Corporate Credit Rating

☐New ☒Update

Sector: Banking
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Analysts

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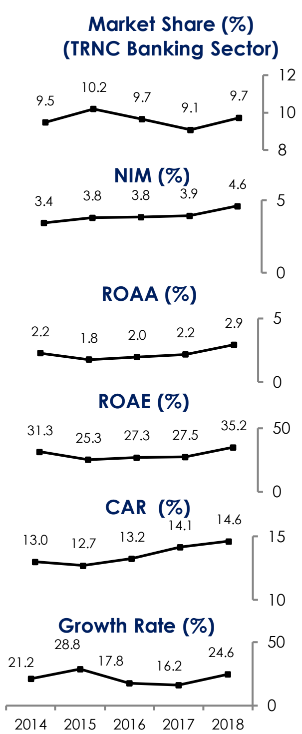
RATINGS

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

*Affirmed by JCR on November 27, 2018



Creditwest Bank Limited

Company Overview

Financial Data	1H2019**	2018*	2017*	2016*	2015*
Total Assets (000,000 USD)	663	582	652	599	618
Total Assets (000,000 TRY)	3,817	3,064	2,459	2,116	1,797
Total Deposit (000,000 TRY)	3,350	2,639	2,132	1,851	1,635
Total Net Loans (000,000 TRY)	2,313	1,886	1,615	1,349	1,181
Equity (000,000 TRY)	249	260	201	162	121
Net Profit (000,000 TRY)	36	61	39	30	22
Market Share (%)	10.35	9.73	9.08	9.66	10.19
ROAA (%)	n.m.	2.94	2.18	1.97	1.76
ROAE (%)	n.m.	35.17	27.45	27.28	25.28
Equity/Assets (%)	6.53	8.47	8.19	7.67	6.73
CAR - Capital Adequacy Ratio (%)	14.03	14.62	14.14	13.25	12.71
Asset Growth Rate (Annual) (%)	-	24.62	16.17	17.76	28.80

** 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. In line with the need to respond to the fastest developments in fintech area and increase the digitalization in banking processes along with intentions to pioneer in this field, Creditwest Engine Solitons Technology - a subsidiary of the Bank, was established. 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, JCR-ER, affirmed the Bank's rating notes taking into consideration the above sector average sound profitability metrics, well capitalization, improvement in NPL ratio & loans loss coverage, high collateral level of cash loans and sound outcomes in the first half of the ongoing year along with the continuity of strong growth performance in all core banking activity fields.

Strengths

- Improved and below sector average NPL ratio coupled with high loans loss coverage contributing asset quality
- Amelioration in net profit and the principal profitability indicators
- Sound return on asset and equity that outperformed the sector averages throughout the reviewed period
- Well capitalization level, above the regulatory level, notwithstanding remaining below the sector average over the reviewed period, confirming an adequate shield against potential incidental losses
- High market power coupled with competitive advantage as the third largest bank
- Highly collateralized loan book with tangible assets contributing to asset quality

Constraints

- Permanency of high cash and non-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
- Further improvement needed in compliance with corporate governance

1. Rating Rationale

JCR Eurasia Rating has affirmed Creditwest Bank's National Local Rating Notes of 'AA+(Trk)' in the long term, which donates a high investment grade and 'A-1+ (Trk)' in the short term with 'Stable' outlooks on both ratings, considering sound profit and profitability indicators, improvement in capital adequacy level & NPLs ratio, continuity of growth performance andstrong outcomes in 1H2019. The Bank's International Long Term Local and Foreign Currency notes have also been affirmed as "BBB-" with "Stable" outlook. 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;

Robust Growth in Profit and Sturdiness in Profitability Indicators

The profitability indicators of both the TRNC Banking Sector and Creditwest Bank attained improvement in FY2018. Hence, the return on assets and equity ratios, which are essential profitability indicators, displayed an enhancement in the last three years. The growth in profit was principally supported by higher increases in net interest income (NII) and net fee & commission incomes than the OPEX and provision expenses increases. During the reviewed period, ROAA and ROAE ratios of the Bank outperformed the sector averages that present a highly efficient Bank.

Preserved Strong Growth Performance

At FYE2018, the Bank's growth performance in assets, loans, deposits, equity and net profit were 35.34%, 34.20%, 36.22%, 24.64% and 57.33% respectively and well above the previous year's performance. The below chart presents the growth rates in comparison with the entire TRNC Banking Sector. Although the Bank's growth performances were sturdy in all key segments, they stayed slightly below the Sector's expansion in the segments of equity and net profit.

Change % FYE2017-2018			
	Creditwest	TRNC Banking Sector	FYE2018 Market Share %
Assets	35.34	26.29	9.73
Performing Loans	34.20	23.77	11.22
SHE	24.64	30.22	7.57
Net Profit	57.33	69.26	8.89
Deposits	36.22	25.33	10.46

Despite a Slight Increase in the NPLs Book, NPLs Ratio Exhibited an Improvement and Fell Below the Sector Average;

At FYE2018, the Bank's gross non-performing loans book, based on audited financial statements which were submitted to the Central Bank of TRNC, was TRY 99.1mn and slightly up compared to the previous year's figure of TRY 94.3mn. Despite an immaterial growth in the non-performing loans portfolio, the NPLs ratio markedly contracted to 4.63% at FYE2018 from 5.89% at FYE2017 thanks to sound growth in loans portfolio* at 34.35% YoY. Accordingly, the NPLs ratio fell below the sector average at FY2018. *(*performing loans + net overdue loans + loans interest accruals)*

As per to the IFRS based audited financials, the Bank's gross non-performing loans portfolio demonstrated an improvement to TRY 99.1mn at FYE2018 from TRY 103.6mn at FYE2017. Thus, with the denominator effect of growing loans in particular, NPLs ratio decreased to 5.03% at FYE2018 from 6.15% at FYE2017.

As of June-end 2019, the Bank's non-performing loans portfolio was TRY 101.6mn and almost flat compared to the year-end 2018 figure. Regarding the sound loan growth in the same period, NPLs ratio exhibited further improvement.

Continuity of Below Sector Average Capitalization Level, Nevertheless Being Above the Legal and Required Boundaries

At FYE2018, the Bank's Capital Adequacy Ratio (CAR) was 14.62%, up from the previous year's ratio of 14.14% 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 remained below both the averages of the TRNC Banking and Private Banking sectors throughout the examined period.

The Bank's Tier 1 capital ratio increased to 13.98% at FYE2018 from 13.60% at FYE2017. 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. Consequently, the current level of capitalization has the satisfactory buffer capability against incidental loan losses.

Satisfactory Liquidity Level

Due to the challenging operating environment in 2018 stemming from notable increase in the cost of funding and depreciation of TRY against hard currencies and contraction in economic activities, the Banks preferred to stay liquid. Thus, the liquid assets (reserve deposits in the TRNC Central Bank and marketable securities were not included) to total assets ratio increased to 23.97% from 19.92% at FYE2017. As in the previous year, the Bank's ratio remained below the sector's average ratio of 30.14% (FYE2017: 27.42%), though it attained satisfactory liquidity threshold levels.

The LTD ratio (performing loans to deposits) was 72.45% and somewhat above the sector average of 67.55% at FYE2018. The current level of LTD provides comfort to liquidity management along with indicating room for further growth.

Steady Increase in Cash Loans Concentration

As per to the financials submitted to the Central Bank of TRNC,; the Bank's largest 100 cash loan customers comprised 64.00% of the total cash loan portfolio as of FYE2018 (FYE2017: 56.73%, FYE2016: 55.89% and FYE2015: 51.39% respectively), while the largest 100 non-cash loan customers composed 91.53% of the total non-cash loan portfolio as of FYE2018 (FYE2017: 90.84%). The largest 100 cash and non-cash loan customers made up 46.56% of the total "on and off-balance sheet" assets as of FYE2017 (FYE2017: 36.51%). In addition, largest 20 cash loan customers comprised 38.95% of the total cash loan (FYE2017:35.31%). Those figures specify steady increase and high cash loans concentration. 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 in the sense of risk mitigating factors.

Despite the very high credit concentration in non-cash loans, the Bank's total off balance sheet liabilities (not including derivatives and other guaranties & commitments) was TRY 81.4mn and constituted 2.54% of the total assets (FYE2017: 3.09%). 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.

