

**2015  
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. Yenal Musannıf, FCA	Vice-Chairman and Head of Internal Control Systems
Kıvanç M. Rıza	Director and Secretary
M.A. Yunus Rahmiođlu	Director and General Manager
Ender Par	Director
Nafi Türkođlu	Director
Metin Münir	Director
Murat Arıđ	Director
A. Melis Börteçene	Director

## **SENIOR MANAGEMENT**

M. A. Yunus Rahmiođlu	General Manager and Director
Erhan Raif, FCCA	Asst. General Manager – Operations and IT
Çiđdem Eyyam	Asst. General Manager – Retail Banking
Mustafa Kayahan	Asst. General Manager – Financial Affairs and Strategic Planning

## **INTERNAL CONTROL SYSTEMS**

Mustafa Biçerciođlu	Head of Internal Audit
Pınar Nurtunç	Head of Internal Control and Compliance
Mustafa Eren	Deputy Head of Risk Management

## **AUDITORS**

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

## **BOARD OF DIRECTORS**

İ. Hakan Börteçene	Chairman
D.I.Stewart	Executive Director
D.Blackmore	Director and Head of Audit Committee
S. Betteridge	Director and Head of Risk Committee
R.W.Long	Director
M. Ariğ	Director
M.A. Yunus Rahmioğlu	Director

## **AUDITORS**

KPMG L. L. P.	Chartered Accountants
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# **TURKISH INSURANCE LIMITED**

## **BOARD OF DIRECTORS**

İ. Hakan Börteçene	Chairman
M.A.Yunus Rahmioğlu	Vice - Chairman
C. Yenil Musannıf, FCA	Director
Kıvanç M. Rıza	Director
M. İhsan Ezgü	Director
Ender Par	Director and Head of Audit Committee
Engin Arı	Director and General Manager

## **COMPANY SECRETARY**

Şensoy Şener

## **AUDITORS**

ERDAL & CO.	Chartered Accountants
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## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the Turkish Bank Ltd. will be held at the Registered Office, 92 Kyrenia Street, Nicosia on Friday 27 April 2016 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, 2015 together with Profit and Loss Account of the Bank and of the Group for the year 2015 and the Auditors' Report.
- 3) To elect nine new members of the Board of Directors in place of those nine retiring after completing their term of office.

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

Sn. İ. Hakan Börteçene,  
Sn. C. Yenal Musannıf,  
Sn. Kıvanç M. Rıza,  
Sn. M.A. Yunus Rahmiođlu,  
Sn. Ender Par,  
Sn. Nafi Türkođlu,  
Sn. Metin Münir,  
Sn. Murat Arıđ,  
Sn. A. Melis Börteçene.

- 4) To decide the remuneration of Board of Directors.
- 5) To authorise the Board of Directors to fix the remuneration of Erdal & 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, 20 April 2016.

## 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 2015.

In 2015, as in previous years, in parallel with the strategic vision, the Bank continued its' efforts to improve corporate governance by updating the strategic plan, clearly defining the goals and the methods necessary to achieve them. In line with our goals, the performance review of the branches and departments were based on KPI's. In addition to laying the technical infrastructure of our commercial customer segmentation in 2014, the infrastructure of our retail customer segmentation was completed in 2015.

Focusing on innovative products and services, the bank continued to invest in technologies to support and diversify the Alternative Distribution Channels to further enhance the customer experience. As a result of a year-long project, the digital facade of the Bank was redesigned so that mobile retail banking services can be accessed using any platform.

Repo and irregular maturity deposit services were introduced to provide more investment options for our customers and broaden the product offering. A retail credit scoring system has been introduced speeding up the credit approval process.

Highly sensitive to anti-money laundering and counter-terrorism financing issues, the Bank has further strengthened its systems with the implementation of the Paygate Inspector sanctions list checking software, maintaining its leadership position among the domestic banks.

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. Efforts to diversify our funding by establishing relationships with international finance organizations continues at an accelerated pace.

With the issue of a 5% bonus share, the paid-up capital of the bank increased to TL 73,534,074 in 2015, following the decision of the Extraordinary General Meeting held on 17 April 2015. With the change in the subsidiary valuation policy to the equity method, the fair value assessment increased shareholders' funds to 148.5 million TL.

As a result of the positive trend in operational profit, year-end net profit of TL 4.05 million was recorded.

All administrative and other expenses have been deducted and the 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 1,073,982, the Board of Directors recommends that the total profits of TL 5,512,008, including the net 2015 profit of TL 4,047,041 and retained earnings of previous years, to be appropriated as follows:

Transfer to Statutory Reserve	TL. 405,000.-
Transfer to Retained Earnings	TL.5,107,008.-

Approved by the Board of Directors and signed on 20 April 2016.

Kıvanç M. Rıza  
Secretary

Nicosia, 20 April 2016.

## **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, 20 April 2016.

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

Departments of Internal Audit, Risk Management and Compliance and Internal Control Systems constitute the Bank's Internal Systems as stipulated by the revised regulations published by the Central Bank of Turkish Republic of Northern Cyprus. The three Units of the Internal Systems each have independent organizational structures, well-defined duties and responsibilities covering all the branches, operational departments and subsidiary unit in Northern Cyprus. The aim of the Internal Systems is to ensure that the business strategy and policies put in place by the Board are adhered to and operations and procedures are implemented in accordance with the internal and external regulations. Units also endeavor to analyze, assess and report on the risks that could have a negative impact on our Bank's daily operations, growth and profitability targets, financial stability and creditability. Overseeing the production of reliable and timely external and internal financial and administrative reports also forms part of their duties and responsibilities. The Internal Systems Units' operations are overseen by the Board Member Responsible for Internal Systems, and the Units submit their activity reports to the Board through him.

### **The Internal Audit Unit (Audit Department):**

The Audit Department of the Bank carries out the internal audit function in a risk-focused manner, covering all the branches, operation centres, the local subsidiary company, the Compliance and Internal Control Unit, and the Risk Management Unit. Audit of thematic subjects are also planned and carried out to focus attention and raise awareness to certain topics of special interest to the Senior Management and the Board of Directors.

At the year end, the Internal Audit Unit personnel consisted of a Manager, 2 Authorized Assistant Auditors and 2 Assistants. During the year, 9 out of 10 periodic branch audits were carried out as planned. In addition, audit assessment of the Human Resources and the Accounting departments were also performed as planned. As part of the audit programme, 3 thematic audits were also carried out.

Audit reports are initially submitted to the related branch or unit manager and their responses are obtained before submitting the final report to the General Management, and the Audit Committee comprised of non-executive and executive directors, and the Board Member Responsible for Internal Systems.

Personnel of the Audit Unit have the opportunity to gather knowledge and experience in all aspects of banking operations in a relatively short period of time. As a result, personnel are encouraged to take on administrative duties. During the year, two of the assistant auditors were appointed as assistant branch managers.

The audit unit carried out its' set programme to the greatest possible extent with the primary objective to ensure that the internal and external regulations are adhered to, Bank's assets are protected and controls and policies set by the Board are carried out and remain effective.

### **Compliance and Internal Control Unit:**

The aim of the Compliance and Internal Control Unit is to ensure that the business strategy and policies put in place by the Board are abided by and operations and procedures are implemented in accordance with the internal and external regulations. Internal Control Unit plays an essential role in the control activities of the Bank which includes on the spot controls of selected transactions of daily work flow which aim to prevent errors, unwanted events, and correct those that may have inadvertently occurred. Overseeing the production of reliable and timely external and internal financial and administrative reports also forms part of the Unit's duties and responsibilities. The Unit also provides suggestions and expresses opinion on control issues and on matters of internal and external regulations during the development process of new products and services.

The checks and controls undertaken within the Compliance and Internal Control Unit activities are gathered under four main headings:

1. Controls of processes of the banking transactions,
2. Controls of communication channels and IT systems,
3. Controls of financial reporting systems,
4. Compliance controls.



In addition to the daily and other periodical controls, the following special tasks are also part of the Unit's duties:

a) The compliance, registration and reporting requirements of the Foreign Accounts Compliance Act (FATCA) of USA;

b) The controlling responsibility of the new international software package on Anti Money Laundering (AML) measures being implemented by the Bank. On the spot control and reporting of suspect new customers, against international and local sanctions lists, is in place. Daily transactions specially outgoing and incoming payment orders are scrutinized for possible link to names involved with money laundering and finance of terrorism;

c) To pursue that outsourced tests by a reputable firm is arranged and carried out annually, to maintain information systems security and integrity against unauthorized access.

Through the operations and controls carried out by the Compliance and Internal Controls Unit the operational losses inherent in the nature of Banking activities were minimized, and with the reports prepared, it contributed positively to the Senior Management decision making process to improve the effectiveness of the internal systems.

### **Risk Management Unit:**

The Risk Management Unit is primarily responsible to monitor, analyze, quantify and develop measures to control and mitigate risks that are inherent in the banking business. The Board and the Risk Committee and other sub committees, oversee risk management functions, set the risk appetite policy based on a prudent risk reward relationship, establish control and administrative procedures, tolerance limits and reporting procedures. The Unit reports, regularly, to the Board and the Risk Committee on the risk development, shortcomings of branch and operational activities, and on the results of stress and other tests carried out.

The other important mission of the unit is to foster risk awareness as a corporate culture within the organization. The Unit examines and reports on risks associated with new products, services and procedures. The Risk Management Unit also measures and monitors the credit risk, market risk, liquidity risk and operational risk in accordance with the criteria and methodology set by the Central Bank.

Specific risk categories associated with the Bank's activities are:

- **Market Risk:** The Bank faces market risk due to possible adverse movements in the interest rates and foreign exchange rates, and fluctuations in the market prices of its' securities portfolio. The Bank uses the standard method as defined by the Central Bank to measure the exchange rate risk and market risk. Scenario-based stress tests on exchange rate parity movements are carried out regularly to measure and evaluate their impact on profits and the capital adequacy ratio.
- **Credit Risk:** Credit Risk and associated concentration risk is defined as the risk of a counterparty failing to meet its contractual obligations when they fell due. Bank loans and other counterparty obligations form largest part of any Bank's risk exposure. Bank implements well-established credit policy rules, Risk Appetite Policy and other guidelines and procedures to monitor counterparty risks. These include the Credit Committee lending limits, customer credit risk rating and sector based limits. It is part of the Unit's duties to oversee that risks taken are within the established limits, and rules and procedures are followed in granting loans and when taking on other counterparty obligations.
- **Liquidity Risk:** The Asset and Liability Committee determines the strategy and takes the guiding decisions regarding management of the assets and liabilities, within the framework of credit and risk appetite policies set by the Board of Directors. The Treasury Unit on the other hand is responsible for the daily running of asset and liability management bearing in mind profitability and market expectations. The Risk Management Unit oversees that the daily liquidity level is within the limits required by the Central Bank and by the Board. Gap analysis of interest-bearing assets and liabilities is also prepared and analyzed on a monthly basis, based on due days to their respective maturity. Stress testing scenarios are also in place to measure the impact of a run on the liquid assets of the Bank especially by the core depositors.

