

Corporate Credit Rating

New Update

Sector: Banking

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RATINGS

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

*Affirmed by JCR on August 14, 2018

Creditwest Bank Limited

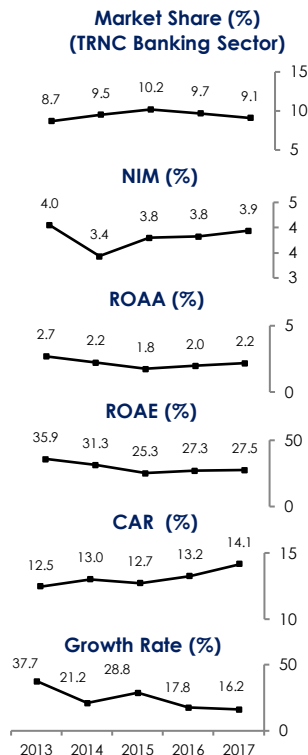
Company Overview

Financial Data	1H2018**	2017*	2016*	2015*	2014*
Total Assets (000,000 USD)	587	652	599	618	602
Total Assets (000,000 TRY)	2,676	2,459	2,116	1,797	1,395
Total Deposit (000,000 TRY)	2,285	2,132	1,851	1,635	1,227
Total Net Loans (000,000 TRY)	1,774	1,615	1,349	1,181	873
Equity (000,000 TRY)	201	201	162	121	101
Net Profit (000,000 TRY)	28	39	30	22	23
Market Share (%)	10.05	9.08	9.66	10.19	9.47
ROAA (%)	n.m.	2.18	1.97	1.76	2.25
ROAE (%)	n.m.	27.45	27.28	25.28	31.31
Equity/Assets (%)	7.52	8.19	7.67	6.73	7.24
CAR - Capital Adequacy Ratio (%)	13.94	14.14	13.25	12.71	12.99
Asset Growth Rate (Annual) (%)	-	16.17	17.76	28.80	21.16

* End of year ** Unaudited Figures

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 shifting its name to Creditwest Bank in 2006. The Bank offers modern banking services principally to privately owned enterprises as well as individuals through its 12-branch network in the cities of Nicosia (Lefkoşa), Famagusta (Gazimağusa), 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, jewelry, logistics and education. The Group's prime business activities are based in Turkey, the TRNC, Albania and Ukraine.

We affirmed the Bank's rating notes taking into consideration the improvement in profitability, capitalization and NPLs levels, high collateral level of loans and sound outcomes of the first half of the ongoing year along with continuity of growth performance in all core banking activity fields.



Strengths

- Enhancement in the principal profitability metrics in the last two consecutive years
- Sound return on asset and equity that surpassed the sector averages throughout the reviewed period
- Enhanced and satisfactory capitalization level above the regulatory level, despite staying below the sector average over the reviewed period, confirming a buffer against potential incidental losses
- High market presence coupled with competitive advantage as the third largest bank
- Collection success from non-performing loans portfolio
- Highly collateralized loan book with tangible assets contributing to asset quality
- Continuity of experienced management team and good operational track record

Constraints

- Despite the improvement in the NPLs ratio, its maintenance above the sector average
- Continuity of high cash credit risk concentration
- Sector-wide structural maturity mismatches and short maturity profile of funds
- 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
- Macroeconomic dependency on social, economic and political risks due to close ties with Turkey
- Increase in interest rates, accelerated depreciation of TRY against hard currencies, persistence of high geopolitical risks in the nearby region pressurizing the investment environment and asset quality

1. Rating Rationale

JCR Eurasia Rating has affirmed Creditwest Bank's National Local Rating Notes of 'AA+' in the long term, which denotes a high investment grade and 'A-1+ (Trk)' in the short term with a 'Stable' outlook on both ratings, considering the continuity of sound profit and profitability indicators, improvement in capital adequacy level & non-performing loans portfolio, continuity of growth performance, recorded sound net profit in 1H2018 as well as expected year-end 2018 profits. The Bank's International Long Term Local and Foreign Currency notes have also been affirmed as "BBB-" and its outlooks revised to "Negative" from "Stable", 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.

The rating study is principally based on (i) Creditwest Bank's year-end independent audit reports prepared in line with the 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 such as, the Bank's branch network & alternative delivery channels, market power and corporate governance & risk management practices were also taken into consideration in the assignment of the ratings. In addition, audited financial statements which were submitted to the Central Bank of TRNC were utilized when comparing Creditwest with the banking sector.

Fundamental rating considerations are as below;

Sound Profitability Metrics

As in the previous year, the profitability indicators of both the TRNC Banking Sector and Creditwest Bank attained progress in FY2017. As such, the return on assets and equity ratios, which are fundamental profitability indicators, presented an improvement. Enlargement in the Bank's profit was supported by higher increases in net interest income (NII) and other operating incomes—principally derived from cancellation and collections of the provisions which were booked in the previous years, in comparison to the OPEX. Throughout the reviewed period, ROAA and ROAE ratios of the Bank outperformed the sector averages.

Maintained Growth Performance

At FYE2017, the Bank's growth performance in assets, loans, deposits, equity and net profit were 16.19%, 19.38%, 15.04%, 26.16 and 27.43% respectively. The below chart presents the growth rates in comparison with the entire TRNC Banking Sector. Although the Bank's growth performances in general stayed below the sector's averages, the equity enlargement outperformed the sector due to largely retention of the net profit.

	Change % FYE2016-2017			
	Creditwest	TRNC Sector	Banking	FYE2017 Share %
Assets	16.19		23.57	9.08
Loans	19.38		20.74	10.40
SHE	26.16		15.03	7.91
Net Profit	27.43		32.86	9.56
Deposits	15.04		26.83	9.62

Despite Improvement in the NPLs Book, NPLs Ratio Remained above the Sector Average;

At FYE2017, the Bank's gross non-performing loans book, based on audited financial statements which were submitted to the Central Bank of TRNC, was TRY 94.3mn and down compared to the previous year's figure of TRY 104.3mn. In line with the reduction in the non-performing loans portfolio, the NPLs ratio contracted to 5.89% at FYE2017 from 7.78% at FYE2016. Despite notable improvement in NPLs ratio in FY2017, it remained above the sector average (5.72%) as in the previous year.

As per to the IFRS based audited financials, the Bank's gross non-performing loans portfolio at FYE2017 improved to TRY 103.6mn from TRY 107.9mn with a decrease of 4.00% and NPLs ratio decreased to 6.12% at FYE2017 from 7.67% at FYE2016.

Despite the attainment of robust profit figures in the 1H2018 along with the improvement in the NPL ratio through the expansion in the loans portfolio, the recent rise in interest rates and the erosive effects of rapid TRY depreciation against the leading hard currencies on the debt servicing capacity of corporates & individuals and investment climate are expected to lead to deterioration in both the Bank and the sector's asset quality in the upcoming period.

Below Sector Average Capitalization Level Nonetheless Being Above the Legal and Required Boundaries

At FYE2017, Creditwest Bank's Capital Adequacy Ratio (CAR) was 14.14% and exhibited an improvement compared to the previous year's level of 13.25% and 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%). On the other hand, the Bank's CAR ratios stayed below both the averages of the TRNC Banking and Private Banking Sectors throughout the reviewed period. It should also be noted that, well-capitalized public banks hike up the Sector's CAR ratio. The Bank's Tier 1 capital ratio increased to 13.60% at FYE2017 from 12.69% at FYE2016. The higher share of the Bank's Tier 1 capital among the total shareholders' equity indicates the core capital's strength and high loss absorbing capability. Accordingly, the current level of capitalization has the adequate buffer capability against incidental loan losses.

Adequate Liquidity Level

The liquid assets (reserve deposits in the TRNC Central Bank and marketable securities were not included) to total assets ratio was 19.92% at FYE2017 and decreased from 23.35% at FYE2016. Although the Bank's ratio stayed below the sector's average ratio of 27.42% (FYE2016: 24.96%), as in the previous years, it attained satisfactory liquidity threshold levels.

At FYE2017, the LTD ratio (performing loans to deposits) was 73.55% and up from the previous year's figure of 69.56%. Although it was above the sector average of 68.40% (FYE2016: 71.66%), it provides comfort to liquidity management along with indicating room for further growth.