Short-term Weighted and Concentrated Profile of Funding

As in the previous years, the Bank's main funding source was deposits and accounted for 83.74% of total assets, whereas the TRNC Banking Sector's was 80.17% at FYE2018. According to the contractual maturities of total deposits, 58.10% (FYE2017: 62.21%) 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 65.96% (FYE2017: 66.01%); representing the prevalence of short maturity funding structure as in the sector. As of FYE2018, customer accounts which were TRY 1mn and over accounted 70.96% (FYE2017: 48.46%) of the total deposits signifying concentration in deposit base.

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.

Furthermore, 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 in the 1H2019, good capitalization level, proven earnings power with above sector average profitability indicators, increase in market share, improvement in assets quality through decrease in both non-performing loans book and NPLs ratio, continuity of 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. In addition, both the long and short terms international ratings outlooks were affirmed as **"Negative"** in line with Turkey's sovereign notes' outlooks.

Crucial concerns which would hamper the ratings and outlooks are: (i) deterioration in asset quality through a remarkable increase in NPLs, (ii) remarkable 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.

Inversely, (i) an increase in capital power through a sizable cash equity injection or retention of generated profits in body, (ii) notable augmentation 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 good track record, high market presence, proven earnings power, satisfactory capital and liquidity levels, balance sheet structure, strong 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 to a certain extent 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 through its financial affiliates.

b) Organization & Employees

At FYE2018, the Bank employed a total work force of 236 and carried out its operations with a total domestic network of 12 branches, spread across 4 cities. The Bank has planned to inaugurate one branch in the remainder of the ongoing year. 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.

Shareholder Structure	Share Amount TRY		Share
	FYE2018	FYE2017	%
Hüseyin ALTINBAŞ	16,666,668	16,666,668	16.67
Nusret ALTINBAŞ	16,666,668	16,666,668	16.67
Ali ALTINBAŞ	15,442,761	15,442,761	15.44
Sofu ALTINBAŞ	15,442,761	15,442,761	15.44
İmam ALTINBAŞ	15,442,761	15,442,761	15.44
Aliye ALTINBAŞ	5,555,553	5,555,553	5.56
Orkun ALTINBAŞ	5,555,553	5,555,553	5.56
Sedef ALTINBAŞ	5,555,553	5,555,553	5.56
Fatma S. ALTINBAŞ	1,223,907	1,223,907	1.22
Serdar ALTINBAŞ	1,223,907	1,223,907	1.22
Tuğçe ALTINBAŞ	1,223,907	1,223,907	1.22
Paid Capital TRY	100,000,000	100,000,000	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	FY2018 Bank's Share %	FY2017 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	26.00	TRNC
Creditwest Engine Solutions Technology Ltd.	99.00	-	TRNC

(*) Quoted to Borsa Istanbul (BIST)

d) Corporate Governance

Creditwest Bank is not a listed company and as such the fulfillment of best practice 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 the 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, articles of association, 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 shortages of the Bank's website such as dividend distribution, social responsibility, disclosure and stakeholders' policies suppress the transparency level of the Bank in a certain extent.

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 the shareholder structure.

The Board of Creditwest Bank consists of six 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
M. Atakan **ALTINBAŞ**	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. Accordingly, considering the current 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 with the exception of disclosure of articles of association in line with communique based on new banking law numbered 62/2017.

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 and turn into a desirable player, the Bank considers personnel training and human resources to be very important.

5. TRNC Banking Sector

The Central Bank of the Turkish Republic of Northern Cyprus (TRNC) acts as the regulator of the banking sector and holds responsibility for credit, monetary and exchange rate policies with a broad range of authorities and responsibilities defined in the sub-regulations related to the Banking Law No. 62/2017. As of FYE2018, 21 banks (2 public, 14 private and 5 foreign banks' branches) operate in the sector with their 229 branches and 3,148 employees in total. The banking sector, as the largest part of the financial sector in the TRNC, has continued its growth during 2018 and reached an asset size of TRY 32,980mn as of FYE2018, which points out to a growth rate of 26.29% in comparison to FYE2017.

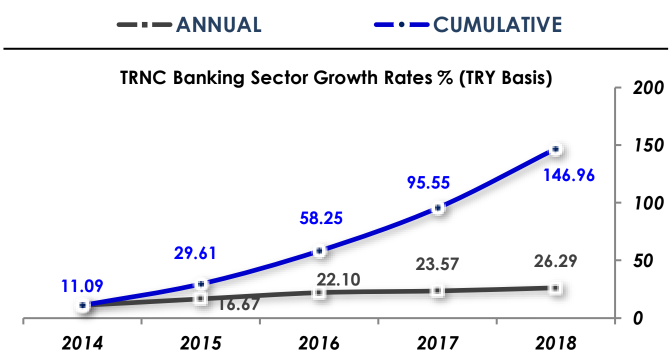
Since the depreciation of the Turkish Lira accelerated in 2018 and hit its all-time low levels by August when USD/TRY parity exceeded TRY 7, the overall asset size, deposit and loan portfolio of the sector reached its peak by 3Q2018 but then started to shrink together with the slight recovery of the Turkish Lira during the last quarter of the year. This tight causal relationship between the exchange rates and the growth trend of assets/liabilities of the sector is due to the high share of loans and deposits denominated in USD in the balance sheet composition of the banks operating in the TRNC. Regarding the sector averages, 56.61% of gross loans and 63.81% of total deposits were denominated in foreign currencies as of 3Q2018, which reduced to 51.61% and 59.9% respectively as of FYE2018. The general outlook of the banking sector in the TRNC as of FYE2018 is as follows.

TRNC Banking Sector as of FYE2018

	Num. of Banks	Num. of Branches	Num. of Staff	Total Assets (TRY mn)	Gross Loans (TRY mn)	Deposits (TRY mn)	CAR (%)
Public Banks	2	33	546	7,868.9	4,954.7	6,817	16.49
Private Banks	14	157	2,075	14,734.3	9,199.4	12,191.9	15.28
Branch Banks	5	39	527	10,377	4,752	7,432.9	21.93
TOTAL	**21**	**229**	**3,148**	**32,980.2**	**18,906.1**	**26,441.8**	**17.86**

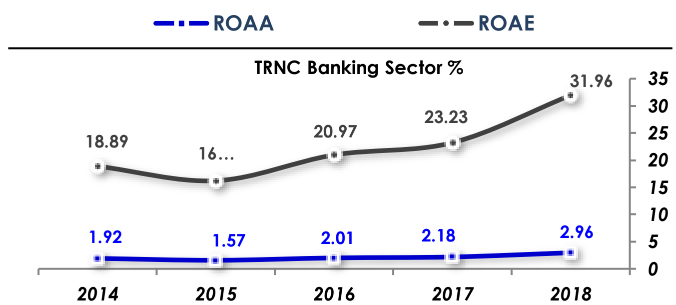
Regarding the concentration in the TRNC banking sector, the five major banks constitute 55.07%, 56.9%, 56.54% and 51.9% of total assets, gross loans, deposits and equity respectively as of FYE2018 (FYE2017: 55.15%, 57.01%, 56.8% and 50.38%). In general, the concentration indicators have followed a stable trend in the last three years. Regarding the penetration of the banking sector in the overall TRNC economy, we continued to observe an improvement in 2018. Total banking assets to GDP ratio increased to 227.2% from 179.6% between FYE2017 and FYE2018, as total deposits to GDP ratio and gross loans to GDP ratio reached 182.1% and 130.2% respectively in the same time period.

The sector maintained its continuous growth trend in an accelerated manner in 2018. In parallel with the increase in gross loans and deposits, total asset size of the sector grew by 26.29% in 2018, which led to a cumulative growth rate of 199.15% over the last 6 years. As mentioned above, total asset size of the sector has mainly been driven by the trends in the exchange rates which triggered the enlargement in both gross loans and deposits. Together with the hike in the USD/TRY parity, total assets amounted to TRY 34,956.5mn as of 3Q2018 and decreased to TRY 32,980.2mn by FYE2018, which still secured a 26.29% growth rate that exceeded all previous performances in the last 5 years. Gross loans which amounted to TRY 18,906.1mn as of FYE2018, constituted 57.33% of total assets and has been the main driver of the asset growth over the last 6 years. The growth trend of the sector, both annually and cumulatively, is depicted below.

