

CEO'S REVIEW

Global economies demonstrated incredible resilience against operating conditions largely demarcated by lockdowns, owing to successive waves of COVID-19 with its emerging mutated variants and steered towards stability and sustainable growth.

Despite 2021 has been marked as another year with significant market volatility and uncertainty for consumers and businesses as a result of uneven vaccine rollouts against Delta and Omicron variants of Covid-19, International Monetary Fund (IMF) moderately downgraded global growth projection for 2021 from 6.0% to 5.9%.

Pakistan fared well against various waves and variants of Covid-19 without imposing wide-scale closedown of industry and services. Consequently, Pakistan is ranked among the best performing countries by Global Normalcy Index of The Economist for its successful control over Covid-19.

Smart lockdowns strategy, consistent high inflow of remittances and accommodative monetary policy aided in strengthening economic recovery during 2021 amid tough operating conditions. Consequently, IMF upgraded Pakistan's growth projection for 2021 from 1.5% to 3.9%.

Aforementioned economic rebound is attributable to massive growth in Industrial and Services sector of 8.94% and 4.92% in FY 2021 against a contraction by 4.01% and 0.50% in FY 2020, after ease in lockdown measures.

Agriculture sector growth muted to 2.8% in FY 2021 as compared to 3.3% in FY 2020. Decline is attributable to the lowest cotton production due to pest attacks and extraordinary heavy monsoon rains.

Large Scale Manufacturing (LSM) increased by an average of 14.86% in FY 2021 as against a contraction by 9.78% in FY 2020. Which on the back of high cost of doing business caused by recent hike in electricity tariffs and monetary tightening moderated to 3.26% in July-Nov 2021-22.

On the external front, pressures are materializing from spike in import bill. Current account deficit widened to 5.7% of GDP during Jul-Dec FY 2021-22 as against a surplus of 0.9% of GDP during the last year.

Import upsurge is partially attributable to the increasing pace of economic activity and ascent in the Global commodity prices. Imports recorded at US\$ 41,664 million during Jul-Dec FY 2021-22 as against US\$ 26,985 million during last year; reflecting a sizable growth of 54%.

Exports on the other hand also increased substantially by 27% to record at US\$ 18,651 million during Jul-Dec FY 2021-

22. All export groups manifested positive growth with Textile, Food, Petroleum and Other Manufacture recorded 34%, 21%, 17% and 14% increase respectively as against a contraction by 25%, 17%, 29% and 12% respectively in the last year.

Consequent to escalation in exports being overshadowed by drastic rise in import bill, trade deficit widened to US\$ 23,013 million during Jul-Dec 2021-22 as against US\$ 12,330 million during last year.

Workers' remittances maintained its unprecedented streak of remaining above US\$ 2 billion mark for the 19th consecutive month. This sustained growth is attributable to accumulation of additional funds of expat Pakistanis due to pandemic-led restriction of air travel, and measures undertaken towards transition to formalized banking channels. Accumulated remittances stood at US\$ 15,808 million during Jul-Dec FY 2021-22 as compared to US\$ 14,203 million during Jul-Dec FY 2020-21.

Despite widened current account and financial account deficit, overall balance of payment deficit stood at US\$ 788 million during Jul-Dec FY 2021-22, lowered considerably from the deficit of US\$ 1,282 million during Jul-Dec FY 2020-21. Additional funds have been raised through issue of US\$ 1 billion Eurobonds and IMF Special Drawing Rights (SDR) allocation of US\$2.75 billion for COVID-19 support funds.

Aforementioned inflows aided in augmenting Gross Foreign Exchange (FX) Reserves to US\$ 24,018 million as on December 2021. Net reserves with SBP stood at US\$ 17,686 million as on December 2021.

FBR tax collection stood at Rs. 2,920 billion during Jul-Dec FY 2021-22 as against 2,204 billion during last year' reflecting a sizable growth of 32%. On account of improved tax revenues and decreased growth in Government's current spending, consolidated budget deficit narrowed to 0.8% of GDP for first quarter of FY 2022 as against 1.1% of GDP during last year.

In order to safeguard financial stability and boost economic activity, SBP maintained policy rate at 7% for almost 15 months. However, to curb looming current account deficit and elevated inflation readings of 12.3% in December 2021, SBP gradually raised policy rate by 275bps in total since September 2021 to bring it to 9.75% in December 2021.

Banking Sector Performance

Pakistan's banking sector exhibited resilience against multi-pronged challenges emanating from continued restrictions to contain Covid-19 subsequent variants,

domestic macro-economic bottlenecks, rising inflationary pressures and uncertain interest rate scenario. Moreover, emerging disruptions from non-conventional payment channels, including digital banks and FinTechs, concurrently pose an additional long-term challenge for the banks; necessitating the urgency to mold strategic business models from traditional banking service provider to technology driven dynamic banks, fit for the Digital era.

Despite the aforementioned multifarious challenges, banking industry's asset base (domestic operations) elevated by strong 19% to reach at Rs. 28,882 billion as on December 31, 2021.