Steady Increase in Cash Loans Concentration

The Bank's largest 100 cash loan customers comprised 56.73% of the total cash loan portfolio as of FYE2017 (FYE2016: 55.89%, FYE2015: 51.39% and FYE2014: 43.11% respectively), while the largest 100 non-cash loan customers composed 90.84% of the total non-cash loan portfolio as of FYE2017 (FYE2016: 94.37%). The largest 100 cash and non-cash loan customers made up 36.51% of the total "on and off-balance sheet" assets as of FYE2017

(FYE2016: 35.41%). Those figures designate 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 was TRY 319mn and constituted 12.98% of the total assets (FYE2016: 14.12%).

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. 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 highly collateralized the loans with tangible collaterals. At FYE2017, 67.19% of cash loans were extended against tangible collaterals, which are largely based on mortgages (75.01%), cash (22.56%) and pledges (2.43%) in descending order.

Short-term Weighted and Concentrated Profile of Funding

Deposits, conventional funding sources, constituted the largest share of Creditwest's total funding resources with a rate of 85.63% at FYE2017, whereas the TRNC Banking Sector's was 80.79% in the same period. According to the contractual maturities of total deposits, 62.13% (FYE2016: 59.24%) of it stood in the up to one-month maturity bracket including demand accounts, representing the short maturity profile of funding mix with its adverse effects on risk level and liquidity management, while the TRNC Banking Sector's was 66.01% as of FYE2017 (FYE2016: 66.23%); demonstrating short maturity funding structure prevalent in the sector.

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

The sustained existence of the political and economic isolation against the TRNC has a double-sided effect with a positive side 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. Acceleration of the depreciation of the Turkish Lira against the hard currencies, the maintenance of geo-political risks due to cross border military operations, turbulence in the Middle East, high inflation, international developments

concerning the increase in customs tariffs with the potential to trigger trade wars along with the FED's policies regarding interest rate rises and restriction of monetary emissions are expected to increase the difficulties in accessing international funding flows and costs of funding directly in Turkey and indirectly in TRNC. Additionally, the inability to access global financial markets prevents the country from obtaining the funds necessary to drive the TRNC's development. Likewise, the island economy remains heavily concentrated on the tourism, education and chance games industries, a major complication for the sector with respect to sectoral diversification.

2. Outlook

JCR Eurasia Rating has affirmed **"Stable"** outlooks on both the long and short term national ratings perspectives of Creditwest Bank, considering the Bank's sound outcomes of 1H2018, enhanced and satisfactory capitalization level, proven earnings power with above sector average profitability indicators, market power, improvement in assets quality through contraction in NPLs and collection success, 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. On the other hand, both the long and short terms international ratings outlooks were revised to "Negative" from "Stable" in line with Turkey's sovereign notes' outlooks.

Key concerns which would hinder the ratings and outlooks are: (i) 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, (vi) disruption of economic and political stability, (vii) possible regulatory actions that would restrain the profitability & growth performance of the sector 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.

Contrarywise, (i) an increase in capital power through a sizable cash equity injection, (ii) notable enhancement in the ratios of profitability and liquidity, (iii) extending maturity profile of funding, (iv) remarkable 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) noteworthy 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 Assessment

Sponsor Support notes and their 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, jewelry 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 an adequate external support.

The Bank's Stand-Alone Note has been affirmed as **"A"** concerning its past track record, high market presence despite exhibiting a contraction in the last two consecutive years, proven earnings 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 altered 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 twelve branches as well as insurance, factoring, leasing, investment and credit card payment services via its five financial affiliates.

b) Organization & Employees

At FYE2017, the Bank employed a total staff force of 235 and carried out its operations with a total domestic network of 12 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, internet and mobile banking facilities.

c) Shareholders, Subsidiaries & Affiliates

The shareholder structure of Creditwest Bank is provided in the below chart. The Bank remains fully owned by members of the ALTINBAŞ Family. In 2017, the Bank's paid in capital was increased to TRY 100mn from TRY 9.1mn through internal means.

Shareholder Structure	Share Amount TRY		Share %
	FYE2017	FYE2016	
Hüseyin ALTINBAŞ	16,666,668	1,520,554	16.67
Nusret ALTINBAŞ	16,666,668	1,520,554	16.67
Ali ALTINBAŞ	15,442,761	1,408,892	15.44
Sofu ALTINBAŞ	15,442,761	1,408,892	15.44
İmam ALTINBAŞ	15,442,761	1,408,892	15.44
Aliye ALTINBAŞ	5,555,553	506,850	5.56
Orkun ALTINBAŞ	5,555,553	506,850	5.56
Sedef ALTINBAŞ	5,555,553	506,850	5.56
Fatma S. ALTINBAŞ	1,223,907	111,664	1.22
Serdar ALTINBAŞ	1,223,907	111,664	1.22
Tuğçe ALTINBAŞ	1,223,907	111,664	1.22
Paid Capital TRY	100,000,000	9,123,322	100

The affiliates of the Bank are listed below according to their geographical location. As we, JCR Eurasia Rating, have not presently analyzed the independent risk level of those companies with the exception of Creditwest Factoring A.Ş., no opinion regarding their creditworthiness has been formed.

Affiliates	FY2017 Bank's Share %	FY2016 Bank's Share %	Country
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	26.00	21.00	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 domestic 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 Markets 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 to speed up the process of institutionalization.

The Bank has disclosed periodic independent audit reports, annual reports (FY2017 reports have not yet been disclosed), 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 through its website. On the other hand, the deficiencies of the Bank's website such as articles of association, dividend distribution, social responsibility, disclosure and stakeholder's policies suppress the transparency level of the Bank.

Stakeholder rights are protected in the general legal framework. 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.

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.

Board Members	
Nusret ALTINBAŞ	Chairman
Sofu ALTINBAŞ	Vice Chairman
Mustafa YORULMAZ	Board Member
Mazher ZAHEER	Board Member-CEO
Atakan ALTINBAŞ	Board Member
Sedef ALTINBAŞ AKACAN	Board Member
Serdar ALTINBAŞ	Board Member

The Bank's compliance level with the Corporate Governance Principals is rather high compared to the sector in general, although it is 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. It is also noted that, over the last one-year period, there has been no considerable enhancement in this field.

e) The Company & Its Group Strategies

The Bank aims to sustain its growth pattern and maintain its current market share via its emphasis on operational efficiency and profitability. In addition, it aims to undertake geographical diversification into markets such as the Balkans, Middle East and the Black Sea regions. The provision of high quality and tailor-made financial solutions by the diversification of the product range is of great significance. The critical success factors in the sector include service innovation with a consistently improved quality. In order to achieve its long-term goals, the Bank

considers personnel training and human resources to be very important in order to turn into a desirable player.

5. TRNC Banking Sector

The Banking Sector of the TRNC (Turkish Republic of Northern Cyprus) comprised of 21 banks (2 of which are public, 14 private and 5 foreign bank branches) with a total of 232 branches and 3,111 employees as of 1Q2018. It constitutes the largest part of the wider financial services industry across the TRNC and attained an asset size of TRY 27,699mn as at 1Q2018. The TRNC Central Bank acts as the regulator across the banking sector and holds responsibility for credit, monetary, and exchange policies with broader authority and responsibilities in sub-regulations entitled through the Banking Law No. 62/2017.

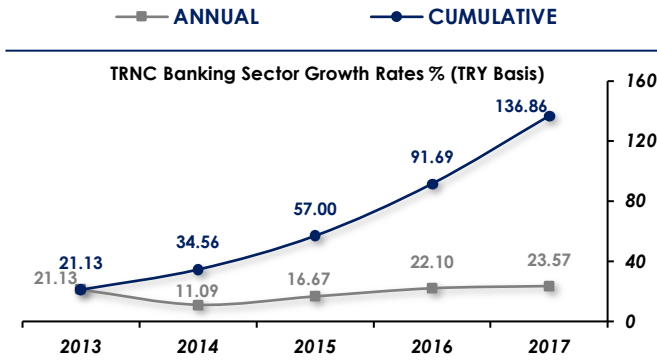
The table below provides an overview of the banking sector in the TRNC as of the 1Q2018. HSBC Bank KKTC Branches merged with the Albank Ltd. in 2017 through transfer of all assets and liabilities of HSBC branches to Albank Ltd.

