

**Corporate Credit Rating**  
*Update*

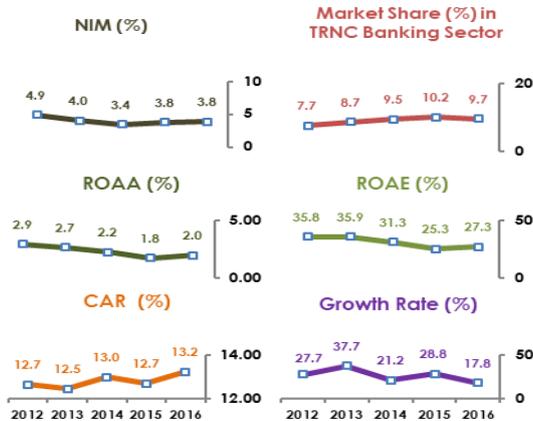
**Banking**

<b>creditwest</b> 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	1H2017**	2016*	2015*	2014*	2013*
Total Assets (000 USD)	600,429	599,254	618,144	601,767	540,608
Total Assets (000 TRY)	2,111,589	2,116,444	1,797,317	1,395,438	1,151,712
Total Deposit (000 TRY)	1,800,690	1,851,037	1,634,985	1,226,624	982,689
Total Net Loans (000 TRY)	1,333,317	1,349,424	1,181,439	872,795	709,210
Equity (000 TRY)	170,555	162,355	120,943	101,042	81,751
Net Profit (000 TRY)	21,569	30,470	21,576	22,557	20,714
Market Share (%)	9.09	9.66	10.19	9.47	8.68
ROAA (%)	n.m.	1.97	1.76	2.25	2.69
ROAE (%)	n.m.	27.28	25.28	31.31	35.95
Equity/Assets (%)	8.08	7.67	6.73	7.24	7.10
Capital Adequacy Ratio (%)	14.52	13.25	12.71	12.99	12.45
Asset Growth Rate (Annual) (%)	-	17.76	28.80	21.16	37.66

\* End of year \*\* Unaudited Figures

\*Assigned by Japan Credit Rating Agency, JCR on October 07, 2016  
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**Strengths**

- Proven earnings power and above the sector average profitability indicators
- Improved and adequate capitalization level beyond the regulatory level, despite staying below the sector average over the reviewed period, ensuring a buffer against potential incidental losses
- High market presence coupled with competitive edge as the third largest bank
- High Tier 1 capital share among total shareholders' equity along with continuity of large percentage of profit retention policy donating to the capital base and empowering sustainability and further growth
- Continuity of growth performance in all core banking fields, despite deceleration
- Collection success from non-performing loans portfolio

**Constraints**

- Deterioration in non-performing loans portfolio persisting throughout FY2016 and the NPLs ratio slightly exceeding the sector average
- Although in line with the regulations, below sector average low loan loss coverage ratio exerting pressure on asset quality to a certain extent
- Isolated economic and political structure of the TRNC coupled with the limitations of island economy mostly dependent on tourism and education representing 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
- Despite still manageable, steady growth in cash loans concentrations increasing risk level

**Publication Date: August 17, 2017 Global Knowledge supported by Local Experience™**

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## 1. Rating Rationale

In the assignment of Creditwest Bank's ratings, quantitative and qualitative assessments regarding (i) proven earnings power with above sector average primary profitability metrics through recurrent revenue streams, (ii) satisfactory capitalization level-maintained above the obligatory and required levels, though it exhibited a below-sector-average level over the reviewed period, (iii) higher Tier 1 capital share among the total shareholders' equity-signifying quality and strength of the capital, (iv) growth performance figures, (v) assets quality- deteriorated in 2016 stemming from enlargement in NPLs book and exceeding the sector average, (vi) corporate governance and risk management practices, (vii) liquidity position, (viii) low and below sector average loans loss coverage, (ix) main shareholders' financial and non-financial positions and expected support, (x) growth strategy and (xi) operating environment have been taken into consideration.

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 Key Rating Drivers of the Assigned Ratings are as follows;**

### **Established Earnings Power with Above Sector Average Core Profitability Metrics**

In FY2016, the profitability indicators of both the TRNC Banking Sector and Creditwest Bank exhibited remarkable improvement thanks to sound increase in net profit figures. Accordingly, key profitability indicators, particularly the return on assets and equity ratios were upturned in FY2016. Throughout the reviewed period, those ratios of the Bank outperformed the sector averages. Despite the notable increase in provision expenses stemming from remarkable growth in NPLs portfolio, above the sector average NIM ratio, which was 3.83% at FYE2016, and growth in NII underpinned the enlargement of the Bank's net profit. On the other hand, the event of increase in loans loss reserves to non-performing loans harbor suppression potential on future profitability indicators.

### **Satisfactory Capitalization Level**

At FYE2016, Creditwest Bank's Capital Adequacy Ratio (CAR) was 13.25% and displayed a slight improvement

compared to the previous year's level of 12.71%. 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 Central Bank's recommended level (12%). Nevertheless, throughout the reviewed period, the Bank's CAR ratios stayed below the averages of the TRNC Banking and the Private Banking Sectors. 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 12.69% at FYE2016, up from the previous year's level of 12.23%. The higher share of the Bank's Tier 1 capital among the total shareholders' equity supported sustainability and indicated the strength of the capital. We, as JCR Eurasia Rating, assume that the current CAR ratio provides an adequate buffer against potential incidental losses.

### **Adequate Liquidity Level**

As in the previous years, 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 23.35% at FYE2016 and increased from 20.40% at FYE2015, however stayed slightly below the sector's average ratio of 24.96% (FYE2015: 22.84%). Additionally, the LTD ratio (performing loans to deposits) of 69.56% (FYE2015: 72.59%), which was below the sector average of 71.66% (FYE2015: 74.54%) provides comfort to liquidity management as well as room for further growth.

### **Notable Deterioration in NPLs Book and NPLs Ratio Surpassed the Sector Average;**

Creditwest Bank's gross non-performing loans portfolio at FYE2016 deteriorated to TRY 107.9mn from TRY 63.3mn with an increase of 70.48% and the NPLs ratio increased to 7.67% from 5.16%. According to the financials submitted to the TRNC Bank, the Bank's NPLs ratio was 7.78% at FYE2016 and exceeded the Sector average of 6.60%. It is also noted that while the Sector's NPL ratio displayed a decrease in FY2016, the Bank's ratio increased and diverged from the sector in a negative way. On the other hand, the Management succeeded in the collection of TRY 14.8mn from NPLs portfolio during the first half of ongoing year and targeted year end 2017 NPLs of TRY 90mn (1H2017: TRY 98.9mn).

### **Low Provisioning Coupled with High NPLs to Equity Ratio Pressuring Assets Quality**

Despite enlarged provision expenses in relation with increased NPLs, the ratio of 'loans loss reserves to non-performing loans' decreased from 75.30% in 2015 to 55.33% in 2016, below the sector average of 61.91%. In addition, increase in NPLs to equity ratio to 70.00% at FYE2016 from 50.14% at FYE2015, which stands at

remarkably above the sector average of 40.78% at FYE2016, exerts on pressure on the asset quality.

**Despite the Maintenance of Growth Performance, Realization Below Sector Averages**

In FY2016, the Bank attained its growth performance across all core banking activities, however stayed below the sector average growth performance as seen in the below chart. With a 9.66% market share based on asset size, Creditwest Bank has high presence in the TRNC banking sector as the third largest Bank.

	Change % FYE2015-2016			FYE2016	
	Creditwest	TRNC Sector	Banking	Creditwest Market Share	Ranking
Assets	15.74		22.10	9.66	3
Deposits	14.72		19.24	10.61	3
Per. Loans	9.94		14.63	10.30	3
Net Profit	41.89		51.99	9.97	4
Sh. Equity	22.94		27.70	7.21	6

In the last five-year period, the Bank's growth performance in cumulative terms was 208.71%, nearly double that of the sector. In the same period, the compound annual growth rate (CAGR) in assets was 25.29% indicating sound and sustainable growth.

