

## DIRECTORS' REPORT

The Board of Directors is pleased to present the Directors' Report of the State Life Insurance Corporation of Pakistan together with the Condensed Interim Financial Statements (Un-audited) for the first quarter ended March 31, 2026.

### 1. Economic Overview

During the first quarter of 2026, Pakistan's economy continued to demonstrate improving macroeconomic stability, supported by moderate inflation, strengthening foreign exchange reserves, and prudent fiscal and monetary management. The State Bank of Pakistan maintained balanced monetary policy. The insurance sector sustained stable growth. However, emerging geopolitical tensions and the ongoing conflict in the Middle East created uncertainty in global financial markets, resulting in volatility in economies including Pakistan. Despite these challenges, Pakistan's economy remained resilient during the period under review.

### 2. Business Performance and Operating Results

During the period under review, the overall performance of the Corporation remained satisfactory, showing steady growth despite a challenging economic environment. A summary of the Corporation's key financial indicators for the first quarter ended March 31, 2026, compared with the corresponding period of 2025, is presented below:

- 2.1. Net Revenue of the Corporation stood at Rs. 74,642 million during the first quarter of 2026, compared to Rs. 113,797 million in the same period last year, reflecting a decrease of 34.4%. Notably, after adjusting for unrealized loss—amounting to Rs. 52,852 million in March 2026 and Rs. 5,819 million in March 2025—the Corporation's core revenue performance demonstrates strong underlying momentum, with adjusted total revenue rising to Rs. 127,494 million from Rs. 119,616 million, registering a growth of 6.6%.
- 2.2. Acquisition Expenses were Rs. 5,161 million, as against Rs. 4,665 million in the corresponding quarter of 2025, registering an increase of 10.6%. Marketing and Administrative Expenses amounted to Rs. 4,583 million, compared to Rs. 4,164 million in the preceding period, reflecting a rise of 10.1%.
- 2.3. Net Insurance Benefits paid to policyholders were Rs. 40,954 million, compared to Rs. 47,554 million in the corresponding period March, 2025, representing a decrease of 13.9%.
- 2.4. Statutory Funds as at March 31, 2026, stood at Rs. 2,357,571 million, compared to Rs. 2,054,308 million in the same period last year — an increase of 14.8%, reflecting strong fund growth and a stable solvency position.

### 3. Business Portfolio Performance

#### 3.1 Individual Life Business - Pakistan Operations

First-year gross premium income under Individual Life policies during the quarter ended March 31, 2026, stood at Rs. 5,052 million, compared to Rs. 4,425 million in the corresponding period last year, showing a substantial growth of 14.2%. Gross renewal premium amounted to Rs. 28,194 million, compared to Rs. 26,620 million in the same period last year, reflecting an increase of 5.9%.

#### 3.2 Individual Life Business - Overseas Operations

For overseas operations, the first-year gross premium under Individual Life policies was Rs. 28 million against Rs. 49 million in 2025, reflecting a decline of 42.9%. Renewal premium declined to Rs. 346 million

(2025: Rs. 405 million), a decrease of 14.6%. The decrease in FYP and Renewal premiums is attributed to the prevailing war situation in the Middle East.

### **3.3 Group Life Business**

Gross premium under Group Life policies, including unearned premium, amounted to Rs. 2,824 million for the first quarter of 2026, compared to Rs. 2,743 million in the same quarter of 2025, an increase of 3.0%. However, the Group Life premium net of experience refund was Rs. 2,818 million, compared to Rs. 2,736 million in the corresponding period, reflecting an increase of 3.0%.

The business growth remained below expectations primarily due to premium income from the Bureau of Emigration declined sharply following restrictions in the UAE and Saudi Arabia markets, along with suspension of air routes, which significantly reduced outbound employment and related revenue generation.

### **3.4 Takaful Business**

Premiums under the Takaful Business reached Rs. 503 million during the quarter, compared to Rs. 336 million in the same period of 2025, registering an impressive increase of 49.7%, demonstrating growing market confidence and expansion in Takaful offerings.

