

ANNUAL REPORT 2020

Fələk yaradırkən deyib mənə "şir",
Lakin bu vücudum bir yun heykəldir,
Deyiləm düşmənlə vuruşan şirdən,
Yetər ki, özümlə döyüşürəm mən.

Nizami Gəncəvi, "Xosrov və Şirin"



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GENERAL INFORMATION



Nə ki elmlər var, gizli və dərin
Oxudum, xəbərdər oldum da, vardım,
Varlıqlar sirrini yer-yer axtardım.
Səni tapan kimi yumdum kitabı.

Nizami Gəncəvi, "Xosrov və Şirin"



ABOUT PASHA BANK

PASHA Bank is a leading investment and corporate bank in Azerbaijan. Established in 2007, it provides a range of corporate banking services – lending, transaction banking, capital markets services and financial advisory – to both domestic clients and foreign companies looking to do business in the region.

The Bank offers an array of financial products backed by trade finance-related partnerships with international banks and financial institutions. PASHA Bank also provides underwriting services to legal entities and is the first institution in the local securities market to act as a market maker. PASHA Bank has delivered private banking services to HNWLs since 2010, including deposits, loans, and financial planning.

Azerbaijan's Best Capitalized Privately-Owned Bank

PASHA Bank's authorized capital amounts to AZN 559 million, making it the most well-capitalized privately-owned bank in Azerbaijan. PASHA Bank employs about 1,000 personnel at its headquarters, six branches and one FX office in Baku and three regional branch locations in the cities of Ganja, Zaqatala and Guba. In February 2013, the Bank opened its first subsidiary bank – PASHA Bank Georgia. In December 2014, the Turkish regulatory authority granted PASHA Bank permission to start operations in Turkey. From March 2015, the Bank has operated in Turkey under the trade name PASHA Yatırım Bankası A.Ş.

In 2020, Standard and Poor's reaffirmed PASHA Bank's Long-Term Issuing Bank Default Rating (IBDR) as 'B+' and Short-Term IBDR as 'B'.

"Best Bank in Azerbaijan"

PASHA Bank was named "Best Investment Bank in Azerbaijan" in 2011, 2012 and 2013 by EMEA Finance, the international financial journal.

In addition, PASHA Bank was named "Best Commercial Bank in Azerbaijan," "Best Banking Group in Azerbaijan" and "Best Private Bank in Azerbaijan" in 2014 by World Finance Magazine. PASHA Bank also received the "Best Bank in Azerbaijan" designation in 2016 from Global Finance Magazine. EMEA Finance presented PASHA Bank with the "Best Bank in Azerbaijan," "Best Investment Bank in Azerbaijan" and "Corporate Social Responsibility in CEE & CIS" awards at Europe Banking Awards 2016. In 2017, PASHA Bank was named "Best Bank in Azerbaijan" by Euromoney financial magazine. Additionally, PASHA Bank was deemed the "Best Bank in Azerbaijan" in 2017 by Global Finance magazine.

In 2018, PASHA Bank was named "Best Private Bank" and "Best Bank of Azerbaijan" by Global Finance. The Bank also received the "SAP Value Award" and was designated the "Best Commercial Bank of Azerbaijan" by World Finance. In addition, PASHA Bank was named "Bank of the Year" by The Banker. Furthermore, PASHA Bank was recognized as the "Leading Bank in Non-Cash Payments" in Azerbaijan in a competition conducted annually by the Central Bank of Azerbaijan jointly with the Azerbaijan Banks Association.

In 2019 and 2020, PASHA Bank was named "Best Bank in Azerbaijan," "Best Investment Bank in Azerbaijan" by EMEA Finance. The Bank also received awards for "Best Product Launch" and "Best CSR Program" from EMEA Finance. In addition, PASHA Bank was deemed the "Best Internet Banking Provider" and "Best Contactless Payment Solution Provider" by CBAR and ABA, respectively.

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

PASHA Bank is part of PASHA Group, a major investment holding group in Azerbaijan. The Group includes significant assets in insurance, real estate development, construction, tourism, and other businesses.

The Bank is committed to establishing and developing long-term, supportive relationships with its growing customer base. It aims to deliver banking services at the highest

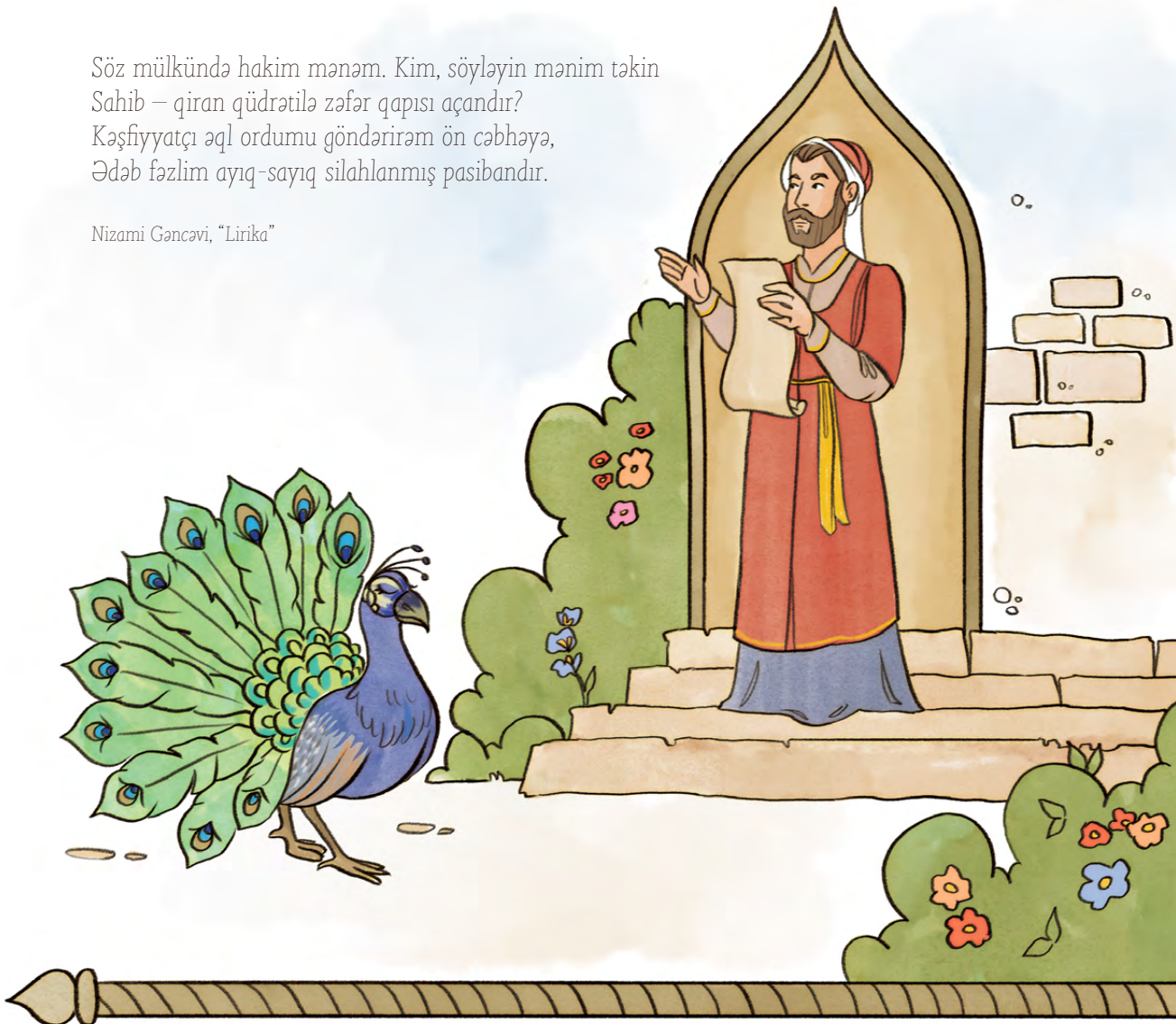
international levels of transparency and service built on five core values: Integrity, Quality, Collaboration, Entrepreneurship, and Profitability.

Shareholding Structure:

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

Söz mülkündə hakim mənəm. Kim, söyləyin mənim təkin
Sahib – qiran güdrətilə zəfər qapısı açandır?
Kəşfiyyatçı əql ordumu göndərirəm ön cəbhəyə,
Ədəb fəzlim ayıq-sayıq silahlanmış pasibandır.

Nizami Gəncəvi, "Lirika"



ABOUT PASHA HOLDING



Total Assets:

AZN
13.2 billion

9,500+

Group employees as of
December 31, 2020

Total Equity:

AZN
2.6 billion

33%

Assets market share in
Azerbaijan banking sector
as of December 31, 2020

“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, 2020, PASHA Holding recorded total assets of about USD 7.8 billion.



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 92 million as of December 31, 2020 (based on audited IFRS financial statements and an average exchange rate of USD/AZN 1.70).



Founded in 2003, PASHA Travel provides a wide range of travel and hospitality services to corporate and retail customers. Today, PASHA Travel is one of the most widely recognized and well-respected corporate travel agencies in Azerbaijan.



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, 2020 (based on audited IFRS financial statements and an average exchange rate of USD/AZN 1.70). The company's completed project portfolio in 2020 totaled 262,903 m². These projects included retail, residential and hotels. PASHA Construction's successfully completed 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.



The life insurance business line was added to PASHA Insurance's existing offerings in 2010 and incorporated as a separate legal entity – PASHA Life. The leading life insurance provider in Azerbaijan, PASHA Life reported gross written premiums of USD 131 million as of December 31, 2020 (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 launched its business as the Investments and Projects Department (IPD) of PASHA Holding. In January 2018, 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.



PASHA Capital was established in June 2012 and mainly focuses on providing investment, asset management and consulting services to individuals and institutional investors. 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. PASHA Capital provides the following services to customers: investment (broker-dealer); underwriting (bond and stock issue); asset management; and financial advisory.



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.

AWARDS

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

2020

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

In 2019, PASHA Bank has been awarded in follow nominations: “Best Corporate Social Responsibility” and “Most Active Education Supporter”. In 2020 Bank received the awards “Cashless Payments Promotion”, “Digital Banking”, “E-Banking”, “Best Corporate Social Responsibility” and “Most Active Education Supporter”. At the same time, PASHA Bank was named as “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 10 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 2020, 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:

Qıpçaq bütün tək ox kimi süzdü,
Afaq sevgilimin sanki özüydü.
O, Dərbənd şahının bir töhfəsiydi,
Saf, ağıllı, gözəl gül qönçəsiydi.

Nizami Gəncəvi, "Xosrov və Şirin"



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- Launching the Digital Finance platform and products for SME segment customers, and special factoring products for the supply chains of corporate clients;
- Building and enhancing relationships with universities to implement graduate recruitment programs to provide better job opportunities to university graduates, signing memorandums of cooperation with several educational institutions for this purpose;
- Introducing digital solutions to enable customers to use banking services without visiting a physical branch;
- Enhancing risk mitigation solutions and introducing new risk scoring models.

PASHA Bank also carried out IT & Operations efforts in line with its action plan and roadmap for fiscal year 2020. The Bank's significant achievements of strategy execution within IT & Operations included:

- Achieving integration synergy with Kapital

Bank to introduce new joint offerings, including ATM, collection, among others with output KPI exceeding set targets;

- Implementing data warehouse and business intelligence systems toward the Bank's Build 360 perspective, to ensure more effective data management;
- Preparing a set of requirements (RFP) for the Data Governance initiative;
- Launching the SOC project under the Achieve Excellence effort in CyberSec with the scope of assessing and preparing the roadmap for the Security Operations Center;
- Conducting an anti-fraud maturity assessment effort to improve anti-fraud management across the Bank;
- Starting the Risk Transformation Roadmap Planning project with respective assessments also contributed to the Bank's 2021-2023 strategy planning and the risk function's further development.

FINANCIAL AND OPERATIONAL INDICATORS

Key Financial Highlights (consolidated, AZN million)

	2018	2019	2020
Total Assets	5,209	5,440	6,112
Loans (net)	1,732	2,297	2,609
Deposits	3,954	3,789	4,091
Customer Time Deposits	1,007	1,639	1,388
Customer Current Accounts	2,947	2,150	2,703
Shareholders' Equity	460	479	524
Interest Income	230	258	266
Fee & Commission Income	34	50	61
Operating Profit	214	251	269
Total Operating Expenses	96	122	138
Net Profit	74	77	79

Key Financial Ratios (%)

	2018	2019	2020
Loans/Total Assets	33.2%	42.2%	42.7%
Loans/Deposits	43.8%	60.6%	63.8%
NPL Ratio	4.5%	2.5%	2.6%
Demand Deposits/ Total Deposits	74.5%	56.7%	66.1%
Shareholders' Equity/ Total Liabilities	9.4%	10.3%	9.5%
Capital Adequacy Ratio	11.8%	11.9%	15.5%

Financial Highlights (consolidated)

	2018	2019	2020
Net Profit (AZN million)	74	77	79
Total Assets (AZN million)	5,209	5,440	6,112

Operational Highlights (PASHA Bank Azerbaijan)

	2019	2020
Number of Personnel	885	939
Percentage of Women Employees (%)	40,8	39,9
Number of Branches	10	11

Bəxtim kömək oldu, evimə çatdım,
Yükümlə dərdi də çiyimdən atdım.
Gəldi qulağıma bir çağa səsi.
Artdı şad könlümün qat-qat neşəsi.

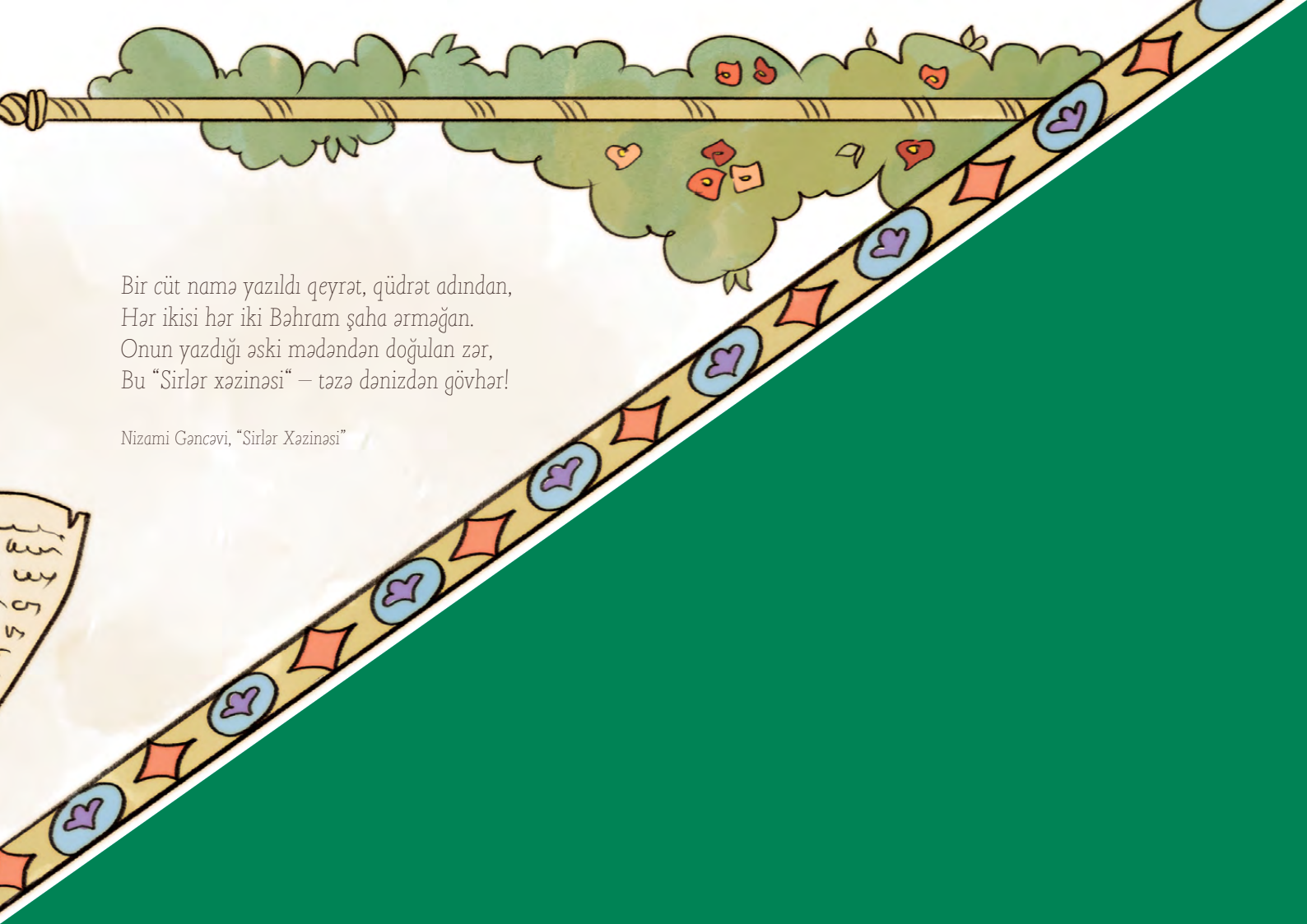
Nizami Gəncəvi, "İskəndərnamə"





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Bir cüt namə yazıldı qeyrət, qüdrət adından,
Hər ikisi hər iki Bəhram şaha ərməğan.
Onun yazdığı əski mədəndən doğulan zər,
Bu "Sirlər xəzinəsi" – təzə dənizdən gövhər!

Nizami Gəncəvi, "Sirlər Xəzinəsi"

MANAGEMENT

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

Azerbaijan was greatly impacted by the Covid-19 global pandemic and the ensuing slump in oil prices in 2020. The country's GDP contracted 4.3% in real terms from the previous year to AZN 72.4 billion. About 51% of GDP was produced by the industrial sector with 9% of output generated by the agricultural sector. Retail trade and transportation and tourism recorded the biggest contractions in 2020. Non-oil GDP declined by 2.6% to AZN 50.79 billion. Per capita GDP decreased by 5% to AZN 7,262.8.

Business confidence was negative across industry, trade and services. Economic activity indicators in trade and services fell sharply year-on-year.

