**Hong Leong Financial Group Berhad**

(1082 | HLFG MK) Main | Financial Services

FTSE4Good ESG 3 Stars

Corporate Update

# 1QFY26 Results Review
# A Solid Quarter

**Maintain BUY**

Revised Target Price **RM22.61**
(from RM20.55)

| | |
|---|---|
| Price @ 27 November 2025 (RM) | 17.30 |
| Expected share price return (%) | +30.7 |
| Expected dividend yield (%) | +4.2 |
| **Expected total return (%)** | **+34.8** |

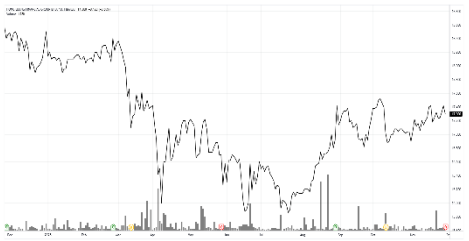
**Salient Points**

**Solid set of earnings, as forecasted.**

**Our Verdict**

**We like HLFG largely due to HLBK's strong fundamental outlook and growth prospects. We think improving market conditions should help HLFG with its HLC revenue stream.**

**SHARE PRICE CHART**



| Price performance (%) | Absolute | Relative |
|---|---|---|
| 1 month | 0.7 | 0.5 |
| 3 months | -0.1 | 1.0 |
| 12 months | -6.5 | -8.1 |

**INVESTMENT STATISTICS**

| FYE Jun | FY26F | FY27F | FY28F |
|---|---|---|---|
| **Core NP (RM m)** | **3,299** | **3,498** | **3,707** |
| CNP growth (%) | (10) | 6 | 6 |
| **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 | 35.6 |
| **ROE (%)** | **9.9** | **9.7** | **9.5** |
| **% Street CNP (%)** | **97** | **97** | **97** |

**KEY STATISTICS**

| | |
|---|---|
| FBM KLCI | 1,617.46 |
| Issue shares (m) | 1,134.3 |
| Estimated free float (%) | 16.1 |
| Market Capitalisation (RM'm) | 19,698.2 |
| 52-wk price range | RM15.7 – RM18.6 |
| 3-mth average daily volume (m) | 0.1 |
| 3-mth average daily value (RM'm) | 2.2 |
| **Top Shareholders (%)** | |
| Hong Leong Co Malaysia Bhd | 52.0 |
| Guoco Group Ltd | 25.4 |
| EPF Board | 5.2 |

**Results in a nutshell:**

► **3MFY26's Core NP of RM841m was *Within/Within* our/street forecasts: *26%/25%* of full-year forecasts.**

► **No dividend announcement.**

► **3MFY26's Core net profit (NP) of RM841m down by -1%yoy.** Reduced BOCD contribution and higher loan provision offset reduced OPEX and improved topline.

► **1QFY26's Core NP of RM841m down by -1%qoq.** Higher OPEX, loan provision, and tax charges offset improvements in topline.

► **HLBK saw flat 0%qoq growth in 1QFY26.** Improvements in NOII and reduced OPEX were offset by reduced associate contributions and higher provisions.

▲ **HLA reported 1QFY26 PBT of RM217m, up from last quarter's RM178m by +22%qoq.** Driven by higher net investment income, which offset lower insurance service results and lower associate contributions.

▼ **HLA reported 3MFY26 PBT of RM217m, down from last year's RM237m by -9%yoy.** Driven by lower insurance service results and net investment income, which offset higher Associate profits.

▲ **HLC reported 1QFY26 PBT of RM25m, up from last quarter's RM22m by +12%qoq.** Driven by higher fund management, unit trust management, and investment holding division contributions.

▲ **HLC reported 3MFY26 PBT of RM25m, up from last year's RM22m by +13%yoy.** Driven by higher contributions across all operating divisions.

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**Forecasts unchanged.** We make no changes to our earnings forecasts.

***Key downside risks.*** *(1) Weak BOCD contributions, (2) Slower growth in insurance GWPs, (3) Poor market performance crimps HLC's performance.*

**Maintain BUY call: Revised SOTP-TP of RM 22.61** ***(from RM20.55).*** The TP change is due to a higher P/BV basis of 1.18x for HLBK valuations.

