Hong Leong Financial Group Berhad

(1082 | HLFG MK) Main | Financial Services

FTSE4Good ESG 3 Stars

Maintain **BUY**

Revised Target Price **RM20.63** (from RM24.70)

Corporate Update

3QFY25 Results Review
Huge Overlay Writeback

To Conclude	**Excellent set of earnings, coming above expectations. Expect: HLFG to maintain its streak of excellent results.**
Our Verdict	**HLBK remains an excellent pick due to its inexpensive valuations, rising dividend yields and solid growth prospects. It has made a conscious effort to grow its regional offerings to reduce reliance on BOCD contributions.**

Results in a nutshell:

▲ **9MFY25's Core NP of RM2,809m was *Above/Above* our/street forecasts: *86%/84%* of full-year forecasts.** A large overlay writeback pushed earnings above our expectations.

► **No dividend announcement.**

▲ **9MFY25's Core net profit (NP) of RM2,809m up by +17%yoy.** Stronger NOII, NII and large overlay writeback offset higher OPEX and tax charges.

▲ **3QFY25's Core NP of RM1,122m up by +34%qoq.** This was largely due to the large overlay writeback.

▲ **HLBK showed +14%yoy growth in 9MFY25.** Aside from stronger NII and NOII result, a large overlay writeback drove the increase in earnings.

▼ **HLA reported 3QFY25 PBT of RM93m, down from last quarter's RM156m by -40%qoq.** Driven by lower insurance service income and lower net investment income. This was mitigated by higher Associate incomes.

▼ **HLA reported 9MFY25 PBT of RM487m, down from last year's RM520m by -6%yoy.** Driven by lower net investment income and lower share of Associate income. Offset by higher insurance service income.

▼ **HLC reported 3QFY25 PBT of RM15m, down from last quarter's RM19m by -21%qoq.** Driven by lower contribution from investment holding divisions.

▼ **HLC reported 9MFY25 PBT of RM57m, down from last year's RM73m by -23%yoy.** Driven by decreased contribution from investment banking and stockbroking divisions.

RETURN STATISTICS

Price @ 28 May 2025 (RM)	16.70
Expected share price return (%)	+23.5
Expected dividend yield (%)	+3.6
Expected total return (%)	**+27.1**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.4	-3.3
3 months	-3.6	-4.2
12 months	-3.6	2.2

INVESTMENT STATISTICS

FYE Jun	FY25F	FY26F	FY27F
Core NP (RM m)	**3,408**	**3,404**	**3,629**
CNP growth (%)	7	(0)	7
Div yield (%)	**0.6**	**0.5**	**0.5**
Gross DPS (sen)	60.1	60.0	64.0
P/BV (x)	**0.6**	**0.5**	**0.5**
BVPS (RM)	28.9	31.3	33.9
ROE (%)	**10.8**	**10.0**	**9.8**
% Street CNP (%)	**102**	**96**	**97**

KEY STATISTICS

FBM KLCI	1,523.48
Issue shares (m)	1,134.3
Estimated free float (%)	15.3
Market Capitalisation (RM'm)	19,217.2
52-wk price range	RM15.7 – RM20.1
3-mth average daily volume (m)	0.2
3-mth average daily value (RM'm)	3.7
Top Shareholders (%)	
Hong Leong Co Malaysia Bhd	52.0
Guoco Group Ltd	25.4
EPF Board	5.2

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FY Forecasts revised: 5F/FY26F/FY27F Core NP adjusted by +4%/-4%/-4%. To reflect higher income from overlay release in FY25. We also reduce FY26F and FY27 earnings to account for higher costs.

Key downside risks. *(1) Poor BOCD result, (2) Poor HLA result, (3) Poor HLC result.*

Maintain BUY call: Revised SOTP-TP of RM 20.63 ***(from RM24.70).*** While we us a higher P/BV basis of FY26F 1.09x for HLBK, we also increase our Holding company discount from 25% to 35%.

FIG 1: SOTP Valuation

Companies	Shs' fund (RM mil)	As of	Equity stake (%)	BV (X)	Valuation (RM mil)	Comments
HLBK	**43,419**	**FY26**	**66%**	**1.09**	**30,999**	**FY26F ROE of 11.1%**
HLC	**659**	**end Mar-25**	**74%**	**1.0**	**486**	**1x Book value**
HLA (Components)					**4,285**	
HLA (Embedded value)	4,267	end Jun-23	70%	1.0	2,987	1x Embedded value
MSIG	3,189	end Jun-24	30%	1.2	1,148	In line with peers
HL MSIG Takaful	231	end Dec-23	65%	1.0	150	1x Book value
(-) HLFG net debt		**end Mar-25**			**220**	
Total sum-of-parts					**35,991**	
(÷) HLFG share cap (mil)					1,134	
Fair value (RM)					**31.73**	
(-) Holding co. discount					35%	
Target price (RM)					**20.63**	

