

Corporate Credit & Issue Rating

☐ New ☒ Update

Sector: Banking

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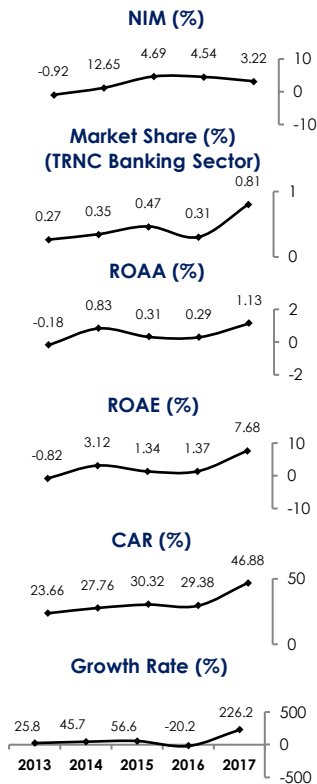
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RATINGS

		Long	Short
International	Foreign Currency	BBB-	A-3
	Local Currency	BBB-	A-3
	Outlook	FC	Stable
		LC	Stable
National	Local Rating	BBB (Trk)	A-3 (Trk)
	Outlook	Positive	Stable
Sovereign*	Sponsor Support	2	-
	Stand-Alone	C	-
	Foreign Currency	BBB-	-
	Local Currency	BBB-	-
	Outlook	FC	Stable
		LC	Stable

*Affirmed by JCR on November 10, 2017



Kıbrıs Faisal İslam Bankası Ltd.

Company Overview

Financial Data	2017*	2016*	2015*	2014*	2013*
Total Assets (000 USD)	55,791	18,267	27,807	22,264	16,638
Total Assets (000 TRY)	210,438	64,515	80,852	51,629	35,446
Total Deposit (000 TRY)	183,225	47,948	63,192	35,379	26,870
Total Net Loans (000 TRY)	38,543	34,828	32,536	25,285	21,398
Equity (000 TRY)	24,822	15,638	15,512	15,292	7,941
Net Profit (000 TRY)	1,099	126	173	281	-121
Market Share (%)	0.81	0.31	0.47	0.35	0.27
ROAA (%)	1.13	0.29	0.31	0.83	-0.18
ROAE (%)	7.68	1.37	1.34	3.12	-0.82
Equity/Assets (%)	11.80	24.24	19.19	29.62	22.40
CAR - Capital Adequacy Ratio (%)	46.88	29.38	30.32	27.76	n.a
Asset Growth Rate (Annual) (%)	226.19	-20.21	56.60	45.66	-2.40

* End of Year

Kıbrıs Faisal İslam Bankası Ltd. (hereinafter referred to as Kıbrıs Faisal İslam Bank (FIB) or the Bank), was established in October 1982 and became operational in March 1983. FIB is the very first bank capitalised by foreign investors in Turkish Republic of Northern Cyprus (TRNC). The Bank provides conventional banking services to the extent that the isolated economic and political structure of the TRNC allows. The Bank offers services through its 5 branches in the cities of Nicosia (Lefkoşa) (2), Famagusta (Magosa), Kyrenia (Girne) and Gönyeli and staff force of 42 as of report date.

Kıbrıs Faisal İslam Bank has the status of 'public company' due to its multi-shareholder structure. On the other hand, Mr. Bensen SAFA became the majority shareholder in 2013 and held an 85.02% stake as of FYE2017, following the registered and paid-capital increases in 2014 and 2017. Following 2013, the bank has entered into a large-scale ongoing restructuring process to enhance the effectiveness of operational, audit and risk monitoring processes. The Bank had an inactive affiliate named Faisal İslam Yatırım Şirketi Ltd. with a 26.91% stake as of FYE2017, through which cost-plus financing services were provided before 2014.

The Company's Long Term National grade was upgraded one notch to **'BBB (Trk)'** with a **'Positive'** outlook.

Strengths

- Above sector equity level and CAR, fulfilling the minimum equity requirement of TRNC Banking Law and enabling room for future growths
- Improved and more sustainable income generation capacity
- Decreased operating, interest and provision expenses, contributing positively to profitability indicators
- High collateral and liquidity level partially compensating the adverse effects of above sector NPL ratio
- Upward trend in market share regarding asset size
- Comparatively high adaption level to changing market conditions

Constraints

- Below sector average profitability indicators despite improvement
- Above sector average NPL ratio
- Low provisioning ratio, generating suppression potential on future profitability figures together with high collateral level
- Improvement need in corporate governance practices
- Highly short-term weighted and concentrated structure of deposits
- Isolated economic and political structure of the TRNC together with the limitations of island economy mostly dependent on tourism, education and chance games signifying a major complication for the sector

1. Rating Rationale

The Banking Sector of the TRNC 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 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.

Ratings provided by JCR Eurasia Rating for **Kıbrıs Faisal İslam Bank Ltd.** are based principally on (i) the Bank's year-end solo independent audit reports, (ii) JCR Eurasia Rating's own studies and records, (iii) information provided by the Bank, and (iv) non-financial figures. Additionally, audited financial statements which were submitted to the Central Bank of TRNC were utilized in comparisons with the banking sector.

The Bank's 2017 audit report has been prepared in conformity with the TRNC Central Bank's communiqué of 'Principles Regarding the Companies to Make Independent Audit in Banks' and the 'International Auditing Standards'. The report includes the determinations of the Bank has an effective control system, internal systems are used adequately and the infrastructure and the systems used are suitable for the Bank's structure. Additionally, it states that the financial statements show the Bank's year-end financial condition and activity results in a real and reasonable manner.

The quantitative and qualitative assessments concerning profitability and performance figures, asset quality, capital adequacy, liquidity profile, corporate governance and risk management practices, main shareholders' financial and non-financial positions and expected support, growth strategy, market shares, and operating environment constituted the basic framework of the issues taken into consideration in the assignment of Kıbrıs Faisal İslam Bank's ratings.

Prominent Rating Considerations are;

High Equity Level and CAR

The Bank ratio of "equity to total assets" continuously stayed above the sector averages over the review period and stood at 11.80% as of FYE2017, above the sector average of 9.10%. Moreover, the Bank's Capital Adequacy Ratio (CAR) increased to 49.56% in 2017 from 29.38% in 2016 due to loan transactions that cannot catch up on deposit growth. The Bank's CAR stayed remarkably above the minimum CAR requirements set by the Basel Accord (8%)

and legal requirement of 10%, as well as the TRNC Banking's recommended level (12%). Moreover, throughout the reviewed period, the Bank's CAR ratios stayed above the averages of the TRNC Banking and the Private Banking Sectors. Moreover, the Bank realized TRY 10mn and TRY 12mn registered capital increases in 2014 and 2017, respectively, and its paid-capital increased by 266.67% from TRY 6.93mn in 2013 to TRY 25.41mn in July 2018, fulfilling the minimum equity requirement of TRNC Banking Law and enabling room for future growths and empowering achievability of projected growth.

Improved and More Sustainable Income Generation Capacity

Following the restructuring processes and the paid-capital increase in 2014, the Bank began to generate positive year-end profit figures mainly through the remarkable increases in net interest income accounting for approximately 55% of the year-end total income figures over the two years before the last year and 75.6% in 2017. Net interest income became the Bank's primary source of total income over the last three years. The net interest income exceeded the sector average (62.78%) and constituted 75.6% of the Bank's total income as of FYE2017 and demonstrated a remarkable increase from the 2014 figure of 12.48% thanks to progress in NIM over the stated period and decreased interest expenses in the last year. Moreover, the share of operating income, mostly composed of FX gains and income from other operations, decreased to 16.44%, leading to more sustainable income generation capacity for upcoming periods.

Positive Contribution to Below Sector Average Profitability Indicators

While the Bank began to generate positive year-end profit figures over the last four years, the profitability ratios ROAA and ROAE were remarkably below the sector averages in the review period despite the noteworthy improvement in the last year and stood at 1.13% and 7.68% against sector figures of 2.18% and 23.23%, respectively, as of FYE2017. The noteworthy improvement in the last year mainly resulted from a 20.29% increase in interest income together with a 12.15% decrease in interest expenses, resulting in a 40.27% increase in net interest income, and a 22.45% decrease in operating expenses mainly through almost finalized expenses regarding restructuring processes. Moreover, a 33.26% decrease in provisions supported the above stated improvement in profitability indicators, ROAA and ROAE.

Above Sector Average NPL Ratio and Low Provisioning Ratio together with High Liquidity Position and Collateral Level

The increasing lending activities resulted in an NPL ratio increased from below sector average values to above sector average value of 7.09% in 2016. It maintained its above sector average (5.72%) standing with a 2017 year-end figure of 6.65%, suppressing the asset quality. Moreover, in relation with the enhanced lending activities and increased NPL, the ratio of 'loans loss reserves to non-performing loans' decreased from 100% in 2013 to 32.50% in 2017, remarkably below the sector average of 60.12%, also suppressing the asset quality and generating suppression potential on future profitability indicators through loss reserves that would probably increase. On the other hand, the 63.22% of TRY 2.62mn over-due loans and 36.13% of TRY 35.09mn active loans were collateralized with mortgage, diminishing the adverse effects of above stated issues. Additionally, it is stated by the Bank's senior management that the collections will continue within the ineffective and slow progressing legal proceedings.

