

EFU LIFE ASSURANCE LIMITED

Analyst:

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RATING DETAILS

| RATINGS CATEGORY | Latest Rating | Previous Rating |
|-----------------------|----------------|-----------------|
| | IFS | IFS |
| ENTITY | AA++ (IFS) | AA++ (IFS) |
| RATING OUTLOOK/ WATCH | Stable | Stable |
| RATING ACTION | Reaffirmed | Reaffirmed |
| RATING DATE | March 05, 2026 | March 06, 2025 |

Shareholding (5% or More)

EFU General ~ 45.60%

Jahangir Siddiqui & Co. Limited ~ 19.33%

Other Information

Incorporated in 1992

Public Limited Company

External auditors: M/s KPMG Taseer Hadi & Co. Chartered Accountants

Chairman of the Board: Rafique R. Bhimjee

Chief Executive Officer & Managing Director: Mohammed Ali Ahmed

Applicable Rating Methodology

Applicable Rating Criteria: Life Insurance Family Takaful

<https://docs.vis.com.pk/docs/LifeTakaful-Oct-2023.pdf>

Rating Scale

<https://docs.vis.com.pk/docs/VISRatingScales.pdf>

Rating Rationale

The rating assigned to EFUL takes into consideration the Company's dominant market position in the private life insurance industry. The rating also derives support from a strong sponsorship profile comprising of the EFU Group, Pakistan's largest insurance conglomerate, the Company's public listed status (allowing focus on regulatory oversight, transparency and governance) and considers the quality and stability of the Company's senior management.

The assigned rating further takes into account the growth manifested in the Gross Written Premium (GWP) during the 2025, primarily driven by the Corporate Segment. However, on following the optimization of the sales force channel and introduction of new products, Retail Segment also posted growth. During the ongoing year, the Company demonstrated resilient financial performance, supported by disciplined financial management and prudent operating practices. Although the decline in the market interest rates translated into comparatively lower investment income and exerted pressures on profitability, overall earnings remained supported by stable core operations.

Furthermore, EFUL maintains a dedicated and independent Enterprise Risk Management (ERM) function, which strengthens risk identification, assessment, and control mechanisms across its operations.

The rating also incorporates sound reinsurance arrangements with renowned international reinsurers with appropriate risk retention on net account to remain within limits specified by the risk appetite of the Company. Moreover, supported by sufficient liquid assets along with adequate capital coverage of claims, the Company's liquidity and capitalization levels remained satisfactory.

The ongoing provincial sales tax dispute remains a key regulatory matter for the life and health insurance sector. EFUL, along with industry peers, has contested the applicability of the tax and continues to treat the exposure as contingent pending final legal resolution. The Company maintains adequate financial strength and risk management frameworks to manage regulatory developments without materially impacting its credit profile.

Going forward, improvement in the underwriting performance, particularly by reducing policy surrenders and uplifting business volumes in the individual segment, would further support the Company's strong credit profile.

Company Profile

EFU Life Assurance Limited (“EFUL” or “the Company”) is life and health insurer and a prominent Family Takaful operator in the private sector. Established in 1992 as the first private-sector life insurance company in the country, EFUL has developed a strong presence and are offering a comprehensive suite of financial planning, protection, savings, investment-linked, group life, health, and takaful products.

The Company distributes its products through the following primary channels—Agency Sales Force, Corporate, Bancassurance, Digital and Inclusive Channels. EFU Life also operates Window Family Takaful under the brand “Hemayah” and provides a wide range of solutions catering to diverse income segments. With a focus on innovation, digital transformation, health and wellness integration, and customer-centric product development, EFU Life continues to strengthen its market footprint as a major player in the life and health insurance industry.

EFUL has launched its digital platform, branded as “THRIVE,” offering a range of plans designed to address the needs of customer segments seeking simple protection and short-term savings solutions. These offerings are expected to enhance the Company’s market positioning and support the expansion of its customer base in the coming years. In addition, EFU Life has introduced a comprehensive retirement product suite, including the Voluntary Pension Scheme and Annuities, aiming to capitalize on the growing and largely untapped retirement market.

AUDITOR’S OPINION

Auditor of the Company was changed from EY Ford Rhodes to KPMG Taseer Hadi & Co. Chartered Accountants for CY24 which is a QCR rated firm and categorized as 'Category A' on the SBP's Panel of Auditors. The auditor issued an unmodified opinion on the financial statements.

However, the auditor has included an emphasis of matter regarding a contingent liability related to provincial sales tax on life and health insurance. EFUL, in line with industry peers, has appropriately challenged the applicability of the tax and continues to treat any potential exposure as contingent, pending final legal resolution. The Company maintains adequate financial strength and risk management frameworks to manage regulatory developments without materially impacting its credit profile.

Sponsor Profile

EFU General Insurance Limited is the principal shareholder of EFU Life, holding a controlling stake and exercising influence through its ability to appoint members to the Board of Directors. As a major general insurer in Pakistan, EFUG provides group-level governance alignment and operational linkages. The sponsor’s established presence in the insurance sector contributes to EFUL’S strategic direction and organizational continuity.

Management and Governance

BOARD OF DIRECTORS OVERVIEW

EFUL’s Board comprises twelve members, including the Chairman and Chief Executive Officer, with a majority representation of non-executive directors, providing an appropriate balance between executive management and independent oversight. During CY24, Mr. Ali Raza Siddiqui resigned from the Board, and Mr. Asad Nasir was appointed in his place.