- **Operational Risk:** All measures including the follow-up and control procedures of the Bank's operational risks regarding products and services are in place. New products, procedures and service implementations are scrutinized and tests are carried out to minimize possible potential risks. Operational losses that may arise due to unforeseen corruption of the database are closely watched and risk reduction procedures are brought to the attention of the General Management for implementation.
- **Regulatory Risk:** To comply with the internal and external regulations has always been a major priority of our Bank. Financial and other reports have always been prepared in a timely manner consistent with the regulations and submitted to the Central Bank of Turkish Republic of Northern Cyprus and other authorities as required. Implementation of measures regarding the Prevention of Money Laundering and the Funding of Terrorist Activities under local and international regulations are in place and are fully implemented.

The reports produced by the Risk Management Unit are examined and taken into consideration by the Risk Committee both in policy decisions and in assessing the adequacy of internal controls in place.

It is fair to conclude that the activities of the Internal Systems Units are of high standard and, to a great extent, ensures compliance to the regulations and contributes positively in decision-making to improve the efficiency of operations and quality of services of the Bank.

C. Yenal Musannif  
Vice Chairman and Board Member  
Responsible for Internal Systems.

## **INDEPENDENT AUDITORS' REPORT FOR THE ACCOUNTING PERIOD 1 JANUARY 2015 - 31 DECEMBER 2015**

We have audited the accounts on pages 12 to 47 which have been prepared under the historical cost convention and in accordance with the accounting policies set out on pages 17-18. As described on page 7, the directors of the bank are responsible for the preparation of accounts. Our responsibility is to express an opinion based on our audit.

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

### **Report in accordance with Principles Relating to the Establishments Authorised to Carry Out Independent Audits of the Banks Directive:**

In our opinion, the said financial statements, with all material respects, have been examined on a test basis under Article 34(3) of the Banking Law No:39/2001 and is in conformity with the uniform chart of accounts, uniform balance sheet and profit and loss statement, notes to the financial statements, accounting and valuation standards in accordance with Article 29(3), the records of the bank in accordance with Article 30 and as explained in note I-(14). The internal systems and internal control processes are in accordance with the Internal Audit, Risk Management and Internal Control Directive issued under Article 15(3) of the Banking Law No: 39/2001 as explained in note I-(14).

### **Opinion in accordance with Companies Law Chapter 113:**

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

In our opinion and to the best of our information and according to the explanations given to us, the said accounts have been properly prepared in accordance with the provisions of Chapter 113, the Companies Law in the manner authorised for banking companies, so as to give a true and fair view of the state of affairs as at 31 December 2015 and the profit for the year 2015 of the bank.

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

Responsible Partner

Erdal & Co.

Hüseyin Erdal FCA

Firuz Fehmi BA (Hons) FCA

Eral Erdal Bsc (Hons) FCA

Nicosia, 20 April 2016

Independent Auditors Authorised by the Central Bank

*adres: Bedrettin Demirel Cad, No:100 Kat 2, PO Box 410, Lefkoşa, Kıbrıs, Mersin 10 – Turkey*  
*tel: +90 (392) 227 26 63 fax: +90 (392) 227 71 51 mail: info@erdalco.com web: www.erdalco.com*

**TURKISH BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR 2015**

	NOTE	CURRENT PERIOD	PREVIOUS PERIOD
		TL (31/12/15)	TL (31/12/14)
<b>I - INTEREST INCOME</b>	(1)	44.372.506	39.607.514
A. Interest income from loans		32.160.454	25.689.469
1) Interest income from TL loans		21.051.730	16.310.607
a - Short term		15.113.055	10.393.058
b - Medium and long term		5.938.675	5.917.549
2) Interest income from foreign currency loans		10.967.669	9.285.897
a - Short term		2.050.687	1.311.789
b - Medium and long term		8.916.982	7.974.108
3) Interest income from loans in arrears		141.055	92.965
B. Interest income from reserve deposits at the Central Bank		634.226	644.397
C. Interest income received from banks		2.882.283	2.825.467
1) TRNC Central Bank		605.281	877.310
2) Domestic banks		572.824	574.782
3) Foreign banks		1.704.178	1.373.375
4) Interest income from reverse repos		0	0
D. Interest income from securities portfolio		8.695.543	10.448.181
1) TRNC Development Bank securities		65.823	56.461
2) Other securities		8.629.720	10.391.720
E. Other interest income	(3)	0	0
<b>II - INTEREST EXPENSES</b>	(1)	22.436.924	18.627.807
A. Interest expense payable to deposits		11.394.688	10.300.848
1) Saving deposits		10.578.411	9.551.933
2) Official deposits		2.427	5.769
3) Commercial deposits		764.283	680.232
4) Other institution deposits		49.567	62.914
5) Bank deposits		0	0
B. Interest expense payable to foreign currency deposits		8.539.349	7.691.349
1) Saving deposits		7.175.965	6.478.179
2) Official deposits		9.562	111.112
3) Commercial deposits		1.329.927	1.083.535
4) Other institution deposits		11.471	13.865
5) Bank deposits		12.424	4.658
6) Gold reserve accounts		0	0
C. Repo Interest Expense		1.262.824	368.789
D. Interest expense payable on borrowings		1.185.885	229.039
1) TRNC Central Bank		0	0
2) Domestic banks		399.823	30.871
3) Foreign banks		0	0
4) Other institutions		786.062	198.168
E. Interest on debentures and securities issued		0	0
F. Other interest expense	(3)	54.178	37.782
<b>III - NET INTEREST INCOME [ I - II ]</b>		21.935.582	20.979.707
<b>IV - OTHER INCOME</b>	(1)	1.912.566.141	254.590.737
A. Fees and commissions received		6.414.010	5.403.366
1) From cash loans		470.057	251.949
2) From non-cash loans		377.619	657.251
3) Other		5.566.334	4.494.166
B. Profit from capital market operations		644.712	1.342.879
C. Foreign exchange profits		1.902.828.369	244.048.636
D. Dividends received from subsidiaries and participations		613.312	523.456
E. Extraordinary income		0	0
F. Other non-interest income	(3)	2.065.738	3.272.400
<b>V - OTHER OPERATING EXPENSES</b>	(1)	1.929.380.700	270.280.582
A. Fees and commissions paid		2.191.004	1.823.811
1) On cash loans		0	0
2) On non-cash loans		0	0
3) Other		2.191.004	1.823.811
B. Loss on capital market operations		71.998	0
C. Foreign exchange losses		1.900.144.482	242.620.039
D. Personnel expenses		12.848.259	12.482.849
E. Retirement pay compensation		0	0
F. Rental expenses		1.087.993	927.252
G. Depreciation		1.725.737	1.548.939
H. Taxes and duties		348.583	116.143
I. Extraordinary expenses		0	0
J. Provision for doubtful debts	(2)	1.333.377	732.756
K. Other provisions	(2)	925.878	1.835.545
L. Other non-interest expenses	(3)	8.703.389	8.193.248
<b>VI - NET OTHER INCOME [ IV - V ]</b>		(16.814.559)	(15.689.845)
<b>VII - PROFIT BEFORE TAXATION [ III + VI ]</b>		5.121.023	5.289.862
<b>VIII - TAXATION</b>		1.073.982	907.159
<b>IX - NET PROFIT AFTER TAXATION [ VII - VIII ]</b>		4.047.041	4.382.703

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 20 April 2016.

