

## Corporate Governance Rating

This revised report has been prepared by JCR-ER in compliance with the regulations of Capital Markets Board of Turkey

**Publication Date:** 08/06/2020

**Sector:** Investment Banking

## PASHA Yatırım Bankası A.Ş.

### Ratings

Overall Score	<b>9.20</b>	AAA(Trk)/aa (Stable)
Shareholders	<b>9.07</b>	AAA(Trk)/aa (Stable)
Public Disclosure & Transparency	<b>9.19</b>	AAA(Trk)/aa (Stable)
Stakeholders	<b>9.21</b>	AAA(Trk)/aa (Stable)
Board of Directors	<b>9.30</b>	AAA(Trk)/aa (Stable)

### Bank Profile

<b>Trade Name</b>	PASHA Yatırım Bankası A.Ş.
<b>Address</b>	PASHA Plaza, Sultan Selim Mahallesi, Hümevra Sokak, No:2/7, 34415 Kağıthane / İstanbul
<b>Chairman</b>	Mr. Jalal GASIMOV
<b>CEO</b>	Mr. H. Cenk EYNEHAN
<b>Investor Contact</b>	Phone: +90.212.705.89.00 yatirimci.iliskileri@pashabank.com.tr
<b>Web</b>	<a href="http://www.pashabank.com.tr">www.pashabank.com.tr</a>
<b>Investor Relations</b>	Mr. Mustafa DUMAN

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Financial Data	2019*	2018*	2017*	2016*	2015*
Total Assets (000,000 USD) ***	290	257	235	145	111
Total Assets (000,000 TRY)	1,726	1,350	897	510	322
Total Deposits (000,000 TRY)	0	0	0	0	0
Total Net Loans (000,000 TRY)	1,045	840	713	404	246
Equity (000,000 TRY)	532	506	261	245	231
Net Profit (000,000 TRY)	26	-4	16	14	9
Asset Size Market Share (%)	0.04	0.03	0.03	0.02	0.01
ROAA (%) **	2.14	-0.38	2.94	4.35	5.99
ROAE (%) **	6.36	-1.12	8.20	7.62	8.28
Equity/Assets (%)	30.81	37.47	29.06	47.94	71.51
CAR-Capital Adequacy Ratio (%)	32.00	37.85	31.36	53.85	91.75
Asset Growth Rate (Annual) (%)	27.86	50.48	75.73	58.30	427.92

\*End of year, \*\*Based on pre-tax figures, \*\*\*Based on year end CBRT parity

### Bank Overview

With an operating track record dating back to the establishment of Yatırım Bank A.Ş. in 1987, PASHA Bank provides services largely in the fields of corporate and investment banking through its headquarters with no branches. The Bank remained under the control of different shareholders until 2015, in which the majority shares were acquired by Baku based PASHA Bank OJSC. In May, 2018, PASHA Holding LLC became a direct shareholder with a rate of 49% whilst the paid-in capital was increased by TRY 245mn to TRY 500mn. The Bank had no other affiliates or subsidiaries as of the report date.

PASHA Bank OJSC and PASHA Holding LLC are qualified shareholders in the Bank with rates of 50.96% and 49% respectively as of end March, 2020. Based on equity, PASHA Bank OJSC represents the largest private bank in Azerbaijan and is among the top 5 banks by assets with 9 business centers across the country. Established in 2006, PASHA Holding LLC is one of the leading non-oil conglomerates in Azerbaijan with diversified investments in the financial sector, construction & development, travel & tourism and private equity.

The Board of the Bank consists of 9 members, 3 of whom are women with three holding independent status. The Bank has 6 committees under the Board which namely include strategy and budget, human resources and remuneration, credit, corporate governance, risk management and audit.

### Strengths

- Presence of a comprehensive and effective risk management and internal control system
- High level of effectiveness in internal audit activities
- Three independent members in the Board of Directors
- Three women in the Board of Directors
- Effective and transparent website in both Turkish and English
- Well-prepared contingency plans against emergent and unexpected circumstances
- Effective Board of Directors comprised of highly qualified, educated and experienced members
- Directors and Officers Liability Insurance Schemes covering the top management

### Constraints

- Absence of any clauses in the articles of association that broaden the exercise of minority rights beyond the current legislation for shareholders holding less than 5% of share capital.
- No disclosure of the names of ultimate individual shareholders who have more than 5% share in the Bank's Capital on the website.
- Absence of a labor union organization among the staff

## 1. Rating Methodology and Executive Summary

This revised report was prepared in light of JCR Eurasia Rating's original methodological procedures in accordance with the Corporate Governance Principles (the code) set by the Capital Markets Board (CMB) and states PASHA Bank's level of compliance with Corporate Governance Principles as of June 2020.

