Hong Leong Financial Group Berhad

(1082 | HLFG MK) Main | Financial Services

FTSE4Good ESG 3 Stars

Corporate Update

2QFY26 Results Review
Another Solid Quarter

Maintain BUY

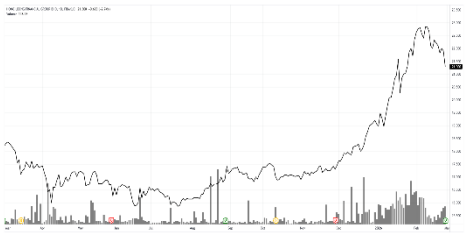
Revised Target Price **RM26.70**
(from RM22.61)

RETURN STATISTICS	
Price @ 27 February 2026 (RM)	21.30
Expected share price return (%)	+25.3
Expected dividend yield (%)	+3.4
Expected total return (%)	**+28.7**

Our Verdict

Fundamentals remain intact: HLBK's stellar progress, improved market conditions and economic outlook bode well for HLFG's growth and profitability prospects.

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	9.5	7.4
3 months	16.5	18.3
12 months	21.3	10.1

INVESTMENT STATISTICS

FYE Jun	FY26F	FY27F	FY28F
Core NP (RM m)	**3,299**	**3,498**	**3,707**
CNP growth (%)	(10)	6	6
Div yield (%)	**0.7**	**0.6**	**0.6**
Gross DPS (sen)	64.9	68.8	72.9
P/BV (x)	**0.7**	**0.6**	**0.6**
BVPS (RM)	30.6	33.0	35.6
ROE (%)	**9.9**	**9.7**	**9.5**
% Street CNP (%)	**98**	**98**	**98**

KEY STATISTICS

FBM KLCI	1,761.61
Issue shares (m)	1,134.3
Estimated free float (%)	16.1
Market Capitalisation (RM'm)	25,424.4
52-wk price range	RM15.7 – RM23.1
3-mth average daily volume (m)	0.5
3-mth average daily value (RM'm)	9.4
Top Shareholders (%)	
Hong Leong Co Malaysia Bhd	52.0
Guoco Group Ltd	25.4
EPF Board	5.2

Results in a nutshell:

► **6MFY26's Core NP of RM1,739m was *Within/Within* our/street forecasts: *53%/52%* of full-year forecasts.**

► **Dividends announced.** DPS of 22.0 sen translates to a payout of 28% for 6MFY26.

▲ **6MFY26's Core net profit (NP) of RM1,739m up by 3%yoy.** The main driver was stronger NOII and solid cost control, which offset higher provisions and weaker associate income.

▲ **2QFY26's Core NP of RM898m up by 7%qoq.** Improvements were largely seen in associate incomes, which offset the weaker NII showing.

▲ **HLBK showed 7%qoq growth in 2QFY26.** Driven by improved associate results.

▼ **HLA reported 2QFY26 PBT of RM219m, up from last quarter's RM217m by 1%qoq.** Driven by higher insurance service results, which offset lower net investment income and associate profits.

▲ **HLA reported 6MFY26 PBT of RM436m, up from last year's RM393m by 11%yoy.** Driven by higher investment income and associate profits, which offset a lower insurance service result.

▼ **HLC reported 2QFY26 PBT of RM20m, down from last quarter's RM25m by -17%qoq.** Driven by lower contributions in investment banking and stockbroking divisions.

▲ **HLC reported 6MFY26 PBT of RM45m, up from last year's RM41m by 9%yoy.** Driven by higher investment banking, fund management and unit trust divisions, which offset weakness in the stockbroking division.

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Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Weaker contributions by BOCD, (2) Weak capital market performance, (3) Additional regulatory hurdles or rising claims for insurance.*

Maintain BUY call: Revised SOTP-TP of RM 26.70 ***(from RM22.61).*** The TP change is due to a higher P/BV basis of 1.42x (from 1.18x) for HLBK valuations, and we also roll forward the valuation basis to FY27F from FY26F.

FIG 1: SOTP Valuation

Companies	Shs' fund (RM mil)	As of	Equity stake (%)	BV (X)	Valuation (RM mil)	Comments
HLBK	**44,023**	**FY27**	**66%**	**1.42**	**41,008**	**FY26F ROE of 11.1%**
HLC	**1,031**	**end-Dec-25**	**74%**	**1.0**	**760**	**1x Book value**
HLA (Components)					**4,406**	
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	233	end-Dec-25	65%	1.0	152	1x Book value
(-) HLFG net debt		**end-Dec-25**			**413**	
Total sum-of-parts					**46,587**	
(÷) HLFG share cap (mil)					1,134	
Fair value (RM)					**41.08**	
(-) Holding co. discount					35%	
Target price (RM)					**26.70**	

