

CEO'S REVIEW

In year 2022, global economic growth remained subdued, mainly as a result of persistently rising inflation, slow down in China and Russia-Ukraine conflict. Monetary tightening measures in most of the economies in the world for cooling off consumers' demand and to curb inflation further toned down the economic activity.

Factoring in these macroeconomic challenges, International Monetary Fund (IMF) downgraded Global growth estimate from 6.2% in 2021 to 3.4% in 2022 and further anticipates the growth declining to 2.9% in 2023. However, growth is projected to rise to 3.1% in 2024 from recent reopening of Chinese market making way for faster than expected recovery.

Pakistan's economy is under constant pressure from trickledown impact of global economic contraction. Uncertain political environment, rapidly rising commodity prices, supply side disruptions and humanitarian crisis from recent floods have compounded the macroeconomic imbalances.

Despite aforementioned global shocks and domestic challenges, country remained on a path of steady economic growth with GDP increasing by 6% for the second consecutive year in FY 2022. This was achieved on account of 4.4% growth in Agriculture, 7.2% growth in the Industrial sector and 6.2% growth in the Services sector. However, due to unresolved underlying structural challenges and macroeconomic imbalances, this high growth may not be sustainable. Accordingly, IMF and World Bank estimated GDP growth to slow down to 2% in FY 2023 with recovery in FY 2024 to 4.4% as per IMF and 3.2% as per World Bank. GDP revival in FY 2024 is based on anticipated lower global inflation, post flood rehabilitation activities and increase in agriculture output.

Agriculture sector grew by 4.4% in FY 2022 as compared to 3.5% in FY 2021, mainly driven by high yields, attractive output prices, better availability of certified seeds, pesticides and agricultural credit. During Jul-Dec FY 2023, the agriculture credit disbursement was recorded at Rs. 842.4 billion, higher by 31.5% from Rs. 640.8 billion compared to corresponding period last year.

Large Scale Manufacturing (LSM) has witnessed contraction of 3.6% during Jul-Nov FY 2022-23 and by 5.5% on YoY basis in November 2022 mainly attributable to effects of slow-down in demand, increasing inflation and tightening of monetary policies by the central bank. In addition to global issues, demand compression policies to reduce inflation and imbalances at domestic

level also contributed towards decline in LSM. Despite aforementioned effects, 5 out of 22 manufacturing sub sectors (Wearing apparels, Leather products, Electrical equipment, Furniture and other manufacturing) have shown positive growth during the period under review.

Global slowdown has contracted the demand resulting in reduction of exports by 5% during Jul-Dec FY 2022-23 as compared to corresponding period last year and dropped to US\$ 17,737 million from US\$ 18,674 million. On the other hand, imports restrictions by the Government mainly in non-energy related machinery and transport categories resulted in significant decline in imports by 19.9% in Jul-Dec FY 2022-23. Imports have reduced to US\$ 33,393 million during Jul-Dec FY 2022-23, from US\$ 41,666 million during the corresponding period last year. Higher decline in imports as compared to exports resulted in improvement in balance of trade which provided respite in the Current Account Deficit (CAD). Resultantly, Current Account Deficit, reduced to US\$ 3,667 million for Jul-Dec FY 2022-23 as against US\$ 9,091 million deficit during corresponding period last year.

Impact of decline in Current Account Deficit also resulted in improvement in the balance of payment which recorded a surplus of US\$ 4,284 million during Jul-Dec FY 2022-23, improved considerably from the deficit of US\$ 788 million during Jul-Dec FY 2021-22.

Gross Foreign Exchange (FX) Reserves reduced to US\$ 10,845 million as on December 31, 2022 as compared to US\$ 23,883 million as on December 31, 2021. Depletion in foreign exchange reserves is mainly attributable to debt repayments and lower inflows in financial account. During the period Jul-Dec FY 2022-23, workers' remittances were recorded at US\$ 14,051 million as compared to US\$ 15,808 million during comparative period last year showing a decline of 11.1%. This is mainly attributable to revival of air travel, global economic slowdown and gap in open market and inter-bank rates.

Net collection of Federal Board of Revenue was reported at Rs. 3,732 billion, demonstrating a notable growth of 16.9% during Jul-Dec FY 2022-23 as compared to Rs. 3,191 billion in the corresponding period last year. However, fiscal deficit stood at Rs. 1,683 billion during Jul-Dec FY 2022-23 as compared to Rs. 1,372 billion in corresponding period last year mainly attributable to increase in total expenditure significantly by 19.8% to Rs. 6,382 billion during Jul-Nov FY 2022-23 against Rs. 5,328 billion in the same period last year.

