VIS
Credit Rating Company Limited

RATING REPORT

PAK-QATAR FAMILY TAKAFUL LIMITED

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RATING DETAILS		
RATINGS CATEGORY	Latest Rating	Previous Rating
	IFS	IFS
IFS RATING	AA (IFS)	AA (IFS)
RATING OUTLOOK/ WATCH	Stable	Stable
RATING ACTION	Reaffirmed	Upgrade
RATING DATE	August 31, 2026	July 22, 2025

Shareholding (5% or More)	Other Information
Pak-Qatar Investment (Pvt.) Limited – 34.78%	Incorporated in 2006
Pak-Qatar Asset Allocation Plan – 9.14%	Public Limited Company (Listed)
Qatar Islamic Insurance Company – 6.22%	**External auditors**: M/s. Yousuf Adil Chartered Accountants
Sheikh Ali Bin Abdullah Al Thani – 5.77%	Chairman of the Board: H.E. Sheikh Ali Bin Abdullah Al Thani
Qatar International Islamic Bank – 5.64%	Chief Executive Officer: Waqas Ahmed

Applicable Rating Methodology

Applicable Rating Criteria: Life Insurance and 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 assigned rating reflects PQFTL's established position in the family takaful sector, supported by its growing operational scale, and sound governance framework. During CY25, the Company made an initial offer of shares to the public, raising capital to meet the revised paid-up-capital requirements of the Securities and Exchange Commission. Meanwhile the Company continued to expand its business through product innovation, including the launch of Pakistan's first lifetime guaranteed pension plan and government-backed voluntary pension funds, while strengthening its distribution network across agency and banca-takaful channels. Management also undertook portfolio optimization by selectively repricing and exiting high-loss group business to improve the risk profile. Operational efficiency remained supported by continued digitalization, upgrades to the core takaful administration system, enhanced cybersecurity measures, business continuity arrangements, and readiness for IFRS 17 implementation through parallel runs and system enhancements. The Company also maintained robust Shariah governance through regular oversight by its Shariah Advisory Board and independent Shariah audits.

The ratings further draw comfort from PQFTL's improving financial profile. Gross contributions continued to grow, supported by greater emphasis on single and top-up contributions, strengthening the Company's asset base while maintaining relatively low acquisition costs. Profitability remained supported by investment gains, improved underwriting discipline, rationalized expenses, and an investor centric investment strategy with a dedicated investment arm of Asset Management Company channelizing contributions towards mutual funds to exercise greater vigilance and focused approach to portfolio management. Capitalization strengthened following the successful rights issue and initial public offering during CY25, while liquidity indicators remained sound with liquid assets providing adequate coverage against takaful liabilities. The Company also continues to maintain a low cession ratio and strong retention levels, supporting underwriting performance. Going forward, future ratings action remains dependent on PQFTL's ability to sustain profitability, and enhance its competitive position.

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.

Sponsor Profile

As a result of the Company's Initial Public Offering (IPO) and subsequent listing, the shareholding structure has changed. The current major shareholder of PQFTL is Pak-Qatar Investment (Private) Limited, holding 34.78% of the shares. Other key institutional sponsors include Pak-Qatar Asset Allocation Plan (9.14%) Qatar Islamic Insurance Company (6.22%), and Qatar International Islamic Bank (5.64%). Additionally, Sheikh Ali Bin Abdullah Al Thani, a member of the Qatari royal family, holds 5.77% 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), and 'A2/P-1' from Moody's.

Management and Governance

BOARD OF DIRECTORS OVERVIEW

During the review period, following its listing on the Pakistan Stock Exchange, PQFTL reconstituted its Board to align with the corporate governance requirements applicable to listed companies. The Board currently comprises nine members, including four non-executive directors, three independent directors, one executive director, and a non-executive Chairman, with the positions of Chairman and Chief Executive Officer remaining separate. One female director is also present. The Company maintains an established internal control framework and reports compliance with the applicable requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

CHAIRMAN/CEO PROFILE

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.

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. 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.

