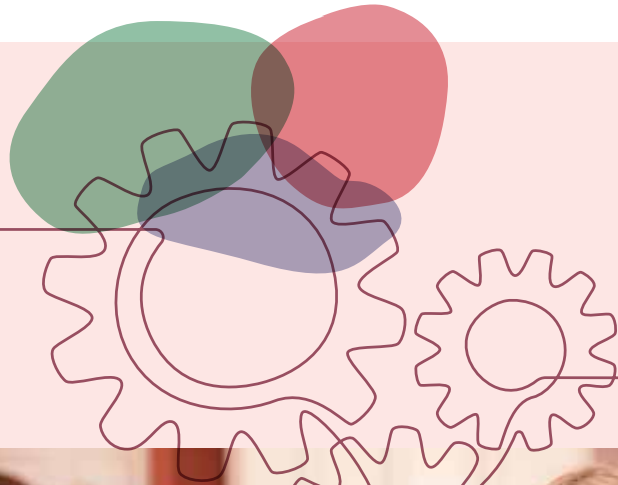


## PASHA Bank's 2022 Operations



PASHA Bank offers its customers high quality, unique and highly value added products and services on the basis of three main areas, namely corporate and commercial banking, premium banking 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 and Commercial Banking segment to satisfy the working capital and investment needs of its customers.

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
- Mortgage credits for Azerbaijan Citizens

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

Intermediation to Issuance of Debt Instruments,

- Structured Finance Products,
- Corporate Finance Products,
- Issuance of Asset Backed Securities

In addition to bond and bill issuances regularly carried in the domestic market to diversify its funding sources, PASHA Bank's USD and EUR eurobonds issued in Azerbaijan were welcome warmly by the individual and corporate investors of the country.



# added value

## Corporate and Commercial Banking

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

## Investment Banking

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

## Premium Banking

- Sale of PASHA Bank Bonds,
- Sale of Asset-Backed Securities
- Repo Transactions in TL and Foreign Currency
- Intermediation of Eurobond Sales and Purchases
- FX Spot and Derivatives Transactions
- Mortgage loans for Azerbaijan Citizens

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 and were continued to be improved during the year 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 2022, PASHA Bank operated with a team of 57 experienced and qualified employees at its Headquarters in Istanbul.

## 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 particularly liquidity risk and market 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

## PASHA Bank's 2022 Operations

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.

# Boutique services

## Corporate and Commercial Banking Operations

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

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.

### "Continuous Development" principle

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.

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.



### Investor Relations

When transactions realized at capital markets are considered, total domestic financial bond issuance volume and number of investors increased by twice in 2022, compared to 2021. Growth in this area in accordance with the strategy and goals continued in 2022 as in every previous year. With the permission obtained from the Capital Markets Board on 13 November 2022, bond issuance ceiling limit was raised

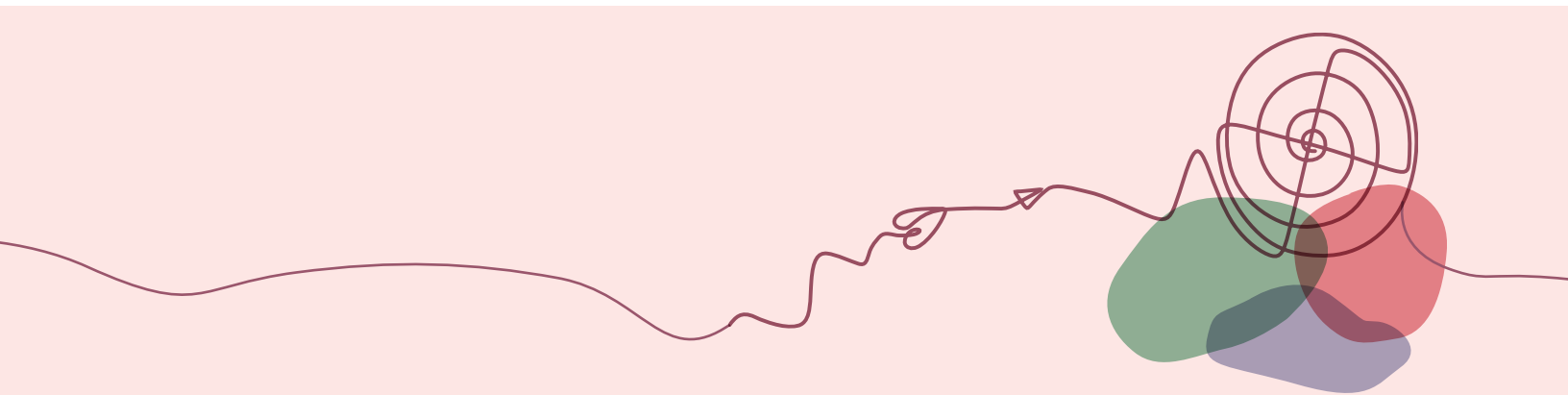
from TL 500 million to TL 1 billion. Investor Relations Department will continue to contribute to the Bank's growing and developing structure in 2023.

