



Saudi Pak Industrial and Agricultural Investment Company Limited

Directors' Review Report Annual Report 2023

Chairman's Message

On behalf of the Board of Directors, I present the 42nd 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, 2023.

Saudi Pak's commitment to responsible finance remains unwavering. The company continued to spearhead initiatives and transactions that contributed to development focused and impact driven outcomes. Key investment themes were financial inclusion, Fintech sukuk, tourism & community development, sustainable agriculture and equitable edtech. The year saw Saudi Pak enter into its first international partnership with The Islamic Corporation for Insurance of Investment & Export Credit (ICIEC) for promotion of trade and cross border investments.

During the year, the management focused on consolidating the balance sheet, recovering non-performing loans, strengthening corporate credit, diversifying product suite establishing investment banking and strategic initiatives department. Our prudent risk management practices ensured the resilience of our business model, safeguarding the interests of our stakeholders.

Despite tough economic environment, the company booked fresh loans without compromising on credit quality and risk management. Substantial guarantee business was generated that provided a healthy fee-based income.

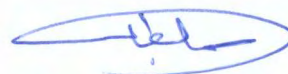
The company adopted IFRS-9 and managed to book all the requisite provisions under ECL (first-time adoption) while remaining profitable despite a challenging year in terms of economic conditions.

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 to capitalize on available opportunities with 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.



Sultan Abdulrauf

Chairman

Directors' Report

Economic Overview

During the year, the economy faced unprecedented macroeconomic challenges including but not limited to current & trade account imbalance, consequences of monsoon floods in 2022 (in shape of devastating infrastructure and crops), low levels of Foreign Currency Reserves and rampant inflation due to which GDP growth contracted to 0.17 %. In addition, the regional wars severely disrupted the global demand-supply balance which led to slowdown of the global economic growth.

Average CPI inflation stood at 29.7% on a year-on-year basis in December 2023 vs 24.5% last year. The State Bank of Pakistan during Jul-Jun FY23 raised its policy rate by 8.25%, to a historic high of 22%.

The Rupee depreciated from PKR / USD 226.43 at the start of the year to maximum of 308.10/USD on 5th September 2023, however closed around 281.93/USD at year end consequent to IMF staff level agreement on 15th Nov 2023. FX reserves with the SBP fell to US\$ 4.47 billion at Jun23, however, agreement with IMF under US\$ 3 Bn Stand by Arrangement facility supported in closing the reserves position at US \$ 8.22 billion as of year-end. Stock market also showed great positivity and PSX-100 closed at 62,450 as of yearend 2023 from 40,420 as of last yearend (gain of more than 50% YoY)

Exports increased by 2% to US \$ 12.17 Billion in July –Nov FY-23/24 vs US \$ 11.94 Billion in July – Nov FY-22/23 on a cumulative basis. The foreign direct investment increased to US\$ 863 Million during July to Dec 2023 in comparison to US\$ 640 Million as of last half yearend. The Current Account deficit reduced to US\$2.6 billion for FY2023 as against a deficit of US\$17.5 billion last year, mainly due to contraction in imports. During July to Nov FY 23/24, It further reduced to US \$ 1.160 Billion. LSM sector showed growth of 1.59% in Nov 2023 on year-on-year basis vs November 2022.

Going forward, the Pakistan's economy is likely to face challenges and uncertainty amid post-election outcome, unforeseen climate events, adverse development in global commodity prices, particularly in oil and external economic challenges that may have an impact on the economic indicators relevant to business.

Operational Overview

Corporate Finance

As the Government continued its monetary tightening in 2023, result of which the policy rate reached its peak, private sector lending was crowded out and credit off take declined to historically low levels.