Consumer spending also declined during the year. Government expenditure was a critical component of domestic demand. In 2020, about AZN 17 billion in investment spending was directed to Azerbaijan's economy, with AZN 11.1 billion (65.5%) going to the non-oil sector and AZN

5.88 billion (34.5%) to oil sector development. In January–December 2020, the total of products and services sold in the consumer market amounted to AZN 47.9 billion, down by 8.1% compared to the same period a year earlier. Retail trade turnover decreased by 1.3% compared to the corresponding period of 2019 and amounted to AZN 40.17 billion. In 2020, the non-oil sector generated added value totaling AZN 50.79 billion to the country's economy, about 70.1% of GDP.

Key economic indicators confirmed the solid position of Azerbaijan's agricultural industry in 2020. The value of agricultural production in the country totaled over AZN 8 billion, up 7.4% despite the pressures of the pandemic.

Azerbaijan's inflation rate generally remained stable and within the Central Bank's target band. Lower prices than expected was a major factor contributing to macroeconomic stability during a turbulent year.

Despite the volatile economic environment, Azerbaijan's banking system remained sound and moved forward in key areas. Even though four banks were closed by the regulatory authority during the year, the total assets of the banking industry rose by 2.5%, deposits went up by 4%, and personal deposits increased by 6.5%.

Lending remained active during this pandemic year, with increases recorded in loans to industry (43.2%), agriculture (4.2%), construction (3.3%), trade and services (4.6%). The quality of loans also improved in the banking sector. Non-performing loans declined to 6.1% of the lending portfolio, down from 8.3% the previous year.

Total capital of the Azerbaijani banking sector increased by 2.5% in 2020. Meanwhile, banks operating in the country reported total profit of AZN 567.8 million at year's end.

Payment systems and digital banking products enabling customers to realize the vast majority of banking operations without physically visiting the banks – such as internet banking and mobile banking – recorded a strong performance during the pandemic. In 2020, non-cash payment transactions with payment cards reached about 118 million, accounting for 58.3% of all transactions – a 10.1 point jump year-on-year. This year was the first time that volume of non-cash transactions with payment cards exceeded cash transactions in Azerbaijan. Non-cash transactions rose to 22.1% of total transactions during the reporting period, up 1.5 percentage points.

In 2020, sector-wide banking assets decreased by 2% year-on-year, from AZN 32.7 billion to AZN 32 billion. Meanwhile, total equity for the sector increased by 2.5%, from AZN 4.6 billion to AZN 4.7 billion.

The top three banks recording net profit this year were IBAR, Kapital Bank and PASHA Bank, according to the Azerbaijan Banks Association.

Due to the pandemic, corporate and household lending's recent uptrend slowed leading to lower growth and contraction.

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.

The government played a decisive role in maintaining banking sector and general economic stability during the pandemic. At the national level, the Office of the President of the Republic of Azerbaijan issued a sweeping order on March 19, 2020. The order included a wide range of measures to reduce the negative impact of the pandemic and counteract the volatility in world energy and stock markets on the Azerbaijani economy, support macroeconomic stability, boost employment and foster entrepreneurial activity.

As part of this government support and assistance, a portion of the salaries of employees working in pandemic-affected areas was paid. Financial support was also provided to individual (micro) entrepreneurs in those highly impacted sectors of the economy. In addition, the State Tax Service modified its legal and regulatory requirements. As a result, corporate enterprises as well as small and medium-sized businesses were granted extensive tax benefits worth AZN 115 million.

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 2020. Despite lingering fragilities in the balance of systemic risks, Azerbaijan safeguarded the stability of its financial sector in parallel with the rebound in lending.

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

İlkin yararışdaki əhdə sadıq olmaqdan,
Ülvi nə var? Qoy desin hünərli, mağrur insan!
Əhdin kəmərinə qoy vəfa əlini hər an,
Ta ki verdiyin sözü, heç vədə pozmayasan.

Nizami Gəncəvi, "Sirlər Xəzinəsi"



Azerbaijan's Largest Corporate Bank

PASHA Bank is the biggest corporate bank in Azerbaijan. The Bank successfully closed fiscal year 2020 with net income of more than AZN 77 million while boosting total assets to AZN 5.4 billion.

During the year, PASHA Bank expanded its total lending portfolio by 19% to AZN 2.15 billion. Our corporate lending portfolio amounted to AZN 1.965 billion. In 2020, we captured a 25% share of the corporate loan market, up 6.5 points compared to 2019.

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 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.

PASHA Bank created a unique unit – Digital Lab – to deliver cutting-edge business solutions for customers and the Bank's employees. This effort joins PASHA Bank's ever-growing list of online services available to customers through its Mobile Application and Online Banking platforms. Since

launching this innovative unit in 2018, PASHA Bank has invested AZN 14 million in Digital Lab – and we have only just begun.

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 end-to-end Digital and Fast Finance product for SME segment customers.

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 a number of 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. This year, PASHA Bank launched the PASHA Bank Cup competition to boost the potential of IT professionals in the country and help develop the skills of those interested in this 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 school children, university students and professional programmers, were invited to participate in the competition.

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



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

managers to objectively evaluate talent at every step of the recruiting process. With this approach, PASHA Bank bolsters its position not just in banking but across Azerbaijan.

With this wide range of activities, PASHA Bank is not only building its own digital capabilities but 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 2020, giving us a significant competitive edge in the market.

While pursuing our digital strategy, we remain committed to information safety and security. In 2019, PASHA Bank successfully completed Payment Card Industry Data Security Standard (Data Security Standard) certification. The Bank has fully complied with all requirements in accordance with guidelines of the Payment Card Security Standards Society.

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.

At the same time, 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.

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 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 2020, PASHA Bank also completed its Risk Culture Transformation project. This effort provided inputs and action plans for the Risk Initiative in the Bank's 2021-2023 Strategy Period. With these efforts, PASHA Bank aims to embrace a collective approach to risk management and decision-making while 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 2020, 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'.

Looking Ahead: 2021 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 maintaining 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 in 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 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 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.

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

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.

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 pandemic year. May we all achieve even greater successes in the future – TOGETHER!

Respectfully yours,

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

**Taleh Kazimov/
Chairman of the Executive Board**



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Mənim xəzinəm var Məxzənül-əsrar,
Boş zəhmət çəkməyin nə mənası var?
Lakin bir adam yol dünyada bu gün,
Züvqdən, əyləncədən uzaq görünsün.

Nizami Gəncəvi, "Xosrov və Şirin"



MANAGEMENT STRUCTURE



Şirinə dedilər: "Fərhad bir aya
Tapşırдыңın arxı çəkdi saraya.
İndi otlaklardan hər axşam-səhər
Süd asır hovuza – təmiz, təzə tər".

Nizami Gəncəvi, "Xosrov və Şirin"



PASHA BANK MANAGEMENT

Supervisory Board



Mr Mir Jamal Pashayev/Chairman of the Supervisory Board

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 Farid 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

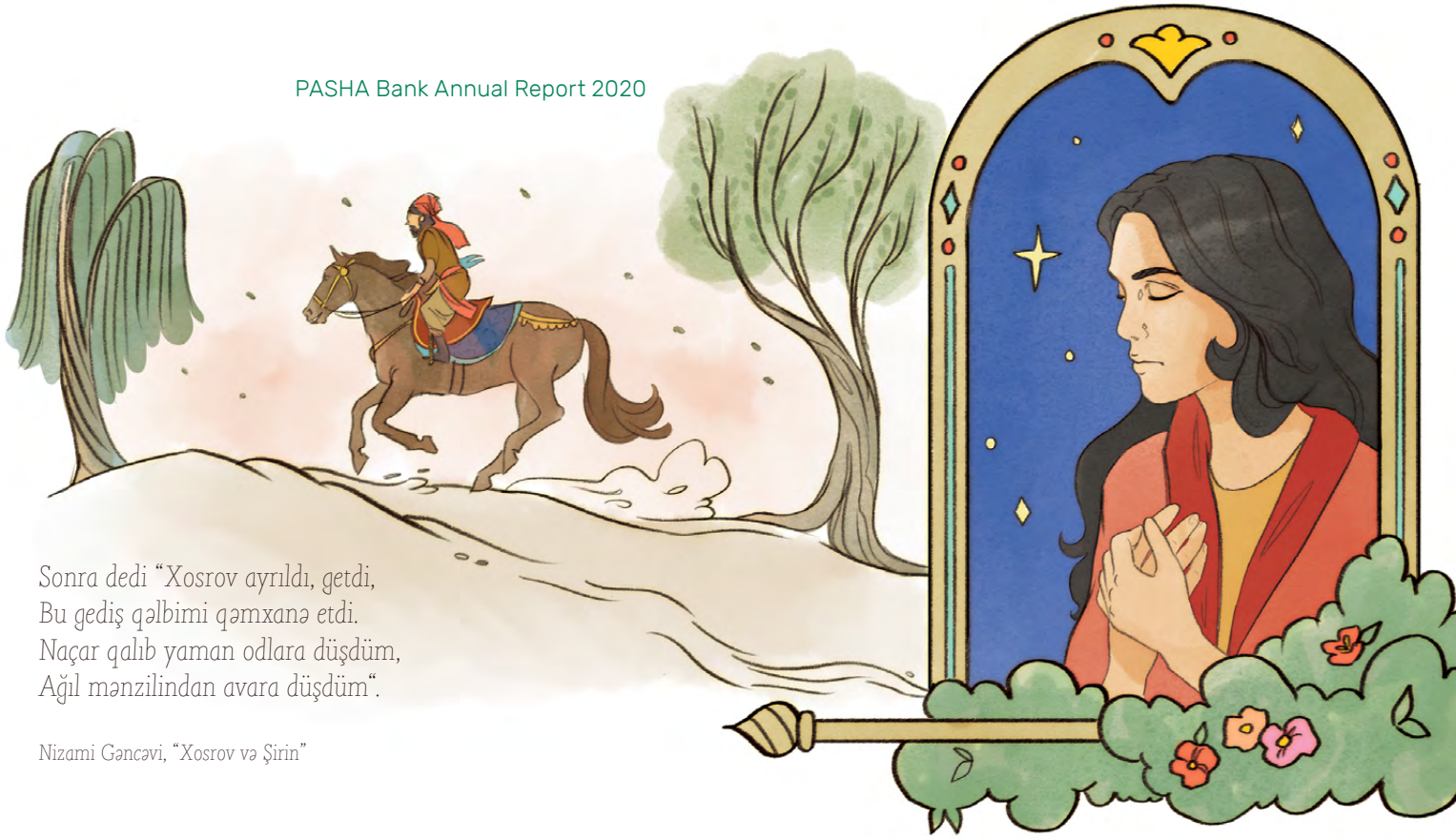
to sell Zapp Romania to Cosmote in 2009. After the sale of Zapp Romania, Mr. Arkun was retained by Cosmote as Strategy Advisor to the CEO. Mr. Arkun moved to Baku, Azerbaijan in 2010 as Director of Strategy and Business Development at Capital Resources Advisors. He also served on the Board of Directors 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



Sonra dedi "Xosrov ayrıldı, getdi,
Bu gediş qəlbimi qəmxanə etdi.
Naçar qalib yaman odlara düşdüm,
Ağıl mənzilindən avara düşdüm".

Nizami Gəncəvi, "Xosrov və Şirin"

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

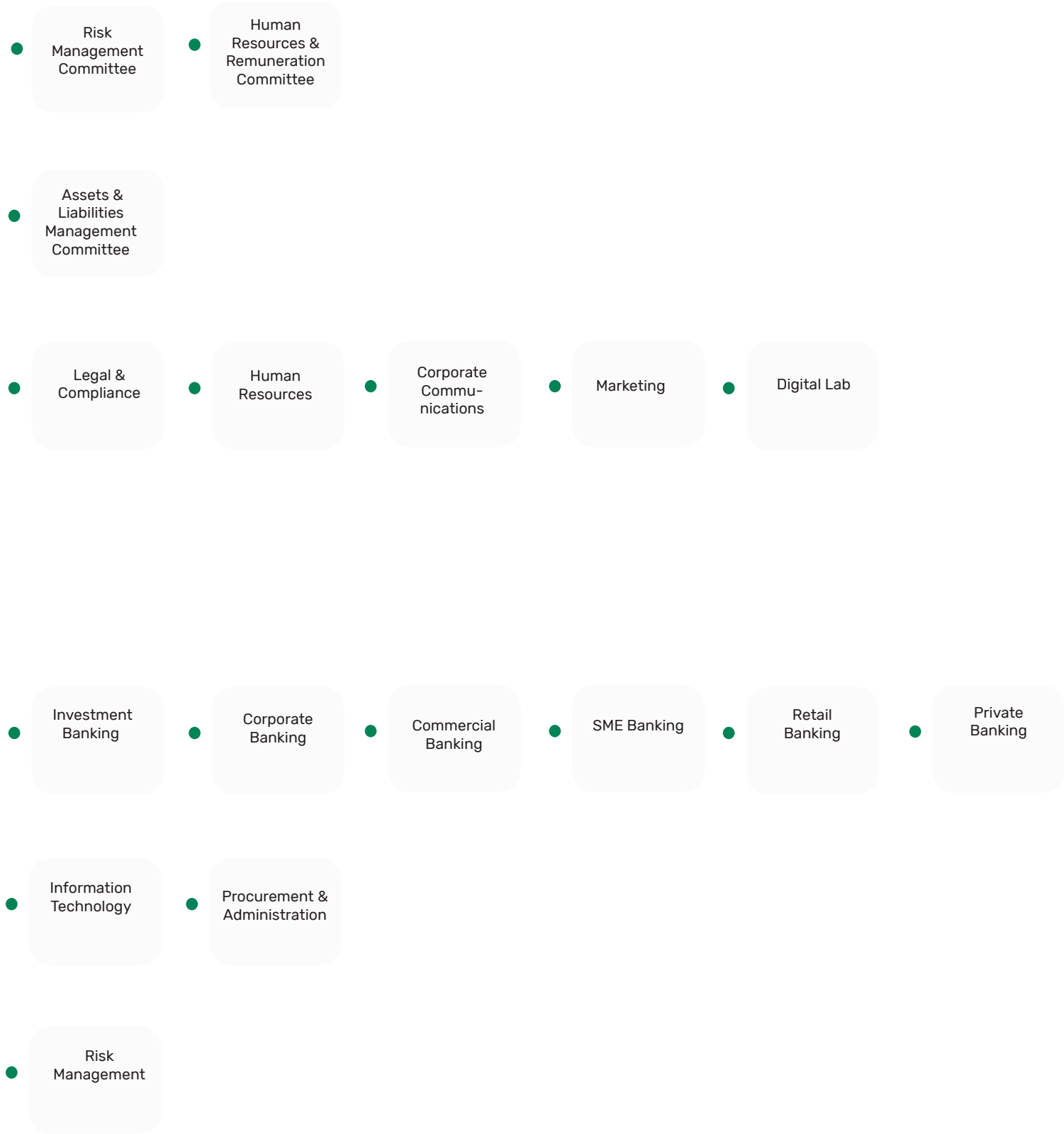
Reporting. He has been a member of the Global Association of Risk Professionals (GARP) since 2009. Mr. Huseynov joined JSC PASHA Bank Georgia in November 2019. Asaf Huseynov was appointed Chief Risk Officer and Member of the Board of Directors at JSC PASHA Bank Georgia by the Supervisory Board on November 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

Composition of the Human Resources & Remuneration Committee

1. Chairman of the Supervisory Board – Mir Jamal Pashayev – Chairman
2. Chief Executive Officer of “PASHA Holding” LLC – Jalal Gasimov – Independent Member
3. “PASHA Holding” LLC Group Director of Human Resources and Administration Work – Aytan Abbasli – Independent Member
4. “PASHA Holding” LLC Deputy CEO and Business Group Director – Farid Mammadov – Independent Member
5. Member of the Executive Board, Chief Risk Officer – Hayala Naghiyeva – Member

Composition of the Risk Management Committee

1. PASHA Bank OJSC, Member of the Supervisory

- Board – Shahin Mammadov – Chairman
- 2. “PASHA Holding” LLC, Director of Group Risk Management Department – Kamala Nuriyeva – Member
- 3. “PASHA Holding” LLC Business Group Representative – Vugar Akhundov – Member
- 4. “PASHA Investment” LLC, Investment Director – Ulvi Baghirov – Member
- 5. Member of the Executive Board, Chief Risk Officer – Hayala Nagiyeva – Member
- 6. Member of the Executive Board, Chief Financial Officer – Bahruz Naghiyev – Member
- 7. Member of the Executive Board, Chief Operating Officer – Jalal Orujov – Member
- 8. Chairman of Audit Committee – Parvin Ahadzade – Member (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
- 2. “PASHA Holding” LLC, Deputy CEO and Business Group Director – Farid Mammadov – Member
- 3. “PASHA Holding” LLC, Senior Specialist, Group Finance-Business, Ruslan Hasanov – Member
- 4. “PASHA Holding” LLC, Group Finance and Information Technology Department Director – Murad Suleymanov – Member
- 5. Counsel to the Chairman of the Executive Board – Turkhan Mahmudov – Independent Member

Composition of the Big 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 Insurance” LLC, Member of Executive Board – Ulviyya Abbasova – Member
- 4. “PASHA Investment” LLC, Investment Director – Ulvi Baghirov – Member
- 5. “PASHA Investment” LLC, Associate Investment Manager – Zaur Melikov – Member

Composition of the Credit Committee

- 1. Chairman of the Executive Board, Chief Executive Officer – Taleh Kazimov – Chairman

- 2. Deputy Chairman of the Executive Board, Chief Commercial Officer – Javid Guliyev – Member
- 3. Member of the Executive Board, Chief Risk Officer – Hayala Nagiyeva – Member
- 4. Member of the Executive Board, Chief Financial Officer – Bahruz Naghiyev – Member
- 5. Director of Strategy Department – Agshin Mirzazada – Member
- 6. Director of Credit Risk Underwriting Department – Elmin Iskandarov – Substitute Member