Investments remained principal driver in asset growth with escalation by Rs. 2.6 trillion or 22% to reach at Rs. 14,124 billion as on December 31, 2021. This increase is attributable to substantial investment in conventional risk-free securities particularly Market Treasury bill (MTBs) and floating rate Pakistan Investment Bonds (PIBs).

Attributable to low interest rate scenario for major part of 2021 and SBP's multiple refinance schemes led to a visible uptick of 19% in industry gross advances recorded at Rs. 10,149 billion as on December 31, 2021. Likewise, industry net advances stood at Rs. 9,479 billion as December 31, 2021, exhibiting a robust growth of 20%.

Aforementioned surge in gross advances and improved quality of lending portfolio resulted in a decline in infection ratio from 9.2% as on December 2020 to 8.8% as on September 30, 2021. Similarly, coverage ratio strengthened from 88.3% as on December 31, 2020 to 88.9% as on December 31, 2021.

Deposits manifested an encouraging broad-based growth of 17% emanating from improved economic activities, substantial increase in Workers' remittances, SBP's Roshan Digital Account initiative and discontinuation of Rs. 15,000 and Rs. 7,500 bearer prize bonds. Industry deposits were recorded at Rs. 20,972 billion as on December 31, 2021 as against Rs. 17,876 billion as on December 31, 2020.

Industry net assets exhibited a muted growth of 2% during 2021 due to comparatively higher dividend payout during the year, subsequent to dividend suspension imposed by SBP for two consecutive quarters of 2020. Restriction allowed banks to conserve capital, increase lending and loss absorption capacity amid tough operating environment during 2020.

Business Performance

Your Bank quickly adapted to the "New Normal" of the pandemic, accelerating

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its digital transformation and unifying as a team to ensure uninterrupted service to its customers and facilitating essential banking services across the country. Your Bank while upholding its vision to "Be the first-choice bank for the customers" is motivated to deliver value to its stakeholders whilst upholding the highest standards of integrity and transparency.

Well formulated strategic priorities of Your Bank are manifested in key business activities of lending, mobilizing deposits, investing and transactional banking. Consequently, asset base of Your Bank crossed two trillion mark and reached Rs. 2,010,156 million as on December 31, 2021, exhibiting a robust increase of 26% as against 7% increase during comparative period last year.

Your Bank's digital transformation processes are underpinned by robust governance practices and proactive risk management. Thereby, enabling Your Bank to conduct business with agility and resilience together with managing challenges and change without compromising service quality standards.

On account of current macro-economic variables, Your Bank's strong policy frameworks and clearly defined procedures exhibited a solid foundation for navigating through the complexities of the year. Resultantly, Your Bank managed to sustain its industry position of having one of the lowest infection ratio and high coverage ratio of 2.04% and 94.49% respectively.

Consistent focus on robust risk management framework and effective monitoring led to a decline of 4% in Non-Performing Loans (NPLs) to record at Rs. 13,601 million as on December 31, 2021 as against Rs. 14,161 million as on December 31, 2020.

Private sector credit off-take was stimulated subsequent to economic recovery. Consequently, Your Bank's gross loan portfolio recorded a robust growth of 30%, surpassing the 19% Industry growth and was recorded at Rs. 665,740 million as on December 31, 2021 as against Rs. 510,174 during last year. Likewise, Net advances augmented by 32% to record at Rs. 652,889 million as on December 31, 2021 as against Rs. 496,432 million as at December 31, 2020.

Proactive review of economic scenario led to prudent management of investment portfolio to counter the pressures emanating from probable policy rate hike. As a consequence, Net Investments increased by 28% to reach at Rs. 1,064,495 million as on December 31, 2021 as against Rs. 829,621 million during the last year. The growth is primarily

driven by deployment of funds in risk free government securities.

Persistent efforts, to provide convenient customer access to every financial service is translated into 16% growth in customer accounts as on December 31, 2021 as against 8% growth during the last year. Total accounts crossed 5 million mark as on December 31, 2021 with 1 million plus accounts opened during the year ended December 31, 2021.

Your Bank's deposit base reached Rs. 1,413,295 million as on December 31, 2021 as against 1,216,678 million during last year; reflecting a healthy growth of 16%. Growth in zero-cost and low-cost deposits remained key strategic objective of your Bank. Thereby, current deposits manifested a robust growth of 24% to close at Rs. 607,181 million as on December 31, 2021; improving their mix in total deposit to 43% in 2021, significantly higher from 40% in 2020.

Low interest rates prevailing for considerable period of 2021 led to the average policy rate to contract to 7.28% against 8.95% in the last year. Consequently, Net Interest Income (NII) declined by 6% to reach Rs. 45,587 million during the year ended December 31, 2021.

Your Bank's persistent emphasis of capitalizing on the emerging digital financial avenues led to Digital vs Counter transaction mix to record at 65:35 during 2021. Enhanced digitization along with maintaining diversification of revenue streams through sustained enrichment of services has also facilitated a growth of 25% in Fee Income which stood at Rs. 6,811 million during the year ended December 31, 2021 compared to Rs. 5,441 million in the last year.

Following the suspension of dividend restriction imposed by State Bank of Pakistan (SBP) on banking institutions, Your Bank's dividend income surged by 30% to stand at Rs. 2,151 million during the year ended December 31, 2021 as against Rs. 1,656 million during last year.

