RATING REPORT

Pak-Qatar Family Takaful Limited

REPORT DATE:
July 22, 2025

RATING ANALYSTS:
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RATING DETAILS		
	Latest Rating	**Previous Rating**
Rating Category	**Long-term**	**Long-term**
Entity	AA (IFS)	A++ (IFS)
Outlook/Rating Watch	Stable	Stable
Rating Date	*July 22, '25*	*December 07, '23*
Rating Action	*Upgrade*	*Reaffirmed*

COMPANY INFORMATION	
Incorporated in 2006	**External auditors:** M/s. Yousuf Adil Chartered Accountants
Public Unlisted Company	**Chairman of the Board:** H.E. Sheikh Ali Bin Abdullah Al Thani
Key Shareholders (with stake 5% or more):	**Chief Executive Officer:** Mr. Waqas Ahmed
Pak-Qatar Investment (Pvt.) Limited – 38.53%	
FWU Global Takaful Solutions – 15.20%	
Qatar Islamic Insurance Company – 10.97%	
Sheikh Ali Bin Abdullah Al Thani – 10.18%	
Qatar International Islamic Bank – 9.95%	

APPLICABLE METHODOLOGY(IES)
VIS Entity Rating Criteria: Life Insurance Family Takaful
https://docs.vis.com.pk/docs/LifeTakaful-Oct-2023.pdf

APPLICABLE RATING SCALE(S)
VIS Issue/Issuer Rating Scale:
https://docs.vis.com.pk/docs/VISRatingScales.pdf

Pak-Qatar Family Takaful Limited

OVERVIEW OF THE INSTITUTION	RATING RATIONALE

Established in 2006 as an unlisted public limited company, Pak Qatar Family Takaful Limited (PQFTL) was the first family takaful operator in Pakistan. The company offers individual and group life covers, with individual policies being the company's major business line in terms of premium income.

Profile of Chairman

A member of the Royal Family, Sheikh Ali is a prominent businessman in Qatar. By qualification, he is Bachelor of Science in Political Science from Portland State University, USA. Currently, he is the Chairman of Umm-Haish International, and Al-Jazeera Trading & Contracting. Earlier, he was the Chairman of Qatar International Islamic Bank.

Profile of CEO

Mr. Waqas Ahmad has worked in the Takaful and insurance industry for over three decades. His experience includes areas such as Operations, Technology, Strategy, and Business Planning. He has been involved in Life Insurance/Takaful underwriting, servicing, product development, re-Takaful arrangements, digital transformation, and the setup of Takaful ventures.

He has held positions including Chief Operating Officer (COO) at PQFTL.

The rating for Pak-Qatar Family Takaful Limited ('PQFTL; or 'the Company') reflects the Company's sustained leadership in the family takaful sector, supported by a growing market share (Dec'24: 47%; Dec'23: 35%; Dec'22: 26%), strong governance framework, and strengthened operational efficiency. PQFTL continues to demonstrate sound financial performance, with a significant increase in gross contributions driven by the focus on single and top-up contributions. This shift has allowed the Company to reduce its dependency on policy persistency and has enhanced its asset base while keeping acquisition costs relatively low.

The profitability profile has improved despite elevated claim levels, owing to gains on investments, better risk-adjusted pricing, and rationalized expenses. The Company's investment strategy has become more conservative, with a pronounced tilt toward mutual funds offering liquidity and portfolio diversification.

PQFTL benefits from a strong and diverse shareholder base with experience in Islamic finance, and it continues to maintain sound Shariah compliance through a dedicated supervisory board and regular audits. Its operations are fully aligned with the Wakalah-Waqf model, ensuring a clear segregation of policyholder and shareholder interests. Moreover, its IT infrastructure, cyber security upgrades, and transition to internationally recognized information security standards reflect a proactive approach to digital transformation and risk management.

Capitalization and liquidity indicators remain adequate, with liquid assets providing ample coverage against takaful liabilities. The Company's low reliance on re-takaful and strong retention practices further bolster underwriting performance. PQFTL's adherence to regulatory frameworks, including steady progress toward IFRS 17 implementation, reflects its commitment to compliance and best practices in financial reporting.

Going forward, the rating remains contingent upon PQFTL's ability to sustain profitability, maintain liquidity buffers, and navigate market volatility.

Insurance Sector Update:

Global Overview

The global insurance industry has demonstrated remarkable resilience and adaptability amidst evolving macroeconomic conditions and heightened geopolitical tensions. In 2023, the industry recorded its strongest growth since 2006, expanding by 7.5%. Global premiums reached USD 7.2 trillion, divided among life insurance (USD 2.8 trillion), property and casualty (P&C) (USD 2.1 trillion), and health insurance (USD 1.4 trillion).