Composition of the Small Credit Committee

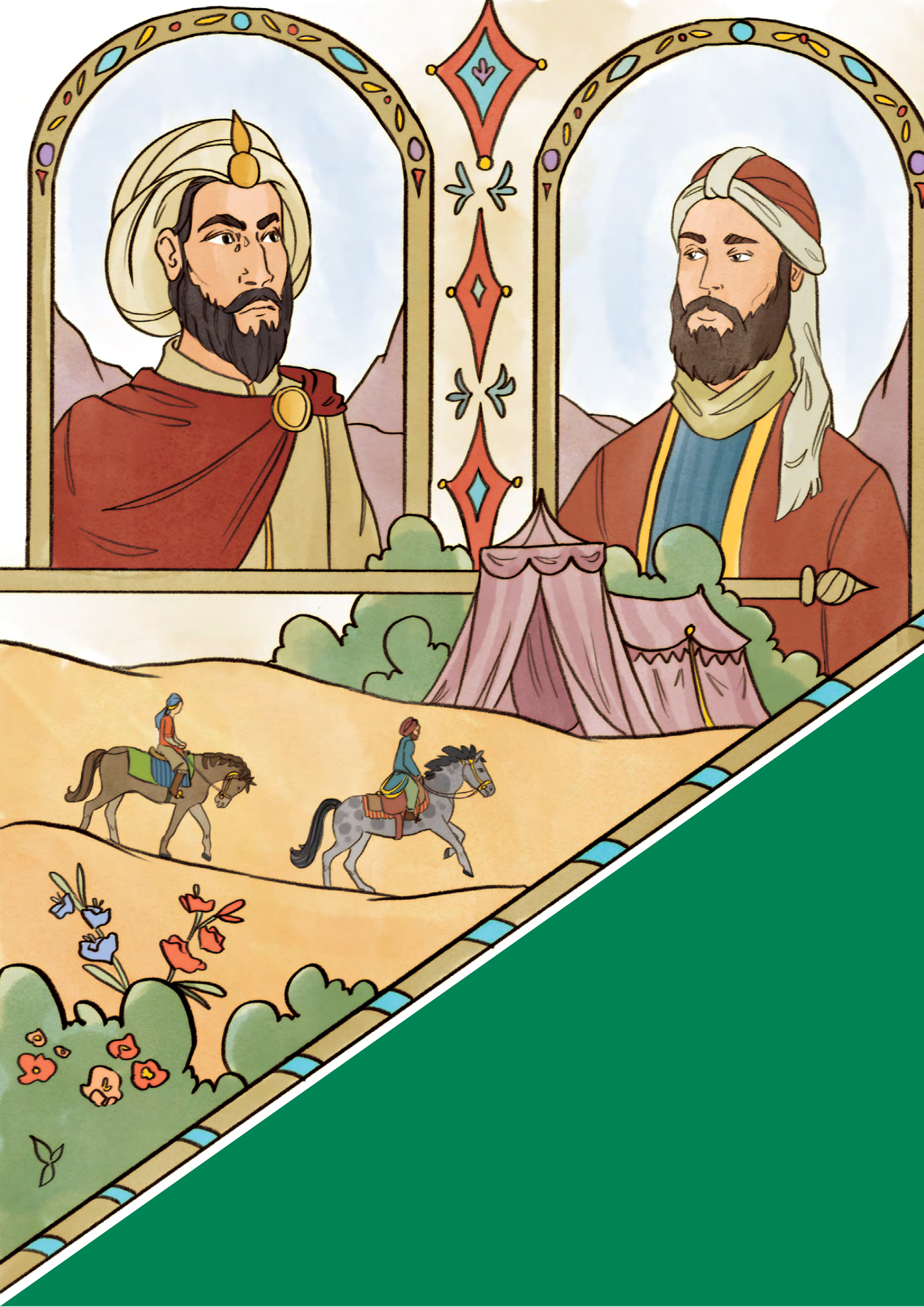
- 1. Director of Credit Risk Underwriting Department – Elmin Isgandarov – Chairman
- 2. Director of Corporate Banking Department – Farid Guliyev – Member
- 3. Director of Loan Originating and Structuring Department – Jeyhun Baloglanov – Member
- 4. Head of Loan Operations Division in Operations and Control Department – Heydar Ibrahimov – Member
- 5. Head of Corporate Secretary Division – Gular Pashayeva – Member

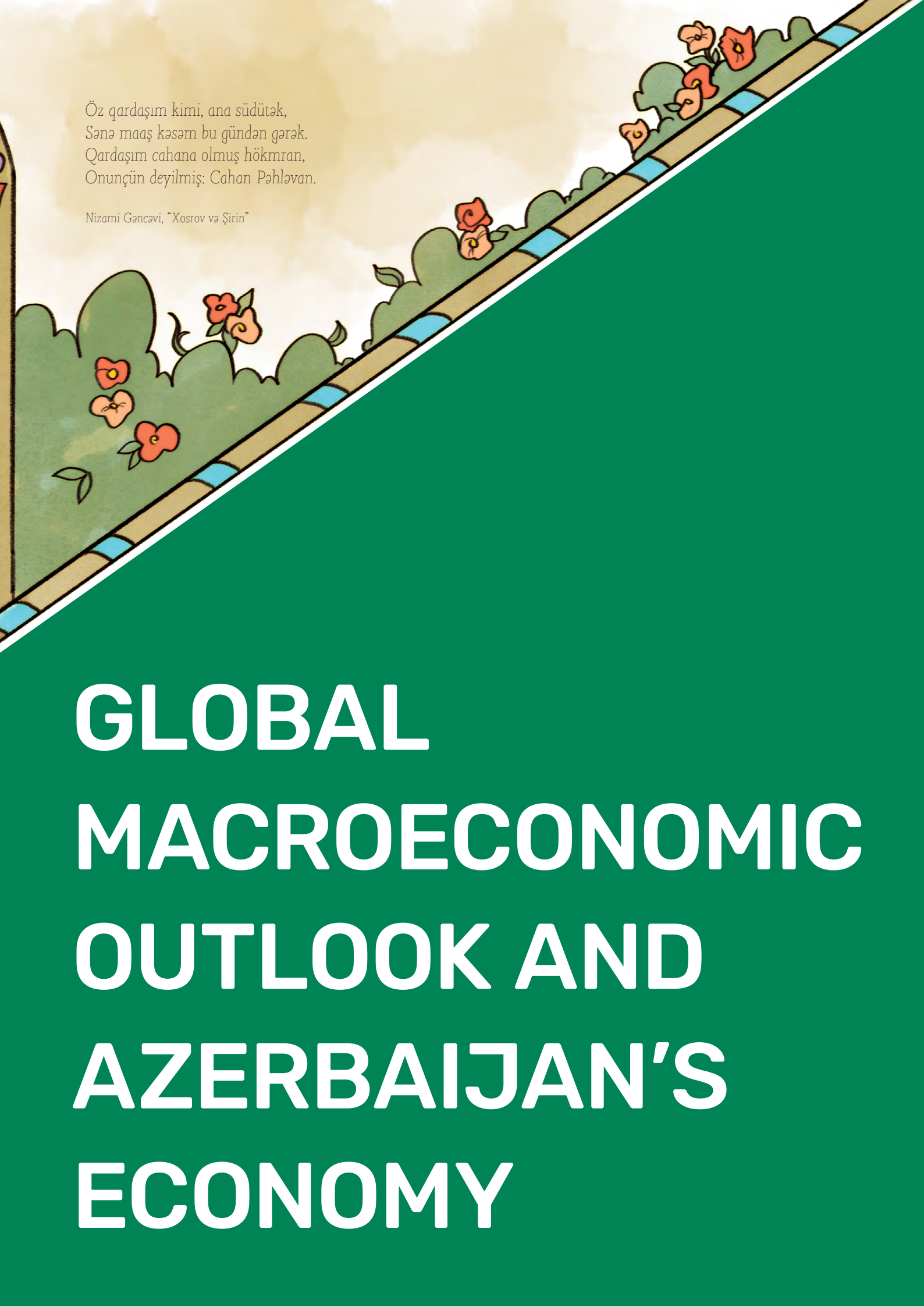
Composition of the Assets & Liabilities Management Committee

- 1. Member of the Executive Board, Chief Financial Officer – Bahruz Naghiyev – Chairman
- 2. Deputy Chairman of the Executive Board, Chief Commercial Officer – Javid Guliyev – Member
- 3. Member of the Executive Board, Chief Risk Officer – Hayala Nagiyeva – Member
- 4. Director of Strategy Department – Agshin Mirzazada – Member
- 5. Director of Treasury Department – Jeyhun Hajiyev – Member
- 6. Director, Accounting & External Reporting Department – Elchin Alizade – Member
- 7. Director, Risk Management Department – Orkhan Vahabov – Member

Composition of the Audit Committee

- 1. Parvin Ahadzade – Chairman
- 2. Jamil Mammadov – Member
- 3. Ramil Heydarov – Member





Öz qardaşım kimi, ana südütək,
Sənə maaş kəsəm bu gündən gərək.
Qardaşım cahana olmuş hökmran,
Onunçün deyilmiş: Cahan Pəhləvan.

Nizami Gəncəvi, "Xosrov və Şirin"

GLOBAL MACROECONOMIC OUTLOOK AND AZERBAIJAN'S ECONOMY

Global Economy in 2020

Global Economic Activity

2020 was marked by the battle against Covid-19 which was declared a global pandemic in the first quarter of the year. A dramatic worldwide trade slump, supply chain disruptions, mass job losses and rising uncertainties had a downward effect on global economic activity while commodity prices fluctuated sharply. To counteract the steep decline in economic activity, a number of countries announced massive fiscal stimulus packages to support both households and enterprises, while maintaining an expansive monetary policy and interest rate cuts. The Covid-19 pandemic situation worsened in the last quarter of the year, forcing many countries to restore restrictive measures after loosening restrictions in the summer months. The Business Confidence Index (BCI) across OECD countries (62% of the global economy) returned to the early year, pre-pandemic level after a severe plunge mid-year. However, the Consumer Confidence Index (CCI) remained below the early year level, despite a slight increase in fourth quarter. The International Monetary Fund (IMF) in its January 2021 World Economic Outlook estimated that global economy contracted 3.5% for 2020.

Commodity Markets

In 2020, commodity prices in the global market were highly volatile. According to the World Bank's Commodity Markets Outlook, energy prices dropped by 18.3% in 2020, while non-energy prices rose 16.1% and food prices went up 14.9%. The price of gold jumped 25.6% during the year. The average price of Brent oil was USD 43 per barrel in 2020, 33% lower than the average price in 2019. Amid the pandemic environment, the pause in the OPEC+ agreement in March and a sharp increase in oil supply contributed to the price shock. In April, oil prices plunged to historic lows of recent decades. A new OPEC++ deal, progress in developing effective Covid-19

vaccines and the relative recovery of economic activity in the second half of the year led to a slight rise in oil prices.

Major Economies

According to the IMF's January 2021 Outlook, the US saw the longest expansion in its history end when the country's economy shrank by 3.4% in 2020. The Dow Jones went up by 6.2%, while the S&P 500 decreased by 5.4% during the year. In response to the crisis, the US government and the central bank implemented a wide range of stimulative policy measures. The IMF January Outlook 2021 projects that the Eurozone economy contracted by 7.2% in 2020. Due to the pandemic, the Economic Sentiment Index sharply decreased early in the year and failed to recover to the previous year's level. The Chinese economy recorded positive growth of 2.3% in 2020. China is the only major economy that avoided recession during the pandemic. The IMF expects 8.1% economic growth in China in 2021. Meanwhile, the IMF projected that Russia's economy contracted by 3.6% in 2020. Unemployment in Russia rose to 5.9% by year's end, up by 1.2 points over the start of the year. Due to pandemic-driven uncertainties and unfavorable oil prices, the Russian ruble depreciated by 19.6% against the USD during the year. According to the latest IMF estimates, the Turkish economy shrank by 5% in 2020. Industrial production in the country increased by 9% year-on-year. Unemployment was 12.9% in November 2020. In December, inflation jumped to 14.6% on an annualized basis. In 2020, the Turkish lira depreciated by 24% against the USD due to pandemic related uncertainty and geopolitical tensions.

Risks

According to the IMF WEO January 2021, although mass Covid-19 vaccination programs have begun around the world, uncertainties and risks to the global economy remain. In general, international

financial institutions note the following major risks for the global economy:

- Liquidity and bankruptcy risks;
- Rising unemployment and poverty;
- Late start of vaccination efforts in EMEs coupled with persistently lower economic activity;
- High interest rates and risk premiums.

Azerbaijan Economy in 2020

Economic Growth

According to the State Statistics Committee (SSC), Azerbaijan's GDP decreased in real terms by 4.3% in 2020 to a nominal value of AZN 72.4 bn. Oil and gas value-added declined by 7.2% in real terms with a nominal value of AZN 21.6 bn (29.9% of GDP). Non-oil sector value-added decreased by 2.6% year-over-year in real terms to a nominal value of AZN 50.8 bn (70.1% of GDP). The drop in both oil and non-oil economic growth in 2020 was mainly attributable to the impact of the Covid-19 pandemic. The Central Bank of Azerbaijan (CBA)'s survey findings confirm that the pandemic had a highly negative impact on the economy. The BCI varied across sectors. CBA's Real Sector Monitoring findings suggest that the services sector was one of the most affected by the pandemic.

Aggregate Demand

Restrictions imposed to prevent the spread of the coronavirus led to drastic shifts in consumer spending in Azerbaijan and around the world. Due to social isolation measures, remote working, online education, and travel restrictions, consumers spent more on food, computer and telecommunication devices, pharmaceuticals and medical supplies. Meanwhile, spending on clothing, furniture, fuel and other non-food items decreased during the year. The share of consumer spending on food, beverages and tobacco products in retail trade outlets went up from 50.7% to 54% in 2020, while the share of other spending items fell during the year.

Inflation

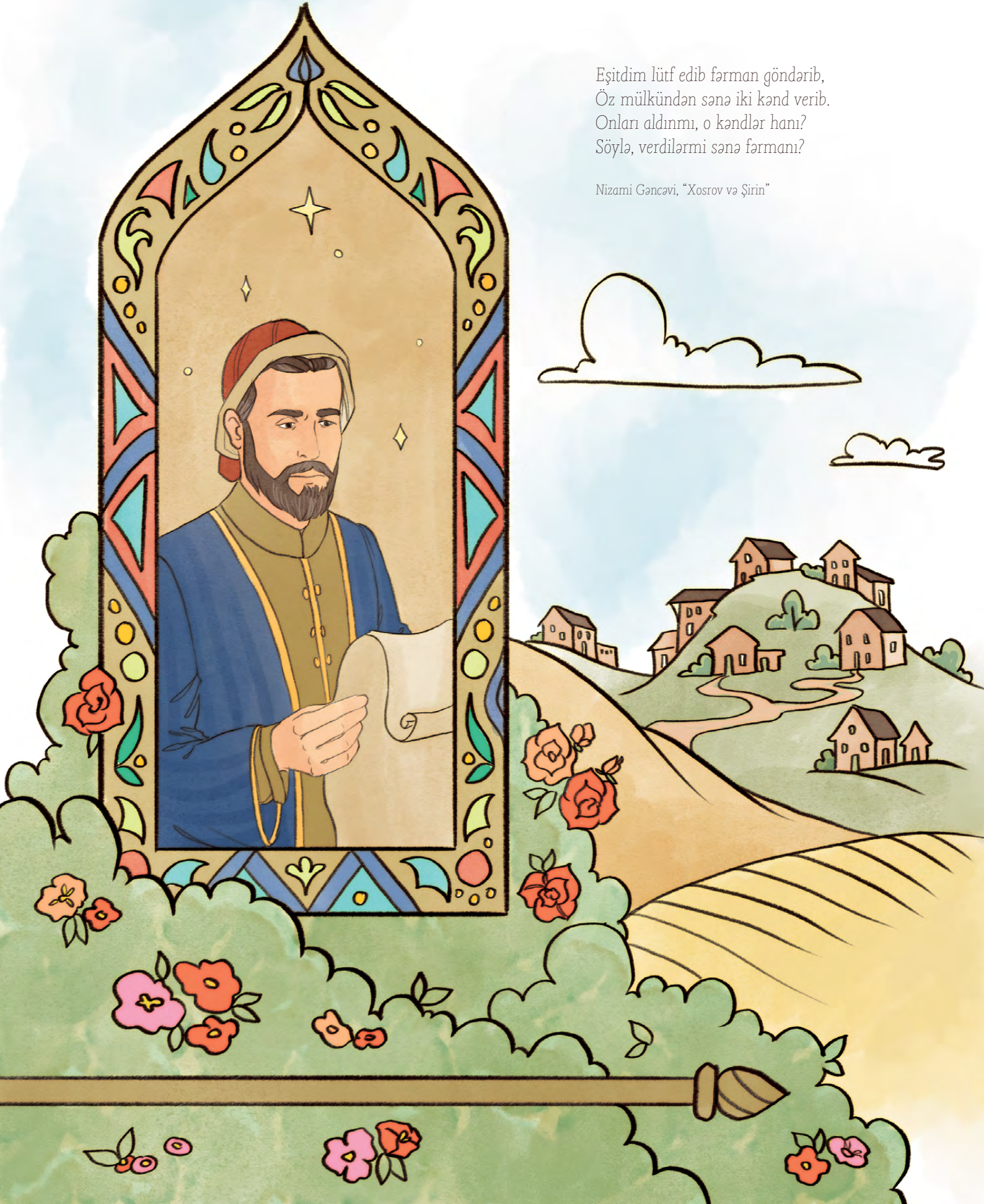
The SSC estimated that Azerbaijan recorded a 12-month inflation rate of 2.6% in 2020, below the center of the target band announced by CBA ($4\pm 2\%$). The price index across food products, which accounts for a significant share in the consumer basket, increased by 4.5% during the year. The annualized price rise on non-food stuffs and services came in substantially below the target band center (1.2% and 1.1%, respectively). Low non-food inflation was due to reduced demand amid the pandemic. Lower domestic demand coupled with a stable foreign exchange rate, monetary conditions and inflation expectations had a stabilizing effect on the national economy. Meanwhile, additional costs faced by economic agents to protect against the coronavirus and the global food price hike had an upward effect on inflation during the year.

Exchange Rate

The exchange rate of the Azerbaijani manat against foreign currencies was shaped by supply and demand in the FX market in 2020. Despite the negative effects of developments in the external environment, stability was safeguarded in the FX market, thanks to preventive measures by the government and the CBA. FX market operations decreased amid weaker foreign economic activity due to the pandemic. The average official AZN/USD exchange rate was AZN 1.7 in 2020. The exchange rate of the manat varied against the currencies of Azerbaijan's primary trading partners. The AZN appreciated against the Turkish lira, the Kazakhstani tenge, the Russian ruble, the Ukrainian hryvnia and the Georgian lari. Meanwhile, the manat depreciated against the EUR, the Swiss franc and the Japanese yen.