Despite such a testing macro-economic environment and challenges in every sector ranging from import restrictions, surge in energy tariffs, devaluation of the Rupee to cross PKR 300/US\$, international conflicts, and internal political uncertainty, Saudi Pak still saw opportunity to grow the portfolio in key performing sectors of the country. We remained engaged with resilient businesses that needed support and funding. This was achieved through the following:

- Business coverage was strengthened by beefing up the regional teams.
- Priority sectors were identified and penetrated through structured solutions.
- Focus was driven on product and segment diversification.
- Opportunities in unfunded guarantee offering were explored and booked.
- Trade financing structure explored in partnership with the Islamic Corporation for Insurance of Investment & Export Credit (ICIEC)

Keeping in view the above and also our primary mandate to play a key role in Developmental Finance, Saudi Pak booked impact focused quality assets. Key highlights of Saudi Pak exposure during the year are as follows:

- Saudi Pak was the largest investor in Region's First Syndicated Sukuk Transaction for a growing embedded finance platform (Fintech company) in the MENAP region. This provided much-needed working capital financing to scale up the business and growth.
- Saudi Pak inked agreement with a renowned local hospitality company to support tourism and community development in northern areas (Gilgit, Skardu, Bhurban and Naltar Valley) of Pakistan through first of its kind blended finance facility in consultation with The World Bank for setting 5-year impact targets of the initiative.
- Saudi Pak extended financial undertaking on behalf of leading Microfinance players in the country to State Bank of Pakistan under World Bank Supported Financial Inclusion and Infrastructure Project (FIP). As a result, through the guarantee, funds were deployed to uplift women and support micro-businesses (livestock, trade e.t.c) thereby improving the livelihood of whole communities at the bottom of the pyramid.
- Saudi Pak took exposure in one of the leading Agriculture players in the country by providing short term financing to enable the company procure paddy/rice for onward processing and export. This aligns with Saudi Pak's mandate to support the value chain in the agriculture sector and enable the players to compete globally and earn foreign exchange for the country.
- In addition to the above, Power & Gas and Pharmaceutical sectors were advanced an amount of PKR 4.5B as these are vital sectors for Pakistan's economy.

- 2023 marked an important year as Saudi Pak recorded significant income through commissions and fees, providing support to the top line of the company.

Saudi Pak intends to make an impact through four key elements of Empowering Business, Inclusive Growth, Capital Formation and Bilateral Trade. The goal is to capitalize on our primary nature of a developmental organization so that we not only just lend but also provide the impetus for improving the livelihood and wellbeing of our country and its future.

Going forward, the year 2023 has laid the foundation for driving ahead Saudi Pak's 5 year strategy that will focus on priority sectors such as Software exports, Green Energy, Pharmaceuticals, Surgical Equipment, Sports Products and Food Industry.

Investment Banking and Strategic Initiatives

The Investment Banking and Strategic Initiatives Division (IBSI) was setup in 2023 to undertake Financial advisory and strategic investment mandates in line with strategic mission of SAPICO.

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 2023 included:

- 1. MoU with The Islamic Corporation for Insurance of Investment & Export Credit (ICIEC)**
SAPICO and ICIEC signed an MoU for economic corporation in Jeddah, to promote trade and cross border investments between Pakistan and member states.
Through the MoU, the two parties will work together, and introduce products like **Trade Credit Insurance** (protection against the risk of nonpayment of trade receivables by their import and export clients) and **Investment & Finance Risk Coverage** (protection against Foreign Direct Investment risk for investors, sponsors and lenders etc.)
- 2. Engagement with Embassies of Saudi Arabia and Pakistan.**
Meetings were held with Ambassador of Saudi Arabia (in Pakistan) and Ambassador of Pakistan (in Saudi Arabia) to discuss 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**
Meetings were held 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.

4. Agriculture focused initiatives

Saudi Pak held meetings at various forums to explore opportunities in the entire value chain of the agriculture sector. Saudi Pak aims to work with LIMS Authority, Special Investment and Facilitation Council (SIFC) with a view to contribute towards Pakistan Food Security program and arranging Roadshow for promotion of this sector.

5. Debt advisory and arrangement mandate

During the year, IBSI entered into advisory mandate for the largest local intercity transportation company to arrange funding for climate resilient, fleet financing initiative. Saudi Pak will endeavor to enter into Syndication mandates which are aligned with development focused and impact-based financing structure for its clients.