Regional market dynamics underscore significant variances in growth. North America continues to dominate the P&C and health insurance segments, contributing 54.2% and two-thirds of global premiums, respectively. The Asia-Pacific region led the recovery in life insurance, buoyed by China's post-pandemic rebound (7.7% growth) and India's exceptional growth trajectory of 13.6%. In Europe, life insurance premiums grew by 3.3% in 2023 after a contraction in 2022, though challenges persist, including a heavy reliance on single-premium products.

Sustainability and ESG (Environmental, Social, and Governance) integration have become central to insurers' strategies, with almost all firms embedding sustainability goals into their investment portfolios.

He also served as Executive Director at Salaam Takaful, where he was involved in the launch of a Takaful company. In addition, he was a founding member of the Operations Team at Al Rajhi Takaful in Saudi Arabia, where he participated in establishing Life Takaful operations.

He is a certified Director from ICAP, holds a Post-Graduate Diploma in Islamic Finance (PGD), an MBA in Marketing, and is a Fellow of the Life Management Institute (FLMI) and an Associate of Customer Services (ACS) – Insurance.

Clean energy and transition technologies are particularly prominent themes. Technological innovation, especially through artificial intelligence (AI), is disrupting traditional insurance processes. AI is now critical for underwriting, claims management, and risk modeling, while insurtech advancements enable real-time customer engagement and personalized products.

Capital management strategies are also evolving in response to macroeconomic changes. Higher interest rates have improved investment yields, prompting insurers to increase allocations to private markets and alternative assets, such as infrastructure debt. Liquidity management remains a top priority as insurers strive to balance portfolio diversification with maintaining stable risk levels. Meanwhile, regulatory developments and geopolitical tensions are among the top macroeconomic concerns for insurers, further complicated by diverging monetary policies across regions.

Looking ahead, the global insurance market is projected to grow at an annual rate of 5.5% over the next decade, with life and health insurance driving much of this expansion. Asia is expected to remain the primary growth engine, accounting for nearly half of the absolute premium increase. However, industry must address key challenges, such as balancing insurability and affordability amidst rising climate and cyber risks, tackling inequalities exacerbated by demographic and economic shifts, and adapting to regulatory changes in a fragmented geopolitical environment.

Local Overview

The insurance sector in Pakistan, demonstrates a complex and evolving landscape. The industry is divided into life and non-life insurance segments, with significant contributions from both conventional and takaful (Islamic insurance) operations. However, insurance penetration remains low, at 0.79% of Gross Domestic Product (GDP). In 2023, the life insurance sector reported a gross premium of PKR 404b, with claims paid amounting to PKR 289b. Health policies dominated the product distribution, constituting 41% of the total premium, followed by participating policies at 30% and unit-linked policies at 23%. The non-life insurance sector, on the other hand, recorded a gross premium of PKR 227b, with claims paid totaling PKR 84b. Fire and property damage insurance accounted for the largest share of the premium at 31%, followed by motor insurance at 20% and engineering insurance at 16%.

The financial performance of the sector highlights a substantial investment income, with the life insurance segment reporting total assets of PKR 2,518b and investments of PKR 1,911b. The non-life insurance segment also showed strong financial health, with total assets of PKR 381b and investments of PKR 145b. The takaful sector, although smaller, shows promising growth potential, particularly in the family takaful segment, which contributed 35% of the total private sector premium. The general takaful segment accounted for 11% of the total non-life insurance industry premium.

The SECP's strategic plan underscores the importance of adopting IFRS-17 by January 2026, embracing technological advancements, strengthening legislative frameworks, and enforcing compulsory insurance schemes to tackle current challenges. Overall, the insurance sector in Pakistan is poised for potential growth, driven by both conventional and takaful operations. The industry's financial stability, coupled with strategic initiatives by the SECP, positions it well for future expansion and increased penetration in the national economy.

Company Profile:

PQFTL was incorporated in Pakistan on March 15, 2006, as an unlisted public company and commenced operations on August 16, 2007, under the regulatory framework of the Insurance Ordinance, 2000 and Takaful Rules, 2012. The Company operates under the Waqf-Wakala model, with its core business focused on providing Shariah-compliant family takaful solutions across Individual Family, Group Family, and Group Health segments. The Participant Takaful Fund (PTF), formed through a waqf deed, is used to manage risk-related contributions and benefit payments. PQFTL has established a presence in both individual and banca Takaful channels and maintains a defined governance structure including a Shariah Supervisory Board. As of Dec'24, PQFTL holds the largest market share of 47% (CY23: 35%) among family takaful companies.

