

# CEO'S REVIEW

The global economy experienced a continued slowdown in 2023, amid ongoing uncertainties from geopolitical conflicts, persistent supply chain disruptions from aftershocks of the pandemic and widespread inflationary pressures. Despite these challenges, the global growth outlook has become slightly more balanced, due to the monetary tightening measures undertaken by central banks worldwide and the easing of pandemic-related restrictions. Early indicators suggest a quicker-than-anticipated recovery, with inflationary pressures beginning to ease.

Taking these macroeconomic factors into account, the International Monetary Fund (IMF) estimated global growth at 3.1% for 2023 and 2024. For 2024, the IMF adjusted its global growth projection up from the previous forecast of 2.9% in its October 2023 outlook, marking a 0.2% increase. The IMF also estimates headline inflation for 2023 at 6.8%, a decline from its peak in 2022.

Domestically, the country has faced numerous challenges, including the global economic slowdown, uncertain political climate, high inflation and weakened business confidence. Despite these obstacles, the economy has shown resilience and short-term signs of improvement. According to the IMF estimates, Pakistan's GDP contracted by 0.2% in 2023 which was earlier projected to contract by 0.5%, in both July and October 2023 updates.

Headline inflation reached a multi-decade high in FY23, averaging 29.7% in December 2023 year-on-year, compared to 24.5% in December 2022. Core inflation was recorded at 20.5% in December 2023, slightly lower than its peak of 22.7% in May 2023. Key drivers included flood-related disruptions to agricultural production and supply chains, adjustments in energy tariffs and petroleum prices and the sharp depreciation of the Pak Rupee. In response to the relatively high inflation, the State Bank of Pakistan (SBP) continued to hike the policy rate, increasing it by a cumulative 825 basis points to reach 22.0% in FY23. Subsequently, SBP estimated the GDP of Pakistan at negative 0.2% in FY'23 and kept the projected growth for FY'24 within the range of 2-3%.

Despite the uncertain and challenging operating environment, the Large-Scale Manufacturing (LSM) sector is showing signs of recovery. Key sectors include Food, Beverages, Petroleum Products, Apparel, Leather, Chemicals, Pharmaceuticals, Non-Metallic Mineral Products, Rubber Products, Wood Products, Machinery & Equipment and Football. In November 2023, the LSM index increased by 1.6% on YoY basis as compared to decrease of 4.9% in the same month last year and increased by 3.6% on MoM basis as compared to decrease of 2.2% in October 2023. However, it declined by 0.8% during Jul-Nov FY'24, which is lower as compared to a contraction of 2.3% in Jul-Nov FY'23.

In the Agriculture sector, the credit disbursements reached Rs. 1,105.8 billion during Jul-Dec FY'24 as compared to Rs. 842.4 billion in the previous year, marking an increase by 31.3%. The farm tractor production and sales showed growth of 67.5% and 103.3%, respectively during Jul-Dec FY'24 compared to the same period last year.

In December 2023, Balance of Payments (BoP) demonstrated improvement as exports of goods and services improved by 14.1% on YoY basis and by 5.1% on MoM basis, respectively. Exports remained constantly above US\$ 3.0 billion per month mark since August 2023 due to increase in economic activity and encouraging foreign demand. Similarly, during Jul-Dec FY'24 exports of goods and services stood at US\$ 19.1 billion as against US\$ 18.1 billion, showing 5.3% growth.

Conversely, imports of goods and services decreased by 6.4% in December 2023 to US\$ 5.0 billion, compared to US\$ 5.3 billion in November 2023. Furthermore, imports contracted by 9.8% during Jul-Dec FY'24 to stand at US\$ 30.4 billion, compared to US\$ 33.7 billion in the comparative period last year. This decline in imports alongside an increase in exports have supported in reducing the trade deficit to US\$ 11.4 billion during Jul-Dec FY'24, lower by 27% as compared to US\$ 15.6 billion during Jul-Dec FY'23.

Current account balance turned to surplus in December 2023 to reach at US\$ 404 million as against deficit of US\$ 365 million in December 2022. Current account balance is expected to remain in manageable limit due to primary and secondary income balance.

During Jul-Dec FY'24, workers' remittances fell to US\$ 13.4 billion, a 6.8% decrease from the US\$ 14.4 billion recorded in the same period previous year. However, on a YoY basis, remittances experienced a 13.4% increase in December 2023.

Total Liquid Foreign Exchange Reserves were US\$ 12.7 billion as on December 31, 2023, compared to US\$ 10.8 billion as on December 31, 2022. Whereas Net Reserves with SBP recorded at US\$ 8.2 billion as on December 31, 2023, against US\$ 5.6 billion as on December 31, 2022. Monetary Policy Committee (MPC) is expecting a stable financial position and inflow of FX reserves as the IMF has completed its first review of Pakistan's economic reform program and disbursement of second tranche of around US\$ 700 million has been received under Stand By Arrangement by the IMF.

During Jul-Dec FY'24, total Foreign Investments were US\$ 933.7 million, compared to an outflow of US\$ 393.3 million in the corresponding period last year. Foreign Direct Investment (FDI) showed a significant increase of 35% and reached at US\$ 862.6 million during Jul-Dec FY'24 as compared to inflow of US\$ 640.0 million during Jul-Dec FY'23. Major inflow of FDI originated from China, Hong Kong, UK, Netherland and Switzerland.

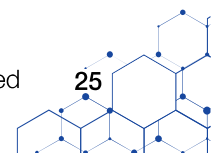
Total revenues during Jul-Dec FY'24 grew by 46%, as compared to the same period last year, reaching Rs.6,854.0 billion. This performance is driven by a healthy increase in non-tax collections by 109% and 30% higher tax collection by Federal Board of Revenue (FBR). Despite of encouraging revenue collection in the first six months of FY'24, the expenditure side remained under pressure attributed to higher mark-up payments. Consequently, fiscal deficit has widened to 2.3% of GDP during Jul-Dec FY'24, in comparison with 2.0% of GDP during Jul-Dec FY'23. However, due to contained growth in non-markup spendings, the primary surplus improved by 1.7% of GDP during Jul-Dec FY'24.

## Banking Sector Performance

Pakistan's banking industry showed resilience against the multiple headwinds including aftershocks of pandemic, record high inflation, economic slowdown, political unrest in the country and higher tax regime.

