

ANNUAL REPORT 2022



CONTENTS

GENERAL INFORMATION	4
About PASHA Bank	4
About PASHA Holding	6
Awards	10
Vision, Mission, Values and Strategic Goals	12
Financial and Operational Indicators	14
MANAGEMENT	16
Management Structure	17
General Meeting of Shareholders	24
GLOBAL MACROECONOMIC OUTLOOK AND AZERBAIJAN'S ECONOMY	28
2022 ACTIVITIES	36
CIB Tribe	38
Treasury	40
Business Innovations	41
SME Banking	42
Retail Banking	43
Private Banking	45
Risk Management	48
Cross-Border Activities	52
CORPORATE SOCIAL RESPONSIBILITY	54
SUPPORT TO SUSTAINABLE ECONOMIC DEVELOPMENT	55
REVIEW OF FINANCIAL STATEMENTS	56



*Bulbul is the founder of professional vocal art in Azerbaijan.
He was a person of rare talent and rendered invaluable services in the
development of our musical art. His creativity left a lasting legacy in our art.*

GENERAL INFORMATION

About PASHA Bank

PASHA Bank is Azerbaijan's leading corporate bank. Established in 2007, the Bank delivers all major financial services, including investment banking, trade financing and asset management to a diverse range of clients, from large corporates to small and medium enterprises. PASHA Bank particularly works closely with companies operating in the non-oil sectors of the economy, including agriculture, transportation, construction and retail, which are vital for helping Azerbaijan to diversify its economy.

PASHA Bank is the largest private bank in Azerbaijan by total equity, and one of the top three private banks by assets. As of December 30, 2022, the Bank's consolidated assets exceeded AZN 9,218 million, while its total capital amounted to AZN 648 million.

Continuously Expanding Regional Footprint and Driving Market Growth

PASHA Bank is headquartered in Baku and has a total of six business centers, three branches and one FX office across Azerbaijan. The Bank opened its first international office in Georgia in 2013 followed by Turkey in 2014. Our long-term regional vision envisages creating integrated banking operations that will facilitate rapidly growing trade and deal flow between Baku, Tbilisi and Istanbul – the three most vibrant markets of the region.

By operating on a solid financial base, moving forward with determination and adding value to the future of both its customers and employees, PASHA Bank Turkey aims to be a widely recognized international banking institution. The Bank is rapidly expanding its activities by providing corporate and commercial banking, investment banking, interregional operations, trade finance, consulting services, local currency exchange

operations, leasing, and other banking services.

PASHA Bank Georgia provides services to large, medium and small enterprises, primarily in corporate and investment banking. By putting customers at the center of its corporate strategy, the Bank aims to achieve sustainable growth. The Bank offers a wide range of products and services, including credit and deposit, trade finance, treasury operations (securities, currency exchange, forward, swap, option), internet banking, among others.

Local and Global Recognition for PASHA Bank's Exemplary Performance

At PASHA Bank, we strive to be the best performing and most reliable bank in Azerbaijan. Since our founding, we have gained international recognition for our achievements.

In 2018, PASHA Bank was designated the "Best Private Bank" and "Best Bank of Azerbaijan" by Global Finance, while also receiving the "SAP Value Award". In the same year, PASHA Bank was named the "Best Commercial Bank of Azerbaijan" by World Finance and "Bank of the Year" by The Banker. Moreover, based on fiscal year 2018 results, PASHA Bank was selected as the country's top performer in the categories of "Non-cash Payments at POS Terminals" and "Contactless Payment Cards" in an annual competition conducted by the Central Bank of Azerbaijan and the Azerbaijan Banks Association, among all participants of the banking segment.

In 2019, PASHA Bank garnered the "Best Corporate Social Responsibility" and "Most Active Education Supporter" awards; in 2020, the Bank was presented with awards for "Cashless Payments Promotion", "Digital

Banking", "E-Banking", "Best Corporate Social Responsibility" and "Most Active Education Supporter" from EMEA Finance. In the same year, PASHA Bank was named the "Leading Bank in Internet Banking Services", "Leading Bank in Contactless Payments" and "Leading Bank in Contactless POS-Terminal Infrastructure".

In 2020, EMEA Finance designated PASHA Bank as the "Best Bank of Azerbaijan" and "Best Investment Bank of Azerbaijan". Additionally, the Bank won awards for "Best Banking Product" and "Best Corporate Social Responsibility Program" among financial institutions operating in Central and Eastern Europe and the CIS.

In 2021, PASHA Bank's Online Loan product was selected as the Best Banking Product for SME – by SME Banking Club, Best F2F – by Visa int for SMEs in the region. In the same year, Bank was named as a "Best F2F Acquirer" in Azerbaijan.

In 2022, PASHA Bank continued its remarkable journey by earning several prestigious awards. These include the "Best F2F Acquirer" by VISA, "Best CSR Program", "Best Financial Education Support", "Best Non-cash Payments Encourager", "Best E-Banking" and "Best Non-cash Payments Security" accolades by the Azerbaijan Banks Association. Additionally, the Bank achieved an exceptional 1st place in the "STP Quality Award" by RBI Bank.

PASHA Bank has received strong ratings from international rating agencies. In 2022, Standard & Poor's affirmed the Bank's long-term rating of 'B+' and short-term rating of 'B'.

Today, PASHA Bank is comprised of an international team of over 1,000 individuals. We are consistently working towards

transforming the Bank into one of the leading financial institutions in the region. The Bank is continuously improving and expanding its range of world-class products and services.

Driving Innovation and Exceptional Service as part of PASHA Group

PASHA Bank is part of PASHA Group, a large investment holding based in Azerbaijan. PASHA Group boasts assets in various sectors, including retail banking, insurance, construction, and tourism. Despite being one of the youngest banks in Azerbaijan, PASHA Bank is also one of the largest, and it remains committed to staying at the forefront of financial and technological advancements. We continuously strive to anticipate market trends, adopt international best practices, and leverage state-of-the-art technology to provide our customers with the best possible service.

Shareholding Structure:

- PASHA Holding LLC (57%)
- Ador LLC (28%)
- Mr Arif Pashayev (10%)
- Mr Mir Jamal Pashayev (5%)

ABOUT PASHA HOLDING



Total Assets:

AZN
19.3 billion

19,200+

Group employees as of
December 31, 2022

PASHA Holding Limited Liability Company (PASHA Holding or PASHA Holding LLC) through its subsidiaries invests in the banking, insurance, construction, information technology, property development and tourism sectors.

Established in 2006, the Holding shapes its businesses around effective management, corporate governance and prudent investment decisions.

PASHA Holding has two types of investment assets portfolios: Controlling stakes in PASHA Holding and its subsidiaries (PASHA Group) and minority private equity investments.

Total Equity:

AZN
2.44 billion

Total Revenue:

AZN
2.23 billion

(December 31, 2022)



PASHA Insurance is the first member of PASHA Holding, incorporated in early 2006. The company is the largest insurance services provider in Azerbaijan. PASHA Insurance reported gross written premium (GWP) of USD 106 million as of December 31, 2022 (based on audited IFRS financial statements and an average exchange rate of USD/AZN 1.70).



PASHA Investments is a private equity company that specializes in growth capital investments in mid-cap companies across Azerbaijan, Georgia, and Turkey. Originally, the entity operated as the Investments and Projects Department (IPD) within PASHA Holding. In August 2017, the IPD was spun off from PASHA Holding and established as a separate legal entity known as PASHA Investments LLC. The immediate parent company of the company is PASHA Holding LLC.



PASHA Life Insurance OJSC, with an authorized capital of AZN 40,250,000, is a subsidiary of the "PASHA Holding" Group of Companies. The company operates under the official registration at the Ministry of Taxes of the Republic of Azerbaijan, dated November 24, 2010, and holds a license for the provision of life insurance services issued by the Ministry of Finance of the Republic of Azerbaijan on February 14, 2011. Upon its establishment, PASHA Life Insurance had an authorized capital of AZN 7,000,000. Over the course of its first three years of operation, the company's authorized capital increased by 5.75 times and currently stands at AZN 40,250,000.

As of December 31, 2022, PASHA Life reported gross written premiums of USD 210 million, based on audited IFRS financial statements and an average exchange rate of USD/AZN 1.70.



Founded in 2003, PASHA Travel is one of Azerbaijan's foremost comprehensive travel management and service providers. The company enjoys an excellent reputation and wide brand recognition in Azerbaijan and beyond, while rapidly developing ever stronger connections across the globe.



PASHA Construction is one of the largest businesses operating in the construction industry in Azerbaijan. The company posted total revenues of USD 158 million as of December 31, 2022 (based on audited IFRS financial statements and an average exchange rate of USD/AZN 1.70). The company's completed project portfolio in 2022 totaled 262,903 m2. Over the last 15 years, PASHA Construction's landmark projects have played a major role in the dramatic transformation of the Baku cityscape. The company's development projects include JW Marriott Absheron Baku Hotel & Residences, Four Seasons Hotel, Dinamo Hotel, Port Baku Development (consisting of Port Baku Towers Business Center, Port Baku Residences and Port Baku Mall), Ganjlik Mall, Deniz Mall, Ganja Mall, The Merchant Hotel, Amburan Beach Club, Courtyard by Marriott Hotel, Knightsbridge Baku White City Residential Complex, among others.



PASHA Technology, established in 2018, is an IT service provider focused on delivering IT services, cloud computing, cyber security operations, and data center management for PASHA Holding LLC subsidiaries. The company's main areas of focus include building and certifying a Tier-III Main Data Center, providing infrastructure and end-user services for the PASHA Group, standardizing requirements for increased quality and resilience, developing a long-term IT sourcing strategy, and becoming the preferred and trusted IT services company in Azerbaijan.



Kapital Bank is a universal bank providing a wide range of banking services both to corporate and individual clients, with a focus on the retail side. Kapital Bank boasts the most extensive branch network in Azerbaijan. The bank's long-term rating for loans is 'BB-/B' from Standard & Poor's. Kapital Bank's long-term rating for bank deposits is 'Ba3' from Moody's Investors.



PASHA Capital was established in June 2012 and mainly focuses on providing brokerage, underwriting, margin trading, market maker and financial advisory services to both individuals and legal entities. The company was named the “Best Broker in Azerbaijan” at EMEA Finance Magazine’s Europe Banking Awards in 2013. PASHA Capital is a member of the Baku Stock Exchange and the Azerbaijan Stock Market Association. In 2021, PASHA Capital Investment Company garnered awards for “Best Brokerage House” and “Fastest Growing Brokerage House” from the world-renowned financial magazine International Finance.



Competo LLC is an IT development and business implementation company based in Baku. Established in September 2018, it became a subsidiary of PASHA Holding LLC in March 2020. The company’s management team comprises experienced professionals with a strong background in financial and digital products in the retail and banking sectors of Belarus, Russia, and Ukraine. Competo aims to help businesses discover innovative solutions and increase profits through the implementation of IT projects in e-commerce, digital marketing, CRM, Data Science, payment technologies, and retail IT integration.



PASHA Development LLC, established on June 12, 2012, is primarily engaged in real estate acquisition, development, and management. The company, along with its subsidiaries and jointly controlled entities, focuses on various aspects of the real estate industry. PASHA Development LLC operates as a subsidiary of PASHA Holding LLC.



Absheron Hotel Group LLC, a wholly owned subsidiary of PASHA Holding LLC, is a hotel management company. Established in 2013, the group aims to become a prominent player in the hospitality industry, with a focus on developing a world-class portfolio of hotels and resorts. The group currently owns and operates three luxury hotels in Baku, Azerbaijan: Four Seasons Baku, JW Marriott Absheron Baku, and The Ritz-Carlton, Baku, all managed by renowned international hotel management companies.



Jidir Plain is famous for hosting horse races and handicraft festivals. This area, located in the heart of the mountains, is a favorite destination for visitors to Shusha.

AWARDS

2022

PASHA Bank was honored with multiple awards, including “Best F2F Acquirer” by VISA, “Best CSR Program”, “Best Financial Education Support”, “Best Non-cash Payments Encourager”, “Best E-Banking” and “Best Non-cash Payments Security” by the Azerbaijan Banks Association. The Bank also secured the 1st place in the “STP Quality Award” by RBI Bank.

2021

PASHA Bank’s Online Loan product was selected as the “Best Banking Product” for SME by SME Banking Club, Best F2F – by Visa int in the region. In the same year, Bank was named as the “Best F2F Acquirer” in Azerbaijan.

2020

EMEA Finance named PASHA Bank as the “Best Bank of Azerbaijan” and “Best Investment Bank of Azerbaijan.” The Bank has also won the “Best Banking Product” and “Best Corporate Social Responsibility Program” awards among financial institutions operating in Central and Eastern Europe and the CIS.

Bank received awards for “Cashless Payments Promotion,” “Digital Banking,” “E-Banking,” “Best Corporate Social Responsibility” and “Most Active Education Supporter.” During the same year, PASHA Bank was also designated as the “Leading Bank in Internet Banking Services,” “Leading Bank in Contactless Payments” and “Leading Bank in Contactless POS-Terminal Infrastructure.”