Amidst evolving yield curve expectations and uncertain macro-economic scenario, Your Bank's prudent disposal of investment portfolio realized a capital gain of Rs. 4,334 million during the year ended December 31, 2021. Capital gain for the previous year stood at Rs. 3,420 million thereby exhibiting a robust growth of 27% during the year ended December 31, 2021.

Capitalizing on opportunities in the interbank FX market, Your Bank posted a significant growth of 19% in income from dealing in foreign currencies,

closing the year at Rs. 1,973 million as compared to Rs. 1,664 million in the last year. Your Bank's multipronged strategy encompasses focus on enhancement of financial inclusion and customer onboarding through conventional and digital channels together with proactively augmenting diversifying revenue streams. Adherence to aforementioned objectives earned your Bank non-markup income of Rs. 15,938 million during the year ended December 31, 2021; exhibiting a robust growth of 27%.

Ongoing focus on cost efficiencies and automation resulted in the Bank's operating expenses growth to restrict at 11%. Despite the PKR devaluation led inflationary pressures, continued technological investment on customer onboarding and increased CSR measures amid covid-19 pandemic, non-markup expenses recorded at Rs. 33,946 million during the year ended December 31, 2021

Monetary squeezing subsequent to an accommodative policy stance maintained for the major part of 2021, led towards immanent asset liability repricing lag. Resultantly, Your Bank's Profit before tax registered a decline of 4% to stand at Rs. 28,391 million during the year ended December 31, 2021.

Effective Income Tax rate for the year ended December 31, 2021 is 39.02%, slightly higher by 0.1% as compared to corresponding year ended December 31, 2020. Current year tax expense includes additional income tax on taxable income attributable to mark-up income on investment in federal government securities based on ADR of over 40% of the Bank at year end.

Likewise, Profit after tax stood at Rs. 17,314 million during the year ended December 31, 2021 as against Rs. 18,029 million during last year. EPS of Your Bank for the period ended December 31, 2021 was recorded at Rs 15.12.

E-Banking Initiatives

Since the inception of pandemic, digitization moved from convenience to necessity thereby, augmenting banks' digital penetration by driving migration to online and mobile banking platforms. Technology redefined the standard of living by raising consumer expectations on simple, convenient and agile e-banking solutions. Your Bank, while harnessing the opportunities and possibilities to create a better tomorrow for its customers accelerated its investments in digital initiatives, improving quality and cost effectiveness to deliver digitally-enabled products and services in line with customers' changing needs. The unflinching commitment of Your Bank

to cater to a diverse customer base and adaptation towards e-banking transition is reflected in its strategic business alliances.

Resultantly, Your Bank partnered with National Incubation Centre (NIC), one of its kind and the largest Incubation centre in Pakistan, to work together and explore opportunities in the fintech space. NIC is, providing state-of-the-art facilities and coaching for start-ups and acting as a bridge between entrepreneurs, innovators and investors.

Your Bank, in collaboration of NIC organized "Hactivate", a Hackathon bringing together the coder community to create innovative solutions for given problems. While recognizing the increased competition from newer banks and Fintechs, Your Bank has implemented a cohesive brand-building strategy to strengthen its position and appeal to new customer segments. Thereby, the Hackathon also included an ABL specific segment called "ABL Innovation Challenge" where participants were required to use ABL's Open APIs in their solutions. ABL was the core sponsor of this event, and the judges panel consisted of ABL's Senior Management.

Your Bank won Karandaaz Pakistan's Innovation Challenge Fund 5, while Techlogix Mobility as its technology partner. Through this challenge, Your Bank received a grant of Rs.42 million, coupled with additional Rs.8 million as risk cover, to provide instantaneous financing to small distributors through myABL digital banking.

Striving to be Industry leader in terms of technology and innovation, Your Bank, partnered with Pakistan Freelancers Association (PAFLA) to facilitate the

freelancers' community and promote financial inclusion in Pakistan.

The pandemic restricted people to their homes, setting off a new era of online shopping by innovating customer convenient 'just-a-tap-away' solutions. Your bank, signed a strategic partnership with OLX Mall, an e-commerce platform, to bring unmatched offers and discounts for customers to upgrade or purchase smartphones, electronics, home appliances and lifestyle products at discounted rates.

Strengthening the Bank's digital presence and offering its customers with universal Banking services fit for today's connected consumer expectations, Your Bank launched myABL WhatsApp banking service wherein additional feature of "Chat with ABL" has been added to facilitate users to get 24/7 information regarding ABL products and get queries answered on real time basis.

In line with SPB's vision of providing diversified financial services access points to segments having less financial inclusion Your Bank introduced myABL Wallet Asaan Mobile Account (AMA) enabling transactions in Branchless Banking accounts.

With an aim to minimize customers' footfall in branches in line with current pandemic-led restricted movement and to augment digitization, the withholding tax (WHT) certificate feature was introduced in myABL Digital Banking. Customers can now download their WHT certificate of any of their linked account with ease and convenience without visiting the branch.