Source: Company, MBSBR

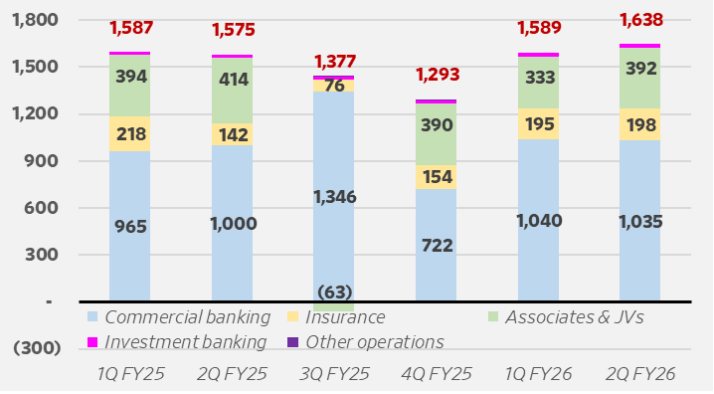
FIG 2: Quarterly results

FYE Jun (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Net interest inc.	1,019	1,043	1,016	*0*	*-2*	2,062	2,052	*0*
Islamic banking inc.	311	318	297	*4*	*-2*	628	585	*7*
Non-interest inc.	588	580	542	*8*	*1*	1,168	1,110	*5*
Net income	**1,918**	**1,940**	**1,855**	***3***	***-1***	**3,858**	**3,747**	***3***
OPEX	(636)	(646)	(690)	*-8*	*-2*	(1,282)	(1,381)	*-7*
PPOP	**1,282**	**1,295**	**1,166**	***10***	***-1***	**2,577**	**2,366**	***9***
Loan provisions	(37)	(38)	(5)	*652*	*-2*	(74)	(12)	*510*
Other provisions	(1)	(1)	1	*n.m.*	*n.m.*	(1)	1	*n.m.*
JV & Associates	392	333	414	*-5*	*18*	725	808	*-10*
PBT	**1,637**	**1,589**	**1,575**	***4***	***3***	**3,226**	**3,163**	***2***
Tax	(288)	(334)	(311)	*-7*	*-14*	(623)	(630)	*-1*
NCI	(451)	(414)	(425)	*6*	*9*	(864)	(846)	*2*
Reported NP	**898**	**841**	**839**	***7***	***7***	**1,739**	**1,687**	***3***
Core NP	**898**	**841**	**839**	***7***	***7***	**1,739**	**1,687**	***3***
Segments								
Commercial banking	1,035	1,040	1,000	*3*	*-1*	2,075	1,965	*6*
Investment banking	20	25	19	*5*	*-18*	45	41	*9*
Insurance	198	195	142	*39*	*1*	393	360	*9*
Other operations	(7)	(3)	(1)	*1,116*	*134*	(11)	(12)	*-12*
Associates & JVs	392	333	414	*-5*	*18*	725	808	*-10*

Ratios	2Q FY26	1Q FY26	2Q FY25	Yoy (ppts)	Qoq (ppts)	1H FY26	1H FY25	Yoy (ppts)
Gross DPS (sen)	**22.0**	**-**	**20.0**	***n.m.***	***n.m.***	**22.0**	**20.0**	***n.m.***
Core EPS (sen)	79.2	74.2	74.0	*7.0*	*6.7*	153.4	148.8	*3.1*
Cost/Income (%)	0.3	0.3	0.4	*(0.0)*	*(0.0)*	0.3	0.4	*(0.0)*

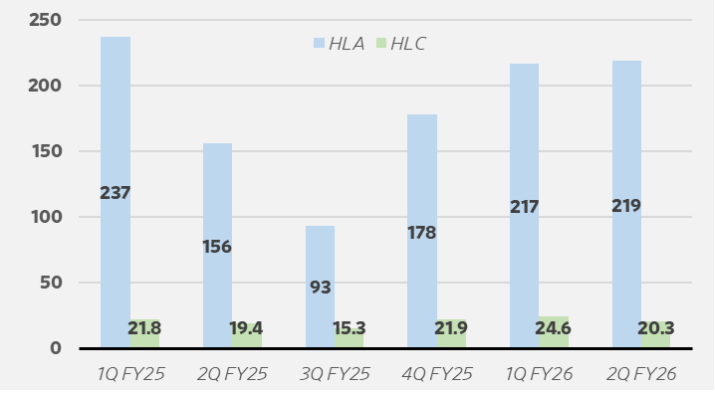
Source: Company, MBSBR

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)	7.6	6.6	7.3	6.9	6.5
Div yield (%)	**2.5**	**3.4**	**3.0**	**3.2**	**3.4**
P/BV (x)	0.8	0.8	0.7	0.6	0.6

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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