

Türkiye Finans Katılım Bankası AŞ

Full Rating Report

Ratings

Foreign Currency

Long-Term IDR	BBB
Short-Term IDR	F3

Local Currency

Long-Term IDR	BBB+
Short-Term IDR	F2

National

Long-Term Rating	AAA(tur)
Support Rating	2

Viability Rating

Viability Rating	bb-
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Sovereign Risk

Foreign-Currency Long-Term IDR	BBB-
Local-Currency Long-Term IDR	BBB

Outlooks

Foreign-Currency Long-Term Rating	Stable
Local-Currency Long-Term Rating	Stable
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

Türkiye Finans Katılım Bankası AS

	30 Sep 15	31 Dec 14
Total assets (USDm)	12,780.3	14,429.1
Total assets (TRYm)	38,930.0	33,489.9
Total equity (TRYm)	3,227.6	3,150.3
Operating profit (TRYm)	224.5	426.4
Published net income (TRYm)	176.7	334.4
Comprehensive income (TRYm)	77.3	402.8
Operating ROAA (TRYm)	0.82	1.45
Operating ROAE (TRYm)	9.35	15.42
Internal capital generation (%)	7.32	10.62
Fitch Core Capital/weighted risks (%)	10.28	12.22
Tier 1 ratio (%)	10.14	11.98

Related Research

[Turkish Islamic Banks' Dashboard \(January 2016\)](#)

[Outlook: Turkish Banks \(December 2015\) Turkey \(October 2015\)](#)

[Fitch Affirms Turkey at 'BBB-'; Outlook Stable \(September 2015\)](#)

[Fitch Affirms Türkiye Finans and Kuveyt Turk at 'BBB'; Outlook Stable \(November 2015\)](#)

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Key Rating Drivers

Support-Driven Rating: The Issuer Default Ratings (IDRs) and National Long-Term Rating of Türkiye Finans Katılım Bankası AŞ (Türkiye Finans) are driven by support from its parent The National Commercial Bank (NCB, A+/Negative). NCB, which is majority owned by the Saudi Arabian government (AA/Negative), has a 67% stake in Türkiye Finans. Fitch Ratings believes support from NCB would be forthcoming if needed based on its majority ownership, the strategic importance of Türkiye Finans and its record of support.

Constrained IDRs: Fitch would normally rate a strategically important subsidiary at a maximum of two notches below its parent's Long-Term IDR. Wider notching between NCB's and Türkiye Finans's IDRs reflects Turkey's 'BBB' Country Ceiling, which constrains the latter's foreign-currency (FC) IDR. Its local-currency IDR also takes into account country risks.

Limited Franchise: Türkiye Finans has a modest market share of about 1.8% of banking sector assets. However, it is the second-largest participation bank, a growing sector in Turkey.

Above-Sector-Average NPLs: A marked rise in non-performing loans (NPLs) prompted Türkiye Finans to review its loan book, overhaul management and tighten risk management and corporate governance procedures in 2015. The NPL ratio rose to 3.9% at end-9M15, excluding regulatory group 2 loans (a further 4.7% of end-9M15 loans). These could generate new asset-quality problems, as could the high level of FC and FC-indexed loans (end-1H15: 40% of gross loans). However, the monthly amortising structure of the loan book means that asset-quality problems should feed through fairly quickly.

Moderate Performance: Profitability has come under pressure mainly from loan impairment charges (LICs), equal to a high 61% of pre-impairment 9M15 operating profit (2014: 29.5%). Return on equity (ROE) fell to 7.4% in 9M15, below the sector average. Performance should pick up in 2016 as efforts to clean up the loan book feed through and reflecting cost-optimisation efforts but it is sensitive to potential further NPL growth and margin pressure.

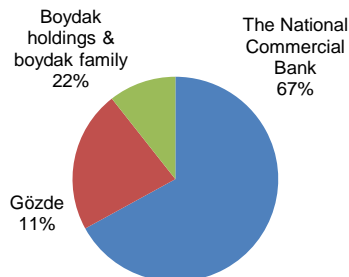
Increased Wholesale Funding: Türkiye Finans is largely deposit funded. Wholesale FC funding has risen (end-9M15: 35% of non-equity funding) in line with the sector, but the bank's strategy is to reduce this to reduce its high loans/deposits ratio. FC liquidity could come under pressure in case of prolonged market closure, as for other banks, but the presence of NCB provides some comfort in this respect.

Capital Support from NCB: The Fitch Core Capital (FCC) ratio fell sharply to a moderate 10.3% at end-9M15, mainly due to the depreciation of the Turkish lira. Internal capital generation capacity has also come under pressure and NPL reserves coverage is moderate (although net NPLs to FCC are acceptable). However, the total capital ratio (up 57bp in 9M15), which has been supported by subordinated debt from NCB, is closer to the sector average.

Rating Sensitivities

Parent Ratings: A change in NCB's ratings or its ability and/or willingness to support Türkiye Finans could affect Türkiye Finans's IDRs, National Rating and potentially also Support Rating. The bank's Long-Term FC IDR is sensitive to changes in the Country Ceiling. Given the four-notch difference between NCB's and Türkiye Finans's support-driven IDRs, a downgrade for NCB will not automatically result in a downgrade of Türkiye Finans.

Figure 1
Breakdown of TFKB Ownership



Source: TFKB Financial Statement (3Q15), Fitch

Operating Environment

Most of Türkiye Finans's operations are in Turkey, which is subject to frequent interest movements, a volatile exchange-rate regime, political instability and high inflation and unemployment. However, real GDP has grown consistently for the past 10 years, albeit largely driven by consumption in recent years.

Company Profile

Türkiye Finans is majority owned by NCB, a Saudi Arabian Islamic bank and leading financial institution in the Middle East. NCB is in turn 64.3% owned by the Public Investment Fund of the Saudi finance ministry with the remainder of its shares listed on the Saudi stock exchange.

Türkiye Finans's other shareholders include Boydak Holding, a large domestic industrial company, which has a 22.4% stake, and Gözde Girişim Sermayesi Yatırım Ortaklığı A.Ş. (Gözde), an investment company controlled by the Turkish blue chip Yıldız Holding (10.6%). Gözde's holding in Türkiye Finans is up for sale but there has been limited appetite to date. There has been no evidence of contagion risk for Türkiye Finans from recent events surrounding Boydak Holding.

Limited Domestic Franchise, Second-Largest Participation Bank

Türkiye Finans is the second-largest participation bank of five in the Turkish banking sector and offers sharia-compliant financial products. At end-3Q15 it had shares of between 1.7% and 1.9% (ranked 12th or 13th), in loans, deposits and total assets. Management estimates that the bank's share in SME lending is two times greater than its total market share by loans indicating its greater presence in this type of lending (notably in lending to SMEs).

Participation banks accounted for about 5% of sector assets at end-9M15 but the government's aim is for this to rise to 15% by 2025, supported by new entrants to the market and increasing penetration. Fitch expects this segment to grow above the sector average in the short to medium term as a result of this.

Türkiye Finans has 285 branches (end-3Q15 data) and may open a small number of branches in 2016. It is also developing alternative delivery channels, including internet banking, ATMs and mobile branches. The bank services 3.1 million customers (end-9M15) in the corporate/commercial, SME and retail banking segments.

Türkiye Finans opened a branch in Bahrain in October 2015, which has a wholesale banking licence. The aim is for it to collect cheaper deposits (short-term and in US dollars) from financial institutions, participate in money-market transactions and potentially act as an intermediary for Turkish corporates issuing US dollar sukuk into Bahrain. Although NCB also has a branch in Bahrain it is not possible to merge the branches given NCB's non-controlling stake in Türkiye Finans and the fact that Türkiye Finans is a participation bank.

Management

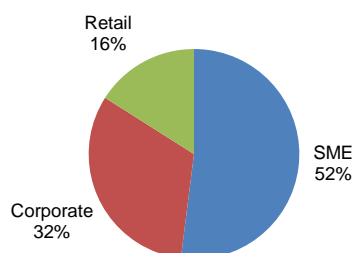
NCB holds five out of seven seats on Türkiye Finans's board, including the position of chief executive. The former chief executive was replaced in June 2015 by the former head of Credit of the bank. This was soon after the emergence of asset-quality problems at the bank. Several members of senior management have also changed; they report directly to the chief executive.

