



Saudi Pak Industrial and Agricultural Investment Company Limited

Directors' Review Report Annual Report 2024

Chairman's Message

On behalf of the Board of Directors, I present the 43rd audited financial statements of Saudi Pak Industrial and Agricultural Investment Company Limited, including consolidated accounts and the accompanying Auditors' Report and Directors' Report for the year ended December 31, 2024.

Over the past year, we have navigated a dynamic and challenging landscape, yet our commitment to transparency, financial integrity, and operational excellence has remained unwavering. We strengthened our business units, enabling them to expand our market coverage and diversify into new sectors. At the same time, we redesigned our treasury function to make it more streamlined and effective, ensuring that our financial resources are managed with the utmost agility amid volatile interest rate environment.

In addition, the control units were empowered by broadening their spectrum who re-energized support and operational units to deliver seamless services. The year witnessed the company's highest ever credit exposure booking and one of the highest NPL recovery in a year, resulting in YoY increase in Advances by 36%, NPL reduction by 3.60% and contributing significantly towards increasing profit before tax by 179%. Further, Saudi Pak emerged as a leading DFI to close five (5) debt syndication mandates in a year, supporting green and eco-friendly business initiatives.

Saudi Pak's commitment to responsible finance remains unwavering. The company continues to spearhead initiatives and transactions that contribute to development focused and impact driven outcomes. Key corporate investment themes in 2024 were renewable energy, sustainable transportation, solarization, financial inclusion, tourism & equitable edtech. Saudi Pak actively engaged in Pak Saudi Business Forum 2024 held in Islamabad, delegation of which was led by Saudi Arabia's Investment Minister Khalid bin Abdulaziz Al-Falih and participated by leading KSA's businesses. During this event Saudi Pak entered into strategic MoU with Saudi based National Agricultural Development Company (NADEC) for exploring investment opportunities in Agriculture & Food processing area.

The company adopted IFRS-9 and managed to book all the requisite provisions under ECL (first-time adoption) while remaining profitable despite a challenging year in terms of economic conditions.

The credit quality and financial stability of the company were reconfirmed by the credit rating agency VIS, which maintained our long-term entity rating at AA+ and short-term rating at A-1+ with a stable outlook.

Moving forward, the company will remain focused on capitalizing available opportunities with a particular focus on development focused initiatives while closely monitoring the overall economic situation to mitigate the potential risks. The Board of Directors fully supports the management's plan and strategy.

We acknowledge the support of our sponsors, the Kingdom of Saudi Arabia and the Islamic Republic of Pakistan, as well as the professional guidance of the State Bank of Pakistan and

the Securities Exchange Commission of Pakistan. I am also thankful to the Board Members, management, and staff for their contributions to the company's performance.

Thank you for your continued support.

A handwritten signature in blue ink, consisting of stylized letters and a long horizontal stroke, enclosed within an oval shape.

Sultan Abdulrauf
Chairman

Directors' Report

Economic Overview

Pakistan's economy demonstrated a continued improvement in H1-FY2025, building upon the stabilization achieved in FY2024, when GDP expanded by 2.5 percent after the previous year's contraction. The positive momentum was fueled by sound macroeconomic management, effective inflation control measures, and enhanced fiscal and external accounts stability.

Inflation substantially declined to 7.2 percent in H1-FY2025 from 28.8 percent a year earlier, supported by easing global prices, a stable exchange rate, and targeted government policies.

The agricultural sector grew by 6.2 percent in FY2024, buoyed by increased investment, expanded agricultural credit, and favorable weather conditions. The industrial sector exhibited mixed results; with the textile sector improving gradually and contributing to the country's exports. The services sector is projected to continue its positive trajectory, driven by the recovery of domestic activity and growth in trade.

The current account balance posted a surplus of \$1.21 billion in Jul-Dec FY2025. Record-high remittance inflows and strong export performance offset the increasing import bill. Foreign Direct Investment (FDI) surged by 20 percent, driven by investments in the power and oil sectors. Foreign exchange reserves are enough to cover over two months of imports, supported by IMF disbursements and international financial assistance.

