


ANNUAL REPORT 2021

CONTENTS

GENERAL INFORMATION	4
About PASHA Bank	4
About PASHA Holding	6
Awards	8
Vision, Mission, Values and Strategic Goals	10
Financial and Operational Indicators	12
MANAGEMENT	14
Foreword by the Chairman of the Supervisory Board and Chairman of the Executive Board	16
Management Structure	24
General Meeting of Shareholders	32
GLOBAL MACROECONOMIC OUTLOOK AND AZERBAIJAN'S ECONOMY	38
2021 ACTIVITIES	46
Service Model and Branch Network	48
CIB Tribe	50
Treasury	51
Business Innovations	52
SME Banking	53
Retail Banking	55
Private Banking	57
International Reputation	59
Risk Management	61
Information Technologies	65
Cross-Border Activities	66
CORPORATE SOCIAL RESPONSIBILITY	68
SUPPORT TO SUSTAINABLE ECONOMIC DEVELOPMENT	78
REVIEW OF FINANCIAL STATEMENTS	86
SUSTAINABILITY SUMMARY	92



Nasir al-Din al-Tusi is a Persian polymath, architect, philosopher, physician and scientist. In astronomy, al-Tusi created very accurate tables of planetary motion, an updated planetary model.

GENERAL INFORMATION

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.

Azerbaijan's Best Capitalized Privately-Owned Bank

PASHA Bank is in Baku and has 8 branches (5 in Baku, 3 in regions) and 1 FX office. 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.

Rapid expansion of PASHA Bank Turkey

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.

Sustainable growth with PASHA Bank Georgia

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 person. 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.

A Dynamic Member of PASHA Group – Azerbaijan's Leading Investment Holding Group

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.

Shareholding Structure:

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

This image was generated by Artificial Intelligence



Laika is an astronaut dog, the first animal put into Earth's orbit.

ABOUT PASHA HOLDING



Total Assets:

AZN
15.5 billion

16,560+

Group employees as of
December 31, 2021

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

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

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

As of December 31, 2021, PASHA Holding recorded total assets of about USD 9.1 billion.

Total Equity:

AZN
2.25 billion

34.11%

Assets market share
in Azerbaijan banking
sector as of December
31, 2021

Total Revenue:

AZN
1.70 billion
(December 31, 2021)



PASHA Insurance is the first member of PASHA Holding, incorporated in early 2006. The company is the largest insurance services provider in Azerbaijan. PASHA Insurance reported gross written premium (GWP) of USD 96 million as of December 31, 2021 (based on audited IFRS financial statements and an average exchange rate of USD/AZN 1.70).



PASHA Investments is a private equity company focusing on growth capital investments in mid-cap companies in Azerbaijan, Georgia, and Turkey. Initially, the entity started its business as the Investments and Projects Department (IPD) of PASHA Holding. In August 2017, IPD was spun-off from PASHA Holding into a separate legal entity – PASHA Investments LLC. The company's immediate parent company is PASHA Holding LLC.



The life insurance business line was added to PASHA Insurance's existing offerings in 2010 and was incorporated as a separate legal entity – PASHA Life. The leading life insurance provider in Azerbaijan, PASHA Life reported gross written premiums of USD 162 million as of December 31, 2021 (based on audited IFRS financial statements and an average exchange rate of USD/AZN 1.70).



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



PASHA Construction is one of the largest businesses operating in the construction industry in Azerbaijan. The company posted total revenues of USD 169 million as of December 31, 2021 (based on audited IFRS financial statements and an average exchange rate of USD/AZN 1.70). The company's completed project portfolio in 2021 totaled 262,903 m2. In 2021, PASHA Construction successfully completed Courtyard by Marriott Hotel and Knightsbridge Baku White City Residential Complex. Over the last 15 years, PASHA Construction's landmark projects have played a major role in the dramatic transformation of the Baku cityscape. The company's development projects include JW Marriott Absheron Baku Hotel & Residences, Four Seasons Hotel, Dinamo Hotel, Port Baku Development (consisting of Port Baku Towers Business Center, Port Baku Residences and Port Baku Mall), Ganjlik Mall, Deniz Mall, Ganja Mall, The Merchant Hotel, Amburan Beach Club, among others.



"PASHA Technology" Limited Liability Company (PASHA Technology) was established in 2018 as an IT Service Provider. The vision of PASHA Technology is to provide IT services, cloud computing, cyber security operations and data center management services for subsidiaries of PASHA Holding LLC.



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



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



The Company was established in September 2018, the head office is located in Baku. The managing business team consists of expatriates with extensive experience in the Belarusian, Russian, and Ukrainian markets of financial and digital products in retail and banks spheres. Starting from March 2020, Competo LLC is a subsidiary of PASHA Holding LLC. Competo's target is to help businesses find new solutions and multiply profits through the introduction of innovative IT projects and tools. The Company specializes in projects in the field of e-commerce, digital marketing, CRM and Data Science, as well as the development of payment technologies and IT-integration mechanisms in the field of retail.

AWARDS

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

2021

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

2020

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

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

2019

"Best Bank in Azerbaijan" – EMEA Finance
 "Best Investment Bank in Azerbaijan" – EMEA Finance
 "Best Product Launch" – EMEA Finance

2018

"CEO of the Year in CEE & CIS" – EMEA Finance
 "Corporate Social Responsibility in CEE & CIS" – EMEA Finance
 "Best Bank in Azerbaijan" – EMEA Finance
 "Best Investment Bank in Azerbaijan" – EMEA Finance
 "Best Private Bank" – Global Finance
 "Best Bank in Azerbaijan" – Global Finance
 "SAP Value Award" – SAP
 "Best Commercial Bank in Azerbaijan" – World Finance
 "Bank of the Year" – The Banker
 "Leading Bank in Non-Cash Payments" – Central Bank of Azerbaijan and Azerbaijan Banks Association

2017

"Best Bank in Azerbaijan" – Euromoney
 "Best Bank in Azerbaijan" – EMEA Finance
 "Best Investment Bank in Azerbaijan" – EMEA Finance
 "Corporate Social Responsibility in CEE & CIS" – EMEA Finance
 "Best Bank in Azerbaijan" – Global Finance Magazine

2016

"Best Bank in Azerbaijan" – Global Finance
 "Best Banking Group in Azerbaijan" – World Finance
 "Best Commercial Bank in Azerbaijan" – World Finance

2015

"Best Banking Group in Azerbaijan" – World Finance
 "Best Private Bank in Azerbaijan" – World Finance
 "Best Commercial Bank in Azerbaijan" – World Finance
 "Best Bank in Azerbaijan" – World Finance
 "Best Bank in Azerbaijan" – EMEA Finance
 "Participant of the Year" – Azerbaijan Microfinance Association (AMFA)
 "Leading Company Promoting Gender Equality" – Azerbaijan Microfinance Association

2014

"Best Bank in Azerbaijan" – EMEA Finance
 "Best Bank in Azerbaijan" – International Finance Magazine
 "Best Investment Bank in Azerbaijan" – International Finance Magazine
 "Best SME Bank" – International Finance Magazine
 "Best Investment Bank in Azerbaijan" – EMEA Finance
 "Best Private Bank" – World Finance (PASHA Bank Georgia)
 "Bank of the Year" – Caspian Energy Forum (PASHA Capital)
 "Best Broker in Azerbaijan" – EMEA Finance

2012

"Best Investment Bank in Azerbaijan" – EMEA Finance
 "Best Bank in Azerbaijan" – BNE Survey
 "Best Corporate Social Responsibility (CSR) Program in Europe" – Europe Banking Awards

2011

"Best Investment Bank in Azerbaijan" – EMEA Finance

VISION, MISSION, VALUES AND STRATEGIC GOALS

Strategy Execution

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

PASHA Bank's mission is to serve its stakeholders.

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

and delivers sustainable financial results;

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

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

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

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

By investing capital and effort, PASHA Bank aims to focus on growth and technology. To this end, the Bank has adopted 11 strategic initiatives, including expanding and developing its core business, boosting profit and revenue growth, implementing advanced data solutions, strengthening cybersecurity, fraud management, and risk management capabilities, increasing its service level and nurturing its employee talent.

In 2021, PASHA Bank executed its business operations according to its strategic plan and roadmap. The Bank significantly increased its assets while also boosting

its market share. PASHA Bank focused on introducing new, innovative products and services targeting the SME segment and the supply chain of its large corporate clients. During the year, the Bank's noteworthy achievements in its business operations included:

- Launching special factoring products for the supply and distribution chains of corporate clients, and tailored products for SME segment customers;
- Introducing data models (SME Churn, Cross Sell) to enhance SME business effectiveness;
- Building and enhancing relationships with universities to implement graduate recruitment programs to provide better job opportunities to university graduates, and signing memorandums of cooperation with several educational institutions for this purpose;
- Developing and introducing digital solutions to enable customers to use banking services without visiting a physical branch;
- Enhancing risk mitigation solutions and implementing new risk scoring models.

The Bank's significant achievements of strategy execution within IT & Operations

PASHA Bank also carried out IT & Operations efforts in line with its action plan and roadmap for fiscal year 2021. The Bank's significant achievements of strategy execution within IT & Operations included:

- Commencing a project to implement Moody's Credit Lens solution;
- Starting a major Data Tool Implementation project as part of the Bank's Data Governance initiative;
- Developing a set of data models as well as establishing a Data Governance Organizational Structure under the Data

Governance initiative;

- Launching an implementation project for the Fraud Management System;
- Ongoing implementation of technology components to enhance cyber security capabilities.
- Implementing the Risk Transformation Roadmap in order to boost the Bank's overall Risk Health Index score and further develop the risk function;

Noteworthy achievements in business operations

PASHA Bank's contribution, commitment and growth

FINANCIAL AND OPERATIONAL INDICATORS

Key Financial Highlights (consolidated, AZN million)

	2019	2020	2021
Total Assets	5,443	6,114	7,008
Loans (net)	2,297	2,609	3,027
Deposits	3,789	4,032	5,182
Customer Time Deposits	1,639	1,388	1,534
Customer Current Accounts	2,150	2,704	3,648
Shareholders' Equity	482	527	536
Interest Income	257	266	315
Fee & Commission Income	50	61	83
Operating Profit	251	269	312
Total Operating Expenses	122	137	143
Net Profit	77	79	102

Key Financial Ratios (%)

	2019	2020	2021
Loans/Total Assets	42.2%	42.7%	43.2%
Loans/Deposits	60.6%	64.8%	58.4%
NPL Ratio	2.9%	2.5%	3.5%
Demand Deposits/ Total Deposits	56.7%	67.1%	70.4%
Shareholders' Equity/ Total Liabilities	9.9%	9.5%	8.3%
Capital Adequacy Ratio	12.4%	15.5%	13.4%

Financial Highlights (consolidated)

	2019	2020	2021
Net Profit (AZN million)	77	79	102
Total Assets (AZN million)	5,443	6,114	7,008

Operational Highlights (PASHA Bank Azerbaijan)

	2020	2021
Number of Personnel	939	1,062
Percentage of Women Employees (%)	40	40
Number of Branches	10	8



MANAGEMENT

THE COLLIDING SPIRAL GALAXIES OF ARP 274

FOREWORD BY THE CHAIRMAN OF THE EXECUTIVE BOARD

The negative effects of the Covid-19 pandemic continued in 2021. However, the relative improvement in the international situation, support for entrepreneurship, rapid continuation of vaccination programs and the easing of pandemic related restrictions have contributed to the recovery of economic activity since early 2021. In Azerbaijan, both the oil and gas industries and the non-oil and gas sector recorded growth during the year. As a result, GDP increased by 5.6% year-on-year in real terms to AZN 92.9 billion in current prices. 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).

The non-oil sector registered steady growth from January. The added value produced in this sector increased by 7.2% to 62.2% of total GDP. The non-oil economy has recovered rapidly, recording 17.8% growth in non-oil industry; 16.0% growth in transport and warehousing; 3.3% growth in agriculture, forestry and fisheries; 6.1% growth in information and communication; 5.3% growth in trade; and 5.1% growth in other services.

In January-December 2021, total nominal income of the country's population increased by 2.6% compared to the same period last year and amounted to AZN 57.2 billion. Comprehensive measures to support entrepreneurship, employment, social welfare, and financial stability are underway to further boost the income of the population.

Investment spending

In 2021, AZN 16,127.0 million was invested in fixed assets. Some 73.1% of fixed capital investments originated from domestic investments, and 26.9% from foreign investments. Of total investment spending, 35.8% went to the oil sector and 64.2% to the non-oil sector. Some AZN 10,536.7 million or 65.3% of total investment expenditures was directed to the production of goods. Meanwhile, AZN 4,560.8 million (28.3%) of total investment spending went to construction services and AZN 1,029.5 million (6.4%) to residential construction.

In January-December 2021, goods and services sold went up by 3.7% compared to the same period in 2020.

Key economic indicators confirmed the solid position of Azerbaijan's agricultural industry in 2021. Azerbaijan's inflation rate generally remained stable and within the Central Bank's target band. Inflation came in at 6.7% for the year. Inflation dynamics were also affected by rising world food prices and increasing regulated prices (e.g. diesel, gasoline and water).

In addition, calls for the restoration and reintegration of liberated territories in the non-oil economy in the medium term have opened up vast opportunities for large-scale foreign investment from the global investment market to Azerbaijan's priority areas and territories.

**609 million
total net profit**

In 2021, growing demand for the use of information and communication technologies due to the pandemic and expanding use of advanced technologies ensured that growth in this area remained at a stable 6.1%.

Factors such as online shopping and the implementation of the online education system, as well as the expanding "work from home" practice in relevant workplaces, have boosted demand for faster and better internet access in Azerbaijan. This environment has further spurred business activity of companies operating in these areas to meet the fast-growing demand.

Despite the still volatile economic environment, Azerbaijan's banking system remained sound and moved forward in key areas. The total assets of the banking industry rose by 20%, deposits went up by 22%, and personal deposits increased by 13% in 2021.

