

SUSTAINABILITY REPORT 2020-2021

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PASHA BANK'S SUSTAINABILITY PERFORMANCE

Since its founding, PASHA Bank and its subsidiaries have received numerous awards and accolades from prestigious international and domestic platforms.

PASHA Bank's Sustainability Priorities

- Fostering Azerbaijan's economic development with banking products and services that support small and medium-sized businesses and contributing to diversification of the economy with a focus on non-oil industries
- Contributing to the human capital of Azerbaijan via long-term projects that aim to build the capacity of the media, support students, and improve the financial literacy of the general population
- Empowering the participation of women in the labor force

PASHA Bank's Strategic Priorities

- Contributing to the growth of its customers by providing high quality products and services tailored to meet customers' needs;

- Employing, training highly competent and loyal personnel;
- Fostering the general welfare and cultural development of society;
- Maintaining its strong financial position;
- Committing to transparent and prudent business operations and conduct.

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

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

Financial Highlights	2020	2021
Net Profit (AZN million)	84	97
Total Assets (AZN million)	5,516	6,449
Operational Highlights	2020	2021
Number of Employees	939	1,062
Percentage of Women Employees (%)	40	40
Environmental Highlights (admin data)	2020	2021
Energy Consumption (KWh)	2,761,62.12	2,765,331.37
Water Consumption (Tons)	4,093.02	5,099.21

ABOUT PASHA BANK

PASHA Bank is Azerbaijan's leading corporate bank.

Established in 2007, we deliver 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. The 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 headquartered in Baku and has 8 branches (5 in Baku, 3 in regions) and 1 FX office in Baku. 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.

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

Today, PASHA Bank is staffed by an international team of more than 1,200 persons. We are constantly working to transform the Bank into one of the region's biggest leading financial institutions. The Bank is continuously improving and enhancing its range of world class products and services.

PASHA Bank is part of PASHA Group, a large investment holding based in Azerbaijan. PASHA Group has assets across a wide variety of sectors, including retail banking, insurance, construction and tourism. As one of Azerbaijan's youngest but largest banks, PASHA Bank is committed to keeping pace with the latest financial and technological innovations. We work hard to stay ahead of market trends and adopt international best practices and state-of-the-art technology to ensure that PASHA Bank provides the best possible service to its customers.

*1 USD - 1.7 AZN (30.12.2021)

Shareholding Structure

PASHA Holding Ltd. (~ 56.8195%)
 BLESS Ltd. (~28.1796%)
 Mr. Arif Pashayev (~9.9944%)
 Mr. Mir Jamal Pashayev (~5.0066%)

AWARDS

Since its founding, PASHA Bank and its subsidiaries have received numerous awards and accolades from prestigious international and domestic platforms.

2021

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

2020

EMEA Finance named PASHA Bank as the "Best Bank of Azerbaijan" and "Best Investment Bank of Azerbaijan." The Bank was 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.

PASHA Bank garnered awards for "Best Corporate Social Responsibility" and "Most Active Education Supporter." In 2020, the 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, CEE & CIS" – EMEA Finance
 "Corporate Social Responsibility Award, CEE & CIS" – EMEA Finance
 "Best Bank in Azerbaijan" – EMEA Finance
 "Best Investment Bank in Azerbaijan" – EMEA Finance
 "Best Private Bank" – Global Finance
 "Best Bank of Azerbaijan" – Global Finance
 "SAP Value Award" – World Finance
 "Best Commercial Bank of 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

ABOUT THE REPORT

PASHA Bank has prepared its fourth sustainability report to disclose its consistent sustainability efforts for the information of its stakeholders.

This is PASHA Bank's fourth sustainability report. PASHA Bank has prepared this report to disclose its sustainability efforts in the period 2020-2021 for the information of its stakeholders.

PASHA Bank is a leading actor in Azerbaijan's economy with its strong shareholder structure, broad capital base and widespread stakeholder engagement. In light of its ethical responsibility, PASHA Bank executes a holistic sustainability strategy that is composed of its economic, social and environmental activities. This strategy is designed to serve as a reference point for developing a sustainability ecosystem in Azerbaijani society. The PASHA Bank 2020-2021 Sustainability Report is prepared by taking into consideration international sustainability standards – such as the Global Reporting Initiative (GRI) 2016 Standards, Ten Principles of UN Global Compact and Equator Principles.

The scope of this report only covers PASHA Bank's business activities in Azerbaijan. The Bank's regional operations in Georgia and Turkey are not included.

PASHA Group, the main shareholder of PASHA Bank, significantly contributes to the Azerbaijani economy with its subsidiaries.

Subsidiaries of PASHA Group



PASHA Bank has recorded solid financial and operational results guided by its vision and mission.

Vision

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

- 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.

Mission

- 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 general prosperity of society.

- As a reputable financial institution, PASHA Bank creates shareholder value and maintains a sound organization, while actively pursuing emerging opportunities, thoughtfully investing in strategic priorities, and delivering sustainable financial results.

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

Values

- Integrity
- Quality
- Entrepreneurship
- Collaboration
- Profitability

Strategic Goals

PASHA Bank has set four key strategic goals:

SUSTAINABILITY STRATEGY OF PASHA BANK

PASHA Bank has adopted a three-dimensional sustainability strategy designed to further boost Azerbaijan’s socioeconomic development.

CSE Dimension	Sustainability Approach	Description
We empower entrepreneurship.	Clients for us	<p>Aims to support SMEs, serve current customers and grow the customer base.</p> <p>Partners:</p> <ul style="list-style-type: none"> • Azerbaijan Business Women Association • SMB Development Agency of the Republic of Azerbaijan • Azerbaijan Banks Association • Ministry of Labour and Social Protection • Education Hub
We empower human capital.	People for us	<p>Aims to select and train the country’s best students and young people in order to attract them to the Bank as interns or employees.</p> <p>Project Portfolio:</p> <ul style="list-style-type: none"> • Start with PASHA Bank • Meetups by PASHA Bank • Digital Heights • Various events in universities
We empower capacity and good governance.	Reputation for us	<p>Aims to support the Bank’s reputation via various awareness-raising initiatives and events.</p> <p>Project Portfolio:</p> <ul style="list-style-type: none"> • Business Journalism • Financial Literacy • Corporate Stakeholders’ Engagement • Business Confidence Index

STAKEHOLDER ENGAGEMENT STRATEGY OF PASHA BANK

PASHA Bank provides special communication channels to benefit from stakeholder recommendations and boost interaction with its stakeholders.

PASHA Bank pays close attention to the opinions and concerns of the Bank’s key stakeholders while evaluating strategic issues that the Bank faces. In addition, the Bank provides special communication channels to benefit from stakeholder recommendations and boost interaction with its stakeholders. The Bank has designed the special communication channels vis-a-vis the features of its stakeholder categories.

PASHA Bank’s Stakeholder Mission

PASHA Bank serves its stakeholders by:

- Contributing to the growth of our customers by providing high-quality products and services tailored to meet our customers’ needs;
- Employing, training and cultivating highly competent and dedicated personnel;
- Committing to the welfare and cultural development of society;
- Maintaining a strong financial position;
- Committing to the transparent and ethical conduct of business.

PASHA Bank Stakeholder Map

- Wider Banking Community (Associations)
- PASHA Group Companies
- International and Local Non-profit Institutions
- Employees
- Azerbaijani State Agencies
- Regulators
- Professional Groups
- Customers
- Management Team

Stakeholder Engagement Channels

- Email
- Meetings
- Intranet
- Posters/Banners
- Advertising and Promotional Campaigns
- Newsletters/Magazines
- Networking
- Events
- Special Campaigns
- Team Meetings, Annual Town Hall Meetings
- Satisfaction Surveys
- PASHA Bank Business Confidence Index Survey

Memberships

- Azerbaijan Risk Professionals Association
- SME Banking Club
- Azerbaijan Micro-Finance Association
- British Business Group in Azerbaijan
- German-Azerbaijan Chamber of Commerce
- Azerbaijan Turkey Business Association (ATIB)
- French Chamber of Commerce
- Israel Chamber of Commerce
- Azerbaijan Banks Associations
- Factors Chain International

MESSAGE FROM THE MANAGEMENT

Dear Esteemed Stakeholders,

The negative effects of the Covid-19 pandemic reverberated around the world, and in Azerbaijan, in 2020 and 2021. The effective policies and stimulative measures initiated by government minimized the negative effects of the Covid-19 pandemic on the country's economy. Despite successive waves of the pandemic, Azerbaijan's economic activity has resumed with higher-than-expected growth. This resilient performance is due to quickly-implemented and responsive anti-crisis measures, mass vaccination program and gradual easing of social restrictions, as well as the effective adaptation of economic entities to the unprecedented situation.

The rebound in economic activity since early 2021 has ushered in a "new normal."

In Azerbaijan, both the oil and gas industries and the non-oil and gas sector recorded positive growth during the year with GDP increasing by 5.6% year-on-year in real terms to AZN 92.9 billion.

Real GDP per capita rose by 5.1% to AZN 9,269.3 or USD 5,452.5 US dollars in 2021 (2020: USD 4,272.2).

At the onset of the pandemic in 2020, PASHA Bank established a special committee dedicated to developing and implementing a Covid-19 response and negative impact mitigation action plan. The Pandemic Response Committee engaged in revising

the Bank's risk management approach in the new landscape. The ad hoc committee also conducted stress testing and segment sensitivity assessments to identify and mitigate potential financial and non-financial risks associated with the Covid-19 pandemic. As a result, PASHA Bank navigated this new environment effectively and successfully.

Backed by the global vision of PASHA Group, our Bank plays a crucial role in the sustainable development of Azerbaijan even during times of unprecedented challenges. Our corporate values – Integrity, Quality, Profitability, Entrepreneurship and Collaboration – remain our unwavering guide in this critically important effort.

Azerbaijan's Highly Reputable Regional Player

PASHA Group, our main shareholder, has been a key driver of the Azerbaijani economy's advancement in non-oil industries since 2006. The Group's comprehensive investments in strategically important sectors – banking and insurance, construction, tourism, property development and real estate – has made significant contributions to the ongoing diversification strategy of Azerbaijan's economy. Economic diversification became even more important during the pandemic when oil and other commodity prices plunged. In 2021, the added value produced in by Azerbaijan's non-oil sector increased by 7.2% to 62.2% of total GDP. In addition, PASHA Group and PASHA Bank have both become highly respected regional players thanks to investments in neighboring Georgia and Turkey.