The Pakistani rupee appreciated by 1.2 percent, indicative of favorable external developments. The government has been able to reduce the fiscal deficit to 0.04 percent of GDP in Jul-Nov FY2025, a marked improvement from the previous year's deficit

With strengthened economic fundamentals, declining inflation, and growing investors' confidence, Pakistan is well-positioned for continued growth momentum throughout FY2025. The International Monetary Fund (IMF) expects Pakistan's GDP growth at 3% for fiscal year 2025. IMF underscores the need for policies that balance inflation control and real economic activity, rebuild economic buffers, and boost long-term growth through structural reforms and enhanced multilateral cooperation, for a sustainable growth path ahead.

Operational Overview

Corporate Finance

The year 2024 has truly highlighted the resilience of Pakistan, as we navigated through both macro and microeconomic challenges. The first half of the year was marked by an exceptionally high policy rate, which led to lower lending off-take levels across the market. Despite these hurdles, Saudi Pak identified opportunities in working with sustainable businesses that stood out despite the difficult landscape.

Saudi Pak's strategy focused on allocating assets toward key market segments that continued to perform well. Through a disciplined and targeted approach, we've seen a remarkable growth in our portfolio. Our asset base grew from Rs 11,472 Mn to Rs 15,651 Mn, a significant increase that reflects the strength of our team's commitment to engaging with resilient businesses in need of support and funding.

The following initiatives were pivotal to our success:

1. Strengthening Business Coverage through Regional Expansion:

We continued to bolster our business coverage by further strengthening our regional teams with focus in Lahore and Karachi. This localized approach enabled us to foster deeper relationships with clients, better understand regional market dynamics, and respond with agility to opportunities as they arose. The expansion of our regional presence allowed us to tap into under-served areas, ensuring that our services reached the businesses that needed them most.

2. Identification and Penetration of Priority Sectors:

We strategically identified priority sectors that demonstrated the greatest potential for growth, focusing on industries where we could make the most impactful investments. Through targeted efforts, we successfully penetrated renewable energy, pharmaceutical, transportation and biofuel etc, ensuring that our involvement translated into tangible value for both our stakeholders and the broader market.

3. Exploration of Non-Funded and Guarantee Offerings:

Recognizing the evolving needs of our clients, we continued to explore and book opportunities in non-funded solutions and guarantee offerings. These products offered our clients greater

flexibility and access to capital without immediate financial exposure, further strengthening our position in the market as a provider of comprehensive financial solutions.

Through this approach, Saudi Pak is not only helping drive economic growth, but also promoting social equity and environmental stewardship. This commitment to Developmental Finance remains at the core of our mission, and we continue to seek innovative solutions that deliver lasting positive impacts for all stakeholders.

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

1. Leading the E-Vehicles Transaction:

Saudi Pak took a pioneering role in facilitating the transaction for electric vehicles (E-Vehicles) on behalf of a major transportation and bus services player in the country. This landmark initiative is a testament to our forward-thinking approach, aligning with global trends in sustainability and clean energy.

2. Supporting Solarization Projects for the Private Sectors:

A cornerstone of our efforts in 2024 was the significant role we played in supporting the implementation of solarization/renewable projects across private players. Saudi Pak worked closely with a major local player to bring renewable energy solutions to the forefront, enhancing energy security and reducing dependence on traditional power sources. These projects are pivotal in Pakistan's transition towards a sustainable and green energy future, with solar power playing a crucial role in meeting the country's growing energy demands.

3. Support for Bio-Fuel Production:

In line with our commitment to sustainability, Saudi Pak extended its support to a major local player in the production of bio-fuels. This initiative is an important step in Pakistan's efforts to diversify its energy mix and reduce its reliance on fossil fuels. By championing bio-fuel production, we are not only helping reduce carbon emissions but also creating new economic opportunities in the renewable energy sector, aligning with global trends towards more sustainable energy practices.

4. Exposures in Power and Pharmaceutical Sectors

Recognizing the importance of vital sectors for Pakistan's economy, Saudi Pak took exposures in the Power and Pharmaceutical sectors in 2024. The power sector remains a cornerstone of economic growth, and our involvement ensures that we continue to support Pakistan's energy infrastructure. Similarly, our engagement in the pharmaceutical sector is crucial in enhancing the nation's healthcare capabilities and ensuring access to essential medicines. Both sectors are integral to the long-term stability and growth of the economy, and Saudi Pak's contributions will help strengthen these foundational industries.

