

SUSTAINABILITY REPORT 2014-2015





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As Azerbaijan's best performing and most reliable bank, PASHA Bank actively promotes the country's sustainable economic development.





PASHA BANK'S SUSTAINABILITY PERFORMANCE

PASHA BANK'S SUSTAINABILITY PERFORMANCE

PASHA Bank's Sustainability Priorities

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

Financial Highlights

	2015	2014
Net Profit (AZN)	14.4 million	-2.8 million
Total Assets (AZN)	2.3 billion	1.3 billion

Operational Highlights

	2015	2014
Number of Employees	416	321
Percentage of Women Employees (%)	39.8	40.2

Environmental Highlights

	2015	2014
Energy Consumption (KVh)	46,851.20	30,982.09
Water Consumption (Tons)	4,851.09	1,179.02

Social Highlights

Total Number of "Improving Financial Literacy" Program Participants	150
Total Number of "I Am a PASHA Bank Scholarship Holder" Recipients	24



ABOUT PASHA BANK

As a result of its sustainability strategy, which is focused on achieving ambitious targets, PASHA Bank has become the largest private bank in Azerbaijan by total equity.

PASHA Bank, leading corporate financial institution in Azerbaijan, was established in 2007 to provide a comprehensive array of financial services – corporate and investment banking, trade financing and asset management – to a diversified client base ranging from large corporates to small and medium enterprises. In parallel with the steady development of Azerbaijan’s economy in recent years, the Bank has expanded its customer base in the agriculture, transportation, construction and retail industries, all key to the country’s economic growth. As part of PASHA Group, a large Azerbaijani based investment holding engaged in construction, real estate development, insurance, travel, leisure and other sectors, PASHA Bank has undertaken vital financial roles to support the Group’s activities in insurance, construction, construction materials and tourism.

Headquartered in Baku, PASHA Bank operates six business centers across Azerbaijan. In addition, the Bank has subsidiaries in Georgia and Turkey. PASHA Bank’s long-term vision is to become a regional player by creating interconnected banking operations that will facilitate the rapidly growing trade and deal flow between Baku, Tbilisi and Istanbul.

PASHA Bank is the largest private bank in Azerbaijan in terms of total equity, and one of the country’s top five private banks in total assets. As of year-end 2015, the Bank boasted total assets of more than AZN 2.3 billion, while its charter capital amounted to AZN 333 million.

PASHA Bank’s sustainable corporate development performance has been recognized

by the international financial community. The Bank received a long-term credit rating of ‘BB-’ and a short-term rating of ‘B’ from Standard & Poor’s and Fitch Ratings. Additionally, PASHA Bank was named “The Best Bank of Azerbaijan” at the EMEA Finance Europe Banking Awards 2015. The Bank also received the Trade Award 2014 from Commerzbank AG.

PASHA Bank has encouraged active stakeholder engagement with its sustainability efforts in order to promote the concept of sustainability in Azerbaijan.

Subsidiaries of PASHA Group

PASHA Bank
 PASHA Insurance
 PASHA Travel
 PASHA Construction
 PASHA Life
 PASHA Capital
 Kapital Bank

Vision

Our vision is to be one of Azerbaijan’s leading banks committed to maintaining the highest ethical standards, a sound business reputation beyond reproach, world class products and services, and exemplary financial strength.

Mission

Contributing to the growth of our customers by delivering high quality products and services tailored to our customers’ needs

- Employing, training and cultivating highly competent and devoted personnel
- Boosting the welfare and cultural development of society
- Maintaining a strong financial position
- Conducting our operations in a transparent and prudent manner

Strategic Goals

- Enhancement of capital and organizational efficiency
- Strengthening core capabilities
- Expand market position
- Bolster customer service
- Create synergies with the Group

Awards

2015

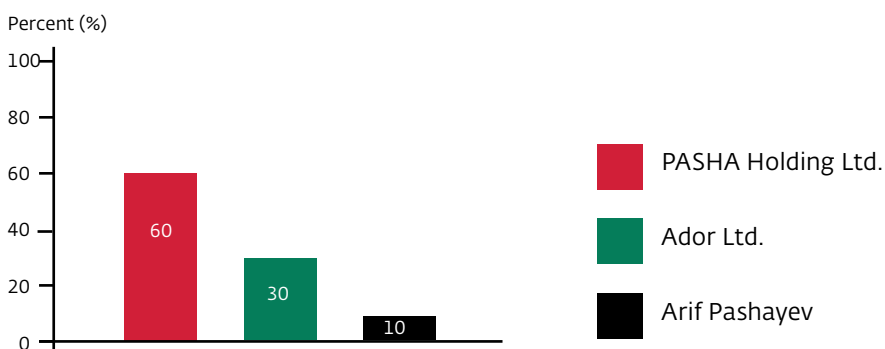
“Best Bank in Azerbaijan” EMEA Finance, Europe Banking Awards 2015; the “Participant of the Year” and “Leading Company Promoting Gender Equality” Awards , Azerbaijan Microfinance Association (AMFA),

2014

“The Best Bank of Azerbaijan” Trade Award 2014, Commerzbank AG EMEA Finance at Europe Banking Awards 2014.