Rise in prices of food and energy commodities, PKR devaluation amid exchange rate volatility and damages caused by the flood resulted in a sharp rise in inflation during the year under review. Resultantly, average CPI for Jul-Dec FY 2022-23 has escalated to 25.0% YoY, as compared to 9.8% during the corresponding period last year.

To counter the buildup in inflationary pressures and exchange rate volatility, SBP adopted gradual tightening of monetary policy and increased the policy rate by a cumulative 725bps since December 2021 to bring it at 17% by January 2023.

Banking Sector Performance

Pakistan's banking industry, despite of uncertainties of the operating environment, remained stable and resilient throughout the year. Technological advancements followed by evolving customer experience dynamics, increasing regulatory requirements, decline in credit quality from economic slowdown, high inflationary environment and incidence of increased taxation remained major challenges.

Banking industry's asset base (domestic operations) increased significantly by 20% to reach at Rs. 34,530 billion as on December 31, 2022. Key driving factors behind this growth were escalation in investments and advances by 27% and 17% respectively as compared to December 31, 2021.

Industry's gross advances grew by 17% despite significant increase in interest rates and were closed at Rs. 11,913 billion as on December 31, 2022. Likewise, industry net advances stood at Rs. 11,225 billion as on December 31, 2022, exhibiting a growth of 18%. Industry wide deposits manifested growth of 7% to reach at Rs. 22,467 billion as on December 31, 2022 as against Rs. 20,972 billion as on December 31, 2021.

Aforementioned growth in the banking sector's asset base mainly due to advances and investment, complemented by stable growth of deposits resulted in considerable growth of 9% in Industry net assets for year 2022 as compared to muted growth of 2% in year 2021.

Business Performance

During the year 2022, Your Bank, prudently continued to steer through multiple macroeconomic challenges by maintaining strong governance and risk management practices, cautious investment decisions and provision of uninterrupted high-quality banking services.

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Asset base of Your Bank reached Rs. 2,250,973 million as on December 31, 2022, exhibiting moderate increase of 12% as against 26% increase during comparative period last year.

Your Bank continued to maintain solid asset quality through application of Robust Risk Management framework and quality obligor assessment. Resultantly, the Bank maintained its industry position of having one of the lowest infection ratios and the highest coverage ratios of 1.53% and 90.4% respectively. Non-performing loans (NPLs) were reduced by 4% and were recorded at Rs. 13,104 million as on December 31, 2022 as compared to Rs. 13,601 million as on December 31, 2021.

Your Bank's gross loan portfolio registered a significant growth of 29% and was recorded at Rs. 857,488 million as on December 31, 2022 as against Rs. 665,740 million last year. Likewise, net advances augmented by 30% to record at Rs. 845,640 million as on December 31, 2022 as against Rs. 652,890 million as at December 31, 2021.

Prudent investment was made in floating rate Pakistan Investment Bonds and Market Treasury Bills to counter the pressures emanating from gradual policy rate hike during 2022. As a consequence, Net Investments increased by 6% to reach at Rs. 1,123,117 million as on December 31, 2022 as against Rs. 1,064,495 million during the last year. The growth is primarily driven by deployment of funds in risk free government securities.

The Bank continued its journey towards enhancing customer satisfaction by delivering value-added financial services through process simplification, automation and digitization resulting in building New to Bank (NTB) relationships along with deepening of existing relations. Consequently, Your Bank achieved robust growth of 22% in customer accounts as on December 31, 2022 as against 16% growth during the last year. Total number of accounts crossed 6 million mark with 1.3 million plus new accounts opened during the year ended December 31, 2022 depicting historic growth of 29% in new accounts opened as compared to corresponding year.

Your Bank's deposit base reached Rs. 1,522,297 million as on December 31, 2022 as against Rs. 1,413,295 million as at December 31, 2021; reflecting a growth of 8% which is higher than industry growth of 7%. Growth in no-cost and low-cost deposit remained key strategic objective of Your Bank, which depicted a strong growth of 21% on average volume basis. However, on outstanding volume basis, current deposits show a growth

of 1% to close at Rs. 608,969 million as on December 31, 2022; reducing their mix in total deposit to 40% in 2022, as compared to 43% in 2021. Moreover, saving deposits reflected a growth of 4% to close at Rs. 335,399 million as on December 31, 2022; reducing their mix in total deposit to 22% in 2022, from 23% in 2021.

Continuous increase in interest rates during the year 2022, led the average policy rate to increase by 590bps to 13.18% against 7.28% in the last year. Consequently, Mark-up income witnessed healthy increase of 82% mainly attributable to higher yields on investments, advances and bank placements, to reach at Rs. 215,469 million for the year ended December 31, 2022 as compared to Rs. 118,649 million for the corresponding year.