Director	Position
H.E. Sheikh Ali Bin Abdullah Al Thani	Chairman / Non-executive Director
Mr. Abdul Basit Ahmed Al Shaibei	Non-executive Director
Mr. Ali Ibrahim Al Abdul Ghani	Non-executive Director

Mr. Said Gul	Non-executive Director
Mr. Zahid Hussain Awan	Non-executive Director
Mr. Muhammad Kamran Saleem	Executive Director
Mr. Zahid Haleem Shaikh	Independent Director
Mr. Asad Pervaiz	Independent Director
Ms. Ammara Shamim Gondal	Independent Director

BOARD COMMITTEES

The Board has constituted the requisite governance and management committees to oversee key operational, investment, risk, underwriting, claims, audit, and remuneration functions. These comprise the Audit Committee, Investment Committee and Ethics, Human Resource, Remuneration and Nominations Committee, each operating under documented terms of reference approved by the Board. The committees meet at prescribed intervals, with the Audit and Investment Committees convening quarterly, while the Ethics, Human Resource, Remuneration and Nominations Committee meets semi-annually. The Audit Committee is chaired by an independent director in line with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019.

SHARIA COMPLIANCE:

PQFTL is operating as a full-fledged Takaful operator in Pakistan on "Wakalah Waqf" model under the regulatory supervision of SECP in light of their notified Takaful Rules 2012. The Company remained compliant with the requirements of the Takaful Rules, 2012 and applicable Shari'ah governance guidelines during 2025. An independent Shari'ah audit and review was conducted for the year, with the Shari'ah Advisor's Report and Shari'ah Review Report confirming that the Company's products, documentation, fund operations, claims handling, surplus distribution, and investment activities were in compliance with Islamic principles, while any minor observations identified were rectified. Shari'ah governance continued to be supported by the Shari'ah Advisory Board, with new products and investments undergoing prior approval and regular Board meetings held during the year to deliberate on key Shari'ah matters, including new investment avenues.

The Company also maintained an internal Shari'ah compliance function responsible for monitoring day-to-day operations and conducting staff training on Shari'ah compliance. 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.

PQFTL maintains a structured 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).

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.

Shariah Advisory Board

SAB 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 Hannover 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.

SAB Annual Report:

During the year, the Shariah Advisory Board conducted online & onsite meetings to discuss various matters. Additionally, SAB reviewed all types of products, documents, MOUs, and business concerns of the Company. SAB's findings are given below:

I. The Company's financial transactions, along with the relevant documentation and procedures for the year ended December 31, 2025, were in compliance with the guidelines issued by the Shariah Advisory Board and the requirements of the Takaful Rules 2012.
II. The prescribed Shariah Screening Criteria were duly met in all investment and financial transactions.
III. The identified amount of non-Shariah-compliant income was 00.00.
IV. Moreover, SAB also agree with the accounting principles adopted for incorporation of Participants' Takaful Fund (Waqf Fund) into the accompanying financial statements.
V. The Shariah Compliance Department remains actively engaged in promoting awareness of Takaful and its processes among distribution staff, educational institutions, and corporate sectors. In 2025, multiple awareness sessions were conducted in collaboration with the Training Department as well as independently.

Management Statement of Compliance:

The financial arrangements, contracts, and transactions entered into by PQFTL for the year ended December 31, 2025 are in compliance with the Takaful Rules, 2012.

Further, management confirms that:

i. The Company has developed and implemented all policies and procedures in accordance with the Takaful Rules, 2012 and rulings of the Shariah Advisor along with a comprehensive mechanism to ensure compliance with such rulings and Takaful Rules, 2012 in their overall operations with zero tolerance.
ii. The governance arrangements including the reporting of events and status to those charged with relevant responsibilities, such as the Audit Committee / Shariah Advisor and the Board of Directors have been implemented.
iii. The Company has conducted trainings / orientations and ensured availability of all manuals /agreements approved by Shariah Advisor / Board of Directors to maintain an adequate level of awareness, capacity and sensitization of the staff, management.
iv. All the products and policies have been approved by Shariah Advisor and the financial arrangements including investments made, policies, contracts, and transactions are in accordance with the policies approved by Shariah Advisor.
v. The assets and liabilities of Takaful Operations (Participants' Takaful Fund) are segregated from Company's other assets and liabilities, at all times in accordance with the provisions of Takaful Rules, 2012.

