

## Directors' Review

I am pleased to present on behalf of the Board of Directors, the unaudited unconsolidated condensed interim financial information of Saudi Pak Industrial and Agricultural Investment Company Limited for the period ended June 30, 2024 together with Directors' Review thereon.

IMF has agreed on a Staff Level Agreement for a 37-month Extended Fund Facility (EFF) arrangement of up to USD 7 Bn for Pakistan in July 2024 which is to be submitted to IMF Executive Board in September 2024. The new program aims to support macroeconomic stability and create conditions for a stronger, more inclusive, and resilient growth. S&P Global and Fitch has affirmed Pakistan's long-term sovereign credit ratings at 'CCC+' & maintained a stable outlook ahead of anticipated \$7 billion International Monetary Fund (IMF) loan program set to begin in August 2024.

In August 2024, State Bank of Pakistan (SBP) reduced the policy rate by 100 basis points to 19.5%. Headline inflation rose to 12.6% y/y in June 2024 from 11.8% in May, primarily driven by higher electricity tariffs and eid-related increase in prices. Average inflation is expected to remain in the range of 11.5% - 13.5% in FY25, down significantly from 23.4% in FY24. The current account deficit in FY24 narrowed significantly to 0.2 percent of GDP from 1.0 percent in the preceding year. This, along with the revival of financial inflows, helped build the SBP's FX reserves. Looking ahead, expectation of a modest increase in imports, growth in workers' remittances, along with an increase in exports, is expected to contain the current account deficit in the range of 0 - 1.0 % of GDP in FY25.

Pakistani rupee, which had lost more than 60 percent of its value against the United States dollar in the past two years, has now stabilized at 280 rupees against a dollar, on the back of improving macro fundamentals, and is likely to remain rangebound during remainder of 2024. The country recorded a primary surplus of Rs. 952.92 billion or 0.9% of GDP in FY24, the first surplus since FY07. For FY25, the government has set the primary surplus target at 2.0% of GDP. The benchmark KSE-100 index posted an annual return of 89% during FY24 in PKR terms while in USD terms, the return was 94%, as the local currency (PKR) appreciated against the US dollar. Going forward, any upward momentum will be largely dependent on approval of IMF loan, expected in August 2024.



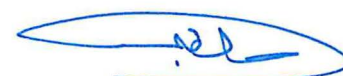
Salient features of financial statements for the period ended June 30, 2024 are as under:

	<u>Period ended June 30,</u>			
	<u>Actual</u>			
	<u>2024</u>	<u>2023</u>	<u>Variance</u>	<u>%Change</u>
	<u>Rupees in Million</u>			
Net mark up/interest Income	152.835	76.177	76.658	101%
Non markup interest income	453.843	226.938	226.905	100%
ECL / provisions	13.831	(81.102)	94.933	-117%
Profit before tax	307.988	138.945	169.043	122%
Profit after tax	298.672	91.487	207.185	226%

Net interest margin increased by 101% mainly due to net increase in advances, short term investments and effective management of funding cost in comparison to previous period. Non markup interest income increased by 100% mainly due to realized gain on sale of quoted shares and unrealized revaluation gain on FV-PL stocks. ECL provisions booked as per regulatory requirement. PBT & PAT substantially increased by 122% 226% respectively due to increased NIM & non markup interest income.

The company plans to remain focused on the core business activities and capitalize on available business opportunities which satisfy risk and reward criteria, while maintaining concerted efforts on SAM recoveries and process improvements. Reduction of funding cost remains a key priority to increase the income spreads.

On behalf of the Board, I would like to express our gratitude to the Governments of Islamic Republic of Pakistan and the Kingdom of Saudi Arabia for their support and State Bank of Pakistan for professional guidance. I thank the management and the staff for their achievements despite the challenges and urge the management to continue with the same positive intent.



Chairman