

**2012
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 Rahmioğlu	Director and General Manager
Ender Par	Director and Head of Internal Control Systems
Nafi Türkoğlu	Director
Erman Yerdelen	Director
Metin Münir	Director
Erhan Özçelik	Director

SENIOR MANAGEMENT

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

INTERNAL CONTROL SYSTEMS

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

AUDITORS

D.K.DENİZ & CO.	Audit
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TURKISH BANK (UK) LTD.

BOARD OF DIRECTORS

İ. Hakan Börteçene	Chairman
D.I.Stewart	Executive Director
D.Blackmore	Director and Member of Audit Committee
P. Ryan	Director and Member of Audit Committee
R.W.Long	Director
E. Özçelik	Director
M.E.Erenman	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 10 May 2013 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, 2012 together with Profit and Loss Account of the Bank and of the Group for the year 2012 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:

Kıvanç M. Rıza
Nafi Türkoğlu
Erhan Özçelik

- 4) To authorise the Board of Directors to fix the remuneration of D.K.Deniz & Co., our external auditors.

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, 12 April 2013

DIRECTORS' REPORT

The Directors are pleased to submit their annual report with the annexed audited accounts of the bank and the consolidated accounts of the group for the year ended 31 December 2012.

The Bank increased the total number of ATMs to twenty six by adding another ATM in 2012 with the aim of providing a better service to the customers.

Organizational developments gained pace in 2012 with the priority of establishing a more institutionalised structure. The continuing specialisation process of our branches in retail and commercial banking that started in 2009, with the objective of offering fast, modern and customer-oriented service, has now been implemented in our General Management units as well. The "Private Banking" unit has been put in service by blending our banking experience and the state-of-the-art banking approaches with the goal of providing a high-quality service to meet our customers' needs and expectations.

In line with our bank's mission, the foundation of the 'Strategic Planning, Organization and Project Management' department constitutes the core of our objective of establishing a more institutionalised structure, by helping to set corporate strategies in accordance with our bank's vision and to implement and follow-up the activities to achieve the objectives.

As the forerunners of the sector in the treasury and correspondent banking activities, our bank has further developed the existing relations and successfully established new contacts with the major banks in Turkey in the first quarter of 2013.

In order to raise capital and set a precedent for embargoed and capital-strapped Turkish Cypriot companies to access capital markets, our preparations for an Istanbul Stock Exchange quotation are still continuing.

Without compromising on our transparent banking principle and in spite of the fierce competition in the sector, our bank improved its operational profit in 2012, with a net profit of TL 2.9 million.

All administrative and other expenses have been deducted and necessary provision for bad and doubtful debts 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 of TL.1,138,198, the Board of Directors recommends that the total profits, including retained earnings of TL 5,639,503 of the bank to be appropriated as follows:

Transfer to Statutory Reserve	TL. 295,000.-
Transfer to Retained Earnings	TL.5,344,503.-

Approved by the Board of Directors and signed on 12 April 2013.

Kıvanç M. Rıza
Secretary

Nicosia, 12 April 2013.

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, 12 April 2013.

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

The Central Bank of the Turkish Republic of Northern Cyprus using its authority over the 15th article 3rd clause of the Banking Law, has enforced the activation of the “Internal Audit, Risk Management, Internal Control and Management Systems in Banks” Decree on August 12, 2008. With respect to this decree, The Internal Audit Unit (Audit Board), Compliance and Internal Controls Unit and Risk Management unit, which were to be established or restructured in compliance thereto, were established within the body of our Bank and although their duties and responsibilities were separated in an organizationally independent structure, these units have thus far been operating in coordination with each other. These units have been operating in conjunction with the Board Member Responsible for Internal Systems during 2012 and have also been reporting to the Board of Directors through the Board Member Responsible for Internal Systems.

The Internal Audit Unit (Audit Commission):

The Audit Commission within our Bank assesses in a risk-focused manner, the appropriateness of the processes of the branches and General Management units, subsidiaries, in addition to the Internal Control and Management Unit and the Risk Management Unit, with respect to laws, internal legislation, Bank’s internal strategy, policies and targets. While these assessments are taking place, it is aimed to raise the awareness of Senior Management and the Board of Directors and contribute to the decision-making processes. As of 31.12.2012, our internal audit unit totaling 12 staff consists of 1 Chairman, 1 second-level Auditor, 3 third-level Auditors, 4 Authorized Assistant Auditors and 3 Assistant Auditors.

The Internal Audit Unit assesses all the risks inherent within the processes of the Bank’s branches, General Management Units and the Subsidiary and also reviews the consistency and effectiveness of the Internal Control and Risk Management Units. Usually, in addition to the general findings of the audits; it is aimed to bring to the surface deficiencies, mistakes and misuses, to prevent their repetition and also to promote using the Bank’s resources more effectively and efficiently. In short, internal audit makes propositions aimed at strengthening internal systems. When need be, pre-inquiries and further research activities are also taken under.

As a result of the audits of 18 branches, 1 General Management Unit, 1 Unit Directorate and our Subsidiary Türk Sigorta Ltd. in 2012, no substantial developments that could negatively affect our Bank’s activities or prevent the realization of its liabilities have been detected. In conclusion, our internal audit activities undertaken in 2012 have been identified as effective and successful in preventing, identifying and eliminating the risks through risk-based approach, qualified human resources and experienced senior management.

Based on the targets and policy direction of the Board of Directors and through a modern understanding of internal audit, within a perception of high responsibility and awareness of its duties, the Internal Audit Unit keeps assuming as its principle also in the coming future, the fulfillment of the internal audit plan and reporting the results of the audit activities to the Board of Directors through the Board Member Responsible for Internal Systems and afterwards overseeing the actions decided with respect to those findings.

Directorate of Compliance and Internal Controls:

The Internal Controls System encompasses the whole of control activities which have the attribute to promote quality and development and is 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.

In our Bank, the Compliance and Internal Controls Unit / Directorate operates directly in conjunction with the Board Member Responsible for Internal Systems and has been assigned with establishing the internal arrangements that will facilitate the correct undertaking and progression of systems based on the guidelines set forth by the Board of Directors. The director that was assigned this duty has resigned from the Bank on February 1st, 2012, therefore; the controls that need to be undertaken under this position are since being completed by an assignee Manager. The main purpose of the Directorate is;

- To protect the assets of the Bank by tracking the financial, operational and systematic flow of the Banking Activities,
- To ensure that the activities are realized in an effective and efficient way, while obeying Banking regulations, the Bank's internal policies and rules and Banking conventions,
- To develop ideas and provide suggestions in line with internal and external regulations to issues demanded by executive departments,
- To ensure the trustworthiness and unity of the accounting and reporting system, and ensuring timely access to related information.

The checks undertaken within the Compliance and Internal Controls activities are gathered under four main headings.

1. Controls of Processes aimed at the Execution of Activities
2. Controls of Communication Channels and IT Systems
3. Controls of Financial Reporting Systems
4. Controls of Compliance

While the abovementioned controls are being executed, special attention is paid to the following issues:

- That the Bank's standards are being conserved and that limitations and rules are being complied with,
- That the effectiveness of the Internal Controls procedures is ample and, if necessary, amendments that will enhance the effectiveness of controls will readily be undertaken,
- That the undertaken activities comply with internal and external regulations and are in line with the strategies and policies set forth by the Board of Directors.

As a result of the controls that were undertaken by the Compliance and Internal Controls Unit / Directorate in 2012, the operational losses inherent in the nature of Banking activities were minimized, and through the reports that were prepared, a positive effect was created in aiding Senior Management take the necessary actions.

Directorate of Risk Management:

Risk Management System in Banking includes the mechanisms created to assist the Board of Directors with overseeing the inherent risks of future cash flows and it is the totality of the structures coming together to propose a model, which can also be restructured in case of a change, with the aim of overseeing and controlling both the nature and the level of facilities in order to inform, assess the compliance with standards, make decisions and apply the procedures related with the abovementioned inherent risks.

For this purpose, our Bank has established the Risk Management Unit in 2009 in order to identify and measure the risks that will be created while undertaking Banking activities; and in order to form, apply, analyze, oversee and report the risk policies and their application guidelines.

The Risk Management Unit joins the processes of the design, selection, application and pre-approval of risk measurement models that are used in the defining, assessing and monitoring of risks. The Unit oversees the models regularly, undertakes periodic updates and other necessary amendments. The Unit creates and analyses daily and monthly reports stemming from these models. The Director of the Risk Management Unit periodically and timely reports the results of risk measurements and monitoring activities to the Board of Directors through the Board Member Responsible for Internal Systems. During 2012, this duty was undertaken by a Manager.

