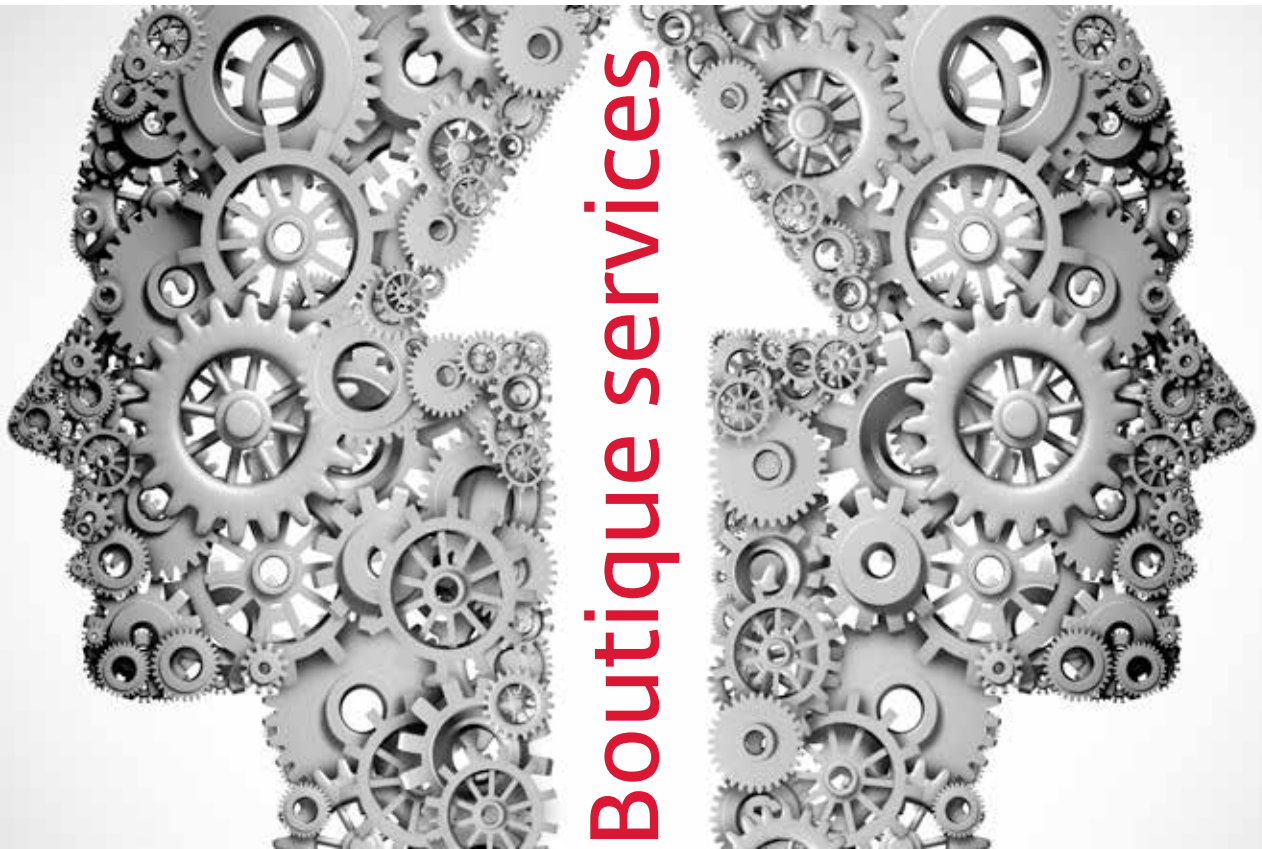


Activities of PASHA Bank in 2021



PASHA Bank offers its customers high quality, unique and highly value added products and services on the basis of three main areas, namely corporate banking, premium and investment banking.

The Bank offers the following products and services to meet the investment and working capital needs of its customers

- Cash and Non-cash Loans,
- Leasing,
- Project Financing,
- Treasury Products,
- Foreign Trade Products

under the Corporate Banking business line to satisfy the working capital and investment needs of its customers.