Total capital of the Azerbaijani banking sector expanded by 5.8% in 2021. Meanwhile, banks operating in the country reported total net profit of AZN 609 million at year's end.

The expansion in payment cards

In 2021, the number of payment cards in circulation in the Azerbaijani banking system increased by 19.6% compared to a year earlier. The expansion in payment cards outstanding had a positive impact on the volume of non-cash payments. As a result, the volume of non-cash transactions in Azerbaijan jumped by 83% compared to 2020. Non-cash payments made by cards during the reporting year totaled AZN 11,172 million with e-commerce accounting for AZN 7,208 million of non-cash payments. The remaining AZN 3,927 million was realized through POS-terminals, with AZN 37 million realized via ATMs.

In 2021, sector-wide banking assets in Azerbaijan increased by 20% year-on-year, from AZN 32.7 billion to AZN 38.5 billion.

The extension of macro-prudential regulatory incentives to support pandemic-affected businesses and the financial sector also fueled monetary expansion and boosted real sector lending. However, these outcomes were not necessarily guaranteed. A unified approach was taken in three key areas to ensure effectiveness of economic and financial stimulus and support. These included government measures to support business activity, the economy and society in general; appropriate easing of regulatory requirements and concessions on business debt; and international outreach by banks to offset the local market situation.

At present, the banking payment service network is experiencing dynamic growth in Azerbaijan. In 2021, the number of ATMs increased by 7.1% while the number of POS terminals increased by 6.7% over the prior year.

Efforts to ensure stability of the financial system – covering banks, non-bank credit institutions, capital and money markets, and the insurance system – proceeded apace in 2021. Despite lingering fragilities in the balance of systemic risks, Azerbaijan safeguarded the stability of its financial sector in parallel with the rebound in lending.

Azerbaijan's Largest Corporate Bank

PASHA Bank is the biggest corporate bank in Azerbaijan. The Bank successfully closed fiscal year 2021 with net income of more than AZN 75 million while boosting total assets to AZN 6.4 billion.

During the year, PASHA Bank expanded its total lending portfolio by 22% to AZN 2.62 billion.

Our corporate lending portfolio amounted to AZN 2.221 billion. In 2021, we captured a 28%



“ I see Earth! It is so beautiful! ”

Yuri Gagarin

share of the corporate loan market, up 2.3 points compared to 2020.

The Bank focused on synergies with other PASHA Group entities, including PASHA Life Insurance, PASHA Insurance and Kapital Bank. These efforts resulted in successful outcomes and boosted PASHA Bank's bottom line.

With these solid results, we are the most sound and forward-looking financial institution in the market.

PASHA Bank has become the country's most state-of-the-art, customer-focused, multi-channel, digital focused bank. This progress was a direct result of our strategic focus on digital development, customer-centricity, continuous improvement of business processes, and sustainability.

Digital Banking Leader

Since its founding, PASHA Bank has set the trends for the sector, especially in the digital arena. In fact, 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.

Cutting-edge business solutions

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, online cards, 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. In 2021, the Bank's Digital Finance product was named "Best Banking Product" for SMEs in the region. In addition, PASHA Bank was named the "Best Face to Face Acquirer" for its volume of POS-terminal turnover in Azerbaijan.

At PASHA Bank, we understand that being the best, and ensuring our sustainability, requires attracting and retaining the best people. To this end, we engage in numerous activities to attract leading talent to the Bank and build our internal capabilities. We conduct master classes at Azerbaijan's leading universities to share our industry knowledge and professional experience with students. We support regional computer programming competitions among university students to foster innovation and identify promising talent in the market.

PASHA Bank provides continuing education sessions for candidates who have strong foundational knowledge but lack technology stack training, so they can grow as back-end and front-end developers. In recent years, PASHA Bank has launched the PASHA Bank Cup competition, Hackathons, and Digital Heights conference to boost the potential of IT professionals in the country and help develop the skills of those interested in this field. These competitions aim 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 school children, university students and professional programmers, were invited to participate in these various competitions.

PASHA Bank also uses the HackerRank hiring platform – the global industry standard for assessing developer skills. By using HackerRank, the Bank can hire skilled developers and innovate faster by enabling tech recruiters and hiring managers to objectively evaluate talent at every step of the recruiting process. With this approach, PASHA Bank bolsters its position not just in the

banking sector but across Azerbaijan.

This wide range of activities enables PASHA Bank to build its own digital capabilities while also fostering a sustainable innovation culture for the entire country.

PASHA Bank places a priority on its IT systems infrastructure and operations. Our target with these efforts is continuous improvement of business processes and long-term sustainability. During the year, the Bank implemented a wide range of projects in this strategic area, including Fraud Assessment, Safe Operations Center and MDES/VTS. In addition, the Data Warehouse and Business Intelligence projects were completed in 2021, giving us a significant competitive edge in the market.

While pursuing our digital strategy, we remain committed to information safety and security.

In 2021, PASHA Bank successfully completed a number of technology projects designed to enhance cyber and information security of the Bank's products and services.

Putting the Customer at the Center

As it moves toward the digital future, PASHA Bank maintains a sharp focus on the customer. We are deepening and expanding our digital products and services in response to customer demand.

The Bank actively engages its customers in the digitized product and service development process. We solicit comprehensive feedback to ensure continuous improvement and maintain a high level of customer satisfaction. In parallel with our digital efforts, we maintain our traditional banking offering to retain clients who prefer a more conventional approach. We offer consulting services to all

our clients – digital and traditional – alongside our products and services. PASHA Bank is committed to helping its clients reach the best solution to meet their needs, regardless of their channel preference. Our individualized approach to banking sets us apart in the market and helps ensure the sustainability of our business.

The best customer experience

All our innovations are targeted at delivering effective solutions, providing the best customer experience and ensuring the highest customer satisfaction. At PASHA Bank, customer-centricity is not just a buzzword: We truly put the customer at the heart of everything we do.

PASHA Bank: A Best Place to Work in Azerbaijan

For PASHA Bank, becoming a healthy and sustainable organization is a strategic priority. The Bank targets being a high functioning-high performing entity over the long term while attracting and inspiring top talent. We aim to be one of the top three employers in the overall jobs market, not solely in the banking sector.

Currently, PASHA Bank ranks number one in the non-oil sector and among the top three in the overall market in Azerbaijan as a preferred place to work by employees. Our strong performance and excellent brand reputation help us attract the top human resources in the country. The Bank also offers unique career and development opportunities to its employees. Being a best place to work is key to achieving our performance goals and ensuring long term sustainability.

In 2021, PASHA Bank also started implementation of its Risk Culture Transformation. This effort defines action plans for the Risk Initiative in the Bank's 2021-2023 Strategy Period. PASHA Bank aims to embrace a collective approach to risk management and decision-making while

Boosting commercial effectiveness and further growing our corporate loan portfolio market share

fostering a system of values and behaviors within and across the organization.

During the year, PASHA Bank maintained its creditworthiness, which was recognized by global rating agencies. In 2021, the international rating agency Standard and Poor's affirmed the Bank's Long-Term Issuing Bank Default Rating (IBDR) as 'B+' and Short-Term IBDR as 'B'.

Looking Ahead: 2022 and Beyond

As part of PASHA Bank's 2021-23 Strategy, we are focused on boosting the Bank's income (incl. gross non-interest and net interest income), diversifying our client base, and digitalizing more business processes. Our goal is to achieve significant efficiency gains as well as sustainability.

We plan to diversify by targeting new industries and segments, primarily in the corporate sector while also working more with SMEs. Our digitalization efforts will focus mainly on shifting more banking operations online, introducing new digital products and services, and launching new online distribution channels.

PASHA Bank also aims to create the best-in-class employee experience in Azerbaijan and further raise its employer profile in the labor market. We remain committed to being a best place to work nationwide. Attracting the best and the brightest in the market is a strategic imperative at the Bank.

At PASHA Bank, we target becoming the best bank in Azerbaijan on several measures. In the short term, our primary goals are boosting commercial effectiveness and further growing our corporate loan portfolio market share. We plan to achieve these objectives by launching innovative products, addressing new segments in the market, and expanding our current SME business model across the country. The Bank is also formulating a new strategy that will ignite investment banking and private banking in Azerbaijan.

PASHA Bank also aims to further automate and digitize core processes and create an ecosystem where clients can process all transactions through digital channels. This effort will boost the speed of our operational processes. We plan to develop advanced analytical systems at the Bank that will enhance our data infrastructure and governance.

On the client-side, we plan to bolster client relationships via differentiated channels and further develop the skills and industry knowledge of our Relationship Managers. PASHA Bank will equip its employees with a business target mindset and solutions-oriented capabilities.

We also aim to become advisors to our clients and increase our customer-centricity.

We are actively exploring ecosystems and partnerships beyond banking to provide our clients with innovative products and services.

Customer experience is one of our core strategic priorities. Toward this end, we plan to transition to an advanced segmentation model based on industry or behavior to better serve and meet customer requirements. With this approach, we aim for PASHA Bank to become the market leader in terms of quality of services.

Another of our strategic priorities is introducing and implementing data driven solutions and decision-making across all the Bank's customer segments. For this reason, PASHA Bank plans to initiate several projects to build data capabilities within the Bank, contributing to data maturity and enabling data driven decision-making.

Our mission includes adding value to Azerbaijan's economy and furthering its

FOREWORD BY THE CHAIRMAN OF THE SUPERVISORY BOARD AND CHAIRMAN OF THE EXECUTIVE BOARD

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.

Lastly, PASHA Bank is committed to integrating the best sustainability practices in every aspect of its business operations. Our sustainability strategy is centered around our customers, our people and contributing to socioeconomic development. With this approach, we develop and implement many activities and initiatives focused on bolstering these areas. PASHA Bank works not simply to ensure the sustainability of its business, but that of Azerbaijan, its people as well as the entire planet for future generations.

Today, PASHA Bank is an international team of more than 1,200 highly qualified and dedicated employees.

We strive to make the Bank one of the largest regional financial institutions, offering world class products and services.

As one of the youngest and largest banks in Azerbaijan, PASHA Bank is constantly keeping pace with financial and technological changes, closely monitoring current market trends, and confidently adopting international best practices and the latest technologies to further increase the satisfaction of its customers.

We would like to express our gratitude to our loyal customers, dedicated employees, valued shareholders and other stakeholders for their ongoing support and the respective parts they play in PASHA Bank's ongoing success especially during this challenging second year of the pandemic.

May we all achieve even

greater successes in the
future – TOGETHER!

Respectfully yours,

Taleh Kazimov/Chairman of the Executive
Board

We strive to make the Bank one of the largest regional financial institutions, offering world class products and services.



Galileo Galilei was the first person to use a telescope to observe the sky in 1609.

This image was generated by
Artificial Intelligence

An infrared image of the Orion Nebula, showing a complex structure of dust and gas. The image is dominated by a bright, glowing region in the center, surrounded by a dense, multi-colored nebula. The colors range from deep reds and oranges to bright yellows and whites, with some blue and purple hues. The overall appearance is that of a vast, turbulent cloud of interstellar material, with numerous small, bright spots scattered throughout, likely representing individual stars or star-forming regions. The background is dark, making the glowing nebula stand out prominently.

MANAGEMENT STRUCTURE

THE INFRARED IMAGE OF THE ORION NEBULA FEATURING PLENTY OF DUST

PASHA BANK MANAGEMENT

Supervisory Board



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

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

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

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

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



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

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



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

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



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

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

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

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



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

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

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

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

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

Executive Board



Taleh Kazimov/Chief Executive Officer and Chairman of the Executive Board

Mr Taleh Kazimov has extensive professional experience in commercial and investment banking, loans and risk management in both traditional and digital banking. He was appointed CEO and Chairman of the Executive Board at PASHA Bank on July 1, 2015. Prior to this appointment, Mr. Kazimov served as Chief Investment Officer of the Bank and a Member of the Executive Board responsible for business development, institutional, investment, corporate and SME banking and risk management. Mr. Kazimov first joined PASHA Bank in 2007 as Risk Manager; he was subsequently promoted to Treasury Director in 2009. He started his career in the financial sector in 2004 at CJSC Bank Standard as Specialist in the Treasury Department. Later, he was promoted to Head of the Accounting, Budget Management and Planning Division and further to Deputy Director of the Corporate Loans Department. In 2006, Taleh Kazimov joined Ernst & Young as Auditor; from 2007, he worked as General Director at FinEco Informational Analytical Agency. Taleh Kazimov attended Azerbaijan Technical University from 2000 to 2004, where he majored in Automation and Computer Engineering. Mr. Kazimov also holds an MBA from Azerbaijan State Oil Academy and an MBA with a major in Finance from Georgia State University (USA). He is an alumnus of London Business School and Harvard Business School, where he completed executive education programs in 2010 and 2012, respectively. Taleh Kazimov was a member of PASHA Bank Georgia OJSC's Supervisory Board from 2015 to 2018; he also served as a Member and Vice President of the American

Chamber of Commerce (AmCham)'s Board of Directors in Azerbaijan between 2015 and 2019. Currently, Mr. Kazimov is a Member of the Board of Directors at PASHA Yatırım Bankası A.Ş. in Turkey. He is also the Chief Digital Officer (CDO) of Digital Lab, established within PASHA Bank OJSC. In April 2019, Taleh Kazimov was recognized by EMEA Finance, a leading financial publication, as "Best CEO in CEE and CIS" for his achievements in 2018. He received the honor at the European Banking Awards.



