

Directors Review Report – Mar 2026

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 3-month period ending on 31 March 2026 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 now expected at 2.5% for 2026. Headline inflation averaged 4.5%, remaining within the target range of 4-6%. A current account surplus of USD 1.9 Bn. was recorded in 2025, while the Remittances surged by 31% YoY, reaching USD 35 Bn. FX Reserves improved and the fiscal deficit decreased with a healthy primary surplus of around 3% of GDP. 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.

However, in light of the evolving regional dynamics, there remains a likelihood of a shift in prevailing trends, particularly as inflationary pressures may intensify, potentially leading to a moderation in the expected GDP growth trajectory.

Macro-economic *performance* and *outlook* are summarized below:

Metric	Jan–Dec 2025 Performance	Jan–Jun 2026 Outlook
GDP Growth	2.7% for FY25 (below target)	Target 3.2%; IMF: 2.5%
Inflation (CPI)	4–5%; dipping to 0.3% in April	Projected 10%
Policy Rate	Cut to 10.5%	Expected 12.5%
Current Account	Surplus USD 1.8–1.9 Bn.	Deficit 2.0 Bn.
FX Reserves	Improved to USD 16–17 Bn.	To remain under pressure at USD 14 Bn.
Fiscal Balance	Deficit 2.6–3.2%; primary surplus 3%	Deficit 6%; primary deficit 1%
Sectors Trends	Agri <i>weak</i> ; industry <i>improving</i> ; electricity capacity <i>stable</i>	All sectors to remain under pressure due to fuel costs, increase in interest rates, FX under pressure, Exports will get the major hit due to global economic instability
Risks	Regional instability; flood damage	Regional War leading to global real and financial sectors going to high-risk domain

Salient features of Saudi Pak's Financial Statements for the period ending 31 March 2025 are:

Performance for the Period ended 31 March 2026 PKR M

Item	Mar-26	Mar-25	Variance	% Change
Net Interest Income	348.87	572.09	(223.23)	-39%
Non-Interest Income	32.76	126.31	(93.55)	-74%
Credit loss allowance-Provision/(Reversal)	(70.52)	(64.79)	(5.73)	9%

Profit before tax	243.28	549.58	(306.29)	-56%
Profit after tax	143.59	319.78	(176.19)	-55%

For the Q1 ended 31 March 2026, the Company's profitability remained lower compared to the corresponding period last year, with profit before tax decreasing by 56% to PKR 243.28 million (March 2025: PKR 549.58 million) and profit after tax declining by 55% to PKR 143.59 million (March 2025: PKR 319.78 million). The decline in net interest income is due to the management's cautious approach in deploying credit in the market due to the emerging economic risks in prevailing regional conflict spectrum. Moreover, the lower interest rate environment also pushed the net interest income, with the average SBP policy rate during Q1 2026 at approximately 10.5%, compared to 12.3% in Q1 2025.

Non-interest income for the period was recorded at PKR 32.76 million (March 2025: PKR 126.31 million), reflecting a decline primarily due to management's strategic decision of exiting from Capital Market exposures and neutralizing market's negative impact on the balance sheet.

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.

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