Under the Investment Banking business line, the Bank provides its customers with

- Intermediation to Issuance of Debt Instruments,
- Structured Finance Products,
- Corporate Finance Products,
- Issuance of Asset Backed Securities

In Premium Banking segment, the Bank offers the following products:

- Sale of PASHA Bank Bonds/Bills,
- Sale of Asset-Backed Securities
- Repo Transactions in TL and Foreign Currency
- Intermediation of Eurobond Sales and Purchases
- FX Spot and Derivatives Transactions

In order to diversify its funding sources, PASHA Bank continues to expand its investor base by providing resources with the issuance of lease certificates, in addition to the bond and bill issuances it has carried out regularly. The USD eurobonds of the bank issued in Azerbaijan are currently traded in the Baku Stock Exchange and can be used in repo-reverse repo transactions in the Baku Stock Exchange Repo Market.

In line with its boutique service approach and the strategy, PASHA Bank has limited the number of customers in order to deal with its customers more quickly and effectively and to establish a more in-depth customer relationship. In this way, the Bank believes that it will maintain its high service quality and fast service reflex.

The Bank also reviewed its processes for the protection of personal data, and standardized the related policies, procedures and practices.

PASHA Bank carries out projects focusing on improving the core banking system with the aim of increasing productivity in banking processes. In this context, a series of development projects was successfully completed within the IT infrastructure, in line with enhancements to core banking applications and the principles of compliance with COBIT processes, including:

- capacity increase;
- renewal of virtualization infrastructure;
- the establishment of a monitoring infrastructure;
- backup and improvement of data transmission to the disaster recovery center.

In 2021, PASHA Bank operated with a team of 60 experienced and qualified employees at its Headquarters in Istanbul.

Strategic Management

The strategy function is carried out under the management of the Strategy and Budget Committee which reports to the Board of Directors, in cooperation with the Balance Sheet Management Unit and the Change and Project Management Unit. The strategy function involves the processes of setting strategic priorities in line with the Bank's vision, as well as budget preparation and monitoring according to the business plan, and the management and execution of strategic projects based on priorities in close coordination with PASHA Holding, Senior Management and relevant business units. Compliance with the strategic plan is evaluated every six months.

In the 2021-2023 strategic plan the strategic actions and projects were determined for setting 2020 goals and building the roadmap to achieve these goals, with all units working in line with the Bank's priorities. Business plans for units were established accordingly. The Bank's strategy was explained to the employees by the CEO.

On the second half of 2021, Pasha Bank's strategy was reviewed and updated taking into consideration the ongoing pandemic around the world, business manners that changed in line with the pandemic, digitalization, technological infrastructure, political, economic changes and collaborations within Turkey, Azerbaijan and Georgia triangle. The new strategy was shared with the Managers at the Managers Meeting on 20-21 November 2021 and with all employees through their managers.

Corporate Banking

- Cash and Non-cash Loans,
- Leasing,
- Project Financing,
- Treasury Products,
- Foreign Trade Products

Investment Banking

- Intermediation to Issuance of Debt Instruments,
- Structured Finance Products,
- Corporate Finance Products,
- Issuance of Asset Backed Securities

Premium Banking

- PASHA Bank Bond Sales,
- Asset-Backed Securities Sales
- Repurchase Transactions in TL and Foreign Currency
- Mediation of Eurobond Sales and Purchases
- FX Spot and Derivative Transactions

Activities of PASHA Bank in 2021

Treasury Management

The Treasury Department is tasked with managing PASHA Bank's assets and liabilities with optimal efficiency in conformity with the regulations of legal bodies. The Unit closely observes the developments in the markets and considers all possible risks including liquidity risk and price risk.

The Treasury Department performs trading transactions for profit on the inter-bank market in line with the risk limits set by the Board of Directors.