The Capital Markets Board's Corporate Governance Principles were first made public in 2003. Important revisions and changes were made at the beginning of 2012 and again on January 3, 2014, as detailed in Communiqué II-17.1 (accessible on [www.spk.gov.tr](http://www.spk.gov.tr))

The CMB pursued a significant change regarding the methodology of calculation of compliance rating scores in the beginning of 2014. Based on the recent CMB legislation, the new scoring methodology consists of two stages in which companies are allocated a base and a full score. In the new system, companies are first assigned a base score with a maximum of 85 points determining their compliance with the rules and practices outlined in the Code. In the second stage, an additional 15 points may be awarded depending on the efficient implementation and value creation achieved through practices exceeding those specified in the principles. Practices not stated in the Code but determined by JCR Eurasia Rating as best governance practices are also taken into account in the assignment of additional points. With these changes, CMB has placed special emphasis on functional compliance along with structural compliance with the Code and scores have been depressed as a result of the new calculation in two stages.

The Code consists of four main sections: Shareholders, Public Disclosure and Transparency, Stakeholders and Board of Directors. These main sections' coefficients, which were determined by the CMB, have been recently changed with the latest weight composition outlined below;

- Shareholders: 25%
- Public Disclosure and Transparency: 25%
- Stakeholders: 15%
- Board of Directors: 35%

The above-mentioned weights were 25%, 35%, 15% and 25%, respectively, in the previous years.

Subject to the preservation of the integrity of CMB regulations and regulations related to the Borsa Istanbul Corporate Governance Index and compliance with the limitations thereof, this report also covers topics such as implementations regarding “**Outlook**” determinations and “**Financial Efficiency**” analyses, all of which exist in JCR Eurasia Rating's original methodological structure.

Findings and assessments within the content of the report are based on information and documents disclosed by the Bank to the public through various channels and also submitted to JCR Eurasia Rating in writing and verbally, as well as reports and statistics disclosed on Public Disclosure Platform (PDP).

Distinct levels of the 4 main categories regarding compliance with the CMB Corporate Governance Principles are exhibited in the following table. The overall score has been calculated based on weightings determined for these 4 categories in line with CMB regulations.

Last year, through the analysis of JCR ER's original methodology, the general compliance level of the Bank with corporate governance principles as of June 2019, can be seen in the table below.

June 21, 2019				
Fields	Numerical Value	Convergence Level	Notch degree	Outlook
Shareholders	90.70	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Public Disclosure and Transparency	91.90	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Stakeholders	92.13	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Board of Directors	90.48	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
<b>Overall</b>	<b>91.13</b>	<b>AAA(Trk) (Distinctive)</b>	<b>(aa) (Superior)</b>	<b>Stable</b>

JCR Eurasia Rating's notation system may be viewed at: [http://www.jcrer.com.tr/Upload/Files/Reports/538\\_kydr\\_notation\\_oct2010.pdf](http://www.jcrer.com.tr/Upload/Files/Reports/538_kydr_notation_oct2010.pdf)

At the end of previous monitoring period, a comprehensive rating review was performed in June 2020. The Bank's

overall compliance note has been increased to 9.20 from 9.11.

- A re-structuring was undertaken in the Bank’s organization. An opinion was reached that the new structure will help to provide effectiveness in management and increase management quality. In particular, the conductance of the activities of the risk management, internal control and compliance departments under the Risk Management Committee, will help to manage the exposed risks in a more effective manner.
- Independent members were appointed to chair all sub-committees present under the Board.

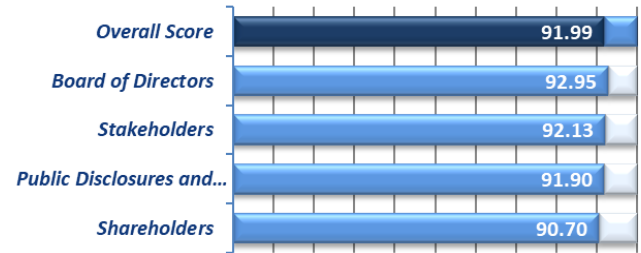
These positive developments are factors behind this increase in compliance. The Bank’s compliance level and their corresponding notes are outlined below:

- Numerical value of **9.20**
- Convergence Level **AAA(Trk)** representing the category of **“Distinctive Compliance”**
- Notch degree **(aa)** representing the category of **“Superior”**
- Outlook **(Stable)**

