Corporate Update

Syarikat Takaful Malaysia Keluarga Berhad

(6139 | STMB MK) Financial Services | Finance

FTSE4Good ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM4.51**
(from RM3.95)

1QFY26 Results Review
Regular Premium Rush

Salient Points

Solid set of earnings, as forecasted.

Management's tone: Cautiously optimistic

Expect: Minor headwinds in subsequent quarters.

Our Verdict

While the challenging economic landscape may provide some headwinds, STMB maintains an excellent growth trajectory. We note that the Group is making significant changes in its Family portfolio – most notably embracing regular premiums alongside its heavy single premium slant. This is a bold direction for the Group, but it seems like a move in the right direction.

Valuations

A revised FY27F P/BV of 1.63x *(formerly 1.59x)*

Current P/BV of 1.27x is inexpensive, trading under -1SD of the 10-year P/BV mean of 2.63x.

The company is currently trading at a forward FY27F P/BV of 1.24x with a 5.5% dividend yield.

Themes

1. ▲ A commitment to keep dividend payouts near the ~40% level, which translates to pretty solid yields. Management wants to increase this figure, but not anytime soon given current high growth levels.
2. ▲ While the Family side could see weaker PF-related credit-linked premium growth due to high base effects, other segments such as medical, retail and mortgage-related products have stepped up as strong offsetting drivers. We like the increased diversity, and the pivot holds significant potential.
3. ▲ General side retains great growth potential – but it seems primarily motor premium driven, which the Group is specifically trying to limit. We aren't overly worried about the impact coming from the weakening economic environment.
4. ▼ Rising cost pressures could lead to higher claims. Nothing concerning seen thus far.
5. ▼ Tax rate remains elevated, but the Group is confident that resolution will come soon (possibly by FY26).

Results in a nutshell:

► **3MFY26's Core NP of RM100m was *Within*/*Within* our/street forecasts: *26%*/*26%* of full-year forecasts.**

► **No dividend announcement.**

▲ **3MFY26's Core net profit (NP) of RM100m up by 6%yoy.** The increase was driven by higher investment returns, which offset higher takaful expenses.

RETURN STATISTICS	
Price @ 28 May 2026 (RM)	3.42
Expected share price return (%)	+31.9
Expected dividend yield (%)	+5.5
Expected total return (%)	**+37.3**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.6	1.2
3 months	5.2	7.1
12 months	-0.3	-10.5

INVESTMENT STATISTICS

FYE Dec	FY26F	FY27F	FY28F
Core NP (RM m)	**389**	**408**	**419**
CNP growth (%)	1	5	3
Div yield (%)	**5.2**	**5.5**	**5.6**
Gross DPS (sen)	17.8	18.7	19.2
P/BV (x)	**1.4**	**1.2**	**1.1**
BVPS (RM)	2.5	2.8	3.1
ROE (%)	**17.7**	**18.0**	**16.7**
% Street CNP (%)	**99**	**99**	**97**

KEY STATISTICS

FBM KLCI	1,684.93
Issue shares (m)	872.2
Estimated free float (%)	48.7
Market Capitalisation (RM'm)	3,026.5
52-wk price range	RM3.01 – RM3.6
3-mth average daily volume (m)	0.6
3-mth average daily value (RM'm)	2.0
Top Shareholders (%)	
Lembaga Tabung Haji	30.8
EPF Board	18.7
Kumpulan Wang Persaraan Diperbadan	6.5

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▲ **1QFY26's Core NP of RM100m up by 8%qoq.** This was driven by lower takaful expenses and better investment returns, which offset higher takaful revenue.

Have a look at:

► **Weaker personal financing product premium growth – but a rebound in mortgages?** There was a steep drop in premiums on a sequential quarter basis. The management blames this on high base effects: 1QFY25 saw a boom in personal financing loans as banks rushed to churn out products before negative regulation changes. In contrast, 1QFY26 saw more normalised figures. This has led to a low overall new business CSM this quarter – the Group intends for future quarters to show stronger figures.

This year, expect a drop in PF-related credit products, but an increase in mortgage-linked products. These are seeing a rebound after years of decline. This is due to the recent BIMB and RHB bancassurance tie-ups, given their high reliance on residential mortgages. While less prominent due to a higher bancassurance skew, the Group remains the market leader of the LPPSA customer pool.

▲ **Emergent drivers on the Family side – a shift to regular premiums?** As credit-related premium growth is weakening, the Group is having success when branching out into other segments. So far, we've seen strong growth in medical (employee benefit) and retail segments.

