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**2008  
ANNUAL REPORT**

 **TURKISH BANK LTD.**

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# **TURKISH BANK LIMITED**

## **BOARD OF DIRECTORS**

M. Tanju Ozyol	Chairman
İ. Hakan Börteçene	Vice-Chairman
C. Yenil Musannif, FCA	Executive Director
Kıvanç M. Rıza	Director and Secretary
M.A. Yunus Rahmiođlu	Director and General Manager
Ender Par	Director and Chairman of Audit Committee
Nafi Türkođlu	Director
Erman Yerdelen	Director
Metin Münir	Director

## **SENIOR MANAGEMENT**

M. A. Yunus Rahmiođlu	General Manager and Director
Erhan Raif, FCCA	Asst. General Manager - Operations / Finance / Securities
Çiğdem Eyyam	Head of Branch Coordination
Sezin Özatay	Head of Credits Department
Nevin Özkan	Head of Central Operation Department

## **AUDIT COMMITTEE**

Ender Par	Chairman
Mustafa Biçerciođlu	Head of Internal Audit

## **AUDITORS**

ERDAL & CO.	Chartered Accountants
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# **TURKISH BANK (UK) LTD.**

## **BOARD OF DIRECTORS**

M. Tanju Ozyol	Chairman
İ. Hakan Börteçene	Director
M. D. Bendon	Director and Member of Audit Committee
R.W. Long	Executive Director
M. E. Erenman	Director
J. Clouting	Director and Member of Audit Committee

## **COMPANY SECRETARY**

K. Bissel

## **AUDITORS**

DELOITTE L. L. P. Chartered Accountants

# **TURKISH INSURANCE LIMITED**

## **BOARD OF DIRECTORS**

M. Tanju Ozyol	Chairman
İ. Hakan Börteçene	Director
Kıvanç M. Rıza	Director
C. Yenal Musannıf, FCA	Director
M. İhsan Ezgü	Executive Director
Ender Par	Director

## **COMPANY SECRETARY**

Şensoy Şener

## **AUDITORS**

ERDAL & CO. Chartered Accountants

# TURKISH BANK LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the Turkish Bank Ltd. will be held at the Registered Office, 92 Kyrenia Street, Nicosia on Monday 25 May 2009 at 4 p.m. for the following purposes:

- 1) To receive the Report of the Directors.
- 2) To receive and consider the Balance Sheet of the Bank and Consolidated Balance Sheet of the Group as at 31 December, 2008 together with Profit and Loss Account of the Bank and of the Group for the year 2008 and the Auditors' Report.
- 3) To elect three new members of the Board of Directors in place of those three retiring after completing their term of office.

Note: The three members of the Board so retiring and eligible for re-election are:

Ender Par  
C. Yenal Musannıf  
M.A. Yunus Rahmiođlu

- 4) To fix the remuneration of the Directors.
- 5) To appoint Auditors and to authorise the Directors to fix the Auditors' remuneration.

Note: Messrs. Erdal & Co. have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming annual general meeting.

Every shareholder entitled to attend and vote at the meeting or may appoint a proxy to attend and vote instead of him. A proxy so appointed need not be a shareholder. The instrument appointing a proxy should be deposited at the Registered Office of the Bank at least 48 hours before the time for holding of the meeting.

By Order of the Board  
Kıvanç M. Rıza  
Secretary

Nicosia, 4 May 2009.

# TURKISH BANK LIMITED

## DIRECTORS' REPORT

The Directors have pleasure in submitting their annual report with the annexed audited accounts of the bank and the consolidated accounts of the group for the year ended 31 December 2008.

With two new branch openings in 2008, the Bank continued to have the largest branch network in TRNC, serving its customers through 7 branches in Nicosia, 5 branches in Kyrenia, 3 branches in Famagusta and 3 branches in Guzelyurt Districts. The Bank managed to sustain profitability despite the global crises and increase in the general provision rate for risks enforced by TRNC Central Bank in 2008, that resulted in an increase in the 'general provision' from YTL 643,172 to YTL 2,669,197.

All administrative and other expenses have been deducted and necessary provisions were made for non-performing loans and advances in accordance with the requirements of the Central Bank directive issued under 39/2001 Banking Law. After making provision for corporation and income tax aggregating YTL.900,339, the Board of Directors recommends that the total profits, including previous years' profits, of YTL 4,163,275 of the bank to be appropriated as follows:

Transfer to Statutory Reserve	YTL. 27,000.-
Transfer to Retained Earnings	YTL.4,136,275.-

Approved by the Board of Directors and signed on 4 May 2009.

Kıvanç M. Rıza  
Secretary

Nicosia, 4 May 2009.

# TURKISH BANK LIMITED

## DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

As per 39/2001 Banking Law the directors are required to keep the accounts of the bank and prepare its uniform annual balance sheet, uniform profit and loss account and uniform notes in conformity with the accounting and valuation standards and the methods of implementations of these rules as stated in the 'Uniform Chart of Accounts for Banks' Decree issued by TRNC Central Bank.

Companies Law requires the directors to prepare a balance sheet that shall give a true and fair view of the state of affairs of the bank at the end of its financial year, and a profit and loss account that shall give a true and fair view of the profit or loss of the bank for the financial year. The directors are responsible for keeping proper books of account to give a true and fair view of the state of the bank's affairs and to explain its transactions and give the information required by Chapter 113, the Companies Law. The directors are also responsible for safeguarding the assets of the bank and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Signed on behalf of the Board of Directors on 4 May 2009.

M. Tanju ÖZYOL  
Chairman

Kıvanç M. RİZA  
Director and Secretary

M A Yunus RAHMİOĞLU  
General Manager and Director

Nicosia, 4 May 2009.

# **TURKISH BANK LIMITED**

## **INDEPENDENT AUDITORS' REPORT FOR THE ACCOUNTING PERIOD 1 JANUARY 2008-31 DECEMBER 2008**

We have audited the accounts on pages 9 to 41 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 14-15. As described on page 7, the directors of the bank are responsible for the preparation of accounts. Our responsibility is to express an opinion based on our audit.

We have conducted our audit in accordance with applicable auditing principles. Those principles require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessment of the accounting principles used, significant accounting estimates made by the board of directors and the overall presentation of the financial statements. We believe that our audit provides reasonable basis for our opinion.

### **Report in accordance with Principles Relating to the Establishments Authorised to carry out Independent Audits of the Banks Decree**

In our opinion, the said financial statements, with all material respects, have been examined on a test basis under Article 34 (3) of the Banking Law No:39/2001 and is in conformity with the uniform chart of accounts, uniform balance sheet and profit and loss statement, notes to the financial statements, accounting and valuation standards in accordance with Article 29 (3), the records of the bank in accordance with Article 30 of the above mentioned Law and as explained in note-1 (14).

### **Opinion in Accordance with Companies Law Chapter 113**

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion, the bank has kept proper books of account, so far, as appears from our examination of those books. The balance sheet of the bank and profit and loss account dealt with by the report are in agreement with the books of account.

In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by Chapter 113, the Companies Law in the manner so required and with all materials respects, give a true and fair view in the case of the Balance Sheet, of the state of the Bank's affairs as at 31 December 2008 and in the case of the Profit and Loss account, of the profit for the year 2008.

In our opinion, the group accounts have been properly prepared in accordance with the provisions of Chapter 113, the Companies Law and with all material respects, give a true and fair view of the state of affairs and profit of the Bank and its subsidiaries dealt with thereby, so far as concerns members of the Bank.

Responsible Partner

Erdal & Co.

Hüseyin Erdal FCA

Firuz Fehmi BA (Hons) FCA

Eral Erdal Bsc (Hons) ACA

Independent Auditors Authorised by the Central Bank

Nicosia, 4 May 2009



# TURKISH BANK GROUP

## CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2008

		CURRENT PERIOD YTL <u>( 31/12/2008)</u>	PREVIOUS PERIOD YTL <u>(31/12/2007)</u>
<b>ASSETS</b>			
	NOTE		
I-	CASH AND CENTRAL BANK BALANCES	41.697.682	47.416.769
II-	BANK BALANCES	204.140.422	290.782.354
III-	SECURITIES PORTFOLIO	55.340.078	36.566.784
IV-	LOANS AND ADVANCES	211.030.700	166.354.824
	A. Short term	76.348.700	43.282.186
	B. Medium and long term	134.682.000	123.072.638
V-	NON-PERFORMING LOANS AND ADVANCES (NET)	0	0
	A. Gross receivable balances	1.415.854	1.128.663
	B. Specific provision	(1.415.854)	(1.128.663)
VI-	PREPAYMENTS AND ACCRUED INCOME	6.687.161	6.704.174
VII-	RESERVE DEPOSITS AT THE CENTRAL BANK	37.954.556	37.783.641
VIII-	SUNDRY RECEIVABLES	259.038	137.480
IX-	LONG TERM INVESTMENTS	118.451.257	141.565.429
	A. Equity shares	41.259	8.015.009
	B. Other securities	118.409.998	133.550.420
X-	FIXED ASSETS	26.711.196	25.285.852
	A. Book value	38.907.148	36.406.167
	B. Accumulated depreciation	(12.195.952)	(11.120.315)
XI-	INTANGIBLE FIXED ASSETS	162.060	521.646
XII-	GOODWILL ON CONSOLIDATION	5.395.211	4.315.211
XIII-	OTHER ASSETS	2.660.904	1.892.360
	<b>TOTAL ASSETS</b>	<b>710.490.265</b>	<b>759.326.524</b>
<b>LIABILITIES</b>			
DEPOSITS		609.106.519	662.520.004
I-	A. Savings deposits and customer accounts	595.599.242	605.227.020
	B. Banks deposits	13.507.277	57.292.984
II-	EXPENSE ACCRUALS AND DEFERRED INCOME	5.382.233	3.841.832
III-	OTHER TAXES, DUTIES AND SOCIAL SECURITY PREMIUMS PAYABLE	1.034.631	855.732
IV-	SUNDRY PAYABLES	477.654	614.081
V-	PROVISIONS	3.137.649	1.397.411
	A. General provision for loans	2.669.197	643.172
	B. Corporation and income tax provisions	215.133	525.477
	C. Other provisions	253.319	228.762
VI-	OTHER LIABILITIES	5.507.389	1.476.660
VII-	MINORITY INTEREST	1.857.890	1.482.048
VIII-	SHAREHOLDERS' FUNDS	83.986.300	87.138.756
	A. Share capital-paid	56.864.600	56.864.550
	B. Statutory reserves	2.060.000	1.730.000
	C. Available-for-sale gains and (losses) reserve	(5.871.390)	(960.564)
	D. Revaluation reserve	7.890.570	8.279.694
	E. Profit and loss account	23.042.520	21.225.076
	<b>TOTAL LIABILITIES</b>	<b>710.490.265</b>	<b>759.326.524</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>			
I-	GUARANTEES AND ACCEPTANCES	8.031.019	15.147.106
II-	COMMITMENTS	160.049.890	144.518.984
III-	FOREIGN EXCHANGE AND INTEREST RATES OPERATIONS	119.754.711	100.618.571
IV-	ASSETS HELD UNDER TRUST AND PLEDGED ASSETS	463.210.524	279.799.412
	<b>TOTAL</b>	<b>751.046.144</b>	<b>540.084.073</b>

These financial statements were approved by the board of directors and signed on behalf of the Board Directors on 4 May 2009.

