

# Corporate Credit Rating Update

# Banking

creditwest Creditwest Bank Kıbrıs		Long-Term	Short-Term	
International	Foreign Currency	BBB-	A-3	
	Local Currency	BBB-	A-3	
	Outlook	Stable	Stable	
National	Local Rating	AA+ (Trk)	A-1+ (Trk)	
	Outlook	Stable	Stable	
Sponsor Support		2	-	
Stand Alone		A	-	
Sovereign*	Foreign Currency	BBB-	-	
	Local Currency	BBB-	-	
	Outlook	FC	Stable	-
		LC	Stable	-

Creditwest Bank Limited					
Financial Data	2015*	2014*	2013*	2012*	2011*
Total Assets (000 USD)	618,144	601,767	540,608	470,671	346,907
Total Assets (000 TRY)	1,797,317	1,395,438	1,151,712	836,665	655,272
Total Deposit (000 TRY)	1,634,985	1,226,624	982,689	725,799	543,465
Total Net Loans (000 TRY)	1,181,439	872,795	709,210	517,854	415,502
Equity (000 TRY)	120,943	101,042	81,751	67,037	55,389
Net Profit (000 TRY)	21,576	22,557	20,714	17,198	14,740
Market Share (%)	10.19	9.47	8.68	7.65	6.67
ROAA (%)	1.76	2.25	2.69	2.94	3.24
ROAE (%)	25.28	31.31	35.95	35.85	38.61
Equity/Assets (%)	6.73	7.24	7.10	8.01	8.45
Capital Adequacy Ratio (%)	12.71	12.99	12.45	12.66	13.15
Asset Growth Rate (Annual) (%)	28.80	21.16	37.66	27.68	24.72

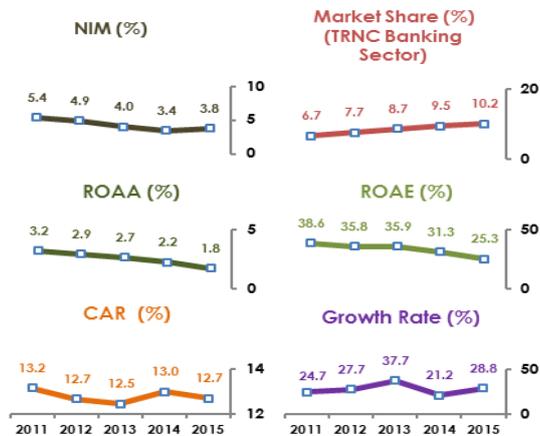
\* End of year

### Overview

Creditwest Bank Ltd. (hereinafter referred to as Creditwest Bank or the Bank), the Altınbaş Family's first financial institution, was established in the Turkish Republic of Northern Cyprus (TRNC) under the name of Altınbaşbank in 1994 before changing its name to Creditwest Bank in 2006. The Bank offers modern banking services predominantly to privately owned enterprises as well as individuals through its 14 branch network in the cities of Nicosia (Lefkoşa), Famagusta (Mağosa), Kyrenia (Girne) and Güzelyurt. Furthermore, the Bank provides insurance, factoring, leasing, investment and credit card payments amenities via its five financial affiliates; Creditwest Insurance, Creditwest Finance, Creditwest Factoring, Euro-Mediterranean Investment Company Ltd. and Starcard Banka Kartları Ltd. All shares of the Bank belong to members of the Altınbaş Group, which carries out its operations principally in the sectors of energy, finance, jewellery, logistics and educations. The Group's prime business activities are based in Turkey, the TRNC, Albania and Ukraine.

In FY2015, despite sound growth rates in both assets and loan book as well as net interest income (NII), the Bank's net profit slightly contracted compared to the previous year due to growth in provision (TRY 6.9m in absolute values) and remarkable contraction in other operating income along with contraction in net fee and commission income. Though the profitability indicators, principally return on asset and equity ratios, exhibited a declining pattern over the reviewed period, stayed above the averages of TRNC Banking Sector. In the market, the Bank gradually amplified its efficiency and presence and fortified its second largest bank position among 22 banking institutions. Creditwest Bank projected growths of 10.41%, 11.59%, 25.90% and 28.61% in asset size, loans, equity base, and net profit, respectively, within the framework of projections and budgeting activities in FY2016. Based on unaudited financials as of the first half of 2016, the Bank recorded a net profit of TRY 17mn. In the event of continuity of profitability in the remainder of the ongoing year, the Bank's 2016-year end net profit projection (TRY 27.6mn) could be easily achievable.

\*Assigned by Japan Credit Rating Agency, JCR on July 19, 2016  
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### Strengths

- Consistent growth in market share across the TRNC Banking Sector
- Profitability indicators - though declining - outperforming sectorial averages
- Satisfactory capitalization level beyond the regulatory level, despite staying below the sector average throughout the reviewed period, ensuring a shield against potential incidental losses
- High market influence through competitive strength as the second largest bank
- High internal resource generating capacity and Tier 1 capital share among the total shareholders' equity along with continuity of large percentage of profit retention policy contributing to the capital base and empowering sustainability and further growth
- Effective risk management exercises and collection success from non-performing loans book

### Constraints

- Noticeable increase in NPL book in absolute values, despite improvement and below sector average NPL ratio
- Noteworthy growth in provision expenses and contraction in net fee and commission expenses along with significant increase in other operating expenses exerting pressure on profitability
- Isolated economic and political structure of the TRNC signifying a major complication for the sector's development
- Sector-wide structural maturity mismatches and short maturity profile of collected funds
- Macroeconomic dependency on social, economic and political risks due to close ties with Turkey

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## 1. Rating Rationale

JCR Eurasia Rating has affirmed Creditwest Bank's National Local Rating Notes of 'AA+' in the long term, which denotes the highest investment grade and 'A-1+ (Trk)' in the short term with a 'Stable' outlook on both ratings. The Bank's International Long Term Local and Foreign Currency notes have also been affirmed as "BBB-" with "Stable" outlooks, in line with the country ceiling. JCR Eurasia Rating recognizes that the sovereign risk of the TRNC is the same as that of the Republic of Turkey and therefore the rating rationale of Creditwest Bank has been developed based on this assumption.

In the assignment of Creditwest Bank's ratings, quantitative and qualitative assessments have been taken into consideration such as; (i) capitalization level that was maintained above the obligatory and required levels, though its CAR exhibited a below-sector-average level over the reviewed period and its higher Tier 1 capital share among the total shareholders' equity signifying a satisfactory shield against potential incidental losses, (ii) asset quality associated with below sector average NPLs ratio, (iii) established earnings power with above sector average primary profitability indicators through recurrent revenue streams, (iv) above sector average sound growth performance, (v) short funding profile, which is prevalent in the TRNC Banking Sector, (vi) the isolated political & economic structure of the Turkish Republic of Northern Cyprus and its banking system, (vii) risk management practices and moderate risk appetite, (viii) liquidity position, (ix) high market influence, (x) levels of compliance with best practices of corporate governance principles and (xi) growth projections.

Ratings provided by JCR Eurasia Rating for Creditwest Bank are based principally on (i) the Bank's year-end consolidated independent audit reports prepared in conformity with International Financial Reporting Standards (IFRS), (ii) JCR Eurasia Rating's own studies and records, (iii) information provided by the Bank, and (iv) non-financial figures. Additionally, audited financial statements which were submitted to the Central Bank of TRNC were utilized when comparing Creditwest with the banking sector.

**The Fundamental Rating Considerations of the Assigned Ratings are as follows;**

### **Established Earnings Power with Above Sector Average Profitability Indicators though Weakening**

Erosion in the profitability indicators of both the TRNC Banking Sector and Creditwest Bank has remained throughout FY2015. Nevertheless, the Bank's key profitability indicators, particularly the return on assets

and equity ratios outstripped the sector averages throughout the reviewed period. Advantages of the net interest income and NIM growths was wiped out by contraction in other operating income and net fee and commission income along with noteworthy increase in provisions particularly.

### **Maintained Progress in NPLs and Attained below Sector Average Figures;**

Creditwest Bank's gross non-performing loans book at the end of FY2015 deteriorated to TRY 63.3mn from TRY 50.8mn, however the improvement in the NPLs ratio remained steady in FY2015 and decreased to 5.31% from 5.55% FYE2014, thanks to collection and particularly solid loan growths. On the other hand, the Sector's NPL ratio exhibited an increase in the last two consecutive years, contrary to the Bank. According to the financials submitted to the TRNC Bank, the Bank's NPLs ratio was 5.37% at the end of FY2015 and remarkably below the Sector averages of 6.88%.

### **Continuous Asset Growth Carried the Bank to the Post of Largest Privately-Owned Bank**

The Bank recorded an exceptional growth performance in the last eight-year period and folded its assets by a factor of 4.63. In the same period, the compound annual growth rate (CAGR) in assets was 24.12% indicating sound and sustainable growth. As of FYE2015, the Bank was ranked second among 22 banking institutions with an asset size of TRY 1,797mn and first as privately owned bank.

### **Decent Brand and High Market Influence**

In line with the expansion of its operations, the Bank's presence in all core banking activities has become more prominent year after year in the sector. As of FYE2015, the Bank's asset size based market share increased to 10.19% from 5.31% FYE2009, which almost doubled and outperformed the sector averages.

### **Satisfactory NIM Supporting Sustainable Income Growth**

As of December 31, 2015, the Bank's net interest margin was 3.79% which increased from 3.43% at FYE2014, while the TRNC Banking sector was 3.62% down from the previous year figure of 3.75%. Over the reviewed period, the NIM ratio of the Bank remained slightly above the sector averages in general with the exception of FY2014. Accordingly, the adequate NIM ratio states the bank's effectiveness and sustainability of income streams.

