

**2011  
ANNUAL REPORT**

 **TURKISH BANK LTD.**

**ESTABLISHED 1901**

# TURKISH BANK LIMITED

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# **TURKISH BANK LIMITED**

## **BOARD OF DIRECTORS**

İ. Hakan Börteçene	Chairman
C. Yenil Musannif, FCA	Vice-Chairman
Kıvanç M. Rıza	Director and Secretary
M.A. Yunus Rahmiođlu	Director and General Manager
Ender Par	Director and Head of Internal Control Systems
Nafi Türkođlu	Director
Erman Yerdelen	Director
Metin Münir	Director
Erhan Özçelik	Director

## **SENIOR MANAGEMENT**

M. A. Yunus Rahmiođlu	General Manager and Director
Erhan Raif, FCCA	Asst. General Manager – Finance & IT
Çiđdem Eyyam	Head of Branch Coordination
Sezin Özatay	Head of Credits Department
Nevin Özkan	Head of Private Banking
Mustafa Kayahan	Head of Financial Affairs
Mehmet Salih Havalı	Head of Central Operations Department

## **INTERNAL CONTROL SYSTEMS**

Mustafa Biçerciođlu	Head of Internal Audit
M. Mine Başkaya	Head of Risk Management
Harun İlhan	Head of Internal Control and Compliance

## **AUDITORS**

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

## **BOARD OF DIRECTORS**

İ. Hakan Börteçene	Chairman
R.W. Long	Executive Director
M. E. Erenman	Director
D.Blackmore	Director and Member of Audit Committee
P. Ryan	Director and Member of Audit Committee
E. Özçelik	Director

## **COMPANY SECRETARY**

J.Kent

## **AUDITORS**

DELOITTE L. L. P. Chartered Accountants

# **TURKISH INSURANCE LIMITED**

## **BOARD OF DIRECTORS**

İ. Hakan Börteçene	Chairman
Kıvanç M. Rıza	Vice - Chairman
C. Yenal Musannıf, FCA	Director
M. İhsan Ezgü	Executive Director
Ender Par	Director and Member of Audit Committee
M.A.Yunus Rahmioğlu	Director

## **COMPANY SECRETARY**

Şensoy Şener

## **AUDITORS**

ERDAL & CO. Chartered Accountants

## 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 Friday 27 April 2012 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, 2011 together with Profit and Loss Account of the Bank and of the Group for the year 2011 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:

C. Yenil Musannıf,  
Ender Par,  
M.A. Yunus Rahmiođlu.

- 4) To decide the remuneration of Board of Directors.
- 5) To authorise the Board of Directors to appoint new independent auditors in place of Erdal & Co. who legally completed their term of office, and decide their remuneration.

Every shareholder is 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, 6 April 2012

## 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 2011.

Turkish Bank Ltd., was the first local bank in TRNC that provided credit cards, POS and ATM machines. In 2011, our bank introduced Prepaid Cards, a novelty especially for those who do not have any bank accounts. The unprecedented product in the country, has become a quick hit. Turkish Bank Ltd. has increased the total number of ATMs to twenty five by adding another off-site ATM in 2011. Customer Support Line (Call Center: 444 73 73) has been redesigned as per ever-changing customer needs for a much better service.

The specialization of our branches in retail and commercial banking that started with the inauguration of the Onder Retail Branch in 2009, is being continued with the classification of other branches as retail or commercial branches.

All administrative and other expenses have been deducted and necessary provision for doubtful accounts in accordance with the requirements of the Central Bank directive issued under 39/2001 Banking Law was made in the accounts. After making provision for corporation and income tax aggregating TL.418,048, the Board of Directors recommends that the total profits, including previous years' profits of TL 2,723,263 of the bank to be appropriated as follows:

Transfer to Statutory Reserve	TL. 27,000.-
Transfer to Retained Earnings	TL.2,696,263.-

Approved by the Board of Directors and signed on 6 April 2012.

Kıvanç M. Rıza  
Secretary

Nicosia, 6 April 2012.

## **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 prepared by the 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 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,

İ. Hakan Börteçene  
Chairman

Kıvanç M. RİZA  
Director and Secretary

M.A.Yunus RAHMİOĞLU  
General Manager and Director

Nicosia, 6 April 2012.

## **AN ASSESSMENT OF THE OPERATIONS OF INTERNAL AUDIT, COMPLIANCE & INTERNAL CONTROLS AND RISK MANAGEMENT SYSTEMS BY THE BOARD MEMBER RESPONSIBLE FOR INTERNAL SYSTEMS:**

The Internal Audit Unit, Compliance and Internal Controls Unit and Risk Management Unit, which have to be established or restructured in compliance with the “Internal Audit, Risk Management, Internal Control and Management Systems in Banks” Decree published on 12 August 2008, were established and their duties and responsibilities were separated. These units are organizationally independent but operating in coordination with each other. They have been operating in conjunction with the Board Member Responsible for Internal Systems and reporting also through the Board Member Responsible for Internal Systems.

### **Internal Audit Unit (Audit Commission):**

The Supervisory Commission, which has been operating under regulations since 1983, was restructured on 27 August 2003, and most recently on 25 May 2009 when it was also renamed as The Internal Audit Unit (Audit Commission). As of 31.12.2011, the permanent staff of the unit consists of 1 Manager, 3 Auditors and 8 Assistant Auditors.

Periodic and risk-focused internal audit activities encompassing all of Bank’s branches, General Management units and subsidiaries’ activities include the planning and enforcement of the internal audit plan, formation of the load chart and formation and operations of working groups, sharing of audit results with the respective branch/unit, reporting to the General Management, the Board Member Responsible for Internal Systems, and finally to the Board of Directors. The internal audit activities also include overseeing and monitoring precautions taken by the respective unit/branch.

Planning and operating its activities from a risk-based perspective, the Internal Audit Unit assesses all the risks inherent in branches, General Management units, subsidiaries, and furthermore, oversees the effectiveness and compliance of the Internal Control, Risk Management and Corporate Governance systems. Most of the time, the Internal Audit Unit does not only discover new findings from the audits, but it also propose opinions and suggestions for identifying and avoiding any deficiencies, errors and frauds, improving the efficiency and effective use of bank resources and in other words, strengthening the internal systems.

Based on the audit activities which were carried out at 18 branches, 4 units and 3 unit directorates in 2011, no negative findings have been detected which could undermine the activities and responsibilities of the Bank.

Since the first priority of our Bank is to operate in compliance with both legal and internal regulations, it is identified that our activities are made up of transactions with low risk level. In conclusion, our internal audit system was effective and successful in preventing, identifying and eliminating the risks through our risk-based approach, qualified human resources and experienced senior management in 2011.

### **Compliance and Internal Controls Unit:**

The Internal Controls System encompasses the whole of control activities which have the attribute to promote quality and development and are a part of natural work-flow aiming to prevent unwanted events, prove and correct those that have inadvertently occurred in matters of administration, finance, accounting and operations. The purpose of the Internal Controls System is to protect the assets of the Bank, to ensure the effective and efficient undertaking of operations in compliance with related law and regulations, the Bank’s internal policies and regulations as well as established practices of banking; the trustworthiness, unity and timeliness of information-gathering of the accounting and reporting system.



The Internal Audit Unit of our Bank is established directly in compliance with the regulations prepared in conjunction with the Board of Directors and approved by the Board of Directors on 25 May 2009. The Unit is operating directly under the authority of Board Member responsible for internal systems. Moreover, it is assigned to monitor the internal regulations to support the efficient and effective progress of the systems. This duty is being performed by a Manager appointed to this position on 1 June 2009.

The controls that are being undertaken within Internal Controls activities are gathered under two main headings.

1. Monitoring applications that entail risks.
2. Monitoring of compliance with respect to external and internal regulations.

While applying the controls mentioned above, careful attention is taken to ensure that;

- the activities are being performed in compliance with laws and the Bank's policies,
- transactions are in order with general and special entitlements, rules and limitations, the Bank's financial assets such as cash and securities are secured and that liabilities are overseen,
- necessary precautions are taken by defining risks and that risk management systems are working efficiently,
- records can be accessed fully, correctly and timely, the findings of risk management models are overseen, periodic reconciliations are undertaken and that accounts are compared,
- periodic inventory is recorded and evaluated.

In conclusion, the Compliance and Internal Controls Unit established in 2009, has made a positive contribution especially in the prevention of operational losses inherent in the nature of banking through its current operations and risk-preventive character.

### **Risk Management Unit:**

Risk Management System includes the mechanisms created to assist the Board of Directors with overseeing the inherent risks of future cash flows. Regarding to that, it is assigned to propose a model, which can also be restructured in case of a change, with the aim of overseeing and controlling the nature and level of facilities in order to inform, assess the compliance with standards, make decisions and apply the procedures. For this purpose, Risk Management Unit was established in compliance with the regulations prepared in conjunction with the Board of Directors and approved by the Board of Directors on 25 May 2009 to identify and assess the risks occurred during operations, develop and apply risk policies and application procedures.

The Risk Management Unit includes the process of selection, design, application and pre-approval of risk measurement models used in defining, assessing and monitoring of risks. The Unit oversees the models regularly, checks for the models' accuracy and trustworthiness through retrospective tests, undertakes periodical updates and modifications. The Unit generates and analyses daily or monthly reports. The Manager of the Risk Management Unit ensures that risk measurements and risk monitoring results are reported regularly and timely to senior management, through the board member responsible for internal systems.

The monthly reports of legal risk, market risk, interest rate risk, country risk, credit risks and also the monthly reports of asset/liability and profit/loss growth, reports which involve the calculation of assets/ liabilities by the remaining maturity and analysis of the net liquidity position in a forward-looking approach are all shared with the senior management.

Furthermore, changes and new developments in internationally accepted risk management principles and regulations are being followed by the Risk Management Unit. The Unit has also started applying stress tests on swapping and savings withdrawal scenarios based on internationally applied ICAAP standards.

As a result of Risk Management operations in 2011;

- Our bank demonstrated the necessary sensitivity to operate in compliance with both legal and internal regulations. As a result, capital adequacy ratio 15.67%, liquidity 13.62% and also total risk limit of our group was in correspondence with the criteria of Central Bank.
- According to the market risk analysis report, our Market Value-at-Risk increased at a rate of 37.37%, from TL 40.13 million to TL 55.13 million. This situation motivates TL 1.53 million increase in capital requirement according to standard method and also due to strong capital structure of our bank, internal market risk is at “reasonable” level.
- Within a one year period, our risk in cash loans rose from TL 74.26 million to TL 112.95 million however, the ratio of non-performing loans to gross credit volume (5.06%) was significantly lower than the sector average (7.88%).
- The GAP analysis prepared for liquidity risk demonstrated that the ratio of interest sensitive assets to interest sensitive liabilities continues to rise up cumulatively; at a rate of 39.08% up to 1 month, 53.04% up to 1-3 month, 54.52% up to 3-6 month, 62.66% up to 6-12 month and also for up to 1 year and more the ratio reaches to 107.13%. For this reason, internal liquidity level of Turkish Bank Ltd was assessed as “low”.
- According to standard method, while capital requirement calculated for exchange rate risk was TL 150 thousand in 2010, in 2011 this figure declined to TL 136 thousand. Therefore, internal exchange rate risk of Turkish Bank Ltd was assessed as “low”.