As the gross non-performing loans increased by 4.06% and the equity by 58.74%, the ratio of 'non-performing loans to equity' decreased to 10.56% and improved its standing against the sector average (36.81%) to above three-fold, contributing positively to asset quality and risk level.

Moreover, the Bank had TRY 149.97mn available liquid assets comprised of TRY 135.81mn in TRNC Central Bank, TRY 3.59mn in domestic banks and TRY 10.57mn in overseas banks as of FYE2017, relieving liquidity management and enabling room for future growths.

Need for Improvement in Corporate Government Practices

Kıbrıs Faisal Islam Bank is not a publicly traded company and as such fulfillment of best practices of corporate governance principles is not obligatory. On the other hand, its status of 'public company' stemming from its multi-shareholder structure and its operating field which is regulated by the Central Bank of TRNC creates the necessity of implementing corporate governance related practices. The Bank's Board of Directors is comprised of 5 members, none of whom are independent.

Although the periodic independent audit reports, organization chart, privacy policy, senior management titles and names, corporate strategy and vision & mission are provided in detail and disclosed to the public via its web site, the articles of association, annual activity reports, shareholder structure, the personal backgrounds and CVs of Board of Directors and senior management, ethic

principles, dividend and disclosure policies, remuneration policy regarding board members and executive managers should be disclosed to the public via the website to increase the compliance level with the corporate governance principles. Moreover, the Bank does not have any contribution to any social responsibility project.

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

The sustained existence of the political and economic isolation against the TRNC has a double-sided effect with positive side a factor that safeguards the TRNC's economy and banking system from external risks and volatility in the global economy, limiting contagion potential. On the other hand, TRNC remains highly dependent on social, economic and political developments in Turkey. Additionally, the inability to access global financial markets prevents the country from obtaining the funds necessary to drive the TRNC's development. Moreover, the island economy mostly dependent on tourism, education and chance games signifying a major complication for the sector.

Upward Trend in Market Share and Comparatively High Adaption Level to Changing Market Conditions

The total asset size of Faisal Islam Bank increased by 226.19% and amounted to TRY 210.44mn as of FYE2017 (FYE2016: TRY 64.5mn). Additionally, the asset size growth continued in the first half of 2018 by 45.31% and the Bank's asset size amounted to TRY 305.77mn as of 1H2018. The Bank's growth performance in cumulative terms continuously stayed above the sector average in the last five-year period. Accordingly, the Bank's market share regarding asset size amongst the entire TRNC Banking Sector exhibited an upward trend and increased to 0.81% in 2017 from 0.27% in 2013. Having a comparatively low market share is perceived as normal within the considerations of its recently changed shareholding structure and management approach, mostly completed reorganization processes, relatively small scale, restrained development potential of TRNC banking sector stemming from the limitations of international political isolation and the island economy predominantly depended on tourism, education and chance games. Additionally, the comparatively small scale, shareholding structure with high support appetite leading to high equity level and high liquidity position and recently changed organization structure together with increased efficiency of operational and risk management processes enabled a quickly responding structure to changes in market conditions.

Short-term Weighted and Concentrated Structure of Deposits

By the end of 2017, 24.90% (FYE2016: 74.86%) of total deposits were covered by the Savings Deposit Insurance Fund, indicating a relatively high customer concentration in deposits and generating a high volatility potential on deposit base for upcoming periods. Moreover, the fluctuations in the 'banks and other earning assets' over the last three years mainly derived from the fluctuations in the 'TRNC Central Bank' item increasing from TRY 2mn to TRY 26.15mn in 2015, decreasing to TRY 6.8mn in 2016 and increasing to TRY 134.6mn in 2017 indicates a volatility potential on the Bank's deposit base. According to the contractual maturities of total deposits, 96.4% of deposits fell into one-month maturity brackets including demand accounts, indicating a 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%); indicating short maturity funding structure prevalent in the sector.

With respect to the above-mentioned factors, JCR Eurasia Rating has affirmed the long term international foreign currency and local currency ratings as **'BBB-'**, the same as that of the sovereign ratings of the Republic of Turkey, JCR Eurasia Rating recognizes that the sovereign risk of the TRNC is the same as that of the Republic of Turkey, and the Long Term National Local rating was upgraded one notch to **'BBB (Trk)'** in JCR Eurasia Rating's notation system, which denotes a satisfactory investment grade.

2. Outlook

JCR Eurasia Rating has assigned a **'Positive'** outlook on the National Long Term Rating perspectives of Kıbrıs Faisal İslam Bank within the considerations of its above sector average equity level supported through paid-capital increases in 2014 and 2017, fulfilling the minimum equity requirement of TRNC Banking Law Draft, continuing improvement in profit and revenue generation capacity thanks to decreased operating and interest expenses together with increased interest income, decrease volatility potential on future total income through increased share of net interest income in total income, improved risk exposure levels in credit, market and liquidity risks, 2018 semi-annual figures corresponding to 63%, 133% and 137% of 2018 net profit, total assets and deposits projections, probable collections from over-due loans mostly (63.22%) collateralized with mortgage and probable positive effects of realized and progressing restructuring processes on operating volume and internal equity generation capacity.

JCR Eurasia Rating has assigned **'Stable'** outlooks on the short and long term rating perspectives of the Company – except the long term national note for which **'Positive'** outlook was assigned - considering the Company's improved but still below paid-capital equity level stemming from previous years' losses, improved but above sector average NPL ratio together with relatively high collectability through collaterals covering mortgages, suppression potential on future profitability indicators derived from low provisioning ratio and highly competitive, volatile and challenging market conditions.

The main driving forces that can call forth a revision in the current outlook status include Bank related issues affecting asset quality, liability profile and profitability, along with possible revision in Turkey's sovereign ratings, management performance of additional risks that may arise from the country risks of Turkey and the TRNC, continuing volatility in the global financial climate and political tension in the region.

3. Sponsor Support and Stand-Alone Assessment

Sponsor Support notes and risk assessments mainly reflect the financial and non-financial positions and assistance capability of the controlling shareholders, Mr. Bensen SAFA, of the Kıbrıs Faisal İslam Bank Ltd., and the systematic support level of the TRNC Banking Sector through sectoral regulations, associations and public institutions. In the light of TRY 10mn and TRY 12mn registered capital increases in 2014 and 2017, respectively, 266.67% paid-capital increase from TRY 6.93mn in 2013 to TRY 25.41mn in July 2017, fulfilling the minimum equity requirement of TRNC Banking Law Draft, and the restructuring processes started in 2014, it is considered that the Bensen SAFA has the propensity and adequate experience to offer efficient operational and financial support within its financial capacity when liquidity needs arise in the short or long-term perspective. In this regard, JCR Eurasia Rating has affirmed the Sponsor Support Grade as **'2'**, denoting a moderate external support possibility.

The Stand Alone Note of the Bank has been upgraded to **'C'** from **'CD'** within the considerations of its improved and exceeding paid-capital equity figure as of 1H2018, remarkably above sector average CAR and more sustainable income and profit generation capacity in a way that would support the equity level in the upcoming periods. This Stand Alone note indicates a moderate

company that the Bank is expected to honor outstanding financial commitments without any external support.

4. Company Profile

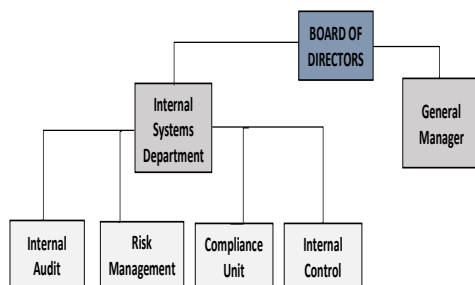
a) History & Activities

Kıbrıs Faisal İslam Bankası Ltd is the very first bank capitalised by foreign investors in Turkish Republic of Northern Cyprus (TRNC), was established in October 1982 and became operational in March 1983. The Bank provides conventional banking services to the extent that the isolated economic and political structure of the TRNC allows.

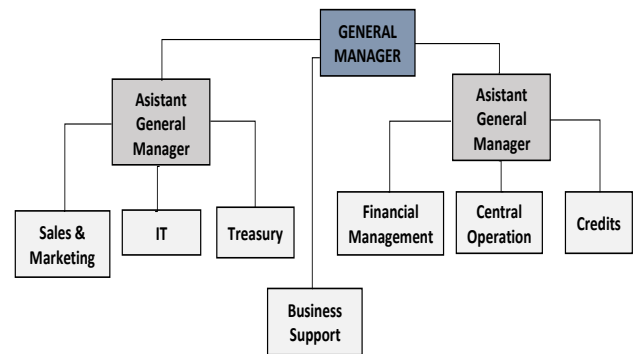
b) Organization & Employees

As of the report date, the Bank employed a total staff force of 42, 15 of which in headquarters, and carried out its operations through 5 branches spread across 4 cities (2 Nicosia and 1 each Gönyeli, Famagusta and Kyrenia). In addition to the conventional services stream offered through the branch network, the Bank also provides services through internet banking facilities.

