Initiation | Monday, 13 May 2024

Syarikat Takaful Malaysia Keluarga Berhad

Initiate with **BUY**

(6139 | STMB MK) Financial Services | Finance

Untapped Mass-Market Appeal

Target Price: RM4.97

KEY INVESTMENT HIGHLIGHTS

- **We initiate coverage on STMB with a BUY call and TP of RM4.97 based on FY25F P/BV of 1.84x**
- **Sound from a fundamental and business standpoint: Profitability sees recovery post-pandemic, while STMB continues to capture bancatakaful deals**
- **How it stands out: High reliance on bancatakaful for family portfolio leads to accumulation of single-premium, high profitability premiums – allowing for high ROEs**
- **Also this: General products offer cashback – giving mass-market appeal, which supports online distribution methods**

Verdict: Undervalued, given its strong profit-generating potential and widening presence.

Yays	1. Syariah premium: The only 100% takaful operator on Bursa. 2. A leading player in the fast-growing takaful place. 3. Low insurance/takaful penetration among Malaysians. 4. Demographic and macro-trends work in STMB's favour. 5. STMB provides cashback for some general products, which has mass market appeal – it can further benefit from the increasing popularity of online aggregators. 6. Mass-market appeal works in tandem with STMB's recent investments in developing its online presence (the most cost-efficient means of distribution). 7. Bancatakaful is the main distribution method of family contributions – far more cost-efficient than agents. STMB continues to actively capture contracts from competitors. 8. Heavy bancatakaful reliance has also resulted in a more profitable, single-contribution-centric family portfolio. 9. Contributions continue to post-double-digit growth, coupled with a recovery in ROEs post-pandemic.
Nays	1. Overreliance on bancatakaful makes STMB more vulnerable to unfavourable loan growth trends.
OKs	1. Dividend yields of 4-5% is more moderate than its peers' 6-7%. 2. The takaful space, while still competitive, is nowhere as saturated as the conventional insurance space – offering players more space to grow.

RETURN STATISTICS

Price @ 10 May 2024 (RM)	3.69
Expected share price return (%)	+34.7
Expected dividend yield (%)	+4.8
Expected total return (%)	**+39.5**

SHARE PRICE CHART

Price performance (%)	Absolute	Relative
1 month	4.5	1.3
3 months	2.5	-8.8
12 months	13.9	1.2

INVESTMENT STATISTICS

FYE Dec	FY24F	FY25F	FY26F
Core NP (RM m)	**389**	**421**	**441**
CNP growth (%)	12	8	5
Div yield (%)	**4.4**	**4.8**	**5.0**
Gross DPS (sen)	16.3	17.6	18.4
P/BV (x)	**1.6**	**1.4**	**1.2**
BVPS (RM)	2.4	2.7	3.1
ROE (%)	**21.5**	**20.2**	**18.6**
MIDF/Street CNP (%)	**100**	**101**	**100**

KEY STATISTICS

FBM KLCI	1,600.67
Issue shares (m)	837.3
Estimated free float (%)	38.0
Market Capitalisation (RM'm)	3,089.7
52-wk price range	RM3.19 - RM4.02
3-mth avg daily volume (m)	0.6
3-mth avg daily value (RM'm)	2.1
Top Shareholders (%)	
Lembaga Tabung Haji	28.2
EPF Board	15.4
KWPD	6.8

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A. COMPANY PROFILE

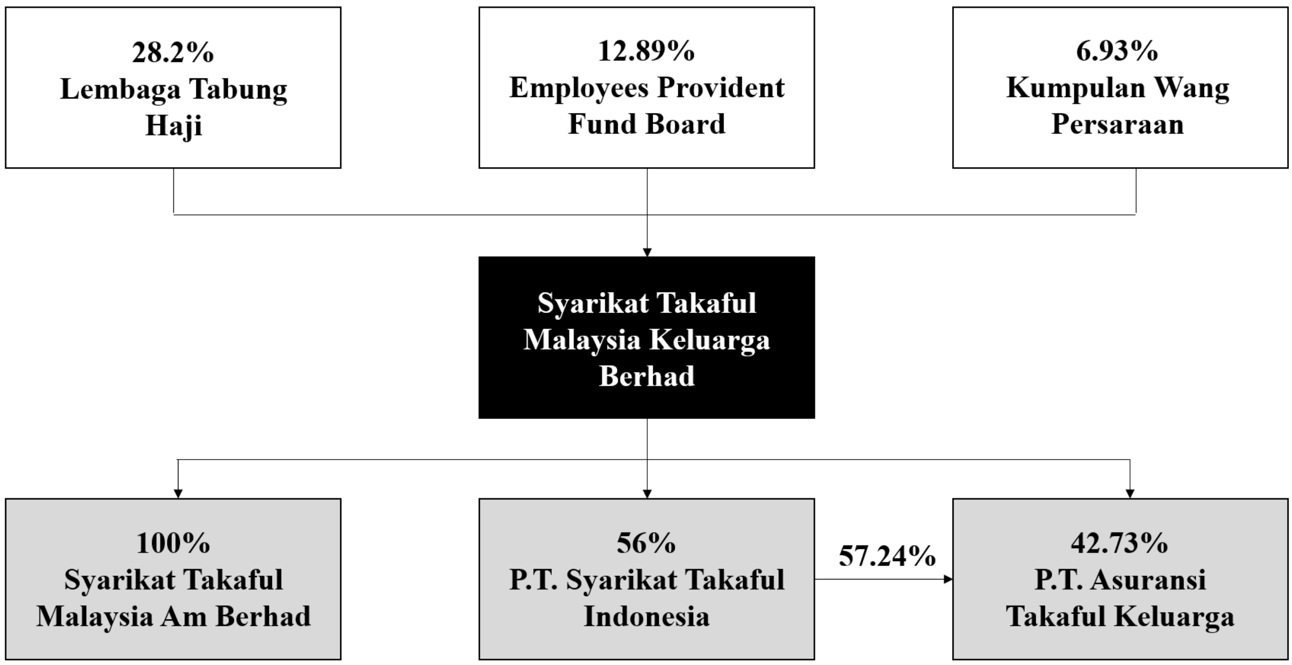
COMPANY BACKGROUND

Syarikat Takaful Malaysia Keluarga Berhad (STMB) was established on 29 November 1984 when the Government of Malaysia set up a task force to study the feasibility of establishing an Islamic insurance company in Malaysia. The incorporation of STMB as the first takaful operator in the country was in the same year as the Takaful Act was enacted. STMB bears the distinction of being the first and only Takaful operator that has been consistently rewarding cashback to General Takaful customers for making no claims during the coverage period.

