



The Pakistan Credit Rating Agency Limited

Rating Report

Pak-Qatar Family Takaful Limited - PFM

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Rating History

| Dissemination Date | Long Term Rating | Short Term Rating | Outlook | Action | Rating Watch |
|--------------------|------------------|-------------------|---------|---------|--------------|
| 16-Sep-2024 | AM2(p) | - | Stable | Initial | - |

Rating Rationale and Key Rating Drivers

Pak-Qatar Family Takaful Limited ("PQFTL" or "the Company") derives its strength from its sponsors and solid market position. The Group has a strong presence in the insurance sector, consistently retaining market share and maintaining stable income while leveraging its substantial investment portfolio. PQFTL holds an entity rating of A++ with stable outlook from PACRA. PQFTL also being a licensed Pension Fund Manager along being an Insurance/Takaful service provider has been validated with an Asset Manager Rating for the role of pension manager. PQFTL has taken a trend-setting initiative by acquiring Pension Fund Manager license from SECP. Currently, only AMCs have been providing the service of Pension Fund Manager while the Insurance sector has accommodated only to mortality cover business. The company registered as Pension Fund Manager in Jan'2022 while it launched its pension fund under the name of Pak Qatar Islamic Pension Fund (PQIPF) in Dec'22. Industry of Islamic Pension Fund Managers have an AUM standing of ~PKR 39bln as of Dec'23 with the market size expected to expand with the advent of govt. policies. Provincial governments are expeditiously moving away from conventional pension model to VPS. The issuance of new rules from KPK and Punjab government for appointment of Pension Fund Managers to channelize funds to approved pension funds, to handle government employee's pensions, has expanded space to private fund managers. PQFTL has a well-established structure with strong digital footprints. The Company has established a comprehensive risk management function that is integrated across all its operations as a private takaful operator. It also maintains a legal, underwriting and internal audit function to assess internal controls and ensure compliance. PQFTL along with its sister concern Pak Qatar Asset Management Company Limited (PQAMC), which serves as investment advisor and oversees the portfolios of Pension Funds in accordance with investment policy distinguishes itself in the market with a unique product suite and a flexible Shariah compliant structure.

The combination of technical expertise from both PQFTL and PQAMC under the group umbrella is expected to enhance the management efficacy of the VPS. As of the end of Dec'23, PQFTL possesses a participant fund totaling PKR 34bln, with a product bouquet ranging from health, life, investment and newly added pension fund, expanding market visibility. PQAMC is mandated to manage investment for PQFTL, delivering good returns for CY23, aligning with the industry pattern.

The asset manager rating "AM2(p)" takes comfort from the ability of the Company to capitalize on the market share whilst sustaining the performance. While maintaining the liquidity position is critical with continuing focus on improving profitability.

Disclosure

| | |
|------------------------------|---|
| Name of Rated Entity | Pak-Qatar Family Takaful Limited - PFM |
| Type of Relationship | Solicited |
| Purpose of the Rating | Pension Fund Managers Rating |
| Applicable Criteria | Methodology Rating Modifiers(Apr-24),Assessment Framework Pension Fund Managers(Aug-24) |
| Related Research | Sector Study Life Insurance(Jun-24) |
| Rating Analysts | Madiha Sohail madiha.sohail@pacra.com +92-42-35869504 |



Profile

Background Pak-Qatar Family Takaful Limited (“Pak Qatar” or the “Company”) is a public unlisted company incorporated on Mar’06. It is the first and largest dedicated Family Takaful Company in Pakistan. Pak Qatar is a progressive and a technology-driven Shari’ah Compliant company providing innovative Takaful solutions since 2007. Incorporated in 2006, and beginning operations in 2007.

Operations The Company’s business is categorized under three statutory funds: (i) Individual Family plans, sold through Direct Sales Force and Banka-Takaful, including unit-linked plans and Decreasing Term Assurance (DTA) as non-linked plans, (ii) Group Family, and (iii) Group Health. It has also launched its pension fund Pak Qatar Islamic Pension Fund (PQIPF) and plans to launch new pension fund to expand into government pension funds.