In summary, the analysis, calculations, simulations, scenarios, stress tests and other studies undertaken within the scope of Risk Management, plays an important role in strategic decisions of the Board of Directors and senior management and also assists decision making mechanism.

In conclusion, units established in compliance with the Internal Systems Decree, had positively contributed to the audit activities carried out in 2011 (both in branches and General Management units), the investigation and inspection studies and different control, analysis and reporting methods by managing the risks arising from Bank operations, improving the compliance of transactions and applications with legal and internal regulations, increasing productivity, improving the quality of service and positively affecting the reputation of the Bank.

Ender Par

Board Member

Responsible for Internal Systems.

# **INDEPENDENT AUDITORS' REPORT FOR THE ACCOUNTING PERIOD 1 JANUARY 2011 - 31 DECEMBER 2011**

We have audited the accounts on pages 12 to 46 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 17-18. 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 approved auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessment of the accounting estimates made by the board of directors and the overall presentation of the financial statements. We believe that our audit provides a 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 and as explained in note I-(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 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 said accounts have been properly prepared in accordance with the provisions of Chapter 113, the Companies Law in the manner authorized for banking companies, so as to give a true and fair view of the state of affairs as at 31 December 2011 and the profit for the year 2011 of the bank and so far as concerns members of the bank.

In our opinion, the Group accounts have been properly prepared in accordance with the provisions of Chapter 113, the Companies Law, so as to give a true and fair view of the state of affairs and the profit attributable to the bank shareholders.

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, 6 April 2012.

**TURKISH BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR 2011**

	NOTE	CURRENT PERIOD/PREVIOUS PERIOD	
		TL (31/12/11)	TL (31/12/10)
<b>I - INTEREST INCOME</b>	(1)	31,651,105	28,565,429
A. Interest income from loans		11,380,236	10,800,762
1) Interest income from TL loans		7,522,348	7,225,904
a - Short term		2,880,065	3,110,976
b - Medium and long term		4,642,283	4,114,928
2) Interest income from foreign currency loans		3,638,500	3,481,210
a - Short term		787,857	597,485
b - Medium and long term		2,850,643	2,883,725
3) Interest income from loans in arrears		219,388	93,648
B. Interest income from reserve deposits at the Central Bank		716,362	664,234
C. Interest income received from banks		4,220,077	3,431,527
1) TRNC Central Bank		465,177	689,901
2) Domestic banks		92,696	7,044
3) Foreign banks		3,662,204	2,734,582
4) Interest Income from Reverse Repos		0	0
D. Interest income from securities portfolio		15,333,284	13,668,501
1) TRNC Development Bank Securities		64,522	113,343
2) Other securities		15,268,762	13,555,158
E. Other interest income	(3)	1,146	405
<b>II - INTEREST EXPENSES</b>	(1)	12,536,923	12,611,470
A. Interest expense payable to deposits		7,544,761	7,001,236
1) Saving deposits		7,052,143	6,487,758
2) Official deposits		4,047	9,866
3) Commercial deposits		412,136	405,904
4) Other institution deposits		76,312	82,068
5) Bank deposits		123	15,640
B. Interest expense payable to foreign currency deposits		4,912,961	5,610,234
1) Saving deposits		4,790,599	5,321,910
2) Official deposits		23	48
3) Commercial deposits		104,683	272,019
4) Other institution deposits		17,598	14,231
5) Bank deposits		58	2,026
6) Gold reserve accounts		0	0
C. Repo Interest Expense		36,151	0
D. Interest expense payable on borrowings		6,385	0
1) TRNC Central Bank		0	0
2) Domestic banks		6,385	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)	36,665	0
<b>III - NET INTEREST INCOME [ I - II ]</b>		19,114,182	15,953,959
<b>IV - OTHER INCOME</b>	(1)	254,806,923	162,499,516
A. Fees and commissions received		3,395,800	2,624,253
1) From cash loans		161,790	121,370
2) From non-cash loans		133,589	105,532
3) Other		3,100,421	2,397,351
B. Profit from capital market operations		416,138	1,645,593
C. Foreign exchange profits		249,541,326	151,599,491
D. Dividends received from subsidiaries and participations		0	0
E. Extraordinary income		0	0
F. Other non-interest income	(3)	1,453,659	6,630,179
<b>V - OTHER OPERATING EXPENSES</b>	(1)	273,237,899	176,318,664
A. Fees and commissions paid		910,148	760,018
1) On cash loans		0	0
2) On non-cash loans		0	0
3) Other		910,148	760,018
B. Loss on capital market operations		0	0
C. Foreign exchange losses		248,255,516	150,789,248
D. Personnel expenses		10,540,193	10,161,572
E. Retirement pay compensation		0	0
F. Rental expenses		645,902	968,662
G. Depreciation		1,150,130	1,242,115
H. Taxes and duties		46,130	39,291
I. Extraordinary expenses		0	0
J. Provision for doubtful debts	(2)	5,003,732	679,000
K. Other provisions	(2)	289,859	910,896
L. Other non-interest expenses	(3)	6,396,289	10,767,862
<b>VI - NET OTHER INCOME [ IV - V ]</b>		(18,430,976)	(13,819,148)
<b>VII - PROFIT BEFORE TAXATION [ III + VI ]</b>		683,206	2,134,811
<b>VIII TAXATION</b>		418,048	491,045
<b>IX - NET PROFIT AFTER TAXATION [ VII - VIII ]</b>		265,158	1,643,766

These financial statements were approved by the board of directors and signed on behalf of the Board Directors on 6 April 2012.

I. Hakan Börtçeçene  
Chairman

Kıvanç M. Rıza  
Director and Secretary

M. A. Yunus Rahmioğlu  
General Manager and Director

**TURKISH BANK LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 2011**

ASSETS	NOTE	CURRENT PERIOD (31/12/2011)			PREVIOUS PERIOD (31/12/2010)		
		TL	FX	TOTAL	TL	FX	TOTAL
<b>I - CASH BALANCES</b>		2,779,034	2,521,106	5,300,140	3,469,061	2,672,561	6,141,622
A. Cash-TL balances		2,779,034	0	2,779,034	3,469,061	0	3,469,061
B. Cash-foreign exchange		0	2,521,106	2,521,106	0	2,672,561	2,672,561
C. Other liquid assets		0	0	0	0	0	0
<b>II - BANK BALANCES</b>	(1)	24,141,790	74,786,851	98,928,641	35,807,875	113,330,733	149,138,608
A. TRNC Central Bank		18,016,971	30,733,714	48,750,685	12,626,904	21,951,542	34,578,446
B. Other Banks		6,124,819	44,053,137	50,177,956	23,180,971	91,379,191	114,560,162
1) Domestic Banks		0	4,910,251	4,910,251	0	2,367,000	2,367,000
2) Foreign Banks		6,124,819	39,142,886	45,267,705	23,180,971	89,012,191	112,193,162
3) Reverse Repo Receivables		0	0	0	0	0	0
<b>III - SECURITIES PORTFOLIO (NET)</b>	(2)	117,340,165	123,158,823	240,498,988	1,206,086	35,810,781	37,016,867
A. Treasury Bills		0	10,223,016	10,223,016	337,042	8,646,228	8,983,270
B. Other bills		117,340,165	112,935,807	230,275,972	869,044	27,164,553	28,033,597
C. Equity shares		0	0	0	0	0	0
D. Other securities		0	0	0	0	0	0
<b>IV - LOANS AND ADVANCES</b>	(3)	70,425,434	42,521,506	112,946,940	39,113,591	35,144,132	74,257,723
A. Short term		41,163,651	13,061,894	54,225,545	12,414,216	7,795,171	20,209,387
B. Medium and long term		29,261,783	29,459,612	58,721,395	26,699,375	27,348,961	54,048,336
<b>V - LOANS IN ARREARS (NET)</b>	(4)	0	0	0	0	0	0
Loans and other receivables with limited repayment capacity (Net)		0	0	0	0	0	0
A. repayment capacity (Net)		0	0	0	0	0	0
1) Gross receivable balances		205,931	4,420,375	4,626,306	105,334	106,506	211,840
2) Specific provision		(205,931)	(4,420,375)	(4,626,306)	(105,334)	(106,506)	(211,840)
B. Doubtful debts and other receivables (Net)		0	0	0	0	0	0
1) Gross receivable balances		160,167	97,833	258,000	101,268	157,920	259,188
2) Specific provision		(160,167)	(97,833)	(258,000)	(101,268)	(157,920)	(259,188)
C. Bad debts and receivables (Net)		0	0	0	0	0	0
1) Gross receivable balances		482,576	655,814	1,138,390	425,878	747,477	1,173,355
2) Specific provision		(482,576)	(655,814)	(1,138,390)	(425,878)	(747,477)	(1,173,355)
<b>VI - PREPAYMENTS AND ACCRUED INCOME</b>		2,494,769	3,246,997	5,741,766	2,072,049	2,370,390	4,442,439
A. Loans and advances		157,866	13,191	171,057	32,828	42,979	75,807
B. Securities portfolio		2,301,571	3,165,926	5,467,497	1,829,165	2,241,316	4,070,481
C. Other		35,332	67,880	103,212	210,056	86,095	296,151
<b>VII - FINANCIAL LEASING RECEIVABLES (NET)</b>		0	0	0	0	0	0
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>		13,232,264	23,495,851	36,728,115	12,017,778	22,712,484	34,730,262
<b>IX- SUNDRY RECEIVABLES</b>	(5)	52,200	1,298,700	1,350,900	5,520	1,062,002	1,067,522
<b>X- PARTICIPATIONS (NET)</b>	(6)	0	0	0	0	0	0
A. Financial participations		0	0	0	0	0	0
B. Other participations		0	0	0	0	0	0
<b>XI- SUBSIDIARIES (NET)</b>	(6)	1,595,582	27,246,796	28,842,378	788,010	27,246,796	28,034,806
A. Financial subsidiaries		1,595,582	27,246,796	28,842,378	788,010	27,246,796	28,034,806
B. Other subsidiaries		0	0	0	0	0	0
<b>XII- LONG TERM INVESTMENTS</b>	(7)	42,836	0	42,836	90,379,619	66,874,661	157,254,280
A. Equity shares		42,836	0	42,836	42,836	0	42,836
B. Other pledged securities		0	0	0	90,336,783	66,874,661	157,211,444
<b>XIII - FIXED ASSETS</b>	(8)	8,327,102	0	8,327,102	9,151,931	0	9,151,931
A. Book value		18,208,756	0	18,208,756	17,931,283	0	17,931,283
B. Accumulated depreciation		(9,881,654)	0	(9,881,654)	(8,779,352)	0	(8,779,352)
<b>XIV- OTHER ASSETS</b>	(9)	748,032	1,442,773	2,190,805	880,101	282,600	1,162,701
<b>TOTAL ASSETS</b>	(19)	241,179,208	299,719,403	540,898,611	194,891,621	307,507,140	502,398,761

These financial statements were approved by the board of directors and signed on behalf of the Board Directors on 6 April 2012.