I. Hakan Börteçene  
Chairman

Kıvanç M. Rıza  
Director and Secretary

M. A. Yunus Rahmioğlu  
General Manager and Director

**TURKISH BANK LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 2015**

ASSETS	NOTE	CURRENT PERIOD ( 31/12/2015)			PREVIOUS PERIOD ( 31/12/2014)		
		TL	FX	TOTAL	TL	FX	TOTAL
<b>I - CASH BALANCES</b>		4.850.924	2.998.823	7.849.747	4.500.581	2.870.141	7.370.722
A. Cash-TL balances		4.850.924	0	4.850.924	4.500.581	0	4.500.581
B. Cash-foreign exchange		0	2.998.823	2.998.823	0	2.870.141	2.870.141
C. Other liquid assets		0	0	0	0	0	0
<b>II - BANK BALANCES</b>	(1)	68.031.652	217.142.339	285.173.991	45.242.863	177.634.150	222.877.013
A. TRNC Central Bank		8.629.424	61.670.424	70.299.848	15.631.572	51.032.853	66.664.425
B. Other Banks		59.402.228	155.471.915	214.874.143	29.611.291	126.601.297	156.212.588
1) Domestic Banks		17.000.000	25.777.285	42.777.285	5.000.001	15.475.835	20.475.836
2) Foreign Banks		42.402.228	129.694.630	172.096.858	24.611.290	111.125.462	135.736.752
3) Reverse Repo Receivables		0	0	0	0	0	0
<b>III - SECURITIES PORTFOLIO (NET)</b>	(2)	21.264.792	39.315.000	60.579.792	38.343.688	32.697.188	71.040.876
A. Treasury Bills		0	0	0	0	0	0
B. Other bills		21.264.792	0	21.264.792	38.343.688	0	38.343.688
C. Equity shares		0	0	0	0	0	0
D. Other securities		0	39.315.000	39.315.000	0	32.697.188	32.697.188
<b>IV - LOANS AND ADVANCES</b>	(3)	143.254.430	174.260.446	317.514.876	143.275.684	132.682.352	275.958.036
A. Short term		109.921.780	31.881.748	141.803.528	100.190.533	15.589.130	115.779.663
B. Medium and long term		33.332.650	142.378.698	175.711.348	43.085.151	117.093.222	160.178.373
<b>V - LOANS IN ARREARS (NET)</b>	(4)	0	0	0	0	0	0
Loans and other receivables with							
A. limited repayment capacity (Net)		0	0	0	0	0	0
1) Gross receivable balances		64.608	8.458	73.066	239.763	137.055	376.818
2) Specific provision		(64.608)	(8.458)	(73.066)	(239.763)	(137.055)	(376.818)
Doubtful debts and other		0	0	0	0	0	0
B. receivables (Net)		0	0	0	0	0	0
1) Gross receivable balances		134.354	3.005	137.359	112.518	20.401	132.919
2) Specific provision		(134.354)	(3.005)	(137.359)	(112.518)	(20.401)	(132.919)
C. Bad debts and receivables (Net)		0	0	0	0	0	0
1) Gross receivable balances		1.060.372	1.439.497	2.499.869	885.294	804.208	1.689.502
2) Specific provision		(1.060.372)	(1.439.497)	(2.499.869)	(885.294)	(804.208)	(1.689.502)
<b>VI - PREPAYMENTS AND ACCRUED INCOM</b>		1.992.143	1.876.379	3.868.522	1.902.098	1.163.758	3.065.856
A. Loans and advances		553.271	1.220.726	1.773.997	388.532	615.403	1.003.935
B. Securities portfolio		1.384.144	587.490	1.971.634	1.491.207	493.629	1.984.836
C. Other		54.728	68.163	122.891	22.359	54.726	77.085
<b>VII - FINANCIAL LEASING RECEIVABLES (N</b>		0	0	0	0	0	0
A. Financial leasing receivables		0	0	0	0	0	0
B. Unearned income		0	0	0	0	0	0
<b>VIII-RESERVE DEPOSITS AT THE CENTRAL</b>		16.509.266	36.997.161	53.506.427	15.573.419	30.269.623	45.843.042
<b>IX- SUNDRY RECEIVABLES</b>	(5)	101.368	1.974.726	2.076.094	92.195	1.590.223	1.682.418
<b>X- PARTICIPATIONS (NET)</b>	(6)	0	0	0	0	0	0
A. Financial participations		0	0	0	0	0	0
B. Other participations		0	0	0	0	0	0
<b>XI- SUBSIDIARIES (NET)</b>	(6)	4.463.256	92.322.592	96.785.848	3.114.976	27.246.796	30.361.772
A. Financial subsidiaries		4.463.256	92.322.592	96.785.848	3.114.976	27.246.796	30.361.772
B. Other subsidiaries		0	0	0	0	0	0
<b>XII- LONG TERM INVESTMENTS</b>	(7)	37.362.958	37.062.786	74.425.744	55.532.964	31.147.390	86.680.354
A. Equity shares		42.836	0	42.836	42.836	0	42.836
B. Other pledged securities		37.320.122	37.062.786	74.382.908	55.490.128	31.147.390	86.637.518
<b>XIII FIXED ASSETS</b>	(8)	6.898.180	0	6.898.180	7.334.073	0	7.334.073
A. Book value		21.995.776	0	21.995.776	20.722.832	0	20.722.832
B. Accumulated depreciation		(15.097.596)	0	(15.097.596)	(13.388.759)	0	(13.388.759)
<b>XIV. OTHER ASSETS</b>	(9)	498.943	564.678	1.063.621	571.017	385.260	956.277
<b>TOTAL ASSETS</b>	(19)	305.227.912	604.514.930	909.742.842	315.483.558	437.686.881	753.170.439

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 20 April 2016.

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 2015**

LIABILITIES	NOTE	CURRENT PERIOD (31/12/2015)			PREVIOUS PERIOD (31/12/2014)		
		TL	FX	TOTAL	TL	FX	TOTAL
<b>I - DEPOSITS</b>	(10)	204.426.500	481.660.134	686.086.634	207.375.543	390.374.267	597.749.810
A. Saving deposits		183.273.206	409.799.381	593.072.587	178.526.778	336.530.985	515.057.763
B. Official deposits		298.074	70.586	368.660	1.260.763	1.463.788	2.724.551
C. Commercial deposits		18.199.258	70.073.788	88.273.046	26.089.157	50.914.736	77.003.893
D. Other institution deposits		2.621.056	1.509.876	4.130.932	1.491.747	1.356.706	2.848.453
E. Bank deposits		34.906	206.503	241.409	7.098	108.052	115.150
F. Gold reserve accounts		0	0	0	0	0	0
<b>II - FUNDS OBTAINED FROM REPOS</b>	(11)	31.700.270	0	31.700.270	40.500.000	0	40.500.000
<b>III - FUNDS BORROWED</b>	(12)	12.000.000	14.565.000	26.565.000	8.000.000	11.575.000	19.575.000
A. TRNC Central Bank		0	0	0	0	0	0
B. Other funds borrowed		12.000.000	14.565.000	26.565.000	8.000.000	11.575.000	19.575.000
1) Domestic bank and institutions		12.000.000	0	12.000.000	8.000.000	0	8.000.000
2) Foreign bank and institutions		0	0	0	0	0	0
3) Capital loans		0	14.565.000	14.565.000	0	11.575.000	11.575.000
<b>IV - FUNDS</b>	(13)	0	0	0	0	0	0
<b>V - SECURITIES ISSUED (NET)</b>	(14)	0	0	0	0	0	0
A. Bonds		0	0	0	0	0	0
B. Asset backed securities		0	0	0	0	0	0
C. Debentures		0	0	0	0	0	0
<b>VI - EXPENSE ACCRUALS AND DEFERRED INCOME</b>		3.486.127	2.308.808	5.794.935	3.556.540	2.065.761	5.622.301
A. Deposits		279.206	970.997	1.250.203	345.924	932.366	1.278.290
B. Borrowed funds		21.500	0	21.500	17.260	0	17.260
C. Other		3.185.421	1.337.811	4.523.232	3.193.356	1.133.395	4.326.751
<b>VII - FINANCIAL LEASING PAYABLES (NET)</b>		0	0	0	0	0	0
A. Financial leasing payables		0	0	0	0	0	0
B. Deferred financial leasing expenses		0	0	0	0	0	0
<b>TAXES, DUTIES AND SOCIAL SECURITY PREMIUMS</b>							
<b>VIII - PAYABLE</b>		1.031.623	110.440	1.142.063	1.189.492	83.456	1.272.948
<b>IX - IMPORT TRANSFER ACCOUNTS</b>		0	0	0	0	0	0
<b>X - SUNDRY LIABILITIES</b>	(15)	202.711	369.016	571.727	274.080	175.515	449.595
<b>XI - PROVISIONS</b>		2.695.041	3.147.891	5.842.932	2.591.897	2.808.131	5.400.028
A. Retirement pay compensation		0	0	0	0	0	0
B. General provision for loans		1.777.823	3.147.891	4.925.714	1.931.309	2.808.131	4.739.440
C. Corporation and Income Tax provisions		629.741	0	629.741	420.601	0	420.601
D. Other provisions		287.477	0	287.477	239.987	0	239.987
<b>XII - OTHER LIABILITIES</b>	(16)	1.860.732	1.674.487	3.535.219	2.028.131	2.018.097	4.046.228
<b>XIII - SHAREHOLDERS' FUNDS</b>	(17)	77.916.258	65.075.796	142.992.054	73.148.964	0	73.148.964
A. Share capital paid-up		73.534.074	0	73.534.074	70.031.964	0	70.031.964
1) Nominal share capital		73.534.074	0	73.534.074	70.031.964	0	70.031.964
2) Unpaid share capital		0	0	0	0	0	0
B. Statutory reserves		3.556.000	0	3.556.000	3.117.000	0	3.117.000
1) Statutory reserves		3.556.000	0	3.556.000	3.117.000	0	3.117.000
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)	826.184	65.075.796	65.901.980	0	0	0
F. Loss		0	0	0	0	0	0
1) Current period loss		0	0	0	0	0	0
2) Previous period losses		0	0	0	0	0	0
<b>XIV - PROFIT</b>		5.512.008	0	5.512.008	5.405.565	0	5.405.565
A. Current period profit		4.047.041	0	4.047.041	4.382.703	0	4.382.703
B. Previous period profits		1.464.967	0	1.464.967	1.022.862	0	1.022.862
<b>TOTAL LIABILITIES</b>	(19)	340.831.270	568.911.572	909.742.842	344.070.212	409.100.227	753.170.439
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>	(1)						
I - GUARANTEES AND ACCEPTANCES	(2)	4.309.084	8.705.374	13.014.458	3.898.445	20.187.777	24.086.222
II - COMMITMENTS	(3)	108.720.985	88.973.922	197.694.907	109.826.670	68.920.826	178.747.496
III - FOREX & INTEREST RATES OPERATIONS	(4)	7.000.000	308.859.339	315.859.339	0	235.874.138	235.874.138
ASSETS HELD UNDER TRUST AND PLEDGED							
IV - ASSETS		113.980.807	235.308.150	349.288.957	101.733.180	180.737.884	282.471.064
<b>TOTAL</b>		234.010.876	641.846.785	875.857.661	215.458.295	505.720.625	721.178.920

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 20 April 2016.