Likewise, significant increase of 104% was witnessed in interest expense to close at Rs. 148,750 million for the year ended December 31, 2022 as compared to Rs. 73,062 million for the year ended December 31, 2021. This increase is mainly attributable to higher cost of deposits (including swap cost). Consequently, Net Interest Income (NII) increased by 46% to reach Rs. 66,719 million during the year ended December 31, 2022 as against Rs. 45,587 million during corresponding year.

Your Bank maintained high quality service standards for digital banking through utilizing artificial intelligence tools resulting in robust growth of 20% in Fee based Income which stood at Rs. 8,147 million during the year ended December 31, 2022 as compared to Rs. 6,811 million in the last year.

Your Bank's dividend income increased by a healthy 44% to stand at Rs. 3,088 million during the year ended December 31, 2022 as against Rs. 2,151 million during last year.

Higher trade volumes on the back of significant increase in POL, volatility in spot and swaps and wider spreads allowed Your Bank to record a significant growth in foreign exchange income which reached at Rs. 7,948 million for the year ended December 31, 2022.

Your Bank remained successful in enriching its service offerings in both conventional and digital banking, maintaining existing customer revenue portfolio and exploring new income avenues. As a result, Your Bank earned non-markup income of Rs. 20,675 million during the year ended December 31, 2022 as compared to Rs. 15,938 million during corresponding year; exhibiting an appreciable growth of 30%.

Continuing focus on achieving cost efficiencies like lower transaction cost through digitalization and automation of processes resulted in the Bank's operating expenses growth to be restricted at 20%. Non-markup expenses were recorded at Rs. 41,030 million during the year ended December 31, 2022, increasing by 21%, as compared to Rs. 33,946 million during the year ended December 31, 2021 despite unprecedented inflation, increased cost of technology advancements and customer onboarding and servicing.

Your Bank's Profit before tax registered a healthy increase of 64% to stand at Rs. 46,626 million during the year ended December 31, 2022. Increase is mainly attributable to higher markup and non-markup income as compared to corresponding year ended December 31, 2021.

Higher Corporate Tax rate, Super Tax and enhancement of tax rate on attributable income from government securities weighed on the profit of Your Bank with incremental tax impact of Rs. 6,925 million for year 2022. As a result of aforementioned increase, effective Income Tax rate increased to 54.5% for the year ended December 31, 2022 from 39.0% for corresponding year ended December 31, 2021.

Profit after tax stood at Rs. 21,194 million during the year ended December 31, 2022 as against Rs. 17,314 million during last year. EPS of Your Bank was recorded at Rs. 18.51 for the year ended December 31, 2022 as against Rs. 15.12 recorded last year.

E-Banking Initiatives

Digital Banking transformation has been on the horizon because of the penetration of Smartphones, Cloud Computing, blockchain, big data, artificial intelligence and Open APIs. The increasing number of neo banks (also known as challenger banks) using these technologies has placed further strain on the traditional banking sector, leading to a cultural mega-shift that promises to shake up rigid banking structures, replacing or enhancing them with more agile, customer-centric digital architectures.

To encourage innovation and digitization in the ecosystem, Your Bank and the National Incubator Center (NIC), Islamabad, inked a Memorandum of Understanding (MOU). As part of this collaboration, Your Bank hosted a fintech hackathon of more than 1200 participants from diverse backgrounds. Using Allied Bank's Open Banking APIs, these individuals collaborated to offer creative answers to various issue statements.

Innovative solutions were presented by the attendees, including Metaverse banking, Cutting-edge data analytics, Intelligent ERP solutions etc. In an effort to give these solutions a chance to enter the mainstream of the financial industry, Your Bank is now looking into prospective partnerships with these emerging fintech. In order to strengthen the entrepreneurial atmosphere and foster the advancement of scientific research, Your Bank is working to create a more interconnected startup ecosystem.

As a pioneer in digital banking, Your Bank has taken industry first initiative to enter into Metaverse. It allows customers to create their own virtual touch points by providing a realistic banking experience through the use of Virtual Reality (VR), blockchain and augmented reality. Metaverse is a place where individuals can come together, engage and have an entirely immersive experience.

In line with the State Bank of Pakistan's National Financial Inclusion Strategy, Your Bank has been offering Asaan accounts to extend the reach of banking services to all sectors of society including students, freelancers, young professionals, and other customer segments. In order to cater to this rising demand, Your Bank is pleased to offer VISA regular Classic card to ABL Asaan account holders in addition to already provided variants of UnionPay PayPak Asaan Debit card.

Being aware of the potential of the digital revolution, Your Bank has always sought to remain at the forefront of innovation and technology. In order to improve customer experience through bringing more convenience, Your Bank expanded provision of debit card replacement and upgrade services through Allied Phone Banking (APB). In addition, temporary limit enhancement by 100% through ATM was enabled for ABL Debit cardholders for Cash Withdrawal, Fund Transfer and POS/ Online Shopping during the year.