STMB commenced its operations on 22 July 1985. It was converted into a public limited company on 19 October 1995, followed by its listing on the Main Board of Bursa Malaysia Securities Berhad on 30 July 1996. STMB is split into two licensed entities under the Islamic Financial Services Act 2013 on 1 June 2018. STMB manages the Family Takaful business while its fully owned subsidiary, Syarikat Takaful Malaysia Am Berhad (STMAB) manages the General Takaful business.

STMB operates a network of branches in 24 locations nationwide. In addition, STMB has two subsidiary companies in Indonesia, PT Asuransi Takaful Keluarga and PT Syarikat Takaful Indonesia. The current substantial shareholders of STMB are Lembaga Tabung Haji, Employees Provident Fund Board and Kumpulan Wang Persaraan (Diperbadankan), with a shareholding of 28.20%, 12.73% and 6.88%, respectively, as of 31 March 2023.

Fig 1: STMB Shareholding & Corporate Structure



Source: STMB, MIDFR

B. BUSINESS OVERVIEW

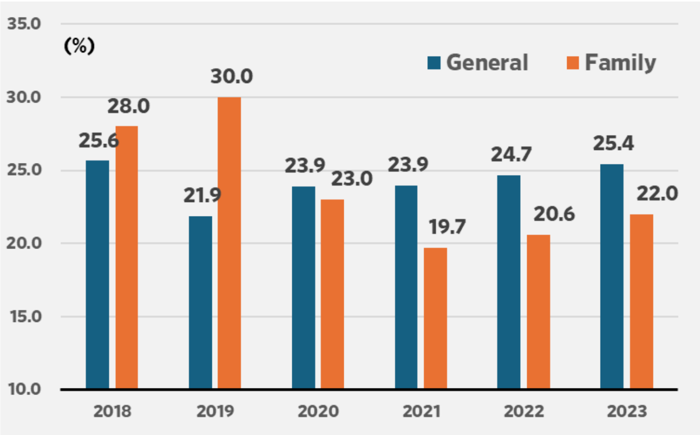
1. DISTINGUISHED PLAYER IN THE FAST-GROWING TAKAFUL SPACE

STMB has the distinction of being the only 100% takaful operator on Bursa (i.e. Syariah compliant). We observe that in the realm of financial services, syariah-compliant status is usually accompanied by a slight valuation premium.

STMB is one of the largest players in the local fast-growing takaful space:

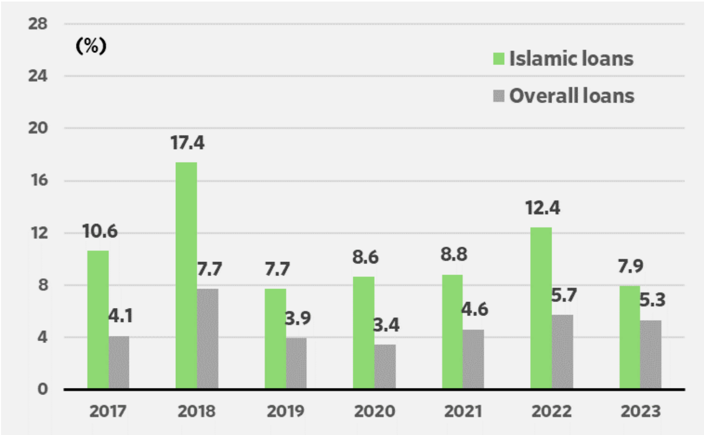
a. STMB is the second largest family takaful provider, next to Etiqa Family.
b. STMAB is the largest general takaful provider.
c. Following a lapse before and during the pandemic, the Group seems to be slowly recapturing its market share. The trend is expected to persist, especially after acquiring new partnerships with Bank Muamalat and Agro Bank.
d. The local takaful space is less saturated than insurance, hence STMB faces less competition than its conventional counterparts.
e. Islamic products have been and remain in trend, with more new products generated yearly. We observe that both takaful products and Islamic loans growth (which result in bancatakaful offerings) are outstripping its conventional counterparts.

Fig 2: STMB's market share



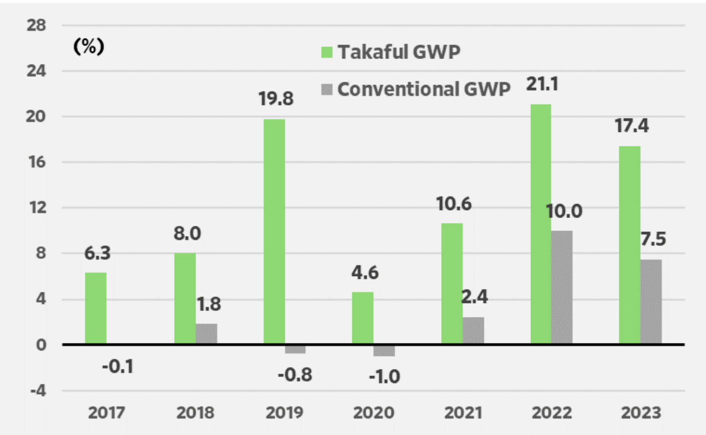
Source: STMB, MIDFR

Fig 3: Islamic loan growth (yoy)



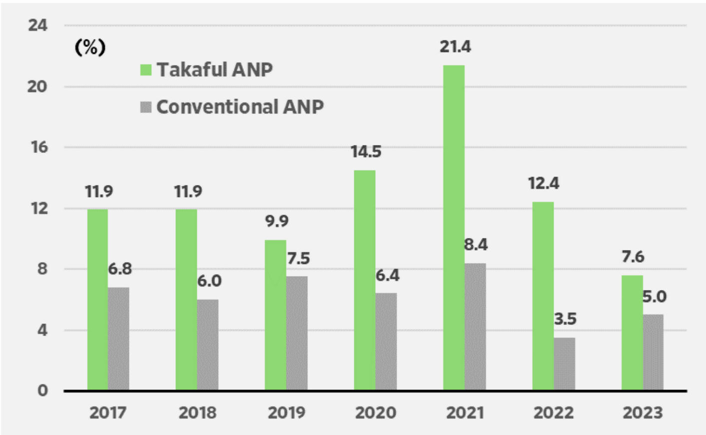
Source: STMB, MIDFR

Fig 4: General Insurance growth (yoy)



