



# CHAIRMAN'S MESSAGE

## Mohammad Naeem Mukhtar

Chairman Board of Directors

### Global and Domestic Growth Landscape

During 2025, the global economy demonstrated remarkable adaptability, sustaining steady momentum despite persistent geopolitical tensions and fiscal pressures. This stability was supported by selective tariff relaxations, restrained trade countermeasures, supportive financial conditions and strong capital flows into advanced technologies, particularly artificial intelligence (AI). Easing inflationary pressures, softer energy prices and a weaker US dollar further facilitated a gradual revival in global trade. Reflecting these developments, the International Monetary Fund (IMF), in its January 2026 World Economic Outlook (WEO), has projected global GDP growth at 3.3% for 2026.

Economic conditions at the domestic level showed gradual improvement, with growth remaining stable accompanied by strengthening macroeconomic fundamentals. A notable rise in foreign exchange reserves of the State Bank of Pakistan (SBP), better performance in key industrial segments and a revival in consumer and corporate confidence provided meaningful support to overall economic activity. The inflation trajectory softened considerably compared to last year's elevated levels, supported by exchange rate consistency and calibrated policy measures. The IMF forecasts Pakistan's 2026 GDP growth at 3.2%, while the SBP expects a stronger expansion of 3.75-4.75%.

In the context of these economic conditions and in a declining interest rate environment, Pakistan's banking industry delivered a year of solid progress in 2025, marked by a meaningful expansion of its balance sheet size. The sector recorded healthy growth in asset base, driven by higher investment volumes and a steady accumulation of deposits.

### The Digital Evolution of Banking

The banking industry is undergoing a structural transformation driven by a fundamental redefinition of value creation and delivery. Evolving customer expectations, heightened regulatory scrutiny and the rising presence of non-traditional financial players are compelling financial institutions to transition toward digitalization from legacy operating frameworks. In response, banks are integrating advanced digital capabilities including artificial intelligence (AI) and generative AI solutions, distributed ledger technologies and cloud-based platforms; directly into their core business and operational processes.

These capabilities are providing the pivotal support for more intelligent operating models, enhancing personalized customer interactions, strengthening enterprise-wide data security frameworks and expanding access to regulated financial services and reinforcing the banking sector's long-term sustainability.

The following emerging digital advancements are

expected to play a transformative role in 2026 and beyond:

- **Agentic and Autonomous AI Systems:** These AI platforms are capable of independently executing complex, multi-step banking workflows, including credit assessments, transaction reconciliations and compliance monitoring. By automating routine decision-making, banks can accelerate lending approvals, reduce operational errors and allocate human resources to strategic tasks.
- **Tokenization of Assets and Securities:** Financial and real-world assets can be represented digitally as tokens on blockchain platforms. This innovation improves liquidity, enables fractional ownership and accelerates settlement cycles while enhancing transparency and security.
- **Implications of Stablecoin Adoption for the Financial System:** The launch of stablecoins is influencing how value is transferred and settled within the financial system by introducing faster, more transparent and cost-efficient digital payment mechanisms. This adoption, particularly in cross-border transactions is prompting financial institutions to reassess traditional processes, strengthen regulatory alignment and explore tokenized and blockchain-based alternatives within the regulated banking framework.
- **Cybersecurity with Zero-Trust Architecture:** Zero-Trust frameworks continuously authenticate users, devices, and transactions to mitigate cybersecurity risks. AI-driven threat detection further strengthens resilience and protects sensitive financial information.
- **Hyper automation and Intelligent Process Automation:** By combining robotic process automation, AI and advanced analytics, banks can automate end-to-end operations, from document processing and reconciliation to exception handling and compliance workflows.

### Digital Advancements at Domestic Level

Pakistan's payment landscape has undergone rapid modernization in recent years, propelled by a strategic shift towards technology-enabled platforms that enhance efficiency, security and financial inclusion.

Raast emerged as the primary stimulus fueling domestic digital payments transformation, serving as the backbone of a faster, more inclusive and interconnected financial ecosystem. The launch of Raast Person-to-Merchant (P2M) services marked another milestone, minimizing reliance on card infrastructure, enabling instant fund settlements and fostering transparency.