Interest Rates

In 2020, Azerbaijan's monetary policy was oriented towards maintaining inflation within the target band ($4\pm 2\%$). Monetary conditions were eased in light of macroeconomic forecasts and as a counterbalance to risks. CBA discussed interest rate corridor parameters eight times in 2020. The Central



Eşitdim lütf edib fərman göndərib,
Öz mülkündən sənə iki kənd verib.
Onları aldınmı, o kəndlər hanı?
Söylə, verdilərmı sənə fərmanı?

Nizami Gəncəvi, "Xosrov və Şirin"

Bank decided to reduce the refinancing rate stepwise from 7.5% to 6.25% during the year.

In general, pandemic-driven shocks that had a strong effect on all aspects of social life and economic activity were effectively managed throughout the year. The counteractive anti-crisis measures minimized the negative impact of the pandemic and ensured macroeconomic and financial stability in the country.

Banking Industry

The sharp fall in oil prices caused Azerbaijan's GDP to decline (nominal) by 11% in 2020. Export and import volumes decreased significantly as well. Despite the severe economic crisis, the Azerbaijani government provided ample financial support to local businesses and individuals to offset the negative effects of the lockdown restrictions.

The military conflict with Armenia in the Nagorno-Karabakh territories had a limited impact on the Azerbaijani economy. Due to lower oil and gas prices globally, Azerbaijan's current account balance ended the year in deficit. As a result of the lockdown continuing from March 2020, private sector spending was greatly reduced during the year. Inflation came in at the level of 2.5%-3%, while remaining within CBA's target range.

In 2020, the Central Bank of Azerbaijan revoked licenses of four banks with negative capital position and no prospect of recovery: AtaBank, AmrahBank, AGBank and NBCBank. These four banks accounted for 4.7% of total assets and 5.6% of total equity of the banking sector. In addition, the four banking institutions accounted for 6.6% of the total loan portfolio and 3.8% of total deposits of the market.

CBA's key decisions during the year mainly related to mitigating the negative effects of the pandemic on the financial sector. The

Central Bank targeted support for individuals and entrepreneurs while easing access to credit products for certain segments of the economy. As part of these measures, banks were also recommended to restructure loans of individuals and entrepreneurs affected by pandemic. In addition, CBA advised banks not to charge interest penalties in case of delayed payments.

In regard to its interest rate decisions, CBA discussed parameters eight times in 2020. As a result, the refinancing rate was reduced from 7.5% to 6.25%, with the ceiling lowered from 9.25% to 6.75%. The floor was left unchanged and remained at 5.75%. For comparison, the refinancing rate was 15% in early 2018.

The Central Bank of Azerbaijan maintained the development of the country's national payment system by expanding coverage of IPS (Instant Payment System) and extending the GPP (Government Payment Portal) infrastructure. During the year, card payments registered a huge increase due to significantly higher e-commerce turnover and POS payments turnover. Due to the pandemic, contactless payments recorded a two-fold increase. To minimize the detrimental effects of the pandemic, the CBA reduced service fees it applies to transfers through the National Payment System by 50% in 2020.

Efforts to ensure the stability of the financial system – including banks, non-bank credit institutions, capital and money markets, and the insurance system – proceeded apace in 2020. Despite the pandemic and the high-risk environment, Azerbaijan safeguarded the stability of its financial sector. Although key indicators in the banking sector declined, the negative impact has not been critical to date.

In 2020, Azerbaijani banking assets declined by 2% year-on-year, from AZN 32.7 billion to AZN 32 billion. As a result, the total loan

portfolio of the country's banking system decreased by 5%, falling from AZN 15.3 billion to AZN 14.5 billion. Non-performing loans dropped by 30% year-on-year, from AZN 1.27 billion to AZN 893 million – a significant decline compared to the prior year's 20% decrease. The sector-wide corporate lending portfolio contracted by 5% in 2020, from AZN 7.9 billion to AZN 7.5 billion. Meanwhile, the individual loan portfolio also shrank by 5% year-over-year, from AZN 7.4 billion to AZN 7 billion.

Total deposits fell 4.4%, from AZN 24.7 billion to AZN 23.7 billion. Corporate and household deposits decreased by 5.6% and 5.7%, respectively. Financial institution deposits rose by 8.4% year-on-year.

In 2020, Azerbaijan's banking sector recorded operating profit of AZN 859 million and net profit of AZN 568 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 455 branches, 109 sub-branches, and 2,715 ATMs across the country. In 2020, the banking industry reported 18,708 employees, down by 752 year-on-year.

Expectations for 2021

Global Expectations

Global prospects remain highly uncertain one year into the pandemic. New coronavirus mutations and the accumulating human toll stoke concerns, even as growing vaccine coverage lifts general sentiment. Economic recovery is diverging across countries and sectors, reflecting variation in pandemic-induced disruptions and the extent of policy support. The outlook depends not just on the outcome of the battle between the virus and vaccines – it also hinges on how effectively economic policies deployed under high uncertainty can limit lasting damage from

this unprecedented crisis. According to the IMF March 2021 WEO, global economic growth is projected at 6% in 2021, moderating to 4.4% in 2022. The latest projections for 2021 and 2022 are stronger than in the October 2020 WEO. The upward revision reflects additional fiscal support in a few large economies, the anticipated vaccine-powered recovery in the second half of 2021, and continued adaptation of economic activity to subdued mobility. With respect to the October 2020 WEO, projections for 2021 have been revised down in Europe and up in Japan and the United States. The downward revision in Europe is more than offset by a stronger-than-expected expansion in the US and Japan, reflecting additional fiscal support implemented in both countries at the end of 2020. In addition, the Biden administration's USD 1.9 trillion rescue package is expected to further boost GDP over 2021-22, with substantial spillover to the US's main trading partners. However, high uncertainty surrounds this outlook. These uncertainties are related to the course of the pandemic, the effectiveness of policy support to provide a bridge to vaccine-driven normalization, and the evolution of financial conditions.

Expectations for Azerbaijan

On January 22, 2020, S&P Global Ratings, one of the major international rating agencies, changed Azerbaijan's outlook from 'negative' to 'stable' and kept the country's sovereign rating in local and foreign currency unchanged at BB+. Stable expectations indicate that the recovery in economic activity and the relative rise in oil prices will likely prevent the deterioration of Azerbaijan's fiscal position over the next 12 months. Improvement of the international situation, especially the trend of rising oil prices, will support exchange rate stability – the main anchor of macroeconomic stability. The recent short-term outlook of the Energy Information Association forecasts that the Brent crude oil price will average USD 62.3/

barrel, significantly above the 2020 level of USD 41.7/barrel. According to the World Bank's latest regional report for Europe and Central Asia (including Azerbaijan), economic recovery in 2021 is expected to be faster than previously projected, with economic growth of 3.6% in the region. This faster pace is due to the gradual elimination of the negative impacts of the Covid-19 pandemic and the resumption of foreign trade and investment activity in 2021. International financial institutions, as well as the government, forecast that the Azerbaijani economy will expand by about 2.1% in 2021, following a 4.3% contraction in 2020. The World Bank sees growth in both private and government consumption driving overall GDP growth in Azerbaijan in 2021. Coordination of the government's fiscal and monetary policies to maintain macroeconomic stability in parallel with economic growth will support the stability of the Azerbaijani manat during the coming year.

Azerbaijan Economic Indicators	2020	2021E	2022F
Real GDP Growth	-4.3%	2.1%	5.7%
CPI growth	2.8%	2.7%	2.9%
Unemployment	6.7%	5.7%	5.0%

Source: CBA, SSC, IMF, WB, S&P, EIA.

2020 ACTIVITIES





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İstərəm Məcnunun böyük eşqinə
Bir söz xəzinəsi açasan yenə.
Bakirə Leylitək, ey böyük ustad!
Şeirdə iki-üç bakir söz yarat.

Nizami Gəncəvi, "Leyli və Məcnun"

SERVICE MODEL AND BRANCH NETWORK

In 2020, PASHA Bank opened its new Sadarak Branch in the Absheron region of Azerbaijan. The new branch location offers a wide range of banking products and services to entrepreneurs as well as support to business owners in the transition to digital solutions.

During the pandemic, all necessary measures were taken to protect the health of employees and customers across PASHA Bank's branch network. These protective measures included:

- Customers were allowed into the branch one by one to avoid queues within the branch facility;

- Employees were provided with ample supplies of personal protective equipment;
- Glass partitions were installed to reduce customer contact with branch staff;
- Thermal imagers were installed at the entrance of branch locations to measure the body temperature of customers;
- Staff members who became ill were provided with free Covid-19 tests and were replaced by reserve employees;
- Bank employees were provided with laptops to work from home.

*Bu təzə gəlinə, çəkəndə zəhmət,
Fars. ərəb diliylə vur ona ziynət.
Sözün sərrafıyam, sən ki bilirsən,
Təzəni köhnədən tez seçəram mən.*

Nizami Gəncəvi, "Leyli və Məcnun"



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. Committed to Azerbaijan's overall welfare and advancement, the Bank has developed deep expertise in the country's high growth industries. By providing support to expand medium-sized businesses through an extensive range of services and financial solutions, PASHA Bank also contributes to the diversification of the nation's economy.

In 2020, PASHA Bank transformed its Commercial Banking and Corporate Banking departments into an Agile Tribe – Corporate and Institutional Banking. In turn, the Agile Tribe was divided into 8 (eight) separate autonomous teams specialized in specific industries: Construction, Oil & Gas, Manufacturing, Agro, FMCG, Auto & Telecom, FI & Services, and Horeca.

PASHA Bank implemented the agile methodology not only in the IT sphere, but also in corporate banking – a first for an Azerbaijani bank. While the agile methodology in foreign countries is mainly implemented in IT, PASHA Bank is one of the first banks to adopt the agile approach to corporate banking.

In a more traditional banking structure, product teams – such as Trade Finance, Cash Management and Credit Analysis – work alongside the sales team and are divided into separate departments. Despite all these departments operating in the commercial segment, product teams acted separately. Relationship Managers were mainly involved in product and service sales, product teams conducted execution work, while Loan Analysts created a lending structure for customers.

Under the new agile structure product teams, credit analysts and the sales team all act as Relationship Manager to customers. In turn, Relationship Management acquired three directions in the following leads: Credit

(previously Loan Analysts), Cash Management and Trade Finance. The agile structure is a vertical one, with each industry having a specific Industry Owner, while each Relationship Manager has a specialized Chapter with a corresponding Chapter Lead.

PASHA Bank's new agile structure made sales processes more effective and efficient. Employees who previously served as product owners now enter into close relationships with customers which help them to develop new products and solutions. Loan Analysts now act as Credit Relationship Managers. During the analysis of loan deals, these staff members now have even greater opportunity to cross sell other banking products, such as treasury instruments, for the customer to mitigate various risks.

Similarly, previous sales teams have more in-depth knowledge of banking products, which increases effectiveness during sales negotiations. Each agile team is also given certain decision-making authority, which leads to a fast decision process. This which in turn leads to a more customer centric bank services and higher customer satisfaction. By combining both these goals, PASHA Bank achieves its high profitability objective.

Implementing an agile approach at PASHA Bank satisfies both internal and external stakeholders of the Bank. The biggest beneficiary however is the Bank's customers. Being served by a relationship manager assigned to a specific industry opens a customer in that sector up to new possibilities. A relationship manager can offer more tailor-made solutions to a specific industry. Each relationship manager also has a corresponding chapter, which expands the opportunity of product implementation.

The ultimate goal of the agile way of working is making autonomous several sub-banks within PASHA Bank. By creating sub-banks for specific industries, PASHA Bank optimizes processes for all stakeholders while also speeding up the decision-making process.

In the pandemic year of 2020, PASHA Bank focused on improving processes, developed new products, accelerated credit decisions and boosted the quality of the credit analysis process. In addition, PASHA Bank worked to maintain a high level of team motivation in response to the evolving operating environment and increase the knowledge and skills of new members.

PASHA Bank implemented continuous optimization of service point processes, introduced new customer-centered tools and upgraded its technology systems infrastructure to this end. As a result, customer service at PASHA Bank improved significantly as evidenced by the CSAT surveys results conducted during the year. In 2020, the Bank recorded TRI*M of 124 (2019: 118; 2018: 104).

Implemented solutions and new products for clients

In 2020, PASHA Bank has achieved significant results in developing cashless payments. The Bank's progress in this burgeoning area is widely recognized by both the country's banking community and the government regulator of the sector. In 2020, the Bank focused on the Sumgayit Transport Project, PASHA Bank, SOCAR & E-Pul QR Payment Solution, PASHA Bank & Umico Masterpass Project, and various Tajir card projects. Compared to 2019, non-cash payments increased by 62% during the year.

PASHA Bank, the country's leading corporate bank, partnered with Visa, a global leader in digital payment technologies, and Sumgayit Transport LLC, to introduce a contactless payment system for public transport fares with contactless payment cards and NFC devices.

During the year, PASHA Bank rolled out the E-Pul payment service – a payment solution based on QR code technology – at SOCAR's gas station network in partnership with Visa. This service allows POS terminals to be replaced by a smartphone to receive payments, while minimizing the number of physical contacts during the pandemic.

In 2020, PASHA Bank partnered with Umico to introduce the Masterpass digital wallet. This innovative platform provides user convenience when performing transactions with payment cards of different banks. In addition, Masterpass helps the Bank's cardholders to keep all payment information in one application and strengthen the security of transactions, while also allowing users to earn additional bonuses when shopping.

During the Covid-19 pandemic, demand for and use of non-cash payments jumped rapidly. Against this backdrop, PASHA Bank's Tajir Card project rose in prominence. Tajir Card is beneficial for both trading parties: at present, owners of retail facilities purchase goods from large distributors delivering the order to the addresses. Entrepreneurs pay for the purchased goods by cash or bank transfer. PASHA Bank offers a unique network for Tajir Card users, ensuring that trade relations expand and operate efficiently. One key advantage for the distributor is that when using Tajir Card at PASHA POS Terminals, 18% VAT is automatically calculated. At the same time, the amount is automatically deducted from the payment and transferred to the tax deposit account on behalf of the business owner. Shipping agents provided with a POS Terminal will be able to accept the cashless payments directly.

In 2020, PASHA Bank developed numerous new loan products in accordance with customer requirements and changing market conditions:

- Leasing products reduce the capital costs of customers and allow them to compete more effectively. PASHA Bank developed a leasing product – the first of its kind in the corporate lending market – and is currently implementing the country's first leasing financing offering.
- The Bank developed a new Reporting Module on BI Reporting as an alternative to the traditional Moody's Risk Analyst System and currently uses it during the transition to a more advanced platform.
- PASHA Bank works closely with clients to address their individual challenges, including short-term cashflow, debt covenants, tax impacts and accessing government sponsored funding

mechanisms. The Bank recommends measures to remain solvent under various scenarios. Access to working capital was key to recovery for these businesses, especially smaller enterprises that were subject to temporary closures or operational adjustments. More working capital flowing through small businesses helped to maintain greater economic resilience, both within local communities and for the country as a whole especially during the pandemic.

- Some AZN 66 million in state-guaranteed loans were allocated to 151 entrepreneurs through PASHA Bank from the State Guarantee Fund of the Republic of Azerbaijan as pandemic-related support.

PASHA Bank is Azerbaijan's leading trade finance bank, the partner of choice for corporate customers and financial institutions. The Bank maintains an extensive network of correspondent banks. PASHA Bank partners with its clients to create forward-looking solutions that build beneficial relationships among banks and corporates across the globe to steadily expand, diversify and develop Azerbaijani trade. PASHA Bank is committed to operating as a world class, profit-oriented, socially responsible financial institution using expertise, technology and networks to become a center of excellence.

The Bank positions itself as a digital trade finance bank with the goal of revolutionizing the trade finance business. PASHA Bank aims to develop and deliver the industry's best trade finance, supply chain finance and customized products and services for banks and corporate clients in country and worldwide.

The Bank settle AZN 520 million portfolio and have a clear commitment to the partners developing trade solutions to the mutual benefit of all involved parties. In 2020, the Bank posted trade finance related profit of AZN 12.7 million, up 20% year-on-year.

As a part of its strategy to boost trade transactions, PASHA Bank together with PASHA Holding launched the "Trade Triangle"

in 2020. The Trade Triangle includes PASHA Bank Georgia, PASHA Bank Turkey and Kapital Bank. This effort aims to identify new opportunities both for customers and the mentioned banking institutions in Azerbaijan, Georgia and Turkey.

During the year, the Bank formulated innovative strategies to capitalize on market opportunities. EcoSystem was developed for the construction sector to form a unique project management system of control. PASHA Bank also introduced new trade finance products such as tender guarantees which will allow customers to move faster their tender and project efforts. The Bank supported the value chain within AKIA financing to stimulate purchase of agricultural equipment by ways of LCs (with financing), risk sharing by selling of existing chosen deals to partner banks and many others.

Additionally, the Bank introduced structured trade finance solutions, such as pre-export financing, to advance funds to customers based on proven orders from buyers. PASHA Bank launched a syndicated trade finance product that is provided by a group of lenders and is structured, arranged, and administered by the Bank. Warehousing financing was also rolled out as a financing solution for trading companies.

INVESTMENT BANKING

PASHA BANK Investment Banking provides consulting services on raising funds via debt and equity, placement of bonds in the primary market, mergers and acquisitions, arrangement of syndicated loans and appointment of credit ratings. With the rapid development of the local capital market during recent years, PASHA Bank Investment Banking aims to lead the market forward with new product and service offerings. In recognition of its excellence, PASHA Bank Investment Banking received the “Best Investment Bank of Azerbaijan” award from the prestigious international financial publication EMEA Finance in 2020.

The difficult global economic conditions following the outbreak of the coronavirus pandemic and multistage lockdowns constituted the biggest challenge to the national economy. The many challenges facing Azerbaijan’s economy, especially due to weaker demand for the oil economy and lower oil prices, dramatically slowed the pace of commerce and trade across the country. Despite these volatile conditions, PASHA Bank was able to arrange two important transactions in Azerbaijan’s capital markets.