M. Tanju Özyol  
Chairman

Kıvanç M. Rıza  
Director and Secretary

M.A. Yunus Rahmioğlu  
General Manager and Director

**TURKISH BANK GROUP**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR 2008**

		<b>CURRENT PERIOD TL ( 31/12/2008)</b>	<b>PREVIOUS PERIOD TL (31/12/2007)</b>
<b>I - INTEREST INCOME</b>	I-(1)(ii)c	54.434.695	55.778.673
<b>II - INTEREST EXPENSE</b>		29.770.957	31.658.659
<b>III - NET INTEREST INCOME</b>		24.663.738	24.120.014
<b>IV - OTHER INCOME</b>		40.620.570	22.509.875
Commission and fee income	I-(1)(ii)c	4.910.013	4.571.779
Profits from capital market operations		553.681	564.102
Foreign exchange profits		33.379.572	15.271.993
Other non-interest income		730.348	1.090.612
Insurance business income		1.046.956	1.011.389
<b>V - OTHER OPERATING EXPENSES</b>		61.802.836	40.414.876
Fees and commissions paid		527.700	370.023
Losses on capital market operations		223.660	237.137
Foreign exchange losses		31.220.421	13.847.474
Personnel expenses		15.150.931	13.525.614
Depreciation	I-(1)(ii)h	2.190.727	2.018.173
Provision for non-performing loans and advances	I-(1)(ii)e	852.395	626.414
Other provisions	I-(1)(ii)e	2.014.363	149.923
Other non-interest expenses		9.622.639	9.640.118
<b>VI - NET OTHER INCOME</b>		(21.182.266)	(17.905.001)
<b>VII - NET PROFIT BEFORE TAXATION</b>	III-(4)	3.481.472	6.215.013
<b>VIII- TAXATION</b>	II-ii-(19)e 3	196.461	1.406.953
<b>IX - NET PROFIT AFTER TAXATION</b>		3.285.011	4.808.060
<b>X- MINORITY INTERESTS</b>	II-ii-(19)e 4	375.843	251.207
<b>XI- PROFIT ATTRIBUTABLE TO THE BANK SHAREHOLDERS</b>	II-ii-(19)e 5	<b>2.909.168</b>	<b>4.556.853</b>

**TURKISH BANK LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 2008**

ASSETS	NOTE	CURRENT PERIOD ( 31/12/2008)			PREVIOUS PERIOD ( 31/12/2007)		
		YTL	FX	TOTAL	YTL	FX	TOTAL
<b>I - CASH BALANCES</b>		<u>2.615.972</u>	<u>2.840.644</u>	<u>5.456.616</u>	<u>2.656.769</u>	<u>3.449.521</u>	<u>6.106.290</u>
A. Cash-TL balances		2.615.972	0	2.615.972	2.656.769	0	2.656.769
B. Cash-foreign exchange		0	2.840.644	2.840.644	0	3.449.521	3.449.521
C. Other liquid assets		0	0	0	0	0	0
<b>II - BANK BALANCES</b>	(1)	<u>41.426.155</u>	<u>118.534.408</u>	<u>159.960.563</u>	<u>30.915.656</u>	<u>152.748.988</u>	<u>183.664.644</u>
A. TRNC Central Bank		10.498.915	24.887.349	35.386.264	23.142.474	17.474.061	40.616.535
B. Other Banks		30.927.240	93.647.059	124.574.299	7.773.182	135.274.927	143.048.109
1) Domestic Banks		0	0	0	0	19.407.443	19.407.443
2) Foreign Banks		30.927.240	93.647.059	124.574.299	7.773.182	115.867.484	123.640.666
3) Reverse Repo Receivables		0	0	0	0	0	0
<b>III - SECURITIES PORTFOLIO</b>	(2)	<u>42.672.357</u>	<u>8.248.301</u>	<u>50.920.658</u>	<u>1.662.347</u>	<u>15.382.927</u>	<u>17.045.274</u>
A. Treasury Bills		307.802	8.248.301	8.556.103	274.822	7.312.572	7.587.394
B. Other Bills		42.364.555	0	42.364.555	1.387.525	0	1.387.525
C. Equity shares		0	0	0	0	0	0
D. Other Securities		0	0	0	0	8.070.355	8.070.355
<b>IV - LOANS AND ADVANCES</b>	(3)	<u>21.770.049</u>	<u>60.698.305</u>	<u>82.468.354</u>	<u>12.640.590</u>	<u>53.552.030</u>	<u>66.192.620</u>
A. Short term		14.961.816	10.251.988	25.213.804	10.953.680	7.340.776	18.294.456
B. Medium and long term		6.808.233	50.446.317	57.254.550	1.686.910	46.211.254	47.898.164
<b>V - NON-PERFORMING LOANS AND ADVANCES (NET)</b>	(4)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
A. Loans and other receivables with limited repayment capacity (Net)		0	0	0	0	0	0
1) Gross receivable balances		219.111	434.656	653.767	122.476	473.421	595.897
2) Specific provision		(219.111)	(434.656)	(653.767)	(122.476)	(473.421)	(595.897)
B. Doubtful debts and other receivables (Net)		0	0	0	0	0	0
1) Gross receivable balances		91.229	252.627	343.856	56.179	192.623	248.802
2) Specific provision		(91.229)	(252.627)	(343.856)	(56.179)	(192.623)	(248.802)
C. Bad debts and receivables (Net)		0	0	0	0	0	0
1) Gross receivable balances		73.817	265.574	339.391	24.174	200.042	224.216
2) Specific provision		(73.817)	(265.574)	(339.391)	(24.174)	(200.042)	(224.216)
<b>VI - PREPAYMENTS AND ACCRUED INCOME</b>		<u>4.005.569</u>	<u>2.142.155</u>	<u>6.147.724</u>	<u>4.070.600</u>	<u>2.051.835</u>	<u>6.122.435</u>
A. Loans and advances		20.380	310.107	330.487	0	509.534	509.534
B. Securities portfolio		1.452.992	114.846	1.567.838	4.054.765	1.482.956	5.537.721
C. Other		2.532.197	1.717.202	4.249.399	15.835	59.345	75.180
<b>VII - FINANCIAL LEASING RECEIVABLES</b>		<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
A. Financial leasing receivables		0	0	0	0	0	0
B. Unearned income		0	0	0	0	0	0
<b>VIII - RESERVE DEPOSITS AT THE CENTRAL BANK</b>		<u>11.979.410</u>	<u>25.975.146</u>	<u>37.954.556</u>	<u>9.859.610</u>	<u>27.924.031</u>	<u>37.783.641</u>
<b>IX - SUNDRY RECEIVABLES</b>	(5)	<u>228.115</u>	<u>30.923</u>	<u>259.038</u>	<u>122.236</u>	<u>15.244</u>	<u>137.480</u>
<b>X - PARTICIPATIONS (NET)</b>	(6)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
A. Financial participations		0	0	0	0	0	0
B. Other participations		0	0	0	0	0	0
<b>XI - SUBSIDIARIES (NET)</b>	(6)	<u>788.010</u>	<u>27.246.796</u>	<u>28.034.806</u>	<u>788.010</u>	<u>27.246.796</u>	<u>28.034.806</u>
A. Financial subsidiaries		788.010	27.246.796	28.034.806	788.010	27.246.796	28.034.806
B. Other subsidiaries		0	0	0	0	0	0
<b>XII - LONG TERM INVESTMENTS</b>	(7)	<u>33.779.531</u>	<u>73.518.056</u>	<u>107.297.587</u>	<u>82.048.381</u>	<u>59.517.048</u>	<u>141.565.429</u>
A. Equity shares		41.259	0	41.259	8.015.009	0	8.015.009
B. Other securities		33.738.272	73.518.056	107.256.328	74.033.372	59.517.048	133.550.420
<b>XIII - FIXED ASSETS</b>	(8)	<u>10.590.640</u>	<u>0</u>	<u>10.590.640</u>	<u>9.382.411</u>	<u>0</u>	<u>9.382.411</u>
A. Book value		17.836.603	0	17.836.603	15.593.395	0	15.593.395
B. Accumulated depreciation		(7.245.963)	0	(7.245.963)	(6.210.984)	0	(6.210.984)
<b>XIV - OTHER ASSETS</b>	(9)	<u>1.015.610</u>	<u>462.294</u>	<u>1.477.904</u>	<u>1.337.320</u>	<u>481.104</u>	<u>1.818.424</u>
<b>TOTAL ASSETS</b>	(19)	<u>170.871.418</u>	<u>319.697.028</u>	<u>490.568.446</u>	<u>155.483.930</u>	<u>342.369.524</u>	<u>497.853.454</u>

These financial statements were approved by the board of directors on 4 May 2009. Signed on behalf of the Board Directors.

