

28 November 2025

Hong Leong Bank

Off to a Good Start

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HLBANK's 1QFY26 net profit came in within expectations, with strong loans growth led by the spillover of FY25's pipeline. The bank continues to deliver growth in its core banking operations, supported by a growing footprint in Singapore and now in Vietnam, alongside strong momentum in wealth management thank to its partnership with Lombard Odier. Maintain **OUTPERFORM** and SoP-derived TP of RM24.50. HLBANK remains one of our Top Picks for 4QCY25.

1QFY26 within expectations. HLBANK's 1QFY26 earnings of RM1.09b came in at 23% of our full-year forecast and 24% of consensus full-year estimate. No dividend was declared this quarter as the group typically pays on a bi-annual basis.

YoY, 1QFY26 NII increased by 4%, led by a 9% expansion in its loans book. NIMs came in softer at 1.81% (-7 bps) following the 25 bps OPR cut in July 2025 which dragged asset yields. Meanwhile, NOII rose by 14% thanks to stronger treasury results and fees.

Thanks to better cost discipline which lowered operating expenses by 3%, CIR improved to 36% (-3.1 ppts). Together with higher credit cost of 7 bps (-2 bps) on provisions made to a certain Singaporean account, operating profit improved by 8%. However, no thanks to lower contributions from BOCD (-17%), 1QFY25 net profit came in flattish at RM1.09b.

QoQ, 1QFY26 net profit was also flattish due to lower contributions from BOCD and comparatively lower NIMs (-2 bps) post-OPR cut.

Highlights. HLBANK maintained its FY26 targets, noting that the year began on a stronger-than-expected footing. While loans growth of 9% is tracking ahead of its 6%-7% target, the group remains cautious, suggesting the quarter may have been frontloaded by earlier onboarding, and highlighting emerging risks within the SME segment, which may prompt a more conservative stance in the near term.

Regionally, HLBANK aims to expand its loan book in Singapore and Vietnam, though it is not considering inorganic growth for now. We believe this likely reflects its preference to first deepen its understanding of these markets' dynamics.

Meanwhile, the bank continues to strengthen its pre-BOCD operations, supported by an enhanced suite of wealth management offerings through its partnership with Lombard Odier, which helped drive a 43% YoY increase in wealth management income and is expected to sustain momentum going forward.

Forecasts. Our FY26F/FY27F earnings remain largely unchanged post-1QFY26 updates.

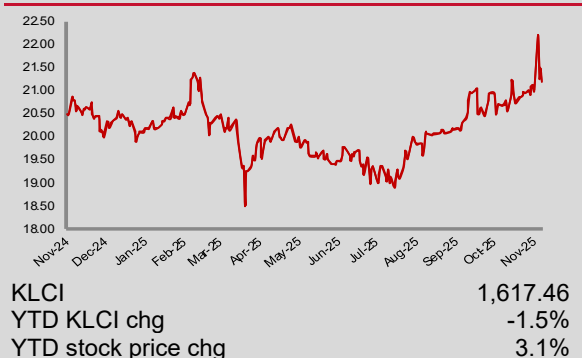
Maintain OUTPERFORM and TP of RM24.50. Our TP is based on a SoP, which applies: (i) a GGM-derived PBV of 1.21x on HLBANK's adjusted book value, and (ii) a GGM-derived PBV of 1.08x on HLBANK's effective stake of BOCD's book value. There is no adjustment to our TP based on ESG given a 3-star rating as appraised by us.

