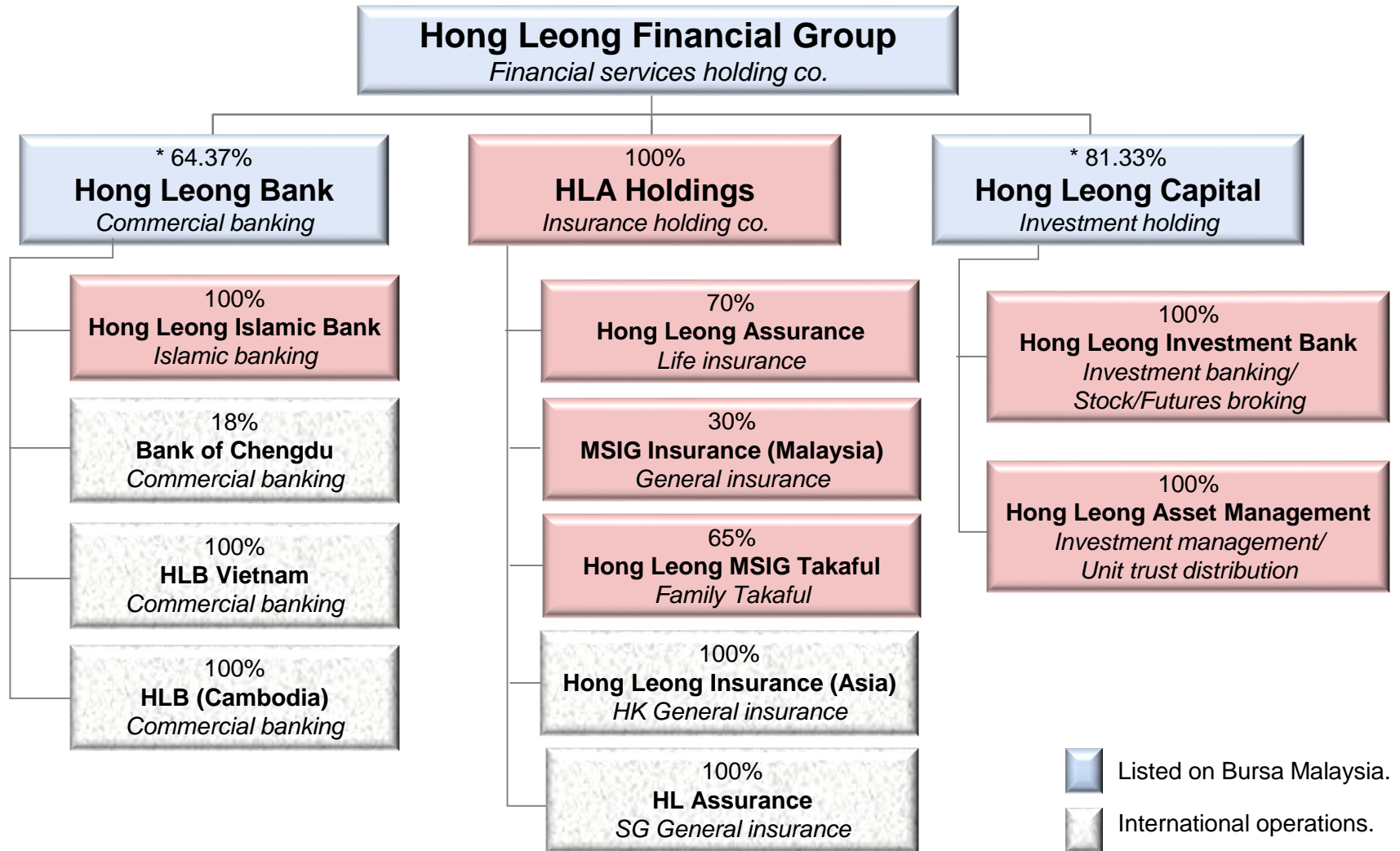
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- ❖ **FY19 Recognitions/ Awards**
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Corporate Structure / Principal Businesses



FY19 Financial Highlights

HLFG

- Net Profit Attributable To Shareholders at RM1.92 bn, grew 0.6% yoy.
- Book Value per share increased 7.9% yoy to RM16.78.
- Net dividend per share: 42.0 sen, +2 sen yoy.

HLB

- Net Profit grew moderately to RM2.66 bn, +1.0% yoy.
- Loans grew 6.6% yoy, better than market (Industry growth +4.2% yoy).
- Solid asset quality with Gross Impaired Loan (“GIL”) ratio improving to 0.78%.

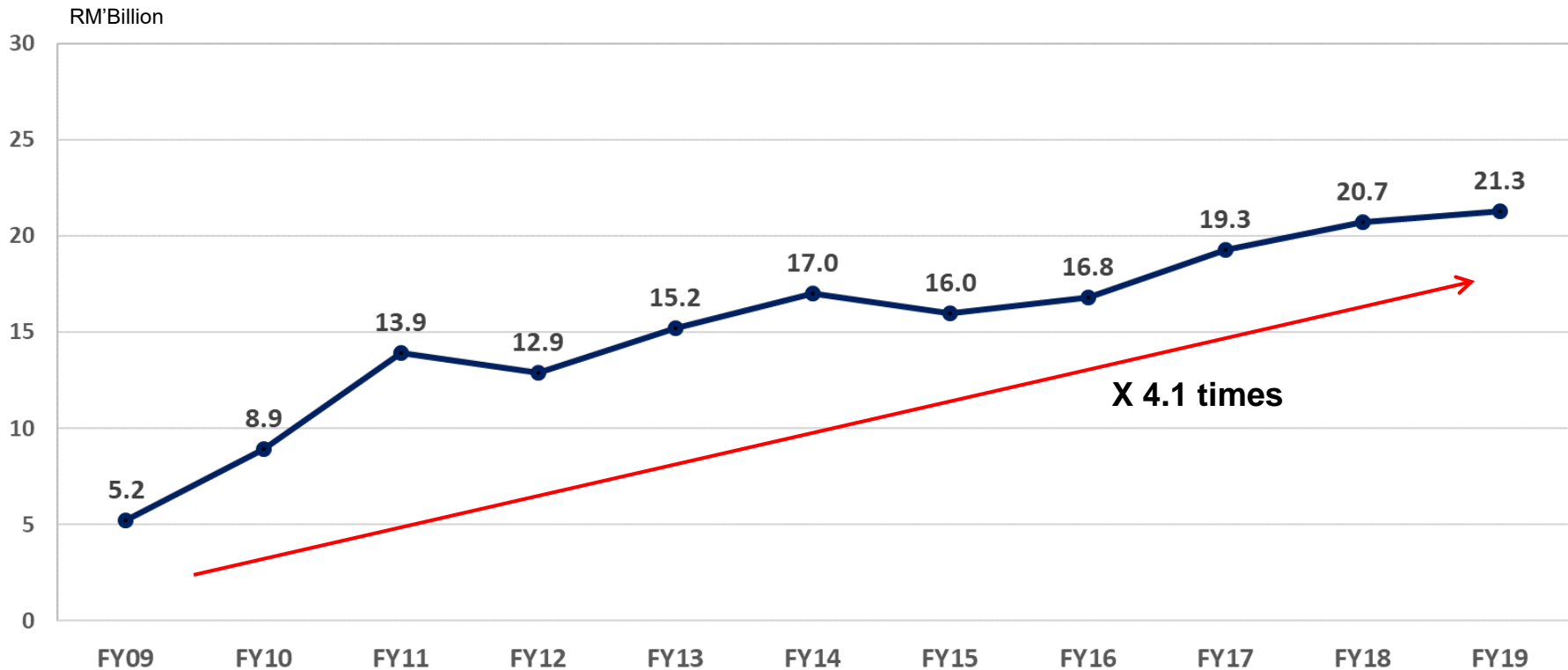
HLA

- Net Profit increased 4.5% yoy to RM221.0 mil.
- Gross premiums recorded at RM2.80 bn in FY19. New business regular premiums grew 2% to RM546 mil.
- NBEV showed a 14.7% yoy growth.
- Non-Par/Par ratio maintained upward trend, improving from 89:11 (FY18) to 93:7 (FY19). This is in line with focus on Non-PAR/investment link products.

HLCB

- Net Profit decreased to RM67.7mil, -5.1% yoy due to a slowdown in capital and equity markets.
- Hong Leong Asset Management (HLAM) continued to show a strong profit growth, up 80% yoy.
- HLAM’s AUM increased RM0.6 bn or 4% yoy to RM15.8 bn.