At PASHA Bank, we incorporate stakeholders into our business processes while bringing the best practices in corporate governance

to Azerbaijan. Our sustainability strategy serves as the foundation of our long-term goal of becoming a leading, well-respected financial institution in the region. PASHA Bank invests in human resource trainings and advanced technology projects to maintain its competitive advantages in the market. During the pandemic, we invested heavily in our people so they could remain safe and work remotely while providing uninterrupted service to our customers. In addition, our digital investments from previous years gave PASHA Bank a competitive advantage at the onset of the pandemic, as we were well-prepared for the new online-intensive environment. Looking ahead pays off, even when the unexpected strikes.

Strong Results in a Challenging Period

While fostering the economic development of Azerbaijan with forward-looking banking products and services, PASHA Bank recorded successful financial and operational results in the pandemic period of 2020-2021. The Bank's net profit climbed to AZN 97 million in 2021, up 15% year-on-year. Meanwhile, total assets rose to AZN 6.5 billion, up 18%. As a result of our expanding product and service offering as well as our increased digital focus, PASHA Bank's customer base jumped to 433,803 in 2021, up a robust 26%. In light of the Bank's added-value based investment strategy, we expanded our ATM network, while the number of credit cards issued increased to 5,564 and debit cards issued rose to 308,991. Our workforce grew to over 1,062.

PASHA Bank planned and implemented several projects and to help businesses and Azerbaijani citizens to minimize Covid-19's negative impact. PASHA Bank maintained a strong market position, while increasing its market share in corporate lending and

expanding its business portfolio.

Digital Banking Leader

Since its founding, PASHA Bank has set the trends for the sector, especially in the digital arena. Today, we are by far the leading digital financial institution in Azerbaijan. We reached this vaunted position by combining advanced technological know-how with international best practices.

PASHA Bank has built the capability and expertise to deliver cutting-edge business solutions for customers while facilitating the effectiveness of the Bank's employees across business segments and product lines. PASHA Bank's ever-growing list of online services is available to customers through its Mobile Application and Online Banking platforms.

We lead the Azerbaijani market in online banking and digitized services. PASHA Bank introduced the first online account opening, video verification, POS order, among many other innovations. PASHA Bank was the first financial institution in the region to introduce the end-to-end Digital and Fast Finance product for SME segment customers. During the pandemic, we consolidated our leadership in the digital arena thanks to our head start. PASHA Bank is leading Azerbaijan forward toward our digital future.

Comprehensive Sustainability Approach Comprised of All Focus Areas

As a responsible corporate citizen, PASHA Bank implemented a comprehensive sustainability approach in 2020-2021 even when faced with the unprecedented challenges of the period. Our Bank remained committed to executing innovative projects in the key areas of human resources, IT and environmental protection to sustain its competitive advantages.

MESSAGE FROM THE MANAGEMENT

PASHA Bank's CSR strategy is designed to extend a chain of added value to Azerbaijani society by developing the SME sector, supporting higher education through the scholarship program, and fostering women entrepreneurship. The Bank is an active organizer and supporter of conferences, industry roundtables, fintech bootcamps and other platforms, with a special focus on SMEs, a key driver of the nation's non-oil economy.

We engage in efforts to integrate people with physical disabilities into working life. Our innovative "Start with PASHA Bank" initiative aimed to improve the professional development of people with physical disabilities. To date, PASHA Bank has trained around 100 people under this effort.

The Bank sponsors summer camps for youth as an investment in our shared future. PASHA Bank partners with government bodies as well as global leaders like Deloitte and PWC in various events. The Bank facilitates problem-solving in food waste, a huge issue in sustainability today, and sponsors groundbreaking sports events such as Azerbaijan's first Ironwoman triathlon competition. All these disparate activities have a common thread: making our world more equitable and sustainable.

Confident Steps Forward to a New Sustainable Growth Strategy

PASHA Bank has formulated a new sustainable growth strategy for the period 2022-2023, by taking into consideration the suggestions and expectations of its stakeholders. The Bank plans to achieve its strategic objectives by completing key projects and initiatives as well as taking its corporate and retail businesses to the next level with new targets in the credit portfolio and transactional business. PASHA Bank aims to implement the following efforts to reach its corporate goals:

- Integrating the best sustainability practices in every aspect of its business

operations

- Implementing state programs aimed at diversifying and digitalizing the nation's economy
- Developing advanced analytical systems at the Bank that will enhance our data infrastructure and governance
- Increasing team expertise in strategic growth areas
- Partnering with sector leaders for initiatives that benefit customers as well as society
- Transitioning to an advanced segmentation model based on industry or behavior to better serve and meet customer requirements
- Developing a comprehensive digital ecosystem for customers
- Introducing and implementing data driven solutions and decision-making across all the Bank's customer segments
- Boosting the Bank's income
- Diversifying the client base
- Digitalizing more business processes

Our Sustainability Journey Is Never-ending...

While we are pleased with our many achievements during this period, PASHA Bank looks forward to recording new and even greater successes in the future, driven by our highly skilled human capital and solid corporate structure. On this journey to regional leadership and long-term sustainable success, our corporate values and the unwavering support of our stakeholders will continue to guide us.

Sincerely,

PASHA Bank Senior Management

OUR FINANCIAL AND OPERATIONAL PERFORMANCE

Key Financial Highlights (AZN million)

	2020	2021
Total Assets	5,516	6,449
Loans (net)	2,108	2,553
Deposits	3,966	5,058
Customer Time Deposits	1,302	1,446
Customer Current Accounts	2,664	3,612
Shareholders' Equity	559	599
Interest Income	218	258
Fee & Commission Income	59	79
Operating Profit	235	273
Total Operating Expenses	109	118
Net Profit	84	97

Key Financial Ratios (%)

	2020	2021
Loans/Total Assets	38.2%	39.6%
Loans/Deposits	54.5%	52.0%
NPL Ratio	2.9%	3.6%
Demand Deposits/ Total Deposits	67.2%	71.4%
Shareholders' Equity/ Total Liabilities	11.3%	10.2%
Capital Adequacy Ratio	15.5%	13.4%

In parallel with its growing level of business activity, PASHA Bank further developed both its physical and digital service network in the 2020-2021 reporting period.

Key Operational Highlights*

	2020	2021	Change (%)
Employees	939	1,062	13%
Customer Base	343,611	433,803	26.2%
Branch Locations	11	8	-27%
Credit Cards	4,284	5,564	29.9%
Debit Cards	286,883	308,991	7.7%
POS	10,808	13,187	22.0%

Economic Value Generated and Distributed (AZN million)*

	2020	2021	Change (%)
Direct Economic Value Generated	235	273	16.2%
a) Revenues**	235	273	16.2%
Economic Value Distributed	165	94	12.3%
b) Operating costs	39	46	3.0%
c) Employee wages and other benefits	54	55	0.4%
d) Payments to providers of capital	45	50	2.1%
e) Tax payments	14	33	8.1%
f) Community investments***	13	10	-1.3%

*These figures solely represent PASHA Bank business activities in Azerbaijan.

**"Revenues" figures calculated as Net Interest Income + Non-interest Income based on separate IFRS figures.

***Corporate Social Responsibility.

OUR CORPORATE GOVERNANCE AND RISK MANAGEMENT PERFORMANCE

Procurement/Compliance Supply Chain Policy (Vendor Onboarding Process)

PASHA Bank is positioned as an impartial and politically neutral institution that does not participate in the financing of political parties and their related entities and individuals.

To ensure efficient resource management, PASHA Bank centrally conducts its procurement, logistics, contract management, and planning processes. While this organizational structure enables optimization of supply chain management, the Bank's procurement staff focuses on improving their competencies and boosting their communication and relationship management skills. PASHA Bank's supply management approach aims to provide internal clients with required supplies and materials based on the principle "best value for the price," while ensuring comprehensive, fair and transparent competition. At the same time, this approach is designed to establish internal controls that help to eliminate theft, fraud, and other problematic issues.

PASHA Bank bases its supplier selection decision on the principles of transparency

and equality. In addition, the Bank gives considerable importance to aspects related to the environment and health in its procurement process.

Impartial and Politically Neutral Institution...

PASHA Bank is positioned as an impartial and politically neutral institution that does not participate in the financing of political parties and their related entities and individuals. The Bank does not give institutional or financial support to the campaigns of political parties. Pursuant to the principle of full legal and regulatory compliance, PASHA Bank expects suppliers to abide by applicable national laws as well as Central Bank rules and applicable regulations. The Executive Board and the Bank's Procurement Committee oversee purchase processes in general in addition to guiding and aligning procurement strategy with PASHA Bank's corporate strategy. All potential vendors must carefully identify and accurately indicate the products or services offered. This ensures that vendors are correctly classified for invitations to tenders that are relevant to their business. When registering, all suppliers are subject to full compliance checks.

The Compliance division conducts a third-party due diligence (DD) process. The basic aim of the Bank's DD is to "know your vendor" (KYV). In operational terms, KYV means making appropriate inquiries to determine whether an entity's existing/potential third parties are transparent and honest.

Effective implementation of the DD process includes the following steps:

PASHA Bank is committed to conducting supplier relationships with objective performance measurement and in full compliance with legal and regulatory requirements as well as ethical standards.

- **Scope of Third Parties:** Understanding the universe of third parties and which ones should be subject to DD and KYV.
- **Third-Party Risk Assessment:** Assessing the level of corruption risk associated with individual third parties. Key indicators here include: a) Geographic location; b) Industry; c) Background and identity of the third party; d) Connection with government officials or entities; e) Connection with the organization itself; f) Selection of the third party.
- **Due Diligence:** Conducting risk-based anti-corruption DD and full KYV. Three key elements to conducting thorough third-party DD are: a) Data collection; b) Verification and validation of data; c) Evaluation of results, including identification of red flags; d) Record keeping
- **Approval Process:** In the contract approval process, PASHA Bank considers profitability to be a benefit for both the Bank and its customers as well as for the economy of the country as a whole. For significant expenditure areas, procurement teams do not select a supplier simply based on price. Instead, they consider many other factors that affect the total cost of the item. These include customs clearance, training, maintenance, warehousing, and transportation costs.

PASHA Bank is committed to conducting supplier relationships with objective

performance measurement and in full compliance with legal and regulatory requirements as well as ethical standards.