Ownership

Ownership Structure Major ownership is vested in Mr. Said Gul and his affiliated entity (~38.8%), alongside H.E. Sheikh Ali Bub Abdullah Al-Thani and Associated Institutions (~31.1%) and FWU AG, a technical partner based in Germany (~15.2%). The remaining stake is distributed among various individual investors (~14.9%)

Stability The Company’s shareholding structure has remained unchanged, contributing to stability and continuity. Additionally, the sponsoring groups of the Company provide further stability, ensuring a strong foundation for its operations.

Business Acumen The Company benefits from the strategic involvement of Qatar Royal family members and their institutions like Qatar International Islamic Bank (holding ~9.95%) and Qatar Islamic Insurance Company (holding ~11%), both highly rated (A- by Fitch and A- by A.M. Best). This underscores the Company’s strong business acumen and enhances its market credibility and governance standards.

Financial Strength Pak Qatar benefits from a strategic partnership with FWU AG, gaining access to tailored Banca products, FWU’s Sales & Administration System (SIS), and support for distribution partner acquisition. FWU operates locally in Pakistan with a dedicated sales team of 26 professionals. Supported by the financial strength of sponsoring entities like the Qatar Royal family and Qatar International Islamic Bank, Pak-Qatar’s profile is further strengthened in the market.

Governance

Board Structure Pak Qatar’s nine-member Board, chaired by Mr. H.E. Sheikh Ali Bin Abdullah Al-Thani, includes Executive and Non-Executive Directors, including one Female Director, and representatives from Mr. Said Gul and FWU AG. The Board also includes one Independent Director.

Members’ Profile Since its inception in 2007, His Excellency Sheikh Ali Bin Abdullah Al-Thani has chaired the Board. With a robust business background, he also leads Umm-Haish International and Al-Jazeera Trading & Contracting. Previously, Sheikh Ali chaired Qatar International Islamic Bank and holds a degree in economics and political science from Portland State University, USA.

Board Effectiveness Three Board-level committees are established: Audit, HR & Remuneration, and Investment. Board meetings are held both within and outside Pakistan, with minutes formally documented.

Transparency The External Auditors of the Company, Yousaf Adil, Chartered Accountants, issued an unqualified audit opinion pertaining to annual financial statements for CY23.

Management

Organizational Structure The Company has a well-defined organizational structure. As an Executive Director, Mr. Muhammad Kamran Saleem acts as a liaison between the Board and key individuals, including the CEO, CFO, and Chief Internal Auditor (CIA).

Management Team Mr. Waqas Ahmed joined as CEO for a three-year term following his appointment by the Board in March 2024. With over three decades of expertise in the insurance industry, Mr. Waqas previously served as the Company’s COO before his departure. He is assisted by a team of qualified and experienced professionals.

Management Effectiveness Four key committees—Underwriting, Re-Takaful, Claims, and Risk Management & Compliance—support effective management. The CEO has real-time access to comprehensive information. Management meetings are held regularly, with minutes documented to ensure effective communication and decision-making.

Control Environment Internal Audit plan, approved by Audit Committee encompasses the review of internal control system which includes policies/procedures, physical safeguards and monitoring of compliance function pertaining to NBFC regulations. The compliance and risk functions are segregated and are overseen by dedicated resources.

Investment Risk Management

Research & Analysis PQFTL has mandated investment advisor to follow a top down approach for research and analysis. The investment advisor conducts evaluations and shares reports with the Pension Fund Manager to ensure overall conformity under advisory agreement.

Investment Decision Making PQFTL pension fund is managed based on investment policy defined in the offering document. PQAMC has been engaged as Investment Advisor for the Pension Fund managed by PQFTL. The advisory role is in compliance with the Pension Fund Manager rules while risk is mitigated under exposure limits disclosed in the offering document of the fund. Low risk funds are managed to ensure liquidity confirming volatility criteria in accordance with the investment profile while higher risk funds are more tolerant volatility to have enhanced returns in accordance with their investment mandate.

Risk Management Function Under the advisory agreement, investment advisor share the portfolio with PQFTL ensuring compliance of sub-funds under the pension fund with the Offering Document. PQFTL has an approved list of counterparties which are reviewed on quarterly basis and shared with the investment advisor to assist with its advisory role.

Investment Risk Management PQFTL have risk mitigation policy which complies with the risk appetite of sub-funds under the pension fund. All transactions conducted in the pension fund are in compliance with the defined risk exposure limits in accordance with the regulations and disclosed in the Offering Document.