In order to keep up with the constantly changing needs of the customers, a user-friendly and device-responsive interface, for Apple iOS, Android and Huawei, was created for myABL (PIB) Personal Internet Banking. It works seamlessly across a wide array of devices offering a mix of comprehensive features, available 24/7 on both internet and mobile banking channels.

To promote digital adoption, Your Bank has enhanced myABL WhatsApp Banking for customers to access their account information conveniently through their preferred messaging platform, resulting in over 672,000 registrations since its launch. Additionally, the Payday loan

feature (Advance Salary) has been extended to over 80 companies. Additional features such as downloading of account maintenance and withholding tax certificates, device binding and Robo Call functionality for transaction integrity and security has also been implemented.

Furthermore, for Overseas Pakistani users, an option to change OTP preference from SMS to Email has been introduced based on ATM card details, facilitating customers with no access to their mobile numbers.

Your Bank also brought a tremendous luxury for resident Pakistanis by providing revised online account opening facility through website and myABL application. Consequently, customers can open their account anytime and from anywhere without visiting ABL branch in few minutes.

To raise maximum awareness & promote products which ensure customer convenience, various campaigns and advertisements have been executed throughout the year on social media for WhatsApp Banking, Temporary Limit Enhancement, myPakistan Digital Account, Premium and Platinum Debit Cards, RAAST through myABL, myABL Wallet, Enhanced ATM Withdrawal Limit, Self-service banking services on Kiosks as well as on multiple dining and lifestyle discounts.

Your Bank has signed agreement with dEngage for its Customer Driven Campaigns Management Solution for interlinking and managing Emails, SMS, Web Push and App Push uniformly. It has capacity to trigger event-based communication to ABL account holders and prospective customers based on their interests. This campaign management solution would not only help in improving the retention of existing customers but also drives acquisition of new customers.

Furthermore, ABL is the first bank in Pakistan to use Sprinklr across all of its digital communication channels of Facebook, Instagram, Twitter, YouTube, LinkedIn and App Stores. It creates a unified process for reaching, engaging and listening to customers' experience and insights through customized AI-powered platform.

Green Banking and Environment Protection

Global warming has become one of the most pressing issues of our time, with its impacts felt across the globe. Despite efforts to mitigate and adapt to the effects of global warming, the situation continues to worsen, highlighting the urgent need for collective action to address this global crisis. Relentless efforts are being made across the globe, to measure and mitigate this climate change risks.

Pakistan is one of countries that have made a commitment for controlling such threats. As part of Green Banking Policy, Your Bank is committed to enhance the impact of Green Financing in the overall environment safety to ensure that financing of the Bank is directed towards environment friendly projects / activities in the country. This is being monitored through development of Environment Risk Management System (EnvRM) by Green Banking Office (GBO).

Your Bank has cumulatively invested Rs. 180.2 million towards installation of solar panels and as part of the plan to reduce carbon emission by direct operational impact. Resultantly, total internal solar power generation capacity of the Bank increased to 534 KW installed at 64 locations.

Through continuous focus on automation of processes, Your Bank has been able to reduce paper-based processes, which assists in reducing the paper consumption



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and lowering the carbon footprint as well as enhancing the efficiency in customer services. In addition, administrative measures including maintenance of electrical equipment carried out during the year resulted in reduced electricity consumption by 15%.

During the year, Your Bank conducted a tree plantation campaign, wherein a total of 75,000 trees/saplings were planted at various locations across the country. Your Bank is further committed to enhance tree plantation efforts, in line with national drive for "Clean and Green Pakistan". Tree plantation campaigns are being organized at schools, universities and public places. In this regard, efforts are also collaborated with Forest Division, Government of Punjab.

In year 2022, Your Bank has financed Rs. 4,183 million (2021: Rs. 3,117 million) to its obligors for installation of Green energy projects. In last 03 years, aggregate Green Financing was more than Rs. 10 billion. Total outstanding Green Financing of the Bank stood at Rs. 12,518 million at the end of FY-2022 mainly in; Wind and Solar Power, Hydel and Solid Waste Management.

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.
- Reduction in paper wastage in ATM receipts by providing the charged receipts as an option for ATM transactions.
- End-to-end automated cheque clearing process signed-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

Your Bank continuously strives to achieve excellence in customer services by consistently surpassing the expectations of customers, understanding their needs and continually bringing improvement in delivery of services.

Customer Support Officers have been designated at top 100 flagship branches to implement meet and greet concept. Custom-designed greeting stations are prominently placed near branch entrance areas to facilitate interactions with customers.