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

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



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

Mrs Hayala Naghiyeva holds a degree in International Economic Relations and Business Administration from Azerbaijan State Economic University, where she graduated in 2004 with distinction. In 2002, Ms. Naghiyeva spent part of her undergraduate studies in the US supported by a George Soros Scholarship from Open Society Institute. From 2003 to 2006, Hayala Naghiyeva served as Financial Auditor at Deloitte CIS. There, she worked with both domestic and international banks, in addition to companies in the insurance, oil-and-gas, construction and real estate, hotel and leisure sectors, both in Azerbaijan and across the CIS. In 2007, Ms. Naghiyeva was promoted to Senior Advisor in Financial Advisory Services (FAS) with Deloitte CIS. She was seconded to Almaty, Kazakhstan where she participated in financial advisory projects for various local and regional companies. Subsequently, Hayala Naghiyeva led Deloitte's Financial Advisory Services practice in Azerbaijan. As the head of FAS, she attended numerous advanced professional trainings on business analysis and valuation, due diligence, and financial modelling while providing services to local and multinational clients. From 2006 to 2012, Hayala Naghiyeva delivered instruction in Banking and Corporate Finance to Special Talent Groups at Azerbaijan State Economic University. In 2009, Ms. Naghiyeva joined PASHA Holding LLC as Investment Manager and took part in the company's capacity building activities related to investment decision-making. At PASHA Holding, she spearheaded numerous equity investment projects. In 2013, Ms. Naghiyeva participated in several executive education programs as a part of PASHA Holding's High Potential Leadership program. In 2010, Hayala Naghiyeva became a member of PASHA Bank's Audit Committee;

she chaired the committee from 2012 to 2014. In April 2015, she was appointed Director of the Credit Risk Underwriting Department at PASHA Bank. On September 3, 2015, Hayala Naghiyeva was appointed Member of the Executive Board and Chief Financial Officer at the Bank.

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



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

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

and external reporting, treasury, as well as front and back-office functions.

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



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

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

PASHA Bank Georgia

Arda Yusuf Arkun/Chairman of PASHA Bank Georgia Board of Directors, CEO

Mr Arda Yusuf Arkun graduated from Hamilton College (New York) in 1998 with a double major in Economics and Mathematics. He is also an alumnus of Robert College (Istanbul).

Mr. Arkun joined JP Morgan's Mergers and Acquisitions team as an Analyst in 1998 focusing on the natural resources and power industries. In 2001, he moved to London, UK and started work at Inquam Limited, a private equity company in the telecommunications sector, as Manager on the business development team. In 2005, Mr. Arkun joined Zapp Mobile (Inquam's subsidiary in Romania) as Director of Business Development, Marketing and Strategy. He led the transaction to sell Zapp Romania to Cosmote in 2009. After the sale of Zapp Romania, Mr. Arkun was retained by Cosmote as Strategy Advisor to the CEO. Mr. Arkun moved to Baku, Azerbaijan in 2010 as Director of Strategy and Business Development at Capital Resources Advisors. He also served on the Board of Directors at Nar Mobile, B&B TV and Aimroc. Mr. Arkun became the CEO of Aimroc, the largest mining company in Azerbaijan, in 2014. He led the transaction to sell Aimroc to Azergold in 2017. Mr. Arkun joined PASHA Holding as Advisor in August 2017.

Arda Yusuf Arkun was appointed CEO and Chairman of the Board of Directors at JSC PASHA Bank Georgia as of February 1, 2018.

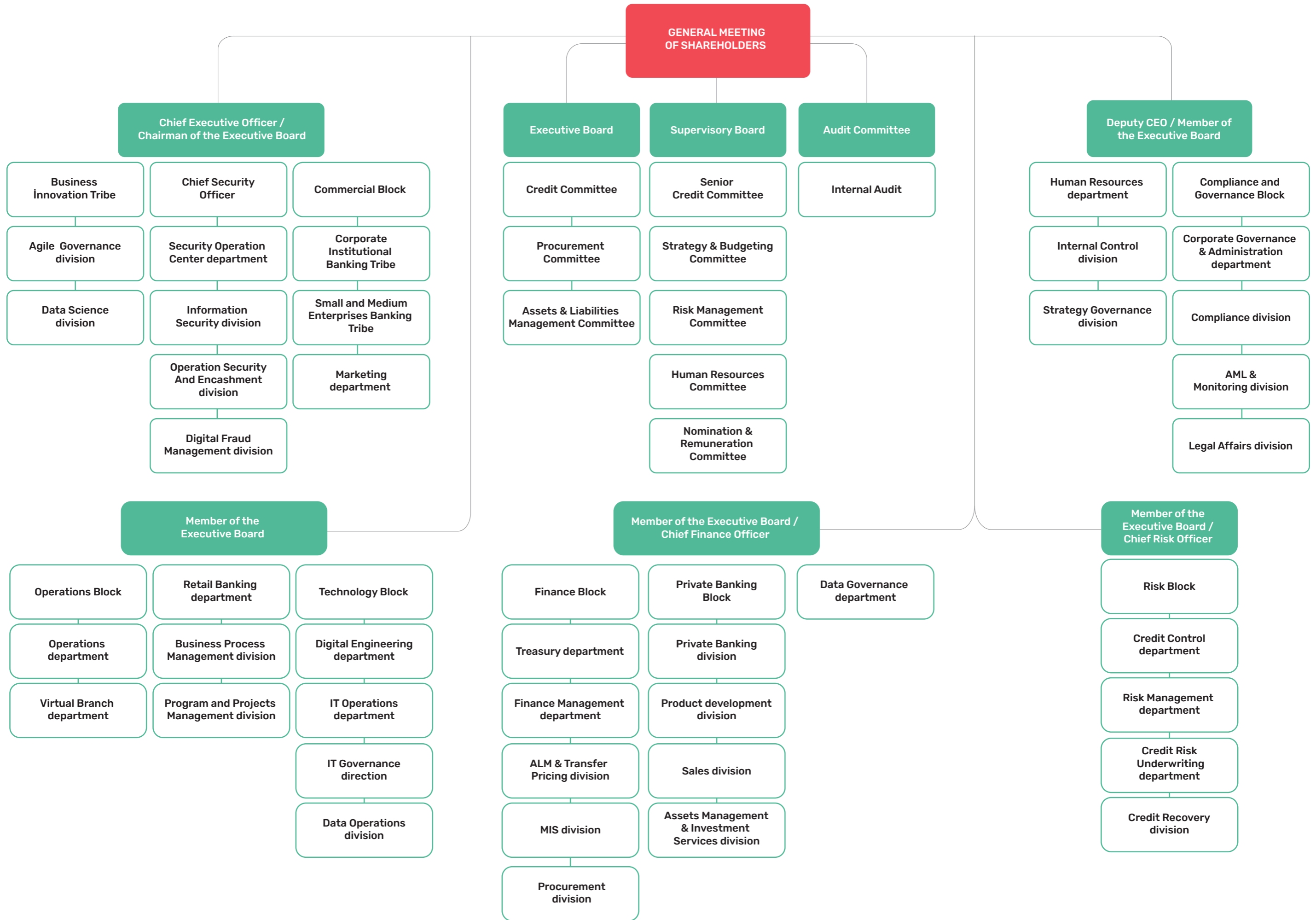
Chingiz Abdullayev/Member of PASHA Bank Georgia Board of Directors, CFO

Mr Chingiz Abdullayev obtained his Bachelor's degree in Business Administration from Western University of Baku (Azerbaijan) in 1999 and a Master's degree in Finance from the State Economic University of Azerbaijan in 2005. He started his professional career at Baku Stock Exchange as Head of the Listing Division in 2000. In 2003, Mr. Abdullayev joined the Assurance & Advisory Service of Deloitte. Over the following 10 years, he worked in senior positions with KPMG Russia, Moore Stephens CIS and RSM Georgia, with a primary focus on financial institutions, energy, trade and other industrial sectors. Chingiz Abdullayev joined JSC PASHA Bank Georgia in 2014 as Head of the Financial Management Department. He became a Member of the Board of Directors and Chief Financial Officer on January 13, 2016.

Asaf Huseynov/Member of PASHA Bank Georgia Board of Directors, CRO

Mr Asaf Huseynov graduated from Baku State University in 2005 with a Bachelor's degree in Economic Cybernetics. In 2006, he began his banking career as a leading specialist at Access Bank Azerbaijan. In 2009, Asaf Huseynov joined the Central Bank of Azerbaijan as a specialist in the Department of Banking Supervision; in 2012, he was promoted to Head of the Bank Group in the same department. In 2015, Mr. Huseynov moved to OJSC Unibank (Azerbaijan) as Member of the Management Board and Chief Risk Officer. He was CRO and Deputy to the CEO at the same bank from November 2016 until July 2017 and First Deputy to the CEO from July 2017 to November 2019.

Asaf Huseynov was a Member of the Management Board at Baku Stock Exchange from December 2016 to January 2020. From May 2018 to December 2019, he served as Head of the Supervisory Board at Azerbaijan Credit Bureau. Mr. Huseynov has 11 years of professional experience in the banking and finance sectors, including seven years as Head of the Bank Group of the Department of Banking Supervision at the Central Bank of Azerbaijan and four years as First Deputy to the CEO and Chief Risk Officer at OJSC Unibank (Azerbaijan). Over the course of his banking career, Mr. Huseynov has been involved in a wide range of projects, such as reviewing and modifying the normative documents of the banking system; developing software for and setting up the Scoring System for Azerbaijan Credit Bureau; establishing the Management Information System for the Central Bank of Azerbaijan; evaluating the performance of internal control system for banks' anti-money laundering activities; developing a Deposit Insurance System for commercial banks; and preparing a resolution framework for the banking sector. In August 2014, Asaf Huseynov received his ACCA Diploma in International Financial Reporting. He has been a member of the Global Association of Risk Professionals (GARP) since 2009.



Mr. Huseynov joined JSC PASHA Bank Georgia in November 2019. Asaf Huseynov was appointed Chief Risk Officer and Member of the Board of Directors at JSC PASHA Bank Georgia by the Supervisory Board on November 13, 2019.

PASHA Bank Turkey

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

Mr H. Cenk Eynehan received his Associate's degree in Economics from Erasmus University (Netherlands), Bachelor's degree in Management from Monroe College (New York, USA), and Executive MBA from Koç University (Istanbul, Turkey). Mr. Eynehan started his banking career in 1994, serving in various management and business development capacities at DHB Bank (Netherlands) N.V. until 2001. He continued his professional career as a managing partner in the non-financial sector between 2002 and 2004. In 2005, Mr. Eynehan joined Şekerbank T.A.Ş. and held executive positions in various departments until 2010. He was Deputy General Manager in charge of Corporate Marketing & Sales at Ekspo Faktoring A.Ş. from 2011 until 2013. H. Cenk Eynehan began serving as CEO and Board Member at PASHA Yatırım Bankası A.Ş. on August 2, 2013. He concurrently held the position of Board Member at PASHA Bank Georgia between September 2015 and December 2018.

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

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

Corporate Communications and Administrative Affairs. She has 22 years of experience in banking and business administration.

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

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

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

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

Board and Committee Members

Supervisory Board:

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

Executive Board:

Taleh Kazimov – Chairman
Javid Gouliyev – Deputy Chairman
Hayala Naghiyeva – Member
Bahruz Naghiyev – Member
Jalal Orujov – Member

Chief officers

Anar Karimov – Chief Compliance and Governance Officer
Agshin Mirzazada – Chief Private Banking Officer
Vusal Khalilov – Chief Technology Officer
Vasif Gasimov – Chief Security Officer (acting)

Composition of the Human Recourses Committee

1. Member of Supervisory Board, Shahin Mammadov – Chairman
2. PASHA Holding LLC, Head of Business Group and Deputy Chief Executive Officer Farid Mammadov – independent member
3. PASHA Holding LLC, Director of Human Recourses and Administrative affairs Department Aytan Abbasli – independent member.

Composition of the Nomination and Remuneration Committee

1. Member of Supervisory Board, Shahin Mammadov – Chairman
2. PASHA Holding LLC, Chief Executive Officer Jalal Gasimov – independent member
3. PASHA Holding LLC, Director of Human Recourses and Administrative affairs Department Aytan Abbasli – independent member
4. PASHA Holding LLC, Head of Business Group and Deputy Chief Executive Officer Farid Mammadov – independent member
5. PASHA Bank, Chief Risk Officer, Member of the Executive Board Hayala Naghiyeva – member.

Composition of Risk Management Committee

1. Member of the Supervisory Board – Shahin Mammadov – Chairman of the Committee;
2. "PASHA Holding" LLC, Director of Group Risk Management Department –Asef Huseynov- Member of the Committee;
3. "PASHA Holding" LLC Business Group Representative – Vugar Akhundov – Member of the Committee;
4. "PASHA Holding, Director of Macroeconomic Research Department – Elman Eminov – Member of the Committee;
5. Member of the Executive Board, Chief Risk Officer – Hayala Naghiyeva – Member of the Committee;
6. Member of the Executive Board, Chief Financial Officer – Bahruz Naghiyev – Member of the Committee;
7. Member of the Executive Board, – Jalal Orujov – Member of the Committee;
8. Chairman of Audit Committee – Parvin Ahadzade – Member of the Committee (Non-Voting Member According To The "Corporate Governance Standards in Banks").

Composition of the Strategy & Budget Committee

1. "PASHA Holding" LLC, Director of Strategy Management Department Teymur Huseynov – Chairman of the Committee;
2. "PASHA Holding" LLC, Deputy CEO and Business Group Director – Farid Mammadov – Independent Member of the Committee;
3. "PASHA Holding" LLC, Senior Specialist, Group Finance-Business, Ruslan Hasanov – Independent Member of the Committee;
4. "PASHA Holding" LLC, Group Finance and IT Department Director – Murad Suleymanov – Independent Member of the Committee;
5. Counsel of Chairman of the Executive Board, Turkhan Mahmudov – Independent Member of the Committee.

Composition of Strategy and Budget Committee

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

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

Composition of Senior Credit Committee

1. "PASHA Holding" LLC, Deputy CEO and Business Group Director - Farid Mammadov - Chairman;
 2. Member of the Supervisory Board - Shahin Mammadov - Member;
 3. "PASHA Investment" LLC, Investment Director - Ulvi Baghirov - Member;
 4. "PASHA Investment" LLC, Junior Investment Manager - Zaur Melikov - Member.
 5. "PASHA Holding" LLC, Senior Specialist, Group Finance-Business, Ruslan Hasanov - Member.