Customer Relationship Management

Investor Services The Investor Services Department enhances retail outreach by offering investor education, personalized solutions, and client reporting. Retail investments in AMC’s mutual funds are now accessible via the CDC and a newly launched Mobile App. Additionally, the AMC is leveraging Pak Qatar Family Takaful’s 100+ branch network for retail distribution, with marketing and distribution segmented into retail (via PQFTL) and corporate (managed directly by AMC’s sales team).

Extent Of Automation/Integration Pak Qatar Family Takaful Limited has enhanced operations and customer service with its in-house Takaful Information and Management System (TIMS), providing real-time MIS reports, streamlined workflows across underwriting, claims, and finance, and robust security features.

Investor Reporting In addition to publishing fund manager reports on monthly basis, the AMC also disseminates unit holder statement every month through email which comprises net asset value and month end closing values.

Product Offerings PQFTL offers a wide range of Shariah-compliant insurance products, including individual and group family Takaful plans, bancatakaful, investment-linked Takaful, and microtakaful options. These products provide financial protection and savings, adhering to Islamic principles while catering to diverse customer needs. It also launched pension fund to provide individuals with a Shariah-compliant retirement savings option.

Financial Risk

Degree Of Concentration PQFTL have the most granular ticket size among Asset Managers with more than one hundred forty thousand participants being covered. Pension Fund managed by PQFTL has grown to around PKR100mln by Jun’24.

Financial Performance During CY23 the Company reported healthy underwriting performance achieving underwriting profits of PKR 3,744mln reflecting a growth of ~190%. Strong investment income supplemented overall profitability. However, net profitability declined to PKR 94mln (CY22: PKR 297mln) due to significant reserve building for policyholders. The Company has a paid-up share capital of PKR 1,307mln, well above the Minimum Capital Requirement whereas the total funds stood at PKR 2,612mln as at CY23 reflecting a growth of 3% (CY22: PKR 2,517mln).



PKR mln

Pak Qatar Family Takaful Limited
Public Unlisted Company

| Dec-23 | Dec-22 | Dec-21 | Dec-20 |
|--------|--------|--------|--------|
| 12M | 12M | 12M | 12M |

A BALANCE SHEET

| | | | | |
|---------------------------------|---------------|---------------|---------------|---------------|
| 1 Investments | 40,871 | 30,266 | 29,134 | 27,588 |
| 2 Insurance Related Assets | 1,110 | 966 | 1,199 | 1,039 |
| 3 Other Assets | 1,249 | 1,202 | 978 | 933 |
| 4 Fixed Assets | 560 | 576 | 530 | 570 |
| Total Assets | 43,789 | 33,009 | 31,841 | 30,130 |
| 5 Underwriting Provisions | - | - | - | - |
| 6 Insurance Related Liabilities | 40,606 | 30,000 | 29,166 | 27,445 |
| 7 Other Liabilities | 386 | 268 | 224 | 191 |
| 8 Borrowings | 185 | 224 | 196 | 250 |
| Total Liabilities | 41,177 | 30,492 | 29,585 | 27,886 |
| Equity | 2,612 | 2,517 | 2,257 | 2,243 |

B INCOME STATEMENT

| | | | | |
|--|--------------|--------------|--------------|--------------|
| 1 Gross Premium Written | 16,297 | 10,236 | 9,986 | 6,163 |
| 2 Net Insurance Premium | 15,847 | 9,772 | 9,555 | 7,558 |
| 3 Underwriting Expenses | (12,103) | (8,483) | (7,812) | (6,275) |
| Underwriting Results | 3,744 | 1,289 | 1,743 | 1,283 |
| 4 Management Expenses | (1,439) | (1,235) | (1,076) | (955) |
| 5 Investment Income | 7,336 | 566 | 211 | 3,256 |
| 6 Other Income / (Expense) | 551 | 513 | 399 | 393 |
| 7 Net Change in Reserve for Policyholders' Liabilities | (10,062) | (800) | (1,090) | (3,742) |
| Profit Before Tax | 130 | 332 | 187 | 235 |
| 8 Taxes | (36) | (36) | (49) | (45) |
| Profit After Tax | 94 | 297 | 137 | 190 |