IT UPGRADES:

The Company continued to enhance its information technology infrastructure during 2025 through upgrades to its core Takaful administration system, supporting policy issuance, contributions, claims, accounting, and new product offerings, including the Lifetime Kafalat Plan and VPS funds. Cybersecurity measures remained in place through updated firewalls, anti-malware systems, vulnerability assessments, and penetration testing, with no major cybersecurity incidents reported during the year. The Company also maintained digital service channels, including its mobile application, web portals, WhatsApp, and call center, while secure VPN connectivity supported remote operations where required. Business continuity arrangements remained operational through a dedicated disaster recovery site and periodic disaster recovery drills. In addition, the Company initiated pilot projects involving data analytics and artificial intelligence to support risk assessment and customer analytics, alongside continued investment in digital customer engagement initiatives.

IFRS 17 IMPLEMENTATION

The implementation of IFRS 17 is scheduled to become effective for reporting periods beginning on or after January 1, 2027, in accordance with SECP directives. During 2025, PQFTL progressed to Phase IV (Parallel Run & Implementation) of its IFRS 17 implementation roadmap and conducted dry-run exercises to test reporting processes and systems. In line with SECP-prescribed timelines, the Company is undertaking multiple parallel runs, including audited dry-run reporting and Long Form Report (LFR) coverage, while engaging external actuarial and audit support to facilitate implementation and regulatory compliance. The Company continues to undertake system, process, and training initiatives in preparation for the transition.

AUDITOR'S OPINION

The M/s. Yousuf Adil., Chartered Accountants, categorized as 'Category A' on the SBP's Panel of Auditors and with satisfactory QCR rating from ICAP, has provided an unqualified and unmodified opinion on the Company's financial position as of December 2025.

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 have contested the matter in a court of law leading to a recent resolution of the matter and recent amendments to the sales tax framework have since addressed the issue.

Business Risk

INDUSTRY UPDATE

The global takaful market is projected to grow from approximately USD 46.0bn in 2026 to USD 153.2bn by 2035, representing a projected CAGR of 14.3%. Growth is supported by increasing awareness of Shariah-compliant financial products and expanding Muslim populations across key markets. Family takaful constitutes approximately 57% of the global takaful market, while general takaful accounts for the remaining 43% supported by health and motor business. The industry continues to witness greater adoption of digital platforms, AI-driven underwriting, digital claims processing, and mobile applications. The Middle East and Southeast Asia collectively account for approximately 68% of the global takaful market, led by Saudi Arabia, Malaysia, and the UAE. Furthermore, operators continue to expand through cross-border partnerships and product diversification, while regulatory harmonization remains an ongoing area of development across Islamic finance markets.

The family takaful industry in Pakistan maintained a positive growth trajectory during the review period, with gross written contributions (GWC) increasing by 20.1% to PKR 76.0bn in CY25 (CY24: PKR 63.3bn), while 1QCY26 recorded a 15.1% year-on-year increase to PKR 19.3bn (1QCY25: PKR 16.7bn). Growth during both periods was primarily driven by single contribution (investment-linked) products, which increased to PKR 30.0bn in CY25 (CY24: PKR 24.4bn) and PKR 7.5bn in 1QCY26 (1QCY25: PKR 6.1bn). The increase reflects continued demand for Shariah-compliant investment and savings solutions, supported by the expansion of banca-takaful distribution channels, improving investor sentiment amid the declining interest rate environment, and growing consumer preference for Shariah-compliant financial products amid increasing awareness of Islamic financial solutions. Correspondingly, the industry's asset base expanded by 18.0% to PKR 223.4bn in CY25 (CY24: PKR 189.4bn), while recording a 17.5% year-on-year increase to PKR 226.5bn in 1QCY26 (1QCY25: PKR 192.7bn), supported by higher participant funds and the accumulation of investment-linked assets.

Meanwhile, the industry net claims ratio increased to 65.4% in CY25 (CY24: 58.1%) and stood at 66.3% in 1QCY26 (1QCY25: 38.0%). Persistency ratios remained under pressure with elevated policy lapses and surrenders, primarily attributable to constrained household disposable incomes amid inflationary pressures. In addition, industry participants have highlighted mis-selling of investment-linked products as a contributing factor to lower persistency, resulting in increased policy discontinuance. Separately, the regulatory framework continues to strengthen, with the SECP requiring life insurers to achieve a Minimum Capital Requirement (MCR) of PKR 3.0bn by 2030, aimed at enhancing the financial resilience of the sector.