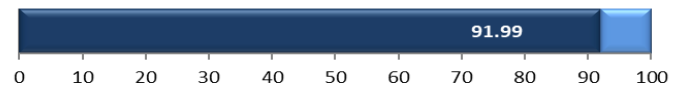
June 08, 2020

Fields	Numerical Value	Convergence Level	Notch degree	Outlook
Shareholders	90.70	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Public Disclosure and Transparency	91.90	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Stakeholders	92.13	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
Board of Directors	92.95	AAA (Trk) (Distinctive)	(aa) (Superior)	Stable
<b>Overall</b>	<b>91.99</b>	<b>AAA(Trk) (Distinctive)</b>	<b>(aa) (Superior)</b>	<b>Stable</b>

**Corporate Governance Score %**



**Overall Score %**



**Overall Result**

**9.20**  
 AAA (Trk) / aa  
 Stable

**Outlook**

JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Bank will maintain its level of compliance on an overall basis. For this reason, the outlook for the Bank has been determined as **“Stable”**.

**2. Turkish Banking Sector and Bank Overview**

Banking sector of Turkey is the core foundation of the financial system and the main funding source of the economy as the yet developing capital markets lag considerably behind. As such, the stability, resilience and growth prospects of the banking system is instrumental in any projection concerning the macroeconomic outlook of Turkey.

The Turkish Banking Sector, which is closely monitored by the regulatory authorities and directly affected by financial innovations and developments in the information technologies, also has the major share in the overall financial system in Turkey. The pivotal role of the banking sector is reinforced by the high share of the households in total financial assets.

The Turkish Banking Sector, which is pervasively regulated by the BRSA-the Banking Regulation and Supervision Agency, consists of deposit banks, development and investment banks and participation banks whose operations are designed based on the Islamic principles of profit or loss sharing.

	2019	2018	2017	2016	2015
<b>Core CAR</b>	14.20	13.79	14.09	13.22	13.26
<b>CAR</b>	18.40	17.30	16.85	15.57	15.57
<b>NPL</b>	5.36	3.87	2.95	3.24	3.09
<b>ROAA</b>	1.17	1.45	1.62	1.50	1.16
<b>ROAE</b>	11.53	14.83	15.88	14.28	11.28
<b>NII/Avg. Assets</b>	3.85	3.91	3.77	3.65	3.45
<b>Loans/Deposits</b>	109.65	122.58	126.63	123.60	123.37

Banking system of Turkey has found its footing again, once more proving its resilience to shocks and headwinds in both domestic and international markets. Following the onset of the sharp currency depreciation in August 2018 and subsequent interest rate hikes by CBRT, domestic lending had fallen considerably. However, the rates have fallen first incrementally and then sharply by the first and second quarters of 2019, as CBRT initiated a monetary easing accommodated via moderating inflation outlook and stabilized exchange rates. The loan book growth, ceased upon the onset of the aforementioned developments, picked up in particularly since 1Q2019 and despite a pause, remains strong throughout the year-end. Recovery of economic activity and falling interest rates and asset quality are expected to underpin the outlook of the Sector throughout 2020.

Turkish Banking Sector operates with 54 banks maintaining 11,297 branches within the country (74 abroad). ATM network is comprehensive, exceeding 49K as of December 2019.

Banking sector loans exceeded TRY 2.6 trillion as of FY2019, in comparison to TRY 2.4 trillion FY2018. The loan growth was not steady throughout the year, as depicted in the chart below, with state-owned banks doing the heavy lifting and leading the lending growth with aggressive rates. The private banks and rest of the market followed suit however, boosting their lending books. Both commercial and retail segments of credit have increased, with mortgage lending accelerating as the key rates falling below the consumer-critical threshold of sub 1%.

With roots dating back to 1987, PASHA Bank was originally established with the name of Yatırım Bank A.Ş. in Istanbul and represents the first foreign capitalized investment bank in Turkey, having operated under different shareholder groups until 2015. Following the acquisition of the majority shares by Baku-based PASHA Bank OJSC, which is a regional financial group, the title changed to PASHA Yatırım Bankası A.Ş. and it adopted the Bank name of PASHA Bank.

Following its take-over by PASHA Bank OJSC in 2015, the Bank's paid-in capital was increased to TRY 255mn whilst the Bank undertook its first debt instrument issuance through sale to qualified investors in 2016. The Bank successfully completed its first merger & acquisition transaction in 2017. In addition, the Bank carried out the first Eurobond issuance targeted at the Azerbaijani market with a 5-year maturity as well as executing the first "Debt Instrument Issuance Intermediation" transaction in the same year. In FY2018, PASHA Holding LLC became the qualified shareholder of the Bank with a rate of 49% and its paid-in capital was increased to TRY 500mn. In line with its long-term expansion plans the Bank moved to its new headquarters and completed the first Eurobond issuance denominated in EUR in 2019 and acted as an intermediary in the first asset backed security issuance along with participation in the venture capital funds and also provided funding from domestic capital markets through lease certificate issuance on the back of leasing receivables for the first time in 2020.