### **Leaner Capitalization Compared to the Sector, Despite Satisfactory Regulatory Capitalization Level**

Creditwest Bank's Capital Adequacy Ratio (CAR) retreated to 12.71% as of FYE2015 from 12.99% at FYE2014 and

stayed below the average of the TRNC Banking Sector over the reviewed period, however this ratio remained above the minimum CAR requirements (8%) set by Basel II and the required level (12%) by the TRNC. It should also be noted that, well-capitalized public banks hike up the Sector's CAR ratio. The Bank's Tier 1 capital ratio was 12.23%, up from 12.11% at FYE2014 and the higher share of the Bank's Tier 1 capital among the total shareholders' equity supported sustainability and indicated the strength of the capital. Accordingly, we, as JCR Eurasia Rating, conclude that the current level of capitalization provides a bumper against incidental loan and operational losses.

#### **Short Term Funding Profile - Prevalent in the Sector, though Having Adequate Liquidity Level,**

Creditwest Bank has funded itself through principally deposits with a rate of 90.97% as of FYE2015 and 63.16% of total deposits were placed in the up to and including one-month maturity brackets, according to the contractual maturities of total deposits. That figure of the TRNC Banking Sector's was 68.44% in the same period meaning that short maturity funding structure is prevalent in the sector.

As in the previous years, no violations are observed in 2015, and the Bank attained satisfactory liquidity threshold levels. The liquid assets (reserve deposits in the TRNC Central Bank and marketable securities were not included) to total assets ratio was 19.82% at the end of FY2015 and exhibited a decrease from 21.81% at FYE2014, and stayed slightly below the sector's average ratio of 22.84%. Furthermore, the LTD ratio (performing loans to deposits) of 72.59%, below the sector average of 74.54%, designates satisfactory liquidity for any unexpected funding requirements and room for growth.

#### **Modest Risk Position Attained Despite Sound Growth in loans Book;**

At the end of FY2015, the Bank extended 62.55% of its assets as loans (including receivables from credit cards), above the sector averages of 61.77%. The Bank's loans are dispersed as corporates & commercial customers and retail customers (consumer and credit cards) with rates of 60.11% and 39.89% (FYE2014: 55.09% and 44.91%), respectively. In FY2015, the loans portfolio increased by 35.36% YoY basis, remarkably up from the previous year growth of 23.07%.

The Bank's largest 20 cash loan customers composed 31.41% of the total cash loan portfolio as of FYE2015 (FYE2014: 23.21%), while the largest 20 non-cash loan customers composed 78.39% of the total non-cash loan portfolio as of FYE2015 (FYE2014: 76.89%). Moreover, the largest 100 cash and non-cash loan customers made

up 28.23% of the total "on and off balance sheet" assets as of FYE2015. Despite the high credit concentration in non-cash loans, the Bank's total off balance sheet liabilities accounted for 8.97% of the total assets. We assume that concentration in the commitments and contingent liabilities will not have a significant impact on the Bank's balance sheet structure. Accordingly, although the credit risk concentration exhibited an increase compared to the previous year's figures, the Bank steadily monitors its credit risk concentrations in line with the risk management framework.

#### **Political and Economic Isolation Providing Protection against Global Market Volatility to a Certain Extent while Limiting Growth and Development Potential in the Medium and Long Term'**

The sustained existence of the political and economic isolation against the TRNC is a factor that safeguards the TRNC's economy and banking system from external risks and volatility in the global economy, limiting contagion potential. On the other hand, TRNC remains highly dependent on social, economic and political developments in Turkey. Additionally, the inability to access global financial markets prevents the country from obtaining the funds necessary to drive the TRNC's development.

## **2. Outlook**

JCR Eurasia Rating has affirmed "**Stable**" outlooks on the long and short term national and international ratings perspectives of Creditwest Bank, considering the Bank's satisfactory capitalization level which is above the legal and required boundaries, proven earnings power with above sector average core profitability indicators along with resilient income streams, progressively growing market share and solid market presence, assets quality through below sector average NPLs ratio resulting in selective lending policy and continuity of successful collection performance from non-performing loan book, proactive management approach coupled with moderate risk appetite, synergies of parent company activities and growth forecasts along with the expectations of no further deterioration in the operating environment and continuity of political and economic stability in the TRNC.

Key concerns which would impede the ratings and outlooks are: (i) deterioration in asset quality through an increase in NPLs resulting from weakened debt-servicing capabilities of loan customers, (ii) continuity of weakening profitability ratios, (iii) severe contraction in economic activities (iv) changes in the sovereign rating level of Turkey, (v) deterioration in capital adequacy and liquidity levels, (vii) disruption of economic and political stability and (viii) contingency of international politics pertaining to Turkey's neighboring countries and the endurance of geopolitical risks in Turkey due to economic and political close ties between the TRNC and Turkey.

Conversely, (i) an increase in capital power through a cash equity injection, (ii) noteworthy enhancement in the ratios of profitability and liquidity, (iii) extending maturity profile of funding, (iv) progress in asset quality coupled with continuity of successful collection from non-performing loans book, (v) upgrades in Turkey's country ceiling ratings, (vi) improvement in the domestic and global financial climate, (vii) steadiness of progress in market position, (viii) further enhancement of the compliance level with corporate governance principals, (ix) the successful conclusion of the peace talks between the Turkish and Greek communities in Cyprus and amputation of the political & economic isolated structure of TRNC, (x) integration into international finance system & accessing overseas financial markets and (xi) the ability to manage additional risks combined with the growth of the Bank are substantial factors that may be taken into consideration for any future positive changes in ratings and outlook status.

### 3. Sponsor Support and Stand-alone

Sponsor Support notes and risk assessments reflect the financial strength and expected assistance of the shareholders, the Altınbaş Family. The Group focuses primarily on the sectors of energy, finance, jewellery logistics and education. The Group's prime business activities are based in Turkey, the TRNC, Albania and Ukraine. In the light of the Group's financial and operational positions, it is considered that the Altınbaş Family has the propensity and adequate experience to offer efficient operational and financial support within its financial capacity when liquidity needs arise in the short or long term perspective. In this regard, JCR Eurasia Rating has affirmed the Sponsor Support Grade as '2', denoting a moderate external support possibility.

The Stand Alone Note of the Bank has been affirmed as "A" regarding its past track record, high market presence, established earning power through sustainable income streams, adequate capital and liquidity levels, balance sheet structure, sound growth performance, assets quality, risk appetite and management practices, continuity of the visionary management and the development of existing risks in the markets and business environment. This Stand Alone note indicates a very strong and credible bank that the Bank is able to manage its balance sheet risks successfully even if the shareholders or public authorities do not provide any assistance.

### 4. Company Profile

#### a. History & Activities

Creditwest Bank Limited, the first financial institution of the Altınbaş Family, was established in the Turkish public

of Northern Cyprus under the name Altınbaşbank in 1994 and changed its name to Creditwest Bank in 2006. The Bank is fully licensed to carry out all banking operations in the TRNC and provides a wide range of banking services, including deposit acceptance, the granting of corporate and retail loans and others through its fourteen branches as well as insurance, factoring, leasing, investment and credit card payment services via its five financial affiliates.

#### b. Organization & Employees

As of December 31, 2015, the Bank employed a total staff force of 238 (FYE2014: 237) and carried out its operations with a total domestic network of 14 branches, spread across 4 cities. In addition to the conventional services stream offered through the branch network, the Bank facilitates the use of alternative delivery channels (ADC), including ATMs and internet banking facilities.

#### c. Shareholders, Subsidiaries & Affiliates

The shareholder structure of the Bank is given in the chart below. Creditwest Bank is fully owned by members of the ALTINBAŞ Family.

Shareholders Structure	Share Amount TRY		Share %
	2015	2014	
Hüseyin ALTINBAŞ	1,520,554	1,520,554	16.67
Nusret ALTINBAŞ	1,520,554	1,520,554	16.67
Ali ALTINBAŞ	1,408,892	1,408,892	15.44
Sofu ALTINBAŞ	1,408,892	1,408,892	15.44
İmam ALTINBAŞ	1,408,892	1,408,892	15.44
Aliye ALTINBAŞ	506,850	506,850	5.56
Orkun ALTINBAŞ	506,850	506,850	5.56
Sedef ALTINBAŞ	506,850	506,850	5.56
Fatma S. ALTINBAŞ	111,664	111,664	1.22
Serdar ALTINBAŞ	111,664	111,664	1.22
Tuğçe ALTINBAŞ	111,664	111,664	1.22
<b>Paid Capital TRY</b>	<b>9,123,322</b>	<b>9,123,322</b>	<b>100</b>

Subsidiaries and Affiliates	FY2015	FY2014	Country
	Bank's Share %	Bank's Share %	
Creditwest Finance Limited	48.89	48.89	TRNC
Creditwest Insurance Limited	30.00	30.00	TRNC
Starcard Banka Kartları Limited	16.67	16.67	TRNC
Creditwest Factoring A.Ş. (*)	1.01	1.01	TURKEY
Euro-Mediterranean Investment Company Limited	14.85	-	TRNC

(\*) Quoted to Borsa Istanbul (BIST)

#### d. Corporate Governance

Creditwest Bank is not a publicly traded company and as such fulfillment of best practices of corporate governance principles is not obligatory. However, the Central Bank of

TRNC enforces regulation and supervision on the Banking Sector. Accordingly, adoption of corporate governance practices carries much importance regarding the operating field. Additionally, the Bank objects to improve the level of compliance with Corporate Governance Practices by following standards of best practice set by the Banking Regulation and Supervision Agency (BRSA) and Turkish Capital Market Board (CMB) as well as the wider internationally accepted practices. As such, it established the Corporate Structuring Committee to raise awareness of Corporate Governance issues among its employees and speed up the process of institutionalization.

Periodic independent audit reports, annual activity reports (FY2015 reports have not disclosed yet), organizational structure, Board of Directors, senior management and their CVs, shareholder structure, history, mission, vision, ethical rules, the policy of prevention of laundering proceeds of crime and financing of terrorism, rating reports, strategy along with the recruiting processes, performance evaluations and career development with employees are provided in detail under 'Human Resources' and are disclosed to the public via its web site. On the other hand, the deficiencies of the Bank's website such as, articles of association, dividend distribution policy, information policy, comprehensive corporate social responsibility policy, disclosure policy, and a stakeholder's policy suppress the transparency level of the Bank.