POTENTIAL SALES TAX ON LIFE INSURERS:

The Company, along with other life insurers, had challenged the imposition of provincial sales tax on life insurance on constitutional grounds. Pending final adjudication by the Federal Constitutional Court, the Company had treated related exposure as a contingent liability and did not recover the tax from policyholders. Following the amendments introduced through the Sindh Finance Act, 2026 and SRB Notification No. SRB-3-4/27/2026, effective 1 July 2026, which revised the sales tax framework applicable to life insurance impacting the taxable value of life insurance premiums, the Company's contingent sales tax exposure has reduced to PKR (100-200mn) (CY25: PKR 1.25bn) as per management representation. Under the framework taxable value has been determined at 20% of the gross premium for individual life insurance policies, 15% of the gross premium for group life insurance policies, and 5% of the gross premium for running individual life insurance policies issued between 1 July 2019 and 30 June 2026, subject to the condition that no input tax credit is admissible. The amendments also prescribed reduced sales tax rates of 2% for insurance agents and 3% for insurance brokers while simplifying certain compliance requirements under the Sindh Sales Tax on Services Rules. Management has already begun to pass on tax impact under the new guidelines from July 1,2026.

OPERATIONAL PERFORMANCE

During CY25, PQFTL continued to expand its operations through product innovation, portfolio optimization, and distribution enhancement. The Company launched Pakistan's first lifetime guaranteed pension plan (Lifetime Kafalat Plan) in February 2025 and subsequently introduced Voluntary Pension Scheme (VPS) Funds for the Governments of Khyber Pakhtunkhwa and Punjab, expanding its presence in the retirement savings segment. The Company also broadened its product suite and strengthened its distribution network through banca-takaful partnerships and agency channels, supporting wider market penetration. Within the group business segment, management undertook a portfolio review, re-priced selected accounts, and exited high-loss-ratio group family and health business to improve the portfolio's risk profile. In parallel, PQFTL continued to enhance customer service through digital initiatives, including improvements in digital service channels and claims processing, while leveraging its branch network and banca-takaful partnerships to expand customer outreach.

Gross Contribution	CY24	%	CY25	%	1QCY26	%	1QCY25	%
Individual Family	25,695.0	89.2%	27,286.9	90.9%	6,365.7	90.4%	5,555.8	87.8%
Group Family	700.0	2.4%	614.0	2.0%	150.0	2.1%	175.9	2.8%
Group Health	2,422.1	8.4%	2,128.7	7.1%	522.6	7.4%	594.5	9.4%
Total	**28,817.0**	**100%**	**30,029.6**	**100%**	**7,038.3**	**100%**	**6,326.1**	**100%**

The Gross Contribution of PQFTL grew by 4.2%, reaching PKR 30.0bn (CY24: PKR 28.8bn) during CY25 against the industry growth rate of 20.1%; 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, while exiting unfavorable business relationships and focusing on profitable growth. On the other hand, the Group Family and Group Health segments posted a decline in terms of the business mix. Slow growth in GWC relative to the industry resulted in a lower market share of 39.5% (CY24: 45.5%). Additionally, growth continued in Mar'26, with Company's GWC growing by 11.3% reaching PKR 7.0bn (1QCY25: PKR 6.3bn) against the higher industry growth of 15.1% resulting in a lower market share of 36.6% (1QCY25: 38.7%).

Gross Contribution	CY24	%	CY25		1QCY26	%	1QCY25	%
Regular Contribution Individual Policies:								
First Year	309.5	1.1%	278.2	0.9%	78.7	1.1%	53.7	0.8%
Second Year Renewal	351.6	1.2%	189.0	0.6%	28.6	0.4%	62.4	1.0%
Subsequent Year Renewal	3,103.5	10.8%	2,604.6	8.7%	465.7	6.6%	591.7	9.4%
Single and Top-Up Contributions	21,930.3	76.1%	24,215.1	80.6%	5,792.7	82.3%	4,847.9	76.6%
Group Policies without Cash Values	3,122.0	10.8%	2,742.6	9.1%	672.6	9.6%	770.4	12.2%
Total	**28,817.0**	**1.0**	**30,029.6**	**1.0**	**7,038.3**	**1.0**	**6,326.1**	**1.0**

This increase in Gross Contribution was driven by a sharp rise in Single and Top-Up Contributions, which grew from PKR 21.9bn (76.1.%) in CY24 to PKR 24.2bn (80.6%) in CY25. The Company's strategic shift towards 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 CY25. First-Year Contributions decreased from PKR 309.5mn (1.1%) in CY24 to PKR 278.2mn (0.9%), while Second Year and Subsequent-Year Renewals also recorded lower volumes, collectively contributing only PKR 2.8bn (9.3%) during CY25.