I. Hakan Börteçene  
Chairman

Kıvanç M. Rıza  
Secretary and Director

M. A. Yunus Rahmioğlu  
General Manager and Director

**TURKISH BANK LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 2011**

LIABILITIES	NOTE	CURRENT PERIOD (31/12/2011)			PREVIOUS PERIOD (31/12/2010)		
		TL	FX	TOTAL	TL	FX	TOTAL
<b>I - DEPOSITS</b>	(10)	169,955,142	291,104,402	461,059,544	148,708,620	277,640,020	426,348,640
A. Saving deposits		153,137,938	276,272,999	429,410,937	130,677,315	254,796,842	385,474,157
B. Official deposits		1,288,941	443,591	1,732,532	654,138	383,186	1,037,324
C. Commerical deposits		12,895,643	12,933,281	25,828,924	15,209,506	20,029,303	35,238,809
D. Other institution deposits		2,616,035	1,347,454	3,963,489	2,157,576	1,621,879	3,779,455
E. Bank deposits		16,585	107,077	123,662	10,085	808,810	818,895
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>VI - EXPENSE ACCRUALS AND DEFERRED INCOME</b>		3,373,671	1,579,504	4,953,175	1,689,896	1,512,991	3,202,887
A. Deposits		197,421	618,488	815,909	209,425	664,486	873,911
B. Borrowed funds		0	0	0	0	0	0
C. Other		3,176,250	961,016	4,137,266	1,480,471	848,505	2,328,976
<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>VIII - TAXES, DUTIES AND SOCIAL SECURITY PREMIUMS PAYABLE</b>		692,890	41,633	734,523	682,787	46,167	728,954
<b>IX - IMPORT TRANSFER ACCOUNTS</b>		0	0	0	0	0	0
<b>X - SUNDRY LIABILITIES</b>	(15)	303,763	238,325	542,088	164,776	111,524	276,300
<b>XI - PROVISIONS</b>		813,654	1,914,006	2,727,660	761,520	2,200,036	2,961,556
A. Retirement pay compensation		0	0	0	0	0	0
B. General provision for loans		813,654	1,892,721	2,706,375	546,837	2,182,591	2,729,428
C. Corporation and Income Tax provisions		0	0	0	214,683	0	214,683
D. Other provisions		0	21,285	21,285	0	17,445	17,445
<b>XII - OTHER LIABILITIES</b>	(16)	1,840,641	1,688,799	3,529,440	2,078,624	522,400	2,601,024
<b>XIII - SHAREHOLDERS' FUNDS</b>	(17)	64,628,918	0	64,628,918	63,656,296	0	63,656,296
A. Share capital paid-up		61,414,346	0	61,414,346	61,414,296	0	61,414,296
1) Nominal share capital		61,414,346	0	61,414,346	61,414,296	0	61,414,296
2) Unpaid share capital		0	0	0	0	0	0
B. Statutory reserves		2,407,000	0	2,407,000	2,242,000	0	2,242,000
1) Statutory reserves		2,407,000	0	2,407,000	2,242,000	0	2,242,000
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)	807,572	0	807,572	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>		2,723,263	0	2,723,263	2,623,104	0	2,623,104
A. Current period profit		265,158	0	265,158	1,643,766	0	1,643,766
B. Previous period profits		2,458,105	0	2,458,105	979,338	0	979,338
<b>TOTAL LIABILITIES</b>	(19)	244,331,942	296,566,669	540,898,611	220,365,623	282,033,138	502,398,761
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>	(1)						
I - GUARANTEES AND ACCEPTANCES	(2)	3,357,575	5,298,452	8,656,027	3,183,945	5,240,850	8,424,795
II - COMMITMENTS	(3)	99,987,798	35,798,518	135,786,316	134,729,617	486,024,056	620,753,673
III - FOREIGN EXCHANGE&INTEREST RATES OPERATIONS	(4)	22,032,249	170,724,144	192,756,393	1,629,610	208,641,752	210,271,362
IV - ASSETS HELD UNDER TRUST AND PLEDGED ASSETS		5,322,304	83,743,965	89,066,269	4,437,548	69,835,188	74,272,736
<b>TOTAL</b>		130,699,926	295,565,079	426,265,005	143,980,720	769,741,846	913,722,566

These financial statements were approved by the board of directors and signed on behalf of the Board Directors on 6 April 2012.

I. Hakan Börteçene  
Chairman

Kıvanç M. Rıza  
Director and Secretary

M. A. Yunus Rahmioğlu  
General Manager and Director

**TURKISH BANK GROUP**  
**CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2011**

		CURRENT PERIOD TL (31/12/2011)	PREVIOUS PERIOD TL (31/12/2010)
<b>ASSETS</b>			
I-	CASH BALANCES	80,746,804	54,419,537
II-	BANK BALANCES	140,680,735	210,449,365
III-	SECURITIES PORTFOLIO	272,038,088	38,252,441
IV-	LOANS AND ADVANCES	299,959,004	201,032,695
	A. Short term	120,334,377	62,574,772
	B. Medium and long term	179,624,627	138,457,923
V-	LOANS IN ARREARS (NET)	0	0
	A. Gross receivable balances	6,504,992	1,956,827
	B. Specific provision	(6,504,992)	(1,956,827)
VI-	DERIVATIVE FINANCIAL INSTRUMENT - ASSET VALUES	0	0
VII-	PREPAYMENTS AND ACCRUED INCOME	6,862,558	5,142,732
VIII-	RESERVE DEPOSITS AT THE CENTRAL BANK	36,728,115	34,730,262
IX-	SUNDRY RECEIVABLES	1,350,900	1,067,522
X-	LONG TERM INVESTMENTS	42,836	186,148,249
	A. Equity shares	42,836	42,836
	B. Other pledged securities	0	186,105,413
XI-	FIXED ASSETS	30,512,387	27,011,265
	A. Book value	49,811,287	42,557,446
	B. Accumulated depreciation	(19,298,900)	(15,546,181)
XII-	INTANGIBLE FIXED ASSETS	464,968	310,077
XIII-	GOODWILL ON CONSOLIDATION	0	3,625,211
XIV-	OTHER ASSETS	2,916,093	1,191,505
	<b>TOTAL ASSETS</b>	<b>872,302,488</b>	<b>763,380,861</b>
<b>LIABILITIES</b>			
I-	DEPOSITS	751,349,686	654,249,679
	A. Savings deposits and other customer accounts	726,181,821	645,691,104
	B. Banks deposits	25,167,865	8,558,575
II-	DERIVATIVE FINANCIAL INSTRUMENT - LIABILITIES VALUES	0	0
III-	EXPENSE ACCRUALS AND DEFERRED INCOME	5,588,118	3,801,399
IV-	TAXES, DUTIES AND SOCIAL SECURITY PREMIUMS PAYABLE	891,548	855,624
V-	SUNDRY PAYABLES	852,105	537,045
VI-	PROVISIONS	4,133,966	4,060,907
	A. General provision for loans	2,706,375	2,729,428
	B. Corporation and Income Tax provisions	435,333	1,054,934
	C. Other provisions	992,258	276,545
VII-	OTHER LIABILITIES	4,081,048	3,140,700
VIII-	MINORITY INTEREST	13,009,660	10,783,144
IX-	SHAREHOLDERS' FUNDS	92,396,357	85,952,363
	A. Share capital-paid	61,414,346	61,414,296
	B. Statutory reserves	2,407,000	2,242,000
	C. Securities and Real Estate Revaluation Reserves	9,976,972	7,191,734
	D. Consolidation Reserve	1,584,789	0
	E. Profit and Loss Account	17,013,250	15,104,333
	<b>TOTAL LIABILITIES</b>	<b>872,302,488</b>	<b>763,380,861</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>			
I-	GUARANTEES AND ACCEPTANCES	8,869,739	8,592,852
II-	COMMITMENTS	740,785,859	1,040,532,567
III-	FOREIGN EXCHANGE AND INTEREST RATES OPERATIONS	192,756,393	210,271,362
IV-	ASSETS HELD UNDER TRUST AND PLEDGED ASSETS	89,066,269	74,276,426
	<b>TOTAL</b>	<b>1,031,478,260</b>	<b>1,333,673,207</b>

These financial statements were approved by the board of directors and signed on behalf of the Board Directors on 6 April 2012.

I. Hakan Börteçene  
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 2011**

		CURRENT PERIOD	PREVIOUS PERIOD
		TL	TL
	NOTE	( 31/12/2011)	( 31/12/2010)
<b>I - INTEREST INCOME</b>	I-(1)(ii)c	45,930,952	39,267,891
<b>II - INTEREST EXPENSE</b>		18,390,494	17,846,176
<b>III - NET INTEREST INCOME</b>		27,540,458	21,421,715
<b>IV - OTHER INCOME</b>		260,858,157	167,789,202
Commission and fee income	I-(1)(ii)c	7,536,468	5,778,977
Profits from capital market operations		416,138	1,645,593
Foreign exchange profits		250,220,086	152,034,878
Other non-interest income		1,649,146	7,202,993
Insurance business income		1,036,319	1,126,761
<b>V - OTHER OPERATING EXPENSES</b>		286,612,036	185,071,329
Fees and commissions paid		1,147,551	835,275
Loss on capital market operations		0	0
Foreign exchange losses		248,299,408	150,903,061
Personnel expenses		16,503,267	14,908,289
Depreciation	I-(1)(ii)h	2,456,315	2,237,973
Provision for doubtful debts	I-(1)(ii)e	6,563,941	899,131
Other provisions		867,459	910,896
Other non-interest expenses		10,774,095	14,376,704
<b>VI - NET OTHER INCOME</b>		(25,753,879)	(17,282,127)
<b>VII - NET PROFIT BEFORE TAXATION</b>	III-(4)	1,786,579	4,139,588
<b>VIII- TAXATION</b>	II-ii-(19)e(iii)	1,030,021	1,119,524
<b>IX - NET PROFIT AFTER TAXATION</b>		756,558	3,020,064
<b>X- MINORITY INTERESTS</b>	II-ii-(19)e(iv)	303,337	408,018
<b>XI- PROFIT ATTRIBUTABLE TO THE BANK SHAREHOLDERS</b>	II-ii-(19)e(v)	453,221	2,612,046

These financial statements were approved by the board of directors and signed on behalf of the Board Directors on 6 April 2012.

