Corporate Update

Hong Leong Financial Group Berhad

(1082 | HLFG MK) Main | Financial Services

FTSE4Good ESG 3 Stars

Maintain **BUY**

Revised Target Price **RM20.55**
(from RM20.63)

4QFY25 Results Review
Higher Dividends

To Conclude	**Extremely strong set of earning, above consensus' expectations. Dividends also came in slightly higher than forecasted. Management's tone: Optimistic. Expect: Minor drag from HLC.**
Our Verdict	**HLFG remains an affordable buy – especially with potentially higher stable state dividends. Be wary of potential BOCD-related volatility.**

Results in a nutshell:

▲ **FY25's Core NP of RM3,662m was *Above/Above* our/street forecasts: *107%/109%* of full-year forecasts.** We were not expecting such a strong NOII result.

▲ **Dividends announced.** DPS of 72.0 sen translates to a payout of 22% for FY25. This was above our expected payout of 19%. This was similar to HLBK's surprisingly high dividends (though not as impressive).

▲ **FY25's Core net profit (NP) of RM3,662m up by 15%yoy.** The increase was driven by net writebacks, improvements in NII and NOII as well as excellent cost control. BOCD performance was poorer this year.

▼ **4QFY25's Core NP of RM853m down by -24%qoq.** There was no huge overlay writeback this quarter.

▲ **HLBK showed +12%yoy growth in FY25.** Driven by better NII and NOII results, as well as lower provisions. This offset weaker BOCD income and higher tax and OPEX.

▲ **HLA reported 4QFY25 PBT of RM178m, up from last quarter's RM93m by 91%qoq.** Driven by higher net investment income, higher associate income and insurance service results.

▲ **HLA reported FY25 PBT of RM665m, up from last year's RM606m by +10%yoy.** Driven by higher insurance service results, though offset by weaker associate income and investment income.

▲ **HLC reported 4QFY25 PBT of RM22m, up from last quarter's RM15m by 43%qoq.** Driven by higher contribution from investment banking and stockbroking divisions.

RETURN STATISTICS

Price @ 27 August 2025 (RM)	16.92
Expected share price return (%)	+21.5
Expected dividend yield (%)	+4.3
Expected total return (%)	**+25.7**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	5.8	1.6
3 months	1.3	-4.2
12 months	-7.1	-4.8

INVESTMENT STATISTICS

FYE Jun	FY26F	FY27F	FY28F
Core NP (RM m)	**3,299**	**3,498**	**3,707**
CNP growth (%)	(10)	6	0
Div yield (%)	**0.6**	**0.5**	**0.5**
Gross DPS (sen)	64.9	68.8	72.9
P/BV (x)	**0.6**	**0.5**	**0.5**
BVPS (RM)	30.6	33.0	35.5
ROE (%)	**9.9**	**9.7**	**0.0**
% Street CNP (%)	**97**	**97**	**#DIV/0!**

KEY STATISTICS

FBM KLCI	1,587.91
Issue shares (m)	1,134.3
Estimated free float (%)	15.3
Market Capitalisation (RM'm)	19,263.0
52-wk price range	RM15.7 – RM20.1
3-mth average daily volume (m)	0.2
3-mth average daily value (RM'm)	2.7
Top Shareholders (%)	
Hong Leong Co Malaysia Bhd	52.0
Guoco Group Ltd	25.4
EPF Board	5.2

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▼ **HLC reported FY25 PBT of RM78m, down from last year's RM121m by -35%yoy.** Driven by lower contributions across all operating divisions.

Forecasts revised: FY26F/FY27F Core NP adjusted by -3%/-4%. To reflect the changes we made to HLBK's forecasts (lower NIM expectations), as well as weaker investment banking contributions.
Key downside risks. *(1) Higher-than-expected OPEX growth., (2) Lacklustre NOII performance, (3) Weak BOCD result.*

Maintain BUY call: Revised SOTP-TP of RM 20.55 ***(from RM20.63).***

FIG 1: SOTP Valuation

Companies	Shs' fund (RM mil)	As of	Equity stake (%)	BV (X)	Valuation (RM mil)	Comments
HLBK	**43,419**	**FY26**	**66%**	**1.07**	**30,477**	**FY26F ROE of 11.1%**
HLC	**1,040**	**end-Jun-25**	**74%**	**1.0**	**767**	**1x Book value**
HLA (Components)					**4,393**	
HLA (Embedded value)	4,400	end-Jun-25	70%	1.0	3,080	1x Embedded value
MSIG	3,261	end-Jun-25	30%	1.2	1,174	In line with peers
HL MSIG Takaful	214	end-Dec-25	65%	1.0	139	1x Book value
(-) HLFG net debt		**end Jun-25**			**221**	
Total sum-of-parts					**35,857**	
(÷) HLFG share cap (mil)					1,134	
Fair value (RM)					**31.62**	
(-) Holding co. discount					35%	
Target price (RM)					**20.55**	