## FIG 1: SOTP Valuation

| Companies | Shs' fund (RM mil) | As of | Equity stake (%) | BV (X) | Valuation (RM mil) | Comments |
|---|---|---|---|---|---|---|
| **HLBK** | **44,023** | **FY26** | **66%** | **1.18** | **34,077** | **FY26F ROE of 11.1%** |
| **HLC** | **1,014** | **end-Sep-25** | **74%** | **1.0** | **747** | **1x Book value** |
| **HLA (Components)** | | | | | **4,403** | |
| 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 | 229 | end-Jun-25 | 65% | 1.0 | 149 | 1x Book value |
| **(-) HLFG net debt** | | **end Sep-25** | | | **218** | |
| | | | | | | |
| **Total sum-of-parts** | | | | | **39,445** | |
| (÷) HLFG share cap (mil) | | | | | 1,134 | |
| | | | | | | |
| **Fair value (RM)** | | | | | **34.78** | |
| (-) Holding co. discount | | | | | 35% | |
| **Target price (RM)** | | | | | **22.61** | |

*Source: Company, MBSBR*

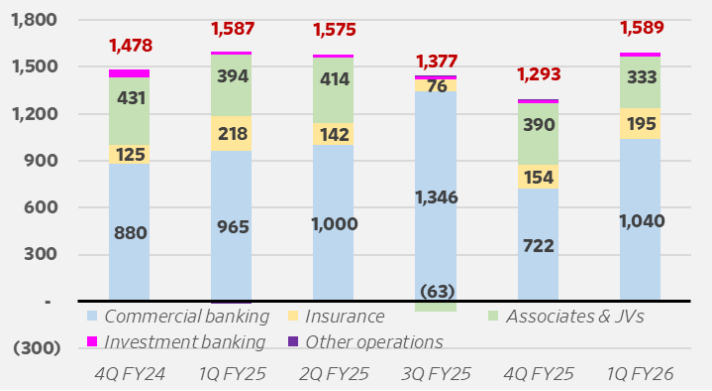
## FIG 2: Quarterly results

| FYE Jun (RM m) | 1Q FY26 | 4Q FY25 | 1Q FY25 | Yoy (%) | Qoq (%) | 3M FY26 | 3M FY25 | Yoy (%) |
|---|---|---|---|---|---|---|---|---|
| Net interest inc. | 1,043 | 1,013 | 1,036 | 1 | 3 | 1,043 | 1,036 | 1 |
| Islamic banking inc. | 318 | 303 | 288 | 10 | 5 | 318 | 288 | 10 |
| Non-interest inc. | 580 | 448 | 568 | 2 | 30 | 580 | 568 | 2 |
| **Net income** | **1,940** | **1,763** | **1,892** | **3** | **10** | **1,940** | **1,892** | **3** |
| OPEX | (646) | (587) | (691) | -7 | 10 | (646) | (691) | -7 |
| **PPOP** | **1,295** | **1,176** | **1,201** | **8** | **10** | **1,295** | **1,201** | **8** |
| Loan provisions | (38) | (3) | (7) | 415 | 1,166 | (38) | (7) | 415 |
| Other provisions | (1) | - | (0) | n.m. | n.m. | (1) | (0) | n.m. |
| JV & Associates | 333 | 390 | 394 | -16 | -15 | 333 | 394 | -16 |
| **PBT** | **1,589** | **1,563** | **1,587** | **0** | **2** | **1,589** | **1,587** | **0** |
| Tax | (334) | (296) | (318) | 5 | 13 | (334) | (318) | 5 |
| NCI | (414) | (414) | (421) | -2 | -0 | (414) | (421) | -2 |
| **Reported NP** | **841** | **853** | **848** | **-1** | **-1** | **841** | **848** | **-1** |
| **Core NP** | **841** | **853** | **848** | **-1** | **-1** | **841** | **848** | **-1** |
| | | | | | | | | |
| **Segments** | | | | | | | | |
| Commercial banking | 1,040 | 722 | 965 | 8 | 44 | 1,040 | 965 | 8 |
| Investment banking | 25 | 22 | 22 | 13 | 12 | 25 | 22 | 13 |
| Insurance | 195 | 154 | 218 | -10 | 27 | 195 | 218 | -10 |
| Other operations | (3) | 5 | (11) | -72 | -158 | (3) | (11) | -72 |
| Associates & JVs | 333 | 390 | 394 | -16 | -15 | 333 | 394 | -16 |

| Ratios | 1Q FY26 | 4Q FY25 | 1Q FY25 | Yoy (ppts) | Qoq (ppts) | 3M FY26 | 3M FY25 | Yoy (ppts) |
|---|---|---|---|---|---|---|---|---|
| **Gross DPS (sen)** | **-** | **52.0** | **-** | **n.m.** | **n.m.** | **-** | **-** | **n.m.** |
| Core EPS (sen) | 74.2 | 75.2 | 74.7 | -0.7 | -1.4 | 74.2 | 74.7 | (0.8) |
| Cost/Income (%) | 0.3 | 0.3 | 0.4 | (0.0) | (0.0) | 0.3 | 0.4 | (0.0) |

