

PASHA Bank's 2023 Operations



High Service Quality

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
- Money Transfers

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

Corporate and Commercial Banking

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

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

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.

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.

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 against risks with custom made products.

Boutique service

IN LINE WITH ITS BOUTIQUE SERVICE APPROACH AND THE STRATEGY, PASHA BANK DEALS WITH ITS CUSTOMERS MORE QUICKLY AND EFFECTIVELY.

PASHA Bank's 2023 Operations

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 Türkiye 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.

Investor Relations

In 2023, domestic financing bond issuances continued without slowing down. Throughout the year 2023, a total of TL 510 million worth of financing bonds were issued, and growth in this area was achieved in line with the usual strategy and goals.

The issuance of an alternative investment instrument, asset-backed securities continued to support the real sector. In 2023, asset-backed securities issuances amounted to TL 950 million. Additionally, this year witnessed the introduction of wheat price-indexed asset-backed securities issuances, which were welcomed by investors and marked a first for the Turkish capital markets.

PASHA Bank's Core Banking Principles

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 Türkiye. In this manner, we offer our customers the financing alternatives most suitable for them, whereby the Bank adopts the principle of enjoying mutual gains.

Foreign currency-denominated bond issuances abroad also continued this year, with a total of USD 137 million being raised from abroad since 2017.

Investor Relations Department will continue to contribute to the Bank's growing and developing structure in 2024.

Corporate and Business Banking

The year 2023 has been marked as a year of unforeseen developments in various fields including economy, politics, health and many more. Despite the ongoing impacts of the Russia-Ukraine war, especially in the energy and food sectors, the year

2023 witnessed a somewhat subdued economic activity due to declining energy prices and delayed recovery in the Chinese economy. However, the global efforts to combat inflation through tight monetary policies led to a stagnant performance.

The inflationary environment that has emerged in Türkiye due to global developments has become a significant and prioritized factor for the banking sector, both domestically and globally.

In Türkiye, the uncertainty in economic conditions, regulatory changes in the banking sector and fluctuations in interest and exchange rates in 2023 made it a year where developments

were closely monitored and risk management became a priority for the banking sector, which holds a significant share within the Turkish financial system.

During this period, PASHA Bank continued to focus on customer-oriented service without departing from its sustainable financial structure, ensuring healthy lending processes, proper management from loan allocation to collection and continuous and meticulous compliance with legal regulations.

In the rapidly evolving journey of digital transformation, which is the cornerstone of change and

"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 Türkiye 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 Türkiye to perform transactions in Azerbaijani Manat (AZN) and Georgian Lari (GEL)



Collaboration with fintechs

PASHA BANK INCREASED ITS COLLABORATION WITH FINTECHS AND PRIORITIZED PROJECT DEVELOPMENTS TO PROVIDE FASTER AND HIGHER QUALITY SERVICES TO ITS CUSTOMERS

transformation, PASHA Bank increased its collaboration with fintechs and prioritized project developments to provide faster and higher quality services to its customers in 2023.

Operating in line with a customer-centric service approach, the Bank's services in 2023 included tailored financing products such as project finance loans, company acquisition financings and customer-specific financing for trade transactions, particularly regional trade.

Despite occasional difficulties customers faced in accessing credit, PASHA Bank emphasized leasing transactions, introducing both real estate and movable property leasing, and increased its leasing portfolio by 4.5 times compared to the previous year, reaching levels of TL 1.2 billion in 2023.

Furthermore, since its establishment, PASHA Bank has been serving as a "financial bridge" and the "first bank to come to mind in the region" for

companies looking to trade and invest between Türkiye, Azerbaijan, and Georgia. The Bank significantly increased its share in non-oil trade volume among the three countries.

As PASHA Bank concludes a successful year with its stable and efficient growth strategy, it will continue to demonstrate an innovative and solution-oriented approach in 2024, supporting the Turkish economy and the real sector with its products and services tailored to meet the needs of its customers, in line with sectoral developments.