In mid-2020, SOCAR Polymer issued corporate bonds through a private placement, where PASHA Bank acted as a lead arranger of the transaction and main advisor in structuring and general coordination of the issuance process. PASHA Bank Investment Banking team also played a key role in communications among potential investors, primarily major Azerbaijani banks, and with other capital markets participants including the National Depository Center and the Central Bank. As a result, SOCAR Polymer issued bonds in the amount of USD 200 million with a tenor of five years and 5% coupon rate. The raised funds were used to refinance the part of the loan borrowed from senior lender Gazprombank JSC, in order to optimize the capital structure of the issuer. In the second major deal in local capital

markets, AzerGold issued bonds via a public placement on the Baku Stock Exchange. After being approached by AzerGold, PASHA Bank Investment Banking participated in the issuance of AzerGold bonds totaling USD 20 million with a coupon rate of 4% and a three-year maturity. The transaction was conducted in two tranches of USD 10 million each via open auction. Market sounding performed prior to the issue and the large number of investors created a solid and competitive investor base. The oversubscribed issue caused demand for these bonds to be two times more than the issue size resulting in the effective average yield to decline to 3.35% from its initially declared 4% coupon rate. As a result, AzerGold was able to attract financing at more favorable terms.

PASHA Bank continues to maintain its leading position in capital markets activities providing a comprehensive range of investment banking services professionally, efficiently and with a high level of commitment to reinforce strong and long-term relations with clients.

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

2020 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 3,149 million:

- Securities portfolio – AZN 1,590 million
- Cash and cash equivalents – AZN 1,147 million
- Amount due from Credit Institutions – AZN 412 million

Treasury generated 31% of PASHA Bank's interest income (AZN 68.3 million) and 44% of the Bank's non-interest income (AZN 27.8 million) in 2020.

As one of the major profit-generating units, Treasury drove top-line growth by continuing to leverage its leadership position in the local market. PASHA Bank plans to continue executing strategic and digital technology initiatives to enhance the client experience, by introducing new treasury-related products and services. While expecting the market environment to remain challenging in the near-term, PASHA Bank's Treasury team is well-positioned to compete effectively and record significant growth in the coming year.

DIGITAL BANKING

As a financial institution that sets trends for the industry, PASHA Bank created a unique unit – Digital Lab – to deliver cutting-edge business solutions for customers and the Bank's employees. PASHA Bank already boasts an extensive array of online services available to its customers through its mobile application and online banking platforms.

PASHA Bank's digitalization strategy is focused on developing additional innovative products and services. In its first year, the groundbreaking Digital Lab enhanced the Bank's digital channels and offerings. Today, PASHA Bank's advanced channel platform and micro services link core processing components and front-end channels. This approach provides the capability to develop online banking channels for all customer segments.

Digital Banking 2020 – Generating Value

In 2020, Digital Lab focused on completing activities geared toward achieving its strategic targets and vision. These included new business efforts such as developing innovative products for PASHA Bank's diverse customer segments, introducing a new mobile banking application for retail and SME, launching NFC payment applications, among others.

At year-end 2020, PASHA Bank completed the final stage of its three-year strategic initiative. The driving force of this effort was making PASHA Bank a leading corporate bank in Azerbaijan and delivering best-in-class digital channels to customers. An ecosystem of services was created to provide a unique customer proposition in the Azerbaijani financial market. Digital Lab built and refined to provide rapid, scalable, and sustainable capabilities to move the Bank forward.

During the year, Digital Lab achieved the following key outcomes:

- Built channel platform and middleware to enable development of digital channels by linking core processing components and channels;

- Further developed online banking channels to expand and improve services delivered to clients digitally;
- Developed unified front-end platforms for service operations to improve average handling time for person assisted service channels;
- Developed enterprise connected channels and platforms to boost customer satisfaction, improve customer retention, enable customer acquisition through platforms and improve customer engagement.

PASHA Bank successfully implemented the above-referenced solutions and capabilities during the year. In addition, the Bank launched the Business Innovations unit in 2020. Business Innovations is mainly focused on increasing PASHA Bank revenue by identifying and developing new business opportunities and pursuing long-term business growth strategies.

Besides adopting cutting edge technologies such as microservices architecture, cloud computing and DevOps, PASHA Bank shapes the IT market of the country with its 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 and a new set of IT skills have become demanded in the market.

SME BANKING

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PASHA Bank identified the SME segment as a focus area in its 2018-2020 strategic plan.

During 2020, SME Banking focused on increasing customer satisfaction by adding new value propositions. As a result, Tender Guarantee is now available on the Internet Banking platform. SME customers are invited to fill in the required details of the tender, review costs online by collateral type, sign automatically generated contracts and obtain Tender Guarantee on the same day of application.

The pandemic year of 2020 clearly demonstrated the critical need to transition from traditional banking services to digital. During the year, PASHA Bank undertook further digitalization of its traditional banking products. The Bank launched the first business loan in the region that is digital end-to-end, from application to loan disbursement. Small and medium-sized business customers were provided with two types of digital commercial loan products: online business loans with standard terms and loans with preferential terms in cooperation with EDF.

Current and non-PASHA Bank clients can also submit a loan application in just a few minutes and get the decision within one working day,

receiving the loan disbursement on the same day. Entrepreneurs may use the loan funds for any business purpose. In the first six months of launch, the SME digital loan product was named one of the top three business loans for boosting the working capital of small and medium-sized businesses in CIS countries and the Caucasus region. During the last eight months of 2020, PASHA Bank provided SME digital financing totaling USD 24 million.

These and similar efforts helped PASHA Bank expand its SME lending portfolio by 40% in 2020. In turn, SME Banking made impactful contributions to diverse sectors across Azerbaijan's economy, including construction, manufacturing, public transport, oilfield services, healthcare and pharmaceuticals, tourism, restaurants, among others.

Qeys onu gördükdə heyrətdə qaldı,
Ona könül verdi, könlünü aldı.
Qeysin bu sevgisi vızı oynatdı,
Könüldən-könülə sevgi boy atdı.

Nizami Gəncəvi, "Leyli və Məcnun"



RETAIL BANKING

- PASHA Bank conducted innovative e-commerce payment campaigns with Azerbaijan's first online supermarket, bookstores, delivery service firms, and other e-commerce partners to persuade cardholders to use online payment platforms during the pandemic.
- Although the pandemic had a negative impact on economic conditions generally, cashless transactions increased rapidly since card payment is more hygienic and with the proliferation of online shopping.
- In recognition of its success in managing its card business, PASHA Bank was nominated in the award category of "Bank Actively Promoting Cashless Transactions" by Azerbaijan Banks Association.
- Due to the lockdown restrictions throughout the country, the Bank automatically extended card expiration periods for all PASHA Bank cardholders.
- During the year, PASHA Bank conducted numerous campaigns designed to stimulate non-cash turnover among Miles&Smiles cardholders. These efforts included campaigns to boost the volume of not-cash turnover via specific merchant codes (MCC). To offset the negative impact of the pandemic on Miles&Smiles card turnover, several e-commerce campaigns were also carried out during the peak period of lockdown restrictions.
- In 2020, Bank launched two new card products
 - Visa Platinum and Visa Business Platinum
 - within the Miles&Smiles program to extend the target customer segment and increase the volume of card sales.
- In response to restrictions under lockdown measures imposed by the government, PASHA Bank provided free courier delivery services on Miles&Smiles card orders to stimulate card Miles&Smiles card turnover.
- In third quarter, the Bank provided 12-month installment payment options on Miles&Smiles Visa Platinum and Black Edition card orders to make products more affordable for more customers.
- Despite the pandemic, Bank launched telesales for Miles&Smiles products to a defined client base among PASHA Bank cardholders.
- During the year, PASHA Bank's Retail Banking customer base grew to 26.5 thousand. With 46 deposit funds totaling AZN 1,650 million in local currency and 44 deposit funds amounting to AZN 4,230 million in USD equivalent, the Bank's general deposit portfolio climbed to about AZN 6 billion. In 2020, cashless payments at the Bank accounted for over 27.3% of total general payments.
- The Covid-19 pandemic was an unprecedented global shock in terms of the impact on public health and extent of mitigation efforts, such as social distancing and lockdown measures. During the lockdown period, the Bank launched a new courier service for the convenience of customers to facilitate ongoing sales of consumer loan products.
- Credit cards and related documents were delivered to customers' home or workplace locations by courier; Bank staff implemented a remote signing procedure for contracts via video call on the Microsoft Teams platform.
- For customers affected by the pandemic, PASHA Bank suspended penalty interest rates and fees on consumer loans.
- The Bank extended specified discounts on consumer loan products to customers who actively served in the military conflict.

PRIVATE BANKING 57

Launched in 2010, the 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 high quality private banking services.

Private Banking is committed to establishing a long-term, mutually beneficial relationship with its customers. The objective is to assist 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.

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
- Safe deposit box services
- Internet Banking
- Mobile Banking
- Securities of local and foreign companies
- 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 2020, PASHA Private Banking introduced several new products and services to its clients, including:

- Virtual precious metals account
- Loans backed by virtual precious metals account
- Deposit linked to syndicated loans

PASHA Private Banking focuses on proactive and internationally mobile clients, who are open to international solutions for their business and lifestyle needs. Through its global partnership network, Private Banking assists its clients with international banking services, financial consultancy, and investment portfolio management. Specially trained Private Banking consultants work closely with PASHA Bank clients to achieve their personal financial objectives with customized products and solutions based on the client's risk appetite.

Private Banking facilitates the international mobility of its clients by providing the most appropriate product and service offerings from its global partnership network. With this approach, PASHA Private Banking clientele become more open to international markets and offerings utilizing the Bank's extensive capabilities in seeking effective investment options. The increase in number of investment deals increased by 17 times in 2020 in comparison with 2019.

Providing services as a financial advisor (agent or consultant)

Education

One of the most beneficial investments is an investment in education. PASHA Private Banking provides clients with the opportunity to benefit from the programs offered by the world's leading educational institutions through its partner companies.

Medical Care

In today's world especially, good health is more important than ever. PASHA Private Banking aims to help clients navigate various options and identify the most appropriate medical service provider that meets their needs.

Real Estate Acquisition

Real estate is one of the most popular investment options worldwide. Through its global partnership network, PASHA Private Banking provides consultancy in commercial or residential

property acquisition. The Bank helps private banking clients to establish long-term purchase or property management agreements with attractive returns on their investments.

Art Management

Art investment is an essential part of wealth management. Today, art-related services remain an exclusive niche for banks and usually they are delivered via third-party providers. Artworks typically generate moderate positive returns, which has a low correlation with yields on bonds and stocks.

Due to the Covid-19 pandemic, PASHA Private Banking had to modify its schedule of planned events and activities during the year. Numerous events were cancelled in response to pandemic related precautions and restrictions.

Given the extenuating circumstances, discounts for transfers and grace periods for loan reimbursements were given to clients in 2020.

During the pandemic, the Private Banking team worked in alternating shifts. The number of on-site client visits were decreased to a minimum because all services could be requested remotely. With this arrangement, Private Banking maintained normal operations throughout the year.

Despite the difficult market environment locally and globally, PASHA Private Banking recorded 16% growth in its client base in 2020. In addition, Private Banking expanded its loan portfolio by 3% while boosting its gross income by two-fold year-on-year.



INTERNATIONAL REPUTATION

Cooperation with International Financial Institutions

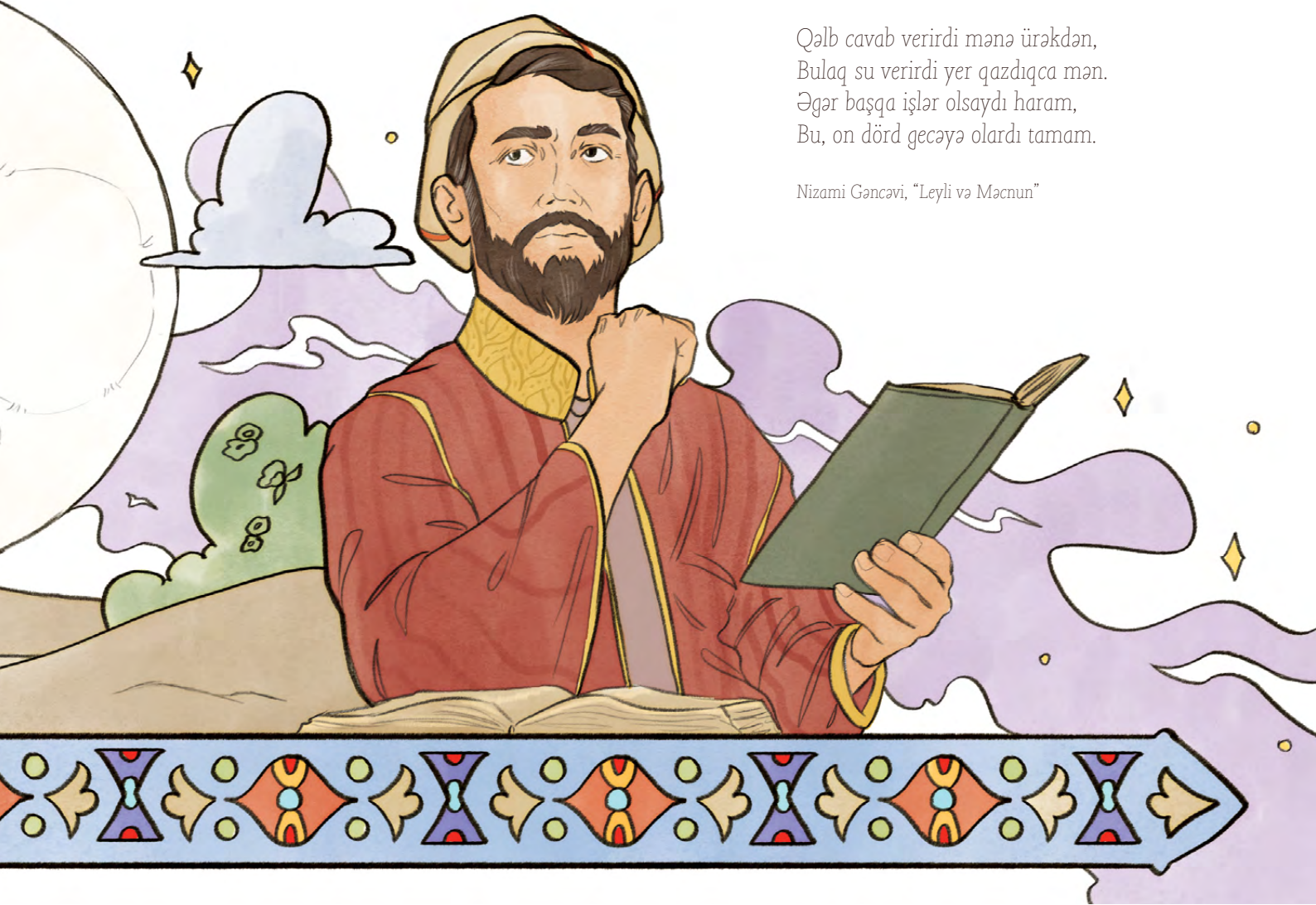
Despite the global pandemic in 2020, PASHA Bank maintained and expanded its presence in the international arena by adding new international and foreign partners, while deepening its business cooperation with existing partners. PASHA Bank has become an active player at the international debt capital market (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. In 2020, the Bank offered AZN settlement service to five new foreign partners in the CIS region.

PASHA Bank is committed to providing the best banking service to its diversified base of corporate clients. To this end, the Bank launched commodities trading with Commerzbank Luxembourg in 2020. PASHA Bank is continuously working to expand its network for trade finance. During the reporting year, the Bank became a guarantor for medium and small size banks in the local market.

In addition, 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.

Qəlb cavab verirdi mənə ürəkdən,
Bulaq su verirdi yer qazdıqca mən.
Əgər başqa işlər olsaydı haram,
Bu, on dörd gecəyə olardı tamam.

Nizami Gəncəvi, "Leyli və Məcnun"



BUSINESS SURVEY & INDUSTRY EVENTS

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

International Fintech Evening

PASHA Bank, in partnership with business incubator and ecosystem builder SUP.VC, organized a virtual fintech conference with the participation of speakers from global companies, including Saving Global/Raisin, Delivery Hero, Nearbanking, VK.COM, Yandex Money, Lending Club, Alkredit.az, Mandarin.io, Neodigital, Optio.ai, Payzakat and Paym.es. Topics discussed during the conference included "Traditional Banking Has Changed Strategy," "Is Fintech Boosting Financial Inclusion?," "Big Tech Bursts on the Scene" and related issues.

Global HackCovid Hackathon 2020

The first Virtual Hackathon was organized by the Ministry of Transport, Communications and Advanced Technologies, the United Nations Development Programme and SUP.VC on April 9-12, 2020 to bring together new technological solutions to combat the Covid-19 pandemic. PASHA Bank, the country's leading corporate bank, provided first-tier support for this important

initiative among financial institutions.

Businesses operating in many areas suffered from the economic crisis brought about by the global pandemic. To minimize the negative impact of the pandemic, the development of new digital solutions rose in importance in both local and global markets. Other priorities included accelerating the pace of digital transformation and developing digital and remote applications in the country. These key issues were the focus of the Hackathon in 2020.

Global DefTech Hackathon

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

DevOps Days Conference 2020

The Second DevOps Days Baku international conference was held in Azerbaijan with the support of PASHA Bank and SUP.VC Acceleration Center.

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

womENCourage 2020 Conference

PASHA Bank joined the Seventh ACM Celebration of Women in Computing: womENCourage 2020 conference to support innovation across boundaries.

womENCourage is an ACM Celebration of Women in Computing event initiated by ACM-W Europe. The conference aims to connect women from diverse technical disciplines and encourage them to pursue their education and profession in computing.

The womENCourage conference brings together undergraduate and graduate students, researchers, academics and engineers from Europe and beyond, to present and share their achievements and experiences and discuss pressing issues of women in the computing profession.

This year, womENCourage 2020 was virtually hosted by ADA University due to the global pandemic.

Google Hash Code 2020

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

Online Business Loan Webinar

On April 28, 2020, PASHA Bank launched its new product Online Business Loan via a webinar. During the webinar, Bank representatives shared information about the product and answered customer questions.