The major shareholder of PQFTL is Pak-Qatar Investment (Private) Limited, holding 34.58% of the shares. Other key institutional sponsors include FWU AG (15.2%), Qatar Islamic Insurance Company (10.97%), and Qatar International Islamic Bank (9.95%). Additionally, Sheikh Ali Bin Abdullah Al Thani, a member of the Qatari royal family, holds 10.18% stake in the Company. The shareholder base reflects a mix of strategic investors and institutions with experience in Islamic finance and takaful operations, supporting the Company's operational and technical development.

Qatar Islamic Insurance Company holds a Financial Strength Rating of 'A- (Excellent)' and an Issuer Credit Rating of 'a-' (Outlook: Stable) by A.M. Best. Qatar International Islamic Bank is rated 'A' by Fitch (Outlook: Stable), with additional ratings of 'A2/P-1' from Moody's.

Sharia Governance Review:

Shari'a Governance

PQFTL adheres to comprehensive Shari'a Governance practices exceeding the Takaful Rules, 2012, issued by the SECP requirements. While the Takaful Rules do not mandate the establishment of a Shari'a Advisory Board (SAB), PQFTL has voluntarily instituted one. Since the SECP's rules does not require to form SAB, therefore a formal rotation or reappointment policy for SAB members is not warranted. The most senior Shariah scholar holds the position of Chairman, and the members are registered in the SECP's Approved List of Shariah Advisors.

Accordingly, there is no separate internal or external performance assessment policy specific to the SAB. However, Shariah compliance is continuously monitored through regular internal reviews, audits, and engagement by the Shariah Advisor and Shariah Compliance Officer to ensure effective governance and adherence to Shariah principles. In addition to above, annual External / Independent Shariah Audit is also conducted, to assess the compliance with Sharia principles & Takaful Rules.

Sharia Supervisory Board

Table 1: SSB Board Members

Name	Designation
Mufti Muhammad Hassan Kaleem	Chairman
Mufti Ismatullah	Shariah Advisor & Member

Mufti Muhammad Hassaan Kaleem is a well-recognized Shariah expert affiliated with Jamia Darul-Uloom Karachi and the Center for Islamic Economics. He also serves as a certified trainer of AAOIFI Shariah standards in Bahrain. His global credentials include serving on the Shariah boards of several international institutions such as Hanover Re Takaful (Bahrain), Takaful Emarat (UAE), and Amana Bank (Sri Lanka).

He is also a Shariah consultant for Deloitte's Global Islamic Finance Team and chairs the SAB of both Pak-Qatar Family and General Takaful.

Mufti Ismatullah holds a Ph.D. in Islamic Fiqh and has issued over 25,000 fatawas through Dar-ul-Ifta of Darul-Uloom Karachi. His scholarly contributions focus on Takaful and Islamic finance, and he is the author of a book on Islamic insurance. He also serves as the Shariah Advisor for IGI Window Takaful and chairs the Shariah Board of Bank Al-Habib.

Responsibilities of the SSB:

The Shari'a Supervisory Board is responsible for:

- Reviewing and certifying Takaful products and operations for Shari'a compliance.
- Advising on Shari'a issues, including investments, surplus distribution, and operational policies.
- Ensuring the segregation of policyholders' and shareholders' funds.
- Issuing fatwas on Shari'a-related matters and ensuring their implementation across the organization.

SSB Annual Report:

During the year, the Shariah Advisory Board held virtual meetings to review the Company's products, documentation, MOUs, and overall business practices. Based on the information and explanations provided, the Board's key findings for the year ended December 31, 2024, are summarized as follows:

- The Company's financial transactions and supporting documentation were found to be in compliance with the guidelines issued by the SAB and the Takaful Rules, 2012.
- All investment and financial transactions adhered to the prescribed Shariah screening criteria.
- An amount of PKR 7,089,026, identified as Shariah non-compliant income, was appropriately transferred to the designated charity account.
- The accounting treatment of the Participants' Takaful Fund (Waqf Fund) in the financial statements was reviewed and found to be in line with Shariah principles.
- The Shariah Compliance Department actively conducted awareness sessions throughout 2024, targeting distribution teams, academic institutions, and corporate entities—both independently and in coordination with the Training Department.
- In view of the above, the Board confirms that PQFTL has maintained Shariah compliance in its operations. The Board acknowledges the Company's efforts and encourages continued commitment to upholding Islamic financial principles.

Takaful Model

PQFTL is operating as a full fledge Takaful operator in Pakistan on "Wakalah Waqf" model under the regulatory supervision of SECP in light of their notified Takaful Rules 2012**.**

Screening Criteria:

PQFTL maintains a structured and Shariah screening mechanism to ensure that all its investments remain compliant with Islamic principles. The screening methodology is developed in line with guidelines issued by the SSB and follows internationally recognized standards such as those prescribed by the Accounting and Auditing Organization for Islamic Financial Institutions (AAOIFI).