PASHA Bank capitalizes on the robust financial position of PASHA Holding to achieve its long-term targets.

Shareholding Structure



ABOUT THE REPORT

This report details the sustainability activities that PASHA Bank undertakes to maintain its competitive advantages. In keeping with the guidelines of the GRI (Global Reporting Initiative) G4 Core option, the boundary of report focuses on PASHA Bank’s activities in Azerbaijan for the period 2014-2015. As a result, this report does not include PASHA Bank subsidiaries and the Bank’s activities in Georgia and Turkey.

During the process of determining the scope of the PASHA Bank Sustainability Report, the guidance of PASHA Bank senior management and recommendations of the Bank’s stakeholders were taken into consideration. The report’s Materiality Analysis (below) was constituted to map the contents of report.

**PASHA Bank Sustainability Report
Materiality Analysis**

Impact on PASHA Bank	High	<ul style="list-style-type: none"> • Energy • Emissions • Employment • Diversity and Equal Opportunity 	<ul style="list-style-type: none"> • Economic Performance • Indirect Economic Performance • Product and Services • Training and Education • Anti-Corruption • Compliance • Product Portfolio • Audit • Active Ownership • Investment 	
	Middle	<ul style="list-style-type: none"> • Transport • Non Discrimination 	<ul style="list-style-type: none"> • Product Responsibility • Equal Remuneration for Women and Men • Local Communities 	
	Low			
		Low	Middle	High
		Stakeholders' Priorities		

PASHA Bank is committed to achieving sustainable growth by shifting from a classical CSR (Corporate Social Responsibility) approach to a CSE (Corporate Stakeholder Engagement) model.

Sustainability Strategy of PASHA Bank

CSE Dimension	Sustainability Approach	Description
We empower entrepreneurship.	Clients for us	Aims to support SMEs, serving current customers and growing the customer base. Project Portfolio: <ul style="list-style-type: none"> • Sustainable Enterprise Development Program (SEDP) • Ideya Qazandi • BARAMA Center • Business Class
We empower human capital.	People for us	Aims to select and train the country's best students and young people in order to attract them to the Bank as interns or employees. Project Portfolio: <ul style="list-style-type: none"> • Azerbaijan Business Case Competition • Banks in Action • Essay Writing Competition • PASHA Bank Scholarship
We empower capacity and good governance.	Reputation for us	Aims to support the Bank's reputation via various awareness raising initiatives and events. Project Portfolio: <ul style="list-style-type: none"> • Business Journalism • Financial Literacy for Secondary Schoolchildren • Financial Literacy for University Students

Stakeholder Engagement Strategy of PASHA Bank

PASHA Bank pays close attention to the opinions and concerns of the Bank's key stakeholders while evaluating strategic issues the Bank faces. In addition, the Bank provides special communication channels to benefit from stakeholder recommendations.

Stakeholder Map of PASHA Bank

- Wider Banking Community (Associations)
 - Institutional Partners (International Financial Institutions)
- Employees
- Regulators
- Professional Groups
- Customers
- Management Team



Stakeholder Engagement Channels

- Email
- Meetings
- Intranet
- Posters/Banners
- Advertising and Promotional Campaigns
- Newsletters/Magazines
- Networking
- Events
- Special Campaigns
- Team Meetings, Annual Town Hall

Meetings

- Satisfaction Surveys

PASHA Bank especially participates in the national and international sectoral organizations to interact with its sectoral counterparts.

Memberships

- American Chamber of Commerce in Azerbaijan (AmCham)
- United States-Azerbaijan Chamber of Commerce
- Caspian Integration Club
- Joint Swiss Chamber of Commerce
- British Business Group
- German-Azerbaijani Chamber of Commerce

CEO MESSAGE FROM PASHA GROUP

PASHA Group has become rising Azerbaijan's highly reputable regional player thanks to its investments in Georgia and Turkey.

Dear PASHA Group Stakeholders,

PASHA Group has played a vital role in the Azerbaijan economy's leap forward in non-oil industries since 2006. Our investments – in financial services (banking and insurance), construction, tourism, property development and real estate – have led the way in diversifying the country's economy. In addition, our Group become rising Azerbaijan's highly reputable regional player thanks to its investments in Georgia and Turkey.

Sustainable financial and operational performance...

Despite a volatile economic and business environment globally, PASHA Group maintained its sustainable financial performance in the period 2014-2015. Group has implemented corporate governance best practices in line with our core values: transparency, quality, profitability, collaboration, and entrepreneurship. By incorporating our stakeholders into the business processes of PASHA Group, we have played a key role in bringing the best practices in corporate governance to Azerbaijan.

