

**2017**  
**ANNUAL REPORT**

**tb TURKISHBANK**

**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
Nafi Türkođlu	Director
Murat Arıđ	Director
A. Melis Börteçene	Director
Nazım Hikmet, FCCA, YMM	Director
Engin Arı	Director

## **SENIOR MANAGEMENT**

M. A. Yunus Rahmiođlu	General Manager and Director
Erhan Raif, FCCA	Asst. General Manager – Operations and IT
Mustafa Kayahan	Asst. General Manager – Loans, Human Resources, Project Management , Budget, Strategic Planning, Product Development
Mustafa Biçerciođlu	Asst. General Manager – Financial and Administrative Affairs
Erol Alakoç	Asst. General Manager – Retail Banking

## **INTERNAL CONTROL SYSTEMS**

Ufuk Türkan	Head of Internal Audit and Internal Control
Nazlı Erk Cellatođlu	Deputy Head of Risk Management
Alper Adakale	Deputy Head of Regulations and Compliance

## **AUDITORS**

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

### **BOARD OF DIRECTORS**

I. Hakan Brteęene	Chairman
R.W. Long	Director and Head of Audit Committee
S. Betteridge	Director and Head of Risk Committee
A.A. Doherty	Director and C.O.O
j.Gillan	Director
M. Arıę	Director
M.A. Yunus Rahmioęlu	Director

### **AUDITORS**

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

### **BOARD OF DIRECTORS**

I. Hakan Brteęene	Chairman
M.A. Yunus Rahmioęlu	Vice - Chairman
C. Yenal Musannıf, FCA	Director and Head of Risk Committee
Kıvanę M. Rıza	Director
Murat Arıę	Director
Engin Arı	Director and General Manager

### **COMPANY SECRETARY**

Mustafa Kayahan

### **AUDITORS**

ERDAL & CO.	Chartered Accountants
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# TURKISH BANK LIMITED

## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the annual general meeting of the Turkish Bank Ltd. will be held at the Registered Office, 92 Kyrenia Street, Nicosia on Thursday 26 April 2018 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, 2017 together with Profit and Loss Account of the Bank and of the Group for the year 2017 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:

İ. Hakan Börteçene,  
C. Yenal Musannıf,  
Kıvanç M. Rıza,  
M.A. Yunus Rahmiođlu,  
Nafi Türkođlu,  
Murat Arıđ,  
A. Melis Börteçene,  
Nazım Hikmet,  
Engin Arı

- 4) To decide the remuneration of Board of Directors.
- 5) To authorize 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, 18 April 2018

# TURKISH BANK LIMITED

## DIRECTORS' REPORT

The Directors are pleased to submit their report together with Auditors' Report, balance sheet at 31 December 2017 and profit and loss account for the year 2017.

In 2017 the bank continued to maintain its effort on institutionalization. On the basis of its strategic vision it updated its strategic plan starting clearly the targets and the methods to achieve them. In light of these targets the performance of the branches and departments were measured using key performance indicators.

The specialization process of our branches and departments in Retail and Corporate Banking continues. To this effect, intensive efforts continue, especially in the branches, to decrease the operational burden to enable the focus on customer satisfaction and sales at the optimal level,

In terms of international relations 2017 was a turning point for the bank. Longstanding work resulted in the signing of a Trade Facilitation Program agreement with the European Bank For Reconstruction Development (EBRD) for EUR 5 million. In addition to customers utilizing this limit a revolving credit agreement for EUR 500 thousand was also signed with the EBRD in December. Discussion relating to the a currency swap limit is still ongoing.

Turkish Bank, in addition to providing banking services to satisfy the financial needs of the society, funding is also being provided for important development projects. Turkish Bank was the first local bank to provide E-banking, ATM, credit card, debit card, prepaid card, and long-term mortgage loan products to its customers. Temenos T24 core banking package used by the bank since 2009 meets international standards and 600 banks in the world. In line with our strategy regularly update the software package, a successful upgrade to the R17 version was done on the evening of April 13, 2018.

Following the decision taken at the Extraordinary General Meeting held on 27 April 2017 a 5% bonus share issue was distributed and paid-up capital of the bank increased to TL81,072,525 in 2017. With the change in the subsidiary valuation policy to the equity method, based on the fair value assessment, shareholders' funds increased to TL177,574,784.

As a result of the positive trend realized in operational profit, year-end net profit of TL 4.08 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 1,107,266 the Board of Directors recommend that the net profit of the year 2017 TL 4,087,842, plus retained earnings carried forward from previous years TL 5,804,765 totaling appropriated as follows:

Transfer to Statutory Reserve	TL 409,000
Transfer to Retained Earnings	TL 5,395,765

Approved by the Board of Directors and signed on 18 April 2018.

Kıvanç M. Rıza  
Secretary Nicosia,  
18 April 2018

# **TURKISH BANK LIMITED**

## **DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS**

As per the Banking Law and the 'Uniform Chart of Accounts for Banks' Decree issued by the TRNC Central Bank 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 implementation methods as stated in the Decree.

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

Signed on behalf of the Board of Directors,

İ. Hakan BÖRTEÇENE  
Chairman

Kıvanç M. RİZA  
Director and Secretary

M.A.Yunus RAHMİOĞLU  
General Manager and Director

Nicosia, 18 April 2018

# TURKISH BANK LIMITED

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

Departments of Internal Audit & Internal Control, Regulations & Compliance and Risk Management units constitute the Bank's Internal Systems in accordance with the regulations published by the Central Bank of Turkish Republic of Northern Cyprus. The three units of the Internal Systems have independent organizational structures, well defined duties and responsibilities covering all the branches, operation centers and subsidiary unit in Northern Cyprus. The operations of the units are overseen by the Board Member Responsible for Internal Systems and Units submit their reports to the Board through him.

The aim of the Internal Systems is to ensure that the business strategy and policies of the Board and other internal regulations and procedures and legal requirements in place are adhered to and are carried out properly. Units also identify, monitor, analyze, asses and report on the risks that could have a negative impact, on the bank's daily operations, growth and profitability targets, financial stability, creditability and reputation. Overseeing the production of reliable and timely reports is also part of their duties and responsibilities.

### **The Internal Audit & Internal Control Department :**

The Internal Audit & Internal Control Department carries out the internal audit and internal control functions reporting to the Board Member Responsible for Internal Systems. The scope of the Department's duties covers all the branches, operation centers, the local subsidiary company, the Regulations & Compliance and the Risk Management units. On a risk based approach, the Department ensures that the business activities and operations covering all the branches and operation centers are in line with the Banks' strategy, principles, policies and set objectives.

The audit plan of the year 2017 which was prepared on a risk based analysis and assessment of the functions and the operations of the Bank included 8 branches, 5 departments and 3 function audits and was successfully implemented with two authorized amendments to the plan.

The United Kingdom subsidiary Turkish Bank (UK) Ltd. is under the supervision of the Financial Conduct Authority as well as the Prudential Regulation Authority and is annually audited by external auditors KPMG LLP, an international Chartered Accountants firm. The Bank and our local subsidiary are audited by our statutory local auditors Erdal & Co. The Bank's consolidated annual financial reports prepared under IFRS standards are further audited by KPMG Istanbul.

The Internal Control Unit of the Department ensures that the business strategy and policies put in place by the Board are abided by and operations are implemented in accordance with the internal and external regulations and procedures. The Unit plays an essential role in controlling the 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 form part of the Unit's duties and responsibilities.

The Internal Audit & Internal Control Department carried out its set program 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. As a result of the audit and control functions carried out during the year 2017 no major weaknesses were encountered that could disrupt the operations of the Bank or in meeting its obligations. The operations of the Bank in general carry an acceptable level of risk and operations and procedures are in line with internal and external regulations. It is fair to conclude that the function of internal audit and internal control, with a risk based approach, adequate human resources and able management was effective in examining and reporting the risks faced by the Bank.



## **Regulations and Compliance Unit:**

The Regulations and Compliance Unit is an essential part of the Internal Systems of the Bank in ensuring that the business strategy and policies put in place by the Board, are abided by and operations and procedures are implemented efficiently, in accordance with best banking practice and are in line with the internal and external regulations.

The Central Bank requires that the Unit must participate in the development of new products and services to ensure that they are in accordance with the internal and external regulations and Banks' strategy and policies. The Unit is also obliged and expected to provide all the relevant information under its responsibility as and when required by the Central Bank. Personnel are kept informed by the Unit about the changes in the internal policies and procedures and as regards new regulations and reporting requirements introduced by the Central Bank.

Overseeing proper implementation of Anti Money Laundering procedures and legal requirements at all levels of operations is another major role and responsibility of the Unit. During the year Customer Acceptance Committee procedures and criterion were revised to further increase the effectiveness of the scrutiny of business proposals. Establishing new relationships and account openings relating to probable high risk customers are subject to the Committee approval.

As part of the Anti Money Laundering policy and procedures all new customers are controlled against international and local sanction lists using the Paygate system. Scrutiny of the existing customer accounts are carried out on a monthly basis. Daily transactions specially outgoing and incoming payment orders are automatically scrutinised for possible link to names involved with money laundering and in the finance of terrorism. All suspicious transactions are dealt with as required by law. Sanction lists are updated regularly by following the relevant local and international news and developments.

All cash deposits and withdrawals, incoming and outgoing payment orders above EUR10,000.- and new account openings are authorized on a real time basis. New customer accounts, all the reversed transactions and any withdrawals from inactive deposit accounts are controlled by the Unit. Any unusual amounts being credited to a business account through credit or cash card transaction are also subjected to scrutiny.

The Unit has established procedures and control systems to follow and assure that all the official obligations are met and returns are made on a timely basis. All the daily, weekly, monthly and annual returns that are prepared by the Financial Reporting Unit are scrutinized for any inadvertent errors before being dispatched to the relevant official office.