I. Hakan Börteçene  
Chairman

Kıvanç M. Rıza  
Director and Secretary

M. A. Yunus Rahmioğlu  
General Manager and Director



# **TURKISH BANK LIMITED**

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

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

(1) (i) **Date of approval of the balance sheet is 6 April 2012.**

(ii) **Principal accounting policies:**

#### **a. Accounting convention:**

Accounts have been prepared in Turkish Lira 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 2011. 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 recognized in the profit and loss account as it accrues and fee income is recognized 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 companies have been translated at the rates of exchange ruling at 31 December 2011. Loans in arrears as required by law, have been translated at the exchange rate on the date they were classified as past due

#### **e. Loans, advances and doubtful debts:**

Loans and advances and other receivables are stated after deduction of specific provisions for bad and doubtful debts 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 has made 100 % specific provision against doubtful debts.

The loans and receivables of Turkish Bank (UK) Ltd. are measured at initial recognition at fair value and are subsequently measured at amortized cost using the effective interest rate method. All fees associated with assets taken as security for advances and non-recoverable assets are not included in the cost of the transaction and are recorded as expenses. Appropriate allowances for estimated irrecoverable amounts are recorded as specific provisions in the profit and loss account.

#### **f. Taxation:**

Turkish Bank Ltd. and Turkish Insurance Ltd. pay 10 % corporation tax on their taxable income and 15 % income tax on the remaining profit after deduction of 10 % corporation tax. Total tax liability is 23.5 %. (2010-%23.5).

Turkish Bank (U.K) pays 26.5 % (2010-28 %) corporation tax on their 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 Turkish Lira)

### Deferred Tax Provision

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

### g. Leasing:

The bank has no assets held under finance leases. The bank has no assets leased to third parties under finance lease. Rents paid under operating leases are charged to income on straight line basis over the lease term.

At Turkish Bank (UK) Ltd. assets held under finance leases, and hire purchase contracts are capitalised in the balance sheet and are depreciated over the shorter of the lease term and their useful lives. The capital elements of future obligations under the leases and hire purchase contracts are included as liabilities in the balance sheet, while the interest elements are charged to the profit and loss account over the period of the lease to produce a constant rate of charge on the balance of capital repayments outstanding.

### h. Fixed assets:

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

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

Freehold buildings of overseas subsidiary have been revalued by independent valuers in December 2011. 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%.

(iii) Maintenance costs for fixed assets are recorded as expenses. There are no mortgages or liens registered on the fixed assets.

### i. Intangible Fixed assets:

Intangible fixed assets include computer software. Considering their beneficial life to be 5 years, 20% depreciation per year is provided on straight line basis.

### 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.

# 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 Turkish Lira)

### (2) General Information about the Bank:

#### a) Legal Structure of the Bank:

Turkish Bank Limited is a public company quoted on the TRNC Stock Exchange, registered under Companies Law Chapter 113 and regulated by Banking Law 39/2001.

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, the internal auditors and independent external auditors are listed on page 3 of this 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.

#### e) Summary Information Regarding The Banks Services and Activities

The Banks principal services include loans and advances, deposits, trade finance, issuing domestic and international letters of guarantees, capital markets transactions, foreign exchange, securities, safety deposit boxes, insurance and any other banking business permissible by the TRNC Central Bank and law.

#### f) Financial Instruments

Financial instruments include financial assets, financial liabilities and derivatives. Financial instruments form the basis of the Bank's commercial activities. A significant part of the Bank's total risks comes from the risks inherent in these instruments. Financial instruments have an impact on the Banks liquidity, credit and market risks. The bank trades these instruments on account and on behalf of its customers.

Financial instruments are the basis of the bank's business and operations. These instruments create, impact and decrease the liquidity, credit and interest rate risk.

#### g) Strategy for the Use of Financial Instruments.

The Bank aims to be active in all areas of banking. The composition of the banks sources of funds determines its strategy related to financial instruments. The main source of funds is customer deposits; borrowing is rare. Investments are generally selected from liquid assets. Liquidity is made available to match our obligations. At the balance sheet date, the composition of the Bank's assets and shareholders' funds is sufficient to match our obligations.

The Bank does not carry a foreign exchange position because of the risk inherent in the floating currency regime.

Investment decisions are made taking into consideration the maturity of balance sheet items and interest rates. Limits related to the balance sheet have been established. The composition of assets has been established and an analysis of returns is conducted based on this composition.

# 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 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) **Securities portfolio (Including participations, subsidiaries, long term investments) valuation methods**

**Securities held by Turkish Bank Ltd and Turkish Insurance Ltd:**

Securities have been shown at cost. Premiums or discounts are calculated on accruals basis and are taken into consideration when calculating the cost .

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

The participations, subsidiaries and long-term investments of the bank purchased before 1 January 2007 are shown at values determined by statutory valuation done in 2006.

**Securities held by Turkish Bank (UK) Ltd**

Investments are classified as available-for-sale and held-to-maturity. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All investments are recorded in the consolidated balance sheet as "Securities"

Available-for-sale investments are measured at subsequent reporting dates at fair value. For available-for-sale investments, gains and losses arising from changes in fair value are recognised directly in equity until the security is disposed off or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the profit or loss for the period. Foreign exchange gains and losses, interest recognised under the effective interest rate method and impairment losses are taken to the profit and loss account. Impairment losses are recognised in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

ii) Held-to-maturity investments are measured at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis.

**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.

# 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 Turkish Lira)

### 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>1.87600 TL.</b>	<b>1.53300 TL.</b>
<b><u>Preceding the Balance Sheet date:</u></b>		
1. Day bid rate	1.90600 TL.	1.54200 TL.
2. Day bid rate	1.89300 TL.	1.55500 TL.
3. Day bid rate	1.88500 TL.	1.54400 TL.
4. Day bid rate	1.88000 TL.	1.53700 TL.
5. Day bid rate	1.88700 TL.	1.53700 TL.
	<b>Current Period</b>	<b>Previous Period</b>
<b>GBP:</b>	<b>2.88800 TL.</b>	<b>2.36700 TL.</b>
<b><u>Preceding the Balance Sheet date:</u></b>		
1. Day bid rate	2.92100 TL.	2.37000 TL.
2. Day bid rate	2.95000 TL.	2.38200 TL.
3. Day bid rate	2.94200 TL.	2.38300 TL.
4. Day bid rate	2.93000 TL.	2.35000 TL.
5. Day bid rate	2.94900 TL.	2.36500 TL.

### (9) Value of assets and the total insurance cover

	<b><u>Current Period: 31/12/2011</u></b>		
	<b><u>Book Value</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Insurance Cover</u></b>
<b>Assets:</b>	18,208,756	9,881,654	19,001,546
Movable property (Equipment, furniture fixtures and fittings)	10,766,787	6,436,130	10,053,783
Immovable property	7,441,969	3,445,524	8,947,763
Assets held that have to be disposed	-	-	-

	<b><u>Previous Period: 31/12/2010</u></b>		
	<b><u>Book Value</u></b>	<b><u>Accumulated Depreciation</u></b>	<b><u>Insurance Cover</u></b>
<b>Assets:</b>	17,931,283	8,779,352	18,480,128
Movable Property (Equipment, furniture fixtures and fittings)	10,516,650	5,572,250	9,469,288
Immovable property	7,414,633	3,207,102	9,010,840
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.

As a result of a judgement made against the Bank in the High Court of South Cyprus, the amount of EUR 381,853 was charged to expenses in 2010. In 2011, an additional EUR 15,065 in expenses was recorded bringing the total charge to EUR 396,918. The Bank reserves the right to claim this amount, if necessary through legal action, from the TRNC.

### (11) There are no material events that happened after balance sheet date affecting 2011 that needs explaining.

a) There was no material item or uncompleted transaction existing at the year end, the result of which would affect this financial report.

# 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 Turkish Lira)

b) There have been no material changes in the foreign exchange rates since the balance sheet date that would affect decision making and evaluating this financial report.

(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.

(13) Capital Adequacy Standard Ratio:

a) List of Risk-Weighted Assets

Risk-weighted Assets, Commitments and Contingent Liabilities Assets (Net)	Risk-Weighted Assets			
	0%	20%	50%	100%
	273,100	165,300	25,945	112,142
Cash Balances	5,300	0	0	0
Balances at Central Bank	48,751	0	0	0
Interbank Funds	0	0	0	0
Bank Balances	0	49,939	0	239
Securities Portfolio	103,496	111,274	0	25,729
Reserve Deposits at Central Bank	36,728	0	0	0
Reverse Repo Receivables	0	0	0	0
Loans and Advances	33,993	169	25,807	52,978
Loans in Arrears	0	0	0	0
Prepayments and Accrued Income	1,982	2,481	0	1,279
Participations and Subsidiaries	0	0	0	0
Long Term Investments	0	0	0	39
Assets Held for Resale	0	0	0	0
Fixed Assets	0	0	0	8,327
Other Assets	0	0	0	3,197
<b>Off Balance Sheet Item</b>				
Guarantees	0	10	0	1,842
Documentary Credits	0	110	0	1,138
Other Liabilities and commitments	0	0	0	0
Undertakings	42,850	0	138	17,287
Foreign Currency and Interest Rates Operations	0	1,317	0	0
Non Risk-Weighted Accounts	0	0	0	87
<b>Total Risk-Weighted Assets</b>	<b>0</b>	<b>33,060</b>	<b>12,973</b>	<b>112,142</b>
<b>Net Assets Under Exchange Risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>103,001</b>
<b>TOTAL</b>	<b>0</b>	<b>33,060</b>	<b>12,973</b>	<b>215,143</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 Turkish Lira)

### b) Details of Capital and Reserves

	Current Period	Previous Period
<b>1-Tier I Capital</b>	<b>66,286</b>	<b>66,100</b>
a. Paid-up Capital	61,414	61,414
b. Statutory Reserves	2,407	2,242
c. General Reserves	0	0
d. Profit after Tax and Retained Earnings	2,723	2,623
e. Current and Previous Years Losses (-)	0	0
<b>2-Tier II Capital</b>	<b>3,536</b>	<b>2,746</b>
a. General Provision	2,707	2,729
b. Fixed Asset 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	21	17
g. Securities Valuation Fund	808	0
<b>3-Total Capital (1+2)</b>	<b>69,822</b>	<b>68,846</b>
<b>4-Capital as Determined by Capital Adequacy Ratio Regulations</b>	<b>69,760</b>	<b>68,210</b>
<b>5-Items to be Deducted from Capital</b>	<b>29,104</b>	<b>28,712</b>
a. Investment in Participations and Subsidiaries	28,846	28,038
b. Intangible Assets	0	0
c. Formation Expenses	0	0
d. Prepaid Expenses	258	179
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 Limits	0	495
<b>6-Net Capital (4-5)</b>	<b>40,914</b>	<b>39,677</b>

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

	TL% Current	TL% Previous
Total Risk-Weighted Assets	261,176	215,720
Net Capital	40,914	39,677
Capital Adequacy Ratio (%)	%16	%18

## 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 Turkish Lira)

#### (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 the 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) e).

c. The members of the board of directors, senior management and the Head of Internal Control Systems are listed on page 3.