Total assets of the industry increased by 31% to record at Rs. 45,183 billion as on December 31, 2023, compared to Rs. 34,530 billion as on December 31, 2022. Key drivers behind growth of assets includes appreciation in Cash and Balances with Treasury Banks by 84%, Other Assets by 56%, whereas Investments increased by 41% to stand at Rs. 2,789 billion, Rs. 2,261 billion and Rs. 25,280 billion respectively.

Banking industry faced challenges in expanding loan portfolio of quality advances due to high probability of delinquencies in



# CEO'S REVIEW

loan portfolio on account of higher interest rates and economic slowdown. Moderate growth in loans has been observed during the year. Total Gross advances increased by 4% and stood at Rs. 12,352 billion as on December 31, 2023 as compared to Rs. 11,913 billion as on December 31, 2022. Likewise, total net advances of the banking industry also increased by 4% to Rs. 11,625 billion as on December 31, 2023, compared to Rs. 11,225 billion as on December 31, 2022. Whereas, infection ratio increased to 7.6% as on December 2023, against 7.3% as on December 2022. However, Coverage ratio of the banking industry reached at 92.7% as on December 2023 as compared to 89.5% in December 2022.

On the liability side, total deposits of the industry were Rs. 27,841 billion as on December 31, 2023, against Rs. 22,467 billion in the corresponding period last year, showing an increase by 24%.

## Business Performance

During this challenging year, Your Bank has efficiently optimized its high-quality balance sheet with moderate growth whereas posted significant increase in net profits.

Well framed strategic priorities of Your Bank are displayed in key business activities of lending, mobilizing low-and-no-cost deposits, prudent investing and transactional banking. Resultantly, asset base of Your Bank increased by 3%, to reach at Rs. 2,329,317 million as on December 31, 2023, compared to Rs. 2,250,973 million as on December 31, 2022.

In high interest scenario coupled with other economic uncertainties, Your Bank continued with a prudent approach in deploying funds. Your Bank's net investments increased by 2% and were recorded at Rs. 1,150,318 million as on December 31, 2023, compared to Rs. 1,123,117 million as on December 31, 2022.

During the year under review, Your Bank's gross advances portfolio was optimized, reaching Rs. 794,138 million, a decrease of 7% from Rs. 857,488 million as of December 31, 2022. Meanwhile, net advances amounted to Rs. 781,597 million as of December 31, 2023, representing an 8% reduction compared to Rs. 845,640 million as of December 31, 2022.

Reflecting the quality of its advances portfolio and effective risk management practices, Your Bank has one of the industry's lowest infection ratios. As of December 31, 2023, the Bank's Infection Ratio was recorded at 1.64%. Additionally, the Bank improved its Coverage Ratio to 96.2% by the end of 2023, compared to 90.4% at the end of the previous year.

Driven by customer acquisition drives and marketing campaigns, deposit base of Your Bank increased by 10% to stand at Rs.1,676,623 million as on December 31, 2023, against Rs. 1,522,297 million as on December 31, 2022. Focusing on low-and-no cost deposits, Current Account Saving Account (CASA) mix of Your Bank rose to 85% of total deposits as on December 31, 2023 as against 79% on December 31, 2022.

Total equity of the Bank increased by 52% to stand at Rs. 194 billion as on December 31, 2023, compared to Rs. 128 billion as on December 31, 2022.

Positive growth in average earning assets, improved spreads, and effective investment duration management resulted in healthy growth of 66% in markup income of Your Bank which stood at Rs. 357,307 million for the year ended December 31, 2023.

On the other hand, despite of higher deposit rates owing to average 751 basis points rise in policy rate during the year,

increase in markup expense of Your Bank was restricted to 64% while total markup expense remained at Rs. 244,028 million. Consequently, net interest income (NII) increased by 70% to record at Rs. 113,279 million for the year ended December 31, 2023 as compared with 66,719 million last year.

Non markup income of Your Bank witnessed a healthy growth of 18% during the year under review mainly due to higher fee income, foreign exchange earnings, and dividend income, though partially offset by a reduction in capital gains.

Your Bank upgraded its digital as well as conventional products range which complemented the 31% increase in fee income to stand at Rs. 10,641 million during the year 2023, compared to Rs. 8,147 million during the year 2022. Foreign exchange income saw a rise of 15% resulting from favorable movement in swap curves.

Your Bank's dividend income enhanced by 15% to stand at Rs.3,543 million for the year ended December 31, 2023, against Rs. 3,088 million for the year ended December 31, 2022.

Being fully aware of latest technological transformation in banking sector, Your Bank is prudently investing in its digital ecosystem and along with expansion in the branch outreach. These initiatives coupled with higher inflation and depreciation in US/PKR parity contributed to increase in operating expenses. However, owing to benefits of process automation and enforcing internal controls, the Banks successfully managed to keep rise of expenses in check and restricted the increase to 18%. Operating expenses were recorded at Rs. 46,985 million for the year ended December 31, 2023, compared to Rs. 39,699 million in the previous year.

Notable growth in revenues from both markup and non-markup streams and lower side increase in operating expenses led the Bank to register a pre-tax profit of Rs. 85,757 million for the year ended December 31, 2023 reflecting an 84% increase over previous year's pre-tax profit of Rs. 46,626 million.

Federal Board of Revenue vide SRO No. 1588(I)/2023 dated 21.11.2023 levied an additional tax on Foreign Exchange Income classifying it as windfall income for Tax Year 2022 and 2023 (Income Year 2021 and 2022). Consequently, tax charge for the year increased to Rs. 45,074 million which included the aforesaid tax of Rs. 2,955 million on foreign exchange income, while effective tax rate hiked up to 52.56%.

Profit after tax stood at Rs. 40,683 million for the year ended December 31, 2023 as against Rs. 21,194 million during previous year, denoting a remarkable growth of 92%. EPS of Your Bank was recorded at Rs. 35.53 for the year ended December 31, 2023 as against Rs. 18.51 for the year ended December 31, 2022. The Return on Assets (RoA) and Return on Equity (RoE) stood at 1.8% and 29.4%, respectively, on December 31, 2023. Furthermore, Your Bank's Capital Adequacy Ratio (CAR) was 26.21%, significantly exceeding the regulatory minimum of 11.5%, indicating ABL's strong capital base.

## Digital Banking Initiatives

The banking sector is going through a notable transformation towards digitalization primarily driven by the dynamic and evolving demands of clientele which had been further accelerated by the Covid-19 pandemic. Consumer preferences for expediency, immediacy and convenience in their selection of financial service providers play a key role. Consequently, the banking industry has increased its focus on technological advancements to reinforce operational efficiency, fortify information security protocols and elevate the quality of customer experience.

