Hong Leong Financial Group Berhad

(1082 | HLFG MK) Main | Financial Services

FTSE4Good ESG 3 Stars

Corporate Update

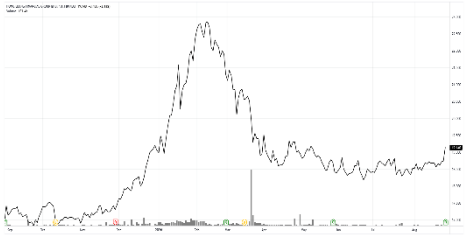
4QFY26 Results Review
Dividend Surprise

Maintain BUY

Revised Target Price **RM26.14**
(from RM26.78)

RETURN STATISTICS	
Price @ 27 August 2026 (RM)	19.14
Expected share price return (%)	+36.6
Expected dividend yield (%)	+3.8
Expected total return (%)	**+40.4**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	-0.6	-1.3
3 months	1.5	-0.3
12 months	12.7	2.9

INVESTMENT STATISTICS

FYE Jun	FY27F	FY28F	FY29F
Core NP (RM m)	**3,453**	**3,678**	**3,935**
CNP growth (%)	1	7	7
Div yield (%)	**0.6**	**0.5**	**0.5**
Gross DPS (sen)	79.4	84.6	90.5
P/BV (x)	**0.6**	**0.5**	**0.5**
BVPS (RM)	32.9	35.3	37.8
ROE (%)	**9.6**	**9.5**	**9.5**
% Street CNP (%)	**98**	**99**	

KEY STATISTICS

FBM KLCI	1,741.72
Issue shares (m)	1,134.3
Estimated free float (%)	16.1
Market Capitalisation (RM'm)	21,393.2
52-wk price range	RM16.5 – RM23.1
3-mth average daily volume (m)	0.1
3-mth average daily value (RM'm)	1.7
Top Shareholders (%)	
Hong Leong Co Malaysia Bhd	52.0
Guoco Group Ltd	25.4
EPF Board	5.2

Results in a nutshell:

► **FY26's Core NP of RM3,433m was *Within*/*Within* our/street forecasts: *104%*/*104%* of full-year forecasts.**

▲ **Dividends announced.** DPS of 79.0 sen translates to a payout of 26% for FY26. This came above our expectations.

▼ **FY26's Core net profit (NP) of RM3,433m down by -6%yoy.** The decrease was driven by higher loan provisions, which offset better NOII, NII, and associate income.

▲ **4QFY26's Core NP of RM945m up by +26%qoq.** The increase was driven by better NII, NOII and net writebacks, which offset higher OPEX.

▼ **HLBK showed -3%yoy growth in FY26.** Driven by higher loan provisions, which offset improvements in topline and associate income.

▲ **HLA reported 4QFY26 PBT of RM227m, up from last quarter's RM80m by +184%qoq.** Driven by higher insurance service results and investment results.

▲ **HLA reported FY26 PBT of RM743m, up from last year's RM665m by +12%yoy.** Driven by higher investment income and higher insurance service results.

▲ **HLC reported 4QFY26 PBT of RM26m, up from last quarter's RM14m by +90%qoq.** Driven by higher contribution from the fund management, stockbroking and investment holding divisions.

▲ **HLC reported FY26 PBT of RM85m, up from last year's RM78m by +9%yoy.** Driven by higher contributions from the investment holding and fund management division. This offset lower contribution from the investment banking and stockbroking division.

Forecasts revised: FY27F/FY28F Core NP adjusted by -1%/-1%. To reflect HLBK's guidance for lower loan growth.

Key downside risks. *(1) Weakness in BOCD, (2) Reduced loan growth, (3) NIM compression.*

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Maintain BUY call: Revised SOTP-TP of RM 26.14 ***(from RM26.78)***. The TP change is due to a lower P/BV basis of 1.39x for HLBK, after we tweaked our earnings forecasts slightly downward.

