Corporate Update

Syarikat Takaful Malaysia Keluarga Berhad

(6139 | STMB MK) Financial Services | Finance

FTSE4Good ESG 3 Stars

Maintain **BUY**

Unchanged Target Price **RM4.51**

2QFY26 Results Review
Recovery and Rebalancing

Salient Points

Decent set of earnings, as forecasted.

Management's tone: Optimistic

Expect: Continued focus on the Family segment's rebalancing.

Our Verdict

Bolstered by a strong macroeconomic outlook, STMB has great growth prospects, though a rebalancing in the Family portfolio may provide minor drag on growth and increase the need for capital retention. Claims inflation doesn't seem too severe yet. Dividend yields are already attractive at current valuations, but upsides to dividend payout (if any) will likely be limited.

Valuations

An unchanged FY27F P/BV of 1.63x

Current P/BV of 1.17x is inexpensive, trading under -1SD of the 10-year P/BV mean of 2.58x.

The company is currently trading at a forward FY27F P/BV of 1.18x with a 5.7% dividend yield.

Themes

1. ▲ There is an intent to increase dividend payouts above the 40% level, but high growth levels could complicate matters. Yields are already solid.
2. ▲ General side retains great growth potential – but it is primarily thinner-margined motor premium driven, which the Group is specifically trying to limit. A strong macroeconomic outlook bodes well for this segment.
3. ► Family side is seeing some drag from weaker credit-linked premium growth. However, other segments such as medical, retail and mortgage-related products have stepped up as strong drivers. We like the increased diversity (as regular contribution products ramp up), and the pivot holds significant potential – but we could see some short-term drag to earnings.
4. ▼ Rising cost pressures should lead to higher claims, particularly in the medical and motor segments.
5. ▼ Tax rate remains elevated, but the Group is confident that resolution will come soon (possibly by FY26).

Results in a nutshell:

► **6MFY26's Core NP of RM189m was *Within*/*Within* our/street forecasts: *48%*/*48%* of full-year forecasts.**

► **No dividend announcement.**

▲ **6MFY26's Core net profit (NP) of RM189m up by 6%yoy.** The increase was driven by improvements in takaful revenue and investment returns, which offset higher takaful expenses.

RETURN STATISTICS	
Price @ 19 August 2026 (RM)	3.27
Expected share price return (%)	+37.9
Expected dividend yield (%)	+5.7
Expected total return (%)	**+43.6**

SHARE PRICE CHART



Price performance (%)	Absolute	Relative
1 month	0.0	-0.7
3 months	0.6	-3.0
12 months	3.2	-5.8

INVESTMENT STATISTICS			
FYE Dec	**FY26F**	**FY27F**	**FY28F**
Core NP (RM m)	**389**	**408**	**419**
CNP growth (%)	1	5	3
Div yield (%)	**5.5**	**5.7**	**5.9**
Gross DPS (sen)	17.8	18.7	19.2
P/BV (x)	**1.3**	**1.2**	**1.1**
BVPS (RM)	2.5	2.8	3.1
ROE (%)	**17.7**	**18.0**	**16.7**
% Street CNP (%)	**99**	**100**	**100**

KEY STATISTICS	
FBM KLCI	1,731.32
Issue shares (m)	872.2
Estimated free float (%)	48.7
Market Capitalisation (RM'm)	2,643.3
52-wk price range	RM3.01 – RM3.58
3-mth average daily volume (m)	0.6
3-mth average daily value (RM'm)	2.1
Top Shareholders (%)	
Lembaga Tabung Haji	30.8
EPF Board	18.7
Kumpulan Wang Persaraan Diperbadan	6.5

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▼ **2QFY26's Core NP of RM89m down by -11%qoq.** The decrease was driven by higher takaful expenses, which offset improvements in takaful revenue and investment returns.