Your Bank has achieved a significant milestone with over 1.6 million myABL user registrations, indicating its dedication to offering modern and user-friendly banking solutions to the customers. The Bank expanded its range of financial services provided through myABL Digital Banking Platforms. Your Bank introduced a feature that enables customers to update the expiry of their Computerized National Identity Card (CNIC) through the myABL web or mobile application. This eliminates the need for branch visits or email submissions of scanned documents.

Moreover, the Bank's WhatsApp Banking service, with one million registered users, offers convenient features like account inquiries, IBAN generation and financial transaction capabilities like mobile balance top-ups. Additionally, the Bank has launched services like the withholding tax certificate, available in PIN-protected PDF format for specific periods and account statement service for accessing details through WhatsApp.

A significant aspect of ABL's strategic growth has been its active engagement in the expansion of the RAAST payment system. This has resulted in a substantial increase in transaction numbers, reaching 7.5 million with a total transaction volume of Rs. 7 billion. Furthermore, ABL extended its "Payday Advance Salary" loan program to over 100 companies, resulting in disbursement of around 10,000 loans accumulating to Rs. 214 million, demonstrating ABL's commitment to enabling the individuals to manage their financial needs effectively.

By 2023, ABL has expanded digital branches to 14 alongside plans to launch four "Lifestyle Digital Lounges" in major shopping malls across Lahore, Karachi, and Islamabad. These branches and lounges, equipped with state-of-the-art digital facilities like Cash Recycling Machines, Interactive Teller Machines, Cash and Cheque Deposit Machines, Self-Service Kiosks, and Instant Debit Card Printers, offer customers efficient, queue-free transactions and 24/7 access to technology. This shift signifies ABL's commitment to modernizing the banking dynamics.

Further, Your Bank has forged a strategic partnership with Telenor Pakistan to capitalize on the critical role of data in strategic decision-making. This collaboration focuses on using data to enhance decision-making processes, leveraging data variables to identify local trends and patterns. The insights gained are applied in areas such as White Space Analysis, Branch Optimization, Digital Marketing based on Customer Persona, Digital Product Development and Cross Selling. This partnership enables Allied Bank to utilize data-driven insights for refining its strategies and operations, ensuring a more informed and effective approach in its business endeavors.

Over the past year, there has been a significant increase in customer interactions on social media and messaging platforms. In response, Allied Bank is transitioning to Sprinklr's Unified-CXM platform to enhance the effectiveness, humanization, and personalization of communication on its digital channels. Sprinklr's sophisticated AI-driven software is specifically designed to transform Allied Bank's social media and digital customer interactions, offering valuable insights into customer behaviors and preferences.

To realize a cohesive campaign management strategy, Allied Bank has integrated dEngage for its Customer-Driven

Campaigns Management Solution. This integration is intended to efficiently manage diverse channels, including Email, SMS, Web Push, and App Push.

It was a notably successful year for Allied Bank for its 'Card and Acquiring' services, marked by several key advancements and technological upgrades. A prime development was the successful pilot launched of ABL's Point-of-Sale (POS) Acquiring business with deployment of cutting-edge POS machines in major cities of Pakistan to facilitate digital payment acceptance from customers with a vision to drive digital payment adoption in Pakistan.

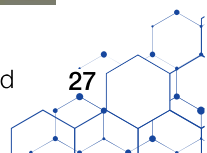
Another key development was the acquisition and integration of new Card Production Machines equipped with UV Cured Graphic Printing Technology, coupled with the modernization of existing equipment. This technology offers multiple benefits, including a print life of 5-7 years, a variety of personalization colors, flexible card design options, expanded branding space and a 30% faster printing speed compared to traditional embossing methods. In 2023, ABL achieved a significant milestone by producing and dispatching over 1.2 million Debit Cards.

Further enhancing its banking services, Allied Bank has launched ABL Foreign Currency Visa Debit Card for Roshan Digital (RDA) and Foreign Currency GBP and Euro Account holders. The Bank also introduced a 'Foreign Currency Debit Card' catering to the needs of IT Exporters and Freelancers, thus, underscoring Allied Bank's dedication to support policies and initiatives that accelerate growth and success of Pakistan's IT industry.

Your Bank presented 'Digital Freelancer Account' and 'Foreign Currency Debit Card' on Export Retention Account in a session organized by Ministry of Information Technology and Telecommunication and Pakistan Software Export Board in collaboration with SBP and Pakistan Software Houses Association (P@SHA).

In line with regulatory compliance, an automated solution for a 30K cross-border transaction limit was implemented. Moreover, the enablement of 3D Secure on UnionPay PayPak Cobadge Debit Cards significantly enhanced e-commerce transaction security.

Allied Bank implemented a series of pivotal initiatives and technological enhancements in its ATM services, demonstrating a strong commitment to improving customer experience and operational efficiency. Allied Bank implemented the advanced ATM



# CEO'S REVIEW

Monitoring Solution, Vynamic View, for its Diebold Nixdorf (DN) ATMs to improve the monitoring and efficiency. Further enhancing its commitment to operational efficiency and environmental sustainability, ABL plans to execute the EJ paper cutover phase across all DN ATMs in 2024, aiming to significantly reduce paper usage and associated costs.

Allied Bank reached a significant milestone in fostering inclusivity through the successful implementation of the Talking ATM feature in selected ATMs, specifically designed to aid visually impaired customers. Adding this feature represents ABL's dedication to creating an inclusive banking environment for all. Your Bank initiated 24/7 ATM Monitoring Unit shift operations, enhancing ATM availability and increasing customer footfall. Allied Bank has commendably sustained an average ATM uptime exceeding 96% over the past five years. This accomplishment highlights ABL's commitment to ensuring optimal ATM availability and reaffirms its position as a leading acquirer in the ATM industry.

## Green Banking and Environment Protection

The Green Banking has remained integral part of the Bank's long-term strategy. Within its Green Banking Policy, Your Bank, with view to augment environmental safety directed its financing towards environment friendly projects and activities within the country. In the year 2023, Your Bank has financed Rs. 880 million to its obligors for installation of Green Energy projects. The total outstanding Green Financing of the Bank, primarily including wind, solar and hydel power and solid waste management projects, stood at Rs. 11.54 billion as on December 31, 2023.