- 5. Sustainable Tourism with Avari Hotel** – Saudi Pak advanced Rs 500 Mn to Avari Hotels for supporting the expansion of Avari Express (motels) in central and northern region of the country. The World Bank extended its patronage to Saudi Pak and Avari under their Tourism Promotion program and acted as “Social Impact Partner” in the said transaction for ensuring certain social development and community impact outcomes and targets are met through the financing.

6. Growth in Advances:

Year 2024 marked a significant milestone for Saudi Pak in terms of its assets growth. We saw a noteworthy increase in advances, which directly translated into a substantial rise in core income from markup earned supported by an increase in commissions and fees. This growth in non-interest income has provided support to the company's top line, enhancing overall profitability and financial stability. By diversifying our income streams and continuing to grow our portfolio, Saudi Pak has positioned itself for sustained success going forward.

Saudi Pak shall continue to play a vital role in the development of business, export augmentation and also working in industries to support import substitution as well as to make an impact through four key elements of Empowering Business, Inclusive Growth, Capital Formation and Bilateral Trade.

Investment Banking and Strategic Initiatives

The Investment Banking and Strategic Initiatives Division (IBSI) achieved significant milestones in 2024, the most important being successful closure of five local (5) Debt Syndication Mandates. The feat was noteworthy not only because it was first time in its 40+ journey that as many market mandates were successfully closed in a year, but also because Saudi Pak led the local DFI space in this domain, with value of such transactions exceeding Rs 10,000 Mn.

In line with the vision to support development focused impact driven transactions, the division target mandates revolved around solarization, renewable energy, sustainable transportation and digital infrastructure theme, in line with regional and global megatrends. Further, Saudi Pak endeavored to undertake structured deal transactions during the year, embedding innovation in collateral to focus on business sustainability through cash flows due diligence rather than only relying on hard assets (land and building) to secure its interests without compromising on risk parameters.

Salient features of the key transactions successfully closed by IBSI are highlighted below:

1. Sustainable Transportation - Mandated Lead Advisor and Arranger for procurement of EV and Euro III inter city buses, through Rs 2,000 Mn Debt Syndication of four (4) DFIs for the country's largest transportation company in the private sector.

The transaction marked the DFIs' first foray into Electric Vehicle (EV) financing, enabling the client to procure a combination of EV and Euro III intercity buses from P.R. China under a long-term Syndicated Lease Arrangement.

Pakistan is among the top ten countries most affected by climate change over the past two decades, where the transportation sector contributes approximately one-sixth of global emissions. Through this transaction, it is expected that the reduction in carbon emissions would amount to upto 1.2 kg/km per bus for upto 25 buses, showcasing how innovative financial structures can drive the adoption of sustainable technologies while addressing pressing environmental issues.

2. Solarisation of Telenor Towers – Joint Lead Advisor for originating and structuring Syndicate Diminishing Musharaka Facility amounting to Rs 1,738 million to solarize 1350+ telecom towers of Telenor Pakistan across the country.

Saudi Pak and a leading commercial bank partnered to provide 7-year financing to local solution provider to purchase solar equipment & deploy on telecom sites of Telenor. The transaction is a classic example of receivable backed financing through a tri-partite arrangement, resulting in an efficient and lean collateral structure.

Through the transaction, it is expected that there will be an annual saving of 2.97 Mn litres of Diesel, annual reduction of carbon footprint by 8.33 kilotons and equivalent to 295,000 trees plantation annually.

3. Renewable Energy project financing under Guarantee backed arrangement – Lead Financier backstopped by partial Guarantee from InfraZamin Pakistan to Renewable Energy Solution provider for Rs 1,288 Mn long term loan.

Saudi Pak signed a landmark transaction to provide an 11.5-year Solar Financing Facility to Acumen Energy Limited (AEL) for Rs 1,288 Mn. The Facility will be backed by partial credit guarantee to Saudi Pak and will also mark InfraZamin's first foray into renewable energy. The financing will enable AEL to finance the development of approximately 12 MW of solar power projects across Pakistan.

With significant savings of CO2 emissions – approximately 6,500 tons annually, this project would also try to tap into the lucrative carbon credit market over its lifetime.