Self-service kiosks and interactive digital signages have been installed at top 100 flagship branches to provide customers

the convenience of self-service banking and enabling them to open Asaan Account, enquire their account balance, get mini statement of account, activate debit card and place request for cheque book. Moreover, customers can also request for change in mobile number, email address, physical address and subscription to electronic statement of account (e-SOA) and transaction alerts.

Your Bank has digitized documents, notices and circulars intended for providing information and creating awareness amongst customers on the interactive digital signages. Furthermore, customers can lodge their complaints directly both on self-service kiosks and digital signages, whereas complaint management division acknowledges receipts and keeps them informed throughout the complaint resolution process.

With an objective to learn about the actual experience of customers when using the Bank's products and services, video mystery shopping of branches and customer experience survey were arranged during the year 2022. The results provided an objective view of services delivered to customers at branches and helped to prepare improvement plans. Moreover, with a vision to develop closer ties with the customers and to serve them at all levels, customers' comments and messages in Urdu language are also responded in Urdu text.

As part of Your Bank's initiatives for Fair Treatment of Customers (FTC) and Consumer Grievance Handling Mechanism (CGHM) Bank's complaint lodgment process and available channels, information was disseminated through corporate website, digital signages, ATMs and SMS. Resultantly, 83,099 complaints





were registered with Bank during the year 2022, achieving 97% resolution rate with an average turnaround time of 10.3 working days for resolution of customer complaints.

To efficiently handle increasing customers' calls and social media/chat volume due to wide range of products and growing customer portfolio, Your Bank has recently launched its third purpose-built state-of-the-art Call Centre at Islamabad.

Risk Management, Compliance and Controls

Risk Management is one of the main components which contributes significantly towards achievement of business strategies of bank. Your Bank's Risk Management is supported by an optimal organizational structure, efficient risk assessment models and effective monitoring systems, all operating in an automated IT environment for protecting the strength of the bank's capital base and safeguarding value for stakeholders.

Your Bank continued to take key initiatives to strengthen and refine risk monitoring and assessment processes using the latest technologies during 2022. In compliance with regulatory instructions of SBP for smooth transition towards implementation of International Financial Reporting Standard 9, "Financial Instruments" (IFRS9), Your Bank has been successfully submitting the impact of Expected Credit Loss under IFRS9.

For efficient and effective Credit Risk management, Your Bank has developed an in-house Risk Assessment and Management System (RAMS) for loans processing and monitoring and is continuously upgrading it for enhancing its effectiveness. This has resulted in achievement of one of the lowest infection ratios of 1.53% in the industry.

During 2022, Your Bank conducted various security assessment exercises including Vulnerability Assessment (VA) and Penetration Testing (PT) activities, on Information assets of the Bank. This included a comprehensive White Box Vulnerability Assessment for Critical Application Servers of the Bank.

Your Bank achieved Payment Card Industry Data Security Standard (PCI DSS) Certification for the 4th year in 2022, along with compliance to Swift Customer Security Program (CSP) as mandated by SWIFT International. A Cloud based E-Learning platform was acquired for training of team members including to educate and enhance awareness about latest Cyber security threats and trends. Various Information Security campaigns including Fraud awareness were also conducted for valued customers.

Your Bank continued to focus on the Capacity Building and Enhancement of SOC (Security Operations Center) through Technological Upgrades, Improvement of Processes and development of HR Skillset. Major highlights include the establishment of a dedicated SOC Facility and onboarding of a Threat Intelligence and Digital Risk Protection Platform for receiving enriched and timely Threat Intelligence for the protection of our Information Assets.

Your Bank initiated a project to develop an Information Security Risk Management Program for aligning its Governance structure with International Standards and Industry best practices. In this regard, Information Security Strategy and development of Policies, Procedures and Frameworks were the major highlights.

Your Bank also conducted Cyber Hygiene and Data Leakage self-assessment

exercises for evaluating the overall cyber health and Security Posture of your bank. In this context, your bank has developed a roadmap to further strengthen and improve the security posture.

Customer Awareness Sessions

Your Bank remained focused in arranging various awareness sessions and seminars in order to create financial literacy and enhance customer insights on business strategies.

During 2022, Your Bank hosted an awareness event on Islamic Banking in collaboration with the Swat Chamber of Commerce & Industries. Since 2016, ABL Islamic Banking has held 14 Islamic Banking Customer Awareness Sessions across the country.

Your Bank organized Agri awareness sessions, under SBP's guidance, to attract prominent agriculturist for availing credit facilities offered by the Bank. In addition, 150+ awareness sessions with farmers about Agri finance products were organized in various regions.

Your bank also arranged an interactive webinar on "Transforming Family-Owned Structure to Corporate Structure" for existing and prospective obligors. The participants gained insights into the benefits of corporate governance in family-owned businesses and how pivotal it is for business sustainability and future growth.