Risk Management

Risk management is fundamental to the success of PASHA Bank and is widely recognized as one of the Bank's strategic priorities. PASHA Bank has adopted a strong, disciplined approach to managing risks. Risk management is a responsibility shared by all employees across the Bank.

Risk management at PASHA Bank aims to ensure that the outcomes of risk-taking activities are consistent with the Bank's strategies and risk appetite. The Bank endeavors to maintain an appropriate balance between risk and reward in order to maximize shareholder returns. PASHA Bank's enterprise-wide risk management framework provides the foundation to achieve these goals. This framework is subject to constant evaluation to ensure that it meets the challenges and requirements of the local market where the Bank operates. The Bank's risk management framework also incorporates applicable regulatory standards and industry best practices as well contemporary approaches.

Risk-based Management Approach

During fiscal years 2020 and 2021, PASHA Bank's Risk Team focused on key projects that significantly strengthened the Bank's risk-based decision-making approach and risk culture.

Optimization of provisioning and

Improvement of IFRS 9 Model

In 2021, PASHA Bank performed a detailed review of its current IFRS 9 Model. Based on the results, the Bank prepared proposals related to provisioning. PASHA Bank executed initial implementations to express more accurate provision figures in its reports. Additionally, the Bank switched to a provision calculation from manual in Excel to automated Python which allows the Risk Management team to be more time efficient.

Revision of risk limit setting model

In 2020, PASHA Bank implemented a new risk limit setting model to determine the maximum exposure of its customers.

In 2021, the Bank further honed this model; all customers were assessed retrospectively with new limits set for the coming year.

For limit tracking purposes, the Bank tested the referenced model and concluded that it has integrity to effectively set limits.

Improved stress test models and more frequent testing

During the last two pandemic years, global and local issues have proliferated and brought about increased volatility. Given the impact of those issues on the Bank's portfolio, the Credit Risk Management (CRM) team improved the Bank's portfolio stress test models using different variables. The CRM team also increased the frequency of performed stress tests to be able to respond immediately.

Improved portfolio and market analyses

In 2021, PASHA Bank started performing much more detailed portfolio and market analyses by using different sources. For market analyses and market opportunities, the Bank analyzed data of CBAR and the Statistical Committee in detail and prepared

relevant action plans based on the result. Loans portfolio analyses were improved and product, customer, segment and industry-based analyses started to be performed on a continuous basis. The results of these various analyses were used in developing and formulating PASHA Bank's new strategic plan.

Development of short and long-term liquidity risk ratios

The reporting years of 2020 and 2021 comprised a highly complex and volatile period. As a result, market risk management came to the fore in the banking sector. PASHA Bank used various key indicators during this period including the latest regulatory and Basel requirements as well as best global practices to minimize emerging risks. LCR and NSFR are the sample measurements that PASHA Bank implements to ensure that the Bank has sufficient short term and long-term liquidity.

Introduction of liquidity bucket and concentration limits

In 2021, the Bank effectively reduced its decision-making time frame by adopting various system automations. Another milestone during the year was the introduction of liquidity bucket and concentration limits as an early warning of potential liquidity risk. These limits enable the Bank to mitigate risks before realization.

Preparation of methodology for Internal Capital Adequacy Assessment Process (ICAAP)

PASHA Bank applies stress testing analysis to assess all possible scenarios and calculates capital effect within the ICAAP (Internal Capital Adequacy Assessment Process) model. The ICAAP facilitates analysis of how risks are assessed, controlled, monitored, and mitigated. In addition, ICAAP helps management determine what amount of capital is required to maintain PASHA Bank's solvency and strategy under certain stressed scenarios.

Building of RAROC and EVE models to mitigate investment risks

An active security portfolio requires an effective investment policy. PASHA Bank updated its Investment Policy in line with industry changes. The Bank also simultaneously built up its RAROC, Economic Value of Equity and special underwriting approach to mitigate its investment risks.

Establishment of behavioral deposit modelling and dynamic liquidity gap analysis

Usage of behavioral deposit modelling and risk-based pricing were among the Bank's risk achievements of 2021. PASHA Bank built its own model to compute the stable portion of operational deposits and embedded it in the FTP system. This method is very effective in minimizing interest expenses. Additionally, the Bank started to implement risk-based pricing based on customer's credit risk premiums.

Establishment and mobilization of Risk Modelling Function

PASHA Bank successfully established and mobilized the Risk Modelling Division within the Risk Management function. The unit's main areas of responsibility include development, implementation, validation, regular updating, and back testing of the Bank's risk models.

The Risk Modeling Division is charged with delivery of outputs for the Underwriting Department, Loan Monitoring Department and Credit Risk Management Department and SME tribe, respectively.

Active implementation of Bank's Risk Transformation Plan

In 2021, PASHA Bank's Risk Management function continued to actively implement its risk culture initiative. The Bank set up

the Enterprise Risk Management (ERM) Division which provides the enterprise view of the organization. This unit is ultimately responsible for understanding, managing, and monitoring the most significant risks affecting the enterprise. To promote effective enterprise-wide risk management, the ERM Division developed a qualitative assessment process by using two types of models: ERM maturity and Risk Culture.

ERM was responsible for monitoring the implementation of PASHA Bank's Risk Transformation Plan. This plan was designed to boost the Bank's Risk Health Index and facilitate the adoption of sector leading practices. ERM built up cross-functional expertise and generated a view on the perceived strengths and weaknesses of PASHA Bank's current risk management capabilities. To take the Bank's risk culture to the next level, ERM structured a five-part framework covering all aspects of risk management, including leadership, governance and organization, communication, talent management, technology and infrastructure, global operating norms.

Launch of the Risk Culture Survey

In 2021, PASHA Bank launched the Risk Culture Survey and conducted special trainings for Bank employees to raise risk awareness across the organization. The Bank closely reviewed the ERM framework reviewed and developed the Model Risk Management framework. To provide a common risk language, ERM updates and modifications to the Risk Catalogue were made to include new and emerging risks by considering factors that are both internal and external to the Bank.

Enhancement in the scope of the Non-financial Risk Management (NFRM) division's structure

In 2021, PASHA Bank continued to actively implement its Risk Transformation Plan to ensure effective risk management across the organization. In addition to execution of the plan, the Bank enhanced its scope and modified Non-financial Risk Management's

structure. PASHA Bank created four separate areas as part of its Non-financial Risk Management:

- Operational and Regulatory Risk Management
- IT and Cyber Risk Management
- Fraud Risk Management
- Incident Management

Successful implementation of IT and Cyber risk assessment project

PASHA Bank successfully implemented its Cyber Risk Assessment initiative in 2021. As a result, all of the Bank's assets, threats and vulnerabilities were identified and matched with risks from the catalogue for control identification and residual risk assessment. New methodologies, processes and sub-processes related to cyber risk management based on best practices and international standards (COBIT, ISO, NIST) were written, approved and successfully implemented during the year. IT and Cyber Risk Management implemented the Business Impact Analyzes project in 2021. This effort has affected all functions across the Bank. This key project identified PASHA Bank's critical services, gauged their availability, and defined systems that are crucial for business continuity.

Establishment of Complaints Management within NFRM

The Bank added the scope of Complaints Management to the Non-Financial Risk Management Division in 2021. Complaints Management aims to effectively investigate and manage customer complaints and their root causes. Mass mail efforts, including commercial, legislative and risk-based notifications, was also added to NFRM scope to ensure timely and effective customer risk awareness. On a monthly basis, all complaints with actions for their resolution, are reported to Senior Management. In addition, a separate report related to customer complaints is sent to the regulatory authority on a quarterly basis. In 2021, the Bank started to align

complaints with the realized risks and analyze their correlation.

Separation of Fraud Risk Management

During 2021, PASHA Bank established a separate new team: Fraud Risk Management. The team developed new policies and processes related to fraud risk management based on best practices. International consultants reviewed and approved the documentation generated by the FRM team. A dedicated service flow for fraud incident management was created to facilitate effective and confidential incident management. A bank-wide fraud management project was successfully started and implemented with the assistance of international consultants. The project helped identify bank-wide fraud risks and implement effective controls and mitigation plans.

Development of Risk and Incident Management platform

In 2021, PASHA Bank developed the Risk and Incident Management platform. This new platform is more automated and all related data is stored in one central location. An automated dashboard assists the Bank in effectively managing identified risks and incidents. The Risk and Incident Management approach was also revised and updated based on best practices. The Risk Catalogue was created on a separate platform; all risks were collected and added to the platform. Now, PASHA Bank is able to link risks with incidents identified on this platform.

New Mandatory Training

Non-financial Risk Management training was added to annual mandatory employee trainings. Starting from 2021, all employees are required pass this training on annual basis. Training was created on a digital platform and successfully deployed with the support of an international consultancy.

The above-mentioned activities served to boost PASHA Bank's Risk Health Index as assessed by an independent third party. To foster risk awareness among employees

across the organization and enhance the three-line defense approach in the risk control self-assessment process, PASHA Bank conducted several trainings and workshops with these aims jointly with a consulting firm.

In 2022, the Bank plans to continue conducting workshops in risk control self-assessment in addition to fraud risk assessment, cyber risk management and other relevant risk areas.

These efforts are aimed at timely identification of non-financial risks, control assessment and corrective action plan preparation and implementation based on prioritization. Key risk indicators are planned to be developed for prioritized risks. In addition, Non-financial Risk Management Handbook was created and shared with all employees. Implementation of new CBAR requirements related to information security effectively started in 2021; final implementation is scheduled for 2022. PASHA Bank also plans to implement stress testing of non-financial risks together with the testing of existing controls in the coming year. New stress testing methodologies for credit, market and liquidity, and non-financial risks are scheduled for approval in 2022.

INTERNAL AUDITING AND COMPLIANCE

The Compliance Function at PASHA Bank (Compliance division and AML and Monitoring division) provides ongoing specialized employee training programs at regular intervals, in particular for staff members who have direct contact with the Bank's clients.

Compliance

PASHA Bank's Compliance function oversees the compliance of the Bank with laws, rules, regulations and international standards. New laws and any changes to existing ones are implemented and applied within the Bank by the Department. In collaboration with Internal Audit, the Compliance function supervises the proper execution of these various procedures.

Money Laundering (ML) and Terrorist Financing (TF) Monitoring at International Standards...

