Corporate Update

Hong Leong Financial Group Berhad

(1082 | HLFG MK) Main | Financial Services

FTSE4Good ESG 3 Stars

Maintain **BUY**

Revised Target Price **RM26.78**
(from RM26.70)

3QFY26 Results Review
Better Quarters Ahead

Our Verdict

Despite running into some headwinds, fundamentals remain intact. HLBK's stellar progress, improved market conditions and constantly improving dividend yields bode well for HLFG's growth and profitability prospects.

Results in a nutshell:

► **9MFY26's Core NP of RM2,488m was *Within/Within* our/street forecasts: *75%/74%* of full-year forecasts.**

► **No dividend announcement.**

▼ **9MFY26's Core net profit (NP) of RM2,488m down by -11%yoy.** The decrease was mainly driven by higher loan provisions which offset better cost control and Associate performance.

▼ **3QFY26's Core NP of RM749m down by -17%qoq.** The decrease was driven by weaker NOII and Associate performance.

▼ **HLBK showed -8%yoy growth in 9MFY26.** Driven by weaker NII and provisions, which offset a stronger NOII and OPEX performance.

▼ **HLA reported 3QFY26 PBT of RM80m, down from last quarter's RM219m by -64%qoq.** Driven by lower net investment income, insurance service and Associate income.

▲ **HLA reported 9MFY26 PBT of RM516m, up from last year's RM487m by +6%yoy.** Driven by higher net investment and associate income. This offset weaker insurance service results.

▼ **HLC reported 3QFY26 PBT of RM14m, down from last quarter's RM20m by -32%qoq.** Driven by lower fund management and investment banking division contributions, which offset improved stockbroking income.

▲ **HLC reported 9MFY26 PBT of RM59m, up from last year's RM57m by +4%yoy.** Driven by higher contributions from investment banking division but offset by weaker fund management and stockbroking division contributions.

RETURN STATISTICS

Price @ 26 May 2026 (RM)	18.70
Expected share price return (%)	+43.2
Expected dividend yield (%)	+3.9
Expected total return (%)	**+47.1**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-3.2	-2.7
3 months	-1.5	-13.2
12 months	10.7	-0.7

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**	**0.6**	**0.5**
Gross DPS (sen)	64.9	68.8	72.9
P/BV (x)	**0.6**	**0.6**	**0.5**
BVPS (RM)	30.6	33.0	35.6
ROE (%)	**9.9**	**9.7**	**9.5**
% Street CNP (%)	**98**	**97**	**97**

KEY STATISTICS

FBM KLCI	1,699.02
Issue shares (m)	1,134.3
Estimated free float (%)	16.1
Market Capitalisation (RM'm)	21,393.2
52-wk price range	RM15.7 – RM23.1
3-mth average daily volume (m)	0.5
3-mth average daily value (RM'm)	9.5
Top Shareholders (%)	
Hong Leong Co Malaysia Bhd	52.0
Guoco Group Ltd	25.4
EPF Board	5.2

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Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Weaker BOCD contribution, (2) NOII weakness, (3) Loan growth weakness.*

Maintain BUY call: Revised SOTP-TP of RM 26.78 ***(from RM26.70).*** The TP change is due to updating the latest available financial data for our SOTP model.

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**	**FY27F ROE of 11.1%**
HLC	**1,036**	**end-Mar-26**	**74%**	**1.0**	**764**	**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-Mar-26**			**555**	
Total sum-of-parts					**46,732**	
(÷) HLFG share cap (mil)					1,134	
Fair value (RM)					**41.20**	
(-) Holding co. discount					35%	
Target price (RM)					**26.78**	