NCB is closely involved in supervising Türkiye Finans's operations including in the areas of risk management, limits setting and underwriting standards, although it is not closely involved in the bank's day-to-day running. The chairman of the credit committee is a NCB senior management member while NCB's chief financial officer also sits on the bank's audit committee.

Strengthening of Corporate Governance Framework

Heightened asset-quality problems at Türkiye Finans resulted in the bank carrying out a full

Figure 2
Loan Book Breakdown (2Q15)



Source: TFKB, Fitch

Related Criteria

[Global Bank Rating Criteria \(March 2015\)](#)

review of its corporate governance framework, under NCB's oversight, including all of its committees, authorities and limits. The bank's procedures and policies have been tightened accordingly and its organisational structure overhauled to ensure transparency. Related-party operations are limited.

Short-Term Strategy Focused on Cleaning Up the Loan Book

The bank's short-term focus is on cleaning up the loan book and stemming the inflow of NPLs. Its strategy is also to increase domestic funding (local currency deposits) through active pricing and reduce reliance on FC funding. Cost optimisation and efficiency are short-term priorities.

In the medium term, the bank aims to grow its market share and customer base supported by limited expansion of the branch network. It targets growth in all segments (corporate, SME, retail and micro) but with a particular focus on SMEs. The limited range of shariah-compliant products remains a constraint to the growth potential of the Turkish participation banks.

Türkiye Finans's recent management overhaul means that the existing team has only a short record at the bank. Nevertheless, it has already strengthened the corporate-governance and risk-management frameworks, although the full effects of these measures have yet to feed through. Among other things, it has reviewed underwriting standards and created a separate NPL collection and risk monitoring division. It has implemented a cost-optimisation programme resulting in a 5.6% headcount reduction and the reorganisation of its retail, micro, corporate, commercial and SME operations into two units from five.

Risk Appetite

Tightening of Underwriting Standards

The review of Türkiye Finans's operations has resulted in the bank ceasing to issue loans to low-rated borrowers and tightening its collateral requirements. In addition, all corporate loans (including regional) are now analysed centrally while SME loans can no longer be issued through branches or regionally.

Discretionary lending limits are reasonable. The head office credit committee approves loans up to 1% of regulatory capital (around TRY40m). Loans above this require approval by the board of directors. For SME loans the bank carries out site visits. There is a specialist project finance team.

FC loans are significant and consist mainly of FC indexed loans to domestic companies that are not eligible to receive FC loans in accordance with local regulations. The bank also stresses a borrower's ability to withstand the depreciation of the local currency.

Loan tenor is mainly short term (at end-3Q15 61% of the loan book was due in under one year) reflecting the predominance of working capital loans. However, medium-term lending has increased largely due to project finance loans – 4% of the loan book was due in over five years at end-9M15.

Collateralisation seems reasonable with 92% of the commercial and SME loan books collateralised by real estate and the pledge of receivables at end-9M15. Residential mortgages also make up 83% of the retail loan book.

Significant FC Lending Heightens Credit Risk

Total FC lending is significant and accounted for a high 40% of gross loans at end-3Q15 compared with a sector average of 31%. The majority (78%) consisted of potentially higher-risk FC-indexed loans to SMEs. FC lending to retail borrowers is prohibited by law.

Below-Sector-Average Concentration Risk

At end-1H15 the 20 largest on- and off-balance-sheet exposures were equal to a moderate 81% of FCC. Fitch considers several of the largest exposures to be fairly risky; most were at

least in part FC-denominated and some are likely to be unhedged or only hedged in the short term, in Fitch's view. This risk is mitigated by the fact that some of the loans were to prime Turkish corporates and all were performing at end-1H15. None had been restructured.

There is some concentration on construction sector lending. Türkiye Finans has also expanded project finance fairly rapidly but growth has been from a low base and such lending accounted for just 4% of customer loans at end-1H15, albeit equal to a third of FCC. Average loan project size is USD5m and loans are typically long-term (maturity up to seven years) with quarterly or semi-amortising repayment structures depending on the project type and grace periods (up to two years). Off-balance-sheet exposures are fairly significant (end-3Q15: TRY16.7bn, mainly guarantees).

Risk Controls

NCB has overseen Türkiye Finans's risk rating methodology (including risk models), risk limits and underwriting standards. Members of NCB's senior management are involved in the oversight of the bank's operation and all department heads report directly to the audit committee, which in turn reports to the board of directors. The bank has addressed the asset-quality problems identified notably in its branch network and the regions through the centralisation of the corporate and SME credit underwriting process.

Slower Loan Growth Due to Asset-Quality Focus

The bank's above-average pace of loan growth in recent years suggests a fairly high risk appetite. However, growth slowed in 9M15 as it prioritised the clean-up of its loan book. Nominal loan growth was 16.7% in 9M15 year to date but net of exchange-rate effects was 3%.

Market Risk Relates Primarily to Interest-Rate Risk

Türkiye Finans carries out monthly credit, foreign exchange, market and liquidity stress tests based on assumptions regarding changes in the dollar/lira rate, increased risk weightings on loans, a deterioration in counterparty creditworthiness, a rise in and deposit outflows (based on the 2008/9 crisis) and increased funding costs. The result of these stress tests shows generally limited exposure to market risk reflecting the absence of trading operations, the bank's policy to maintain a broadly closed on- and off-balance-sheet position and its use of hedging.

However, it has interest-rate risk exposure in part due to the repricing of assets (since nearly a quarter of its deposit base is interest free) although the largely short-term amortising structure of the loan book (10% amortises monthly) limits this to some extent. Nevertheless, based on regulatory shocks interest-rate risk exposure relative to equity can be high.

FC derivatives are used to hedge market risk and are marked-to-market daily. Transactions of USD20m or above are done on a back-to-back basis to mitigate counterparty risk. Counterparties are high-quality, EU-based banks and large Turkish banks.

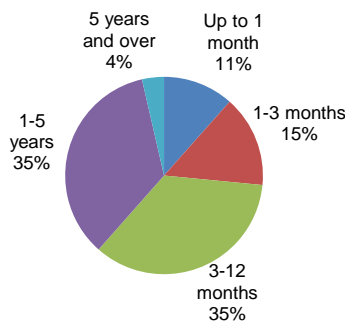
Asset Quality

Weaker than Sector Average Asset Quality

The NPL ratio rose to a still moderate 3.9% by 3Q15 from 2.4% at end-2014. However, this excluded regulatory group 2 'Watch' loans (end-3Q15: equal to 4.5% of gross loans), which rose from 3.4% at end-2014 and from which new asset-quality problems could emanate. However, the rate of origination of group 2 loans has slowed according to management. Just under half of group 2 loans had been restructured at end-3Q15 (total restructured loans amounted to 2.3% of loans). The bank is budgeting for the pace of NPL growth to slow in 2016 but asset quality remains sensitive to developments in the operating environment.

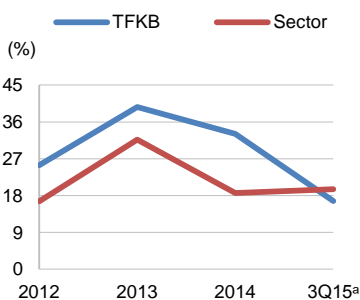
The fairly high level of FC and FC-indexed loans also heightens credit risk at Türkiye Finans since not all of these loans will be hedged or may only be short-term hedged in Fitch's view. However, asset quality in the FC and FC-indexed commercial portfolio outperformed that of the

Figure 3
Loan Book Tenor



Source: TFKB Financial Statement (3Q15), Fitch

Figure 4
TFKB Loan Growth Against sector



^a Non-annualised figure
Source: TFKB, Fitch

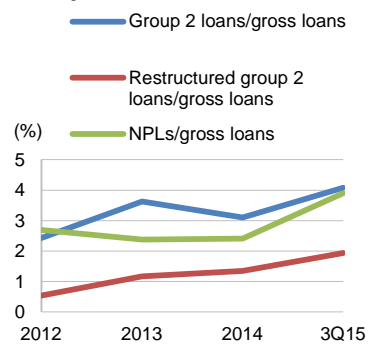
local currency loan book at end-9M15.