C RATIO ANALYSIS

| | | | | |
|--|-------|-------|-------|-------|
| 1 Profitability | | | | |
| Loss Ratio (Net Insurance Claims / Net Insurance Premium) | 67.2% | 67.7% | 60.6% | 60.5% |
| Combined Ratio (Loss Ratio + Expense Ratio) | 85.5% | 99.5% | 93.0% | 95.7% |
| 2 Investment Performance | | | | |
| Investment Income / Operating Profit | 76.1% | 91.4% | 24.0% | 90.8% |
| 3 Liquidity | | | | |
| (Liquid Assets - Borrowings) / Outstanding Claims | 25.62 | 24.42 | 26.58 | 33.38 |
| 4 Capital Adequacy | | | | |
| Liquid Investments / Equity | 15.17 | 11.58 | 12.64 | 12.13 |

Pension Fund Manager Rating

An independent opinion on a pension fund manager's quality of services, management, and capacity to effectively manage investment and operational challenges.

| Scale | Definition |
|----------------------------------|---|
| AM1 (p) | Very high quality. Pension fund manager exhibits very high quality of services, management, and capacity to effectively manage investment and operational challenges |
| AM2++ (p) AM2+ (p) AM2 (p) | High quality. Pension fund manager exhibits high quality of services, management, and capacity to effectively manage investment and operational challenges |
| AM3++ (p) AM3+ (p) AM3 (p) | Good quality. Pension fund manager exhibits good quality of services, management, and capacity to effectively manage investment and operational challenges |
| AM4++ (p) AM4+ (p) AM4 (p) | Adequate quality. Pension fund manager exhibits adequate quality of services, management, and capacity to effectively manage investment and operational challenges |
| AM5 (p) | Weak. Pension fund manager exhibits weak quality of services, management, and capacity to effectively manage investment and operational challenges standards and benchmarks. |

*Where "(p)" denotes pension fund managers

| Outlook (Stable, Positive, Negative, Developing) | Rating Watch | Suspension | Withdrawn | Harmonization |
|--|--|---|--|---|
| Indicates the potential and direction of a rating over the intermediate term in response to trends in economic and/or fundamental business/financial conditions. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'. | Alerts to the possibility of a rating change subsequent to, or, in anticipation of some material identifiable event with indeterminable rating implications. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled. Rating watch may accompany rating outlook of the respective opinion. | It is not possible to update an opinion due to lack of requisite information. Opinion should be resumed in foreseeable future. However, if this does not happen within six (6) months, the rating should be considered withdrawn. | A rating is withdrawn on a) termination of rating mandate, b) the debt instrument is redeemed, c) the rating remains suspended for six months, d) the entity/issuer defaults., or/and e) PACRA finds it impractical to surveil the opinion due to lack of requisite information. | A change in rating due to revision in applicable methodology or underlying scale. |

Surveillance. Surveillance on a publicly disseminated rating opinion is carried out on an ongoing basis till it is formally suspended or withdrawn. A comprehensive surveillance of rating opinion is carried out at least once every six months. However, a rating opinion may be reviewed in the intervening period if it is necessitated by any material happening.

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Rating Team Statements

(1) Rating is just an opinion about the creditworthiness of the entity and does not constitute recommendation to buy, hold or sell any security of the entity rated or to buy, hold or sell the security rated, as the case may be | Chapter III; 14-3-(x)

2) Conflict of Interest

- i. The Rating Team or any of their family members have no interest in this rating | Chapter III; 12-2-(j)
- ii. PACRA, the analysts involved in the rating process and members of its rating committee, and their family members, do not have any conflict of interest relating to the rating done by them | Chapter III; 12-2-(e) & (k)
- iii. The analyst is not a substantial shareholder of the customer being rated by PACRA [Annexure F; d-(ii)] Explanation: for the purpose of above clause, the term "family members" shall include only those family members who are dependent on the analyst and members of the rating committee

Restrictions

- (3) No director, officer or employee of PACRA communicates the information, acquired by him for use for rating purposes, to any other person except where required under law to do so. | Chapter III; 10-(5)
- (4) PACRA does not disclose or discuss with outside parties or make improper use of the non-public information which has come to its knowledge during business relationship with the customer | Chapter III; 10-7-(d)
- (5) PACRA does not make proposals or recommendations regarding the activities of rated entities that could impact a credit rating of entity subject to rating | Chapter III; 10-7-(k)