Corporate and Commercial Banking 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 2023. As a result, PASHA Bank increased the amount of financing to real sector including project financing and mergers and acquisitions financing by 75% 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 2023, 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

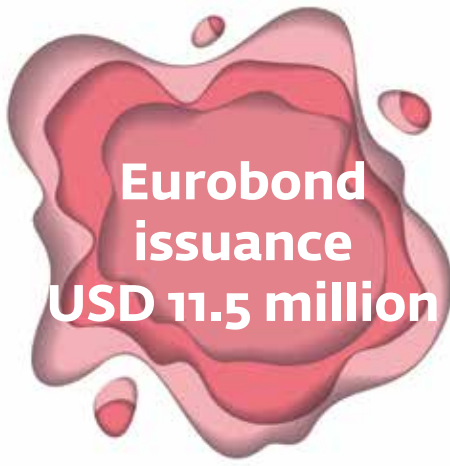
PASHA Bank continued to provide financing to meet liquidity needs of exporter companies in 2023 with an increased appetite, by transferring the receivables, not yet due, from export transactions to the Bank without recourse.

Leasing (Sell and Leaseback Transactions)

In accordance with its strategy, PASHA Bank continued to intermediate in Sell and Leaseback transactions in 2023 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 2023 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 "Türkiye-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.



**USD 11,550,000 OF
EUROBOND ISSUANCE WAS
SUCCESSFULLY REALIZED IN
2023**

Financial Institutions

Financial Institutions Unit continued to contribute to the increase in foreign trade and interbank funding transactions mediated by PASHA Bank in 2023. 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. In parallel with this, a collaboration has been initiated with The Islamic Corporation for the Insurance of Investment and Export Credit (ICIEC), a subsidiary of the Islamic Development Bank (IsDB) Group, aiming to support Turkish

exports and exporters. Through the signed agreement, the cooperation entails risk-sharing in export letters of credit under ICIEC's Documentary Credit Insurance Policy (DCIP) product, primarily for IsDB member countries, with the goal of facilitating and increasing the volume of export transactions. The Financial Institutions Department aims to continue its activities in 2024 with an increased pace in financing foreign trade, supporting exports, and sourcing funds for the Bank.

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.

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.

Investment Banking and Intermediary Services



Our Domestic Financial Bill Issuances

Issued the first bank financial bill with the sales method to qualified investors in 2016, PASHA Bank continued its financial bill issuances in 2023.

In 2024, PASHA Bank Türkiye 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 2023 for USD 11,550,000, the Bank reached a total of USD 133,000,000 and EUR 3.3 million transaction volume.

PASHA Bank Türkiye 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 Türkiye became the leader in Turkish capital markets with Asset-Backed Security issuances and realized a total sales of approximately TL 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 2023 with different terms through the Asset Financing Funds established in 2020 to intermediate in securitization transactions. In this context, another four firms were added to the portfolio of intermediation services in 2023.

By issuing 10 Asset-backed Securities in 2023 for various industries and with different terms and conditions, PASHA Bank reached TL 950 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 Türkiye and will continue intermediating in issuance of Asset-Backed Securities to obtain funds for corporations in different sectors in 2024.



**PASHA BANK HAS MADE
INVESTMENTS IN TWO
VENTURE CAPITAL
FUNDS, ONE ESTABLISHED
DOMESTICALLY AND THE
OTHER INTERNATIONALLY.**

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.

Premium Banking

In 2023, 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 Türkiye 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 Türkiye.

In 2023, 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 relaunch in 2023 specific to Azerbaijan citizens with the "Don't be a Guest in the Sister Country, Be a Home-owner" motto and expanded its loan book.

In today's world when digital transformation is at front sight in every area, PASHA Bank took some significant steps and reached the final stage in the "PASHA Sign" project. The project will speed up the operational processes and make customer satisfaction and acquisition much faster.

In 2024, PASHA Bank Premium Banking Department will continue to bring individual investors in Türkiye 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 2024.