Figure 5
Asset-Quality Indicators

(%)	3Q15	2014	2013	2012
Growth of gross loans	16.7	33.1	39.6	25.4
Impaired loans/gross loans	3.9	2.4	2.4	2.7
Reserves for impaired loans/impaired loans	59.3	61.8	73.4	73
Impaired loans less reserves for impaired loans/Fitch Core Capital	14.5	7.4	4.7	4.6
Loan impairment charges/average gross loans	1.5	0.7	0.8	1.21

Source: TFKB Financial Statements, Fitch

Figure 6
Group 2 Loans and NPLs



Source: TFKB, Fitch

Reserves coverage of NPLs is only moderate and fell to 59.3% at end-9M15 significantly below the sector average (73.5%). It resulted in a net NPL/FCC ratio of 14.5%. The bank reports historical recovery rates of about 40% in SME and retail lending and 30% in corporate and commercial lending. Recoveries in 9M15 were equal to 12% (TRY137m) of end-3Q15 NPLs.

Earnings and Profitability

Figure 7
Performance Indicators

(%)	3Q15	2014	2013	2012
Interest income/average gross loans	9.19	9.42	9.03	11.38
Interest expense/average interest-bearing liabilities	4.40	4.33	3.26	5.01
Net interest income/average earning assets	4.5	4.7	4.9	6.3
Non-interest expense/gross revenues	51.3	54.4	50.9	46.4
Loans and securities impairment charges/pre-impairment operating profit	61.1	29.5	24.4	31.7
Operating profit/average total assets	9.4	15.4	17.4	20.1
Operating profit/risk-weighted assets	1	1.7	2.1	2.5
Net income/average equity	7.4	12.1	13.9	15.7

Source: TFKB Financial Statements, Fitch

Profitability is likely to remain subdued in the short term (ROE of 7.4% in 9M15) given the reorganisation measures at the bank, the clean-up of its loan book and slower loan growth. Management is budgeting for higher net profit in 2016, despite competition and potential new asset-quality pressures, as cost optimisation measures pay off.

Costs fell in 9M15 (-15.6%) year-to-date reflecting cost-optimisation measures and the costs/assets improved to 2.2%, broadly in line with the sector. However, the cost/income ratio (51.3%) remains slightly below the sector average (47.7%, Fitch calculation).

LICs absorbed a high 61% of pre-impairment operating profit in 9M15 (2014: 29.5%) and the net interest margin contracted moderately (-15bp) in 9M15 (year-to-date) as loan yields fell and funding costs rose. However, the net interest margin (NIM) was still significantly above the sector average of 3.55%, reflecting Türkiye Finans's cheaper average cost of funding – resulting from its high level of less price sensitive depositors and zero-interest-bearing accounts.

Capitalisation and Leverage

The pace of loan at Türkiye Finans has consistently outstripped internal capital generation. Its FCC ratio fell to 10.3% at end-3Q15 from 12.2% at end-2014 mainly due to the depreciation of the Turkish lira. Fitch considers capitalisation to be only moderate for the bank's performance and risk profile, level of NPL reserves coverage, the slower growth outlook and the potential further depreciation of the lira. The bank is also more highly leveraged than the sector average (end-3Q15: equity to assets ratio of 8.3% versus 10.9%).

Figure 8
Capital Ratios

(%)	3Q15	2014	2013	2012
Fitch Core Capital/weighted risk	10.3	12.2	12.7	14.8
Tangible common equity/tangible assets	8.0	9.2	9.8	11.9
Core Tier 1 regulatory capital ratio	10.1	12.0	12.3	14.8
Total regulatory capital	13.0	12.5	12.8	14.8
Internal capital generation	7.3	10.6	13.1	13.3

Source: Türkiye Finans Financial Statements, Fitch

Türkiye Finans's regulatory capital ratio has remained reasonably stable since end-2013 and stayed consistently above the 12% regulatory recommended minimum. This reflects Tier 2 capital (subordinated debt) provided by NCB, including USD250m in 1H15. A further USD150m is planned for 2016, based on the outcome of stress tests undertaken at the bank. According to Fitch's calculations at end-1H15 the bank could have withstood 3% of additional losses on the loan book before breaching the 8% recommended minimum total capital ratio.

Islamic banks are able to offset a portion of their risk-weighted assets thanks to the "profit sharing" concept whereby the assets are directly financed by profit-share accounts (Islamic deposits). Under the regulatory regime in Turkey these assets are weighted at 70% of their typical regulatory risk weighting due to the implicit transfer of risk.

Funding and Liquidity

Türkiye Finans is largely deposit funded (around two thirds of non-equity funding at end-9M15). Retail depositors provide two thirds of deposits and the deposit base is granular. FC deposits are significant (nearly half). The bank's strategy is to grow local-currency deposits to reduce its high loans-to-deposits ratio (end-3Q15: 135% up from 120.5% at end-2012). It is budgeting for deposits to grow by about 13% in 2016. They grew by 14% in 9M15 (or just 2% net of exchange-rate effects). Like peers', deposits are very short-term. At end-1H15 less than 1% had contractual maturities longer than a year, while 24% were sight deposits (2014: 22%), which carry no interest but constitute stable funding.

Türkiye Finans plans to increase lira-denominated sukuk issuance but this is also short term (maturity up to six months) and currently limited. It could rise to TRY1.5bn by end-2016. Lira-denominated collateralised funding has an outstanding maturity of two years.

Wholesale funding (35% of non-equity funding at end-3Q15) consists of bilateral funding from foreign Islamic banks, sukuk issues and syndicated borrowings (one to two years). Given Türkiye Finans's ownership structure and record of market access, Fitch regards refinancing risk to be manageable in most scenarios. FC wholesale funding accounted for 29% of the total at end-3Q15 but the bank's strategy is to reduce this. Where it continues to hold FC funding its aim is to lengthen its maturity.

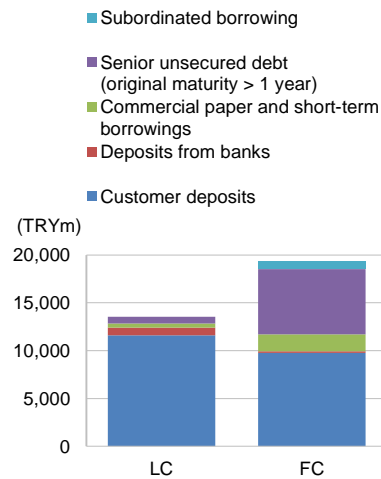
At end-3Q15 long-term funding was 59% FC denominated and consisted of subordinated debt (from NCB) and sukuk issuance. Total related-party funding (including senior debt) amounted to 12% of non-deposit funding at end-3Q15 flat versus end-2014.

Reasonable Liquidity

Liquidity is managed within set limits and triggers underpinned by gap analysis and stress testing. At end-1H15 the bank maintained a liquidity coverage ratio up to 30 days of 103%. This excluded monthly loan repayments equal to a further 10% of the loan book (equal to 13% of customer deposits), which provides significant additional comfort.

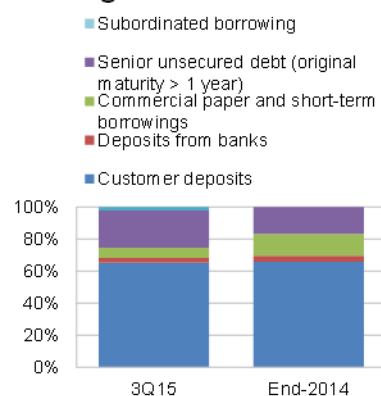
As an Islamic bank the range of liquid instruments in which Türkiye Finans can invest is limited. Consequently, liquid assets consist mainly of cash/interbank placements and sukuk Turkish sovereign securities eligible for repo. At end-1H15 short-term non-customer FC liabilities up to one year were more than covered by available FC liquidity.

Figure 9
Currency Breakdown of Funding
end-3Q15



Source: TFKB, Fitch

Figure 10
Breakdown of Non-Equity Funding



Source: TFKB, Fitch

Support

IDR Based on Support from NCB

Türkiye Finans has a Support Rating of '2' reflecting Fitch's view that there is a high probability of support from NCB if needed based on the bank's majority ownership, strategic importance and the record of support. The cost of support for NCB should also be manageable given Türkiye Finans's size relative to its parent. It represented 10% of NCB's total assets at end-1H15.

Peer Analysis

The peer table below compares key financial ratios for Türkiye Finans with Kuveyt Türk Katılım Bankası AŞ (BBB/Stable/bb-), the largest participation bank in Turkey. It also has the ratios of Şekerbank T.A.Ş. (BB-/Stable/bb-) and AnadoluBank A.Ş. (BB/Stable/bb), two similar-sized (in terms of total assets) conventional banks. The latter peers focus on SME and corporate lending with Şekerbank having a higher portion of micro and consumer lending.