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 2015**

		<b>CURRENT PERIOD TL (31/12/2015)</b>	<b>PREVIOUS PERIOD TL (31/12/2014)</b>
<b>ASSETS</b>			
I-	CASH BALANCES	151.222.676	135.604.614
II-	BANK BALANCES	396.604.960	268.503.720
III-	SECURITIES PORTFOLIO	70.505.498	82.436.120
IV-	LOANS AND ADVANCES	662.147.275	560.755.537
	A. Short term	230.578.406	181.710.824
	B. Medium and long term	431.568.869	379.044.713
V-	LOANS IN ARREARS (NET)	4.215.939	1.302.476
	A. Gross receivable balances	8.046.553	4.350.843
	B. Specific provision	(3.830.614)	(3.048.367)
VI-	DERIVATIVE FINANCIAL INSTRUMENT - ASSET VALUES	0	0
VII-	PREPAYMENTS AND ACCRUED INCOME	3.908.987	4.568.645
VIII-	RESERVE DEPOSITS AT THE CENTRAL BANK	53.506.427	45.843.042
IX-	SUNDRY RECEIVABLES	2.076.094	1.682.418
X-	LONG TERM INVESTMENTS	74.425.744	86.680.354
	A. Equity shares	42.836	42.836
	B. Other pledged securities	74.382.908	86.637.518
XI-	FIXED ASSETS	42.204.833	36.784.553
	A. Book value	77.144.612	66.483.711
	B. Accumulated depreciation	(34.939.779)	(29.699.158)
XII-	INTANGIBLE FIXED ASSETS	3.102.954	2.522.198
XIII-	GOODWILL ON CONSOLIDATION	0	0
XIV-	OTHER ASSETS	6.363.100	2.149.530
	<b>TOTAL ASSETS</b>	<b>1.470.284.487</b>	<b>1.228.833.207</b>
<b>LIABILITIES</b>			
I-	DEPOSITS	1.214.458.360	1.004.899.911
	A. Savings deposits and other customer accounts	1.192.449.008	994.948.996
	B. Banks deposits	22.009.352	9.950.915
II-	FUNDS DERIVED FROM REPO TRANSACTIONS	31.700.270	40.500.000
III-	BORROWINGS	26.565.000	19.575.000
IV-	DERIVATIVE FINANCIAL INSTRUMENT - LIABILITIES VALUES	0	0
V-	EXPENSE ACCRUALS AND DEFERRED INCOME	5.794.935	6.608.117
VI-	TAXES, DUTIES AND SOCIAL SECURITY PREMIUMS PAYABLE	1.716.067	1.496.011
VII-	SUNDRY PAYABLES	887.380	786.148
VIII-	PROVISIONS	8.695.858	6.266.222
	A. General provision for loans	4.925.714	4.739.440
	B. Corporation and Income Tax provisions	2.704.122	734.947
	C. Other provisions	1.066.022	791.835
IX-	OTHER LIABILITIES	9.236.478	5.808.939
X-	MINORITY INTEREST	22.726.077	18.226.810
XI-	SHAREHOLDERS' FUNDS	148.504.062	124.666.049
	A. Share capital-paid	73.534.074	70.031.964
	B. Statutory reserves	3.556.000	3.117.000
	C. Securities and Real Estate Revaluation Reserves	22.075.418	16.247.969
	D. Consolidation Reserve	15.804.789	8.684.789
	E. Profit and Loss Account	33.533.781	26.584.327
	<b>TOTAL LIABILITIES</b>	<b>1.470.284.487</b>	<b>1.228.833.207</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>			
I-	GUARANTEES AND ACCEPTANCES	18.650.438	26.799.022
II-	COMMITMENTS	691.004.918	674.908.821
III-	FOREIGN EXCHANGE AND INTEREST RATES OPERATIONS	341.766.749	231.005.391
IV-	ASSETS HELD UNDER TRUST AND PLEDGED ASSETS	349.288.957	282.471.064
	<b>TOTAL</b>	<b>1.400.711.062</b>	<b>1.215.184.298</b>

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 20 April 2016.

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 2015**

		CURRENT PERIOD TL ( 31/12/2015)	PREVIOUS PERIOD TL ( 31/12/2014)
<b>I - INTEREST INCOME</b>	I-(1)(ii)c	68.229.037	57.251.773
<b>II - INTEREST EXPENSE</b>		28.446.021	24.419.473
<b>III - NET INTEREST INCOME</b>		39.783.016	32.832.300
<b>IV - OTHER INCOME</b>		1.921.274.762	262.179.054
Commission and fee income	I-(1)(ii)c	13.124.910	10.613.775
Profits from capital market operations		644.712	1.817.815
Foreign exchange profits		1.903.909.669	245.043.333
Other non-interest income		2.062.829	3.416.287
Insurance business income		1.532.642	1.287.844
<b>V - OTHER OPERATING EXPENSES</b>		1.950.671.806	286.413.316
Fees and commissions paid		2.792.940	2.341.288
Loss on capital market operations		71.998	0
Foreign exchange losses		1.900.296.960	242.746.748
Personnel expenses		24.200.365	21.065.033
Depreciation	I-(1)(ii)h	4.070.307	3.217.472
Provision for doubtful debts	I-(1)(ii)e	1.449.924	732.756
Other provisions		925.878	1.835.545
Other non-interest expenses		16.863.434	14.474.474
<b>VI - NET OTHER INCOME</b>		(29.397.044)	(24.234.262)
<b>VII - NET PROFIT BEFORE TAXATION</b>	III-(4)	10.385.972	8.598.038
<b>VIII- TAXATION</b>	II-ii-(19)e(iii)	2.510.102	1.906.076
<b>IX - NET PROFIT AFTER TAXATION</b>		7.875.870	6.691.962
<b>X- MINORITY INTERESTS</b>	II-ii-(19)e(iv)	1.104.429	690.159
<b>PROFIT ATTRIBUTABLE TO THE BANK</b>			
<b>XI- SHAREHOLDERS</b>	II-ii-(19)e(v)	6.771.441	6.001.803

These financial statements were approved by the Board of Directors and signed on behalf of the Board of Directors on 20 April 2016.

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 20 April 2016.

#### (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 subsidiaries have been valued using the equity method. 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.

The financial statements of the Bank and the Group as at 31 December 2015 are presented comparatively with the audited balances as at 31 December 2014.

##### 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 2015. 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, interest income from the loans in arrears and fee income are recognized when received.

Turkish Bank (UK) Ltd. calculates interest income on financial assets classified as loans and receivables or available for sale, using the effective interest rate method. The commitment fees received, together with the related direct costs, are deferred to the useful life of the asset and recognised as part of the effective interest rate. Fees earned for banking services provided are recognised as revenue as the services are provided.

##### 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 2015. 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 %. (2014-%23.5).

Turkish Bank (U.K) pays 20.25 % (2014-21.50 %) 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 3-33.3% 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 2014. 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 which is being used by Turkish Bank (UK) Ltd. They have been amortized at an annual rate of 20% per annum using the straight line method.

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

c) The members of the board of directors, the board member responsible for internal systems, senior management and the internal systems staff have the appropriate qualifications as required in part 4 clause 15 and clause 16 of the Banking Law 39/2001 and "the Internal Audit, Risk Management, Internal Control and Management Systems Directive".

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 Bank's Services and Activities

The Bank's principal services include loans and advances, deposits, money transfers, 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) Changes in the accounting policies:**

As of 2015, subsidiaries, which were previously recorded at cost, have been valued using the equity method. The resulting revaluation difference of 65,901,980 TL has been recorded as an Increase in Value of Securities in the Shareholders' Funds.

**(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 long-term investments of the bank purchased before 1 January 2007 are shown at values determined by statutory valuation done in 2006. As of 2015, subsidiaries have been valued using the equity method.

**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
<b>US Dollar:</b>	<b>2.91300 TL.</b>	<b>2.31500 TL.</b>
<b><u>Preceding the Balance Sheet date:</u></b>		
1.Day bid rate	2.88500 TL.	2.31500 TL.
2.Day bid rate	2.89700 TL.	2.31000 TL.
3.Day bid rate	2.90000 TL.	2.30100 TL.
4. Day bid rate	2.90200 TL.	2.30000 TL.
5. Day bid rate	2.90700 TL.	2.31100 TL.
	<b>Current Period</b>	<b>Previous Period</b>
<b>GBP:</b>	<b>4.31000 TL.</b>	<b>3.59800 TL.</b>
<b><u>Preceding the Balance Sheet date:</u></b>		
1. Day bid rate	4.26800 TL.	3.58800 TL.
2. Day bid rate	4.27800 TL.	3.58400 TL.
3. Day bid rate	4.31700TL.	3.57100TL.
4. Day bid rate	4.32800 TL.	3.56400 TL.
5. Day bid rate	4.32900 TL.	3.58400 TL.

- (9) Value of assets and the total insurance cover:

**Current Period: 31/12/2015**

	<u>Book Value</u>	<u>Accumulated Depreciation</u>	<u>Insurance Cover</u>
<b>Assets</b>	21,995,776	15,097,596	16,755,143
Movable property (Equipment, furniture fixtures and fittings)	14,451,617	10,856,471	9,564,598
Immovable property	7,544,159	4,241,125	7,190,545
Assets held that have to be disposed	-	-	-

**Previous Period: 31/12/2014**

	<u>Book Value</u>	<u>Accumulated Depreciation</u>	<u>Insurance Cover</u>
<b>Assets</b>	20,722,832	13,388,759	16,267,213
Movable property (Equipment, furniture fixtures and fittings)	13,451,710	9,356,207	9,056,978
Immovable property	7,271,122	4,032,552	7,210,235
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, in previous years EUR 434,976 and in 2015 EUR 20,216 were recorded in expenses, totaling EUR 455,192. 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 2015 that needs explaining:

- a) Uncompleted transaction existing at the year end, the result of which would affect this financial report: None.

## 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%
<b>Risk-weighted Assets, Commitments and Contingent Liabilities</b>	<b>358,056</b>	<b>193,098</b>	<b>57,280</b>	<b>301,578</b>
<b>Assets (Net)</b>				
Cash Balances	7,850	0	0	0
Balances at Central Bank	70,299	0	0	0
Interbank Funds	18,930	0	0	0
Bank Balances	0	175,743	0	20,201
Securities Portfolio	48,330	0	0	12,250
Reserve Deposits at Central Bank	53,506	0	0	0
Reverse Repo Receivables	0	0	0	0
Loans and Advances	49,163	114	56,004	212,234
Loans in Arrears	0	0	0	0
Prepayments and Accrued Income	1,210	240	472	1,947
Participations and Subsidiaries	0	0	0	0
Long Term Investments	37,320	13,803	0	23,303
Assets Held for Resale	0	0	0	0
Fixed Assets	0	0	0	6,898
Other Assets	0	0	0	2,665
<b>Off-Balance-Sheet Items</b>				
Guarantees	0	45	521	2,106
Documentary Credits	0	0	0	0
Other Liabilities and commitments	0	0	0	0
Undertakings	71,448	5	283	19,974
Foreign Currency and Interest Rates Operations	0	3,148	0	0
Non Risk-Weighted Accounts	0	0	0	0
<b>Total Risk-Weighted Assets</b>	<b>0</b>	<b>38,620</b>	<b>28,640</b>	<b>301,578</b>
<b>Market Risk &amp; Operational Risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>84,976</b>
<b>TOTAL</b>	<b>0</b>	<b>38,620</b>	<b>28,640</b>	<b>386,554</b>

