



AmInvestment Bank

HONG LEONG FINANCIAL GROUP

(HLFG MK EQUITY, HLCB.KL)

28 Aug 2025

Company Report

Profit Growth led by Banking and Insurance contributions

BUY

(Maintained)

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Rationale for report: Company Result

Price RM16.92
Target Price RM21.60
52-week High/Low RM20.18/RM15.70

Key Changes

Fair value ⬇
EPS ⬇

YE to Dec	FY25	FY26F	FY27F	FY28F
Total income (RM mil)	7,216.6	7,666.2	8,281.4	9,101.1
Core net profit (RM mil)	3,254.7	3,397.8	3,604.4	3,854.0
FD Core EPS (sen)	287.0	299.6	317.8	339.8
FD Core EPS growth (%)	1.8	4.4	6.1	6.9
Consensus Net Profit (RM mil)	-	3,396.0	3,610.0	-
DPS (sen)	72.0	74.9	79.5	85.0
BV/share (RM)	28.35	30.72	33.25	35.93
PE (x)	5.9	5.6	5.3	5.0
Div yield (%)	4.3	4.4	4.7	5.0
P/BV (x)	0.6	0.6	0.5	0.5
ROE (%)	10.5	10.1	9.9	9.8

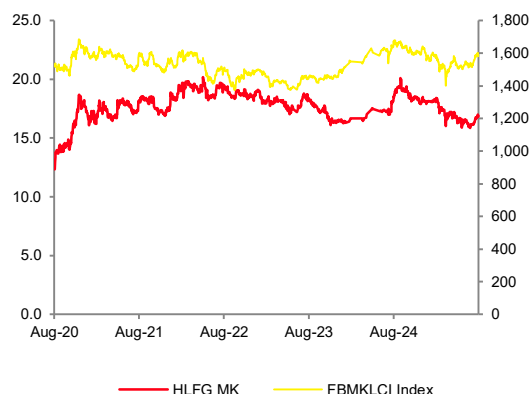
Stock and Financial Data

Shares Outstanding (million)	1,134.0
Market Cap (RMmil)	19,188.1
Book Value (RM/Share)	28.35
P/BV (x)	0.6
ROE (%)	10.5

Major Shareholders	Hong Leong Company (Malaysia) Bhd (52.0%) Guoco Group Ltd (25.4%)
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Free Float	16.9
Avg Daily Value (RMmil)	2.7

Price performance	3mth	6mth	12mth
Absolute (%)	1.3	(7.1)	(6.9)
Relative (%)	(2.6)	(7.2)	(3.2)



Investment Highlights

12MFY25 total income grew 8.5% YoY, driven by stronger NII and NOII. NOII benefited from higher fee income, insurance and takaful income, trading, investment & forex gains and higher Islamic banking income. Earnings remain supported by HLBB's resilient asset quality, with the stock trading at an attractive FY26 PE of 5.3x and PB of 0.5x

- Recommendation and valuation.** Reaffirm BUY on HLFG with a revision in our TP to RM21.60/share (from RM23.80) following a revision in our SOP valuation largely due to a lower SOP per share of HLBK reflecting lower CY26 shareholders funds estimate after factoring in actual FY25 results. Our FY26F/27F earnings have been adjusted by -4.9%/-2.2% to reflect higher estimate for OPEX and lower share of profit from associates.
- 12MFY25 core earnings met expectations, reaching 97.3% of our estimate and 96.4% of consensus.** Normalized earnings rose 3.9% YoY to RM3.23 billion, driven by stronger commercial banking and insurance performance Commercial Banking PBT up 4% YoY on higher NII/NOII and stable asset quality. Insurance PBT rose 10.1% YoY, supported by better life/family takaful service results and overseas general insurance income. Investment Banking PBT fell 35.6% YoY due to weaker equity mark-to-market gains and lower stockbroking/fund management income. QoQ, core net profit rose 9.0% in 4QFY25 on higher total income and lower OPEX.
- HLBB's Loan growth accelerated to 7.8% YoY from 7.2% YoY in the preceding quarter.** NIM rose 4bps YoY to 1.90% in 12MFY25, with funding duration shortened ahead of the July OPR cut of 25bps. Domestic loan growth accelerated to 8% YoY, outpacing the industry's 5.1%, led by transport vehicle and community SME loans. CI ratio improved to 38.7%, supported by a 4.9% YoY positive JAW. Asset quality remained strong, with a low GIL ratio of 0.54% and normalized credit cost at just 0.01%.
- HLA's life and family takaful gross premiums grew 4.2% YoY, with new business premiums surging 17.6%, mainly driven by stronger bancassurance and agency contributions.** Average case size for insurance grew 30.8% YoY, with savings and protection plans contributing 65% and 35% of annualized premiums, respectively. CSM balance declined to RM1.76 billion from RM2.01 billion due to a RM225 million impact from changes in medical pricing assumptions and regulatory premium deferment on medical insurance. New business CSM amounted to RM320mil higher the CSM release of RM180 million. HLA and HLMT's embedded value rose 4.6% YoY to RM4.76bil.