Source: STMB, MIDFR

Fig 5: Family/Life Insurance growth (yoy)



Source: STMB, MIDFR

Fig 6: Insurance/Takaful sector players

General Insurance	General Takaful	Life Insurance	Family Takaful
1. Danajamin Nasional 2. Etiqa General Insurance 3. Lonpac Insurance (LPI) 4. Pacific & Orient Insurance 5. Progressive Insurance 6. RHB Insurance 7. Tune Insurance 8. Generali Insurance MY 9. AIA General 10. AIG General 11. Allianz General 12. Liberty General Insurance 13. Great Eastern General 14. Berjaya Sompo 15. Chubb Insurance MY 16. MSIG Insurance MY 17. Pacific Insurance 18. QBE Insurance 19. Tokio Marine MY 20. Zurich Life Insurance MY	1. Etiqa General Takaful 2. Syarikat Takaful Malaysia Am 3. Takaful Ikhlas General (MNRB) 4. Zurich General Malaysia	1. Etiqa Life Insurance 2. Hong Leong Assurance 3. Sun Life Malaysia Assurance 4. Generali Life Insurance Malaysia 5. AIA 6. Allianz Life 7. AmMetLife 8. FWD Insurance 9. Great Eastern Life Assurance 10. Manulife Insurance 11. MCIS Insurance 12. Prudential Assurance Malaysia 13. Zurich Life Insurance Malaysia	1. AmMetLife Takaful 2. Syarikat Takaful Malaysia Keluarga 3. Takaful Ikhlas Family (MNRB) 4. Etiqa Family Takaful 5. FWD Takaful 6. Hong Leong MSIG Takaful 7. Prudential BSN Takaful 8. Sun Life Malaysia Takaful 9. AIA Public Takaful 10. Great Eastern Takaful 11. Zurich Takaful Malaysia

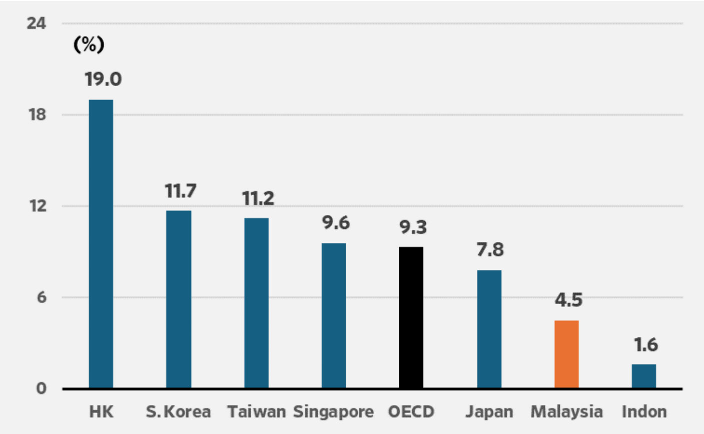
Source: STMB, MIDFR

2. UNDER PENETRATED MARKET, FAVOURABLE MACRO-TRENDS

The statistics show multiple opportunities:

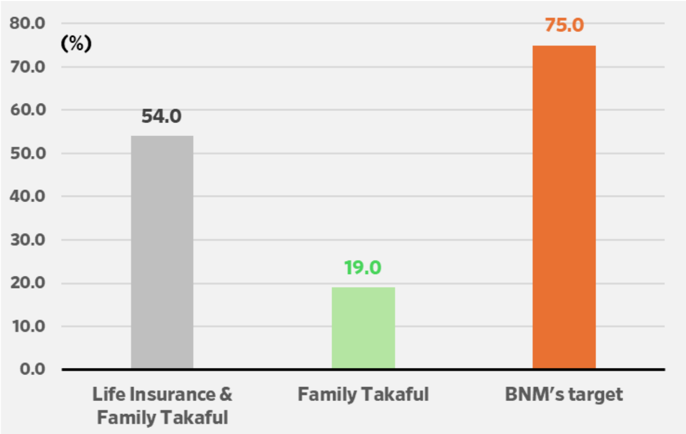
1. In terms of insurance spending as a percentage of GDP, Malaysia lags behind its more developed Asian OECD peers.
2. 2021's life insurance penetration rate of 54% remains well below BNM's 75% goal – with family takaful at a meagre 15%, despite a predominately Muslim population.
3. 2021's population tree (though outdated, it is the latest available data) suggests that there is a sizeable portion of the population is heading towards working age – and a larger portion headed to the 40s – when individuals become more health conscious.
4. Medical inflation is rising much faster than general inflation of goods and services – coupled with the limited resources of the local public healthcare system. Aon estimates that local gross medical inflation rates in 2022 and 2023 were 12.0% and 15.0% respectively – versus the headline inflation rates of 3.3% and 2.5% respectively.