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

e. The Bank has prepared its accounts 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 as prescribed by the TRNC Central Bank.

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

g. After a significant fall in the market prices of BTA JSC (Bank TuranAlem) securities and information that the company would fail to make the upcoming coupon payment, the Bank, due to its policy of prudential banking, transferred the total book value of USD 2,276,904 in bonds from the Securities portfolio to Other Receivables with Limited Repayment Capacity even though the conditions of making a provision under the Directive concerning the principles and methods for provisions against loans and other assets issued under 39/2001 Banking Law were not fulfilled. The Bank has made 100 % specific provision against the total amount.

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

i. The auditors have not received any information about any subsequent event or change after the balance sheet date that would affect the bank.

i) Establishment of Internal Systems

A non-executive director has been appointed as Board Member responsible for Internal Systems. The qualifications, responsibilities and authority of this member conform with the Internal Audit, Risk Management and Internal Control directive issued under the TRNC Banking Act paragraph 15 (3).

The Bank carries out its internal systems function through its Internal Audit, Risk Management and Internal Control units. The qualifications of the staff conform to the Directive.

ii) Internal Audit

The planning, functions and reporting of Internal Audit activities conform to the Directive.

- The evaluation and classification by risk category of the Banks loans have been reported to the Central Bank.

- The Bank has monitored and evaluated the Banks risks conforming to Risk Matrix in the directive.

- The Internal Audit Unit reports to the Internal Systems Committee as required by the Directive.

iii) Compliance

The activities and reporting have been carried out in line with the Directive. The Bank has established the necessary structure and appropriate procedures to ensure compliance with the law.

iv) Internal Control

The activities have been carried out as prescribed by the Directive.

- An Internal Systems Unit has been established appropriate to the Bank organization, written strategies, and policy related to its activities as well as its procedures have been prepared, the effective control of its activities and operations have been established.

- The information systems match the scale, operations and transaction complexity and attributes of the Bank.

- The communication infrastructure and channels are being used efficiently and are being monitored.

- An Emergency and Contingency Plan is ready for implementation.

v) Risk Management

The activities, obligations and reporting as required by the Directive have been met. The bank has performed stress tests and simulations.

The Bank has established an effective internal control system and has sufficiently used its Internal Systems. The infrastructure of the systems of control employed is appropriate for the Bank.



# TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

### i) NOTES AND DISCLOSURES REGARDING ASSESTS:

#### (1) Bank Accounts:

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

	Current Period		Previous Period	
	TL	FX	TL	FX
Unpledged Current Balances	18,016,971	30,733,714	10,626,904	21,951,542
Unpledged Deposit Balances	0	0	2,000,000	0
Pledged Balances	0	0	0	0
<b>TOTAL</b>	<b>18,016,971</b>	<b>30,733,714</b>	<b>12,626,904</b>	<b>21,951,542</b>

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

	Unpledged Balances		Pledged Balances	
	Current Period	Previous Period	Current Period	Previous Period
Turkey	22,496,262	82,784,179	0	0
EU Countries	19,571,248	27,982,852	0	0
USA and Canada	3,200,195	1,426,131	0	0
OECD Countries'	0	0	0	0
Offshore Zone	0	0	0	0
Other	0	0	0	0
<b>TOTAL</b>	<b>45,267,705</b>	<b>112,193,162</b>	<b>0</b>	<b>0</b>

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

##### c) Reverse Repo Receivables: None

	Current Period		Previous Period	
	TL	FX	TL	FX
<b>Domestic Transactions</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</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 Turkish Lira)

#### (2) Securities Portfolio;

- a) i- Fair value increases in the securities portfolio are not recorded in the accounts.  
ii- Shares have been shown at cost.  
iii- 10,223,016 TL of the securities portfolio balance is held for legal requirements.

#### b) Analysis of securities portfolio

Types of Securities	Current Period		Previous Period	
	TL	FX	TL	FX
TRNC Development Bank Securities	0	10,223,016	337,042	8,646,228
Turkish Treasury Bonds	0	0	0	0
Turkish Government Securities	91,834,714	0	0	0
Other OECD Countries Bonds and Securities	25,505,451	87,206,464	869,044	27,164,553
Other Countries Bonds and Securities	0	25,729,343	0	0
Other	0	0	0	0
<b>TOTAL</b>	<b>117,340,165</b>	<b>123,158,823</b>	<b>1,206,086</b>	<b>35,810,781</b>

Note: Securities portfolio on the balance sheet is 240,498,988 TL. As at 31.12.2011, the market value has been calculated as 241,148,273 TL.

In 2011, a review of the securities was conducted and investments other than equity shares recorded as Long Term Investments were transferred to the Securities Portfolio.

#### (3) Loans Details:

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

	Current Period		Previous Period	
	Cash	Non-Cash	Cash	Non-Cash
Loans directly given to shareholders	5,159	0	14,674	0
Loans given to corporate body shareholders	0	0	0	0
Loans given to real shareholders	5,159	0	14,674	0
Indirect loans given to shareholders	111,090	2,595	149,634	0
Loans given to personnel	2,784,185	0	2,275,490	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 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 Restructured and/or		Loans and Other Receivables Under Follow u Restructured and/or	
	Loans and Other Receivables	Rescheduled Loans and Other Receivables	Loans and Other Receivables	Rescheduled Loans and Other Receivables
Bills Discounted	807,985	0	0	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	3,892,485	492,065	0	0
Special Loans	0	0	0	0
Funded Loans	0	0	0	0
Consumer Loans	10,932,407	626,764	497,224	0
Credit Cards	3,122,897	0	145,970	0
Security Purchase Loans For Customers	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	92,054,271	0	374,872	0
<b>TOTAL</b>	<b>110,810,045</b>	<b>1,118,829</b>	<b>1,018,066</b>	<b>0</b>

### c) Loan Classification by Users:

	Current Period	Previous Period
Public	20,704,058	19,676,542
Private	92,242,882	54,581,181
<b>TOTAL</b>	<b>112,946,940</b>	<b>74,257,723</b>

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

	Current Period	Previous Period
Domestic Loans	84,104,747	71,398,317
Overseas Loans	28,842,193	2,859,406
<b>TOTAL</b>	<b>112,946,940</b>	<b>74,257,723</b>

### e) Loans Given to Participations and Subsidiaries: None

	Current Period	Previous Period
Direct Loans to Participations and Subsidiaries	0	0
Indirect Loans to Participation and Subsidiaries	0	0
<b>TOTAL</b>	<b>0</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 Turkish Lira)

- f) The first hundred largest cash loan customers make up 71 % of the total loan portfolio and nine loan customers make up 50% of the loan portfolio.
- g) The first hundred largest cash and non-cash loan customers make up 96 % of the total assets (including off-balance-sheet items) and six customers make up 50% of the total cash and non-cash loan portfolio of the bank.
- h) The first hundred largest off-balance-sheet commitments and contingent liabilities make up 9 % of such and twelve customers hold 50 % thereof.

#### (4) Loans in Arrears:

##### a) Total Non-performing Loan-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
Balances Brought Forward	211,840	259,188	1,173,355
Additions in the Year (+)	5,012,272	6,361	268,027
Transfer from Other Non Performing Loans	0	390,876	260,906
Transfer to Other Non Performing Loans	404,565	247,217	0
Collections in the Period (-)	193,241	151,208	563,898
Write Offs (-)	0	0	0
Balances at the end of Period	4,626,306	258,000	1,138,390
Specific provision (-)	4,626,306	258,000	1,138,390
<b>Net Book Value</b>	<b>0</b>	<b>0</b>	<b>0</b>

##### 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	4,420,375	97,833	655,814
Specific Provision (-)	4,420,375	97,833	655,814
<b>Net Book Value</b>	<b>0</b>	<b>0</b>	<b>0</b>
Previous Period:			
Balance Brought Forward	106,506	157,920	747,477
Specific Provision (-)	106,506	157,920	747,477
<b>Net Book Value</b>	<b>0</b>	<b>0</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 Turkish Lira)

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

Security Group	Loans Given	Provision
Unsecured	358,068	358,068
Group I - Cash Security	0	0
Group II - Immovable Security	293,066	293,066
Group III - Movable Security	487,256	487,256
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. Participations and subsidiaries are not quoted on any stock exchange.

### 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	1,595,582	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
Market value	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 SE1 1LN UK	83	100	(187,720)	61,190,944
Turkish Insurance Ltd	182 Girne Caddesi Lefkoşa TRNC	51	98	679,120	5,705,270

# 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 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) Number of bonus shares received from participations and subsidiaries as a result of capitalising of reserves;

	Current Period	Previous Period
Number of bonus shares received		
Participations	0	0
Subsidiaries	807,572	0

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

	Financial Participations and Subsidiaries Balance	Financial Participations and Subsidiaries Balance
<b>RECEIVABLES</b>		
-Banks and Other Financial Institutions	1,080,645	0
-Debentures and Similar Securities	0	0
-Loans (Including Doubtful Debts)	0	0
-Interest and Income Accruals	0	0
-Financial Leasing Receivables (NET) (*)	0	0
-Other Receivables	0	0
<b>BORROWINGS</b>		
-Deposits	1,001,669	0
-Borrowed Funds	0	0
-Securities Issued	0	0
-Interest and expense prepayments	417	0
-Financial leasing liabilities	0	0
-Other liabilities	0	0
<b>OFF-BALANCE SHEET COMMITMENTS AND LIABILITIES</b>	0	0

(\*)To be used by banks, authorized by law.

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

	Current Period	Previous Period
1- Debt securities	0	157,211,444
2- Repo related items	0	0
3- Other-Investment in share capital	42,836	42,836
4- Provision for loss in value (-)	0	0
<b>TOTAL</b>	<b>42,836</b>	<b>157,254,280</b>

In 2011, a review of the securities was conducted and investments other than equity shares recorded as Long Term Investments were transferred to the Securities Portfolio.

