

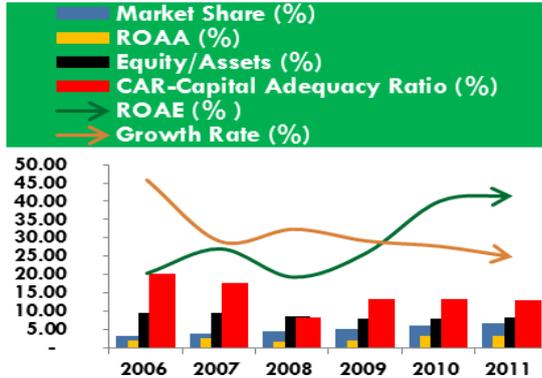
**Corporate Credit Rating Update**

**Banking**

creditwest Creditwest Bank Kıbrıs		Long Term	Short Term
International	Foreign currency	BB	B
	Local currency	BB	B
	Outlook	FC LC	Stable Stable
National	Local Rating	AA+(Trk)	A-1+(Trk)
	Outlook	Stable	Stable
Sponsor Support		2	
Stand-Alone		A	
Sovereign*	Foreign currency	BB	B
	Local currency	BB	B
	Outlook	FC LC	Stable Stable

\*Assigned by Japan Credit Rating Agency, JCR on June 28, 2012

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**Strengths**

- Continuation of uninterrupted and controlled growth policies,
- Progressively increasing market share, efficiency and brand awareness,
- Allocated high loans loss provisioning contribute to the quality of preserving assets,
- Well-established organizational structure and successful management practices,
- Relatively high collection rate of non-performing loans portfolio,
- Advanced risk management applications,
- Solid customer deposit base, a significant portion of which is covered by the Savings Deposit Insurance Fund,
- Decrease in the negative pressure of NPLs on the equity,
- Decrease in the volatility of the profit due to low FX risk exposure

**Constraints**

- Sector-wide structural maturity mismatches exerting adversities on liquidity management,
- Retained decreasing trend in net interest margin, prevalent in the TRNC banking sector,
- Isolated economic and political structure of the TRNC a major complication for the sector's development,
- Needed improvement in corporate governance practices in both the bank and sector,
- Although fully provisioned, high proportion of NPLs a prevalent sector-wide phenomenon

CREDITWEST BANK LTD.						
Financial Data	2011*	2010*	2009*	2008*	2007*	2006*
Total Assets (000 USD)	350,038	341,398	274,288	210,978	206,534	132,338
Total Assets (000 TL)	655,272	525,412	412,995	319,061	240,550	186,014
Equity (000 TL)	55,389	43,649	33,145	27,127	22,897	18,110
Net Profit (000 TL)	14,740	11,705	6,018	4,413	4,780	2,814
Market Share (%)	6.61	6.24	5.31	4.71	4.05	3.34
ROAA (%)	3.24	3.21	2.14	1.73	2.60	2.17
ROAE (%)	38.61	39.26	25.97	19.36	27.08	20.34
Equity/Assets (%)	8.45	8.31	8.03	8.50	9.52	9.74
Cap. Adequacy Ratio (%)	13.15	13.34	13.19	8.48	17.73	20.22
Growth Rate (%)	24.72	27.22	29.44	32.64	29.32	46.02

\*End of year

**Overview**

Creditwest Bank Ltd. (hereinafter Creditwest Bank or the Bank), was established in the Turkish Republic of Northern Cyprus (TRNC) under the name Altınbaşbank in 1994 and altered its name to Creditwest Bank in 2006. The Bank carries out operations through its 14 branch network in Nicosia (Lefkoşa), Famagusta (Magosa), Kyrenia (Girne) and Güzelyurt. In addition to all types of banking services, the Bank provides insurance, factoring, leasing and credit card payments services via its four financial subsidiaries, Creditwest Insurance, Creditwest Finance, Creditwest Factoring and Starcard Banka Kartları Ltd.

The Bank is ultimately owned by the Altınbaş Family, with operations spread out over nine countries in three continents and interests in various sectors with a primary focus in the energy, finance, jewellery, logistics, real estate, education and sports.

Creditwest Bank demonstrated an outstanding performance in all core banking activities and exhibited a transformative growth during the previous seven year period, displaying a cumulative asset size, loans and deposits growth of 876.32%, 1,211.58% and 915.79%, respectively in TRY basis without compromising its asset quality. The TRNC Banking Sector recorded remarkably lower growth rates of 172.47%, 360.74% and 163.95%, respectively in the same period.

The Bank was the second largest bank with a market share of 17.93% (FY2010: 16.70%) amongst private deposit banks and sixth with a market share of 6.61% (FY2010: 6.24%) in the entire sector with respect to total asset size in FY2011.

**Publication Date: July 27, 2012**

**“Global Knowledge supported by Local Experience”**

## 1. Rating Rationale

Creditwest Bank outperformed the Turkish Republic of Northern Cyprus (TRNC) banking sector in all core banking aspects, such as growths of assets, loans, deposits, equity and profit in FY2011 as in the previous year. During the last seven year period, the Bank achieved an asset base growth five times that of the sector and progressively enhanced its market presence without compromising its asset quality and profitability.

Creditwest Bank is one of twelve private deposit banking institutions in the Turkish Republic of Northern Cyprus Banking Sector which constitutes 36.85% of the entire TRNC Banking Sector. The Bank was the second largest, with a market share of 17.93% (FY2010: 16.70%) amongst those private deposit banks and sixth with a market share of 6.61% (FY2010: 6.24%) in the entire sector with respect to total asset size in FY2011.

As can be seen the chart below, Creditwest Bank achieved sound results in all major fields in 2011.

### Year-on-Year Growth of Key Financials (%)

	FY2010		FY2011	
	Banking Sector	Creditwest Bank	Banking Sector	Creditwest Bank
<b>Total Assets</b>	8.63	27.22	17.83	24.72
<b>Total Loans</b>	16.53	46.80	26.73	43.23
<b>Total Deposits</b>	7.63	30.30	18.91	33.19
<b>Net Profit</b>	20.99	94.50	6.37	25.93
<b>Equity</b>	18.31	31.69	17.26	26.90
<b>NPLs</b>	9.53	9.37	7.94	7.80

Currently, the Bank carries out operations through its 14 branch network in Nicosia (Lefkoşa), Famagusta (Magosa), Kyrenia (Girne) and Güzelyurt in Northern Cyprus with a well organizational structure and technological infrastructure. As alternative delivery channels (ADC), the Bank provides internet banking and ATMs services to its customers to ease access to banking.

At the end of FY2011:

- ✓ The Bank demonstrated a better performance in comparison to the sector in indices of ROAA (3.24%) and ROAE (38.61%), where the sector figures were (2.50% and 29.04%) respectively,
- ✓ The Bank's leverage ratio (external liabilities to equity) stood at 10.83% at the end FY2011, above those of the TRNC banking sector's 8.04%,

- ✓ Demand deposit to total deposit ratio - decreased to 7.13% from FY2010: 8.80% - was lower than the sector's ratio (17.24%)
- ✓ Capital adequacy ratio (13.15%) was both below the entire sector (20.63%) and private deposit banks (15.82%) ratios, although it stood above the legal requirement rate of 10%
- ✓ Deposit to loan ratio was at 130.73% FY2011 which was below the Sector's ratio (143.19%),
- ✓ Loan loss reserves to impaired loans ratio (112.71%) was almost two-fold of the sector (64.21%)
- ✓ Net interest margin decreased to 5.37% from 6.27%,
- ✓ The Bank's average deposit maturity, compared to the previous year, shortened to 24 days and fell to 89 days from 113 days, while that of the sector increased to 53 days from 48 days,
- ✓ Liquid assets to total asset ratio of the bank was 18.75% (FY2010:19.31) while the sector's ratio was 24.35% (FY2010:29.63%).

The Bank's International Foreign Currency notes were assigned as 'BB' in the long term and 'B' in the short term with a 'Stable' outlook on both ratings while the National Local rating notes have been upgraded to 'AA+' from 'AA' with a 'Stable' outlook for the year. The Bank's International Long Term Local Currency note's outlook changed to "Positive" from "Stable" in line with the change the outlook of the sovereign rating of Turkey.

JCR-ER recognizes that the sovereign risk of the TRNC is the same as that of the Republic of Turkey; the rating rationale of Creditwest Bank has been developed based on this assumption.

These assigned ratings are supported by (i) robust growth rates in all core banking activity fields, (ii) a higher internal fund generating capacity, (iii) a high collection rate of Non-Performing Loans portfolio, (iv) well-established managerial practices along with a cautious management policy, (v) solid and broad deposit base, (vi) high return on equity and assets, and (vii) higher loans loss provisioning which preserve asset quality.

On the contrary, (i) prevalent sector-wide structural maturity mismatch, (ii) notably increase in interest expense, (iii) decrease in interest margin, (iv) a sector-wide short maturity structure of deposit base although the Bank's maturity is longer than that of the sector, (v) higher non-performing loans ratio, and (vi) higher leverage ratio and higher impaired loans to equity contribute to underpin the ratings to their current levels.

