DIRECTORS' REPORT

The Board of Directors is pleased to present the Directors' Report of the State Life Insurance Corporation of Pakistan (the Corporation) together with the Condensed Interim Financial Statements **(Un-Audited)** for the half year ended **June 30, 2026.**

1. Economic Overview

Pakistan's economic outlook continued to improve during the first half of 2026, as reflected in recent assessments by international credit rating agencies. **Moody's Ratings upgraded Pakistan's sovereign credit rating to "B3" from "Caa1", while maintaining a stable outlook. The upgrade reflects improvements in governance and the expectation that recent gains in Pakistan's external and fiscal position can be sustained.** Similarly, **S&P Global Rating, Pakistan upgraded to "B" on Improved Institutional and fiscal settings: Outlook stable. We believe Pakistan has strengthened its institutional capacity through the implementation of critical reforms, which supported the buildup of foreign exchange reserves and alleviated pressure on external credit metrics.**

This relative stability also provided a supportive backdrop for the insurance sector, which maintained moderate growth during the period.

Management remains vigilant and committed to safeguarding the interests of policyholders and shareholders while pursuing sustainable growth through prudent financial management, effective risk management and sound governance practices.

2. Business Performance and Operating Results

During this period, the overall performance remained satisfactory. The Corporation continued to maintain its financial strength and market leadership, achieving steady business volumes and demonstrating operational resilience. Summary of key financial indicators for the half year ended June 30, 2026 in comparison to June, 2025, is presented below:

2.1. Net Revenue of the Corporation stood at Rs. **239,465** million during the half year of 2026, compared to Rs. **237,535** million in the same period last year, reflecting a marginal increase of **0.81%.** However, after adjusting for unrealized loss for both periods, net growth comes to **8.11%.**

2.2. **Acquisition and Marketing Expenses** amounted to **Rs. 11,835 million as at June 2026**, compared to **Rs.10,530 million as at June 2025**, representing an increase of **2.39%.**

2.3. The administrative expenses ratio to gross premium remain 8.5% as of June 2026, as compared to 7.5% last year.

2.4. Net Insurance benefits paid to the policyholders was Rs. **97,062** million, slightly lower than Rs. **100,333** million in the corresponding period, showing a decrease of **3.26%.**

2.5. The Statutory Funds balance stood at Rs. **2,450,904** million as of June 30, 2026, compared to Rs. **2,113,000** million in June 2025, showing a healthy increase of **16.00%,** reaffirming the Corporation's strong solvency position.

3. Business Portfolio Performance

3.1. Individual Life Business - Pakistan Operations

First-year gross premium during June, 2026 under Individual Life policies was Rs. **12,213** million, compared to Rs. **10,216** million in June, 2025, reflecting an increase of **19.55%.** Gross renewal premium amounted to Rs. **49,613** million, compared to Rs. **46,675** million last year, marking an increase of **6.29%.**

3.2. Individual Life Business - Overseas Operations.

Although the geopolitical situation in the Gulf region continues to persist, the management made significant efforts to improve business performance. As a result, the decline in Gulf Gross premium was fully recovered, the shortfall improved from **40% in the first quarter to nil by the end of the second quarter of 2026.** This recovery reflects the concerted efforts of the team and the resilience of the Corporation's business operations in the region.

3.3. Group Life Business

Gross premium under Group Life policies, including unearned premium, stood at Rs. **4,605** million, compared to Rs. **5,487** million last year, a decline of **16.07%.** Experience refund during the period was Rs. **27** million, compared to Rs. **25** million in June 2025. Net Group premium was Rs. **4,578** million (June-2025. **5,462** million), a decrease of **16.18%.** The decrease is due to the establishment and business sharing by new provincial insurance companies.

3.4. Takaful Business

Takaful recorded premiums of Rs. **1,217** million, compared to Rs. **717** million in the same period of 2025, demonstrating an impressive growth of **69.74%.**

3.5. Health Insurance Business

Gross premium under Health Insurance policies stood at Rs. **48,127** million, compared to Rs. **76,857** million last year — a decline of **37.38%.** Experience refund during the same period decreased to Rs. **2,243** million from Rs. **26,428** million, showing a reduction of **91.51%.** Net Premium was Rs. **45,884** million as against Rs. **50,428** million in June, 2025, a decrease of **9.01%.** This decrease is due to the decrease in the Health & Accidental Insurance Program of the Government of Punjab.

3.6. Real Estate

Gross rental income was Rs. **1,410** million in June 2026 (June 2025: **1,227** million), an increase of **14.91 %.** Expenses of investment property were Rs. **705** million as against Rs. **550** million, an increase of **28.18%.** Net Rental Income was Rs. **705** million (June 2025: Rs. **677** Million), an increase of **4.14%.**

3.7. Investment Yield

The investment yield for the six-month period ended 30 June 2026, annualised for comparative purposes, stood at **11.14%**, as against **12.67%** for the corresponding period June 2025. The slight decrease was primarily attributable to the decline in average policy rate.