The screening process involves two main layers: (i) business activity screening and (ii) financial ratio screening. Under business activity screening, companies involved in non-permissible sectors such as conventional banking and insurance, alcohol, gambling, pork-related products, and other Shariah-prohibited activities are excluded. If more than 5% of a company's revenue is derived from such non-compliant sources, the investment is considered non-permissible.

Financial ratio screening ensures that certain balance sheet thresholds are not exceeded. These include limiting interest-bearing debt to no more than 33% of total assets, restricting non-compliant income (e.g., interest income) to under 5% of total income, and requiring that cash and receivables combined not exceed 70% of total assets.

PQFTL also implements a continuous compliance monitoring process. The Shariah compliance of all investment holdings is reviewed on a quarterly basis. If a previously compliant investee company becomes non-compliant, disinvestment is required immediately. However, if immediate disposal could result in a material loss or if market conditions are unfavorable, the matter is escalated to the SSB for case-specific guidance.

It is also noted that while these guidelines serve as the standard screening framework, exceptions or modifications may be made on a case-by-case basis with prior approval from the SSB. Such flexibility allows the framework to adapt to complex investment situations without compromising the integrity of Shariah compliance.

Auditor's Opinion

M/s. Yousuf Adil., Chartered Accountants has provided an unqualified and unmodified opinion, affirming that the Company's financial statements comply with accounting standards and accurately portray the Company's financial position as of December 2024

However, the auditor has included an emphasis of matter regarding a contingent liability related to provincial sales tax on life and health insurance. The Company along with other insurance companies are contesting the matter in court of law.

IT Upgrades

The Company upgraded its core database from Oracle 12c to 19c, introducing features such as automatic indexing, improved query optimization, enhanced security layers, and better platform support, including hybrid cloud compatibility. Simultaneously, the underlying hardware was upgraded from Oracle Database Appliance (ODA) X5 to ODA H8, delivering improved processing capacity, high availability, and pre-configured best practices tailored for Oracle environments.

In terms of network security, the Company upgraded its firewall system from Sophos SG to the next-generation Sophos XGS 3300 series in 2024. To further strengthen cyber resilience, two-way authentication was implemented on its email server. PQFTL also transitioned to the ISO/IEC 27001:2022 standard, reflecting improved alignment with international information security frameworks. On the front-end, PQFTL relaunched its mobile application (PQFS) in 2023 with an upgraded user interface and enhanced self-service functionality, including real-time policy access, contribution payments, nominee updates, and withdrawal processing. These initiatives aim to improve customer experience and mitigate operational and data security risks.

IFRS 17 Implementation:

PQFTL is actively progressing towards the implementation of IFRS 17 – Insurance Contracts, in line with the four-phase roadmap prescribed by the Securities and Exchange Commission of Pakistan (SECP). The Company has already completed the first three phases:

1. Gap Analysis (submitted on 30th September 2021),
2. Financial Impact Analysis (FIA) (submitted in layers throughout 2022), and
3. System Design and Methodology (completed by 30th September 2024).

For the upcoming Phase 4: Parallel Run and Implementation (target date: 1st January 2026), PQFTL has taken preparatory steps. It has engaged an actuarial consulting firm and aligned internal resources to meet SECP directives outlined in letter ID/MDPRD/IFRS-17/2024/3783 dated 23rd December 2024. A structured implementation plan has been established, with the first Dry Run scheduled for June 2025. These measures are intended to ensure timely and effective compliance with IFRS 17 and establish a strong foundation for full implementation.

Business Update - PQFTL

Growing Market Share

Considering the industry gross family takaful contribution, a substantial increase in the market share of PQFTL has been observed; the same rose on a timeline to 47% as of Dec'24 (Dec'23: 35%; Dec'22: 26%), signifying the dominance of the Company within this segment.

PQFTL pursued a multi-dimensional strategy to expand its market share within the family takaful sector. Key drivers include product innovation, digital transformation, and cost optimization. The Company introduced single-contribution products which enabled rapid asset book buildup while also reducing acquisition costs. This shift helped replace reliance on persistency with recurring top-ups, thereby supporting growth in both contributions and asset base. Additionally, PQFTL maintains the lowest acquisition cost in the industry (5% in CY24), achieved through increased digital access, online servicing platforms, and a focus on cost-effective customer acquisition.

The Company also launched distinctive offerings such as the Mahana Bachat Plan (a tiered, capital-protected savings product) and the Lifetime Kafalat Plan, which provides post-retirement annuity income — a first in Pakistan's takaful market. PQFTL became the first takaful company to obtain a Voluntary Pension Scheme (VPS) license, positioning itself as a key player in the pension fund management space. As of Dec'24, it managed retirement solutions for over 150 corporate clients with a fund size of approximately PKR 12 bn.