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 and other reports which include the calculation of assets/liabilities by the remaining maturity and analysis of the net liquidity position in a forward-looking approach were all shared with the senior management.

Furthermore, the Board of Directors Risk Committee was established within our Bank in 2012 and the reports that have been prepared by the Risk Management Unit have begun to being analyzed and assessed by the aforementioned Risk Committee. In addition, being inspired by the Individual Liquidity Adequacy Assessment (ILAA) and Internal Capital Adequacy Assessment Process (ICAAP) that are internationally accepted Risk Management techniques and are being undertaken in the United Kingdom, the Risk Management Directorate of our Bank have in 2012;

- Analyzed the effects of a risk rooted in exchange rates and swap deals on our portfolio and Capital Adequacy Ratio,
- Undertaken stress tests of deposit withdrawals and analyzed the nature of our core deposits,
- Undertaken monthly liquidity analysis,
- Analyzed the effects of a change on loan interest rates on profit/loss accounts,
- Analyzed the effects of changes in the value of real estate assets and other collaterals on the capacity to offset the loan to which they are linked, and reported these studies to the Risk Committee.

As a result of Risk Management operations in 2012;

- Our bank has shown necessary sensitivity in its operations with respect to complying with both internal and external regulations in 2012. Capital Adequacy Ratio was calculated as 18.30%, Liquidity as 10.90% and the total risk limit of our group was in correspondence with the criteria of the Central Bank.
- According to the market risk analysis reports, our Market Value-at-Risk decreased at a rate of 43.24%, from TL. 55.14 million down to TL. 31.30 million. As this situation motivates a TL 1.91 million decrease in capital requirement according to the standard method and also due to the strong capital structure of our bank, the internal market risk has been evaluated as “reasonable.”
- Within a one year period, our risk in cash loans rose from TL 112.95 million to TL 131.42 million, however; as the ratio of non-performing loans to gross credit volume (2.73%) was significantly lower than the sector average (7.23%), our risk in cash loans is evaluated as “low.”
- The GAP analysis prepared for liquidity risk demonstrated that the ratio of interest-rate sensitive assets to interest-rate sensitive liabilities continues to rise up cumulatively; at a rate of 55.32% up to 1 month, 67.79% up to 1-3 months, 71.31% up to 3-6 months, 73.55% up to 6-12 months and for up to 1 year and more the ratio reaches 107.47%. For this reason, our internal liquidity risk level was assessed as “low.”
- According to the standard method, while capital requirement calculated for exchange rate risk was TL 136 thousand in 2011; in 2012 this figure increased to TL 199 thousand. Even then, as the internal risk sensitivity level has been below the pre-established limit, our internal exchange rate risk is evaluated as “low.”

Our Risk Management Directorate, which closely follows the changes and updates on internationally accepted risk management principles and arrangements, is increasingly raising its contribution to our Bank every other day. The analysis, calculations, simulations, scenarios, stress tests and other studies are being reported on a monthly basis to the Board of Directors through the Board Member Responsible for Internal Systems.

In conclusion, when we analyze the activities realized by the units that have been formed or restructured in our Bank within the scope of the “Internal Audit, Risk Management, Internal Control and Management Systems in Banks” Decree, it can be declared that their respective activities are considered to be highly satisfactory, that these units show satisfactory care to the management of risks that are formed by Banking activities, that they pursue the suitability of processes and applications to internal and external regulations, that they strongly aim the increase in efficiency, that they show enough care for the enhancement of service quality and that enough is being done to preserve the trust for the Bank and that the Bank’s prestige is held up.

Ender Par
Board Member
Responsible for Internal Systems.

INDEPENDENT AUDITORS' REPORT FOR THE ACCOUNTING PERIOD

1 JANUARY 2012 - 31 DECEMBER 2012

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.

Responsibility of the Board of Directors of the Bank

Bank's Board of Directors are responsible for the preparation of the financial statements which include the balance sheet and profit and loss account, in accordance with the directive on keeping of accounts issued under Section 29(3) of the Banking Law, detailing the keeping of accounts and valuation principles and their application in the framework of uniform chart of accounts, uniform balance sheet and profit and loss account and their respective notes. The Board of Directors are also responsible for internal audit, risk management, internal control and management systems directive issued under Section 15(3) of the Banking Law which requires the banks to establish an internal control system and to choose appropriate accounting policies and to apply them. The Board of Directors are also responsible for the preparation of the accounting and financial reports in such a way that they are free from fraud or error.

The Companies Law requires the Board of Directors to prepare the balance sheet and the profit and loss account of the Turkish Bank Limited and the Group, showing the financial position and profit or loss in true and fair manner. The Board of Directors are responsible for keeping the books of account which show the financial position of the Bank in the true and fair manner, and explain transactions and provide information in accordance with TRNC Companies Law Cap 113 and they are also responsible for safe custody of Bank's assets and prevention of fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the consideration of the effectiveness of internal control and appropriateness of accounting policies applied relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

The Audit Report by the Audit Firm in accordance with sections of Banking Law

In our opinion, the financial statements referred to above were examined on a test basis in accordance with relevant points of sections 34(3) of the Banking Law 39/2001 and are in conformity with uniform accounting plan, uniform balance sheet, uniform statement of income and accompanying notes and the related rules and regulations, accounting and valuation principles as stated in section 29(3) and section 30 of the Banking Law and as explained in the note I-(14) in conformity with accounting records.

The internal audit, risk management, internal control and management systems established in accordance with the directive issued under section 15(3) of the Banking Law 39/2001 detailing the internal audit, risk management, internal control and management system of the bank were reviewed as to their conformity with the directive as stated in the note I-(14) of the financial statements.

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 financial statements of the Bank and the Group have been properly prepared in accordance with the provisions of Cap 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 2012 and the profit for the year 2012 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, the Companies Law Cap 113, so as to give a true and fair view of the state of affairs and the profit attributable to the bank shareholders.

Responsible Partner

D.K.Deniz & Co.

Derviş K. Deniz, BA(Hons) FCA
Nicosia, 12 April 2013

Nihat Çakan
Independent Auditors Authorised by the Central Bank

Suzan Nursal Bsc Econ (Hons)

TURKISH BANK LIMITED
PROFIT AND LOSS ACCOUNT FOR THE YEAR 2012

	NOTE	CURRENT PERIOD PREVIOUS PERIOD	
		TL (31/12/12)	TL (31/12/11)
I - INTEREST INCOME	(1)	34,292,168	31,651,105
A. Interest income from loans		15,362,262	11,380,236
1) Interest income from TL loans		11,180,834	7,522,348
a - Short term		6,385,985	2,880,065
b - Medium and long term		4,794,849	4,642,283
2) Interest income from foreign currency loans		3,966,165	3,638,500
a - Short term		891,491	787,857
b - Medium and long term		3,074,674	2,850,643
3) Interest income from loans in arrears		215,263	219,388
B. Interest income from reserve deposits at the Central Bank		769,185	716,362
C. Interest income received from banks		4,618,711	4,220,077
1) TRNC Central Bank		635,780	465,177
2) Domestic banks		404,325	92,696
3) Foreign banks		3,578,606	3,662,204
4) Interest income from reverse repos		0	0
D. Interest income from securities portfolio		13,541,644	15,333,284
1) TRNC Development Bank securities		42,030	64,522
2) Other securities		13,499,614	15,268,762
E. Other interest income	(3)	366	1,146
II - INTEREST EXPENSES	(1)	15,532,236	12,536,923
A. Interest expense payable to deposits		9,510,903	7,544,761
1) Saving deposits		8,727,562	7,052,143
2) Official deposits		3,957	4,047
3) Commercial deposits		703,842	412,136
4) Other institution deposits		75,542	76,312
5) Bank deposits		0	123
B. Interest expense payable to foreign currency deposits		5,980,149	4,912,961
1) Saving deposits		5,432,741	4,790,599
2) Official deposits		32,846	23
3) Commercial deposits		503,325	104,683
4) Other institution deposits		11,237	17,598
5) Bank deposits		0	58
6) Gold reserve accounts		0	0
C. Repo Interest Expense		14,381	36,151
D. Interest expense payable on borrowings		0	6,385
1) TRNC Central Bank		0	0
2) Domestic banks		0	6,385
3) Foreign banks		0	0
4) Other institutions		0	0
E. Interest on debentures and securities issued		0	0
F. Other interest expense	(3)	26,803	36,665
III - NET INTEREST INCOME [I - II]		18,759,932	19,114,182
IV - OTHER INCOME	(1)	157,737,368	254,806,923
A. Fees and commissions received		4,519,301	3,395,800
1) From cash loans		200,480	161,790
2) From non-cash loans		684,530	133,589
3) Other		3,634,291	3,100,421
B. Profit from capital market operations		1,576,633	416,138
C. Foreign exchange profits		147,928,165	249,541,326
D. Dividends received from subsidiaries and participations		0	0
E. Extraordinary income		0	0
F. Other non-interest income	(3)	3,713,269	1,453,659
V - OTHER OPERATING EXPENSES	(1)	172,415,862	273,237,899
A. Fees and commissions paid		1,078,588	910,148
1) On cash loans		0	0
2) On non-cash loans		0	0
3) Other		1,078,588	910,148
B. Loss on capital market operations		2,037,198	0
C. Foreign exchange losses		147,164,146	248,255,516
D. Personnel expenses		11,397,425	10,540,193
E. Retirement pay compensation		0	0
F. Rental expenses		715,698	645,902
G. Depreciation		1,176,820	1,150,130
H. Taxes and duties		35,521	46,130
I. Extraordinary expenses		0	0
J. Provision for doubtful debts	(2)	832,410	5,003,732
K. Other provisions	(2)	1,298,878	289,859
L. Other non-interest expenses	(3)	6,679,178	6,396,289
VI - NET OTHER INCOME [IV - V]		(14,678,494)	(18,430,976)
VII - PROFIT BEFORE TAXATION [III + VI]		4,081,438	683,206
VIII TAXATION		1,138,198	418,048
IX - NET PROFIT AFTER TAXATION [VII - VIII]		2,943,240	265,158