4. Financing of network and digital infrastructure expansion for Nayatel Private Limited.

Saudi Pak acted as Joint Lead Advisor together with other DFIs/Bank(s) in a Rs 1,750 Mn Debt Syndication, to finance network expansion in new cities, capital requirement for Fiber-To-The-Tower (FTTT) technology and broadening of existing service spectrum.

The transaction aligned with Saudi Pak's endeavor to promote the expansion of digital infrastructure and connectivity in Pakistan. Significant technological benefits are foreseen, particularly through the enhancement of Nayatel's fiber optic network which will significantly bolster internet connectivity in underserved areas and support the proliferation of high-speed broadband services.

5. Working Capital Financing to support Alkaram Textile Ltd for its Nooriabad Spinning Project.

Saudi Pak acted as Joint Lead Advisor for issue of Rated, Secured and Privately Placed Long Term Islamic Finance Certificates of upto Rs 2,200 mn. The facility was structured as an intermediate term working capital loan, to smoothen out cash flows of the company.

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 2024 included:

1. MoU with National Agricultural Development Company (NADEC)

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

Understanding was achieved that Saudi Pak will facilitate NADEC's inroads in Pakistani market and safeguarding business interests and providing support in identifying right business partners and facilitating Trade or Investment Transaction.

2. Engagement with Embassies of Saudi Arabia and Pakistan.

Discussions were held with Ambassador of Saudi Arabia (in Pakistan) and liaison was maintained with Pakistan Embassy in Saudi Arabia to explore areas of cooperation to facilitate investors in Saudi Arabia for engagement with Pakistani entrepreneurs and businessmen (and vice-versa).

3. Engagements with Corporates/Financial institutions in KSA

Saudi Pak engaged with large corporates and state-owned entities in KSA to deliberate on cross border investment and funding which may be provided (in Pakistan or KSA) to support Pakistani businesses in import substitution or export promotion initiatives.

To facilitate trade of commodities from Pakistan to Saudi Arabia under offtake arrangements, Saudi Pak structured **trade financing product** to provide one stop solution for Saudi buyers (of commodities), from registration of contracts and appointment of agents to transacting at competitive rates with minimum processes and procedures.

4. Pak Saudi Business Forum 2024

Saudi Pak's participation in the Pak-Saudi Business Forum 2024 highlighted its crucial role in supporting collaboration between Saudi Arabia and Pakistan's business communities.

Saudi Pak Engaged with various public and private sector Saudi companies and discussed areas of mutual interests. Face to face meetings were held with important Saudi businesses including Al-Baik, Wadi Halfa, Manara Minerals, Mayar Foods and Saudi Exports to discuss collaboration opportunities in Agriculture and Food Sectors.

Saudi Pak led a high-level engagement session with leading local Agri and livestock players including Dairy Land Pakistan, Shakarganj Food, Fecto Group, Meat World and Fongrow, where discussion revolved around exploring potential joint ventures, investment opportunities, and strategic collaborations with Saudi players both in Pakistan and KSA.

Saudi Pak had the honor of sponsoring the prestigious Lunch, hosted by His Excellency, Nawaf bin Said Al-Malki, the Saudi Ambassador to Pakistan. This exclusive event was attended by top Pakistani government officials, prominent business leaders, the Saudi Minister of Investment & members of Saudi delegation.

As an enabling partner, Saudi Pak remains dedicated to leveraging such business forums by facilitating and nurturing long-term partnerships that will unlock new opportunities and enhance economic cooperation between the two brotherly countries.

5. Five Year Strategic Business Plan of Saudi Pak.

Saudi Pak prepared a detailed 5-year Strategy document (for the period 2024 - 2028), duly approved by its Board of Directors. To achieve sustainable business growth over next five years, Saudi Pak will be diversifying its corporate exposure with key focus on agriculture & livestock, renewable energy, trade finance, fintech partnerships and empowerment of SME businesses through inclusive development finance.

In order to align Saudi Pak's business model with its mission aimed at strengthening economic cooperation between the brotherly people of Saudi Arabia and Pakistan, Management of the company stands committed to revitalizing the strength of institution by structuring innovative products and present one stop shop solution to its local and international investors.

Further, the company also plans to expand its institutional capacity (i.e., business and support functions) in order to achieve objectives envisaged under 5-year strategy.

Special Asset Management Division (SAMD)

The curtailment of Non-Performing Loans (NPLs) remains a cornerstone of the business strategy of Special Assets Management Division (SAMD). Through effective settlement and restructuring arrangements, SAMD continued to play a pivotal role in driving financial sustainability during the year.