TRNC Banking Sector as of 1Q2018							
	Number of Banks	Number of Branches	Number of Staff	Asset TRY (000,000)	Gross Loans TRY (000,000)	Deposits TRY (000,000)	CAR (%)
Public Banks	2	32	554	6,834.2	4,145.8	5,888.5	21.76
Private Banks	14	161	2,038	12,316.3	7,609.2	10,233.8	14.80
Branch Banks	5	39	519	8,548.1	4,440.6	6,230.4	19.12
TOTAL	21	232	3,111	27,698.6	16,195.6	22,352.7	17.40

As of the 1Q2018, the five leading players collectively held 55.23%, 56.22% and 56.87% of total assets, gross loans and deposits, respectively, across the TRNC banking sector (1Q2017: 55.23%, 58.34%, and 57.51%, respectively). The ratios of deposits, gross credits and total assets to GDP which indicate extent of financial depth realized values of 154%, 111.6% and 190.8%, respectively at 1Q2018 (1Q2017: 135.8%, 101.8% and 170% respectively).

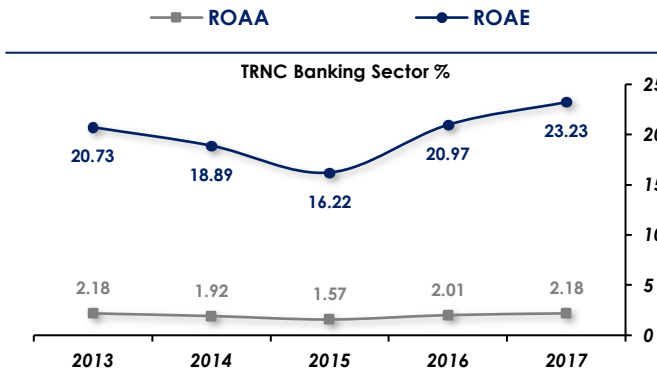
TRNC Banking Sector attained a growth rate of 136.86% on TRY terms during the last five years and recorded continuously increasing cumulative growth rates in every reporting period. Annual growth rates exhibited an increasing trend since 2014. The annual growth rate increased from 11.09% in FY2014 to 23.57% in FY2017. The total assets of TRNC Banking Sector materialized a

25% YoY asset growth and amounted to TRY 27.7bn as of 1Q2018.



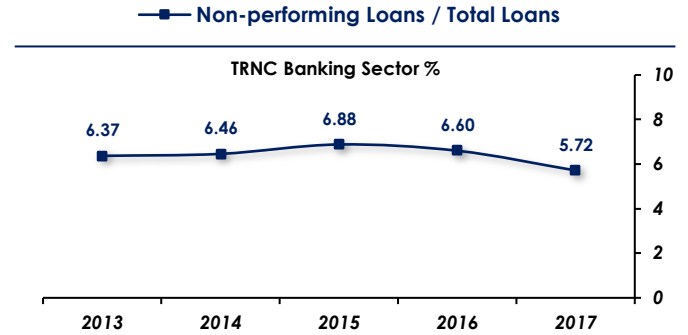
Deposits which increased by 26.6% on a YoY basis and amounted to TRY 22.35bn as of the 1Q2018, represented the principal resource of the sector with a share of 80.7% largely stemming from the isolated economic and political status of TRNC (1Q2017: TRY 17.65bn and 79.86%, respectively). In addition to this, as of 1Q2018, 66.83% of the Sector's total deposits had less than or equal to one-month maturity including 13.86% demand deposits, placing pressure on the liquidity management of the sector (1Q2017: 68.85% including 14.05% demand deposits).

The net profit of the TRNC banking sector in FY2016 amounted to TRY 407.5mn, indicating an increase of 32.87% in comparison to the previous year's figure of TRY 306.7mn. Furthermore, the Return on Average Assets (ROAA) and Return on Average Equity (ROAE) increased to 2.18% and 23.23%, respectively at FYE2017.

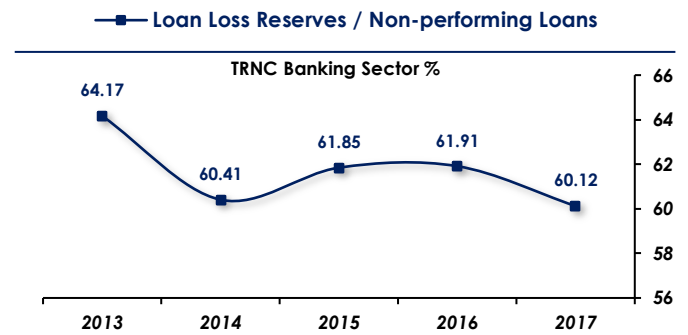


The sector's non-performing loans to gross loans ratio was 5.72% as of FYE2017 and recorded a decrease of 13.33% in comparison to the previous year. This decrease mainly resulted from the lower rise in NPLs of 3.84% compared

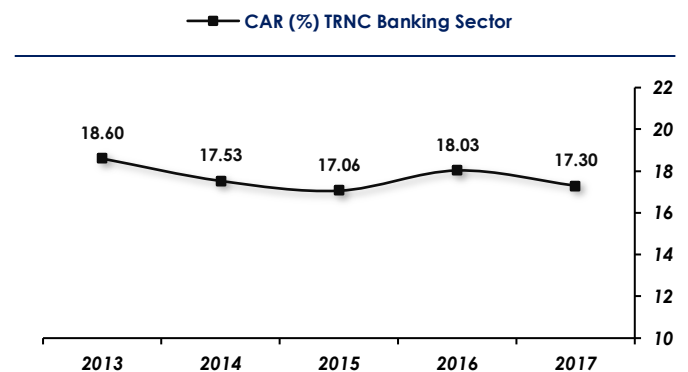
to the higher rise of 20.74% in total gross loans throughout the same period.



The loan loss reserves to non-performing loans ratio exhibited a decreasing trend since 2013 and stood at 60.12% as of FYE2017.



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, almost stabilized between 17% and 18% over the last four years and stood at 17.30% as of FYE2017, remarkably 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 utilized 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 developments 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 2017. In this context, TRNC Banking Law No. 62/2017 was published in the Official Gazette on 17.11.2017 and came into force on the same date. Moreover, within the scope of the related articles of this law, 8 communiqués and 3 implementation guides regarding the activities and applications of banks were published in the first quarter of 2018. The KKTCCMB was restructured in 2017 and its organizational structure was adapted to today's central banking system. Most of the studies regarding the establishment of Corporate Electronic Payment System (CEPS), initiated following the Electronic Payment System (EÖS) which has been passed for the purpose of making the transfer of funds efficient and remote from the operational risks, has been completed in 2017. The studies on the inclusion of the loans extended to the members by the cooperatives to the Central Bank Risk Centre has passed to testing phase. Additionally, it is aimed to contribute to the volume and development of the sector through the definitions and regulations related to participation banking added to the new law and the studies

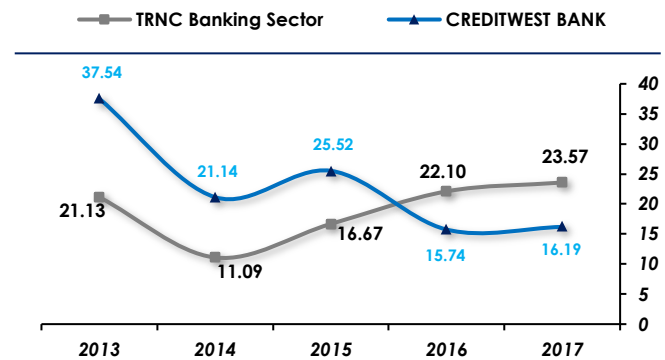
to increase the effectiveness of the use and processes of credit guarantee funds.