▲ **6MFY26's Takaful Service Revenue (TSR) (ex-fund movements) of RM267m up by 11%yoy.**

▼ **2QFY26's TSR (ex-fund movements) of RM128m down by -8%qoq.**

Have a look at:

▲ **Possible tweaks to dividends – but limited room for changes?** STMB intends to increase the payout ratio to above the standard 40% level, as well as contemplating whether to issue an additional interim dividend (alongside the pre-existing final dividend) regularly. Management claims that capital levels remain robust – no fears yet on RBC 2 implementation, which is still some years off.

However, we aren't so sure that there is room for a sizeable increase in dividend payout. The Group's growth rate is very rapid. It is also growing a more regular premium-intensive mix, which is more capital intensive – though the change is happening very gradually.

► **Family segment GWP growth is still recovering, with an emphasis on diversification.** 1QFY26's Family premiums fell by -10.6%yoy, due to high base effects: There was a surge in personal finance loans during 1QFY25, which has normalised since. In 1HFY26, the family segment recorded positive sequential year growth, implying a recovery in 2QFY26. However, if we look in closer detail, the recovery is largely coming from non-credit-related segments such as Group medical, term and retail – which also contributes to the sharp growth in regular premiums. Credit-related products haven't fully recovered yet this quarter, particularly those involving personal finance products.

It seems that the Group is diversifying away from its heavy credit-related product exposure, a trend that began a couple of quarters ago. We welcome the change – it reduces the Group's sensitivity to loan growth performance and is also ideal for RBC 2's preference for a more diversified portfolio. The Group also prefers the longer tail exposure of CSM release.

The change is not without drawbacks, particularly in the short-term. Regular premiums are more capital-intensive, which could be adverse for ROE. However, the Group expects the higher net CSM release from pre-existing credit-related business to buoy ROE for now, until regular premiums ramp up in scale.

▲ **General segment GWP growth remains extremely strong, though very reliant on motor premiums.** This quarter, motor premiums make up 58% of the total portfolio, which is close to the 60% limit STMB has imposed on itself (due to the motor segment's thinner margins). Unfortunately, most other segments such as fire, CAR and marine have seen negative growth in 1HFY26. The General segment's strong growth momentum should continue on the back of improving macroeconomic conditions.

Management has also begun to see higher motor claims pressure this quarter, and the Group has already priced some premiums upwards to compensate.

► **Strong investment gains, but limited impact on bottom line.** STMB saw stronger investment income this quarter, because of recovery in the equity market. However, this will have a minor impact on earnings, as most gains will be allocated to the risk fund (within takaful expenses). Management does not expect changes in MGS yields to impact profitability very much, either.

► **MediAsas may not be profitable on its own, but management has plans.** The intent is to bundle MediAsas programmes with other more profitable programmes to get better margins. This is primarily targeting the individual retail demographic, a segment to which the Group has limited exposure. It helps that STMB is one of the few insurers to sell MediAsas via direct means (as opposed to agents), which reduces cost. They are optimistic about the programme's sustainability due to the industry-wide risk-pooling mechanism (as opposed to the standard company-level scale pools).

Forecasts unchanged. We make no changes to our earnings forecasts.

Key downside risks. *(1) Elevated claims inflation, (2) Weaker GWP uptake, particularly in the Family portfolio (3) Adverse investment returns.*

Maintain BUY call: Unchanged GGM-TP of RM 4.51. The TP is based on an unchanged FY27F P/BV of 1.63x.