Despite the challenging economic conditions, SAMD made remarkable contributions to Saudi Pak's profitability. Notable achievements included the successful settlement of cases through proactive discussions and negotiations. These efforts resulted in the cash recovery of Rs. 1,436 million from NPLs and gross provision reversals amounting to Rs. 1,293 million, translating into 3.6 % decline in NPL ratio of the company in 2024 compared to 2023.

Looking ahead to 2025, SAMD aims to intensify its recovery efforts through decree executions, negotiated settlement deals, and continued focus on balance sheet optimization. These measures are aligned with the Division's strategic vision to enhance asset quality and maximize value for stakeholders.

Capital Market Operations

The KSE-100 Index achieved a record-breaking year-end closing of 115,127 points, reflecting a return of 84.35% compared to 54.50% the previous year. This made it the second-best performing index globally (Source: Bloomberg). The impressive performance was largely driven by the support of IMF program, along with improved economic and political stability.

As of the end of 1HFY24, the market posted a return of 25.61%. However, following the signing of the new IMF Extended Fund Facility (EFF) in July 2024, significant monetary easing of 900 basis points in the Policy Rate (reduced from 22% to 13%), subdued inflation, debt restructuring/ rollovers from international funding agencies and Pakistan's allies and resultant stability in Rupee-Dollar parity caused the market sentiment to turn positive resulting in a 58.74% return in the second half of FY24.

In light of the high market levels, Capital Market Operations strategically liquidated portions of the portfolio to secure capital gains, contributing a gross P&L of Rs 336 million. When factoring in the full impact of operations, the cumulative contribution from PMD amounted to Rs 465 million. Moving forward, will continue to monitor the market for consolidation opportunities to build a low-cost portfolio.

Treasury

During the year Treasury continued to optimize its funding cost against placements and investments by tapping onto the relatively cheaper liquidity avenues from Islamic banks/institutions. In addition, Treasury kept on focusing on seeking 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.

Treasury was also successful in obtaining funding from market counterparts at subsidized rates for short-term investments through secured borrowings and thereby increased the balance sheet size significantly for additional profit than the legacy investment book.

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.

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 as well as creating 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 overall outlook for macro-economic dynamics.

During FY 2024, 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 mandate.

By virtue of increasing credit base by over 100% amounting to upto Rs 5,512.5 Mn, FI has been successful to systematically leverage its balance sheet to build liability book and through business initiation, with several banking partners, secured credit facilities ranging from mid to long term tenors that has vastly supported advances growth during the year as well streamlined asset - liability matching principal to a greater extent.

Information Technology

Information Technology plays a vital role in the growth of the company by managing its Infrastructure and facilitating strategic initiatives for accelerating business growth. Saudi Pak's IT Strategy is to provide momentum and innovation, aligning to the Organizational objectives. During 2024, upgrading the processes for IT Remote services with security measures, Backup solution, Outsourcing to CSPs, Authorized Admin/Privileged Rights as part of Technology Governance Framework. Security Controls have also been strengthened to avoid potential impacts of Cyber Attacks, ensuring resilience and preparedness to combat the impacts of security threats. In this respect, specialized training / awareness sessions have also been conducted on Systems &

Technology Governance and Implementation of Best Practices to provide insight to the business leaders, compliance professionals and related stakeholders who are involved in governance, best practices and security implementation.

Plans are also underway to upgrade the core systems with enhanced features, catering for the requirements of the business divisions on the latest web-based technology. Disaster Recovery Site has been set up with complete IT infrastructure, conducting regular testing/drills to effectively manage and ensure the continuation of critical business operations, coping up with localized or global disasters. It provides reliability, trust and strengthens the confidence of our prestigious clients

Human Resources

In 2024, the Human Resource Division (HRD) of Saudi Pak advanced its strategic efforts to position the organization as an employer of choice by emphasizing talent acquisition, workforce development, diversity, employee engagement, and operational excellence. Strengthening leadership capabilities remained a key priority, demonstrated by the successful hiring of critical positions, including C-level executives, to ensure organizational stability and enhance decision-making. The company reinforced its commitment to gender diversity by increasing female representation through targeted hiring initiatives.