6. Ongoing engagements: The IBSI is:

- a. in discussions with relevant local and international stakeholders to extend support towards exploring and promoting country's mining sector, corporate farming and solar panel manufacturing (renewable/clean energy) initiatives and transactions.
- b. aims to establish Business Facilitation Digital Platform, a "one-stop" information facilitation and investment advisory portal to investors in Pakistan and KSA.
- c. in process for entering into partnership with country's leading export credit insurance provider, for which negotiations are underway.
- d. Will continue to engage with SIFC and LIMS to explore areas of cooperation and play affective role in realizing country's growth aspirations.

Special Asset Management Division (SAMD)

Economic and political conditions remained volatile during 2023 resulting in uncertainty in predicting key economic variables. However, SAMD concerted efforts and focused approach resulted in contributions of one of the highest cash recoveries and NPLs settlement arrangements making it a standout year.

For next year, SAMD is expecting a record year in terms of recovery / reversals given the current focus and transactions executed during 2023.

Capital Market Operations

The PSX Benchmark Index, the KSE-100, returned 54.5% for CY23 as compared with -9.4% for CY22. The year remained a strong year for the Pakistan Stock Market as the KSE-100 Index marked its highest return since 2009. Market posted marginal return of 2.55% in 1H FY23 due to hikes in interest rate, Pak rupee depreciation and heightened Sovereign default risk in international bond markets. But in second half of CY23 as IMF deal started materializing

market showed strong performance. Sentiment was further lifted with stable currency, unchanged policy rate and expectation of elections thus generating a return of 50.66% in 2HFY23.

Portfolio Management Division (PMD) adopted a cautious approach in the wake of economic and political uncertainty avoiding any unnecessary forced selling in first half and earning dividends. As the macroeconomic environment stabilized and sentiment improved PMD realized income through capital gains at elevated market levels. On gross basis, PMD contribution to P&L amounted to Rs.1.07 billion for CY2023, which showcased the department's significant achievement. PMD Listed Common Stock Total Return under the IFRS9 framework was 60.3% as compared with the KSE-100 Index return of 54.5%.

Treasury

During 2023, Treasury front office remained an active participant in the money market and tapped the most optimal liquidity avenues including the SBP Open Market Operations (OMO) and the conventional market segment.

Keeping in view the monetary tightening and massive depreciation of Pak Rupee against major international currencies witnessed during 2023, Treasury remained cautious amid expectation of higher interest rates. Accordingly, Treasury did not add any high duration instrument on the books and focused more on investing in floating rate PIBs and T-Bills. During the year, 10-Y fixed rate PIBs amounting to Rs.600 million were sold, in a bid to deploy the funds in high yielding investments available in the market.

Within Treasury, a dedicated "Financial Institutions and Certificate of Investment – FI&COI" division was setup in 2023 to manage relationships with Financial Institutions and Commercial Banks and lead COI marketing desk. COI exposure was gradually enhanced as an alternative/low-cost funding source and aims to continually build its portfolio further to efficiently manage the borrowing costs.

Going forward, treasury aims to seek optimal revenue enhancements and cost reductions by rationalizing placement and fund mobilization keeping in view overall macro-economic environment into consideration.

Information Technology

During 2023, several initiatives were taken by Information Technology Division to further improve the IT infrastructure by adopting evolving technologies along with successful up-gradation of business solutions for the company. Technology Governance Framework has been upgraded with various policies and procedures to streamline the IT operations, ensuring the smooth functioning of business operations using best practices. Moreover, IT infrastructure has been further improved using evolving technologies for strengthening the security controls. In-House training sessions have also been conducted on Enterprise Governance and Technology Risk Management to ensure the implementation of industry standards, governance and best practices, reflecting regulatory landscape. Plan is also underway in 2024 to revamp the legacy systems and development of new products aligned with business strategy.

Disaster Recovery Site has been setup with complete IT infrastructure, data and critical systems to effectively manage and ensure the continuation of critical business operations, coping up with localized or global disasters. Regular testing has also been conducted to ensure the resilience of DR Site for implementing BCP with the engagement of Independent Third-Party consultant as an observer to ensure the IT infrastructure and DR Site capability for the continuity of critical business operations.

