

Message from the CEO



sustainable growth

Esteemed Stakeholders,

As in the prior year, the agenda of the global economy was impacted by the pandemic and developments in vaccination process in 2021. As the vaccination expanded all over the world and countries fully opened, delayed demand caused prices of energy, transportation and food to increase, leading to rapid price increases of other goods, thus leading to an inflationist pressure all over the world. As a result, all eyes focused on steps to be taken by the central banks and primarily Central Bank of USA, Fed. Maintaining a loose monetary policy during the first three quarters of the year, Fed announced its program to reduce bond purchases in the last quarter, thus renouncing its statement of inflation being temporary in rate hike and gave the signal of the possibility of three rate hikes in 2022. Financial markets of Turkey followed a quite dynamic course under the light of all these developments.

PASHA Bank successfully completed the first year of the three-year strategic plan covering the period 2021-2023.

A-(tur)

Long-term National Credit Note of PASHA Bank was confirmed by Fitch Ratings as A- (tur).

asset-backed securities

In 2021, we issued Asset Backed Securities worth TL 296 million.

foreign trade

We played an important role in financing of foreign trade in Turkey-Azerbaijan-Georgia triangle.

Particularly, US Dollar/ Turkish Lira has gone through the most fluctuating period of all times and the currency fluctuated at a considerable wide band between 6.80 and 18.30 during the year. FX-protected Turkish Lira deposit product, which was set up by the support of Treasury and Turkish Central Bank, was welcomed by the investors and the exchange rate went down from a record level of 18.30 to 11. We will closely observe the effect of this product on foreign exchange rates in the following period. While the inflation was high during the year, our current deficit was reduced with the support of tourism and consumption spending. It is anticipated that the Turkish economy will continue to grow strongly in 2021 and will record a growth of approximately 10%.

In line with our sustainable growth goal, PASHA Bank increased its asset size by 63% in comparison with prior year to reach TL 3,563 million. Our support for the real sector continued at an increasing trend during this process. Gross cash loan size of our Bank was up by 62% in comparison with 2020 to reach TL 2,422 million and we realized a profit of TL 47 million for the year.

PASHA Bank successfully completed the first year of the three-year strategic plan covering the period 2021-2023. Our strategy included achieving a healthy and sustainable growth, an increase in product diversity and quality of the service we provide to our customers, strengthening our role in capital markets and increasing our share in foreign trade finance in the region. Long-term National Credit Note of PASHA Bank as confirmed by Fitch Ratings in December was A- (tur) which was an indication of the accuracy of our strategy. Moreover, JCR Eurasia Rating increased PASHA Bank's Corporate Governance Principles Compliance Note from 9.20 to 9.23 and defined its outlook as "Stable".

In spite of the rapidly changing market conditions, we continued to issue bonds and securities both in Turkey and foreign countries. At the investor visits and the reception we gave at Baku, we discussed our country and opportunities in our country with the investors. Two US dollar bond issuances realized in Azerbaijan attracted attention of corporate and qualified individual investors of this country. In line with our strategy, we will pursue our goal of "Being the first bank that comes to mind in the region" in 2022.

Our Bank continued to take steps towards growing its activities in investment banking during the year. In 2021, we provided financial sources of an additional TL 296 million of Asset-backed Security issuances for our customers in agriculture and automotive industries which we started in 2020 with a fund amount of TL 89 million. Behind such issuances designed for our customers are a strong, multi-guarantee structure and opportunity for attractive returns for investors. We wish such transactions increase in our country just like in those countries with developed capital markets and PASHA Bank is ready to provide all the support both to our customers and investors in this area. In this context, we organized a webinar during the year in "Capital Markets as a Source for Financing and Asset-backed Securities". Executives from Republic of Turkey Presidency Office of Finance and Capital Markets Board as well as capital markets experts participated this webinar as speakers and answered the questions of the investors. Moreover, at the "Economy Talks" we try to organize each year, Dr. Murat Üçer answered the questions of the investors this year.

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Our Bank also increased the limits of funding from domestic and foreign banks and played an important role in Turkey-Azerbaijan-Georgia triangle via its expanded correspondent network. We were part of the projects, primarily for the reconstruction of the Nagorno-Karabakh region of Azerbaijan in terms of financing and providing guarantee. We will be part of development of this region to provide the required financing together with our main shareholder PASHA Bank Azerbaijan in the following period.

Our Bank continued to support art since its establishment and this year it took its place at a digital art project which became very popular lately. PASHA Bank was the official sponsor of Dalınç exhibition which took place at Binbirdirek Cistern. At the Istanbul Digital Art Festival, which was the first in Turkey, the Bank brought together technology and art at the historical fabric of Istanbul.

Sustainability, as a growing trend in the world, is also important for our Bank. The Bank successfully achieved its sustainable growth goal in line with its strategy from the day of establishment. Moreover, we conduct our corporate social responsibility projects and our waste management system which contributes to the environment and society. Funding we allocate to renewable energy projects is a significant part of our balance sheet. This year, we took another step in sustainability. We started a Gap Analysis project with an international consulting firm. After creating the sustainability map of our Bank, we will carry activities with a few committees to be established. In the following years, we aim to have a rating score of our sustainability activities to raise financing through capital market products at domestic and international platforms and transfer these resources to renewable energy projects.

Karabakh

We were part of the projects, primarily for the reconstruction of the Nagorno-Karabakh region of Azerbaijan.

We will be part of development of this region to provide the required financing together.

In accordance with our goals of the 2021-2023 strategy, we continued system improvements in the first year of the strategy. In the second half of 2021, considering COVID-19 pandemic, changes in the way we work due to the pandemic, digitalization, technological infrastructure, political, economic changes and collaborations in the Turkey-Azerbaijan- Georgia triangle, we revisited PASHA Bank's strategy and shared it with our employees.

In 2021, we also worked on digital based platforms and projects that will support foreign trade in Azerbaijan-Turkey eco-system. We continued our technological investments as planned.

In coordination with PASHA Holding, we conducted projects to expand our corporate values within the organization and human resources projects. We made continuous progress on automation in Risk Management, which is one of the issues that our group focuses on sensitively, and Risk Health Index areas. We have gone through a successful evaluation in risk culture, which is one of the keystones of PASHA Group and we were proud of our achievements in directing our investments and activities on processes and systems appropriately.

As we say goodbye to 2021, I would like to express my gratitude to my devoted colleagues, customers, Members of the Board of Directors and shareholders for their contribution to our success. I wish 2022 will be a good year for our country.

Sincerely yours,



H. Cenk Eynehan
CEO and Board Member

Sustainability

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