### Corporate and Business Banking

2022 has been a year when steps were taken to overcome the negative effects of the coronavirus pandemic on economic and social life and to become experienced against pandemic. However, it has also been a year when

the impacts of problems of grain supply due to energy problems following the Russia-Ukraine war, economic developments in the markets, global inflation and local economic developments were felt deeply and many reflections of them affected Turkish economy.

Under all these economic uncertainties and developments, PASHA Bank continued to support the real sector at full speed in providing working capital



#### "Customer Loyalty" principle

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.

#### "Regional Player" principle

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. It is also the only bank in Turkey to perform transactions in Azerbaijani manat and Georgian lari.

## PASHA Bank's 2022 Operations

### Project Financing Credits

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 maintained its appetite in mergers and acquisitions in 2022. As a result, PASHA Bank increased the amount of financing to real sector including project financing and mergers and acquisitions financing by 65% in comparison with prior year.

### Supplier Financing

As we completed a year when liquidity management was extremely critical, PASHA Bank, with supplier financing services, provided opportunity for various product and service suppliers at every scale by creating an alternative low-cost finance source they can rapidly reach for their cash flow needs.

### Trade Receivable Financing

In 2022, PASHA Bank continued to provide fast financing solutions for the sustainability of the operations of its customers by cashing out their receivables which arose/ or will be arisen from commercial transactions before their due dates.

### Forfaiting

PASHA Bank continued to provide financing to meet liquidity needs of exporter companies in 2022 with an increased appetite, by transferring the receivables, not yet due, from export transactions to the Bank without recourse.

### Leasing (Sell and Leaseback Transactions)

In accordance with its strategy, PASHA Bank continued to intermediate in Sell and Leaseback transactions in 2022 without any interruption, by transferring real estates of companies to the Bank for a specified period to meet their financing needs.

### Regional Banking

PASHA Bank continued and increased its synergy with the Group bank and subsidiaries in 2022 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 and left a very good year behind in acquisition of new customers in this area.

**Strong Support for the Real Sector**



financing to customers for keeping sustainability of their operations, keeping up with changing market conditions and customer needs. While doing this, the Bank left behind a quite positive year with strong market liquidity and asset quality.

Banking sector is at the top of the sectors which adapts digital transformation journey, which is the major pillar of change and transformation, at the most effective and rapid manner. At this juncture, PASHA Bank continued to take steps in making its customers and employees happy in 2022 and started the "PASHA Sign" project, a digital signature and storage project, which will be launched in 2023.

In addition to all these developments, 2022 has been a year when actions in sustainability area gained speed. Transition to a sustainable and green economy brought significant opportunities for the finance sector. PASHA Bank played an effective role in meeting the additional finance needs as a result of investment required for transition to sustainable economy.

Conducting its operations in line with a customer-oriented approach, in 2022 the Bank provided services to its customers, such as cash and non-cash credits to meet customers' working capital need, project financing credits, leasing transactions, syndication and customized financing products for foreign trade transactions, primarily for regional trade.

Since the day of its establishment, PASHA Bank provides services with the missions of being a "financial bridge" and "being the first bank that comes to mind" for the companies which want to make investments and trade between Turkey, Azerbaijan and Georgia. The

Bank increases its power in this area day by day and raises its share of non-oil foreign trade volume between those three countries.

In line with the developments in the industry, PASHA Bank will continue to exhibit an innovative and solution-oriented approach in 2023, and to stand by its customers by providing alternative service choices, in addition to current products and services, based on their needs.