Figure 10
Peer Comparison Table

	TFKB		Kuveyt Turk		Şekerbank		Anadolubank	
	3Q15	2014	3Q15	2014	3Q15	2014	3Q15	2014
Interest ratios								
1. Interest income on loans/average gross loans	9.19	9.42	9.26	9.55	12.47	13.36	10.33	10.64
2. Interest expense on customer deposits/average customer deposits	4.27	4.53	2.79	3.33	6.73	6.96	6.44	6.56
3. Interest income/average earning assets	9.12	9.23	8.66	8.62	12.03	12.96	9.79	9.97
4. Interest expense/average interest-bearing liabilities		4.33	3.18	3.34	6.35	6.62	5.45	5.45
5. Net Interest income/average earning assets	4.53	4.68	4.98	4.88	5.57	6.17	4.45	4.71
6. Net int. inc less loan impairment charges/av. earning assets	3.15	4.05	4.08	4.09	4.14	5.24	3.95	3.85
7. Net interest inc less preferred stock dividend/average earning assets	4.53	4.68	4.98	4.88	5.57	6.17	4.45	4.71
Other operating profitability ratios								
1. Non-interest income/gross revenues	14.51	16.92	21.40	21.06	15.70	20.26	10.10	31.52
2. Non-interest expense/gross revenues	51.28	54.36	53.10	54.84	72.26	63.83	57.64	47.44
3. Non-interest expense/average assets	2.22	2.45	2.59	2.67	3.97	4.09	2.44	2.81
4. Pre-impairment op. profit/average equity	24.06	21.85	27.18	24.21	14.23	21.62	15.84	25.76
5. Pre-impairment op. profit/average total assets	2.11	2.06	2.28	2.20	1.52	2.32	1.79	3.11
6. Loans and securities impairment charges/pre-impairment op. profit	61.13	29.46	31.12	28.60	78.05	36.97	24.92	33.61
7. Operating profit/average equity	9.35	15.42	18.72	17.29	3.12	13.63	11.89	17.10
8. Operating profit/average total assets	0.82	1.45	1.57	1.57	0.33	1.46	1.35	2.07
9. Operating profit/risk weighted assets	0.97	1.68	2.22	2.09	0.35	1.50	1.40	2.26
Other profitability ratios								
1. Net income/average total equity	7.36	12.09	14.66	13.73	3.51	11.00	9.57	13.36
2. Net income/average total assets	0.65	1.14	1.23	1.25	0.38	1.18	1.08	1.61
3. Fitch comprehensive income/average total equity	3.22	14.56	14.69	14.52	3.51	12.49	9.63	15.30
4. Fitch comprehensive income/average total assets	0.28	1.37	1.23	1.32	0.38	1.34	1.09	1.85
5. Taxes/pre-tax profit	21.19	21.41	21.29	19.76	(19.43)	19.28	19.52	20.62
6. Net income/risk weighted assets	0.77	1.32	1.74	1.66	0.39	1.21	1.13	1.76
Capitalization								
1. Fitch Core Capital/risk weighted assets	10.28	12.22	12.02	13.26	10.41	11.55	12.05	13.97
3. Tangible common equity/tangible assets	7.99	9.19	7.57	8.69	9.61	10.83	10.46	11.99
4. Tier 1 regulatory capital ratio	10.14	11.98	11.92	12.79	10.66	11.48	11.99	13.89
5. Total regulatory capital ratio	13.04	12.47	13.73	15.21	12.55	14.11	12.54	14.48
6. Core Tier 1 regulatory capital ratio	10.39	12.24	11.45	13.22	10.4	n.a.	11.99	n.a.
7. Equity/total assets	8.29	9.41	7.82	9.01	10.01	11.13	10.48	12.01
8. Cash dividends paid & declared/net income	n.a.	n.a.	11.08	5.47	n.a.	0.03	n.a.	n.a.
9. Internal capital generation	7.32	10.62	12.42	11.59	3.51	9.99	9.34	12.57
Loan quality								
1. Growth of total assets	16.24	33.28	26.92	31.58	12.63	13.20	21.96	25.28
2. Growth of gross loans	16.67	33.06	26.67	27.76	10.58	10.07	19.12	19.61
3. Impaired loans/gross loans	3.9	2.41	2.46	2.21	5.27	5.34	3.25	3.25
4. Reserves for impaired loans/gross loans	2.31	1.49	1.96	1.88	2.86	3.30	2.55	2.46
5. Reserves for impaired loans/impairment	59.27	61.75	79.72	85.04	54.15	61.75	78.41	75.59
6. Impaired loans less reserves for impaired loans/Fitch Core Capital	14.47	7.37	4.25	2.41	18.48	14.08	4.43	4.48
7. Impaired loans less reserves for impaired loans/equity	14.23	7.25	4.11	2.35	17.33	13.42	4.41	4.46
8. Loan impairment charges/average gross loans	1.54	0.7	1.06	0.96	1.65	1.07	0.64	1.08
9. Net charge-offs/average gross loans	0.09	0.57	0.17	0.25	1.68	0.18	0.00	1.41
10. Impaired loans + foreclosed assets/gross loans + foreclosed assets	3.91	2.41	2.61	2.35	5.27	5.34	3.42	3.39
Funding and liquidity								
1. Loans/customer deposits	135.11	132.24	97.43	99.42	132.16	128.71	104.11	105.28
2. Interbank assets/interbank liabilities	80.97	55.2	404.69	291.68	9.21	14.55	155.72	148.99
3. Customer deposits/total funding (excluding derivatives)	65.13	65.76	74.33	73.31	63.73	67.63	75.25	77.13