Most notable of all is regular premiums' growing prominence. STMB's exposure to regular premiums is much larger now than three years ago. The intention is to reach a growth rate of RM400-500m per quarter – this quarter the Group saw RM86m of growth.

Interestingly, the heavy single premium portfolio and heavy bancassurance skew were some of STMB's prominent unique features. This rapidly increasing regular premium mix signals STMB becoming a more "typical" family takaful player. We are positive on the pivot: given the low number of takaful players in the market, the regular premium space holds plenty of potential. As the Group moves further into this space, we will be looking at whether STMB will start using agents once again (given that this is the standard distribution method for regular premiums) – and whether this will impact the Group's future expense levels.

▲ **General side's outlook remains bright – though motor premiums remain the star.** The Group saw very strong growth in the quarter – but do note that a large chunk is from motor premiums, which the Group is specifically trying to limit. The intention is to prevent motor premiums from making up >60% of the portfolio. 1QFY26's motor premium growth rate was at a whopping +26%yoy, with no special effects or one-offs. Ultimately, the Group remains optimistic on the General side's growth prospects despite potential macroeconomic noise – though it's a lot easier to grow motor premiums than non-motor.

▼ **Claims ratio pressure may begin eventually.** Although STMB has yet to feel any impact of cost inflation, they are wary that effects may come through in the coming quarters. They do mention they have a bit of a buffer: their heavy single-premium focus (which have a short duration) allows them to pass through costs a lot easier than peers.

▲ **Dividend increases will come later.** Management's long-term intention is to increase dividend levels from the current 40% guidance. However, don't expect any increase anytime soon due to current high growth levels. They are confident of current capital levels, which are close to the industry average. They wish to maintain some buffer for potential bancassurance deals.

► **Tax and zakat rate update.** Management expects that the current tax issue will be resolved by this year. Until then, the effective tax rate will remain at an elevated >30% level. As for Zakat, the Group will be moving away from the previous, more income statement-counting methodology to one that is balance sheet derived. This structural change implies that the forward Zakat rate may be increased from previous levels.

Forecasts unchanged. We make no changes to our earnings forecasts.
Key downside risks. *(1) Weaker-than-expected premium growth due to poor economic situation, (2) High claims inflation, (3) Persistent tax issues.*

Maintain BUY call: Unchanged GGM-TP of RM 4.51 ***(from RM3.95).*** The TP is based on a revised FY27F P/BV of 1.63x *(formerly 1.59x, rolled on from FY26F)*, to reflect altered earnings prospects and ROE-based valuations.

***(GGM assumptions:** FY27F ROE of 18.0%, LTG of 4.0% & COE of 12.6%)*

FIG 1: Quarterly results

FYE Dec (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Takaful revenue	977	1,054	981	-0	-7	977	981	-0
Takaful expenses	(883)	(948)	(849)	4	-7	(883)	(849)	4
Claims & other service exp	*(473)*	*(525)*	*(424)*	*12*	*-10*	*(473)*	*(424)*	*12*
Incurred surplus	*(219)*	*(182)*	*(253)*	*-13*	*21*	*(219)*	*(253)*	*-13*
Acquisition CF exp	*(180)*	*(212)*	*(144)*	*24*	*-15*	*(180)*	*(144)*	*24*
Onerous contracts	*1*	*(6)*	*(2)*	*-159*	*-117*	*1*	*(2)*	*-159*
Others	*(12)*	*(23)*	*(26)*	*-55*	*-49*	*(12)*	*(26)*	*-55*
Retakaful	(14)	(13)	(14)	5	13	(14)	(14)	5
Takaful service result	**80**	**94**	**118**	*-33*	*-15*	**80**	**118**	*-33*
Investment return	148	126	80	*85*	*18*	148	80	*85*
Net takaful finance exp	(63)	(65)	(45)	*39*	*-4*	(63)	(45)	*39*
Net takaful & inv result	**165**	**154**	**153**	*8*	*7*	**165**	**153**	*8*
Other income/OPEX	(7)	(7)	(2)	*225*	*1*	(7)	(2)	*225*
PBT	**158**	**148**	**151**	***5***	***7***	**158**	**151**	***5***
Tax	(54)	(54)	(53)	*2*	*1*	(54)	(53)	*2*
Zakat	(4)	(1)	(3)	*19*	*177*	(4)	(3)	*19*
Reported NP	**100**	**92**	**95**	***6***	***8***	**100**	**95**	***6***
Core NP	**100**	**92**	**95**	***6***	***8***	**100**	**95**	***6***
GWP	**1,289**	**1,137**	**1,328**	***-3***	***13***	**1,289**	**1,328**	***-3***
Gross DPS (sen)	-	-	-	***n.m.***	***n.m.***	-	-	***n.m.***
Core EPS (sen)	11.5	10.5	10.8	*6*	*9*	11.5	10.8	*6*