# 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 Turkish Lira)

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

Balance from previous year:	Immovable Property	Vehicles	Other Fixed Assets	Total
Cost	7,433,124	532,140	9,966,019	17,931,283
Accumulated depreciation (-)	(3,214,841)	(386,782)	(5,177,729)	(8,779,352)
Net Book Value	4,218,283	145,358	4,788,290	9,151,931
Current Period:				
Net book value at the beginning of the year	4,218,283	145,358	4,788,290	9,151,931
Purchases	8,845	31,036	285,420	325,301
Sales and disposals - Net (-)	0	0	0	0
Diminution in value	0	0	0	0
Depreciation charge (-)	(230,684)	(54,429)	(865,017)	(1,150,130)
Net Exchange differences (-)	0	0	0	0
<b>Closing Net Book Value</b>	<b>3,996,444</b>	<b>121,965</b>	<b>4,208,693</b>	<b>8,327,102</b>

### (a) (ii) Details Regarding Fixed Assets of the Group;

Balance from previous year:	Immovable Property	Other Fixed Assets	Total
Cost	28,079,436	19,870,882	47,950,318
Accumulated depreciation (-)	(6,305,000)	(10,712,487)	(17,017,487)
Net Book Value	21,774,436	9,158,395	30,932,831
Current Period:			
Net book value at the beginning of the year	21,774,436	9,158,395	30,932,831
Purchases	8,844	1,062,433	1,071,277
Sales and disposals- Net (-)	0	0	0
Diminution in value	837,520	0	837,520
Depreciation charge (-)	(562,803)	(1,766,438)	(2,329,241)
<b>Closing Net Book Value</b>	<b>22,057,997</b>	<b>8,454,390</b>	<b>30,512,387</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 Turkish Lira)

#### (a) (iii) Details of Intangible Fixed Assets of the Group;

Previous Period:	TOTAL
Cost	3,387,626
Accumulated Depreciation (-)	(3,009,296)
Net Book Value	378,330
Current Period	
Beginning Net Book Value	378,330
Purchases	213,712
Disposals-Net Value(-)	0
Statutory Valuation	0
Depreciation	(127,074)
<b>Closing Net Book Value</b>	<b>464,968</b>

(b) No assets have been acquired in lieu of any receivables that according to Banking Law have to be disposed of.

#### (9) Details of Other Assets;

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

b) Prepaid Expenses, tax and other similar transactions details:

<b>Expenses Paid in Advance</b>	<b>Total</b>
Software Maintenance and Licensing Cost	123,243
VISA Membership Cost	47,921
Insurance Expenses	32,619
Rent Expenses	16,180
Other Expenses	38,099
<b>Total</b>	<b>258,062</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 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 Year
<b>Resident Accounts</b>							
1) Savings Accounts	30,152,759	0	116,463,938	1,871,832	279,688	1,479,958	0
2) Official, Commercial and Other Institutions Deposits	14,481,442	0	2,122,613	14,800	537	28,449	0
3) Foreign Currency Savings	41,064,912	0	167,020,956	8,838,339	5,292,837	34,970,940	0
4) Foreign Currency Official, Commercial and Other institutions Deposits	10,161,303	0	4,091,580	242,662	1,438	178,350	0
<b>Non-Resident Accounts</b>							
1) Savings Accounts	631,638	0	2,116,672	31,688	50,520	59,245	0
2) Commercial and Other Institutions	152,778	0	0	0	0	0	0
3) Foreign Currency Savings	2,365,201	0	6,425,153	1,869,429	2,570,176	5,855,056	0
4) Foreign Currency Official, Commercial and Other Institutions.	11,265	0	37,728	0	0	0	0
<b>Banks Deposit</b>							
Local Banks	101,862	0	0	0	0	0	0
Overseas Banks	0	0	0	0	0	0	0
Off-Shore Banks	21,800	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>99,144,960</b>	<b>0</b>	<b>298,278,640</b>	<b>12,868,750</b>	<b>8,195,196</b>	<b>42,571,998</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	21,284,187	0	103,443,496	1,771,097	289,594	1,516,560	0
2) Official, Commercial and Other Institutions Deposits	15,833,512	0	2,134,760	14,069	511	26,958	0
3) Foreign Currency Savings	38,323,282	0	152,701,022	10,730,620	5,703,655	31,958,144	0
4) Foreign Currency Official, Commercial and Other institutions Deposits	12,460,159	0	9,069,122	152,745	1,155	144,216	0
<b>Non-Resident Accounts</b>							
1) Savings Accounts	397,614	0	1,832,778	27,749	47,996	66,244	0
2) Commercial and Other Institutions	11,410	0	0	0	0	0	0
3) Foreign Currency Savings	1,856,357	0	5,164,067	1,816,148	1,662,401	4,881,146	0
4) Foreign Currency Official, Commercial and Other Institutions.	4,365	0	202,606	0	0	0	0
<b>Banks Deposit</b>							
Local Banks	799,927	0	0	0	0	0	0
Overseas Banks	7,890	0	0	0	0	0	0
Off-Shore Banks	11,078	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>90,989,781</b>	<b>0</b>	<b>274,547,851</b>	<b>14,512,428</b>	<b>7,705,312</b>	<b>38,593,268</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 Turkish Lira)

### b) Deposits covered by the Savings Insurance Fund Scheme;

Savings Accounts	Current Period		Previous Period	
	TL	FX	TL	FX
Savings Accounts	153,137,938	276,272,999	130,677,315	254,796,842
Other Eligible Accounts	313,431	71,228	250,703	325,076
<b>TOTAL</b>	<b>153,451,369</b>	<b>276,344,227</b>	<b>130,928,018</b>	<b>255,121,918</b>

### (11) Funds Derived From Repo Transactions: None

	Current Period		Previous Period	
	TL	FX	TL	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) Funds Borrowed: None

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

**b) Bank has no borrowed funds.**

### (13) The Bank has no borrowing liabilities:

#### a) Current Period

Term of Borrowing		Interest Details		Currency			
Short	Medium and Long	Fixed-Rate	Variable	EURO	USD	TL	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 Turkish Lira)

#### b) Previous Period

Term of Borrowing		Interest Details		Currency			
Short	Medium and Long	Fixed-Rate	Variable	EURO	USD	TL	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) The Bank has not issued any securities.

##### a) Current Period

Term of Borrowing		Interest Details		Currency			
Short	Medium and Long	Fixed-Rate	Variable	EURO	USD	TL	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	Fixed-Rate	Variable	EURO	USD	TL	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) a) Details of Sundry Liabilities

	Current Period	Previous Period
Cash Value of the Securities Obtained	252,801	114,124

b) Cash securities obtained are associated with company formations and commitments for cheque books.

#### (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	61,414,346	61,414,296
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 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	61,414,346	62,000,000

**(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
03.06.2011	50	50	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	22,666,961	%36.91	22,666,961	0
T. Ozyol Yatirimlari Limited	22,315,517	%36.34	22,315,517	0
Ozyol Holding A.	7,529,378	%12.26	7,529,378	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:**

Authorised share capital is made up of 20,380 'A' Shares of 10 Kr each and 61,997,962 'B' Shares of 1 TL each. Both 'A' and 'B' shares carry one vote each and on other matters have equal rights.

**(18) Statutory Revaluation Fund:**

	Current Period		Previous Period	
	TL	FX	TL	FX
Participations and Subsidiaries	807,572	0	0	0
Revaluation Fund	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 Turkish Lira)

**(19) (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 Policy regarding funding of short and long term liquidity needs and untapped liquid sources:**

The Bank monitors its liquidity requirements on a daily basis to ensure that it has sufficient cash or near cash liquid reserves available to continue operations. The Bank maintains a highly liquid securities portfolio to ensure that liquidity requirements can be met under any condition.

**(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 (Foreign Exchange, Cash in Transit and TRNC CB Bank Balance)	54,050,825	0	0	0	0	0	54,050,825
Bank Balances	49,383,756	794,200	0	0	0	0	50,177,956
Securities Portfolio	9,593,428	38,956,675	10,563,789	30,204,733	151,180,363	0	240,498,988
Loans	32,627,576	19,597,541	2,345,367	17,089,312	41,287,144	0	112,946,940
Long Term Investment	0	0	0	0	0	42,836	42,836
Other Assets	39,463,891	2,744,800	728,842	591,140	576,826	39,075,567	83,181,066
<b>Total Assets</b>	<b>185,119,476</b>	<b>62,093,216</b>	<b>13,637,998</b>	<b>47,885,185</b>	<b>193,044,333</b>	<b>39,118,403</b>	<b>540,898,611</b>
<b>Liabilities</b>							
Bank Deposits	123,662	0	0	0	0	0	123,662
Other Deposits	407,189,330	16,923,258	14,003,801	22,819,493	0	0	460,935,882
Funds obtained from other financial institutions	0	0	0	0	0	0	0
Securities issued	0	0	0	0	0	0	0
Sundry Liabilities	542,088	0	0	0	0	0	542,088
Other Liabilities	8,618,846	137,817	295,715	156,549	0	70,088,052	79,296,979
<b>Total Liabilities</b>	<b>416,473,926</b>	<b>17,061,075</b>	<b>14,299,516</b>	<b>22,976,042</b>	<b>0</b>	<b>70,088,052</b>	<b>540,898,611</b>
<b>Net Asset Liquidity gap</b>	<b>(231,354,450)</b>	<b>45,032,141</b>	<b>(661,518)</b>	<b>24,909,143</b>	<b>193,044,333</b>	<b>(30,969,649)</b>	<b>0</b>
<b>Previous Period</b>							
Total Assets	198,697,743	35,347,621	20,604,816	4,169,355	204,866,914	38,712,312	502,398,761
Total Liabilities	381,244,293	18,266,498	13,185,198	20,664,624	0	69,038,148	502,398,761
<b>Net Asset Liquidity gap</b>	<b>(182,546,550)</b>	<b>17,081,123</b>	<b>7,419,618</b>	<b>(16,495,269)</b>	<b>204,866,914</b>	<b>(30,325,836)</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 Turkish Lira)

### e) Disclosures and footnotes regarding other matters:

#### i) Tax:

Bank	Current Period	Previous Period
2011 corporation and income tax provision	20,718	491,045
Taxes and withholding tax paid	397,330	0
Total Tax provision for the year	418,048	491,045
Tax brought forward from previous years	214,683	0
Less: Withholding tax paid in 2011 and previous years withholding tax written off	(632,731)	(276,362)
<b>Taxes Payable</b>	<b>0</b>	<b>214,683</b>