2019

“Best Bank in Azerbaijan” – EMEA Finance

“Best Investment Bank in Azerbaijan” – EMEA Finance

“Best Product Launch” – EMEA Finance

2018

“CEO of the Year in CEE & CIS” – EMEA Finance

“Corporate Social Responsibility in CEE & CIS” – EMEA Finance

“Best Bank in Azerbaijan” – EMEA Finance

“Best Investment Bank in Azerbaijan” – EMEA Finance

“Best Private Bank” – Global Finance

“Best Bank in Azerbaijan” – Global Finance

“SAP Value Award” – SAP

“Best Commercial Bank in Azerbaijan” – World Finance

“Bank of the Year” – The Banker

“Leading Bank in Non-Cash Payments” – Central Bank of Azerbaijan and Azerbaijan Banks Association

2017

“Best Bank in Azerbaijan” – Euromoney

“Best Bank in Azerbaijan” – EMEA Finance

“Best Investment Bank in Azerbaijan” – EMEA Finance

“Corporate Social Responsibility in CEE & CIS” – EMEA Finance

“Best Bank in Azerbaijan” – Global Finance Magazine

2016

“Best Bank in Azerbaijan” – Global Finance

“Best Banking Group in Azerbaijan” – World Finance

“Best Commercial Bank in Azerbaijan” – World Finance

2015

“Best Banking Group in Azerbaijan” – World Finance

“Best Private Bank in Azerbaijan” – World Finance

“Best Commercial Bank in Azerbaijan” – World Finance

“Best Bank in Azerbaijan” – World Finance

“Best Bank in Azerbaijan” – EMEA Finance

“Participant of the Year” – Azerbaijan Microfinance Association (AMFA)

“Leading Company Promoting Gender Equality” – Azerbaijan Microfinance Association

2014

“Best Bank in Azerbaijan” – EMEA Finance

“Best Bank in Azerbaijan” – International Finance Magazine

“Best Investment Bank in Azerbaijan” – International Finance Magazine

“Best SME Bank” – International Finance Magazine

“Best Investment Bank in Azerbaijan” – EMEA Finance

“Best Private Bank” – World Finance (PASHA Bank Georgia)

“Bank of the Year” – Caspian Energy Forum (PASHA Capital)

“Best Broker in Azerbaijan” – EMEA Finance

2012

“Best Investment Bank in Azerbaijan” – EMEA Finance

“Best Bank in Azerbaijan” – BNE Survey

“Best Corporate Social Responsibility (CSR) Program in Europe” – Europe Banking Awards

2011

“Best Investment Bank in Azerbaijan” – EMEA Finance

VISION, MISSION, VALUES AND STRATEGIC GOALS

Strategy Execution

Competition and innovation in banking are growing by the day. To thrive in this highly competitive environment, adopting the right strategy is critical. PASHA Bank takes a holistic approach to strategy. The Bank is committed to developing a strategic mindset to adapt to the fast-changing world of banking. PASHA Bank's most recent strategic planning period covers the three years spanning from 2021 to 2023. The Bank sees its mission as a starting point and its vision as the destination. With this approach, PASHA Bank uses strategic planning as the roadmap to help navigate from one to the other.

PASHA Bank's mission: Serving its stakeholders

- As a dedicated financial partner, PASHA Bank contributes to the growth and development of its customers' businesses by providing high quality innovative products, services and expertise tailored to their needs and aspirations;
- As a responsible employer, PASHA Bank builds a team of highly skilled professionals by nurturing enabled, engaged and empowered people;
- As a committed corporate citizen, PASHA Bank aims to foster the sustainable economic development of Azerbaijan and the prosperity of society;
- As a reputable financial institution, PASHA Bank creates shareholder value and maintains a sound organization, which actively pursues emerging opportunities, thoughtfully invests in strategic priorities,

and delivers sustainable financial results;

- As a market leader, PASHA Bank is committed to transparent and prudent conduct of business.

PASHA Bank's vision is to be a leading Azerbaijani bank committed to the highest standards of ethics, indisputable business reputation and financial strength. The Bank is dedicated to providing top quality services, supporting the growth of its clients and pioneering digital channel development.

To move forward accordingly, PASHA Bank has set **four key strategic goals**:

- Maintaining its market share and achieving growth in its core business;
- Improving the customer experience;
- Strengthening its business processes and capabilities;
- Becoming a best place to work in the eyes of employees.



*Let the voice of the Khan, the pride of Karabakh, be heard!
The singer, who left a lasting impression on the hearts of his listeners with his clear
voice like a spring, was honored with the name 'Khan Shushinski' by the people.*

FINANCIAL AND OPERATIONAL INDICATORS

Key Financial Highlights (consolidated, AZN million)

	2020	2021	2022
Total Assets	6,112	7,008	9,218
Loans (net)	2,609	3,027	3,274
Deposits	4,092	5,182	7,252
Customer Time Deposits	1,388	1,534	1,771
Customer Current Accounts	2,704	3,648	5,481
Shareholders' Equity	592	577	648
Interest Income	266	315	380
Fee & Commission Income	61	83	120
Operating Profit	269	312	390
Total Operating Expenses	138	143	158
Net Profit	79	102	102

Key Financial Ratios (%)

	2020	2021	2022
Loans/Total Assets	42.69%	43.19%	35.52%
Loans/Deposits	63.76%	58.41%	45.15%
NPL Ratio	2.70%	3.50%	4.30%
Demand Deposits/ Total Deposits	66.08%	70.40%	75.58%
Shareholders' Equity/ Total Liabilities	10.71%	8.97%	7.56%
Capital Adequacy Ratio	15.50%	13.40%	17.10%

Financial Highlights (consolidated)

	2020	2021	2022
Net Profit (AZN million)	79	102	102
Total Assets (AZN million)	6,112	7,011	9,218

Operational Highlights (PASHA Bank Azerbaijan)

	2021	2022
Number of Personnel	1,062	1,150
Percentage of Women Employees (%)	40	40
Number of Branches	10	8



The Shusha fortress surrounded the city center and protected it from foreign interference for years. Its solid stone walls continue to bear witness to the vibrant history and cultural heritage of the region.

MANAGEMENT STRUCTURE



Panah Ali Khan, the founder of the Karabakh Khanate, was renowned as an outstanding general and statesman. The construction of the Shusha city-fortress, initiated in 1750, stands out as the most significant among his undertakings.

PASHA BANK MANAGEMENT

Supervisory Board



**Mir Jamal Pashayev/
Chairman of the Supervisory Board**

Mr Mir Jamal Pashayev graduated from Moscow State University, Physics Department in 1993. He went on to obtain his Master of Science in Engineering from University of California in 1996, followed by a Master of Business Administration from American University in Washington, DC in 1998. He joined Mobil Corporation as a business project consultant in the company's Dallas and Washington offices in 1998.

He arrived in Baku in 1999, where he assumed the position of consultant to the Central Bank of Azerbaijan. In 2000, Mir Jamal Pashayev joined the European Bank for Reconstruction and Development (EBRD) as financial analyst and was soon promoted to the position of banker on infrastructure projects.

From 2005 to 2008, he was engaged in consulting activities for large-scale investment projects in the areas of infrastructure, telecommunications and financial services.

Mir Jamal Pashayev has been the Managing Director at PASHA Holding since 2006 until 2019 and afterwards holds position of Deputy Chairman of Board of Directors.



**Farid Akhundov/
Member of the Supervisory Board**

Mr Akhundov graduated from the Institute of Economics of Azerbaijan in 1992. He also completed Management coursework at Nottingham Trent University. In 1994, Farid Akhundov was one of the first Azerbaijani citizens to win the Chevening Scholarship – a prestigious UK Government award administered by the British Foreign and Commonwealth Office. In 1995, he obtained an MBA degree from Salford University, Manchester, UK. He began his professional career in 1991 as an economist at a metal manufacturing facility. After a year, he moved on to the Azerbaijan Republic State Committee on Economics and Planning as a senior economist responsible for foreign economic relations. From 1996 to 2003, Farid Akhundov held several key positions at the British Bank of the Middle East (subsidiary of HSBC). There, he moved from the position of financial control manager to the head of the customer services and corporate banking departments; subsequently, he was promoted to Deputy CEO of HSBC Azerbaijan. In 2003, Farid Akhundov joined Most Bank Azerbaijan as Chairman of the Executive Board where he oversaw the restructuring and rebranding of Most Bank Azerbaijan to Bank Standard JSC – one of the largest commercial banks in the country at that time. Farid Akhundov joined PASHA Bank in 2007 as Chairman of the Executive Board and was appointed to the Supervisory Board on July 1, 2015.



**Vadim Shneyer/
Member of the Supervisory Board**

Mr Vadim Shneyer graduated from Baku State University, Department of Law with an Honors Diploma in Law in 1991. From 1991 to 1997, he worked as an attorney at different Azerbaijani and foreign companies, including Baku Interbank Currency Exchange and Far East Levingston Shipbuilding. Between 1997 and 2001, Vadim Shneyer was a Managing Partner in the Baku office of Dr. Entezari & Associates law firm. In 2001, he joined the Almaty (Kazakhstan) office of Michael Wilson & Partners law firm, working there until 2005. In 2005, he joined BM Law Firm Baku office, where he worked until 2007. In 2007, Vadim Shneyer started work at PASHA Holding LLC as Head of the Legal Department; in 2011, he was appointed Deputy Director of PASHA Holding LLC. From 2008 to 2013, Vadim Shneyer was Chairman of the Supervisory Board of Kapital Bank OJSC.



**Nariman Sardarli/
Member of the Supervisory Board**

Mr Nariman Sardarli graduated from Brooklyn College – City University of New York with a Bachelor's degree in Business, Management and Finance in 2004. That same year, he commenced his professional career as Audit Associate at Deloitte Azerbaijan. In 2005, Nariman Sardarli joined PwC Baku office as Auditor. In 2007, he joined the newly

established PASHA Bank as MIS Expert in the Financial Management Department with responsibility for internal and external financial reports. In 2009, Nariman Sardarli moved over to PASHA Holding where he joined the Investments and Projects Department as Investment Manager responsible for developing the Holding's PE/VC financing vehicle. In March 2009, he was appointed Chairman of the Audit Committee at PASHA Bank; in 2010, he was appointed member of PASHA Bank's Supervisory Board. In 2012, Nariman Sardarli received a scholarship from the State Program to obtain his MBA from IE Business School (Spain). There, he participated in an exchange program with Kellogg School of Management at Northwestern University (USA).

On February 1, 2015, Nariman Sardarli was appointed Director of the Investments and Projects Department at PASHA Holding.



**Shahin Mammadov/
Member of the Supervisory Board**

Mr Shahin Mammadov graduated from Azerbaijan State Economic University where he received a Bachelor's degree in Accounting and Audit in 2002. In 2004, he was awarded a Master's degree from the same university in Accounting and Audit. In 2010, Mr. Mammadov received his Ph.D. in Economics from Academy of Sciences of the Republic of Azerbaijan. Shahin. Mammadov started his career as an accountant in 2003 and was later promoted to Deputy Chief Accountant at Yapı Kredi

Bank Azerbaijan (former Kocbank Azerbaijan JSB). He joined Deloitte & Touche in 2005 as Associate Auditor and was subsequently promoted to Audit Manager. In 2009, Mr. Mammadov was assigned to the position of Director of the Financial Management Department at PASHA Bank Azerbaijan; in 2011, he became Chief Financial Officer and member of the Executive Board. In 2013, he joined the Board of Directors of PASHA Bank Georgia supervising the business development function. In July 2014, Mr. Mammadov was appointed CEO and Chairman of the Board of Directors at PASHA Bank Georgia. Since March 2015, Shahin Mammadov has been a Member of the Supervisory Board of PASHA Bank Turkey.

In January 2018, Mr. Mammadov was assigned to the position of Business Support Director and Deputy CEO at PASHA Holding. On March 1, 2018, Shahin Mammadov became Member of the Supervisory Board of PASHA Bank Azerbaijan; on May 30, 2018, he was appointed Member of the Supervisory Board of PASHA Bank Georgia. Mr. Mammadov successfully completed several education programs at a number of top business schools as a part of the High Potential Leadership Program organized by PASHA Holding in 2013. In 2012, Shahin Mammadov enrolled in Harvard Business School's Program for Leadership Development (Executive Education Program); in 2013, he graduated from PLD after completing Modules 1-4. In 2017, he enrolled in and completed Module 5 of HBS's Program for Leadership Development.

Mr. Mammadov obtained Alumni Status from Harvard Business School in July 2017. Shahin Mammadov has been a Member of the Association of Chartered Certified Accountants (ACCA) since 2014.

Executive Board



Javid Gouliyev / Deputy Chairman of the Executive Board, Chief Commercial Officer

Mr Javid Gouliyev began his professional career in 1996 as Head of the Clients Department at British Bank of the Middle East, a subsidiary of HSBC; in 1999, he served as Head of the Financial Control Department at that bank. In 2003, Mr. Gouliyev joined Unibank, first as Advisor to the Board; in 2004, he was appointed First Deputy Chairman of the bank. Between 2005 and 2012, Mr. Gouliyev was First Deputy Chairman at Bank Standard. In 2012, he was appointed Executive Finance Director at Capital Resources Advisors – Azerbaijan Branch. In 2014, he joined PASHA Holding as Chief Advisor. Javid Gouliyev began his career at PASHA Bank in 2015 as Business Development Advisor to the Chairman of the Board. On February 22, 2016, he was appointed Deputy Chairman of the Executive Board at PASHA Bank. On March 1, 2018, Javid Gouliyev was appointed Deputy Chairman of the Executive Board and Chief Commercial Officer of PASHA Bank. Mr. Gouliyev graduated from Azerbaijan University of Languages and Azerbaijan State Economic University majoring in Finance and Credit. In 1999, he also completed study at the Higher School of Management at HSBC Group.



Bahruz Naghiyev/Member of the Executive Board, Chief Financial Officer

Mr Bahruz Naghiyev graduated from George Washington University (GWU) with a Bachelor

of Business Administration in Finance in 2008. He is also currently a candidate to receive his EMBA degree from Columbia University – London Business School joint program. In addition, Mr. Naghiyev successfully completed the Executive Leadership Programs at London Business School, IE Madrid and Ashridge University London. Mr. Naghiyev began his professional career in 2009 as Financial Operations Coordinator at George Washington University. In 2010, he opted to return to Azerbaijan and started work as Financial Analyst/Accounting Analyst at Aztexnika company. In 2011, he joined PASHA Bank, initially as Treasury Control Expert. Later, in 2013, he served as Expert in the Management Information System/Budgeting function at the Bank. In 2014, Mr. Naghiyev was appointed Director of the Treasury & Capital Markets Department. Throughout his tenure at PASHA Bank, Mr. Naghiyev has obtained extensive professional experience in multiple areas of the business, including accounting, internal and external reporting, treasury, as well as front and back-office functions.

Mr. Naghiyev was promoted to Chief Financial Officer and appointed to the Executive Board on March 29, 2018.