**Short Term Funding Profile - Prevalent in the Sector**

Deposits, conventional funding sources, constituted the largest share of Creditwest's total funding resources with a rate of 86.48% at FYE2016, while the TRNC Banking Sector's was 78.71% in the same period. 59.24% of total deposits of the Bank was placed in the up to and including one-month maturity brackets, according to the contractual maturities of total deposits. The figure for that of the wider TRNC Banking Sector's was 66.23% at FYE2016.

**Steady Growth in Loans Concentrations**

At FYE2016, the Bank's largest 100 cash loan customers comprised 55.89% of the total cash loan portfolio (FYE2015: 51.39%, FYE2014: 43.11% and FYE2013: 37.78% respectively), while the largest 100 non-cash loan customers composed 94.37% of the total non-cash loan portfolio (FYE2015: 94.42%). Those figures indicate steady increase in cash loans concentration. Additionally, despite the very high credit concentration in non-cash loans, the Bank's total off balance sheet liabilities constituted only 14.12% of the total assets (FYE 2015: 8.97%). Accordingly, 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. In addition, although the cash credit risk concentration exhibited an

increasing trend, the Bank systematically monitors its credit risk concentrations in line with the pre-determined rules and policies.

**Isolated Economic and Political Structure of the TRNC together with the Limitations of Island Economy**

The sustained existence of the political and economic isolation against the TRNC has both negative and positive impacts on the island's economy. It 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. Moreover, the island economy is mostly dependent on tourism, education and chance games signifying a major complication for the sector.

With respect to the above-mentioned factors, JCR Eurasia Rating has affirmed Creditwest Bank's National Local Rating Notes of 'AA+' in the long term, which donates a high 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.

**2. Outlook**

JCR Eurasia Rating has affirmed "Stable" outlooks on both the long and short term national and international ratings perspectives of Creditwest Bank, considering the Bank's improved and satisfactory capitalization level which is above the legal and required boundaries, proven earnings power with above sector average profitability indicators, high market presence, improvement in assets quality through contraction in NPLs book in 1H2017 and collection success, selective lending policy, profitability oriented management approach, proactive risk management implementations 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 drivers which would impede the ratings and outlooks are: (i) further deterioration in asset quality through a remarkable increase in NPLs, (ii) erosion in profitability ratios, (iii) severe contraction in economic activities and weakening debt service capacities of the loans customers

(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) remarkable improvement in the ratios of profitability and liquidity, (iii) extending maturity profile of funding, (iv) progress in asset quality coupled with collection from non-performing loans book, (v) upgrades in Turkey's country ceiling ratings, (vi) improvement in the domestic and global financial climate, (vi) notable progress in market position, (vii) further enhancement of the compliance level with corporate governance principals, (viii) integration into the international financial system & accessing overseas financial markets and (ix) 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 good track record, high market presence, established earning power, satisfactory capital and liquidity levels, balance sheet structure, growth performance, risk appetite and management practices, and the development of existing risks in the markets and business environment. This Stand Alone note indicates a strong and credible bank that 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 Republic of Northern Cyprus under the name of 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, 2016, the Bank employed a total staff force of 235 (FYE2015: 238) and carried out its operations with a total domestic network of 12 branches, spread across 4 cities. In 2016, two branches were shut down via merger with two other branches. In addition to the conventional services stream offered through the branch network, the Bank facilitates the use of alternative delivery channels (ADC), including ATMs, internet and mobile banking facilities. In 2016, all provided technological services such as; Creditfast, Internet Banking, Mobil Branch, SMS Banking, Kiosk Banking, Telephone Banking, WhatsApp Banking, Web Insurance and CWFX Exchange Spot Trading Platform are gathered under Digital Banking.

### c. Shareholders, Subsidiaries & Affiliates

The shareholder structure of the Bank is given in the chart below and has not changed during 2016. Creditwest Bank remains fully owned by members of the ALTINBAŞ Family.

Shareholders Structure	Share Amount TRY		Share %
	2016	2015	
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	FY2016	FY2015	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	21.00	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. Therefore, 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.

In this sense, periodic independent audit reports, annual activity reports (FY2016 reports have not been 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 the 'Human Resources' section 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 the comments and suggestions section on its web page. All shares of Creditwest Bank are owned by the Altınbaş family members. Thus, there

is no disclosed regulation of shareholders' rights and no sense in reality due to shareholder structure.

Board Members	
Nusret <b>ALTINBAŞ</b>	Chairman
Sofu <b>ALTINBAŞ</b>	Vice Chairman
Dr. Süleyman <b>Erol</b>	Vice Chairman
Cemal Ufuk <b>KARAKAYA</b>	Board Member
Atakan <b>ALTINBAŞ</b>	Board Member
Sedef Altınbaş <b>AKACAN</b>	Board Member
Serdar <b>ALTINBAŞ</b>	Board Member

The Board of Creditwest Bank consists of seven members. 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 & 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 a large room for full compliance with corporate governance best practices.

#### e. The Bank Strategy

Through focusing on operating productivity and profitability, the Bank aims to maintain its growth momentum and preserve its place in the market. Furthermore, the Bank plans for expansion into neighboring geographies such as the Balkans, Middle East and Black Sea region. A high level of emphasis is placed on the issue of high quality and tailor made financial solutions by the diversification of its product range. The crucial factors for success include innovation and servicing customers with a consistently improved quality. In order to meet its goals, the Bank considers personnel training and human resources to be very important in order to become a desirable player.

#### 5. Stability of the Financial System

The Banking Sector of the TRNC (Turkish Republic Northern Cyprus) comprised of 22 banks (2 of which are public, 14 private and 6 foreign bank branches) with a total of 232 branches and 3,052 employees as of 1Q2017. It constitutes the largest part of the wider financial services industry across TRNC and attained an asset size of TRY 22,105mn as at 1Q2017. The TRNC Central Bank acts as the regulator across the banking sector and holds responsibility for credit, monetary, and exchange policies.

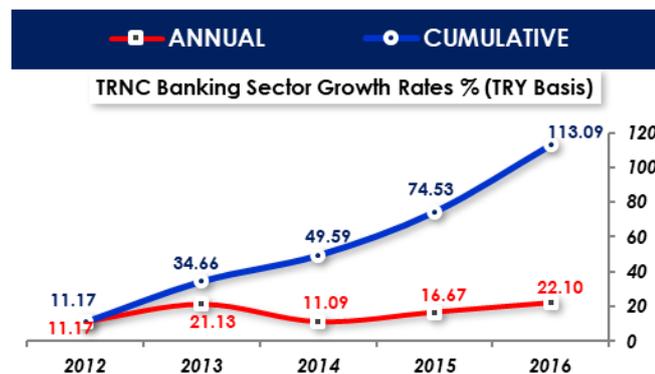
The table below provides an overview of the banking sector in the TRNC as of 1Q2017.

The Turkish Republic of Northern Cyprus Banking Sector as of 1Q 2017					
	Number of Banks	Number of Branches	Number of Staff	Asset TRY (000.000)	CAR
Public Banks	2	36	564	5,749	24.09
Private Banks	14	152	1,924	9,444	15.35
Branch Banks	8	44	564	6,912	19.45
<b>Total</b>	<b>22</b>	<b>232</b>	<b>3,052</b>	<b>22,105</b>	<b>18.26</b>

Source : KKTOMB

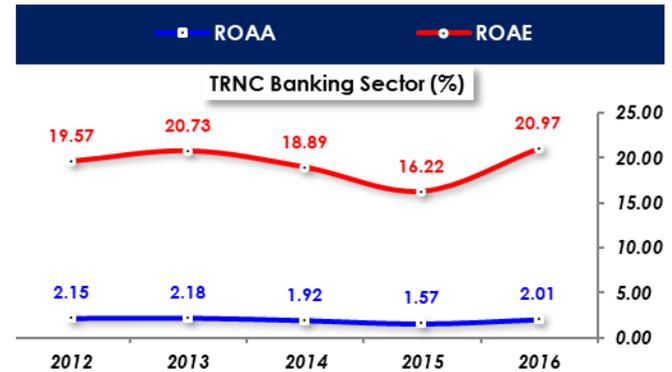
As of 1Q2017, the five leading players collectively held 55.23%, 58.34% and 57.51% of total assets, gross loans and deposits, respectively, across the TRNC banking sector (FYE2015: 55.51%, 58.60%, and 57.48%, respectively). The ratios of deposits, gross credits and total assets to GDP which indicate extent of financial depth realised values of 135.8%, 101.8% and 170%, respectively at 1Q2017 (1Q2016: 124.2%, 98.4% and 155% respectively).

