

Chairman's Message



Healthy and Strong Growth

Esteemed Stakeholders,

The prolonged Russia-Ukraine war and the start of another war in the Middle East between Israel and Palestine complicated the situation in our region. The ongoing wars have the potential of spillover to other countries raising the risks of expansion of the conflict. These factors may constrain the external demand in the Turkish economy and lead to weakening of economic relations between the countries of the region. 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. Driven by domestic demand on the expenditures side and construction sector on the production side the Turkish economy grew by 5.9% in the third quarter of 2023. The domestic demand continued to support economic growth following a similar

tendency of the previous year, while foreign demand slowdown persisted during 2023. 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.

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 months has increased by 62% as opposed to October 2022, exceeding TL 20 trillion. A similar trend applies to the credit portfolio. Total credits of the industry reached TL 10,991 billion with 56% 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 61% to reach TL 9,910 million at the end of 2023. Our gross cash loan and leasing receivables portfolio, comprising 56% of total assets, reached TL 5,642 million with a 55% 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

successfully agile

WE HAVE SUCCESSFULLY CONCLUDED THE 2021-2023 STRATEGIC PERIOD.

AGILITY AND KNOW-HOW REGARDING FOCUS SECTORS ARE EXPECTED TO BE DIFFERENTIATING CAPABILITIES OF THE BANK.

gainful

WE MAKE OUR CUSTOMERS' BANKING EXPERIENCES GAINFUL AT PASHA BANK.



Synergy in the Group

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.

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 successfully finalized the 2023 strategic period. In general, the 2023 strategy rose 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 it is quite big and operations are going beyond countries and sectors, which in the end provides potential business opportunities.

The 2023 strategic period in its essence was characterized with continuation of some business segments, also with full dedication to the new initiatives. Coming to the latter, it actually concentrated 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 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 continued 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 were 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 upcoming 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.

We have finalized the process of the formulation of the 2024-26 period strategy in order to ensure the Bank adopts to the constantly evolving economic landscape and rapid

transformation in the financial sector driven by innovations in technology and business processes. In this regard, shareholder aspirations have been determined constituting the backbone of the strategy, the macroeconomic projections have been formulated for baseline, downside and upside scenarios, and the risk boundaries are determined. The strategy formulation process was mainly conducted by the Bank's own resources, while experienced consultants' advices were also involved into the process.

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



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.