Conduct of Business

- (6) PACRA fulfills its obligations in a fair, efficient, transparent and ethical manner and renders high standards of services in performing its functions and obligations; | Chapter III; 11-A-(a)
- (7) PACRA uses due care in preparation of this Rating Report. Our information has been obtained from sources we consider to be reliable but its accuracy or completeness is not guaranteed. PACRA does not, in every instance, independently verifies or validates information received in the rating process or in preparing this Rating Report | Clause 11-(A)(p).
- (8) PACRA prohibits its employees and analysts from soliciting money, gifts or favors from anyone with whom PACRA conducts business | Chapter III; 11-A-(q)
- (9) PACRA ensures before commencement of the rating process that an analyst or employee has not had a recent employment or other significant business or personal relationship with the rated entity that may cause or may be perceived as causing a conflict of interest; | Chapter III; 11-A-(r)
- (10) PACRA maintains principal of integrity in seeking rating business | Chapter III; 11-A-(u)
- (11) PACRA promptly investigates, in the event of a misconduct or a breach of the policies, procedures and controls, and takes appropriate steps to rectify any weaknesses to prevent any recurrence along with suitable punitive action against the responsible employee(s) | Chapter III; 11-B-(m)

Independence & Conflict of interest

- (12) PACRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on PACRA's opinions or other analytical processes. In all instances, PACRA is committed to preserving the objectivity, integrity and independence of its ratings. Our relationship is governed by two distinct mandates i) rating mandate - signed with the entity being rated or issuer of the debt instrument, and fee mandate - signed with the payer, which can be different from the entity
- (13) PACRA does not provide consultancy/advisory services or other services to any of its customers or to any of its customers' associated companies and associated undertakings that is being rated or has been rated by it during the preceding three years unless it has adequate mechanism in place ensuring that provision of such services does not lead to a conflict of interest situation with its rating activities; | Chapter III; 12-2-(d)
- (14) PACRA discloses that no shareholder directly or indirectly holding 10% or more of the share capital of PACRA also holds directly or indirectly 10% or more of the share capital of the entity which is subject to rating or the entity which issued the instrument subject to rating by PACRA; | Reference Chapter III; 12-2-(f)
- (15) PACRA ensures that the rating assigned to an entity or instrument is not be affected by the existence of a business relationship between PACRA and the entity or any other party, or the non-existence of such a relationship | Chapter III; 12-2-(i)
- (16) PACRA ensures that the analysts or any of their family members shall not buy or sell or engage in any transaction in any security which falls in the analyst's area of primary analytical responsibility. This clause shall, however, not be applicable on investment in securities through collective investment schemes. | Chapter III; 12-2-(l)
- (17) PACRA has established policies and procedure governing investments and trading in securities by its employees and for monitoring the same to prevent insider trading, market manipulation or any other market abuse | Chapter III; 11-B-(g)

Monitoring and review

- (18) PACRA monitors all the outstanding ratings continuously and any potential change therein due to any event associated with the issuer, the security arrangement, the industry etc., is disseminated to the market, immediately and in effective manner, after appropriate consultation with the entity/issuer; | Chapter III | 17-(a)
- (19) PACRA reviews all the outstanding ratings periodically, on annual basis; Provided that public dissemination of annual review and, in an instance of change in rating will be made; | Chapter III | 17-(b)
- (20) PACRA initiates immediate review of the outstanding rating upon becoming aware of any information that may reasonably be expected to result in downgrading of the rating; | Chapter III | 17-(c)
- (21) PACRA engages with the issuer and the debt securities trustee, to remain updated on all information pertaining to the rating of the entity/instrument; | Chapter III | 17-(d)

Probability of Default

(22) PACRA's Rating Scale reflects the expectation of credit risk. The highest rating has the lowest relative likelihood of default (i.e., probability). PACRA's transition studies capture the historical performance behavior of a specific rating notch. Transition behavior of the assigned rating can be obtained from PACRA's Transition Study available at our website. (www.pacra.com). However, actual transition of rating may not follow the pattern observed in the past; | Chapter III | 14-3(f)(vii)

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