

CHAIRMAN'S MESSAGE



BENEFIT TO ALL
STAKEHOLDERS

Esteemed Stakeholders,

The complicated situation in our region continues due to the prolonged Russia-Ukraine war and tensions rise in the Middle East raising the risk of a war on a larger scale. The ongoing wars have the potential of spillover to other countries further complicating the conditions facing the region. These factors create a challenging geopolitical environment for Türkiye leading to obstacles in trade between countries and economic growth. Furthermore, the conditions may exacerbate the foreign exchange rate depreciating pressure and high inflation.

Despite these challenges, recent macroeconomic data show that Türkiye is able to manage economic implications of the shocks from the external situation. The diplomatic efforts of the government and the adjustments in banking regulation helped to maintain the macro-financial stability. Turkish economy grew by 2.1% in the third quarter of 2024, as domestic demand started to normalize following a period of excessive growth rates. Industrial output was the main driver of the slowdown in growth, while construction activity remained strong. In this regard, it is worth to mention that last policy measures by the Government, returning to conventional economic policies, interest rate hikes by Central Bank and simplification of the micro- and macroprudential framework is quite adequate which ultimately aims to tame inflation, decrease the volatility and depreciation pace of the foreign exchange rate. Following these positive developments, rating agencies raised the credit rating of Türkiye contributing to the investment outlook in the country.

On the back of the above-mentioned economic landscape, the overall banking system succeeded to maintain risks within the acceptable levels, and profitability at two-digit territory. According to the latest data, the total assets of the system in the last 12 months has increased by 42% as opposed to October 2023, approaching TL 31 trillion. A similar trend applies to the credit portfolio. Total credits of the industry reached TL 15,143 billion with 38% increase.

As has become a tradition, we take pride in stating that PASHA Bank, as a dynamic market player, continues its healthy growth. In general, our uninterrupted investments in strengthening our internal capabilities—from building our core competencies for managing our business to enhancing our human capital potential—have provided a strategic return by enabling PASHA Bank to navigate challenging times in a healthy manner. As a result, the Bank's total assets increased by 30% to reach TL 12,913 million as of the end of 2024. Our gross cash loans and leasing receivables portfolio, which constitutes 54% of our total assets, grew by 25% to reach TL 7,028 million.

Due to effective risk management framework, and prudent credit policy pursued by the Bank we have been successful in preserving low level of NPL in our balance sheet. It is worth to underline that flexible revisiting of credit policy, adjusting tactics of credit and underwriting policy to the current realities of macroeconomic environment etc. are forming substance of the overall risk approach of the Bank. Moreover, it is worth to underline that quick revisit of the loan portfolio due to the on-going war, and run of the relevant stress-



healthy growth

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low level of NPL

DUE TO OUR EFFECTIVE RISK MANAGEMENT FRAMEWORK, AND PRUDENT CREDIT POLICY, WE HAVE BEEN SUCCESSFUL IN PRESERVING LOW LEVEL OF NPL IN OUR BALANCE SHEET.



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testing process have also expanded the ability of the bank managing credit risks in a proper way. Regarding the latter, it has become more crucial how the Bank formulates its baseline scenario, and also how risk triggers are embedded into stress scenario framework, which ultimately end up with proper scenario formulation, advanced measurement and preparation of mitigation plan.

We have entered to the first business year of the 2024-26 strategic period. In general, the 2024 strategy rises on the foundation of values like integrity, quality, collaboration, entrepreneurship and profitability, built up with the vision to create new and enduring values in the business world and society, focused as the mission to become a cross-border bank empowering its customers. It is worth to mention that strategically it has become very important to leverage on synergy opportunities in the Group, since the operations are going beyond countries and sectors, which in the end provides potential business opportunities.

New strategic period in its essence is characterized with strengthening the activity of the existing business segments, also with full dedication to the new initiatives. Coming to the latter, it actually concentrated on the growth of potential niche markets. Financing investment into the real estate market in the countries of operations via the mortgage lending, investment into the venture capital in order to materialize technological return in the greater scale of the entire Group business etc. are examples in this regard. About the real estate initiative, the Bank already introduced mortgage product in the

1st quarter of 2022 within the entire Group. Considering positive interest, the team is working with relevant stakeholders to scale it up in the coming period. In addition to diversifying its funding side, the strategic document also covered main business enablers which are actually the main assets of bank in the way of execution of the strategy. It is our privilege to state that, the proper strategy formulation has been the backbone of higher financial performance similar to the previous strategic periods. Both profit side indicators, and also expense ratios are performed positive trend yielding higher profitability for its shareholders, and stability for other stakeholders.

While executing the strategy, we would continue to make substantial investments to the information technologies, risk management, credit management, fund raising, talent acquisition etc. and development of our employees that are of foremost importance. In overall, agility and know-how regarding focus sectors are expected to be the outstanding capabilities of the Bank. It is worth to mention that the operational agility of the Bank yields its return even in the core operations. Of course, we totally understand that agility may require us to invest in operational systems which in the end provide system availability, from other hand accelerate transformation towards digitalization. It is the reason that the Bank has some strategic projects in this regard. Infrastructure enhancement for digitalization and new platforms, and advanced information security for digitalization are among them.

We will continue to make efforts to diversify the Bank's funding structure and expand our correspondent network and investor base. In this regard, it is important to emphasize competitive advantage of the Bank which goes beyond the country borders, and comes with the strength of the Group's presence across the region. It is really a privilege to us to witness expanding business opportunities on the back of increasing regional economic relationships after the great victory of Azerbaijan. Signing free trade agreement between Azerbaijan and Türkiye, announcing foreign trade target by 2025, increasing FDI flows, active participation of Turkish firms in reconstruction process of liberated areas etc. are the examples for the above mentioned economic ties. In its turn, this expanding economic base is providing a feasible opportunity for the Bank to materialize promising business perspectives in this regard.

In addition to that, the Bank has opportunity to attract funding from both Azerbaijan and Georgia, in case it sees favorable interest rate developments there, and this potential can be materialized during the current strategic period. We will maintain our prudent approach to managing credit risks so that the asset quality of the Bank is not affected by the current environment characterized with increasing volatility in the market. We shall continue our efforts of offering products and services that are tailored to our customers' needs to make banking experience a gainful experience with PASHA Bank.

I am truly looking forward to share prosperous operating environment with all stakeholders which provides enormous benefit to all parts, and serves to build business relationships based on mutual interest.

I would like to take this opportunity to thank our valued employees and our management team for their dedicated professional work, our customers for their confidence in PASHA Bank and our shareholders and all business partners for their valuable support.

It is definitely their goodwill that renews our belief in ourselves and our potential to be more.

Sincerely yours,

Jalal Gasimov
Chairman



expanding business opportunities

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