

# CHAIRMAN'S MESSAGE

Global economy has faced multifaceted challenges and headwinds during 2022. Unprecedented surge in commodity prices, counter-inflationary measures adopted by major economies, geo-political unrest, lingering pandemic effects in China's economic slowdown and disruption in supply chain continued to weigh on the world's economic activities. Managing a balance between subdued economic activity and containing inflationary pressures pose a significant concern for global policy makers.

Amidst the macroeconomic uncertainty, digital advancements and technological developments accelerated during pandemic continued to evolve the global banking landscape. Development of digital financial solutions and strengthening of core data infrastructure for storing, computing and safeguarding big data have proven to be most vital for digitalization of the economies. Developed and advanced countries are moving towards cashless economies as a result of enhanced focus on digitalization of financial systems.

Digital disruption in financial sector is driven by technological advancements and ever evolving expectations of consumers. On the technological front, Artificial Intelligence (AI), Application Programming Interface (API), Cloud Computing and Distributed Ledger Technology are major drivers of innovation. At the same time, speed, immediacy and convenience have become preferences for consumers while choosing among the financial service providers.

Advanced Analytics using AI, Machine Learning and Internet of Things (IoT) have opened new horizons for banks to continuously research about customer preferences and create personalized financial services. Banking is being transformed from brick-and-mortar model (physical branches) to digital space offering solutions based on sophisticated technology. Conventional bankers are being replaced by highly specialized tech savvy human capital. Banks are leveraging new-age technologies to offer a contextual banking experience and a personal-assistant-like service in which customers are offered relevant products at the right place and time.

API, Open Banking and Banking-As-A-Service (BaaS) have allowed Fin-Techs to develop their own financial service products. These technologies have reshaped banking institutions into platforms and allowed expansion of distribution avenues, create new service products, reduce costs, diversify revenue streams and gather greater consumer insights.

Embracing technological transformation has inherent cybersecurity risks and threats to digital infrastructure, services, and data, which rely on increasingly connected systems. Fostering secure financial system with digital inclusiveness is of paramount importance. Significant investments are being carried out in cloud infrastructures and sustainable supercomputing capabilities to expand adoption of artificial intelligence and strengthening of cybersecurity.

Considering the importance of information security in the age of digitalization, Your Bank has developed state of the

art Security Operations Center (SOC) enabling the Bank to detect, analyze and respond to cybersecurity incidents using a combination of technology solutions and a strong set of processes. The Bank has implemented Information Security Awareness program through a Cloud based E-learning platform for its staff to keep them abreast with latest information security concepts.

On the domestic front, the ongoing process of digitization and development of technological eco system are evolving on a rapid pace. A number of landmark initiatives have been undertaken by State Bank of Pakistan (SBP) for promoting digital financial services and eco-system within the country and continuous developments have been made in digital payment infrastructure to improve financial inclusion and literacy. In 2022, SBP issued "Customers' Digital Onboarding Framework", launched Raast "Person-to-Person" (P2P) Payment System to send payments in a convenient and seamless manner and introduced "Licensing and Regulatory Framework for Digital Banks". Subsequently, SBP issued no objection certificates to 05 applicants for establishing digital banks in Pakistan.

Transformation from cash-intensive to a digital economy is progressing and reliance on digital channels has increased. With increasing number of people opting for digital channels, an encouraging progress has been witnessed in this segment. The industry wide e-banking transactions achieved a healthy growth of 36.2% by volume and 59.4% by value in FY2022. Number of registered mobile phone and internet banking users crossed 12.3 million and 8.4 million with YoY growth of 13.5% and 59.8% respectively, during the FY2022.

Keeping track of the fast paced, dynamic and a highly competitive financial market, Your Bank's technology platforms and digital solutions are being upgraded on a continuous basis to enhance customer experiences and improve operational efficiencies. To ensure greater workload deployment flexibility and agility while concurrently maintaining faster response time to business demand, Your Bank upgraded its hardware infrastructure of Core Banking System with IBM Power10 servers which are the most advanced and scalable servers in the IBM Power Servers portfolio.

Your Bank deployed "Robotic Process Automation Solutions" in multiple areas for improving operational efficiency, better control and cost optimization. Automation of manual processes resulted in turn-around time improvement and strengthening of operational effectiveness.