The Bank's web-site is updated on a regular basis, similarly web-site of the Central Bank is monitored frequently and relevant developments are brought to the attention of the management. Any new instructions and procedures required are prepared for approval before being distributed to the branches and operating centers.

Through the operations and controls carried out by the Regulations and Compliance Unit the risks inherent in the nature of banking transactions and activities were managed effectively. The reports prepared by the Unit also contributed positively to the Senior Management decision making process to improve the effectiveness of the internal control systems.

## **Risk Management Unit:**

The Bank through the Risk Management Unit, Management Risk Committee and Board Risk Committee oversees risk management, sets the risk appetite and tolerance limits, internal control policies, administrative and reporting procedures based on a prudent risk reward relationship. The Unit's task is to identify, measure and monitor emerging risks relating to funds flow and banking activities and report its findings to the Board through the Board Member responsible for Internal Systems. The Unit established on 1 June 2009 also strive to further increase risk awareness as a corporate culture within the organization.

The Bank's activities expose it to a number of risks such as credit, liquidity, market, interest rate, currency, operations, regulations and reputation. The Risk Management Unit utilizes the set quantifiable risk appetite and tolerance limits, financial analysis and reporting procedures to produce the reports required by the Banking Authority and the management relating to the balance sheet, profit and loss account, loans and other assets. In addition ratios on capital adequacy, liquidity and gap analysis of the interest bearing assets and liabilities form some of the other elements of the reporting package. The loans portfolio is under constant monitoring for any adverse developments and potential problem areas, for risk concentration and for the adequacy of the collaterals obtained. As part of the liquidity risk management process the liquidity coverage and the net stable funding ratios are regularly measured and reported. The Unit also prepares quarterly liquidity stress tests reports based on the analysis of the behavior expectations of the core deposit holders of the bank.

In accordance with central bank regulations the risk matrix assessment exercise is carried out to assess the various internal control measures in place and other risk exposure levels of the Bank. As part of the exercise main activities, functions and risk weighted assets and values exposed to risk are determined and capital requirements are estimated. Year end figures are further analyzed and scored using the pre determined internal risk evaluation criteria. Following the Board's scrutiny and approval, the risk matrix assessment report is forwarded to the Central Bank.

The Internal Systems Units will continue their activities in a professional manner and in accordance with external regulations, plans and policies set by the Board and top management. Activities and findings of the Units will be reported to the management and the Board through the Board Member Responsible for Internal Systems. Implementation of the remedial measures and actions to improve effectiveness of the internal systems, efficiency of operations and quality of services will be followed diligently.

C. Yenil Musannif

Board Member Responsible for Internal Systems.

**INDEPENDENT AUDITORS' REPORT FOR THE ACCOUNTING PERIOD 1 JANUARY 2017- 31  
DECEMBER 2017**

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 applicable auditing principles. Those principles require the assessment of the operation, appropriateness and presence of effective internal systems established and being adequately used by the bank and the use and effectiveness of internal control systems. We plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessment of the accounting principles used, significant accounting estimates made by the board of directors and the overall presentation of the financial statements. We believe that our audit provides reasonable basis for our opinion.

**Opinion in accordance with the 62/2017 Banking Law**

In our opinion, with all material respects, the financial statements is in accordance with the Financial Records and Reporting section of the Banking Law No: 62/2017 and as explained in Note I (14), is in accordance with the provisions of the Law. The internal systems and internal control processes have been reviewed, and as stated under Note I (14), are in accordance with the regulation.

**Opinion in Accordance with the 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, proper books of account, have been kept by the bank, so far as appears from our examination of those books. The bank's balance sheet and profit and loss account dealt with by the report are in agreement with the books of account.

In our opinion and to the best of our information and according to the explanations given to us, the accounts give the information required by Chapter 113, the Companies Law in the manner so required and, with all material respects, give a true and fair view in the case of the Balance Sheet, of the state of the Bank's affairs as at 31 December 2017 and in the case of the Profit and Loss account, of the profit for the year 2017.

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

Responsible Partner

Erdal & Co.

Hüseyin Erdal FCA

Firuz Fehmi BA (Hons) FCA

Eral Erdal BSc (Hons) FCA

Nicosia, 18 April 2018

Independent Auditors Authorised by the Central Bank

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**TURKISH BANK LIMITED**  
**PROFIT AND LOSS ACCOUNT FOR THE YEAR 2017**

	NOTE	CURRENT PERIOD PREVIOUS PERIOD	
		TL	
		(31/12/17)	(31/12/16)
<b>I - INTEREST INCOME</b>	(1)	47,338,640	44,908,172
A. Interest income from loans		28,525,183	30,885,028
1) Interest income from TL loans		23,624,356	21,084,738
a - Short term		15,951,489	14,537,650
b - Medium and long term		7,772,867	6,547,088
2) Interest income from foreign currency loans		4,613,355	9,625,679
a - Short term		1,251,647	1,289,425
b - Medium and long term		3,361,708	8,336,154
3) Interest income from loans in arrears		287,472	174,711
B. Interest income from reserve deposits at the Central Bank		697,341	616,534
C. Interest income received from banks		10,451,287	5,310,478
1) TRNC Central Bank		1,412,748	1,305,829
2) Domestic banks		777,876	465,851
3) Foreign banks		8,260,663	3,538,798
4) Interest income from reverse repos		0	0
D. Interest income from securities portfolio		7,684,829	8,096,132
1) TRNC Development Bank securities		78,727	66,687
2) Other securities		7,585,102	8,029,445
E. Other interest income	(3)	0	0
<b>II - INTEREST EXPENSES</b>	(1)	24,499,026	22,868,741
A. Interest expense payable to deposits		14,516,833	12,442,190
1) Saving deposits		13,180,382	11,464,869
2) Official deposits		3,947	2,369
3) Commercial deposits		1,031,707	744,679
4) Other institution deposits		300,797	230,253
5) Bank deposits		0	0
B. Interest expense payable to foreign currency deposits		8,243,937	8,876,068
1) Saving deposits		6,678,397	7,327,428
2) Official deposits		40	55
3) Commercial deposits		1,525,317	1,512,680
4) Other institution deposits		10,287	11,257
5) Bank deposits		31,916	24,648
6) Gold reserve accounts		0	0
C. Repo Interest Expense		504,694	528,467
D. Interest expense payable on borrowings		1,231,212	1,016,043
1) TRNC Central Bank		0	0
2) Domestic banks		0	70,582
3) Foreign banks		0	0
4) Other institutions		1,231,212	945,461
E. Interest on debentures and securities issued		0	0
F. Other interest expense	(3)	2,350	5,973
<b>III - NET INTEREST INCOME [ I - II ]</b>		22,839,614	22,039,431
<b>IV - OTHER INCOME</b>	(1)	341,764,165	344,038,143
A. Fees and commissions received		6,594,834	6,519,222
1) From cash loans		624,799	654,791
2) From non-cash loans		287,101	396,145
3) Other		5,682,934	5,468,286
B. Profit from capital market operations		59,281	68,478
C. Foreign exchange profits		332,573,228	334,002,989
D. Dividends received from subsidiaries and participations		730,368	645,958
E. Extraordinary income		0	0
F. Other non-interest income	(3)	1,806,454	2,801,496
<b>V - OTHER OPERATING EXPENSES</b>	(1)	359,408,671	360,091,760
A. Fees and commissions paid		3,040,835	2,617,060
1) On cash loans		0	0
2) On non-cash loans		0	0
3) Other		3,040,835	2,617,060
B. Loss on capital market operations		0	0
C. Foreign exchange losses		328,147,195	331,437,504
D. Personnel expenses		14,255,381	12,345,379
E. Retirement pay compensation		0	0
F. Rental expenses		1,357,038	1,185,920
G. Depreciation		1,646,520	1,625,862
H. Taxes and duties		40,696	281,814
I. Extraordinary expenses		0	0
J. Provision for doubtful debts	(2)	1,988,640	1,517,434
K. Other provisions	(2)	934,749	1,125,796
L. Other non-interest expenses	(3)	7,969,637	7,994,971
<b>VI - NET OTHER INCOME [ IV - V ]</b>		(17,644,506)	(18,053,617)
<b>VII - PROFIT BEFORE TAXATION [ III + VI ]</b>		5,195,108	5,985,814
<b>VIII - TAXATION</b>		1,107,266	1,377,627
<b>IX - NET PROFIT AFTER TAXATION [ VII - VIII ]</b>		4,087,842	4,608,187

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 18 April 2018.

