



Saudi Pak Industrial and Agricultural
Investment Company Limited

Directors Review Report

Annual Report 2025

Chairman's Message

It is with a deep sense of responsibility and pride that I present the performance of Saudi Pak Industrial & Agriculture Investment Company for the period under review. Over the past three years, the Company has undertaken a disciplined and strategically focused transformation, laying a strong foundation for sustainable and resilient growth.

Guided by a comprehensive multipronged strategy supported by a robust risk-weighted financial framework, we have strengthened our core business model, enhanced institutional capacity, and reinforced financial stability. Decisive actions were taken to address non-performing and stressed exposures, accelerate recoveries, and fortify the balance sheet. At the same time, the restructuring and realignment of our Corporate, Investment Banking, and Treasury divisions have enhanced operational efficiency, deepened market engagement, and strengthened risk governance.

These strategic initiatives have translated into measurable outcomes. Our capital base has been reinforced, with shareholders' equity increasing to Rs.17,963.7million. Prudent investment rationalization improved asset composition and strengthened key financial ratios. Focused recovery efforts reduced the infection ratio from 15.82% in 2024 to 10.64% as of December 2025, reflecting enhanced asset quality and disciplined risk management.

Financial performance over the period has been particularly encouraging. Profit Before Tax increased by 38%, Return on Equity rose by 33% (7.1% to 9.4%), Return on Assets improved by 83% (1.0% to 1.8%), and Earnings per Share advanced by 44% (1.360 to 1.957). These results underscore the effectiveness of our strategy, the resilience of our business model, and the unwavering commitment of our management and staff.

Beyond financial performance, the Company achieved an "AAA" credit rating and was honored with the "Green Finance and Investment" award, recognizing our leadership in advancing climate resilience and sustainable finance. These milestones affirm our commitment not only to profitability, but also to responsible and forward-looking growth.

As we look ahead, we remain focused on strengthening our institutional capabilities, enhancing stakeholder value, and contributing meaningfully to economic development. On behalf of the Board, I extend my sincere appreciation to our shareholders, regulators, clients, and employees for their continued trust and support.

Together, we will continue to build a resilient, responsible, and future-ready institution.



Sultan Abdulrauf

Chairman

Directors' Report

A. Economic Overview

During fiscal year 2025, Pakistan's economy continued its gradual stabilization and recovery from the challenges of prior years, supported by macroeconomic reforms, external financial support, and improving price dynamics.

Real GDP Growth for FY2025 expanded modestly, with growth of 3.1%, an improvement from prior periods of contraction and stabilization. Economic activity was supported by a rebound in industrial output and continued expansion in the services sector. Growth in the Agri sector moderated to 1.5% in FY2025 as compared to 6.4% in FY2024, though overall GDP growth remained supported by momentum in industry and services.

Inflation continued to moderate significantly in 2025 compared to the elevated levels in prior years, with headline measures remaining firmly in single digits. Average inflation for Jan-Dec 2025 stood at 3.5% as compared with 13.1% in the corresponding period last year, driven primarily by easing food prices and improved supply conditions.

On the external accounts front, remittances and export receipts played a crucial role in cushioning external pressures. The broader external position, however, remains sensitive to import demand and global economic conditions. Fiscal discipline continued to be a priority, with focus on deficit containment and enhanced revenue mobilization. Monetary policy continued to support economic activity while anchoring inflation expectations. Ongoing engagement with multilateral partners, particularly the IMF, facilitated program financing and reinforced fiscal and balance-of-payments stability.

Current account balance posted a deficit of \$1.17 Bn. in Jul-Dec FY2026 (**2025: surplus** \$0.96 Bn.). Record-high remittance inflows and strong export performance offset the import bill. Pak Rupee remained stable, indicating favorable external developments. Fiscal Balance achieved a surplus of PKR 981 Bn. in H1-FY2026 (**2025: Deficit** 43 Bn.)

With improved economic indicators, stable inflation, and growing investors' confidence, Pakistan is poised for a decent GDP growth of 3.5% in FY2026.

In conclusion, while Pakistan continues to face structural challenges such as tax reforms, industrial competitiveness, and export diversification, the recent improvements in macroeconomic stability provide a strong foundation for sustained growth. With continued policy discipline, institutional strengthening, and targeted reforms, the country is well positioned to build resilience, attract investment, and unlock new economic opportunities in the years ahead:

B. Operational Overview

1. Corporate Finance

In 2025 industrial performance improved due to economic stability. Continued decrease in interest rates eased the debt burden on most sectors, reflected by continuous surge in scrips across all sectors. Saudi Pak identified the most promising sectors as green renewable energy, Agri and Livestock investments. Agri finance anchored around corporate players and export-oriented entities.

The performing Advances (funded) grew to PKR 19.0 Bn. (2024: 13.17 Bn.) – a 44% increase without compromising on the assets' quality as depicted by very strong Portfolio Risk Rating. Non-funded portfolio increased to PKR 5.3Bn. (2024: 4.5 Bn.). Key Success Factors include:

Customized Approach: the key to the growth depicted above came through an approach of handling each financing opportunity according to the specifics; one of these solutions was 'anchoring': involve the corporate presence around undertaking renewable energy projects.

Sectors identification: unlike typical financing portfolio woven around the textile sector, the company identified sectors showing growth potential, like renewable energy, pharmaceutical, and Food supply chain etc.

