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 three quarters ended **September 30, 2026**.

1. ECONOMIC OVERVIEW

Pakistan's economic trajectory demonstrated continued stabilization and resilience during the three quarters ended September 30, 2026, solidifying the macroeconomic gains recognized earlier in the year. The period benefited directly from major sovereign credit upgrades, with **S&P Global Ratings upgrading it to "B"** on July 22, 2026 and **Moody's Ratings raising Pakistan's credit rating to "B3" from "Caa1"** on August 24, 2026, both maintaining a stable outlook. Furthermore, in September 2026 **Fitch Ratings affirmed Pakistan's long-term rating at "B-" with a stable outlook**, citing robust fiscal consolidation.

These collective upgrades reflect enhanced institutional capacity, disciplined implementation of structural reforms and a broadened revenue base. A milestone **$3.0 billion Eurobond issuance in September 2026 significantly bolstered external liquidity with total reserves reaching to $ 26.34 billion**, driving the State Bank of Pakistan's liquid foreign exchange reserves upward and mitigating external credit risks. Improved macroeconomic stability provided a relatively supportive environment for the financial and corporate sectors.

2. BUSINESS PERFORMANCE AND OPERATING RESULTS

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

2.1. Out of the total revenues, premium income amounted to Rs. 169,411 million compared to Rs. 172,215 million in the corresponding period of 2025, reflecting a minor decline of 1.63%. This decrease was primarily attributable to the cessation of the Government of Punjab Social Health Programme. However, the impact was largely offset by exceptional growth in Individual Life conventional business, which was Rs. 94,411 million against Rs. 87,930 million in September 2025, registering a significant growth of 7.37%.

Investment Income after adjusting the un-realized gain/(loss) for both periods was Rs. 214,408 million and Rs. 194,928 million, an increase of 9.99%. Movement of un-realized gain/(loss) of Rs. (42,469) million for the period September 30, 2026 against un-realized gain/(loss) of Rs. 80,125 million in 2025, is mark-to-market phenomena and adjusted against policyholder's liabilities being un-realized.

2.2. Acquisition Expenses amounted to Rs. 19,004 million as at September 30, 2026, compared to Rs.16,429 million as at September 30, 2025, representing an increase of 15.67% in line with the growth of individual life business.

2.3. Marketing Expenses amounted to Rs. 96 million as at September 30, 2026, compared to Rs.217.92 million as at September 30, 2025, a decrease of 55.95%.

2.4. The administrative expenses to gross premium ratio stood at 8.82% as of September 2026, as compared to 7.61% last year.

2.5. Net Insurance benefits paid to the policyholders was Rs. 149,413 million, lower than Rs. 156,356 million in the corresponding period, showing a decrease of 4.44%.

2.6. The Statutory Funds balance stood at Rs. 2,485,946 million as of September 30, 2026, compared to Rs. 2,254,419 million in September 2025, showing a healthy increase of 10.27%, reaffirming the Corporation's strong solvency position.

3. BUSINESS PORTFOLIO PERFORMANCE

3.1. Individual Life Conventional Business - Pakistan Operations

First-year gross premium during September, 2026 under Individual Life policies was Rs. 20,036 million, compared to Rs. 17,136 million in September, 2025, reflecting an increase of 16.92%. Gross renewal premium amounted to Rs. 74,375 million, compared to Rs. 70,794 million last year, marking an increase of 5.06%.

3.2. Individual Life Business - Overseas Operations

Although the geopolitical situation in the Gulf region continues, 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 43% in the first quarter to an increase of 6.50% by the end of the third 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 Conventional Business

Net premium under group life business was Rs. 6,425 million (September-2025: 8,150 million), a decrease of 21.17%. The decrease is due to the establishment and business sharing by new provincial insurance companies.

3.4. Takaful Business (IL, GL, Health)

Takaful recorded a total contribution of Rs. 2,125 million, compared to Rs. 1,293 million in the same period of 2025, demonstrating an impressive growth of 64.26%.

3.5. Health Insurance Business

Net Health Insurance Premium was Rs. 64,703 million as against Rs. 73,084 million in September, 2025, a decrease of 11.47%. This decrease is due to the decrease in the Health & Accidental Insurance Program of the Government of Punjab.

3.6. Real Estate

Net Rental Income was Rs. 966 million (September 2025: Rs. 906 million), an increase of 6.60%.

3.7. Investment Yield

The investment yield for the nine-month period ended September 30, 2026, annualised for comparative purposes, stood at 12.85%, as against 13.24% for the corresponding period September 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. 8,755 million, compared to Rs. 9,028 million in September 2025 — a decrease of 3.02%. The decline is primarily due to the discontinuation of the Social Health Program in Punjab and ICT. Out of this, Rs. 5,356 million (September 2025: Rs. 5,955 million) has been transferred to Ledger Account "D" (Solvency Reserve) on the advice of the Appointed Actuary and Rs. 3,399 million (September 2025: Rs. 3,073 million) has been retained as un-appropriated profit. 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
- Digitization of policy documents
- Centralized Underwriting
- Out-bound Calls to the policy holders/claimants
- Enhancement of limit of premium payments with telecommunication companies

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 intends 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, Provincial 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 governments.
- Moreover, we have secured key corporate group clients and are 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 targeting middle- and high-income segments. These offerings aim to capture the growing demand for disciplined savings solutions while strengthening policy persistency and enhancing customer lifetime value.
In parallel, the Corporation will introduce an Islamic lifetime annuity solution to address retirement and pension needs, enabling participants to convert their accumulated savings into stable, lifelong income streams. This will position State Life uniquely to offer an integrated proposition across the customer lifecycle while 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, 13 NOV 2026
Dated: _____