## TURKISH BANK LIMITED

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

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

#### b) Details of Capital and Reserves

	Current Period	Previous Period
<b>1-Tier I Capital</b>	<b>82,126</b>	<b>78,215</b>
a. Paid-up Capital	73,534	70,032
b. Statutory Reserves	3,556	3,117
c. General Reserves	0	0
d. Profit after Tax and Retained Earnings	5,512	5,406
e. Current and Previous Years Losses (-)	0	0
<b>2-Tier II Capital</b>	<b>82,681</b>	<b>16,473</b>
a. General Provision	4,926	4,739
b. Fixed Asset Revaluation Fund	0	0
c. Inflation Adjustment Reserve	0	0
d. Participations and Subsidiaries Reserves	0	0
e. Capital Loans	11,566	11,494
f. Contingency Reserves	287	240
g. Securities Valuation Fund	65,902	0
<b>3-Total Capital (1+2)</b>	<b>164,807</b>	<b>94,688</b>
<b>4-Capital as Determined by Capital Adequacy Ratio Regulations</b>	<b>164,204</b>	<b>94,688</b>
<b>5-Items to be Deducted from Capital</b>	<b>97,262</b>	<b>30,705</b>
a. Investment in Participations and Subsidiaries	96,786	30,365
b. Intangible Assets	0	0
c. Formation Expenses	0	0
d. Prepaid Expenses	476	340
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
<b>6-Net Capital (4-5)</b>	<b>67,418</b>	<b>64,323</b>

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

	TL. %	TL. %
	Current Period	Previous Period
Total Risk-Weighted Assets	453,814	452,836
Net Capital	67,418	64,323
Capital Adequacy Ratio (%)	<b>14.86%</b>	<b>14.20%</b>

# TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in 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' Directive 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 listed 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. The only change in the accounting policies have been the change in the subsidiary valuation policy. As of 2015, subsidiaries, which were previously recorded at cost, have been valued using the equity method.

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

h. In foreign currencies CHF, AUD, DKK, JPY, NOK, SEK which are not the major currencies for the Bank's operations, the Bank held a total long position of TL 61,238.

i. i) Establishment of Internal Systems

- The Internal Systems of the Banks has been established as per the Internal Audit, Risk Management and Internal Control directive issued under Article 15(3) of the Banking Law No: 39/2001. A non-executive director has been appointed as Board Member responsible for Internal Systems. The duties and authorities of the Internal Systems are in conformity with the Directive.

- 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. The Units submitted their reports to the Board of Directors through the Board Member Responsible for Internal Systems.

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 reports to the Board of Directors through the Board Member Responsible for Internal Systems.

- The Unit consists of a manager and four assistant auditors. Ten periodic branch audits were carried out. Thematic audits were performed as well.



## 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)

#### iii) Compliance & Internal Control

- The Bank informed its' personnel of the amendments in laws, regulations and of the new products in the shortest time possible.
- In 2015, a software package on Anti Money Laundering (AML) has been implemented.
- The Unit performs regular controls on daily, weekly, monthly and yearly basis.
- 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.
- 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 has been implemented.

#### iv) Risk Management

- The activities, obligations and reporting as required by the Directive have been met. The Unit ensures that the Bank's risks are identified, evaluated, monitored, controlled and planned in conformity with the Directive.
- The Bank uses the standard risk model.
- The Bank has identified and measured credit risk, market risk, interest rate risk, currency risk, liquidity risk, operational risk and regulatory risk. The level of effectiveness of the risk profile controls has been measured as "strong".
- The Risk Assessment Matrix, 4/5 Loans Report, Annual Risk Assessment Reports were submitted to the Board of Directors and the TRNC Central Bank.
- The risk allocation limits by sectors have been set.
- The survey questions were reviewed.
- The Unit worked on the identification of the internal risk level.
- The internal risk assessment criteria (group of seven criteria) have been updated.
- The activities of the Bank were considered in an integrated manner with the sub-components.
- The bank has performed stress tests and simulations. The assumptions to those are assessed and updated.

## 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	8,629,424	61,670,424	15,631,572	51,032,853
Unpledged Deposit Balances	0	0	0	0
Pledged Balances	0	0	0	0
<b>TOTAL</b>	<b>8,629,424</b>	<b>61,670,424</b>	<b>15,631,572</b>	<b>51,032,853</b>

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

	Unpledged Balances		Pledged Balances	
	Current Period	Previous Period	Current Period	Previous Period
Turkey	152,469,511	113,428,725	0	0
EU Countries	19,627,347	22,308,027	0	0
USA and Canada	0	0	0	0
OECD Countries'	0	0	0	0
Offshore Zone	0	0	0	0
Other	0	0	0	0
<b>TOTAL</b>	<b>172,096,858</b>	<b>135,736,752</b>	<b>0</b>	<b>0</b>

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

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

	Current Period		Previous Period	
	TP	FX	TP	FX
<b>Domestic Transactions</b>	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
<b>Overseas Transactions</b>	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- 13,899,000 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	13,899,000	0	11,109,188
Turkish Treasury Bills	0	0	0	0
Turkish Government Bonds	9,014,792	0	6,926	0
Other OECD Countries Bonds and Bills	12,250,000	0	38,336,762	0
Other Countries Bonds and Bills	0	0	0	0
Other	0	25,416,000	0	21,588,000
<b>TOTAL</b>	<b>21,264,792</b>	<b>39,315,000</b>	<b>38,343,688</b>	<b>32,697,188</b>

Note: The "Other" line comprises from TRNC Central Bank Bonds. The book value of the securities portfolio on the balance sheet is TL 60,579,792. As at 31.12.2015, the market value has been calculated as TL 60,589,613.

#### (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	48,847	0	59,924	0
Loans given to corporate body shareholders	1,960	0	900	0
Loans given to real shareholders	46,887	0	59,024	0
Indirect loans given to shareholders	63,038	0	66,275	2,813
Loans given to personnel	4,065,038	0	3,906,088	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	53,528	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	134,059,505	974,034	746,269	0
Special Loans	0	0	0	0
Funded Loans	0	0	0	0
Consumer Loans	41,837,923	1,780,407	654,701	2,267
Credit Cards	3,632,293	0	137,743	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	132,512,329	0	1,123,877	0
<b>TOTAL</b>	<b>312,095,578</b>	<b>2,754,441</b>	<b>2,662,590</b>	<b>2,267</b>

#### b) Loan Classification by Users:

	Current Period	Previous Period
Public	40,341,463	26,085,705
Private	277,173,413	249,872,331
<b>TOTAL</b>	<b>317,514,876</b>	<b>275,958,036</b>

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

	Current Period	Previous Period
Domestic Loans	121,217,547	121,138,035
Overseas Loans	196,297,329	154,820,001
<b>TOTAL</b>	<b>317,514,876</b>	<b>275,958,036</b>

#### 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
<b>TOTAL</b>	<b>0</b>	<b>0</b>

## TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

- f) The first hundred largest cash loan customers make up 87% of the total cash loan portfolio and eight cash loan customers make up 50% of the cash loan portfolio.
- g) The first hundred largest non-cash loan customers make up 95% of the total non-cash loan portfolio and three customers holds 50% thereof.
- h) The first hundred largest cash and non-cash loan customers make up 16% of the total assets (including off-balance-sheet items) and nine customers make up 50% of the total cash and non-cash loan portfolio of the bank.

#### (4) Loans in Arrears:

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

	III. Group	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	376,818	132,919	1,689,502
Additions in the Year (+)	179,341	21,128	1,174,112
Transfer from Other Non-Performing Loans	0	426,569	385,564
Transfer to Other Non-Performing Loans	430,129	381,349	655
Collections in the Period (-)	52,964	61,908	715,547
Write Offs (-)	0	0	33,107
Balances at the end of Period	73,066	137,359	2,499,869
Specific provision (-)	73,066	137,359	2,499,869
<b>Net Book Value</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note:** Four non-performing credit cards totaling TL 8,618, three reducing loans totaling 7,343 TL and seven non-performing current accounts with TL 17,146 total debit balances were written-off.

##### 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 Receivables
Current Period:			
Balances Brought Forward	8,458	3,005	1,439,497
Specific Provision (-)	8,458	3,005	1,439,497
<b>Net Book Value</b>	<b>0</b>	<b>0</b>	<b>0</b>
Previous Period:			
Balance Brought Forward	137,055	20,401	804,208
Specific Provision (-)	137,055	20,401	804,208
<b>Net Book Value</b>	<b>0</b>	<b>0</b>	<b>0</b>

## TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

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

Security Group	Loans Given	Provision
Unsecured	458,309	458,309
Group I - Cash Security	98	98
Group II - Immovable Security	1,219,044	1,219,044
Group III - Movable Security	822,418	822,418
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) Subsidiaries are valued using the equity method.  
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	92,322,592	27,246,796
Insurance Companies	0	0	4,463,256	3,114,976
Finance Companies	0	0	0	0
Other financial participations	0	0	0	0
Other non-financial participations and subsidiaries	0	0	0	0

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

Title	Address	Banks Share of Investment and Voting Right If Different (%)	Group Holding (%)	Current Year Profit	Market Value
Turkish Bank (UK) Ltd	84-86 Borough High Street London SE1 1LN UK	83	100	3,310,668	110,787,111
Turkish Insurance Ltd	182 Girne Caddesi Lefkoşa TRNC	51	98	1,131,453	8,724,814

# 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	0

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

	Financial Participations and Subsidiaries Balance	Non-Financial Participations and Subsidiaries Balance
<b>RECEIVABLES</b>		
-Banks and Other Financial Institutions	3,290,039	0
-Debentures and Similar Securities	0	0
-Loans (Including Doubtful Debts)	0	0
-Interest and Income Accruals	0	0
-Financial Leasing Receivables (NET) (*)	0	0
-Other Receivables	0	0
<b>BORROWINGS</b>		
-Deposits	368,199	0
-Borrowed Funds	0	0
Securities Issued	0	0
-Interest and expense prepayments	0	0
-Financial leasing liabilities	0	0
-Other liabilities	0	0
<b>OFF-BALANCE-SHEET COMMITMENTS AND LIABILITIES</b>	66,150	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	41,506,718	45,337,993
2- Repo related items	32,876,190	41,299,525
3- Other: Investment in share capital	42,836	42,836
4- Provision for loss in value (-)	0	0
<b>TOTAL</b>	<b>74,425,744</b>	<b>86,680,354</b>

## TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

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

	Immovable Property	Vehicles	Other Fixed Assets	Total
Balance from previous year:				
Cost	7,271,122	665,917	12,785,793	20,722,832
Accumulated depreciation (-)	(4,032,552)	(452,580)	(8,903,627)	(13,388,759)
Net Book Value	3,238,570	213,337	3,882,166	7,334,073
Current Period:				
Net book value at the beginning of the year	3,238,570	213,337	3,882,166	7,334,073
Purchases	273,036	0	1,016,808	1,289,844
Sales and disposals - Net (-)	0	0	0	0
Diminution in value	0	0	0	0
Depreciation charge (-)	(208,574)	(62,040)	(1,455,123)	(1,725,737)
Net Exchange differences (-)	0	0	0	0
<b>Closing Net Book Value</b>	<b>3,303,032</b>	<b>151,297</b>	<b>3,443,851</b>	<b>6,898,180</b>

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

	Immovable Property	Other Fixed Assets	Total
Balance from previous year:			
Cost	45,643,052	28,236,126	73,879,178
Accumulated depreciation (-)	(10,915,626)	(20,678,331)	(31,593,957)
Net Book Value	34,727,426	7,557,795	42,285,221
Current Period:			
Net book value at the beginning of the year	34,727,426	7,557,795	42,285,221
Purchases	2,130,684	1,217,979	3,348,663
Sales and disposals - Net (-)	(23,429)	0	(23,429)
Diminution in value	0	0	0
Depreciation charge (-)	(979,876)	(2,425,746)	(3,405,622)
<b>Closing Net Book Value</b>	<b>35,854,805</b>	<b>6,350,028</b>	<b>42,204,833</b>



## TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

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

	TOTAL
Previous Period:	
Cost	10,122,330
Accumulated Depreciation (-)	(6,778,652)
Net Book Value	3,343,678
Current Period:	
Beginning Net Book Value	3,343,678
Purchases	421,423
Disposals-Net Value(-)	0
Statutory Valuation	0
Depreciation	(662,147)
<b>Closing Net Book Value</b>	<b>3,102,954</b>

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

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

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

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

Expenses Paid in Advance	Total
Software Maintenance and Licensing Cost	318,546
VISA Membership Cost	85,765
Insurance Expenses	52,890
Rent	2,750
Other Expenses	16,250
<b>Total</b>	<b>476,201</b>

# TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

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

#### (10) Breakdown of Deposits

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

###### Current Period:

	On Demand	7 Days Notice	Within 1 Month	Within 3 Months	Within 6 Months	Within 1 Year	Over 1 Year
<b>Resident Accounts</b>							
1) Savings Accounts	26,868,912	0	123,509,369	25,778,400	1,184,927	1,287,505	445,601
2) Official, Commercial and Other Institutions Deposits	13,507,591	0	5,611,338	1,955,335	1,822	35,188	686
3) Foreign Currency Savings	41,784,859	0	232,621,088	59,035,628	13,100,697	16,507,551	15,925,602
4) Foreign Currency Official, Commercial and Other institutions Deposits	16,351,989	0	2,994,660	3,369,372	43,209,231	27,108	394,738
<b>Non-Resident Accounts</b>							
1) Savings Accounts	534,137	0	2,762,353	833,179	25,506	15,601	27,716
2) Official, Commercial and Other Institutions Deposits	6,428	0	0	0	0	0	0
3) Foreign Currency Savings	3,446,414	0	11,398,201	6,133,667	2,614,643	6,033,893	1,197,139
4) Foreign Currency Official, Commercial and Other institutions Deposits	38,665	0	0	3,807,141	1,461,346	0	0
<b>Banks Deposit</b>							
Local Banks	186,700	0	0	0	0	0	0
Overseas Banks	0	0	0	0	0	0	0
Off-Shore Banks	54,708	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>102,780,403</b>	<b>0</b>	<b>378,897,009</b>	<b>100,912,722</b>	<b>61,598,172</b>	<b>23,906,846</b>	<b>17,991,482</b>

###### Previous Period:

	On Demand	7 Days Notice	Within 1 Month	Within 3 Months	Within 6 Months	Within 1 Year	Over 1 Year
<b>Resident Accounts</b>							
1) Savings Accounts	32,714,964	0	136,881,734	2,944,657	937,113	1,261,544	0
2) Official, Commercial and Other Institutions Deposits	15,040,821	0	5,116,117	8,617,210	625	33,846	0
3) Foreign Currency Savings	35,830,858	0	220,471,062	17,501,772	6,971,229	30,582,557	0
4) Foreign Currency Official, Commercial and Other institutions Deposits	10,656,079	0	6,967,428	10,943,334	24,814,691	337,133	0
<b>Non-Resident Accounts</b>							
1) Savings Accounts	472,387	0	3,231,871	14,778	25,509	42,221	0
2) Official, Commercial and Other Institutions Deposits	33,048	0	0	0	0	0	0
3) Foreign Currency Savings	2,205,764	0	10,036,383	4,969,498	1,634,495	6,327,367	0
4) Foreign Currency Official, Commercial and Other institutions Deposits	16,565	0	0	0	0	0	0
<b>Banks Deposit</b>							
Local Banks	104,399	0	0	0	0	0	0
Overseas Banks	0	0	0	0	0	0	0
Off-Shore Banks	10,751	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>97,085,636</b>	<b>0</b>	<b>382,704,595</b>	<b>44,991,249</b>	<b>34,383,662</b>	<b>38,584,668</b>	<b>0</b>

# TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

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

SAVINGS ACCOUNTS	Current Period		Previous Period	
	TL	FX	TL	FX
Savings Accounts	183,273,206	409,799,382	178,526,778	336,530,985
Other Eligible Accounts	1,420,810	115,736	439,196	91,074
<b>TOTAL</b>	<b>184,694,016</b>	<b>409,915,118</b>	<b>178,965,974</b>	<b>336,622,059</b>

### (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	700,270	0	0	0
Real Persons	0	0	0	0
Overseas Transactions	0	0	0	0
Financial Institutions and Corporations	31,000,000	0	40,500,000	0
Other Institutions and Corporations	0	0	0	0
Real Persons	0	0	0	0

### (12) a) Funds Borrowed:

	Current Period		Previous Period	
	TL	FX	TL	FX
Short-Term	12,000,000	0	8,000,000	0
Medium and Long-Term	0	14,565,000	0	11,575,000

b) The Bank borrowed TL 12,000,000 from the interbank money market and USD 5,000,000 capital loan from an oversea financial institution.

### (13) The Bank has no borrowing liabilities from funds.

#### 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	391,134	192,122

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	73,534,074	70,031,964
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	73,534,074	74,000,000

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

Date of Increase	Value of Increase	Cash Issue	Capitalised Reserves	Capitalised Revaluation Funds
04.06.2015	3,502,110	512	3,501,598	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	27,139,494	%36.91	27,139,494	0
T.Özyol Yatırımları Ltd.	26,718,705	%36.34	26,718,705	0
Özyol Holding A.Ş.	9,015,038	%12.26	9,015,038	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 73,997,962 '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	826,184	65,075,796	0	0
Revaluation Fund	0	0	0	0

# TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

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

The major source of the liquidity risk is the maturity mismatch arising from the overall short-term structure of the customer deposits. 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
<b>Current Period</b>							
Assets							
Liquid Funds (Foreign Exchange, Cash in Transit and TRNC CB Bank Balance)	78,149,595	0	0	0	0	0	78,149,595
Bank Balances	195,223,544	5,085,599	0	14,565,000	0	0	214,874,143
Securities Portfolio	25,416,000	3,875,104	16,418,489	3,075,407	11,794,792	0	60,579,792
Loans	120,683,376	15,413,010	1,998,556	54,588,762	124,831,172	0	317,514,876
Long Term Investments	0.00	0	0.00	0	74,382,908	42,836	74,425,744
Other Assets	56,755,014	798,844	291,003	1,107	0	106,352,724	164,198,692
<b>Total Assets</b>	<b>476,227,529</b>	<b>25,172,557</b>	<b>18,708,048</b>	<b>72,230,276</b>	<b>211,008,872</b>	<b>106,395,560</b>	<b>909,742,842</b>
Liabilities							
Bank Deposits	241,409	0	0	0	0	0	241,409
Other Deposits	580,931,838	66,659,965	15,801,717	22,451,705	0	0	685,845,225
Funds obtained from other financial institutions	43,700,270	0	0	0	14,565,000	0	58,265,270
Securities issued	0	0	0	0	0	0	0
Sundry Liabilities	571,727	0	0	0	0	0	571,727
Other Liabilities	9,415,902	453,463	856,598	174,478	0	153,918,770	164,819,211
<b>Total Liabilities</b>	<b>634,861,146</b>	<b>67,113,428</b>	<b>16,658,315</b>	<b>22,626,183</b>	<b>14,565,000</b>	<b>153,918,770</b>	<b>909,742,842</b>
<b>Net Asset Liquidity gap</b>	<b>-158,633,617</b>	<b>-41,940,871</b>	<b>2,049,733</b>	<b>49,604,093</b>	<b>196,443,872</b>	<b>-47,523,210</b>	<b>0</b>
<b>Previous Period</b>							
Total Assets	394,972,721	26,599,683	24,699,215	13,003,133	253,961,804	39,933,883	753,170,439
Total Liabilities	559,195,842	54,736,558	20,910,891	23,012,946	11,575,000	83,739,202	753,170,439
<b>Net Asset Liquidity gap</b>	<b>-164,223,121</b>	<b>-28,136,875</b>	<b>3,788,324</b>	<b>-10,009,813</b>	<b>242,386,804</b>	<b>-43,805,319</b>	<b>0</b>

# TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

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

#### i) Tax:

Bank	Current Period	Previous Period
2015 corporation and income tax provision	1,073,982	907,159
Taxes and withholding tax paid	0	0
Total Tax provision for the year	1,073,982	907,159
Tax brought forward from previous years	420,601	496,988
Less: Withholding tax paid in 2015 and previous years withholding tax written off	(864,842)	(983,546)
<b>Taxes Payable</b>	<b>629,741</b>	<b>420,601</b>