The Board operates within a well-defined governance framework aligned with the Code of Corporate Governance for Insurers, 2016 and the Listed Companies (Code of Corporate Governance) Regulations, 2019. Board effectiveness is supported through periodic external performance evaluations, conducted by independent consultants, and internal assessments to ensure continued alignment with best governance practices. Directors possess diverse professional backgrounds, enabling informed oversight across strategy, risk management, and financial performance.

The Company places emphasis on Board independence, regulatory compliance, and skills adequacy, with directors completing the Directors’ Training Program and receiving regular regulatory and governance updates. No adverse observations were reported regarding Board composition, independence, meeting frequency, quorum, or internal controls.

BOARD COMMITTEES:

EFU Life’s governance structure is supported by three Board-level committees—Audit, Ethics HR & Remuneration, and Investment. Committee disclosures provide evidence of active engagement and effective functioning. The Audit Committee reviewed external-audit findings, scrutinized the management letter, verified the fairness of the annual report, and noted no whistle-blowing cases, indicating sound internal controls and absence of reporting gaps. The Investment and HR/Remuneration committees completed their mandated reviews without any adverse remarks, and the Company has reported full compliance with all relevant governance regulations, reinforcing that no deficiencies were observed in committee operations.

Overall, disclosures signal that the Board Committees are appropriately structured, functioning effectively, and providing sufficient oversight across financial reporting, remuneration and investments.. The absence of regulatory or audit observations related to committee performance further supports the adequacy of committee-level governance.

SHARIAH COMPLIANCE:

EFUL’s Window Takaful Operations (WTO) operate under the supervision of Mufti Muhammad Ibrahim Essa, a qualified Shariah Advisor and graduate of Jamiah Darul Uloom Karachi, who also serves as Shariah Advisor to several Islamic financial institutions in Pakistan and

internationally. The Shariah Advisor confirms that all product documentation, marketing materials, policy contracts, and agreements have been reviewed and approved as Shariah-compliant, with all Takaful products developed under his guidance prior to launch. He further confirms the strict segregation of Takaful funds, bank accounts, and systems from the conventional business since inception, in line with Shariah principles and the Takaful Rules, 2012.

A separate Statement of Compliance with Shariah Principles confirms that all financial arrangements, contracts, and transactions during the period complied with the Takaful Rules, 2012, supported by appropriate policies, procedures, governance arrangements, and reporting lines, including oversight by the Audit Committee and the Shariah Advisor. The statement also confirms the segregation of the Participants' Takaful Fund and the Operator's Sub-Fund. The Company has conducted onsite and online training sessions to enhance staff awareness of Takaful principles and operational requirements.

In addition, KPMG Taseer Hadi & Co., through its independent Shariah audit, evaluated EFU Life-WTO's systems, procedures, controls, governance processes, and a sample of transactions, and concluded that the Takaful Operations were compliant with the Takaful Rules, 2012 in all material respects. Based on available disclosures, no Shariah non-compliant income or purification adjustments were reported for the period, and regulatory requirements under the Takaful Rules, 2012 appear to have been met.

CHAIRMAN/CEO PROFILE

Chairman: Mr. Rafique R. Bhimjee holds a B.Sc. (Hons) in Management Sciences from the University of Warwick and an MBA in Investment and Finance from Bayes Business School, London. He is a Certified Director accredited by the Pakistan Institute of Corporate Governance. His international experience includes roles at Merrill Lynch Asset Management in New York and the Abu Dhabi Investment Authority before returning to Pakistan in 1983. He served as Chairman of EFU General Insurance Ltd. from 1999 to July 2011 and assumed the role of Chairman at EFU Life Assurance Ltd. in July 2011. He also serves on the boards of EFU Services (Pvt.) Ltd. and International Foundation & Garments (Pak.) (Pvt.) Limited.

Managing Director and CEO: Mr. Mohammed Ali Ahmed is the Managing Director and Chief Executive Officer of EFU Life and has 30 years of professional experience in the life insurance industry, including 22 years with EFU Life and 8 years with the State Life Insurance Corporation of Pakistan. He is an Actuary by qualification and a Certified Director accredited by the Institute of Chartered Accountants of Pakistan. Prior to his appointment as CEO, he served as Chief Strategy Officer and has progressed through various leadership roles across the organisation. His experience spans Actuarial Services, Product Innovation, Investment Fund Management, Bancassurance, Sales, Group Benefits, and Marketing and Brand Management, including oversight of growth segments and digital and alternative distribution channels. He has contributed to enterprise-level strategy formulation and execution and represents the Company in industry forums, conferences and workshops on insurance, risk management, distribution, technology, and financial inclusion.

Recent Developments

During the review period, the Company enhanced its IT infrastructure through upgrades to its data center and security architecture. In addition, enterprise systems were upgraded through deployment of the Oracle ERP platform and IBM BPM workflows to support financial, HR, and process-automation requirements.

The Company continued to pursue initiatives under its ESG framework across environmental, social, and governance areas. Environmental efforts focused on reducing its operational footprint through digitalization to minimize paper usage, energy-efficiency measures at office premises, replacement of single-use plastics with reusable alternatives, waste segregation and recycling, and carbon-reduction initiatives such as work-from-anywhere and carpooling programs. The Company also supports afforestation initiatives, including mangrove restoration in the Indus Delta and greening projects in Tharparkar.