#### ii) 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 (Foreign Exchange, Cash in Transit and TRNC CB Bank Balance)	80,746,804	0	0	0	0	80,746,804
Bank Balances	140,680,735	0	0	0	0	140,680,735
Securities Portfolio	48,550,103	10,563,789	34,877,517	178,046,679	0	272,038,088
Loans	101,234,289	2,573,330	33,961,008	162,190,377	0	299,959,004
Long Term Investment	0	0	0	0	42,836	42,836
Other Assets	42,705,675	728,842	591,140	577,226	34,232,138	78,835,021
<b>Total Assets</b>	<b>413,917,606</b>	<b>13,865,961</b>	<b>69,429,665</b>	<b>340,814,282</b>	<b>34,274,974</b>	<b>872,302,488</b>
<b>Liabilities</b>						
Bank Deposits	25,167,865	0	0	0	0	25,167,865
Other Deposits	619,463,151	54,323,169	43,306,965	9,088,536	0	726,181,821
Funds Obtained from other fin. Institutions	0	0	0	0	0	0
Securities issued	0	0	0	0	0	0
Sundry Liabilities	753,913	0	0	0	98,192	852,105
Other Liabilities	8,797,751	464,870	217,679	0	110,620,397	120,100,697
<b>Total Liabilities</b>	<b>654,182,680</b>	<b>54,788,039</b>	<b>43,524,644</b>	<b>9,088,536</b>	<b>110,718,589</b>	<b>872,302,488</b>
<b>Net Asset Liquidity gap</b>	<b>-240,265,074</b>	<b>-40,922,078</b>	<b>25,905,021</b>	<b>331,725,746</b>	<b>-76,443,615</b>	<b>0</b>
<b>Previous Period</b>						
Total Assets	436,425,241	30,795,160	17,531,070	245,740,670	32,888,720	763,380,861
Total Liabilities	576,773,487	40,054,332	41,786,381	2,980,053	101,786,608	763,380,861
<b>Net Assets Liquidity gap</b>	<b>-140,348,246</b>	<b>-9,259,172</b>	<b>-24,255,311</b>	<b>242,760,617</b>	<b>-68,897,888</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 Turkish Lira)

#### iii) Tax – Group;

	Current Period	Previous Period
2011 corporation and income tax provision	1,038,685	1,053,248
Deferred tax adjustments	(8,664)	66,276
Total provision	1,030,021	1,119,524
Taxes brought forward from previous years	1,054,934	648,385
Foreign Exchange revaluation difference	147,916	(3,927)
Withholding tax paid in 2011	(1,872,626)	(941,014)
Deferred tax provision - 2011 net movement	(92,416)	231,966
2011 tax receivables brought forward	167,504	0
<b>Taxes Payable</b>	<b>435,333</b>	<b>1,054,934</b>

#### iv) Minority Interest;

Minority interest consists of shares with nominal value of 1,502,833 TL in Turkish Insurance Ltd. and GBP 2 million in Turkish Bank (UK) Limited.

#### v) Shareholders' equity group table:

	Current Period	Previous Period
Balance Brought Forward	24,538,067	25,986,765
Exchange Differences	4,011,240	(146,721)
<b>Movements in 2011</b>		
Retained Earnings for the Year	453,221	2,612,046
Dividends Paid	0	0
Consolidated reserves	1,584,789	0
Revaluation Increases - Net	394,694	(3,914,023)
<b>Year End Balance of Reserves</b>	<b>30,982,011</b>	<b>24,538,067</b>
Paid Up capital	61,414,346	61,414,296
<b>Shareholders Funds at Year End</b>	<b>92,396,357</b>	<b>85,952,363</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 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 European Union countries, 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	8,656,027	8,424,795
<b>TOTAL</b>	<b>8,656,027</b>	<b>8,424,795</b>

##### c) Details of off balance sheet liabilities;

Off Balance Sheet Liabilities	Current Period		Previous Period	
	TL	FX	TL	FX
Letter of Guarantees	3,357,575	2,913,055	3,183,945	2,210,074
Acceptances	0	0	0	0
Documentary credits	0	2,385,397	0	3,030,776
Endorsements, transfers	0	0	0	0
Undertaking of Repurchasing	0	0	0	0
Other guarantees and acceptances	0	0	0	0
<b>TOTAL</b>	<b>3,357,575</b>	<b>5,298,452</b>	<b>3,193,945</b>	<b>5,240,850</b>

##### (3) Commitments;

	Current Period	Previous Period
Irrevocable commitments	51,087,218	57,814,310
Revocable commitments	84,699,098	562,939,363
<b>TOTAL</b>	<b>135,786,316</b>	<b>620,753,673</b>

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

	Current Period	Previous Period
Forward FX Transactions	192,756,393	210,271,362
Currency and interest swap transactions	0	0
Currency and interest options	0	0
FX Future Contracts	0	0
Interest future contracts	0	0
Other	0	0
<b>TOTAL</b>	<b>192,756,393</b>	<b>210,271,362</b>



# TURKISH BANK LIMITED

## 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	3,908	72,157
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	31,153	11,136
Commissions and fees paid to Subsidiaries and Participations	22,517	14,689

### c) Interest received from reverse repo transactions;

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

### d) Interest paid to repo transactions;

	Current Period		Previous Period	
	TL	FX	TL	FX
Interest paid to repo transactions	36,151	0	0	0

### (2) Breakdown of provisions charge for Loans and Other Receivables;

	Current Period	Previous Period
Specific provision for non-performing loans and other receivables		
For unsecured accounts	4,548,689	159,318
For other accounts	455,043	519,682
General provision for loans	289,859	910,896
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 Turkish Lira)

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

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

Net profit before taxation is stated after deducting provision for doubtful accounts, other provisions, depreciation and after charging the following expenses:

Bank:	Current Period	Previous Period
Directors' emoluments	1,109,745	1,039,987
Auditors Fees	110,000	110,000
Group:		
Directors' emoluments	1,717,609	1,614,253
Auditors Fees	296,280	261,653

**TURKISH BANK LIMITED**

**IV) STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY  
(Amounts are expressed in Turkish Lira)**

**MOVEMENTS IN SHAREHOLDERS' EQUITY**

**PREVIOUS PERIOD**

**Balance at 1 January 2010**

Profit Appropriation:

	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 2010</b>	<b>56,864,600.-</b>	<b>2,087,000.-</b>	<b>0.-</b>	<b>0.-</b>	<b>0.-</b>	<b>0.-</b>	<b>0.-</b>	<b>0.-</b>	<b>4,136,276.-</b>	<b>1,547,231.-</b>	<b>64,635,107.-</b>
- Dividends	-	-	-	-	-	-	-	-	-	-	0.-
- Transfers to reserves	-	155,000.-	-	-	-	-	-	-	1,392,231.-	-1,547,231.-	0.-
Share premiums (common stocks issue)	-	-	-	-	-	-	-	-	-	-	0.-

Share Capital Increase:

- Cash injection	528.-	-	-	-	-	-	-	-	-	-	528.-
- Transfers from statutory revaluation fund	-	-	-	-	-	-	-	-	-	-	0.-
- Transfers from other accounts	4,549,168.-	-	-	-	-	-	-	-	-4,549,168.-	-	0.-

Profit resulting from sale of equity participations, subsidiaries and fixed assets

	-	-	-	-	-	-	-	-	-	-	0.-
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Bonus shares obtained from equity participations due to increase in the shareholders' funds through sales of fixed assets and investments

	-	-	-	-	-	-	-	-	-	-	0.-
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Increase in statutory revaluation fund in 2010

	-	-	-	-	-	-	-	-	-	-	0.-
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Increase in value of the securities portfolio

	-	-	-	-	-	-	-	-	-	-	0.-
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Other

	-	-	-	-	-	-	-	-	-	-	0.-
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Net Profit at 31/12/2010

	-	-	-	-	-	-	-	-	-	1,643,766.-	1,643,766.-
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**Balances 31 December 2010**

	<b>61,414,296.-</b>	<b>2,242,000.-</b>	<b>0.-</b>	<b>0.-</b>	<b>0.-</b>	<b>0.-</b>	<b>0.-</b>	<b>0.-</b>	<b>979,339.-</b>	<b>1,643,766.-</b>	<b>66,279,401.-</b>
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Profit Appropriation:

- Dividends	-	-	-	-	-	-	-	-	-	-	0.-
- Transfers to reserves	-	165,000.-	-	-	-	-	-	-	1,478,766.-	-1,643,766.-	0.-
Share premiums (common stocks issue)	-	-	-	-	-	-	-	-	-	-	0.-

Share Capital Increase:

- Cash injection	50.-	-	-	-	-	-	-	-	-	-	50.-
- Transfers from statutory revaluation fund	-	-	-	-	-	-	-	-	-	-	0.-
- Transfers from other accounts	-	-	-	-	-	-	-	-	-	-	0.-

Profit resulting from sale of equity participations, subsidiaries and fixed assets

	-	-	-	-	-	-	-	-	-	-	0.-
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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 2011

	-	-	-	-	-	-	-	-	-	-	0.-
--	---	---	---	---	---	---	---	---	---	---	-----

Increase in value of the securities portfolio

	-	-	-	-	-	-	807,572.-	-	-	-	807,572.-
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Other

	-	-	-	-	-	-	-	-	-	-	0.-
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Net Profit at 31/12/2011

	-	-	-	-	-	-	-	-	-	265,158.-	265,158.-
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**Balances 31 December 2011**

	<b>61,414,346.-</b>	<b>2,407,000.-</b>	<b>0.-</b>	<b>0.-</b>	<b>0.-</b>	<b>0.-</b>	<b>0.-</b>	<b>807,572.-</b>	<b>2,458,105.-</b>	<b>265,158.-</b>	<b>67,352,181.-</b>
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**TURKISH BANK GROUP**