Human Resources

In 2023, the Human Resource Division (HRD) took proactive strides to position Saudi Pak as the employer of choice, emphasizing inclusivity, collaboration, and individual growth to cultivate a dynamic workplace. HRD orchestrated a strategic two-day session, aligning divisional heads to formulate initiatives and action plans for FY 2023, laying the groundwork to achieve Saudi Pak's mission and organizational goals.

The HR team executed a successful recruitment drive, swiftly filling strategic and critical positions, contributing significantly to our growth and profitability targets. Focused on talent development, HRD implemented a robust learning framework spanning organizational, divisional, and personal development, enhancing our workforce's knowledge and skills.

Structural optimizations, cost efficiency measures, policy revisions, and diversity promotion initiatives underscore our commitment to continuous improvement. The substantial growth in social media engagement and increased brand visibility reflect positively on Saudi Pak's reputation as an

employer of choice and responsible corporate citizen. Active employee participation in social media initiatives further amplifies our corporate presence.

Throughout the year, Saudi Pak executed a series of Employee Engagement Activities, creating a collaborative, dynamic, and innovative work culture. Highlights included a New Year Celebration emphasizing business excellence, recognition of performance achievements, and Women's Day events promoting gender equality in the workplace. Patriotic endeavors, such as Independence Day festivities and creative office décor competitions, underscored our commitment to instilling a sense of pride and creativity among employees.

Beyond internal initiatives, Saudi Pak actively participated in celebrating Saudi Arabia's National Day celebrations organized by KSA's Embassy in Pakistan. HRD championed corporate social responsibility through awareness campaigns on social media platforms, addressing environmental protection, health hazards, and disaster preparedness, reinforcing our commitment to the community.

Looking ahead, HR remains dedicated to sustaining people engagement, enhancing operational efficiency, and contributing to the company's profitability.

Risk Management Framework

Saudi Pak takes exposures through financing – funded & non-funded, investing in fixed income securities & shares, leading & participating in debt syndicates, underwriting shares issue, and providing advisory services; all these activities expose the company to various forms of risks.

Risk may also originate from gaps in controls and lapses in processes, systems, and data flow. The quantum & form of Risk, vary according to the products and services offered. Risk management process involves risk identification, measurement, and mitigation.

The company has put in place a comprehensive risk management framework, overseen by the Board of Directors and its Risk Management Committee. It includes policies, procedures, limits, reporting mechanisms, and control functions, keeping the company's assets portfolio within the company's approved risk appetite.

- **Credit risk** is managed at obligor and portfolio levels. At the former level, it involves evaluating obligor, facility & security, and environmental risks. The management updated the proposal format, process flow and decision-making tools. A comprehensive Risk Rating model is under

development to bring better understanding of risk and return (optimal price according to the Probability of Default, Loss Given Default and Exposure form & magnitude). Decision making committee has been recomposed as Financing & Investing Committee, to obtain input from various angles including funds availability at optimal price & tenor by Treasury Division.

At the Portfolio level, the Risk Review Committee reviews twice a month the portfolio updates on disbursed, approved but not disbursed and non-performing loans. Portfolio level weighted average ORR, FRR, tenor and price are also monitored. Sector limits and preferences, progress on classified and Watchlist accounts are also discussed monthly.

- **Market risk** management involves daily monitoring and reporting by the Treasury Middle Office, using various techniques like mark-to-market, PVBP, beta, Value-at-Risk (VaR), and sensitivity analyses. The company manages interest rate risk in the banking book through gap analysis and simulation. The board approved a robust Market Risk framework during the year, placing various limits based on market price movement. Asset Liability Committee reviews the market risk twice a month due to dynamic market situation.
- **Liquidity risk** management requires an optimal mix of short and long-term funds under Liquidity Risk Policy, Treasury Policy, and Contingency Funding Plan. The focus is on periodic gap management, diversification of sources, and compliance with regulatory limits. A specialized unit has been established in Treasury to explore various avenues of funds generation at better price and varying tenor.
- **Operational risk** management involves the line management, Operational Risk Management Unit, and Internal Audit Division. The company has updated its Business Continuity Plan, Technology Governance Framework, IT Security Policy, and KYC/AML Policies. It applies regular usage of RCSA, KRI, and risk incident reporting. Information security risk assessments are also conducted regularly.