Social initiatives emphasized financial inclusion through simplified and inclusive insurance products, customer education and outreach, employee training and development, and the promotion of diversity and women's participation across the workforce.

From a governance perspective, ESG considerations are embedded within strategic and operational decision-making and are overseen by the Board of Directors through existing governance structures, including the Audit Committee and Ethics, HR & Remuneration Committee, supported by formal policies on ethics, risk management, and internal controls, rather than a standalone ESG committee.

Business Risk

INDUSTRY UPDATE

The year 2024 was positive for the insurance sector as Total Premium (Incl. Takaful) rose 17.6% year-on-year and underwriting discipline was strengthened across major lines. Selective repricing in loss-heavy portfolios such as motor, health, and fire, together with tighter risk

screening and improved retention, helped improve the net claims ratio from about 55% in 2023 to 51% in 2024 translating into improved combined ratio (FY24: 89%; FY23: 92%). Underwriting profit almost doubled in absolute terms, while investment income from fixed-income instruments remained robust, supporting the sector's financial results. The sector's profitability jumped to PKR 11,092mn in FY24 (FY23: PKR 6,534mn).

As 2025 unfolded, however, operating conditions posed challenges. Total Premium (including takaful) contracted by 1.0% year-on-year in 9MCY25. At the same time, monsoon and flood events during 2025 generated a sharp rise in claims. Industry-wide net claims surged year-on-year in 9MCY25. Consequently, the industry's net claims ratio increased to 61.0% (9MCY24: 50.9%). While insured losses accounted for only a limited portion of total economic damage—reflecting Pakistan's low insurance penetration of under 1% of GDP—the events underscored the importance of strengthening national disaster-risk financing mechanisms. Reinsurers, while offering somewhat more capacity than in the hard-market years of 2023–24, maintained caution regarding nat-cat exposures. Renewal discussions in 2025 centered on improved data, clearer accumulation controls, and disciplined attachment structures, with Pakistan Reinsurance Company anchoring compulsory cessions and international reinsurers focusing on upper-layer catastrophe cover.

In terms of composition, the non-life (general) and life insurance segments account for ~33% and ~67% of the Gross Written Premium, respectively, including the Takaful Contribution. Takaful's significant expansion to 19.3% (CY2024: 12.2%) in 9MCY25 of Total Premium (Incl. Takaful), powered by customer preference, strengthened Shariah governance, and banca-takaful partnerships continued to redefine market share dynamics and attract first-time insurance users.

Despite near-term challenges, the sector's underlying opportunity remains substantial. Insurance adoption in Pakistan remains at an early stage compared to regional peers, leaving major growth potential in bancassurance, telco-based micro-insurance, agricultural protection, health coverage expansion, and digital-first distribution. Climate-related risks will continue to shape the operating environment, influencing reinsurance terms, capital requirements, and future claims volatility, but also creating new avenues for innovation. Overall, Pakistan's insurance industry demonstrated resilience in 2024 and adaptability in 2025.

REGULATORY AND LEGAL DEVELOPMENTS

The regulatory environment for Pakistan's life insurance sector continues to evolve, with a focus on strengthening capital adequacy. The SECP has imposed a minimum paid-up capital requirement of PKR 3bn for life insurers, to be met by 2030; as of Sept'25, 5 out of 10 life/family takaful operators remain below the stipulated threshold. On the taxation front, the Finance Act, 2025 prescribes a progressive super tax under Section 4C applicable to high-earning corporate entities, with rates ranging from 1% on income above PKR 150mn to 10% on income exceeding PKR 500mn (Tax Year 2026 onwards), which is expected to exert incremental pressure on post-tax profitability.

Separately, provincial revenue authorities in Sindh, Punjab and Khyber Pakhtunkhwa have withdrawn long-standing sales-tax exemptions on life insurance, imposing 3% SST in Sindh and 15% PST in KP from 2021 onward, resulting in industry-wide litigation on constitutional grounds that insurance constitutes a contingent contract under federal jurisdiction. Judicial outcomes have been mixed, with the Sindh High Court dismissing petitions in January 2025, and insurers now seeking relief from the Federal Constitution Court. Owing to the unresolved legal interpretation, insurers have not charged sales tax to policyholders and continue to treat the exposures as contingent; for certain insurers, disputed amounts exceed Rs. 4.68bn (2023: Rs. 3.54bn). The Company, along with other insurers through the Insurance Association of Pakistan (IAP), remains in dialogue with provincial tax authorities for an amicable resolution and expects a favourable outcome.

OPERATIONAL PERFORMANCE

EFUL maintains a strong nationwide presence with an extensive branch network of over 240 locations across the country. As part of a strategic optimization initiative, management reviewed branch performance and proactively rationalized high-cost and low-efficiency locations to enhance operational efficiency and profitability. During CY24, the branch network was restructured, and this rationalization continued into 2025 with the consolidation of 6 additional branches, reflecting disciplined cost management while preserving the company's core distribution strength. EFUL's presence in mass market and inclusive insurance segments have expanded on a timeline basis, providing coverage to 10m people during CY25. It has established partnerships with over 15 banks under Bancassurance and more than 35 strategic alliances to support mass market and inclusive insurance initiatives. During the ongoing year, the Company optimized their sales channels through proper training, especially for takaful segment. EFUL's strategy focuses on broadening its product offerings, expanding and enhancing existing distribution channels, and refining customer segmentation strategies to deepen outreach in its core product offerings.