Reputable regional investor: PASHA Group

PASHA Group sees its sustainability strategy as the foundation of its long-term goal to become a leading, well-respected strategic investor in the region. In pursuit of this target, the Group invests in human resource trainings and advanced technology projects to maintain our competitive advantages. PASHA Group also executes comprehensive social responsibility projects to contribute to the sustainable development of Azerbaijani society. Our CSR efforts largely focus on fostering an

entrepreneurial culture in the non-oil sector of the economy, boosting financial literacy across the general population and helping build the skills and capacity of the nation's youth.

Our achievements are set to continue...

2016 will mark the 10th anniversary of the founding of PASHA Bank. Like the many achievements we have made in this period, we look forward to the future to new and even greater successes, driven by our highly competent human capital and solid corporate structure. On this journey to sustainable success, our corporate values and the steady support of our stakeholders will continue to guide us. I would like to express PASHA Group's gratitude to all those who have contributed to our sustainable activities and our numerous achievements to date.

Sincerely yours,
Jamal Pashayev
CEO of PASHA Group



CEO MESSAGE FROM PASHA BANK

Backed by the robust capital structure of PASHA Group, PASHA Bank has demonstrated a sustainable financial performance since 2007.

Esteemed Stakeholders,

PASHA Bank has assumed a significant role in the Azerbaijani economy with its comprehensive product and service offering, which includes nearly all segments of financial services. In parallel with PASHA Group's vision, PASHA Bank has successfully conducted its operations in line with the national efforts to diversify Azerbaijan's economy. In addition, our Bank has added value to the country's foreign trade activity through its subsidiaries in Turkey and Georgia.

A regional financial player...

Backed by the robust capital structure of PASHA Group, PASHA Bank has demonstrated a sustainable financial performance since 2007. Today, our Bank is the largest private bank in Azerbaijan by total equity and one of the top five private banks in total assets. At year-end 2015, PASHA Bank reported assets of more than AZN 2.3 billion, while its charter capital amounted to AZN 333 million. In addition to achieving sustainable growth, the Bank has recorded successful operational results in terms of improving the customer base across all business segments. Excluding our subsidiaries in Georgia and Turkey, PASHA Bank operates a nine branch service network plus our headquarters in Baku.

Embracing a long-term sustainability strategy

PASHA Bank's consistent performance is closely linked to its sustainability approach. Since its founding, PASHA Bank has successfully fulfilled the main objectives of its sustainability strategies. Our Bank actively promotes the development of Azerbaijan's securities markets and encourages the proliferation of small and

medium size businesses. Additionally, PASHA Bank invests in human capital via long-term sustainability projects that aim to boost the country's overall productivity. Internally, the Bank has administered more than 70 different types of training for employees, ranging from computer skills to foreign language instruction. Meanwhile, PASHA Bank's various social responsibility efforts include improving financial literacy among different age groups of society. Over the years, our Bank has also provided support to socio-cultural and sports activities through sponsorships.

Creating value for Azerbaijan...

Capitalizing on the full support of our shareholders and the robust financial structure of PASHA Group, PASHA Bank plans to continue creating added value for Azerbaijan. We will maintain our focus on delivering dynamic, sophisticated solutions to meet the ever changing conditions of the global economic environment and the diverse expectations of our growing customer base.

Sincerely yours,

Taleh Kazimov
CEO of PASHA Bank



OUR FINANCIAL AND OPERATIONAL PERFORMANCE

PASHA Bank demonstrated its solid capital position by recording a capital adequacy ratio (CAR) of 17% in 2015.

Key Financial Highlights (AZN million) *

	2013	2014	2015
Total Assets	704.1	1,273.3	2,292.7
Loans	329.2	538.9	902.2
Deposits	302.8	703.1	1,374.1
Customer Time Deposits	119.3	144.8	472.9
Customer Current Accounts	183.5	558.2	901.2
Shareholders' Equity	234.9	323.7	432.4
Interest Income	54.8	64.3	100.3
Fee & Commission Income	6.0	7.4	12.7
Operating Profit	51.6	60.2	116.3
Total Operating Expenses	22.6	29.3	47.4
Net Profit	12.0	-2.8	14.4

PASHA Bank provides a wide range of banking services to contribute the sustainable development of the Azerbaijani economy.

Key Financial Ratios (%) *

	2014	2015
Loans/Total Assets	42.3	39.4
Loans/Deposits	76.6	65.7
NPL Ratio	10.76	3.82
Demand Deposits/ Total Deposits	79.4	65.6
Shareholders' Equity/Total Liabilities	34.1	23.2
Capital Adequacy Ratio	33	17

PASHA Bank continuously improves its service infrastructure in order to meet the diversified needs of the Bank's corporate and individual customers.