FIG 1: SOTP Valuation

Companies	Shs' fund (RM mil)	As of	Equity stake (%)	BV (X)	Valuation (RM mil)	Comments
HLBK	**43,928**	**FY27**	**66%**	**1.39**	**40,070**	**FY27F ROE of 11.0%**
HLC	**1,054**	**end-Jun-26**	**74%**	**1.0**	**777**	**1x Book value**
HLA (Components)					**4,415**	
HLA (Embedded value)	4,641	end-Jun-26	70%	1.0	3,249	1x Embedded value
MSIG	3,382	end-Jun-26	30%	1.0	1,015	1x Book value
HL MSIG Takaful	233	end-Dec-25	65%	1.0	152	1x Book value
(-) HLFG net debt		**end-Jun-26**			**357**	
Total sum-of-parts					**45,618**	
(÷) HLFG share cap (mil)					1,134	
Fair value (RM)					**40.22**	
(-) Holding co. discount					35%	
Target price (RM)					**26.14**	

Source: Company, MBSBR

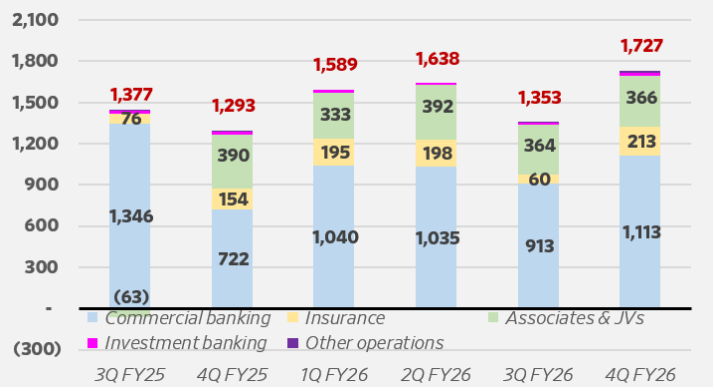
FIG 2: Quarterly results

FYE Jun (RM m)	4Q FY26	3Q FY26	4Q FY25	Yoy (%)	Qoq (%)	FY26	FY25	Yoy (%)
Net interest inc.	1,055	1,017	1,013	4	4	4,133	4,056	2
Islamic banking inc.	316	298	303	4	6	1,242	1,160	7
Non-interest inc.	680	379	448	52	79	2,228	1,998	11
Net income	**2,051**	**1,694**	**1,763**	**16**	**21**	**7,603**	**7,214**	**5**
OPEX	(722)	(667)	(587)	23	8	(2,671)	(2,633)	1
PPOP	**1,329**	**1,027**	**1,176**	**13**	**29**	**4,932**	**4,581**	**8**
Loan provisions	32	(37)	(3)	-1,193	-187	(79)	383	-121
Other provisions	0	(0)	-	n.m.	n.m.	(1)	1	n.m.
JV & Associates	366	364	390	-6	1	1,456	1,135	28
PBT	**1,727**	**1,353**	**1,563**	**10**	**28**	**6,307**	**6,100**	**3**
Tax	(308)	(232)	(296)	4	33	(1,163)	(1,234)	-6
NCI	(474)	(373)	(414)	14	27	(1,711)	(1,611)	6
Reported NP	**945**	**749**	**853**	**11**	**26**	**3,433**	**3,255**	**5**
Core NP	**945**	**749**	**853**	**11**	**26**	**3,433**	**3,662**	**-6**
Segments								
Commercial banking	1,113	913	722	54	22	4,100	4,032	2
Investment banking	26	14	22	21	90	85	78	9
Insurance	213	60	154	39	254	667	590	13
Other operations	9	2	5	58	368	(0)	(3)	-95
Associates & JVs	366	364	390	-6	1	1,456	1,135	28

Ratios	4Q FY26	3Q FY26	4Q FY25	Yoy (ppts)	Qoq (ppts)	FY26	FY25	Yoy (ppts)
Gross DPS (sen)	**57.0**	**-**	**52.0**	**n.m.**	**n.m.**	**79.0**	**72.0**	**n.m.**
Core EPS (sen)	83.4	66.0	75.2	10.8	26.3	302.7	322.9	(6.2)
Cost/Income (%)	0.4	0.4	0.3	0.0	(0.0)	0.4	0.4	(0.0)