Hayala Naghiyeva / Member of the Executive Board, Chief Risk Officer

Mrs Hayala Naghiyeva holds a degree in International Economic Relations and Business Administration from Azerbaijan State Economic University, where she graduated in 2004 with distinction. In 2002, Ms. Naghiyeva spent part of her undergraduate studies in the US

supported by a George Soros Scholarship from Open Society Institute. From 2003 to 2006, Hayala Naghiyeva served as Financial Auditor at Deloitte CIS. There, she worked with both domestic and international banks, in addition to companies in the insurance, oil-and-gas, construction and real estate, hotel and leisure sectors, both in Azerbaijan and across the CIS. In 2007, Ms. Naghiyeva was promoted to Senior Advisor in Financial Advisory Services (FAS) with Deloitte CIS. She was seconded to Almaty, Kazakhstan where she participated in financial advisory projects for various local and regional companies. Subsequently, Hayala Naghiyeva led Deloitte's Financial Advisory Services practice in Azerbaijan. As the head of FAS, she attended numerous advanced professional trainings on business analysis and valuation, due diligence, and financial modelling while providing services to local and multinational clients. From 2006 to 2012, Hayala Naghiyeva delivered instruction in Banking and Corporate Finance to Special Talent Groups at Azerbaijan State Economic University. In 2009, Ms. Naghiyeva joined PASHA Holding LLC as Investment Manager and took part in the company's capacity building activities related to investment decision-making. At PASHA Holding, she spearheaded numerous equity investment projects. In 2013, Ms. Naghiyeva participated in several executive education programs as a part of PASHA Holding's High Potential Leadership program. In 2010, Hayala Naghiyeva became a member of PASHA Bank's Audit Committee; she chaired the committee from 2012 to 2014. In April 2015, she was appointed Director of the Credit Risk Underwriting Department at PASHA Bank. On September 3, 2015, Hayala Naghiyeva was appointed Member of the Executive Board and Chief Financial Officer at the Bank.

On March 1, 2018, Ms. Naghiyeva was appointed Member of the Executive Board and Chief Risk Officer at PASHA Bank.



Jalal Orujov / Member of the Executive Board, Chief Operating Officer

Mr Jalal Orujov graduated from Azerbaijan State University of Economics, Faculty of Finance and Credit in 1999. He started his professional career in 2001 at European Union TACIS Program's Coordination Bureau as Lead Expert. From 2002 to 2005, Mr. Orujov worked at the Central Bank of the Republic of Azerbaijan as Lead Expert and was promoted to Head of the Payments Systems and Information Technologies Department. Between 2005 and 2006, he served as Director of the Millikart Processing Centre at the Central Bank. From 2006 to 2016, Mr. Orujov was the Executive Director at Millikart LLC Processing Centre. Between 2016 and 2017, he served as CTO at Unibank. Subsequently, Mr. Orujov was Managing Director at International Bank of Azerbaijan from 2017 until 2018. Jalal Orujov joined PASHA Bank in 2018 as Member of the Executive Board and Chief Operating Officer.



Murad Suleymanov / Member of the Executive Board, Chief Financial Officer

Mr. Murad Suleymanov is an alumnus of the Azerbaijan State Oil Academy. In 2007, Mr. Suleymanov obtained a Bachelor's degree in Engineering Economics and Management. Later, in 2009, he completed his Master's degree in the same major with honors. From 2008 to 2011, Mr. Suleymanov worked as a Financial Auditor at the Audit Department of the Azerbaijan branch of Ernst & Young Holdings (SiAyEs) Bi.Vi company. During this period, he provided audit services to

enterprises in the oil and gas, manufacturing, and telecommunication sectors. In October 2011, Mr. Suleymanov joined PASHA Insurance OJSC and held various positions, including Deputy Director of Finance and MIS, Finance Director, and Member of the Management Board. In these roles, he oversaw finance, actuarial, investment management, administrative management, procurement, and risk management departments. He also participated in training programs and leadership modules within the "High Potential Leadership" program of PASHA Holding LLC from 2015 to 2017. In May 2019, Mr. Suleymanov was appointed Director of the Group Finance and IT Department at PASHA Holding LLC, where he managed accounting and taxes, procurement, treasury, reporting, budgeting, and IT management.

Since July 2022, Mr. Suleymanov has been serving as the Chief Financial Officer and Member of the Executive Board of PASHA Bank OJSC.

PASHA Bank Georgia

Nikoloz Shurgaia / CEO, Chairman of Board of Directors

Nikoloz Shurgaia received his Bachelor's degree in finance and Credit at Tbilisi State University. He also holds Master's degree in Economics and MBA from London Business School in Business Administration.

He started his career at Eximbank of Georgia (later United Georgian Bank) in 1994 where he held various positions until 2002. In 2004, he worked as an Assistant Vice-President for ABN AMRO BANK, in Moscow. After one year, he was appointed as Principal Banker at EBRD's Financial Institutions Group in London. Between 2008 and 2009, he held the position of General Director (CEO) at VTB Bank Georgia. From 2009 to 2011, he worked as an Executive Chairman

of Belarusky Narodny Bank in Minsk and simultaneously held a position of Deputy CEO at Bank of Georgia.

In 2012-2014, he became Chairman of the Management Board (CEO) at Rabitabank in Baku. From 2016 to 2020, he was Chairman of the Management Board (CEO) at Yelo Bank in Baku. Since 2011, he has been an Independent Advisor in Azerbaijan, Belarus, Georgia, and Kazakhstan (Georgian Stock Exchange, PASHA Bank Georgia, Bank Moscow-Minsk, EvrotorgInvestBank, Caspian Financial Group).

On April 29, 2021, Nikoloz Shurgaia was appointed as CEO, Chairman of the Board of Directors of JSC PASHA Bank Georgia.

Levan Aladashvili / Member of the Board of Directors, Chief Risk Officer

Levan Aladashvili graduated from Tbilisi Technical University and obtained his Bachelor's degree in Banking in 2005. He has participated in numerous professional trainings in the areas of risk assessment, risk management, and financial analysis. He began his professional career at ProCredit Bank Georgia. Between the years 2006 and 2015, he worked for VTB Bank Georgia in Corporate Banking and Credit Risk Departments.

From 2015, Levan Aladashvili continued his professional career as Head of Credit Risks Department at PASHA Bank Georgia. In 2019, Mr. Aladashvili was appointed on the position of Deputy Chief Risk Officer.

Since May 17, 2021, Levan Aladashvili holds the position of Chief Risk Officer and Member of the Board of Directors at JSC PASHA Bank Georgia.

Selim Berent / Member of PASHA Bank Board of Directors, CFO

Mr. Selim Berent graduated from Koc University, Istanbul, with the Bachelor's degree in Business Administration in 1998. He is also an alumnus of

Robert College, Istanbul.

Mr. Selim Berent started his career as the financial controller in Roche Diagnostics, Istanbul in 2003. He then, worked as consultant for PricewaterhouseCoopers, in Istanbul, advising reputable companies in finance function efficiency.

From November 2012, he proceeded his career as Chief Financial Officer of a gold mining company, AIMROC, in Baku.

He joined JSC PASHA Bank Georgia in April 2019 as Strategy Advisor to CEO. During his tenure with PASHA Bank Georgia as the adviser to CEO, Mr. Berent has effectively guided the Bank's strategy function.

Mr. Berent was appointed by the Supervisory Board of JSC PASHA Bank Georgia as the Chief Financial Officer of the Bank effective from

PASHA Bank Turkey

H. Cenk Eynehan/Member of PASHA Yatırım Bankası A.Ş. Board of Directors, CEO

Mr H. Cenk Eynehan received his Associate's degree in Economics from Erasmus University (Netherlands), Bachelor's degree in Management from Monroe College (New York, USA), and Executive MBA from Koç University (Istanbul, Turkey). Mr. Eynehan started his banking career in 1994, serving in various management and business development capacities at DHB Bank (Netherlands) N.V. until 2001. He continued his professional career as a managing partner in the non-financial sector between 2002 and 2004. In 2005, Mr. Eynehan joined Şekerbank T.A.Ş. and held executive positions in various departments until 2010. He was Deputy General Manager in charge of Corporate Marketing & Sales at Ekspo Faktoring A.Ş. from 2011 until 2013. H. Cenk Eynehan began serving as CEO and Board Member at PASHA Yatırım Bankası A.Ş. on August 2, 2013. He concurrently held the position of Board Member at PASHA

Bank Georgia between September 2015 and December 2018.

Ayşe Hale Yıldırım/Deputy CEO of PASHA Yatırım Bankası A.Ş.

Mrs Ayşe Hale Yıldırım completed her undergraduate education in 1998 at Istanbul University, Department of Economics. Ms. Yıldırım started her banking career at Türk Ekonomi Bankası A.Ş. in 1998. She worked in various positions in corporate banking departments at Finansbank A.Ş. from 2004 until 2008. Ms. Yıldırım went on to serve as Marketing Manager and Deputy General Manager at Ekspo Faktoring A.Ş. from 2008 to 2013. She joined PASHA Yatırım Bankası A.Ş. as Manager of the Corporate Marketing Department in 2013. Ayşe Hale Yıldırım is the acting CEO of PASHA Yatırım Bankası A.Ş. as from May 17, 2019, and currently serves as Deputy CEO in charge of Marketing, Corporate Communications and Administrative Affairs. She has 22 years of experience in banking and business administration.

Uğur Koç/Deputy CEO of PASHA Yatırım Bankası A.Ş.

Mr Uğur Koç completed his undergraduate education in 1993 at Middle East Technical University, Department of Political Science & Public Administration. Mr. Koç started his professional career at TC Ziraat Bank in 1993. Subsequently, he worked at Çukurova Steel Industries A.Ş. and in various positions at different banks – Kentbank, Anadolubank and Finansbank – from 1996 until 2014. Mr. Koç served as Head of the Commercial Loans Department at Burgan Bank between 2014 and 2016. On September 18, 2017, Uğur Koç joined PASHA Yatırım Bankası as Deputy CEO in charge of Credits, Change and Project Management, Information Technologies and Security. He has 27 years of experience in banking and business administration.

Benan Bilge Köksal/Deputy CEO of PASHA Yatırım Bankası A.Ş.

Mr Benan Bilge Köksal graduated from

Bahrain University, Department of Business Administration in 2000. She began her professional career at Yapı Kredi Bankası Bahrain Branch in 1996. Ms. Köksal went on to work at HSBC Bahrain Branch until 1999. From 2000 until 2003, Benan Bilge Köksal worked at Arthur Andersen, the independent auditing and consultancy firm, where her focus was auditing of financial services providers. During her 16-year tenure at Yapı Kredi Portföy Yönetimi A.Ş., she served as Manager of Finance and Administrative Affairs until 2003, and subsequently as CFO, Director of Operations, IT, Finance and Administrative Affairs until 2019. Benan Bilge Köksal has been Deputy CEO in charge of Financial Planning, Control, Strategy and Accounting at PASHA Yatırım Bankası since September 23, 2019. Ms. Köksal has 23 years of experience in banking and business administration.

Board and Committee Members

Supervisory Board:

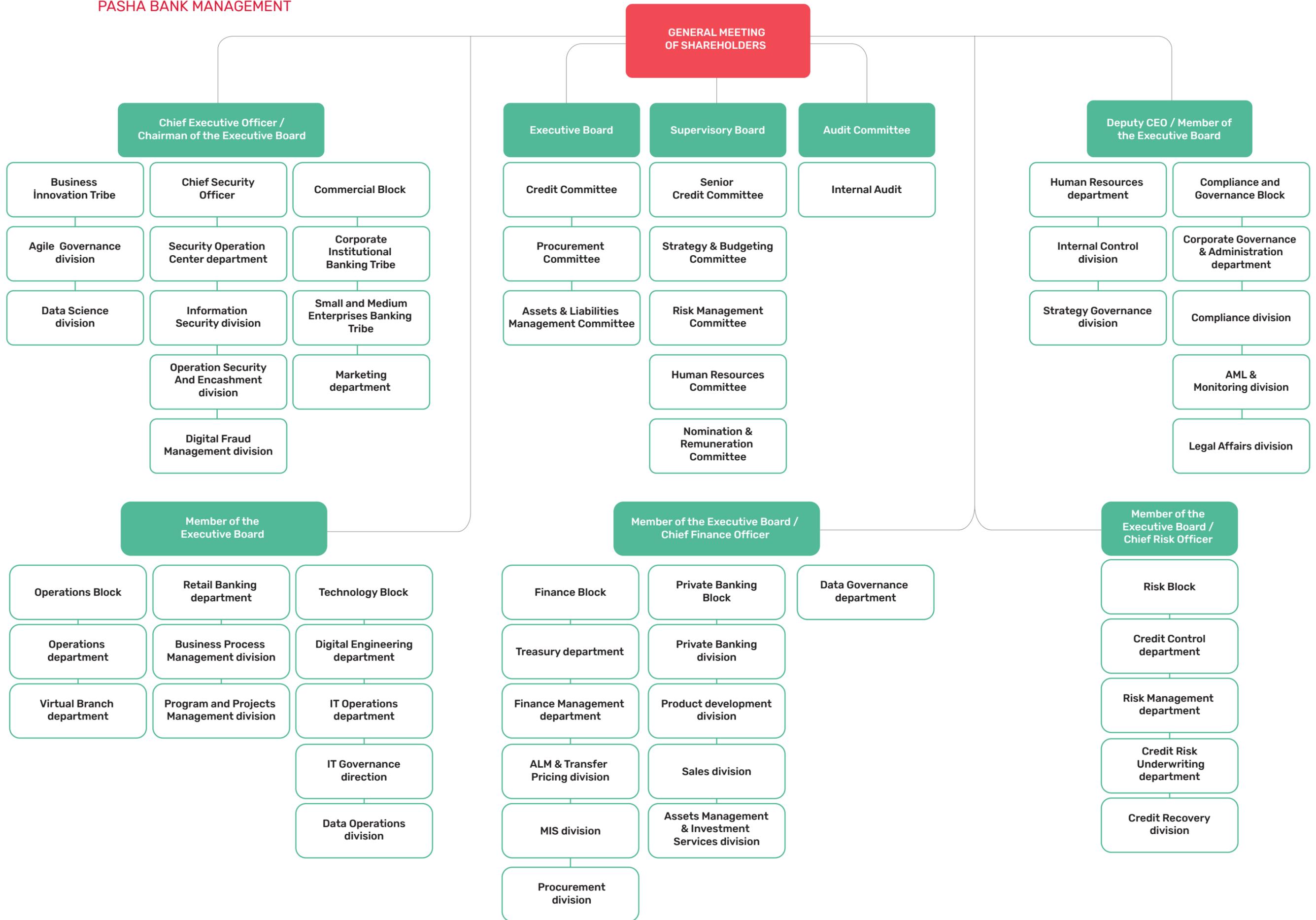
Mir Jamal Pashayev – Chairman
Farid Akhundov – Member
Vadim Shneyer – Member
Nariman Sardarli – Member
Shahin Mammadov – Member

Management Board:

Javid Guliyev – Chairman
Bahruz Naghiyev – Deputy Chairman
Hayala Naghiyeva – Member
Murad Suleymanov – Member
Jalal Orujov – Member