HLFG Market Capitalisation



CAGR

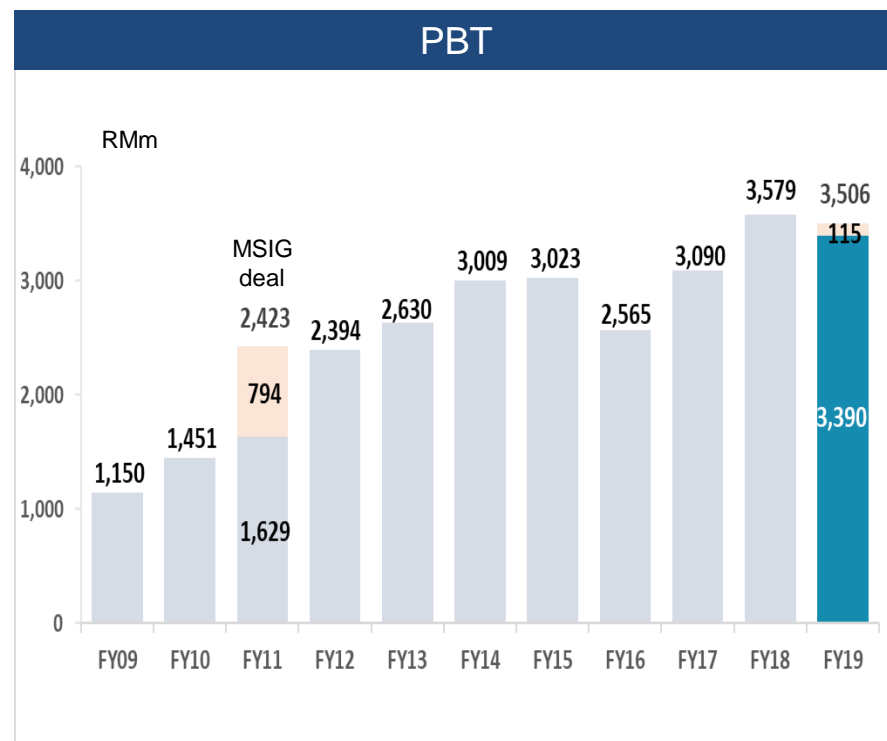
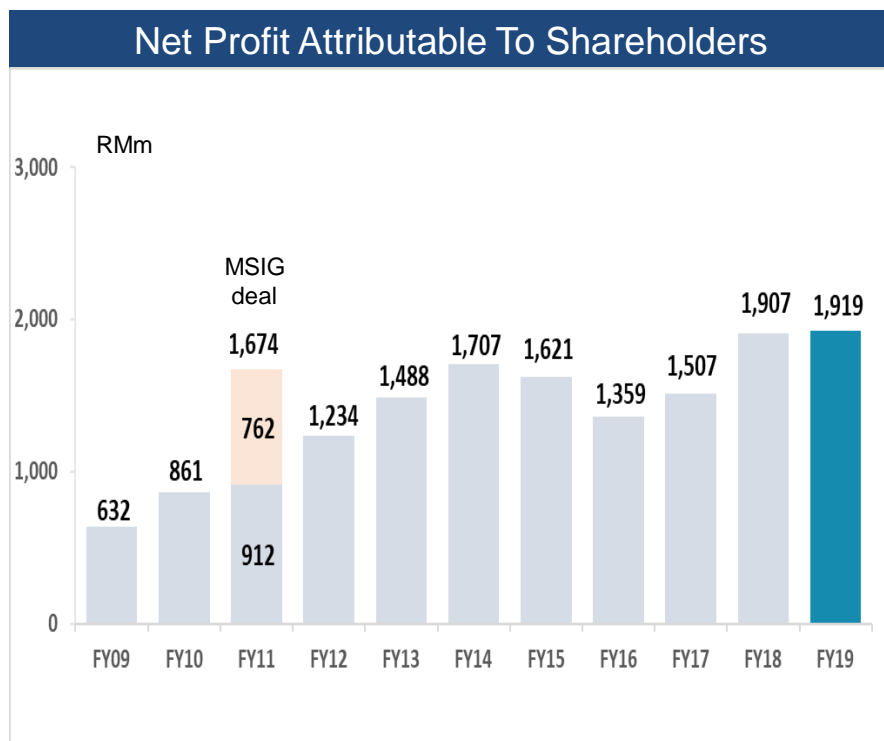
1-Year
3-Year
5-Year
10-Year

As at FY19

2.9%
8.2%
4.6%
15.1%

HLFG Key Trends

- HLFG recorded a Net Profit Attributable To Shareholders of RM1,919 million (+0.6% yoy) despite a subdued economy.



One-off Items:

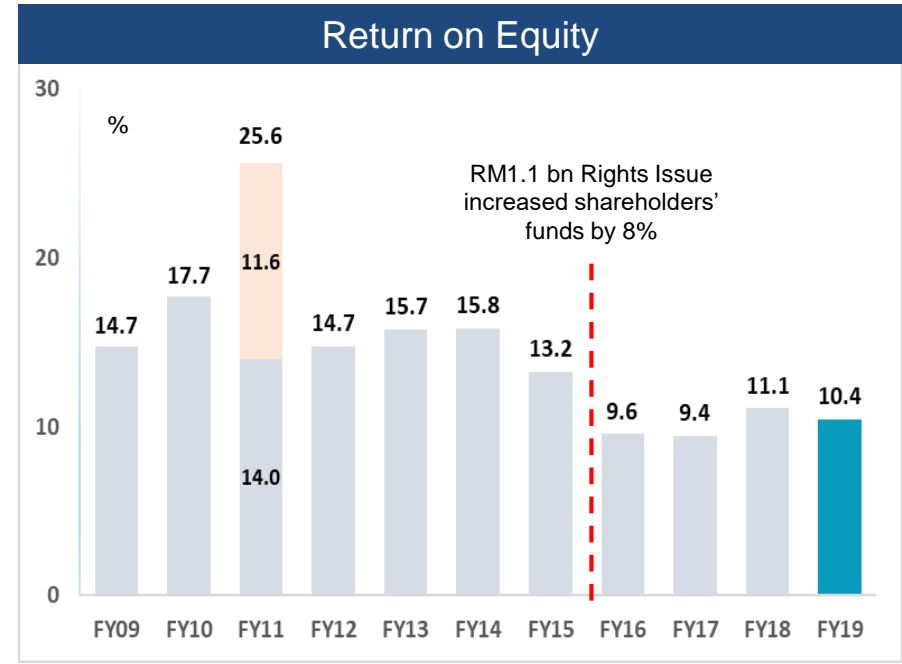
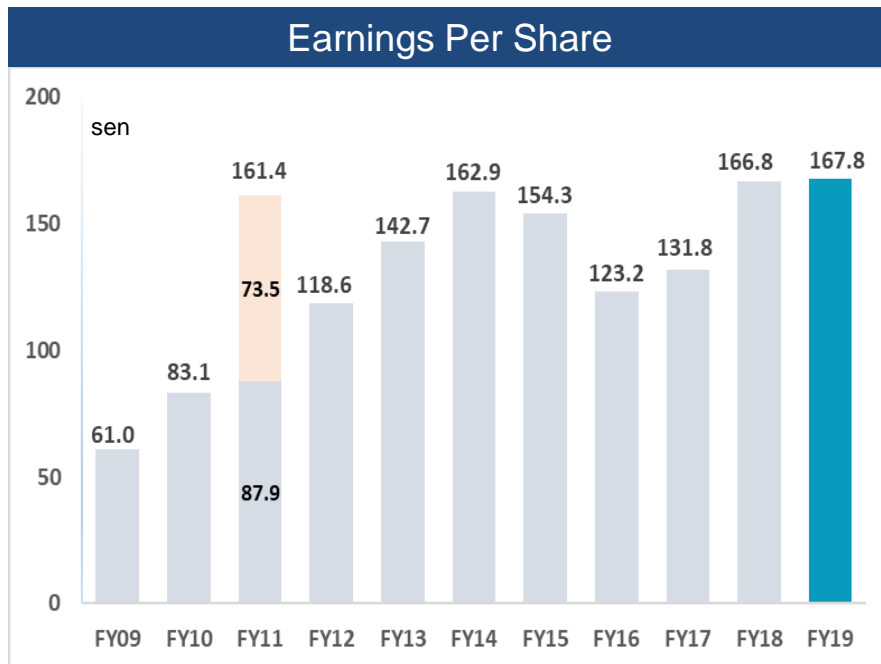
FY19