PERSISTENCY	2024	2025	1QCY26
Second year	42.8%	61.1%	53.2%
Subsequent years	66.2%	75.4%	71.2%
Overall	**62.7%**	**74.2%**	**69.8%**

Overall persistency ratio indicated a declining trend, aligning with the historical industry trends owing to the challenges such as 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. Going forward, PQFTL plans to focus on sustainable growth through expansion of its customer base, enhancement of underwriting performance through improved risk selection and pricing, continued cost optimization, and product innovation. The Company also intends to strengthen its distribution network through strategic partnerships and fintech collaborations, leverage data analytics to support customer insights and risk assessment, and expand its presence in underserved segments through micro-takaful and tailored product offerings. In addition, PQFTL aims to capitalize on opportunities in the voluntary pension fund business, continue preparations for the implementation of IFRS 17, and align its operations with evolving regulatory requirements, including SECP's initiatives relating to digital onboarding, customer-centric regulation, and insurance penetration.

PROFITABILITY

During CY25, an improvement was witnessed in the overall profitability due to growth in topline and takaful operator fee. With a higher quantum of claims/surrenders & withdrawals (S&W) on gross and net basis amounting to PKR 26.6bn (CY24: PKR 17.7bn) and PKR 26.3bn (CY24: PKR 17.5bn) respectively, the gross and net claims ratios increased to 88.5% (CY24: 61.7%) and 89.9% (CY23: 62.9%). On the other hand, expense ratio remained range-bound and the combined ratio increased in CY25 signifying underwriting losses. During March'26, PQFTL continued to have an underwriting loss driven by a high net claim/S&W ratio.

Profitability Ratios

Profitability Ratios	CY23	CY24	CY25	1QCY26
Gross Claims Ratio	67.2%	61.7%	88.5%	90.0%
Net Claims Ratio	70.0%	62.9%	89.9%	90.4%
Expense Ratio	20.2%	12.9%	13.8%	14.9%
Combined Ratio	90.1%	75.8%	103.7%	105.3%

SHAREHOLDER'S FUND (SHF):

Shareholder's Fund (Amount in PKR Millions)

SHF Profit & Loss Statement	CY24	CY25	1QCY26	1QCY25
Wakala Fee	1,352.8	1,131.2	209.3	233.3
Commission Expense	(599.0)	(395.2)	(66.0)	(92.8)
Takaful Operator Fee	1,066.2	1,540.0	389.3	325.1
Investment Income	217.2	128.3	44.6	31.9
Net Realized FV Gains on Investments	73.7	81.8	24.0	(0.2)
Other Income	16.1	17.1	4.4	2.8
Net Income	2,127.1	2,503.3	605.7	500.1
Total Expenses	(1,736.8)	(2,045.2)	(552.4)	(523.9)
Markup Expense	(27.1)	(29.1)	-	-
PBT	363.2	429.0	53.3	(23.8)
PAT	269.7	291.3	35.2	(26.8)

During CY25, PQFTL recorded a decline in Wakala fee income under the SHF to PKR 1.1bn (CY24: PKR 1.4bn) 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 395.2mn (CY24: PKR 599.0mn), and a notable increase in the Takaful Operator Fee, which rose to PKR 1.5bn (CY24: PKR 1.1bn). Additionally, investment income under the Participant's Fund decreased to PKR 128.3mn (CY24: PKR 217.2mn). Total expense also increased to PKR 2.0bn (CY24: PKR 1.7bn), largely in line with inflationary cost pressures. Despite this, Profit Before Tax (PBT) improved to PKR 429.0mn (CY24: PKR 366.4mn) while Profit After Tax (PAT) reached PKR 291.3mn (CY24: 269.7mn).

