

## Message from the General Manager



# *Sustainable Road Map*

Esteemed stakeholders,

In the year 2023, which marked the centennial anniversary of our Republic, our country began with great sorrow brought about by the earthquake disaster, and throughout the year, it endeavored to heal the wounds caused by this catastrophe. In a year where the Russia-Ukraine war continued, another conflict erupted between Palestine and Israel in the latter months of 2023. Looking at the world as a whole, the actions taken by central banks to combat global inflation, which has been ongoing since the previous year due to wars, earthquakes, floods, and rises in oil and food prices, have been closely monitored. The Federal Reserve (Fed) of the United States continued its interest rate hikes throughout the year, raising the policy rate to a range of 5.25-5.50%, while the European Central Bank (ECB) raised its policy rate to 4.50%. Other central banks also maintained tight monetary policy regimes. While the effects of high inflation were felt domestically, following the presidential and general elections, the new Central Bank of the Republic of Türkiye (CBRT) President and Monetary Policy Committee

returned to orthodox policies. CBRT implemented a tighter monetary policy this year to combat inflation, raising the policy rate to 42.50%. It was observed that foreign investors also turned back to Turkish bonds towards the end of the year, alongside the return to orthodox policies and the stabilization of the exchange rate. At the end of this year, following the positive reports from foreign credit rating agencies, the CPI inflation was announced as 64.77%. It is expected that the Turkish economy, which was forecasted to achieve strong growth in the range of 4.50-5.00% in 2023, will continue its moderate growth in 2024, ranging from 3.50-4.00%, while inflation is expected to be in the range of 40-45% in 2024.

PASHA Bank has completed the three-year strategic period covering the years 2021-2023. We successfully achieved our goals in line with our objectives, aiming to attain healthy and sustainable growth, enhance product diversity, improve the quality of services provided to our customers, strengthen our role in capital markets, and increase our share in financing foreign trade in the region. We have also established

the roadmap for our new strategy covering the period 2024-2026 within this year. In this new strategic period, where sustainability takes precedence, our goals include increasing our role in financing trade within the Türkiye-Azerbaijan-Georgia triangle, continuing to support the real sector by increasing the volume of issuances in capital market instruments such as bonds, bills and commercial papers, diversifying our financing and products according to our customers' needs, continuing our customer-focused approach, and enhancing and adding value to our human resources. A gratifying development for our bank was the upgrade of PASHA Bank's long-term national credit rating from A (tr) to A+ (tr) by the credit rating agency JCR Eurasia Rating in September. The upgrade in credit rating took into account PASHA Bank's strong capital adequacy ratios, diversified funding structure facilitated by debt issuances, high level of compliance with corporate governance practices, continuous improvement in the robust risk management organization, and the downward trend in the ratio of overdue receivables, which supports the quality of assets. Additionally, SAHA Rating

## strategy

**WE IDENTIFIED OUR NEW STRATEGY COVERING 2024-2026 PERIOD.**

## green office

**WE RECEIVED OUR GREEN OFFICE CERTIFICATE AT OUR SUSTAINABILITY JOURNEY.**

## A+(tr)

**JCR EURASIA RATING INCREASED PASHA BANK'S LONG TERM NATIONAL CREDIT SCORE FROM A(tr) TO A+(tr).**



**SAHA RATING INCREASED  
OUR CORPORATE  
GOVERNANCE COMPLIANCE  
SCORE TO 9.39.**

has increased our compliance score with corporate governance principles to 9.39.

PASHA Bank, in line with our goal of sustainable growth, achieved an increase in total assets by 61% compared to the previous year, reaching TL 9,910 million. Our support to the real sector continued to increase during this period, with the gross cash loan volume of our bank rising by 55% to TL 5,642 million compared to 2022, and our net profit recorded at TL 525 million by the end of the year.