- CFC divestment gain and special dividend of RM90.2 mil;
- Gain on disposal of Visa shares of RM25.0 mil

Denotes non-recurring portion

HLFG Key Trends

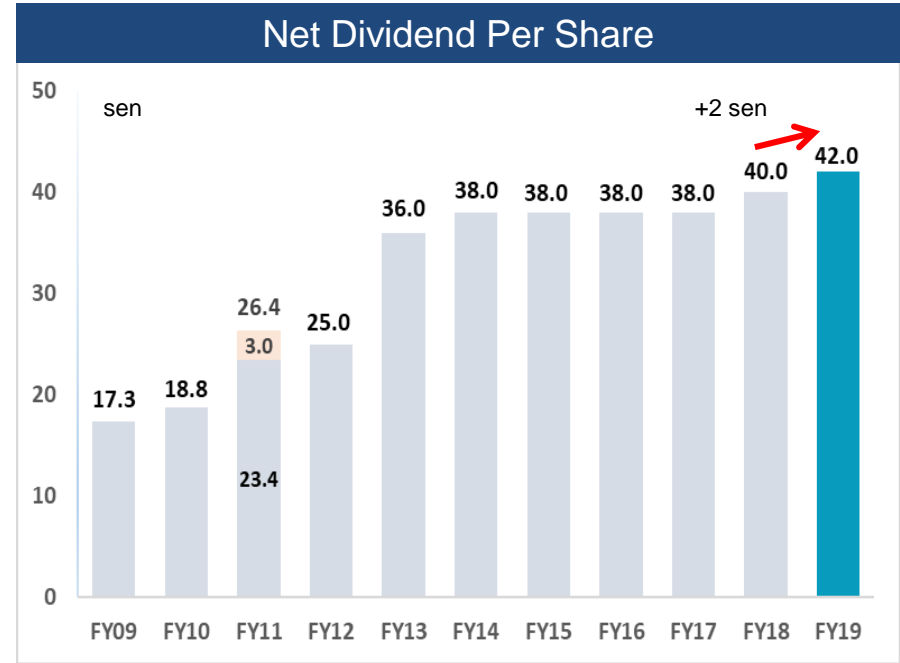
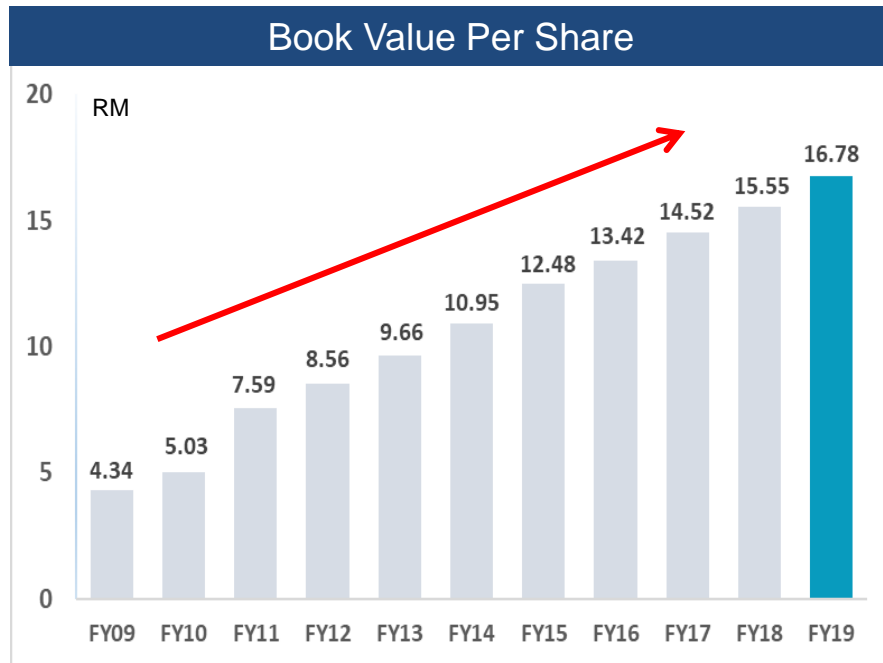
- Higher shareholders' funds base from our Dec 2015 Rights Issue (9:100) has impacted ROE.



Denotes non-recurring portion

HLFG Key Trends

- Book value/share +7.9% yoy to RM16.78.
- Net DPS +2 sen up to 42.0 sen in FY19.



Denotes non-recurring portion

Highlights: Banking Division (HLB)

For further information on HLB, please refer to the HLB analyst information slides.

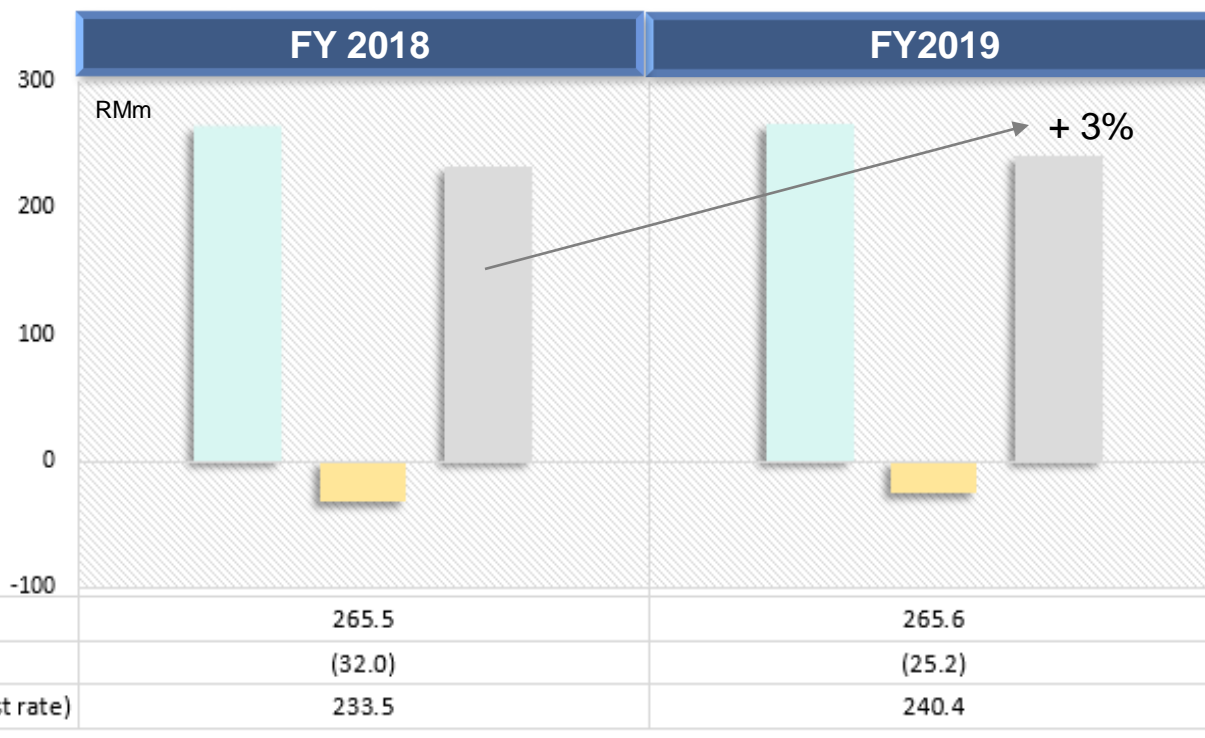
Highlights: Insurance Division (HLA)

- ❖ **FY19 Results Highlights**
- ❖ **Business Value Creation Strategy**
- ❖ **Embedded Value (EV) & New Business Embedded Value (NBEV)**
- ❖ **Market Position**
- ❖ **Revenue/Distribution Highlights**
- ❖ **Key Ratios**