At the enterprise level, healthy Capital Adequacy Ratio and Liquidity Coverage Ratio, are ensured, even after applying regulatory stress tests. With the early adoption of IFRS-9 on Jan 2023, the company has applied a forward-looking risk management approach, with a sizeable Expected Credit Loss kept as a buffer against probabilistic losses.

Internal Audit

The year 2023 was a year of focus on processes revamping and development, where need be. The change of Management at top level gave an opportunity of fresh perspective in all areas of business; and Audit accordingly took advantage of the same. Besides the routine audit work, a lot of focus was put on improving and developing processes to enhance existing controls. Internal audit actively participated in reviewing old policies and procedures, where required, as well as making necessary recommendations for embedding of stronger controls in the eCIB mechanism, necessary tweaks in the IFRS 9 application, etc.

The audit strategy was also renewed for the next three years with a heavy focus on automation of the audit processes. The focus remained on continued value addition through assurance and advisory services and quality improvement through reviews and imparting of quality trainings to the staff members, in line with the approved audit strategy.

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 structured trade finance initiatives, inclusive development finance, fintech partnerships, promotion of capital formation initiatives, and real estate investment trusts will be explored. In recognition of growing demand for Sharia-compliant financial services, SAPICO also intend 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, 2023, except as disclosed in the financial statements.
- j) The value of investment of Provident Fund as at December 31, 2023 according to their unaudited financial statement is approximately Rs.118.5 million (2022: Rs.99.5 million).

Auditors

The Auditors, M/s Grant Thornton Anjum Rehman, Chartered Accountants, have completed their assignment for the year ended December 31, 2023. 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 2024.

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. Zafar Hasan	3	3
Mr. Majid Misfer J. Alghamdi	5	5
Mr. Mohammad Tanvir Butt	3	3
Mr. Ghanem Alghanem	5	5
Mr. Qumar Sarwar Abbasi	5	5
Mr. Awais Manzur Sumra	2	2
Mr. Ali Tahir	2	2

During the 194th and 195th meeting of the board of directors, the Deputy Chairman and Director nominated by the Government of Pakistan were replaced i.e., Mr. Awais Manzur Sumra replaced Mr. Zafar Hasan and Mr. Ali Tahir replaced Mr. Muhammad Tanvir Butt.

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. Zafar Hasan	1	1
Mr. Qumar Sarwar Abbasi	2	2
Mr. Majid Misfer J. Alghamdi	2	2
Mr. Ghanem Alghanem	2	2
Mr. Ali Tahir	1	1

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. Mohammad Tanvir Butt	2	2
Mr. Awais Manzur Sumra	1	1
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. Zafar Hasan	2	2
Mr. Awais Manzur Sumra	1	1
Mr. Mohammad Tanvir Butt	2	2
Mr. Ali Tahir	1	1
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. 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 fostering social development and well-being. We prioritize education, environmental sustainability, and community empowerment as key pillars of our CSR strategy. Through strategic partnerships and direct interventions, we supported different programs during 2023 including:

1. Under Saudi Pak's Equitable Edtech initiative, financial support to Noon, 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)
2. Grant support to Pakistan Institute of Development Economics for holding 37th annual conference of Pakistan Society of Development Economists in Multan. The theme of the conference was "Breaking the aid – debt chains" participated by local and international scholars, economists, practitioners, policy makers and students etc.
3. Donation to "Aziz Jehan Begum Trust for the Blind" in Lahore. The trust has been operations for last 34 years where blind students are given education free of cost.
4. Donation in kind to Anjuman Faizul Islam, Rawalpindi, an orphanage where children aged between 5 to 10 years are provided accommodation, food and education.
5. Ration bags to support staff of Saudi Pak, containing food items sufficient to sustain a family for a month.

Strategic Investments

Saudi Pak's strategic investments include Saudi Pak Real Estate Limited and Saudi Pak Leasing Company Limited.