HLBANK remains to be a solid pick for investors seeking fundamental stability, as the group's GIL ratio remains to be one of the lowest amongst peers whilst it is still able to generate better-than-industry loans growth. The step up in its dividend payout ratio from c.30% to mid-40% makes the stock more palatable for yields at c.5%, in line with the industry's average. **HLBANK is one of our 4QCY25 Top Picks.**

OUTPERFORM ↔

Price : **RM21.20**
Target Price : **RM24.50** ↔

Share Price Performance



KLCI	1,617.46
YTD KLCI chg	-1.5%
YTD stock price chg	3.1%

Stock Information

Shariah Compliant	No
Bloomberg Ticker	HLBK MK Equity
Market Cap (RM m)	45,955.6
Shares Outstanding	2,167.7
52-week range (H)	22.22
52-week range (L)	18.50
3-mth avg. daily vol.	1,652,043
Free Float	35%
Beta	0.78

Major Shareholders

Hong Leong Financial Group	61.8%
Employees Provident Fund	9.4%
Amanah Saham Nasional	2.7%

Summary Earnings Table

FY Jun (RM m)	2025A	2026F	2027F
Net interest Income	5,147	5,327	5,475
Non-interest Income	1,251	1,309	1,368
Total Income	6,398	6,636	6,843
Operating Expenses	-2,479	-2,503	-2,560
Loan Impairment	384	-91	-163
Pre-tax Profit	5,360	5,542	5,720
Net Profit	4,273	4,734	4,896
Core Net Profit	4,681	4,734	4,896
Consensus NP	-	4,589	4,830
Earnings Revision (%)	-	-0.5	+0.2
Core EPS (RM)	2.28	2.31	2.39
EPS Growth (%)	11.6	1.1	3.4
NDPS (RM)	0.96	1.05	1.10
BV/Share (RM)	19.17	20.43	21.72
NTA/Share (RM)	18.11	19.37	20.66
ROE (%)	11.2	11.7	11.3
PER (x)	9.3	9.2	8.9
P/BV (x)	0.90	0.96	1.02
Net Div. Yield (%)	4.5	5.0	5.2

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Risks to our call include: (i) higher-than-expected margin squeeze, (ii) lower-than-expected loans growth, (iii) worse-than-expected deterioration in asset quality, (iv) further slowdown in capital market activities, (v) adverse currency fluctuations, and (vi) changes to OPR.

Results Highlights

	1Q	4Q	QoQ	1Q	YoY	3M	3M	YoY
FYE Jun (RM m)	FY26	FY25	Chg	FY25	Chg	FY26	FY25	Chg
Net interest income	1,343	1,324	1.4%	1,298	3.5%	1,343	1,298	3.5%
Non-interest income	342	296	15.7%	300	14.0%	342	300	14.0%
Total income	1,685	1,620	4.0%	1,598	5.4%	1,685	1,598	5.4%
Operating expenses	-607	-626	-3.0%	-626	-3.0%	-607	-626	-3.0%
Pre-impairment profit	1,078	994	8.4%	972	10.9%	1,078	972	10.9%
(Allowances)/ write-backs	-38	-3	1148.0%	-7	403.7%	-38	-7	403.7%
(Allowances)/ write-backs on other assets	0	0	387.9%	0	-468.7%	0	0	-468.7%
Operating profit	1,040	991	4.9%	965	7.8%	1,040	965	7.8%
Associate gains / (losses)	311	367	-15.1%	375	-16.9%	311	375	-16.9%
Profit before tax	1,351	1,358	-0.5%	1,340	0.9%	1,351	1,340	0.9%
Taxation	-260	-270	-3.5%	-249	4.3%	-260	-249	4.3%
Minority interest	0	0	N.M	0	N.M.	0	0	N.M
Net Profit	1,091	1,089	0.2%	1,090	0.1%	1,091	1,090	0.1%
Core Net Profit	1,091	1,089	0.2%	1,090	0.1%	1,091	1,090	0.1%
Gross loans	211,817	210,064	0.8%	194,232	9.1%	211,817	194,232	9.1%
Gross impaired loans	1,215	1,144	6.2%	1,049	15.9%	1,215	1,049	15.9%
Customer deposits	229,694	231,259	-0.7%	213,347	7.7%	229,694	213,347	7.7%
Current and savings account (CASA)	76,761	78,527	-2.2%	70,358	9.1%	76,761	70,358	9.1%
Total assets	312,722	314,618	-0.6%	292,918	6.8%	312,722	292,918	6.8%
Shareholders' equity	38,953	39,287	-0.9%	36,442	6.9%	38,953	36,442	6.9%
Est. annualised NIM	1.81%	1.83%		1.88%		1.81%	1.88%	
Cost-to-income ratio	36.0%	38.6%		39.1%		36.0%	39.1%	
Est. Annualised credit cost (bps)	7.1	0.6		1.5		7.2	1.5	
Effective tax rate	19.2%	19.9%		18.6%		19.2%	18.6%	
Annualised ROA	1.4%	1.4%		1.5%		1.4%	1.5%	
Annualised ROE	11.3%	11.4%		12.0%		11.2%	11.8%	
Gross impaired loans ratio	0.57%	0.54%		0.54%		0.57%	0.54%	
Loan loss coverage ratio (LLC)	89.6%	96.8%		145.5%		89.6%	145.5%	
LLC plus regulatory reserves	244.7%	259.5%		265.1%		244.7%	265.1%	
Loan-to-deposit ratio	93.0%	91.4%		91.6%		93.0%	91.6%	
CASA-to-deposit ratio	33.4%	34.0%		33.0%		33.4%	33.0%	
CET-1 capital (Group level)	12.7%	13.2%		13.2%		12.7%	13.2%	