6. Financial Foundation

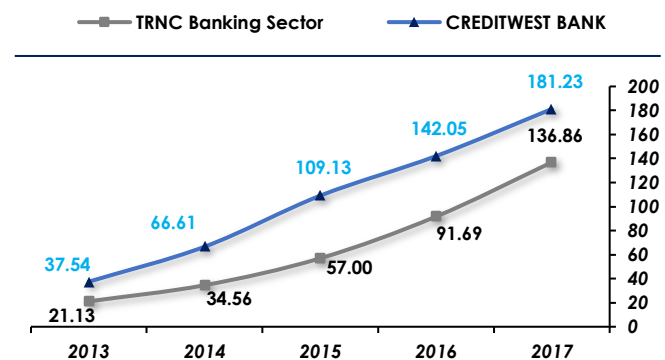
a) Financial Indicators & Performance

i. Indices relating to size

At FYE2017, Creditwest Bank recorded an asset growth rate of 16.19% YoY, whereas the same metric for the TRNC Banking Sector as a whole was 23.57% and as such underperformed the sector average. The graphs below display the growth of the Bank's asset base in comparison to the sector. According to the IFRS-compliant financials, Creditwest Bank's assets were TRY 2,459mn at FYE2017, and increased by 16.17% on a YoY basis compared to the previous year's figure of TRY 2,116mn.

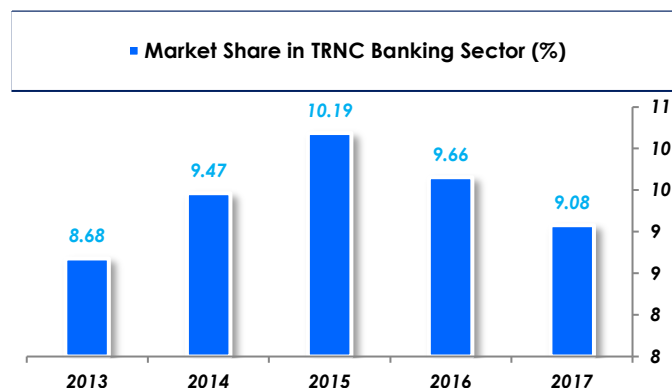


The Bank's cumulative asset-based growth performance over the last five years was 181.23% and notably remained above the TRNC Banking Sector average.



Creditwest Bank's market shares in terms of assets within the TRNC Banking Sector exhibited a contraction over the last two consecutive years. Despite the contraction in market share to 9.08% at FYE2017 from 9.66% at

FYE2016, its rank- third- amongst 21 banks did not change. While the largest bank with a market share of 20.72% is well ahead of the Bank, second largest bank had a market share of 10.96%.

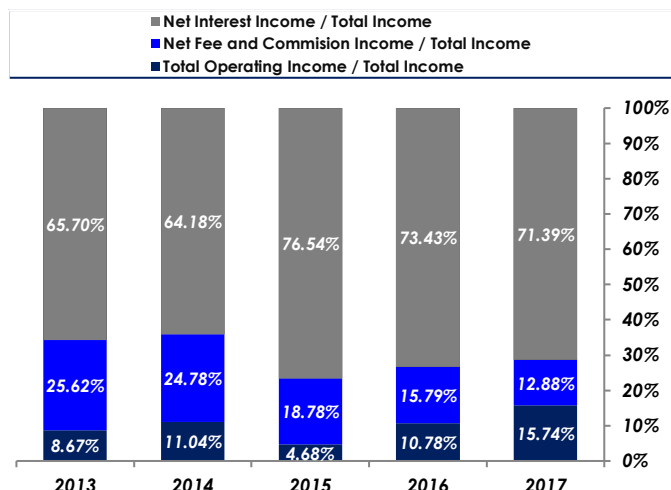


As per to the IFRS based 2017 year-end financial statements; the Bank's assets, equity and loans increased by 16.17%, 24.00% and 19.42%, respectively.

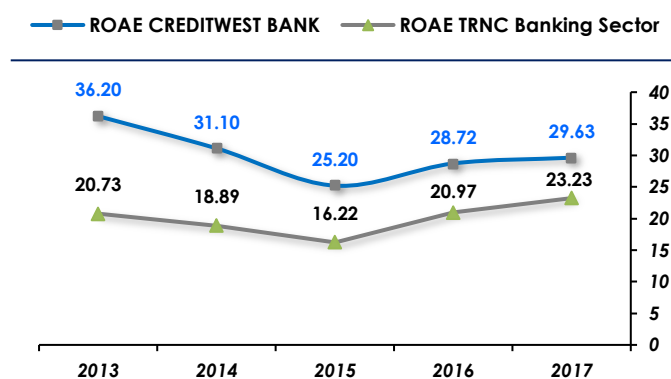
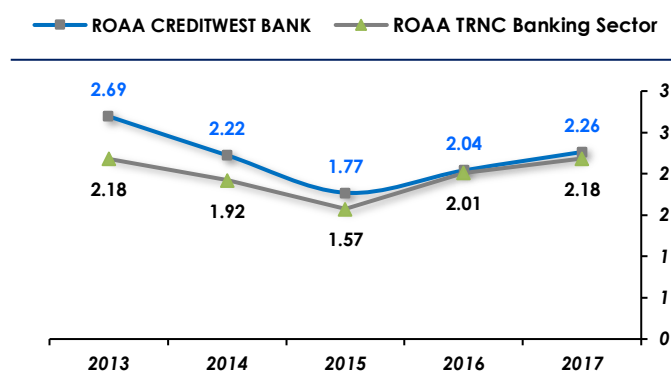
ii. Indices relating to profitability

As per to the IFRS-compliant financials, the Bank recorded a net profit of TRY 38.97mn at FYE2017 (IFRS based net profit figure was equal to the net profit figure based on the audited financial statements submitted to the TRNC Central Bank at FYE2017) and increased by 27.89% on a YoY basis. The enlargement in profit was supported by higher increases in net interest income (NII) and other operating incomes-principally derived from cancellation and collections of the provisions which were booked in the previous years, than the OPEX. In the same period, the TRNC Banking Sector's net profit figure enlarged by 32.86% and augmented to TRY 407.5mn at FYE2017 from 306.8mn at FYE2016, principally stemming from net interest income growth and reduction in provisioning expenses.

As in the previous year, the Bank's income sources did not display major alterations in FY2017 and net interest revenues accounted for the largest portion of total income with a rate of 71.39%. The Bank generated 84.27% (FYE2016: 89.22%) of its total income through interest income and net fee & commission incomes.

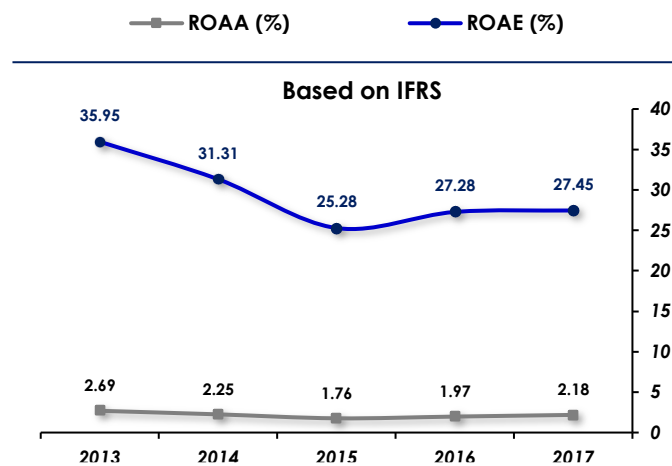


Considering the return on assets and equity ratios, which are the principal profitability metrics in financial sector, enhancement was maintained also throughout FY2017 as in the sector and outperformed the TRNC Banking Sector averages over the reviewed period.



In line with the progress in profitability over the last two consecutive years, the Bank's ROAA and ROAE ratios (based on IFRS) exhibited increase to 2.18% and 27.45%

at FYE2017 from 1.76% and 25.28% at FYE2015, respectively.



The Bank's net profit and net interest margins were 33.74% and 3.93% respectively at FYE2017 and above the sector's figures of 32.38% and 3.48% respectively. Improvement in the OPEX to total income ratio in the last three-year period while contributing to the Bank's profit growth, demonstrates higher efficiency compared to the sector at the same time.

As per to the unaudited financials of 1H2018, the Bank recorded a net profit of TRY 28.4mn, notably up from the previous year's figure of TRY 21.6mn. In the event of continuity of similar performance for the remainder of the ongoing year, the Bank will probably effortlessly exceed FYE2018's target figure of TRY 43mn.