M. Tanju Özyol  
Chairman

Kıvanç M. Rıza  
Secretary and Director

M.A. Yunus Rahmioğlu  
General Manager and Director

**TURKISH BANK LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 2008**

LIABILITIES	NOTE	CURRENT PERIOD (31/12/2008)			PREVIOUS PERIOD (31/12/2007)		
		YTL	FX	TOTAL	YTL	FX	TOTAL
<b>I - DEPOSITS</b>	(10)	126.660.308	287.483.760	414.144.068	116.871.759	311.482.265	428.354.024
A. Saving deposits		115.313.453	269.434.025	384.747.478	103.365.669	290.718.332	394.084.001
B. Official deposits		671.336	79.245	750.581	952.338	76.556	1.028.894
C. Commerical deposits		8.539.346	16.744.721	25.284.067	10.930.869	18.460.059	29.390.928
D. Other institution deposits		2.112.269	1.176.469	3.288.738	1.609.069	1.179.472	2.788.541
E. Bank deposits		23.904	49.300	73.204	13.814	1.047.846	1.061.660
F. Gold reserve accounts		0	0	0	0	0	0
<b>II - FUNDS OBTAINED FROM REPOS</b>	(11)	0	0	0	0	0	0
<b>III - FUNDS BORROWED</b>	(12)	0	0	0	0	0	0
A. TRNC Central Bank		0	0	0	0	0	0
B. Other funds borrowed		0	0	0	0	0	0
1) Domestic bank and institutions		0	0	0	0	0	0
2) Foreign bank and institutions		0	0	0	0	0	0
3) Capital loans		0	0	0	0	0	0
<b>IV - FUNDS</b>	(13)	0	0	0	0	0	0
<b>V - SECURITIES ISSUED (NET)</b>	(14)	0	0	0	0	0	0
A. Bonds		0	0	0	0	0	0
B. Asset backed securities		0	0	0	0	0	0
C. Debentures		0	0	0	0	0	0
<b>EXPENSE ACCRUALS AND DEFERRED INCOME</b>		3.131.421	1.871.207	5.002.628	1.397.806	2.092.087	3.489.893
A. Deposits		716.505	1.186.361	1.902.866	578.738	1.365.802	1.944.540
B. Borrowed funds		0	0	0	0	0	0
C. Other		2.414.916	684.846	3.099.762	819.068	726.285	1.545.353
<b>VII - FINANCIAL LEASING PAYABLES (NET)</b>		0	0	0	0	0	0
A. Financial leasing payables		0	0	0	0	0	0
B. Deferred financial leasing expenses		0	0	0	0	0	0
<b>OTHER TAXES, DUTIES AND SOCIAL SECURITY PREMIUMS PAYABLE</b>		824.268	101.484	925.752	639.619	97.415	737.034
<b>IX - IMPORT TRANSFER ACCOUNTS</b>		0	0	0	0	0	0
<b>X - SUNDRY LIABILITIES</b>	(15)	89.302	115.975	205.277	192.766	212.415	405.181
<b>XI - PROVISIONS</b>		496.650	2.188.687	2.685.337	279.296	612.017	891.313
A. Retirement pay compensation		0	0	0	0	0	0
B. General provision for loans		496.650	2.172.547	2.669.197	48.091	595.081	643.172
C. Corporation and income tax provisions		0	0	0	231.205	0	231.205
D. Other provisions		0	16.140	16.140	0	16.936	16.936
<b>XII - OTHER LIABILITIES</b>	(16)	1.814.271	2.703.238	4.517.509	632.511	517.833	1.150.344
<b>XIII - SHAREHOLDERS' FUNDS</b>	(17)	58.924.600	0	58.924.600	58.594.550	0	58.594.550
A. Share capital paid-up		56.864.600	0	56.864.600	56.864.550	0	56.864.550
1) Nominal share capital		0	0	0	0	0	0
2) Unpaid share capital		0	0	0	0	0	0
B. Statutory reserves		2.060.000	0	2.060.000	1.730.000	0	1.730.000
1) Statutory reserves		2.060.000	0	2.060.000	1.730.000	0	1.730.000
2) Share premium		0	0	0	0	0	0
3) Other legal reserves		0	0	0	0	0	0
C. General reserves		0	0	0	0	0	0
D. Statutory revaluation fund		0	0	0	0	0	0
E. Revaluation balances	(18)	0	0	0	0	0	0
F. Loss		0	0	0	0	0	0
1) Current period loss		0	0	0	0	0	0
2) Previous period losses		0	0	0	0	0	0
<b>XIV - PROFIT</b>		4.163.275	0	4.163.275	4.231.115	0	4.231.115
A. Current period profit		262.160	0	262.160	3.238.859	0	3.238.859
B. Previous period profits		3.901.115	0	3.901.115	992.256	0	992.256
<b>TOTAL LIABILITIES</b>	(19)	196.104.095	294.464.351	490.568.446	182.839.422	315.014.032	497.853.454
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>	(1)						
I - GUARANTEES AND ACCEPTANCES	(2)	2.553.458	5.477.561	8.031.019	4.826.339	10.835.967	15.662.306
II - COMMITMENTS FOREIGN EXCHANGE&INTEREST RATES OPERATIONS	(3)	44.569.000	0	44.569.000	41.780.000	0	41.780.000
III - ASSETS HELD UNDER TRUST AND PLEDGED ASSETS	(4)	0	119.754.711	119.754.711	0	100.618.571	100.618.571
<b>TOTAL</b>		7.850.753	67.187.699	75.038.452	5.332.130	46.159.162	51.491.292
		54.973.211	192.419.971	247.393.182	51.938.469	157.613.700	209.552.169

**TURKISH BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR 2008**

		CURRENT PERIOD YTL <u>(31/12/08)</u>	PREVIOUS PERIOD YTL <u>(31/12/07)</u>
<b>I - INTEREST INCOME</b>	(1)	42.476.814	40.123.531
A. Interest income from loans		9.445.223	7.453.563
1) Interest income from TL loans		4.261.226	2.900.244
a - Short term		3.290.455	2.560.506
b - Medium and long term		970.771	339.738
2) Interest income from foreign currency loans		5.028.988	4.447.514
a - Short term		944.555	552.859
b - Medium and long term		4.084.433	3.894.655
3) Interest income from loans in arrears		155.009	105.805
B. Interest income from reserve deposits at the Central Bank		1.661.947	1.681.993
C. Interest income received from banks		11.317.779	13.939.610
1) TRNC Central Bank		2.082.107	3.034.693
2) Domestic banks		956.341	283.007
3) Foreign banks		8.279.331	10.621.910
4) Interest Income from Reverse Repos		0	0
D. Interest income from securities portfolio		20.051.865	17.048.365
1) TRNC Development Bank Securities		201.678	147.962
2) Other securities		19.850.187	16.900.403
E. Other interest income	(3)	0	0
<b>II - INTEREST EXPENSES</b>	(1)	23.588.308	21.801.930
A. Interest expense payable to deposits		14.258.120	11.919.488
1) Saving deposits		13.256.450	11.222.943
2) Official deposits		39.442	32.016
3) Commercial deposits		765.213	516.604
4) Other institution deposits		195.486	146.985
5) Bank deposits		1.529	940
B. Interest expense payable to foreign currency deposits		9.330.188	9.882.204
1) Saving deposits		9.090.250	9.677.121
2) Official deposits		898	740
3) Commercial deposits		215.588	173.072
4) Other institution deposits		23.284	18.688
5) Bank deposits		168	12.583
6) Gold reserve accounts		0	0
C. Repo Interest Expense		0	0
D. Interest expense payable on borrowings		0	0
1) TRNC Central Bank		0	0
2) Domestic banks		0	0
3) Foreign banks		0	0
4) Other institutions		0	0
E. Interest on debentures and securities issued		0	0
F. Other interest expense	(3)	0	238
<b>III - NET INTEREST INCOME [ I - II ]</b>		18.888.506	18.321.601
<b>IV - OTHER INCOME</b>	(1)	36.073.811	18.233.179
A. Fees and commissions received		2.161.563	1.582.081
1) From cash loans		365.977	288.872
2) From non-cash loans		119.852	160.806
3) Other		1.675.734	1.132.403
B. Profit from capital market operations		553.681	564.102
C. Foreign exchange profits		32.650.207	15.015.616
D. Dividends received from subsidiaries and participations		0	0
E. Extraordinary income		0	0
F. Other non-interest income	(3)	708.360	1.071.380
<b>V - OTHER OPERATING EXPENSES</b>	(1)	53.799.818	32.280.323
A. Fees and commissions paid		479.520	324.063
1) On cash loans		0	0
2) On non-cash loans		0	0
3) Other		479.520	324.063
B. Loss on capital market operations		223.660	237.137
C. Foreign exchange losses		30.988.084	13.701.742
D. Personnel expenses		10.864.124	8.913.812
E. Retirement pay compensation		0	0
F. Rental expenses		480.007	356.995
G. Depreciation		1.126.354	1.023.451
H. Taxes and duties		62.765	59.500
I. Extraordinary expenses		0	0
J. Provision for non-performing loans and advances	(2)	852.395	626.414
K. Other provisions	(2)	1.972.753	108.559
L. Other non-interest expenses	(3)	6.750.156	6.928.650
<b>VI - NET OTHER INCOME [ IV - V ]</b>		(17.726.007)	(14.047.144)
<b>VII - PROFIT BEFORE TAXATION [ III + VI ]</b>		1.162.499	4.274.457
<b>VIII - TAXATION</b>		900.339	1.035.598
<b>IX - NET PROFIT AFTER TAXATION [ VII - VIII ]</b>		262.160	3.238.859

# TURKISH BANK LIMITED

## I- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE FINANCIAL STRUCTURE OF THE BANK:

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### Notes and disclosures in respect of current period:

#### (1)(i) Date of approval of the balance sheet 4 May 2009

#### (ii) Principal accounting policies:

##### a. Accounting convention:

Accounts have been prepared in New Turkish Lira (YTL) and under the historical cost convention, in accordance with Banking Law, Chapter 113, Companies Act, and Tax Law and Regulations, and generally accepted accounting standards. The financial statements have been prepared in conformity with the Uniform Chart of Accounts, uniform accounting and valuation standards and the methods of implementation of these rules that have been determined as per 39/2001 Banking Law.

##### b . Group consolidated accounts:

The consolidated accounts of the group comprise the accounts of the bank and its subsidiaries (Turkish Bank (UK) Limited and Turkish Insurance Limited) for the year ended 31 December 2008. All of the bank's and subsidiaries' assets and liabilities, income and expenditure as well as the contingent liabilities and commitments are fully consolidated. The book value of the investment of the bank in the subsidiaries has been netted off with part of the equity of the subsidiaries that belongs to the Bank. Unearned income and expenditure and intergroup balances have been eliminated.

##### c. Interest and Fee Income:

Interest income is recognised in the profit and loss account as it accrues and fee income is recognised when received.

##### d. Foreign currencies:

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Group assets and liabilities in foreign currencies and the results of the oversea subsidiary company have been translated to YTL at the rates of exchange ruling at 31 December 2008. Non-performing loans and advances are translated to YTL at the exchange rates ruling on the date the account legally becomes non-performing.

Being considered as unrecoverable full provision has been made for Bank's 'Statutory Reserve Deposit' account amounting to C£1,122,500 (1,917,905,12 Euro) held with The Central Bank of Greek Administration of Cyprus.

##### e. Loans, advances and non-performing loans and advances:

Loans and advances and other receivables of the bank are stated after deduction of specific provisions for non-performing loans and advances in accordance with the Decree concerning the principles and methods for provisions against loans and other assets issued under 39/2001 Banking Law. In accordance with this Decree and based on the principles of prudence the Bank makes 100% specific provision against all non-performing loans. The bank also maintains general provision as determined by Banking regulations.

##### f. Taxation:

Turkish Bank Ltd. and Turkish Insurance Ltd. pay 10% corporation tax on taxable income and 15% income tax on the remaining profit after deduction of 10% corporation tax. Total tax payment is 23,5%. (2007-23,5%).

Turkish Bank (U.K) pays 28,5% (2007-30%) corporation tax on taxable income.

# TURKISH BANK LIMITED

## I- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE FINANCIAL STRUCTURE OF THE BANK (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### Deferred Tax Provision

Deferred taxation is accounted for on all material timing differences between the accounting and taxation treatment of income and expense.

### g. Leases:

Rents paid under operating leases are charged to income on straight line basis over the lease term.

### h. Fixed assets:

(i) Fixed assets of Turkish Bank Limited and Turkish Insurance Limited have been amortised over their useful lives at 3-20% per annum using the straight line method.

(ii) Fixed assets of oversea subsidiary Turkish Bank (UK) Limited:

Freehold buildings of oversea subsidiary have been revalued by independent valuers in December 2008. Valuations were made on the basis of open market value for existing use. Remaining fixed assets are stated at cost. Depreciation is provided on all tangible fixed assets, except freehold land, on a straight line basis over their estimated useful lives. Freehold buildings are depreciated at the annual rate of 2% and the other fixed assets are depreciated at annual rates ranging from 5% to 20%.

### i. Intangible Fixed assets:

Intangible assets comprise of computer software programs. Annual depreciation is calculated on straight line basis over 5 years.

### j. Futures, Swaps and Derivatives:

Bank's Derivative operations consist of swap agreements. Swaps are recorded at cost and include operational costs. Obligations and receivables arising from swap contracts are recorded in the memorandum accounts.

Swaps are valued at market value and any surplus or deficit is recorded in "prepayments and accrued income" or "expense accruals and deferred income" accounts and written off to profit and loss account over the term of the swap deal.

## (2) General Information About the Bank:

### Legal Structure of the Bank:

- a) Turkish Bank Limited is a public company quoted on the TRNC Stock Exchange, registered under Companies Law Chapter 113 and regulated by 39/2001 Banking Law.
- b) The members of the board of directors, senior management and the internal auditors of the Bank are qualified persons as required in part 4 clause 15 and clause 16 of the Banking Law 39/2001. The members of the board of directors, senior management, head of internal audit department and independent external auditors are listed on page 3 of this financial report.
- c) The members of the board of directors, senior management and the internal auditors of the bank have the appropriate qualifications as required by 39/2001 Banking Law.
- d) From inspections and controls conducted, The Internal Control System of the Bank has been found reliable by the bank's administration.