Oversight of this initiative falls under the purview of the Green Banking Office (GBO) and is monitored through the Environmental Risk Management System (EnvRM). The Bank's credit portfolio is assessed on purpose build Environmental Risk Rating (ERR) model to ensure that Bank's financing is Green. Moreover, Environmental Improvement Plans (EIPs) are obtained from obligors, where required. GBO continuously endeavors to enhance capacity building of the staff, and accordingly, total of 819 staff members were trained/sensitized related to Green Banking during the year 2023.

As a part to reduce carbon emission by direct operational impact, your Bank has been investing in installation of solar panels. Resultantly, total internal solar power generation capacity of

the Bank has increased to 622 KW installed at 69 locations. By maintaining a commitment towards process automation, Your Bank has successfully decreased its reliance on paper-based procedures. This reduction in paper consumption has not only lowered the Bank's carbon footprint but also bolstered the efficiency of customer services. Furthermore, administrative initiatives have yielded a notable 4% decrease in electricity consumption, 17% decrease in generator's fuel and 3% decrease in paper consumption in the year 2023.

While continuing the legacy of high value Green CSR contributions, your Bank has achieved various mile stones in Building a Clean and Green Pakistan. Your Bank has conducted various tree plantation campaigns in line with national drive for 'Clean and Green Pakistan 'and has planted 100,293 plants in CY 2023.

A sustainable Olive Tree Plantation has been started in the vicinity of the Babri Banda village, Kohat. Your Bank donated for the olive tree plantation project which includes Establishment of 36 acres orchard, Olive Tree plantation on 15 acres, Installation of Drip Irrigation System, Solar Ground Water Extraction, Construction of Overhead Water Tank and Construction of Loose stones Check Dam.

In a Clean Waste Management drive, the Bank provided two Auto Rickshaw Loaders to community of village Babri Banda, Kohat for efficient and clean waste disposal.

In addition, three cleaning activities were conducted by team ABL at Deosai National Park, Gilgit Baltistan, Sea View Beach, Karachi and Lahore Forte where the non-disposable/ environment hazardous waste was handpicked by ABL staff, local authorities and general public.

## 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.



- Continued upgradation in Human Resource Management System to Oracle- HRMS providing paperless management of multiple HR related processes.
- Increased usage of In-house Innovation Lab serving as an incubation center to ensure constant technological developments.
- Issuance of SWIFT Based Guarantees – a quick and secure mode of transmission, eliminating manual verification, mitigation of fraud/forgery risk and cost effective in terms of paper, printing and handling.
- Online LG verification is implemented; customers can now verify ABL issued Guarantees online through ABL Website. It will improve Verification TAT, printing & courier cost, mitigation of forgery risk and a step towards paperless environment.
- Discontinuation of ATM Journal Paper Roll on 516 ATMs to augment paperless banking practices, digitalization and cost reduction measures.

### Service Excellence Measures

Service Quality is a strategic priority of Allied Bank to achieve high customer satisfaction to earn retention and loyalty of its customers. By focusing on outstanding service quality practices, Your Bank continue to bring innovation in banking services for its valued customers. These include responding to customers' needs in a courteous and timely manner while interacting with them through face-to-face interactions, on telephone, and through other communication mediums.

Your Bank continuously strives to achieve excellence in customer service by understanding their needs, continually bringing improvement in delivery of services, and consistently surpassing the expectations of customers. Service Quality and Complaint Management (SQ&CM) in line with the organizational goals, remains committed to nurture a service culture across the organization.

As part of the Bank's commitment to achieve excellence in service, Your Bank has introduced flagship top 100 branches to set a new benchmark of customer service by creating a pleasant ambiance for customers, developing the skills of human resources designated at these branches and providing self-service digital banking facilities.

Allied Bank maintains customer trust by striving to deliver fair outcomes for them and redressal of customer grievances in a timely manner. Your Bank has a centralized Complaint Management Division in place, efficiently and effectively resolving customers' grievances and fostering a cordial relationship between the Bank and its customers/stakeholders through effective collaboration with all segments of Your Bank.

Allied Bank implemented a customer-focused Enterprise CRM solution, 'Customer 360', offering a holistic view of customer interactions across all channels. The CRM's unified complaint management system enhances customer satisfaction by streamlining resolutions across various channels, including phone banking, online platforms, and physical branches. Additionally, its integrated CRM Campaign Management optimizes customer engagement and marketing efficiency. Additionally, the CRM's centralized functionality significantly improves sales cycle management, from lead generation to finalization, thereby bolstering Allied Bank's sales strategies and growth potential.

Moreover, customers can lodge their complaints using self-service kiosks and digital signages installed at branches. The lodged complaints are automatically routed to Complaint Management Division, which acknowledges receipt of complaints to the customers, and keeps them informed throughout the complaint resolution process.

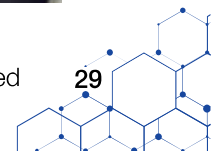
With the aim to create awareness among customers about the Bank's complaint lodgment process and available channels, information is disseminated through corporate website, myABL Digital Banking app, SMS, digital signages, and ATMs. During the year 2023, 80,959 complaints were registered and Your Bank achieved 98% resolution rate with an improved average turnaround time of 8.8 working days for resolution of customer complaints.

Allied Bank is committed to enhancing the digital customer experience through the application of advanced analytics and business intelligence (BI) tools. Allied Bank employs both predictive and real-time analytics to anticipate and respond to customer needs effectively, ensuring the delivery of tailored solutions, immediate support, and personalized customer experience. These insights are instrumental in making data-driven decisions that focus on enhancing customer satisfaction and shaping competitive strategies.

To optimize customer service, Allied Phone Banking now registers complaints through chat and social media, aiming for efficient resolution and enhanced customer experiences. Innovations in Interactive Voice Recording (IVR) system, including features like Temporary Debit and Credit Card Blocking and Account Debit Block, empower customers with self-service options, promoting efficiency. Additionally, newly introduced Call Back and Web Call Back features address customer preferences for immediate or scheduled callbacks, enhancing service accessibility. In 2023, Allied Phone Banking achieved a service remarkable level above 95%, denoting excellent efficiency and customer satisfaction.

### Risk Management, Compliance and Controls

Risk Management Group (RMG) 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 in an automated environment.