The organizational chart of the Bank is illustrated below. The Bank has Internal Audit, Risk Management, Compliance Unit and Internal Control structured under the Board of Directors reporting to Internal Systems Department.



The organizational structure under the general manager incorporates seven main units (sales & marketing, IT, treasury, business support, financial management, central operation and credits), one of which (business support) reporting directly to general manager and the others to two assistant general managers.



c) Shareholders, Subsidiaries & Affiliates

The shareholder structure of the Bank, showing shareholders with a share over 1%, is given in the table below. The Bank has the status of 'public company' due to its multi-shareholder structure. The exceed of Bensen SAFA's share of 9.45% in 2012 to over 10% was approved by the decision of TRNC Central Bank dated 12 April 2012. Accordingly, Mr. Bensen SAFA was the majority shareholder of the Bank over the last four years, with 85.02% stake as of FYE2017 (FYE2016: 67.30%). The other item of shareholding structure consists of 129 real or legal persons.

Shareholders	FYE2017	
	TRY	%
Bensen SAFA	21,600,747	85.02
Algosaibi Investment Holdings	1,054,270	4.15
Raja Ashman Shah Bin Raja Azlan Shah	609,868	2.40
Nageep Ishaq Abdulrahim Al Kooheji	541,851	2.13
Abdul Rahim Ishak Al Kooheji	482,347	1.90
Tariq Ishaq Abdulrahim Al Kooheji	481,146	1.89
Others	635,501	2.50
Paid Capital (TRY)	25,405,730	100.00

Faisal İslam Yatırım Şirketi Ltd., offering investment services, was an affiliate of the Bank with a 29.61% stake. The Bank's majority shareholder, Mr. Bensen SAFA, was also the majority shareholder of it with a 65.4% as of FYE2017. It also has a 'public company' status stemming from its multi-shareholder structure composed of 122 shareholders including the Bank and Mr. Bansen SAFA. The 2017 year-end shareholding structure showing shareholders with shares over 1% and 2017 year-end main financial figures of it is illustrated below.

Shareholders	FYE2017	
	TRY	%
Bensen SAFA	6,613,710	65.40
Algosaibi Investment Holdings	2,721,056	26.91
Rayan Investment Co.	138,826	1.37
Abdulla Abduljabbar M. El Kooheji	120,262	1.19
Others	518,917	5.13
Paid Capital (TRY)	10,112,771	100.00
Main Financial Figures (TRY) FYE2016		
Total Assets	12,797,013	
Equity	7,808,061	
Net Profit	700,444	

d) Corporate Governance

Compliance with the Corporate Governance Principles is not an obligation for the company as Kıbrıs Faisal Islam Bank is not a publicly traded company. On the other hand, its operating field which is regulated by the Central Bank of TRNC and its status of 'public company' stemming from its multi-shareholder structure creates the necessity of implementing corporate governance related practices. Moreover, implementation of corporate governance related practices and higher compliance levels to the principles contribute to market risk perception of the company.

The Bank's Board of Directors remained unchanged and comprised of 5 members, none of whom are independent. It is concluded that the Board Members have the adequate qualifications and experience to administer their duties and that the Board sufficiently performs its duties of leading, supervising and inspecting.

Board of Directors

Bensen SAFA	Chairman
Rüştü Erol ARABACIOĞLU	Member, Internal Systems Officer
Özgür ERKER	Member, General Manager
Hasan BABALIİKİ	Member, Secretary
Mehmet Kemal BARUT	Member

The Committees (corporate governance, audit and early detection of risk) outlined in the 'Corporate Governance Principals' (CGP) have not yet been established in the Company. On the other hand, the Bank has a separate Internal Systems Department including Internal Audit, Risk Management and Compliance Unit structured under the Board of Directors reporting to board member responsible for internal systems. Accordingly, the tasks of the committees outlined in the CGP, particularly the audit and early detection of risk, are performed by the stated units.

Periodic independent audit reports, organization chart, privacy policy, senior management titles and names, corporate strategy and vision & mission and rating report are provided in detail under 'About Us' heading and are disclosed to the public via its web site. On the other hand, the articles of association, annual activity reports, shareholder structure, the personal backgrounds and CVs of Board of Directors and senior management, ethic principles, dividend and disclosure policies, remuneration policy regarding board members and executive managers should be disclosed to the public via the website to increase the compliance level with the corporate governance principles. The Bank does not have any contribution to any social responsibility project.

e) The Bank Strategy

Being a leading source providing financing and investment opportunities for all individual and corporate customers in TRNC is the main strategy of the Bank. The Bank aims to continuously improve its product range and service quality, to maintain the satisfaction of its customers and employees at the highest level, to be a pioneer in world-class banking services with its technological banking products and to be the first bank to offer innovative services to customers in the way of its strategy.

5. Sector Overview & Operational Environment

The Banking Sector of the TRNC (Turkish Republic 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 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 Banking Law No. 62/2017.

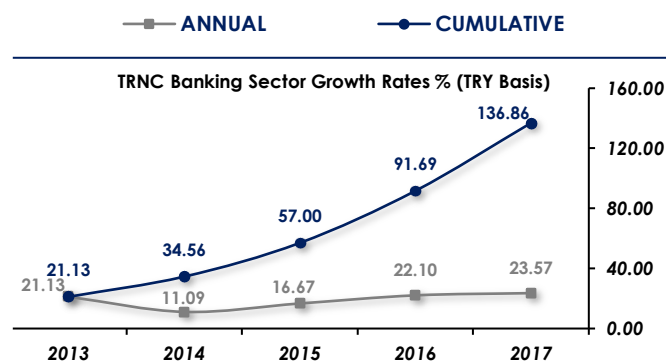
The table below provides an overview of the banking sector in the TRNC as of 1Q2018. HSBC Bank KKTC Branches merged with the Albank Ltd. in 2017 through transfer of all assets and liabilities of HSBC branches to Albank Ltd.

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 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).

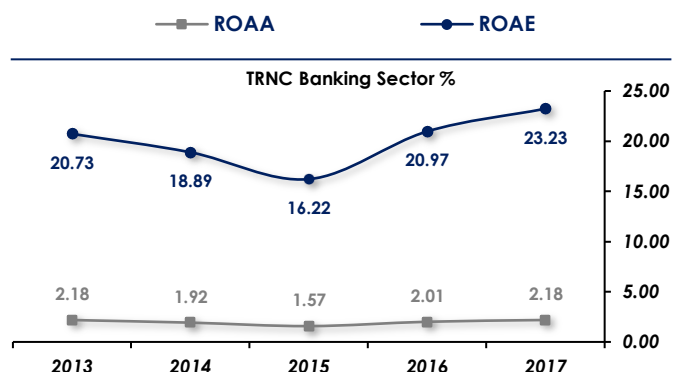
TRNC Banking Sector attained a growth rate of 136.86% on TRY terms during the last five years and recorded continuously increasing cumulative growth rates in every reporting period. Annual growth rates exhibited an increasing trend since 2014. The annual growth rate increased from 11.09% in FY2014 to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



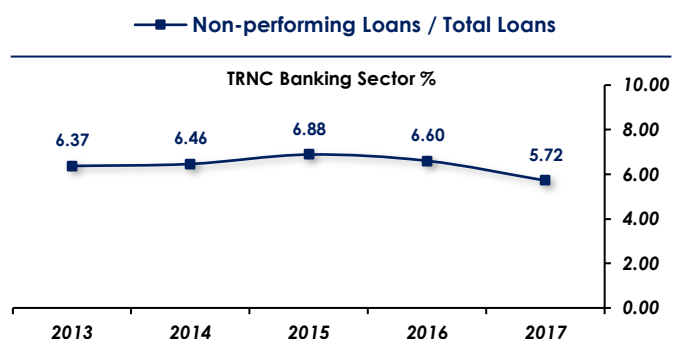
Deposits which increased by 26.6% in YoY basis and amounted to TRY 22.35bn as of 1Q2018, represented the principal resource of the sector with a share of 80.7% largely stemming from the isolated economic and political status of TRNC (1Q2017: TRY 17.65bn and 79.86%, respectively). In addition to this, 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 figure of TRY

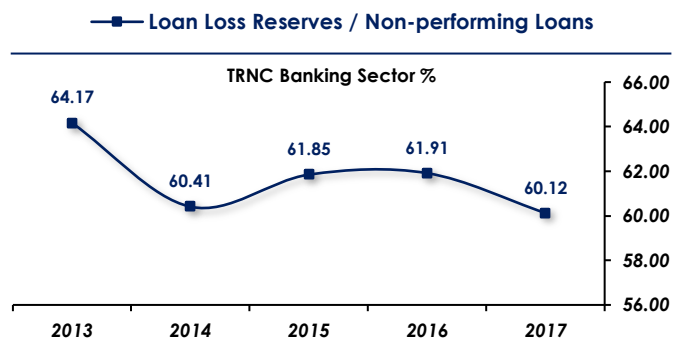
306.7mn. Furthermore, the Return on Average Assets (ROAA) and Return on Average Equity (ROAE) increased to 2.18% and 23.23%, respectively at FYE2017.