PASHA Bank employs the treasury products in an increasing quantity while offering the products and services the customers need. The Bank, outstanding with the competitive pricing of derivatives such as forward and swap, helps the customers hedge against risks with custom made products.

In addition to its TL-denominated financing bond issues, it acts as an intermediary for the trading of other capital market instruments on Borsa Istanbul, while supporting customers in their investments with repo transactions denominated in Turkish lira and foreign currencies in various tenors.

Monitoring market developments and opportunities closely in Turkey and around the world, PASHA Bank Treasury Department works in coordination with Treasury departments of Pasha Bank Azerbaijan and Georgia, provides guidance for pricing and marketing of local financial products in the targeted region. Similarly, economic developments in the region are being shared with investors through various bulletins and research reports by working in cooperation with research units in Azerbaijan and Georgia.

PASHA Bank's Treasury Department aims as well to manage future risks in the most effective way in line with the Bank's risk management strategy. The Department plans to improve the structured products offered to domestic and foreign corporate

customers and to play a role in expanding the diversification of potential customers and profitability in Azerbaijan and Georgia by offering them Turkish capital markets products.

Financial Institutions and Investor Relations Services

Financial Institutions and Investor Relations Unit continued to contribute to the increase in foreign trade and Interbank Treasury transactions mediated by PASHA Bank in 2021. This contribution is realized by the Unit expanding its local and international correspondent network and establishing additional cash and non-cash credit limits in line with the needs of corporate customers and the Treasury Unit. Alongside the transactions, relations are established with correspondent banks in various currencies, thus mediating the exchange transfers of PASHA Bank customers in AZN (Azerbaijani manat), GEL (Georgian lari) and other currencies.

The Bank plans to gain further recognition in international banking markets and increase its share in foreign trade transactions of its customers by expanding its encrypted connection network (RMA) and by participating events which all banks of the world such as SIBOS and Euromoney attend. Taking the advantage of being an investment bank, PASHA Bank also provided funds from different markets through alternative financing products such as Murabaha and Sukuk in 2021.

Furthermore, looking at transactions in Capital Markets, domestic bond issuance volume tripled in 2021 compared to 2020 and number of investors doubled. In accordance with the permission from CMB dated 16 December 2021, domestic bond issuance ceiling limit was increased from TL 300 million to TL 500 million. Financial Institutions and Investor Relations Department will continue its contributions to the Bank's growing and developing structure in 2022.

2021 Eurobond/Bond/Sukuk Issuances

Triple Increase
in TL Issuance Volume

Double Increase
In Investor Portfolio

USD 25 million
Eurobond Issuance in Azerbaijan

Corporate Banking Activities

PASHA Bank operates in line with its main corporate banking principles that are predicated on the concepts of “Boutique Service”, “Continuous Development”, “Customer Loyalty” and being a “Regional Player.”

“Boutique Service” principle	“Continuous Development” principle	“Customer Loyalty” principle	“Regional Player” principle
<p>Apart from offering traditional solutions to its customers, whom it sees as business partners, the Bank has adopted the principle of providing solution-oriented and versatile boutique services and establishing effective, sustainable and productive relationships with its customers.</p>	<p>Having adopted a corporate governance approach and continuous development principle, the Bank follows current developments in the finance sector, and offers customized solutions to its customers by correctly identifying their needs and by improving its service infrastructure.</p> <p>PASHA Bank’s objective is to foresee the future needs of customers by staying attentive to ever-increasing competition and ongoing developments, both worldwide and in Turkey. In this manner, we offer our customers the financing alternatives most suitable for them, whereby the Bank adopts the principle of enjoying mutual gains.</p>	<p>The prioritized goal of PASHA Bank is to ensure high customer satisfaction and loyalty. In line with this goal, the Bank defines its primary principle as getting to know the customer well, always acting on the basis of principles and creating trust-based customer rapport.</p>	<p>PASHA Bank is the only bank established in Turkey with main shareholders based in Azerbaijan. With the power it derives from shareholders who are among the leading groups in Azerbaijan, and the opportunity for cooperation thanks to the sister company operating in Georgia, the Bank serves firms that perform trading activities in the region.</p> <p>It is also the only bank in Turkey to perform transactions in Azerbaijani manat and Georgian lari.</p>