# CEO'S REVIEW

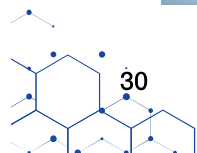
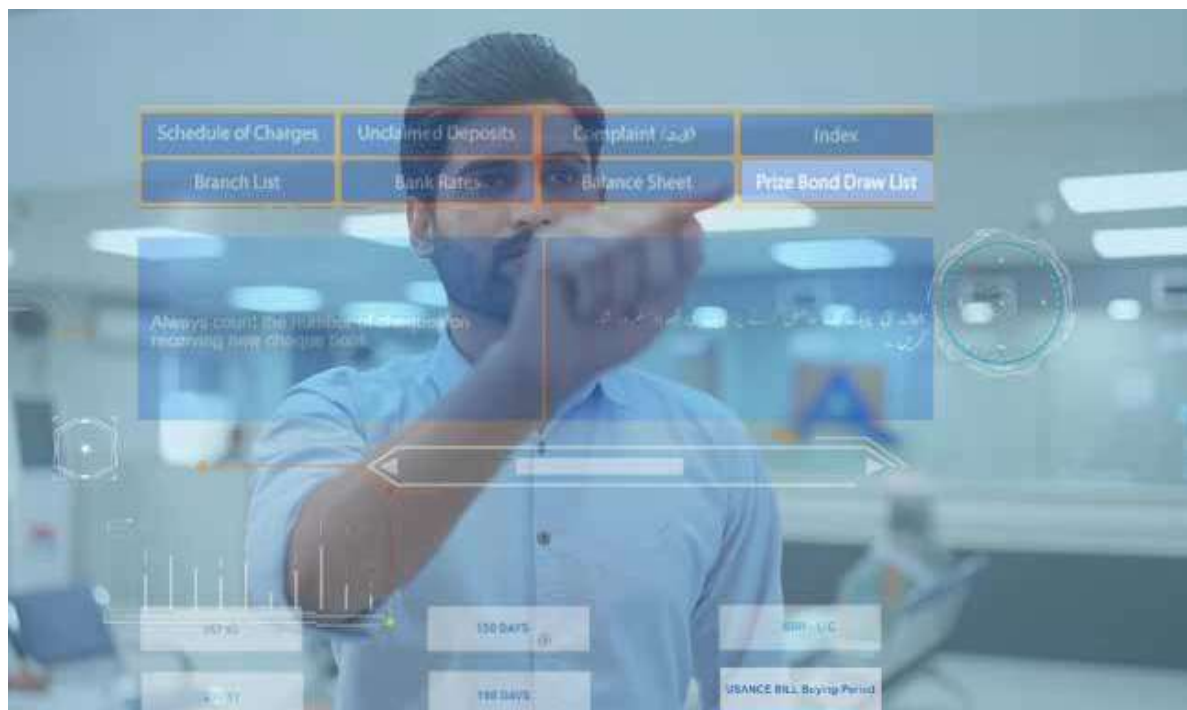
Dedicated functions in Risk Management include:

- Corporate and Financial Institutions Risk;
- Commercial, SME and Consumer Risk;
- Credit Administration and Monitoring;
- Technical Appraisal;
- Information Security & Governance and
- Enterprise Risk.

These functions operate cohesively to continuously augment the risk monitoring and assessment architecture, ensuring superior quality of asset portfolio while keeping the aggregate risks well within the Bank's overall risk acceptance criteria.

During 2023, Risk Management continued to refine and innovate its Risk Management practices through use of latest technology and took following key initiatives to further strengthen risk monitoring and assessment processes:

- The Bank has partnership with Karandaaz Pakistan (a non-profit organization) for an Innovative Challenge Funds; ICF3 - Transforming SME Financing, Innovative Credit Scoring Model of SMEs. Besides, the Bank is also contributing in lending to SMEs through SBP backed SME Asaan Finance (SAAF) scheme.
- In order to ensure meticulous compliance regarding smooth transition towards the SBP's instructions for implementation of International Financial Reporting Standard - 9, "Financial Instruments" (IFRS-9), the Bank has ensured its readiness through implementation of IFRS-9 system to comply with regulatory requirements and accounting standards. The Bank has been successfully submitting the impact of Expected Credit Loss under IFRS-9 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 ratios in the industry. The Bank follows a continuous process for upgradation in RAMS to enhance its effectiveness.
- The Bank has conducted various security assessment exercises in 2023 on Information assets of the Bank which included Vulnerability Assessment (VA) and Penetration Testing (PT) activities. This included the engagement of Red Team for external penetration testing of critical Information Assets of the Bank.
- Payment Card Industry Data Security Standard (PCI DSS) Certification was also achieved for the 5th year in 2023 along with compliance to Swift Customer Security Program (CSP) as mandated by SWIFT International.
- 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. Major highlights included a dedicated SOC Facility enabled through advanced technologies for Security Information and Event Management system, Threat Intelligence and Digital Risk Protection Platform, Security Orchestration Automation and Response System, End Point Protection and End Point Detection & Response solution. Through use of these systems, the Bank has capacity not only to analyze logs, identify the security incidents, and automate the process of orchestration & escalation for timely countermeasures but also has enriched and timely Threat Intelligence for protection of our Information Assets.
- The Bank implemented security tools to Detect and prevent Behavior based threats and anomalies at end points in order to further strengthen security.
- The Bank has also in place 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.
- The Bank conducted Cyber Hygiene and Data Leakage self-assessment exercises for evaluating the overall cyber health and security posture of the Bank. In this context, the Bank has in place a roadmap to further strengthen and improve the security posture.





- The Bank also initiated a project for Implementation of ISO 27001:2022 standard to further strengthen its Information Security Management System.

#### 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.

- **Farmers' Financial Literacy program**

To create awareness among the farmers and educate them regarding the availability and usage of ABL's financial services, more than 64 Farmer's Financial Literacy Programs were organized during 2023 by ABL in different areas of Punjab, KPK, AJK and Gilgit Baltistan. More than 1,000 farmers (including Male and female) participated in these awareness sessions.

- **SME's Finance Awareness Session**

ABL has also conducted more than 340 SME Finance awareness sessions held for public educating more than 5,500 persons.

- **Allied Aitebar Islamic Banking Awareness Session**

Under the banner of Allied Aitebar Islamic Banking three focused interactive awareness seminars were arranged for guidance and financial inclusion of faith sensitive clientele,

1. Capacity Building Session for Islamic Bankers of Bahawal Nagar Region, held at Bahawal Nagar, in collaboration with SBP BSC Bahawalpur.
2. Awareness Session on Islamic Banking arranged at Rahim Yar Khan exclusively arranged by ABL.
3. An Awareness Session for Exporters on Islamic Banking Products and SBP Islamic Export Refinance Scheme held in collaboration of SBP BSC Bahawalpur and Rahim Yar Khan Chamber of Commerce.