A similar profitability trend was observed during 1QCY26, with Wakala Fee declining to PKR 209.3mn (1QCY25: PKR 233.3mn). However, the impact of lower Wakala income was partially offset by a reduction in commission expense, alongside higher investment income and an increase in the Takaful Operator's share of surplus. Consequently, net income improved, resulting in a profit after tax (PAT) of PKR 35.2mn, compared to a loss after tax of PKR 26.8mn in the corresponding period last year.

POLICYHOLDERS' FUND (PHF)

Participant's Fund (All Amounts in PKR Millions)

PHF Profit & Loss Statement	CY24	CY25	1QCY26	1QCY25
Gross Contribution Revenue	28,817.0	30,029.6	7,038.3	6,326.1
Wakala Fee	(1,352.8)	(1,131.2)	(209.3)	(233.3)
Re-takaful Ceded	(417.8)	(335.0)	(75.8)	(90.1)
Net Contribution Written	27,046.4	28,563.4	6,753.2	6,002.8
Other Income	9,769.1	6,904.2	(158.8)	1,104.9
Net Revenue	36,815.5	35,467.6	6,594.3	7,107.7
Net Takaful Benefits	(18,710.3)	(27,941.1)	(6,644.7)	(6,746.0)

Net change in Takaful Liabilities	(18,096.8)	(7,423.6)	94.5	(349.4)
Surplus/ Deficit	8.4	102.9	44.1	12.3

The Net Contribution Written (NCW) of PQFTL increased to PKR 28.6bn (CY24: PKR 27.0bn) in CY25, mainly due to growth in the Individual Family segment. Re-takaful cession remained limited at PKR 335.0mn (CY25: PKR 417.8mn) in line with the typical structure of life and family takaful, where retention is generally high.

Other income decreased to PKR 6.9bn (CY24: PKR 9.8bn), supported by higher realized and unrealized gains on investments, primarily from mutual funds and property revaluation. Resultantly, net revenue has decreased to PKR 35.5bn (CY24: PKR 36.8bn). An increase in net claims was recorded in CY25, primarily due to a rise in surrenders. These surrenders are linked to reduced disposable income amid elevated inflation, leading participants to prioritize essential expenditures over long-term protection products. The net takaful benefits increased to PKR 27.9bn (CY24: 18.1bn) while the net change in takaful liabilities decreased to PKR 7.4bn (CY24: PKR 18.1bn) in CY25. As a result, the Participant Takaful Fund (PTF) recorded a surplus of PKR 102.9mn (CY24: 8.4mn) in CY25.

During Q1'26, PQTFL recorded an increase in NWC to PKR 6.7bn (1QCY25: PKR 6.0bn). However, total income reduced in line with a fair value loss of PKR 291.4mn on investments (primarily mutual funds) in line with adverse market performance due to geopolitical uncertainty. A decline in net takaful benefits and positive net takaful liabilities resulted in a surplus of PKR 44.1mn (1QCY25: PKR 12.3mn).

Financial Risk

REINSURANCE TREATIES

The Company has continued its retakaful arrangements with well-established counterparties, including Munich Re and Hannover Re. Both 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. The presence of highly rated retakaful partners enhances counterparty reliability and supports operational resilience.

INVESTMENTS

Investment Portfolio (Amount in PKR Millions)

INVESTMENTS	CY24	%	CY25	%	1QCY26	%
Equity Securities	39.8	0.1%	24.8	0.0%	24.8	0.0%
Government Securities-Sukuk Certificates	1,173.9	2.2%	2,256.3	3.6%	2,402.3	3.8%
Debt Securities-Sukuk Certificates	-	0.0%	-	0.0%	-	0.0%
Term Deposits	50.0	0.1%	-	0.0%	-	0.0%
Mutual Funds	52,490.6	97.6%	60,828.8	96.4%	60,708.0	96.2%
Money Market Mutual Funds	*2,604.3*	*5.0%*	*6,114.5*	*10.1%*	*8,154.2*	*13.4%*
Asset Allocation Mutual Funds	*38,750*	*73.8%*	*46,682.7*	*76.7%*	*44,208*	*72.8%*
Islamic Income Funds	*9,759.7*	*18.6%*	*6,318.1*	*10.4%*	*7,001.9*	*11.5%*
Others	*1,376.4*	*2.6%*	*1,713.5*	*2.8%*	*1,343.5*	*2.2%*
Total Investments	**53,754.2**	**100%**	**63,109.9**	**1.0**	**63,135.2**	**100%**

The carrying value of the investment portfolio has been rising and stood at PKR 63.1bn by end-March'26 (CY25: PKR 63.1bn; CY24: 53.74bn), with continued focus towards mutual funds accompanied by limited exposure in government securities and equities. The higher allocation to mutual funds supports portfolio diversification and liquidity, while mitigating issuer-specific and concentration risks and is therefore indicative of a strengthened risk management framework.