AML and Monitoring division at PASHA Bank provides ongoing specialized employee training programs at regular intervals, in particular for staff members who have direct contact with the Bank's clients. These trainings are designed to help employees recognize indicators related to money laundering (ML) or terrorist financing (TF) and give them instructions on how to proceed. For any newly hired professional staff member, PASHA Bank provides basic training to raise awareness about the Bank's anti-money laundering/counter-terrorist financing (AML/CTF) policy as well as relevant legal and regulatory requirements.

Building an Effective Reporting Line with Senior Management

The internal audit function enhances and protects the Bank's value. Internal Audit provides risk-based, objective and independent assurance of the effectiveness of the Bank's risk management, internal control and governance processes. By building an effective reporting line with PASHA Bank senior management, Internal Audit timely informs which risks have been evaluated and highlights where improvements are necessary. During the 2018-2020 period, Internal Audit focused on assessing the effectiveness and efficiency of the Bank's risk management and governance systems in the context of both current and potential future risks; ensuring the reliability and integrity of management information systems and processes; monitoring the Bank's compliance with applicable laws, rules and regulations; and safeguarding the Bank's assets.

Decisive Efforts to Achieve International Compliance

PASHA Bank's business activities are executed in accordance with Financial Action Task Force (FATF) recommendations, Basel requirements and international standards. To ensure the proper conduct of such activities, the Bank has developed a risk-based AML/CTF program, which includes written AML/CTF policies and procedures, a KYC program, processes to conduct ongoing monitoring, reporting of suspicious transactions and record-keeping.

The Bank conducts external auditing of its international compliance in regular basis by four highly reputable accounting firms in keeping with its goals. As a result of audit reports and further remediation actions Bank continuously develop AML compliance processes and keep all related policies and procedures up to date in terms of international best practices and local requirements.

Fully Compliant with FATCA

PASHA Bank conducts its operations in full compliance with FATCA (Foreign Account Tax Compliance Act) and CRS (Common Reporting Standard) requirements. In keeping with its goal of becoming a regional player, the Bank places particular importance on transparency and compliance with international standards. Periodic reports are submitted to the Ministry of Taxes in full compliance with applicable requirements.

OUR CUSTOMER RELATIONS PERFORMANCE

In 2020-2021, PASHA Bank invested heavily in digital transformation and implemented new tools and approaches to facilitate remote work without major impacts to its customers. Prior to the pandemic, the Bank had already built out its digital products infrastructure. As a result, PASHA Bank entered the lockdown period completely ready as digital bank due to its visionary strategy. The Bank also migrated its Contact Center to a new solution that enables us to serve our customers faster and more efficiently.

As the largest private commercial bank in Azerbaijan, PASHA Bank is committed to delivering world class services to its customers. In 2020, nearly 100% of bank payments and other related activities were conducted through the Internet branch.

PASHA Bank decided to further embrace digital banking and provide a comprehensive range of services to customers without having to visit a physical branch. As a result, the CIB block created the Virtual Services Department. PASHA Bank's Virtual Services Department is a special dedicated team that continuously improves and provides most banking services to customers in an online format. Bank customers can now fully benefit from a complete portfolio of banking services and products via online channels.

During the report period, PASHA Bank divided industries in the CIB tribe into two squads:

Client & Industry. The squads jointly form the Bank's industry streams. The Client Squad is designed for long-time company client that require specially designed products and customized services. The Industry Squad works with companies that are new to the Bank. The Industry Squad aims to ensure that new customers have a smooth transition in their relationship with PASHA Bank.

PASHA Bank has approved the Karabakh Strategy initiative to carry out construction and rehabilitation work in Azerbaijan's liberated territories.

This effort aims to provide special support by the Bank to companies in the country's newly liberated regions. This strategy, PASHA Bank developed and introduced its first leasing product in the bank.

In the reporting period, PASHA Bank also developed a new performance guarantee product for exporters that use performance guarantee for sale of goods with export marking rule of the Cabinet of Ministers of AR. In addition, the Bank established a working group between Azerbaijan, Turkey and Georgia to support regional trade finance efforts.

RETAIL

Since 2015, PASHA Bank Retail Banking has provided retail customers highly efficient individualized services that meet their basic banking needs. Mainly focused on serving salary card holders, PASHA Bank introduced numerous new retail products and services in 2020-2021 while directing customers to online channels due to the pandemic.

Discount campaigns

In 2020, PASHA Bank conducted various campaigns in response to the Covid-19 pandemic. These included discount campaigns at Wolt food delivery, Ali-Nino bookstore, Cofferica coffee shop, Pharmacy-Online, Megogo Online cinema service and Bakumart online supermarket. A discount campaign was also introduced for Covid-19 tests at the Reference Clinic.

Cashless transactions

As a result of focused efforts, PASHA Bank boosted the percentage of cashless transactions on individual cards to 40%, well above the market average of 30%.

Cashback salary cards

In 2021, Retail Banking introduced a new salary card feature for its clients where they are able to receive cashback amounts for selected transactions.

Miles & Smiles

PASHA Bank's co-brand Miles & Smiles product in conjunction with Turkish Airlines generated

growing interest among consumers during the year. As of 2021, Miles & Smiles cards are also available in US dollar currency. In April 2021, the Bank launched a card delivery process that does not require visiting a physical branch location. Special campaigns for new and existing clients during the year included:

- Double and Extra Miles on Holidays
- Discounts on Black Friday
- Special loan offers for new Endowment Insurance clients
- Unlimited free usage of Lounge Key for World Black Edition and World Elite cardholders at any airport in the world
- Stay Home Pay online campaign

Internal mortgage for individuals

In 2021, retail customers were able to purchase real estate using PASHA Bank's internal mortgage product with favorable terms, up to a maximum of AZN 850,000 with a 10% down payment.

MIDA initiative

PASHA Bank OJSC is one of eight banks selected for the lending initiatives of the State Agency for Housing Construction of the Republic of Azerbaijan (MIDA). The mortgage loan has preferential terms for the target buyer group: 10% down payment, 4% annual interest rate and up to a maximum of AZN 100,000.

E-manat

Moving forward the optimization of cash operations, electronic terminals were installed

across the branch network in 2021.

Launch of new websites

Comprehensive information on mortgage products can be found on the newly launched website <https://ipoteka.pashabank.az/> while detailed information on other loans is available at <https://consumer.pashabank.az/>.

New Mobile app

Individual customers were offered a completely revamped Mobile app design with an array of new features, including information on the cashback amount on salary cards, Miles balances, simplified loan order processes, among others.

ApplePay

ApplePay was introduced to PASHA Bank's customers in November 2021 via the new mobile application – one of the first in the market.

PASHA Bank's Retail Banking aims to provide its salary card holders with a comprehensive retail banking experience while introducing specific products to the wider mass market.

Plans for 2022

Mobile app: Retail Banking aims to continue building out its user-friendly Mobile app, in line with the wants and needs of its customers.

Account service: The Bank is expanding its digital offerings, including account opening, servicing, and closing; digital client onboarding is scheduled for implementation in the coming year. These efforts support the Bank's branchless concept.

Cashback: Retail Banking aims to implement Smart Cashback options for its client base and expand its partnership network.

Car loan: To meet the needs of its clients, Retail Banking plans to introduce a car loan product. Miles & Smiles credit cards: PASHA Bank aims to launch Miles & Smiles cards with a credit line, giving cardholders the opportunity to earn miles even without a balance.

SIMA: PASHA Bank Retail Banking in collaboration with AzInTelecom LLC is working on integration activities related to signing of digital documents. This effort is expected to boost the Bank's paper-free processes and simply clients' lives.

Google Pay: In 2022, Google Pay is expected to enter the Azerbaijani market. As always, PASHA Bank is committed to introducing innovations and providing its clients with the latest advanced technology solutions.

OUR HUMAN RESOURCES PERFORMANCE

Our people and development culture – How we retain talent

As PASHA Bank we recruit, engage and retain our talent via continuous development opportunities supporting our employees' career growth.

Our Colleagues are critical to our success. We know that the past two years have been challenging in different ways to all of us. In response to the COVID-19 pandemic period, we observed different improvements in culture and mindset of our employees – we have learned to

collaborate not seeing one another, however the touching and feeling of "togetherness" sustained through the successful engagement and mindset "being united around one goal" at PASHA Bank.

We are proud the ways our colleagues responded to these challenges, how we supported our clients and customers.

PASHA Bank has taken critical steps to sustain human development, talent retention and career

Human Resources Profile 2021

	Number	Percentage (%)
Gender		
Male	639	60%
Female	423	40%
Total	1,062	100%

Annual Employee Turnover Rate: 12.87%

In 2021, 238 new staff members joined PASHA Bank's workforce.

2020

	Number	Percentage (%)
Gender		
Male	564	60%
Female	375	40%
Total	939	100%

In 2020, 136 new staff members joined PASHA Bank's workforce.

Strong Support to Gender Equality

Gender Breakdown of New Staff – 2021

Gender	New Hires	Percentage (%)
Male	151	63%
Female	87	37%
Total	238	100%

management within the last two years in human resources field. We are focused on our Mission of being “The Best Employer Choice” with the human resources strategies we have had and have learned during the pandemic period.

Comprehensive Rights and Extensive Opportunities for Employees

PASHA Bank is focused on hiring people with skills and capabilities to support its strategy. Collaboration with universities, hiring the newborn talents, focusing on Gen Z’s priorities, increasing employment awareness of graduates stands at the heart of recruitment strategy. PASHA Bank’s hiring approach does not end only with reaching out our local communities and upskilling local students, but also extended to gain talents from international markets in line with international standards that are accepted and described in the UN Human Rights Declaration and other conventions.

Expat Contribution to the Organization ...

PASHA Bank employs two expatriate staff members in its welcoming, multicultural work environment. The Bank adheres to the spirit and letter of all applicable Azerbaijani legislation, protects children against the practice of child labor, and embraces other key salient issues. As a reflection of its global vision, the Bank closely monitors, adopts and integrates international human resource trends into its corporate structure as deemed appropriate.

All Bank employees are entitled to receive extensive benefits in addition to a monthly

salary, as summarized below.

Employee Loan

PASHA Bank employees may receive a credit line with discounted interest rates based on their work experience.

Mortgage Loan

PASHA Bank employees have the benefit to take state mortgage with certain discounts lower than the market percentage

Educational Loan

Bank staff may benefit from an educational loan in order to finance their post-graduate education.

Medical Insurance

PASHA Bank personnel receive health and medical insurance from the first day of employment at the Bank. Health insurance is offered to Bank employees and members of their family.