Composition of the Human Resources Committee

1. PASHA Holding, Deputy CEO, Shahin Mammadov – Chairman
2. PASHA Holding, Group HR Director of HR and Administrative Affairs Department – Ayten Abbasli – Member
3. PASHA Holding, Group HR Manager of HR Department – Jamal Ismayilov – Member



Composition of the Nomination and Remuneration Committee

1. PASHA Holding, Deputy CEO, Shahin Mammadov – Chairman
2. PASHA Holding, CEO, Jalal Gasimov – Member
3. PASHA Holding, Group HR Director, Ayten Abbasli – Member
4. PASHA Holding, Deputy CEO, Farid Mammadov – Member
5. PASHA Bank, CRO, Hayala Naghiyeva – Member

Composition of Risk Management Committee

1. PASHA Holding, Deputy CEO, Shahin Mammadov – Chairman
2. PASHA Holding, Group Risk Management Director, Asaf Huseynov – Member
3. PASHA Holding, Director of Macroeconomic Research Department, Elman Eminov – Member
4. PASHA Holding, Banking Group Manager, Vugar Akhundov – Member
5. PASHA Bank, CRO, Hayala Naghiyeva – Member
6. PASHA Bank, CFO, Murad Suleymanov – Member
7. PASHA Bank, COO, Jalal Orujov – Member
8. PASHA Holding, Chairman of Audit Committee, Parvin Ahadzade – Non-voting Member

Composition of the Strategy & Budget Committee

1. PASHA Holding, Director of Strategy Management Department, Teymur Huseynov – Chairman
2. PASHA Holding, Senior Specialist, Group Finance-Business, Ruslan Hasanov – Member
3. PASHA Holding, Treasury and Budgeting Manager, Afgan Afganli – Member
4. PASHA Holding, Chief Accountant, Khayal Baghirov – Member
5. PASHA Holding, Director of Macroeconomic Research Department, Elman Eminov – Member

Composition of Strategy and Budget Committee

1. "PASHA Holding" LLC, Director of Strategy Management Department Teymur Huseynov – Chairman of the Committee;
2. "PASHA Holding" LLC, Deputy CEO and Business Group Director – Farid Mammadov –

- Independent Member of the Committee;
3. "PASHA Holding" LLC, Senior Specialist, Group Finance-Business, Ruslan Hasanov – Independent Member of the Committee;
 4. "PASHA Holding" LLC, Group Finance and IT Department Director – Murad Suleymanov – Independent Member of the Committee;
 5. Counsel of Chairman of the Executive Board, Turkhan Mahmudov – Independent Member of the Committee.

Composition of Big Credit Committee

1. PASHA Holding, Deputy CEO, Shahin Mammadov – Chairman
2. PASHA Holding, Business Group Manager, Vugar Akhundov – Member
3. PASHA Investment LLC, Investment Director, Ulvi Baghirov – Member
4. PASHA Investment LLC, Investment Manager, Zaur Melikov – Member
5. PASHA Holding, Senior Specialist, Group Finance-Business, Ruslan Hasanov – Member

Composition of Audit Committee

1. PASHA Holding, Group Audit Director, Parvin Ahadzade – Chairman
2. PASHA Management Company, Group Audit Director, Svetlana Aliyeva – Member
3. PASHA Holding, Senior Audit, Ramil Heydarov – Member

Procurement Committee

1. PASHA Bank, CFO, Murad Suleymanov – Chairman
1. PASHA Bank, Head of Procurement Division, Ayaz Naghiyev – Member
2. PASHA Bank, Risk Management Director, Orkhan Vahabov – Member
3. PASHA Bank, Head of Compliance Division, Aynura Ismayilzade – Member
4. PASHA Bank, Business innovations Tribe Lead, Zaur Baghirov – Member
5. PASHA Holding, Manager of Group Finance and IT Department, Malik Abdullayev – Non-voting Member

Composition of Credit Committee

1. PASHA Bank, Credit Risk Underwriting

- Director, Elmin Isgandarov – Chairman
2. PASHA Bank, COO, Jalal Orujov – Member
 3. PASHA Bank, Chief Officer of Technology Block, Vusal Khalilov – Member
 4. PASHA Bank, Corporate Banking Tribe Lead, Farid Guliyev – Member
 5. PASHA Bank, Risk Management Director, Orkhan Vahabov – Member

Composition of Assets and Liabilities Management Committee

1. PASHA Bank, Deputy CEO, Bahruz Naghiyev – Chairman
2. PASHA Bank, CEO, Javid Guliyev – Member
3. PASHA Bank, Chief Officer of Private Banking, Agshin Mirzazade – Member
4. PASHA Bank, Risk Management Director, Orkhan Vahabov – Member
5. PASHA Bank, CFO, Murad Suleymanov – Member



The house belonging to Natavan, the revered daughter of the khan, stands as an example of Shusha's cultural elegance. It served as a center of literature and art in the 19th century. Natavan, the daughter of the khan, made her house a symbol of intellectual gatherings, and its heritage has been preserved until now.

GLOBAL MACROECONOMIC OUTLOOK AND AZERBAIJAN'S ECONOMY

Global Economy in 2022

Global Economic Activity

The global economy in 2022 was marked by significant uncertainties stemming from heightened geopolitical and geo-economic tensions. Central banks implemented monetary policy tightening measures to combat persistent inflation, which in turn constrained global economic growth. However, in the second half of the year, several countries initiated government programs aimed at supporting consumers impacted by rising energy prices, which stimulated economic growth. According to the IMF's January 2023 World Economic Outlook (WEO) report, global growth in 2022 is estimated to be 3.4%, a decrease of 1 percentage point compared to the January 2022 forecast of 4.4%. Furthermore, the latest report predicts economic growth rates of 2.9% and 3.1% for 2023 and 2024, respectively.

Prices in commodity markets and global inflation

At the beginning of the year, the easing of pandemic-related restrictions coupled with inflationary pressures had an impact on the behavior of global commodity prices. The World Bank's Commodity Markets Outlook in January 2022 reported a 16.4%

increase in energy prices and a 6.3% increase in food prices for the year. According to the U.N. Food and Agriculture Organization (UN FAO), in March 2022, the food price index experienced a year-on-year increase of 34% followed by a gradual decline in the subsequent months, reaching a 1% year-on-year decrease by the end of the year. The average price for Brent oil in 2022 was approximately USD 99.2 per barrel, representing a 40% increase compared to the average price in 2021 (USD 70.9 per barrel). The IMF's January release forecasts a decrease in the average oil price to USD 81.1 per barrel in 2023 (USD 85.5 per barrel in the October release) and further decline to USD 75.4 per barrel in 2024. The IMF also predicts a 1.1 million barrel/day increase in oil and other liquid fuel production in 2023. As for gas prices, the average annual price was USD 1,404.9, with a peak in Europe in Q3 (USD 3,578). However, due to higher underground gas reserves, reduced consumption, and elevated storage levels in Europe, prices declined by 76.1% by the end of 2022.

Major Economies

According to the IMF, Advanced Economies (AEs) are expected to experience a 2.7% economic growth, which is a decrease of 1.2 percentage points compared to the January 2022 forecast. The growth

Maestro Niyazi is the founder of a conducting school in Azerbaijan. He made significant contributions to the national musical culture and played an unparalleled role in enriching our musical heritage by bringing forth the creativity of Azerbaijani composers to the people.



is projected to further decline to 1.2% in 2023 and then slightly rise to 1.4% in 2024. The IMF revised down the economic growth forecasts for the USA, the Euro Area, the UK, and Japan (2%, 3.5%, 4.1%, and 1.4% respectively) compared to the January 2022 forecast. This revision was attributed to the fall in oil and non-oil commodity prices since October, which were factored into the estimations. In December, unemployment in the USA decreased to 3.5% and remained stable in Japan, the Euro Area, and the UK (2.5%, 6.6%, and 3.7% respectively in November 2022), reaching close to historical lows. In 2022, the Dow Jones fell by 9%, the S&P 500 by 12.4%, the NASDAQ by 33.5%, the FTSE Eurotop by 5.9%, and the Nikkei by 9.2%.

Economic growth in Emerging Market Economies (EMEs) was also revised down by 0.9 percentage points to 3.9% compared to the January 2022 forecast. The real estate crisis and the resurgence of COVID-19 in China not only weakened economic activity in the country but also had a spill-over effect on economic activity in other EMEs. Sanctions had a dramatic impact on economic activity in Russia. In 2022, the EU completely stopped coal supply from Russia and reduced gas imports through the pipeline to a minimum towards the end of the year. Additionally, the EU banned Russian crude oil supply by sea and implemented a price cap for it in early December, resulting in low oil revenues for the country amid sanctions.

It is forecasted that global inflation will decrease to 6.6% in 2023 and further decline to 4.3% in 2024. The report also forecasts inflation to be at 7.3% in AEs and 9.9% in EMEs in 2022. According to IMF estimates, inflation in about 84% of countries is expected to be lower in 2023 compared to 2022. However, this rate is still projected to be higher than the pre-pandemic level (3.5%, 2017-2019). In response to inflationary pressures, 70 central banks increased the policy rate, 4 central banks reduced it, and 11 central banks left it unchanged over the year. The US Federal Reserve (Fed) increased the policy rate from 0-0.25% to 4.25-4.5%, the Bank of England (BoE) from 0.25% to 3.5%, and the European Central Bank (ECB) from 0-0.25% to 2.5-2.75%.

Risks

The January 2023 update of the World Economic Outlook indicates a slight slowdown in global risks compared to October. The current risks are generally classified as follows:

- Delayed recovery of the Chinese economy;
- High energy and food prices resulting from the further escalation of geopolitical and geoeconomic challenges;
- High borrowing costs and low economic growth in Emerging Market Economies (EMEs);
- Deviation of inflation expectations from the target due to soaring global demand;
- Negative effects of tight monetary policy decisions by central banks on economic activity;
- Further restrictions on cross-border capital flows, labor force movement, international payments, and obstacles to multilateral cooperation.

The IMF recommends prioritizing the achievement of target inflation rates through interest rate adjustments. Effective communication between central banks and the general public, along with timely responses to information updates, will help maintain stable inflation expectations and reduce price pressures. Depending on macroeconomic conditions, macroprudential tools may be utilized to address vulnerabilities in the financial system. Investments in green energy technologies will enhance energy security. Utilizing the global financial security network and strengthening global trade can contribute to the resilience of economies.

Source: CBAR, IMF

Azerbaijan Economy in 2022

Economic Growth

In 2022, economic activity continued, primarily driven by the non-oil and non-gas sectors, which also contributed to employment growth. All components of aggregate demand supported economic activity. According to the State Statistical Committee (SSC), the real GDP increased by 4.6% to nominal AZN 133.8 billion in 2022. Per capita GDP reached AZN 13,292. The oil and gas sector's value added decreased by 2.7% to nominal AZN 64 billion. Crude oil extraction amounted to 32.6 million tons

(a 5.6% decrease compared to the previous year), while natural gas extraction increased by 7.3% to 35 billion m³. The real value of total production in the oil products sector decreased by 4.2% year-on-year. Non-oil value added showed a real increase of 9.1% to nominal AZN 69.8 billion. Production in the non-oil and gas segment of the industry increased by 7.1%. Freight and passenger transport witnessed year-on-year increases of 12.8% and 33.5% respectively, while information and communication sector grew by 14.8%. The tourism sector experienced significant growth of 58.2% on an annual basis due to the removal of pandemic-related restrictions.

Aggregate Demand

In 2022, aggregate demand expanded primarily due to consumer demand. The sales of goods and services in the market to meet consumer demand increased by 4.4% in real terms, reaching AZN 63 billion. Retail trade turnover in 2022 increased by 3.1% in real terms, amounting to AZN 52.2 billion. Within retail trade, turnover on food products, beverages, and tobacco products increased by 2.3%, while non-food trade turnover increased by 4%. Consumers allocated 56.3% of their funds to food, beverages, and tobacco products in retail trade outlets. Public catering turnover experienced a significant growth of 37% in real terms. Paid services to the population increased by 8% in real terms, reaching AZN 9.2 billion. Per capita consumption of paid services increased by AZN 144.7, averaging AZN 919.1 in nominal terms in 2022.

The growth dynamics of nominal income of the population played a crucial role in driving consumer demand in 2022. According to the SSC, money income of the population increased by 20.5% in nominal terms, amounting to AZN 68.9 billion. Disposable income of the population increased by 20.8%, reaching AZN 61.9 billion. The average monthly nominal salary for hired labor increased by 14.6% to AZN 829.9 over the 11 months of 2022. Loans to households increased by 31% in 2022, reaching AZN 11.3 billion.

Government spending played a critical role in supporting domestic demand. State budget expenditures amounted to AZN 32.1 billion (a year-

on-year increase of 16.9%), with AZN 11.6 billion directed towards social spending, representing a year-on-year increase of AZN 1.3 billion or 12.4%. Investment in the non-oil and gas sector increased by 13.6% in real terms. The public sector accounted for 50.7% and the private sector for 49.3% of the total investments of AZN 1.5 billion in the non-oil and gas industry. Internal sources contributed to 80.6% of the investments, while foreign sources accounted for 19.4%.

Inflation

According to the SSC, annual inflation reached 14.4% in 2022 (December 2022 compared to December 2021). The average annual inflation rate for January to December 2022 stood at 13.9%. The overall inflation was primarily driven by an increase in food prices. Annual food inflation was 19%, while the average annual food inflation in December 2022 was 19.5%. Non-food prices increased by 11.9% on an annual basis and by 8.6% on average for the year. Prices for services rose by 10.2% year-on-year, with an average annual service inflation of 10.4%. In December, prices for 10.4% of goods and services included in the consumer basket either decreased or remained unchanged. The dynamics of actual inflation also influenced inflation expectations. According to December surveys for Q4 2022, 82% of households expect inflation in the next 12 months, with 22% anticipating a higher inflation rate.

Analysis of inflationary factors suggests that over half of the direct and indirect price increases are attributable to factors of foreign origin. High annual import prices (23.4% in November 2022) can be attributed to the surge in global commodity prices amid geopolitical tensions, rising transportation-logistic expenses, and high inflation in Azerbaijan's trade partners. The average weighted inflation, considering imports, across the main trading partners, is estimated to have increased from 11.7% in December 2021 to 20.4% in December 2022.

The new operational framework introduced in September and the anti-inflationary measures implemented by the government had a downward effect on inflation. According to updated forecasts, assuming the baseline scenario remains stable,

annual inflation is expected to be around 8% in 2023.