Stakeholder rights are protected in the general legal frame work. 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. All shares of Creditwest Bank are owned by Altınbaş family members. Thus, there is no disclosed regulation of shareholders' rights and no sense in reality due to shareholder structure.

Board Members	
Nusret ALTINBAŞ	Chairman
Sofu ALTINBAŞ	Board Member
Cengiz BİÇER	Vice Chairman
Cemal Ufuk KARAKAYA	Board Member
Süleyman EROL	Board Member-CEO
Aliye ALTINBAŞ	Board Member
Zafer ÖZCAN	Board Member

The Board of Creditwest Bank consists of seven members, two of which are independent. It is considered that the Board Members have the adequate qualifications to administer their duties and that the Board successfully performs its duties of leading,

supervising and inspecting. There are no committees under the Board of Directors. However, the Credit, Assets and Liabilities, Internal System, Repurchase & Selling, Disciplinary, Education and Marketing Committees were formed with the participation of senior executives.

The Bank's compliance level with Corporate Governance Principals is rather high compared to the sector in general, although it considered that the compliance level of the TRNC Banking sector is low compared to the best practices of the principles. Accordingly, considering the compliance level of the Bank, there is room for full compliance with corporate governance best practices.

#### e. The Bank Strategy

The Bank's strategy is to attain growth and broaden its hold in the market particularly in retail banking through a widespread branch network. Moreover, the Bank aims to build a presence in potential markets such as the Balkans, Middle East and Black Sea Region through transferring its experience. Creditwest Bank also attaches importance to diversifying its product range and becoming a pioneer bank offering high quality and tailor made financial solutions. The management considers innovation and servicing customers with a continuously improved quality as crucial factors for Creditwest Bank's success. The Bank also considers well trained and expert human resources to be an integral part of its success and believes in the importance of becoming a desirable employer.

### 5. Stability of the Financial System

The Banking Sector of the TRNC (Turkish Republic Northern Cyprus) comprised of 22 institutions (2 of which are public, 13 private and 7 foreign bank branches) with a total of 227 branches and 2,900 employees as of FYE2015. It constitutes the largest part of the wider financial services industry across TRNC and attained an asset size of TRY 17,310mn as at FYE2015. The TRNC Central Bank acts as the regulator across the banking sector and holds responsibility for credit, monetary, and exchange policies.

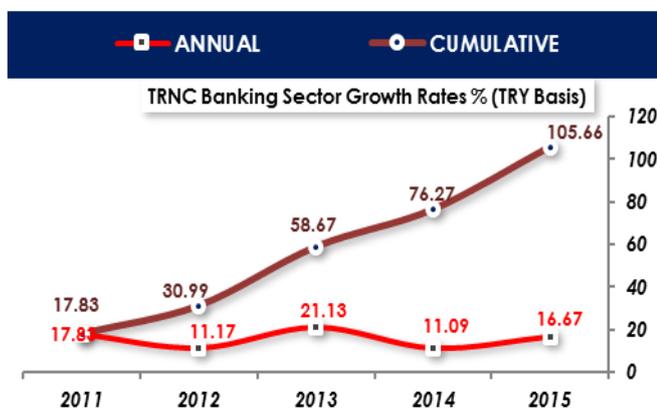
The table below provides an overview of the banking sector in the TRNC as at FYE2015.

The Turkish Republic of Northern Cyprus Banking Sector					
	Number of Banks	Number of Branches	Number of Staff	Asset - TRY (000.000)	CAR
Public Deposit Banks	2	36	518	4,805	23.95
Private Deposit Banks	13	145	1,827	7,334	14.53
Foreign Banks Branch	7	46	555	5,171	17.35
<b>Total</b>	<b>22</b>	<b>227</b>	<b>2,900</b>	<b>17,310</b>	<b>17.06</b>

Source : KKTCCMB

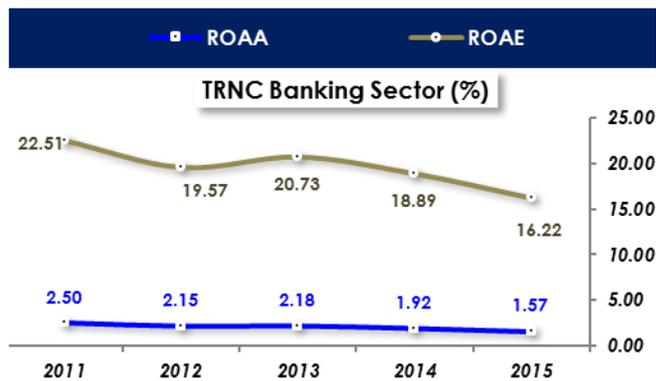
As of FYE2015, the five leading players collectively held 55.51%, 58.60% and 57.48% of total assets, loans and deposits, respectively, across the TRNC banking sector (FYE2014: 54.18%, 59.70%, and 55.83%, respectively). The ratios of deposits, credits to GDP and credits to deposits which indicate extent of financial depth realised values of 150.5%, 120.5% and 80.1%, respectively at FYE2015 (FYE2014: 151.1%, 117.5% and 81.2% respectively).

TRNC Banking Sector attained a growth rate of 105.66% on TRY terms during the last five years and recorded positive cumulative growth rates in every reporting period. On the other hand, annual growth rates exhibited a fluctuating pattern during the same period. The annual growth rate increased from 11.09% in FY2014 to 16.67% in FY2015.

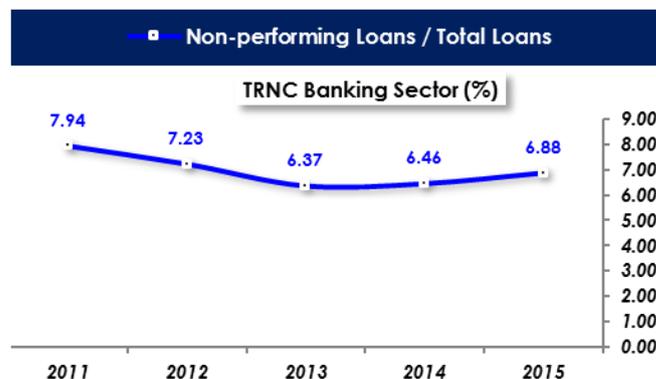


Deposits which amounted to TRY 13.95bn as of FYE2015, represented the principal resource of the sector with a share of 80.59% largely stemming from the isolated economic and political status of TRNC (FY2014: TRY 11.77bn and 79.36%, respectively). In addition to this, as of FYE2015, 68.45% of the Sector's total deposits had less than or equal to one-month maturity, placing pressure on the liquidity management of the sector (FYE2014: 69.76%).

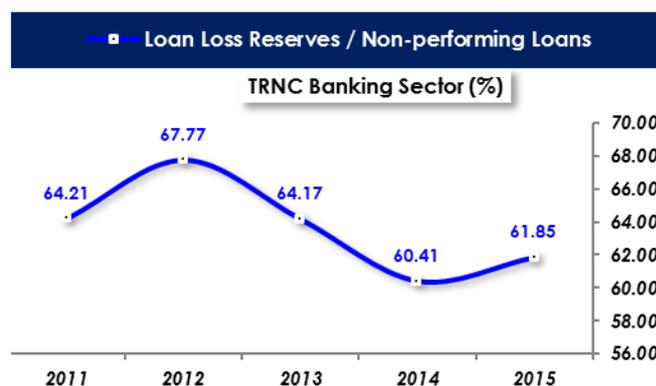
The net profit of the TRNC banking sector in FY2015 amounted to TRY 201.82mn, indicating a fall of 6% in comparison to the previous year. Furthermore, the Return on Average Assets (ROAA) and Return on Average Equity (ROAE) decreased to 1.57% and 16.22%, respectively at FYE2015, compared with the same period of the previous year.



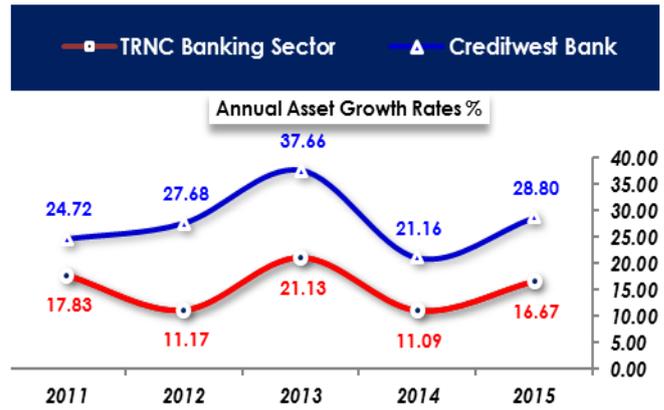
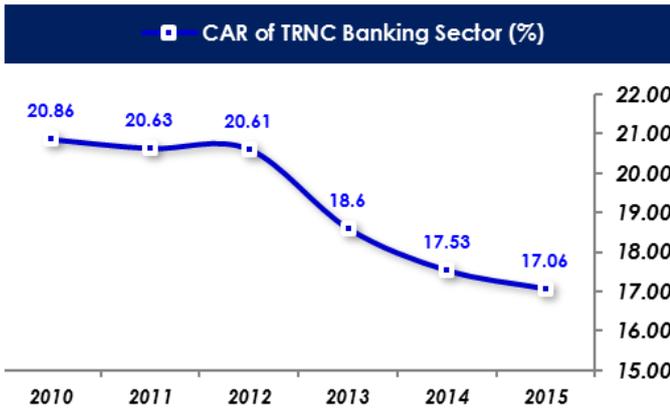
The sector's non-performing loans to gross loans ratio was 6.88% as of FYE2015 and recorded an increase of 6.5% in comparison to the previous year. This increase mainly resulted from the greater rise in NPLs of 24.49% compared to the lower rise of 16.85% in total gross loans throughout the same period.