#### ii) Maturity breakdown of certain balance sheet items of Turkish Bank Group:

Current Period	Up to 3 Months	Within 3-6 Months	Within 6-12 Months	Over 1 Year	Unallocated	Total
<b>Assets</b>						
Liquid Funds (Foreign Exchange, Cash in Transit and TRNC CB Bank Balance)	151,222,676	0	0	0	0	151,222,676
Bank Balances	367,508,606	0	29,096,354	0	0	396,604,960
Securities Portfolio	29,291,104	19,458,108	3,075,407	18,680,879	0	70,505,498
Loans	192,290,326	2,282,905	87,517,347	384,272,636	0	666,363,214
Long Term Investments	0	0	0	74,382,908	42,836	74,425,744
Other Assets	58,867,424	291,003	3,958,661	0	48,045,307	111,162,395
<b>Total Assets</b>	<b>799,180,136</b>	<b>22,032,016</b>	<b>123,647,769</b>	<b>477,336,423</b>	<b>48,088,143</b>	<b>1,470,284,487</b>
<b>Liabilities</b>						
Bank Deposits	22,009,352	0	0	0	0	22,009,352
Other Deposits	1,057,086,360	15,801,717	101,236,997	18,323,934	0	1,192,449,008
Funds obtained from other financial institutions	43,700,270	0	0	14,565,000	0	58,265,270
Securities issued	0	0	0	0	0	0
Sundry Liabilities	887,380	0	0	0	0	887,380
Other Liabilities	15,940,248	867,980	1,345,307	892,170	177,627,772	196,673,477
<b>Total Liabilities</b>	<b>1,139,623,610</b>	<b>16,669,697</b>	<b>102,582,304</b>	<b>33,781,104</b>	<b>177,627,772</b>	<b>1,470,284,487</b>
<b>Net Asset Liquidity gap</b>	<b>-340,443,474</b>	<b>5,362,319</b>	<b>21,065,465</b>	<b>443,555,319</b>	<b>-129,539,629</b>	<b>0</b>
<b>Previous Period</b>						
Total Assets	640,776,798	24,699,215	24,362,397	495,812,168	43,182,629	1,228,833,207
Total Liabilities	951,329,401	51,292,457	54,094,160	23,279,434	148,837,755	1,228,833,207
<b>Net Asset Liquidity gap</b>	<b>-310,552,603</b>	<b>-26,593,242</b>	<b>-29,731,763</b>	<b>472,532,734</b>	<b>-105,655,126</b>	<b>0</b>

## TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

#### iii) Tax – Group;

	Current Period	Previous Period
2015 corporation and income tax provision	2,329,746	2,024,810
Deferred tax adjustments	180,356	(118,734)
Total provision	2,510,102	1,906,076
Taxes brought forward from previous years	740,096	932,098
Foreign Exchange revaluation difference	53,400	10,290
Withholding tax paid in 2015	(2,108,709)	(2,059,547)
Deferred tax provision - 2015 net movement	793,773	(129,528)
Tax receivables brought forward	715,460	75,558
<b>Taxes Payable</b>	<b>2,704,122</b>	<b>734,947</b>

#### iv) Minority Interest;

Minority interest consists of shares with nominal value of TL 3,426,483 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	54,634,085	47,934,450
Exchange Differences and Minority Interest adjustments	7,334,244	1,019,919
<b>Movements in 2015</b>		
Retained Earnings for the Year	6,771,440	6,001,803
Dividends Paid	0	0
Consolidated reserves	7,120,000	1,050,000
Revaluation Increases - Net	2,611,817	4,173,680
Capitalized Reserves	(3,501,598)	(5,545,767)
<b>Year End Balance of Reserves</b>	<b>74,969,988</b>	<b>54,634,085</b>
Paid Up capital	73,534,074	70,031,964
<b>Shareholders' Funds at Year End</b>	<b>148,504,062</b>	<b>124,666,049</b>



# TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are expressed in Turkish Lira)

### (iii) OFF-BALANCE-SHEET LIABILITIES

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

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

#### (2) a) Summary of off-balance-sheet liabilities;

	Current Period	Previous Period
Details of Non-cash Loans Opened as Security for Cash Loans		
Accounts with maturity of less than 1 year	0	0
Accounts with maturity of more than 1 year	0	0
Other off-balance-sheet liabilities	13,014,458	24,086,222
<b>TOTAL</b>	<b>13,014,458</b>	<b>24,086,222</b>

#### b) Details of off-balance-sheet liabilities;

Off-Balance-Sheet Liabilities	Current Period		Previous Period	
	TL	FX	TL	FX
Letter of guarantees	4,309,084	3,461,974	3,898,445	19,979,959
Acceptances	0	0	0	0
Documentary credits	0	5,243,400	0	207,818
Endorsements, transfers	0	0	0	0
Undertaking of Repurchasing	0	0	0	0
Other guarantees and acceptances	0	0	0	0
<b>TOTAL</b>	<b>4,309,084</b>	<b>8,705,374</b>	<b>3,898,445</b>	<b>20,187,777</b>

#### (3) Commitments;

	Current Period	Previous Period
Irrevocable commitments	56,213,554	57,227,054
Revocable commitments	141,481,353	121,520,442
<b>TOTAL</b>	<b>197,694,907</b>	<b>178,747,496</b>

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

	Current Period	Previous Period
Forward FX Transactions	315,859,339	235,874,138
Currency and interest swap transactions	0	0
Currency and interest options	0	0
FX Future Contracts	0	0
Interest future contracts	0	0
Other	0	0
<b>TOTAL</b>	<b>315,859,339</b>	<b>235,874,138</b>

# TURKISH BANK LIMITED

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

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

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

	Current Period	Previous Period
Interest received from Subsidiaries and Participations	5,749	10,798
Commissions and fees received from Subsidiaries and Participations	2,067	0

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

	Current Period	Previous Period
Interest paid to Subsidiaries and Participations	15,960	22,698
Commissions and fees paid to Subsidiaries and Participations	15,907	18,625

**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	1,262,824	0	368,789	0

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

	Current Period	Previous Period
Specific provision for non-performing loans and other receivables	1,333,377	732,756
For unsecured accounts	127,947	98,800
For other accounts	1,205,430	633,956
General provision for loans	878,388	1,595,558
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	47,490	239,987

## 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:

<b>Bank:</b>	Current Period	Previous Period
Directors' emoluments	1,287,260	1,337,854
Auditors Fees	127,600	87,000

<b>Group:</b>	Current Period	Previous Period
Directors' emoluments	2,731,484	2,391,198
Auditors Fees	498,020	326,076

**TURKISH BANK LIMITED**

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

**MOVEMENTS IN SHAREHOLDERS' EQUITY**

**PREVIOUS PERIOD**

	Paid-up Share Capital	First and Second Legal Reserves	Share Premium Account	Other Legal Reserves	General Reserve	Statutory Revaluation Fund	Revaluation Fund of Assets of Participations and Subsidiaries	Statutory Revaluation of Securities	Prior Years Profits (Losses)	Current Period Net Profit/ (Loss)	Total Shareholders' Equity
<b>Balance at 1 January 2014</b>	<b>64.485.657,-</b>	<b>2.729.000,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>3.081.357,-</b>	<b>3.875.272,-</b>	<b>74.171.286,-</b>
<b>Profit Appropriation:</b>											
- Dividends	-	-	-	-	-	-	-	-	-	-	0,-
- Transfers to reserves	-	388.000,-	-	-	-	-	-	-	3.487.272,-	-3.875.272,-	0,-
Share premiums (common stocks issue)	-	-	-	-	-	-	-	-	-	-	0,-
<b>Share Capital Increase:</b>											
- Cash injection	540,-	-	-	-	-	-	-	-	-	-	540,-
- Transfers from statutory revaluation fund	-	-	-	-	-	-	-	-	-	-	0,-
- Transfers from other accounts	5.545.767,-	-	-	-	-	-	-	-	-5.545.767,-	-	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 2013	-	-	-	-	-	-	-	-	-	-	0,-
Increase in value of the securities portfolio	-	-	-	-	-	-	-	-	-	-	0,-
Other	-	-	-	-	-	-	-	-	-	-	0,-
Net Profit at 31/12/2014	-	-	-	-	-	-	-	-	-	4.382.703,-	4.382.703,-
<b>Balances 31 December 2014</b>	<b>70.031.964,-</b>	<b>3.117.000,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>1.022.862,-</b>	<b>4.382.703,-</b>	<b>78.554.529,-</b>

**CURRENT PERIOD**

<b>Balance at 1 January 2015</b>	<b>70.031.964,-</b>	<b>3.117.000,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>1.022.862,-</b>	<b>4.382.703,-</b>	<b>78.554.529,-</b>
<b>Profit Appropriation:</b>											
- Dividends	-	-	-	-	-	-	-	-	-	-	0,-
- Transfers to reserves	-	439.000,-	-	-	-	-	-	-	3.943.703,-	-4.382.703,-	0,-
Share premiums (common stocks issue)	-	-	-	-	-	-	-	-	-	-	0,-
<b>Share Capital Increase:</b>											
- Cash injection	512,-	-	-	-	-	-	-	-	-	-	512,-
- Transfers from statutory revaluation fund	-	-	-	-	-	-	-	-	-	-	0,-
- Transfers from other accounts	3.501.598,-	-	-	-	-	-	-	-	-3.501.598,-	-	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 2014	-	-	-	-	-	-	-	-	-	-	0,-
Increase in value of the securities portfolio	-	-	-	-	-	-	-	65.901.980,-	-	-	65.901.980,-
Other	-	-	-	-	-	-	-	-	-	-	0,-
Net Profit at 31/12/2015	-	-	-	-	-	-	-	-	-	4.047.041,-	4.047.041,-
<b>Balances 31 December 2015</b>	<b>73.534.074,-</b>	<b>3.556.000,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>0,-</b>	<b>65.901.980,-</b>	<b>1.464.967,-</b>	<b>4.047.041,-</b>	<b>148.504.062,-</b>