In continuation of the Bank's distinctive initiative of engaging with the obligors to provide them with latest insight on business management and strategies; four seminars for Corporate, Commercial & SME obligors, were arranged with renowned Speaker Dr. Ishrat Hussain (ex-Governor State Bank) on "Corporate Governance for Sustainable Economic Growth", "Transition from Family-Owned Business Structure to Corporate Structure" and "Enhancing the Share of Sialkot in International Trade".

Various Information Security Awareness campaigns including "Fraud" awareness were conducted for our valued customers. A Cloud based E-Learning platform is also in place for training of

team members to educate and enhance awareness about latest Cyber security threats and trends.

#### Information Technology

Your Bank has consistently made remarkable strides in serving its customers by leveraging state-of-the-art technology and expanding its digital presence. This commitment ensures that customers have access to a comprehensive range of "digital and networked banking services" on the go.

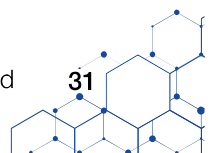
ABL has upgraded its Enterprise Service Bus (ESB) to the latest version, accompanied by an enhanced infrastructure to reduce the need for numerous point-to-point connections traditionally required for inter-application communication. The upgraded ESB is playing a pivotal role in facilitating digital business by enabling the exposure of services to external clients through an Open API platform.

The Digital Lending Platform has introduced a groundbreaking offering – Merchant Lending, representing a significant advancement in micro-lending through digital channels. This achievement is particularly noteworthy as it aligns with the implementation of ICF5 (Innovation Challenge Fund), marking a milestone in fostering innovation within the lending landscape.

In a commitment to providing an enhanced user experience, myABL has introduced a completely revamped user interface (UI) for its mobile app customers, available on both Android and iOS platforms. The new UI layout is designed based on the latest usability conveniences and aligns with current market trends. Moreover, myABL is set to introduce Tap & Pay NFC (Near Field Communication) transactions in collaboration with UPI (Union Pay International), offering customers a convenient and secure payment option.

In its ambitious journey toward digital transformation, ABL has adopted a proactive stance by integrating Robotics Process Automation (RPA) in automating the centralization of cheque clearing through RPA and implementing the core banking password reset feature, offering users a secure and convenient solution. Moreover, ABL has successfully applied RPA in trade finance price benchmarking and the generation of customer account statements, contributing to enhanced accuracy and timeliness.

ABL has implemented a state-of-the-art telephony solution, Genesys, introducing a range of self-service functionalities for customers. Among the frequently utilized options are balance inquiries, card activations, temporary card blockings, and retrievals of myABL User IDs. Furthermore, myABL is seamlessly integrated with the Genesys Robocall module. This integration allows customers to authenticate requested package activations by providing consents through computerized autodialed calls broadcasted to them.



# CEO'S REVIEW

Your Bank has successfully integrated the Azure DevOps platform, designating it as the primary source code repository. This adoption is expected to foster improved collaboration and streamline version control processes.

Your Bank is in the process of deploying the Data Lifecycle Management (DLM) tool for data separation, enhancing efficiency in both online transaction processing (OLTP) and batch processing. The Bank has also initiated an upgrade to the latest release of its Core Banking System, to benefit from technological enhancements made over time, ultimately leading to improved customer services and an enhanced user experience.

Your Bank has acquired the latest generation of Oracle Exadata, namely the X9M-2. This cutting-edge system incorporates the latest CPUs, advanced networking capabilities, and optimized storage hardware, complemented by refined software. The Oracle Exadata X9M-2 is designed to deliver unparalleled performance, availability, and security, contributing to heightened business agility and efficiency.

Allied Bank has implemented Cisco ACI, SD-LAN & SD-WAN Software-Defined Network (SDN) infrastructures in Data Centers, Offices and Branches. Cisco ACI, the industry's most secure, open, and comprehensive application centric SDN solution for Data Centers which enables automation to accelerates infrastructure deployment and governance, also simplifies management to easily move workloads across a multi-fabric and multi-cloud frameworks, and proactively secures against modern day risks.

To ensure the business continuity and availability of critical services to the customers' even in case of a disaster, the Bank annually conducts one-week long Disaster Recovery exercise to assess the strength, availability and monitor the robustness of Disaster Recovery site, during this tenure all operations are served from alternate site and it acts as primary site.

The Bank has deployed enterprise level backup solutions that help to maintain backups of all critical applications and databases along with IT assets & Systems to safeguard the data integrity and availability to cater any unforeseen events or disasters.

## Investment in Human Capital

Your Bank continued to play its dynamic and agile role while positioning itself as lead enabler for business growth. Your Bank reshaped the way for recruiting, developing and retaining talent, to achieve positive work outcomes.

To fulfill the human resource requirement of different functions of the Bank, Your Bank issued 3,100+ offers for appointment to eligible candidates during the year, through both contractual and permanent recruitment practices. In line with approved Manpower Plan 2023, batch of fresh Management Trainee Officers was inducted, consisting of 561 candidates. As per approved career path of Management Trainees, 748 Management Trainees from various batches were awarded biannual increments during the year.

Your Bank offered Career growth opportunities at all hierarchal levels through merit-based elevations of the Bank's own resources 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, Your Bank made 554 cadre change elevations along with 1,153 grade promotions during the year to provide adequate growth opportunities within the organization.

Your Bank's strategic partnership with 'Coursera' a global online training platform, enhanced the self-learning culture, facilitating substantial upskilling in key areas such as data sciences, computer science, and business skills. Over 250 employees have successfully claimed Coursera licenses, allowing them to partake in these top-tier programs.





In a significant collaboration with Lahore University of Management Science (LUMS) a premier business school, tailored training programs were arranged for middle and senior leadership across various business domains, with a specific emphasis on nurturing a customer-centric organizational culture covering 102 employees. Furthermore, recognizing the transformative impact of artificial intelligence, Your Bank conducted an extensive 'AI for Managers' training program for 30 resources from various functions of the Bank through LUMS, equipping them with essential AI competencies.

Your Bank partnership with Blanchard, a globally renowned training company, facilitated a series of "Legendary Service" workshops. This initiative was instrumental in reinforcing our commitment to unparalleled customer service standards. These sessions were attended by 250 selected employees including all Regional Heads of BSG, Branch Managers and Banking Services Managers of the top 100 branches.