The SBP has introduced a range of initiatives aimed at fast-tracking the digitalization of the economy, including:

- PRISM+ is Pakistan's state-of-the-art payment infrastructure that integrates a Real-Time Gross Settlement (RTGS) system with a Central Securities Depository (CSD) to modernize high-value payments and the management of government securities.
- Integrating Raast Bulk Payments into Corporate Portals.
- SBP in collaboration with commercial banks, successfully conducted the second consecutive year of its Digital Acceptance Initiative in cattle markets for Eid-ul-Azha 2025.
- SBP has introduced a Regulatory Sandbox (RSB) as part of its Vision 2028 strategy, marking a significant step toward strengthening fintech innovation and modernizing the digital finance ecosystem in Pakistan.

All these developments are contributing to expanded access to formal financial services and accelerating Pakistan's progress toward a digitally empowered and more financially inclusive economy.

#### Allied Bank's Digital Innovations

Allied Bank is advancing its digital transformation agenda through the deployment of Agentic AI and intelligent automation, reinforced by enterprise grade large language model (LLM) capabilities built on OpenAI's ChatGPT with Retrieval Augmented Generation (RAG), trained on internal policies, procedures, and product knowledge.

Following the implementation of AI enabled HR and Compliance solutions, the Bank has introduced "Pepper," Pakistan's first humanoid robot in the banking sector, marking a significant step in the Bank's digital evolution. Integrated with the Bank's proprietary AI-based LLM, Pepper is designed to provide interactive guidance on products, services and digital platforms, enhancing customer engagement within a secure environment.

The Bank, as part of the enterprise Data Strategy, has implemented foundational capabilities to modernize data access, governance and decision support. A key initiative was the deployment of Denodo Data Virtualization platform as a logical data access layer, enabling real time, governed and unified access to data across heterogeneous source systems without physical data duplication.

The Bank has implemented the Big Data Disaster Recovery (DR) environment which is designed to ensure high availability, data protection, and business continuity for critical analytics platforms in the event of a disaster impacting the primary data centre. This setup minimizes data loss and downtime while enabling seamless recovery of data and analytics services.

An advanced Payment Hub system was implemented at ABL to streamline and digitize cash management operations. The solution enables rapid onboarding of cash management clients for collections related to vouchers, invoices and fees, significantly reducing turnaround time and operational efforts. The Payment Hub is seamlessly integrated across multiple customer and service channels, including branches, myABL, ATMs, and WhatsApp, providing a unified and consistent payment experience. Going forward, the platform is being further enhanced to enable bill payment services through QR codes, POS machines, and Cash Deposit Machines, expanding accessibility and convenience for ABL customers.

Enhancing the myABL WhatsApp channel is crucial for the Bank as it offers a comprehensive range of financial and non-financial services. During the year, the Bank has introduced a series of new features, including:

- Bill Payment and Fund Transfers;
- Allied Banker's Cheque Verification;
- Letter of Guarantee Verification;
- Dormant Account Activation; and
- Urdu Language Support.

The Bank's flagship digital platform, myABL continued to demonstrate strong growth, reaching 2.6 million registered users, reflecting sustained customer confidence and increasing adoption of digital banking services. During the year, approximately 122 million financial transactions were processed, with an aggregate value exceeding Rs. 3.9 trillion.

The Merchant Acquiring and POS business also recorded significant expansion, with nearly 10,000 POS machines deployed to date, facilitating 12.5 million transactions amounting to over Rs. 72 billion. This growth substantially strengthened digital payment acceptance across retail and commercial segments, supporting the transition toward a cashless economy.

The Bank further reinforced its digital payments leadership through the expansion of RAAST services, including P2M QR merchant onboarding, surpassing 20,000 QR merchants nationwide and enabling seamless digital payment acceptance across business locations.

Operational efficiency remained a strategic priority, with the installation of 265 Cash Deposit Machines (CDMs) and 180 Cash Recycler Machines (CRMs) across the network, enhancing cash-handling efficiency, reducing branch dependency and improving customer accessibility.

These initiatives collectively strengthened the Bank's Digital-to-Counter Transaction count mix, maintaining an impressive ratio of 90:10 as of December 31, 2025.