The Company's aggregate gross premium written/ Contribution increased by 40.4%. Conventional GWP amounted to PKR 30.5bn (9MCY24: PKR 21.7bn) whereas Takaful Contribution amounted PKR 9.3bn (9MCY24: PKR 6.7bn) by end-Sept'25. Both takaful and conventional

segments grew during the review period contributing to the overall growth observed in GWP. Proportion of conventional and takaful segments remained consistent with 9MCY24.

Table 1: Gross Written Contribution (Amount in PKR Millions)

| Gross Written Premium/ Contribution | CY23 | | CY24 | | 3QCY25 | | 3QCY24 | |
|--|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Individual Policies | 32,630 | | 31,937 | | 24,646 | | 22,005 | |
| Conventional | 66.5% | 24,897 | 57.3% | 23,887 | 44.2% | 17,571 | 57.8% | 16,448 |
| Takaful | 20.6% | 7,733 | 19.3% | 8,050 | 17.8% | 7,075 | 19.5% | 5,557 |
| Group Policies | 4,837 | | 9,735 | | 15,146 | | 6,466 | |
| Conventional | 10.7% | 4,020 | 19.8% | 8,252 | 32.6% | 12,954 | 18.6% | 5,288 |
| Takaful | 2.2% | 816 | 3.6% | 1,483 | 5.5% | 2,192 | 4.1% | 1,178 |
| Total GWP/ Contribution | 100% | 37,467 | 100% | 41,672 | 100% | 39,792 | 100% | 28,470 |
| Conventional | 77.2% | 28,917.6 | 77.1% | 32,138.3 | 76.7% | 30,524.8 | 76.3% | 21,735.7 |
| Takaful | 22.8% | 8,549.5 | 22.9% | 9,533.4 | 23.3% | 9,266.9 | 23.7% | 6,734.7 |

The overall increase in GWP/Contribution during 9MCY25 was an outcome of increase in both Individual and Group policies. Individual policies increased to PKR 24.6bn (9MCY24: PKR 22.0bn) at end-Sept'25 due to higher first year premiums signifying expansion of customer base. As per management, the Company launched products like Mukammal Sehat plan to capitalize on their strong sales force and increased share in the retail segment. Additionally, single premium contribution segment also increased, which shows higher customer acceptance for this segment. Additionally, group policies increased to PKR 15.1bn (9MCY24: PKR6.5bn) due to acquisition of new corporate clients and pricing revisions.

Table 2: Segment-Wise GWP

| Gross Written Premium Year Wise | CY23 | | CY24 | | 9MCY25 | | 9MCY24 | |
|--|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
| | | % | | % | | % | | % |
| Individual Policies | 32,630.3 | 87.1% | 31,936.7 | 76.6% | 24,645.9 | 61.9% | 22,004.6 | 77.3% |
| First Year | 5,561.4 | 14.8% | 5,255.1 | 12.6% | 4,282.9 | 10.8% | 3,251.0 | 11.4% |
| Second Year Renewal | 4,816.3 | 12.9% | 4,082.1 | 9.8% | 2,738.5 | 6.9% | 2,898.0 | 10.2% |
| Subsequent Year | 21,271.0 | 56.8% | 21,458.7 | 51.5% | 15,502.6 | 39.0% | 15,040.2 | 52.8% |
| Single Premium Contribution | 981.6 | 2.6% | 1,140.8 | 2.7% | 2,122.0 | 5.3% | 815.5 | 2.9% |
| Group Policies | 4,836.8 | 12.9% | 9,735.0 | 23.4% | 15,145.8 | 38.1% | 6,465.8 | 22.7% |
| Total GWP (Conv. & Takaful) | 37,467.1 | 100.0% | 41,671.7 | 100.0% | 39,791.7 | 100.0% | 28,470.4 | 100.0% |

In terms of sales channels, individual gross premium generation continues to reflect a balanced mix between the Company's direct sales force and bancassurance operations. A comparison between 9MCY25 and 9MCY24 indicates growth across both channels, preserving a broadly even contribution structure.

A comparison between 9MCY25 and 9MCY24 shows an improvement in overall conventional and takaful persistency levels, reflecting stronger policyholder retention during the period. The progress is supported by disciplined renewal management, enhanced customer engagement initiatives, and more efficient premium collection processes. Channel wise, both conventional bancassurance and sales force segments recorded improved persistency, with relatively stronger traction observed within the sales force channel. Similarly, takaful persistency strengthened across both banca and direct sales force segments, with particularly notable improvement within the sales force stream.

Broader industry trends also point to improving persistency dynamics, highlighting resilience within the sector and reinforcing opportunities for insurers to further deepen customer relationships and strengthen retention frameworks.

During the review period, the Company undertook multiple initiatives to expand its outreach and tap underserved customer segments. The Company introduced a well-being proposition under the WIN brand to engage customers through wellness-embedded insurance offerings. To cater to customers seeking simpler and more accessible products, EFUL launched the Aasaan product range under its first Participating (With-Profit) line. Efforts to diversify the product suite further include the development of retirement solutions following registration as a Pension Fund Manager under the VPS Rules. In parallel, the Company enhanced accessibility across distribution channels—including Salesforce, Bancassurance, Corporate, Inclusive and Digital channels—and strengthened digital servicing platforms. Customer support capabilities were expanded through consolidation of call centers and provision of 24x7x365 assistance, enabling the Company to serve a wider population with improved service availability.