The loan loss reserves to non-performing loans ratio which hit its highest level at FYE2012 decreased until FYE2014 and slightly increased to 61.85% at FYE2015.



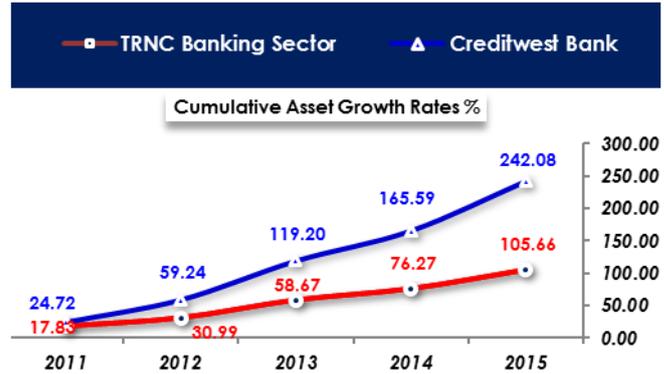
The Capital Adequacy Ratio (CAR), which hovered around the 20-21% range between 2010 and 2012 period, maintained a downward trend after FY2012 onwards and attained a value of 17.06% at FYE2015, which still remained significantly above the regulatory level of 10.00%.



The TRNC and Turkey enjoy strong political and economic relations, hence economic developments in Turkey carry the potential to affect the economy of the TRNC. As such, the influence of the Turkish Banking System on the TRNC remains relatively high. Furthermore, TRNC obtains economic assistance from Turkey while the two countries share the same currency.

The Bank's growth performance in cumulative terms in the last five-year period was 242.08%, more than double that of the sector. The compound annual growth rate (CAGR) in asset and equity bases were 27.25% and 22.96% respectively. Those outcomes disclose the sound and sustainable growth coupled with the exceptional achievement of the Bank.

The lack of recognition on the international arena raises difficulties for the TRNC regarding the access to diversified financial resources and opportunities. Thereby, international isolation remains an important issue for the island's further economic development and the development of its banking sector. In addition to conventional banking activities, a number of alternative distribution channels including the internet, mobile banking services and ATMs are also utilised by the banking sector for the provision of services. The provision of credit cards, POS and swift services in the TRNC are carried out by Turkish Banks as TRNC currently lacks sovereign status.



The Bank's asset size market share amongst the entire TRNC Banking Sector, based on the audited financial statements which was submitted to the Central Bank of TRNC, increased to 10.19% at FYE2015 from the previous year's 9.47%. Throughout the reviewed period, the Bank's asset size market share has progressively increased thanks to sound growth performance over the sector averages.

According to FYE2015 results, Creditwest Bank was ranked as the second largest bank amongst the 22 banks, as in the previous year. While the largest bank with a market share of 22.76% is well ahead of the Bank, third largest bank with a market share 9.98% follows closely behind.

**6. Financial Analysis**

**a. Financial Indicators and Performance**

**i. Indices Relating to Size**

Creditwest Bank's assets were TRY 1.797mn as of FYE2015, indicating a sound increase of 28.80% compared to the previous year's figure of TRY 1,395mn. The Bank's growth was principally bolstered by loan growth. As in the previous years, the Bank's asset base growth performance remained well above the TRNC Banking Sector average.

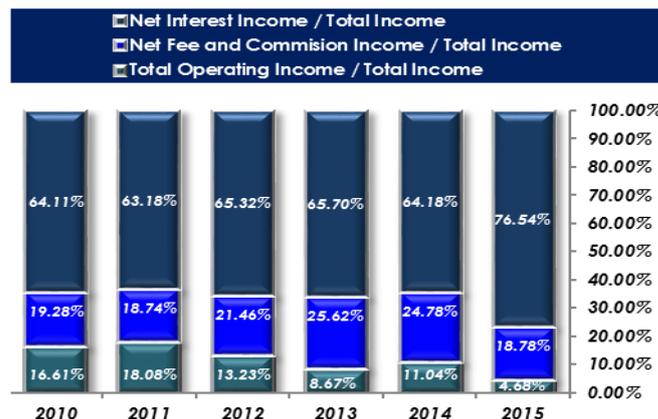


The Bank management has projected an asset size growth of 10.41% for the ongoing year. Comparing the past performance, the projection is quite conservative and easily achievable. 1H2016 results are in line with the management projection. Additionally, the Bank's current capital adequacy level and internal resource generating capability empowers projected growth.

**ii. Indices Relating to Profitability**

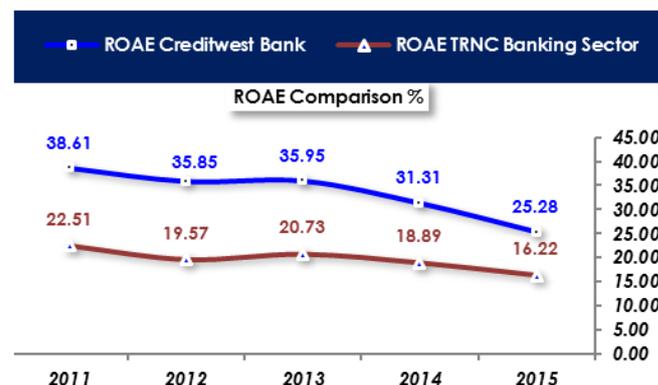
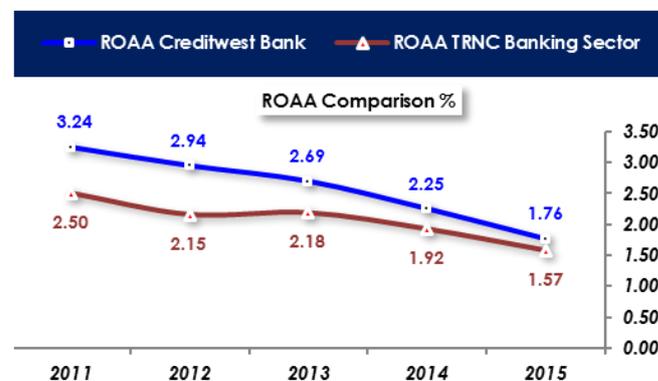
At the end of FY2015, Creditwest Bank recorded a net profit of TRY 21.6mn, a slight contraction of 4.01% YoY compared to the previous year's figure of TRY 22.5mn, according to the audited financial statements submitted to the TRNC Central Bank. Despite the enlargement of activities, exceptional growth in net non-interest expenses with a rate of 113.87% YoY stemming from principally increase in provision for non-performing loans and FX losses curtailed the net profit. In the same term, the TRNC Banking Sector's net profit figure also contracted by 6.00% and retreated to TRY 201.8mn from TRY 214.7mn FYE2014.

In line with the Banking Sector as a general, net interest income was the Bank's primary source of total income. The net interest income constituted 76.54% of total income of the Bank as of FYE2015 and demonstrated a remarkable increase from the previous year's figure of 64.18% thanks to progress in NIM along with contraction in net fee and commission income and other operating income. Together, net interest income with net fee & commission income effectuated 95.32% (FY2014:88.96%) of total income resulting from sustainable channels and was engendered principally through main banking activities.



Thanks to visionary and proactive approach of the management, net interest income growth surpassed the interest income growth due to provided funds with favorable costs. However, growth in provisions (TRY 6.9m in absolute values) and remarkable contraction in other operating income along with net fee and commission income equilibrated the advantage of NII growth.

Return on assets and equity ratios, core profitability indicators in the finance sector, maintained its decreasing trend in FY2015, in line with the TRNC Banking Sector. Regarding the ROAA and ROAE, despite a decrease in FY2015, the Bank outperformed the TRNC Banking sector throughout the reviewed period and sustained its satisfactory levels.

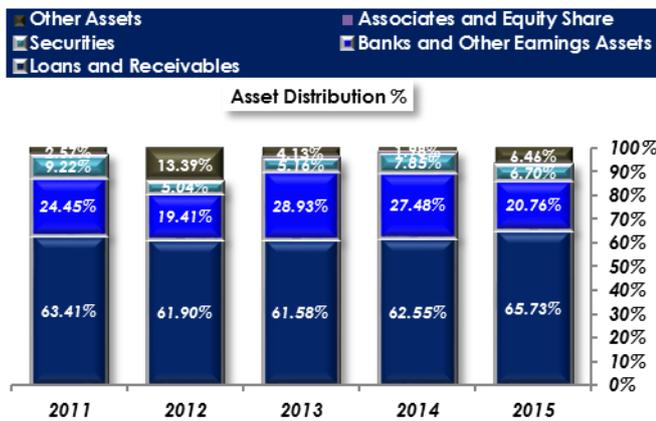


The Bank's net profit margin was 28.63% at the end of FY2015, and exhibited a decreasing pattern in the last two consecutive years. Rising OPEX and provisions along with contraction in fee and commission income restrained the Bank's profit growth.

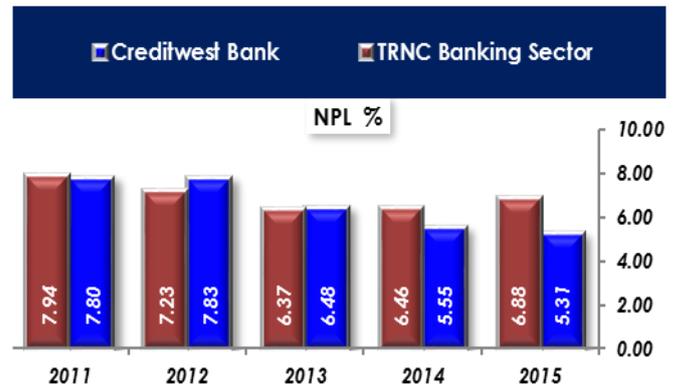
According to unaudited financials of 1H2016, the Bank gained a net profit of TRY 17mn. In case of this performance will continue for the remainder of the year, the Bank will probably surpass FYE2016's target figure of TRY 27.6mn.