Physical and Mental Well-being

PASHA Bank employees receive a physical (fitness) and mental (life coach) well-being benefit every year.

Fostering Women’s Employment

PASHA Bank actively supports the employment of women to contribute to the sustainable development of Azerbaijani society. Today, 40% of the Bank’s total workforce are women. The Bank provides extensive opportunities for female employees to develop their personal and professional competencies.

Representation of Women Employees at Different Occupational Levels 2021

Position	Number	Percentage (%)
Management	41	10%
Department	382	90%
Staff & Lower		
Total	423	100%

Professional Training Activities to Maintain Productivity

During 2020 and 2021 PASHA Bank have launched a new partnership with Udemy, LinkedIn Learning, Coursera in different professional areas that stands crucial for the employee development. The Bank continuous to support professional certification and qualification programs in finance, risk, IT and other technical subject matter areas. ACCA employer status of the Bank support the ACCA alumni and students during the development years. Besides, as PASHA Bank family, we provide extensive digital learning development tools to all colleagues who seek development opportunities.

Ongoing Training Activities to Manage Risk and Opportunities

In response to the COVID-19 pandemic, PASHA Bank has quickly reacted to help its leadership staff to gain “Remote Team management” skill trainings, also the whole staff has passed through the remote working mode trainings whether they are in a leadership role or not.

In collaboration with PWC Azerbaijan, PASHA Bank first launched its digital platform on “Risk Management skills for All” to increase the awareness level of staff on financial and non-financial risk management. Among the awareness sessions, Health, Safety and Environment trainings marathon was held among staff members on different HSE topics. Within all these development frameworks PASHA Bank offers to its colleagues, we measure the success of our development offerings through our colleague’s surveys, tracking the progression of participants from our leadership development programs.

Top Training Subjects – 2021

- Finance for non-finance by Pasha Bank Internal trainer
- Risk Culture and CRU by Pasha Bank Internal trainer
- Design Thinking Workshop for Agile Ambassadors by Pasha Bank Internal trainer
- Business continuity and stress management by PWC
- RM School
- Product Owner School
- Cybersecurity bootcamp
- Coding school by Code Academy
- HSE trainings by FHN
- Non-financial Risk management awareness training by PWC

In 2021, the Human Resources Department strategy focused on the continuous growth of our employees supporting different strategic initiatives of PASHA Bank. We are committed to cultivating a culture of lifelong learning and our individual development programs are designed to support PASHA Bank at every stage of their career.

Employee Engagement and Communications Activities

PASHA Bank utilizes advanced corporate communication channels to motivate employees and boost its organizational capabilities.

1. PASHA Bank has continued its tradition of CXO Breakfasts, where the Bank’s CXO meets with junior staff members to share ideas and views. These organized breakfast events were designed to raise the corporate spirit of employees during the post-pandemic period and help members become better acquainted while directly addressing their concerns to the chairman or Board Members. Along with the breakfast events, the Bank also organizes informal meetings. There is a more formal atmosphere during breakfast, while

“informal” meetings ensure a more relaxed atmosphere where employees are encouraged to share their views freely. Moreover, informal meetings are organized in accordance with the interests of the CXO, which attracts the employees who share the same interests.

Last year, the Social Club organized a yoga club, a chess tournament, a tree planting in memory of the martyrs in Lankaran and Astara districts as part of the “Vatan Baghi (Homeland Garden)” initiative together with Red Hearts Charitable Foundation, a Coastal Cleanup Day in conjunction with Coca-Cola, a charity campaign to support families in need during Ramadan in cooperation with Azerbaijan Red Crescent, a performance for employees’ children, and an indoor football championship for PASHA Bank staff. Along with activities for Bank employees, events were held to include their family members as well. These various activities and events brought together employees from different areas across PASHA Bank to function as a team and fostered a spirit of cooperation among the workforce.

Taking into account pandemic restrictions, PASHA Bank organized a total of seven teambuilding competitions.

Teambuilding during the pandemic allowed home-based employees to become acquainted with other teams, share the Bank’s culture with staff members, engage in team games, have fun and, most importantly, learn valuable lessons from the exercises.

Thematic teambuilding is also organized for PASHA Bank Buddies, who help new employees to adapt more quickly and easily to the Bank’s corporate culture.

2. Communication Efforts:

- To improve both vertical and horizontal communication, the cascade communications process was developed and adopted at

the Bank. This approach bolsters the relationship between managers and their direct subordinates by pushing information throughout the organization – from top executives to supervisors and managers to workers on the frontlines.

- The cascade communications process also helps to send information up through the organizational structure, creating a dynamic, two-way information flow that drives vital information and gives employees an effective voice in the workplace.

- The Bank actively supports cross-functional cooperation between employees.

3. Members of the PASHA Bank Executive Board continue to implement their annual plans in internal communications. These include Employee Achievement Recognition (e.g. letters, “popping into their office,” quick phone calls), informal team building activities with functions under direct supervision, among other activities.

4. To increase the involvement of employees, the Bank organizes various events with the participation of the families of personnel (e.g. Christmas tree event, visits to the cinema, visits to nursing homes), as well as various sports and activities involving Bank staff (e.g. foot races, soccer championships, basketball, intellectual games, and the like).

5. Since 2017, PASHA Bank has conducted the Organizational Health Index (OHI) survey.

This survey is different in its design and depth from standard research-centric surveys by focusing on how PASHA Bank employees work and shedding light on the Bank’s cultural foundations as a corporate entity. The Bank strongly believes that this study reveals its core cultural strengths as well as development needs in its way of thinking, execution, leadership and corporate values.

More on OHI: <https://www.mckinsey.com/solutions/orgsolutions/overview/organizational-health-index>

OUR ENVIRONMENTAL PERFORMANCE

PASHA Bank, the most capitalized privately owned bank in Azerbaijan, dedicates a significant amount of its budget to ensure efficient use of natural resources.

PASHA Bank sees environmental sustainability activities as an integral part of its core banking operations. The Bank expends great efforts to adapt its environmental framework to international standards as well as to Azerbaijan’s legal and regulatory framework. PASHA Bank engages in a wide range of activities geared toward mitigating its impact on the environment.

Advanced Technology Infrastructure to Manage Total Electricity and Water Consumption

In parallel with the steady growth of its operations, PASHA Bank implements an advanced technology infrastructure throughout its branch network and at its headquarters to effectively manage total electricity and water consumption. The Bank also provides special training for staff members to boost environmental awareness among the workforce and other stakeholders. In addition, PASHA Bank invests in noncash payment and internet banking technologies to reduce the use of natural resources and contribute to environmental sustainability efforts.

Environmental Highlights

	2020	2021
Energy Consumption (KVh)	2,761,627.12	2,765,331.37
Water Consumption (Tons)	4,093.02	5,099.21

Recycling Practices for Efficient Usage of Resources

PASHA Bank’s recycling practices stand out within its environmental sustainability efforts. Although to date Azerbaijan has lacked a developed recycling industry, the Bank has proactively established its own recycling infrastructure. PASHA Bank recycles vehicle batteries, in addition to collecting waste papers and disposing of electronic equipment.

The Bank covers the cost of this effort as a part of its environmental responsibility.

As a result of its expanding operations, PASHA Bank implements effective strategies that optimize the consumption of materials to produce the Bank’s core products and services.

Total Weight of Materials (e.g. paper, toner) Used to Produce Core Products and Services (Tons)

	2021	2020
Paper	9,905	7,932.5
Water	4,093.02	5,099.21

Combating Climate Change

The Bank is an active supporter of the global effort to combat climate change.

PASHA Bank is focused on reducing the CO2 emissions generated from its business activities. The Bank is an active supporter of the global effort to combat climate change. In addition to controlling the air conditioning systems and generators in its office space, PASHA Bank takes steps to curb carbon emissions related to its transportation activity. To reduce CO2 emissions, the Bank implements the following practices:

- The Bank’s vehicle fleet was downsized.
- Old model vehicles are sold, while new eco-friendly vehicles are procured as replacements.
- Operating practices are improved to combine goods received from different suppliers and cut shipping costs.
- Drivers are instructed to improve driving practices

OUR SOCIAL RESPONSIBILITY PERFORMANCE

Since 2015, PASHA Bank has shifted from a traditional model of corporate social responsibility to a more contemporary approach of stakeholder engagement.

Drawing on its robust capital structure and long-term sustainability strategy, PASHA Bank greatly values social responsibility. The Bank focuses on active involvement in the communities where it operates. Since its founding, the Bank has played a proactive, cooperative and collaborative role in society. PASHA Bank aims to help ensure the well-being of the Azerbaijani people and make the country a better place to conduct and develop business.

A Contemporary Approach to Stakeholder Engagement...
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, PASHA Bank has shifted from a traditional model of corporate social responsibility to a more contemporary approach of stakeholder engagement since 2015.

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 new corporate stakeholder engagement approach:

Sustainability Strategy of PASHA Bank

CSE Dimension	Sustainability Approach
We empower entrepreneurship.	Clients for us
We empower human capital.	People for us
We empower capacity and good governance.	Reputation for us

WE EMPOWER ENTREPRENEURSHIP

PASHA Bank sees entrepreneurial activity as vital to Azerbaijan's social and economic development. As a result, the Bank seeks to support the SME sector by providing world class service to existing clients while expanding the segment's customer base. PASHA Bank hosts seminars, forums, and other events for its SME clients who lack the financial means to attend or send their staff to various capacity and skill-building trainings. The Bank's activities in this area include online demo presentation session for customers, the ABA & DSMF project, AxExport, and the PASHA Bank online conference.

To complement government support to businesses during a highly challenging 2020-2021, PASHA Bank also engaged in various efforts targeted at meeting the evolving demands of customers in the digital age.

PASHA Bank took part in a number of initiatives in 2020-2021 targeted at developing innovative digital solutions to fulfill the demands of a rapidly changing market environment.

Project Portfolio of PASHA Bank's Exemplary CSR Approach

PASHA Bank implements model customer social responsibility projects to integrate Azerbaijani society with the global economy. "Start with PASHA Bank" is an initiative aimed at improving the professional development of people with physical disabilities. Through this project, the Bank aims to support the professional development, knowledge and skills of people with physical disabilities, as well as their integration into society and employment. The Ministry of Labor and

"Start with PASHA Bank" social project for people with physical disabilities

Social Protection and ADA University are the organizational supporters of the project.