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 less rise in NPLs of 3.84% compared to the higher rise of 20.74% in total gross loans throughout the same period.

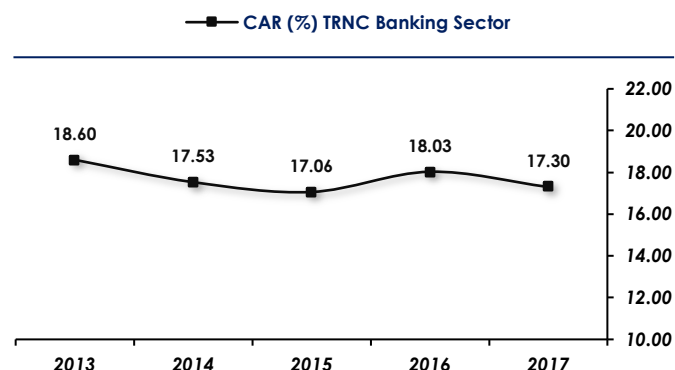


The loan loss reserves to non-performing loans ratio exhibited a decreasing trend since 2013 and stood at 60.12% as of FYE2017.



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 year 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 the access to diversified financial resources and opportunities. Thereby, international isolation remains an important issue for the island's further economic development and the development of its banking sector. In addition to conventional banking activities, a number of alternative distribution channels including the internet, mobile banking services and ATMs are also 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 17.11.17 and entered 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 KKTCMB was restructured in 2017 and its organizational structure was adapted to today's central banking system. The most of the studies regarding the establishment of Corporate Electronic Payment System

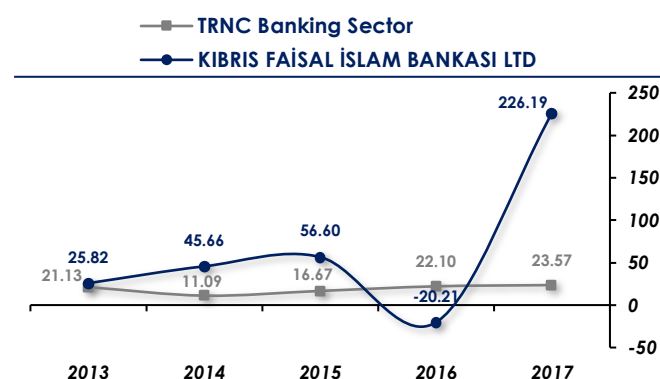
(CEPS), initiated following the Electronic Payment System (EÖS) which has been passed for the purpose of making the transfer of funds efficient and remote from the operational risks, has been completed in 2017. The studies on the inclusion of the loans extended to the members by the cooperatives to the 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

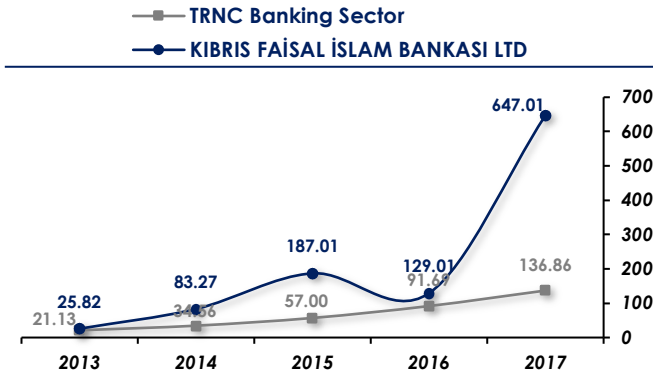
a) Financial Indicators & Performance

i. Indices relating to size

The total asset size of Faisal Islam Bank increased by 226.19% and amounted to TRY 210.44mn as of FYE2017 (FYE2016: TRY 64.5mn). The improvement was principally derived from the increase in the items of 'KKTC Central Bank' in asset side and 'commercial institutions and interbank deposits' in liabilities side. On the other hand, the loans increased by 10.67% in the same period, indicating a limited banking intermediation function. Additionally, the asset size growth continued in the first half of 2018 by 45.31% and the Bank's asset size amounted to TRY 305.77mn as of 1H2018.

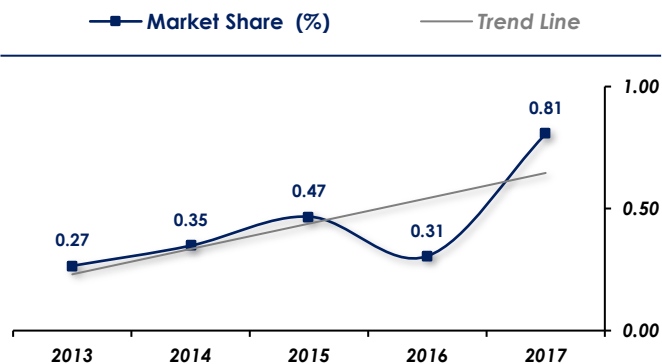


The Bank's growth performance in cumulative terms continuously stayed above the sector average in the last five-year period, increased sharply in the last year and stood at 647.01% as of FYE2017, approximately five-fold of the sector figure.



The Bank's market share regarding asset size amongst the entire TRNC Banking Sector, based on the audited financial statements which was submitted to the Central Bank of TRNC, increased to 0.81% at FYE2017 from the previous year figure of 0.31% and maintained its increasing trend despite the deterioration in 2016.

According to FYE2017 results, Faisal Islam Bank improved its ranking regarding market share in terms of asset size to 19th amongst the 21 banks in TRNC banking sector. Having a comparatively low market share is perceived as normal within the considerations of its recently changed shareholding structure and management approach, mostly completed reorganization processes, relatively small scale, restrained development potential of TRNC banking sector stemming from the limitations of international political isolation and the island economy predominantly depended on tourism, education and chance games.

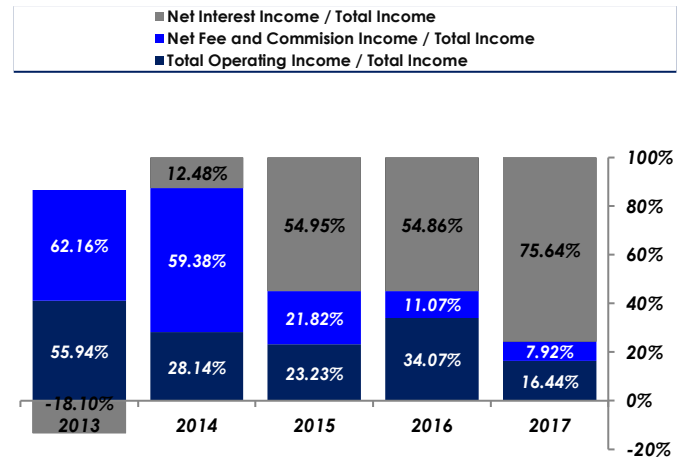


The Bank management has projected an asset size growth of 9.3% to TRY 230mn for the year-end 2018, which was realized as of 1H2018 with TRY 305.8mn asset size.

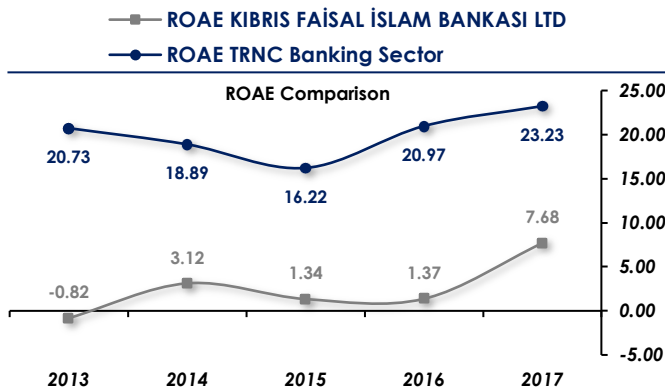
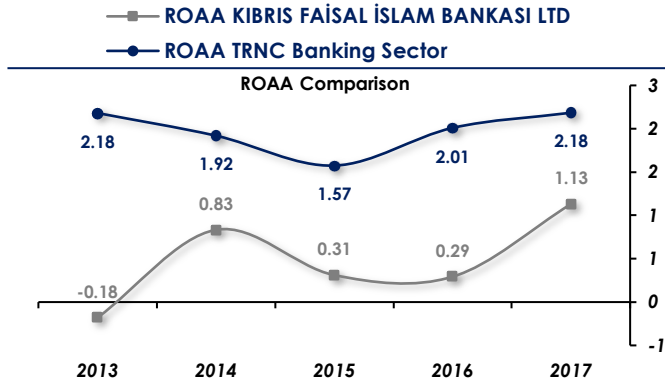
ii. Indices relating to profitability

Faisal Islam Bank recorded a net profit of TRY 1.1mn as of FY2017, a YoY steep increase of 772.18% compared to the previous year's figure of TRY 126k, according to the audited financial statements submitted to the TRNC Central Bank. Following the paid capital increase of TRY 10mn in 2014, the Bank began to generate positive year-end profit figures mainly through the remarkable increases in net interest income accounting for approximately 55% of the year-end total income figures over the two years before the last year and 75.6% in 2017.