**b. Asset Quality**

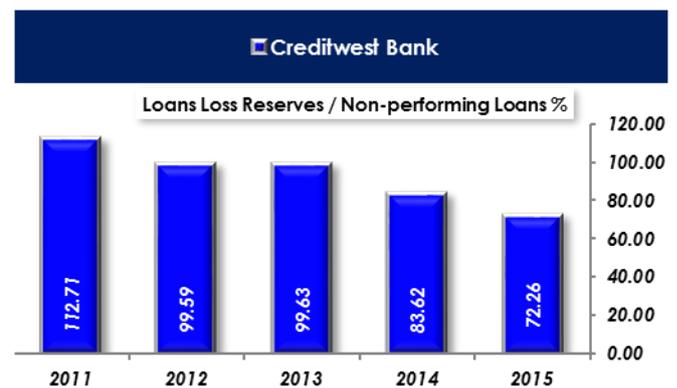
The Bank's asset dispersion is presented in the graph below. As in the previous year, the largest portion of assets were extended to loans and its share in assets increased to 65.73% from 62.55% at FYE2014. The Bank's loan to asset ratio was slightly above the TRNC banking sector's ratio of 61.77% at the end of FY2015. In line with the management's cautious risk management approach, approximately 61% of cash loans were extended against tangible collaterals, which are largely based on mortgages (68.32%), cash (28.04%) and pledges (3.64%) in descending order. The high level of tangible collaterals secures the repayment of extended loans to a certain extent.



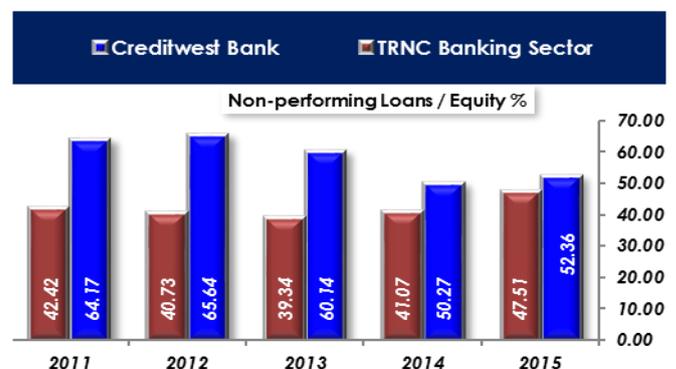
At the end of FY2015, the Bank's gross non-performing loans portfolio increased to TRY 63.3mn from the previous year's figure of TRY 50.8mn with a rate of 24.67%. However, the Bank NPL ratio regressed to 5.31% at the end of FY2015 from 5.55% at FYE2014 and improvement was maintained in the last two consecutive years. The sound loan book growth of 35.36% YoY, well above the sector's loan growth of 16.42% in FYE2015, curtailed the NPLs ratio.



According to financial statements compliant with the IFRS, loan loss coverage displayed a decline to 72.26% from 83.62% FYE2014. On the other hand, according to the financials submitted to the TRNC Central Bank, the provision for non-performing loans was 75.30% (FYE2014: 67.28%) at the end of FY2015 and stood fairly above the sector average of 61.85%.



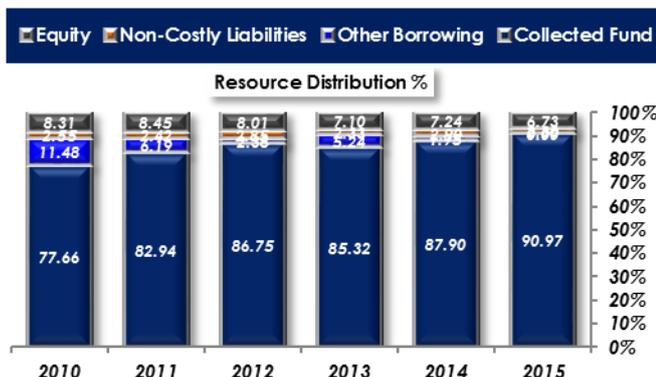
Improvement in the Bank's non-performing loans portfolio to equity ratio was slightly reversed in FYE2015 and materialized at 52.36%. This ratio of the sector was 47.51% and increased from 41.07% at FYE2014. Over the reviewed period, the Bank's NPL to equity ratio stayed above the Sector averages.



**c. Funding and Adequacy of Capital**

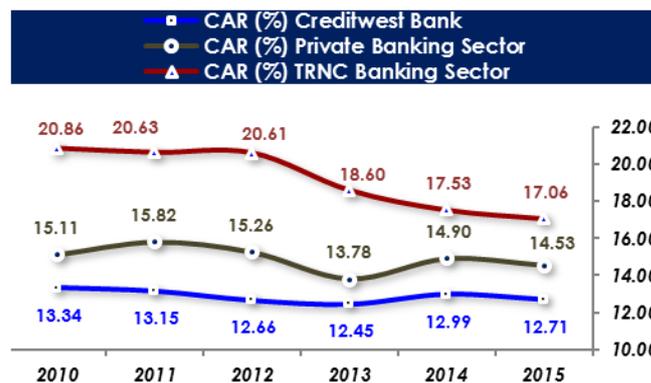
The Bank's funding base was principally comprised of deposits with a rate of 90.97% (FYE2014: 87.90%) and the total deposits (including bank deposits) increased to TRY 1,635mn at FYE2015 from TRY 1,227mn at the end of FY2014. The growth in deposits compared to the previous year was 33.29% and remained remarkably up the TRNC Banking Sector's increase of 18.49% in total deposits in FY2015 year on year basis.

79.28% (FYE2014: 85.86%) of total customer deposits belonged to individuals and were almost covered by the Savings Deposit Insurance Fund. According to the contractual maturities of total deposits, 63.16% fell into one-month maturity brackets, indicating the short maturity profile of funding mix, while the TRNC Banking Sector's was 68.44%; indicating short maturity funding structure prevalent in the sector.



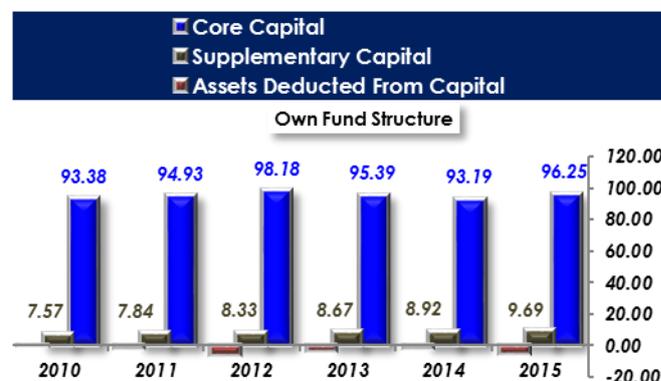
The Bank's deposit market share (including bank deposits) in the TRNC Banking Sector was 11.03% at the end of FY2015 and increased from the previous year's figure of 10.33%. It must also be noted that the Bank had no borrowings from international markets through securitization, syndication loans nor direct loans due to the isolated economic and political structure of the TRNC.

At the end of FY2015, the Bank's Capital Adequacy Ratio (CAR) slightly decreased to 12.71% from the FYE2014 figure of 12.99%. The CAR ratio remained above the minimum CAR requirements set by the Basel Accord (8%) and legal requirement of 10%, as well as the TRNC Banking's recommended level (12%). Nonetheless, throughout the reviewed period, the Bank's CAR ratios stayed below the averages of the TRNC Banking and the Private Banking Sectors. We, as JCR Eurasia Rating, assume that the current CAR ratio provides an acceptable shield against potential incidental losses.



The share of core capital, principally consisting of paid-up capital and retained earnings, comprised 96.25% of the Bank's total own fund structure in 2015 and increased from the previous year's ratio of 93.19%. The supplementary capital accounted for 9.69% of the Bank's own fund structure. The general provision in the amount of TRY 11.9mn, classified as second-tier capital under the regulatory capital, contributed 123 base points to the Bank's CAR ratio as of FY2015.

The Bank's Tier 1 capital ratio was 12.23% at the end of FY2015 and sustained its satisfactory level. The higher share of the Bank's Tier 1 capital among the total shareholders' equity indicated the permanence and strength of the capital.



**7. Risk Profile & Management**

**a. Risk Management Organization & its Function – General Information**

Creditwest Bank is predominantly exposed to credit, liquidity, market and operational risks resulting from the nature of its operations and utilization of financial instruments. The Board of Directors has the overall responsibility of establishing and supervising the Bank's risk management framework. The Bank management aims to foster a comprehensive risk management culture across the Bank and ensure sound risk management practices in line with the overall risk appetite of the Bank. The Bank's risk

management policies are reviewed periodically and, according to the requirements, necessary changes or implementations are made.

Pursuant to regulations on Internal Control, Risk Management and Audit and Management Systems in Banks, the Bank has established the Internal Audit & Internal Control, Risk Management and Compliance Departments. There is a total of 22 staff employed across the risk and control functions with 15 in Internal Audit & Internal Control Department, 1 in Compliance Department and 6 in Risk Management Department.,

Additionally, Credit, Assets and Liabilities, Internal System, Repurchase & Selling, Disciplinary, Education and Marketing Committees have been established by senior managers within the risk management framework. Consequently, the Bank has set up the satisfactory tools and managerial units that are required by the systems & supervisory authorities along with the needs of the Bank.

#### **b. Credit Risk**

At the end of FY2015, maximum on balance sheet credit risk exposure of the Bank was TRY 1,489mn up from the previous year's figure of TRY 1,167mn. 78.97% portion of the total risk exposure was derived from granted loans. As of FYE2015, the Bank allocated its 65.73% of assets to loans (FYE2014: 62.55%). The loans are dispersed as corporates & commercial customers and retail customers-consumer and credit cards- with rates of 60.11% and 39.89%, respectively.