PROFITABILITY

Table 3: Net Premium/ Contribution Revenue (Amounts in PKR Millions)

| Net Premium/ Contribution Revenue | CY23 | % | CY24 | % | 9MCY25 | % | 9MCY24 | % |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Investment Linked Business | 24,773 | 68.0% | 23,708 | 60.2% | 17,290 | 47.3% | 16,272 | 60.8% |
| Conventional Business | 3,478 | 9.6% | 5,057 | 12.8% | 6,650 | 18.2% | 3,358 | 12.5% |
| Participating Business | - | 0.0% | 28 | 0.1% | 103 | 0.3% | 1 | 0.0% |
| Pension Business (Unit Linked) | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% | 0 | 0.0% |
| Accident & Health Business | 0 | 0.0% | 1667 | 4.2% | 4,053 | 11.1% | 825 | 3.1% |
| Family Takaful Investment Linked Business | 7,627 | 21.0% | 7927 | 20.1% | 6,892 | 18.9% | 5,472 | 20.4% |
| Family Takaful Protection Business | 515 | 1.4% | 801 | 2.0% | 607 | 1.7% | 722 | 2.7% |
| Family Takaful Accident & Health | - | 0.0% | 195 | 0.5% | 921 | 2.5% | 100 | 0.4% |
| Policy transfers from other statutory funds | 11 | 0.0% | 23 | 0.1% | 38 | 0.1% | 17 | 0.1% |
| Net Premium/ Contribution | 36,404 | 100.0% | 39,408 | 100.0% | 36,553 | 100.0% | 26,767 | 100.0% |

The Net Written Premium/ Contribution (NWP) of EFUL registered 36.6% growth, reaching PKR 36.6bn (9MCY24: PKR 26.8bn) during 9MCY25 wherein NWP pertaining to Takaful and Conventional segments was recorded at PKR 8.5bn (9MCY24: PKR 6.3bn) and PKR 28.1bn (9MCY24: PKR 20.5bn) respectively. Growth reflects higher business volumes across both segments, supported by improved economic sentiment following monetary easing, a stable inflation outlook, and recovery in consumer purchasing power. Industry-wide, the life insurance market benefited from greater investment inflows into unit-linked products in line with the upward trajectory of the equity market and increased investor participation. The expansion of bancassurance and digital distribution channels, along with rising awareness of savings and protection products, further contributed to premium growth during the period.

A volumetric increase is observed across all segments barring family takaful protection business. Segment-wise analysis of NWP shows continued dominance of Investment Linked Business, contributing 47.3% of total NWP (9MCY24: 60.8%). This is followed by Family Takaful Investment Linked Business with an 18.9% share (9MCY24: 20.4%) and Conventional business at 18.2% (9MCY24: 12.5%).

Gross claims expense increased to PKR 37.9bn (9MCY24: PKR 31.6bn) by end-Sept'25 due to an uptick in both Individual and Group Claims. The rise in individual claims was largely driven by surrender-related claims, primarily due to the aging of the in-force portfolio and higher surrender values resulting from improved fund performance, while overall persistency levels remained strong. This trend highlights the Company's robust liquidity management and ability to honor policyholder obligations, while also reinforcing the importance of continued product repricing, customer retention initiatives, and value-driven offerings to sustain healthy persistency and support portfolio performance. Despite the increase in gross claims expense, the gross claims ratio improved to 95.2% (9MCY24: 110.9%) due to a significant uptick in gross premiums. Additionally, growth in premiums also moderated the impact of higher net claims expenses which resulted in an improvement in the net claims ratio to 96.5% (9MCY24: 112.7%). EFUL's expense ratio remained largely range-bound, reflecting higher acquisition costs associated with sustaining business volumes and supporting long-term growth initiatives. As a result, the Company reported an underwriting loss at end-Sept'25; however, this is viewed as transitional, with acquisition-led investments expected to contribute positively to profitability as business matures and cost efficiencies are realized.

Table 4: Gross Claims/ Net Insurance Benefits

| Gross Claims in Rs. millions | CY23 | CY24 | 9MCY25 | 9MCY24 |
|------------------------------|---------------|---------------|---------------|---------------|
| Individual Claims | 30,080 | 36,553 | 29,986 | 27,200 |
| Death | 1,145 | 1,166 | 1,044 | 893 |
| Event besides death | 16 | 30 | 42 | 23 |
| Maturity | 4,795 | 6,162 | 5,386 | 4,530 |
| Surrender | 24,124 | 29,195 | 23,514 | 21,754 |
| Group Claims | 2,770 | 6,747 | 7,913 | 4,376 |
| Death | 2,533 | 3,298 | 2,531 | 2,356 |
| Event besides death | 157 | 3,400 | 5,266 | 1,981 |
| Maturity | 2 | 2 | 19 | 1 |
| Surrender | 78 | 47 | 96 | 37 |
| Total Claims | 32,850 | 43,300 | 37,898 | 31,576 |

EFUL's net investment income stood at PKR 22.2bn (9MCY24: PKR 30.1bn), reflecting lower yields on government securities following the reduction in policy rates. However, the increase in Net Unrealized gain of PKR 17.4bn (9MCY24: PKR 8.3bn) moderated the impact resulting in a marginal increase in the non-operating income to PKR 40.5bn (9MCY24: PKR 39.5bn). Moreover, a lower investment income led to Profit Before Tax of PKR 3.0bn (9MCY24: PKR 3.5bn), which subsequently translated into Profit After Tax (PAT) of PKR 1.8bn (9MCY24: PKR 2.1bn) during the ongoing year..