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 12 April 2013.

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 2012

ASSETS	NOTE	CURRENT PERIOD (31/12/2012)			PREVIOUS PERIOD (31/12/2011)		
		TL	FX	TOTAL	TL	FX	TOTAL
I - CASH BALANCES		4,335,538	2,648,595	6,984,133	2,779,034	2,521,106	5,300,140
A. Cash-TL balances		4,335,538	0	4,335,538	2,779,034	0	2,779,034
B. Cash-foreign exchange		0	2,648,595	2,648,595	0	2,521,106	2,521,106
C. Other liquid assets		0	0	0	0	0	0
II - BANK BALANCES	(1)	88,620,190	111,436,563	200,056,753	24,141,790	74,786,851	98,928,641
A. TRNC Central Bank		14,193,219	27,616,612	41,809,831	18,016,971	30,733,714	48,750,685
B. Other Banks		74,426,971	83,819,951	158,246,922	6,124,819	44,053,137	50,177,956
1) Domestic Banks		8,685,919	5,035,374	13,721,293	0	4,910,251	4,910,251
2) Foreign Banks		65,741,052	78,784,577	144,525,629	6,124,819	39,142,886	45,267,705
3) Reverse Repo Receivables		0	0	0	0	0	0
III - SECURITIES PORTFOLIO (NET)	(2)	61,941,829	105,850,766	167,792,595	117,340,165	123,158,823	240,498,988
A. Treasury Bills		0	9,281,235	9,281,235	0	10,223,016	10,223,016
B. Other bills		61,941,829	96,569,531	158,511,360	117,340,165	112,935,807	230,275,972
C. Equity shares		0	0	0	0	0	0
D. Other securities		0	0	0	0	0	0
IV - LOANS AND ADVANCES	(3)	69,948,260	61,471,596	131,419,856	70,425,434	42,521,506	112,946,940
A. Short term		36,764,887	11,737,409	48,502,296	41,163,651	13,061,894	54,225,545
B. Medium and long term		33,183,373	49,734,187	82,917,560	29,261,783	29,459,612	58,721,395
V - LOANS IN ARREARS (NET)	(4)	0	0	0	0	0	0
A. Loans and other receivables with limited repayment capacity (Net)		0	0	0	0	0	0
1) Gross receivable balances		158,242	286,368	444,610	205,931	4,420,375	4,626,306
2) Specific provision		(158,242)	(286,368)	(444,610)	(205,931)	(4,420,375)	(4,626,306)
B. Doubtful debts and other receivables (Net)		0	0	0	0	0	0
1) Gross receivable balances		135,766	625	136,391	160,167	97,833	258,000
2) Specific provision		(135,766)	(625)	(136,391)	(160,167)	(97,833)	(258,000)
C. Bad debts and receivables (Net)		0	0	0	0	0	0
1) Gross receivable balances		610,373	2,497,410	3,107,783	482,576	655,814	1,138,390
2) Specific provision		(610,373)	(2,497,410)	(3,107,783)	(482,576)	(655,814)	(1,138,390)
VI - PREPAYMENTS AND ACCRUED INCOME		2,135,727	1,846,366	3,982,093	2,494,769	3,246,997	5,741,766
A. Loans and advances		206,182	0	206,182	157,866	13,191	171,057
B. Securities portfolio		1,750,818	1,782,712	3,533,530	2,301,571	3,165,926	5,467,497
C. Other		178,727	63,654	242,381	35,332	67,880	103,212
VII - FINANCIAL LEASING RECEIVABLES (NET)		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
VIII- RESERVE DEPOSITS AT THE CENTRAL BANK		15,000,851	24,800,790	39,801,641	13,232,264	23,495,851	36,728,115
IX- SUNDRY RECEIVABLES	(5)	79,610	1,232,505	1,312,115	52,200	1,298,700	1,350,900
X- PARTICIPATIONS (NET)	(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
XI- SUBSIDIARIES (NET)	(6)	1,595,582	27,246,796	28,842,378	1,595,582	27,246,796	28,842,378
A. Financial subsidiaries		1,595,582	27,246,796	28,842,378	1,595,582	27,246,796	28,842,378
B. Other subsidiaries		0	0	0	0	0	0
XII- LONG TERM INVESTMENTS	(7)	13,386,339	0	13,386,339	42,836	0	42,836
A. Equity shares		42,836	0	42,836	42,836	0	42,836
B. Other pledged securities		13,343,503	0	13,343,503	0	0	0
XIII - FIXED ASSETS	(8)	7,818,359	0	7,818,359	8,327,102	0	8,327,102
A. Book value		18,682,044	0	18,682,044	18,208,756	0	18,208,756
B. Accumulated depreciation		(10,863,685)	0	(10,863,685)	(9,881,654)	0	(9,881,654)
XIV- OTHER ASSETS	(9)	647,029	426,331	1,073,360	748,032	1,442,773	2,190,805
TOTAL ASSETS	(19)	265,509,314	336,960,308	602,469,622	241,179,208	299,719,403	540,898,611

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 12 April 2013.