# TURKISH BANK LIMITED

## I- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE FINANCIAL STRUCTURE OF THE BANK (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

- (3) There have been no changes in the accounting policies.
- (4) **Validity of the basic accounting assumptions; going concern, accrual basis and consistency:**  
These basic accounting assumptions are being fully implemented by the bank.
- (5) There have been no changes in the valuation methods applied in the year-end results of the bank.
- (6) **Valuation of Securities portfolio (Including participations, subsidiaries, long term investments):**

**Securities hold until maturity date:**

Securities that have up to one year to maturity are shown under the securities portfolio. Over one year to maturity securities are shown under long term securities in the balance sheet.

TRNC Development Bank Securities held by the bank have been shown at cost. Debt securities are shown at cost plus any unamortised premium or less any unamortised discount on their purchase.

**Participations, subsidiaries and long-term investments:**

The participations, subsidiaries and long-term investments of the bank are shown at values determined in 2006 as per Statutory Valuation Law.

**7) The strategy of the bank regarding management of foreign exchange risk in foreign currency transactions:**

Foreign currency denominated assets and liabilities together with purchase and sale commitments give rise to foreign exchange exposure. The group's foreign currency asset and liability management of price, liquidity and credit risk is performed in line with targeted maturity and currency matching limits.

**8) USD and GBP Foreign exchange rates used in the preparation of the Balance Sheet and the Bid rates declared by the bank on the last five working days of the current accounting period.**

	Current Period	Previous Period
<b>US Dollar:</b>	<b>1.51500 YTL</b>	<b>1.15500 YTL</b>
<b><u>Preceding the Balance Sheet date:</u></b>		
1. Day bid rate	1.50700 YTL.	1.16200 YTL
2. Day bid rate	1.49000 YTL.	1.16900 YTL
3. Day bid rate	1,48000 YTL.	1.17000 YTL
4. Day bid rate	1.50500 YTL.	1.17500 YTL
5. Day bid rate	1.50300 YTL.	1.17500 YTL

	Current Period	Previous Period
<b>GBP:</b>	<b>2.19000 YTL</b>	<b>2.29800 YTL</b>
<b><u>Preceding the Balance Sheet date:</u></b>		
1. Day bid rate	2.22000 YTL.	2.31300 YTL
2. Day bid rate	2.22500 YTL.	2.31400 YTL
3. Day bid rate	2.22000 YTL.	2.30900 YTL
4. Day bid rate	2.22500 YTL.	2.31200 YTL
5. Day bid rate	2.20600 YTL.	2.31900 YTL



# TURKISH BANK LIMITED

## I- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE FINANCIAL STRUCTURE OF THE BANK (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### (9) Book value of assets and the total insurance cover

	<u>Current Period: 31/12/2008</u>		
	<u>Book Value</u>	<u>Accumulated Depreciation</u>	<u>Insurance Cover</u>
<b>Assets:</b>	17,836,603	7,245,963	15,733,308
Movable Property (Equipment, furniture fixtures and fittings)	10,212,517	4,336,579	9,408,322
Immovable property	7,624,086	2,909,384	6,324,986
Assets held that have to be disposed	-	-	-
	<u>Previous Period: 31/12/2007</u>		
	<u>Book Value</u>	<u>Accumulated Depreciation</u>	<u>Insurance Cover</u>
<b>Assets:</b>	15,593,395	6,210,984	13,154,973
Movable Property (Equipment, furniture fixtures and fittings)	7,868,275	3,552,154	6,889,500
Immovable property	7,725,120	2,658,830	6,265,473
Assets held that have to be disposed	-	-	-

### (10) Material, contingent, and conditional losses and gains the value of which could not be estimated.

Assets and liabilities that may materialise as a result of conditional events are only accounted for when such conditional events are likely to happen.

In January 2008, The Greek Administration Court made a court order for EUR 182,940 against the bank. Appeal of the bank has not been finalised as at 31 December 2008 and no provision has been made in the accounts against this claim.

### (11) There are no material events that happened after balance sheet date affecting 2008 that need explaining.

### (12) There are no material items affecting the balance sheet in a significant way that need to be explained in order to make the balance sheet more clear and understandable.

# TURKISH BANK LIMITED

## I- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE FINANCIAL STRUCTURE OF THE BANK (Continued):

(Amounts unless expressed otherwise are expressed in Thousand New Turkish Lira)

### (13) Capital Adequacy Standard Ratio:

#### a)List of Risk-weighted Assets

Risk-weighted Assets, Commitments and Contingent Liabilities	Risk-weighted Assets			
	0%	20%	50%	100%
	<b>187,285</b>	<b>176,081</b>	<b>42,332</b>	<b>71,088</b>
Assets (Net)				
Cash Balances	5,457	0	0	0
Balances at Central Bank	35,386	0	0	0
Interbank Funds	0	0	0	0
Bank Balances	0	124,016	0	391
Securities Portfolio	50,116	804	0	0
Reserve Deposits at Central Bank	37,955	0	0	0
Reverse Repo Receivables	0	0	0	0
Loans and Advances	20,262	0	31,190	31,016
Loans in Arrears	0	0	0	0
Prepayments and Accrued Income	4,006	792	0	1,350
Participations and Subsidiaries	0	0	0	0
Long Term Investments	34,103	49,006	0	24,189
Assets Held for Resale	0	0	0	0
Fixed Assets	0	0	0	10,591
Other Assets	0	0	0	891
Off Balance Sheet Items				
Guarantees	0	285	0	1,572
Documentary Credits	0	0	0	1,045
Other Liabilities and Commitments	0	0	0	0
Undertakings	0	0	11,142	0
Foreign Currency and Interest Rates Operations	0	1,178	0	0
Other Liabilities	0	0	0	43
<b>Total Risk-Weighted Assets</b>	<b>0</b>	<b>35,216</b>	<b>21,166</b>	<b>71,088</b>
<b>Net Assets Under Exchange Risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>56,497</b>
<b>TOTAL</b>	<b>0</b>	<b>35,216</b>	<b>21,166</b>	<b>127,585</b>

# TURKISH BANK LIMITED

## I- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE FINANCIAL STRUCTURE OF THE BANK (Continued):

(Amounts unless expressed otherwise are expressed in Thousand New Turkish Lira)

### b) Details of Capital and Reserves (Shareholders funds)

	Current Period	Previous Period
<b>1-Tier I Capital</b>	<b>62,286</b>	<b>61,892</b>
a. Paid-up Capital	56,865	56,865
b. Statutory Reserves	2,060	1,730
c. General Reserves	0	0
d. Profit after Tax and Retained Earnings	4,136	4,231
e. Current and Previous Years Losses	0	0
<b>2-Tier II Capital</b>	<b>2,685</b>	<b>660</b>
a. General Provision	2,669	643
b. Revaluation Fund	0	0
c. Inflation Adjustment Reserve	0	0
d. Participations and Subsidiaries Reserves	0	0
e. Loan Capital	0	0
f. Contingency Reserves	16	17
g. Securities Valuation Fund	0	0
<b>3-Total Capital (1+2)</b>	<b>64,971</b>	<b>62,552</b>
<b>4-Capital as Determined by Capital Adequacy Ratio Regulations</b>	<b>64,108</b>	<b>62,552</b>
<b>5-Items to be Deducted from Capital</b>	<b>29,006</b>	<b>36,944</b>
a. Investment in Participations and Subsidiaries	28,037	36,010
b. Intangible Assets	0	0
c. Formation Expenses	0	0
d. Prepaid Expenses	802	934
e. The Difference Between Market Value and Net Book Value of Fixed Assets Where The Market Value is Lower Than Net Book Value	0	0
f. Loan Capital Given to Other Banks Operating in TRNC	0	0
g. Goodwill	0	0
h. Loans Exceeding Statutory Risk Limits	167	0
<b>6-Net Capital (4-5)</b>	<b>35,904</b>	<b>26,542</b>

# TURKISH BANK LIMITED

## I- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE FINANCIAL STRUCTURE OF THE BANK (Continued):

(Amounts unless expressed otherwise are expressed in Thousand New Turkish Lira)

### c) Summary Details of Capital Adequacy Ratio;

	YTL%	YTL%
	Current	Previous
	Period	Period
Total Risk Weighted Assets	183,967	151,764
Net Capital	35,904	26,542
Capital Adequacy Ratio (%)	% 20	%18

### (14) The opinion of the independent auditors auditing this financial report on matters that they are required to report as per Banking Law Regulations

Information given as per Article 12 of the 'Principles Relating to the Establishments Authorised to Carry Out Independent Audits of the Banks' Decree that has been prepared by the TRNC Central Bank as per Article 34(3) of the Banking Law 39/2001:

a. The legal structure of the bank:

The bank is a public company registered under Companies Law Chapter 113 and is subject to 39/2001 Banking Law. All its shares are quoted on TRNC Stock Exchange.

b. The share capital structure of the bank and disclosure of shareholders owning 10% or more are reported in notes to the accounts II (17).

c. The members of the board of directors, senior management and the chairman of internal audit committee are listed on page 3.

d. The members of the board of directors, senior management and the internal auditors of the bank have appropriate qualifications as required by 39/2001 Banking Law.

e. The bank has prepared its accounts in conformity with uniform balance sheet and profit and loss account together with uniform notes, accounting and valuation standards and the methods of implementation of these rules as stated in the 'Uniform Chart of Accounts of Banks' Decree prepared by the TRNC Central Bank.

f. There have been no changes in the accounting policies.

g. We have not received any information about any subsequent event or change after balance sheet that would affect the Bank.

h. The auditors are satisfied about the confirmation of the bank management that the internal control system is reliable.

i. The bank is in process of reducing the funds held in the oversea subsidiary and banks within the limits of regulations.

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS:

(Amounts unless expressed otherwise are expressed in New Turkish Lira )

### i) NOTES AND DISCLOSURES REGARDING ASSESTS:

#### (1) Bank Accounts:

##### a) Balances with TRNC Central Bank;

	Current Period		Previous Period	
	YTL	FX	YTL	FX
Unpledged Current Balances	10,498,915	24,887,349	23,142,474	17,474,061
Unpledged Deposit Balances	0	0	0	0
Pledged Balances	0	0	0	0
<b>TOTAL</b>	<b>10,498,915</b>	<b>24,887,349</b>	<b>23,142,474</b>	<b>17,474,061</b>

##### b) Balances with Overseas Banks;

	Unpledged Balances		Pledged Balances	
	Current Period	Previous Period	Current Period	Previous Period
Turkey	95,481,151	72,162,962	0	0
EU Countries	28,786,668	51,312,819	0	0
USA and Canada	306,480	164,885	0	0
OECD Countries*	0	0	0	0
Offshore Zone	0	0	0	0
Other	0	0	0	0
<b>TOTAL</b>	<b>124,574,299</b>	<b>123,640,666</b>	<b>0</b>	<b>0</b>

\* OECD Countries other than Turkey, EU Countries, USA and Canada.