Ratios (%)	1Q FY26	4Q FY25	1Q FY25	Yoy (ppts)	Qoq (ppts)	3M FY26	3M FY25	Yoy (ppts)
ROE (Ann.)	**17.0**	**16.3**	**17.8**	***-0.8***	***0.6***	**17.0**	**17.8**	***-0.8***
Underwriting margin	**8.2**	**8.9**	**12.1**	***-3.9***	***-0.7***	**8.2**	**12.1**	***-3.9***
Combined*	**70.1**	**74.5**	**62.3**	***7.8***	***-4.4***	**70.1**	**62.3**	***7.8***
Claims*	48.4	49.8	43.2	*5.2*	*-1.4*	48.4	43.2	*5.2*
Reinsurance*	1.5	1.2	1.4	*0.1*	*0.3*	1.5	1.4	*0.1*
Expense	20.2	23.4	17.7	*2.4*	*-3.3*	20.2	17.7	*2.4*

**The figures include income/expenses not normally found in a combined ratio. Thus, STMB's combined ratio may not be the most reliable profitability indicator.*

Source: Company, MBSBR

FIG 2: Quarterly results (Family)

FYE Dec (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Takaful revenue	568	606	608	-7	-6	568	608	-7
Takaful expenses	(619)	(639)	(615)	1	-3	(619)	(615)	1
Claims & other service exp	*(284)*	*(289)*	*(219)*	*30*	*-2*	*(284)*	*(219)*	*30*
Incurred surplus	*(169)*	*(161)*	*(219)*	*-23*	*5*	*(169)*	*(219)*	*-23*
Acquisition CF exp	*(196)*	*(189)*	*(175)*	*12*	*4*	*(196)*	*(175)*	*12*
Onerous contracts	*-*	*-*	*-*	*n.m.*	*n.m.*	*-*	*-*	*n.m.*
Others	*30*	*0*	*(2)*	*<-500*	*>500*	*30*	*(2)*	*<-500*
Retakaful	(0)	0	(0)	69	-209	(0)	(0)	69
Takaful service result	**(51)**	**(33)**	**(7)**	690	56	**(51)**	**(7)**	690
Investment return	102	83	34	198	23	102	34	198
Net takaful finance exp	(43)	(45)	(27)	59	-4	(43)	(27)	59
Net takaful & inv result	**7**	**5**	**0**	>500	36	**7**	**0**	>500
Other income/OPEX	(1)	(1)	(0)	283	-8	(1)	(0)	283
PBT	**840**	**661**	**938**	-10	27	**840**	**938**	-10
GWP	**840**	**661**	**938**	-10	27	**840**	**938**	-10

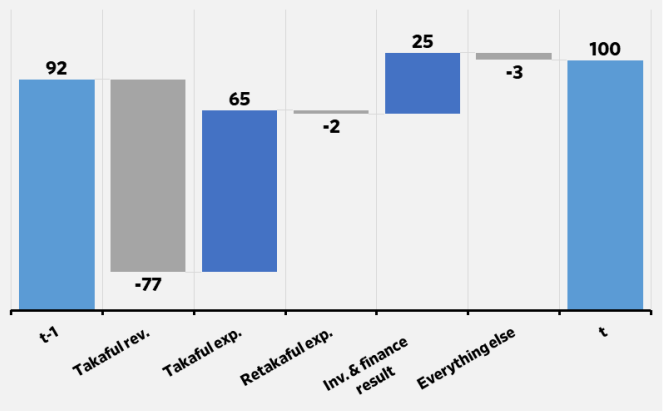
Source: Company, MBSBR

FIG 3: Quarterly results (General)

