

# PASHA Bank: a Gateway to Azerbaijan

- Leading investment and corporate bank in Azerbaijan, owned by PASHA Holding;
- Established in 2007;
- Started full-fledged operations in Georgia in February 2013;
- Started full-fledged operations in Turkey in 2015;
- The only Azerbaijani Bank upgraded by Fitch in 2015

## Key Financial Highlights (2015)

Net Profit	
Loan Portfolio (gross)	
Total Capital	
Total Assets	

**“Azerbaijan’s Best Investment Bank”** in 2011 &, 2012 & 2013 EMEA Finance

**“The Best Local Bank in Azerbaijan”** in 2012, Eurasian Bank Survey, BNE

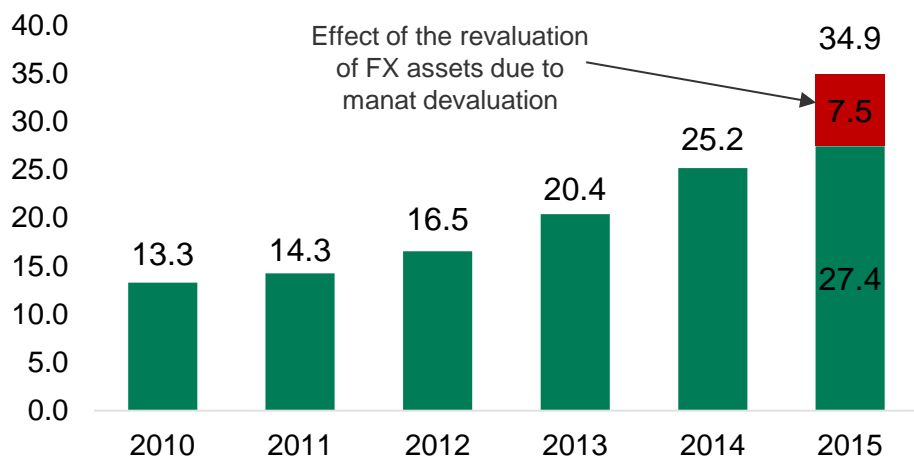
**“Best Broker in Azerbaijan”** in 2013 EMEA Finance – PASHA Capital LLC