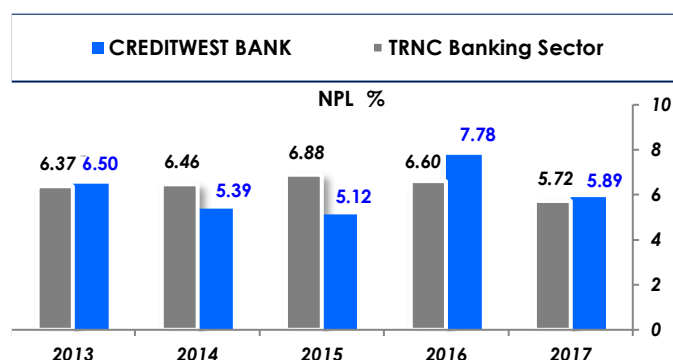
b) Asset quality

Asset quality is assessed through examination of loan portfolio quality and breakdown of assets. Overall, collateralization, non-performing loans and loan loss coverage are analyzed in the first section. In the second part, the composition of assets is examined.

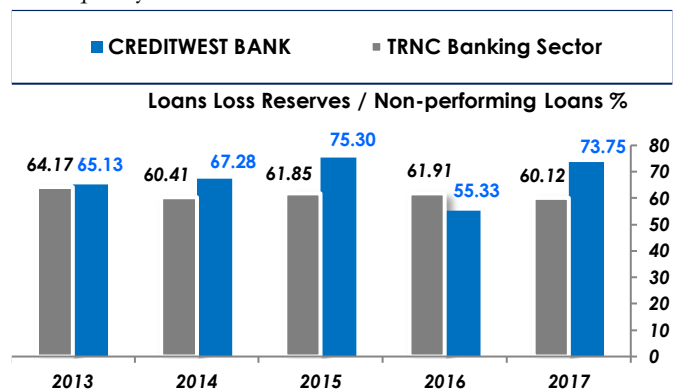
According to data provided by the Bank, 67.19% (FYE2016:63.05%) of cash loans were extended against tangible collaterals, which are largely based on mortgages (75.01%), cash (22.56%) and pledges (2.43%) in descending order. Existence of the high level of tangible collaterals secures the repayment of extended loans to a certain extent.

At FYE2017, the Bank's gross non-performing loans book, based on audited financial statements which were

submitted to the Central Bank of TRNC, was TRY 94.3mn and down compared to the previous year's figure of TRY 104.3mn. In line with the reduction in the non-performing loans portfolio, the NPLs ratio contracted to 5.89% at FYE2017 from 7.78% at FYE2016. Despite notable improvement in the NPLs ratio in FY2017, it remained above the sector average as in the previous year.

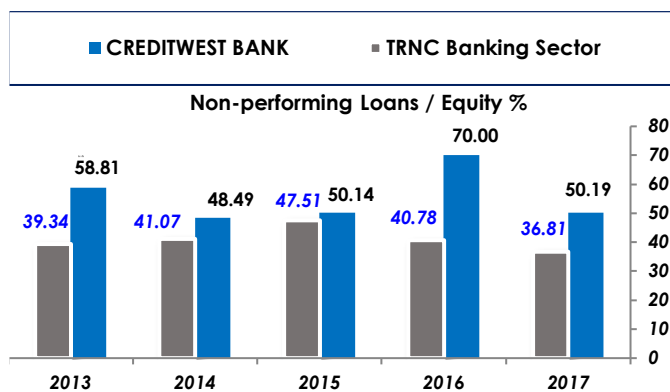


The provisioning level for non-performing loans was 73.75% at FYE2017 and notably up compared to the previous year's figure of 55.33%. The loan loss coverage surpassed the sector average of 60.12% and contributed to asset quality.



On the other hand, pursuant to financial statements compliant with the IFRS, the NPLs ratio was 6.12% at FYE2017, down from the previous year's figure of 7.67%.

The non-performing loans portfolio of the Bank as a proportion of its equity was 50.19% at FYE2017 and exhibited an improvement compared to the previous year's figure of 70.00%. However, the ratio stayed above the Banking Sector average over the reviewed period.



As in the previous year, the largest portion of assets were extended to loans and its share in assets slightly enlarged to 65.70% at FYE2017 from 63.76% at FYE2016. Banks & other earning assets, the second largest item in assets, comprised 20.51% of total assets. The Bank's loan to asset ratio was above the TRNC banking sector's ratio of 56.60% (FY2016: 57.92%) at FYE2017.

On the other hand, the absence of a regulatory framework regarding the utilization of FX loans by individuals that have no FC income carries the potential to increase NPLs and loan re-structuring demands in that segment for the upcoming period in the current context of high TRY depreciation

c) Funding & Adequacy of Capital

As in the previous years, the Bank's funding sources did not exhibit a major alteration in FY2017. The Bank's main funding sources-deposits, accounted for 85.63% of total assets, were TRY 2,030mn at FYE2017 and increased by 15.04% YoY and underperformed compared to the sector's deposits growth at 26.83%.

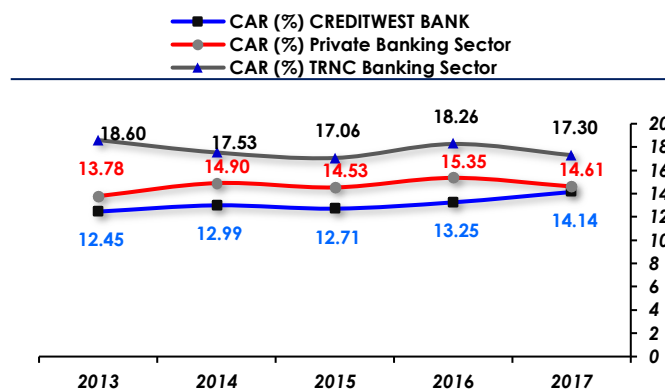
According to the contractual maturities of total deposits, 62.13% (FYE2016: 59.24%) of them stood in the up to one-month maturity bracket, representing the short maturity profile of funding mix, while the TRNC Banking Sector's was 66.01% (FYE2016: 66.23%); demonstrating the prevalence of short maturity funding structure in the sector. The Bank's 76.98% of total deposits was saving deposits and fully covered by the deposit insurance according to the data based on the audited report. As of FYE2017, customer accounts which were TRY 1mn and over accounted 48.46% of the total deposits signifying the concentration in deposit base.

The Bank's deposit-based market share in the TRNC Banking Sector was 9.62% at FYE2017 and contraction

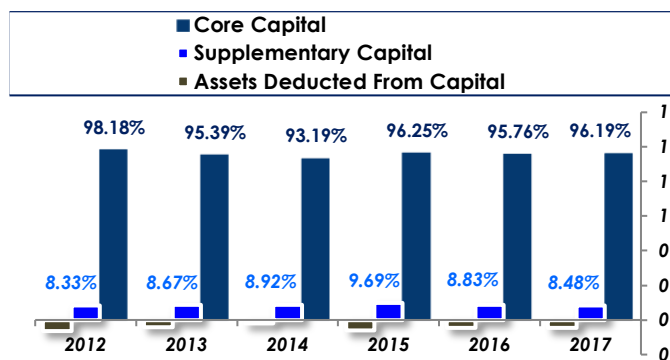
was maintained throughout 2017. (FYE2016: 10.61% and FYE2015: 11.03%). The Bank diversified its funding structure through bond issuing on TRY & FX basis (equivalent of total TRY 20.2mn) in June, 2018.

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.