Your bank pioneered the launch of Pakistan's first Online Account Opening

Facility "myPakistan Digital Account" where customers can easily open their bank account by visiting ABL's corporate website or via myABL Digital Banking. Your Bank also launched "Roshan Digital Account" in, whereby expats can open accounts from their respective countries in PKR or Foreign Currency with the option of full repatriation.

With a goal to boost digitization, Your Bank enabled "Pay Anyone through ATM". Pay Anyone is a domestic remittance service offered by ABL where customers can send funds to anyone in Pakistan with no mandatory requirement for the beneficiary to have an account with any bank and beneficiaries can collect the funds from any ABL branch. Now beneficiaries can collect the remitted funds directly from any ABL ATM upon successful biometric verification at their convenience.

Smart Branches are a cornerstone of Allied Bank's Digital Transformation Strategy, contributing to further innovation and multichannel transformation of its processes, products, and services, leading towards enhanced efficiency and superior customer services. During 2021 ABL augmented its Hybrid branch model by opening 2 new SMART branches at Y Block DHA, Lahore and Centaurus Mall, Islamabad.

Green Banking and Environment Protection

Global warming and Climate change are the most complicated issues that the world is facing today. Relentless efforts are being made across the globe, to measure and mitigate this climate change risks. Pakistan is one of several nations that have made a commitment for controlling such threats. To supplement the governmental



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efforts, Allied Bank has taken genuine strides forward in setting out a series of initiatives/targets/commitments to assist in the global transition to a low-carbon economy.

As part of the plan to reduce carbon emission by direct operational impact, bank has invested Rs.164 million towards installation of solar panels and Rs.1,208 million towards installation of inverters. The total solar locations stand at 59 while inverter-based locations increased to 1,432.

ABL focuses towards advocacy of ozone-safe business practices through its Green Advisory Services. Administrative measures including maintenance of electrical equipment carried out during the year resulted in reduced consumption in electricity and reduction in consumption on fossil fuel.

To enhance impact of Green Financing in the overall environment safety, Your Bank has developed an Environment Risk Management (EnvRM) System which is being monitored by Green Banking Office (GBO), a dedicated function in Risk Management Group.

Ozone-Safe Business Practices at ABL Premises.

Allied Bank continues to invest in renewable energy and energy efficiency projects to lower our carbon footprint. Following are the green initiatives, which played a pivotal role towards mitigating environmental challenges;

- Extensive use of in-house developed Workflow Automation System (WAS) for approval purposes, replacing paper-based approvals.
- Upgraded Human Resource

Management System to Oracle-HRMS providing paperless management of multiple HR related processes.

- Shifted Change Request Management from paper-based requisitions to complete automated approval hierarchy.
- Increased usage of In-house Innovation Lab serving as an incubation center to ensure constant technological developments.
- Launched web-based Agri advisory services under collaboration with Bakhbar Kissan (BKK) Pvt. Ltd.; helping the farmers by revolutionizing agriculture ecosystem and creating a digital hub for farming techniques.
- Reduction in paper wastage in ATM receipts by introducing charged receipts as an option for ATM transactions.
- End-to-end automated cheque clearing process with sign-up with NIFT ePay.
- Employee digital signatures are marked with a quote "Please consider the environment before printing this email" as a daily reminder towards sustainable and green environment.

Service Excellence Measures

Service Quality is a strategic priority for Your Bank and is viewed as a key product offering to our valued customers.

Your Bank introduced top 100 flagship branches to provide a stimulus to service quality across the Bank through creation of a pleasant ambiance for customers and development of human resources placed at these branches.

Electronic queue management systems and feedback tablets have been installed at the flagship top 100 branches and

additional 250+ branches to facilitate customers to execute transactions conveniently and provide valuable feedback about the banking services. Furthermore, installation is underway at around 40 branches, and another 100 branches have been shortlisted for installation of queue management system during the year 2022.

With the aim to create awareness among customers about the Bank's complaint lodgment process and available channels, information was disseminated through corporate website, digital signages, ATMs and SMS as part of Your Bank's initiatives for Fair Treatment of Customers (FTC) and Consumer Grievance Handling Mechanism (CGHM). During the year 2021, 56,799 complaints were registered and the Bank achieved 97% resolution rate with an average turnaround time of 7.6 working days for resolution of customer complaints.

The Bank has introduced further channels of complaint lodgment by introducing 'Complaint Lodgment' facility on myABL Digital Banking application, Self-Service Kiosks (SSKs) and Digital Signages in order to create convenience for customers in reaching out to us.

Risk Management, Compliance and Controls

Risk Management (RM) of Your Bank is continuously striving towards management of risk through an augmented framework of sound risk principles, reinforced by optimum organizational structure, robust risk assessment models and effective monitoring systems. It safeguards the strength the capital base of Your Bank in an automated environment while achieving maximum value for the stakeholders. In order to ensure meticulous compliance





regarding smooth transition towards the SBP's instructions for implementation of International Financial Reporting Standard 9, "Financial Instruments" (IFRS9), the Bank has ensured its readiness through implementation of IFRS-9 system to comply with regulatory requirements and accounting standards, Your Bank has been successfully submitting the impact of Expected Credit Loss under IFRS9 to SBP.