Key Operational Highlights*

	2014	2015	Change (%)
Employees	321	414	29
Customer Base	21,069	37,943	80
Branch Locations	5	5	-
ATMs	26	30	15
Credit Cards Issues	2,667	7,586	184
Debit Cards Issued	12,584	23,375	86
POS	2,355	2,287	- 3

PASHA Bank sees its operations as a chain of value creating activities that positively impacts all stakeholders.

Economic Value Generated and Distributed (AZN million)*

	2014	2015	Change (%)
Direct Economic Value Generated	57,0	99,9	75
a) Revenues**	57,0	99,9	75
Economic Value Distributed			
b) Operating costs	16,0	18,1	13
c) Employee wages and other benefits	6,5	12,3	89
d) Payments to providers of capital	-	-	-
e) Payments to the government	11,7	9,1	-0,77
f) Community investments	0,9	1,5	66

Supply Chain Policy

PASHA Bank's Supply Chain Policy was formulated in accordance with the Procurement Guidelines and Tender Procedures. In addition, the Bank's suppliers are expected to comply with all applicable national laws as well as the Central Bank's rules and regulations. While the Bank's procurement practices are designed to ensure universal, fair and transparent competition, the Internal Control Department is charged with preventing theft, fraud and similar problems.

*These figures solely represent PASHA Bank activities in Azerbaijan.

** "Revenue" figures calculated as – "Net Interest Income + Non interest Income" based on Separate IFRS figures

OUR CORPORATE GOVERNANCE PERFORMANCE

At PASHA Bank, strong corporate governance practices are essential to achieve sustainable growth.

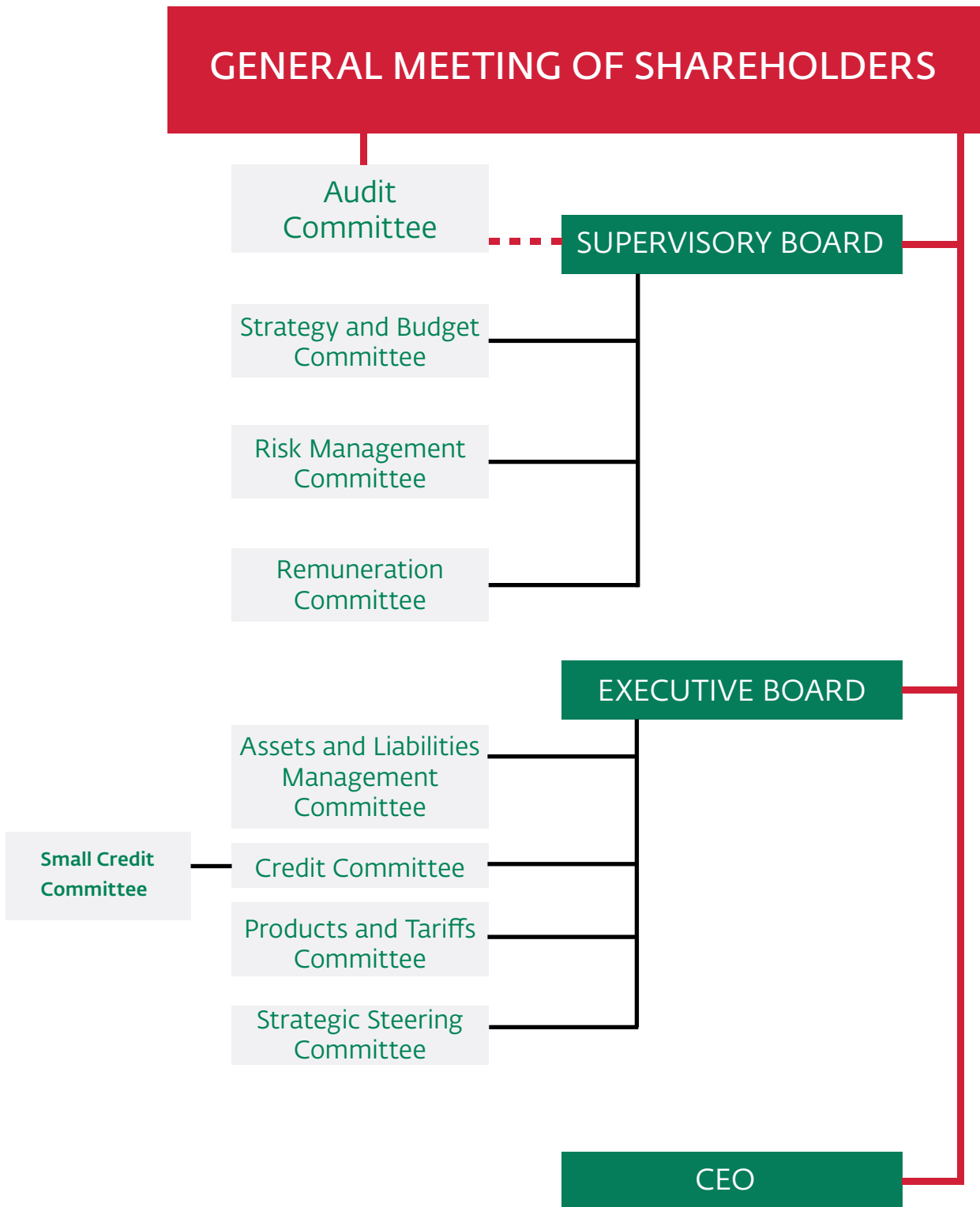
As the country's leading bank, PASHA Bank bases its corporate governance system on the Central Bank of Azerbaijan's standards, international best practices and the Bank's internal Corporate Governance Policy. At PASHA Bank, strong corporate governance practices are essential to achieve sustainable growth.