FX market and the manat exchange rate

In 2022, the exchange rate of the Azerbaijani manat (AZN) against foreign currencies was determined based on the supply and demand ratio in the foreign exchange (FX) market. The balance of payments surplus and the macroeconomic framework contributed to maintaining equilibrium in the FX market. The significant balance of payments surplus resulted in a higher supply of foreign currency in the FX market. Cashless transactions in the FX market increased by 13.9% to USD 31.7 billion equivalent, with 83.4% denominated in USD and 16.6% in other currencies. Interbank FX market operations accounted for 28.6% of the transactions, while intrabank FX market operations accounted for 71.4%.

The Central Bank of Azerbaijan Republic (CBAR) continued to conduct currency auctions to sell foreign currency provided by the State Oil Fund of Azerbaijan Republic. In total, the CBAR held 99 currency auctions during the reporting year. The CBAR's intervention in the FX market focused on purchasing foreign currency and amounted to USD 2,048 million. The official exchange rate of the AZN against the USD was determined based on the average exchange rate of interbank transactions, including both auctions and over-the-counter transactions on the Bloomberg platform. The average official USD/AZN exchange rate for the year was AZN 1.7. The buy/sell exchange rates set by commercial banks were close to the official rate, with an average buy/sell rate of 1.6971/1.7024.

The exchange rate of the AZN primarily strengthened against the currencies of trade partners. The AZN appreciated against the euro, Turkish lira, British pound, Kazakh tenge, Japanese yen, Swiss franc, and Ukrainian hryvnia, while it depreciated against the Russian ruble and Georgian lari. Overall, the total trade-weighted non-oil NEER (Nominal Effective Exchange Rate) of the AZN appreciated by 8.4%, while the REER (Real Effective Exchange Rate) increased by 3.6%. The lower inflation rate in Azerbaijan compared to partner countries had a reducing effect on the REER. The stronger NEER of the AZN acted as one of the

factors in containing imported inflation.

Monetary policy and interest rates

In 2022, the monetary policy of the CBAR was focused on easing inflation pressures through appropriate monetary conditions. The bank implemented various measures to enhance the operational framework of monetary policy, aiming to strengthen the transmission of monetary policy decisions to inflation via the interest rate channel. In 2022, interbank interest rates began to respond to the CBAR's interest rate corridor parameters for the first time.

The CBAR made decisions on interest rate corridor parameters for liquidity operations, taking into account global and national economic developments, the level of inflation risks, the liquidity position of the banking system, and updated macroeconomic forecasts. The bank also considered the time required for monetary policy decisions to impact the real economy.

Throughout 2022, the CBAR discussed interest rate corridor parameters nine times, with the last discussion taking place in December. The refinancing rate was increased from 7.25% to 8.25%, and the upper limit of the interest rate corridor was raised from 8.25% to 9.25%. On September 1, 2022, the floor of the interest rate corridor was adjusted to 4% from 6.25% as part of the implementation of new monetary policy tools. However, based on a prior explanatory note, the CBAR further revised the width of the corridor, shifting the floor to 5% at the end of October and to 6.25% in December. Since September 2022, the CBAR has been utilizing monetary policy tools in a new configuration.

To effectively manage money supply amid high inflationary pressures, the CBAR decided to utilize reserve requirements more actively. Starting from September 15, banks were required to maintain reserves according to new regulations (4% on deposits in the national currency and precious metals, and 5% on foreign currency-denominated deposits). The new operational framework aimed to strengthen the interest rate channel in monetary policy transmission and establish an alternative

The Shusha fortress surrounded the city center and protected it from foreign interference for years. Its solid stone walls continue to bear witness to the vibrant history and cultural heritage of the region.



anchor for monetary policy.

As a result of these measures, interbank interest rates began to react to changes in the CBAR's interest rate corridor parameters, indicating the effectiveness of the implemented policies.

Source: CBAR, State Statistics Committee

Expectations for 2023

Global expectations

Tentative signs of a soft landing for the global economy in early 2023, with declining inflation and steady growth, have faded due to persistently high inflation and recent turmoil in the financial sector. Meanwhile, the major forces that shaped the world economy in 2022 are expected to continue, albeit with varying intensity. High levels of debt limit the ability of fiscal policymakers to respond to new challenges. Although commodity prices, which surged after Russia's invasion of Ukraine, have moderated, the war persists, and geopolitical tensions remain high.

While infectious COVID-19 strains caused widespread outbreaks last year, economies that were severely impacted, notably China, appear to be recovering and mitigating supply-chain disruptions. However, despite the positive impact of lower food and energy prices and improved supply-chain functioning, risks remain skewed to the downside, given the increased uncertainty resulting from recent financial sector turmoil.

The latest baseline forecast, assuming containment of the recent financial sector stresses, projects a decline in growth from 3.4% in 2022 to 2.8% in 2023, followed by a gradual rise and stabilization at 3.0% over the next five years. This represents the lowest medium-term forecast in decades. Advanced economies are expected to experience a particularly significant slowdown in growth, dropping from 2.7% in 2022 to 1.3% in 2023.

In an alternative scenario featuring additional financial sector stress, global growth could decrease to approximately 2.5% in 2023. The lackluster

outlook reflects the necessity of tight policy measures to combat inflation, the repercussions of recent deterioration in financial conditions, the ongoing war in Ukraine, and increasing geoeconomic fragmentation.

Global headline inflation is projected to decrease from 8.7% in 2022 to 7.0% in 2023, primarily driven by lower commodity prices, although underlying (core) inflation is expected to decline at a slower pace. Achieving inflation targets is unlikely before 2025 in most cases.

Financial sector stress could amplify and contagion could spread, weakening the real economy through adverse changes in financing conditions and leading central banks to reassess their policy paths. The war in Ukraine could escalate, resulting in further spikes in food and energy prices and pushing inflation upward. Core inflation may prove more persistent than anticipated, necessitating additional monetary tightening.

Fuel and nonfuel commodity prices are generally expected to decline in 2023 due to slowing global demand. Governments are anticipated to gradually withdraw fiscal policy support, including scaling back packages designed to shield households and firms from the effects of fuel and energy price spikes in 2022, as commodity prices decline.

The Energy Information Administration (EIA) in its April 2023 Short-term Energy Outlook predicts that the price of Brent oil will reach USD 85 per barrel in 2023 and USD 81 in 2024. The higher price forecast is attributed to expectations of reduced global production in 2023, while the outlook for global oil consumption remains relatively unchanged. However, recent issues in the banking sector raise concerns that economic growth and oil demand may be lower than anticipated, potentially leading to a decline in oil prices.

Expectations for Azerbaijan

On July 22, 2022, S&P Global Ratings affirmed its 'BB+/B' long- and short-term foreign and local currency sovereign credit ratings on Azerbaijan, with a stable outlook. The ratings reflect the favorable hydrocarbon prices and increasing gas exports, which are expected to support Azerbaijan's fiscal

and balance-of-payments positions in 2022-2023. It also assumes that there will be no return to open military confrontation with Armenia, and the negative impact of the Russia-Ukraine war will be limited for Azerbaijan.

Among sovereigns in the 'BB' category, Azerbaijan's fiscal and external stock positions are considered among the strongest. The government has accumulated significant liquid assets, primarily within the sovereign wealth fund State Oil Fund of the Republic of Azerbaijan (SOFAZ). It is projected that the government will have access to liquid assets amounting to nearly 60% of GDP until 2025, with general government debt remaining at around 20% of GDP.

In addition to robust stock positions, Azerbaijan's fiscal and balance-of-payments performance is currently supported by favorable oil prices. S&P forecasts that Azerbaijan's economy will expand by 1.5% in 2023. However, the medium-term growth prospects are weaker, with an average annual growth rate of 1.3% projected for 2023-2025 due to declining oil production from aging fields, partially offset by increased gas exports.

S&P expects favorable terms of trade to continue for Azerbaijan throughout the remainder of 2022 and in 2023. It is forecasted that the Brent oil price will average USD 85/barrel in 2023, followed by USD 55/barrel in 2024 and 2025.

According to the World Bank's latest regional report for Europe and Central Asia, economic growth in 2023 is expected to moderate to 2.2%. The slowdown in the energy sector is driven by a projected decline in oil and gas production, mainly due to the main oil field's diminishing production profile and the near-full capacity of the main natural gas fields. Growth in non-energy sectors is expected

to ease to 5.2%. Services and construction are anticipated to be the primary drivers of growth, supported by strong public investment focused on reconstruction efforts.

In the medium term, growth is expected to average 2.5% in the absence of structural reforms. Measures such as increases in minimum wages, pensions, and social transfers are expected to prevent a sharper decline in consumption. However, private investment prospects remain uncertain due to ongoing challenges in the business environment, leading to a potential easing of investment in the medium term.

Inflation is projected to decrease to 8.5% in 2023 as international prices ease, but it is expected to remain above the CBA's upper target range. Over the medium term, inflation is anticipated to moderate and return to the target interval of 4+/-2% by 2025. The external balance is expected to maintain a surplus in 2023, supported by high energy prices. Imports are projected to remain robust in 2023 due to domestic demand, but are expected to moderate in the medium term as overall growth slows. The fiscal balance is estimated to remain in surplus in the medium term, averaging 3.9% of GDP. High energy revenues are expected to offset higher spending resulting from the implementation of the recently approved 2022-2026 Socio-Economic Development Strategy.

The main downside risks to the outlook include the potential for reversals in money transfers from Russia and changes in trade routes, which have benefited the Azerbaijani transport sector following the war in Ukraine. Upside risks in the medium term include the possibility of higher-than-forecasted energy prices and a potential ramp up of natural gas exports to the European Union.

Source: CBAR, IMF, WB, S&P, EIA

Azerbaijan Economic Indicators	2022E	2023E	2024E
Real GDP Growth	4.6%	1.5%	1.5%
CPI growth	13.9%	9.0%	6.0%
Unemployment	5.6%	4.9%	4.7%

Source: S&P

2022 ACTIVITIES

SERVICE MODEL AND BRANCH NETWORK

RETAIL

PASHA Bank actively directs its customers towards digital channels, prioritizing manat and foreign currency transfers, as well as payment requests, through internet banking and mobile banking.

PASHA Bank consistently complies with legal regulations and international standards in all of its operations. By the end of 2022, ISO 20022 standards were successfully integrated for AZN payments. Notably, we received the "STP Quality Award" from RBI Bank in 2022, which acknowledges our outstanding performance in terms of payment transparency, transaction efficiency, and a low rate of rejected transactions, among other criteria.

SME

In 2022, SME Banking continued its business expansion in the SME segment, focusing on the digitalization of products and customer services, as well as providing financing support to SMEs

During the current strategic period, PASHA Bank has been actively cultivating its regional SME business, with plans for further expansion. Over the long term, the Bank envisions opening new branches in various regions, aligning its regional business strategy with a digital approach. This approach will emphasize digital products and channels, while customizing value propositions to suit the unique needs of regional businesses.

Furthermore, the Bank is set to revamp both its regional and Baku branch network.

This involves a reduction in physical branch operations and a simultaneous enhancement of virtual and online support for SME customers. Additionally, the Bank will establish self-service-oriented outlets that offer advisory services on various products and services.



It is a tomb erected in honor of Molla Panah Vagif, a prominent Azerbaijani poet and political figure. This mausoleum has given a new essence to Shusha's architectural annals and has become an amazing monument that enhances its beauty and character.

CIB TRIBE

2022 Highlights

During 2022, PASHA Bank has placed significant emphasis on delivering high-quality services to its corporate and SME customers. The Bank has achieved notable success in establishing several inaugural agreements with its clients, including:

- It has successfully executed a futures contract for lots of tons of LME Rebar (London Metal Exchange - Metal). Futures contracts widely employ financial instruments, particularly in industries characterized by price volatility such as metallurgy, automotive, machinery manufacturing, construction, and shipbuilding, where metals are extensively utilized.
- PASHA Bank is a pioneering digital bank in the financial market, providing online/mobile banking and digital branch services tailored to corporate accounts. This enables customers to conveniently access their accounts through smartphones or computers and conduct a wide range of banking transactions.
- The Bank has successfully integrated the Visa B2B payment system, facilitating seamless business-to-business payments across all countries and currencies. Additionally, the Bank has developed a new "B2B API" that offers enhanced functionalities including payments, salary payments, FX transactions, and more, further enhancing convenience for corporate and SME customers. Customers utilizing the Visa B2B product can monitor their payments and transactions in real-time.
- PASHA Bank has established a strategic partnership with "Azercell Telekom," the leading mobile operator in Azerbaijan. The aim of this collaboration is to provide partners with digital cards and a wide range of payment services through the Azercell application. In this capacity, PASHA Bank has played a crucial role as the banking collaborator in the venture and acts as the issuer of the digital card.
- The Metal Card product is specifically

designed for metal-producing companies, aiming to enhance non-cash transactions and reduce reliance on cash assets in the corporate segment.

- Throughout the year, PASHA Bank has organized diverse events covering a range of topics, including tax and country legislation.

Digital Transformation and Fintech Collaboration

PASHA Bank is committed to investing in digital technology to deliver faster, more efficient, and convenient services to its corporate banking clients. This includes integrating the Bank's online banking platform with clients' businesses, offering an innovative mobile banking application tailored for businesses, and providing an enhanced B2B service.

As the leader in the country's corporate credit portfolio, PASHA Bank's strategy for the upcoming year revolves around maintaining market share and solidifying its position as the foremost corporate lender. The Bank aims to achieve this by continuously offering new and innovative solutions to its clients. Enhancing digital solutions for the future of PASHA Bank's corporate segment is a key objective, with a focus on providing greater convenience, expediting financial transactions, and delivering an exceptional client experience. PASHA Bank strives to differentiate itself from competitors through ongoing service and offer renewals while attracting a wider customer base. Simultaneously, the Bank aims to enhance operational efficiency, reduce costs, and elevate service quality for its clients.

Moreover, the emergence of the FinTech industry presents new opportunities. PASHA Bank's strategy for the coming years acknowledges the importance of supporting FinTech companies and fostering close collaboration with them. Given the rapid digital

transformation within the banking industry, partnering with FinTech firms enables the Bank to stay at the forefront of innovation and provide its clients with cutting-edge solutions and services.

Strategies and Plans for 2023

- PASHA Bank has set its strategic goal for 2023 to maintain its current market share and retain its position as the leading provider of corporate banking services. The Bank aims to achieve this by enhancing the value proposition offered to its stakeholders through various new initiatives.
- The Bank plans to further expand its B2B product and introduce additional functionalities, including Visa B2B integration for euro payments, payment tracking

integration, and other innovative solutions.