Online Export Conference for SMEs

PASHA Bank and the Center for Economic Reform Analysis and Communication of the Republic of Azerbaijan jointly organized an online seminar entitled "Complete Exports" in conjunction with the Azexport.az web portal.

The event aimed to facilitate access of entrepreneurs engaged in foreign trade to financial instruments under the brand "Made in Azerbaijan." The seminar provided entrepreneur attendees with information on the use of various financial instruments – including bank guarantees, international trade financing, factoring, letters of credit – to avoid cash crunches that may arise from packaging, customs clearance, product certification, transportation and other costs in order to complete export procedures.

"Bell Ceremony" to Mark Azergold CJSC Bond Issuance

On September 24, 2020, a "Bell Ceremony" was held to commemorate the bond issue of AzerGold CJSC, a customer of PASHA Bank, on the Baku Stock Exchange. The event was significant for the country's economy and was celebrated with a special ceremony. The Minister of Economy of the Republic of Azerbaijan Mikayil Jabbarov and the Chairman of the Board of the issuer AzerGold CJSC Zakir Ibrahimov attended the ceremony remotely from the Chovdar mine located in the Dashkesan region. Director of PASHA Capital Investment Company CJSC Jeyhun Hajiyev and CEO of PASHA Bank Taleh Kazimov joined from Baku via a live connection.

Expertech/Tech Meetup Regarding Fintech

On September 18, 2020, Jalal Orujov, Chief Operating Officer of PASHA Bank, shared his views on the main challenges and opportunities of the fintech sector at the 16th meeting of Expertech. He also fielded and answered questions from participants on the topic with Vurgun Hajiyev, a representative of ATL Tech.

CREDIT RATINGS

Despite facing macroeconomic challenges in 2020, PASHA Bank maintained its creditworthiness, which was recognized by global rating agency.

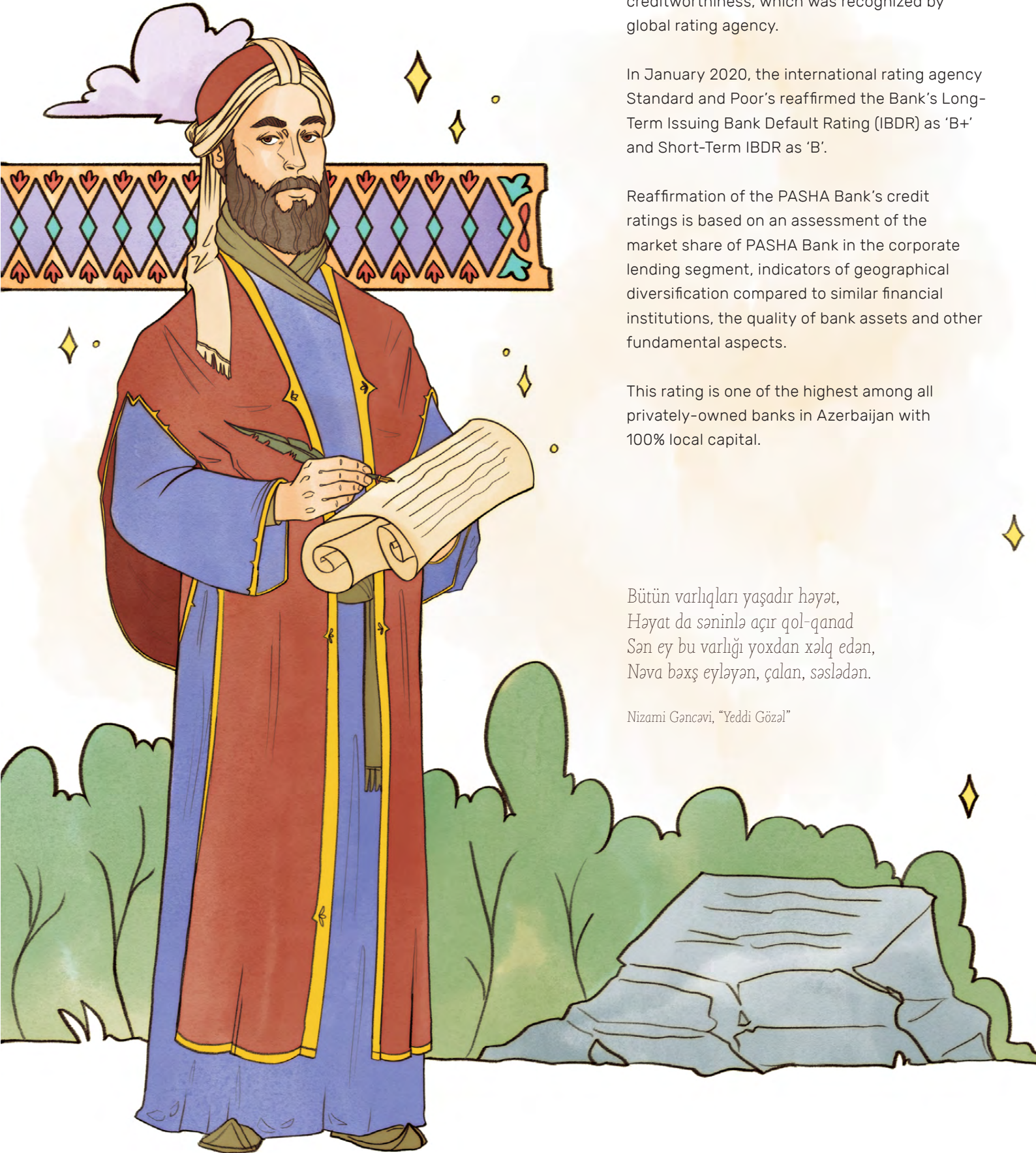
In January 2020, the international rating agency Standard and Poor's reaffirmed the Bank's Long-Term Issuing Bank Default Rating (IBDR) as 'B+' and Short-Term IBDR as 'B'.

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.

Bütün varlıqları yaşadır həyat,
Həyat da səninlə açır qol-qanad
Sən ey bu varlığı yoxdan xəlq edən,
Nəva bəxş eyləyən, çalan, səslədən.

Nizami Gəncəvi, "Yeddi Gözəl"



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 modern trends.

During fiscal year 2020, PASHA Bank's Risk Team focused on key projects that significantly strengthened the Bank's risk-based decision-making approach and risk culture. The majority of initiatives aimed to set 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 2020, PASHA Bank recorded the following improvements and achievements in its pursuit of excellence in risk management:

IFRS 9 Implementation, Completion, and Integration with Decision-making

PASHA Bank continues to successfully implement International Financial Reporting Standard 9 (IFRS 9), a new accounting principle for financial instruments. After completing its initial adoption

of IFRS 9 in its financial reporting cycle, the Bank commenced and completed implementation of IFRS 9 for daily, monthly, semiannual and annual management reporting. At the same time, PASHA Bank integrated the risk rating requirements of the newly adopted standard into its loan decision-making process. This approach allows the Bank's top management to access capital efficiency, cost vs. return, and other key data to facilitate making lending decisions.

Covid-19 Impact

PASHA Bank performed detailed analyses and stress tests to measure the effect of the Covid-19 pandemic on its customers. Considering the Bank's risk factors, IFRS requirements and approach, PASHA Bank conservatively calculated provisions for its CIB and SME customers in 2020. To ensure precise results, the Bank's Credit Risk Management Department engaged in close collaboration with other relevant divisions and departments at the Bank.

Improved and Automated Credit-lending and Post-lending Process

PASHA Bank adopted the SME digital risk scoring/underwriting model in order to optimize the overall lending process at the Bank. The risk scoring/underwriting model minimizes the duration of decision-making with a quantifiable approach. This model helps establish the framework for a pre-set measured credit risk limit for SME clients. The risk scoring models for corporate lending are under use in parallel mode until final validation is complete. PASHA Bank continues improvements aimed at reducing the time to make a lending decision in the SME segment.

In 2020, the Bank's Risk Monitoring Team started the Early Warning Signal (EWS) project in conjunction with external consultants. This effort aims to identify risky customers at an early stage. Currently, the SME EWS monitoring engine is in the pilot phase.

Market and Liquidity Risk Management Integration with Business Decision-making

During the year, PASHA Bank expanded the scope of market and liquidity risk with closer integration and proactive involvement into business decisions. The Bank introduced new market and liquidity risk limits. Most of the Bank's market and liquidity risk reports are now automated which accelerates decision-making.

The Bank relies on international best practices, regulatory standards and Basel guidelines in market and liquidity risk management. The Bank uses LCR and NSFR indicators to measure and manage liquidity risk. LCR is also linked with FTP methodology to measure the contingent liquidity risk.

In 2020, PASHA Bank started to use its new market and liquidity risk EWS system together with dynamic liquidity gap report for decision making. Considering the flat USD/AZN exchange rate in Azerbaijan, stressed VaR calculations and scenario-based stress tests are routinely conducted by the Market Risk Management Team to gauge possible impacts.

During the year, the Bank revised its Investment Policy. A market risk opinion is provided for all investment decisions on a daily basis in line with the revised policy. In addition, the Bank started to build up capital steering models and tools, such as RAROC, for investment analysis.

Risk Modelling Function

PASHA Bank successfully established and mobilized the Risk Modelling Division within the Risk Management function. The unit's main areas of responsibility include development, implementation, validation, regular updating, and back testing of the Bank's risk models. The Risk Modeling Division is charged with delivery of outputs for the Underwriting Department, Loan Monitoring Department and Credit Risk Management Department, respectively. In 2020, the Risk Modelling Division participated in the development of the digital SME underwriting decision engine, which is used to identify the risk level of a company.

Enterprise and Non-financial Risk Management

In 2020, PASHA Bank's Risk Management function continued to actively implement its risk culture initiative. In addition, operational stress test scenario analyses were conducted for the first-time. NFRM actively participated in the Fraud Management in Digital Channels project, which aims to identify gaps and set strong controls in the Bank's digital channels. Special trainings for Bank employees were conducted to raise risk awareness across the organization. Implementation of the 2020-23 Road Map includes ongoing coordination and monitoring of the current state assessment of risks and developing a risk culture assessment model. Under this effort, the Bank aims to execute the road map, assign risk accountability, implement a three line of defense model, and achieve full acknowledgement of risk by each stakeholder.

With the objective of covering all areas of the Bank from a risk perspective, Non-financial Risk Management engaged in the following activities in 2020:

- Conducted the Internal Risk Control Self-Assessment (RCSA) process;
- Reviewed the RCSA process and approach, and prepared new RCSA documentation;
- Improved and implemented the IT and cyber risk management framework;
- Improved and enhanced reporting on non-financial risks;
- Developed a bank-wide consolidated authority matrix;
- Conducted business process testing and control efficiency analyses;
- Boosted NFRM participation in Management of Internal Audit findings;
- Developed and approved a new format for process documentation, where all related risks, their controls and owners will be estimated in the process;
- Focused more on customer satisfaction and developed KRIs to this end;
- Collected, calculated and analyzed non-financial risk data.

During the year, PASHA Bank reviewed all rules and protocols related to authorities and developed a unique consolidated authority matrix, which is periodically updated.

At PASHA Bank, IT and cyber risk management is a key priority area under non-financial risks. Managing IT and cyber risk effectively is critical given the Bank's strategic aspirations and its digital banking focus. The IT risk management opinion became a core part of the Bank's business processes and product development efforts. Further improvement of IT and cyber risk management at the Bank is ongoing.

The above-mentioned activities have boosted PASHA Bank's risk health index as assessed by an independent third party.



Şahlıq dərgahından gizli işarə
Dəyincə gözümə, mən birdən-birə
Döndüm qanadları gerilmiş quşa,
Mülki-Süleymana uçum birbaşa.

Nizami Gəncəvi, "Yeddi Güzəl"

INFORMATION TECHNOLOGIES

PASHA Bank deploys advanced technologies that will enhance the speed and quality of service it delivers in every aspect of its operations to maximize both customer and employee satisfaction.

PASHA Bank's Information Technologies Department is responsible for the Bank's systems, communications, security, and software infrastructure. The Department is also charged with the 24/7 error-free, fast, auditable, scalable, and instantly observable operation of the integrated banking application that runs on the Bank's system infrastructure.

The Department ensures the optimum use of technology within the Bank's operations by:

- Establishing microservice architecture and implemented Agile practices within the IT Department;
- Providing technological support on major business activities, including the Synergy project with Kapital Bank and Pasha Insurance, among others;
- Improving fault tolerance and high availability capabilities of critical business services;
- Improving numerous internal IT processes to support excellence in IT and cybersecurity operations.

In 2020, the Bank continued to invest heavily in its digital platforms and services. PASHA Bank also actively cooperated with PASHA Technology (PT) in order to ensure optimal usage of its technological resources. The Bank plans to further expand and deepen this cooperation in 2021 and beyond.

During the year, the Bank's various IT units started preparations to migrate its technological infrastructure to PASHA Technology datacenters. PT's datacenters are Tier 3 certified by Uptime Institute. In this way, the Bank ensures availability of its infrastructure services at a world class level.

Migration of the Bank's datacenter hardware to PT datacenters is planned for 2021.

In 2020, PASHA Bank's IT Operations Team took numerous actions to ensure uninterrupted operation of the Bank's units during the Covid-19 pandemic:

- New remote access (VPN) policies were developed and implemented to support the needs of the Bank's different functions and while maintaining appropriate cyber and information security levels.
- The Contact Center staff was transferred to a work from home model.
- New laptops were acquired quickly and distributed among Bank's employees for remote working purposes.
- Microsoft Teams, a cloud-based communication platform, was newly implemented at PASHA Bank to support the staff's remote conference/meeting needs both within and outside the Bank.
- Constant and effective communication was provided via the Yammer platform, to ensure all Bank employees were aware about new ways of accessing IT systems, new tools, functionality options, and the like.

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, 2020, PASHA Bank Georgia recorded total assets of over GEL 473 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.

Covid-19 Impact

The pandemic year of 2020 was very challenging for the financial sector across the globe. The banking sector had to quickly adapt to changes brought about by the Covid-19 pandemic and implemented actions to minimize any negative impacts.

To ensure business continuity, most back-office employees of PASHA Bank Georgia switched to a remote working model.

During the pandemic, all Bank branch locations remained open both in Tbilisi and regions. The front office was divided into two clusters to deliver continuous service to customers while minimizing the risk of infection.

PASHA Bank Georgia adapted all necessary business processes to simplify its banking services while meeting customer needs. All information security requirements were met to protect the confidentiality of customer information and the safety of funds.

To safeguard the health of employees and customers, PASHA Bank Georgia conducted disinfection of all premises on a regular basis. The Bank also provided staff with all necessary protective equipment, such as thermo-screening devices, disinfectant barriers, medical supplies, masks, glasses, gloves, and the like.

The Bank regularly shared the recommendations provided by the Ministry of Internally Displaced

Persons from the Occupied Territories, Labor, Health and Social Affairs of Georgia with employees and facilitated compliance with these measures.

Financial Highlights

(GEL thousand)

Net Loss: (19,253)

Gross Loans: 337,607

Total Assets: 473,404

Key Ratios

Cost to Income: 127.5%

ROAE: -20.8%

NPL to Gross Loans: 1.5%

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

Mən onun deyri "Zənd-Avəst" kimi
Bəzədim yeddicə dilbər gəlinlə,
Göyün hər gəlini bir dəfə belə
Mənim gəlinimə baxarsa əgər,
Olar hər gözələ aşiq bir ülkər.

Nizami Gəncəvi, "Yeddi Güzəl"



countries in the region. In addition, the 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.

PASHA Bank Turkey provides solutions and services to entrepreneurs with its corporate and investment 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 2020, PASHA Bank Turkey pursued the objective of “being the first bank that comes to mind in the region” for companies doing business in the Turkey-Azerbaijan-Georgia triangle. By boosting the transaction volume and introducing innovative solutions, the Bank increased its trade financing market share in the region.

On December 31, 2020, Fitch Ratings affirmed PASHA Bank Turkey’s National Long-Term Rating as ‘A-(tur)’ with a ‘stable’ outlook.

Financial Highlights

(TRY thousand)

Net Profit: 31,376

Gross Loans: 1,492,935

Total Assets: 2,179,409

Key Ratios

Cost to Income: 42.7%*

(excluding building revaluation)

ROAE: 10.4%

NPL to Gross Loans: 2.4%

Covid-19 Impact

Despite the severe economic and psychological effects of the Covid-19 pandemic on markets and individuals worldwide, PASHA Bank Turkey continued the support it provides to the Turkish economy with a customer-oriented approach. The Bank was able to reach even more customers with its suitable product and service insights thanks to its broad-based customer policy. In line with customer needs, PASHA Bank Turkey focused on cash and non-cash credit transactions including leasing, project financing, syndication credits, foreign trade transactions for financing regional trade and forfaiting. The Bank has become widely known for the financing models it has designed concerning project financing and leasing credits.

Fiscal year 2020 was a successful one for PASHA Bank Turkey in line with its objectives and projections. The Bank’s goal for 2021 is to achieve sustainable profitability and growth targets by increasing the volume and diversity of transactions both within the Turkey-Azerbaijan-Georgia triangle and in the domestic market.