FYE Dec (RM m)	1Q FY26	4Q FY25	1Q FY25	Yoy (%)	Qoq (%)	3M FY26	3M FY25	Yoy (%)
Takaful revenue	392	395	343	14	-1	392	343	14
Takaful expenses	(389)	(389)	(339)	15	-0	(389)	(339)	15
Claims & other service exp	*(171)*	*(224)*	*(175)*	*-2*	*-23*	*(171)*	*(175)*	*-2*
Incurred surplus	*(50)*	*(21)*	*(35)*	*45*	*140*	*(50)*	*(35)*	*45*
Acquisition CF exp	*(127)*	*(121)*	*(108)*	*18*	*4*	*(127)*	*(108)*	*18*
Onerous contracts	*-*	*-*	*-*	*n.m.*	*n.m.*	*-*	*-*	*n.m.*
Others	*(42)*	*(23)*	*(22)*	*91*	*77*	*(42)*	*(22)*	*91*
Retakaful	(11)	(10)	(11)	5	7	(11)	(11)	5
Takaful service result	**(9)**	**(5)**	**(6)**	48	64	**(9)**	**(6)**	48
Investment return	19	17	17	9	13	19	17	9
Net takaful finance exp	(8)	(7)	(6)	17	3	(8)	(6)	17
Net takaful & inv result	**3**	**4**	**5**	-46	-33	**3**	**5**	-46
Other income/OPEX	0	0	0	18	25	0	0	18
PBT	**3**	**4**	**5**	-46	-32	**3**	**5**	-46
GWP	**449**	**476**	**390**	15	-6	**449**	**390**	15

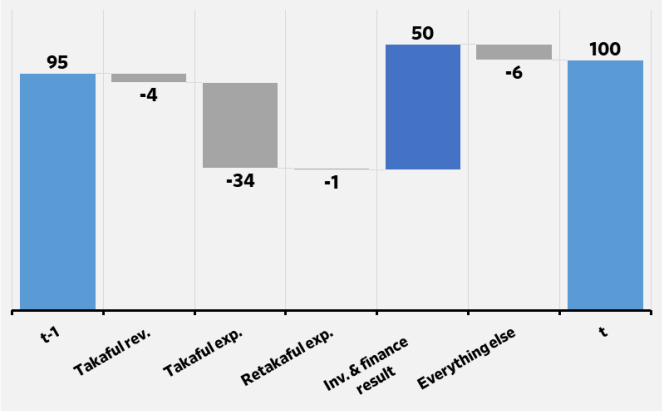
Source: Company, MBSBR

FIG 4: QoQ P/L walk (Quarterly results)



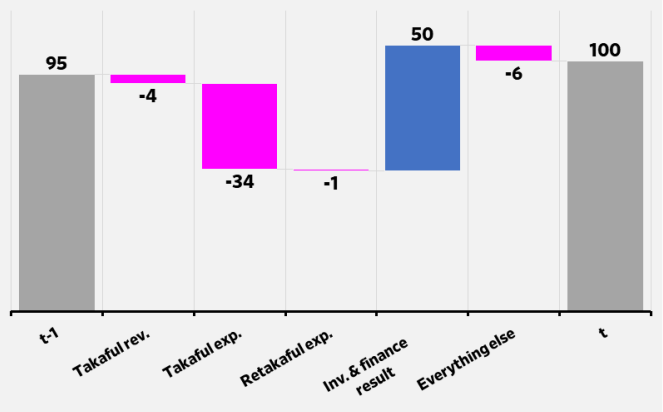
Source: Company, MBSBR

FIG 5: YoY P/L walk (Quarterly results)