The Bank has an in-house developed state of the art Risk Assessment and Management System (RAMS) for loans processing and monitoring. The system has enabled effective management of Credit Risk, also reflected by one of the lowest infection ratio of 2.0% in the industry.

The Bank also conducted various Security assessment exercises in 2021 on Information assets of the Bank which included Vulnerability Assessment (VA) and Penetration Testing (PT) activities.

Payment Card Industry Data Security Standard (PCI DSS) Certification was also achieved for the 3rd year in 2021 along with compliance to Swift Customer Security Program (CSP) as mandated by SWIFT International. Various Information Security Awareness campaigns were conducted for valued Customers and Staff via SMSs and emails respectively to educate and enhance awareness about latest Cyber security threats. Major focus of the Bank remained on the Capacity Building and Enhancement of SOC (Security Operations Center) where significant investment was made on the Technology Upgrades, Improvement of Processes and development of Skillset of Human Resources. The Bank has also initiated a project to develop an Information Security Risk Management Program for aligning its

Governance structure with International Standards and Industry best practices.

Your Bank continued to invest in energy saving and environment friendly projects during the year under review and invested significant amounts toward energy saving solutions, through installation of solar panels and inverters. Moreover, journey towards digitalization continued by automating the existing manual processes to reduce the use of paper and promote paperless banking.

Customer Awareness Sessions

Your bank conducted various awareness sessions in order to provide latest insight on business management and strategies to its valued customers.

During the year under review, Your Bank conducted an interactive seminar with the Religious Scholars/Ulmas in collaboration with State Bank of Pakistan (SBP) via Zoom link amid to provide awareness to masses about Shariah compliant Islamic Banking solutions as an alternate choice.

As a distinguishing initiative of obligors' engagement, Your Bank organized regular Farmers Financial Literacy Programs in order to create awareness among the farming community. Your Bank also arranged 954 National Financial Literacy Program (NFLP) sessions in the rural districts with an aim of financial inclusion of unbanked segments of the society.

Various Information Security Awareness campaigns were conducted for valued Customers and Staff via SMSs and Emails respectively to educate and enhance awareness about latest Cyber security threats.

Information Technology

Amid Covid-19 pandemic, Your Bank has continued to make significant advancement in serving its customers using state of the art technology and by enhancing its digital footprint so that customers are provided with all "digital and networked banking services" on the go.

In order to support data driven business decisions for customers by using Big Data technologies, the Bank has created Data Lake comprising of structured and unstructured data. The Bank is also working with multiple Data Science companies to capitalize on the investment of Big Data for implementing multiple use cases through machine learning models, and in turn, improve and personalize customer experiences.

Your Bank is in the process of implementing additional use cases on "Robotic Process Automation Solution" for improving operational efficiency, control and cost saving. Automation of these manual processes resulted in timely availability of services to the customers and reduction in resolution turn-around time consequently task automation has improved human resource management.

The Bank has implemented IBM Business Process Manager (BPM) which focuses on automating and streamlining the internal processes through digitized workflows. The objective of the BPM is to discover, document, automate and continuously improve the business processes in order to increase organizational efficiency and reduced costs. BPM also offers native connector that allows seamless integration with Robotics Process Automation (RPA) implemented use cases wherever required.

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The Bank has also been on the forefront for implementing SBP initiative Raast, Pakistan's first instant payment system. This has enabled end-to-end digital payments among individuals, businesses and government entities. Allied Bank is a partner Bank in this project of SBP that has successfully implemented the First Phase (bulk credit) and Second Phase (P2P transactions). ABL is one of first 12 Banks who has achieved these milestones.

In order to safeguard today's complex security landscape and the sophistication of new upcoming cyber threats, in addition to the first line of defense already implemented i.e. antivirus and anti-malware, the Bank has implemented Endpoint Detection and Response (EDR) to enable timely detection of attacks and incident response and providing continuous monitoring and response to advanced threats on endpoints.

Investment in Human Capital

Your Bank works rigorously in cultivating trust and responding with agility by retaining and nurturing the best human capital in line with the core values, mission and vision of the Bank.

Your Bank consistently focuses on inducting, training and retaining quality human capital along with providing career growth opportunities to its employees, at all hierarchy levels. Consequently, 285 cadre elevations were made through effective career progression at junior management levels along with 1505 grade promotions during the year 2021. In line with the Bank's business strategy, 1,364 new employees were recruited for supporting the expanding branch network. Resultantly, total number of employees stood at 11,598 with annual turnover rate of 10% and female employees' ratio at 18.2% as on December 31, 2021.

Strategic capacity building remained pivotal for Your Bank. Upskilling sessions were held across the management development centers to enhance the employee digital proficiency.

Digital fluency remained a top priority area for capacity building interventions. Fast changing landscape of digital transformation requires an agile approach enabling the employees to learn and apply the latest concepts and technologies. Moreover, during the year 2021, extensive training activities resulted in 8.38 training man-days per employee. In order to achieve the required coverage, an array of learning technologies was deployed. Android and iOS-based mLearning app, virtual learning environment (VLE), live streaming, automated learning streams, mobile training and classroom sessions played a key role in nurturing a healthy learning culture.

Your Bank remained committed towards gender equality and financial inclusion, Resultantly, the Bank covered over 45,000 female citizens under NFLP program enabling opening of over 35,000 bank accounts of female beneficiaries.