Despite rapidly changing market conditions, we continued our bond issuances both domestically and internationally in 2023. During investor visits conducted in Baku, we introduced our country and the investment opportunities available. Our second launch aimed at Azerbaijani citizens, with the slogan "Don't be a Guest in the Sister Country, Be a Homeowner" and targeting Turkish citizens interested in owning property in Türkiye, received great interest in Azerbaijan. We also increased the volume of mortgage transactions tailored to the region. PASHA Bank continued to play a significant role in financing foreign trade in the Türkiye-Azerbaijan-Georgia triangle this year, as in previous years, while steadfastly pursuing our goal of being the "first bank that comes to mind in the region" in line with our strategy.

Our bank also continued to expand its activities in investment banking this year. We have been actively involved in Asset-Backed Securities (ABS) transactions since 2020, bringing

together financial resources of over TL 2 billion with our customers in the agriculture and automotive sectors. This year, we achieved a first in the Turkish capital markets by facilitating the issuance of Wheat Price-Indexed Asset-backed Securities. By indexing the futures price of agricultural inputs purchased through this method to the price of wheat, uncertainties in financial markets were eliminated, and pricing risks mitigated. Behind these specially designed issuances for qualified investors lies a strong and diversified collateral structure and attractive return opportunities. We will continue to support the real sector using capital market instruments in the coming year as well.

In 2023, we continued our efforts and technological investments to focus on projects and digital transformations that will contribute positively to our bank's and our country's sustainable growth. In our journey to produce new services to be more competitive in the sector and to increase interaction and efficiency in both internal and external customer satisfaction, experience and acquisition, we started projects such as "Digital Approval" and the creation of a web platform that will enable the marketing, promotion and sale of financial products to qualified investors.

In line with our sustainability roadmap, we have successfully achieved the goals set forth in the "Green Office" program in collaboration with WWF Türkiye, thereby earning the Green Office certification for PASHA Bank. We continue to implement our corporate social responsibility projects and waste management system that benefit the

environment. With each project we undertake, we remind ourselves and our employees of our commitment to nature and the environment, bridging today and tomorrow towards a green transformation to support our goal of a sustainable future.

In terms of effective risk management, we have enhanced our Early Warning and Intelligence System by incorporating new sources of information and signal structures, allowing us to reduce credit risk by filtering credit customers' big data through understandable criteria. To foster an entrepreneurial culture within the institution, develop innovation awareness, and encourage an increase in innovation-based proposals, we have initiated the "PASHA Bank Türkiye Innovation Program," which aims to be conducted annually. We have also reviewed and made improvements to our Performance Management System to ensure fair evaluation of our employees' performance.

Our Bank's support for the arts continues this year as well, with our participation in a project focusing on digital art, which has gained significant momentum in recent times. We were the main sponsor of the "Is Digital Art the Result of Human Molecules?" themed festival held at the Atatürk Cultural Center from June 2<sup>nd</sup> to 5<sup>th</sup>. This festival, curated by Türkiye's first artificial intelligence curator, Avind, and featuring works by Azerbaijan's first artificial intelligence artist, Shusha, received great interest from both domestic and foreign art enthusiasts.

Above all, this year, we joyously celebrated the 100<sup>th</sup> anniversary of our

Republic with all our employees at a reception held at our Headquarters, accompanied by anthems and Turkish flags. In this context, we have established the "Future Women Leaders" scholarship fund, initiated specifically for the centennial of our Republic and to be continued in the coming years. This scholarship fund aims to assist female university students in reaching their educational and career aspirations. It not only contributes to their education but also reflects our belief in empowering young women to become strong leaders contributing to society. Through this scholarship, we will support the academic, social, and personal development of female students, working towards making them the future women leaders.

As we bid farewell to the year 2023, I express my gratitude to our dedicated colleagues, customers, Board Members and shareholders who have contributed to our success, bringing our Bank to where it stands today. As we enter the second century of our Republic, I extend my best wishes to our country for brighter and stronger tomorrows, united in the spirit of our past.



**H. Cenk Eynehan**

CEO and Member of the Board of Directors



**OUR BANK HAS BEEN SUPPORTING ART SINCE ITS INCEPTION AND HAS BEEN CONTINUING THIS SUPPORT AS THE MAIN SPONSOR OF THE ISTANBUL **DIGITAL ART** FESTIVAL.**