Procurement Committee

1. Director of the Financial management Department Elchin Alizada - Chairman
 2. Director of the IT operations Department Aydin Suleymanov - member
 3. Director of the Risk Management Department Orkhan Vahabov - member
 4. Head of the Compliance Division Aynura Ismayilzada - member
 5. Business innovations Tribe Lead, Zaur Baghirov - Member
 6. PASHA Holding LLC, Procurement manager of the Finance and IT Department Malik Abdullayev - independent member (Non-Voting Member)

Composition of Credit Committee

1. Director of Credit Risk Underwriting Department - Elmin Iskandarov - Chairman;
 2. Member of the Executive Board, Jalal Orujov - Member of the Committee;
 3. Chief Technology Officer, Vusal Khalilov - Member of the Committee
 4. Director of Corporate Banking Department, Farid Guliyev - Member of the Committee
 5. Director of Corporate Governance and Administration Department - Gular Pashayeva - Member of the Committee
 6. Director of Financial Management Department, Elchin Alizade - Member of the Committee
 7. Director of the Risk Management Department, Orkhan Vahabov - Member of the Committee

Composition of Assets and Liabilities Management Committee

1. Member of the Executive Board, Chief Financial Officer, Bahruz Naghiyev - Chairman of the Committee;
 2. Deputy Chairman of the Executive Board - Javid Gouliyev - Member of the Committee;
 3. Member of the Executive Board, Chief Risk Officer - Hayala Nagiyeva - Member of the Committee;
 4. Director of Financial Management Department - Elchin Alizade - Member of the Committee
 5. Director, Risk Management Department Orkhan Vahabov - Member of the Committee

Composition of Audit Committee

1. Parvin Ahadzade - Chairman of the Committee;
 2. Jamil Mammadov - Member of the Committee;
 3. Ramil Heydarov - Member of the Committee

Falcon 9 - a first orbital class rocket capable of reflight.



This image was generated by Artificial Intelligence

The background of the slide is a photograph of the Helix Nebula, a planetary nebula in the constellation of Aquarius. It is characterized by its ring-like structure and iridescent colors, including shades of blue, green, and orange. The nebula is set against a dark background of space, with several bright stars visible.

GLOBAL MACROECONOMIC OUTLOOK AND AZERBAIJAN'S ECONOMY

IRIDESCENT GLORY OF NEARBY HELIX NEBULA

Global Economy in 2021

Global Economic Activity

The year 2021 was marked by the global economic recovery and higher inflationary pressures. Easing of pandemic restrictions and the unleashing of deferred demand had a positive effect on economic growth. The sharp recession of the previous year was replaced by a robust expansion of the world economy. Rising energy and food prices caused by supply chain disruptions resulted in higher-than-expected inflation in many countries across the globe. The spread of the new Omicron variant of Covid-19 starting from second half of the year triggered world economic growth-related uncertainties. According to the IMF, global economic growth was estimated at 5.9% in 2021.

Prices in commodity markets and global inflation

Global commodity prices rose in general amid uncertainties spurred by new Covid-19 variants. According to the World Bank's Commodity Markets Outlook, energy prices jumped 76.8%, non-energy prices rose 20.2%, and food prices increased 17.4% during the year. The price of gold decreased by 4.7% in 2021. The Food and Agriculture Organization of the United Nations (FAO) indicated that food prices accelerated at their fastest pace in 10 years but slowed relatively in December. In 2021, global food prices jumped by 23.1%. The largest price hike was in butter, sugar, flour and dairy products. In 2020, the average price of Brent oil was USD 70.93 per barrel, 64.72% higher than the previous year (2020: USD 43.10). Natural gas prices sharply increased over the reporting year. The price of natural gas surged by 6.5 times to as much to USD 1,200 per m³ in Europe in December. Rising demand for natural gas, elevated LNG prices in Europe and Asia, supply delays due to disruptions in global trade and cold weather conditions drove these extraordinary price hikes in 2021.

Food prices acceleration

Major Economies

The USA recorded economic growth of 5.9% in 2021 according to the IMF. In the last month of the year, annualized inflation in the US rose to 7% – the highest rate since June 1982. The greatest contributors to inflation were rising energy, food and auto prices. Unemployment in the US fell to 3.9% in December 2021 – the lowest rate since February 2020. Over the year, the Dow Jones increased by 20%, the S&P 500 rose by 34.8%, and the NASDAQ went up by 22.5%. The IMF estimated that the Eurozone recorded 5.2% economic growth in 2021. In December, 12-month inflation in the euro area came in at 5%, the highest annualized inflation rate of the last 30 years. Elevated inflation in Europe is attributable to rising oil and natural gas prices and chronic disruptions in the supply chain.

During the year, the FTSE Eurotop index increased by 23.1%. In 2021, the ECB left its policy interest rate unchanged. The Chinese economy is projected to have expanded by 8.1% in 2021. In December, China's annualized inflation fell back to 1.5%, lower than the 2.3% pace in November. This was the highest inflation rate of recent 15 months and below market expectations of 1.8%. Industrial production in China went up by 4.3% in 2021. In December, unemployment stood at 5.1%, a 5-month high. The IMF estimated that Russia's economy expanded by 4.5% in 2021. In December 2021, annualized inflation in Russia was 8.4% – the highest rate since 2016 and more than double the Bank of Russia's 4% target. In December 2021, the Russian unemployment rate dropped to 4.3%, in line with market expectations. This performance was the lowest unemployment rate since August 2019. In December, industrial production increased by 6.1% year-on-year. The Russian ruble remained largely stable against the USD during the year. The Bank of Russia tightened its monetary policy in light of inflation expectations, lifting its policy interest rate from 4.25% to 8.5% stepwise. In 2021, the World Bank projected that

Azerbaijan Economy in 2021

Economic Growth

Economic activity in Azerbaijan in 2021 got a well-needed boost thanks to wider and more robust domestic and foreign demand. As a result, the country's economy recorded sufficient growth to surpass its pre-pandemic levels. According to the State Statistics Committee (SSC), GDP increased by 5.6% in real terms to nominal AZN 92.9 bn. Oil and gas value added rose by 1.8% to a nominal value of AZN 35.1 bn. The mining sector extracted 34.5 m/t crude oil and 32.6 bn/m³ natural gas during the year. Oil extraction increased by 0.1% year-on-year while gas extraction jumped by 23%. Non-oil value added went up by 7.2% in real terms to a nominal value of AZN 57.8 bn. The oil and gas sector accounted for 37.8% of total GDP, while the non-oil sector accounted for 62.2%. In general, all sectors of the economy posted positive growth, except for construction.

Aggregate Demand

In 2021, aggregate demand in Azerbaijan was driven by the rebound in consumer demand supported by higher income of the general population. According to the SSC, the value of commodities and services sold in the consumer market exceeded the pre-pandemic in both nominal and real terms. Consumers spent an average of AZN 440.5 per capita in the consumer market in 2021 (2020: AZN 40.1). Rapid vaccination efforts and concurrent easing of pandemic measures boosted consumer demand. Lending activity also positively translated into consumer demand. Loans to households increased by 28.3% to AZN 8.6 bn. Over the reporting year, despite recovery of the positive growth dynamics across all sectors of the economy except construction and revival of consumer demand, uncertainties stemming from the spread of new Covid-19 variants and elevated inflation weighed on consumer confidence.

Turkey's economy posted growth of 9.5%. In December 2021, Turkish industrial production jumped by 14.4% on an annualized basis, outperforming market expectations of 11.2%. Turkey's unemployment decreased to 11.2% in December. Turkey recorded 12-month inflation of 36.1% in December 2021, the highest inflation rate since September 2002 and well above market expectations of 30.6%. In 2021, the Turkish lira depreciated by 73.4% against the USD. In H1 2021, the Central Bank of Turkey hiked its policy interest rate to 19%, up from 17%. The Turkish Central Bank went on to lower its benchmark rate to 14% in H2 2022.

Risks

The World Economic Outlook update of January 2022 indicated that global risks have entered a downside phase. A slowdown in vaccination efforts may lead to emergence of new Covid-19 variants that are likely to pose new risks for the global economy. As advanced economies lift policy interest rates, risks to financial stability and capital flows, foreign exchange rates and fiscal positions may emerge in developing countries. In general, the IMF classifies risks resulting from the current macroeconomic and pandemic situation as follows: Difficulties in fighting the virus with the emergence of new strains due to global unequal flow of a rapid and effective vaccination program, as the primary exit of the pandemic; the threat of rising labor costs to further boost inflation; persistent global supply chain disruptions accompanied by longer than expected breaks; translation of the economic slowdown in China to global expectations to commodity exporters and emerging economies; failure of the tighter monetary policy in the USA to bring inflation back down to the 2% medium-term goal to yield proper results due to supply disruptions and wage pressures and impact of the disruptions on markets.

*Source: CBAR, IMF, EIA



“That’s one small step for man, one giant leap for mankind.”
Neil Armstrong

Inflation

According to the SSC, Azerbaijan registered annualized inflation of 12% (December 2021 vs December 2020). Average annual inflation was 6.7%. Food prices were the main driver of inflation during the year. Annual food inflation was 15.8% in December. Rising world food prices had a major impact on food inflation via imports. In particular, world food prices fueled local price increases for butter, vegetable oils, sugar and dairy products, as well as flour products. Non-food prices went up by 7.7% in 2021. Services prices rose by 10% driven by liberalization of government regulated prices and tariffs. An analysis of inflationary factors suggests that over half of direct and indirect price rises during the year related to factors of foreign origin. In 2021 the prices of imports jumped by over 21%. High import prices in turn are attributable to elevated global commodity prices, higher transportation-logistic expenses, and historically high rates of inflation of recent decades in major trading partners.

FX market and the manat exchange rate

In 2021, the Azerbaijani manat exchange rate against foreign currencies was formed in accordance with the supply-demand balance in the foreign exchange market. A huge balance of payments surplus resulted from wider supply in the FX market, which underpinned the main price stability anchor – exchange rate stability. CBAR continued to conduct auctions to arrange the sale of foreign currency provided by the State Oil Fund of Azerbaijan Republic (SOFAZ). Although demand in the FX market grew in January due to expectations triggered by indirect effects of developments in the external environment, it decreased and stabilized from February to the end of the year. An improved outlook resulting from a steady rise in world oil prices had an additional stabilizing impact on the FX market in Azerbaijan. The CBAR’s intervention in the FX market was purchase-oriented and amounted to USD 245 million. The average

official AZN/USD exchange rate was AZN 1.7 in 2021. Commercial banks’ average buy/sell rate was 1.6993/1.7024. The exchange rate performance of the manat varied against the currencies of trade partners. The manat appreciated against the euro, Turkish lira, British pound and Japanese yen, and depreciated against the Swiss franc, Ukrainian hryvnia and Georgian lari.

Monetary policy and interest rates

In 2021, monetary policy tools were applied in Azerbaijan light of the trajectory of inflation, macroeconomic forecasts and targets, and the balance of risks on inflation. CBAR discussed interest rate corridor parameters eight times in 2021. The Central Bank took interest rate corridor parameters related decisions in consideration of the latest macroeconomic forecasts and trends, significant deterioration of the external background of inflation, factors with a push effect on prices in the balance of risks, as well as domestic non-monetary factors. In the first half of 2021, CBAR pauses in making changes to the refinancing rate. Starting from the second half of the year, the Central Bank took a decision to hike the refinancing rate three times in a row – in September, October and December, from 6.25% to 7.25% – in response to accelerating inflation. These decisions served to strengthen downward effects of monetary supply factors on inflation.

*Source: CBAR, SSC

Banking Industry

According to the Statistical Committee of Azerbaijan, total nominal GDP rose from AZN 72.4 billion in 2020 to AZN 92.8 billion in 2021, up 28% in nominal terms for the year. Average inflation increased significantly during the reporting year, from 2.8% in 2020 to 6.7% in 2021, well above the target level of 4%+-2 set by the Central Bank of Azerbaijan (CBAR). Rising inflation was caused by both the wide-ranging impacts of the Covid-19 pandemic and higher crude oil prices.

In regard to its interest rate decisions in 2021, CBAR hiked the refinancing rate three times over the course of the year. As a result, the refinancing rate increased from 6.25% to 7.25% and the ceiling went up from 6.75% to 8.25%. The floor increased from 5.75% to 6%.

The Central Bank of Azerbaijan continued to implement new developments in the financial sector. According to CBAR's official publications, the Digital Identification System (DIS), launched by the Central Bank to expand e-financial and banking services, recorded positive growth during the year. As of December 1, 2021, CBAR indicated that 20 banks are currently integrated into the DIS platform, with over 1,600 bank accounts opened by legal entities and individuals remotely via the system, and 280 payment cards obtained.

Additionally, CBAR reported that implementation of the Digital Payment Strategy of the Central Bank of Azerbaijan for 2021-2023 started in Y2021. According to CBAR, the strategy was created to eliminate obstacles to developing cashless payments and to expand access to inexpensive and affordable financial services for the wider population and businesses in every region of the country.

In 2021, Azerbaijani banking assets increased by 20% year-on-year, from AZN 32.055 billion to AZN 38.462 billion, according to CBAR reports. The total loan portfolio grew by 17.8% year-on-year, rising from AZN 14.5 billion to AZN 17.1 billion. The volume of overdue loans dropped by 19.4% year-on-year, from AZN 893 million to AZN 719 – a significant decline especially when coupled with the prior year's 20% decrease. Total deposits increased by 22.7%, from AZN 23.7 billion to AZN 29.03 billion. Non-financial corporations and household deposits decreased by 31.5% and 22.7%, respectively. Financial corporations' deposits rose by 0.4% year-on-year.