I. Hakan Bortaçens  
Chairman

Kivanc M. Rıza  
Director and Secretary

M. A. Yunus Rehmioglu  
General Manager and Director

**TURKISH BANK LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 2017**

ASSETS	NOTE	CURRENT PERIOD ( 31/12/2017)			PREVIOUS PERIOD ( 31/12/2016) Restated		
		TL	FX	TOTAL	TL	FX	TOTAL
<b>I - CASH BALANCES</b>		4,170,487	4,128,022	8,298,509	4,085,815	3,801,247	7,887,062
A. Cash-TL balances		4,170,487	0	4,170,487	4,085,815	0	4,085,815
B. Cash-foreign exchange		0	4,128,022	4,128,022	0	3,801,247	3,801,247
C. Other liquid assets		0	0	0	0	0	0
<b>II - BANK BALANCES</b>	(1)	60,648,116	426,814,109	487,462,225	74,635,968	312,415,208	387,051,176
A. TRNC Central Bank		11,860,258	213,719,948	225,580,206	25,192,900	109,913,949	135,106,849
B. Other Banks		48,787,858	213,094,161	261,882,019	49,443,068	202,501,259	251,944,327
1) Domestic Banks		0	0	0	0	43,805,320	43,805,320
2) Foreign Banks		48,787,858	213,094,161	261,882,019	49,443,068	158,695,939	208,139,007
3) Reverse Repo Receivables		0	0	0	0	0	0
<b>III - SECURITIES PORTFOLIO (N)</b>	(2)	43,995,445	67,040,276	111,035,721	13,569,555	40,296,391	53,865,946
A. Treasury Bills		0	0	0	0	0	0
B. Other bills		43,995,445	4,490,900	48,486,345	13,569,555	0	13,569,555
C. Equity shares		0	0	0	0	0	0
D. Other securities		0	62,549,376	62,549,376	0	40,296,391	40,296,391
<b>IV - LOANS AND ADVANCES</b>	(3)	150,013,387	81,594,635	231,608,022	156,557,249	155,665,760	312,223,009
A. Short term		108,514,602	35,025,044	143,539,646	112,718,995	14,796,514	127,515,509
B. Medium and long term		41,498,785	46,569,591	88,068,376	43,838,254	140,869,246	184,707,500
<b>V - LOANS IN ARREARS (NET)</b>	(4)	0	0	0	0	0	0
A. Loans and other receivables with limited		0	0	0	0	0	0
1) Gross receivable balances		131,494	57,251	188,745	57,582	97,974	155,556
2) Specific provision Doubtful debts and other		(131,494)	(57,251)	(188,745)	(57,582)	(97,974)	(155,556)
B. receivables (Net)		0	0	0	0	0	0
1) Gross receivable balances		139,615	499,078	638,693	72,612	652,268	724,880
2) Specific provision		(139,615)	(499,078)	(638,693)	(72,612)	(652,268)	(724,880)
C. Bad debts and receivables (Net)		0	0	0	0	0	0
1) Gross receivable balances		1,717,557	2,222,608	3,940,165	1,000,382	1,450,153	2,450,535
2) Specific provision		(1,717,557)	(2,222,608)	(3,940,165)	(1,000,382)	(1,450,153)	(2,450,535)
<b>VI - PREPAYMENTS AND ACCRUED INCOME</b>		2,940,187	1,893,147	4,833,334	2,738,111	3,001,906	5,740,017
A. Loans and advances		688,739	871,045	1,559,784	478,749	2,285,109	2,743,858
B. Securities portfolio		1,130,608	842,332	1,972,940	1,019,307	674,165	1,693,472
C. Other		1,120,840	179,770	1,300,610	1,240,055	62,632	1,302,687
<b>VII - FINANCIAL LEASING RECEIVABLES (NET)</b>		0	0	0	0	0	0
A. Financial leasing receivables		0	0	0	0	0	0
B. Unearned income		0	0	0	0	0	0
<b>VIII - RESERVE DEPOSITS AT THE CENTRAL BANK</b>		21,621,900	48,067,759	69,689,659	18,369,991	41,201,229	59,571,220
<b>IX - SUNDRY RECEIVABLES</b>	(5)	214,928	2,557,195	2,772,123	113,083	2,355,660	2,468,743
<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)	6,012,495	112,317,094	118,329,589	5,103,491	90,495,066	95,598,557
A. Financial subsidiaries		6,012,495	112,317,094	118,329,589	5,103,491	90,495,066	95,598,557
B. Other subsidiaries		0	0	0	0	0	0
<b>XII - LONG TERM INVESTMENTS</b>	(7)	787,654	41,784,416	42,572,070	37,380,436	39,204,172	76,584,608
A. Equity shares		45,355	0	45,355	45,355	0	45,355
B. Other pledged securities		742,299	41,784,416	42,526,715	37,335,081	39,204,172	76,539,253
<b>XIII FIXED ASSETS</b>	(8)	5,883,436	0	5,883,436	6,046,482	0	6,046,482
A. Book value		24,063,858	0	24,063,858	22,751,696	0	22,751,696
B. Accumulated depreciation		(18,180,422)	0	(18,180,422)	(16,705,214)	0	(16,705,214)
<b>XIV OTHER ASSETS</b>	(9)	686,855	653,558	1,340,413	704,333	429,720	1,134,053
<b>TOTAL ASSETS</b>	(19)	296,974,890	786,850,211	1,083,825,101	319,304,514	688,866,359	1,008,170,873

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 18 April 2018.

I. Hakan Börtçeçene  
Chairman

Kıvanç M. Rıza  
Secretary and Director

M. A. Yunus Rahmioğlu  
General Manager and Director

**TURKISH BANK LIMITED**  
**BALANCE SHEET AT 31 DECEMBER 2017**

LIABILITIES	NOTE	CURRENT PERIOD (31/12/2017)			PREVIOUS PERIOD (31/12/2016) Restated		
		TL	FX	TOTAL	TL	FX	TOTAL
<b>I - DEPOSITS</b>	(10)	263,832,399	607,134,523	870,966,922	230,274,709	572,664,128	802,938,837
A. Saving deposits		226,672,317	516,392,210	743,064,527	200,496,415	453,540,837	654,037,252
B. Official deposits		1,605,406	71,957	1,677,363	2,453,572	96,761	2,550,333
C. Commerical deposits		27,638,944	88,055,663	115,694,607	22,042,180	117,085,659	139,127,839
D. Other institution deposits		7,887,765	2,486,153	10,373,918	5,243,227	1,827,092	7,070,319
E. Bank deposits		27,967	128,540	156,507	39,315	113,779	153,094
F. Gold reserve accounts		0	0	0	0	0	0
<b>II - FUNDS OBTAINED FROM REPOS</b>	(11)	543,020	0	543,020	18,231,101	0	19,231,101
<b>III - FUNDS BORROWED</b>	(12)	0	18,750,000	18,750,000	0	17,545,000	17,545,000
A. TRNC Central Bank		0	0	0	0	0	0
B. Other funds borrowed		0	18,750,000	18,750,000	0	17,545,000	17,545,000
1) Domestic bank and institutions		0	0	0	0	0	0
2) Foreign bank and institutions		0	0	0	0	0	0
3) Capital loans		0	18,750,000	18,750,000	0	17,545,000	17,545,000
<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>		1,046,517	2,133,475	3,179,992	1,002,584	2,411,690	3,414,274
A. Deposits		415,222	749,876	1,165,098	298,878	1,010,901	1,309,779
B. Borrowed funds		0	0	0	0	0	0
C. Other		631,295	1,383,599	2,014,894	703,706	1,400,789	2,104,495
<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 PAYABLE</b>		1,139,662	130,340	1,270,002	916,504	118,227	1,034,731
<b>IX - IMPORT TRANSFER ACCOUNTS</b>		0	0	0	0	0	0
<b>X - SUNDRY LIABILITIES</b>	(15)	517,841	299,641	817,482	331,803	273,422	605,225
<b>XI - PROVISIONS</b>		2,590,396	3,292,753	5,883,149	2,831,102	3,348,259	6,179,361
A. Retirement pay compensation		0	0	0	0	0	0
B. General provision for loans		2,253,028	3,292,753	5,545,781	1,783,161	3,348,259	5,131,420
C. Corporation and Income Tax provisions		0	0	0	760,397	0	760,397
D. Other provisions		337,368	0	337,368	287,544	0	287,544
<b>XII - OTHER LIABILITIES</b>	(16)	3,102,313	1,737,437	4,839,750	2,709,707	3,136,525	5,846,232
<b>XIII - SHAREHOLDERS' FUNDS</b>	(17)	86,699,721	85,070,298	171,770,019	82,089,350	63,248,271	145,337,621
A. Share capital paid-up		81,072,525	0	81,072,525	77,211,336	0	77,211,336
1) Nominal share capital		81,072,525	0	81,072,525	77,211,336	0	77,211,336
2) Unpaid share capital		0	0	0	0	0	0
B. Statutory reserves		4,422,000	0	4,422,000	3,961,000	0	3,961,000
1) Statutory reserves		4,422,000	0	4,422,000	3,961,000	0	3,961,000
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)	1,205,196	85,070,298	86,275,494	917,014	63,248,271	64,165,285
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>		5,804,765	0	5,804,765	6,038,491	0	6,038,491
A. Current period profit		4,087,842	0	4,087,842	4,608,187	0	4,608,187
B. Previous period profits		1,716,923	0	1,716,923	1,430,304	0	1,430,304
<b>TOTAL LIABILITIES</b>	(19)	365,276,634	718,548,467	1,083,825,101	345,425,351	662,745,522	1,008,170,873
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>	(1)						
<b>I - GUARANTEES AND ACCEPTANCES</b>	(2)	2,626,680	5,801,484	8,428,164	4,601,299	12,160,359	16,761,658
<b>II - COMMITMENTS</b>	(3)	148,271,540	133,005,353	281,276,893	114,346,665	74,201,354	188,548,019
<b>III - FOREX &amp; INTEREST RATES OPERATIONS</b>	(4)	40,990,721	301,023,529	342,014,250	0	194,784,549	194,784,549
<b>ASSETS HELD UNDER TRUST AND PLEDGED</b>							
<b>IV - ASSETS</b>		133,164,323	174,540,079	307,704,402	130,323,680	223,946,210	354,269,890
<b>TOTAL</b>		325,053,264	614,370,445	939,423,709	249,271,644	505,092,472	754,364,116

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 18 April 2018.