To foster the data driven decision making culture, Your Bank implemented 'Data Lake' for structured and unstructured data by leveraging Big Data technologies. Data Science companies have been engaged for implementing multiple use cases through Machine Learning models, and in turn, improve and personalize the customers' experience.

To accelerate application deployment lifecycle and shift workloads across multiple frameworks and simultaneously counter emerging risks, Your Bank implemented Cisco ACI, the industry's most secure, open and comprehensive

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Software-Defined Networking (SDN) solution for data center networks. It facilitates automation, accelerates infrastructure deployment and improves governance.

In line with the Banks' long term strategic vision and to apply consistent customer centered approach; Your Bank launched Digital Lending platform "Smart Advance" that enables customers to avail instant loans within few clicks. The Bank added another self-service smart branch to the network at University of Management & Technology (UMT), Lahore, implemented Digital Onboarding of Resident Individual Customers through web portal and replaced paper-based Life Certificate of Pensioners with biometric verification.

These initiatives provided essential impetus to Your Bank to increase the mix of digital transactions to counter transactions which stood at 74:26 for the year ended December 31, 2022 as compared to 65:35 for the corresponding year. To further augment the e-banking and digital eco system, Your Bank enhanced the features of WhatsApp Banking service which is now being used by over 670,000 accountholders, introduced QR codes in place of conventional accounts number for money transfer through myABL and implemented Positive Pay functionality at myABL to replace Call Back Confirmation for pre-authorization of high value cheques.

Your Bank, maintained its industry pioneer status in introducing many innovative financial solutions. The Bank has launched Pakistan's first virtual touchpoint in metaverse by leveraging the technologies such as Augmented Reality (AR), Virtual Reality (VR) and Blockchain. Your Bank's metaverse touchpoint allows its customers to:

- Open an account through the myPDA portal;
- Conduct transactions through myABL portal;
- Contact a customer representative for any query; and
- Provide feedback and learn about various new products and services.

The Bank is pioneer in the industry to launch self-service branches which offer full-scale, rapid, secure and hassle-free banking services ensuring superior customer experience. Self-service branches have revamped the dynamics of conventional brick and mortar branches having manual processes towards automated digital banking space through Smart/Hybrid Branches and Digital Lobbies.

Allied Bank has developed an Innovation Lab equipped with latest gadgets and acts as a research hub for Digital Banking and Technology initiatives. The major initiatives undertaken in promoting innovation and enhancement included myABL Business App, myABL WhatsApp Banking, myABL Wallet Asaan account, Issuance of withholding tax certificate via myABL and Dormant account activation via ATM.

In continuation of adapting state of the art technology solutions and equipment, Your Bank has installed industry-first Cash Recycling ATMs. These specialized teller

machines offer services of cash deposit, cash sorting and authentication and reissuing cash for withdrawals. This makes cash management efficient and lowers the cost by reducing physical cash replenishment frequency.

The Global economic growth prospects remain contracted. Uncertainties and macro-economic imbalances keep the risk of stagnation in major economies high. Accordingly, International Monetary Fund (IMF) forecasts the global growth at 2.9% for 2023; geopolitical confrontations, persistent rise in inflation and dampened Chinese economy are cited as main reasons for the weak growth.

Domestic economy is experiencing a number of impediments. Rising commodity prices, flood-induced losses, depleting foreign reserves and uncertain political environment coupled with policies to curtail the persistent higher inflation and to counter external account pressure have restrained the economic progress. In sync with the global trend, IMF has projected the domestic GDP growth at 2.0% for 2023.

Despite operating in a challenging macroeconomic and operating scenario, banking sector's growth trajectory remained noteworthy in 2022 as asset footing reflected a strong growth of 20%. This was mainly attributable to the significant increase in Investments and Advances by 27% and 17%, respectively and supported by steady growth in Deposits by 7%.

While remaining cognizant of underlying risks emanating from emerging technological developments and cyber threats, evolving economic circumstances, increasing cost of doing business and regulatory changes; Your Bank has prudently managed its strong capital position by capitalizing on consistent growth in low and no cost deposits accompanied by superior quality asset base. Your Bank's low infection ratio, high coverage ratio and resilient Capital Adequacy Ratio, reflect positively on comprehensive risk management framework, continuous enrichment in innovative solutions and well-diversified positioning of earning assets.