**“The Best Private Bank in Azerbaijan”** in 2013, World Finance Journal

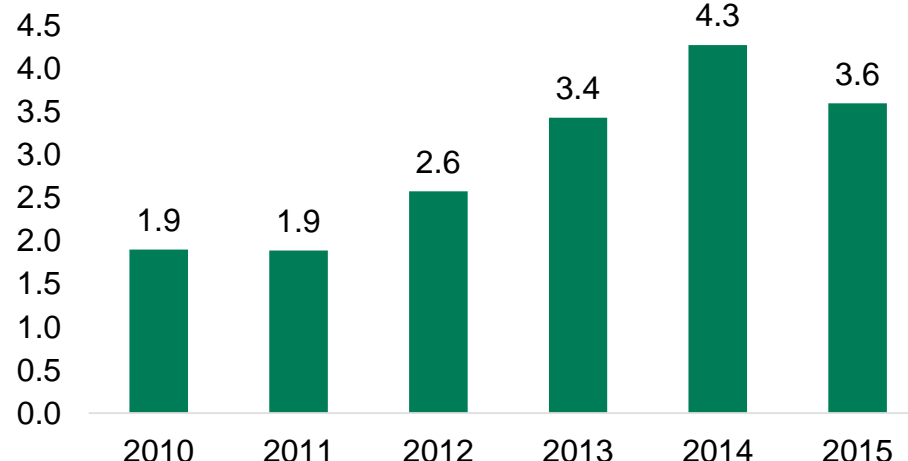


# Banking sector is a driving force of the economy

Assets of banks, bn AZN

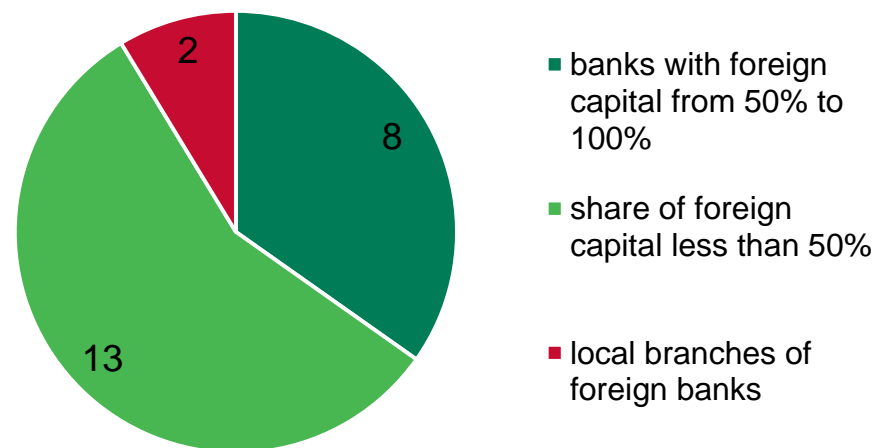


Equity of banks, bn AZN



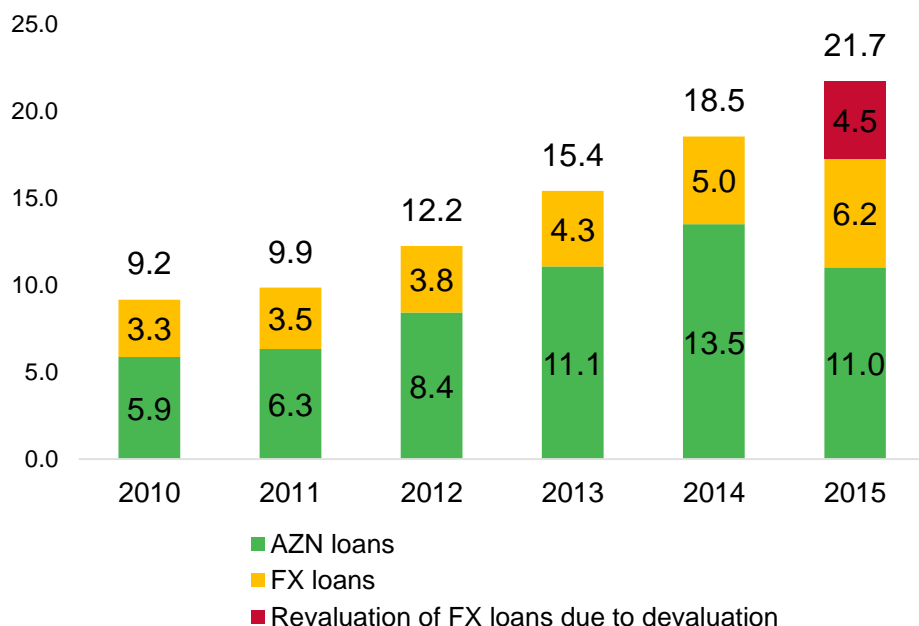
- The level of capitalization of banks have strengthened due to a fivefold increase in banks' minimum regulatory capital requirement;
- As end of 2015, out of 43 local banks 23 are with foreign capital, of which, banks with foreign capital from 50% to 100% - 8, share of foreign capital less than 50% - 13, local branches of foreign banks – 2;
- In 2015, banking sector has also faced economic headwinds, and dual manat devaluations as a result of decline in oil prices have raised risks to financial stability.