JCR-ER's assessment is mainly based on the Bank's audited unconsolidated accounts prepared in accordance with the Financial Reporting Standards for the period. Moreover, statistics provided by the Central Bank of North Cyprus and JCR-ER's own studies are also utilized for this assessment.

## 2. Outlook

JCR-ER has affirmed a "**Stable**" outlook on the long and short term national ratings and international ratings perspectives of Creditwest Bank, considering the sustainability of the net profit increase, improvement in NPLs, the effects of parent company activities and financial strength of its group companies and the continuity of growth.

The constraining factors of the ratings are a downgrading in the sovereign rating of Turkey, increasing tension in international politics concerning Turkey's neighbouring countries and probable negative effects, in case of remaining the contracting net profit margin will pressure on the profitability of the banking system, short maturity funds structure, slower recovery in developed countries as well as an on-going laxity in the European debt crisis and recessions concerns all over the world.

Upgrades in Turkey's country ceiling ratings, future profit generation, and improvement in both the domestic and global financial climate, management of additional risks combined with the growth of the Bank and alleviation in liquidity needs combining with lengthening the maturity of external funds in particular deposits are the significant factors that may be taken into consideration for any future change in ratings and outlook status.

## 3. Sponsor Support and Stand-alone

We, as JCR-ER, anticipate that Creditwest Bank will be supported by its shareholders-Altinbaş Family as and when required in the event any liquidity needs arise in either the short or long term horizon. A conglomerate of Group Altinbaş Holding A.Ş. has carried out its operations in nine countries on three continents. Prime business activities are based in Turkey, the TRNC, Albania and Ukraine. The Holding has diversified its geographical and business risks by holding interests in seven different sectors i.e. energy, finance, jewellery, logistics, real estate, education and sports.

Nevertheless, given its sizable market share, high profit generation capacity, sufficient liquidity level and satisfactory capital adequacy ratio, the Bank is likely to

be able to manage its balance sheet risks successfully even if the shareholders or public authorities do not provide any assistance.

The Sponsor Support and Stand Alone Notes of the Bank have been determined as "**2**" and "**A**", respectively. A Sponsor Support Note of "**2**" denotes a moderate external support possibility where a sponsor has a sufficient credit rating note and a tendency to support the company. A Stand Alone Note "**A**" signifies a strong bank, sustainable profitability, a sound balance sheet composition and good management and operating environment and expectations.

## 4. Company Background

### a) History

Creditwest Bank Limited, the first financial institution of the Altinbaş Family, was established under the name Altinbaşbank in 1994 and renamed Creditwest Bank in 2006. The Bank is fully licensed to carry out all banking operations in the TRNC, provides a wide range of banking services, including deposit acceptance, the granting of corporate and retail loans as well as other banking services through its currently fourteen branches and insurance, factoring, leasing and credit card payments services via its four financial affiliates.

### b) Organization & Employees

The Bank provides commercial, retail, private, and expat banking services through its network of 14 branches as well as internet banking and ATMs services. Based on its growth needs, the Bank has made changes in its organizational structure and developed new operating units. As of December 31, 2011, the Bank had 218 employees (as of December 31, 2010: 204)

The Board of Creditwest Bank consists of five members, none of whom are independent. The senior management team of the Bank is comprised of the CEO and four executive vice presidents, one who joined the team in February 2012. All these managers are highly educated in their respective fields. The Bank has set in place an organizational structure and management committees as required by legal arrangements.

### c) Shareholders, Subsidiaries and Affiliates

All shares of the Bank belong to Altinbaş family members. The shareholding pattern of the Bank is provided in the following chart:

Shareholders	2011 Share %
Ali Altınbaş	15.83%
Sofu Altınbaş	15.83%
Hüseyin Altınbaş	15.83%
Nusret Altınbaş	15.83%
İnan Altınbaş	15.83%
Aliye Altınbaş	5.69%
Orkun Altınbaş	5.69%
Sedef Altınbaş	5.69%
Fatma S. Altınbaş	1.25%
Serdar Altınbaş	1.25%
Tuğçe Altınbaş	1.25%
<b>Total</b>	<b>100.00%</b>
<b>Paid Capital (TRY)</b>	<b>8,900,000</b>

The subsidiaries and affiliates of the shareholding are detailed in the following table:

Subsidiaries and Affiliates 2011	Bank's Share %	(000) Shareholder's Equity-TRY	(000) Total Assets- TRY	Country
Creditwest Finance Limited	48.91	7,692	13,334	TRNC
Creditwest Insurance Limited	30.00	9,005	14,098	TRNC
Starcard Banka Kartları Limited	16.67	1,685	5,414	TRNC
Creditwest Faktoring A.Ş. (*)	1.01	117,805	564,331	TURKEY

(\*) Quoted to Istanbul Stock Exchange

- **Creditwest Finance Limited:**

Creditwest Finance Limited was established in 1994 to offer services in the consumer financing sector. It focuses on providing finances by way of leasing. 48.91% shares of Creditwest Finance Limited are owned by the Bank.

- **Creditwest Insurance Limited:**

Creditwest Insurance Limited was founded in 1994 to operate in the insurance sector in the TRNC. 30% of shares of the company are held by The Bank.

- **Starcard Banka Kartları Merkezi Limited**

Starcard Banka Kartları Merkezi Limited was incorporated in 2005 in order to create a common platform for credit card payments in the TRNC through the equal partnership of six banks. The Bank has a 16.67% share hold in the Company.

- **Creditwest Faktoring A.Ş.**

Creditwest Faktoring A.Ş. was established in 1994. Altınbaş Holding A.Ş. became the Company's ultimate parent by acquiring 85% of the shares from the Saving Deposit Insurance Fund. Creditwest Faktoring is one of only two factoring companies in Turkey to be listed on the Istanbul Stock Exchange Market. The Company also owns 50% of West Finance and Credit Bank in Ukraine as a founding partner. By the end of FY2011, Creditwest had a 3.61% market share in the Turkish factoring sector.

### 5. Stability of the Financial System

In 2011, the Turkish Republic of Northern Cyprus' gross domestic product demonstrated a growth of 4.2% year-on-year basis, surpassing the previous year growth rate of 3.59%. During the same term, the inflation rate exhibited a sharp increase to 14.7% from the prior year's inflation rate of 3.2%. In this circumstance, the Turkish Republic of Northern Cyprus Banking Sector displayed a growth of 17.83% in TRY based asset size while preserving its asset quality and its well capitalized level.

The Turkish Republic of Northern Cyprus Banking Sector constitutes 22 institutions - 3 of them public, 12 private and 7 branch banks - with a total of 196 branches and 2,485 employees. The TRNC banking sector makes about a 2.60% contribution to the total employment in the Republic.

The TRNC Gross Domestic Product was TRY 5,649mn in FY2010 and prospected GDP for FY2011 was TRY 6.651mn. According to the results of the census dated 4 December, 2011, the population was 294.906 with an increase of 11.2% between 2006 and 2011. The labour force participation rate was 32.93% with a total workforce of 97,103 individuals at the end of FY2011. The economic structure of the TRNC is less diverse and the service sector is the back bone of the economy.

The TRNC Banking System is intensely influenced by the Turkish System on which the Republic has been dependent and has held close ties. All developments in the economy of Turkey are also reflected in the TRNC due to the common currency of both countries and essential assistance from Turkey.

Economic and political isolation is the fundamental issue for the further development of the TRNC; a development would accelerate in this strategically located island in the event of the unification of the island and subsequent entry into the European Union. However, such developments do not appear on the horizon.

The Banking Sector provides new products and services through alternative distribution channel such as internet and mobile banking services in addition conventional banking activities. Banks in the TRNC offer credit cards, POS, swift and ATM services via Turkish Banks as the sovereign status of the TRNC is yet to be recognized.

The sector is regulated by the Central Bank of the TRNC and related figures in the sector disclosed a monthly basis. On the other hand, difficulties in accessing recent annual reports, audited financial statements and some other information from the web-sites of the some Banks decrease transparency and corporate governance.