During the project, specialists conducted trainings on soft skills for about 100 participants. Subsequently, participants had the opportunity to attend additional trainings, on Digital Marketing, Help Desk, SQL Programming, Graphic Design and Call Center, based on their individual preferences. In the final stage of the project, support was provided for participants in seeking employment. Program participants have gone on to internships in various companies and have received full-time job offers.

Collaboration was made with other organizations during the job search process for the program's participants. To date, 20 participants have been employed in various well-known companies and entities.

Azerbaijan Banks Association & Ministry of Labour and Social Protection project

With PASHA Bank's financial support and organization of ABA, MLSP provides low-income people with relevant equipment to boost entrepreneurship in the country. To date, more than 100 persons in-need have benefited from the support of PASHA Bank. Support beneficiaries include persons employed at women's and men's salons, car maintenance centers, entertainment venues, cereal product production, agriculture, photo and video production centers.

"Scale Up" Acceleration Program for Women Entrepreneurs

The "Scale Up" Acceleration Program for Women Entrepreneurs is a CSR project supported by PASHA Bank. The program is designed to support the growth of micro, small and medium-sized businesses owned by successful women in business. Scale Up is a unique program for business owners who are interested in learning the methodologies behind scaling and the strategic skills necessary to facilitate growth for business. The program was specially

designed for business owners-entrepreneurs to provide them with relevant know-how on the appropriate steps to propel their company's growth through professional and personal change.

Azerbaijan Best Managed Companies

Azerbaijan's Best Managed Companies is a reputable international business assessment and recognition program. The program is implemented by Deloitte, one of the world's leading audit firms, in 37 countries around the world. In 2021, the program was held in Azerbaijan for the first time with the support of PASHA Bank.

The primary objective of Azerbaijan's Best Managed Companies is to conduct a detailed analysis of the market, identify and recognize leading private companies and organizations with sustainable and effective development and annual revenues of more than AZN 20 million. The program evaluates various business indicators and parameters, including company values, strategic goals, customer focus, use of effective business models and innovative solutions, contribution to economic development, and other criteria.

This year, the program took into account pandemic related issues such as the effectiveness of measures taken by companies during a particularly challenging economic environment, the organization of remote work, protection of labor and safeguarding the health of company employees, and overcoming various difficulties caused by the pandemic.

WE EMPOWER HUMAN CAPITAL

PASHA Bank considers human resource development as another key component of Azerbaijan's economy and society. The Bank undertakes various efforts to select and train the country's best students and young

people in order to attract them as interns or employees.

Project Portfolio of PASHA Bank's CSR Approach

Scope of Cooperation between PASHA Bank and ADA University

PASHA Bank's cooperation with ADA University began in 2018. With the Bank's support, many major events have been held targeting students, including meetings with members of the Bank's Management Board, career fairs, as well as hackathons and information sessions.

The collaboration includes the following components that are strategically aligned with PASHA Bank's mission and that of ADA University.

ADA Summer Camp – In 2021, the overarching theme of the Summer Camp was "Know Your Homeland." The objective was to equip young generations with knowledge about nation building, history, prominent national figures and their contribution to the country's culture. Each week of Summer Camp was dedicated to a new topic. These topics included the history of diplomacy, history, art and culture of Azerbaijan, information technologies, environment and climate change, economics and banking.

The Summer Camp was conducted by ADA University Center of Excellence in EU Studies and ADA Foundation with the financial and intellectual support of PASHA Bank and "Temiz Sheher" (Clean City), an initiative to improve urban environments by promoting modern solid waste disposal practices. Over the span of one month, program participants further developed their own intellectual and creative capacities, broadened their horizons, developed lifelong skills such as teamwork, analytical thinking, communication, and leadership abilities.

supported self-learning, and discovered their strength for selecting an appropriate career path.

Employability and Career Fair Week – Taking place from April 1 to 10, this popular event brought together highly qualified professionals from 14 local and foreign entities, including companies, international organizations and government agencies, in the fields of finance, consumer goods, information and telecommunications, auditing and consulting. Representatives from these various entities informed students about new trends in their field, career opportunities, as well as the changing demands of the labor market. The seasoned professionals aimed to guide students in the transition from education to the work environment.

Twice a year, ADA awards merit-based Academic Excellence Scholarships to students, according to their performance i.e. cumulative GPA at the end of the previous semester. Students qualified for this award in three categories: 100%, 50% or 25% waiver of the tuition fee.

Internship/Graduate Recruitment – This effort provides opportunities for students to intern at PASHA Bank and for new graduates to secure employment with the Bank.

PASHA Bank also arranged events where students had the opportunity to meet with the Bank's top management. These meetings allowed senior Bank representatives to share PASHA Bank's strategic vision and perspectives of the local financial and digital ecosystem and encourage student attendees to build their careers in Azerbaijan.

Partnership with Lotfi Zadeh Technology Center

PASHA Bank initiated cooperation with Lotfi Zadeh Technology Center

PASHA Bank attended an event on February 4 dedicated to the 100th anniversary of world-renowned scientist and founder of the fuzzy logic theory, Professor Lotfi Zadeh. The main topic of the panel discussion at Lotfi Zadeh Technology Center was "Reconciliation of the Banking and Innovation Ecosystem in Digitalization."

During the event, it was noted that PASHA Bank has entered into a cooperation with Lotfi Zadeh Technology Center, which has consistently applied global experience in the local market and introduced several technological "firsts" in recent years. The Bank is the primary financial partner of Lotfi Zadeh Technology Center, which aims to bring together specialized knowledge and skills, state-of-the-art infrastructure, and investment in the region.

UI/UX meet-up session at LZTC

Digital and creative design team members of PASHA Bank spoke about the Bank's UX/UI experience at an event on July 2. PASHA Bank designers touched on exciting points in UI/UX and answered questions from participants and spectators. This was the first PASHA Bank meetup event that took place at Lotfi Zadeh Technology Center.

"Digital Banking" event for LZTC residents

On May 5 at the initiative of PASHA Bank, an event on "Digital Banking" was held for residents of Lotfi Zadeh Technology Center. Speaking at the event, Bank representatives shared detailed information on opening an account for small and medium business owners on the Online Banking platform, ordering POS terminals, salary projects, and other products and services.

PASHA Bank Cup III

PASHA Bank launched the PASHA Bank Cup III competition to boost the potential of IT professionals in the country and help develop the skills of those interested in this key field.

The competition aims to create a platform for participants to acquire new knowledge, expand their skills and demonstrate their professional talent.

Talented local programmers of different age groups – including schoolchildren, university students and professional programmers – were invited to participate in the competition. The four qualifying rounds that took place during the year were conducted online through the HackerRank platform. PASHA Bank plans to continue holding competitions aimed at developing the programming sector in Azerbaijan, including increasing the knowledge of schoolchildren and university students focused on this specialty and improving the professional skills of specialists. PASHA Bank Cup III started on May 21, 2021, and the competition spanned three days. In total, 63 out of more than 300 participants qualified for the finals; nine out of 63 finalists were declared winners and awarded prizes.

Memorandums of Cooperation with Universities and Academies

During 2020 and 2021, PASHA Bank signed memorandums of cooperation with several universities and academies to strengthen and develop professional ties in various academic and educational arenas. MOCs were signed with UFAZ, UNEC, BHOS, STEP IT Academy and BSU. All parties have successful track records in implementing joint projects. Under these efforts, several students from these universities have successfully completed internships at PASHA Bank and were extended job offers from various departments of the Bank.

AIESEC Azerbaijan Conference

PASHA Bank remains committed to supporting talented young people. The Bank was a premium sponsor of the national conference held by the Azerbaijani office of AIESEC, one of the world's largest student and youth organizations, on February 11-14.

One of the main goals of the online national conference was to increase the professional skills and experience of young organization members and reveal their leadership qualities. Several webinars were organized as part of this year's conference with the participation of about 250 young people studying in various fields. Speaking at the webinars, international experts, including PASHA Bank representatives, provided young people with information on different business skills, customer service, finance and marketing, project management, process digitalization, human resources, risk management, and other issues on the agenda.

Summer Interns Graduation Ceremony – Recruitment of 8 interns

PASHA Bank's summer internship program took place from July to September 2021. Relevant certificates and gifts were presented to the student interns at the award ceremony for those who successfully completed the internship program. The primary aim of the internship program was to contribute to students in three ways:

- Applying theoretical knowledge in practice;
- Gaining experience from professionals working at the Bank;
- Becoming acquainted with the corporate culture at PASHA Bank.

Under the program, 31 students from various universities interned across the Bank, in the Risk Management, Digital Engineering, Human Resources, Marketing, Corporate Banking, Compliance, and Finance departments.

WE EMPOWER CAPACITY AND GOOD GOVERNANCE

PASHA Bank sees capacity building and good corporate governance as essential to furthering Azerbaijan's economic and social development. The Bank aims to enhance its reputation by supporting various awareness-raising initiatives and events in this area.

Business Confidence Index

Pursuant to its commitment to support the sustainable development of Azerbaijan's economy, PASHA Bank has conducted the Business Confidence Survey among the Bank's customers on a quarterly basis since 2017. The Business Confidence Index (BCI) is based on enterprises' assessment of production, orders, and inventory stock, as well as its current position and expectations for the immediate future.

The Business Confidence Index serves as an indicator providing information on future developments. The index is based on opinion surveys from enterprises across different industries.

After four years of conducting the survey, PASHA Bank has collected enough data from diverse business segments to obtain a broad picture of local business trends. The Bank also receives real time feedback on the survey, questions, and customer needs. The Business Confidence Index bolsters PASHA Bank's reputation as a leading financial institution in Azerbaijan.

Online Tech Talks with UFAZ students

PASHA Bank's employees with extensive experience in information technology participated as featured speakers at the Online Tech Talks event for UFAZ students on March 11, 2021. Representatives of the Bank spoke about the advanced technologies used at PASHA Bank, the latest programming languages and their real-world application, and the development of the latest mobile applications. A question and answer session followed the speakers so attending students could participate and explore their issues of interest further.

Meetups by PASHA Bank

Meetup events are held in conjunction with Lotfi Zadeh Technology Center to answer questions on specific topics and clarify key issues of interest. Under this effort, PASHA Bank employees share their experiences and talk about innovations in the market. To date, five Meetups have been held on topics such as Digital Engineering, UI/UX Design, Agile, among others.

PASHA Bank plans to hold Meetup events on an ongoing basis with a focus on digital topics.