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

FIG 1: Quarterly results

FYE Dec (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Takaful revenue	1,009	977	867	16	3	1,985	1,848	7
Takaful expenses	(983)	(883)	(833)	18	11	(1,866)	(1,682)	11
Claims & other service exp	*(561)*	*(473)*	*(447)*	*26*	*19*	*(1,035)*	*(870)*	*19*
Incurred surplus	*(243)*	*(219)*	*(196)*	*24*	*11*	*(463)*	*(449)*	*3*
Acquisition CF exp	*(202)*	*(180)*	*(178)*	*13*	*13*	*(382)*	*(323)*	*18*
Onerous contracts	*8*	*1*	*(5)*	*-258*	*>500*	*9*	*(7)*	*-234*
Others	*16*	*(12)*	*(6)*	*-350*	*-236*	*4*	*(32)*	*-113*
Retakaful	(12)	(14)	(12)	-1	-14	(27)	(26)	2
Takaful service result	**13**	**80**	**22**	-39	-84	**93**	**140**	-34
TSR (ex-fund movements)	**128**	**139**	**109**	17	-8	**267**	**241**	11
Investment return	209	148	182	15	41	356	262	36
Net takaful finance exp	(68)	(63)	(65)	4	9	(131)	(110)	18
Net takaful & inv result	**154**	**165**	**138**	12	-7	**319**	**291**	10
Other income/OPEX	(6)	(7)	(2)	236	-6	(13)	(4)	230
PBT	**147**	**158**	**136**	**8**	**-7**	**306**	**287**	**6**
Tax	(55)	(54)	(47)	15	1	(109)	(100)	8
Zakat	(4)	(4)	(5)	-11	6	(8)	(8)	1
Reported NP	**89**	**100**	**84**	**6**	**-11**	**189**	**178**	**6**
Core NP	**89**	**100**	**84**	**6**	**-11**	**189**	**178**	**6**
GWP	**1,086**	**1,286**	**958**	**13**	**-16**	**2,372**	**2,284**	**4**
Gross DPS (sen)	-	-	-	**n.m.**	**n.m.**	-	-	**n.m.**
Core EPS (sen)	10.2	11.5	9.6	6	-11	21.6	20.4	6

Ratios (%)	2Q FY26	1Q FY26	2Q FY25	Yoy (ppts)	Qoq (ppts)	1H FY26	1H FY25	Yoy (ppts)
ROE (Ann.)	**14.5**	**17.0**	**15.0**	**-0.5**	**-2.5**	**15.5**	**16.0**	**-0.5**
Underwriting margin	**1.3**	**8.2**	**2.5**	**-1.2**	**-6.9**	**4.7**	**7.6**	**-2.9**
Combined*	**75.2**	**70.1**	**75.1**	**0.1**	**5.1**	**72.7**	**68.3**	**4.4**
Claims*	55.7	48.4	51.5	4.1	7.2	52.1	47.1	5.0
Reinsurance*	1.2	1.5	1.4	-0.2	-0.3	1.4	1.4	-0.1
Expense	18.3	20.2	22.1	-3.8	-1.9	19.2	19.8	-0.6

Source: Company, MBSBR

FIG 2: Quarterly results (Family)

FYE Dec (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Takaful revenue	588	568	486	21	4	1,157	1,095	6
Takaful expenses	(695)	(619)	(566)	23	12	(1,314)	(1,180)	11
Claims & other service exp	*(296)*	*(284)*	*(227)*	*30*	*4*	*(580)*	*(446)*	*30*
Incurred surplus	*(212)*	*(169)*	*(166)*	*28*	*25*	*(381)*	*(384)*	*-1*
Acquisition CF exp	*(201)*	*(196)*	*(170)*	*18*	*2*	*(397)*	*(345)*	*15*
Onerous contracts	*-*	*-*	*-*	*n.m.*	*n.m.*	*-*	*-*	*n.m.*
Others	*14*	*30*	*(2)*	*<-500*	*-52*	*44*	*(4)*	*<-500*
Retakaful	(0)	(0)	0	-174	-76	(0)	(0)	352
Takaful service result	**(106)**	**(51)**	**(79)**	34	107	**(158)**	**(86)**	84
Investment return	165	102	134	24	62	268	168	59
Net takaful finance exp	(48)	(43)	(46)	4	11	(92)	(74)	24
Net takaful & inv result	**11**	**7**	**8**	37	50	**18**	**8**	117
Other income/OPEX	0	(1)	(0)	-435	-179	(0)	(0)	-58
PBT	**725**	**837**	**608**	19	-13	**1,562**	**1,544**	1
GWP	**725**	**837**	**608**	19	-13	**1,562**	**1,544**	1