In alignment with the SBP's directives, we focused on capacity-building training in underprivileged regions, contributing substantially to the National Financial Literacy Program (NFLP). Our efforts included over 3,908 sessions across 41 remote districts, impacting over 108,990 local citizens.

Your Bank won the following awards from PSHRM & Engage Consulting:

- Best of the Best Place to Work Company in Pakistan
- Best Place to work in Banking sector
- Best Place to work in top 10 large organizations

These awards were organized By Pakistan Society of Human Resource Management (PSHRM) which represents international body of Human Resource (SHRM) of USA, in Pakistan in collaboration with Engage Consulting.

Global Diversity Equity & 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 Your Bank as 'Best Practice' award in the following categories:

- Job Design, Classification and Compensation

Employees' wellbeing and mental health is of paramount significance to Your Bank. 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. Your Bank is introducing state-of-the-art gym facility for its employees. Separate gyms for males and females equipped with top-class workout equipment and amenities have been established to cater to various physical fitness needs.

Your Bank has also developed a daycare facility for its employees. This facility is designed to support Your Bank working parents for providing a safe and nurturing environment for their children during working hours.

As part of our diversity and inclusion drive; hiring of female employees was focused during 2023, therefore Your Bank's female population stands at 21.82% at December 2023.

## Outreach Expansion

The evolution of digital technologies is continuously transforming the financial system landscape. 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.

Geared towards serving the unbanked and under-banked population of the country, in the year under review outreach is expanded to 1,483 branches including 1,340 domestic conventional and 14 digital branches, 127 Islamic branches and 02 overseas branches.

During 2023, 27 new Islamic Banking Windows (IBWs) were established at suitable conventional branches bringing the total number of IBWs to 162 besides. ATM network has been increased to 1,566, inclusive of 1,312 on-site ATMs, 249 offsite ATMs and 05 Mobile Banking Units (MBUs) during the year.

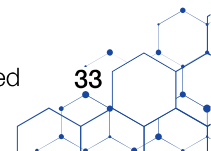
## Awards and Accolades

Your Bank commitment to provide global standard digitally-led integrated solutions to the customers and support the community continues with higher zeal. This has translated into winning various awards and recognitions by multiple national and international prestigious institutions:

- Bank of the year 2023 – (Pakistan) Award by "The Banker", 3<sup>rd</sup> year in a row.
- Pakistan Society for Human Resource Management & Engage Consulting awards:
  1. Best of the Best Place to Work Company in Pakistan
  2. Best Place to work in Banking Sector
  3. Best Place to Work in Top 10 Large Organizations.
- Best Practice Bank award in Job Design, Classification and Compensation by Global Diversity Equity & Inclusion Benchmarks
- Best Domestic Bank in Pakistan for 2023 - FinanceAsia Country Awards, 2<sup>nd</sup> Year in a row.
- Best Bank for Diversity & Inclusion in Pakistan 2023 – Asiamoney.
- Runner-Up in Best ESG Bank Category – CFA Society Pakistan.
- 3<sup>rd</sup> Position in Banking Sector for Best Corporate Report of 2022 - ICAP & ICMA.
- App & Web-Enabled Market Awards-myABL Digital Banking App - Pakistan Digital Awards.
- Telecom Deal of the Year from The Asset Triple A Sustainable Infrastructure Awards 2023.
- Utilities Deal of The Year from The Asset Triple A Sustainable Infrastructure Awards 2023.
- Best loan adviser from The Asset Triple A Country Awards for Sustainable Finance 2022.
- Best syndicated loan from The Asset Triple A Country Awards for Sustainable Finance 2022.
- Top Performer Award in Dollar Clearing Quality Recognition - 2023 by JP Morgan.

## Allied Bank Performance Awards 2023 - The Stars Have Risen

In line with its mission, to reward dedicated team members according to their abilities and performance, Allied Bank's Annual Performance Awards are an initiative to recognize the efforts made by dedicated team members for growth of the Bank and ultimately playing their role in development of the national economy.





Allied Bank Performance Awards 2023 ceremony was held on January 08, 2024. 153 team members were awarded under 83 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 48 winners under 5 main categories.

As part of the ABL Human Resource Function's 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 2023".

#### ABL Asset Management Company Limited

ABL Asset Management Company Limited (ABL AMC or the Company) is wholly owned subsidiary of the Bank. The Company operates as a Non-Banking Finance Company, holding licenses as an Asset Management Company, Investment Advisor, and Pension Fund Manager. The Company manages Collective Investment Schemes, Voluntary Pension Schemes and offer Investment Advisor Services.

ABL AMC is dedicated to consistently delivering superior investment performance over time while nurturing client relationships and creating value through growth efficiency and a diverse range of product offerings. This commitment ensures long-term sustainable benefits for all our stakeholders. With a portfolio comprising 17 open-ended mutual funds and 2 pension funds, ABL AMC provides innovative investment solutions to a wide array of customers.

The CFA Society Pakistan awarded a "Runner-up Position" in the "Best Asset Management Company-2023" category to ABL AMC.

ABL AMC offers a diverse range of value-added products and digital distribution channels to enhance customer convenience in conducting business transactions. These include the ABL Funds Mobile Application, ABL Funds Web Portal, myABL Digital Banking, WhatsApp Investing Solution, Tele Transactions, and more. These platforms are provided to customers to streamline their business interactions and transactions

ABL AMC clocked a profit after tax of Rs. 618.38 million for the fiscal year ended on December 31, 2023, with earnings of Rs. 12.37 per share. Balance sheet remained healthy and closed at Rs. 3,647 million, increasing by 20.44% on YoY basis. Breakup value is Rs. 71.78 per share.

ABL AMC offers a wide array of Conventional and Islamic funds, including Money Market Funds, Fixed Income Funds, Stock Funds, Fixed Rate Funds, and more. The assets under management closed at Rs. 172.88 billion (including fund of funds of Rs 3.7 billion), with a market share of 7.9%, reflecting a year-over-year growth of 34%. ABL AMC improved its standing in industry from 6th to 5th position. The Separately Managed Assets (SMA) closed at Rs. 121.47 billion, which includes a non-discretionary portfolio of Rs. 112.47 billion.

To secure a significant market share and enhance its competitive positioning, ABL AMC prioritizes digitization throughout the asset management value chain. This involves adopting an integrated platform to oversee all aspects of investment, distribution, operations, and valuation.