- PASHA Bank intends to enhance its equipment leasing financial product and introduce commercial mortgage products to the market.

- The Bank will pilot a project with its Multy Merchant E-Com product to facilitate the transition from cash payments to cashless payments for distributors.



Khurshidbanu Natavan, a prominent poetess and the Khan's daughter, won the hearts of the people of Shusha with both her art and charitable endeavors.

TREASURY

2022 was a year filled with formidable challenges, as the Russian-Ukrainian conflict, widespread post-Covid high inflation, and prevailing economic uncertainty intertwined with geopolitical risks cast a shadow over the year.

Throughout the year, PASHA Bank's Treasury Department adopted a more stringent approach in evaluating new investment opportunities, as the pandemic introduced significant uncertainty into the global economy. This volatile environment made accurate forecasting considerably more challenging. PASHA Bank's Treasury closely collaborated with the Risk Management team, responding promptly and judiciously to all market changes and shocks that occurred during the pandemic.

The Treasury function at PASHA Bank is responsible for managing the Bank's solvency, capital adequacy, and liquidity. Additionally, Treasury provides clients with the following solutions and services:

- Foreign Exchange Desk – direct access to FX dealers
- Foreign Exchange Derivatives – forwards, non-deliverable forwards, swaps, and options contracts
- Commodities hedging – a wide range of futures, including sugar, wheat, aluminum, gold, oil and others
- Structured products – capital protection, actively managed certificates and others
- Syndicated loans

2022 Operational Environment

During the year, the FX market's highly competitive environment exerted continuous pressure on margins, posing challenges to profitability. However, strategic asset allocation in both domestic and international capital and money markets proved advantageous, leading to an increase in interest income.

PASHA Bank's assets under Treasury management totaled AZN 5,3 billion (increase of AZN 1,788 million in comparison with 2021). Majority of assets are controlled by Global Markets division team:

- Securities portfolio – AZN 3,020,907 (Thousand manat)
- Cash and cash equivalents – AZN 1,745,543 (Thousand manat)
- Amount due from Credit Institutions – AZN 593,605 (Thousand manat)

Key Figures Driving PASHA Bank's Success

In 2022, Treasury played a significant role in PASHA Bank's financial performance, generating nearly 30% of the bank's interest income, amounting to AZN 92.5 million (an increase of AZN 16.3 million compared to 2021), and 42% of the bank's non-interest income, with AZN 45 million from dealing (an increase of AZN 18.5 million compared to 2021).

The Financial Institutions division of the Treasury Department expanded its syndicated portfolio, resulting in a volume of nearly 60 million AZN by the end of 2022. Moreover, instead of solely relying on simple syndicated loans, the division began investing in loans with insurance coverage.

BUSINESS INNOVATIONS

In 2021, Digital Lab division became an integral part of PASHA Bank as its digital transformation entered a new phase. This involved integrating Digital Lab into core business units such as Digital SME, digital internal squads, and streams. PASHA Bank, as an industry trendsetter, created the Business Innovations Tribe to develop innovative business solutions, explore new market segments, and drive revenue growth through testing and developing ideas.

In 2022, Business Innovations at PASHA Bank directed their efforts towards key areas:

- **Financial Literacy:** Fostering financial literacy among students through targeted initiatives, educational programs, and comprehensive resources to empower them with the essential skills for making informed financial decisions.
- **Entrepreneurial Spirit:** Encouraging people to develop an entrepreneurial mindset, fostering a culture of innovation, risk-taking, and creativity through tailored training programs and mentorship opportunities.
- **Competing in the Local Market:** Staying ahead of the intensifying local market competition by closely monitoring trends, conducting research, and proactively responding to customer preferences for differentiation and growth.
- **Startup-Innovation Events:** Participating in Digital Heights, Product Hunt, PO Marathon, and TechStars Startup Weekend to foster collaboration, networking, and mentoring emerging startups.

First Cashless Tipping App

PASHA Bank's innovation strategy is centered around developing innovative value-added products for its customers. The Business Innovations tribe has already

adopted multiple innovative services and successfully completed MVP stages. One notable achievement supported by PASHA Bank is first Cashless tipping app in the local market, which has revolutionized the tipping industry by replacing the traditional cash-based system. This groundbreaking initiative has reshaped customer behavior, eliminated reliance on physical cash, and created a more streamlined and convenient tipping experience. Moreover, this Cashless tipping app aligns with the strategic objectives outlined in the Republic of Azerbaijan's Strategic Roadmap, promoting digital payments, improving financial transparency, and fostering a more efficient and modern economy.

Transforming Accounting and Revenue Generation: PASHA Bank's Business Innovations Tribe

Currently, the Business Innovations Tribe is actively developing an online accounting tool that aims to revolutionize the existing market landscape by automating accounting and tax processes for SME customers. As part of their long-term strategic goals, the Business Innovations Tribe aims to develop a portfolio of value-added products that generate diversified revenue streams for the bank, while enhancing customer loyalty and satisfaction.

Through the creation of the Business Innovations Tribe, PASHA Bank is leading the industry's transformation, shaping emerging trends, and driving change within the ecosystem. By fostering entrepreneurial skills, capabilities, and responding to market demand, PASHA Bank is poised to make a lasting impact and contribute to the dynamic evolution of the financial landscape.

SME BANKING

Key Figures in 2022

In 2022, SME financing took center stage within SME Banking, with PASHA Bank delivering a record annual SME financing volume of AZN 500 million, marking a remarkable 45% increase from the previous year. Notably, approximately 80% of our credit customers are well-versed in digital finance products, predominantly consisting of micro and small SMEs with annual sales of up to AZN 500,000, and an average loan size of approximately AZN 40,000. Throughout 2022, the Bank also remained committed to bolstering the supply chains of its Corporate and Investment Banking (CIB) clients. We initiated the digitalization of Supply Chain Finance customer experiences, achieving a substantial volume of AZN 150 million in supply chain financing.

To further develop and improve products and services for SMEs, PASHA Bank SME Banking introduced an updated onboarding service, launched a mobile app, enhanced customer experiences in cards products, payments, and acquiring services, and launched an advanced analytics platform. This platform allowed the Bank to precisely and timely define customers' needs in certain Bank products and address any dissatisfied customers.

PASHA Bank's Vision for SMEs: Innovation and Expansion

In 2023, the Bank continues its expansion of digital products and services for SMEs across all product lines and enhances virtual customer support to further grow the active client base. Key developments in 2023 will include mobile banking and digital financing, as well as innovative value propositions in acquiring, settlements, and cards. Improving the customer onboarding experience through digital platforms and mobile banking will remain a top priority.

With a strategic aspiration to be a top financial partner for SMEs, PASHA Bank will continue to offer active financial support to business customers through both traditional financial products (targeting larger SMEs) and an expanded digital financing product line (focused on Micro and Small SMEs). The Bank will also finalize the digitalization of the Supply Chain Finance product line in 2023 and expand value propositions in distribution chain finance.

The implementation of advanced analytics use cases has been a conscious choice in the current strategic period to make the business more efficient and data-driven. This includes streamlining data management and launching data-driven, advanced analytics use cases to improve business performance and customer service from all perspectives. In 2022, PASHA Bank successfully launched several advanced analytics use cases, and this course of action will continue in 2023. These use cases will focus on enhancing sales channels and customer communications, product pricing strategies, financing products, and risk management.

RETAIL BANKING

PASHA Bank's Retail Banking continues its commitment to offering retail clients innovative products, features, and services. The primary strategic focus revolves around serving the salary client base, implementing a branchless approach, and promoting cashless payments, all while introducing novel solutions.

Throughout 2022, a range of new products and services were introduced to the market by PASHA Bank's Retail Banking.

Miles&Smiles Cards: PASHA Bank extended its co-brand agreement with Turkish Airlines for the next three years, offering Miles&Smiles Cards. This product has a significant impact on our clients' cashless behavior, enabling them to collect miles for travel to over 300 destinations. The cashless payments ratio was 93% in 2022.

Special campaigns for new and existing clients during the year included:

- Double miles on birthday dates
- Discounts on Black Friday
- Unlimited free usage of Lounge Key for World Black Edition and World Elite cardholders worldwide
- Double miles from selected partners
- New Year NFC payments campaigns and etc.

Online Loan Issuance: PASHA Bank has made significant modifications to its cash loan issuance processes. Borrowers are now able to obtain loans without the need to visit a physical branch. Through a collaboration with AzInTelecom LLC, PASHA Bank Retail Banking has implemented online signing of documents using the advanced digital signature SIMA, which is based on cloud, public key, and face recognition technologies. As a result, the Time to Money indicator for loan disbursement has been dramatically reduced from 6 working days to just 1 working day. This improvement in loan disbursement led to a 92% increase in loan

disbursements, resulting in a 54% increase in the cash loan portfolio and a 68% increase in interest income compared to 2021.

International Money Transfer (IMT): In collaboration with "United Payment" LLC, PASHA Bank launched international money transfers to Azerbaijan. This service enables clients to receive money directly to their cards from other countries.

Mobile App: During the development of the new mobile application, our team introduced 20 innovative features that were not present in the old application. Additionally, we incorporated 20 upgraded features from the old application to enhance the user experience. The new mobile application offers individual customers a range of enhanced features, including:

- Pin Operations: Users can easily manage their PIN operations through the mobile application, including setting, resetting, and changing their PIN.
- Digital Card Replacement Flow: The application provides a fully digital card replacement process, streamlining the experience for users.
- Top-up from Other Cards: Users can conveniently top up their balances from other cards through the application.
- Payment Templates: Users can create payment templates for one-click payments, making transactions faster and more seamless.
- C2C by Number: The application enables easy fund transfers between mobile app users using phone numbers.
- Mortgage Payments: The application offers a highly secure and efficient mortgage payment flow.
- Hide Balance: To prioritize user privacy, we have included a one-click option that allows users to hide their balances and transaction amounts.
- Stamped Statement and Letter Order with Delivery: This service is the first of its kind in the country, allowing users to order printed

and stamped statements and letters that are delivered to their specified address. Since its launch, there has been a 53% increase in delivered letters and statements operations.

Google Pay: PASHA Bank introduced Google Pay to its customers in August 2022, making it one of the first financial institutions in the market to offer this service through their new mobile application.

The usage statistics of both Apple Pay (launched in 2021) and Google Pay demonstrate the strong interest of PASHA Bank's customers in innovative and progressive products and services. There has been a 5.7-fold increase in transaction count compared to the previous year.

Strategies and Plans for 2023

PASHA Bank's Retail team is committed to providing individual clients with new features and services, focusing on digital solutions. In 2023, Retail Banking plans to further enhance its already feature-rich mobile application to meet the evolving demands and preferences of valued customers.

- Miles&Smiles Card Ordering: The process of ordering Miles&Smiles Cards has been streamlined for ease of use, allowing users to order their cards with just a few clicks.

- Statement/Letter Ordering: Plans are in place to enhance the flow of statement/letter ordering. Clients will be able to enter all the necessary details for statement or letter requests, resulting in a faster and smoother process.

- Card Renewal: Users will receive timely notifications regarding card renewals, and the renewal process can be completed within seconds.

- Credit Card and Advance Credit Line Order: Implementation of credit card and advance credit line order functionality is planned for the mobile application, providing clients with easy borrowing opportunities.

- Digital Onboarding: It is planned to expand

PASHA Bank's digital offerings, including account opening, servicing, and closing, as well as offering digital versions of existing physical card products. These efforts align with our branchless concept.

- Push Notifications: Users will no longer need to activate SMS banking, as they will receive push notifications with all relevant information.

Furthermore, the digitalization and optimization of the card acquisition process for the Life Insurance Project are scheduled for 2023.

- Miles&Smiles Cards: Miles&Smiles Cards offer users a range of benefits. Plans include adding a feature to convert ordinary miles to status miles, expanding our product line, and updating the benefit packages, which may include travel insurance, data roaming, and more.

- Grace Cards: Introduction of new term grace credit cards to clients is planned for 2023.

PRIVATE BANKING

PASHA Private Banking is the first local private bank to offer customized solutions that meet the financial and non-financial needs of high-net-worth individuals. Our mission is to support our clients in growing and protecting their wealth while managing the transfer of wealth to future generations. We provide a wide range of benefits to our clients, including personalized financial plans based on their goals, tailored financial services and products, and a high level of information security and privacy that adheres to international standards.

In addition to our financial services, we also offer financial consulting services, such as account management for current and deposit accounts, premium debit and credit cards, and customized loans. Our dedicated mobile app provides a seamless and convenient experience, enabling clients to access their accounts and manage their finances on the go.

At PASHA Private Banking, we are committed to delivering exceptional client experiences and personalized solutions that cater to the unique needs and objectives of each client. We strive to exceed expectations by leveraging technology, offering exclusive perks and benefits, and ensuring that our clients' financial and non-financial needs are met. Our commitment to our clients has contributed to our success as a leading private banking institution.

Transformative Growth through Customized Solutions

Over the course of the year, the Asset Management and Wealth Management Advisory unit of our Private Banking Division has undergone significant development efforts.

Our Asset Management and Wealth Management Advisory unit offers a

comprehensive range of services, including advisory services on portfolio management, thematic investments, and structured notes. Our clients' portfolios encompass a diverse array of products and services, such as custom-tailored portfolios, fixed income and structured investments, as well as model portfolios. Our approach to wealth management is centered around delivering personalized solutions that precisely cater to the unique needs and objectives of each client.

This achievement underscores our commitment to delivering exceptional service and customized solutions to our clients, which has led to significant growth in our assets under management portfolio.

Going Beyond Traditional in Private Banking

PASHA Private Banking has introduced an exhibition of renowned Azerbaijani artists, marking a significant milestone as the first art showcase within our newly established office building. The exhibition features a curated selection of works by exclusive Azerbaijani artists, which are regularly updated, offering all clients the opportunity to admire their preferred pieces of art. The exhibition currently highlights classical artworks by distinguished Azerbaijani artists, including Sattar Bahlulzadeh, Natig Farajullazadeh, Aliyar Alimirzayev, Zakir Huseynov, Yavar Sultanov, Kamal Ahmed, Ujal Hagverdiyev, Farman Gulamov, Rafail Aliyev, and Baba Aliyev.

PASHA Bank Private Banking organized a series of exclusive lifestyle events in collaboration with esteemed partners throughout the past year. These events were meticulously designed to provide our clients with extraordinary experiences that transcended conventional banking services. Notably, we established a key partnership with Chenot, a renowned health and wellness hotel, to promote a healthy

lifestyle and prioritize our clients' well-being. This collaboration granted our Private Banking clients access to exclusive discounts and tailored treatments.