Through bundling of life, health, and general takaful offerings, as well as penetration into the corporate and public sector segments, PQFTL has been able to diversify its customer base and broaden market depth. Continued investment in technology, including app-based top-ups, instant withdrawals, and 24/7 support services, further supports its growth trajectory and customer engagement.

Business Strategy

PQFTL operates a nationwide branch network comprising 84 branches. The Company offers a wide range of Shariah-compliant products, including individual family takaful plans (e.g., Mahana Bachat Plan, Lifetime Kafalat Plan), group family and health takaful, and retirement solutions such as the Voluntary Pension Scheme (VPS). PQFTL has also introduced digital self-service features through its mobile application, enabling policy management, top-ups, and withdrawals, complementing its physical distribution network.

Table 2: Segment-Wise Breakdown of Gross Contribution (Amount in Millions)

Gross Contribution	CY22	%	CY23	%	CY24	%
Individual Family	7,521.0	73.5%	13,225.3	81.2%	25,695.0	89.2%
Group Family	555.9	5.4%	678.9	4.2%	700.0	2.4%
Group Health	2,158.7	21.1%	2,392.6	14.7%	2,422.1	8.4%
Total	**10,235.6**		**16,296.7**		**28,817.0**	

The Gross Contribution of PQFTL grew by 76.8%, reaching PKR 28.8 bn during CY24 (CY23: PKR 16.3bn); the same is an outcome of the expansion of the Individual Family segment, introduction of single-contribution products, and onboarding of corporate clients through pension and group takaful solutions. On the other hand, the Group Family and Group Health segments posted a decline in terms of the business mix.

Table 3:Breakdown of Gross Contributions by Policy Type (Amount in millions)

Gross Contribution	CY22	%	CY23	%	CY24	%
First Year	1,475.8	14.4%	820.8	5.0%	309.5	1.1%
Second Year Renewal	1,072.3	10.5%	862.4	5.3%	351.6	1.2%
Subsequent Year Renewal	3,718.2	36.3%	3,827.7	23.5%	3,103.5	10.8%
Single and Top-Up Contributions	1,254.8	12.3%	7,714.4	47.3%	21,930.3	76.1%
Group Policies without Cash Values	2,714.6	26.5%	3,071.4	18.8%	3,122.0	10.8%
Total	**10,235.6**		**16,296.7**		**28,817.0**	

This increase in Gross Contribution was driven by a sharp rise in Single and Top-Up Contributions, which grew from PKR 7.7bn (47.3%) in CY23 to PKR 21.9bn (76.1%) in CY24. The Company's strategic shift toward single-contribution business enabled rapid asset build-up and reduced dependence on persistency-based income, while also lowering acquisition and servicing costs.

Regular individual contributions declined in both value and share during CY24. First-Year Contributions decreased from PKR 820.8mn (5.0%) in CY23 to PKR 309.5mn (1.1%), while Second Year and Subsequent-Year Renewals also recorded lower volumes, collectively contributing only PKR 3.5bn (12.0%). This aligns with the Company's revised product strategy that emphasizes upfront funding models and top-up-based inflows over conventional long-term renewal structures.

Overall persistence ratio indicated a declining trend, aligning with the industry trends owing to the challenges such weak macroeconomic conditions characterized by inflation that reduced the disposable incomes of individuals coupled with prioritization of other financial obligations over the life insurance premiums.

Improvement in Profitability:

During the review period, an improvement was witnessed in the overall profitability due to growth in the topline, realized and unrealized fair value gains and rationalization of expenses. Despite a higher quantum of claims on gross and net bases amounting to PKR 17.8bn (CY23: PKR 11.0bn) and PKR 17.5bn (CY23: PKR 17.5bn) respectively, the gross and net claims ratios improved to 61.7% (CY23: 67.2%) and 62.9% (CY23: 70.0%). Additionally, the expense ratio also improved on a timeline indicating rationalization of expenses. Resultantly, the combined ratio improved in CY24.

Table: Profitability Ratios

Profitability Ratios	**CY21**	**CY22**	**CY23**	**CY24**
Net Claims Ratio	68.3%	74.2%	70.0%	62.9%
Expense Ratio	38.0%	35.5%	20.2%	12.9%
Combined Ratio	106.3%	109.7%	90.1%	75.8%

Shareholder's Fund (SHF)

During CY24, PQFTL recorded a decline in Wakala fee income under the SHF to PKR 1.4 bn (CY23: PKR 1.5 bn; CY22: PKR 2.0 bn), primarily due to a lower allocation of contributions to the SHF. Despite this decline, overall profitability improved on the back of a reduction in commission expenses, which fell to PKR 599.0mn (CY23: PKR 628.2mn), and a notable increase in the Takaful Operator Fee, which rose to PKR 1.1 bn (CY23: PKR 641.8mn). Additionally, investment income under the Participant's Fund increased to PKR 217.2mn (CY23: PKR 182.0mn), supporting bottom-line growth.