#### Financial Strength and Recognition

The Bank has demonstrated sound and prudent stewardship of its capital position by consistently strengthening low and no-cost deposit mobilization while optimizing the overall funding mix through a measured reduction in higher-cost deposits over the years. The Bank's low infection and strong coverage ratio, including the resilient Capital Adequacy Ratio, in aggregate, underscore the robustness and effectiveness of its risk management framework.

The Pakistan Credit Rating Agency (PACRA) has reaffirmed Allied Bank's Long-Term and Short-Term entity ratings at the highest tiers of "AAA" (Triple A) and "A1+" (A One Plus), respectively. This reaffirmation positions the Bank among a select group of financial institutions that have consistently sustained the highest level of creditworthiness.

VIS Credit Rating Company Limited has reaffirmed the Bank's Corporate Governance Rating at 'CGR-9++', underscoring the Board and management's continued commitment to upholding robust, transparent and effective governance frameworks.

#### Corporate Social Responsibility

At Allied Bank, we remain steadfast in our dedication to creating meaningful societal impact through a wide range of Corporate Social Responsibility (CSR) initiatives. We foster a dynamic and professionally rewarding workplace that champions gender diversity and ensures equal opportunities for all.

Our commitment to environmental sustainability is reflected

in eco-conscious operational practices and large-scale tree plantation drives. Beyond this, we actively engage with communities by conducting customer awareness programs, organizing public cleanliness campaigns, marathons and supporting education through academic partnerships and sponsorships.

Allied Bank has designed an exclusive first of its kind program for next generation of business leaders in Pakistan – "Allied Bank NextGen Leaders Program". Through this unique initiative, Allied Bank aims to engage and support selected individuals in their business journey towards prosperity while understanding their national responsibility and potential. This carefully curated program which was initiated in 2025, is designed to connect these dynamic future leaders to subject matter experts and academia having both global and local exposures. Such engagement is also aimed at strengthening collaboration among these business leaders and deepen long-term relationship with Allied Bank.

Through these efforts, Allied Bank continues to uphold its responsibility as a socially conscious institution, striving to build a greener, more inclusive and empowered society.

#### FUTURE OUTLOOK

According to the latest World Economic Outlook (January 2026), the IMF projects global real GDP growth of 3.2% in 2027, representing a slight moderation from the 3.3% forecast for 2026. For Pakistan, the IMF's updated outlook anticipates an improvement in economic activity in FY'27, with growth expected to rise to around 4.1%, reflecting a recovery from the more modest 3.2% estimate for FY'26.

The evolution of the banking industry is being shaped by a shift toward intelligent, platform-centric operating models that tightly integrate emerging digital technologies with core banking systems. The adoption of API-led ecosystems, supported by cloud-native infrastructure, advanced data platforms and next-generation capabilities such as Agentic AI, real-time analytics and automated decision engines, will be central to the industry's technological advancement in the years ahead.

Concurrently, Allied Bank will continue to uphold a comprehensive and forward-looking risk management framework to ensure prudent risk-taking within clearly articulated thresholds, while proactively strengthening resilience against evolving cyber and technology-related risks.

The Bank remains committed to the disciplined execution of its strategic agenda, focused on delivering sustainable long-term value through profitable growth, enhanced operational effectiveness and diversification of income streams. These priorities are reinforced through the development of a digitally enabled financial ecosystem that emphasizes financial inclusion, the mobilization of stable low-cost deposits, and the prudent expansion of high-quality credit to support economic growth and institutional resilience.

#### Acknowledgments

On behalf of the Board of Directors, I wish to express sincere appreciation to the regulatory authorities; namely the State Bank of Pakistan, the Securities and Exchange Commission of Pakistan and the Federal Board of Revenue for their continued direction and support. Their constructive engagement plays a vital role in upholding the highest standards of governance and regulatory compliance.

I also extend heartfelt gratitude to our esteemed shareholders for their sustained trust and steadfast confidence in the Bank's long-term vision and strategic direction.

In closing, I commend the leadership of Allied Bank's management and recognize the dedication of our over 13,000 Allied Bankers. Their professionalism, resolve and collective contributions have been central to reinforcing the Bank's resilience and further advancing its position as a progressive financial institution strengthened by advanced digital infrastructure.

**Mohammad Naeem Mukhtar**  
Chairman Board of Directors

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