SAUDI PAK
INDUSTRIAL AND AGRICULTURAL INVESTMENT COMPANY LIMITED

Directors Review Report – June 2025

I am pleased to present on behalf of the Board of Directors, the unaudited *unconsolidated* condensed interim Financial Statements of Saudi Pak Industrial and Agricultural Investment Company Limited, for 6-month period ending on 30 June 2025 with the Directors' Review.

Real GDP growth reached 2.7%, *below* the government's original target of 3.6%; IMF forecast was 2.6%, with an improvement expected to 3.6% for FY26. Headline inflation averaged 4.5%, remaining within the target range of 4-6%. The State Bank of Pakistan (SBP) reduced its policy rate from 22% in 2024 to 11% by mid-2025; however, in Aug 2025, SBP held the policy rate steady at 11%, while FY25 inflation projection remained within 5.5–7.5% and GDP growth forecast at 2.5–3.5%

A current account surplus of USD 1.9 Bn. was recorded in FY25 while the Remittances surged by 31% YoY, reaching USD 35 Bn. FX Reserves improved from USD 9.4 Bn. in Aug 2024 to 13.9 Bn. by the end of FY26. The fiscal deficit narrowed to 3.2% of GDP with a healthy primary surplus of around 3% of GDP (3.47 Trillion) was achieved. Large Scale Manufacturing rebounded with 2.3% YoY growth, having gains in automobiles, textiles, cement, and beverages. Capital Market showed a healthy growth in last 6 months with KSE 100 Index reaching 125,000 points from 117,000.

The government targets 4.2% real GDP growth in FY26, while IMF sees it at 3.6%, against inflation of 5–7%. Macro-economic *performance* and *outlook* are summarized below:

Metric	Jan–Jun 2025 Performance	Jul–Dec 2025 Outlook
GDP Growth	2.7% for FY25 (below target)	Target 4.2%; IMF: ~3.6%
Inflation (CPI)	4–5%; dipping to 0.3% in April	Projected 5–7%; near-term ~3–4%
Policy Rate	Cut to 11%, held steady	To be maintained *unless* inflation rises
Current Account	Surplus USD 1.8–1.9 Bn.	Surplus or balanced
FX Reserves	Improved to USD 16–17 Bn.	Stable through surveillance
Fiscal Balance	Deficit 2.6–3.2%; primary surplus 3%	Deficit control via tax measures, subsidies
Sectors Trends	Agri *weak*; industry *improving*; electricity capacity *stable*	Manufacturing rebound; continued reforms under Uraan Pakistan
Risks	Regional instability; flood damage	Climate & Commodity volatility

Pakistan successfully negotiated the tariff structure deal with the USA, which may give it a competitive edge over other regional players for exports to the USA. Throughout the period under review, there remained stability in the Foreign Exchange rates for PKR, Inflation remained within the target levels – enabling the Central Bank to reduce the policy interest rates down to 11%, and the Current Account balance remained within the acceptable range. Resultantly, S&P Global improved the Pakistan's long-term sovereign credit ratings from **CCC+** to **B-** with a **Stable** outlook. Reduced interest rates will provide the necessary stability for the industries, *especially* the highly leveraged ones.

Salient features of Saudi Pak's Financial Statements for the period ending 30 June 2025 are:

Performance for the Period ended 30 June 2025 PKR M

Item	2025	2024	Variance	% Change
Net Interest Income	877.39	152.83	724.55	474%
Non-Interest Income	273.74	453.84	(180.10)	-40%
Credit loss allowance-Provision/(Reversal)	(388.89)	13.83	(402.72)	-2912%
Profit before tax	1,107.93	307.99	799.94	260%
Profit after tax	666.30	298.67	367.62	123%

Net interest margin increased by 474%, primarily driven by a net increase in advances, short-term investments, and effective management of funding costs compared to the previous period. Non-mark-up interest income declined by 40%, mainly due to the disposal of quoted shares, which resulted in a reduction in dividend income and unrealized revaluation gains on FVPL (Fair Value Through Profit or Loss) stocks. Provisions were reversed in accordance with regulatory requirements. Profit before tax (PBT) and profit after tax (PAT) rose significantly by 260% and 123%, respectively, primarily due to the substantial increase in net interest margin and improved cost management.

The company plans to remain focused on the core business activities of development finance and capitalize on the available business opportunities which satisfy risk and reward criteria, while maintaining concerted efforts on SAM recoveries and better controls. Reduction of the funding costs remains a *key priority* to increase the income spread.

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 the State Bank of Pakistan for its 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.

The Chairman

Saudi Pak Industrial & Agricultural Investment Company