The Bank conducts its operations centrally through its headquarters in Istanbul and had no branches as of the report date. On the other hand, the number of personnel employed across Bank operations amounted to 61 as of end March, 2020. (FYE2019:56)

PASHA Bank OJSC and PASHA Holding LLC are the qualified shareholders of the Bank with rates of 50.96% and 49.00% and brief information about the two leading shareholders has been provided below. It must be noted that Reveri LLC and Bless LLC are the ultimate qualified shareholders in the Bank with equal rates of 29.84% along with Ador LLC with a share of 15.29% as outlined in the audit report

PASHA Bank OJSC, is the largest private bank in Azerbaijan based on equity and among the top 3 banks by assets. The Bank offers a wide spectrum of financial services including investment banking, trade financing and asset management with clients largely drawn from the non-oil sectors of the economy. With headquarters located in Baku, the Bank operates with 6 business centers, 3 branches and 2 FX offices which was followed by the opening of the first foreign subsidiary in Georgia in 2013 and Turkey in 2014. On a consolidated basis, the Bank had a paid-in capital of AZN 333mn along with assets and equity of AZN 5.44bn and AZN 560mn along with the employment of more than 800 personnel as of FYE2019. The shareholder structure of the Bank remained unchanged in comparison to the previous year, with PASHA Holding LLC representing the qualified shareholder with a rate of 60%, followed by Ador LLC and Mr. Arif Pashayev with rates of 30% and 10% respectively.

PASHA Holding LLC, which is the ultimate qualified shareholder, was established in 2006 and is an investment holding with interests in the fields of banking, insurance, construction, property development and tourism sectors. In addition to controlling stakes in PASHA group companies, the Group undertakes minority private equity investments. Apart from PASHA Bank, the Group's other interests in the financial sector include Kapital Bank, PASHA Insurance, PASHA Life Insurance, PASHA Capital Investment Company, PASHA Investment, PASHA Technology, Competo. Bless LLC and Reveri LLC hold equal shares with rates of 37.5% followed by Mr. Arif Pashayev with a rate of 25%.

As of March 31, 2020, PASHA Bank had an asset size of TRY 1.90bn (FYE2019: 1.73bn), loans of TRY 1.24bn (FYE2019: TRY 1.1bn), equity of TRY 540mn (FYE2019:

TRY 532mn) along with a net profit figure of TRY 8.48mn (FYE2019: net profit of TRY 25.69mn)

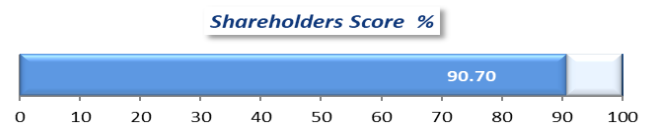
The Bank's Board consists of 9 members, including the Chief Executive Officer (CEO), 3 of whom are women along with 3 independent members. The Board meetings are held via physical attendance or in an electronical setting. There are 6 sub-committees operating under the Board which namely include credit, strategy and budget, human resources and remuneration, corporate governance, risk management and audit. The working principles of the mentioned committees have been summarized in the Bank's annual report and on the website.

### 3. Shareholders

The Bank succeeded in maintaining its level of compliance in this main section in the previous monitoring period.

The Bank's compliance level in this section and their corresponding notes are outlined below;

- Numerical value is **9.07**,
- Convergence Level **AAA(Trk)** representing the category of **“Distinctive Compliance”**,
- Notch degree **(aa)** representing the category of **“Superior”**,
- Outlook **(Stable)**,



### Shareholders Result

<b>9.07</b>
AAA (Trk) / aa
Stable

### Activities carried out during the monitoring period in the Shareholder field:

- ✓ The 2019 Ordinary Shareholders Meeting was held on March 30, 2020 at 10.30 a.m. at the Bank's



headquarters. The meeting was observed by our analyst and the works undertaken regarding the meeting were closely observed prior, during and following the meeting. Pre-meeting preparations, announcements and invitations were carried out by the Corporate Secretary and the Legal Departments according to the Code. Within the framework of democratic principles, all shareholders were treated equally in the meeting, the Bank's 2019 activities were outlined, all shareholders were given the right to address each agenda item and voting was done by an open show of hands. Following the meeting the relevant documents were disclosed to investors on the website.