Fig 7: Insurance Spending as % of GDP 2022



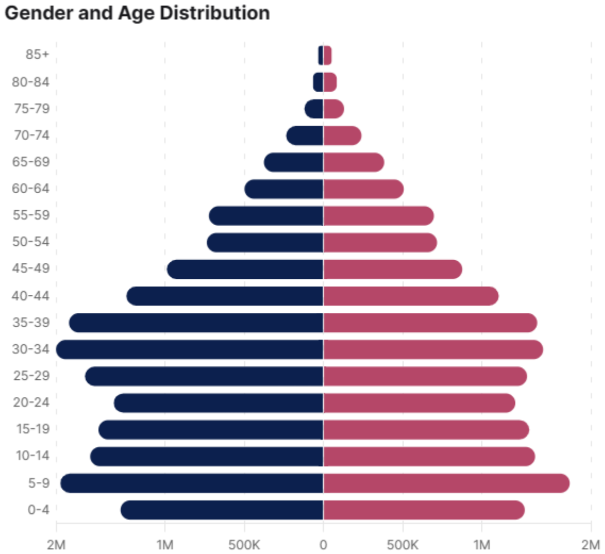
Source: STMB, MIDFR

Fig 8: Life Insurance Market Penetration Rate 2021



Source: STMB, MIDFR

Fig 9: MyCensus Population Tree, 2020



Source: STMB, MIDFR

Fig 10: Medical Inflation rate comparisons

AON	2022			2023		
	Annual General Inflation Rate	Annual Medical Trend Rates Gross	Annual Medical Trend Rates Net	Annual General Inflation Rate	Annual Medical Trend Rates Gross	Annual Medical Trend Rates Net
Asia-Pacific	2.4	8.2	5.8	3.0	9.2	6.2
Australia	1.6	3.1	1.5	2.7	3.7	1.0
Bangladesh	5.6	8.0	2.4	6.2	6.2	0.0
China	1.9	7.0	5.1	1.8	7.5	5.7
Hong Kong	1.9	5.6	3.7	2.1	7.0	4.9
India	4.1	13.0	8.9	4.8	12.0	7.2
Indonesia	3.1	12.2	9.1	3.3	12.7	9.4
Japan	0.7	0.0	(0.7)	0.8	0.4	(0.4)
Kazakhstan	5.0	15.0	10.0	7.1	15.0	7.9
Malaysia	2.0	12.0	10.0	2.4	15.0	12.6
Mongolia	6.4	7.5	1.1	14.5	16.4	1.9
New Zealand	1.6	7.5	5.9	3.5	8.0	4.5
Pakistan	8.0	20.5	12.5	10.5	24.0	13.5
Papua New Guinea	4.7	10.0	5.3	5.4	9.0	3.6
Philippines	3.0	8.0	5.0	3.7	9.0	5.3
Singapore	0.8	7.0	6.2	2.0	12.0	10.0
South Korea	0.9	8.0	7.1	2.4	7.5	5.1
Taiwan	1.2	8.0	6.8	2.2	10.0	7.8
Thailand	1.0	11.7	10.7	2.8	12.3	9.5
Vietnam	3.9	5.5	1.6	3.2	6.5	3.3

Source: STMB, MIDFR

3. <u>WAKALAH STRUCTURE APPEALS TO THE MASS MARKET</u>

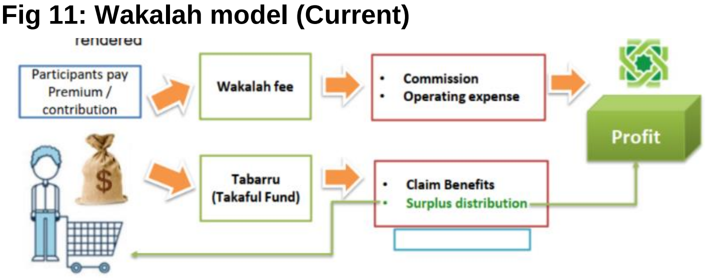
As with most local takaful players, STMB operates under the Wakalah model (it formerly operated under the Mudarabah model, before switching in 2012). Under this model, STMB will manage the takaful funds from contributions on behalf of participants and receive "wakalah" (a frontloaded service fee for the services rendered – the Mudarabah model omits this step). Wakalah is fixed according to the product type. By contributing "tabarru" (gift or donation – basically contributions from customers) to the common takaful fund, **both the participants and the takaful operator** will be entitled to a share of any surplus funds. This is not practised within conventional insurance.

This translates to customers being entitled to **cashbacks** (depending on the performance of the common takaful fund, and the terms of the takaful contract), usually if they make no claims during the allocated period. This is only pertinent for general products.

Cashback initiatives tend to be very attractive to the average mass-market consumer, making it appeal to even non-Muslim customers. Furthermore, the no-claim stipulation provides a disincentive towards customers intending to make claims. We feel that the increasing popularity of online aggregators works in STMB's favour. With further transparency, more people will be aware of this cashback scheme, and thus be incentivised to choose takaful in favour of conventional insurance.

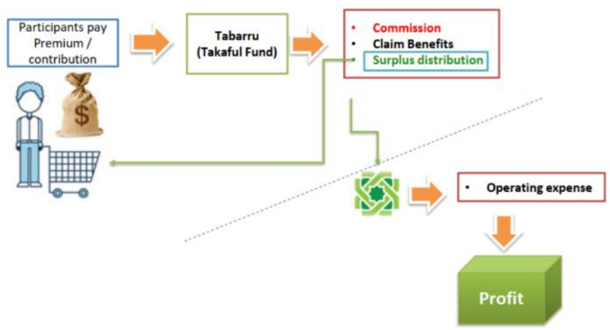
The switch from Mudarabah to Wakalah model has also impacted STMB's profit. In the case of the Mudarabah model, STMB shared the residual takaful profit (post-OPEX and other obligations) at a pre-determined rate. The introduction of frontloaded set fees has increased STMB's income reliance on GWP growth, now less affected by underlying results.

Fig 11: Wakalah model (Current)



Source: STMB, MIDFR

Fig 12: Mudarabah model (Former)



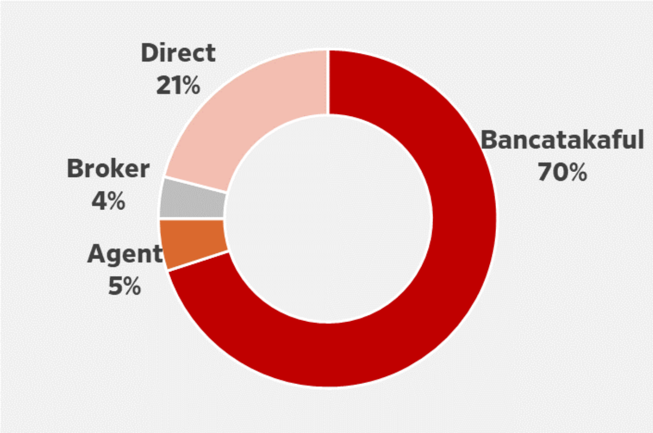
Source: STMB, MIDFR

4. COST-EFFICIENT FAMILY TAKAFUL SALES CHANNELS

Unlike its peers, STMB's family takaful business barely utilises agents as a distribution means – it sold off its retail agency to Great Eastern back in 2018. This has directly contributed to the family takaful's business exemplary ROEs. Note that agency costs are expensive in comparison to other means of distribution. Instead, the brunt of contributions stems from bancatakaful tie-ups with a wide network of banks (we will cover this in further detail below).

Direct means, which refer to online portal sign-ups, branches, corporate direct and LPPSA (a statutory body tasked with administering housing loans for civil servants) are the second-most prominent means of outreach. Given the lack of middle-men commission, this is by far the most cost-efficient means of distribution. The LPPSA contribution is significant – it contributes to 15% of family and 3% of general premiums. The Group is particularly optimistic about the online portal component and is investing heavily in its expansion, especially given that its cashback incentives provide mass-market appeal. For online sales portal success, we can use retail business market share – STMB managed to grow its retail business market share to 2.3% in FY23, from 0.85% in 2022.