Table 5: Profit & Loss (Amount in PKR Millions)

| Profit and Loss statement Extract | CY23 | CY24 | 3QCY25 | 3QCY24 |
|--|-------------------|-------------------|-------------------|-------------------|
| Gross Premium/ Contribution revenue | 37,467.1 | 41,671.7 | 39,791.7 | 28,470.4 |
| Reinsurance ceded to reinsurer | 666.7 | 1,677.6 | 2,429.3 | 1,279.5 |
| Re-takaful contribution ceded | 396.6 | 585.7 | 809.5 | 423.9 |
| Total | 1,063.3 | 2,263.3 | 3,238.8 | 1,703.4 |
| Conventional Net Written Premium | 28,250.9 | 30,460.7 | 28,095.4 | 20,456.2 |
| Net Contribution Revenue | 8,152.9 | 8,947.7 | 8,457.4 | 6,310.8 |
| Net Premium/ Contribution revenue | 36,403.8 | 39,408.4 | 36,552.8 | 26,767.0 |
| Net Insurance Benefits | (32,121.8) | (41,124.3) | (35,297.6) | (30,168.8) |
| Acquisition Expense | (7,279.1) | (7,792.7) | (7,782.0) | (5,213.2) |
| Marketing and Admin Expense | (3,253.1) | (4,036.9) | (3,255.1) | (3,123.1) |
| Worker's welfare fund | (122.1) | (87.5) | (59.5) | (62.2) |
| Other expenses | (44.9) | (70.4) | (28.2) | (30.4) |
| Total Expenses | (10,699.2) | (11,987.5) | (11,124.8) | (8,429.0) |
| Underwriting Income/ Loss | (6,417.2) | (13,703.4) | (9,869.6) | (11,830.8) |
| Net change in Insurance liabilities | (28,932.1) | (42,973.6) | (27,543.2) | (24,101.1) |
| Investment Income (Inc. other fee income) | 39,346.8 | 61,712.4 | 40,456.3 | 39,454.2 |
| Finance Cost | 70.6 | 74.2 | 89.5 | 55.2 |
| PBT | 3,997.6 | 4,961.2 | 2,954.1 | 3,467.1 |
| Taxation | 1,931.3 | 1,971.2 | 1,138.5 | 1,374.8 |
| PAT | 2,066.2 | 2,990.1 | 1,815.6 | 2,092.3 |

Financial Risk

REINSURANCE TREATIES

Reinsurance treaty terms for individual life and group business remain unchanged during the period under review. Overall risk profile of the panel remains sound as the ratings of all the reinsurers are within the 'A' band or higher and no changes were observed in terms of retention on net account. No changes are expected in the reinsurance panel during CY26.

INVESTMENTS

The Company has a total of **eight unit-linked funds** which vary in terms of asset allocation as per the risk appetite of the clients; three of which pertain to Window Takaful business. The Assets Under Management (AUMs) under these funds amounted to PKR 256.3bn (CY24: 230.9bn) at end-Sept'25. Returns generated during the ongoing year declined, primarily reflecting lower policy rates and the impact of floods on the stock market. Going forward, equity performance is expected to improve on the back of strengthening macroeconomic indicators, consistent policy direction, and a stable inflation outlook. Market sentiment has been supported by progress on the IMF program, improved external account management, and continued monetary easing, all of which have contributed to increased investor participation. Corporate earnings in key sectors, particularly banking, energy, and technology have also remained resilient, providing further support to equity valuations. However, despite the positive trajectory, the impact of bullish trends in equities will be moderated by lower returns from debt securities due to the prevailing low-interest rate environment.

Table 6: Unit Linked Funds Asset Under Management (AUMs) and Calendar YTD

| UNIT LINKED FUNDS | CY23 | CY24 | 9MCY25 | CY23 | CY24 | 9MCY25 |
|---------------------------|----------------------------------|---------------|--------------|----------------------------|--------|--------|
| CONVENTIONAL | AUMS (Amount in Billions) | | | Calendar YTD Return | | |
| Managed Growth Fund | 146.19 | 174.73 | 191.51 | 22.51% | 31.32% | 17.64% |
| Income Growth Fund | 1.71 | 3.12 | 4.42 | 17.97% | 19.74% | 11.97% |
| Aitemad Growth Fund | 7.79 | 9.28 | 9.59 | 21.87% | 31.64% | 11.44% |
| Guaranteed Growth Fund | 7.8 | 10.6 | 11.82 | 17.97% | 19.13% | 10.44% |
| Aggressive Fund | 1.08 | 1.47 | 1.82 | 26.50% | 39.13% | 24.45% |
| TAKAFUL | AUMS (Amount in Billions) | | | Calendar YTD Return | | |
| Takaful Growth Fund | 19.52 | 26.55 | 30.42 | 19.96% | 29.6% | 12.86% |
| Takaful Aggressive Fund | 1.13 | 1.38 | 1.5 | 22.10% | 35.2% | 15.50% |
| Takaful Conservative Fund | 2.1 | 3.8 | 5.22 | 19.54% | 20.6% | 7.48% |
| TOTAL | 187.32 | 230.93 | 256.3 | | | |

The carrying value of the investment portfolio increased to PKR 268.3bn by end-Sept'25 (CY24: PKR 242.9bn; CY23: PKR 194.9bn), with government securities remaining the largest asset class. However, the proportion of government securities declined during the ongoing year as allocations shifted toward equities and mutual funds. Within government securities, the mix moved from T-bills to PIBs, resulting in an equal proportion of both instruments in the portfolio, while exposure to GoP Ijarah Sukuk remained broadly unchanged since the previous year.

