

# CHAIRMAN'S MESSAGE

In the Year 2021 global economic outlook remained uncertain due to ongoing impact of the pandemic. Successive waves of Covid-19 continued to disrupt the livelihood in many regions of the World. Steady roll out of vaccines marked a significant step towards containing the virus spread.

Globally, the pandemic has accelerated digital technologies advancement by minimum five years, stimulating the need for digital adoption and transformation across economies. Digital channels are fast becoming the preferred customer engagement medium along with automated processes; being the key drivers of productivity. Enhanced digitization in the wake of the Pandemic is now being viewed as a means to ensure business continuity and operational resilience, with innovation and technological advancement.

Banking is at a revolutionary crossroad with tech giants and FinTechs growing their customer niche by offering payment services, mobile e-wallets and flexible 'buy-now-pay-later' options. An enormous surge has been witnessed in cards & cashless payments, online banking and e-commerce. As a result, banks need to integrate digitized product offerings by partnering with third parties to ensure that today's traditional banking is relevant tomorrow.

Technological advancements have prompted Artificial Intelligence (AI) backed e-banking services. Financial Institutions are harnessing the power of AI to enhance banking services; by simplifying and digitizing interactions, saving time and cost with added convenience and delivering meaningful value. This is also transforming risk management practices.

As technological innovations have become more rapid, industry revolutions have followed in quick succession. Industry 5.0 is envisioned in less than a decade since Industry 4.0 first surfaced; Industry 5.0 is an upgrade of Industry 4.0 by adding personal human touch to robotic process automation and efficiency. The interconnectivity of Computers, Robots and Human workers will eventually be more meaningful, practical and enlightening.

Financial sectors' initial hesitation towards adoption of cloud computing has been eased out to a great extent with the arrival of agile Cybersecurity. Financial Institutions are investing in Cybersecurity to mitigate the new risks and cope with the security vulnerabilities. Cost optimization and supplemental flexibility can only be acquired through investment in cloud technology.

Pakistan embarked upon its digital transformation journey years ago. However, a marked shift towards digital services has been witnessed amid Covid-19 and digital adoption has accelerated manifold.

With growing number of smartphone users and one of the biggest potential retail markets in the world, Digital Banking in Pakistan would prove to be a game changer for Financial Sector; improving outreach, boosting revenue, elevating efficiency, enhancing service delivery and redefining the value proposition.

Introduction of Digital Pakistan Policy emphasized on augmenting e-banking activities and enhanced usage of mobile financial services. State Bank of Pakistan (SBP) introduced innovative solutions of customers' digital onboarding; Roshan Digital Account, Raast - Instant Payment System, Issuance of Electronic Money Institutions licenses and Asaan Mobile Accounts. To further harness the virtual world of technology, SBP has introduced Licensing and Regulatory Framework for Digital Banks in line with international best practices.

In order to utilize digital revolution capacity together with building strategic alliances for the sustainable growth, Your Bank, partnered with Pakistan Freelancers Association (PAFLA), to promote SBP's vision of financial inclusion by encouraging, supporting and facilitating the flourishing freelancers' community of Pakistan.

Amid the pandemic, e-commerce transactions gained traction and it would stay relevant and adaptable even post pandemic. E-commerce platforms can provide access to diverse global markets and mitigate risk within supply chains in a cost-effective manner. Your Bank's e-commerce transactions count has also increased to 2.1 million in 2021 from 0.6 million in 2020.

Your Bank leveraged its technology infrastructure through automated processes and suite of financial products to augment financial inclusion. The Bank launched 'Asaan Mobile Account' to serve the financial needs of the market segment not possessing a smartphone. Moreover, biometric verification of myABL wallet account holders was enabled on entire ATMs network for enhanced security. Consequently, myABL Wallet registered users increased by 2.4 times and financial transaction count crossed 1 million in just 1st year of its launch.

While the Global Economies progress to growth trajectory, multiple challenges keep the forecasts vulnerable to uncertainties. Accordingly, International Monetary Fund (IMF) moderately lowered the Global growth forecast to 5.9% for 2021 from 6.0% projected earlier on the back of weakened growth momentum, successive pandemic waves, climate changes and rising commodity prices.

Despite a difficult Global economic outlook, Pakistan steered through the challenging environment and its real GDP rebounded to 3.9% in 2021 as against initial forecast

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of 1% by IMF. However, the rising Inflation driven by high commodity prices globally, widening current account deficit, surging fuel price and electricity tariff hike, all pose serious impediment to sustainable growth.

To contain these challenges, SBP raised policy rate by 275 bps from September 2021 to bring it to 9.75% by December 2021, aiming towards mildly positive real interest rates on a forward-looking basis.

During 2021, banking sector of Pakistan exhibited strong capital and liquidity cushions against Covid-19 driven shocks. Asset footing reflected a strong growth of 19%. Major increase in Assets was driven by rise in Investments and Advances by 22% and 20% respectively.

Similarly, Deposits displayed a healthy increase of 17%. The strong deposit growth is on the back of improvement in business and consumer confidence, significant rise in workers' remittances, Roshan Digital Account (RDA) initiative and discontinuation of large denominated bearer prize bonds.