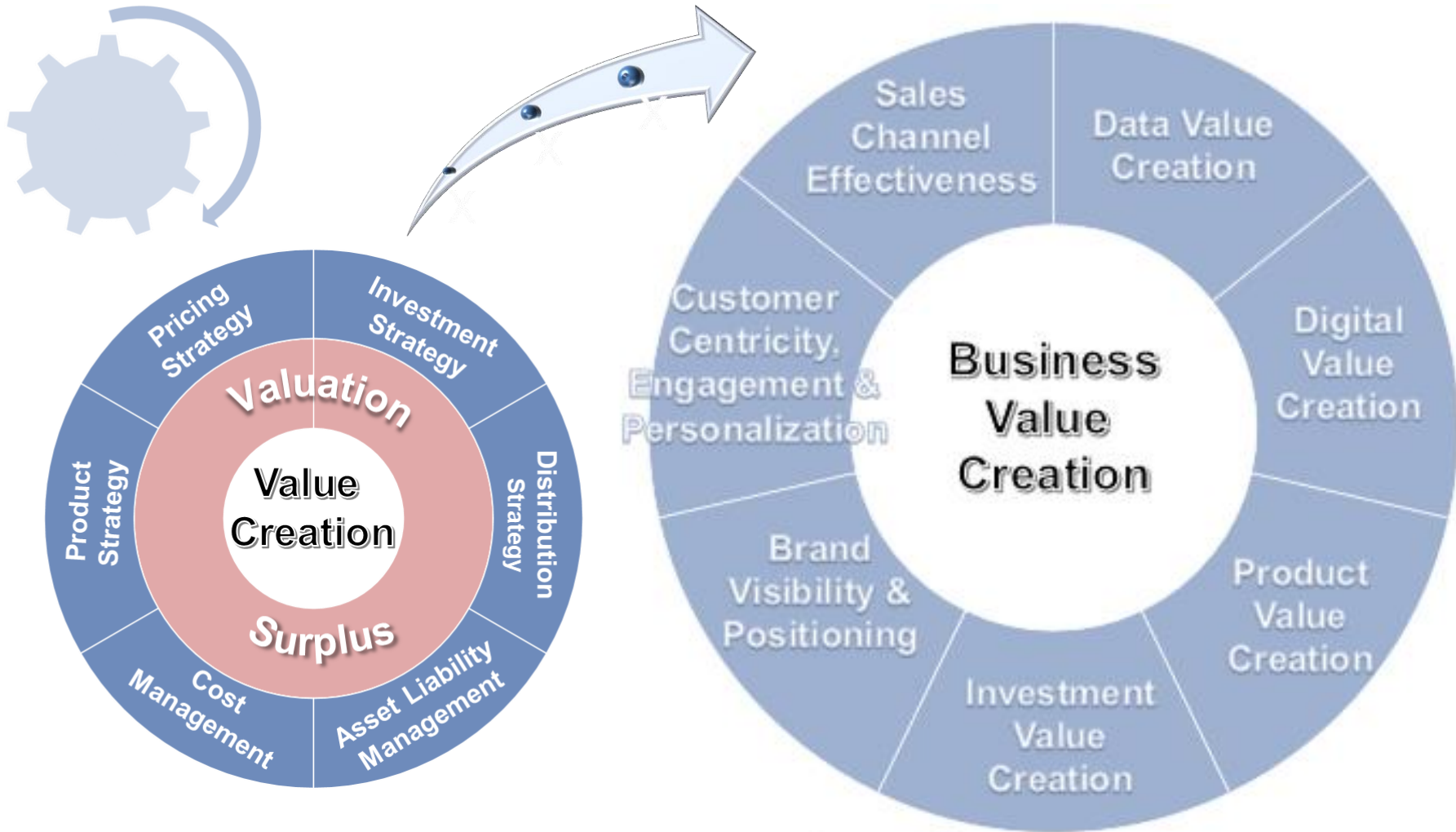
HLA: FY19 Results Highlights

Net Profit (RM'mil)	FY18	FY19	YoY Change	YoY Change (%)
HLA Holdings	284.8	275.4	(9.3)	-3.3%
Hong Leong Assurance	211.5	221.0	9.6	4.5%

- Excluding the impact of interest rate movements, HLA's operating profit improved 3% to RM240 mil.



HLA: Business Value Creation Strategy



HLA: Strategy

What do we focus on?

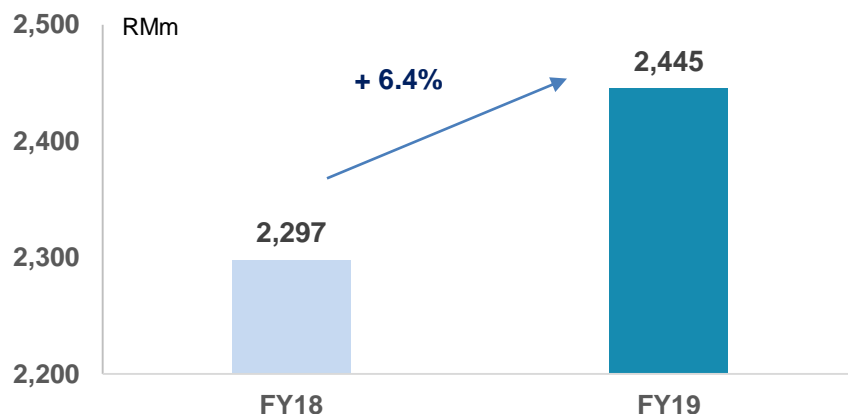
1. Drive NBEV.
2. Focus on Non-PAR/ Investment link products.
3. Build leading market position in Ordinary Life segment.
4. Continue building and improve quality of Agency distribution network.
5. Continue building Bancassurance channel
6. Continuous review and roll-out of competitive products



- ✓ Consistent growth of new business embedded values. (FY19: +15% yoy)
- ✓ Non-Participating / Participating ratio for new business has improved significantly from 22:78 (FY13) to 93:7 (FY19).
- ✓ Maintained market position in Ordinary Life segment. (1H19: Ranked no.7)
- ✓ We have over 8,000 agents as at June 2019. Able to compete with the market leaders in distribution.
- ✓ Leveraging on HLB's network of over 250 branches and SME customers
- ✓ We continue to develop innovative products and streamline processes.

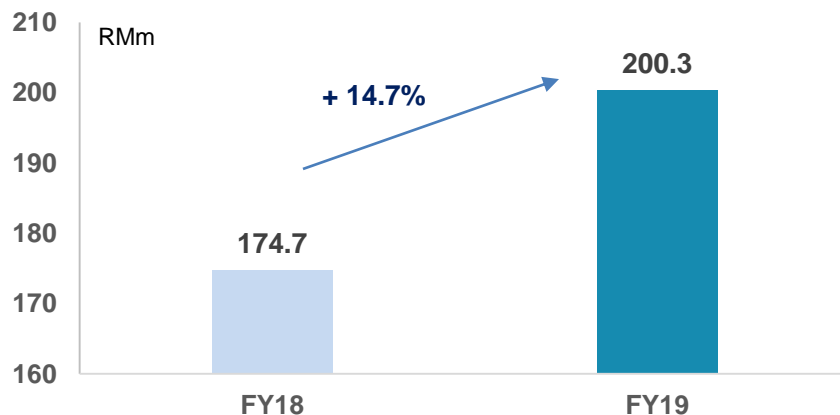
HLA: EV & NBEV

Embedded Value



For the period ended June (RM mil)	FY18	FY19	YoY growth (%)
EV	2,297	2,445	+6.4
NBEV	174.7	200.3	+14.7
NBEV Margin	32.3%	38.5%	