# of banks with foreign capital, (end-2015)

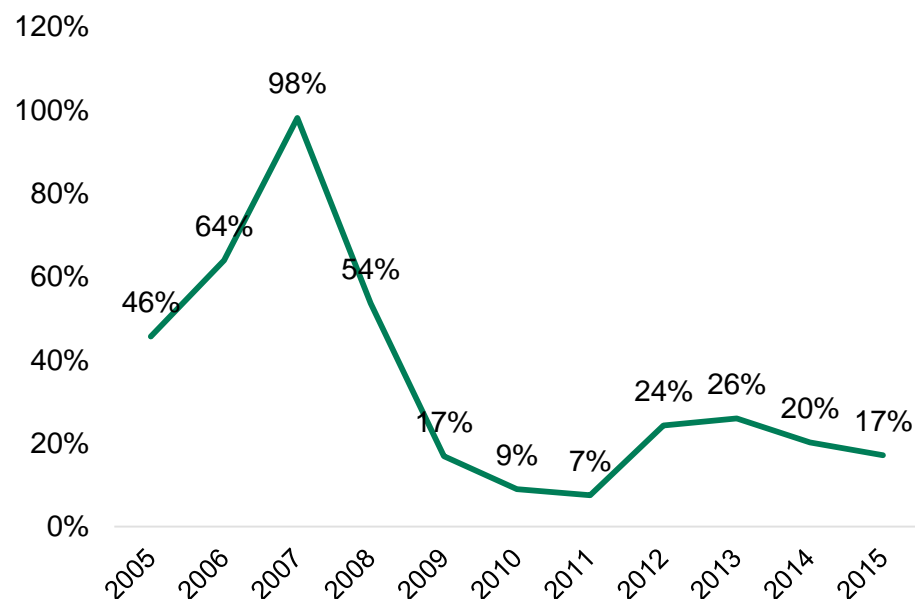


# Structural & inst-I reforms are welcome to improve environment

Loan portfolio of banks, bn AZN

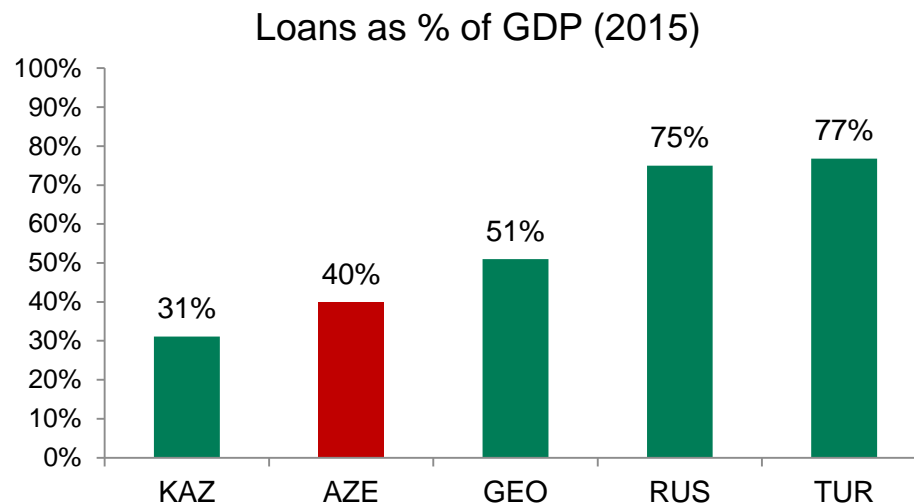
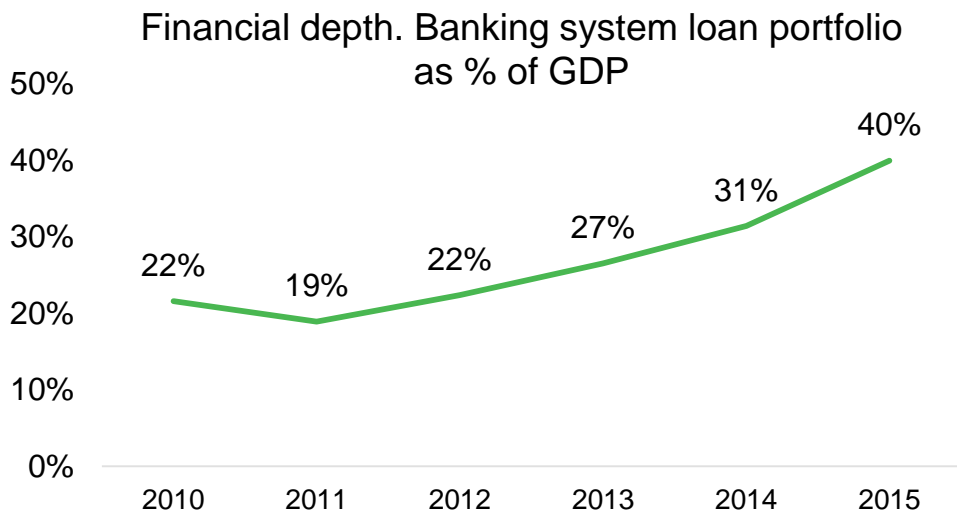