Non-Funded Solutions: To provide greater flexibility to clients, strengthen reciprocal banking relationships, and enhance fee-based income, the Company has placed particular emphasis on extending Letters of Comfort in support of Letters of Credit and Bank Guarantee facilities

Corporate Social Responsibility: Saudi Pak is committed to driving economic growth while promoting social equity and environmental responsibility. Developmental finance remains central to our mission, and we continue to pursue initiatives that create positive and lasting impact for all stakeholders, including our support for institutions providing education to specially-abled individuals.

Key highlights of Saudi Pak exposure during the year are as follows:

Export Oriented Agri Finance: Saudi Pak played a pioneering role in facilitating initiatives under SIFC and Green Pakistan aimed at developing land for irrigation-based cultivation of Rhodes Grass and aquaculture.

Solar finance: Saudi Pak kept on identifying renewable projects across sectors like Textile, Packaging and Telecom, underscoring the focus on sustainable finance and cost rationalization to remain regionally competitive.

Food Supply chain: Saudi Pak has enhanced its footprint in the Rice and Wheat products to ensure that these areas do not remain underserved by the financial sector.

Healthcare & Pharma: to provide the basic need of populace, Saudi Pak extensively engaged these sectors for its financial needs – both funded and non-funded.

Saudi Pak commits to play an essential role in the development of business, export augmentation and catering to underserved sectors, with four key elements: Empowering Business, Inclusive Growth, Capital Formation and Bilateral Trade.

2. Investment Banking and Strategic Initiatives ('IBSI')

IBSI completed various syndicate transactions like:

Furniture Export: led a FI syndicate to cater to the financial needs of one of the top Pakistani brands against a confirmed order from Saudi Arabia.

Indigenisation of a key Chemical plant: The Company also participated in the acquisition financing of one of Pakistan's largest chemical plants, enabling a local investor to replace the Korean ownership, and facilitated financing arrangements for a pharmaceutical sector acquisition.

3. Strategic Initiatives

During the year, several engagements at government level, corporates and financial institutions at local and international level (Saudi Arabia) were initiated with a view to build understanding with the counterparts and evolve strategy to contribute towards establishing business relationship. Some of the key partnership arrangements and engagements during 2025 included:

MoU with Saudi Pak Business Council (KSA Chapter)

Saudi Pak signed an MoU to facilitate and boost the cooperation in the field of agriculture, livestock and preferred sectors of both countries.

Engagement with Ministry of Finance Saudi Arabia and Pakistan.

Engagements were held with the Ambassador of Saudi Arabia in Pakistan and the Pakistan Embassy in Saudi Arabia to identify and advance areas of cooperation aimed at facilitating investment flows and business partnerships between Saudi and Pakistani entrepreneurs.

4. Risk Management

Saudi Pak has established a comprehensive and robust Enterprise Risk Management (ERM) framework to identify, assess, monitor, and mitigate risks across the organization. The framework is designed to support the Company's strategic objectives through strong Board oversight,

effective senior management supervision, and well-defined systems, policies, and controls. During the year, the Company continued to enhance and further institutionalize its risk management practices, reflecting its commitment to sound governance and prudence.

The Board of Directors has overall responsibility for the effectiveness of the risk management framework and for setting the Company's risk culture and strategic risk direction. The Board is supported by specialized committees, including the Board Risk Management Committee (BRMC), which provides focused oversight on key risk areas. At the senior management level, various management committees oversee the implementation of risk strategies, initiatives, and processes, ensuring that risk considerations are fully integrated into business decision-making.

Saudi Pak has adopted internationally recognized Three Lines of Defense model:

- a. 1st Line of Defence: Business units are responsible for identifying, managing, and mitigating risks on a day-to-day basis within their respective areas of responsibility.
- b. 2nd Line of Defence: Independent control functions, including Risk Management and Credit Administration, support the business by developing policies, frameworks, and controls, and by providing oversight to ensure risks are managed within approved risk appetite and regulatory requirements.
- c. 3rd Line of Defence: The Risk Monitoring function, Management Risk Committee, and Internal Audit provide independent assurance on the adequacy and effectiveness of internal controls, risk management processes, and governance arrangements.

Key Risk Management Initiatives in 2025

Saudi Pak undertook several initiatives to strengthen its risk management framework:

a. IFRS 9 and Credit Risk Rating (CRR) Models

To address gaps identified by the regulator and internal and external auditors, the Company implemented an enhanced Credit Risk Rating framework incorporating Obligor Risk Rating, Facility Risk Rating, and Environmental & Social Risk Rating. In parallel, identified gaps in the IFRS 9 model were addressed. Both the IFRS 9 and CRR models were independently validated by the external auditor, Grant Thornton, thereby strengthening the reliability and regulatory compliance of credit risk measurement and provisioning.

b. Risk Appetite Statement

The Board approved a comprehensive Risk Appetite Statement to reinforce a culture of conservative and prudent risk taking, in line with the expectations of the Company's two

sovereign shareholders. The Risk Appetite Statement provides a clear framework for portfolio construction, capital protection, and sustainable returns. The framework was also validated by the external credit rating agency, PACRA.

c. Enhanced Risk Assessment and Governance

Major business and risk-related decisions are taken through structured management committees, enabling collective assessment and informed decision-making. All major risk policies were reviewed and updated to reflect changes in the internal and external operating environment, regulatory expectations, and emerging risks.