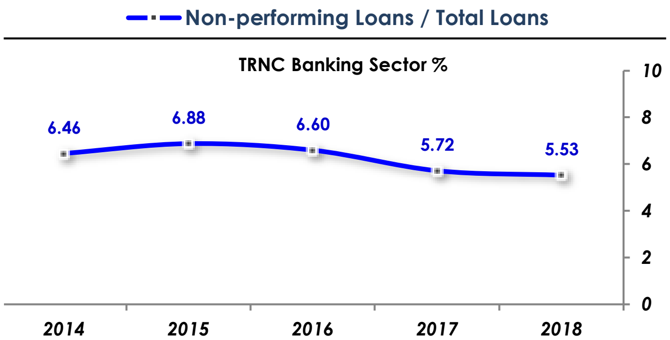


The main constituent of liabilities is deposits which makes up 80.17% of the right hand-side of the balance-sheet of the sector as of FYE2018. The sector's deposit base has grown by 25.33% between FYE2017 and FYE2018 and reached TRY 26,441.8mn. The main driver of this growth was the hike in exchange rates during 2018 since 59.9% of all deposits is denominated in foreign currencies as of FYE2018. Regarding the maturity structure of the deposits, by FYE2018, 65.96% of the sector's total deposits had less than or equal to one-month maturity including 13.99% of demand deposits. The short-term structure of the deposits leads to a pressure on the liquidity management of the sector (FYE2017: 66.01% including 14.78% demand deposits). Apart from the liquidity structure, loan-to-deposit ratio of the sector was 71.5% as of FYE2018, showing that deposits could well cover loans in the previous year.

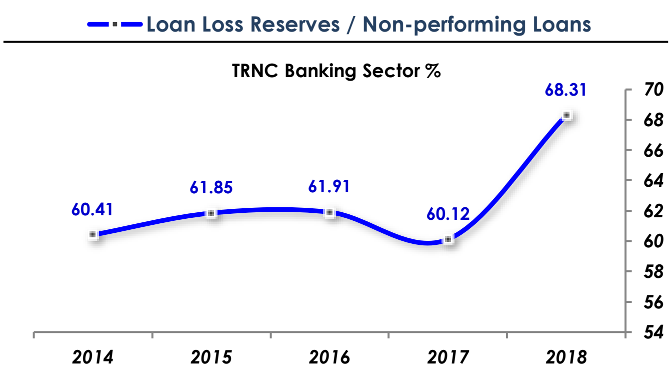
The sector has demonstrated a remarkable performance regarding the improvement in profitability that net profit reached TRY 689.8mn, showing a growth of 69.28% in comparison to the previous year's figure of TRY 407.5mn. Additionally, the Return on Average Assets (ROAA) and Return on Average Equity (ROAE) reached their peaks in the last 5 years as they increased to 2.96% and 31.96% respectively by FYE2018 in parallel with the growth in net profit of the sector. The trend of ROAA and ROAE is depicted in the graph below.



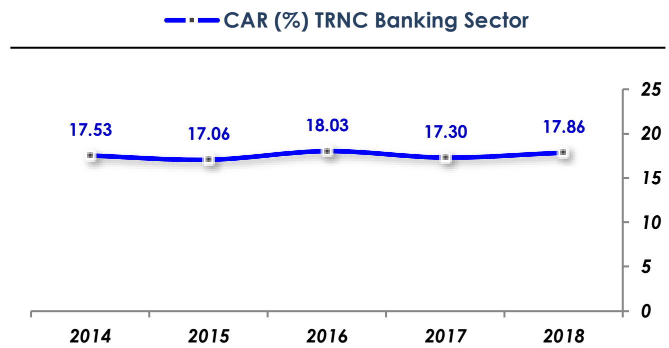
Although the amount of non-performing loans reached TRY 1,044.6mn as of FYE2018, the sector's NPL to gross loans ratio reduced to 5.53% by FYE2018 which was 5.72% as of FYE2017, indicating a decrease of 3.32% in comparison to the previous year. This decrease was mainly due to the lower rise in NPL which was 19.41% in comparison to the increase of 23.52% in total gross loans in the same period. As a result, the downward trend of the NPL ratio continued which started by the third quarter of 2016. The trend of NPL to total loans ratio in the last 5 years is shown below.



During FY2018, the amount of loan loss reserves (specific provisions) kept to cover NPL increased to TRY 713.6mn which was TRY 526mn as of FYE2017. Loan loss reserves to NPL ratio rose from 60.12% to 68.31% in the same time period, demonstrating a more prudential stance adopted by the banks in the TRNC. This level of the ratio by FYE2018 is the highest among all figures in the last 6 years. Loan loss reserves to NPL ratio followed the pattern below.



As mentioned above, while total assets increased by 26.29% between FYE2017 and FYE2018, the amount of gross loans grew by 23.52% in the same period. This led to a 26.61% hike in risk-weighted assets as it reached TRY 847.5mn by FYE2018. On the other hand, in the same period the ratio of equity to total assets rose from 9.1% to 9.38% mainly due to rising net profits, which gave way to a parallel increase in Tier 1 and Tier 2 capital. As a result, despite the accelerated growth of the loan portfolio, the average Capital Adequacy Ratio (CAR) of the sector has shown a slight increase between FYE2017 and FYE2018 from 17.3% to 17.86%, which is still by far above the legally required level of 10%. The trend of CAR in the last 5 years is as follows.



The Central Bank of the Turkish Republic of Northern Cyprus is not autonomous in its monetary policy since the Turkish Lira is in use in the TRNC. Therefore, the sector in the TRNC is directly affected by the macroeconomic developments in Turkey and the monetary policy of the Central Bank of Republic of Turkey. During FY2018, the major impact of the Turkish economy on the TRNC banking sector was the hike in foreign exchange rates, which triggered an accelerated growth in the overall asset size, deposit and loan portfolio of the sector due to the high share of assets and liabilities denominated in foreign currencies. Under these circumstances, the banks operating in the TRNC faced similar difficulties as the Turkish banks such as the management of the CAR against the fast credit growth which forced the banks to slow down the issue of new loans. The USD/TRY parity hit its all-time highs by 3Q2018 but then we observed a slight recovery of the Turkish Lira in the last quarter of the year. This, more or less, helped the banking sector to stabilize. Apart from the monetary dependency of the TRNC banking sector on the Turkish monetary policy and the macroeconomic developments, the TRNC and Turkey maintain strong political relations and the TRNC receives economic assistance from Turkey each year.

Regarding the constraints that the TRNC banking sector faces, the lack of international recognition of the TRNC creates many difficulties for the sector and the overall economy in having access to diversified financial resources and opportunities. As a result, international isolation is still a significant obstacle against the island's further economic development and the improvement in its banking sector. For instance, the provision of credit cards, POS and swift services in the TRNC are carried out by Turkish banks as the TRNC currently lacks sovereign status. On the other hand, regarding the digitalization of the banking activities in parallel with the global trends, the use of alternative distribution channels including the internet, mobile banking services and ATMs for banking transactions are rapidly getting wider and wider in addition to the conventional banking activities.

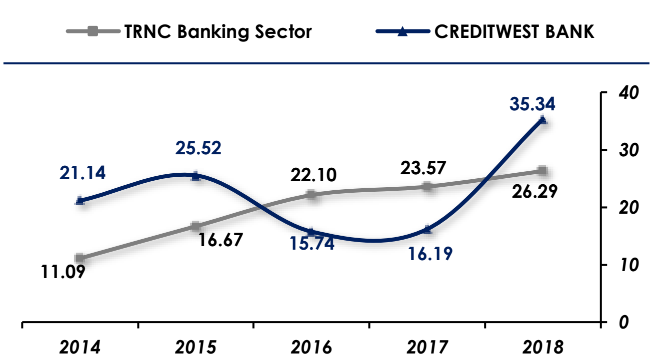
During 2018, the main focus of the TRNC's economic policy-makers has been on aiming a secure and steady banking sector growth in line with the developments in international standards, the implementation of the policies and procedures addressed to enable the country's economic development and the protection of the rights and interests of the depositors. The major legal development in the TRNC banking sector in 2018 was the enactment of the "Communiqué for Net Foreign Exchange Position Rates" which was issued on 27 December, 2018. The communiqué aims to regulate the limits of the short/long foreign exchange position that the TRNC banks take and sets 20% as the legal upper limit for the ratio of the amount of short/long foreign exchange position to shareholder's equity, as opposed to the risky impacts of the high volatility in the foreign exchange markets.

