

Corporate Credit & Issue Rating

New Update

Sector: Banking

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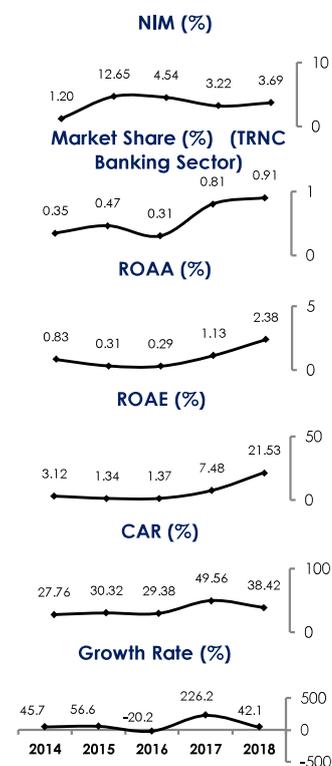
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RATINGS

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

* Affirmed by JCR on November 27, 2018



Kıbrıs Faisal İslam Bankası Ltd.

Company Overview

Financial Data	1H2019***	2018*	2017*	2016*	2015*	2014*
Total Assets (000 USD)	31,724	56,824	55,791	18,267	27,807	22,264
Total Assets (000 TRY)	182,577	298,948	210,438	64,515	80,852	51,629
Total Deposit (000 TRY)	141,202	265,702	183,225	47,948	63,192	35,379
Total Net Loans (000 TRY)	45,187	47,472	38,543	34,828	32,536	25,285
Equity (000 TRY)	33,196	30,454	25,921	15,638	15,512	15,292
Net Profit (000 TRY)	2,742	4,532	1,099	126	173	281
Market Share (%) **	n.a.	0.91	0.81	0.31	0.47	0.35
ROAA (%)	n.a.	2.38	1.13	0.29	0.31	0.83
ROAE (%)	n.a.	21.53	7.48	1.37	1.34	3.12
Equity/Assets (%)	18.18	10.19	12.32	24.24	19.19	29.62
CAR - Capital Adequacy Ratio (%)	43.14	38.42	49.56	29.38	30.32	27.76
Asset Growth Rate (Annual) (%)	n.a.	42.06	226.19	-20.21	56.60	45.66

* End of year ** On solo basis among the TRNC Banking Sector ***

Unaudited

Kıbrıs Faisal İslam Bankası Ltd. (hereinafter referred to as Kıbrıs Faisal İslam Bank (FIB) or the Bank), the very first bank capitalised by foreign investors in Turkish Republic of Northern Cyprus (TRNC), was founded in October 1982 and commenced operations in March 1983. The Bank offers conventional banking services to the individual and corporate customers to the extent that the TRNC's internationally isolated economic and political position permits. The Bank offers services through its 4 branches in the cities of Nicosia (Lefkoşa), Taşkınköy, Famagusta (Magosa) and Kyrenia (Girne) and had a staff force of 39 as of FYE2018.

The multi-shareholder structure positions the Bank as a 'public company' within the framework of legal regulations. On the other hand, Mr. Bensen SAFA is the majority shareholder since 2013 and held an 85.02% stake as of FYE2018. Following 2013, the Bank underwent a comprehensive restructuring process to enhance the effectiveness of operational, audit and risk management processes. The Bank had an inactive and unconsolidated affiliate, Faisal İslam Yatırım Şirketi Ltd., with a 26.91% stake as of FYE2018, through which cost-plus financing services were provided before 2014.

The Company's Long-Term National grade was upgraded one notch to '**BBB+ (Trk)**' mainly due to improvement in profit generation capacity attaining to equity supportive levels.

Strengths

- Remarkably above sector average CAR, enabling room for future growths
- High quality equity composition consisting mostly of paid-in capital
- Profit generation capacity attaining to equity supportive levels
- Increased income generation capacity together with decreased interest expenses, contributing positively to profitability indicators
- Sufficient collateral and high liquidity levels partially compensating the adverse effects of above sector NPL ratio on asset quality
- Comparatively small-scaled organization structure, enabling comfort in adaption to changing market conditions

Constraints

- Improved but below sector average profitability indicators
- Above sector average NPL ratio
- Low provisioning ratio, generating suppression potential on future profitability figures together with high collateral level and satisfactory collection performance
- Short-term weighted and concentrated structure of deposits leading to volatility in deposit base
- TRNC's economic and politically isolated international position and relatively limited island economy
- Continuing need for improvement in corporate governance practices