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

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Information Technology

Your Bank has been making notable progress by providing services to its customers through technological advancements and expanding its digital presence ensuring that customers can access a wide range of banking services on the go, resulting in enhanced and personalized customer experience.

Your Bank is continuously making efforts to improve operational efficiency for provision of services to customers, reduction of resolution turnaround time and cost optimization through implementing additional cases on "Robotic Process Automation Solution" (RPA). In addition, RPA has also been used for automation of price benchmarking of trade goods. This automation involves acquiring information on price benchmarks from the Federal Board of Revenue (FBR) and various reputable online trade websites.

Your Bank has pioneered in implementing system-based trade parties Name Screening and tracking of vessels / voyages and their reputation. Furthermore, SBP governed TBML red flags are applied for trade deals monitoring; in order to monitor customer transaction behavior for any possible money laundering and restricted deals.

In order to respond quickly to business demands, Your Bank has recently upgraded hardware infrastructure of Core Banking System and inducted most powerful and scalable IBM Power10 servers to enable greater workload deployment flexibility and agility while accomplishing more work.

Your Bank has also implemented following Software Defined Networks (SDN) in campus and data center:

- Cisco SD-Access
- Cisco ACI

RAAST is an initiative of State Bank with the aim to digitalize the economy by introducing the low-cost payments, interoperability amongst all the financial institutions and simplifying the transactional experience. Allied Bank has been part of this initiative since inception of RAAST project and has successfully implemented the Bulk Payments (Receiving Side), Person to Person Payments and QR payments.

Investment in Human Capital

Your bank has continued to keep the workforce and organization engaged, productive and resilient during the difficult operating environment. The bank has firm belief in nurturing employees on personal and professional level leading to better decision-making and creating innovative service offerings.

Your Bank believes in merit-based elevations for career growth at all hierarchical levels to provide cross functional exposures at Chief, Group Head, Divisional Head, Regional Head and Unit Head positions. Through effective career progression at junior management levels, 653 cadre change elevations were made along with 1,757 grade promotions during the year 2022. Further, 2,334 employees were recruited to successfully implement the Bank's business strategies and achievement of required targets. Total employee retention ratio of 86.16% and female employee ratio of 20.69% were recorded during the year.

To fulfill unflinching commitment to invest in its employees, Your Bank conducted multiple class room as well as on job trainings during 2022. Use of latest learning tech including mLearning app

have paved the way for effective blended learning. Moreover, LUMS customized training of middle and senior leadership on 'Developing and Leading Customer Centric Culture' and specially designed 'Women Leadership Development Program' helped in developing employees' personal and professional skills.

Further, in compliance with SBP directives, Your Bank arranged trainings for team members in under privileged areas. Allied Bank has also conducted over 3,450 sessions in 41 remote districts assigned to the Bank under National Financial Literacy Program (NFLP) over the period of 5 years.

Your Bank is setting solid foundation for learning and development by building state of the art training infrastructure such as new Management Development Centers and provision of world class facilities.

Global Diversity Equality & Inclusion Benchmarks (GDEIB) is the Global Gold Standard for HR best practices, which facilitates organizations in HR strategy and fostering diversity and inclusion. These awards are based on meeting Global DEI Benchmarks with demonstrated evidence, assessed by an International Jury.

(GDEIB) Awards conducted by HR Metrics has awarded ABL in the following categories:

- Vision, Strategy and Business Impact
- Leadership and Accountability
- Recruitment
- Job Design, Classification and Compensation
- DEI Learning and Development
- Services and Products Development

Employees' wellbeing and mental health is of paramount significance to us. Hence to



counter the post pandemic stress, training sessions and wellness programs on 'Work-life Balance', 'Yoga for Self-Care' and 'Stress Management' were arranged for employees. In addition, Your Bank has also conducted a comprehensive training for all employees explaining guidelines to interact with Persons with Different Abilities (PWD) for provision of priority services.

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 1,453 branches including 1,334 domestic conventional and 08 digital branches, 117 Islamic branches and 02 overseas branches. Geared towards serving the unbanked and under-banked population of the country, Your Bank added 07 new rural branches, resultantly, the total reached to 298 rural branches. Simultaneously 17 new urban branches were added, which aggregated to 1,155 branches as at December 31, 2022.

During 2022, 25 more Islamic Banking Windows (IBWs) were established at viable conventional branches bringing the total number of IBWs to 135 besides the network of specifically designated Islamic Banking Branches. Machine (ATM) network has increased to 1,572, inclusive of 1,296 on-site ATMs, 271 offsite ATMs and 05 Mobile Banking Units (MBUs) during the year.