Following awards and accolades are the manifestation of the Bank's unwavering professional resolve and holding up the legacy of being "employer of choice".

Best Place to Work in Pakistan by PSHRM (Pakistan Society of Human Resource Management).

- 'Financial Services' for the year 2021.
- "Large Organization' for the year 2021.

HR Global Diversity Equality & Inclusion Benchmarks (GDEIB) during the Year 2021, under the following categories:

- Vision, Strategy, And Business Impact
- Leadership And Accountability
- Recruitment
- DEI (Diversity Equality & Inclusion) Learning and Development

The well-being and health of employees is imperative for maintaining a balanced working environment in any organization.

In order to enhance the working experience for its female employees, Your Bank focused towards providing them awareness regarding health and stress management against the potential challenges and conducted specialized Yoga sessions to unwind their positive energies and foster healthy mind.

Outreach Expansion

The proliferation of digital technologies has transformed the financial services dynamics. Your Bank being at the forefront of such transformation, combines expansive physical presence with digital capabilities, thereby breaking down geographic barriers and deploying innovative ways to take formal banking channels to the last mile. During the year under review outreach is expanded to 1,429 branches including 1,303 domestic conventional branches, 07 digital branches, 117 Islamic branches and 02 overseas branches. Geared towards serving the unbanked and under-banked population of the country, Your Bank added 09 new rural branches, resultantly, the total reached to 293 rural branches. Simultaneously 17 new urban branches were added, which aggregated to 1,135 branches at end December 31, 2021.

In Islamic Banking network, 25 windows were added at viable conventional banking branches; thereby Islamic banking windows totaled to 110 at December 31, 2021. Moreover, Automated Teller



Machine (ATM) network has increased to 1,558, inclusive of 1,269 on-site ATMs, 284 offsite ATMs and 05 Mobile Banking Units (MBUs) during the year.

Awards and Accolades

In a year marked by challenging operating conditions, robust delivery network and unmatched service excellence of Your Bank is evident by an array of awards and accolades received during the year. Highlighting Bank's sound business strategy, aided by a strong technological infrastructure, robust risk management and high focus on compliance with domestic and international applicable regulatory requirements were acknowledged by following multiple national as well as international publications during 2021.

- Bank of the Year 2021 - Pakistan by The Banker.
- Asia Money-Best Bank for CSR 2021.
- PSHRM- Best place to work "Winner" in Financial Services.
- PSHRM- Best place to work among Top 10 in Large Organization.
- Global Diversity & Inclusion Benchmarks Award 2021 – Best Progressive Bank in Leadership & Recruitment & Development.
- 36th Corporate Excellence Awards 2021 in Financial Category by Management Association of Pakistan.
- Best Corporate & Sustainability Report Awards 2020 – 4th position for Best Corporate & Sustainability Report.
- Asset Triple A Country Awards 2021, Best Structured Finance Deal
- ADB TSCFP Awards 2021, Momentum Award – Issuing Bank
- JPMorgan USD Clearing Quality Recognition Award, Best in Class MT202 STP Rate 98.91%,

ABL Asset Management Company Limited

ABL Asset Management Company Limited, wholly owned subsidiary of the Bank, is engaged in Asset Management and Investment Advisory Services. The Company is also licensed to carry out business as Pension Fund Manager. ABL AMC strives to deliver superior investment performance consistently through time and deepening client relationships together with creating value and delivering long-term sustainable benefits to all its stakeholders.

ABL AMC offers a portfolio of 13 Open ended mutual funds and 2 Pension funds to cater specific investment needs of a wide array of customers. ABL AMC has also introduced value added services including investment through 1Link, 1 bill payment option, Revamping of Mobile



Application, Revamping of Online Service - Web Portal, Tele Transactions, Mobile Transaction Alert Service, E-Statement Service, SMS Service, WhatsApp Business Solution and Investor Risk Profiling Calculator.

ABL AMC recorded profit after tax for the year ended December 31, 2021 of Rs. 265 million with Rs. 5.29 earnings per share. Balance sheet remained healthy and closed at Rs. 2,974 million, increased by 9.78%. Compounded Annual Growth Rate (CAGR) for the last 5 years stood at 13% with breakup value per share is Rs. 59.48.

ABL AMC offers wide array of Conventional and Islamic funds. The assets under management closed at Rs. 91.71 billion with the market share of 8% displaying a YoY growth of 34%. Separately Managed Assets (SMA) closed at Rs. 9.8 billion as against Rs. 6.4 billion for FY20, up by 53%.

In order to attain substantial share and better position in the market, ABL AMC mainly focuses on digitization across the asset management value chain by adopting an integrated platform that manages all activities of Investment, Distribution, Operation and valuation. ABL AMC Aims to promote the use of Digital Channels including web portal/ mobile app/others for investment/redemption transactions.

Going forward, ABL AMC aims to encourage investors to go paperless and conveniently transact in ABL AMC Funds by offering Online Account Opening feature for digital onboarding of investors through Mobile and Web App. Moreover, to enhance Client Growth Strategy, ABL AMC plans to launch 6 new open-ended Products and Funds.