### **3.5 Health Insurance Business**

Gross premium under Health Insurance policies, including unearned premium, amounted to Rs. 21,307 million compared to Rs. 33,086 million in the same quarter last year, reflecting a decrease of 35.6%. Health premium net of experience refund amounted to Rs. 20,116 million, a decrease of 19.4% from Rs. 24,958 million in the corresponding period last year.

The decrease in premium income during the first quarter of 2026 is primarily attributable to the transition of the Punjab Sehat Sahulat Program from a premium-based model to a Fund Management Model with limited services. While this transition resulted in lower premium income and significantly minimized the associated underwriting risk.

### **3.6 Real Estate**

Gross Rental Income was Rs. 637 million during the first quarter of 2026, as against Rs. 577 million in March 2025, representing an increase of 10.4%. Net Rental Income was Rs. 388 million (March 2025: Rs. 356 million), representing an increase of 9.0%.

### **3.7 Investment Income**

Net investment income was at Rs. 17,756 million in March, 2026, compared to Rs. 54,405 million in March, 2025 — a decline of 67.4%. However, after excluding unrealized loss of Rs. 52,852 million (2025: Rs. 5,819 million), the Core Investment Income was Rs. 70,608 million (2025: Rs. 60,224 million) indicating a strong increase of 17.2%.

## **4. Profit and Loss Account**

Profit after tax (PAT) attributable to shareholders for the quarter ended March 31, 2026, was Rs. 2,873 million, compared to Rs. 5,026 million in the corresponding period of 2025 — a decline of 42.8%.

The decrease in profit during the first quarter of 2026 is primarily attributable to the transition of the Punjab Sehat Sahulat Program from a premium-based model to a Fund Management Model with limited services.

## 5. Insurer Financial Strength Rating

State Life continues to maintain the highest 'AAA' Insurer Financial Strength Rating by the Pakistan Credit Rating Agency (PACRA) — reflecting the Corporation's exceptionally strong capacity to meet policyholder and contractual obligations, underscoring its sound financial management and public trust.

## 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
- Upgradation 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.** Looking ahead, State Life's strategic focus will center on disciplined execution across distribution, institutional penetration, and policy conversion. The Corporation will activate its agency force and corporate channels to drive VPS uptake, while building a structured pipeline of Employer Pension Funds from public and private sectors transitioning to contributory schemes. Simultaneously, targeted conversion initiatives will leverage the existing policyholder base. With both conventional and Shariah-compliant options, State Life aims to rapidly build scale, enhance customer lifetime value, and secure a leading role in Pakistan's emerging pension ecosystem.

**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.

- 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 microinsurance and microfinance initiatives aimed at extending protection to underserved segments. During the quarter, 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

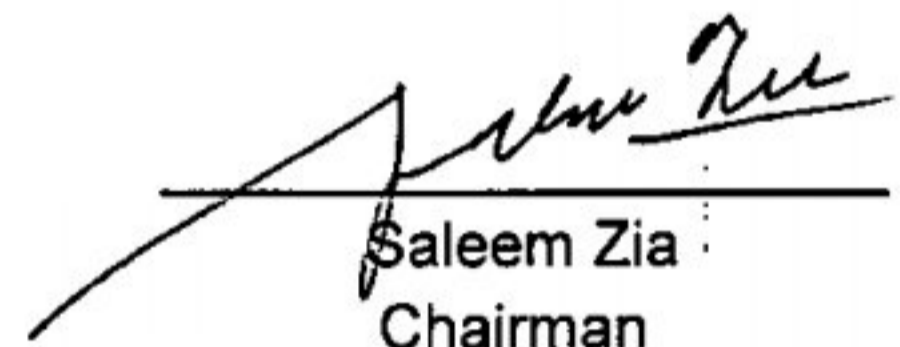
The Board expresses its sincere gratitude to our valued policyholders for their continued trust and confidence in State Life. We also acknowledge the continued guidance and support of the Securities and Exchange Commission of Pakistan (SECP), Ministry of Finance, Ministry of Commerce, State Bank of Pakistan, our reinsurers, and business partners.

The Board places on record its deep appreciation for the dedication, commitment, and hard work of our employees and sales force, whose 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: **15 MAY 2026**