New Business Embedded Value

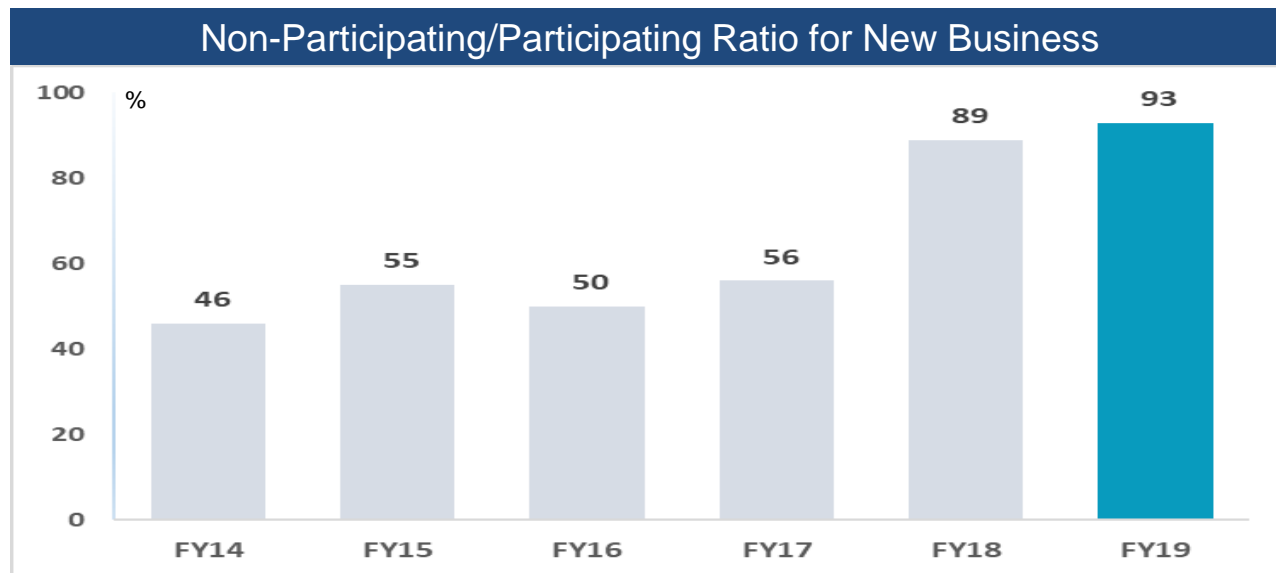


- Growth in embedded value reflecting satisfactory operating experience and writing profitable new business.
- NBEV improved by 14.7%
- Higher NBEV margin of 38.5% for FY19 as a result of change in product mix

Ernst and Young Advisory Services Sdn.Bhd. performed a review of the methodology used (based on the embedded value reporting approach), the assumptions adopted and performed a high level review of the results of the Group's EV and NBEV calculations

HLA: Non-Par/Par Ratio

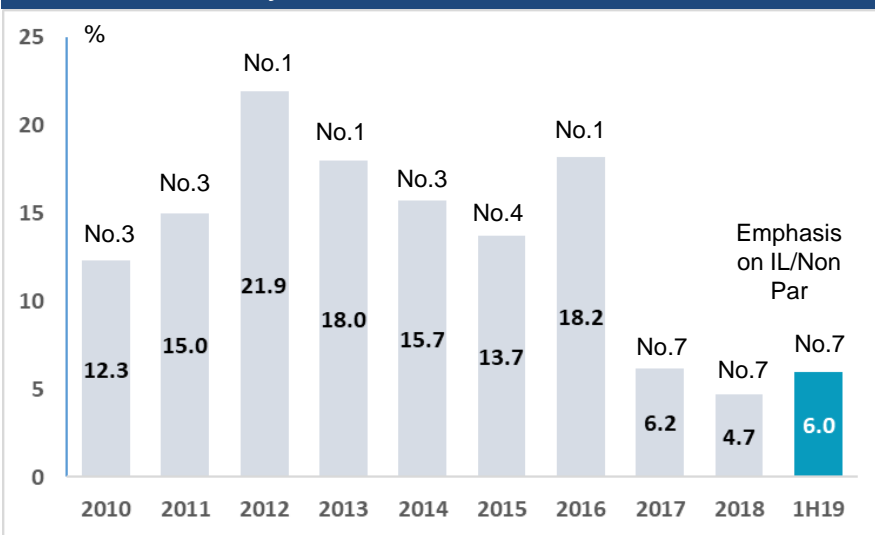
- Higher Non-Participating/Participating ratio = Higher New Business Embedded Value Margin.
- In general, Investment-Linked policies have higher EV margins than Ordinary Life policies.
- **Non-Par/Par ratio resumed uptrend in FY19 to highest ever ratio at 93:7**
- Targeting to maintain > 80%.



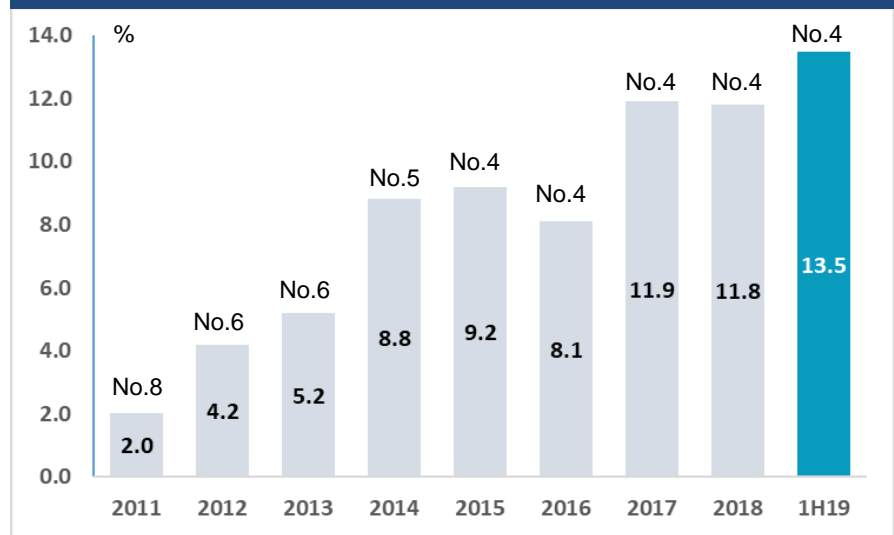
HLA: Market Position

- Top 4 insurer in terms of New Business Regular Premium (“NBRP”).
- Emphasis on Non-Participating business has caused Investment-Linked market share to grow by 6x in the last 7 years. Maintained No. 4 position.

Ordinary Life Market Share of NBRP



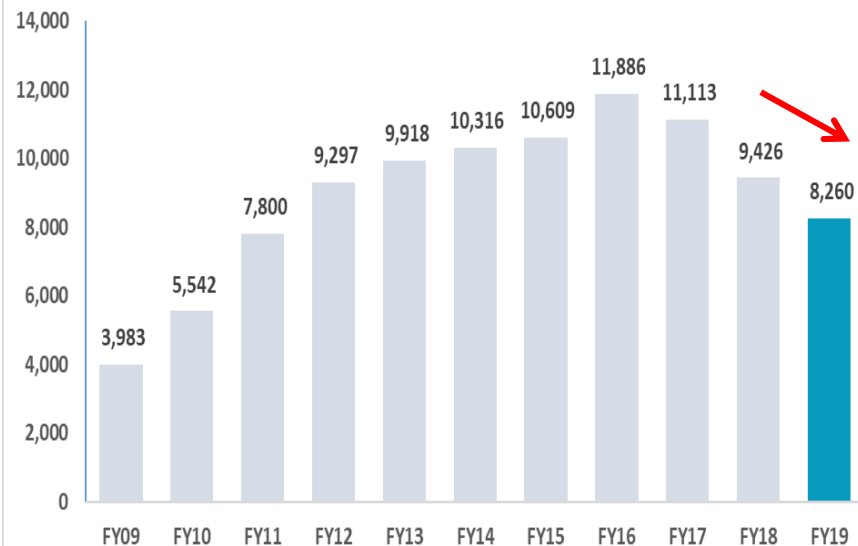
Investment-Linked Market Share of NBRP



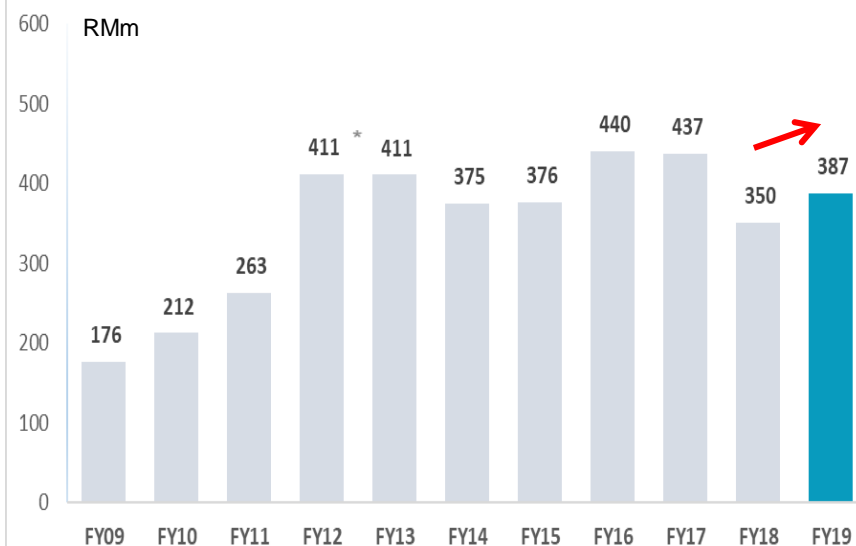
HLA: Agency

- No. of Agents + Agent Productivity \uparrow = New Business \uparrow
- Agency growth has slowed in recent years due to higher base as well as non-productive agents leaving. Focus on building a productive and effective agency force.
- Agency NBRP grew 11% to RM387 mil. Productivity per agent increased 26% in FY19.
- NBRP are critical to growing total premiums (new business + renewals).