Figures related to the TRNC banking sector are provided below;

Banking Sector as of 2011	Number Of Banks	Number of Branch	Number of Stuff	Asset-TL (000.000)	CAR
Public Deposit Bank	3	35	552	3,159	19.50%
Private Deposit Banks	12	117	1,459	3,655	15.82%
Foreign Banks Branch	7	44	474	3,104	27.30%
<b>Total</b>	<b>22</b>	<b>196</b>	<b>2,485</b>	<b>9,918</b>	<b>20.63%</b>

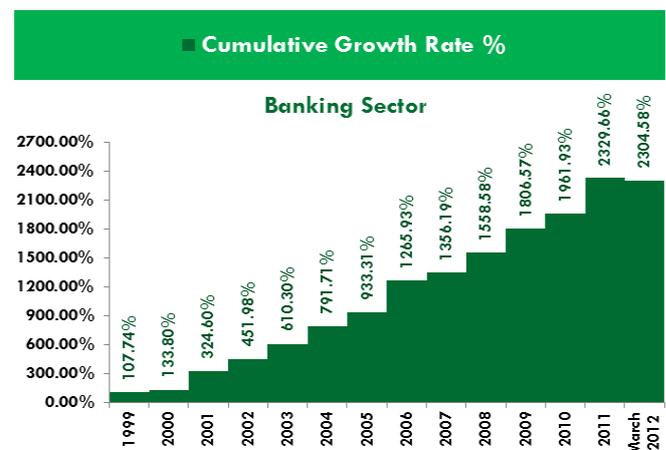
Source: KKTCCMB

According to the Central Bank Publication, for the period ended 2011:

- Total assets of the TRNC banking sector demonstrated a remarkable increase of 17.83% year-on-year basis, compared to the previous year's growth of 8.63% and reached TRY 9.9bl
- Total deposits, which compose 84.73% of total resources, increased by 18.91% and reached TRY 8.4bl
- Deposits to loans ratio was 69.84% which allows further growth in loans,
- Total loans of the sector recorded a growth of 26.73% and exceed total asset growth of the sector and reached TRY 5.9bl
- Improvement in NPLs ratio of the Sector continued during FY2011 and NPLs to Gross Loans ratio decreased to 7.94% from 9.53% FY2010,
- The 12 privately owned deposit banks had a total market share of 36.85% in asset size basis,
- The 3 public banks had an asset size market share of 31.86%
- The remaining 31.30% of the market share belonged to the seven Turkish Banks head-quartered in Turkey.
- The capital adequacy ratio of the sectors stood at over 20%, well beyond the legal requirement of 10%,

- The capital adequacy ratio of the private deposit banks, which are considered as the Bank's peer group, averaged 15.82%
- The Leverage ratio (total liabilities to equity) stood at approximately 800%, similar to the previous year,
- Net profit increase of the sector was 6.37% and net profit of the sector was TRY181.5mn

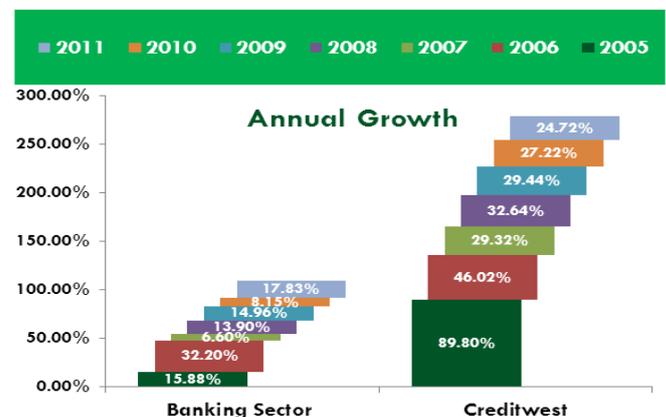
The sector's cumulative asset size based growth is displayed below. The TRNC Banking Sector exhibited a steady increasing trend within the last 13 year period and reached a growth rate of 2,329%.



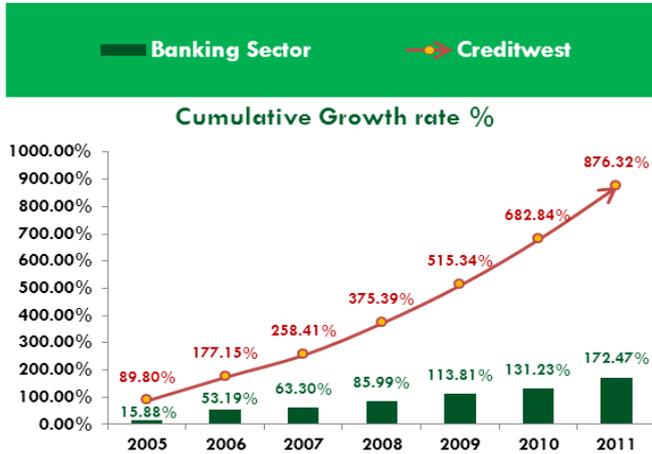
## 6. Financial Indicators

### • Indices Relating to Size

During FY2011, the Bank attained a robust growth performance as in previous years and recorded a 24.72% growth in total asset size which was much higher than the sector's 17.83% growth. The graph below displays the Bank's asset base growth in comparison to that of the sector. Overall asset base growth performance of Creditwest Bank remained well beyond the sector average.

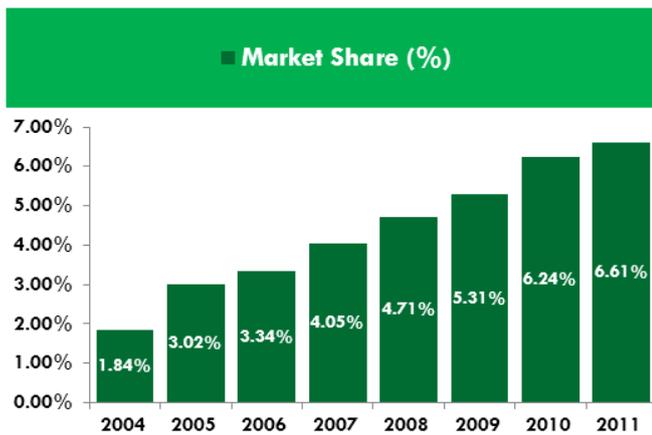


Creditwest Bank's cumulative growth performance stayed over the average growth of the TRNC banking sector under the reviewed period; cumulative growth rate of the Bank was five times that of the average sector growth.



The Bank's asset size market share increased steadily for the period of FY2004 and FY2011 and reached its highest level of 6.61% at the end of FY2011. However, this increasing speed decelerated compared to the previous years.

Creditwest Bank is the six largest bank in the TRNC banking sector in terms of total assets size, with a 6.61% market share at the end of FY2011. In parallel to its vigorous growth, the Bank continuously enhances its market effectiveness.

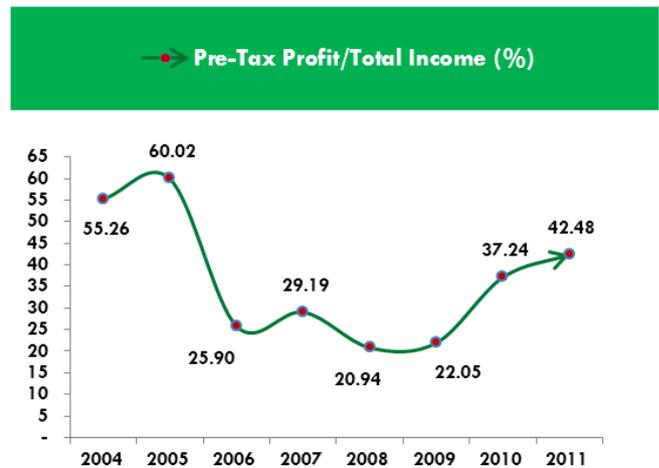


• **Indices Relating to Profitability**

Creditwest Bank recorded a net profit of TRY 14.74mn in FY2011, a significant increase of 25.93% in comparison to the net profit of FY2010 (TRY 11.70mn),

in line with the 25.07% growth in TRY based on asset size. The TRNC banking sector achieved a growth of 17.83% in asset size in FY2011 year-on-year basis while its net profit increased by a lower 6.37% during the same period. These figures indicate a good performance in comparison to the sector.

The Bank's pre-tax profit to total income ratio continued its increasing trend during FY2011, after falling to its lowest levels in FY2008. This improvement is assessed as positive for the profitability level.

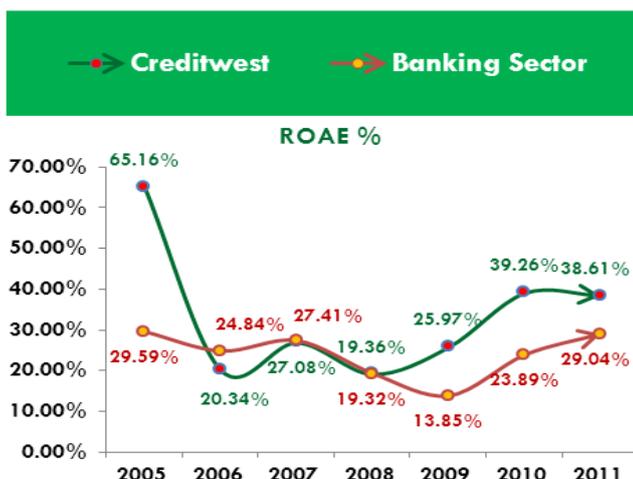
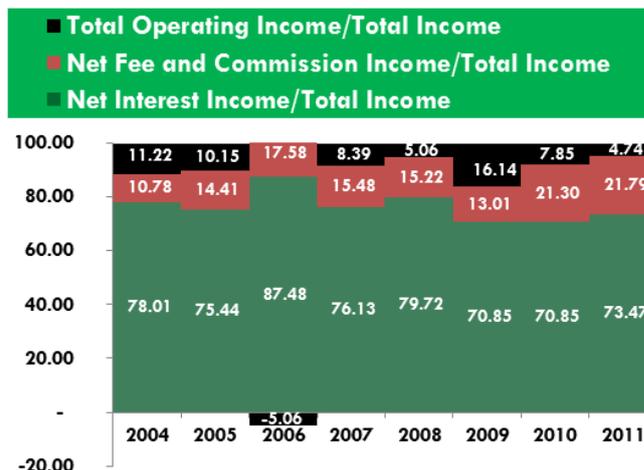
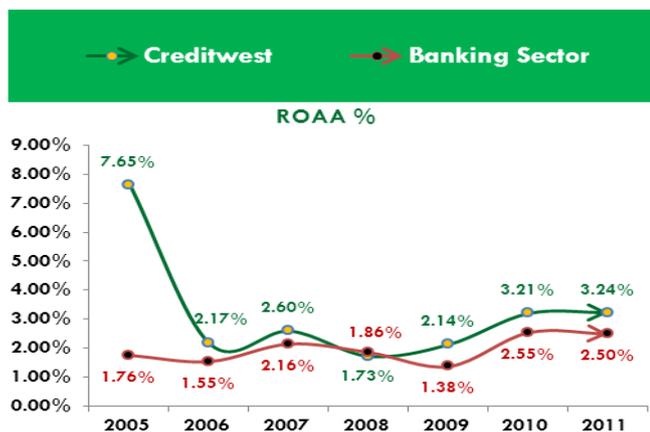