**V- A) STATEMENT OF CASH FLOWS**

	<b>CURRENT PERIOD TL (31/12/2011)</b>	<b>PREVIOUS PERIOD TL (31/12/2010)</b>
<b>I- Cash Flows From Banking Operations (Main Activities)</b>		
Interest income and similar items	45,145,617	43,030,926
Interest expenses and similar items	(18,535,136)	(18,441,677)
Dividends received	0	0
Fees and commissions received	8,111,435	6,258,289
Income from insurance business	741,188	722,423
Other income	4,372,662	4,496,962
Collections from previously written-off loans and other receivables	0	601,807
Personnel and administration expenses	(30,123,902)	(24,393,151)
Taxes paid	(1,872,626)	(941,014)
Other	(1,538,619)	(744,872)
<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>6,300,619</b>	<b>10,589,693</b>
<b>Changes in Operating Assets and Liabilities:</b>		
<b><u>(Increase) Decrease in Operating Assets:</u></b>		
Net (increase) / decrease in securities portfolio	(43,327,057)	77,827,001
Net (increase) / decrease in banks and loans	10,266,229	(20,197,143)
Net (increase) / decrease in other assets	(1,508,372)	(402,031)
<b><u>Increase (decrease) in operating liabilities:</u></b>		
Net increase (decrease) in deposits	51,230,798	(6,875,302)
Net increase (decrease) in funds borrowed	0	0
Net increase (decrease) in other liabilities	1,208,669	115,447
<b>Net Cash Provided from Banking and Commercial Operations</b>	<b>24,170,886</b>	<b>61,057,665</b>
<b>II- Cash Flows from Investing Activities</b>		
Cash paid for purchase of equity participations	0	0
Purchase of property and equipment	(1,071,277)	(1,244,104)
Sale of property and equipment	0	0
Purchase of Intangible Assets	(213,712)	(78,111)
Cash paid for purchase of investment securities	0	(78,143,036)
Sale of investment securities	0	4,116,213
<b>Net Cash (Used in) Provided from Investing Activities</b>	<b>(1,284,989)</b>	<b>(75,349,038)</b>
<b>III- Cash Flows from Financing Activities</b>		
Capital increase	50	528
Dividends paid	0	0
Dividends paid to minority shareholders of a subsidiary	0	0
<b>Net Cash Provided from Financing Activities</b>	<b>50</b>	<b>528</b>
<b>Effect of change in foreign currency evaluation rate of cash and cash equivalents</b>	<b>16,785,829</b>	<b>303,802</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>39,671,776</b>	<b>(13,987,043)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>102,358,388</b>	<b>116,345,431</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>142,030,164</b>	<b>102,358,388</b>

**TURKISH BANK LIMITED**

**V- B) STATEMENT OF CASH FLOWS**

	<b>CURRENT PERIOD TL (31/12/2011)</b>	<b>PREVIOUS PERIOD TL (31/12/2010)</b>
<b>I- Cash Flows From Banking Operations (Main Activities)</b>		
Interest income and similar items	30,354,594	32,382,905
Interest expenses and similar items	(12,594,925)	(13,003,409)
Dividend income	0	0
Fees and commissions received	3,392,984	2,624,253
Other income	496,664	1,702,611
Collections from previously written-off loans and other receivables	0	601,807
Personnel and administration expenses	(18,118,545)	(16,889,366)
Taxes paid	(632,731)	(276,362)
Other Collection items income	0	0
Other Paid items	0	0
<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>2,898,041</b>	<b>7,142,439</b>
<b>Changes in Operating Assets and Liabilities:</b>		
<b><u>(Increase) Decrease in Operating Assets:</u></b>		
Net (increase) decrease in securities portfolio	(46,270,677)	77,827,001
Net (increase) decrease in banks	62,384,353	(21,120,684)
Net (increase) decrease in loans	(43,067,530)	6,529,495
Net (increase) decrease in other assets	(1,311,482)	(378,141)
<b><u>Increase (decrease) in operating liabilities:</u></b>		
Net increase in deposits	34,710,905	(23,939,415)
Net (decrease) in funds borrowed	0	0
Net increase (decrease) in securities issued	0	0
Net increase in other liabilities	1,199,773	(115,120)
<b>Net Cash Provided from Banking and Commercial Operations</b>	<b>10,543,383</b>	<b>45,945,575</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	(325,301)	(571,016)
Sale of property and equipment	0	0
Cash paid for purchase of investment securities	0	(64,111,460)
Cash obtained from sale of investment securities	0	0
Other cash inflows	0	0
Other cash outflows	0	0
<b>Net Cash (Used in) Provided from Investing Activities</b>	<b>(325,301)</b>	<b>(64,682,476)</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	50	528
Dividends paid	0	0
Other cash inflows	0	0
Other cash outflows	0	0
<b>Net Cash Provided from Financing Activities</b>	<b>50</b>	<b>528</b>
<b>Effect of change in foreign currency evaluation rate of cash and cash equivalents</b>	<b>3,112,625</b>	<b>812,140</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>13,330,757</b>	<b>(17,924,233)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>40,720,068</b>	<b>58,644,301</b>
<b>Cash and Cash Equivalents at the End of Year</b>	<b>54,050,825</b>	<b>40,720,068</b>

**TURKISH BANK LIMITED**

**VI- PROFIT APPROPRIATION TABLE**

	<b>CURRENT PERIOD TL (31/12/2011)</b>	<b>PREVIOUS PERIOD TL (31/12/2010)</b>
<b>A. APPROPRIATION OF CURRENT YEAR INCOME</b>		
1. CURRENT YEAR INCOME	<b>683,206</b>	<b>2,134,811</b>
2. TAXES AND DUTIES PAYABLE (-)	<b>(418,048)</b>	<b>(491,045)</b>
- Corporation tax	(8,816)	(208,955)
- Income tax	(11,902)	(282,090)
- Other taxes and duties	(397,330)	-
<b>NET INCOME FOR THE YEAR</b>	<b>265,158</b>	<b>1,643,766</b>
3. PRIOR YEARS' LOSSES (-)	-	-
4. LEGAL RESERVES (-)	(27,000)	(165,000)
5. OTHER STATUTORY RESERVES (-)	-	-
<b>NET INCOME AVAILABLE FOR DISTRIBUTION</b>	<b>238,158</b>	<b>1,478,766</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)	2,458,105	5,528,506
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)	-	-
2. DIVIDEND TO SHAREHOLDERS (-)	-	-
- To owners of ordinary shares('A' and 'B')	-	(4,549,168)
- To owners of privileged shares	-	-
3. DIVIDENDS TO PERSONNEL (-)	-	-
4. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
<b>C. NET PROFIT TRANSFERRED TO 2011</b>	<b>2,696,263</b>	<b>2,458,104</b>
<b>D. EARNINGS PER SHARE</b>		
1. TO OWNERS OF 'A' SHARES ( TL, % )	0,0004TL(%0,4)	0,003TL (%3)
2. TO OWNERS OF 'B' SHARES ( TL, % )	0,004TL(%0,4)	0,03TL (%3)
<b>E. DIVIDEND PER SHARE</b>		
1. TO OWNERS OF 'A' SHARES ( TL, % )	0	0
2. TO OWNERS OF 'B' SHARES ( TL, % )	0	0

**TÜRK BANKASI LTD.**

BRANCH	ADDRESS	TEL NO	FAX NO
General Management	92 Girne Cad. Lefkoşa e-mail: info@turkishbank.net <a href="http://www.turkishbank.net">www.turkishbank.net</a>	(392) 600 33 33	(392) 227 94 47
Lefkoşa/Main Personal Branch	92 Girne Cad. Lefkoşa	(392) 600 33 33	(392) 229 15 53
Lefkoşa/Main Commercial Branch	92 Girne Cad. Lefkoşa	(392) 600 33 33	(392) 228 13 17
Lefkoşa/Köşklüçiftlik	Mehmet Akif Cad.Çığır Apt.No2 Köşklüçiftlik, Lefkoşa	(392) 227 21 15 (392) 227 85 17	(392) 228 65 54
Lefkoşa/Kaymaklı	Kemal Aşık Caddesi No:66, K.Kaymaklı	(392) 227 73 80	(392) 228 56 95
Lefkoşa/Taşkinköy	Şehit Kemal Ünal Sok. No:104A Taşkinköy, Lefkoşa	(392) 225 69 03 (392) 225 69 04	(392) 225 33 95
Lefkoşa/Çarşı	Belediye Pazarı, Lefkoşa.	(392) 227 48 25 (392) 229 11 67	(392) 228 38 17
Lefkoşa/Önder	Bedrettin Demirel Cad. No:87 Önder Alışveriş Merkezi, Lefkoşa	(392) 229 14 20 (392) 228 08 30	(392) 227 05 10
Lefkoşa/Gönyeli	Atatürk Cad., Eski Belediye Karşısı No:104 Dük.2 Gönyeli, Lefkoşa	(392) 223 17 68 (392) 223 14 15	(392) 223 43 32
Lefkoşa/Ortaköy	Şht. Gzt. Hasan Tahsin Caddesi, 16/A Blok No:43, Ortaköy-Lefkoşa.	(392) 227 04 39 (392) 227 11 76	(392) 227 47 98
Gazi Mağusa/Main Branch	24 Limanyolu Gazi Mağusa Telex: 57584 TRMA TK	(392) 366 90 85 (392) 366 53 27	(392) 366 45 10
Gazi Mağusa/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
Gazi Mağusa/Terminal	Gazi Mustafa Kemal Bulvarı, 28D Dumlupınar-Gazi Mağusa.	(392) 366 72 69 (392) 366 72 70	(392) 366 72 68
Girne/Main Branch	Ziya Rızıkı Cad., Poltan Palas Apt.8-9-10	(392) 815 13 60 (392) 815 13 62 (392) 815 77 22	(392) 815 13 63
Girne/Çarşı	Ramadan Cemil Meydanı No:1	(392) 815 21 01 (392) 815 38 12	(392) 815 28 50
Girne/Karaoğlanoğlu	Karaoğlanoğlu Cad., Karaoğlanoğlu-Girne.	(392) 822 40 30 (392) 822 40 32	(392) 822 40 31
Girne/Karakum	Hız. Ömer Cad. Ozanköy Kavşağı Ozanköy-Girne.	(0542) 851 90 06 (392) 815 47 13	(392) 815 59 43
Girne/Alsancak	206 Karaoğlanoğlu Caddesi Alsancak-Girne.	(392) 821 33 98 (392) 821 33 99	(392) 821 89 02
Güzelyurt	Ecevit Cad., Piyale Paşa Mahallesi, 3-4 Güzelyurt	(392) 714 21 98 (392) 714 42 14	(392) 714 54 54
Gemikonağı	Ecevit Cad., No:42	(392) 727 73 52 (392) 727 78 58	(392) 727 83 25
Lefke	19 Mayıs Cad.	(392) 728 75 45	(392) 728 82 51

**TURKISH BANK (UK) LTD.**

BRANCH	ADDRESS	TEL NO	FAX NO
Main	84-86 Borough High Str. London SE1 1LN SWIFT CODE: TUBA GB 2L.	(44-20)7403 5656	(44-20)7407 7406
Harringay	577 Green Lanes, Harringay London N8ORG	(44-20)8348 9600	(44-20)8348 6375
Palmers Green	391 Green Lanes, London N13 4JG	(44-20)8447 6870	(44-20)8920 6830
Edmonton	Unit 2A, 92-94 Fore St., Edmonton, N18 2XA	(44-20)8887 8080	(44-20)8807 0701
Dalston	121 Kingsland High Str. Dalston London E8 2PB	(44-20)7923 3339	(44-20)7923 3454
Lewisham	83 Lewisham High Street London SE13 5JX	(44-20)8852 3089	(44-20)8297 3171

**TÜRK SİGORTA LTD.**

BRANCH	ADDRESS	TEL NO	FAX NO
Main	182, Girne Cad. Lefkoşa	(392) 600 34 01	(392) 227 90 01