##### c) Reverse Repo Receivables:

	Current Period		Previous Period	
	YTL	FX	YTL	FX
<b>Domestic Transactions With</b>				
TRNC Central Bank	0	0	0	0
Banks	0	0	0	0
Other Financial Institutions and Corporation	0	0	0	0
Other Institutions and Corporation	0	0	0	0
Real Persons	0	0	0	0
<b>Overseas Transactions With</b>				
Central Banks	0	0	0	0
Banks	0	0	0	0
Other Financial Institutions and Corporation	0	0	0	0
Other Institutions and Corporation	0	0	0	0
Real Persons	0	0	0	0

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### (2) Securities Portfolio;

- a) i- No increase in the value of the securities portfolio has been recorded.  
ii- Shares have been shown at cost.  
iii- 8,556,103 Million YTL of the securities portfolio balance is held for legal requirements.

### b) Analysis of securities portfolio

Types of Securities	Current Period		Previous Period	
	YTL	FX	YTL	FX
TRNC Development Bank Securities	307,802	8,248,301	274,822	7,312,572
Turkish Treasury Bonds	0	0	0	0
Turkish Government Securities	41,560,245	0	0	0
Other OECD Countries Bonds and Securities	804,310	0	1,387,525	8,070,355
r Countries Bonds and Securities	0	0	0	0
Other	0	0	0	0
TOTAL	42,672,357	8,248,301	1,622,347	15,382,927

### (3) Loans Details:

#### a) Loans given to bank shareholders and personnel;

	Current Period		Previous Period	
	Cash	Non-cash	Cash	Non-cash
Loans directly given to shareholders	0	0	5,207,189	0
Loans given to corporate body shareholders	0	0	5,197,500	0
Loans given to real persons	0	0	9,689	0
Indirect loans given to shareholders	0	0	156,890	27,430
Loans given to personnel	1,934,242	4,133	1,148,827	2,200

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### b) Group I and Group II loans, other receivables and restructured and/or rescheduled loans and other receivables:

	Standard, Performing Loans and Other Receivables		Loans and Other Receivables Under Followup	
	Loans and Other Receivables	Restructured and/or Rescheduled Loans and Other Receivables	Loans and Other Receivables	Restructured and/or Rescheduled Loans and Other Receivables
Bills Discounted	1,685,696	0	75,681	0
Export Loans	0	0	0	0
Import Loans	0	0	0	0
Export Guarantee Investment Loans	0	0	0	0
Other Investment Loans	0	0	0	0
Business Loans	24,709,594	0	0	0
Special Loans	0	0	0	0
Funded Loans	0	0	0	0
Consumer Loans	14,999,676	0	0	0
Credit Cards	2,711,062	0	0	0
Security Purchase Credits For Customer	0	0	0	0
TRNC Central Bank Funded Loans	0	0	0	0
Loans Given through TRNC Central Bank	0	0	0	0
Other Loans	38,286,645	0	0	0
<b>TOTAL</b>	<b>82,392,673</b>	<b>0</b>	<b>75,681</b>	<b>0</b>

### c) Loan Classification by Users:

	Current Period	Previous Period
Public	7,035,502	0
Private	75,432,852	66,192,620
<b>TOTAL</b>	<b>82,468,354</b>	<b>66,192,620</b>

### d) Loan Classification-Domestic and Overseas:

	Current Period	Previous Period
Domestic Loans	59,802,786	38,841,249
Overseas Loans	22,665,568	27,351,371
<b>TOTAL</b>	<b>82,468,354</b>	<b>66,192,620</b>

### e) Loans Given to Participations and Subsidiaries:

	Current Period	Previous Period
Direct Loans to Participations and Subsidiaries	0	65,934
Indirect Loans to Participation and Subsidiaries	0	0
<b>TOTAL</b>	<b>0</b>	<b>65,934</b>

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

- f) The first hundred largest cash loan customers account for 65% of the total cash loan portfolio and thirty cash loan customer account for 50% of the cash loan portfolio of the bank.
- g) The first hundred largest non-cash loan customers account for 97% of the total non-cash loans and six customers account for 50% of the total non-cash loan portfolio of the bank.
- h) The first hundred largest cash and non-cash loan customers account for 8% of the total assets (including off balance sheet items) and 33 customers account for 50% of the total cash and non-cash loan portfolio of the bank.

### (4) Loans in Arrears:

#### a) Total Non-Performing Loans - Movements In The Year:

	III. Group Loans and Other Receivables With Limited Repayment Capacity	IV. Group Doubtful Debts and Other Receivables	V. Group Bad Debts and Other Receivables
Balance Brought Forward	595,897	248,802	224,216
Additions In the Year (+)	1,089,361	46,454	479,560
Transfer From Other Non-Performing loans(+)	337,469	391,656	120,168
Transfer To Other Non-Performing Loans(-)	395,314	116,012	337,967
Collections in the Period (-)	973,646	227,044	146,586
Write Offs (-)	0	0	0
Balances at the end of Period	653,767	343,856	339,391
Specific provision	653,767	343,856	339,391
Net Book Value	0	0	0

#### b) Foreign Currency Non-Performing Loans - Movements In the Year:

	III. Group Loans and Other Receivables With Limited Repayment Capacity	IV. Group Doubtful Debts and Other Receivables	V. Group Bad Debts and Other Receivables
Current Period:			
Balances Brought Forward	434,656	252,627	265,574
Specific Provision (-)	434,656	252,627	265,574
Net Book Value	0	0	0
Previous Period:			
Balance Brought Forward	473,421	192,623	200,042
Specific Provision (-)	473,421	192,623	200,042
Net Book Value	0	0	0



# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### c) Bad Debts and Other Receivables Analysed By Types of Securities and Provisions Made:

Security Group	Loans Given	Provision
Unsecured	70,605	70,605
Group I - Cash Security	0	0
Group II - Immovable Security	80,120	80,120
Group III - Movable Security	188,666	188,666
Group IV - Other Security	0	0

### d) Bad Debts and Receivables Policy of the Bank:

After giving written notice, non-performing loans are transferred to bank lawyers for legal action. Collections are followed up in accordance with judgment obtained.

### (5) Details of Installment Sales Balances Included in Other Receivables:

	Current Period	Previous Period
Sale of participations, subsidiaries and joint ventures	0	0
Sale of immovable property	0	0
Other asset sales	0	0

### (6) Details Regarding Participations, Subsidiaries:

- a) Participations and Subsidiaries have all been shown at values determined in 2006 as per statutory valuation. Subsidiaries and participations are not quoted on any stock market.

### b) Analysis and Book Values of participations and subsidiaries by sector:

	Participations		Subsidiaries	
	Current Period	Previous period	Current Period	Previous period
Banks	0	0	27,246,796	27,246,796
Insurance Companies	0	0	788,010	788,010
Finance Companies	0	0	0	0
Other Financial Participations	0	0	0	0
Other Non-financial Participations and Subsidiaries	0	0	0	0

### c) Bank Share of Investment in Participations and Subsidiaries:

Title	Address	Banks share of investment and voting right if different(%)	Group Holding (%)	Current Year Profit	Market Value
Turkish Bank (UK) Ltd.	84-86 Borough High Street London SE 1 1 LN UK.	100	100	847,530	41,625,330
Turkish Insurance Ltd.	182 Girne Caddesi Lefkosa T.R.N.C.	51	97	762,771	3,770,580

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### d) Participations Quoted on Stock Exchange;

	Current Period	Previous Period
Quoted on local Stock Exchange	0	0
Quoted on overseas Stock Exchange	0	0

### e) Subsidiaries quoted on Stock Exchange;

	Current Period	Previous Period
Quoted on local Stock Exchange	0	0
Quoted on overseas Stock Exchange	0	0

### f) No bonus shares were received during the year from participations and subsidiaries as a result of capitalising of reserves;

	Current Period	Previous Period
Number of bonus shares received from Participations	0	0
Subsidiaries	0	123,268

### g) Details of receivables from and debts due to Participations and Subsidiaries;

	Financial Participations and Subsidiaries Balances	Financial Participations and Subsidiaries Balances
<b>RECEIVABLES</b>		
-Banks and other financial institutions	15,758,627	0
-Debentures and similar securities	0	0
-Loans(including doubtful debts)	0	0
-Interest and income accruals	16,740	0
-Financial leasing receivables(NET)	0	0
-Other receivables	0	0
<b>BORROWINGS</b>		
-Deposits	964,322	0
-Borrowed Funds	0	0
-Securities Issued	0	0
-Interest and expense prepayments	962	0
-Financial leasing liabilities	0	0
-Other liabilities	0	0
OFF-BALANCE SHEET COMMITMENTS	0	0

### (7) Details about Long Term Investments;

	Current Period	Previous Period
1- Debt securities	107,256,328	133,550,420
2- Repo related items	0	0
3- Other- Investment in share capital	41,259	8,015,009
4- Provision for loss in value (-)	0	0
TOTAL	107,297,587	141,565,429

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### (8) a) Details Regarding Fixed Assets Of The Bank;

Balance from previous year:	Immovable Property	Vehicles	Other Fixed Assets	Total
Cost	7,624,086	501,026	7,468,282	15,593,394
Accumulated depreciation(-)	(2,655,798)	(270,561)	(3,284,624)	(6,210,983)
Net Book Value	4,968,288	230,465	4,183,658	9,382,411
Current Period:				
Net book value at the beginning of the year	4,968,288	230,465	4,183,658	9,382,411
Purchases	0	121,482	2,215,449	2,336,931
Sales and disposals(Net)(-)	0	0	(2,348)	(2,348)
Diminution in value	0	0	0	0
Depreciation charge (-)	(253,585)	(76,078)	(796,691)	(1,126,354)
Net Exchange differences (-)	0	0	0	0
<b>Closing Net Book Value</b>	<b>4,714,703</b>	<b>275,869</b>	<b>5,600,068</b>	<b>10,590,640</b>

### b) Details Regarding Fixed Assets of the Group;

Balance from previous year:	Immovable Property	Other Fixed Assets	Total
Cost	23,369,904	13,036,262	36,406,166
Accumulated depreciation(-)	(4,334,071)	(6,786,243)	(11,120,314)
Net Book Value	19,035,833	6,250,019	25,285,852
Current Period:			
Net book value at the beginning of the year	19,035,833	6,250,019	25,285,852
Purchases	645,756	3,290,705	3,936,461
Sales and disposals(Net)(-)	0	(5,380)	(5,380)
Diminution in value	0	0	0
Depreciation charge (-)	(496,675)	(1,267,001)	(1,763,676)
Net Exchange differences (-)	(653,501)	(88,560)	(742,061)
<b>Closing Net Book Value</b>	<b>18,531,413</b>	<b>8,179,783</b>	<b>26,711,196</b>

(c) No asset has been acquired in lieu of any receivable that according to Banking Law has to be disposed of.

### (9) Details of Other Assets;

a) Other assets do not exceed 10% of total assets of the Bank.

b) Taxes paid in advance have been set off current years tax liability:

Expenses paid in advance are written off to profit and loss account in relevant periods.

