HONG LEONG FINANCIAL GROUP BERHAD (8024-W)

Summary of key matters discussed at the **47th Annual General Meeting** ("AGM") of **Hong Leong Financial Group Berhad** (the "Company" or "HLFG") held at the Theatrette, Level 1, Wisma Hong Leong, 18 Jalan Perak, 50450 Kuala Lumpur on Thursday, 27 October 2016 at 11.30 a.m.

(a) As stated on page 27 of the Annual Report, HLFG would continue to seek suitable acquisition opportunities to complement the financial services group. Please elaborate the type of targets taking into consideration the overall synergy, regional reach and strength of the Group and current economic environment.

Response:

- We would consider suitable acquisition targets within all 3 core businesses of commercial banking, insurance and investment banking, both domestically and regionally. Each potential target will be assessed based on individual merits and operating environment in order to ensure that the contemplated acquisition enhances shareholder value.

(b) Investment banking recorded a pretax profit of RM64.5 million in the financial year ("FY") 2016, a decrease of 17.8% year-on-year ("yoy") due to lower contribution from the IB and stockbroking segments. What is the Board's view of the future of its stockbroking business and whether it would still remain a relevant factor to the Group, going forward? Please elaborate.

Response:

- We believe that stockbroking will continue to be an essential service required by our customers going forward. As such we will continue to provide this service, especially through our eBroking platform for our retail customers.

(c) The Group's insurance operations also recorded a lower pretax profit of RM197.5 million representing a decrease of 31.3% yoy after taking into consideration non-recurring items in FY2016.

Please elaborate on the results so far on its strategy to target non-participating/investment linked policies in the light of slower economic growth extending over to FY2017. What would be the financial targets for the segment this financial year?

Response:

- The slower economic growth and investment climate have resulted in a decrease in Hong Leong Assurance Berhad's Non-PAR:PAR new business ratio from 55:45 in FY2015 to 50:50 in FY2016. However if one were to compare this over the last few years, a 50:50 ratio is still a significant improvement over the 22:78 ratio recorded in FY2013. We are targeting to continue to improve the Non-PAR component of our new business ratio.

(d) HLFG had strengthened its capital position during the FY2016 attributable to the completion of the rights issue, and positive growth in deposits and gross loan was recorded by the commercial banking arm. Although commercial banking and insurance arms reported a negative growth, the normalised PBT growth would have been 1.9% and 6.0% respectively backing off the significant one-off items including the mutual separation scheme (“MSS”) cost of RM172 million in HLB. Would the commercial banking and insurance arms be able to continue the growth momentum in FY2017.

Response:

- For FY2017, a positive growth in PBT has been budgeted for the Group despite the challenging market environment and overall margin compression in the financial sector. Management will continue to work towards the achievement of the budget and strengthen the business franchise.

(e) Please share the results of the MSS initiatives implemented by HLB during the FY2016, and if new staff recruited were to fill vacancies arising from the MSS.

Response:

- The MSS was completed in December 2015 and the total accepted applications for the MSS involving 1,070 staff cost RM172 million, and annual savings expected arising from the exercise was RM108.8 million.

- The MSS would allow HLB to operate on a leaner structure and re-balance the staff against business needs for better efficiencies. Long term cost was taken into consideration in planning and implementing the MSS and there may be some vacancies created arising from restructuring following the MSS.