Carrying value of T-bills and PIBs was noted at PKR 75.0bn (CY24: PKR 37.4bn) and PKR 74.8bn (CY24: PKR 117.3bn). In a declining interest-rate environment during the review period, a shift from PIBs to T-bills reflects the Company's strategy to avoid losing in long-term yields at lower rates. By increasing exposure to short-tenor T-bills, the portfolio retains flexibility to reinvest at more favorable rates if the interest-rate cycle turns or if monetary policy stabilizes. This shift indicates a preference for higher liquidity to manage policyholder flows, as T-bills allow quicker turnover and lower duration risk. High exposure in government securities also mitigates the credit risk associated with the portfolio.

EFUL increased its exposure to equity securities, which reached PKR 64.9bn (CY24: PKR 43.9bn) to capitalize on the bullish market trend, thereby elevating price risk. However, this risk is partially moderated by a concurrent increase in exposure to mutual funds, which provides diversified equity exposure.

The remainder of the investment portfolio constituted debt securities, largely comprising TFCs and corporate Sukuk, amounting to PKR 7.4bn (CY24: PKR 7.6bn) followed by Term Deposits with a carrying value of PKR 3.3bn (CY24: PKR 347.4mn) at end-Sept'25. The companies offering the given debt securities predominantly hold ratings rating from A- to AAA.

Since the investment mix was dominated by government securities, the associated credit risk of the overall portfolio is considered low.

Table 7: Investment Portfolio (Amount in Millions)

| INVESTMENT MIX | CY23 | % | CY24 | % | 3QCY25 | % |
|-----------------------------|------------------|---------------|------------------|---------------|------------------|---------------|
| Equities | 22,314.2 | 11.5% | 43,942.7 | 18.0% | 64,853.5 | 24.2% |
| Gov Securities | 153,915.7 | 79.0% | 184,510.2 | 76.0% | 181,896.7 | 67.8% |
| PIBs | 26,745.0 | 13.7% | 37,345.9 | 15.4% | 74,816.4 | 27.9% |
| T-Bills | 106,402.5 | 54.6% | 117,267.7 | 48.3% | 75,042.6 | 28.0% |
| Pakistan Energy Sukuks | 1,620.9 | 0.8% | 1,603.2 | 0.7% | 1,584.2 | 0.6% |
| Government Ijarah Sukuk | 19,147.4 | 9.8% | 28,293.4 | 11.6% | 30,453.5 | 11.4% |
| Debt Securities | 8,407.3 | 4.3% | 7,608.9 | 3.1% | 7,392.5 | 2.8% |
| Term Finance Certificates | 5,592.8 | 2.9% | 4,995.7 | 2.1% | 4,971.4 | 1.9% |
| Corporate Sukuks | 1,833.4 | 0.9% | 1,632.3 | 0.7% | 1,440.0 | 0.5% |
| Certificates of Investments | 981.0 | 0.5% | 981.0 | 0.4% | 981.0 | 0.4% |
| Term Deposits | 7,508.4 | 3.9% | 347.4 | 0.1% | 3,331.4 | 1.2% |
| Mutual Funds | 2,718.4 | 1.4% | 6512 | 2.8% | 10,829.5 | 4.0% |
| Total | 194,864 | 100.0% | 242,921.3 | 100.0% | 268,303.6 | 100.0% |

LIQUIDITY & CAPITALIZATION

Table 8: Liquidity & Capitalization (Amount in PKR Millions)

| Liquidity and Capitalization | CY22 | CY23 | CY24 | 9MCY25 |
|--|----------------|----------------|----------------|----------------|
| Tier I Equity | 5,153.0 | 5,728.7 | 7,655.2 | 8,901.3 |
| Liquid Assets/ Insurance Liabilities (x) | 1.01 | 1.02 | 1.03 | 1.01 |
| Liquid Assets/ Total Liabilities (x) | 0.98 | 0.98 | 0.99 | 0.98 |
| Equity to Assets | 3.6% | 3.3% | 3.5% | 3.3% |
| Operating Leverage | 606.0% | 523.8% | 428.8% | 505.7% |

In line with sizable profit generation during the review period, equity base increased to PKR 8.9bn (CY24: PKR 8.9bn; CY23: PKR 7.7bn) by end-Sept'25 on account of increase manifested in the retained earnings and general reserves of the Company. The Company also paid a dividend of PKR 1.5/per share during the aforesaid period.