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 2012

LIABILITIES	NOTE	CURRENT PERIOD (31/12/2012)			PREVIOUS PERIOD (31/12/2011)		
		TL	FX	TOTAL	TL	FX	TOTAL
I - DEPOSITS	(10)	191,769,634	311,750,579	503,520,213	169,955,142	291,104,402	461,059,544
A. Saving deposits		173,410,230	277,055,194	450,465,424	153,137,938	276,272,999	429,410,937
B. Official deposits		1,115,643	8,888,831	10,004,474	1,288,941	443,591	1,732,532
C. Commerical deposits		15,059,051	24,501,149	39,560,200	12,895,643	12,933,281	25,828,924
D. Other institution deposits		2,169,351	1,131,156	3,300,507	2,616,035	1,347,454	3,963,489
E. Bank deposits		15,359	174,249	189,608	16,585	107,077	123,662
F. Gold reserve accounts		0	0	0	0	0	0
II - FUNDS OBTAINED FROM REPOS	(11)	13,500,000	0	13,500,000	0	0	0
III - FUNDS BORROWED	(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
IV - FUNDS	(13)	0	0	0	0	0	0
V - SECURITIES ISSUED (NET)	(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
VI - EXPENSE ACCRUALS AND DEFERRED INCOME		2,618,608	1,712,685	4,331,293	3,373,671	1,579,504	4,953,175
A. Deposits		370,384	831,952	1,202,336	197,421	618,488	815,909
B. Borrowed funds		0	0	0	0	0	0
C. Other		2,248,224	880,733	3,128,957	3,176,250	961,016	4,137,266
VII - FINANCIAL LEASING PAYABLES (NET)		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
VIII - TAXES, DUTIES AND SOCIAL SECURITY PREMIUMS PAYABLE		881,960	50,075	932,035	692,890	41,633	734,523
IX - IMPORT TRANSFER ACCOUNTS		0	0	0	0	0	0
X - SUNDRY LIABILITIES	(15)	372,393	132,043	504,436	303,763	238,325	542,088
XI - PROVISIONS		2,014,027	2,408,761	4,422,788	813,654	1,914,006	2,727,660
A. Retirement pay compensation		0	0	0	0	0	0
B. General provision for loans		1,327,753	2,408,761	3,736,514	813,654	1,892,721	2,706,375
C. Corporation and Income Tax provisions		686,274	0	686,274	0	0	0
D. Other provisions		0	0	0	0	21,285	21,285
XII - OTHER LIABILITIES	(16)	2,920,799	2,042,637	4,963,436	1,840,641	1,688,799	3,529,440
XIII - SHAREHOLDERS' FUNDS	(17)	64,655,918	0	64,655,918	64,628,918	0	64,628,918
A. Share capital paid-up		61,414,346	0	61,414,346	61,414,346	0	61,414,346
1) Nominal share capital		61,414,346	0	61,414,346	61,414,346	0	61,414,346
2) Unpaid share capital		0	0	0	0	0	0
B. Statutory reserves		2,434,000	0	2,434,000	2,407,000	0	2,407,000
1) Statutory reserves		2,434,000	0	2,434,000	2,407,000	0	2,407,000
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	807,572	0	807,572
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
XIV - PROFIT		5,639,503	0	5,639,503	2,723,263	0	2,723,263
A. Current period profit		2,943,240	0	2,943,240	265,158	0	265,158
B. Previous period profits		2,696,263	0	2,696,263	2,458,105	0	2,458,105
TOTAL LIABILITIES	(19)	284,372,842	318,096,780	602,469,622	244,331,942	296,566,669	540,898,611
COMMITMENTS AND CONTINGENT LIABILITIES	(1)						
I - GUARANTEES AND ACCEPTANCES	(2)	3,058,609	31,801,415	34,860,024	3,357,575	5,298,452	8,656,027
II - COMMITMENTS	(3)	89,245,918	36,633,283	125,879,201	99,987,798	35,798,518	135,786,316
III - FOREIGN EXCHANGE&INTEREST RATES OPERATIONS	(4)	9,185,169	189,725,887	198,911,056	22,032,249	170,724,144	192,756,393
IV - ASSETS HELD UNDER TRUST AND PLEDGED ASSETS		28,909,391	94,601,028	123,510,419	5,322,304	83,743,965	89,066,269
TOTAL		130,399,087	352,761,613	483,160,700	130,699,926	295,565,079	426,265,005

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 12 April 2013.

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 2012

		CURRENT PERIOD TL (31/12/2012)	PREVIOUS PERIOD TL (31/12/2011)
ASSETS			
I-	CASH BALANCES	76,629,942	80,746,804
II-	BANK BALANCES	255,146,274	140,680,735
III-	SECURITIES PORTFOLIO	188,683,783	272,038,088
IV-	LOANS AND ADVANCES	304,092,864	299,959,004
	A. Short term	120,345,320	120,334,377
	B. Medium and long term	183,747,544	179,624,627
V-	LOANS IN ARREARS (NET)	0	0
	A. Gross receivable balances	4,293,088	6,504,992
	B. Specific provision	(4,293,088)	(6,504,992)
VI-	DERIVATIVE FINANCIAL INSTRUMENT - ASSET VALUES	0	0
VII-	PREPAYMENTS AND ACCRUED INCOME	5,176,381	6,862,558
VIII-	RESERVE DEPOSITS AT THE CENTRAL BANK	39,801,641	36,728,115
IX-	SUNDRY RECEIVABLES	1,312,115	1,350,900
X-	LONG TERM INVESTMENTS	13,386,339	42,836
	A. Equity shares	42,836	42,836
	B. Other pledged securities	13,343,503	0
XI-	FIXED ASSETS	29,007,092	30,512,387
	A. Book value	50,481,311	49,811,287
	B. Accumulated depreciation	(21,474,219)	(19,298,900)
XII-	INTANGIBLE FIXED ASSETS	532,704	464,968
XIII-	GOODWILL ON CONSOLIDATION	0	0
XIV-	OTHER ASSETS	1,652,039	2,916,093
	TOTAL ASSETS	915,421,174	872,302,488
LIABILITIES			
I-	DEPOSITS	773,907,084	751,349,686
	A. Savings deposits and other customer accounts	766,883,368	726,181,821
	B. Banks deposits	7,023,716	25,167,865
II-	FUNDS DERIVED FROM REPO TRANSACTIONS	13,500,000	0
III-	DERIVATIVE FINANCIAL INSTRUMENT - LIABILITIES VALUES	0	0
IV-	EXPENSE ACCRUALS AND DEFERRED INCOME	5,568,384	5,588,118
V-	TAXES, DUTIES AND SOCIAL SECURITY PREMIUMS PAYABLE	1,116,928	891,548
VI-	SUNDRY PAYABLES	842,628	852,105
VII-	PROVISIONS	5,348,567	4,133,966
	A. General provision for loans	3,736,514	2,706,375
	B. Corporation and Income Tax provisions	1,107,960	435,333
	C. Other provisions	504,093	992,258
VIII-	OTHER LIABILITIES	5,506,616	4,081,048
IX-	MINORITY INTEREST	13,388,643	13,009,660
X-	SHAREHOLDERS' FUNDS	96,242,324	92,396,357
	A. Share capital-paid	61,414,346	61,414,346
	B. Statutory reserves	2,434,000	2,407,000
	C. Securities and Real Estate Revaluation Reserves	10,265,932	9,976,972
	D. Consolidation Reserve	1,344,789	1,584,789
	E. Profit and Loss Account	20,783,257	17,013,250
	TOTAL LIABILITIES	915,421,174	872,302,488
COMMITMENTS AND CONTINGENT LIABILITIES			
I-	GUARANTEES AND ACCEPTANCES	35,073,324	8,869,739
II-	COMMITMENTS	552,485,523	740,785,859
III-	FOREIGN EXCHANGE AND INTEREST RATES OPERATIONS	174,533,533	192,756,393
IV-	ASSETS HELD UNDER TRUST AND PLEDGED ASSETS	123,510,419	89,066,269
	TOTAL	885,602,799	1,031,478,260

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 12 April 2013.

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 2012**

		CURRENT PERIOD	PREVIOUS PERIOD
		TL	TL
	NOTE	(31/12/2012)	(31/12/2011)
I - INTEREST INCOME	I-(1)(ii)c	49,271,078	45,930,952
II - INTEREST EXPENSE		21,834,100	18,390,494
III - NET INTEREST INCOME		27,436,978	27,540,458
IV - OTHER INCOME		164,298,042	260,858,157
Commission and fee income	I-(1)(ii)c	8,793,650	7,536,468
Profits from capital market operations		1,576,633	416,138
Foreign exchange profits		148,512,520	250,220,086
Other non-interest income		4,351,941	1,649,146
Insurance business income		1,063,298	1,036,319
V - OTHER OPERATING EXPENSES		185,483,942	286,612,036
Fees and commissions paid		1,386,834	1,147,551
Loss on capital market operations		2,037,198	0
Foreign exchange losses		147,248,583	248,299,408
Personnel expenses		17,826,487	16,503,267
Depreciation	I-(1)(ii)h	2,676,701	2,456,315
Provision for doubtful debts	I-(1)(ii)e	1,153,178	6,563,941
Other provisions		1,568,094	867,459
Other non-interest expenses		11,586,867	10,774,095
VI - NET OTHER INCOME		(21,185,900)	(25,753,879)
VII - NET PROFIT BEFORE TAXATION	III-(4)	6,251,078	1,786,579
VIII- TAXATION	II-ii-(19)e(iii)	1,882,025	1,030,021
IX - NET PROFIT AFTER TAXATION		4,369,053	756,558
X- MINORITY INTERESTS	II-ii-(19)e(iv)	392,506	303,337
XI- PROFIT ATTRIBUTABLE TO THE BANK SHAREHOLDERS	II-ii-(19)e(v)	3,976,547	453,221

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 12 April 2013.

İ. 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 12 April 2013.

(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 2012. 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 2012. 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 %. (2011-%23.5).

Turkish Bank (U.K) pays 24.5 % (2011-26.5 %) 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.

Tangible fixed assets acquired before 1 January 2007, are stated at inflation-adjusted values determined by statutory law 66/1999 on 31 December 2006, the ones which were acquired from that date on are recognized at cost.