TRNC Banking Sector attained a growth rate of 113.09% in TRY terms during the last five years and recorded continuously increasing cumulative growth rates in every reporting period. Annual growth rates exhibited an increase over the last two years following a fluctuating pattern. The annual growth rate increased from 11.09% in FY2014 to 22.10% in FY2016.

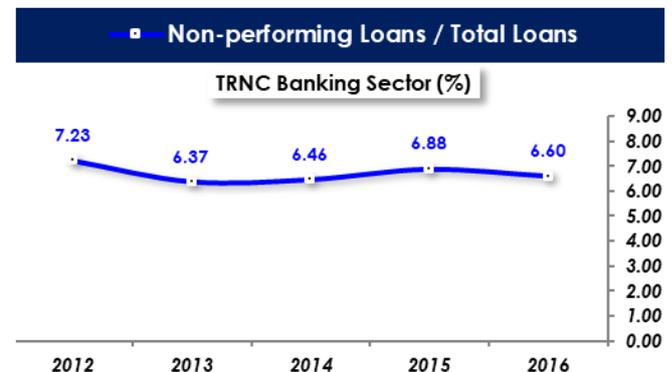


Deposits which amounted to TRY 17.65bn as of 1Q2017, represented the principal resource of the sector with a share of 79.86% largely stemming from the isolated economic and political status of TRNC (FYE2015: TRY 13.95bn and 80.59%, respectively). In addition to this, as of 1Q2017, 68.85% of the Sector's total deposits had less than or equal to one-month maturity including 14.05% demand deposits, placing pressure on the liquidity management of the sector (FYE2015: 68.45% including 13.33% demand deposits).

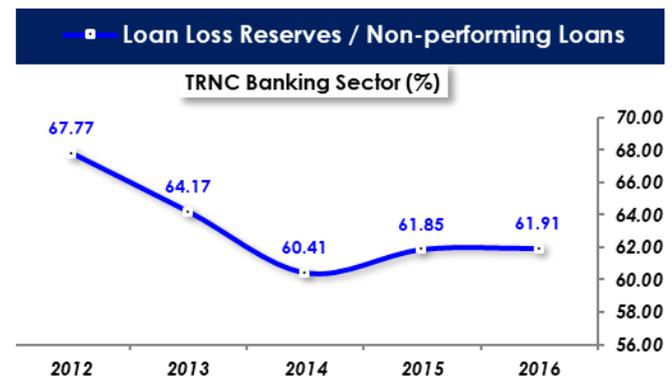
The net profit of the TRNC banking sector in FY2016 amounted to TRY 306.7mn, indicating an increase of 51.98% in comparison to the previous year figure of TRY 201.8mn. Furthermore, the Return on Average Assets (ROAA) and Return on Average Equity (ROAE) increased to 2.01% and 20.97%, respectively at FYE2016, compared with the same period of the previous year.



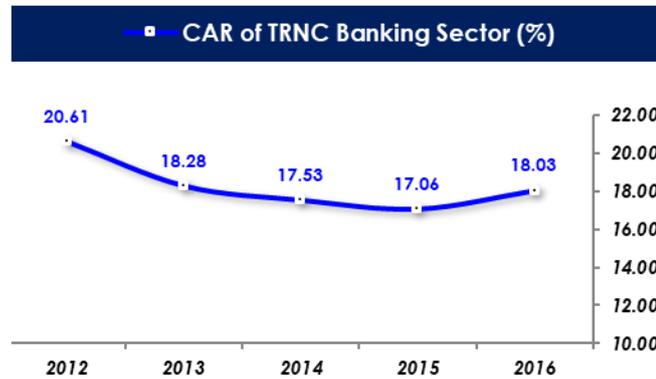
The sector's non-performing loans to gross loans ratio was 6.60% as of FYE2016 and recorded a decrease of 4.07% in comparison to the previous year. This decrease mainly resulted from the smaller rise in NPLs of 9.60% compared to the higher rise of 14.48% in total gross loans throughout the same period.



The loan loss reserves to non-performing loans ratio which hit its highest level at FYE2012 decreased until FYE2014 and slightly increased to 61.91% at FYE2016.



The Capital Adequacy Ratio (CAR), which hovered around the 20-21% range between 2010 and 2012 period, exhibited a three-year decreasing trend between 2012 and 2015 and improved to 18.03% as of FYE2016, 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 lack of recognition on the international arena raises difficulties for the TRNC regarding 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 studies aiming a secure and steady sector growth in line with the development in international standards, the implementation of monetary-credit policies in a way that will help the country's economic development and the protection of rights and interests of depositors continued in 2016. In this context, the TRNC Banking Law Draft was approved by the Council of Ministers and referred to the Assembly sub-committee and the establishment of the Corporate Electronic Payment System (CEPS) has been initiated following the Electronic Payment System (EPS) which has been passed for the purpose of making the transfer of funds efficient and remote from the operational risks. The studies on the inclusion of the loans extended to the members by the cooperatives to the Central Bank Risk Centre are still continuing.

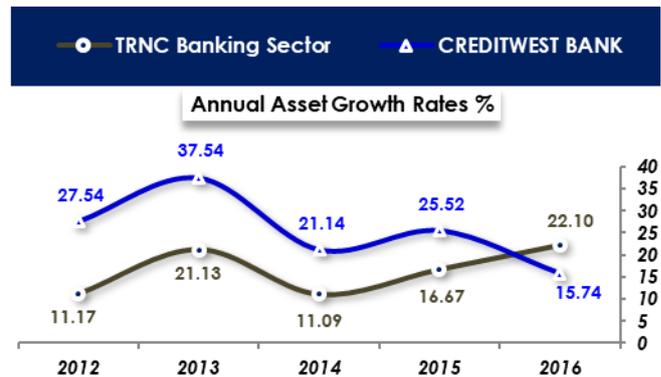
Additionally, the volume and development of the sector is expected to be further enhanced through the definitions and regulations related to participation banking added to the new law draft and the studies to increase the effectiveness of the use and processes of credit guarantee funds.

## 6. Financial Analysis

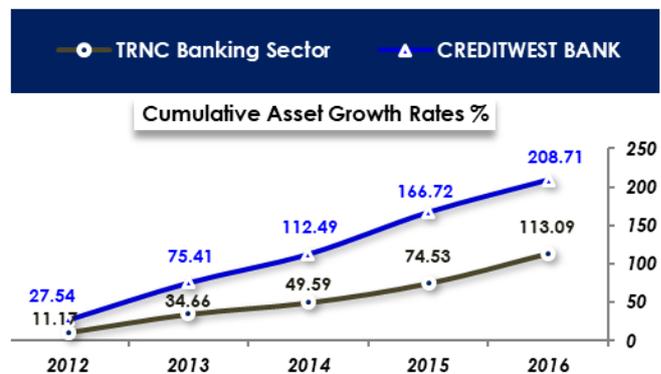
### a. Financial Indicators and Performance

#### i. Indices Relating to Size

According to the IFRS-compliant financials, Creditwest Bank's assets were TRY 2,116mn at FYE2016, and increased by 17.76% on a YoY basis compared to the previous year's figure of TRY 1,797mn. Both the sector's and the Bank's asset size recorded growths in FY2016, though, the Bank's asset based growth performance stayed below the TRNC Banking Sector average at FYE2016.