Activities of PASHA Bank in 2021

2021 was a year when the health crisis caused by the pandemic and the effects of economic developments and global inflation resulting from the pandemic continued. PASHA Bank demonstrated a quick adaptation to working conditions that changed during this period. The Bank continued to support the real economy without interruption by offering the most appropriate financing alternatives for its customers' needs parallel with the increasing competitive conditions and rapid changes in technology.

In 2021, while volatility and uncertainty of foreign currency and interest rates continue, PASHA Bank provided the liquidity, products and services its customers need for the continuity of their operations in accordance with its widespread customer policy. At the same time, the Bank sustained its asset quality by supporting this policy with effective risk and liquidity management.

Conducting its operations in line with its customer-focused service approach, the Bank provided tailored financing products in 2021 such as project financing, leasing transactions, syndications and financing of foreign trade transactions, particularly for regional trade, in addition to cash and non-cash credits for its customers' working capital needs.

PASHA Bank will continue its widespread expansion with its products and services in line with the developments in the industry and their innovative activities. The Bank will continue to provide its support for the real sector of Turkey through offering tailored financing solutions for its customers' needs.

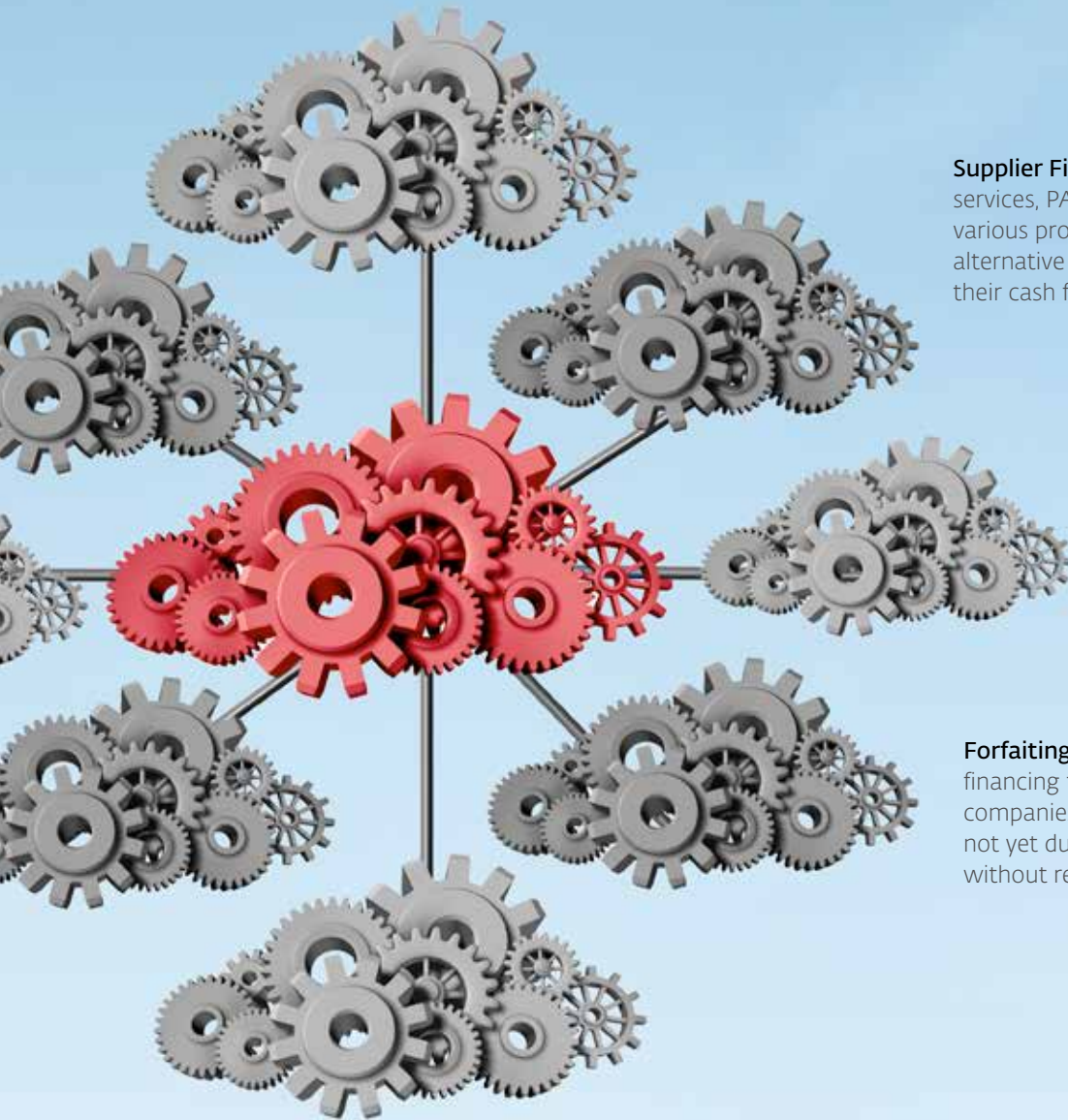
Project Financing: Despite challenging market conditions, PASHA Bank continued to take part in financing of new projects, capacity increases in existing facilities, renovation and modernization investments in various industries, particularly in energy and tourism.