Awards and Accolades

Your Bank achieved tremendous success in 2022 despite facing economic challenges through resilient risk management, robust regulatory compliance of local and international requirements, sound business strategy, strong technological infrastructure and digital services excellence. This has translated into winning various awards and recognitions by multiple national and international prestigious institutions:

- Bank of the year 2022 – (Pakistan) Award by "The Banker", 2nd year in a row.
- Best Bank for SMEs in Pakistan 2022 - Asiamoney
- Best Domestic Bank in Pakistan for 2022 - FinanceAsia Country Awards.
- Best Banking Tech of the Year award – Pakistan Digital Awards 2022
- "2nd Position in Banking sector for



Best Corporate Report of 2021" from ICAP and ICMA international.

- Certificate of Merit for the Year 2021 in Private Sector Banks Category - South Asian Federation of Accountants.
- Pakistan Digital Awards – Best Banking Tech of the Year.
- National Forum of Environment and Health (NFEH) Award for:
 - Corporate Governance
 - Technology, Innovation and Inventions.
 - Women Welfare, Empowerment and Development.
 - Green Energy Initiatives.
- Global Diversity, Equity & Inclusion (DEI) Benchmarks Award for:
 - Vision, Strategy and Business Impact.
 - Leadership and Accountability.
 - Recruitment.
 - Job Design, Classification and Compensation.
 - DEI Learning and Development
 - Services and Products Development.

Allied Bank Performance Awards 2022 - The Stars Have Risen

Allied Bank's Annual Performance Awards are an initiative to recognize the efforts made by dedicated teams and all team members for overall growth of the Bank and their role in development of the national economy.

In recognition of exceptional performance and in honor of passion and commitment to achieve excellence for the year 2022,

Allied Bank Performance Awards 2022 ceremony was held on January 10, 2023. 138 team members were awarded under 77 categories.

ABL has introduced a gender lens through specific measures in key areas, to bring a shift towards women friendly business practices. These measures are targeted to improve institutional diversity, product diversification, customer acquisition and facilitation and better gender-disaggregated data collection for improving women access to financial services. To ensure achievement of these objective efforts of all Women Champions were recognized by awarding 18 winners under 4 main categories

As part of HRG continuous efforts towards Organizational Development and inculcating transformation enabling environment, 'Employee Recognition Program' for all employees working in business as well as support groups was introduced, with an aim to recognize and honor employees contributing towards organizational growth. Under this category, 16 employees from all 16 Groups were awarded by the title of "Employee of the year 2022.

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.

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ABL AMC strives to deliver superior investment performance consistently through time and deepening client relationships together with creating value through growth efficiency and diversity of product ranges 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 provide innovative investment solutions to 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, ABL Pension Funds availability on ABL RDA portal, 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, 2022 of Rs. 54 million with Rs. 1.07 earnings per share. Balance sheet remained healthy and closed at Rs. 3,028 million, increasing by 2% on YoY basis. Breakup value per share is Rs. 60.56.

ABL AMC offers wide array of Conventional and Islamic funds. The assets under management closed at Rs. 129.01 billion with the market share of 8% displaying a YoY growth of 41%. Separately Managed Assets (SMA) decreased by 13% and closed at Rs. 8.5 billion.

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 and others for onboarding, investment and redemption transactions and for promoting Digital Sales and Marketing.

Going forward, ABL AMC aims to strengthen the brand Equity and to encourage investors by introducing e-investing channels such as digital onboarding through MyABL and ABL Fund Application, offering objective based innovative investment solutions. Further, to improve business relationship and potential customer satisfaction ABL AMC aims to implement Customer Relationship Module, Sales Force management System and introduce Co-Branded VISA Debit card facility for easy access to funds with cash withdrawal facility. Moreover, to enhance Client Growth Strategy, ABL AMC plans to launch 5 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 re-affirmed Your Bank's Corporate Governance Rating of '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 downgraded Your Bank's deposit rating recently from B3 to Caa3 (Domestic and Foreign) in 2023, with negative outlook on the sovereign rating; indicating weakened credit worthiness given the bank's significant holding of sovereign debt securities.

Future Outlook

Amid global measures by central banks to contain inflation, Russia- Ukraine conflict and economic slowdown in China, IMF estimates decline in global GDP growth from 3.4% to 2.9% in 2023. However, growth is expected to rise to 3.1% in 2024 based on anticipated economic revival in China from covid restrictions, steady



recovery from Russia-Ukraine conflict and subsiding inflation for food and oil commodities.

Going forward, weaker global demand and monetary policy tightening by central banks is expected to reduce global inflation from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024.