Total expenses increased modestly to PKR 1.7 bn (CY23: PKR 1.6 bn), largely in line with inflationary cost pressures. Nonetheless, Profit Before Tax (PBT) improved significantly to PKR 366.4mn (CY23: PKR 192.1mn), while Profit After Tax (PAT) reached PKR 269.7mn (CY23: PKR 156.3mn), reflecting strengthened operating efficiency and improved income generation despite headwinds on the top line.

Table 4: Shareholder's Fund Profit and Loss Statement (Amount in millions)

SHF Profit & Loss Statement	**CY22**	**CY23**	**CY24**
Wakala Fee	1,989.7	1,507.8	1,352.8
Commission Expense	(847.9)	(628.2)	(599.0)
Takaful Operator Fee	562.3	641.8	1,066.2
Investment Income	147.7	182.0	217.2
Net Realized FV Gains on Investments	16.2	93.2	73.7
Other Income	23.0	32.5	16.1
Net Income	1,891.0	1,829.0	2,127.1
Total Expenses	(1,706.4)	(1,611.2)	(1,733.6)
Markup Expense	-	(25.7)	(27.1)
PBT	**184.6**	**192.1**	**366.4**
PAT	**149.1**	**156.3**	**269.7**

Policyholders' Fund (PHF)

The Net Contribution Written (NCW) of PQFTL increased to PKR 27.0bn in CY24 (CY23: PKR 14.3bn), mainly due to growth in the Individual Family segment. As per management, the Company introduced low-cost takaful products ahead of competitors, resulting in early market access. Re-takaful cession remained limited at PKR 417.8mn (CY23: PKR 449.8mn), in line with the typical structure of life and family takaful, where retention is generally high.

Other income rose to PKR 9.8bn (CY23: PKR 7.1bn), supported by higher realized and unrealized gains on investments, primarily from mutual funds and property revaluation. An increase in net claims was recorded in CY24, primarily due to a rise in surrenders and partial withdrawals. These surrenders are linked to reduced disposable income amid elevated inflation, leading participants to prioritize essential expenditures over long-term protection products.

The net change in takaful liabilities (excluding outstanding claims) increased to PKR 18.1bn in CY24 (CY23: PKR 10.1bn), reflecting higher contribution volumes, investment-linked growth in participant fund values, and lower surplus distribution. As a result, the Participant Takaful Fund (PTF) recorded a surplus of PKR 8.4mn in CY24 compared to a deficit of PKR 62.4mn in the previous year.

Table 5: PHF Profit & Loss Statement (Amount in Millions)

PHF Profit & Loss Statement	**CY22**	**CY23**	**CY24**
Gross Contribution Revenue	10,235.6	16,296.7	28,817.0
Wakala Fee	(1,989.7)	(1,507.8)	(1,352.8)
Retakaful Ceded	(464.0)	(449.8)	(417.8)
Net Contribution Written	7,782.0	14,339.1	27,046.4
Other Income	493.0	7,143.9	9,769.1
Net Income	8,274.9	21,483.0	36,815.5
Net Takaful Benefits	(7,326.9)	(11,483.2)	(18,710.3)
Net change in Takaful Liabilities	(800.5)	(10,062.2)	(18,096.8)
Surplus/ Deficit	**147.6**	**(62.4)**	**8.4**

Reinsurance Arrangements with Internationally Renowned Reinsurers

The Company has continued its retakaful arrangements with well-established counterparties, including Munich Re, Hannover Re, and Hannover Retakaful, all of which hold a financial strength rating of A+ or higher from Standard & Poor's. No changes were observed in the treaty panel or underlying terms during the rating review period. While the presence of highly rated retakaful partners enhances counterparty reliability and supports operational resilience, the Company's low cession ratio of 1.6% in CY24 (CY23: 2.8%) indicates that a significant portion of underwriting risk remains retained on its own books.

Growing Investment Portfolio with Majority Vested in Mutual Funds thereby Offering High Liquidity and Sound Returns Amid Volatility in Stock Market

Table 6: Investment Mix (Amount in millions)