The Bank's growth performance in cumulative terms in the last five-year period was 208.71%, nearly double that of the sector. The compound annual growth rate (CAGR) in asset and equity bases were 25.29% and 21.60% respectively, indicating sustainable growth.



The Bank's asset size based market share amongst the entire TRNC Banking Sector, based on the audited financial statements which was submitted to the Central Bank of TRNC, was 9.66%, down from the previous year's level at 10.19%. As a result of the contraction in its market share, Creditwest Bank's rank, fell by one step to the third from the second largest bank attained in the previous year,

amongst the 22 banks. While the largest bank with a market share of 21.59% is well ahead of the Bank, second largest bank had a market share of 11.02%.

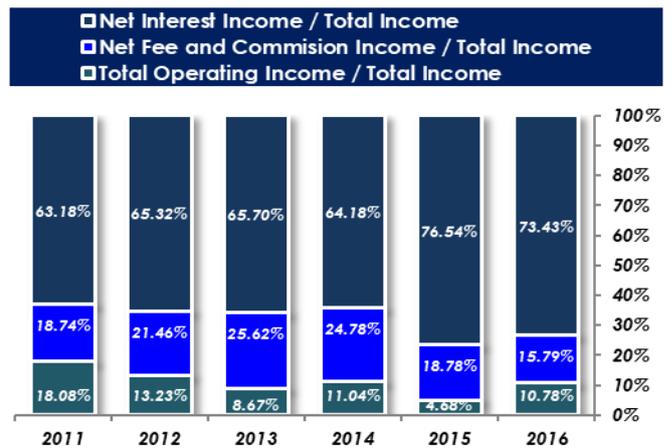


For the ongoing year, projected growth in asset size was 3.92% and is quite conservative comparing the Bank's past performance. As of June-end 2017, the Bank almost reached the full year growth target.

**ii. Indices Relating to Profitability**

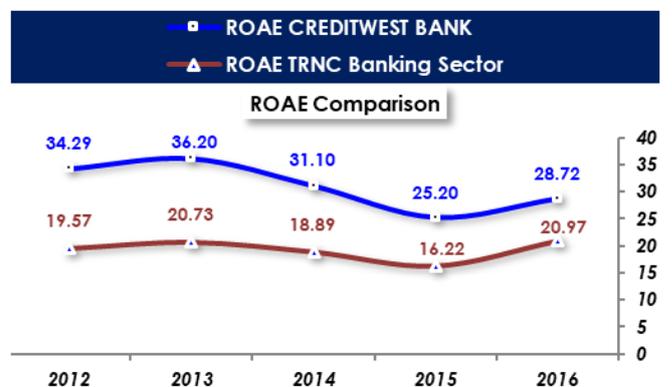
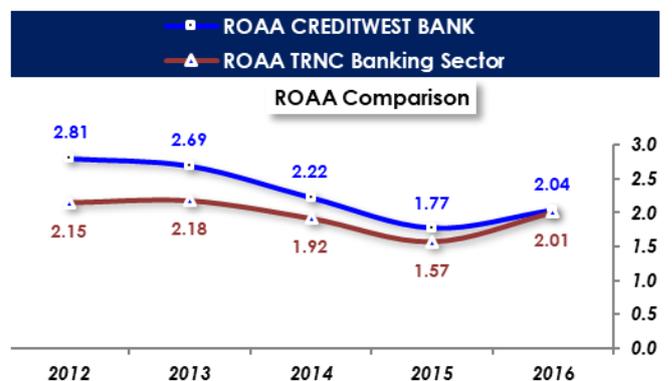
In FY2016, according to the audited financial statements submitted to the TRNC Central Bank, Creditwest Bank gained TRY 30.6mn of net profit, up by TRY 9mn with a notable increase of 41.89% compared to the previous year's TRY 21.6mn. Increase in net interest income by 20.05% YoY coupled with lower provisioning expenses for growing NPLs portfolio compared to the previous years supported the net profit enhancement. In the same period, the TRNC Banking Sector's net profit figure enlarged by 51.99% and augmented to TRY 306.8mn from 201.8mn FYE2015, principally stemming from net interest income growth.

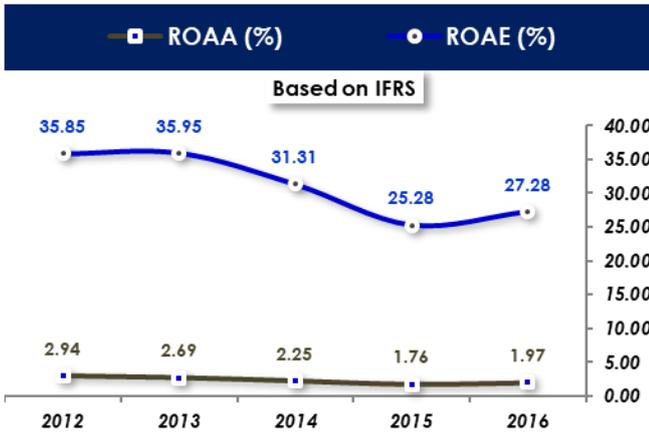
Net interest income was the Bank's primary source of total income and constituted 73.43% of it as of FYE2016 and was reduced compared to the previous year's level of 76.54% despite increase by 20.05% in absolute values. Together, net interest income with net fee & commission income effectuated 89.22% (FY2015:95.32%) of total income resulting from sustainable channels and was engendered principally through main banking activities. Growth in total operating income was principally underpinned by collections and cancelation of provisions which were provisioned in previous years.



In FY2016, provision expenses increased by 32.86% on a YoY basis to TRY 22.5mn from TRY 16.94mn and equilibrated the advantage of Nil growth in a certain extent.

Return on assets and equity ratios, fundamental profitability indicators in the finance sector, reversed in FY2016, as in the TRNC Banking Sector. Regarding the ROAA and ROAE, the Bank outperformed the TRNC Banking sector throughout the reviewed period.





The Bank's net profit margin was 32.31% at FYE2016 and increased from the previous year's level of 28.63%. Despite modest increase in OPEX, notable rise in provisioning expenses in the last two consecutive years restrained the Bank's profit growth.

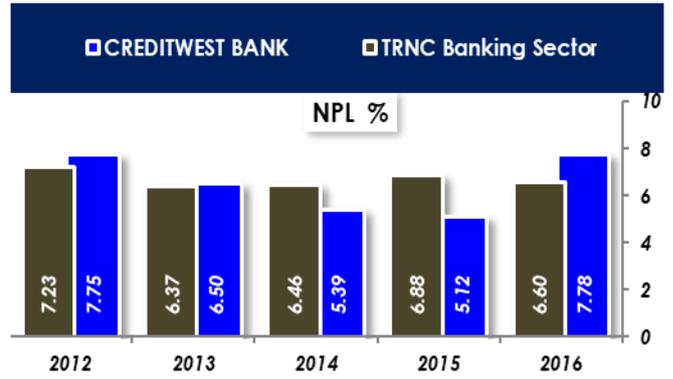
According to unaudited financials of 1H2017, the Bank recorded a net profit of TRY 21.6mn, remarkably up from the same period in the previous year's figure of TRY 17mn. If this performance persists for the remainder of the year, the Bank will probably exceed FYE2017's target figure of TRY 30.1mn.

