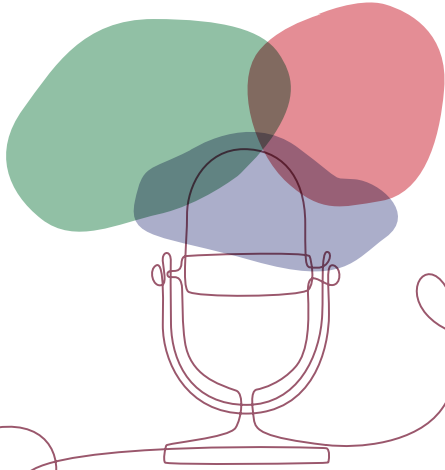


## Chairman's Message



### **synergy**

Strategically it has become very important to leverage on synergy opportunities in the Group.

### **73%**

In 2022 total assets of the Bank increased by 73% to reach TL 6.156 million.

### **0.5%**

We have been successful in preserving low level of NPL in our balance sheet.



# agile structure

Esteemed Stakeholders,

It is a fact that the on-going Russian-Ukraine war has implications on the Turkish economy since the conflicting parts are trading partners of the country. But, it is not the only fact weighing on economic activity, the general picture is that the world is in a volatile period, economic, geopolitical, ecological changes all impact the current global economic stance and the outlook going forward. Nevertheless, deteriorating external environment is not only limiting export performance of the country, it is also returning as rising inflation due to price surge in commodities. Subsequent price increase in commodities and even historical high records at some are pushing up consumer and producer prices.

Incoming macro and market data suggest that the country is able to manage economic implications of this external shock. In general, very proactive diplomatic efforts of the government is contributing positively in this regard. It is not a coincidence that the Turkish economy has performed 3.9% growth in the Q3 of this year. Despite the fact that early warning indicators show some sort of deceleration, the economy is expected to end the year in a positive growth zone. But, in addition to that,

worsening global landscape, increasing concerns on possible recession scenario, rate hike cycle of main central banks are factors that in the end complicate the external environment feeding some downside risks. In this regard, it is worth to mention that last policy measures by the Government, like adjustment in the level of minimum wage is quite adequate which ultimately contributes to expanding aggregate demand in the economy, but of course, with the reservation that its potential impact to inflation spiral should be considered carefully.

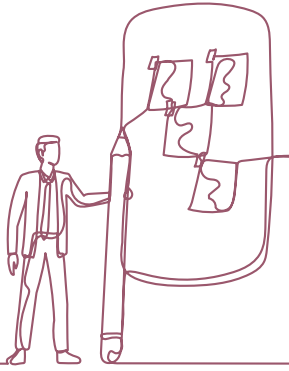
On the back of above mentioned economic landscape, the overall banking system succeeded to maintain risks within the acceptable levels, and profitability at two-digit territory. According to latest data, the total assets of the system in the last 12 month has increased by 56% as opposed to prior year and reached TL 14,344 billion. The same trend applies to credit portfolio. Total credits of the industry reached TL 7,972 billion with 53% increase.

It is a tradition, therefore, we are proud to say that PASHA Bank as a dynamic market player keeps going on its healthy expansion. In general, continuous investment onto strengthening of internal capabilities,

starting from building core competencies for managing business to increasing human capital potential of the Bank, has already demonstrated its strategic return in the form of capable navigation through the stressful times. As a result, total assets of the Bank increased by 73% to reach TL 6.156 million when compared to the prior year-end. Our gross cash loan and leasing receivables portfolio, comprising 59% of total assets, reached TL 3.638 million with a 50% increase.

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-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

## Chairman's Message



# strategy

The 2023 strategy rises on the foundation of values like integrity, quality, collaboration, entrepreneurship and profitability

ultimately end up with proper scenario formulation, advanced measurement and preparation of mitigation plan.

2022 is actually a second business year of the new, 2023 strategic period. In general, the 2023 strategy rises on the foundation of values like integrity, quality, collaboration, entrepreneurship and profitability, builds up with the vision to create new and enduring values in the business world and society, focuses 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 it is quite big and operations are going beyond countries and sectors, which in the end provides potential business opportunities.

New strategic period in its essence is characterized with continuation of some business segments, also with full dedication to the new initiatives. Coming to the latter, it actually concentrates on to realization 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 1<sup>st</sup> quarter 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 covers 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 is expected to yield higher financial performance that has basically been the case in the previous strategic periods. Both profit side indicators, and also expense ratios are forecasted to perform positive trend promising 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 differentiating 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 Turkey, 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 is being 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

# gainful

We shall continue our efforts to ensure that our customers' banking experience become gainful with PASHA Bank.