Number of Agents

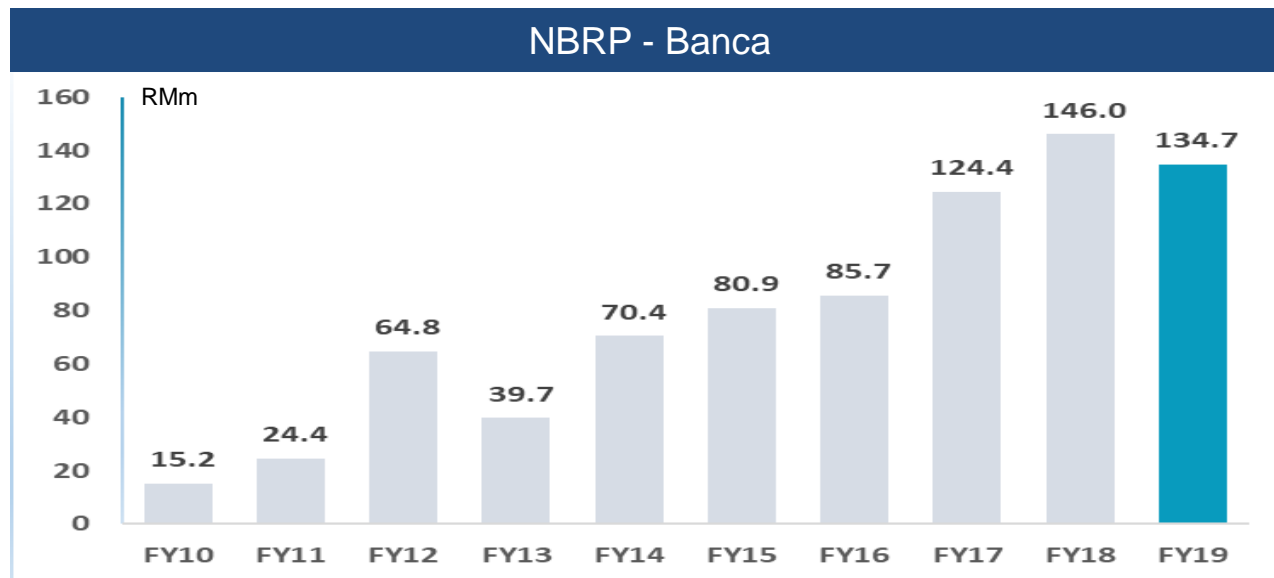


NBRP - Agency



HLA: Bancassurance

- No. 6 in Non-Agency (primarily bancassurance) NBRP with 9% market share.
- Leverage on **HLB's 254 branches**.
- Growing **Banca Consultants' team**.
- Aligned with profitability targets/strategy. Bancassurance tends to have a **higher proportion of non-participating policies**.
- A cheaper distribution channel.
- **5-year plan with ambitious targets.**



HLA: Distribution Channels

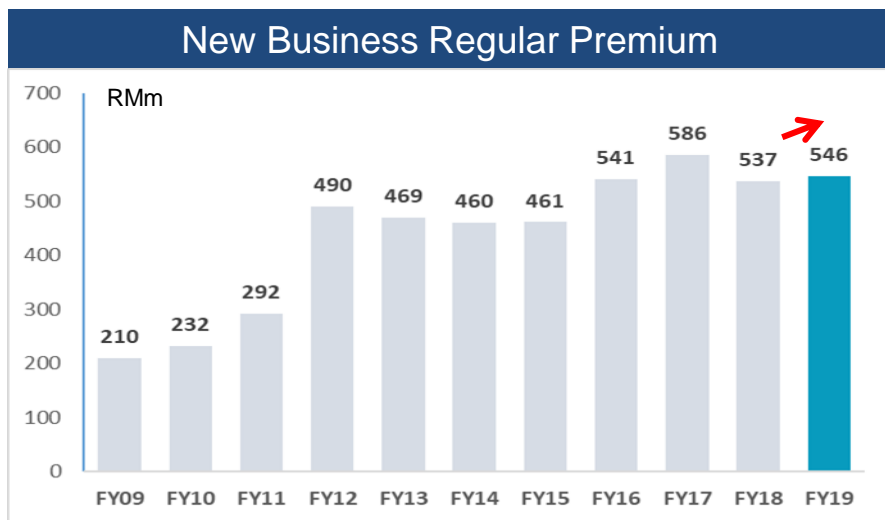
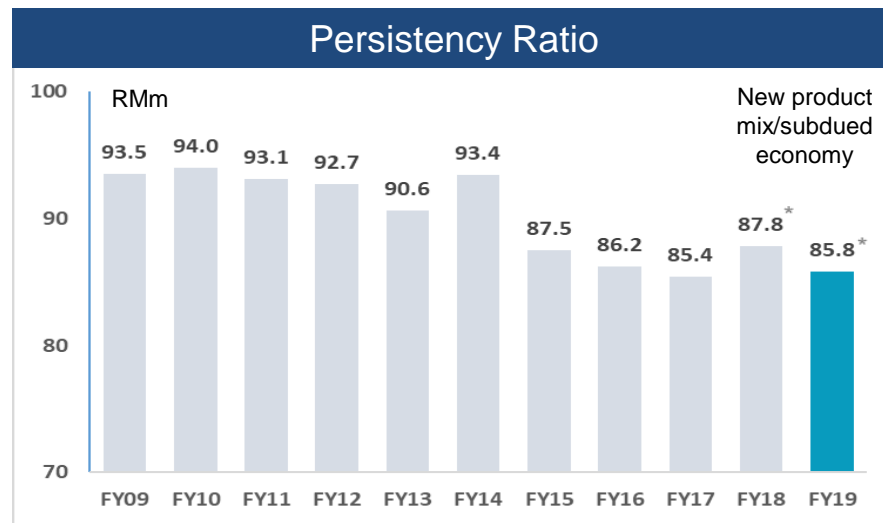
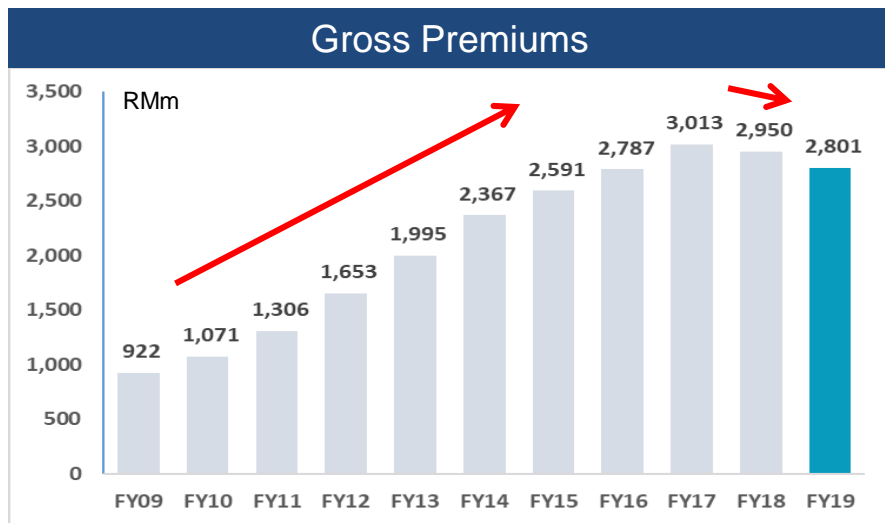
- **Banca premiums have increased by 40% in 4 years.** Growing telemarketing/ alternative channels but Agency will continue to be the main distribution channel (80% share of gross premium).