Project Management

PASHA Bank has continued to develop projects aimed at providing services/ products to customers and employees in line with the strategic goals set for the 2021-2023 period and in alignment with the new strategic period of 2024-2026. The development and improvements made aim to contribute to sustainable, secure, and high-quality technological infrastructure enhancements.

Digitalization

Services

- The "Digital Approval" project has been initiated. The process continues towards designing a white-labeled mobile application where customers can electronically sign contracts and instructions, enabling PASHA Bank to upload contracts and instructions to the system.
- A project that has also commenced to develop a mobile-compatible web platform that allows to enable investment for retail investors and to market, promote, and sell financial products digitally, without the obligation to become a PASHA Bank customer

Risk management

- Detailed analyses have been conducted for areas identified for improvement in the Early Warning and Intelligence System, with new developments implemented. By adding new data sources and signal structures, the aim is to reduce customer risk by filtering credit customers' big data through understandable criteria.

Information Security

- Information system projects for "Network Access Control, Internal Wi-Fi Management and Mobile Device Management Security Solutions" have been completed.



**PASHA BANK HAS LAUNCHED
A SPECIAL **MORTGAGE**
PRODUCT FOR AZERBAIJANI
CITIZENS, WHICH HAS BEEN
MET WITH SIGNIFICANT
INTEREST.**

PASHA Bank's 2023 Operations

Operational processes

- 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.
- PASHA Bank's internal communication channel, the "Portal," has undergone digitalization processes aimed at approving and publishing current documents for internal regulations, enhancing operational efficiency, saving time for employees, reducing expenses, and supporting the transition to a green office environment. To achieve these goals, processes for Document Approval and sending automatic reminder emails for the list of documents to be reviewed annually have been designed and implemented through the system.
- In the project management process, continuity has been ensured by annually reviewing and revising Information Systems and Electronic Banking Services Regulations, Group methodology and adhering to risk management practices. Additionally, internal training sessions have been conducted to inform employees about Project Management Methodology.

Infrastructure

- The project regarding the legal requirement for SWIFT ISO20022 Compliance has been completed.

Human Resources

- As part of talent management and employee engagement/satisfaction initiatives, the revision of the Performance Management System and the project aimed at conducting the process through the system have been completed and implemented.

Sustainability

- Since its establishment, PASHA Bank has not only supported corporate social responsibility projects but also implemented a waste management system that benefits the environment.
- As part of the Bank's sustainability efforts and under the motto #TogetherPossible, the Green Office (Next Generation Sustainable Transformation) Program was initiated. This program involves a review of current resource usage, identification of environmental indicators, and the achievement of goals related to them. The aim is to reduce the ecological footprint and create a more livable environment. In 2023, WWF awarded PASHA Bank the Green Office Logo and diploma. Additionally, within the framework

of the Green Office Transformation Program, a Green Office page has been created on the internal communication application "Portal," where all news and events related to the program are available for quick access by Bank employees.

- PASHA Bank aims to foster an entrepreneurial culture within the organization, recognizing that sustainability requires innovative ideas. In line with this, a presentation was shared with employees regarding the start of the "PBT Innovation Program," which aims to develop innovation awareness, acquire innovation competencies, and support an increase in innovation-based proposals.

Continuing efforts focus on projects and digital transformations that contribute positively to PASHA Bank's and the country's sustainable growth. Necessary efforts and technological investments are ongoing in this direction.

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.

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 2023.

The development of reporting infrastructure for demand management and change management practices has continued, accompanied by training sessions provided to the staff regarding these enhancements.

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.

Regulations and improvements in accordance with the BRSA regulation on Banks' Information Systems and Electronic Banking Services have continued to be implemented and developed.

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 2024, PASHA Bank will pursue its investments and development activities in infrastructure and security areas 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.

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 newcomers 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 carried on working on standards and benchmarks used in all countries. Improvements will continue at the Group level in 2024.

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