Company profile

HLFG operates as an investment holding company with three key business segments:

1. Commercial and Islamic banking under Hong Leong Bank.
2. Insurance and Family Takaful, managed through its insurance holding arm, HLA Holdings.
3. Investment banking and asset management, overseen by Hong Leong Capital.

In FY25, Commercial and Islamic banking accounted for 88% of the group's profit before tax (PBT), with Insurance contributing 11% and Investment Banking & Asset Management making up the remaining 1%.

Investment thesis and catalysts

The stock remains attractively valued, trading at a low FY26 PE of 5.3x and PB of 0.5x. HLBB offers value trading an FY26 P/BV of 1x with an ROE of 11.2%. HLBB's topline growth is solid, supported by resilient asset quality amid macroeconomic uncertainties from tariff impacts.

Valuation methodology

Our TP of RM21.60 is derived based on sum-of-parts valuation

Risk factors

Potential risks to our projections include:

- i) A slowdown in global economic growth that could negatively affect loan demand and insurance premium expansion.
- ii) An unforeseen rise in funding costs. If CASA growth lags expectations, it may intensify deposit competition.
- iii) Elevated insurance claims exceeding forecasts, which could strain earnings in the insurance sector.
- iv) Prolonged high interest rates in developed markets, leading to a decline in bond and securities portfolio valuations, thereby affecting non-interest income (NOII).

EXHIBIT 1: RESULTS SUMMARY

Income Statement (RM m, FYE 30 Jun)	4Q24	3Q25	4Q25	% QoQ	% YoY	12M24	12M25	% Yoy
Interest income	2,307	2,235	2,255	0.9	-2.3	9,042	9,089	0.5
Interest expense	-1,300	-1,244	-1,242	-0.1	-4.4	-5,120	-5,033	-1.7
Net interest income	1,007	991	1,013	2.2	0.6	3,923	4,056	3.4
Islamic banking income	260	272	303	11.3	16.4	986	1,160	17.6
Non-interest income	458	441	448	1.5	-2.2	1,742	2,001	14.8
Total income	1,725	1,704	1,763	3.5	2.2	6,651	7,217	8.5
Overhead expenses	-709	-665	-587	-11.7	-17.2	-2,609	-2,633	0.9
Pre-provision profit	1,016	1,039	1,176	13.2	15.8	4,041	4,584	13.4
Loan impairment allowances	31	398	-3	-100.7	-109.5	114	383	235.0
Other allowances	0	0	0	-39.8	-378.9	-1	1	-153.9
Associates and JV income	431	-63	390	-715.9	-9.3	1,691	1,135	-32.9
Pretax profit	1,478	1,374	1,563	13.8	5.8	5,846	6,103	4.4
Income tax	-274	-309	-296	-4.4	7.7	-1,058	-1,237	16.8
Minority interest	-397	-351	-414	18.1	4.4	-1,590	-1,611	1.4
Net profit	806	714	853	19.5	5.9	3,198	3,255	1.8
Core net profit	806	783	853	9.0	5.9	3,198	3,323	3.9
Core EPS (sen)	71.1	69.0	75.2	9.0	5.8	281.9	293.0	3.9
Segmental Analysis (RM m, FYE 30 Jun)								
	4Q24	3Q25	4Q25	% QoQ	% YoY	12M24	12M25	% Yoy
Commercial Banking	880	1,346	992	-26.3	12.7	3,545	4,302	21.4
Investment Banking	48	15	22	43.1	-54.2	122	78	-35.6
Insurance	125	73	154	110.2	23.6	504	590	17.0
Others	-2	375	2	-99.4	-198.7	947	1,087	14.7
Eliminations	-3	-372	3	-100.8	-201.9	-964	-1,090	13.1
Share of profit from associates	431	-63	390	-715.9	-9.3	1,691	1,135	-32.9
Share of profit from JVs	0	0	0	n.m.	n.m.	0	0	n.m.
Pretax profit	1,478	1,374	1,563	13.8	5.8	5,846	6,103	4.40