Pakistan's economic challenges mainly stem from political uncertainty, damages by floods, inflation spikes, currency depreciation and deterioration of fiscal and external position. Fiscal and institutional reforms and resolution of power sector critical issues are recommended by IMF. Resultantly, IMF and World Bank projected real GDP growth to decelerate to 2% in FY 2023, with later on recovery to 3.2% (World Bank) in FY 2024 based on easing in global inflationary pressures, recovery in agriculture production and infrastructure rebuilding.

As per World Bank, growth in agriculture sector is projected to decline sharply for the first time in decades due to flood related damages and will also have spillover effects on the manufacturing and services sectors. Accordingly, growth in these sectors is estimated to decline significantly to 2.3% and 3.2% respectively in FY 2023 as compared to 7.2% and 6.2% respectively in FY 2022.

For FY 2023, IMF projects 20% hike in inflation whereas the same is projected at 23% by World Bank. This elevation is mainly attributable to higher energy prices, floods related disruptions and rupee devaluation. Going forward, the inflation will moderate to 9.5% (World Bank) and 6.5% (IMF) for 2024 and 2026 respectively.

As per World Bank, growth in imports is projected to decline to 2.3% in FY 2023 from 15.6% in FY 2022, mainly attributable to import containing measures to reduce current account deficit. Considering slower economic activity and continuation of import restrictive measures, World Bank anticipates current account deficit to narrow down to 4.3% of GDP in FY 2023. Growth in exports, on the other hand, is also expected to reduce significantly to 1.5% in FY 2023 from 8.4% in FY 2022.

State Bank of Pakistan (SBP) increased policy rate to 17% in January 2023 to anchor inflationary pressure and cooling off consumers' demand. As a result of containment measures, SBP anticipates average inflation to be within the range of 21%-23% during FY 2023.

Your Bank is very enthusiastic about improving its products and services in order to strengthen the whole digital

perspective and meet the expectations of our customers. Various innovative products and services are lined up, which will be implemented with an agile methodology. Contactless payments including NFC & QR, Enterprise Loyalty, Acquiring Business, Self Service Branches are in pipeline with a vision of Enhancing Customer Experience & Engagement, Promote Process Automation & Business Intelligence and Digital Transformation.

Recognizing the challenges for economy of Pakistan, Your Bank shall continue to take pragmatic measures to ensure effective risk management of the Bank's assets through investments in technology and human resource development.

For 2023, Your Bank aims to continue its focus on major initiatives such as effective utilization of the implemented Modules of Oracle Financial Services Analytical Applications (OFSA) and Operational Risk Management Module of Risk Nucleus, process design assessments and control testing, automation of workflows in Risk Assessment and Management System, information security awareness campaigns, augmentation of the Bank maintained warehouses for pledge financing.

Being cognizant of disruption through digital banking, Your Bank has plan to enhance the scope of existing digital lending platform from consumers to Small Enterprises, Medium Enterprises and commercial businesses by innovating credit scoring models and processes for credit risk assessment, disbursement and monitoring.

Collaboration with leading FinTech and Data Analytic companies will be evaluated to leverage the developments taken place with regards to Artificial Intelligence and Machine Learning techniques.

Your Bank strives to provide a full spectrum of Shariah-compliant products and services in the competitive Islamic banking sector, maintaining operational effectiveness and top-notch client care, allowing the Bank to achieve significant growth.

Customer awareness workshops would continue to be a priority and promotion of Islamic banking in Pakistan as a means of increasing the country's financial inclusion would be given substantial weight. Additionally, automation and digitization would continue to play a major role in the expansion and development of Islamic banking.

Going forward, Your Bank would carry on the initiative of installing Electronic

Queue Management System (EQMS) and feedback tablets at additional 100 branches during 2023 to facilitate customers to conduct transactions conveniently and provide valuable feedback about the delivered banking services. It will also arrange another cycle of video mystery shopping of top 100 and additional 100 branches through an external research partner.

During 2023, the Bank aims to revamp two existing Call Centre locations into purpose-built state of the art call facilities. Moreover, Your Bank will be introducing phase 2 of web-chat to enable identification of ABL and Non-ABL customers for the call centre agents in order to strengthen security and improve customer experience. Chatbot solution is also expected to go live at Webchat and WhatsApp channels. In addition, enhancement of IVR services is also planned by introducing debit and credit card blocking / myABL User ID blocking and retrieval etc. through Self-Service Banking.

Going forward, Your Bank will pursue automation and simplification of processes using technologies like Robotics Process Automation (RPA), Machine Learning, Artificial Intelligence along with introduction of additional service channels like customer facilitation portal on ABL's website to enhance customer experience.

Your Bank's strong capital positioning is manifested by high Capital Adequacy Ratio of 19.7% as on December 31, 2022, well above the industry ratio of 16.6% as on September 30, 2022, 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.

Azid Razzaq Gill
Chief Executive Officer

Dated: February 16, 2023