To this end, the Bank engages in the following:

- Organizes and implements a strategic planning process;
- Creates an efficient organizational structure;
- Carries out a comprehensive financial planning process;
- Implements efficient internal control and reporting systems;
- Establishes effective risk management systems;
- Develops reliable management information systems that enable the continuous flow of clear and adequately detailed information that reflects the Bank's current financial position and the status of its operations;
- Creates an internal audit function to enhance the efficiency of internal controls, establishes an internal audit strategy, and continually improves the internal audit function;
- Prepares precise measures to be carried by the Bank's shareholders and executives to prevent and regulate conflicts of interest, and delivers the Bank's financial and operational results to all interested stakeholders in a timely manner;
- Provides correct, detailed and impartial information on the Bank's activities to all stakeholders in a timely manner;
- Ensures that executive staff place the

Bank's interest ahead of their own personal interests;

- Takes measures to prevent a deterioration in the Bank's financial position and reputation caused by anyone acting on behalf of the Bank;
- Adheres to International Financial Reporting Standards, complies with regulatory requirements and develops internal rules to reflect accounting and reporting procedures.



*C-level employees may be appointed as Executive Board members without change of the functions they perform.



With the advisory of KPMG, PASHA Bank has benefited from stress tests and scenario analyses to ensure that it weathers any possible downturns.

Risk Management

PASHA Bank effectively manages risks and opportunities to realize its long-term goals. In particular, the Bank focuses on effective and accurate risk management of its lending processes. To this end, PASHA Bank's Risk Management Department developed a special scoring system to determine the credit limits for borrowers. With the advisory of KPMG, the Bank also benefited from stress tests and scenario analyses to ensure that it weathers any possible downturns. As a reflection of its effective risk management efforts, PASHA Bank reported a capital adequacy ratio (CAR) of 17% in 2015.

Internal Auditing and Compliance

PASHA Bank's Internal Audit Department is responsible for assessing the Bank's internal business processes in terms of risk. In accordance with the Bank's Compliance Policy, Code of Conduct and Conflicts of Interest Policy, the Department provides recommendations for areas to be improved, when deemed appropriate.*

In collaboration with the Compliance Department, Internal Audit conducts special trainings to inform all staff members about the Bank's policies and guidelines on compliance and the Code of Conduct. In addition, the Internal Audit Department interviews senior management on an annual basis as part of a self-assessment process.

International Compliance

PASHA Bank conducts its operations in full compliance with FATCA (Foreign Account

Tax Compliance Act) and Basel II requirements. In keeping with its goal of becoming a regional player, the Bank places particular importance on transparency and compliance with the international standards.

* PASHA Bank's Compliance Policy was adopted by the Supervisory Board on April 2, 2014. For further information, please see: http://www.pashabank.az/about_us/lang/en/#!/policy_and_reporting/708/

OUR CUSTOMER RELATIONS PERFORMANCE

PASHA Bank maintains 24/7 communications channels – email, corporate web site and direct telephone line – to manage customer suggestions and complaints.

PASHA Bank is committed to delivering unconditional customer satisfaction and maintaining customer privacy across all its operations. The Bank allocates a significant amount in its budget each year to boost the quality of its products and services and launch new offerings for customers. As a growing regional bank, PASHA Bank closely monitors new trends in international banking to adopt and integrate into its own business processes. The Bank also sets strict rules and guidelines to safeguard the confidentiality of customer data and information.

Managing Customer Suggestions and Complaints

PASHA Bank maintains 24/7 communications channels – email, corporate web site and direct telephone line – to manage customer suggestions and complaints. After customer suggestions and complaints are evaluated by the Bank's Quality Control Unit, process improvements are put in place, when necessary. In keeping with PASHA Bank's product responsibility principle, feedback is provided to customers concerning their suggestions and complaints.