The Bank management 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 periodically analyzed. The Bank is not allowed an exposure of more than 20% in each sector and cannot allocate credit limits to 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.

The Bank's largest 100 cash loan customers comprised 51.39% of the total cash loan portfolio as of FYE2015 (FYE2014 and FYE2013: 43.11% and 37.78% respectively), while the largest 100 non-cash loan customers composed 94.42% of the total non-cash loan portfolio as of FYE2014 (FYE2014 and FYE2013: 94.42% and 92.20% respectively). The largest 100

cash and non-cash loan customers made up 28.23% of the total "on and off balance sheet" assets as of FYE2015.

Notwithstanding the high credit concentration in non-cash loans, the Bank's total off balance sheet liabilities constituted only 8.97% of the total assets. Consequently, we, as JCR Eurasia Rating, assume that concentration in the commitments and contingent liabilities will not have significant impact on the Bank's balance sheet structure. Additionally, although the credit risk concentration exhibited a growth compared to the previous year's figures, the Bank systematically monitors its credit risk concentrations in line with the pre-determined rules and policies and appropriate precautions are properly taken. In this sense, the Bank's concentration risks are manageable and remain in the acceptable range.

#### **c. Market Risk**

In the scope of market risk, the Bank is mostly exposed to interest rate and foreign currency fluctuation risks. The Bank manages its foreign currency risk by establishing and monitoring limits on FX positions and also by ensuring that these positions remain in compliance with the regulations of the Central Bank of the TRNC. In line with the Bank's risk appetite and risk management framework, the Bank's foreign currency risk exposure is rather restricted. As of FYE2015, the ratios of total foreign currency position to assets and equity were 0.49% and 7.33%, respectively. Creditwest Bank does not aim to generate an income carrying foreign currency position or forward transactions.

Regarding interest rate risk, the Bank measured interest rate sensitivity of assets, liabilities and off balance sheet items using the standard method and made simulations to consider and reduce probable negative effects on the balance sheet arising from interest rate movements.

The Treasury Department of the Bank executes market risk in accordance 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 BoD. These limits and risks are continuously monitored and reviewed in BoD meetings held every month in line with the Bank's strategy and requirement of the changes in market conditions.

#### **d. Liquidity Risk**

The Bank's short and long term liquidity requirements are principally encountered by its own funds and customer deposits. Additionally, other Bank deposits, borrowing and money market facilities are also used as secondary funding sources. Despite the below three-month maturity profile of the deposits profile, which is a sector wide issue of the TRNC Banking sector and exerts pressure on liquidity

management. However, the lower loan to deposit ratio comforts liquidity requirements to a certain extent.

The Bank's management ensures continual adequate liquid assets to meet its liabilities even under stressed conditions without incurring unacceptable losses or damaging the Bank's reputation. The funding of long term assets with short term resources created a maturity mismatch which is a common practice in the banking sector. While the management maximizes its interest earnings by utilizing the maturity mismatch, it closely monitors the maturity of liabilities and market conditions and attempts to limit its risks within reasonable parameters. Consequently, the Bank effectively manages its liquidity risks and implements appropriate measures and was not exposed to any funding gap or violations in 2015.

**e. Operational, Legal Regulatory & Other Risks**

In order to diminish operational risk and its potential adverse effects, the Bank attaches importance to standardizing operations and business, segregating duties, applying pre-determined limits of transactions, monitoring transactions, training employees, improving technological infrastructure & network security and compliance with regulatory and other legal requirements. Internal audit & internal control and risk management departments assist the BoD in the determination, evaluation and measurement of operational risks and along with implementation of policies for avoiding and mitigating risks.

In the context of operational risk, the Bank reported no losses due to personnel dishonesty and faults or system errors. However, the Bank paid tax penalty amounting to TRY 262.4k in FY2015 due to general provision of loans. Regarding the size of the Bank, the paid amount of penalty is immaterial.

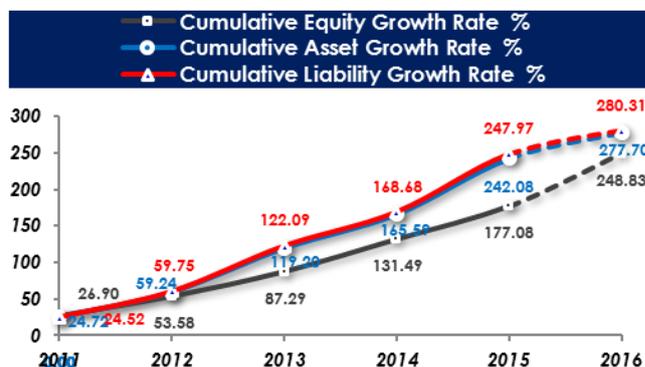
**8. Budget**

Creditwest Bank projected growths of 10.41%, 11.59%, 25.90% and 28.61% in asset size, loans, equity base, and net profit, respectively, within the framework of projections and budgeting activities in FY2016 compared to FY2015. Based on unaudited financials as of the first half of 2016, the Bank recorded a net profit of TRY 17mn. In the event of continuity of profitability in the remainder of the ongoing year, the Bank's 2016-year end net profit projection (TRY 27.6mn) could be easily achievable.

On the other hand, in the assessment of the target and realization of FY2015 results, the Bank exceeded its targets in assets, loans and deposits segments, while it

was remained behind in the fields of equity and net profit growths.

Integrating the above stated projected growth with the last six years' growth series resulted in cumulative assets, equity and liability growth rates of 277.70%, 248.83% and 280.31 compared to FYE2010 as of FYE2016.





**COMPERATIVE FINANCIAL FIGURES**

	<b>K.T.Koop. Merkez Bankası</b>		<b>Creditwest Bank</b>		<b>T. İş Bankası A.Ş.</b>		<b>K. İktisat Bankası A.Ş.</b>		<b>T.C. Ziraat Bankası A.Ş.</b>	
	FYE2015	FYE2014	FYE2015	FYE2014	FYE2015	FYE2014	FYE2015	FYE2014	FYE2015	FYE2014
ROAA (%)	0.66%	0.34%	1.36%	1.75%	2.26%	2.83%	0.84%	1.03%	2.86%	3.97%
ROAE (%)	9.27%	4.44%	19.38%	24.50%	22.47%	26.71%	9.78%	11.85%	18.11%	28.71%
Equity to Total Assets (%)	6.98%	7.36%	6.87%	7.21%	9.84%	10.32%	8.06%	9.29%	17.80%	13.90%
NPLs to Total Loans (%)	3.66%	3.67%	5.37%	5.62%	2.64%	2.02%	11.37%	11.90%	6.18%	1.66%
Assets Size Market Share (%)	22.76%	22.62%	10.19%	9.47%	9.98%	8.86%	7.48%	6.86%	5.08%	6.33%
Capital Adequacy Ratio (%)	30.90%	30.79%	12.71%	12.99%	14.09%	14.16%	13.18%	13.91%	19.90%	16.10%
Reserves to NPLs (%)	84.56%	77.72%	75.30%	67.28%	100%	100%	41.17%	36.56%	83.60%	86.54%
Loan to Deposits (%)	71.93%	77.89%	73.57%	71.86%	85.78%	93.08%	65.85%	73.52%	112.87%	148.94%
Net Fee and Commission Income (TRY 000)	7,702,267	7,701,674	13,805,256	15,963,691	15,845,401	14,174,893	17,060,910	13,946,057	9,040,608	9,419,011
NII (TRY 000)	51,277,817	54,926,434	57,685,728	42,371,537	83,158,081	70,611,108	37,449,800	32,989,828	60,743,313	52,099,416
Net Profit (TRY 000)	24,198,875	10,698,404	21,551,331	22,452,410	34,346,173	35,588,699	9,723,883	10,582,486	25,990,584	32,784,844
NPLs (TRY 000)	92,417,295	83,487,079	60,761,773	49,116,370	32,455,574	20,294,368	85,988,819	78,066,405	41,947,180	12,236,795
Total Equity (TRY 000)	275,097,813	247,105,207	121,177,854	101,282,278	169,992,585	135,646,413	104,302,066	94,578,182	156,542,954	130,552,367
Total Net Loans (TRY 000)	2,521,728,877	2,276,976,561	1,131,771,898	873,909,714	1,229,323,288	1,004,653,934	756,482,762	655,834,242	678,519,948	737,036,034
Total Deposits (TRY 000)	3,505,833,306	2,923,482,617	1,538,388,751	1,216,055,344	1,433,072,021	1,079,311,120	1,148,754,179	892,018,941	601,140,316	494,853,428
Total Assets (TRY 000)	3,940,249,298	3,356,649,432	1,763,100,424	1,404,624,082	1,727,250,257	1,313,896,068	1,294,700,179	1,017,611,861	879,642,680	939,060,768

The figures were based on the audited financial statements which submitted to the Central Bank of TRNC  
 Current and previous years' profit figures were added to calculation of equity base  
 ROAA and ROAE were calculated by using net profit figures