- ✓ No lawsuit was opened by shareholders to cancel the resolutions made in the shareholders' meeting.
- ✓ There is no change in the articles of association of the Bank.
- ✓ The Investors Relations Department prepares the financial presentations of the Bank every quarter and submits to the investors on the website.
- ✓ The Bank realized TRY25.69mn of profit during FY2019. After setting aside TRY1.11mn as legal reserves, TRY24.58mn was designated as extraordinary reserves. The dividend distribution table was disclosed to the public via the company's website and the PDP following the general meeting.

### Outlook

JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Bank will maintain its level of compliance in the Shareholders main section. For this reason, the outlook for this section has been determined as **"Stable"**.

## 4. Public Disclosure and Transparency

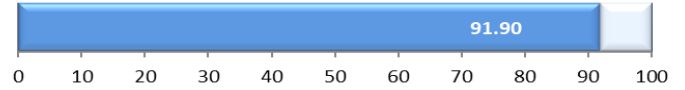
The Bank succeeded in maintaining its level of compliance in this main section in the previous monitoring period.

The Bank's level in this field and their corresponding notes are outlined below;

- Numerical value of **9.19**,
- Convergence Level **AAA(Trk)** representing the category of **"Distinctive Compliance"**,
- Notch degree **(aa)** representing the category of **"Superior"**,

### • Outlook (Stable)

#### Public Disclosures and Transparency Score %



## Public Disclosure and Transparency Result

**9.19**

AAA (Trk) / aa

Stable

### Activities carried out during the monitoring period in this field:

- ✓ The Bank's quarterly financial statements were released to the public within the period specified by CMB legislation and posted on the website.
- ✓ A total of 39 notifications in the monitoring period was disclosed to the PDP. Following these disclosures, no extra information was requested.
- ✓ The annual report for 2019 was published successfully with a high compliance level with the Code.
- ✓ The Bank's website is kept up to date in both Turkish and English.
- ✓ Significant improvements in the Bank's organizational structure and operations are published in a timely manner.
- ✓ The Bank's 2019 financial tables were audited by the independent audit firm Güney Bağımsız Denetim ve SMMM A.Ş. (a member firm of Ernst & Young Global Limited). The same audit firm will continue to carry out independent audit activities in 2020.

### Outlook

JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Bank will maintain its level of compliance in the Public Disclosure and Transparency

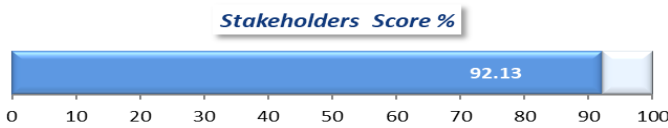
main section. For this reason, the outlook for this section has been determined as **“Stable”**.

## 5. Stakeholders

The Bank succeeded in maintaining its level of compliance in this main section in the previous monitoring period.

The compliance level of the Bank’s practices in the field of stakeholders with the Code has been determined as below:

- Numerical value is **9.21**,
- Convergence Level **AAA(Trk)** representing the category of **“Distinctive Compliance”**,
- Notch degree **(aa)** representing the category of **“Superior”**,
- Outlook **(Stable)**



### Stakeholders Result

<b>9.21</b>
AAA (Trk) / aa
Stable

#### Activities carried out during the monitoring period in the Stakeholders field:

- ✓ The Bank hired 21 new employees, 8 employees left the company and 1 employee retired. No loss in employee rights was observed during these developments.
- ✓ There is no notable lawsuit filed by the employees in monitoring period
- ✓ No lawsuits were filed against the Bank by service providers.
- ✓ PASHA Bank discloses the important policies for the stakeholders such as Sustainability, Environment and Social Responsibility Policy, Donation and Aid Policy, Conflict of Interests Policy, Ethical Rules etc. on the website.

- ✓ Within the scope of social responsibility, the Bank granted the amount of TRY5.5k out of the 2019 profit to various institutions. The Board of Directors submitted information to the shareholders regarding these donations in the general shareholders meeting.
- ✓ The Bank provided TRY20k support for the protective shield mask production project carried out by the digital production center ITU MAGNET FAB TRID.
- ✓ Additionally, after the Elazığ earthquake occurred in January, the Bank donated TRY10k to the region under AFAD Coordination and also made TRY75k donation to the “Biz Bize Yeteriz Campaign” to combat the coronavirus.

#### Outlook

JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Bank will maintain its level of compliance in the Stakeholders main section. For this reason, the outlook for this section has been determined as **“Stable”**.