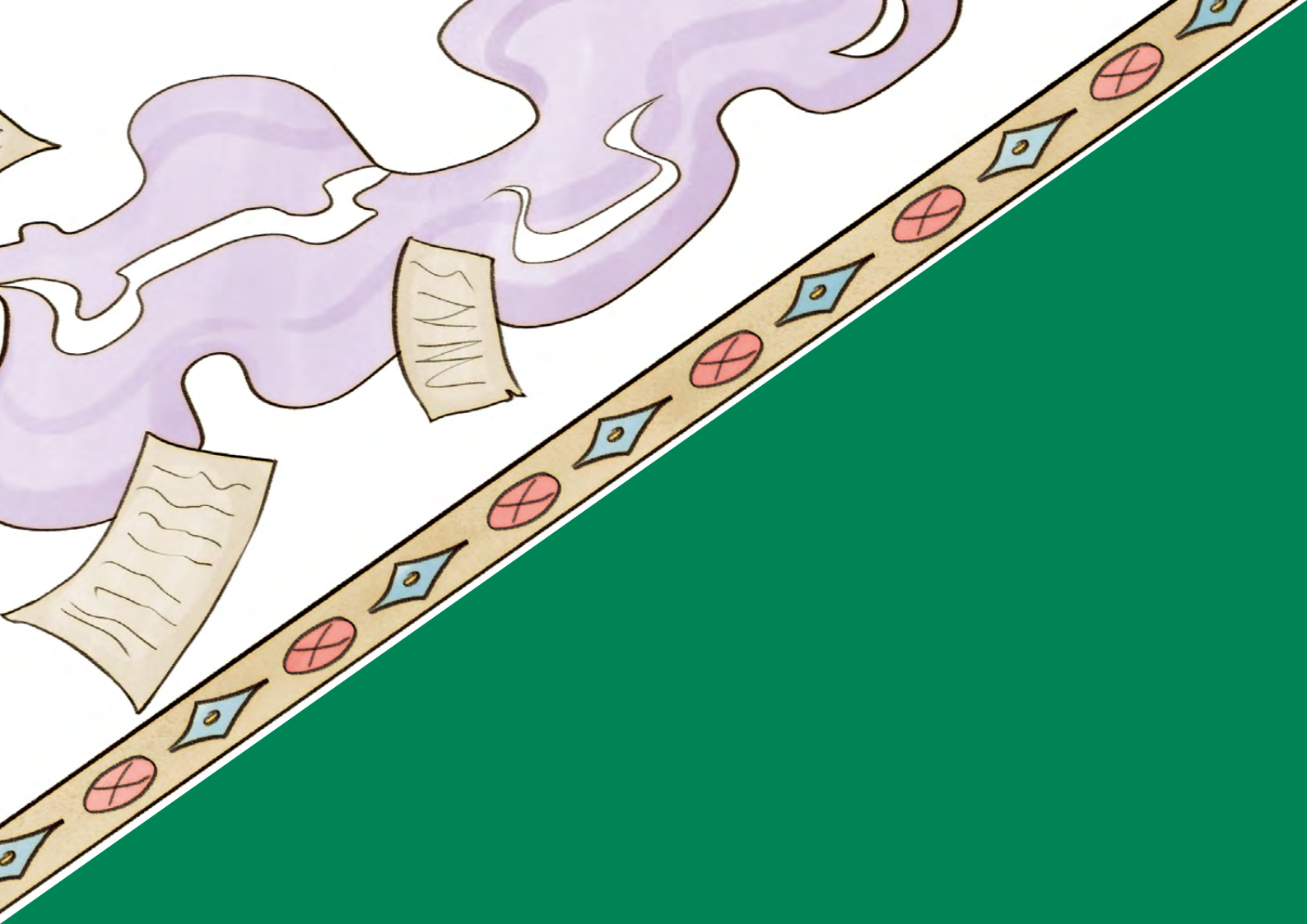
*The exchange rate as of December 31, 2020, was USD/TRY 7.4194.

Sənə bel bağlayır, bil ki, Nizami,
Səndədir dövrənin nəzmi, nizami.
Deyim ki, yer səni asimin sanır,
Göy səni adıyla hər zaman anır.

Nizami Gəncəvi, "Yeddi Gözəl"

1196





CORPORATE SOCIAL RESPONSIBILITY

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

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

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

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

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

WE EMPOWER ENTREPRENEURSHIP

PASHA Bank sees entrepreneurial activity as critical to Azerbaijan's social and economic development. As a result, the Bank aims to support the SME sector by effectively serving current customers and growing the customer base in this segment. PASHA Bank organizes seminars, forums and other events for its small and medium enterprise clients that lack the resources to attend or send their employees to various capacity and skills-building trainings. The Bank's activities in this area include an online demo presentation session for customers, ABA & DSMF project, AzExport and various online conference.

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

In 2020, PASHA Bank participated in different initiatives aimed at developing new digital solutions to meet the requirements of a fast-changing market environment.

Project Portfolio

"Scale Up" Acceleration Program

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.

Creative Hub for Social Entrepreneurship

In 2018, United Aid for Azerbaijan (UAFA), with support from PASHA Bank, established Creative Hub to foster social entrepreneurship in Azerbaijan. Creative Hub aims to provide a platform for social innovation where knowledge, ideas and best practices meet to find solutions for development challenges in the socio-economic context. Creative Hub is a place where social entrepreneurs, innovators and for- and not-for-profits can come together and work to build a sustainable future for low-income communities.

During 2019 and 2020, UAFA in conjunction with PASHA Bank moved Creative Hub forward by connecting with different actors to promote social enterprise and build a wider platform.

To this end, UAFA launched one of its latest projects, the CHED program – a training course in Childhood Health, Education and Social Development – in partnership with Georgetown University. JOY Child Development Centre served as one of the sites for the mentoring phase, so that participants can observe how they work with children.

Due to UAFA's rising profile and growing experience in social enterprise via Creative Hub, individuals and organizations are increasingly approaching UAFA for support to help them establish their own social enterprises.

In 2019, UAFA launched "Mektebim," an incubator program under Creative Hub, to foster inclusive pre-school development in Azerbaijan's regions. This effort aims to empower women to become small business owners and operate pre-schools in their community, with UAFA serving as the incubator. Forty women received training in basic business skills to convert their pre-schools into small business enterprises. Additional financial support is helping the program to expand into new regions of the country. In 2020, discussions were held with KOB State Agency and the Ministry of Labour & Social Protection to partner in Mektebim's expansion. Plans are now underway to further broaden the innovative program's reach.

WE EMPOWER HUMAN CAPITAL

PASHA Bank considers human resource development as another critical component to advancing 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

Partnership with School of Information Technologies and Engineering (SITE) at ADA University

Since 2018, PASHA Bank has partnered with ADA University's School of Information Technologies and Engineering (SITE). This partnership aims to foster human capacity development and institutional capacity building by enhancing and strengthening Azerbaijan's ICT (Information and Communication Technologies) ecosystem. This effort's overarching objective is to boost the domestic ICT ecosystem's sustainability and competitiveness.

SITE was established in 2012 with the mission of preparing a critical mass of high-caliber computing specialists and engineers, who will facilitate the nation's advancement to a knowledge-based economy. With initiatives in big data research and training, as well as techno-entrepreneurship, in addition to ADA's three focused study programs, SITE graduates will also be able to use the power of computing technologies in changing lives for the better across the region and globally.

Scope of Cooperation between PASHA Bank and ADA University

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

Student Development and Support – Facilitates the development of future ICT human capital in a wide range of related disciplines at SITE: Computer Science, Information Technologies, Computer Engineering and Systems Engineering. This effort enables gradual supply to the marketplace of a quality pool of junior specialists in the disciplines needed to propel forward the ICT sector in Azerbaijan and the region.

a. Undergraduate Scholarships – Funds meritorious or needy students pursuing undergraduate education at SITE by paying their tuition, fees, and related expenses.

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. In 2020, fifty-six

SITE students qualified for this award in three categories: 100%, 50% or 25% waiver of the tuition fee.

b. Startup Grants – Provides initial seed grant for 10 prospective student startups supported by the ADA Innovation Center. This effort includes an additional opportunity for PASHA Bank officials to deliver a training session for student startup teams and to address the students during the annual ADA Ideation Competition.

c. Internship/Graduate Recruitment – Provides opportunities for SITE 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.

CEO Breakfast with ADA students

On February 10, 2020, Taleh Kazimov, Chairman of the Board and CEO of PASHA Bank, met with students of ADA University.

During the informal breakfast, students shared with the head of the largest corporate bank in Azerbaijan about current trends in the labor market, new aspects of career development and their plans to implement after graduation. CEO Breakfast attendees learned about topical issues such as the gradual digitalization of the global economy and development of business in the new emerging environment.

PASHA Bank Cup II

PASHA Bank launched the PASHA Bank Cup II 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 students studying in this specialty and improving the professional skills of specialists. PASHA Bank Cup II started on May 4, 2020, and the competition spanned three days. In total, 55 out of more than 300 participants qualified for the finals; nine out of 55 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.

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 two 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

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

In 2020, 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.

Digital Transformation & Innovations in Government

In 2020, PASHA Bank in conjunction with the State Agency for Public Service and Social Innovations, under the Presidency of the Republic of Azerbaijan, initiated training on "Digital Transformation & Innovations in Government." The training program targeted a wide range of senior representatives from various government agencies and enterprises. The trainers were subject area experts from Russia's Skolkovo Innovation Center (Skolkovo Business School) and Switzerland's St. Gallen University.

The two-day training aimed to improve digital skills of high-level government representatives who are responsible for innovation development issues. The program was also designed to raise awareness on the latest developments in digitization, advanced technology, digital transformation, and innovation management.

SUPPORT TO SUSTAINABLE ECONOMIC DEVELOPMENT



Məndən də ucaldı bir acı nalə,
Özümlü unuttum, daldım xəyalə.
Yeni nəğmələrlə başlayım kəlam,
Keçmişlər ruhuna göndərim salam.

Nizami Gəncəvi, "İskəndərnamə"



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 and protects this value.

PASHA Bank CSR 3.1: Corporate Stakeholder Engagement

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

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

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

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

Return on Investment (ROI) under CSE

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

Events and Activities Implemented within the CSE Related Initiative:

1. Global HackCovid Virtual Hackathon in Partnership with INNOLAND (April 9-12, 2020)
2. “İxracını Tamamla” Online Seminar for SMEs (July 15, 2020)
3. International Fintech Evening in Partnership with SUP.VC (August 7, 2020)
4. Expertech/Tech Meetup on Fintech in Partnership with ATL (September 18, 2020)
5. Seventh ACM Celebration of Women in Computing: womENcourage 2020 (September 24-27, 2020)
6. “Scale Up” Accelerator for Women Entrepreneurs Program

Global HackCovid Virtual Hackathon

The first Virtual Hackathon was organized by the Ministry of Transport, Communications and Advanced Technologies, the United Nations Development Programme and SUP.VC on April 9-12, 2020 to bring together new technological solutions to combat the Covid-19 pandemic. PASHA Bank, the country’s leading corporate bank, provided first-tier support for this important initiative among financial institutions.

Businesses operating in many areas suffered from the economic crisis brought about by the global pandemic. To minimize the negative impact of the pandemic, the development of new digital solutions rose in importance in both local and global markets. Other priorities included accelerating the pace of digital transformation and developing digital and remote applications in the country. These key issues were the focus of the Hackathon in 2020.

Online Export Seminar for SMEs

PASHA Bank and the Center for Economic Reform Analysis and Communication of the Republic of Azerbaijan jointly organized an online seminar entitled “Complete Exports” in conjunction with the Azexport.az web portal.

The event aimed to facilitate access of entrepreneurs engaged in foreign trade to financial instruments under the brand “Made in Azerbaijan.” The seminar provided entrepreneur attendees with information on the use of various financial instruments – including bank guarantees, international trade financing, factoring, letters of credit – to avoid cash crunches that may arise from packaging, customs clearance, product certification, transportation and other costs in order to complete export procedures.

International Fintech Evening

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

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

Expertech/Tech Meetup Regarding Fintech

On September 18, 2020, Jalal Orujov, Chief Operating Officer of PASHA Bank, shared his views on the main challenges and opportunities of the fintech sector at the 16th meeting of Expertech. He also fielded and answered questions from participants on the topic with Vurgun Hajiyev, a representative of ATL Tech.

womENCourage 2020 Conference

PASHA Bank joined the Seventh ACM Celebration of Women in Computing: womENCourage 2020 conference to support innovation across boundaries.

womENCourage is an ACM Celebration of Women in Computing event initiated by ACM-W Europe. The

conference aims to connect women from diverse technical disciplines and encourage them to pursue their education and profession in computing.

The womENCourage conference brings together undergraduate and graduate students, researchers, academics and engineers from Europe and beyond, to present and share their achievements and experiences and discuss pressing issues of women in the computing profession.

This year, womENCourage 2020 was virtually hosted by ADA University due to the global pandemic.

“Scale Up” Accelerator for Women Entrepreneurs Program

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.

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

ABAD & PASHA Bank

PASHA Bank supported a social initiative to provide antiseptics to children living in orphanages and youth from low-income families. The project was implemented by ABAD public legal entity (ASAN Support to Family Business) and “ASAN Letter,” a social program of ASAN Volunteers, with the sponsorship of PASHA Bank. The organizers of the initiative focused on children’s health and the importance of following the rules of hygiene. The project reached more than 550 children living in Baku and the regions of Azerbaijan. The antiseptics distributed by the initiative were produced by a small business family with the support of ABAD.

Support by PASHA Bank Staff to Civilians Affected by the War

On November 13, 2020, a group of PASHA Bank employees visited the victims of the Second Karabakh War in order to provide them with support. The meeting was held with the organizational support

of the Sumgait regional office of the Azerbaijan Red Crescent Society. The affected families were presented with food products, blankets, personal care and hygiene products, and children's toys as part of the social support campaign conducted by the Bank's employees. PASHA Bank staff, who are committed to providing both material and moral support to the victims of the conflict, provided assistance to more than 100 families.

Gifts for Children Who Suffered from the War

With the support of PASHA Bank, ASAN volunteers met with children living in frontline conflict torn areas and suffering from the consequences of the war. A variety of gifts were presented to youth experiencing psychological stress in order to lift their spirits.

Coastal Cleanup Day

During the year, PASHA Bank supported the International Coastal Cleanup Day organized by Coca-Cola. The campaign aimed to improve the environmental landscape, educate the population, and promote environmental protection in the country. 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 Bank Project

In 2020, the Food Bank project was launched with the joint support of PASHA Bank and PASHA Holding. This effort included conducting research on food waste and exploring opportunities to create a food bank in Azerbaijan. The Food Bank project aimed to reduce the amount of food waste in Azerbaijan, while supporting socially vulnerable groups by efficiently using excess food waste.

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.

In 2020, PASHA Bank collaborated with various stakeholders to organize events where policymakers, investors, and non-governmental organizations from a number of organizations gathered to discuss opportunities for Azerbaijan to accelerate its economic development. These various events included the following:

- Google Hash Code 2020 (February 20, 2020)
- Online seminar for SMEs (July 15, 2020)
- ICPC regional contest (November 19, 2020)
- Global Deftech Hackathon (December 4-6, 2020)
- DevOpsDays Conference (December 19, 2020)

Google Hash Code 2020

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

"Complete Exports" Seminar

PASHA Bank and the Center for Economic Reform Analysis and Communication of the Republic of Azerbaijan jointly organized an online seminar entitled "Complete Exports" in conjunction with the Azexport.az web portal.

The event aimed to facilitate access of entrepreneurs engaged in foreign trade to financial instruments under the brand “Made in Azerbaijan.” The seminar provided entrepreneur attendees with information on the use of various financial instruments – including bank guarantees, international trade financing, factoring, letters of credit – to avoid cash crunches that may arise from packaging, customs clearance, product certification, transportation and other costs in order to complete export procedures.

ICPC Regional Contest

On November 29, 2020, the regional stage of the 45th ICPC – International University Programming competition (XVI Azerbaijan Championship) was held online with the sponsorship of PASHA Bank and organized by Baku Engineering University. According to the results of the competition, 34 successful teams represented Azerbaijan in the semifinals of the 45th ICPC – International University Programming competition, which was held online on December 13.

Global Deftech Hackathon

The Global Defense Technologies Hackathon event was held with the support of PASHA Bank. The online hackathon aimed to introduce innovative architecture and software solutions in the field of security and defense while fostering cooperation between various parties in this area.

At the event, 19 foreign and 31 local teams competed with the support of more than 30 foreign and local mentors, including representatives of PASHA Bank.

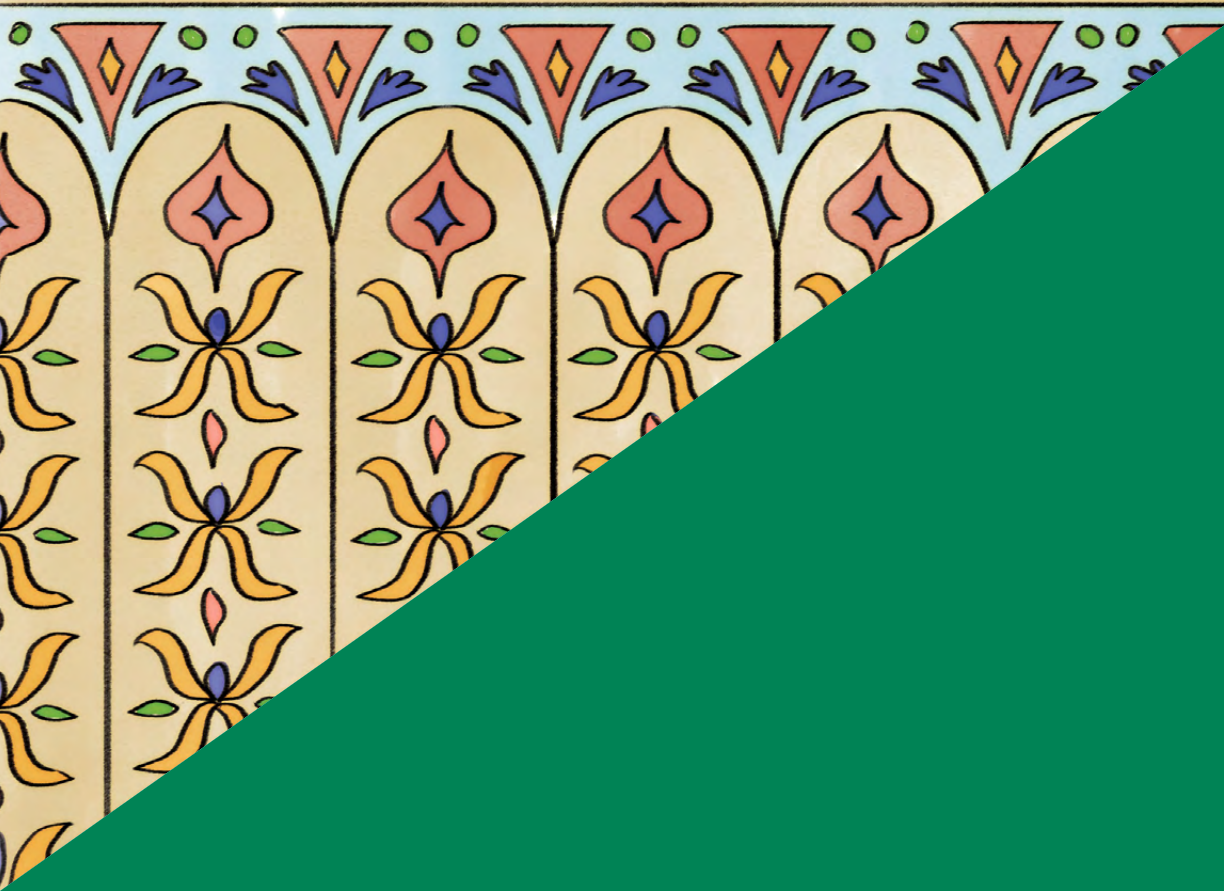
DevOps Days Conference

The Second DevOps Days Baku international conference was held in Azerbaijan with the support of PASHA Bank and SUP.VC Acceleration Center.