# TURKISH BANK GROUP

	CURRENT PERIOD TL ( 31/12/2015)	PREVIOUS PERIOD TL ( 31/12/2014)
<b>V- A) STATEMENT OF CASH FLOWS</b>		
<b>I- Cash Flows From Banking Operations (Main Activities)</b>		
Interest income and similar items	67.424.345	59.270.374
Interest expenses and similar items	(28.497.304)	(23.884.514)
Dividends received	0	0
Fees and commissions received	13.730.507	11.456.400
Income from insurance business	1.299.549	848.772
Other income	4.098.552	3.361.878
Collections from previously written-off loans and other receivables	0	0
Personnel and administration expenses	(42.477.820)	(39.103.493)
Taxes paid	(2.108.709)	(2.059.547)
Other	(2.509.930)	(2.346.980)
<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>10.959.190</b>	<b>7.542.890</b>
<b>Changes in Operating Assets and Liabilities:</b>		
<b><u>(Increase) Decrease in Operating Assets:</u></b>		
Net (increase) / decrease in securities portfolio	16.675.354	(39.448.656)
Net (increase) / decrease in banks and loans	(118.775.182)	(36.230.256)
Net (increase) / decrease in other assets	(2.577.262)	(180.347)
<b><u>Increase (decrease) in operating liabilities:</u></b>		
Net increase (decrease) in deposits	130.645.293	46.774.300
Net increase (decrease) in funds borrowed	(1.809.730)	14.075.000
Net increase (decrease) in other liabilities	3.220.718	(60.931)
<b>Net Cash Provided from Banking and Commercial Operations</b>	<b>38.338.381</b>	<b>(7.528.000)</b>
<b>II- Cash Flows from Investing Activities</b>		
Cash paid for purchase of equity participations	0	0
Purchase of property and equipment	(3.349.495)	(1.868.224)
Sale of property and equipment	0	37.712
Purchase of Intangible Assets	(422.380)	(2.270.338)
Cash paid for purchase of investment securities	0	0
Sale of investment securities	12.254.610	50.792.925
<b>Net Cash (Used in) Provided from Investing Activities</b>	<b>8.482.735</b>	<b>46.692.075</b>
<b>III- Cash Flows from Financing Activities</b>		
Capital increase	498.426	422.358
Dividends paid	0	0
Dividends paid to minority shareholders of a subsidiary	(497.857)	(426.147)
<b>Net Cash Provided from Financing Activities</b>	<b>569</b>	<b>(3.789)</b>
<b>Effect of change in foreign currency evaluation rate of cash and cash equivalents</b>	<b>34.177.081</b>	<b>7.287.055</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>80.998.766</b>	<b>46.447.341</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>233.865.994</b>	<b>187.418.653</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>314.864.760</b>	<b>233.865.994</b>

# TURKISH BANK LIMITED

## V- B) STATEMENT OF CASH FLOWS

	CURRENT PERIOD TL ( 31/12/2015)	PREVIOUS PERIOD TL ( 31/12/2014)
<b>I- Cash Flows From Banking Operations (Main Activities)</b>		
Interest income and similar items	43.569.840	41.636.909
Interest expenses and similar items	(22.489.323)	(18.395.080)
Dividend income	613.312	523.456
Fees and commissions received	6.414.010	5.403.205
Other income	1.196.016	726.972
Collections from previously written-off loans and other receivables	0	0
Personnel and administration expenses	(24.729.888)	(24.826.311)
Taxes paid	(864.842)	(983.546)
Other Collection items income	0	0
Other Paid items	0	0
<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>3.709.125</b>	<b>4.085.605</b>
<b>Changes in Operating Assets and Liabilities:</b>		
<b>(Increase) Decrease in Operating Assets:</b>		
Net (increase) decrease in securities portfolio	10.461.084	(41.175.940)
Net (increase) decrease in banks	(66.324.940)	(46.862.512)
Net (increase) decrease in loans	(42.101.003)	(8.775.225)
Net (increase) decrease in other assets	(501.020)	261.861
<b>Increase (decrease) in operating liabilities:</b>		
Net increase in deposits	88.336.824	24.120.125
Net (decrease) in funds borrowed	(1.809.730)	14.075.000
Net increase (decrease) in securities issued	0	0
Net increase in other liabilities	(519.762)	(2.188.233)
<b>Net Cash Provided from Banking and Commercial Operations</b>	<b>(8.749.422)</b>	<b>(56.459.319)</b>
<b>II- Cash Flows from Investing Activities</b>		
Cash paid for purchase of equity participations	(522.096)	(449.283)
Cash obtained from sale of equity participations	0	0
Purchase of property and equipment	(1.289.844)	(1.461.892)
Sale of property and equipment	0	37.712
Cash paid for purchase of investment securities	0	0
Cash obtained from sale of investment securities	12.254.610	50.792.925
Other cash inflows	0	0
Other cash outflows	0	0
<b>Net Cash (Used in) Provided from Investing Activities</b>	<b>10.442.670</b>	<b>48.919.462</b>
<b>III- Cash Flows from Financing Activities</b>		
Cash obtained from funds borrowed and securities issued	0	0
Cash used for repayment of funds borrowed and securities issued	0	0
Capital increase	512	540
Dividends paid	0	0
Other cash inflows	0	0
Other cash outflows	0	0
<b>Net Cash Provided from Financing Activities</b>	<b>512</b>	<b>540</b>
<b>Effect of change in foreign currency evaluation rate of cash and cash equivalents</b>	<b>2.420.688</b>	<b>3.984.775</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>4.114.448</b>	<b>(3.554.542)</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>74.035.147</b>	<b>77.589.689</b>
<b>Cash and Cash Equivalents at the End of Year</b>	<b>78.149.595</b>	<b>74.035.147</b>

# TURKISH BANK LIMITED

## VI- PROFIT APPROPRIATION TABLE

	CURRENT PERIOD TL ( 31/12/2015)	PREVIOUS PERIOD TL ( 31/12/2014)
<b>A. APPROPRIATION OF CURRENT YEAR INCOME</b>		
1. CURRENT YEAR INCOME	5.121.023	5.289.862
2. TAXES AND DUTIES PAYABLE (-)	(1.073.982)	(907.159)
- Corporation tax	(417.866)	(352.613)
- Income tax	(656.116)	(554.546)
- Other taxes and duties	-	-
<b>NET INCOME FOR THE YEAR</b>	<b>4.047.041</b>	<b>4.382.703</b>
3. PRIOR YEARS' LOSSES (-)	-	-
4. LEGAL RESERVES (-)	(405.000)	(439.000)
5. OTHER STATUTORY RESERVES (-)	-	-
<b>NET INCOME AVAILABLE FOR DISTRIBUTION</b>	<b>3.642.041</b>	<b>3.943.703</b>
6. FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
- To owners of ordinary shares	-	-
- To owners of privileged shares	-	-
7. DIVIDENDS TO PERSONNEL(-)	-	-
8. DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
9. SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
- To owners of ordinary shares	-	-
- To owners of privileged shares	-	-
10. STATUTORY RESERVES (Allocated according to "Memorandum and Articles of Association" of the Bank)	-	-
11. GENERAL RESERVE (Retained Profits)	1.464.967	1.022.862
12. OTHER RESERVES (Allocated by the decision of General Assembly)	-	-
13. SPECIAL FUNDS (Allocated as per certain regulations)	-	-
<b>B. DISTRIBUTION OF RESERVES</b>		
1. DISTRIBUTION OF RESERVES	-	-
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 (-)	-	-
<b>C. NET PROFIT TRANSFERRED TO 2014</b>	<b>5.107.008</b>	<b>4.966.565</b>
<b>D. EARNINGS PER SHARE</b>		
1. TO OWNERS OF 'A' SHARES ( TL, % )	0,006TL(%6)	0,006TL(%6)
2. TO OWNERS OF 'B' SHARES ( TL, % )	0,06TL(%6)	0,06TL(%6)
<b>E. DIVIDEND PER SHARE</b>		
1. TO OWNERS OF 'A' SHARES ( TL, % )	0	0
2. TO OWNERS OF 'B' SHARES ( TL, % )	0	0

**TÜRK BANKASI LTD.**

BRANCH	ADDRESS	TEL NO	FAX NO
General Management	92, Girne Cad. Lefkoşa e-mail: info@turkishbank.net <a href="http://www.turkishbank.net">www.turkishbank.net</a>	(392) 600 33 33	(392) 227 94 47
Lefkoşa/Main Personal Branch	92, Girne Cad. Lefkoşa	(392) 600 33 33	(392) 229 15 53
Lefkoşa/Main Commercial Branch	92, Girne Cad. Lefkoşa	(392) 600 33 33	(392) 228 13 17
Lefkoşa/Köşklüçiftlik	Mehmet Akif Cad.Çığır Apt.No2 Köşklüçiftlik, Lefkoşa	(392) 227 21 15 (392) 227 85 17	(392) 228 65 54
Lefkoşa/Kaymaklı	Kemal Aşık Caddesi No:66, K.Kaymaklı, Lefkoşa	(392) 227 73 80	(392) 228 56 95
Lefkoşa/Taşkinköy	Şehit Kemal Ünal Sok. No:104A Taşkinköy, Lefkoşa	(392) 225 69 03 (392) 225 69 04	(392) 225 33 95
Lefkoşa/Çarşı	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	(392) 366 90 85 (392) 366 53 27	(392) 366 45 10
Gazi Mağusa/Salamis Yolu	Ayluka Mahallesi, İsmet İnönü Bulvarı, Salamis Yolu, Gazi Mağusa	(392) 365 53 67 (392) 365 53 68	(392) 365 53 69
Gazi Mağusa/Terminal	Gazi Mustafa Kemal Bulvarı, 28D Dumlupınar-Gazi Mağusa.	(392) 366 72 69 (392) 366 72 70	(392) 366 72 68
Girne/Main Branch	Ziya Rızıkı Cad., Poltan Palas Apt.8-9-10 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.	(392) 815 44 85 (392) 815 47 13	(392) 815 59 43
Girne/Alsancak	206 Karaoğlanoğlu Caddesi Engindereli Dükkanları No.6-7, Alsancak, Girne	(392) 821 33 98 (392) 821 33 99	(392) 821 89 02
Güzelyurt	Ecevit Cad., No:9, 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 80 52	(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
Relationship Banking, Mayfair	41-43 Brook Street, Mayfair, London W1K 4HJ	(44-20)7403 5656	(44-20)7499 3382

**TÜRK SİGORTA LTD.**

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



# TÜRK BANKASI LTD.

## Our Off Site ATM's

### **Çatalköy Off Site ATM GİRNE**

Beşparmaklar Caddesi  
Düzkaya Nihat Bağcier Stadı Arkası  
Çatalköy

### **Esentepe Off Site ATM GİRNE**

Batıbeniz Petrol İstasyonu  
İstiklal Caddesi  
Esentepe

### **Lapta Off Site ATM GİRNE**

Mareşal Fevzi Çakmak Caddesi  
No:217  
Lapta

### **Alsancak Off Site ATM GİRNE**

Atakara Market  
Ankara Caddesi  
Alsancak

### **İskele Boğaz Off Site ATM İSKELE**

Atatürk Caddesi  
Boğaz-İskele