Fig 13: Family Takaful Sales Channels FY23



Source: STMB, MIDFR

5. BANCATAKAFUL CONTRIBUTES TO UNIQUE FAMILY TAKAFUL PORTFOLIO MIX

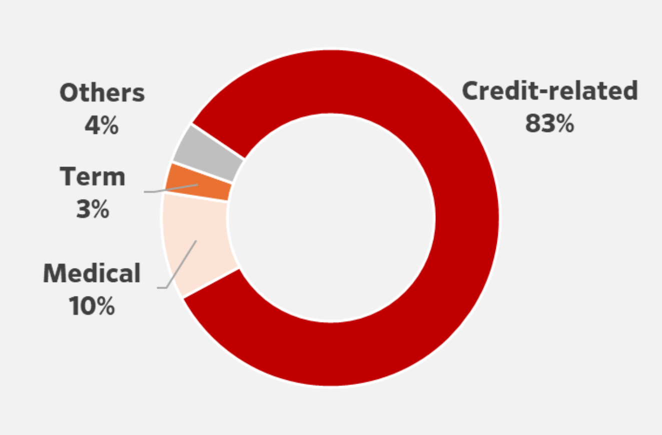
Unlike its agent-dependent peers, STMB's family takaful contributions come primarily from bancatakaful outreach. This has resulted in its portfolio mix differing in several ways from its peers:

a. **STMB's portfolio mix consists primarily of single-premium credit-related products**. Single contribution premiums make up 96% of the current family takaful portfolio. Ticket size is also larger than standard life-insurance recurring premiums with almost immediate realisation of profits (resulting in higher margins). The drawback is limited longevity – i.e. the lack of future cash flow certainty that comes with recurring contribution payments.

b. **Higher dependency on bank partnerships**. In this respect, STMB seems to be doing well, actively capturing contracts from its competitors – most recently Bank Muamalat and Agro Bank.

c. **Increased correlation to bank's loan growth trends**. As an example, we have recently seen a huge take-up of personal financing (PF) loans by Islamic banks in favour of residential mortgages. STMB sees this trend as well whereby it has commented on the increased number of PF-linked products it has had to produce as of late. The shift to PF loans benefits STMB though. These are more profitable (higher risk) and are quicker to realise than mortgages. This alters the risk profile and period of profit recognition of STMB's contributions. Quantum of loan growth should also impact contribution growth as well.

Fig 14: Family Takaful portfolio mix FY23



Source: STMB, MIDFR

Fig 15: STMB's Bank Partners

	BANK	MODEL		BANK	MODEL
1	Bank Islam	PP	10	Sabah Credit Corporation	OP
2	RHB Islamic	PP	11	Bank Simpanan Nasional	OP
3	Affin Islamic	PP	12	Alliance Islamic Bank	OP
4	Bank Rakyat	PP	13	HL Islamic Bank	OP
5	Agro Bank	PP	14	MBSB Bank	OP
6	Bank Muamalat Malaysia	PP	15	SME Bank	OP
7	Koperasi Bank Persatuan	OP	16	AmBank Islamic	OP
8	Kuwait Finance House	OP	17	CIMB Islamic	OP
9	Public Islamic Bank	OP	18	Aeon Credit	OP

**PP = Preferred Partner, OP = Open Panel*

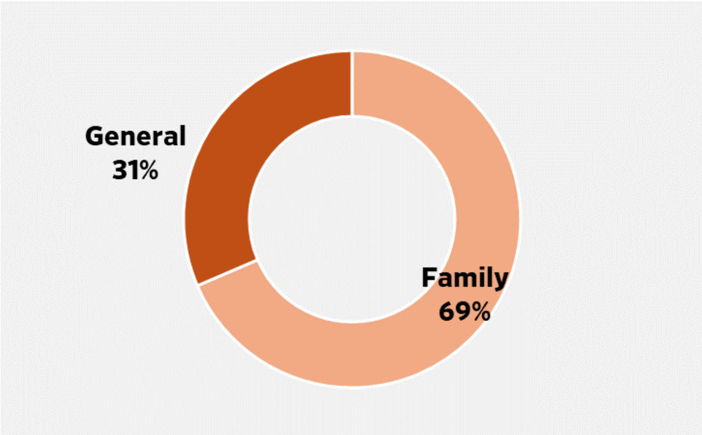
Source: STMB, MIDFR

C. FINANCIALS (GROUP)

1. BY SEGMENT

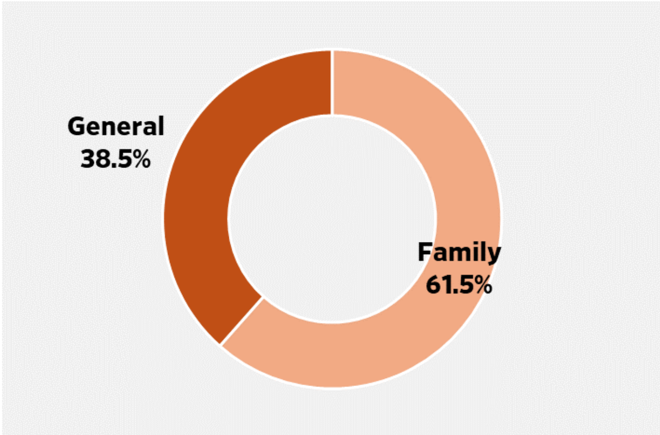
Family takaful makes up the brunt of the GEC mix. Observe the PBT split: while the general business in other insurance/takaful companies tends to be more profitable than family/life counterparts, this is less so in the case of STMB. This is due to STMB's lack of high agency costs (with bancatakaful being the core means of distribution) and the higher-ticket, single-premium takaful products associated with loans, instead of the more spread-out nature of recurring premium cash flows.