Within the mutual fund portfolio, Islamic Asset Allocation fund and Monet market mutual funds constitute the majority of holdings. As of 1QCY26, mutual funds comprise 96.2% of total investments, with a pronounced tilt towards asset allocation mutual funds (72.8%). 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.

Unit Linked Funds Asset Under Management (AUMs), annual yield and YTD yields

UNIT LINKED FUNDS	Dec'24	Dec'25	Mar'26	Dec'24	Dec'25	Mar'26
Direct Sales Force (DSF)	**AUMs (In PKR Millions)**			**Returns (CYTD)**		
Aggressive	2,152	2,441	2,158	53.48%	23.12%	-12.21%

Balanced	4,179	3,803	3,467	24.06%	9.27%	-5.90%
Conservative	7,861	7,271	7,039	16.58%	8.25%	3.91%
Secure Wealth	29	23	23	21.07%	10.36%	5.79%
Pure Savings Fund	25,395	32,819	34,005	19.15%	9.67%	8.58%
Prosperity	1	159	905	17.78%	8.26%	7.42%
Mustekham Fund	1,853	1,551	1,559	1.59%	8.31%	9.31%
Kafalat Pension Fund	-	57	79		7.76%	7.74%
Pure Protection Fund	-	1,723	2,505		7.85%	7.82%
Banca-Takaful						
Banca Growth	6,732	6,391	5,512	45.34%	21.97%	-10.10%
Banca Conservative	6,999	6,459	6,309	18.71%	8.73%	4.41%
Mustekham Fund	418	0	369	17.02%	8.72%	7.42%
Pure Protection Fund	-	-	68.0			7.82%
Total	**55,618**	**62,699**	**63,998**			

PQFTL manages fourteen unit-linked funds (with introduction of DSF Mustehkham & Kafalat Pension Funds and Banca Pure Growth Fund) at end-Mar'26, the composition of which varies by risk exposure and investment avenues; three of these funds pertain to Banca channel. Total Assets Under Management (AUM) increased to PKR 64.0bn (CY25: PKR 62.7bn) with significant AUMs under Pure Savings Fund, which is primarily directed towards policyholders with a medium risk appetite.

In terms of returns from the unit-linked funds, performance remained competitive in their respective categories and respective benchmarks in the market amid heightened geopolitical tensions and persistent inflationary pressures. Albeit volatility in capital market risk mitigation has kept policyholder values immune to high risk. In terms of yields, the DSF Aggressive Fund recorded a negative return of 12.2% during 1QCY26, compared to a positive return of 23.1% in CY25, while the Banca Growth Fund declined to -10.1% (CY25: 22.0%) and the DSF Balanced Fund to -5.9% (CY25: 9.3%). In contrast, relatively conservative funds with higher allocations to fixed-income and Shariah-compliant income-generating instruments continued to post positive returns, including the DSF Conservative Fund (3.9%; CY25: 8.3%), Pure Savings Fund (8.6%; CY25: 9.7%), Mustekham Fund (9.3%; CY25: 8.3%), Prosperity Fund (7.4%; CY25: 8.3%), Kafalat Pension Fund (7.7%), DSF Pure Protection Fund (7.8%), Banca Conservative Fund (4.4%; CY25: 8.7%), and the newly launched Banca Pure Protection Fund, which generated a return of 7.8% during 1QCY26.