6. Financial Foundation

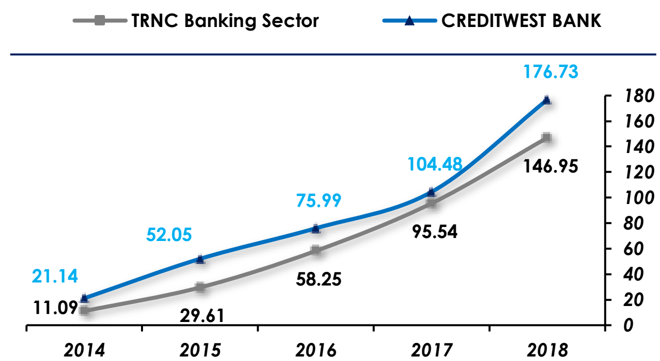
a) Financial Indicators & Performance

i. Indices relating to size

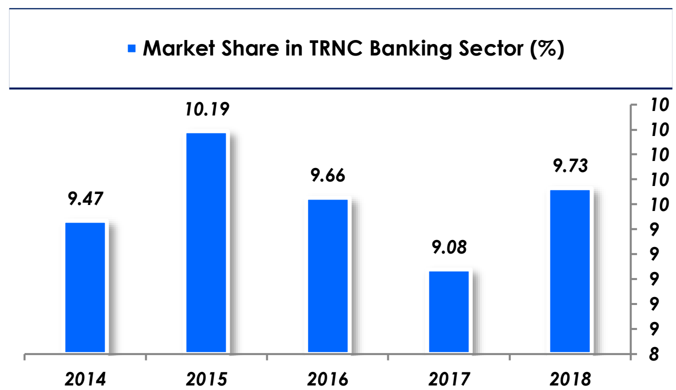
At FYE2018, Creditwest Bank's asset growth rate was 35.34% YoY, whereas the same metric for the TRNC Banking Sector as a whole was 26.29% and as such it outpaced the sector average. The graphs below display the growth of the Bank's asset base in comparison to the sector. According to the IFRS-compliant financials, Creditwest Bank's assets were TRY 3,064mn at FYE2018, and increased by 24.62% compared to the previous year's figure of TRY 2,459mn.



The Bank's cumulative asset-based growth performance over the last five years was 176.73% and remained above the TRNC Banking Sector average.



Creditwest Bank's market shares in terms of assets within the TRNC Banking Sector reversed at FYE2018 and its rank- third- amongst 21 banks did not change. While the largest bank with a market share of 19.81% is well ahead of the Bank, second largest bank had a market share of 11.61%.



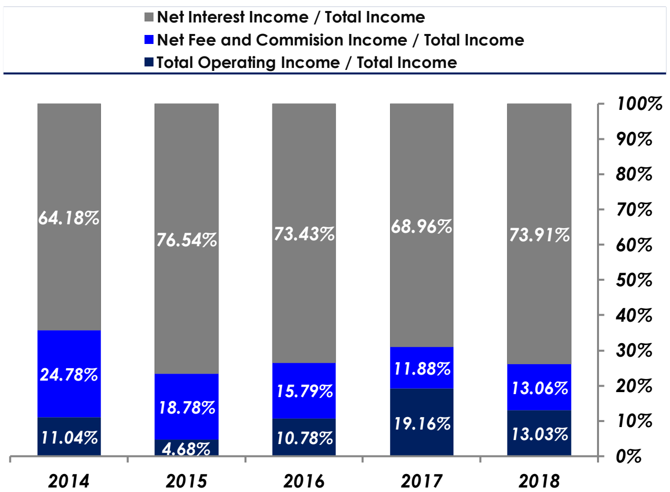
As per to the IFRS based 2018 year-end financial statements; the Bank's assets, equity and net loans increased by 24.62%, 28.94% and 17.36%, respectively.

ii. Indices relating to profitability

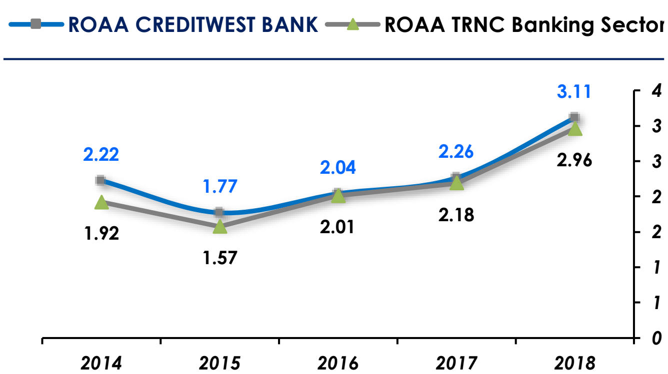
Based on the IFRS-compliant financials, the Bank's posted net profit was TRY 61.4mn at FYE2018 and noticeably increased by 57.63% YoY and almost equal to the net profit figure as per to the audited financial statements submitted to the TRNC Central Bank. The growth in profit was principally supported by higher increases in net interest income (NII) and net fee & commission incomes than the OPEX and provision expenses increases. The TRNC Banking Sector's net profit was TRY 689.8mn at FYE2018 and increased by 69.26% YoY and outperformed the

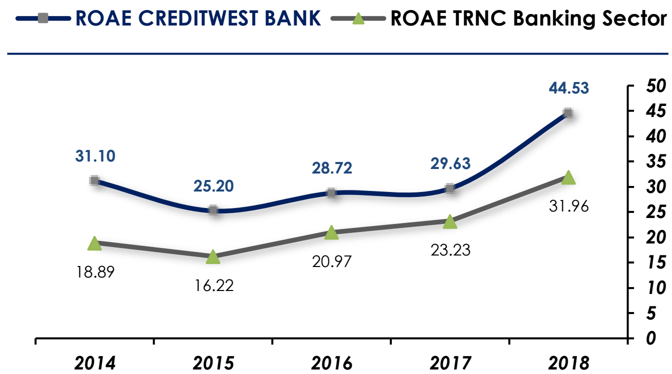
Creditwest Bank. Sound growth in the sector's net profit was underpinned by strong growth in net interest income, FX gains and banking services income than OPEX.

The Bank's income sources did not show major variations in FY2018 and net interest revenues accounted for the largest portion of total income with a rate of 73.91%. The Bank engendered 86.97% (FYE2017: 84.27%) of its total income from sustainable sources through interest income and net fee & commission incomes.

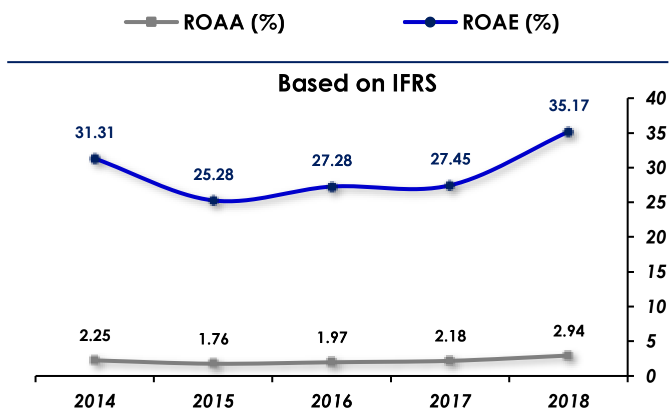


The return on assets and equity ratios, which are the principal profitability metrics in the financial sector, improvement was maintained also throughout FY2018 as in the sector and outperformed the TRNC Banking Sector averages over the reviewed period.





Over the revived period, the Bank's ROAA and ROAE ratios (based on IFRS) increased to their highest level to 2.94% and 35.17% at FYE2018 from 2.18% and 27.45% at FYE2017, respectively.