Source: Fitch

Türkiye Finans Katılım Bankası AS
Income Statement

	30 Sep 2015			31 Dec 2014			31 Dec 2013			31 Dec 2012			31 Dec 2011		
	9 Months - 3rd Quarter	9 Months - 3rd Quarter	As % of	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of	Year End	As % of		
	US\$M	TRYth	Earning Assets	Unqualified	Earning Assets	Unqualified	Earning Assets	Unqualified	Earning Assets	Unqualified	Earning Assets	Unqualified	Earning Assets		
	Unaudited	Unaudited								Audited/Report not seen					
1. Interest Income on Loans	607.6	1,850,934.0	7.78	2,006,142.0	7.31	1,477,542.0	7.14	1,365,219.0	9.58	967,646.0	8.51				
2. Other Interest Income	62.0	188,796.0	0.79	166,333.0	0.61	88,691.0	0.43	45,137.0	0.32	81,555.0	0.72				
3. Dividend Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
4. Gross Interest and Dividend Income	669.6	2,039,730.0	8.58	2,172,475.0	7.92	1,566,233.0	7.57	1,410,356.0	9.90	1,049,201.0	9.22				
5. Interest Expense on Customer Deposits	210.2	640,334.0	2.69	753,582.0	2.75	542,840.0	2.62	543,512.0	3.81	446,802.0	3.93				
6. Other Interest Expense	126.7	385,894.0	1.62	318,550.0	1.16	149,311.0	0.72	74,733.0	0.52	27,940.0	0.25				
7. Total Interest Expense	336.9	1,026,228.0	4.31	1,072,132.0	3.91	692,151.0	3.34	618,245.0	4.34	474,742.0	4.17				
8. Net Interest Income	332.7	1,013,502.0	4.26	1,100,343.0	4.01	874,082.0	4.22	792,111.0	5.56	574,459.0	5.05				
9. Net Gains (Losses) on Trading and Derivatives	9.9	30,185.0	0.13	25,657.0	0.09	71,677.0	0.35	56,700.0	0.40	66,349.0	0.58				
10. Net Gains (Losses) on Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
11. Net Gains (Losses) on Assets at FV through Income Statement	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
12. Net Insurance Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
13. Net Fees and Commissions	34.9	106,242.0	0.45	148,597.0	0.54	128,272.0	0.62	108,231.0	0.76	95,939.0	0.84				
14. Other Operating Income	11.7	35,570.0	0.15	49,843.0	0.18	38,961.0	0.19	33,554.0	0.24	21,955.0	0.19				
15. Total Non-Interest Operating Income	56.5	171,997.0	0.72	224,097.0	0.82	238,910.0	1.15	198,485.0	1.39	184,243.0	1.62				
16. Personnel Expenses	103.3	314,548.0	1.32	356,431.0	1.30	288,537.0	1.39	249,359.0	1.75	213,235.0	1.87				
17. Other Operating Expenses	96.3	293,384.0	1.23	363,514.0	1.33	278,254.0	1.34	210,196.0	1.48	178,307.0	1.57				
18. Total Non-Interest Expenses	199.6	607,932.0	2.56	719,945.0	2.62	566,791.0	2.74	459,555.0	3.23	391,542.0	3.44				
19. Equity-accounted Profit/ Loss - Operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
20. Pre-Impairment Operating Profit	189.6	577,567.0	2.43	604,495.0	2.20	546,201.0	2.64	531,041.0	3.73	367,160.0	3.23				
21. Loan Impairment Charge	101.7	309,678.0	1.30	148,481.0	0.54	130,478.0	0.63	145,222.0	1.02	41,455.0	0.36				
22. Securities and Other Credit Impairment Charges	14.2	43,368.0	0.18	29,623.0	0.11	2,999.0	0.01	22,903.0	0.16	40,946.0	0.36				
23. Operating Profit	73.7	224,521.0	0.94	426,391.0	1.55	412,724.0	1.99	362,916.0	2.55	284,759.0	2.50				
24. Equity-accounted Profit/ Loss - Non-operating	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
25. Non-recurring Income	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
26. Non-recurring Expense	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
27. Change in Fair Value of Own Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
28. Other Non-operating Income and Expenses	(0.1)	(276.0)	(0.00)	(857.0)	(0.00)	(212.0)	(0.00)	(1,090.0)	(0.01)	8,662.0	0.08				
29. Pre-tax Profit	73.6	224,245.0	0.94	425,534.0	1.55	412,512.0	1.99	361,826.0	2.54	293,421.0	2.58				
30. Tax expense	15.6	47,528.0	0.20	91,107.0	0.33	83,235.0	0.40	78,253.0	0.55	61,834.0	0.54				
31. Profit/Loss from Discontinued Operations	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00				
32. Net Income	58.0	176,717.0	0.74	334,427.0	1.22	329,277.0	1.59	283,573.0	1.99	231,587.0	2.04				
33. Change in Value of AFS Investments	(16.2)	(49,442.0)	(0.21)	60,206.0	0.22	(54,620.0)	(0.26)	12,368.0	0.09	(24,024.0)	(0.21)				
34. Revaluation of Fixed Assets	0.0	0.0	0.00	27,713.0	0.10	n.a.	-	71,615.0	0.50	0.0	0.00				
35. Currency Translation Differences	0.0	0.0	0.00	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-				
36. Remaining OCI Gains/(losses)	(16.4)	(49,977.0)	(0.21)	(19,536.0)	(0.07)	(2,438.0)	(0.01)	(6,053.0)	(0.04)	n.a.	-				
37. Fitch Comprehensive Income	25.4	77,298.0	0.32	402,810.0	1.47	272,219.0	1.31	361,503.0	2.54	207,563.0	1.82				
38. Memo: Profit Allocation to Non-controlling Interests	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00	0.0	0.00				
39. Memo: Net Income after Allocation to Non-controlling Interests	58.0	176,717.0	0.74	334,427.0	1.22	329,277.0	1.59	283,573.0	1.99	231,587.0	2.04				
40. Memo: Common Dividends Relating to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				
41. Memo: Preferred Dividends Related to the Period	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-				

Exchange rate USD1 = TRY3.04610 USD1 = TRY2.32100 USD1 = TRY2.13620 USD1 = TRY1.78190 USD1 = TRY1.91110