INVESTMENTS	**CY22**	**%**	**CY23**	**%**	**CY24**	**%**
Equity Securities	6,213.2	24.0%	7,085.0	19.9%	39.8	0.1%
Government Securities-Sukuk Certificates	4,411.2	17.1%	4,420.2	12.4%	1,173.9	2.2%
Debt Securities-Sukuk Certificates	228.4	0.9%	89.4	0.3%	-	0.0%
Term Deposits	100.0	0.4%	50.0	0.1%	50.0	0.1%
Mutual Funds	**14,903.8**	**57.6%**	**23,937.1**	**67.3%**	**52,490.6**	**97.6%**
Money Market Mutual Funds	*1,532.4*	*5.9%*	*1,544.8*	*4.3%*	*2,604.3*	*5.0%*
Asset Allocation Mutual Funds	*6,650.9*	*25.7%*	*10,474.0*	*29.4%*	*38,750*	*73.8%*
Islamic Income Funds	*5,814.6*	*22.5%*	*10,544.7*	*29.6%*	*9,759.7*	*18.6%*
Others	*905.8*	*3.5%*	*1,373.6*	*3.9%*	*1,376.4*	*2.6%*
Total Investments	**25,856.6**		**35,581.7**		**53,754.2**	

The carrying value of the investment portfolio increased to PKR 53.8bn (CY23: PKR 35.6bn) by end-Dec'24, reflecting a shift towards mutual funds, accompanied by a marked reduction in direct equity exposure. This repositioning reflects the Company's strengthened risk management framework with client centric business decisions and an agile response to market dynamics, in line with its prudent investment policies. The higher allocation to mutual funds supports portfolio diversification and liquidity, while mitigating issuer-specific and concentration risks.

Within the mutual fund portfolio, Islamic Asset Allocation fund and Islamic income funds constitute the majority of holdings. The preference for asset allocation funds aligns with the Company's moderate risk appetite, offering an optimized balance between capital preservation and growth potential. Islamic income funds, in turn, contribute to a stable and Shariah-compliant income stream—essential for meeting policyholder obligations and supporting long-term solvency.

As of CY24, mutual funds comprise 97.6% of total investments, with a pronounced tilt toward asset allocation mutual funds (73.8%). While this structure offers broad diversification, it also introduces elevated exposure to market-driven volatility and manager-specific execution risk. Moreover, the reduced share of fixed-income instruments limits the portfolio's capacity to buffer against adverse market movements while simultaneously diluting asset specific risks.

PQFTL manages ten unit-linked funds (with introduction of Prosperity Fund) by end-CY24 that vary according to risk exposure and investment avenues, three of these funds pertain to Banca channel. Total Assets Under Management (AUM) increased to PKR 55.7bn (CY23: PKR 37.3bn) with a significant increase in AUM under Pure Savings Fund, which is primarily directed towards offering competitive returns for policy holders who have invested in the non-conventional insurance product. A new fund namely, Prosperity Fund was launched on November 15, 2024 which aims to deliver higher, Shariah-compliant returns than conventional income funds by investing in a diversified mix of fixed income, equities, and REITs. It follows a balanced fund of funds strategy with a medium risk profile, focusing on strategic asset allocation and active management.

Table 7: Assets Under Management (AUMs)

	AUMS	**Dec'21**	**Dec'22**	**Dec'23**	**Dec'24**
Direct Sales Force (DSF)	*Aggressive*	9.9%	7.6%	5.2%	3.9%
	Balanced	25.3%	20.5%	11.8%	7.5%
	Conservative	19.5%	25.2%	20.4%	14.1%
	Secure Wealth	0.3%	0.2%	0.1%	0.1%
	Pure Savings Fund	0.0%	6.1%	24.1%	45.7%
	Prosperity	0.0%	0.0%	0.0%	0.0%
	Mustekham Fund	0.0%	0.0%	3.4%	3.3%
Banca-Takaful	*Banca Growth*	21.7%	17.1%	16.0%	12.1%
	Banca Conservative	23.4%	23.3%	18.1%	12.6%
	Mustekham Fund	0.0%	0.0%	0.8%	0.8%
	Total	100.0%	100.0%	100.0%	100.0%

In terms of returns from unit-linked funds, the DSF Aggressive Fund delivered the highest return of 53.5%, in CY24, followed by the Banca Growth Fund at 45.3%. The performance of these funds was supported by a broader equity market recovery, with the KSE-100 Index gaining approximately 84.35% during the outgoing year. Furthermore, the DSF Balanced Fund and Secure Wealth Fund also exhibited improved performance, returning 24.1% and 21.1%, respectively by end-Dec'24, reflecting their exposure to the rising equity market and tactical asset allocation during the review period.