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

Xoş gəlir dünyanı ölçən ərlərə
Calasın səfəri başqa səfərə.
Görsün hər ölkədə yeni bir adət,
Olsun hər mənzildə azacıq rahat.

Nizami Gəncəvi, "İskəndərnamə"





REVIEW OF FINANCIAL STATEMENTS

REVIEW OF FINANCIAL STATEMENTS

Consolidated IFRS Financial Statements as of December 31, 2020 (Highlights)

Statement of profit or loss:

PASHA Bank recorded consolidated net profit of AZN 79,483 thousand in 2020. 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 credit loss expense, personnel expenses, and general and administrative expenses.

CONSOLIDATED NET PROFIT



79,483 k AZN

PASHA Bank Georgia



**(10,749)k
AZN**

PASHA Bank Azerbaijan



**83,969k
AZN**

PASHA Yatırım Bank



**7,651k
AZN**

License impairment*

(1,388) k AZN

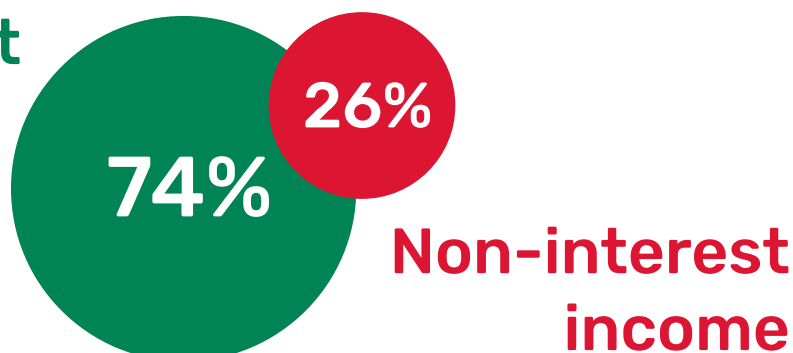
*License impairment is recognized only in the consolidated financial statement.

PASHA Bank reported operating income of AZN 269,483 thousand for 2020, up 7% over the prior year's figure of AZN 251,385 thousand. The increase was due to a 35% rise in non-interest income, which comprises 26% of operating income. Net interest income comprises 74% of operating income, which rose 0.1% in 2020 compared to 2019.

Interest income amounted to AZN 267,295 thousand, up 4% over the previous year's figure of AZN 257,660 thousand. Interest expenses increased from AZN 57,658 thousand in 2019 to AZN 67,068 thousand in 2020.

A major portion of non-interest income originates from operations with foreign currencies – AZN 35,745 thousand or 52%. Meanwhile, the proportion of gains from foreign currencies in total operating income was 13% in 2020. Net fee and commission income totaled AZN 32,500 thousand, which is 47% of non-interest income and 12% total operating income. In 2020, net gains from operations with foreign currencies jumped 50% over 2019, boosting non-interest income.

Net interest Income



Net interest income

200,227

Interest income	267,295
Loans to customers	191,169
Investment securities	59,579
Amount due from credit institutions	7,085
Cash and cash equivalents	7,830
Finance lease receivables	1,632
Interest expense	(67,068)
Amount due to customers	(35,987)
Other borrowed funds	(442)
Amount due to banks and government funds	(21,362)
Subordinated loans	(1,426)
Debt securities issued	(7,035)
Lease liabilities	(816)

Non-interest expenses amounted to AZN 142,761 thousand in 2020, up 10% over the prior year's figure of AZN 129,619 thousand. The primary reasons for the increase included:

- For the 12-month period ending December 31, 2020, the Bank's personnel, operating, and depreciation expenses totaled AZN 138,151 thousand, an increase of 14% compared to the same period of 2019. The rise in operating expenses was due to increased total personnel expenses (AZN 11,709 thousand). Please see the table below for a breakdown of operating expenses as of December 31, 2020 (mln AZN).

Personnel expenses	(69,277)
General and administrative expenses	(47,849)
Depreciation and amortization	(21,025)

Total

(138,151)

PASHA Bank reported ROAE of 14% as of December 31, 2020, unchanged from a year earlier.

The Bank's cost to income ratio remained relatively stable at 51% in 2020, compared to 48% for the prior year. PASHA Bank is currently using the cost calculation methodology. This approach will provide a clearer view for analysis of products and segment level performance, in turn contributing to better pricing mechanisms.

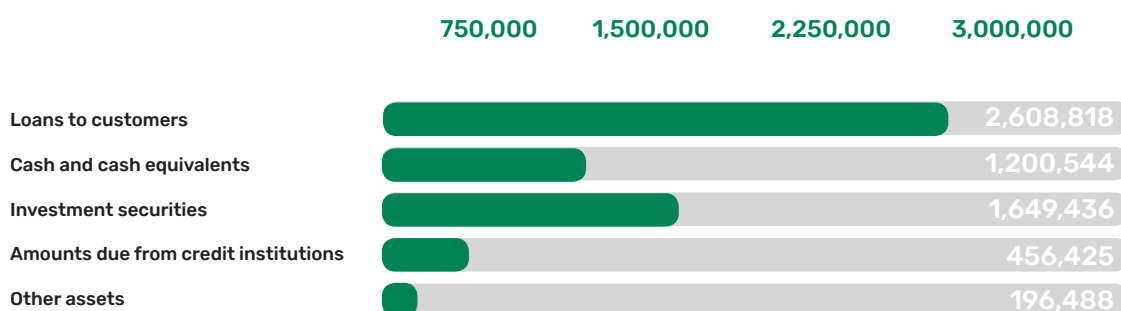
Statement of financial position:

PASHA Bank's total equity increased 6% to AZN 591,935 thousand in 2020. During the year, the Bank paid dividends to shareholders amounting to AZN 45,422 thousand.

The Bank recorded total assets of AZN 6,111,711 thousand at December 31, 2020, up 12% over the previous year's figure of AZN 5,440,439 thousand.

As of December 31, 2020, PASHA Bank's asset composition consisted of:

Amount due from...



The Bank's gross loans totaled AZN 2,682,856 thousand as of December 31, 2020, up 13% over the prior year's figure of AZN 2,363,909 thousand.

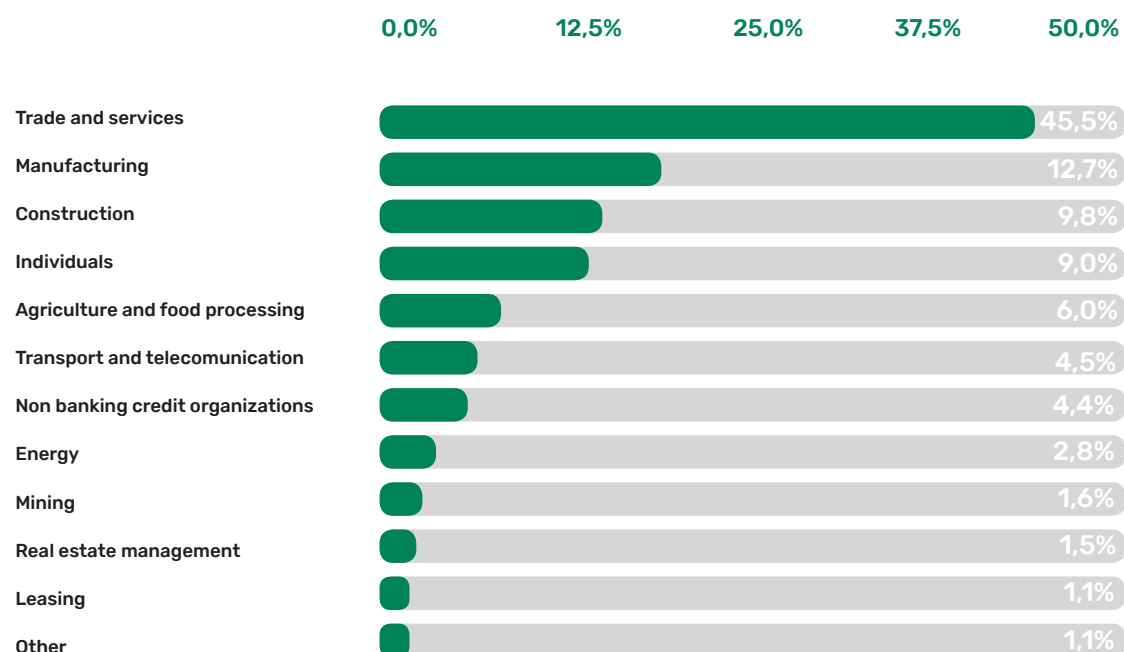
Nizami aləmə bir də səs salsın,
Adı bu əsərlə əbədi qalsın!
Bunun adı kimi olsun bəxtəvər,
Dolandıqca düvran, keçdikcə illər!

Nizami Gəncəvi, "İskəndərnamə"

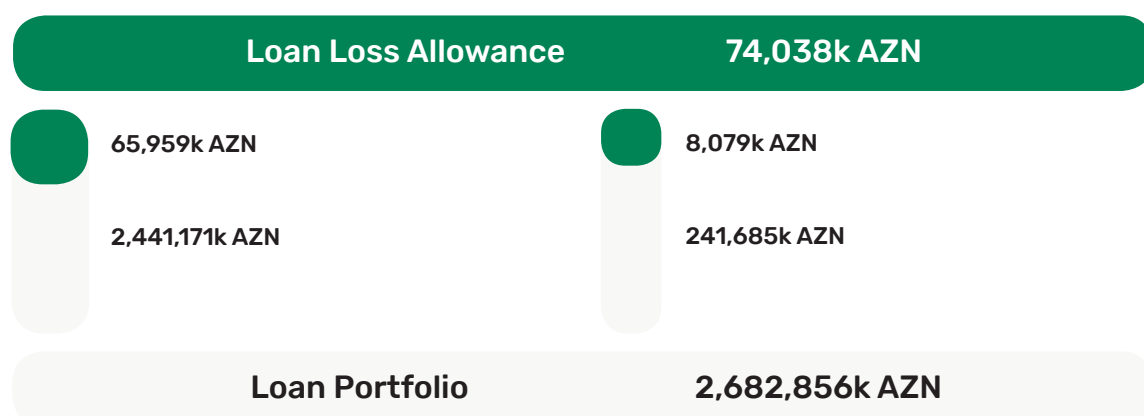


A breakdown of PASHA Bank's loan portfolio by sector is as follows:

Transport and telecommunications – and % of loans by sector



The Bank's effective provision rate decreased to 2.76% in 2020, compared to 2.83% in 2019. PASHA Bank aims to maintain the high quality of its loan portfolio; this key performance metric is strictly monitored. The Bank implements a highly comprehensive and sophisticated lending and credit risk assessment process. Optimization of this process is ongoing and performed by the Bank's credit underwriters. These various efforts are designed to prevent significant fluctuations and unexpected results in provision amounts and enable the Bank to make reasonable forecasts.



PASHA Bank's investment securities (trading + investment securities) increased AZN 503,083 thousand to AZN 1,649,436 thousand as of December 31, 2020, compared to the 2019 year-end figure of AZN 1,146,353 thousand. While bonds issued by the AMF jumped 915% to AZN 531 million, a general decline was recorded due to investment in CDs – 70%.

PASHA Bank continues to expand its customer base. The Bank boasts a solid client portfolio thanks to offering high quality products and services in addition to developing strong customer relationships over the years. As of December 31, 2020, the Group's customer deposit accounts totaled AZN 4,091,379 thousand, up 8% compared to year-end 2019.

The breakdown of demand and time deposits at December 31, 2020 is as follows:

**Demand
deposits**

66%

34%

**Time
deposits**

The Bank posted a capital adequacy ratio of 15.5% under CBAR capital requirements as of December 31, 2020 (December 31, 2019: 11.9%).

Under its 2021-2023 strategy, PASHA Bank aims to capture higher market share by offering competitive and advanced products to clients while maintaining its leading position in the Azerbaijani market.

Keçmiş alimlərdən danışdı bütün.
O da onlar kimi yatacak bir gün.
Belə danışarkən getdi yuxuya,
Heç oyaq deyilmiş dünyada guya.

Nizami Gəncəvi, "İskəndərnəmə"





SUSTAINABILITY SUMMARY

Sanma ki, düşmüşəm dövlət eşqinə,
Mənə gərək değil əsla xəzinə!
Gəzirəm elə bir sərraf insanı
Ki, məğmun etməsin gövhər satanı.

Nizami Gəncəvi, "İskəndərnamə"



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.

In 2017, PASHA Bank garnered the "Corporate Social Responsibility in CEE & CIS" award from EMEA Finance in recognition of the Bank's active support of local communities.

PASHA Bank's corporate social responsibility objectives include empowering entrepreneurship to develop Azerbaijan's economy. The Bank also understands that education plays a key role in advancing the country's development. As a result, PASHA Bank expends significant resources to support the education of young people, improve financial literacy among the nation's youth, and educate the business community. PASHA Bank is engaged in 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).

In 2020, the Food Bank project was launched with the joint support of PASHA Bank and PASHA Holding. This effort included conducting research on food waste and exploring opportunities to create a food bank in Azerbaijan. The Food Bank project aimed to reduce the amount of food waste in Azerbaijan, while supporting socially vulnerable groups by efficiently using excess food waste.

Workshop presentations were conducted in an interactive manner, fostering learning and development via active dialogue. Speakers covered a variety of relevant topics, ranging from the role of media in fostering sustainable development to the engagement of businesses in promoting sustainability. Presenters also covered topical subjects such as "greenwashing." This increasingly common practice promotes misleading information or biased presentation of facts about the environmental benefits of certain actions taken by companies. Greenwashing is used today as a way to influence public perception of a company's brand.

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

1. "Scale Up" Acceleration Program (January 16, 2020)
2. Interviews with Clients (May 6, 2020)
3. "Complete Exports" online seminar for SMEs (July 15, 2020)

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

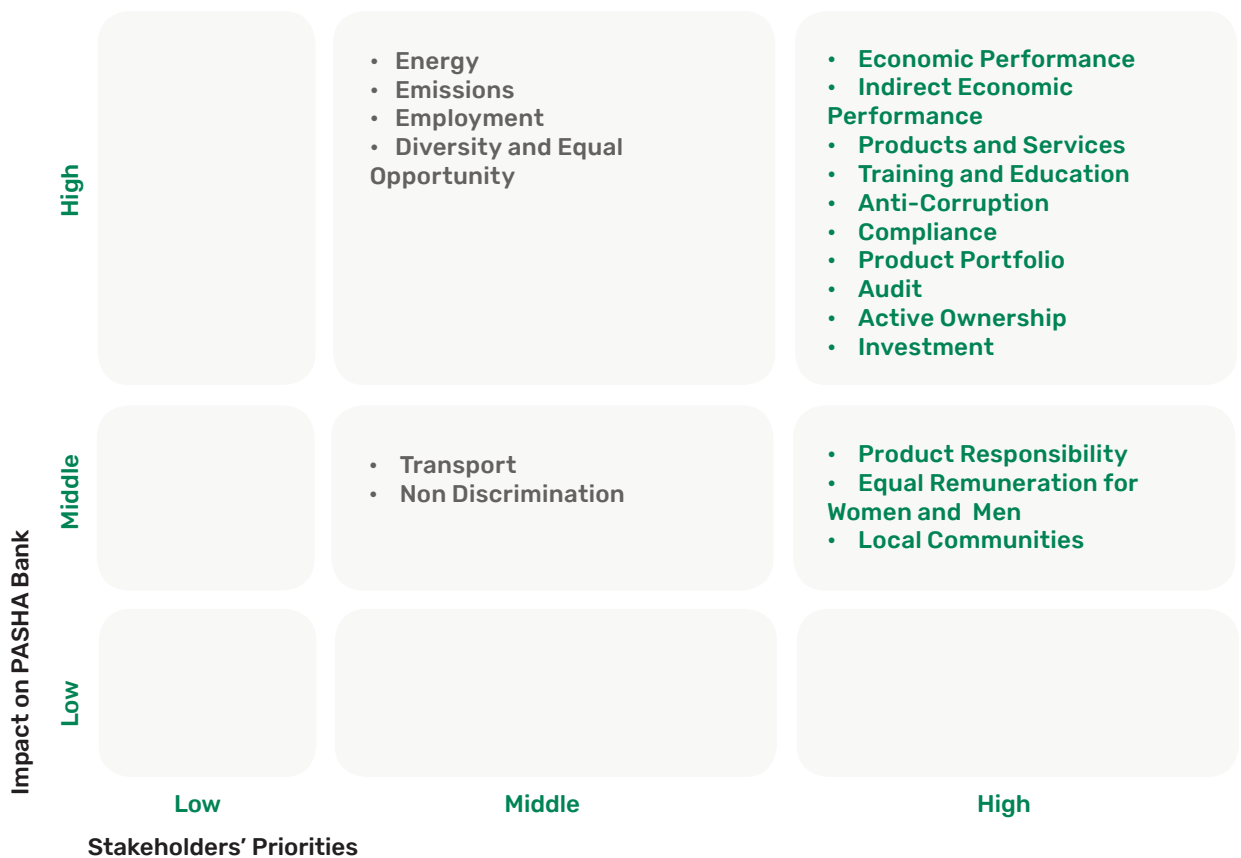
1. International Fintech Evening (August 7, 2020)
2. Expertech/Tech Meetup (September 18, 2020)
3. DevOpsDays Baku 2020 conference (December 19, 2020)

Representatives from public and private companies, as well as international financial institutions, took part in these various events. PASHA Bank sees these seminars, conferences

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

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

PASHA Bank Sustainability Report Materiality Analysis



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

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