Gross Premiums (RM'mil)	FY15	FY16	FY17	FY18	FY19	YoY (%)	Contri (%)	Comments
1. Agents	2,222	2,406	2,525	2,356	2,243	(5)	80	HLA's core distribution channel. Over 8,000 agents as at Jun 19.
2. Bancassurance	333	325	407	505	456	(10)	16	Access to HLB, the 5th largest bank with the branch network of circa 254 branches . 5-year Group Bancassurance Plan + insurance specialist model.
3. Telemarketing/ Alternative Channels	36	55	82	89	102	15	4	
Total	2,591	2,787	3,013	2,950	2,801	(5)	100	

HLA: Product Category Segments

Gross Premiums By Segment (RM'mil)	FY15	FY16	FY17	FY18	FY19	YoY (%)	Contri (%)	Comments
1. Ordinary Life ("OL")	1,957	2,030	2,045	1,745	1,441	(17)	51	<ul style="list-style-type: none"> No. 7 among all life insurers in this segment by annualized NBRP. 6.0% market share of NBRP in this segment.
2. Investment-Linked ("IL")	567	697	915	1,166	1,312	13	47	<ul style="list-style-type: none"> Building up this segment on the back of stronger distribution force. No. 4 in this segment. 13.5% market share of NBRP (1H19).
3. Credit Life	67	60	53	39	48	23	2	<ul style="list-style-type: none"> Mainly MRTA (captive market from HLB). Non-recurring single premium business.
Total	2,591	2,787	3,013	2,950	2,801	(5)	100	<ul style="list-style-type: none"> No. 1 among domestic life insurers (OL + IL) by NBRP. Top 4 among all insurers (OL + IL) by NBRP.

HLA: GP, NBRP & Persistency Ratio

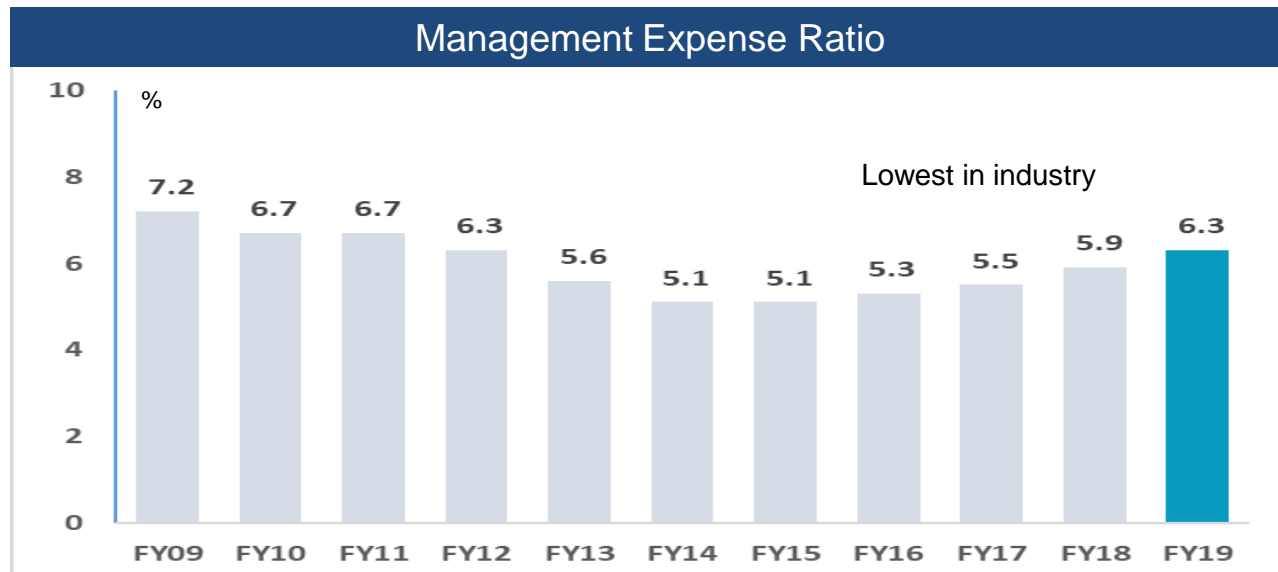


- NBRP for FY19 stood at RM546 mil, grew 2%.
- This is attributed to higher contribution from agency, the main distribution channel.
- Gross Premiums reduced due to weaker Persistency/ Renewals.

Note: * Exclude limited pay products

HLA: Cost Efficiency

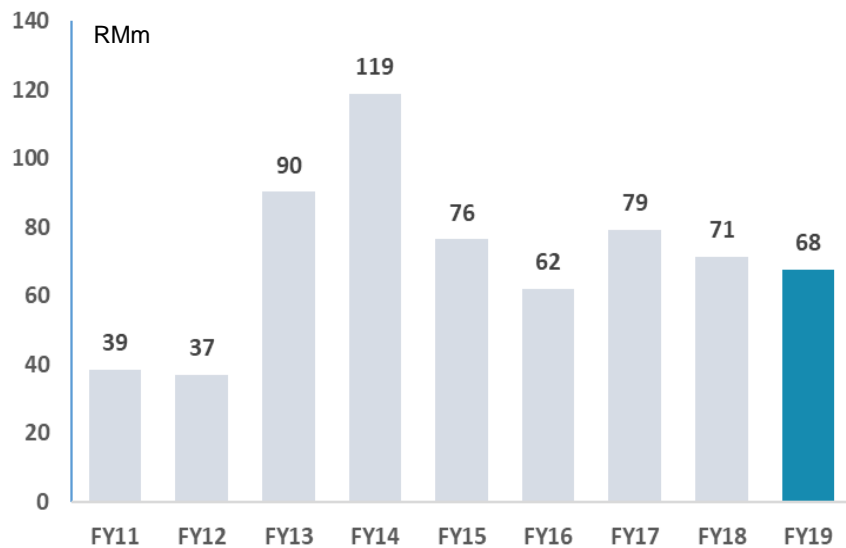
- Among the lowest Management Expense Ratio in the industry, we have been spending selectively on marketing & branding.



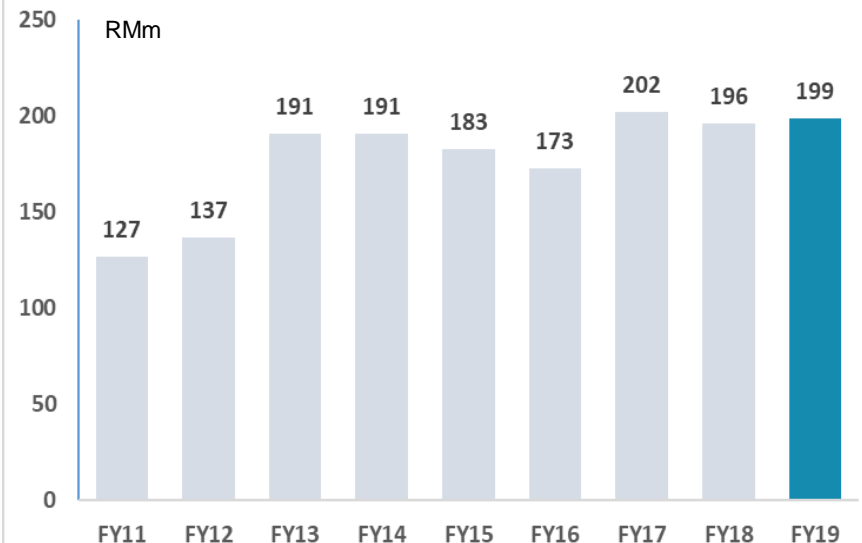
Highlights: Investment Banking (HLCB)

- Seasoned management team since 2010.
- Net profit/ revenue holding up despite subdued capital and equity markets.
- To support the Group's initiatives on digitalization, on-going efforts has been put in place to improve digitalization of its business operations.