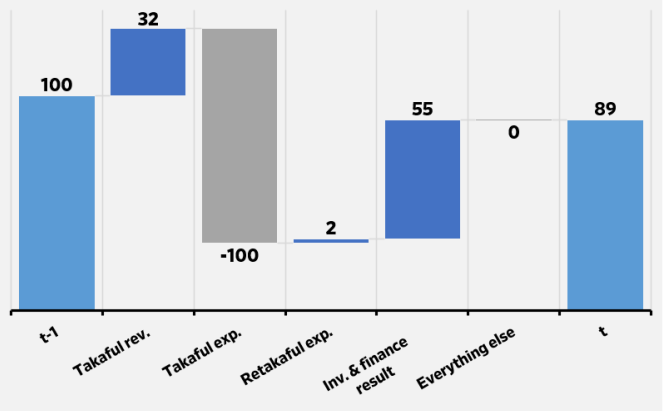
Source: Company, MBSBR

FIG 3: Quarterly results (General)

FYE Dec (RM m)	2Q FY26	1Q FY26	2Q FY25	Yoy (%)	Qoq (%)	1H FY26	1H FY25	Yoy (%)
Takaful revenue	415	392	351	18	6	807	695	16
Takaful expenses	(415)	(389)	(350)	18	6	(804)	(689)	17
Claims & other service exp	*(249)*	*(171)*	*(209)*	*19*	*45*	*(420)*	*(383)*	*10*
Incurred surplus	*(32)*	*(50)*	*(31)*	*4*	*-36*	*(82)*	*(65)*	*26*
Acquisition CF exp	*(133)*	*(127)*	*(106)*	*25*	*5*	*(259)*	*(214)*	*21*
Onerous contracts	*-*	*-*	*-*	*n.m.*	*n.m.*	*-*	*-*	*n.m.*
Others	*(1)*	*(42)*	*(4)*	*-78*	*-98*	*(43)*	*(26)*	*62*
Retakaful	(11)	(11)	(10)	8	-4	(22)	(21)	7
Takaful service result	**(11)**	**(9)**	**(9)**	21	26	**(19)**	**(15)**	31
Investment return	17	19	17	-1	-10	36	34	4
Net takaful finance exp	-	(8)	(7)	-100	-100	(8)	(14)	-45
Net takaful & inv result	**6**	**3**	**1**	>500	129	**9**	**6**	50
Other income/OPEX	-	0	0	-100	-100	0	0	-59
PBT	**6**	**3**	**1**	>500	124	**9**	**6**	48
GWP	**361**	**449**	**350**	3	-20	**810**	**740**	9
Reported Combined Ratio (%)						**85.8**	89.6	***-3.8***