Your Bank, remaining fully cognizant of the challenging environment pursued its strategy of consistent growth through robust risk management framework, technology driven automation and enhanced digitization. Over the years, infection ratio of the Bank was ranked consistently as one of the lowest in the industry. Capital Adequacy Ratio (CAR) stayed resilient at 22.32% against a statutory requirement of 11.5%; Indicative of robust Capital positioning of the Bank.

The Bank continues to strive in achieving its Vision by upholding to its core values of Integrity, High Performance, Excellence in Service and Innovation & Growth. The Bank aligned its focus on proactively balancing stakeholder interest and allocating resources accordingly.

It is a matter of great pride that Your Bank has been acknowledged as "Bank of the Year 2021 – Pakistan" by The Banker for the third time in a decade. The Banker is world renowned financial affairs publication of Financial Times Group U.K, being published since 1926. This award is a testament of long term & well thought out business strategy, excellent service delivery, quality work and strong technological infrastructure supplemented by robust risk management framework.

Allied Bank strives to maintain its robust financial position, capable of absorbing economic cycles and shocks. This is reflected in its sustained highest "AAA" long term credit rating by Pakistan Credit Rating Agency Limited (PACRA). Moody's Investors Service has also maintained the Bank's Long-Term Deposit rating at B3/NP (Domestic and Foreign)

during 2021, with outlook retained at "stable", aligned with sovereign rating.

Your Bank's well established Corporate Governance Framework supported by Board & Management Committees leading to strong financial transparency has been acknowledged by VIS Credit Rating Company Limited. Resultantly, Corporate Governance Rating (CGR) for 2021 has been upgraded by one notch to CGR-9++, signifying a very high level of corporate governance.

## Future Outlook

A pattern of disrupted recovery continued in the Year 2021, as the Omicron variant caused reimposition of mobility restrictions, border closures and health concerns.

Consequently, IMF has downgraded Global growth outlook for 2022 from 4.9% to 4.4%. Forecast for Advanced economies exhibit decline from 4.5% to 3.9%, caused by withdrawal of monetary accommodation, continued supply shortages and pandemic-induced disruptions. Likewise, growth forecast for 2022 in Emerging Markets & Developing Economies has contracted to 4.8% from earlier estimate of 5.1%. Inflation is anticipated to remain high in the medium term, on the back of supply chain disruption and high volatility in energy prices.

Considering that Pakistan managed to contain successive waves of Covid-19 pandemic through implementation of mass vaccination campaign and smart lockdowns, IMF projects GDP growth of 4.0% in 2022 for Pakistan, gradually rising to 5.0% by 2026.

Current Account deficit is anticipated to peak at 3.1% of the GDP in 2022 with rising imports triggered by revived domestic demand after the easing of Covid-led restrictions. However, as the lagged impact of monetary tightening materializes, Current Account Deficit is anticipated to narrow to 2.8% of GDP by 2026.

State Bank of Pakistan's (SBP) monetary tightening will also assist in price stability by dampening aggregate demand pressures. Consequently, IMF anticipates inflation to drop to 8.5% in 2022 and further moderate to 6.5% by 2026.

Digital banking technologies; including artificial intelligence, analytics, personal financial management software, Internet of Things (IoT), voice banking, Banking as a Service, Blockchain Technology and Fintech innovation; all are converging toward one end goal, "Invisible Banking".

Digital technologies have the potential to add notable economic value to Pakistan's GDP. It is estimated that digital technologies can create an annual economic value



of Rs. 9.7 trillion (US\$ 59.7 billion) in Pakistan by 2030 which is significant enough to surpass 19% of Pakistan's 2020 GDP.

Recent developments have necessitated the scaling up of the domestic Banking industry to ensure error-free digital journeys while ensuring robust Cybersecurity, in order to accommodate increased digital traffic. Moreover, digital tooling will enable customer-centric behavior which is the main pillar of banks' strategies in current times. At the macro level, according to SBP, increased adoption of electronic payments could potentially create 4 million jobs in Pakistan and boost its GDP by US\$ 36 billion by 2025.

Technology also plays a transformational role in customer service offerings for the financial industry. Accordingly, Your Bank constantly focuses to integrate technology in its operations to augment stakeholders' value and develop a long-term sustainable competitive advantage.

Your Bank, having a strong vision for the future, aims to strive in two operating worlds – Traditional Business and pivot to a far more Digital World. While holding the legacy of its vision "To become a dynamic and efficient bank providing integrated solutions in order to be the first choice bank for the customers", The Bank is also focused to be first choice bank of "Tech Savvy Millennials" by providing customer-centric latest digital solutions.

Moving forward in 2022, Your Bank aspires to adapt to the changing environmental dynamics and continue to pursue its strategy of sustainable growth while maintaining the quality of its assets and risk absorption capacity in terms of capital. Your Bank stands committed to capitalize on technology adoption and advancements in order to deliver value to its Stakeholders. This firm commitment would enable Your Bank to streamline processes, optimize efficiencies and control costs.

Envisioning 2022, I am optimistic that Your Bank remains well positioned to sustainable enhancement in the shareholders' value. 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 assistance and co-operation. 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 utmost hard work and commitment on the road to building a robust and technologically empowered Allied Bank.

**Mohammad Naeem Mukhtar**  
Chairman Board of Directors