Credit and Corporate Governance Ratings

Entity Ratings

Your Bank's sustainable and robust financial position, capable of absorbing foreseeable economic cycles, one-off shocks and proficient enough to deliver stable results culminated into Pakistan Credit Rating Agency Limited (PACRA) maintaining the highest long-term and short-term entity credit ratings of AAA (Triple A) and A1+ (A One Plus) respectively; reflecting very high credit quality of the organization.

Corporate Governance Rating

Your Bank's corporate governance aims to instill effective and prudent management to deliver sustainable long-term value. Therefore, Your Bank on yearly basis has its corporate governance practices reviewed by an independent evaluator. VIS Credit Rating Company Limited upgraded Your Bank's Corporate Governance Rating of 'CGR-9+' to 'CGR-9+++'. This Rating indicates a 'high level of corporate governance'; thus, depicting a strong commitment towards governance framework by the Board and management of Your Bank, while noting that major headways are made on Information Technology front through digitization and automation to assist the Bank's growth prospects along with cost rationalization during medium to long-term.

International Rating

Moody's Investors Service maintained Your Bank's deposit rating at B3/NP (Domestic and Foreign) during 2021, with outlook sustained to stable, aligned with the stable outlook on the sovereign rating; indicating stable deposit – based funding

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profile, high liquidity buffer and good earnings generating capacity.

Future Outlook

Despite the incessant vaccination drive, risks of new COVID-19 variants and waves loom on the horizon up to the present time. Resultantly, Global economy kicked off 2022 in a more tenuous position than anticipated. Consequently, International Monetary Fund (IMF) downgraded the global outlook for 2022 from 4.9% to 4.4%. The growth trajectory is expected to further subside to 3.4% in 2023 and 3.3% in 2026. On top of that, inflation elevated persistently during the second half of 2021 on the back of increasing energy prices and food price hike. Going forward inflation is anticipated to stay aloft in 2022, averaging to 3.9% in advanced economies and 5.9% in emerging markets and developing economies, before moderating in 2023.

Pakistan's well calibrated measures to curb the spread of the pandemic, followed by record-high official remittance inflows and an accommodative monetary policy have boosted the economic recovery. Resultantly IMF projected real GDP growth of 4.0% and 5.0% for 2022 and 2026 respectively.

According to World Bank, agriculture sector outlook is expected to decelerate to 2.7% in FY 2022-23 as against 3.2% in FY 2021-22. On the contrary, Industry and Services sector are anticipated to grow by 4.3% and 4.4% respectively in FY 2022-23, higher as compared to 3.8% and

3.4% respectively in FY 2021-22. Inflation is projected to edge up to 8.5% in 2022, according to IMF, before moderating to 6.5% in 2026. The elevation is attributable to electricity tariff hikes together with rising food, oil and commodity prices. IMF further projects current account deficit to widen to 3.1% of GDP in 2022 due to increased imports from higher economic growth coupled with rising oil prices. Going forward, as global commodity price hike settles and tariff reform measures gain traction, supporting export competitiveness, current account deficit is foreseen to be moderated to 2.8% of GDP. Likewise, World bank anticipated current account deficit to widen to 2.5% of GDP in FY 2022-23.

Imports are projected to moderate at 5.7% in FY 2022-23 from 6.0% in FY 2021-22, as per World Bank. Restrained import growth outlook is attributable to fiscal measures enacted to curtail surge in imports; regulatory duties on non-essential luxury imports. Moreover, recent placement of 114 items to the list of import products requiring 100% cash margin by SBP, mandates importers to hold deposits of a value equivalent to the import order. Thereby, increasing financial cost and acting as a non-tariff barrier to imports.

Exports, on the other hand, are expected to grow by 4.2% in FY 2022-23 from 3.7% in FY 2021-22. Export of services gained traction with globalization of business services facilitating Pakistani freelancers and SMEs to dispense knowledge-intensive services. Moreover Covid-19

pandemic fueled the trend of remote working thereby amplifying the export of services.

Domestic revenue collection through implementation of structural reforms is pivotal in order to mitigate the increased risks of fiscal and debt sustainability. World Bank projects fiscal deficit at 7.2% in FY 2022-23 compared to 7.1% of GDP projected in FY 2021-22. Implementation of critical reforms including domestic revenue mobilization, increasing competitiveness and improving the financial viability of the energy sector will assist in moderating debt to 89.3% of GDP in FY 2022-23 from 90.6% of GDP in FY 2021-22.

State Bank of Pakistan (SBP) resumed scaling up policy rate during the last quarter of 2021 in order to hold emerging external pressures and hiked inflation together with managing long-standing fiscal challenges. In total, SBP tuned up the policy rate by 275bps up to December 2021. Going forward, SBP anticipates inflation to fall within a range of 5%-7% in the medium term.

Banking dynamics are contingent upon reappearance of Covid-19 subsequent variants and its consequent economic effects. Amid uncertain outlook, credit demand of the government and investment in government's securities still remains preferable fund deployment option for banks. With escalated deployment in low-risk government securities, Industry Capital Adequacy Ratio (CAR) is likely to strengthen.