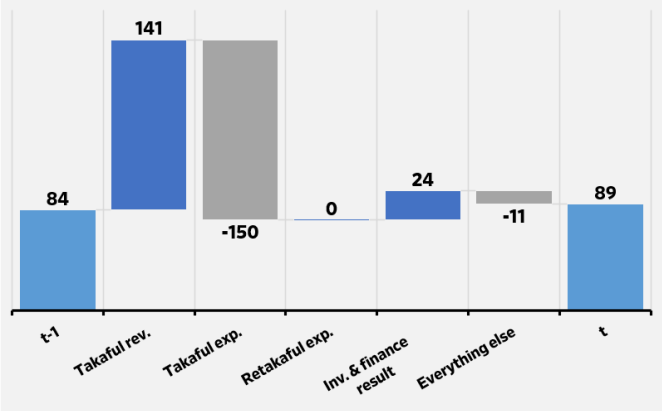
Source: Company, MBSBR

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



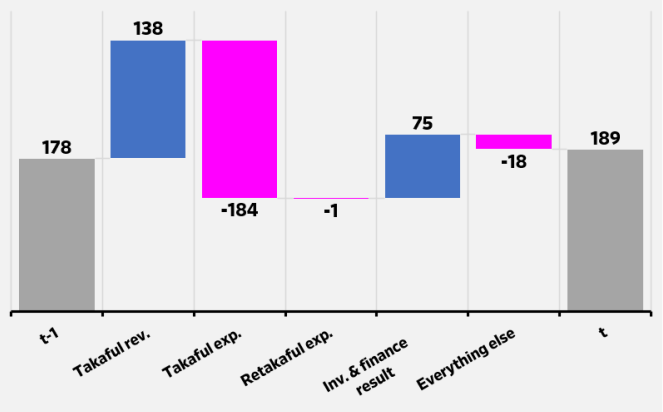
Source: Company, MBSBR

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



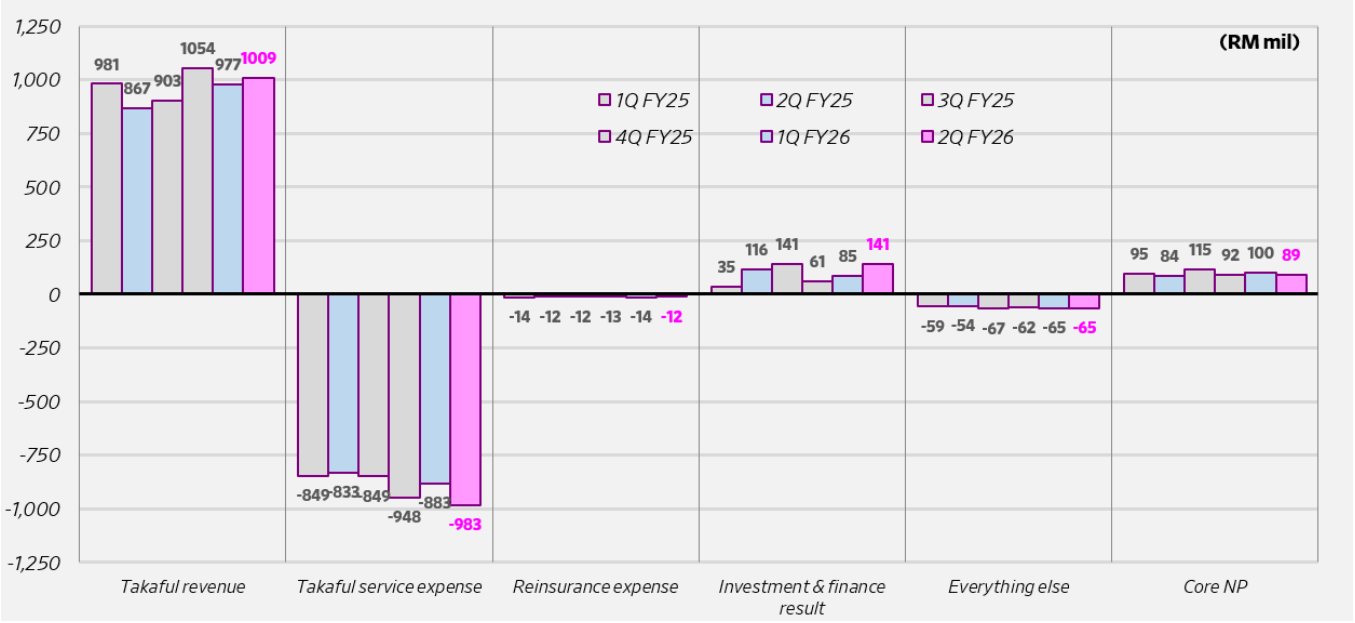
Source: Company, MBSBR

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)	7.6	7.4	7.4	7.0	6.8
Div yield (%)	**5.2**	**5.7**	**5.5**	**5.7**	**5.9**
P/BV (x)	1.5	1.2	1.3	1.2	1.1

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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