The Bank's total expenses coverage and gross profit margin ratios exhibited a fluctuation between 2007 and 2011. Although still at a high level, the total income to total expense ratio showed a decrease in last two consecutive years, while the gross profit margin reversed in an upward direction.



Creditwest Bank's core profitability ratios of ROAA and ROAE were noticeably higher than the sector from FY2009 to FY2011. In contrast to the rapid increase in FY2010, ratio increases decelerated in FY2011. However, the Bank invariably outperformed the sector. Resultantly, the Bank's ROAE and ROAA ratios stood at almost 1.3 times that of the sector as of FYE 2011.

Similar to the banking sector as a whole, net interest income is the Bank's primary source of total profit. The Bank's FY2011 total income was comprised of 73.47% net interest income - a 263 base point increase in FY2011 year-on-year, 4.74% total operating income and 21.79% net fee and commission income.



Creditwest Bank booked a net profit of TRY 12mn for the six month period ending June 30, 2012, and reached 81.62% of the previous year net profit. These figures ensure the continuity of the Bank's profitability.

**7. Risk and Risk Management, Organization**

The Board of Directors has the overall responsibility for establishing and supervising the Bank's risk management framework. The Bank's risk management policies are reviewed periodically and, according to the requirements, necessary changes or implementations are made.

The Bank is principally exposed to credit risk, market risk, liquidity risk and operational risk from its use of financial tools. Its objectives and policies are to define, measure and manage risks in order to protect its capital and carry out activities in accordance with the procedures and principles set by the Banking Law and in line with its mission and goals of profitability and productivity, as well as protect the interests of the depositors and the shareholders of the Bank to the maximum level possible.

Creditwest Bank has established a risk management system and set up the Internal Audit, the Internal Control & Risk Monitoring and the Compliance Departments in line with regulation on Internal Control, Risk Management and Audit and Management Systems in Banks. The Bank's Internal Systems Committee is composed of the managers of the Internal Audit, Internal Control and Compliance Departments and directly reports to the Board Member responsible for internal systems.

Both the average interest rates of the Bank's earning assets and cost bearing resources fluctuated in a similar path under the reviewed period. The interest margin contracted over the last two consecutive years and the importance of the net fee and commission income will grow in circumstances of continuing shrinking interest margin.

	2006	2007	2008	2009	2010	2011
Interest Rate for Cost Bearing Liabilities (Av.) %	9.47	8.35	10.32	7.66	5.55	6.34
Interest Rate for Earning Assets (Av.) %	15.91	15.08	16.59	14.19	11.39	11.15
Margin %	6.44	6.73	6.27	6.54	5.84	4.84

The Bank has set up the following Committees; Credit, Assets and Liabilities, Internal System, Corporate Structuring, Repurchase & Selling, Disciplinary, Education, NPLs and Information Technologies Development Committee, in order to establish a thorough and comprehensive risk management system.

**a) Credit Risk**

The Bank executes its credit risk by determining loan limits for customers and customer groups as well as defining limits for sectors. The defining limits for sectors are closely monitored on a daily and monthly basis. Risk concentrations are also analyzed periodically. The Bank is not allowed an exposure of more than 20% in each sector and cannot allocate credit limits to each loans customer or customer group of more than 25% of its equity or 4% of its deposit base.

Customer credit limits are assigned by the General Manager, the Credit Committee and the Board of Directors under the rules set by the Board. The Bank continuously monitors the credit assessment of its customers, takes necessary precautions, and allocated loans limit are periodically reviewed. Credit limit reviews are done as deemed necessary due to changes in overall economic conditions.

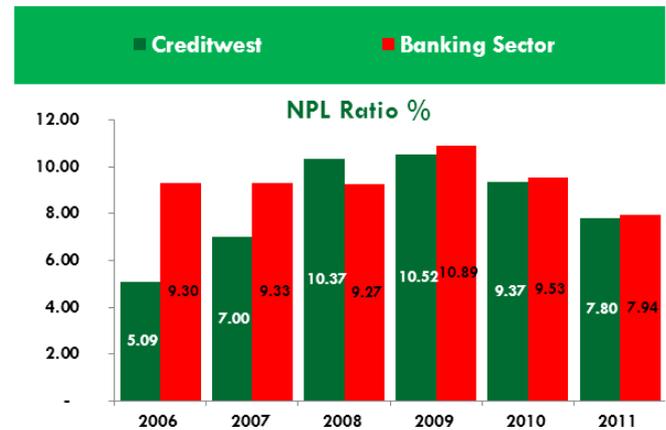
At the end of FY2011, granted corporate loans composed approximately 43% of the total loans of the Bank and 57% retail loans. The Bank exhibited a robust growth of 41.99% in loans year on year basis loans, similar with previous years

The Bank allocated 63.88% of its total loans in TL terms and 36.12% in FC, dominantly in GBP. The Bank's deposit structure was composed of 67.97% TRY deposit and 32.03% FC deposit indicating that the Bank's funding and loans structure was almost balanced.

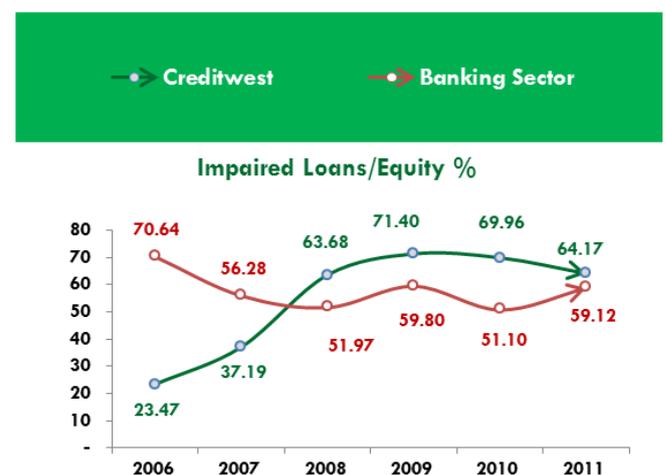
At the end of FY2011, the Bank's largest 100 cash loans constituted 29.50% of the total outstanding cash loan portfolio while the largest 100 non-cash loans composed 94.83% of the total non-cash loan portfolio. The largest 100 cash and non-cash loan customers constituted 20.37% of the total "on and off balance sheet" assets. The Bank closely monitors its credit risk concentrations and the above figures indicate the Bank's risk concentration was in acceptable range.

The NPLs to gross loans ratios in both the Bank and the Sector displayed a similar decreasing pattern over the last two consecutive years. The ratio stood at 7.80% at the end of FY2011, decreasing 157 basis points from 9.37% FY2010. As seen in the following chart, the

Bank's NPLs ratios were slightly lower than the banking sector average over the last three years period.



Impaired loans to equity ratio of the Bank were above the sector's average over the last four year period as a result of its cautious management policy. Impaired loans as a proportion of equity were 64.17% at the end of FY2011, while in comparison the same ratio for the whole banking sector was 59.12% at the end of the same period. The ratio of the bank exhibited a decrease and approached the sector in FY2011 thanks to higher equity increase of 26.90% year on year basis with a lower increase of 16.40% in impaired loans.



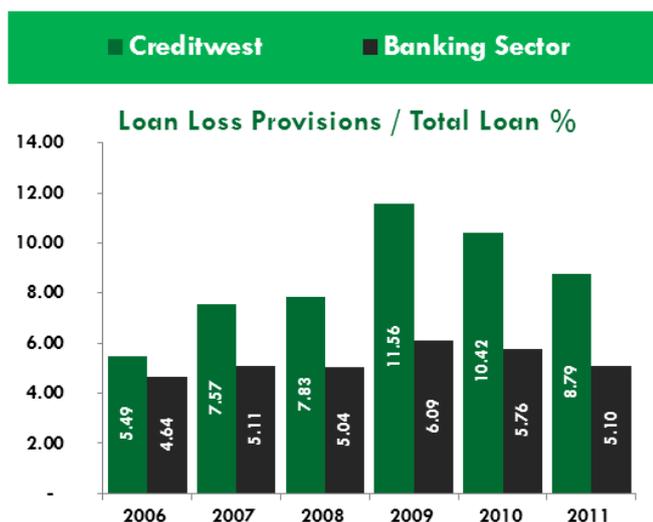
The Bank's provisions for impaired loans ratio reached its highest level in 2011 and remained over 100% provisioning with the exception of FY2008. These ratios were noticeably over those of the sector and are positively assessed from the point of view of continuing asset quality.