In 2021, Azerbaijan's banking sector recorded net operating profit of AZN 968.9 million and net profit of AZN 608.9 million. Out of 26 registered

banks in the country, 23 banks posted net profit for the year. The top three banks recording net profit were IBAR, Kapital Bank and PASHA Bank, according to the Azerbaijan Banks Association. Over the same period, the 26 registered banks operated 479 branches, 97 sub-branches, and 2,907 ATMs across the country. In 2021, the banking industry reported 20,329 employees, up by 1,621 year-on-year.

Expectations for 2022

Global Expectations

The global economy enters 2022 in a weaker position than previously expected. As the new Omicron Covid-19 variant quickly spreads, countries have reimposed pandemic and mobility restrictions. Rising energy prices and lingering supply disruptions have resulted in higher and more broad-based inflation than anticipated, notably in the United States and many emerging market and developing economies. The ongoing retrenchment of China's real estate sector and slower-than-expected recovery of private consumption also have limited growth prospects in the world's second largest economy. According to the IMF January World Economic Outlook (WEO), global growth is expected to moderate from 5.9% in 2021 to 4.4% in 2022, largely reflecting forecast downgrades in the world's two largest economies. A revised assumption removing the "Build Back Better" fiscal policy package from the baseline, earlier than anticipated withdrawal of monetary accommodation and asset purchases, and ongoing supply shortages prompted a downward 1.2 percentage-point revision for the United States. In China, pandemic-induced disruptions related to the zero-tolerance Covid-19 policy and protracted financial stress among property developers led to a 0.8 percentage-point downgrade in its growth forecast by the IMF.

Risks to the global baseline are tilting to the downside. Emergence of new Covid-19 variants that elude current vaccines could prolong the

pandemic and bring about renewed economic disruptions. Moreover, the Russia-Ukraine conflict, supply chain disturbances, energy and metals price volatility, and localized wage pressures mean uncertainty around inflation and policy paths is high.

The Energy Information Administration (EIA) in its February 2022 Short-term Energy Outlook forecasts the price of Brent oil at USD 105 per barrel in 2022 and USD 89 in 2023. This outlook is also subject to heightened levels of uncertainty resulting from a variety of factors, including the Russia-Ukraine conflict. Subsequent sanctions on Russia and other actions created significant market uncertainties about the potential for major oil supply disruptions. These events are occurring against a backdrop of low oil inventories and persistent upward pressure on oil prices.

Expectations for Azerbaijan

On January 22, 2022, S&P Global Ratings, a leading international rating agency, affirmed its long- and short-term foreign and local currency sovereign credit ratings on Azerbaijan at 'BB+/B'. The outlook is stable. Stable outlook indicates that S&P Global expects the ceasefire agreement between Azerbaijan, Armenia, and Russia will continue to broadly hold, while favorable hydrocarbon prices and rising gas exports will support Azerbaijan's fiscal and balance of payments positions over the next 12 months. Of the sovereigns in the 'BB' category, Azerbaijan's fiscal and external stock positions are among the strongest. The government has accumulated substantial liquid assets, mainly

within the sovereign wealth fund SOFAZ. S&P forecasts that the government will have access to liquid assets of close to 70% of GDP through 2025. General government debt is projected to remain below 30% of GDP.

Currently favorable oil prices also support Azerbaijan's fiscal position and balance of payments profile. EIA's recent short-term outlook forecasts that the price of Brent crude will average USD 105/barrel, significantly above the 2021 level of USD 71/barrel. The trend of rising oil and gas prices in 2022 will support foreign exchange rate stability – a key anchor of macroeconomic stability.

According to the World Bank's latest regional report for Europe and Central Asia, economic growth in Azerbaijan is anticipated to slow over the forecast horizon but remain above its 2010-19 average pace. This expected performance is supported by an expansion in non-energy sectors, rising public investment, and stable energy sector growth in line with OPEC+ quotas and higher natural gas production. International financial institutions forecast that the Azerbaijani economy will expand around 3% in 2022, following 5.6% growth in 2021. The World Bank expects 3.1% growth in real GDP driven by both private and government consumption. Coordination of the government's fiscal and monetary policies to maintain macroeconomic stability in parallel with economic growth is expected to support the stability of the Azerbaijani manat during the coming year.

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

Azerbaijan Economic Indicators	2021	2022E	2023F
Real GDP Growth	5.6%	2.7%	1.5%
CPI growth	6.7%	6.5%	4.5%
Unemployment	6.0%	5.0%	4.9%

Source: S&P

2021 ACTIVITIES

GALAXY W2246-0526, THE MOST LUMINOUS GALAXY
EVER DISCOVERED (ARTIST'S IMPRESSION)



SERVICE MODEL AND BRANCH NETWORK

RETAIL

PASHA Bank OJSC recommended customers to always make transactions through the Internet Bank, so there was no difficulty in making payments during the pandemic - it encouraged customers to use Bank services remotely. AZN and foreign currency payments were accepted and processed by the Bank through the Internet Bank, and in case of any question, the client was contacted by e-mail. Here, both payment entry and payment confirmation documents are provided online.

Also, if any questions arise after the execution of payments, customers are given the opportunity to apply to the Bank through the Internet Bank.

SME

The Covid-19 pandemic was an unexpected shock for small and medium-sized businesses. SMEs were proven to be especially vulnerable during the pandemic.

As one of the largest banks for small and medium enterprises, PASHA Bank was committed to protecting its clients as much as possible from the negative impacts of the pandemic. First, the Bank immediately commenced consultations with its SME clients on restructuring of credit debts. For the most affected clients, PASHA Bank initially provided a grace period for payments ranging from three to six months. With the extension of the pandemic, the Bank further extended the grace periods for payments as needed.

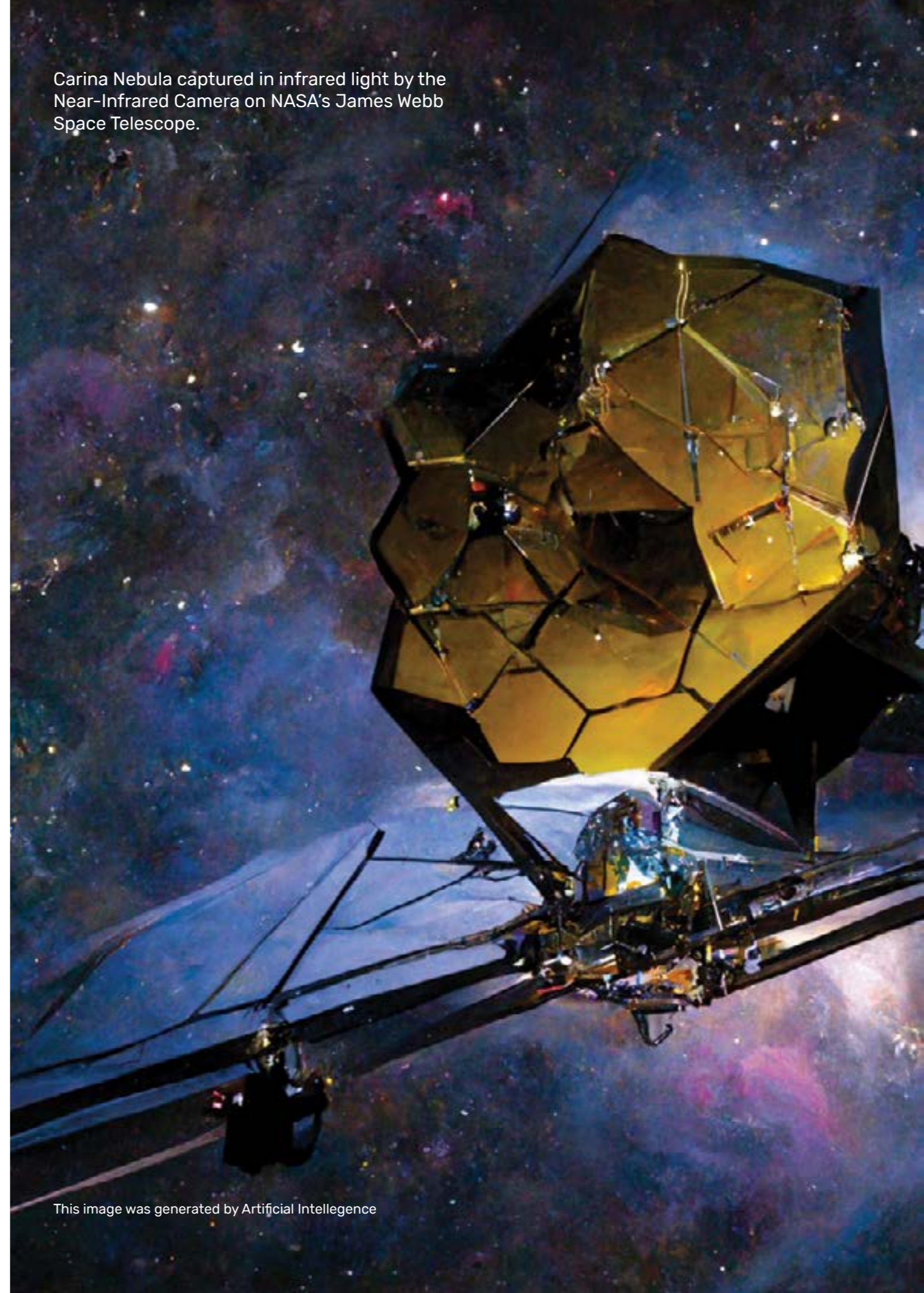
Even during this time of unprecedented

volatility, PASHA Bank did not suspend lending to small and medium businesses, both for current and new clients. The Bank adopted this strategy in order to support its customers, ease the immense pressure of the pandemic, and ensure their survival.

At the beginning of 2021, PASHA Bank developed a new service concept for its SME clients. Clients were divided into two categories: clients with annual turnover up to AZN 1 million are served remotely by a Virtual Branch; clients with turnover of over AZN 1 million are served by personal managers. To implement this concept, a Virtual Branch was created with well qualified employees who provide service via phone and email. This innovative concept allowed the Bank to better serve the first category of clients - the majority of the SME client base - more quickly and efficiently. PASHA Bank also expanded its relationship manager staff for larger clients in the SME segment who require a more individualized approach, in-person meetings, and face-to-face consultations.

In 2022-2023, PASHA Bank plans to expand its business branch network with new format branches featuring advanced digital solutions. The new business branch locations will be staffed by sales teams to respond instantly to the financial needs of the Bank's SME clients. In parallel, PASHA Bank aims to transform its traditional branches by boosting the service level and improving the sales capabilities of front office staff.

Carina Nebula captured in infrared light by the Near-Infrared Camera on NASA's James Webb Space Telescope.



This image was generated by Artificial Intelligence

CIB TRIBE

PASHA Bank delivers customized corporate banking solutions to large enterprises and small businesses alike with a dedicated team of relationship managers, a comprehensive product portfolio and efficient business processes.

During the year, PASHA Bank's Corporate and Institutional Banking (CIB) department was transferred to the Agile CIB Tribe. The Agile Tribe is divided into eight separate autonomous teams specialized in the specific industries: Construction, Oil & Gas, Manufacturing, Agro, FMCG, Auto & Telecom, FI & Services, Retail and Horeca.

Adoption of the agile approach is having a major impact on the CIB tribe. Throughout 2021, PASHA Bank stepped up its focus on this key area. This reporting year, the Bank implemented its Relationship Manager (RM) School initiative for the first time in its history. During this program, all relationship managers attended specialized indepth trainings conducted by both internal and external trainers.

In 2021, the Bank's CIB Tribe recorded numerous achievements, including:

PASHA Bank approved the Karabakh Strategy project in order to carry out construction and rehabilitation work in the liberated territories. This effort was designed to provide special support by the Bank to companies located in the country's liberated territories. Under this strategy, the Bank developed and introduced its first financial leasing product. The leasing product was initially developed for Kalyon RSY Company.

Silk Way Airlines was extended a revolving standby letter of credit (LC) for its commercial relationship with Rolls Royce. The standby LC was intended for the lease of aircraft engines by Rolls Royce. The initial amount is USD 12 million. The total amount of LC demand amounted to USD 50 million USD.

PASHA Bank has taken various measures to stimulate and restore the business environment in the post-pandemic period. The Bank's main goal with these efforts was to fully restore the supply chain for corporate and SME segments. In 2021, the Bank facilitated creation of a new association in conjunction with metal traders to help with pricing and governance policies and to promote local metal production.

In December 2021, PASHA Bank OJSC held a special joint event with the State Agency for the Use of Mineral Resources. The event aimed to increase the transparency of mineral resource use and promote more efficient use of banking products by mineral resource operators via PASHA Bank tools. The initial result of that cooperation was put into the operation of a clay lode at the Fahraddin Brick Plant.

During the year, the Bank also recorded a strong performance of its products with e-commerce turnover and POS turnover growing by 4.4x and 2x, respectively. In addition, the Bank implemented its Multi Merchant function for vendors.

The CIB Tribe's other achievements in 2021 included: PASHA Bank's representative became a member of the Supervisory Board of AMFA. Commerzbank AG nominated PASHA Bank for a trade finance award.

Adoption of the agile approach

New approach used by treasury

TREASURY

At the beginning of the pandemic period, PASHA Bank provided necessary means to ensure all Treasury staff could work from home. Since most of the staff preferred a hybrid form of work, a schedule of office attendance and staff presence at the office was controlled by IT and HR/Security.

Treasury's workflow and processes were not affected by pandemic. At year's end, PASHA Bank's Treasury had ensured smooth business operations without interruptions and recorded solid profit despite the pandemic.

During the year, Treasury used a stricter approach while evaluating new investment opportunities since the pandemic introduced enormous uncertainty into the world economy. This volatile environment made forecasting significantly more difficult. PASHA Bank's Treasury also closely interacted with the Risk Management team throughout the year. Working together, Treasury and Risk Management responded promptly and judiciously to all market changes and shocks that occurred during the pandemic.