Source: Company, Kenanga Research

Management Guidance

	FY25 Targets	FY25 Performance
Gross loans growth	6%-7%	7.8%
Net interest margin	1.80%-1.90%	1.79%
Cost-to-income ratio	~39%	38.7%
GIL ratio	<0.65%	0.54%
Net credit cost	<10 bps	-19 bps
Return on equity	11.5%-12.0%	12.2%
CASA mix	>32%	34%

Source: Company, Kenanga Research

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Sum of Parts

	Gordon-Growth Model Inputs (%)			PBV (x)	CY26 Book Value (RM b)	Effective Value (RM b)
	Cost of Equity	Terminal Growth	Return on Equity			
HLBANK*	9.5	2.5	11.0	1.21	32,533	39,364
BOCD (17.8%-owned)	13.2	3.0	14.0	1.08	10,062	10,852
						50,216
				Total HLBANK Shares (m)		2,049
				Per share (RM)		24.50

* Adjusted for BOCD's contribution to book value and ROE

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Peer Table Comparison

Name	Rating	Last Price (RM)	Target Price (RM)	Upside	Market Cap (RM m)	Shariah Compliant	Current FYE	Core EPS (sen)		Core EPS Growth		PER (x) - Core Earnings		PBV (x)	ROE	Net Div. (sen)	Net Div Yld.
								1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	2-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.	1-Yr. Fwd.
Stocks Under Coverage																	
Affin Bank Bhd	MP	2.24	2.30	2.7%	5,675.8	N	12/2025	22.8	25.4	13.3%	11.6%	9.8	8.8	0.5	4.9%	6.0	2.7%
Alliance Bank Malaysia Bhd	MP	4.66	4.85	4.1%	8,062.8	N	03/2026	44.3	49.8	2.1%	12.3%	10.5	9.4	1.0	9.7%	18.0	3.9%
AMMB Holdings Bhd	OP	5.99	6.90	15.2%	19,814.2	N	03/2026	64.1	66.3	6.0%	3.4%	9.3	9.0	0.9	10.0%	31.5	5.3%
Bank Islam Malaysia Bhd	MP	2.26	2.40	6.2%	5,122.2	Y	12/2025	24.4	27.7	-3.2%	13.7%	9.3	8.1	0.7	7.1%	15.0	6.6%
CIMB Group Holdings Bhd	OP	7.48	7.90	5.6%	80,643.1	N	12/2025	74.7	77.3	3.3%	3.6%	10.0	9.7	1.1	11.2%	42.0	5.6%
Hong Leong Bank Bhd	OP	21.20	24.50	15.6%	45,955.6	N	06/2026	231.0	238.9	1.1%	3.4%	9.2	8.9	1.0	11.7%	105.0	5.0%
Malayan Banking Bhd	OP	9.98	11.30	13.2%	120,569.4	N	12/2025	82.3	86.0	-1.7%	4.6%	12.1	11.6	1.2	10.3%	62.0	6.2%
MBSB Bhd	MP	0.710	0.700	-1.4%	5,837.8	Y	12/2025	5.8	7.2	2.9%	23.4%	12.2	9.9	0.5	4.2%	4.6	6.5%
Public Bank Bhd	OP	4.35	5.25	20.7%	84,436.5	N	12/2025	37.0	38.1	0.6%	3.0%	11.7	11.4	1.4	12.3%	22.5	5.2%
RHB Bank Bhd	OP	6.99	7.80	11.6%	30,489.8	N	12/2025	71.8	74.1	-0.3%	3.1%	9.7	9.4	0.9	9.4%	44.5	6.4%
SECTOR AGGREGATE					406,607					1.0%	4.3%	10.9	10.4	1.1	10.2%		5.3%