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

Freehold buildings of oversea 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 clauses 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

i) 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
US Dollar:	1.77700 TL.	1.87600 TL.
<u>Preceding the Balance Sheet date:</u>		
1.Day bid rate	1.78100 TL.	1.90600 TL.
2.Day bid rate	1.78000 TL.	1.89300 TL.
3.Day bid rate	1.78400 TL.	1.88500 TL.
4. Day bid rate	1.78400 TL.	1.88000 TL.
5. Day bid rate	1.78800 TL.	1.88700 TL.
	Current Period	Previous Period
GBP:	2.86400 TL.	2.88800 TL.
<u>Preceding the Balance Sheet date:</u>		
1. Day bid rate	2.86100 TL.	2.92100 TL.
2. Day bid rate	2.86900 TL.	2.95000 TL.
3. Day bid rate	2.87100TL.	2.94200 TL.
4. Day bid rate	2.85500 TL.	2.93000 TL.
5. Day bid rate	2.88200 TL.	2.94900 TL.

(9) Value of assets and the total insurance cover

	<u>Current Period: 31/12/2012</u>		<u>Insurance Cover</u>
	<u>Book Value</u>	<u>Accumulated Depreciation</u>	
Assets	18,682,044	10,863,685	19,517,433
Movable property (Equipment, furniture fixtures and fittings)	11,219,883	7,119,299	10,591,410
Immovable property	7,462,161	3,744,386	8,926,023
Assets held that have to be disposed	-	-	-
	<u>Previous Period: 31/12/2011</u>		
	<u>Book Value</u>	<u>Accumulated Depreciation</u>	<u>Insurance Cover</u>
Assets	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	-	-	-

(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 and in 2012 EUR 11,379 was recorded in expenses, bringing the total charge to EUR 408,297. The Bank reserves the right to claim this amount, if necessary, through legal action from the TRNC.

(11) The material events that happened after balance sheet date affecting 2012 that needs explaining:

a) Uncompleted transaction existing at the year end, the result of which would affect this financial report:

The BTA (Bank TuranAlem) bond worth USD 1,000,375 and classified in Bad Debts and Receivables on the balance sheet, underwent restructuring in January 2013, which led to the partial collection of the receivable. The remainder was partially sold, and the rest was written off by the bank.

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			
	0%	20%	50%	100%
Risk-weighted Assets, Commitments and Contingent Liabilities	251,526	266,659	46,430	82,810
Assets (Net)				
Cash Balances	6,984	0	0	0
Balances at Central Bank	41,810	0	0	0
Interbank Funds	0	0	0	0
Bank Balances	0	156,927	0	1,320
Securities Portfolio	60,348	105,663	0	1,782
Reserve Deposits at Central Bank	39,802	0	0	0
Reverse Repo Receivables	0	0	0	0
Loans and Advances	33,213	15	45,772	52,420
Loans in Arrears	0	0	0	0
Prepayments and Accrued Income	1,495	2,276	0	211
Participations and Subsidiaries	0	0	0	0
Long Term Investments	13,343	0	0	40
Assets Held for Resale	0	0	0	0
Fixed Assets	0	0	0	7,818
Other Assets	0	0	0	2,034
Off-Balance-Sheet Items				
Guarantees	14,563	39	393	1,200
Documentary Credits	0	0	14	0
Other Liabilities and commitments	0	0	0	0
Undertakings	39,968	1	251	15,861
Foreign Currency and Interest Rates Operations	0	1,738	0	0
Non Risk-Weighted Accounts	0	0	0	124
Total Risk-Weighted Assets	0	53,332	23,215	82,810
Net Assets Under Exchange Risk	0	0	0	79,225
TOTAL	0	53,332	23,215	162,035

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
1-Tier I Capital	69,260	66,286
a. Paid-up Capital	61,414	61,414
b. Statutory Reserves	2,434	2,407
c. General Reserves	0	0
d. Profit after Tax and Retained Earnings	5,639	2,723
e. Current and Previous Years Losses (-)	0	0
2-Tier II Capital	4,545	3,536
a. General Provision	3,737	2,707
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	0	21
g. Securities Valuation Fund	808	808
3-Total Capital (1+2)	73,805	69,822
4-Capital as Determined by Capital Adequacy Ratio Regulations	72,451	69,760
5-Items to be Deducted from Capital	29,073	29,104
a. Investment in Participations and Subsidiaries	28,846	28,846
b. Intangible Assets	0	0
c. Formation Expenses	0	0
d. Prepaid Expenses	227	258
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	0
6-Net Capital (4-5)	43,605	40,914

c) Summary Details of Capital Adequacy Ratio;

	TL. %	TL. %
	Current Period	Previous Period
Total Risk-Weighted Assets	238,582	261,176
Net Capital	43,605	40,914
Capital Adequacy Ratio (%)	%18	%16

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. The auditors are satisfied about the confirmation of the bank management that the internal control system is reliable.
- h. On the balance sheet dated 31.12.2012, BTA JSC (Bank TuranAlem) bonds with the total book value of USD 1,000,375 was recorded as Bad Debts and Receivables. After the accounting period, in January 2013, securities were restructured and the bank received part of the receivable. Through sales and write-offs, remaining portion of the securities completely removed from balance sheet, therefore the amount of non-performing loans and other receivables significantly declined.
- i. 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 Bank's loans have been reported to the Central Bank.
 - The Bank has monitored and evaluated the Bank's risks conforming to Risk Matrix in the directive.
 - The Internal Audit Unit has reported 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	
	TP	FX	TP	FX
Unpledged Current Balances	14,193,219	27,616,612	18,016,971	30,733,714
Unpledged Deposit Balances	0	0	0	0
Pledged Balances	0	0	0	0
TOTAL	14,193,219	27,616,612	18,016,971	30,733,714

b) Bank Balances with Overseas Banks;

	Unpledged Balances		Pledged Balances	
	Current Period	Previous Period	Current Period	Previous Period
Turkey	94,141,153	22,496,262	0	0
EU Countries	48,946,103	19,571,248	0	0
USA and Canada	1,438,373	3,200,195	0	0
OECD Countries'	0	0	0	0
Offshore Zone	0	0	0	0
Other	0	0	0	0
TOTAL	144,525,629	45,267,705	0	0

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

c) Reverse Repo Receivables: None

	Current Period		Previous Period	
	TP	FX	TP	FX
Domestic Transactions	0	0	0	0
TRNC Central Bank	0	0	0	0
Banks	0	0	0	0
Other Financial Institutions and Corporations	0	0	0	0
Other Institutions and Corporations	0	0	0	0
Overseas Transactions	0	0	0	0
Central Banks	0	0	0	0
Banks	0	0	0	0
Other Financial Institutions and Corporations	0	0	0	0
Other Institutions and Corporations	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- 9,281,235 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	9,281,235	0	10,223,016
Turkish Treasury Bonds	0	0	0	0
Turkish Government Securities	51,067,411	0	91,834,714	0
Other OECD Countries Bonds and Securities	10,874,418	94,788,873	25,505,451	87,206,464
Other Countries Bonds and Securities	0	1,780,658	0	25,729,343
Other	0	0	0	0
TOTAL	61,941,829	105,850,766	117,340,165	123,158,823

Note: Securities portfolio on the balance sheet is 167,792,595 TL. As at 31.12.2012, the market value has been calculated as 169,313,683 TL.

(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	154,879	0	5,159	0
Loans given to corporate body shareholders	120,098	0	0	0
Loans given to real shareholders	34,781	0	5,159	0
Indirect loans given to shareholders	188,928	5,270	111,090	2,595
Loans given to personnel	2,383,337	0	2,784,185	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)

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

Loans	Standard, Performing Loans and Other Receivables		Loans and Other Receivables Under Follow-up	
	Loans and Other Receivables	Rescheduled Loans and Other Receivables	Loans and Other Receivables	Rescheduled Loans and Other Receivables
Bills Discounted	530,854	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	24,694,317	362,070	12,421	0
Special Loans	0	0	0	0
Funded Loans	0	0	0	0
Consumer Loans	24,544,018	753,784	418,377	0
Credit Cards	3,136,241	0	156,365	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	76,469,831	0	341,578	0
TOTAL	129,375,261	1,115,854	928,741	0

b) Loan Classification by Users:

	Current Period	Previous Period
Public	21,865,710	20,704,058
Private	109,554,146	92,242,882
TOTAL	131,419,856	112,946,940

d) Loan Classification-Domestic and Overseas:

	Current Period	Previous Period
Domestic Loans	108,469,573	84,104,747
Overseas Loans	22,950,283	28,842,193
TOTAL	131,419,856	112,946,940

e) Loans Given to Participations and Subsidiaries: None

	Current Period	Previous Period
Direct Loans to Participations and Subsidiaries	0	0
Indirect Loans to Participations and Subsidiaries	0	0
TOTAL	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)

- f) The first hundred largest cash loan customers make up 70 % of the total loan portfolio and ten loan customers make up 50% of the loan portfolio.
- g) The first hundred largest cash and non-cash loan customers make up 99 % of the total assets (including off-balance-sheet items) and one customer makes 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 12 % of such and five customers hold 50 % thereof.