Mergers and Acquisitions Financing: PASHA Bank mediated its first acquisition financing in 2021. PASHA Bank increased its credit amount in project financing, including mergers and acquisitions financing by 20% in comparison with prior year.

Leasing (Sale and Leaseback Transactions): In accordance with its strategy, PASHA Bank continued to intermediate in Sale and Leaseback transactions by transferring real estates of companies to the Bank for a specified period to meet their financing needs. With more focus on this area in 2021, the Bank increased its leasing loans by 90%.



Strong Support for the Real Sector



Supplier Financing: With supplier financing services, PASHA Bank provides opportunity for various product and service suppliers by creating an alternative finance source they can rapidly reach for their cash flow needs.

Trade Receivable Financing: In 2021, PASHA Bank continued to provide fast financing solutions for its customers by cashing out their receivables from commercial transactions before their due dates.

Forfaiting: PASHA Bank continued to provide financing to meet liquidity needs of exporter companies in 2021, by transferring the receivables, not yet due, from export transactions to the Bank without recourse.

Regional Banking: PASHA Bank continued and increased its synergy with the Group bank and subsidiaries in 2021 in accordance with its goal of being "The first bank that comes to mind in the region" for companies operating or planning to operate within "Turkey-Azerbaijan-Georgia" triangle. With the regional collaboration opportunities it has and the support of innovative perspective and approach, the Bank achieved to increase its share in trade and trade financing in that region rapidly.

Activities of PASHA Bank in 2021

Investment Banking and Intermediary Services

PASHA Bank is authorized in Transaction Intermediary Operations, Portfolio Intermediary Operations, Best Effort Public Offering Intermediary Operations and Limited Custody Services with the licenses obtained from Capital Markets Board in 2015.

Within the scope of investment banking operations, the Bank provides funds to its corporate customers by performing intermediary services in debt instrument issuances. In line with its vision for being more active on this area in the coming years, PASHA Bank plans to support more companies and more industries on this area.

Domestic Bonds / Bills / Sukuk Issuances

Issuing the first bank financing bill with sale to qualified investors method in 2016, PASHA Bank Turkey increased the issuance volume in 2021 by three times the amount in 2020 (from TL 96 million to TL 282 million) and the number of investors doubled. In accordance with the permission from CMB dated 16 December 2021, domestic bill issuances' shelf registration was increased from TL 300 million to TL 500 million.