The lifestyle events curated for our esteemed clients encompassed diverse experiences, including jazz concerts, healthcare seminars, and other engaging activities. These events served as platforms for our clients to connect and interact in a relaxed and enjoyable environment. Our approach to private banking revolves around delivering personalized solutions that address the unique needs and objectives of each individual client.

Through our exclusive partnerships, we aim to provide our clients with unparalleled benefits and privileges that complement their lifestyles and fulfill their distinct requirements. These partnerships grant our clients access to exclusive resources and opportunities that cannot be found elsewhere. Our unwavering commitment to delivering exceptional experiences and tailored solutions, going beyond traditional banking services, has been instrumental in our success in the private banking industry.

Highlights from 2022 Performance: A Year of Exceptional Growth

Our Private Banking Division demonstrated robust growth across all key figures in 2022, reaffirming our commitment to exceptional services and meeting evolving client needs.

Our assets under management (AUM) portfolio experienced a 20-fold increase compared to 2021, underscoring the success of our Asset Management and Wealth Management Advisory unit. Likewise, our Wealth Management fee grew 21 times, reflecting our unwavering commitment to delivering personalized solutions that cater to the unique needs and objectives of each client.

Furthermore, we achieved a substantial 14-fold increase in the number of AUM clients,

signifying the resonance of our exceptional service and tailored solutions. Additionally, our Net Operating Income per client grew by 1.5 times in 2022, highlighting our focus on delivering value-added services to our clients.

Digitalization continues to play a pivotal role in our success, with the user base of our Private Banking Mobile App tripling compared to 2021. This growth reflects the increasing demand from our clients for digital solutions that offer convenience and flexibility.

The Way Forward: PASHA Private Banking's Vision for 2023 and Beyond

The digital transformation of PASHA Private Banking is a key priority for both the short and long term. Our commitment to digitalization is evident through significant updates made to traditional banking services, with a focus on creating a seamless and convenient experience for our clients. We take pride in offering our Private Banking clients the ability to make SWIFT payments, upload documentation, and receive instant reports directly from our mobile app. In the short term, we aim to further develop and implement advisory on wealth management and investment services through our mobile app.

While our digital channels, including our robust Mobile App, have been designed to enhance convenience, we understand that personalized services remain a priority for our Private Banking clients. While adding new features to our digital channels, we remain dedicated to prioritizing speed, quality, and client comfort.

One of our near-future priorities is the creation of exclusive premium-class bank cards, elevating the status of high-net-worth individuals (HNWIs) and offering unique perks and features exclusive to PASHA Private Banking. These premium cards will be tailored for clients seeking additional benefits beyond what standard credit cards typically offer. They will be available exclusively to clients with an excellent credit operations history, providing

opportunities to maximize rewards and travel benefits. In addition to rewards, premium cards will grant travel benefits such as airport lounge access, travel credits, and travel insurance. Moreover, these premium cards will offer concierge services to assist with travel planning, restaurant reservations, and other luxury experiences.

Aligned with our long-term plans, we strive

to continue innovating and delivering exceptional client experiences that exceed expectations. Our commitment remains steadfast in providing personalized solutions that cater to the unique needs and objectives of each client. By leveraging technology and offering exclusive perks and benefits, we aim to strengthen our position as a leading private banking institution.



RISK MANAGEMENT

Risk management is a fundamental pillar of PASHA Bank's success and is widely acknowledged as one of the Bank's strategic priorities. PASHA Bank adopts a strong and disciplined approach to managing risks, with a shared responsibility among all employees.

At PASHA Bank, risk management aims to ensure that risk-taking activities align with the Bank's strategies and risk appetite. The Bank strives to maintain a suitable balance between risk and reward, maximizing shareholder returns. The Bank's enterprise-wide risk management framework serves as the foundation to achieve these objectives. This framework is continuously evaluated to meet the challenges and requirements of the local market while incorporating relevant regulatory standards, industry best practices, and contemporary approaches.

Throughout fiscal year 2022, PASHA Bank's Risk Team focused on key projects that significantly enhanced the Bank's risk-based decision-making approach and risk culture. These initiatives played a pivotal role in laying the groundwork for the Bank's future digital aspirations. Leveraging the Bank's corporate lending history and current risk practices, these projects contributed to the strengthening of the Bank's future risk resources and capabilities.

In 2022, PASHA Bank achieved following notable improvements and milestones in its pursuit of excellence in risk management:

Credit Risk Management

In 2022, PASHA Bank implemented a new Moody's rating tool to evaluate Corporate and Institutional Banking (CIB) customers. The tool utilized subfactors to rate qualitative indicators, eliminating subjectivity. The "Other Rating Considerations" section was also updated and factors were revised, addressing shortcomings

from past experiences.

The Bank successfully adopted a new methodology for quantifying expected credit losses based on updated guidelines. The revised version placed greater emphasis on restructuring as a staging trigger, and the Bank established new staging triggers related to market conditions and historical cases.

To maintain a vigilant approach to portfolio risk, the Bank conducted several analyses and stress tests in 2022. These included assessing the risk status and action plans for the FX portfolio, evaluating potential geopolitical crises and their impact on the Bank's portfolio, and identifying risks faced by the SME portfolio and mitigation strategies. Additionally, the Bank conducted a bottom-up stress test based on macroeconomic projections to determine risk tolerance levels.

The Risk Transformation Plan (RTP) is a critical project for the Bank, focused on automating the lending cycle and enhancing risk reporting. In 2022, the flow and scope of the project were confirmed, and the Bank is preparing to engage a vendor for further development.

Market and Liquidity Risk Management

The reporting year 2022 presented a highly complex and volatile market risk environment, both in Azerbaijan and globally. Consequently, market risk management gained significant prominence in the banking sector. In this challenging context, PASHA Bank placed great importance on the market and liquidity risk management in its decision-making and policy formulation processes. The Bank's market and liquidity risk management policies played a critical role, supported by its three lines of defense. This involved analyzing new investment proposals, ensuring alignment with the Bank's risk appetite, and conducting regular audits to identify opportunities for continuous improvement. To

minimize emerging market risks, PASHA Bank employed various key indicators, incorporating regulatory and Basel requirements, as well as best global practices.

The Bank implemented measurements such as the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) to ensure sufficient short-term and long-term liquidity. In 2022, PASHA Bank successfully finalized the implementation of its internal LCR methodology, which applies conservative assumptions alongside Basel requirements. Additionally, the Bank updated its emergency liquidity plan, outlining steps and strategies to attract liquid funds during emergency situations and to convert assets into liquid funds with minimal cost and impact.

Stress testing analysis remained a significant aspect of PASHA Bank's risk management practices in 2022. These tests assessed various scenarios and calculated the capital effect within the Internal Capital Adequacy Assessment Process (ICAAP) model and applicable legislation. The ICAAP facilitated the analysis of risk assessment, control, monitoring, and mitigation, assisting management in determining the required capital to maintain the Bank's solvency and strategy under stressed scenarios.

An active security portfolio necessitates an effective investment policy. In 2022, PASHA Bank updated its investment framework to align with industry and regulatory changes. This involved the update and approval of a new Investment Policy and risk appetites. The revised Risk Appetite Statement included stricter stop-loss limits/triggers, constraints on maximum investment duration, and a focus on safe haven and investment-grade placements for Treasury portfolio diversification.

The utilization of behavioral deposit modeling and risk-based pricing were noteworthy risk

management achievements for the Bank in 2022. PASHA Bank developed its own model to compute the stable portion of current accounts and integrated it into long-term investment funding capacity analysis. Starting from 2023, this model is expected to be incorporated into the Bank's Interest Rate Risk in the Banking Book (IRRBB) framework. Proper management of IRRBB is crucial for the Bank, as net interest income is a significant revenue source. A robust IRRBB framework is anticipated to generate income opportunities in the near and long term, as well as effectively measure and manage interest rate risks.

Risk Modelling

In 2022, the focus of the Risk Modelling Division shifted from model development to the validation of existing and newly developed models. The division embarked on the Model Validation Project and actively participated in the Model Risk Management (MRM) project throughout the year. The activities of the Risk Modelling Division in 2022 included:

- Participation in the Model Risk Management Project initiated by PASHA Holding, where the division actively contributed to the preparation of valuable MRM documents. By the end of the project, the MRM policy, MRM Guideline, Model Development guideline, and Model development processes were prepared.
- Validation of the redeveloped Digital SME PD, Cross-sell Loan, Cross-sell Factoring, and LG models using the newly-prepared policy and methodology.
- Maintenance of the Model Inventory tool, which involved identifying all models/tools and adding them to the model inventory.
- Active monitoring of model performance by the Risk Modelling Division.

Enterprise Risk Management

In 2022, PASHA Bank's Risk Management function continued to actively implement its risk culture initiative. The establishment of the Enterprise Risk

Management (ERM) Division provided a holistic view of the organization, taking responsibility for understanding, managing, and monitoring the most significant risks affecting the enterprise. To ensure effective enterprise-wide risk management, the ERM Division developed a qualitative assessment process using two types of models: ERM maturity and Risk Culture.

The ERM Division was responsible for monitoring the implementation of PASHA Bank's Risk Transformation Plan, which aimed to enhance the Bank's Risk Health Index and adopt leading industry practices. As part of the plan, the Risk Model Validation Project was initiated to establish the validation function. The project included a current state analysis, the development of a validation process, policy, and methodology, and the validation of five models. The project was successfully completed with the required deliverables. In 2022, the Model Risk Management project was launched within PASHA Holding to identify and manage potential model risks. The ERM Division participated in the project to monitor, integrate internal documents, and resolve any conflicts.

The ERM Division developed cross-functional expertise and assessed the strengths and weaknesses of PASHA Bank's current risk management capabilities. To elevate the Bank's risk culture, the ERM Division structured a comprehensive framework consisting of five parts, covering leadership, governance and organization, communication, talent management, and technology and infrastructure, aligned with global operating norms.

In 2022, the Risk Organization & Governance Design project was successfully concluded by the ERM Division in collaboration with a consultancy company. The project aimed to revise the processes and activities of committees to enhance governance efficiency within the Bank. As a result, a gap analysis was conducted, and action plans were developed. The ERM Division proposed a new organizational structure and governance model, which is currently under evaluation within the Bank. The implementation of the new proposal is expected to

take place in the new strategic period (2024-26).

Non-financial Risk Management

In 2022, PASHA Bank actively pursued its Risk Transformation Plan to ensure effective non-financial risk management throughout the organization. Reporting for non-financial risk management was reviewed, enhanced, and updated based on business and senior management requirements, with a focus on increasing risk culture within the first line of defense.

The Cyber Risk initiative, which began in 2021, was successfully implemented and finalized in 2022. All identified cyber risks, threats, and vulnerabilities were comprehensively assessed and matched with control identification and residual risk assessment from the risk catalogue. IT and Cyber Risk Management conducted Business Impact Analysis covering all systems, impacting all functions across the Bank. Additionally, IT and Cyber Risk Management developed a Business Continuity Plan for critical systems.

Complaints Management aims to effectively investigate and address customer complaints and their root causes. Monthly reports, including actions for resolution, are provided to Senior Management, while a separate quarterly report is submitted to the regulatory authority. In 2022, the Bank aligned complaints with system downtimes and enhanced existing reporting to provide more comprehensive information for proactive decision-making and to mitigate reputational risks. Fraud Risk Management focuses on proactive identification, assessment, and mitigation of fraud risks. During the year, Bank-wide fraud risks were identified, and effective controls and mitigation plans were implemented. The management of blacklists was transferred to the Fraud Risk Management Team, resulting in optimized and updated processes.

In 2022, PASHA Bank developed and enhanced the Risk and Incident Management platform. All incidents are linked to risks, leading to effective and proactive risk management. An automated dashboard assists the Bank in efficiently managing

identified risks and incidents. The Risk and Incident Management approach was revised and updated based on best practices, and a separate Risk Register platform was established to collect and centralize all risks. Now, PASHA Bank is able to link risks with incidents identified on this platform.

Non-financial Risk Management training was updated, incorporating detailed information on risk appetite, risk health index, fraud risk management, and IT and Cyber Risk Management. This training became an annual mandatory requirement for all employees and was delivered on a digital platform with the support of an international consultancy.

To enhance risk awareness across the organization and strengthen the three-line defense approach in the risk control self-assessment process, PASHA Bank conducted a series of trainings and

workshops in collaboration with a consulting firm. In 2022, as part of the risk control self-assessment process facilitated by international consultants, workshops were organized for all existing processes and products. These workshops involved all units, including process owners and participants. Non-financial risks were identified and assessed, their controls were evaluated and tested, and the preparation of corrective action plans commenced. In 2023, the corrective action plan will be implemented, and key risk indicators will be developed for selected risks, ensuring continuous improvement in risk management practices.



Rashid Behbudov, one of Shusha's famous personalities, was a genius artist and a unique songwriter. The Azerbaijani opera singer made his voice known to the world with great skill.

CROSS-BORDER ACTIVITIES

PASHA Bank is actively positioned at the forefront of the region's rising trade and investment flows, providing corporate, commercial and investment banking services with transparent business practices and an ethical approach. With increased economic activity between Azerbaijan, Turkey and Georgia, PASHA Bank decided that it was in the best interest of the Bank's clients to enter these markets in order to meet their current and potential banking needs.

PASHA Bank Georgia

PASHA Bank opened its first subsidiary office in Tbilisi, Georgia in February 2013. The decision to choose Georgia as the Bank's first overseas expansion destination was driven by several factors, including the increasing trade volume between the two countries and their collaborative involvement in strategic regional projects. Currently, numerous Azerbaijani companies, including PASHA Bank clients, conduct business operations in Georgia. The subsidiary office enables the Bank to better serve its existing customers, expand its client base, and contribute to the economic development of both Georgia and Azerbaijan.

As of December 31, 2022, PASHA Bank Georgia reported total assets exceeding GEL 518 million. Drawing upon its regional presence, PASHA Bank Georgia utilizes its extensive market expertise to provide clients with tailor-made products and services that adhere to global best practices. The Bank's corporate strategy is centered around prioritizing the interests of its partners and fostering "New Heights Together" through mutual and sustainable growth.

PASHA Bank Georgia has developed clear competitive advantages in certain product areas, such as debt capital markets operations, drawing upon PASHA Bank's significant experience gained over the years in Azerbaijan's capital market environment. PASHA Bank Georgia places special emphasis on developing its trade finance business. PASHA Bank's presence in the region's three major economies puts the Bank in a strong position to offer a unique value proposition for its client base.