PASHA Bank Digital Heights 2021

On December 8-11, 2021, PASHA Bank hosted the Digital Summit Conference. At the 4-day event, which focused on developing technological, innovative, and creative areas in society, both local and foreign speakers shared their experiences on product ownership, software, and creative design.

The event was broadcast live online under the motto "ProductHunt." The first day of the conference included experts from various companies sharing with participants the role of product ownership within the company and the secrets of success in this field. On DevOps Day, representatives of major companies shared their varied experiences in digital engineering with participants. The third day of the event featured speakers on topical issues of UX/UI who later answered questions of attendees. On the final day, conference discussions centered around data. During interactive parts of the event, such as panel discussions and workshops, speakers answered questions from attendees. More than 400 persons attended the 4-day conference.

PASHA Bank aims to adopt the latest developments and best practices in the financial technology industry, identify current issues in IT and digital banking, making these

innovations more accessible in Azerbaijan. PASHA Bank plans to conduct further projects and activities toward these ends in the coming year.

Innovation Summit – by PASHA Holding

PASHA Holding organizes the Innovation Summit in order to bring together the country's leading companies to discuss innovation and facilitate the exchange of ideas and knowledge. Representatives from Google, London Business School, OutThinker and other leading global innovation ecosystems spoke at this major event, highlighting the value of innovation in large organizations, as well as the competitive advantages.

Participation in SIBOS 2021 Online Conference

Every year, the world's leading financial institutions, fintech, and independent experts come together at the SIBOS conference. This major event is particularly important for the international financial community to take advantage of abundant communication opportunities and conditions for practical cooperation. The SIBOS 2021 forum focused on the "Revitalization of Global Finance." Discussions and debates were held on current trends, challenges, and effective solutions in the global banking sector. The event also covered the latest banking trends, risk management, digital transformation, and other pertinent topics of today. Exchanges of views and perspectives on key issues added value to the conference.

PASHA Bank participated in the SIBOS forum organized by the World Interbank Financial Telecommunication Society (SWIFT) for the 12th time in 2021. Due to the ongoing global pandemic, SIBOS 2021 was held online this year, as it was last year.

SUPPORT TO SUSTAINABLE ECONOMIC DEVELOPMENT

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.

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 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 while also protecting this value.

PASHA Bank CSR 3.1: Corporate Stakeholder Engagement

The Bank's social responsibility mandate is embedded in PASHA Bank's corporate 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

Events and Activities Implemented within the CSE Related Initiative:

- Seminars to empower female stakeholders
- Hackathons aimed to bolster human capital in the country
- Digital Heights Conference (December 8-11, 2021)

womENCourage 2020 Conference

womENCourage is an ACM Celebration of Women in Computing event initiated by ACM-W Europe. The conference aims to connect women from diverse technical disciplines and encourage them to pursue their education and profession in computing. The womENCourage conference brings together undergraduate and graduate students, researchers, academics and engineers from Europe and beyond, to present and share their achievements and experiences and discuss pressing issues of women in the computing profession.

First Azerbaijani Ironwoman competition

For the first time, PASHA Bank supported the triathlon competition for the title of Azerbaijani Ironwoman. With the support of Triterra Triathlon Club, female participants competed in running, swimming, and cycling events as part of the Ironman triathlon.

PASHA Bank awarded AZN 10,000 to the first-place female participant. The winner will represent Azerbaijan in the official Ironman competition upon completion of the distance within the allotted time and receive the title

of Ironwoman. Under the specified conditions of the race, participants must successfully complete 4 km of continuous swimming, 180.25 km of cycling, and 42.20 km of running within 17 hours.

PASHA Bank wants to inspire women to believe in their strengths and ascend to higher peaks through this competition. Going forward, PASHA Bank plans to implement and support similar initiatives as part of its Corporate Social Responsibility strategy.

PASHA Bank boosts the social-cultural development of Azerbaijan with its sponsorship activities:

Finnovex Europe Virtual Summit

The head of PASHA Bank's Account and Payment Services Group, Khanim Rustamova, spoke at the Finnovex Europe Virtual Summit 2021. She shared her experience on Digital Banking and Agile Transformation.

The online conference, held on May 24-25, 2021, focused on the role of banking and non-banking institutions, financial institutions, investment and fintech companies, as well as other investors in solving problems facing the industry today. A comprehensive summary of the future of the banking and financial sector in the European region was presented at the conference.

The event was attended by more than 250 international representatives and featured over 40 speakers.

PASHA Bank and Deloitte Joint Online Conference for SMEs

On April 6, PASHA Bank and Deloitte held an online meeting to discuss the transformation of SMEs, new types of financing available to them, Azerbaijan's Business Confidence Index for 2021, digital trends, and other key topics

of interest to SMEs. Forecasts were also made for the recovery of SMEs, which were most adversely affected by the pandemic, and for their future outlook. The event included panel discussions after featured speakers from PASHA Bank and Deloitte Azerbaijan.

Business Confidence Index Survey

In 2020 and 2021, PASHA Bank continued to conduct the Business Confidence Index (BCI) survey among existing and potential customers regarding developments across a diverse range of industries. Most of survey questions related to any changes in business volumes, additions to the customer base, and expansion of products/services either via product differentiation or cost leadership. The pandemic years 2020 and 2021 were reflected in responses as challenging for business survival in the face of a severe economic downturn. The BCI survey results provided the opportunity for businesses to gain valuable information and insights that helped them determine whether they are in sync with the local market.

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Events Supported and Co-organized

PASHA Bank supports initiatives that explore economic risks and scenarios via panel discussions with industry experts. These events focus on the outlook for growth while linking global risks and developments to strategic decisions facing business leaders in Azerbaijan and across the Caspian region.

In 2020-2021, PASHA Bank partnered with various stakeholders to organize events where policymakers, investors, and non-governmental organizations from a number of countries gathered to discuss opportunities for Azerbaijan to accelerate its economic

development. These various events included the following:

- DevOps Days Conference 2020 (December 19, 2020)
- Google Hash Code 2020 (February 20, 2020)
- International Fintech Evening (August 7, 2020)
- Global DefTech Hackathon (December 4-6, 2020)
- Modernizing the Educational System in Azerbaijan JAA
- Fintech Founders Online Bootcamp (July 26-28, 2021)
- “Adapting to the Future in Uncertain Times” event in partnership with PwC Azerbaijan (May 24, 2021)
- Baku Transit Forum 2021: Smart City (April 6, 2021)
- AI4DigiGov Conference 2021 (April 29, 2021)
- Finnovex Europe Virtual Summit (May 24-25, 2021)
- Memorandum of understanding signing ceremony with BSU
- “Food Waste: Solutions to the Problem” round table with the participation of ASK and the Food Safety Agency
- Joint Event with the State Agency for the Use of Mineral Resources – “Reforms in the Mining Sector, Development Prospects and New Financial Mechanisms” (December 14, 2021)
- PASHA Bank Industrial Roundtable (June 29, 2021)

Second DevOps Days Baku international conference was held in Azerbaijan

The DevOps Days Baku event covered both technical and nontechnical issues, including software development, advanced technologies and critical issues related to IT infrastructure. Local and foreign experts, including representatives from PASHA Bank’s Digital Lab, discussed microservice architecture, general DevOps applications, skills and knowledge required of engineers, Kubernetes software, Agile methodology, soft skills, among other topical issues.

Google Hash Code 2020

Baku Engineering University hosted the qualifying round of Hash Code 2020 by Google International Programming Competition with the support of PASHA Bank. The competition was attended by teams from various universities and professionals employed by companies in Azerbaijan. A total of 66 teams participated in the online event from Baku Engineering University HUB, ADA University HUB, STEP IT Academy Baku HUB, among others. In the competition, teams were instructed to solve an engineering problem (develop a program) and test it with an automatic evaluation system within four hours.

International Fintech Evening

On August 7, 2020, PASHA Bank, in partnership with business incubator and ecosystem builder SUP.VC, organized a virtual fintech conference with the participation of speakers from global companies, including Saving Global/Raisin, Delivery Hero, Nearbanking, VK.COM, Yandex Money, Lending Club, Alkredit.az, Mandarin.io, Neodigital, Optio.ai, Payzakat and Paym.es.

Topics discussed during the conference included “Traditional Banking Has Changed Strategy,” “Is Fintech Boosting Financial Inclusion?,” “Big Tech Bursts on the Scene” and related issues.

Global DefTech Hackathon

The Global Defense Technologies Hackathon event was held with the support of PASHA Bank. The online hackathon aimed to introduce innovative architecture and software solutions in the field of security and defense while fostering cooperation between various parties in this area. At the event, 19 foreign and 31 local teams competed with the support of more than 30 foreign and local mentors, including representatives of PASHA Bank

Modernizing the Educational System in Azerbaijan JAA

PASHA Bank supports Junior Achievement Azerbaijan by co-sponsoring the “Entrepreneurship for Youth” program established by the European Union. The program is executed in four stages in close cooperation with the Ministry of Education. These stages include: development of high-quality content, teaching resources and tools for delivery of entrepreneurship education and financial literacy based on Junior Achievement programs; capacity building and teacher training; piloting/testing (student training) and evaluation; preparation of policy briefs and recommendations for integration of entrepreneurship education and financial literacy into the educational curricula through the application of best practices.

In 2020–2021, Junior Achievement Azerbaijan organized numerous trainings under the Entrepreneurship for Youth initiative, co-funded by the European Union and PASHA Bank.

The trainings were designed to enhance teachers’ knowledge and skills on entrepreneurship education by introducing creative teaching methods and techniques based on the European experience.

The trained teachers will conduct instruction on entrepreneurship in schools during the 2021–2022 academic year.

Fintech Founders Online Bootcamp

The Fintech Founders Online Bootcamp, which took place on July 26–28, provided participants with information on data analysis and multidisciplinary approaches to finance and the application of modern technological

and financial instruments. Training sessions included topical issues such as the open banking approach, API and payment services, encryption, and information security. The workouts also covered the limitations, risks, and political and social impacts of the fintech world.

By participating in the bootcamp, participants acquired knowledge about best practices in finance and technology and gained new skills that will help add value to their employers.

“Adapting to the Future in Uncertain Times” event in partnership with PwC Azerbaijan

Together with PwC Azerbaijan, PASHA Bank organized a conference on “Adapting to the Future in Uncertain Times.” The event, which took place online on May 24, focused on the latest trends in finance and banking, the need for digitalization, technology transformation, and current challenges of the future.