PASHA Bank implements a comprehensive Information Policy when introducing products and services to its customers. Pursuant to domestic and international laws, rules and

regulations, the Bank fully informs customers about the product's terms and conditions of use. Specially designed communications materials are often used in this regard.

PASHA Bank's Customer Base

PASHA Bank aims to support SMEs from a variety of sectors, manufacturing and agriculture in particular. As a demonstration of its commitment to contribute to the country's sustainable development, the Bank cooperates with the International Bank of Reconstruction and Development to provide financing to small and medium enterprises in the agricultural industry. In addition, the Bank has introduced a portfolio of SME banking products and services for consumers. Details on the Bank's customer base in the period 2014-2015 appear below.

Technology Investments to Meet Customer Expectations

PASHA Bank regularly invests in customer-friendly banking technologies to improve the quality of life of its customers. The Bank recently introduced a Card Suite Fraud Management System to protect against all types of fraud activity and security risks. This tool allows the Bank to monitor potential fraud by identifying and analyzing any potentially fraudulent transactions before they occur.

PASHA Bank was the first bank in Azerbaijan to implement contactless payment tech-

PASHA Bank's Banking Segments

Corporate Banking
Commercial Banking
Business Banking
Institutional Banking
Treasury

Banking Products and Services		
Services	Products	Services
<ul style="list-style-type: none"> • Accounts • Standing Orders • Mobile Banking • Internet Banking • SMS Banking • Private Banking • Foreign Exchange 	<ul style="list-style-type: none"> • Supply Chain Finance • Factoring • Loans to Large Corporates • Loans to SMEs • Overdrafts 	<ul style="list-style-type: none"> • Bond Underwriting • Syndicated Loans • Trade/Export Finance

nology after rolling out PayPass for MasterCard customers in 2013 and Visa’s payWave in 2014. This non-cash payment method serves to significantly boost the transaction volume of the Bank’s corporate customers.

Marketing Communication Policy

PASHA Bank developed a Marketing Communication Policy to guide the management of the Bank’s reputation and the perception of the Bank by all internal and external stakeholders. This policy ensures that a positive image of the Bank is maintained while creating an avenue to promote the Bank’s growing product and service portfolio and expand the client base.

PASHA Bank is differentiated in the market with its many competitive advantages. These include a sustainable market position; rich experience in the corporate, commercial and business banking segments; solid capital base; a regional branch network; and an international team of highly qualified experts. These key messages are communicated to the stakeholders via conventional communication channels as well as emerging digital channels (e.g. LinkedIn, Twitter, YouTube).

The Bank also organizes events and sponsors activities for a targeted, more narrowly defined segment of stakeholders. PASHA Bank

actively builds relationships with embassies, chambers of commerce, trade and business associations of various countries to raise the profile of the Bank in target markets. To this end, the Bank can take a leading role in events such as the Economist Investment Summit and Economic Breakfasts. The Bank also undertakes sponsorship opportunities at events organized by other entities, such as Eurasia Forum in Turkey and The Economist Business Roundtables in Georgia.

Brand Communication Practices

PASHA Bank conducts its brand communication activities in collaboration with advertising professionals. The Bank’s corporate identity is presented with the brand promise of “New Heights Together” which emphasizes the reliability of PASHA Bank. This brand promise is focused on the message that PASHA Bank understands the customer better than anyone; thus, the Bank is best positioned to take the customer to new heights. The Bank has shaped its corporate identity materials in light of this new brand promise.

OUR HUMAN RESOURCES PERFORMANCE

PASHA Bank's Human Resources Policy is designed to bolster the competitive advantages of the overall organization.

In response to an increasingly competitive banking environment, PASHA Bank formulated its Human Resources Policy to boost the productivity and effectiveness of employees in light of the Bank's vision, mission and goals. The Bank's human resource planning, recruitment, selection and training activities are designed to attract, develop and retain the best personnel to meet the Bank's strategic business objectives.

Human Resources Profile

2015		
Gender	Number	Percentage (%)
Male	250	60.3
Female	164	39.7
Total	414	100

Annual Employee Turnover Rate: 2.7%

2015		
Gender	Number	Percentage (%)
Male	192	59.8
Female	129	40.2
Total	321	100

Employee Turnover Rate: (138 Hired 45 dismissed)

In 2015, 138 new staff members joined PASHA Bank's workforce. In addition, 15 students completed a two-month internship program during the year.

Gender Breakdown of New Staff

Criteria	Number of New Hires	Percentage (%)
Male	93	68.38
Female	45	31.62
Total	138	100



All PASHA Bank employees are entitled to receive extensive benefits as well as a monthly salary.

Employment Policy and Employee Benefits

PASHA Bank's Recruitment Policy complies with international human rights standards. The Bank does not discriminate on the basis of gender, pregnancy, marital status or civil partnership, race, or color at any point during the employment process. Currently, PASHA Bank employs four expats in its welcoming, multicultural work environment. The Bank adheres to the spirit and letter of all applicable Azerbaijani legislation, protects children against the practice of child labor, and embraces other important issues. As a reflection of its global vision, the Bank closely monitors, adopts and integrates international human resource trends into its corporate structure as deemed appropriate.