d. Strengthened Monitoring and Early Warning

The Credit Administration Department was revitalized with clearly documented processes, defined roles, and strengthened reporting. This has enhanced the Company's ability to monitor account conduct, identify early warning signals, track exceptions, and proactively escalate emerging risks to senior management.

e. Special Assets Management & Remedial Asset Division (SAM & RAD)

The Special Assets Management & Remedial Assets Division (SAM & RAD) plays a critical role in safeguarding asset quality and strengthening the balance sheet. The Division is responsible for the management, monitoring, and recovery of Non-Performing Loans (NPLs) classified as "Loss," in strict compliance with the Prudential Regulations of the State Bank of Pakistan. In parallel, SAM & RAD undertakes structured remedial actions for Stage II accounts in close coordination with the Business Division, with the objective of preventing further deterioration and restoring account performance where feasible. The Division follows a disciplined and outcome-oriented recovery framework, including settlements, restructuring, and legal enforcement actions.

Despite a challenging macroeconomic environment, SAM & RAD delivered strong performance during the year and made a significant contribution to the Company's profitability and financial stability. Cash recoveries of Rs. 270 million were achieved from NPLs, along with gross provision reversals of Rs. 136 million. These efforts resulted in a significant improvement in asset quality, with the NPL to Gross Advances Ratio declining from 15.8% in 2024 to 10.6% in 2025, demonstrating the effectiveness of the Company's recovery and balance sheet strengthening initiatives.

Going forward, SAM & RAD remains focused on accelerating recoveries, enhancing

resolution mechanisms, and supporting the Board's strategic objectives through sustained improvements in asset quality, capital efficiency, and overall risk profile.

f. Credit Risk Management

Credit risk is managed through comprehensive Board-approved policies covering credit approval processes, internal comprehensive risk ratings, documentation standards, post-disbursement administration, and ongoing borrower creditworthiness assessments through periodic reviews. Credit portfolio decisions are taken by the Financing & Investment Committee, while significant risk issues and portfolio performance are reviewed by the Risk Review Committee. The BRMC provides overall strategic guidance and oversight of the Company's credit risk profile.

g. Market, Liquidity, and Enterprise-Wide Risk Management

An updated market risk framework was designed and implemented to better assess risk-return dynamics of the investment portfolio and to reduce volatility. Market and liquidity risk are managed through dedicated Board-approved policies. The liquidity risk framework provides structured guidance for maintaining adequate liquidity buffers and managing funding risk. The BRMC oversees market risk, liquidity risk, capital adequacy, and integrated risk management under the Enterprise Risk Management framework. The Company assesses its enterprise-wide risk profile using the Basel framework, Internal Capital Adequacy Assessment Process (ICAAP), and comprehensive stress testing.

The operational risk framework is fully implemented in line with regulatory standards, including the use of operational loss data, Key Risk Indicators (KRIs), and Risk Control Self-Assessments (RCSAs). The Company maintains an approved Business Continuity Plan (BCP) to ensure resilience and continuity of critical operations. All business and operational activities during the year were performed efficiently and without material disruption.

Information security risks are also actively measured and monitored, enabling timely identification and mitigation of technology and cyber-related risks.

h. Automation and Systems Enhancement

The Company continues to invest in automation and systems modernization to improve efficiency, transparency, and control. Key initiatives, including the implementation of a Loan Origination and Management System, are being progressed to strengthen operational effectiveness, data integrity, and risk reporting capabilities.

i. Green Banking at Saudi Pak

Saudi Pak remains aligned with its objective of contributing towards national goals of transitioning into a low-carbon and climate resilient economy. Through responsible engagements within lending and investing activities, the company strives to support business projects focused on promoting environmental sustainability and climate protection. The Board approved Green Banking Policy ensures avoidance of financing in specific industries / projects being harmful or prone to be causing harm to the environment and society regardless of their financial viability. SBP's Environmental & Social Risk Management Implementation Manual is being adhered while conducting business transactions and displays Saudi Pak's commitment towards environment friendly causes and reduction in carbon footprint.

Saudi Pak aims to improve the efficiency of its operations and utilization of Information Technology infrastructure to encourage a paperless working environment. Instead of paper use, reliance is being placed on IT applications and software support for operational level inter-departmental communications. For capacity building and awareness with the latest regulatory promulgations, frequent external training is also being provided to key team members of business, control and general administration departments.

As a result, the Company achieved its highest-ever credit risk rating from VIS Credit Rating Company Limited. The Long-Term Entity Rating was upgraded from AA+ to AAA for the first time, while the Short-Term Entity Rating was reaffirmed at A-1+, with a 'Stable' outlook. A AAA rating reflects very high credit quality, indicating strong protection factors and minimal risk, which may vary only marginally due to changes in economic conditions.

5. Capital Market Operations

Equity market delivered another remarkable annual performance, with the KSE-100 Index closing at a record high of 174,054 points (2024: 115,127), translating into a robust annual return of 51%, making the KSE-100 one of the top-performing frontier market indices globally.

Investor confidence during 2025 was further strengthened by continued progress under the IMF Extended Fund Facility (EFF), including successful review completions and tranche disbursements, which reinforced policy credibility and external financing stability.

This year, Saudi Pak will focus on the rollout and scaling of the Margin Trading System (MTS) as a key strategic initiative to broaden its product portfolio, deepen market participation, and strengthen its investment and operational framework, with tangible financial and business

benefits expected during the year.