Source: Company, MBSBR

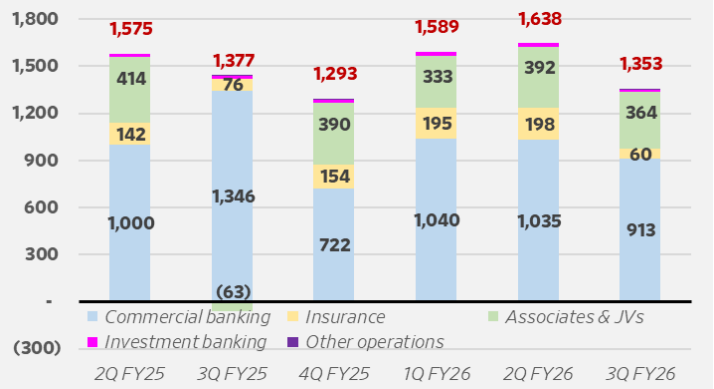
FIG 2: Quarterly results

FYE Jun (RM m)	3Q FY26	2Q FY26	3Q FY25	Yoy (%)	Qoq (%)	9M FY26	9M FY25	Yoy (%)
Net interest inc.	1,017	1,019	991	*3*	*-0*	3,078	3,043	*1*
Islamic banking inc.	298	311	272	*10*	*-4*	926	857	*8*
Non-interest inc.	379	588	441	*-14*	*-36*	1,548	1,551	*-0*
Net income	**1,694**	**1,918**	**1,704**	***-1***	***-12***	**5,552**	**5,451**	***2***
OPEX	(667)	(636)	(665)	*0*	*5*	(1,949)	(2,046)	*-5*
PPOP	**1,027**	**1,282**	**1,039**	***-1***	***-20***	**3,603**	**3,405**	***6***
Loan provisions	(37)	(37)	398	*-109*	*2*	(112)	386	*-129*
Other provisions	(0)	(1)	0	*n.m.*	*n.m.*	(1)	1	*n.m.*
JV & Associates	364	392	(63)	*-674*	*-7*	1,089	745	*46*
PBT	**1,353**	**1,637**	**1,374**	***-2***	***-17***	**4,580**	**4,537**	***1***
Tax	(232)	(288)	(309)	*-25*	*-20*	(854)	(939)	*-9*
NCI	(373)	(451)	(351)	*6*	*-17*	(1,237)	(1,197)	*3*
Reported NP	**749**	**898**	**714**	***5***	***-17***	**2,488**	**2,401**	***4***
Core NP	**749**	**898**	**1,122**	***-33***	***-17***	**2,488**	**2,809**	***-11***
Segments								
Commercial banking	913	1,035	1,346	*-32*	*-12*	2,988	3,311	*-10*
Investment banking	14	20	15	*-9*	*-31*	59	57	*4*
Insurance	60	198	76	*-20*	*-70*	454	436	*4*
Other operations	2	(7)	3	*-43*	*-125*	(9)	(9)	*0*
Associates & JVs	364	392	(63)	*-674*	*-7*	1,089	745	*46*

Ratios	3Q FY26	2Q FY26	3Q FY25	Yoy (ppts)	Qoq (ppts)	9M FY26	9M FY25	Yoy (ppts)
Gross DPS (sen)	**-**	**22.0**	**-**	***n.m.***	***n.m.***	**22.0**	**20.0**	***n.m.***
Core EPS (sen)	66.0	79.2	98.9	*-33.3*	*-16.6*	219.4	247.7	*(11.4)*
Cost/Income (%)	0.4	0.3	0.4	*0.0*	*0.1*	0.4	0.4	*(0.0)*

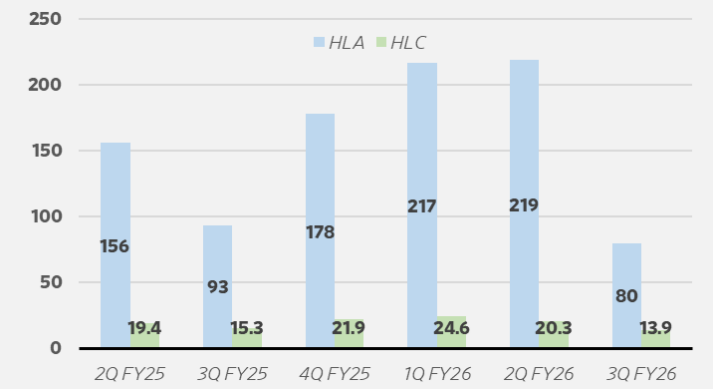
Source: Company, MBSBR

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	9,459	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)	6.6	5.8	6.4	6.1	5.7
Div yield (%)	**2.9**	**3.9**	**3.5**	**3.7**	**3.9**
P/BV (x)	0.7	0.7	0.6	0.6	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