Directors Review Report – June 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 6-months period ending as on 30 June 2026 with the Directors' Review.

Pakistan's macroeconomic environment continued to stabilize and improve during the first half of CY2026 as compared to same period last year, supported by prudent monetary and fiscal management, the continuation of the IMF reform programme, and a gradual recovery in economic activity. Real GDP growth is provisionally estimated at approximately 3.7% for FY2025-26, reflecting improved performance across the industrial and services sectors despite a relatively weaker agriculture season. External account pressures also remained challenging, with the rebuilding of foreign exchange reserves through brotherly countries support, while continued fiscal consolidation contributing to greater macroeconomic stability.

However, macroeconomic conditions became more challenging during March-June, 2026 period as heightened geopolitical tensions in the Gulf and the broader Middle East disrupted the global oil prices and financial markets which increased uncertainty on macro front. Rising international oil prices contributed to heightened imported inflationary pressures, resulting in headline inflation returning to double-digit levels during the 2nd quarter of FY2026. In response, the State Bank of Pakistan adopted a more cautious monetary policy stance by increasing the policy rate by 100 basis points to 11.5% on 27th April, 2026 to contain higher inflation expectations and to safeguard macroeconomic stability amid elevated external risks. Since then SBP has maintained the policy rate at current level in the next two Monetary Policy meetings.

Pakistan's external sector remained relatively resilient during the period. The successful completion of the IMF's Extended Fund Facility (EFF) and Resilience and Sustainability Facility (RSF) reviews, coupled with continued multilateral inflows, supported an increase in SBP's foreign exchange reserves to over USD 17.8 billion by end of June, 2026. Reflecting these stable macroeconomic fundamentals, Pakistan also raised USD 750 Million through a 3-years Eurobond in April, 2026 from international market after a hiatus of 4 years. In addition t Standard & Poor upgraded the sovereign credit rating to "B" and a stable outlook by all the major international rating agencies which has improved the investor confidence and access to the external financing, as well as reinforced improved market sentiment. Fiscal performance also remained disciplined, with the Government maintaining a healthy primary surplus while continuing structural reforms aimed at strengthening revenue mobilization and debt sustainability.

The domestic capital market remained volatile during the period as it touched a record highest level during the first two months of CY'26 due to improving corporate earnings, easing inflation, and strengthening investor confidence, however the escalation of regional conflict, supply disruptions and higher inflationary expectations triggered a sharp correction in equity 'market as investors shifted towards safer assets, leading to significant mark-to-market losses and portfolio liquidations across the market. While valuations have moderated since then, market sentiment remains closely linked to developments in regional geopolitics and global commodity prices.

Looking ahead, Pakistan's macroeconomic outlook remains cautiously stable subject to heightened external account risks. Continued implementation of structural reforms, improving external financing, and stronger foreign exchange reserves can support the overall economic stability and moderate growth in GDP over the medium term. Nevertheless, geopolitical uncertainty, elevated energy prices, supply chain disruptions, higher freight and insurance costs, and weaker global demand may weigh on exports, inflation, investments and overall business confidence. Accordingly, while macroeconomic fundamentals remain improved than a year earlier, the pace of recovery is expected to be more slow paced and increasingly dependent on global developments and continued discipline in governance and policies.

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

Metric	**2025-2026** Performance	**2026-2027** Outlook
GDP Growth	~3.7% (Target: IMF: 3.2%; GOP: 4.2%)	~3.6% (IMF), ~3.5%-4.5% (SBP)
Inflation (CPI)	~7.2% (Target: IMF: 6.3%)	~5-7% (SBP)
Policy Rate	11.5%	SBP to maintain a tight monetary policy; future moves dependent on inflation and external account outlook
Current Account	Deficit USD139 Mn *(surplus last year)*	Widening from a projected 0.4% deficit in FY26. (IMF) between 0-1% in FY27 (SBP)
FX Reserves	~ USD 17.8 Bn	Improvement expected in medium term. USD 20.20 Bn by Dec 2026 (SBP)
Fiscal Balance	Deficit 3.6% of GDP; primary surplus 3.2% of GDP	Deficit 3.6%; primary surplus 2% (SBP)
Sectors Trends	Agri *under pressure*; industry *improving*; electricity capacity *stable;* services *resilient.*	All sectors remain under pressure due to fuel costs, FX under pressure, Exports at risk due to regional trade route disturbance
Risks	Higher oil prices, geopolitical tensions	Geopolitical uncertainty, commodity price volatility, climate events, weaker global demand

Salient features of Saudi Pak's Financial Statements for the period ending 30 June 2026 are:

Performance for the Period ended 30 June 2026 PKR Mln

Item	June-26	June-25	Variance	% Change
Net Interest Income	671.70	877.39	(205.69)	-23%
Non-Interest Income	42.81	273.74	(230.94)	-84%
Credit loss allowance-Provision/(Reversal)	(207.91)	(388.89)	180.98	-47%
Profit before tax	494.22	1107.93	(613.71)	-55%
Profit after tax	244.40	666.30	(421.90)	-62%

For the half year ended 30 June 2026, the Company's profitability remained lower compared to the corresponding period last year, with profit before tax decreasing by 55% to PKR 494.22 million (June 2025: PKR 1,107.93 million) and profit after tax declining by 62% to PKR 244.40 million (June 2025: PKR 666.30 million). The decline in net interest income is largely due to the lower interest rate environment, with the average SBP policy rate during half year 2026 at approximately 10.85%, compared to 11.85% in for same period last year. Furthermore, the interest income of PKR 132 million from carried forward short term deals contributed in Q-1 of 2025 which is not available in first half of 2026.

Non-interest income for the period was recorded at PKR 42.81 million (June 2025: PKR 273.74 million), reflecting a decline primarily due to relatively subdued capital market performance and challenging conditions at the Pakistan Stock Exchange (PSX) during half year 2026. Investor caution arising from regional developments also contributed to lower gains/losses on investments and reduced treasury-related income. In response to these market conditions, the Company has strategically exited its listed trading shares portfolio and substantially divested its holdings of fixed-rate government securities, thereby significantly mitigating its balance sheet exposure to market risk. The net reversal of credit loss allowance decreased to PKR 207.91 million from PKR 388.89 million in the corresponding period last year.

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. In light of the evolving geopolitical tensions arising from the regional conflict and their potential implications for the corporate sector in Pakistan, the Company intends to maintain a strong focus on its core development finance activities while selectively pursuing opportunities that align with its risk-return framework.

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