Name	Terminal growth (%)	Sustainable ROE (%)	Cost of Equity (%)	Applied PBV (x)	Target Price (RM)	Call	Remarks
Affin Bank Bhd	3.0	6.25	9.9	0.47	2.30	MP	
Alliance Bank Malaysia Bhd	3.0	10.0	10.5	0.93	4.85	MP	+5% ESG Premium
AMMB Holdings Bhd	3.0	10.0	9.9	1.02	6.90	OP	
Bank Islam Malaysia Bhd	3.5	8.0	10.2	0.67	2.40	MP	
CIMB Group Holdings Bhd	3.5	11.5	11.2	1.05	7.90	OP	+5% ESG Premium
Hong Leong Bank Bhd	-	-	-	-	24.50	OP	Sum-of-Parts
Malayan Banking Bhd	3.5	11.5	9.5	1.33	11.30	OP	
MBSB Bhd	3.0	6.0	9.2	0.48	0.720	MP	
Public Bank Bhd	4.0	13.0	9.9	1.54	5.25	OP	+5% ESG Premium
RHB Bank Bhd	2.5	10.0	10.2	0.98	7.80	OP	

Source: Kenanga Research

Stock ESG Ratings:

	Criterion	Rating				
GENERAL	Earnings Sustainability & Quality	★	★	★	☆	
	Community Investment	★	★	★	☆	
	Workforce Safety & Wellbeing	★	★	★		
	Corporate Governance	★	★	★	★	
	Anti-corruption Policy	★	★	★		
	Emissions Management	★	★	★		
SPECIFIC	Green Financing	★	★	★		
	Financial Inclusion	★	★	★		
	Cybersecurity/Data Privacy	★	★	★		
	Digitalisation & Innovation	★	★	★	☆	
	Diversity & Inclusion	★	★	★		
	Customer Experience	★	★	★		
	OVERALL		★	★	★	

☆ denotes half-star
 ★ -10% discount to TP
 ★★ -5% discount to TP
 ★★★ TP unchanged
 ★★★★ +5% premium to TP
 ★★★★★ +10% premium to TP

Stock Ratings are defined as follows:

Stock Recommendations

OUTPERFORM : A particular stock’s Expected Total Return is MORE than 10%
 MARKET PERFORM : A particular stock’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERPERFORM : A particular stock’s Expected Total Return is LESS than -5%

Sector Recommendations***

OVERWEIGHT : A particular sector’s Expected Total Return is MORE than 10%
 NEUTRAL : A particular sector’s Expected Total Return is WITHIN the range of -5% to 10%
 UNDERWEIGHT : A particular sector’s Expected Total Return is LESS than -5%

*****Sector recommendations are defined based on market capitalisation weighted average expected total return for stocks under our coverage.**

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