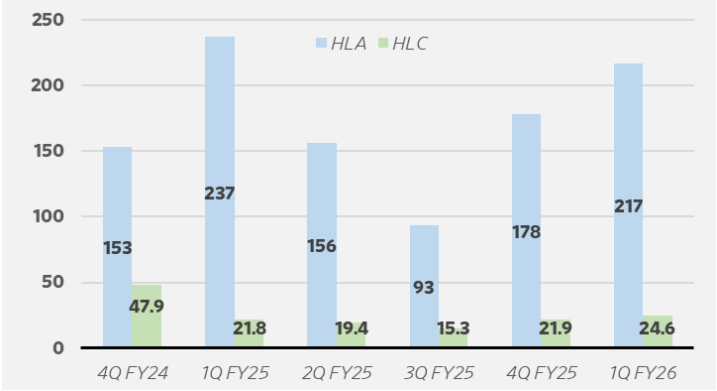
*Source: Company, MBSBR*

## 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 | 9,459 | 9,788 | 10,012 |
| Interest expense | (5,120) | (5,033) | (5,245) | (5,360) | (5,375) |
| **Net interest income** | **3,923** | **4,056** | **4,214** | **4,429** | **4,636** |
| Islamic banking inc. | 986 | 1,160 | 1,200 | 1,260 | 1,318 |
| Other operating inc. | 1,742 | 2,001 | 2,134 | 2,209 | 2,294 |
| **Net income** | **6,651** | **7,217** | **7,548** | **7,897** | **8,248** |
| OPEX | (2,609) | (2,633) | (2,807) | (2,941) | (3,076) |
| **PPOP** | **4,041** | **4,584** | **4,742** | **4,957** | **5,172** |
| 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** | **6,062** | **6,427** | **6,810** |
| Tax & zakat | (1,058) | (1,237) | (1,138) | (1,206) | (1,277) |
| 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 | 73,357 | 76,825 | 80,501 |
| **Total liabilities** | **291,837** | **307,965** | **325,511** | **344,108** | **363,821** |
| | | | | | |
| Share capital | 2,267 | 2,267 | 2,267 | 2,267 | 2,267 |
| Reserves | 28,054 | 30,110 | 32,674 | 35,392 | 38,273 |
| Treasury shares | (230) | (230) | (230) | (230) | (230) |
| **Shareholders' funds** | **30,091** | **32,147** | **34,711** | **37,429** | **40,310** |
| NCI | 14,278 | 15,084 | 16,286 | 17,562 | 18,913 |
| **Total equity** | **44,369** | **47,231** | **50,997** | **54,991** | **59,223** |
| **Total L&E** | **336,205** | **355,196** | **376,508** | **399,098** | **423,044** |

*Source: Company, MBSBR*

**FINANCIAL RATIOS**

| FYE Jun (RM m) | FY24 | FY25 | FY26F | FY27F | FY28F |
|---|---|---|---|---|---|
| **Profitability (%)** | | | | | |
| **ROE** | **11.2** | **11.8** | **9.9** | **9.7** | **9.5** |
| ROA | 1.0 | 1.1 | 0.9 | 0.9 | 0.9 |
| Effective tax rate | 18.1 | 20.3 | 18.8 | 18.8 | 18.7 |
| Cost/Income | 39.2 | 36.5 | 37.2 | 37.2 | 37.3 |
| | | | | | |
| **Capital (%)** | | | | | |
| CET 1 | 11.5 | 12.5 | 11.6 | 11.6 | 11.6 |
| Tier 1 capital | 12.4 | 13.4 | 12.9 | 12.9 | 12.9 |
| Total capital | 14.3 | 15.3 | 15.8 | 15.8 | 15.8 |
| | | | | | |
| **Growth (%)** | | | | | |
| Net income | 2.7 | 8.5 | 4.6 | 4.6 | 4.4 |
| OPEX | 5.2 | 0.9 | 6.6 | 4.8 | 4.6 |
| Core NP | 11.0 | 14.5 | -9.9 | 6.0 | 6.0 |
| | | | | | |
| **Valuation metrics** | | | | | |
| Core EPS (sen) | 282.0 | 323.0 | 290.9 | 308.5 | 327.0 |
| 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 | 35.6 |
| | | | | | |
| Core P/E (x) | 6.1 | 5.4 | 5.9 | 5.6 | 5.3 |
| **Div yield (%)** | **3.1** | **4.2** | **3.7** | **4.0** | **4.2** |
| P/BV (x) | 0.7 | 0.6 | 0.6 | 0.5 | 0.5 |

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### MBSB INVESTMENT BANK (formerly known as 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