(4) Loans in Arrears:

a) Total Non-performing Loans - Movements in the Year:

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Repayment Capacity	Doubtful Debts and Other Receivables	Bad Debts and Other ve Receivables
Balances Brought Forward	4,626,306	258,000	1,138,390
Additions in the Year (+)	649,961	96,630	424,318
Transfer from Other Non-Performing Loans	0	4,393,762	2,105,666
Transfer to Other Non-Performing Loans	4,393,910	2,105,517	0
Collections in the Period (-)	437,747	2,506,484	560,591
Write Offs (-)	0	0	0
Balances at the end of Period	444,610	136,391	3,107,783
Specific provision (-)	444,610	136,391	3,107,783
Net Book Value	0	0	0

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

	III. Group	IV. Group	V. Group
	Loans and Other Receivables with Limited Repayment Capacity	Doubtful Debts and Other Receivables	Bad Debts and Other ve Receivables
Current Period:			
Balances Brought Forward	286,368	625	2,497,410
Specific Provision (-)	286,368	625	2,497,410
Net Book Value	0	0	0
Previous Period:			
Balance Brought Forward	4,420,375	97,833	655,814
Specific Provision (-)	4,420,375	97,833	655,814
Net Book Value	0	0	0

TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

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

Security Group	Loans Given	Provision
Unsecured	2,341,915	2,341,915
Group I - Cash Security	98	98
Group II - Immovable Security	258,131	258,131
Group III - Movable Security	507,639	507,639
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	1,595,582
Finance Companies	0	0	0	0
Other financial participations	0	0	0	0
Other non-financial participations and subsidiaries	0	0	0	0

c) Bank Share of Investment in Participations and Subsidiaries:

Title	Address	Banks Share of Investment and Voting Right If Different (%)	Group Holding Profit (%)	Current Year Profit	Market Value
Turkish Bank (UK) Ltd	84-86 Borough High Street London SE1 1LN UK	83	100	950,848	61,965,504
Turkish Insurance Ltd	182 Girne Caddesi Lefkoşa TRNC	51	98	474,965	6,212,420

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; None

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

e) Subsidiaries quoted on Stock Exchange; None

	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;

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

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

	Financial Participations and Subsidiaries Balance	Non-Financial Participations and Subsidiaries Balance
RECEIVABLES		
-Banks and Other Financial Institutions	2,190,356	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
BORROWINGS		
-Deposits	823,077	0
-Borrowed Funds	0	0
Securities Issued	0	0
-Interest and expense prepayments	192	0
-Financial leasing liabilities	0	0
-Other liabilities	0	0
OFF-BALANCE-SHEET COMMITMENTS AND LIABILITIES	1,500	0

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

(7) Details about Long-Term Investments;

Held-to-maturity Investments:	Current Period	Previous Period
1- Debt securities	0	0
2- Repo related items	13,343,503	0
3- Other: Investment in share capital	42,836	42,836
4- Provision for loss in value (-)	0	0
TOTAL	13,386,339	42,836

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;

	Immovable Property	Vehicles	Other Fixed Assets	Total
Balance from previous year:				
Cost	7,450,534	563,176	10,195,046	18,208,756
Accumulated depreciation (-)	(3,511,693)	(441,210)	(5,992,350)	(9,945,253)
Net Book Value	3,938,841	121,966	4,202,696	8,263,503
Current Period:				
Net book value at the beginning of the year	3,938,841	121,966	4,202,696	8,263,503
Purchases	11,628	0	770,798	782,426
Sales and disposals - Net (-)	0	(28,390)	(22,360)	(50,750)
Diminution in value	0	0	0	0
Depreciation charge (-)	(232,693)	(40,635)	(903,492)	(1,176,820)
Net Exchange differences (-)	0	0	0	0
Closing Net Book Value	3,717,776	52,941	4,047,642	7,818,359

Note: A correction of TL 63,599 has been added to the previous year accumulated depreciation balance in 2012.

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

	Immovable Property	Other Fixed Assets	Total
Balance from previous year:			
Cost	28,755,830	20,793,953	49,549,783
Accumulated depreciation (-)	(6,905,533)	(12,379,495)	(19,285,028)
Net Book Value	21,850,297	8,414,458	30,264,755
Current Period:			
Net book value at the beginning of the year	21,850,297	8,414,458	30,264,755
Purchases	11,627	1,263,406	1,275,033
Sales and disposals - Net (-)	0	(50,749)	(50,749)
Diminution in value	0	0	0
Depreciation charge (-)	(622,196)	(1,859,751)	(2,481,947)
Closing Net Book Value	21,239,728	7,767,364	29,007,092

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	3,571,409
Accumulated Depreciation (-)	(3,110,303)
Net Book Value	461,106
Current Period:	
Beginning Net Book Value	461,106
Purchases	266,352
Disposals-Net Value(-)	0
Statutory Valuation	0
Depreciation	(194,754)
Closing Net Book Value	532,704

(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:

Expenses Paid in Advance	Total
Software Maintenance and Licensing Cost	131,428
VISA Membership Cost	39,952
Insurance Expenses	35,297
Rent Expenses	16,494
Other Expenses	4,220
Total	227,391

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	7 Days Notice	Within 1 Month	Within 3 Months	Within 6 Months	Within 1 Year	Over 1 Year
Resident Accounts							
1) Savings Accounts	31,693,755	0	130,775,595	4,802,801	1,432,968	1,702,838	0
2) Official, Commercial and Other Institutions Deposits	11,825,394	0	4,915,640	1,559,364	565	32,247	0
3) Foreign Currency Savings	35,843,842	0	166,596,314	18,267,031	5,344,824	31,131,348	0
4) Foreign Currency Official, Commercial and Other institutions Deposits	8,051,436	0	11,437,177	10,814,230	3,661,646	176,226	0
Non-Resident Accounts							
1) Savings Accounts	397,708	0	2,485,219	33,363	23,026	62,957	0
2) Official, Commercial and Other Institutions Deposits	10,835	0	0	0	0	0	0
3) Foreign Currency Savings	2,084,491	0	7,541,023	2,736,760	1,748,457	5,761,104	0
4) Foreign Currency Official, Commercial and Other institutions Deposits	380,421	0	0	0	0	0	0
Banks Deposit							
Local Banks	169,788	0	0	0	0	0	0
Overseas Banks	0	0	0	0	0	0	0
Off-Shore Banks	19,820	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
TOTAL	90,477,490	0	323,750,968	38,213,549	12,211,486	38,866,720	0

Previous Period:

	On Demand	7 Days Notice	Within 1 Month	Within 3 Months	Within 6 Months	Within 1 Year	Over 1 Year
Resident Accounts							
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
Non-Resident Accounts							
1) Savings Accounts	631,638	0	2,116,672	31,688	50,520	59,245	0
2) Official, Commercial and Other Institutions Deposits	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 Deposits	11,265	0	37,728	0	0	0	0
Banks Deposit							
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
TOTAL	99,144,960	0	298,278,640	12,868,750	8,195,196	42,571,998	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) Deposits covered by the Savings Insurance Fund Scheme;

SAVINGS ACCOUNTS	Current Period		Previous Period	
	TL	FX	TL	FX
Savings Accounts	173,410,230	277,055,194	153,137,938	276,272,999
Other Eligible Accounts	401,312	58,173	313,431	71,228
TOTAL	173,811,542	277,113,367	153,451,369	276,344,227

(11) Funds Derived From Repo Transactions:

	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	13,500,000	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)

(a) 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	239,211	252,801

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	61,414,346
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: None

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

- (d) Details of capitalised revaluation fund in the current period: None

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.Özyol Yatırımları Ltd.	22,315,517	%36.34	22,315,517	0
Özyol Holding A.Ş.	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	0	0	807,572	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:**