**b. Asset Quality**

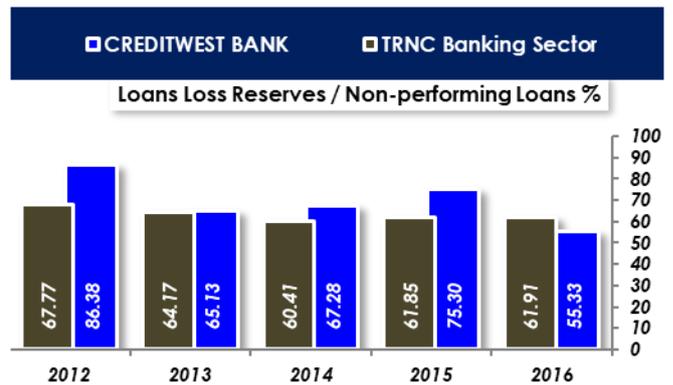
As in the previous year, the largest portion of assets were extended to loans and its share in assets slightly contracted to 63.76% at FYE2016 from 65.73% at FYE2015. Banks & other earning assets, the second largest item in assets, comprised 24.26% of total assets and increased the previous year's figure of 20.76%. The Bank's loan to asset ratio was above the TRNC banking sector's ratio of 57.92% (FYE2015: 61.77%) at FYE2016.

According to data provided by the Bank, approximately 63.05% of cash loans were extended against tangible collaterals, which are largely based on mortgages (67.34%), cash (29.60%) and pledges (3.06%) in descending order. Existence of the high level of tangible collaterals secures the repayment of extended loans to a certain extent.

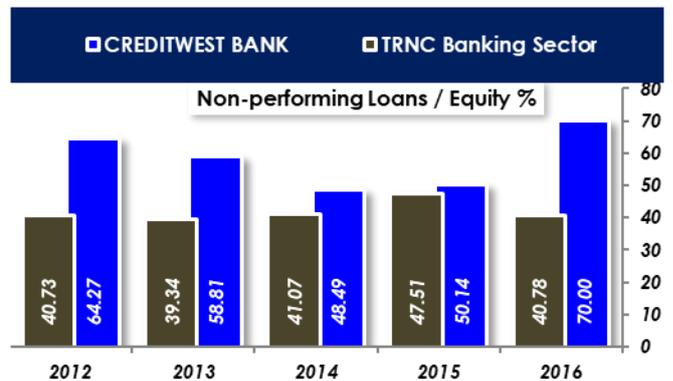
At FYE2016, the Bank's gross non-performing loans portfolio notably increased to TRY 104.3mn from the previous year's figure of TRY 60.8mn with a rate of 71.63%. Accordingly, the Bank's NPL ratio enlarged to 7.78% at FYE2016 from 5.12% at FYE2015 and surpassed the sector average at 6.60% and diverged from the sector in negative way.



According to the financials submitted to the TRNC Central Bank, the provision for non-performing loans was 55.33% at FYE2016 and remarkably down the previous year's level of 75.30% and fell below the sector average of 61.91%. On the other hand, pursuant to financial statements compliant with the IFRS, loan loss coverage was 53.45% and displayed a declining trend in the last two consecutive years (FYE2015: 72.26% and 83.62% FYE2014.)



Significant increase in the Bank's non-performing loans portfolio led to deterioration in NPLs to equity ratio which materialized at 70.00% at FYE2016. This ratio of the sector was 40.78% and down from the previous year's level of 47.51%. Throughout the reviewed period, the Bank's NPLs to equity ratio stayed above the Sector averages.



**c. Funding and Adequacy of Capital**

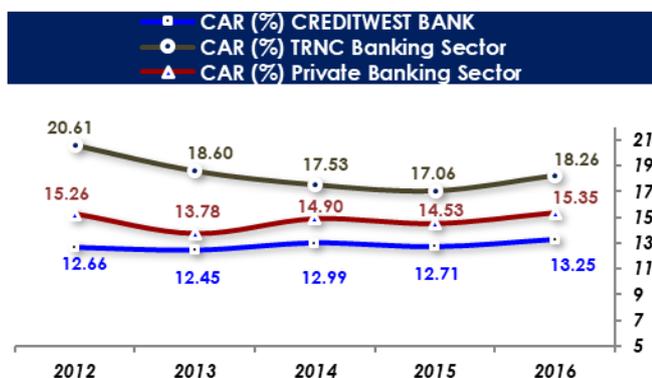
The Bank's funding source was predominantly composed of deposits and its funding channels did not significantly change over the years. Pursuant to the financials submitted to the TRNC Central Bank, the Bank's total deposits (including bank deposits) were TRY 1,765mn at FYE2016 and increased by 14.72% on a Y-o-Y basis and that of the sectors was TRY 16,635mn and increased by 19.24% compared to the previous year.

According to the contractual maturities of total deposits, 59.24% (FYE2015: 63.16%) of it stood in the up to one-month maturity bracket, representing the short maturity profile of funding mix, while the TRNC Banking Sector's was 66.23%; signifying the prevalence of short maturity funding structure in the sector. The Bank's 74.63% of total deposits was covered by the Savings Deposit Insurance Fund that displays the deposits granulates.

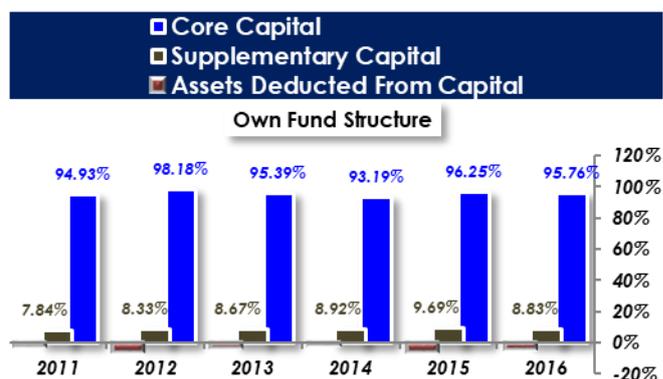
The Bank's deposit based market share in the TRNC Banking Sector was 10.61% at FYE2016 and down from the previous year's figure of 11.03%.

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 FYE2016, the Bank's Capital Adequacy Ratio (CAR) increased to 13.25% from the FYE2015 figure of 12.71%. 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 Central Bank's recommended level (12%). Nevertheless, 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 adequate buffer against potential incidental losses.



The share of core capital, principally consisting of paid-up capital, reserves and retained earnings, comprised 95.76% of the Bank's total own fund structure at FYE2016 and was slightly down from the previous year's ratio of 96.25%. The supplementary capital accounted for 8.83% of the Bank's own fund structure. The general provision in the amount of TRY 13.1mn, was classified as second-tier capital under the regulatory capital. The Bank's Tier 1 capital ratio was 12.69% at FYE2016 and sustained its satisfactory level. The higher share of the Bank's Tier 1 capital among the total shareholders' equity designated the permanence and strength of the capital.



**7. Risk Profile & Management**

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

Creditwest Bank is principally 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'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 14 in Internal Audit & Internal Control Department, 1 in Compliance Department and 7 in Risk Management Department. Within the risk management framework, Credit, Assets & Liabilities, Internal System, Repurchase & Selling, Disciplinary, Education and Marketing Committees have been established by senior managers. 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 FYE2016, maximum on balance sheet credit risk exposure of the Bank was TRY 1,658mn and 80.92% of the total risk exposure stemmed from granted loans. The loans, accounted 63.76% of total assets, were dispersed as corporates & commercial customers and retail customers-consumer and credit cards.

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 loan limits are periodically reviewed. Credit limit reviews are done as deemed necessary due to changes in overall economic conditions.

Although there isn't currently system in place that could undertake scenario analysis or stress tests and give early warnings signs in the case of approaching risk limits under the Core Banking System, it must be noted that there are ongoing studies looking into the development of an integrated risk analysis program in-house or its procurement from external sources.

The Bank's largest 100 cash loan customers comprised 55.89% of the total cash loan portfolio as of FYE2016 (FYE2015: 51.39%, FYE2014: 43.11% and FYE2013: 37.78% respectively), while the largest 100 non-cash loan customers composed 94.37% of the total non-cash loan portfolio as of FYE2016 (FYE2015: 94.42%). The largest 100 cash and non-cash loan customers made up 35.41% of the total "on and off-balance sheet" assets as of FYE2016 (FYE2015: 28.23%). Those figures indicate steady increase in cash loans concentration. Additionally, despite the very high credit concentration in non-cash loans, the Bank's total off balance sheet liabilities constituted only 14.12% of the total assets FYE 2015: 8.97%). Accordingly, we, as JCR Eurasia Rating, assume that concentration in the commitments and contingent liabilities will not have a significant impact on the Bank's balance sheet structure. In addition, although the cash credit risk concentration exhibited an increasing trend, the Bank systematically monitors its credit risk concentrations in line with the pre-determined rules and policies.