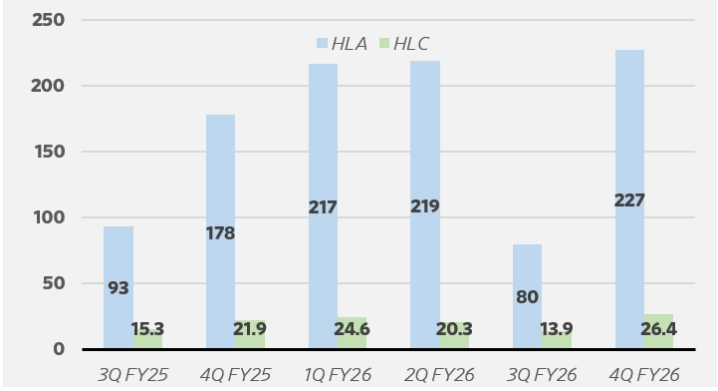
Source: Company, MBSBR

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)	FY25	FY26	FY27F	FY28F	FY29F
Interest income	9,089	9,016	9,773	10,046	10,339
Interest expense	(5,033)	(4,882)	(5,337)	(5,350)	(5,365)
Net interest income	**4,056**	**4,133**	**4,436**	**4,696**	**4,973**
Islamic banking inc.	1,160	1,242	1,245	1,317	1,394
Other operating inc.	2,001	2,228	2,156	2,237	2,366
Net income	**7,217**	**7,603**	**7,838**	**8,250**	**8,733**
OPEX	(2,633)	(2,671)	(2,910)	(3,069)	(3,261)
PPOP	**4,584**	**4,932**	**4,928**	**5,181**	**5,472**
Loan allowances	383	(79)	(117)	(125)	(134)
Other allowances	1	0	(0)	(0)	(0)
JV & Associates	1,135	1,456	1,532	1,700	1,887
PBT	**6,103**	**6,308**	**6,343**	**6,757**	**7,226**
Tax & zakat	(1,237)	(1,163)	(1,190)	(1,267)	(1,353)
NCI	(1,611)	(1,711)	(1,701)	(1,812)	(1,938)
Reported NP	**3,255**	**3,435**	**3,453**	**3,678**	**3,935**
Core NP	**3,662**	**3,435**	**3,453**	**3,678**	**3,935**

BALANCE SHEET

FYE Jun (RM m)	FY25	FY26	FY27F	FY28F	FY29F
Cash & ST funds	17,335	15,388	16,773	18,282	20,110
Investment securities	103,916	101,886	103,647	105,606	108,820
Net loans	209,235	225,484	239,013	253,354	271,088
Others	24,710	27,068	32,583	38,295	44,605
Total assets	**355,196**	**369,826**	**392,016**	**415,537**	**444,624**
Customer deposits	237,881	249,005	263,945	279,782	299,366
Others	70,084	70,052	73,568	77,275	82,523
Total liabilities	**307,965**	**319,056**	**337,513**	**357,057**	**381,890**
Share capital	2,267	2,267	2,267	2,267	2,267
Reserves	30,110	32,669	35,221	37,939	40,848
Treasury shares	(230)	(230)	(230)	(230)	(230)
Shareholders' funds	**32,147**	**34,706**	**37,258**	**39,976**	**42,885**
NCI	15,084	16,064	17,245	18,504	19,850
Total equity	**47,231**	**50,770**	**54,503**	**58,480**	**62,735**
Total L&E	**355,196**	**369,826**	**392,016**	**415,537**	**444,624**

Source: Company, MBSBR

FINANCIAL RATIOS

FYE Jun (RM m)	FY25	FY26	FY27F	FY28F	FY29F
Profitability (%)					
ROE	**11.8**	**10.3**	**9.6**	**9.5**	**9.5**
ROA	1.1	0.9	0.9	0.9	0.9
Effective tax rate	20.3	18.4	18.8	18.7	18.7
Cost/Income	36.5	35.1	37.1	37.2	37.3
Capital (%)					
CET 1	11.8	11.8	11.6	11.6	11.6
Tier 1 capital	12.7	12.7	12.9	12.9	12.9
Total capital	14.6	14.6	15.8	15.8	15.8
Growth (%)					
Net income	8.5	5.4	3.1	5.3	5.9
OPEX	0.9	1.5	8.9	5.5	6.3
Core NP	14.5	-6.2	0.5	6.5	7.0
Valuation metrics					
Core EPS (sen)	323.0	302.9	304.5	324.4	347.0
Gross DPS (sen)	72.0	79.0	79.4	84.6	90.5
Div payout (%)	22	26	26	26	26
BVPS (RM)	28.4	30.6	32.9	35.3	37.8
Core P/E (x)	5.9	6.3	6.3	5.9	5.5
Div yield (%)	**3.8**	**4.1**	**4.1**	**4.4**	**4.7**
P/BV (x)	0.7	0.6	0.6	0.5	0.5

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MBSB 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