With the first financial lease backed lease certificate/sukuk issuance in 2020, PASHA Bank reached a volume of TL 180 million as of 2021 year-end and continued to demonstrate its position in participation banking capital markets and diversified its product range offered to investors.

In 2022, PASHA Bank Turkey aims to enrich the investor diversity achieved in prior years and continue its recognition in capital markets with new and diversified issuances.

Eurobond (Foreign Bond) Issuances

USD and Euro Bonds issued by PASHA Bank Turkey are being traded at Baku Stock Exchange which is an organized market and being used in repo transactions at Baku Stock Exchange Repo Market.

The Bank realized its first Eurobond issuance in 2017 in USDs for the Azerbaijan market which had a 5-year term (USD 25 million). In 2019, the Bank issued its first Eurobond in EUR and continued its successful operations in Azerbaijan.

With the last Eurobond issuance in 2021 for USD 25 million, the Bank reached a total of USD 108 million and EUR 3.3 million transaction volume.

PASHA Bank Turkey will continue its capital market operations in this area through Eurobond issuances with the most favorable return rates and terms in the following years.

Asset-Backed Security Issuances

PASHA Bank Turkey became the leader in Turkish capital markets with Asset-Backed Security issuances and realized total sales of TL 385 million in this area during the last two years. Behind this product which is tailored to customers, are multiple guarantee structure and attractive return opportunity for investors. Through these transactions the Bank not only provides financial sources for the real sector but also offers high return advantages to qualified investors with customized guarantees.

With the purpose of developing the Private Sector Debt Instruments Market, PASHA Bank continued to issue Asset-Backed Securities in 2021 with different terms through the Asset Financing Funds established in 2020 to intermediate in securitization transactions.

By issuing 7 Asset-backed Securities in 2021 for various industries and with different terms and conditions, PASHA Bank reached TL 296 million in issuance size and the Bank is determined to play an active role in bringing together the real sector and capital markets with its investor banking identity.

Intermediating the issuance of two different companies operating in the agriculture and automotive sectors, which have a quality asset pool but do not have access to financing on favorable terms through such transactions, PASHA Bank has successfully concluded the process of obtaining funds through the capital markets. Particularly in the current market conditions, the Bank played a leading role in eliminating an important deficiency by taking its place as the leading institution in providing funds for the agricultural sector from the capital markets. PASHA Bank supports the increase of momentum of developed capital market transactions in Turkey and will continue intermediating in issuance of Asset-Backed Securities to obtain funds for corporations in different sectors.

Corporate Finance Transactions

PASHA Bank provides services to leading corporate companies in terms of accessing the financing they need, with the most optimal model under the title of "Mergers and Acquisitions". Advisory services are provided based on the needs of the companies, acting as an intermediary for financial and strategic partnerships or purchases and sales of assets.

Under the investment banking area, PASHA Bank aims to participate in venture capital funds which especially invest in technology-focused small companies with huge potential in our country. This way, the Bank is planning to support technological developments as well as gaining experience and know-how to establish similar types of funds within the Bank in the future. With these types of ventures, the Bank aims to monitor new trends and companies with successful performances more closely and become an intermediary in their growth and gaining access to the global arena through investment banking operations.

Recently, banks operating as technology-intense service firms are critical in maintaining their presence. Hence, PASHA Bank stays close to technology-focused firms and aims to develop new products and services for the Bank via these companies.

PASHA Bank considers that such ecosystems that are being supported by all stakeholders in the society are useful for developing operations as well as providing contribution to the society. The Bank took the first steps within this framework by investing in two Venture Capital Funds, one established abroad and one being domestic.

Activities of PASHA Bank in 2021

Premium Banking

Premium Banking Department offers treasury and capital market products to investors based on individual customer's needs. In addition to PASHA Bank bonds which are issued in Turkey in Turkish Lira for qualified investors, the Department also invites foreign individual and corporate investors to invest in Turkey with bond issuances in Azerbaijan in different terms and foreign currencies. PASHA Bank not only intermediates in sale and purchase of other capital market instruments and Eurobonds trading in Istanbul Stock Exchange, but also provides opportunity to invest in currencies of Turkish and foreign customers' choice through Turkish Lira or foreign currency repo transactions with requested maturities.