I. Saudi Pak Real Estate Limited

Saudi Pak Real Estate Limited (SPR) continues to show growth trajectory both in terms of performance and creating resource base for future endeavours. SPR's profitability in recent years has increased manifolds due to improved rental income, various cost-cutting initiatives and steady capital gains. The Company posted a record year with net profit after tax of around Rs.68 Mn for 2023 as compared to Rs.43 Mn last year, a solid growth of 58%.

During the year SPR has invested in a prime location office space in Karachi for rental yields and capital gain. Going forward, the company aims to enhance its profitability by building an investment portfolio of different asset classes to generate consistent revenue stream and capital gains.

II. Saudi Pak Leasing Company Limited

Saudi Pak Leasing Company Limited (SPLC) is an associated company of Saudi Pak by virtue of its 15,835,403 fully paid-up ordinary voting shares (35.06% of total ordinary shares) and 33,320,850 unencumbered and fully paid-up preference shares (63.08% of total preference shares).

Head Office Building

Saudi Pak owns a twenty story 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 2023 was 99.12% translating a revenue of Rs.518 million as compared to Rs.464.8 million in the year 2022.

Several initiatives were taken to strengthen the building services and safety works. During 2024, Head Office Building Department will continue its efforts to materialize further improvements for the betterment in overall building services.

Financial Results – 2023

Amid difficult operating environment, economic challenges and particularly high inflationary and interest rate environment, Saudi Pak disbursed Rs.1.7 billion corporate loans without compromising on credit quality and Rs.3.3 billion non funded business (Guarantees) was also booked. Focus remained on reducing risk, book cleansing and recoveries. During the year, Saudi Pak's total assets increased by 4.7%. Net equity increased by 1% despite of IFRS-9 ECL adjustments in opening retained earnings upon first time adoption in year 2023.

Net interest margin decreased by 33% as fixed rate PIBs in the treasury portfolio eroded gains earned through arbitrage income on investment in T-Bills. Non markup interest income increased by 69% compared to last year despite realizing loss of Rs.166 million upon selling of Rs.600 million 10-Y fixed rate PIBs. The increase of non-markup interest income was attributed to fresh commission income of Rs.42 million on guarantee business, 5% increase in dividend income, realized gain of Rs.375 million upon selling of quoted shares and Rs.280 million revaluation gain (unrealized) on quoted shares measured at FV-TPL. Administrative expenses increased by 6% to the comparable period due to higher inflation and fresh hiring made as per the strategy. Company booked net ECL/provisions of Rs.467 million in comparison to net Rs.318 million last year.

Overall, despite a challenging year with adverse macro-economic factors, the Company managed to close profit before tax at Rs.557.893 million, reflected 42% increase to the comparable period while profit after tax was closed at Rs.507.563 million increased by 63% to the last year.

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

	2023 (Rupees)	2022 (Rupees)
Un-appropriated/un-remitted profit brought forward	4,175,180,394	4,169,842,451
Initial Adjustments IFRS-9	(527,955,514)	-
Gain / (loss) – Sale of FV-OCI Securities	(193,129,091)	-
Profit after tax for the year	507,562,609	310,784,220
Transfer -Surplus on revaluation of fixed assets	82,011,160	86,850,400
Other comprehensive income related to equity	678,168	(139,833)
Profit available for appropriations	<u>4,044,347,726</u>	<u>4,567,337,238</u>
Appropriations:		
Transfer to reserve funds	101,512,522	62,156,844
Transfer to general reserve	-	-
Bonus Shares Issued	-	165,000,000
Dividend paid	-	165,000,000
Total appropriations	<u>101,512,522</u>	<u>392,156,844</u>
Un-appropriated/un-remitted profit	<u>3,942,835,204</u>	<u>4,175,180,394</u>

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

Islamabad
March 08 , 2024

Statement of Compliance with Code of Corporate Governance

The statement is being presented in accordance with the listed Companies (Code of Corporate Governance) Regulation, 2019 (the Regulations) issued by the Securities and Exchange Commission of Pakistan, which has been voluntarily adopted by the Company.