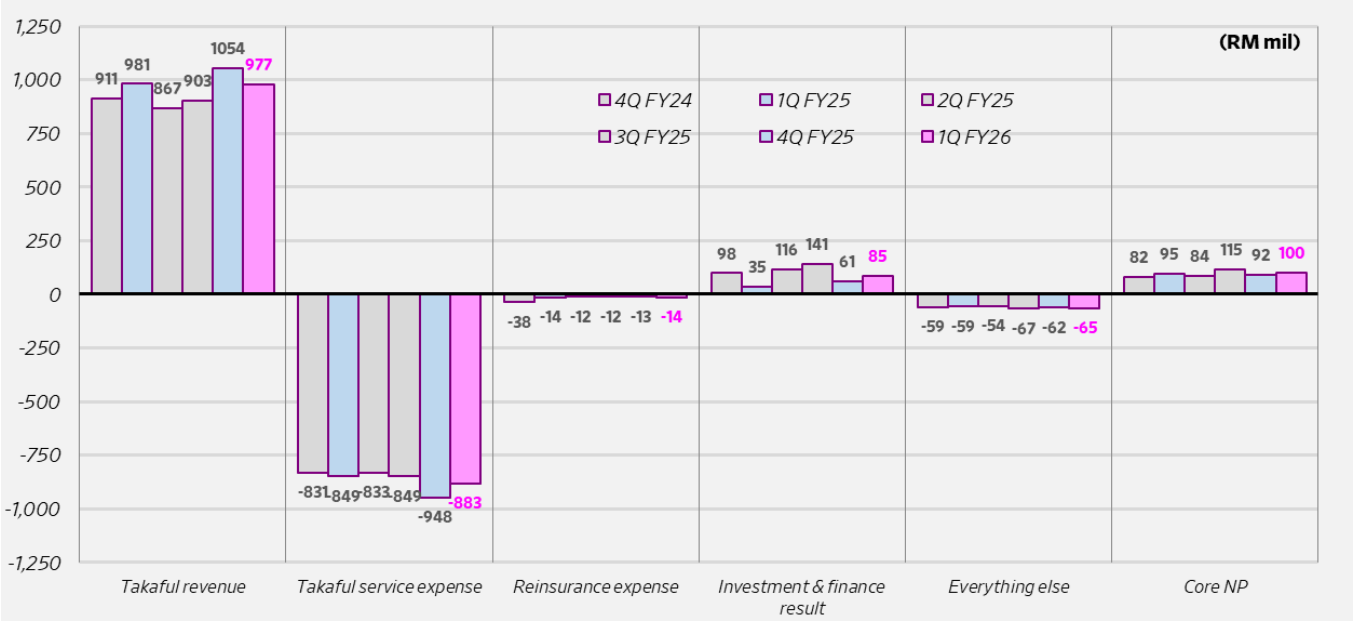
Source: Company, MBSBR

FIG 6: YoY P/L walk (Cumulative results)



Source: Company, MBSBR

FIG 7: QoQ P/L walk (Multiple Quarters)



Source: Company, MBSBR

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Takaful revenue	3,576	3,805	4,157	4,563	5,011
Takaful service expenses	(3,299)	(3,478)	(3,800)	(4,175)	(4,591)
Retakaful expense	(59)	(51)	(42)	(45)	(47)
Takaful service result	**218**	**275**	**315**	**342**	**372**
Investment return	605	597	567	581	580
Net finance result	(241)	(244)	(250)	(261)	(274)
Total tak, inv & financial result	**582**	**628**	**633**	**662**	**678**
Other income	2	3	3	3	3
Other OPEX	(9)	(15)	(15)	(15)	(15)
PBT	**575**	**616**	**620**	**650**	**666**
Tax	(184)	(213)	(215)	(225)	(231)
Zakat	(13)	(16)	(16)	(16)	(16)
NCI	-	-	-	-	-
Reported NP	**378**	**386**	**389**	**408**	**419**
Core NP	**378**	**386**	**389**	**408**	**419**

BALANCE SHEET

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Cash & ST funds	650	1,166	1,166	1,166	1,166
Takaful & Retakaful contracts	2,339	2,588	2,770	2,964	3,171
Investment securities	10,574	11,273	12,062	12,906	13,809
Other assets	3,141	3,039	3,110	3,184	3,260
Total assets	**16,703**	**18,066**	**19,108**	**20,220**	**21,407**
Takaful & Retakaful contracts	14,354	14,804	15,546	16,324	17,141
Other liabilities	397	968	1,385	1,474	1,592
Total liabilities	**14,751**	**15,773**	**16,931**	**17,798**	**18,734**
Share capital	241	358	358	358	358
Reserves	1,676	1,903	1,786	2,031	2,283
NCI	34	33	33	33	33
Total equity	**1,951**	**2,293**	**2,177**	**2,422**	**2,673**
Total L&E	**16,703**	**18,066**	**19,108**	**20,220**	**21,407**

Source: Company, MBSBR

FINANCIAL RATIOS

FYE Dec (RM m)	FY24	FY25	FY26F	FY27F	FY28F
Profitability (%)					
ROE	21.0	18.5	17.7	18.0	16.7
ROA	2.4	2.2	2.1	2.1	2.0
Combined ratio (%)	**71.6**	**71.4**	**72.9**	**72.7**	**72.5**
Claims & Expenses	69.9	70.0	71.9	71.7	71.6
Retakaful	1.7	1.3	1.0	1.0	0.9
Growth (%)					
Takaful revenue	21.5	6.4	9.3	9.7	9.8
Takaful expense	16.2	5.4	9.2	9.9	10.0
Takaful service result	24.7	26.4	14.5	8.5	8.6
PBT	13.2	7.1	0.8	4.7	2.5
Core NP	8.9	2.1	0.8	4.9	2.6
Valuation metrics					
Core EPS (sen)	43.2	44.1	44.4	46.6	47.8
Gross DPS (sen)	17.0	18.5	17.8	18.7	19.2
Div payout (%)	38	42	40	40	40
BVPS (RM)	2.2	2.6	2.5	2.8	3.1
Core P/E (x)	7.9	7.8	7.7	7.3	7.1
Div yield (%)	**5.0**	**5.4**	**5.2**	**5.5**	**5.6**
P/BV (x)	1.5	1.3	1.4	1.2	1.1

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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