	On Demand	Within 1-3 Months	Within 3-6 Months	Within 6-12 Months	Over 1 Year	Unallocated (*)	Total
Current Period							
Assets							
Liquid Funds (Foreign Exchange, Cash in Transit and TRNC CB Bank Balance)	48,793,964	0	0	0	0	0	48,793,964
Bank Balances	122,349,650	35,897,272	0	0	0	0	158,246,922
Securities Portfolio	17,151,708	26,933,090	25,801,091	22,437,019	75,469,687	0	167,792,595
Loans	35,588,951	16,615,123	431,769	2,104,242	76,679,771	0	131,419,856
Long Term Investments	0	0	0	0	13,343,503	42,836	13,386,339
Other Assets	41,911,004	1,884,956	359,470	292,893	0	38,381,623	82,829,946
Total Assets	265,795,277	81,330,441	26,592,330	24,834,154	165,492,961	38,424,459	602,469,622
Liabilities							
Bank Deposits	189,608	0	0	0	0	0	189,608
Other Deposits	438,231,709	31,046,886	14,668,823	19,383,187	0	0	503,330,605
Funds obtained from other financial institutions	0	13,500,000	0	0	0	0	13,500,000
Securities issued	0	0	0	0	0	0	0
Sundry Liabilities	504,436	0	0	0	0	0	504,436
Other Liabilities	9,404,523	265,798	939,416	153,528	0	74,181,708	84,944,973
Total Liabilities	448,330,276	44,812,684	15,608,239	19,536,715	0	74,181,708	602,469,622
Net Asset Liquidity gap	(182,534,999)	36,517,757	10,984,091	5,297,439	165,492,961	(35,757,249)	0
Previous Period							
Total Assets	185,119,476	62,093,216	13,637,998	47,885,185	193,044,333	39,118,403	540,898,611
Total Liabilities	416,473,926	17,061,075	14,299,516	22,976,042	0	70,088,052	540,898,611
Net Asset Liquidity gap	(231,354,450)	45,032,141	(661,518)	24,909,143	193,044,333	(30,969,649)	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)

e) Disclosures and footnotes regarding other matters:

i) Tax:

Bank	Current Period	Previous Period
2012 corporation and income tax provision	1,138,198	20,718
Taxes and withholding tax paid	0	397,330
Total Tax provision for the year	1,138,198	418,048
Tax brought forward from previous years	0	214,683
Less: Withholding tax paid in 2012 and previous years withholding tax written off	(451,924)	(632,731)
Taxes Payable	686,274	0

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
Assets						
Liquid Funds (Foreign Exchange, Cash in Transit and TRNC CB Bank Balance)	76,629,942	0	0	0	0	76,629,942
Bank Balances	255,146,274	0	0	0	0	255,146,274
Securities Portfolio	44,084,798	25,801,091	22,437,019	96,360,875	0	188,683,783
Loans	98,332,882	673,569	27,576,658	177,509,755	0	304,092,864
Long Term Investments	0	0	0	13,343,503	42,836	13,386,339
Other Assets	44,211,240	359,470	292,893	0	32,618,369	77,481,972
Total Assets	518,405,136	26,834,130	50,306,570	287,214,133	32,661,205	915,421,174
Liabilities						
Bank Deposits	7,023,716	0	0	0	0	7,023,716
Other Deposits	649,010,670	56,431,671	58,176,067	3,264,960	0	766,883,368
Funds obtained from other financial institutions	13,500,000	0	0	0	0	13,500,000
Securities issued	0	0	0	0	0	0
Sundry Liabilities	748,116	0	0	0	94,512	842,628
Other Liabilities	10,210,193	1,052,466	181,492	0	115,727,311	127,171,462
Total Liabilities						
Net Asset Liquidity gap	680,492,695	57,484,137	58,357,559	3,264,960	115,821,823	915,421,174
	-162,087,559	-30,650,007	-8,050,989	283,949,173	-83,160,618	0
Previous Period						
Total Assets	413,917,606	13,865,961	69,429,665	340,814,282	34,274,974	872,302,488
Total Liabilities	654,182,680	54,788,039	43,524,644	9,088,536	110,718,589	872,302,488
Net Asset Liquidity gap	-240,265,074	-40,922,078	25,905,021	331,725,746	-76,443,615	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)

iii) Tax – Group;

	Current Period	Previous Period
2012 corporation and income tax provision	1,967,945	1,038,685
Deferred tax adjustments	(85,920)	(8,664)
Total provision	1,882,025	1,030,021
Taxes brought forward from previous years	267,829	1,054,934
Foreign Exchange revaluation difference	(312)	147,916
Withholding tax paid in 2012	(1,144,686)	(1,872,626)
Deferred tax provision - 2012 net movement	103,104	(92,416)
Tax receivables brought forward	0	167,504
Taxes Payable	1,107,960	435,333

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	30,982,011	24,538,067
Exchange Differences	(255,740)	4,011,240
Movements in 2012		
Retained Earnings for the Year	3,976,547	453,221
Dividends Paid	0	0
Consolidated reserves	(240,000)	1,584,789
Revaluation Increases - Net	365,160	394,694
Year End Balance of Reserves	34,827,978	30,982,011
Paid Up capital	61,414,346	61,414,346
Shareholders' Funds at Year End	96,242,324	92,396,357

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	34,860,024	8,656,027
TOTAL	34,860,024	8,656,027

b) Details of off-balance-sheet liabilities;

	Current Period		Previous Period	
	TL	FX	TL	FX
Off-Balance-Sheet Liabilities				
Letter of guarantees	3,058,609	31,773,409	3,357,575	2,913,055
Acceptances	0	0	0	0
Documentary credits	0	28,006	0	2,385,397
Endorsements, transfers	0	0	0	0
Undertaking of Repurchasing	0	0	0	0
Other guarantees and acceptances	0	0	0	0
TOTAL	3,058,609	31,801,415	3,357,575	5,298,452

(3) Commitments;

	Current Period	Previous Period
Irrevocable commitments	46,964,657	51,087,218
Revocable commitments	78,914,544	84,699,098
TOTAL	125,879,201	135,786,316

(4) Foreign Exchange and Interest Rate Operations;

	Current Period	Previous Period
Forward FX Transactions	198,911,056	192,756,393
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
TOTAL	198,911,056	192,756,393

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	5,583	3,908
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	27,721	31,153
Commissions and fees paid to Subsidiaries and Participations	15,386	22,517

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	14,381	0	36,151	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	255,040	4,548,689
For other accounts	577,370	455,043
General provision for loans	1,298,878	289,859
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	0	0
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	1,200,378	1,109,745
Auditors Fees	73,200	110,000

Group:	Current Period	Previous Period
Directors' emoluments	1,936,517	1,717,609
Auditors Fees	265,068	296,280

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 2011

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
Balance at 1 January 2011	61,414,296.-	2,242,000.-	0.-	0.-	0.-	0.-	0.-	0.-	979,339.-	1,643,766.-	66,279,401.-
<u>Profit Appropriation:</u>											
- Dividends	-	-	-	-	-	-	-	-	-	-	0.-
- Transfers to reserves	-	165,000.-	-	-	-	-	-	-	1,478,766.-	-1,643,766.-	0.-
Share premiums (common stocks issue)	-	-	-	-	-	-	-	-	-	-	0.-
<u>Share Capital Increase:</u>											
- 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.-
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.-
Other	-	-	-	-	-	-	-	-	-	-	0.-
Net Profit at 31/12/2011	-	-	-	-	-	-	-	-	-	265,158.-	265,158.-
Balances 31 December 2011	61,414,346.-	2,407,000.-	0.-	0.-	0.-	0.-	0.-	807,572.-	2,458,105.-	265,158.-	67,352,181.-

CURRENT PERIOD

Balance at 1 January 2012

Profit Appropriation:

Balance at 1 January 2012	61,414,346.-	2,407,000.-	0.-	0.-	0.-	0.-	0.-	807,572.-	2,458,105.-	265,158.-	67,352,181.-
<u>Profit Appropriation:</u>											
- Dividends	-	-	-	-	-	-	-	-	-	-	0.-
- Transfers to reserves	-	27,000.-	-	-	-	-	-	-	238,158.-	-265,158.-	0.-
Share premiums (common stocks issue)	-	-	-	-	-	-	-	-	-	-	0.-
<u>Share Capital Increase:</u>											
- Cash injection	-	-	-	-	-	-	-	-	-	-	0.-
- Transfers from statutory revaluation fund	-	-	-	-	-	-	-	-	-	-	0.-
- Transfers from other accounts	-	-	-	-	-	-	-	-	-	-	0.-
Profit resulting from sale of equity participations, subsidiaries and fixed assets	-	-	-	-	-	-	-	-	-	-	0.-
Bonus shares obtained from equity participations due to increase in the shareholders' funds through sales of fixed assets and investments	-	-	-	-	-	-	-	-	-	-	0.-
Increase in statutory revaluation fund in 2012	-	-	-	-	-	-	-	-	-	-	0.-
Increase in value of the securities portfolio	-	-	-	-	-	-	-	-	-	-	0.-
Other	-	-	-	-	-	-	-	-	-	-	0.-
Net Profit at 31/12/2012	-	-	-	-	-	-	-	-	-	2,943,240.-	2,943,240.-
Balances 31 December 2012	61,414,346.-	2,434,000.-	0.-	0.-	0.-	0.-	0.-	807,572.-	2,696,263.-	2,943,240.-	70,295,421.-