PASHA Bank's Treasury function manages the Bank's solvency, capital adequacy, and liquidity.

In addition, Treasury provides the following solutions and services to clients:

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

2021 Operational Environment

- The highly competitive environment in the FX market continued to pressure margins during the year.
- Strategic asset allocation in domestic and international capital and money markets contributed to rising interest income.

PASHA Bank's assets under Treasury management totaled AZN 3,629 million

(Increase of AZN 480 million in comparison with 2020). Majority of assets are controlled by Global Markets division team:

- Securities portfolio – AZN 1,803 million
- Cash and cash equivalents – AZN 1,285 million
- Amount due from Credit Institutions – AZN 541 million

Treasury generated 29.5% of PASHA Bank's interest income (AZN 76.2 million – increase of AZN 7.9 million in comparison with 2020) and 39.5% of the Bank's non-interest income (AZN 26.5 million from dealing – decrease of AZN 1.3 million in comparison with 2020) in 2021.

Financial Institutions division of Treasury department has increased syndicated portfolio, as a result by the end of 2021 portfolio volume was more than 181 million AZN. Rather than simple syndicated loans FI has started investments in loans with insurance coverage by insurance companies like ICIEC (The Islamic Corporation for the Insurance of Investment and Export Credit).

BUSINESS INNOVATIONS

Digital Lab integrated into the Bank's core business units

In 2021, Digital Lab became an integrated part of the entire organization as PASHA Bank's digital transformation entered its next phase. In particular, Digital Lab integrated into the Bank's core business units, including Digital SME, digital internal squads and streams. As a financial institution that sets trends for the industry, PASHA Bank created a unique unit – Business Innovations Tribe – to deliver cutting-edge business solutions for customers by developing new business lines and serving underserved niches. The Business Innovations vision is to boost the Bank's revenue by identifying and developing new business opportunities and developing long-term business growth strategies (LTV).

Business Innovations focused on the following in 2021:

- Establishing foundation for the innovative and startup culture formation
- Banking for Internal and External Startups
- Serving as a strategic partner of Bank in influencing innovative products creation and new processes
- Designing, researching, developing, analyzing and recommending new business concepts as well as strategies
- Managing and evaluating portfolio data and innovation pipeline to assist strategic decision-making and the go-to-market process

PASHA Bank's innovation strategy is focused on developing additional innovative products and services. Currently, the Business Innovations team is focused primarily on establishing BI's governance to accelerate the new way of working toward delivering non-core banking products.

Thanks to this strategy, Business Innovations has already adopted several innovative services.

The Bank introduced two of these services to the market in a limited way with 1,400+ active customers. A new facial recognition payment system was launched in conjunction with a local startup team. The system is currently awaiting licensing authorization from the government. After the authorization process is complete, the Bank will introduce the facial recognition payment system to the market on a full scale.

By adopting cutting edge technologies such as microservices architecture, cloud computing and DevOps, PASHA Bank shapes the IT market of Azerbaijan with its broad social impact. Thanks to the Bank's role as a technology leader and pioneer, many enterprises and organizations in Azerbaijan have embraced new advanced technologies. As a result, a new set of IT skills and capabilities are now in demand in the market nationwide.

Business Innovations Tribe

By creating the Business Innovations Tribe, PASHA Bank is ushering in a new phase of development of the market. The Bank is shaping new trends and changing the ecosystem by accelerating internal and external entrepreneur skills, capabilities and demand.

SME BANKING

In 2021, SME Banking continued its support to SME customers involved in both state and private contracts by providing online guarantee products, where no physical presence of customers is required. The Bank focused on boosting customer satisfaction by offering the best value propositions in the market. To this end, PASHA Bank utilized scoring engines where customers are able to receive local bank guarantees without any cash or material collateral.

Supply chain finance for the SME segment

During the year, PASHA Bank focused on supply chain finance for the SME segment. As a result, the Bank recorded a 50% increase in financing to the supply chain in 2021. The Bank also started developing and providing digital solutions in the supply chain financing area. PASHA Bank successfully introduced and scaled digital applications in online banking where SME clients can obtain information about SCF products and apply for them online. The Bank improved its entire SCF product line to make them more accessible and user-friendly to SME clients. During the 2022-23 Strategy Period, SME Banking plans to further enhance SCF by using digitalization and advanced analytics tools.

Thanks to improvements in its lending process, the Bank approves loan applications to AZN 150K within the SME segment. The process had a significant impact on TTY (Time to yes), decreasing it by five business days. Approval could take place automatically if the client meets standardized criteria and triggers.

The review process for tickets up to AZN 250K was also improved. If there is a positive underwriting opinion, the application is approved in an Agile

committee. This improvement reduced TTY by three business days. Clients that do not meet standardized criteria and triggers can also benefit from this process up to the stated ticket size.

Comprehensive set of solutions

From the start of the pandemic, PASHA Bank has launched a comprehensive set of solutions to respond to the new economic reality and support its customers. These innovative initiatives include: loan restructurings offers, repayment holidays, suspension of late payment penalties, modification (reduction or cancellation) of tariffs for key banking products and services, and launch of a useful and up-to-date information portal related to working during pandemic conditions.

The Bank understands the importance of providing clients with access to financing in a down economy. As a result, PASHA Bank continued to extend working capital financing without restrictions during the pandemic. The Bank also introduced two fully digital and collateral-free loan products: a standard online business loan and an online business loan under the support program of the Entrepreneurship Development Fund of Azerbaijan. Supply chain financing (factoring) was also active during this challenging period. The volume of supply chain financing in 2020 – about AZN 100 million – was at the same level of pre-crisis year of 2019.

PASHA Bank expects 2021-2022 to be a period of economic and business recovery.

In general, the Bank has positive expectations for the business revival. About 60% of SME Banking customers recorded revenue growth in 2021. At the same time, about 40% of the Bank's SME customers expect sales to reach pre-crisis levels by the start of 2022. Macroeconomic forecasts give the Bank the opportunity to positively assess the SME recovery and the development and demand for business financing. The real economy (excluding the oil sector) expects growth of around 3% per year in 2021-2023. A significant rebound is expected in the trade and service sector, tourism, manufacturing, construction and transportation. The recovery and development of the economy in Karabakh, especially the implementation of large-scale infrastructure projects, will further support business activity in the regions and across the country.

During 2018-2020, SME Banking implemented a digital transformation aimed at significantly boosting SME segment penetration, improving its value propositions, and increasing the quality of service delivered to clients.

In the current strategy period of 2021-2023, SME Banking is scaling its successful experience of providing digital products and serving clients through digital channels for micro, small and medium businesses.

SME Bank is also focused on enhancing its sales and service model tailored to each referenced segment.

An improved user experience is aimed for SME clients in onboarding and everyday

banking (digital platform/Internet Bank, Mobile Banking, payments solutions) in addition to online client support.

SME Banking's next major strategic move during 2021-2023 is data driven business development. This effort includes streamlining data management and launching data driven, advanced analytics use cases to improve business performance and client service from all perspectives. PASHA Bank SME Banking continues to provide financial support to SME customers across all industries in the market. In 2021, the Bank started to scale its digital financing efforts. In 2022-23, the Bank plans to introduce customized digital financing products for specific clients/ industry needs and further improve the user experience in digital financing. Backed by its deep expertise in financing support to large corporates' value chain, PASHA Bank aims to further scale its Supply and Distribution Chain Finance solutions in 2022-2023 via digitalization and advanced analytics tools.

During the 2021-2023 strategy period, PASHA Bank is focused on regional SME development, in particular expanding financing and broadening the daily banking services for regional SMEs.

The Bank plans to further transform both its regional and Baku branch network, reduce physical operations service in branches, improve virtual/online support to SME clients, and develop self-service outlets focused on advisory on SME Banking products and services.

RETAIL BANKING

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 several new products and services in 2021.

Cashback salary cards

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/>.

Online loans delivery

The Bank significantly modified its processes related to issuing cash loans. Now, borrowers do not need to visit a physical branch to obtain a loan. In addition, the process of obtaining cards for the Life Insurance Project (PLI) was migrated online.

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.

PRIVATE BANKING

Launched in 2010, PASHA Private Banking offers tailor-made solutions that meet clients' needs in both financial and non-financial services.

PASHA Private Banking is the first private banking service provider in the domestic Azerbaijani market and remains a market leader in delivering high quality private banking services.

At PASHA Private Banking, we are committed to establishing long-term, mutually beneficial relationships with our customers

At PASHA Private Banking, we are committed to establishing long-term, mutually beneficial relationships with our customers. Our objective is to assist our clients in growing and protecting personal wealth as well as managing the transfer of wealth to future generations.

PASHA Private Banking focuses on providing effective, tailor-made, high quality, customer-oriented solutions which will ensure customers' long-term financial stability.

The situation the world, and Azerbaijan, faced during the Covid-19 pandemic was unprecedented. In 2020-2021, PASHA Private Banking took robust measures to protect the health and safety of its employees while ensuring uninterrupted service to our Private Banking customers. We equipped our teams with the tools necessary for continuing remote interaction with our clients. Despite the abrupt and drastic shift to remote working, Private Banking provided services without interruption to its existing clients while also expanding its customer base by almost 20%. The extreme challenges we encountered did not slow our efforts to continuously improve customer experience and enhance our value proposition. In 2021, we redesigned the operating model of Private Banking

by incorporating two new divisions into our organizational structure: Product Development and Investment Advisory. This new configuration allows Private Banking to pursue its strategic initiatives with greater efficiency. As a result, we are more responsive to our clients' individual needs in both conventional banking as well as investment and wealth management services.

PASHA Private Banking recorded robust growth of 18% in its client base in 2021. In addition, Private Banking expanded its deposit portfolio by 30% and boosted its brokerage accounts by 40% during the year.

PASHA Private Banking introduced the first private banking service in the Azerbaijan market.

Our goal has always been protecting and increasing customers' wealth so they can pass it on to future generations. PASHA Private Banking offers clients a personal Relationship Manager who serves as their constant partner in managing their wealth. Relationship Managers support clients in providing a wide range of financial and non-financial services. Private Banking provides clients with a comprehensive product and service offering: domestic services (e.g. deposit and current accounts, premium debit and credit cards, deposit boxes, Private Banking Mobile app, purchase and sale of real estate), foreign services (e.g. international banking, account and portfolio Management) and non-financial services (e.g. education, health care, art management).

New products

In 2021, PASHA Private Banking introduced new products and services for its clients:

- In November 2021, PASHA Private Banking launched a completely new product for the Azerbaijan market: Wealth Management.

An integral part of Private Banking, Wealth Management helps clients effectively preserve and grow their wealth over the long term. Wealth Management combines several areas of personal finance into a single comprehensive package that is designed to address the entirety of high-net-worth (HNW) and ultra-high-net-worth (UHNW) individuals' financial life.

- In December 2021, Private Banking rolled out its first release of the PASHA Private Banking Mobile App. This convenient, state-of-the-art mobile application is designed to cover all banking needs of PASHA Private Banking clients on the go. App users can view their account information (current, deposit, credit), perform domestic and foreign transfers, access their portfolios, obtain market information, review analytical market insights, and more.

As Azerbaijan's leading private banking provider, PASHA Private Banking aims to meet all the financial and non-financial needs of its customers. Private Banking is constantly working to develop innovative product offerings, introduce new products and solutions to the market, and improve the client experience. We plan to launch an exclusive, specially designed Private Banking card that features luxurious benefits. The widescale launch of the Private Banking Mobile App will give clients convenient access to fast and qualitative daily banking operations that meet all the needs of high-net-worth and ultra-high-net-worth individuals. We also plan to educate Private Banking clients on wealth management and investment tools by organizing special and exclusive webinars for our client base. PASHA Bank's long-term strategy is to be a trusted partner for its

Private Banking clients by presenting a wide array of exclusive products and services.

PASHA Private Banking focuses on providing effective, tailor-made, high quality, customer-oriented solutions that will ensure customers' long-term financial stability.

Financial Services

PASHA Private Banking constantly analyzes and engages in efforts to discern the wants and needs of its esteemed customers. PASHA Bank offers a full range of classic banking products and services delivered by dedicated Relationship Managers with a strong customer service approach. This offering includes:

- * Deposit accounts
- * Premium credit and debit cards
- * Credit lines
- * Cash secured loans, mortgages and special loans
- * Depository services
- * Internet Banking
- * Mobile Banking
- * Precious metals account opening

Private Banking is constantly working to develop innovative product offerings, introduce new products and solutions to the market, and improve the client experience.

In 2021, PASHA Private Banking introduced several new products and services to its clients, including:

- * Precious metals account
- * Loans backed by virtual precious metals account
- * Deposit accounts linked to syndicated loans

INTERNATIONAL REPUTATION

Cooperation with International Financial Institutions

In 2021 PASHA Bank maintained and expanded its presence in the international arena by adding new international and foreign partners, while deepening its business cooperation with existing partners. PASHA Bank has become an active player at the international debt capital market (DCM). The Bank actively invests in a diversified range of DCM products on both primary and secondary markets. PASHA Bank is also growing its traditional correspondent banking service offered to foreign banks in AZN currency.

PASHA Bank is committed to providing the best banking service to its diversified base of corporate clients. PASHA Bank aims to further diversify its international correspondent network in order to maintain and step up its position of a leading Azerbaijani corporate and investment bank.

BUSINESS SURVEY & INDUSTRY EVENTS

1. The "Scale Up" Acceleration Program for Women Entrepreneurs is a CSR project supported by PASHA Bank 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 strategic skills necessary to facilitate growth for business. The program was specially designed for business owners-entrepreneurs to provide them with exclusive know-how on the appropriate steps to propel their company's growth

through professional and personal change.

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

The main purpose 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 20 million AZN. The program evaluates various business indicators and business parameters, including company values, strategic goals, customer focus, use of effective business models and innovative solutions, contribution to economic development and other indicators.