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### (ii) NOTES AND DISCLOSURES REGARDING LIABILITIES:

#### (10) Breakdown of Deposits

##### a) Details of Deposits Analysed By Residual Maturity

Current Period	On Demand	Seven Day Notice	Within 1 Month	Within 3 Months	Within 6 Months	Within 1 Year	Over 1 Year
<b>Resident Accounts</b>							
1) Savings Accounts	17,519,334	325,108	91,619,349	1,825,211	261,35	1,580,937	0
2) Official Commercial and Other Institutions Deposits	9,336,194	4,689	1,906,989	39,998	438	32,735	0
3) Foreign Currency Savings	40,721,409	0	161,762,391	16,139,698	6,895,650	31,441,781	0
4) Foreign Currency Official, Commercial and Other Institutions Deposits	10,005,433	0	7,661,760	163,187	1,012	127,890	0
<b>Non-Resident Accounts</b>							
1) Savings Accounts	197,824	13,459	1,886,050	14,278	17,530	53,024	0
2) Commercial and Other Institutions	1,907	0	0	0	0	0	0
3) Foreign Currency Savings	1,768,574	0	3,153,744	579,392	1,405,328	5,566,058	0
4) Foreign Currency Commercial and Other Institutions	41,145	0	0	0	0	0	0
<b>Banks Deposit</b>							
Local Banks	47,936	0	0	0	0	0	0
Overseas Banks	0	0	0	0	0	0	0
Off-Shore Banks	25,267	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>79,665,032</b>	<b>343,256</b>	<b>267,990,283</b>	<b>18,761,764</b>	<b>8,581,308</b>	<b>38,802,425</b>	<b>0</b>
Previous Period	On Demand	Seven Day Notice	Within 1 Month	Within 3 Months	Within 6 Months	Within 1 Year	Over 1 Year
<b>Resident Accounts</b>							
1) Savings Accounts	20,736,271	0	77,187,520	1,919,338	203,405	1,596,876	0
2) Official, Commercial and Other Institutions Deposits	11,587,324	0	1,809,196	40,911	391	54,325	0
3) Foreign Currency Savings	52,226,549	0	164,992,503	17,436,937	6,572,239	35,379,056	0
4) Foreign Currency Official Commercial and Other Institutions Deposits	14,529,261	0	4,723,521	137,869	1,020	259,000	0
<b>Non-Resident Accounts</b>							
1) Savings Accounts	138,097	0	1,506,153	12,258	15,571	50,180	0
2) Commercial and Other Institutions	129	0	0	0	0	0	0
3) Foreign Currency Savings	2,205,016	0	3,857,662	550,234	1,469,027	6,029,109	0
4) Foreign Currency Commercial and Other Institution	36,777	0	28,639	0	0	0	0
<b>Banks Deposit</b>							
Local Banks	1,045,930	0	0	0	0	0	0
Overseas Banks	0	0	0	0	0	0	0
Off-Shore Banks	15,730	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>102,521,084</b>	<b>0</b>	<b>254,105,194</b>	<b>20,097,547</b>	<b>8,261,653</b>	<b>43,368,546</b>	<b>0</b>

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### b) Deposits That Are Covered By Saving Insurance Fund Scheme;

Savings Accounts	Current Period		Previous Period	
	YTL	FX	YTL	FX
Savings Accounts	115,313,453	269,434,025	103,365,669	290,718,332
Other Eligible Accounts	144,189	35,317	143,791	67,994
<b>TOTAL</b>	<b>115,457,642</b>	<b>269,469,342</b>	<b>103,509,460</b>	<b>290,786,326</b>

### (11) Funds Derived From Repo Transactions:

	Current Period		Previous Period	
	YTL	FX	YTL	FX
Local Transactions	0	0	0	0
Financial Institutions and Corporations	0	0	0	0
Other Institutions and Corporations	0	0	0	0
Real Persons	0	0	0	0
Overseas Transactions	0	0	0	0
Financial Institutions and Corporations	0	0	0	0
Other Institutions and Corporations	0	0	0	0
Real Persons	0	0	0	0

### (12) a) Details of Borrowed Funds:

	Current Period			Previous Period	
	YTL	FX		YTL	FX
Short Term	0	0	0	0	
Medium and Long Term	0	0		0	0

b) The Bank has no borrowing liability.

### (13) Details of Funds;

#### a) Current Period

Term of Borrowing		Interest Details		Currency			
Short	Medium and Long Term	Fixed-Rate	Variable	EURO	USD	YTL	Other
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### b) Previous Period

Term of Borrowing		Interest Details		Currency			
Short	Medium and Long Term	Fixed-Rate	Variable	EURO	USD	YTL	Other
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0

### (14) Details of Securities According to Term, Interest Rate and Currency Type;

#### a) Current Period

Term of Borrowing		Interest Details		Currency			
Short	Medium and Long Term	Fixed-Rate	Variable	EURO	USD	YTL	Other
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0

#### b) Previous Period

Term of Borrowing		Interest Details		Currency			
Short	Medium and Long Term	Fixed-Rate	Variable	EURO	USD	YTL	Other
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0
0	0	0	0	0	0	0	0

### (15) Details of Sundry Liabilities

	Current Period	Previous Period
Cash Securities Obtained	111,293	0

**Cash Securities obtained are related with loan operations.**

### (16) Details of Other Liabilities

Other Liabilities do not exceed 10% of the total assets of the bank.

### (17) Details of Shareholders' Funds

#### (a) Paid-up capital;

	Current Period	Previous Period
Ordinary Share Capital	56,684,600	56,864,550
Preferential, Privileged Share Capital	0	0

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

**(b) Whether the registered capital system is applied in the bank and if so, the ceiling of the authorised capital:**

Capital System	Paid-up Capital	Ceiling of Authorised Capital
Registered Capital System	56,864,600	57,000,000

**(c) Details of increase made to the authorised and paid-up capital in the current period:**

Date of Increase	Value of Increase	Cash Issue	Capitalised Reserves	Capitalised Revaluation Funds
0	0	0	0	0

**(d) Details of capitalised revaluation fund in the current period:**

Fixed Assets Revaluation	Revaluation of Participations	Profit on Sale of Immovable Property	Profit on Sale of Participations	Revaluation of Intangible Assets
0	0	0	0	0

**(e) Disclosure of institutions and persons who have 10% or more voting rights and/or share in the capital:**

Name/Title	Value of Holding	Ratio of Holding	Paid-up Holding	Unpaid Holding
Tolunay Limited	20,987,926	%36.91	20,987,926	0
T. Ozyol Yatirimlari Limited	20,661,837	%36.34	20,661,837	0
Ozyol Holding A.S.	6,971,646	%12.26	6,971,646	0

**(f) No call has been made on the unissued shares of the bank since the year end to date.**

**(g) Privileges of the 'A' and 'B' Shares of the Bank:**

Paid up share capital is made up of 20,380 new 'A' Shares of 10 Ykr each and 56,997,962 new 'B' Shares of 1 YTL each. Both new 'A' and new 'B' shares carry one vote each and on other matters have equal rights.

**(18) Statutory Revaluation Fund:**

	Current Period		Previous Period	
	YTL	FX	YTL	FX
Participations and Subsidiaries	0	0	0	0
Long Term Investments	0	0	0	0

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### (19) The Banks Policy Regarding The Following:

- a) **Determining the sources of liquidity risk and steps taken, if any, to manage the risk; whether or not constraints have been placed on the the board of directors' limiting the usage of funds in order to meet urgent liquidity needs, and pay maturing liabilities:**

The group manages liquidity risk by maintaining sufficient cash and cash equivalents to fund existing and prospective debt requirements, and to close out market positions.

- b) **Bank's Policy on interest rate risk and whether there is harmony between assets and liabilities interest rates and whether cost of mismatching is measured:**

The group is exposed to interest rate risk through the impact of rate changes on interest bearing assets and liabilities. The group manages these exposures by using natural hedges that arise from offsetting interest rate sensitive assets by matching them with interest rate sensitive liabilities.

- c) **The Bank's sources to meet short and long term liquidity needs and credit policy of the Bank regarding untapped liquid sources:**

Financial assets contain an element of risk that the counterparties may be unable to meet the terms of the Agreements. The group manages the risk by dealing with Banks, entities and individuals of high credit worthiness and requesting additional security when necessary. The credit risk of the group is also diversified by continuous enlargement of the base and their dispersion across different industries.

- d) **Maturity breakdown of certain balance sheet items:**

Current Period	On Demand	Within 1-3 Months	Within 3-6 Months	Within 6-12 Months	Over 1 Year	Unallocated	Total
<b>Assets</b>							
Liquid Funds (Cash, Foreign Exchange, Cash in Transit, Cheques) and TRNC Central Bank Balances	40,842,880	0	0	0	0	0	40,842,880
Bank Balances	119,166,441	2,190,000	0	3,217,858	0	0	124,574,299
Securities Portfolio	19,304,310	24,952,809	6,663,539	0	0	0	50,920,658
Loans	23,340,829	273,227	896,898	15,379,829	42,577,571	0	82,468,354
Long Term Investment	5,299,244	0	0	31,008,746	70,948,338	41,259	107,297,587
Other Assets	39,309,022	4,589,970	597,988	321,166	4,040	39,642,482	84,464,668
<b>Total Assets</b>	<b>247,262,726</b>	<b>32,006,006</b>	<b>8,158,425</b>	<b>49,927,599</b>	<b>113,529,949</b>	<b>39,683,741</b>	<b>490,568,446</b>
<b>Liabilities</b>							
Bank Deposits	73,204	0	0	0	0	0	73,204
Other Deposist	347,925,368	18,761,765	8,581,309	38,802,422	0	0	414,070,864
Funds obtained from other financial institutions	0	0	0	0	0	0	0
Securities issued	0	0	0	0	0	0	0
Sundry Liabilities	205,277	0	0	0	0	0	205,277
Other Liabilities	9,620,037	275,435	308,631	241,779	0	65,773,219	76,219,101
<b>Total Liabilities</b>	<b>357,823,886</b>	<b>19,037,200</b>	<b>8,889,940</b>	<b>39,044,201</b>	<b>0</b>	<b>65,773,219</b>	<b>490,568,446</b>
<b>Net Asset Liquidity gap</b>	<b>(110,561,160)</b>	<b>12,968,806</b>	<b>(731,515)</b>	<b>10,883,398</b>	<b>113,529,949</b>	<b>(26,089,479)</b>	<b>0</b>
<b>Previous Period</b>							
Total Assets	246,646,740	7,374,453	22,293,760	63,143,882	111,712,874	46,681,745	497,853,454
Total Liabilities	377,017,697	20,793,206	14,163,434	22,392,184	1,160	63,485,773	497,853,454
<b>Net Asset Liquidity gap</b>	<b>(130,370,957)</b>	<b>(13,418,753)</b>	<b>8,130,326</b>	<b>40,751,698</b>	<b>111,711,714</b>	<b>(16,804,028)</b>	<b>0</b>



# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### e) Disclosure regarding other matters;

#### 1) Tax:

Bank	Current Period	Previous Period
2008 corporation and income tax provision	900,339	823,734
Tax and withholding tax from previous year	0	211,864
Total tax provision for the year	900,339	1,035,598
Less: Tax deducted at source and previous year withholding tax written off	(900,339)	(804,393)
<b>Taxation Provision as Per Balance Sheet</b>	<b>0</b>	<b>231,205</b>