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 2017**

		CURRENT PERIOD TL (31/12/2017)	PREVIOUS PERIOD TL (31/12/2016) Restated
<b>ASSETS</b>			
I- CASH BALANCES	NOTE	347,480,117	269,286,200
II- BANK BALANCES		485,593,069	570,263,685
III- SECURITIES PORTFOLIO	I-(6)	115,142,817	58,172,635
IV- LOANS AND ADVANCES	I-(1)(ii)e	722,274,395	622,008,464
A. Short term		219,536,405	194,264,028
B. Medium and long term		502,737,990	427,744,436
V- LOANS IN ARREARS (NET)		9,463,462	5,345,640
A. Gross receivable balances		14,913,895	9,530,189
B. Specific provision		(5,450,433)	(4,184,549)
VI- DERIVATIVE FINANCIAL INSTRUMENT - ASSET VALUES		0	0
VII- PREPAYMENTS AND ACCRUED INCOME		4,889,933	5,782,608
VIII- RESERVE DEPOSITS AT THE CENTRAL BANK		69,689,659	59,571,220
IX- SUNDRY RECEIVABLES		2,772,123	2,468,743
X- LONG TERM INVESTMENTS	I-(6)	42,572,070	76,584,608
A. Equity shares		45,355	45,355
B. Other pledged securities		42,526,715	76,539,253
XI- FIXED ASSETS	I-(1)(ii)h, II-i-(8)a(ii)	54,397,823	40,376,486
A. Book value		88,138,215	78,257,130
B. Accumulated depreciation		(33,740,392)	(37,880,644)
XII- INTANGIBLE FIXED ASSETS	I-(1)(ii)i, II-i-(8)a(iii)	7,379,622	2,590,911
XIII- GOODWILL ON CONSOLIDATION		0	0
XIV- OTHER ASSETS		15,195,609	4,377,402
<b>TOTAL ASSETS</b>	II-ii-(19)e(ii)	<b>1,876,850,699</b>	<b>1,716,828,602</b>
<b>LIABILITIES</b>			
I- DEPOSITS		1,618,963,338	1,476,439,800
A. Savings deposits and other customer accounts		1,603,781,935	1,461,976,028
B. Banks deposits		15,181,403	14,463,772
II- FUNDS DERIVED FROM REPO TRANSACTIONS		543,020	19,231,101
III- BORROWINGS		18,750,000	17,545,000
IV- DERIVATIVE FINANCIAL INSTRUMENT - LIABILITIES VALUES		0	0
V- EXPENSE ACCRUALS AND DEFERRED INCOME		3,179,970	3,413,905
VI- TAXES, DUTIES AND SOCIAL SECURITY PREMIUMS PAYABLE		1,675,463	1,336,357
VII- SUNDRY PAYABLES		1,418,739	1,208,120
VIII- PROVISIONS		12,432,953	10,286,213
A. General provision for loans		5,545,781	5,131,420
B. Corporation and Income Tax provisions	II-ii-(19)e(iii)	5,296,736	4,006,973
C. Other provisions		1,590,436	1,147,820
IX- OTHER LIABILITIES		14,109,112	13,020,863
X- MINORITY INTEREST	II-ii-(19)e(iv)	28,203,320	22,971,131
XI- SHAREHOLDERS' FUNDS	II-ii-(19)e(v)	177,574,784	151,376,112
A. Share capital-paid	II-ii-(17)a	81,072,525	77,211,336
B. Statutory reserves		4,422,000	3,961,000
C. Securities and Real Estate Revaluation Reserves		27,182,532	18,217,566
D. Consolidation Reserve		23,284,784	15,814,785
E. Profit and Loss Account		41,612,943	36,171,425
<b>TOTAL LIABILITIES</b>	II-ii-(19)e(ii)	<b>1,876,850,699</b>	<b>1,716,828,602</b>
<b>COMMITMENTS AND CONTINGENT LIABILITIES</b>			
I- GUARANTEES AND ACCEPTANCES		8,425,664	16,768,268
II- COMMITMENTS		1,843,077,056	1,482,113,031
III- FOREIGN EXCHANGE AND INTEREST RATES OPERATIONS		351,179,346	194,784,549
IV- ASSETS HELD UNDER TRUST AND PLEDGED ASSETS		307,704,402	354,269,890
<b>TOTAL</b>		<b>2,510,386,468</b>	<b>2,047,935,738</b>

These financial statements were approved by the Board of Directors and signed on behalf of the Board Directors on 18 April 2018.

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 2017**

		CURRENT PERIOD TL ( 31/12/2017)	PREVIOUS PERIOD TL ( 31/12/2016) Restated
<b>I - INTEREST INCOME</b>	I-(1)(ii)c	77,809,189	68,617,881
<b>II - INTEREST EXPENSE</b>		30,646,316	29,814,036
<b>III - NET INTEREST INCOME</b>		47,162,873	38,803,845
<b>IV - OTHER INCOME</b>		351,039,489	356,534,175
Commission and fee income	I-(1)(ii)c	13,154,379	12,515,315
Profits from capital market operations		59,281	4,271,703
Foreign exchange profits		333,921,232	335,243,557
Other non-interest income		1,643,247	2,634,237
Insurance business income		2,261,350	1,869,363
<b>V - OTHER OPERATING EXPENSES</b>		391,187,930	385,150,357
Fees and commissions paid		4,052,435	3,295,510
Loss on capital market operations		0	0
Foreign exchange losses		328,423,810	331,665,474
Personnel expenses		29,535,598	24,354,305
Depreciation	I-(1)(ii)h	4,343,134	3,823,292
Provision for doubtful debts	I-(1)(ii)e	2,032,162	1,517,434
Other provisions		934,749	1,125,796
Other non-interest expenses		21,866,042	19,368,546
<b>VI - NET OTHER INCOME</b>		(40,148,441)	(28,616,182)
<b>VII - NET PROFIT BEFORE TAXATION</b>	III-(4)	7,014,432	10,187,663
<b>VIII- TAXATION</b>	II-ii-(19)e(iii)	1,480,601	2,560,544
<b>IX - NET PROFIT AFTER TAXATION</b>		5,533,831	7,627,119
<b>X- MINORITY INTERESTS</b>	II-ii-(19)e(iv)	934,378	1,013,220
<b>PROFIT ATTRIBUTABLE TO THE BANK</b>			
<b>XI- SHAREHOLDERS</b>	II-ii-(19)e(v)	4,599,453	6,613,899

These financial statements were approved by the Board of Directors and signed on behalf of the Board of Directors on 18 April 2018.

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 in Turkish Lira)

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

(1) (i) Date of approval of the balance sheet by the board is 18 April 2018.

(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 2017 are presented comparatively with the audited balances as at 31 December 2016.

#### **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 2017. 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 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 recognized 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 2017. 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 providing provisions against loans and other assets issued under 39/2001 Banking Law. In accordance with this Decree and based on the principle 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.

## TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are in Turkish Lira)

#### 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 % (2016-%23.5).

Turkish Bank (U.K) pays 19.75% (2016-20%) corporation tax on their taxable income.

#### 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 capitalized 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; Assets 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 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 under 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 3 clauses 18,19 and 20 of the Banking Law 62/2017 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, safe deposit boxes, insurance and any other banking business permissible by the TRNC Central Bank and under the Banking 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 Bank's liquidity, credit and market risks. The bank trades these instruments on account and on behalf of its customers.

Financial instruments form the bulk of the bank's business and operations. These instruments cause 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 bank's 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 items 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 in Turkish Lira)

**(3) Changes in the accounting policies:**

There have been no changes in the accounting policies

**(4) The basic accounting assumptions of going concern, accrual basis and consistency 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 carried out 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 recognized directly in shareholders equity until the security is disposed off or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Foreign exchange gains and losses, interest recognized under the effective interest rate method and impairment losses are taken to the profit and loss account. Impairment losses are recognized 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 amortized cost using the effective interest method less any impairment, with revenue recognized 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 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 3.75000	Previous Period 3.50900
<b>US Dollar:</b>		
<b><u>Preceding the Balance Sheet date:</u></b>		
1. Day bid rate	.....3.74900TL .....	3.51700TL....
2. Day bid rate	.....3.79200TL .....	3.52700TL....
3. Day bid rate	.....3.77400TL.....	3.50800TL....
4. Day bid rate	.....3.76800TL .....	3.49600TL....
5. Day bid rate	.....3.78600TL .....	3.48600TL....

	Current Period 5.05800	Previous Period 4.31100
<b>GBP:</b>		
<b><u>Preceding the Balance Sheet date:</u></b>		
1. Day bid rate	.....5.03100TL.....	4.30300TL....
2. Day bid rate	.....5.07100TL.....	4.30100TL....
3. Day bid rate	.....5.03100TL.....	4.28700TL....
4. Day bid rate	.....5.03100TL.....	4.28700TL....
5. Day bid rate	.....5.05600TL.....	4.25800TL....

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

**Current Period: 31/12/2017**

	<u>Book Value</u>	<u>Accumulated Depreciation</u>	<u>Insurance Cover</u>
<b>Assets</b>	24,063,858	18,180,422	19,565,006
Movable property (Equipment, furniture fixtures and fittings)	15,868,288	13,526,592	10,549,420
Immovable property	8,195,570	4,653,830	9,015,586
Assets held that have to be disposed	-	-	-

**Previous Period: 31/12/2016**

	<u>Book Value</u>	<u>Accumulated Depreciation</u>	<u>Insurance Cover</u>
<b>Assets</b>	22,751,696	16,705,214	17,428,295
Movable property (Equipment, furniture fixtures and fittings)	14,633,029	12,262,897	9,173,871
Immovable property	8,118,667	4,442,317	8,254,424
Assets held that have to be disposed	-	-	-

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

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

**(11) The material events that happened after balance sheet date affecting 2017 that needs explaining:**

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

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

(Amounts unless expressed otherwise are in Thousand Turkish Lira)

(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 clearer and more understandable. Figures unless expressed otherwise are in Turkish Lira(TL)