Loan portfolio y/y growth rate, %

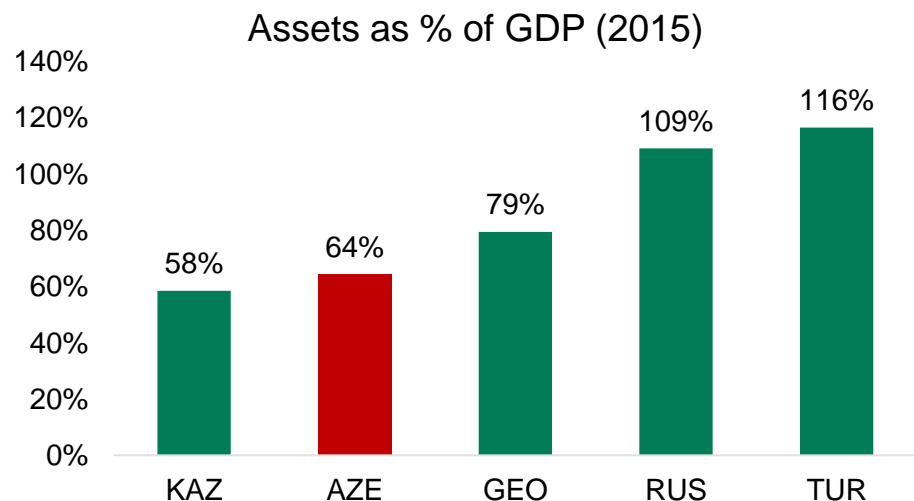


- Growth rate of loan portfolio slowed down as a result of preventive measures by regulator;
  - *Relevant changes to the normative base regulating credit risks on a single borrower or a group of related borrowers, and on industrial concentration.*
- Structural & institutional reforms such as consolidating the small bank segments are expected to reduce operating costs and increase competition in the sector and maintain a financial and macroeconomic stability;