#### 2) Maturity breakdown of certain balance sheet items of Turkish Bank Group;

Current Period	Up to 3 Months	Within 3-6 Months	Within 6-12 Months	Over 1 Year	Unallocated	Total
<b>Assets</b>						
Liquid Funds						
Exchange, Cash in Transit and TRNC CB Bank Balances	41,697,682	0	0	0	0	41,697,682
Bank Balances	200,569,974	352,590	3,217,858	0	0	204,140,422
Securities Portfolio	48,676,538	6,663,539	0	0	0	55,340,077
Loans	102,033,869	4,142,771	25,615,889	79,317,011	(78,840)	211,030,700
Long Term Investment	5,299,244	0	31,008,746	82,102,008	41,259	118,451,257
Other Assets	43,895,310	597,988	321,166	4,440	35,011,223	79,830,127
<b>Total Assets</b>	<b>442,172,617</b>	<b>11,756,888</b>	<b>60,163,659</b>	<b>161,423,459</b>	<b>34,973,642</b>	<b>710,490,265</b>
<b>Liabilities</b>						
Bank Deposits	13,507,277	0	0	0	0	13,507,277
Other Deposits	497,565,191	43,102,279	54,931,772	0	0	595,599,242
Funds obtained from other financial Institutions.	0	0	0	0	0	0
Securities issued	0	0	0	0	0	0
Sundry Liabilities	337,494	0	0	0	140,160	477,654
Other Liabilities	9,983,493	400,511	303,406	0	90,218,682	100,906,092
<b>Total Liabilities</b>	<b>521,393,455</b>	<b>43,502,790</b>	<b>55,235,178</b>	<b>0</b>	<b>90,358,842</b>	<b>710,490,255</b>
<b>Net Asset Liquidity gap</b>	<b>(79,220,838)</b>	<b>(31,745,902)</b>	<b>4,928,481</b>	<b>161,423,459</b>	<b>(55,385,200)</b>	<b>0</b>
<b>Previous Period</b>						
Total Assets	459,519,615	30,712,122	71,984,288	157,105,668	40,004,831	759,326,524
Total Liabilities	602,911,760	33,923,896	30,168,700	1,772,918	90,549,250	759,326,524
<b>Net Assets Liquidity gap</b>	<b>(143,392,145)</b>	<b>(3,211,774)</b>	<b>41,815,588</b>	<b>155,332,750</b>	<b>(50,544,419)</b>	<b>0</b>

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### 3) Tax – Group

	<b>Current Period</b>	<b>Previous Period</b>
2008 corporation and income tax provision	1,609,011	1,698,799
Exemption for loss in value of securities portfolio	(1,412,550)	(291,846)
Total tax provision	196,461	1,406,953
Withholding tax paid in 2008 and deferred tax provision movements	18,672	(881,476)
<b>Taxes Payable</b>	<b>215,133</b>	<b>525,477</b>

### 4) Minority Interest

Minority interest consists of shares with nominal value of 718,405 YTL for Turkish Insurance Ltd.

### 5) Group Shareholders' Equity table :

	<b>Current Period</b>	<b>Previous Period</b>
Balance Brought Forward	30,274,206	37,250,873
Exchange Differences	(1,105,704)	(4,127,661)
<b>Movements in 2008</b>		
Retained Earnings for the Year	2,909,168	4,556,853
Dividends Paid	0	(3,048,119)
Real estate and securities evaluation difference	(4,955,970)	1,482,210
Revaluation difference	0	0
Reserves capitalised	0	(5,758,429)
Consolidation Reserve	0	(81,521)
<b>Year End Balances of Reserves</b>	<b>27,121,700</b>	<b>30,274,206</b>
Paid up Capital	56,864,600	56,864,550
<b>Shareholders' Funds at the Year End</b>	<b>83,986,300</b>	<b>87,138,756</b>

# TURKISH BANK LIMITED

## II- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING THE BALANCE SHEET AND MEMORANDUM ACCOUNTS (Continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

### (iii) OFF BALANCE SHEET LIABILITIES

#### (1) Details of Major Off Balance Sheet Liabilities

The Bank makes short term swap transactions with banks in Turkey, with the aim of increasing foreign exchange income without taking any foreign currency risk. Other such liabilities comprise of documentary credits and guarantees given to bank customers for transactions within TRNC, Turkey and Europe.

#### (2) a) Summary of off balance sheet liabilities:

	Current Period	Previous Period
Details of non-cash loans opened as security for cash loans		
Accounts with maturity of less than 1 year	0	0
Accounts with maturity of more than 1 year	0	0
Other off balance sheet liabilities	8,031,019	15,662,306
<b>TOTAL</b>	<b>8,031,019</b>	<b>15,662,306</b>

#### b) Details of off balance sheet liabilities:

	Current Period		Previous Period	
	YTL	FX	YTL	FX
Off Balance Sheet Liabilities				
Letter of Guarantees	2,553,458	3,221,367	4,686,422	3,833,866
Acceptances	0	0	0	0
Documentary credits	0	2,256,194	139,917	7,002,101
Endorsements, transfers	0	0	0	0
Undertaking of Repurchasing, Securities sold	0	0	0	0
Other guarantees and acceptances	0	0	0	0
<b>TOTAL</b>	<b>2,553,458</b>	<b>5,477,561</b>	<b>4,826,339</b>	<b>10,835,967</b>

#### (3) Commitments;

	Current Period	Previous Period
Irrevocable commitments	44,569,000	41,780,000
Revocable commitments	0	0
<b>TOTAL</b>	<b>44,569,000</b>	<b>41,780,000</b>

#### (4) Foreign Exchange and Interest Rate Operations;

	Current Period	Previous Period
Forward FX Transactions	0	0
Currency and interest swap transactions	119,754,711	100,618,571
Currency and Interest options	0	0
FX Future Contracts	0	0
Interest future contracts	0	0
Other	0	0
<b>TOTAL</b>	<b>119,754,711</b>	<b>100,618,571</b>

**III- NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING  
PROFIT AND LOSS ACCOUNT:**

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

**(1) a) Interest and commissions received from Participations and Subsidiaries:**

	Current Period	Previous Period
Interest received from Subsidiaries and Participations	3,981,061	3,239,866
Commissions and fees received from Subsidiaries and Participations	0	0

**b) Interest and commissions paid to Participations and Subsidiaries ;**

	Current Period	Previous Period
Interest paid to Subsidiaries and Participations	19,896	14,534
Commissions and fees paid to Subsidiaries and Participations	0	0

**c) Interest received from reverse repos;**

	Current Period		Previous Period	
	YTL	FX	YTL	FX
Interest received from reverse repos	0	0	0	0

**d) Interest paid to repos;**

	Current Period		Previous Period	
	YTL	FX	YTL	FX
Interest paid to repo transactions	0	0	0	0

**(2) Provision Charge For Non-Performing Loans and Other Receivables;**

	Current Period	Previous Period
Specific provision for non-performing loans and other receivables		
Unsecured accounts	152,364	89,665
Other accounts	700,031	536,749
General Provision for loans	1,972,753	108,559
Provision for the diminution of value of securities	0	0
Provision for the diminution of value of participations, subsidiaries and investments to be held up to maturity	0	0
Provision for exchange difference on Statutory Reserve		
Others	0	0

# TURKISH BANK LIMITED

## III-NOTES TO THE ACCOUNTS AND DISCLOSURES REGARDING PROFIT AND LOSS ACCOUNT (continued):

(Amounts unless expressed otherwise are expressed in New Turkish Lira)

- (3) There are no items of income and expense in groups numbered I, II and IV that are in excess of 10% of the relevant group total.

Other expenses total in group V exceeds 10% of the group V total and list of expense items that make up more than 20% of the total of 'Other Expenses' is given below:

### Other Non-Interest Expenses:

Saving Deposits Statutory Insurance Fund Premium	3,967,453 YTL
Other expenses	2,782,703 YTL
<b>Total</b>	<b>6,750,156 YTL</b>

### (4) Other issues, the disclosure of which is found to be useful:

Net profit before taxation is stated after deducting provision for doubtful accounts, depreciation for fixed assets and after charging the following payments:

Bank:	Current Period	Previous Period
Directors' emoluments	786,320	282,492
Auditors Fees	100,000	100,000
Group:		
Directors' emoluments	1,364,017	926,049
Auditors Fees	227,070	227,198

**TURKISH BANK LIMITED**
**IV) STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Amounts are expressed in New Turkish Lira)**
**MOVEMENTS IN SHAREHOLDERS' EQUITY**
**PREVIOUS PERIOD**

	Paid-up Share Capital	First and Second Legal Reserves	Share Premium Account	Other Legal Reserves	General Reserve	Statutory Revaluation Fund	Revaluation Fund of Assets of Participations and Subsidiaries	Statutory Revaluation of Securities	Prior Years Profits (Losses)	Current Period Net Profit/ (Loss)	Total Shareholders' Equity
<b>Balance at 1 January 2007</b>	<b>51.228.758,-</b>	<b>1.490.000,-</b>	-	-	-	-	<b>5.466.960,-</b>	<b>105.267,-</b>	<b>1.951.127,-</b>	<b>2.392.184,-</b>	<b>62.634.296,-</b>
<b>Profit Appropriation:</b>											
- Dividends	-	-	-	-	-	-	-	-	-3.048.119,-	-	-3.048.119,-
- Transfers to reserves	-	240.000,-	-	-	-	-	-	-	2.152.184,-	-2.392.184,-	0
Share premiums (common stocks issue)	-	-	-	-	-	-	-	-	-	-	0
<b>Share Capital Increase:</b>											
- Cash injection	629,-	-	-	-	-	-	-	-	-	-	629,-
- Transfers from statutory revaluation fund	5.466.960,-	-	-	-	-	-	-5.466.960,-	-105.267,-	-62.936,-	-	0
- Transfers from other accounts	168.203,-	-	-	-	-	-	-	-	-	-	0
Profit resulting from sale of equity participations, subsidiaries and fixed assets	-	-	-	-	-	-	-	-	-	-	0
Bonus shares obtained from equity participations due to increase in the shareholders' funds through sales of fixed assets and Investments	-	-	-	-	-	-	-	-	-	-	0
Increase in statutory revaluation fund in 31/12/2007	-	-	-	-	-	-	0,-	-	-	-	0
Increase in value of the securities portfolio	-	-	-	-	-	-	-	-	-	-	0
Other	-	-	-	-	-	-	-	-	-	-	0
Net Profit for 2007	-	-	-	-	-	-	-	-	-	3.238.859,-	3.238.859,-
<b>Balances 31 December 2007</b>	<b>56.864.550,-</b>	<b>1.730.000,-</b>	-	-	-	-	<b>0,-</b>	<b>0</b>	<b>992.256,-</b>	<b>3.238.859,-</b>	<b>62.825.655,-</b>

**CURRENT PERIOD**

<b>Balance at 1 January 2008</b>	<b>56.864.550,-</b>	<b>1.730.000,-</b>	-	-	-	-	-	-	<b>992.256,-</b>	<b>3.238.859,-</b>	<b>62.825.665,-</b>
<b>Profit Appropriation:</b>											
- Dividends	-	-	-	-	-	-	-	-	-	-	0,-
- Transfers to reserves	-	330.000,-	-	-	-	-	-	-	2.908.859,-	-3.238.859,-	0,-
Share premiums (common stocks issue)	-	-	-	-	-	-	-	-	-	-	0,-
<b>Share Capital Increase:</b>											
- Cash injection	50,-	-	-	-	-	-	-	-	-	-	50,-
- Transfers from statutory revaluation fund	0,-	-	-	-	-	-	-	-	-	-	0,-
- Transfers from other accounts	0,-	-	-	-	-	-	-	-	-	-	0,-
Profit resulting from sale of equity participations, subsidiaries and fixed assets	-	-	-	-	-	-	-	-	-	-	0,-
Bonus shares obtained from equity participations due to increase in The shareholders' funds through sales of fixed assets and Investments	-	-	-	-	-	-	-	-	-	-	0,-
Increase in statutory revaluation fund in 31/12/2008	-	-	-	-	-	-	-	-	-	-	0,-
Increase in value of the securities portfolio	-	-	-	-	-	-	-	-	-	-	0,-
Other	-	-	-	-	-	-	-	-	-	-	0,-
Net Profit for 2008	-	-	-	-	-	-	-	-	-	262.160,-	262.160,-
<b>Balances 31 December 2008</b>	<b>56.864.600,-</b>	<b>2.060.000,-</b>	-	-	-	-	-	-	<b>3.901.115,-</b>	<b>262.160,-</b>	<b>63.087.875,-</b>