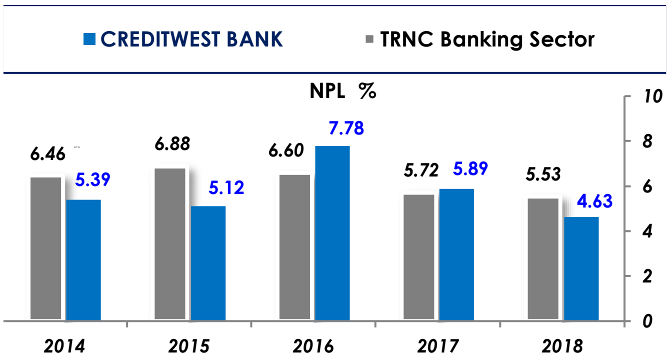
At FYE2018, the Bank's net profit and net interest margins were 39.63% and 4.61% respectively and up from the previous year's figures of 33.74% and 3.93% respectively. Gradual improvement in the OPEX to total income ratio from 41.47% at FYE2014 to 29.22% at FYE2018 contributes to the Bank's profitability level coupled with higher efficiency. According to the unaudited financials of 1H2019, the Bank recorded a net profit of TRY 36.4mn, markedly up from the previous year's figure of TRY 28.4mn.

b) Asset quality

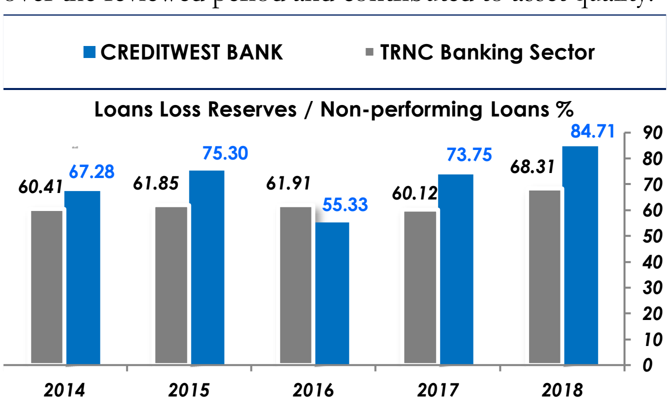
Asset quality is assessed through examination of loan book quality and breakdown of assets. Overall, collateralization, non-performing loans and loan loss coverage are analyzed in the first section. In the second part, the composition of assets is examined.

According to data provided by the Bank, received tangible collaterals were equivalent of TRY 1,766mn at 1H2019 meaning 76.04% of cash loans were extended against tangible collaterals, which are largely based on mortgages (53.58%), deposit blockade (21.39%) and pledges (1.07%) in descending order. Existence of the high level of tangible collaterals secures the repayment of extended loans to a certain extent.

At FYE2018, the Bank's gross non-performing loans book, based on audited financial statements which were submitted to the Central Bank of TRNC, was TRY 99.1mn and slightly up compared to the previous year's figure of TRY 94.3mn. Despite an insignificant increase in the non-performing loans portfolio, the NPLs ratio markedly contracted to 4.63% at FYE2018 from 5.89% at FYE2017 thanks to sound growth in loans portfolio at 34.35% YoY. Accordingly, the NPLs ratio fell below the sector average in FY2018.

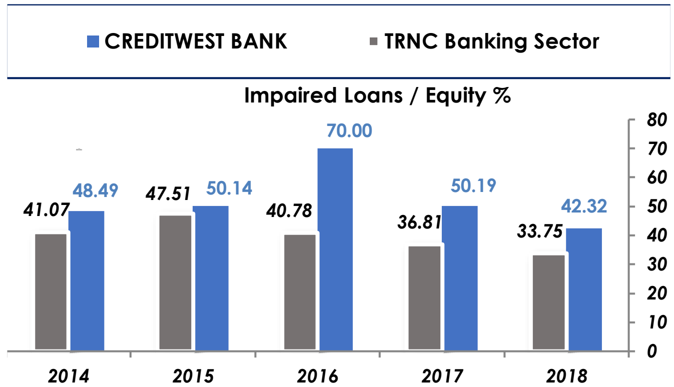


The provisioning level for non-performing loans increased to 84.71% at FYE2018 from the previous year's figure of 73.75% and surpassed the sector average of 68.31%. The loans loss reserve coverage hit the highest level at FYE2018 over the reviewed period and contributed to asset quality.



On the other hand, as per to the financial statements compliant with IFRS, the NPLs ratio was 5.03% at FYE2018, notably down from the previous year's figure of 6.15%.

The non-performing loans portfolio of the Bank as a proportion of its equity contracted to 42.32% at FYE2018 from 50.19% at FYE2017. Despite the improvement displayed in the ratio, it stayed above the Banking Sector average over the reviewed period.



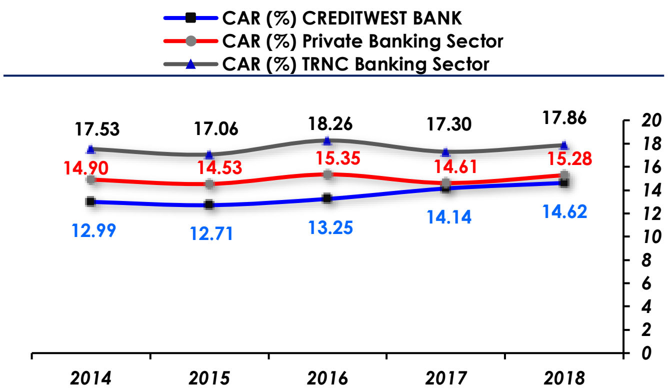
As per to the IFRS based financials, the largest portion of assets were extended as the loans and its share in assets contracted to 61.56% at FYE2018 from 65.70% at FYE2017. Other earning assets, the second largest item in assets, comprised 23.87% of total assets. According to the audited financials submitted to the Central Bank of TRNC, the Bank's performing loans to assets ratio was 62.45% and above the TRNC banking sector's ratio of 54.16% at FYE2018.

c) Funding & Adequacy of Capital

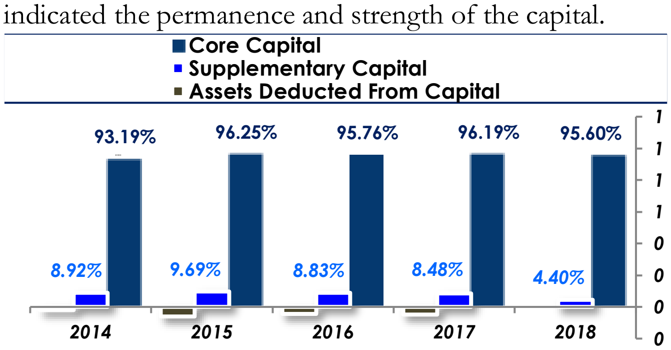
As in the previous years, the Bank's main funding source was deposits which accounted for 83.74% of total assets and increased by 36.22% YoY and outstripped the sector's deposits' growth at 25.33%. The Bank's deposit-based market share in the TRNC Banking Sector was 10.46% at FYE2018 and reversed compared to the previous year's figure of 9.62%. The Bank also diversified its funding structure through bond issuances on TRY & FX basis amounting to the equivalent of TRY 17.2mn in total at FYE2018. 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.

According to the contractual maturities of total deposits, 58.10% (FYE2017: 62.21%) 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 65.96% (FYE2017: 66.01%); representing the prevalence of short maturity funding structure in the sector. The Bank's 78.55% of total deposits were saving deposits and covered by the deposit insurance according to the data based on the audited report. As of FYE2018, customer accounts which were TRY 1mn and over accounted for 70.96% (FYE2017: 48.46%) of the total deposits signifying high concentration in deposit base.

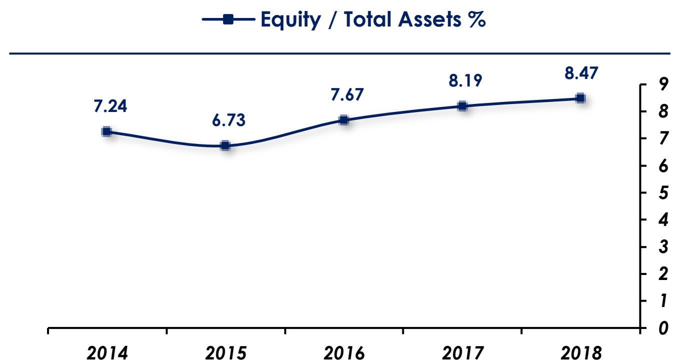
At FYE2018, the Bank's Capital Adequacy Ratio (CAR) was 14.62%, up from the previous year's ratio of 14.14% and remained above the minimum CAR requirements set by the Basel Accord (8%) and legal requirement of 10%, as well as the TRNC Central Bank's recommended level (12%). On the other hand, the Bank's 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 95.60% of the Bank's total own fund structure at FYE2018. The supplementary capital accounted for 4.40% of the Bank's own fund structure at FYE2018. The Bank's Tier 1 capital ratio was 13.98% at FYE2018 (FYE2017:13.60%) and sustained its satisfactory level. The higher share of the Bank's Tier 1 capital among the total shareholders' equity indicated the permanence and strength of the capital.