Net Profit



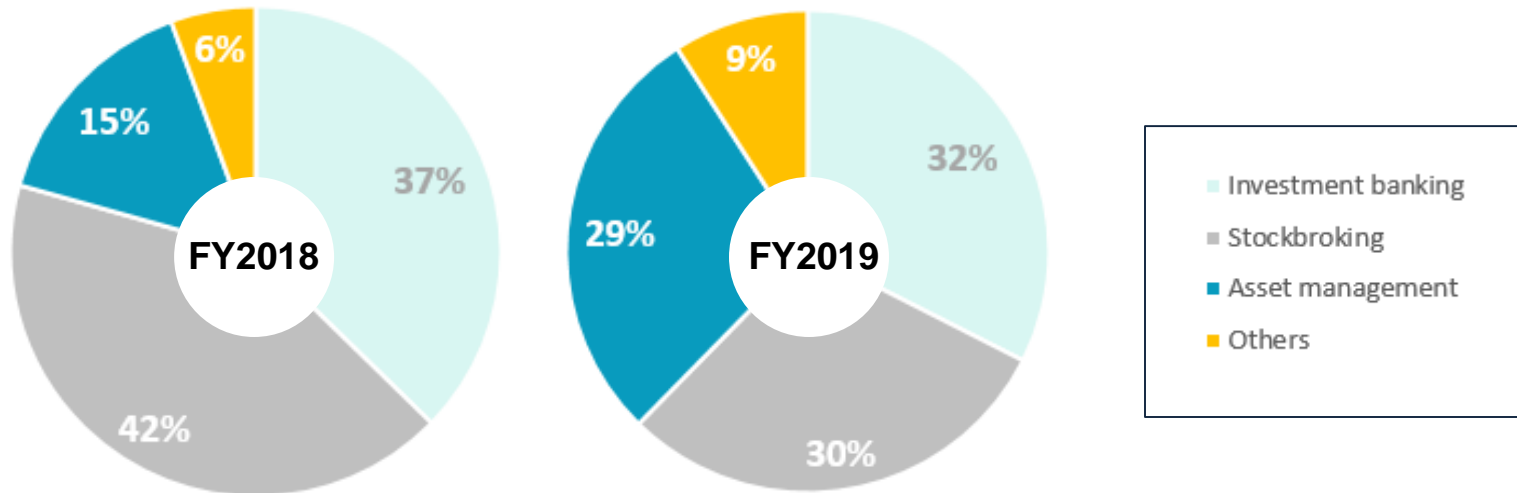
Revenue (Total Income)



HLAM: Asset Management

- Asset Management Division continues to show a strong net profit growth, up 80% yoy.
- The contribution from asset management business to HLCB Group has increased up to 29%, from 15% as at June last year.
- HLAM focus on building AUM, its AUM increased RM0.6 bil or 4% YoY to RM15.8 bil in FY19.

Contribution to HLCB Group's PBT (%)



Appendix: Further Information

FY19 Recognitions/ Awards

HLFG

- Best Managed Bank (Financial Group) in Malaysia - Asian Banker Leadership Achievement Awards 2019.

HLB

- Best Innovation In Retail Banking Malaysia -The International Banker 2018 Asia & Australasia Awards
- CEO of the Summit Award -2nd Selangor International Business Summit 2018
- Asia's Best Brand Awards 2018 -CMO Asia
- Asiamoney Best Banks Awards for Malaysia 2018: Best Domestic Bank & Best Digital Bank
- Omni-Experience Innovator for Malaysia - IDC Digital Transformation Awards
- HR Excellence Awards 2018: Excellence in HR Innovation (Gold), Excellence in Innovative Use of HR Tech (Gold) & Excellence in Workplace Wellbeing (Bronze)
- Best New Entrant for a Malaysian Organisation - Life at Work Awards 2018 by TalentCorp
- Malaysian Investor Relations Association Awards 2018: Most Improved Service from IR Team & Best IR Professional
- Highest Return to Shareholders over Three Years – The Edge Billion Ringgit Club
- Asia's Best Materiality Reporting (Finalist)- Asia Sustainability Reporting Awards 2018
- Best Bank for Cash Management in Malaysia -Best Treasury & Cash Management Banks And Providers Awards 2019
- Best SME Bank in Malaysia -The Asian Banker at the International Excellence in Retail Financial Services 2019
- Top Financial Institution Partner (Overall Category) - CGC SME Awards 2019
- Digital Awards 2019: Most Innovative Recruitment Strategy (In-House) (Gold), Best Use of Data (Silver), Best Platform Development (Bronze) and Best Use of Social Media (Bronze)
- Best Payment Bank in Malaysia -The Asian Banker Transaction Awards 2019
- Company of the Year (Supporting Social Enterprises) - CSR Malaysia Award 2019

HLAH

- Domestic Life Insurer of the Year – Malaysia by Asian Banking and Finance Insurance Asia Awards 2018
- Best Life Insurance Company – Malaysia by International Finance Awards 2018

HLCB

- Best Small To Mid-Cap Corporate Finance House - 12th Annual Best Financial Institutions Awards 2018 - Alpha Southeast Asia
- Best Domestic M&A Deal 2018 (Malaysia) - 12th Annual Alpha Southeast Asia Deal & Solution Awards 2018
- Islamic Finance News Deals of the Year 2018 - Corporate Finance
- Most Innovative Bond Deal in Southeast Asia 2018 - 12th Annual Alpha Southeast Asia Deal & Solution Awards 2018
- Lead Manager Award by Programme Value - 1st Ranking - RAM Award of Distinction 2018
- Lead Manager Award by Number of Issues – Joint 2nd Ranking - RAM Award of Distinction 2018
- 4 Lipper fund awards:
 - I. Hong Leong Dividend Fund;
 - II. Hong Leong Dividend Fund;
 - III. Hong Leong Penny Stock;
 - IV. Hong Leong Balanced Fund

FY19 Results Summary – Segmental PBT

Group (YE June) RM'mil	FY18	% Contribution	FY19	% Contribution	YoY (%)
HLB operating profit +Sichuan Jincheng	2,730.1	76.3	2,622.9	74.8	(3.9)
Bank of Chengdu @ 20%	516.1	14.4	563.1	16.1	9.1
Commercial Banking	3,246.3	90.7	3,186.0	90.9	(1.9)
HLA (Life + Shareholders' Fund)	265.5	7.4	265.6	7.6	0.0
MSIG @ 30% (General Insurance)	63.1	1.8	56.6	1.6	(10.3)
Others: HLIA, HLMT & Others	19.4	0.5	7.0	0.2	(63.9)
Insurance	348.0	9.7	329.2	9.4	(5.4)
Investment Banking	78.6	2.2	76.7	2.2	(2.4)
Others	(94.3)	(2.6)	(86.3)	(2.5)	(8.5)
Pretax Profit	3,578.6	100.0	3,505.6	100.0	(2.0)
Taxation	(684.1)		(591.4)		(13.6)
Profit after taxation	2,894.5		2,914.3		0.7
Non-controlling interest	(987.1)		(994.9)		0.8
Net Profit	1,907.4		1,919.4		0.6
EPS (sen)	166.8		167.8		0.6

MSIG (General Insurance)

MSIG YE Dec RMm	FY10	FY11	FY12	FY13	FY14	FY15	FY16	FY17	FY18
Gross Premiums	965.1	1,241.8	1,326.3	1,425.9	1,486.7	1,535.4	1,522.5	1,536.7	1,536.9
Reinsurance	(179.6)	(238.4)	(289.1)	(306.3)	(295.1)	(292.9)	(296.6)	(295.4)	(286.6)
Net Premium	785.5	1,003.4	1,037.2	1,119.6	1,191.6	1,242.5	1,225.9	1,241.3	1,250.3
Change in Unearned Premium Prov	(40.1)	(27.3)	(61.4)	(47.5)	(38.3)	(54.1)	19.1	0.6	(0.9)
Earned Premium	745.4	976.1	975.8	1,072.1	1,153.3	1,188.4	1,245.0	1,241.9	1,249.4
Net Claims	(441.2)	(568.2)	(580.3)	(615.2)	(645.9)	(682.6)	(685.1)	(694.3)	(778.2)
Underwriting Surplus	106.1	147.6	135.7	168.5	193.2	173.5	206.8	184.0	104.0
Investment & Other Income	54.8	69.1	96.4	88.3	85.2	88.3	106.8	125.0	108.3
Profit Before Taxation	160.9	216.7	232.1	256.8	278.4	261.8	313.6	309.0	212.3
Taxation	(36.8)	(50.1)	(50.0)	(53.0)	(63.4)	(61.7)	(64.8)	(65.2)	(34.5)
Profit After Taxation	124.1	166.6	182.1	203.8	215.0	200.1	248.8	243.8	177.8
Shareholders' Funds	1,862.6	1,969.4	2,071.2	2,189.5	2,298.4	2,401.4	2,548.0	2,725.5	2,805.7
Retention Ratio (%)	81.4	80.8	78.2	78.5	80.1	80.9	80.5	80.8	81.4
Claims Ratio (%)	59.2	58.2	59.5	57.4	56.0	57.4	55.0	55.9	62.3
Underwriting Margin (%)	14.2	15.1	13.9	15.7	16.7	14.6	16.6	14.8	8.3
Return On Equity (%)	8.5	8.7	9.0	9.6	9.6	8.3	9.8	8.9	6.3

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