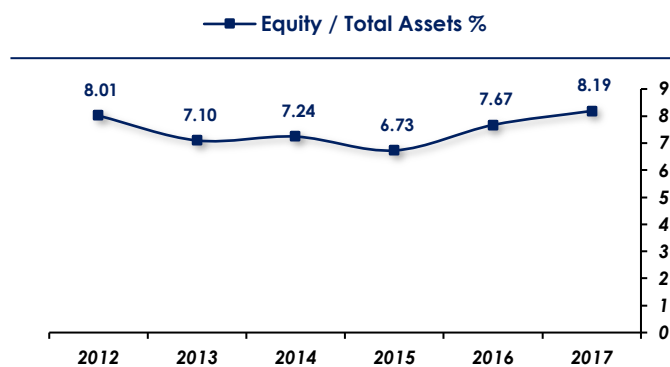
At FYE2017, the Bank's Capital Adequacy Ratio (CAR) was 14.14%, up from the previous year's ratio of 13.25% and remained above the minimum CAR requirements set by the Basel Accord (8%) and legal requirement of 10%, as well as the TRNC Central Bank's recommended level (12%). On the other hand, the Bank's CAR ratios stayed below the averages of the TRNC Banking and Private Banking sectors throughout the reviewed period.



The Bank's own fund dispersion is given in the chart below. The share of core capital (Tier 1), principally consisting of paid-up capital, reserves and retained earnings, comprised 96.19% of the Bank's total own fund structure at FYE2017. The supplementary capital accounted for 8.48% of the Bank's own fund structure at FYE2017. The general provision in the amount of TRY 15.9mn, was classified as second-tier capital under the regulatory capital. The Bank's Tier 1 capital ratio was 13.60% at FYE2017 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.



The equity to assets ratio was 8.19% at FYE2017 and displayed a growth compared to the previous year's figure of 7.67%. However, it stayed below the TRNC Banking Sector's ratio of 9.10%.



Consequently, we as JCR Eurasia Rating, assume that the current CAR ratio provides a modest buffer against potential incidental losses.

7. Risk Profile and 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. The Internal Control Unit merged with the Risk Management Unit in 2017. In addition, Credit Monitoring and Tracking Unit was established. There is a total of 22 staff employed across the risk and control & monitoring functions with 7 in Internal Audit 1 in Compliance, 7 in Risk Management and 6 in Credit Monitoring and Tracking. 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

The Bank manages its credit risk by the allocation of loan limits for customers and customer groups as well as the definition of limits for sectors with considerations of maximizing risk-adjusted returns. 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 groups corresponding to more than 25% of its equity. 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 customer credit assessments, takes necessary precautions and reviews allocated limits when necessary. In accordance with the lending policies, collaterals such as cash, bank guarantees, mortgages, pledges, cheques & notes and personal or corporate guarantees are required in line with the financial position of the debtor and its creditworthiness. According to data provided by the Bank, 67.19% (FYE2016:63.05%) of cash loans were extended against tangible collaterals. Although there isn't currently a 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 to be developed in-house or its procurement from external sources.

The Bank's maximum on balance sheet credit risk exposure was TRY 1,979mn and 80.95% of the total risk exposure derived from extended loans. The loans, accounted for 65.16% (FYE2016: 63.76%) of total assets. 1.53% of the cash loans were granted to the shareholders and the Bank personnel via direct and indirect means.

The Bank's largest 100 cash loan customers comprised 56.73% of the total cash loan portfolio as of FYE2017 (FYE2016: 55.89%, FYE2015: 51.39% and FYE2014: 43.11% respectively), while the largest 100 non-cash loan customers composed 90.84% of the total non-cash loan portfolio as of FYE2017 (FYE2016: 94.37%). The largest 100 cash and non-cash loan customers made up 36.51% of the total "on and off-balance sheet" assets as of FYE2017 (FYE2016: 35.41%). Those figures designate steady increase in cash loan concentration. Additionally, despite the very high credit concentration in non-cash loans, the Bank's total off balance sheet liabilities was TRY 319mn and constituted 12.98% of the total assets (FYE2016: 14.12%). 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.

Consequently, although the cash credit risk concentration exhibited an increasing trend, the Bank monitors its credit risk concentrations in line with the pre-determined rules and the high level of tangible collaterals secures the repayment of extended loans to a certain extent.

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. At FYE2017, the total foreign currency position to assets and equity were 0.37% and 4.55%, 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 main funding sources of the Bank were customer deposits in particular and its own funds. 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 19.92% at FYE2017 and decreased from 23.35% at FYE2016. Although its liquidity level was satisfactory, it stayed notably below the sector's average ratio of 27.42%. Accordingly, the Bank effectively manages its liquidity risks and implements appropriate measures and was not exposed to any funding gap or violations in 2017.

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 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 line with the internal system communiqué, the Bank implemented Emergency Action Plan and Information Security Guide following the approval by the BoD in 2017.

In the scope of operational risk, the Bank reported no losses due to personnel dishonesty and faults or system errors whilst there were no implemented fines by the regulatory & supervisory authorities.

8. Budget

Within the framework of projections and budgeting activities in FY2018, the Bank management's expectations are given in the chart below.

Actual and Projected Balance Sheet

(TRY 000)	2017A	2018F	Change
Cash and Balances with Banks	472,229	536,702	13.65%
Loans	1,493,145	1,606,639	7.60%
NPL (net)	24,762	24,554	-0.84%
Investment Securities	123,374	120,401	-2.41%
Fixed Assets	55,432	68,311	23.23%
Other Assets	202,071	240,382	18.96%
Total Assets	2,371,013	2,596,989	9.53%
Deposits	2,030,229	2,211,405	8.92%
Other Liabilities	131,334	127,202	-3.15%
Total Liabilities	2,161,563	2,338,607	8.19%
Equity	209,450	258,382	23.36%
Total Liabilities and Total Equity	2,371,013	2,596,989	9.53%

**Based on figures submitted to the Central Bank of TRNC*

Actual and Projected Income Statement

(TR)	*2017A	2018F	Change
Interest Income	183,812,213	230,568,912	25.44%
Interest Expense (-)	101,369,576	127,930,431	26.20%
Net Interest Income	82,442,637	102,638,482	24.50%
Net Fees and Commissions	14,451,711	14,157,555	-2.04%
Personnel Expenses	25,710,535	30,183,921	17.40%
Profit Before Tax	49,918,150	56,175,055	12.53%
Net Profit	38,969,165	42,973,917	10.28%

**Based on figures submitted to the Central Bank of TRNC*

Creditwest Bank's year-end 2018 growth projections are conservative compared to the previous years' performances. At FYE2018, projected growths in asset

size, loans, equity base and net profit are 9.53%, 7.60%, 23.36% and 10.28% respectively.

Based on the unaudited financials as of the first half of 2018, the Bank recorded a net profit of TRY 28.4mn. In the event of continuity of profitability in the remainder of the ongoing year, the Bank's 2018-year end net profit projection of TRY 42.9mn could frankly be achievable. In addition, the Bank has already surpassed the 2018 year-end projected asset growth at the 1H2018.

In the assessment of the target and realization of FY2017 results, the Bank exceeded its all targets such as regarding the growths in assets, loan, equity, deposit and net profit segments.

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.	
	FYE2017	FYE2016	FYE2017	FYE2016	FYE2017	FYE2016	FYE2017	FYE2016	FYE2017	FYE2016
ROAA (%)	0.33%	1.34%	1.77%	1.61%	2.99%	2.29%	1.60%	1.31%	4.18%	3.40%
ROAE (%)	4.76%	18.67%	23.13%	22.64%	32.43%	24.08%	20.54%	16.39%	24.83%	18.62%
Equity to Total Assets (%)	6.51%	7.34%	7.93%	7.30%	9.15%	9.30%	7.72%	7.89%	15.49%	18.70%
NPLs to Total Loans (%)	2.79%	2.82%	6.21%	8.18%	3.41%	3.64%	7.82%	9.46%	5.17%	7.97%
Assets Size Market Share (%)	20.72%	21.59%	9.08%	9.66%	10.96%	11.02%	7.22%	7.37%	5.40%	4.75%
Capital Adequacy Ratio (%)	27.20%	30.32%	14.14%	13.25%	14.72%	14.39%	13.81%	14.04%	19.70%	23.94%
Loan to Deposits (%)	69.93%	72.33%	74.77%	72.20%	70.24%	77.93%	61.98%	61.93%	88.19%	85.67%
Reserves to NPLs (%)	55.35%	96.68%	73.75%	55.33%	100%	100%	40.47%	42.67%	99.73%	99.77%
NPLs (TRY)	94,949,508	83,547,420	94,334,177	104,286,726	56,087,795	51,379,612	81,710,604	80,678,008	45,439,316	48,063,380
Total Assets (TRY)	5,410,658,558	4,562,790,675	2,371,012,815	2,040,686,748	2,863,505,986	2,328,774,187	1,884,572,546	1,558,032,485	1,409,324,295	1,004,821,476
Total Deposits (TRY)	4,861,530,441	4,102,657,229	2,030,228,850	1,764,847,457	2,339,468,186	1,810,790,797	1,686,849,905	1,377,595,541	996,529,248	703,517,477
Total Loans (TRY)	3,399,558,355	2,967,495,718	1,517,907,417	1,274,297,787	1,643,193,177	1,411,140,204	1,045,488,150	853,176,315	878,859,214	602,722,975
Total Equity (TRY)	352,408,551	334,925,146	187,947,342	148,978,177	262,116,557	216,533,207	145,541,823	122,921,393	218,318,526	187,889,316
Net Profit	16,361,178	56,933,858	38,969,165	30,579,718	77,613,179	46,540,621	27,570,430	18,617,828	50,429,209	32,070,895