3. Meetups, held in conjunction with the Lotfi Zadeh Technology Center, answer people's questions on specific topics and clarify important issues. In the project, PASHA Bank employees share their experiences and talk about innovations in the market.

So far, 5 MeetUps have covered Digital Engineering, UI / UX Design, Agile and other matters. These Meetups will continue in the following years including different digital topics.

Digital Summit Conference

4. On December 8-11, 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 ownership, software, and creative design. On the first day of the event, which was broadcast live online under the slogan "ProductHunt," experts from various companies shared with the participants the role of product ownership in the company and the secrets of success in this field. During DevOps Day, representatives of major companies shared their experiences in digital engineering with participants. On the third day of the conference, the speakers spoke about topical issues of UX / UI and answered the questions of the participants. On the last day, there were discussions about Data. In interactive parts of the event, such as panel discussions and workshops, speakers answered questions from market participants. Overall, more than 400 people attended the 4-day conference.

5. PASHA Bank awarded AZN 10,000 to the first female participant to represent Azerbaijan in the official Ironman competition and complete the distance within the allotted time and win the title of Ironwoman.

According to the conditions of the race, it is necessary to assemble 4 km of continuous swimming, 180.25 km of bicycles, and 42.20 km of marathons within 17 hours.

CREDIT RATINGS

In 2021, the international rating agency Standard and Poor's reaffirmed the Bank's Long-Term Issuing Bank Default Rating (IBDR) as 'B+' and Short-Term IBDR as 'B'.

Reaffirmation of the PASHA Bank's credit ratings is based on an assessment of the market share of PASHA Bank in the corporate lending segment, indicators of geographical diversification compared to similar financial institutions, the quality of bank assets and other fundamental aspects.

This rating is one of the highest among all privately-owned banks in Azerbaijan with 100% local capital.

Risk Team focused on key projects that significantly strengthened the Bank's risk-based decision-making approach and risk culture.

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.

During fiscal year 2021, PASHA Bank's Risk Team focused on key projects that significantly strengthened the Bank's risk-based decision-making approach and risk culture. These initiatives primarily aimed at setting the baseline for future digital aspirations of the Bank. PASHA Bank's corporate lending history and current risk practices served as significant inputs to boost the Bank's future risk resources and capabilities.

In 2021, PASHA Bank recorded the following improvements and achievements in its pursuit of excellence in risk management:

Credit Risk Management

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.

In the previous year, 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.

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.

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.

Market and Liquidity Risk Management

The reporting year 2021 was 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.

In 2021, the Bank effectively reduced its decision-making time frame by using 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.

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.

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.

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.

Risk Modelling

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. In 2021, the Risk Modelling Division engaged in following activities:

1. The Risk Modelling Division participated in the development of the Data Governance Risk Monitoring Engine and Cross-Sell use cases. The Risk Monitoring Engine aims to automatically define client risk categories based on their six-month historical data and to check if the clients will become more than 60 days past due in their loans during coming six months.
2. A Cross-Sell use case was developed for SME customers to recommend the most appropriate product for them.
3. The Risk Modelling team conducted Macroeconomic Stress Testing with PASHA Holding and issued forecasts for balance

Risk Culture Survey was launched and special trainings for Bank employees were conducted

sheet items and NPL. The results of Stress testing are used in strategic decision-making processes.

4. The Risk Modelling Division supported and improved Digital SME underwriting model which was developed in 2020.

5. The Risk Modelling Division created a model development process and guidelines to standardize the Bank's data science efforts.

Enterprise Risk Management

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. In 2021, Risk Culture Survey was launched and special trainings for Bank employees were conducted to raise risk awareness across the organization. The ERM framework was closely reviewed and the Model Risk Management

framework was developed. To provide common risk language, ERM updates and modifies the Risk Catalogue to include new and emerging risks by considering factors that are both internal and external to the Bank.

Non-financial Risk Management

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 existence scope and modified Non-financial Risk Management's structure. PASHA Bank created four separate areas as part of Non-financial Risk Management:

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

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.

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 mailing which includes 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.

During the year, 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.

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 Register 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.

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.

Risk and Incident Management platform

INFORMATION TECHNOLOGIES

PASHA Bank's most valuable asset is its employees. We always strive to invest in our people. While members of our staff may have different specialties, they all work for the same common purpose. We adopt new approaches, implement new processes, use automation and advanced technology to optimize our operations, but our employees come first.

At PASHA Bank, we faced the pandemic lockdown entirely ready for this new environment as a digital bank thanks to our visionary strategy. Quick actions were taken in short period of time – about one week – to provide our employees who had in-office workstations with laptops and strengthen our security measures via VPN connections.

- A new **remote access (VPN) policy** was developed and implemented to support the diverse needs of the Bank's various functional areas while maintaining appropriate cyber and information security levels.
- Some **150+ new laptops** were acquired in a two-week period and distributed among the Bank's employees
- Contact Center staff were also transferred to work from home.
- A new **cloud-based communication platform** (Microsoft Teams) was implemented across the Bank to support the staff's internal and external remote conference/meeting needs.
- Constant and effective **communication** was maintained via the Yammer platform, to ensure staff members remain aware about new ways of accessing IT systems, using new tools, understanding functionality, and the like.

This year, PASHA Bank migrated its local infrastructure to the private cloud at Pasha Technology Tier 3 Data Center. PASHA Bank continues to use Amazon

cloud for certain tasks in accordance with applicable legislation. Usage of a hybrid cloud infrastructure helps to boost security, scalability and availability of the systems.

Besides the new Mobile app for retail customers, iOS version of PASHA Business app and many new features based on our customers' needs, PASHA Bank held the first conference dedicated to digital capabilities: Digital Heights. Over a four-day period, experts from top companies around the world – Revolut, Facebook, Barclays, Tochka, and others – and PASHA Bank shared their knowledge and experience on relevant topics, including Digital Engineering, Product Ownership, UX/UI Design and Data Science.

At PASHA Bank, IT activities for the digital bank are business activities, so both short-term and long-term plans depend on the Bank's strategy.

We are expecting further growth of non-cash transactions. To meet this growing need, the Bank aims to optimize and implement the latest tools and approaches in Card and Core systems, much as it did in its Digital Products infrastructure.

This will let us improve scalability, security and availability on the full IT landscape of the Bank. All these efforts will take place without any disruption to the Bank's ongoing business activities.

CROSS-BORDER ACTIVITIES

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

PASHA Bank Georgia

PASHA Bank opened its first subsidiary office in Tbilisi, Georgia in February 2013. The Bank selected Georgia as the first country in its overseas expansion for numerous reasons, including the growing volume of trade between the two countries and the joint participation of Georgia and Azerbaijan in implementing strategic regional projects. Currently, many Azerbaijani companies, including PASHA Bank clients, conduct business operations in Georgia. The Bank's subsidiary office makes it easier to better serve existing customers and grow the client base as well. Another key goal of this initiative is to contribute to developing the economies of both Georgia and Azerbaijan.

As of December 31, 2021, PASHA Bank Georgia recorded total assets of over GEL 446 million. As a regional bank, PASHA Bank Georgia leverages its experience in various markets to offer clients tailor-made products and services that incorporate global best practices. The Bank places the respective interests of its partners at the cornerstone of its corporate strategy, aiming to achieve "New Heights Together" by contributing to mutual sustainable growth.

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

Financial Highlights

(GEL thousand)

Net Loss: - 4,006

Gross Loans: 308,837

Total Assets: 445,995

Key Ratios

Cost to Income: -134.0%

ROAE: -4.9%

NPL to Gross Loans: 5.3%

PASHA Bank Turkey

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

acquired by PASHA Bank OJSC, and 49% by PASHA Holding LLC. With this acquisition, the Bank plans to target corporate clients based in Turkey.

The Turkish market holds great potential for small and medium enterprises seeking investment opportunities in Azerbaijan, Georgia, and other countries in the region.

In addition, PASHA Bank aims to bring Azerbaijani investment to Turkey to more fully realize the vast potential that local projects offer. PASHA Bank believes that attracting new foreign direct investment – especially from Azerbaijan – to the Turkish economy, will benefit the economies of both countries. It will also create an excellent opportunity to grow and expand for its current clients as well as prospective customers.

Sustainability, a growing trend globally, is also important for PASHA Bank Turkey. The Bank successfully achieved its sustainable growth goal in line with its strategy as it has from its founding. PASHA Bank Turkey conducts corporate social responsibility projects and a waste management system that contributes to the environment and society. The funding allocated to renewable energy projects is a significant part of PASHA Bank Turkey's balance sheet. In 2021, the bank took another step forward in sustainability by starting a Gap Analysis project in conjunction with an international consulting firm. After creating the sustainability map for PASHA Bank Turkey, we will carry activities with a few committees to be established. In the following years, PASHA Bank Turkey aims

to have a rating score of its sustainability activities to raise financing via capital market products on domestic and international platforms and transfer these resources to renewable energy projects. PASHA Bank Turkey provides solutions and services to entrepreneurs with its corporate, investment and premium banking products. The Bank actively contributes to the development of trade between Turkey, Azerbaijan, and Georgia while providing resources and guidance to businesses investing in the region. In 2021, PASHA Bank Turkey pursued the objective of "being the first bank that comes to mind in the region" for companies doing business in the Turkey-Azerbaijan-Georgia triangle. By boosting the transaction volume and introducing innovative solutions, PASHA Bank Turkey increased its trade financing market share in the region.

On October 4, 2021, Fitch Ratings affirmed PASHA Bank Turkey's National Long-Term Rating as 'A-(tur)' with a 'stable' outlook. Bank Turkey increased its trade financing market share in the region.

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Gap Analysis project

The background of the image is a deep space scene filled with numerous stars of various colors, including blue, green, and yellow. On the left side, there is a large, glowing nebula with a complex, butterfly-like structure. The nebula's central region is bright yellow and orange, transitioning to deep red and magenta towards the edges. The overall appearance is that of a vast, ethereal cloud of gas and dust.

CORPORATE SOCIAL RESPONSIBILITY

SPACE BUTTERFLY - W40. THIS NEBULA IS
ABOUT 1,400 LIGHT-YEARS FROM THE SUN

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

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

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

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

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

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 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 2021 targeted at developing innovative digital solutions to fulfill the demands of a rapidly changing market environment.

Project Portfolio

ABA & DSMF project

With PASHA Bank's financial support and organization of ABA, Ministry of Labor and Social Protection provides low-income and disabled 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"

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.

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

"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 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 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

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 OJSC, that works on improvement of ecological situation by organizing the placement and disposal of solid waste in accordance with up-to date standards.

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, 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 and STEP IT Academy. 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.

AIIESEC 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 AIIESEC, 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.

Blockchain Center

PASHA Bank has taken the initial steps to create the first Blockchain Center in Azerbaijan. This space will enable the Bank to advance further in innovation and bolster the development of new digital products. The forecasted date for the opening of the center is mid-2022.

Summer Interns Graduation Ceremony

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 and 8 were hired for the fulltime job.

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.

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. 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 2020-2021 academic year.

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. 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, 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.

Andromeda is the largest galaxy within the Local Group, with a radius of 200 000 light years. Its mass is estimated to be 1.5 trillion solar masses, making it nearly twice as large as the Milky Way.



SUPPORT TO SUSTAINABLE ECONOMIC DEVELOPMENT

THE ANDROMEDA GALAXY, OR M31, IS OUR
MILKY WAY'S LARGEST GALACTIC NEIGHBOR.

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:

1. 1st Azerbaijani Ironwoman

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.

2. 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.

3. “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.

4. 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.

5. Access to Finance for SMEs – A joint initiative with the French Chamber of Commerce

The Access to Finance for SMEs conference aimed to highlight the challenges small and medium-sized enterprises (SMEs) face in accessing finance and discuss existing tools and practices for improving access to finance.

6. 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.

7. Offline Demo for SME

On July 29, PASHA Bank held the event “Iki Vur Iki (2x2) – Digital Products in Simple Language” dedicated to its digital products. The special event generated great interest among SME attendees.

Bank employees spoke about the transition from offline banking to digital during the event. Detailed information was provided on the new generation supply platform and the use of online business loans.

Topics of the offline demo for SMEs event included:

- Transition from offline banking to digital/introduction of non-credit products

- New generation supply platform
- Maximum speed, minimum document in business loans

8. 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.

9. 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.

10. "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.

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 platform, which transitions from reactive services to proactive services, was cited as a model example.

11. 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.

12. Cooperation with Media Post TV – Deep Dive, Expert Opinion, Peak Talk

PASHA Bank partnered with Media Post TV in order to educate the public on financial issues that are not often well-understood or discussed. The Deep Dive initiative aims to raise public awareness of finance and answer frequently asked questions by addressing specific salient issues. Under the Expert Opinion project, various experts in Azerbaijan express their views on particular topics and give helpful advice to help people, as in key considerations, so they can make the most prudent and economically-minded choices.

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

Support to families during Ramadan

As a socially responsible corporate entity, PASHA Bank held a charity campaign on the eve of Ramadan. On May 11, the Bank's staff met with elderly people living in Sumgayit. As part of this initiative, implemented jointly with the Azerbaijan Red Crescent Society, 50 families were presented with holiday gifts.

ADA Summer Camp for kids

The Summer Camp is conducted by ADA University Center of Excellence in EU Studies and ADA Foundation with financial and intellectual support of PASHA Bank and Temiz Sheher OJSC, that works on improvement of ecological situation by organizing the placement and disposal of solid waste in accordance with up-to date standards. Between July 5-30, ADA EU Summer Camp entitled "Know Your Vətən" was held at ADA University. Each week, 20 school children from across the country attended the event on the ADA University campus.

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.

Participation in "Vatan Bagi (Homeland Garden)" Tree Planting Event - Visit to Lankaran and Astara

Azerbaijan's leading financial institution, PASHA Bank, and the Red Hearts Charitable Foundation, took part in the Vatan Bagi (Homeland Garden) tree planting campaign in Lankaran and Astara on October 26. With the support of the Red Hearts Charitable Foundation and PASHA Bank, the Homeland Garden initiative was introduced to Lankaran and Astara. Homeland Garden has already been established in many regions across the country to memorialize those who died defending Azerbaijan. Under this effort, 252 endangered

iron trees were planted in Lankaran, and 124 cypress trees were planted in Astara.