The equity to assets ratio was 8.47% at FYE2018 and displayed an increase compared to the previous year's figure of 8.19%. As per to the audited financial statements submitted to the TRNC Central Bank, the equity to assets ratio was 7.30% at FYE2018 (FYE2017: 7.93%) and stayed below the TRNC Banking Sector's ratio of 9.39%.



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 the regulations, 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, the Credit Monitoring and Tracking Unit was established. There is a total of 21 staff employed across the risk and control & monitoring functions with 6 in Internal Audit, 1 in Compliance, 8 in Risk Management & Internal Control 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. In 2019, the Bank initiated to use the new core banking system which was developed by incorporation with the bank and external resources. As stated by the management; the new core banking system further digitalized banking processes, gave early warnings signs in the case of approaching risk limits, enabling more integrated risk analysis and providing various reports to the management.

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 consideration 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.

At FYE2018, the Bank's maximum on balance sheet credit risk exposure was TRY 2,467mn (FYE2017: TRY 1,979mn) and 76.23% of the total risk exposure resulted from extended loans. Performing loans accounted for 61.37% of total assets and 1.04% of the cash loans were granted to the related parties.

As per to the financials submitted to the Central Bank of TRNC, the Bank's largest 100 cash loan customers comprised 64.00% of the total cash loan portfolio as of FYE2018 (FYE2017: 56.73%, FYE2016: 55.89% and FYE2015: 51.39% respectively), while the largest 100 non-cash loan customers composed 91.53% of the total non-cash loan portfolio as of FYE2018 (FYE2017: 90.84%). The largest 100 cash and non-cash loan customers made up 46.56% of the total "on and off-balance sheet" assets as of FYE2017 (FYE2017: 36.51%). Despite the very high credit concentration in non-cash loans, the Bank's total off balance sheet liabilities (not including derivatives and other guarantees & commitments) was TRY 81.4mn and constituted 2.54% of the total assets (FYE2017: 3.09%). 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.

Accordingly, although the cash credit concentration risk was already high and 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

In the context of market risk, the 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 compliant with the regulations of the Central Bank of the TRNC. The Bank was long particularly in GBP and FX position to assets and equity were 1.07% and 12.63%, respectively at FYE2018. 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 to total assets ratio increased to 23.97% at FYE2018 from 19.92% at FYE2017. As in the previous year, the Bank's ratio remained below the sector's average ratio of 30.14% (FYE2017: 27.42%), though it attained satisfactory liquidity threshold levels. Accordingly, the Bank effectively manages its liquidity risks and implements appropriate measures and was not exposed to any funding gap or violations in 2018.

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.

Within 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 FY2019, the Bank management's expectations (some of the principal figures) are given in the chart below.

Actual and Projected Balance Sheet

(TRY 000)	2018A	2019F	Change
Loans	2,003,803	2,451,548	22.34%
NPL (net)	15,156	16,714	10.28%
Fixed Assets	63,280	67,826	7.18%
Total Assets	**3,208,820**	**3,793,981**	**18.24%**
Deposits	2,765,630	3,283,240	18.72%
Other Liabilities	208,931	222,767	6.62%
Total Liabilities	**2,974,561**	**3,506,007**	**17,87%**
Equity	**234,259**	**287,974**	**22.93%**

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

Actual and Projected Income Statement

(TRY 000)	*2018	2019F	Change
Interest Income	268,776	432,832	61.04%
Interest Expense (-)	154,223	294,299	90.83%
Net Interest Income	114,553	138,533	20.93%
Net Profit	**61,312**	**75,048**	**22.40%**

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

At FYE2019, the projected growths in asset size, loans, equity base and net profit were 18.24%, 22.34%, 22.93% and 22.40% respectively. Based on the unaudited financials as of the first half of 2019, the Bank recorded a net profit of TRY 36.4mn. In the event of continuity of profitability in the remainder of the ongoing year, the Bank's 2019-year end net profit projection of TRY 75mn could be reachable. In addition, the Bank has already surpassed the 2019 year-end projected asset growth at the 1H2019.

In the assessment of the target and realization of FY2018 results, the Bank notably surpassed its almost all targets regarding the growths in assets, loans, deposits and net profit segments. The growth in equity base stayed restricted compared to the growth in other core banking activities due to profit distributions, despite the generated sizable net profit.

CREDITWEST BANK BALANCE SHEET - ASSET (000)	FYE 2018 USD (Converted)	FYE 2018 TRY (Original)	FYE 2018 TRY (Average)	FYE 2017 TRY (Original)	FYE 2017 TRY (Average)	FYE 2016 TRY (Original)	FYE 2016 TRY (Average)	FYE 2015 TRY (Original)	As % of 2018 Assets (Original)	As % of 2017 Assets (Original)	As % of 2016 Assets (Original)	FYE 2018 Growth Rate %	FYE 2017 Growth Rate %	FYE 2016 Growth Rate %
A- TOTAL EARNING ASSETS (I+II+III)	**517,322**	**2,721,577**	**2,484,770**	**2,247,963**	**2,095,737**	**1,943,511**	**1,809,319**	**1,675,127**	**88.83**	**91.43**	**91.83**	**21.07**	**15.67**	**16.02**
I- LOANS AND LEASING RECEIVABLES (net)	**358,530**	**1,886,190**	**1,750,720**	**1,615,249**	**1,482,337**	**1,349,424**	**1,265,431**	**1,181,439**	**61.56**	**65.70**	**63.76**	**16.77**	**19.70**	**14.22**
a) Short Term Loans	182,873	962,076	849,654	737,232	677,053	616,874	597,345	577,816	31.40	29.99	29.15	30.50	19.51	6.76
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	171,667	903,122	866,992	830,861	752,657	674,452	627,477	580,503	29.48	33.79	31.87	8.70	23.19	16.18
d) Over Due Loans	18,844	99,136	101,387	103,638	105,797	107,956	85,640	63,323	3.24	4.22	5.10	-4.34	-4.00	70.48
e) Others	1,109	5,836	9,463	13,089	10,469	7,849	6,700	5,551	0.19	0.53	0.37	-55.42	66.77	41.39
f) Receivable from Customer due to Brokerage Activities	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
g) Allowance for Loan and Receivables Losses (-)	-15,963	-83,980	-76,776	-69,572	-63,639	-57,706	-51,730	-45,754	-2.74	-2.83	-2.73	20.71	20.56	26.12
II- OTHER EARNING ASSETS	**139,046**	**731,509**	**617,895**	**504,281**	**508,832**	**513,383**	**443,281**	**373,180**	**23.87**	**20.51**	**24.26**	**45.06**	**-1.77**	**37.57**
a) Balance with Banks -Time Deposits	76,516	402,541	316,670	230,799	230,262	229,724	197,601	165,477	13.14	9.39	10.85	74.41	0.47	38.83
b) Money Market Placements	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	-100.0
c) Reserve Deposits at CB	11,742	61,771	62,367	62,963	58,738	54,513	54,107	53,701	2.02	2.56	2.58	-1.89	15.50	1.51
d) Balance With CB- Demand Deposits	50,789	267,196	238,858	210,519	219,833	229,146	191,574	154,001	8.72	8.56	10.83	26.92	-8.13	48.80
III- SECURITIES AT FAIR VALUE THROUGH P/L	**19,745**	**103,878**	**116,155**	**128,433**	**104,568**	**80,704**	**100,606**	**120,508**	**3.39**	**5.22**	**3.81**	**-19.12**	**59.14**	**-33.03**
a) Treasury Bills and Government Bonds	17,611	92,651	99,744	106,837	90,008	73,179	89,320	105,461	3.02	4.35	3.46	-13.28	45.99	-30.61
b) Other Investment	950	5,000	10,769	16,539	10,752	4,965	8,499	12,034	0.16	0.67	0.23	-69.77	233.14	-58.75
c) Repurchase Agreement	1,184	6,227	5,642	5,057	3,809	2,560	2,787	3,014	0.20	0.21	0.12	23.13	97.54	-15.06
B- INVESTMENTS IN ASSOCIATES (NET) + EQUITY SHARE	**1,366**	**7,186**	**7,161**	**7,136**	**6,572**	**6,007**	**6,007**	**6,007**	**0.23**	**0.29**	**0.28**	**0.70**	**18.81**	**0.00**
a) Investments in Associates (Net)	1,366	7,186	7,161	7,136	6,572	6,007	6,007	6,007	0.23	0.29	0.28	0.70	18.81	0.00
b) Equity Share	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
C- NON-EARNING ASSETS	**63,712**	**335,183**	**269,358**	**203,532**	**185,229**	**166,926**	**141,555**	**116,183**	**10.94**	**8.28**	**7.89**	**64.68**	**21.93**	**43.67**
a) Cash and Cash Equivalents	3,745	19,703	16,439	13,175	12,468	11,760	12,440	13,119	0.64	0.54	0.56	49.55	12.02	-10.35
b) Balance with Banks - Current Accounts	15,167	79,791	48,764	17,736	11,823	5,910	16,571	27,231	2.60	0.72	0.28	349.89	200.08	-78.30
c) Financial Assets at Fair Value through P/L	22,727	119,566	102,655	85,744	79,132	72,520	66,528	60,535	3.90	3.49	3.43	39.45	18.23	19.80
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	22,073	116,123	101,500	86,878	81,806	76,735	46,017	15,298	3.79	3.53	3.63	33.66	13.22	401.59
- 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	8,905	46,848	38,610	30,372	30,187	30,001	20,490	10,979	1.53	1.24	1.42	54.25	1.24	173.27
- Deferred Tax	0	0	0	0	0	0	29	59	n.a	n.a	n.a	n.a	n.a	-100.0
- Other	13,168	69,274	62,890	56,506	51,620	46,734	25,497	4,261	2.26	2.30	2.21	22.60	20.91	996.76
TOTAL ASSETS	**582,400**	**3,063,947**	**2,761,289**	**2,458,632**	**2,287,538**	**2,116,444**	**1,956,880**	**1,797,317**	**100.00**	**100.00**	**100.00**	**24.62**	**16.17**	**17.76**