V- A) STATEMENT OF CASH FLOWS

	CURRENT PERIOD YTL ( 31/12/2008)	PREVIOUS PERIOD YTL (31/12/2007)
<b>I- Cash Flows From Banking Operations (Main Activities)</b>		
Interest income and similar items	54.426.926	54.113.979
Interest expenses and similar items	(28.214.422)	(31.532.590)
Fees and commissions received	4.910.013	4.571.779
Income from insurance business	1.046.956	1.011.389
Other income	988.612	846.859
Personnel and administration expenses	(25.566.540)	(23.818.852)
Taxes paid	(1.485.825)	(1.184.565)
Other	(91.980)	0
<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>6.013.740</b>	<b>4.007.999</b>
<b>Changes in Operating Assets and Liabilities:</b>		
<b><u>(Increase) Decrease in Operating Assets:</u></b>		
Net (increase) decrease in securities portfolio	(39.111.674)	13.358.850
Net (increase) decrease in loans and banks	2.162.635	38.820.237
Net (increase) decrease in other assets	171.540	(955.683)
<b><u>Increase (decrease) in operating liabilities:</u></b>		
Net increase (decrease) in deposits	(44.807.059)	(13.793.164)
Net increase (decrease) in funds borrowed	0	0
Net increase (decrease) in other liabilities	3.933.790	(5.063.683)
<b>Net Cash Provided from Banking and Commercial Operations</b>	<b>(71.637.028)</b>	<b>36.374.556</b>
<b>II- Cash Flows from Investing Activities</b>		
Cash paid for purchase of equity participations	0	0
Purchase of property and equipment	(3.936.461)	(2.688.646)
Sale of property and equipment	20.529	18.350
Purchase of Intangible Assets	0	(11.490)
Cash paid for purchase of investment securities	0	(56.839.818)
Sale of investment securities	37.579.122	6.864.126
<b>Net Cash Provided from Investing Activities</b>	<b>33.663.190</b>	<b>(52.657.478)</b>
<b>III- Cash Flows from Financing Activities</b>		
Capital increase	50	629
Dividends paid	0	(3.048.119)
Dividends paid to minority shareholders of a subsidiary	0	0
<b>Net Cash Provided from Financing Activities</b>	<b>50</b>	<b>(3.047.490)</b>
Effect of change in foreign currency evaluation rate of cash and cash equivalents	(2.203.456)	(14.519.808)
<b>Net increase in Cash and Cash Equivalents</b>	<b>(40.177.244)</b>	<b>(33.850.220)</b>
Cash at the Beginning of the Year	137.708.128	171.558.348
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>97.530.884</b>	<b>137.708.128</b>

# TURKISH BANK LIMITED

## V- B) STATEMENT OF CASH FLOWS

	CURRENT PERIOD YTL ( 31/12/2008)	PREVIOUS PERIOD YTL (31/12/2007)
<b>I- Cash Flows From Banking Operations (Main Activities)</b>		
Interest income and similar items	42.451.525	38.493.307
Interest expenses and similar items	(22.075.573)	(21.659.775)
Dividend income	0	0
Fees and commissions received	2.161.563	1.582.081
Other income	606.201	604.968
Collections from previously written-off loans and other receivables	0	0
Personnel and administration expenses	(18.860.232)	(16.820.157)
Taxes paid	(1.131.544)	(804.393)
Other Collection items income	0	0
Other Paid items	0	0
<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>3.151.940</b>	<b>1.396.031</b>
<b>Changes in Operating Assets and Liabilities:</b>		
<b><u>(Increase) Decrease in Operating Assets:</u></b>		
Net (increase) decrease in securities portfolio	(33.875.384)	13.358.850
Net (increase) decrease in banks	18.302.895	49.146.341
Net (increase) decrease in loans	(16.543.833)	18.281.090
Net (increase) decrease in other assets	218.962	(992.271)
<b><u>Increase (decrease) in operating liabilities:</u></b>		
Net increase in deposits	(14.209.956)	(12.034.458)
Net (decrease) in funds borrowed	0	0
Net increase (decrease) in securities issued	0	0
Net increase in other liabilities	3.355.979	(5.005.759)
<b>Net Cash (used in) Provided from Banking and Commercial Operations</b>	<b>(39.599.397)</b>	<b>64.149.824</b>
<b>II- Cash Flows from Investing Activities</b>		
Cash paid for purchase of equity participations	0	0
Cash obtained from sale of equity participations	0	0
Purchase of property and equipment	(2.336.931)	(2.174.789)
Sale of property and equipment	20.529	18.350
Cash paid for purchase of investment securities	0	(56.839.819)
Cash obtained from sale of investment securities	34.267.842	0
Other cash inflows	0	0
Other cash outflows	0	0
<b>Net Cash (used in) Provided from Investing Activities</b>	<b>31.951.440</b>	<b>(58.996.258)</b>
<b>III- Cash Flows from Financing Activities</b>		
Cash obtained from funds borrowed and securities issued	0	0
Cash used for repayment of funds borrowed and securities issued	0	0
Capital increase	0	0
Dividends paid	0	(3.048.119)
Other cash inflows	50	629
Other cash outflows	0	0
<b>Net Cash Provided from Financing Activities</b>	<b>50</b>	<b>(3.047.490)</b>
Effect of change in foreign currency evaluation rate of cash and cash equivalents	1.767.962	1.172.039
<b>Net increase in Cash and Cash Equivalents</b>	<b>(5.879.945)</b>	<b>3.278.115</b>
Cash at the Beginning of Year	46.722.825	43.444.710
<b>Cash and Cash Equivalents at the End of Year</b>	<b>40.842.880</b>	<b>46.722.825</b>



VI- PROFIT APPROPRIATION TABLE

	CURRENT PERIOD YTL 31/12/2008	PREVIOUS PERIOD YTL 31/12/2007
<b>A. APPROPRIATION OF CURRENT YEAR INCOME</b>		
1. CURRENT YEAR INCOME	1.162.499	4.274.457
2. TAXES AND DUTIES PAYABLE (-)	(900.339)	(1.035.598)
- Corporation tax	(245.606)	(350.525)
- Income tax	(331.569)	(473.209)
- Other taxes and duties	(323.164)	(211.864)
<b>NET INCOME FOR THE YEAR</b>	<b>262.160</b>	<b>3.238.859</b>
3. PRIOR YEARS' LOSSES (-)	-	-
4. LEGAL RESERVES (-)	(27.000)	(330.000)
5. OTHER STATUTORY RESERVES (-)	-	-
<b>NET INCOME AVAILABLE FOR DISTRIBUTION</b>	<b>235.160</b>	<b>2.908.859</b>
6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
- To owners of ordinary shares	-	-
- To owners of privileged shares	-	-
7. DIVIDENDS TO PERSONNEL(-)	-	-
8. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
9. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
- To owners of ordinary shares	-	-
- To owners of privileged shares	-	-
10. STATUTORY RESERVES (Allocated according to "Memorandum and Articles of Association" of the Bank)	-	-
11. GENERAL RESERVE (Retained Profits)	3.901.115	4.103.311
12. OTHER RESERVES (Allocated by the decision of General Assembly)	-	-
13. SPECIAL FUNDS (Allocated as per certain regulations)	-	-
<b>B. DISTRIBUTION OF RESERVES</b>		
1. DISTRIBUTION OF RESERVES (Allocated in prior years and distributed in the current year)	-	(3.048.119)
2. DIVIDEND TO SHAREHOLDERS (-)	-	-
- To owners of ordinary shares	-	(62.936)
- To owners of privileged shares	-	-
3. DIVIDENDS TO PERSONNEL (-)	-	-
4. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>C. NET PROFIT TRANSFERRED TO 2009</b>	<b>4.136.275</b>	<b>3.901.115</b>
<b>D. EARNINGS PER SHARE</b>		
1. TO OWNERS OF 'A' SHARES ( YTL, % )	0,0005YTL	0,008YTL (%8)
2. TO OWNERS OF 'B' SHARES ( YTL, % )	0,005YTL	0,08YTL (%8)
<b>E. DIVIDEND PER SHARE</b>		
1. TO OWNERS OF 'A' SHARES ( YTL, % )	0	0,006YTL (%6)
2. TO OWNERS OF 'B' SHARES ( YTL, % )	0	0,06YTL (%6)

**TÜRKİSH BANK LTD.**

<b>BRANCH</b>	<b>ADDRESS</b>	<b>TEL NO</b>	<b>FAX NO</b>
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Lefkoşa/Main Branch	92 Girne Cad. Lefkoşa Telex: 57349 TBKB TK	(392) 228 33 13	(392) 228 24 33
Lefkoşa/Köşklüçiftlik	Mehmet Akif Cad.Çığır Apt.No2	(392) 227 21 15	(392) 228 65 54
Lefkoşa/Kaymaklı	Kemal Aşık Caddesi No:66	(392) 227 73 80	(392) 228 56 95
Lefkoşa/Taşkinköy	Şehit Kemal Ünal Sok. No:104A	(392) 225 69 03	(392) 225 33 95
Lefkoşa/Market	Belediye Pazarı, Lefkoşa.	(392) 229 11 67	(392) 228 37 17
Gönyeli	Atatürk Cad., Belediye Karşısı	(392) 223 17 68	(392) 223 43 32
Ortaköy	Şht. Gzt. Hasan Tahsin Caddesi, 16/A Blok No:43, Ortaköy-Lefkoşa.	(392) 227 04 39 (392) 227 11 76 (392) 227 12 71	(392) 227 47 98
Gazimağusa/Main Branch	24 Limanyolu Magosa Telex: 57584 TRMA TK	(392) 366 90 85 (392) 366 53 27	(392) 366 39 98 (392) 366 45 10
Gazimağusa/Salamis Yolu	Yeni İzmir Caddesi, İsmet İnönü Bulvarı No:2-3, Gazi Mağusa	(392) 365 53 67 (392) 365 53 68	(392) 365 53 69
Gazimağusa/Terminal	Gazi Mustafa Kemal Bulvarı, 28D Dumlupınar-Gazi Mağusa.	(392) 366 72 69 (392) 366 70 71	(392) 366 72 68
Girne/Main Branch	Ziya Rızkî Cad., Poltan Palas Apt.8-9-10	(392) 815 13 60	(392) 815 13 63
Girne/Market	Ramadan Cemil Meydanı No:1	(392) 815 21 01	(392) 815 91 00
Girne/Karaoğlanoğlu	Karaoğlanoğlu Cad., Karaoğlanoğlu-Girne.	(392) 822 38 90	(392) 822 38 91
Girne/Karakum	Hız. Ömer Cad. Ozanköy Kavşağı Ozanköy-Girne.	(0542) 851 90 06 (0542) 851 00 97 (0542) 852 02 11 (392) 815 47 13 (392) 815 44 85	(392) 815 59 43
Girne/Alsancak	206 Karaoğlanoğlu Caddesi Alsancak-Girne.	(392) 821 33 98 (392) 821 33 99 (392) 821 34 00	(392) 821 89 02
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