All Bank employees are entitled to receive extensive benefits in addition to a monthly salary, as summarized below.

Employee Loan

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

Educational Loan

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

Medical Insurance

PASHA Bank personnel may receive health and medical insurance coverage after successfully completing their three-month probationary period. The Bank offers three different categories of health insurance: Silver, Silver+ and Gold.

Other Benefits

The Bank provides employees with a certain amount each year to put toward sports club memberships. In addition, PASHA Bank staff is eligible to receive a 20% discount from "Sabina" salons and a 25% discount from "FACE Studio"

salons throughout the year by presenting their PASHA Bank Access Cards.

Bank personnel may also purchase a specified amount of books or academic materials to advance their individual development.

Support of Women Employment

PASHA Bank actively supports the employment of women to contribute to the sustainable development of Azerbaijani society. Today, 40% of the Bank's Executive Board and 39.8% of the Bank's total workforce are women. The Bank provides extensive opportunities to female employees to develop their personal and professional competencies.

Representation of Women Employees at Different Occupational Levels

2015		
Position	Number	Percentage (%)
Management	24	15.8
Department Staff and Lower	133	84.2
Total	158	100

2015		
Position	Number	Percentage (%)
Management	12	3.3
Department Staff and Lower	117	90.7
Total	129	100

Professional Training Activities

PASHA Bank offers extensive training courses for its employees to ensure that they can perform effectively and at the highest quality level. In line with its sustainability strategy that is focused on achieving long-term targets, the Bank's professional training activities are of a systematic nature. Depending on new sector, legal and regulatory developments, PASHA Bank regularly updates and refreshes the content of its

training courses.

In return for the ongoing training initiatives, PASHA Bank provides opportunities for employees to gain the knowledge, skills and qualifications they need to advance professionally and personally. The Bank's outstanding training programs helps the staff to reach their full potential so they will be equipped to successfully face the new, more complex challenges of the future.

Trainings Offered to Employees – 2015

Type of Training	Number of Trainings
Professional	58
Soft Skills	10
In-house Trainings by Outsources	10
Computer Skills	10
Certification	12
Trainings by Specially Trained Internal Trainers	13
Foreign Language Instruction	5

Trainings Offered to Employees – 2014

Type of Training	Number of Trainings
Professional	83
Soft Skills	23
In-house Trainings by Outsources	10
Computer Skills	3
Certification	6
Trainings by Specially Trained Internal Trainers	8
Foreign Language Instruction	5

In addition to these regular trainings, PASHA Bank's Human Resources Department designs special training programs for different employee groups. The Department organized the "Elite Banker" Training Program in 2015 to develop the professional competencies of senior staff members.

In 2016, the Human Resources Department plans to administer a training program on Gap Analysis and Succession Planning. Additionally, the Department conducts its periodic performance reviews and appraisals.

As a result of its successful talent management efforts, PASHA Bank's Human Resources team was named "HR Team of the Year" by judging panel formed of a number of international HR

specialists at Marketing Kingdom Baku in April 2015, highlighting the recognition the Bank's HR policies receive in Azerbaijan and beyond.

OUR ENVIRONMENTAL PERFORMANCE

PASHA Bank implements an advanced technology infrastructure throughout its branch network in order to effectively manage total electricity and water consumption.

PASHA Bank’s environmental sustainability efforts are an integral part of its core banking activities. Embracing international environmental standards, the Bank implements a variety of effective initiatives in order to mitigate its impact on the environment.

Controlling Natural Resource Consumption

In parallel with the steady growth of its operations, PASHA Bank implements an advanced technology infrastructure throughout its branch network in order to effectively manage total electricity and water consumption. The Bank also provides special trainings for staff members to increase environmental awareness among the workforce. In addition, PASHA Bank invests in noncash payment and internet banking technologies to save on natural resource use.

Total Electricity Consumption (KWh)

2015	-	46,851.20
2014	-	30,982.09

Total Water Consumption (Tons)

2015	-	4,851.26
2014	-	1,179.02

Recycling Practices

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

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

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

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

2015	-	7.0
2014	-	4.9

Reducing Carbon Dioxide Emissions

PASHA Bank is an active supporter of the effort to combat climate change. To this end, the Bank focuses on reducing the CO2 emissions generated from its activities. In addition to controlling the air conditioning systems and generators in the Bank’s offices, PASHA Bank takes steps to curb carbon emissions related to its transportation activity. In order to reduce CO2 emissions, the Bank implements the following practices:

- Fuel economy standards were introduced resulting in a yearly bonus for drivers who save on fuel.
- The Bank’s vehicle fleet was downsized.
- Old model vehicles are sold, while new eco-friendly vehicles are procured as replacements.
- Electricity power lines are upgraded to lessen power cuts and reduce the use of generators.
- Operating practices are improved to combine goods received from different suppliers and cut shipping costs.
- Drivers are instructed to improve driving practices and vehicle maintenance.
- Practical measures have been implemented to reduce air travel by staff.