ABL AMC plans to launch 5 new open-ended Funds. This includes GOKP Pension Funds, Islamic Sovereign Fund, Asset Allocation Fund, and Islamic Fixed Term Fund, bringing the total number of funds to 24.

#### 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.

### International Rating

Moody's Investors Service downgraded Your Bank's deposit rating from Caa1 to Caa3 (Domestic and Foreign) in 2023, with stable outlook in line with the sovereign rating. This reflects ABL's stable local currency funding and liquidity and resilient earnings-generating capacity that partly mitigate macro and sovereign driven risks.

### Future Outlook

Global economic growth outlook is improving at slow but earlier than expected pace. Recovery from disruption caused by the pandemic, effect of geopolitical conflicts and inflationary pressure giving rise to cost of living are now subsiding as the result of counter measures adopted by most economies in the world. The IMF has adjusted global growth projection at 3.1% and 3.2% for 2024 and 2025 respectively, however, it is still below the historical (2000–19) average of 3.8%.

Advanced economies are expected to see slight decline in growth from 1.6% in 2023 to 1.5% in 2024 before rising to 1.8% in 2025. Emerging market and developing economies are expected to experience growth of 4.1% in 2024 and 4.2% in 2025.

Tight monetary policy stance with elevated policy rates adopted by most of the central banks to pacify the inflation is resulting in lowering down the inflation from its peak gradually. Global headline inflation is expected to fall to 5.8 % in 2024 and to 4.4% in 2025, as estimated by the IMF in the recent World Economic Outlook.

Annual average oil prices are projected to fall by 2.3% in 2024 whereas nonfuel commodity prices are expected to fall by 0.9% as estimated by the IMF. Based on assumptions that fuel and non-fuel commodity prices will decline in 2024 and 2025 with interest rates declining gradually in major economies, the IMF has projected the world trade growth at 3.3% in 2024 and 3.6% in 2025, however, lower than historic average of 4.9%.

On domestic front, the economy is anticipated to be on path of recovery as the result of expected improvements in macroeconomic conditions and political stability. Increased

economic activity, reduction in international oil prices, improved availability of agricultural produce and better business confidence will remain key factors in elevating GDP growth projections. SBP has projected domestic growth around 2-3% in FY'24 and inflation at 5-7% by the end of FY'25 whereas IMF has projected Pakistan's GDP to grow by 2.0% in FY'24 and 3.5% in FY'25.

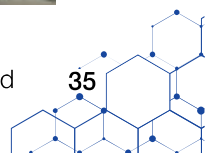
Inflation outlook in Pakistan is expected at moderate level gradually on account of stable exchange rate, confined aggregate demand, improved supply position and contained international prices. SBP projected that average inflation will fall in the range of 23-25% in FY'24 and continue to trend down in FY'25. SBP expects to achieve the inflation target of 5-7% by September 2025 on the back of its continuous tight monetary policy stance, along with fiscal consolidation and timely realization of planned external inflows.

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.

Your Bank continues its endeavors in achieving its vision and creating sustainable value through growth, efficiency and diversity for all stakeholders. The Bank is focused towards financial inclusion, low-cost deposit mobilization, high quality advances, enhanced customers' experience through digitally-led solutions and promoting advancement of digital eco-system in financial sector.

The Banking industry is going through a transition phase as digital banking gains traction and commercial banks are faced with challenges in adopting new technology to better serve the ever-changing needs of tech-savvy customers. Although, high quality assets and strong profits have strengthened banking sector's books, the magnitude of challenges is equally significant due to higher inflationary environment, increasing regulatory compliance, costs incurred on technological advancement and implications from higher taxation.

Digitalization and automation in Islamic Banking Group has remained an important part of the overall strategy during the year which is evident from the deployment of Allied Aitebar Khanum



# CEO'S REVIEW

Account on myPDA for Digital Account Opening Channel. Further, ABL Aitebar Islamic Banking introduced Allied Aitebar Salary Management Account through Bulk Account opening functionality. ABL Aitebar Islamic Banking envisions to provide a full spectrum of Shariah-compliant services products in the competitive Islamic banking sector while maintaining operational effectiveness and top-notch customer care.

The integration of generative AI and Large Language Models (LLM) will be crucial in delivering world-class customer service and comprehending their evolving needs. In the sphere of digital marketing, the Bank's strategy is to recalibrate its approach, targeting customers based on their personas across all social media platforms.

Allied Bank holds the pioneer status in the industry in launching Allied Freelancer Conventional Account. Keeping in view, the diversified nature of freelancing opportunities, Allied Bank has introduced exclusive Allied Freelancer Digital Account which can be opened digitally through Allied Bank corporate website and can be maintained in both Local Currency as well as in Foreign Currency in saving account or current account categories.

Your Bank's evolving strategy of adaptiveness in lending, exposure to high quality assets, and a solid clientele consisting of top-tier and blue-chip corporates actively contributes to your Bank's sustainable growth. Moreover, accelerated efforts are being made to further strengthen Your Bank's global tie-ups network and enhance remittance flows through digital channels.

Moreover, Your Bank aims to focus at banking on equality and enhancing the scope of female centric products by offering Khanum lending product, Pink Scooty and enhance the features of Allied Khanum Account.

Your Bank's aims to continue the pace of major initiatives taken in 2023 such as effective utilization of the implemented Modules of Oracle Financial Services Analytical Applications (OFSAA) 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 and augmentation of the Bank maintained warehouses for pledge financing.

Going forward, Your Bank shall continue to augment its inter-connected technological advancement across the Bank to cater financial needs of the Tech Savvy customers while reducing operational cost through automation and optimization of

processes and systems. Your Bank shall continue to invest in revolutionized IT systems for better connectivity with branches, offices and ATMs including the deployment of end-to-end digital payments among individuals, business and government entities.

Emphasis on further strengthening Your Bank's Information Security Posture shall continue along with investments in technology and human resource development to maintain an effective risk management framework across the Bank.

Being cognizant of disruption through digital banking, Risk Management of Your Bank has planned 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.

In December 2023, ABL Exchange (Pvt.) Limited was incorporated by Allied Bank Limited which would be wholly owned subsidiary of the Bank and would be engaged in foreign exchange business. ABL Exchange (Pvt.) Limited is currently in process of fulfilling licensing requirements with State Bank of Pakistan. It will commence business in 2024.

Your Bank's strong capital positioning is manifested by high Capital Adequacy Ratio of 26.21% as on December 31, 2023, well above the industry ratio of 19.7% as on December 31, 2023, 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

Date: February 13, 2024