Source: Company, MBSBR

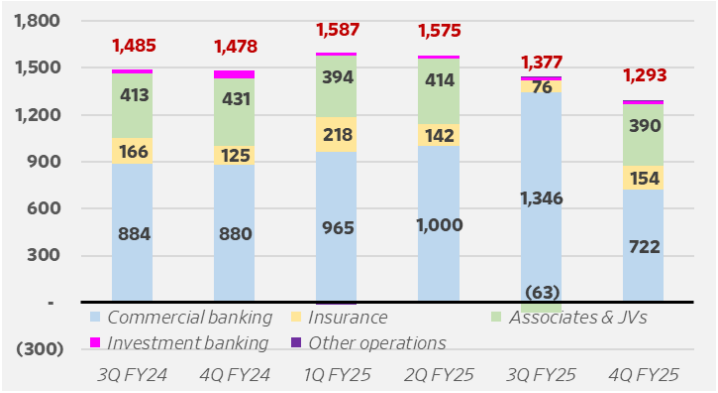
FIG 2: Quarterly results

FYE Jun (RM m)	4Q FY25	3Q FY25	4Q FY24	Yoy (%)	Qoq (%)	FY25	FY24	Yoy (%)
Net interest inc.	1,013	991	1,007	*1*	*2*	4,056	3,923	*3*
Islamic banking inc.	303	272	260	*16*	*11*	1,160	986	*18*
Non-interest inc.	448	441	458	*-2*	*2*	1,998	1,808	*11*
Net income	**1,763**	**1,704**	**1,725**	***2***	***3***	**7,214**	**6,716**	***7***
OPEX	(587)	(665)	(709)	*-17*	*-12*	(2,633)	(2,609)	*1*
PPOP	**1,176**	**1,039**	**1,016**	***16***	***13***	**4,581**	**4,107**	***12***
Loan provisions	(3)	398	31	*-109*	*-101*	383	114	*235*
Other provisions	-	0	(0)	*n.m.*	*n.m.*	1	(1)	*n.m.*
JV & Associates	390	(63)	431	*-9*	*-716*	1,135	1,691	*-33*
PBT	**1,563**	**1,374**	**1,478**	***6***	***14***	**6,100**	**5,911**	***3***
Tax	(296)	(309)	(274)	*8*	*-4*	(1,234)	(1,124)	*10*
NCI	(414)	(351)	(397)	*4*	*18*	(1,611)	(1,590)	*1*
Reported NP	**853**	**714**	**806**	***6***	***20***	**3,255**	**3,198**	***2***
Core NP	**853**	**1,122**	**806**	***6***	***-24***	**3,662**	**3,198**	***15***
Segments								
Commercial banking	722	1,346	880	*-18*	*-46*	4,032	3,545	*14*
Investment banking	22	15	48	*-54*	*43*	78	122	*-36*
Insurance	154	76	125	*24*	*103*	590	504	*17*
Other operations	5	3	(5)	*-201*	*68*	(3)	(17)	*-80*
Associates & JVs	390	(63)	431	*-9*	*-716*	1,135	1,691	*-33*

Ratios	4Q FY25	3Q FY25	4Q FY24	Yoy (ppts)	Qoq (ppts)	FY25	FY24	Yoy (ppts)
Gross DPS (sen)	**52.0**	**-**	**36.0**	***n.m.***	***n.m.***	**72.0**	**54.0**	***n.m.***
Core EPS (sen)	75.2	98.9	71.1	*5.9*	*-23.9*	322.9	281.9	*14.5*
Cost/Income (%)	0.3	0.4	0.4	*(0.1)*	*(0.1)*	0.4	0.4	*(0.0)*