Financial Highlights

(GEL thousand)

Net Loss: (2,263)

Gross Loans: 367,709

Total Assets: 518,510

Key Ratios

Cost to Income: 93.8%

ROAE: -2.5%

NPL to Gross Loans: 8.9%

PASHA Bank Turkey

After careful consideration of all market entry options in Turkey – one of the world's top 20 economies – PASHA Bank's Board of Directors resolved to acquire a majority stake in TAIB Yatırım Bank. In December 2014, PASHA Bank was authorized by Turkey's Banking Regulation and Supervision Agency (BRSA) to enter the Turkish market by acquiring a majority interest in TAIB Yatırım Bank from Aksoy Holding. In December 2015, 99.92% of its shares were transferred to PASHA Bank OJSC. As of May 2018, the shareholding structure of the Bank changed, where 51%

of the shares were acquired by PASHA Bank OJSC, and 49% by PASHA Holding LLC. This strategic acquisition enabled the Bank to target corporate clients based in Turkey.

The Turkish market holds great potential for enterprises seeking investment opportunities in Azerbaijan, Georgia, and other countries in the region. In addition, PASHA Bank recognizes this potential and aims to facilitate Azerbaijani investment in Turkey, harnessing the opportunities presented by local projects. The Bank believes that attracting new foreign direct investment – especially from Azerbaijan – to the Turkish economy, will benefit the economies of both countries. It will also create an excellent opportunity to grow and expand for its current clients as well as prospective customers.

PASHA Bank Turkey serves entrepreneurs with a comprehensive range of corporate, investment, and premium banking products. The Bank actively contributes to the development of trade between Turkey, Azerbaijan, and Georgia while providing resources and guidance to businesses investing in the region. In 2022, PASHA Bank Turkey pursued the objective of "being the first bank that comes to mind in the

region" for companies doing business in the Turkey-Azerbaijan-Georgia triangle. By boosting the transaction volume and introducing innovative solutions, the Bank expanded its market share in trade financing within the region.

PASHA Bank Turkey continued its activities in the field of sustainability throughout the year. The Bank has diligently implemented corporate social responsibility projects and maintained an effective waste management system, resulting in environmental benefits. With each project, PASHA Bank Turkey reinforces its commitment to nature and the environment, instilling this awareness within its employees. As part of its vision for a sustainable future, the Bank actively supports the green transformation by bridging the gap between the present and the future.

On September 20, 2022, JCR Eurasia Rating affirmed PASHA Bank Turkey's National Long-Term Rating as 'A(tur)' with a 'stable' outlook.

Financial Highlights

(TRY thousand)

	BRSA	IFRS
Net Profit	203,873	(16,558)
Gross Loans	3,638,093	3,638,093
Total Assets	6,155,855	6,427,341

Key Ratios

Cost to Income	25.01%	(excluding building effects)
ROAE	41.07%	(excluding building effects)

The exchange rate as of December 31, 2022 was USD/TRY 18.6983.

CORPORATE SOCIAL RESPONSIBILITY

Since its founding, PASHA Bank has remained committed to being a responsible corporate citizen. The Bank embraces social responsibility and focuses on active involvement in the communities where it operates. PASHA Bank endeavors to play a proactive, cooperative, and collaborative role in society. In particular, the Bank aims to help ensure the well-being of the Azerbaijani people and make the country a better place to conduct and further develop business.

In today's volatile and rapidly globalizing world, an entity and its stakeholders should follow the same path forward to ensure sustainable, long-term growth. To this end, since 2015, PASHA Bank has shifted from a traditional model of corporate social responsibility to a more contemporary approach of stakeholder engagement.

This shift ensures that the Bank's focus remains on improving the lives of the Azerbaijani people.

Three dimensions underlie each aspect of PASHA Bank's corporate stakeholder engagement approach:

- We Empower Entrepreneurship.
- We Empower Human Capital.
- We Empower Capacity and Good Governance.

SUPPORT TO SUSTAINABLE ECONOMIC DEVELOPMENT

PASHA Bank aims to advance the social and cultural development of Azerbaijan while adding value to its stakeholders. Since 2016, the Bank has shaped its Corporate Stakeholder Engagement (CSE) around these objectives. PASHA Bank organizes and conducts various training initiatives to improve the business management, governance and financial literacy of entrepreneurs who operate small and medium-sized enterprises.

Evolution of Corporate Social Responsibility (CSR) Approach

- 1.0: CSR is used purely as a marketing and public relations tool. These philanthropic initiatives are conducted with the aim of improving the reputation of a company. CSR is known as a tool that is "paying the bill." Since the initial CSR concept took a superficial approach to the idea of responsibility to society, it was not deemed sustainable over the long term.
- 2.0: CSR is not only about "paying the bill" for philanthropic efforts. Companies started forming strategic partnerships with charitable organizations and societies. However, CSR still remains a conservative tactic to manage risk.
- 3.0: The concept of integration and shared value has been developed further. CSR is no longer merely a tool to reduce risk. CSR has become a strategy that creates value for the company and society and protects this value.

PASHA Bank CSR 3.1: Corporate Stakeholder Engagement

The Bank's social responsibility mandate is embedded in PASHA Bank's DNA.

In today's fast-changing globalized world, sustainable development can only be achieved through joint efforts.

The philosophy of partners and their approach to work should be in harmony with each other.

PASHA Bank's Corporate Stakeholder Engagement initiative will move all stakeholders forward toward sustainable development.

Return on Investment (ROI) under CSE

- More knowledgeable customers
- More sustainable businesses
- More informed journalists
- More educated youth
- More successful entrepreneurs
- More developed economy
- More prosperous country
- Lower risks
- More successful Bank

REVIEW OF FINANCIAL STATEMENTS

Consolidated IFRS Financial Statements as of December 31, 2022
(Highlights)

Statement of profit or loss:

PASHA Bank recorded consolidated net profit of AZN 101,926 thousand in 2022. Please see the below consolidated net profit breakdown by bank entity within the Group for details. The net loss at PASHA Bank Georgia is due to general and administrative expenses.



Consolidated net profit **101,926k AZN**

PASHA Bank
Georgia



(1,331)k
AZN

PASHA Bank
Azerbaijan



117,206k
AZN

PASHA Yatırım
Bank



(11,354)k
AZN

License impairment* **(2,588)k AZN**

*License impairment is recognized only in the consolidated financial statement.

Uzeyir Hajibeyov, the author of the first opera in the Islamic world, was born in Shusha. A musical genius, he directed the Azerbaijani music school and founded the national composition school.

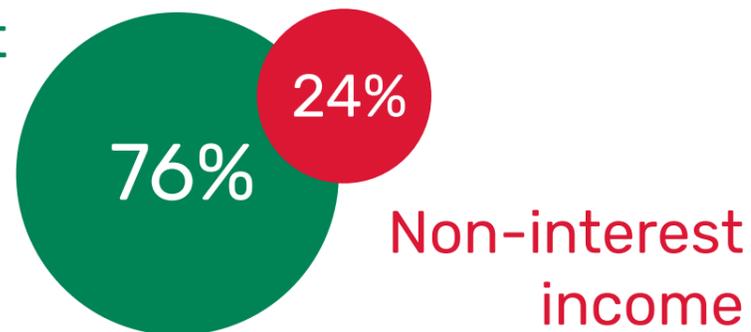


PASHA Bank reported operating income of AZN 390,403 thousand for 2022, up 25% over the prior year's figure of AZN 312,366 thousand. The increase was due to a 26% rise in net-interest income, which comprises 76% of operating income. Non-interest income comprises 24% of operating income.

Interest income amounted to AZN 384,316 thousand, up 21% over the previous year's figure of AZN 318,416 thousand. Interest expenses increased from AZN 81,287 thousand in 2021 to AZN 86,586 thousand in 2022.

A major portion of non-interest income originates from net fee and commission income – AZN 45,623 thousand or 49%. Net gains from foreign currencies totaled AZN 55,800 thousand, which is 60% of non-interest income and 14% of total operating income.

Net interest Income



Net interest income	297,730
Interest income	384,316
Loans to customers	280,819
Investment securities	75,293
Amount due from credit institutions	11,202
Cash and cash equivalents	13,124
Finance lease receivables	3,878
Interest expense	(86,586)
Amount due to customers	(39,246)
Other borrowed funds	(724)
Amount due to banks and government funds	(32,515)
Subordinated loans	(5,805)
Debt securities issued	(6,936)
Lease liabilities	(1,360)
Non-interest income	92,673
Net fee and commission income	45,623
Net gains from foreign currencies	55,800
Net gains from investment securities	(14,120)
Other income	5,370

Non-interest expenses amounted to AZN 174,187 thousand in 2022, up 13% over the prior year's figure of AZN 154,204 thousand. The primary reasons for the increase included:

- For the 12-month period ending December 31, 2022, the Bank's personnel, operating, and depreciation expense totaled AZN 158,589 thousand, an increase of 11% compared to the same period of 2021. The rise in operating expenses was due to higher general and administrative expenses (AZN 11,047 thousand). Please see the table below for a breakdown of operating expenses as of December 31, 2022 (AZN thousand).

Personnel expenses	(79,435)
General and administrative expenses	(55,759)
Depreciation and amortization	(23,395)
Total	(158,589)

PASHA Bank reported ROAE (Return On Average Equity) of 16% as of December 31, 2022, compared to 17% from a year earlier.

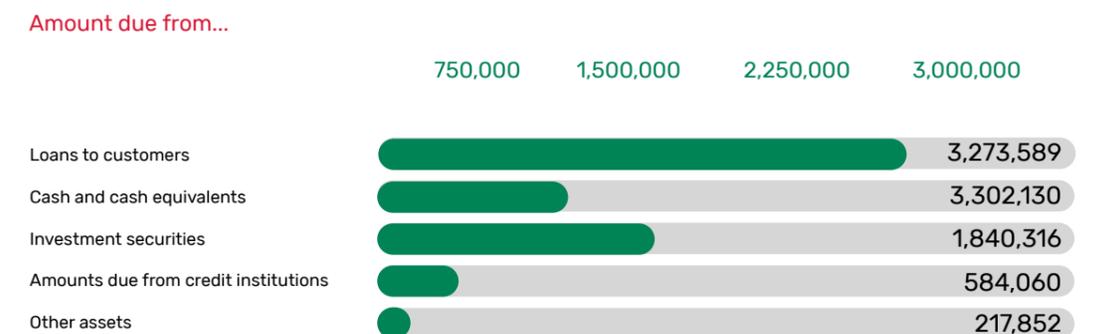
The Bank's cost to income ratio decreased from 46% in 2021 to 45% in 2022. PASHA Bank is currently using the cost calculation methodology. This approach will provide a clearer view for analysis of products and segment level performance, in turn contributing to better pricing mechanisms.

Statement of financial position:

PASHA Bank's total equity increased 12% to AZN 648,284 thousand in 2022. During the year, the Bank paid dividends to shareholders amounting to AZN 30,000 thousand.

The Bank recorded total assets of AZN 9,217,947 thousand at December 31, 2022, up 32% over the previous year's figure of AZN 7,008,183 thousand.

As of December 31, 2022, PASHA Bank's asset composition consisted of:

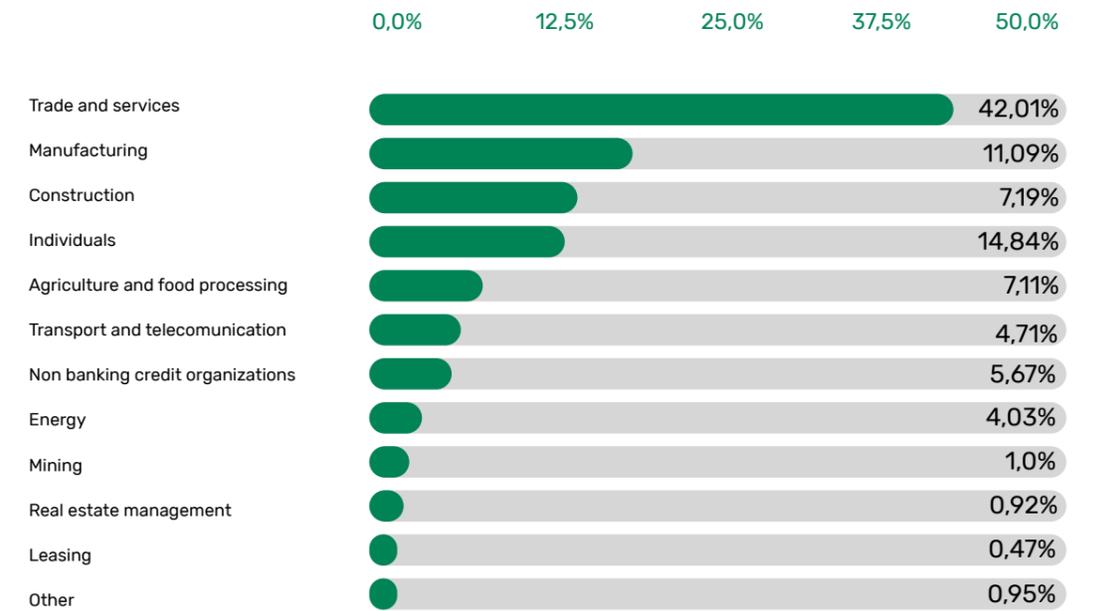


The Bank's gross loans totaled AZN 3,388,059 thousand as of December 31, 2022, up 8% over the prior year's figure of AZN 3,123,469 thousand.

It is one of the places that visitors to Shusha must see. Yukhari Dashalti is a refuge in the lap of green landscapes and mountain air.



A breakdown of PASHA Bank's loan portfolio by sector is as follows:



The Bank's effective provision rate increased to 3.38% in 2022, compared to 3.08% in 2021. PASHA Bank aims to maintain the high quality of its loan portfolio; this key performance metric is strictly monitored. The Bank implements a highly comprehensive and sophisticated lending and credit risk assessment process. Optimization of this process is ongoing and performed by the Bank's credit underwriters. These various efforts are designed to prevent significant fluctuations and unexpected results in provision amounts and enable the Bank to make reasonable forecasts.

PASHA Bank

13, Yusif Mammadaliyev Street.

Baku, AZ1005, Azerbaijan

T: (+994 12) 496 50 00

F: (+994 12) 496 50 10

E: office@pashabank.az

www.pashabank.az