**c. Market Risk**

Creditwest Bank is principally 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 FYE2016, the ratios of total foreign currency position to assets and equity were 0.40% and 5.20%, 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**

Short and long-term liquidity requirements are mainly met by the Bank's own fund 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 deposits, which is a sector wide issue of the TRNC Banking sector and exerts pressure on liquidity management, the lower loan to deposit ratio comforts liquidity requirements to a certain extent. The Bank's management continuously makes efforts to confirm constant 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. The Bank's liquid assets (reserve deposits in the TRNC Central Bank and marketable securities were not included) to total assets ratio was 23.35% at FYE2016 and increased from 20.40% at FYE2015, however stayed slightly below the sector's average ratio of 24.96%. Accordingly, the Bank effectively manages its liquidity risks

and implements appropriate measures and was not exposed to any funding gap or violations in 2016.

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

In order to reduce operational risk and its potential adverse effects, the Bank management attaches importance to standardizing operations and business, segregating duties, applying pre-determined limits of transactions, monitoring transactions, establishing contingency plans, 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 scope of operational risk, the Bank reported no losses due to personnel dishonesty and faults or system errors as well as no implemented fine by the regulatory & supervisory authorities.

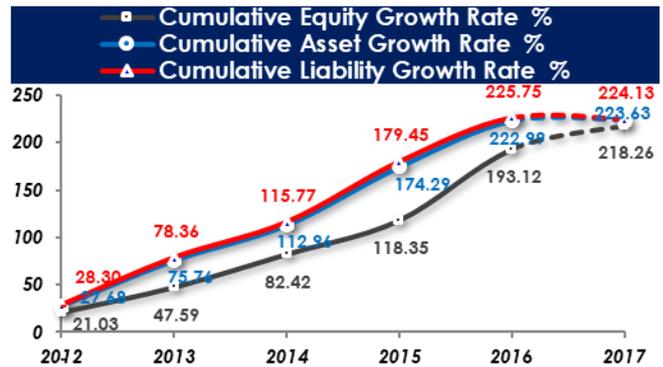
**8. Budget**

Creditwest Bank's year-end 2017 growth projections are quite conservative compared to the previous year's performance. At FYE2017, projected growths in asset size, loans and equity base are 3.92%, 6.06% and 18.33% respectively while slight contraction in net profit with a rate of 1.62% within the framework of projections and budgeting activities in FY2017 compared to FY2016.

Based on unaudited financials as of the first half of 2017, the Bank gained a net profit of TRY 21.6mn. In the event of continuity of profitability in the remainder of the ongoing year, the Bank's 2017-year end net profit projection (TRY 30.1mn) could be straightforwardly reachable.

In the assessment of the target and realization of FY2016 results, the Bank exceeded its targets in assets, equity and net profit segments, while it remained slightly behind in the field of loans growth.

Integrating the above stated projected growth with the last six years' growth series resulted in cumulative assets, equity and liability growth rates of 223.63%, 218.26% and 224.13 compared to FYE2011 as of FYE2017.



**COMPERATIVE FINANCIAL FIGURES**

	K.T.Koop. Merkez Bankası		Creditwest Bank		T. İş Bankası A.Ş.		K. İktisat Bankası A.Ş.		T.C. Ziraat Bankası A.Ş.	
	FYE2016	FYE2015	FYE2016	FYE2015	FYE2016	FYE2015	FYE2016	FYE2015	FYE2016	FYE2015
ROAA (%)	1.34%	0.66%	1.61%	1.36%	2.29%	2.26%	1.31%	0.84%	3.40%	2.86%
ROAE (%)	18.67%	9.27%	22.64%	19.38%	24.08%	22.47%	16.39%	9.78%	18.62%	18.11%
Equity to Total Assets (%)	7.34%	6.98%	7.30%	6.87%	9.30%	9.84%	7.89%	8.06%	18.70%	17.80%
NPLs to Total Loans (%)	2.82%	3.66%	8.18%	5.37%	3.64%	2.64%	9.46%	11.37%	7.97%	6.18%
Assets Size Market Share (%)	21.59%	22.76%	9.66%	10.19%	11.02%	9.98%	7.37%	7.48%	4.75%	5.08%
Capital Adequacy Ratio (%)	30.32%	30.90%	13.25%	12.71%	14.39%	14.09%	14.04%	13.18%	23.94%	19.90%
Loan to Deposits (%)	72.33%	71.93%	72.20%	73.57%	77.93%	85.78%	61.93%	65.85%	85.67%	112.87%
Reserves to NPLs (%)	96.68%	84.56%	55.33%	75.30%	100%	100%	42.67%	41.17%	99.77%	83.60%
NPLs (TRY 000)	83,547,420	92,417,295	104,286,726	60,761,773	51,379,612	32,455,574	80,678,008	85,988,819	48,063,380	41,947,180
Total Assets (TRY 000)	4,562,790,675	3,940,249,298	2,040,686,748	1,763,100,424	2,328,774,187	1,727,250,257	1,558,032,485	1,294,700,179	1,004,821,476	879,642,680
Total Deposits (TRY 000)	4,102,657,229	3,505,833,306	1,764,847,457	1,538,388,751	1,810,790,797	1,433,072,021	1,377,595,541	1,148,754,179	703,517,477	601,140,316
Total Loans (TRY 000)	2,967,495,718	2,521,728,877	1,274,297,787	1,131,771,898	1,411,140,204	1,229,323,288	853,176,315	756,482,762	602,722,975	678,519,948
Total Equity (TRY 000)	334,925,146	275,097,813	148,978,177	121,177,854	216,533,207	169,992,585	122,921,393	104,302,066	187,889,316	156,542,954
Net Profit	56,933,858	24,198,875	30,579,718	21,551,331	46,540,621	34,346,173	18,617,828	9,723,883	32,070,895	25,990,584