CREDITWEST BANK BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY (000)	FYE 2018 USD (Converted)	FYE 2018 TRY (Original)	FYE 2018 TRY (Average)	FYE 2017 TRY (Original)	FYE 2017 TRY (Average)	FYE 2016 TRY (Original)	FYE 2016 TRY (Average)	FYE 2015 TRY (Original)	As % of 2018 Assets (Original)	As % of 2017 Assets (Original)	As % of 2016 Assets (Original)	FYE 2018 Growth Rate %	FYE 2017 Growth Rate %	FYE 2016 Growth Rate %
A- COST BEARING RESOURCES (I+II)	**516,771**	**2,718,680**	**2,454,909**	**2,191,138**	**2,048,219**	**1,905,300**	**1,770,142**	**1,634,985**	**88.73**	**89.12**	**90.02**	**24.08**	**15.00**	**16.53**
I- DEPOSIT	**501,696**	**2,639,375**	**2,385,887**	**2,132,400**	**1,991,719**	**1,851,037**	**1,743,011**	**1,634,985**	**86.14**	**86.73**	**87.46**	**23.77**	**15.20**	**13.21**
a) TRY Deposit	177,311	932,813	866,689	800,565	797,684	794,802	747,964	701,127	30.44	32.56	37.55	16.52	0.73	13.36
b) FC Deposit	299,108	1,573,579	1,408,281	1,242,983	1,083,483	923,983	850,695	777,408	51.36	50.56	43.66	26.60	34.52	18.85
c) FC & LC Banks Deposits	25,278	132,983	110,917	88,852	110,552	132,252	144,351	156,450	4.34	3.61	6.25	49.67	-32.82	-15.47
II- BORROWING FUNDING LOANS & OTHER	**15,074**	**79,305**	**69,021**	**58,738**	**56,500**	**54,263**	**27,131**	**0**	**2.59**	**2.39**	**2.56**	**35.02**	**8.25**	**n.a**
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	9,205	48,426	47,932	47,438	49,008	50,578	25,289	0	1.58	1.93	2.39	2.08	-6.21	n.a
d) Securities Sold Under Repurchase Agreements	0	0	0	0	0	0	0	0	n.a	n.a	n.a	n.a	n.a	n.a
e) Subordinated Loans & Others	5,869	30,879	21,089	11,300	7,493	3,685	1,843	0	1.01	0.46	0.17	173.26	206.65	n.a
B- NON-COST BEARING RESOURCES	**16,286**	**85,680**	**75,925**	**66,170**	**57,480**	**48,789**	**45,089**	**41,389**	**2.80**	**2.69**	**2.31**	**29.48**	**35.62**	**17.88**
a) Provisions	3,738	19,667	15,308	10,949	9,580	8,212	7,346	6,481	0.64	0.45	0.39	79.63	33.33	26.71
b) Current & Deferred Tax Liabilities	1,479	7,781	5,945	4,109	4,109	4,109	2,055	0	0.25	0.17	0.19	89.35	0.00	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	11,069	58,232	54,672	51,112	43,790	36,468	35,688	34,908	1.90	2.08	1.72	13.93	40.15	4.47
C- TOTAL LIABILITIES	**533,057**	**2,804,359**	**2,530,833**	**2,257,308**	**2,105,698**	**1,954,089**	**1,815,231**	**1,676,374**	**91.53**	**91.81**	**92.33**	**24.23**	**15.52**	**16.57**
E- EQUITY	**49,343**	**259,587**	**230,456**	**201,324**	**181,839**	**162,355**	**141,649**	**120,943**	**8.47**	**8.19**	**7.67**	**28.94**	**24.00**	**34.24**
a) Prior Year's Equity	38,268	201,324	181,839	162,355	141,649	120,943	110,993	101,042	6.57	6.60	5.71	24.00	34.24	19.70
b) Equity (Added from Internal & External Resources at This Year)	-601	-3,164	-1,582	0	5,471	10,942	4,633	-1,676	-0.10	n.a	0.52	#DIV/0!	-100.0	-752.9
c) Profit & Loss	11,676	61,427	50,198	38,969	34,720	30,470	26,023	21,576	2.00	1.58	1.44	57.63	27.89	41.22
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	**582,400**	**3,063,946**	**2,761,289**	**2,458,632**	**2,287,538**	**2,116,444**	**1,956,880**	**1,797,317**	**100.00**	**100.00**	**100.00**	**24.62**	**16.17**	**17.76**
	USD Rates 1=TRY	**5.2609**		**3.8104**		**3.5192**		**2.9076**						

CREDITWEST BANK INCOME STATEMENT (000) TRY	FY 2018	FY 2017	FY 2016
Net Interest Income	**114,553.33**	**82,442.64**	**69,251.59**
a) Interest Income	268,776.01	183,812.21	164,100.17
b) Interest Expense	154,222.67	101,369.58	94,848.58
Net Fee and Commission Income	**20,237.93**	**14,869.00**	**14,888.89**
a) Fee and Commission Income	32,737.75	23,932.29	18,033.10
b) Fee and Commission Expense	12,499.82	9,063.29	3,144.20
Total Operating Income	**20,198.55**	**18,173.56**	**10,163.87**
Net trading income (+/-)	0.00	0.00	699.51
Foreign Exchange Gain or Loss (net) (+/-)	14,738.29	7,885.52	4,338.87
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	5,742.33	10,613.61	5,361.60
Taxes other than Income	-282.07	-325.58	-236.10
Dividend	0.00	0.00	0.00
Provisions	**28,646.39**	**27,563.93**	**22,504.52**
Provision for Impairment of Loan and Trade Receivables	28,646.39	27,563.93	22,504.52
Other Provision	0.00	0.00	0.00
Total Operating Expense	**45,284.47**	**38,003.11**	**33,164.95**
Salaries and Employee Benefits	30,503.48	25,710.54	22,505.39
Depreciation and Amortization	3,944.32	3,777.62	3,426.40
Other Expenses	10,836.67	8,514.96	7,233.16
Profit from Operating Activities before Income Tax	**81,058.95**	**49,918.15**	**38,634.89**
Income Tax – Current	19,632.00	10,948.99	8,164.63
Income Tax – Deferred	0.00	0.00	0.00
Net Profit for the Period	**61,426.95**	**38,969.17**	**30,470.26**
Total Income	**154,989.81**	**115,485.19**	**94,304.35**
Total Expense	**45,284.47**	**38,003.11**	**33,164.95**
Provision	**28,646.39**	**27,563.93**	**22,504.52**
Pre-tax Profit	**81,058.95**	**49,918.15**	**38,634.89**