Fig 16: PBT mix FY23



Source: STMB, MIDFR

Fig 17: GEC mix FY23

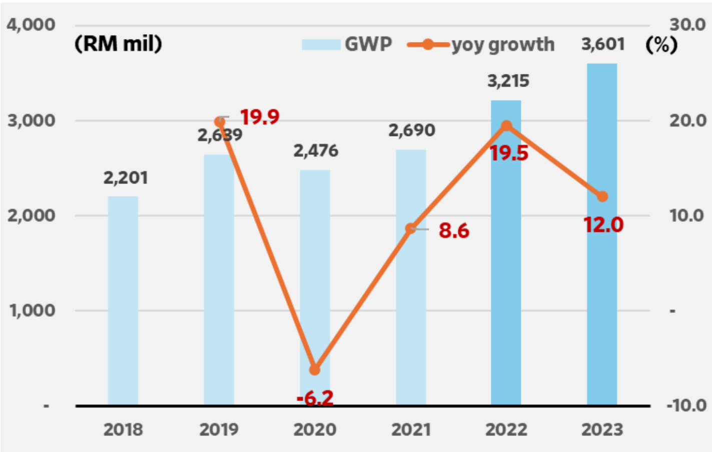


Source: STMB, MIDFR

2. GWP AND PBT GROWTH

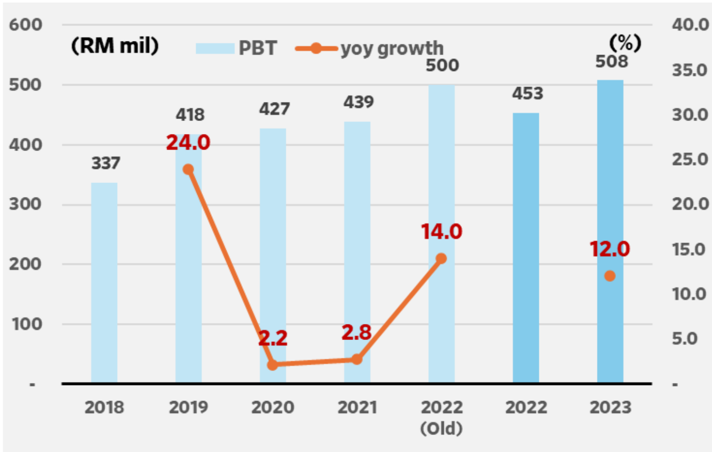
Unfortunately, pandemic distortions make it difficult to gauge any reliable CAGR values in the last five years. Regardless, STMB has maintained strong double-digit GWP and PBT growth over the last couple of years. Its ROE has taken a tumble over the last couple of years (peaked in 2018-2020 at 32-33%) but is recovering, and still at a level above most listed insurance players. Note that FY23 also saw several one-offs affect bottom-line performance. Hence, there is still potential for ROEs to hit a region closer to the 30% mark.

Fig 18: STMB GWP growth



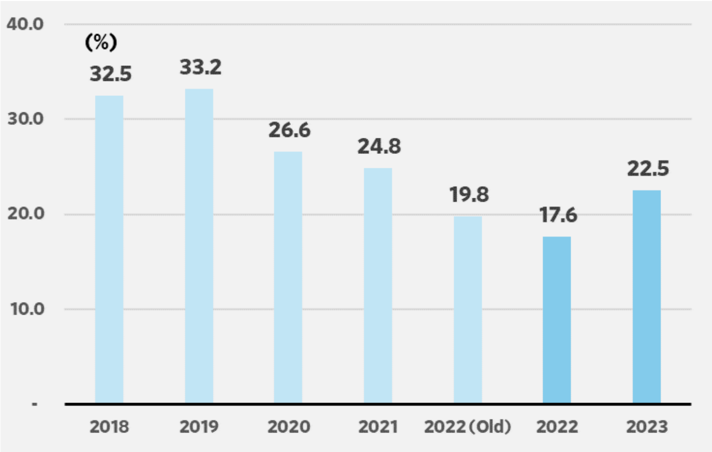
Source: STMB, MIDFR

Fig 19: STMB PBT growth



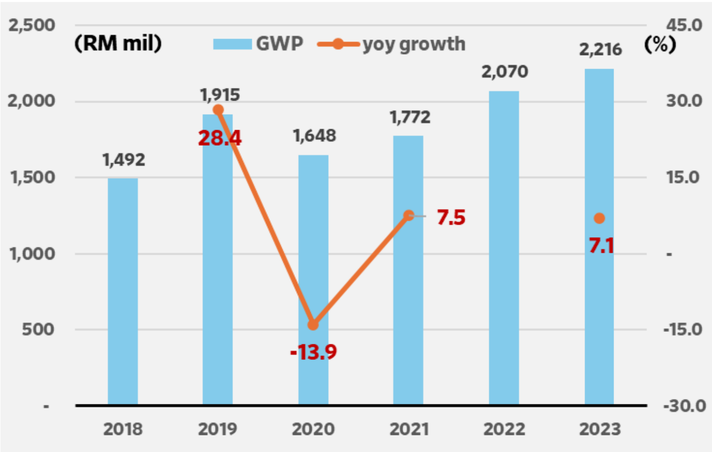
Source: STMB, MIDFR

Fig 20: STMB ROE



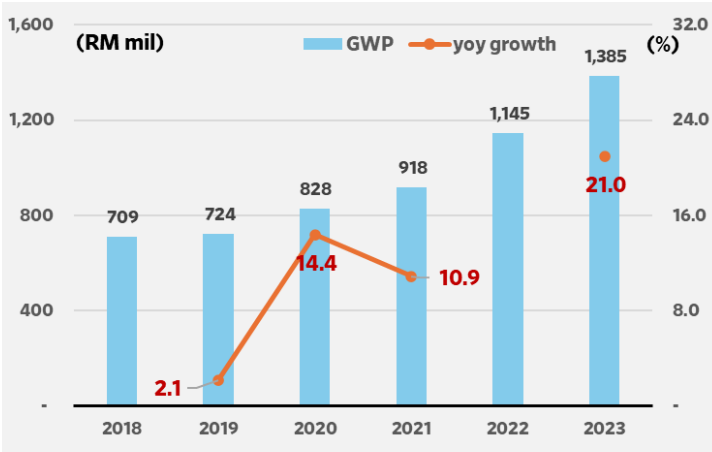
Source: STMB, MIDFR

Fig 21: STMB Family GEC growth



Source: STMB, MIDFR

Fig 22: STMB General GEC growth

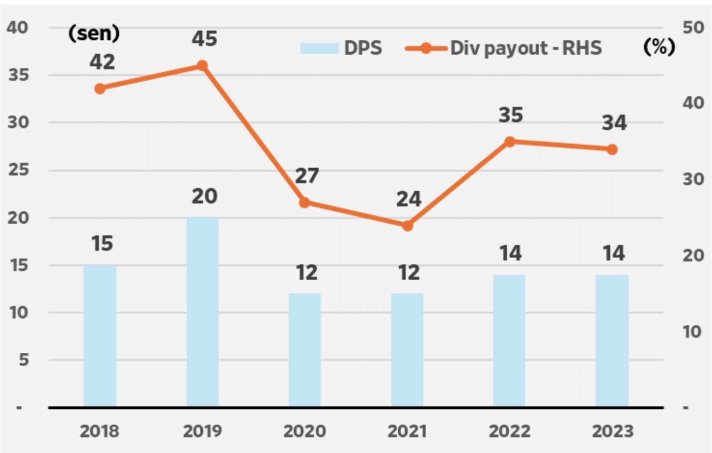


Source: STMB, MIDFR

3. DIVIDEND PAYOUTS

While STMB does not have an official dividend policy, it has kept its payout close to the ~35% range as of late. This translates to a more mediocre dividend yield of 4-5%, as opposed to the 6-7% range of some of its listed peers.