(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>520,817</b>	<b>323,886</b>	<b>37,738</b>	<b>221,565</b>
<b>Assets (Net)</b>				
Cash Balances	8,298	0	0	0
Balances at Central Bank	119,960	0	0	0
Interbank Funds	105,620	0	0	0
Bank Balances	0	259,123	0	2,759
Securities Portfolio	69,001	18,430	0	23,604
Reserve Deposits at Central Bank	69,690	0	0	0
Reverse Repo Receivables	0	0	0	0
Loans and Advances	33,225	26	37,014	161,343
Loans in Arrears	0	0	0	0
Prepayments and Accrued Income	301	2,204	0	2,328
Participations and Subsidiaries	0	0	0	0
Long Term Investments	742	41,784	0	45
Assets Held for Resale	0	0	0	0
Fixed Assets	0	0	0	5,883
Other Assets	0	0	0	3,431
<b>Off-Balance-Sheet Items</b>				
Guarantees	0	57	429	21,845
Documentary Credits	0	0	0	0
Other Liabilities and commitments	0	0	0	0
Undertakings	113,980	1	295	
Foreign Currency and Interest Rates Operations	0	2,261	0	327
Non Risk-Weighted Accounts	0	0	0	0
<b>Total Risk-Weighted Assets</b>	<b>0</b>	<b>64,777</b>	<b>18,869</b>	<b>221,565</b>
<b>Market Risk &amp; Operational Risk</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>90,588</b>
<b>TOTAL</b>	<b>0</b>	<b>64,777</b>	<b>18,869</b>	<b>312,153</b>

**TURKISH BANK LIMITED**

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

(Amounts unless expressed otherwise are in Thousand Turkish Lira)

**b) Details of Capital and Reserves**

	<b>Current Period</b>	<b>Previous Period</b>
<b>1-Tier I Capital</b>	<b>90,618</b>	<b>86,721</b>
a. Paid-up Capital	81,073	77,211
b. Statutory Reserves	4,422	3,961
c. General Reserves	0	0
d. Profit after Tax and Retained Earnings	5,805	6,038
e. Current and Previous Years Losses (-)	0	0
<b>2-Tier II Capital</b>	<b>99,168</b>	<b>82,145</b>
a. General Provision	5,546	5,131
b. Fixed Asset Revaluation Fund	0	0
c. Inflation Adjustment Reserve	0	0
d. Participations and Subsidiaries Reserves	0	0
e. Capital Loans	7,010	10,481
f. Contingency Reserves	337	288
g. Securities Valuation Fund	86,275	66,245
<b>3-Total Capital (1+2)</b>	<b>189,786</b>	<b>168,866</b>
<b>4-Capital as Determined by Capital Adequacy Ratio Regulations</b>	<b>181,236</b>	<b>167,563</b>
<b>5-Items to be Deducted from Capital</b>	<b>119,012</b>	<b>98,167</b>
a. Investment in Participations and Subsidiaries	118,330	97,678
b. Intangible Assets	0	0
c. Formation Expenses	0	0
d. Prepaid Expenses	682	489
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>62,906</b>	<b>69,885</b>

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

	<b>TL. % Current Period</b>	<b>TL. % Previous Period</b>
Total Risk-Weighted Assets	395,799	414,544
Net Capital	62,906	69,885
Capital Adequacy Ratio (%)	<b>% 15.89</b>	<b>% 16.86</b>

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

(Amounts unless expressed otherwise are 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 Authorized to Carry Out Independent Audits of the Banks' Directive that has been published by the TRNC Central Bank.

a) The legal structure of the bank:

The bank is a public company registered under Companies Law Chapter 113 and is subject to 62/2017 Banking Law. All of its shares are listed on the Northern Cyprus 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 4.

- Erol Alakoç was appointed as the Assistant General Manager of the Retail Banking unit on 16 July 2017, replacing Çiğdem Eyyam.
- The Risk Management Manager Burcu Güvenir left this position as of 9 November 2017. Nazlı Erk Cellatoğlu was appointed as the Risk Management Manager on 19 February 2018.
- Alper Adakale was appointed as the Regulations and Compliance Manager on 22 June 2017 after the position was left by Fikriye Özdalili.
- Nevin Özkan left the position as the chairman of the Private Banking unit and was replaced by Deniz Yıldırım on 16 January 2018.

d) The qualifications of the members of the Board of Directors, senior management and the Internal Control Systems Managers of the bank is in accordance with the Internal Audit, Risk Management, Internal Control and Management Systems communiqué published under the extinct 39/2001 Banking Law, which is still applicable under the 62/2017 Banking Law.

e) The Bank has prepared its accounts in conformity with the Uniform Chart of Accounts, uniform balance sheet and statement of profit or loss, notes to the financial statements, accounting and valuation standards as prescribed by the TRNC Central Bank.

f) There have been no changes in accounting policies compared with the previous year.

g) The auditors are satisfied with the representation given by the bank management with regards to the reliability of internal control systems.

h) In foreign currencies AUD & JPY, which are not the major currencies for the Bank's operations, the Bank has a total long position of TL 150,394.

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 by the TRNC Central Bank. 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 and Internal Control, Risk Management, and Regulations and Compliance 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 & Internal Control

The planning, implementation and reporting functions of internal audit and internal control 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, in accordance to Risk Matrix in the Directive.

- The Internal Audit and Internal Control Unit reports to the Board of Directors through the Board Member Responsible for Internal Systems.

- The Bank has an effective and appropriate internal control system and internal systems are adequately utilised.

- The internal audit and internal control department consists of a chairman, four auditors and two assistant auditors. During the year, eight periodic branch audits, five department audits and three process audits were carried out.

- The 2017 Internal Audit plan consisted of the audit of Regulations and Compliance Unit. This audit was completed in the first quarter of 2017.



## **TURKISH BANK LIMITED**

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

(Amounts unless expressed otherwise are in Turkish Lira)

#### iii.Regulations &Compliance

- The Bank informed its personnel of the amendments in law, regulations and new products and services in the shortest time possible.
- Anti Money Laundering (AML) softwarepackage is being used.
- The Unit performs regular controls on daily, weekly, monthly and yearly basis.
- Anassistant manager runsactivities of the unit.As required by the Directive, the efforts to fulfill the number of personnel within the unit are continuing.
- The information systems match the scale, operations and transaction complexity and attributes of the Bank.
- The communication infrastructure and channels are being used efficiently and are being monitored.
- An Emergency and Contingency Plan is being 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.
- A manager runs activities of the unit.As required by the Directive, the efforts to fulfill the number of personnel within the unit are continuing.
- 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 and, 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 questions of the matrix survey were reviewed.
- The Unit updated six of the internal risk criterion.
- 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 used are reviewed and updated.

# TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are 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	11,860,258	108,100,148	9,192,900	90,514,449
Unpledged Deposit Balances	0	105,619,800	16,000,000	19,399,500
Pledged Balances	0	0	0	0
<b>TOTAL</b>	<b>11,860,258</b>	<b>213,719,948</b>	<b>25,192,900</b>	<b>109,913,949</b>

\* Unpledged deposits accounts consists of Interbank Money Market transactions.

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

	Unpledged Balances		Pledged Balances	
	Current Period	Previous Period	Current Period	Previous Period
Turkey	232,123,734	188,525,914	0	0
EU Countries	29,758,284	19,613,093	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>261,882,018</b>	<b>208,139,007</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>				
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 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- 17,609,376 TL of the securities portfolio balance is held for legal requirements.

#### b) Analysis of securities portfolio:

Types of Securities	Current Period		Previous Period	
	TP	FX	TP	FX
TRNC Development Bank Securities	0	17,609,376	0	14,312,391
Turkish Treasury Bills	0	0	0	0
Turkish Government Bonds	6,452,460	0	8,999,555	0
Other OECD Countries Bonds and Bills	37,542,985	4,490,900	4,570,000	0
Other Countries Bonds and Bills	0	0	0	0
Other	0	44,940,000	0	25,984,000
<b>TOPLAM</b>	<b>43,995,445</b>	<b>67,040,276</b>	<b>13,569,555</b>	<b>40,296,391</b>

Note: The "Other" line is comprised of TRNC Central Bank Bonds. The book value of the securities portfolio on the balance sheet is TL 111,035,721. As at 31.12.2017, the market value has been calculated as TL111,183,796.

#### (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	63,991	40,000	22,160	0
Loans given to corporate body shareholders	5,233	0	3,411	0
Loans given to individual shareholders	58,758	40,000	18,749	0
Indirect loans given to shareholders	16,308	14,606	40,937	0
Loans given to personnel	2,207,356	0	2,896,053	4,640

**TURKISH BANK LIMITED**

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

(Amounts unless expressed otherwise are in Turkish Lira)

**b) 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	17,426	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	40,958,287	241,551	252,562	0
Special Loans	0	0	0	0
Funded Loans	0	0	0	0
Consumer Loans	49,296,245	863,177	597,092	0
Credit Cards	3,744,009	0	134,601	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	135,236,938	0	266,134	0
<b>TOTAL</b>	<b>229,252,905</b>	<b>1,104,728</b>	<b>1,250,389</b>	<b>0</b>

**c) Loan Classification by Users:**

	Current Period	Previous Period
Public	19,699,335	32,269,874
Private	211,908,687	279,953,135
<b>TOTAL</b>	<b>231,608,022</b>	<b>312,223,009</b>

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

	Current Period	Previous Period
Domestic Loans	138,893,165	111,598,227
Overseas Loans	92,714,857	200,624,782
<b>TOTAL</b>	<b>231,608,022</b>	<b>312,223,009</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>

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

(Amounts unless expressed otherwise are in Turkish Lira)

- f) The first hundred largest cash loan customers make up 81% of the total cash loan portfolio and ten cash loan customers make up 50% of the cash loan portfolio.
- g) The first hundred largest non-cash loan customers make up 88% 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 9% of the total assets (including off-balance-sheet items) and eleven 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:**

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Other Receivables with Limited Repayment Capacity	Doubtful Debts and Other Receivables	Bad Debts and Other ve Receivables
Balances Brought Forward	155,556	724,880	2,450,535
Additions in the Year (+)	1,954,448	124,415	52,342
Transfer from Other Non-Performing Loans	0	148,237	1,755,265
Transfer to Other Non-Performing Loans	1,860,862	42,640	0
Collections in the Period (-)	60,398	316,199	254,524
Write Offs (-)	0	0	63,453
Balances at the end of Period	188,745	638,693	3,940,165
Specific provision (-)	188,745	638,693	3,940,165
<b>Net Book Value</b>	<b>0</b>	<b>0</b>	<b>0</b>

**Note:** Two non-performing credit cards totaling TL 2,190, seven reducing loans totaling TL 61,263 were written-off by Board resolution.