Learning and development remained central to HRD's strategy, with over 100 training days conducted across multiple disciplines to enhance functional and leadership competencies. Additionally, structured internship and management trainee programs were implemented to attract and develop emerging talent while optimizing recruitment costs through internal sourcing strategies.

Saudi Pak maintained a strong focus on employee engagement, promoting a collaborative and dynamic work culture through various initiatives, including the Employee Appreciation Circle, Earth Day Tree Plantation Drive, and a Mega Annual Event. With 12 engagement activities conducted throughout the year, the organization reinforced a sense of belonging and recognition among employees. Performance management remained a critical strategic focus, with merit-based rewards, a high-performance culture, and targeted talent development and retention initiatives aligned with corporate objectives.

To enhance motivation, HR introduced recognition initiatives beyond monetary rewards, promoting a culture of appreciation and continuous achievement.

HR policy revisions and regulatory compliance efforts strengthened governance and risk management. Key policies, including diversity and inclusion, performance bonuses, and executive rotation, were reviewed and approved by the board to ensure alignment with evolving business needs. Saudi Pak remained committed to operational efficiency, achieving full compliance with HR regulations. The automation of HR processes progressed with the initiation of HRMS acquisition, further streamlining operations and improving the employee experience.

Corporate branding and communication efforts played a significant role in strengthening Saudi Pak's market presence and employer brand. The company enhanced corporate visibility through social media engagement and implemented branding initiatives across office locations to ensure consistency in corporate identity. HRD also led the website revamp, further improving digital outreach and corporate engagement.

Looking ahead, Saudi Pak remains focused on advancing operational excellence, leadership development, and technological innovation to sustain growth and employee well-being while reinforcing its position as a preferred employer in the financial sector.

Risk Management Framework

Saudi Pak has established a broad risk management framework to address risks at the enterprise level through effective Board oversight, thorough management supervision, and streamlined systems. During the year, the Company continued to further strengthen its risk management framework, which has been developed over the years and continues to be refined and improved.

The Board of Directors plays a pivotal role in setting the strategic direction and is ultimately responsible for ensuring the framework's effectiveness. To support this responsibility, the Board is assisted by specialized committees, including the Board Risk Management Committee (BRMC). At the senior management level, various committees oversee strategies, initiatives, and processes related to risk management.

Saudi Pak has adopted 'Three Lines of Defense' model for risk management, with clearly defined roles and responsibilities. The 1st line of defense consists of business units, which are primarily responsible for managing risks daily. The 2nd line of defense includes risk management and other control functions including Credit Administration, which assist the business units in designing and implementing controls to manage risks. The 3rd line of defense comprises risk monitoring unit, management risk committee and the Internal Audit, which provides independent assurance on the

adequacy of internal controls.

Saudi Pak took several initiatives in 2024 to further strengthen the risk management function, some of which are listed below:

1. **IFRS9 and CRR Model:** To address the gaps identified by the regulator and the internal & external auditors, a new Credit Risk Rating model that includes Obligor Risk Rating, Facility Risk Rating & Green Risk Rating, has been established and some identified gaps in IFRS9 have been addressed.
2. **Improved Portfolio:** stressed and Non-Performing Loans as a % of total Portfolio declined significantly due to prudent lending operations and tight controls.
3. **Improved Risk Assessment:** all major decisions making are made at management committees to obtain insight from the stakeholders for better and well-informed decision making. All policies covering the major risks have been revised in light of recent changes in the internal and external environments.
4. **Better Monitoring:** Credit Administration Department has been revitalized with documented processes and roles assignment to regularly apprise the management regarding the account conduct, early warnings and exceptions.
5. **Market Risk Assessment:** an updated framework designed and implemented to gauge the investment portfolio risk vs. return and reduce volatility.
6. **Automation:** several activities have been designed for automation e.g. Loan Management System to bring efficiency and transparency.

Credit risk is managed through the policies approved by the Board. These encompass a well-defined credit approval mechanism, use of internal risk ratings, prescribed documentation requirements, post disbursement credit administration & monitoring of facilities as well as continuing assessment of credit worthiness of borrowers through periodic reviews. Decisions regarding the credit portfolio are taken by the Financing & Investment Committee.

Further, the performance of credit facilities and significant risk issues are regularly reviewed by the Risk Review Committee. The Board Risk Management Committee (BRMC) provides overall guidance in managing the Company's credit risk.