The Company has applied the principles contained in the Code in the following manner:

1. The total number of directors is 6 as per the following detail:
 - Male 6
 - Female 0
2. The Board comprises of six non-executive directors as follows:
 - Mr. Sultan Abdulrauf
 - Mr. Awais Manzur Sumra
 - Mr. Ali Tahir
 - Mr. Majid Misfer J. Alghamdi
 - Mr. Qumar Sarwar Abbasi
 - Mr. Ghanem Alghanem

Exemption regarding appointment of independent director has been obtained from the State Bank of Pakistan.

Company has no female representation on the Board as no nomination for a female director has been received from the Governments of Pakistan and KSA.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company;
4. During the year ended December 31, 2023, the Government of Pakistan nominated two directors namely Mr. Awais Manzur Sumra replacing Mr. Zafar Hasan and Mr. Ali Tahir replacing Mr. Muhammad Tanvir Butt on August 09, 2023, whose Fit and Proper Test have been approved by the State Bank of Pakistan.
5. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures;
6. The Board has developed a vision/mission statement, overall corporate strategy and

significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company;

7. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board as empowered by the relevant provisions of the Act and these Regulations;
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board;
9. The Directors, General Manager/Chief Executive and executives do not hold any interest in the shares of the Company. State Bank of Pakistan from its holding has transferred 01 share in the name of Director Finance, SBP in a representative capacity.
10. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations;
11. The Board has carried out the Board performance evaluation under the Self Evaluation mechanism. The evaluation assessed performance both as a Board as well as at the individual Director level, and covered Board Composition, Strategic Planning, Board & CEO Effectiveness, Board Information, Board Committees, Board Procedures, and the Control Environment.
12. The following Directors and Executives have obtained relevant training (Director Training Program):

Sr. no	Name of 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 Alghanem

* Mr. Ali Tahir and Mr. Ghanem Alghanem obtained this training in January 2024.

Sr. no	Name of Executives	Designation
1	Ms. Tayaba Mazhar	Company Secretary
2	Mr. Safdar Abbas Zaidi	Chief Financial Officer

13. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
14. Chief Financial Officer and Chief Executive Officer duly endorsed the financial statements before approval of the Board;
15. The Board has formed the following Committees comprising of members given below:-

a) Audit Committee:

Sr no	Names	Designation
1	Mr. Ghanem Alghanem	Chairman
2	Mr. Awais Manzur Sumra	Member
3	Mr. Qumar Sarwar Abbasi	Member
4	Mr. Majid Misfer J. Alghamdi	Member

b) HR and Remuneration Committee:

Sr no	Names	Designation
1	Mr. Sultan Abdulrauf	Chairman
2	Mr. Awais Manzur Sumra	Member
3	Mr. Ali Tahir	Member
4	Mr. Ghanem Alghanem	Member

c) Risk Management Committee:

Sr no	Names	Designation
1	Mr. Qumar Sarwar Abbasi	Chairman
2	Mr. Majid Misfer J. Alghamdi	Member
3	Mr. Ali Tahir	Member
4	Mr. Ghanem Alghanem	Member

16. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committees for compliance;
17. The frequency of meetings of the Committees is as follows:

Board Committees**Frequency of Meeting**

Audit Committee

Quarterly

Risk Management Committee

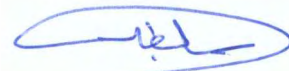
At least Twice in a year

Human Resource & Remuneration
Committee

At least Once in a year

18. The Board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the company;
19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and are registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the Chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or director of the company;
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
21. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.

For and on behalf of the
Board of Directors



Chairman

Islamabad:
March 08, 2024

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.

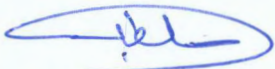
The Management took sufficiently necessary steps to rectify all observations and suggestions for improvement raised during the year by the Internal Audit Division. Furthermore, regular follow-up of the internal audit reports was done by the Compliance Division which ensured timely implementation of queries 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, 2023, was duly prepared and submitted to the Audit Committee of the Board in its 107th 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, 2024