

PAİR INVESTMENT COMPANY LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED MARCH 31, 2025

On behalf of the Board of Directors, I am pleased to present the Financial Statements of PAİR Investment Company Limited (PAİR) for the period ended March 31, 2025.

Economic Review

The quarter ending March 31, 2025, reflected signs of measured economic recovery in Pakistan, underpinned by improving macroeconomic indicators, declining inflationary pressures, and cautiously calibrated monetary policy. While challenges persisted in industrial output and external financial inflows, the broader outlook remained positive, supported by rising consumer confidence and easing supply-side constraints.

The State Bank of Pakistan (SBP) maintained its projection for FY25 real GDP growth in the range of 2.5 to 3.5 percent, with the agriculture sector recording strong performance, aided by improved crop yields and favorable climatic conditions. The services sector also demonstrated resilience, whereas the industrial sector continued to face structural challenges, including contraction in select manufacturing sub-sectors.

A notable development during the quarter was the sharp decline in inflation, with March 2025 recording the lowest inflation rate in nearly a decade. This disinflationary trend was driven by a favorable base effect, reduced global commodity and energy prices, currency stability, and the lagged impact of tight monetary policies. Acknowledging these developments, the SBP, in its March 2025 Monetary Policy, kept the policy rate unchanged at 12 percent to preserve the real positive interest rate and manage inflation expectations. However, with continued moderation in inflation, the policy rate was subsequently reduced to 11 percent in May 2025.

On the external front, Pakistan posted a historic current account surplus of USD 1.2 billion in March 2025, a remarkable turnaround from a USD 97 million deficit in February. This improvement was driven by increased export earnings, moderated import growth, and a record-high monthly remittance inflow of USD 4.1 billion, primarily from the Pakistani diaspora in Saudi Arabia and other Gulf states.

As of March 31, 2025, the Pakistan Stock Exchange (PSX) demonstrated a robust performance, with the benchmark KSE-100 Index closing at 117,807 points. This upward trend was fueled by positive investor sentiment stemming from a staff-level agreement with the International Monetary Fund (IMF) under the Extended Fund Facility (EFF) and the securing of a \$1.3 billion Resilience and Sustainability Facility (RSF) arrangement. Additionally, progress on the government's circular debt resolution plan and anticipation of reduced electricity prices contributed to market optimism.

Financial Overview

Net Mark-up Income increased to PKR 429.293 million, reflecting a 4.4% rise over the corresponding period last year (Q1 2024: PKR 411.001 million). This was despite a decline in mark-up earned, attributable to effective cost of funds management and portfolio rebalancing. During the quarter ended March 31, 2025, the Company

posted a Profit After Tax (PAT) of PKR 84.118 million, compared to PKR 330.846 million in the same period last year, primarily due to a shift in credit loss provisioning trends and subdued non-mark-up income.

Non-Mark-up / Interest Income dropped to PKR 22.962 million from PKR 43.922 million, primarily due to a significant decline in dividend income given the portfolio size maintained in the quarter.

Total assets of the Company grew organically by over PKR 5.093 billion, reaching PKR 45.529 billion as at March 31, 2025—reflecting a 13 percent increase from the opening balance of the year. The primary contributor to this growth was the investment portfolio, where net investments increased by PKR 3.747 billion. In line with the shift in the interest rate curve, the investment strategy pivoted from short-term instruments to longer-duration debt investments, optimizing yields over the medium to long term. Credit off-take in Pakistan during the quarter exhibited a cautious yet positive trajectory, a trend mirrored by the Company's loaning activity. Net advances recorded a growth of 5 percent, closing at PKR 11.247 billion. During the quarter, the Company recognized a credit impairment charge of PKR 195.793 million, which includes the classification of a specific account under time-based criteria. Discussions are currently underway for a potential restructuring of the said exposure. In terms of recoveries from the non performing loans PKR 170 million were recovered in the first quarter. Management is focused on maintaining the health of the current performing loans as well as making maximum possible recoveries from the legacy non-performing portfolio.

Credit Rating

Pakistan Credit Rating Agency Limited (PACRA) continues to maintain PAiR's long-Term Entity Rating at 'AA'(Double-A) and short-term Entity Rating at 'A1+' (A-One Plus). These ratings indicate a very low expectation of credit risk emanating a very strong capacity for timely payment of financial commitments. The ratings of PAiR primarily reflect the joint sovereign ownership of Pakistan and Iran.

Future Outlook

Consumer confidence has shown a marked improvement, with rising optimism regarding domestic economic conditions. However, this optimism remains tempered by a degree of caution, and rightly so, given Pakistan's continued reliance on IMF support and bilateral financing, which raises concerns about long-term economic sustainability.

Moreover, ongoing geopolitical tensions with neighboring India pose potential risks to macroeconomic stability and investor sentiment. Concurrently, the urgent need to implement comprehensive tax reforms and broaden the tax base remains a critical imperative for strengthening the country's fiscal foundations.

In light of these dynamics, the management remains vigilant and continues to monitor the evolving macroeconomic and geopolitical landscape closely to ensure that business decisions are aligned prudently and effectively with emerging realities.

Appreciation and Acknowledgement

We take this opportunity to express our gratitude to our customers and business partners for entrusting their confidence in us in these turbulent times and assure them that we remain committed to maintaining high service standards and a strong culture of good corporate governance and compliance in all our endeavors. We offer sincere appreciation to the Iran Foreign Investment Company, Ministry of Finance - Government of Pakistan, State Bank of Pakistan, and Securities & Exchange Commission of Pakistan for their guidance and



cooperation extended to us. Finally, we are also thankful to our associates, staff, and colleagues for all their continued dedication, enthusiasm, and loyalty towards the growth of PAiR.

On Behalf of the Board of Director

Zulfiqar Younas
Acting Chairman of the Board of Directors

Abbas Daneshvar Hakimi Meibodi
Managing Director/ Chief Executive Office

May 24, 2025
Islamabad,
Pakistan