Türkiye Finans Katılım Bankası AS

Balance Sheet

	30 Sep 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012		31 Dec 2011	
	9 Months - 3rd Quarter USDm	9 Months - 3rd Quarter TRYth	As % of Assets	Year End TRYth	As % of Assets	Year End TRYth	As % of Assets	Year End TRYth	As % of Assets	Year End TRYth	As % of Assets
Assets											
A. Loans											
1. Residential Mortgage Loans	1,229.3	3,744,515.0	9.62	3,490,476.0	10.42	2,641,530.0	10.51	1,932,139.0	10.97	1,144,572.0	8.46
2. Other Mortgage Loans	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Other Consumer/ Retail Loans	256.7	781,944.0	2.01	807,480.0	2.41	664,691.0	2.65	428,171.0	2.43	163,665.0	1.21
4. Corporate & Commercial Loans	7,011.7	21,358,195.0	54.86	18,529,996.0	55.33	14,024,489.0	55.82	10,002,010.0	56.78	9,018,995.0	66.67
5. Other Loans	987.8	3,008,834.0	7.73	1,937,576.0	5.79	1,281,721.0	5.10	966,997.0	5.49	301,827.0	2.23
6. Less: Reserves for Impaired Loans	219.4	668,338.0	1.72	368,847.0	1.10	323,821.0	1.29	261,548.0	1.48	169,854.0	1.26
7. Net Loans	9,266.0	28,225,150.0	72.50	24,396,681.0	72.85	18,288,610.0	72.79	13,067,769.0	74.18	10,459,205.0	77.31
8. Gross Loans	9,485.4	28,893,488.0	74.22	24,765,528.0	73.95	18,612,431.0	74.07	13,329,317.0	75.66	10,629,059.0	78.57
9. Memo: Impaired Loans included above	370.2	1,127,662.0	2.90	597,317.0	1.78	441,072.0	1.76	358,259.0	2.03	245,497.0	1.81
10. Memo: Loans at Fair Value included above	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
B. Other Earning Assets											
1. Loans and Advances to Banks	255.6	778,609.0	2.00	572,606.0	1.71	954,203.0	3.80	497,028.0	2.82	268,400.0	1.98
2. Reverse Repos and Cash Collateral	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
3. Trading Securities and at FV through Income	0.7	2,096.0	0.01	669.0	0.00	198.0	0.00	183.0	0.00	941.0	0.01
4. Derivatives	45.6	138,762.0	0.36	25,441.0	0.08	46,471.0	0.18	14,090.0	0.08	22,726.0	0.17
5. Available for Sale Securities	586.8	1,787,354.0	4.59	1,870,381.0	5.58	1,413,025.0	5.62	665,115.0	3.78	620,827.0	4.59
6. Held to Maturity Securities	285.1	868,549.0	2.23	568,400.0	1.70	n.a.	-	n.a.	-	0.0	0.00
7. Equity Investments in Associates	n.a.	n.a.	-	n.a.	-	n.a.	-	4,211.0	0.02	3,000.0	0.02
8. Other Securities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Total Securities	918.1	2,796,761.0	7.18	2,464,891.0	7.36	1,459,694.0	5.81	683,599.0	3.88	647,494.0	4.79
10. Memo: Government Securities included Above	585.2	1,782,445.0	4.58	1,761,405.0	5.26	1,408,649.0	5.61	664,994.0	3.77	619,789.0	4.58
11. Memo: Total Securities Pledged	644.8	1,964,110.0	5.05	1,484,476.0	4.43	1,139,985.0	4.54	0.0	0.00	0.0	0.00
12. Investments in Property	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
13. Insurance Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
14. Other Earning Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
15. Total Earning Assets	10,439.7	31,800,520.0	81.69	27,434,178.0	81.92	20,702,507.0	82.39	14,248,396.0	80.88	11,375,099.0	84.08
C. Non-Earning Assets											
1. Cash and Due From Banks	1,936.5	5,898,910.0	15.15	5,156,624.0	15.40	3,836,254.0	15.27	2,818,168.0	16.00	1,917,837.0	14.18
2. Memo: Mandatory Reserves included above	1,301.3	3,963,964.0	10.18	n.a.	-	2,906,723.0	11.57	1,701,528.0	9.66	n.a.	-
3. Foreclosed Real Estate	0.2	723.0	0.00	142.0	0.00	67.0	0.00	n.a.	-	0.0	0.00
4. Fixed Assets	139.5	425,055.0	1.09	417,984.0	1.25	211,689.0	0.84	196,617.0	1.12	112,660.0	0.83
5. Goodwill	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
6. Other Intangibles	17.4	52,977.0	0.14	49,165.0	0.15	37,149.0	0.15	18,881.0	0.11	11,801.0	0.09
7. Current Tax Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
8. Deferred Tax Assets	24.9	75,865.0	0.19	32,456.0	0.10	22,649.0	0.09	11,115.0	0.06	16,661.0	0.12
9. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
10. Other Assets	221.9	675,996.0	1.74	399,361.0	1.19	316,264.0	1.26	323,327.0	1.84	94,295.0	0.70
11. Total Assets	12,780.3	38,930,046.0	100.00	33,489,910.0	100.00	25,126,579.0	100.00	17,616,504.0	100.00	13,528,353.0	100.00
Liabilities and Equity											
D. Interest-Bearing Liabilities											
1. Customer Deposits - Current	7,020.4	21,384,981.0	54.93	18,727,623.0	55.92	14,791,063.0	58.87	11,063,848.0	62.80	9,495,461.0	70.19
2. Customer Deposits - Savings	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Customer Deposits - Term	n.a.	n.a.	-	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00
4. Total Customer Deposits	7,020.4	21,384,981.0	54.93	18,727,623.0	55.92	14,791,063.0	58.87	11,063,848.0	62.80	9,495,461.0	70.19
5. Deposits from Banks	315.7	961,569.0	2.47	1,037,396.0	3.10	1,072,177.0	4.27	365,688.0	2.08	13,704.0	0.10
6. Repos and Cash Collateral	n.a.	n.a.	-	0.0	0.00	0.0	0.00	n.a.	-	0.0	0.00
7. Commercial Paper and Short-term Borrowings	845.6	2,575,797.0	6.62	3,924,257.0	11.72	2,170,555.0	8.64	1,398,882.0	7.94	1,178,031.0	8.71
8. Total Money Market and Short-term Funding	8,181.7	24,922,347.0	64.02	23,689,276.0	70.74	18,033,795.0	71.77	12,828,418.0	72.82	10,687,196.0	79.00
9. Senior Unsecured Debt (original maturity > 1 year)	2,343.9	7,139,759.0	18.34	4,787,703.0	14.30	2,995,453.0	11.92	1,105,061.0	6.27	333,925.0	2.47
10. Subordinated Borrowing	252.8	769,978.0	1.98	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
11. Covered Bonds	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
12. Other Long-term Funding	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
13. Total LT Funding (original maturity > 1 year)	2,596.7	7,909,737.0	20.32	4,787,703.0	14.30	2,995,453.0	11.92	1,105,061.0	6.27	333,925.0	2.47
14. Derivatives	128.5	391,272.0	1.01	61,029.0	0.18	38,306.0	0.15	8,475.0	0.05	19,371.0	0.14
15. Trading Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
16. Total Funding	10,906.9	33,223,356.0	85.34	28,538,008.0	85.21	21,067,554.0	83.85	13,941,954.0	79.14	11,040,492.0	81.61
E. Non-Interest Bearing Liabilities											
1. Fair Value Portion of Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Credit impairment reserves	75.0	228,439.0	0.59	199,612.0	0.60	150,439.0	0.60	139,804.0	0.79	94,424.0	0.70
3. Reserves for Pensions and Other	61.7	187,974.0	0.48	154,364.0	0.46	159,850.0	0.64	114,783.0	0.65	109,323.0	0.81
4. Current Tax Liabilities	23.4	71,129.0	0.18	75,518.0	0.23	42,117.0	0.17	42,964.0	0.24	45,928.0	0.34
5. Deferred Tax Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
6. Other Deferred Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
7. Discontinued Operations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
8. Insurance Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
9. Other Liabilities	653.8	1,991,568.0	5.12	1,372,125.0	4.10	1,184,238.0	4.71	1,251,837.0	7.11	624,527.0	4.62
10. Total Liabilities	11,720.7	35,702,466.0	91.71	30,339,627.0	90.59	22,604,198.0	89.96	15,491,342.0	87.94	11,914,694.0	88.07
F. Hybrid Capital											
1. Pref. Shares and Hybrid Capital accounted for as Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
G. Equity											
1. Common Equity	1,051.7	3,203,597.0	8.23	3,026,639.0	9.04	2,469,561.0	9.83	2,028,646.0	11.52	1,595,073.0	11.79
2. Non-controlling Interest	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
3. Securities Revaluation Reserves	(10.9)	(33,111.0)	(0.09)	11,370.0	0.03	(36,795.0)	(0.15)	6,901.0	0.04	(2,996.0)	(0.02)
4. Foreign Exchange Revaluation Reserves	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
5. Fixed Asset Revaluations and Other Accumulated OCI	18.7	57,094.0	0.15	112,274.0	0.34	89,615.0	0.36	89,615.0	0.51	21,582.0	0.16
6. Total Equity	1,059.6	3,227,580.0	8.29	3,150,283.0	9.41	2,522,381.0	10.04	2,125,162.0	12.06	1,613,659.0	11.93
7. Total Liabilities and Equity	12,780.3	38,930,046.0	100.00	33,489,910.0	100.00	25,126,579.0	100.00	17,616,504.0	100.00	13,528,353.0	100.00
8. Memo: Fitch Core Capital	1,042.2	3,174,603.0	8.15	3,101,118.0	9.26	2,485,232.0	9.89	2,106,281.0	11.96	1,601,858.0	11.84
9. Memo: Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
	USD1 = TRY3.04610			USD1 = TRY2.32100		USD1 = TRY2.13620		USD1 = TRY1.78190		USD1 = TRY1.91110	

Exchange rate

Türkiye Finans Katılım Bankası AŞ
Summary Analytics

	30 Sep 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011
	9 Months - 3rd Quarter	Year End	Year End	Year End	Year End
A. Interest Ratios					
1. Interest Income on Loans/ Average Gross Loans	9.19	9.42	9.03	11.38	10.12
2. Interest Expense on Customer Deposits/ Average Customer Deposits	4.27	4.53	3.31	5.33	4.96
3. Interest Income/ Average Earning Assets	9.12	9.23	8.77	11.25	10.14
4. Interest Expense/ Average Interest-bearing Liabilities		4.33	3.26	5.01	4.76
5. Net Interest Income/ Average Earning Assets	4.53	4.68	4.89	6.32	5.55
6. Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	3.15	4.05	4.16	5.16	5.15
7. Net Interest Inc Less Preferred Stock Dividend/ Average Earning Assets	4.53	4.68	4.89	6.32	5.55
B. Other Operating Profitability Ratios					
1. Non-Interest Income/ Gross Revenues	14.51	16.92	21.47	20.04	24.28
2. Non-Interest Expense/ Gross Revenues	51.28	54.36	50.92	46.39	51.61
3. Non-Interest Expense/ Average Assets	2.22	2.45	2.60	3.04	3.15
4. Pre-impairment Op. Profit/ Average Equity	24.06	21.85	23.04	29.43	24.27
5. Pre-impairment Op. Profit/ Average Total Assets	2.11	2.06	2.51	3.52	2.95
6. Loans and securities impairment charges/ Pre-impairment Op. Profit	61.13	29.46	24.44	31.66	22.44
7. Operating Profit/ Average Equity	9.35	15.42	17.41	20.11	18.82
8. Operating Profit/ Average Total Assets	0.82	1.45	1.89	2.40	2.29
9. Operating Profit / Risk Weighted Assets	0.97	1.68	2.12	2.54	2.51
C. Other Profitability Ratios					
1. Net Income/ Average Total Equity	7.36	12.09	13.89	15.71	15.31
2. Net Income/ Average Total Assets	0.65	1.14	1.51	1.88	1.86
3. Fitch Comprehensive Income/ Average Total Equity	3.22	14.56	11.48	20.03	13.72
4. Fitch Comprehensive Income/ Average Total Assets	0.28	1.37	1.25	2.39	1.67
5. Taxes/ Pre-tax Profit	21.19	21.41	20.18	21.63	21.07
6. Net Income/ Risk Weighted Assets	0.77	1.32	1.69	1.99	2.04
D. Capitalization					
1. Fitch Core Capital/ Risk Weighted Assets	10.28	12.22	12.74	14.75	14.10
2. Fitch Eligible Capital/ Risk Weighted Assets	n.a.	n.a.	n.a.	n.a.	n.a.
3. Tangible Common Equity/ Tangible Assets	7.99	9.19	9.82	11.91	11.85
4. Tier 1 Regulatory Capital Ratio	10.14	11.98	12.32	14.77	13.69
5. Total Regulatory Capital Ratio	13.04	12.47	12.81	14.76	14.24
6. Core Tier 1 Regulatory Capital Ratio	10.39	12.24	n.a.	n.a.	n.a.
7. Equity/ Total Assets	8.29	9.41	10.04	12.06	11.93
8. Cash Dividends Paid & Declared/ Net Income	n.a.	n.a.	n.a.	n.a.	0.00
9. Internal Capital Generation	7.32	10.62	13.05	13.34	14.35
E. Loan Quality					
1. Growth of Total Assets	16.24	33.28	42.63	30.22	26.53
2. Growth of Gross Loans	16.67	33.06	39.64	25.40	30.30
3. Impaired Loans/ Gross Loans	3.90	2.41	2.37	2.69	2.31
4. Reserves for Impaired Loans/ Gross Loans	2.31	1.49	1.74	1.96	1.60
5. Reserves for Impaired Loans/ Impaired Loans	59.27	61.75	73.42	73.01	69.19
6. Impaired loans less Reserves for Impaired Loans/ Fitch Core Capital	14.47	7.37	4.72	4.59	4.72
7. Impaired Loans less Reserves for Impaired Loans/ Equity	14.23	7.25	4.65	4.55	4.69
8. Loan Impairment Charges/ Average Gross Loans	1.54	0.70	0.80	1.21	0.43
9. Net Charge-offs/ Average Gross Loans	0.09	0.57	0.35	0.29	0.23
10. Impaired Loans + Foreclosed Assets/ Gross Loans + Foreclosed Assets	3.91	2.41	2.37	2.69	2.31
F. Funding and Liquidity					
1. Loans/ Customer Deposits	135.11	132.24	125.84	120.48	111.94
2. Interbank Assets/ Interbank Liabilities	80.97	55.20	89.00	135.92	1,958.55
3. Customer Deposits/ Total Funding (excluding derivatives)	65.13	65.76	70.34	79.40	86.16
4. Liquidity Coverage Ratio	n.a.	n.a.	n.a.	n.a.	n.a.
5. Net Stable Funding Ratio	n.a.	n.a.	n.a.	n.a.	n.a.

