



Directors Review Report – September 30, 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 nine months period ending on September 30, 2025 with the Directors' Review.

Pakistan's economy sustained its recovery momentum in the opening months of FY2026, supported by moderating inflation, stable monetary conditions, and a rebound in industrial activity. Despite the adverse impact of summer floods, economic activity remained broadly steady, with improving trends across manufacturing, trade, and external inflows. The large-scale manufacturing (LSM) sector recorded growth, driven by higher output in textiles, automobiles, and cement, reflecting strengthening demand and supply-side resilience.

Headline inflation moderated significantly, averaging 3.5 percent during Jul–Aug FY2026 compared to 10.4 percent a year earlier, with CPI easing to 3.0 percent year-on-year in August 2025. The decline was largely attributed to lower prices of perishable food items and stable energy costs. The Monetary Policy Committee (MPC) in its September meeting kept the policy rate unchanged at 11 percent, maintaining a balance between supporting growth and containing flood-related inflationary pressures. Money supply contracted by 2.3 percent during the period, while Net Foreign Assets improved modestly, reflecting cautious liquidity management by the State Bank of Pakistan (SBP).

The external sector continued to demonstrate resilience, underpinned by strong workers' remittances and steady foreign investment inflows. Remittances rose by 7 percent to USD 6.4 billion, led by inflows from Saudi Arabia (24.6% share) and the UAE (20.6%). Net FDI stood at USD 364 million, mainly in the power and financial services sectors, while the SBP's foreign exchange reserves were recorded at USD 14.4 billion, bringing total national reserves to USD 19.8 billion as of September 19, 2025. The current account remained contained, supported by stable exports and easing global commodity prices.

Financial markets reflected growing investor confidence. The Pakistan Stock Exchange (PSX-100 Index) maintained its historic rally, crossing the 165,000-point mark its highest level on record supported by strong corporate earnings, stable macro indicators, and improved foreign interest. Meanwhile, Pakistan's recently concluded tariff structure agreement with the United States is expected to enhance export competitiveness and support external sustainability.



The government targets 4.2% real GDP growth in FY26, while IMF sees it at 3.6%, with inflation expected to remain contained within 3.5 - 4.5%. Macro-economic *performance* and *outlook* are summarized below:

Metric	Jan–Jun 2025 Performance	Jul–Sep 2025 Update and July- Dec 2026 target
GDP Growth	2.7% for FY25 (below target)	Target 4.2%; IMF: ~3.6%, early signs of industrial recovery led by LSM, cement, and auto sectors
Inflation (CPI)	4–5%; dipping to 0.3% in April	Averaged 3.5% (Jul–Aug); 3.0% YoY in Aug; expected 3.5–4.5% in Sept – well within SBP target range
Policy Rate	Cut to 11%, held steady	Maintained at 11% (SBP meeting Sep 15); monetary stance neutral amid moderating inflation and flood uncertainty
Current Account	Surplus USD 1.8–1.9 Bn.	Stable; supported by 7% YoY rise in remittances (USD 6.4 Bn Jul–Aug) and export recovery
FX Reserves	Improved to USD 16–17 Bn.	Rose to USD 19.8 Bn (USD 14.4 Bn with SBP as of Sept 19) – reflecting improved external buffers
Fiscal Balance	Deficit 2.6–3.2%; primary surplus 3%	Fiscal position stable; primary surplus maintained; continued revenue mobilization and expenditure control
Sectors Trends	Agri <i>weak</i> ; industry <i>improving</i> ; electricity capacity <i>stable</i>	LSM expanding (textile, cement, autos); services and energy supply stable; reform momentum under Uraan Pakistan
Risks	Regional instability; flood damage	Flood-related supply pressures; commodity price volatility; manageable external risks under IMF program

Pakistan's improved global credit rating—upgraded by S&P Global from CCC+ to B- with a Stable Outlook—has further strengthened investor confidence and the country's economic image. The upgrade reflects progress on structural reforms, fiscal discipline, and external account stabilization, which have enhanced Pakistan's sovereign credibility in international markets. This positive shift has not only lowered perceived risk but has also rekindled interest from foreign investors in equities, fixed income, and direct investment, reinforcing expectations of sustained macroeconomic stability and stronger growth in FY2026.



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

Performance for the Period ended September 30, 2025 (PKR M)

Item	Sep-2025	Sep-2024	Variance	% Change
Net Interest Income	1,188.57	375.10	813.47	217%
Non-Interest Income	570.26	545.88	24.38	4%
Credit loss allowance-Provision/(Reversal)	(408.25)	(230.45)	(177.80)	77%
Profit before tax	1,501.85	717.23	784.62	109%
Profit after tax	957.33	654.24	303.09	46%

Net interest margin increased by 217%, primarily driven by growth in advances, short-term investments, and effective management of funding costs compared to the previous period. Non-mark-up income increased by 4% mainly due to the disposal of quoted shares, which generated realized gains, as well as unrealized revaluation gains on FVPL (Fair Value Through Profit or Loss) stocks. Provisions were reversed in line with regulatory requirements. Consequently, profit before tax (PBT) and profit after tax (PAT) recorded significant growth of 109% and 46%, respectively, reflecting the substantial improvement in net interest margin and enhanced cost efficiency.

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