PASHA Bank became a leader in capital markets in Turkey in Asset-Backed Security issuances which are structured capital market instruments and realized a total sales of TL 385 million. Behind this product which is tailored to customers, are multiple guarantee structure and attractive return opportunity for investors. Through these transactions the Bank not only provides financial sources for the real sector but also offers high return advantages to qualified investors with customized guarantees.

Premium Banking Department brings together individual investors in Turkey and Azerbaijan with investment products based on their risk appetite. The Department plans to offer its mortgage product in 2022 designed for Azerbaijani investors for their real estate purchases in Turkey.

Retail customers

Premium Banking Unit offers investment products suitable for risk appetites of retail customers in Turkey and Azerbaijan.

Premium Banking Unit offers treasury and capital market products to investors based on retail customers' needs.



Change and Project Management

In accordance with PASHA Bank's 2021-2023 strategic plan, the Bank continued to carry on planned development activities of the Core Banking Project which was implemented on 11 September 2020. Within the scope of these activities, the following items were carried on:

- Firm Confirmation Letter automation
- Electronic Letter of Guarantee Platform integration
- e-Invoice integration change
- Daily Screening of Bank Customers at Paygate Inspector Application
- Designing the INTER-BASEL Central Counter-party Risk calculation logic on the system
- Check simulation automation, automation of legal reports, viewing of internet banking investment transaction products

Developments were made in treasury, pricing and credits in the Core Banking application and customer contracts were updated within the scope of replacement of LIBOR reference interest rate with risk-free rate.

Electronic Board of Directors Meeting System was automatized by including all Board of Directors, Board of Directors Committee meetings and approval processes.

Activities for new payment platforms and supplier financing platforms are in progress which were included in targets within the strategic plan. All projects and activities which aim to increase customer acquisition and efficiency are performed rapidly thanks to the Bank's current API infrastructure. Customers can access their account transactions via API connections whenever they want, upon passing the Bank's security requirements.

In order to provide its customers higher quality services, PASHA Bank simultaneously completed the improvement of business processes, and annual review process of policies, regulations and procedures in line with these improvements.

New platforms

The Bank continues to work on new payment platforms and supplier financing platforms in accordance with the targets in the strategic plan.

All projects and activities which aim to increase customer acquisition and efficiency are conducted rapidly thanks to the Bank's current API infrastructure.

Activities of PASHA Bank in 2021

In this context, provision calculation function of PBT Rate model was improved so that it produces control reports. This model aims to evaluate customers' financial conditions by performing financial analyses and monitor early warning signals. Additionally, the model was updated to include daily KKB-KRM information flow; five new early warning signals were added and guarantee intelligence started to be performed daily.

Project management process was updated based on Group methodology. In addition to regulatory projects, the Bank effectively participated in PASHA Group's projects in corporate culture, human resources, risk management and audit areas with strategic projects, core banking and environmental systems development projects:

- Development and Implementation of Framework for Fraud Detection Project
- Backup Application in Critical Positions Project
- Rotation Planning within the Group Project
- Combined Ethical Code Project within the Group
- Information Technologies and Information Security Risk Improvement Project
- Risk Culture Project

The following activities were completed to meet regulatory reporting and integration requirements in 2021:

- Documentary Export Credit Integration Services
- Documentary Export Credits Log structure and Issuance of DIR Document
- Non-documentary Export Credit Integration Services
- SWIFT Release 2020 Updates
- Purposes for External Institution Inquiry Logging Screens
- KRM Daily Notification Posting
- Inter EFT Logging
- KKB Individual Customer Notifications
- e-VEDO Report Developments