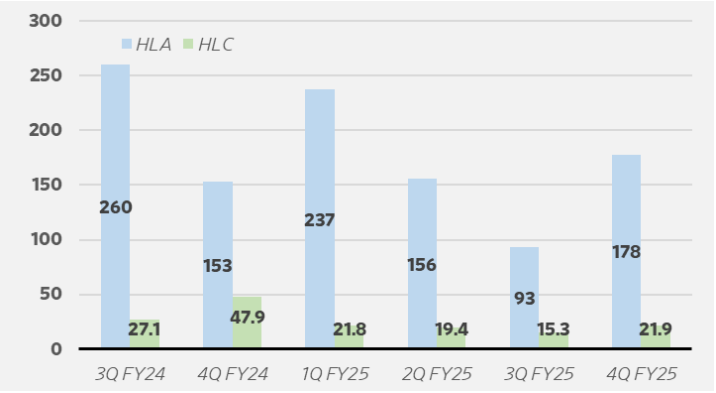
Source: Company, MBSBR

FIG 3: PBT by segment (Quarterly)



Source: Company, MBSBR

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



Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Interest income	9,042	9,089	9,443	9,770	9,992
Interest expense	(5,120)	(5,033)	(5,244)	(5,359)	(5,375)
Net interest income	**3,923**	**4,056**	**4,199**	**4,412**	**4,618**
Islamic banking inc.	986	1,160	1,200	1,260	1,318
Other operating inc.	1,742	2,001	2,264	2,343	2,435
Net income	**6,651**	**7,217**	**7,663**	**8,015**	**8,371**
OPEX	(2,609)	(2,633)	(2,788)	(2,919)	(3,052)
PPOP	**4,041**	**4,584**	**4,876**	**5,096**	**5,318**
Loan allowances	114	383	(108)	(115)	(122)
Other allowances	(1)	1	(0)	(0)	(0)
JV & Associates	1,691	1,135	1,428	1,585	1,760
PBT	**5,846**	**6,103**	**6,196**	**6,566**	**6,956**
Tax & zakat	(1,058)	(1,237)	(1,273)	(1,346)	(1,423)
NCI	(1,590)	(1,611)	(1,625)	(1,723)	(1,826)
Reported NP	**3,198**	**3,255**	**3,299**	**3,498**	**3,707**
Core NP	**3,198**	**3,662**	**3,299**	**3,498**	**3,707**

BALANCE SHEET

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & ST funds	9,200	17,335	18,895	20,596	22,449
Investment securities	107,424	103,916	105,602	107,490	109,583
Net loans	193,613	209,235	221,789	235,097	249,203
Others	25,968	24,710	30,221	35,916	41,809
Total assets	**336,205**	**355,196**	**376,508**	**399,098**	**423,044**
Customer deposits	220,075	237,881	252,154	267,283	283,320
Others	71,761	70,084	73,358	76,826	80,503
Total liabilities	**291,837**	**307,965**	**325,511**	**344,109**	**363,823**
Share capital	2,267	2,267	2,267	2,267	2,267
Reserves	28,054	30,110	32,673	35,391	38,272
Treasury shares	(230)	(230)	(230)	(230)	(230)
Shareholders' funds	**30,091**	**32,147**	**34,710**	**37,428**	**40,308**
NCI	14,278	15,084	16,286	17,561	18,913
Total equity	**44,369**	**47,231**	**50,996**	**54,989**	**59,221**
Total L&E	**336,205**	**355,196**	**376,508**	**399,098**	**423,044**

FINANCIAL RATIOS

FYE Jun (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Profitability (%)					
ROE	**11.2**	**11.8**	**9.9**	**9.7**	**0.0**
ROA	1.0	1.1	0.9	0.9	0.0
Effective tax rate	18.1	20.3	20.5	20.5	0.0
Cost/Income	39.2	36.5	36.4	36.4	0.0
Capital (%)					
CET 1	11.5	11.6	11.6	11.6	0.0
Tier 1 capital	12.4	12.9	12.9	12.9	0.0
Total capital	14.3	15.8	15.8	15.8	0.0
Growth (%)					
Net income	2.7	8.5	6.2	4.6	0.0
OPEX	5.2	0.9	5.9	4.7	0.0
Core NP	11.0	14.5	-9.9	6.0	0.0
Valuation metrics					
Core EPS (sen)	282.0	323.0	290.9	308.5	326.9
Gross DPS (sen)	54.0	72.0	64.9	68.8	72.9
Div payout (%)	19	22	22	22	22
BVPS (RM)	26.5	28.4	30.6	33.0	35.5
Core P/E (x)	6.0	5.2	5.8	5.5	5.2
Div yield (%)	**3.2**	**4.3**	**3.8**	**4.1**	**4.3**
P/BV (x)	0.6	0.6	0.6	0.5	0.5

Source: Company, MBSBR

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MBSB INVESTMENT BANK (formerly known MIDF 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