Overall risk absorption capacity of the Company is considered sound, in view of healthy solvency margin levels. Additionally, the increase in quantum of liquid assets on a timeline, predominantly offset the impact of higher insurance liabilities during 9MCY25, due to a higher investment component of unit-linked policies, as policyholder funds grew on account of net inflows and an increase in underlying fund values. This resulted in a higher liability, thereby contributing to the overall rise in insurance liabilities. Liquid assets relative to insurance liabilities moderated marginally to 1.01x (CY23: 1.03x; CY22: 1.02x); however, the level remains adequate relative to the assigned rating. Moreover, liquid assets relative to total assets also moderated marginally to 0.98x (CY24: 0.99x; CY23: 0.98x). Liquidity profile draws support from availability of sizable cash and bank deposits to the tune of PKR 5.6bn (CY24: PKR 5.7bn; CY23: 5.1bn).

| FINANCIAL SUMMARY | | | | |
|--|-------------|-------------|-------------|---------------|
| BALANCE SHEET | CY22 | CY23 | CY24 | 9MCY25 |
| Cash and Bank deposits | 4,558.9 | 5,054.8 | 5,669.6 | 5,587.2 |
| Investments | 164,633.2 | 194,864.5 | 242,921.3 | 268,303.6 |
| Liquid Assets | 169,192.0 | 199,919.3 | 248,590.4 | 273,890.3 |
| Total Assets | 178,513.6 | 210,203.9 | 259,439.2 | 288,499.8 |
| Paid Up Capital | 1,000.0 | 1,000.0 | 1,050.0 | 1,050.0 |
| Net Worth | 6,348.6 | 6,949.3 | 9,189.7 | 9,637.9 |
| Tier I Equity | 5,153.0 | 5,728.7 | 7,655.2 | 8,901.3 |
| Liabilities of Statutory Fund | 166,382.7 | 196,524.9 | 242,256.9 | 270,376.4 |
| Total Liabilities | 172,165.0 | 203,253.5 | 250,246.8 | 278,861.9 |
| INCOME STATEMENT | CY22 | CY23 | CY24 | 9MCY25 |
| Gross Premium/ Contribution | 39,564.7 | 37,467.1 | 41,671.7 | 39,791.7 |
| Net Premium Revenue | 38,471.3 | 36,403.8 | 39,408.4 | 36,552.8 |
| Gross Claims | 27,420.5 | 32,850.1 | 43,299.9 | 37,898.4 |
| Net Claims | 25,516.7 | 32,121.8 | 41,124.3 | 35,297.6 |
| Investment Income (Inc. gain & others) | 14,534.6 | 39,346.8 | 61,712.5 | 40,456.3 |
| Total Expenses | 10,480.1 | 10,699.2 | 11,987.5 | 11,124.8 |
| Profit Before Tax | 2,842.1 | 3,997.6 | 4,961.2 | 2,954.1 |
| Profit After Tax | 1,692.1 | 2,066.2 | 2,990.1 | 1,815.6 |
| RATIO ANALYSIS | CY22 | CY23 | CY24 | 9MCY25 |
| Market Share (Private Life Insurance) | 31.4% | 28.4% | 30.3% | |
| Overall Cession Ratio | 2.8% | 2.8% | 5.4% | 8.1% |
| Gross claims ratio | 69.3% | 87.7% | 103.9% | 95.2% |
| Net claims ratio | 66.3% | 88.2% | 104.4% | 96.6% |
| Expense ratio | 27.2% | 29.4% | 30.4% | 30.4% |
| Combined Ratio | 93.6% | 117.6% | 134.8% | 127.0% |
| Persistency (Conventional) | 81.4% | 79.5% | 80.1% | 77.1% |
| Persistency (Takaful) | 77.3% | 74.6% | 74.6% | 74.2% |
| Liquid Assets/ Insurance Liabilities (x) | 1.02 | 1.02 | 1.03 | 1.01 |
| Liquid Assets/ Total Liabilities (x) | 0.98 | 0.98 | 0.99 | 0.98 |

* Annualized

REGULATORY DISCLOSURES Appendix II

| | | | | |
|---|---|----------------------------|------------------------------|----------------------|
| Name of Rated Entity | EFU Life Assurance Limited | | | |
| Sector | Insurance | | | |
| Type of Relationship | Solicited | | | |
| Purpose of Rating | Insurer Financial Strength | | | |
| Rating History | Rating Date | Medium to Long Term | Outlook/ Rating Watch | Rating Action |
| | RATING TYPE: INSURER FINANCIAL STRENGTH | | | |
| | 03/05/2026 | AA++ (IFS) | Stable | Reaffirmed |
| | 03/06/2025 | AA++ (IFS) | Stable | Reaffirmed |
| | 12/29/2023 | AA++ (IFS) | Stable | Reaffirmed |
| | 12/30/2022 | AA++ (IFS) | Stable | Reaffirmed |
| | 03/31/2022 | AA++ (IFS) | Stable | Harmonized |
| | 8/04/2021 | AA+ | Stable | Reaffirmed |
| | 8/21/2020 | AA+ | Stable | Reaffirmed |
| | 3/15/2019 | AA+ | Stable | Reaffirmed |
| | 12/04/2017 | AA+ | Stable | Reaffirmed |
| 5/24/2016 | AA+ | Stable | Upgrade | |
| 3/10/2015 | AA | Stable | Reaffirmed | |
| Instrument Structure | N/A | | | |
| Statement by the Rating Team | VIS, the analysts involved in the rating process and members of its rating committee do not have any conflict of interest relating to the credit rating(s) mentioned herein. This rating is an opinion on credit quality only and is not a recommendation to buy or sell any securities. | | | |
| Probability of Default | VIS' ratings opinions express ordinal ranking of risk, from strongest to weakest, within a universe of credit risk. Ratings are not intended as guarantees of credit quality or as exact measures of the probability that a particular issuer or particular debt issue will default. | | | |
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| Due Diligence Meetings Conducted | Name | Designation | Date | |
| | Muhammad Ali Ahmed | Chief Executive Officer | 20 November, 2025 | |
| | Shahid Abbas | Chief Financial Officer | | |
| | Zahny Amlany | Head of Actuarial Services | | |