Fig 23: STMB Dividends



Source: STMB, MIDFR

D. VALUATIONS

We initiate coverage on STMB with a **BUY** recommendation and a **TP of RM4.97** based on FY25F P/BV of 1.84x, which is slightly above -1SD 10-yr average. This represents an upside of +34.7% on its current price of RM3.69. We derive this P/BV via an LTG of 3.5%, COE of 8.6% and FY25F ROE of 20.2%.

In recent years STMB has been trading regularly below its 10-yr average of 2.37x. Valuation weakness aligned with weaker ROE performance during the pandemic and skittishness over the IFRS 17 regime change. Regardless, profitability (ROE) seems to be recovering once again, prompting a valuation closer to the historical average.

Fig 24: Historical P/B multiple

Source: STMB, MIDFR

E. KEY RISKS

1. **Fire and motor insurance detariffication.** The ongoing process is expected to further impact pricing and competition in the landscape.
2. **Vulnerability to loan growth.** As the brunt of STMB's come from bancatakaful means, the Group's growth outlook is more linked to banking performance than most of its peers.
3. **Unexpected rise in claims and other form of expenses.** This will ultimately lead to a higher combined ratio, which will impact earnings.
4. **Limited investment pool.** STMB, given its status as a takaful player is only allowed to invest in Syariah stocks – which makes its pool slightly smaller.

i. APPENDIX 1: BOARD OF DIRECTORS

Name	Description
Dato' Mohammed Hussein *(Chairman/ Independent Non-Executive Director)*	Dato' Mohammed was with Maybank for 31 years, during during which time he held various senior management positions including Head of Corporate Banking, Head of Commercial Banking, Head of Malaysian Operations, Managing Director of Aseambankers Malaysia Berhad (now known as Maybank Investment Bank Berhad) and Executive Director (Business Group). The last position held prior to his retirement from the Maybank Group in 30 January 2008 was Deputy President/Executive Director/Chief Financial Officer. From April 2008 to September 2008, he was appointed as an Advisor of Maybank. He was also Chairman of the Corporate Debt Restructuring Committee (CDRC) sponsored by Bank Negara Malaysia to facilitate the resolution and restructuring of major corporate debts.
Mohd Azman Sulaiman *(Independent Non-Executive Director)*	Mohd Azman Sulaiman joined the UEM Group in 1993, where he was involved in the nation's major infrastructure projects. His experience includes appointments as CEO of Rocpoint South Africa, GM Crest Petroleum Berhad, UEM Group Director of Business Development and CEO of MAVTRAC. He also served as UEM's nominee director on the Board of Costain Group UK PLC, E-Idaman Sdn. Bhd. as well as MiGHT. In September 2010, he retired from UEM Group after close to 20 years of service, as Director of Corporate Affairs and CEO of Yayasan UEM. He then joined Korn Ferry International retiring as Senior Partner in 2018. Azman is a former Vice-President of International NGO, Mercy Malaysia.
Suraya Hassan *(Independent Non-Executive Director)*	Suraya Hassan has more than 28 years of successful working experience in the Financial Institutions in Malaysia, Singapore and Thailand. Her stint in Singapore Citibank Regional Office, exposed her to Operational and Leadership oversight, for Citibank entities across Asia Pacific, at a very senior level. She has held very successful senior roles in financial institutions, starting with Citibank Berhad in Malaysia, Vice President (VP) Citibank Singapore, Senior Vice President (SVP) Citibank Thailand, (Director), CIMB Executive Vice President (EVP), AmBank (EVP) and Prudential Assurance Malaysia Berhad (Chief Partnership Distribution and Bancassurance). After 17 years in Citibank, she moved to CIMB Malaysia as EVP, Head of Consumer Credit Operations. Next, she assumed the role of EVP Head of Sales and Distribution, at AmBank Group. She further expanded her portfolio to the insurance industry and joined Prudential Assurance Malaysia Berhad as the Chief Partnership Distribution and Bancassurance, reporting to the Chief Executive Officer
Dato' Mustaffa Ahmad *(Independent Non-Executive Director)*	Dato' Mustaffa Ahmad is currently a Board member of mySalam National B40/M40 Protection Trust Fund. He has worked for several insurance companies since 1978 and held various positions. Throughout the first 11 years as member of the Senior Management team of these companies, he was mainly involved in Claims, Underwriting and Reinsurance operations. During his tenure with the national reinsurer, the last position he held was as Chief Operating Officer and as immediate Deputy to the Chief Executive Officer. He also held the position of Chairman of Persatuan Insuran Am ("PIAM") Rating Committee for 15 years as well as the Deputy Chairman of National Insurance Association of Malaysia ("NIAM") for more than 10 years until his retirement in 2010. Over the years, he has contributed to the Insurance and Takaful Industry via his involvement in PIAM Sub-Committees and Bank Negara Malaysia Working Groups
Ch'ng Sok Heang *(Independent Non-Executive Director)*	Ch'ng Sok Heang is currently a director in an actuarial consultancy firm and a consulting actuary in a university. She is a past President of the Actuarial Society of Malaysia. She has held various key positions in the financial services industry over the past 20 years. Her areas of expertise focused on Actuarial, Finance, Strategy, Risk Management and Insurance/ Takaful. She was the Chief Financial Officer ("CFO") of AmMetLife Insurance Berhad. Prior to this, she was the CFO of Zurich Insurance Malaysia Berhad. Before this, she was the Senior Vice President and Head of Actuarial, Finance, Strategy Planning, Product Management and Pricing for Great Eastern Life Assurance Malaysia Berhad.
Datin Paduka Kartini Haji Abdul Manaf *(Non-Independent Non-Executive Director)*	Datin Paduka Kartini is a Director of Lembaga Tabung Haji ("LTH") and nominee director of LTH on the Board of Syarikat Takaful Malaysia Keluarga Berhad. Datin Paduka Kartini started her career with Permodalan Nasional Berhad ("PNB") in March 1983 as a Management Trainee. She had risen through the ranks to become PNB's Deputy President, Strategic Investments prior to her retirement in December 2019. Throughout her corporate career spanning 36 years, she served in various capacities across areas of investment management, corporate finance, mergers and acquisition, corporate restructuring, portfolio management, property investment as well as strategy and business development.