Source: Company, AmlInvestment Bank

EXHIBIT 2: CHANGE IN EARNINGS

RMmil	Old	FY26F New	%	Old	FY27F New	%
OPEX	2,677	2,952	10.3%	2,633	3,106	18.0%
Share of profit from associate	1,921	1,581	-17.7%	2,014	1,504	-25.3%
Net profit	3,572	3,398	-4.9%	3,686	3,604	-2.2%

Source: Company, AmlInvestment Bank

EXHIBIT 3: VALUATION: HLF G

SOP per share for HLB	RM25.80 (from RM29.10)
SOP per share for HLC	RM0.74
SOP per share for HLA	RM2.70 (from RM2.60)
SOP per share for MSIG	RM1.40
SOP per share for HLMSIG Takaful	RM0.21 (from RM0.13)
SOP per share for HLAJ	RM0.10
SOP Valuation	RM30.90 (from RM34.00)
Holding company discount	RM9.30 (from RM10.20)
ESG Premium	0% premium
12-month target price	RM21.60 (from RM23.80)

Source: AmlInvestment Bank

EXHIBIT 4: VALUATIONS

Companies	Shareholders' funds (RM Mil)	As of	Equity Stake	Book Value Multiple	Basis	Valuation (RM mil)	Sum of parts per share (RM)
HLB	43,213		64.4%	1.1	Based on CY26 estimated	29,221	25.8
HLC	1,027	6/30/2024	81.3%	1.0		835	0.74
Insurance companies under HLA Holdings							
HLA	4,400	6/30/2025	70%		1x Embedded value of FY25	3,080	2.7
MSIG	3,189	6/30/2024	30%	1.6		1,531	1.4
HLMSIG Takaful	362	12/31/2023	65%	1.0	1x Embedded value of FY25	235	0.21
HLAI	130		100%	1.0		130	0.1
SOP Valuation						35,032	30.9
Holding company discount				30%		10,510	9.3
SOP Valuation after holding company discount						24,522	21.6
No of shares						1,134	
Target Price						21.6	

Source: Company, AmInvestment Bank

EXHIBIT 5: ESG SCORE

Environmental assessment	Parameters	Weightage	Rating				Rationale
Allocation of investments in high risk ESG sectors	% of total investments allocated	40%	*	*	*		
Scope 1 GHG Emissions to total income	t/Co2e/RM'Mil	15%	*	*	*		0.03 IN FY24 vs. 0.04 in FY23
Scope 2 GHG Emissions to total income	t/Co2e/RM'Mil	15%	*	*	*		Marginally lower at 4.8 in FY24 vs. 5.2 in FY23
Scope 3 GHG Emissions to total income	t/Co2e/RM'Mil	15%	*	*			Increased to 2.4 in FY24 vs. 2.2 in FY23
Electricity consumption to total income	MWh/RM'Mil	10%	*	*	*		Increased to 7.2 in FY24 vs. 6.8 in FY23
Water consumption to total income	m3/RM'Mil	5%	*	*	*		Stable at 0.04 in FY24
Weighted score for environmental assessment		100%	*	*	*		
Social assessment							
Customer policy renewal ratio	%	30%	*	*	*		
Corporate Social Responsibility investments or spend	% of operating expenses	25%	*	*	*		
Claims settlement ratio	%	20%	*	*	*		
Workforce diversity - women in senior management and above (excluding board directors)	% of total workforce	15%	*	*	*		
Average training hours per employee	hours	10%	*	*	*		Average 73hrs in 2024
Weighted score for social assessment		100%	*	*	*		
Governance assessment							
Board age diversity	% under the 61 to 70 years old category	20%	*	*	*		
Board women representation	% of total board directors	15%	*	*	*		57.1% representation
Directors with tenure of 3-6 years	% in the 3 to 6 years or more category	15%	*	*	*		
Independent board directors	% of total board directors	20%	*	*	*	*	71.4% independent directors
Remuneration to directors	% of operating expenses	10%	*	*	*		
Cybersecurity, Privacy and Data Protection	Confirmed incidents	20%	*	*	*	*	Zero complaints on breaches of customer privacy and loss of data
Weighted score for governance assessment		100%	*	*	*		
Environmental score		40%	*	*	*		
Social score		25%	*	*	*		
Governance score		35%	*	*	*		
Overall ESG Score		100%	*	*	*		