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
Total Loans (performing loans + net overdue loans)

CREDITWEST BANK BALANCE SHEET - ASSET (000)	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	As % of	As % of	As % of	FYE	FYE	FYE
	2017	2017	2017	2016	2016	2015	2015	2014	2017	2016	2015	2017	2016	2015
	USD	TRY	TRY	TRY	TRY	TRY	TRY	TRY	Assets	Assets	Assets	Growth	Growth	Growth
	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate %	Rate %	Rate %
A- TOTAL EARNING ASSETS (I-II+III)	595,976	2,247,963	2,095,737	1,943,511	1,809,319	1,675,127	1,520,485	1,365,843	91.43	91.83	93.20	15.67	16.02	22.64
I- LOANS AND LEASING RECEIVABLES (net)	428,232	1,615,249	1,482,337	1,349,424	1,265,431	1,181,439	1,027,117	872,795	65.70	63.76	65.73	19.70	14.22	35.36
a) Short Term Loans	179,419	676,749	632,609	588,469	558,844	529,219	443,521	357,823	27.53	27.80	29.44	15.00	11.20	47.90
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	236,312	891,344	797,100	702,857	665,978	629,100	565,865	502,631	36.25	33.21	35.00	26.82	11.72	25.16
d) Over Due Loans	27,476	103,638	105,797	107,956	85,640	63,323	57,057	50,791	4.22	5.10	3.52	-4.00	70.48	24.67
e) Others	3,470	13,089	10,469	7,849	6,700	5,551	4,787	4,023	0.53	0.37	0.31	66.77	41.39	37.97
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 (-)	-18,445	-69,572	-63,639	-57,706	-51,730	-45,754	-44,114	-42,473	-2.83	-2.73	-2.55	20.56	26.12	7.73
II- OTHER EARNING ASSETS	133,694	504,281	508,832	513,383	443,281	373,180	378,351	383,523	20.51	24.26	20.76	-1.77	37.57	-2.70
a) Balance with Banks -Time Deposits	61,189	230,799	230,262	229,724	197,601	165,477	173,068	180,658	9.39	10.85	9.21	0.47	38.83	-8.40
b) Money Market Placements	0	0	0	0	0	0	1	1	n.a	n.a	0.00	n.a	-100.0	-95.20
c) Reserve Deposits at CB (*)	16,693	62,963	58,738	54,513	54,107	53,701	72,075	90,448	2.56	2.58	2.99	15.50	1.51	-40.63
d) Balance With CB- Demand Deposits	55,812	210,519	219,833	229,146	191,574	154,001	133,208	112,415	8.56	10.83	8.57	-8.13	48.80	36.99
III- SECURITIES AT FAIR VALUE THROUGH P/L	34,050	128,433	104,568	80,704	100,606	120,508	115,017	109,525	5.22	3.81	6.70	59.14	-33.03	10.03
a) Treasury Bills and Government Bonds	28,324	106,837	90,008	73,179	89,320	105,461	101,263	97,065	4.35	3.46	5.87	45.99	-30.61	8.65
b) Other Investment	4,385	16,539	10,752	4,965	8,499	12,034	11,017	10,000	0.67	0.23	0.67	233.14	-58.75	20.34
c) Repurchase Agreement	1,341	5,057	3,809	2,560	2,787	3,014	2,737	2,460	0.21	0.12	0.17	97.54	-15.06	22.53
B- INVESTMENTS IN ASSOCIATES (NET) + EQUITY SHARE	1,892	7,136	6,572	6,007	6,007	6,007	3,985	1,963	0.29	0.28	0.33	18.81	0.00	206.01
a) Investments in Associates (Net)	1,892	7,136	6,572	6,007	6,007	6,007	3,985	1,963	0.29	0.28	0.33	18.81	0.00	206.01
b) Equity Share	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
C- NON-EARNING ASSETS	53,960	203,532	185,229	166,926	141,555	116,183	71,907	27,632	8.28	7.89	6.46	21.93	43.67	320.47
a) Cash and Cash Equivalents	3,493	13,175	12,468	11,760	12,440	13,119	10,098	7,077	0.54	0.56	0.73	12.02	-10.35	85.37
b) Balance with Banks - Current Accounts	4,702	17,736	11,823	5,910	16,571	27,231	17,820	8,409	0.72	0.28	1.52	200.08	-78.30	223.82
c) Financial Assets at Fair Value through P/L	22,732	85,744	79,132	72,520	66,528	60,535	30,268	0	3.49	3.43	3.37	18.23	19.80	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	23,033	86,878	81,806	76,735	46,017	15,298	13,722	12,145	3.53	3.63	0.85	13.22	401.59	25.96
- 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	8,052	30,372	30,187	30,001	20,490	10,979	10,337	9,696	1.24	1.42	0.61	1.24	173.27	13.23
- Deferred Tax	0	0	0	0	29	59	59	60	n.a	n.a	0.00	n.a	-100.0	-2.11
- Other	14,981	56,506	51,620	46,734	25,497	4,261	3,325	2,389	2.30	2.21	0.24	20.91	996.76	78.34
TOTAL ASSETS	651,828	2,458,632	2,287,538	2,116,444	1,956,880	1,797,317	1,596,377	1,395,438	100.00	100.00	100.00	16.17	17.76	28.80

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
	2017	2017	2017	2016	2016	2015	2015	2014	2017	2016	2015	2017	2016	2015
	USD	TRY	TRY	TRY	TRY	TRY	TRY	TRY	Assets	Assets	Assets	Growth	Growth	Growth
	(Converted)	(Original)	(Average)	(Original)	(Average)	(Original)	(Average)	(Original)	(Original)	(Original)	(Original)	Rate %	Rate %	Rate %
A- COST BEARING RESOURCES (I+II)	580,911	2,191,138	2,048,219	1,905,300	1,770,142	1,634,985	1,444,427	1,253,870	89.12	90.02	90.97	15.00	16.53	30.40
I- DEPOSIT	565,338	2,132,400	1,991,719	1,851,037	1,743,011	1,634,985	1,430,804	1,226,624	86.73	87.46	90.97	15.20	13.21	33.29
a) TRY Deposit	241,811	912,088	853,445	794,802	747,964	701,127	669,178	637,229	37.10	37.55	39.01	14.76	13.36	10.03
b) FC Deposit	299,971	1,131,460	1,027,721	923,983	850,695	777,408	656,775	536,142	46.02	43.66	43.25	22.45	18.85	45.00
c) FC & LC Banks Deposits	23,556	88,852	110,552	132,252	144,351	156,450	104,852	53,253	3.61	6.25	8.70	-32.82	-15.47	193.78
II- BORROWING FUNDING LOANS & OTHER	15,572	58,738	56,500	54,263	27,131	0	13,623	27,246	2.39	2.56	n.a	8.25	n.a	-100.0
a) Borrowing from Domestic Market	0	0	0	0	0	0	0	0	n.a	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	n.a
c) Borrowing from Interbank	12,577	47,438	49,008	50,578	25,289	0	13,623	27,246	1.93	2.39	n.a	-6.21	n.a	-100.0
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	2,996	11,300	7,493	3,685	1,843	0	0	0	0.46	0.17	n.a	206.65	n.a	n.a
B- NON-COST BEARING RESOURCES	17,543	66,170	57,480	48,789	45,089	41,389	40,957	40,525	2.69	2.31	2.30	35.62	17.88	2.13
a) Provisions	2,903	10,949	9,580	8,212	7,346	6,481	6,267	6,054	0.45	0.39	0.36	33.33	26.71	7.05
b) Current & Deferred Tax Liabilities	1,089	4,109	4,109	4,109	2,055	0	0	0	0.17	0.19	n.a	0.00	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	13,551	51,112	43,790	36,468	35,688	34,908	34,690	34,472	2.08	1.72	1.94	40.15	4.47	1.27
C- TOTAL LIABILITIES	598,454	2,257,308	2,105,698	1,954,089	1,815,231	1,676,374	1,485,384	1,294,395	91.81	92.33	93.27	15.52	16.57	29.51
E- EQUITY	53,375	201,324	181,839	162,355	141,649	120,943	110,993	101,042	8.19	7.67	6.73	24.00	34.24	19.70
a) Prior Year's Equity	43,043	162,355	141,649	120,943	110,993	101,042	91,397	81,751	6.60	5.71	5.62	34.24	19.70	23.60
b) Equity (Added from Internal & External Resources at This Year)	0	0	5,471	10,942	4,633	-1,676	-2,471	-3,266	n.a	0.52	-0.09	-100.0	-752.9	-48.69
c) Profit & Loss	10,331	38,969	34,720	30,470	26,023	21,576	22,067	22,557	1.58	1.44	1.20	27.89	41.22	-4.35
d) Minority Interest	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	651,828	2,458,632	2,287,538	2,116,444	1,956,880	1,797,317	1,596,377	1,395,438	100.00	100.00	100.00	16.17	17.76	28.80
	USD Rates 1=TRY	3.7719		3.5318		2.9076		2.3189						