In line with the Banking Sector as a general, net interest income became the Bank's primary source of total income over the last three years. The net interest income constituted 75.6% of total income of the Bank as of FYE2017 and demonstrated a remarkable increase from the 2014 figure of 12.48% thanks to progress in NIM over the stated period, particularly the two years before the last year, and decreased interest expenses in the last year. Moreover, the share of operating income, mostly composed of FX gains and income from other operations, decreased to 16.44% and led to an improvement in the volatility potential on future total income figures.



While the Bank materialized positive profitability indicators over the last three years, they were remarkably below the sector averages in the review period. On the other hand, they improved in the last year mainly due to a 20.29% increase in interest income together with a 12.15% decrease in interest expenses, resulting in a 40.27% increase in net interest income, and a 22.45% decrease in operating expenses. Moreover, a 33.26% decrease in provisions supported the above stated improvement in profitability indicators, ROAA and ROAE.

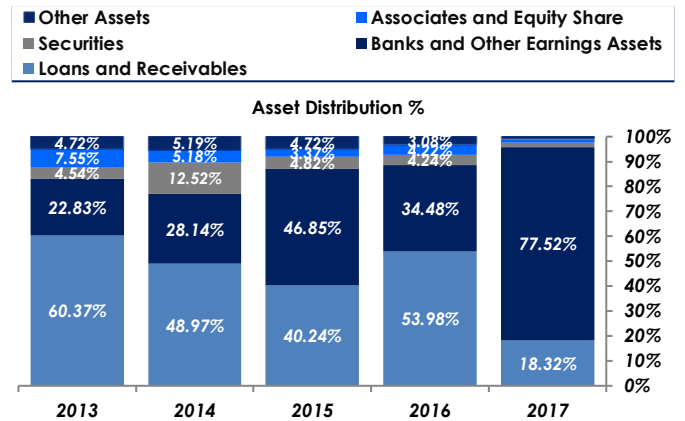


The Bank's net profit margin realized a remarkable improvement from 2.27% to 19.47% in 2017 mainly due to increased net interest income and decreased OPEX and provisions despite the contraction in fee and commission income, leading to a remarkable growth in the Bank's 2017 year-end profit figure.

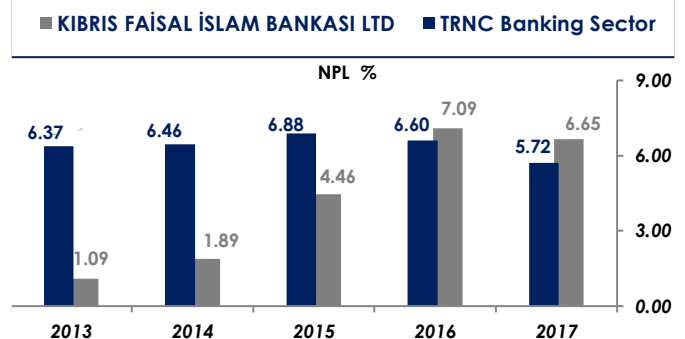
b) Asset quality

The Bank's asset dispersion is presented in the graph below. Although the loans increased by 10.67%, its share in total assets decreased from 53.98% to 18.32% in the last year mainly due to a 633.35% increase in 'banks and other earning assets' derived mainly from the increase in balance with CB demand deposits. The fluctuation in the 'banks and other earning assets' over the last three years mainly derived from the fluctuations in the 'TRNC Central Bank' item increasing from TRY 2mn to TRY 26.15mn in 2015, decreasing to TRY 6.8mn in 2016 and increasing to TRY 134.6mn in 2017.

The Bank's loan to asset ratio was remarkably below the TRNC banking sector's ratio of 56.60% at the end of FY2017. By the end of 2017, as in the previous year all the Bank loans were private sector based and 99.5% were domestic. Lending to affiliate held a 4.53% share in total.

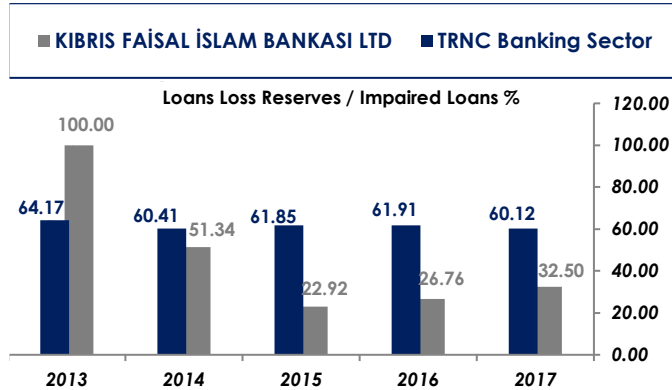


The non-performing loans of the Bank exercised an above sector average (3.84%) increase of 4.06% and amounted to TRY 2.62mn as of FYE2017 (FYE2016: 71.93% and TRY 2.52mn). On the other hand, both the Bank's and sector's NPL ratio improved in the last year thanks to higher increases of 10.97% and 19.93% in gross loans, respectively. Accordingly, the Bank's NPL ratio of 6.65% maintained its above sector average (5.72%) standing, generating a higher suppression on the asset quality than that of the sector average. Moreover, the gross non-performing loans amount of TRY 2.62mn had a dispersion of 12.26% in limited collectability (FYE2016: 12.47%), 5.47% in doubtful collectability (FYE2016: 46.46%) and 82.26% in loss nature (FYE2016: 41.07%). Accordingly, the Bank's non-performing loans had a limited collectability and a limited collection (TRY 194.5k) from non-performing loans has been realized in 2017. Moreover, within the consideration of 36.49% provisioning level of non-performing loans in loss nature, the future provisions regarding to this segment would probably exert pressure on profit figures in the upcoming periods.

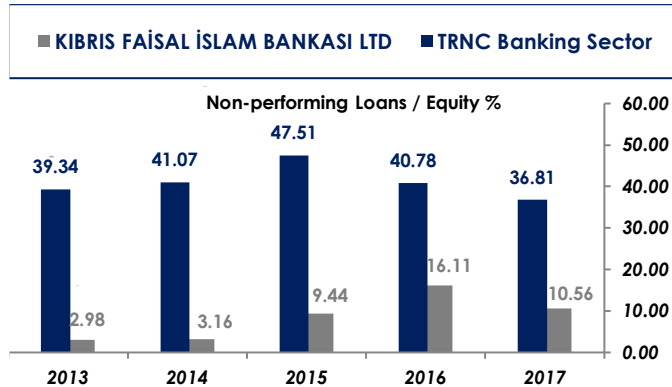


In relation with the enhanced lending activities and increased NPL, the ratio of 'loans loss reserves to non-performing loans' decreased from 100% in 2013 to 32.50% in 2017 and stayed remarkably below the sector average of 60.12% despite the improvement over the last two years,

generating suppression potential on future profitability indicators through loss reserves that would probably increase as stated above.



As the gross non-performing loans increased by 4.06% against the 58.74% increase in equity, the ratio of 'non-performing loans to equity' decreased to 10.56% and improved its standing against the sector average to above three-fold, contributing positively to asset quality and risk level.

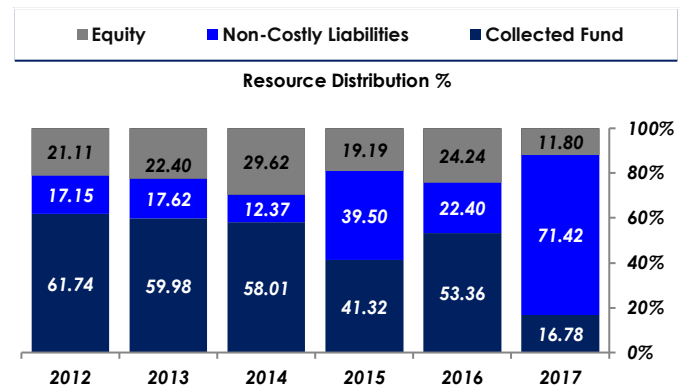


c) Funding & Adequacy of Capital

As a conventional funding sources, deposits accounted for the largest share of the Bank's funding base with a rate of 87.07% (FYE2015: 74.32%). The stated growth in the share of deposits derived from the total deposits (including bank's) increased to TRY 183.2mn at FYE2017 from TRY 47.9mn at the end of 2016. The demand deposits, corresponding to approximately 81% (FYE2016: 28%) of total deposits, was included in non-costly liabilities in the graph below. Accordingly, the increasing share of demand deposits from 28% to 81% resulted in a remarkable increase in of non-costly liabilities' share in resource distribution, contributing positively to profit generation capacity of the Bank through decreased level of costly funds. As the deposits exercised a higher increase than the equity, the share of equity in resource distribution decreased to 11.80% as of FYE2017 despite a 58.74%

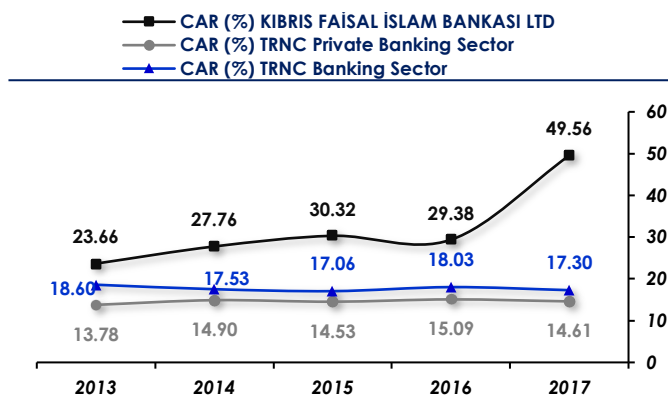
increase supported with both the TRY 7.1mn year-end net profit and the TRY 9.18mn cash paid capital increase.