# Loan portfolio has a larger room to grow compared to peer countries'

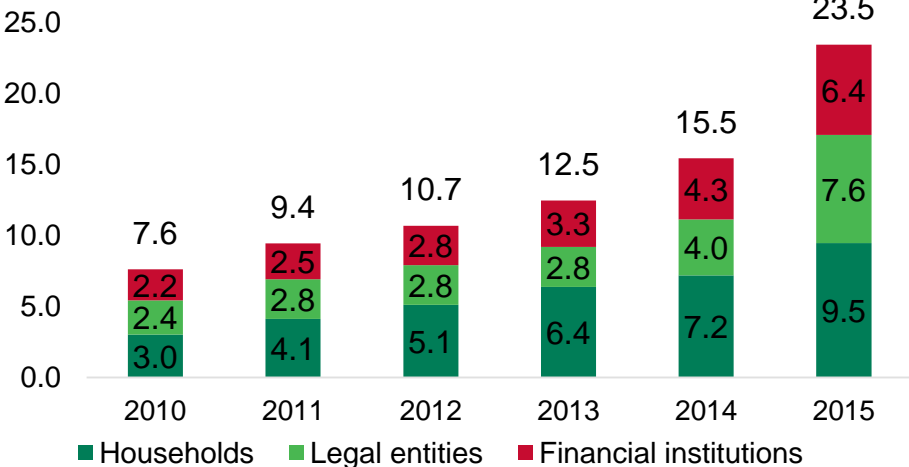


- Financial depth is increasing over years through an increase in the bank loans, however, it still lags behind the peer countries which demonstrates the potential of the Azerbaijan's banking system to grow;
- Financial systems generally become more market-based during the process of economic development:
  - This trend increases the need for hybrid (debt-equity) instruments instead of ordinary bank loans, and need for private investment vehicles.

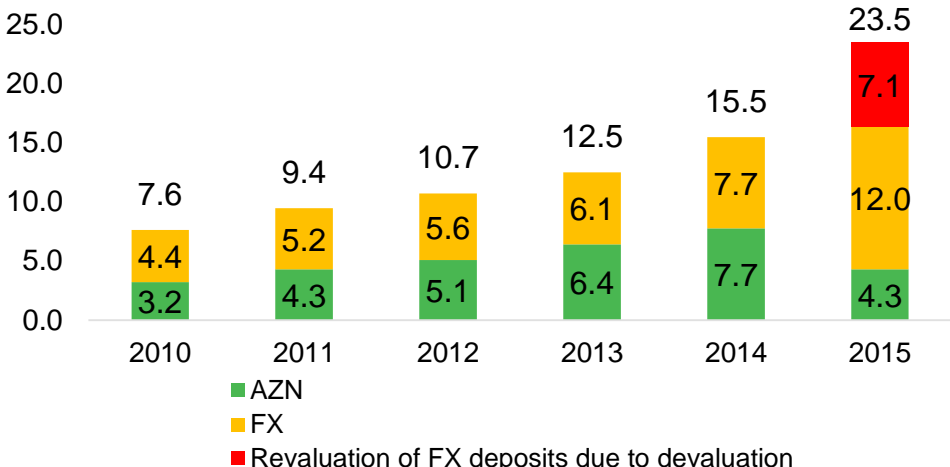


# Deposit base is expected to improve in line with the inst-I reforms

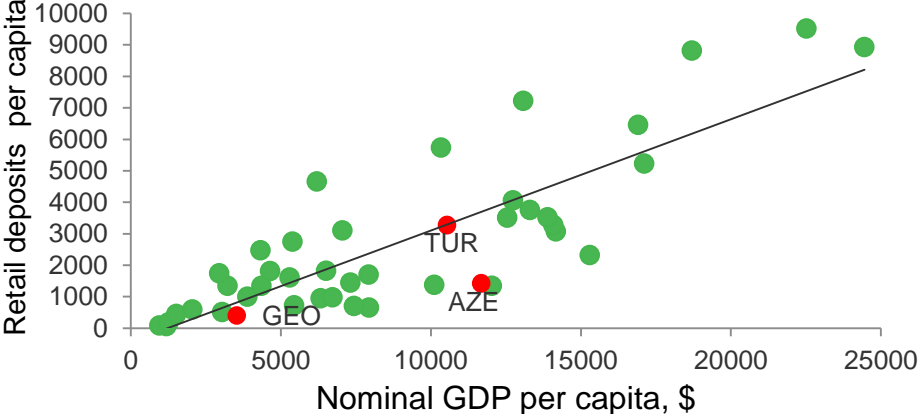
Deposit portfolio of banks, bn AZN



Deposit portfolio currency breakdown, bn AZN



The relationship between household deposits and GDP per capita, 2014



- Main depositor in the country is households: with its share in overall deposit base made up 40% in 2015;
- Retail deposits converges upward direction as economy develops, and trust to the banks rises in light of the institutional reforms;
- Trust to banking industry rising with corporate governance, market transparency and accountability against customers becoming a “new normal”.
- In general, as countries become richer, retail deposit base is growing as well.

# Perspective development directions