Table 8: Returns from Unit-Linked Funds

	AUMS	**Dec'21**	**Dec'22**	**Dec'23**	**Dec'24**
Direct Sales Force (DSF)	*Aggressive*	-11.2%	-17.3%	52.4%	53.5%

	Balanced	-1.0%	-5.9%	17.5%	24.1%
	Conservative	6.2%	10.6%	16.4%	16.6%
	Secure Wealth	4.8%	9.6%	14.3%	21.1%
	Pure Savings Fund		13.9%	20.2%	19.2%
	Mustekham Fund			17.0%	17.8%
	Prosperity				1.6%
Banca- Takaful	*Banca Growth*	-11.3%	-17.5%	54.2%	45.3%
	Banca Conservative	6.0%	10.3%	17.8%	18.7%
	Mustekham Fund			17.0%	17.0%

Sound Liquidity and Capitalization Indicators:

Table 9: Liquidity and Capitalization Indicators

Liquidity & Capitalization	**CY21**	**CY22**	**CY23**	**CY24**
Total Equity (In millions)	2,081.6	2,341.8	2,612.0	2,816.5
Liquid Assets to Total Liabilities (x)	0.96	0.96	0.96	0.98
Liquid Assets to Takaful Liabilities (x)	1.01	1.00	1.00	1.00
Equity to Assets	6.5%	7.1%	6.0%	4.5%

In line with internal cash generation, the equity base grew over the rating review period to PKR 2.8 bn (CY23: PKR 2.6 bn) at end-CY24. The Company recognized a dividend of PKR 0.5 per share during the aforesaid period. Additionally, the liquidity position remains adequate despite liquid assets relative to total liabilities being recorded at 0.98x at end-CY24 (CY23: 0.96x; CY22: 0.96x) due to a sizable increase in liabilities during CY24. Lastly, liquid assets to takaful liabilities remained in sync with previous years.

Pak-Qatar Family Takaful Limited — Appendix I

FINANCIAL SUMMARY				*(PKR in Million)*
BALANCE SHEET	**CY21**	**CY22**	**CY23**	**CY24**
Cash & Bank Balances	3,427.3	3,293.2	4,031.1	4,381.5
Investments	25,103.4	25,856.6	35,581.7	53,754.2
Liquid Assets	28,509.7	29,128.8	39,591.8	58,114.8
Takaful/ Retakaful Receivables	1,198.6	965.8	1,109.9	842.2
Total Assets	31,841.4	33,008.5	43,788.2	62,221.1
Paid up Capital	1,307.1	1,307.1	1,307.1	1,307.1
Net Worth	1,468.7	1,581.3	1,913.9	2,110.0
Takaful Liabilities	28,360.5	29,248.3	39,673.6	58,104.0
Total Liabilities	29,584.8	30,491.8	41,177.1	59,404.6
INCOME STATEMENT	**CY21**	**CY22**	**CY23**	**CY24**
Gross Contribution	9,986.4	10,235.6	16,296.7	28,817.0
Net Contribution	7,420.9	7,782.0	14,339.1	27,046.4
Gross Claims	6,048.8	6,971.9	10,954.4	17,773.5
Net Claims	5,794.9	6,618.3	10,652.5	17,490.4
Takaful Benefit	(6,048.8)	(6,971.9)	(10,954.4)	(17,773.5)
Total Expenses (Other than net Change)	(1,515.0)	(1,706.4)	(1,608.0)	(1,736.8)
Surplus	(38.0)	147.6	(62.1)	8.4
Profit before Tax	224.7	184.6	195.3	363.2
Profit After Tax	175.3	149.1	159.5	266.5
RATIO ANALYSIS	**CY21**	**CY22**	**CY23**	**CY24**
Market Share	NA	26%	35%	47%
Cession Ratio	4.3%	4.5%	2.8%	1.4%
Gross Claims Ratio	60.6%	68.1%	67.2%	61.7%
Net Claims Ratio	68.3%	74.2%	70.0%	62.9%
Expense Ratio	30.8%	28.4%	15.3%	8.8%
Combined Ratio	99.1%	102.6%	85.3%	71.7%
Overall Persistency	80.0%	69.9%	0.0%	0.0%
Liquid Assets to Total Liabilities (x)	0.96	0.96	0.96	0.98

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Pak-Qatar Family Takaful Limited
Sector	Insurance
Type of Relationship	Solicited
Purpose of Rating	IFS Rating
Rating History	see table below
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 insurer financial strength 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	see table below

Rating History

Rating Date	Medium to Long Term	Outlook/ Rating Watch	Rating Action
RATING TYPE: IFS			
07/22/2025	**AA(IFS)**	**Stable**	**Upgrade**
12/07/2023	A++(IFS)	Stable	Reaffirmed
6/29/2022	A++(IFS)	Stable	Reaffirmed
3/31/2022	A++(IFS)	Stable	Harmonized
4/16/2021	A+	Stable	Reaffirmed
10/15/2019	A+	Stable	Reaffirmed
7/18/2018	A+	Stable	Upgrade
6/23/2017	A	Positive	Maintained
12/4/2015	A	Stable	Maintained
5/13/2014	A	Positive	Maintained

Due Diligence Meetings Conducted

Name	Designation	Date
Mr. Muhammad Ahsan Qureshi	CFO	17-March-25