Saudi Pak introduced the Margin Trading System (MTS) as a strategic initiative, aligned with approved KPI, to expand the product suite and strengthen the investment and operational framework, with the benefits expected to be realized in FY2026.

Capital gains outperformed expectations, reaching PKR 514.5 M, while dividend income of PKR 165 M provides stable recurring cash flow. Total income recognized in P&L amounted to PKR 357.34 M, driven by strong listed portfolio performance and unlisted valuation gains. Overall contribution is PKR 679.5 M.

6. Treasury

Treasury function continued to optimize its funding cost against placements and investments by tapping onto the relatively cheaper liquidity avenues from various sources. Treasury kept a focus on liquidity for tenors that fell between the latest and forthcoming monetary policy announcement dates, to take advantage of inversion in the yield curve, thereby not losing potential to optimize costs on a continual basis.

Considering significant monetary easing in recent past, the current monetary policy stance seems adequate with respect to near term target inflation, Treasury successfully consolidated its fixed rate bond portfolio based on the view that interest rates have largely bottomed out. This was further substantiated by keeping in perspective the fragile nature of the external account and marginal improvement in the Forex reserves position, local as well as global macroeconomic and socio-political landscape, Treasury avoided onboarding any significant long term fixed interest rate risk and instead reduced the size of the legacy fixed rate PIB book.

7. Financial Institutions Division

Financial Institution being a part of Treasury carved its presence to tap COI liquidity avenue and increased the quantum by 61% to add incremental stable funding. FI worked to shape new products catering to SBP's financial inclusion, green financing and women empowerment centric initiatives enabling financial sector to achieve desired growth and socio-economic impacts.

The products articulated in support of the financial inclusion aim to augment revenue while optimizing the cost of funds along with a rationalized placement and mobilization without a bargain in cost-efficiency of funding that aligns with the macro-economic outlook.

During FY 2025, FI, not only strengthened the relationship with top tier commercial banks but has also been pivotal to contribute towards the augmentation of Saudi Pak's core business.

By virtue of increasing credit base significantly, Saudi Pak has been successful in systematically

leveraging its balance sheet to build liability books and through business initiation, with several banking partners, secured credit facilities ranging from mid to long term tenors that have vastly supported advances growth during the year as well as streamlined asset-liability matching principal to a greater extent. In addition, the upgrade in Saudi Pak's credit rating to AAA, has successfully been leveraged by FI to bring the cost of long-term borrowing down significantly. Keeping in perspective the fragile nature of the external account and marginal improvement in the Forex reserves position, local as well as global macroeconomic and socio-political landscape, Treasury avoided onboarding any significant long term fixed interest rate risk and instead reduced the size of the legacy fixed rate PIB book.

8. Information Technology

Information Technology continued to strengthen the Company's balance sheet and operating capacity by modernizing core enterprise platforms, improving infrastructure readiness, and tightening the technology control environment. During 2025, Saudi Pak progressed key systems to replace legacy and manual processing and to improve auditability, reporting discipline, and service continuity. The legacy Human Resource Management System (HRMS) was migrated to Smart HCM, deployed on a private virtual cloud with full functional coverage, targeted to go live in 2026. The General Ledger and Fixed Asset environment was upgraded to strengthen the financial system's backbone. An Enterprise Resource Planning (ERP) solution covering expense management and inventory controls was acquired to replace legacy manual and fragmented processing, targeted to go live in 2026. ITD also assumed execution ownership for the Internal Audit Division automation project and accelerated the User Acceptance Testing cycle, with production go live targeted in 2026.

In parallel, ITD upgraded foundational infrastructure to support higher processing demands and future Core Business Solution requirements. Storage capacity has been expanded, with one server procured and another in shipment. Network modernization across LAN and WAN has been undertaken, alongside implementation of Virtual Private Network services including corporate VPN to strengthen secure connectivity. Cybersecurity posture has been strengthened through firewall upgrades and related perimeter control improvements. Information governance has advanced through implementation of a Document Management System and a structured digitization program for physical records, including scanning and controlled retention, with physical preservation or shredding applied as appropriate to record class and legal requirements. Productivity and collaboration controls have also been improved through deployment of Microsoft Outlook and SharePoint.

The 2026 plan remains focused on disciplined completion and stabilization of these enterprise implementations, supported by robust data readiness, user enablement, and control assurance in post go live operations. In addition, CBS readiness activities will continue under governance oversight, supported by continued investment in resilience, cybersecurity, and institutional continuity arrangements.

9. Human Resources

In 2025, the Human Resources function played a pivotal role in advancing Saudi Pak's strategic priorities through disciplined workforce planning, leadership development, strong governance, and cultural strengthening. HR initiatives were closely aligned with business objectives, regulatory expectations, and a framework of prudent financial stewardship to ensure long-term sustainability and value creation.

HR advanced a workforce transformation agenda focused on strengthening critical functions and building a robust middle management layer through structured succession planning and internal talent deployment. This enhanced leadership continuity, reduced reliance on external hiring, and ensured sustainable talent investment aligned with business priorities.

Key strategic hires were made to address critical business priorities and enhance overall organizational capability. Additionally, leadership depth and succession preparedness were strengthened through structured internal rotations across HOD and subordinate roles, fostering a robust talent pipeline.