The Bank has adopted a full provisioning policy to avoid losses arising from any potential defaults. However, when taking into consideration the higher collection of overdue

loans, which also indicates success in the management collection, it can be said that the Bank is over cautious to provisioning.



During the last three years period, the loans loss provisions to total loans ratio of the Bank demonstrated a declining trend along with improvement in NPLs and strong growth in total loans. When compared to the sector, the loans loss provisions to total loans ratio of the Bank was above the the sector's average for all reviewed periods.



**b) Market Risk**

Creditwest Bank measures and monitors its market risks and reports to the executive management daily. The Treasury Department manages market risk aligned with rules set by the Board of Directors while the Risk Management Department of the Bank closely monitors market risk as well.

Transaction, trading and dealer limits are defined and approved by the Board of Directors. These limits and risks are continuously monitored and reviewed in Board of Directors meetings held every month in line with the Bank's strategy and requirement of the changes in market conditions. In addition, the Bank carries out stress tests and scenario analysis to assess its market risks.

The Bank has not targeted to generate income carrying foreign currency position and forward transactions. Generally, an attempt is made to balance foreign currency assets and liabilities. A foreign position depending on the market fluctuations is kept under both legal requirement and BoD regulations.

As of FY2011, Creditwest Bank had a short foreign currency (GBP) position exposure of the equivalent of TRY 2,023,125 in, only 0.31% percent of the Bank's total asset base at the end of the same period.

Within the context of capital adequacy, the Bank's market risk is calculated on a monthly basis according to the 'Standard Method' and periodically reported to the Board of Directors.

**c) Liquidity Risk**

Creditwest Bank executes and monitors its liquidity risk and takes appropriate and timely measures in case of any liquidity crises which may arise from market conditions or the Bank's own balance sheet structure. Asset and Liabilities management strategies aim to control and eliminate the maturity mismatch.

The Bank met its short term liquidity needs mainly through customer deposits and the interbank market; its long term liquidity needs are provided through customer deposits and equity.

The liquidity gap of up to three months which is characteristic in the TRNC Banking Sector also prevails for the Bank. On the other hand, the Bank has an excess of liquidity up to one month and over one year maturities, indicating that the Bank may encounter liquidity risk in terms between one month and one year in particular.

The Bank placed 41.66% of its total assets in the one year and over one year maturity bracket, 1.70% of its total liabilities were funded by over one year maturity based resources with the exception of its equity. Due to maturity mismatch between the assets and liabilities, the Bank has not faced any liquidity crisis during the last year.

## d) Operational Risk

In order to avoid probable operational risks, the Bank has set up efficient internal audit, internal control and risk management systems within the framework of legal regulations.

All necessary precautions should be taken in time to avoid loss and may a dampening of the value of the institution's brand. In addition to the risk management units, the Bank has implemented human resources, network security, back up and disaster recovery policies to minimize operational risk and its potential impact.

According to the management, the Bank did not face any considerable operational risks, occurring principally from human errors, fraud, embezzlement, system errors & failure as well as other external events such as earthquake, floods, terrorist attacks and fire in FY2011.

## 8. Funding and Adequacy of Capital

Creditwest Bank's funding base is composed of deposits (both TRY and FC) amounting to 82.94% (FY2010:77.66%), shareholders' equities (8.45%), borrowing funds from institution (6.19%), and non-cost bearing liabilities (2.42%).

Deposit accounts had the largest share in the Bank's source dispersion with an average rate of 82.60% between FY2005 and FY2011. The stated share was 81.55% FY2011 and 81.30% FY2010 for the TRNC Banking Sector as a whole, indicating that the Bank's deposit share in total resources is slightly over the sector average. The Bank has no borrowings from international markets through securitization, syndication loans nor direct loans due to isolated economic and political structure of TRNC.

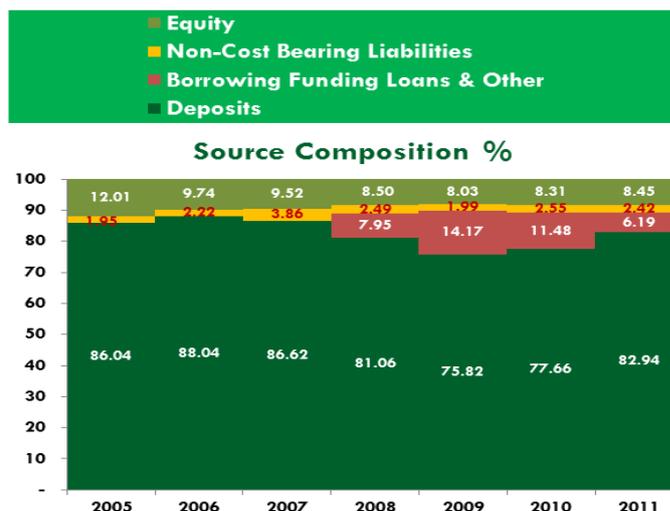
67.97% of the total deposit was comprised of TRY deposit while 32.03% percent was FC deposit and 93.52% of the total deposit was saving deposit. 97.57% of the total savings deposit for FY2011 was covered by the Savings Deposit Insurance Fund, similar to the previous year (FY2010: 98.56%). This high proportion signifies the Bank's broad customer deposit base as well as its granularity which relieves the liquidity management of the Bank.

The average maturity of the deposit base stood at around 89 days, a contraction of 24 days in comparison to FY2010 figures. (Calculation based on the deposits maturity structure figures in independent Audit Report regulated with IFRS rules).

Year	Deposits-TRY	The share of deposits in total liabilities	The average maturity of deposits (Days)
2009	313,136,555	75.82%	124
2010	408,029,560	77.66%	113
2011	543,465,359	82.94%	89

On the other hand, the average maturity of the deposit base of the Bank stood at 69 days (FY2010:64 days) according to the audit report prepared for the TRNC Central Bank. The average maturity of the deposits of the sector was 53 days at the end of FY2011.

The Bank had a market share of 6.66% in FYE2011 (FY2010:5.92%) in terms of overall customer deposits. The Bank increased its deposit base by 33.08% over the sector's deposit increase by 18.20%, indicating confidence in the Bank.



According to the 'Communiqué on Measurement and Evaluation of Capital Adequacy of Banks' published on August 9, 2007 Market and operational risks were included in the calculation of CAR from the end of FY2007 and FY2008, respectively.

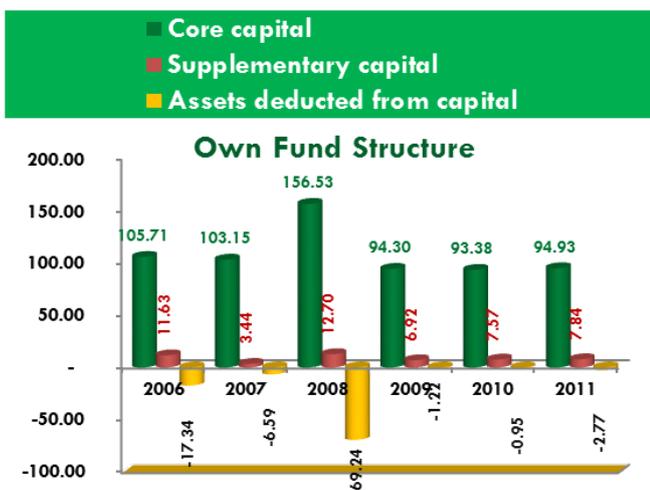
Credit risk exposure is expected to remain the main component of CAR. 10.42% of the total CAR (13.15%) was allocated for the credit risk exposure, while 2.53% was allocated for operational risk and 0.20% for market risk as of December 31, 2011.



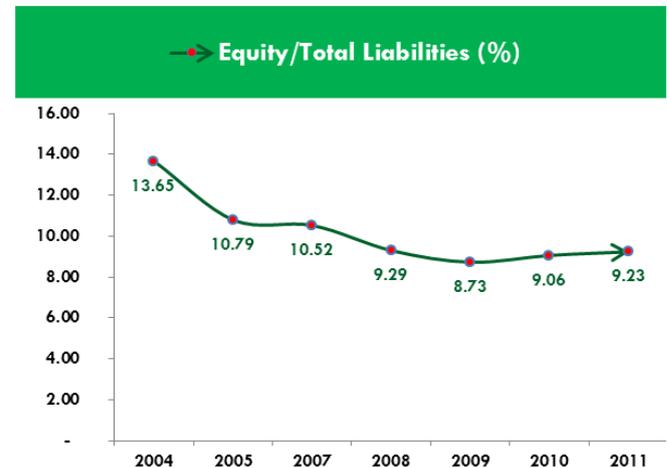
As of December 31, FY2011, the Bank's CAR was calculated as 13.15%, displaying a slight decrease in a YoY basis (FY2010: 13.34%). For the same period, the CAR of the banking sector as a whole was 20.63% (FY2010: 20.39%) while the CAR ratios of Public, Private and Branch Banks were 19.50%, 15.82% and 27.30%, respectively. These figures indicate that the Bank's CAR ratio was below the sector's average. However, the ratio of the Bank was markedly higher than the legal requirement of 10%.