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
	2016 USD (Converted)	2016 TRY (Original)	2016 TRY (Average)	2015 TRY (Original)	2015 TRY (Average)	2014 TRY (Original)	2014 TRY (Average)	2013 TRY (Original)	2016 Assets (Original)	2015 Assets (Original)	2014 Assets (Original)	2016 Growth Rate %	2015 Growth Rate %	2014 Growth Rate %
<b>A- TOTAL EARNING ASSETS ( I+II+III )</b>	<b>550,289</b>	<b>1,943,511</b>	<b>1,809,319</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>91.83</b>	<b>93.20</b>	<b>97.88</b>	<b>16.02</b>	<b>22.64</b>	<b>23.96</b>
<b>I- LOANS AND LEASING RECEIVABLES (net)</b>	<b>382,078</b>	<b>1,349,424</b>	<b>1,265,431</b>	<b>1,181,439</b>	<b>1,027,117</b>	<b>872,795</b>	<b>791,003</b>	<b>709,210</b>	<b>63.76</b>	<b>65.73</b>	<b>62.55</b>	<b>14.22</b>	<b>35.36</b>	<b>23.07</b>
a) Short Term Loans	166,620	588,469	558,844	529,219	443,521	357,823	307,350	256,876	27.80	29.44	25.64	11.20	47.90	39.30
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	199,008	702,857	665,978	629,100	565,865	502,631	474,405	446,180	33.21	35.00	36.02	11.72	25.16	12.65
d) Over Due Loans	30,567	107,956	85,640	63,323	57,057	50,791	49,976	49,161	5.10	3.52	3.64	70.48	24.67	3.31
e) Others	2,222	7,849	6,700	5,551	4,787	4,023	4,999	5,974	0.37	0.31	0.29	41.39	37.97	-32.65
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 (-)	-16,339	-57,706	-51,730	-45,754	-44,114	-42,473	-45,727	-48,982	-2.73	-2.55	-3.04	26.12	7.73	-13.29
<b>II- OTHER EARNING ASSETS</b>	<b>145,360</b>	<b>513,383</b>	<b>443,281</b>	<b>373,180</b>	<b>378,351</b>	<b>383,523</b>	<b>358,358</b>	<b>333,193</b>	<b>24.26</b>	<b>20.76</b>	<b>27.48</b>	<b>37.57</b>	<b>-2.70</b>	<b>15.11</b>
a) Balance with Banks -Time Deposits	65,044	229,724	197,601	165,477	173,068	180,658	159,204	137,749	10.85	9.21	12.95	38.83	-8.40	31.15
b) Money Market Placements	0	0	0	0	1	1	2,150	4,300	n.a	0.00	0.00	100.00	-95.20	-99.97
c) Reserve Deposits at CB (*)	15,435	54,513	54,107	53,701	72,075	90,448	81,369	72,290	2.58	2.99	6.48	1.51	-40.63	25.12
d) Balance With CB- Demand Deposits	64,881	229,146	191,574	154,001	133,208	112,415	115,634	118,854	10.83	8.57	8.06	48.80	36.99	-5.42
<b>III- SECURITIES AT FAIR VALUE THROUGH P/L</b>	<b>22,851</b>	<b>80,704</b>	<b>100,606</b>	<b>120,508</b>	<b>115,017</b>	<b>109,525</b>	<b>84,489</b>	<b>59,453</b>	<b>3.81</b>	<b>6.70</b>	<b>7.85</b>	<b>-33.03</b>	<b>10.03</b>	<b>84.22</b>
a) Treasury Bills and Government Bonds	20,720	73,179	89,320	105,461	101,263	97,065	77,294	57,522	3.46	5.87	6.96	-30.61	8.65	68.74
b) Other Investment	1,406	4,965	8,499	12,034	11,017	10,000	5,496	993	0.23	0.67	0.72	-58.75	20.34	907.55
c) Repurchase Agreement	725	2,560	2,787	3,014	2,737	2,460	1,699	939	0.12	0.17	0.18	-15.06	22.53	161.99
<b>B- INVESTMENTS IN ASSOCIATES (NET) + EQUITY SHARE</b>	<b>1,701</b>	<b>6,007</b>	<b>6,007</b>	<b>6,007</b>	<b>3,985</b>	<b>1,963</b>	<b>2,109</b>	<b>2,254</b>	<b>0.28</b>	<b>0.33</b>	<b>0.14</b>	<b>0.00</b>	<b>206.01</b>	<b>-12.93</b>
a) Investments in Associates (Net)	1,701	6,007	6,007	6,007	3,985	1,963	2,109	2,254	0.28	0.33	0.14	0.00	206.01	-12.93
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>47,264</b>	<b>166,926</b>	<b>141,555</b>	<b>116,183</b>	<b>71,907</b>	<b>27,632</b>	<b>37,617</b>	<b>47,602</b>	<b>7.89</b>	<b>6.46</b>	<b>1.98</b>	<b>43.67</b>	<b>320.47</b>	<b>-41.95</b>
a) Cash and Cash Equivalents	3,330	11,760	12,440	13,119	10,098	7,077	7,532	7,988	0.56	0.73	0.51	-10.35	85.37	-11.41
b) Balance with Banks - Current Accounts	1,673	5,910	16,571	27,231	17,820	8,409	11,366	14,323	0.28	1.52	0.60	-78.30	223.82	-41.29
c) Financial Assets at Fair Value through P/L	20,534	72,520	66,528	60,535	30,268	0	0	0	3.43	3.37	n.a	19.80	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	21,727	76,735	46,017	15,298	13,722	12,145	18,718	25,290	3.63	0.85	0.87	401.59	25.96	-51.98
- 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	8,495	30,001	20,490	10,979	10,337	9,696	10,139	10,582	1.42	0.61	0.69	173.27	13.23	-8.37
- Deferred Tax	0	0	29	59	59	60	64	67	n.a	0.00	0.00	100.00	-2.11	-10.56
- Other	13,232	46,734	25,497	4,261	3,325	2,389	8,515	14,641	2.21	0.24	0.17	996.76	78.34	-83.68
<b>TOTAL ASSETS</b>	<b>599,254</b>	<b>2,116,444</b>	<b>1,956,880</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>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>17.76</b>	<b>28.80</b>	<b>21.16</b>



CREDITWEST BANK BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY  (000)	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	As % of	As % of	As % of	FYE	FYE	FYE
	2016	2016	2016	2015	2015	2014	2014	2013	2016	2015	2014	2016	2015	2014
	USD	TRY	Assets	Assets	Assets	Growth	Growth	Growth						
	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate %	Rate %	Rate %
<b>A- COST BEARING RESOURCES ( I+II )</b>	<b>539,470</b>	<b>1,905,300</b>	<b>1,770,142</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>90.02</b>	<b>90.97</b>	<b>89.85</b>	<b>16.53</b>	<b>30.40</b>	<b>20.21</b>
<b>I- DEPOSIT</b>	<b>524,106</b>	<b>1,851,037</b>	<b>1,743,011</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>87.46</b>	<b>90.97</b>	<b>87.90</b>	<b>13.21</b>	<b>33.29</b>	<b>24.82</b>
a) TRY Deposit	225,042	794,802	747,964	701,127	669,178	637,229	601,451	565,673	37.55	39.01	45.67	13.36	10.03	12.65
b) FC Deposit	261,618	923,983	850,695	777,408	656,775	536,142	455,078	374,014	43.66	43.25	38.42	18.85	45.00	43.35
c) FC & LC Banks Deposits	37,446	132,252	144,351	156,450	104,852	53,253	48,127	43,001	6.25	8.70	3.82	-15.47	193.78	23.84
<b>II- BORROWING FUNDING LOANS &amp; OTHER</b>	<b>15,364</b>	<b>54,263</b>	<b>27,131</b>	<b>0</b>	<b>13,623</b>	<b>27,246</b>	<b>43,820</b>	<b>60,394</b>	<b>2.56</b>	<b>n.a</b>	<b>1.95</b>	<b>n.a</b>	<b>#####</b>	<b>-54.89</b>
a) Borrowing from Domestic Market	0	0	0	0	0	0	5,341	10,681	n.a	n.a	n.a	n.a	n.a	-
b) Borrowing from Overseas Markets	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	100.00
c) Borrowing from Interbank	14,321	50,578	25,289	0	13,623	27,246	38,479	49,713	2.39	n.a	1.95	n.a	-100.00	-45.19
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	1,043	3,685	1,843	0	0	0	0	0	0.17	n.a	n.a	n.a	n.a	n.a
<b>B- NON-COST BEARING RESOURCES</b>	<b>13,814</b>	<b>48,789</b>	<b>45,089</b>	<b>41,389</b>	<b>40,957</b>	<b>40,525</b>	<b>33,702</b>	<b>26,879</b>	<b>2.31</b>	<b>2.30</b>	<b>2.90</b>	<b>17.88</b>	<b>2.13</b>	<b>50.77</b>
a) Provisions	2,325	8,212	7,346	6,481	6,267	6,054	6,020	5,987	0.39	0.36	0.43	26.71	7.05	1.12
b) Current & Deferred Tax Liabilities	1,163	4,109	2,055	0	0	0	0	0	0.19	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	10,326	36,468	35,688	34,908	34,690	34,472	27,682	20,892	1.72	1.94	2.47	4.47	1.27	65.00
<b>C- TOTAL LIABILITIES</b>	<b>553,284</b>	<b>1,954,089</b>	<b>1,815,231</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>92.33</b>	<b>93.27</b>	<b>92.76</b>	<b>16.57</b>	<b>29.51</b>	<b>20.98</b>
<b>E- EQUITY</b>	<b>45,969</b>	<b>162,355</b>	<b>141,649</b>	<b>120,943</b>	<b>110,993</b>	<b>101,042</b>	<b>91,397</b>	<b>81,751</b>	<b>7.67</b>	<b>6.73</b>	<b>7.24</b>	<b>34.24</b>	<b>19.70</b>	<b>23.60</b>
a) Prior Year's Equity	34,244	120,943	110,993	101,042	91,397	81,751	74,394	67,037	5.71	5.62	5.86	19.70	23.60	21.95
b) Equity (Added from Internal & External Resources At This Year)	3,098	10,942	4,633	-1,676	-2,471	-3,266	-4,633	-6,000	0.52	-0.09	-0.23	752.93	-48.69	-45.57
c) Profit & Loss	8,627	30,470	26,023	21,576	22,067	22,557	21,635	20,714	1.44	1.20	1.62	41.22	-4.35	8.90
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>599,254</b>	<b>2,116,444</b>	<b>1,956,880</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>100.00</b>	<b>100.00</b>	<b>100.00</b>	<b>17.76</b>	<b>28.80</b>	<b>21.16</b>
(*) This item is included in Other Item	USD Rates 1=TRY	3.5318		2.9076		2.3189		2.1304						