Mohamad Salihuddin Ahmad *(Non-Independent Non-Executive Director)*	Mohamad Salihuddin Ahmad has held various key positions in the General and Life Insurance as well as takaful industry over the past 30 years. Some credentials: Senior Manager, Branch Operation & Agency Development at Amal Assurance Bhd, promoted as Assistant General Manager, General Manager at MCIS Zurich Insurance Berhad, Senior Vice President, Corporate Insurance Business Division of Malaysia National Insurance Berhad, Executive Vice President, Retail Marketing & Sales Support Division at Mayban Fortis Holdings Berhad, after the merger between Mayban Fortis, MNI & Takaful Nasional was appointed as Chief Executive Officer ("CEO") at Malaysia National Insurance Berhad, CEO of Prudential BSN Takaful Berhad and as an Executive Director and CEO of Great Eastern Takaful Sdn. Bhd. He was also the CEO of AmMetLife Takaful Berhad.

ii. APPENDIX 2: SENIOR MANAGEMENT

Name	Description
Nor Azman Zainal *(Group CEO)*	With over 27 years of experience in the insurance and takaful industry, Nor Azman Zainal has established himself as a seasoned professional. Throughout his career journey, he has held various strategic and senior management roles, showcasing an exceptional track record in both life insurance and family takaful. Leveraging his extensive background in actuarial and insurance, he brings invaluable expertise crucial to steering Takaful Malaysia towards success. His role plays a pivotal part in driving the growth of Takaful Malaysia's business. With his insightful perspectives and innovative approach, he significantly enhances the company's operations, enabling Takaful Malaysia to maintain its focus on strategy execution, customer and partner satisfaction, and delivering sustainable returns to shareholders.
Leem Why Chong *(DCEO)*	Appointed as DCEO on 1 June 2018, COO on 1 Nov 2016, has over 28 years in the insurance and takaful industry. Previously worked in ING Insurance, Prudential Assurance Malaysia and Great Eastern Life Assurance (Malaysia).
Mohamed Sabri Bin Ramli *(CEO of STMAB)*	Over 29 years in the insurance and takaful industry. He previously worked in Pacific Insurance, Berjaya Sompo Insurance and Ace Jerneh Insurance.
New Kheng Chee *(Group CFO)*	Over 20 years of working experience including leadership and managerial roles in Finance, mostly in MNCs. Previously worked in Prudential BSN Takaful, Prudential Services Asia and E&Y Malaysia.

FINANCIAL SUMMARY

INCOME STATEMENT

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Takaful revenue	2,571	2,942	3,368	3,819	4,330
Takaful service expenses	(2,361)	(2,571)	(2,893)	(3,274)	(3,706)
Retakaful expense	(3)	(197)	(177)	(203)	(233)
Takaful service result	**206**	**175**	**299**	**342**	**391**
Investment return	390	530	476	488	476
Net finance result	(145)	(190)	(201)	(211)	(221)
Total tak, inv & financial result	**451**	**515**	**573**	**618**	**647**
Other income	10	3	3	3	3
Other OPEX	(8)	(9)	(9)	(9)	(9)
PBT	**453**	**508**	**566**	**612**	**640**
Tax	(161)	(150)	(167)	(180)	(189)
Zakat	(9)	(10)	(10)	(10)	(10)
NCI	-	-	-	-	-
Reported NP	**283**	**347**	**389**	**421**	**441**
Core NP	**283**	**347**	**389**	**421**	**441**

BALANCE SHEET

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Cash & ST funds	2,067	851	851	851	851
Takaful & Retakaful contracts	1,374	1,491	1,595	1,707	1,826
Investment securities	8,622	9,260	9,908	10,601	11,343
Other assets	1,232	2,805	2,959	3,115	3,261
Total assets	**13,296**	**14,408**	**15,314**	**16,274**	**17,282**
Takaful & Retakaful contracts	11,485	12,318	12,936	13,586	14,268
Other liabilities	367	376	401	428	457
Total liabilities	**11,852**	**12,693**	**13,337**	**14,014**	**14,725**
Share capital	241	241	251	261	271
Reserves	1,169	1,438	1,690	1,964	2,251
NCI	34	35	35	35	35
Total equity	**1,443**	**1,714**	**1,977**	**2,261**	**2,557**
Total L&E	**13,296**	**14,408**	**15,314**	**16,274**	**17,282**

Source: STMB, MIDFR

FINANCIAL RATIOS

FYE Dec (RM m)	FY22	FY23	FY24F	FY25F	FY26F
Profitability (%)					
ROE	17.6	22.5	21.5	20.2	18.6
ROA	2.2	2.5	2.6	2.7	2.6
Combined ratio (%)	**92.0**	**94.1**	**91.1**	**91.1**	**91.0**
Claims & Expenses	91.8	87.4	85.9	85.7	85.6
Retakaful	0.1	6.7	5.2	5.3	5.4
Growth (%)					
Takaful revenue		14.5	14.5	13.4	13.4
Takaful expense		8.9	12.5	13.2	13.2
Takaful service result		-15.2	71.0	14.4	14.4
PBT		12.0	11.5	8.1	4.6
Core NP		22.5	12.0	8.3	4.7
Valuation metrics					
Core EPS (sen)	33.8	41.5	46.4	50.3	52.6
Gross DPS (sen)	13.5	14.0	16.3	17.6	18.4
Div payout (%)	40	34	35	35	35
BVPS (RM)	1.7	2.0	2.4	2.7	3.1
Core P/E (x)	10.9	8.9	7.9	7.3	7.0
Div yield (%)	**3.7**	**3.8**	**4.4**	**4.8**	**5.0**
P/BV (x)	2.1	1.8	1.6	1.4	1.2

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MIDF AMANAH INVESTMENT BANK: GUIDE TO RECOMMENDATIONS	
STOCK RECOMMENDATIONS	
BUY	Total return is expected to be >10% over the next 12 months.
TRADING BUY	Stock price is expected to *rise* by >10% within 3-months after a Trading Buy rating has been assigned due to positive newsflow.
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	Stock price is expected to *fall* by >10% within 3-months after a Trading Sell rating has been assigned due to negative newsflow.
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