LIQUIDITY & CAPITALIZATION

Liquidity & Capitalization

Liquidity & Capitalization	CY23	CY24	CY25	1QCY26
Total Equity	2,612.0	2,816.5	4,426.0	4,503.2
Liquid Assets to Total Liabilities (x)	0.96	0.98	1.00	1.00
Liquid Assets to Takaful Liabilities (x)	1.00	1.00	1.02	1.02
Equity to Assets	6.0%	4.5%	6.2%	6.3%
Excess/(Deficit) in Net Admissible Assets over Minimum Requirements		1,048.0	2,690.8	

Total equity increased to PKR 4.4bn (CY24: PKR 2.8bn) as at CY25 due to a combined outcome of a right issue and Initial Public Offering. PQFTL issued rights of 50mn with a face value of Rs. 10 per share to existing shareholders enhancing capital by PKR 500mn. This was supplemented by a new ordinary share issue also through initial public offer raising paid up capital from PKR 1.3bn to 2.3bn by Dec'25. Additionally, equity base increased due to share premium of PKR 352.1mn following the IPO and profit retention over 15 months ending Mar'26. While SECP requirements stand met for the time being, another bonus issue or an injection will be required to meet SECP's minimum capital requirement of PKR 3.0bn by 2030.

The overall risk absorption capacity of the Company is considered satisfactory in view of healthy and improving solvency margin levels. Additionally, the liquidity position remains adequate with liquid assets relative to total liabilities being at 1.00x at end-1QCY26 (CY25: 1.00x; CY24: 0.98x) and liquid assets to takaful liabilities improving to 1.02x (CY25: 1.02x; CY24: 1.00x) as at 1QCY26.

FINANCIAL SUMMARY				(PKR Million)
BALANCE SHEET	**Dec'23**	**Dec'24**	**Dec'25**	**Mar'26**
Cash & Bank Balances	4,031.1	4,381.5	3,870.5	3,214.4
Investments	35,581.7	53,754.2	63,109.9	63,135.2
Liquid Assets	39,591.8	58,120.8	66,955.5	66,324.8
Takaful/ Re-takaful Receivables	1,109.9	842.2	578.7	270.8
Total Assets	43,788.2	62,221.1	71,310.4	70,993.1
Takaful Liabilities	39,673.6	58,104.0	65,401.5	64,959.4
Total Liabilities	41,177.1	59,404.6	66,884.4	66,490.0
Paid up Capital	1,307.1	1,307.1	2,307.1	2,307.1
Net Worth	2,612.0	2,816.5	4,426.0	4,503.2
INCOME STATEMENT	**CY23**	**CY24**	**CY25**	**1QCY26**
Gross Contribution	16,296.7	28,817.0	30,029.6	7,038.3
Net Contribution	14,339.1	27,046.4	28,563.4	6,753.2
Gross Claims	10,954.4	17,773.5	26,583.0	6,335.5
Net Claims	10,652.5	17,490.4	26,332.9	6,236.5
Takaful Benefit	(10,954.4)	(17,773.5)	(26,583.0)	(6,335.5)
Total Expenses (Other than net Change)	(1,608.0)	(1,736.8)	(2,045.2)	(552.4)
Surplus	(62.1)	8.4	102.9	44.1
Profit before Tax	195.3	363.2	429.0	53.3
Profit After Tax	159.5	266.5	291.3	35.2
RATIO ANALYSIS	**Dec'23**	**Dec'24**	**Dec'25**	**Mar'26**
Market Share	35.5%	45.5%	39.5%	36.6%
Cession Ratio	2.8%	1.4%	1.1%	1.1%
Gross Claims Ratio	67.2%	61.7%	88.5%	90.0%
Net Claims Ratio	70.0%	62.9%	89.9%	90.4%
Expense Ratio	20.2%	12.9%	13.8%	14.9%
Combined Ratio	90.1%	75.8%	103.7%	105.3%
Overall Persistency	74.8%	62.7%	74.2%	69.8%
Liquid Assets to Total Liabilities (x)	0.96	0.98	1.00	1.00
Liquid Assets to Takaful Liabilities (x)	1.00	1.00	1.02	1.02

**Annualized*

REGULATORY DISCLOSURES — Appendix II

Name of Rated Entity	Pak-Qatar Family Takaful Limited
Sector	Insurance
Type of Relationship	Solicited
Purpose of Rating	Insurer Financial Strength
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 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	see table below

Rating History

Rating Date	Medium to Long Term	Outlook/ Rating Watch	Rating Action
RATING TYPE: INSURER FINANCIAL STRENGTH			
08/31/2026	AA (IFS)	Stable	Reaffirmed
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

Due Diligence Meetings Conducted

Name	Designation	Date
Nasir Ali Soomro	Chief Accountant and Head of Taxation	7th July, 2026