Source: Company, MIDFR

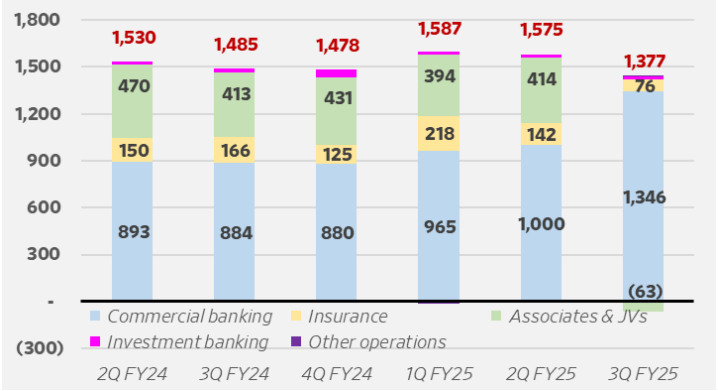
FIG 2: Quarterly results

FYE Jun (RM m)	3Q FY25	2Q FY25	3Q FY24	Yoy (%)	Qoq (%)	9M FY25	9M FY24	Yoy (%)
Net interest inc.	991	1,016	992	-0	-2	3,043	2,915	4
Islamic banking inc.	272	297	254	7	-9	857	726	18
Non-interest inc.	441	542	453	-3	-19	1,551	1,284	21
Net income	**1,704**	**1,855**	**1,699**	**0**	**-8**	**5,451**	**4,926**	**11**
OPEX	(665)	(690)	(652)	2	-4	(2,046)	(1,900)	8
PPOP	**1,039**	**1,166**	**1,047**	**-1**	**-11**	**3,405**	**3,026**	**13**
Loan provisions	398	(5)	26	1,410	-8,236	386	83	364
Other provisions	0	1	(1)	n.m.	n.m.	1	(1)	n.m.
JV & Associates	(63)	414	413	-115	-115	745	1,260	-41
PBT	**1,374**	**1,575**	**1,485**	**-7**	**-13**	**4,537**	**4,368**	**4**
Tax	(309)	(311)	(262)	18	-1	(939)	(784)	20
NCI	(351)	(425)	(404)	-13	-17	(1,197)	(1,191)	0
Reported NP	**714**	**839**	**819**	**-13**	**-15**	**2,401**	**2,393**	**0**
Core NP	**1,122**	**839**	**819**	**37**	**34**	**2,809**	**2,393**	**17**
Segments								
Commercial banking	1,346	1,000	884	52	35	3,311	2,666	24
Investment banking	15	19	27	-43	-21	57	74	-24
Insurance	76	142	166	-54	-47	436	379	15
Other operations	3	(1)	(4)	-174	-630	(9)	(11)	-23
Associates & JVs	(63)	414	413	-115	-115	745	1,260	-41

Ratios	3Q FY25	2Q FY25	3Q FY24	Yoy (ppts)	Qoq (ppts)	9M FY25	9M FY24	Yoy (ppts)
Gross DPS (sen)	**-**	**20.0**	**-**	**n.m.**	**n.m.**	**20.0**	**18.0**	**n.m.**
Core EPS (sen)	98.9	74.0	72.2	37.0	33.6	247.7	211.0	17.4
Cost/Income (%)	0.4	0.4	0.4	0.0	0.0	0.4	0.4	(0.0)

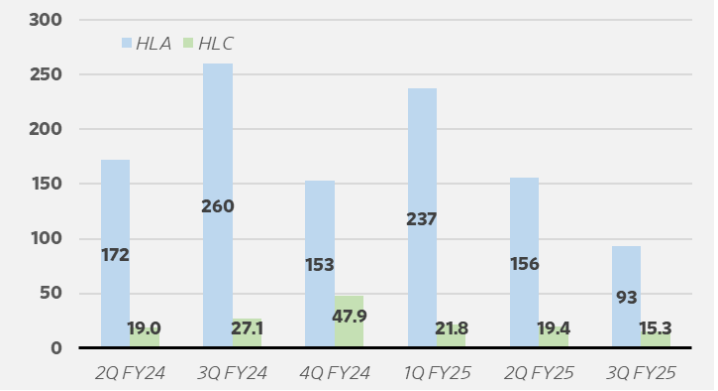
Source: Company, MIDFR

FIG 3: PBT by segment (Quarterly)



Source: Company, MIDFR

FIG 4: HLA & HLC's PBT (Quarterly)