## 6. Board of Directors

This main section’s score has been increased to 9.30 from 9.05. The reasons behind this increase are;

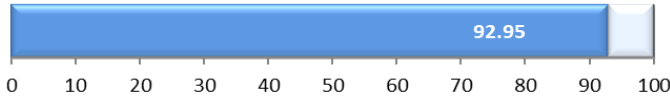
- A re-structuring was undertaken in the Bank’s organization. An opinion was reached that the new structure will help to provide effectiveness in management and increase management quality. In particular, the conductance of the activities of the risk management, internal control and compliance departments under the Risk Management Committee, will help to manage the exposed risks in a more effective manner.
- Independent members were appointed to chair all sub-committees present under the Board

The Bank’s level in this section and their corresponding notes are outlined below:

- Numerical value is **9.30**,
- Convergence Level **AAA(Trk)** representing the category of **“Distinctive Compliance”**,

- Notch degree (**aa**) representing the category of “**Superior**”,
- Outlook (**Stable**)

**Board of Directors Score %**



### Board of Directors Result

<b>9.30</b>
AAA (Trk) / aa
Stable

#### Activities carried out during the monitoring period in this field:

- ✓ At the general meeting held on March 30, 2020 the shareholders approved the 2019 activities of the Board of Directors.
- ✓ Liability insurance for board members and top managers was renewed by the Bank.
- ✓ There is no change in the composition of the Board of Directors.
- ✓ Ms. Benan Bilge Köksal was appointed as new deputy CEO in charge of financial planning, strategy and accounting (CFO) in September 19, 2019. Mr. Ferhat Aslan was appointed as the Director in charge of risk management and internal control in January 31, 2020.
- ✓ These changes were disclosed in a timely manner to the PDP and the website.
- ✓ All planned internal audit and control activities were successfully performed and reported to the Board of Directors in 2019.
- ✓ The corporate secretary carried out sufficient activities with respect to of the board of director meetings’ preparations, applications and follow-ups. During the meetings, the necessary services were provided to the members by the Secretary

and minutes were kept in accordance with the Code.

- ✓ The Bank disclosed the total remuneration amount provided to the board members and the top managers in the 2019 annual report.
- ✓ In the monitoring period, 10 Board of Directors’ meetings were held.
- ✓ Chairpersons of all committees are drawn from independent members in the Board of Directors.
- ✓ Audit, Corporate Governance, Risk and HR & Remuneration Committees held their periodic meetings and conducted effective activities in this period.

#### Outlook

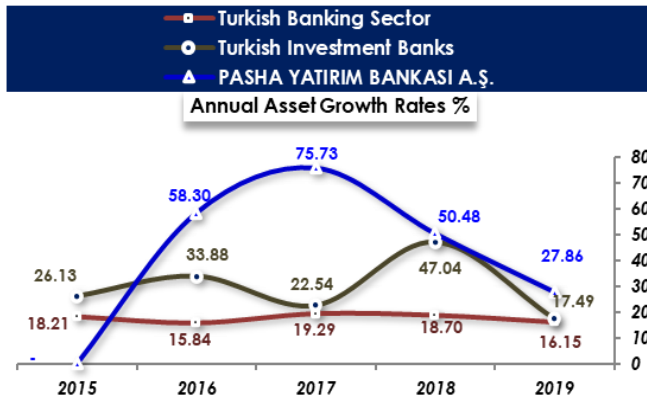
JCR Eurasia Rating is of the opinion that during the upcoming monitoring period following the publication date of this report the Bank will maintain its level of compliance in the Board of Directors main section. For this reason, the outlook for this section has been determined as “**Stable**”.

### 7. Financial Efficiency

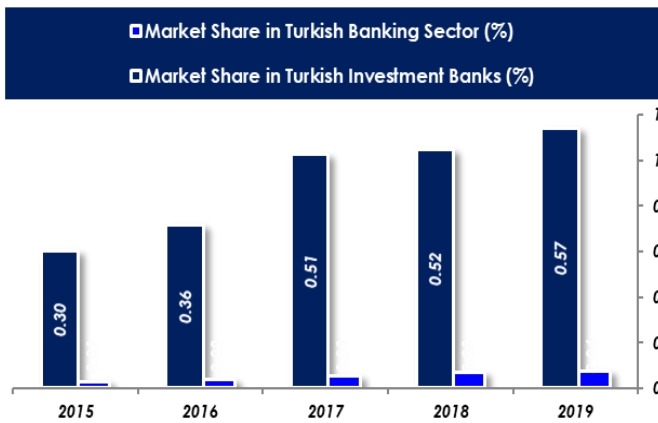
The financial analysis section provides a brief overview of PASHA Bank’s performance on a number of widely used indicators, including growth rates, profitability, asset quality and capital adequacy levels in comparison to the averages attained in the Turkish Investment Banking Sector and the wider Turkish Banking Sector. It must be noted that assessment of financial performance does not affect the Bank’s notations in the Corporate Governance Compliance Ratings.