A new e-Learning platform was introduced as an additional learning channel, expanding access and flexibility. The organization successfully delivered an enterprise-wide Islamic Banking Certification (EFIBO), alongside mandatory and strategic programs covering AML/CFT, Anti-Bribery & Anti-Corruption, and Gender Sensitization. In total, 432 man-days of training were delivered, the highest in Saudi Pak's history, demonstrating a strong institutional commitment to continuous learning and capability building.

HR institutionalized a data driven approach to employee engagement through the introduction of an in-house Employee Satisfaction Surveys, providing management with clear insights into key engagement drivers. Targeted engagement interventions were implemented to reinforce a culture of recognition and positive behaviors. Leadership capability and organizational culture were further strengthened through a Leadership Retreat and structured leadership assessment exercise, generating actionable insights to guide future leadership development and organizational

effectiveness initiatives.

A comprehensive review of HR policies, procedures, and the compensation structure was undertaken in collaboration with external advisors and reached the concluding stage during the year. HR actively supported the implementation of the HR system to strengthen process efficiency, transparency, and data governance. Employee wellbeing remained a priority, with wellness awareness sessions and free medical camps focusing on cardiac health and diabetes organized for employees.

HR strengthened Saudi Pak's employer brand and corporate visibility through structured communication and branding initiatives. Campus engagement was undertaken with leading institutions, including COMSATS, NUML, and Bahria University. Strategic MOUs were finalized with NUST to support talent pipeline development and with ANTH to provide preferred healthcare arrangements for employees. Enhanced social media engagement further improved employer brand perception.

Overall, HR functioned as a strategic partner in 2025, balancing talent investment with strong financial stewardship, strengthening leadership capability and governance, and fostering a performance-driven, engaged, and future-ready organization.

10. Internal Audit

During the year 2025, the Internal Audit Division focused on strengthening its execution capabilities, enhancing technical depth, and further aligning its activities with the evolving risk profile and strategic priorities of the Company. The Division successfully delivered its audit plan with improved timeliness and coverage, while continuing to adopt a risk-based approach to ensure that key operational, financial, and strategic risk areas received appropriate attention.

In line with the increasing emphasis on data integrity and regulatory expectations, the Internal Audit Division expanded its focus on technical and analytical reviews. These included enhanced validation of underlying data and key assumptions, as well as detailed review of critical risk management frameworks, including IFRS 9 and internal risk rating methodologies.

The Internal Audit Division continued to play a constructive advisory role by reviewing policies, procedures, and process changes initiated by Management and providing value-added recommendations aimed at improving efficiency, strengthening controls, and supporting sustainable growth. The focus during the year remained on strengthening process effectiveness and control discipline, thereby contributing to a more resilient control environment.

A major area of focus during the year was the strengthening of the Division's internal capacity.

The team was expanded through the addition of new resources, while significant emphasis was placed on training and professional development to enhance technical competencies, particularly in specialized and risk-focused areas. Internal procedures were further refined, and a structured Quality Assurance framework was further strengthened to enhance consistency, documentation standards, and overall audit quality.

Overall, the Internal Audit Division continued to work closely with Management and the Board Audit Committee during the year to support the Company's growth initiatives by providing independent assurance, practical insights, and process improvement recommendations, with the objective of strengthening governance, risk management, and internal controls across the organization.

C. Outlook

As the financial industry undergoes transformational shifts, Saudi Pak is dedicated to staying at the forefront of change, ensuring that our strategies align with emerging trends and the evolving needs of the industry. The resilience displayed in the face of macro-economic uncertainties underscores our adaptability and determination to safeguard the interests of our stakeholders.

As we step into the new year, opportunities in the agriculture value chain, structured trade finance & supply chain initiatives Fintech partnerships will be explored. In recognition of growing demand for Sharia-compliant financial services, Saudi Pak also intends to commence provision of Islamic Finance services through its platform for which a detailed strategy will be laid out going forward.

With a strong foundation, a focus on sustainable banking practices, and a dynamic approach to market dynamics, we are confident in our ability to navigate the future with agility and continue delivering value to our shareholders, customers, and the communities we serve.

D. Entity Rating

Saudi Pak's long term and short-term entity rating has been assessed by VIS Credit Rating Company Limited. Long Term entity rating has been improved for the first time reaching AAA from AA+ and Short-Term entity rating reaffirmed at A-1+. Outlook on assigned rating is 'Stable'.

AAA: Very High credit quality. Protection factors are strong. Risk is modest but may vary slightly from time to time because of economic conditions.

A-1+: Highest certainty of timely payment. Short Term liquidity, including internal operating

factors and/or access to alternative sources of funds, is outstanding and safety is just below risk-free Government of Pakistan's Short-Term obligations.

E. Corporate and Financial Reporting Framework

The Directors are pleased to state that:

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have consistently been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure there from has adequately been disclosed.
- e) The system of internal control is sound in design and has been effectively implemented and monitored. An audit committee, composed of four non-executive directors, has been formed for the purpose. The Committee meets periodically and independently throughout the year.
- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of corporate governance.
- h) Key operating and financial data for the last five years, in summarized form, is included in this annual report.
- i) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as of 31 December 2025, except as disclosed in the financial statements.
- j) The value of investment of Provident Fund as at 31 December 2025 according to their unaudited financial statement is PKR 171.81 M

F. Auditors

The Auditors, Grant Thornton Anjum Rehman, Chartered Accountants, have completed their assignment for the year ended 31 December 2025. The Board, on the proposal of the Audit Committee, recommends the appointment of Grant Thornton Anjum Rehman, Chartered Accountants as Auditors for the year 2026.