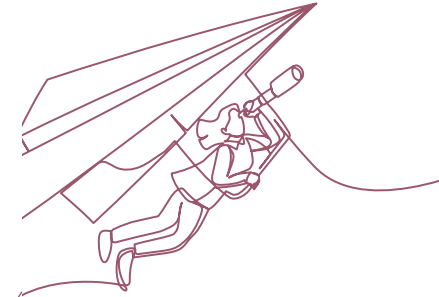
### Financial Institutions

Financial Institutions Unit continued to contribute to the increase in foreign trade and interbank funding transactions mediated by PASHA Bank in 2022. 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 these transactions, relations are established with the Bank's sister institutions, thus mediating the exchange transfers of PASHA Bank customers in AZN (Azerbaijani manat) and GEL (Georgian lari).

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 in events which all banks of the world such as SIBOS and Euromoney attend.



PASHA Bank provides services with a mission to be a bridge for companies that wish to conduct trading and investments between Turkey, Azerbaijan and Georgia.



# pioneer

PASHA Bank is at a pioneer position in capital markets in Turkey with asset-backed security issuances.

### 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 Financing Bond Issuances

Issuing the first bank financing bill with sale to qualified investors method in 2016, PASHA Bank Turkey doubled the issuance volume in 2022 when compared with 2021 (from TL 282 Million to TL 590 Million) and the number of investors increased. In accordance with the permission from CMB dated 13 November 2022, domestic bill issuances' shelf registration was increased from TL 500 million to TL 1 billion.

In 2023, 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

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 2022 for USD 13,450,000, the Bank reached a total of USD 121,450,000 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 a total sales of more than TL 1.2 Billion in this area during the last three 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. In this context, another



firm from the agricultural sector was added to the portfolio of intermediation services in 2022.

By issuing twelve Asset-backed Securities in 2022 for various industries and with different terms and conditions, PASHA Bank reached TL 820 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 three 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 in 2023.

### **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 will continue 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.

## **venture capital funds**

**PASHA Bank aims to participate in venture funds investing in technology-oriented, small firms having large potentials.**





## acceleration

Premium Banking Unit continued to offer treasury and capital market products to investors and gained speed significantly in customer acquisition.

### Premium Banking

In 2022, Premium Banking Department continued to offer treasury and capital market products to investors in accordance with individual customers' needs and gained speed in customer acquisition.

Through Premium Banking business branch, PASHA Bank invites foreign individuals and corporate investors to invest in Turkey with various bond issuances in Azerbaijan having different terms and currencies, in addition to Turkish Lira PASHA Bank financial bonds issued for qualified investors in Turkey.

In 2022, in addition to investment products such as repurchase agreements and Eurobond purchase-sales, PASHA Bank also had an active year in offering alternative borrowing instruments to its customers in Turkish Capital Markets such as Asset-backed Security issuances. Through these instruments, the Bank provided financial resources to the real sector and had the opportunity to offer high return advantage to qualified investors with these guaranteed products.

With the target of being the first bank that comes to mind not only in commercial area but also in retail area, PASHA Bank realized the mortgage product launch in 2022 specific to Azerbaijan citizens with the "Don't be a Guest in the Sister Country, Be a Home-owner" motto and started to extend loans.

In today's world when digital transformation is at front sight in every area, PASHA Bank took some significant steps in the third quarter of 2022 and started the "PASHA Sign" project which will be implemented in the second half of 2023. The project will speed up the operational processes and make customer satisfaction and acquisition much faster.

In 2023, PASHA Bank Premium Banking Department will continue to bring individual investors in Turkey and Azerbaijan together with investment products suitable with their risk appetite and to increase its own appetite to add alternative investment products to its product range suitable for its customer profile.

Premium Banking cares about sustainable growth, thus aims to sustain 100% customer satisfaction values and privileged service experience successfully in 2023.

### Project Management

PASHA Bank continued to develop projects for producing services and products for customers and employees in accordance with the Bank's 2021-2023 strategic road map and strategic goals. The bank will provide for sustainability of secure and high quality technological infrastructural developments in the following periods as well.

Within the scope of digitalization at the strategic plan;

- EFT, Foreign Currency Purchase/Sale transactions and monitoring of repurchase and securities transactions were made possible via Internet Banking application.