Despite the maintenance of a downward trend in the growth rates over the last 2 years, which amounted to 27.86% at FYE2019, PASHA Bank’s asset growth rate outperformed both that of the Turkish Investment Banks and the wider Turkish Banking Sector with rates of 17.49% and 16.15% respectively in the same period. Gross and net loans comprised 63.35% and 60.57% of the Bank’s total assets at FYE2019 and exhibited a growth rate of 27.81% and 24.37% in comparison to the previous year respectively.

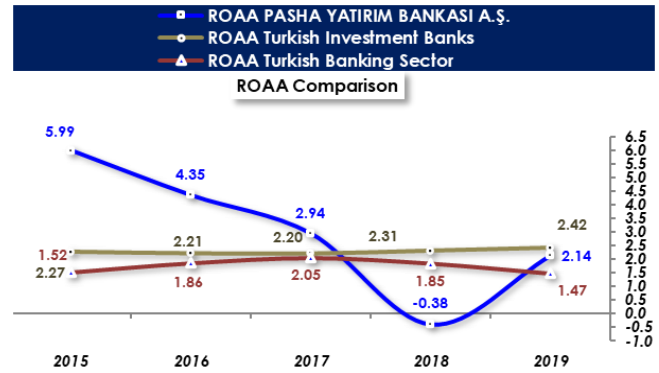




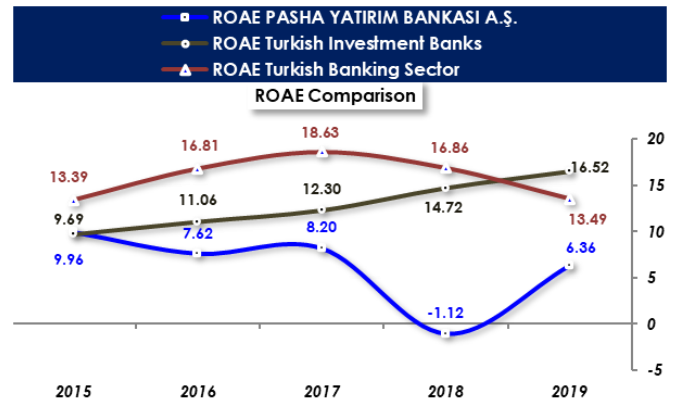
The market share, on the other hand, which is measured on the basis of solo asset size, in the investment banking sector increased to 0.57% as of FYE2019, in line with the above sector average asset growth rate. As such, the Bank maintained the upward trend in its asset-based market share over the last 5 years whilst its share in the overall banking sector amounted to 0.04% at FYE2019.



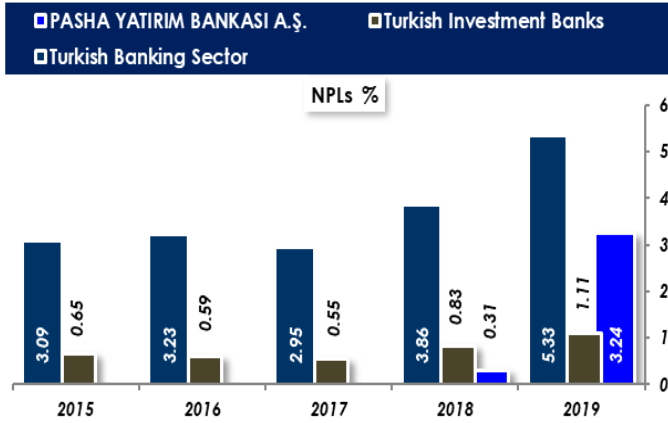
Having made a loss in FY2018, the Company's pre-tax profit amounted to TRY 32.97mn at FYE2019 whilst the growth in assets and equity amounted to 27.86% and 5.13% respectively. As such, the ROAA which dipped at FYE2018 with a rate of -0.38%, increased to 2.14% at FYE2019 which was above that of the Turkish Banking Sector (1.47%) but remained slightly below the Turkish Investment Banking Sector (2.42%).



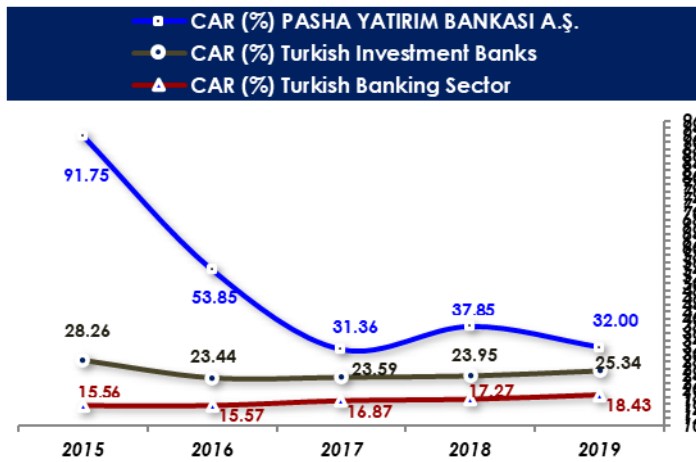
In line with the recovery in pre-tax profitability, the Return on Average Equity (ROAE) increased to 6.36% at FYE2019, however continued to remain below the averages of the Turkish Investment Banking and the wider Turkish Banking Sector.