On the eve of Victory Day, another charity campaign was organized with the support of PASHA Bank.

PASHA Bank unveiled new cashback cards dedicated to the first anniversary of the Azerbaijan army's victory in the Second Karabakh War. A limited number of salary cards are designed with the symbols of Karabakh horses and Kharibulbul, which represent heroic stories.

All proceeds from the sale of these unique cards dedicated to the Second Karabakh War go directly to the "YASHAT" Foundation. This special fund was established to support servicemen with disabilities and family members of fallen soldiers in connection with the protection of the territorial integrity of the Republic of Azerbaijan.

Coastal Cleanup Day

During the year, PASHA Bank supported the International Coastal Cleanup Day organized by Coca-Cola. The campaign aimed to improve the natural landscape, educate the population on environmental awareness, and promote protection of the environment in Azerbaijan. The coastline located at Bilgah, Novkhani, Mardakan, Pirshaqi, Shikhov, Hovsan and Sumgait were cleared of debris and garbage by volunteers. To ensure social distancing, volunteers participating in this environmental initiative were divided into small groups of 10 and cleared the coastline at separate locations. As a result of the effort, five tons of garbage were collected and sent for recycling and utilization.

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.

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 economic outlook for growth while linking global risks and developments to strategic decisions facing business leaders in Azerbaijan and across the Caspian region.

PASHA Bank Industrial Roundtable

On June 29, 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.

Fintech Founders Bootcamp by PASHA Bank

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.



On the ISS, you can witness up to 16 sunrises and sunsets a day because of its 90-minute orbital period around the planet.



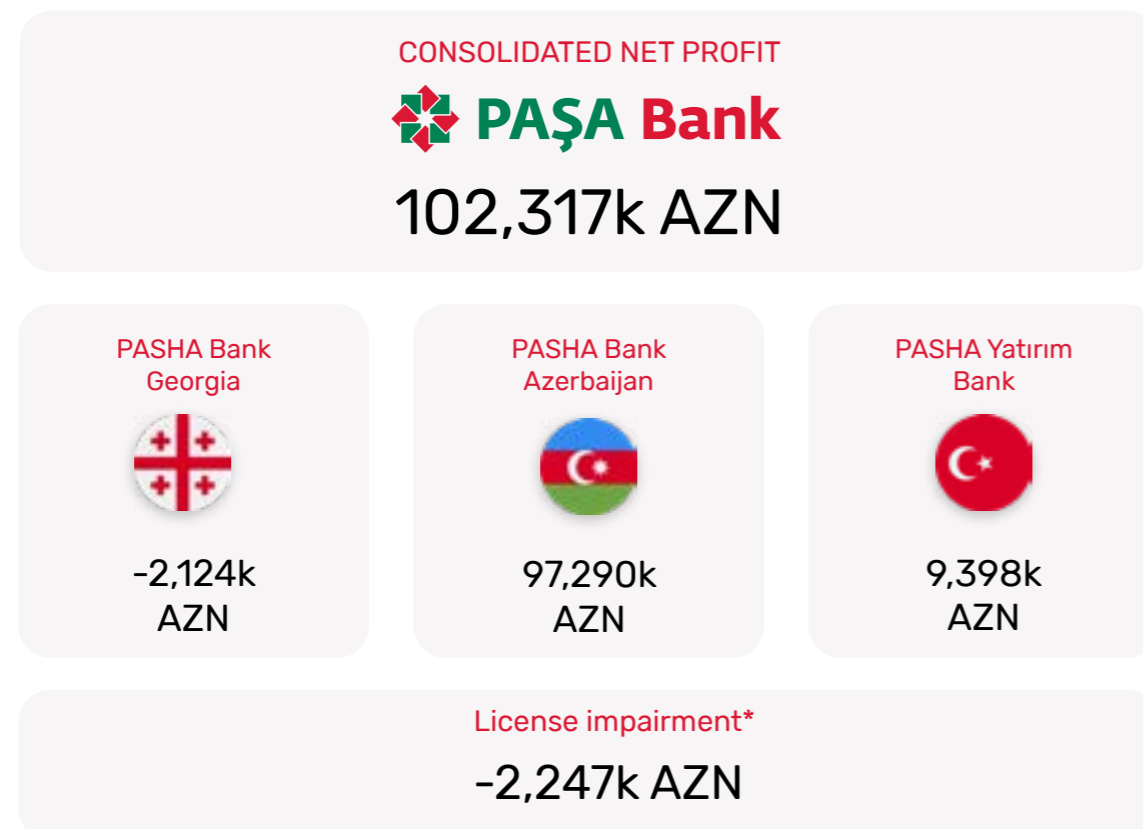
REVIEW OF FINANCIAL STATEMENTS

THE EVOLUTION OF STELLAR FAMILIES

Consolidated IFRS Financial Statements as of December 31, 2020¹ (Highlights)

Statement of profit or loss:

PASHA Bank recorded consolidated net profit of AZN 102,317 thousand in 2021. Please see the below consolidated net profit breakdown by bank entity within the Group for details. The net loss at PASHA Bank Georgia is due to higher personnel expenses and general and administrative expenses.



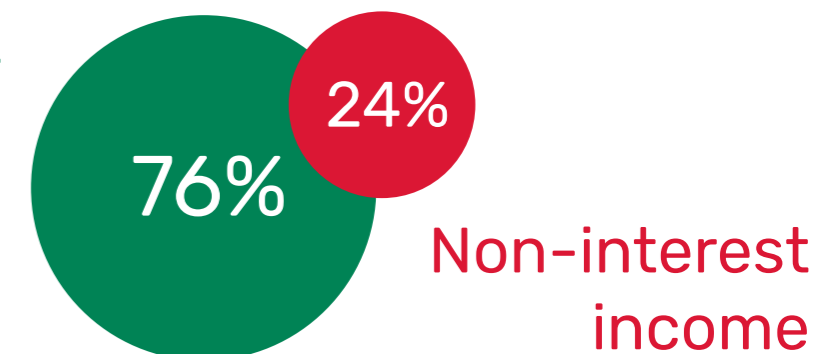
*License impairment is recognized only in the consolidated financial statement.

PASHA Bank reported operating income of AZN 312,366 thousand for 2021, up 16% over the prior year's figure of AZN 269,483 thousand. The increase was due to a 18% rise in net-interest income, which comprises 76% of operating income. Non-interest income comprises 24% of operating income, which rose 9% in 2021 compared to 2020.

Interest income amounted to AZN 318,416 thousand, up 19% over the previous year's figure of AZN 267,295 thousand. Interest expenses increased from AZN 67,068 thousand in 2020 to AZN 81,287 thousand in 2021.

A major portion of non-interest income originates from net fee and commission income – AZN 35,262 thousand or 47%. Net gains from foreign currencies totaled AZN 33,325 thousand, which is 44% of non-interest income and 11% of total operating income.

Net interest Income



Net interest income	237,129
Interest income	318,416
Loans to customers	213,864
Investment securities	75,743
Amount due from credit institutions	6,056
Cash and cash equivalents	1,512
Finance lease receivables	3,241
Interest expense	(81,287)
Amount due to customers	(37,616)
Other borrowed funds	(363)
Amount due to banks and government funds	(33,224)
Subordinated loans	(1,486)
Debt securities issued	(7,715)
Lease liabilities	(883)
Non-interest income	75,237
Net fee and commission income	35,262
Net gains from foreign currencies	33,325
Net gains from investment securities	3,131
Other income	3,519
Non-interest expenses amounted to AZN 154,204 thousand in 2021, up 8% over the prior year's figure of AZN 142,761 thousand. The primary reasons for the increase included:	
• For the 12-month period ending December 31, 2021, the Bank's personnel, operating, and depreciation expenses totaled AZN 143,446 thousand, an increase of 4% compared to the same period of 2020. The rise in operating expenses was due to higher total general and administrative expenses (AZN 5,308 thousand). Please see the table below for a breakdown of operating expenses as of December 31, 2021 (AZN thousand).	
Personnel expenses	(68,388)
General and administrative expenses	(53,157)
Depreciation and amortization	(21,901)
Total	(143,446)

PASHA Bank reported ROAE of 17% as of December 31, 2021, compared to 14% from a year earlier.

The Bank's cost to income ratio decreased from 51% in 2020 to 46% in 2021. PASHA Bank is currently using the cost calculation methodology. This approach will provide a clearer view for analysis of products and segment level performance, in turn contributing to better pricing mechanisms.

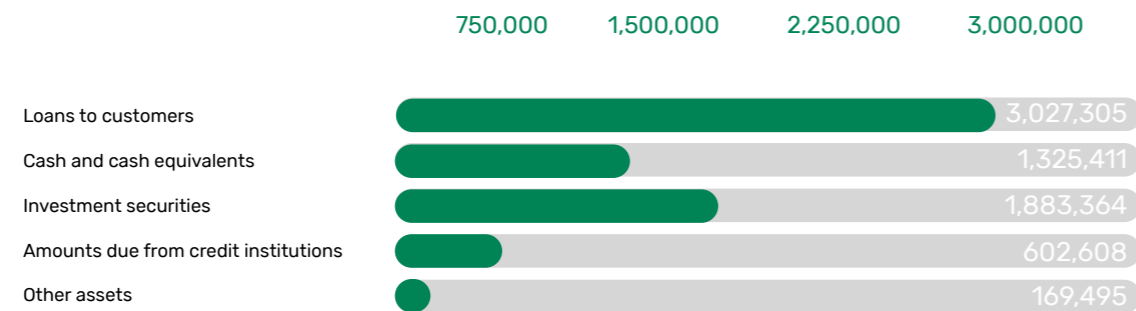
Statement of financial position:

PASHA Bank's total equity decreased 2% to AZN 577,438 thousand in 2021. During the year, the Bank paid dividends to shareholders amounting to AZN 50,380 thousand.

The Bank recorded total assets of AZN 7,008,183 thousand at December 31, 2021, up 15% over the previous year's figure of AZN 6,111,711 thousand.

As of December 31, 2021, PASHA Bank's asset composition consisted of:

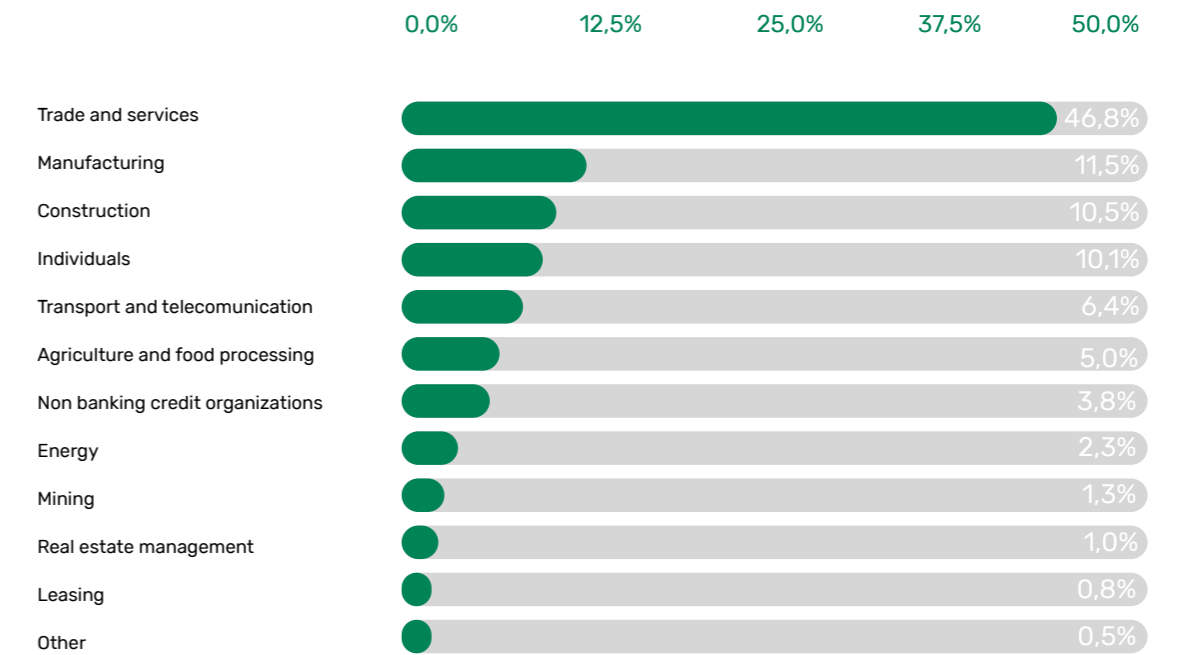
Amount due from...



The Bank's gross loans totaled AZN 3,123,469 thousand as of December 31, 2021, up 16% over the prior year's figure of AZN 2,682,856 thousand.

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

Transport and telecommunications – and % of loans by sector



The Bank's effective provision rate increased to 3.08% in 2021, compared to 2.76% in 2020. PASHA Bank aims to maintain the high quality of its loan portfolio; this key performance metric is strictly monitored. The Bank implements a highly comprehensive and sophisticated lending and credit risk assessment process. Optimization of this process is ongoing and performed by the Bank's credit underwriters. These various efforts are designed to prevent significant fluctuations and unexpected results in provision amounts and enable the Bank to make reasonable forecasts.

SUSTAINABILITY SUMMARY

CONTRIBUTING TO SOCIOECONOMIC DEVELOPMENT

Investing in community development is an essential part of PASHA Bank's business activities. Investments made locally today will yield huge benefits to society as a whole and will also promote long-term development opportunities.

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 a number of 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 Nation's Social Development Goals (SDGs).

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.

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

PASHA Bank Sustainability Report Materiality Analysis



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