By the end of 2017, 24.90% (FYE2016: 74.86%) of total deposits were covered by the Savings Deposit Insurance Fund, indicating a relatively high customer concentration in deposits and generating a high volatility potential on deposit base for upcoming periods. According to the contractual maturities of total deposits, 96.4% of deposits fell into one-month maturity brackets including demand accounts, indicating a 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%); indicating short maturity funding structure prevalent in the sector.

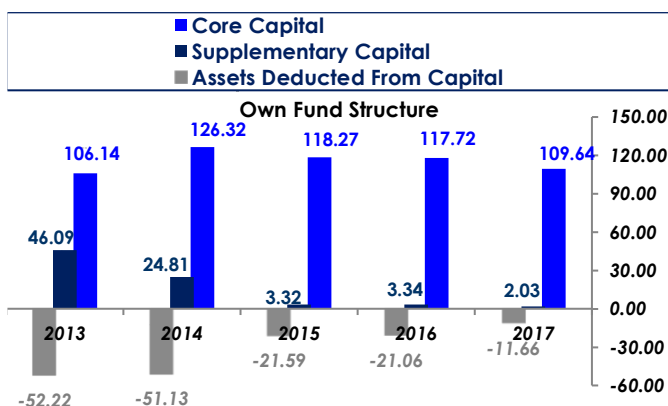


It must also be noted that the Bank had no borrowings from international markets through securitization, syndication loans nor direct loans due to the isolated economic and political structure of the TRNC.

At the end of FY2017, the Bank's Capital Adequacy Ratio (CAR) remarkably increased to 49.56% from the FYE2016 figure of 29.38%. The CAR ratio remained remarkably above the minimum CAR requirements set by the Basel Accord (8%) and legal requirement of 10%, as well as the TRNC Banking's recommended level (12%). Moreover, throughout the reviewed period, the Bank's CAR ratios stayed above the averages of the TRNC Banking and the Private Banking Sectors. We, as JCR Eurasia Rating, assume that the current CAR ratio provides a highly acceptable shield against potential incidental losses given that the minimum equity requirement of the Banking Law is fulfilled.



The Bank's own fund dispersion is shown in the table below. Own fund structure displayed an above 100% share of core capital, principally consisting of paid-up capital, reserves, profit/loss for the period and previous years retained earnings, indicating a below paid-capital equity amount mainly derived from the previous years' losses. Relatively high share of supplementary capital and deductions was the result of revaluation provisions for associates, affiliates to share capital and credit limit overrun. Following the disappearance of revaluation provisions and credit limit overrun, the shares of supplementary capital and deductions decreased to acceptable levels and the share of core capital began to decrease through positive profit figures over the last three years, diminishing previous years' losses.



7. Risk Profile and Management

a) Risk Management Organization & its Function – General Information

The Internal Audit, Risk Management, Internal Control and Management Systems Communique has been revised by the TRNC Central Bank and put into practice on December 18, 2014. Accordingly, the Bank established Internal Systems Department and Internal systems

regulation started to be implemented in 2014 both to comply with the communique and to enhance the reliability and effectiveness of the Bank's internal control system and risk management processes. In September 2015, an Internal Audit unit manager was appointed. Accordingly, the risk management, audit and compliance activities were separated, become independent from an organizational standpoint and performed by Risk Management, Internal Audit and Compliance Unit, respectively, which were all structured under the Internal Systems Department on the responsibility of a certain board member and reporting directly to the Board of Directors. Internal Audit Unit, Risk Management Unit, Internal Control and Compliance Unit regulations have been prepared and unit supervisors have been appointed. There has been no change in the risk management processes and organization of the Bank since the previous report date. The stated units continued their activities under the supervision of Board Member responsible for internal systems in 2017 and regularly reported to the Board of Directors. The internal audit unit completed the inspections of 5 branches, 5 Headquarters Unit and 3 internal systems units in 2017.

Kıbrıs Faisal İslam Bank is principally exposed to Credit, Liquidity, Operational and Market risks. The identification, assessment and monitoring of these risks are carried out by the Risk Management Unit. The Risk Management Unit continues its activities with one manager. The senior management of the bank does not regard the risk management system as a legal reporting requirement and regards this system as one of the indispensable elements of corporate governance. The Risk Management Department reports the results of risk measurement and monitoring to the Board of Directors on a regular and timely basis. It has undertaken the mission of increasing the risk culture in the organization and adoption of a risk-oriented management approach in decision-making processes.

b) Credit Risk

The Bank tries to manage and reduce its credit risk by limiting its lending activities with banks, institutions and individuals having high credibility and requests additional collateral where necessary. Increasing the number of credit customers and selection of credit customers with different fields of activity are the other methods used by the Bank to reduce credit risk exposure.

The Company's top 20 customers constituted 38.75% (FYE2016: 51.39%) and the top 100 77.71% (FYE2016: 80.34%) of the total cash loans as of FYE2017. Additionally, 50% of the total cash loans was composed of 29 credit customers (FYE2016: 20), all of which were

improved but still above the acceptable levels of national reference indices. Similarly, the ratios for non-cash loans were also above the reference indices with 2 customers for 50% of total non-cash loans, indicating a comparatively high credit risk exposure. On the other hand, they may be perceived as reasonable within the consideration of isolated economic and political structure of the TRNC together with the limitations of island economy. Additionally, relatively limited number of customers both in cash and non-cash loans of 743 and 49, respectively, and 61.25% and 56.30% concentrations in 1-250k cash loan bracket and 1-100k non-cash loan bracket, respectively, reduces the adverse effect of above stated comparatively high credit risk exposure.

Moreover, as the Bank's loans volume increased by 52.44% over the last three years, the overdue loans increased by 442.32% in the same period, resulting in a below sector average NPL ratio of 1.89% in 2014 to above sector average NPL of 6.65% in 2017, indicating an improvement need in credit risk management processes. On the other hand, it should also be noted that the 63.22% of TRY 2.62mn over-due loans and 36.13% of TRY 35.09mn active loans were collateralized with mortgage, diminishing the adverse effects of credit risk exposure.

c) Liquidity Risk

The Bank's liquidity risk is managed by Risk Management Unit in line with risk management policies and risk appetite approved by the BoD in order to take appropriate and timely measures against possible liquidity shortages that may outcome from market conditions and balance sheet profile of the Bank. Within the scope of market risk management, the Risk Management Unit defines, measures, monitors and controls liquidity risk, monitors cash flows and liquid asset composition, performs scenario analysis and stress tests when necessary and controls compliance with limitations and limits imposed on liquidity risk.

The Bank had no borrowings and its main funding sources are deposits and its own funds. The Bank manages the liquidity risk by maintaining adequate level cash and cash equivalents. As of FYE2017, the Bank had TRY 149.97mn available liquid assets comprised of TRY 135.81mn in TRNC Central Bank accounts, TRY 3.59mn in domestic banks and TRY 10.57mn in overseas banks, relieving liquidity management.

d) Market Risk

The Bank's Risk Management Unit performs the following activities within the scope of market risk management; to monitor positions subject to market risk, to measure, monitor and control of the market risk using standard and/or risk exposure value methods, to evaluate the limits for interest rate, exchange rate and share price risk within the framework of capital adequacy and profitability criteria, to define and measure the interest rate, foreign exchange rate and share price risks and to perform retrospective test, scenario analysis and stress tests regarding stated risks when necessary.

The Bank exposed to interest rate risk due to its interest sensitive assets and liabilities, particularly loan receivables and deposits, respectively. The Bank manages its interest risk exposure through matching efforts of interest rate sensitive assets and liabilities. The Bank is basically exposed to foreign currency fluctuations risk. As of FYE2017, the Bank's total foreign currency position to assets and equity ratios were 0.03% and 0.29% (FYE2016: 0.34% and 1.4%), respectively, continued their improvement and materialized noteworthy decrease over the last three years from 2014 year-end figures of 13.08% and 44.16%, respectively, contributing positively to risk level.

e) Operational, Legal Regulatory & Other Risks

The Bank's Risk Management Unit performs the following activities within the scope of operational risk management; evaluating the suitability of operational risk limits, establishment of the database for the loss caused by operational risk incidents, monitoring and controlling the security and risk level of the Bank's transaction processes in cooperation with the Internal Audit Unit, to make suggestions to minimize the risks that may arise from human resources and technology, controlling the policy suitability of the actions taken by the Executive Board and the Bank's Executive Management on operational risk.