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

	<b>III. Group</b>	<b>IV. Group</b>	<b>V. Group</b>
	Loans and Other Receivables with Limited Repayment Capacity	Doubtful Debts and Other Receivables	Bad Debts and Other Receivables
<b>Current Period:</b>			
Balances Brought Forward	57,251	499,078	2,222,608
Specific Provision (-)	57,251	499,078	2,222,608
<b>Net Book Value</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Previous Period:</b>			
Balance Brought Forward	97,974	652,268	1,450,153
Specific Provision (-)	97,974	652,268	1,450,153
<b>Net Book Value</b>	<b>0</b>	<b>0</b>	<b>0</b>

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

(Amounts unless expressed otherwise are in Turkish Lira)

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

Security Group	Loans Given	Provision
Unsecured	432,430	432,430
Group I - Cash Security	0	0
Group II - Immovable Security	2,656,100	2,656,100
Group III - Movable Security	851,635	851,635
Group IV - Other Security	0	0

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

After giving written notice, non-performing loans are referred to bank lawyers for legal action. Legal procedures are followed up and installments are collected 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	112,317,094	92,575,123
Insurance Companies	0	0	5,998,774	5,103,491
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	399,582	134,780,525
Turkish Insurance Ltd	182 Girne Caddesi Lefkoşa TRNC	51	98	1,776,775	11,752,384

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

(Amounts unless expressed otherwise are 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 capitalizing 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	847,108	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	484,002	0
-Borrowed Funds	0	0
Securities Issued	0	0
-Interest and expense prepayments	22	0
-Financial leasing liabilities	0	0
-Other liabilities	0	0
<b>OFF-BALANCE-SHEET COMMITMENTS AND LIABILITIES</b>	2,500	0

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

**(7) Details about Long-Term Investments;**

Held-to-maturity Investments:	Current Period	Previous Period
1- Debt securities	41,819,130	58,285,968
2- Repo related items	707,586	18,253,285
3- Other: Investment in share capital	45,355	45,355
4- Provision for loss in value (-)	0	0
<b>TOTAL</b>	<b>42,572,071</b>	<b>76,584,608</b>

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

(Amounts unless expressed otherwise are 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	8,118,667	649,017	13,984,012	22,751,696
Accumulated depreciation (-)	(4,442,316)	(559,762)	(11,703,136)	(16,705,214)
Net Book Value	3,676,351	89,255	2,280,876	6,046,482
Current Period:				
Net book value at the beginning of the year	3,676,351	89,255	2,280,876	6,046,482
Purchases	76,902	422,727	983,972	1,483,601
Sales and disposals - Net (-)	0	0	(129)	(129)
Diminution in value	0	0	0	0
Depreciation charge (-)	(211,514)	(98,819)	(1,336,186)	(1,646,519)
Net Exchange differences (-)	0	0	0	0
<b>Closing Net Book Value</b>	<b>3,541,739</b>	<b>413,163</b>	<b>1,928,533</b>	<b>5,883,435</b>

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

	Immovable Property	Other Fixed Assets	Total
Balance from previous year:			
Cost	47,076,744	32,532,302	79,609,046
Accumulated depreciation (-)	-6,446,581	-27,156,585	33,603,166
Net Book Value	40,630,163	5,375,717	46,005,880
Current Period:			
Net book value at the beginning of the year	40,630,163	5,375,717	46,005,880
Purchases	76,903	3,310,306	3,387,209
Sales and disposals - Net (-)	-130,694	-129	130,823
Diminution in value	8,760,456	0	8,760,456
Depreciation charge (-)	-1,138,619	-2,486,280	3,624,899
<b>Closing Net Book Value</b>	<b>48,198,209</b>	<b>6,199,614</b>	<b>54,397,823</b>



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

(Amounts unless expressed otherwise are in Turkish Lira)

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

	TOTAL
Previous Period:	
Cost	12,493,260
Accumulated Depreciation (-)	-9,453,402
Net Book Value	3,039,858
Current Period:	
Beginning Net Book Value	3,039,858
Purchases	5,058,000
Disposals-Net Value(-)	0
Statutory Valuation	0
Depreciation	-718,236
<b>Closing Net Book Value</b>	<b>7,379,622</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	389,309
VISA Membership Cost	146,684
Insurance Expenses	105,980
Rent	3,471
Other Expenses	36,758
<b>Total</b>	<b>682,202</b>

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

(Amounts unless expressed otherwise are in Turkish Lira)

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

#### (10) Breakdown of Deposits

##### a) Details of Deposits Analyzed 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	39,296,348	0	28,213,812	153,062,456	2,023,713	987,534	162,516
2) Official, Commercial and Other Institutions Deposits	23,169,549	0	3,513,112	10,383,385	18,695	39,518	760
3) Foreign Currency Savings	54,302,616	0	48,381,302	316,816,631	21,184,755	27,295,651	6,327,499
4) Foreign Currency Official, Commercial and Other institutions Deposits	19,093,483	0	5,365,502	17,901,989	41,433,414	6,796,394	0
<b>Non-Resident Accounts</b>							
1) Savings Accounts	723,030	0	535,588	1,585,145	7,279	64,823	10,074
2) Official, Commercial and Other Institutions Deposits	7,096	0	0	0	0	0	0
3) Foreign Currency Savings	2,958,948	0	4,319,293	19,648,905	7,036,253	6,863,589	1,256,767
4) Foreign Currency Official, Commercial	22,992	0	0	0	0	0	0
<b>Banks Deposit</b>							
Local Banks	109,144	0	0	0	0	0	0
Overseas Banks	0	0	0	0	0	0	0
Off-Shore Banks	47,362	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>139,730,568</b>	<b>0</b>	<b>90,328,609</b>	<b>519,398,511</b>	<b>71,704,109</b>	<b>42,047,509</b>	<b>7,757,616</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	35,022,248	0	34,427,380	123,799,78	1,837,841	744,501	391,524
2) Official, Commercial and Other Institutions Deposits	19,804,110	0	1,209,915	8,662,406	17,779	36,695	1,320
3) Foreign Currency Savings	47,701,259	0	61,627,503	256,140,05	19,474,553	20,636,472	8,909,310
4) Foreign Currency Official, Commercial and Other institutions Deposits	23,071,669	0	1,811,060	15,674,164	17,971,407	28,078,015	303,576
<b>Non-Resident Accounts</b>							
1) Savings Accounts	500,031	0	270,984	3,424,110	6,915	60,793	10,300
2) Official, Commercial and Other Institutions Deposits	6,754	0	0	0	0	0	0
3) Foreign Currency Savings	4,164,388	0	4,366,255	13,577,223	9,965,270	4,738,998	2,239,554
4) Foreign Currency Official, Commercial and Other institutions Deposits	32,099,621	0	0	0	0	0	0
<b>Banks Deposit</b>							
Local Banks	87,255	0	0	0	0	0	0
Overseas Banks	0	0	0	0	0	0	0
Off-Shore Banks	65,839	0	0	0	0	0	0
Other	0	0	0	0	0	0	0
<b>TOTAL</b>	<b>162,523,17</b>	<b>0</b>	<b>103,713,097</b>	<b>421,277,74</b>	<b>49,273,765</b>	<b>54,295,474</b>	<b>11,855,58</b>

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

(Amounts unless expressed otherwise are in Turkish Lira)

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

SAVINGS ACCOUNTS	Current Period		Previous Period	
	TL	FX	TL	FX
Savings Accounts *	225,107,647	501,969,837	198,377,657	443,067,724
Other Covered Accounts	6,009,639	362,299	2,001,435	124,450
<b>TOTAL</b>	<b>231,117,286</b>	<b>502,332,136</b>	<b>200,379,092</b>	<b>443,192,174</b>

\* As per clause 11. (4) of the Banking Law deposit totalling TL 1,564,670 and FX 14,422,372 are exempt and have been deducted from savings accounts totals.