	2005	2006	2007	2008	2009	2010	2011
CAR-Capital Adequacy Ratio (%)	24.40	20.22	17.73	8.48	13.19	13.34	13.15

Core Capital is the essential measurement of the Bank's financial strength. Creditwest's core capital is composed of around a 95% share of its own funds. It primarily consists of the year's retained earnings, paid-up capital and net profit. Supplementary capital amounts to 7.84% of its equity base.



Creditwest Bank's equity to total liabilities ratio stood at 9.23% at the end of FY2011 and was below the sector's average (FY2011:11.06%), indicating the relatively lower equity base of the Bank.



### 9. Ability to Generate Income and Level and Stability of Profitability

During the last eight year period, Creditwest Bank has attained steady profits and its generated profit demonstrated a significant increase in the last three years in particular. A large proportion of the Bank's income was attained from the sustainable channels of interest, fee and commission income generated from core banking activities. The share of interest income in total income increased from 70.85% FY2010 to 73.47% at the end of FY2011, while operating income in total income shares decreased to 4.74% from 7.85% FY2010. Keeping incidental and nonrecurring components of total income at minimum levels is important to maintain sustainable profit.

The balance sheet composition, well-established management practices, coherent strategies, and operational structure of the Bank have been designated with a view of generating profitability. Consequently, the Bank generated profit of a cumulative amount of TRY 53.7mn, during the last eight year period.

Difficulties in growth in developed countries, negative outlook of the world economy, increased risks in the European Union, expectations of the continuity of the European Union debt crisis, contracting interest margin in the TRNC Banking sector and increasing tension in international politics particularly concerning Turkey's neighbouring countries will exert pressure on the TRNC Banking Sector's profits due close ties with Turkey and proximity to the region.

Although it will be influenced by these negative circumstances, the bank may be able to generate higher profit compared to the sector during the ongoing year as in previous years.

### 10. Corporate Governance

Although the Bank's shares are not publicly traded, a Corporate Structuring Committee was set up to carry out institutionalization efforts of the Bank. The Committee aims to raise the corporate awareness of the institution and its employees and the Bank's compliance level with corporate governance best practices as set by the Turkish Banking Regulation and Supervision Agency (BRSA) and Turkish Capital Market Board (CMB).

**Transparency and public disclosure;** The Bank provides information and documentation such as vision, mission, strategy, the structure of Board of Directors , annual reports and periodic independent audit reports through its web site. Conversely, the non-disclosure of articles of association, dividend distribution policy, information policy, ethical rules, comprehensive corporate social responsibility policy and organization chart reduce the level of transparency and effectiveness of its business activities as well as its compliance level with corporate governance principles.

**Board of Directors;** The Board is composed of five members, none of which are independent and no member represents the stakeholders in the Board.

**Right of Shareholders;** all shares of Creditwest Bank are owned by the Altınbaş family members. Thus, there is no disclosed regulation of shareholders rights.

**Rights of Stakeholders;** There is no stakeholders policy disclosed to the public. In the general legal frame work, the stakeholder's rights are protected. Furthermore, the Bank has set up a disciplinary and education committee to secure and improve employee rights. The Bank responds to requests, complaints and suggestions of customers and stakeholders through comments and suggestions section on its web page.

There is much room for improvement in the Bank's compliance with BRSA and CMB principles of corporate governance. However, The Bank's compliance level with Corporate Governance principals is higher when compared to the compliance level of the TRNC Banking sector.

In addition to social responsibility projects carried out by the Bank, the Altınbaş Group runs essential corporate social responsibility projects under the academic and

sports groups. The Mehmet Altınbaş Education and Culture Foundation make large donations for education. As a foundation university, Kemberburgaz University provides educational opportunities over 1,000 students, of whom largest portion received scholarships. The Group also provides support to other supportive organizations.

### 11. Information Technology

The Bank has a wide presence in Cyprus and a high reputation. To maintain its sound position in the market the Bank enhanced its efforts to develop its technological infrastructure in order to offer an effective, uninterrupted and high standard of services to its customers. For this reason, an Information Technologies Development Committee was established.

A disaster center has been established to maintain banking services in the event of a state of emergency. It is located geographically away from the headquarters of the Bank. The Bank has outsourced the following services; banking systems, data systems, the internet and web interface.

CREDITWEST BANK LTD.  BALANCE SHEET	(Year-end)	As % of	As % of	As % of	2011	2010	2009							
	2011	2011	2011	2010	2010	2009	2009	2008	2011	2010	2009	Growth	Growth	Growth
	USD	TRY	Assets	Assets	Assets	Rate	Rate	Rate						
	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate	Rate	Rate
<b>A-TOTAL EARNING ASSETS (I+II+III)</b>	<b>341,914,743</b>	<b>640,064,399</b>	<b>576,084,860</b>	<b>512,105,320</b>	<b>456,428,038</b>	<b>400,750,755</b>	<b>353,994,528</b>	<b>307,238,300</b>	<b>97.68</b>	<b>97.47</b>	<b>97.04</b>	<b>24.99</b>	<b>27.79</b>	<b>30.44</b>
<b>I- LOANS AND LEASING RECEIVABLES (NET)</b>	<b>222,067,883</b>	<b>415,711,077</b>	<b>353,892,203</b>	<b>292,073,329</b>	<b>245,520,065</b>	<b>198,966,801</b>	<b>176,286,854</b>	<b>153,606,907</b>	<b>63.44</b>	<b>55.59</b>	<b>48.18</b>	<b>42.33</b>	<b>46.80</b>	<b>29.53</b>
a) Short Term Loans	219,560,918	411,018,039	350,239,437	289,460,834	242,629,393	195,797,951	170,697,036	145,596,120	62.72	55.09	47.41	41.99	47.84	34.48
b) Lease Assets	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Medium & Long Term Loans	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Over Due Loans	18,987,306	35,544,236	33,039,883	30,535,529	27,100,910	23,666,290	20,470,352	17,274,414	5.42	5.81	5.73	16.40	29.03	37.00
e) Others	4,919,993	9,210,226	7,625,082	6,039,938	5,772,414	5,504,889	4,645,233	3,785,576	1.41	1.15	1.33	52.49	9.72	45.42
f) Receivable from Customer due to Brokerage Activities	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Allowance for Loan Losses (-)	-21,400,333	-40,061,424	-37,012,198	-33,962,972	-29,982,651	-26,002,329	-19,525,766	-13,049,203	-6.11	-6.46	-6.30	17.96	30.62	99.26
<b>II-OTHER EARNING ASSETS</b>	<b>87,570,696</b>	<b>163,932,343</b>	<b>148,309,811</b>	<b>132,687,278</b>	<b>116,221,219</b>	<b>99,755,160</b>	<b>104,445,514</b>	<b>109,135,868</b>	<b>25.02</b>	<b>25.25</b>	<b>24.15</b>	<b>23.55</b>	<b>33.01</b>	<b>-8.60</b>
a) Balance With Banks-Time Deposits	31,014,554	58,059,245	58,513,642	58,968,039	48,000,623	37,033,206	48,397,020	59,760,834	8.86	11.22	8.97	-1.54	59.23	-38.03
b) Money Market Placements	7,411	13,874	13,640	13,405	62,399	111,392	87,975	64,557	0.00	0.00	0.03	3.50	-87.97	72.55
c) Reserve Deposits at CB	24,119,642	45,151,969	39,610,431	34,068,893	30,459,449	26,850,004	24,223,917	21,597,830	6.89	6.48	6.50	32.53	26.89	24.32
d) Balance With CB- Demand Deposits	32,429,089	60,707,255	50,172,098	39,636,941	37,698,750	35,760,558	31,736,603	27,712,647	9.26	7.54	8.66	53.16	10.84	29.04
<b>III-SECURITIES AT FAIR VALUE THROUGH P/L</b>	<b>32,276,164</b>	<b>60,420,979</b>	<b>73,882,846</b>	<b>87,344,713</b>	<b>94,686,754</b>	<b>102,028,794</b>	<b>73,262,160</b>	<b>44,495,525</b>	<b>9.22</b>	<b>16.62</b>	<b>24.70</b>	<b>-30.82</b>	<b>-14.39</b>	<b>129.30</b>
a) Treasury Bills and Government Bonds	30,968,775	57,973,546	71,382,668	84,791,789	93,399,631	102,007,472	73,251,499	44,495,525	8.85	16.14	24.70	-31.63	-16.88	129.25
b) Other Investment	1,307,389	2,447,433	2,500,179	2,552,924	1,287,123	21,322	10,661	0	0.37	0.49	0.01	-4.13	11,873.19	n.a
c) Repurchase Agreement	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
<b>B- INVESTMENTS IN ASSOCIATES (NET)+EQUITY SHARE</b>	<b>1,204,256</b>	<b>2,254,367</b>	<b>1,670,535</b>	<b>1,086,703</b>	<b>1,086,703</b>	<b>1,086,703</b>	<b>1,086,703</b>	<b>1,086,703</b>	<b>0.34</b>	<b>0.21</b>	<b>0.26</b>	<b>107.45</b>	<b>0.00</b>	<b>0.00</b>
a) Investments in Associates (Net)	1,204,256	2,254,367	1,670,535	1,086,703	1,086,703	1,086,703	1,086,703	1,086,703	0.34	0.21	0.26	107.45	0.00	0.00
b) Equity Share	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
<b>C-NON-EARNING ASSETS</b>	<b>6,919,459</b>	<b>12,953,227</b>	<b>12,586,623</b>	<b>12,220,019</b>	<b>11,688,983</b>	<b>11,157,947</b>	<b>10,947,177</b>	<b>10,736,406</b>	<b>1.98</b>	<b>2.33</b>	<b>2.70</b>	<b>6.00</b>	<b>9.52</b>	<b>3.93</b>
a) Cash and Cash Equivalents	2,198,539	4,115,665	3,470,620	2,825,575	2,865,963	2,906,351	2,366,425	1,826,499	0.63	0.54	0.70	45.66	-2.78	59.12
b) Balance With Banks-Current Accounts	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Financial Assets at Fair Value Through P/L	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Interest Accruals from Loans and Lease	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
e) Other	4,720,920	8,837,562	9,116,003	9,394,444	8,823,020	8,251,596	8,580,752	8,909,907	1.35	1.79	2.00	-5.93	13.85	-7.39
Intangible Assets	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
Property and Equipment	4,243,410	7,943,664	8,344,193	8,744,721	8,331,488	7,918,255	8,015,157	8,112,058	1.21	1.66	1.92	-9.16	10.44	-2.39
Differed Tax	157,365	294,588	147,294	0	0	75,072	150,143	0	0.04	n.a	n.a	n.a	n.a	-100.00
Other	320,144	599,310	624,517	649,723	491,532	333,341	490,524	647,706	0.09	0.12	0.08	-7.76	94.91	-48.54
<b>TOTAL ASSETS</b>	<b>350,038,458</b>	<b>655,271,993</b>	<b>590,342,018</b>	<b>525,412,042</b>	<b>469,203,724</b>	<b>412,995,405</b>	<b>366,028,407</b>	<b>319,061,409</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>24.72</b>	<b>27.22</b>	<b>29.44</b>