Source: Company, MIDFR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Interest income	7,763	9,042	9,235	9,524	9,827
Interest expense	(3,977)	(5,120)	(5,167)	(5,282)	(5,398)
Net interest income	**3,787**	**3,923**	**4,068**	**4,242**	**4,428**
Islamic banking inc.	963	986	1,101	1,147	1,196
Other operating inc.	1,726	1,742	2,301	1,801	1,904
Net income	**6,477**	**6,651**	**7,470**	**7,190**	**7,528**
OPEX	(2,479)	(2,609)	(2,826)	(2,707)	(2,828)
PPOP	**3,997**	**4,041**	**4,644**	**4,483**	**4,700**
Loan allowances	(115)	114	402	(106)	(113)
Other allowances	0	(1)	(0)	(0)	(0)
JV & Associates	1,369	1,691	1,160	1,786	1,983
PBT	**5,251**	**5,846**	**6,206**	**6,163**	**6,570**
Tax & zakat	(919)	(1,058)	(1,119)	(1,083)	(1,154)
NCI	(1,451)	(1,590)	(1,679)	(1,676)	(1,787)
Reported NP	**2,881**	**3,198**	**3,408**	**3,404**	**3,629**
Core NP	**2,881**	**3,198**	**3,408**	**3,404**	**3,629**

BALANCE SHEET

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Cash & ST funds	10,928	9,200	10,028	10,931	11,915
Investment securities	99,951	107,424	108,913	110,619	112,546
Net loans	180,567	193,613	205,230	217,544	230,597
Others	23,440	25,968	32,207	38,667	45,369
Total assets	**314,886**	**336,205**	**356,378**	**377,760**	**400,426**
Customer deposits	211,467	220,075	233,280	247,277	262,113
Others	63,213	71,761	74,709	78,080	81,628
Total liabilities	**274,681**	**291,837**	**307,989**	**325,356**	**343,742**
Share capital	2,267	2,267	2,267	2,267	2,267
Reserves	25,168	28,054	30,780	33,503	36,406
Treasury shares	(233)	(230)	(230)	(230)	(230)
Shareholders' funds	**27,202**	**30,091**	**32,817**	**35,540**	**38,443**
NCI	13,004	14,278	15,572	16,864	18,241
Total equity	**40,206**	**44,369**	**48,389**	**52,404**	**56,685**
Total L&E	**314,886**	**336,205**	**356,378**	**377,760**	**400,426**

FINANCIAL RATIOS

FYE Jun (RM m)	FY23	FY24	FY25F	FY26F	FY27F
Profitability (%)					
ROE	**11.2**	**11.2**	**10.8**	**10.0**	**9.8**
ROA	1.0	1.0	1.0	0.9	0.9
Effective tax rate	17.5	18.1	18.0	17.6	17.6
Cost/Income	38.3	39.2	37.8	37.7	37.6
Capital (%)					
CET 1	11.0	11.5	11.6	11.6	11.6
Tier 1 capital	12.1	12.4	12.9	12.9	12.9
Total capital	14.6	14.3	15.8	15.8	15.8
Growth (%)					
Net income	3.6	2.7	12.3	-3.8	4.7
OPEX	5.1	5.2	8.3	-4.2	4.5
Core NP	17.5	11.0	6.6	-0.1	6.6
Valuation metrics					
Core EPS (sen)	254.1	282.0	300.6	300.2	320.0
Gross DPS (sen)	49.0	54.0	60.1	60.0	64.0
Div payout (%)	19	19	20	20	20
BVPS (RM)	24.0	26.5	28.9	31.3	33.9
Core P/E (x)	6.6	5.9	5.6	5.6	5.2
Div yield (%)	**2.9**	**3.2**	**3.6**	**3.6**	**3.8**
P/BV (x)	0.7	0.6	0.6	0.5	0.5

Source: Company, MIDFR

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS

STOCK RECOMMENDATIONS

BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	The stock price is expected to rise by >10% within 3 months after a Trading Buy rating has been assigned due to positive news flow.
NEUTRAL	Total return is expected to be between -10% and +10% over the next 12 months.
SELL	Total return is expected to be <-10% over the next 12 months.
TRADING SELL	The stock price is expected to fall by >10% within 3 months after a Trading Sell rating has been assigned due to negative news flow.

SECTOR RECOMMENDATIONS

POSITIVE	The sector is expected to outperform the overall market over the next 12 months.
NEUTRAL	The sector is to perform in line with the overall market over the next 12 months.
NEGATIVE	The sector is expected to underperform the overall market over the next 12 months.

ESG RECOMMENDATIONS* - source Bursa Malaysia and FTSE Russell

☆☆☆☆	Top 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆☆	Top 26-50% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆☆	Top 51%- 75% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell
☆	Bottom 25% by ESG Ratings amongst PLCs in FBM EMAS that have been assessed by FTSE Russell

* ESG Ratings of PLCs in FBM EMAS that have been assessed by FTSE Russell in accordance with FTSE Russell ESG Ratings Methodology