Creditwest Bank BALANCE SHEET - ASSET (000)	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	As % of	As % of	As % of	FYE	FYE	FYE
	2015 USD (Converted)	2015 TRY (Original)	2015 TRY (Average)	2014 TRY (Original)	2014 TRY (Average)	2013 TRY (Original)	2013 TRY (Average)	2012 TRY (Original)	2015 Assets (Original)	2014 Assets (Original)	2013 Assets (Original)	2015 Growth Rate %	2014 Growth Rate %	2013 Growth Rate %
<b>A- TOTAL EARNING ASSETS ( I+II+III )</b>	<b>576,120</b>	<b>1,675,127</b>	<b>1,520,485</b>	<b>1,365,843</b>	<b>1,233,850</b>	<b>1,101,856</b>	<b>912,133</b>	<b>722,410</b>	<b>93.20</b>	<b>97.88</b>	<b>95.67</b>	<b>22.64</b>	<b>23.96</b>	<b>52.53</b>
<b>I- LOANS AND LEASING RECEIVABLES (net)</b>	<b>406,328</b>	<b>1,181,439</b>	<b>1,027,117</b>	<b>872,795</b>	<b>791,003</b>	<b>709,210</b>	<b>613,532</b>	<b>517,854</b>	<b>65.73</b>	<b>62.55</b>	<b>61.58</b>	<b>35.36</b>	<b>23.07</b>	<b>36.95</b>
a) Short Term Loans	182,012	529,219	443,521	357,823	307,350	256,876	212,330	167,783	29.44	25.64	22.30	47.90	39.30	53.10
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	216,364	629,100	565,865	502,631	474,405	446,180	395,432	344,685	35.00	36.02	38.74	25.16	12.65	29.45
d) Over Due Loans	21,778	63,323	57,057	50,791	49,976	49,161	46,584	44,006	3.52	3.64	4.27	24.67	3.31	11.72
e) Others	1,909	5,551	4,787	4,023	4,999	5,974	5,590	5,206	0.31	0.29	0.52	37.97	-32.65	14.75
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
g) Allowance for Loan and Receivables Losses (-)	-15,736	-45,754	-44,114	-42,473	-45,727	-48,982	-46,404	-43,826	-2.55	-3.04	-4.25	7.73	-13.29	11.76
<b>II- OTHER EARNING ASSETS</b>	<b>128,346</b>	<b>373,180</b>	<b>378,351</b>	<b>383,523</b>	<b>358,358</b>	<b>333,193</b>	<b>247,775</b>	<b>162,357</b>	<b>20.76</b>	<b>27.48</b>	<b>28.93</b>	<b>-2.70</b>	<b>15.11</b>	<b>105.22</b>
a) Balance with Banks -Time Deposits	56,912	165,477	173,068	180,658	159,204	137,749	75,683	13,616	9.21	12.95	11.96	-8.40	31.15	911.66
b) Money Market Placements	0	0	1	1	2,150	4,300	2,150	0	0.00	0.00	0.37	-95.20	-99.97	n.a
c) Reserve Deposits at CB (*)	18,469	53,701	72,075	90,448	81,369	72,290	63,660	55,030	2.99	6.48	6.28	-40.63	25.12	31.37
d) Balance with CB- Demand Deposits	52,965	154,001	133,208	112,415	115,634	118,854	106,282	93,711	8.57	8.06	10.32	36.99	-5.42	26.83
<b>III- SECURITIES AT FAIR VALUE THROUGH P/L</b>	<b>41,446</b>	<b>120,508</b>	<b>115,017</b>	<b>109,525</b>	<b>84,489</b>	<b>59,453</b>	<b>50,826</b>	<b>42,199</b>	<b>6.70</b>	<b>7.85</b>	<b>5.16</b>	<b>10.03</b>	<b>84.22</b>	<b>40.89</b>
a) Treasury Bills and Government Bonds	36,271	105,461	101,263	97,065	77,294	57,522	48,589	39,656	5.87	6.96	4.99	8.65	68.74	45.05
b) Other Investment	4,139	12,034	11,017	10,000	5,496	993	1,752	2,512	0.67	0.72	0.09	20.34	907.55	-60.49
c) Repurchase Agreement	1,037	3,014	2,737	2,460	1,699	939	485	32	0.17	0.18	0.08	22.53	161.99	2,871
<b>B- INVESTMENTS IN ASSOCIATES (NET) + EQUITY SHARE</b>	<b>2,066</b>	<b>6,007</b>	<b>3,985</b>	<b>1,963</b>	<b>2,109</b>	<b>2,254</b>	<b>2,254</b>	<b>2,254</b>	<b>0.33</b>	<b>0.14</b>	<b>0.20</b>	<b>206.01</b>	<b>-12.93</b>	<b>0.00</b>
a) Investments in Associates (Net)	2,066	6,007	3,985	1,963	2,109	2,254	2,254	2,254	0.33	0.14	0.20	206.01	-12.93	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>39,958</b>	<b>116,183</b>	<b>71,907</b>	<b>27,632</b>	<b>37,617</b>	<b>47,602</b>	<b>79,801</b>	<b>112,000</b>	<b>6.46</b>	<b>1.98</b>	<b>4.13</b>	<b>320.47</b>	<b>-41.95</b>	<b>-57.50</b>
a) Cash and Cash Equivalents	4,512	13,119	10,098	7,077	7,532	7,988	7,919	7,849	0.73	0.51	0.69	85.37	-11.41	1.77
b) Balance with Banks - Current Accounts	9,366	27,231	17,820	8,409	11,366	14,323	48,632	82,941	1.52	0.60	1.24	223.82	-41.29	-82.73
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) Accrued Interest 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	26,081	75,833	43,989	12,145	18,718	25,290	23,250	21,210	4.22	0.87	2.20	524.38	-51.98	19.24
- Intangible Assets	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	-100.00
- Property and Equipment	3,776	10,979	10,337	9,696	10,139	10,582	10,266	9,949	0.61	0.69	0.92	13.23	-8.37	6.36
- Deferred Tax	20	59	59	60	64	67	89	110	0.00	0.00	0.01	-2.11	-10.56	-39.11
- Other	22,285	64,796	33,593	2,389	8,515	14,641	12,896	11,151	3.61	0.17	1.27	2,612	-83.68	31.30
<b>TOTAL ASSETS</b>	<b>618,144</b>	<b>1,797,317</b>	<b>1,596,377</b>	<b>1,395,438</b>	<b>1,273,575</b>	<b>1,151,712</b>	<b>994,189</b>	<b>836,665</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>28.80</b>	<b>21.16</b>	<b>37.66</b>



Creditwest Bank  BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY  (000)	FYE 2015	FYE 2015	FYE 2015	FYE 2014	FYE 2014	FYE 2013	FYE 2013	FYE 2012	As % of 2015	As % of 2014	As % of 2013	FYE 2015	FYE 2014	FYE 2013
	USD	TRY	TRY	TRY	TRY	TRY	TRY	TRY	Assets	Assets	Assets	Growth 2015	Growth 2014	Growth 2013
	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate %	Rate %	Rate %
<b>A- COST BEARING RESOURCES ( I+II )</b>	<b>562,314</b>	<b>1,634,985</b>	<b>1,444,427</b>	<b>1,253,870</b>	<b>1,148,476</b>	<b>1,043,082</b>	<b>894,416</b>	<b>745,750</b>	<b>90.97</b>	<b>89.85</b>	<b>90.57</b>	<b>30.40</b>	<b>20.21</b>	<b>39.87</b>
<b>I- DEPOSIT</b>	<b>562,314</b>	<b>1,634,985</b>	<b>1,430,804</b>	<b>1,226,624</b>	<b>1,104,656</b>	<b>982,689</b>	<b>854,244</b>	<b>725,799</b>	<b>90.97</b>	<b>87.90</b>	<b>85.32</b>	<b>33.29</b>	<b>24.82</b>	<b>35.39</b>
a) TRY Deposit	241,136	701,127	669,178	637,229	601,451	565,673	525,212	484,752	39.01	45.67	49.12	10.03	12.65	16.69
b) FC Deposit	267,371	777,408	656,775	536,142	455,078	374,014	299,667	225,319	43.25	38.42	32.47	45.00	43.35	65.99
c) FC & LC Banks Deposits	53,807	156,450	104,852	53,253	48,127	43,001	29,365	15,729	8.70	3.82	3.73	193.78	23.84	173.40
<b>II- BORROWING FUNDING LOANS &amp; OTHER</b>	<b>0</b>	<b>0</b>	<b>13,623</b>	<b>27,246</b>	<b>43,820</b>	<b>60,394</b>	<b>40,172</b>	<b>19,951</b>	<b>n.a</b>	<b>1.95</b>	<b>5.24</b>	<b>-100.00</b>	<b>-54.89</b>	<b>202.72</b>
a) Borrowing from Domestic Market	0	0	0	0	5,341	10,681	8,246	5,810	n.a	n.a	0.93	n.a	-	83.84
b) Borrowing from Overseas Markets	0	0	0	0	0	0	7,070	14,141	n.a	n.a	n.a	n.a	n.a	-100.00
c) Borrowing from Interbank	0	0	13,623	27,246	38,479	49,713	24,856	0	n.a	1.95	4.32	-100.00	-45.19	n.a
d) Securities Sold Under Repurchase Agreements	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
e) Subordinated Loans & Others	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
<b>B- NON-COST BEARING RESOURCES</b>	<b>14,235</b>	<b>41,389</b>	<b>40,957</b>	<b>40,525</b>	<b>33,702</b>	<b>26,879</b>	<b>25,378</b>	<b>23,877</b>	<b>2.30</b>	<b>2.90</b>	<b>2.33</b>	<b>2.13</b>	<b>50.77</b>	<b>12.57</b>
a) Provisions	2,229	6,481	6,267	6,054	6,020	5,987	4,910	3,834	0.36	0.43	0.52	7.05	1.12	56.14
b) Current & Deferred Tax Liabilities	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
c) Trading Liabilities (Derivatives)	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
d) Other Liabilities	12,006	34,908	34,690	34,472	27,682	20,892	20,468	20,043	1.94	2.47	1.81	1.27	65.00	4.23
<b>C- TOTAL LIABILITIES</b>	<b>576,549</b>	<b>1,676,374</b>	<b>1,485,384</b>	<b>1,294,395</b>	<b>1,182,178</b>	<b>1,069,961</b>	<b>919,794</b>	<b>769,627</b>	<b>93.27</b>	<b>92.76</b>	<b>92.90</b>	<b>29.51</b>	<b>20.98</b>	<b>39.02</b>
<b>E- EQUITY</b>	<b>41,595</b>	<b>120,943</b>	<b>110,993</b>	<b>101,042</b>	<b>91,397</b>	<b>81,751</b>	<b>74,394</b>	<b>67,037</b>	<b>6.73</b>	<b>7.24</b>	<b>7.10</b>	<b>19.70</b>	<b>23.60</b>	<b>21.95</b>
a) Prior Year's Equity	34,751	101,042	91,397	81,751	74,394	67,037	61,213	55,389	5.62	5.86	5.82	23.60	21.95	21.03
b) Equity (Added from Internal & External Resources at This Year)	-576	-1,676	-2,471	-3,266	-4,633	-6,000	-5,775	-5,550	-0.09	-0.23	-0.52	-48.69	-45.57	8.10
c) Profit & Loss	7,421	21,576	22,067	22,557	21,635	20,714	18,956	17,198	1.20	1.62	1.80	-4.35	8.90	20.44
d) Minority Interest	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>618,144</b>	<b>1,797,317</b>	<b>1,596,377</b>	<b>1,395,438</b>	<b>1,273,575</b>	<b>1,151,712</b>	<b>994,189</b>	<b>836,665</b>	<b>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>28.80</b>	<b>21.16</b>	<b>37.66</b>
<b>(*) Non interest based figures are included in other item</b>	<b>USD Rates 1=TRY</b>	<b>2.9076</b>		<b>2.3189</b>		<b>2.1304</b>		<b>1.7776</b>						