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

8. Budget

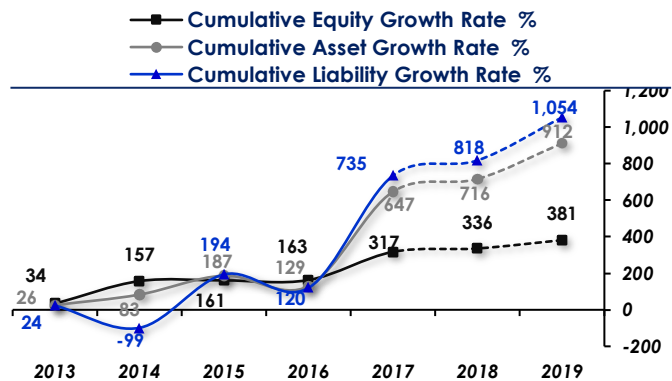
The 2018 and 2019 year-end projections submitted by the Bank regarding basic financial indicators are as follows:

Basic Balance Sheet Figures TRY (000)

	Budgeted	Actual	Realization %	Budgeted	Budgeted
	2017	2017	2017	2018	2019
Total Assets	110,000	210,438	191.31	230,000	285,000
Loans	47,000	35,086	74.65	45,000	50,000
Deposits/Participate Accounts	58,000	183,225	315.91	200,000	250,000
Equity	25,512	24,822	97.30	25,921	28,621
Paid Capital	25,406	25,406	100.00	25,406	25,406
Net Profit	500	1,099	219.80	2,800	3,500
Annual Asset Growth %	70.50	226.19		9.30	23.91
Equity/Total Asset %	23.19	11.80		11.27	10.04

Faisal Islam Bank projected growths of 9.30%, 4.43%, and 154.78% in asset size, equity and net profit as of FYE2018, respectively. In line with the previous year projection, the Bank increased its paid-capital to TRY 25,405.7k as of July 13, 2017, fulfilling the EUR 5mn minimum equity requirement of TRNC Banking Law Draft. Within the consideration of the previous year's high realization ratios and 2018 semi-annual figures corresponding to 63%, 133% and 137% of 2018 net profit, total assets and deposits projections, 2018 and 2019 year-end projections are perceived as quite achievable.

Integrating the above stated projected growth with the last four years' growth series resulted in cumulative assets, equity and liability growth rates of 912%, 381% and 1,054% compared to FYE2013 as of FYE2019.



KIBRIS FAİSAL İSLAM BANKASI LTD BALANCE SHEET - ASSET (000)	FYE 2017 USD (Converted)	FYE 2017 TRY (Original)	FYE 2017 TRY (Average)	FYE 2016 TRY (Original)	FYE 2016 TRY (Average)	FYE 2015 TRY (Original)	FYE 2015 TRY (Average)	FYE 2014 TRY (Original)	As % of 2017 Assets (Original)	As % of 2016 Assets (Original)	As % of 2015 Assets (Original)	FYE 2017 Growth Rate %	FYE 2016 Growth Rate %	FYE 2015 Growth Rate %
A- TOTAL EARNING ASSETS (I+II+III)	54,477.16	205,482.40	132,645.45	59,808.50	67,062.58	74,316.66	60,295.36	46,274.07	97.65	92.71	91.92	243.57	-19.52	60.60
I- LOANS AND LEASING RECEIVABLES (net)	10,218.56	38,543.39	36,685.59	34,827.79	33,681.73	32,535.67	28,910.18	25,284.68	18.32	53.98	40.24	10.67	7.04	28.68
a) Short Term Loans	2,537.30	9,570.45	10,014.96	10,459.46	11,129.37	11,799.27	13,584.13	15,368.99	4.55	16.21	14.59	-8.50	-11.35	-23.23
b) Lease Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Medium & Long Term Loans	6,764.59	25,515.35	23,341.35	21,167.36	19,836.22	18,505.08	13,654.94	8,804.81	12.12	32.81	22.89	20.54	14.39	110.17
d) Over Due Loans	694.84	2,620.87	2,569.74	2,518.62	1,991.78	1,464.94	974.10	483.27	1.25	3.90	1.81	4.06	71.93	203.13
e) Others	447.67	1,688.55	1,522.40	1,356.24	1,229.20	1,102.16	988.94	875.71	0.80	2.10	1.36	24.50	23.05	25.86
f) Receivable from Customer due to Brokerage Activities	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
g) Allowance for Loan and Receivables Losses (-)	-225.83	-851.82	-762.86	-673.90	-504.84	-335.77	-291.93	-248.10	-0.40	-1.04	-0.42	26.40	100.70	35.34
II- OTHER EARNING ASSETS	43,248.27	163,128.14	92,686.24	22,244.34	30,063.14	37,881.95	26,203.92	14,525.90	77.52	34.48	46.85	633.35	-41.28	160.79
a) Balance With Banks -Time Deposits	3,753.18	14,156.62	12,951.58	11,746.55	8,978.56	6,210.58	8,035.68	9,860.77	6.73	18.21	7.68	20.52	89.14	-37.02
b) Money Market Placements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Reserve Deposits at CB (*)	3,801.26	14,337.96	9,018.31	3,698.65	4,610.58	5,522.50	4,091.25	2,660.00	6.81	5.73	6.83	287.65	-33.03	107.61
d) Balance With CB- Demand Deposits	35,693.83	134,633.56	70,716.35	6,799.15	16,474.01	26,148.86	14,077.00	2,005.13	63.98	10.54	32.34	1,880.15	-74.00	1,204.10
III- SECURITIES AT FAIR VALUE THROUGH P/L	1,010.33	3,810.87	3,273.62	2,736.37	3,317.70	3,899.04	5,181.26	6,463.49	1.81	4.24	4.82	39.27	-29.82	-39.68
a) Treasury Bills and Government Bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Other Investment	1,010.33	3,810.87	3,273.62	2,736.37	3,317.70	3,899.04	5,181.26	6,463.49	1.81	4.24	4.82	39.27	-29.82	-39.68
c) Repurchase Agreement	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
B- INVESTMENTS IN ASSOCIATES (NET) + EQUITY SHARE	721.40	2,721.06	2,721.06	2,721.06	2,721.06	2,721.06	2,697.78	2,674.51	1.29	4.22	3.37	0.00	0.00	1.74
a) Investments in Associates (Net)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Equity Share	721.40	2,721.06	2,721.06	2,721.06	2,721.06	2,721.06	2,697.78	2,674.51	1.29	4.22	3.37	0.00	0.00	1.74
C- NON-EARNING ASSETS	592.40	2,234.47	2,109.81	1,985.16	2,899.93	3,814.70	3,247.32	2,679.94	1.06	3.08	4.72	12.56	-47.96	42.34
a) Cash and Cash Equivalents	311.96	1,176.70	935.64	694.58	921.10	1,147.63	1,252.51	1,357.39	0.56	1.08	1.42	69.41	-39.48	-15.45
b) Balance With Banks - Current Accounts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Financial Assets at Fair Value through P/L	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Accrued Interest from Loans and Lease	55.96	211.08	162.27	113.46	631.16	1,148.87	616.20	83.53	0.10	0.18	1.42	86.04	-90.12	1,275.38
e) Other	224.47	846.69	1,011.91	1,177.12	1,347.66	1,518.21	1,378.61	1,239.02	0.40	1.82	1.88	-28.07	-22.47	22.53
- Intangible Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
- Property and Equipment	135.98	512.89	652.10	791.30	893.19	995.07	839.62	684.17	0.24	1.23	1.23	-35.18	-20.48	45.44
- Deferred Tax	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
- Other	88.50	333.80	359.81	385.81	454.48	523.14	538.99	554.85	0.16	0.60	0.65	-13.48	-26.25	-5.71
TOTAL ASSETS	55,790.96	210,437.93	137,476.32	64,514.71	72,683.56	80,852.42	66,240.47	51,628.52	100.00	100.00	100.00	226.19	-20.21	56.60