4. Profit and Loss Account

Profit after tax (PAT) attributable to shareholders for the period was Rs. **7,255** million, compared to Rs. **6,890** million in June 2025 — an increase of **5.30%.** Out of this, Rs. **5,041** million (June 2025: Rs. **4,690** million) has been transferred to Ledger Account "D" (Solvency Reserve) on the advice of the Appointed Actuary. No interim dividend was declared for the period.

5. Insurer Financial Strength Rating

State Life continues to maintain the highest possible 'AAA' Insurer Financial Strength Rating from PACRA, signifying its exceptionally strong capacity to meet policyholder and contractual obligations — a testament to the Corporation's sound financial management and enduring public confidence.

6. Future Outlook

6.1. Digitalization Initiatives. To provide seamless and convenient digital services to policyholders, the Corporation has undertaken several initiatives, including:

- Launch of a Digital Insurance Policy Portal
- Online premium payments via e-Pay
- Online complaint management system
- Revamping of the corporate website
- Up gradation of centralized databases
- Integration of the mobile app (Android & iOS) with the website
- Digitization of policy documents
- Centralized Underwriting
- Centralized Accounting

Furthermore, development is underway for a mobile application for field workers, enabling real-time policyholder information access and improved operational efficiency.

6.2. Voluntary Pension Scheme. SLIC is intended to launch Voluntary Pension Scheme Funds i.e. State Life Retirement Savings Fund (SLRSF) and State Life Islamic Retirement Savings Fund (SLIRSF). The establishment of VPS Sub-Funds will enable SLIC to enter the growing retirement savings market for individuals, Provincials and Federal Government employees and generate recurring fund management and administrative fee income.

With the enactment of Defined Contribution Pension Scheme laws by the Federal Government and all Provincial Governments, all newly inducted government employees are required to become members of a registered pension fund managed by a licensed Pension Fund Manager. This has created a significant and expanding market for voluntary pension products in Pakistan.

6.3. Health & Accidental Insurance. The Health & Accident segment is entering a new growth phase focused on product diversification, service accessibility, and digital transformation to enhance customer experience.

- State Life's Health Division is adeptly managing comprehensive social health projects with the collaboration of Federal, AJK, KP & Baluchistan.
- Moreover, we have secured key corporate group clients and further sensitizing the Government organizations
- New products, including *Sahara Family Plus* and *Sinf-e-Ahan Premier*, will offer comprehensive, segment-specific health solutions.
- Affordability initiatives such as deductibles and digital wallet-based solutions will improve cost efficiency and streamline claims processes.
- The healthcare network will expand through additional laboratories, pharmacies, and partnerships with wellness centres to promote preventive care.
- Technology-driven systems (e.g., Critical Care Management and Bed Tracking) will enhance transparency, governance, and real-time decision-making.
- Greater emphasis on OPD coverage, with targeted programmes in regions like Malakand, Kohat, and Chitral, reflects a shift toward holistic healthcare financing.

6.4. Group Business. The Group & Pension continued to expand its outreach beyond conventional corporate business through innovative micro insurance and microfinance initiatives aimed at extending protection to underserved segments. During the period, a strategic arrangement with Engro FCEPL was initiated to provide life coverage to milk-supplying farmers, a segment previously outside the ambit of organized insurance protection. Simultaneously, discussions with builders and developers are progressing to introduce insurance solutions linked with residential booking and housing finance, particularly for small housing units and apartments. These initiatives, alongside the continued strengthening of core group products, reflect the Division's commitment toward wider insurance penetration, socially responsive coverage solutions, and sustainable business growth.

6.5. Family Takaful. Window Takaful will expand its individual wealth management and savings portfolio through a suite of Shariah-compliant Takaful products. These offerings will target middle-and-high-income segments to capture growing demand for disciplined savings solutions while strengthening persistence and customer lifetime value. In parallel, the Corporation will introduce Islamic annuity solutions focused on retirement and pension needs, enabling the conversion of accumulated savings into stable, lifetime income streams. This positions State Life uniquely to offer an integrated proposition across the full customer lifecycle—from accumulation to decumulation—addressing a critical gap in Shariah-compliant retirement planning.

6.6. Bancassurance. Looking ahead, we plan to accelerate growth by capitalizing on the following growth engines:

- Deepen relationships with existing banking partners and onboard new partners.
- Position Banca-Takaful as a core pillar of growth.
- Focus on product innovation.

We are confident that continued alignment with the partner banks and customer-centric innovation will drive sustainable value for the Bancassurance Division.

7. Acknowledgement

The Board expresses sincere gratitude to our valued policyholders for their continued trust and confidence in State Life. We extend appreciation to the Securities and Exchange Commission of Pakistan (SECP), Ministry of Finance, Ministry of Commerce, State Bank of Pakistan, our reinsurers, and business partners for their ongoing support and guidance. The Board also records deep appreciation for the dedication and commitment of our employees and field force, whose relentless efforts remain the cornerstone of the Corporation's success.

On behalf of the Board of Directors

Shoaib Javed Hussain

Chief Executive Officer

Saleem Zia

Chairman

Karachi,
Dated: 30 AUG 2026