G. Board of Directors Meetings

During the year, five meetings of the Board of Directors were held and attended by the directors as follows:

Director	Number of meetings held during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Sultan Abdulrauf	5	5
Mr. Majid Misfer J. Alghamdi	5	4
Mr. Ghanem Alghanem	5	5
Mr. Qumar Sarwar Abbasi	5	5
Mr. Awais Manzur Sumra	5	5
Mr. Ali Tahir	5	5

During the year, two meetings of the Risk Management Committee of the Board were held and attended by the directors as follows:

Director	Number of meetings held during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Ali Tahir	2	2
Mr. Qumar Sarwar Abbasi	2	2
Mr. Majid Misfer J. Alghamdi	2	2
Mr. Ghanem Alghanem	2	2

During the year, four meetings of the Audit Committee of the Board were held and attended by the directors as follows:

Director	Number of meetings held during the tenor of Directorship	Number of meetings attended during the tenor of Directorship
Mr. Ghanem Alghanem	4	4
Mr. Majid Misfer J. Alghamdi	4	4
Mr. Awais Manzur Sumra	4	4
Mr. Qumar Sarwar Abbasi	4	4

During the year, three meetings of the Human Resource and Remuneration Committee of the Board were held and attended by the directors as follows:

Name of Directors	Number of meetings held during the tenor of Directorship	Number of meetings attended during tenor of Directorship
Mr. Sultan Abdulrauf	2	2
Mr. Awais Manzur Sumra	2	2
Mr. Ali Tahir	2	2
Mr. Ghanem Alghanem	2	2

The categories and pattern of shareholding as required by the Companies Act, 2017 are included in this Report. The Government of Pakistan and the Kingdom of Saudi Arabia hold the shares of the Company in equal proportion.

Compensation of Directors

The remuneration of the Directors is governed by the Board Remuneration Policy, duly approved by the shareholders of the Company in 2021, and aligned with the requirements of the SBP's Corporate Governance Regulatory Framework.

The details of the remuneration of the CEO and the fees paid to the Directors are disclosed in Notes 39.1 and 39.2 to the unconsolidated financial statements, respectively.

H. Corporate Social Responsibility

Saudi Pak is deeply committed to making a positive impact on the communities we serve through our Corporate Social Responsibility (CSR) initiatives. Aligned with our core values, we actively engage in various CSR activities aimed at supporting social development and well-being. We prioritize education, environmental sustainability, and community empowerment as key pillars of our CSR strategy. Through strategic partnership and direct intervention, we supported Noon under Equitable Edtech initiative, which is a global on-line learning platform (operating from four countries including Saudi Arabia, Iraq, Egypt and Pakistan) enabling deserving and under-privileged students to interact live/in real time with their mentors/teachers, to prepare them to appear for local exams (grade 9 to grade 12 students).

I. Strategic Investments

Saudi Pak's strategic investments include Saudi Pak Real Estate Limited and Saudi Pak Consultancy Company Limited (formerly Saudi Pak Leasing Company Limited).

1. **Saudi Pak Real Estate Limited (SPR)** continues to demonstrate strong growth in profitability and diversification, providing a solid capital base for future projects.

Despite a challenging operating environment, the Company maintained a growth trajectory and is expected to report a highest-ever profit of approximately Rs. 71.8 million, reflecting a 17% year-on-year increase. This improved performance was primarily driven by optimization of rental income, effective expense rationalization and steadily increasing capital gains on real estate investments, resulting in a 95% increase in operating profit.

2. **Saudi Pak Consultancy Company Limited (formerly Saudi Pak Leasing Company Limited)** is an associated company of Saudi Pak, holding 35.06% of ordinary shares and 63.08% of preference shares. Following its rebranding and shift to a new line of business, the Company is currently in a transitional phase, expected to continue over the long term. SPCL management and Board remain optimistic about future growth and prosperity, with a focus on serving the best interests of all stakeholders.

3. **Head Office Building**

Saudi Pak Tower, a twenty story multi tower high rise building in Islamabad constructed in 1991, continues to be a strategic balance sheet asset and a stable contributor to recurring rental income through a diversified tenant base. The Company's asset management approach remains centered on safeguarding long term property value, sustaining tenant retention, and ensuring reliability of critical building services through planned maintenance and selective modernization.

During 2025, a major uplift program was executed to improve asset condition, tenant experience, and operational reliability. Expenditure was deployed efficiently across priority areas, including Building and interior works, Elevator repair and modernization, Heating and Air Conditioning systems, Firefighting improvements and Security enhancements. These investments were directed toward protecting the earning capacity of the asset, reducing operational risk, and strengthening health and safety standards expected for a high-rise commercial facility.

A major portion of the building is rented out. Several national and multinational companies including financial institutions, telecommunication companies, clinical service-oriented concerns etc. are housed in the Tower. The average building occupancy level in the year 2025 remained 97% translating a revenue with year on year increase of 14.4%. Saudi Pak inaugurated its New Office in Karachi, relocating from Lakson Square to Balad Trade Centre III, Clifton. The newly designed office space is optimized to foster growth, reflecting the company's unwavering commitment to excellence and innovation.