Market risk and Operational risks are managed through respective policies approved by the Board. In addition, the liquidity risk policy provides guidance in managing the liquidity position of the Company. The BRMC provides overall guidance in managing the Company's

market and liquidity risks, capital adequacy, and integrated risk management, all of which are covered under the Enterprise Risk Management function. Assessment of enterprise-wide integrated risk profile of the Company is carried out using the Basel Framework, Internal Capital Adequacy Assessment Process, and Stress Testing.

Internal Audit

In the year 2024, the Internal Audit Division focused heavily on its audit strategy and team building. While ensuring adhering to its own strategy, the Internal Audit Division stayed abreast of the ongoing changes in the Company, newer products, and the latest SBP guidelines and instructions. The Internal Audit Division geared up its activities commensurate with the issuance of newer products and enhanced quantum of work under the leadership of Management's latest strategy and initiatives. Accordingly, the Internal Audit recommended several control enhancement suggestions to the business units to ensure that the growth is duly accompanied by necessary safeguards in place. At the same time, the Internal Audit reviewed several policies and procedures drafted during the year by the Management and made necessary value add proposals for incorporation.

In terms of divisional development, the Internal Audit Division enhanced its own procedures, organogram, and onboard skilled staff which underwent necessary training. During the year the Internal Audit also completed the UAT of its software which brought the division a step closer to the implementation of its own in-house designed MIS.

Future 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.

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 reaffirmed at AA+ (Double A Plus) and Short-Term entity rating reaffirmed at A-1+ (A One Plus). Outlook on assigned rating has been "Stable".

Credit Rating

By VIS Credit Rating Company Limited.

Long Term	AA+
Short Term	A-1+
Outlook	Stable

AA+

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.

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 December 31, 2024, except as disclosed in the financial statements.
- j) The value of investment of Provident Fund as at December 31, 2024 according to their unaudited financial statement is Rs.118.5 Mln.

Auditors

The Auditors, M/s Grant Thornton Anjum Rehman, Chartered Accountants, have completed their assignment for the year ended December 31, 2024. The Board on the proposal of the Audit Committee, recommends the appointment of M/s Grant Thornton Anjum Rehman, Chartered Accountants as Auditors for the year 2025.

Board of Directors Meetings

During the year, five meetings of the Board of Directors 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 the tenor of Directorship
Mr. Sultan Abdulrauf	5	5
Mr. Majid Misfer J. Alghamdi	5	5
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:

Name of Directors	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:

Name of Directors	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 meeting 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	3	3
Mr. Awais Manzur Sumra	3	3
Mr. Ali Tahir	3	3
Mr. Ghanem Alghanem	3	3

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.

Green Banking Initiative

Saudi Pak continues to support Government of Pakistan's environmental sustainability related initiatives and steps taken by State Bank of Pakistan for promoting green banking and environment friendly business projects. The green banking policy of Saudi Pak and environmental risk management manual documents are in place and being implemented. Several transactions were undertaken under these guidelines by the Investment Banking and Strategic Initiatives department and Corporate Banking department during the year. Saudi Pak looks forward to extending its complete financial support to business entrepreneurs for their eco-friendly ventures. Several other steps have been taken internally to encourage environmentally sustainable growth.

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)

Strategic Investments

Saudi Pak's strategic investments include Saudi Pak Real Estate Limited.

Saudi Pak Real Estate Limited

Saudi Pak Real Estate Limited (SPR) continues to demonstrate strong growth in profitability and diversification, providing a solid capital base for future projects. The acquisition of the Karachi Office is now generating rental income.

In July 2024, SPR signed a Memorandum of Understanding (MoU) with Alfalah Asset Management Ltd. (AAML) to establish a Real Estate Investment Trust (REIT). Legal formalities and regulatory approvals are currently underway, with the REIT scheme expected to be launched in the first half of 2025.

The SPR Board's strategic decision to reinvest liquid assets into the core business has led to a 19% increase in revenue from real estate activities and a remarkable 434% surge in operating profits, despite a 25% rise in administrative expenses. Looking ahead, SPR's Board is focused on outlining a growth-driven strategic roadmap, with an emphasis on further investment in the real estate sector.