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

	Current Period		Previous Period	
	TL	FX	TL	FX
Local Transactions	0	0	0	0
Financial Institutions and Corporations	0	0	0	0
Other Institutions and Corporations	0	0	5,731,101	0
Real Persons	543,020	0	0	0
Overseas Transactions	0	0	0	0
Financial Institutions and Corporations	0	0	13,500,000	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	0	0	0	0
Medium and Long-Term	0	18,750,000	0	17,545,000

b) The Bank borrowed USD 5,000,000 subordinated 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

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

(Amounts unless expressed otherwise are in Turkish Lira)

**(b) Previous Period**

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

**(14) The Bank has not issued any securities.**

**a) Current Period**

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

**b) Previous Period**

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

**(15) a) Details of Sundry Liabilities**

	Current Period	Previous Period
Cash Value of the Securities Obtained	293,606	267,719

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	81,072,525	77,211,336
Preferential, Privileged Share Capital	0	0

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

(Amounts unless expressed otherwise are in Turkish Lira)

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

Capital System	Paid-up Capital	Ceiling of Authorized Capital
Registered Capital System	81,072,525	82,000,000

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

Date of Increase	Value of Increase	Cash Issue	Capitalised Reserves	Capitalised Revaluation Funds
26.05.2017	3,861,089	522	3,860,567	0
29.05.2017	100	100	0	0

**(d) Details of capitalized 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
T.Özyol Yatırımları Ltd.	63,492,959	%78.32	63,492,959	0
Özyol Holding A.Ş.	9,939,080	%12.26	9,939,080	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:**

Authorized share capital is made up of 20,380 'A' Shares of 10 Kr each and 81,997,962 '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	1,205,196	85,070,298	917,014	65,328,328
Revaluation Fund	0	0	0	0

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

(Amounts unless expressed otherwise are 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 commitments , and settle open 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 regading 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>							
<b>Assets</b>							
Liquid Funds (Foreign Exchange, Cash in Transit and TRNC CB Bank Balance)	233,878,715	0	0	0	0	0	233,878,715
Bank Balances	261,882,019	0	0	0	0	0	261,882,019
Securities Portfolio	49,649,200	33,358,063	21,029,888	2,507,670	4,490,900	0	111,035,721
Loans	137,494,693	15,327,386	9,112,464	2,794,065	66,879,414	0	231,608,022
Long Term Investments	0	0	0	0	42,526,715	45,355	42,572,070
Other Assets	72,936,159	1,938,501	252,716	2,830	0	127,718,348	202,848,554
<b>Total Assets</b>	<b>755,840,786</b>	<b>50,623,950</b>	<b>30,395,068</b>	<b>5,304,565</b>	<b>113,897,029</b>	<b>127,763,703</b>	<b>1,083,825,101</b>
<b>Liabilities</b>							
Bank Deposits	156,507	0	0	0	0	0	156,507
Other Deposits	753,907,803	67,828,663	27,376,437	21,697,512	0	0	870,810,415
Funds obtained from other financial institutions	543,020	0	0	0	18,750,000	0	19,293,020
Securities issued	0	0	0	0	0	0	0
Sundry Liabilities	817,482	0	0	0	0	0	817,482
Other Liabilities	8,481,698	301,388	291,290	98,064	0	183,575,237	192,747,677
<b>Total Liabilities</b>	<b>763,906,510</b>	<b>68,130,051</b>	<b>27,667,727</b>	<b>21,795,576</b>	<b>18,750,000</b>	<b>183,575,237</b>	<b>1,083,825,101</b>
<b>Net Asset Liquidity Gap</b>	<b>-8,065,724</b>	<b>17,506,101</b>	<b>2,727,341</b>	<b>-16,491,011</b>	<b>95,147,028</b>	<b>-55,811,533</b>	<b>0</b>
<b>Previous Period</b>							
Total Assets	639,525,047	23,411,566	10,090,250	26,932,046	203,496,086	104,715,878	1,008,170,873
Total Liabilities	712,872,846	79,312,815	18,883,246	21,623,337	17,545,000	157,933,629	1,008,170,873
<b>Net Asset Liquidity Gap</b>	<b>-73,347,799</b>	<b>55,901,249</b>	<b>-8,792,996</b>	<b>5,308,709</b>	<b>185,951,086</b>	<b>-53,217,751</b>	<b>0</b>

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

(Amounts unless expressed otherwise are in Turkish Lira)

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

**i) Tax:**

Bank	Current Period	Previous Period
2017 corporation and income tax provision	1,028,918	1,377,627
Taxes and withholding tax paid	78,349	0
Total Tax provision for the year	1,107,267	1,377,627
Tax brought forward from previous years	760,397	629,741
Less: Withholding tax paid in 2016 and previous years withholding tax written off	(1,867,664)	(1,246,971)
<b>Taxes Payable</b>	<b>0</b>	<b>760,397</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)	347,480,117	0	0	0	0	347,480,117
Bank Balances	476,630,293	0	8,962,776	0	0	485,593,069
Securities Portfolio	83,007,263	21,029,888	5,036,670	6,068,996	0	115,142,817
Loans	187,945,407	9,770,582	42,407,020	491,614,848	0	731,737,857
Long Term Investments	0	0	0	42,526,715	45,355	42,572,070
Other Assets	87,881,073	252,716	361,948	4,314,474	61,514,558	154,324,769
<b>Total Assets</b>	<b>1,182,944,153</b>	<b>31,053,186</b>	<b>56,768,414</b>	<b>544,525,033</b>	<b>61,559,913</b>	<b>1,876,850,699</b>
<b>Liabilities</b>						
Bank Deposits	15,181,403	0	0	0	0	15,181,403
Other Deposits	1,384,248,328	27,376,437	162,309,912	29,847,258	0	1,603,781,935
Funds obtained from other financial institutions	543,020	0	0	18,750,000	0	19,293,020
Securities issued	0	0	0	0	0	0
Sundry Liabilities	1,399,239	19,500	0	0	0	1,418,739
Other Liabilities	13,639,565	646,764	790,606	4,157,676	217,940,991	237,175,602
<b>Total Liabilities</b>	<b>1,415,011,555</b>	<b>28,042,701</b>	<b>163,100,518</b>	<b>52,754,934</b>	<b>217,940,991</b>	<b>1,876,850,699</b>
<b>Net Asset Liquidity Gap</b>	<b>-232,067,402</b>	<b>3,010,485</b>	<b>-106,332,104</b>	<b>491,770,099</b>	<b>-156,381,078</b>	<b>0</b>
<b>Previous Period</b>						
Total Assets	1,136,715,941	11,718,306	68,300,402	453,667,727	46,426,226	1,716,828,602
Total Liabilities	1,327,621,379	19,141,950	132,498,296	53,050,396	184,516,581	1,716,828,602
<b>Net Asset Liquidity Gap</b>	<b>-190,905,438</b>	<b>-7,423,644</b>	<b>-64,197,894</b>	<b>400,617,331</b>	<b>-138,090,355</b>	<b>0</b>

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

(Amounts unless expressed otherwise are in Turkish Lira)

**iii) Tax – Group;**

	<b>Current Period</b>	<b>Previous Period</b>
2017 corporation and income tax provision	1,687,979	2,409,659
Deferred tax adjustments	-207,378	288,837
Total provision	1,480,601	2,698,496
Taxes brought forward from previous years	3,897,418	1,893,259
Foreign Exchange revaluation difference	511,695	313
Withholding tax paid in 2017	-2,899,426	(2,395,715)
Deferred tax provision - 2017 net movement	1,542,690	(685,449)
Tax receivables brought forward	763,758	551,808
<b>Taxes Payable</b>	<b>5,296,736</b>	<b>2,062,712</b>

**iv) Minority Interest;**

Minority interest consists of shares with nominal value of TL 4,543,116 in Turkish Insurance Ltd. and GBP 2 million in Turkish Bank (UK) Limited.

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

	<b>Current Period</b>	<b>Previous Period</b>
Balance Brought Forward	74,164,776	74,969,988
Exchange Differences and Minority Interest adjustments	8,320,330	109,535
<b>Movements in 2017</b>		
Retained Earnings for the Year	4,599,453	6,498,939
Dividend Paid	0	0
Consolidated reserves	7,469,999	9,996
Revaluation Increases - Net	5,808,268	(1,666,921)
Capitalized Reserves	-3,860,567	(3,676,704)
<b>Year End Balance of Reserves</b>	<b>96,502,259</b>	<b>76,244,833</b>
Paid Up capital	81,072,525	77,211,336
<b>Shareholders' Funds at Year End</b>	<b>177,574,784</b>	<b>153,456,169</b>

**vi) Comparative Account Information:**

Turkish Bank (UK) Limited Adjusted deferred tax provision and balance sheet and income statement impacts on property value increases prior to 2016 are reclassified to 2016. The following accounts, which are included in the comparative figures, have been revised.

	<b>31.12.2016</b>	<b>Adjustment</b>	<b>31.12.2016 Restated Amounts</b>
Other Assets	4,929,210	-551,808	4,377,402
Taxation	2,062,712	1,944,261	4,006,973
Minority Interest	23,387,143	-416,012	22,971,131
Securities and Real Estate Revaluation Reserves	20,412,583	-2,195,017	18,217,566
Profit and Loss Account	36,056,465	114,960	36,171,425



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

(Amounts unless expressed otherwise are 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 Turkey and European Union countries, with the aim of increasing foreign exchange income without taking any foreign currency risk. Other liabilities comprise of documentary credits and guarantees given to bank customers for transactions within TRNC, Turkey and Europe.

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

	Current Period	Previous Period
Details of Non-cash Loans Opened as Security for Cash Loans		
Accounts with maturity of less than 1 year	0	0
Accounts with maturity of more than 1 year	0	0
Other off-balance-sheet liabilities	8,428,163	16,761,658
<b>TOTAL</b>	<b>8,428,163</b>	<b>16,761,658</b>

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

	Current Period		Previous Period	
	TL	FX	TL	FX
Off-Balance-Sheet Liabilities				
Letter of guarantees	2,626,680	5,238,983	4,601,299	5,844,159
Acceptances	0	0	0	0
Documentary credits	0	562,500	0	6,316,200
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>2,626,680</b>	<b>5,801,483</b>	<b>4,601,299</b>	<b>12,160,359</b>

#### (3) Commitments;

	Current Period	Previous Period
Irrevocable commitments	54,616,742	56,223,048
Revocable commitments	226,660,151	132,324,971
<b>TOTAL</b>	<b>281,276,893</b>	<b>188,548,019</b>

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

	Current Period	Previous Period
Forward FX Transactions	342,014,249	194,784,549
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>342,014,249</b>	<b>194,784,549</b>

**TURKISH BANK LIMITED**

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

(Amounts unless expressed otherwise are in Turkish Lira)

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

	Current Period	Previous Period
Interest received from Subsidiaries and Participations	0	0
Commissions and fees received from Subsidiaries and Participations	10,797	6,442

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

	Current Period	Previous Period
Interest paid to Subsidiaries and Participations	8,296	8,348
Commissions and fees paid to Subsidiaries and Participations	0	15,621