<b>Creditwest Bank INCOME STATEMENT (000) TRY</b>	<b>FY 2015</b>	<b>FY 2014</b>	<b>FY 2013</b>
<b>Net Interest Income</b>	<b>57,685.73</b>	<b>42,371.54</b>	<b>36,932.24</b>
<b>a) Interest Income</b>	143,686.98	115,511.15	91,111.20
<b>b) Interest Expense</b>	86,001.26	73,139.61	54,178.96
<b>Net Fee and Commission Income</b>	<b>14,154.72</b>	<b>16,359.00</b>	<b>14,401.45</b>
<b>a) Fee and Commission Income</b>	16,932.48	17,026.83	14,725.50
<b>b) Fee and Commission Expense</b>	2,777.76	667.83	324.05
<b>Total Operating Income</b>	<b>3,529.77</b>	<b>7,287.05</b>	<b>4,875.80</b>
Net trading income (+/-)	54.29	157.65	227.10
Foreign Exchange Gain or Loss (net) (+/-)	4,183.06	3,075.96	1,993.40
Gross Profit from Retail Business	0.00	0.00	0.00
Premium income from insurance business	0.00	0.00	0.00
Income on Sale of Equity Participations and Consolidated Affiliates	0.00	0.00	0.00
Gains from Investment Securities (Net)	0.00	0.00	0.00
Other Operating Income	0.00	4,244.34	2,849.88
Taxes other than Income	-707.58	-190.90	-194.58
Dividend	0.00	0.00	0.00
<b>Provisions</b>	<b>16,938.45</b>	<b>10,023.36</b>	<b>6,303.51</b>
Provision for Impairment of Loan and Trade Receivables	13,155.65	10,023.36	6,303.51
Other Provision	3,782.80	0.00	0.00
<b>Total Operating Expense</b>	<b>30,373.27</b>	<b>27,376.54</b>	<b>23,162.42</b>
Salaries and Employee Benefits	20,782.32	19,375.36	16,063.62
Depreciation and Amortization	2,836.44	2,074.43	2,213.02
Other Expenses	6,754.51	5,926.75	4,885.78
<b>Profit from Operating Activities before Income Tax</b>	<b>28,058.49</b>	<b>28,617.69</b>	<b>26,743.56</b>
Income Tax – Current	6,482.09	6,060.87	6,029.85
Income Tax – Deferred	0.00	0.00	0.00
<b>Net Profit for the Period</b>	<b>21,576.40</b>	<b>22,556.82</b>	<b>20,713.71</b>
<b>Total Income</b>	<b>75,370.21</b>	<b>66,017.59</b>	<b>56,209.49</b>
<b>Total Expense</b>	<b>30,373.27</b>	<b>27,376.54</b>	<b>23,162.42</b>
<b>Provision</b>	<b>16,938.45</b>	<b>10,023.36</b>	<b>6,303.51</b>
<b>Pre-tax Profit</b>	<b>28,058.49</b>	<b>28,617.69</b>	<b>26,743.56</b>

Creditwest Bank FINANCIAL RATIOS %	FY 2015	FY 2014	FY 2013
<b>I. PROFITABILITY &amp; PERFORMANCE</b>			
1. ROAA - Pre-tax Profit / Total Assets (avg.)	1.76	2.25	2.69
2. ROAE - Pre-tax Profit / Equity (avg.)	25.28	31.31	35.95
3. Total Income / Equity (avg.)	67.91	72.23	75.56
4. Total income / Total Assets (avg.)	4.72	5.18	5.65
5. Provisions / Total Income	22.47	15.18	11.21
6. Total Expense / Total Liabilities (avg.)	2.04	2.32	2.52
7. Net Profit for the Period / Total Assets (avg.)	1.35	1.77	2.08
8. Total Income / Total Expenses	248.15	241.15	242.68
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Total Assets	2.57	8.16	5.30
10. Non Cost Bearing Liabilities - Non Earning Assets / Total Assets	-4.16	0.92	-1.80
11. Total Operating Expenses / Total Income	40.30	41.47	41.21
12. Net Interest Margin	3.79	3.43	4.05
13. Operating ROAA (avg.)	7.14	7.99	8.14
14. Operating ROAE (avg.)	102.76	111.34	108.78
15. Interest Coverage – EBIT / Interest Expenses	132.63	139.13	149.36
16. Net Profit Margin	28.63	34.17	36.85
17. Gross Profit Margin	37.23	43.35	47.58
18. Market Share in TRNC Banking Sector	10.19	9.47	8.68
19. Growth Rate	28.80	21.16	37.66
<b>II. CAPITAL ADEQUACY (year-end)</b>			
1. Equity Generation / Prior Year's Equity	-1.66	-3.99	-8.95
2. Internal Equity Generation / Previous Year's Equity	21.35	27.59	30.90
3. Equity / Total Assets	6.73	7.24	7.10
4. Core Capital / Total Assets	6.57	7.16	7.12
5. Supplementary Capital / Total Assets	0.66	0.69	0.65
6. Tier 1 Capital Ratio	12.23	12.11	11.88
7. Capital / Total Assets	7.23	7.85	7.77
8. Own Fund / Total Assets	6.82	7.68	7.47
9. Standard Capital Adequacy Ratio	12.71	12.99	12.45
10. Surplus Own Fund	37.04	38.42	35.76
11. Free Equity / Total Assets	5.78	6.41	5.98
12. Equity / Total Guarantees and Commitments + Equity	42.87	33.44	41.17
<b>III. LIQUIDITY (year-end)</b>			
1. Liquidity Management Success (On Demand)	90.80	90.23	89.07
2. Liquidity Management Success (Up to 1 Month)	92.76	92.67	80.50
3. Liquidity Management Success (1 to 3 Months)	88.85	81.66	97.79
4. Liquidity Management Success (3 to 6 Months)	96.01	86.77	99.73
5. Liquidity Management Success (6 to 12 Months)	97.59	97.46	98.43
6. Liquidity Management Success (Over 1 Year & Unallocated)	84.40	83.00	90.52
<b>IV. ASSET QUALITY</b>			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	0.98	4.64	6.46
2. Total Provisions / Profit Before Provision and Tax	37.64	25.94	19.07
3. Impaired Loans / Gross Loans	5.31	5.55	6.48
4. Impaired Loans / Equity	52.36	50.27	60.14
5. Loss Reserves for Loans / Impaired Loans	72.26	83.62	99.63
6. Total FX Position / Total Assets	0.49	0.08	0.05
7. Total FX Position / Equity	7.33	1.16	0.72
8. Assets / Total Guarantees and Commitments + Assets	91.77	87.40	90.79

		The Previous Rating Results Issued by JCR Eurasia Rating													
		December 14, 2009		August 16, 2010		July 27, 2011		July 27, 2012		August 26, 2013		September 01, 2014		August 17, 2015	
		Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term	Long Term	Short Term
International	Foreign Currency	BB-	B	BB	B	BB	B	BB	B	BBB-	A-3	BBB-	A-3	BBB-	A-3
	Local Currency	BB-	B	BB	B	BB	B	BB	B	BBB-	A-3	BBB-	A-3	BBB-	A-3
	Outlook	Positive	Positive	Stable	Stable	Stable	Stable	Positive	Stable	Stable	Stable	Stable	Stable	Stable	Stable
National	Local Rating	AA- (Trk)	A-1+ (Trk)	AA (Trk)	A-1+ (Trk)	AA (Trk)	A-1+ (Trk)	AA+ (Trk)	A-1+ (Trk)	AA+(Trk)	A-1+ (Trk)	AA+(Trk)	A-1+ (Trk)	AA+(Trk)	A-1+ (Trk)
	Outlook	Positive	Positive	Stable	Stable	Positive	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable	Stable
Sponsor Support		2	-	2	-	2	-	2	-	2	-	2	-	2	-
Stand Alone		A	-	A	-	A	-	A	-	A	-	A	-	A	-
Sovereign*	Foreign Currency	BB-	-	BB	B	BB	B	BB	B	BBB-	-	BBB-	-	BBB-	-
	Local Currency	BB-	-	BB	B	BB	B	BB	B	BBB-	-	BBB-	-	BBB-	-
	Outlook	Stable	-	Stable	Stable	Stable	Stable	Stable	Stable	Stable	-	Stable	-	Stable	-
		(*)Affirmed by JCR on June 04, 2009		(*)Affirmed by JCR on February 01, 2010		(*)Affirmed by JCR on February 21, 2011		(*)Affirmed by JCR on June 28, 2012		(*)Affirmed by JCR on May 23, 2013		(*)Affirmed by JCR on July 11, 2014		(*)Affirmed by JCR on July 11, 2014	