Türkiye Finans Katılım Bankası AŞ

Reference Data

	30 Sep 2015			31 Dec 2014		31 Dec 2013		31 Dec 2012		31 Dec 2011	
	9 Months - 3rd Quarter USDm	9 Months - 3rd Quarter TRYth	As % of Assets	Year End TRYth	As % of Assets	Year End TRYth	As % of Assets	Year End TRYth	As % of Assets	Year End TRYth	As % of Assets
A. Off-Balance Sheet Items											
1. Managed Securitised Assets Reported Off-Balance Sheet	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
2. Other off-balance sheet exposure to securitizations	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Guarantees	3,608.0	10,990,409.0	28.23	9,230,089.0	27.56	7,726,279.0	30.75	6,197,780.0	35.18	5,565,661.0	41.14
4. Acceptances and documentary credits reported off-balance sheet	543.3	1,654,908.0	4.25	1,418,328.0	4.24	1,177,860.0	4.69	910,917.0	5.17	972,878.0	7.19
5. Committed Credit Lines	1,318.7	4,017,005.0	10.32	3,562,256.0	10.64	2,362,760.0	9.40	1,863,573.0	10.58	1,668,239.0	12.33
6. Other Contingent Liabilities	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
7. Total Assets under Management	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
B. Average Balance Sheet											
Average Loans	8,818.2	26,861,206.0	69.00	21,286,999.0	63.56	16,362,344.0	65.12	11,995,454.0	68.09	9,566,375.0	70.71
Average Earning Assets	9,818.3	29,907,574.0	76.82	23,527,262.0	70.25	17,862,486.0	71.09	12,540,178.0	71.18	10,350,576.0	76.51
Average Assets	12,006.7	36,573,615.0	93.95	29,365,151.0	87.68	21,786,157.0	86.71	15,104,506.0	85.74	12,425,202.0	91.85
Average Managed Securitised Assets (OBS)	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Average Interest-Bearing Liabilities	10,243.6	31,202,912.0	80.15	24,746,189.0	73.89	21,253,153.0	84.58	12,348,290.0	70.10	9,973,546.0	73.72
Average Common equity	1,030.7	3,139,664.0	8.06	2,700,038.0	8.06	2,298,088.0	9.15	1,768,924.0	10.04	1,484,207.0	10.97
Average Equity	1,053.7	3,209,634.0	8.24	2,766,045.0	8.26	2,370,315.0	9.43	1,804,612.0	10.24	1,512,906.0	11.18
Average Customer Deposits	6,578.8	20,039,564.0	51.48	16,633,975.0	49.67	16,391,427.0	65.24	10,190,311.0	57.85	9,010,062.0	66.60
C. Maturities											
Asset Maturities:											
Loans & Advances < 3 months	2,255.1	6,869,226.0	17.65	6,511,724.0	19.44	4,994,879.0	19.88	4,004,653.0	22.73	3,095,851.0	22.88
Loans & Advances 3 - 12 Months	2,972.6	9,054,795.0	23.26	8,471,796.0	25.30	6,527,657.0	25.98	4,733,699.0	26.87	4,195,739.0	31.01
Loans & Advances 1 - 5 Years	2,964.7	9,030,752.0	23.20	7,126,806.0	21.28	5,293,126.0	21.07	3,650,394.0	20.72	3,000,852.0	22.18
Loans & Advances > 5 years	305.3	929,881.0	2.39	717,626.0	2.14	515,048.0	2.05	277,943.0	1.58	110,433.0	0.82
Debt Securities < 3 Months	19.8	60,172.0	0.15	552,263.0	1.65	46,147.0	0.18	12,619.0	0.07	481,267.0	3.56
Debt Securities 3 - 12 Months	300.2	914,371.0	2.35	299,221.0	0.89	400,643.0	1.59	1,654.0	0.01	107,233.0	0.79
Debt Securities 1 - 5 Years	446.8	1,361,015.0	3.50	1,459,979.0	4.36	1,012,904.0	4.03	665,115.0	3.78	55,041.0	0.41
Debt Securities > 5 Years	128.6	391,602.0	1.01	153,428.0	0.46	n.a.	-	n.a.	-	953.0	0.01
Loans & Advances to Banks < 3 Months	255.6	778,609.0	2.00	572,606.0	1.71	954,203.0	3.80	497,028.0	2.82	268,400.0	1.98
Loans & Advances to Banks 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Loans & Advances to Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Liability Maturities:											
Retail Deposits < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 3 - 12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Retail Deposits > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Other Deposits < 3 Months	6,758.4	20,586,867.0	52.88	17,735,409.0	52.96	13,485,390.0	53.67	8,235,342.0	46.75	7,934,094.0	58.65
Other Deposits 3 - 12 Months	258.4	787,117.0	2.02	968,706.0	2.89	1,214,126.0	4.83	580,348.0	3.29	1,561,367.0	11.54
Other Deposits 1 - 5 Years	3.6	10,993.0	0.03	23,504.0	0.07	91,547.0	0.36	2,248,158.0	12.76	0.0	0.00
Other Deposits > 5 Years	0.0	4.0	0.00	4.0	0.00	n.a.	-	n.a.	-	0.0	0.00
Deposits from Banks < 3 Months	315.7	961,569.0	2.47	383,498.0	1.15	349,133.0	1.39	365,688.0	2.08	13,704.0	0.10
Deposits from Banks 3 - 12 Months	n.a.	n.a.	-	1,269.0	0.00	n.a.	-	121,112.0	0.69	0.0	0.00
Deposits from Banks 1 - 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
Deposits from Banks > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
Senior Debt Maturing < 3 months	n.a.	n.a.	-	1,300,007.0	3.88	765,252.0	3.05	335,225.0	1.90	698,794.0	5.17
Senior Debt Maturing 3-12 Months	n.a.	n.a.	-	2,624,250.0	7.84	1,405,303.0	5.59	1,063,657.0	6.04	479,237.0	3.54
Senior Debt Maturing 1- 5 Years	n.a.	n.a.	-	4,787,703.0	14.30	2,995,453.0	11.92	1,105,061.0	6.27	291,029.0	2.15
Senior Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	0.0	0.00	0.0	0.00	42,896.0	0.32
Total Senior Debt on Balance Sheet	n.a.	n.a.	-	8,711,960.0	26.01	5,166,008.0	20.56	2,503,943.0	14.21	1,511,956.0	11.18
Fair Value Portion of Senior Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing < 3 months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 3-12 Months	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing 1- 5 Year	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Subordinated Debt Maturing > 5 Years	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
Total Subordinated Debt on Balance Sheet	252.8	769,978.0	1.98	n.a.	-	n.a.	-	n.a.	-	0.0	0.00
Fair Value Portion of Subordinated Debt	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
D. Risk Weighted Assets											
1. Risk Weighted Assets	10,133.8	30,868,625.0	79.29	25,379,113.0	75.78	19,501,982.0	77.61	14,279,126.0	81.06	11,357,865.0	83.96
2. Fitch Adjustments to Risk Weighted Assets	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Fitch Adjusted Risk Weighted Assets	10,133.8	30,868,625.0	79.29	25,379,113.0	75.78	19,501,982.0	77.61	14,279,126.0	81.06	11,357,865.0	83.96
E. Equity Reconciliation											
1. Equity	1,059.6	3,227,580.0	8.29	3,150,283.0	9.41	2,522,381.0	10.04	2,125,162.0	12.06	1,613,659.0	11.93
2. Add: Pref. Shares and Hybrid Capital accounted for as Equity	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
3. Add: Other Adjustments	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
4. Published Equity	1,059.6	3,227,580.0	8.29	3,150,283.0	9.41	2,522,381.0	10.04	2,125,162.0	12.06	1,613,659.0	11.93
F. Fitch Eligible Capital Reconciliation											
1. Total Equity as reported (including non-controlling interests)	1,059.6	3,227,580.0	8.29	3,150,283.0	9.41	2,522,381.0	10.04	2,125,162.0	12.06	1,613,659.0	11.93
2. Fair value effect incl in own debt/borrowings at fv on the B/S- CC only	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
3. Non-loss-absorbing non-controlling interests	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
4. Goodwill	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
5. Other intangibles	17.4	52,977.0	0.14	49,165.0	0.15	37,149.0	0.15	18,881.0	0.11	11,801.0	0.09
6. Deferred tax assets deduction	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
7. Net asset value of insurance subsidiaries	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
8. First loss tranches of off-balance sheet securitizations	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
9. Fitch Core Capital	1,042.2	3,174,603.0	8.15	3,101,118.0	9.26	2,485,232.0	9.89	2,106,281.0	11.96	1,601,858.0	11.84
10. Eligible weighted Hybrid capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-
11. Government held Hybrid Capital	0.0	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00	0.0	0.00
12. Fitch Eligible Capital	n.a.	n.a.	-	n.a.	-	n.a.	-	n.a.	-	n.a.	-