**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	504,694	0	528,467	0

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

	Current Period	Previous Period
Specific provision for non-performing loans and other receivables	1,986,640	1,517,434
For unsecured accounts	68,853	43,665
For other accounts	1,917,787	1,473,769
General provision for loans	884,924	1,125,730
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	49,825	66

## TURKISH BANK LIMITED

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

(Amounts unless expressed otherwise are in 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>	<b>Current Period</b>	<b>Previous Period</b>
Directors' emoluments	1,394,364	1,285,251
Auditors' Fees	161,240	127,600

<b>Group:</b>	<b>Current Period</b>	<b>Previous Period</b>
Directors' emoluments	3,160,399	2,594,263
Auditors' Fees	747,236	542,212



# TURKISH BANK GROUP

	CURRENT PERIOD TL ( 31/12/2017 )	PREVIOUS PERIOD TL ( 31/12/2016 )
<b>V- A) STATEMENT OF CASH FLOW</b>		
<b>I- Cash Flow From Banking Operations (Main Activities)</b>		
Interest income and similar items	78,529,833	67,670,842
Interest expenses and similar items	(30,733,929)	(29,731,514)
Dividends received	0	0
Fees and commissions received	14,145,615	13,261,335
Income from insurance business	2,005,357	1,491,046
Other income	5,257,579	4,615,262
Collections from previously written-off loans and other receivables	0	0
Personnel and administration expenses	(55,504,476)	(48,368,378)
Taxes paid	(2,899,426)	(2,395,715)
Other	(4,441,594)	(3,237,675)
<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>6,358,959</b>	<b>3,305,203</b>
<b>Changes in Operating Assets and Liabilities:</b>		
<b><u>(Increase) Decrease in Operating Assets:</u></b>		
Net (increase) / decrease in securities portfolio	(56,527,409)	13,852,862
Net (increase) / decrease in banks and loans	(74,464,652)	(19,322,721)
Net (increase) / decrease in other assets	(10,233,839)	230,015
<b><u>Increase (decrease) in operating liabilities:</u></b>		
Net increase (decrease) in deposits	24,476,069	263,294,404
Net increase (decrease) in funds borrowed	(17,483,081)	(21,489,169)
Net increase (decrease) in other liabilities	943,149	3,853,434
<b>Net Cash Provided from Banking and Commercial Operations</b>	<b>(126,930,804)</b>	<b>243,724,028</b>
<b>II- Cash Flow from Investing Activities</b>		
Cash paid for purchase of equity participations	0	0
Purchase of property and equipment	(3,256,517)	(1,381,907)
Sale of property and equipment	129	933
Purchase of Intangible Assets	(5,058,000)	(99,153)
Cash paid for purchase of investment securities	0	(2,158,864)
Sale of investment securities	34,012,538	0
<b>Net Cash (Used in) Provided from Investing Activities</b>	<b>25,698,150</b>	<b>(3,638,991)</b>
<b>III- Cash Flow from Financing Activities</b>		
Capital increase	593,289	524,524
Dividends paid	0	0
Dividends paid to minority shareholders of a subsidiary	(592,666)	(524,252)
<b>Net Cash Provided from Financing Activities</b>	<b>623</b>	<b>272</b>
<b>Effect of change in foreign currency evaluation rate of cash and cash equivalents</b>	<b>79,537,685</b>	<b>805,993</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>(21,694,346)</b>	<b>240,891,302</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>574,686,062</b>	<b>333,794,760</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>552,991,716</b>	<b>574,686,062</b>

# TURKISH BANK LIMITED

## V- B) STATEMENT OF CASH FLOW

	CURRENT PERIOD TL (31/12/2017)	PREVIOUS PERIOD TL (31/12/2016)
<b>I- Cash Flow From Banking Operations (Main Activities)</b>		
Interest income and similar items	48,059,284	43,961,133
Interest expenses and similar items	(24,586,639)	(22,786,219)
Dividend income	730,368	645,958
Fees and commissions received	6,594,834	6,516,742
Other income	845,161	1,053,193
Collections from previously written-off loans and other receivables	0	0
Personnel and administration expenses	(26,759,843)	(25,744,147)
Taxes paid	(1,867,663)	(1,246,971)
Other Collection items income	0	0
Other Paid items	0	0
<b>Operating Profit Before Changes in Operating Assets and Liabilities</b>	<b>3,015,502</b>	<b>2,399,689</b>
<b>Changes in Operating Assets and Liabilities:</b>		
<b>(Increase) Decrease in Operating Assets:</b>		
Net (increase) decrease in securities portfolio	(57,169,775)	6,713,846
Net (increase) decrease in banks	(20,056,131)	(62,064,977)
Net (increase) decrease in loans	79,114,660	4,607,737
Net (increase) decrease in other assets	(509,740)	(463,081)
<b>Increase (decrease) in operating liabilities:</b>		
Net increase in deposits	68,028,085	116,852,203
Net (decrease) in funds borrowed	(17,483,081)	(21,489,169)
Net increase (decrease) in securities issued	0	0
Net increase in other liabilities	(558,954)	2,237,179
<b>Net Cash Provided from Banking and Commercial Operations</b>	<b>54,380,566</b>	<b>48,793,427</b>
<b>II- Cash Flow from Investing Activities</b>		
Cash paid for purchase of equity participations	(620,823)	(549,404)
Cash obtained from sale of equity participations	0	0
Purchase of property and equipment	(1,483,603)	(781,629)
Sale of property and equipment	129	933
Cash paid for purchase of investment securities	0	(2,158,864)
Cash obtained from sale of investment securities	34,012,538	0
Other cash inflow	0	0
Other cash outflow	0	0
<b>Net Cash (Used in) Provided from Investing Activities</b>	<b>31,908,241</b>	<b>(3,488,964)</b>
<b>III- Cash Flow 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	622	558
Dividends paid	0	0
Other cash inflow	0	0
Other cash outflow	0	0
<b>Net Cash Provided from Financing Activities</b>	<b>622</b>	<b>558</b>
<b>Effect of change in foreign currency evaluation rate of cash and cash equivalents</b>	<b>4,595,376</b>	<b>609,295</b>
<b>Net Increase / (Decrease) in Cash and Cash Equivalents</b>	<b>90,884,805</b>	<b>45,914,316</b>
<b>Cash and Cash Equivalents at the Beginning of the Year</b>	<b>142,993,911</b>	<b>97,079,595</b>
<b>Cash and Cash Equivalents at the End of Year</b>	<b>233,878,716</b>	<b>142,993,911</b>

**TURKISH BANK LIMITED**

**VI- PROFIT APPROPRIATION TABLE**

	CURRENT PERIOD	PREVIOUS PERIOD
	TL	TL
	( 31/12/2017)	( 31/12/2016)
<b>A. APPROPRIATION OF CURRENT YEAR INCOME</b>		
1. CURRENT YEAR INCOME	5,195,108	5,985,814
2. TAXES AND DUTIES PAYABLE (-)	(1,107,266)	(1,377,627)
- Corporation tax	(391,218)	(544,993)
- Income tax	(637,700)	(832,634)
- Other taxes and duties	(78,348)	-
<b>NET INCOME FOR THE YEAR</b>	<b>4,087,842</b>	<b>4,608,187</b>
3. PRIOR YEARS' LOSSES (-)	-	-
4. LEGAL RESERVES (-)	(409,000)	(461,000)
5. OTHER STATUTORY RESERVES (-)	-	-
<b>NET INCOME AVAILABLE FOR DISTRIBUTION</b>	<b>3,678,842</b>	<b>4,147,187</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)	1,716,923	1,430,304
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>5,395,765</b>	<b>5,577,491</b>
<b>D. EARNINGS PER SHARE</b>		
1. TO OWNERS OF 'A' SHARES ( TL, % )	0,005TL(%5)	0,006TL(%6)
2. TO OWNERS OF 'B' SHARES ( TL, % )	0,05TL(%5)	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 www.turkishbank.net	(392) 600 33 33	(392) 227 94 47
Lefkoşa/Main Personal Branch	92, Girne Cad. Lefkoşa	(392) 600 33 33	(392) 229 15 53
Lefkoşa/Main Commercial Branch	92, Girne Cad. Lefkoşa	(392) 600 33 33	(392) 228 13 17
Lefkoşa/Köşklüçiftlik	Mehmet Akif Cad. Çiğir 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 38 14	(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:87/1 Önder Alışveriş Merkezi, Lefkoşa	(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/Yenikent	Belediye Bulvarı Akview Apt. No:93D, Gönyeli, Lefkoşa	(392) 223 38 53	(392) 223 39 07
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, No:2-3, 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 Rızkî 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 Enginderelli Dükkanları No.6-7, Alsancak, Girne	(392) 821 33 98 (392) 821 33 99	(392) 821 89 02
Güzelyurt	Ecevit Cad., Piyale Paşa Mah. No.3-4, Güzelyurt	(392) 714 21 98 (392) 714 42 14	(392) 714 54 54
Gemikonağı	Ecevit Cad., No:42, Gemikonağı	(392) 727 73 52 (392) 727 78 58	(392) 727 83 25
Lefke	No.3 Fadıl Nekibzade Cad., Lefke	(392) 728 75 45 (392) 728 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	577-579 Green Lanes, Harringay London N8 0RG	(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 KYRENIA**

Beşparmaklar Street  
Back Side of Düzkaya Nihat Bağcier Stadium  
Çatalköy

### **Esentepe Off Site ATM KYRENIA**

Batıbeniz Petrol Station  
İstiklal Street  
Esentepe

### **Lapta Off Site ATM KYRENIA**

Mareşal Fevzi Çakmak Street  
No:217  
Lapta

### **Alsancak Off Site ATM KYRENIA**

Atakara Super Market  
Ankara Street  
Alsancak

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

Atatürk Street  
Boğaz-İskele