In continuance of Your Bank's distinctive initiative for nurturing sustainable long-term future and its intrinsic role in building greener economy; Green Banking Office evaluates existing and prospective relationships for their green practices and reducing carbon foot print including environmental risks. To instill the culture of green banking various inhouse initiatives have been undertaken which include Green Advisory Services, Tree Plantation campaigns, installation of solar panels, workflow automation system and end to end automation to promote paper less culture.

Your Bank as a socially responsible citizen reinforces its commitment towards Corporate Social Responsibility (CSR) which is a core part the Bank's vision. Creating an inclusive work environment encompassing gender diversity and multi-cultural workforce, application of renewable energy sources, serving community during adversities and



natural calamities, augmenting customer experience and promoting best business practices have been the areas of key focus. Activities carried out under CSR have been further explained in CSR section of this report.

Your Bank's concerted efforts towards robust risk management framework, adoption of digital technologies, promoting Green Banking and ozone-safe business practices, CSR activities and financial inclusion & economic empowerment of women have been acknowledged globally and the Bank has been awarded with The Banker's "Bank of the Year 2022 - Pakistan" accolade for the second year in a row. The Banker is a world-renowned financial affairs publication of Financial Times Group, U.K., being published since 1926.

Recognizing resilient financial position and capital buffer to absorb the economic shocks, Pakistan's Credit Rating Agency (PACRA) has maintained Long Term and Short Term ratings of Allied Bank at the highest level of "AAA" (Triple A) and "A1+" (A One plus) respectively. Your Bank has consolidated its position as one of the select group of financial institutions in the Country to maintain highest entity credit ratings.

Your Bank's corporate governance aims to instill effective and prudent management to transform the Bank's objectives into achievements. Your Bank's corporate governance practices are reviewed by an independent evaluator on yearly basis. VIS Credit Rating Company Limited re-affirmed Your Bank's Corporate Governance Rating of 'CGR-9 ++'. This rating indicates a 'highest level of corporate governance' thus, depicting a strong commitment towards governance framework by the Board and management.

### Future Outlook

Global economic outlook remains depressed due to geopolitical unrest, higher inflation and post pandemic slowdown in China. IMF has downgraded the world's GDP growth to 3.1% in 2024 from previous projection of 3.2%. Global inflation is, however, expected to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024 as a result of subdued global demand and cooling effects of monetary policy tightening measures taken by most central banks in the World.

On the domestic front, IMF has projected GDP growth at 4.4% in 2024 from 2.0% in 2023. However, fiscal slippages, depleting forex reserves, external account risks, effect of floods and political uncertainty will continue to slow down domestic economic progress.

Restrictive measures adopted by the Government to restrain imports, scaled back demand from tighter policies and overall impact of the inflationary environment will provide respite to current account deficit. However, aggravated global commodity prices, external debt repayments and allowing necessary imports to accommodate petroleum and other industries may keep pressure on the external account.

Beyond ensuring connectivity and continuity, digitalization sets the foundation for a more resilient and inclusive economic transformation. Technological and digital advancements and convenience seeking behavior of the consumers have transformed the macro banking landscape. Emergence of digital technologies are imbedding architectural changes in the banking systems and processes to accommodate the ease and efficiency at the door steps of the customers.

Stepping into 2023, Your Bank, in line with its mission **"To provide high tech innovative solutions to meet customers' requirements"**, will continue to invest in sophisticated AI applications and automation technologies to develop robust and financial inclusive solutions. Leveraging technological platform, deploying digital lending & payment, enhancing virtual touch points, process-automation to ensure seamless integrated transactions, and promoting green banking will remain integral part of Your Bank's long-term strategy.

Your Bank's robust risk management framework will keep addressing the emerging cybersecurity risks and improve data governance. Increasing low-cost deposits, building up resilient capital buffer, prudent investment duration management and maintaining high quality earning assets will continue to drive Your Bank towards sustainable future and growth.

On behalf of the Board of Directors, I would like to extend my gratitude to the regulatory bodies including State Bank of Pakistan, Securities and Exchange Commission of Pakistan and Federal Board of Revenue for their continuous guidance and support. I would also like to appreciate our valued shareholders for having confidence in the Bank's long-term strategic goals.

Finally, I would like to pay my gratitude to Allied Bank's management team and over 11,000 Allied Bankers, for their strenuous efforts and contributions in building a robust and technology-driven Allied Bank.

**Mohammad Naeem Mukhtar**  
Chairman Board of Directors