KIBRIS FAİSAL İSLAM BANKASI LTD	FYE	FYE	FYE	FYE	FYE	FYE	FYE	FYE	As % of	As % of	As % of	FYE	FYE	FYE
BALANCE SHEET LIABILITIES & SHAREHOLDERS' EQUITY (000)	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)	9,362.74	35,315.33	34,871.17	34,427.01	33,915.70	33,404.39	31,676.31	29,948.23	16.78	53.36	41.32	2.58	3.06	11.54
I- DEPOSIT	9,362.74	35,315.33	34,871.17	34,427.01	33,915.70	33,404.39	31,676.31	29,948.23	16.78	53.36	41.32	2.58	3.06	11.54
a) TL Deposit	2,988.48	11,272.23	11,194.71	11,117.20	11,080.10	11,043.01	11,516.98	11,990.95	5.36	17.23	13.66	1.39	0.67	-7.91
b) FC Deposit	6,374.27	24,043.09	23,676.45	23,309.81	22,835.60	22,361.38	20,159.33	17,957.27	11.43	36.13	27.66	3.15	4.24	24.53
c) FC & LC Banks Deposits	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
II- BORROWING FUNDING LOANS & OTHER	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
a) Borrowing From Domestic Market	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
b) Borrowing From Overseas Markets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
c) Borrowing from Interbank	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
d) Securities Sold Under Repurchase Agreements	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
e) Subordinated Loans & Others	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
B- NON-COST BEARING RESOURCES	39,847.34	150,300.18	82,375.13	14,450.09	23,193.25	31,936.41	19,162.16	6,387.92	71.42	22.40	39.50	940.13	-54.75	399.95
a) Provisions	112.36	423.80	404.11	384.42	379.90	375.38	340.93	306.47	0.20	0.60	0.46	10.24	2.41	22.49
b) Current & Deferred Tax Liabilities (including demand deposits)	39,585.61	149,312.97	81,493.56	13,674.14	21,803.19	29,932.24	17,735.84	5,539.44	70.95	21.20	37.02	991.94	-54.32	440.35
c) Trading Liabilities (Derivatives)	42.68	160.98	143.88	126.79	98.27	69.74	70.14	70.54	0.08	0.20	0.09	26.96	81.80	-1.13
d) Other Liabilities	106.69	402.44	333.59	264.74	911.89	1,559.04	1,015.25	471.46	0.19	0.41	1.93	52.02	-83.02	230.68
C- TOTAL LIABILITIES	49,210.08	185,615.51	117,246.30	48,877.09	57,108.95	65,340.80	50,838.47	36,336.14	88.20	75.76	80.81	279.76	-25.20	79.82
D- MINORITY INTEREST	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	n.a	n.a	n.a	n.a	n.a	n.a
E- EQUITY	6,580.88	24,822.42	20,230.02	15,637.62	15,574.62	15,511.62	15,402.00	15,292.38	11.80	24.24	19.19	58.74	0.81	1.43
a) Prior Year's Equity	4,145.82	15,637.62	15,574.62	15,511.62	15,402.00	15,292.38	11,616.85	7,941.31	7.43	24.04	18.91	0.81	1.43	92.57
b) Equity (Added From Internall & External Resources At This Year)	2,143.70	8,085.82	4,042.91	0.00	23.27	46.55	3,558.27	7,070.00	3.84	n.a	0.06	n.a	-100.00	-99.34
c) Profit & Loss	291.36	1,098.98	612.49	126.00	149.35	172.69	226.88	281.07	0.52	0.20	0.21	772.18	-27.03	-38.56
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	55,790.96	210,437.93	137,476.32	64,514.71	72,683.56	80,852.42	66,240.47	51,628.52	100.00	100.00	100.00	226.19	-20.21	56.60
USD 1 = TRY		3.7719		3.5318		2.9076		2.3189						

KIBRIS FAİSAL İSLAM BANKASI LTD
INCOME STATEMENT
(000) TRY

	2017	2016	2015
Net Interest Income	4,269	3,043	2,827
a) Interest Income	5,916	4,918	4,470
b) Interest Expense	1,647	1,875	1,643
Net Fee and Commission Income	447	614	1,122
a) Fee and Commission Income	538	672	1,239
b) Fee and Commission Expense	91	58	116
Total Operating Income	928	1,890	1,195
Net trading income (+/-)	0	0	0
Foreign Exchange Gain or Loss (net) (+/-)	213	42	783
Gross Profit from Retail Business	0	0	0
Premium income from insurance business	0	0	0
Income on Sale of Equity Participations and Consolidated Affiliates	0	0	0
Gains from Investment Securities (Net)	0	0	0
Other Operating Income	715	1,848	412
Taxes other than Income	0	0	0
Dividend	0	0	0
Provisions	331	488	288
Provision for Impairment of Loan and Trade Receivables	229	392	116
Other Provision	102	96	172
Total Operating Expense	3,758	4,847	4,650
Salaries and Employee Benefits	2,495	2,573	2,303
Depreciation and Amortization	248	249	247
Other Expenses	1,015	2,025	2,100
Profit from Operating Activities before Income Tax	1,554	213	206
Income Tax – Current	111	18	33
Income Tax – Deferred	345	69	0
Net Profit for the Period	1,099	126	173
Total Income	5,643.60	5,547.78	5,144.25
Total Expense	3,758.43	4,846.60	4,649.79
Provision	330.86	488.45	288.40
Pre-tax Profit	1,554.31	212.74	206.07

KIBRIS FAİSAL İSLAM BANKASI LTD

FINANCIAL RATIOS %

2017 2016 2015

I. PROFITABILITY & PERFORMANCE

1. ROA - Pretax Profit / Total Assets (avg.)	1.13	0.29	0.31
2. ROE - Pretax Profit / Equity (avg.)	7.68	1.37	1.34
3. Total Income / Equity (avg.)	27.90	35.62	33.40
4. Total income / Total Assets (avg.)	4.11	7.63	7.77
5. Provisions / Total Income	5.86	8.80	5.61
6. Total Expense / Total Liabilities (avg.)	3.21	8.49	9.15
7. Net Profit for the Period / Total Assets (avg.)	0.80	0.17	0.26
8. Total Income / Total Expenses	150.16	114.47	110.63
9. Non Cost Bearing Liabilities + Equity- Non Earning Assets / Total Assets	82.16	43.56	53.97
10. Non Cost Bearing Liabilities - Non Earning Assets / Total Assets	70.36	19.32	34.78
11. Total Operating Expenses / Total Income	66.60	87.36	90.39
12. Net Interest Margin	3.22	4.54	4.69
13. Operating ROAA (avg.)	2.33	2.87	2.79
14. Operating ROAE (avg.)	15.83	13.40	12.01
15. Interest Coverage – EBIT / Interest Expenses	194.36	111.35	112.54
16. Net Profit Margin	19.47	2.27	3.36
17. Gross Profit Margin	27.54	3.83	4.01
18. Market Share in TRNC Banking Sector	0.81	0.31	0.47
19. Market Share in Entire Banking System	0.81	0.31	0.47
20. Growth Rate	226.19	-20.21	56.60

II. CAPITAL ADEQUACY (year end)

1. Equity Generation / Prior Year's Equity	51.71	0.00	0.30
2. Internal Equity Generation / Previous Year's Equity	7.03	0.81	1.13
3. Equity / Total Assets	11.80	24.24	19.19
4. Core Capital / Total Assets	12.18	23.74	18.75
5. Supplementary Capital / Total Assets	0.23	0.67	0.53
6. Tier 1 / Risk Waighted Asset	75.40	45.79	47.74
7. Capital / Total Assets	12.52	24.83	19.65
8. Own Fund / Total Assets	11.11	20.16	15.86
9. Standard Capital Adequacy Ratio	49.56	29.38	30.32
10. Surplus Own Fund	83.86	72.77	73.61
11. Free Equity / Total Assets	10.26	18.79	14.59
12. Equity / Total Guarantees and Commitments + Equity	91.26	87.03	72.46


III. LIQUIDITY (year end)

1. Liquidity Management Success (On Demand)	98.19	84.07	95.69
2. Liquidity Management Success (Up to 1 Month)	100.00	100.00	100.00
3. Liquidity Management Success (1 to 3 Months)	97.65	98.41	96.11
4. Liquidity Management Success (3 to 6 Months)	99.92	99.90	99.63
5. Liquidity Management Success (6 to 12 Months)	99.34	98.48	98.16
6. Liquidity Management Success (Over 1 Year & Unallocated)	99.80	96.90	98.21

IV. ASSET QUALITY

1. Loan and Receivable's Loss Provisions / Total Loans and Receivables	2.16	1.90	1.02
2. Total Provisions / Profit Before Provision and Tax	17.55	69.66	58.33
3. Impaired Loans / Gross Loans	6.65	7.09	4.46
4. Impaired Loans / Equity	10.56	16.11	9.44
5. Loss Reserves for Loans / Impaired Loans	32.50	26.76	22.92
6. Total FX Position / Total Assets	0.03	0.34	1.11
7. Total FX Position / Equity	0.29	1.40	5.78
8. Assets / Total Guarantees and Commitments + Assets	98.88	96.51	93.20

The Historical Development of the Company's Credit Rating Notes

		July 31,		July 27,		
		2017		2018		
		Long Term	Short Term	Long Term	Short Term	
National	Foreign Currency	BBB-	A-3	BBB-	A-3	
	Local Currency	BBB-	A-3	BBB-	A-3	
	Outlook	FC	Stable	Stable	Stable	Stable
		LC	Stable	Stable	Stable	Stable
	Local Rating	BBB- (Trk)	A-3 (Trk)	BBB (Trk)	A-3 (Trk)	
	Outlook	Positive	Stable	Positive	Stable	
Sponsor Support		2	-	2	-	
Stand Alone		CD	-	C	-	
Sovereign*	Foreign Currency	BBB-	-	BBB-	-	
	Local Currency	BBB-	-	BBB-	-	
	Outlook	FC	Stable	-	Stable	-
		LC	Stable	-	Stable	-
			(*)Affirmed by JCR on		(*)Affirmed by JCR on	
			October 07, 2016		November 10, 2017	