Head Office Building

Saudi Pak owns a twenty storey High Rise Building in Islamabad known as Saudi Pak Tower. The building, constructed in the year 1991, is known as a landmark of Islamabad.

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 2024 remained 96% translating a revenue of Rs. 553.381 million as compared to Rs. 513 million in the year 2023.

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.

In other offices, enhanced building services and safety measures were also implemented to ensure a

secure and efficient environment.

During 2025, the Head Office Building Department will continue its efforts to materialize further improvements for the betterment in overall building services.

Financial Results – 2024

Despite a challenging macroeconomic environment, Saudi Pak demonstrated prudent financial management and strategic foresight, consolidating its business to maintain a strong financial position. The company's focus on risk mitigation, liquidity diversification, and portfolio strengthening reinforced its resilience during the year.

To optimize risk-adjusted returns, Saudi Pak prioritized short-term financing, effectively mitigating risks associated with longer-term exposures. The company also expanded its guarantee portfolio, taking exposures on impact-driven financial institutions and corporates, thereby diversifying its business segments.

Additionally, Saudi Pak broadened its liquidity sources, achieving a 45% increase in Certificate of Investments (COIs), further strengthening its funding base.

In a rising interest rate environment, fixed-rate PIB holdings in the treasury portfolio helped stabilize mark-up income. Meanwhile, non-core income saw significant growth, driven by:

- A 50% YoY decrease in dividend income.
- A realized gain of Rs. 118.718 million from the sale of quoted shares.
- Unrealized gains of Rs. 13.8 million on quoted shares (FV-TPL) and Rs. 55.57 million on unquoted preference shares (FV-TPL).
- A notable increase in fee-based income, further enhancing revenue streams.

Despite ECL adjustments impacting opening retained earnings, the company recorded a year-on-year increase in net equity. Additionally, both the NPL percentage and provisioning coverage ratio improved over last year, reflecting enhanced asset quality.

With inflation moderating to 4%, the company effectively controlled administrative expenses, operating within the approved budget and even utilizing 3.5% less than the allocated opex budget.

Through prudent management and strategic initiatives, Saudi Pak delivered:

- Profit before tax of Rs. 1,364 million, reflecting an impressive 178% YoY increase.
- Profit after tax of Rs. 920 million, representing an 81% growth compared to the previous year.

Saudi Pak's disciplined financial strategy, business diversification, and operational efficiency have positioned it strongly for sustainable growth. The company remains well-prepared to capitalize on emerging opportunities, ensuring continued value creation for stakeholders.

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

	2024 (Rupees)	2023 (Rupees)
Un-appropriated/un-remitted profit brought forward	3,942,835,204	4,175,180,394
Initial Adjustments IFRS-9	(38,473,647)	(527,955,514)
Gain / (loss) – Sale of FV-OCI Securities	(1,243,041)	(193,129,091)
Profit after tax for the year	919,821,109	507,562,609
Transfer -Surplus on revaluation of fixed assets	74,752,304	82,011,160
Other comprehensive income related to equity	(3,925,638)	678,168
Profit available for appropriations	4,893,766,291 =====	4,044,347,726 =====
Appropriations:		
Transfer to reserve funds	183,964,222	101,512,522
Transfer to general reserve	-	-
Bonus Shares Issued	-	-
Dividend paid	-	-
Total appropriations	183,964,222 =====	101,512,522 =====
Un-appropriated/un-remitted profit	4,709,802,069 =====	3,942,835,204 =====

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**

Islamabad
March 08, 2025



Chairman

Statement of Compliance with Code of Corporate Governance

1. The Company has complied with the requirements of the Regulations in the following manner. The total number of directors as of December 31, 2024, 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. No casual vacancy has occurred or arisen during the year 2024, 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.
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 a performance evaluation through the Pakistan Institute of Corporate Governance (PICG) covering aspects such as strategic planning, Board and CEO effectiveness, Board information, committees, and the 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
3	Risk Management Committee	Mr. Qumar Sarwar Abbasi Mr. Majid Misfer J. Alghamdi Mr. Ali Tahir Mr. Ghanem AL Ghanem	Chairman Member Member Member

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	3

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

Islamabad:
March 08, 2025

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 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 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, 2024, was duly prepared and submitted to the Audit Committee of the Board in its 111th 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
Islamabad, Pakistan
March 08, 2025