TURKISH BANK GROUP

V- A) STATEMENT OF CASH FLOWS

	CURRENT PERIOD TL (31/12/2012)	PREVIOUS PERIOD TL (31/12/2011)
I- Cash Flows From Banking Operations (Main Activities)		
Interest income and similar items	50,938,554	45,145,617
Interest expenses and similar items	(20,840,505)	(18,535,136)
Dividends received	0	0
Fees and commissions received	9,556,382	8,111,435
Income from insurance business	772,640	741,188
Other income	4,391,582	4,372,662
Collections from previously written-off loans and other receivables	0	0
Personnel and administration expenses	(35,753,492)	(30,123,902)
Taxes paid	(1,144,686)	(1,872,626)
Other	(2,073,492)	(1,538,619)
Operating Profit Before Changes in Operating Assets and Liabilities	5,846,983	6,300,619
Changes in Operating Assets and Liabilities:		
<u>(Increase) Decrease in Operating Assets:</u>		
Net (increase) / decrease in securities portfolio	70,383,562	(43,327,057)
Net (increase) / decrease in banks and loans	(156,944,134)	10,266,229
Net (increase) / decrease in other assets	1,040,555	(1,508,372)
<u>Increase (decrease) in operating liabilities:</u>		
Net increase (decrease) in deposits	28,108,561	51,230,798
Net increase (decrease) in funds borrowed	13,500,000	0
Net increase (decrease) in other liabilities	973,709	1,208,669
Net Cash Provided from Banking and Commercial Operations	(37,090,764)	24,170,886
II- Cash Flows from Investing Activities		
Cash paid for purchase of equity participations	0	0
Purchase of property and equipment	(1,160,685)	(1,071,277)
Sale of property and equipment	15,265	0
Purchase of Intangible Assets	(266,352)	(213,712)
Cash paid for purchase of investment securities	0	0
Sale of investment securities	0	0
Net Cash (Used in) Provided from Investing Activities	(1,411,772)	(1,284,989)
III- Cash Flows from Financing Activities		
Capital increase	0	50
Dividends paid	0	0
Dividends paid to minority shareholders of a subsidiary	0	0
Net Cash Provided from Financing Activities	0	50
Effect of change in foreign currency evaluation rate of cash and cash equivalents	1,369,994	16,785,829
Net Increase / (Decrease) in Cash and Cash Equivalents	(37,132,542)	39,671,776
Cash and Cash Equivalents at the Beginning of the Year	142,030,164	102,358,388
Cash and Cash Equivalents at the End of the Year	104,897,622	142,030,164

TURKISH BANK LIMITED

V- B) STATEMENT OF CASH FLOWS

	CURRENT PERIOD TL	PREVIOUS PERIOD TL
	(31/12/2012)	(31/12/2011)
I- Cash Flows From Banking Operations (Main Activities)		
Interest income and similar items	36,045,564	30,354,594
Interest expenses and similar items	(15,145,809)	(12,594,925)
Dividend income	0	0
Fees and commissions received	4,525,578	3,392,984
Other income	1,839,575	496,664
Collections from previously written-off loans and other receivables	0	0
Personnel and administration expenses	(24,319,224)	(18,118,545)
Taxes paid	(451,924)	(632,731)
Other Collection items income	0	0
Other Paid items	0	0
Operating Profit Before Changes in Operating Assets and Liabilities	2,493,760	2,898,041
Changes in Operating Assets and Liabilities:		
<u>(Increase) Decrease in Operating Assets:</u>		
Net (increase) decrease in securities portfolio	59,362,890	(46,270,677)
Net (increase) decrease in banks	(111,142,492)	62,384,353
Net (increase) decrease in loans	(16,159,869)	(43,067,530)
Net (increase) decrease in other assets	1,156,230	(1,311,482)
<u>Increase (decrease) in operating liabilities:</u>		
Net increase in deposits	42,460,669	34,710,905
Net (decrease) in funds borrowed	13,500,000	0
Net increase (decrease) in securities issued	0	0
Net increase in other liabilities	1,593,856	1,199,773
Net Cash Provided from Banking and Commercial Operations	(6,734,956)	10,543,383
II- Cash Flows from Investing Activities		
Cash paid for purchase of equity participations	0	0
Cash obtained from sale of equity participations	0	0
Purchase of property and equipment	(668,077)	(325,301)
Sale of property and equipment	15,265	0
Cash paid for purchase of investment securities	0	0
Cash obtained from sale of investment securities	0	0
Other cash inflows	0	0
Other cash outflows	0	0
Net Cash (Used in) Provided from Investing Activities	(652,812)	(325,301)
III- Cash Flows from Financing Activities		
Cash obtained from funds borrowed and securities issued	0	0
Cash used for repayment of funds borrowed and securities issued	0	0
Capital increase	0	50
Dividends paid	0	0
Other cash inflows	0	0
Other cash outflows	0	0
Net Cash Provided from Financing Activities	0	50
Effect of change in foreign currency evaluation rate of cash and cash equivalents	2,130,907	3,112,625
Net Increase / (Decrease) in Cash and Cash Equivalents	(5,256,861)	13,330,757
Cash and Cash Equivalents at the Beginning of the Year	54,050,825	40,720,068
Cash and Cash Equivalents at the End of Year	48,793,964	54,050,825

TURKISH BANK LIMITED

VI- PROFIT APPROPRIATION TABLE

	CURRENT PERIOD TL (31/12/2012)	PREVIOUS PERIOD TL (31/12/2011)
A. APPROPRIATION OF CURRENT YEAR INCOME		
1. CURRENT YEAR INCOME	4,081,438	683,206
2. TAXES AND DUTIES PAYABLE (-)	(1,138,198)	(418,048)
- Corporation tax	(484,340)	(8,816)
- Income tax	(653,858)	(11,902)
- Other taxes and duties	-	(397,330)
NET INCOME FOR THE YEAR	2,943,240	265,158
3. PRIOR YEARS' LOSSES (-)	-	-
4. LEGAL RESERVES (-)	(295,000)	(27,000)
5. OTHER STATUTORY RESERVES (-)	-	-
NET INCOME AVAILABLE FOR DISTRIBUTION	2,648,240	238,158
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)	2,696,263	2,458,105
12. OTHER RESERVES (Allocated by the decision of General Assembly)	-	-
13. SPECIAL FUNDS (Allocated as per certain regulations)	-	-
B. DISTRIBUTION OF RESERVES		
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')	-	-
- To owners of privileged shares	-	-
3. DIVIDENDS TO PERSONNEL (-)	-	-
4. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
C. NET PROFIT TRANSFERRED TO 2013	5,344,503	2,696,263
D. EARNINGS PER SHARE		
1. TO OWNERS OF 'A' SHARES (TL, %)	0,005TL(%5)	0,0004TL(%0,4)
2. TO OWNERS OF 'B' SHARES (TL, %)	0,05TL(%5)	0,004TL(%0,4)
E. DIVIDEND PER SHARE		
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 www.turkishbank.net	(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/Taşkınköy	Şehit Kemal Ünal Sok. No:104A Taşkınköy, Lefkoşa	(392) 225 69 03 (392) 225 69 04	(392) 225 33 95
Lefkoşa/Çarşı	Uray Sok. Belediye Pazarı yanı, 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., No:104 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	Ayluka Mahallesi, İsmet İnönü Bulvarı, Salamis Yolu, 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 Girne	(392) 815 13 60 (392) 815 13 62 (392) 815 77 22	(392) 815 13 63
Girne/Çarşı	Ramadan Cemil Meydanı No:1, Girne	(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 Engendereli Dükkanlar No.6-7, Alsancak, Girne	(392) 821 33 98 (392) 821 33 99	(392) 821 89 02
Güzelyurt	Ecevit Cad., Piyale Paşa Mahallesi, Dükkan No. 3-4 Güzelyurt	(392) 714 21 98 (392) 714 42 14	(392) 714 54 54
Gemikonağı	Ecevit Cad., No:42, Gemikonağı	(392) 727 73 52 (392) 727 78 58	(392) 727 83 25
Lefke	No.3 Fadıl Nekibzade Cad., Lefke	(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