Source: Company, AmlInvestment Bank

EXHIBIT 6: FINANCIAL DATA

Income Statement (RMmil, YE 31 Dec)	FY24	FY25	FY26F	FY27F	FY28F
Net interest income	3,922.5	4,056.0	4,121.2	4,344.1	4,582.6
Non-interest income	1,742.2	2,000.8	2,286.1	2,562.2	2,983.9
Islamic banking income	985.9	1,159.8	1,258.9	1,375.1	1,534.6
Total income	6,650.7	7,216.6	7,666.2	8,281.4	9,101.1
Overhead expenses	(2,609.4)	(2,633.1)	(2,951.5)	(3,105.5)	(3,412.9)
Pre-provision profit	4,041.3	4,583.5	4,714.7	5,175.9	5,688.2
Loan loss provisions	114.4	383.3	(110.7)	(118.5)	(126.7)
Impairment & others	(1.2)	0.6	(0.4)	(0.5)	0.5
Associates	1,691.0	1,135.2	1,581.1	1,503.7	1,453.0
Pretax profit	5,845.6	6,102.7	6,184.6	6,560.6	7,014.9
Tax	(1,058.4)	(1,236.6)	(1,113.2)	(1,180.9)	(1,262.7)
Minority interests	(1,589.5)	(1,611.4)	(1,673.6)	(1,775.3)	(1,898.2)
Core net profit	3,197.7	3,254.7	3,397.8	3,604.4	3,854.0
Balance Sheet (RMmil, YE 31 Dec)	FY24	FY25	FY26F	FY27F	FY28F
Cash & deposits with FIs	7,548.2	11,704.4	2,594.5	1,521.1	548.4
Marketable securities	110,762.8	112,385.4	123,239.3	133,348.5	142,648.5
Total current assets	118,311.0	124,089.8	125,833.8	134,869.6	143,196.9
Net loans & advances	193,613.4	209,235.4	221,490.0	236,978.4	253,551.0
Statutory deposits	nm	nm	nm	nm	nm
Long-term investments	3,275.7	2,055.5	2,521.5	2,698.0	2,886.9
Fixed assets	1,617.5	1,567.5	1,509.4	1,459.2	1,410.1
Intangible assets	2,983.7	2,973.7	2,974.6	2,974.6	2,974.6
Other long-term assets	16,167.4	15,097.7	28,158.0	26,676.4	27,977.8
Total LT assets	217,894.5	231,106.3	256,747.9	270,846.3	288,835.0
Total assets	336,205.5	355,196.1	382,581.7	405,715.9	432,031.9
Customer deposits	220,075.3	237,880.8	252,153.7	269,804.4	288,690.7
Deposits of other FIs	14,178.8	12,686.0	14,633.4	14,866.2	15,100.3
Subordinated debts	2,205.2	2,301.5	2,333.5	2,400.4	2,468.6
Hybrid capital securities	7,559.3	7,807.9	8,549.4	9,490.6	10,554.8
Other liabilities	47,818.1	47,289.2	53,352.5	53,352.0	54,916.7
Total liabilities	291,836.7	307,965.3	331,022.5	349,913.7	371,731.2
Shareholders' funds	30,090.7	32,147.1	34,837.3	37,704.2	40,743.7
Minority interests	14,278.1	15,083.6	16,721.9	18,098.0	19,557.0
Key Ratios (YE 31 Dec)	FY24	FY25	FY26F	FY27F	FY28F
Total income growth (%)	2.7	8.5	6.2	8.0	9.9
Pre-provision profit growth (%)	1.1	13.4	2.9	9.8	9.9
Core net profit growth (%)	11.0	1.8	4.4	6.1	6.9
Net interest margin (%)	1.6	1.6	1.6	1.6	1.6
Cost-to-income ratio (%)	39.2	36.5	38.5	37.5	37.5
Effective tax rate (%)	18.1	20.3	18.0	18.0	18.0
Dividend payout (%)	19.2	25.1	25.0	25.0	25.0
Key Assumptions (YE 31 Dec)	FY24	FY25	FY26F	FY27F	FY28F
Loan growth (%)	7.1	7.7	6.0	7.0	7.0
Deposit growth (%)	4.1	8.1	6.0	7.0	7.0
Loan-deposit ratio (%)	88.7	88.4	88.4	88.4	88.4
Gross NPL (%)	0.5	0.5	0.6	0.5	0.5
Net NPL (%)	0.5	0.5	0.6	0.5	0.5
Credit charge-off rate (%)	-	(0.1)	-	-	-
Loan loss reserve (%)	155.0	96.9	119.5	132.7	148.9

SOURCE: COMPANY, AMINVESTMENT BANK BHD ESTIMATES

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