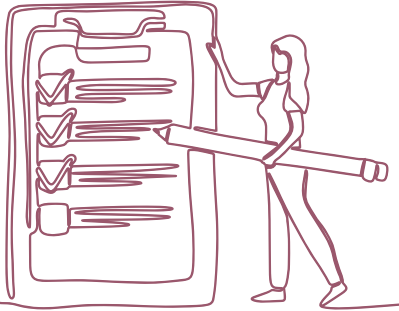
- Process to allow for Purchasing and Selling transactions of Bonds-Securities-Repurchase-Eurobond via Internet Banking application is ongoing.
- New idea creation journey continued to be more competitive at developing global and local trends, to increase customer satisfaction/ experience, customer acquisition, interaction and efficiency between Azerbaijan and Turkey throughout the strategy period. In this respect, the followings were realized:
  - New projects started for new payment platforms with business partners via API and for addition of value added services. Hence, cash transfer process was implemented between the payment service organization and an Azerbaijan bank.
  - Development of API service to make cumulative EFT was completed
  - Process of uploading customer account opening documents to the system in order to make document management more effective at the core banking process was completed.
  - An application panel was established at the corporate web site, to be used by PASHA Group employees, to increase the volume and number of mortgage product implemented for Azerbaijan citizens and to support new customer acquisition. PASHA Group employees who wish to own a house in Turkey, detailed information about potential projects are present at the mortgage application panel.

The followings were realized to develop and monitor effective risk management in compliance with the strategic goals:

- Implementation plan which includes milestones within the framework of Information Technologies and Information Security Risk and the project was completed with the required actions. Based on the results of the activities, Information technologies and Information Security Risk Management Policy and Procedures were published.
- Set-up and development process of the project for "Paygate Analyzer" application was completed and controls are being performed. This application will report risky amounts and transactions at the end of the day.
- Within the scope of digitalization, infrastructural developments and provision for information security, information security projects for "Network Access Control and Internal WI-FI Management and Mobile Device Security Solutions" were started and control processes are ongoing.
- To meet managerial and legal reporting needs, "Advanced Reporting" tool was purchased, development and control processes are being conducted.
- Within the scope of targets for the digitalization of talent management, employee loyalty/satisfaction and human resources processes, the followings were performed:
  - Digital system İNKA was implemented which allows for online human resources personnel affairs, vacation and similar transactions.

## new ideas

PASHA Bank continued its journey in creating new ideas to increase interaction and efficiency between Azerbaijan and Turkey.



## coordination

PASHA Bank coordinates business process improvement activities to provide higher quality service to its internal and external customers.

- Process of update of Performance Management System and its performance on system is ongoing.
- Review of activities for PASHA Bank employees to submit their suggestions in line with the Bank's strategy, ideas for process improvement and integration of those with the performance management system started.

Project for SWIFT ISO20022 Compliance process, which is legally required, started and waiting for the delay at the global side.

The Bank participated the Model Risk Management Framework, Project Effectiveness Evaluation (2018-2020) and Zero-based Budgeting Application projects conducted within PASHA Holding.

PASHA Bank coordinates its processes for business process improvements and annual review of policies, regulations and procedures in accordance with these improvements to provide higher quality services for its internal and external customers. In line with this, revisions were performed at the process of publishing current documents and announcements at the "portal", which is PASHA Bank's internal communication channel.

Project management process was updated in line with Information Systems and Electronic Banking Services Regulation and Group methodology.

Impacts of the pandemic continued in 2022. The Bank monitored digital transformations within the industry closely to comply with this and continued to make required technological investments. "PASHA Sign" project which is targeted to be completed in 2023 has started.

## Information Technologies

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.
- Developing technologies were followed, research was conducted for cloud system and placed in the agenda for the following years.
- Core Banking and Application Management continued its support throughout the year for development activities in Core Banking and other environmental systems, new software developments and regulatory projects. Progress was achieved by making new investments in digital banking and these investments increased in 2022.

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 2023, PASHA Bank will pursue its investments and development activities in infrastructure and security areas at the Headquarters building, 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 purchased for back-up are being performed, monitored and reported in a healthy manner by the teams in the Bank.

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. The Bank's remote working model was made compatible with hybrid model.

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 2023.

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

# digital banking

Progress was achieved by investing in digital banking services and these investments were increased as of 2022.