Exchange Rate USD1 = TRY3.04610 USD1 = TRY2.32100 USD1 = TRY2.13620 USD1 = TRY1.78190 USD1 = TRY1.91110

Annex 1

Figure 12

Loss Absorption Capacity (LAC) — Türkiye Finans Katılım Bankası A.Ş.

	30 Jun 15 BRSA	31 Dec 14 BRSA
Core Tier 1 capital (TRYm)	3,188	3,109
Tier 1 capital (TRYm)	3,123	3,040
Tier 2 capital (TRYm)	804	127
Total capital (TRYm)	3,928	3,167
Tier 1 ratio (%)	10.85	11.98
Core Tier 1 ratio (%)	11.07	12.25
Total CAR ratio (%)	13.64	12.48
Risk-weighted assets (TRYm)	28,792	25,384
Market risk component of RWA (TRYm)	256	120
Credit risk component of RWA (TRYm)	26,411	23,485
Market risk/Core Tier 1 capital (%)	8	4
Credit risk/Core Tier 1 capital (%)	829	755
Gross loans (TRYm)	27,357	24,766
Current LIR (TRYm)	551	369
Additional LIR capacity (TRYm)	891	1,097
Maximum LIR capacity (TRYm)	1,442	1,466
Current LIR/gross loans (%)	2	1
Additional LIR cap./gross loans (%)	3	4
Maximum LIR/gross loans (%)	5	6
Targeted or covenanted core Tier 1 CAR (%)	8.0	8.0
Targeted or covenanted Tier 1 CAR (%)	8.0	8.0
Targeted or covenanted total CAR (%)	8.0	8.0

Source: Fitch

Annex 2

Figure 13

Top-15 Problem Exposures at 30 Jun 15 — Türkiye Finans Katılım Bankası A.S.

No.	Borrower information Borrower name	Exposure			Recovery			
		Gross exposure at 30 Jun 15 (TRYm)	Gross exposure at end-2014 (TRYm)	Change	BRSA Provision at 30 Jun 15 (TRYm)	Net exposure	Recovery expectation (loss)/recovery	Extra
1	Group 1	18.6	18.4	0.2		18.6		(11.1)
2	Group 2	18.5	-	18.5		18.5		(16.2)
3	Group 3	16.3	-	16.3		16.3		(13.1)
4	Group 4	13.9	12.4	1.5		13.9		(2.6)
5	Group 5	13.6	13.6	0.0		13.6		(11.9)
6	Group 6	12.2	11.7	0.5		12.2		-
7	Group 7	10.9	-	10.9		10.9		(5.5)
8	Group 8	9.9	9.6	0.3		9.9		-
9	Group 9	9.6	9.6	-		9.6		-
10	Group 10	9.0	-	9.0		9.0		(8.5)
11	Group 11	8.3	8.3	0.0		8.3		-
12	Group 12	8.3	7.6	0.7		8.3		-
13	Group 13	7.7	7.7	0.0		7.7		-
14	Group 14	7.5	-	7.5		7.5		(6.0)
15	Group 15	7.3	-	7.3		7.3		(1.4)
	Total	171.7	99.1	72.7				
	Fitch Core Capital (TRYm)					3,198		
	Gross loans (TRYm)					27,357		

Source: Türkiye Finans Katılım Bankası A.S., BRSA Financial Statements, Fitch calculations

Figure 14

Loan Quality, Problem Loans at 30 Jun 15 — Türkiye Finans Katılım Bankası A.S.

	Gross Loans (TRYm)	Growth of gross loans, yoy (%)	Performing loans (TRYm)	Loan impairment provision (TRYm)	Net loans (TRYm)	NPLs 90+ at 30-Jun-2015 (TRYm)	NPLs 90+ at end-2014 (TRYm)	Growth of NPLs, yoy (%)	Restructured loans 2015 (TRYm)	Gross written-off loans in 2015 (TRYm)	NPLs 90+ (%)	Restructured loans (%)	Loan impairment provision (%)	NPLs originated in 2015 (TRYm)	NPLs originated in period/ avg. performing loans (%)
By customer segment															
Central government	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Municipalities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	8,557	10	8,197	223	8,334	360	232	56	-	-	4.2	-	2.6	128.7	1.6
Commercial	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
SME	13,868	10	13,379	282	13,586	489	305	60	-	-	3.5	-	2.0	184.1	1.4
Micro	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
By industry															
Trade	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Construction and real estate	3,729	14	3,557	96	3,633	172	106	62	-	-	4.6	-	2.6	66.0	2.0
Oil&gas, commodities, energy	586	38	583	2	584	3	3	4	-	-	0.5	-	0.3	0.1	0.0
Manufacturing	6,112	6	5,902	137	5,975	210	150	40	-	-	3.4	-	2.2	59.5	1.0
Agriculture, food	481	7	455	14	467	26	16	62	-	-	5.4	-	2.9	9.9	2.2
Finance and investment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Services	10,225	9	9,813	238	9,986	412	243	69	-	-	4.0	-	2.3	168.0	1.8
Transport	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IT, telecom	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Leasing book	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Government and public sector	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	1,293	14	1,266	18	1,275	27	18	52	-	-	2.1	-	1.4	9.3	0.8
Total non-retail loans	22,426	10	21,576	505	21,921	850	537	58	-	-	3.8	-	2.3	312.9	1.5
O/w SME															
By retail segment															
Mortgages	3,930	12	3,918	3	3,927	12	9	32	-	-	0.3	-	0.1	3	0
Car loans	296	6	289	3	294	7	6	20	-	-	2.5	-	0.9	1	1
Other secured retail loans	68	2	67	0	68	1	1	22	-	-	1.4	-	0.6	0	1
Cash loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
POS loans	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Credit cards	377	27	359	15	362	18	21	(12)	-	-	4.8	-	4.1	(2)	(0)
Other unsecured retail loans	259	20	230	24	235	29	24	25	-	-	11.3	-	9.4	6	0
Total retail loans	4,931	13	4,863	46	4,885	68	60	13	-	-	1.4	-	0.9	8	0
Total loan book	27,357	10	26,439	551	26,806	918	597	54	-	-	3.4	-	2.0	320	1

Source: Türkiye Finans Katılım Bankası A.S., BRSA Financial Statements, Fitch calculations

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