For 2026, the primary focus will be intensifying of the firefighting system revamp, which has been under phased execution since 2024, with continued priority on life safety readiness and compliance assurance. In parallel, governance improvements are being institutionalized through revamp of procurement procedures across Saudi Pak, aimed at strengthening transparency, documentation discipline, and control effectiveness for major works and services. The enterprise Business Continuity Planning framework has also been comprehensively refreshed, with institutional Level I manuals and Level II departmental manuals prepared for implementation in 2026, further strengthening continuity readiness around critical assets and services.

Financial Results – 2025

The Company delivered a strong financial performance in FY 2025, demonstrating sustained growth in profitability, improved core income generation, and continued balance sheet expansion, despite a challenging macroeconomic environment.

Net Mark-up / Interest Income increased significantly by 40%, rising from PKR 1.09 billion in 2024 to PKR 1.52 billion in 2025. This improvement reflects enhanced asset yields, disciplined pricing strategies, and effective balance sheet optimization. As a result, the Company's core earnings capacity strengthened materially during the year.

Total income increased by 16%, rising from PKR 1.90 billion to PKR 2.21 billion. Although non-markup (fee-based) income declined from PKR 807.5 million to PKR 680.5 million, this reduction was more than compensated by robust growth in net interest income, highlighting the Company's increasing reliance on stable and sustainable core banking revenues.

Total non-markup (operating) expenses increased to PKR 857.7 million from PKR 680.7 million in 2024, driven by higher operating costs, inflationary pressures, and continued investment in business growth. Despite this increase, strong cost discipline was maintained, and operating efficiency continued to be closely monitored.

Profit Before Tax (PBT) recorded an impressive 38% growth, while Profit After Tax (PAT) increased by a robust 44%, highlighting improved operating leverage and stronger revenue momentum. These results demonstrate the Company's ability to translate revenue growth into enhanced shareholder returns.

Credit Loss Allowance recorded a reversal of PKR 564.5 million in 2025, compared to a reversal of PKR 169.7 million in 2024. This higher reversal reflects improved asset quality, recoveries from previously impaired exposures, and a more favorable credit risk outlook across the loan portfolio. The reversal also indicates the effectiveness of the Company's credit risk management framework, proactive monitoring, and strengthened recovery processes. Management continues to apply a prudent and forward looking provisioning approach in line with IFRS 9 and regulatory guidelines, ensuring that credit risk remains appropriately assessed and adequately covered.

On the balance sheet side, Net Advances increased by 46%, reaching PKR 18.6 billion compared to PKR 12.7 billion in the prior year, indicating strong loan growth, improved customer acquisition, and enhanced market penetration. Meanwhile, Total Equity increased by 11% to PKR 18.0 billion, reinforcing the Bank's capital base and supporting future growth.

The summarized financial results and recommendations for appropriations are as under:

	2025	2024
	(Rupees)	(Rupees)
Un-appropriated/un-remitted profit brought forward	4,709,802,069	3,942,835,204
Initial Adjustments IFRS-9	-	(38,473,647)
Gain / (loss) – Sale of FV-OCI Securities	(71,149,467)	(1,243,041)
Profit after tax for the year	1,323,706,999	919,821,109
Transfer -Surplus on revaluation of fixed assets	96,146,427	74,752,304
Other comprehensive income related to equity	(3,181,849)	(3,925,638)
Profit available for appropriations	6,055,324,179	4,893,766,291
Appropriations:		
Transfer to reserve funds	264,741,400	183,964,222
Dividend paid	200,000,000	-
Total appropriations	464,741,400	183,964,222
Un-appropriated/un-remitted profit	5,590,582,779	4,709,802,069

Acknowledgement

The Board wishes to place on record its appreciation of the hard work and dedication of the management, officers and staff of the Company.

For and on behalf of
the Board of Directors


Chairman

Jeddah,
February 28, 2026

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019

Name of Company: Saudi Pak Industrial and Agricultural Investment Company Limited
Year Ending: December 31, 2025

1. The Company has complied with the requirements of the Regulations in the following manner. The total number of directors as of December 31, 2025, is six (6), with the following composition:
 - a) Male: Six (6)
 - b) Female: Zero (0)
2. The composition of the Board is as follows, there are a total of 6 Non-Executive Directors as illustrated in the table below:

Category	Name
Non-Executive Directors	1. Mr. Sultan Abdulrauf
	2. Mr. Awais Manzur Sumra
	3. Mr. Ali Tahir
	4. Mr. Majid Misfer J. Alghamdi
	5. Mr. Qumar Sarwar Abbasi
	6. Mr. Ghanem AL Ghanem

Exemptions have been obtained from the State Bank of Pakistan (SBP) regarding the appointment of an independent director. Regarding female directors, no nominations have been received from the Governments of Pakistan and KSA. During the year 2025, three Directors representing Kingdom of Saudi Arabia (KSA) were re-appointed. The Directors nominated by the Government of Pakistan remained unchanged during the period and the composition of the Board remains unchanged.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this, Company.
4. The Company has prepared a Code of Conduct and has taken appropriate steps to disseminate it throughout the organization along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy, and significant policies. A complete record of these policies, along with their approval or update dates, is maintained by the Company.
6. All powers of the Board have been duly exercised, and decisions on relevant matters have been taken by the Board/shareholders in accordance with the Act and these Regulations.