CREDITWEST BANK INCOME STATEMENT (000) TRY	FY 2016	FY 2015	FY 2014
<b>Net Interest Income</b>	<b>69,251.59</b>	<b>57,685.73</b>	<b>42,371.54</b>
<b>a) Interest Income</b>	164,100.17	143,686.98	115,511.15
<b>b) Interest Expense</b>	94,848.58	86,001.26	73,139.61
<b>Net Fee and Commission Income</b>	<b>14,888.89</b>	<b>14,154.72</b>	<b>16,359.00</b>
<b>a) Fee and Commission Income</b>	18,033.10	16,932.48	17,026.83
<b>b) Fee and Commission Expense</b>	3,144.20	2,777.76	667.83
<b>Total Operating Income</b>	<b>10,163.87</b>	<b>3,529.77</b>	<b>7,287.05</b>
Net trading income (+/-)	699.51	54.29	157.65
Foreign Exchange Gain or Loss (net) (+/-)	4,338.87	4,183.06	3,075.96
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	5,361.60	0.00	4,244.34
Taxes other than Income	-236.10	-707.58	-190.90
Dividend	0.00	0.00	0.00
<b>Provisions</b>	<b>22,504.52</b>	<b>16,938.45</b>	<b>10,023.36</b>
Provision for Impairment of Loan and Trade Receivables	22,504.52	13,155.65	10,023.36
Other Provision	0.00	3,782.80	0.00
<b>Total Operating Expense</b>	<b>33,164.95</b>	<b>30,373.27</b>	<b>27,376.54</b>
Salaries and Employee Benefits	22,505.39	20,782.32	19,375.36
Depreciation and Amortization	3,426.40	2,836.44	2,074.43
Other Expenses	7,233.16	6,754.51	5,926.75
<b>Profit from Operating Activities before Income Tax</b>	<b>38,634.89</b>	<b>28,058.49</b>	<b>28,617.69</b>
Income Tax – Current	8,164.63	6,482.09	6,060.87
Income Tax – Deferred	0.00	0.00	0.00
<b>Net Profit for the Period</b>	<b>30,470.26</b>	<b>21,576.40</b>	<b>22,556.82</b>
<b>Total Income</b>	<b>94,304.35</b>	<b>75,370.21</b>	<b>66,017.59</b>
<b>Total Expense</b>	<b>33,164.95</b>	<b>30,373.27</b>	<b>27,376.54</b>
<b>Provision</b>	<b>22,504.52</b>	<b>16,938.45</b>	<b>10,023.36</b>
<b>Pre-tax Profit</b>	<b>38,634.89</b>	<b>28,058.49</b>	<b>28,617.69</b>



<b>CREDITWEST BANK FINANCIAL RATIOS %</b>	<b>FY 2016</b>	<b>FY 2015</b>	<b>FY 2014</b>
<b>I. PROFITABILITY &amp; PERFORMANCE</b>			
1. ROAA - Pre-tax Profit / Total Assets (avg.)	1.97	1.76	2.25
2. ROAE - Pre-tax Profit / Equity (avg.)	27.28	25.28	31.31
3. Total Income / Equity (avg.)	66.58	67.91	72.23
4. Total income / Total Assets (avg.)	4.82	4.72	5.18
5. Provisions / Total Income	23.86	22.47	15.18
6. Total Expense / Total Liabilities (avg.)	1.83	2.04	2.32
7. Net Profit for the Period / Total Assets (avg.)	1.56	1.35	1.77
8. Total Income / Total Expenses	284.35	248.15	241.15
9. Non-Cost Bearing Liabilities + Equity - Non-Earning Assets / Total Assets	2.09	2.57	8.16
10. Non-Cost Bearing Liabilities - Non-Earning Assets / Total Assets	-5.58	-4.16	0.92
11. Total Operating Expenses / Total Income	35.17	40.30	41.47
12. Net Interest Margin	3.83	3.79	3.43
13. Operating ROAA (avg.)	6.82	7.14	7.99
14. Operating ROAE (avg.)	94.24	102.76	111.34
15. Interest Coverage – EBIT / Interest Expenses	140.73	132.63	139.13
16. Net Profit Margin	32.31	28.63	34.17
17. Gross Profit Margin	40.97	37.23	43.35
18. Market Share in TRNC Banking Sector	9.66	10.19	9.47
19. Growth Rate	17.76	28.80	21.16
<b>II. CAPITAL ADEQUACY (year-end)</b>			
1. Equity Generation / Prior Year's Equity	9.05	-1.66	-3.99
2. Internal Equity Generation / Previous Year's Equity	25.19	21.35	27.59
3. Equity / Total Assets	7.67	6.73	7.24
4. Core Capital / Total Assets	6.80	6.57	7.16
5. Supplementary Capital / Total Assets	0.63	0.66	0.69
6. Tier 1 Capital Ratio	12.69	12.23	12.11
7. Capital / Total Assets	7.43	7.23	7.85
8. Own Fund / Total Assets	7.10	6.82	7.68
9. Standard Capital Adequacy Ratio	13.25	12.71	12.99
10. Surplus Own Fund	39.61	37.04	38.42
11. Free Equity / Total Assets	5.97	5.78	6.41
12. Equity / Total Guarantees and Commitments + Equity	35.21	42.87	33.44
<b>III. LIQUIDITY (year-end)</b>			
1. Liquidity Management Success (On Demand)	98.67	90.80	90.23
2. Liquidity Management Success (Up to 1 Month)	98.81	92.76	92.67
3. Liquidity Management Success (1 to 3 Months)	93.68	88.85	81.66
4. Liquidity Management Success (3 to 6 Months)	97.07	96.01	86.77
5. Liquidity Management Success (6 to 12 Months)	97.71	97.59	97.46
6. Liquidity Management Success (Over 1 Year & Unallocated)	85.94	84.40	83.00
<b>IV. ASSET QUALITY</b>			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	4.10	3.73	4.64
2. Total Provisions / Profit Before Provision and Tax	36.81	37.64	25.94
3. Impaired Loans / Gross Loans	7.67	5.16	5.55
4. Impaired Loans / Equity	66.49	52.36	50.27
5. Loss Reserves for Loans / Impaired Loans	53.45	72.26	83.62
6. Total FX Position / Total Assets	0.40	0.49	0.08
7. Total FX Position / Equity	5.20	7.33	1.16
8. Assets / Total Guarantees and Commitments + Assets	87.63	91.77	87.40

		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	
		The Previous Rating Results Issued by JCR Eurasia Rating													
		August 18, 2016													
		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	Stable	-												
		(*)Affirmed by JCR on July 19, 2016													