- ETMP (Electronic Letter of Guarantee Platform)-KKB Bank Service Integration v15-16-17
- Reporting of SWIFT Data - Additional developments
- Capital Movements Circular Changes in 16/A and 42/3
- e-VEDO Price Multiplier Column and Istanbul Stock Exchange SWIFT Code
- TBB Risk Center FX Rate Disclosure Change
- Commercial Fee Commission Internet Site Update Activities
- Central Bank Payment Systems Message Changes
- SWIFT Release 2021 Updates
- 2020 CRS Report Updates
- Non-documentary Export Credits - ETGB (Electronic Commerce Customs Declaration) Change
- ETMP KKB-Bank Service Integration 19. Version
- ETMP KKB-Banka Service Integration 20. Version
- Rediscount Credits Management System 3.3 Version Update
- KPS (Identity Sharing System) Service Change
- Export Circular Phase 2 Developments
- Turkcell SMS OTP Service
- Sending expense records of statements which are sent with 950 with swift references
- Non-documentary Export Credits- SBIF (Free Zone Transaction Form) Annotation Notification and Cancellation Service
- Approval of TAHSA screen on XONAY
- Interbasel Profile Identification
- ETMP - KKB Bank Service Integration 22. and 23. Version Changes
- ETGB Annotation
- Customs Declaration Registration Number - Format Change

A total of 32 legal projects are finalized. The following projects are currently ongoing for Clean Export Credits, sharing The Banks Association of Turkey Risk Center e-YTB and SWIFT updating.

Information Technology Departments

2021-2023 Strategy period Information Systems Strategy was prepared. Within the scope of this strategy, the following activities were performed:

Virtualization platform was updated and capacity was increased.

Capacity increases were realized at the new generation server and storage units of the Bank which contributes to performance and efficiency by developing suggestions in performance development, problem prevention, resource optimization via artificial intelligence features.

Telephone switchboard infrastructure and devices were renewed to comply with the new infrastructure.

System and Network Operations Management and support service purchased for back-up are being performed, monitored and reported in a healthy manner.

Core Banking and Application Management continued its support throughout the year for development activities in Core Banking and other environmental systems and regulatory projects.

Reporting infrastructure was developed for request and change management applications which were implemented in 2020. Information Systems Purchasing process automation was realized and trainings were delivered.

In accordance with principles of compliance with COBIT processes, activities continued for increasing data storage and process capacity and performance, monitoring of network and system infrastructure and developing reporting tools. All changes were reflected in back-up and Emergency Center.

PASHA Bank Kartal Business Continuity Center was kept ready for all business continuity activities, Business Continuity tests were performed based on remote working requirements.

In 2022, PASHA Bank will pursue its investments and development activities in infrastructure and security areas at the Headquarters, with the design of mobile working structure independent from the network and implementation of network access controls and continue to comply with the digital world by working on projects in its strategy.

Information Security

Information Security Management and Support Service outsourced for backup purposes were implemented, monitored and reported in a healthy way by the Bank teams.

All of the Bank's technological processes for employees' remote working were applied in compliance with the dynamics of COVID-19, the required awareness training programs were organized and supported by training documents.

A high functioning application security wall was added to security applications taking into consideration services open to outside, capacity increase and addition of new functions were realized in vulnerability detection systems. At PASHA Bank, information security policies are updated in line with the changes and threats happening in the area, information technology management processes are constantly reviewed and improved.

Like every year, penetration tests for minimizing security and cyber threat risks were made, no critical level findings were noticed and the operations for strengthening the infrastructure were maintained according to the results. All of the employees and the new comers to the Bank participated in the in-house training program on information security awareness.

Within the scope of Analyses and Improvement of Information Systems and Information Security Risks Project at PASHA Group, the Group worked on standards and benchmarks used in all countries and a new standard was prepared. Improvements will continue at the Group level in 2022.

In the following period, developments will continue with investments for network security audit, mobile device management and cyber security applications.

digital world

PASHA Bank will continue to adapt to digital world in 2022 in accordance with its strategy.