Amid high penetration of smartphones, banks continue to tap into the digital domain by offering innovative and enriched mobile applications along with web access to a wider community to remain competitive and boost financial inclusion. Moreover, in a digitally disruptive environment, Banks' ability to exploit opportunities by progressively transforming processes, leveraging intelligent analytics and incubating robotic assisted environments shall aid in creating value for our diverse customer base.

Your bank aims to Transform customers' interaction by providing seamless omni channel experience, through continuously evolving banking solutions including Automated Self Service Banking, Digital Lending, Conversational banking, Payment Gateways and other value-added services.

Your Bank aims to continue adopting emerging technology trends and increasing data capabilities to create insight-driven propositions and augment Bank's operational resilience in providing uninterrupted banking services. To streamline workflows & carry through efficient project management, implementation of JIRA software solution is lined up to plan, track and manage all agile software development projects from a single tool.

Your Bank will continue to steer its active social media engagement on Facebook Twitter, Instagram, YouTube and LinkedIn to financially include our underbanked population and enlighten our customers with a broader and clearer perspective of digital banking.

Perpetuating financial resilience remains prime focus of Your Bank with prudent approach to risk management, assisting the Bank's transition to new normalcy together with creating long-term sustainable stakeholder value. Core of any resilient bank is good governance, effective risk management and robust internal controls. Your Bank while capitalizing on this narrative, implemented Modules of OFSAA (Oracle Financial Services Analytical Applications) and Bench Matrix for enabling process design assessments and control testing to facilitate automation of workflows in Risk Assessment & Management System. It also manages information security awareness campaigns and augmentation of the Bank's maintained warehouses for pledge financing.

Your Bank aspires to become leading Islamic Bank by delivering innovative customer-centric financial solutions approved by Islamic principles. ABL Aitebar endeavors to offer a complete range of Shariah' compliant products and services ensuring operational efficiency and superior customer service enabling the

Bank to augment its market positioning. Moreover, customer awareness sessions are planned for the promotion of Islamic banking and enhancing financial inclusion. Likewise, adhering to the digital transformation strategy, digitalization and automation would also remain pivotal in the future development and growth of Islamic Banking.

The conditions that prevailed during the year, necessitated a focus on proactively balancing stakeholder interests. Consequently, Your Bank placed higher priority on fulfilling the needs of its customers through ensuring prompt, efficient and effective service via 24/7 Call Centre. Going forward, Your Bank plans to continuously augment its complaint handling function through enabling seamless Financial Transactions, Service Request processing, and assurance of First Call Resolution.

Your Bank aims to augment bank-wide Operational Risk Framework through enhanced awareness and trainings, analysis of Loss Incidents along with implementing mitigating controls. It also plans to strengthen control design reviews mechanism for both system and processes and enhance controls testing through self-assessment (RCSA – Risk Control and Self-Assessment) in co-ordination with respective groups.

Your Bank progressively aims to build agile and lean operating models by deploying technology such as Robotic Process Automation (RPA) and workflow automation, thereby contributing towards sustained optimization in cost-to-income ratios. Your Bank plans for implementation of Robotic Processes across the Bank for efficiency and cost reduction together with enhancing the use of AI based use cases through Machine and Deep Learning for descriptive, predictive and prescriptive analysis. Moreover, keeping Enterprise Application Architecture in view, Your Bank intends to revamp the existing auxiliary banking applications with tailor-made solutions to support strategic business goals.

Your Bank prudently administers its focal business subject to evolving regulations and associated legal and compliance risks. As per provisions of Pakistan Stock Exchange's Notice No. PSX/N-92 dated January 28th, 2019, Your Bank, while maintaining Social Distancing amid COVID-19 pandemic and ensuring safety of the Stakeholders, successfully conducted Virtual Corporate Briefing Session during the year under review to enlighten shareholders and analysts with the Bank's strategic, operational and financial developments.

Keeping in view the fundamental shift in credit impairment rules, Your Bank aims to build capacity to determine provisions



against financial assets based on IFRS-9 methodologies including Expected Credit Loss (ECL) model subject to SBP instructions for implementation.

Your Bank recognizes the importance of making a positive contribution to the society by promoting ethical banking practices, environmental awareness and contribution to the community. Joining in the fight against the Breast Cancer, Your Bank dedicated the month of October 2021 as "Pinktober" for the support of Breast Cancer Patients around the globe. An awareness session for female employees above 40 years was conducted where the significance of early detection and regular checkups was stressed upon.

Your Bank's strong capital positioning is manifested by high Capital Adequacy Ratio of 22.3% as on December 31, 2021, well above the industry ratio of 17.9% as on September 30, 2021, providing adequate buffer to prevent capital adequacy depletion.

Acknowledgment

I would like to express my deepest appreciation to the Board of Directors for their leadership and guidance. I would also like to acknowledge that the skills, experience and commitment of our team members are the key for realizing our vision. Special praise is due towards our much-valued customers for placing their continuous faith in our products and services. Furthermore, I would extend my sincere appreciation to the State Bank of Pakistan, Securities and Exchange Commission of Pakistan and other regulatory bodies for their direction and ceaseless support.

Aizid Razzaq Gill
Chief Executive Officer

Dated: February 17, 2022