CREDITWEST BANK LTD.  BALANCE SHEET	(Year-end)	As % of	As % of	As % of	2011	2010	2009							
	2011	2011	2011	2010	2010	2009	2009	2008	2011	2010	2009	Growth	Growth	Growth
	USD	TRY	Assets	Assets	Assets	Rate	Rate	Rate						
	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate	Rate	Rate
<b>C- COSTLY LIABILITIES (I+II)</b>	<b>311,980,333</b>	<b>584,027,183</b>	<b>526,191,650</b>	<b>468,356,116</b>	<b>420,000,035</b>	<b>371,643,954</b>	<b>327,815,431</b>	<b>283,986,907</b>	<b>89.13</b>	<b>89.14</b>	<b>89.99</b>	<b>24.70</b>	<b>26.02</b>	<b>30.87</b>
<b>I-DEPOSITS</b>	<b>290,312,692</b>	<b>543,465,359</b>	<b>475,747,460</b>	<b>408,029,560</b>	<b>360,583,058</b>	<b>313,136,555</b>	<b>285,876,576</b>	<b>258,616,596</b>	<b>82.94</b>	<b>77.66</b>	<b>75.82</b>	<b>33.19</b>	<b>30.30</b>	<b>21.08</b>
a) TRY Deposits	196,856,978	368,516,262	312,171,352	255,826,441	223,140,731	190,455,021	164,181,245	137,907,468	56.24	48.69	46.12	44.05	34.32	38.10
b) FC Deposits	92,750,281	173,628,526	159,251,273	144,874,019	127,214,459	109,554,899	99,075,582	88,596,264	26.50	27.57	26.53	19.85	32.24	23.66
c) FC & LC Banks Deposits	705,433	1,320,571	4,324,836	7,329,100	10,227,868	13,126,635	22,619,750	32,112,864	0.20	1.39	3.18	-81.98	-44.17	-59.12
<b>II-BORROWING FUNDING LOANS &amp; OTHER</b>	<b>21,667,641</b>	<b>40,561,824</b>	<b>50,444,190</b>	<b>60,326,556</b>	<b>59,416,978</b>	<b>58,507,399</b>	<b>41,938,855</b>	<b>25,370,311</b>	<b>6.19</b>	<b>11.48</b>	<b>14.17</b>	<b>-32.76</b>	<b>3.11</b>	<b>130.61</b>
a) Borrowing from Domestic Market	0		5,324,560	10,649,119	6,289,654	1,930,189	13,650,250	25,370,311	n.a	2.03	0.47	-100.00	451.71	-92.39
b) Borrowing from Overseas Markets	17,993,331	33,683,516	16,841,758		0		0		5.14	n.a	n.a	n.a	n.a	n.a
c) Borrowing from Interbank	3,674,310	6,878,308	6,255,867	5,633,426	3,566,298	1,499,169	749,585		1.05	1.07	0.36	22.10	275.77	n.a
b) Securities Sold Under Repurchase Agreements	0		22,022,006	44,044,011	49,561,026	55,078,041	27,539,021		n.a	8.38	13.34	-100.00	-20.03	n.a
b) Subordinated Loan & Other & Funds	0		0		0		0		n.a	n.a	n.a	n.a	n.a	n.a
<b>D- NON COSTLY LIABILITIES</b>	<b>8,469,742</b>	<b>15,855,357</b>	<b>14,630,949</b>	<b>13,406,540</b>	<b>10,806,615</b>	<b>8,206,689</b>	<b>8,077,160</b>	<b>7,947,631</b>	<b>2.42</b>	<b>2.55</b>	<b>1.99</b>	<b>18.27</b>	<b>63.36</b>	<b>3.26</b>
a) Provisions	0		0		0		1,069,808	2,139,615	n.a	n.a	n.a	n.a	n.a	-100.00
b) Current & Deferred Tax Liabilities	2,204,486	4,126,797	3,662,781	3,198,765	2,229,284	1,259,802	664,023	68,243	0.63	0.61	0.31	29.01	153.91	1,746.05
c) Trading Liabilities (Derivatives)	0		0		0		0		n.a	n.a	n.a	n.a	n.a	n.a
c) Other Liabilities	6,265,256	11,728,560	10,968,168	10,207,775	8,577,331	6,946,887	6,343,330	5,739,773	1.79	1.94	1.68	14.90	46.94	21.03
<b>E- TOTAL LIABILITIES</b>	<b>320,450,075</b>	<b>599,882,540</b>	<b>540,822,598</b>	<b>481,762,656</b>	<b>430,806,650</b>	<b>379,850,643</b>	<b>335,892,591</b>	<b>291,934,538</b>	<b>91.55</b>	<b>91.69</b>	<b>91.97</b>	<b>24.52</b>	<b>26.83</b>	<b>30.12</b>
<b>F- MINORITY INTEREST</b>	<b>0</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>	<b>n.a</b>							
<b>F- EQUITY</b>	<b>29,588,383</b>	<b>55,389,453</b>	<b>49,519,420</b>	<b>43,649,386</b>	<b>38,397,074</b>	<b>33,144,762</b>	<b>30,135,817</b>	<b>27,126,871</b>	<b>8.45</b>	<b>8.31</b>	<b>8.03</b>	<b>26.90</b>	<b>31.69</b>	<b>22.18</b>
a) Prior Year's Equity	23,316,980	43,649,386	38,397,074	33,144,762	30,135,817	27,126,871	25,011,793	22,896,715	6.66	6.31	6.57	31.69	22.18	18.47
b) Equity (Added from Internal & External Recourses at this year)	-1,602,564	-3,000,000	-2,100,000	-1,200,000	-600,000		-91,379	-182,758	-0.46	-0.23	n.a	150.00	n.a	-100.00
h) Profit & Loss	7,873,967	14,740,067	13,222,346	11,704,624	8,861,258	6,017,891	5,215,403	4,412,914	2.25	2.23	1.46	25.93	94.50	36.37
<b>TOTAL LIABILITY</b>	<b>350,038,458</b>	<b>655,271,993</b>	<b>590,342,018</b>	<b>525,412,042</b>	<b>469,203,724</b>	<b>412,995,405</b>	<b>366,028,407</b>	<b>319,061,409</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>24.72</b>	<b>27.22</b>	<b>29.44</b>
	<b>USD 1 = TRY</b>	<b>1.87200</b>		<b>USD 1 = TRY</b>	<b>1.53900</b>	<b>USD 1 = TRY</b>	<b>1.50570</b>	<b>1.51230</b>						

