

Corporate Credit Rating

New Update

Sector: Banking

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| R A T I N G S | | Long Term | Short Term |
|--------------------------------------|-------------------------------|---------------|------------|
| ICRs (Issuer Credit Rating Profile) | National ICR | A (tr) | J1 (tr) |
| | National ICR Outlooks | Stable | Stable |
| | International FC ICR | BB | - |
| | International FC ICR Outlooks | Negative | - |
| | International LC ICR | BB | - |
| ISRs (Issue Specific Rating Profile) | International LC ICR Outlooks | Negative | - |
| | National ISR | - | - |
| | International FC ISR | - | - |
| Sovereign * | International LC ISR | - | - |
| | Foreign Currency | BB (Negative) | - |
| | Local Currency | BB (Negative) | - |

* Assigned by JCR on August 18, 2022

Pasha Yatırım Bankası A.Ş.

JCR Eurasia Rating has evaluated "Pasha Yatırım Bankası A.Ş." in the high investment-grade category, assigned the Long-Term National Issuer Credit Rating as 'A (tr)' and the Short-Term National Issuer Credit Rating as 'J1 (tr)' with 'Stable' outlooks. On the other hand, the Long-Term International Foreign and Local Currency Issuer Credit Ratings and outlooks have been assigned as 'BB / Negative' as parallel to international ratings and outlooks of Republic of Turkey.

"Pasha Yatırım Bankası A.Ş." (hereinafter referred to as 'PASHA Bank', or 'the Bank' or 'the Company') was incorporated as an investment bank in İstanbul on December 25, 1987 under the name of Yatırım Bank A.Ş before changing its name to Taib Yatırım Bank A.Ş. on May 22, 1997 and to Pasha Yatırım Bankası A.Ş. on March 02, 2015. As of the reporting date, the Bank operates in two main fields, which are corporate banking and investment banking. The Bank remained under the control of different shareholders until 2015, in which the majority shares were acquired by 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 reporting date. The Bank had a workforce of 59 employees as of 1H2022 (FY2021: 60).

PASHA Bank OJSC and PASHA Holding LLC are qualified shareholders in the Bank with rates of 50.96% and 49% respectively as of June 30, 2022. Based on equity, PASHA Bank OJSC represents the largest private Bank in Azerbaijan and is among the top 3 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, information technologies, travel & tourism and private equity.

Key rating drivers, as strengths and constraints, are provided below.

Strengths

- Above sector average net interest margin despite downward trend,
- Diversified funding profile thanks to access capability to international funding resources through Pasha Holding LLC,
- Low level of NPL ratio- remaining below the sector average as of 1H2022,
- Expected improvement in capital adequacy ratio through subordinated debt currently approved by BRSA as a supplementary capital,
- Country-specific advantages encouraging investment which contributes to the investment banks' operations,
- High level of compliance in corporate governance practices and continuity of well-established risk management practices.

Constraints

- Notably high credit risk concentration together with predominantly unsecured structure pressuring asset quality due to the business model,
- Short-term weighted borrowing profile of the sector,
- Sector-wide higher credit loss provisions as a result of worsening expectations for default probabilities due to the deterioration in the local and global economic outlook.

Considering the aforementioned points, the Bank's Long-Term National Issuer Credit Rating has been assigned as 'A (tr)'. The Bank's revenue generation capacity, diversified borrowing structure, low level of NPL ratios, capital adequacy ratios being compatible with the requirements and risk management implementations have been evaluated as important indicators for the stability of the ratings and the outlooks for Long and Short-Term National Issuer Credit Ratings are determined as 'Stable'. The Bank's financial structure, attainability of the Bank's budgeted projections, the NPL level, the possible impacts of the Russia-Ukraine War on the global and Turkey's economy and its effects on the Bank's activities will be closely monitored by JCR Eurasia Rating in upcoming periods. The macroeconomic indicators in national and international markets, as well as market conditions and legal framework about the sector will be monitored as well.