The Bank's non-performing loans (NPL) ratio attained a rate of 3.24% at FYE2019 and was significantly above the level attained in the previous year and remained above the sector average for the Turkish Investment Banking industry (1.11%) and was below that of the wider Banking sector (5.33%) which recorded a notable increase in line with the deterioration in the wider economy with a particular focus on energy and construction sector loans.



The capital adequacy ratio (CAR) of PASHA Bank amounted to 32% at FYE2019 and was notably above the levels required by the legal regulations along with that of Turkish Investment Banks (25.34%) and the wider Turkish Banking Sector (18.43%).



Taking into consideration the above-mentioned factors, the Bank's rising level of profitability and increase in market share, strong capital adequacy level and management practices lend support for the maintenance of the current level of compliance with Corporate Governance Best Practices.

<b>TABLE:1</b>					
<b>SHAREHOLDING STRUCTURE</b>					
<b>Years</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>June, 2020</b>
<b>Paid Capital (000TRY)</b>	<b>255,000</b>	<b>255,000</b>	<b>500,000</b>	<b>500,000</b>	<b>500,000</b>
<b>Shareholders</b>					
PASHA BANK OJSC	99.9196	99.9196	50.96	50.96	50.96
PASHA HOLDİNG LLC	-	-	49.00	49.00	49.00
OTHERS	0.0804	0.0804	0.04	0.04	0.04
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

**TABLE:2**

<b>Financial Data</b>	<b>2019*</b>	<b>2018*</b>	<b>2017*</b>	<b>2016*</b>	<b>2015*</b>
Total Assets (000,000 USD) ***	290	257	235	145	111
Total Assets (000,000 TRY)	1,726	1,350	897	510	322
Total Deposits (000,000 TRY)	0	0	0	0	0
Total Net Loans (000,000 TRY)	1,045	840	713	404	246
Equity (000,000 TRY)	532	506	261	245	231
Net Profit (000,000 TRY)	26	-4	16	14	9
Asset Size Market Share (%)	0.04	0.03	0.03	0.02	0.01
ROAA (%) **	2.14	-0.38	2.94	4.35	5.99
ROAE (%) **	6.36	-1.12	8.20	7.62	8.28
Equity/Assets (%)	30.81	37.47	29.06	47.94	71.51
CAR-Capital Adequacy Ratio (%)	32.00	37.85	31.36	53.85	91.75
Asset Growth Rate (Annual) (%)	27.86	50.48	75.73	58.30	427.92

\*End of year, \*\*Based on pre-tax figures, \*\*\*Based on year end CBRT parity

**TABLE: 3**  
**BOARD OF DIRECTORS**

Name	Task	Expertise	Date Elected	Experience (Year)	Education	Executive/Non-Executive	Independent/Not Independent	Committee Membership
Jalal GASIMOV	Chairman	Banker, Manager	17.08.2015	21	MBA	Non-Executive	Not Independent	HR & Remuneration Member
Farid MAMMADOV	Deputy Chairman	Banker	31.03.2017	21	Master Degree	Non-Executive	Not Independent	Risk Committee Member, HR & Remuneration Member
Shahin MAMMADOV	Member	Banker	31.03.2015	17	Ph. D.	Non-Executive	Not-Independent	Corporate Governance Committee Member
Javid GULIYEV	Member	Banker	12.06.2019	24	Master Degree	Non-Executive	Not Independent	
Kamala NURIYEVA	Member	Banker	25.11.2016	23	Master Degree	Non-Executive	Not Independent	Risk Committee Member, Audit Committee Member
Meriç ULUŞAHİN	Member	Banker	31.03.2017	33	BA	Non-Executive	Independent	Corp.Gov. Committee Chairperson, HR & Remuneration Chairperson
Ebru OĞAN KNOTNERUS	Member	Banker	02.07.2018	29	BA	Non-Executive	Independent	Audit Committee Chairperson, Risk Committee Chairperson
Nuri TUNCALI	Member	Banker	29.03.2019	36	BA	Non-Executive	Independent	
H. Cenk EYNEHAN	Member, CEO	Banker	02.08.2013	26	MBA	Executive	Not Independent	HR & Remuneration Member