CREDITWEST BANK FINANCIAL RATIOS %	FY 2018	FY 2017	FY 2016
I. PROFITABILITY & PERFORMANCE			
1. ROAA - Pre-tax Profit / Total Assets (avg.)	2.94	2.18	1.97
2. ROAE - Pre-tax Profit / Equity (avg.)	35.17	27.45	27.28
3. Total Income / Equity (avg.)	67.25	63.51	66.58
4. Total Income / Total Assets (avg.)	5.61	5.05	4.82
5. Provisions / Total Income	18.48	23.87	23.86
6. Total Expense / Total Liabilities (avg.)	1.79	1.80	1.83
7. Net Profit for the Period / Total Assets (avg.)	2.22	1.70	1.56
8. Total Income / Total Expenses	342.26	303.88	284.35
9. Non-Cost Bearing Liabilities + Equity- Non-Earning Assets / Total Assets	0.33	2.60	2.09
10. Non-Cost Bearing Liabilities - Non-Earning Assets / Total Assets	-8.14	-5.59	-5.58
11. Total Operating Expenses / Total Income	29.22	32.91	35.17
12. Net Interest Margin	4.61	3.93	3.83
13. Operating ROAA (avg.)	8.52	6.61	6.82
14. Operating ROAE (avg.)	102.09	83.20	94.24
15. Interest Coverage – EBIT / Interest Expenses	152.56	149.24	140.73
16. Net Profit Margin	39.63	33.74	32.31
17. Gross Profit Margin	52.30	43.22	40.97
18. Market Share in TRNC Banking Sector	9.73	9.08	9.66
19. Growth Rate	24.62	16.17	17.76
II. CAPITAL ADEQUACY (year-end)			
1. Equity Generation / Prior Year's Equity	-1.57	0.00	9.05
2. Internal Equity Generation / Previous Year's Equity	30.51	24.00	25.19
3. Equity / Total Assets	8.47	8.19	7.67
4. Core Capital / Total Assets	7.43	7.42	6.80
5. Supplementary Capital / Total Assets	0.34	0.65	0.63
6. Tier 1 Capital Ratio	13.98	13.60	12.69
7. Capital / Total Assets	7.77	8.07	7.43
8. Own Fund / Total Assets	7.77	7.71	7.10
9. Standard Capital Adequacy Ratio	14.62	14.14	13.25
10. Surplus Own Fund	45.28	43.42	39.61
11. Free Equity / Total Assets	6.71	6.66	5.97
12. Equity / Total Guarantees and Commitments + Equity	57.92	38.69	35.21
III. LIQUIDITY (year-end)			
1. Liquidity Management Success (On Demand)	92.51	95.63	98.67
2. Liquidity Management Success (Up to 1 Month)	83.43	91.72	98.81
3. Liquidity Management Success (1 to 3 Months)	74.90	94.95	93.68
4. Liquidity Management Success (3 to 6 Months)	94.86	96.90	97.07
5. Liquidity Management Success (6 to 12 Months)	95.15	95.83	97.71
6. Liquidity Management Success (Over 1 Year & Unallocated)	88.97	83.77	85.94
IV. ASSET QUALITY			
1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	4.26	4.13	4.10
2. Total Provisions / Profit Before Provision and Tax	26.11	35.57	36.81
3. Impaired Loans / Gross Loans	5.03	6.15	7.67
4. Impaired Loans / Equity	38.19	51.48	66.49
5. Loss Reserves for Loans / Impaired Loans	84.71	67.13	53.45
6. Total FX Position / Total Assets	1.07	0.37	0.40
7. Total FX Position / Equity	12.63	4.55	5.20
8. Assets / Total Guarantees and Commitments + Assets	94.20	88.51	87.63

COMPARATIVE 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.	
	FYE2018	FYE2017	FYE2018	FYE2017	FYE2018	FYE2017	FYE2018	FYE2017	FYE2018	FYE2017
ROAA (%)	0.75%	0.33%	2.20%	1.77%	3.47%	2.99%	2.11%	1.60%	5.28%	4.18%
ROAE (%)	11.90%	4.76%	29.04%	23.13%	36.29%	32.43%	25.93%	20.54%	31.77%	24.83%
Equity to Total Assets (%)	6.09%	6.51%	7.30%	7.93%	9.88%	9.15%	8.52%	7.72%	17.54%	15.49%
NPLs to Total Loans (%)	4.00%	2.79%	4.91%	6.21%	4.32%	3.45%	6.88%	7.82%	4.65%	5.17%
Assets Size Market Share (%)	19.82%	20.72%	9.73%	9.08%	11.61%	10.96%	6.44%	7.22%	5.20%	5.40%
Capital Adequacy Ratio (%)	18.07%	27.20%	14.62%	14.14%	18.34%	14.72%	15.94%	13.81%	22.95%	19.70%
Loan to Deposits (%)	68.95%	69.93%	73.00%	74.77%	60.13%	69.57%	66.75%	61.98%	86.65%	88.19%
Reserves to NPLs (%)	96.17%	55.35%	84.71%	73.75%	100%	100%	42.57%	40.47%	99.83%	99.73%
NPLs (TRY)	161,596,623	94,949,508	99,136,186	94,334,177	82,293,537	56,087,795	85,980,307	81,710,604	46,731,666	45,439,316
Total Assets (TRY)	6,535,227,613	5,410,658,558	3,208,820,137	2,371,012,815	3,827,479,300	2,863,505,986	2,124,367,200	1,884,572,546	1,715,056,786	1,409,324,295
Total Deposits (TRY)	5,854,012,590	4,861,530,441	2,765,629,559	2,030,228,850	3,167,049,256	2,339,468,186	1,873,012,134	1,686,849,905	1,159,463,527	996,529,248
Total Loans (TRY)	4,036,484,568	3,399,558,355	2,018,958,894	1,517,907,417	1,904,446,196	1,627,578,159	1,250,206,523	1,045,488,150	1,004,675,306	878,859,214
Total Equity (TRY)	397,750,257	352,408,551	234,259,098	187,947,342	378,312,243	262,116,557	180,918,957	145,541,823	300,782,322	218,318,526
Net Profit (TRY)	44,630,148	16,361,178	61,311,755	38,969,165	116,195,686	77,613,179	42,327,134	27,570,430	82,463,796	50,429,209

The figures were based on the audited financial statements which were 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 Creditwest Bank Kıbrıs		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	

creditwest Creditwest Bank Kıbrıs		The Previous Rating Results Issued by JCR Eurasia Rating													
		August 18, 2016		August 17,2017		August 16, 2018									
		Long Term	Short Term	Long Term	Short Term	Long Term	Short Term								
International	Foreign Currency	BBB-	A-3	BBB-	A-3	BBB-	A-3								
	Local Currency	BBB-	A-3	BBB-	A-3	BBB-	A-3								
	Outlook	Stable	Stable	Stable	Stable	Negative	Negative								
National	Local Rating	AA+ (Trk)	A-1+ (Trk)	AA+(Trk)	A-1+(Trk)	AA+(Trk)	A-1+(Trk)								
	Outlook	Stable	Stable	Stable	Stable	Stable	Stable								
Sponsor Support		2	-	2	-	2	-								
Stand Alone		A	-	A	-	A	-								
Sovereign*	Foreign Currency	BBB-	-	BBB-		BBB-									
	Local Currency	BBB-	-	BBB-		BBB-									
	Outlook	Stable	-	Stable		Negative									
		(*):Affirmed by JCR on July 19, 2016		(*):Affirmed by JCR on October 07, 2016		(*):Affirmed by JCR on August 14, 2018									