CREDITWEST BANK LTD.								
INCOME STATEMENT	2011	2010	2009	2008	2007	2006	2005	2004
<b>Net Interest Income</b>	<b>31,019,005</b>	<b>28,677,394</b>	<b>25,141,348</b>	<b>18,431,754</b>	<b>14,483,730</b>	<b>10,387,397</b>	<b>9,352,698</b>	<b>6,919,764</b>
Interest Income	64,217,338	51,983,522	50,249,143	43,830,742	30,014,019	23,327,637	16,058,974	11,421,463
Interest Expense	33,198,333	23,306,128	25,107,795	25,398,988	15,530,289	12,940,240	6,706,276	4,501,699
<b>Net Fee and Commission Income</b>	<b>9,199,981</b>	<b>8,623,501</b>	<b>4,617,200</b>	<b>3,518,816</b>	<b>2,944,216</b>	<b>2,087,168</b>	<b>1,786,138</b>	<b>956,081</b>
Fee and Commission Income	9,774,214	9,135,489	5,209,849	4,068,828	3,130,069	2,296,784	1,889,556	1,004,211
Fee and Commission Expense	574,233	511,988	592,649	550,012	185,853	209,616	103,418	48,130
<b>Total Operating Income</b>	<b>4,428,927</b>	<b>3,175,961</b>	<b>5,727,738</b>	<b>1,169,734</b>	<b>1,596,834</b>	<b>-</b>	<b>600,765</b>	<b>994,919</b>
Net Trading Income (+/-)	- 358,295	1,164,847	1,684,382	90,296				
Foreign Exchange Gain(Loss), Net (+/-)	2,427,290	1,359,745	1,339,715	628,208	971,985	- 1,239,248	887,868	467,575
Gross Profit from Retail Business								
Premium Income from Insurance Business								
Income on Sale of Equity Participations and Consolidated Affiliates								
Gains from Investment Securities, Net								
Other Operating Income	1,194,429	740,471	2,863,792	637,177	624,849	638,483	370,348	527,344
Taxes Other Than on Income	- 157,454	- 89,102	- 160,151	- 185,947				
Dividend	1,322,957							
<b>PROVISIONS</b>	<b>5,318,881</b>	<b>7,880,639</b>	<b>15,236,699</b>	<b>7,400,979</b>	<b>4,974,496</b>	<b>665,238</b>	<b>211,360</b>	<b>874,457</b>
Provision for Impairment of Loans and Trade Receivables	13,698,863	14,792,212	15,236,699	7,400,979	4,974,496	665,238	211,360	807,007
Other Provision	- 8,379,982	- 6,911,573						67,450
<b>Total Operating Expense</b>	<b>20,208,212</b>	<b>17,521,410</b>	<b>12,424,131</b>	<b>10,877,563</b>	<b>8,497,740</b>	<b>7,811,640</b>	<b>4,745,312</b>	<b>3,094,495</b>
Salaries and Employee Benefits	12,014,600	10,945,744	9,067,730	7,592,531	4,836,618	3,428,394	2,726,429	1,701,485
Depreciation and Amortization	1,161,760	1,217,677	1,005,616	1,263,164	892,249	562,290	326,682	194,819
Other Expenses	7,031,852	5,357,989	2,350,785	2,021,868	2,768,873	3,820,956	1,692,201	1,198,191
<b>Profit from Operating Activities Before Income Tax</b>	<b>19,120,820</b>	<b>15,074,807</b>	<b>7,825,456</b>	<b>4,841,762</b>	<b>5,552,544</b>	<b>3,396,922</b>	<b>7,440,380</b>	<b>4,901,812</b>
Income Tax – Current	4,380,753	3,418,574	1,560,352	507,422	772,917	857,141	1,851,493	1,222,088
Income Tax – Deferred		- 48,391	247,213	- 78,574	- 662	- 274,370	4,195	
<b>Net Profit for the Period</b>	<b>14,740,067</b>	<b>11,704,624</b>	<b>6,017,891</b>	<b>4,412,914</b>	<b>4,780,289</b>	<b>2,814,151</b>	<b>5,584,692</b>	<b>3,679,724</b>
<b>Total Income</b>	<b>45,006,208</b>	<b>40,476,856</b>	<b>35,486,286</b>	<b>23,120,304</b>	<b>19,024,780</b>	<b>13,113,048</b>	<b>12,397,052</b>	<b>8,870,764</b>
<b>Total Expense</b>	<b>20,566,507</b>	<b>17,521,410</b>	<b>12,424,131</b>	<b>10,877,563</b>	<b>8,497,740</b>	<b>9,050,888</b>	<b>4,745,312</b>	<b>3,094,495</b>
<b>Provision</b>	<b>5,318,881</b>	<b>7,880,639</b>	<b>15,236,699</b>	<b>7,400,979</b>	<b>4,974,496</b>	<b>665,238</b>	<b>211,360</b>	<b>874,457</b>
<b>Pre-tax Profit</b>	<b>19,120,820</b>	<b>15,074,807</b>	<b>7,825,456</b>	<b>4,841,762</b>	<b>5,552,544</b>	<b>3,396,922</b>	<b>7,440,380</b>	<b>4,901,812</b>

<b>CREDITWEST BANK LTD.</b>			
<b>FINANCIAL RATIOS %</b>			
	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>I. PROFITABILITY &amp; PERFORMANCE</b>			
1. ROA - Pre-Tax Profit/Total Assets (av.)	3.24	3.21	2.14
2. ROE- Pre-Tax Profit/Equity (av.)	38.61	39.26	25.97
3. Total Income/Equity (av.)	90.89	105.42	117.75
4. Total Income /Total Assets (av.)	7.62	8.63	9.69
5. Provision/Total Income	11.82	19.47	42.94
6. Total Expense/Total Liabilities (av.)	3.48	3.73	3.39
7. Net Profit for the Period/Total Asset (av.)	2.50	2.49	1.64
8. Total Income/Total Expense	218.83	231.01	285.62
9. Non Cost Bearing Liabilities + Equity-Non Earning Assets/Assets	8.90	8.53	7.31
10. Non Cost Bearing Liabilities-Non Earning Assets/Assets	0.44	0.23	- 0.71
11. Total Operating Expense/Total Income	44.90	43.29	35.01
12. Interest Margin	5.37	6.27	7.09
13. Operating ROAA = Operating Net Income/Asset (av.)	8.86	8.18	9.00
14. Operating ROAE = Operating Net Income/Equity Capital (av.)	105.65	99.96	109.28
15. Interest Coverage (EBIT/Interest Expense)	157.60	164.68	131.17
16. Net Profit Margin	32.75	28.92	16.96
17. Gross Profit Margin	42.48	37.24	22.05
<b>II. CAPITAL ADEQUACY (year-end)</b>			
1. Equity Generation/Prior Year's Equity	- 6.87	- 3.62	-
2. Internal Equity Generation/Prior Year's Equity	33.77	35.31	22.18
3. Equity/Total Assets	8.45	8.31	8.03
4. Core Capital//Total Assets	8.46	8.05	7.71
5. Supplementary Capital/Total Assets	0.70	0.65	0.57
6. Tier 3/Total Assets	-	-	-
7. Capital/Total Assets	9.15	8.70	8.27
8. Own Fund/Total Assets	8.91	8.62	8.17
9. Standard Capital Adequacy Ratio	13.15	13.34	13.19
10. Surplus Own Fund	39.18	40.02	39.36
11. Free Equity/Total Assets	6.90	6.44	5.85
<b>III. LIQUIDITY (Year- end)</b>			
1. LMS-Liquidity Management Success (On Demand)	91.69	94.79	95.45
2. LMS-Liquidity Management Success (Up to 1 Month)	96.18	95.41	97.77
3. LMS-Liquidity Management Success (1 to 3 Months)	74.16	87.88	92.85
4. LMS-Liquidity Management Success (3 to 6 Months )	96.92	84.55	85.22
5. LMS-Liquidity Management Success (6 to 12 Months)	99.31	98.77	97.20
6. LMS-Liquidity Management Success (Over 1 Year & Unallocated)	82.52	81.01	82.06
<b>IV. ASSET QUALITY</b>			
1. Loans Loss Provisions/Total Loans	8.79	10.42	11.56
2. Total Provisions/Profit Before Provision and Tax	21.76	34.33	66.07
3. Impaired Loans/Gross Loans	7.799	9.37	10.52
4. Impaired Loans/Equity	64.17	69.96	71.40
5. Loan Loss Reserves/Impaired Loans	112.71	111.22	109.87
<b>V. OTHER</b>			
1.Assets/ (Total Guarantees and Commitments +Assets)	90.76	89.35	86.15
2.Equity/(Total Guarantees and Commitments +Equity)	45.36	41.06	33.29
3.Own Fund/(Total Guarantees and Commitments +Own Fund)	46.66	41.95	33.70
4.Total Foreign Currencies Position/Assets	0.31	0.12	0.81
5.Total Foreign Currencies Position/Equity	3.65	1.46	10.08
6.Total Foreign Currencies Position/Own Equity	3.47	1.41	9.90
7.Market Share	6.61	6.24	5.31
8.Growth Rate	24.72	27.22	29.44