OUR SOCIAL RESPONSIBILITY PERFORMANCE

PASHA Bank was awarded the “Best Corporate Social Responsibility Program in Europe” designation by EMEA Finance magazine.

PASHA Bank is committed to contributing to the welfare and cultural development of Azerbaijan as well as creating added-value for its shareholders. To this end, the Bank first formulated its corporate social responsibility and sponsorship strategies in 2009. The Bank pays particular attention to capacity building in the younger generation and the socio-cultural development of the country when developing its corporate social responsibility initiatives.

“Brain Ring” International Tournament

PASHA Bank sponsored the “Brain Ring” International Tournament 2015 to help develop a sense of competition among the younger generation and to foster their intellectual skills. Teams from Ganja State University, Azerbaijan State Agriculture University, Azerbaijan Technology University and other local universities took part in the competition. Winning teams were awarded with certificates and prizes from PASHA Bank.

Increasing Financial Literacy in Azerbaijan

PASHA Bank conducts special trainings to improve the financial literacy of entrepreneurs who run small and medium size businesses. Co-operating with the Central Bank of Azerbaijan, Junior Achievement Azerbaijan (JAA) and International Finance Cooperation (IFC), the Bank aims to increase financial awareness among the country’s younger population in particular.

PASHA Bank partnered with Junior Achievement Azerbaijan to implement the Sustainable Enterprise Development Program in 2014. Under this key initiative, 60 young persons aged 18-27 who harbored an interest in entrepreneurship received the training and support needed to start up their own small and

medium size enterprises. Participants benefited from financial sustainability and entrepreneurial courses that the program offered.

PASHA Bank also executes the Banks in Action program, which is based on practical experience and structured like a professional development training. This initiative educates participants about the banking industry while also encouraging them to become better citizens and smarter consumers.

BARAMA Innovation and Entrepreneurship Center

PASHA Bank established the BARAMA Innovation and Entrepreneurship Center in 2009 in collaboration with Azercell. BARAMA Center is designed to support start-up projects and function as a business incubator. To date, the Center has helped successfully launch 20 start-up projects and has played a leading role in establishing four technology companies.

BARAMA Center provides extensive technological opportunities as well as advisory in the areas of law, business development and finance for start-up projects.

Azerbaijani Business Case Competition

PASHA Bank also organizes the annual Azerbaijani Business Case Competition (ABCC) in co-operation with the US-educated Azerbaijani Alumni Association. Talented teams of young persons, representing the country’s major universities, focus on solving real business problems in this popular event. The Bank aims to spotlight the talented youth of Azerbaijan through this sponsorship.

Sponsorship Activities

In line with its Corporate Social Responsibility Policy, PASHA Bank contributes to the social-cultural development of society through sponsorship activities. The Bank focuses on

sponsoring sports and cultural events that reach out to the country's young generation.

PASHA Bank sponsors various international tournaments in Azerbaijan to raise the global profile of the country. In the cultural sphere, the Bank promotes projects that expose younger audiences to Azerbaijan folk music (mugham).

PASHA Bank also provides support to Ideya Qazandi, a reality TV program that aims to foster entrepreneurial activity and the development of small-medium enterprises. In addition, the series raises the level of business know-how and awareness of ethical practices among the country's younger population.

"I am a PASHA Bank Scholarship Holder"

PASHA Bank has implemented a scholarship initiative in partnership with the Union of Youth Student Organizations of Azerbaijan since 2012. Students majoring in mathematics, economics, finance, accounting and related subjects who demonstrate academic excellence or social achievement are eligible to receive scholarship funds to help finance their education.

Business Class Project

PASHA Bank launched the "Business Class" project to stimulate entrepreneurial activity in the non-petroleum sectors of the country's economy. Under the project, participants share their business experiences each other. For further information see: <https://www.youtube.com/user/azbiznesklass>

Essay Writing Competition

PASHA Bank holds an annual essay writing competition in conjunction with the British Council to encourage university students to write about the future economic development of Azerbaijan. Talented students from the country's leading universities receive training in

writing skills prior to participating in the competition.

Support to the Media

PASHA Bank implemented a three-year project in collaboration with the British Council to promote business journalism in Azerbaijan. The initiative consists of a training program specially designed for journalists with a number of specific media courses administered under the guidance of professional trainers from abroad. To date, 11 journalists representing Azerbaijan's leading press and electronic mass media have attended program to learn about the latest trends and developments in business journalism from their European colleagues.

Identify

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