The special event included panel discussions on applying innovative strategies to meet rapidly changing consumer expectations, banks of the future, emerging technologies, and the interaction of banks with customers.

Baku Transit Forum 2021: Smart City

The Baku Transit Forum 2021: Smart City international online forum was held on April 6. PASHA Bank was also represented at the conference as a financial institution offering the most advanced technological tools and solutions to the market.

Bank representatives delivered presentations related to PASHA Bank’s projects in the automotive and telecommunications sectors. The highlighted projects included the introduction of a contactless payment system for public transport fares in Sumgayit and the payment system with NFC devices. In partnership with Visa and Sumgayit Transport LLC, the project was launched in November 2020.

AI4DigiGov Conference 2021

An international conference on “Artificial Intelligence in Digital Governance (AIFORDIGIGOV)” was organized by the e-Gov Development Center of the State Agency for Public Service and Social Innovations under the Office of the Presidency of Azerbaijan took place during the year.

Deputy Chairman of the State Agency Jeyhun Salmanov spoke about the ASAN service model. At the initial stage, services provided were collected together in a central location. The Deputy Chairman stressed that currently the transition from services provided in one place ensures uninterrupted services. The “MyGov” e-government portal, which transitions from reactive services to proactive services, was cited as a model example.

Finnovex Europe Virtual Summit

The head of PASHA Bank’s Account and Payment Services Group, Khanim Rustamova, spoke at the Finnovex Europe Virtual Summit 2021. She shared her experience on Digital Banking and Agile Transformation.

The online conference, held on May 24-25, focused on the role of banking and non-banking institutions, financial institutions, investment and fintech companies, as well as other investors in solving problems facing the industry today. A comprehensive summary of the future of the banking and financial sector in the European region was presented at the conference.

The event was attended by more than 250 international representatives and featured over 40 speakers.

Memorandum of understanding signing ceremony with BSU

PASHA Bank is keen to further expand its cooperation with Azerbaijani higher education institutions. On June 18, the Bank signed a Memorandum of Cooperation with Baku State University. PASHA Bank sees investing in the professional

development of young people as a strategic investment in Azerbaijanian’s future. Today’s talented youth will become the main driving force of the country’s development tomorrow. The cooperation will support the future development of both the Bank and the university.

Food Waste: Solutions to the Problem” round table with the participation of ASK and the Food Safety Agency

A round table discussion on “Food Waste: Solutions to the Problem” was organized by the Food Safety Agency of Azerbaijan and the Azerbaijan Entrepreneurs’ Confederation, with the support of PASHA Bank.

Among the topics discussed at the event were minimizing food losses and establishing a food bank in Azerbaijan.

Joint Event with the State Agency for the Use of Mineral Resources – “Reforms in the Mining Sector, Development Prospects and New Financial Mechanisms”

A conference entitled “Reforms in the Mining Sector: Development Prospects and Financial Mechanisms” was held in Baku on December 14. The event was organized by the Ministry of Ecology and Natural Resources of Azerbaijan and the country’s leading corporate Bank, PASHA Bank.

The conference was attended by representatives from some 50 business entities, officials from government agencies and banking professionals.

Attendees exchanged views on the primary factors and prospects of the current development of the mining industry.

The well-attended conference included a panel discussion on capacity building for businesses operating in this field and

financial instruments available to small and medium-sized companies in the market. Representatives of PASHA Bank presented this topic to the conference participants and provided detailed information on new digital financial opportunities provided by the Bank.

PASHA Bank Industrial Roundtable

PASHA Bank organized a roundtable event on “Economic Analysis and New Opportunities for Industrial Development.”

The roundtable discussion covered new trends in industry, the impact of foreign economic factors on local businesses, as well as the opportunities offered by industrial parks for producers. The issue of establishing the Association of Industrial Producers was also raised during the meeting.

PASHA Bank organizes such meetings in order to bring together experts to discuss the opportunities, challenges, and relevant solutions in the industry. Public-private partnership is of great importance in diversifying Azerbaijan’s economy.

Contributing to Socioeconomic Development

The Bank’s mission includes adding value to Azerbaijan’s economy and furthering its development. To these ends, PASHA Bank plans to continue implementing state programs aimed at diversifying and digitalizing the nation’s economy. As the country’s digital banking and innovation leader, PASHA Bank is well positioned to serve as a model and guide to Azerbaijan’s digitalization efforts going forward.

In 2020, PASHA Bank garnered the “Best Corporate Social Responsibility Program” award from EMEA Finance in recognition of the Bank’s active support of local communities.

PASHA Bank’s corporate social responsibility

objectives include empowering entrepreneurship to develop Azerbaijan’s economy. The Bank also understands that education plays a key role in advancing the country’s development. As a result, PASHA Bank expends significant resources to support the education of young people, improve financial literacy among the nation’s youth, and educate the business community. PASHA Bank is engaged in numerous initiatives that target the nation’s young people. In addition, the Bank boosts capacity building and fosters the financial education of small and medium enterprises in Azerbaijan.

As a responsible corporate citizen, PASHA Bank successfully integrates social good into its mission and maximizes its contribution to the United Nations’ Social Development Goals (SDGs).

To help improve financial literacy and corporate governance knowledge among the country’s business community, PASHA Bank co-organized and participated in several events with its counterparts, including:

1. “Scale Up” Acceleration Program (January 16, 2020)
2. Interviews with Clients (May 6, 2020)
3. “Complete Exports” online seminar for SMEs (July 15, 2020)
4. Access to Finance for SMEs – A joint initiative with the French Chamber of Commerce (2021)
5. PASHA Bank and Deloitte Joint Online Conference for SMEs (April 6, 2021)

To prepare the business community for digital transformation and to boost digital literacy, PASHA Bank co-organized, sponsored and participated in various events with its counterparts, including:

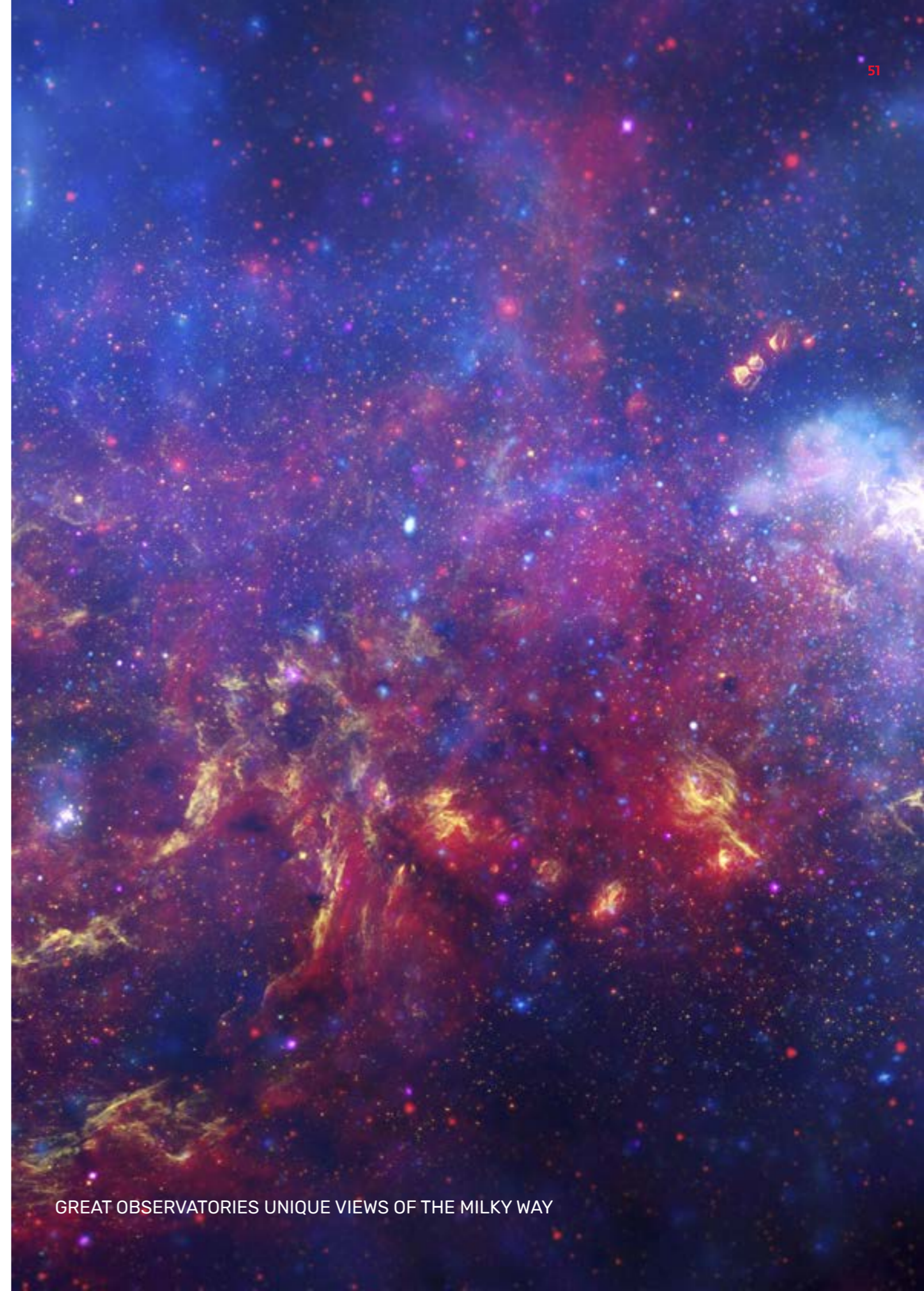
6. International Fintech Evening (August 7, 2020)
7. Expertech/Tech Meetup (September 18, 2020)
8. DevOpsDays Baku 2020 conference (December 19, 2020)
9. "İki Vur İki (2x2) – Digital Products in Simple Language" (July 29, 2021)
10. Cooperation with Media Post TV – Deep Dive, Expert Opinion, Peak Talk

Representatives from public and private companies, as well as international financial institutions, took part in these various events.

PASHA Bank sees these seminars, conferences and forums, and similar ones it will arrange in the future, as having a lasting impact on developing the skills and know-how of the business community and raising corporate governance standards in Azerbaijan.

The Bank believes that sustainable growth is possible by building quality, long-term relationships with its customers, continually improving its products and services, boosting the efficiency of its business processes, and investing in the wider community.

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