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7. Board meetings were presided over by the Chairman or, in his absence, by a director elected for this purpose. The Board complied with the Act and Regulations regarding the frequency, recording, and circulation of meeting minutes.
8. The Directors, General Manager/Chief Executive, and executives do not hold any interest in the shares of the Company. One share has been transferred by the SBP to the Director Finance, SBP in a representative capacity.
9. The Board has a formal policy and transparent procedures for director remuneration in compliance with the Act and Regulations.
10. The Board conducted an internal performance evaluation covering key areas including strategic planning, the effectiveness of the Board and the CEO, the quality of Board information, the performance of Board Committees, and the overall control environment.
11. The following Directors completed the Director Training Program (DTP):

Mr. Sultan Abdulrauf - Chairman	Mr. Majid Misfer J. Alghamdi - Director
Mr. Awais Manzur Sumra - Deputy Chairman	Mr. Qumar Sarwar Abbasi – Director
Mr. Ali Tahir - Director	Mr. Ghanem AL Ghanem - Director

12. The Board has approved the appointment, remuneration, and terms of employment for the Chief Financial Officer, Company Secretary, and Head of Internal Audit, ensuring compliance with relevant regulations.
13. The Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before Board approval.
14. The Board has formed committees comprising of members given below:

S #	Name of committee	Current membership	Role
1	Audit Committee	Mr. Ghanem AL Ghanem Mr. Awais Manzur Sumra Mr. Qumar Sarwar Abbasi Mr. Majid Misfer J. Alghamdi	Chairman Member Member Member
2	Human Resource & Remuneration Committee	Mr. Sultan Abdulrauf Mr. Awais Manzur Sumra Mr. Ali Tahir Mr. Ghanem Alghanem	Chairman Member Member Member

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3	Risk Management Committee	Mr. Qumar Sarwar Abbasi Mr. Majid Misfer J. Alghamdi Mr. Ali Tahir Mr. Ghanem AL Ghanem	Chairman Member Member Member
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The Board committees have the required diversity, experience and skills to function effectively.

16. The Terms of Reference for the above committees have been formatted, documented and advised to the Committees for compliance.

17. The frequency of meetings (quarterly/half yearly/yearly) of the committees were as per following, -

	Committee	Number. of meetings held during the year
a)	Audit Committee:	4
b)	Risk Management Committee	2
c)	Human Resource & Remuneration Committee	2

18. The Board has set up an effective internal audit function with suitably qualified and experienced personnel, conversant with the Company's policies and procedures.

19. The statutory auditors have confirmed that they hold a satisfactory Quality Control Review rating from the Institute of Chartered Accountants of Pakistan (ICAP), are registered with the Audit Oversight Board of Pakistan, comply with IFAC's Code of Ethics as adopted by ICAP, and do not have any close relatives (spouse, parent, dependent/non-dependent children) serving as the CEO, CFO, Head of Internal Audit, Company Secretary, or Director of the Company.

20. The statutory auditors and their associates have not been appointed for any non-audit services, ensuring compliance with the Act, these Regulations, and IFAC guidelines.

21. The Company confirms that all requirements under Regulations 3, 6, 7, 8, 27, 32, 33, and 36 of the Code of Corporate Governance have been duly complied with.

For and on behalf of the
Board of Directors

Chairman

Jeddah:
February 28, 2026

Statement on Internal Controls

The Company's management is responsible to establish and maintain an adequate and effective system of internal controls and procedures. The internal controls system comprises of various components including Control Environment, Risk Assessment, Control Activities, Information & Communication and Monitoring. The management is also responsible for evaluating the effectiveness of the Company's internal controls that encompass material matters by identifying control objectives and reviewing significant policies and procedures.

The Company has adopted an internationally accepted internal control COSO Framework in accordance with ICFR guidelines from State Bank of Pakistan (SBP). Keeping in view of the risk exposure, the control activities are evaluated across the Company through the Internal Audit Division, working independently of the line management. In addition, Compliance Division monitors control activities related to the regulatory and other procedural compliance requirements. The Audit Committee of the Board regularly reviews both internal and external audit reports and recommends to the Board for desired corrective measures to be taken by the Management, wherever required.

The Management of the Company ensures that an effective and efficient internal control system stays implemented and no compromises are made in implementing the desired control procedures and maintaining suitable control environment in general. However, control activities are continuous in nature that include identification, evaluation and management of significant risks faced by the Company. The Management strives for timely and satisfactory response to new identifications or recommendations by the risk controlling divisions. Nonetheless, all internal control systems, no matter how well designed, have inherent limitations that they may not prevent or detect all misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that degree of compliance with policies and procedures may deteriorate.

The Management took sufficiently necessary steps to rectify all observations and suggestions for improvement raised during the year by the Internal Audit Division. Furthermore, regular follow-up of the internal audit reports was done by the Compliance Division which ensured timely implementation of queries raised and recommendations to mitigate identified risks to safeguard the interests of the Company. Based upon the results achieved through ongoing testing of financial reporting controls and internal audits carried out during the year, the management considers that the Company's existing internal control system is adequate and has been effectively implemented and monitored.

The Company has completed all stages of its ICFR program as per the guidelines and has been granted exemption from the requirement of submission of the External Auditor's issued Long Form report to SBP. Annual assessment report on the efficacy of ICFR for the year ended December 31, 2025, was duly prepared and submitted to the Audit Committee of the Board in its 115th meeting for review.

Based on the above, the Board endorses the management's evaluation of Internal Controls.

For and on behalf of the Board of Directors.

Chairman

Jeddah, Pakistan

Date: 28-Feb-2026