CREDITWEST BANK INCOME STATEMENT (000) TRY	FY 2017	FY 2016	FY 2015
Net Interest Income	82,442.64	69,251.59	57,685.73
a) Interest Income	183,812.21	164,100.17	143,686.98
b) Interest Expense	101,369.58	94,848.58	86,001.26
Net Fee and Commission Income	14,869.00	14,888.89	14,154.72
a) Fee and Commission Income	23,932.29	18,033.10	16,932.48
b) Fee and Commission Expense	9,063.29	3,144.20	2,777.76
Total Operating Income	18,173.56	10,163.87	3,529.77
Net trading income (+/-)	0.00	699.51	54.29
Foreign Exchange Gain or Loss (net) (+/-)	7,885.52	4,338.87	4,183.06
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	10,613.61	5,361.60	0.00
Taxes other than Income	-325.58	-236.10	-707.58
Dividend	0.00	0.00	0.00
Provisions	27,563.93	22,504.52	16,938.45
Provision for Impairment of Loan and Trade Receivables	27,563.93	22,504.52	13,155.65
Other Provision	0.00	0.00	3,782.80
Total Operating Expense	38,003.11	33,164.95	30,373.27
Salaries and Employee Benefits	25,710.54	22,505.39	20,782.32
Depreciation and Amortization	3,777.62	3,426.40	2,836.44
Other Expenses	8,514.96	7,233.16	6,754.51
Profit from Operating Activities before Income Tax	49,918.15	38,634.89	28,058.49
Income Tax – Current	10,948.99	8,164.63	6,482.09
Income Tax – Deferred	0.00	0.00	0.00
Net Profit for the Period	38,969.17	30,470.26	21,576.40
Total Income	115,485.19	94,304.35	75,370.21
Total Expense	38,003.11	33,164.95	30,373.27
Provision	27,563.93	22,504.52	16,938.45
Pre-tax Profit	49,918.15	38,634.89	28,058.49

CREDITWEST BANK FINANCIAL RATIOS %	FY 2017	FY 2016	FY 2015
I. PROFITABILITY & PERFORMANCE			
1. ROAA - Pre-tax Profit / Total Assets (avg.)	2.18	1.97	1.76
2. ROAE - Pre-tax Profit / Equity (avg.)	27.45	27.28	25.28
3. Total Income / Equity (avg.)	63.51	66.58	67.91
4. Total income / Total Assets (avg.)	5.05	4.82	4.72
5. Provisions / Total Income	23.87	23.86	22.47
6. Total Expense / Total Liabilities (avg.)	1.80	1.83	2.04
7. Net Profit for the Period / Total Assets (avg.)	1.70	1.56	1.35
8. Total Income / Total Expenses	303.88	284.35	248.15
9. Non-Cost Bearing Liabilities + Equity- Non-Earning Assets / Total Assets	2.60	2.09	2.57
10. Non-Cost Bearing Liabilities - Non-Earning Assets / Total Assets	-5.59	-5.58	-4.16
11. Total Operating Expenses / Total Income	32.91	35.17	40.30
12. Net Interest Margin	3.93	3.83	3.79
13. Operating ROAA (avg.)	6.61	6.82	7.14
14. Operating ROAE (avg.)	83.20	94.24	102.76
15. Interest Coverage – EBIT / Interest Expenses	149.24	140.73	132.63
16. Net Profit Margin	33.74	32.31	28.63
17. Gross Profit Margin	43.22	40.97	37.23
18. Market Share in TRNC Banking Sector	9.08	9.66	10.19
19. Growth Rate	16.17	17.76	28.80
II. CAPITAL ADEQUACY (year-end)			
1. Equity Generation / Prior Year's Equity	0.00	9.05	-1.66
2. Internal Equity Generation / Previous Year's Equity	24.00	25.19	21.35
3. Equity / Total Assets	8.19	7.67	6.73
4. Core Capital / Total Assets	7.42	6.80	6.57
5. Supplementary Capital / Total Assets	0.65	0.63	0.66
6. Tier 1 Capital Ratio	13.60	12.69	12.23
7. Capital / Total Assets	8.07	7.43	7.23
8. Own Fund / Total Assets	7.71	7.10	6.82
9. Standard Capital Adequacy Ratio	14.14	13.25	12.71
10. Surplus Own Fund	43.42	39.61	37.04
11. Free Equity / Total Assets	6.66	5.97	5.78
12. Equity / Total Guarantees and Commitments + Equity	38.69	35.21	42.87
III. LIQUIDITY (year-end)			
1. Liquidity Management Success (On Demand)	95.63	98.67	90.80
2. Liquidity Management Success (Up to 1 Month)	91.72	98.81	92.76
3. Liquidity Management Success (1 to 3 Months)	94.95	93.68	88.85
4. Liquidity Management Success (3 to 6 Months)	96.90	97.07	96.01
5. Liquidity Management Success (6 to 12 Months)	95.83	97.71	97.59
6. Liquidity Management Success (Over 1 Year & Unallocated)	83.77	85.94	84.40
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	4.13	4.10	3.73
2. Total Provisions / Profit Before Provision and Tax	35.57	36.81	37.64
3. Impaired Loans / Gross Loans	6.15	7.67	5.16
4. Impaired Loans / Equity	51.48	66.49	52.36
5. Loss Reserves for Loans / Impaired Loans	67.13	53.45	72.26
6. Total FX Position / Total Assets	0.37	0.40	0.49
7. Total FX Position / Equity	4.55	5.20	7.33
8. Assets / Total Guarantees and Commitments + Assets	88.51	87.63	91.77

		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		August 17, 2017											
		Long Term	Short Term	Long Term	Short Term										
International	Foreign Currency	BBB-	A-3	BBB-	A-3										
	Local Currency	BBB-	A-3	BBB-	A-3										
	Outlook	Stable	Stable	Stable	Stable										
National	Local Rating	AA+ (Trk)	A-1+ (Trk)	AA+(Trk)	A-1+(Trk)										
	Outlook	Stable	Stable	Stable	Stable										
Sponsor Support		2	-	2	-										
Stand Alone		A	-	A	-										
Sovereign*	Foreign Currency	BBB-	-	BBB-											
	Local Currency	BBB-	-	BBB-											
	Outlook	Stable	-	Stable											
		(*)Affirmed by JCR on July 19, 2016		(*)Affirmed by JCR on October 07, 2016											